

FY 2021 (Ended March 2022) Full-Year Results and Financial Position Presentation
—Questions & Answers—

Date/Time: May 11, 2022, 13:00 to 14:00 JST

Attendees: President & CEO Yasunori Yamamoto

Senior Managing Executive Officer and CFO Akira Watanabe

Note: All responses were given by President Yamamoto.

FY 2022 Publicly Disclosed Values

Q1: What were the operating income values for the first and second halves?

A1: Those figures have not been disclosed, but sales were higher in the second half than in the first half, so income was higher as well. Proportionally, the ratio between first and second half operating income is roughly 4:6.

Q2: What is the backorder level for the Analytical & Measuring Instruments segment? Also, how are the backorders being satisfied?

A2: The value of remaining backorders is roughly in the tens of billion yen. We plan to process them successively. Due to the large amount of backorders, we prepared a rather bullish plan for this year.

Q3: Is the backorder level for LC products high as well?

A3: Yes, the backorder level is high, due to factors such as parts shortages.

Q4: How will increased expenses and increased profitability affect your plan to increase income by 4.2 billion yen this year?

A4: The biggest factor will be higher gross margins due to increased sales. In addition, we anticipate that new products will increase gross margins. In terms of selling, general and administrative expenses, increased sales will also result in higher labor and R&D expenses, in addition to sales-related expenses. We have also included about 3.0 billion yen for the effects of sharply rising component and material prices.

Key Models

Q5: Was the 3 % sales decrease, in terms of local currency, for key models in the fourth quarter of FY 2021 due to shortages of components and materials and lockdowns in China? If so, does that mean there was no change in the strong momentum?

A5: When viewed by model, LC sales increased but MS sales struggled. In China, sales

were affected not only by a reactionary decline after the pharmacopoeia revision, but also partly by the COVID-19 lockdowns. In the U.S., sales of OEM products decreased. Nevertheless, LC circumstances remain extremely favorable and order levels are also good, so there has been no change in momentum.

Q6: What is the situation for the new Nexera XS inert product line?

A6: Its contribution to earnings has been minimal because it was released so recently, but customer feedback has been very good. We also intend to use the inert line as a “door-opener” to promote sales of Shimadzu products, including compact mass spectrometers to pharmaceutical manufacturers, especially customers involved in biopharmaceuticals or nucleic acid medicines.

Q7: Given the extensive range of new LC product lines, such as the Nexera, i-Series, and Nexera XS inert lines, I think LC products could potentially achieve 87.0 billion yen, as described on page 15 of the medium-term management plan. In contrast, MS sales did not grow significantly during FY 2021 (the year ended March 2022). The only new product was the LCMS-8060NX and though the LCMS-2050 is a very good product, applicable markets are somewhat small and are not expected to contribute significantly to earnings. Furthermore, considering that competitors have been releasing new products, the 53.0 billion yen target for MS products this year seems a little ambitious. How do you plan to achieve that target?

A7: LCMS sales grew, but severe competition for GCMS products, especially in China, resulted in low sales growth. Therefore, for this year we are planning three countermeasures. The first measure is to offer LCMS-8060NX systems in combination with Peakintelligence software to strengthen sales for food-related applications. The second measure is to offer compact MS and LCMS-2050 systems. Even outside Japan, we have received good feedback and expect strong results. The third measure is to release new software, library, and other products.

Conquering the U.S. Pharmaceuticals Market

Q8: Though it is only my personal opinion, I think Shimadzu’s product development capabilities are great and are not a problem, but I feel Shimadzu has a problem with selling. I understand you have been increasing sales personnel and implementing other measures in North America. Tell us about your approach to conquering the pharmaceuticals market there?

A8: As far as product competitiveness is concerned, we are confident we can easily compete in terms of instrument specifications. However, we think the 9030 and other models have struggled to achieve success because our ability to offer comprehensive support, including peripheral needs, is weak. Sales growth will probably not occur immediately after releasing new products unless we strengthen our comprehensive sales capabilities, including for software, pretreatment, libraries,

and application engineering.

That means sales personnel need to obtain feedback about software, pretreatment, and other issues from users and then provide that feedback to product development personnel, rather than Shimadzu making something on their own based on their own ideas. It will be difficult to strengthen products and expand sales unless we speed up that feedback loop, so we need to strengthen corresponding capabilities.

We will continue investing in North America, but we intend to develop capabilities for incorporating customer ideas into products, rather than simply developing application solutions as before, so that we develop capabilities for achieving growth together with customers in the United States.

In addition, we will need a biosafety laboratory for conducting experiments and acquiring data for clinical applications or for handling substances such as blood. We have that type of lab in Japan, but not outside of Japan. Therefore, we will strengthen our overall base by establishing a safety lab in North America that can also handle biological samples.

Q9: My understanding is that the LC line was developed about 10 years ago in response to a customer request and now you plan to do the same thing for MS products in North America. Is that correct?

A9: Yes, that is correct.

Markets in China and Impacts of Weaker Yen

Q10: What growth rate do you expect for Analytical & Measuring Instruments sales in China excluding exchange rate effects?

A10: Our forecast does not reflect the current ongoing lockdown in Shanghai, China. However, we expect overall sales to increase by a mid-single-digit percentage.

Q11: Will the weak yen also offer beneficial aspects, such as keeping Shimadzu products more competitive versus imports within Japan or exchange rates driving market share expansion outside Japan?

A11: The weak yen is not expected to directly affect sales, such as increasing sales outside Japan. It will not change the competitive environment within Japan either.