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Shimadzu Contributes to a More Convenient, Safe, and Secure Society Through Science and Technology

Around 1875, about 140 years ago, our founder, Genzo Shimadzu Sr. was involved in manufacturing physics and chemistry instruments requested by Europe and American researchers, based on the latest technologies he learned from them. That marks the beginning of our history as the Shimadzu Corporation.

Today, science and technology is becoming increasingly important for solving the increasingly complex and diverse challenges of society. Consequently, we will continue to work tirelessly to acquire new knowledge and skills and contribute to society by providing solutions for creating new things and achieving things no one has ever accomplished before.

Shimadzu Contributing to a More Convenient, Safe, and Secure Society Through Science and Technology

Management Principles

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

- 1877: Succeeded in launching the first manned balloon in Japan.
- 1909: Completed medical X-ray device.
- 1956: Developed gas chromatograph.
- 1961: Developed remotely controlled fluoroscopy system.
- 1980: Established the Shimadzu Science Foundation.
- 2002: Developed world’s first cardiovascular diagnostic X-ray system equipped with a direct-conversion flat panel detector (FPD).
- 2003: Koichi Tanaka awarded the Nobel Prize in Chemistry.
- 2010: Developed first high-end liquid chromatograph mass spectrometer made in Japan.
- 2014: Developed Elmammo breast PET system for diagnosing cancer.
- 2016: Developed the LIGHTVISION near-infrared fluorescence imaging system that provides supports for diagnosing metastasis during breast cancer surgery.

About Shimadzu Corporation

Path for Constant Innovation and Growth

Note: Values are indicated on an unconsolidated basis until FY 1999 and on a consolidated basis from FY 2000.
About Shimadzu Corporation

Shimadzu Supplies Products and Services Globally in Industrial, Medical, and Academic Research Fields

Analytical & Measuring Instruments

We provide high-performance analytical instruments to support research, technology development, and quality control in medical, food, materials, and a variety of other fields.

Medical Systems

We provide medical systems for supporting accurate diagnoses to help maintain and improve health.

Aircraft Equipment

We provide cutting-edge aircraft equipment to help ensure safety, improve comfort, and lower stress.

Industrial Machinery

We support advanced manufacturing with high-performance key components to help promote industrial development.

Sales Ratio by Business Segment (FY 2016)

- Analytical & Measuring Instruments: 61%
- Medical Systems: 19%
- Aircraft Equipment: 8%
- Industrial Machinery: 10%
- Other: 2%

Sales Ratio by Region (FY 2016)

- Japan: 51%
- China: 17%
- The Americas: 12%
- Europe: 7%
- Other Asian Countries: 10%
- Other: 3%

Sales Outside Japan

Sales of Shimadzu Group Employees and Ratio of Employees Outside Japan

Number of Shimadzu Group Employees

- 2005: 9,880
- 2010: 11,526
- 2015: 12,000

Ratio of Employees Outside Japan

- 2005: 24%
- 2010: 30%
- 2015: 35%

Shimadzu Supplies Products and Services Globally in Industrial, Medical, and Academic Research Fields

Shimadzu Corporation Business Segments

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Solving Challenges by Using the Power of Science and Technology to Create Value for Stakeholders

Teruhisa Ueda
Representative Director, President & CEO

Basic Policy of Shimadzu Corporation
Due to global economic and population growth, societies are facing increasingly complex and diverse challenges. Nevertheless, for over 140 years Shimadzu has remained committed to improving human health, creating a safe and secure society, and promoting industrial development based on its corporate philosophy “Contributing to Society through Science and Technology” and management principle of “Realizing Our Wishes for the Well-being of both Mankind and the Earth.”
By supplying products and services that solve the increasingly complex and diversified challenges and needs of society using the technologies and expertise cultivated through Shimadzu’s extensive history of operating businesses, Shimadzu aims to achieve a society where all people are able to enjoy a happy life, such as where they can enjoy a rich and varied diet, early detection of diseases, and a global environment where they can live without worry.

Goals of Shimadzu Corporation
We consider the corporate value of Shimadzu to be the total value provided to stakeholders such as yourself. Earning the trust of various stakeholders, such as customers, shareholders, business partners, employees, and local communities, will lead to sustainable growth and development for both Shimadzu businesses and society. Therefore, three criteria for activities have been specified for earning that trust.
I. Achieves a sustainable, safe, and secure future.
II. Achieves harmony between globally diverse people and society.
III. Protects the rich natural environment for future generations.

Creating Value Continuously
In addition to having an unwavering principles and values, which is at the heart of Shimadzu’s corporate philosophy and management principle, the ability to overcome changes will result in continuously creating value. Our ability to overcome changes can be improved by further improving our existing strengths, namely corporate culture, human resources, technology development capabilities, and manufacturing capabilities to increase our competitive advantages, and by strengthening measures to help create value.

For over 140 years since Shimadzu was founded, our corporate culture has been handed down to each successive generation as an approach for taking on the challenge of constantly implementing reforms necessary to meet the needs of each era as the business environment changes. To firmly establish a corporate culture that is based on ceaselessly pursuing innovation, the Shimadzu Foundation Memorial Hall was established in 1975 to summarize Shimadzu’s history since the company’s foundation. The Shimadzu Foundation Memorial Hall serves as a forum for visitors to learn about the history of how Shimadzu’s founders engaged in measures based on careful consideration of what customers needed. It also provides a means for confirming and carrying on the company’s traditions maintained since its foundation. It truly represents the foundation for our corporate culture.

Furthermore, our corporate culture is formed by people. Consequently, human resources are very important for creating new value. To enable optimal organization and deployment of employees throughout the entire Shimadzu Group and to ensure each employee is free to achieve befitting results, we have established a system for training global human resources that are able to think and act on their own and for developing their work experience at locations outside their country.
In addition, technology development and manufacturing capabilities are also essential for Shimadzu to supply innovative products and services based on science and technology. As conventional assumptions about business and how people live are shaken by the rapid spread of products and services based on new technologies, such as AI and IoT, these changes require that we discern the true essence of things and keep searching for and studying technologies from a medium and long-term perspective.

As we do so, one tool that will help us achieve sustainable growth over the medium and long term is called open innovation, which is a process of creating value by integrating different advanced technologies available from within and outside the company. Consequently, we have been conducting research and development at multiple innovation centers established as locations for engaging in partnerships (joint research) with leading customers throughout the world. By identifying specific needs of local regions and customer workplaces based on the results of such partnerships, we intend to deliver even more value to society and share it globally.

The New Medium-Term Management Plan (FY 2017 to FY 2019) Prepared

In our previous medium-term management plan, we specified the goal “Become an Innovative Company Contributing to the Growth of Customers Globally” and endeavored to develop and supply products and services that solved the challenges of customers. Those efforts resulted in successfully earning significant trust from customers and presumably resulted in expanded business.

However, considering increasingly rapid global trends related to global societal challenges, such as sustainable development goals (SDGs) adopted by the United Nations and the implementation of the Paris Agreement at COP21 (2015 United Nations Climate Change Conference or “21st Conference of the Parties”), these trends have expanded the demands on companies such as Shimadzu as well.

Given these circumstances, the medium-term management plan (FY 2017 to FY 2019) that was started in FY 2017 specifies expanding businesses in three areas, (1) human health, (2) safety and security of society, and (3) industrial development, based on the slogan “Become a Company That Solves Challenges in Society in Collaboration with Partners All Around the World.” In particular, that means we must strive to achieve sustainable growth and become an entity even more needed by customers and society by using our capabilities in science and technology and our network of resources within and outside the company to solve not only customer challenges, but also challenges faced by society in general.

Therefore, the medium-term management plan specifies three basic policies—invest in growth fields, strengthen profitability, and reform organizational foundation. Accordingly, to achieve above basic policies we will execute research, development, and technology strategies, manufacturing and logistics strategies, and sales and marketing strategies throughout the company. Furthermore, we will also engage in environmental management, diversity management, working practice reforms, and health management. Environmental management is intended to solve environmental problems and achieve business growth. Diversity management involves promoting the use of more diverse human resources, such as women, senior citizens, and global personnel. Working practice reforms involve reforming the workplace and how work is performed. Health management involves reducing the risk of employee illness by introducing health management systems based on Shimadzu technologies and achieving high employee productivity and satisfaction.

As we move forward, we will remain committed to applying our full effort toward using science and technology to solve challenges in society and creating value for stakeholders like you. Thank you for your continued support.

<table>
<thead>
<tr>
<th>Business Areas</th>
<th>Basic Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human health</td>
<td>Collaborate with wide range of partners throughout the world.</td>
</tr>
<tr>
<td>Industrial development</td>
<td></td>
</tr>
<tr>
<td>Science and technology</td>
<td></td>
</tr>
<tr>
<td>Safety and security of society</td>
<td></td>
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</tbody>
</table>

Three Basic Policies

- Invest in growth fields
- Strengthen profitability
- Reform organizational foundation

R&D and technology strategies

Manufacturing and logistics strategies

Sales and marketing strategies

Performance Targets (FY 2019)

- Net sales: 400.0 billion yen or more
- Operating income: 45.0 billion yen or more
- Operating margin: 11% or more
- Overseas sales ratio: 50% or more
- ROE: 10% or more
Creating Corporate Value

Shimadzu Becomes an Entity Even More Needed by Customers and Society by Constantly Creating Value Through Unwavering Principles and Values and an Ability to Overcome Changes

Models for Creating Corporate Value

Achieve Sustainable Growth and Become an Entity Even More Needed by Customers and Society

Providing Value to Stakeholders

- Customers
- Shareholders
- Business partners
- Employees
- Local communities

Path for Constant Innovation and Growth pp. 3-4

Unwavering Principles and Values

- Strengths of Management Resources
  - Corporate culture
  - Human resources
  - Manufacturing capabilities
  - Technology development capabilities

Solving Customer and Society Challenges

- ESG Measures pp. 41-60
  - Corporate Governance
  - Environment
  - Human Resource Development and Diversity
  - Labor Practices and Human Rights, and Activities That Contribute to Society

Unwavering Principles and Values

- Further Improving Strengths pp. 15-18
  - Technology Development Capabilities
  - Manufacturing Capabilities

Medium-Term Growth Strategies

- Medium-Term Management Plan pp. 19-24
  - Invest in Growth Fields
  - Strengthen Profitability
  - Reform Organizational Foundation
Shimadzu Keeps Supplying Products and Services That Solve Challenges in Society by Developing Advanced Technologies

Further Improving Strengths—(1) Technology Development Capabilities

**Basic Policy**

Ever since Shimadzu was founded, we have been supplying innovative products and services useful to customers. Therefore, research and development serves as a critical lifeline of Shimadzu that requires us to continue engaging in ambitious research and development work intended to acquire advanced technologies. Accordingly, we will continue to generate new products and services to serve as the motive power for additional growth, both for customers and Shimadzu, and will contribute to solving challenges in society through science and technology.

**Research and Development, and Acquiring Technology**

We are committed to developing products and services based on core technologies possessed by Shimadzu and creating new markets.

**Developing Core Technologies**

- Radiation technology
- Mass spectrometry technology
- Artificial intelligence processing technology
- Biotechnology
- Separation and analysis technology
- Micro and nano technologies
- Optical measurement technology
- Precision machining technology
- Central technology

We are currently undertaking one of the most extensive investigations of the potential impact of hydraulic fracturing that is a procedure used to recover shale gas. In the process of fracking, a hole is drilled into the Earth after which a high-pressure liquid mixture of water, chemicals, and sand is injected into the rock. We previously had clarified the facts on finding highly levels of arsenic in groundwater near North Texas shale gas wells, and further studies have been completed in other parts of Texas. We currently have methods for both chemical and biological characterization that allow us to comprehensively evaluate environmental water quality. Collaboration and partnerships with SHIMADZU have been extremely productive in helping us meet our analytical goals. We also have a high expectation for SHIMADZU to collaborate in developing new streamlined solutions by analyzing big data in research areas as diverse as environmental contamination and disease biomarker discovery.

**Intellectual Property Management**

Our basic policy is to create new value by acquiring intellectual property produced as results of research and development. Based on that policy, we are deploying a three-in-one intellectual property strategy that combines R&D and business strategies as well. In order to establish the foundation for sustainable growth over the long term, we submit about 500 patent applications per year in Japan and about 300 per year outside Japan. As a result, the number of patents held by Shimadzu continues to increase each year and has surpassed 4000 Japanese patents in FY 2016. To support global business development in recent years, we have also increased the number of patents outside Japan. In FY 2016, Shimadzu held almost 2000 patents outside Japan.
Creating Corporate Value

Further Improving Strengths—(2) Manufacturing Capabilities

Shimadzu Is Committed to Supplying High-Quality Products by Building Rapid and Accurate Network Capabilities for Processes from Manufacturing to Sales and Aftermarket Services

Manufacturing and Quality Control Capabilities

Basic Policy

To ensure we can sensitively identify market trends throughout the world and supply competitive products in a timely manner, we are building a network of production capabilities closely tied to local regions. Furthermore, to ensure customer satisfaction throughout the world, we are involved in improving quality at all product life cycle stages, including marketing, market surveying, product design, development, production, and aftermarket services.

Manufacturing Locations

We have a total of four production locations in Kyoto and other areas in Japan and six locations outside Japan, including in the United States, Britain, China, Philippines, Vietnam, and Malaysia.

Analytical & Measuring Instruments

- Shimadzu U.S.A. Manufacturing, Inc.
- Shimadzu Instrument Manufacturing, Inc.
- Shimadzu (Suzhou) Instruments Manufacturing, Co., Ltd.
- Shimadzu Philippines Manufacturing Inc.
- Shimadzu Manufacturing Asia SDN. BHD.

Medical Systems

- Beijing Shimadzu Medical Equipment Co., Ltd.
- Shimadzu Vietnam Medical Hi-Tech Company Ltd.

Industrial Machinery

- Tianjin Shimadzu Hydraulic Equipment Co., Ltd.
- Ningbo Shimadzu Vacuum Technology Development Co., Ltd.

Aircraft Equipment

- Shimadzu Precision Instruments, Inc.

Striving to Achieve Maximum Quality

Measures and processes for ensuring product quality and safety are managed in accordance with the ISO 9001 international standard for quality management systems. The Head Office/Sanjo Works in Kyoto started obtaining certification for each division in 1994. In addition, they obtained ISO 13485 certification for medical device requirements and JIS Q 9100 certification for aircraft equipment. Similarly, as of the end of March 2017, certification had been obtained at 13 subsidiaries in Japan and 24 subsidiaries outside Japan.

The Quality Center was established at the Head Office/Sanjo Works. The Quality Center includes three small and large anechoic chambers, with one that is compatible with the 10-meter method. It also includes a department (EMC Center) that specializes in measuring electromagnetic compatibility (EMC)*1. In August 2014, the EMC Center obtained accreditation as a laboratory facility compliant with international ISO/IEC 17025 standards. Consequently, test reports issued by the EMC Center are recognized not only in Japan, but also throughout the world. Furthermore, the center is registered by TUV Rheinland Japan (TRJ) as an accredited international third-party testing laboratory. As a highly trusted testing laboratory, that also provides additional credibility to the reliability of Shimadzu products in general.

We have also established capabilities for complying with the EU RoHS Directive*2 and other environmental regulations based on voluntary analysis of hazardous substances contained in parts and materials used in products.

*1 EMC measurements evaluate both whether electromagnetic waves emitted from instruments affect surrounding devices and whether instruments are resistant to electromagnetic waves from surrounding areas.

*2 The RoHS Directive (2011/65/EU) restricts the use of certain hazardous substances in electrical/electronic equipment.

Increasing Customer Satisfaction

Customer satisfaction surveys are periodically conducted to improve the quality of our products, systems, and services from a customer-oriented approach. The valuable opinions and requests obtained from customers are then shared with relevant personnel to improve products and services.

To ensure a rapid response to customers that purchase products and to further improve customer satisfaction, detailed aftermarket services are offered for each product. For example, multi-vendor services (MVS) are offered to help customers of analytical and measuring instruments optimize their testing and research operations by providing comprehensive maintenance services for all applicable instruments, including non-Shimadzu brands. In addition, Shimadzu Access Corporation offers a global service contract (“ASSIST Plan”) that ensures that standard operating procedures for analytical and measuring instruments specified by the customer’s head office or mother plant are implemented properly at their facilities in other countries.

The Medical Systems segment has established a Customer Support Center to quickly respond to customer telephone inquiries 24-hours a day, 365 days a year.
Invest in Growth Fields

- Prioritize investing in developing new products and new businesses in four important growth fields.
- In particular, treat healthcare business fields as advanced healthcare and create new businesses based on integrating analytical and medical technologies.

Important Growth Fields

Healthcare

- Healthcare, life sciences, pharmaceuticals, food safety, and functionally-enhanced foods

Infrastructure

- Various infrastructure inspection, R&D, and manufacturing facilities

Materials

- Fine materials, functionally engineered materials, and composite materials

Environment/Energy

- Environmental measurement, regulatory compliance, renewable/hydrogen energy

Growth Strategies

Medium-Term Management Plan (FY 2017 to FY 2019)

As globalization progresses and society challenges become increasingly complex, solutions will require collaborations that extend across a broader range of conventional industrial, administrative, and academic boundaries. Thus far, Shimadzu has offered high quality products based on science and technology and worked in cooperation with customers to develop businesses for solving such challenges. By further expanding that approach to solve not only customer challenges, but also society challenges in the business areas of human health, the safety and security of society, and industrial development in collaboration with various partners, Shimadzu intends to achieve sustainable growth and become an entity even more needed by customers and society.

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

Themes in the Medium-Term Management Plan

Achieve sustainable growth and become an entity even more needed by customers and society.

Performance Targets for FY 2019

<table>
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<tr>
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<th>Operating income</th>
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Investing in Growth Fields

Shimadzu Will Create New Businesses in Advanced Healthcare Fields by Integrating Analytical and Medical Technologies

Leading Global Healthcare in Visualization and Quantitation

Given the urgent need to reduce medical costs, Shimadzu believes prevention and minimally invasive treatments are very important. Considering that in vitro diagnostics is especially useful for preventing disease, a major advantage that Shimadzu has is mass spectrometers and mass spectrometry technology that can be used to measure substances for disease identification.

Furthermore, image processing technologies cultivated by Shimadzu for imaging with low X-ray exposure levels and near-infrared light, which offers superior body penetration characteristics, can be useful for minimally invasive treatments used to minimize the stress on patients during cancer or other treatment. These technologies can also help reduce treatment time, so further development of treatment technologies is also expected in the future.

Expanding the Reagent and Consumables Business Globally

For businesses in healthcare fields, it is also important to not only sell equipment, but also provide the service support that ensures customers can use products without worry, such as by selling reagents or periodically replacing consumables. Such support services provided to customers after they purchased the products are referred to as the aftermarket business and can be expected to provide a continuous source of reliable profit. To strengthen the aftermarket business, we will expand and improve our offering of Shimadzu products and expand the aftermarket business globally, while also using mergers and acquisitions to absorb businesses from outside Shimadzu.

Due to increased prognostic follow-up examinations and aging demographics resulting in hosptial bed shortages, advancements will occur in IT-based in-home care solutions.

Promoting Open Innovation Based on Using Innovation Centers

Given the wide diversity in the world, it is probably not an exaggeration to say that there are as many different needs as there are customers. Therefore, we established innovation centers in various regions of the world to ensure we understand those needs accurately and satisfy them as quickly as possible. At the respective innovation centers in the United States, Europe, China, and other Asian countries, we will conduct joint research with leading customers and deploy the results globally. Thus far, joint research has been conducted mainly with academic institutions, but in the future we will promote open innovation by also actively engaging in joint operations with companies and regulatory institutions in various countries.

In January 2019, we plan to establish a Healthcare R&D Center at our head office in Japan. The center will not only work on integrating analytical and medical technologies, it will also serve as an open innovation research facility for joint research with cutting-edge medical institutions.

Integrate the healthcare cycle (prevention, ultra-early screening, diagnosis, treatment, and prognosis management) for each disease.
**Growth Strategies**

**Medium-Term Management Plan—Basic Policies (2)**

**Strengthening Profitability**

**Challenge of Increasing Business Value**

**Key Businesses, Businesses for Profitability Reform, and Businesses for Rebuilding**

Analytical & Measuring Instruments businesses are considered key businesses. In addition to making key investments in mass spectrometers, we will also expand businesses and improve their competitiveness, such as by expanding/improving product lines and the aftermarket business. Meanwhile, we will make improving the profitability of Medical Systems, Industrial Machinery, and Aircraft Equipment a foremost priority, such as by selecting and focusing products and strengthening application development capabilities to expand applications.

For more details, see Strategies by Segment on pp. 29 to 30.

**Strengthening Service Businesses Based on Using AI and IoT Technologies**

By creating a system for linking data from the entire value chain, from manufacturing to sales and service, we will be able to respond more quickly to customer needs and offer products and services that more accurately meet those needs. We will offer new value by networking instruments and other equipment together for automation, data analysis, forecasting, or failure prediction purposes.

Analytical & Measuring Instruments Business

**Strengthening Service Businesses Based on Using AI and IoT Technologies**

**Developing Products and Applications Able to Differentiate Shimadzu from Competitors by Promoting Joint R&D**

We are involved in joint research with leading customers at respective locations in the United States, Europe, China, and other Asian countries, to develop various application systems required in those markets. In addition to academic institutions, which have been the primary type of joint research partner thus far, we are also developing collaborative partnerships with corporations and institutions involved in regulation in various countries. By sharing the results from such measures globally, we intend to create unique products and applications that are ahead of competitors.

Expanding the Aftermarket Business by Expanding/Improving Product Line of Reagents and Consumables

When a customer introduces Shimadzu instruments, it results in supplying reagents and consumables, which can be relied on to provide a stream of ongoing profit. Consequently, we place significant importance on the aftermarket business, which involves a variety close interactions with customers even after products are sold. Therefore, we intend to expand/improve the reagent/consumables business, including by mergers and acquisitions, and strengthen the service business by offering multi-vendor services, for example, as the foundation for stable growth.

**Working Practice Reforms**

Companies are increasingly expected to achieve diverse and flexible working practices that are better suited to the individual will and abilities of each employee and to their individual circumstances. As part of our efforts to create systems for improving productivity and supporting the ability of personnel to continue being successful in their work, in March 2017 we launched a project to implement working practice reforms. To improve tendencies for long working hours, the project involved reviewing every aspect of how personnel perform business processes, which has improved productivity by providing time for focusing on what really needs to be performed and achieving faster decision-making. Though we had already implemented systems for supporting personnel in their various personal or family life stages, such as child-rearing or nursing care stages, in the future we intend to introduce IT technologies for further improving the efficiency of business processes, and continue making improvements to achieve mutual beneficial results for both the working individual and the company.

**Health Management**

To realize our wishes for the well-being of both mankind and the earth, we issued a health declaration in October, 2017. We believe that promoting employee health management and health improvement will not only reduce medical costs, but also result in improved productivity and creativity. Therefore, we are focusing efforts on utilizing the healthcare solutions already available to Shimadzu for significantly improving the health of employees. Specifically, in FY 2017 we reduced each employee’s risk of disease by introducing a wearable device-based health management system. We will also provide employees with health diagnoses based on Shimadzu’s molecular diagnostics and medical technologies.

**Environmental Management**

Protecting the environment is not only a responsibility of companies, it can also help reduce costs by reducing waste and improving productivity and is essential to Shimadzu in terms of increasing sales by supplying environmentally-beneficial products that help customers with environmental improvements as well. Consequently, we intend to engage even more actively in environmental measures, such as expanding the Eco Products Plus, environmentally-friendly products developed based on Shimadzu’s own standards, conservation of biodiversity through business practices, products, and services, and contribution to achieving a carbon-free society.

For more details, see Special Feature 3—Creating a Workplace Where Employees Can Work Positively in Good Health on pp. 55 to 56 and Diversity on p. 58.

**Environmental Measures on pp./uni00A049 to 54.**

For more details, see Special Feature 3—Sharing results globally from joint research with advanced customers at respective locations outside Japan.

**Image 308x185 to 551x235**

For more details, see Special Feature 1—Solving Challenges in Society in Collaboration with Partners All Around the World on pp. 27 and 28 and Environmental Measures on pp. 49 to 54.

**Medium-Term Management Plan—Basic Policies (3)**

**Reforming Organizational Foundation**

**Challenge of Maximizing Abilities**

**Diversity Management**

Diversity management has become widely known as a means of taking advantage of the diverse attributes available among personnel to maximize the abilities of each human resource and link them to company competitiveness and innovativeness. The important point is that diversity management is not a temporary measure, but rather an approach that is firmly rooted in the company from a medium and long-term perspective and that truly functions toward achieving our goals.

In Japan, a key point has been promoting the more effective use of female employees. Consequently, we have been implementing career training, leadership training, networking sessions with outside companies, and so on, for women. Involving mainly the WiSH project team started in 2015 for promoting the effective using of women, employee views were surveyed and fed back to company management.

For more details, see Special Feature 3—Creating a Workplace Where Employees Can Work Positively in Good Health on pp. 55 to 56 and Diversity on p. 58.

For more details, see Strategies by Segment on pp. 29 to 30.
Preventing the Onset or Severity of Diseases in Newborns by Measuring Disease Factors in Blood

Society Challenges
Escalating medical costs
Approx. 41.5 trillion yen

Medical costs (FY 2015 results)

9.99% Health insurance enrollment rate (Kyoto: FY 2016 results)

Customer Challenges
Extend healthy life expectancy, such as by disease prevention

Important Growth Fields in the Medium-Term Management Plan
Healthcare
Create new businesses by integrating analytical and medical technologies
Promote advanced healthcare

Value Shimadzu Can Provide
● Prevent the onset and severity of diseases in newborns, such as inborn error of metabolism

Neonatal Mass Screening

Tandem Mass Spectrometry

Shimadzu Corporation

Seiji Yamaguchi
Specially Appointed Professor
Department of Pediatrics,
Faculty of Medicine,
Shimane University

Feedback from a Partner

False Positives Dramatically Decreased by Introducing Tandem Mass Spectrometry

The tandem mass spectrometry method established by joint research with Shimadzu Corporation significantly improved examination precision compared to the Guthrie method. Consequently, there was a sharp decrease in cases with false positives and helped relieve the psychological stress on families of children waiting for the results of examination for the suspicious abnormalities. Furthermore, due to its simple method of diagnosing rare diseases, it has caused major changes in the practice of emergency pediatric medicine. In the future, we intend to research methods for saving children with congenital immunodeficiency disorders.

Measures by Shimadzu Corporation

Tandem Mass Spectrometry Method Established from Joint Research with Shimane University Dramatically Shortens Analysis Time

In the business area related to human health, we contribute to life sciences involved in identifying biological phenomena for business fields related to human health, supply pharmaceuticals and diagnostic and treatment devices for supporting medical systems, and help develop functionally-enhanced foods to improve health, and so on. Neonatal mass screening involves taking a tiny quantity of blood and examining it for any hidden congenital metabolic abnormalities, so that the occurrence of disabilities can be prevented. Currently in Japan, all newborns are tested by neonatal mass screening, based on a system of public reimbursement of medical expenses by local governments. Through joint research with Professor Seiji Yamaguchi of the Shimane University Faculty of Medicine (specially appointed professor as of April 2016), who is Director of the Japanese Society for Mass Screening and the leading person to research organic acid metabolism disorders, we have been involved in developing quick and easy neonatal mass screening systems.

For many years, the Guthrie method has been used for neonatal mass screening. It uses paper soaked in the blood sample and was developed in the 1960s and spread throughout the world due to its low screening cost. In contrast, the method we developed uses two mass spectrometers configured in series and is referred to as tandem mass spectrometry method. With an analysis time of only 1 to 2 minutes per sample and analytical peaks appearing clearly on recording paper, each system can examine 60,000 patients per year. Furthermore, it is also able to simultaneously screen for over 20 diseases that cannot be screened with the Guthrie method. Moreover, it offers dramatically higher precision than the Guthrie method and dramatically fewer false positives.

Consequently, it helps improve the life quality of patient families. Currently, we are in the process of expanding the availability of the screening method from developed economies, such as Japan, to newly emerging economies as well, where less than 10% of all newborns are screened for congenital disorders.

Source:
*1 Japanese Ministry of Health, Labour and Welfare
*2 Changes in Medical Care Expenditure
*3 Japan Health Insurance Association Website
*4 Health Insurance Guide

Seiji Yamaguchi
Specially Appointed Professor
Department of Pediatrics,
Faculty of Medicine,
Shimane University

Disease Factors Are Measured from Blood

Blood Is Examined Using Mass Spectrometers
Solving Challenges in Society in Collaboration with Partners All Around the World

Business Area—Safety and Security of Society

Contributing to Solving Environmental Problems Around the World with Analytical and Measuring Technologies

<table>
<thead>
<tr>
<th>Society Challenges</th>
<th>Important Growth Fields in the Medium-Term Management Plan</th>
<th>Value Shimadzu Can Provide</th>
<th>Environmentally-Beneficial Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding environmental air and water pollution due to rapid economic growth</td>
<td>Environment/Energy</td>
<td>Supply analytical and measuring instruments required for region-specific environmental problems.</td>
<td>Online gas emissions VOC analyzers, online TOC analyzers, gas chromatograph mass spectrometers, etc.</td>
</tr>
<tr>
<td>92%*1</td>
<td>Expand &quot;green innovation&quot; business, mainly based on environmental measurement technology for global environmental conservation.</td>
<td></td>
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<tr>
<td>Percent of world population that lives in regions where air pollution exceeds air pollution standards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80% or more*1</td>
<td></td>
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<td></td>
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<tr>
<td>Percent of world-wide water effluents that are not treated</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Customer Challenges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determination of environmental pollution status by visualizing environmental impact</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Measures by Shimadzu Corporation

Shimadzu Supplies Analytical and Measuring Instruments Required for Region-Specific Environmental Problems to Various Regions Throughout the World

Various regions suffer from a wide variety of environmental problems that are based on geographic, economic, or other circumstances unique to their country. Environmental pollution is especially prominent in the Asia region, due to urban development and economic activity, with some regions facing new problems after achieving a certain amount of economic growth.

- **Fighting Air Pollution in China**
  Assuming air pollution with particulate matter rates over PM2.5 is caused by volatile organic compound (VOC) components, China has been establishing stricter regulations on such components within China. VOCs have also been newly included from 2016 in restricted substances specified in the 13th Five-Year Plan. Since Shimadzu has a long history of developing environmental measurement technology for analyzing trace components in gases and technology for environmental measurement, integrating these technologies, Shimadzu developed an online gas emissions VOC analyzer (VOC-3000F) specifically for the China market. The system continuously measures the VOC level in gases emitted from plant manufacturing processes to monitor the operating efficiency of emissions gas treatment equipment or confirm that emissions are below environmental regulatory standards. Consequently, it is being used by customers in chemical and other industries.

- **Fighting River Water Pollution in India**
  Given the rapid economic growth continuing in India, environmental pollution is becoming an increasingly serious problem each year. Therefore, the Ministry of Environment, Forest and Climate Change has been leading efforts to build wastewater treatment plants and other infrastructure. In 2015, standards were specified for water discharged into the Ganges River and other waters by businesses in the materials, chemicals, and other industries, and installation of monitoring instruments and data submission were mandated. Because Shimadzu’s online TOC analyzers can accurately detect organic matter concentrations in effluent water used as an environmental pollution index and are able to transfer data, many units continue to be used to monitor effluent water quality levels.

- **Cooperating with Vietnam Environmental Police**
  Vietnam is one of the fastest-growing emerging economies in the world. Its swift growth has led to a significant increase in environmental pollution in Air, Water, Forests etc. According to Vietnam law, the Environmental Police, which belongs to the Vietnam Enforcement Force, was established in 2006 to prevent and fight against environmental crimes and violations by applying investigative techniques for inspecting enterprises and companies relating to environment protection. To conduct surprise inspections that are suspected of violations, they need analytical system that is transportable and can analyze samples rapidly. Therefore, in 2013 the Vietnam Environmental Police installed 2 Mobile Caravan Labs equipped SHIMADZU’s state-of-the-art analytical instruments to conduct inspections on suspicious companies. SHIMADZU contributes to environmental conservation in Vietnam by these innovations that help in accurately analyzing a wide range of pollutants.
Shimadzu Will Achieve Additional Growth and Stronger Profitability in Four Business Segments

Business Strategies

We conduct business in four segments: Analytical & Measuring Instruments, Medical Systems, Aircraft Equipment, and Industrial Machinery. The medium-term management plan (FY 2017 to FY 2019) specifies measures for improving and expanding profitability based on achieving additional growth in the Analytical & Measuring Instruments segment, which is designated as Shimadzu’s key business segment, implementing profitability reforms in the Medical Systems and Industrial Machinery segments, and rebuilding the Aircraft Equipment segment.

In the healthcare field, which has attracted attention throughout the world, we have established a Healthcare Business Strategy Unit to accelerate the process of integrating analytical and medical technologies in order to establish new highly unique business models in healthcare areas. To further accelerate the development of products and services by promoting open innovation, we plan to open a Healthcare R&D Center in 2019.

In addition, the plan designates aftermarket businesses as especially important measures for improving profitability. Therefore, we will accelerate the global expansion of aftermarket businesses by using AI and IoT technologies to develop new service businesses and expanding the reagent and consumables product line.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Strategy Points</th>
<th>Performance Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analytical &amp; Measuring Instruments</td>
<td>- Make key investments in mass spectrometers and liquid chromatographs.</td>
<td>Net Sales FY 2016: 209.2 billion yen</td>
</tr>
<tr>
<td></td>
<td>- Expand the aftermarket business.</td>
<td>Net Sales Target FY 2019: 253.0 billion yen</td>
</tr>
<tr>
<td></td>
<td>- Expand/improve product lines.</td>
<td></td>
</tr>
<tr>
<td>Medical Systems</td>
<td>- Create new businesses by integrating analytical and medical technologies.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Expand/improve product lines and expand businesses outside Japan.</td>
<td>Net Sales FY 2016: 64.4 billion yen</td>
</tr>
<tr>
<td></td>
<td>- Improve product profit margins and expand profitable service business.</td>
<td>Net Sales Target FY 2019: 71.0 billion yen</td>
</tr>
<tr>
<td>Industrial Machinery</td>
<td>- Reform profitability by expanding/improving the turbomolecular pump business and expanding the service business.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Reform profitability by expanding the hydraulic equipment business outside Japan and strengthening the manufacturing base.</td>
<td></td>
</tr>
<tr>
<td>Aircraft Equipment</td>
<td>- Build stable profitability by expanding the commercial aircraft equipment business.</td>
<td>Net Sales FY 2016: 26.7 billion yen</td>
</tr>
<tr>
<td></td>
<td>- Review and rebuild the defense business.</td>
<td>Net Sales Target FY 2019: 29.0 billion yen</td>
</tr>
</tbody>
</table>
Analytical & Measuring Instruments Business

We contribute to social innovation by supporting manufacturing including food and medicines, environmental analysis of water quality and air pollution, and cutting-edge research such as life sciences.

Shuzo Maruyama
General Manager, Analytical & Measuring Instruments Division

Analytical and measuring instruments are used in a wide range of fields, with sales currently in a global expansion trend. Some surveys predict a high 4.4% growth rate between 2013 and 2018 (multi-year growth rate).

For example, strong expansion is predicted in pharmaceutical and food fields, due to requirements for improved safety and the development of new drugs and functionally-enhanced foods. Growth rates are predicted to remain high in healthcare fields due to the expansion of application fields, such as diagnostics and examinations. In transport, petroleum, chemical, and electrical fields, demand is expected to expand for applications related to new materials development, alternative energies, and infrastructure. We are driving the analytical and measuring instruments market by offering products and services globally in 8 of the 10 sub-segments in that market. In the future, we will continue to release high value-added products by deploying businesses in healthcare fields and by strengthening collaborative work with outside entities.

Main Products

- General-Purpose Analytical Instruments
  - Mass spectrometers
  - Chromatographs
  - Spectrophotometers
  - Biotechnology instruments
  - Balances

- Surface Analysis Systems
  - Surface analysis and observation systems

- Environmental Analysis Systems
  - Water-quality analyzers
  - Continuous emission monitoring systems

- Testing Machines and Nondestructive Inspection Machines
  - Material testing machines
  - Fatigue and endurance testing machines
  - Structure testing machines
  - Nondestructive inspection machines
  - High-speed video cameras
  - Powder & particle size analyzers

Pharmaceuticals

Analyzing Impurities in Pharmaceutical Ingredients

Boasting the highest sensitivity levels in the world and the ultimate in high-speed performance, this system provides highly accurate data based on analyzing trace quantities in pharmaceutical, such as impurities, active ingredients, or metabolic components.

Improving the Efficiency of Drug Development

By offering remote operability and automatic analysis, this system provides improved productivity, easier operability, and smaller space requirements, which has been especially popular in pharmaceutical quality control fields.

Analyzing Contaminants Adhered to Pharmaceuticals

This system uses reflection or transmission of infrared light to observe or analyze microcontaminants on the surface of pharmaceutical tablets.

Foods and Beverages

Analyzing Trace Components in Foods

This system is used for applications where ultra trace substances need to be analyzed, such as analyzing residual pesticides, dioxins, or endocrine disrupters in foods.

Testing for Residual Pesticides in Foods More Rapidly

This system is especially useful for rapidly and automatically testing for large number of analytes, such as residual pesticides in foods.

Analyzing Contaminants in Public Drinking Water or Foods

This specialized software is designed specifically for analyzing the elements contained in sample and for determining identification results and a match score based on various data for identifying and qualifying organic matter. It is typically used for analyzing contaminants in public drinking water or foods.

Business Environment

Net Sales by Region

Europe 10%
Other Asian Countries 12%
China 22%
Japan 41%
The Americas 12%
Other 3%

Net Sales/Operating Income

Net sales (Billion yen) Operating Income (Billion yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>192.6</td>
<td>26.8</td>
</tr>
<tr>
<td>2015</td>
<td>204.4</td>
<td>31.0</td>
</tr>
<tr>
<td>2016</td>
<td>209.2</td>
<td>33.1</td>
</tr>
<tr>
<td>2017</td>
<td>234.5</td>
<td>35.3</td>
</tr>
</tbody>
</table>

In Japan, sales were strong and increased for liquid chromatographs, mass spectrometers, surface analysis systems, and other products in fields such as pharmaceuticals and chemicals.

In Europe, sales were strong for mass spectrometers in environmental testing and clinical medicine. In China, mass spectrometer sales were strong, due to private sector sales remaining strong in pharmaceutical and contract analysis fields and also due to public sector sales for large projects related to food safety, for example. In Southeast Asia, liquid chromatograph sales were strong and testing machine sales increased for large transport projects. In India, mass spectrometer sales were strong in pharmaceutical fields. In North America, mass spectrometer sales decreased in healthcare fields, but liquid chromatograph and other sales were strong. However, overall sales outside Japan decreased due to the strong yen. Therefore, in the future we will further expand businesses and improve profitability, toward our goal of becoming the number one broad-line analytical instrument manufacturer in the world, by mergers, acquisitions, and other measures to expand/improve product lines and improve our ability to offer customers solutions.

FY 2016 Results and Challenges

In Japan, sales were strong and increased for liquid chromatographs, mass spectrometers, surface analysis systems, and other products in fields such as pharmaceuticals and chemicals.

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Key Measures in the Medium-Term Management Plan

1. Invest in Key Models
   - Mass Spectrometers (MS)
     - Expand/improve product lines, such as MS products for rapid screening or high resolution.
     - Develop expert systems based on using AI and IoT technologies for sophisticated data processing and analysis.
     - Expand business on expanding the range of MS application fields (such as molecular diagnostics and cellular analyses).
   - Liquid Chromatographs (LC)
     - Expand/improve product line, such as for columns/reagents, automatic pretreatment systems, and new detectors.
     - Use AI and IoT technologies to improve network systems and expand service businesses.
     - Develop new products based on LC technologies that are part of a system, such as equipment for cell handling, cell cultivation, and cell metabolite analysis, and newly deploy the products in the regenerative medicine field.

2. Expand/Improve Product Line for Network Systems
   - Release Cloud-Based Systems and Strengthen Global Deployment
     - Strengthen the LabSolutions network system as an integrated platform.
     - Expand/improve product line with cloud-based systems that use AI and IoT technologies.

3. Strengthen Development Capabilities Based on Innovation Centers
   - Promote Joint Development at Innovation Centers
     - Strengthen ability to develop various application systems required in respective markets.
     - In addition to academic institutions, also collaborate with corporations and institutions involved in regulation in various countries.
     - In addition to healthcare, also deploy results in environmental testing, energy, and materials fields.
     - Develop new systems by promoting synergies between different business segments (such as Analytical & Measuring Instruments and Medical Systems).

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Environment

Measuring Hazardous Elements in Public Drinking Water
This system is used for R&D or quality control applications in environmental fields, such as measuring hazardous elements contained in public drinking water.

Petroleum/Chemical Industries

Monitoring Water Upstream from Factory Effluents
This system is used to monitor factory effluent water before it is discharged or to continuously monitor the quality of public drinking water or environmental waters, for example.

Analyzing Polymer Chemical Reactions
This system is used for measurements to track rapid polymer chemical reactions, for analysis of polymer curing reactions, and for qualitative analysis of rubbers, for example.

Analyzing the Odor of Chemical Products
In addition to analyzing odor components in chemical products, this system is also used for a wide variety of other applications, such as qualitative and quantitative analysis of organic solvents in films.

Analytical & Measuring Instruments Business

New Plant Built in Malaysia
Shimadzu Manufacturing Asia, Sdn. Bhd. (SMA), a manufacturing subsidiary for the Analytical & Measuring Instruments business, was established in Malaysia in June 2016. Trial assembly lines for liquid chromatographs and spectrophotometers were started up at Senjo Works in Kyoto and then the lines were transferred to Malaysia as soon as the new plant was completed. The plant opened in June. After obtaining ISO 9001-2015 certification in August, the first shipment of UV-1800 spectrophotometers was made in late September. Initially we intend to offer products mainly in Southeast Asia and India, but also to the Middle East and Africa in the future.

Established Innovation Centers in Europe and Asia
In March 2016, the European Innovation Center was opened in Germany as a location for collaborating with universities and companies in joint research and development projects. The center is intended as a hub for developing advanced products and applications in key fields for Shimadzu, such as clinical medicine, composite materials, foods, and imaging.

We also opened a Southeast Asia Innovation Centre in Singapore, which will be involved in developing techniques that help strengthen our pharmaceutical and food safety capabilities.

Machinery and Transportation

Quality Control of Automotive Parts
This system is used for applications such as viewing inside automotive parts or for analyzing glass or carbon fiber-reinforced plastics or other materials.

Testing the Strength of Materials and Parts
Control parameters are tuned in real time based on test force and strain data measured during testing. This machine is used for a wide variety of applications from strength testing of materials and parts to simulation of press forming operations, for example.

Built-in Systems

New Plant in Malaysia

European Innovation Center

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Analytical & Measuring Instruments Business

Results from Respective Business Segments

ICPMS-2030 ICP Mass Spectrometer

TOC-4200 Online Total Organic Carbon Analyzer

IRTracer-100 Fourier Transform Infrared Spectrophotometer

Headspace Analysis System

InspeXio SMX-225CT Microfocus X-Ray Inspection System

AG-Xplus Precision Universal Testing Machine
Results from Respective Business Segments

Medical Systems Business

By offering easy-to-use medical systems that reduce the stress on patients based on state-of-the-art imaging processing technology, we contribute to early detection and early treatment of cancer and other diseases at medical facilities around the world.

Main Products
- Fluoroscopy Systems
- Angiography Systems
- Radiography Systems
- Others
  - R/F tables
  - Mobile C-arms

Net Sales by Region
- Japan: 56%
- The Americas: 17%
- China: 10%
- Other Asian Countries: 6%
- Europe: 5%
- Other: 6%

Net Sales/Operating Income

By simply lying face down on the bed and lowering a breast into the detector hole, patients can be examined in a relaxed state without any pain from breast compression.

Elmammo
Dedicated Breast PET System

The Elmammo system can clearly visualize an invasive cancer directly under the nipple and intraductal progression spread longitudinally from the invasive cancer. That means superior diagnostic results can be achieved even for patients with high-concentration mammary glands that are difficult to see with conventional methods. (Source: Academic Morning Seminar, 24th Annual Meeting of the Japan Breast Cancer Society)

Key Measures in the Medium-Term Management Plan

1. Strengthen/Expand/Improve the Diagnostic X-Ray System Business
   - Expand the angiography system business, such as by offering unique applications.
   - Start offering 24-hour customer support in Japan and then deploy it in China as well.

2. Deploy Business in New Fields
   - Strengthen Measures to Support Cancer Diagnosis and Treatment
   - Roll out the Elmammo dedicated breast PET system in China.
   - Strengthen deployment of the LIGHTVISION near-infrared fluorescence imaging system for breast cancer applications, deploy the applications outside Japan, and integrate analytical and medical technologies.

Promote Integrating Analytical and Medical Technologies
- Develop new systems and offer unique high value-added diagnostic information by integrating X-ray image processing technology (Medical Systems segment) with mass spectrometry technology (Analytical & Measuring Instruments segment).

Meeting the Needs of an Aging Society

By deploying state-of-the-art tomosynthesis based on digital tomosurgical image reconstruction and various other applications, we will offer high precision examinations and clinical added value.

Business Environment

In the healthcare industry (excluding pharmaceuticals and biotechnology), the market for diagnostic imaging systems has shown strong growth and now accounts for about 3 trillion yen in sales.1 The market for diagnostic X-ray systems, where Shimadzu offers strong products, is worth about 700 billion yen, with Shimadzu boasting the world’s fourth largest market share, after the three large non-Japanese competitors. Strong market growth is also expected in the future, in markets such as the United States, Japan, and China.2

Though there has been an increasing number of competitors entering the market, resulting in price wars, commoditization, and other challenges that are creating increasingly severe business conditions, we intend to establish a unique position in the market by further strengthening the functionality and broad product line that we have cultivated thus far.

FY 2016 Results and Challenges

In Japan, sales of angiography systems and other diagnostic X-ray systems increased. In particular, with successful regulatory compliance, sales of fluoroscopy systems and general radiography systems to the medical clinic market increased. In North America and China, sales were strong for high-end fluoroscopy systems that can be used for multiple diagnoses. In Europe, sales of fluoroscopy systems and general radiography systems were strong in Eastern Europe and Russia. However, public sector demand stalled in Southeast Asia. Consequently, overall sales outside Japan decreased partially due to the strong yen. Looking ahead, we plan to develop competitive new products and services and expand businesses outside Japan, while also making improving profitability our greatest priority.

Strengthen/Expand/Improve the Diagnostic X-Ray System Business

1. Strengthen/Expand/Improve the Diagnostic X-Ray System Business
   - Promote Integrating Analytical and Medical Technologies
   - Meet the needs of an aging society

Promote Integrating Analytical and Medical Technologies
- Develop new systems and offer unique high value-added diagnostic information by integrating X-ray image processing technology (Medical Systems segment) with mass spectrometry technology (Analytical & Measuring Instruments segment).

Exhibition at the Japan Fair, Tokyo International Conference on African Development

At the TICAD* Japan Fair held in Nairobi, Kenya, in August 2016, a MobileDaRt unit, as which we first delivered the same unit to the Nairobi Hospital, was exhibited. A presentation of the LIGHTVISION near-infrared fluorescence imaging system, for supporting tomosynthesis and diagnosing metastasis of breast cancer, was also displayed on a monitor.

Measuring the Needs of an Aging Society

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   - Meet the needs of an aging society

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* TICAD is an acronym for Tokyo International Conference of African Development, led by the Japanese government since 1993. TICAD is an international conference focused on development in Africa that is sponsored jointly with the United Nations, UN Development Programme (UNDP), Africa Union Commission (AUC), and World Bank.

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Though there has been an increasing number of competitors entering the market, resulting in price wars, commoditization, and other challenges that are creating increasingly severe business conditions, we intend to establish a unique position in the market by further strengthening the functionality and broad product line that we have cultivated thus far.
Aircraft Equipment Business

We contribute to ensuring passenger safety and comfort during flight by offering components and systems that integrate electronics and other advanced technologies with precision manufacturing technologies cultivated by Shimadzu.

Main Products

- Aircraft Equipment
  - Flight control systems
  - Air management systems
  - cockpit display systems
  - Engine auxiliary components
  - Hydraulic and electric actuators
- Ground Support Equipment
- Measuring Devices for Magnetic Applications
  - magnetism-based measuring equipment

Net Sales by Region

- Japan 83%
- North America 16%
- Europe 1%

Results from Respective Business Segments

Business Environment

Global demand for commercial passenger aircraft continues to expand. Even within Japan, as the ratio of private sector demand increases and government policies shift toward treating the aircraft industry as a key industry, relevant ministries have issued a vision for the aircraft industry that indicates they will prioritize allocating funds for developing technologically competitive products, not only for airframe and engine products, but also for other aircraft components. Given these conditions, our commercial aircraft equipment business has increased its share. In the future, we intend to achieve additional growth, mainly based on gear technologies that are highly regarded by customers throughout the world.

Commitment Towards Safe Flight of Helicopters

During low visibility flight conditions, such as at night or during bad weather, HMD systems are expected to be used as equipment for enhancing pilot visual information. Therefore, we are conducting joint research with JAXA on using an HMD system to provide useful visual information to helicopter pilots engaged in search and rescue. In specific terms, for a helicopter to reach the destination safely in such low visibility flight conditions so that rescuers can carry out search-and-rescue operations, we are developing technologies, which enable night flights, to display infrared images of the surrounding landscape, a 3D synthetic topography map generated from a terrain database, and a flight path tunnel guidance, on the helmet’s visor in real-time overlapping the pilot’s field of view at its line of sight.

In Japan, sales of aircraft components to the Japanese Ministry of Defense decreased slightly. Outside Japan, sales of service parts to commercial airlines were strong, but net sales decreased due to the strong yen and lower demand. Looking ahead, we intend to improve profitability by strengthening our manufacturing base, investing in competitive products through selection and consolidation, deploying a new business based on magnetic products, and other measures.

Key Measures in the Medium-Term Management Plan

- Strengthen and expand the scale of the commercial aircraft equipment manufacturing base in Japan. Also, in North America, strengthen the manufacturing capabilities and expand the aftermarket business.
- Review and rebuild the defense business.

Flight Control System

Shimadzu develops flap control systems for safely performing takeoffs and landings. The high-quality mechanical technology helps ensure flight safety.

Cockpit Display Systems

Shimadzu offers head-up display (HUD) systems, projection-type head-down display (HDD) systems, and other products that use advanced electronics and optics technologies to display various types of flight information superimposed on the view of the outside world. These systems help reduce pilot workload and increase flight safety.

General-Purpose Magnetic Sensors

These fluxgate magnetic-field sensors measure slight magnetic fields with high sensitivity. Available as either separate magnetic detector and controller units or as an integrated unit, these sensors are used to measure geomagnetism, measure the magnetic field generated from magnetic substances (such as iron and nickel), and so on. In the future, we anticipate they will be used as components in security systems, communications, and drones.
Industrial Machinery Business

We provide high-performance key components and contribute to the development of industries, such as industrial machinery used for semiconductor and flat panel display manufacturing and quality-control processes and high-quality equipment that uses sophisticated hydraulic technology.

Results from Respective Business Segments

Industrial Machinery Business

With investment in semiconductors and flat panel displays predicted to continue, demand for turbomolecular pumps (TMPs) used in their manufacturing processes is projected to continue expanding as well. In addition to magnetically levitated turbomolecular pumps, where Shimadzu has a large market share, we intend to also develop new markets by expanding/improving our product line of turbomolecular pumps with composite bearings. We also plan to create new business opportunities by releasing film deposition systems, inspection machines, vacuum equipment, and other products with features intended for automotive part and food markets. Hydraulic equipment is used in a wide range of industrial fields. Therefore, medium and long-term demand is projected to continue growing along with industrial growth. We will continue to supply products that fit the needs of markets, while also accelerating development outside Japan.

Net Sales by Region

Net Sales/Operating Income

In Japan, North America, Korea, and China, turbomolecular pump sales were strong, mainly for semiconductor and flat panel display manufacturing equipment. In China, however, sales of glass winders decreased due to fewer large projects than in the previous year.

Though hydraulic equipment markets seemed to slow in the first half, they picked up in the second half, but overall sales increased only slightly due to the strong yen and other factors.

Key Measures in the Medium-Term Management Plan

- Expand/improve the product line of magnetically levitated turbomolecular pumps and expand the scope of target markets by entering the market for turbomolecular pumps with composite bearings.
- Expand the turbomolecular pump aftermarket business.
- Reform profitability by expanding hydraulic equipment business outside Japan and strengthening the manufacturing base.

Entering the Food Market with Vacuum Sintering Systems

Based on the principle that moisture can be evaporated at low temperatures in a vacuum environment, food can be manufactured with new textures without sacrificing the fragrances and nutritional value of food ingredients. Furthermore, using vacuum technology can help shorten processing time, improve productivity, and save energy, compared to previous technologies. Currently, we are collaborating with a Japanese food manufacturer to jointly develop and offer new food processing equipment. In the future, we plan to build a new business in the food market by offering new added value from combining vacuum sintering systems with analytical and measuring technologies.

Main Products

- Turbomolecular Pumps
  - Turbo pumps
  - High-speed sputtering systems
  - Vacuum heat treatment furnaces
  - Glass winders
  - Solvent delivery pumps
- Hydraulic Equipment
  - Hydraulic gear pumps
  - Multi-control valves
  - Power packages

TMP-X3405 Turbomolecular Pump

Turbomolecular pumps are vacuum pumps used to create the vacuum environment essential for manufacturing semiconductors, flat panel display panels, and other products. We also offer turbomolecular pumps with the world’s highest evacuation capacity.

UHSP-T2040H High-Speed Sputtering System

This vacuum film deposition system applies multiple layers of high-quality protective films onto three-dimensional injection molded plastic products at high speed. We expect this system to be widely used in automotive parts markets. For example, it is currently used to form electromagnetic wave transparent films required for self-driving vehicles.

Hydraulic Gear Pump

Hydraulic gear pumps are widely used as a hydraulic power source for various types of equipment including industrial vehicles such as forklifts, construction machinery, special-design vehicles, and agricultural machinery.

Power Package

This hydraulic unit is configured with an electric motor or valve in the center of a small gear pump. It is mainly used in transport vehicles and conveying equipment.

Operating income

(Yen)

(Billion yen)

FY/2016

Results and Challenges

In the future, we will expand/improve our product line of turbomolecular pumps, expand our aftermarket business globally, and expand the hydraulic equipment business outside Japan in an effort to “become a specialist able to provide solutions for the industrial machinery market” and “become a global brand supplier of hydraulic equipment.”
Companies must act responsibly to earn the trust of the various stakeholders associated with the company and achieve sustainable growth while coexisting with society and the environment.

In addition to acting responsibly as a member of society, we are also actively involved in creating shared value (CSV) with society and promoting activities for corporate social responsibility (CSR) through our normal business activities, which are heavily rooted in contribution to society.

**Measures to Ensure Sustainability**

Create a Brighter Future
—Solve societal challenges while working towards harmony between the earth, society, and people—

Shimadzu is committed to using its technology and expertise cultivated over many years of conducting business to supply products and services that solve the challenges and needs of an increasingly complex and diversified society and to achieving harmony with the global society, based on Shimadzu's basic philosophy of contributing to the happiness of people and protecting the global environment.

To earn the trust of customers, shareholders, business partners, employees, local communities, and other stakeholders and achieve sustainable growth and development for Shimadzu businesses and society, Shimadzu will engage in company activities and fulfill social responsibilities based on two principles—solve the challenges of society through business operations and engage in activities as a responsible member of society.

**Corporate Governance**
We shall achieve sustained growth and increase the corporate value in the medium and long-term by developing corporate management systems that ensure management transparency and fairness and that enable quick and bold decision-making and implementation of measures.

**Practicing Corporate Social Responsibility**
We shall 1. contribute to society, 2. ensure actions are fair and transparent, 3. respect human rights, 4. protect the global environment, and 5. maintain and build relationships with stakeholders (customers, shareholders, business partners, employees, and local communities).

**Accountability**
Shimadzu shall disclose information about company activities in a timely, appropriate, and fair manner and cultivate a deeper mutual understanding through dialogue with stakeholders.

**CSR Activity Guidelines**
I. Achieves a sustainable, safe, and secure future.
II. Achieves harmony between globally diverse people and society.
III. Leaves the irreplaceable global environment for future generations.
Corporate Governance

We Will Increase Corporate Value by Ensuring Management Transparency and Fairness

Basic Policy
We will establish and enhance systems for corporate governance as a core basis for our business management practices used to earn the trust of our stakeholders, achieve sustainable growth for the Shimadzu Group, increase the corporate value in the medium and long term, ensure management transparency and fairness, and promote management dynamism by increasing the speed and boldness of decision-making and by implementing measures.

Corporate Governance System
A corporate governance system was established and is improved to achieve a balance between accurate and rapid decision-making and execution of administrative processes. Specifically, the board of directors is designated as the institution for deciding and monitoring the execution of administrative processes. The president and other administrative corporate executive officers and the executive committee are designated as the institutions for executing administrative processes based on decisions made by the board of directors. The audit & supervisory board and its members are designated as the institutions for auditing. To clarify the managerial responsibility of directors, directors are appointed for a term of one year. In addition, the board of directors appoints the chairman and other administrative corporate executive officers.

<table>
<thead>
<tr>
<th>Organizational Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Organization</td>
</tr>
<tr>
<td>Number of Directors</td>
</tr>
<tr>
<td>Chair of the Board of Directors</td>
</tr>
<tr>
<td>Number of Outside Directors</td>
</tr>
<tr>
<td>Number of Outside Audit &amp; Supervisory Board Members</td>
</tr>
</tbody>
</table>

Compliance with Corporate Governance Codes
To achieve sustainable growth for the Shimadzu Group and increase the corporate value in the medium and long term, we established a Corporate Governance Policy in December 2015, which was revised in November 2016 and June 2017. The Corporate Governance Policy serves as a declaration of our corporate governance codes within our corporate management practices. The Corporate Governance Policy will be implemented and improved not only to ensure compliance with corporate governance codes, but also as fundamental measures that serve as the foundation for our management practices.

For more details, refer to the website: https://www.shimadzu.com/ir/governance.html

Evaluate the Effectiveness of the Board of Directors
Shimadzu analyzes and evaluates the effectiveness of the board of directors for the purpose of making continuous organizational or operational improvements and to ensure it functions properly. The second such evaluation involved conducting a survey in FY 2017 about the board of directors’ effectiveness. An analysis and evaluation of the survey results were then deliberated at a board of directors meeting. An overview of that process was published in the Corporate Governance Report.

| Composition of the Board of Directors | The current size and composition is considered appropriate. The addition of a female outside director in FY 2016 is expected to result in deeper discussions due to greater diversity. |
| Operation of Board of Directors Meetings | The frequency and length of meetings is considered appropriate and an atmosphere and environment where all members can freely express their views is maintained. Efforts are made to ensure deliberations can be performed more effectively, by inside directors providing supplemental background information when a proposal is presented. We also continue to strive toward improving the documentation provided. |
| Roles and Responsibility of the Board of Directors | When preparing the new medium-term management plan, the board achieved excellent results and significant improvements, compared to the previous year, by engaging in lively and constructive discussions about the key elements, vision, policies, strategies, and direction for goals. Shimadzu should pursue in the plan. This year, we will provide an opportunity to adequately discuss how to follow-up those results. |
| Support for and Cooperation with Directors and Audit & Supervisory Board Members | Briefing members before board of directors meetings and exchanging and sharing information with outside directors are conducted appropriately, which has improved since last year. |
| Self-Assessment by Directors | All directors adequately understand the basic philosophy of the company, endeavor to achieve that philosophy, and spend adequate time and effort fulfilling their roles and responsibilities as directors. |
| Status of Measures to Address Issues Identified in the Effectiveness Evaluation Last Year | An environment has been provided where outside directors can freely access and view written materials. Further improvements are being made to ensure adequate time for reviewing materials in advance. |

Reasons for Appointing Independent Directors
Appointed independent outside directors contribute to strengthening the system for executing appropriate administrative processes by offering valuable suggestions regarding management in general and compliance, based on their extensive experience and outstanding capabilities/discernment.

<table>
<thead>
<tr>
<th>Outide Directors</th>
<th>Reasons for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taketugu Fujimura</td>
<td>Appointed due to extensive management experience and broad knowledge acquired through many years of managing a global company.</td>
</tr>
<tr>
<td>Hiroko Wada</td>
<td>Appointed due to diverse management experience, such as from being a corporate director of a multinational company and a chief executive officer of a Japanese subsidiary of a foreign company, and broad knowledge about global marketing.</td>
</tr>
<tr>
<td>Takashi Iida</td>
<td>Appointed due to extensive specialized knowledge and experience from practicing law for many years, from managing a law office, and from serving as an outside director or outside corporate auditor for various companies.</td>
</tr>
<tr>
<td>Masahiro Nishio</td>
<td>Appointed due to extensive specialized knowledge and experience from being a certified public accountant and due to his experience outside Shimadzu, which is expected to be useful as a corporate auditor.</td>
</tr>
</tbody>
</table>
Corporate Ethics and Compliance

Becoming a Business That Is Trusted Throughout the World and Where Employees Can Work with a Sense of Pride

Basic Policy
Shimadzu has specified the following five principles of conduct in the corporate code of ethics, which is a guideline for employee behavior, and we daily engage in activities aimed at becoming a global business that is trusted throughout the world and where employees can work with a sense of pride.

1. Customer-oriented approach
2. Fairness and transparency
3. Dialogues with stakeholders
4. Contribution to society and global environment conservation
5. Respect for the creativity and individuality of employees

Provision of a Corporate Ethics Consultation and Notification Contact Points
To prevent corporate ethics problems, or identify and address them as early as possible, employees have been informed that contact points have been established within and outside the company for consultation and notification. In response to such consultations or notifications, personnel at the contact points can cooperate with relevant departments to investigate, implement corrective actions, and/or implement measures to prevent recurrence, as necessary. Rules are also established to protect personnel that consult or notify the contact points, such as rules that prohibit unfavorable treatment.

Internal Audits
Corporate business activities in specialized fields are monitored by internal audits conducted by respective departments, such as sales, research and development, or manufacturing, and by administrative departments. In addition, an Internal Audit Department (with six internal auditors) is established, which is directly under the president, to perform internal audits from a perspective that is independent from the normal hierarchy for executing administrative processes, including for Group companies, and to evaluate and ensure the effectiveness of internal controls.

Improved Transparency of Relationships with Medical and Other Institutions
In order to become a company that can obtain the trust of society, we have increased the transparency of relationships with medical institutions and others whose cooperation is essential for developing, manufacturing, importing, and selling medical devices by publishing a Guideline for Transparency of Relationships with Medical and Other Institutions and disclosing all funds provided to medical institutions or other relevant parties.

Suspension by Japanese Ministry of Defense
Due to improper practices by the Aircraft Equipment Division with respect to a repair contract with the Japanese Ministry of Defense, the Ministry suspended transactions with Shimadzu for 3.5 months, starting from June 9, 2017. However, the suspension was removed on September 23, 2017. We deeply apologize to all those involved for the significant inconvenience this caused.

Risk Management
We Ensure Business Continuity and Progress Through Appropriate Risk Management

Risk Management System
The president is the chief officer responsible for risk management. Below the president, a Risk Management and Corporate Ethics Board meets twice a year as a deliberative body to discuss and approve company-level risk management activities. Those activities are coordinated by the director in charge of risk management and deployed to other departments and Group companies primarily by the departments responsible for the respective risks.

Risk Management System (Including Corporate Ethics and Compliance)

Countermeasures and Risk Management for Priority Risks
Risks that are especially important to the company are identified, discussed at the management level, and designated as priority risks that require particularly prioritized measures. Measures to reduce the risks are implemented by specifying a director or department responsible for respective risks and the progress of the measures is confirmed by the Risk Management and Corporate Ethics Board.

Risk Management for Priority Risks
Priorities and Countermeasures Implemented Between October 2015 and September 2017

<table>
<thead>
<tr>
<th>Priority Risk</th>
<th>Description of Countermeasures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major earthquake or tsunami</td>
<td>Earthquake countermeasures implemented at each location within Japan</td>
</tr>
<tr>
<td>Tsunami evacuation training</td>
<td>Tsunami evacuation training</td>
</tr>
<tr>
<td>Product accidents</td>
<td>Globally increase level of understanding of products</td>
</tr>
<tr>
<td>Inappropriate accounting and financial reporting</td>
<td>Prevent inappropriate accounting practices by improving risk management</td>
</tr>
<tr>
<td>Compliance with business laws and regulations</td>
<td>Obtain permits and licenses required for business outside Japan</td>
</tr>
<tr>
<td>Victimization by social engineering fraud</td>
<td>Conduct meetings on information security at a global level</td>
</tr>
<tr>
<td>Organizing and training for suspicious e-mails</td>
<td>Provide education and training on monitoring for suspicious e-mails</td>
</tr>
<tr>
<td>Human resources, training, succession of skills, reforming work practices</td>
<td>Hire more women and non-Japanese</td>
</tr>
<tr>
<td>Station young personnel at locations outside Japan</td>
<td></td>
</tr>
</tbody>
</table>

Business Continuity Plan (BCP) for Major Earthquakes
In the event of a major earthquake, ensuring the safety of personnel, minimizing damage, and recovering quickly will not only help ensure the continuity of Shimadzu businesses, but will also serve to fulfill our responsibility for supplying products to our customers. Consequently, Shimadzu has established a business continuity plan (BCP). In an emergency, a head office task force, headed by the president, and divisional task forces, headed by respective division general managers, shall be established for leading business continuity and recovery measures.

For more details, refer to the website.
https://www.shimadzu.com/csr/social/risk_management.html
Problems of Directors

1. Akira Nakamoto  Representative Director, Chairman of the Board  Chair of the Board of Directors  
   Apr. 1989 Joined Shimadzu Corporation  
   June 2000 General Manager, Analytical & Measuring Instruments Division  
   June 2002 Corporate Officer  
   June 2001 Director  
   June 2003 Managing Director  
   June 2007 Senior Managing Director  
   June 2008 Representative Director (current)  
   June 2009 President and Director  
   June 2013 President  
   June 2013 CEO  
   June 2015 Chairman of the Board (current)  
   June 2015 Chair of the Board of Directors (current)

2. Hiroshi Fujino  Director, General Manager, Aircraft Equipment Division  
   Apr. 1979 Joined Shimadzu Corporation  
   June 2005 General Manager, International Marketing Division  
   June 2007 Corporate Officer  
   June 2009 General Manager, Corporate Strategy Planning Department  
   June 2012 Director (current)  
   June 2012 in charge of corporate strategy planning and investor relations  
   June 2013 Managing Executive Officer  
   June 2013 in charge of public relations  
   June 2015 Senior Managing Executive Officer (current)  
   June 2015 in charge of global environmental management  
   June 2017 in charge of risk management (Current)  
   June 2017 Senior Manager, Aircraft Equipment Division (current)

3. Minoru Sawaguchi  Attorney-at-Law  
   Visiting Professor of the University of Tokyo Graduate School of Law and Politics  
   Apr. 1993 Registered as attorney-at-law  
   Apr. 1993 Joined Mori Sogo Law Office  
   (currently Mori Hamada & Matsumoto)  
   June 2013 Director, Shimadzu Corporation (current)

4. Yasuo Miura  Executive, Senior Managing Executive Officer  
   in charge of finance and marketing, General Manager, Tokyo Office  
   Apr. 1985 Joined Shimadzu Corporation  
   Apr. 2005 General Manager, Corporate Strategy Planning Department  
   June 2007 Corporate Officer  
   June 2009 President, Shimadzu Europa GmbH (Germany)  
   June 2013 Director (current)  
   June 2013 Managing Executive Officer  
   June 2013 in charge of finance and marketing (current)  
   June 2015 General Manager, Tokyo Office (current)  
   June 2017 Senior Managing Executive Officer (current)

5. Taketsugu Fujimura  Outside Director  
   Standing Counsellor of Asahi Kasei Corp.  
   Outside Director of KIOKYO Co., Ltd.  
   Outside Director of IH Corporation  
   Apr. 1983 Joined Asahi Chemical Industry Co., Ltd.  
   June 2000 Director, Asahi Kasei Corp.  
   Apr. 2009 Vice President and Executive Officer, Asahi Kasei Corp.  
   June 2009 Director, Asahi Kasei Corp.  
   Apr. 2010 President & Representative Director, Presidential Executive Officer, Asahi Kasei Corp.  
   Apr. 2014 Vice-Chairman, Asahi Kasei Corp.  
   June 2014 Director, Shimadzu Corporation (current)  
   June 2015 Standing Counsellor, Asahi Kasei Corp. (current)

6. Hiroko Wada  Outside Director  
   Representative of Office Wada  
   Apr. 1977 Joined Procter & Gamble Japan  
   (currently Procter & Gamble Company, Ltd.)  
   Jan. 1986 Vice President, Procter & Gamble U.S., responsible for corporate new venture Asia  
   Mar. 2001 President, Dyon Limited  
   Apr. 2006 President and CEO, Toyo "P" Co., Ltd., Japan  
   Nov. 2006 Established Office Wada (current)  
   June 2010 Director, Shimadzu Corporation (current)

7. Masahiro Nishio  Audit & Supervisory Board Member (part-time)  
   Mar. 1974 Joined Deloitte & Touche Tohmatsu (current Audit & Supervisory Board Member),  
   Nov. 1974 Established Nakano Certified Public Accountants Firm (current)  
   June 2015 Corporate Auditor  
   (currently Audit & Supervisory Board Member), Shimadzu Corporation

8. Takashi Iida  Audit & Supervisory Board Member (part-time)  
   Apr. 1974 Registered as attorney-at-law  
   Apr. 1974 Joined Mori Sogo Law Office  
   (currently Mori Hamada & Matsumoto)  
   Apr. 2006 President, Daini Tokyo Bar Association  
   Apr. 2008 Vice President, Japan Federation of Bar Associations  
   Jan. 2011 Established Iida & Iida Law Office (current)  
   June 2012 Corporate Auditor  
   (currently Audit & Supervisory Board Member), Shimadzu Corporation

Profiles of Audit & Supervisory Board Members

1. Akira Nakamoto  Representative Director, Chairman of the Board  Chair of the Board of Directors  
   Apr. 1989 Joined Shimadzu Corporation  
   June 2000 General Manager, Analytical & Measuring Instruments Division  
   June 2002 Corporate Officer  
   June 2001 Director  
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   June 2012 Corporate Auditor  
   (currently Audit & Supervisory Board Member), Shimadzu Corporation
Environmental Measures

Shimadzu Environmental Management as an "Eco Solution Provider"

Basic Policy

Shimadzu intends to expand business activities and increase corporate value through offering a solution for the environmental issues as an “eco solution provider.” That will comprise three main types of activities. The first type involves contributing to global environmental conservation through technological development, such as for the products and services we offer. We actively offer “environment-conscious products” that reduce environmental impact over the entire product lifecycle and “environmentally beneficial products” that improve the environment or facilitate environmental activities based on functionality and applications at customer locations. (For more details, see the special feature article on pp. 27 to 28.)

The second type involves reducing the environmental impact of Shimadzu business activities. We have established company-wide environmental management system, such as appropriately controlling waste and chemical substances and reducing CO2 emissions. The third type involves supporting non-Shimadzu environmental activities, including in communities near Shimadzu operations. We conduct a wide range of activities, such as giving on-site environmental presentations at educational institutions, offering factory tours, and participating in conservation activities for regional ecosystems.

Key Measures of Environmental Management

<table>
<thead>
<tr>
<th>Key Measures</th>
<th>KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Increase Contribution to Reducing CO2 Emissions with Environment-Conscious Products</td>
<td>A ≥ B (FY 2019)</td>
</tr>
<tr>
<td>• Establish an Eco-Products Plus certification system (see p. 53 for more details) and increase awareness within and outside the company.</td>
<td>A: Contribution volume of CO2 emissions reduction with Eco-Products Plus</td>
</tr>
<tr>
<td>• Propose measures for strengthening selling capabilities.</td>
<td>B: CO2 emissions of Shimadzu Group Eco-Products Plus sales target: 50.0 billion yen in FY 2019</td>
</tr>
<tr>
<td>(2) Reduce Shimadzu Group CO2 Emissions and Specify Long-Term Global Target Value</td>
<td>Completion of specifying long-term target values and preparing a roadmap for achieving those targets.</td>
</tr>
<tr>
<td>• Improve the visibility of various environmental information within and outside Japan.</td>
<td></td>
</tr>
<tr>
<td>• Specify measures for reducing environmental impact and execute corresponding plan-do-check-action (PDCA) cycles.</td>
<td></td>
</tr>
<tr>
<td>• Specify long-term target values and prepare a roadmap for achieving those targets.</td>
<td></td>
</tr>
</tbody>
</table>

Measures by Shimadzu Corporation

Reducing Environmental Impact Through Business Activities and by Developing Eco-Products Plus Products

As a key measure for environmental management, Shimadzu will strengthen measures to reduce global environmental impact. Thus far, the “Save the Energy Project” that began in 2010 has resulted in releasing 67 Eco-Products Plus models into the world that save energy and resources. As a result, CO2 emissions have been reduced by 29,128 tons in total up to FY 2016 by customers using the products. However, CO2 emissions from Shimadzu Group business activities is currently increasing, due to increasing sales volume and an expanding number of business locations during the last several years. Consequently, we are working to improve the visibility of environmental information at respective locations within and outside Japan, and will propose and implement CO2 emission reduction measures based on respective business conditions. The goal for FY 2019 is to implement measures that result in CO2 emission reductions from products exceeding the CO2 emissions from Shimadzu Group business activities. To achieve that goal, we will actively develop Eco-Products Plus products so that it results in 50.0 billion yen in sales, which is roughly double FY 2016 sales. At the same time, we will also specify medium and long-term environmental goals consistent with the Paris Agreement, sustainable development goals (SDGs), and other trends of global society, and prepare a roadmap for achieving those goals.

Trends and Goals for Shimadzu Group CO2 Emissions and Contribution Volume of CO2 Emissions Reduction with Eco-Products Plus

For more details about policies and capabilities for achieving key measures, refer to the website: https://www.shimadzu.com/csr/index.html
Key Performance Indicators for Shimadzu’s production bases, research institutes and major affiliated production companies

**Input**

- **Electricity**: 56,450 MWh
- **Gas**: 669,000 m³
- **Fuel**: 28.0 kL
- **Water**: 221,000 m³
- **Chemicals**: 159 t
- **Paper**: 124.7 t
- **Packaging Material**: 812.8 t
- **Environmental Conservation Expenses**: 624 million yen
- **Environmental Investments**: 454 million yen

**Output**

- **CO₂ Emissions**: 33,301 t
- **NOx Emissions**: 1.61 t
- **SOx Emissions**: 0 t
- **Discharged amount of PRTR-reported substances**: 6.8 t
- **Effluents**: 196,000 m³
- **Unnecessary Substances Output**: 4,566 t
- **Waste Emissions**: 1,502 t
- **Amount Eventually Landfilled**: 24 t

**Trends in Key Environmental Performance Indicators**

- **Shimadzu Group CO₂ Emissions from Energy Use** (within and outside Japan)
- **Waste Emissions and Recycling rate of Manufacturing, Research, and Major Manufacturing Subsidiaries in Japan**
- **Water Usage of Manufacturing, Research, and Major Manufacturing Subsidiaries in Japan**
- **Usage of Chemical Substances Reported for PRTR**

**Achievements**

- **Number of Eco-Products Plus Developed**: 20 models and 54 projects
- **Contribution volume of CO₂ Emissions Reduction with Eco-products Plus**: 3,863 t-CO₂ per year, 29,128 t-CO₂ total
- **Total Participants in Shimadzu Corporation’s Forest Cultivation Activities**: 260 in one year, 1,547 total (FY 2008 to FY 2016)
- **Support for Non-Shimadzu Activities**: Supported 67 events and 3,373 people

**Support for Non-Shimadzu Activities**

- **Score**: C

**Number of Eco-Products Plus Developed**

- **Developed**: 20 models and 54 projects

**Contribution volume of CO₂ Emissions Reduction with Eco-products Plus**

- **3,863 t-CO₂ per year, 29,128 t-CO₂ total**

**Total Participants in Shimadzu Corporation’s Forest Cultivation Activities**

- **260 in one year, 1,547 total (FY 2008 to FY 2016)**

**Support for Non-Shimadzu Activities**

- **Supported 67 events and 3,373 people**
Environmental Measures

Three Main Types of Environmental Activities Are Deployed Within and Outside Japan

Development of Eco-Products Plus Products That Reduce Environmental Impact from Product Usage

When developing environment-conscious products, the entire product life cycle must be considered, from procuring materials and parts to disposal. Shimadzu has specified design guidelines for reducing environmental impact. These guidelines define “Eco-Products Plus” products as product families that satisfy the certification criteria indicated in the table on the right, such as at least 25% lower energy consumption than the previous model.

In particular, reducing the amount of energy and consumables consumed during product use also helps reduce the customer’s CO2 emissions and running costs. In FY 2016, product development was completed for 20 models and 54 projects.

Criteria for Eco-Products Plus Certification

<table>
<thead>
<tr>
<th>Specifications</th>
<th>Criteria (vs. Previous Model)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Savings</td>
<td>At least 25% lower energy consumption</td>
</tr>
<tr>
<td>Smaller Size</td>
<td>At least 25% reduction in product weight, volume, or footprint</td>
</tr>
<tr>
<td>Resource Savings</td>
<td>At least 25% lower usage of consumables (such as gas and chemicals) for product operation</td>
</tr>
<tr>
<td>Free of Specified Hazardous Substances</td>
<td>Does not contain any mercury, cadmium, lead, hexavalent chromium, polychlorinated biphenyls (PCBs), or polychlorinated diphenyl ethers (PCDEs)</td>
</tr>
</tbody>
</table>

Product That Reduces Consumables Usage and Reduces Product Weight, Volume, and Footprint

Newly Released Eco-Products Plus Products

Energy-Saving Products

- TMP-8300 Turbo Molecular Pump
  - 58% lower power consumption
  - 44% lighter product weight
- ICPMS-2030 ICP Mass Spectrometer
  - 33% lower consumables usage
- SP-9700DHT Scanning Probe Microscope
  - 80% lower power consumption

The Engineers Who Developed the TMP-8300

Turbo molecular pumps (TMP) are used to generate the vacuum state required for manufacturing semiconductors or analyzing trace components. The TMP-8300 turbo molecular pump we developed was designed for a market where smaller and less expensive models are needed and where we had not entered so far, but we could not sacrifice product service life, evacuation performance, or vibration/noise levels compared to existing competing products. To extend the service life, we minimized the amount of heat generated from the motor and other components inside the unit. That also resulted in a highly energy efficient product. In the future, we plan to expand/improve the product line by developing products that are easy to use, while also offering high environmental performance and reliability.

The eight Shimadzu Group companies in China have cooperated with the China Youth Development Foundation since 2010, to participate in the “Protection of Mother River” activities. It involves planting forests to protect the water resources and soil of the Liao River that flows through Northern China and restore its vegetation.

Support for Environmental Activities Outside of Shimadzu

Shimadzu is involved in activities to provide support outside of Shimadzu as well, such as to improve the environmental capabilities and stimulate environmental awareness of external stakeholders, and contribute to local environments. Specifically, we conduct on-site classes about the environment at educational institutions ranging from elementary schools to universities, accept factory tours, participate in cleanup activities near Shimadzu operations, and give presentations at seminars held outside Shimadzu, for example.

For more information about Eco-Products Plus, refer to the website:

For more results and details about environmental activities, refer to the website:
We Will Develop Human Resources That Create Innovations by Further Promoting Health Management and Acceptance of Diversity

Basic Policies of the Medium-Term Management Plan
Reform Organizational Foundation

Promote Health Management
Create a workplace environment without worry about health and safety.

Promote Women’s Active Participation in the Workplace
Increase hiring, support flexibility in working practices, and provide leadership training.

Develop Global Human Resources
Training, foreign assignments, and other programs

Health Declaration
The health and safety of each employee and their ability to work positively and with vitality serve as the basis for achieving Shimadzu Corporation’s management principle “Realizing Our Wishes for the Well-being of both Mankind and the Earth.” Accordingly, we declare that we will strive toward realizing our wishes for health.

1. Ensuring Health
We will be highly mindful of our own health and engage in independently maintaining our own health. In addition, together with our customers, we will endeavor to create a secure, safe, and comfortable workplace.

2. Sustaining Businesses Through Health
We will uphold the company spirit of promoting employee health, which has continued since the company was founded in 1875. In addition, by supplying leading-edge scientific technologies and services, we will help ensure the health of employees and society and promote the growth and prosperity of our businesses.

3. Contributing to the Future of Society Through Health
We will grow together with society and strive to help create a prosperous future for mankind based on ensuring the health of our employees and their families, who are at the core basis of our business operations, and based on our corporate philosophy “Contributing to Society through Science and Technology.”

Promoting Health Management
We are implementing a wide variety of measures to prepare and build a workplace environment where employees can freely work without worry about health or safety. Consequently, we are taking various measures to maintain and improve employee health and improve systems for ensuring a worry-free workplace, such as promoting cancer screenings, preventing lifestyle diseases, promoting preventive practices and care for mental health, sponsoring health improvement events, designing three days per week as no-overtime days (Mondays, Wednesdays, and Fridays), and supporting child care and nursing care needs. We will also reduce each employee’s risk of disease by introducing a wearable device-based health management system.

Measures to Promote Women’s Active Participation in the Workplace
To strengthen our diversity management practices, we are mainly implementing three measures to promote the active participation of women in the workplace—increase the hiring of women, increase flexibility for working practices, and develop women business leaders. We are expanding and improving systems for recruiting women and supporting more diversity in working practices, such as by hiring at least 30% women among full employees hired each year, increasing the ratio of women in management positions to 5% (40 women) by FY 2020, and expanding/improving the systems for more diverse and flexible work arrangements for women employees, such as to accommodate child care or nursing care needs.

Selected as a Nadeshiko Brand
Shimadzu Corporation was selected as a 2016 Nadeshiko Brand. The Japanese Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange have jointly selected Nadeshiko brands each year since 2012 as a means of recognizing publicly listed companies with outstanding practices for empowering women in the workplace.

Recognized as “White 500” Company with Superior Health Management
Shimadzu Corporation was selected as a “White 500” company (large enterprise category) under the Certified Health & Productivity Management Organization Recognition Program—White 500, which is operated jointly by the Japanese Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi since 2017 to recognize companies with outstanding health management practices for maintaining and improving employee health.
Human Resource Development

Human Resource Development Provides the Foundation for Supporting Shimadzu’s Business Operations and Achieving Sustainable Growth

Basic Policy

In addition to increasing our technology development capabilities for contributing to the advancement of science and technology, we also think of human resource development as building the foundation for stronger management resources. Therefore, we are developing the human resources to serve as the basis for supporting Shimadzu businesses and achieving sustainable growth by specifying an image of human resources necessary for achieving our corporate philosophy and management principle.

Various Training to Develop Global Human Resources

We are training human resources for Shimadzu businesses that are being deployed globally. Younger employees are stationed outside Japan for at least two years to cultivate a deeper understanding of other cultures, improve their communication skills, and discover specific local challenges, so that they can use what they learned during their assignment outside Japan in their work when they return to Japan. With different training provided for different stages, focus is placed on developing human resources able to provide the driving force behind further globalization of Shimadzu businesses. For example, new managers at Group companies outside Japan are provided with management skills and trained to determine and understand the current status of their Group company and think about management issues and their own vision/mission.

Improving Skills for Supporting Manufacturing Capabilities

To improve the skills necessary for supporting Shimadzu manufacturing capabilities, employees are encouraged to obtain skills certification under the Japanese national skill testing system. They are also paid an incentive to obtain certification. In FY 2016, five employees passed the top level test and 24 passed the second level test. Skills were further refined by Shimadzu employee participation in the National Skills Competition held in October 2016.

Training for Developing Global Human Resources

<table>
<thead>
<tr>
<th>Training Name</th>
<th>Target</th>
<th>Number of Participants Total/FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Training Outside Japan</td>
<td>Junior employees hired about five years ago</td>
<td>36 (since FY 2012)/5</td>
</tr>
<tr>
<td>Global Manager Training</td>
<td>Newly promoted managers of Shimadzu Group outside Japan</td>
<td>61 (since FY 2014)/21</td>
</tr>
<tr>
<td>Management Training</td>
<td>Selected section/group-level managers within Shimadzu Corporation</td>
<td>63 (since FY 2015)/23</td>
</tr>
<tr>
<td>Sales Leader Training Program</td>
<td>Executive managers in sales departments</td>
<td>10/16</td>
</tr>
<tr>
<td>BASIC Training (BASIC: Basic-minded and Skill-oriented)</td>
<td>Recently hired technical personnel</td>
<td>1,051 (since FY 1996)/65</td>
</tr>
</tbody>
</table>

Note: Location of FY 2016, Innovation Leadership Training is also provided for department general managers and corporate officers (6 participants in FY 2017).

Feedback from a Participant in Local Training Outside Japan

In October 2014, I went to graduate school in the United States to obtain an MBA degree. At graduate school, I learned about American business practices by taking classes in human resources management, law, finance, marketing, and business systems. Due also to the fact that the school was located in San Francisco’s Bay Area, one of the most diverse areas in all of the United States, it increased my appreciation for other cultures and heightened my sensitivity to diversity through first-hand exposure to cultural, religious, racial, and other differences. After returning to Japan, I joined the Corporate Strategy Planning Department, where I have been involved in drafting and implementing the Shimadzu Group medium-term management plan.

for more details, refer to the website. https://www.shimadzu.com/csr/social/wp.html

Meeting of Women Managers

For more details, refer to the website. https://www.shimadzu.com/csr/social/wp.html

Diversity

Creating Workplaces Where the Abilities of All Employees Are Maximized by Respecting and Promoting Diversity

Basic Policy

As Shimadzu continues to deploy businesses globally, we are committed to creating workplaces where human resources are used so that the abilities of all employees are fully utilized, while achieving a healthy balance between work and personal life (work–life balance). We believe that respecting and promoting diversity is necessary for understanding the various senses of value, solving problems, and meet the needs in respective countries.

Diversity Training Is Conducted to Better Understand and Promote Diversity

Before diversity can be promoted, it is important that employees understand the importance of diversity. Therefore, training is provided to promote acceptance throughout the organization.

In FY 2016, an outside instructor was invited to give a presentation about working practices based on diversity, such as the current status of and issues with diversity and the status of diversity at other companies, the importance of work–life balance and career planning, and so on.

We think that if employees understand the importance of actively introducing diversity into management practices, it will result in better utilization of employee abilities.

Therefore, we intend to continue measures to promote diversity.

Diversity Promoted in New-Graduate Hiring to Increase Human Resources with Diverse Senses of Value

With nearly 50% of Shimadzu Group sales currently coming from outside Japan, Shimadzu has earned an excellent reputation as a globally successful company among world-wide customers. Of the approximately 11,500 total employees in the Shimadzu Group, about 4,450 are local employees (non-Japanese) that work at subsidiaries outside Japan. Also, 17 newly graduated non-Japanese exchange students were hired at the head office. To utilize even more diverse human resources in the future, we will actively promote hiring human resources with a variety of senses of value, regardless of their nationality, gender, or other differences.

Creating an Organization Where Strengths Can Be Better Utilized

We are currently prioritizing measures to promote the active participation of women in the workplace. In November 2015, we launched the WISH* project team for promoting the effective using of women so that we strengthen hiring, improve systems for evaluation and training, achieve more flexible working practices, and so on. We also held meetings for women managers to interact with a woman corporate officer and meetings for women employees to exchange views with a woman director. Based on our goal to increase the ratio of women in management positions to 5% (40 managers) by 2020, we are currently working to create workplaces where it is easier for women to work.

* WISH is an acronym for Women in Shimadzu/Work-life-balance improvement in Shimadzu. It is based on the desire of women to create a workplace where maintaining a balance between the work and personal life is formed part of the workplace, so that the strengths of each employee can be fully utilized within that work environment.

<table>
<thead>
<tr>
<th>Ratio of Women in Management Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
</tr>
<tr>
<td>0.0</td>
</tr>
<tr>
<td>0.5</td>
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<td>1.0</td>
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<td>9.5</td>
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<tr>
<td>10.0</td>
</tr>
</tbody>
</table>

Note: In FY 2016, 161 women were in management positions throughout all consolidated operations, which is 8.1% of all management positions.
Labor Practices and Human Rights

Respect for Human Rights Will Improve Job Satisfaction and Contribute to Society

Basic Policy

We believe that respecting human rights will help promote the creativity and individuality of each employee and self-actualization through their work, and will also enable continuing to make a valuable contribution to the company and society. Recognizing that respect for human rights is also a social responsibility, we are committed to ensuring that no human rights violations occur within Shimadzu or our entire supply chain. By respecting human rights we also aim to create a pleasant workplace where employees have a sense of job satisfaction.

Stimulating Awareness and Instilling an Understanding About Preventing Human Rights Violations

Shimadzu has established and practices policies forbidding abuse of power or other forms of harassment. To ensure no human rights abuses occur, a variety of training is provided to employees to instill a sense of job satisfaction.

Measures and Policies for Conflict Minerals

Shimadzu has committed not to participate in any procurement transactions that result in human rights violations. Within our supply chain as well, we promote measures that prioritize respect for human rights and that do not involve child labor or forced labor. As part of that commitment, we have established capabilities for avoiding conflict minerals* within Shimadzu and, in FY 2016, established the Shimadzu Group Policy Regarding Conflict Minerals. It prohibits using any raw materials that contain conflict minerals that directly or indirectly fund armed groups or involve actions against humanity. By managing transactions in accordance with the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and by investigating suppliers using the Conflict Minerals Reporting Template (CMRT), which is based on the Conflict-Free Sourcing Initiative (CFSI), we are implementing measures to understand the status throughout the entire supply chain and avoid using such materials.

* The term conflict mineral refers to four types of minerals (gold, tin, tantalum, and tungsten) mined in the Democratic Republic of the Congo and five surrounding countries, which are known to be a funding source for armed groups.

Compliance with the Modern Slavery Act 2015

Shimadzu opposes slave labor and human trafficking, recognizes internationally declared human rights, and conducts business practices accordingly. We are also in the process of complying with the Modern Slavery Act 2015 that Britain enacted in 2015. Accordingly, Shimadzu started measures for Shimadzu’s 2015 fiscal year and planned for implementation in the future based on Shimadzu’s 2015 Slavery and Human Trafficking Statement issued in October 2016. Measures for FY 2016 were reported in September 2017. Currently, no cases of problems with child labor or forced labor have been discovered in our procurement activities. If any are discovered, corrections will be promptly implemented to quickly resume business activities that are respectful of human rights.

Shimadzu promotes the spread of science and technology by supporting interest in science by researchers and children

Activities That Contribute to Society

Basic Policy

Ever since Shimadzu was founded in 1875, we have always conducted business practices based on contributing to society through the development of useful and revolutionary products. In addition, we will also promote the widespread use of science and technology through supporting the development of scientists, teaching children, and other activities.

Outstanding Researchers Awarded Shimadzu Award and R&D Grant

Every year, Shimadzu offers the Shimadzu Award to deserving individuals conducting basic research in scientific technology, mainly involving scientific measurement or related fields, and research and development grants to young researchers. In FY 2016, Mr. Piero Carninci (RIKEN) was selected to receive the Shimadzu Award. The technology he developed for analyzing genomes is essential for genome research and is used as an essential technology for the international genome analysis project. It is also expected to have medical applications in the future. Twelve other advanced technology projects were also selected to receive research and development funding. All of these projects are expected to produce important results and advancements in the future.

Cooperation with the Koshien* of Science

The “Koshien of Science,” which is sponsored by the Japan Science and Technology Agency (JST), was established in FY 2011 as a competition between junior high and high school students interested in science, for the purpose of broadening their view of science and increasing the number of top level scientists. Shimadzu contributes to the event by presenting the Shimadzu Award to the winning team. For the Sixth Koshien of Science competition in FY 2016, the Shimadzu Award was presented to the team from Gifu High School in Gifu Prefecture.

* Koshien refers to the stadium where the Japanese national high school baseball tournament is held each year.

Deeper Interest in Science Stimulated at Shimadzu Hands-On Analysis School

Based on a desire to provide an opportunity for kids to take an interest in science, in FY 2007 Shimadzu established a Shimadzu Hands-On Analysis School so that kids can try operating analytical instruments. Thus far, over 3,500 students have spent time from their spring or summer vacations to participate in the school. By performing experiments in (1) learning, (2) creating things, and (3) operating analytical instruments, the school is intended to stimulate a deeper interest in science by teaching about how instruments work and the underlying scientific principles. In the light spectrum course, where a spectrophotometer is operated, learners investigate how light and objects are perceived based on the theme “Light and Color.” They use a hand-made monochromator to observe syrup and a lamp.
Key Data over the Past Five Years

### Net Sales/Overseas Sales Ratio

- **Industrial Machinery**
  - Ratio: 342.5 billion yen / Overseas sales ratio (FY 2016)
  - Ratio: 48.6% (Overseas sales ratio in FY 2016)

- **Aircraft Equipment**
  - Ratio: 209.2 billion yen / Overseas sales ratio (FY 2016)
  - Ratio: 56.3% (Overseas sales ratio in FY 2016)

- **Medical Systems**
  - Ratio: 64.4 billion yen / Overseas sales ratio (FY 2016)
  - Ratio: 42.1% (Overseas sales ratio in FY 2016)

- **Aircraft Equipment**
  - Ratio: 26.7 billion yen / Overseas sales ratio (FY 2016)
  - Ratio: 17.3% (Overseas sales ratio in FY 2016)

- **Industrial Machinery**
  - Ratio: 36.2 billion yen / Overseas sales ratio (FY 2016)
  - Ratio: 46.9% (Overseas sales ratio in FY 2016)

### Operating Income/Operating Margin

- **Industrial Machinery**
  - Margin: 37.1 billion yen / Operating margin in FY 2016
  - Margin: 10.8% (Operating margin in FY 2016)

- **Aircraft Equipment**
  - Margin: 33.1 billion yen / Operating margin in FY 2016
  - Margin: 15.8% (Operating margin in FY 2016)

### Profit Attributable to Owners of Parent/Profit margin ratio

- **Industrial Machinery**
  - Profit: 26.5 billion yen / Profit margin ratio in FY 2016
  - Profit: 7.7% (Profit margin ratio in FY 2016)

- **Aircraft Equipment**
  - Profit: 12.9 billion yen / Profit margin ratio in FY 2016
  - Profit: 9.5 billion yen / Profit margin ratio in FY 2016

### Ratio of Ordinary Income to Total Assets (ROA)/Return on Equity (ROE)

- **Industrial Machinery**
  - Ratio: 10.2% (Ratio of ordinary income to total assets (ROA) in FY 2016)
  - Ratio: 11.5% (Return on Equity (ROE) in FY 2016)

### Total Assets

- **Total assets**: 375.4 billion yen (Total assets in FY 2016)

### Capital Expenditures/Depreciation and Amortization

- **Capital expenditures**: 12.9 billion yen (Capital expenditures in FY 2016)
  - Depreciation and amortization: 9.5 billion yen (Depreciation and amortization in FY 2016)

### Dividends per Share/Payout Ratio

- **Dividends per share**: 20 yen (Dividends per share in FY 2016)
  - Payout ratio: 22.3% (Payout ratio in FY 2016)

### Number of Employees/Overseas Employee Ratio

- **Number of employees**: 11,528 employees (Number of employees in FY 2016)
  - Overseas employee ratio: 38.8% (Overseas employee ratio in FY 2016)

### CO2 Emissions

- **CO2 emissions per unit of net sales**: 1.391 billion yen (CO2 emissions per unit of net sales in FY 2016)

For more details, refer to the website: [https://www.shimadzu.com/en/factbook.html](https://www.shimadzu.com/en/factbook.html)
### Financial Statements

#### Consolidated Balance Sheets (In million yen)

<table>
<thead>
<tr>
<th>Assets</th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits</td>
<td>46,907</td>
<td>56,698</td>
</tr>
<tr>
<td>Trade notes and accounts receivable</td>
<td>105,430</td>
<td>112,877</td>
</tr>
<tr>
<td>Merchandise and products</td>
<td>40,497</td>
<td>40,588</td>
</tr>
<tr>
<td>Work in process</td>
<td>15,457</td>
<td>16,899</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>17,715</td>
<td>19,213</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>9,729</td>
<td>9,603</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>7,086</td>
<td>8,342</td>
</tr>
<tr>
<td>Total current assets</td>
<td>241,666</td>
<td>263,580</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant, and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures, net</td>
<td>39,035</td>
<td>39,975</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles, net</td>
<td>5,912</td>
<td>5,904</td>
</tr>
<tr>
<td>Land</td>
<td>18,602</td>
<td>18,879</td>
</tr>
<tr>
<td>Leased assets, net</td>
<td>2,179</td>
<td>2,510</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>728</td>
<td>628</td>
</tr>
<tr>
<td>Other, net</td>
<td>9,699</td>
<td>10,853</td>
</tr>
<tr>
<td>Total property, plant, and equipment</td>
<td>76,158</td>
<td>78,751</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>7,558</td>
<td>8,396</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>14,654</td>
<td>13,779</td>
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<tr>
<td>Long-term receivables</td>
<td>175</td>
<td>174</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>6,388</td>
<td>4,160</td>
</tr>
<tr>
<td>Other</td>
<td>3,565</td>
<td>7,355</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>(368)</td>
<td>(523)</td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>24,415</td>
<td>25,126</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>108,131</td>
<td>112,273</td>
</tr>
<tr>
<td>Total assets</td>
<td>349,798</td>
<td>375,354</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade notes and accounts payable</td>
<td>52,422</td>
<td>57,263</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>3,056</td>
<td>2,963</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>940</td>
<td>1,007</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>11,523</td>
<td>11,363</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>4,997</td>
<td>4,870</td>
</tr>
<tr>
<td>Allowance for employees’ bonuses</td>
<td>8,093</td>
<td>8,188</td>
</tr>
<tr>
<td>Allowance for director’s bonuses</td>
<td>284</td>
<td>275</td>
</tr>
<tr>
<td>Provision for loss on defense equipment</td>
<td>374</td>
<td>484</td>
</tr>
<tr>
<td>Other</td>
<td>15,893</td>
<td>17,730</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>97,587</td>
<td>104,147</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured bonds</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>1,094</td>
<td>648</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>1,451</td>
<td>1,758</td>
</tr>
<tr>
<td>Liability for directors’ retirement benefits</td>
<td>182</td>
<td>184</td>
</tr>
<tr>
<td>Liability for retirement benefits</td>
<td>13,682</td>
<td>10,706</td>
</tr>
<tr>
<td>Other</td>
<td>828</td>
<td>1,277</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>32,239</td>
<td>29,577</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>129,827</td>
<td>133,725</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>26,648</td>
<td>26,648</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>35,188</td>
<td>35,188</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>153,758</td>
<td>174,391</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(861)</td>
<td>(885)</td>
</tr>
<tr>
<td>Total shareholders’ capital</td>
<td>214,734</td>
<td>235,342</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain on available-for-sale securities</td>
<td>5,036</td>
<td>5,850</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>1,293</td>
<td>(1,429)</td>
</tr>
<tr>
<td>Cumulative adjustments to retirement benefits</td>
<td>(1,370)</td>
<td>1,568</td>
</tr>
<tr>
<td>Total accumulated other comprehensive income</td>
<td>4,999</td>
<td>5,988</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>277</td>
<td>297</td>
</tr>
<tr>
<td>Total net assets</td>
<td>219,971</td>
<td>241,629</td>
</tr>
<tr>
<td>Liabilities and net assets</td>
<td>349,798</td>
<td>375,354</td>
</tr>
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</table>

#### Consolidated Statements of Income (In million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>342,216</td>
<td>342,479</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>201,850</td>
<td>206,970</td>
</tr>
<tr>
<td>Gross profit</td>
<td>140,385</td>
<td>135,509</td>
</tr>
<tr>
<td>Operating income</td>
<td>104,683</td>
<td>99,319</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>2,085</td>
<td>1,905</td>
</tr>
<tr>
<td>Operating income before income taxes</td>
<td>106,768</td>
<td>101,224</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>106,768</td>
<td>101,224</td>
</tr>
<tr>
<td>Income taxes</td>
<td>1,972</td>
<td>2,244</td>
</tr>
<tr>
<td>Income taxes expense</td>
<td>1,972</td>
<td>2,244</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>104,796</td>
<td>99,080</td>
</tr>
<tr>
<td>Dividend income</td>
<td>154</td>
<td>137</td>
</tr>
<tr>
<td>Income taxes adjustments</td>
<td>-21</td>
<td>-21</td>
</tr>
<tr>
<td>Net income attributable to owners of parent</td>
<td>104,439</td>
<td>98,842</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>104,439</td>
<td>98,842</td>
</tr>
</tbody>
</table>

#### Consolidated Statements of Cash Flows (In million yen)

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>104,439</td>
<td>98,842</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td></td>
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</tr>
<tr>
<td>Accounts receivable</td>
<td>2,568</td>
<td>2,004</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(1,987)</td>
<td>(1,166)</td>
</tr>
<tr>
<td>Inventory</td>
<td>(2,372)</td>
<td>(3,693)</td>
</tr>
<tr>
<td>Total increase (decrease) in operating assets</td>
<td>(2,844)</td>
<td>(5,120)</td>
</tr>
<tr>
<td>Total decrease (increase) in operating liabilities</td>
<td>2,441</td>
<td>2,244</td>
</tr>
<tr>
<td>Increase (decrease) in cash and cash equivalents</td>
<td>607</td>
<td>2,895</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of period</td>
<td>5,108</td>
<td>7,003</td>
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<table>
<thead>
<tr>
<th>Footnotes</th>
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<td>25</td>
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<tr>
<td>26</td>
<td></td>
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</tr>
</tbody>
</table>

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Footnotes: (In million yen)
Basic Information

Corporate Profile (as of March 31, 2017)

Address of Head Office
1-9-10 Shinbashihara, Hachioji-shi, Tokyo 193-8601, Japan

Establishment
March, 1875

Capital
36,648,899,574 yen

Total Number of Common Stock Issued
296,070,277

Number of Shareholders
21,420

Number of Employees (Shimadzu Group Total)
11,528

Stock Listing
Tokyo Stock Exchange

TSE Code
7701

Shareholder Registry Administrator
Mitsubishi UFJ Trust and Banking Corporation

Accounting Auditor
Deloitte Touche Tohmatsu LLC

Major Shareholders

<table>
<thead>
<tr>
<th>Shareholder Name</th>
<th>Number of Shares (Thousands of Shares)</th>
<th>Ratio (% of Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>20,742</td>
<td>7.04</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>17,911</td>
<td>6.08</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>17,251</td>
<td>5.86</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>7,766</td>
<td>2.63</td>
</tr>
<tr>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
<td>7,672</td>
<td>2.60</td>
</tr>
<tr>
<td>Tokyo Marine &amp; Nichido Fire Insurance Co., Ltd.</td>
<td>6,287</td>
<td>2.13</td>
</tr>
<tr>
<td>Central Mutual Insurance Federation of Agricultural Cooperatives</td>
<td>6,101</td>
<td>2.07</td>
</tr>
<tr>
<td>The Bank of Kyoto, Ltd.</td>
<td>4,922</td>
<td>1.67</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>4,727</td>
<td>1.60</td>
</tr>
</tbody>
</table>

Note: Shareholding ratio is the ratio held after deduction of treasury shares.

Stock Price (Tokyo Stock Exchange)

In addition to supplying procedure support systems for diagnosing breast cancer, we are also involved in prostate cancer activities. In an effort to save as many women from breast cancer as possible, we will continue to strive to show our respective honor and excellence.

Shimadzu is selected as a member of the FTSE4Good Index Series, an index of companies that meet global standards based on an assessment of environmental, social, and governance practices by an organization that evaluates socially responsible investing.

Shimadzu is included in the TOPIX NIKKEI 400 Sustainable Index, as an index of companies with outstanding social and business activities.

Shimadzu includes in the NIKKEI Empowering Women Index, a company that supports the advancement of women in society.

Notes About Future Prospects

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