

Message from the President

As “a company that solves challenges in society in collaboration with partners all around the world,” we will engage in measures to offer healthcare solutions and achieve a carbon-free society to achieve sustained growth by creating and deploying systems for solving challenges in society.

Corporate Philosophy

Contributing to Society through Science and Technology

Management Principle

Realizing Our Wishes for the Well-being of Mankind and the Earth

Teruhisa Ueda

Jun. 2021

Representative Director, President & CEO



Shimadzu's DNA

Throughout the over 145 years since Shimadzu was founded in 1875, we have remained committed to ensuring business continuity and progress by valuing an approach of facing facts head-on from a scientific perspective to discern their true essence, based on Shimadzu's corporate philosophy “Contributing to Society through Science and Technology” and management principle “Realizing Our Wishes for the Well-being of Mankind and the Earth.”

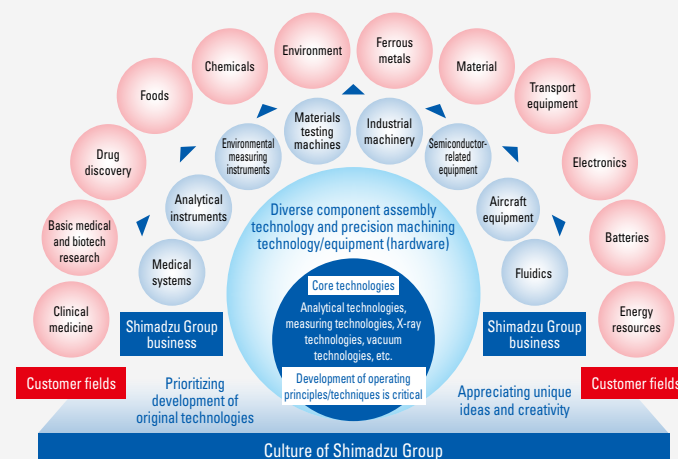
That process has resulted in satisfying customer needs in a variety of fields while also expanding the

scope of our business operations through advancements in core technologies and through applications of our products and technologies. In addition, we have carefully fostered an ecosystem within the company to ensure we have the new technology development capabilities necessary to meet the challenges of new business fields.

That approach of solving customer and societal challenges by confronting them head-on has been an unwavering principle that has served, and will serve in the future, as the foundation for the Shimadzu Group corporate culture throughout our history.

Reasons Shimadzu has Remained in Business for Over 145 Years

- (1) Despite changing times, Shimadzu remains steadfastly committed to actions based on the corporate philosophy “Contributing to Society through Science and Technology.”
- (2) Shimadzu's approach is to earnestly respond to the requirements of customers in a variety of fields, even for niche markets.
- (3) Shimadzu always maintains strong R&D capabilities that contribute to the advancement, growth, and development of industry.



Model for Creating Value

Our societies face a mountain of challenges that need to be solved, including fighting COVID-19 and other infectious diseases, environmental issues such as climate change and microplastics, ensuring safe water and public health, maintaining public infrastructure, and addressing aging populations.

Meanwhile, as members of society, we are under strong pressure to fulfill our roles and responsibilities, such as taking action toward solving various issues that threaten the sustainability of society on a global scale, achieving the United Nations' sustainable development goals (SDGs), and complying with the Paris Agreement

on climate change, and disclosing information accordingly.

Given these circumstances, the current business environment can be described as having a mixture of risks and opportunities.

While constantly questioning the very meaning of our existence, we strive to become even more essential to society by working with partners around the world to use science and technology to offer solutions to the increasingly diverse and complex challenges we face and to further increase the shared value with customers and society. In doing so, we will create a better society and build the foundations for a prosperous, safe, and secure world.

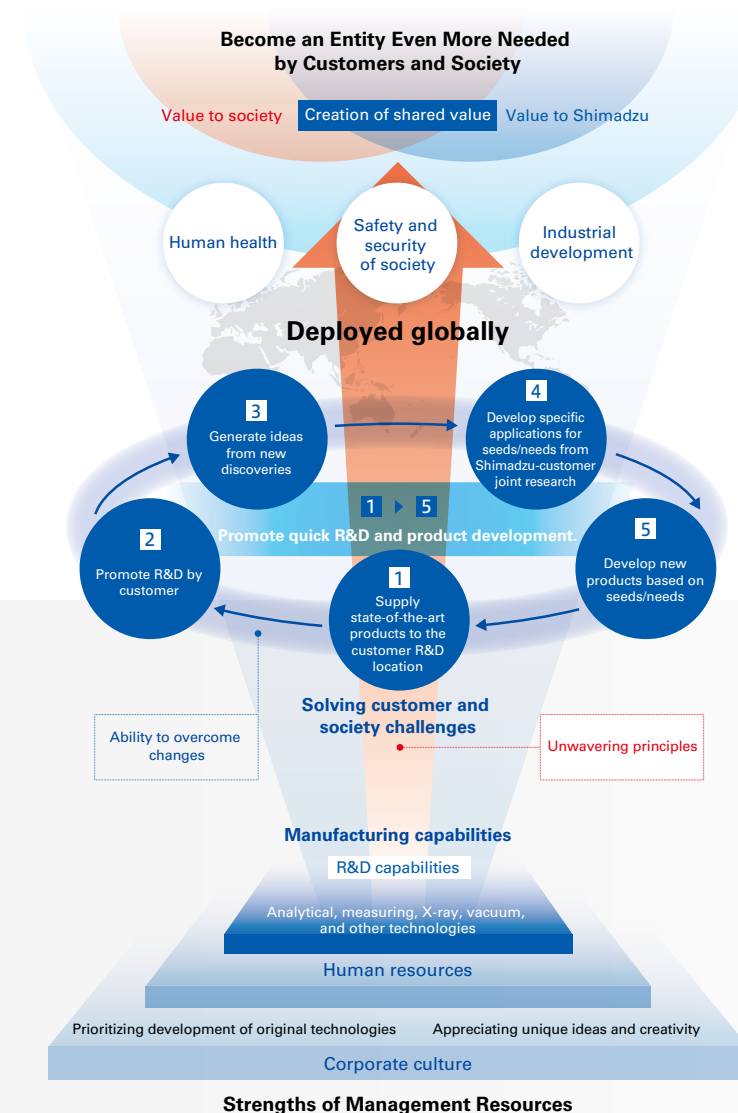
The following web page includes information about the topics listed below.

https://www.shimadzu.com/sustainability/common_value/value_creation_model.html



Model for Creating Value

Model for Creating Value



Contributing to Society through Science and Technology

Message from the President

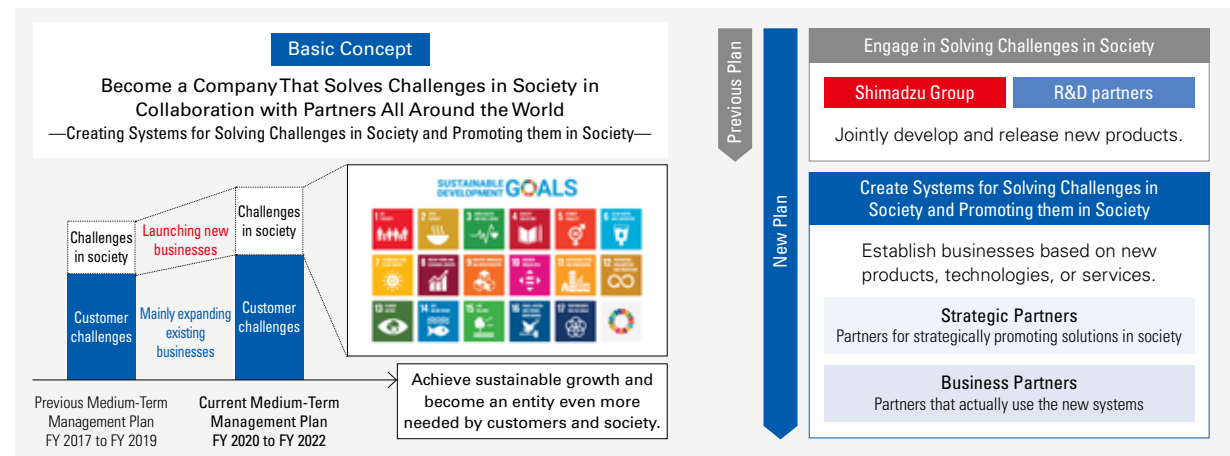
Achieving a Safe and Secure Society with CSV and CSR Goals

The CSR Charter is a declaration of Shimadzu's commitment to solving actual customer challenges and potential challenges of society by promoting business activities that are consistent with both solving the challenges of society through business (i.e. CSV, which is strategic CSR) and by engaging in activities as a responsible member of society (fundamental CSR).

We will develop more advanced sustainability management practices while reassessing the 17 SDGs in terms of strategic CSR and fundamental CSR and implementing the SDGs as part of the medium-term management plan. As part of that effort, we signed the United Nations Global Compact in September 2019.



Medium-Term Management Plan (FY 2020 to FY 2022)



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

For FY 2020, the first year of the medium-term management plan, we initially assumed a worst-case scenario because we could not predict the impact of the COVID-19 pandemic. Given the circumstances, Shimadzu launched "infectious disease countermeasure projects" as important emergency challenges and prioritized implementing the projects above all else. That resulted in significant contribution to business performance from novel coronavirus detection kits, fully automatic PCR testing systems, and mobile X-ray systems used to diagnose pneumonia. Sales also increased for liquid chromatographs and mass spectrometer systems used for healthcare and virus research applications.

Turbomolecular pump sales increased significantly due to factors such as production capacity being expanded to satisfy increased demand for semiconductor manufacturing equipment in response to the expanded demand for 5G (fifth-generation communication network) and data center applications.

Consequently, record results were achieved during FY 2020. Net sales were 393.499 billion yen (year on year 2.1% increase); operating income was 49.742 billion yen (year on year 18.9% increase) due to increased sales, expense reductions, identifying investments, and other factors; ordinary income was 48.378 billion yen (year on year 13.4% increase); and profit attributable to owners of parent was 36.097 billion yen (year on year 13.6% increase).

Highlights of FY 2020 Consolidated Results

Net Sales	393.5 billion yen	+2.1% year on year	Increased sales and income Both sales and income exceeded previous records	<ul style="list-style-type: none"> The Analytical & Measuring Instruments segment increased both sales and income to achieve record net sales and operating income. The Medical Systems segment sales decreased, but they achieved record operating income. The Aircraft Equipment segment sales and income both decreased due to major impacts from the COVID19 pandemic. The Industrial Machinery segment increased both sales and income to achieve record net sales.
Operating Income	49.7 billion yen	+18.9% year on year	Promotion of infectious disease countermeasure projects	<ul style="list-style-type: none"> Product development and joint research intended to prevent spreading the pandemic resulted in novel coronavirus detection kits, fully automatic PCR testing systems, and mobile X-ray systems for pneumonia examinations contributing significantly to results
Ordinary Income	48.4 billion yen	+13.4% year on year	Sales increased outside Japan Second-half sales increased in Japan	<ul style="list-style-type: none"> Outside Japan, sales increased in China, Europe, and other Asian countries, with net sales in China recovering to pre-COVID-19 FY 2018 levels. In Japan, sales decreased 2% year on year but increased 6% in the second half due to supplementary budget appropriations and COVID-19 related products.
Profit Attributable to Owners of Parent	36.1 billion yen	+13.6% year on year	Record sales of key models by the Analytical & Measuring Instruments segment, turbomolecular pumps by the Industrial Machinery segment, and mobile X-ray systems by the Medical Systems segment	<ul style="list-style-type: none"> For the Analytical & Measuring Instruments segment, both sales and income increased for all three key model lines (liquid chromatographs, mass spectrometers, and gas chromatographs) For the Industrial Machinery segment, demand increased for semiconductors used for 5G (fifthgeneration communication network) and data centers.

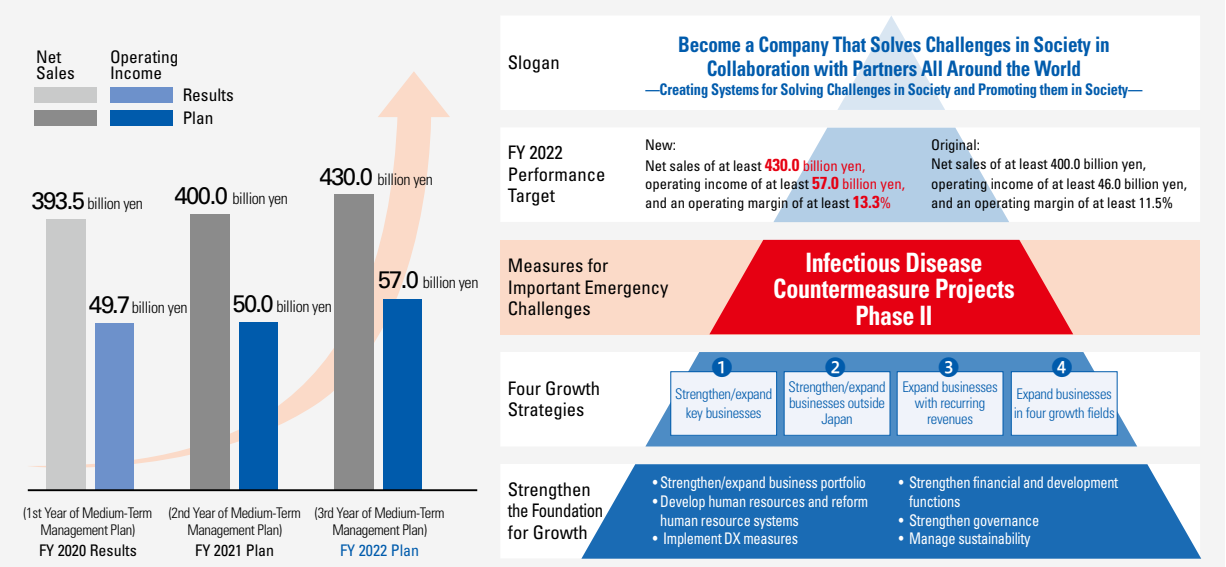
Reassessing the Medium-Term Management Plan

Considering the FY 2020 results and changes in the business environment due to polarization of businesses that grew due to the pandemic and those that slowed down because of the pandemic, the performance targets for FY 2022, the final year of the plan, were revised upward to net sales of at least 430.0 billion yen (30.0 billion yen increase from the previous announcement) and operating income of at least 57.0 billion yen (11.0 billion yen increase).

Our basic strategy has not changed significantly, but instead of simply providing physical products, we will strive to improve/expand our efforts to create systems for solving customer challenges, identify societal challenges that underlie those customer challenges, and aim to offer solutions in the true sense of the word.

To achieve this, despite the various constraints involved, it will be important to not be confined by previous assumptions, maintain a solid understanding of our mission, have a strong will to execute our mission, and exhibit flexibility for changing the content of decisions as our business environment changes.

Medium-Term Management Plan (Apr. 2020 to Mar. 2023)



Contributing to Society through Science and Technology

Message from the President

COVID-19 Pandemic Countermeasures

The COVID-19 pandemic has had a major impact on our societies, with restrictions on the movement of people and goods imposed throughout the world and resulting in many rapid changes in business activities and working practices in many regions and countries. The pandemic has resulted in large differences between how much our business conditions were impacted in different regions, fields, and business categories, and it has revealed a variety of problems.

The infectious disease countermeasure projects implemented during the first year of the medium-term management plan included offering existing mobile X-ray systems for use in pneumonia examinations, offering reagent kits for detecting COVID-19, releasing a new fully automatic PCR testing system, and other measures to fight the pandemic. That major effort provided a significant contribution to FY 2020 results.



The infectious disease countermeasure projects have taught us a lot about development and sales methods. Essentially, it taught us to venture beyond normal departmental boundaries. In other words, the vertical organizational structure of Shimadzu divisions was deterring the rapid commercialization of business opportunities. In order to shorten development times for infectious disease countermeasure projects, they were given top priority and technical and sales personnel were recruited from other departments, which achieved a faster response. We intend to continue to promote this type of interdivisional alliance in the future as a way of better utilizing management resources.

In addition, we are actively collaborating with academia, hospitals, healthcare institutions, and others to not only offer products but also create systems for fighting infectious diseases.

Starting in FY 2021, the second year of the medium-term management plan, we will continue the previous measures, referred to as Phase II infectious disease countermeasure projects, and also develop new testing methods, build a network management system for test data, and actively engage in creating infectious disease countermeasure systems, such as for monitoring viruses in sewer water.

We intend to contribute to society from the two perspectives of preventing the spread of the COVID-19 virus and addressing future risks of infectious diseases in general.

Four Growth Strategies

We will continue to implement the four growth strategies we have been pursuing since the beginning, expand businesses in growth areas, especially in healthcare and environmental/energy, and also focus on areas that have grown despite the pandemic.

(1) Strengthening Various Solutions Based Primarily on a Key Business

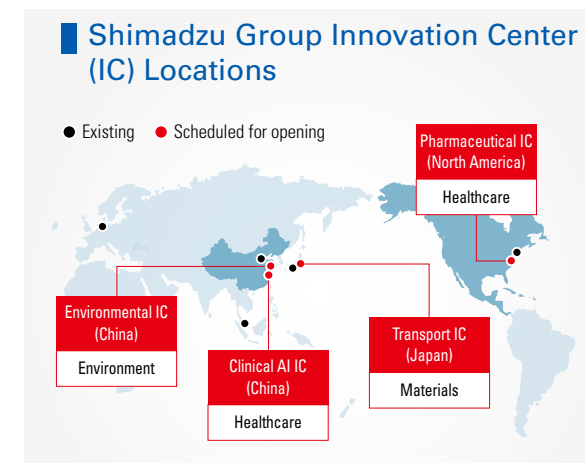
We intend to increase market share, especially of liquid chromatographs and mass spectrometer systems, which are a key business for the Analytical & Measuring Instruments segment. As the scope of analytical and measuring instruments continues to expand, the number of people unfamiliar with the instruments has increased. Therefore, to ensure that even such people can perform analytical tasks easily, we will expand/improve product lines by

using AI or robotics technologies to automate processes and by expanding/improving databases to offer fully automatic pretreatment systems and other products. In addition, we will accelerate our support for satisfying the pandemic-based need for non-contact and remote working solutions. We will also develop new fields with high-end mass spectrometer products that offer high resolution and high sensitivity.



(2) Optimizing the Business Base by Strengthening Operations Outside Japan

To achieve business growth outside Japan, we will strengthen the functions of our bases according to local conditions and expand business by working with local partners to solve the challenges facing each region. One of our strengths is the global deployment of Innovation Centers, where we work with customers to create new value by understanding and helping to solve the challenges they face. We intend to achieve growth at businesses outside Japan by strengthening the functions of Innovation Centers and through selective investments.



(3) Strengthening Aftermarket Business

We intend to achieve steady growth by developing our aftermarket business globally, with a focus on reagents and consumables. We will strengthen our profit base by deploying new business models based on new sales formats, such as offering subscription or pay-as-you-go payment methods to enable repeated use of our products, data, and application software.



(4) Expanding Businesses in Four Growth Areas

We intend to create new markets in four growth areas, namely healthcare, environmental/energy, materials, and infrastructure, by working together with business partners and strategic partners to solve challenges in society.

We will use the Startup Incubation Center, newly established for the purpose of fostering new businesses, to promote the commercialization of businesses in growth areas. For example, in the area of advanced healthcare, we will accelerate building and commercializing a shared business platform that utilizes previous research results to offer solutions from the three perspectives of disease prevention, diagnosis, and treatment, starting mainly with solutions for the challenge of declining birthrates and aging populations and solutions for the COVID-19 pandemic. To address diseases (such as dementia, depression, and cancer) that have increased in importance due to the pandemic, we will invest effort into using our products and technologies to help maintain and improve people's health while promoting joint development and open innovation.



Message from the President

Strengthening the Foundation for Growth

Reassessing the medium-term management plan not only strengthened the foundation for future growth, but also added promotion of digital transformation (DX) and sustainability management.

(1) Implementing DX (Digital Transformation) Measures

Digital technology is critical for implementing our strategies. In FY 2020, the pandemic resulted in major changes to the way we work, with an expansion and permanent adoption of teleworking practices, such as working from home. There has also been a rapid increase in the use of remote web-based meetings, digital marketing, and other practices.

Within the Shimadzu Group, we have been utilizing digital technologies and various types of data to address the needs of customers and society and also increase the efficiency of business processes. In April, we also established a new DX Strategy Management Department to promote digital transformation.

DX is not only about implementing digital technology in products. It is important to transform business models by utilizing digital technology from two perspectives: introducing digital technology into business operations for business DX and making business processes more intelligent through business process DX. We intend to achieve new growth and increase our competitive strength by fundamentally reforming our business models.



(2) Implementing Sustainability Management

Given the growing demand for incorporating environmental, social, and governance (ESG) measures in management practices, we intend to develop more sophisticated sustainability management practices.

As for the environment, we will accelerate our efforts to achieve a carbon-neutral and circular economy.

As for society, we are paying close attention to health and productivity management. We will implement a variety of measures for ensuring the

health of employees and their family members and will also offer products and technologies that contribute to health and longevity in society. We will focus efforts on promoting diversity management practices and training human resources based on respect for differences and diversity in language and culture in order to achieve a better work-life balance.

To improve governance, we will strengthen internal controls.

(3) Measures for Achieving Carbon-Neutrality

One of the many issues attracting particular attention around the world today is carbon-neutrality. The increasing number of disasters attributable to abnormal weather is a reminder of the importance of implementing countermeasures for climate change. In Japan, the government has announced a policy to achieve net-zero greenhouse gas emissions by 2050. Considering that Japan emits 1.1 billion tons of the 33.0 billion tons of the CO₂ emissions emitted globally and the Shimadzu Group emits only 40,000 tons, it is not possible for Shimadzu to make a significant contribution to reducing emission levels. Nevertheless, for us to make a contribution to achieving a sustainable society, it will be important to comply with international norms that exceed national and regional laws and regulations and actively participate in initiatives.

Therefore, Shimadzu endorsed the June 2017 recommendations of the Task Force on Climate-related

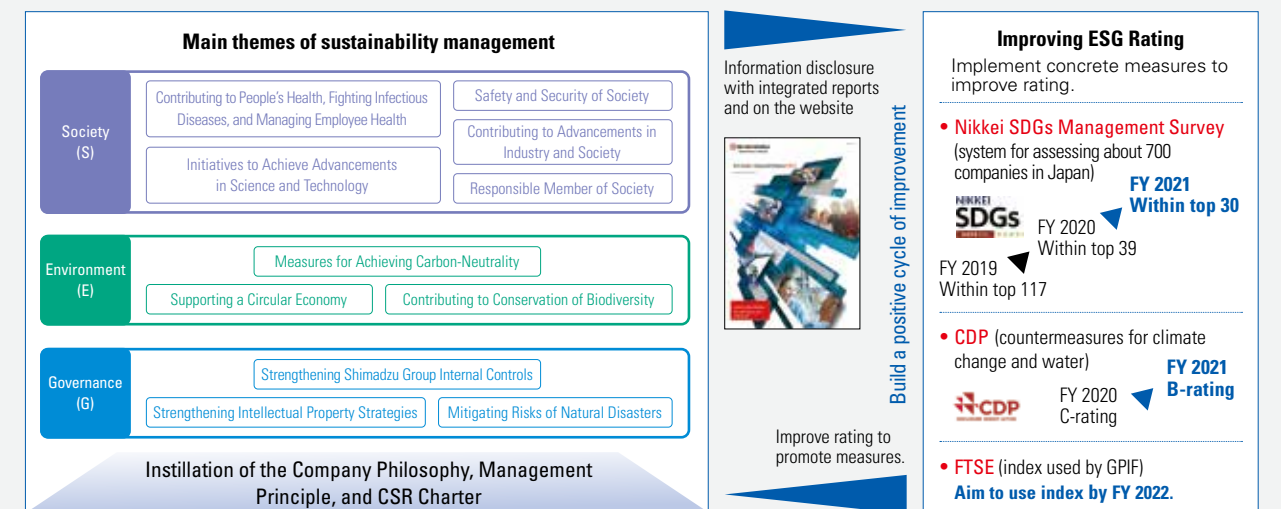
Financial Disclosures (TCFD) and in November 2019 obtained certification from the Science Based Targets (SBT) initiative certifying that the Shimadzu Group CO₂ reduction targets have a valid scientific basis.

Furthermore, in March 2021, Shimadzu became a signatory to the RE100 declaration for achieving carbon-neutrality. In addition, Shimadzu is actively engaged in measures that contribute to the environment in an effort to accelerate commercialization of environment /energy-related businesses, including the 3Rs (reduce, reuse, and recycle), measures aimed at achieving a circular economy.

In the future, we will promote DX and other activities based on two perspectives, namely a business perspective of offering products and services to customers and a business process perspective for Shimadzu's own business processes.

Implementing Sustainability Management

- Promote **sustainability management** to implement ESG measures, such as "zero-carbon commitment" measures and infectious disease countermeasures.
- **Improve our ESG rating from ESG assessors** and aim to achieve a **positive cycle of improvement** that further strengthens measures.



Achieving Sustainable Growth for Society and Increasing Medium- and Long-Term Corporate Value

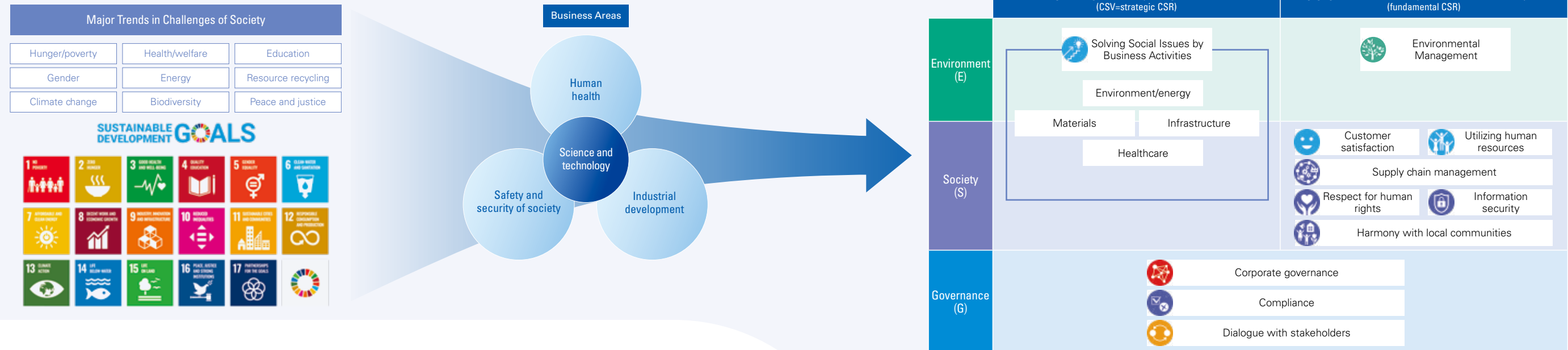
We remain committed to achieving sustainable growth for society and increasing medium- and long-term corporate value for Shimadzu by continuing to place our corporate philosophy, management principle, and CSR charter at the core of our management practices. In this way, by ensuring healthy and transparent management practices based on a long-term view and by utilizing science and technology, we will address the challenges facing society head-on.

I believe that my role is to question why each business and department exists and then rebuild Shimadzu accordingly. I am confident that the Shimadzu Group will become even more dynamic than ever before if every employee treats issues as their own and steadily executes strategies and initiatives to solve them.

I want to thank all our stakeholders for their ongoing and unchanging support.

Message from the President

Materiality of the Shimadzu Group



Identifying Materiality (Important Issues that should be Prioritized)

In the over 145 years since Shimadzu was founded, the company has consistently contributed to solving societal challenges in each era. Today, with the increasing globalization of society and economies, increasing severity of climate change, and other factors, the world is facing an even broader range of societal challenges while new issues continue to emerge one after another.

Accordingly, in addition to recognizing how such challenges impact society, the economy, and Shimadzu, the Shimadzu Group has performed a materiality assessment to identify important issues that should be prioritized based on our CSR Charter that we adopted in 2017. For our environmental, social, and governance (ESG) activities, we determined materiality based on two factors. One is solving the challenges of society through business and the other is engaging in activities as a responsible member of society. In the area of solving the challenges in society through business, we

aim to solve these by deploying and expanding our business in four growth areas—healthcare, materials, infrastructure, and environmental/energy fields.

Creating shared value is equal to strategic corporate social responsibility (CSV = strategic CSR), and starting in FY 2020, the medium-term management plan goes beyond solving existing customer challenges and seeks to nurture businesses that solve societal issues that are not yet apparent in the world.

Regarding engaging in activities as a member of society, we aim to strengthen our corporate infrastructure by implementing measures demanded by society throughout the entire business activity value chain and product life cycles. As part of fundamental CSR, that involves searching for ways to minimize internal and external risks and contribute to a wide range of stakeholders.

Process of Determining Materiality

We determined which SDGs to adopt based on materiality and relevance to our business areas by understanding megatrends for SDG-based societal challenges, confirming that we can make a contribution based on Shimadzu Group science and technology, and identifying measures

we should implement with our management base. In the future, we will continue to revise that approach as necessary in response to changes in societal issues and feedback from our stakeholders.

Targets for Contributing to SDGs through Shimadzu Businesses

