Shimadzu Corporation

https://www.shimadzu.com/

Recognition from Outside Shimadzu

Index Incorporation Statuses

2024 MSCI ESG Leaders Indexes Constituent

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

FTSE Blossom Japan Sector Relative Index

JPX-NIKKEI 400

STOXX Indices by Qontigo Member 2023/2024 Platinum Career Index

S&P/JPX カーボン エフィシェント 指数

2024 Sompo Sustainability Index

Recognition/Awards/Certifications from Outside Shimadzu

MSCI ESG RATINGS AA

CCC B BB BBB A AA AAA

2023 健康経営銘柄 Health and Productivity

2024 健康経営優良法人 Health and productivity ホワイト500

NADESHIKO BRAND 2022

DIVERSITY MANAGEMENT SELECTION 100 2019

ECO FIRST

Shimadzu Participation in Key Initiatives

WE SUPPORT UN GLOBAL COMPACT

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

RE100 CLIMATE GROUP | CDP

JAPAN CLIMATE INITIATIVE

CLOMA

30by30

The following web page includes information about the topics listed below.
https://www.shimadzu.com/sustainability/evaluation.html#06

Current Initiative Participation by Shimadzu

240930

Shimadzu Integrated Report 2024

SHIMADZU
Excellence in Science

P010-E661

Shimadzu Integrated Report 2024

Editorial Policy

The Shimadzu Integrated Report 2024 is a summary of financial information and non-financial information, such as management strategies and business/sustainability activities, for the year ended March 2024.
In order to help stakeholders better understand Shimadzu Group measures for increasing corporate value, this report was prepared based on the five business strategies, the seven measures for strengthening the management foundation, and the ESG key policies specified in the medium-term management plan.
Shimadzu remains committed to valuing the importance of maintaining a dialogue with stakeholders and earnestly addressing stakeholder views and requests.

Financial Information (Financial Capital)		Non-Financial Information (Human Capital, Intellectual Capital, Manufacturing Capital, Social and Related Capital, and Natural Capital)
Earnings reports and financial position presentation documents	 Shimadzu Integrated Report 2024	Medium-term management plan and business presentation materials
Data book		Reports related to corporate governance
Annual securities report (financial data)		Annual securities report (non-financial data)

Publishing Date	Published in September 2024
Reporting Periods	Financial Information: From April 1, 2023 to March 31, 2024
	Non-Financial Information: As appropriate
Reporting Organizations	Shimadzu Corporation and Shimadzu Group companies
Disclosure Policy	This report is provided in an effort to disclose information in a timely manner, in accordance with the Disclosure Policy specified by Shimadzu. For more details, refer to the website. https://www.shimadzu.com/sustainability/approach/stake_holder/disclosure.html

Notes about Future Prospects

The business plans, strategies, and forecasts stated in this report are based on currently available information and are subject to risks and uncertainties. Please note that actual results may differ substantially from projected results, due to changes in economic conditions, market trends, or other factors.

Web Information for Investors
https://www.shimadzu.com/ir/

Web Sustainability
https://www.shimadzu.com/sustainability/

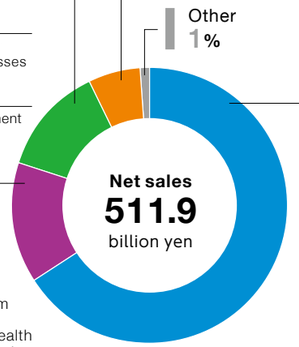
The most recent information is available posted on the web pages shown above.

Contents

Business Overview

The Shimadzu Group strives to build a more prosperous society by using exceptional science and technology to contribute to progress in a wide range of industries, such as pharmaceuticals, healthcare, environmental, energy, semiconductors, and materials.

Ratio of Net Sales by Business Segment



Industrial Machinery Business
13%


Turbomolecular Pump

These high-performance key components support advanced manufacturing and help promote industrial development.

Key Products	Turbomolecular pump, hydraulic equipment, industrial furnace
Main Applications	Generating vacuum environments for semiconductor manufacturing processes Motive power source for industrial vehicles, etc.
Users	Semiconductor manufacturing equipment manufacturers, industrial vehicle manufacturers, etc.

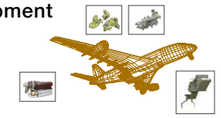
Medical Systems Business
14%


Angiography System

Contributes to maintaining and improving the health of people by offering medical systems for supporting accurate diagnoses.

Key Products	Angiography system, fluoroscopy system, general radiography system
Main Applications	Diagnostic X-ray imaging for pneumonia, bone fractures, etc. Catheterization support for cardiovascular or cerebrovascular diseases
Users	Hospitals and clinics

Aircraft Equipment Business
6%



This business supplies cutting-edge aircraft equipment to help ensure safety, improve comfort, and reduce stress.

Key Products	Flight control system
Main Applications	Controlling the aircraft attitude, etc.
Users	Japan Self-Defense Forces, aircraft manufacturers, etc.

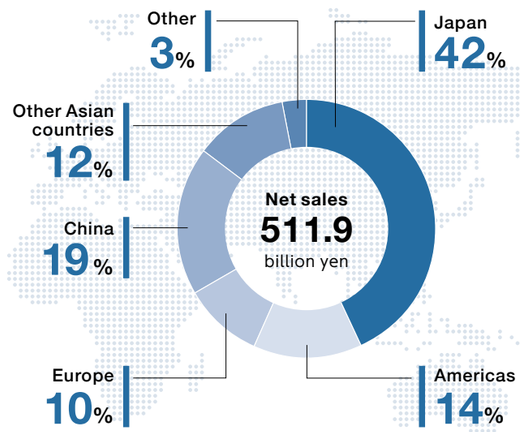
Analytical & Measuring Instruments Business
66%


High-Performance Liquid Chromatograph Mass Spectrometer System

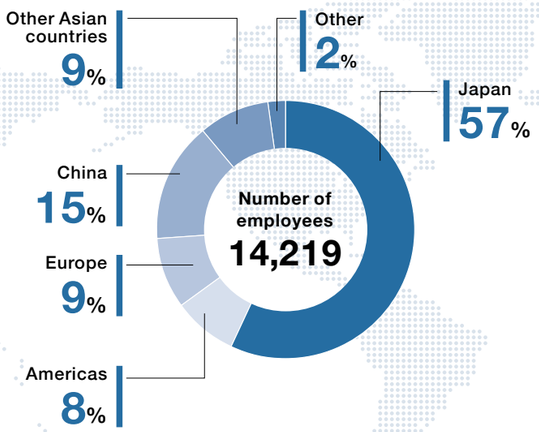
Supports research, technology development, and quality control in a variety of fields, including pharmaceuticals, foods, and materials by offering high-performance analytical instruments.

Major Products	Liquid chromatograph, mass spectrometer system, spectrometer, environmental monitoring instrument, testing machine
Main Applications	Quality control in food and pharmaceutical industries, early testing or drug development for diseases, environmental testing for water, air, or other pollution, strength evaluation of various materials, and non-destructive observation of industrial products
Users	Manufacturers of pharmaceuticals, foods, materials, energy, automobiles, industrial machinery, etc., research institutions, and government/academic institutions

Ratio of Net Sales by Region

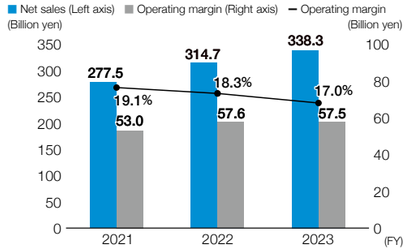


Ratio of Number of Employees by Region

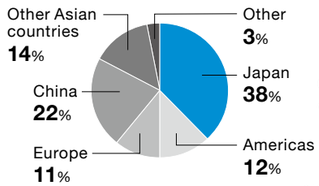


Analytical & Measuring Instruments Business

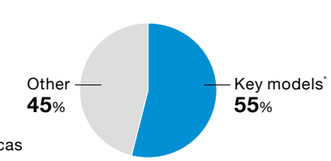
Net Sales/Operating Income/Operating Margin



Sales Ratio by Region



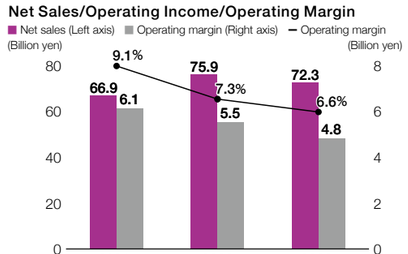
Sales Ratio by Model



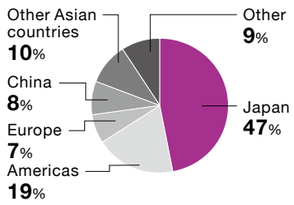
* Key models: Liquid chromatographs, mass spectrometer systems, and gas chromatographs

Medical Systems Business

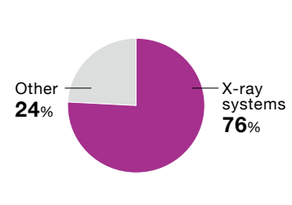
Net Sales/Operating Income/Operating Margin



Sales Ratio by Region

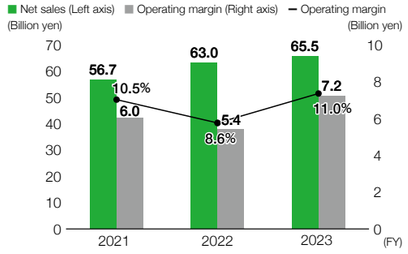


Sales Ratio by Model

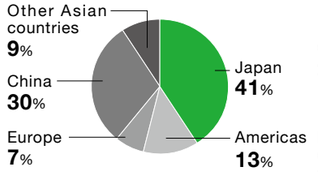


Industrial Machinery Business

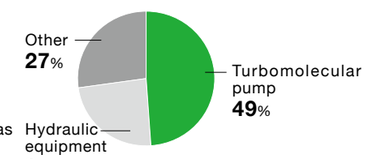
Net Sales/Operating Income/Operating Margin



Sales Ratio by Region

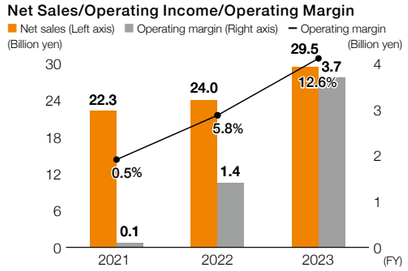


Sales Ratio by Model

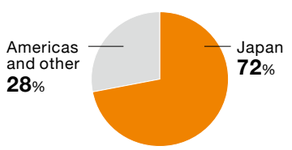


Aircraft Equipment Business

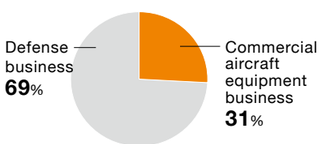
Net Sales/Operating Income/Operating Margin



Sales Ratio by Region



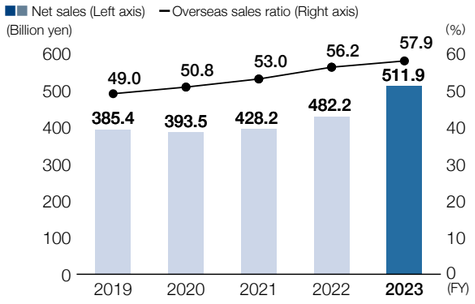
Sales Ratio by Model



Financial and Non-Financial Highlights

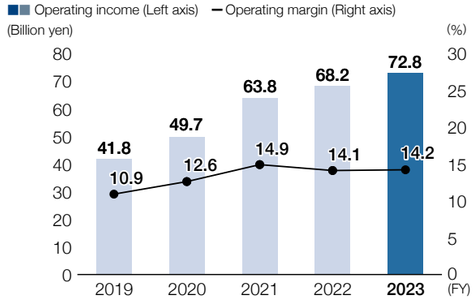
Financial Information

Net Sales/Overseas Sales Ratio



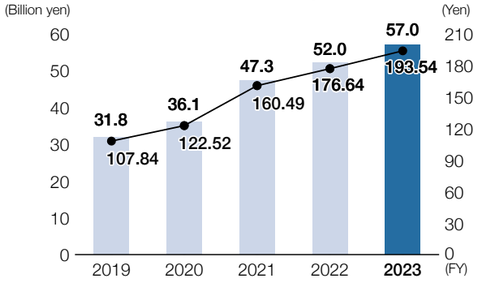
Net sales increased 6% (year-on-year) to 511.9 billion yen, exceeding 500.0 billion yen for the first time and achieving record sales for the fourth consecutive year.

Operating Income/Operating Margin



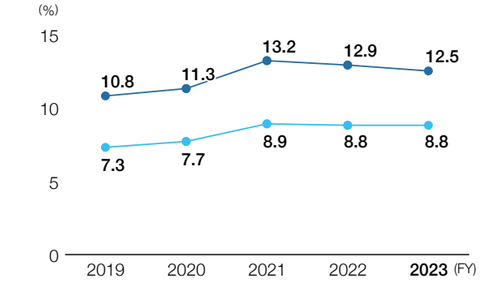
Operating income increased 7% to 72.8 billion yen, achieving record operating income for the fourth consecutive year, due to improving profitability while also actively investing in growth, such as investing in human capital, R&D, and capital equipment.

Profit Attributable to Owners of Parent/Profit per Share (EPS)



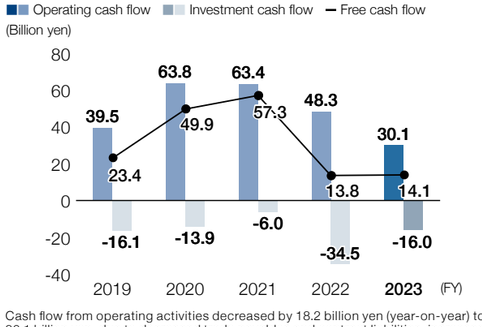
Profit was 57.0 billion yen and earnings per share (EPS) was 193.54 yen, breaking previous records for the fourth consecutive year due to increased operating income and other factors.

ROE／ROA



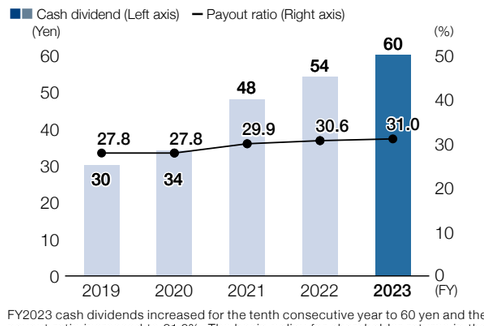
Despite record profit, ROE decreased by 0.4 points (year-on-year) to 12.5% and ROA remained unchanged (year-on-year) at 8.8%.

Operating Cash Flow/Investment Cash Flow/ Free Cash Flow



Cash flow from operating activities decreased by 18.2 billion yen (year-on-year) to 30.1 billion yen, due to decreased trade payables and contract liabilities, increased inventory levels, and other factors. Cash flow from investing activities resulted in a 16.0 billion yen expenditure due to capital equipment investments. Consequently, free cash flow was 14.1 billion yen.

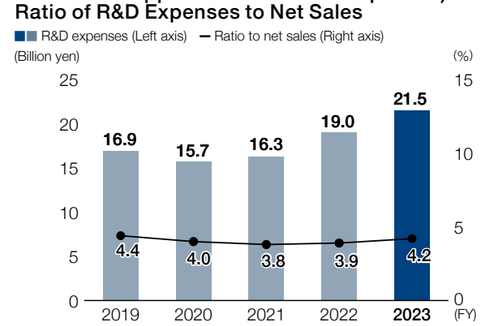
Dividend/Payout Ratio



FY2023 cash dividends increased for the tenth consecutive year to 60 yen and the payout ratio increased to 31.0%. The basic policy for shareholder returns in the medium-term management plan (FY2023 to 2025) is to maintain payout ratios of at least 30% with continuing dividend increases.

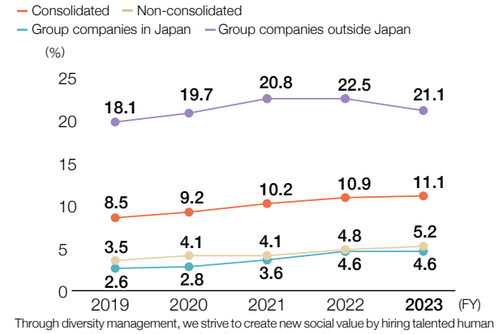
Non-Financial Information

R&D Expenses (Testing and Research Expenses + Industrial Application Research Expenses)/ Ratio of R&D Expenses to Net Sales



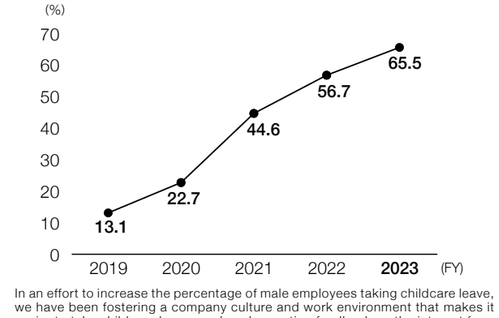
R&D expenses increased by 2.5 billion yen (year-on-year) to 21.5 billion yen. Given that 73.0 billion yen of investments are specified in the medium-term management plan (FY2023 to FY2025), we will continue to actively implement R&D activities in the future.

Percentage of Female Workers in Management Positions



Through diversity management, we strive to create new social value by hiring talented human resources without regard for nationality or gender and by providing fair support and working environments to create innovation. The percentage of female managers in the consolidated Shimadzu Group increased by 0.2 points (year-on-year) to 11.1% in FY2023.

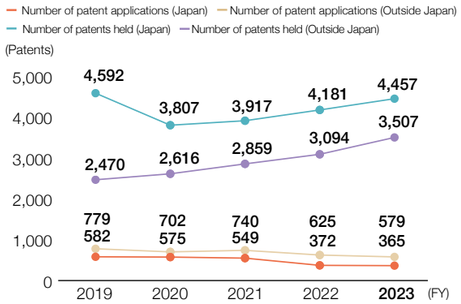
Percentage of Male Employees Taking Childcare Leave (Non-Consolidated)



In an effort to increase the percentage of male employees taking childcare leave, we have been fostering a company culture and work environment that makes it easier to take childcare leave, such as by posting feedback on the intranet from male employees who have taken childcare leave. The success of such efforts is also reflected in the data indicated above.

Note: "Number of employees who took childcare leave in the fiscal year" / "Number of employees whose spouse gave birth in the fiscal year" (calculated as the ratio of taking childcare leave, etc., under Article 71-4-1 of the "Enforcement Regulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (1991 Ministry of Labor Ordinance No. 25))

Number of Patent Applications/Number of Patents Held



The number of patents held increased by 689 to 7,964 patents. In the future, we intend to acquire more patents based on our basic policy of creating new value based on intellectual property generated from research and development.

*1 The number of patents held temporarily decreased in FY2020 due to taking stock of patents with low probability of being used in products.

*2 The basis for the number of patent applications outside Japan was changed from the total number of inventions in FY2020 to the cumulative number of patent applications in all countries in FY2021.

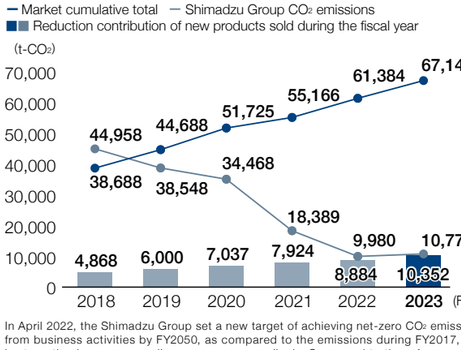
Wage Difference between Male and Female Employees

FY2023	Management	General Employees	Regular Employees	Non-Regular Employees	All Employees
Non-Consolidated	99.8%	80.3%	72.4%	45.1%	65.4%
Consolidated	95.7%	75.8%	71.2%	55.3%	68.8%

Wages are determined based on job responsibilities, abilities, and other criteria that are the same regardless of gender.

Note: Wage data includes data from subsidiaries outside Japan. Definitions and calculation methods are compliant with "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64, 2015).

Shimadzu Group CO_2 Emissions and CO_2 Reduction Contribution



In April 2022, the Shimadzu Group set a new target of achieving net-zero CO_2 emissions from business activities by FY2050, as compared to the emissions during FY2017, and is strengthening corresponding measures accordingly. Compared to the reference year (FY2017), CO_2 emissions during FY2023 decreased by 78.2% to 10,778 t-CO_2, due to changing electric power supplies to electricity generated from renewable energies.

Note: CO_2 reduction contribution is the amount of CO_2 emissions reduced by customers through the use of our products. Calculated using the formula "CO_2 reduction contribution = CO_2 emissions from conventional products (tons/year) - CO_2 emissions from new products (tons/year)"

Message from the President

Achieving Sustainable Growth by Contributing to Solving Challenges in Society Based on a Spirit of "Excellence in Science" and "Best for Our Customers"

In March 2025, Shimadzu Corporation will celebrate its 150th anniversary since the company was founded. The reason Shimadzu was able to keep contributing to society during that long 149-year period was our approach of addressing societal challenges and problems that customers want to solve, while consistently taking on new challenges. By continuously challenging ourselves to develop key devices for manufacturing and developing new technologies, we have accumulated a diverse range of technologies. This treasure trove of innovations allows Shimadzu to quickly provide solutions to customer challenges.

In the future as well, the key to the Shimadzu Group achieving sustainable growth and planetary health will be to continue challenging ourselves to solve challenges in society based on a spirit of "Excellence in Science" and to keep striving to provide the "Best for Our Customers." Customer needs are currently shifting from physical products to data/solutions. Therefore, in the medium-term management plan that started in FY2023, we specified implementing end-to-end solutions that include pretreatment systems, automation systems, consumables, and control/data analysis software based on a business model of supplying the data that customers truly require. The plan also specifies four areas of focus for Shimadzu Group efforts: healthcare, green transformations (GX), materials, and industry. Accordingly, we have started shifting toward capabilities to better identify and address the true needs and frustrations of customers in those specific areas.

Progress in Achieving First Year Targets of Medium-Term Management Plan and Future Outlook

Despite actively investing in growth during the first year of the medium-term management plan (hereinafter "medium-term plan"), we achieved record results due to favorable exchange rates and other factors. Contributions from India and Europe sufficiently offset the impact of worsening market conditions in China, which was not anticipated when the medium-term plan was prepared. While some growth strategies and management reinforcement measures were successfully implemented as planned, others highlighted areas needing improvement. A particular concern is the Med-Tech business. Unlike typical fields, releasing products and services in clinical fields requires special approvals in each country. Unfortunately, both the development and approval processes are taking longer than expected, so we will accelerate those processes by modifying strategies and bolstering human resources.

For the second year of the medium-term plan, we will implement organizational reforms to a greater extent than before, based on a business model of supplying data that customers truly need. First, given that those reforms should be implemented beginning with sales units, which are the organizations closest to customers, we integrated them into the Sales & Marketing Division in April 2024. The intention is to expand the scope of one-stop services offered by promoting partnerships across divisional and regional boundaries. Next, following the sales reforms, we will also implement manufacturing organizational reforms and prepare for transitioning to a division-based organization, aiming for enhancing global strategies and improving manufacturing efficiency.

In North America, where we have been focusing particular efforts, we will utilize the R&D Centers opened in April 2024 to identify cutting-edge needs of leading global customers. Based on their needs, we will repeat a cycle of creating prototypes and maintaining a dialogue with local customers and build capabilities to solve challenges locally in North America. This will involve targeted investments, including in human resources.

We will also create and develop new businesses in healthcare fields, such as pharmaceuticals, foods, and Med-Tech; in green transformation and materials fields, such as organofluorine compounds (PFAS), batteries, EVs, hydrogen, and ceramics; and in industrial fields, such as semiconductor manufacturing.

Yasunori Yamamoto

June 2024
Representative Director, President

Career Overview

Apr. 1983	Joined Shimadzu Corporation
Oct. 2003	Coordination Manager, Testing Machines Business Unit, Analytical & Measuring Instruments Division
Jun. 2013	President, Shimadzu Europa GmbH (Germany)
Jun. 2014	Corporate Officer
Jun. 2017	Managing Executive Officer
Jun. 2017	In Charge of Manufacturing, Information System, and CS Management
Jun. 2017	Deputy Director in Charge of Technology Research
Apr. 2020	In Charge of Corporate Strategy Planning and Corporate Communications
Jun. 2020	Director, Member of the Board
Apr. 2021	Senior Managing Executive Officer
Apr. 2021	CFO
Apr. 2022	President and Representative Director (current)
Apr. 2022	CEO (current)

Message from the President

Business Portfolios

Currently, the Shimadzu Group portfolio includes businesses in four segments, which are analytical and measuring instruments, medical systems, industrial machinery, and aircraft equipment. Of those segments, the analytical and measuring instruments segment is designated as a key business for achieving global growth through additional investments. The aircraft equipment segment is defined as a business for reorganization, whereas the other two segments —medical systems and industrial machinery—will be strengthened. However, improving profit margins is an urgent challenge for both segments, so measures to increase operating margins will be implemented in the short term.

The medical systems segment is especially important in terms of fulfilling the Shimadzu Group mission of "Contributing to Human Life and Well-Being." Particularly in the near future, pressures to reduce medical expenses and reforms in physician working practices are expected to reduce the time physicians can spend treating patients. Consequently, we think there will be a global need to discover diseases sooner, before pathogenic onset and worsening of symptoms, and treat them more quickly. The Shimadzu Group already offers solutions that combine medical diagnostic imaging systems with analytical & measuring blood testing instruments for newborn mass screening, performed to investigate the probability of congenital disorders occurring during the neonatal stage or to prevent/diagnose osteoporosis. Looking ahead, we intend to also offer additional end-to-end solutions for ultra-early detection based on a combination of analytical & measuring instrument and medical system technologies. Meanwhile, we will increase the profit margin of the medical systems segment by using AI image analysis and other diagnostic imaging transformations based on AI/IoT technologies to offer new solutions with higher added value. Of course, we will also strengthen businesses with recurring revenues, which are important to customers and the Shimadzu Group.

For the industrial machinery segment, turbomolecular pumps, which are designated as a key model, have already achieved the largest market share of the semiconductor manufacturing equipment market, so we will invest additional management resources in order to also develop other non-semiconductor markets. Meanwhile, one issue for the hydraulic equipment business is low operating margins. We will improve profitability by strengthening high-value-added products for markets in Europe and the United States and by expanding sales of high-value-added products only available from the Shimadzu Group, such as highly silent gear pumps for the expanding EV forklift demand or the new e-Hydro line of combining hydraulic unit and motor products.

Continuing Corporate Cultural Reforms

We will reinforce Group governance by integrating monitoring, risk management, and internal controls based on the basic policy "prioritize compliance above all else." In our current efforts of building three lines of defense (business divisions, administrative departments, and auditing departments) for the overall Group, we have largely completed the foundational aspects. However, when it comes to building solid governance systems for the entire Shimadzu Group, including organizations outside Japan, I think we are still only about half-way there. Given that the Shimadzu Group includes a large number of subsidiaries compared to other companies our size, it is challenging to allocate governance experts to smaller subsidiaries. To address this, we will improve the effectiveness of governance by merging some subsidiaries to create larger, more manageable entities. Two subsidiaries were merged in FY2023 and similar mergers will also continue in the future. Outside Japan, we will also designate regional headquarters in charge of regional governance, enhance their corporate functions, and establish capabilities for auditing and supervising subsidiaries in their assigned region.

I am confident that if employees work together, we can nip any compliance violations in the bud. We intend to continue team learning workshops on compliance in order to create a culture where employees feel free to say what they want to each other.

Achieving Dreams by Repeatedly Taking on Challenges and Failing

The Shimadzu Group is actively pursuing businesses aimed at achieving planetary health. When each employee and customer has their own ideas and dreams that attract people who sympathize with those ideas and dreams and begin taking them on as new challenges. Of course, not all attempts will be successful, and some will fail. However, I believe that such failures are invaluable treasures for both the company and the individuals involved. Therefore, I often encourage employees to take on more challenges in order to accumulate both successes and failures. In contrast, business processes now involve more people and offer less individual discretion than in the past, which I fear may be leading to smaller dreams. To visualize bigger dreams, I believe we need to expand the range of individual discretion.

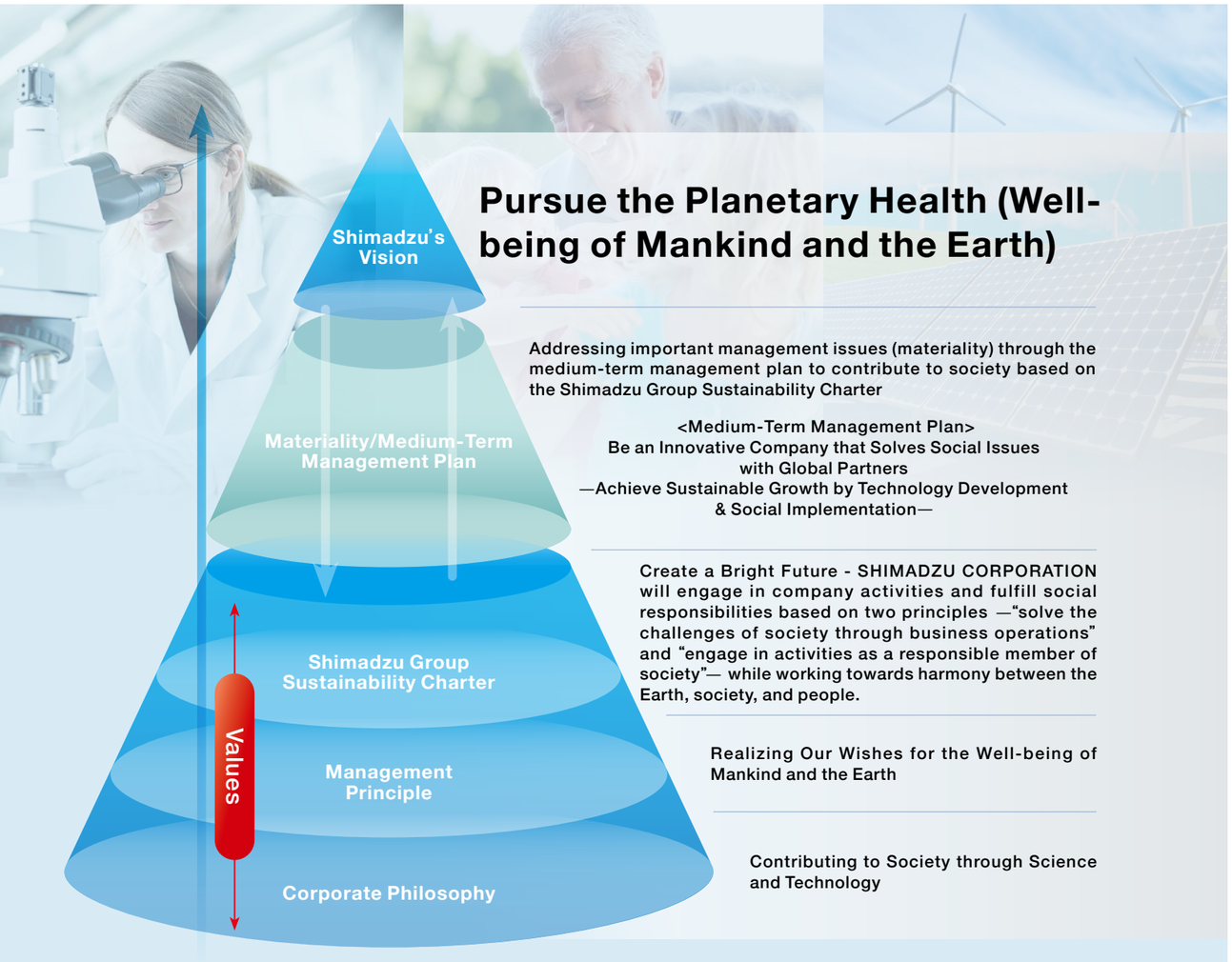
People live life moving toward the future. No one lives their life moving toward the past.

When looking toward the future, each person has their own ideas and dreams. I want Shimadzu to become a company that helps achieve such dreams by mutually expressing, sympathizing with, and working to achieve those dreams.

Therefore, I ask stakeholders to continue providing support and understanding as we take on new challenges to achieve our dreams.

Story of Sharing Values and Collaboration

Shimadzu's Values



Ever since the company was established in 1875, Shimadzu has used the technologies and expertise cultivated through business activities to earn the trust of customers, shareholders, suppliers, employees, local community members, and other stakeholders by diligently striving to achieve sustainable growth and progress for businesses and society.
As our business environment becomes increasingly complex and the future becomes increasingly difficult to predict, new risks, such as the increase in natural disasters associated with climate change and the rapid price increases for natural resources and energy associated with geopolitical risks, have emerged. Such risks can have a major impact on the sustainability of people's lives, society, and businesses.

Given such circumstances, Shimadzu has established a Shimadzu Group Sustainability Charter based on the Shimadzu corporate philosophy "Contributing to Society through Science and Technology" and the management principle "Realizing Our Wishes for the Well-being of Mankind and the Earth." We have been engaged in sustainability management, mainly in terms of solving the challenges of society through our business operations.
Shimadzu will remain committed to achieving a sustainable society by collaborating with partners worldwide to address global societal challenges, with the aim of creating a bright future and building corporate value.

Sustainability Management

Review of Shimadzu Group Sustainability Charter (revised in April 2023)

In April 2023, Shimadzu Corporation reviewed and revised the Shimadzu Group Sustainability Charter (hereinafter "Charter"). To update the sustainability management measures that are based on the Charter created in 2021, revisions were discussed by the Shimadzu Group Sustainability Meeting and finalized by the Board of Directors.

[Key Revisions]
- Sustainability management policies were redefined (illustrated below).
- Identified challenges in society were updated.
- Measures for improving the "well-being of the Earth" were expanded/improved.
- Measures for human resources were expanded/improved.

Shimadzu Group Sustainability Charter

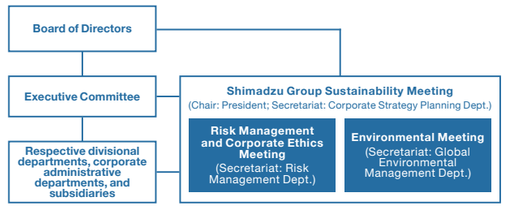
[Vision]
- Create a Bright Future — SHIMADZU CORPORATION will engage in company activities and fulfill social responsibilities based on two principles — "solve the challenges of society through business operations" and "engage in activities as a responsible member of society" — while working towards harmony between the Earth, society, and people.
- Strive to "contribute to human life and well-being," "contribute to the well-being of the Earth," and "achieve industrial development and a safe and secure society."

[Basic Policy]
- Endorse the United Nations Global Compact as a member of global society and engage in achieving its sustainable development goals (SDGs).
- To solve challenges in society, promote broad adoption of Shimadzu science and technology in society, establish systems for supporting the Shimadzu Group foundation, and improve capacities.
- To earn the trust of stakeholders, disclose information about sustainability management in a timely, appropriate, and fair manner, and practice building relationships through dialogue.

<Three Policies of Shimadzu Sustainability Management>

Organization for Implementing Sustainability Management

The Shimadzu Group Sustainability Meeting has been established for promoting sustainability management at Shimadzu. The Meeting consists of the Shimadzu Chairman, President, administrative corporate executive officers, Audit & Supervisory Board members, divisional general managers, corporate administrative department general managers, representatives from affiliated companies in and outside Japan, and others. The Corporate Strategy Planning Department serves as the secretariat for the Meeting. Meeting results are reported to the Board of Directors, and recommendations for promoting and deploying sustainability management practices are provided by members of the Board of Directors and Audit & Supervisory Board.



Organization	Role	Frequency of Meetings	Responsible Person
Board of Directors	The Board of Directors is responsible for decision-making and oversight of important business execution related to sustainability management, including the Shimadzu Group Sustainability Meeting.	Once a month	Chairman
Executive Committee	The Executive Committee is responsible for accurate and prompt business execution through deliberations and reports on sustainability management.	Three times a month	President
Shimadzu Group Sustainability Meeting <Specialized Committees> ・Risk Management and Corporate Ethics Meeting ・Environmental Meeting	The Shimadzu Group Sustainability Meeting is the highest deliberative body for sustainability management. Key issues, implementation policies, plans, and KPIs are discussed and progress is monitored. For particularly important areas of compliance, risk management, and environmental management, specialized committees have been established to discuss and report on more specialized issues and themes.	Twice a year	President

Sustainability Management

Materiality Selection Criteria and Processes

The processes for selecting material issues (materiality), which are important issues for Shimadzu sustainability management, are described below.

1. Identification
2. Evaluation
3. Decision

Identify societal challenges related to achieving the specified vision.
- Relevance to corporate philosophy and management principle
- Relevance to Shimadzu business areas and value chains

Rank the priority of topics based on two evaluation parameters (double-materiality).
- Impact of Shimadzu activities on society
- Effect on Shimadzu corporate value

Material issues (materiality) and the corresponding measures are decided by the Shimadzu Group Sustainability Meeting or through the process of establishing the medium-term management plan.

Material Issues (Materiality) for the Shimadzu Group

Shimadzu has defined 7 material issues (materiality). The topics to be addressed for each materiality are linked to the medium-term management plan through the Shimadzu Group Sustainability Management Implementation Policy.

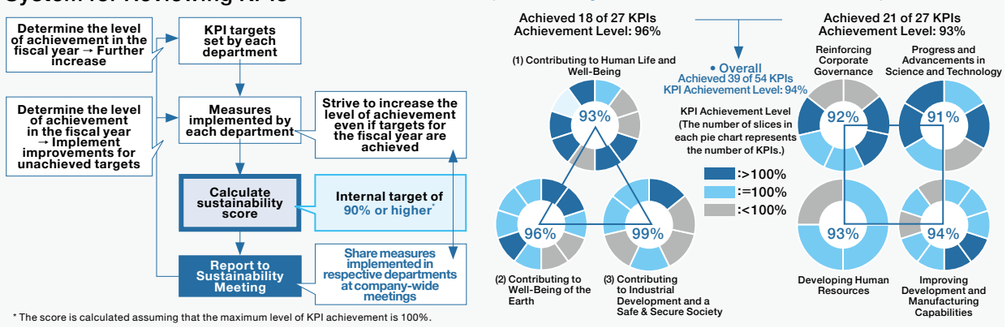
Topics Contributing to Business		Management and Technology-Related Basic Topics
E: Environment	**Contributing to Well-Being of the Earth** (Green Transformation)	(Decarbonization, Circular Economy, Biodiversity, Pollution Prevention)
S: Society	**Contributing to Human Life and Well-Being** (Med-Tech, Healthcare, Pharmaceuticals, Health Foods)	(Employee Health and Safety)
	Contributing to Industrial Development and a Safe and Secure Society (New Materials, Industrial Innovation)	(Product Quality, Safety)
	Progress and Advancements in Science and Technology	(Patents, R&D, Standardization)
		Improving Development and Manufacturing Capabilities (Innovation Management System, Digital Transformation, SCM, BCM)
		Developing Human Resources (Engagement, Skills Development, DE&I, Female Empowerment)
G: Governance		**Reinforcing Corporate Governance** (Group Management, Compliance, Human Rights, Risk Management, IT Security)

Setting and Assessing Materiality-based KPIs

Each year Shimadzu sets KPIs for each of the materiality topics and assesses the results in the Shimadzu Group Sustainability Meeting. Assuming that challenging KPIs are set each year, the target value for the Shimadzu Sustainability Score, which is the average KPI achievement rate, is set to 90%.

In FY2023, the Shimadzu Sustainability Score for 54 KPIs specified for 7 material issues (materiality) exceeded the target value of 90%.

System for Reviewing KPIs



Key Criteria and KPIs for FY2023

	Materiality	Topics (Partial List)	Related Topics in Medium-Term Management Plan	FY2023 KPIs	FY2023 Results (sales values indexed assuming 100 for FY2022)
E: Environment	Contributing to Well-Being of the Earth	Contributing to business in green domain	Strengthen key businesses (LC, MS, GC, Testing Machine, and TMP)	Expansion of Green-related sales	122
			Promote environmental management	Contribution to reducing CO_2 emissions from Shimadzu product use (Target 10,000 t-CO_2)	10,400 t-CO_2
				Sales ratio of Eco-Products Plus products (21%)	21%
		Reducing the environmental impact of business activities	Promote environmental management	CO_2 emissions from business activities (target: max.12,000 t-CO_2)	10,800 t-CO_2
				Ratio of renewable energy usage in annual electricity consumption (85%)	85%
S: Society	Contributing to Human Life and Well-Being	Contributing to business in healthcare domain	Strengthen key businesses: LC, MS, GC, and Med-Tech Expand overseas businesses Strengthen & expand businesses with recurring revenues	Sales in pharmaceutical fields	110
				Sales of Med-Tech business	91
		Promoting Group health management	Promote health management	Number of employees participating in health promotion events (target: 6,000)	6,332
	Contributing to Industrial Development and a Safe and Secure Society	Contributing to business in industry domain	Strengthen key businesses: TMP	Turbomolecular pump (TMP) sales	103
	Improving Development and Manufacturing Capabilities	Strengthening global manufacturing capabilities	Expand global manufacturing capabilities	Increase in resilience of supply chains for manufacturing subsidiaries outside Japan (target local procurement ratio: 64%)	66%
	Progress and Advancements in Science and Technology	Improving science/ technology and expanding basic technology research	Strategize international standardization / reinforce regulatory response	Use of IP landscaping to support creating the strategies for new businesses and new products	47
	Developing Human Resources	Training global leaders	Human resource strategy: realizing "leadership & diversity"	Number of business leaders trained (700)	817
				Number of advanced experts trained (18)	18
		Promoting diversity management		Percentage of female managers	Consolidated: 11% Non-consolidated: 5.3%
G: Governance	Reinforcing Corporate Governance	Reinforcing Group governance	Reinforcing corporate governance	Applying the Shimadzu Group Management Basic Regulation in actual practice	100% of Group companies notified of regulations
		Promoting risk management throughout the entire supply chain		Percent implementation of CSR self-assessment and supplier communication	96%

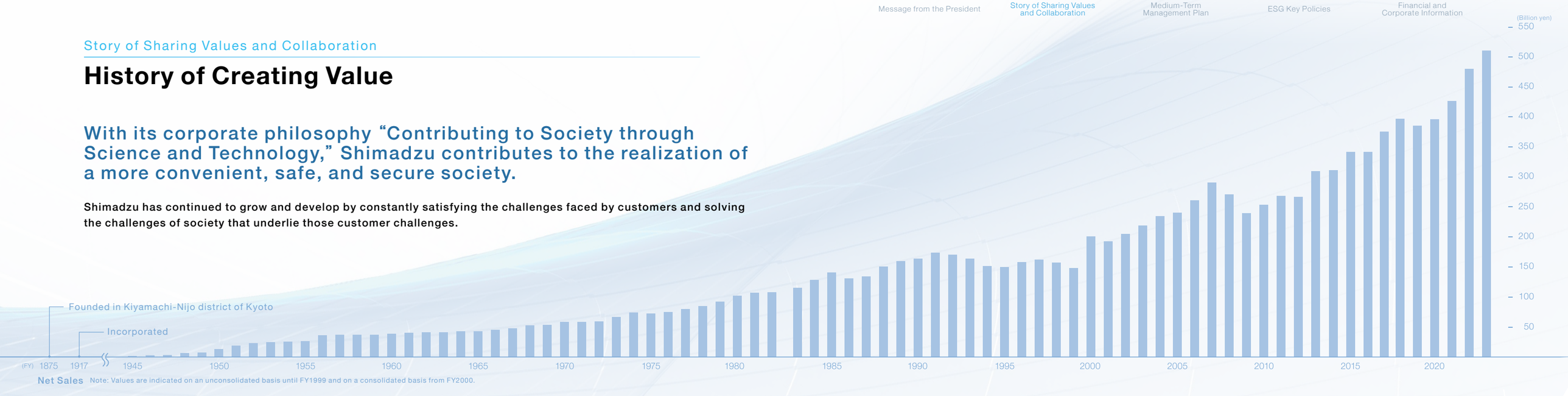
Blue: Topics contributing to business
Green: Management and technology-related basic topics

Story of Sharing Values and Collaboration

History of Creating Value

With its corporate philosophy “Contributing to Society through Science and Technology,” Shimadzu contributes to the realization of a more convenient, safe, and secure society.

Shimadzu has continued to grow and develop by constantly satisfying the challenges faced by customers and solving the challenges of society that underlie those customer challenges.



Note: Values are indicated on an unconsolidated basis until FY1999 and on a consolidated basis from FY2000.

Modernization in the Late 19th Century

- Introduction of Modern Science from outside Japan
- Changing to a Modern Lifestyle

1882

Widespread Use and Advancement in Physics and Chemistry Instruments

Supplied state-of-the-art educational equipment

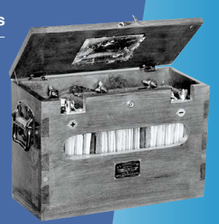
The Science Equipment Catalog List published in 1882 features 110 types of physics equipment.

1897

Need for Reliable Power Supplies

Started industrial production of storage batteries

We were commissioned by Kyoto Imperial University to create prototype storage batteries, as there was a dependence on imported products at that time. In 1904, we successfully produced stationary storage batteries.

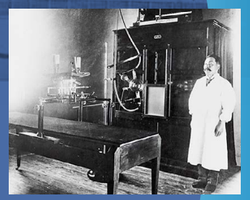


1909 — First in Japan

Advancement and Widespread Use of Medical Devices

Completed a medical X-ray device

In 1909, Shimadzu completed the first medical X-ray system made in Japan. Two years later, Shimadzu manufactured large X-ray systems that used an AC power supply, which were delivered to the Japanese Red Cross Otsu Hospital and made Shimadzu the leader in the dawn of medical X-ray systems in Japan.



Recovery after World War II

- Establishment of Medical Infrastructure
- Advancement of the Petrochemical Industry

1956 — First in Japan

Growth of the Oil Refining Industry

Developed a gas chromatograph

Shimadzu completed the first gas chromatograph in Japan. The following year, we successfully commercialized it and delivered it to domestic petroleum companies as an advanced product. This equipment was also exhibited at the Chemical Society of Japan, attracting attention and contributing to the development of Japan's burgeoning petrochemical industry.

1961 — First in the world

Reduction of Radiation Exposure

Developed a remote-controlled X-ray fluoroscopy system

By implementing operations in a separate room, we were able to reduce the radiation exposure of physicians and radiologic technologists.

1967

Improved Automobile Safety

Manufactured our first fatigue testing machine, which was delivered to an automobile manufacturer

We developed a driving simulator in response to the request from an automotive manufacturer. The simulator allowed for accelerated playback of driving data, enabling acceleration tests and contributing to the efficiency of durability improvement tests.

Economic Miracle

- Advancement of the Automotive Industry
- Advancement of the Pharmaceutical Industry through the Enhancement of the Medical Care Insurance System

1978 — First in Japan

Safety and Efficacy of Pharmaceuticals

Completed a modular liquid chromatograph system

By adopting a new pump technology that was not available in the Japanese market at the time, we were able to significantly improve the analysis accuracy and operability. The adoption of a modular structure enabled us to meet various requirements. This contributed to the pharmaceutical industry's research and development activities in ensuring the safety and efficacy of pharmaceutical products.

2002

Koichi Tanaka Awarded the Nobel Prize in Chemistry

The developed soft laser desorption ionization method enables the ionization of large biomolecules such as proteins without damaging them, allowing for precise mass analysis. This method has been utilized in various applications, including early disease detection and drug development.

2010 — First in Japan

Advancement of Clinical Laboratory Medicine

Developed Japan's first high-end liquid chromatograph

As a leading company in high-performance liquid chromatograph mass spectrometers, we have been expanding the use in clinical fields such as newborn mass screening and drug kinetics monitoring in blood samples.

QOL Improvements

- Promoting Science and Technology to Extend a Healthy Life Expectancy

2020

Response to COVID-19 Pandemic

Developed a fully automatic real-time PCR testing system and novel coronavirus detection kits

By automating and streamlining the entire process of PCR testing, including sample preparation, measurement, and analysis, we have greatly improved the efficiency and speed of PCR testing workflows.

2021 — First in the world

Support for Breast Cancer Diagnosis and Dementia Research

Developed a TOF-PET System for Head and Breast Diagnosis

It offers a painless examination without compressing the breast, contributing to breast cancer diagnosis and treatment. Additionally, this device can also perform brain scans, making it valuable for cognitive research and studies on dementia.

2023

Creating Innovation in Food and Health

Developed One of the Smallest Gas Chromatograph Mass Spectrometers in the Industry

The high sensitivity, high durability, and easy maintenance are ideal for a wide range of applications, from analyzing functionally beneficial components or residual pesticides in foods to analyzing drugs, chemicals, or environmental samples.

Story of Sharing Values and Collaboration

Cultivated Strengths

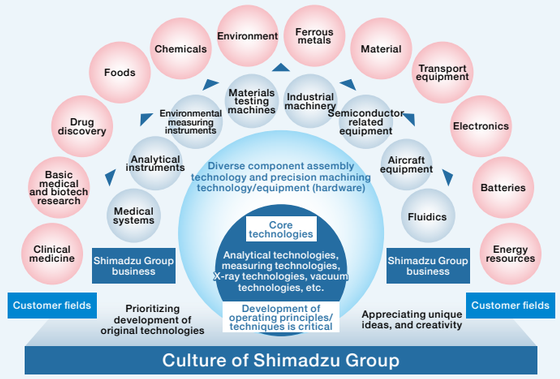
Throughout the 149 years since Shimadzu was founded in 1875, we have remained committed to solving the challenges faced by customers and the challenges of society, while facing facts with sincerity to discern their true essence, based on Shimadzu's corporate philosophy "Contributing to Society through Science and Technology" and management principle "Realizing Our Wishes for the Well-being of Mankind and the Earth." This process has established an ecosystem within Shimadzu that satisfies customer needs across a variety of aids in the development of new technologies. It has also expanded the scope of our business operations with product and technology applications based on increasingly advanced core technologies.
Our unwavering approach of directly addressing customer challenges and societal issues has been a guiding principle throughout our history and continues to form the foundation of the Shimadzu Group corporate culture today.

Reasons Shimadzu has Remained in Business for 149 Years

(1) Despite changing times, Shimadzu remains steadfastly committed to the corporate philosophy "Contributing to Society through Science and Technology."

(2) Even for niche markets, Shimadzu serves the needs of all customers.

(3) Shimadzu constantly strives to increase technology development capabilities for contributing to the advancement and growth of industry.



1. Steadfast Commitment to Shimadzu Corporate Philosophy

Founder Genzo Shimadzu Sr. engaged in manufacturing physics and chemistry instruments needed during that era, while also learning about the latest technologies. That resolve to supply what customers need is still carried on to this day in our current commitment for using science and technology to meet the needs of society and customers, contributing to a more prosperous, safe, and secure society. Today, science and technology are becoming increasingly important for solving the increasingly diverse and complex challenges of society. Consequently, we will continue contributing to society by working tirelessly to acquire new knowledge and skills, providing solutions based on creating new concepts and achievements that were previously unimaginable.

Founded 1875 Widespread Use and Advancement in Physics and Chemistry Instruments

Genzo Shimadzu Sr. supported science education in Japan by producing educational physics and chemistry instruments made in Japan as an alternative to imported products. He also invested effort in promoting the spread of scientific knowledge throughout Japan, such as by launching a manned balloon, distributing physics and chemistry equipment catalogs, and publishing scientific journals.

Genzo Shimadzu Sr.

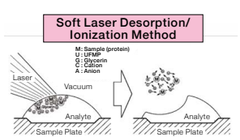
From 1945 From Post-War Rebuilding to Business Development

During the difficult period after the war, Shimadzu helped support the post-war recovery by producing products such as coal mining machinery required for increasing production in the critical coal industry, X-ray systems for medical facilities throughout Japan, and spinning pumps and nozzles used in the increasingly important fiber export industry.

Remote-Controlled X-Ray Fluoroscopy System

From 1996 Raising Technology Levels to New Heights

The Life Science Research Center was established in 2001 based on a strategy of focusing management resources in biotechnology and other high-growth fields. The following year, Koichi Tanaka, who was working at the center, was awarded the Nobel Prize in Chemistry for developing the soft laser desorption/ionization method used to analyze the masses of biological macromolecules.



Soft Laser Desorption/Ionization Method

From 2011 Becoming the No. 1 Partner Selected Globally

Innovation Centers were newly established in four locations around the world. Shimadzu is also investing efforts in developing products that help solve various problems faced by society, such as a food radiation scanner and a female-friendly dedicated breast PET system.

Shimadzu Tokyo Innovation Plaza (opened in January 2023)

2. Serving the Needs of All Customers

Based on our corporate culture of earnestly satisfying the needs of customers and society, Shimadzu has created a wide variety of technologies, products, and services to date. We will continue to create new shared value for society and Shimadzu, by constantly combining new knowledge acquired from open innovation with our technical capabilities cultivated previously to continue solving challenges of an increasingly global and complex society.

Healthcare Domain

Life Science

In the pharmaceuticals field, we are working to offer end-to-end solutions for processes ranging from method development to data analysis. In the food-tech field, we are using our component analysis technology to help "achieve longer healthy life expectancies in society through food," as well as to standardize methods and create a component library.

Med-Tech

We are engaged in activities such as clinical diagnostics, microbial testing, and cellular analysis businesses and use AI, IoT, and other technologies to achieve imaging transformation in diagnostic X-ray systems. In the future, we aim to build a clinical testing platform where analytical technologies are used for ultra-early testing and X-ray technologies are used to diagnose, treat, and manage the prognosis of any discovered disease.

Green Domain

We are offering end-to-end analytical/measuring solutions for applications such as bio-manufacturing, creation/storage of alternative energies, and compliance with environmental regulations, in order to contribute to achieving a carbon-neutral society.

Autonomous Lab System with Robotic, Digital, AI, and Other Technologies for Smart Cell Industry

Material Domain

We are contributing to the development and manufacturing of innovative materials through automation achieved with our testing machines and other analytical/measuring instruments, and through material informatics that uses a combination of data from both material measurements and component analysis.

AGX-V2 Series Precision Universal Testing Machine

Industry Domain

We are contributing to semiconductor development and manufacturing by using precision machining and analytical/measuring instrument technologies to increase turbomolecular pump efficiencies, decrease power consumption, and so on. We are also offering hydraulic products for logistics infrastructure, such as for forklifts, which are increasingly being electric. These products help increase production process efficiency, providing new value.

Turbomolecular Pump

3. Increasing Technology Development Capabilities

Shimadzu is dedicated to researching and developing core technologies for revolutionary next-generation products, improving current products and technologies, and creating broadly applicable shared technologies, including AI, IoT, and robotics technologies. In addition, we are also focused on developing new businesses and technologies to meet future societal needs by swiftly responding to societal changes and new challenges with solutions that combine or enhance our technologies and expertise.

Core and Key Technologies — Advanced and Highly Original Technologies to Serve as Core Elements for Generating New Value

Advanced Analysis

The aim of advanced analysis is to contribute to solving challenges faced by customers and society by developing world-first technologies related to ions (MS), X-rays, light, quantum physics, or other fields.

Innovative Biotechnology

The aim of innovative biotechnology is to generate new customer value using innovative biotechnology for preventive medicine, early diagnosis, regenerative medicine, bioproduction, or other applications.

Brain/Five Senses

We are developing technologies for measuring a combination of the brain and the five senses using technologies for improving human performance or for supporting mental enhancement.

AI

We will offer solutions for challenges faced by customers and society by creating advanced products, services, and new businesses through R&D for AI-based signal processing and image processing technologies.

Basic Product Technologies — Base of Technologies for Supporting a Wide Variety of Products

Device Control Design

In addition to enhancing the qualitative characteristics of controlling heavy components or high-speed rotating parts, for example, control systems are designed to improve product safety and robustness by reducing vibration/noise and dampening impacts.

System Integration

We are engaged in R&D for providing solutions based on core key technologies, such as thermal, fluid, flight and optical technologies.

Story of Sharing Values and Collaboration

Process of Sharing Values and Collaboration

Shimadzu aims to "pursue the planetary health (well-being of mankind and the Earth)" by "contributing to human life and well-being," "contributing to the well-being of the Earth," and "contributing to industrial development and a safe and secure society" based on Shimadzu's corporate philosophy, management principle, and Shimadzu Group Sustainability Charter.

Input P.23

Financial Capital
Solid financial basis for supporting strategic investments

Human Capital
Human resources that engage in work with a sympathetic attitude toward corporate philosophy and management principle

Intellectual Capital
Technologies backed by intellectual properties for quickly responding to social issues

Manufactured Capital
Manufacturing organizations/ technologies for achieving a diverse product portfolio

Social & Relationship Capital
Responding earnestly to customer requirements in a wide variety of fields based on our corporate philosophy "Contributing to Society through Science and Technology"

Natural Capital
Actively engaging in climate change countermeasures, the formation of a circular society, biodiversity conservation, and so on

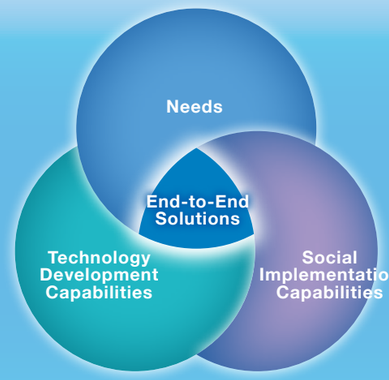
Business Models for Sharing Values and Collaboration

Challenges of society

Challenges faced by customers

Research challenges

Implementing the Medium-Term Management Plan P.35



Collaboration with Customers/Partners P.25

Fostering a Corporate Culture where Employees Proactively Take on Challenges and Realize their Full Potential

Cultivated Strengths P.19
Steadfast Commitment to Shimadzu Corporate Philosophy, Serving the Needs of All Customers, and Increasing Technology Development Capabilities

Shimadzu Group Sustainability Charter and Material Issues (Materiality) P.14

Corporate Philosophy and Management Principle P.13

Output

Analytical & Measuring Instruments P.49


High-Performance Liquid Chromatograph Mass Spectrometer System LCMS-8060RX


Semi-Preparative Supercritical Fluid Chromatograph System Nexera UC Prep

Medical Systems P.53

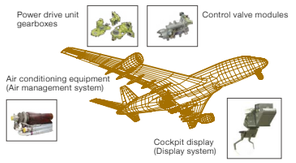

Trinias Angiography System

Industrial Machinery P.55


Turbomolecular Pump


Hydraulic Gear Pump

Aircraft Equipment P.57



Flight Control System that Controls the Lift, Attitude, and Other Aspects of Aircraft during Flight

Achieving our Vision

Pursue the Planetary Health

(Well-being of Mankind and the Earth) P.13

Outcome

Social Value Creation Domain	Social Value Provided
Healthcare Domain **Life Science Field** Analytical & Measuring Instruments • Next-generation Drug Development • Food Sustainability Genomics **Med-Tech Field** Analytical & Measuring Instruments Medical Systems • AI Hospital • Healthcare as a Service	**Human Life & Well-being** through Analytical and Measuring Instruments (AMI) and Imaging Transformation (IMX)
Green (GX) Domain Analytical & Measuring Instruments Industrial Machinery • Bio-economy • A Decarbonized Society • Next-generation Energy	**Well-being of the Earth** through AMI and Production Process Control Technologies
Material Domain Analytical & Measuring Instruments Industrial Machinery • Circular Economy • Development of Advanced Materials • Informatics	**Material Development & Production Innovation** through AMI and Vacuum Technology
Industry Domain Analytical & Measuring Instruments Industrial Machinery Aircraft Equipment • Society 5.0 • Next-generation High Integration • Quantum Science and Technology	**Industrial Development** through Precision Machining Technology and AMI

Story of Sharing Values and Collaboration

Shimadzu Management Resources
(Disclosure of Respective Capital Performance in FY2023)

The Shimadzu Group endeavors to achieve a sustainable society and business growth while utilizing six types of capital that have been increasing over time.

	Financial Capital	Human Capital	Intellectual Capital	Manufactured Capital	Social & Relationship Capital	Natural Capital
Vision and Policies	We aim to achieve a sustainable society and business growth by making necessary strategic investments while ensuring financial health.	Based on the slogan "leadership and diversity," we will strive to achieve a sustainable society and business growth by developing or acquiring human resources who can lead innovation for solving challenges in society in collaboration with a diversity of partners.	We will endeavor to achieve a sustainable society and business growth by creating or acquiring intellectual properties for solving customer challenges and the underlying challenges in society.	In order to quickly respond to various changes in external environments or to global issues, we will establish flexible manufacturing capabilities with an aim to achieve a sustainable society and business growth.	We aim to achieve a sustainable society and business growth by transforming Shimadzu into an innovative company that partners with companies around the world to offer customers end-to-end solutions for solving challenges in society.	We aim to achieve a sustainable society and business growth by promoting innovation for building a carbon-free and recycling-oriented society through science and technology and by maintaining a balance between business activities and environmental conservation.
Shimadzu's Strengths	• Solid financial basis for supporting strategic investments • Group funds utilized based on a global cash management system	• Engage in work with a sympathetic attitude toward corporate philosophy and management principle • Many employees have specialized knowledge and skills for solving challenges faced by a wide range of customers.	• Broad technical capabilities backed by intellectual properties in biological, optical, quantum, AI, liquid handling, and other fields provide a robustness for quickly responding to social issues. • Patents and brand strength protect key models such as liquid chromatograph and mass spectrometer systems.	• Maintain processing and assembly technologies necessary for manufacturing critical instrument components in-house and technologies for manufacturing optical devices, sensors, or other components that are essential for offering solutions to customers. • Maintain manufacturing organizations for achieving a diverse product portfolio of both large and small products (from large instruments to reagents) made in large or small production lots (from special-order products to mass production models).	• Despite changing times, Shimadzu remains steadfastly committed to actions based on the corporate philosophy "Contributing to Society through Science and Technology." • Respond earnestly to customer requirements in a variety of fields, even for niche markets. • Shimadzu constantly strives to increase technology development capabilities for contributing to the advancement and growth of industry.	• Develop products and technologies that will contribute to generating innovation in environmental/energy fields and offer a wide variety of solutions. • Endorse and join international environmental initiatives, such as TCFD, SBT, and RE100, to actively engage in climate change countermeasures, the formation of a circular society, biodiversity conservation, and so on.
Management Capital Expansion/ Improvement Strategies and Measures in the Medium-Term Management Plan	• Focus investments in areas that create social value and that strengthen the base for human capital, development, manufacturing, and DX measures. • Increase profitability and ROIC by building a ROIC tree based on the given business strategy.	• Foster a company culture where employees proactively take on challenges and never stop learning and growing. • Develop human resources needed for strengthening business strategies and the management base. • Implement DE&I measures and establish human resource systems and working environments that enable each employee to realize their full potential as an individual.	• Look for research/business partners outside of the company and start businesses that capitalize on the diversity of value systems. • In addition to investing in intellectual properties for technologies integrated in key models or other products, we will create or acquire intellectual properties for solving customer challenges or the underlying societal challenges. • Use IP landscaping to create business models and ensure new businesses are securely established in society.	• Business continuity management (BCM): (1) Strengthen procurement functions. (2) Hold strategic inventories. (3) Expand in-house production. • Strengthen global manufacturing capabilities: (1) Increase capacities: Equip/expand manufacturing locations, increase production capacities, and decentralize production. (2) Improve logistics: Establish new logistics facility in Japan and automate/optimize distribution of materials and products. • Implement DX measures for reforming manufacturing business processes: Reform manufacturing business processes and improve QCD by using automation and IoT technologies to collect and utilize data.	• Localize functions for identifying market needs and developing products/technologies for the market, in order to strengthen capabilities for understanding background circumstances. • In particular, strengthen the foundation for business in North America by (1) establishing an R&D center in North America to achieve product development operations close to customers and by (2) establishing development centers on the West and East coasts to strengthen application development capabilities in cooperation with partners.	• Treat green transformation (GX) as a key business field and offer end-to-end analytical/measuring instrument solutions for solving challenges. • Implement measures to reduce energy usage and use electricity generated from renewable energy sources, in order to reduce CO_2 emissions from business activities. • Expand the line of environmentally friendly Eco-Products Plus products (models certified by Shimadzu to offer superior environmental performance compared to previous models). • Develop products in accordance with the Product Design Guideline and work together with suppliers to reduce environmental impacts over the entire product life cycle.
KPI Values	• Net sales: **550.0** billion yen (FY2025) • Operating income: **80.0** billion yen (FY2025) • Operating margin: **14.5**% (FY2025) • Maintaining a dividend payout ratio of at least **30**% and continuing dividend increases (FY2025) • ROIC: At least **11.0**% (FY2025) • ROE: At least **12.5**% (FY2025)	• Non-consolidated employee engagement score of at least **65**% (FY2025) • Percentage of female managers: At least **15**% in consolidated Shimadzu (FY2030) • Deploy Shimadzu leadership and diversity training ・**130** participants in executive management training programs (FY2025) ・**500** advanced specialists (FY2025) ・**1,000** people completed business leader training (FY2025) ・**7,000** people completed DX training (FY2025)	• Create or acquire intellectual properties for solving customer or societal challenges: Aim for at least **15** new basic patents per year • Use IP landscaping to create business models and ensure new businesses are securely established in society. FY2023: **2**, FY2024: **4**, FY2025: **6** • Invest **73.0** billion yen in research and development (cumulatively during 3 years from FY2023 to FY2025).	• Increase the production capacity of all manufacturing locations by **30**% (vs. FY2022) by the end of FY2025. • Invest **80.0** billion yen company-wide in capital expenditures (cumulatively during 3 years from FY2023 to FY2025).	• Target sales growth in four regions outside Japan • Overseas Sales Ratio: **57**% <North America> Target in FY2025: At least **36**% increase from FY2022 <Europe> Target in FY2025: At least **30**% increase from FY2022 <China> Target in FY2025: **27**% increase from FY2022 <Other Asian Countries> Target in FY2025: **19**% increase from FY2022 Note: FY2022 values were converted with FY2025 exchange rates of 120 yen/dollar and 130 yen/euro. CAGR values are a comparison of FY2022 and FY2025 values after exchange rate conversion.	• Reduction of CO_2 emissions from Shimadzu Group business activities: (1) Reduce CO_2 emissions to net-zero by 2050. (2) Medium-term targets: **85**% reduction by FY2030 and **90**% by FY2040 compared to FY2017 levels • Product measures: (1) Reduce CO_2 emissions during the use of the products sold by the Shimadzu Group by **30**% by FY2030, compared to FY2020 levels. (2) Increase the sales ratio of Eco-Products Plus models to **30**% by FY2030.
FY2023 Performance Inputs	• Shareholders' capital: **436.9** billion yen • Operating CF: **30.1** billion yen • Free CF: **14.1** billion yen	• Consolidated number of employees: **14,219**	• Main R&D locations: Refer to p.142. • R&D investment (FY2023): **21.5** billion yen	• Main manufacturing locations: Refer to p.142 • Capital investment (FY2023): **22.5** billion yen	• Global sales and service facilities: Refer to p.142 • Joint research with customers, academia, and others: Refer to p.25	• Energy usage: **951,016** GJ* * GJ is a unit of energy (gigajoule). • Water usage: **302,000** m^3
FY2023 Performance Outcomes	• Net sales: **511.9** billion yen (YoY +6%) • Operating income: **72.8** billion yen (YoY +7%) • Operating margin: **14.2**% (YoY +0.1pt) • Payout ratio: **31.0**% • ROIC: **11.0**% • ROE: **12.5**% • Dividend increased for **tenth** consecutive year	• Average number of years employed: **18.0** (the industry average: 12.7 years) • Employee turnover: **32** (non-consolidated turnover ratio: 0.9%) • Participants in executive management training programs: **123** • Number of advanced specialists: **361** • Participants in business leader training: **817** • Participants in DX training: **6,456** • Consolidated ratio of female managers: **11.1**% • Non-consolidated employee engagement score: **63**%	• Number of patents held: Increased by **689** in FY2023 (total number of patents held: 7,964) • Number of business models created using IPL: **2**	• High-quality products • Engaging in cost-reduction activities (trend of gross margin) • Strengthening the business base outside Japan • Production capacity of all manufacturing locations by the end of FY2025: Increased by **9**%	• Contributing to solving societal challenges based on close relationships with customers • Promoting open innovation • Overseas Sales Ratio: **58** % (YoY +2pt) • Target sales growth in four regions outside Japan (including foreign exchange) • <North America> FY2023 Results: **60.6** billion yen (**5.2**% increase from FY2022) • <Europe> FY2023 Results: **48.9** billion yen (**17.3**% increase from FY2022) • <China> FY2023 Results: **99.9** billion yen (**3.2**% increase from FY2022) • <Other Asian Countries> FY2023 Results: **59.3** billion yen (**13.6**% increase from FY2022)	• CO_2 emissions from energy usage: **10,778** t-CO_2 Compared to reference year (FY2017): **78.2**% reduction • Contribution to reduction in CO_2 emissions: **10,352** t-CO_2 • Sales ratio of Eco-Products Plus models: **21**% • CO_2 emissions from the use of products sold by the Shimadzu Group: **8.6**% reduction compared to FY2020 • Waste recycle rate: **99.70**%

Business Models for Sharing Values and Collaboration

Sharing Values and Collaboration

Generating Innovation from Industry-Academia Collaboration

Actively Engaging in Collaboration to Develop Innovative Technologies and Products or Ensure New Services Are Broadly Adopted in Society

To acquire advanced technologies and offer innovative products and services, engaging in ambitious research and development is crucial. Therefore, Shimadzu is actively developing closer industry-academia partnerships to generate value through joint research or open innovation.

Japan

Healthcare

Yamaguchi University

August 2020 : Shimadzu partnered with Yamaguchi University, as well as with Kao Corporation, Kyodo Milk Industry Co., Ltd., Yamaguchi City, and Yamaguchi Prefecture, to participate in a regional cohort study of topics such as improving the health of the elderly.

Tokyo Institute of Technology

April 2022 : Jointly developed picALuc, the world's smallest luciferase

Kyushu University

July 2022 : Jointly participated in "Creating Systems for Maintaining the Mental Health of Working People—Prevention of Depression—Support for Workers Returning to Work"

Oita University

November 2022 : Shimadzu started joint research with Oita University, Eisai, and Usuki City Medical Association on establishing a protocol for diagnosing dementia based on blood markers.

Osaka University

March 2023 : Shimadzu established the Consortium for Future Innovation by Cultured Meat together with Osaka University, Itoham Yonekyu, Toppan, and SIGMAXYZ.

Healthcare Green Materials Industry

Nagasaki University and University of Nagasaki

January 2023 : In partnership with Nagasaki University and University of Nagasaki, Shimadzu established the Shimadzu Nagasaki Collaboration Lab. (Refer to p.67.)

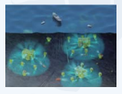
As an R&D location focused on the technical capabilities of the specific region in Japan, the lab is engaged in R&D in the fields of infectious disease countermeasures, marine businesses, and information/security. These are the fields Shimadzu is focusing on and the specialties of the universities and research institutions in Nagasaki Prefecture. The aim of the collaboration is to create products and services that can help solve challenges in society.

<Faster and Easier Testing for Preventing the Spread of Infectious Diseases>

AutoAmp Fully Automatic Real-Time PCR Testing System

Novel Coronavirus Variant Strain Detection Core Kit

<Improving the Efficiency of Marine Operations with a Modem that Enables High-Speed Underwater Communication>

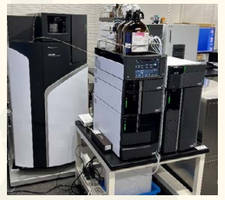


MC500 Underwater Optical Wireless Communication Modem

Waseda University

August 2023 : Established the Waseda Shimadzu Corporation Laboratory.

The laboratory will establish a protocol for quickly finding and identifying unknown compounds of a natural origin, which was previously considered difficult to do, using a combination of Raman spectroscopy to discriminate between different molecular structures and mass spectrometry to measure molecular compositions. The protocol will be used to create new drugs, functionally enhanced foods, and chemical products.



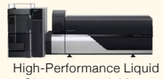
Inside the Waseda Shimadzu Corporation Laboratory

LCMS-9050 Quadrupole Time-of-Flight High-Performance Liquid Chromatograph Mass Spectrometer System

Hokkaido Information University

September 2023 : Shimadzu Corporation, Ebetsu City in Hokkaido, Hokkaido Information University, the National Agriculture and Food Research Organization, and the Self Care Food Council started a joint cohort study entitled "Ebetsu's Active Future Study." The research involves observing 1,000 subjects for 10 years to determine the relationships between lifestyle factors (sleep, exercise, diet, etc.) and prevention of mild cognitive impairment.

System for Measuring Amyloid-Peptides in Blood Amyloid MS CL AXIMA



High-Performance Liquid Chromatograph Mass Spectrometer System LCMS-8060NX

Jikei University

November 2023 : Shimadzu and Jikei University jointly started an experimental study that aims to establish a system for prevention and early detection of osteoporosis based on bone health checks at health screening facilities. (Refer to p.41.)

Fully Automatic LCMS Pretreatment and Analysis System CLAM-2030 Fully Automated Sample Preparation Module for LCMS LCMS-8050 High-Performance Liquid Chromatograph Mass Spectrometer System

X'sy Anesis Diagnostic X-Ray System Smart QM Vertebral Body Measurement Software

AGEs Sensor

Tohoku University

March 2024 : Shimadzu×Tohoku University Supersulfides Life Science Co-Creation Research Center was established. By identifying the properties of supersulfides involved in the aging mechanism of biological organisms, the collaboration is intended to contribute toward establishing diagnostic and treatment methods for a variety of diseases and developing foods with functional benefits that help improve health.

The University of Tokyo

June 2024 : Shimadzu collaborated with Shionogi and the University of Tokyo Graduate School of Engineering to establish the Laboratory of International Wastewater-based Epidemiology, a societal collaboration intended to achieve broad adoption of wastewater surveillance systems.

Green

Kobe University

December 2021 : Jointly verified the utility of the world's first autonomous laboratory system.

Materials

Kyoto University

January 2024 : A joint research with Kyoto University achieved the world's largest ultra-broadband quantum infrared spectrometer using a newly developed quantum-entangled light source. The results of this research were published in the international academic journal Optica.

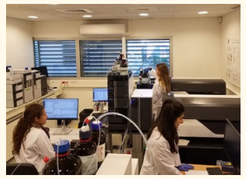
Business Models for Sharing Values and Collaboration

Europe

Healthcare

University Hospital of Montpellier (France)

June 2020 : Jointly conducted a cohort study of analyzing amyloid-beta levels in blood using the Amyloid MS CL AXIMA system.



Amyloid MS CL AXIMA System for Measuring Amyloid Peptides in Blood

Graz University of Technology (Austria)

May 2021 : Jointly developed a system for analyzing mineral oil saturated hydrocarbons (MOSH) and mineral oil aromatic hydrocarbons (MOAH) in food.

Online LC-GC System

University Hospital of Limoges (France)

October 2022 : Jointly developed applications for toxicological chemicals using DPiMS.

DPiMS-8060 Kit for Direct Probe Ionization Mass Spectrometer

University Medical Center Göttingen (Germany)

October 2022 : Jointly developed clinical applications for CLAM-LCMS systems.

Fully Automatic LCMS Pretreatment and Analysis System CLAM-2040 Fully Automated Sample Preparation Module for LCMS LCMS-8050 High-Performance Liquid Chromatograph Mass Spectrometer System

Green

University of Pau (France) and University of Oviedo (Spain)

April 2024 : Shimadzu started selling an ELEM-SPOT element-selective gas chromatograph mass spectrometer system jointly developed by 4 partners, including Shimadzu, TotalEnergies SE (major petroleum company in France), University of Pau, and University of Oviedo. This is the world's first element-selective gas chromatograph mass spectrometer which is expected to contribute to biofuel research. With this system, we will contribute to the transition from fossil fuels to biofuels by helping establish a technique for analyzing biofuels. (Refer to p.38 and 40.)

ELEM-SPOT Element-Selective Gas Chromatograph Mass Spectrometer System

Healthcare Green

University of Orleans (France)

February 2023 : Jointly developed a method for evaluating various compounds isolated by supercritical fluid extraction.

Nexera UC Supercritical Fluid Extraction/ Supercritical Fluid Chromatograph System (Online SFE-SFC-MS System)

North America

Offering Support Programs Intended to Build Long-Term Relationships with Educational Institutions

Shimadzu Scientific Instruments (SSI), a Shimadzu subsidiary in the United States, has established an educational institution support program, the Shimadzu Partnership for Academics, Research and Quality of Life (SPARQ), for the purpose of building long-term relationships with educational institutions. The collaborating universities are using cutting-edge Shimadzu analytical devices to contribute to the advancement of local society, such as by cooperating with local companies or organizations to provide analytical services in a variety of fields.

Healthcare

The University of Texas at Arlington

February 2013 : Jointly established the Shimadzu Center for Advanced Analytical Chemistry.

Shimadzu provided mass spectrometer systems and other cutting-edge equipment to support education and research in a wide variety of fields, such as advanced chemical analysis, biomolecular imaging, and nanotechnology.

The University of Rhode Island

September 2014: Provided support to the Center for Chemical and Forensic Sciences.

Shimadzu provided analytical instruments to support the promotion of chemistry and forensics research at the university. Every year, as many as 7,000 students take the courses of chemistry and forensic sciences in which Shimadzu analytical instruments are used.

University of Wisconsin–Milwaukee

November 2015 : Jointly established the Shimadzu Laboratory for Advanced and Applied Analytical Chemistry.

Shimadzu provided mass spectrometers and various other instruments to support chemistry-related research. Instrument operation training and analytical services are also provided at the laboratory.

Northern Michigan University

December 2019 : Jointly established an analytical laboratory for medicinal plant sciences.

Shimadzu provided analytical instruments to support research on the functional benefits and health effects of medicinal plants.

High-Performance Liquid Chromatograph Mass Spectrometer System LCMS-8060

Gas Chromatograph Mass Spectrometer System GCMS-QP2020NX

ICP Mass Spectrometry System ICPMS-2030

Materials

University of North Florida

July 2017 : Jointly established the Materials Science and Engineering Research Facility.

In addition to funding the opening of the research facility, Shimadzu also provided instruments for a variety of applications related to materials characterization, supporting materials engineering education and research at the facility. Shimadzu also offers analytical services related to failure analysis, quality assurance, and other applications.

Healthcare Green

Walsh University

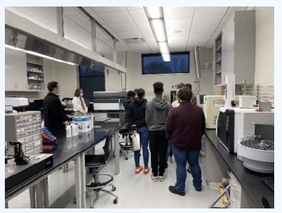
November 2021 : Jointly established the Center for Analytical Excellence Laboratory.

By providing cutting-edge Shimadzu instruments (such as liquid chromatograph, gas chromatograph, and mass spectrometer systems), the center became the most technically advanced research facility in the region, making it possible for students to experience using cutting-edge analytical technologies.

In addition to promoting use by university faculty and students, the SPARQ program also promotes use by companies in the region to contribute to the advancement of local society.

High-Performance Liquid Chromatograph Mass Spectrometer System LCMS-2020

Infrared Microscope AIM-9000



Inside the Laboratory

Materials Industry

Business Models for Sharing Values and Collaboration

China

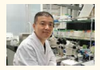
Healthcare

China Pharmaceutical University (Jiangsu Province)
January 2020 : Research on drug metabolism was performed at the joint research laboratory established in 2003 and the corresponding academic papers were published.

Tsinghua Shenzhen International Graduate School (Guangdong Province)
February 2020 : Jointly developed methods for detecting and analyzing 101 types of drugs and daily life-related substances in water and created a corresponding data library.

Zhejiang University (Zhejiang Province)
March 2020 : Established Zhejiang University New Drug Discovery Center—Shimadzu Joint Research Laboratory. Published academic papers on the development of new drugs.

South China University of Technology and Xiamen University (Guangdong Province)
June 2020 : Jointly developed the full-spectrum two-dimensional LC-MS system (patent for invention in China). Based on this technology, a high-resolution database for non-targeted metabolizers and an MRM database for targeted metabolizers were built.



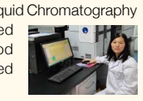
Sichuan University (Sichuan)
January 2021 : Jointly developed applications for scanning probe microscopes in the research of oral materials, etc.

Chinese Academy of Sciences (Beijing City, Liaoning Province)
October 2021 : Established the Dalian Institute of Chemical Physics—Shimadzu Omics Innovation Research Laboratory. October 2023: Released a paper reporting 100 results of joint research with Shimadzu.

Beijing Technology and Business University (Beijing City)
March 2022 : Engaged in joint research for analyzing characteristic aromas of milk products in order to establish analytical methods for assessing quality.

Peking University (Beijing City)
March 2022 : Applied nanotechnology to the drug delivery field in anticipation of the creation of new forms of pharmaceuticals.

Xi'an Jiaotong University (Shaanxi Province)
June 2022 : Applied advanced science and technology to prevent and control allergic disorders based on joint research and results. Published a paper titled "Liquid Chromatography Tandem Mass Spectrometry Based Label-Free Quantification Method for Assessment of Allergen-Induced Anaphylactoid Reactions."



Wuhan University (Hubei Province)
January 2023 : Established the Shimadzu-Wuhan University Collaboratory in 2009. Published nearly 100 papers on using LCMS to analyze plant hormones, metabolism groups, and nucleic acids. Corresponding results were transferred to the "Plant Hormone Database" or used to establish "Proposed Methods for Resolving Plant Hormone Analytical Issues."

Green

School of Architecture, Tsinghua University (Beijing City)
August 2020 : Jointly completed a new version of GB/T 18883-2022 Standards for Indoor Air Quality. Created a database of VOCs commonly observed in indoor air.

Chinese Academy of Sciences (Beijing City, Liaoning Province)
September 2020 : Shimadzu signed a comprehensive joint research agreement with the Research Center for Eco-Environmental Sciences, Chinese Academy of Sciences to establish the Environmental and Health Innovation Center. We also jointly developed an SPE-LC-ICP-MS Environmental Heavy Metal Online Concentration and Analysis System.

Tianjin University (Tianjin City)
March 2022 : Established joint laboratory. Deployed research activities, such as researching reaction mechanisms and catalyst designs, for the purpose of researching carbon neutralization.

Materials

Dalian University of Technology (Liaoning Province)
May 2021: Jointly conducted R&D on metal alloy materials using multiple SPM operation modes and published 8 academic papers of R&D results by August 2023.

Industry

Chinese Academy of Sciences (Beijing City, Liaoning Province)
June 2020 : Shimadzu signed a cooperation agreement with Chinese Academy of Sciences. The collaboration resulted in the publication of academic papers in a wide range of fields, such as the evaluation of quasi-alcoholic substances on the earthenware excavated from ancient tombs in terms of technical archaeology and cultural asset protection.

Asia

Healthcare

University of Putra (Malaysia)
2019 : Started joint research on palm oil and used the Shimadzu-UPM Joint Research Laboratory to conduct many workshops and seminars.

University of San Agustin (Philippines)
November 2021 : Started joint research on natural drug discovery.

Changi General Hospital (Singapore)
January 2021 : Established the Shimadzu-CGH Clinomics Centre (SC3) as a satellite clinical testing laboratory for the Changi General Hospital (CGH). Equipped with cutting-edge mass spectrometry technology, the center develops clinical applications for improving diagnostic accuracy in order to provide better clinical care to patients with high blood pressure and other chronic diseases. (Refer to p.41.)

December 2022 : Used an LC-MS/MS system to develop and validate clinical testing technologies and develop a testing method for identifying patients with primary aldosteronism, which is a type of treatable hypertension. CGH obtained a clinical service license from the Singapore Ministry of Health and launched a blood test-based hypertension diagnostic support business in February 2023.

Brawijaya University (Indonesia)
May 2023 : In pursuit for the development of the global halal ecosystem, Shimadzu and Brawijaya University jointly held the first Asia Halal Summit 2023 to focus on the search for halal certification technology, artificial intelligence (AI), and digital technologies.

RETAQ (Vietnam)
July 2023 : With advanced technologies, Shimadzu provided support to the new laboratory of the agricultural food quality inspection center (RETAQ). Shimadzu signed a memorandum of understanding intended to ensure high standards for food quality and safety are maintained for people and the business community.

KMUTT-BARA Vaccine Property Research Center (Thailand)
November 2023 : Established the ASEAN bloc's first biopharmaceutical characterization laboratory.

Green

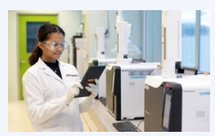
Somaiya Vidyavihar University (India)
December 2022 : Shimadzu and Somaiya Vidyavihar University signed a memorandum of understanding regarding establishing an analytical and measurement science center. The partnership is promoting research and application development for green energy and other important fields involved in creating a more sustainable future, providing support for training the next generation of scientists, and implementing programs for industry experts to upgrade their skills and knowledge.

Bravis GC-2050 Gas Chromatograph

GCMS-QP8050NX Triple Quadrupole Gas Chromatograph Mass Spectrometer System

Industry

Singapore Institute of Technology (Singapore)
December 2021 : Established the SMARTLab in 2018. The lab will provide the resources for the next generation of laboratory technicians to acquire the entire range of state-of-the-art skills necessary for Industry 4.0 and Singapore's manufacturing environment.



Medium-Term Management Plan

Medium-Term Management Plan

Review of Previous Three-Year Medium-Term Management Plan

We set a medium-term management plan every three years. We aim to share our medium to long-term business strategy with all stakeholders and strive for sustainable growth and improvement in corporate value for the Shimadzu Group.

FY2014 to FY2016

Become an Innovative Company Contributing to the Growth of Customers Globally

Performance Targets and Results

	FY2016 Targets	FY2016 Results
Net Sales	350.0 billion yen	**342.5** billion yen
Operating Income	35.0 billion yen	**37.1** billion yen
Operating Margin	10.0%	**10.8**%
Overseas Sales Ratio	At least 50%	**49**%

Key Measures

- Established innovation centers and otherwise promoted joint development projects with outside institutions.
- Expanded/improved product lines and focused efforts on growing fields, such as pharmaceuticals and food safety.
- Strengthened manufacturing locations outside Japan, such as by establishing a factory in Malaysia.

FY2017 to FY2019

Become a Company That Solves Challenges in Society in Collaboration with Partners All Around the World

Performance Targets and Results

	FY2019 Targets	FY2019 Results
Net Sales	At least 400.0 billion yen	**385.4** billion yen
Operating Income	At least 45.0 billion yen	**41.8** billion yen
Operating Margin	At least 11.0%	**10.9**%
Overseas Sales Ratio	At least 50%	**49.0**%
ROE	At least 10%	**10.8**%

Key Measures

- Strengthened collaborations for solving challenges of society, such as by promoting open innovation projects or engaging in joint research with academia or startup companies.
- Strengthened response to local needs at the four Innovation Centers outside Japan.
- Implemented M&A measures.
- Strengthened the R&D base mainly in Japan, such as at the Healthcare R&D Center.
- Expanded/strengthened medical systems, hydraulic equipment, and other manufacturing capabilities.

FY2020 to FY2022

Become a Company That Solves Challenges in Society in Collaboration with Partners All Around the World

–Creating and Implementing Systems for Solving Challenges in Society–

Performance Targets and Results

	FY2022 Targets	FY2022 Results
Net Sales	470.0 billion yen	**482.2** billion yen
Operating Income	68.0 billion yen	**68.2** billion yen
Operating Margin	14.5%	**14.1**%
ROE	At least 10%	**12.9**%

Basic Policy

Slogan: Become a Company That Solves Challenges in Society in Collaboration with Partners All Around the World
–Creating and Implementing Systems for Solving Challenges in Society–

FY2022 Performance Targets
- Net Sales: **470.0** billion yen
- Operating Income: **68.0** billion yen
- Operating Margin: **14.5**%

Ongoing Measures for Infectious Diseases: Infectious Disease Countermeasure Projects

Four Growth Strategies
- Strengthen/expand key businesses
- Strengthen/expand businesses outside Japan
- Expand businesses with recurring revenues
- Expand businesses in four growth fields

Strengthen the Foundation for Growth
- Strengthen/expand business portfolio
- Develop human resources and reform human resource systems
- Implement Digital Transformation measures
- Strengthen financial and development functions
- Strengthen governance
- Implement sustainability management

Targets Achieved / Missed

Achieved

◎Infectious Disease Control Project
- Early development and early social implementation of fully automated PCR testing equipment, reagents for COVID-19 testing

◎Growth Strategy
- LC: Grew with increased demand for drug discovery and homegrown drug production worldwide
- MS: Q-TOF launched in FY2022 Early access and response to revised information on Pharmacopoeia of the People's Republic of China, Chinese National Standards, etc.
- Overseas business continued to grow in all regions
- Expanded consumables and maintenance services
- M&A of NISSUI PHARMACEUTICAL

Unachieved

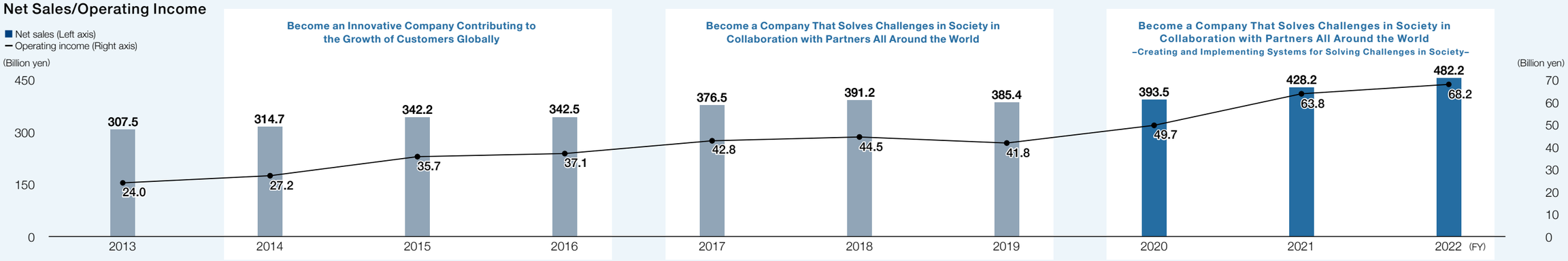
×Growth Strategy
- LC: Expanding business in pharmaceutical fields other than small molecules
- MS: Introducing apps/software
  Building a pay-as-you-go business model

×Management Foundation
- Achieving rapid development
- Manufacturing structure responding to geopolitical risks
- Inventory optimization
- Strengthening governance (preventing compliance incidents)

Summary and Outlook

Despite the difficult business conditions that continued from FY2020 to FY2022 during the COVID-19 pandemic, the Shimadzu Group achieved three consecutive years of record-breaking net sales and operating income by implementing the slogan specified in the last two medium-term management plans, which is "Become a Company That Solves Challenges in Society in Collaboration with Partners All Around the World" determined based on our corporate philosophy "Contributing to Society through Science and Technology." In particular, the infectious disease countermeasure projects contributed to society by offering not only products but also systems. Meanwhile, there are still some unachieved targets in terms of growth strategy and management foundation. The new medium-term management plan aims to overcome our challenges thus far and make Shimadzu a "company that offers end-to-end solutions" including data needed by customers. The following pages describe five business strategies and seven measures for strengthening the management foundation.

Net Sales/Operating Income



Overview of Medium-Term Management Plan (FY2023 to FY2025)

Three Missions and Four Domains in the Medium-Term Management Plan

Corporate Philosophy: Contributing to Society through Science and Technology
Management Principle: Realizing Our Wishes for the Well-being of Mankind and the Earth
Shimadzu Group Sustainability Charter

Social Value Creation Domain		Keywords	Social Value Provided
Healthcare	Life Science Field (AMI)	Next-generation Drug Development Food Sustainability Genomics	**Human Life & Well-being through AMI and Imaging Transformation (IMX)** • R&D and manufacturing innovation in drug discovery modalities • Innovation in food-tech
	Med-Tech Field (AMI), (MED)	AI Hospital Healthcare as a Service	• A vibrant, healthy and long-lived society • Control of infectious disease
Green (AMI), (IM)		Bio-economy A Decarbonized Society Next-generation Energy	**Well-being of the Earth through AMI and Production Process Control Technologies** • Global warming countermeasures • Conservation of air, soil and water
Material (AMI), (IM)		Circular Economy Development of Advanced Materials Informatics	**Material Development & Production Innovation through AMI and Vacuum Technology** • Developing and manufacturing innovative materials through automation and informatics
Industry (AMI), (IM), (AE)		• Society 5.0 Next-generation High Integration Quantum Science and Technology	**Industrial Development through Precision Machining Technology and AMI** • TMP, an essential equipment for semiconductor industry - the foundation of a digital society • Hydraulic products for aircraft, logistics, construction machinery, etc.

Business Expansion and Transformation into a Company That Provides Total Solutions Across Divisions

Basic Policies of the Medium-Term Management Plan

Under the new medium-term management plan, we aim to achieve sustained growth as an innovative company that solves challenges in society together with global partners, by strengthening both technology development and social implementation and offering end-to-end solutions to our customers. To achieve that, we will implement five business strategies and seven measures for strengthening the management foundation. The five business strategies are "strengthen key businesses," "strengthen Med-Tech business," "expand overseas businesses & operations," "strengthen & expand businesses with recurring revenues," and "develop & create new / future businesses."

These business strategies are supported by the following seven measures for strengthening the management foundation: "reinforce corporate governance," "accelerate R&D activities," "strengthen international standardization and regulatory compliance capabilities," "expand global manufacturing capabilities," "promote Digital Transformation (DX)," and implement "human resource strategy" and "financial strategy" to support all the other measures.

For more details about the FY2023 to FY2025 medium-term management plan, refer to the website.
https://www.shimadzu.com/ir/library/presentation.html
FY2023-2025 Medium-Term Management Plan

Be an Innovative Company that solves social issues with global partners!

—Achieve Sustainable Growth by Technology Development & Social Implementation—

Five Business Strategies

Reinforce Key Model Businesses
- LC, MS, GC, Testing Machine, and TMP -
P.38

Strengthen Med-Tech Business
P.41

Expand Overseas Businesses & Operations
-Strengthen Businesses and Operations in North America-
P.43

Reinforce & Expand Recurring Businesses
P.45

Develop & Create New / Future Businesses
P.46

Strengthening Seven Management Foundations

Reinforcing Corporate Governance P.59

Accelerate R&D Activities
P.65

Strategize International Standardization / Reinforce Regulatory Response
P.75

Expand Global Manufacturing Capabilities
P.79

Propel DX (Digital Transformation)
P.81

Human Resource Strategy: Realizing "Leadership & Diversity"
P.85

Financial Strategy: Executing Strategic Investments
P.93

Medium-Term Management Plan

Overview of Medium-Term Management Plan (FY2023 to FY2025)

KPIs

Financial KPIs

Our financial targets are to achieve sales of 550.0 BJPY, operating income of 80.0 BJPY, operating margin of 14.5%, ROIC of 11.0% or higher, and ROE of 12.5% or higher in FY2025, the final year of the medium-term management plan.
Actual results for FY2023 are as follows.

		FY2022	FY2023 Plan	FY2023 Results	FY2025 Plan
Performance	Net Sales (BJPY)	482.2	510.0	511.9	550.0
	Operating Income (BJPY)	68.2	73.0	72.7	80.0
	Operating Margin	14.1%	14.3%	14.2%	14.5%
	Consolidated Recurring Sales Ratio	32%	34%	31%	35%
	Recurring Sales Ratio of Analytical & Measuring Instruments	37%	39%	36%	43%
	Recurring Sales Ratio of Medical Systems	34%	34%	36%	34%
	Overseas Sales Ratio	56%	56%	58%	57%
Investment	R&D Expenses (BJPY)	51.0 (3-year total)	22.0	21.5	73.0 (3-year total)
	CAPEX (BJPY)	54.9 (3-year total)	23.0	22.5	80.0 (3-year total)
Capital Efficiency	Return on Invested Capital (ROIC)	11.7%	—	11.0%	≥11.0%
	Return on Equity (ROE)	12.9%	—	12.5%	≥12.5%

Non-Financial KPIs

The Group promotes Sustainability Management from the Perspectives of Environment, Society and Governance (ESG) under the Shimadzu Group Sustainability Charter.

		FY2023 Plan		FY2023 Results	
E	Climate Action Contribution to CO_2 Reduction > CO_2 Emissions	**Reducing CO_2 emissions associated with business activities and product use** • Corporate Emissions: 10,000 t-CO_2 (FY2025) → Zero (in 2050) • Reduction Contribution*1: 12,000 t-CO_2		Corporate Emissions: 10,800 t-CO_2 Reduction Contribution: 10,400 t-CO_2	
	Sustainable Resource Utilization	**Adopting sustainable product materials*2** 10 or more (FY2025)	**Resource circulation at domestic manufacturing and development sites** Maintain at least 99.6% recycling rate (FY2023 to FY2025)	3	99.7%
S	Promotion of More Active Participation by Women	**Ratio of female managers (consolidated)** 12% (FY2025) → 15% (FY2030)		11%	
	Promotion of CSR Procurement	**Expanding list of suppliers conducting CSR self-assessments** 100% (Percentage of orders placed by subcontractors) (FY2025)		96%	
G	Strengthening Group Governance	**Applying the Shimadzu Group Management Basic Regulation in actual practice** **Percent of Group companies notified of regulations** 100%		100%	

※1 Reduction in customers' CO_2 emissions by using products certified under our company Eco Products Plus system
※2 Resin materials derived from bio or recycled sources

For more details about the FY2023 to FY2025 medium-term management plan, refer to the website.
https://www.shimadzu.com/ir/library/presentation.html
FY2023-2025 Medium-Term Management Plan

Progress of Five Business Strategies

Reinforce Key Model Businesses

—LC, MS, GC, Testing Machine, and TMP—

Strategy Overview

Our aim is to offer "end-to-end solutions" based on our unique technologies and capabilities for social implementation.
For liquid chromatographs (LC) and mass spectrometer systems (MS), we will strengthen the competitiveness of core models and promote the automation of overall processes including pretreatment, the use of AI to increase efficiency, and the development of application-specific software.
For gas chromatographs (GC), we will improve product performance based on customer needs for higher sensitivity and faster analysis, and work with partners to develop biofuel data analysis techniques. For testing machines, we will develop composite testing machines configured with different types of testing machines connected with robots, and deploy our products in the measurement informatics field.
For turbomolecular pumps (TMP), we will increase market share by collaborating with manufacturers of semiconductor manufacturing equipment to develop high-performance TMP models.

First-Year Results

- Performance was impacted by worsening market conditions in China. However, sales grew in Europe and India, resulting in increased sales for LC, MS, and GC. Testing machine sales also increased due to rising demand for developing lighter, stronger, or recyclable new materials. Despite decreased sales of turbomolecular pumps for use in semiconductor manufacturing equipment, sales increased for turbomolecular pumps used in thin-film solar cell manufacturing equipment, due to growing environmental awareness.
- New models, Brevis GC-2050 and GCMS-QP2050, which are both smaller and enable higher productivity, were released for the green solution market. In addition, GC competitiveness in the Green Transformation market was enhanced by acquiring the microreactor business from Activated Research Company in the USA. (Refer to p.40.)
- In China, joint development with a local startup resulted in the release of an automated universal testing machine.

Future Measures

- Expand our product line for offering end-to-end solutions, including automated pretreatment and posttreatment equipment, AI-enabled software, and an enhanced range of consumable products.
- Utilize the R&D Center in North America, established in April 2024, to accurately identify the latest customer needs and quickly develop technologies and products to meet those needs. (Refer to p.43.)
- Expand sales of the LCMS-8060RX series, a new line of LCMS products that offer higher sensitivity.
- Expand sales of the ELEM-SPOT element-selective gas chromatograph mass spectrometer system for biofuel applications. This system, jointly developed with TotalEnergies (a major petroleum company in France), the University of Pau in France, and the University of Oviedo in Spain, can selectively detect oxygen- and nitrogen-containing compounds that affect the quality of biofuels from numerous components in raw materials. (Refer to p.40.)

LCMS-TQ RX Series Triple Quadrupole High-Performance Liquid Chromatograph Mass Spectrometers

Upper: LCMS-8060RX Triple Quadrupole High-Performance Liquid Chromatograph Mass Spectrometer
Lower: LCMS-8050RX (left) and LCMS-8045RX (right) Systems

Overview of Medium-Term Management Plan (FY2023 to FY2025)

Measures for the Pharmaceutical Industry

Focus on Low and Medium-Mass Molecules

The modalities (types of treatment methods) for pharmaceuticals are classified as small-molecule drugs, medium-molecule drugs, large-molecule drugs, cell therapies, and so on. Demand for small-molecule drugs is expanding due to the ongoing global trend of countries strengthening domestic production capabilities. The market for medium-molecule drugs is also growing quickly due to new drug development by mega pharmaceutical companies, biotech startups, and others.

Based on the current medium-term management plan, Shimadzu is focusing efforts on small and medium-molecule drugs, where we intend to offer end-to-end solutions for customer challenges.

Modality	Market Size (in 2020)	2020 to 2026 CAGR*
Small-Molecules	48 trillion yen	4%
Large-Molecules (Antibodies)	16 trillion yen	6%
Medium-Molecules (Nucleic Acids)	450 billion yen	17%
Cell Therapies	360 billion yen	36%

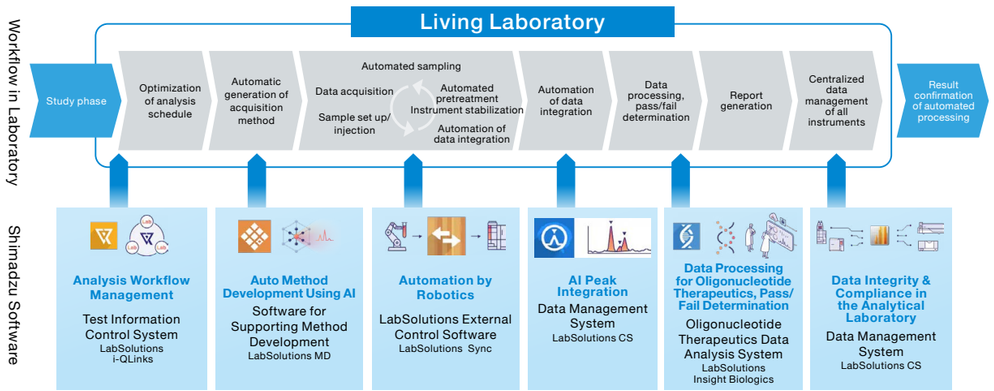
Source: FY2020 Japanese Cabinet Office report on survey of issues and measures for solving the issues in promotion of industries related to pharmaceuticals, regenerative medicine, cell therapy, and gene therapy
Ministry of Economy, Trade and Industry: Strengthening Biotech CMO/CDMO Business

Living Laboratories

For laboratories, the functionality, performance, and operability of instruments and software, along with the analytical chemistry knowledge and expertise of users can impact the reliability of results and the condition of instruments. This has become an issue for laboratories. Therefore, the Shimadzu Group offers "living laboratories" that can be updated with advanced analytical and measuring instruments, robotics, AI, and IoT technologies to eliminate laboratory dependence on specific individuals. Living laboratories enable researchers to engage in more advanced processes and achieve higher productivity for analytical workflows.

Features of Living Laboratories

- By using a networked system of multiple types of instruments, including non-Shimadzu models, analytical data can be integrated and managed centrally, resulting in increased efficiency.
- Solutions can be provided for every aspect of laboratory processes, including preparation, pretreatment, data acquisition, data analysis, and data management, as well as the configuration of a networked system.



Measures for Achieving Carbon Neutrality

Contribution to Expanding Biofuel Use

Biofuels made from plants and various other biomass*1 are attracting interest as an environmentally friendly alternative fuel for achieving carbon neutrality. Recently, significant research has focused on next-generation biofuels made from non-edible biomass substances due to concerns about food shortages. The use of such biofuels is expected to expand in the automobile and aircraft sectors. In 2021, Shimadzu started developing analytical techniques useful for next-generation biofuel research in partnership with TotalEnergies (a major petroleum company in France) and academic institutions. This collaboration led to the completion of the ELEM-SPOT element-selective gas chromatograph mass spectrometer system in April 2024, which can realize these analytical techniques.

ELEM-SPOT is the world's first product that can selectively detect only impurities, such as oxygen- and nitrogen-containing compounds, among the large number of components generated during biofuel manufacturing processes. Consequently, it can significantly improve biofuel manufacturing efficiency.

Shimadzu aims to help achieve a biobased economy and society by developing instruments that meet such new analytical needs and offering end-to-end solutions for bio-manufacturing applications.

ELEM-SPOT Element-Selective Gas Chromatograph Mass Spectrometer System

*1 Biomass: Renewable organic resources produced from plants and other biological matter (excluding fossil fuels such as petroleum).

Contributing to Realizing a Hydrogen Economy

Hydrogen has attracted significant interest as an energy source that does not emit CO_2 when used. However, the use of hydrogen as an energy source may require measuring impurities for quality control purposes, depending on the application. For example, if the hydrogen used in fuel cells contains carbon monoxide or other impurities, catalytic performance in the battery may be decreased. Therefore, international ISO standards have been established to specify the maximum concentration of not only carbon monoxide but also oxygen, CO_2, and hydrocarbons. Shimadzu analytical instruments offer utility for measuring such impurities in quality control processes.

The Brevis GC-2050 gas chromatograph, released in September 2023, can be used in combination with a catalytic microreactor*2 to analyze carbon monoxide, CO_2, and hydrocarbons with high sensitivity. This state-of-the-art GC unit is 35% narrower, is easier to operate, and consumes less electricity than the previous model, while also maintaining the same top-of-the-line performance.

Similarly, the GCMS-QP2050, released in December 2023, can increase measurement efficiency by simultaneously analyzing many target components specified in ISO standards. This new GCMS model is compact, but offers higher sensitivity and easier maintenance.

Shimadzu will continue to offer end-to-end solutions in an effort to achieve a hydrogen economy

Left: GCMS-QP2050 Quadrupole Gas Chromatograph Mass Spectrometer System
Right: Brevis GC-2050 Gas Chromatograph (awarded "2023 Best 10 New Products Award"*3)

*2 Catalytic microreactor: Small catalytic reactor that can achieve methanation and other chemical reactions for detecting CO_2 and other components for which general purpose GC detectors (FID) provide inadequate sensitivity. In February 2024, Shimadzu acquired the microreactor business from Activated Research Company, LLC (USA).
*3 Award given by the Nikkan Kogyo Shimbun newspaper.

Overview of Medium-Term Management Plan (FY2023 to FY2025)

Strengthen Med-Tech Business

Strategy Overview

"Med-Tech" has been defined as businesses that use technologies for component analysis, image analysis, and so on, to offer end-to-end solutions in health management, medical examinations, diagnosis, treatment, and prognosis management, in order to achieve longer and healthier life expectancies. In the Med-Tech business, we will promote imaging transformations (IMX) and testing (diagnostics) of clinical samples. For IMX, we will use diagnostic imaging equipment and AI/IoT technologies to offer new added value and reduce the burden on medical personnel and patients. For clinical sample testing, we will expand the product lines of pretreatment equipment, reagents, and software as well as the product line of the equipment used for clinical applications, in an effort to promote the broad adoption of clinical sample testing equipment (clinical platforms) in society.

First-Year Results

Outside Japan

- Acquired Biomaneo, a company offering clinical regulatory compliance software and reagent kits in France.
- Started OEM supply of LCMS systems for clinical use to a reagent company in China.
- Started a blood test-based hypertension diagnostic support business in Singapore, at the Shimadzu-CGH Clinomics Centre, a joint research laboratory established by Shimadzu (Asia Pacific) Pte. Ltd. and Changi General Hospital in Singapore.
- Developed measurement technology for extending healthy life expectancies in collaboration with Washington University.

Japan

- Collaborated with Jikei University in research on maintaining bone health. The intention is to establish a system for prevention and early detection of osteoporosis based on health checks at health screening facilities.
- Signed a collaboration agreement with Echizen City to enhance health and longevity and contribute to health promotion through the SUPOFULL health promotion platform.
- Shimadzu Techno-Research, Inc. started a contract newborn mass screening business.
- Started a joint research for development of a cell therapy for liver cirrhosis using iPS cells as a new treatment method for inhibiting the progression of the disease.
- Shimadzu Diagnostics Corporation developed reagents for newborn mass screening.

Future Measures

- Enhance line of reagents in cooperation with Recipe, one of the two largest reagent manufacturers in Europe.
- Expand OEM customers in China.
- Expand product line of clinical analytical instruments.
- Strengthen cooperation between Analytical & Measuring Instruments and Medical Systems sales units with the launch of the Sales & Marketing Division.
- Expand sales of IMX products, such as the RADspeed Pro SR5 Version radiography system equipped with optical cameras to improve examination efficiency, in order to reduce the burden on medical personnel and patients.
- Expand the geriatric healthcare business to extend healthy life expectancies.
- Establish platforms for health improvement, bones, dementia, etc.

RADspeed Pro SR5 Version Radiography System

Illustration of Operating the System

Shimadzu Group Aims to "Contribute to Creating a Society with Longer Healthy Life Expectancies"

Everyone in the world wants longer healthy life spans that allow each person to live a healthier and richer life. Shimadzu contributes to achieving societies with long healthy life expectancies with analytical, measuring, and X-ray technologies.

Challenges of Society

Escalating Medical Costs
About **46** trillion yen
(FY2022 results)

10.09%
Health Insurance Rate
(Kyoto: FY2023 results)

Customer Challenges

Extend healthy life expectancies by disease prevention

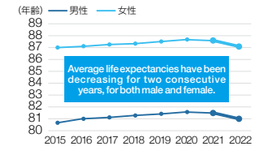
Value Provided

Disease Onset Prevention
Severe Illness Prevention

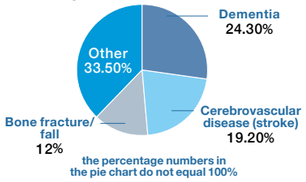
- Neonatal congenital metabolic disorders
- Infectious disease countermeasures
- Bone fracture countermeasures
- Dementia countermeasures

1. The first step toward longer healthy life expectancies is removing abnormalities during the neonatal stage.
→ **Address congenital metabolic disorders, etc**
2. The pandemic even affected average life expectancies.
→ **Address infectious diseases**
3. Bone fractures/falling is the third highest reason for needing nursing care.
→ **Address osteoporosis**
4. Dementia is the number-one reason for needing nursing care.
→ **Address Alzheimer's disease**

Average Life Expectancies



Main Reasons for Needing Nursing Care



We are promoting the geriatric health business for extending healthy life expectancies, especially focusing on early diagnosis for preventing the conditions requiring nursing care.

Preventive geriatric medicine for preventing becoming bedridden Reduce the burden on caregivers

Improve the QOL of elderly by helping them walk

Benefits of Walking

- **Reduces morbidity rates of osteoporosis, ischemic heart diseases, etc.**
- **Prevents dementia**

(Source: Ministry of Health, Labour and Welfare website)
(Source: Tokyo Metropolitan Geriatric Hospital website)

Bone Fields: Bone Screening

Test for vitamin D in blood, X-ray fluoroscopy systems

- Bone fracture examination and bone mineral density measurement (can be performed without moving the patient for positioning)
- Osteoporosis examination and assistance after artificial joint replacement surgery
- Test for vitamin D in blood, monitoring of therapeutic drug concentration in blood
- AI diagnostic support to reduce burden on physicians

Heart Diseases and Peripheral Vessels:

Search for heart disease biomarkers, angiography systems

- Predict onset and support treatment of ischemic heart diseases and lower extremity arterial diseases.
- Angiography systems: Image processing engine equipped with AI technology to achieve both 40% lower radiation exposure and better visibility than before.

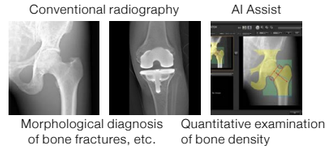
Dementia Examination Fields

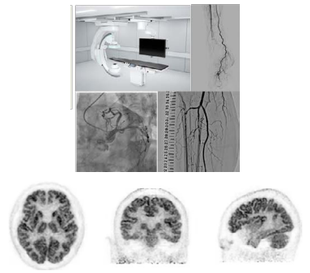
Blood tests, BresTome PET system for head and breast

- Measure amyloid beta in blood
- Higher-resolution images of amyloid beta plaques in the head

Customers with head PET system

Fujita Medical Innovation Center Tokyo
Institute of Advanced Clinical Medicine, Kindai University
LSI Sapporo Clinic, etc.





Example of normal head FDG
Data provided by: Division of Positron Emission Tomography, Institute of Advanced Clinical Medicine, Kindai University

Overview of Medium-Term Management Plan (FY2023 to FY2025)

Expand Overseas Businesses & Operations

Strategy Overview

We will provide the best possible end-to-end support from sales to service by reinforcing customer support capabilities in accordance with market characteristics. In addition, we will strengthen the development base as appropriate for business expansion in healthcare and green transformation areas. We will also reinforce production continuity management for responding to geopolitical risks.

First-Year Results and Future Measures (BJPY)

	FY2022	FY2023	YoY Change	% Change	Results and Future Measures
Outside Japan	271.2	296.3	+25.1	+9%	FY2023: Results driven by Europe and other Asian countries. Overseas sales ratio increased 2 points to 58%, due to beneficial exchange rates and other factors. FY2024: While China will remain sluggish due to market downturns, other regions will aim for positive growth through the implementation of strategic initiatives.
Key Regions					
North America	57.6	60.6	+3.0	+5%	FY2023: Market conditions for Analytical & Measuring Instruments slowed in the first half, but recovered in the second half due to demand in the pharmaceutical industry. Medical Systems sales decreased due to stalled capital equipment investments by hospitals. FY2024: For Analytical & Measuring Instruments, the R&D Center in North America will be used to strengthen products and solutions for healthcare and green innovation. For Medical Systems, direct sales capabilities will be expanded and the sales of angiography and fluoroscopy systems will be promoted.
Europe	41.7	48.9	+7.2	+17%	FY2023: Sales increased in all of Analytical & Measuring Instruments, Medical Systems, and Industrial Machinery. For Analytical & Measuring Instruments, sales increased in pharmaceutical, clinical, and academic fields. For Medical Systems, sales increased for Eastern Europe. For Industrial Machinery, sales increased in TMP. FY2024: For Analytical & Measuring Instruments, measures for the healthcare and green innovation markets will be enhanced. For Medical Systems, measures will be strengthened in Eastern Europe, where we are focusing efforts.
China	96.7	99.9	+3.1	+3%	FY2023: Analytical & Measuring Instruments sales were impacted by worsening market conditions for pharmaceuticals and CXO. Medical Systems sales of fluoroscopy systems manufactured in China were strong. Industrial Machinery TMP sales increased for green measures. FY2024: Analytical & Measuring Instrument market conditions for pharmaceuticals and CXO will remain difficult for the time being. Efforts will be focused on fields such as clinical, academia, and green innovation. For Medical Systems, sales of locally manufactured products will be promoted.
Asia (Southeast Asia, Korea, and Taiwan)	37.1	41.5	+4.4	+12%	FY2023: Analytical & Measuring Instrument sales for pharmaceuticals were strong. For Medical Systems, angiography system sales increased. FY2024: For Analytical & Measuring Instruments, sales will be promoted in growing pharmaceuticals and food markets. For Medical Systems, sales of radiography and angiography systems will be promoted.
India	15.1	17.8	+2.7	+18%	FY2023: Analytical & Measuring Instrument sales for pharmaceuticals were strong. For Medical Systems, angiography system sales increased. FY2024: For Analytical & Measuring Instruments, sales will be promoted in growing pharmaceuticals market. For Medical Systems, sales of angiography systems will be promoted.

R&D Center Established in North America

Expanding the Healthcare Business in North America
Implementing Customer-Centered Product Development

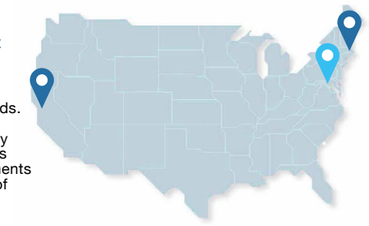
Shimadzu is deploying strategies in respective regions around the world based on market characteristics in those regions. Meanwhile, we also aim to develop products required globally in cooperation with leading academic and corporate researchers.

Shimadzu Scientific Instruments, Inc. (SSI), a Shimadzu subsidiary in the United States, established an innovation center in 2015, where they research and develop advanced technologies in cooperation with R&D teams in Japan.

In North America, there are many R&D and manufacturing sites of academic institutions and companies that are globally active in the field of pharmaceuticals, which is also a key focus of Shimadzu. Accordingly, North America is very advanced in cutting-edge R&D and manufacturing activities. This makes North America the most important region in terms of Shimadzu deploying business in the pharmaceuticals field. It has been our wish to work with academic and corporate researchers to properly understand their latest needs and promote customer-centered product development to quickly satisfy their needs.

In April 2024, SSI opened a new R&D Center to establish customer-centered development capabilities in North America, as well as to strengthen the sales, marketing, service, and other functions.

From the left: Tomita, Managing Executive Officer, Shimadzu Corporation; Dr. Ball, County Executive, Howard County; Maeda, President, SSI; Yamamoto, President, Shimadzu Corporation; Ms. Pringle, Deputy Secretary, Maryland Department of Commerce; Yoneyama, Deputy Director, JETRO New York



R&D Center, West Coast Laboratory
(State of California)
Conducts surveys and assessments of customer needs. In the surrounding area, there is a concentration of laboratory automation-related companies and the development departments and manufacturing locations of pharmaceutical companies.

R&D Center, East Coast Laboratory
(State of Massachusetts)
Conducts surveys and assessments of customer needs. In the surrounding area, there is a concentration of academic institutions, pharmaceutical R&D departments, and bioengineering companies.

R&D Center, Development Headquarters in Maryland
(State of Maryland)
Location for global development collaboration, such as for mechanical design and software development. Located within SSI, it also provides joint research laboratories and other resources.
In the surrounding area, there are many governmental research centers and pharmaceutical companies.

This R&D Center comprises three locations, including the development headquarters in Maryland, the East Coast laboratory (in greater Boston, Massachusetts), and the West Coast laboratory (in greater San Francisco, California).

The greater Boston and San Francisco areas include a concentration of pharmaceutical and tech companies, academic research institutions, and other relevant organizations referred to as "bioclusters." These regions are involved in not only developing small-molecule drugs but also medium to large-molecule drugs, such as nucleic acid therapeutics, antibody drugs, and gene therapeutics, and are also involved in developing new technologies that incorporate automation, AI, and other technologies. Establishing R&D locations in these pharmaceutical company clusters will enable Shimadzu to quickly respond to customer requests.

In addition to conducting detailed surveys of the workflows and needs of customers in respective East and West locations and designing/developing corresponding products, the R&D Center will also collaborate with the R&D departments in Japan to continuously develop products based on the input from customers and provide feedback to Japan, in an effort to offer innovative technologies and products.

North America provides the ideal soil for generating state-of-the-art technologies and solutions for solving challenges outside the field of pharmaceuticals as well. Therefore, we will collaborate with researchers and key customers who possess advanced technologies to develop products and applications in order to offer end-to-end solutions based on customer needs.

Pharmaceutical/clinical testing-related companies, tech companies, and leading academic institutions

Agile Development

R&D Center

R&D Departments at Head Office in Japan

Agile development: Technique for quickly developing technologies/products based on customer requirements by repeating an iterative cycle of incremental implementation and testing steps.

SSI Building

R&D Center Established at SSI

Overview of Medium-Term Management Plan (FY2023 to FY2025)

Reinforce & Expand Recurring Businesses

Strategy Overview

In addition to expanding the sales of maintenance and service contracts that offer DX/IoT-based remote monitoring and maintenance functionality, we will promote the AI-based software licensing business. We will expand businesses with recurring revenues from reagents, culture media, columns, and other consumables. We will also strengthen development of reagents, culture media, and chromatograph columns through collaboration with other Shimadzu Group companies including Shimadzu Diagnostics Corporation (formerly Nissui Pharmaceutical).

First-Year Results

Recurring Sales Ratio

- Analytical & Measuring Instruments: Despite increased maintenance/service sales, the recurring sales ratio decreased 1 point (YoY) to 36% due to the significant decrease in COVID-19 reagent kit sales. In May 2023, Shimadzu acquired Biomaneo, a leading French software and reagent kit company in the clinical testing field.
- Medical Systems: The recurring sales ratio increased 2 points (YoY) to 36% due to increasing maintenance/service sales.

What's Next

- Analytical & Measuring Instruments: We will strengthen multi-vendor services in North America (refer to the article below). In addition, we will use our Group company Biomaneo (France) to expand/improve the software for clinical regulatory compliance, and use Shimadzu Diagnostics Corporation and other subsidiaries to expand the consumables business throughout the Shimadzu Group.
- Medical Systems: We will promote the sales of "SHIMADZU connected" plan, a proactive service solution for remotely monitoring the operating status of an instrument and replacing parts before a failure occurs.

Acquisition of an Analytical Instrument Maintenance/Service Provider, Zef Scientific Inc., in North America

On April 1, 2024, Shimadzu acquired all the shares of Zef Scientific Inc. (Zef) (based in Orange County, California) via Shimadzu's U.S. subsidiary Shimadzu Scientific Instruments, Inc. (SSI) to make Zef a subsidiary of SSI. Zef is involved in providing inspection, maintenance, and other services for liquid chromatographs (LC) and liquid chromatograph mass spectrometer (LCMS) systems. Shimadzu acquired Zef in order to expand aftermarket services and strengthen capabilities in North America.

Aftermarket services, such as replacing consumables and performing inspections/repairs, are essential after analytical instruments are installed. In recent years, there has been increasing demand in the pharmaceutical industry for multi-vendor services (MVS), which involves providing aftermarket services for all analytical instruments within a company regardless of its manufacturer. In North America in particular, many pharmaceutical companies are outsourcing instrument management to outside MVS companies in order to improve instrument management efficiency. Consequently, the MVS market is experiencing high growth and Shimadzu customers have been requesting maintenance services for all their analytical instruments, including non-Shimadzu instruments.

Zef is a dedicated MVS provider that offers LC and LCMS aftermarket services. It has a broad network of human resources and services it can use to maintain instruments from a wide range of manufacturers and has a strong reputation in the aftermarket services market for pharmaceutical companies. The Zef acquisition will enable SSI to offer one-stop services for all instrument brands and increase customer operating efficiency. Making it easier to manage the maintenance histories of analytical instruments owned by pharmaceutical companies also contributes to quality assurance of their manufacturing processes.

From left: Yoshiaki Maeda, President, SSI; Dr. Z. El Fallah, President and founder of Zef; Masami Tomita, General Manager, Analytical & Measuring Instruments Division, Shimadzu Corporation

Develop & Create New / Future Businesses

Implementing measures for developing/creating new and future businesses is an extremely important strategy for achieving business growth into the future. The new medium-term management plan specifies using Shimadzu's core technologies, such as analytical/measuring instruments, medical X-ray systems, and vacuum pumps, to deploy new products and new businesses in the key target fields of advanced analysis, AI, innovative manufacturing, innovative biotechnology, and the brain/five senses. From a long-term perspective, we will also create future businesses that will contribute to achieving a sustainable society and solving challenges in society in the healthcare, green, material, and industry domains.

First-Year Results

- Developed and acquired technologies for creating new and future businesses in respective domains.
- Shimadzu and Global Brain Corporation, an independent venture capital firm, established the Shimadzu Future Innovation Fund as a corporate venture capital (CVC) fund. In FY2023, the fund invested in five startup companies. Investments are made both in and outside Japan. In FY2023, this resulted in investing in three companies in Japan and two in the United States. → Refer to p.70.

What's Next

- Research and development will be promoted in specified target areas, which are advanced analysis, innovative biotech, the brain/five senses, and AI.
- The Shimadzu Future Innovation Fund will be used to acquire innovative technologies in partnership with startup companies and create new businesses.

Launching the New Sales & Marketing Division (For a Message from the Director in Charge of Corporate Marketing, refer to p.47.)

Shimadzu Group sales units have satisfied the needs of customers by offering a broad line of products and solutions. In April 2024, the sales units in Japan were migrated to a newly established Sales & Marketing Division. The reasons for establishing the new Sales & Marketing Division are listed below.

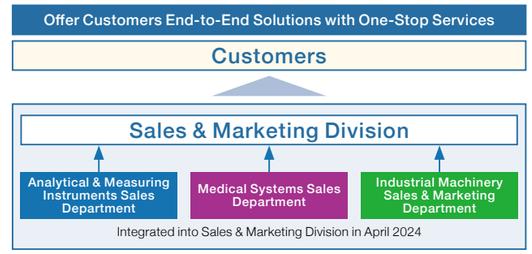
Providing a One-Stop Source for Services

- All Shimadzu products and services are offered to customers via a single contact point.
- With a comprehensive contact point that extends across divisional boundaries to offer not only products but also consumables, relationships with customers are strengthened.

Offering End-to-End Solutions

- The new organization enables Shimadzu to offer optimized end-to-end solutions based on an overall understanding of what the customer wants to accomplish.

Organizational Reforms to Focus on Customers



Sales will also be expanded by implementing the following measures.

(1) Collaboration between Analytical & Measuring Instruments and Medical Systems

Analytical & Measuring Instruments and Medical Systems Divisions will collaborate for deploying Med-Tech businesses. For example, the AutoAmp genetic analyzer released for the COVID-19 pandemic was a product of the Analytical & Measuring Instruments Division, but about 80% of the units were sold via Medical Systems sales channels of mostly of hospitals and clinics. In this way, sales of Analytical & Measuring Instruments products can be expanded using Medical Systems sales channels.

(2) Collaboration between Analytical & Measuring Instruments and Industrial Machinery

TMP units from the Industrial Machinery Division are mostly used in semiconductor manufacturing equipment, whereas few Shimadzu Analytical & Measuring Instrument products are used by manufacturers of semiconductor manufacturing equipment and semiconductors. Therefore, Analytical & Measuring Instruments and Industrial Machinery sales units will work cooperatively to expand sales of Analytical & Measuring Instruments products to manufacturers of semiconductor manufacturing equipment and semiconductors. In addition, Industrial Machinery products will be offered to food manufacturers that use Shimadzu Analytical & Measuring Instruments products.

(3) Establishment of the Global Sales Strategy Department

The Global Sales Strategy Department will globally implement strategies for expanding sales in response to customer and market needs through collaboration with sales subsidiaries outside Japan and the Sales & Marketing Division in Japan. For example, it identifies potential target needs to be addressed globally, such as decarbonization and PFAS reduction, quickly provides feedback to R&D departments, and ensures the feedback leads to hardware improvements or application development.

Medium-Term Management Plan

Overview of Medium-Term Management Plan (FY2023 to FY2025)

Message from the Director in Charge of Corporate Marketing

Shunei Matoba

Managing Executive Officer
in Charge of Corporate Marketing
General Manager, Sales & Marketing Division
General Manager, Tokyo Office

Career Overview

Apr. 1986	Joined Shimadzu Corporation
Apr. 2005	Director, General Manager, Sales Department, Shimadzu Science West Corporation
Apr. 2008	General Manager, Sales Department, Analytical & Measuring Instruments Division
Apr. 2015	Executive Vice President, Shimadzu do Brasil Comércio Ltda.
Oct. 2015	President, Shimadzu do Brasil Comércio Ltda.
Apr. 2019	General Manager, Business Strategy Department
Apr. 2020	Corporate Officer, Deputy General Manager, Analytical & Measuring Instruments Division
Apr. 2023	Managing Executive Officer in Charge of Corporate Marketing, and General Manager, Tokyo Office
Apr. 2024	Managing Executive Officer in Charge of Corporate Marketing, General Manager, Sales & Marketing Division, and concurrently General Manager, Tokyo Office (current)

Launching the Sales & Marketing Division

To transform Shimadzu into a company that solves challenges in society in collaboration with partners all around the world, the current medium-term management plan that started in FY2023 specifies expanding businesses and implementing organizational reforms to focus on customers. That is due to a shift in customer needs, from tangible objects (physical products) to intangible value (data/solutions), that can no longer be adequately satisfied by businesses deployed based on Shimadzu's previous product-based organizational structure. Therefore, assuming data is a fountainhead of value, we are implementing various reforms for supplying customers with data they need (or supply the ability to obtain that data). Shimadzu refers to offering value that fully satisfies customer needs as offering "end-to-end solutions." That ability will be critical for achieving future growth.

Consequently, the role of sales departments, which are in a position closest to customers, will change significantly. Until now, Shimadzu's sales organizations were affiliated with the respective business divisions. To put it simply, that meant sales departments only sold products from their affiliated division. However, customers want to obtain the data they need from "Shimadzu," rather than from a particular Analytical & Measuring Instruments, Medical Systems, or Industrial Machinery Division, so we are no longer able to offer the end-to-end solutions they want. Therefore, we decided to extract the sales departments from each division to establish the Sales & Marketing Division, as of April 1, 2024. The Sales & Marketing Division eliminates the previous walls that separated the previous departments and enables sales representatives to handle all Shimadzu products except for aircraft products. The aircraft products are not included because of the confidentiality of products for the Japanese Ministry of Defense.

Aiming to Offer End-to-End Solutions

When the new Sales & Marketing Division is launched, it will provide customers with a single contact point for all Shimadzu products and services. The sales personnel will also serve as the contact for product improvement requests and aftermarket services, providing customers with a "one-stop" source for solutions. From Shimadzu's perspective, the new organization allows Shimadzu to offer end-to-end solutions with optimal products, services, and Shimadzu's all technologies based on an understanding of the overall concept of what the customer wants to accomplish. For example, we anticipate that Medical Systems sales personnel will be able to use sales channels to hospitals and clinics to identify customer challenges and then offer products and solutions from the Analytical & Measuring Instruments Division.

However, just because the previous organizations are integrated into a single organization does not mean things will change quickly. After all, both the Analytical & Measuring Instruments Division and Medical Systems Division are involved in selling finished products, whereas the Industrial Machinery Division and Fluidics Systems Division (hydraulic equipment) are involved in selling components to the manufacturers of the finished goods, so their selling styles are quite different. Therefore, we will first conduct product study sessions to increase each other's knowledge levels. By pairing respective sales personnel together, they can be expected to mutually learn from each other, such as the differences in selling styles.

"Going for the ONE"

In April 2023, when I was appointed the director in charge of sales, I specified a new policy of "Going for the ONE." In this case, the word "ONE" has three meanings. The first is "No. 1." It refers to aiming to become number one in terms of market share, customer preference, or other parameters. The second meaning is "ONE PURPOSE." That refers to providing the "Best for Our Customers," which has been part of our internal slogans since 2007. It means thinking of what is best for customers and offering the best possible solutions. The third meaning is "ONE SHIMADZU." That refers to unity across divisional, regional, company, or other boundaries.

In this case, establishing the Sales & Marketing Division has helped the Shimadzu Group in Japan become closer to being "ONE SHIMADZU." Soon, similar measures will be implemented outside Japan as well in an effort to unify sales departments globally to achieve "ONE SHIMADZU." In the future, we also intend to remove departmental boundaries and establish customer-centered organizations for a variety of other functions in the value chain, such as marketing, development, and manufacturing.

Achieving "Best for Our Customers"

After joining Shimadzu in 1986, I was assigned to work at the Hiroshima Branch. Two months after I joined Shimadzu, the Branch General Manager at the time handed me a book entitled "List of Small and Medium-Sized Companies in Hiroshima Prefecture" and instructed me to "visit 30 of the companies each day." I kept visiting companies that way for three months. In response, I frantically studied the products and proposed product solutions to customers, but sold only one system during that three-month period. Furthermore, the Hiroshima Branch did not separate sales personnel by division in those days, like it is today, so we could sell whatever the customer wanted. In fact, in some cases we actually sold products from both the Analytical & Measuring Instruments Division and Industrial Machinery Division at the same time. That experience still forms the basis for my own ideas about how sales work should be conducted.

No doubt there are some of you working in sales who feel uncertain about how to sell unfamiliar products and think things should stay the same as they are now. However, with the current division-based sales organizational structure, it is becoming increasingly difficult to adequately address the wide variety of challenges faced by customers. That is something especially sales personnel, more than anyone, should be well aware of. Taking the first step may require courage, but you can be sure others around you will provide support and systems will be created for that purpose. If I was able to do it as a new employee, you can too. As we transition to the new organization, we need to communicate, in all sorts of situations, that "selling products from another division is not difficult and that selling a wider variety of products is fun."

There has already been a case of collaboration between the Analytical and Medical divisions during the COVID-19 pandemic, when sales personnel from the Medical Systems Division sold AutoAmp fully automatic PCR testing systems developed by the Analytical & Measuring Instruments Division via their hospital/clinic sales channels. Of the approximately 2,000 AutoAmp units sold, about 80% were sold by the Medical Systems sales personnel. It is unlikely that many units could have been sold by only Analytical & Measuring Instruments sales personnel with weak hospital sales channels.

Hopefully, we can continue increasing the number of such successful experiences. Particularly due to the increasing use of analytical instruments for healthcare applications, we intend to promote cooperation between Analytical and Medical personnel. Of course, competing measuring instrument manufacturers do not offer a line of medical products, which is a major strength of Shimadzu. The Shimadzu Group includes about 2,000 sales personnel in Japan alone and about 6,000 globally. By reforming our sales practices to further focus on customers and offering end-to-end solutions, our aim is to provide the "Best for Our Customers."

Please expect great things from the Shimadzu sales organization in the future.

Medium-Term Management Plan: Divisions Supporting Five Business Strategies

Analytical & Measuring Instruments Business

The following web page includes information about the topic listed below.
https://www.shimadzu.com/an/
Analytical and Measuring Instruments

We contribute to solving challenges in society by using analytical and measuring technologies to offer end-to-end solutions in target domains including healthcare, green transformations, and materials, and to support cutting-edge R&D and manufacturing in pharmaceutical, food, clinical testing, environmental testing, and industry fields.

General Manager, Analytical & Measuring Instruments Division
Masami Tomita

Related SDGs

Business Environment

- In order to achieve a sustainable society, we are expected to establish a safe and secure society, such as by developing biopharmaceuticals and other new drugs, ensuring a stable supply of pharmaceuticals, implementing countermeasures for infectious and other diseases, and improving public health.
- To achieve a carbon neutral society, a variety of research has been performed with "global environmental impact burden" in mind.
- Efforts are being made to implement reforms for research practices, such as by using automation to prevent human errors or using AI technologies to achieve the skill level of an expert.

Challenges of Society

- Diversification of treatment choices, such as antibody drugs, nucleic acid drugs, cell therapy, and gene therapy.
- Due to growing interest in health, there is growing demand for ultra-early diagnosis, prevention, health promotion, and extending healthy life expectancies.
- Development of functionally enhanced foods that contribute to human health, ensuring food safety.
- Achieving a carbon-neutral society by reducing greenhouse gases, by using hydrogen, biofuels, or other next-generation energies, and by promoting the widespread use of bio-manufacturing methods that do not involve fossil fuels.
- Addressing hazardous substances that can be harmful to humans, such as microplastics and per- and polyfluoroalkyl substances (PFAS).

Value Provided

Healthcare Domain

- In the pharmaceutical field, we contribute to new drug development and productivity improvements by providing AI-based data analysis technologies in addition to advanced technologies for separation analysis and mass spectrometry.
- In the food field, we help ensure the safety and security of food by testing for residual pesticides, evaluating the presence of regulated substances contained in packaging, and ensuring regulatory compliance. In addition, we offer end-to-end solutions that contribute to strengthening the food-tech field. These include analysis and evaluation of meat alternatives and the components with functional properties in food.
- For clinical diagnostic applications, we build a diagnostic platform using liquid chromatograph mass spectrometer (LCMS) systems. We contribute to maintaining people's health by developing technologies for the early diagnosis of diseases, such as dementia, cancer, and lifestyle diseases, and by developing a health management system for managing all stages of healthcare, from medical intervention to prognosis management.
- We contribute to preventing the spread of infections by developing and improving diagnostic testing reagents and virus monitoring.

Green (GX) Domain

- We offer end-to-end measuring solutions for the overall supply chain for hydrogen, ammonia, and other alternative energies, such as solutions for analyzing impurities or evaluating the quality of transport/storage infrastructures.
- We contribute to the development of quality evaluation methods for and standardization of bio-manufacturing processes, such as the process for production of biofuels or biochemicals from CO_2.
- We develop and globally standardize the measurement methods to be used for compliance with new environmental regulations, such as those for microplastics and PFAS substances.

Material Domain

- We promote the development of applications that support the development of new materials for improving the fuel efficiency and ensuring the safety of EV batteries.

FY2023 Results Market Conditions/Key Measures and Results

- In the healthcare domain, the sales of liquid chromatographs (LC) and mass spectrometer (MS) systems increased due to new drug development, measures to promote domestic production of pharmaceuticals in each country, and the expansion of the clinical testing market. In the green domain, the sales of gas chromatographs (GC) increased for use in the development of alternative energies and the sales of mass spectrometers (MS) increased to meet stricter environmental regulations. In the materials domain, the sales of testing machines increased for use in the development of new materials. Record sales were achieved for the fourth consecutive year due to about 10% (YoY) growth in sales of key models (LC, MS, and GC) and also favorable exchange rates.
- In Japan, though the sales of pandemic-related products decreased, the sales of LC and MS products for pharmaceutical applications increased as well as the sales of testing machines for alternative energy development. The acquisition of Nissui Pharmaceutical (renamed "Shimadzu Diagnostics Corporation" in April 2023) as a consolidated subsidiary also contributed to performance.
- Outside Japan, sales grew for supercritical fluid chromatograph systems developed based on the needs of pharmaceutical companies in Europe and the United States. LC and MS sales increased in the clinical testing market in Europe and for pharmaceutical applications in Southeast Asia and India. MS sales also increased for environmental testing applications such as for meeting PFAS regulations. This resulted in an increase in the overseas sales ratio by +0.9 points (YoY) to 62.4%.
- We released the Brevis GC-2050 gas chromatograph, which is both smaller and offers higher productivity. It saves space and increases productivity, while offering the same high basic performance and expandability using optional products as before. We provide end-to-end solutions for biofuels, next-generation fuels, and environmental/regulatory fields in the green transformation domain to contribute to achieving a carbon-neutral society.
- We released the GCMS-QP2050 quadrupole gas chromatograph mass spectrometer system that offers both the smallest size in the industry and high robustness. It contributes to R&D and quality control operations in a wide variety of areas, such as environmental testing, chemicals, and life sciences, by offering a variety of user assistance functionality that increases operating efficiency while reducing the burden on operators.
- We acquired Biomaneo in France to obtain their clinical software for linking instruments to the hospital information system, as well as their development capabilities. The use of LCMS systems is increasing in clinical fields, mainly for blood testing. Hospitals use a laboratory information system to link test results to electronic medical records. The Biomaneo software enables automatic transfer of test results to the hospital information system. Shimadzu has been expanding and improving its line of products for clinical applications and has also been focusing on expanding and improving its product line of reagents, such as by acquiring Shimadzu Diagnostics Corporation (formerly Nissui Pharmaceutical Co., Ltd.). This will enable Shimadzu to offer end-to-end solutions in the clinical field, which is predicted to expand in the near future.

Global Pharma Summit Held in Singapore

In November 2023, Shimadzu Asia Pacific Pte. Ltd. (SAP), Shimadzu's Asia headquarters, hosted the 9th Shimadzu Global Pharma Summit.
The summit aimed to build relationships with partners and create a network among customers, so that Shimadzu can leverage these relationships and network to offer comprehensive solutions for the pharmaceutical industry. Since its inception in 2007, the summit has attracted over 3,500 participants from 25 countries cumulatively, and each year, leaders, researchers, and professionals from the pharmaceutical industry participate.
This year's theme was "AI-Powered Pharma," with over 100 attendees. The event featured presentations on using AI for drug discovery and passionate discussions about the considerations of AI utilization. Additionally, during the summit, a memorandum of understanding was signed to establish a platform connecting cooperating laboratories in each region to foster innovation.
Shimadzu intends to use the interactions and insights gained at the summit to create new value in collaboration with partners in the pharmaceutical industry.

9th Shimadzu Global Pharma Summit

New Products

High-Performance Liquid Chromatograph Mass Spectrometer System (Ultra-Fast Triple-Quadrupole LCMS) LCMS-8060RX

Gas Chromatograph Mass Spectrometer System GCMS-QP2050

Element-Selective Gas Chromatograph Mass Spectrometer System ELEM-SPOT

Gas Chromatograph Brevis GC-2050

Medium-Term Management Plan: Divisions Supporting Five Business Strategies

Analytical & Measuring Instruments Business

Key Measures for FY2024

The fight against the COVID-19 pandemic has heightened global awareness about life and health. It has also increased public interest in sustainability, recognizing it as a crucial issue for achieving the "well-being of the Earth," such as by treating the impacts of climate change as societal challenges. During the medium-term management plan that started in FY2023, Shimadzu will strengthen relationships with partners around the world to create a sustainable society, focusing efforts on generating social value primarily in the healthcare and green (GX) domains.

Strengthen Key Businesses

In the healthcare domain, we aim to offer end-to-end solutions for nucleic acid therapeutics and other biopharmaceuticals or for food-tech, based on our core liquid chromatograph (LC) and mass spectrometer (MS) products. Using cutting-edge analytical and measuring instruments, robotics, AI, and IoT technologies to eliminate laboratory dependence on specific personnel will enable researchers to engage in more advanced operations, increase the productivity of analytical processes, and implement laboratory reforms.

In the green domain, we will expand business by setting strategies for both software applications and new products, in the fields of bio-manufacturing, clean energies such as hydrogen and ammonia, and for compliance with environmental regulations concerning microplastics, organofluorine compounds (PFAS), and more. We will also strengthen partnerships with domestic and international standard development organizations and implement global strategies for standardization and compliance to increase our competitiveness.

In the material domain, we will contribute to the development and manufacturing of innovative materials through automation achieved with our analytical and measuring instruments including testing machines, and through multi-metric data analysis using informatics.

Strengthening Clinical Businesses

We will focus efforts in three areas: clinical diagnostics, microbial testing, and cellular analysis. Shimadzu will expand and improve product lines, including liquid chromatograph mass spectrometer (LCMS) systems, automatic LCMS pretreatment systems, and pretreatment systems manufactured by other companies. Shimadzu has been reinforcing its line of reagent products through the development of reagents by Shimadzu Diagnostics Corporation (renamed from Nissui Pharmaceutical Co., Ltd. in April 2023) and by the acquisition of reagent manufacturers. We will continue building a clinical platform, offer end-to-end solutions configured with hardware, software, reagents, and other items, in an effort to expand the business.

Strengthen Businesses outside Japan

We will expand businesses in regions around the world, with the highest priority being North America. In North America, we established the North American R&D Center for the purpose of engaging in joint research and development collaborations with key customers that have advanced LC or MS technologies. In addition, we established development centers on the East and West Coast and expanded/improved their functions to allow Shimadzu to work with customers in pharmaceutical manufacturing and other fields to jointly develop products and technologies. We also acquired Zef Scientific Inc., an analytical instrument maintenance/service provider, to expand and reinforce our aftermarket services capabilities in North America.

Strengthen & Expand Recurring Businesses

We will expand service contract sales by developing DX/IoT-based remote monitoring and remote maintenance functions and by expanding products for the AI-based software licensing business. We also aim to expand the consumables business for reagents, culture media, and columns by strengthening our capabilities for developing reagents and other consumables in partnership with our Group companies.

Healthcare (Pharmaceuticals and Foods)

These instruments can measure the content of active ingredients and impurities in samples and can be used for quality control in a wide range of fields, such as in pharmaceutical, biochemical, food, and environmental fields.

Ultra-High-Performance Liquid Chromatograph
Nexera Series

Integrated Liquid Chromatograph
i-Series

Semi-Preparative Supercritical Fluid Chromatograph
Nexera UC Prep

High-Performance Liquid Chromatograph Mass Spectrometer System
LCMS-2050

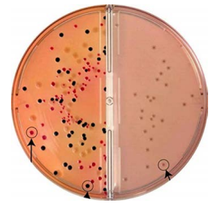
High-Performance Liquid Chromatograph Mass Spectrometer System (Quadrupole Time-of-Flight LCMS)
LCMS-9050

Healthcare (Clinical)

By investigating the metabolites, active ingredients, and other components contained in blood or urine, these instruments can be used for applications such as cancer or dementia screening or for verifying the efficacy of drugs.

Fully Automated Sample Preparation Module for LCMS
CLAM-2040

Matrix-Assisted Laser Desorption/Ionization TOF Mass Spectrometer System MALDI-8030



Shimadzu Diagnostics AccuRate Fractionated Agar Medium

Green (GX)

We provide instruments and services that help ensure compliance with environmental regulations and the measurement standards for alternative energies.

Gas Chromatograph
BrevisGC-2050

Fourier Transform Infrared Spectrophotometer
IRXross

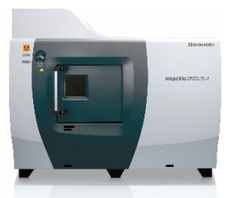
Headspace Analysis System (Triple-Quadrupole GCMS)
GCMS-QP2050+HS-20NX

ICP Mass Spectrometry System
ICPMS-2040/2050

Materials

These instruments are used to perform strength tests, failure analysis, or elemental analysis for a wide variety of items, such as rubber, plastic, or metal materials, or objects such as foods, mobile phones, or automotive parts.

Precision Universal Testing Machine
AGX-V2 Series



Microfocus X-Ray CT System
inspeXio SMX-225CT FPD HR Plus

Energy Dispersive X-Ray Fluorescence Spectrometer
EDX-7200

Scanning Probe Microscope
SPM-Nanoa

Medium-Term Management Plan: Divisions Supporting Five Business Strategies

Medical Systems Business

The following web page includes information about the topic listed below.
https://www.shimadzu.com/med/

Diagnostic Imaging Systems

Shimadzu contributes to early detection and early treatment of a variety of diseases, such as infectious diseases, cerebrovascular/cardiovascular diseases, and cancers, at medical facilities around the world by using cutting-edge image processing technologies, AI, and IoT technologies to offer new value, such as reducing the burden on healthcare personnel and patients.

Related SDGs

General Manager, Medical Systems Division
Kiyohito Sonoki

Business Environment

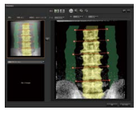
- In developed economies, society needs to mitigate the risks of injury and illness associated with aging populations and demands medical care that places less stress on patients.
- While health level expectations are rising in many emerging economies, developed countries are now facing aging-related problems and are demanding more sophisticated healthcare technologies and diagnostic imaging systems.
- A shortage of healthcare workers has increased the burden on frontline healthcare personnel and increased the demand for using AI or IoT technologies to reduce the workload and improve the quality of medical diagnoses and treatments.

Challenges of Society

- Achieve longer healthy life expectancies, so people can be healthy in their daily life.
- Detect a variety of disorders earlier using more advanced examination technologies that can identify the causes of diseases.
- Reduce the workload of each healthcare worker caused by the shortage of healthcare personnel.

Value Provided

Diagnosis



Bone Mineral Density Measurement

- We are promoting measures to maintain the bone health of the elderly, such as by offering fluoroscopy systems for the diagnosis of osteoporosis and for follow-up examinations after artificial joint surgery. These systems can achieve both high resolution images and low radiation dose levels, improving diagnostic accuracy and reducing the burden on patients.
- The radiography system equipped with an optical camera for smooth positioning helps increase examination efficiency and reduce the burden on radiological technologists and patients.
- Our new mobile X-ray system is now equipped with functionality for serial radiography. This provides more information to support diagnosis, enabling checking of patient lung movement.
- Dedicated head and breast PET systems can display high-definition images of brain tumors, epilepsy, breast cancer, and other disorders, and even contribute to research on Alzheimer's disease and other forms of dementia.

Treatment Support

- We offer angiography systems with dynamic image processing software based on cutting-edge AI technology that helps perform minimally invasive procedures. These systems offer enhanced operability, enabling a single operator to manage the system, which can shorten treatment times and reduce the amount of contrast media injected, thereby reducing the burden on patients.
- To support efficient radiation therapy, we offer a tumor-tracking system that, when used in combination with a radiation therapy system, can significantly reduce the radiation dose to normal tissues by allowing irradiation only to cancer tissues.
- In addition to X-ray technologies, we also offer near-infrared light-based solutions for supporting surgical procedures in breast surgery, plastic surgery, gastrointestinal, and dermatology departments.

Others

- To promote clinical applications for analytical technology, we are improving the practicality of techniques that can be used in the future to predict the risks of a wide variety of diseases from a single drop of blood.
- We improve the efficiency of radiological processes by including AI functionality or power-assist technologies in products.

Diagnostic X-Ray Systems

Equipped with advanced image processing technology, these easy-to-use medical systems reduce the stress on patients.

Trinias Angiography System

Fluoroscopy System

Mobile X-Ray System

Radiography System

FY2023 Results Market Conditions/Key Measures and Results

- Despite measures to promote development of new products and products that generate recurring revenues, improve manufacturing efficiency, and strengthen deployment outside Japan, sales decreased mainly in Japan, due to a reactionary decline in government expenditures and sales increase in the previous year for tumor-tracking systems for radiotherapy. Operating income decreased due to lower sales.
- In Japan, sales of new angiography systems equipped with the world's-first AI-based image processing technology increased.
- Outside Japan, sales of new angiography systems increased.

In the United States, a recovery in the number of surgeries resulted in increased angiography sales, mainly at outpatient surgery facilities. In China, a specialized team was established, expanding sales and resulting in sales growth. In addition, sales also increased in Southeast Asia and India due to growing appreciation for the performance and quality of the systems. This raised the overseas sales ratio by +6 points to 53% (YoY).

- The recurring sales ratio increased +2 points to 36% (YoY) due to increased service contracts from expanded direct sales capabilities in the United States.

Key Measures for FY2024

Deploy Imaging Transformation

- Leverage Shimadzu strengths in imaging and mechatronic technologies to drive imaging transformation, further contributing to healthcare in radiography.
- Increase examination efficiency and reduce the burden on radiological technologists and patients by using an optical camera to detect patient motion.
- Support diagnosis and treatment during absence of specialists with AI application software.

Expand Business for Regionally Specific Geriatric Healthcare

- Offer end-to-end solutions for geriatric care in East Asian countries with aging populations, such as Japan and China.

Focus on extending healthy life expectancies in terms of orthopedic surgery, cardiovascular disease, and dementia, three areas where Shimadzu has particular strength.

Develop and Promote Businesses in Growth Fields

- Engage in joint dementia research in North America in preparation for releasing a head PET system.

Improve and Expand the Profitability of Recurring Businesses

- Expand business by offering new services, such as remote monitoring of the operating status of an angiography system for part replacement before a failure occurs, or cybersecurity services that help hospitals operate more reliably.

Measures for Reducing the Burden on Medical Personnel and Patients

Achieves higher examination efficiency with improved usability and an optical camera. Release of RADspeed Pro SR5 Version Radiography System.

Shimadzu released the new RADspeed Pro SR5 Version radiography system in April 2024. The new model offers improved usability and an optical camera for detecting patient movements. Those features improve examination efficiency and reduce the burden on both radiological technologists and patients.
Radiography systems are diagnostic X-ray imaging systems used to examine various body areas, such as the head, chest, abdomen, and extremities. Because these systems are used by many different hospital departments, it is essential that their operability does not depend on the skill, experience, or specialization of the radiological technologist operating the system, and that they include functionality to ensure examinations can be performed efficiently while focusing on the patient.
The product features a large touch panel for controls, with an updated design that makes it easier to check the monitor. In addition, the handle shape has been made easier to grip for improved operability.
The optional "VISION SUPPORT" functionality for assisting radiography uses an optical camera installed in the X-ray exposure unit to display the X-ray exposure range or X-ray detector position overlaid on patient images shown on the monitor. This streamlines the typically time-consuming process of deciding the exposure position. By combining imaging technology cultivated by Shimadzu in combination with AI and IoT technologies, we provide new added value to contribute to "Human Life and Well-being."

Radiography System [RADspeed Pro SR5 Version]

Illustration of Operating the System

Solutions for Supporting Healthcare and Improving Healthcare Operating Efficiency

PET systems are offered for diagnosis of brain tumors, epilepsy, breast cancer, and Alzheimer's dementia.

Dedicated Head and Breast PET System

This tumor-tracking system supports radiotherapy by pinpointing X-ray irradiation on tumors in organs that move due to breathing.

Tumor-Tracking System for Radiotherapy

Medium-Term Management Plan: Divisions Supporting Five Business Strategies

Industrial Machinery Business

The following web page includes information about the topic listed below.
https://www.shimadzu.com/industry/index.html
Vacuum and Industrial Machinery / Marine Devices

The following web page includes information about the topic listed below.
https://www.shimadzu.com/hydraulic/index.html
Hydraulic Equipment

We contribute to industrial development by supplying high-quality and high-performance key components, such as turbomolecular pumps and equipment and parts equipped with sophisticated hydraulic technology.

General Manager, Industrial Machinery Division and Fluidics Systems Division
Masahiko Tanaka

Related SDGs

Business Environment

- Semiconductor manufacturing capacities are being increased in regions around the world to ensure economic security. Furthermore, due to the ongoing increase in demand for semiconductors caused by popularization of generative AI, expanding demand for data servers, and other factors, the market for turbomolecular pumps used in semiconductor manufacturing equipment is expected to expand in the medium and long term.
- The demand for hydraulic equipment is predicted to expand due to growing demand for forklifts used to handle the increased logistic volumes resulting from expanding e-commerce markets and for reducing the burden on manufacturing workers. In addition, the increasing shift to electric forklifts is increasing the needs for silent products with higher added value.
- To contribute to industrial development, we will release new products based on innovative technologies and develop new market fields.

Challenges of Society

- Develop sustainable and resilient infrastructure.
- Implement global measures to achieve a carbon-free society.

Value Provided

- We will promote sustainable infrastructure development by offering key products and manufacturing equipment that contribute to a broad range of advanced manufacturing industries. This includes turbomolecular pumps used as key components in semiconductor manufacturing equipment, gear pumps used as hydraulic power sources in forklifts and construction/agricultural machinery, and industrial furnaces used for ceramics, which are expected to see increasing demand for use as electric vehicle circuitry heat sinks.
- We contribute to the expansion of renewable energies by supplying glass winders for winding glass fiber used to reinforce wind turbine blades.

Turbomolecular Pump

Turbomolecular pumps are vacuum pumps used to create the ultra-high vacuum environment essential for manufacturing semiconductors and panels.

Turbomolecular Pump

Hydraulic Equipment

These hydraulic power sources are used for a wide range of applications, such as forklifts and other industrial vehicles, construction machinery, special-purpose vehicles, and agricultural equipment.

Hydraulic Gear Pump

Power Package

Forklift

Other Models

Industrial Furnace

These furnaces are used to harden metals, ceramics, or other materials by heat-treating them in a vacuum or pressurized environment.

Glass Winder

Glass winders are for winding up glass fibers used to make electronic circuit boards and wind turbine impellers.

Balancer

Balancers measure and provide basic data about how precisely components are balanced (how uniformly mass is distributed throughout rotating bodies and shafts).

FY2023 Results Market Conditions/Key Measures and Results

- Driven by turbomolecular pump and industrial furnace sales, the industrial machinery business segment achieved record-breaking net sales. Operating income increased due to promoting products with higher added value and improving the product mix.
- Turbomolecular pump sales decreased for use in semiconductor manufacturing equipment but increased for thin-film solar cell manufacturing equipment due to growing environmental awareness, resulting in overall record turbomolecular pump sales.
- In Japan, hydraulic equipment sales increased for construction machinery and special-purpose vehicle applications. Outside Japan, hydraulic equipment sales for forklifts increased in North America.
- Industrial furnace sales increased for manufacturing of ceramics used in electric vehicles due to higher EV demand.

Key Measures for FY2024

Expanding the Turbomolecular Pump Business

- Expand the market share for semiconductor manufacturing equipment by releasing new models to meet customer needs, such as higher pumping capacity and lower power consumption, and by developing products designed for next-generation semiconductor manufacturing equipment.
- Maintain the market share for thin-film manufacturing equipment used to manufacture thin-film solar cells and environmentally friendly glass products, which are needed to achieve a carbon-neutral society, by promoting sales to major manufacturers.

Expanding the Industrial Furnace Business

- With the EV market growth driving demand for industrial furnaces used for ceramics due to EV market growth, we will expand sales by accurately identifying demand, shortening production lead times, and meeting customer delivery time requirements.

Improve Profitability and Develop New Markets for Hydraulic Equipment

- Increase profitability by releasing new products with higher gross margins and reducing manufacturing costs.
- Expand sales and develop new markets by supplying low-noise and high-efficiency models for electric vehicles in Japan, the United States, and Europe.

Expand New Businesses

- Commercialize measuring instruments that result in innovative technologies for customer manufacturing lines.

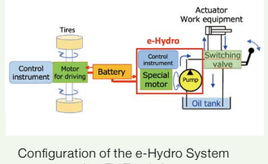
Expand Service Businesses

- Offer services based on customer needs, such as services for upgrading turbomolecular pumps.
- Strengthen global service capabilities by training support personnel and expanding/improving service locations outside Japan (U.S., Europe, and India).
- Use Digital Transformation measures to offer preventive maintenance services based on a remote diagnosis system, such as for checking the operating status of products or predicting failures.

Measures for Shift to Electric Vehicles

Providing a Quiet and Comfortable Working Environment through Efficient Control of Hydraulic Equipment and Electrical Motor, the e-Hydro Electrical Hydraulic System

The e-Hydro electrically powered hydraulic system developed by Shimadzu offers a quiet and efficient working environment for commercial vehicles, including the rise of electric special-purpose vehicles. e-Hydro is an integrated system that combines a newly developed special electric motor with a controller and a low-noise hydraulic pump. As electric vehicles do not have an engine for driving a hydraulic pump, an electric motor must be added. A vehicle-mounted battery is used to power the electric motor, but installing a large battery is impractical due to weight and other problems. Therefore, achieving high efficiency is crucial for both the hydraulic pump and electric motor.
Also, due to the quietness of EV operation, the hydraulic pump needs to be quiet as well.



Configuration of the e-Hydro System (for EV Trucks)

The e-Hydro design consists of a hydraulic gear pump, special electric motor, and a controller with built-in firmware. Optimized based on Shimadzu's extensive expertise in hydraulic technology cultivated over many years, the system offers equivalent or better operability and efficiency as conventional engine-powered models, while also helping achieve space savings and improve minimal power consumption. Furthermore, integrating a low-noise hydraulic pump helps reduce operational noise, which is particularly important in nighttime and urban settings. Shimadzu will continue to improve its products based on market and customer needs and offer new services that merge e-Hydro with IoT technology.

Hydraulic Pump, Motor (left) and Controller (right) Included in the e-Hydro Electric Hydraulic System

Medium-Term Management Plan: Divisions Supporting Five Business Strategies

Aircraft Equipment Business

The following web page includes information about the topic listed below.
https://www.shimadzu.com/aircraft/index.html
Aircraft Equipment

We contribute to ensuring a safe and secure society by offering components, parts, and systems that use advanced technologies with sophisticated precision machining technologies.

General Manager, Aircraft Equipment Division
Susumu Yamamoto

Related SDGs

Business Environment

- Social and economic activity levels are increasing as the world acclimates to the post-pandemic "new normal." The elimination of border entry restrictions by various countries and the steady recovery in air travel demand worldwide are fueling a recovery in commercial aircraft markets. Furthermore, as military capabilities are dramatically enhanced to strengthen national security, the business conditions for the defense business are also becoming more favorable.
- There are significantly stronger needs for achieving the safe and secure transportation of people and goods globally. The Shimadzu Group will meet market needs by providing cutting-edge technologies that ensure safety and security in global transportation of people and goods.

Challenges of Society

- Improve the resilience of social infrastructure and improve safety, environmental friendliness, and comfort in the mobility field.

Value Provided

- Technologies for developing smaller, lighter, and electrically powered flight control systems contribute to reducing the environmental impact of aircraft.
- Air management technology used for air conditioning contributes to providing a more comfortable cabin atmosphere.
- Cockpit display technology contributes to improving the safety and reliability of flying.
- Ensuring quality control throughout the entire manufacturing and service value chain serves as a key means of ensuring the safety of aircraft.

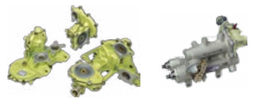
Products for Commercial Aircraft and Defense Businesses

Cockpit Field (Display Systems)

Shimadzu head-up display (HUD) and helmet-mounted display (HMD) systems use sophisticated electronic and optical technologies to display various flight information overlaid on the view outside the airplane. These systems contribute to reducing the burden on pilots and increasing safety.

Air Conditioner Field (Air Management System)

Air management systems are used to adjust the air temperature and pressure levels inside aircraft. They contribute to ensuring a comfortable environment based on analysis and evaluation technology that continuously optimizes the onboard environment.



Flight Control Field (Flight Control System)

The flight control system controls the lift, attitude, and other aspects of aircraft during flight. Its high-quality mechanical technology and highly reliable electronic control technology help ensure flight safety.

FY2023 Results Market Conditions/Key Measures and Results

Defense Business

- Sales increased due to expanded demand for aircraft equipment.
- Factory revenues and expenses were improved by production leveling measures.

Improved Profitability

- Profitability increased significantly due to selecting and focusing on target areas and improving the cost structure as demand expanded.

Commercial Aircraft Equipment Business

- Sales increased significantly due to increased production of aircraft and expanded demand for service parts by airlines in response to increased air travel demand by passengers.

Key Measures for FY2024

Ensure Long-Term Stable Growth and Reliable Profitability

- Under the basic policy of "Select and Concentrate," we will continue to implement the measures to improve profitability, with an aim to foster businesses that ensure long-term stable growth and reliable profitability. We will also use currently available technologies to start new businesses, mainly in mobility and social infrastructure fields, with an aim to help achieve a safe and secure society with these businesses.

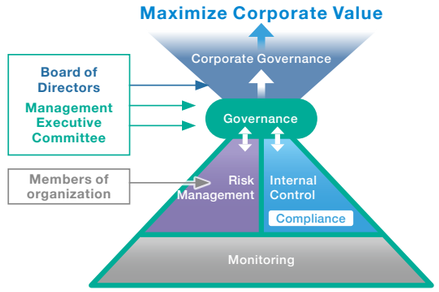
R&D for Decarbonizing Aircraft

- In the air conditioner field, we will participate in the Development of Technology for Electric Power Control and Heat/Air Management System, which is scheduled to start in FY2024 as a Next-Generation Aircraft Development Project of the New Energy and Industrial Technology Development Organization (NEDO) Green Innovation Fund. Shimadzu will participate as a sub-contractor of IHI and engage in R&D intended to validate an air conditioning system that utilizes heat from fuel combustion.
- Furthermore, in an effort to achieve carbon-neutrality by 2050, we will continue to develop technologies for high-efficiency cooling systems, electric flight control systems, and compact high-efficiency motive power transmission mechanisms, all in line with the electrification of aircraft.

Shimadzu Technology Development for Achieving a Carbon-Free Society

Reinforcing Corporate Governance

As an important part of organizations within the Shimadzu Group, we have established a system for promoting risk management (countermeasures for risks related to Shimadzu businesses), compliance/internal controls (mitigation of the risks to execution of duties), and monitoring in an integrated manner. We have also introduced Digital Transformation measures to strengthen corporate governance. With these efforts, we will achieve our management strategies, business targets, and so on, in order to maximize our corporate value.



Ensuring Compliance

Basic Policy

The Shimadzu Group is committed to obtaining applicable permits and licenses and complying with applicable laws and regulations, such as security trade controls, anti-bribery laws, and competition laws, established by governments in respective regions and countries for Shimadzu's various businesses deployed around the world.

In addition to compliance with laws and regulations, Shimadzu is also committed to behavior consistent with international norms. We have established the Shimadzu Group Corporate Code of Ethics that specifies ethical standards to be shared and complied with by directors and employees, in accordance with Shimadzu's corporate philosophy, management principle, and Shimadzu Group Sustainability Charter. We practice the Shimadzu President's policy of **"prioritize compliance above all else."**

- **Security trade controls:** Implementing appropriate import/export controls based on control policies for maintaining international peace and security.
- **Preventing bribery and anti-competitive practices:** Forbidding the bribing of public officials or inappropriate entertainment or gift-giving to suppliers or other relevant parties in the private sector.
- **Ensuring transparency of relationships with medical and other institutions:** Disclosing information about funding provided to medical institutions or others.

Provision of a Corporate Ethics Consultation and Notification Contact Points

To prevent corporate ethics problems, or identify and address them as early as possible, all Shimadzu Group employees (including former employees), temporary personnel, and contractor personnel working within Shimadzu are notified that Shimadzu has established special contact points within and outside the company for consultation and notification regarding corporate ethics issues. To provide a system that is independent from normal executive management channels, "External Hotlines" are provided as contact points outside Shimadzu, where personnel can notify or consult an outside lawyer for investigation by an Audit & Supervisory Board member. In FY2023, there were 165 cases of the contact points being used for consultation or notification. In addition to protecting whistleblowers, we have also established measures to conduct necessary investigations, implement corrective actions, and prevent recurrence.

Promotional Activities

The Shimadzu Group has created a Corporate Ethics and Code of Conduct Handbook that summarizes the essential elements of the Corporate Code of Ethics in an easy-to-understand form and prevents compliance problems through group training, e-learning, and other teaching activities to teach and instill the content of the handbook.

- Further promoting 11 conduct guidelines: In addition to "putting compliance into practice" and "respect for human rights and diversity," which we promote each year, we will improve the level of "health and safety management".
- Individualized training for individual subsidiaries outside Japan: We will promote business activities for respecting human rights throughout the supply chain.

Assessing Awareness of Ethics/Compliance

Periodic questionnaire surveys are conducted by external experts (every three years) to assess how mindful personnel are about ethics and compliance in respective organizations and workplaces. Then respective organizations and workplaces will discuss the results from that analysis and implement corresponding improvements. Improvement measures to be applied broadly to all organizations throughout the Shimadzu Group are included within control activities by the departments specifically responsible for the respective risks and various committees.

Measures at Respective Workplaces

On the "Shimadzu Group Compliance Day" held every July since 2011, employees reflect on incidents that have occurred during the past year. On this day, employees discuss things they noticed during their daily work to identify any issues that could potentially become compliance violations and prevent problems before they occur.

In FY2022, a learning system was introduced at Shimadzu Corporation and Group companies in Japan. This system helps personnel at each workplace learn the knowledge (methods, regulations, procedures, etc.) and values required to perform their work properly, improve the quality of their work, and build their capacities. With each workplace team learning from teaching materials provided by departments responsible for respective risks, the Shimadzu Group conducted over 18,000 workplace learning sessions in FY2023. By continuing such learning sessions for many years, we aim to foster a positive culture within Shimadzu Group organizations.

Internal Controls (Addressing Risks to Execution of Job Duties)

Basic Policy

The Shimadzu Group has established internal control systems that ensure executives and other employees perform their job duties appropriately and efficiently in accordance with applicable laws/regulations and Shimadzu Articles of Incorporation. We will continue to strengthen internal control systems by constantly identifying changes in the business environment and making improvements without concern for previous ways of thinking or methods.

Internal Control Systems

To ensure business processes are executed appropriately and efficiently, we have established systems to ensure compliance with all applicable regulations governing our operations. This includes clarifying job authority and establishing systems to quickly and accurately convey Shimadzu Group information, thereby increasing management transparency. If a violation occurs, a description of the violation, disciplinary actions, and other relevant information are quickly shared throughout the Shimadzu Group to prevent similar violations from recurring. Furthermore, while strictly protecting personal and confidential information, relevant information is disclosed outside Shimadzu whenever appropriate, either via public relations, investor relations, the website, or other means.

A Shimadzu Group Management Basic Regulation was specified that summarizes the basic principles for Shimadzu Group governance and corresponding management requirements. By continuously establishing and strengthening systems for understanding and managing the management circumstances throughout the Shimadzu Group, we ensure the Group operates appropriately and efficiently.

Establishing Internal Controls for Financial Reporting

Based on implementation standards specified by the Japanese Financial Services Agency, the Shimadzu Group has established the "Regulation for Establishing Internal Control over Financial Reporting" to specify a basic framework for internal controls. This framework aims to achieve business objectives by improving the efficacy and effectiveness of business practices, ensuring the reliability of financial reports, promoting compliance with laws, regulations, and other requirements for business activities, and protecting assets.

Recognizing the importance of creating and disclosing appropriate financial reports, establishing and implementing internal controls is considered a company-wide challenge. We constantly evaluate internal controls to maintain and improve their effectiveness and implement improvements (remedial measures) to resolve any deficiencies identified. In terms of the scope of controls, we focus on companies and business processes with the highest importance or greatest potential risks to improve effectiveness in actual practice.

Activities to Expand the Scope of Controls (to Not-Applicable Group Companies)

After all Group companies have assessed risks based on a checklist of the most important risks in corporate controls and business processes, the Head Office administrative departments cooperate to conduct interviews with each company to verify their assessments. The results are then analyzed, and controls are prepared to reduce the probability of risk occurrence, thereby preventing problems.

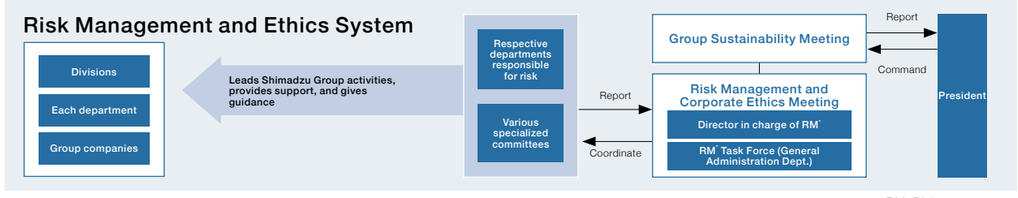
Risk Management (Risk Countermeasures Related to Businesses)

Basic Policy

Risk management is essential for achieving business continuity and progress while fulfilling the company's social responsibilities. Shimadzu Group activities for appropriately managing business risks include preventing risks from occurring, quickly resolving any urgent risk events, minimizing damages, identifying causes, and deploying recurrence countermeasures horizontally throughout the Group as soon as possible. Those activities are specified in the Shimadzu Group Risk Management Regulation.

Risk Management and Ethics System

To ensure risks are managed throughout the entire Group, a Risk Management and Corporate Ethics Meeting is convened biannually, chaired by the Shimadzu Corporation President. In the meeting, risks at each level (prioritized risks applicable to all organizations in the Group / high risks, key risks of each Group company, and operational risks at each workplace) and the progress of addressing these risks are discussed. The officer in charge of risk management coordinates the implementation of decisions at the meeting so that they can be independently and effectively implemented by each organization and workplace, under the direction and support of the departments or various committees responsible for respective risks.



*RM: Risk management

Reinforcing Corporate Governance

Promotional Activities

Prevention Activities

We drive the cycle of RM activities by managing and monitoring risks based on periodic risk identification and assessment results. To prevent serious incidents during Shimadzu Group business activities that might decrease corporate value by violating societal expectations or damaging business operations, mainly management personnel and departments responsible for respective risks engage in identifying, assessing, and ranking the priority order of risks. To ensure each risk is controlled appropriately, Shimadzu is engaged in establishing systems for implementing company-wide risk countermeasures against higher-priority risks.

Responding to Urgent Incidents

An emergency communication system has been established to ensure any urgent incidents are handled appropriately. Based on the general rule to communicate the first report as soon as possible, if necessary, a response task force chaired by the President is established to implement response measures.

Ⅰ	• Identify (understand) risks threatening the Shimadzu Group.
Ⅱ	• Assess the risks identified in Step I (probability of occurrence and potential impact). • Decide which risks should be prioritized.
Ⅲ	• The department responsible for the risks prioritized in Step II designs and executes risk reduction measures for reducing the remaining risks.
Ⅳ	• Assess the remaining risks to confirm the state of risk management. • Monitor the overall risk management process.

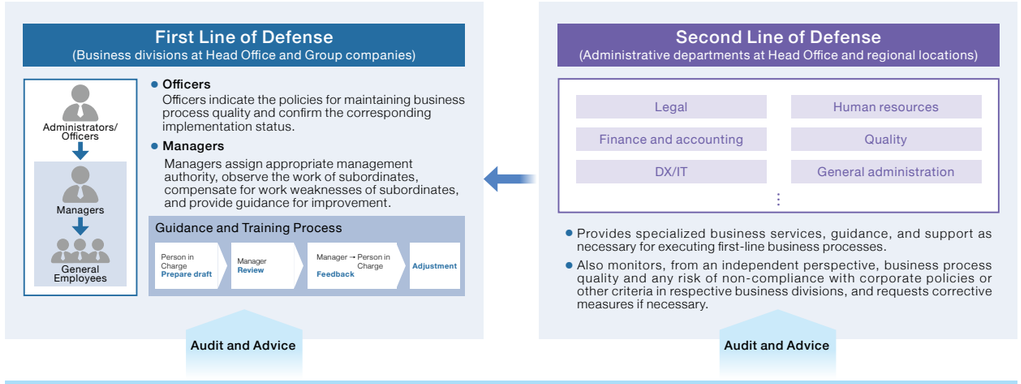
Monitoring

Basic Policy

The Shimadzu Group systematically and continuously reviews and assesses the effectiveness of risk management, internal control, and compliance activities at each level of the three lines of defense, which are business practices, controls, and auditing.

Systems for Strengthening Monitoring

The regional corporate head offices established outside Japan last year, especially those in China and Asia, use auditing tools created by the head office in Japan to establish and execute audit plans. In accordance with the Shimadzu Group Management Basic Regulation, the regional corporate head offices verify that each Group company is following the specified rules, in order to prevent inappropriate procedures and other practices.



Fraudulent X-Ray System Maintenance/Inspection Practices at Shimadzu Subsidiary in Japan

Shimadzu Medical Systems Corporation is a Shimadzu Group subsidiary in Japan that is engaged in the sale and maintenance of medical equipment for the Japanese market. Shimadzu Corporation considers the fraudulent practices that occurred at Shimadzu Medical Systems Corporation (hereinafter referred to as "Shimadzu" to indicate both Shimadzu Corporation and Shimadzu Medical Systems Corporation) a grave matter and, to ensure similar incidents never occur again, will promptly prepare and implement concrete recurrence countermeasures based on a sincere acceptance of the facts, causes, and proposed recurrence countermeasures certified by the external investigative committee. We deeply apologize to the medical institutions, patients, and all others involved for the considerable inconvenience and worry it caused.

1. Investigation Policies of the External Investigative Committee

After receiving an internal report about inappropriate behavior by a service engineer at Shimadzu Medical Systems, Shimadzu started an internal investigation in May 2022, which revealed past fraudulent practices. To ensure a similar incident never occurs again, an external investigative committee composed of only experts with extensive knowledge and experience investigating corporate fraud cases was established in September 2022 to thoroughly investigate the relevant facts, analyze the causes, and prepare measures for steadily preventing recurrence. To prioritize restoring the trust of stakeholders, the external investigative committee recommended not only directly compensating victims with objective proof and verified secondary victims, but also voluntarily compensating those for whom the possibility of fraud cannot be dispelled with certainty. Therefore, the committee proposed and Shimadzu approved a policy for investigating compensation eligibility.

Composition of External Investigative Committee
Chairman: Yusaku Kurahashi (Lawyer at Nakamura, Tsunoda & Matsumoto)
Member: Toshiaki Mori (Lawyer at Toshiaki Mori Law Office)
Member: Hiroyuki Nishijima (CPA at KPMG FAS Co., Ltd.)

2. External Investigative Committee Investigation Results and Response by Shimadzu

Investigation Results

- In five cases between 2016 and 2018, all located within Kumamoto Prefecture, a service engineer who worked at the Kumamoto Sales Office of Shimadzu Medical Systems Corporation attached a commercial timer to the X-ray system starter unit (unit that supplies power from the X-ray system to the X-ray tube) during maintenance/inspection of an X-ray system, intentionally caused a starter error that prevented X-ray emission after a certain period elapsed, so that it appeared to be an X-ray system failure, and then charged the customer to replace the X-ray system component (X-ray tube unit or X-ray high voltage generator).
- In addition to the above five cases, there were also 38 other potential fraud cases (in Kumamoto Prefecture, Miyazaki Prefecture, Kagoshima Prefecture, and Nagasaki Prefecture) with suspicious circumstances and without proof of valid transactions or proof that would contradict the possibility that fraud was committed.

Note: In all these cases, the fraud did not affect the mechanical functions of the X-ray systems and did not endanger the life or physical health of patients. Also, no reports of health effects due to the fraudulent practices above were received from healthcare institutions.

Shimadzu Response

- Appropriate compensation and other measures have been completed for the 5 cases identified as fraud and all 38 cases selected by the external investigative committee.
- For the business practice improvement order issued by the authorities as a result of on-site investigations, an improvement plan was specified with corrective actions and recurrence prevention measures. This plan is being implemented steadily, with the status of improvement being verified by the authorities.

Note: Due to this case, some local governments in Osaka, Nara, and Kyoto prefectures prohibited Shimadzu from participating in bids, but all such administrative penalties were lifted by January 13, 2024.
Consequently, the effect on Shimadzu performance has been negligible.

Details from the external investigative committee investigation results are indicated below.
https://www.shimadzu.co.jp/sites/shimadzu.co.jp/files/ir/pdf/d0jr/9sluw6oivqlpi0z7.pdf

3. Recommended Improvements for Preventing Recurrence Based on the Fraud Cause Analysis

Cause Category	Issues that Inhibit Organizational Health	Recommended Improvements
Motivation	•Inadequate assessment systems •Prioritization of achieving results leads to high pressure for achieving unreasonable targets. •Insufficiency of the assessment based on processes or non-performance criteria results in dissatisfaction.	**Existing system (assessment system) makes it difficult to increase job satisfaction.**
Rationalization and Probability of Execution	•Insufficient training results in not fostering enough appreciation for the meaningfulness and ethics of service work. •Insufficient ethics training sessions increase the risk of fraud by employees maliciously taking advantage of internal control limitations.	**Systems (education and educational systems) do not foster appropriate management competence**
Opportunity	•Sales office managers have too much authority. •Internal controls are not effective, due to reasons such as the sales office manager also serving as their own supervising manager. •Oversight of decision-making within branch general affairs is not functioning properly (situation that enables executing fraud).	**Organizational systems without constraints**

4. Recurrence Countermeasures

Short-Term	Recommended Improvements	Improvements	Summary of Countermeasures	Status of Countermeasures
	Existing system (assessment system) makes it difficult to increase job satisfaction.	Reconsider assessment criteria	•Eliminate part sales from service department performance targets (manage as branch/office manager targets) •Reorganize performance assessment and process evaluation systems •Establish target management system (follow up by meeting with supervising manager) •Incorporate in non-performance assessment indicators •Measure the engagement of each person	・A new assessment policy and a new assessment system have been established and are in operation since April 2024. ・We are continuing to survey job satisfaction improvements with respect to respective reform measures.
	Systems (education and educational systems) do not foster appropriate management competence	Reconsider content of training	•Service personnel training (significance and morals) •Management training (improve compliance and leadership abilities) •Internal controls practical training for general manager and higher level managers (including officers) •Management education (foster awareness of morals and increase management skills)	・We are continuing to conduct education/ training for personnel involved in service work. ・We are continuing to implement manager training (on morals and management skills) and internal controls training.
	Organizational systems without constraints	Establish supervising/ monitoring capabilities	Increase the transparency of service operations and conduct customer surveys	・Service operations are being monitored.
		Eliminate dual roles	•Eliminate block manager position and disperse authority of sales office manager •Monitor internal controls within each office	・A review of business execution systems resulted in eliminating dual roles and clarifying job duties.
		Establish new internal controls department	Have the Internal Controls Group achieve detective controls by monitoring service operations	・The Internal Controls Group conducts monthly audits (including monitoring of the occurrence of problems after inspection operations).
		Strengthen the internal reporting function	•Share the content of internal reports •Establish systems for reporting within 24 hours •Use e-learning to establish culture of quickly reporting negative information	・The internal whistleblowing system has been rebuilt and operated appropriately together with the external whistleblowing system.

Long-Term **Improve Execution and Continuity**

Foster an Organizational Culture of Delivering Bad News Fast/First
To promote establishing comfortable working environments within organizations, strengthen organizational robustness by fostering an organizational culture that applauds quick reporting of negative information.

Become a Company Where Employees Can Achieve Job Satisfaction
To prevent recurrence, continue practices for increasing employee job satisfaction and eliminating motives for fraud.

Continue Investing in IT
Increase links between various business processing systems, monitor what is happening at local operations in real time, and use that information to analyze management or detect indicators of fraud.

Message from the Director in Charge of Risk Management

Shuzo Maruyama

Director, Senior Corporate Executive Officer
In charge of risk management and global environmental management (GX)

Career Overview

Apr. 1982	Joined Shimadzu Corporation
Oct. 2004	Coordination Manager, LC Business Unit, Analytical & Measuring Instruments Division, Shimadzu Corporation
Apr. 2009	General Manager, LC Business Unit, Life Science Business Department, Analytical & Measuring Instruments Division, Shimadzu Corporation
Dec. 2011	President, Shimadzu Scientific Instruments, Inc.
Jun. 2013	Corporate Officer, Shimadzu Corporation
Jun. 2015	General Manager, Analytical & Measuring Instruments Division, Shimadzu Corporation
Jun. 2015	Managing Executive Officer, Shimadzu Corporation
Apr. 2019	Senior Managing Executive Officer, Shimadzu Corporation
Apr. 2021	Managing Director, Shimadzu (Hong Kong) Ltd.
Apr. 2023	Senior Corporate Executive Officer, Shimadzu Corporation (current)
Apr. 2023	In charge of Risk Management and Global Environmental Management (GX), Shimadzu Corporation (current)
Jun. 2023	Director, Member of the Board, Shimadzu Corporation (current)

Corrective Measures for Fraud at Shimadzu Medical Systems Corporation

In 2022, the Shimadzu Group subsidiary Shimadzu Medical Systems Corporation caused a scandal that resulted in a major inconvenience to stakeholders. Since then we have been steadily implementing recurrence prevention measures in order to correct the issues that caused the fraud. In addition to recurrence prevention measures, we have also been undertaking organizational cultural reforms, implementing measures to increase employee satisfaction and eliminate incentives for fraud, and investing in systems that enable monitoring local workplace activities. We remain committed to ensuring that a similar incident never occurs again.

Risk Management Based on Workplace Experience

Since joining Shimadzu in 1982, I have accumulated a variety of experiences including developing liquid chromatograph systems, serving as the General Manager of the Analytical & Measuring Instruments Division and as President of a sales subsidiary outside Japan. One particularly memorable experience occurred while I was the Division General Manager, during the development of the PCR testing system and corresponding reagents used to combat the COVID-19 pandemic. Some team members felt that the development risk was too high because the pandemic might end before the development was completed. However, through a top-down approach, we managed to achieve the typically two to three-year development process in just seven months. This rapid development boosted the confidence of our employees and allowed Shimadzu to make a significant contribution to society. Another memorable experience was during the COVID-19 lockdowns while I was stationed in China. Being confined to my apartment for two months made me realize the differences in risk management methods used in different countries. At that time, I had no way of knowing that I would later be in charge of risk management myself.

Since returning from China, I have been the director in charge of risk management since April 2023. Initially, I felt uncertain about taking on so many new responsibilities. However, I already understood the importance of risk management because, even as Division General Manager, I tended to operate in crisis mode, treating every problem as though it could be catastrophic. Therefore, I intend to leverage my experience from working on the front lines to ensure that risks are properly managed.

Summary of First Year of Medium-Term Management Plan and Outlook

Within the Shimadzu Group, risk management measures (countermeasures for risks related to Shimadzu businesses) and compliance/internal controls (measures for mitigating risks associated with the execution of duties) are implemented and function in an organic and integrated manner. Risk management involves eliminating high risks across the Shimadzu Group, in descending order of risk, by implementing countermeasures for commonly experienced global risks. Furthermore, risks are also selected by region and individual companies, assigned priority levels, and broken down by time in order to establish a comprehensive plan for managing these risks.

Globally common risks include economic security (supply chain), labor safety, and cybersecurity risks. Over the past year, we have been developing and preparing risk reduction measures for these three types of risks. Particularly in terms of cybersecurity, which is considered an impending crisis, we are reinforcing measures in cooperation with the DX・IT Strategy Management Department. We are also determining how quickly systems can be restored after a cyber-attack.

Region-specific and subsidiary-specific risks were also assessed to specify risks that require important countermeasures and prepare corresponding countermeasures. Then the Internal Audit Department visited about half of the subsidiaries outside Japan to conduct audits and I also visited local operations outside Japan to check risk countermeasures, and so on, in order to reinforce risk management globally.

As a result, we have been able to implement risk reduction measures almost as initially specified for the first year of the medium-term plan. Starting from FY2024, the second year of the plan, we will implement more advanced risk management measures and increase sustainability throughout the Shimadzu Group. Therefore, risk management, internal controls, and compliance activities will be consolidated into one department for implementation as consolidated risk management. Latent risks will be identified, and corresponding countermeasures will be prepared and executed. In addition, we will monitor the implementation status of risk countermeasures as appropriate, visualize the cycle of risk response activities, and implement other activities to provide necessary support.

Issues Becoming Apparent and Corresponding Solutions

On the other hand, some additional issues have become apparent. The first issue is the horizontal deployment of measures to prevent recurrence. Most of the cases that have occurred in the last several years are very similar to cases that occurred in the past or in other departments. The departments where risk cases occurred sincerely review their cases and implement measures to prevent recurrence, but other departments tend to treat the cases as irrelevant to them. This mindset can hinder the effectiveness of recurrence prevention measures. Therefore, we have decided to have departments share information about various risk cases through e-learning workshops and group-wide discussions. This shared information will then be used to implement comprehensive risk countermeasures.

I believe communication within organizations is particularly important for effective risk management. Recently, there has been an emphasis on how psychological safety within the workplace affects performance, which is an excellent example. Business activities function properly, and risks are reduced only when personnel work in an environment where they can freely engage in active discussions. I feel that conducting team learning sessions to learn and apply the necessary knowledge at each workplace, followed by multiple discussions, has increased our mindfulness about compliance.

The second issue is the limited human resources available for implementing risk management at subsidiaries outside Japan. It would be difficult for the Head Office in Japan to properly manage risks for the entire Group globally. Therefore, starting in FY2024, newly established regional corporate head offices will direct risk management activities for Group companies within their regions, conduct internal audits, and so on. Regional corporate head offices have already started building organizational capabilities to support risk management practices at Group companies, such as reinforcing the human resources available for implementing risk management.

Taking an Active Approach to Risk Management

In terms of ensuring compliance, I believe it is crucial to increase psychological safety levels by fostering a culture that values ethics and by making each workplace more comfortable for employees. We tend to think of risk management and ensuring compliance in terms of their passive aspects, but they also include positive aspects, such as increasing psychological safety, which can reduce risk while enhancing employee engagement. Therefore, the Shimadzu Group will adopt an active approach to risk management, focusing on its positive aspects rather than solely on its passive aspects.

Implementing Sustainability Management

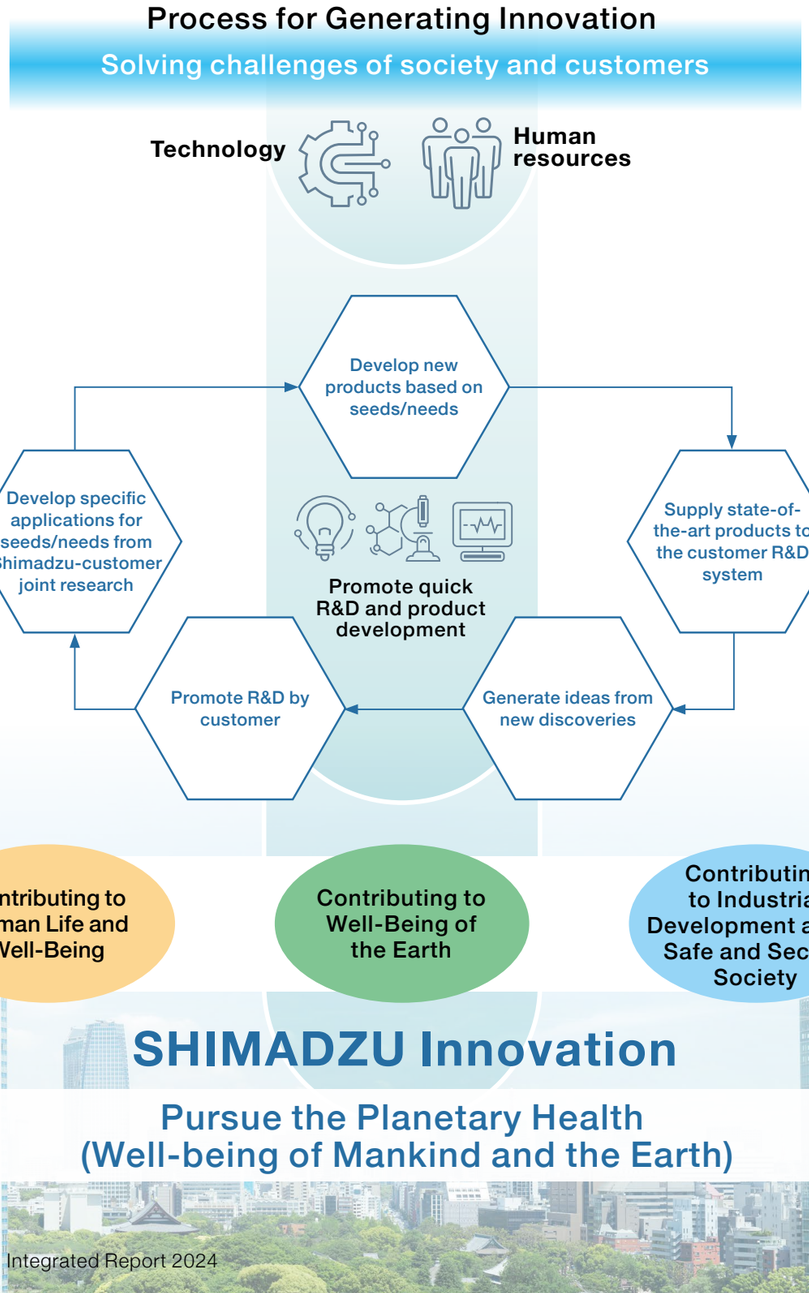
Given the increasing demands for sustainability management, our corporate philosophy “Contributing to Society through Science and Technology” and our management principle “Realizing Our Wishes for the Well-being of Mankind and the Earth” perfectly embody the essence of sustainability management.

Amidst the dizzying pace of changes in global circumstances, my role is to stay vigilant to such changes, take the initiative in establishing countermeasures, foster a corporate culture with high ethical standards based on governance, and cultivate human resources. Though sustainability management does not involve goals, I intend to steadily implement reforms that make the Shimadzu Group a better company.

Research and Development Capabilities and Examples

R&D and Innovation

Based on our corporate culture of earnestly satisfying the needs of customers and society, Shimadzu has created a wide variety of technologies, products, and services since its foundation in 1875. In order to continue solving challenges of an increasingly global and complex society, we will promote the combination of new knowledge acquired through open innovation with our cultivated technical capabilities. By leveraging these efforts to create social value, Shimadzu aims to "pursue the planetary health (well-being of mankind and the Earth)" by "contributing to human life and well-being," "contributing to the well-being of the Earth," and "contributing to industrial development and a safe and secure society."



R&D Systems and Collaboration Processes for Promoting Innovation

Shimadzu engages in basic research and product/application development by addressing challenges of society based on our corporate philosophy "Contributing to Society through Science and Technology" and management principle "Realizing Our Wishes for the Well-being of Mankind and the Earth." Shimadzu is also actively collaborating with outside partners to develop innovative technologies and products, establish new services in society, and quickly commercialize such technologies, products, and services.

Technology Research Laboratory

Shimadzu has product and service development locations in Japan, China, and Europe, that develop and supply solutions for challenges of society.


SHIMADZU Future Collaboratory

Koichi Tanaka Mass Spectrometry Research Laboratory


Shimadzu Research Laboratory (Europe) Ltd.


Shimadzu Research Laboratory (Shanghai) Co., Ltd.

With its mission of cultivating core technologies, acquiring new technologies, and creating new businesses for the long-term growth of Shimadzu, the Technology Research Laboratory has significantly contributed to the development of various unique Shimadzu products.

Furthermore, the SHIMADZU Future Collaboratory, established within the Technology Research Laboratory, is used to promote R&D in advanced analysis, brain science and the five senses, innovative biotechnology, artificial intelligence (AI), and other technologies.

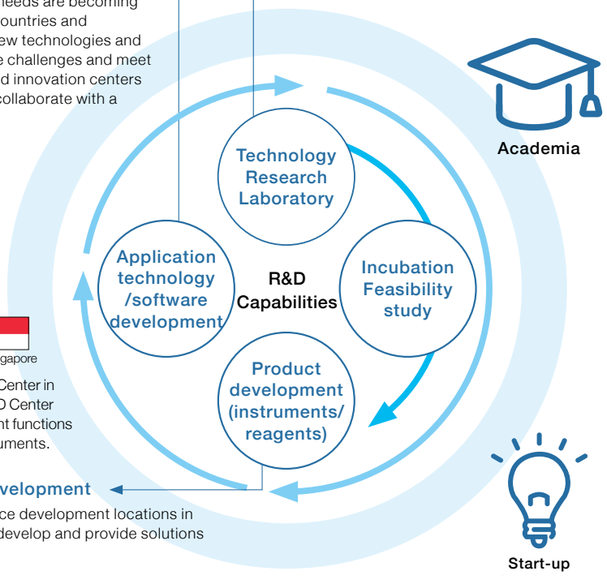
Innovation Centers

Societal challenges and market needs are becoming increasingly diverse in different countries and regions of the world. To create new technologies and innovation needed to solve these challenges and meet these needs, we have established innovation centers in five countries. These centers collaborate with a variety of partners worldwide.


Shimadzu Tokyo Innovation Plaza (Japan)

Japan United States Germany China Singapore

Note: In April 2024, the Innovation Center in North America evolved into the R&D Center with improved product development functions for analytical and measuring instruments.



Academia

Joint research with Osaka University, Kyoto University, Nagasaki University, etc. (Refer to p.25 and 26.)

Start-up Companies

Investment via corporate venture capital fund (Shimadzu Future Innovation Fund) (Refer to p.70.)

Products and Services Development

Shimadzu has product and service development locations in Japan, China, and Europe, that develop and provide solutions for societal challenges.


Healthcare R&D Center


Corporate Product Design Center


Shimadzu China R&D Division (RDC)

The Healthcare R&D Center consolidates Shimadzu's R&D activities related to healthcare. It combines analytical/measuring technologies with medical imaging technologies and accelerates product development processes. Additionally, a KYOLABS collaboratory space was established to broadly present and discuss Shimadzu technologies and joint research projects. The facility's purpose is to generate new businesses by working with external partners to research and develop innovative products and solutions.

Research and Development Capabilities and Examples

The following web page includes information about the topic listed below.
https://www.shimadzu.com/news/2023/99hujhl771dgsv4y.html
Promoting Research and Development in Infectious Disease Countermeasures, Marine Business Activities, and Information/Security
Opening of Shimadzu Nagasaki Collaboration Lab

Opening of Shimadzu Nagasaki Collaboration Lab

On November 1, 2023, Shimadzu opened the Shimadzu Nagasaki Collaboration Lab in Nagasaki City, Nagasaki Prefecture, as Shimadzu's fourth research and development center in Japan. Universities and research institutions in Nagasaki Prefecture have cultivated innovative technical capabilities in the fields of infectious disease countermeasures, marine business activities, and information security. The laboratory was established to apply these capabilities to the development of our products and services, improve our business processes, foster human resources, and hire new employees from within the prefecture.
In terms of infectious disease countermeasures, Shimadzu will collaborate with the Institute of Tropical Medicine, Nagasaki University in researching the detection of pathogens responsible for infectious diseases. Our automatic PCR testing equipment and testing reagent technologies will be used to develop instruments and reagents capable of detecting pathogens with high sensitivity.
In terms of marine business activities, Shimadzu, together with the Organization for Marine Science and Technology at Nagasaki University and Nagasaki Prefecture, will participate in the Nagasaki BLUE Economy project, an industry-government-academia collaboration aimed at achieving sustainable aquaculture businesses. Through the advancement of yellowtail cultivation techniques, the project aims for regional vitalization, including the formation of cultivation centers and the creation of jobs.
In terms of information/security, Shimadzu is conducting collaborate research with the University of Nagasaki, which established Japan's first information security department, to improve the security of Shimadzu products.
Shimadzu will continue to improve its research centers in an effort to become a company that "Contributes to Society through Science and Technology."

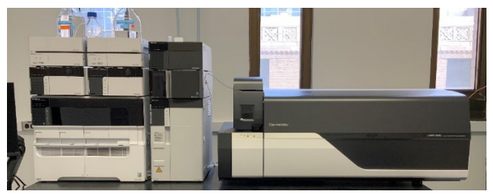
Opening Ceremony of Shimadzu Nagasaki Collaboration Lab
(3rd from right: Mr. Oishi, Governor of Nagasaki Prefecture; 4th from right: Yamamoto, President & CEO, Shimadzu Corporation; 5th from right: Itoi, Managing Executive Officer and CTO, Shimadzu Corporation)

NAGASAKI LAB
Shimadzu Nagasaki Collaboration Lab

Healthcare Domain

Development of New Measurement Technology "dimeLC-MS/MS" for Extending Life Expectancies

Shimadzu Corporation and Shimadzu Scientific Instruments, Inc. (SSI), Shimadzu's U.S. subsidiary based in Maryland, and Washington University in St. Louis (Missouri) have jointly developed a new double isotope-mediated LC-MS/MS (dimeLC-MS/MS) technology that enables accurate quantitative analysis of nicotinamide mononucleotides (NMN) within the body using mass spectrometry.
NMN is the compound used as a material for producing nicotinamide adenine dinucleotide (NAD+). NAD+ activates sirtuins, which are enzymes involved in a variety of biological phenomena, and the administration of NMN is thought to inhibit the drop in body functions associated with aging. The new technology enables quick and accurate quantitation of NMNs and related metabolites in the body using new stable isotopic compounds created by Alsachim, Shimadzu's Group company in France, in combination with a metabolite extraction method that uses an acidic solution.
The research results were published in npj Aging, a journal famous for aging research, in January 2024. The new technology will be used to accelerate R&D in the healthcare domain, especially in pharmaceuticals, to contribute to extending life expectancies.


LCMS-8060 High-Performance Liquid Chromatograph Mass Spectrometer System Used for Joint Research with Washington University

The following web page includes information about the topic listed below.
https://www.shimadzu.com/news/2024/3-uzx_vs8gx8yljt.html
Innovative Technology Developed by Shimadzu and Washington University is Expected to Improve Healthy Life Expectancy

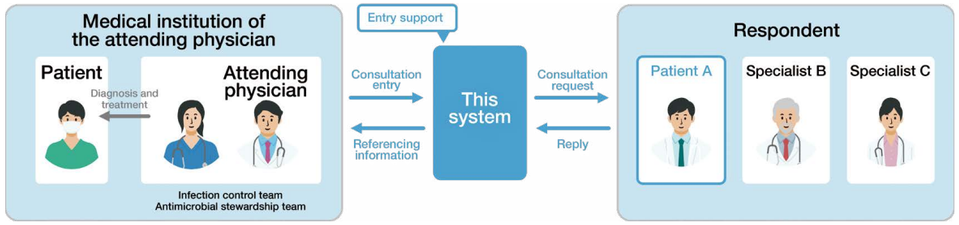
The following web page includes information about the topic listed below.
https://www.shimadzu.com/news/2023/h0u2qov_rt10vl29.html
Release of Japan's First Infectious Disease Management Support System Connecting Attending Physicians with Infectious Disease Specialists and Reducing the Burden of Diagnosis and Treatment

Healthcare Domain

Development of Japan's First Infectious Disease Management Support System*

In joint research with the Tokai National Higher Education and Research System, Shimadzu has developed Japan's first prototype infectious disease management support system. This system connects attending physicians to infectious disease specialists, facilitating consultations and streamlining contracts and payments for diagnosing and treating infectious diseases. By enabling consultations between specialists and attending physicians regarding infectious patient diagnoses and treatment plans, this system supports higher-quality diagnoses and treatments.
The rapid sharing of specialist expertise with attending physicians through this system will lessen the burden on medical workers, alleviate long working hours, and reduce healthcare costs through the appropriate use of antimicrobial agents. We aim to introduce this system to society at the earliest possible time, thereby contributing to solving challenges in clinical workplaces related to the diagnosis and treatment of infectious diseases.

How the Infectious Disease Management Support System Works



* Medical information systems sold by companies in Japan as of July 2023 (as determined by Shimadzu)

Healthcare Domain

Developing a Disinfection System by UV Irradiation Robot through Partnership with a U.S. Silicon Valley Startup

In June 2023, Shimadzu signed a technical collaboration agreement with Shyld AI, a U.S. startup company in Silicon Valley. The two companies are developing "UV Shoot™," a disinfection system that uses ultraviolet (UV) radiation, by combining Shimadzu's optical technology with Shyld AI's AI technology.
Typical countermeasures for infectious diseases involve manually wiping surfaces of objects that people have touched with alcohol, which is time-consuming, can leave unwiped areas, and poses infection risks during operations. The "UV Shoot™" system, which Shimadzu aims to commercialize, addresses these issues. The system consists of a ceiling-mounted UV disinfection robot and software for controlling the disinfection robot. An AI-equipped camera mounted on the disinfection robot recognizes and judges the image and identifies the contaminated area when a person enters a predefined area set by the user. Taking into account the length of time a person has stayed and other factors, the system automatically determines the order and duration of UV irradiation for optimum sterilization.
Shimadzu will contribute to creating a safe and secure society by implementing the "UV Shoot™" concept.


UV Shoot™

Illustration of Installations


Hospital Rooms | Clinic Reception Areas | Restaurants

The following web page includes information about the topic listed below.
https://www.shimadzu.com/news/2023/rb4rawfgzky1w-r_.html
Developing a Disinfection System by UV Irradiation Robot Announce Strategic Partnership with a Silicon Valley Startup Company

Research and Development Capabilities and Examples

Corporate Venture Capital Fund Established for Investing in Startups

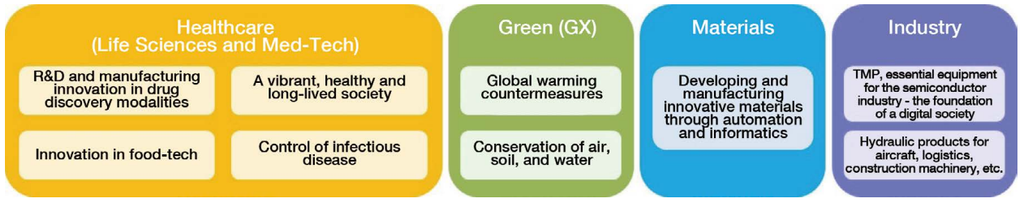
In April 2023, Shimadzu and Global Brain Corporation, an independent venture capital firm, established the Shimadzu Future Innovation Fund (Shimadzu FIF) as a corporate venture capital (CVC) fund. Shimadzu FIF will be managed for 10 years with a total investment budget of 5.0 billion yen.

Shimadzu FIF aims to support startup companies by investing in startups in and outside Japan with innovative technologies that align well with Shimadzu. In addition to promoting startup growth, we aim to solve societal challenges by enhancing our products and services and creating new businesses through these investments.

From left: Hashizume, Manager, CVC Group, Future Strategy Department, Shimadzu Technology Research Laboratory; Takahashi, General Manager, Future Strategy Department, Shimadzu Technology Research Laboratory; Itoi, Managing Executive Officer and CTO, Shimadzu Corporation; Mr. Yurimoto, CEO, Global Brain Corporation; Mr. Kumakura, General Partner, Investment Group, Global Brain Corporation; Mr. Sakagawa, Director, Investment Group, Global Brain Corporation

Shimadzu FIF is managed based on Shimadzu's corporate philosophy "Contributing to Society through Science and Technology" and management principle "Realizing Our Wishes for the Well-being of Mankind and the Earth." Investments target R&D-based startup companies in key areas specified in our medium-term management plan, which are "Healthcare," "Green Transformation (GX)," "Materials," and "Industry." We focus on investing in young startups in the development phase, before business viability is demonstrated, or immediately after the business has started, where Shimadzu technologies or products could be used to support their R&D.

Examples of Target Investment Areas/Topics



The following web page includes information about the topic listed below.
https://www.shimadzu.com/research_and_development/cvc/index.html
Corporate Venture Capital (CVC)
Shimadzu Future Innovation Fund (Shimadzu FIF)

Shimadzu FIF Investments in FY2023

During FY2023, Shimadzu FIF invested in five startup companies (including one that was not disclosed as of May 2024). Investments are made both in and outside Japan, resulted in investing in three companies in Japan and two in the United States.

ChromaCode, Inc. (USA) has developed reagents and software to increase the types of genes that can be simultaneously detected by PCR testing, which is anticipated to pair well with Shimadzu PCR testing.

RUTILEA, Inc. (Japan) develops AI solutions for the manufacturing industry. This investment is expected to help achieve digital transformations (DX) in Shimadzu's manufacturing operations and enhance AI functionality in Shimadzu products.

FUSMobile, Inc. (USA) is developing an X-ray guided device for treating chronic low back pain. The device uses ultrasound beams focused on affected areas based on images obtained using a diagnostic X-ray imaging system. Compared to conventional highly invasive techniques, including surgery, this technology is much less invasive and places less burden on patients. FUSMobile is engaged in research and development for implementing this technology in society.

ChromaCode, Inc.
Development of High-Precision Multiplexed Genetic Testing Technology

IMMUNOSENS Co., Ltd.
Development of Measuring Device Based on a Proprietary Immunological Measurement Method

RUTILEA, Inc.
Zero-Code AI for Automation of Business Processes

FUSMobile, Inc.
Development of Focused Ultrasound Device for Minimally Invasive Treatment of Chronic Low Back Pain

Investment in IMMUNOSENS Co., Ltd., which Develops Simple Testing Devices for Clinical Workplaces

IMMUNOSENS (Japan), a startup from Osaka University in which Shimadzu FIF invested, develops in vitro diagnostic testing devices that enable immediate on-the-spot testing of patients in clinical settings. The ability of IMMUNOSENS devices to easily measure disease biomarkers anywhere is anticipated to contribute to the early detection of diseases and to achieving a society with longer healthy life expectancies.

Shimadzu will contribute to advancements in clinical diagnostic fields not only by supporting IMMUNOSENS businesses but also by exploring the possibility of integrating their technology with our analytical instruments and diagnostic imaging systems for detailed examinations.

Sensor (disposable) **Small and dedicated measuring device**

Message from the CTO

Hiroto Itoi

Managing Executive Officer
CTO

Career Overview

Apr. 1984 Joined Shimadzu Corporation
Jun. 1996 Research & Development Department, Analytical Instruments Division
Apr. 2001 General Manager, MS/GC Business Unit, Analytical Instruments Division
Jun. 2011 General Manager, MS Business Unit, Life Science Business Department, Analytical & Measuring Instruments Division
Jun. 2017 Deputy General Manager, Analytical & Measuring Instruments Division and concurrently General Manager, Life Science Business Department
Apr. 2018 Corporate Officer, Deputy General Manager, Analytical & Measuring Instruments Division and concurrently General Manager, Life Science Business Department
Apr. 2020 Corporate Officer, General Manager, Technology Research Laboratory
Apr. 2022 Managing Executive Officer, CTO (current)

Accomplishments and Issues during the First Year of the Medium-Term Management Plan

Three strategies are being implemented in the medium-term management plan: (1) Increase development capacities globally (2) Implement development process reforms, and (3) Increase the output of new technologies and the creation of new businesses. Though the first fiscal year included some delays, measures mostly proceeded according to plan.
In terms of "Increase development capacities globally," we opened R&D centers in North America and established global development capabilities for software. When the new software development location was being established in India, a task force was formed, composed not only of personnel from relevant divisional departments but also from corporate administrative departments, including Human Resources, Legal, and Corporate Strategy Planning Departments, to start creating the operating systems for the facility. This collaborative approach initially generated some uncertainty but ultimately resulted in establishing organizational and other capabilities much more quickly than expected. This approach will also be deployed globally, beyond India.
Regarding "Implement development process reforms," we created rules for agile development practices. Though progress was made in establishing rules, there were also delays in releasing some products to market. Therefore, we intend to achieve more timely new product development by speeding up agile development processes.
For "Increase the output of new technologies and the creation of new businesses," we proposed business models based on IP landscape analysis, built a Shimadzu version of an innovation management system, established the Corporate Venture Capital (CVC) fund, and invested in five startup companies. In particular, IP landscaping is being used to assist development, such as by utilizing patent information for big data analysis and for investigating customer needs, competitor trends, and other market conditions. Initially, we expected to conduct a few investigation and information provision projects per year, but we implemented about 50 projects in FY2023. In the future as well, we will continue to actively provide support for not only products but also creating business models.

Second-Year Measures for the Medium-Term Management Plan

Continuing from the first year, we will implement three strategies during the second year.
In terms of "Increase development capacities globally," we will focus efforts on quickly getting the North America R&D Centers, which were launched in April 2024, operational and running smoothly. By establishing centers on both the East Coast and the West Coast, where many pharmaceutical companies and research institutions are located, we will be able to work closely with key customers to identify their needs and challenges and jointly develop products. If we cannot offer solutions on our own, another important role of the R&D Centers will be to collaborate with other companies or research institutions in North America that possess remarkable technologies. We assume that the products and software/applications that satisfy global companies in North America will also meet the needs of customers in Europe, Asia, and other regions. Therefore, the products/applications from North America will also be deployed throughout the world. In the future, we aim to implement similar measures as in North America to establish R&D centers in Europe, Asia, and other key locations. For "Implement development process reforms," we will further establish agile development methods for achieving more completed development results while also incorporating customer feedback. In addition, digital technologies will be used to increase the efficiency of design and prototype evaluation operations.
In order to listen to a broader range of customer feedback, the sales organizations of each business segment were integrated in FY2024 and transitioned to a Sales & Marketing Division-based organization. We intend to use the new organization to work more closely with customers in order to offer end-to-end solutions for customer challenges.
Regarding "Increase the output of new technologies and the creation of new businesses," we will actively use the CVC fund to support startups and ensure they generate growth for Shimadzu Group products and services or result in new businesses. Even if synergies cannot be expected in the short term, industry contacts via the startups can lead to technical collaborations, business opportunities, or other benefits. In addition, the process of screening startups that have unique technologies based on their future potential will enhance our ability to judge new technologies and new businesses.
Furthermore, we will promote offering end-to-end solutions by expanding the product lines and improving the basic performance levels of key models (liquid chromatographs, mass spectrometer systems, gas chromatographs, testing machines, and turbo molecular pumps), by increasing the automation and autonomy of pretreatment and other processes, and by utilizing AI technologies.

Valuing Technology and People as a Source of Strength

The current medium-term management plan specifies increasing our technology development capabilities. In particular, we intend to focus efforts on developing mass spectrometer systems, which are considered core products. The demand for mass spectrometer systems is particularly increasing for healthcare and green transformation applications, such as drug development, food safety, clinical testing, and environmental testing, which are areas where the Shimadzu Group is focusing efforts. More recently, in addition to higher performance, customers are also seeking higher operating efficiencies for analytical operations. We hope that pursuing not only core performance capabilities, of course, but also using AI or automation functionality to achieve operating efficiency improvements, will contribute to the advancement of society.
Personally, my current focus is on quantum technologies, such as optical lattice clocks. Using the ultra-accurate optical lattice clock being developed in collaboration with Professor Hidetoshi Katori of The University of Tokyo Graduate School of Engineering, it was possible to observe the slight difference in the progression of time between the ground floor and observatory level of the Tokyo Skytree tower, based on the Theory of Relativity and the difference in gravitational forces. I think this technology represents an opportunity to provide a major contribution to society. We also have high expectations for quantum metrology and have been focusing development efforts on that technology.
The Shimadzu Group has always had a culture of valuing developed technologies even if they cannot be immediately applied to products and services. Consequently, Shimadzu is able to quickly develop applications for such technologies whenever society needs them. That accumulation of diverse technologies is a key strength of the Shimadzu Group.

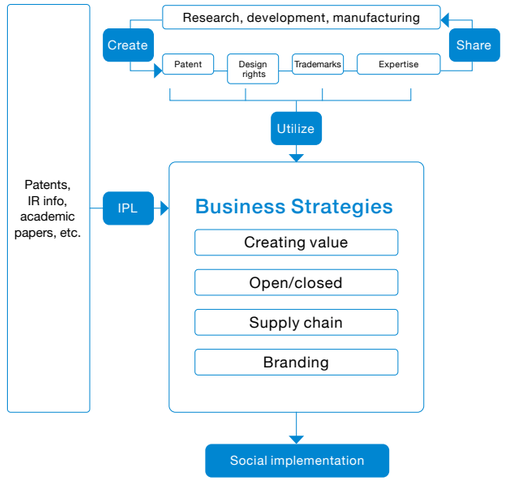
Providing an Environment for Generating Innovation and Increasing Technological Capabilities

Founder Genzo Shimadzu built the foundation for the Shimadzu Group and achieved growth based on open innovation.
Though Shimadzu has been generating innovation for a long time since then, one problem is that engineers and researchers have not necessarily been aware of their innovation. Therefore, in order to foster a culture of innovation, we must increase everyone's awareness of innovation, so that translating day-to-day research and development work into innovation is considered a matter of course and innovation is generated routinely. To achieve that, I want to provide an atmosphere and opportunities that allow engineers and researchers to have fun actively engaging in their work. Therefore, we will implement measures to improve branding based on technology, such as by highlighting the fact that Shimadzu Group technology is used in brewing craft beers and Japanese sake or the fact that Shimadzu designs achieved significant recognition at an international design event, for example. I want to promote activities for increasing employee engagement in terms of technology, so that Shimadzu technologies are widely admired throughout the world and each employee can feel proud of them.
Cultivating human resources and preparing the soil for continuously increasing and improving our technologies will lead to continuous increases in corporate value. Expect great things from Shimadzu as we contribute to society through science and technology.

Intellectual Property Strategy

Intellectual Property Strategy for Creating and Utilizing Diverse Technologies

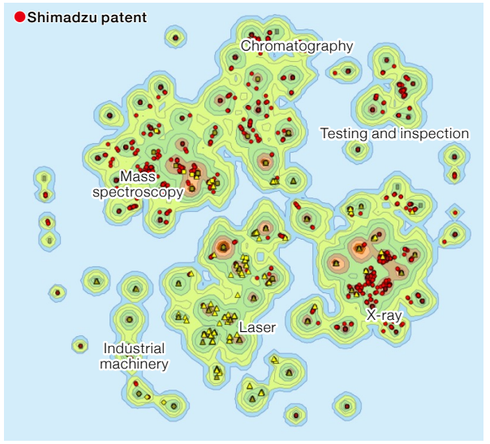
Shimadzu accumulates technologies and passes them on to future generations by securing the rights to intellectual properties created during R&D and manufacturing processes, or by keeping them confidential as proprietary expertise, and by sharing them throughout the company.
In FY2023, Shimadzu generated 16 basic patents*.
Accumulated intellectual properties are utilized for business strategies, such as creating value to address societal challenges that change with the times, forming markets and increasing market share with open and closed intellectual property strategies, establishing OEM, JV, and fabless operations within the supply chain, and branding mainly based on design rights and trademarks.
R&D and business strategies are proposed using IP landscaping (IPL). In FY2023, IPL was used for 47 R&D topics and to propose new business strategies for 2 topics.
In the future, we will establish capabilities for sharing and utilizing intellectual properties generated throughout the Shimadzu Group in order to continue utilizing a variety of technologies. Furthermore, we will accelerate the creation of new value and its broad adoption in society by utilizing IPL more actively.



* Industry-first inventions that directly solve customer or societal challenges and that are difficult to circumvent.

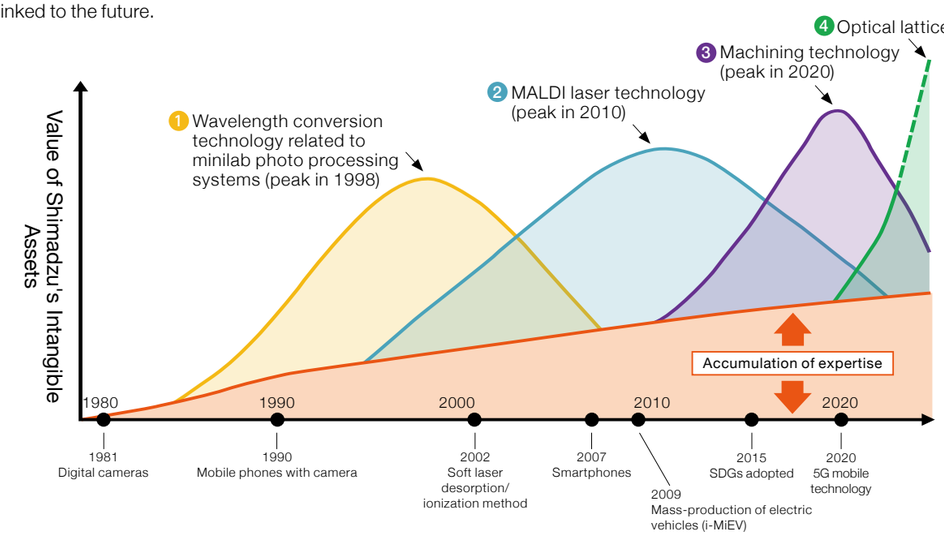
Shimadzu's Strength Is the Diversity of Accumulated Intellectual Properties

To solve societal challenges as they evolve, Shimadzu has accumulated intellectual properties for X-rays, chromatography, optics, robotics, AI, and other key technologies, and has actively utilized open innovation to ensure they are broadly adopted in society.
Consequently, Shimadzu's accumulated intellectual properties are very diverse.
The figure on the right maps the patents relevant to Shimadzu businesses and those for competitors in each field based on similarity, illustrating the diversity of Shimadzu's intellectual properties.
This diversity in intellectual properties reflects Shimadzu's culture of valuing the engineers and designers who created them and ensuring their technologies are carefully passed on to successive generations. This diversity also ensures the quick application of these technologies in society whenever needed.



Story of Shimadzu Laser Technology Intellectual Properties

The following Shimadzu intellectual property story describes laser technologies as an example of acquired intangible assets linked to the future.



1 Origins of Shimadzu laser technologies

Photo processing systems equipped with Shimadzu lasers were installed in local photography shops, with over 50,000 systems installed. This led to the acquisition of key technologies, such as wavelength conversion, mode locking, and wavelength stabilization, as well as production technologies.

2 Application to analytical technologies

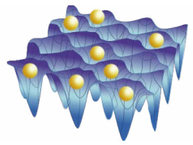
The laser expertise cultivated for photo processing systems was deployed in Shimadzu FTIR spectrophotometers, MALDI spectrometers, and other products, continuing to support analytical instrument performance behind the scenes.

3 Deployment in industrial fields

Since the adoption of the SCGs in 2015, demand for electric vehicles has been increasing. Manufacturing electric vehicles requires technology for reliable copper welding. Through joint research with Osaka University, we developed a high-output blue laser (Blue Impact™), successfully establishing intellectual property rights for this technology and releasing commercial products. We will now promote broad adoption of this technology in society.

4 Expectations for future businesses

The optical lattice clock proposed by Professor Katori, Institute of Physical and Chemical Research, The University of Tokyo, is an ultra-precise atomic clock that uses an atom trapped in an optical lattice as a reference. The optical lattice is formed by laser interference at a "magic wavelength." The clock is being developed for use in future public infrastructure, such as generating a global standard time, regular measurements of tectonic slow slip that can cause major earthquakes, or next-next-generation communication (beyond 6G). Optical lattice clock intellectual properties are overwhelmingly dominated by the Japanese team, including the Institute of Physical and Chemical Research, leaving other countries unable to catch up.
Shimadzu applied its cumulative expertise in laser technology to solve challenges preventing the implementation of optical lattice clocks in society, contributing to guiding the commercialization of Japanese optical lattice clocks.



Standardization Strategy

Changes in the Function of Standardization (Establishing Rules)

Standards have traditionally been established to eliminate inferior goods and ensure consistent quality by setting product specification and performance requirements. They also serve as social infrastructure, for example, by standardizing screws or power plugs to make everyday life functional. However, the applicable scope of standardization has been expanding in recent years to include services, social systems, and other areas, thus becoming instrumental in establishing rules. As a result, standardization is now recognized by companies and industries as a critical business strategy tool for creating new markets and gaining competitive advantage.
Shimadzu has developed many new technologies over the years based on our corporate philosophy of "Contributing to Society through Science and Technology." We engage in standardization activities to form applicable rules and create markets for our new products and services, ensuring our technologies reach as many people as possible. We also use intellectual properties to differentiate our products and secure competitive advantages, aiming for sustained growth by expanding businesses, ensuring profitability, and increasing corporate value.

Significance of Standardization to Shimadzu

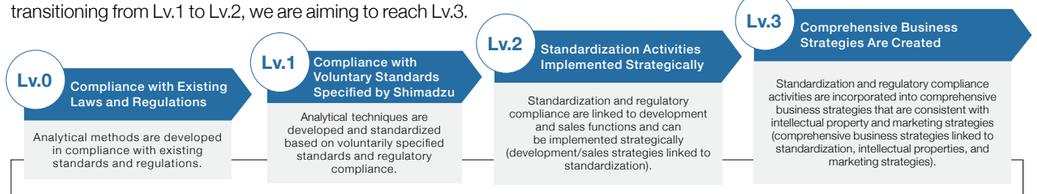
We consider the standardization process as both an opportunity to contribute to society and a critical means for creating new markets and strengthening competitiveness. Accordingly, the medium-term management plan specifies standardization as one of the "seven measures for strengthening the management foundation."

Open/Closed Strategies

Shimadzu employs both open and closed intellectual property strategies. Open strategies involve releasing technologies for public use, standardizing technologies, or promoting entry into new markets. Closed strategies involve identifying positions within the value chain where Shimadzu strengths can be leveraged and protecting them as intellectual properties such as patents and expertise. In alignment with these strategies, we are promoting standardization, product development, and the acquisition of intellectual properties in a unified manner.
From the current fiscal year onwards, for development projects requiring new key technologies, we will investigate potential market needs and establish market models during the early stages of R&D.

Four Levels of International Standardization Strategies and Regulatory Compliance

The following are the four levels envisioned by Shimadzu. Assuming Shimadzu is currently transitioning from Lv.1 to Lv.2, we are aiming to reach Lv.3.



Level 0 is the state of complying with existing standards and regulations and developing Shimadzu instruments and analytical methods based on rules established by outside organizations.
Level 1 is the state of complying with regulations and standards voluntarily specified by Shimadzu, developing analytical techniques consistent with those regulations/standards, and engaging in standardization activities intended to expand the adoption of those techniques.
Level 2 is the state of being able to engage in standardization and regulatory compliance activities strategically in alignment with development and sales activities.
Level 3 is the state of taking the additional step of incorporating standardization and regulatory compliance activities into comprehensive business strategies that are consistent with intellectual property and marketing strategies.

Organizations and Systems

We established an international standardization committee chaired by the Chief Standardization Officer (CSO) to promote standardization activities throughout the Shimadzu Group. In FY2023, we also launched a dedicated department for promoting international standardization. Furthermore, we have prepared an international standardization assistance program that provides financial assistance for promoting individual measures. The committee also promotes deeper interactions with organizations in various fields through committee activities of industry groups, such as the Japan Analytical Instruments Manufacturers' Association (JAIMA). As of April 2024, we have assigned a total of 143 employees from non-consolidated Shimadzu Corporation to serve on committees related to standardization involved in creating draft proposals or deliberating ISO or JIS standards.

Development of Human Resources for Standardization

Shimadzu is training human resources for creating and negotiating standards using training programs offered by the Ministry of Economy, Trade and Industry and the Japanese Standards Association. These programs include training for personnel involved in ISO/IEC international standardization (commonly referred to as "young professionals") and training concerning rule formation strategies. We are also actively dispatching employees up to 40 years old to ISO international conferences.

Examples of Current Standardization Measures

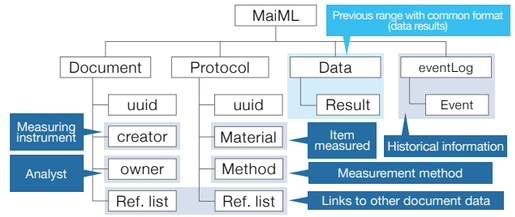
①Standardization of Common Format for Sharing Measuring Device Data

Materials informatics (MI) has been attracting significant attention for comprehensive data analysis during the development of composite materials used in automotive and other industries. MI involves accumulating various data related to multiple materials and then using AI and other technologies to comprehensively analyze the data. To make MI a reality, data must be collected and consolidated from a wide variety of measuring instruments made by various analytical instrument manufacturers.
Under the guidance of JAIMA and in cooperation with other measuring instrument manufacturers in Japan, Shimadzu has been developing a common data format for sharing data and participating in the JIS Draft Committee for three years since FY2020 to create draft proposals for JIS standards for the common data format. This resulted in establishing a new regulation, JIS K0200 Common format for measurement and analysis data, in May 2024.
Next, we will proceed with selling analytical data collection and analysis systems that can help customers establish MI capabilities. Furthermore, we will work with JAIMA to establish ISO standards for using the format with non-Japanese measuring instruments to help promote MI.

Features of JIS K 0200 Common Format for Measurement and Analysis Data

- Indicated using XML language to provide easy readability, convertibility, versatility, extensibility, and data integrity.
- Measurement results are expressed with measurement conditions, sample information, historical information, and link information attached to data.
- Encryption (key structure) is applied based on user needs.
- A thesaurus clarifies the relationships between similar terminology.
- The format name is "MaiML" (Measurement Analysis Instrument Markup Language).

MaiML Structure



②Establishing JIS Standards for Analytical Techniques Based on Ultrasonic Optical Flaw Detection Technology

Shimadzu has developed and launched the MIV-X system, a new technology for nondestructively detecting the status of a bonding surface between a material and a coating formed by thermal spraying, etc., or between heterogeneous materials such as metal and plastic. Previously, there were no techniques for easily inspecting the bonding status between heterogeneous materials (such as between stainless steel and carbon fiber-reinforced plastics (CFRP)).
To increase awareness about the new technology and improve its reliability, Shimadzu has been participating in the JIS Draft Committee organized by JAIMA, using the JIS draft proposal system offered by the Japanese Standards Association (JSA) for about two years since FY2022. This effort resulted in establishing the new JIS Z 2411 General Rules for Acoustic Optical Interference Imaging Analysis in February 2024.
Based on the success of this JIS standard, we intend to promote the broad adoption of the new technology.

MIV-X Appearance (from website)

New Services Achieved by Using MaiML

Collect data with a common data format

Use the data with a common data format to achieve services that help increase the efficiency and sophistication of data-driven R&D.

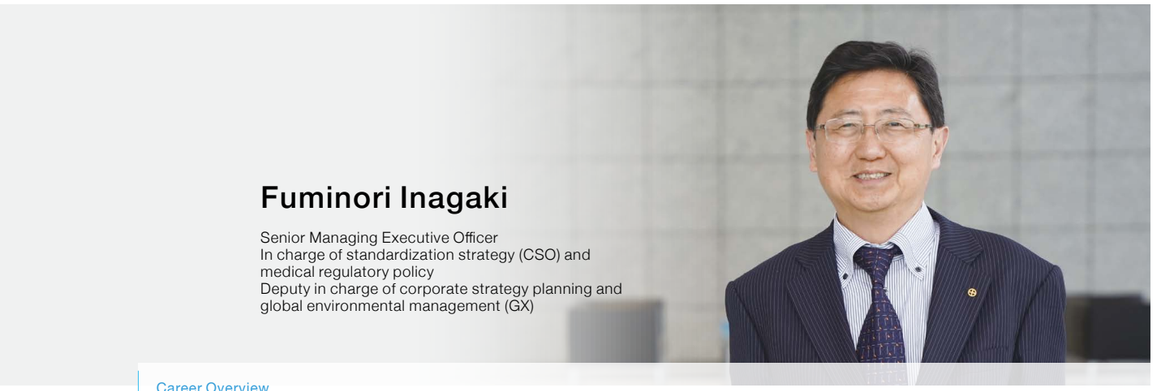
Combined measuring system | AI Materials informatics | Autonomous Lab Autonomous Lab System

③Systems for Implementing Global Standardization

A Standard Development Organization (SDO) was established to increase global awareness about standardization throughout the Shimadzu Group and to jointly create standards. Persons in charge of international standardization will be assigned at each subsidiary in the U.S., Europe, ASEAN, and China to promote global standardization with Shimadzu Corporation.
For the first project, they will engage in establishing official AOAC International* methods for LCMS analysis of PFASs in foods.

* AOAC International: Membership of mainly U.S. companies from about 90 countries. AOAC official methods of analysis (OMA) become de facto global standards for food analysis.

Message from the CSO (Chief Standardization Officer)



Fuminori Inagaki

Senior Managing Executive Officer
In charge of standardization strategy (CSO) and medical regulatory policy
Deputy in charge of corporate strategy planning and global environmental management (GX)

Career Overview

Apr. 1982	Joined Ministry of International Trade and Industry
Nov. 2006	Director, Trade Policy Division, Trade Policy Bureau, Ministry of Economy, Trade and Industry (METI)
Jul. 2010	Deputy Director General for Policy Evaluation, Minister's Secretariat, METI
Apr. 2011	Director, Nippon Export and Investment Insurance (NEXI)
Jun. 2015	Joined Shimadzu Corporation, Managing Executive Officer and Deputy in Charge of Corporate Strategy Planning and Corporate Marketing
Jun. 2017	Managing Executive Officer in Charge of Global Environmental Management and Deputy in Charge of Corporate Strategy Planning and Corporate Marketing
Apr. 2021	Managing Executive Officer in Charge of Standardization Strategy (CSO), Global Environmental Management, and Medical Regulatory Policy, and Deputy in Charge of Corporate Strategy Planning
Apr. 2023	Senior Managing Executive Officer in Charge of Standardization Strategy (CSO) and Medical Regulatory Policy, and Deputy in Charge of Corporate Strategy Planning and Global Environmental Management (GX) (current)

High Compatibility of Standardization with Shimadzu Group Businesses

Standardization is a process already very familiar to the Analytical & Measuring Instruments segment, Shimadzu's strongest business segment, because measuring and analysis cannot proceed until corresponding rules are specified. Many existing standardized analytical techniques were developed through cooperation with one of the analytical and measuring instrument manufacturers. If we cooperate in developing an analytical technique, the analytical technique will be more easily usable with Shimadzu Group instruments, whereas if a competitor controls the process, it would obviously result in a tougher fight for winning business. Until recently, the Shimadzu Group tended to view standards, regulations, and other rules as something created by the national government for companies to comply with, but that view has changed significantly over the last several years.

When the new medium-term management plan started in April 2023, it specified "strategize international standardization /reinforce regulatory response" as one of seven management foundations to be reinforced. In the Shimadzu Group's long history, it was the first time "standardization" was explicitly included as a strategy. Moreover, a new International Standardization Group was established in the Research & Development Management Department, coinciding with the start of the medium-term management plan, in order to promote standardization.

Review of the First Year of the Medium-Term Management Plan

There were three main accomplishments during the first year. The first was the establishment of several JIS and ISO standards for analytical techniques, a result of several years of proactive cooperation by the Shimadzu Group in standardization activities. Standardization cannot be achieved within a single fiscal year but rather requires 3 to 5 years. Success in this area can create a positive feedback loop, increasing motivation and leading to engagement in a wider variety of activities. Therefore, we intend to continue accumulating such success cases one at a time in the future.

The second accomplishment was building the framework within the Shimadzu Group for promoting standardization globally. This involves conducting discussions among the five regions —Japan, North America, Europe, Southeast Asia, and China— to decide a theme each year for promoting international standardization.

These discussions are held regularly, but due to the extremely passionate participants, each discussion has been very fruitful. In FY2023, we initiated measures for establishing standards for PFAS analytical techniques and in FY2024, we also started working on a separate theme. Our aim is to establish a system for continuously achieving international standardizations within a certain period by simultaneously working on multiple international standardization themes globally.

In addition, we are also working with the Analytical & Measuring Instruments Division to establish business development capabilities based on using standards. After selecting 9 key themes in April 2023 and establishing a system for quarterly reporting to the Division General Manager and the CSO starting in June, it has become easier to understand the progress of standardization activities in concrete terms.

The third accomplishment was penetration of the standardization strategy. With the inclusion of the standardization strategy in the medium-term management plan, it has gained significant importance within the company and is being actively implemented in various situations. As the CSO, I see this as a major change.

However, there are also some challenges. It may be the consequence of our success, but the increase in measures being implemented has revealed some resource shortages. Standardizing an analytical technique requires acquiring massive amounts of analytical data, but we have encountered a shortage of resources available for that purpose. On the other hand, I interpret the shortage as a positive consequence of more people within Shimadzu actively pursuing standardization. Resource shortages can be a frustrating problem, but we will overcome this by working more closely with other departments or outsourcing work to outside companies.

Measures for the Second Year of the Medium-Term Management Plan

As mentioned, standardization activities cannot be completed within one or two years. Therefore, the measures discussed as first-year accomplishments will continue this year. Of those, we intend to focus particular efforts on the following three activities.

The first is human resource development. We will engage in training young and mid-level employees to implement future standardization strategies. Simply instructing employees to "acquire ISO certification" is insufficient if they do not know how to achieve it. The International Standardization Group has been conducting workshops to teach the basics of various expertise areas, such as collaborating with outside organizations and proper etiquette for attending international meetings.

The second focus is on establishing capabilities for acquiring large amounts of analytical data used to resolve the resource shortage mentioned earlier. The third focus is on collaboration between standardization and intellectual property efforts. First, we will create a standardization/regulation database in coordination with intellectual property strategies. The basic foundation for this database is nearly complete and will include systems for identifying internationally relevant standards in respective fields and determining how the Shimadzu Group has responded to or prepared for those standards.

Moreover, standardization is closely associated with what is referred to as "open" or "closed" strategies. Though standardization is considered an open strategy, of course, that does not mean everything should be open. Rather, we need to strategically decide which things should be carefully protected as intellectual property and which things should be allowed to be open. Therefore, the Intellectual Property Department has been consulting with business division personnel involved in development from early product planning and design stages. This consultation helps determine the best intellectual property strategies, such as when to submit patent applications for specific technologies. Standardization strategies will be integrated with these intellectual property strategies. Initially, we will implement measures for coordinating the intellectual property and standardization strategies in presumably one or two cases per year, starting from the early stages of development.

Four Steps of International Standardization Strategies

This year's report includes a summary of the four steps involved in implementing the Shimadzu Group international standardization strategy and regulatory compliance (p.75). Each step is classified by level from 0 to 3, where the Shimadzu Group level at the current stage is probably between 1 and 2. Level 0 indicates compliance measures for existing standards and regulations that companies which include "measurement" as part of routine operations perform as a matter of course. Considering the Shimadzu Group began active involvement in creating standards only recently, it will take a while longer before we reach our goal of level 3. Within the context of steadily implementing the measures mentioned above, first we need to achieve level 2, where standardization strategies are considered a normal part of business strategies.

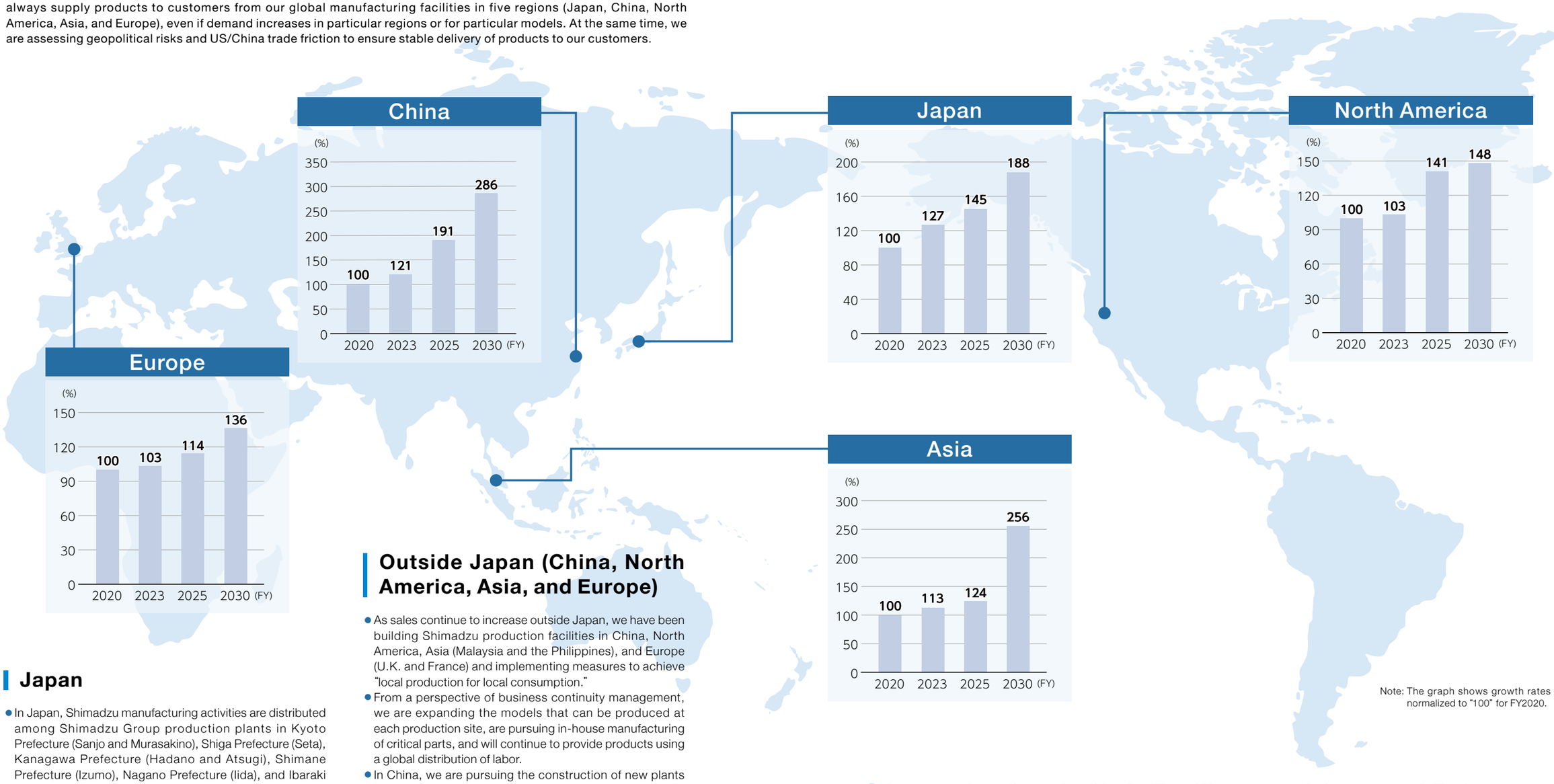
Transitioning to a Comprehensive Business Strategy

From now on, a major strategy for differentiating Shimadzu products from competitors will be increasing our participation in standardization processes. For example, the governments of Japan, the U.S., Europe, and China are investing the equivalent of tens of trillions of yen in green transformation measures and have adopted national strategies for achieving international standardization. The Shimadzu Group is also implementing strategies in cooperation with government agencies, academic institutions, and private companies to achieve broad adoption of technologies in society and establishing standards. However, competitors are also engaged in similar measures. Nevertheless, I am not very worried. The Shimadzu Group has an extensive pool of talented human resources and has been preparing corresponding systems.

In the future, we will elevate international standardization strategies and regulatory compliance to a global comprehensive business strategy in coordination with intellectual property and market strategies. Therefore, expect great things from Shimadzu in the future.

Expanding Global Manufacturing Capabilities

Our aim is to build flexible manufacturing capabilities for achieving a "society brimming with empathy" by overlaying Shimadzu and customer dreams and adding hard work. We are implementing a variety of measures to ensure we can always supply products to customers from our global manufacturing facilities in five regions (Japan, China, North America, Asia, and Europe), even if demand increases in particular regions or for particular models. At the same time, we are assessing geopolitical risks and US/China trade friction to ensure stable delivery of products to our customers.



Note: The graph shows growth rates normalized to "100" for FY2020.

Japan

- In Japan, Shimadzu manufacturing activities are distributed among Shimadzu Group production plants in Kyoto Prefecture (Sanjo and Murasakino), Shiga Prefecture (Seta), Kanagawa Prefecture (Hadano and Atsugi), Shimane Prefecture (Izumo), Nagano Prefecture (Iida), and Ibaraki Prefecture (Yuki).
- In response to higher demand, Shimadzu has been heightening efficiency, expanding production capacities, and building reliable production systems, such as by automating coating and welding processes at the Shimane plant, and by automating the distribution of goods within the warehouses at Shimadzu Logistics Center Kyoto.
- In the future, production will be further distributed to multiple locations and strengthened, including a new plant to be established in Japan.

Outside Japan (China, North America, Asia, and Europe)

- As sales continue to increase outside Japan, we have been building Shimadzu production facilities in China, North America, Asia (Malaysia and the Philippines), and Europe (U.K. and France) and implementing measures to achieve "local production for local consumption."
- From a perspective of business continuity management, we are expanding the models that can be produced at each production site, are pursuing in-house manufacturing of critical parts, and will continue to provide products using a global distribution of labor.
- In China, we are pursuing the construction of new plants in response to governmental incentives for domestic production, with facilities scheduled for completion in autumn 2024. In addition, we are pursuing the automation of coating, metal plate machining, and distribution of goods within plants.
- In North America, we will build a system in which the local sales, development, and manufacturing functions work in cooperation to produce market-oriented products. Through these efforts, we will establish a foundation for market-oriented businesses in these regions.

Increasing Supply Chain Resilience and Structural Reforms to Focus on Customers

- We are building resilient supply chains to mitigate geopolitical risks. To this end, we will (1) strengthen business continuity management initiatives, (2) hold strategic inventories, (3) strengthen procurement functions in China and North America, and (4) pursue expansion of the in-house manufacture of critical parts.
- We are pursuing structural reforms, moving from separate manufacturing structures for each business division to structures that focus on customers (domains). In this way, we will continue to ensure the stable provision of products while becoming a one stop service for customers.

Promoting Digital Transformation (DX)

Due to revolutionary advances in online communication technologies, the adoption of automation, AI/IoT, and other technologies at manufacturing plants, and the use of remote working practices, there has been an increasingly rapid transition to digital technologies after the COVID-19 pandemic. In the Shimadzu Group, a new DX/IT Strategy Management Department was established in 2021 to implement digital transformation measures. The purpose is to utilize digital technologies and various types of data in order to satisfy the needs of customers and society and also to increase the efficiency of business processes within the Group.

DX in the Shimadzu Group

Reform as the Essence of DX.

A report on digital transformation (DX) issued by the Japanese Ministry of Economy, Trade and Industry defines DX as "companies' efforts to meet rapid changes in business conditions, where data and digital technologies are used to reform products, services, and business models based on the needs of customers and society, as well as to reform business practices, organizations, processes, and corporate culture to establish competitive superiority."

Although manufacturers might use IT measures to centralize data management in one location, automate manufacturing lines, and so on, DX measures are not implemented to simply increase productivity or improve quality. The essential characteristic of DX is to reform (transform) organizations or business models, rather than making immediate improvements to business operations.

The vision for DX reforms within the Shimadzu Group is "continue offering new value to society by using data and digital technologies to nurture connections and bonds with both society and customers or to help employees realize their full potential." The key factors for achieving the vision are creating new business models that utilize digital technologies and implementing company reforms that create capabilities for enabling those business models. Creating the new business models refers to implementing business transformation (BX) measures that utilize the latest IT technologies to transform businesses, such as by using digital and subscription-based content to generate recurring revenues. Implementing reforms that enable the new business models refers to implementing corporate transformation (CX) measures that transform the organizational culture, mentality, and operational systems.

DX Digital transformations are corporate reforms for **creating new business models** that utilize digital technologies and **the capabilities necessary for enabling those business models.**

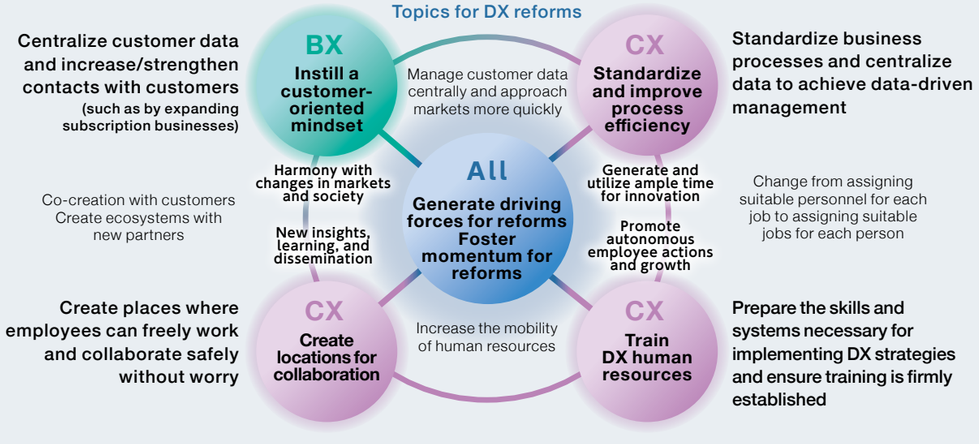
- **BX** Business Transformations — Business Transformation
- **CX** Corporate Transformation (People, Culture, Mentality, and Business Systems) — Corporate Transformation

To ensure the Shimadzu Group can successfully respond to changes in business conditions, we must learn to continuously implement reforms. Therefore, we will implement four reform topics that will enable business transformations (BX) for creating new business models and corporate transformations (CX) for achieving corporate organizational advancements.

Vision for Implementing DX Measures

Prepare for DX Measures to Ensure they Result in Further Improvements/Reforms

Continue offering new value to society by using data and digital technologies to nurture connections and bonds with both society and customers or to help employees realize their full potential



BX: Business Transformations

We will centralize customer data and increase/strengthen contacts with customers in order to expand existing businesses by expanding/improving sales channels and to create new businesses.

As one aspect of the centralization of customer information worldwide, we are consolidating customer IDs on our websites with public access. The target in the medium-term management plan of approximately 40% consolidation by the end of FY2023 has been completed.

As one aspect of our change of business model from a product to a service orientation, we are promoting the expansion of subscription-related business activities.

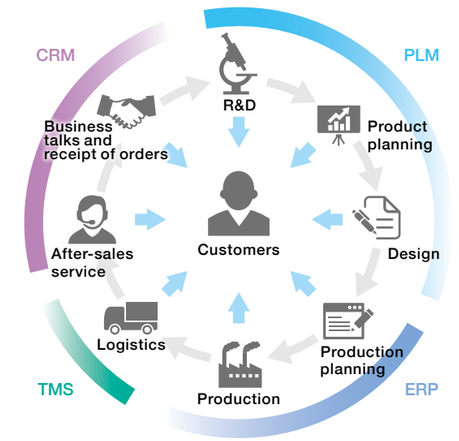
Providing customers with product-related software, Shimadzu know-how, and consulting services on a subscription basis will provide a sense of convenience. With these services, we aim to further expand our business activities.

CX: Corporate Transformation

We are pursuing the standardization of business processes and the centralization of data to achieve data-driven management. Our aim is to reform our business activities to put the focus on the customer.

By standardizing business processes, we are reducing custom functions (add-ons) for the core computer system, thereby streamlining systems, and pursuing the creation of a system that responds flexibly to changes in business. In addition, in terms of product development activities, we are updating our product life cycle management (PLM) system, and are standardizing our development activities to improve dedication to development and enhance development speeds, in an effort to pursue stronger development capacity.

By linking these standardized system data sets together with a focus on the customer, we are pursuing the creation of approaches that will contribute to increased customer satisfaction.



Fostering Human Resources for DX Strategy Promotion

We aim to adjust skills and systems to promote DX strategies and ensure the establishment of human resource training.

In FY2023, the first year of the medium-term management plan, great strides were made in novice-level training, with the training of approximately 6,500 personnel completed. However, progress was not seen in intermediate and practical business training. In FY2024, the promotion of training at the intermediate and advanced levels will be accelerated while continuing to promote novice-level training.

In addition, discussions about training related to new AI applications and more practical training are advancing, with the aim of creating digital transformation results.

We will create places where employees can freely work and collaborate safely without worry.

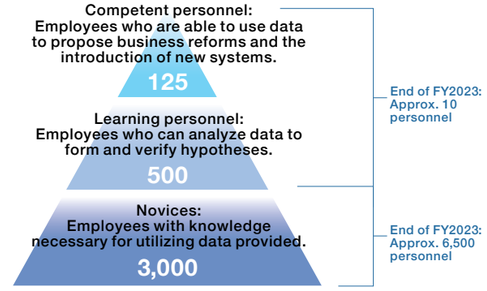
We are taking the initiative to apply generative AI as one of the measures for promoting collaboration. We are promoting its utilization by building a secure generative AI environment in-house, with approximately 3,000 users as of March 2024.

We are also continuing to search for more effective approaches to use AI by sharing information between employees.

In addition, rather than focusing on just one tool, we are also promoting the verification of Microsoft Copilot and other new tools, to encourage more efficient business activities.

The creative opportunities afforded by the effective utilization of these tools will create the motive power for further innovation.

FY2025 Training Targets and End of FY2023 Performance



Message from the Director in Charge of Digital Transformations

Katsuaki Kaito

Senior Managing Executive Officer
In charge of manufacturing, CS management, and DX/IT strategy
Deputy in charge of human resources

Career Overview

Apr. 1983	Joined Shimadzu Corporation
Oct. 2000	R&D Manager (Manager), LC Department, Analytical Instruments Division
Jun. 2003	President, Shimadzu U.S.A. Manufacturing, Inc.
Oct. 2008	General Manager, Analytical & Measuring Instruments Plant, Analytical & Measuring Instruments Division
Jun. 2011	Deputy General Manager, Analytical & Measuring Instruments Division and concurrently General Manager, Analytical & Measuring Instruments Plant
Jun. 2015	President, Shimadzu Scientific Instruments, Inc.
Jun. 2016	Corporate Officer, President, Shimadzu Scientific Instruments, Inc.
Apr. 2020	Managing Executive Officer in Charge of Manufacturing, CS, and Information Systems
Apr. 2021	Managing Executive Officer in Charge of Manufacturing and CS, Deputy in Charge of DX Promotion (current DX/IT Strategy)
Apr. 2023	Senior Managing Executive Officer in Charge of Manufacturing, CS, and DX/IT Strategy, and Deputy in Charge of Human Resources (current)

Shimadzu DX Promotion Measures

The Shimadzu Group is dedicated in collaborating with customers to solve challenges in society based on a corporate philosophy of "Contributing to Society through Science and Technology" and a management principle of "Realizing Our Wishes for the Well-being of Mankind and the Earth." The objective of Shimadzu Group's digital transformation (DX) measures is to leverage data and digital technologies to improve the quality of our activities, thereby achieving growth for employees and the Shimadzu Group. Those objectives are articulated in the Vision for Implementing DX Measures specified in 2023. Shimadzu Group's DX measures consist of two main components. Business model transformation (BX) measures aim to conceive and offer the best possible solutions for customers. Corporate transformation (CX) measures focus on creating the organizational culture and mindset that enable those BX measures. Currently, Shimadzu has specified and is engaged in four transformation themes (instilling a customer-oriented mindset (BX), establishing standards and improving process efficiency (CX), developing human resources for DX measures (CX), and creating a place for collaboration (CX)).

First Year of Medium-Term Management Plan

The most important of those four transformation themes is establishing standards and improving process efficiency. This involves concurrently implementing three things, which are standardizing and increasing the efficiency of supply chain management and product life cycle management process flows and establishing the corresponding information infrastructures. Therefore, we will ensure the most advanced tools are always available by conforming to world standards for working practices. We will prepare information infrastructures that enable data-driven management. The aim of these improvement measures is to enhance the quality and increase the speed of product planning, improve the quality of products and services, and offer customers better solutions sooner. Such efforts have been progressing roughly according to plan.

In terms of training human resources for DX measures, we initially specified a goal of training 3,000 entry-level DX personnel by 2025. However, over 6,000 individuals, or twice that goal, were certified in FY2023 alone.

Because we exceeded the goal in the first year, a new goal of training 7,000 personnel by FY2025 has been established.

Meanwhile, in FY2023 we fell short of our goal of training a total of 625 apprentice-level (intermediate) and journeyman-level (advanced) personnel by FY2025. On the other hand, about 1,100 people are currently enrolled in those training courses, which is nearly double our target, so we expect to achieve the FY2025 goal. Currently, the training programs are being offered to Shimadzu Corporation and Japanese Group company employees. Given the approximately 8,000 eligible participants, we are somewhat surprised by the large number of applicants.

Deploying BX Measures Based on Shimadzu Strengths

In contrast, the BX expansion of subscription service businesses is behind schedule. While we have completed building the basic systems, determining the business process flow for each product provided is taking time. However, we believe product development could speed up once we have a sufficient number of products to establish standard business process flow patterns.

Consulting has been considered as a possible new subscription-based business model in the future. We will continue to increase the number of products that enable building long-term relationships by offering our solutions, cultivated over many years, to customers who are struggling with a lack of analytical or measurement expertise and do not know what to do.

Second-Year Measures for the Medium-Term Management Plan

The medium-term management plan has designated the three-year period from FY2023 as a period for business expansion and organizational change to focus on customers (domain). Previously, customers were offered solutions separately for each product line. However, to transition to a customer-centered (or region-centered) one-stop source for solutions, we need to integrate the variety of business process flows previously used in respective divisions. In FY2024, the second year of the medium-term management plan, we will intensify efforts to standardize and streamline business processes to a new level. In addition, we will accelerate the training of DX human resources to support those measures, particularly focusing on intermediate or higher-level personnel, and foster a culture where DX personnel engage in DX measures independently.

Generative AI

We will actively utilize generative AI while also carefully considering potential risks. The Shimadzu ChatGPT service started in FY2023 is, as of the end of March 2024, now used by about 3,000 Group employees throughout the world. Usage will be increased in the future, with more environments where it can also process internal company information, and with Microsoft Copilot introduced on a trial basis from March 2024. By successively increasing the use of generative AI, we aim to boost productivity and achieve business process improvements.

Expect Great DX Measures from Shimadzu

The Shimadzu Group is attracting a collection of people who resonate with Shimadzu's corporate philosophy and management principle. Coupled with a culture of taking on challenges without fear of failure and a mentality geared towards daily business process improvements, such as the small-group activities that have been ongoing for about 40 years, the Shimadzu Group already has a strong foundation for implementing DX measures. Therefore, I hope improvements and reforms achieved through DX measures will enable Shimadzu to continue offering new value to society.

Expect continuing growth of both employees and the company through implementing DX activities.

Training Global Leaders

Basic Policy for Human Resource Strategy

Human resources are the greatest asset and the greatest source of competitive strength for the Shimadzu Group. Based on the slogan "Leadership and Diversity," the HR strategy is to engage in the following three activities in an effort to develop or acquire human resources who can be leaders for solving challenges in society through innovation achieved in collaboration with a variety of partners.

- Train all employees with the mentality and skills expected by Shimadzu and foster a culture of acting independently, taking on new challenges, and constantly learning and growing.
- Define what human resources are needed in order to strengthen business strategies and the management base. Then develop those resources by providing an environment that supports achieving growth through learning and gaining experience.
- Promote DE&I by acquiring a diversity of human resources and by creating human resource systems and work environments that enable each employee to realize their full potential.

We will strive to continuously increase corporate value by all employees implementing our corporate philosophy "Contributing to Society through Science and Technology" and by solving challenges in society with global partners based on our ability for technology development and social implementation.

Fostering a Corporate Culture of Acting Independently and Continuously Learning and Growing

We will engage in training human resources needed by the Shimadzu Group, who are defined as having virtuous morals and the ability to utilize diverse perspectives and areas of expertise to boldly take on challenges, follow things through to completion, and proactively achieve growth.

We are also engaged in fostering our corporate culture by creating opportunities for employees to learn about Shimadzu's business activities, culture, and history. In the future, we will conduct Shimadzu "Leadership and Diversity" training for all employees to instill the mindset necessary for Shimadzu personnel, an understanding of diversity, and leadership skills that can be used in all sorts of situations. We will also implement initiatives to instill critical skills such as strategic and analytical thinking.

Human resources needed by Shimadzu

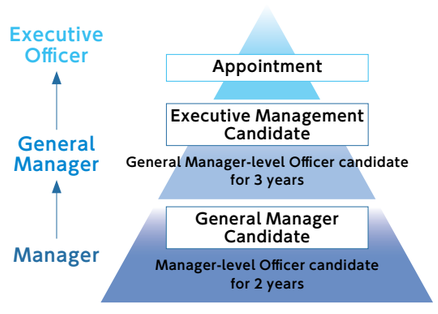
Developing Human Resources for Achieving Strategies

To achieve business strategies and strengthen the management base, we are promoting the training of executive management candidates, advanced experts, and business leaders through the Shimadzu Academy.

To ensure innovative technologies become widely used in society, employees need to develop the ability to supply product, service, and business models as soon as possible and learn from successes and failures. The Shimadzu Academy provides a curriculum for gaining experience as well as knowledge.

(1) Developing Executive Management Human Resources

Executive management training is an important issue for executing business strategies and strengthening the management base. Beginning with Management Seminars conducted since 1997, we have been actively engaged in developing executive management candidates who will drive additional Shimadzu Group growth. In FY2023, we started a new executive management candidate training program. This program is intended to train executive management candidates both by having them acquire knowledge through assignments outside the Shimadzu Group and by having them gain hands-on experience from tough assignments within the Shimadzu Group, such as engaging in the management of a Group company. Through this program, we are expanding and improving the pool of available management personnel. Furthermore, selective training is deployed for general manager and manager candidates in order to reinforce our pipeline of successors for carrying on core duties in various Shimadzu businesses and organizations.



(2) Developing Advanced Experts

The following four types of specialists are essential for achieving Shimadzu Group growth.

1. Human resources for generating new technologies and business opportunities in cooperation with advanced specialists throughout the world
2. Human resources with development and design capabilities for generating new high-quality products
3. Human resources for executing advanced managerial processes
4. Human resources for using data to reform business processes

For example, in April 2021 Shimadzu partnered with Osaka University to jointly start a program to train young engineers and researchers through the university's doctoral program. Employees were recruited from within Shimadzu to work in multiple research programs at the university. In FY2023, we started a new program for hiring students who graduated from master's programs and helping them obtain doctoral degrees. In addition, in FY2024 we started a SPARK program for supporting doctoral studies in order to help employees obtain doctoral degrees. We have been engaged in training specialists by offering an incentive program for acquiring certifications/qualifications and conducting education/training, but in the future, we will encourage employees to acquire specializations or expertise by using Open Badges to certify employees that obtain advanced national or Shimadzu internal certifications/qualifications. Furthermore, we will develop specialized human resources throughout the world by expanding the above activities globally.

Number of Employees in Doctoral Programs at Osaka University

FY2022: 3, FY2023: 3, FY2024: 5

Number of Advanced Specialists*

FY2023: 361, FY2025 goal: 500

* Employees with a doctoral degree, national certification/qualification (professional engineers, patent attorneys, class 1 mechanical design engineers, class 1 and 2 chief electrical engineers, level 4 IT engineers or equivalent, lawyers, certified public accountants, tax accountants, MBAs, etc.), or employees with a Shimadzu certification/qualification.

(3) Developing Business Leaders

In order to ensure Shimadzu's advanced technologies are broadly adopted in society, it is important for the Shimadzu Group to develop business leaders who can drive businesses by solving business challenges and leading personnel. Thus, we conduct situational leadership training for management personnel at Shimadzu Corporation and Group companies outside Japan. We also provide global manager training for newly appointed managers at Group companies outside Japan. In the future, we will train in-house instructors to deploy this training at Group companies in Japan, in an effort to globally foster business leaders who can drive businesses.

In addition, we are offering a variety of other business leader training programs, including those for young employees. These programs include training at a Shimadzu location outside Japan and training through working in government ministries and agencies.

Human Resource Systems and Working Environments that Enable Each Employee to Realize their Full Potential

Shimadzu defines "workplace well-being" as healthy workplaces where a diversity of human resources can feel a sense of job satisfaction and take on new challenges for achieving personal ambitions and growth. To achieve workplace well-being, we will implement a variety of measures so that we can create an organizational culture that promotes the utilization of diversity, establish human resource systems that cultivate a mindset for taking on new challenges, and develop healthy and safe workplaces that practice thorough compliance.

Acquiring and Utilizing Diverse Human Resources

Shimadzu endeavors to acquire and utilize a diversity of talented human resources, regardless of nationality, gender, or previous experience. To ensure we have an adequate supply of promising human resources, we are introducing a variety of new methods for hiring new graduates, such as technical internships and job-based internships for doctoral students. We are also strengthening mid-career hiring. In addition, we are striving to increase the percentage of female managers by actively hiring female employees and providing career planning training to them. Furthermore, to expand the scope of human resources acquired from outside Japan, we have established a system for accepting transferees from many countries and regions where Shimadzu operates businesses.

Parameter	Target for Non-Consolidated Shimadzu Corporation	FY2023 Results
Percentage of Female Employees in Full-Time	–	21.2%
(percentage of female employees in younger than 30)	–	(29.3%)
Percentage of Female Employees in New-Graduate Hires	At least 30% or more every year	29.6%*
Percentage of Childcare Leave Days Used by Female Employees	100%	100%
Percentage of Female Employees Returning from Childcare Leave	100%	100%
Percentage of Female Employees in Managerial Positions	12% (2030)	5.2%

* Based on FY2023 hiring activities

Flexible Work Systems

To improve productivity and enable working styles that accommodate the childcare, nursing care, and other circumstances of each employee, Shimadzu has introduced flextime and remote working systems that enable more flexible working schedules.

In the future, flexible work systems will also be deployed at other Group companies in order to acquire and retain more diverse human resources within the Shimadzu Group.

Human Resource System Reforms and Assessment System Reforms

To promote an employee mindset of taking on new challenges and career autonomy, in addition to expanding/improving the open job-posting system started in FY2022, we also started a new human resources system in FY2024 that includes a multi-career path classification system for visualizing specializations and jobs required by Shimadzu, an assessment and compensation system that promotes taking on challenges and enhancing strengths, and a policy for voluntarily delaying retirement until up to age 65. The new human resources system is intended to improve employee engagement and organization capabilities by offering two career courses for contributing to increasing corporate value; one based on organizational management and the other as a specialist with advanced expertise. With this new system, employees can independently increase their expertise and skills regardless of their age or experience and improve their careers by enhancing their respective strengths and taking on a variety of challenges.

For the engagement survey conducted since FY2020, updated survey questions and assessment methods have been used since FY2023. By using a globally standardized platform, it is now possible to measure multiple aspects of organization and employee circumstances and compare those circumstances to other companies, which helps understand the circumstances of Shimadzu objectively. The ability to provide immediate feedback about circumstances at each workplace was also added. In the FY2023 survey, the company-wide engagement score (percent positive responses) was 63%, which was 4 points higher than the average for Japanese manufacturers. The latest survey results indicated that "career vision at Shimadzu" and "linking business processes to strategic goals" were factors that had a major impact on improving Shimadzu employee engagement levels. Looking ahead, we aim to increase our FY2025 engagement score to 65% or higher by expanding/improving career support and in-house job posting measures based on the new human resources system and increasing implementation of organizational management-based strategies.

Internal Job-Postings (Non-Consolidated)

FY2022: 15 (8 appointment-based and 7 project-based)
FY2023: 54 (47 appointment-based and 7 project-based)

Engagement Score (Non-Consolidated): Percent of positive responses to questions regarding employee engagement (spontaneous desire to contribute, pride in Shimadzu, and sense of accomplishment from work)

FY2023: 63% (4 points higher than average of 54 Japanese manufacturers)

Promoting Diversity Management

Creating a Slogan for Promoting Shimadzu Group DE&I and Using Employee Feedback for the Shimadzu Group Banner

In FY2022, a project was launched within the Human Resources Department to expand and strengthen Shimadzu Corporation activities across the Shimadzu Group. Personnel were assigned to be in charge of DE&I at Group companies, direct employee feedback was obtained from discussions, interviews, and surveys, and issues were identified from that feedback and reflected in the slogan. The slogan not only indicates to everyone within and outside the company how serious Shimadzu is about DE&I, but it also serves as a rallying banner for other activities aimed at achieving our vision of recognizing differences and turning individual strengths into organizational strength. To achieve inclusion, it is important to pursue equity rather than equality. In the future as well, we will continue activities for promoting a deeper understanding of the slogan to accelerate its implementation.

Slogan for Promoting Shimadzu Group DE&I

Embrace Differences, Include One and All

Acknowledge and Embrace Differences

The Shimadzu Group includes colleagues with a wide variety of organizational affiliations, perspectives, value structures, experiences, and specializations. We welcome such employee diversity. Our aim is to fully utilize that diversity in order to continue solving challenges in society based on innovation generated in partnership with all stakeholders. Therefore, we will use DE&I to establish an environment where each employee can feel they are contributing to society and Shimadzu and can feel proud to be a member of the Shimadzu Group.

DE&I in the Shimadzu Group

Diversity

Respecting Differences as Individuality

Mutually acknowledge, accept, and respect each other's individual differences, such as gender, age, nationality, race, presence of a disability, experience/career, values, working practices, or specialization, without being biased.

Equity

Providing Equitable Opportunities

Ensure employees can receive equitable opportunities and resources regardless of their differences or individual characteristics. Provide working environments where each employee can fully benefit from their individual strengths.

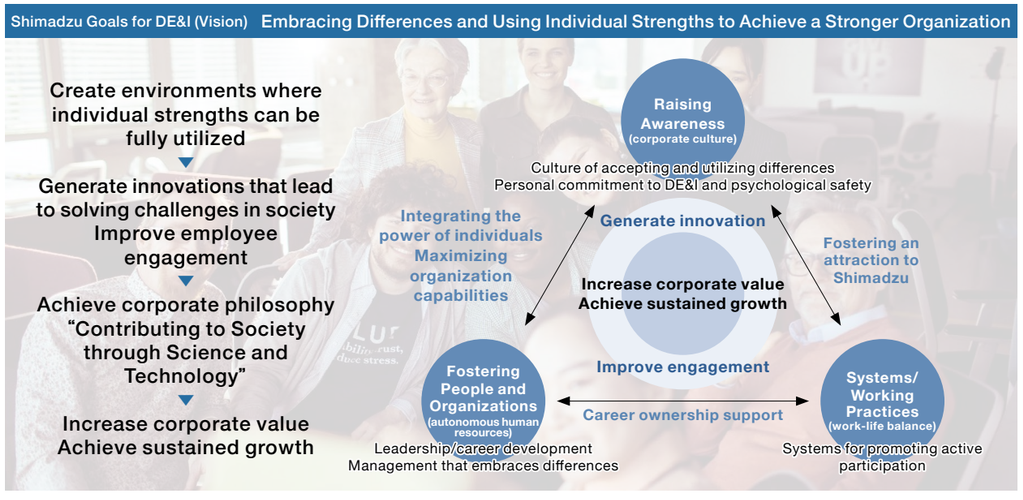
Inclusion

Ensuring Each Employee Is Proud to Be a Member of the Shimadzu Group

Create a psychologically safe open corporate culture where everyone feels free to express themselves and acknowledge each other through dialogue. Ensuring each employee feels a sense of contribution will generate new ideas and innovation that will lead to the future.

Strengthening Implementation of DE&I Measures as an Important Management Strategy

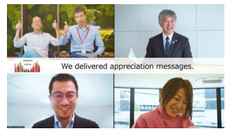
The Shimadzu Group regards implementation of DE&I measures as an important management strategy. Only if each employee can freely work in their own way will employee work result in realizing the corporate philosophy, achieving corporate growth, and increasing corporate value. Based on the concept of providing a place for employees and companies to change and evolve, we are strengthening DE&I measures as activities for encouraging employees to think for themselves, get new ideas, and generate unprecedented changes.



Establishing Psychologically Safe Workplaces with a Culture of Praising Fostering Motivation to Implement Measures as a Unified Group

• Fourth Annual Shimadzu DE&I Week 2023

The theme for this year "Praising and Showing Gratitude" is based on issues identified during slogan creation. By sharing messages from executive managers, giving a presentation on achieving a team that can operate independently, showing videos of employees expressing gratitude to other employees, and sharing humorous poetry and art, the event helped people realize they are part of diversity and accept each other, encouraging them to foster a work climate where everyone can feel psychologically safe. The complementing and praising activities initiated at this event will continue to be deployed after the event to ensure they are instilled in respective employee workplaces.



• International Women's Day Initiatives

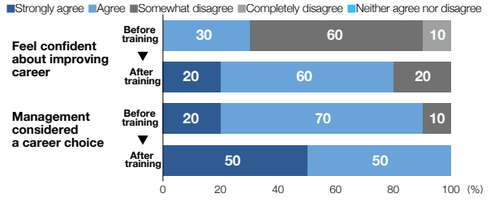
The key to implementing DE&I initiatives across the entire Shimadzu Group will be linking initiatives to spontaneous measures. International Women's Day initiatives that started at a Group company outside Japan have now spread to 7 companies in 7 countries. The initiatives have also helped generate interactions among these companies.

Initiatives for Achieving Female Employees in 15% of Management Positions by FY2030

—Ensuring Diversity in Core Human Resources—

• Supporting Female Initiatives at Shimadzu Corporation Leadership Training for Female Employees

To develop candidates for management positions, leadership training (in-house training) is offered to assistant manager-level female employees in an effort to establish an environment where management jobs are taken for granted as a career choice for female employees. Such efforts are changing awareness levels about improving careers and achieving other results.



• Support for Implementation at Group Companies Luminous Management Training for Female Employees at Group Companies in Japan

To ensure the diversity of core human resources within Group companies in Japan, the next generation of management candidates is being trained with female employees in management positions as role models. For the first time, the training was conducted as a program for Group companies, with an aim to expand a network among participants.

• Specifying KPIs and Other Measures

In an effort to promote individual commitment by Group companies throughout the world to implement DE&I measures on their own, we have been strengthening the implementation of DE&I measures as a unified Group by specifying FY2030 KPIs and corresponding measures.

Support for Active Participation by Employees from an Equity Perspective

• Supporting Active Participation by Non-Japanese Employees Plan for Using Annual Paid Vacation Days for Extended Trips Back to Home Countries, Etc.

In order to make it easier for employees with family members or a home country outside Japan to use a collection of vacation days to return to that country for an extended trip, we created a form for submitting vacation day plans to supervising managers that will serve as a trigger for discussing taking vacation days. Four people used the form to obtain vacation time with their families or in their home country in the first six months.

• Participation in Promoting Understanding of LGBTQ

In FY2023, Shimadzu participated in the "PRIDE in Kyoto 2023" event, the first of its kind held in Kyoto, to demonstrate Shimadzu's position. In addition, Shimadzu introduced a consultation service for LGBTQ to improve the environment within Shimadzu. We are continuing efforts to establish an environment where sexual or gender minorities can feel free to actively participate in business activities. We are even considering the introduction of a partnership system.

• Actively Hiring and Supporting Employees with Disabilities Work Experience through Shimadzu Breakers Activities

At official rugby matches at Shimadzu's home field, people with a variety of disabilities prepare the stadium and distribute water to athletes. In addition to these outside activities, we are also working to establish environments where people with disabilities can work as Shimadzu employees, and are striving to increase the number of people with disabilities who work with us.

Max. 3-Star Eruboshi Ranking

女性が活躍しています！

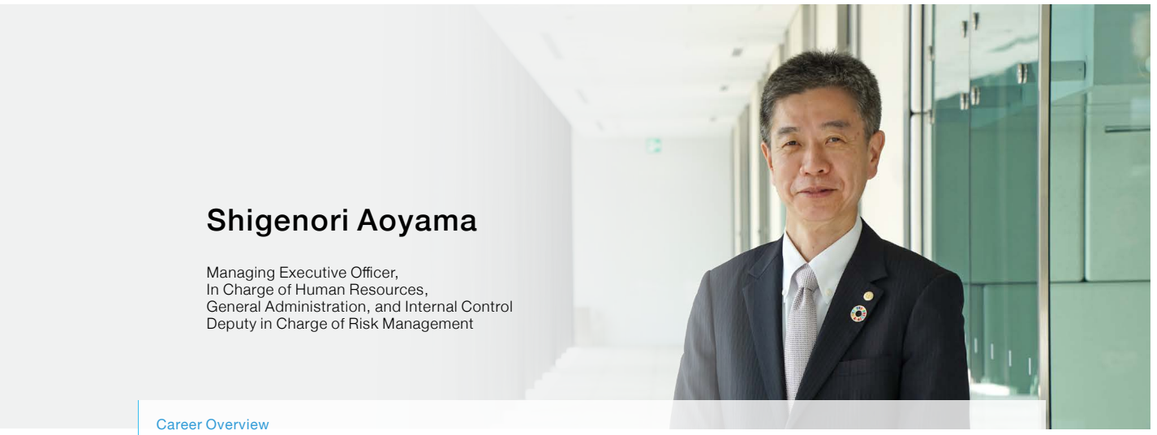
New Diversity Management Selection 100 Company (2019)

DIVERSITY MANAGEMENT SELECTION 100 2019

Nadeshiko Brand (2017 to 2022)

NADESHIKO BRAND 2022

Message from the Director in Charge of Human Resources



Shigenori Aoyama

Managing Executive Officer,
In Charge of Human Resources,
General Administration, and Internal Control
Deputy in Charge of Risk Management

Career Overview

Apr. 1991 Joined Shimadzu Corporation
Oct. 2012 Senior Manager, Human Resources Department
Jan. 2013 General Manager, Human Resources Development Department, Human Resources Department
Oct. 2016 Deputy General Manager, Human Resources Department
Apr. 2017 General Manager, Human Resources Department
Apr. 2020 Corporate Officer, General Manager, General Administration Department
Apr. 2022 Managing Executive Officer in Charge of Legal Affairs, General Administration, and Internal Control, and Deputy in Charge of Risk Management
Apr. 2024 Managing Executive Officer in Charge of Human Resources, General Administration, and Internal Control, and Deputy in Charge of Risk Management (current)

Increasing the Value of Human Resources by Drawing Out the Best from Each Employee

I joined Shimadzu in 1991. While gaining experience from working in corporate strategy planning, in sales, and in subsidiaries, I spent the most time involved in personnel work. During the second half of the time I was assigned to the human resources development, I was engaged in implementing a variety of measures, such as launching a general manager training program, resuming selective training, and other human resource development system reforms, and introducing new health management tools as part of Shimadzu health management practices.

My new appointment as the director in charge of human resources does not change my belief that “increasing the value of human resources is essential for sustaining company growth.” My mission is to prepare work environments and implement organization cultural reforms that draw out the best from each employee. I will remain committed to that mission in an effort to increase the value of human resources and contribute to Shimadzu growth.

Issues and Measures Revealed by the Engagement Survey

Shimadzu’s employee engagement score is slightly higher than average for manufacturers in Japan. Specifically, employees tend to be proud of their company but have a somewhat low sense of accomplishment and desire to contribute. Nevertheless, the survey confirmed that individual employees have high motivation levels. These results suggest circumstances where employees cannot achieve goals even though they want to do so, or cannot do things as envisioned despite wanting to contribute. That indicates room for improvement in organizational cultures and systems. Therefore, the medium-term management plan includes initiatives for fully utilizing employee strengths by reforming human resource systems and for reforming organizational cultures by providing support for organizational development and Group personnel/human resources management functions. Over 50% of Shimadzu Group sales are generated outside Japan and 6,000 Shimadzu Group employees (about 40%) live outside Japan. However, the human resource management systems for supporting the implementation and growth of businesses, including those outside Japan, are still in the process of being established. Therefore, we intend to address that issue by globalizing human resource systems in cooperation with respective regions.

Human Resource Systems and Organizational Reforms

Currently, we are implementing human resource system reforms that promote a spirit of taking on challenges. In addition to introducing new human resource systems, I also believe it is essential to provide an environment, opportunities, and education for ensuring employees can fully utilize their abilities. Given that humans have emotions, it is difficult to motivate them to take action by simply providing systems and procedures. Therefore, we will synchronize management strategies with human resource strategies to implement reforms that ensure employees can work enthusiastically and plan out their own career path. At the same time, we will proactively provide environments and opportunities that promote autonomous growth. The optimal team size is said to be four to six members. More or fewer than that is said to decrease performance. Currently, due to the large size of organizations, business processes are sometimes divided into specialized functions with limited discretion of individual employee, which can potentially inhibit innovation. Therefore, I intend to review the current state of organizations and other factors and implement measures for developing environments that further promote innovation.

Four Measures for Human Resources Development

Four measures will be implemented to develop human resources. First, we will deploy a program for systematically and continuously developing the next generation of Shimadzu managers and leaders. Next, to respond to the rapid changes in business conditions, we will provide reskilling and relearning opportunities for increasing the employee skill and expertise levels needed by Shimadzu, such as for digital transformation (DX) or green innovation measures. We will also develop advanced experts. Third, to improve executive management’s ability to manage organizations, we will increase awareness about utilizing diverse human resources through the acquisition of listening, coaching, feedback, and other skills. Lastly, in consideration of Shimadzu’s corporate philosophy, management principle, and Group Sustainability Charter, we will conduct training (Leadership & Diversity Training) to develop an understanding of the type of human resources required by the Shimadzu Group.

Training will be limited to the acquisition of knowledge, skills, and expertise directly applicable to business processes, but is not limited to an employee’s area of specialization. By acquiring a broad range of knowledge, we hope more employees will develop a richer sense of humanity, a broader capacity as a human and for work, cultivate a stronger sense of ethics, and a greater interest in societal challenges. By establishing such environments, we hope to offer these opportunities.

A Company Cultivating Diverse and Influential Talent

Though I am aware there are differences in the types of people working in technical and sales departments, I believe that basically most of us share the traits of being sincere and diligently achieving things through steady efforts. However, it is also essential that a company has diversity. For example, organizations comprising human resources with a variety of personalities and abilities, such as people who are good at envisioning large strategies, people who accomplish things through an accumulation of small steady steps, and people who excel at following up, are more resilient due to a greater capacity for responding to crises.

Therefore, we will use a diversity of hiring methods to acquire human resources with a diversity of specializations and experience, such as offering more extensive internship opportunities, hiring employees in cooperation with academic institutions, and so on. We will expand the program already started in cooperation with Osaka University to hire students who have finished their master’s degree in order to sponsor their continuing post-doctoral research. We will expand training opportunities for younger employees, such as onsite training at Group companies outside Japan, in order to develop more employees with the ability to change organizational cultures based on experience working in other countries. There have already been successful cases of employees with new perspectives cultivated in a different department or outside Japan inspiring new cultural changes at their subsequent job locations. Thus, the aim is to not only acquire knowledge and experience, but also foster human resources that can use that knowledge and experience to influence others around them.

Count on Shimadzu, a Company that Generates Innovation-Leading Human Resources

The current medium-term management plan specifies deploying businesses for generating societal value in four areas. That means crossing conventional business division boundaries to deploy new businesses. The division-based organization often results in a sense of vertical organization barriers that can impede innovation. However, simply changing the organizational structure will not solve the problem. Reforming that culture will require reforming our human resources systems and our attitudes about taking on new challenges, but those reforms must be based on a respect for diversity. Only when we achieve all of those reforms will innovation start to accelerate.

Therefore, in the future as well, we will continue to cooperate with a diverse range of partners, execute human resource strategies for developing human resources who can lead innovation for solving challenges in society, and strive to increase corporate value. Expect great results.

Message from the Director in Charge of Diversity and Health Management

Yoshino Kajitani

Managing Executive Officer,
in Charge of Legal Affairs, Diversity Management and Health Management

Career Overview

Apr. 1984	Joined Shimadzu Corporation
Oct. 2007	General Manager, Export Management Department, Shimadzu International, Inc.
Oct. 2013	General Manager, Export Management Department, Shimadzu International, Inc. and concurrently Senior Manager, Business Process Re-engineering Unit, Business Systems Management Department
Jan. 2014	Representative Director, President, Shimadzu International, Inc.
Jun. 2017	Corporate Officer, General Manager, Public Relations Department
Apr. 2019	Corporate Officer, General Manager, Corporate Communication Department
Apr. 2021	Managing Executive Officer in Charge of Human Resources, Diversity Management, and Health Management
Apr. 2024	Managing Executive Officer in Charge of Legal Affairs, Diversity Management, and Health Management (current)

Creating Organizations with Diversity to Promote Innovation

Ever since Shimadzu was founded, the company has remained committed to solving challenges in society based on our corporate philosophy "Contributing to Society through Science and Technology." As specified in our medium-term management plan, Shimadzu is also involved in a wide variety of measures for achieving sustained growth as an "Innovative Company that Solves Social Issues with Global Partners." Of those measures, diversity management is one of Shimadzu's most important topics. Shimadzu has a long history of promoting diversity, including prenatal and postnatal maternity leave, child care time, and menstrual leave policies introduced in 1948. Since then, a variety of other policies and working practice reforms for promoting diversity have been introduced as well, such as the WiSH project launched in 2015 and women's initiatives. In FY2022, an organization was established for promoting D&I (diversity and inclusion), to which equity (E) has been now added for promoting DE&I.

Recently, many companies have been engaging in diversity measures as a corporate strategy. To achieve growth under current business conditions with great uncertainty, it is essential that companies change highly homogeneous organizations, as commonly found in Japanese companies, into organizations with more diversity. For Shimadzu as well, due to the dizzying pace of changes in science, technology, and business conditions, we need to urgently create organizations with even more diversity. That means we need to recognize the cognitive biases present in highly homogeneous organizations and improve the quality of decision-making by introducing more diverse perspectives and ideas. By promoting DE&I, we intend to not only increase the diversity of employee attributes, but also increase cognitive diversity, generate innovation, increase employee engagement, increase sustained growth, and increase corporate value.

Current DE&I Status and Issues

In terms of diversity (D), we are strengthening measures to utilize a broader diversity of human resources, not only through women's initiatives but also with policies for delaying retirement and for exchanging personnel with subsidiaries outside Japan, for example. We are also strengthening activities for increasing the diversity of the knowledge and experience available by helping employees obtain specialized expertise or improve their skills. Increasing the ratio of women in management positions has been a challenge, but we are implementing measures to achieve our goals, such as improving hiring practices and training younger employees. In terms of equity (E), while we are making steady progress improving systems for supporting working practices based on individual circumstances, we still have a way to go with respect to understanding and supporting minorities down to the workplace level, which indicates that instilling an understanding of equity is an issue. In particular, in terms of inclusion (I), where each employee feels a sense of contribution from using their particular skills or strengths, a recent survey indicated that we have an issue with employees not feeling free to be themselves (individuality) or feeling that not everyone is free to fully utilize their maximum potential (opportunity fairness).

To achieve equity (E) and inclusion (I), we will strengthen measures for promoting a personal commitment to DE&I policies by each employee, for promoting management practices based on understanding and utilizing differences, and for fostering career ownership by each employee to ensure their skills and strengths are fully utilized.

Personalizing DE&I + Transforming Individual Strengths into Organizational Power Through Dialogue

To promote DE&I, it is important for employees to have a proper understanding of DE&I and treat it as their own issue. To promote understanding by more employees, the current medium-term management plan specifies a human resources strategy that defines human resources hired by Shimadzu as Shimadzu members, with diversity as a prerequisite for hiring and a DE&I program added to management training and new-employee training. To determine our own standing with respect to diversity, we will begin disclosing data about the diversity in each department starting in FY2024. By learning where our own department stands with respect to diversity, such as in terms of the percent of available childcare leave actually used by men, hopefully it will help us realize where we should be.

To ensure employees adopt new measures with an open mind, it is also important that the measures are backed by strong messages from company leadership. Therefore, in FY2023, all corporate officers delivered speeches about DE&I to employees. Before giving those speeches, the officers were also surveyed about DE&I, which provided a new opportunity to think about DE&I. Consequently, we intend to continue communicating information in that way in the future as well.

In addition to such measures, "dialogue" is another thing we want to strengthen. By each employee refining their dialogue skills and using them to break free from high-context styles of communication, we can create more opportunities to generate sympathy and transform the power of individuals into the power of organizations by cultivating mutual understanding of our differences in experiences, values, and ways of thinking.

Fostering Personal Career Ownership by Each Employee

Another issue for women's initiatives is career ownership. Women often comment that they lack confidence, are not suited to leadership positions, and cannot envision their career path. However, actually that is a challenge for both men and women. In particular, previous surveys have shown that Shimadzu has a general issue with employees having low career aspirations. In response, we have been introducing an internal job-posting system and other new human resource systems to provide a forum for envisioning and implementing different career paths. Linking such systems with education/training systems, such as for acquiring skills and knowledge or career training, could help foster the career ownership necessary for DE&I and generate a positive cycle of each employee improving and utilizing their individual abilities.

Instilling DE&I in Corporate Culture throughout the Shimadzu Group

Currently, we are in the process of deploying DE&I activities throughout the Group, but there are a wide variety of DE&I issues that need to be addressed depending on the country or region. First, we will share our thinking and vision for DE&I within the Shimadzu Group, provide support for specifying DE&I measures and KPI values at respective companies, and then work with Group companies to start implementing those measures. For Group-wide measures, we specified the slogan "Embrace Differences, Include One and All" and defined DE&I for Shimadzu. In the future, we intend to promote implementing DE&I measures more actively by sharing updates on the status of DE&I measures throughout the Group. Group companies in Japan, particular, face challenges such as increasing the ratio of women in management positions and increasing the usage of childcare leave days by men. In FY2023, Shimadzu offered management training for women for the first time at a Group company in Japan. We remain committed to continue establishing a corporate culture with DE&I firmly rooted throughout the Shimadzu Group.

Developing Health Management that Is a Step Ahead

Improving employee health is also an important theme in terms of the Shimadzu management principle "Realizing Our Wishes for the Well-being of Mankind and the Earth." Employee health is essential for achieving sustained growth. In addition to physical health, there has been a recent increase in mental health disorders. Consequently, maintaining both physical and mental health has resulted in challenges for not only absenteeism but also presenteeism. For example, departments with high stress levels indicated in annual stress checks are provided with direct assistance based on workplace improvement programs or on-site lessons given by clinical psychotherapists or public health nurses. Improvements to stress level values are being achieved by conducting measures that depend on the given circumstances.

Furthermore, relevant Shimadzu healthcare technologies, products, and services are being offered as a dividend to employees and their families. For example, Shimadzu products are being used to offer supplemental breast cancer examinations and mild cognitive impairment examinations. In addition, we established a Health & Productivity Management Alliance in 2023 that companies and other organizations can use to practice health management. That not only helps other companies promote health using Shimadzu products, but also provides an opportunity for Shimadzu Group employees to maintain/improve their health using non-Shimadzu products and services.

To further maintain/improve employee health, in the future we will partner with outside companies to analyze/utilize health data, verify benefits, and deploy medically based measures. Through such measures, we intend to achieve well-being by deploying uniquely Shimadzu health management measures that are a step ahead.

Each Employee Contributing to Society and Shimadzu by Promoting DE&I

It is essential that each employee takes on the challenge of making full use of their abilities. However, workplace personnel often say they lack the confidence for taking on new challenges. When I was the first woman to be transferred outside Japan, to be appointed president of a subsidiary, or be appointed a corporate officer, each time I initially felt I lacked adequate confidence. However, saying "I'll give it a try" and taking a step forward has resulted in all sorts of interesting new experiences. Learning from my failures and building on even small successes gave me the courage to proceed even when I lacked confidence about a new career path. For other employees as well, even if you fail to get a perfect result from your challenge, just start by taking one step forward, thinking carefully about what you should do and what you can do yourself, and boldly take on new challenges without fear of failure. My role is to create an open corporate culture that provides fair opportunities for taking on challenges, where anyone is free to express themselves, and that provides psychological safety for developing a mutual understanding of each other through dialogue.

We will continue working as "One Shimadzu" to implement DE&I measures that make each employee feel they are contributing to society and Shimadzu, feel proud to be a member of the Shimadzu Group, and achieve a society overflowing with sympathy.

Executing Strategic Investments

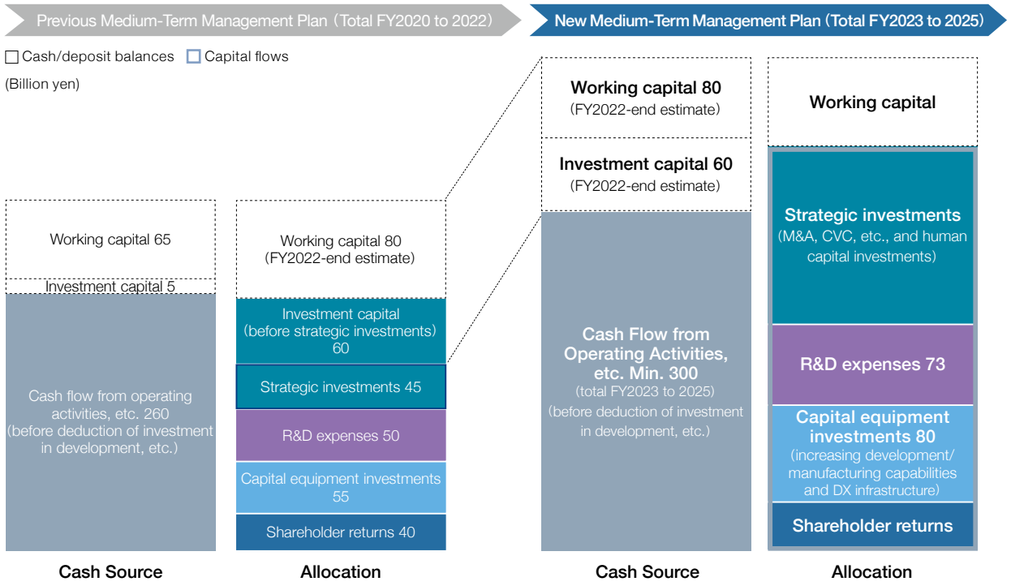
Capital Allocation

In FY2023 we invested about 55.0 billion yen in M&A, R&D, human capital, and capital equipment.
To achieve medium and long-term growth, we will actively invest in growth again in FY2024 as well.

Making Strategic Investments Necessary for Business Growth while Ensuring Financial Soundness for Sustainable Growth

Capital Allocation Policy

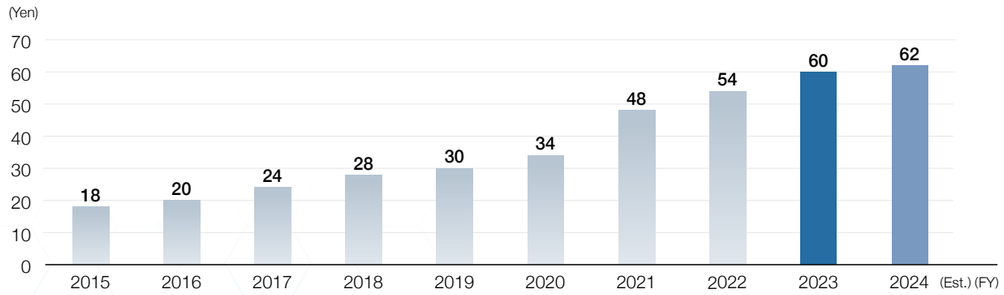
1. Focus investments in areas that create social value and that strengthen the base for human capital, development, manufacturing, and DX measures.
2. Maintain a dividend payout ratio of at least 30% and continue dividend increases.
3. Increase capital efficiency by introducing ROIC.



Shareholder Returns

The FY2023 dividend per share was increased by 6 yen from the previous year to 60 yen. For FY2024, we plan to increase the dividend by 2 yen to 62 yen, marking the eleventh consecutive year of dividend increases. We will also initiate a stock repurchase program for the first time. We plan to repurchase up to 12,500,000 shares at a cost of up to 25.0 billion yen between May 13, 2024 and March 31, 2025.

Dividends from FY2015 to 2024 (Est.)



Message from the CFO

Akira Watanabe

Director, Senior Managing Executive Officer
CFO, in charge of corporate strategy planning and corporate communications

Career Overview

Apr. 1985	Joined Shimadzu Corporation
Apr. 2009	General Manager, Turbo Molecular Pump Business Unit and concurrently Deputy General Manager, Sales & Marketing Department, Semiconductor Equipment Division (currently Industrial Machinery Division)
Apr. 2011	General Manager, Sales & Marketing Department and concurrently General Manager, Turbo Molecular Pump Business Unit, Semiconductor Equipment Division
Jun. 2013	Deputy General Manager, Semiconductor Equipment Division and concurrently General Manager, Sales & Marketing Department and General Manager, Turbo Molecular Pump Business Unit
Jun. 2016	Corporate Officer
Jun. 2016	General Manager, Industrial Machinery Division
Apr. 2019	Managing Executive Officer
Apr. 2020	General Manager, Industrial Machinery Division and concurrently General Manager, Fluidics Systems Division
Apr. 2022	Senior Managing Executive Officer (current)
Apr. 2022	CFO in Charge of Corporate Strategy Planning and Corporate Communications (current)
Jun. 2022	Director, Member of the Board (current)

Review of the First Year of the Medium-Term Management Plan

For the first year of the medium-term management plan, record-breaking results were achieved for the fourth consecutive year in both sales and operating income, driven by growth in businesses outside Japan (with a 57.9% overseas ratio) and favorable exchange rates. Contributing factors included record sales of key models in healthcare and green transformation fields, such as liquid chromatographs, mass spectrometer systems, gas chromatographs, and testing machines. Additionally, converting backorders to sales and ensuring pricing adjustments or other proposals for added value offered played a significant role. However, it is also true that without the exchange rate effects, the beginning-of-year growth estimates could not have been achieved. This was due to worsening market conditions in China, reduced capital equipment investments that Japan's medical systems faced, stagnation in semiconductor equipment investment levels, and other factors. Growth investments, including strategic investments in human capital and R&D, progressed mostly according to plan. In terms of M&A, we acquired Biomaneo, a clinical software company in France, a GC microreactor business in North America, and other smaller investments. Although these acquisitions were relatively small, we were able to acquire companies that will serve as the foundation for future overseas group growth.

Implementing ROIC Management

In FY2024, we will continue to make growth investments in areas that create social value and strengthen the infrastructure for human capital, development, manufacturing, and DX measures. In particular, R&D investments are estimated to be 28.0 billion yen, accounting for 5.3% of sales, but we will strive to achieve the target 5% specified for the second year of the medium-term management plan.
We will also implement ROIC management practices. From FY2024 we will introduce ROIC as a management indicator for each division and business unit to manage the discrepancies between forecasts and actual results. Although it may be necessary to make follow-up refinements to how invested capital is calculated for each business and business unit, we will proceed with specifying ROIC as a KPI for measuring performance. Our intention is to combine financial KPIs, consisting of mainly financial indicators, such as the operating margin and capital investment turnover ratio, and operational KPIs, including the number of sales leads and production lead times, to configure a hierarchical tree of KPIs with ROIC at the top. That would presumably allow management to link all corporate targets, including management and front-line targets, to actions that can be optimized for overall performance. This approach will take some time before the KPIs are fully adopted, but we will use systems to automate factors and enlist the entire company in an effort to improve management efficiency.

Message from the CFO

Management with an Awareness of the Cost of Capital

The cost of capital for the Shimadzu Group is considered about 7 to 8%. As Shimadzu is currently debt-free, the cost of capital is essentially equal to the shareholder cost of capital, which makes it important to achieve ROE and ROIC values that exceed the shareholders' cost of capital. Currently, the ROE level is 12.5% and ROIC is 11%, which are higher than our cost of capital, but we intend to continue efforts to both decrease our cost of capital and increase the capital efficiency (ROIC and ROE) in order to increase corporate value in the medium to long term and achieve sustained growth.

Also, reviewing our business portfolio is an unavoidable issue for increasing capital efficiency. For the aircraft equipment segment, which was designated in the medium-term management plan as a business for reorganization, performance improved significantly from FY2023, due to its own efforts and favorable changes in business conditions. Nevertheless, it remains designated as a business for reorganization because the business model itself did not change. For the medical systems and hydraulic equipment businesses, which both have low operating margins, we will try to improve performance by implementing imaging transformations and promoting recurring revenues for the former and expanding sales of higher value-added products like quiet gear pumps for the latter.

We will also increase engagement with shareholders and investors. Through dialogue, we will listen to the voices of the stock market and continue fair disclosure to reduce information asymmetry. Last year, when I conducted investor relations outside Japan for the first time since being appointed CFO, I met with 16 British investment companies. Though the overall investor responses to the medium-term management plan were positive, some investors also expressed some rather harsh views. The views we judged helpful for increasing Shimadzu's corporate value were reported and shared at Board of Directors meetings and elsewhere in order to improve management practices.

Shareholder Returns

The Shimadzu Group intends to compensate shareholders and investors by actively investing profits into growth opportunities to improve performance and by increasing the share price.

Starting with FY2023, the first year of the new medium-term management plan, we changed our shareholder returns policies to "maintain a dividend payout ratio of at least 30%" and "always pay shareholder returns," while also taking into consideration overall profit and cash flow circumstances. As a result, we increased the dividend for the tenth consecutive year and in FY2024, we plan to increase it again for the eleventh consecutive year.

Also in FY2024, we plan to purchase 25.0 billion yen worth of Shimadzu shares. This buyback, which marks the first time Shimadzu is repurchasing its own shares, is intended to improve shareholder returns and increase capital efficiency. However, please do not misunderstand the action as indicating an equivalent decrease in growth investments. Growth investments will remain unchanged from when the medium-term management plan was prepared.

Reinforcing the Internal Controls and Corporate Governance

To ensure compliance is prioritized above all else, the Shimadzu Group has been conducting financial reviews of accounting-related regulations and accounting process rules that serve as the foundation for compliance in accounting, from the perspective of internal controls and changes in business conditions. Additionally, we have been increasing business process efficiency and strengthening governance by migrating accounting processes to shared services to standardize, digitize, and automate these processes. About 70% of current accounting processes at Group companies in Japan have been consolidated through shared services, and we plan to increase that to 80% for FY2024 and 100% for the final year of the medium-term management plan. By doing so, we plan to increase efficiency and reduce accounting processes by 15%.

In addition, to increase financial literacy throughout the Shimadzu Group, we have been systematically teaching accounting principles to human resources and have started stationing accounting/finance personnel with relevant expertise in business divisions and key Group companies.

Comment to Shareholders and Investors

The Shimadzu Group is currently in the process of implementing major reforms for transitioning from a product-centered organization to a customer-centered organization. For example, previous sales units organized directly under business divisions started transitioning to a Sales & Marketing Division that extends across all business divisions, enabling us to offer all products and solutions to customers from a single source. Moving forward, we intend to continue achieving sustained growth by offering customer-centered end-to-end solutions. In addition, health management, environmental management, and other ESG management measures will be implemented by the entire Group, rather than being confined to individual business divisions.

Historically, the Shimadzu Group has been somewhat conservative in terms of future financial risks. However, beginning with the current medium-term management plan, in order to achieve additional growth, we will make a major course shift to a more proactive approach to financial management with strategic investments.

I am confident that those measures will allow us to reveal a new and dramatically improved Shimadzu Group in our report next fiscal year. Please look forward to it.

ESG Key Policies

Promoting Environmental Management

Aiming for Sustainable Development and Growth of Society, we Are Working to Resolve Various Environmental Issues

The 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC) was held in Dubai, United Arab Emirates, in November 2023. Outcomes of COP28 included making decisions about the Global Stocktake (GST) used to assess the global progress toward achieving the Paris Agreement, adopting funding measures and grants intended to compensate for losses and damages associated with the negative impacts of climate change, and requesting assessment of the implementation status of the Mitigation Work Programme (MWP). The GST determined that in order to limit average worldwide temperature increases to 1.5°C, worldwide greenhouse gas emissions must be decreased 43% by 2030 and 60% by 2035 (versus 2019 levels). It also requires establishing a circular economy that utilizes resources efficiently and maximizes added value, stopping losses of natural ecosystems, and transitioning to nature-positive practices that result in recovery.

The Shimadzu Group is addressing environmental and social changes, such as climate change issues and resource depletion, and is engaged in a variety of activities under the five headings listed below with the aim of achieving sustainable social development and growth.

Shimadzu Group's CO_2 emissions reduction target for FY2030 has been certified by the Science Based Targets initiative (SBTi) as Science Based Targets (SBT), which is consistent with the Paris Agreement's goal of limiting the temperature increase to less than 1.5°C above pre-industrial levels. We have also signed the United Nations Global Compact, which outlines principles for environmental measures proposed by the United Nations, endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which calls for the disclosure of the impact of climate change on business operations, and joined the RE100 Initiative in declaring a commitment to use 100% renewable energy for our business activities by 2050. Furthermore, since FY2023, we have begun disclosing information based on the framework announced by the Taskforce on Nature-related Financial Disclosures (TNFD). We will continue to work to solve environmental issues.

Five Measures for Shimadzu Group Environmental Management (Eco-First Commitment)

1. Measures to Address Climate Change
2. Measures to Support a Recycling-Oriented Society
3. Developing and Supplying Products and Services that Protect the Global Environment
4. Activities for Biodiversity Conservation
5. Actively Promote Environmental Conservation Efforts that Involve All Employees

As an Eco-First Company, Shimadzu Engages in Advanced and Unique Environmental Initiatives

Shimadzu was certified as an Eco-First company in October 2020.
Under the Eco-First Program, the Japanese Minister of the Environment certifies environmentally leading companies operating environmentally progressive and unique businesses that have large spillover effects, and that have declared a commitment to the Minister that they will take initiatives to combat global warming and implement waste and recycling measures to protect the environment. Currently, 94 companies in various industries have been certified as Eco-First companies (as of June 2024).

In April 2022, Shimadzu's Chairman Ueda was appointed chairperson of the Eco-First Promotion Council specified by certified companies. By taking an active and forward-looking approach to the activities of the Council, Shimadzu will communicate the significance and value of the Eco-First Program to society at large, and contribute to solving society's environmental problems by promoting advanced and innovative approaches and strengthening cooperation and partnerships among the companies.

The following web page includes information about the topic listed below.
https://www.shimadzu.com/sustainability/approach/environmental/warming.html
Preventing Global Warming

1. Measures to Address Climate Change

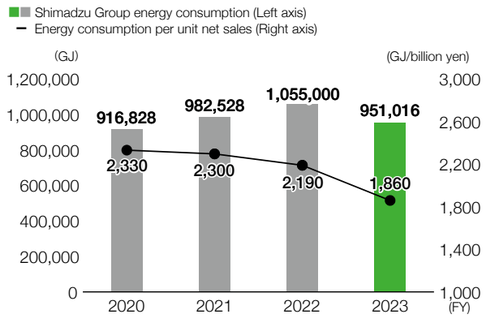
Initiatives for Building a Carbon-Free Society

In April 2022, the Shimadzu Group set a target to achieve net-zero CO_2 emissions from business activities by 2050, and is strengthening its efforts. Our interim targets are at least 85% reduction in 2030 and at least 90% in 2040 compared to FY2017. We have also set a target of reducing CO_2 emissions from the use of Shimadzu products at customer sites, which account for at least 70% of CO_2 emissions by other companies related to Shimadzu Group activities, by at least 30% in FY2030 compared to FY2020. The CO_2 emission reduction target above for FY2030 was approved as the "1.5°C level" of Science Based Targets (SBT) in November 2022. In March 2021, the Shimadzu Group joined the RE100 Initiative and switched to using electricity generated from renewable energy sources ("renewable energy") at all major Shimadzu locations within and outside Japan. As a result, 85% of the Group's total electricity consumption in FY2023 was generated from renewable energy sources.

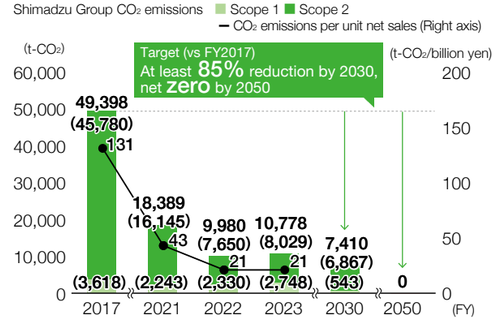
In FY2023, energy consumption by the Shimadzu Group within and outside Japan decreased 9.8% from the previous year to 951,016 GJ, due to initiatives for saving energy and other measures, which improved emission intensity by 15.1% to 1,858 GJ/billion yen. On the other hand, CO_2 emissions increased 8% from the previous year (78.2% decrease versus the reference year (FY2017)) to 10,778 t-CO_2. This increase was mainly due to the establishment of Shimadzu Diagnostics Corporation as a consolidated subsidiary. CO_2 emissions per unit sales were 21 t-CO_2/billion yen.
In addition to implementing measures based on the knowledge gained from installing smart meters and diagnosing energy usage, we will also install solar power equipment and use renewable energies to continue contributing toward building a carbon-free society.

- Reduce CO_2 emissions from Shimadzu Group business activities to net-zero level by FY2050.
- As interim targets, reduce CO_2 emissions from Shimadzu Group business activities by at least 85% by FY2030 and at least 90% by FY2040, compared to FY2017 levels.
- Reduce CO_2 emissions from customers using the products sold by the Shimadzu Group by at least 30% by FY2030 compared to FY2020.

Energy Consumption (Worldwide Shimadzu Group) (Scope 1, 2)



CO_2 Emissions (Worldwide Shimadzu Group) (Scope 1, 2)

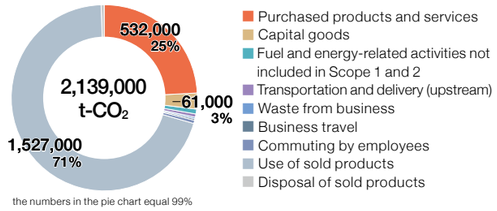


Examples of Locations with Solar Panels

Shimadzu Manufacturing Asia Sdn. Bhd. (Malaysia)


Shimane Shimadzu Corporation (Shimane, Japan)

Greenhouse Gas Emissions in the Entire Supply Chain (Scope 3)



the numbers in the pie chart equal 99%

Promoting Environmental Management

TCFD Measures for Addressing Climate Change

The Shimadzu Group regards environmental problems as one of its most important management challenges. To address the problem of climate change in particular, we are working to reduce CO_2 emissions generated from our business activities across the entire value chain and offer products and solutions that contribute to creating innovations in the so-called green transformation (GX) environmental domain. We endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and remain committed to disclosing relevant information.

Governance

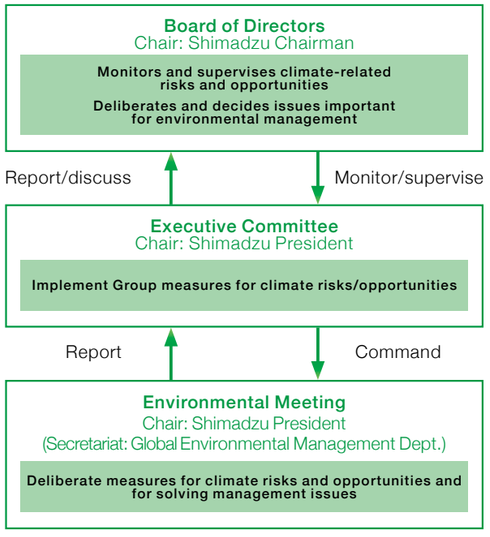
The Shimadzu Group discusses climate-related risks and opportunities, as well as measures to resolve management-related issues, at the "Environmental Meeting" (chaired by the President and held twice a year), a subcommittee specializing in environmental issues.
Discussions are reported to the Executive Committee, and are also reported to and discussed by the Board of Directors, thereby ensuring appropriate monitoring and supervision by the Board. The Board of Directors also deliberates and decides on important matters related to Shimadzu's environmental management.

Risk Management

The Global Environmental Management Department is the main body that identifies individual climate change risks that could affect the Shimadzu Group's business, strategy, and finances. In assessing the risks, Shimadzu identifies risks that are highly significant to the Group by assessing the degree and timing of the impact with reference to climate change scenarios issued by the IEA (International Energy Agency) and other organizations. The results of the identification and assessment are discussed and confirmed by the Environmental Meeting.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Diagram of Climate Change Governance System



Strategy for Addressing Climate Change
1. Identify Climate-Change Risks and Opportunities

When identifying climate-related risks and opportunities that could affect Shimadzu Group businesses, strategies, or finances, we identify and organize climate change-induced drivers expected to have a large impact on Shimadzu businesses in each of two global scenarios, one where carbon reduction efforts result in a 1.5°C temperature increase and the other where current global warming trends increase temperatures by 4°C.

	Climate Change-Induced Drivers Related to Shimadzu's "Social Value Creation Domains"				Other Climate Change-induced Drivers
	Green (GX)	Materials	Industry	Healthcare	
4°C hotter world			• More resilient public infrastructure	• Increase in infectious diseases due to rising temperatures	• Increased frequency and severity of wind and flood disasters
1.5°C hotter world	• Widespread adoption of fossil-free and CO_2-free fuels • Increase in the ratio of renewable energy • Shift to electric vehicles • Practical application of CO_2 capture and utilization • Increased use of biomass resources	• Lighter and stronger materials • Increased demand for batteries and energy storage systems	• Modal shifts in transportation, decarbonization of logistics • Electrification of society and strengthening of digital infrastructure toward carbon neutrality		• Introduction and strengthening of carbon pricing • Sharp price increases for products in highly energy-intensive industries • Increased market penetration and demand for environmentally friendly products • Intensified competition in technology development

• Source: IPCC AR6

Using the climate change-induced drivers on the previous page, the main risks and opportunities for the Shimadzu Group regarding the climate change were identified and evaluated in terms of timeframe and impact level based on the International Energy Agency (IEA) climate change scenarios and other factors. The results are summarized in the "List of Main Risks/Opportunities for Shimadzu Businesses" below.

List of Main Risks/Opportunities for Shimadzu Businesses

	Climate Change-Induced Drivers	Timeframe*	Main Risks for Shimadzu	Impact Level	Main Opportunities for Shimadzu	Impact Level	
Transition	Introduction and strengthening of carbon pricing	Medium-term	Carbon pricing occurs and burden increases.	Moderate	Increased demand for energy efficient products	Moderate	
	Sharp price increases for products in highly energy-intensive industries	Short-term	Procurement costs increase for steel and other materials.	Moderate	-	-	
	Widespread adoption of fossil-free and CO_2-free fuels	Short-term	Decrease in demand for products for the energy industry and power generation-related industries that use fossil fuels	Moderate	Increased demand for quality control products for hydrogen, ammonia, biofuels, etc.	Large	
	Increase in the ratio of renewable energy	Short-term	Decrease in demand for products for the energy industry and power generation-related industries that use fossil fuels	Moderate	Increased demand for products that contribute to the installation, efficiency improvement, and maintenance of wind power, solar power, wood biomass power generation, etc.	Moderate	②
	Increased demand for batteries and energy storage systems	Short-term	-	-	Demand increases for products used to improve battery and storage system performance or to develop and evaluate solid-state batteries.	Large	
	Practical application of CO_2 capture and utilization	Medium-term	-	-	Increased demand for products related to R&D of CO_2 adsorbents or evaluating chemical products such as methanol from widespread use of methanation	Moderate	①
	Increased use of biomass resources	Medium-term	-	-	Demand increases for products related to development, quality control, and evaluation of bioplastic ingredients, biochar, and other biomass resources.	Moderate	
	Lighter and stronger materials	Short-term	-	-	Demand increases for material testing machines and products related to surface analysis of new materials used to achieve lighter and stronger transport equipment.	Moderate	
	Shift to electric vehicles	Short-term	Demand decreases for products used for gasoline vehicles.	Low	Demand increases for products related to motors and semiconductors installed on electric vehicles.	Moderate	②
	Modal shifts in transportation, decarbonization of logistics	Medium-term	Demand decreases for products related to aircraft equipment.	Moderate	Demand increases for products related to improving energy efficiency of trains, ships, and large vehicles.	Low	
	Strengthened digital infrastructure for electrification of society	Short-term	-	-	Demand increases for products related to semiconductors as semiconductor and information/communications industries grow.	Moderate	
	Strong customer preference for environmentally friendly products	Short-term	-	-	Demand increases for Eco-Products Plus products with superior environmental performance.	Moderate	
	Intensified competition in technology development	Short-term	Sales opportunities are lost due to failed or delayed development.	Moderate	Competitiveness and profitability increase through continuous investment in R&D.	Moderate	
Physical	Increased frequency and severity of wind and flood disasters	Short-term	Losses occur from disasters at a business location or supply chain disruptions.	Moderate	-	-	
	More resilient public infrastructure	Short-term	-	-	Demand increases for various testing machines used to reinforce or replace public infrastructure.	Large	
	Increased number of patients with diseases and disorders due to rising temperatures	Long-term	-	-	Demand increases for diagnostic imaging and other equipment due to increased vector-borne infectious diseases, etc.	Low	

* Approximate timing of impact on Shimadzu's business. Short-term: Within 3 years; Medium-term: Within 3 to 10 years; Long-term: Over 10 years

(1) Scenario Analysis of Demand Growth for Analytical and Measuring Instruments

While it is expected that research and technological development related to carbon neutrality will continue to advance in various industrial fields, we have conducted a scenario analysis regarding opportunities in the measuring instrument business (expanded demand for analytical and measuring instruments) using multiple temperature range scenarios.

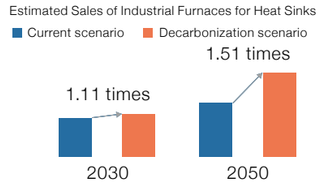
Opportunities for Analysis	Applicable opportunities include those related to analytical and measuring instruments used to support R&D in fields such as clean energy, batteries, and new materials. (The main opportunities for Shimadzu marked (1) which are enclosed by dashed lines in the List of Main Risks/Opportunities for Shimadzu Businesses above.)
Analytical Conditions and Methods	The analytical and measuring instruments market has a strong correlation with R&D investment in the public and private sectors. Therefore, using climate change scenarios* related to investments in R&D, manufacturing facilities, and infrastructure in the public and private sectors, we estimated the related domestic sales of analytical and measuring instruments in FY2030. * Current Scenario: IEA STEPS (Stated Policies Scenario), Decarbonization Scenario: IEA NZE (Net Zero Emissions by 2050 Scenario)
Analysis Results	Sales of related domestic analytical and measuring instruments in FY2030 were estimated as follows. • Compared to FY2022, sales will grow in both the "Current Scenario" and the "Decarbonization Scenario." • In the "Decarbonization Scenario," where more R&D investment is directed, sales are expected to be 1.46 times in the "Current Scenario."

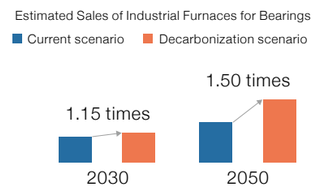
Promoting Environmental Management

(2) Analysis of Scenarios for Expanding Demand for Industrial Machinery (Industrial Furnaces for Advanced Ceramics Field)

During the expected advancements in socioeconomic transitions to a carbon-free society, multiple temperature zone scenarios have been used for a scenario analysis of the industrial machinery business (advanced ceramics field).

Opportunities for Analysis	Applicable opportunities include those related to industrial furnaces used for sintering advanced ceramics used in heat sinks in electric vehicles (EVs) or as bearing materials in EV motors or wind power generation equipment. (The main opportunities for Shimadzu marked (2) which are enclosed by dashed lines in the List of Main Risks/Opportunities for Shimadzu Businesses above.)
Analytical Conditions and Methods	Sales of industrial furnaces are closely related to the demand for finished products made with advanced ceramics, such as EVs and wind power generation equipment. In this case, different climate change scenarios* related to EV unit sales and wind power generation equipment capacity levels were used to estimate sales in FY2030 and FY2050. * Current Scenario: IEA STEPS (Stated Policies Scenario), Decarbonization Scenario: IEA NZE (Net Zero Emissions by 2050 Scenario)
Analysis Results	Heat Sinks Sales of industrial furnaces used for heat sinks will grow compared to the FY2022 reference year whether decarbonization progresses (decarbonization scenario) or does not progress (current scenario). Sales of industrial furnaces in the decarbonization scenario with increased EV sales are estimated to be 1.11 times higher than the current scenario by FY2030 and 1.51 times higher by FY2050. Bearings Sales of industrial furnaces used for bearings will grow compared to the FY2022 reference year whether decarbonization progresses (decarbonization scenario) or does not progress (current scenario). Sales of industrial furnaces in the decarbonization scenario with increased EVs or wind power generation equipment sales are estimated to be 1.15 times higher than the current scenario by FY2030 and 1.50 times higher by FY2050. Assuming demand for advanced ceramics (heat sinks or bearings) increases in proportion to sales growth of the final products (EVs or wind power generation equipment), but demand for industrial furnaces also depends on equipment utilization rates and corporate demand for capital investments. Therefore, industrial furnace sales are predicted to fluctuate.





2. Impact on Shimadzu's Business, Strategy, and Finances under Climate Change Scenarios

Results from analyzing the impacts on Shimadzu businesses, strategies, and finances for a carbon-free scenario (1.5°C hotter) and the current scenario (4°C hotter) are summarized below.

1.5°C hotter world

Demand for Shimadzu products might decrease if energy, power generation, transport equipment, and other industries that use fossil fuels transition to a carbon-free society. At the same time, various industries are investing in R&D related to clean energy, batteries, and new materials, as well as in production facilities and infrastructure, and demand for Shimadzu's products, including R&D-related analytical and measuring instruments, is expected to grow.

4°C hotter world

Larger impacts from physical risks are expected to result in a more urgent need to increase the resilience of public infrastructure, which will presumably increase market needs for developing and supplying various testing machines used to reinforce and replace public infrastructure. Changes are also expected in medical market conditions, such as the spread of vector-borne infectious diseases over larger regions due to higher air temperatures. On the other hand, supply chain interruptions caused by physical risks could result in circumstances with negative impacts, such as being forced to stop Shimadzu business activities.

Impact on Shimadzu's Business, Strategy, and Finances under Climate Change Scenarios

Shimadzu is working to reduce CO_2 emissions in its business activities by actively promoting energy conservation and utilizing renewable energy, and the actual amount of CO_2 emissions in FY2023 was 10,778 tons. We also provide products and services to a variety of industries, including pharmaceuticals, medical, environmental, energy, semiconductors, and materials, making us unique in that we serve a broad base of client industries. As a result, we believe it is very unlikely that a contraction in any particular industry would have a significant impact on Shimadzu finances.
Although opportunities from climate change are expected in various industries and fields in both a "1.5°C hotter world" and a "4°C hotter world," we recognize that efforts to realize a "1.5°C hotter world" will lead to a reduction in risks for society as a whole.
Therefore, Shimadzu is working to achieve the 1.5°C target through its business activities. Specifically, Shimadzu designs all its products to be environmentally friendly, such as by making them more energy efficient, and continues to increase the percentage of Eco-Products Plus products that offer particularly high environmental performance. We also continue to invest in the development and supply of products that contribute to climate change mitigation and adaptation. Overall, we believe that our business, strategy, and finances can remain resilient to climate change by appropriately seizing climate change opportunities and achieving sustainable growth through the actions and initiatives outlined in the transition plan on the following page.

3. Transition Plan for Achieving a Carbon-Free Society

Mitigation of Climate Change (Achieve 1.5°C Target)

To achieve the 1.5°C target specified by the Paris Agreement, the Shimadzu Group has set a target of net-zero CO_2 emissions from business activities by 2050 and is actively working to reduce CO_2 emissions accordingly. In addition, to reduce CO_2 emissions in our supply chain, we have set a reduction target regarding CO_2 emissions from the use of Shimadzu products at customer sites. Targets, performance, and progress for these measures are monitored and overseen under the Climate Change Governance system and reviewed and updated on a regular basis.

Capitalize on and Maximize Opportunities

We will strategically develop and supply products that contribute to climate change mitigation and adaptation, and support our customers' efforts to decarbonize their businesses, in our efforts to achieve sustainable growth. In addition, Shimadzu will continue to strengthen its development infrastructure and supply system in response to the changing demands for its products. Shimadzu policies, plans, and other information for each of the main business fields are indicated in Shimadzu Group's Policies and Plans for Initiatives in Each of its Business Fields to Build a Carbon-free Society below.

Shimadzu Group's Policies and Plans for Initiatives in Each of its Business Fields to Build a Carbon-free Society

Business Field		Policies and Plans for Shimadzu Group Initiatives
Green Transformation (GX)	Bio-manufacturing	We will establish and standardize quality evaluation methods in the field of biofuels, which are expected to drive the shift from fossil fuels. Furthermore, we will establish and standardize evaluation methods for biodegradable plastics and provide related analytical and measurement solutions for the expected increase in the use of bio-based plastics/chemicals and biodegradable plastics.
	Energy	We will offer various types of chromatographs for quality control analysis of hydrogen manufacturing processes and oil production by microalgae. For onshore and offshore wind power generation, we will develop and offer testing, inspection, and safety monitoring instruments for maintaining and managing equipment. We will contribute to wood biomass-based electricity generation by offering moisture analyzers that support efficient operation and X-ray fluorescence spectrometers for investigating the presence of hazardous substances in incineration ash. In response to the growing demand for bioethanol, we will offer gas chromatographs and elemental analysis instruments for quality control.
	Environment and Regulations	We will offer TOC solid sample measurement systems for the development and evaluation of CO_2 absorbing concrete, and surface analysis and powder evaluation technologies for the research and development of CO_2 adsorbents for CO_2 capture and storage (CCS). In addition, gas chromatographs will be offered for the evaluation of methanol and other substances produced from CO_2 in CO_2 capture, utilization, and storage (CCUS).
Materials	Next-Generation Mobility Materials	We will contribute to the development of all solid-state batteries by offering X-ray evaluation technologies such as non-destructive X-ray systems and fluorescent X-ray analyzers for R&D and quality control, and gas chromatographs for analysis of the gases they generate. As the market for gasoline-powered vehicles shrinks and the number of EVs increases, we will introduce new products for electric vehicles, such as motor balancers. We will support the development of stronger and lighter materials with material testing equipment and surface analysis technology. For bioplastics development, we will offer material testing machines, thermal analyzers, various chromatographs, and elemental analysis instruments for quality control.
Industry	Semiconductors	In response to the expanding markets for screen films for flat panel displays, smart devices and semiconductors, we will develop turbo molecular pumps, which are essential for their manufacture, and prepare adequate production capabilities with the aim of achieving the number-one global market share.
	Industrial Machinery	We will continue to develop glass fiber winders for wind power generation blades. Regarding delivery pumps used in the petrochemical industry, we will release new high-efficiency models designed for biodegradable plastics.

Indicators and Targets

1. Reducing CO_2 Emissions

The Shimadzu Group intends to reduce CO_2 emissions from business activities to net-zero (carbon neutral) by 2050.

FY2050 Target
- Reduce CO_2 emissions from business activities to net-zero.
- Increase the percentage of renewable energy use to 100%.

FY2040 Target
- Reduce CO_2 emissions from business activities by at least 90% compared to FY2017.

FY2030 Target
- Reduce CO_2 emissions from business activities by at least 85% compared to FY2017.*
- Reduce CO_2 emissions from the use of products sold by the Shimadzu Group by at least 30% compared to FY2020 levels.

* Obtained SBT "1.5°C level" certification for this goal

Shimadzu Group CO_2 Emission Reduction Targets Are Validated at the SBT 1.5°C Level
https://www.shimadzu.com/news/9y_wri8ctm13xwu5.html

2. Development and Promotion of Certified Environmentally Friendly Products

The Shimadzu Group is committed to improving the environmental friendliness of products and minimizing our impact on the global environment. Products with superior environmental performance than previous models are indicated in brochures and other literature as certified "Eco-Products Plus" products. In addition, ECO Simulation Software is available via the Shimadzu website that can be used to compare the running costs of new products versus previous models. That allows customers to visualize running costs and their contribution to reducing CO_2 emissions if their current model is replaced with a new model. Promoting sales of products with superior environmental performance is viewed as an opportunity for the Shimadzu Group. We will promote carbon neutrality by offering products that help customers reduce CO_2 emissions.

Eco-Products Plus Environmentally Friendly Certified Products—Designed to Reduce Global Environmental Impact—
https://www.shimadzu.com/sustainability/approach/environmental/ecoproplus.html

Promoting Environmental Management

2. Measures to Establish a Recycling-Oriented Society

Initiatives for a Circular Economy

A variety of business models are being explored to shift from a linear economy, based on mass production, mass consumption, and mass disposal, to a circular economy that extends the value of products and resources and minimizes the amount of waste generated. For many years, Shimadzu has been implementing measures to reduce the quantity of plastics used and promote the substitution of plastics with biomass or recycled materials.

In an effort to reduce the quantity of polyethylene (a type of plastic) used, in FY2022 Shimadzu started converting used packaging materials into pellets and mixing them with virgin pellets to create plastic containers made of 30% recycled material for use in collecting waste materials at Sanjo Works.

We will continue to engage in transitioning to a circular economy.

Using Sustainable Materials to Reduce Environmental Impact

To facilitate the shift to a circular economy, a cross-departmental Sustainable Materials Promotion Committee was established in FY2022 to promote the use of sustainable materials in new products and replacement of materials in existing products and parts, thereby enhancing our value as a company that provides solutions to environmental issues. Thus, Shimadzu engages in measures intended for transitioning to a circular economy, such as using biomass, recycled, and other environmentally friendly materials.

In November 2023, Shimadzu announced the world's first analytical and measuring instruments made with environmentally friendly functionally engineered flame retardant cellulose fiber-reinforced composite plastic. The material was used in 15 types of units included in Nexera-series liquid chromatograph systems. It took three years for three companies, namely Tomoegawa Corporation, FP Chemical Industry Co., Ltd., and Shimadzu Corporation, to develop the technology for creating a flame retardant material from a combination of flammable polymer and cellulose materials while also maintaining a certain strength level.

Shimadzu will first use the flame retardant cellulose fiber-reinforced composite plastic in liquid chromatographs and then deploy it horizontally for other analytical and measuring instruments in order to increase the ratio of products that use sustainable materials. In the future as well, we will continue achieving the transition to a circular economy specified in the medium-term management plan by reducing the amount of petroleum-based plastics used and the quantity of CO_2 emitted.

Nexera Series Liquid Chromatograph with Unit Made with Flame Retardant Cellulose Fiber-Reinforced Composite Plastic

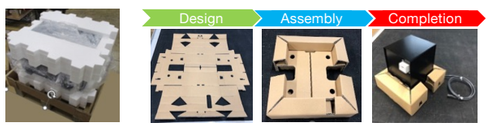
Project to Reform Packaging

Shimadzu has been engaged in improving packaging designs throughout the Shimadzu Group and, in June 2023, launched a Packaging Reform Project to improve the design of product packaging. By reassessing the packaging materials and specifications used for Shimadzu Group products, the project is intended to reduce environmental impacts and distribution costs.

Shimadzu Logistics Service Corporation (SLS), which is in charge of Shimadzu Group logistics operations, acquired the El-Design Co., Ltd. at the end of March 2023, which has advanced packaging design technologies. The project involves mainly SLS, but also activities in the development and environmental departments at Shimadzu Corporation and the entire Shimadzu Group.

For example, the project is to reduce the quantities of waste materials by replacing previously wood and plastic packing materials with recyclable corrugated fiberboard and paper packing tape.

Also, reducing the volume of packaged items, helps increase loading efficiencies throughout the Shimadzu Group and helps reduce shipping and packaging costs throughout the world.



Example of Improvements that Achieved Waste and Cost Reductions by Changing Previously Plastic Product Protective Materials to Corrugated Fiberboard

The volume of waste materials was reduced by using paper packing tape containing no plastic to seal corrugated fiberboard boxes. Furthermore, the corporate logo is printed on the boxes to promote the Shimadzu brand and emphasize its environmental friendliness.

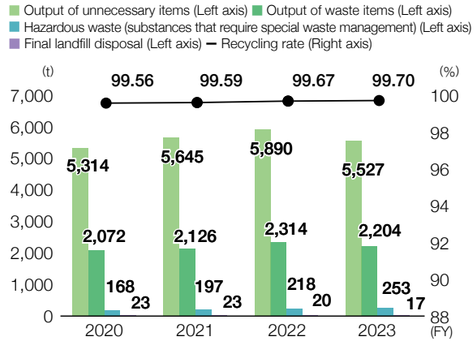
Recycling Resources

Promoting Proper Waste Disposal and Recycling

Due to the decrease in production quantities during FY2023, the total amount of waste generated (the sum of waste materials for disposal and metal scrap and other valuable materials for resale) output from key Shimadzu business and research facilities in Japan decreased by 6.2% (year-on-year) to 5,527 tons and the total amount of waste materials for disposal decreased by 4.8% (year-on-year) to 2,204 tons. Of these amounts, industrial waste from products using plastics was 458.7 tons (105% compared to 438.3 tons in the previous year). Although we failed to achieve our goal of reducing waste of products made using plastics below the previous year's level, we have been promoting initiatives such as the recycling of plastic packaging materials.

Shimadzu's waste management goal is to achieve a recycling rate of at least 99% (= (amount of waste generated - amount of final landfill disposal) / amount of waste generated). The recycling rate in FY2023 was 99.70%, which was achieved for 14 consecutive years. The Shimadzu Group is committed to compliance with laws and regulations and the promotion of the 3Rs (Reduce, Reuse, Recycle) in each workplace in order to make effective use of the earth's limited resources and contribute to building a recycling-oriented society. We have also established and implemented internal rules and procedures to ensure legal compliance, such as appointing eco/industrial waste leaders at each workplace to promote waste separation and recycling, manage manifests, and conduct investigations, including on-site visits of waste disposal contractors.

Waste generated and Recycling Rates (Manufacturing, Research, and Major Manufacturing Subsidiary Locations in Japan)



The following web page includes information about the topic listed below.
https://www.shimadzu.com/sustainability/approach/environmental/waste.html

Waste Management

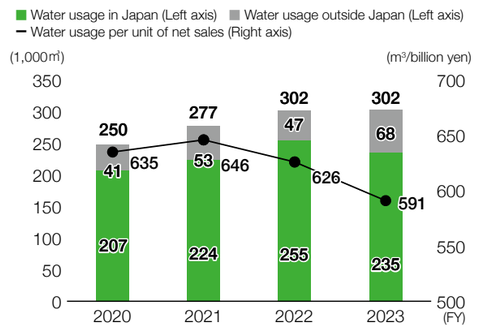
Water Management

Reducing Water Usage and Managing Effluent Water Properly

We are committed to reducing water usage by using rainwater to water green areas and by installing water-saving fixtures. In FY2023, Shimadzu Group worldwide energy consumption remained unchanged at 302,000 m^3, but improved 5.7% in terms of energy consumption per unit sales to 591 m^3 per billion yen.

Factory effluents are controlled to voluntary standards that are stricter than required by law or regulations. At the main manufacturing and research locations within Japan, effluent water is monitored using a real-time wastewater monitoring system built using online water quality analyzers (TOC-4200) and operated via the cloud. We will continue to implement measures for using resources sustainably.

Water Consumption (Worldwide Shimadzu Group)



The following web page includes information about the topic listed below.
https://www.shimadzu.com/sustainability/approach/environmental/chemical.html

Water Management

Report on Effluent Violation

There were no effluent water-related violations during FY2023.

In FY2022, Shimadzu Corporation's Seta Works (Otsu City, Shiga Prefecture) was notified by Otsu City that n-hexane extract exceeding the standard specified in the Sewerage Act had been detected in effluent discharged (standard 30 mg/L or less, detected 42 mg/L).

As a result of the investigation, the cause was identified as wastewater discharged from the kitchen, and (1) a request was made to the kitchen supplier to take thorough measures to prevent contamination with oil, etc., and (2) measures were taken to clean the pipes in the kitchen system, and the results were reported to Otsu City. Subsequent follow-up monitoring has led to the establishment and operation of a monthly cleaning rule for the kitchen, which has rectified the issue.

3. Developing and Supplying Products and Services that Protect the Global Environment

Improving the Environmental Friendliness of All Products

Environmental Considerations in Product Development

The Shimadzu Group is committed to improve the environmental friendliness of products and minimizing our global environmental impact throughout the supply chain. Our designers and development engineers are improving the environmental friendliness of all products by considering Product Design Guideline requirements and satisfying new product review criteria for achieving lower environmental impact than previous models. In particular, products that achieve especially high environmental performance are offered to customers as certified Eco-Products Plus products. The Eco-Products Plus certification requirements are that the product must meet one or more of the six requirements shown in the figure below.

The amount of CO_2 emissions reduced by the use of Eco-Products Plus products sold to customers during a year is defined as the CO_2 reduction contribution, and this amount in FY2023 was 10,352 tons. The cumulative contribution of CO_2 reductions due to Eco-Products Plus models during the past 10 years was 67,149 tons.

In addition, we have set a mid-term target of increasing the ratio of Eco-Products Plus to product sales to 30% by 2030, and the actual result for FY2023 was 21%.

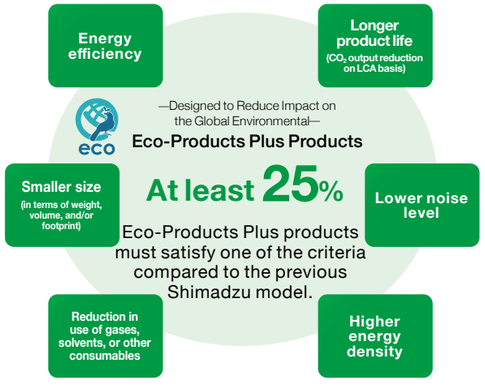
Shimadzu will continue to make further contributions to the environment by providing products that are carbon neutral, help create a recycling-oriented society, and improve the working environment.

The following web page includes information about the topic listed below.
https://www.shimadzu.com/sustainability/approach/environmental/ecoproplus.html

Eco-Products Plus Environmentally Friendly Certified Products
—Designed to Reduce Global Environmental Impact—

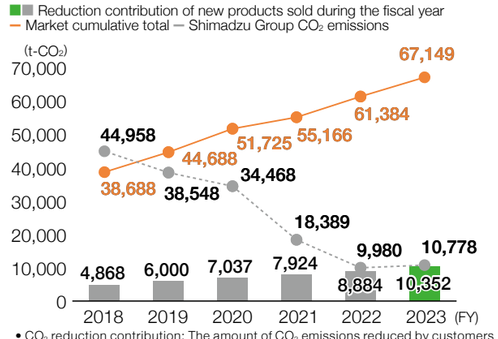
FY2023 contribution to reduction in CO_2 emissions 10,352t-CO_2

Criteria in Environmental Design Guidelines



• For more details, refer to the website.

Shimadzu Group CO_2 Emissions and CO_2 Reduction Contribution



• CO_2 reduction contribution: The amount of CO_2 emissions reduced by customers through the use of our products. Calculated using the formula "CO_2 reduction contribution = CO_2 emissions from conventional products (tons/year) - CO_2 emissions from new products (tons/year)"

Certified Eco-Products Plus Products

GCMS-QP2050 Gas Chromatograph Mass Spectrometer

Electricity 27%↓
Installation Space (inside the machine room) 13%↓

Angiography System Trinias

Installation Space (inside the machine room) 43%↓

TMP-B70 Turbo Molecular Pump

Electricity 62%↓
Volume 59%↓

VHS-CUBE Compact Debinding and Sintering Furnace

Noise reduction
Installation Space (inside the machine room) 66%↓

4. Activities for Biodiversity Conservation

Contributing to the Conservation of Biodiversity

Biodiversity Conservation Activities Rooted in Local Communities

The "Shimadzu Forest," an 8,000m^2 site developed within the Head Office and Sanjo Works (Kyoto City, Kyoto Prefecture), is planted with approximately 1,100 plants and trees of 100 different types including local native species, and is used as an area for customers and employees to relax.

In 2015, we obtained and still maintain the maximum AAA rating awarded by the Ecosystem Conservation Society-Japan under the Japan Habitat Evaluation & Certification Program (JHEP), a system that objectively evaluates and certifies efforts to conserve and restore biodiversity. We also contribute to establishing an ecological network of green spaces established within the urbanized Kyoto City as a resting place for biological organisms based on a survey conducted to determine wild organisms that could be expected to populate those areas.

In FY2019, we introduced the SOFIX (Soil Fertility Index) for visualizing the results from soil fertility analysis and have been promoting soil cultivation based on the use of science and technology.

The following web page includes information about the topic listed below.
https://www.shimadzu.com/sustainability/approach/environmental/biodiversity.html

Conservation of Biodiversity

Shimadzu Forest in the Head Office

JHEP CERTIFIED AAA

Joining the 30 by 30 Alliance for Biodiversity, which Aims to Conserve/Protect at least 30% of Land and Sea by 2030

In March 2030, Shimadzu joined the 30 by 30 Alliance for Biodiversity, an alliance established by 17 local governments, organizations, and companies, including the Japanese Ministry of the Environment. Commonly referred to as the "30 by 30," the goal of the alliance is to conserve and protect at least 30% of Japan's land and sea as healthy ecosystems in an effort to halt and reverse biodiversity losses (achieve a nature positive state) by 2030.

In the future as well, we will continue to steadily implement measures, such as for protecting and restoring rare species or providing regional native seeds to suppliers and others, in order to spread biodiversity conservation activities outside of the Shimadzu Group.

5. Actively Promote Environmental Conservation Efforts that Involve All Employee

Engaging in Activities that Help Shimadzu Contribute to Environmental Conservation

Shimadzu volunteers and others have been participating in the "Shimadzu Forest Planting Project" (Nantan City, Kyoto Prefecture) on an ongoing basis since 2008 in support of the activities of the Kyoto Model Forest Association. We are also implementing various initiatives at Shimadzu Group companies outside Japan. In China, we have been supporting the Mother River Conservation Project since 2010, where we have been engaged in afforestation activities to protect water and soil and restore vegetation in the Yellow River and Yangtze River Basins, as well as afforestation activities sponsored by the Suzhou New District Government. We also contribute to local environmental conservation by participating in local afforestation activities in India and Uruguay and river cleaning activities in a special economic zone in the Philippines.

We also cooperate in teaching on-site classes about the environment at elementary schools and other locations, dispatching instructors for environmental seminars, and other activities.

The following web page includes information about the topic listed below.
https://www.shimadzu.com/sustainability/approach/environmental/support.html

External Support Activities

Promoting Environmental Management

TNFD Commitment to Natural Capital and Biodiversity

What is TNFD?

In June 2021, the Taskforce on Nature-related Financial Disclosures (TNFD) was established. This is an international organization that establishes a framework for private companies and financial institutions to appropriately assess and disclose risks and opportunities related to natural capital and biodiversity, including air, water, minerals, soil, plants and animals. The TNFD was conceived at the 2019 World Economic Forum Annual Meeting in Davos as a follow-up framework to the Task Force on Climate-related Financial Disclosures (TCFD). It aims to establish a disclosure framework for nature-related risks in order to transition to a "nature-positive" society, where the flow of financial funds is directed toward halting and restoring the loss of natural ecosystems.

Our economic activities depend on benefits (ecosystem services) obtained from natural capital such as air, water, minerals, soil, plants and animals. For example, we obtain a variety of benefits from physically supplying water, metals, and other substances, from forests mitigating wind or flood damage, and from microorganisms cleaning water quality. To continue receiving such benefits, it is essential to maintain a balance between a variety of biological organisms (biodiversity). Therefore, understanding the relationship between business activities and the dependence and impact on natural capital, including biodiversity, and then reducing negative impacts on nature while increasing positive impacts is important from the perspective of corporate sustainability.

The Shimadzu Group has identified "contribution to the conservation of biodiversity" as a key issue (materiality) for Shimadzu Group environmental management. Therefore, we implement measures and disclose information in accordance with recommendations of the TNFD in order to assess and manage nature-related risks and opportunities and to improve the resilience of the Shimadzu Group. This fiscal year, we assessed the entire value chain (upstream, direct operations, and downstream) based on the LEAP approach. Next fiscal year, we plan to conduct a more detailed survey of dependence and impacts based on information about upstream and downstream locations.

Governance

The Shimadzu Group deliberates on nature-related risks and opportunities, as well as measures to resolve management issues, at the Environmental Meeting (chaired by the President and which meets twice a year), a subcommittee focused solely on environmental issues. Discussions are reported to and discussed by the Executive Committee, which oversees the execution of these deliberations.

Risk and Impact Management

At the Environmental Meeting, the Global Environmental Management Department is the main organization involved in identifying and assessing nature-related risks and opportunities that could impact Shimadzu Group businesses, strategies, and finances, from the perspective of two materialities, which are how nature might impact business activities (i.e., dependence) and how business activities might impact nature (i.e., impacts).

Specifically, risks and opportunities were identified and classified in terms of the local operation level, the product/service level, and the corporate level. To identify risks and opportunities at the local operation level, the dependencies and impacts on nature due to business activities and the risks and opportunities generated by those dependencies/impacts were assessed for the entire value chain. The nature-related dependencies and impacts were organized using ENCORE[*1] and assessed based on Shimadzu business characteristics. To identify risks and opportunities at the products and services level, macroenvironmental changes were predicted for TNFD-recommended scenarios. The impact levels of identified risks and opportunities were assessed qualitatively. The impact level is defined as the magnitude of financial effects if the risk/opportunity is realized. In addition to assessing risk/opportunities in terms of impact level, the TNFD also recommends using likelihood of occurrence. However, likelihood of occurrence is expected to be evaluated based on information about upstream and downstream locations. The impact levels of identified risks and opportunities were assessed qualitatively. The impact level is defined as the magnitude of financial effects if the risk/opportunity is realized. In addition to assessing risk/opportunities in terms of impact level, the TNFD also recommends using likelihood of occurrence. However, likelihood of occurrence is expected to be evaluated based on information about upstream and downstream locations.

Strategy

• Dependence/Impact

A heat map that visualizes the results from assessing the relationship between the Shimadzu Group and nature-related dependence/impact is shown to the right. The impact heat map showed that in addition to the impact on nature due to direct operations, such as water pollution, there are also large impacts on the upstream portion of the value chain. For primary procurement sources, Shimadzu has established Green Procurement Standards and Shimadzu Group CSR Procurement Guidelines in order to reduce environmental impacts. In addition, workshops were conducted for suppliers that had not implemented measures for protecting biodiversity. Engagement activities are implemented for suppliers to ensure business activities are performed in an environmentally friendly manner, including for upstream natural capital.

*1: This tool is used to visualize the dependence of the economy on nature, the probability of such impacts, and how business risks are generated in response to environmental changes.

Table: Heat Map of Dependence

		Upstream: Mine/drill metal ore/petroleum; Manufacture metal materials; Manufacture electronic parts	Direct Operations: Manufacture precision equipment	Downstream: Sell precision equipment; User product use and waste management
Provide service	Supply water	■	■	
	Genetic material			
	Supply biomass			
Adjustment/maintenance services	Pollinate			
	Hold soil and sand			■
	Adjust water flow	■	■	■
	Clean solid waste			
	Clean water	■	■	
	Mitigate flooding	■	■	■
	Clean air			
	Adjust soil quality			
	Maintain habitat			
	Adjust local climate			
	Control organisms			
	Adjust rain patterns			
	Mitigate storm	■	■	■
	Reduce noise		■	

■ : High ■ : Moderate : Low/not applicable

Table: Heat Map of Impact

	Upstream: Mine/drill metal ore/petroleum; Manufacture metal materials; Manufacture electronic parts	Direct Operations: Manufacture precision equipment	Downstream: Sell precision equipment; User product use and waste management
Change in land area use	■		
Change in fresh water area use			
Change in sea area use	■		
Water use	■	■	
Other resource use			
Non-GHG air pollution	■	■	■
Water pollution	■	■	
Soil pollution	■	■	
Solid waste	■	■	
Disrupter	■	■	■

■ : High ■ : Moderate : Low/not applicable

• Risks

Shimadzu business activity risks with a potentially high financial impact level are listed in the table below. Internal regulations mandate that all new products must have a lower environmental impact, on life cycle basis, than the previous model. Therefore, Shimadzu implements measures to reduce the environmental impact of new products, such as by reducing the size, increasing the service life, or reducing the amount of packaging materials. For some products, petroleum-based plastics are substituted with sustainable materials[*2] or substitutes are considered for chemical substances that are highly harmful to the environment.

We will review the Environmental Design Guidelines in order to make improvements that enable product designers and developers to constantly be mindful of environmental considerations and incorporate them in designs.

We will also strive to reduce water usage for business activities, such as by using water-saving fixtures.

In addition, we are trying to reduce flooding risks by implementing measures to maintain and restore the flood-mitigating functions of areas around manufacturing plants. For example, at the Shimadzu Forest area within the Sanjo Works property, we are improving the soil's ability to retain water by expanding green spaces.

Table: Business Activity Risks with a Potentially High Financial Impact Level

Risk Category	Nature-Related Risks
Physical (Acute and Chronic)	Costs incurred or income reduced due to flooding or other disaster at a Shimadzu facility
	Increased raw material procurement costs due to flooding or other disaster at a supplier facility
	Costs incurred or income reduced due to an interruption or relocation of operations caused by water shortage at a business location
Transition (Political)	Costs incurred or income reduced due to interruption or relocation of operations caused by stricter water use or other law/regulation
	Increased cost of compliance with stricter regulations for chemical substances used in environmentally harmful substances
	Costs incurred for compliance with stricter regulations for plastic production in supply chain or for using plastics in Shimadzu businesses
Transition (Markets)	Increased cost of procuring raw materials due to stricter lending conditions in supply chain
Transition (Responsibilities)	Penalty paid or remedial costs incurred due to pollution incident
Transition (Reputation)	Costs incurred due to regional reputation damage from water usage or water pollution

*2: Resin materials derived from bio or recycled sources

Promoting Environmental Management

Opportunities

Shimadzu business activity opportunities with a potentially high financial impact level are indicated below. Shimadzu sells environmental analyzers used for applications such as monitoring the impact on nature of water pollution, soil pollution, air pollution, or other factors. Specifically, this includes online total nitrogen and total phosphorus analyzers that can measure total nitrogen and phosphorus levels in effluent water, atomic absorption spectrophotometers that can analyze the metals in soil, gas chromatograph mass spectrometer systems and high-performance liquid chromatographs that can analyze PM2.5 particulates, and Fourier transform infrared spectrophotometer plastic analysis systems that can analyze microplastics. If stricter nature-related regulations or environmental impact reduction plans are required in the future, presumably it would increase demand for analytical instruments that are a key product of Shimadzu. We will continue monitoring regulatory trends for chemical substances that might be subject to new regulations and efforts to establish new measurement methods in cooperation with NEDO (New Energy and Industrial Technology Development Organization) and the EPA (U.S. Environmental Protection Agency).

Table: Opportunities with a Potentially High Financial Impact Level in Business Activities

Opportunity Category	Nature-Related Opportunities
Category of Opportunities for Sustainable Performance (Ecosystem Protection, Restoration, or Regeneration)	Disaster response cost reduction due to restoration of storm damage mitigation functions of forests and rivers near a Shimadzu or supplier facility as a result of ecosystem protection, restoration, or regeneration
	Stabilization/reduction of water resource procurement costs due to recovery in the quantity or quality of water resources resulting from ecosystem protection, restoration, or regeneration
Business Performance (Products/Services)	Income increases due to higher demand for environmental monitoring or sampling instruments used for regulatory compliance
	Income increases due to higher demand for products with low environmental impact

Water Pollution-Related Risks/Opportunities

The impact heat map showed that direct operations by Shimadzu Corporation have a relatively large impact, such as due to water pollution. In FY2022, under the theme of water pollution, Shimadzu identified nature-related risks and opportunities for its direct (manufacturing steps) and downstream (usage of products sold) operations.

Voluntary control standards that are stricter than required by law or regulation have been specified at the directly operated manufacturing sites of Sanjo Works, Seta Works, and Hadano Works and at the development sites of the Keihanna Technology Research Laboratory and Shimadzu Tokyo Innovation Plaza, where water quality is regularly measured and the total organic carbon (TOC) contained in effluent water is monitored using an online TOC analyzer developed by Shimadzu. Total organic carbon (TOC) refers to the total quantity of carbon contained in organic matter in water. The TOC value is used as a representative water quality index that indicates how dirty water is. Effluent water from Shimadzu's main sites is discharged into a public sewer system for treatment at a sewage treatment plant. However, some public water bodies where treated sewage is discharged do not meet environmental standards for environmental water[*3] quality. Therefore, to achieve Nature-Positive conditions in the future, costs for compliance with stricter effluent water standards may increase, but the risk assessment assumes the financial impact of such increases to be limited.

On the other hand, considering that Shimadzu water quality analyzers are used to analyze water effluent discharged from wastewater treatment plants and factories, demand for these products is expected to increase as effluent regulations are tightened.

*3: Environmental water refers to river water, lake water, seawater, groundwater, etc.

Table: Main Risks/Opportunities for Shimadzu Businesses

Nature-Related Drivers	Direct Operations	Downstream	Main Risks for Shimadzu	Impact Level	Timeframe	Direct Operations	Downstream	Main Opportunities for Shimadzu	Impact Level	Timeframe
Stricter effluent regulations	●	—	Increased sewage treatment costs to comply with stricter effluent regulations	Low	Medium-term	—	●	Increased demand for water quality analyzers to comply with stricter effluent regulations	Moderate	Medium-term
Increase in population served by sewer treatment plants	—	—	—	—	—	—	●	Growing demand for water quality analyzers for sewage treatment plants	Low	Medium-term
Increased compliance awareness in the private sector	—	—	—	—	—	—	●	Increased demand for water quality analyzers for more sophisticated self-regulated effluent treatment	Low	Medium-term

• Timeframe: Approximate timing of impact on Shimadzu's business. Short-term: Within 3 years; Medium-term: Within 3 to 10 years; Long-term: Over 10 years

Contribution of Technology for Conserving Biodiversity—Solutions for Microplastic Analysis—

One increasingly serious global environmental problem is the pollution by inappropriately managed plastic garbage discharged into oceans. The problem is even having adverse effects on ecosystems, as revealed by the plastic substances found inside the stomachs of dead seabirds and fish. Consequently, surveys and research studies are being conducted to determine the level of microplastics in the surface layers of oceans, rivers, lakes, and other environmental waters throughout the world. Microplastic surveys involve processes such as specimen sampling, pretreatment, particle size/quantity measurement, and qualitative analysis.

In August 2023, Shimadzu released the world's first dedicated microplastics pretreatment system that automates the processes of extracting/collecting microplastic particles from environmental waters, such as oceans, rivers, and lakes. The product is even mentioned as an "instrument considered for creating standard specifications" in an accompanying document to the Guidelines for Survey of Microplastics in Rivers and Lakes published by the Japanese Ministry of the Environment in March 2023.

The method for analyzing/measuring microplastics depends on what is being measured. International standards (ISO) for the analytical/measurements used are currently being discussed. Shimadzu offers a broad range of product lines and multifaceted application software that can be selected to optimize analysis/measurement based on microplastic survey/research objectives.

Benefits of Automatic Microplastics Pretreatment Unit

Labor Savings

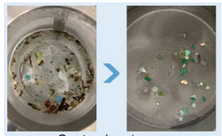
It can significantly reduce the number of labor hours required.

Reproducibility

Highly reproducible pretreatment can be achieved due to the elimination of manual operations.

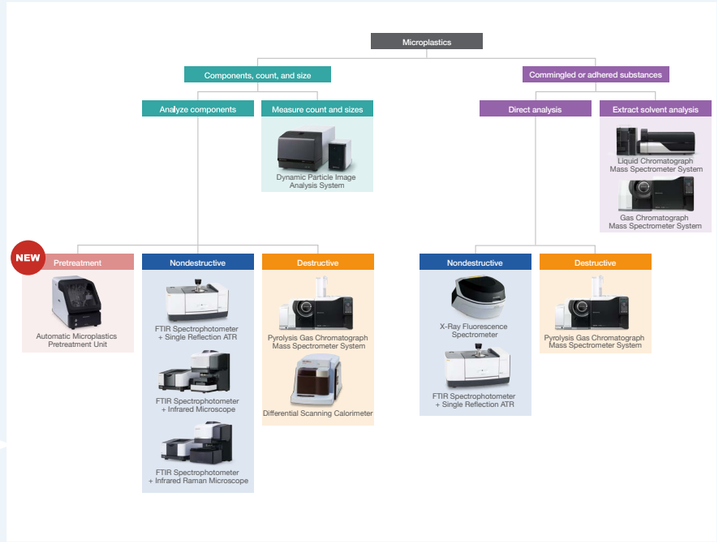
Safety

The simplified operator reagent handling procedure ensures contaminants can be removed safely.



Contaminants are automatically decomposed and separated to extract only the microplastics.

Process Flow for Selecting the Microplastic Analysis/Measurement Method



Measurement Index and Target

Shimadzu quantitatively determines the concentration of pollutants in effluent water, the quantity of water used, the quantity of hazardous and nonhazardous waste substances discharged, the recycle rates, and other values as nature-related index values. In particular, effluent water is monitored continuously so that corrective measures can be implemented quickly if any of the index values exceed voluntary control standards that are stricter than required by laws or regulations. Thus Shimadzu is committed to precisely determining and mitigating any impacts of water pollution.

In addition, the Shimadzu medium-term management plan specifies a target of reducing water usage by 5% as a percent of consolidated net sales in FY2020. This target was achieved in FY2023 by reducing usage by 6%. In an effort to achieve sustainable resource usage, we specified a target of maintaining a recycling rate of 99.6% or higher at all manufacturing and development locations in Japan. The actual recycling rate in FY2023 was 99.7%, which achieved the target. Furthermore, compared to our target of using sustainable materials in 10 products by FY2025, we used them in three products in FY2023. In the future as well, we will continue to specify and monitor targets based on TNFD recommendations.

Health Management

For more information on Shimadzu's Health Management, refer to the website.
https://www.shimadzu.com/about/health.html

Basic Policy on Health Management

Since its founding, Shimadzu has created many technologies under the corporate philosophy "Contributing to Society through Science and Technology." We will continue to contribute to people's health as we approach the era of 100-year lifespans, based on our management principle of "Realizing Our Wishes for the Well-being of Mankind and the Earth."

To this end, we believe that it is important for every employee to take an interest in their own health and the health of their colleagues and to create a caring and energetic workplace where they can maintain their physical and mental health.

Shimadzu Group will create an environment where employees can manage and promote their health together with their peers. We aim to be a company that grows together with our employees and their families by sharing our own technologies, products, and services related to healthcare.

In FY2023, various health information was collected from employees, analyzed, and used to create a framework for health risk countermeasures based on this data. In FY2024, we will continue to implement this approach in order to establish data-based health measures within the Shimadzu Group that utilize Shimadzu technologies in cooperation with others within and outside the company in an effort to create a uniquely Shimadzu health management system that is a step ahead of others.

We will also participate in the Health & Productivity Management Alliance (established in June 2023) as one of the nine steering committee members. As a steering committee member, we will work collaboratively to create a model and offer solutions for health management based on healthcare data and will promote their widespread adoption within industry.

Health Declaration

The health and safety of each employee and their ability to work positively and with vitality serve as the basis for achieving Shimadzu Corporation's management principle "Realizing Our Wishes for the Well-being of both Mankind and the Earth". Accordingly, we declare that we will strive toward realizing our wishes for health.

1. Ensuring Health
We will be highly mindful of our health and engage in independently maintaining our own health. In addition, together with our colleagues we will endeavor to create a secure, safe, and comfortable workplace.

2. Sustaining Businesses Through Health
We will uphold the company spirit of promoting employee health, which has continued since the company was founded in 1875. In addition, by supplying leading-edge scientific technologies and services, we will help ensure the health of employees and society and promote the growth and prosperity of our businesses.

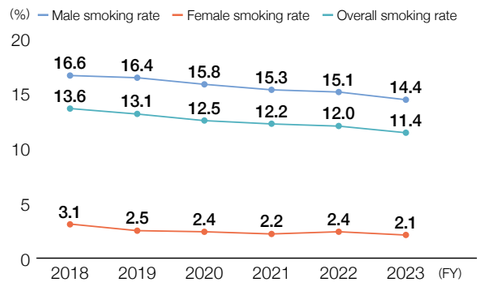
3. Contributing to Future of Society Through Health
We will grow together with society and strive to help create a prosperous future for mankind based on ensuring the health of our employees and their families, who are at the core of our business operations, and based on our corporate philosophy "Contributing to Society through Science and Technology."

Key Initiatives

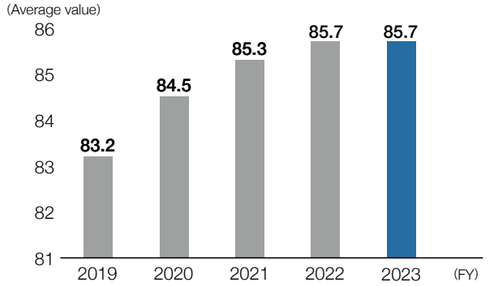
We have established initiatives in five key areas with the aim of maintaining employee health, promoting mental and physical well-being, and balancing work and medical treatment. These areas are exercise, diet, sleep, mental health, and quitting smoking. We focus on employee health management based on the percentage of employees with optimal body weight, the percentage of non-smokers, and the percentage of employees registered on the Shimadzu health web service as key performance indicators (KPI).

We implement a uniquely Shimadzu Health Challenge program for all employees who receive regular health checkups that enable each participant to be aware of their checkup results and change their behavior on their own. With the program, the health checkup results are scored in order to visualize changes in health status. Shimadzu's overall average health score increased from 84.5 points in FY2020 to 85.7 points in FY2023. In FY2024, we will endeavor to make further lifestyle improvements in cooperation with outside institutions. In addition, we will estimate arteriosclerosis risk levels and use this to improve health literacy levels.

Trends in Company-Wide Smoking Rate



Shimadzu Health Checkup Challenge Health Score Average*



* Calculated based on a proprietary formula from indices such as body composition, blood pressure, blood lipids, and smoking habits. The maximum score is 100.

Recognized as a White 500 Company
Shimadzu was recognized as a "White 500" company with outstanding health and productivity management practices for the eighth consecutive year since the system was started.
2024 健康経営優良法人 Health and productivity ホワイト500

Shimadzu provides healthy menus in the employee cafeteria, supports sleep apnea testing, and promotes activities to prevent passive smoking and encourage employees to quit smoking. On-demand exercise videos are distributed to Group companies worldwide to raise health awareness throughout the Group.

In terms of mental health, we will continue to improve our in-house professional (licensed psychologist) consultation system. We will use e-learning and other measures to offer more extensive education about self-care and line care.

Measures are implemented to utilize group analysis results after performing stress checks.

FY2023 Results Explanation of results for unconsolidated Shimadzu Corporation, explanation of results for management personnel in 15 departments, explanation of results and group work for unit members in 16 departments, and workplace improvement activities for 3 departments

At Group companies in Japan, stress checks are utilized and case studies are shared/studied during regular training conducted in order to prevent mental health issues.

Mental Health Initiatives

Four Types of Care	Self Care	Line Care	Care Using In-House Resources	Care Using Off-Site Resources
Key Points to Strengthen in FY2023	Acquisition and utilization of proper knowledge about self-care	Appropriate initial management response and creation of a workplace where employees can easily seek advice	Expansion of in-house counseling services	Strengthen cooperation between outside help desks and medical institutions.
Main Measures	・Conduct stress checks. ・Conduct new-employee training and self-care training (basics) by e-learning.	・Conduct line care training in-person or by e-learning. ・Mental Health Management Certification ・Add new programs to stress-check workplace environment improvement activities and enhance personal feedback from group analysis results.	・Provide support for returning to work with industrial physicians, certified psychologist, and public health nurses. ・Establish an in-house consultation system (create a system that makes it easy to seek advice, etc.). ・Publicize the consultation service and strengthen communication activities.	・Conduct follow-ups to prevent recurrence. ・Offer support for returning to work through cooperation between outside help desks and internal occupational healthcare personnel.

Subsidizing the Cost of Tests to Determine the Risk of Developing Mild Cognitive Impairment

We began subsidizing the cost of the MCI Screening Test Plus test. This determines the risk of developing mild cognitive impairment (MCI), a precursor to Alzheimer's disease, for employees aged 40 and over or their families. The subsidy amounts to about 25,000 yen.

Blood analysis using Shimadzu's liquid chromatograph mass spectrometer system classifies MCI risk into four levels based on blood proteins related to nutrition, lipid metabolism, and immunity. After the examination, an occupational health nurse provides advice on lifestyle habits such as diet, exercise, and sleep to those who wish to receive it.

Subsidizing Breast Cancer Examination Expenses with Elmammo Avant Class Dedicated Breast PET System

In cooperation with Medical Corporation Chionkai, we have established a system for subsidizing the cost of obtaining a breast cancer examination using a Shimadzu Elmammo Avant Class dedicated breast PET system. The subsidy system was established to promote the early detection and early treatment of breast cancer by increasing the ratio of women receiving breast exams. Female employees or spouses of male employees aged 40 or older were eligible for the examination.

Utilizing Health Web Service

A "kencom" health web service was introduced and is being used to increase each employee's mindfulness about health and instill healthy habits in each employee (84.0% of employees registered as of the end of March 2024). The system only promotes daily health management, such as by recording the number of steps and weight, but it also promotes exercise through biannual walking events and by stimulating conversation between employees.

Health & Productivity Management Alliance

As Japan heads toward becoming a society where people can work longer in response to a declining birthrate and an aging population, it is important for Japanese industry to implement health management measures to not only increase company productivity but also to manage employees as human capital that is a corporate asset. Therefore, companies are faced with the challenge of improving employee health, improving the financial health of health insurance societies, and helping to hold down healthcare costs. In an effort to solve such social challenges, Ajinomoto Co., Inc., SCSK Corporation, OMRON Corporation, Kirin Holdings Company, Limited, Shimadzu Corporation, JMDC Inc., Nippon Life Insurance Company, and Sumitomo Mitsui Banking Corporation, 8 companies (listed in Japanese phonetic order) from different industries, formed the Health & Productivity Management Alliance on June 30, 2023. (The alliance later increased to 9 companies when Nomura Research Institute, Ltd. joined.)
Through collaboration between the corporate members and health insurance societies, the alliance will execute data-driven issue-specific solutions and evaluate various initiatives. By steadily repeating the PDCA cycle based on a Data Health Plan, the alliance will collaboratively create models for health management and solutions for generating results and then ensure their broad adoption in industry.

Issues that Should Be Addressed by Corporations

In our current age of 100-year life expectancies, there are three issues that need to be confronted by Japanese industry.

①Improving Employee Health

According to the Ministry of Health, Labour and Welfare, 10.1%[*1] of business operations had employees who took days off or retired from work due to mental health issues during the 2020 to 2021 period. That is about a 1 percent increase from the previous year. As society changes toward being a society where employees can continue working longer, many companies are facing challenges with extended leaves or retirements from work due to illnesses with predictable or preventable risks and challenges with rapidly increasing healthcare costs.

*1 Source: Ministry of Health, Labour and Welfare 2021 Survey on Industrial Safety and Health (Actual Condition Survey)

②Improving the Financial Health of Health Insurance Societies

According to the National Federation of Health Insurance Societies, as payments to the elderly increase, 740 of the 1,388 health insurance societies (53%) operated in the red in FY2021, with overall estimated deficits of 82.5 billion yen.[*2] With Japan Health Insurance Association enrollment mainly from employees of small and medium-sized companies, when the average enrollment rate exceeds 10%, the benefits of maintaining corporate health insurance societies diminish. Currently, already about 20% of all societies in Japan (about 300 societies) have an enrollment rate of 10% or greater, reflecting the questionable financial health of the health insurance societies.

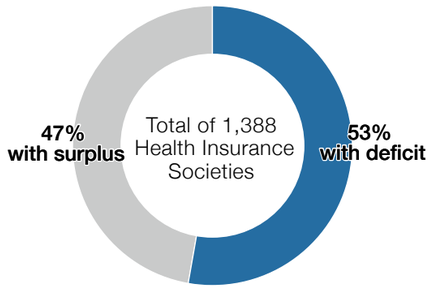
*2 Health insurance society outlook as of FY2021

③Contributing to Holding down Healthcare Costs

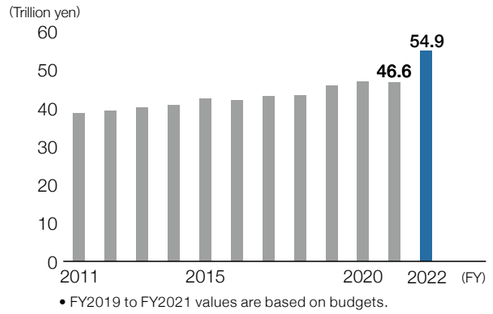
With Japanese healthcare costs already under strain, healthcare benefits payments are projected to increase from about 46 trillion yen in FY2021 to about 55 trillion yen in FY2025[*3]. Improving the financial health of corporate health insurance societies can be expected to also help hold down the rapidly increasing healthcare costs in Japan.

*3 Source: "Trend in Healthcare Costs" in Ministry of Finance "Social Welfare, Etc." (Reference Document)

Percentage of Health Insurance Societies Operating at a Deficit



Trend in Healthcare Costs



• FY2019 to FY2021 values are based on budgets.

Health & Productivity Management Alliance

Name	Health & Productivity Management Alliance
Date Established	June 30, 2023
Purpose	Collaboratively create models for health management and solutions for generating results and ensure their broad adoption in industry
Description of Main Activities	**1. Index for Evaluating Health Management** The alliance specifies a KPI for ensuring health management measures and results are evaluated appropriately and help increase corporate value. **2. Health Management Assessment Based on Data Analysis** The alliance creates a map of health management issues that enables benchmark comparisons with other participating companies by identifying and visualizing health issues based on analysis of health check, receipt, questionnaire, and other data. **3. Information Platform for Various Solutions** The platform provides a collection of information about various solutions required for generating health management results. A database is created from participating company experiences implementing solutions and their results from verifying effectiveness. This database is shared as a reference for deciding the best solution to select for a company's own issues. Whereas a single company would be limited to trial and error, compiling the results from multiple companies increases the learning speed with respect to executing solutions. **4. Workshops and Seminars** Workshops and seminars will be conducted to increase the health management literacy and skills of management and personnel in charge of human resources and health insurance. Topic Examples (1) Health management measures for human capital management (2) Utilizing data for health management (3) Fostering a corporate culture that increases adoption of health management and promoting health management among employees (4) Examples of corporate problem-solving practices Create health management policies → Identify health issues at one's own company → Execute policies/measures → Reassess business evaluation Workshops/seminars Desire to understand issues at one's own company / Desire to learn solutions for solving issues at one's own company From FY2024 onward Index for Evaluating Companies Engaged in Health Management / Health Management Assessment Based on Questionnaires/Data Analysis / Platform for Showing Various Solutions
Road Map	FY2023 Practices started mainly by steering committee companies and member companies/organizations. Aim for participation by 300 companies. FY2024 Verify effectiveness for initial practicing companies and expand the number of practicing companies. FY2025 Continue expanding the number of participating/practicing companies and create market for health improvements and increased severity prevention
9 Steering Committee Companies (listed in Japanese phonetic order)	Ajinomoto Co., Inc., SCSK Corporation, OMRON Corporation, Kirin Holdings Company, Limited, Shimadzu Corporation, JMDC Inc., Nippon Life Insurance Company, Nomura Research Institute, Ltd., and Sumitomo Mitsui Banking Corporation.
Member Companies/ Organizations	373 companies (corporations), government agencies, academic institutions (universities and laboratories), and other relevant organizations (as of March 29, 2024)

Steering committee companies (from the left):
Nippon Life Insurance Company ····· Mitsugi Iwasaki, Managing Executive Officer
Sumitomo Mitsui Banking Corporation ····· Tomofumi Saeki, Senior Managing Executive Officer
Shimadzu Corporation ····· Teruhisa Ueda, Chairman of the Board
OMRON Corporation ····· Yoshihito Yamada, President
JMDC Inc. ····· Yosuke Matsushima, President
SCSK Corporation ····· Hideki Yamano, Chairman
Kirin Holdings Company, Limited ····· Junko Tsuboi, Senior Executive Officer
Ajinomoto Co., Inc. ····· Masaki Kashihara, Executive Officer
•Titles were current as of March 10, 2023, press conference.

Customer Satisfaction (CS)

Basic Policy

We shall offer products and services with superior quality at reasonable prices that provide maximum value to customers.

General Policy

1. **Pursuing(the same spacing suggestion applies to points 2 and 3 below) Customer Satisfaction**
   We shall offer safe and secure products and services with high added value that prioritize customer value.
2. **Creating New Value Jointly with Customers**
   We shall create new value by sincerely considering customer views and wishes.
3. **Ensuring Thorough Quality Control and Safety Management**
   If a quality control or safety management problem occurs, we shall strive to solve the problem quickly and implement thorough measures to prevent recurrence.

Initiatives to Maintain and Improve the Quality of Products and Services

Based on our corporate philosophy and management principle, we have established the Basic Quality Assurance Policy to systematically maintain and improve quality and provide quality that satisfies our customers in all our products and services.

Basic Quality Assurance Policy

Let's all work hard to provide quality that satisfies our customers around the world at every stage of the product life cycle*.

* Product life cycle refers to the following 12 stages.
(1) Marketing and market surveying
(2) Product design and development (3) Process planning and development
(4) Procurement (5) Production (6) Verification (7) Packaging and storage
(8) Sales and distribution (9) Installation and initial use
(10) Technical support and service (11) Post-sales surveying
(12) End-of-life disposal or recycling

Product Safety Training

We are strengthening safety technology training for engineers. In addition to in-house training on various safety standards, we are working to further strengthen product safety by encouraging employees to obtain external certification as Safety Sub-Assessors* and requiring participation by certified personnel in safety evaluations and risk assessments during the product development process (as specified in internal regulations).

* Safety certification that recognizes employees' knowledge and ability in machine safety based on international safety standards (certified by Japan Certification Corporation). A total of 120 Shimadzu Group employees were certified by FY2023.

Ensuring Safety for Customers and Gaining their Trust

We aim to fulfill our social responsibilities and earn customer trust by providing customers with safe products. Specifically, we have established a Basic Policy for Product Safety to clearly state the Shimadzu Group's stance on product liability (PL) and other issues.

Basic Policy for Product Safety

The entire Shimadzu Group will act with the safety and trust of customers as our top priority.

Guidelines for action

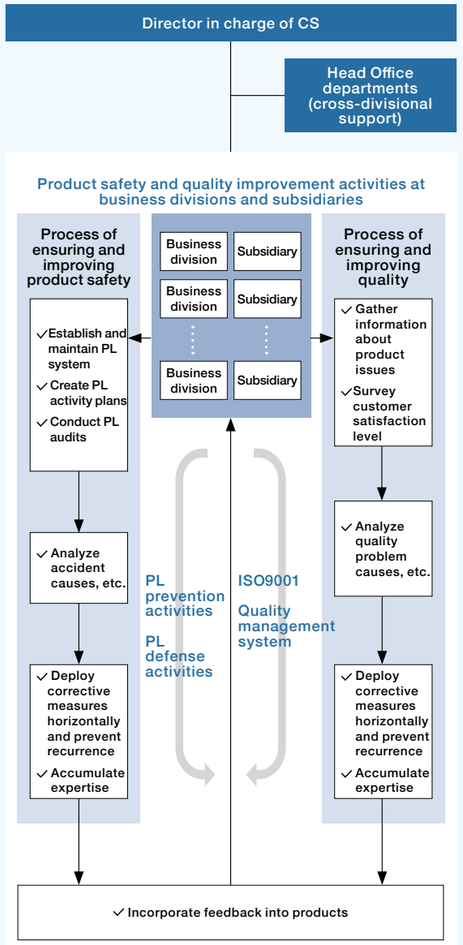
1. Comply with all applicable laws and regulations.
2. Design safety into products.
3. Prevent improper use.
4. Ensure product safety throughout the entire product life cycle.
5. Disclose information about product safety.
6. Resolve any product accidents.
7. Improve quality assurance systems.

We conduct risk assessments for all products following our Basic Policy for Product Safety.

(1) We verify that the product is designed to ensure safety by considering various customer usage scenarios.
(2) We have verified through environmental tests and durability tests that even if the product is subjected to changes in temperature and humidity or to shock during transportation, the functionality will not be affected and that customers will be able to continue to operate the product reliably and safely.

To ensure customers can use our products with peace of mind, we provide information on correct usage and precautions in the instruction manuals. We also attach globally standardized caution and warning labels directly to the products to alert customers when the product is being used.
For the Shimadzu Group, the director in charge of CS chairs corporate quality assurance meetings and meetings of the PL Committee, where product safety and quality issues are discussed. This committee shares information about the unique activities and expertise of individual business divisions and subsidiaries and deploys the information horizontally throughout the entire Shimadzu Group in order to maintain and improve quality and safety by implementing strategic measures for achieving target quality.

Corporate Quality Assurance Meetings and PL Committee Meetings



Quality Management System (QMS)

Shimadzu Corporation's Sanjo Works has obtained ISO9001 certification, the international standard for quality management systems (QMS), for each division since 1994. They are also obtaining ISO 13485 certification required for medical devices and JIS Q 9100 certification required for the aircraft equipment industry.
QMSs are also introduced at relevant subsidiaries in Japan and other countries. As of March 2024, 23 subsidiaries in Japan and 34 subsidiaries outside Japan obtained certification. Of those, 18 subsidiaries in Japan are engaged in improving the management level of the entire Group in coordination with the Shimadzu Corporation ISO 9001 certification. These QMSs are used to assess the effectiveness of measures and processes for ensuring product quality and safety based on the Basic Quality Assurance Policy established by the Shimadzu Group. Then the PDCA cycle is repeated to achieve further improvements. In this way, we are engaged in improving customer satisfaction through constant improvements at each stage of the product life cycle.

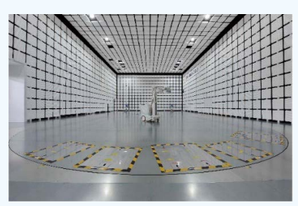
Improving Customer Satisfaction

At each stage of the product lifecycle, we have put in place mechanisms and systems to respond to market and customer requirements and their changes, leading to improved customer satisfaction (CS). For example, to improve the quality of Shimadzu Group products, systems, and services from the customer's perspective, we regularly conduct "CS surveys" to listen to customer feedback. The opinions and requests we receive from customers are valuable. We share these among all concerned parties and take measures to improve customer satisfaction. We have also set up a call center to handle opinions and requests from customers as needed and respond to them promptly.

Quality Center Dedicated to the Pursuit of the Highest Quality

In order to improve quality from the development and design stage to manufacturing, as well as to enhance and quickly improve quality in the marketplace, we have established the Quality Center, a quality facility for the Shimadzu Group, at our Head Office site. The Center is designed to provide six functions, including material analysis, physical property evaluation, safety testing, and EMC measurement*.
We will continue to ensure the reliability of Shimadzu products so that they can be trusted by our customers.

* EMC measurement: Electromagnetic compatibility (EMC) test to confirm that the electromagnetic waves emitted by a system do not affect surrounding equipment and that the system is tolerant enough not to malfunction due to electromagnetic interferences from the surrounding environment


Quality Center's 10-Meter Method Anechoic Chamber

Supply Chain Management

Basic Policy

The Shimadzu Group globally procures from a large number of suppliers. Considering that procurement activities serve as the foundation for other business activities, Shimadzu engages in fair transactions, builds partnerships with suppliers, and promotes CSR procurement practices in accordance with fundamental principles of mutual benefit and EQCD (environment, quality, cost, and delivery).
We also make every effort to respect human rights and reduce environmental impact throughout our entire supply chain.

Establishment of CSR Procurement Guidelines

In January 2022, Shimadzu established the Shimadzu Corporation CSR Procurement Guidelines as guidelines for actions related to the Shimadzu Group Sustainability Charter and Procurement Policy. In December 2023, it was renamed the Shimadzu Group CSR Procurement Guidelines for deploying activities throughout the entire Shimadzu Group. We will now implement CSR procurement practices throughout the entire Shimadzu Group.

Shimadzu Group CSR Procurement Guidelines

1. Human Rights and Labor
Respect for human rights and diversity, elimination of child labor and forced labor, guaranteed freedom of association, employment of non-Japanese workers, etc.

2. Occupational Health and Safety
Industrial hygiene, emergency preparedness, employee health management, etc.

3. The Environment
Certification, reduction of environmental impact and CO_2 emissions, promotion of energy conservation, and management of materials used

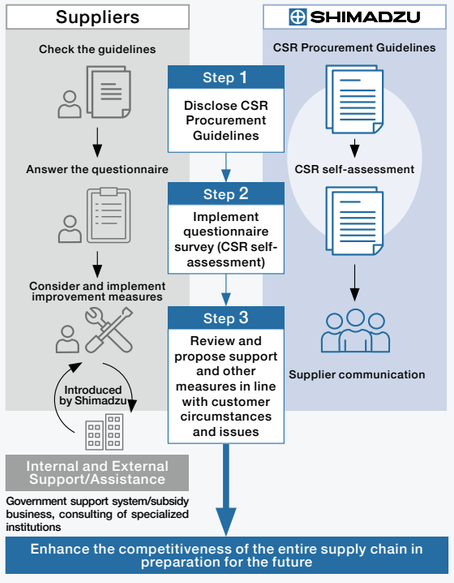
4. Ethics
Compliance, export control, information security, conflict minerals, harmony with local communities, etc.

5. Business Continuity Plan (BCP)
Existence of a plan and status of training and preparation for implementation

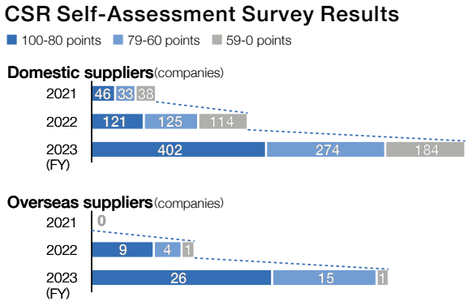
Sustainable Procurement Activities through the Use of Guidelines

In November 2023, 744 participants from 521 suppliers participated in the Sustainability Procurement Briefing, which was held in an effort to further deepen the understanding of Shimadzu CSR procurement concepts and initiatives by business partners.
We also collected responses to a CSR self-assessment questionnaire based on the CSR Procurement Guidelines from 500 suppliers in Japan, in addition to the 360 key domestic suppliers and subcontractors previously checked.
We also expanded those domestic initiatives to overseas business partners, and through our overseas IPOs (international procurement offices), we explained our CSR Procurement Guidelines and conducted CSR self-assessments for an additional 28 companies, in addition to the 14 companies checked thus far.
Based on those survey results, we met with 37 business partners in Japan and eight outside Japan and offered concrete support to business partners where issues were identified. Of these, workplace improvement suggestions were provided by the Shimadzu Planning & Management Center of Employee Healthcare & Safety Workplace and environmental training was provided by the Global Environmental Management Department to business partners in Japan. For business partners outside Japan as well, improvements are being achieved by providing specified templates, sharing success cases, and other measures.
We will continue to develop closer communications with business partners and work with them to build supply chains for supporting a sustainable society.

Process for Promoting CSR Procurement (Overall)



CSR Self-Assessment Survey Results



The following web page includes information about the topic listed below.
https://www.shimadzu.com/sustainability/approach/social/supply_chain/index.html
Basic Stance, Principles, and Efforts (Promotion of CSR Procurement, Conflict Minerals Initiatives, Compliance with the Modern Slavery Act 2015, Green Procurement Initiatives)

Human Rights Measures

In accordance with the Shimadzu Group Policy Regarding Conflict Minerals, if any part or raw material used in Shimadzu products is found to contain a conflict mineral, we will consult with the supplier and take appropriate actions, such as immediately discontinuing their use. We are implementing measures to promote understanding of conflict minerals and avoid their use throughout the entire supply chain, such as by managing transactions in accordance with the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance and investigating smelters using the Conflict Minerals Reporting Template to ensure they are managing conflict minerals in accordance with the Responsible Minerals Initiative (RMI).
We also publish an annual statement on the UK's Modern Slavery Act 2015 (Modern Anti-Slavery Act). New business partners are required to sign a basic contract for business transactions that includes provisions for responding to human rights violations. At existing business partners, CSR self-assessment surveys will be used to periodically check the status of implementing human rights measures, mainly based on the following key topics, in order to increase awareness of human rights throughout the entire supply chain and reinforce human rights measures.

Topics
Respecting Human Rights
Eliminating Child Labor and Forced Labor
Abolishing Hiring and Occupational Discrimination
Permitting Freedom of Association and Collective Bargaining Rights
Maintaining Appropriate Working Conditions
Preventing Corruption and Rejecting Anti-Social Elements

Promoting Supply Chain CO_2 Emission Reductions

In FY2023, one Shimadzu supplier has been selected for the "Supply Chain Decarbonization Support Project" promoted by the Kyoto Prefectural Government. Under this project, Kyoto Prefecture will support companies in the Prefecture that intend to decarbonize their supply chains by helping them develop emission reduction targets and plans to introduce renewable energy in line with internationally recognized certifications such as SBT. Shimadzu will continue to work actively with its business partners to decarbonize the supply chain.
In addition, we will carry out energy-saving assessments for 83 major domestic partner companies by 2025, set reduction targets for each company in 2026, and aim to achieve the reduction targets by 2030. As of March 2024, we have conducted energy-saving assessments for 34 companies. Shimadzu is supported by a large number of business partners, and we need to consider the environmental impact of the entire supply chain, not just our own operations. We will promote the reduction in environmental impact in cooperation with our suppliers, who have close ties with our business activities in a variety of fields.

Green Procurement Initiatives

To comply with the laws and regulations of various countries, such as regulations on chemical substances contained in products, we are actively engaged in green procurement, which prioritizes the purchase of raw materials with a low environmental impact. Specifically, we are implementing a three-pronged approach: obtaining non-inclusion certificates, conducting supplier RoHS* audits, and analyzing samples of procured materials.
Since September 2019, we have been participating in the Supply Chain Subcommittee of the Global Compact Network Japan to keep abreast of the latest information and share information with other companies to further improve our efforts. Furthermore, for member companies of the Shimadzu Cooperative Association, we also offer seminars on environmental management or SDGs and promote supplier environmental activities, such as jointly collecting waste plastics or assessing energy savings. In addition, we monitor the green procurement rate of office supplies on a monthly basis.

* RoHS is a European Union directive concerning restrictions on the use of specific hazardous substances in electronic and electrical equipment.

Number of Domestic Suppliers Audited (RoHS Audit Only)	782 of 826 (95% implementation rate) (Break down) Purchasing 507 of 551 (92% implementation rate) Subcontractors 275 of 275 (100% implementation rate) Note: The denominator is the number of applicable companies.
Percent of Non-Inclusion Guarantees Obtained	90% (for about 389,000 items) Note: For items subject to the RoHS directive for prohibition of 10 substances

Analyzing Procured Parts, Materials, and Other Items for Substances Banned by RoHS

Parts, assemblies, and secondary materials (including RoHS-compliant) procured from suppliers are randomly sampled and analyzed to confirm the content of RoHS-banned substances. In order to comply with U.S. TSCA regulations, in December 2022 we also started PIP (3:1) analysis that is expected to be required by the regulation. Such testing was performed using Shimadzu instruments (gas chromatograph mass spectrometer (GCMS) and energy dispersive X-ray fluorescence spectrometer (EDX) systems) based on the IEC 62321 international standard of which standardization processes Shimadzu participated in. The information obtained from testing is also utilized for Shimadzu product development and for developing international standards.

Number of Samples Analyzed	For RoHS prohibited 6 substances: Approx. 13,000 items For additional 4 banned substances: Approx. 12,000 items

Note: Total as of end of FY2023. About 80,000 applicable items are regularly sampled by the system and tested for RoHS-banned substances.

Corporate Governance: Basic Concept

Basic Policy

The Shimadzu Group is engaged in establishing and improving systems for corporate governance, which it considers as the core systems that provide the basis for corporate management practices used to execute quick bold decision-making and measures for ensuring management transparency and fairness and for increasing management vitality.

Shimadzu established the Corporate Governance Policy (hereinafter "CG Policy") in December 2015 as a declaration of Shimadzu's stance regarding actually implementing the Corporate Governance Codes (hereinafter "CG Codes") in practice.

In addition to improving corporate governance measures, Shimadzu is also committed to improving the effectiveness of governance practices by periodically reviewing the CG Policy with respect to changes in the circumstances of such measures or external conditions.

Corporate Governance Policy

1. Appropriate Cooperation with Stakeholders
2. Securing the Rights and Equal Treatment of Shareholders
3. Ensuring Appropriate Information Disclosure and Transparency
4. Dialogue with Shareholders
5. Responsibilities of the Board of Directors, etc.

Corporate Governance Measures

With regard to the CG Code, we continue to be fully compliant with all Basic Principles, Principles, and Supplementary Principles, including items applicable only to the prime market. Shimadzu's major corporate governance initiatives for FY 2023 are as follows.

CG Policy
https://www.shimadzu.com/ir/governance/policy.html

CG Report
https://www.shimadzu.com/ir/governance/report.html

Implementing Sustainability Management Initiatives

Under the Shimadzu Group Sustainability Charter and the Sustainability Management Implementation Policy, KPIs have been set for each department, and the Group's sustainability management initiatives have begun to be fully implemented.

As part of these efforts, in May 2022, we revised the existing Corporate Code of Ethics and established the Shimadzu Group Corporate Code of Ethics as common rules for the entire Group in order to ensure thorough legal compliance and further improve corporate ethics throughout the Shimadzu Group. Shimadzu has also compiled a "Shimadzu Group Corporate Ethics Code of Conduct Handbook" that outlines the code of conduct that all Shimadzu Group employees must follow in their day-to-day work in order to spread awareness of corporate ethics and compliance throughout the Group.

Furthermore, in June 2022, we established the Regulation for Sustainability Management of SHIMADZU Group to clarify the framework and organizational structure for promoting initiatives related to sustainability management. The Shimadzu Group Sustainability Conference is now positioned as the highest deliberative body for sustainability management and promotes Shimadzu Group-wide efforts for sustainability management, including the existing Risk Management and Corporate Ethics Board and Environmental Meeting.

Reinforcing the Group Governance

In February 2023, we established the "Shimadzu Group Management Basic Regulation" to set forth our basic approach to group management and guidelines to be followed. In this way, the Shimadzu Group is working together to establish a system that ensures appropriate and efficient group management for sustainable growth.

In addition, the regional corporate head offices established outside Japan last year, mainly involving the local organizations in China and Asia, are using the auditing tools created by the Head Office in Japan to establish and execute audit visit plans. Verifying compliance with the Shimadzu Group Management Basic Regulation and the use of rules at each Group company has led to preventing inappropriate procedures and other measures.

Corporate Governance

The following web page includes information about the topic listed below.
https://www.shimadzu.com/ir/governance/organization.html
Corporate Governance System

Corporate Governance System

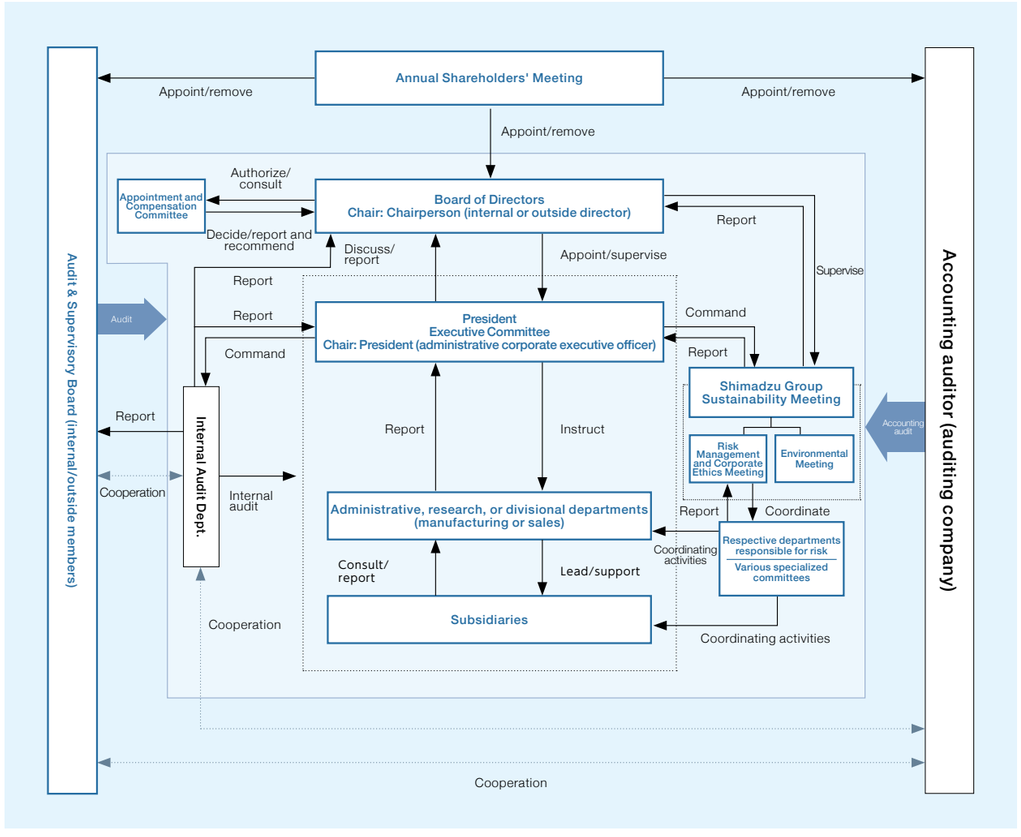
Half (four) of the eight members of the Board of Directors are outside directors, which increases management transparency and objectivity.

Inside directors, familiar with business operations and circumstances within the company, and outside directors, who have extensive experience, knowledge, abilities, and insights, discuss issues from various perspectives, so that decisions can be appropriately made and monitored regarding strategies and policies for increasing medium-and long-term corporate value. A more diverse group of outside directors is appointed mainly from candidates with extensive corporate management experience in a wide range of industries and with a diversity of work histories.

A system of corporate auditors is used to audit the legality and appropriateness of management operations, with two internal and two outside Audit & Supervisory Board members. The Audit & Supervisory Board and its members attend Board of Directors meetings, where they proactively execute auditing functions, such as by expressing their opinions or exchanging views with directors or administrative corporate executive officers.

The President, administrative corporate executive officers, and the Executive Committee are designated as the institutions for appropriately and quickly executing administrative processes based on decisions made by the Board of Directors.

Corporate Governance System



Corporate Governance

Profiles of Directors and Audit & Supervisory Board Members Members (As of June 26, 2024)

Directors

1 Representative Director, Chairman of the Board
Teruhisa Ueda

Chair of the Board of Directors
Outside Director of Meiji Yasuda Life Insurance Company

Apr. 1982	Joined Shimadzu Corporation
Jun. 2007	Corporate Officer
Jun. 2007	Deputy General Manager, Analytical & Measuring Instruments Division
Jun. 2011	Director, Member of the Board
Jun. 2011	General Manager, Analytical & Measuring Instruments Division
Jun. 2013	Managing Executive Officer
Jun. 2014	Senior Managing Executive Officer
Jun. 2015	President and Representative Director
Jun. 2015	CEO
Apr. 2022	Chairman and Representative Director (current)
Apr. 2022	Chairman of the Board (current)
Jul. 2023	Outside Director, Meiji Yasuda Life Insurance Company (current)

2 Representative Director, President
Yasunori Yamamoto

CEO

Apr. 1983	Joined Shimadzu Corporation
Oct. 2003	Coordination Manager, Testing Machines Business Unit, Analytical & Measuring Instruments Division
Jun. 2013	President, Shimadzu Europa GmbH (Germany)
Jun. 2014	Corporate Officer
Jun. 2017	Managing Executive Officer
Jun. 2017	In charge of Manufacturing, Corporate Information & Communications Technology, and CS Management
Jun. 2017	Deputy in charge of Corporate Research and Development
Apr. 2020	In charge of Corporate Strategy Planning and Corporate Communications
Jun. 2020	Director, Member of the Board
Apr. 2021	Senior Managing Executive Officer
Apr. 2021	CFO
Apr. 2022	President and Representative Director (current)
Apr. 2022	CEO (current)

3 Director, Senior Managing Executive Officer
Akira Watanabe

CFO, in charge of corporate strategy planning and corporate communications

Apr. 1985	Joined Shimadzu Corporation
Apr. 2009	General Manager of Turbo Molecular Pump Business Unit and concurrently Deputy General Manager of Sales & Marketing Department, Semiconductor Equipment Division (currently Industrial Machinery Division)
Apr. 2011	General Manager of Sales & Marketing Department and concurrently General Manager of Turbo Molecular Pump Business Unit, Semiconductor Equipment Division
Jun. 2013	Deputy General Manager of the Semiconductor Equipment Division, concurrently General Manager of Sales & Marketing Department and General Manager of Turbo Molecular Pump Business Unit
Jun. 2016	Corporate Officer
Jun. 2016	General Manager, Industrial Machinery Division
Apr. 2019	Managing Executive Officer
Apr. 2020	General Manager, Industrial Machinery Division and concurrently General Manager, Fluidics Systems Division
Apr. 2022	Senior Managing Executive Officer (current)
Apr. 2022	CFO and in charge of Corporate Strategy Planning and Corporate Communications (current)
Jun. 2022	Director, Member of the Board (current)

4 Director, Senior Corporate Executive Officer
Shuzo Maruyama

In charge of risk management and global environmental management (GX)

Apr. 1982	Joined Shimadzu Corporation
Oct. 2004	Coordination Manager, LC Business Unit, Analytical & Measuring Instruments Division
Apr. 2009	General Manager, LC Business Unit, Life Science Business Department, Analytical & Measuring Instruments Division
Dec. 2011	President, Shimadzu Scientific Instruments, Inc.
Jun. 2013	Corporate Officer
Jun. 2015	General Manager, Analytical & Measuring Instruments Division
Jun. 2015	Managing Executive Officer
Apr. 2019	Senior Managing Executive Officer
Apr. 2021	Managing Director, Shimadzu (Hong Kong) Ltd.
Apr. 2023	Senior Corporate Executive Officer (current)
Apr. 2023	In charge of Risk Management and Global Environmental Management (GX) (current)
Jun. 2023	Director, Member of the Board (current)

5 Outside Director
Nobuo Hanai

Outside Director of Perseus Proteomics Inc.
Outside Director of Noile-Immune Biotech Inc.

Apr. 1976	Joined Kyowa Hakko Kogyo Co., Ltd. (currently Kyowa Kirin Co., Ltd.)
Jun. 2006	Executive Officer, Kyowa Hakko Kogyo Co., Ltd.
Apr. 2009	Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd.
Jun. 2009	Director of the Board, Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd.
Mar. 2010	Director of the Board, Senior Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd.
Mar. 2012	Executive Director of the Board, President and Chief Executive Officer, Kyowa Hakko Kirin Co., Ltd.
Mar. 2018	Executive Director of the Board, Chairman and Chief Executive Officer, Kyowa Hakko Kirin Co., Ltd.
Mar. 2019	Director of the Board, Chairman, Kyowa Hakko Kirin Co., Ltd. (retired in Mar. 2020)
Jun. 2020	Director, Member of the Board, Shimadzu Corporation (current)
Mar. 2021	Outside Director, Perseus Proteomics Inc. (current)
Mar. 2024	Outside Director, Noile-Immune Biotech Inc. (current)

6 Outside Director
Nami Hamada

Cofounder and Managing Director, Mile High Capital Inc.
Outside Director (Audit & Supervisory Committee Member), Coca-Cola Bottlers Japan Holdings Inc.
Outside Director (Audit Committee Member, Nomination Committee Member, Compensation Committee Member), MetLife Inc.

Jul. 1992	Joined Shearson Lehman Brothers Holdings Inc.
Oct. 1996	Vice President, Lehman Brothers Holdings Inc.
Jun. 1999	Senior Vice-President, Lehman Brothers Holdings Inc.
May 2004	Representative Director, HDH Advisors Japan Ltd.
Dec. 2006	Principal, HDH Capital Management Pte. Ltd.
Mar. 2009	Cofounder and Managing Director, Mile High Capital Inc. (current)
Aug. 2017	Director, Ecoplexus Japan K.K.
Feb. 2019	Chief Operating Officer, Vesper Group Japan K.K.
Mar. 2019	Outside Director (Audit & Supervisory Committee Member), Coca-Cola Bottlers Japan Holdings Inc. (current)
May 2020	Outside Director (Audit Committee Member), MetLife Inc.
Jun. 2022	Outside Director (Audit Committee Member, Nomination Committee Member, and Compensation Committee Member), MetLife Inc. (current)
Jun. 2022	Director, Member of the Board, Shimadzu Corporation (current)

7 Outside Director
Yoshiyuki Nakanishi

Outside Director of The Japan Steel Works, Ltd.
Outside Director of IHI Corporation

Apr. 1978	Joined Dainippon Printing Ink Manufacturing Co., Ltd. (currently DIC Corporation)
Apr. 2010	Corporate Officer, DIC Corporation
Jun. 2011	Director, DIC Corporation
Apr. 2012	Representative Director, President and CEO, DIC Corporation
Jan. 2018	Chairman of the Board of Directors, DIC Corporation
Jun. 2020	Outside Director, The Japan Steel Works, Ltd. (current)
Jun. 2020	Outside Director, IHI Corporation (current)
Jan. 2021	Director, DIC Corporation
Mar. 2021	Advisor, DIC Corporation (retired in Mar. 2023)
Jun. 2021	Director, Member of the Board, Shimadzu Corporation (current)

8 Outside Director
Mie Kitano

SynFiny Advisors
Partner

Apr. 1991	Joined Procter & Gamble Far East, Inc. (currently The P&G Japan Limited)
Oct. 1995	Global Purchasing Manager, Procter & Gamble European Services GmbH
Jun. 1997	Manager, Asia Beauty Care Purchasing Group, Procter & Gamble Far East, Inc.
Apr. 2000	Manager, Global Beauty Care/Innovation Purchasing Group, The Procter & Gamble Company
May 2003	Associate Director, Global Corporate Purchases-HR/BCP/ Sustainability, The Procter & Gamble Company
May 2005	Associate Director for Chemical Purchases (Asia), Procter & Gamble Far East, Inc.
Apr. 2008	Associate Director Integrated E2E Supply Chain, Procter & Gamble Japan K.K. (currently The Procter & Gamble Japan Limited)
Sep. 2010	Senior Director External Relations Communications/ Sustainability, Procter & Gamble Japan K.K. (retired in Nov. 2013)
Dec. 2013	Head of Communications, CSR & Advocacy, Eli Lilly Japan K.K.
Jan. 2016	Head of Corporate Affairs Japan, Executive Officer, Associate Vice President, Eli Lilly Japan K.K. (retired in Dec. 2021)
Mar. 2022	Partner, SynFiny Advisors (current)
Jun. 2024	Director, Member of the Board, Shimadzu Corporation (current)

Audit & Supervisory Board Members

9 Senior Audit & Supervisory Board Member
Hiroyuki Fujii

Outside Corporate Auditor of Dai Nippon Toryo Co., Ltd.

Apr. 1981	Joined Shimadzu Corporation
Apr. 2005	General Manager, Human Resources Department
Jun. 2007	Corporate Officer
Jun. 2009	Director, Member of the Board
Jun. 2009	In charge of Human Resources and Global Environmental Management (current Environmental Management)
Jun. 2011	In charge of Public Relations (current Corporate Communications)
Jun. 2012	General Manager, Legal Department
Jun. 2013	Senior Audit & Supervisory Board Member (current)

10 Audit & Supervisory Board Member
Makoto Koyazaki

Jan. 1991	Joined Shimadzu Corporation
Apr. 2011	General Manager, Business Planning Department, Shimadzu International Trading (Shanghai) Co., Ltd. (currently Shimadzu (China) Co., Ltd.)
Jun. 2012	General Manager, Corporate Strategy Planning Department, Shimadzu Corporation
Apr. 2016	President and Representative Director, Shimadzu GLC Ltd.
Apr. 2019	Senior Manager, Audit & Supervisory Board Members' Office, Shimadzu Corporation
Jun. 2019	Audit & Supervisory Board Member (current)

11 Outside Audit & Supervisory Board Member
Tsuyoshi Nishimoto

Partner of Hibiya Park Law Offices
Outside Director (Audit & Supervisory Committee Member), Enigmo Inc.
Statutory Auditor of Broadleaf Co., Ltd.

Oct. 2000	Registered as attorney-at-law
Dec. 2002	Joined Hibiya Park Law Offices (current)
Jan. 2011	Statutory Auditor of Enigmo Inc.
Mar. 2018	Statutory Auditor of Broadleaf Co., Ltd. (current)
Jun. 2020	Audit & Supervisory Board Member, Shimadzu Corporation (current)
Apr. 2022	Outside Director (Audit & Supervisory Committee Member), Enigmo Inc. (current)

12 Outside Audit & Supervisory Board Member
Yuka Hayashi

Representative of Hayashi CPA Office
Vice President and Representative Director, Hayashi Management Consultant Co., Ltd.
Outside Director (Audit & Supervisory Committee Member), Harima Chemicals Group, Inc.

Sep. 1985	Joined Minato Audit Corporation (now Ernst & Young ShinNihon LLC)
Apr. 1991	Registered as a Certified Public Accountant
Aug. 1998	Joined Century Audit Corporation (now Ernst & Young ShinNihon LLC) (currently Partner)
Jul. 2010	Senior Partner (currently Partner), ShinNihon LLC (now Ernst & Young ShinNihon LLC)
Sep. 2015	Member of the Governance Council, Ernst & Young ShinNihon LLC
Sep. 2019	Member of the Audit Committee, Vice-Chair of the Governance Council, Ernst & Young ShinNihon LLC
Jul. 2022	Representative, Hayashi Certified Public Accountant Office (current)
Jul. 2022	Executive Vice President and Representative Director, Hayashi Management Consultant Co., Ltd. (current)
Jul. 2022	Outside Director (Audit & Supervisory Committee Member), Harima Chemicals Group, Inc. (current)
Jun. 2023	Audit & Supervisory Board Member, Shimadzu Corporation (current)

Corporate Governance

Profiles of Corporate Officers (As of June 26, 2024)

Executive Officers

Representative Director, Chairman of the Board

Teruhisa Ueda

Chair of the Board of Directors

Representative Director, President

Yasunori Yamamoto

CEO

Director, Senior Corporate Executive Officer

Shuzo Maruyama

In charge of Risk Management and Global Environmental Management (GX)

Director, Senior Managing Executive Officer

Akira Watanabe

CFO, in charge of Corporate Strategy Planning and Corporate Communications

Senior Managing Executive Officer

Fuminori Inagaki

In charge of Standardization Strategy (CSO)
Deputy in charge of Medical Regulatory Policy
Deputy in charge of Corporate Strategy Planning and Global Environmental Management (GX)

Senior Managing Executive Officer

Katsuaki Kaito

In charge of Manufacturing and CS Management
In charge of DX/IT Strategy
Deputy in charge of Human Resources

Managing Executive Officer

Koki Aoyama

Managing Director, Shimadzu (Hong Kong) Ltd.

Managing Executive Officer

Yoshino Kajitani

In charge of Legal Affairs and Diversity Management
In charge of Health Management

Managing Executive Officer

Hiroto Itoi

CTO

Managing Executive Officer

Shigenori Aoyama

In charge of Human Resources, General Administration, and Internal Control
Deputy in charge of Risk Management

Managing Executive Officer

Shunei Matoba

In Charge of Corporate Marketing
General Manager, Sales & Marketing Division
General Manager, Tokyo Office

Managing Executive Officer

Masami Tomita

General Manager, Analytical & Measuring Instruments Division

Managing Executive Officer

Kiyohito Sonoki

General Manager, Medical Systems Division

Corporate Officers

Corporate Officer

Yoshiaki Maeda

President, Shimadzu Scientific Instruments, Inc.

Corporate Officer

Susumu Yamamoto

General Manager, Aircraft Equipment Division

Corporate Officer

Naomi Okazaki

Deputy General Manager, Analytical & Measuring Instruments Division (in charge of SCOE)

Corporate Officer

Masahiko Tanaka

General Manager, Industrial Machinery Division
General Manager, Fluidics Systems Division

Corporate Officer

Wataru Tajima

Deputy General Manager, Sales & Marketing Division
General Manager, International Sales Department

Corporate Officer

Shigeki Morimoto

Deputy General Manager, Sales & Marketing Division
General Manager, Sales & Marketing Promotion Unit

Corporate Officer

Komei Arakane

General Manager, Finance and Accounting Department

Corporate Officer

Yoshiaki Hirao

President, Shimadzu Europa GmbH

Corporate Officer

Takeaki Inoue

Deputy General Manager, Analytical & Measuring Instruments Division (in charge of Research & Development)
General Manager, Research & Development Department

Corporate Officer

Kazuya Suzuki

Deputy General Manager, Medical Systems Division (in charge of Sales, Marketing, and Service)
General Manager, Global Marketing Department, Medical Systems Division

Corporate Officer

Palanisamy Prem Anand

Managing Director, Shimadzu (Asia Pacific) Pte. Ltd.

Corporate Officer

Takahiro Nishimoto

General Manager, Technology Research Laboratory

Corporate Officer

Kaoru Ihara

General Manager, Human Resources Department

Corporate Officer

Manabu Sakamoto

Managing Director, Shimadzu Analytical (India) Pvt. Ltd.
Managing Director, Shimadzu Medical (India) Pvt. Ltd.

Corporate Governance

Messages from Outside Directors

Outside Director, Member of the Board

Nobuo Hanai

Term as Board Member: 4 years

Analysis Is the Wellspring of Innovation

Analysis provides the basic technologies important for supporting scientific discoveries and the innovation that flows from those discoveries. It is no exaggeration to say that analysis is the wellspring of innovation. In that sense, the role of Shimadzu to solve challenges in society is especially important considering analytical and measuring instruments is Shimadzu's strongest business segment. It is wonderful that discoveries and innovation in biological fields are deployed as highly competitive products for solving challenges in healthcare industry and medical fields, such as for diagnosing diseases or analyzing drugs. Meanwhile, the progress of analytical technologies in fields where innovation is occurring has been amazing. Recently, there was an article published in Nature magazine (May 2024) about using a nanopore sequencing device as new technology for sequencing proteins. That is an excellent example of technology where I wish Shimadzu had established early leadership. I understand why the Analytical & Measuring Instruments Division would be reluctant to pull back from technology development for its strongest product lines, liquid chromatographs and mass spectrometers, but considering competition with other companies, we need to continue developing products that satisfy customer needs consistent with sales strategies and urgently develop instruments that incorporate AI technology. On the other hand, due to the mind-boggling innovations related to analytical instruments not currently pursued by Shimadzu, such as NMR systems, electron microscopes, and successive generations of DNA sequencers, I am worried that focusing only on liquid chromatography and mass spectrometry may limit our growth as an analytical instruments manufacturer. Therefore, I think it is important to use business partnerships and M&A (including CVC investments) activity to broaden our scope of analysis beyond the R&D work we can perform ourselves.

Despite global economic impacts, geopolitical risks, and other factors that we cannot feel optimistic about, Shimadzu managed to maintain strong results in FY2023 thanks to the tenacious efforts by Shimadzu employees. Shimadzu is also accumulating sufficient funds for M&A investments. Though investments to solidify our footing are also important, I think we are at the stage where we need to actively invest in new technologies for achieving future growth. Therefore, I hope Shimadzu grows to be a global player that supports innovation.

Outside Director, Member of the Board

Yoshiyuki Nakanishi

Term as Board Member: 3 years

Becoming Faster and More Dynamic

It has already been three years since I was first appointed as an outside director in 2021. Due to favorable exchange rates during that period, Shimadzu has consistently achieved strong results. It also seems that governance systems are steadily improving to healthy levels. However, with respect to the major issues of further strengthening core analytical and measuring instrument businesses and fostering next-generation businesses, there seems to be inadequate strategic capital investments and we are only part way to where we should be. In order to achieve long-term sustained growth in the future based on innovation, Shimadzu needs to, not surprisingly, engage in business portfolio management and strengthen Group governance.

Though some progress has been made in terms of business portfolio management, such as introducing ROIC as a management indicator, it has not reached the level of incorporating measures in concrete business strategies aimed at maximizing capital efficiency. "Selecting and focusing businesses" is an old overused expression, but it requires executing strategies boldly and quickly, including strategic M&A measures.

In terms of reinforcing group governance, Shimadzu has been making steady progress introducing regional integration measures globally. However, due to the large number of companies in the Shimadzu Group and the many problems that must be resolved in order to improve management accuracy, such as obtaining adequate human resources, the Group company reorganization measures already being discussed by the Board of Directors need to be executed with a sense of speed. Building a new comprehensive core computer system for the entire Shimadzu Group, which has already been scheduled, will provide a powerful tool for not only improving business process efficiency but also for improving Group governance. Though it will place a major burden on both finances and human resources, efforts should be ramped up to build the system as soon as possible.

Lastly, as I also mentioned last year, monitoring the risk-taking involved in executing businesses is important, of course, but I hope to give positive suggestions that will help Shimadzu deploy businesses more dynamically.

Corporate Governance

Messages from Outside Directors

Outside Director, Member of the Board

Nami Hamada

Term as Board Member: 2 years

Strategic Approach for a Sustainable Future

During the past year, the Shimadzu Group focused efforts on improving governance and human capital and also introduced ROIC as an indicator. However, in order to achieve sustained growth in the face of expanding geopolitical risks and changing customer needs associated with the rise of AI, I feel Shimadzu needs to think more strategically.

In terms of governance, we have been improving the consistency of internal controls, including at subsidiaries, but in order to achieve more efficient management with a sense of speed, in the future we will also need to focus efforts on more proactive governance measures. Given that the overseas sales ratio is nearly 60%, we need to transfer more authority to subsidiaries outside Japan, but we will monitor leadership human resource improvements as organizational capabilities are created. Now that COVID-19 infections have subsided, global manager training sessions have resumed for the first time in five years, where we had opportunities to speak with next-generation leaders gathered there from around the world. The training demonstrated that more business growth could be achieved by promoting local empowerment. Communication within divisions involved in multiple regions and collaborations that extend beyond normal divisional boundaries have only started recently, but the Board of Directors will continue to monitor the creation of systems for promoting the active use of resources within the company.

Introducing ROIC as an indicator has clarified the profitability of not only each business division but also each business unit. In the future, we will need to use data to configure even more detailed business strategies. We need to focus on not only expanding sales but also reducing costs. Also, we cannot expect to increase capital efficiency for the overall Group unless we are open to eliminating businesses from the business portfolio if they cannot be improved adequately within a certain period.

Considering that we announced our first stock buyback in May, in order to achieve medium-and long-term growth and higher stock prices, I intend to persuade the Board of Directors to make management decisions based on more strategic thinking.

Appointment of Board of Directors

Outside Director, Member of the Board

Mie Kitano

Term as Board Member: —

Contributing to Value Creation with Diversity and Innovation

I am Mie Kitano. I was recently appointed Independent Outside Director of Shimadzu Corporation. Most of my professional experience is from purchasing-related supply chain management and corporate communications at a foreign-owned company involved in deploying businesses globally.

When working in purchasing, I was involved in building an open innovation platform for problem-solving and used it to develop innovative new products in collaboration with outside partners. I firmly believe that such strategic partnerships with outside stakeholders can be an especially effective means of solving issues or generating innovation.

In the communications field, I was in charge of corporate public relations, sustainability, and diversity, where the aim was to create organizations that make better use of diversity public relations activities to properly communicate corporate convictions and utilize diversity.

Shimadzu's medium-term management plan that began in FY2023 specified "Be an innovative company that solves social issues with global partners." In order to identify increasingly diverse needs within a rapidly changing external business environment and continue generating corresponding innovation, it is essential that we foster global leaders capable of utilizing strategic partnerships and diversity.

As an outside director, I hope to help Shimadzu create new value by using my previous experience to offer objective management advice based on a new perspective.

Corporate Governance

Messages from Outside Directors

Outside Director, Member of the Board

Hiroko Wada

Term as Board Member: 8 years
Corporate Governance

Retirement from the Board of Directors

Achieving Sustained Shimadzu Growth

It has been a great honor to offer various advice while serving eight years as Shimadzu's first woman outside director and three years as the first outside director to chair the Appointment and Compensation Committee. The Board of Directors has grown to become an open Board of Directors able to exchange a wide variety of opinions. During the eight years I was on the Board, sales increased by about 1.5 times and operating income doubled. Now it is the Shimadzu Group's mission to sustain those wonderful results.
On the other hand, in order to take advantage of opportunities, Shimadzu has been building up various management challenges that need to be resolved, but I sometimes think Shimadzu lacks an adequate sense of urgency about solving those challenges. As long as we continue to be saved by the weak yen, we have been granted a grace period, but we should be challenging ourselves to develop new techniques and other things.
After I retire from the Board, I hope the Board will focus greater efforts on the following four topics.

1. Developing New Products for Driving New Growth

During the last several years, Shimadzu has invested significant resources in expanding various research facilities or other similar facilities, but has not achieved a level of results commensurate with those investments. Before the driving force provided by strategic key models is obscured by the trend to use digital technologies or by competitive pressures, Shimadzu needs to implement decisive reforms in the field of product development. To ensure development teams can freely think of big ideas, challenges need to be conquered by using a variety of methods that have never been tried before.

2. Reassessing Our Business Portfolio and Achieve Breakthroughs through M&A

The differences between the operating margins of respective divisions have not diminished despite many years of efforts. That goal will never be reached without a clear strategy or sufficient innovation. Therefore, in order to increase investment efficiency as well, reassess the business portfolio with no sacred areas and focus those management resources in areas with the potential to win big. Then place expectations on large M&A projects with a larger growth potential, rather than repeating multiple small M&A projects.

3. Success in North America

Expanding businesses outside Japan is strategically important. We achieved amazing success in China, but are behind schedule in North America. Each of the multiple divisions is deploying their respective businesses, but not achieving integrated results. I expect Shimadzu to clarify and steadily connect the strategies for North America.

4. Fostering New Leadership Capabilities

I have mentioned several times that employee capabilities should never be a factor that delays Shimadzu Group growth. The human resource shortage is a serious matter that could inhibit business success if it causes delays in this field. I feel human resource training reforms have been extremely slow. In order to capitalize on business opportunities, the Shimadzu Group needs new leadership skills. Leaders should create winning strategies, be passionate, inspire involvement by others, and serve as a flag bearer that takes the initiative to invigorate organizations. Therefore, Shimadzu should create systems for hiring employees and officers who have the capabilities needed by the Shimadzu Group from outside the Group, for promoting development of non-Japanese human resources, and for recruiting leaders globally.

Corporate Governance

For more details, refer to the website.
https://www.shimadzu.com/ir/governance/skill_matrix.html

Directors' Skill Matrix

The composition of the Shimadzu Board of Directors is determined based on achieving a size and diversity appropriate for deploying businesses, the given business environment, and other factors. Shimadzu is expanding its four business segments (Analytical & Measuring Instruments, Medical Systems, Aircraft Equipment, and Industrial Machinery) globally based on the corporate philosophy "Contributing to Society through Science and Technology." In particular, by integrating technologies from both Analytical & Measuring Instruments and Medical Systems, we are working to create new businesses that leverage our strengths in the healthcare field.

From the perspective of managing the company in that way, in order to achieve a good balance between decision-making for executing important business activities based on extensive discussion by the Board of Directors and functions for appropriately supervising and auditing such business execution, currently the following areas of knowledge and experience are considered important for the Board of Directors—company management, international experience, technology/IT, sales/marketing, finance/accounting, compliance/risk management, and personnel/human resources development. Directors are appointed from candidates with appropriate knowledge and experience in the above areas. The above areas of knowledge and experience will continue to be reassessed based on external business conditions and company circumstances.

Name			Knowledge/Experience of Directors						
			Company Management	International Experience	Technology/IT	Marketing/Sales	Finance/Accounting	Compliance/Risk Management	Personnel/Human Resources Development
Directors	Teruhisa Ueda		●	●	●	●			
	Yasunori Yamamoto		●	●	●		●		
	Akira Watanabe			●		●	●		
	Shuzo Maruyama			●	●			●	
	Nobuo Hanai	Outside Director	●	●	●				
	Yoshiyuki Nakanishi	Outside Director	●	●		●			
	Nami Hamada	Outside Director	●	●			●		●
	Mie Kitano	Outside Director		●				●	●
Audit & Supervisory Board Members	Hiroyuki Fujii				●			●	●
	Makoto Koyazaki			●		●			
	Tsuyoshi Nishimoto	Outside Director		●				●	
	Yuka Hayashi	Outside Director					●	●	

Note: The above is not intended as a complete list of knowledge and experience held by members of the Board of Directors and Audit & Supervisory Board.

Reasons for Appointing Outside Directors and Audit & Supervisory Board Members and Description of Main Activities

Outside Director and Audit & Supervisory Board Member	Category	Independent Officer	Name	Reasons for Appointment and Overview of Duties with Respect to Expected Role	Attendance during FY2023
Outside Director	Reappointed	Independent Officer	Nobuo Hanai	Based on his extensive management experience as a CEO of a major Japanese pharmaceutical company and global knowledge about R&D and the pharmaceutical industry in Japan and throughout the world, he actively expresses views and offers recommendations that strengthen the decision-making and supervisory functions of the Board of Directors. Also, as a member of the Appointment and Compensation Committee, he participates in discussions about improving the transparency and fairness of director appointment/removal and compensation decisions. He was appointed because of his anticipated role in contributing to sustainable growth and increasing the corporate value of the Shimadzu Group based on his knowledge of major markets.	•Attended 13 of 13 Board of Directors meetings •Attended 6 of 6 Appointment and Compensation Committee meetings
	Reappointed	Independent Officer	Yoshiyuki Nakanishi	He has extensive management experience as a top executive of a global chemical company and extensive knowledge of the chemical industry, management strategy, manufacturing, sales and marketing, etc., both in Japan and abroad, which enables him to make proactive comments and proposals that contribute to strengthening the decision-making and supervisory functions of the Board of Directors. Also, as a member of the Appointment and Compensation Committee, he participates in discussions about improving the transparency and fairness of director appointment/removal and compensation decisions. He was appointed because of his anticipated role in contributing to sustainable growth and increasing the corporate value of the Shimadzu Group based on his knowledge of major markets.	•Attended 13 of 13 Board of Directors meetings •Attended 6 of 6 Appointment and Compensation Committee meetings

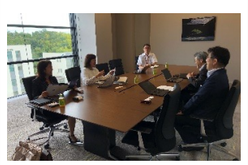
Reasons for Appointing Outside Directors and Audit & Supervisory Board Members and Description of Main Activities

Outside Director and Audit & Supervisory Board Member	Category	Independent Officer	Name	Reasons for Appointment and Overview of Duties with Respect to Expected Role	Attendance during FY2023
Outside Director	Reappointed	Independent Officer	Nami Hamada	She has extensive knowledge of finance and accounting, including management of a finance consulting company, as well as extensive experience as a corporate manager of a Japanese subsidiary of a foreign securities company, and her human resource development and global business expertise enable her to make proactive comments and proposals that contribute to strengthening the decision-making and supervisory functions of the Board of Directors. Also, as a member of the Appointment and Compensation Committee, he participates in discussions about improving the transparency and fairness of director appointment/removal and compensation decisions. She was appointed in anticipation of her valuable advice regarding Shimadzu Group management based on her extensive knowledge of finance, accounting, and other areas and to serve the role of appropriately supervising the execution of business operations.	•Attended 13 of 13 Board of Directors meetings •Attended 6 of 6 Appointment and Compensation Committee meetings
	Newly appointed	Independent Officer	Mie Kitano	In addition to extensive international business experience at multinational companies and foreign-owned pharmaceutical companies, she also offers significant knowledge and experience about procurement and other supply chain issues, human resource training and diversity, and CSR. She was appointed in anticipation of her valuable advice regarding global Shimadzu Group businesses, supply chain management, ESG strategies, and other issues and in anticipation of appropriately supervising the execution of business operations based on her extensive knowledge.	–
Outside Audit & Supervisory Board Member	Reappointed	Independent Officer	Tsuyoshi Nishimoto	He actively offers his opinions at Board of Directors meetings and other situations based on his extensive expert knowledge and experience as a lawyer involved in international legal matters, corporate acquisitions, system development, crisis management, and other fields. He contributes to improving governance within the Shimadzu Group by gathering information from accounting auditors, internal audit departments, and other sources, to provide opinions regarding the preparedness of internal control systems at Shimadzu Group companies. Based on his experience and accomplishments, we believe that he is qualified to serve as an Audit & Supervisory Board Member and have elected him to this position.	•Attended 13 of 13 Board of Directors meetings •Attended 18 of 18 Audit & Supervisory Board meetings
	Retained	Independent Officer	Yuka Hayashi	Based on her extensive experience and knowledge as a certified public accountant, she actively offers her opinions at Board of Directors meetings and other situations. She has been contributing to improving governance of the Shimadzu Group by gathering information from internal control departments and other sources to provide opinions regarding ensuring the financial health of the Shimadzu Group. Based on her experience and accomplishments, we believe that she is qualified to serve as an Audit & Supervisory Board Member and have elected her to this position.	•Attended 10 of 10 Board of Directors meetings •Attended 12 of 12 Audit & Supervisory Board meetings (After assuming office as a Shimadzu Audit & Supervisory Board member)

Activities of Outside Directors and Outside Audit & Supervisory Board Members

Visiting the Keihanna Future Collaboratory

In August 2023, Director Hamada and Audit & Supervisory Board Member Hayashi visited the Keihanna Future Collaboratory and toured the Technology Research Laboratory, where they exchanged views with laboratory employees regarding the day-to-day content of their jobs and working practices, career development, and other matters. Director Hamada and Audit & Supervisory Board Member Hayashi talked about how diversity has affected them as women officers and provided advice about career development and increasing business process efficiency.



Exchanging Views with Technology Research Laboratory Employees

Speaking at Leadership Training for Women

In October 2023, Director Nakanishi conducted a lecture on leadership by women intended to support self-directed career development by women.
During the lecture for women employees who are candidates for management positions, Director Nakanishi talked about his own career experiences and anticipations for promoting DE&I and women's initiatives.

Speaking at Leadership Training

Speaking at Global Manager Training

In February 2024, Director Hamada gave a lecture on global manager training for newly appointed managers at Group companies outside Japan.
In her lecture, she talked about the relationship between diversity and global cooperation for the purpose of achieving additional growth from a traditional Japanese company, factors necessary for leadership, and other topics

Group Photo of Manager Training Participants

Touring Plants and Facilities

To promote a deeper understanding of Shimadzu businesses, Director Hanai, Director Nakanishi, and Audit & Supervisory Board Member Hayashi toured the Tokyo Innovation Plaza in September 2023 and Director Nakanishi, Director Hamada, and Audit & Supervisory Board Member Nishimoto toured the Analytical & Measuring Instruments Plant, Industrial Machinery Plant, and Seta Works in April 2024.

Touring Respective Facilities

Corporate Governance

The following web page includes information about the topic listed below.
https://www.shimadzu.com/ir/governance/code.html

Basic Policy, Corporate Governance Measures, Appointment and Compensation Committee, Director and Audit & Supervisory Board Member Compensation System, Evaluating the Effectiveness of the Board of Directors, and Cross-Shareholdings

Board of Directors

Activities of the Board of Directors

The Board of Directors discusses, resolves, and reports on important matters in accordance with laws and regulations, the Articles of Incorporation, and the rules of the Board of Directors.

The following is a summary of specific matters considered by the Board of Directors during the fiscal year under review.

Major Matters Discussed by the Board of Directors during the Last Fiscal Year

- Progress of implementing business strategies specified in the medium-term management plan (FY2023 to FY2025) and reinforcing the management base
- Strategies for North America
- Important organizational changes associated with the phased transition to regional control
- Acquisition of Zef Scientific, Inc.
- Current status of Shimadzu Diagnostics and future outlook
- Revisions to Shimadzu Group Sustainability Charter
- Revisions to Shimadzu Group Management Basic Regulation
- Building a global foundation for growth aimed at strengthening Shimadzu Group management
- Disclosure of human capital information

Evaluating the Effectiveness of the Board of Directors

Every year, we analyze and evaluate the effectiveness of the directors and auditors who make up the Board of Directors. Again this year, we conducted an independent survey for assessing effectiveness. The survey covered the same following three topics as last year, but some of the questions were revised: 1. Changes over time, 2. New issues since the previous year, 3. Future revisions. Based on the survey results, the Board of Directors held discussions focusing on areas in need of improvement. The following is a summary of the results of the effectiveness evaluation based on discussions at the Board of Directors meetings.

Summary

The result of the assessment was that good effectiveness was maintained since improvements were implemented the previous year, but that additional improvements are required. The Board of Directors is contributing appropriately to the deliberation of monitoring the progress of business strategies and the medium-term management plan. The composition of the current Board of Directors was judged as adequately fulfilling the role of maintaining an environment where differing views can be freely expressed by all members. Compared to the previous year, progress was achieved in terms of selecting discussion topics, modifying documents for efficient discussions, expanding opportunities to discuss risk management and Group governance, and exchanging, recognizing, and sharing information needed by outside directors and Audit & Supervisory Board members. In contrast, improvements will be implemented this fiscal year to enable productive discussions regarding particularly important topics, such as monitoring business strategies and monitoring M&A projects.

Results from Evaluating the Effectiveness of the Board of Directors

Criteria for Evaluating Effectiveness	FY2023 (Applicable year: FY2022)
Composition of the Board of Directors	The size of the Board of Directors (12) and its composition (half being outside directors) were positively rated. We will continue to discuss the composition of the Board so that it will contribute to monitoring strategy and strengthening governance.
Operation of Board of Directors Meetings	Though some improvements were made in terms of allocating time for discussion and providing meeting documents, which were also issues the previous year, it was judged that there is still room for improvement, such as with respect to reducing the number of pages and improving the quality of executive summaries. To ensure Board of Directors meetings can be operated with an emphasis on discussions, we will improve documentation to include clear and succinct discussion points, provide opportunities, schedule off-site meetings where executive officers on the board can engage in focused discussions with directors on the board, and provide more time for important topics that can help increase corporate value.
Roles and Responsibility of the Board of Directors	The evaluation showed that the roles and responsibilities of the Board of Directors are being adequately fulfilled. Topics where efforts should continue to be made include the business portfolio, strategies outside Japan, and investments in research and development. We will continue to work on these as important themes.
Self-Assessment by Directors	All Board of Directors members were judged to be aware of Shimadzu's basic philosophy and their expected roles, engaged in lively discussions based on their diverse backgrounds, and effective.
Support for and Cooperation with Directors and Audit & Supervisory Board Members	Adequate sharing of information and awareness between outside directors and corporate auditors is being carried out appropriately. Adequate opportunities for exchanging views between outside directors and accounting auditors/internal audit departments have been ensured, but ongoing improvements will be made due to inadequate information sharing. Furthermore, measures to improve outside director knowledge and understanding of Shimadzu will be systematically implemented, such as by conducting facility tours and exchanging views with employees.
Dialogue with Shareholders and Investors	Again this year, the assessment indicated that there is an issue with providing information regarding the company's dialogue with shareholders and institutional investors. In addition to sharing more information about executive IR activities, we will also provide more opportunities for dialogue with shareholders and institutional investors.

Appointment and Compensation Committee

Shimadzu established the Appointment and Compensation Committee as an optional advisory body to the Board of Directors for the purpose of strengthening the independence, objectivity, and accountability of the Board of Directors.
This committee resolves and deliberates on matters related to appointments and compensation in accordance with the committee rules. During the fiscal year under review, the committee's specific deliberations included the items in the table below.
The committee met six times during FY2023.

Main Activities of the Appointment and Compensation Committee during the Last Fiscal Year

Appointment Activities	•Policy for composition of the next Board of Directors and corporate officers •Succession plan for the next president and CEO •Candidates for outside directors •Executive changes •Current state of Shimadzu's institutional design
Compensation Activities	•Fixed compensation and short-term performance-linked compensation for the current fiscal year •Result of stock compensation linked to medium/long-term performance •Reassessment of short-term performance-linked compensation system and stock compensation system •Revision to the policy on the amount and calculation method for Director and Audit & Supervisory Board Member compensation

Evaluating the Effectiveness of the Appointment and Compensation Committee

In addition to evaluating the effectiveness of the Board of Directors, a survey about the effectiveness of the Appointment and Compensation Committee has been conducted annually since 2019, the year when the committee was established.
Survey questions primarily involve (1) CEO successor training plan and (2) management incentives. Evaluation results have been generally positive.

Composition of Appointment and Compensation Committee

The Appointment and Compensation Committee is composed of Representative Directors and Outside Directors, with a majority of the members consisting of Outside Directors. The independence of appointments and compensation is increased by generally appointing an Independent Outside Director as the committee chair.

Name	Appointment and Compensation Committee
Outside Director	4
Internal Director	2
Members	6

Members of the Appointment and Compensation Committee

Chairperson: Nobuo Hanai (Outside Director)
Members: Yoshiyuki Nakanishi (Outside Director)
Nami Hamada (Outside Director)
Mie Kitano (Outside Director)
Teruhisa Ueda (Representative Director, Chairman of the Board)
Yasunori Yamamoto (Representative Director, President)

Criteria for Independence of Outside Directors and Audit & Supervisory Board Members

If none of the following apply, Outside Directors and Outside Audit & Supervisory Board members (including candidates) shall have independence from Shimadzu, with no risk of a conflict of interest with general shareholders.

(1) Major supplier of Shimadzu (a company that received payments from Shimadzu equivalent to 2% or more of their annual consolidated sales revenue during the previous fiscal year) or an executive officer of that company
(2) Major customer of Shimadzu (a company that paid Shimadzu an equivalent of 2% or more of Shimadzu's annual consolidated sales revenue during the previous fiscal year) or an executive officer of that company
(3) Consultant, accounting expert, or legal expert (including persons affiliated with a corporation, association, or other organization that received applicable assets) who receives any large monetary or asset compensation from Shimadzu other than the designated director compensation (monetary or asset compensation equivalent to 10 million yen or more, excluding the director compensation, received during the previous fiscal year)
(4) Persons for which any of the conditions (1) to (3) applied within the past year
(5) Relatives within a second-degree kinship to a person indicated in 1. to 3. below (excluding those without importance).

1. A person indicated in (1) to (4)
2. An executive officer of a Shimadzu subsidiary (including directors who are not executive officers when Outside Audit & Supervisory Board members are assigned as independent directors)
3. A person that served as an executive officer indicated in 2. or as a Shimadzu executive officer within the last year (including directors who are not executive officers when Outside Audit & Supervisory Board members are assigned as independent directors)

Corporate Governance

The following web page includes information about the topic listed below.
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Basic Policy, Corporate Governance Measures, Appointment and Compensation Committee, Director and Audit & Supervisory Board Member Compensation System, Evaluating the Effectiveness of the Board of Directors, and Cross-Shareholdings

Policy on Method for Deciding Director and Audit & Supervisory Board Member Compensation

Shimadzu's executive compensation regulations stipulate the procedures for determining the compensation of directors, Audit & Supervisory Board members, and executive officers with specific duties, as well as the compensation structure. In addition, a "Policy on Method for Deciding Director and Audit & Supervisory Board Member Compensation" is also established upon resolution by the Board of Directors based on the deliberations and reports of the Appointment and Compensation Committee.

Compensation for Directors and executive officers with specific duties is decided by Appointment and Compensation Committee members appointed by the Board of Directors within the range decided at the Annual Shareholders' Meeting. Then the results are reported to the Board of Directors. Compensation for Audit & Supervisory Board members is decided through discussion with the Audit & Supervisory Board members.

Director and Audit & Supervisory Board Member Compensation System

Compensation for directors (excluding outside directors) and executive officers with specific duties (collectively referred to as "Director or Officer" below) comprises monetary compensation that includes a base amount and a short-term performance-linked compensation amount that varies depending on performance, plus non-monetary stock compensation, while also taking into consideration the management duties of the Director or Officer with respect to expanding our business results during each fiscal year and increasing medium-and long-term corporate value.

Compensation for outside directors only includes a base compensation amount decided based on their expected roles and duties as an outside director.

Compensation for Audit & Supervisory Board members only includes a base compensation amount decided based on their duties.

Compensation Classification	Internal Director	Outside Director	Audit & Supervisory Board Member	Remarks
Base Compensation	○	○	○	From the perspective of deciding compensation based on objective information, while also providing a level that is sufficient to enable recruiting talented human resources, compensation is decided based on the candidate's current position and intended role, using the compensation offered by similar companies (group of benchmark companies of a similar size and in a similar type of business), to be determined by a survey performed by an outside specialist company, as an important reference level.
Compensation Linked to Short-Term Performance	○	–	–	Compensation is decided based on overall consideration of the year-on-year growth rate of consolidated net sales and operating income, an evaluation of the performance of the specific department the executive officer with specific duties is in charge of, and a personal evaluation.
Stock Compensation	○	–	–	This compensation is provided to share value with the shareholders, increase the incentive for expanding performance and increasing corporate value. It comprises a short-term performance-linked portion and a medium/long-term performance-linked portion. Short-Term Performance-Linked Portion This is a portion of short-term performance-linked compensation included as stocks. It is provided to directors or others in the form of stocks that can only be transferred at a specific time each year. The transfer restriction on those stocks is canceled when the director or other recipient retires. The ratio of stocks provided is decided by the Appointment and Compensation Committee on a case-by-case basis. Medium/Long-Term Performance-Linked Portion For directors, for example, the number of shares provided for each position is decided based on the degree to which performance targets specified were achieved in the final year of the medium-term management plan. Compensation can vary within the 50 to 200% range, given the target achievement degree is determined based on target values for consolidated net sales and operating income as performance indicators. If a director or other employee commits a serious violation of their job duties or company regulations, they will forfeit their right to benefit from scheduled issues of stock and a system is established to charge a monetary amount equivalent to the stock value provided.

Director and Audit & Supervisory Board Member Compensation Status (FY2023)

Classification	Number of Applicable Directors and Audit & Supervisory Board Members	Fixed Compensation (million yen)	Compensation Linked to Performance (million yen)		Total (million yen)
			Compensation Linked to Short-Term Performance	Stock Compensation Linked to Medium/Long-Term Performance[2] (Recorded Expense-Based Value)	
Director (Internal)	5	196	179	17	393
Audit & Supervisory Board Member (Internal)	2	54	–	–	54
Outside Director	4	56	–	–	56
Outside Audit & Supervisory Board Member	3	23	–	–	23
Total	14	330	179	17	527

1. The above includes compensation paid to one director (excluding outside directors) who retired on June 28, 2023 and one outside Audit & Supervisory Board member.
2. The system for stock and non-monetary compensation linked to medium/long-term performance is intended to provide a quantity of stock every 3 years based on the extent to which the performance targets for the final year of the medium-term management plan were achieved. However, implementing the system requires recording that stock compensation as an expense each year. The compensation value indicated above is based on the recorded expense calculated by multiplying the number of points attributable to directors (excluding outside directors) for the given fiscal year by the market stock price, assuming a trust purchased Shimadzu stock. However, actual stock compensation is determined after the medium-term management plan is finished.
3. Employee salaries for officers concurrently serving as employees are not listed as there is nothing applicable.

Executive Sessions

To provide an opportunity to periodically meet and freely discuss issues, exchange views, share circumstances, and so on, executive sessions are held between Outside Directors and Outside Audit & Supervisory Board members, or between Outside Directors and Audit & Supervisory Board members after Board of Directors meetings are finished.

For the purpose of the sessions to provide information to executive management and the Board of Directors, Outside Directors and Outside Audit & Supervisory Board members express their respective views on Shimadzu issues and exchange views with an accounting auditor about improving internal controls.

In addition, informational presentations regarding Shimadzu products and services are offered, mainly to newly appointed outside directors, in conjunction with personnel involved in those products and services in order to promote a deeper understanding of Shimadzu business operations.

Recent meetings for exchanging views are indicated below.

Status of Recent Meetings for Exchanging Views

Meetings between Outside Directors and Outside Audit & Supervisory Board Members	•Exchanging opinions at a meeting with President & CEO •Meeting for exchanging views about corporate governance and institutional design
Meetings between Outside Directors and Audit & Supervisory Board Members	•Meeting for exchanging views about internal controls at subsidiaries outside Japan •Sharing opinions at a meeting with accounting auditors

Outside Directors and Audit & Supervisory Board Members Exchanging Opinions

Conducting a Presentation about Businesses to Newly Appointed Outside Directors

Cross-Shareholdings

1. Policy on Cross-Shareholding

Shimadzu holds stocks that Shimadzu judges will result in increasing medium-and long-term corporate value, from a management strategy perspective. Each year, the Board of Directors verifies the appropriateness of holdings, by confirming whether the overall scale of cross-shareholdings is appropriate and then confirming whether the holdings of individual stocks are appropriate for the given objectives for holding the respective stocks and whether the benefits and risks from holding the stocks are commensurate with the corresponding cost of capital and other factors. Holdings of stocks not consistent with the cross-shareholding policy will be reduced.

Based on the cross-shareholding policy indicated above, the holdings of 31 stocks were decreased by 5.0 billion yen during the five-year period from FY2018 to FY2022. However, in FY2023, all stocks continue to be held due to an assessment that resulted in confirming the suitability of holding the stocks.

2. Stocks Held by Shimadzu for Reasons Other Than Net Investment Purposes

As of March 31, 2024, the number of stocks held for purposes other than net investment was 2.1% of consolidated total assets and 2.9% of consolidated net assets. The number and value of stocks included on the consolidated balance sheet are indicated as follows.

Number of Stocks

(Stock types)

	FY2019	FY2020	FY2021	FY2022	FY2023
Unlisted Stocks	30	30	30	30	28
Stocks Not Unlisted	36	30	24	22	22

Value of Stocks Included on Balance Sheet

(Million yen)

	FY2019	FY2020	FY2021	FY2022	FY2023
Unlisted Stocks	525	519	612	1,530	1,381
Stocks Not Unlisted	10,418	11,907	11,405	10,426	13,054

3. Shareholder Voting Criteria

Shimadzu exercises voting rights for all cross-shareholdings subject to a vote if it is judged that doing so would increase shareholder value. To ensure we exercise our voting rights appropriately, we check the content of each proposal being voted on based on decision criteria specified for each proposal, such as appropriation of retained earnings, appointment of directors or Audit & Supervisory Board members, or establishment of measures to defend against a takeover. For issues involving particularly serious concerns, such as a social scandal, we consider our vote very carefully.

Financial and Corporate Information

Key Financial Data over the Past 11 Years

(Million yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Fiscal Year											
Net sales	307,532	314,702	342,236	342,479	376,530	391,213	385,443	393,499	428,175	482,240	**511,895**
Gross profit	117,959	127,028	140,385	136,409	149,833	157,169	152,430	156,192	178,615	200,959	**220,842**
Selling, general and administrative expenses	93,940	99,838	104,683	99,319	107,011	112,688	110,584	106,450	114,809	132,739	**148,088**
R&D expenses*	13,965	13,610	13,995	14,597	15,536	16,555	16,890	15,672	16,257	18,970	**21,504**
Operating income	24,018	27,189	35,701	37,089	42,822	44,480	41,845	49,742	63,806	68,219	**72,754**
Capital equipment investment	16,163	13,571	12,098	12,876	17,187	21,711	17,676	14,471	16,357	22,512	**22,480**
Depreciation and amortization	8,050	7,951	9,425	9,546	10,591	11,506	13,256	15,536	16,205	17,524	**18,551**
Profit attributable to owners of parent	9,724	18,445	23,899	26,473	29,838	32,523	31,766	36,097	47,289	52,048	**57,038**
Cash Flows											
Cash flows from operating activities	(5,870)	40,245	32,348	29,608	41,215	29,454	39,509	63,801	63,367	48,303	**30,127**
Cash flows from investing activities	390	(15,678)	(13,101)	(12,304)	(11,072)	(22,897)	(16,062)	(13,860)	(6,044)	(34,509)	**(15,998)**
Free cash flows (from operating and investing activities)	(5,480)	24,566	19,246	17,303	30,142	6,557	23,447	49,941	57,323	13,794	**14,129**
Cash flows from financing activities	15,363	(33,197)	(11,689)	(7,294)	(7,902)	(10,819)	(26,185)	(13,033)	(15,658)	(19,418)	**(21,098)**
Year-End Values											
Total assets	340,715	339,832	349,798	375,354	418,548	437,190	437,618	497,459	560,528	618,869	**673,962**
Cash and cash equivalents	43,929	38,422	43,508	52,762	75,090	70,842	66,683	106,855	155,319	153,734	**159,234**
Outstanding interest-bearing debt	53,860	24,668	19,150	18,611	18,636	17,537	2,112	1,743	1,709	1,532	**1,618**
Shareholders' capital	180,449	195,912	214,734	235,342	258,464	282,962	305,395	323,267	359,073	396,415	**436,850**

(Yen)

Per-Share Information											
Profit	32.97	62.55	81.05	89.79	101.26	110.41	107.84	122.52	160.49	176.64	**193.54**
Net assets	616.50	711.38	745.13	818.56	908.76	977.35	1,027.87	1,138.67	1,293.60	1,437.19	**1,670.49**
Dividends	9.00	13.00	18.00	20.00	24.00	28.00	30.00	34.00	48.00	54.00	**60.00**
Payout ratio (%)	27.3	20.8	22.2	22.3	23.7	25.4	27.8	27.8	29.9	30.6	**31.0**

(%)

Key Financial Performance Indicators											
Gross margin	38.4	40.4	41.0	39.8	39.8	40.2	39.5	39.7	41.7	41.7	**43.1**
Operating margin	7.8	8.6	10.4	10.8	11.4	11.4	10.9	12.6	14.9	14.1	**14.2**
ROE (Return on equity)	5.5	9.4	11.1	11.5	11.7	11.7	10.8	11.3	13.2	12.9	**12.5**
ROA (Return on assets)	3.0	5.4	6.9	7.3	7.5	7.6	7.3	7.7	8.9	8.8	**8.8**
Equity ratio	53.4	61.7	62.8	64.3	64.0	65.9	69.2	67.4	68.0	68.4	**73.1**
Price-earnings ratio (×)	27.8	21.4	21.8	19.7	29.5	29.0	26.4	32.7	26.4	23.4	**21.9**
Overseas sales ratio	46.5	49.8	50.9	48.6	50.2	50.4	49.0	50.8	53.0	56.2	**57.9**

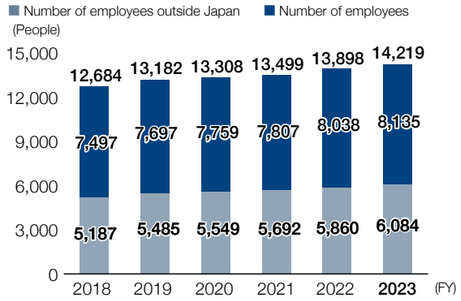
* The above R&D expenses are the testing and research expenses in the securities report plus manufacturing expenses.

Key Non-Financial Data over the Past 6 Years

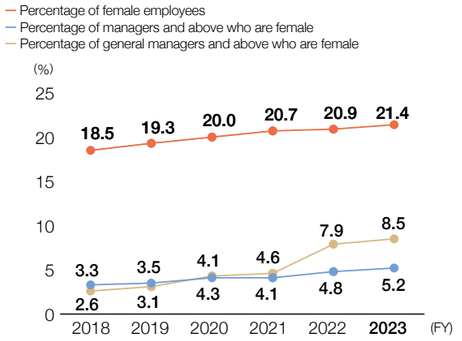
		FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Non-Financial Data (Consolidated)							
Number of employees		12,684	13,182	13,308	13,499	13,898	**14,219**
Number of employees outside Japan		5,187	5,485	5,549	5,692	5,860	**6,084**
Percentage of women in management positions		9.6	8.5	9.2	10.2	10.9	**11.1**
Wage difference between men and women	All employees				65.7	67.5	**68.8**
	Management				88.4	97.2	**95.7**
	General employees				74.9	75.8	**75.8**
Percentage of male employees taking childcare leave[*1] (%)					28.6	45.1	**54.9**
Number of patents held		6,755	7,062	6,423	6,776	7,275	**7,964**
Non-Financial Data (Worldwide Shimadzu Group)							
Energy usage (GJ)		958,643	938,760	916,828	982,528	1,055,000	**951,016**
Energy usage per unit of sales (GJ/billion yen)		2,450	2,436	2,330	2,295	2,188	**1,858**
CO_2 emissions from energy usage (t-CO_2)		44,958	38,548	34,468	18,389	9,980	**10,778**
CO_2 emissions per unit sales (t-CO_2/billion yen)		115	100	88	43	21	**21**
Non-Financial Data (Non-Consolidated)							
Percentage of female employees (%)		18.5	19.3	20.0	20.7	20.9	**21.4**
Percentage of managers and above who are female (%)		3.3	3.5	4.1	4.1	4.8	**5.2**
Percentage of general managers and above who are female (%)		2.6	3.1	4.3	4.6	7.9	**8.5**
Number of new graduate hires[*2]		118	140	124	85	96	**134**
Percentage of new graduate hires who are female (%)		33.9	37.1	31.5	25.9	24.0	**26.9**
Number of mid-career hires		53	31	22	29	51	**58**
Percentage of mid-career hires who are female (%)		39.6	58.1	90.9	55.2	41.2	**19.0**
Number of employees who left the company		25	34	37	34	36	**32**
Average number of years employed (years)	Male	18.6	18.8	19.0	19.3	19.4	**18.2**
	Female	15.9	15.0	14.8	14.8	14.8	**14.2**
Average monthly overtime (hours)	Management positions	31.7	29.4	30.3	30.6	31.7	**29.9**
	Labor union members	8.0	6.8	2.4	5.0	7.4	**8.6**
Percentage of employees who telecommute (%)				31.0	28.0	25.0	**20.0**
Percentage of annual leave taken[*3] (%)		72.7	72.7	66.0	68.0	75.7	**80.1**
	Management positions	48.9	50.1	47.0	45.8	52.8	**58.4**
	Labor union members	79.3	78.8	70.8	74.6	82.2	**86.1**
Percentage of male employees taking childcare leave[*1] (%)		6.5	13.1	22.7	44.6	56.7	**65.5**
Percentage of female employees taking childcare leave[*4] (%)		100.0	100.0	100.0	100.0	100.0	**100.0**
Rate of female employees returning from childcare leave[*5] (%)		96.4	95.7	96.9	100.0	100.0	**100.0**

*1 "Number of employees who took childcare leave in the fiscal year" / "Number of employees whose spouse gave birth in the fiscal year" (calculated as the ratio of taking childcare leave, etc., under Article 71-4-1 of the "Enforcement Regulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (1991 Ministry of Labor Ordinance No. 25))
*2 Actual number of new graduates hired on April 1 of each fiscal year
*3 Number of days of annual leave taken in the fiscal year divided by the number of days granted in the fiscal year
*4 Percentage of employees who started childcare leave by the end of the fiscal year among those who gave birth during the year prior to the applicable fiscal year
*5 Percentage of employees who actually returned to work among those who had completed childcare leave and were scheduled to return to work during the year prior to the applicable fiscal year

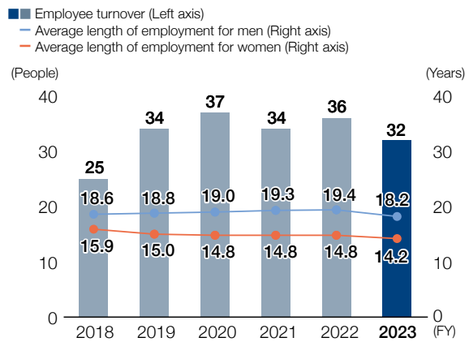
Number of Employees (Consolidated)



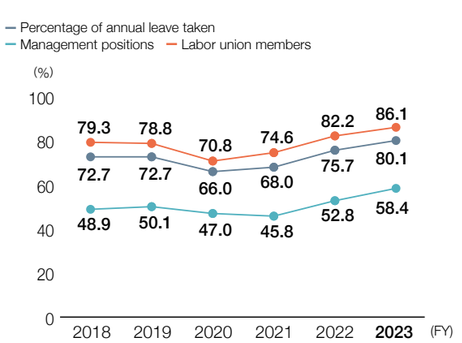
Percentage of Women (Non-Consolidated)



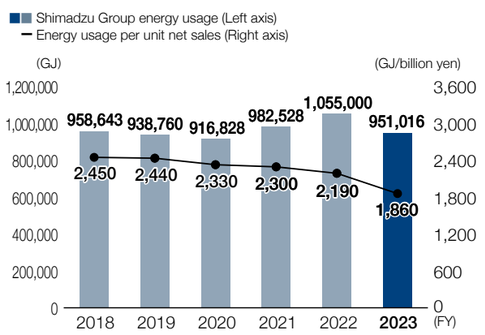
Employee Turnover and Average Years of Employment by Gender (Non-Consolidated)



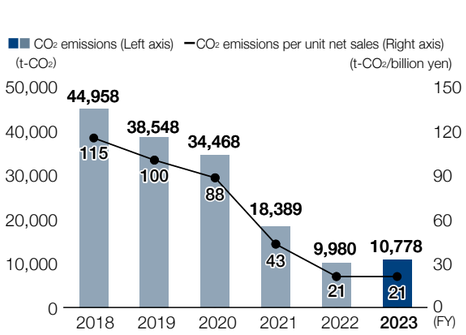
Percentage of Annual Leave Taken (Non-Consolidated)



Energy Usage (Worldwide Shimadzu Group)



CO_2 Emissions (Worldwide Shimadzu Group)



Corporate Overview

The following web page includes information about the topic listed below.
https://www.shimadzu.com/about/profile.html
Corporate Overview

Corporate Profile (as of March 31, 2024)

Name	Shimadzu Corporation
Foundation	March 1875
Formation of Limited Company	September 1917
Address of Head Office	1 Nishinokyo Kuwabara-cho, Nakagyo-ku, Kyoto 604-8511, Japan Phone: +81-75-823-1111
Capital	26,648,899,574 yen
Number of Employees	3,587 (non-consolidated) 14,219 (consolidated)
Number of Consolidated Subsidiaries	24 (in Japan) 55 (outside Japan)

Major Business Offices

Head Office	1 Nishinokyo Kuwabara-cho, Nakagyo-ku, Kyoto
Offices	Tokyo and Kansai (Osaka)
Branches	Sapporo, Tohoku (Sendai City), Tsukuba, Kitakanto (Saitama City), Yokohama, Shizuoka, Nagoya, Kyoto, Kobe, Hiroshima, Shikoku (Takamatsu City), and Kyushu (Fukuoka City)
Plants/Works	Sanjo and Murasakino (Kyoto City), Atsugi (Atsugi City), Hadano (Hadano City), Seta (Otsu City), and Shimadzu Logistics Center Kyoto (Muko City)
Research Laboratories/ Facilities	Technology Research Laboratory (Seika-cho, Soraku-gun, Kyoto City) Koichi Tanaka Mass Spectrometry Research Laboratory (Kyoto City) Healthcare R&D Center (Kyoto City) SHIMADZU Future Collaboratory (Seika-cho, Soraku-gun, Kyoto Prefecture) Shimadzu Tokyo Innovation Plaza (Kawasaki City)

Stock Information

The following web page includes information about the topic listed below.
https://www.shimadzu.com/ir/stock/
Stock Information

Status of Stocks

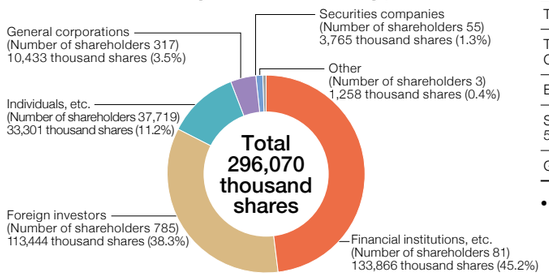
Total Number of Common Stock Authorized	800,000,000
Total Number of Common Stock Issued	296,070,227
Number of Shareholders	38,960
Stock Listing	Prime Market of Tokyo Stock Exchange
TSE Code	7701
Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation
Accounting Auditor	Deloitte Touche Tohmatsu LLC

Major Shareholders (Ten Largest)

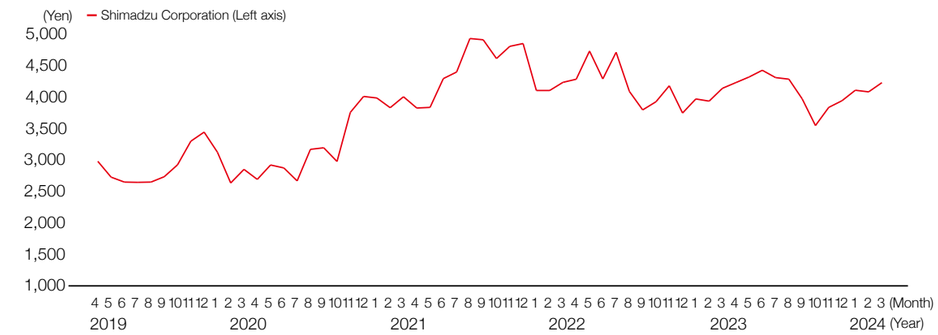
Shareholder Name	Number of Shares Owned (Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,991	13.90
Meiji Yasuda Life Insurance Company	20,742	7.04
Custody Bank of Japan, Ltd. (Trust Account)	13,960	4.74
STATE STREET BANK AND TRUST COMPANY 505223	13,052	4.43
MUFG Bank, Ltd.	7,672	2.60
Taiyo Life Insurance Company	7,411	2.51
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,287	2.13
Bank of Kyoto, Ltd.	4,922	1.67
STATE STREET BANK WEST CLIENT-TREATY 505234	4,653	1.58
GOVERNMENT OF NORWAY	4,539	1.54

• The indicated shareholding ratio was calculated excluding treasury stock (1,255,603 shares).

Ratio of Shares by Shareholder Type



Stock Price (Tokyo Stock Exchange)



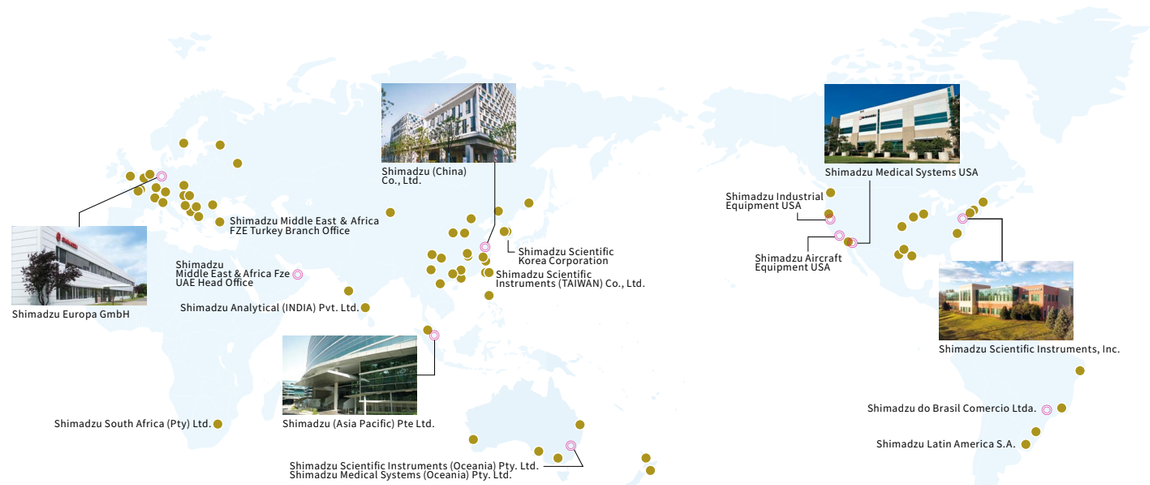
Information about Group Companies

The following web page includes information about the topic listed below.
https://www.shimadzu.com/links/location.html
Shimadzu Group

Main Locations outside Japan

Sales and Service Organizations

○ Regional Headquarters
● Sales and services



Manufacturing and R&D Organizations

● Application development
● Manufacturing
● Research and development