Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2024,
and Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20 Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shimadzu Corporation:

Opinion

We have audited the consolidated financial statements of Shimadzu Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Basis for Opinion

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

Key Audit Matter

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

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

Other Information

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Shimadzu Corporation and its subsidiaries were ¥159 million and ¥472 million, respectively.

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

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

Deloitte Touche Tohmatsu LLC

August 2, 2024

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet
March 31, 2024

ASSETS	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 4) 2024
CURRENT ASSETS:			
Cash and cash equivalents (Note 19)	¥159,235	¥153,735	$1,054,536
Time deposits (Note 19)	6,051	5,112	40,073
Marketable securities (Notes 6 and 19)		425	
Trade receivables and contract assets:			
Notes and accounts receivable—trade, and contract assets (Notes 5 and 19)	144,809	131,243	959,000
Allowance for doubtful receivables	(2,050)	(2,217)	(13,576)
Net trade receivables and contract assets	142,759	129,026	945,424
Inventories (Note 7)	141,773	128,096	938,894
Prepaid expenses and other current assets	17,119	15,115	113,371
Total current assets	466,937	431,509	3,092,298
PROPERTY, PLANT AND EQUIPMENT (Notes 2.f and 3):			
Land	22,409	22,040	148,404
Buildings and structures	55,327	54,954	366,404
Machinery, equipment and vehicles	9,306	8,823	61,629
Lease assets	1,951	2,108	12,921
Construction in progress	4,284	2,124	28,371
Others (Note 2.n)	25,287	22,943	167,463
Total property, plant and equipment	118,564	112,992	785,192
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 6 and 19)	16,441	13,244	108,881
Investments in and advances to unconsolidated subsidiaries and associated companies	1,546	1,901	10,238
Goodwill (Note 2.h)	5,220	4,948	34,570
Software (Notes 2.i and 3)	7,765	7,627	51,424
Asset for retirement benefits (Notes 3 and 10)	36,248	21,819	240,053
Deferred tax assets (Notes 3 and 17)	10,946	15,693	72,490
Other assets (Note 3)	10,295	9,136	68,178
Total investments and other assets	88,461	74,368	585,834
TOTAL	¥673,962	¥618,869	$4,463,324

LIABILITIES AND EQUITY	Millions of Yen 2024	Millions of Yen 2023	Thousands of U.S. Dollars (Note 4) 2024
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 19)	¥ 1,483	¥ 1,334	$ 9,821
Current portion of long-term debt (Notes 2.n and 9)	3,545	3,310	23,477
Trade notes and accounts payable (Note 19)	52,401	66,714	347,026
Other payables	17,101	15,928	113,252
Contract liabilities (Note 12)	50,222	50,158	332,596
Income taxes payable	8,009	10,321	53,040
Provision for bonuses	13,578	13,627	89,921
Accrued expenses and other current liabilities (Notes 2.o and 2.p)	12,172	10,995	80,609
Total current liabilities	158,511	172,387	1,049,742
LONG-TERM LIABILITIES:			
Long-term debt (Notes 2.n, 9 and 18)	6,885	6,632	45,596
Liability for retirement benefits (Notes 3 and 10)	14,158	14,222	93,762
Long-term deposit	80	80	530
Other long-term liabilities (Notes 2.o and 17)	1,992	2,049	13,191
Total long-term liabilities	23,115	22,983	153,079
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 18 and 20)			
EQUITY (Notes 11 and 24):			
Common stock—authorized, 800,000,000 shares; issued, 296,070,227 shares	26,649	26,649	176,483
Capital surplus	34,911	34,911	231,199
Retained earnings	376,400	336,066	2,492,715
Treasury stock—at cost, 1,348,202 shares in 2024 and 1,399,245 shares in 2023	(1,109)	(1,211)	(7,344)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	8,204	5,830	54,331
Foreign currency translation adjustments	31,442	15,657	208,225
Defined retirement benefit plans	15,835	5,597	104,868
Total	492,332	423,499	3,260,477
Noncontrolling interests	4		26
Total equity	492,336	423,499	3,260,503
TOTAL	¥673,962	¥618,869	$4,463,324

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2024	2023	2024
NET SALES (Notes 2.s, 12 and 23)	¥511,895	¥482,240	$3,390,033
COST OF SALES	291,053	281,281	1,927,503
Gross profit	220,842	200,959	1,462,530
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	148,088	132,740	980,715
Operating income (Note 23)	72,754	68,219	481,815
OTHER INCOME (EXPENSES):			
Foreign exchange gain—net	2,443	1,296	16,179
Interest and dividend income	1,614	805	10,689
Subsidy income	364	506	2,411
Interest expense	(295)	(281)	(1,954)
Gain on sales of investment securities (Note 6)	268	103	1,775
Loss on disposal of non-current assets	(201)	(166)	(1,331)
Loss on valuation of investment securities	(182)	(3)	(1,205)
Gain on sales of non-current assets	173	80	1,146
Donation	(102)	(97)	(675)
Gain on change in equity	17		113
Loss on sales of investment securities	(2)		(13)
Insurance claim income (Note 14)		901	
Loss on liquidation of business (Note 15)		(613)	
Loss on special investigation (Note 16)		(351)	
Other—net	117	433	772
Other income—net	4,214	2,613	27,907
INCOME BEFORE INCOME TAXES	76,968	70,832	509,722
INCOME TAXES (Note 17):			
Current	20,400	21,465	135,100
Deferred	(469)	(2,682)	(3,106)
Total income taxes	19,931	18,783	131,994
NET INCOME	57,037	52,049	377,728
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1)		(7)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 57,038	¥ 52,049	$ 377,735

(Continued)

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2024

	Yen		U.S. Dollars
	2024	2023	2024
PER SHARE OF COMMON STOCK (Notes 2.w and 22):			
Basic net income	¥193.54	¥176.64	$1.28
Cash dividends applicable to the year	60.00	54.00	0.40

See notes to consolidated financial statements.

(Concluded)

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2024	2023	2024
NET INCOME	¥57,037	¥52,049	$377,728
OTHER COMPREHENSIVE INCOME (LOSS) (Note 21):			
Unrealized gain (loss) on available-for-sale securities	2,374	(641)	15,722
Foreign currency translation adjustments	15,785	5,564	104,536
Defined retirement benefit plans	10,238	71	67,802
Total other comprehensive income	28,397	4,994	188,060
COMPREHENSIVE INCOME	¥85,434	¥57,043	$565,788
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥85,435	¥57,043	$565,795
Noncontrolling interests	(1)		(7)

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
Year Ended March 31, 2024

	Number of Shares of Common Stock Outstanding	Millions of Yen				Accumulated Other Comprehensive Income					
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2022	294,653,235	¥26,649	¥34,911	¥298,759	¥(1,245)	¥6,471	¥10,093	¥ 5,526	¥381,164		¥381,164
Net income attributable to owners of the parent				52,049					52,049		52,049
Cash dividends				(14,742)					(14,742)		(14,742)
Purchase of treasury stock					(4)				(4)		(4)
Disposal of treasury stock					38				38		38
Net change in the year	17,747					(641)	5,564	71	4,994		4,994
BALANCE, MARCH 31, 2023	294,670,982	26,649	34,911	336,066	(1,211)	5,830	15,657	5,597	423,499		423,499
Net income attributable to owners of the parent				57,038					57,038		57,038
Cash dividends				(16,510)					(16,510)		(16,510)
Purchase of treasury stock					(7)				(7)		(7)
Disposal of treasury stock					109				109		109
Decrease by merger				(194)					(194)		(194)
Net change in the year	51,043					2,374	15,785	10,238	28,397	¥4	28,401
BALANCE, MARCH 31, 2024	294,722,025	¥26,649	¥34,911	¥376,400	¥(1,109)	¥8,204	¥31,442	¥15,835	¥492,332	¥4	¥492,336

	Thousands of U.S. Dollars (Note 4)				Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2023	$176,483	$231,199	$2,225,603	$(8,020)	$38,609	$103,689	$ 37,066	$2,804,629		$2,804,629
Net income attributable to owners of the parent			377,735					377,735		377,735
Cash dividends			(109,338)					(109,338)		(109,338)
Purchase of treasury stock				(46)				(46)		(46)
Disposal of treasury stock				722				722		722
Decrease by merger			(1,285)					(1,285)		(1,285)
Net change in the year					15,722	104,536	67,802	188,060	$26	188,086
BALANCE, MARCH 31, 2024	$176,483	$231,199	$2,492,715	$(7,344)	$54,331	$208,225	$104,868	$3,260,477	$26	$3,260,503

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2024	2023	2024
OPERATING ACTIVITIES:			
Income before income taxes	¥76,968	¥70,832	$509,722
Adjustments for:			
Income taxes paid	(23,480)	(21,800)	(155,497)
Depreciation and amortization	18,551	17,524	122,854
Loss on liquidation of business		613	
Loss on special investigation		351	
Insurance claim income		(901)	
Payment on special investigation		(289)	
Receipt of insurance claim income		350	
Foreign exchange gain—net	(2,715)	(1,043)	(17,980)
Gain on sales and valuation of investment securities	(84)	(100)	(557)
Loss on sale and retirement of property, plant and equipment	28	87	185
Changes in assets and liabilities:			
Increase in trade receivables	(6,902)	(1,053)	(45,709)
Decrease in allowance for doubtful receivables	(729)	(105)	(4,828)
Increase in inventories	(7,182)	(16,191)	(47,563)
Decrease in trade payables	(19,200)	(4,228)	(127,152)
(Decrease) increase in contract liabilities	(5,363)	6,831	(35,517)
(Decrease) increase in accrued bonuses	(277)	1,503	(1,834)
Decrease in net defined benefit asset and liability	(213)	(17)	(1,411)
Other—net	725	(4,061)	4,804
Total adjustments	(46,841)	(22,529)	(310,205)
Net cash provided by operating activities	30,127	48,303	199,517
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	444	515	2,940
Purchases of property, plant and equipment	(15,502)	(16,839)	(102,662)
Purchases of investment securities	(375)	(1,866)	(2,483)
Proceeds from sales of investment securities	639	182	4,232
Proceeds from redemption of securities	409		2,709
Payments of long-term loans receivable	(67)	(67)	(444)
Collections of long-term loans receivable	50	56	331
Payments for acquisition of newly consolidated subsidiaries		(13,996)	
Other—net	(1,596)	(2,494)	(10,570)
Net cash used in investing activities	(15,998)	(34,509)	(105,947)
FORWARD	¥14,129	¥13,794	$ 93,570

(Continued)

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2024

	Millions of Yen		Thousands of U.S. Dollars (Note 4)
	2024	2023	2024
FORWARD	¥ 14,129	¥ 13,794	$ 93,570
FINANCING ACTIVITIES:			
Proceeds from short-term borrowings	159		1,053
Repayments of short-term borrowings		(100)	
Repayments of long-term debt	(73)	(79)	(483)
Cash dividends paid	(16,492)	(14,745)	(109,219)
Repayments of lease liabilities	(4,799)	(4,529)	(31,781)
Decrease in treasury stock	101	34	669
Other—net	5		33
Net cash used in financing activities	(21,099)	(19,419)	(139,728)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	12,028	4,041	79,655
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,058	(1,584)	33,497
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	153,735	155,319	1,018,113
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER WITH UNCONSOLIDATED SUBSIDIARIES	442		2,926
CASH AND CASH EQUIVALENTS, END OF YEAR	¥159,235	¥153,735	$1,054,536

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2023 consolidated financial statements to conform to the classifications used in 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2024, include the accounts of the Company and its 24 domestic subsidiaries (23 in 2023) and 55 foreign subsidiaries (55 in 2023). Shimadzu Future Innovation Fund was established as a corporate venture capital (CVC) fund and has been included in the scope of consolidation from the fiscal year ended March 31, 2024. Six subsidiaries are not included in the consolidated financial statements and consolidation of the 6 subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," which was issued by Accounting Standards Board of Japan ("ASBJ"), clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, Tokumei-Kumiai and other entities with similar characteristics. The Company applied this task force and consolidated 1 such collective investment vehicles in 2024 (0 in 2023).

Investments in 3 associated companies (3 in 2023) are recorded using the equity method. For associated companies recorded using the equity method with fiscal year-end dates that differ from the consolidated fiscal year-end date, the financial statements that were closed at their fiscal year-end dates or provisionally closed at the consolidated fiscal year-end date were used for consolidation.

Investments in 6 unconsolidated subsidiaries (6 in 2023) and 4 associated companies (4 in 2023) are stated at cost. The effect on the consolidated financial statements of not applying the equity method is immaterial.

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

Shimadzu (China) Co., Limited and 10 other subsidiaries have a closing date falling on December 31; however, these companies carry out provisional settlements of accounts on March 31 and use these amounts in consolidated accounts. During the fiscal year ended March 31, 2024, December 31 was used by 1 consolidated subsidiary as the closing date for their financial statements. Necessary adjustments have been made to address transactions that occurred between closing dates different to that of the Company.

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

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

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

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

   Nonmarketable available-for-sale securities are stated at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income. And investments in limited partnerships (those deemed to be securities pursuant to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at net amount proportionate to equity interests based on the financial statements for the most recent fiscal year available depending on the reporting date stipulated in the partnership agreement.

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

f. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost, less gains deferred on the sale and replacement of certain assets. Depreciation of property, plant and equipment, lease assets, and right-of-use assets is computed by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally 2 to 59 years for buildings and structures, 2 to 17 years for machinery, equipment and vehicles, and 2 to 15 years for tools, furniture and fixtures included in "Others" under "Property, plant and equipment." The useful lives for lease assets and right-of-use assets are the terms of the respective leases.

   Accumulated depreciation as of March 31, 2024 and 2023, was ¥148,524 million ($983,603 thousand) and ¥137,799 million, respectively.

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

h. ***Goodwill***—Goodwill is amortized using the straight-line method over estimated effective lives of up to 20 years, while immaterial amounts of goodwill are charged to income as incurred.

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

j. ***Retirement and Pension Plans***—The Company and certain domestic subsidiaries have three types of retirement and pension plans covering most of their employees, a cash balance type defined benefit pension plan, a lump-sum severance payment plan, and a defined contribution plan or an advance payment system. Under the defined contribution plan or advance payment system, employees can adopt whichever they consider more preferable. Other domestic subsidiaries have defined benefit pension plans and lump-sum severance payment plans. Certain foreign subsidiaries have non-contributory funded pension plans.

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

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

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

   The domestic subsidiaries also have a retirement plan for directors and Audit & Supervisory Board members. The Group provides a liability for the amount that would be required if all directors and Audit & Supervisory Board members retired at the end of each financial period. The accrued provisions are not funded and any amounts payable upon retirement are included in other long-term liabilities as of March 31, 2024 and 2023.

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

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

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

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

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

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

The shares of the Company remaining in the trust are recorded as treasury stock under equity based on the book value (excluding incidental costs) in the trust. As of March 31, 2024, the Company's treasury stock consisted of 92,599 shares with a total book value of ¥189 million ($1,252 thousand), compared with 145,398 shares and a total book value of ¥298 million as of March 31, 2023.

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

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

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

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

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

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

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

(1) *Revenue from sales of products*

With respect to the sales transaction where the Group is responsible for providing products and installation services, revenue is recognized upon completion of product installation services.

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

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

(2) *Revenue from services and other sales*

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

t. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income in the period in which they occur.

u. ***Foreign Currency Financial Statements***—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in accumulated other comprehensive income as a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

v. ***Derivatives***—The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange rate risk. The Group does not enter derivatives for trading or speculative purposes.

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

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

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

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

x. New Accounting Pronouncements

Application of "Accounting Standard for Current Income Taxes" Etc.

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)

- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)

- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) *Overview*

These accounting standards and guidance establish the accounting classification for corporate taxes resulting from other comprehensive that is subject to taxation, as well as the treatment of tax effects related to the sale of shares in subsidiaries when the group taxation regime is applied.

(2) *Date of applying*

The Group will apply the accounting standards and implementation guidance from the beginning of the fiscal year ending March 31, 2025.

(3) *Effect of the applying the accounting standard and guidance*

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

Application of "Accounting and Disclosure of Corporate Taxes under the Global Minimum Tax System"

- "Accounting and Disclosure of Corporate Taxes under the Global Minimum Tax System" (ASBJ Statement No. 46, March 22, 2024)

(1) *Overview*

These accounting standards and guidance establish the treatment of accounting and disclosure of taxes under the global minimum taxation system.

(2) *Date of applying*

The Group will apply the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2025.

(3) *Effect of the applying the accounting standard and guidance*

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

(*a*) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Property, plant and equipment	¥118,564	¥112,992	$785,192
Intangible assets	18,014	16,964	119,298

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

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

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

(*a*) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Net defined benefit asset	¥36,248	¥21,819	$240,053
Net defined benefit liability	14,158	14,222	93,762

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

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

(3) *Recoverability of Deferred Tax Assets*

(*a*) *Carrying amounts*

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets	¥10,946	¥15,693	$72,490

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

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

4. U.S. DOLLAR AMOUNTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151 to $1, the approximate rate of exchange as of March 31, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

Notes and accounts receivable—trade, and contract assets as of March 31, 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Notes receivable—trade	¥ 32,070	¥ 28,689	$ 212,384
Accounts receivable—trade	112,064	102,277	742,146
Contract assets	675	277	4,470

6. MARKETABLE AND INVESTMENT SECURITIES

Marketable and Investment securities as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Current:			
Marketable securities		¥ 425	
Non-current:			
Marketable equity securities	¥14,585	11,313	$ 96,589
Bonds		239	
Nonmarketable equity securities	1,856	1,692	12,292
Total	¥16,441	¥13,669	$108,881

The cost and aggregate fair values of investment securities as of March 31, 2024 and 2023, were as follows:

	Millions of Yen			
March 31, 2024	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale equity securities	¥2,660	¥11,926	¥ (1)	¥14,585
March 31, 2023				
Securities classified as:				
Available-for-sale equity securities	¥2,757	¥ 8,556		¥11,313
Bonds	250		¥(11)	239
Others	499		(74)	425

	Thousands of U.S. Dollars			
March 31, 2024	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale equity securities	$17,616	$78,980	$(7)	$96,589

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		
March 31, 2024	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥639	¥268	¥2
March 31, 2023			
Available-for-sale:			
Equity securities	¥182	¥103	

	Thousands of U.S. Dollars		
March 31, 2024	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$4,232	$1,775	$13

7. INVENTORIES

Inventories as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Merchandise and finished goods	¥ 83,333	¥ 72,333	$551,874
Work in process	26,022	26,505	172,331
Raw materials and supplies	32,418	29,258	214,689
Total	¥141,773	¥128,096	$938,894

8. LONG-LIVED ASSETS

No impairment loss was recognized for the years ended March 31, 2024 and 2023.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings primarily consisted of bank overdrafts and financing agreements with banks, which are renewable on an annual basis and bear interest at annual rates ranging from 0.37% to 3.88% and from 0.33% to 0.43%, as of March 31, 2024 and 2023, respectively.

Long-term debt as of March 31, 2024 and 2023, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Borrowings, principally from banks, due serially to 2026 with 0.65% interest rates as of March 31, 2024 (from 0.65% to 0.74%, due serially to 2026 as of March 31, 2023)	¥ 132	¥ 204	$ 874
Obligations under finance leases	10,298	9,738	68,199
Total	10,430	9,942	69,073
Less current portion	(3,545)	(3,310)	(23,477)
Long-term debt, less current portion	¥ 6,885	¥6,632	$45,596

Annual maturities of long-term debt outstanding as of March 31, 2024, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 3,545	$23,477
2026	2,681	17,755
2027	1,883	12,470
2028	884	5,854
2029	399	2,642
2030 and thereafter	1,038	6,875
Total	¥10,430	$69,073

10. RETIREMENT AND PENSION PLANS

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

The liability for retirement benefits as of March 31, 2024 and 2023, for directors and Audit & Supervisory Board members is ¥162 million ($1,070 thousand) and ¥141 million and includes in "Other long-term liabilities" under "Long-term liabilities," respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders of each subsidiary.

(1) The changes in defined benefit obligation for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥58,789	¥58,753	$389,331
Current service cost	2,649	2,542	17,543
Interest cost	888	784	5,881
Actuarial losses (gains)	190	(1,151)	1,258
Benefits paid	(3,523)	(3,385)	(23,331)
Past service cost	823		5,450
Reclassification of retirement benefit obligation resulting from change from the simplified method	135	712	894
Increase of retirement benefit obligation resulting from change from the simplified method	26	369	172
Others	946	165	6,266
Balance at end of year	¥60,923	¥58,789	$403,464

(2) The changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥70,017	¥70,406	$463,689
Expected return on plan assets	1,400	1,295	9,272
Actuarial gains (losses)	15,509	(1,108)	102,709
Contributions from the employer	1,369	1,397	9,066
Benefits paid	(2,624)	(2,173)	(17,378)
Others	1,163	200	7,702
Balance at end of year	¥86,834	¥70,017	$575,060

(3) The changes in defined benefit liability and defined benefit assets for the plans to which the simplified method was applied for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Balance at beginning of year	¥3,632	¥3,982	$24,053
Net periodic benefit costs	922	1,093	6,106
Benefits paid	(238)	(372)	(1,576)
Contributions from the employer	(355)	(361)	(2,351)
Reclassification of retirement benefit obligation resulting from change from the simplified method	(135)	(712)	(894)
Others	(4)	2	(27)
Balance at end of year	¥3,822	¥3,632	$25,311

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

(4) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Funded defined benefit obligation	¥ 63,731	¥61,896	$ 422,060
Plan assets	(88,251)	(71,728)	(584,444)
	(24,520)	(9,832)	(162,384)
Unfunded defined benefit obligation	2,430	2,235	16,093
Net liability arising from defined benefit obligation	¥(22,090)	¥ (7,597)	$(146,291)

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Liability for retirement benefits	¥ 14,158	¥14,222	$ 93,762
Asset for retirement benefits	(36,248)	(21,819)	(240,053)
Net liability arising from defined benefit obligation	¥(22,090)	¥ (7,597)	$(146,291)

(5) The components of net periodic benefit costs for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Service cost	¥2,649	¥2,542	$17,543
Interest cost	888	784	5,881
Expected return on plan assets	(1,400)	(1,295)	(9,272)
Recognized actuarial (gains) losses	(355)	31	(2,351)
Amortization of prior service cost	123	(1)	815
Increase of retirement benefit obligation resulting from change from the simplified method	26	369	172
Net periodic benefit costs calculated using the simplified method	922	1,093	6,106
Net periodic benefit costs	¥2,853	¥3,523	$18,894

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Prior service cost	¥ (688)	¥ 1	$ (4,556)
Actuarial losses	15,417	120	102,099
Total	¥14,729	¥121	$ 97,543

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrecognized prior service cost	¥ (696)	¥ (7)	$ (4,609)
Unrecognized actuarial losses	23,645	8,226	156,589
Total	¥22,949	¥8,219	$151,980

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2024 and 2023, consisted of the following:

	2024	2023
Equity investments	61%	50%
Debt investments	26	24
General account asset	11	14
Others	2	12
Total	100%	100%

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

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

(9) Assumptions used for the years ended March 31, 2024 and 2023, were set forth as follows:

	2024	2023
Discount rate	1.0%	1.0%
Expected rate of return on plan assets	1.5	1.5

The expected compensation increase rate for the years ended March 31, 2024 and 2023, is based on the age-specific compensation increase index as of March 31, 2020.

(10) Defined contribution pension plans

The Company and certain domestic and overseas subsidiaries paid costs for defined contribution pension plans of ¥1,145 million ($7,583 thousand) and ¥992 million, respectively, for the years ended March 31, 2024 and 2023.

11. EQUITY

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

a. Dividends

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

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

12. REVENUE RECOGNITION

(1) *Disaggregation of Revenue*

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen						
	2024						
	Reportable Segment						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total
Japan	¥127,179	¥34,374	¥26,398	¥21,160	¥209,111	¥6,483	¥215,594
U.S.A.	33,561	10,419	8,547	7,265	59,792		59,792
Europe	38,864	4,785	4,679	581	48,909		48,909
China	74,747	5,686	19,344	82	99,859		99,859
Other Asian countries	45,621	7,280	6,101	322	59,324	5	59,329
Other	18,285	9,759	313	55	28,412		28,412
Total	¥338,257	¥72,303	¥65,382	¥29,465	¥505,407	¥6,488	¥511,895

	Millions of Yen						
	2023						
	Reportable Segment						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total
Japan	¥121,138	¥40,601	¥26,818	¥17,847	¥206,404	¥4,721	¥211,125
U.S.A.	32,788	10,337	8,267	5,291	56,683		56,683
Europe	32,687	4,258	4,173	566	41,684		41,684
China	74,103	4,947	17,663	35	96,748		96,748
Other Asian countries	39,135	7,049	5,833	180	52,197	6	52,203
Other	14,818	8,684	228	67	23,797		23,797
Total	¥314,669	¥75,876	¥62,982	¥23,986	¥477,513	¥4,727	¥482,240

	Thousands of U.S. Dollars						
	2024						
	Reportable Segment						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total
Japan	$ 842,245	$227,642	$174,821	$140,132	$1,384,840	$42,934	$1,427,774
U.S.A.	222,258	69,000	56,603	48,113	395,974		395,974
Europe	257,377	31,689	30,987	3,848	323,901		323,901
China	495,013	37,656	128,106	543	661,318		661,318
Other Asian countries	302,126	48,212	40,404	2,132	392,874	33	392,907
Other	121,093	64,629	2,073	364	188,159		188,159
Total	$2,240,112	$478,828	$432,994	$195,132	$3,347,066	$42,967	$3,390,033

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

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

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

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

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

(**3**) ***Contract Balances***

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Receivables from contracts with customers:			
Balance at beginning of year	¥130,966	¥121,484	$867,325
Balance at end of year	144,134	130,966	954,530
Contract assets:			
Balance at beginning of year	277	447	1,834
Balance at end of year	675	277	4,470
Contract liabilities:			
Balance at beginning of year	50,158	40,348	332,172
Balance at end of year	50,222	50,158	332,596

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

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

Of the revenues recognized in the consolidated statement of income for the years ended March 31, 2024 and 2023, ¥31,362 million ($207,695 thousand) and ¥30,369 million was included in the balance of contract liabilities on April 1, 2023 and 2022, respectively.

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

The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2024 and 2023:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Within one year	¥184,186	¥175,909	$1,219,775
After one year	37,730	31,845	249,868
Total	¥221,916	¥207,754	$1,469,643

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to cost of sales and selling, general and administrative expenses were ¥12,298 million ($81,444 thousand) and ¥11,031 million for the years ended March 31, 2024 and 2023, respectively.

14. INSURANCE CLAIM INCOME

The Group recorded insurance claims related to a fire incident that occurred at Shimadzu U.S.A. Manufacturing, Inc., a consolidated overseas subsidiary, in September 2021.

15. LOSS ON LIQUIDATION OF BUSINESS

In connection with the partial liquidation of the aeronautical equipment business of Shimadzu Precision Instruments, Inc., a consolidated foreign subsidiary, expenses related to the disposal of assets related to the business to be liquidated were recorded as loss on liquidation of business.

16. LOSS ON SPECIAL INVESTIGATION

The Group recorded loss on special investigation such as investigation costs and compensation to customers related to improper conduct in connection with the maintenance and inspection of X-ray equipment at its domestic consolidated subsidiary, Shimadzu Medical Systems Corporation.

17. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.5% for the years ended March 31, 2024 and 2023.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Deferred tax assets:			
Unrealized profit eliminated from inventories	¥ 6,501	¥ 5,852	$ 43,053
Liability for retirement benefits	4,111	4,034	27,225
Accrued bonuses	3,777	3,760	25,013
Depreciation	2,963	2,419	19,623
Loss on devaluation of inventories	1,601	1,451	10,603
Enterprise taxes	653	642	4,325
Allowance for doubtful receivables	503	514	3,331
Tax loss carryforwards	178	270	1,179
Loss on impairment of long-lived assets	136	136	901
Other	5,071	4,972	33,581
Total	25,494	24,050	168,834
Less valuation allowance	(859)	(892)	(5,688)
Total deferred tax assets	¥24,635	¥23,158	$163,146
Deferred tax liabilities:			
Asset for retirement benefits	¥ 5,802	¥ 291	$ 38,424
Unrealized gain on available-for-sale securities	3,638	2,546	24,093
Gain on securities contributed to employee retirement benefit trust	3,086	3,745	20,437
Valuation difference on business combination	817	891	5,411
Other	1,074	953	7,112
Total deferred tax liabilities	¥14,417	¥ 8,426	$ 95,477
Net deferred tax assets	¥10,946	¥15,693	$ 72,490
Net deferred tax liabilities (included in other long-term liabilities)	¥ 728	¥ 961	$ 4,821

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

(Change in Presentation)

"Asset for retirement benefits" included with "Other—Deferred tax liabilities" in the previous consolidated fiscal year has been separately presented from this consolidated fiscal year due to increased materiality.

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

As a result, "Other—Deferred tax liabilities" of ¥1,244 million presented in the consolidated financial statements for the previous consolidated fiscal year has been reclassified as "Asset for retirement benefits" of ¥291 million and "Other" of ¥953 million.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2024, with the corresponding figures for the year ended March 31, 2023, is as follows:

	2024	2023
Normal effective statutory tax rate	30.5%	30.5%
Expenses not permanently deductible for income tax purposes	0.5	0.3
Per capita inhabitant tax	0.2	0.2
Valuation allowance	(0.0)	0.0
Tax credits for wage increase and productivity improvement	(1.3)	(0.6)
Difference in subsidiaries' tax rates	(1.3)	(1.2)
Tax credit for research and development costs	(3.8)	(2.5)
Other—net	1.1	(0.2)
Actual effective tax rate	25.9%	26.5%

(Change in Presentation)

"Tax credits for wage increase and productivity improvement" included with "Other—net" in the previous consolidated fiscal year has been separately presented from this consolidated fiscal year due to increased materiality.

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

As a result, "Other—net" presented in the consolidated financial statements for the previous consolidated fiscal year has been reclassified as "Tax credits for wage increase and productivity improvement" and "Other—net."

18. LEASES

Lessee

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

Total rental expenses for the years ended March 31, 2024 and 2023, were ¥7,801 million ($51,662 thousand) and ¥6,383 million, respectively. Future minimum payments under noncancelable operating leases as of March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due within one year	¥ 1,084	¥ 1,169	$ 7,179
Due after one year	13,611	14,887	90,139
Total	¥14,695	¥16,056	$97,318

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

Lessor

Future lease income under noncancelable operating leases as of March 31, 2024 and 2023, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Due within one year	¥27	¥23	$179
Due after one year	69	7	457
Total	¥96	¥30	$636

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(**1**) ***Group Policy for Financial Instruments***

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

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

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

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

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

Please see Note 20 about derivatives.

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

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

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

	Millions of Yen		
March 31, 2024	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Notes and accounts receivable—trade, and contract assets	¥144,809	¥144,357	¥(452)
Investment securities	14,585	14,585	
Total	¥159,394	¥158,942	¥(452)
Derivatives	¥ (94)	¥ (94)	
March 31, 2023			
Notes and accounts receivable—trade, and contract assets	¥131,243	¥131,132	¥(111)
Marketable securities	425	425	
Investment securities	11,552	11,552	
Total	¥143,220	¥143,109	¥(111)
Derivatives	¥ (142)	¥ (142)	

	Thousands of U.S. Dollars		
March 31, 2024	Carrying Amount	Fair Value	Unrealized Gains (Losses)
Notes and accounts receivable—trade, and contract assets	$ 959,000	$ 956,007	$(2,993)
Investment securities	96,589	96,589	
Total	$1,055,589	$1,052,596	$(2,993)
Derivatives	$ (623)	$ (623)	

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

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investments in equity instruments that do not have a quoted market price in an active market	¥1,792	¥1,614	$11,868
Total	¥1,792	¥1,614	$11,868

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

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Investment in investment partnerships	¥64	¥78	$424
Total	¥64	¥78	$424

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

	Millions of Yen		Thousands of U.S. Dollars	
March 31, 2024	Due in 1 Year or Less	Due after 1 Year	Due in 1 Year or Less	Due after 1 Year
Cash and cash equivalents	¥159,235		$1,054,536	
Time deposits	6,051		40,073	
Notes and accounts receivable—trade, and contract assets	143,481	¥1,328	950,205	$8,795
Total	¥308,767	¥1,328	$2,044,814	$8,795

	Millions of Yen	
March 31, 2023	Due in 1 Year or Less	Due after 1 Year
Cash and cash equivalents	¥153,735	
Time deposits	5,112	
Notes and accounts receivable—trade, and contract assets	130,890	¥353
Marketable securities	425	
Bonds		300
Total	¥290,162	¥653

Please see Note 9 for annual maturities of long-term debt.

Financial Instruments Categorized by Fair Value Hierarchy

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

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

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

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

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

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

	Millions of Yen			
March 31, 2024	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Stock	¥14,585			¥14,585
Total assets	¥14,585			¥14,585
Derivative transactions:				
Forward exchange contracts		¥ 94		¥ 94
Total liabilities		¥ 94		¥ 94
March 31, 2023				
Investment securities:				
Available-for-sale securities:				
Stock	¥11,313			¥11,313
Bond		¥239		239
Total assets	¥11,313	¥239		¥11,552
Derivative transactions:				
Forward exchange contracts		¥142		¥ 142
Total liabilities		¥142		¥ 142

	Thousands of U.S. Dollars			
March 31, 2024	Level 1	Level 2	Level 3	Total
Investment securities:				
Available-for-sale securities:				
Stock	$96,589			$96,589
Total assets	$96,589			$96,589
Derivative transactions:				
Forward exchange contracts		$623		$ 623
Total liabilities		$623		$ 623

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

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

March 31, 2023	Millions of Yen Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade, and contract assets		¥131,132		¥131,132
Total assets		¥131,132		¥131,132

March 31, 2024	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Notes and accounts receivable—trade, and contract assets		$956,007		$956,007
Total assets		$956,007		$956,007

The description of investment trusts is omitted because the treatment of Paragraph 24-3 of the Guidance on Application of Market Value Accounting Standards is applied. The carrying amount of the investment trusts for the year ended March 31, 2023, was ¥425 million. And no carrying amount was recognized for the year ended March 31, 2024.

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

Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. The fair value of the bonds held by the Group is categorized as Level 2 as they are not quoted in active markets.

Derivatives

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

Notes and Accounts Receivable—Trade, and Contract Assets

The fair values of trade receivables are measured at the amount to be received at maturity discounted at the Group-assumed corporate discount rate, and are categorized as Level 2.

20. DERIVATIVES

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

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

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

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

The Company has the following derivative contracts outstanding as of March 31, 2024 and 2023:

	2024			2023		
	In Thousands	Millions of Yen		In Thousands	Millions of Yen	
	Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)	Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:						
Selling USD	USD 21,500	¥(60)	¥(60)	USD 59,500	¥(98)	¥(98)
Selling Euro	EUR 14,300	(37)	(37)	EUR 12,500	(43)	(43)
Buying USD	USD 1,497	3	3			

	2024		
	In Thousands	Thousands of U.S. Dollars	
	Contract or Notional Amount	Fair Value	Unrealized Gains (Losses)
Forward exchange contracts:			
Selling USD	USD 21,500	$(397)	$(397)
Selling Euro	EUR 14,300	(245)	(245)
Buying USD	USD 1,497	20	20

21. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2024	2023	2024
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ 3,733	¥ (772)	$ 24,722
Reclassification adjustments to profit or loss	(266)	(103)	(1,762)
Amount before income tax effect	3,467	(875)	22,960
Income tax effect	(1,093)	234	(7,238)
Total	¥ 2,374	¥ (641)	$ 15,722
Foreign currency translation adjustments:			
Adjustments arising during the year	¥15,785	¥5,564	$104,536
Total	¥15,785	¥5,564	$104,536
Defined retirement benefit plans:			
Adjustments arising during the year	¥15,111	¥ 86	$100,073
Reclassification adjustments to profit or loss	(382)	34	(2,530)
Amount before income tax effect	14,729	120	97,543
Income tax effect	(4,491)	(49)	(29,741)
Total	¥10,238	¥ 71	$ 67,802
Total other comprehensive income	¥28,397	¥4,994	$188,060

22. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2024 and 2023, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2024	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥57,038	294,709	¥193.54	$1.28
Year Ended March 31, 2023				
Basic EPS—Net income available to common shareholders	¥52,049	294,666	¥176.64	

Diluted EPS for the years ended March 31, 2024 and 2023, is not disclosed because no potentially dilutive securities are outstanding.

23. SEGMENT INFORMATION

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

(**1**) ***Description of Reportable Segments***

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

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

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

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

	Millions of Yen								
	2024								
	Reportable Segment								
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥338,257	¥72,303	¥65,382	¥29,465	¥505,407	¥6,488	¥511,895		¥511,895
Intersegment sales or transfers	51	19	79	35	184	2,658	2,842	¥ (2,842)	
Total	¥338,308	¥72,322	¥65,461	¥29,500	¥505,591	¥9,146	¥514,737	¥ (2,842)	¥511,895
Segment profit	¥ 57,488	¥ 4,779	¥ 7,176	¥ 3,715	¥ 73,158	¥1,045	¥ 74,203	¥ (1,449)	¥ 72,754
Segment assets	351,315	66,088	66,843	45,596	529,842	9,218	539,060	134,902	673,962
Other:									
Depreciation	12,787	2,535	2,299	643	18,264	287	18,551		18,551
Increase in property, plant and equipment and intangible assets	15,916	3,136	2,085	1,036	22,173	307	22,480		22,480

	Millions of Yen								
	2023								
	Reportable Segment								
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	¥314,669	¥75,876	¥62,982	¥23,986	¥477,513	¥4,727	¥482,240		¥482,240
Intersegment sales or transfers	55	47	67	37	206	2,424	2,630	¥ (2,630)	
Total	¥314,724	¥75,923	¥63,049	¥24,023	¥477,719	¥7,151	¥484,870	¥ (2,630)	¥482,240
Segment profit	¥ 57,615	¥ 5,539	¥ 5,423	¥ 1,390	¥ 69,967	¥ 597	¥ 70,564	¥ (2,345)	¥ 68,219
Segment assets	313,355	60,793	61,817	39,044	475,009	9,685	484,694	134,175	618,869
Other:									
Depreciation	11,745	2,521	2,200	647	17,113	411	17,524		17,524
Increase in property, plant and equipment and intangible assets	14,900	2,645	3,603	1,015	22,163	350	22,513		22,513

	Thousands of U.S. Dollars								
	2024								
	Reportable Segment								
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Total	Other	Total	Reconciliations	Consolidated
Sales:									
Sales to external customers	$2,240,112	$478,828	$432,994	$195,132	$3,347,066	$42,967	$3,390,033		$3,390,033
Intersegment sales or transfers	338	126	523	232	1,219	17,603	18,822	$ (18,822)	
Total	$2,240,450	$478,954	$433,517	$195,364	$3,348,285	$60,570	$3,408,855	$ (18,822)	$3,390,033
Segment profit	$ 380,715	$ 31,649	$ 47,523	$ 24,603	$ 484,490	$ 6,921	$ 491,411	$ (9,596)	$ 481,815
Segment assets	2,326,589	437,669	442,669	301,960	3,508,887	61,046	3,569,933	893,391	4,463,324
Other:									
Depreciation	84,682	16,788	15,225	4,258	120,953	1,901	122,854		122,854
Increase in property, plant and equipment and intangible assets	105,404	20,768	13,808	6,861	146,841	2,033	148,874		148,874

Note: "Reconciliations" of segment profit include eliminations of intersegment transactions of ¥1,449 million ($9,596 thousand) and ¥2,345 million as of March 31, 2024 and 2023, respectively. "Reconciliations" of segment assets include eliminations of intersegment receivables of ¥2,114 million ($14,000 thousand) and ¥1,718 million, and unallocated corporate assets of ¥137,016 million ($907,391 thousand) and ¥135,893 million as of March 31, 2024 and 2023, respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to the Company's administration headquarters.

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

(**4**) ***The Geographical Segments of the Group***

a. Sales

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

Millions of Yen						
2023						
Japan	United States of America	Europe	China	Other Asia	Other	Total
¥211,125	¥56,683	¥41,684	¥96,748	¥52,203	¥23,797	¥482,240

Thousands of U.S. Dollars						
2024						
Japan	United States of America	Europe	China	Other Asia	Other	Total
$1,427,774	$395,974	$323,901	$661,318	$392,907	$188,159	$3,390,033

b. Property, plant and equipment

Millions of Yen					
2024			2023		
Japan	Foreign Countries	Total	Japan	Foreign Countries	Total
¥88,095	¥30,469	¥118,564	¥87,405	¥25,587	¥112,992

Thousands of U.S. Dollars		
2024		
Japan	Foreign Countries	Total
$583,411	$201,781	$785,192

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

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

	Millions of Yen						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥ 274	¥ 57	¥ 53				¥ 384
Goodwill as of March 31, 2023	3,981	605	362				4,948

	Thousands of U.S. Dollars						
	Analytical and Measuring Instruments	Medical Systems and Equipment	Industrial Machinery	Aircraft Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	$ 2,894	$ 404	$ 384				$ 3,682
Goodwill as of March 31, 2024	28,193	4,119	2,258				34,570

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

No impairment loss was recognized for the years ended March 31, 2024 and 2023.

24. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2024, was approved at the Company's shareholders' meeting held on June 26, 2024:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥36 ($0.24) per share	¥10,613	$70,285

Business Combination by Acquisition

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

a. Outline of the business combination

(1) Name of acquired company and its business outline

Name of the acquired company: Zef Scientific, Inc.

Business outline: Maintenance services for liquid chromatograph ("LC") and liquid chromatograph mass spectrometer ("LC-MS")

(2) Major reason for the business combination

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

(3) Date of business combination

April 1, 2024

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of the company after the combination

No changes

(6) Ratio of voting rights acquired

100.00%

(7) Basis for determining the acquirer

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

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

	Millions of U.S. Dollars
Consideration for acquisition—Cash	$44
Acquisition cost	$44

c. *Major acquisition-related costs*

To be determined

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

To be determined

e. *The assets acquired and the liabilities assumed at the acquisition date*

To be determined

Acquisition of Treasury Shares

At the extraordinary meeting of the Board of Directors held on May 10, 2024, the Company resolved to acquire its own shares of treasury stock pursuant to Article 156 of the Companies Act, as applied according to Article 165, Paragraph 3 of the same Act.

a. *Reason for acquisition of treasury stock*

To enhance shareholder returns and improve capital efficiency

b. *Details of the acquisition of treasury stock*

(1) Class of stock subject to the acquisition

Common stock

(2) Total number of shares repurchased

Up to 12,500,000 shares (4.2% of issued and outstanding number of shares, excluding treasury stock)

(3) Total value of shares acquired

Up to ¥25,000 million ($165,562 thousand)

(4) Period of acquisition

From May 13, 2024 through March 31, 2025

(5) Acquisition method

Market purchase on the Tokyo Stock Exchange

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