Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2025, and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shimadzu Corporation:

<Audit of Consolidated Financial Statements>

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, 2025, 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, 2025, 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	
Appropriateness of the Revenue Recognized upon Completion of Product Installation As described in Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements, the Group recognizes revenue 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 based on the five-step approach. With regards to sales transactions for most Analytical and Measuring Instruments, most Medical Systems and Equipment, and certain Industrial Machinery, the Group determines the promised products and installation services are not distinct as the Group is responsible for providing products and installation services under contracts with customers. Customers consequently obtain the control of the products when the Group completes installation services for those products and thus, satisfying performance obligation. Therefore, revenues from those products and services are recognized upon completion of the installation. With regards to the sales transactions in which the Group is responsible for providing products and installation services, the Group determines whether the Group needs to provide installation services in the receiving orders based on the nature of the sales transaction or terms and conditions of the contracts. For sales transactions requires installation services, the Group classifies and registers those sales transactions in its main information technology ("IT") systems. Installation services are performed mainly by the service division or subsidiaries within the Group. The Group is required to obtain all necessary information evidencing the completion of installation services by such division or subsidiaries timely in order to recognize revenue. The Group has business processes and controls to recognize revenue not upon shipment of product in its IT systems, but upon completion of product installation services in a timely manner. It is considered to be critical that the Group registers the sales transactions into its IT systems by understanding the contents of the contract with customers and determining the appropriate timing to recognize revenue, that the Group obtains information about the completion of product installation services is properly processed, and that 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 integrated IT controls to recognize revenue in the appropriate period. Therefore, we determined this matter including automated controls within IT systems required our significant audit attention. Given these factors that required significant auditor's attention, we determined appropriateness of the application of revenue recognition standards to be a key audit matter.	Our audit procedures related to the Group's appropriateness of the revenue recognized upon completion of product installation included the following, among others: • We assessed whether the Group's accounting policy met the requirements of the five-step approach by evaluating each step 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, including the registration of the classification of sales transactions, through inquiry of relevant company personnel and inspection of documents, such as approval for orders received and reports on the completion of product installation services. • With the assistance of our IT specialists, we obtained an understanding of data flows, processes and automated controls within the IT systems from initiation of transactions through recognition of revenue, and evaluated 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 randomly selected a sample of sales transactions throughout the year and determined whether they were appropriately classified based on the performance obligation and recorded in the appropriate period by tracing each selection to supporting documents. • For sales transactions whose revenue was recognized upon shipment of the products to customers, we performed an analysis of the sales divisions where revenue was recognized and the nature of the sales transaction. For sales transactions that we determined to perform further testing as a result of the analysis, we tested whether they are not required to render the installation services by tracing each transaction to the terms and conditions of the contracts of the transaction described in the relevant supporting documents.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2025, which were charged by us and our network firms to Shimadzu Corporation and its subsidiaries were ¥473 million and ¥222 million, respectively.

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

July 28, 2025

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2025

ASSETS	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars (Note 4) 2025
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥137,191	¥159,235	$ 914,607
Time deposits (Note 18)	6,224	6,051	41,493
Trade receivables and contract assets:			
Notes and accounts receivable—trade, and contract assets (Notes 6 and 18)	149,127	144,809	994,180
Allowance for doubtful receivables	(1,761)	(2,050)	(11,740)
Net trade receivables and contract assets	147,366	142,759	982,440
Inventories (Note 8)	143,356	141,773	955,707
Prepaid expenses and other current assets	20,320	17,119	135,466
Total current assets	454,457	466,937	3,029,713
PROPERTY, PLANT AND EQUIPMENT (Notes 2.f and 3):			
Land	22,050	22,409	147,000
Buildings and structures	55,499	55,327	369,993
Machinery, equipment and vehicles	10,254	9,306	68,360
Lease assets (Note 2.n)	1,745	1,951	11,633
Construction in progress	3,182	4,284	21,213
Others (Note 2.n)	26,830	25,287	178,868
Total property, plant and equipment	119,560	118,564	797,067
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 7 and 18)	13,831	16,441	92,207
Investments in and advances to unconsolidated subsidiaries and associated companies	1,742	1,546	11,613
Goodwill (Notes 2.h and 3)	7,780	5,220	51,867
Software (Notes 2.i and 3)	7,616	7,765	50,773
Asset for retirement benefits (Notes 3 and 11)	41,178	36,248	274,520
Deferred tax assets (Notes 3 and 16)	12,248	10,946	81,653
Other assets (Note 3)	13,765	10,295	91,767
Total investments and other assets	98,160	88,461	654,400
TOTAL	¥672,177	¥673,962	$4,481,180

LIABILITIES AND EQUITY	Millions of Yen 2025	Millions of Yen 2024	Thousands of U.S. Dollars (Note 4) 2025
CURRENT LIABILITIES:			
Short-term borrowings (Notes 10 and 18)	¥ 1,276	¥ 1,483	$ 8,507
Current portion of long-term debt (Notes 2.n and 10)	3,603	3,545	24,020
Trade notes and accounts payable (Note 18)	47,634	52,401	317,560
Other payables	16,278	17,101	108,520
Contract liabilities (Note 13)	46,206	50,222	308,040
Income taxes payable	8,876	8,009	59,173
Provision for bonuses	14,044	13,578	93,627
Provision for recall	1,243		8,287
Accrued expenses and other current liabilities (Notes 2.o and 2.p)	12,129	12,172	80,859
Total current liabilities	151,289	158,511	1,008,593
LONG-TERM LIABILITIES:			
Long-term debt (Notes 2.n, 10 and 17)	6,845	6,885	45,633
Liability for retirement benefits (Notes 3 and 11)	13,510	14,158	90,067
Long-term deposit	80	80	533
Other long-term liabilities (Notes 2.o and 16)	2,386	1,992	15,907
Total long-term liabilities	22,821	23,115	152,140
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 17 and 19)			
EQUITY (Note 12):			
Common stock—authorized, 800,000,000 shares; issued, 296,070,227 shares	26,649	26,649	177,660
Capital surplus	34,911	34,911	232,740
Retained earnings	411,718	376,400	2,744,787
Treasury stock—at cost, 7,152,271 shares in 2025 and 1,348,202 shares in 2024	(26,114)	(1,109)	(174,093)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	5,159	8,204	34,393
Foreign currency translation adjustments	28,056	31,442	187,039
Defined retirement benefit plans	17,681	15,835	117,874
Total	498,060	492,332	3,320,400
Noncontrolling interests	7	4	47
Total equity	498,067	492,336	3,320,447
TOTAL	¥672,177	¥673,962	$4,481,180

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2025	2024	2025
NET SALES (Notes 2.s, 13 and 23)	¥ 539,047	¥ 511,895	$ 3,593,647
COST OF SALES	304,605	291,053	2,030,700
Gross profit	234,442	220,842	1,562,947
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	162,722	148,088	1,084,813
Operating income (Note 23)	71,720	72,754	478,134
OTHER INCOME (EXPENSES):			
Foreign exchange (loss) gain—net	(1,514)	2,443	(10,093)
Interest and dividend income	1,867	1,614	12,447
Gain on sales of investment securities (Note 6)	1,269	268	8,460
Subsidy income	550	364	3,667
Gain on sales of non-current assets	281	173	1,873
Interest expense	(278)	(295)	(1,853)
Loss on disposal of non-current assets	(225)	(201)	(1,500)
Donation	(133)	(102)	(887)
Gain on change in equity	48	17	320
Loss on valuation of investment securities	(39)	(182)	(260)
Loss on sales of investment securities		(2)	
Recall losses (Note 15)	(1,244)		(8,293)
Impairment losses (Note 9)	(379)		(2,527)
Other—net	(194)	117	(1,294)
Other income—net	9	4,214	60
INCOME BEFORE INCOME TAXES	71,729	76,968	478,194
INCOME TAXES (Note 16):			
Current	19,715	20,400	131,433
Deferred	(1,760)	(469)	(11,733)
Total income taxes	17,955	19,931	119,700
NET INCOME	53,774	57,037	358,494
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2)	(1)	(13)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 53,776	¥ 57,038	$ 358,507

(Continued)

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2025

	Yen		U.S. Dollars
	2025	2024	2025
PER SHARE OF COMMON STOCK (Notes 2.w and 21):			
Basic net income	¥183.55	¥193.54	$1.22
Cash dividends applicable to the year	66.00	60.00	0.44

See notes to consolidated financial statements.

(Concluded)

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2025	2024	2025
NET INCOME	¥53,774	¥57,037	$ 358,494
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):			
Unrealized (loss) gain on available-for-sale securities	(3,045)	2,374	(20,300)
Foreign currency translation adjustments	(3,386)	15,785	(22,574)
Defined retirement benefit plans	1,846	10,238	12,307
Total other comprehensive (loss) income	(4,585)	28,397	(30,567)
COMPREHENSIVE INCOME	¥49,189	¥85,434	$ 327,927
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥49,191	¥85,435	$ 327,940
Noncontrolling interests	(2)	(1)	(13)

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2025

	Number of Shares of Common Stock Outstanding	Millions of Yen									
						Accumulated Other Comprehensive Income					
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2023	294,670,982	¥26,649	¥34,911	¥336,066	¥ (1,211)	¥5,830	¥15,657	¥ 5,597	¥423,499		¥423,499
Net income attributable to owners of the parent				57,038					57,038		57,038
Cash dividends				(16,510)					(16,510)		(16,510)
Purchase of treasury stock					(7)				(7)		(7)
Disposal of treasury stock					109				109		109
Decrease by merger				(194)					(194)		(194)
Net change in the year	51,043					2,374	15,785	10,238	28,397	¥4	28,401
BALANCE, MARCH 31, 2024	294,722,025	26,649	34,911	376,400	(1,109)	8,204	31,442	15,835	492,332	4	492,336
Net income attributable to owners of the parent				53,776					53,776		53,776
Cash dividends				(18,260)					(18,260)		(18,260)
Purchase of treasury stock					(25,005)				(25,005)		(25,005)
Decrease by merger				(198)					(198)		(198)
Net change in the year	(5,804,069)					(3,045)	(3,386)	1,846	(4,585)	3	(4,582)
BALANCE, MARCH 31, 2025	288,917,956	¥26,649	¥34,911	¥411,718	¥(26,114)	¥5,159	¥28,056	¥17,681	¥498,060	¥7	¥498,067

	Thousands of U.S. Dollars (Note 4)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2024	$177,660	$232,740	$2,509,333	$ (7,393)	$54,693	$209,613	$105,567	$3,282,213	$27	$3,282,240
Net income attributable to owners of the parent			358,507					358,507		358,507
Cash dividends			(121,733)					(121,733)		(121,733)
Purchase of treasury stock				(166,700)				(166,700)		(166,700)
Decrease by merger			(1,320)					(1,320)		(1,320)
Net change in the year					(20,300)	(22,574)	12,307	(30,567)	20	(30,547)
BALANCE, MARCH 31, 2025	$177,660	$232,740	$2,744,787	$ (174,093)	$34,393	$187,039	$117,874	$3,320,400	$47	$3,320,447

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2025	2024	2025
OPERATING ACTIVITIES:			
Income before income taxes	¥71,729	¥76,968	$478,194
Adjustments for:			
Income taxes paid	(18,767)	(23,480)	(125,113)
Impairment losses	379		2,527
Depreciation and amortization	19,895	18,551	132,633
Foreign exchange loss (gain)—net	355	(2,715)	2,367
Gain on sales and valuation of investment securities	(1,230)	(84)	(8,200)
(Gain) loss on sale and retirement of property, plant and equipment	(56)	28	(373)
Changes in assets and liabilities:			
Increase in trade receivables	(4,393)	(6,902)	(29,287)
Decrease in allowance for doubtful receivables	(285)	(729)	(1,900)
Increase in inventories	(4,218)	(7,182)	(28,120)
Decrease in trade payables	(4,305)	(19,200)	(28,700)
Decrease in contract liabilities	(4,247)	(5,363)	(28,313)
Increase (decrease) in accrued bonuses	506	(277)	3,373
Decrease in net defined benefit asset and liability	(2,583)	(213)	(17,220)
Other—net	(778)	725	(5,187)
Total adjustments	(19,727)	(46,841)	(131,513)
Net cash provided by operating activities	52,002	30,127	346,681
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	766	444	5,107
Purchases of property, plant and equipment	(15,103)	(15,502)	(100,687)
Purchases of investment securities	(3,289)	(375)	(21,927)
Proceeds from sales of investment securities	1,427	639	9,513
Proceeds from redemption of securities		409	
Payments of long-term loans receivable	(91)	(67)	(607)
Collections of long-term loans receivable	63	50	420
Payments for acquisition of newly consolidated subsidiaries (Note 5)	(6,546)		(43,640)
Other—net	(400)	(1,596)	(2,666)
Net cash used in investing activities	(23,173)	(15,998)	(154,487)
FORWARD	¥28,829	¥14,129	$192,194

(Continued)

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2025	2024	2025
FORWARD	¥ 28,829	¥ 14,129	$ 192,194
FINANCING ACTIVITIES:			
Proceeds from short-term borrowings		159	
Proceeds from long-term borrowings	4		27
Repayments of short-term borrowings	(185)		(1,233)
Repayments of long-term debt	(67)	(73)	(447)
Cash dividends paid	(18,251)	(16,492)	(121,673)
Repayments of lease liabilities	(4,912)	(4,799)	(32,747)
(Increase) decrease in treasury stock	(25,004)	101	(166,693)
Other—net	6	5	39
Net cash used in financing activities	(48,409)	(21,099)	(322,727)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(2,908)	12,028	(19,386)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(22,488)	5,058	(149,919)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	159,235	153,735	1,061,567
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER WITH UNCONSOLIDATED SUBSIDIARIES	444	442	2,959
CASH AND CASH EQUIVALENTS, END OF YEAR	¥137,191	¥159,235	$ 914,607

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements
Year Ended March 31, 2025

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Shimadzu Corporation (the "Company") and its significant consolidated subsidiaries (collectively, 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 IFRS Accounting Standards.

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 2024 consolidated financial statements to conform to the classifications used in 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2025, include the accounts of the Company and its 23 domestic subsidiaries (24 in 2024) and 58 foreign subsidiaries (55 in 2024). Zef Scientific, Inc. and 2 other companies have been included in the scope of consolidation from the fiscal year ended March 31, 2025. Four subsidiaries are not included in the consolidated financial statements and consolidation of the 4 subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," which was issued by Accounting Standards Board of Japan ("ASBJ"), clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, Tokumei-Kumiai and other entities with similar characteristics. The Company applied this task force and consolidated 1 such collective investment vehicles in 2025 (1 in 2024).

Investments in 4 associated companies (3 in 2024) are recorded using the equity method. For associated companies recorded using the equity method with fiscal year-end dates that differ from the consolidated fiscal year-end date, the financial statements that were closed at their fiscal year-end dates or provisionally closed at the consolidated fiscal year-end date were used for consolidation.

Investments in 4 unconsolidated subsidiaries (6 in 2024) and 4 associated companies (4 in 2024) 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 during consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Shimadzu (China) Co., Limited and 10 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. During the fiscal year ended March 31, 2025, December 31 was used by 4 consolidated subsidiaries as the closing date for their financial statements. Necessary adjustments have been made to address transactions that occurred between closing dates different to that of the Company.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—Under ASBJ 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 IFRS Accounting 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 and 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.

Nonmarketable 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. And investments in limited partnerships (those deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at net amount proportionate to equity interests based on the financial statements for the most recent fiscal year available depending on the reporting date stipulated in the partnership agreement.

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, less gains deferred on the sale and replacement of certain assets. 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 2 to 59 years for buildings and structures, 2 to 17 years for machinery, equipment and vehicles, and 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 as of March 31, 2025 and 2024, was ¥156,551 million ($1,043,673 thousand) and ¥148,524 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.

i. ***Software***—Software costs for internal use are capitalized and amortized by the straight-line method over estimated useful lives of 5 years.

j. ***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 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, 2025 and 2024.

k. ***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.

l. ***Research and Development Costs***—Research and development costs are charged to income, general and administrative expenses as incurred.

m. ***Allowance for Doubtful Receivables***—The allowance for doubtful receivables is stated in the amount considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

n. ***Leases***—Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

o. ***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 the 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, 2025, the Company's treasury stock consisted of 92,599 shares with a total book value of ¥189 million ($1,260 thousand), compared with 92,599 shares and a total book value of ¥189 million as of March 31, 2024.

   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 "Accrued expenses and other current liabilities" under "Current liabilities," and "Other long-term liabilities" under "Long-term liabilities."

p. ***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."

q. ***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 Company and domestic subsidiaries apply the group tax sharing system. In addition, in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021), the Company and domestic subsidiaries account for corporate tax and local corporate tax, or they account for and disclose related tax effect accounting.

r. ***Appropriations of Retained Earnings***—Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

s. ***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 where the Group is responsible for providing products and installation services, revenue is recognized upon completion of product installation services.

With respect to the sales transaction where 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 where the Company and its domestic subsidiaries are 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 either at the time the service is completed if the performance obligations are satisfied at a point in time, or based on either a straight-line basis or the progress over the service period if performance obligations are satisfied over time.

t. ***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.

u. ***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 as a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

v. ***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.

w. ***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.

x. ***Business Combinations***—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

y. ***Changes in Accounting Policies***

Application of the "Accounting Standard for Current Income Taxes," Etc.—The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter the "Revised Accounting Standard 2022"), etc. from the beginning of the current fiscal year. The amendment to the classification of income taxes (taxation on other comprehensive income) conforms to the transitional treatment prescribed in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso of Paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the consolidated financial statements.

With regard to the amendment related to the revised accounting treatment for consolidated financial statements when gain or loss on sale of shares of subsidiaries, etc., resulting from transactions between consolidated companies were deferred for tax purposes, the Company has applied the Revised Implementation Guidance 2022 from the beginning of the current fiscal year. This change in accounting policies has been applied retroactively, and the consolidated financial statements for the previous fiscal year ended March 31, 2024, have been applied retroactively. This change in accounting policies has no impact on the consolidated financial statements for the previous fiscal year ended March 31, 2024.

z. *New Accounting Pronouncements*

Application of the "Accounting Standard for Leases," Etc.

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)

- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) *Overview*

As part of efforts to make the Japanese GAAP internationally consistent, the ASBJ reviewed the development of an accounting standard for leases that recognizes assets and liabilities for all leases of lessees, taking into account international accounting standards. As a basic policy, the ASBJ announced the accounting standard for leases, etc., which is based on the single accounting model of IFRS 16, but aims to make it simple and convenient by adopting only the main provisions of IFRS 16 rather than all the provisions of IFRS 16. Moreover, even if the provisions of IFRS 16 are used in individual financial statements, there is basically no need to revise them.

In the same manner as IFRS 16, a single accounting model is adopted for the allocation of expenses for leases by lessees, in which depreciation on right-of-use assets and interest on lease liabilities are recorded for all leases, regardless of whether the leases are finance leases or operating leases.

(2) *Scheduled date of application*

The Company will apply the accounting standard and the implementation guidance from the beginning of the fiscal year ending March 31, 2028.

(3) *Effect of application of the accounting standard and the implementation guidance*

The effect of application of the accounting standard and the implementation guidance on the consolidated financial statement is currently under evaluation.

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

(*a*) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Property, plant and equipment	¥ 119,560	¥ 118,564	$ 797,067
Intangible assets	23,744	18,014	158,293

(*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 the Group 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*

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Net defined benefit asset	¥41,178	¥36,248	$274,520
Net defined benefit liability	13,510	14,158	90,067

(*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 the 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*

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets	¥12,248	¥10,946	$81,653

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

The Group has established a valuation allowance for deferred tax assets deemed to be unrecoverable. The recoverability of the deferred tax assets is evaluated by determining whether each entity and tax sharing group have sufficient taxable income that is measured based on the historical taxable income and estimates of future taxable income. If deteriorations in the market environment or business performance occur, then the estimated future taxable income may not be accurate, which may cause the Group to record an additional valuation allowance for the deferred tax assets and cause a material impact on the Group's 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 ¥150 to $1, the approximate rate of exchange as of March 31, 2025. 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. CASH FLOWS

Major Components of Assets and Liabilities of Companies Newly Consolidated Due to Acquisition of Shares

Year Ended March 31, 2025

Major components of assets and liabilities at the acquisition date of Zef Scientific, Inc. due to acquisition of the equity interests and a reconciliation between the acquisition value of shares of Zef Scientific, Inc. and net payments for acquisition of Zef Scientific, Inc. are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥2,804	$18,693
Non-current assets	3,302	22,013
Goodwill	3,234	21,560
Current liabilities	(1,343)	(8,952)
Non-current liabilities	(862)	(5,747)
Acquisition value of shares of newly consolidated subsidiaries	7,135	47,567
Cash and cash equivalents of newly consolidated subsidiaries	(589)	(3,927)
Less: Payments for acquisition of newly consolidated subsidiaries	¥6,546	¥43,640

6. NOTES AND ACCOUNTS RECEIVABLE—TRADE, AND CONTRACT ASSETS

Notes and accounts receivable—trade, and contract assets as of March 31, 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Notes receivable—trade	¥ 28,404	¥ 32,070	$189,360
Accounts receivable—trade	119,506	112,064	796,707
Contract assets	1,217	675	8,113

7. MARKETABLE AND INVESTMENT SECURITIES

Marketable and Investment securities as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Non-current:			
Marketable equity securities	¥10,193	¥14,585	$67,953
Nonmarketable equity securities	3,638	1,856	24,254
Total	¥13,831	¥16,441	$92,207

The cost and aggregate fair values of investment securities as of March 31, 2025 and 2024, were as follows:

	Millions of Yen			
March 31, 2025	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale equity securities	¥2,564	¥ 7,630	¥(1)	¥10,193
March 31, 2024				
Securities classified as:				
Available-for-sale equity securities	¥2,660	¥11,926	¥(1)	¥14,585

	Thousands of U.S. Dollars			
March 31, 2025	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale equity securities	$17,093	$50,867	$(7)	$67,953

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		
March 31, 2025	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥1,426	¥1,269	
March 31, 2024			
Available-for-sale:			
Equity securities	¥ 639	¥ 268	¥2

	Thousands of U.S. Dollars		
March 31, 2025	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$9,507	$8,460	

8. INVENTORIES

Inventories as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Merchandise and finished goods	¥ 81,681	¥ 83,333	$544,540
Work in process	27,568	26,022	183,787
Raw materials and supplies	34,107	32,418	227,380
Total	¥143,356	¥141,773	$955,707

9. LONG-LIVED ASSETS

The Group recognized impairment loss for the year ended March 31, 2025, as follows:

March 31, 2025

Location	Usage	Description	Millions of Yen	Thousands of U.S. Dollars
France	Office	Facilities attached to buildings and others (Analytical and Measuring Instruments)	¥379	$2,527

Long-lived assets are generally grouped by business segment for management accounting. The Group has recognized impairment loss on business assets due to the fact that the originally expected revenue is no longer expected. The carrying amounts of those assets were written down to their recoverable amounts. The recoverable amount of those assets was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 12%.

10. 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 0.56% to 1.17% and from 0.37% to 3.88%, as of March 31, 2025 and 2024, respectively.

Long-term debt as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Borrowings, principally from banks, maturing in series until 2027 with interest rates ranging from 0.65% to 21.06% as of March 31, 2025 (with 0.65%, maturing in series until 2026 as of March 31, 2024)	¥ 71	¥ 132	$ 473
Obligations under finance leases	10,377	10,298	69,180
Total	10,448	10,430	69,653
Less current portion	(3,603)	(3,545)	(24,020)
Long-term debt, less current portion	¥ 6,845	¥ 6,885	$45,633

Annual maturities of long-term debt outstanding as of March 31, 2025, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2026	¥ 3,603	$24,020
2027	2,757	18,380
2028	1,656	11,040
2029	868	5,787
2030	615	4,100
2031 and thereafter	949	6,326
Total	¥10,448	$69,653

11. 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 as of March 31, 2025 and 2024, for directors and Audit & Supervisory Board members is ¥132 million ($878 thousand) and ¥162 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, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥60,923	¥58,789	$406,153
Current service cost	2,828	2,649	18,853
Interest cost	893	888	5,953
Actuarial (gains) losses	(3,565)	190	(23,767)
Benefits paid	(2,318)	(3,523)	(15,453)
Past service cost	(548)	823	(3,653)
Reclassification of retirement benefit obligation resulting from change from the simplified method		135	
Increase of retirement benefit obligation resulting from change from the simplified method		26	
Others	42	946	281
Balance at end of year	¥58,255	¥60,923	$388,367

(2) The changes in plan assets for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥86,834	¥70,017	$578,893
Expected return on plan assets	1,640	1,400	10,933
Actuarial gains	1,263	15,509	8,420
Contributions from the employer	1,549	1,369	10,327
Benefits paid	(1,490)	(2,624)	(9,933)
Others	19	1,163	127
Balance at end of year	¥89,815	¥86,834	$598,767

(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, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥3,822	¥3,632	$25,480
Net periodic benefit costs	827	922	5,513
Benefits paid	(298)	(238)	(1,987)
Contributions from the employer	(469)	(355)	(3,127)
Reclassification of retirement benefit obligation resulting from change from the simplified method		(135)	
Others	10	(4)	68
Balance at end of year	¥3,892	¥3,822	$25,947

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

(4) The reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Funded defined benefit obligation	¥ 61,071	¥ 63,731	$ 407,140
Plan assets	(91,342)	(88,251)	(608,947)
	(30,271)	(24,520)	(201,807)
Unfunded defined benefit obligation	2,603	2,430	17,354
Net liability arising from defined benefit obligation	¥(27,668)	¥(22,090)	$(184,453)

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Liability for retirement benefits	¥ 13,510	¥ 14,158	$ 90,067
Asset for retirement benefits	(41,178)	(36,248)	(274,520)
Net liability arising from defined benefit obligation	¥(27,668)	¥(22,090)	$(184,453)

(5) The components of net periodic benefit costs for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost	¥2,828	¥2,649	$18,853
Interest cost	893	888	5,953
Expected return on plan assets	(1,640)	(1,400)	(10,933)
Recognized actuarial gains	(1,848)	(355)	(12,320)
Amortization of prior service cost	(485)	123	(3,233)
Increase of retirement benefit obligation resulting from change from the simplified method		26	
Net periodic benefit costs calculated using the simplified method	827	922	5,513
Net periodic benefit costs	¥ 575	¥2,853	$ 3,833

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Prior service cost	¥ 78	¥ (688)	$ 520
Actuarial losses	2,931	15,417	19,540
Total	¥3,009	¥14,729	$20,060

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized prior service cost	¥ (618)	¥ (696)	$ (4,120)
Unrecognized actuarial losses	26,576	23,645	177,173
Total	¥25,958	¥22,949	$173,053

(8) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2025 and 2024, consisted of the following:

	2025	2024
Equity investments	53%	61%
Debt investments	26	26
General account asset	11	11
Others	10	2
Total	100%	100%

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, 2025 and 2024, were set forth as follows:

	2025	2024
Discount rate	2.2%	1.0%
Expected rate of return on plan assets	1.5	1.5

The expected compensation increase rate for the years ended March 31, 2025 and 2024, 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 ¥1,169 million ($7,793 thousand) and ¥1,145 million, respectively, for the years ended March 31, 2025 and 2024.

12. 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.

13. REVENUE RECOGNITION

(1) *Disaggregation of Revenue*

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen						
	2025						
	Reportable Segment						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total
Japan	¥131,029	¥33,958	¥31,473	¥30,545	¥227,005	¥7,560	¥234,565
U.S.A.	38,464	11,763	8,797	7,379	66,403		66,403
Europe	40,890	4,113	4,225	332	49,560		49,560
China	67,779	3,942	19,561	71	91,353		91,353
Other Asian countries	47,889	8,669	8,123	289	64,970	6	64,976
Other	21,865	10,122	157	46	32,190		32,190
Total	¥347,916	¥72,567	¥72,336	¥38,662	¥531,481	¥7,566	¥539,047

	Millions of Yen						
	2024						
	Reportable Segment						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total
Japan	¥127,179	¥34,374	¥27,126	¥20,432	¥209,111	¥6,483	¥215,594
U.S.A.	33,561	10,419	8,547	7,265	59,792		59,792
Europe	38,864	4,785	4,679	581	48,909		48,909
China	74,747	5,686	19,344	82	99,859		99,859
Other Asian countries	45,621	7,280	6,101	322	59,324	5	59,329
Other	18,285	9,759	313	55	28,412		28,412
Total	¥338,257	¥72,303	¥66,110	¥28,737	¥505,407	¥6,488	¥511,895

	Thousands of U.S. Dollars						
	2025						
	Reportable Segment						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total
Japan	$ 873,526	$ 226,387	$ 209,820	$ 203,633	$ 1,513,366	$ 50,400	$ 1,563,766
U.S.A.	256,427	78,420	58,647	49,193	442,687		442,687
Europe	272,600	27,420	28,167	2,213	330,400		330,400
China	451,860	26,280	130,407	473	609,020		609,020
Other Asian countries	319,260	57,793	54,153	1,927	433,133	40	433,173
Other	145,767	67,480	1,047	307	214,601		214,601
Total	$ 2,319,440	$ 483,780	$ 482,241	$ 257,746	$ 3,543,207	$ 50,440	$ 3,593,647

(**2**) ***Description of Change in Segment Classification***

Due to the segment reorganization, the results of ferromagnetic object detectors/magnetometers and underwater optical wireless communication systems, which were previously included in the "Aircraft Equipment" segment, have been transferred to the "Industrial Machinery" segment. The segment figures for the previous consolidated fiscal year are based on the new segment classification.

(**3**) ***Basic Information to Understand Revenues from Contracts with Customers***

The Group's business consists of the Analytical and Measuring Instruments Business, Medical Systems and Equipment Business, Industrial Machinery Business, Aircraft Equipment Business, and Other Business. All of the businesses engage in the sale of products and provision of services.

Information on contracts and performance obligations, as well as information on the point at which performance obligations are satisfied, are described in Note 2, "Summary of Significant Accounting Policies—s. Revenue Recognition."

Revenue from the sale of products and the provision of services is measured at the transaction price of the contract with the customer less variable consideration such as discounts. Revenue is recognized on a net basis if the Group acts as an agent to provide goods or services to customers.

Consideration for the transaction is received mainly within one year after the fulfillment of the performance obligation and does not include significant financial factors.

(**4**) ***Contract Balances***

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Receivables from contracts with customers:			
Balance at beginning of year	¥ 144,134	¥ 130,966	$ 960,893
Balance at end of year	147,910	144,134	986,067
Contract assets:			
Balance at beginning of year	675	277	4,500
Balance at end of year	1,217	675	8,113
Contract liabilities:			
Balance at beginning of year	50,222	50,158	334,813
Balance at end of year	46,206	50,222	308,040

The contract assets primarily relate to the Group's rights to consideration for performance obligations transferred but not billed at the reporting date. The contract assets are transferred to receivables when the rights for the payments become unconditional.

The contract liabilities primarily relate to the consideration received from customers in advance of satisfaction of performance obligations. The contract liabilities are reclassified to revenue when the Group satisfies the performance obligations based on the contract.

Of the revenues recognized in the consolidated statement of income for the years ended March 31, 2025 and 2024, ¥37,258 million ($248,387 thousand) and ¥31,362 million was included in the balance of contract liabilities on April 1, 2024 and 2023, respectively.

(**5**) ***Transaction Prices Allocated to Remaining Performance Obligations***

The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2025 and 2024:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Within one year	¥188,519	¥184,186	$1,256,793
After one year	50,419	37,730	336,127
Total	¥238,938	¥221,916	$1,592,920

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to cost of sales and selling, general and administrative expenses were ¥18,226 million ($121,507 thousand) and ¥12,298 million for the years ended March 31, 2025 and 2024, respectively.

15. RECALL LOSSES

As a result of the decision to recall certain medical devices manufactured by the Company due to defects in parts and other components used in these products, expenses expected to be required for the repair of these products have been recorded as recall losses.

16. 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, 2025 and 2024.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Unrealized profit eliminated from inventories	¥ 6,984	¥ 6,501	$ 46,560
Liability for retirement benefits	3,995	4,111	26,633
Accrued bonuses	3,925	3,777	26,167
Depreciation	3,004	2,963	20,027
Loss on devaluation of inventories	1,706	1,601	11,373
Enterprise taxes	666	653	4,440
Tax loss carryforwards	654	178	4,360
Allowance for doubtful receivables	349	503	2,327
Loss on impairment of long-lived assets	235	136	1,567
Other	5,888	5,071	39,253
Total	27,406	25,494	182,707
Less valuation allowance	(2,032)	(859)	(13,547)
Total deferred tax assets	¥25,374	¥24,635	$169,160
Deferred tax liabilities:			
Asset for retirement benefits	¥ 6,599	¥ 5,802	$ 43,993
Gain on securities contributed to employee retirement benefit trust	2,588	3,086	17,253
Unrealized gain on available-for-sale securities	2,368	3,638	15,787
Valuation difference on business combination	1,463	817	9,753
Other	1,134	1,074	7,561
Total deferred tax liabilities	¥14,152	¥14,417	$ 94,347
Net deferred tax assets	¥12,248	¥10,946	$ 81,653
Net deferred tax liabilities (included in other long-term liabilities)	¥ 1,026	¥ 728	$ 6,840

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

The 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, 2025, with the corresponding figures for the year ended March 31, 2024, is as follows:

	2025	2024
Normal effective statutory tax rate	30.5%	30.5%
Valuation allowance	1.2	(0.0)
Expenses not permanently deductible for income tax purposes	0.7	0.5
Per capita inhabitant tax	0.2	0.2
Difference in subsidiaries' tax rates	(1.0)	(1.3)
Tax credits for wage increase and productivity improvement	(1.4)	(1.3)
Tax credit for research and development costs	(4.9)	(3.8)
Other—net	(0.3)	1.1
Actual effective tax rate	25.0%	25.9%

On March 31, 2025, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 30.5% to 31.4%, effective for years beginning on or after April 1, 2026.

The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities, by ¥169 million ($1,127 thousand), and accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥66 million ($440 thousand), and defined retirement benefit plans by ¥243 million ($1,620 thousand), in the consolidated balance sheet as of March 31, 2025, and to decrease income taxes—deferred in the consolidated statement of income for the year then ended by ¥140 million ($933 thousand).

17. LEASES

Lessee

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

Total rental expenses for the years ended March 31, 2025 and 2024, were ¥8,202 million ($54,680 thousand) and ¥7,801 million, respectively. Future minimum payments under noncancelable operating leases as of March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Due within one year	¥ 1,513	¥ 1,163	$10,087
Due after one year	13,089	14,110	87,260
Total	¥14,602	¥15,273	$97,347

Note: Lease transactions recorded on consolidated balance sheet under IFRS 16 and Topic 842 issued by the Financial Accounting Standards Board are not included in above information.

Lessor

Future lease income under noncancelable operating leases as of March 31, 2025 and 2024, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Due within one year	¥28	¥27	$187
Due after one year	40	69	266
Total	¥68	¥96	$453

18. 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. Marketable securities and 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 19 about derivatives.

(3) ***Fair Values of Financial Instruments***

Fair values of financial instruments are included in the following tables. Investments in equity instruments that do not have a quoted market price in an active market and investment in investment partnerships are not included in the following table. The fair values of cash and cash equivalents, time deposits, trade notes and accounts payable and short-term borrowings are not disclosed because their maturities are short and the carrying values approximate fair value.

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

	Millions of Yen		
March 31, 2025	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Notes and accounts receivable—trade, and contract assets	¥149,127	¥147,592	¥(1,535)
Investment securities	10,193	10,193	
Total	¥159,320	¥157,785	¥(1,535)
Derivatives	¥ (37)	¥ (37)	
March 31, 2024			
Notes and accounts receivable—trade, and contract assets	¥144,809	¥144,357	¥ (452)
Investment securities	14,585	14,585	
Total	¥159,394	¥158,942	¥ (452)
Derivatives	¥ (94)	¥ (94)	

March 31, 2025	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gains (Losses)
Notes and accounts receivable—trade, and contract assets	$ 994,180	$ 983,947	$ (10,233)
Investment securities	67,953	67,953	
Total	$ 1,062,133	$ 1,051,900	$ (10,233)
Derivatives	$ (247)	$ (247)	

(*b*) *Carrying amount of investments in equity instruments that do not have a quoted market price in an active market*

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investments in equity instruments that do not have a quoted market price in an active market	¥3,582	¥1,792	$23,880
Total	¥3,582	¥1,792	$23,880

(*c*) *Carrying amount of investment in investment partnerships*

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Investment in investment partnerships	¥57	¥64	$380
Total	¥57	¥64	$380

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

	Millions of Yen		Thousands of U.S. Dollars	
March 31, 2025	Due in 1 Year or Less	Due after 1 Year	Due in 1 Year or Less	Due after 1 Year
Cash and cash equivalents	¥137,191		$ 914,607	
Time deposits	6,224		41,493	
Notes and accounts receivable—trade, and contract assets	147,276	¥1,852	981,840	$12,347
Total	¥290,691	¥1,852	$1,937,940	$12,347

March 31, 2024	Millions of Yen Due in 1 Year or Less	 Due after 1 Year
Cash and cash equivalents	¥159,235	
Time deposits	6,051	
Notes and accounts receivable—trade, and contract assets	143,481	¥1,328
Total	¥308,767	¥1,328

Please see Note 10 for annual maturities of long-term debt.

Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

	Millions of Yen			
March 31, 2025	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Stock	¥10,193			¥10,193
Total assets	¥10,193			¥10,193
Derivative transactions:				
Forward exchange contracts		¥37		¥ 37
Total liabilities		¥37		¥ 37
March 31, 2024				
Investment securities:				
Available-for-sale securities:				
Stock	¥14,585			¥14,585
Total assets	¥14,585			¥14,585
Derivative transactions:				
Forward exchange contracts		¥94		¥ 94
Total liabilities		¥94		¥ 94

March 31, 2025	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Stock	$67,953			$67,953
Total assets	$67,953			$67,953
Derivative transactions:				
Forward exchange contracts		$247		$ 247
Total liabilities		$247		$ 247

(2) *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

March 31, 2025	Millions of Yen Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade, and contract assets		¥147,592		¥147,592
Total assets		¥147,592		¥147,592
March 31, 2024				
Notes and accounts receivable—trade, and contract assets		¥144,357		¥144,357
Total assets		¥144,357		¥144,357

March 31, 2025	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade, and contract assets		$983,947		$983,947
Total assets		$983,947		$983,947

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

Derivatives

The fair value of forward exchange contracts is estimated based on quotes from financial institutions, and is categorized as Level 2.

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, and are categorized as Level 2.

19. 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, 2025 and 2024:

	2025			2024		
	In Thousands	Millions of Yen		In Thousands	Millions of Yen	
	Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)	Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:						
Selling USD	USD 17,000	¥ 4	¥ 4	USD 21,500	¥(60)	¥(60)
Selling Euro	EUR 12,200	(43)	(43)	EUR 14,300	(37)	(37)
Buying USD	USD 1,406	2	2	USD 1,497	3	3

	2025		
	In Thousands	Thousands of U.S. Dollars	
	Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:			
Selling USD	USD 17,000	$ 27	$ 27
Selling Euro	EUR 12,200	(287)	(287)
Buying USD	USD 1,406	13	13

20. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (3,031)	¥ 3,733	$ (20,207)
Reclassification adjustments to profit or loss	(1,269)	(266)	(8,460)
Amount before income tax effect	(4,300)	3,467	(28,667)
Income tax effect	1,255	(1,093)	8,367
Total	¥ (3,045)	¥ 2,374	$ (20,300)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (3,386)	¥15,785	$ (22,574)
Total	¥ (3,386)	¥15,785	$ (22,574)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 4,865	¥15,111	$ 32,433
Reclassification adjustments to profit or loss	(1,856)	(382)	(12,373)
Amount before income tax effect	3,009	14,729	20,060
Income tax effect	(1,163)	(4,491)	(7,753)
Total	¥ 1,846	¥10,238	$ 12,307
Total other comprehensive (loss) income	¥ (4,585)	¥28,397	$ (30,567)

21. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2025	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥53,776	292,985	¥183.55	$1.22
Year Ended March 31, 2024				
Basic EPS—Net income available to common shareholders	¥57,038	294,709	¥193.54	

Diluted EPS for the years ended March 31, 2025 and 2024, is not disclosed because no potentially dilutive securities are outstanding.

22. BUSINESS COMBINATION BY ACQUISITION

At the Board of Directors' meeting held on March 28, 2024, the Company resolved that Shimadzu Scientific Instruments, Inc. ("SSI"), a consolidated subsidiary of the Company, would acquire all shares of Zef Scientific, Inc. ("Zef") and make it a subsidiary of the Company. The Company also concluded a stock transfer agreement on March 29, 2024, and acquired the shares on April 1, 2024.

a. Outline of the business combination

(1) Name of acquired company and its business outline

Name of the acquired company:	Zef Scientific, Inc.
Business outline:	Maintenance services for liquid chromatograph ("LC") and liquid chromatograph mass spectrometer ("LC-MS")

(2) Major reason for the business combination

Zef specializes in multi-vendor services for LC and LC-MS. We have personnel and a service network capable of maintaining equipment from a wide range of manufacturers and are highly regarded in the after-sales service market for pharmaceutical companies. With the acquisition of Zef, SSI will streamline its customers' operations with a one-stop service regardless of manufacturer. In addition, by making it easier for pharmaceutical companies to manage the maintenance history of their in-house analytical equipment, it contributes to ensuring quality in the manufacturing process.

(3) Date of business combination

April 1, 2024

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of the company after the combination

No changes

(6) Ratio of voting rights acquired

100.00%

(7) Basis for determining the acquirer

It is based on the fact that the Group acquired 100% of voting rights by means of share acquisition in consideration for cash.

b. The period for which the operations of the acquired company are included in the consolidated financial statements

The operations of the acquired company for the nine months from April 1, 2024 to December 31, 2024, were included in the consolidated statement of income for the year ended March 31, 2025.

c. Acquisition cost of the acquired company and related details of each class of consideration

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition—Cash	¥7,135	$47,567
Acquisition cost	7,135	47,567

d. Major acquisition-related costs

	Millions of Yen	Thousands of U.S. Dollars
Advisory fees and commissions to the lawyers and financial institutions	¥643	$4,287

e. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

(1) Amount of goodwill incurred

¥3,234 million ($21,563 thousand)

(2) Reasons for the goodwill incurred

Goodwill is incurred from expected excess earnings power in the future arising from further business development.

(3) Method and period of amortization

Goodwill is amortized on a straight-line basis over 15 years.

f. The assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥2,804	$18,693
Fixed assets	3,302	22,013
Total assets acquired	6,106	40,706
Current liabilities	1,343	8,952
Fixed liabilities	862	5,747
Total liabilities assumed	2,205	14,699
Net assets acquired	¥3,901	$26,007

g. Amounts allocated to intangible assets other than goodwill and their breakdown by type and amortization period are as follows:

	Millions of Yen	Thousands of U.S. Dollars	Amortization Period
Customer-related intangible assets	¥2,013	$13,420	11 years
Market-related intangible assets	1,030	6,867	19 years
Covenants-not-to-Compete	32	213	3 years

23. 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. As a result of the revision of the performance management classification, the results of ferromagnetic object detectors/magnetometers and underwater optical wireless communication systems, which were previously included in Aircraft Equipment, have been transferred to Industrial Machinery. The segment information for the previous fiscal year is based on the reportable segment classification after the revision.

(**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."

Due to the segment reorganization, the results of magnetic detectors/magnetometers and underwater optical radio equipment, which were previously included in the "Aircraft Equipment" segment, have been transferred to the "Industrial Machinery" segment. The following segment figures for the previous consolidated fiscal year are based on the new segment classification.

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

	Millions of Yen								
	2025								
	Reportable Segment								
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥347,916	¥72,567	¥72,336	¥38,662	¥531,481	¥7,566	¥539,047		¥539,047
Intersegment sales or transfers	38	18	81	40	177	2,306	2,483	¥ (2,483)	
Total	¥347,954	¥72,585	¥72,417	¥38,702	¥531,658	¥9,872	¥541,530	¥ (2,483)	¥539,047
Segment profit	¥ 52,074	¥ 4,263	¥10,468	¥ 6,068	¥ 72,873	¥ 630	¥ 73,503	¥ (1,783)	¥ 71,720
Segment assets	356,401	66,710	69,289	50,450	542,850	8,924	551,774	120,403	672,177
Other:									
Depreciation	13,844	2,645	2,539	578	19,606	288	19,894		19,894
Increase in property, plant and equipment and intangible assets	16,134	3,349	2,325	870	22,678	270	22,948		22,948

	Millions of Yen								
	2024								
	Reportable Segment								
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥338,257	¥72,303	¥66,110	¥28,737	¥505,407	¥6,488	¥511,895		¥511,895
Intersegment sales or transfers	51	19	79	35	184	2,658	2,842	¥ (2,842)	
Total	¥338,308	¥72,322	¥66,189	¥28,772	¥505,591	¥9,146	¥514,737	¥ (2,842)	¥511,895
Segment profit	¥ 57,488	¥ 4,779	¥ 7,391	¥ 3,500	¥ 73,158	¥1,045	¥ 74,203	¥ (1,449)	¥ 72,754
Segment assets	351,315	66,088	67,430	45,009	529,842	9,218	539,060	134,902	673,962
Other:									
Depreciation	12,787	2,535	2,346	596	18,264	287	18,551		18,551
Increase in property, plant and equipment and intangible assets	15,916	3,136	2,215	906	22,173	307	22,480		22,480

	Thousands of U.S. Dollars								
	2025								
	Reportable Segment								
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$2,319,440	$483,780	$482,241	$257,746	$3,543,207	$50,440	$3,593,647		$3,593,647
Intersegment sales or transfers	253	120	539	267	1,179	15,373	16,552	$(16,552)	
Total	$2,319,693	$483,900	$482,780	$258,013	$3,544,386	$65,813	$3,610,199	$(16,552)	$3,593,647
Segment profit	$ 347,160	$ 28,420	$ 69,787	$ 40,453	$ 485,820	$ 4,200	$ 490,020	$(11,886)	$ 478,134
Segment assets	2,376,007	444,733	461,927	336,333	3,619,000	59,493	3,678,493	802,687	4,481,180
Other:									
Depreciation	92,293	17,633	16,927	3,853	130,706	1,921	132,627		132,627
Increase in property, plant and equipment and intangible assets	107,560	22,327	15,500	5,800	151,187	1,800	152,987		152,987

Note: "Reconciliations" of segment profit include eliminations of intersegment transactions of ¥1,783 million ($11,886 thousand) and ¥1,451 million as of March 31, 2025 and 2024, respectively. "Reconciliations" of segment assets include eliminations of intersegment receivables of ¥2,994 million ($19,960 thousand) and ¥2,114 million, and unallocated corporate assets of ¥123,397 million ($822,647 thousand) and ¥137,016 million as of March 31, 2025 and 2024, 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) *The Geographical Segments of the Group*

a. Sales

Millions of Yen						
2025						
Japan	United States of America	Europe	China	Other Asia	Other	Total
¥234,565	¥66,403	¥49,560	¥91,353	¥64,976	¥32,190	¥539,047

Millions of Yen						
2024						
Japan	United States of America	Europe	China	Other Asia	Other	Total
¥215,594	¥59,792	¥48,909	¥99,859	¥59,329	¥28,412	¥511,895

Thousands of U.S. Dollars						
2025						
Japan	United States of America	Europe	China	Other Asia	Other	Total
$1,563,766	$442,687	$330,400	$609,020	$433,173	$214,601	$3,593,647

b. Property, plant and equipment

Millions of Yen							
2025				2024			
Japan	China	Other	Total	Japan	China	Other	Total
¥87,419	¥11,997	¥20,144	¥119,560	¥88,095	¥9,974	¥20,495	¥118,564

Thousands of U.S. Dollars			
2025			
Japan	China	Other	Total
$582,793	$79,980	$134,294	$797,067

(Change in Presentation)

"China" included with "Other" in the previous consolidated fiscal year has been separately presented from this consolidated fiscal year due to increased materiality.

In order to reflect the change in presentation, reclassification of the previous consolidated fiscal year has been made accordingly.

As a result, "Other " of ¥30,469 million presented in the consolidated financial statements for the previous consolidated fiscal year has been reclassified as "China" of ¥9,974 million and "Other" of ¥20,495 million.

(**5**) ***Amortization and the Balance of Goodwill of the Group***

	Millions of Yen						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥ 651	¥ 76	¥ 60				¥ 787
Goodwill as of March 31, 2025	6,616	897	267				7,780

	Millions of Yen						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥ 437	¥ 61	¥ 58				¥ 556
Goodwill as of March 31, 2024	4,257	622	341				5,220

	Thousands of U.S. Dollars						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	$ 4,340	$ 507	$ 400				$ 5,247
Goodwill as of March 31, 2025	44,107	5,980	1,780				51,867

(**6**) ***Impairment Loss on Assets of the Group***

	Millions of Yen						
	2025						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Impairment loss on assets	¥379						¥379

	Thousands of U.S. Dollars						
	2025						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Impairment loss on assets	$2,527						$2,527

No impairment loss was recognized for the year ended March 31, 2024.

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