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# ***Shimadzu Corporation and Consolidated Subsidiaries***

*Consolidated Financial Statements for the  
Year Ended March 31, 2021 and  
Independent Auditor's Report*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shimadzu Corporation:

### Opinion

We have audited the consolidated financial statements of Shimadzu Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 4 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Appropriateness of the application of the Revenue Recognition Standards

As described in Note 2, "Summary of Significant Accounting Policies," and Note 11, "Revenue Recognition," included in the consolidated financial statements, the "Group" adopted Accounting Standards Board of Japan ("ASBJ") Statement No. 29, "Accounting Standard for Revenue Recognition" and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition" issued on March 30, 2018 (collectively, the "Standard") on April 1, 2020, the beginning of the year, utilizing the modified retrospective approach in accordance with the Standard, under which the cumulative effect of initially applying the Standard in the amount of 9,506 million yen was recognized as a deduction from the opening balance of retained earnings as of April 1, 2020.

The Group recognizes revenue in accordance with the Standard. With regards to the sales transactions in most Analytical and Measuring Instruments, most Medical Systems and Equipment, and some of the Industrial Machinery, the Group determines the products and installation services are not distinct as the Group is responsible for providing products and installation services under contracts with customers, and consequently customers obtain control of such products and the Group satisfies performance obligations upon completion of installation services for those products. Therefore, revenues from those products and services are recognized upon completion of the installation.

With regard to the sales transactions the Group is responsible for providing products and installation services, installation services are performed mainly by the service division or subsidiaries within the Group. The Group is required to obtain timely all necessary information evidencing the completion of installation services by such division or subsidiaries in order to recognize revenue. The Group has updated its information technology ("IT") systems as well as business processes and controls to recognize revenue upon completion of product installation services in a complete and timely manner.

It is considered critical that information about the completion of product installation services is properly processed and the Group appropriately recognizes revenue based on that information. The Group has controls in place that are dependent on IT systems, such as data interface, and relies on highly integrated IT controls to recognize revenue appropriately. Therefore, we determined this matter required careful considerations in our audit.

Further, in adopting the Standard from the beginning of the year, the Group is required to identify the transactions for which the Group recognized revenue in prior years but had not satisfied the performance obligation on April 1, 2020, and to calculate the amount of the cumulative effect of initially applying the Standard which is accounted for as an adjustment to the opening balance of retained earnings.

Our audit procedures related to the Group's appropriateness of the application of revenue recognition standards included the following, among others:

- We assessed whether the Group's accounting policy met the requirements of the Standard by evaluating each step of the revenue recognition model for the main revenue streams.
- We obtained an understanding of and evaluated the design and operating effectiveness of controls over the revenue recognition processes, commencing with approval for acceptance of orders, by inquiry of relevant company personnel and inspection of documents such as approval for orders received and reports on the completion of product installation services.
- We involved our IT specialists to assist us to obtain an understanding of data flows, processes and automated controls within IT systems from initiation of transactions through recognition of revenue and evaluate the design and operating effectiveness of the controls.
- We performed an analysis of all sales transaction data recorded during the year to identify unusual transactions, for which we performed additional procedures as necessary such as inquiry and inspection of related documents. Further, we selected a sample of sales transactions throughout the year at random and determined whether they were properly recorded by tracing each selection to supporting documents.
- We tested the appropriateness of the journal entries relating to the cumulative effect of initially applying the Standard and, for a selection of the sales transactions which resulted in a deduction from the opening balance of retained earnings, determined whether they were properly included in the cumulative effect of initially applying the Standard by tracing to supporting documents. Further, we tested the completeness of the cumulative effect of initially applying the Standard by using samples selected for transaction testing of revenues performed during prior and current year audits.

Appropriateness of the application of the Revenue Recognition Standards	
<p>In identifying these transactions completely, the Group is required to determine whether the performance obligation was satisfied for transactions which the Group is responsible for providing installation services by considering the status of the installation services at April 1, 2020. In addition, the amount of the cumulative effect of initially applying the Standard is significant. Therefore, we determined this matter required careful consideration in our audit.</p> <p>Given these factors that required significant auditor attention, we determined appropriateness of the application of revenue recognition standards to be a key audit matter.</p>	

### **Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Deloitte Touche Tohmatsu LLC*

June 25, 2021

## Shimadzu Corporation and Consolidated Subsidiaries

### Consolidated Balance Sheet March 31, 2021

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 4)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2021	2020	2021		2021	2020	2021
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents (Note 16)	¥ 106,855	¥ 66,683	\$ 962,658	Short-term borrowings (Notes 8 and 16)	¥ 1,428	¥ 1,858	\$ 12,865
Time deposits (Note 16)	5,905	4,185	53,198	Current portion of long-term debt (Notes 2.o and 8)	3,602	2,227	32,450
Trade receivables and contract assets:				Trade notes and accounts payable (Note 16)	61,425	60,190	553,378
Notes and accounts receivable				Other payables	12,960	13,945	116,757
– trade, and contract assets (Note 16)	117,857	119,904	1,061,775	Contract liabilities	35,696		321,586
Allowance for doubtful receivables	(2,119)	(1,812)	(19,090)	Advances from customers		10,248	
Net trade receivables and contract assets	115,738	118,092	1,042,685	Income taxes payable	7,646	4,845	68,883
Inventories (Note 6)	97,651	87,873	879,739	Provision for bonuses	11,430	9,430	102,973
Prepaid expenses and other current assets	9,297	8,808	83,756	Provision for loss on order received (Note 2.)	126		1,135
				Provision for loss on defense equipment		21	
Total current assets	335,446	285,641	3,022,036	Accrued expenses and other current liabilities	9,784	12,710	88,144
				Total current liabilities	144,097	115,474	1,298,171
<b>PROPERTY, PLANT AND EQUIPMENT (Note 2.f):</b>				<b>LONG-TERM LIABILITIES:</b>			
Land	18,955	18,795	170,766	Long-term debt (Notes 2.o, 8 and 16)	5,227	3,553	47,091
Buildings and structures	53,016	46,485	477,622	Liability for retirement benefits (Note 9)	11,342	14,433	102,180
Machinery, equipment and vehicles	6,367	7,104	57,360	Long-term deposit	80	80	721
Lease assets	2,276	2,936	20,505	Other long-term liabilities (Note 14)	1,208	1,302	10,882
Construction in progress	1,703	6,313	15,342	Total long-term liabilities	17,857	19,368	160,874
Others (Note 2.o)	20,076	16,142	180,865				
Total property, plant and equipment	102,393	97,775	922,460	<b>COMMITMENTS AND CONTINGENT LIABILITIES</b> (Notes 15 and 17)			
				<b>EQUITY (Notes 10 and 20):</b>			
<b>INVESTMENTS AND OTHER ASSETS:</b>				Common stock, authorized, 800,000,000 shares; issued, 296,070,227 shares	26,649	26,649	240,081
Investment securities (Notes 5 and 16)	12,983	11,332	116,964	Capital surplus	34,911	34,911	314,514
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 16)	680	2,037	6,126	Retained earnings	262,967	245,255	2,369,072
Software	7,114	7,645	64,090	Treasury stock – at cost, 1,425,134 shares in 2021 and 1,503,724 shares in 2020	(1,259)	(1,419)	(11,342)
Asset for retirement benefits (Note 9)	19,176	12,147	172,757	Accumulated other comprehensive income (loss):			
Deferred tax assets (Note 14)	11,498	13,341	103,586	Unrealized gain on available-for-sale securities	6,579	4,758	59,270
Other assets	8,169	7,699	73,594	Foreign currency translation adjustments	118	(5,832)	1,063
				Defined retirement benefit plans	5,540	(1,547)	49,910
Total investments and other assets	59,620	54,201	537,117	Total	335,505	302,775	3,022,568
<b>TOTAL</b>	<b>¥ 497,459</b>	<b>¥ 437,617</b>	<b>\$ 4,481,613</b>	<b>TOTAL</b>	<b>¥ 497,459</b>	<b>¥ 437,617</b>	<b>\$ 4,481,613</b>

See notes to consolidated financial statements.

## Shimadzu Corporation and Consolidated Subsidiaries

### Consolidated Statement of Income Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	<u>2021</u>	<u>2020</u>	<u>2021</u>
NET SALES (Notes 2.t, 11 and 21)	¥ 393,499	¥ 385,444	\$ 3,545,036
COST OF SALES (Note 2.t)	<u>237,306</u>	<u>233,014</u>	<u>2,137,892</u>
Gross profit	156,193	152,430	1,407,144
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 2.t and 12)	<u>106,451</u>	<u>110,584</u>	<u>959,018</u>
Operating income (Notes 2.t and 21)	<u>49,742</u>	<u>41,846</u>	<u>448,126</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	552	1,373	4,973
Interest expense	(181)	(92)	(1,631)
Foreign exchange loss, net	(212)	(1,157)	(1,910)
Donation (Note 13)	(2,438)	(304)	(21,964)
Gain on sales of non-current assets	72	546	649
Loss on disposal of non-current assets	(226)	(136)	(2,036)
Gain on transfer of investment securities (Note 13)	1,464		13,189
Gain on sales of investment securities (Note 5)	339	96	3,054
Loss on valuation of investment securities	(61)	(63)	(550)
Impairment loss (Note 7)	(148)		(1,333)
Other, net	<u>915</u>	<u>1,005</u>	<u>8,244</u>
Other income (expenses), net	<u>76</u>	<u>1,268</u>	<u>685</u>
INCOME BEFORE INCOME TAXES (Note 2.t)	49,818	43,114	448,811
INCOME TAXES (Note 14):			
Current	13,417	10,375	120,874
Deferred	<u>303</u>	<u>976</u>	<u>2,730</u>
Total income taxes	<u>13,720</u>	<u>11,351</u>	<u>123,604</u>
NET INCOME	36,098	31,763	325,207
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>                    </u>	<u>                    (4)</u>	<u>                    </u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 36,098</u>	<u>¥ 31,767</u>	<u>\$ 325,207</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Notes 2.x and 19):			
Basic net income	¥122.52	¥107.84	\$1.10
Cash dividends applicable to the year	34.00	30.00	0.31

See notes to consolidated financial statements.

## Shimadzu Corporation and Consolidated Subsidiaries

### Consolidated Statement of Comprehensive Income Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	<u>2021</u>	<u>2020</u>	<u>2021</u>
NET INCOME	¥ 36,098	¥ 31,763	\$ 325,207
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	1,821	(751)	16,405
Foreign currency translation adjustments	5,977	(4,100)	53,847
Defined retirement benefit plans	7,087	(2,631)	63,847
Total other comprehensive income	<u>14,885</u>	<u>(7,482)</u>	<u>134,099</u>
COMPREHENSIVE INCOME	<u>¥ 50,983</u>	<u>¥ 24,281</u>	<u>\$ 459,306</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥50,983	¥24,285	\$459,306
Noncontrolling interests		(4)	

See notes to consolidated financial statements.



**Shimadzu Corporation and Consolidated Subsidiaries**

**Consolidated Statement of Changes in Equity  
Year Ended March 31, 2021**

	Number of Shares of Common Stock Outstanding	Millions of Yen									
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Noncontrolling Interests	Total Equity
						Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, APRIL 1, 2019	294,567,690	¥ 26,649	¥ 34,927	¥ 222,802	¥(1,416)	¥5,509	¥(1,661)	¥ 1,084	¥ 287,894	¥ 47	¥ 287,941
Net income attributable to owners of the parent				31,767					31,767		31,767
Cash dividends				(8,845)					(8,845)		(8,845)
Change in the parent's ownership interest due to transaction with noncontrolling interest				(469)					(469)		(469)
Purchase of treasury stock					(3)				(3)		(3)
Purchase of consolidated subsidiaries stock			(1)						(1)		(1)
Purchase of investments in capital of consolidated subsidiaries			(15)						(15)		(15)
Net change in the year	(1,187)					(751)	(4,171)	(2,631)	(7,553)	(47)	(7,600)
BALANCE, MARCH 31, 2020	294,566,503	26,649	34,911	245,255	(1,419)	4,758	(5,832)	(1,547)	302,775		302,775
Cumulative effects of an accounting change (Note 2.t)				(9,506)			7		(9,499)		(9,499)
Restated balance		26,649	34,911	235,749	(1,419)	4,758	(5,825)	(1,547)	293,276		293,276
Net income attributable to owners of the parent				36,098					36,098		36,098
Cash dividends				(8,845)					(8,845)		(8,845)
Purchase of treasury stock					(4)				(4)		(4)
Disposal of treasury stock					164				164		164
Decrease by merger				(35)					(35)		(35)
Net change in the year	78,590					1,821	5,943	7,087	14,851		14,851
BALANCE, MARCH 31, 2021	<u>294,645,093</u>	<u>¥ 26,649</u>	<u>¥ 34,911</u>	<u>¥ 262,967</u>	<u>¥(1,259)</u>	<u>¥6,579</u>	<u>¥ 118</u>	<u>¥ 5,540</u>	<u>¥ 335,505</u>	<u>¥</u>	<u>¥ 335,505</u>

	Thousands of U.S. Dollars (Note 4)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Noncontrolling Interests	Total Equity
					Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, MARCH 31, 2020	\$ 240,081	\$ 314,514	\$ 2,209,505	\$(12,784)	\$ 42,865	\$(52,541)	\$(13,937)	\$ 2,727,703	\$	\$ 2,727,703
Cumulative effects of an accounting change (Note 2.t)			(85,640)			63		(85,577)		(85,577)
Restated balance	240,081	314,514	2,123,865	(12,784)	42,865	(52,478)	(13,937)	2,642,126		2,642,126
Net income attributable to owners of the parent			325,207					325,207		325,207
Cash dividends			(79,685)					(79,685)		(79,685)
Purchase of treasury stock				(36)				(36)		(36)
Disposal of treasury stock				1,478				1,478		1,478
Decrease by merger			(315)					(315)		(315)
Net change in the year					16,405	53,541	63,847	133,793		133,793
BALANCE, MARCH 31, 2021	<u>\$ 240,081</u>	<u>\$ 314,514</u>	<u>\$ 2,369,072</u>	<u>\$(11,342)</u>	<u>\$ 59,270</u>	<u>\$ 1,063</u>	<u>\$ 49,910</u>	<u>\$ 3,022,568</u>	<u>\$</u>	<u>\$ 3,022,568</u>

See notes to consolidated financial statements.

# Shimadzu Corporation and Consolidated Subsidiaries

## Consolidated Statement of Cash Flows Year Ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2021	2020	2021
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 49,818	¥ 43,114	\$ 448,811
Adjustments for:			
Income taxes paid	(10,071)	(9,310)	(90,730)
Depreciation and amortization	15,536	13,257	139,964
Impairment loss (Note 7)	148		1,333
Foreign exchange (gain) loss, net	(18)	7	(162)
Donation	2,273		20,477
Gain on sales and valuation of investment securities	(277)	(33)	(2,495)
Gain on transfer of investment securities	(1,464)		(13,189)
Loss (gain) on sale and retirement of property, plant and equipment	154	(411)	1,387
Changes in assets and liabilities:			
(Increase) decrease in trade receivables	(5,445)	4,382	(49,054)
Increase in allowance for doubtful receivables	242	183	2,180
Decrease (increase) in inventories	3,126	(5,482)	28,162
Decrease in trade payables	(93)	(5,808)	(838)
Increase in contract liabilities	4,286		38,613
Increase in accrued bonuses	1,929	351	17,378
Increase (decrease) in net defined benefit asset and liability	314	(3,255)	2,829
Other, net	3,343	2,514	30,118
Total adjustments	13,983	(3,605)	125,973
Net cash provided by operating activities	63,801	39,509	574,784
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale of property, plant and equipment	346	1,183	3,117
Purchases of property, plant and equipment	(13,312)	(15,868)	(119,928)
Purchase of investments in capital of subsidiaries		(54)	
Purchases of investment securities	(34)	(149)	(306)
Proceeds from sales of investment securities	549	311	4,946
Payments of long-term loans receivable	(15)	(53)	(135)
Collections of long-term loans receivable	39	67	351
Other, net	(1,433)	(1,499)	(12,910)
Net cash used in investing activities	(13,860)	(16,062)	(124,865)
<b>FINANCING ACTIVITIES:</b>			
Net decrease in short-term borrowings	(430)	(102)	(3,874)
Proceeds from long-term borrowings	280	18	2,523
Repayments of long-term debt	(4,203)	(2,185)	(37,864)
Proceeds from issuance of commercial papers	10,000		90,090
Redemption of commercial papers	(10,000)		(90,090)
Redemption of bonds		(15,000)	
Purchase of consolidated subsidiaries stock from noncontrolling interest without change in scope of consolidation		(3)	
Purchase of investment of subsidiaries from noncontrolling interest without change in scope of consolidation		(49)	
Cash dividends paid	(8,841)	(8,840)	(79,649)
Purchase of treasury stock	160	(3)	1,441
Other, net		(21)	
Net cash used in financing activities	(13,034)	(26,185)	(117,423)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	3,069	(1,941)	27,648
NET DECREASE IN CASH AND CASH EQUIVALENTS	39,976	(4,679)	360,144
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	66,683	70,842	600,748
INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARY		520	
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER WITH UNCONSOLIDATED SUBSIDIARIES	196		1,766
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 106,855	¥ 66,683	\$ 962,658

See notes to consolidated financial statements.

# Shimadzu Corporation and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements Year Ended March 31, 2021

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### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Shimadzu Corporation (the "Company") and its significant subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation** – The consolidated financial statements as of March 31, 2021, include the accounts of the Company and its 23 (23 in 2020) domestic subsidiaries and 53 (53 in 2020) foreign subsidiaries. Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in 4 (5 in 2020) unconsolidated subsidiaries and 4 (3 in 2020) associated companies are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Shimadzu (China) Co., Limited and 9 other subsidiaries have a closing date falling on December 31; however, these companies carry out provisional settlements of accounts on March 31 and use these amounts in consolidated accounts.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** – Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

**c. Cash Equivalents** – Cash equivalents are short-term investments that are readily convertible into cash exposed to insignificant risk of changes in value.

Cash equivalents include time deposits that mature or become due within three months of the date of acquisition.

**d. Marketable and Investment Securities** – Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

**e. Inventories** – Inventories are principally stated at the lower of cost, using the periodic average method, or net selling value.

**f. Property, Plant and Equipment** – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment, lease assets, and right-of-use assets is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 75 years for buildings and structures; from 4 to 17 years for machinery, equipment and vehicles; and from 2 to 15 years for tools, furniture and fixtures included in "Others" under "Property, plant and equipment." The useful lives for lease assets and right-of-use assets are the terms of the respective leases.

Accumulated depreciation at March 31, 2021 and 2020, was ¥109,854 million (\$989,676 thousand) and ¥98,601 million, respectively.

**g. Long-Lived Assets** – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

- h. Goodwill** – Goodwill is amortized using the straight-line method over estimated effective lives of up to 20 years, while immaterial amounts of goodwill are charged to income as incurred. Goodwill is included in the other assets among the investments and other assets section of the consolidated balance sheet.
- i. Software** – Software costs for internal use are capitalized and amortized by the straight-line method over estimated useful lives of 5 years.
- j. Provision for Loss on Order Received** – In order to estimate for future losses on order contracts, the estimated losses on order contracts at the end of the current consolidated fiscal year are estimated on an individual basis.
- k. Retirement and Pension Plans** – The Company and certain domestic subsidiaries have three types of retirement and pension plans covering most of their employees, a cash balance type defined benefit pension plan, a lump-sum severance payment plan, and a defined contribution plan or an advance payment system. Under the defined contribution plan or advance payment system, employees can adopt whichever they consider more preferable. Other domestic subsidiaries have defined benefit pension plans and lump-sum severance payment plans. Certain foreign subsidiaries have non-contributory funded pension plans.

Certain consolidated subsidiaries have adopted a simplified method of calculation with liability for retirement benefits and retirement benefits expense. Under this simplified method, the retirement benefit obligation for employees is stated at the amount which would be required to be paid if all eligible employees voluntarily retired at the balance sheet date.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 15 years no longer than the expected average remaining service period of the employees.

The Company has an employee retirement benefit trust for payments of retirement benefits. The securities that were contributed to and held in this trust qualify as plan assets.

The domestic subsidiaries also have a retirement plan for directors and Audit & Supervisory Board members. The Group provides a liability for the amount that would be required if all directors and Audit & Supervisory Board members retired at the end of each financial period. The accrued provisions are not funded and any amounts payable upon retirement are included in other long-term liabilities as of March 31, 2021 and 2020.

- l. Asset Retirement Obligations** – An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

- m. Research and Development Costs** – Research and development costs are charged to income as incurred.
- n. Allowance for Doubtful Receivables** – The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- o. Leases** – Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

Certain foreign subsidiaries adopted "Leases" (Topic 842 issued by the Financial Accounting Standards Board ("FASB")) on April 1, 2020, the beginning of the year. In terms of implementing the accounting standard, the Group utilizes the method of recognizing cumulative effects from applying the accounting standard on the first date the standard applies, which has been approved in interim measures.

As a result of applying the accounting standard, the "Others" value reported under "Property, plant and equipment" in the consolidated balance sheet reported at the beginning of this fiscal year was increased by ¥1,956 million (\$17,622 thousand), the "Current portion of long-term debt" value under "Current liabilities" was increased by ¥532 million (\$4,792 thousand), and the "Long-term debt" value under "Long-term liabilities" was increased by ¥1,424 million (\$12,829 thousand). Assets were measured by adjusting the amount measured for lease obligations by the prepaid and unpaid lease amounts, which had no effect on the retained earnings value reported at the beginning of the period. As a result, the change did not have a material impact on operating income, and income before income taxes for this fiscal year.

- p. Transactions Related to the Board Incentive Plan Trust** – Based on the resolution at the general meeting of shareholders held on June 28, 2017, the Company introduced the "Board Incentive Plan Trust" (the "Plan") as a performance-based stock remuneration plan for directors and titled corporate officers of the Company (excluding corporate officers who are non-residents of Japan). Accounting treatments related to the trust are in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015).

The Plan is a stock remuneration plan, wherein a trust established by the Company (Board Incentive Plan Trust) acquires Company shares using the cash contributed by the Company, and through this trust the Company shares and money equivalent to the amount obtained by converting the Company shares into cash, corresponding to the points granted based on the degree of achievement of business performance each fiscal year and according to the individual position of the recipient, are delivered and paid to directors.

The shares of the Company remaining in the trust are recorded as treasury stock under equity based on the book value (excluding incidental costs) in the trust. As of March 31, 2021 the Company's treasury stock consisted of 173,426 shares with a total book value of ¥356 million (\$3,207 thousand), compared with 253,200 shares and a total book value of ¥519 million as of March 31, 2020.

In addition, the estimated amount of the aforementioned directors' remuneration allotted at the end of the current fiscal year was recorded as provision for stock payment in "Other long-term liabilities" under "Long-term liabilities."

- q. Bonuses to Directors and Titled Corporate Officers** – Bonuses to directors and titled corporate officers are accrued at the year-end to which such bonuses are attributable. The estimated amount of the aforementioned bonuses to directors and titled corporate officers was recorded as provision for bonuses to directors and titled corporate officers in "Accrued expenses and other current liabilities" under "Current liabilities."

- r. **Income Taxes** – The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Group files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

- s. **Appropriations of Retained Earnings** – Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.
- t. **Revenue Recognition** – The Group adopted ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition" issued on March 30, 2018 on April 1, 2020, the beginning of the year. The amount expected to be received in exchange for promised products and services is recognized as revenue at the time when the control of those products and services is transferred to customers. The main changes resulting from adoption of the Accounting Standard for Revenue Recognition are as follows:

- (1) Revenue recognition for products that require installation services

Previously, in regard to providing products and installation services that the Group is responsible for under contracts with customers, revenue for products was recognized at the point when products were shipped and revenue for installation services was recognized at the point when installation services were completed. The Group identifies performance obligation under contracts with customers and evaluates when the Group satisfies performance obligation, based on the Accounting Standard for Revenue Recognition, and consequently the Group determines that customers obtain control of the products and the Group satisfies performance obligations upon completion of installation services for those products. Therefore, revenues from those products and services are recognized upon completion of the installation.

- (2) Revenue recognition for agency transactions

Previously, in regard to certain transactions, the total amount of consideration received from the customer was recognized as revenue on a gross basis. However, in regard to transactions where the Group is acting as an agent to arrange for the provision of the products or services to customers, the Group recognizes revenue in the net amount of consideration that the Group retains after paying suppliers the consideration received in exchange for the products or services to be provided by the suppliers.

The Group adopted the Accounting Standard for Revenue Recognition on April 1, 2020 using the modified retrospective approach in accordance with the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of initially applying the Accounting Standard for Revenue Recognition was recognized as a deduction from the opening balance of retained earnings as of April 1, 2020. Further, the Group applied the method prescribed in provision (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition. For contract modifications made before the beginning of the year, the Group accounted based on the contract conditions after all modifications were reflected, and the cumulative effect of initially applying the Accounting Standard for Revenue Recognition was recognized as a deduction from the opening balance of retained earnings as of April 1, 2020.

As a result, net sales and cost of sales for the year ended March 31, 2021 increased by ¥2,883 million (\$25,971 thousand) and ¥1,162 million (\$10,468 thousand), respectively, selling, general and administrative expenses increased by ¥508 million (\$4,576 thousand), and operating income, and income before income taxes increased by ¥1,213 million (\$10,927 thousand), compared to using the previous method. The balance of retained earnings on the beginning of the year decreased by ¥9,506 million (\$85,640 thousand).

- u. Foreign Currency Transactions** – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income in the period in which they occur.
- v. Foreign Currency Financial Statements** – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.
- w. Derivatives** – The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange rate risk. The Group does not enter derivatives for trading or speculative purposes.

Foreign currency forward contracts are measured at fair value and the unrealized gains/losses are recognized in income.

- x. Per-Share Information** – Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not presented as there are not any dilutive securities outstanding.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

**y. Changes in Presentation**

**Adoption of Accounting Standard for Disclosure of Accounting Estimates** – The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements for the fiscal year ended March 31, 2021, and notes to significant accounting estimates have been included in the consolidated financial statements.

However, the notes do not include details of the previous consolidated fiscal year in accordance with the transitional treatment set forth in the proviso to Accounting Standard No. 11.

**z. New Accounting Pronouncements**

**Accounting standard for revenue recognition** – On March 31, 2020, ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments." On March 26, 2021, ASBJ issued ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition."

(1) Overview

The disclosure of revenue recognition (presentation and notes) was established.

(2) Date of adoption

The Company will adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.



**Accounting standard for fair value measurement** – On July 4, 2019, ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement" and on March 31, 2020, ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments."

(1) Overview

The International Accounting Standards Board ("IASB") and the FASB have established almost same detailed guidance on fair value measurement. The IASB has established IFRS 13, "Fair Value Measurement," and the FASB has established Topic 820, "Fair Value Measurement."

As a basic policy, the ASBJ has developed comprehensive accounting standards for fair value measurement. From the viewpoint of improving comparability of financial statements between domestic and overseas companies by adopting a unified calculation method, all the provisions of IFRS 13 are subjected to be adopted. Also, the accounting convention for fair value measurement can take priority over the new accounting standard developed by ASBJ, as reasonable to ensure financial statement comparability.

(2) Date of adoption

The Company will adopt the accounting standards and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of the implementation guidance

The Company is in the process of measuring the effects of applying the accounting standards and implementation guidance in future applicable periods.

**a-a. Additional Information**

(1) Assumptions for accounting estimates regarding the impact of coronavirus pandemic

The Company estimates that the coronavirus pandemic will not have a major impact on the accounting estimates, such as the recoverability of deferred tax assets. Any future re-expansion of the coronavirus could have an impact on the Group's financial position and operating results.

(2) The treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system, which has been established by the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), and the items under the stand-alone taxation system that has been reviewed in conjunction with the transition to the group tax sharing system, the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 of February 16, 2018) are not applied, as permitted by Paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39 of March 31, 2020). As a result, the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax laws before the amendment.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES

#### (1) Impairment Loss of Assets of the Group

##### (a) Carrying amounts

	<u>Millions of Yen</u> <u>2021</u>	<u>Thousands of U.S. Dollars</u> <u>2021</u>
Property, plant and equipment	¥102,393	\$922,460
Intangible assets	11,615	104,641

##### (b) Information on the significant accounting estimate

In order to identify indications of impairment loss and to perform recoverability test, business assets are generally grouped by business segment for management accounting, and makes a determination based on the estimated future cash flows of each business unit. Idle assets are grouped by individual property and the recoverable amount is measured by the net selling price. The Group believes that the estimation of future cash flows and recoverable amounts is reasonable. However, if future cash flows and recoverable amounts decrease due to deviations from future business plans, changes in market conditions and demand, etc., an impairment loss may occur, which may have a significant impact on profit or loss.

#### (2) Valuation of Retirement Benefit Obligations and Costs

##### (a) Carrying amounts

	<u>Millions of Yen</u> <u>2021</u>	<u>Thousands of U.S. Dollars</u> <u>2021</u>
Net defined benefit asset	¥19,176	\$172,757
Net defined benefit liability	11,342	102,180

##### (b) Information on the significant accounting estimate

The calculation of retirement benefit costs and retirement benefit obligations for employees is based on actuarial assumptions. Assumptions include the discount rate, expected rate of salary increase, retirement rate, mortality rate, and expected long-term rate of return on plan assets. The actuarial assumptions used by the Group are considered reasonable. However, differences between the assumptions and actual results and changes in the assumptions themselves may affect future periodic benefit costs, benefit obligations and the required contributions to the plan, which may have a material impact on earnings and financial position.

#### (3) Recoverability of Deferred Tax Assets

##### (a) Carrying amounts

	<u>Millions of Yen</u> <u>2021</u>	<u>Thousands of U.S. Dollars</u> <u>2021</u>
Deferred tax assets	¥11,498	\$103,586

(b) Information on the significant accounting estimate

The Group has established a valuation allowance for deferred tax assets deemed to be unrecoverable and has provided for them in an appropriate amount. The recoverability of deferred tax assets is determined by whether each entity or entity has sufficient taxable income and is measured by historical estimates of future taxable income. If the future taxable income falls below the estimated amount due to a deterioration in the market environment or business performance, and it is determined that part or all of the deferred tax assets cannot be recovered, an additional valuation allowance for the deferred tax assets may be established, which may have a material impact on profit or loss.

#### 4. U.S. DOLLAR AMOUNTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111 to \$1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

#### 5. INVESTMENT SECURITIES

Investment securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Non-current:			
Marketable equity securities	¥ 12,372	¥ 10,735	\$ 111,459
Non-marketable equity securities	611	597	5,505
Total	<u>¥ 12,983</u>	<u>¥ 11,332</u>	<u>\$ 116,964</u>

The cost and aggregate fair values of investment securities at March 31, 2021 and 2020, were as follows:

	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
<u>March 31, 2021</u>				
Securities classified as:				
Available-for-sale equity securities	¥ 2,934	¥ 9,438	¥ (1)	¥ 12,371
<u>March 31, 2020</u>				
Securities classified as:				
Available-for-sale equity securities	¥ 3,951	¥ 6,793	¥ (9)	¥ 10,735
<u>Thousands of U.S. Dollars</u>				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<u>March 31, 2021</u>				
Securities classified as:				
Available-for-sale equity securities	\$ 26,432	\$ 85,027	\$ (9)	\$ 111,450

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
<u>March 31, 2021</u>			
Available-for-sale: Equity securities	¥ 549	¥ 339	
	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
<u>March 31, 2020</u>			
Available-for-sale: Equity securities	¥ 311	¥ 96	
	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
<u>March 31, 2021</u>			
Available-for-sale: Equity securities	\$ 4,946	\$ 3,054	

In addition to the sales mentioned above, investment securities held by the Company were donated to the Shimadzu Science Foundation. Details are described in Note 13.

## 6. INVENTORIES

Inventories at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Merchandise and finished goods	¥ 59,117	¥ 46,928	\$ 532,585
Work in process	18,383	20,643	165,613
Raw materials and supplies	<u>20,151</u>	<u>20,302</u>	<u>181,541</u>
Total	<u>¥ 97,651</u>	<u>¥ 87,873</u>	<u>\$ 879,739</u>

## 7. LONG-LIVED ASSETS

The Group recognized impairment loss for the year ended March 31, 2021, as follows:

March 31, 2021

Location	Usage	Description	Millions of Yen	Thousands of U.S. Dollars
California, USA	Idle assets	Machinery, equipment and vehicles	¥ 148	\$ 1,333

Idle assets are generally grouped by individual property. The Group has recognized impairment losses on idle assets due to reduced availability and no prospect for future use. The carrying amounts of those assets were written down to their recoverable amounts. The recoverable amount of those assets was measured at its net selling price. The net selling price is estimated by expected sale price.

## 8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings primarily consisted of bank overdrafts and financing agreements with banks, which are renewable on an annual basis and bear interest at annual rates ranging from 0.37% to 0.43% and from 0.36% to 4.60%, at March 31, 2021 and 2020, respectively.

Long-term debt at March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Thousands of
	<u>2021</u>	<u>2020</u>	<u>U.S. Dollars</u>
Borrowings, principally from banks, due serially to 2026 with interest rates ranging from 0.00% to 2.20% at March 31, 2021 (from 0.00% to 2.20%, due serially to 2024 at March 31, 2020)	¥ 316	¥ 261	\$ 2,847
Obligations under finance leases	<u>8,513</u>	<u>5,519</u>	<u>76,694</u>
Total	8,829	5,780	79,541
Less current portion	<u>(3,602)</u>	<u>(2,227)</u>	<u>(32,450)</u>
Long-term debt, less current portion	<u>¥ 5,227</u>	<u>¥ 3,553</u>	<u>\$ 47,091</u>

Annual maturities of long-term debt outstanding at March 31, 2021 were as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2022	¥3,602	\$ 32,450
2023	2,878	25,928
2024	861	7,757
2025	553	4,982
2026	314	2,829
2027 and thereafter	<u>621</u>	<u>5,595</u>
Total	<u>¥8,829</u>	<u>\$ 79,541</u>

## 9. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. In addition, consolidated domestic subsidiaries have severance payment plans for directors and Audit & Supervisory Board members. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the basic rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated domestic subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or certain other conditions.

The liability for retirement benefits at March 31, 2021 and 2020, for directors and Audit & Supervisory Board members is ¥132 million (\$1,190 thousand) and ¥144 million and includes in "Other long-term liabilities" under "Long-term liabilities," respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders of each subsidiary.

- (1) The changes in defined benefit obligation for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Balance at beginning of year	¥ 54,742	¥ 55,230	\$ 493,171
Current service cost	2,352	2,271	21,189
Interest cost	680	655	6,126
Actuarial losses (gains)	1,052	(455)	9,477
Benefits paid	(2,815)	(2,336)	(25,360)
Others	<u>940</u>	<u>(623)</u>	<u>8,469</u>
Balance at end of year	<u>¥ 56,951</u>	<u>¥ 54,742</u>	<u>\$ 513,072</u>

- (2) The changes in plan assets for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Balance at beginning of year	¥ 55,882	¥ 56,915	\$ 503,441
Expected return on plan assets	1,215	1,013	10,946
Actuarial gains (losses)	11,437	(4,442)	103,036
Contributions from the employer	1,480	4,484	13,333
Benefits paid	(2,209)	(1,675)	(19,901)
Others	<u>679</u>	<u>(413)</u>	<u>6,118</u>
Balance at end of year	<u>¥ 68,484</u>	<u>¥ 55,882</u>	<u>\$ 616,973</u>

- (3) The changes in defined benefit liability and defined benefit assets for the plans to which the simplified method was applied for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Balance at beginning of year	¥ 3,427	¥ 3,143	\$ 30,874
Net periodic benefit costs	886	847	7,982
Benefits paid	(299)	(452)	(2,694)
Contributions from the employer	(315)	(148)	(2,838)
Others	<u>2</u>	<u>37</u>	<u>18</u>
Balance at end of year	<u>¥ 3,701</u>	<u>¥ 3,427</u>	<u>\$ 33,342</u>

In the above, defined benefit liability and defined benefit assets have been offset.

- (4) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Funded defined benefit obligation	¥ 61,467	¥ 59,189	\$ 553,757
Plan assets	<u>(71,263)</u>	<u>(58,635)</u>	<u>(642,009)</u>
	(9,796)	554	(88,252)
Unfunded defined benefit obligation	<u>1,962</u>	<u>1,732</u>	<u>17,675</u>
Net liability arising from defined benefit obligation	<u>¥ (7,834)</u>	<u>¥ 2,286</u>	<u>\$ (70,577)</u>
Liability for retirement benefits	¥ 11,342	¥ 14,433	\$ 102,180
Asset for retirement benefits	<u>(19,176)</u>	<u>(12,147)</u>	<u>(172,757)</u>
Net liability arising from defined benefit obligation	<u>¥ (7,834)</u>	<u>¥ 2,286</u>	<u>\$ (70,577)</u>

- (5) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Service cost	¥ 2,352	¥ 2,271	\$ 21,189
Interest cost	680	655	6,126
Expected return on plan assets	(1,215)	(1,013)	(10,946)
Recognized actuarial losses	424	100	3,820
Amortization of prior service cost	(236)	(243)	(2,126)
Others	<u>886</u>	<u>847</u>	<u>7,982</u>
Net periodic benefit costs	<u>¥ 2,891</u>	<u>¥ 2,617</u>	<u>\$ 26,045</u>

- (6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Prior service cost	¥ (225)	¥ (251)	\$ (2,027)
Actuarial losses (gains)	<u>10,601</u>	<u>(3,767)</u>	<u>95,504</u>
Total	<u>¥ 10,376</u>	<u>¥ (4,018)</u>	<u>\$ 93,477</u>

- (7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Unrecognized prior service cost	¥ 151	¥ 376	\$ 1,360
Unrecognized actuarial losses (gains)	<u>8,037</u>	<u>(2,564)</u>	<u>72,406</u>
Total	<u>¥ 8,188</u>	<u>¥ (2,188)</u>	<u>\$ 73,766</u>

(8) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Equity investments	60%	51%
Debt investments	23	27
General account asset	14	17
Others	<u>3</u>	<u>5</u>
Total	<u>100%</u>	<u>100%</u>

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2021 and 2020, were set forth as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	1.5%	1.5%

The expected compensation increase rate for the years ended March 31, 2021 and 2020, is based on the age-specific compensation increase index as of March 31, 2020.

(10) Defined contribution pension plans

The Company and certain domestic and overseas subsidiaries paid costs for defined contribution pension plans of ¥576 million (\$5,189 thousand) and ¥725 million, respectively, for the years ended March 31, 2021 and 2020.

## 10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders.



b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## 11. REVENUE RECOGNITION

Based on the following five-step approach, the Group recognizes revenue from contracts with customers in the amount of consideration it expects to receive in exchange for the promised goods or services when the control of those goods or services is transferred to the customers.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In recognizing revenue, the Group identifies performance obligations based on contracts with customers for the sales of products, services and other sales in its core business of measuring instruments, medical equipment, aeronautical equipment and industrial equipment, and generally recognizes revenue at the following times when the performance obligations are satisfied:

(1) Revenue from Sales of Products

With respect to the sales transaction the Group is responsible for providing products and installation services, revenue is recognized upon completion of product installation services, and with respect to the sales transaction the Group is not responsible for providing products and installation services, revenue is recognized upon delivery of products, when customers obtain control of the products and the Group satisfies performance obligations.

With respect to the sales transaction the Group is not responsible for providing products and installation services, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is an ordinary period.

(2) Revenue from Services and Other Sales

Revenue from services and other sales mainly includes revenues from warranty, repair, maintenance, and relocation activities related to products. Revenues is recognized at the time service is completed if performance obligations are satisfied at a point in time, and based on a straight-line basis or on a progress over the service period if performance obligations are satisfied over time.

## 12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥10,156 million (\$91,495 thousand) and ¥10,633 million for the years ended March 31, 2021 and 2020, respectively.

## 13. DONATION AND GAIN ON TRANSFER OF INVESTMENT SECURITIES

The Group recognized donation and gain on transfer of investment securities for the year ended March 31, 2021, as follows: The Group donated the investment securities to the Shimadzu Science Foundation. As a result, the market value of the investment securities at the time of transfer was ¥2,273 million (\$20,477 thousand), which was recorded as donation as other income (expenses). And the difference between the book value and the market value at the time of transfer was ¥1,464 million (\$13,189 thousand), which was recorded as gain on transfer of investment securities as other income (expenses).

## 14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2021 and 2020, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Unrealized profit eliminated from inventories	¥ 4,073	¥ 2,684	\$ 36,694
Liability for retirement benefits	3,740	6,931	33,694
Accrued bonuses	3,070	2,723	27,658
Depreciation	2,422	2,458	21,820
Loss on devaluation of inventories	1,255	1,281	11,306
Enterprise taxes	518	382	4,667
Allowance for doubtful receivables	379	350	3,414
Loss on impairment of long-lived assets	275	239	2,477
Tax loss carryforwards	266	179	2,396
Other	3,474	3,502	31,297
Total	19,472	20,729	175,423
Less valuation allowance	(812)	(821)	(7,315)
Total deferred tax assets	<u>¥ 18,660</u>	<u>¥ 19,908</u>	<u>\$ 168,108</u>
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	¥ 3,745	¥ 3,951	\$ 33,739
Unrealized gain on available-for-sale securities	2,857	2,026	25,739
Other	718	726	6,468
Total deferred tax liabilities	<u>¥ 7,320</u>	<u>¥ 6,703</u>	<u>\$ 65,946</u>
Net deferred tax assets	<u>¥ 11,498</u>	<u>¥ 13,341</u>	<u>\$ 103,586</u>
Net deferred tax liabilities (included in other long- term liabilities)	<u>¥ 158</u>	<u>¥ 136</u>	<u>\$ 1,424</u>

The above net deferred tax assets and liabilities represent the aggregate amounts of each individual taxpayer's net deferred tax assets or liabilities.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2021, with the corresponding figures for the year ended March 31, 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Normal effective statutory tax rate	30.5%	30.5%
Expenses not permanently deductible for income tax purposes	1.2	0.8
Per capita inhabitant tax	0.2	0.3
Valuation allowance	0.0	0.1
Difference in subsidiaries' tax rates	(1.1)	(1.3)
Tax credit for research and development costs	(3.5)	(3.9)
Other, net	<u>0.2</u>	<u>(0.2)</u>
Actual effective tax rate	<u>27.5%</u>	<u>26.3%</u>

## 15. LEASES

### LESSEE

The Group leases certain office space, computer equipment and other assets.

Total rental expenses for the years ended March 31, 2021 and 2020, were ¥5,352 million (\$48,216 thousand) and ¥7,209 million, respectively. Future minimum payments under noncancelable operating leases as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Due within one year	¥ 52	¥ 706	\$ 468
Due after one year	<u>102</u>	<u>981</u>	<u>919</u>
Total	<u>¥ 154</u>	<u>¥ 1,687</u>	<u>\$ 1,387</u>

(Note) Lease transactions recorded on consolidated balance sheet under IFRS 16 and U.S. FASB Topic 842 are not included in above information.

### LESSOR

Future lease income under noncancelable operating leases as of March 31, 2021 and 2020 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Due within one year	¥42	¥ 104	\$ 379
Due after one year	<u>44</u>	<u>86</u>	<u>396</u>
Total	<u>¥86</u>	<u>¥ 190</u>	<u>\$ 775</u>

## 16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policy for Financial Instruments

The Group uses financial instruments such as loans from banks, bonds, and commercial paper. Cash surpluses, if any, are invested in low-risk financial assets such as deposits. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

### (2) Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Such customer credit risk is managed by administering the term and balance according to the Group's policies and by monitoring indications of deterioration of the financial condition of customers. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position is hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. The risk is managed by monitoring market values and financial positions of issuers on a regular basis.

Payment terms of payables, such as trade notes and trade accounts, are generally less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currencies as noted above.

Short-term loans and commercial paper are mainly used for operating activities, and long-term loans and bonds are mainly used for investment in property, plant and equipment. A part of such loans is exposed to market risks of interest rate fluctuation. Although payables and loans are exposed to liquidity risk, such risk is managed by making monthly cash flow plans.

Please see Note 17 about derivatives.

### (3) Fair Values of Financial Instruments

Carrying amount, fair value, and unrealized gains (losses) of financial instruments are as follows. Financial instruments whose fair value cannot be reliably determined are not included in the following table.

#### (a) Fair value of financial instruments

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
<u>March 31, 2021</u>			
Cash and cash equivalents	¥ 106,855	¥ 106,855	
Time deposits	5,905	5,905	
Notes and accounts receivable – trade, and contract assets	117,857	117,733	¥ (124)
Investment securities	<u>12,372</u>	<u>12,372</u>	_____
Total	<u>¥ 242,989</u>	<u>¥ 242,865</u>	<u>¥ (124)</u>
Trade notes and accounts payable	¥ 61,425	¥ 61,425	
Short-term borrowings	<u>1,428</u>	<u>1,428</u>	_____
Total	<u>¥ 62,853</u>	<u>¥ 62,853</u>	=====
Derivatives	¥ (418)	¥ (418)	

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
<u>March 31, 2020</u>			
Cash and cash equivalents	¥ 66,683	¥ 66,683	
Time deposits	4,185	4,185	
Notes and accounts receivable – trade, and contract assets	119,904	119,787	¥(117)
Investment securities	<u>10,735</u>	<u>10,735</u>	<u>          </u>
Total	<u>¥ 201,507</u>	<u>¥ 201,390</u>	<u>¥(117)</u>
Trade notes and accounts payable	¥ 60,190	¥ 60,190	
Short-term borrowings	<u>1,858</u>	<u>1,858</u>	<u>          </u>
Total	<u>¥ 62,048</u>	<u>¥ 62,048</u>	<u>          </u>
Derivatives	<u>¥55</u>	<u>¥55</u>	

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains (Losses)
<u>March 31, 2021</u>			
Cash and cash equivalents	\$ 962,658	\$ 962,658	
Time deposits	53,198	53,198	
Notes and accounts receivable – trade, and contract assets	1,061,775	1,060,658	\$(1,117)
Investment securities	<u>111,459</u>	<u>111,459</u>	<u>          </u>
Total	<u>\$ 2,189,090</u>	<u>\$ 2,187,973</u>	<u>\$(1,117)</u>
Trade notes and accounts payable	\$ 553,378	\$ 553,378	
Short-term borrowings	<u>12,865</u>	<u>12,865</u>	<u>          </u>
Total	<u>\$ 566,243</u>	<u>\$ 566,243</u>	<u>          </u>
Derivatives	<u>\$(3,766)</u>	<u>\$(3,766)</u>	

#### Cash and Cash Equivalents and Time Deposits

The carrying values of cash and cash equivalents and time deposits approximate fair value because of their short maturities.

#### Notes and Accounts Receivable – Trade, and Contract Assets

The fair values of trade receivables are measured at the amount to be received at maturity discounted at the Group-assumed corporate discount rate.

#### Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments. Fair value information for investment securities by classification is included in Note 5.

#### Trade Notes and Accounts Payable, Short-Term Borrowings

The carrying values of trade notes and accounts payable and short-term borrowings approximate fair value because of their short maturities.

### Derivatives

Fair value information for derivatives is included in Note 17.

- (b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>
Investments in equity instruments that do not have a quoted market price in an active market	¥ 521	¥ 528	\$ 4,694
Stocks of unconsolidated subsidiaries and associated companies	680	677	6,126
Investment in investment partnerships	<u>90</u>	<u>68</u>	<u>811</u>
Total	<u>¥ 1,291</u>	<u>¥ 1,273</u>	<u>\$ 11,631</u>

It is extremely difficult to calculate their fair values because there are no market prices. Therefore, these items are not included in "(a) Investment securities."

- (4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>	
	<u>Due in 1 Year or Less</u>	<u>Due after 1 Year</u>	<u>Due in 1 Year or Less</u>	<u>Due after 1 Year</u>
<u>March 31, 2021</u>				
Cash and cash equivalents	¥ 106,855		\$ 962,658	
Time deposits	5,905		53,198	
Notes and accounts receivable – trade, and contract assets	<u>117,556</u>	<u>¥ 301</u>	<u>1,059,063</u>	<u>\$ 2,712</u>
Total	<u>¥ 230,316</u>	<u>¥ 301</u>	<u>\$ 2,074,919</u>	<u>\$ 2,712</u>

Please see Note 8 for annual maturities of long-term debt.

## **17. DERIVATIVES**

The Group enters into foreign currency forward contracts to hedge exchange rate risk associated with certain assets and liabilities denominated in foreign currencies. All derivative transactions are entered into to hedge foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is generally offset by opposite movements in the value of hedged assets or liabilities, except for credit-related market risk.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions are operated by the finance and accounting department with internal policies under the supervision of the Chief Financial Officer.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

The Company has the following derivative contracts outstanding as of March 31, 2021 and 2020:

	2021			2020		
	In	Millions of Yen		In	Millions of Yen	
	Thousands Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)	Thousands Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:						
Selling USD	USD 91,000	¥(384)	¥(384)	USD 89,500	¥43	¥43
Selling Euro	EUR 19,500	(37)	(37)	EUR 16,500	12	12
Buying USD	USD 1,147	3	3			

  

	2021		
	In	Thousands of U.S. Dollars	
	Thousands Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:			
Selling USD	USD 91,000	\$(3,459)	\$(3,459)
Selling Euro	EUR 19,500	(333)	(333)
Buying USD	USD 1,147	27	27

The fair value is estimated based on quotes from financial institutions.

## 18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2021	2020	2021
Unrealized gain on available-for-sale securities:			
Gains (losses) arising during the year	¥ 4,454	¥(1,097)	\$ 40,126
Reclassification adjustments to profit or loss	<u>(1,802)</u>	<u>22</u>	<u>(16,234)</u>
Amount before income tax effect	2,652	(1,075)	23,892
Income tax effect	<u>(831)</u>	<u>324</u>	<u>(7,487)</u>
Total	<u>¥ 1,821</u>	<u>¥ (751)</u>	<u>\$ 16,405</u>
Foreign currency translation adjustments:			
Adjustments arising during the year	<u>¥ 5,977</u>	<u>¥(4,100)</u>	<u>\$ 53,847</u>
Total	<u>¥ 5,977</u>	<u>¥(4,100)</u>	<u>\$ 53,847</u>
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 10,194	¥(3,866)	\$ 91,838
Reclassification adjustments to profit or loss	<u>181</u>	<u>(152)</u>	<u>1,631</u>
Amount before income tax effect	10,375	(4,018)	93,469
Income tax effect	<u>(3,288)</u>	<u>1,387</u>	<u>(29,622)</u>
Total	<u>¥ 7,087</u>	<u>¥(2,631)</u>	<u>\$ 63,847</u>
Total other comprehensive (loss) income	<u>¥ 14,885</u>	<u>¥(7,482)</u>	<u>\$ 134,099</u>

## 19. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2021 and 2020, was as follows:

	<u>Millions of Yen</u>	<u>Thousands of Shares</u>	<u>Yen</u>	<u>U.S. Dollars</u>
	<u>Net Income</u>	<u>Weighted- Average Shares</u>	<u>EPS</u>	
<u>Year Ended March 31, 2021</u>				
Basic EPS				
Net income available to common shareholders	¥ 36,098	294,624	¥ 122.52	\$ 1.10
<u>Year Ended March 31, 2020</u>				
Basic EPS				
Net income available to common shareholders	¥ 31,767	294,567	¥ 107.84	

Diluted EPS for the years ended March 31, 2021 and 2020, is not disclosed because no potentially dilutive securities are outstanding.

## 20. SUBSEQUENT EVENTS

### *Appropriation of Retained Earnings*

The following appropriation of retained earnings at March 31, 2021, was approved at the Company's shareholders' meeting held on June 25, 2021:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥19 (\$0.17) per share	¥5,602	\$50,468

## 21. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

### (1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. As such, the Group's reportable segments consist of Analytical and Measuring Instruments, Medical Systems and Equipment, Aircraft Equipment, and Industrial Machinery.

### (2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."



## (3) Information about Sales, Profit (Loss), Assets, and Other Items

		Millions of Yen								
		2021								
		Reportable Segment								
		Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Total	Other	Total	Reconciliations	Consolidated
Sales:										
Sales to external customers		¥ 248,550	¥ 66,904	¥ 28,560	¥ 45,083	¥ 389,097	¥ 4,402	¥ 393,499		¥ 393,499
Intersegment sales or transfers		6	25		77	108	1,706	1,814	¥ (1,814)	
Total		<u>¥ 248,556</u>	<u>¥ 66,929</u>	<u>¥ 28,560</u>	<u>¥ 45,160</u>	<u>¥ 389,205</u>	<u>¥ 6,108</u>	<u>¥ 395,313</u>	<u>¥ (1,814)</u>	<u>¥ 393,499</u>
Segment profit		¥ 42,485	¥ 4,370	¥ 67	¥ 4,124	¥ 51,046	¥ 989	¥ 52,035	¥ (2,293)	¥ 49,742
Segment assets		241,018	62,530	43,130	49,234	395,912	7,944	403,856	93,603	497,459
Other:										
Depreciation		9,533	2,737	1,068	1,782	15,120	416	15,536		15,536
Increase in property, plant and equipment and intangible assets		8,458	2,386	1,104	2,275	14,223	248	14,471		14,471
		Millions of Yen								
		2020								
		Reportable Segment								
		Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Total	Other	Total	Reconciliations	Consolidated
Sales:										
Sales to external customers		¥ 236,219	¥ 70,179	¥ 30,040	¥ 43,032	¥ 379,470	¥ 5,974	¥ 385,444		¥ 385,444
Intersegment sales or transfers		42	32	118	80	272	1,824	2,096	¥ (2,096)	
Total		<u>¥ 236,261</u>	<u>¥ 70,211</u>	<u>¥ 30,158</u>	<u>¥ 43,112</u>	<u>¥ 379,742</u>	<u>¥ 7,798</u>	<u>¥ 387,540</u>	<u>¥ (2,096)</u>	<u>¥ 385,444</u>
Segment profit		¥ 35,753	¥ 3,190	¥ 792	¥ 3,659	¥ 43,394	¥ 1,199	¥ 44,593	¥ (2,747)	¥ 41,846
Segment assets		214,585	61,436	51,435	45,683	373,139	7,485	380,624	56,993	437,617
Other:										
Depreciation		7,798	2,476	1,085	1,603	12,962	295	13,257		13,257
Increase in property, plant and equipment and intangible assets		10,340	2,998	1,779	2,260	17,377	299	17,676		17,676
		Thousands of U.S. Dollars								
		2021								
		Reportable Segment								
		Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Total	Other	Total	Reconciliations	Consolidated
Sales:										
Sales to external customers		\$ 2,239,189	\$ 602,739	\$ 257,297	\$ 406,153	\$ 3,505,378	\$ 39,658	\$ 3,545,036		\$ 3,545,036
Intersegment sales or transfers		54	225		694	973	15,369	16,342	\$ (16,342)	
Total		<u>\$ 2,239,243</u>	<u>\$ 602,964</u>	<u>\$ 257,297</u>	<u>\$ 406,847</u>	<u>\$ 3,506,351</u>	<u>\$ 55,027</u>	<u>\$ 3,561,378</u>	<u>\$ (16,342)</u>	<u>\$ 3,545,036</u>
Segment profit		\$ 382,748	\$ 39,369	\$ 604	\$ 37,153	\$ 459,874	\$ 8,910	\$ 468,784	\$ (20,658)	\$ 448,126
Segment assets		2,171,333	563,333	388,559	443,550	3,566,775	71,568	3,638,343	843,270	4,481,613
Other:										
Depreciation		85,883	24,658	9,622	16,054	136,217	3,747	139,964		139,964
Increase in property, plant and equipment and intangible assets		76,198	21,495	9,946	20,495	128,134	2,235	130,369		130,369

Note: "Reconciliations" of segment profit include eliminations of intersegment transactions of ¥2,293 million (\$20,658 thousand) and ¥2,747 million as of March 31, 2021 and 2020, respectively. "Reconciliations" of segment assets include eliminations of intersegment receivables of ¥1,322 million (\$11,910 thousand) and ¥1,781 million, and unallocated corporate assets of ¥94,925 million (\$855,180 thousand) and ¥58,774 million as of March 31, 2021 and 2020, respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to the Company's administration headquarters.

Segment profit has been adjusted to operating income in the consolidated statement of income.

(4) Accounting Changes

(Implementing the Accounting Standard for Revenue Recognition)

As indicated in Note 2.t, the Group has been implementing the Accounting Standard for Revenue Recognition from the beginning of this fiscal year. As a result, in the fiscal year ended March 31, 2021, net sales for the Analytical and Measuring Instruments segment increased by ¥2,300 million (\$20,721 thousand) and operating income increased by ¥997 million (\$8,982 thousand), compared to using the previous accounting method, net sales for the Medical Systems and Equipment segment increased by ¥175 million (\$1,577 thousand) and operating income increased by ¥93 million (\$838 thousand), and net sales for the Industrial Machinery segment increased by ¥408 million (\$3,676 thousand) and operating income increased by ¥123 million (\$1,108 thousand).

(5) The Geographical Segments of the Group

a. Sales

		Millions of Yen						
		Japan	United States of America	Europe	China	Other Asia	Other	Total
2021		¥193,420	¥42,387	¥32,704	¥72,872	¥37,094	¥15,022	¥393,499

  

		Millions of Yen						
		Japan	United States of America	Europe	China	Other Asia	Other	Total
2020		¥196,699	¥43,172	¥31,340	¥61,454	¥36,281	¥16,498	¥385,444

  

		Thousands of U.S. Dollars						
		Japan	United States of America	Europe	China	Other Asia	Other	Total
2021		\$1,742,523	\$381,865	\$294,631	\$656,505	\$334,180	\$135,332	\$3,545,036

b. Property, plant and equipment

Millions of Yen					
2021			2020		
Japan	Foreign Countries	Total	Japan	Foreign Countries	Total
¥81,579	¥20,814	¥102,393	¥81,898	¥15,877	¥97,775

  

Thousands of U.S. Dollars		
2021		
Japan	Foreign Countries	Total
\$734,946	\$187,514	\$922,460

(6) Amortization and the Balance of Goodwill of the Group

Millions of Yen							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 113	¥ 45		¥ 46			¥ 204
Goodwill at March 31, 2021	1,333	595		429			2,357

Millions of Yen							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 110			¥ 46			¥ 156
Goodwill at March 31, 2020	1,338			438			1,776

Thousands of U.S. Dollars							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Amortization of goodwill	\$ 1,019	\$ 405		\$ 414			\$ 1,838
Goodwill at March 31, 2021	12,009	5,360		3,865			21,234

(7) Impairment Loss on Assets of the Group

No impairment loss was recognized for the year ended March 31, 2020.

Millions of Yen							
2021							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Impairment loss on assets			¥148				¥148

Thousands of U.S. Dollars							
2021							
	Analytical and Measuring Instruments	Medical Systems and Equipment	Aircraft Equipment	Industrial Machinery	Other	Elimination/Corporate	Total
Impairment loss on assets			\$1,333				\$1,333

\* \* \* \* \*