



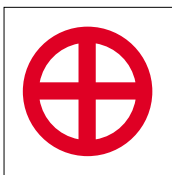
ANNUAL REPORT

Year Ended 31st March, 1998

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Shimadzu's Emblem



The corporate emblem, "the Circle Crossed", originates with Genzo Shimadzu, the founder of Shimadzu Corporation, who decided to use it as our trademark. Later, the emblem was scientifically redesigned into the present trademark.

The solid circular margin has a width of 1/8 the outer diameter of the circle while the cross bars are another 10% thicker. This design is based on scientific data used to optimize the beauty of

uniformity as the dimensional ratios used correct the illusion of difference in widths leading to a pleasing perception of balance.

Sohbei Inoue, an ancestor of Genzo Shimadzu, lived in Akashi and served under Yoshitaka Kuroda, the Lord of Banshu Himeji Province during the Keicho period (1596 – 1614). When Yoshihiro Shimadzu, the Lord of Satsuma Province, passed through the province of Kuroda to visit his land newly given to him by Hide-yoshi Toyotomi, one of the three warriors who reunited Japan, on his way back to the Satsuma Province, Sohbei Inoue was given a role to attend the lord. Sohbei Inoue accomplished his mission with all his heart and sincerity, taking care of the lord inspecting his land.

In recognition of the services of Sohbei Inoue, it is reported that Lord Yoshihiro Shimadzu enfeoffed him with an annual stipend of 300 koku* of rice and allowed him to use the name of Shimadzu and the family emblem, "the Circle Crossed".

* One koku \approx 4.96 bushels

Historical Highlights of Shimadzu

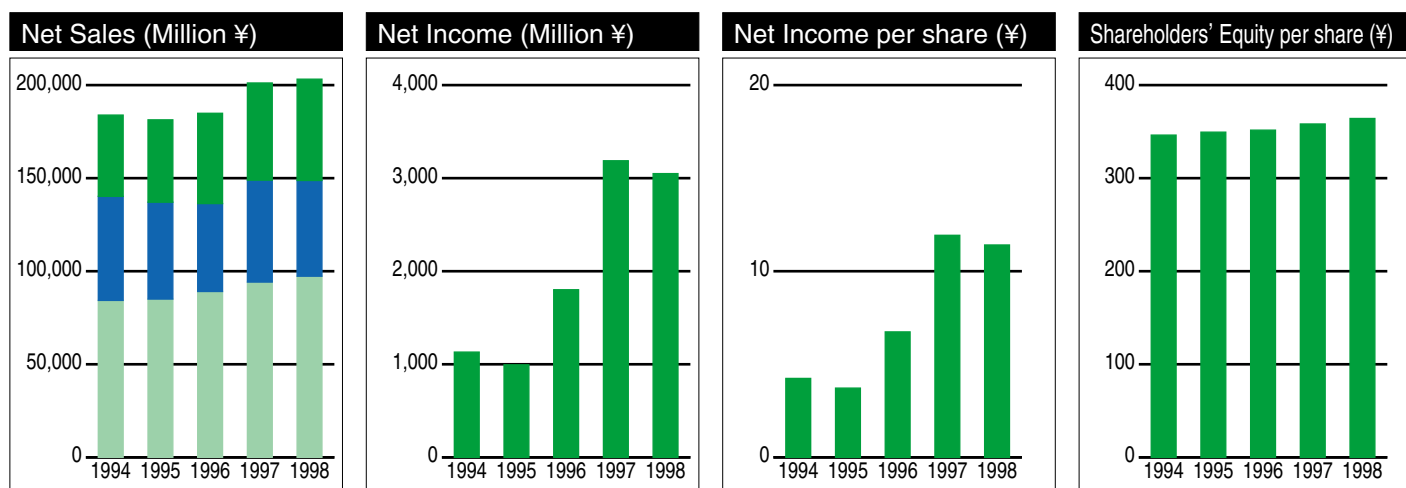
- 1875 Genzo Shimadzu (1839-1894) began to manufacture physical and chemical instruments. It was the first step of Shimadzu's activity.
- 1877 Genzo Shimadzu manufactured a balloon, and successfully launched it, with a person in it, from the Former Imperial Palace in Kyoto.
- 1895 Started manufacture of storage batteries.
- 1896 Umejiro Shimadzu assumed the name of his father, Genzo Shimadzu, and in cooperation with his younger brother, succeeded taking roentgenograms for the first time in Japan. It was the year after Dr. Roentgen discovered X-rays.
- 1909 Built a medical X-ray apparatus for the first time in Japan.
- 1917 The storage battery department became an independent company, Japan Storage Battery Co., Ltd. famous for the GS battery. Shimadzu was reorganized as a joint-stock company. Started manufacture of material testing machines.
- 1919 Established Sanjo Works, the main factory today.
- 1920 Started manufacture of industrial instruments and equipment.
- 1929 Started manufacture of process control equipment and instrumentation.
- 1930 Genzo Shimadzu, Jr. (1869-1951) was invited to the Emperor's dinner party as one of the ten great inventors of Japan.
- 1934 Developed spectrographs of the first time in Japan.
- 1936 Started manufacture of aircraft equipment.
- 1947 Started manufacture of electron microscopes for the first time in Japan.
- 1951 Former Emperor Hirohito visited Sanjo Works, the main factory.
- 1953 Started manufacture of direct reading emission spectrometers.
- 1956 Developed gas chromatographs for the first time in Japan.
- 1968 Established SHIMADZU (EUROPA) GmbH in F.R.Germany.
- 1971 Established Analytical Applications Center. (Now Customer Support Center)
- 1975 Celebrated centenary of foundation. Established SHIMADZU SCIENTIFIC INSTRUMENTS, INC., Columbia, Maryland, U.S.A. as the key station of marketing precision analytical apparatus in America.
- 1977 Developed CT Scanner.
- 1979 Established SHIMADZU PRECISION INSTRUMENTS, INC. in U.S.A.
- 1980 Started Central Research Laboratory. (Reorganized as Technology Research Laboratory in 1996)
- 1981 Increased capital to ¥10 billion and realized turnover of ¥100 billion.
- 1983 Started manufacture of analytical instruments in the U.S.A. Started Production Engineering Laboratory.
- 1984 Developed MRI systems. Started manufacture of opto-electronic equipment.
- 1985 Established Atsugi Works, Kanagawa Prefecture.
- 1986 Emperor Akihito visited Sanjo Works.
- 1987 Started manufacture of analytical instruments in F.R.Germany.
- 1989 Acquired KRATOS GROUP PLC., U.K.
- 1991 Established Keihanna Research Laboratory. Established Hadano Works.
- 1992 Established a new guiding principle "To Realize Our Wishes for the Well-being of Mankind and the Earth"
- 1992 Established TOSHBRO SHIMADZU PVT.LTD., a joint venture, in India. Established a joint venture, Beijing Shimadzu Medical Equipment Co., Ltd., in China.
- 1993 Developed lactic acid based bio-degradable plastic.
- 1994 Established SHIMADZU AUSTRALIA MANUFACTURING PTY.LTD. in Australia.
- 1995 Celebrated the 120th anniversary of foundation.
- 1996 Established SHIMADZU PHILIPPINES MANUFACTURING INC. in Philippines. Established SHIMADZU U.S.A. MANUFACTURING INC. in U.S.A.
- 1997 Established SHIMANE SHIMADZU CORPORATION. Established SHIMADZU VIETNAM MEDICAL HIGH-TECH COMPANY LTD.
- 1998 Established SHIMADZU (HONG KONG) LTD. in Hong Kong.

Financial Summary

Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	1994	1995	1996	1997	1998	1998
For the year:						
Net sales	¥183,897	¥181,338	¥184,863	¥201,144	¥203,190	\$1,539,318
Operating costs and expenses	180,009	175,606	178,096	192,468	194,922	1,476,682
Other income(expense)-net	(2,389)	(2,846)	(1,244)	(1,248)	(408)	(3,091)
Income before income taxes	1,499	2,886	5,523	7,428	7,860	59,545
Income taxes	1,867	2,274	3,606	4,207	4,787	36,265
Net income	1,131	994	1,801	3,187	3,049	23,098
At the year-end:						
Total assets	215,482	221,600	231,934	253,076	256,110	1,940,227
Property, plant and equipment-net ...	51,031	50,100	48,647	49,004	52,576	398,303
Shareholders' equity	92,449	93,330	93,910	95,680	97,258	736,802
Amounts per share:	Yen					U.S. Dollars
Net income	¥ 4.24	¥ 3.72	¥ 6.74	¥ 11.93	¥ 11.41	\$0.09
Cash dividends	7.00	5.00	5.00	5.00	5.00	0.04
Shareholders' equity	346.28	349.44	351.61	358.23	364.14	2.76

- The U.S. dollar amounts in this report represent translations of Japanese yen for convenience only at the rate of ¥132=U.S.\$1. See Note 3 to the consolidated financial statements.
- The following changes on the consolidated subsidiaries were made in their respective years. The cumulative effects on prior years of the changes have been shown as an addition to or a deduction from retained earnings of the years in which such change were made.
 - (1) Consolidation of three domestic subsidiaries and one overseas subsidiary and deconsolidation of four domestic subsidiaries, effective in 1996.
 - (2) Consolidation of three overseas subsidiaries, effective in 1997.
 - (3) Consolidation of three domestic subsidiaries and six overseas subsidiaries, effective in 1998.
- See "Notes to consolidated financial statements".



■ Aircraft Equipment and Industrial Machinery
■ Medical Systems and Equipment
■ Scientific and Process Instruments

To Our Shareholders and Customers

Review of Fiscal 1997 Results

The consolidated sales for this year were up 1% over the previous year with the consolidated sales posting a record high of 203,189 million yen. This yielded a 6% increase in pre-tax profits of 6,769 million yen, but this year's profits were down by 4% to 3,049 million yen. In part due to the healthy U.S. economy, sales to foreign customers were up 8% over last year to 51,117 million yen. During this period, Japan's economy faced an economic downturn overall with reduced consumer spending and investments in public works, exacerbated by problems in private investment in plant and equipment and instability in the finance system in the second half of the year. On the other hand, overseas the U.S. economy continued economic expansion and the European economies expanded at a moderate pace. The Southeast Asian economies that had been expanding at high growth rates, were cooled from the effects of the currency crisis.

Within this economic environment, the Shimadzu Group continued work on developing new products, strengthening our production and sales abroad, reducing costs, and cutting operating costs through comprehensive efforts to improve efficiency. The following are summaries of the results by line of business.

Net sales this year in Scientific and Process Instruments line of business were up 3% over the previous year at 97,322 million yen. In the domestic market, new chromatographic analyzers and other new types of equipment as well equipment in new sectors were introduced, and, with the increasing demand in the environmental sectors, sales efforts were stepped up for environmental-related analyzers and measuring equipment. Increases were realized abroad, especially in the United States.

Net sales were down 6% at 51,433 million yen in Medical Systems and Equipment sector. At a time when the revisions to the Health Insurance Law tended to reduce investment in medical equipment in the domestic market, we strove to sell more general purpose imaging equipment and to introduce new products as a means to increase sales. However domestic demand, especially reduced demand for nuclear medicine diagnostic equipment, was lower. In foreign markets, increases were gained especially in the U.S. in general purpose products and high tech apparatus.

In Aircraft Equipment and Industrial Machinery line of business, net sales increased to 54,433 million yen, 4% higher than last year. In Aircraft Equipment sector, the domestic market saw cuts in Japan's defense budget, but with dim prospects for future defense-related demand, efforts were put into expanding sales in equipment maintenance materials and replenishment parts, as well as into expanded sales to the private sector. In Industrial Machinery sector, at a time when there is reduced investment in the semiconductor-related sectors, there was growth in the vacuum equipment area such as in turbo molecular pumps. Abroad, in the United States as well as in Asia-Oceania, there is an expanding private sector aircraft market, particularly in the United States, and the demand is growing for turbo molecular pumps and film-forming apparatus for MR heads.

Outlook for the Next Fiscal Year

The outlook for Japan's domestic economy is lackluster with both consumer spending and investment in plant and equipment falling. In foreign markets, reduced economic growth is seen for Asian economies due to currency instability, and we believe that a continuation of the current harsh situation is a foregone conclusion. To deal with this kind of operating environment, the Shimadzu group will strive to simplify its operating structure and improve efficiency on the one hand, while aiming to expand business by developing new operational sectors and fields using technology for the 21st century and working on developing new products that match the needs of the market on the other. We further aim to strengthen our production and distribution frameworks by augmenting our domestic and foreign production bases in the areas of development, procurement and production, and by improving profits by expanding the scope of our business and keeping the total cost of products down. In the operations area, we will further strengthen our efforts to quicken our response to market needs and strengthen our operations policies to meet client needs as means to improve profitability and strengthen our business base.

We at Shimadzu greatly appreciate and hope for your continued support.

June, 1998



Kikuo Fujiwara
Chairman of the Board



Hidetoshi Yajima
President and Chief Executive Officer

Topics

Ecology

Global warming, dioxin contamination, endocrine disturbing substances, and environmental destruction present many diverse and serious threats to human life.

"Global environmental problems" are difficult problems that have not been addressed before in the history of mankind, and it is up to us to use our collective expertise so solve these problems.

At Shimadzu, we are at the forefront in making advancements in the fields of energy conservation, reduction of water materials/recycling resources and other environmental protection areas on the one hand, and we are marketing not just to specialists, but to a broad spectrum of individuals to make a broad based appeal for environmental protection on the other.

In 1995, Shimadzu provided funding and technological equipment for the United Nations University's Environmental Monitoring Project: "Environmental Monitoring and Analysis in the East Asia Region: Technology Transfer and Environmental Governance."

The purpose of this project was to determine effective analytical methods to accurately understand the contamination of the atmosphere, water and soil by chemical substances. Many experts from at home and abroad were gathered at the February symposium held in the Kyoto International Conference Hall, where there was an active discussion on measurements of atmospheric contaminants.



the symposium hall

New Business

The world business environment is changing hourly at an eye-widening pace, and more than ever before, companies are being asked to provide even better products and services. Companies know that if they are to be leaders it is imperative that they quickly mobilize to meet these needs, and this has resulted in even more intense competition among companies.

Amid this environment, Shimadzu is advancing a new business plan, the "Year 2001 Vision" which aims to strengthen the company base, and develop new business.

From our former business base in research equipment, we will expand into the fast-growing fields involving information communication and medicine/welfare a way of positively developing our business. Through expansion of business and augmenting existing lines, we are targeting growth that will bring non-consolidated sales of 250 billion yen

by 2001.

Shimadzu's film forming equipment for personal computer hard disks is well thought of in the Japanese market, and more than half of Japan's world-leading hard disk manufacturers have adopted this technology that allows the production of GMR heads that deliver high read/write densities. We aim to use these accomplishments as a basis for advancing into the North American market through of a joint venture with INTEVAC CORPORATION, INC., a manufacturer of film-forming equipment for hard disk manufactures to develop business with several influential hard disk manufacturers in that region. We are strengthening our joint development activities and our partnership with that company.



Inspection Apparatus

Also, in the medical/welfare sector, we are proceeding on development not just in our conventional imaging diagnostic equipment, but are developing new equipment.

There is a disease of unknown cause and with no established method of treatment called Amyotrophic Lateral Sclerosis (ALS). It is a tragic disease in which the muscles become paralyzed with time. Characteristically, this paralytic process continues to the point where only eye movements remain, but intelligence is unaffected.

In Japan, the National Therapeutic Saigata Hospital (in Niigata Prefecture) is a research organization devoted primarily to ALS, that is trying to improve communication for ALS patients. Shimadzu is advancing on a joint development operation with that hospital to develop a communication device for ALS patients, and last year saw the completion of a prototype.

New avionics equipment use Head Mounted Display (HMD) technology which, with this device installed in the helmet, allows an alphabet to be displayed just in front of the pilot's eyes that enables him to compose sentences as in word processing just by looking at the required letters.

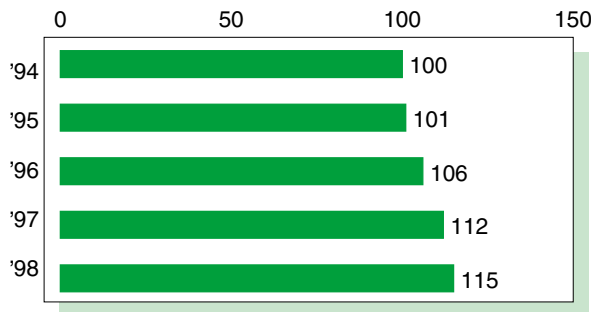
This technology is useful in ALS patients, or in patients with limb handicaps such as in muscular dystrophy and persons with spinal cord injuries in the neck. We believe that this will greatly improve the quality of life for these patients, and Shimadzu is expediting development in order to begin commercial sales of this product in 1999.



HMD for Patients with Disabling Diseases

Scientific and Process Instruments

●Sales during the last 5 years (1994=100)



Direct Sampling type of Continuous Atmospheric VOC Monitors



CO-O₂ Measuring Equipment for Trash Incinerators

Net sales for the year in this segment were up 3% over the previous year at 97,322 million yen, or 48% of consolidated sales.

In addition to our mainstay chromatographs, 2 new instruments for performing atmospheric measurements will be sold to strengthen our environmental measurement business.

In Japan, the business climate is harsh due to inhibited investment in the areas of pharmaceuticals, chemistry, autos, etc., but in

foreign markets, we are continuing to put new products on the market, primarily in the European and U.S. regions, and sales have increased.

1. Direct Sampling type of Continuous Atmospheric VOC Monitors

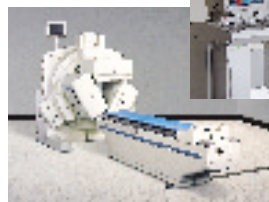
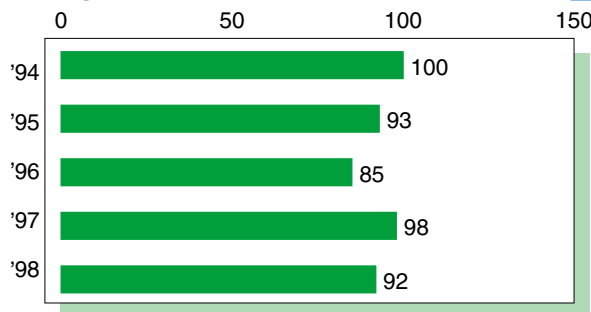
This is an atmospheric monitoring system for the 9-component volatile organic compounds (VOC) that pose a high carcinogenic risk. It is an important tool for the analysis of the relationship between the amount and type of traffic and pollutants.

2. CO-O₂ Measuring Equipment for Trash Incinerators

It is a known fact that the production of dioxin from trash incineration can be adequately controlled by appropriately controlling the incineration conditions. The objective of the new device is to inhibit the generation of dioxin by controlling the trash incineration. It allows the automatic and continuous measurement of carbon monoxide (CO) gas in the exhaust gases from the incinerator site.

Medical Systems and Equipment

●Sales during the last 5 years (1994=100)



X-ray Television Diagnostic Device, "SHIMAVISION" Series



Gamma Camera System "IRIX"

Net sales for the year in this segment were down 6% over the previous year at 51,433 million yen, or 25% of consolidated sales.

Shimadzu is advancing its business in the medical imaging diagnostic equipment areas involving MRI, CAT scanners, and X-ray television devices, etc. When it comes to their health, there is no end to peoples' wish list. In the clinical area, new diagnoses and therapies are being tried daily. This company is continuing to develop high performance, highly functional equipment to respond to these trends in clinical care.

In Japan's market, investment in equipment by hospitals has been curtailed by the revisions to the

Health Insurance Law, and even though Shimadzu tried to expand sales of mid-priced equipment, sales did fall off. In the foreign markets, partly due to the effect of the cheap yen, sales increased, principally of high end equipment.

1. X-ray Television Diagnostic Device, "SHIMAVISION" Series

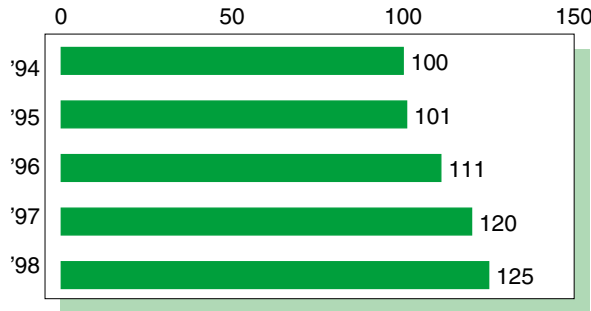
Shimadzu sells 5 types of X-ray television diagnostic apparatus that use IVR (interactive voice response) technology. The development of technology is being accelerated to make Shimadzu a leading provider for digitized x-ray television diagnosis.

2. Gamma Camera System "IRIX"

The "PRISM AXIS" and the "PRISM IRIX", the latest nuclear medicine diagnostic equipment, are being sold by Shimadzu to the domestic market, and we are strengthening our operations in this field. These devices are produced by Picker in the US (Ohio) and Shimadzu is the sole sales and service provider in Japan. We look forward to expanding this market over the next 2 to 3 years by providing new reagents for nuclear medicine diagnostic devices.

Aircraft Equipment and Industrial Machinery

● Sales during the last 5 years (1994=100)



Propellent Valves for H2 Rockets



Dry pumps

Net sales for the year in this segment were up 4% over the previous year at 54,433 million yen, or 27% of consolidated sales.

The Boeing Corporation in the United States has moved to regular production of the "Boeing 757" and the "Boeing 777". Shimadzu has been actively developing business in the maintenance and service of ground based equipment as well as airborne equipment in the commercial and defense sectors alike.

At a time when investment has slowed in new equipment in the semiconductor related sector, Shimadzu has managed to increase sales of new devices such as turbo molecular pumps and film forming devices for MR heads.

1. Propellent Valves for H2 Rockets

Shimadzu is manufacturing combustion control valves for attitude control on the large, domestically produced H2 rockets. These valves operate reliably even in very harsh high

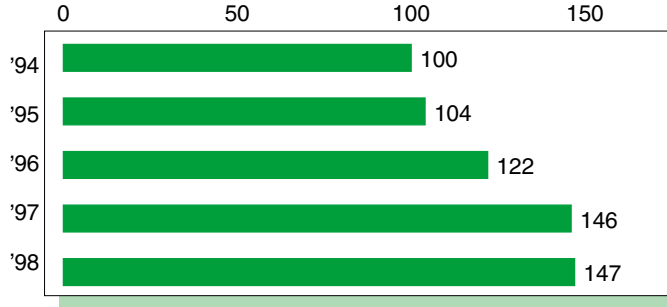
temperature and vibration environments. We produce a high quality and high reliability product.

2. Dry Pumps

We sell four types of dry vacuum pumps which, along with our turbo molecular pumps, is an exponentially expanding business. Our unique twin-screw design produces highly efficient air removal.

Research and Development

● Patents held at end of fiscal year (1994=100)



Consolidated research and development expenses during this year amounted to 12,145 million yen, or 6% of consolidated sales. Through facilities such as the Basic Technology Research Center, and the Software Development Center, leading edge technology is being developed throughout the entire company.

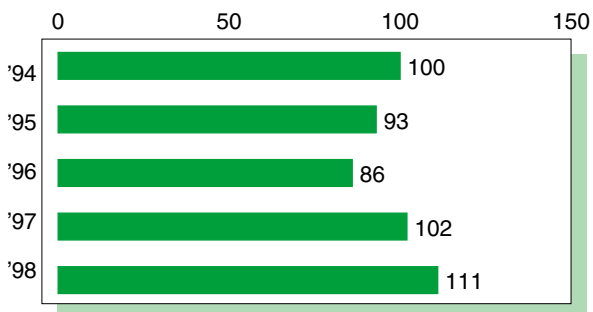
Our development of a compact chip type analyzer is a good example of this year's results. Our use of micro-machining technology has enabled us to consolidate the central functions of the analyzer on a quartz chip measuring 3.5 x 1.2 centimeters. In addition to the compactness of the device, it offers reduced analytical times and the ability to

analyze minute test samples.

The device is useful in such diverse fields as medical diagnosis (gene diagnostics, blood testing, etc.) and in environmental monitoring equipment (acid rain, factory wastes). We believe that in the future, this will be a market on the order of several tens of trillions of yen. Shimadzu is ahead of other companies in this development and we plan to develop multiple and diverse product applications. Initial sales of such products are anticipated in 1998.

Overseas Activities

● Sales during the last 5 years (1994=100)



North and South America

Sales to foreign customers in North and South America amounted to 17,017 million yen, or 8% of consolidated sales.

North America is the world's largest market for liquid chromatographs (a device used to separate components from chemical compounds). These are widely used for research and development and for quality control in the pharmaceutical, foodstuff, and petrochemical industries. We anticipate future growth in this area.

In May of this year, operations commenced at the Shimadzu subsidiary, "Shimadzu U.S.A. Manufacturing, Inc." being constructing in the state of Oregon. We will develop sales to this region based upon establishing this production facility for liquid chromatographs for the North American market.

Europe

Sales to foreign customers in Europe have produced 10,483 million yen, or 5% of consolidated sales.

Business is being developed principally with Shimadzu Deutschland GmbH (Germany) and Kratos Group Plc. (England). With regard to the latter company in particular, Shimadzu is marketing and servicing that company's unique surface analyzer.

Shimadzu has also located its "Shimadzu Research Laboratory (Europe), Ltd." in England, which historically has been, and remains a leader in the natural sciences. We aim at epoch-making results through our joint research with local universities.

Asia, Oceania and Africa

Sales to foreign customers in the Asia, Oceania and Africa, including China, amounted to 23,615 million yen, or 12% of consolidated sales.

Growing future demand is predicted for China for mid- to high grade analytical equipment. We plan to establish Shimadzu (Suzhou) Instruments Manufacturing, Co., Ltd. to provide inexpensive mid-to high grade analytical equipment to the Chinese market. Operations are slated to begin in May of 1999. This will provide us with three production strongholds, including our joint venture companies for manufacturing medical equipment, and hydraulic equipment.



Shimadzu U.S.A. Manufacturing, Inc.



Kratos Group Plc.



Liquid chromatograph



Laser ionization mass spectrometer

Financial Section

Consolidated Balance Sheets

March 31, 1998 and 1997

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
CURRENT ASSETS:			
Cash and cash equivalents:			
Cash	¥ 11,256	¥ 7,297	\$ 85,273
Time deposits	27,055	40,687	204,962
Total	38,311	47,984	290,235
Marketable securities (Note 4)	762	967	5,773
Trade receivables:			
Notes and accounts	82,425	80,909	624,432
Unconsolidated subsidiaries and associated companies	197	144	1,492
Allowance for doubtful receivables	(1,820)	(1,826)	(13,788)
Total	80,802	79,227	612,136
Inventories (Note 5)	61,733	54,055	467,674
Prepaid expenses and other current assets	4,259	3,544	32,265
Total current assets	185,867	185,777	1,408,083
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	18,086	17,683	137,015
Buildings	46,325	43,106	350,947
Machinery and equipment	15,259	14,279	115,598
Tools, furniture and fixtures	26,104	25,908	197,758
Construction in progress	1,555	774	11,780
Total	107,329	101,750	813,098
Accumulated depreciation	(54,753)	(52,746)	(414,795)
Net property, plant and equipment	52,576	49,004	398,303
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	8,880	8,293	67,273
Investments in and advances to unconsolidated subsidiaries and associated companies	485	1,934	3,674
Long-term receivables	1,096	1,485	8,303
Other assets	5,206	4,490	39,439
Total investments and other assets	15,667	16,202	118,689
TRANSLATION ADJUSTMENTS	2,000	2,093	15,152
TOTAL	¥256,110	¥253,076	\$1,940,227

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
CURRENT LIABILITIES:			
Bank loans (Note 6)	¥ 17,063	¥ 17,413	\$ 129,265
Current portion of long-term debt (Note 6)	22,011	4,394	166,750
Trade payables:			
Notes and accounts	51,145	48,188	387,462
Unconsolidated subsidiaries and associated companies	140	104	1,061
Total	51,285	48,292	388,523
Advances from customers	3,239	1,894	24,538
Accrued income taxes	2,584	2,509	19,576
Accrued expenses and other current liabilities	10,682	9,765	80,924
Total current liabilities	106,864	84,267	809,576
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	44,522	65,657	337,288
Liability for retirement benefits (Note 7)	6,940	6,810	52,576
Other long-term liabilities	199	303	1,508
Total long-term liabilities	51,611	72,770	391,372
MINORITY INTEREST	327	359	2,477
CONTINGENT LIABILITIES (Notes 13 and 14)			
SHAREHOLDERS' EQUITY (Notes 8 and 15):			
Common stock, ¥50 par value - authorized, 800,000,000 shares; issued and outstanding, 267,090,952 shares	16,825	16,825	127,462
Additional paid-in capital	25,393	25,393	192,371
Legal reserve	3,813	3,661	28,886
Retained earnings	51,228	49,802	388,091
Total	97,259	95,681	736,810
Treasury stock, at cost	(1)	(1)	(8)
Total shareholders' equity	97,258	95,680	736,802
TOTAL	¥256,110	¥253,076	\$1,940,227

Consolidated Statements of Income

Years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
NET SALES (Notes 9 and 10)	¥203,190	¥201,144	\$1,539,318
OPERATING COSTS AND EXPENSES:			
Cost of goods sold (Notes 9 and 13)	135,999	135,617	1,030,295
Selling, general and administrative expenses (Notes 11 and 13)	58,923	56,851	446,387
Total	194,922	192,468	1,476,682
Operating income (Note 10)	8,268	8,676	62,636
OTHER INCOME (EXPENSES):			
Interest and dividend income	889	817	6,735
Gain on sales of marketable and investment securities	821	601	6,220
Gain on sales of investments in subsidiaries and associated companies ..	1,162		8,803
Foreign exchange gain	59	429	447
Interest expense	(2,247)	(2,101)	(17,023)
Loss on disposition of property, plant and equipment	(519)	(62)	(3,932)
Other - net	(573)	(932)	(4,341)
Other expenses - net	(408)	(1,248)	(3,091)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	7,860	7,428	59,545
INCOME TAXES (Note 12)	4,787	4,207	36,265
MINORITY INTEREST IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(24)	(34)	(182)
NET INCOME	¥ 3,049	¥ 3,187	\$ 23,098
	Yen	U.S. Dollars	
AMOUNTS PER SHARE (Note 2.m):			
Net income	¥11.41	¥11.93	\$0.09
Diluted net income	10.59	11.50	0.08
Cash dividends	5.00	5.00	0.04

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 1998 and 1997

	Number of shares	Millions of Yen				Treasury stock, at cost
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings	
BALANCE AT APRIL 1, 1996	267,090,952	¥16,825	¥25,393	¥3,513	¥48,180	¥(1)
Net income					3,187	
Appropriations:						
Cash dividends paid, ¥5 per share					(1,335)	
Transfer to legal reserve				148	(148)	
Directors' and corporate auditors' bonuses ...					(96)	
Newly consolidated subsidiaries					14	
BALANCE AT MARCH 31, 1997	267,090,952	16,825	25,393	3,661	49,802	(1)
Net income					3,049	
Appropriations:						
Cash dividends paid, ¥5 per share					(1,335)	
Transfer to legal reserve				152	(152)	
Directors' and corporate auditors' bonuses ...					(121)	
Newly consolidated subsidiaries					(15)	
BALANCE AT MARCH 31, 1998	267,090,952	¥16,825	¥25,393	¥3,813	¥51,228	¥(1)

	Thousands of U.S. Dollars (Note 3)				Treasury stock, at cost
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	
BALANCE AT MARCH 31, 1997	\$127,462	\$192,371	\$27,735	\$377,288	\$(8)
Net income				23,098	
Appropriations:					
Cash dividends paid, \$0.04 per share				(10,114)	
Transfer to legal reserve			1,151	(1,151)	
Directors' and corporate auditors' bonuses ...				(916)	
Newly consolidated subsidiaries				(114)	
BALANCE AT MARCH 31, 1998	\$127,462	\$192,371	\$28,886	\$388,091	\$(8)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
OPERATING ACTIVITIES:			
Net income	¥ 3,049	¥ 3,187	\$ 23,098
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	4,620	4,592	35,000
Provision for retirement benefits	130	(140)	985
Minority interest in net income	24	34	182
Loss on disposition of property, plant and equipment	519	62	3,932
Gain on sales of marketable and investment securities	(821)	(601)	(6,220)
Gain on sales of investments in unconsolidated subsidiaries and associated companies	(1,162)		(8,803)
Changes in assets and liabilities:			
Increase in trade receivables	(1,636)	(3,205)	(12,394)
Increase in inventories	(7,666)	(4,655)	(58,076)
Increase in prepaid expenses and other current assets	(719)	(638)	(5,447)
Increase (decrease) in trade payables	1,958	(3,339)	14,833
Increase (decrease) in advances from customers	1,346	(491)	10,197
Increase in accrued income taxes	75	196	568
Increase (decrease) in accrued expenses and other current liabilities	(557)	731	(4,219)
Other - net	(101)	345	(765)
Total adjustments	(3,990)	(7,109)	(30,227)
Net cash used in operating activities	(941)	(3,922)	(7,129)
INVESTING ACTIVITIES:			
Proceeds from sales of marketable and investment securities	1,137	1,135	8,614
Proceeds from sales of investments in unconsolidated subsidiaries and associated companies	2,486		18,833
Capital expenditures	(5,698)	(5,107)	(43,167)
Purchase of marketable and investment securities	(701)	(1,229)	(5,311)
Increase in investments in newly consolidated subsidiaries		(77)	
Additions to investments in and advances to unconsolidated subsidiaries and associated companies	(360)	(446)	(2,727)
Other - net	(671)	(223)	(5,083)
Net cash used in investing activities	(3,807)	(5,947)	(28,841)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term bank loans	(350)	1,846	(2,651)
Proceeds from borrowing of long-term debt	892	1,072	6,758
Repayments of long-term debt	(1,592)	(770)	(12,061)
Proceeds from issuance of convertible debentures		20,000	
Redemption of unsecured bonds	(3,000)		(22,727)
Cash dividends paid	(1,335)	(1,353)	(10,114)
Net cash provided by (used in) financing activities	(5,385)	20,795	(40,795)
NET INCREASE IN TRANSLATION ADJUSTMENTS	71	476	538
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,062)	11,402	(76,227)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	389	56	2,947
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	47,984	36,526	363,515
CASH AND CASH EQUIVALENTS, END OF YEAR	¥38,311	¥47,984	\$290,235
ADDITIONAL CASH FLOW INFORMATION:			
Interest paid	¥2,209	¥2,250	\$16,735
Income taxes paid	4,723	4,275	35,780
NONCASH INVESTING ACTIVITIES:			
Capital expenditures by incurring liabilities	¥3,544	¥1,018	\$26,849

Notes to Consolidated Financial Statements

Years ended March 31, 1998 and 1997

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Shimadzu Corporation (the "Company") and its significant subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated statements of cash flows have also been presented herein, although such statements are not required in Japan.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers of these statements outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications have been made in 1997 consolidated financial statements to conform to the classifications used in 1998.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Company and its 27 domestic subsidiaries and 22 overseas subsidiaries (the "Companies") which are listed in the "Business Outline" of the report. All significant intercompany transactions and accounts have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. Investments in five unconsolidated subsidiaries and four associated companies (20% to 50% ownership) are accounted for on the cost basis, not on the equity basis, as the effect on net income and retained earnings are immaterial as a whole.

Effective April 1, 1997, six overseas and three domestic subsidiaries have become newly consolidated subsidiaries. The cumulative effect of such consolidation on prior years' consolidated financial statements have been charged to retained earnings for the year ended March 31, 1998.

b. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all time deposits to be cash equivalents. Time deposits have original maturities of one year or less and can be withdrawn on demand with no diminution of principal.

c. Marketable and Investment Securities

Marketable and investment securities are stated principally at weighted average cost.

d. Inventories

Finished products of the Company are stated at weighted average cost. Those held by domestic subsidiaries are stated principally at specifically identified cost or at the most recent purchase price which approximates cost using the first-in, first-out method, except those held by overseas subsidiaries which are stated principally at the lower of cost or market using the first-in, first-out method. Work in process is stated at the specifically identified cost. Other inventories are stated principally at weighted average cost.

e. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is principally computed using the declining-balance method, except that overseas subsidiaries compute depreciation using the straight-line method over the estimated useful lives of the assets.

f. Retirement Benefits and Pension Plans

Employees whose service with the Company is terminated are, under most circumstances, entitled to lump-sum indemnities determined by reference to the basic rate of pay at the time of termination, length of service and

conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age, or certain other conditions, the employee is entitled to greater payments than in the case of voluntary termination. The Company and its domestic subsidiaries state the liability for employees' retirement benefits at 40% of the amount which would be required if all employees terminated their employment under voluntary conditions at the end of each financial period. The accrued provisions of the Company and its domestic subsidiaries are not funded.

In addition, the Company, 14 domestic subsidiaries and three overseas subsidiaries have non-contributory funded pension plans covering most employees. The Company and domestic subsidiaries' policies for their non-contributory pension plans are to fund and charge to income normal costs currently and prior service costs principally over 13 years.

Directors and corporate auditors are not covered by these plans. However, the Company and one domestic subsidiary provide the liability at the amount which would be required, if all directors and corporate auditors terminated their offices at the end of each financial period. The accrued provisions are not funded and any amounts payable to directors and corporate auditors upon retirement are subject to the approval of the shareholders.

g. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements. These standards are being applied on a step-by-step basis beginning with fiscal years starting on April 1, 1996, with full implementation expected for fiscal years starting on April 1, 1998.

h. Research and Development Costs

Research and development costs are charged to income when incurred.

i. Bond Issuance Costs

Bond issuance costs are charged to income when incurred.

j. Income Taxes

The Company and domestic subsidiaries provide for income taxes at the amount currently payable for each year. The tax effect of temporary differences between tax and financial reporting purposes is not recorded. Certain overseas subsidiaries provide for deferred income taxes relating to temporary differences in accordance with accounting principles generally accepted in the relevant countries.

k. Foreign Currency Transactions

Cash and short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates of exchange as of each balance sheet date. Long-term receivables and payables denominated in foreign currencies are generally translated into Japanese yen at historical exchange rates. Transactions in foreign currencies are translated into Japanese yen at the then current exchange rate. In the case where there is significant fluctuation of currencies with possible exchange losses, long-term receivables or payables denominated in foreign currencies are translated at the current exchange rates as of each balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

l. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated overseas subsidiaries are translated into yen at the current exchange rates as of the balance sheet date except for shareholders' equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Translation adjustments" in the accompanying consolidated balance sheets. Revenue and expense accounts of the consolidated overseas subsidiaries are translated into yen at the average rate.

m. Amounts per Share

The computation of net income per share amounts is based on the weighted average number of shares of common stock outstanding during each period. The number of shares used for computing net income per share for the years ended March 31, 1998 and 1997 was 267,088 thousand.

The diluted net income per share of common stock assumes full conversion of outstanding convertible debentures at the beginning of the year or at the time of issuance with an applicable adjustment for related interest expense, net of tax.

Cash dividends per share are the amounts applicable to the respective periods, including dividends to be paid after the end of the period.

3. 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 ¥132 to \$1, the approximate rate of exchange at March 31, 1998. 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.

4. MARKETABLE AND INVESTMENT SECURITIES

The aggregate carrying value and market value of marketable equity securities included in marketable securities and investment securities at March 31, 1998 and 1997 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	1998		1997		1998	
	Carrying value	Market value	Carrying value	Market value	Carrying value	Market value
Marketable securities	¥ 762	¥ 3,540	¥ 967	¥ 5,730	\$ 5,773	\$ 26,818
Investment securities	7,531	26,510	7,366	30,351	57,053	200,833

The difference between the above carrying amounts and the amounts shown in the accompanying consolidated balance sheets principally consists of non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

5. INVENTORIES

Inventories at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Finished products	¥20,274	¥17,620	\$153,591
Semi-finished products	7,202	5,572	54,560
Work in process	25,830	23,135	195,682
Raw materials and supplies	8,427	7,728	63,841
Total	¥61,733	¥54,055	\$467,674

6. BANK LOANS AND LONG-TERM DEBT

Bank loans primarily consisted of bank overdrafts and financing agreements with banks which are renewable on an annual basis and bear interest at annual rates of primarily 8.5% and 6.67% at March 31, 1998 and 1997, respectively.

Long-term debt at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of
	1998	1997	U.S. Dollars
			1998
6.4% unsecured bonds, due December 1997		¥ 3,000	
5.3% unsecured bonds, due December 1999	¥ 3,000	3,000	\$ 22,727
2.3% unsecured bonds, due July 2001	20,000	20,000	151,515
1.7% unsecured convertible debentures, due September 1998	19,908	19,908	150,818
0.95% unsecured convertible debentures, due September 2005	20,000	20,000	151,515
Unsecured loans, principally from insurance companies, due serially to August 2019 with interest rates ranging from 0.91% to 8.7% (1998) and from 1.15% to 8.7% (1997)	3,575	4,105	27,084
Other	50	38	379
Total	66,533	70,051	504,038
Less portion due within one year	22,011	4,394	166,750
Long-term debt, less current portion	¥44,522	¥65,657	\$337,288

The 1.7% and the 0.95% unsecured convertible debentures outstanding at March 31, 1998 were convertible into 12,362,146 and 29,542,097 shares of common stock of the Company, at the conversion prices of ¥1,610.4 and ¥677 per share, subject to adjustments under certain circumstances, respectively.

The aggregate annual maturities of long-term debt outstanding at March 31, 1998 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
1999	¥22,011	\$166,750
2000	3,527	26,720
2001	262	1,985
2002	20,161	152,735
2003	152	1,152
2004 and thereafter	20,420	154,696
Total	¥66,533	\$504,038

At March 31, 1998, the net book value of property, plant and equipment pledged as collateral for bank loans and long-term debt totaled ¥1,303 million (\$9,871 thousand).

7. RETIREMENT BENEFITS AND PENSION PLANS

Total charges to income under the plans for the years ended March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Provisions and payments for retirement benefits and pension plans	¥3,829	¥3,133	\$29,008

The unfunded prior service costs were ¥5,354 million (\$40,561 thousand) at July 31, 1997, the date as of which figures were most recently available.

The liability for retirement benefits included ¥736 million (\$5,576 thousand) and ¥668 million of liability for directors' and corporate auditors' retirement benefits at March 31, 1998 and 1997, respectively.

8. SHAREHOLDERS' EQUITY

Under the Japanese Commercial Code (the "Code"), the Company must appropriate as a legal reserve a portion of retained earnings in an amount equal to at least 10% of any amount paid by the Company as an appropriation of retained earnings, including dividends and bonuses to directors and corporate auditors for each financial period until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

The amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 1998, retained earnings recorded on the Company's books were ¥53,405 million (\$404,583 thousand) which is available for future dividends subject to approval of the shareholders and legal reserve requirements. The special reserves included in above retained earnings of ¥935 million (\$7,083 thousand) are added back to future taxable income under the Japanese tax laws.

Year-end dividends are approved by the shareholders at a meeting to be held subsequent to the fiscal year to which the dividends are applicable. In addition, a semiannual interim dividend may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

Under the Code, an amount comprising at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital must be credited to additional paid-in capital.

Under the Code, by resolution of the Board of Directors, the Company may issue new shares of common stock to existing shareholders without consideration as a stock split, to the extent that the amount calculated by multiplying the number of outstanding shares after the stock split by the par value does not exceed the stated capital, and that the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥50 (par value).

9. RELATED PARTY TRANSACTIONS

Net sales and cost of goods sold representing transactions of the Companies with unconsolidated subsidiaries and associated companies for the years ended March, 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Net sales	¥375	¥138	\$2,841
Cost of goods sold	919	552	6,962

10. SEGMENT INFORMATION

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Companies for the years ended March 31, 1998 and 1997 was as follows:

(1) Operations in Different Industries

a. Sales and Operating Income

	Millions of Yen				
	1998				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations and corporate	Consolidated
Sales to customers	¥97,323	¥51,433	¥54,434		¥203,190
Intersegment sales	8		155	¥ (163)	
Total sales	97,331	51,433	54,589	(163)	203,190
Operating expenses	86,265	50,751	48,471	9,435	194,922
Operating income	¥11,066	¥ 682	¥ 6,118	¥(9,598)	¥ 8,268

	Thousands of U.S. Dollars				
	1998				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations and corporate	Consolidated
Sales to customers	\$737,295	\$389,644	\$412,379		\$1,539,318
Intersegment sales	61		1,174	\$ (1,235)	
Total sales	737,356	389,644	413,553	(1,235)	1,539,318
Operating expenses	653,523	384,477	367,205	71,477	1,476,682
Operating income	\$ 83,833	\$ 5,167	\$ 46,348	\$(72,712)	\$ 62,636

	Millions of Yen				
	1997				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations and corporate	Consolidated
Sales to customers	¥94,165	¥54,761	¥52,218		¥201,144
Intersegment sales	15	2	152	¥ (169)	
Total sales	94,180	54,763	52,370	(169)	201,144
Operating expenses	86,033	53,796	45,502	7,137	192,468
Operating income	¥ 8,147	¥ 967	¥ 6,868	¥(7,306)	¥ 8,676

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	1998				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations and corporate	Consolidated
Assets	¥110,418	¥51,280	¥52,915	¥41,497	¥256,110
Depreciation	1,987	908	956	353	4,204
Capital expenditures	4,176	2,176	1,835	86	8,273

	Thousands of U.S. Dollars				
	1998				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations and corporate	Consolidated
Assets	\$836,500	\$388,485	\$400,871	\$314,371	\$1,940,227
Depreciation	15,053	6,879	7,242	2,674	31,848
Capital expenditures	31,636	16,485	13,902	651	62,674

	Millions of Yen				
	1997				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations and Corporate	Consolidated
Assets	¥102,337	¥47,299	¥48,483	¥54,957	¥253,076
Depreciation	1,935	956	859	424	4,174
Capital expenditures	2,920	1,243	600	247	5,010

Note :

Unallocated operating expenses consisted principally of general corporate expense incurred by the administration of the Company, fundamental research and development expense and advertisement expense for improvement of the Company's image.

(2) Foreign Operations

The foreign operations of the Companies for the years ended March 31, 1998 and 1997 were summarized as follows:

	Millions of Yen					
	1998					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations and/or Corporate	Consolidated
Sales:						
To customers	¥176,178	¥10,813	¥ 9,904	¥ 6,295		¥203,190
Interarea	16,039	7,098	1,014	3,776	¥(27,927)	
Total sales.....	192,217	17,911	10,918	10,071	(27,927)	203,190
Operating expenses	175,188	17,468	10,727	10,021	(18,482)	194,922
Operating income	¥ 17,029	¥ 443	¥ 191	¥ 50	¥ (9,445)	¥ 8,268
Assets:	¥194,099	¥14,109	¥12,034	¥ 7,134	¥ 28,734	¥256,110

Thousands of U.S. Dollars

1998

	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations and/or Corporate	Consolidated
Sales:						
To customers	\$1,334,682	\$ 81,917	\$75,030	\$47,689		\$1,539,318
Interarea	121,507	53,772	7,682	28,607	\$(211,568)	
Total sales.....	<u>1,456,189</u>	<u>135,689</u>	<u>82,712</u>	<u>76,296</u>	<u>(211,568)</u>	<u>1,539,318</u>
Operating expenses	<u>1,327,181</u>	<u>132,333</u>	<u>81,265</u>	<u>75,918</u>	<u>(140,015)</u>	<u>1,476,682</u>
Operating income	<u>\$ 129,008</u>	<u>\$ 3,356</u>	<u>\$ 1,447</u>	<u>\$ 378</u>	<u>\$ (71,553)</u>	<u>\$ 62,636</u>
Assets:	<u>\$1,470,447</u>	<u>\$106,886</u>	<u>\$91,167</u>	<u>\$54,045</u>	<u>\$ 217,682</u>	<u>\$1,940,227</u>

Millions of Yen

1997

	Japan	Outside Japan	Eliminations and/or Corporate	Consolidated
Sales:				
To customers	¥177,036	¥24,108		¥201,144
Interarea	11,455	8,550	¥(20,005)	
Total sales.....	<u>188,491</u>	<u>32,658</u>	<u>(20,005)</u>	<u>201,144</u>
Operating expenses	<u>172,782</u>	<u>32,185</u>	<u>(12,499)</u>	<u>192,468</u>
Operating income	<u>¥ 15,709</u>	<u>¥ 473</u>	<u>¥ (7,506)</u>	<u>¥ 8,676</u>
Assets:	<u>¥175,610</u>	<u>¥29,649</u>	<u>¥ 47,817</u>	<u>¥253,076</u>

(3) Sales to Foreign Customers

Sales to foreign customers for the Companies for the years ended March 31, 1998 were summarized as follows:

	Millions of Yen			
	1998			
	North and South America	Europe	Asia Oceania and Africa	Total
Sales to foreign customers.....	¥17,018	¥10,484	¥23,615	¥51,117

	Thousands of U.S. Dollars			
	1998			
	North and South America	Europe	Asia Oceania and Africa	Total
Sales to foreign customers.....	\$128,924	\$79,424	\$178,902	\$387,250

Sales to foreign customers for the year ended March 31, 1997 amounted to ¥47,268 million.

The above geographic information as disclosed for the year ended March 31, 1998 was not required by the Japanese Securities and Exchange Law prior to the year ended March 31, 1997.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs totaled ¥6,949 million (\$52,644 thousand) and ¥5,758 million for the years ended March 31, 1998 and 1997, respectively.

12. INCOME TAXES

The Company is subject to a number of different income taxes, comprising corporation, inhabitants and enterprise taxes which, in the aggregate, result in a statutory tax rate of approximately 51% in 1998 and 1997. The Company's actual effective tax rates differed from the normal statutory tax rate principally due to expenses which were either disallowed or not deductible until paid for tax purposes.

One overseas subsidiary had net operating loss carryforwards which can be utilized for future tax deduction.

13. LEASES

The Companies lease certain offices space, computer equipment and other assets.

Total rental expenses for the year ended March 31, 1998 and 1997 were ¥4,776 million (\$36,182 thousand) and ¥4,148 million, respectively, including ¥394 million (\$2,985 thousand) and ¥248 million of lease payments under finance leases.

Obligations under finance leases at March 31, 1998 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 419	\$ 3,174
Due after one year	<u>1,026</u>	<u>7,773</u>
Total	<u>¥1,445</u>	<u>\$10,947</u>

The amount of obligations under finance leases includes the imputed interest expense portion.

The minimum rental commitments under noncancellable operating leases at March 31, 1998 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥260	\$1,970
Due after one year	<u>546</u>	<u>4,136</u>
Total	<u>¥806</u>	<u>\$6,106</u>

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 1998 for trade notes discounted with banks and for loans guaranteed amounted to ¥2,785 million (\$21,098 thousand) and ¥1,609 million (\$12,189 thousand) respectively.

15. SUBSEQUENT EVENT

- a.** On May 27, 1998, the Board of Directors resolved that the Company was authorized to repurchase, at management's discretion, up to 26 million shares of the Company's stock for the purpose of canceling the shares by charging corresponding amounts against retained earnings. This resolution was approved at the general meeting of shareholders held on June 26, 1998.
- b.** The following plan of appropriations of retained earnings of the Company for the year ended March 31, 1998 was approved at the general meeting of shareholders held on June 26, 1998:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 (\$0.02) per share	¥668	\$5,061
Transfer to legal reserve	76	576
Directors' and corporate auditors' bonuses	92	697

Independent Auditors' Report

**Deloitte Touche
Tohmatsu**



To the Board of Directors of
Shimadzu Corporation:

We have examined the consolidated balance sheets of Shimadzu Corporation and consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Shimadzu Corporation and consolidated subsidiaries as of March 31, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

Kyoto, Japan
June 26, 1998

**Deloitte Touche
Tohmatsu
International**

Business Outline

Name:

SHIMADZU CORPORATION

Establishment:

1875

Formation of Limited Company:

September, 1917

Capital:

¥16.8 billion

Number of Employees:

7,000

Head Office:

1, Nishinokyo-Kuwabaracho, Nakagyo-ku,
Kyoto 604-8511, Japan
Phone: (075)823-1111

Branch Offices:

(Domestic) Tokyo, Osaka, Kyoto, Fukuoka,
Nagoya, Yokohama, Omiya, Kobe, Tsukuba,
Hiroshima, Sendai, Sapporo, Takamatsu, Okayama
(Overseas) Istanbul, Beijing, Shanghai, Shenyang,
Chengdu, Moscow

Works:

Sanjo, Gojo, Murasakino, Atsugi, Hadano

Consolidated Subsidiaries:

(Domestic)
SHIMADZU RIKA INSTRUMENTS CO., LTD.
SHIMADZU MECTEM, INC.
SHIMADZU TECHNO-RESEARCH, INC.
THE OTHER 24 SUBSIDIARIES
(Overseas)
SHIMADZU SCIENTIFIC INSTRUMENTS, INC. (U.S.A.)
SHIMADZU PRECISION INSTRUMENTS, INC. (U.S.A.)
SHIMADZU DEUTSCHLAND GmbH (Germany)
KRATOS GROUP PLC. (U.K.)
SHIMADZU (ASIA PACIFIC) PTE LTD. (Singapore)
SHIMADZU AUSTRALIA MANUFACTURING PTY. LTD.
(Australia)
THE OTHER 16 SUBSIDIARIES

Directors and Corporate Auditors

Chairman of the Board

Kikuo FUJIWARA

President and Chief Executive Officer

Hidetoshi YAJIMA

Senior Managing Director

Yasuo TAHARA

Managing Director

Masahisa HIRATO
Takeshi KOJIMA
Toshiya KUBODERA
Tasuku HARA
Ryuji UEDA
Shigehiko HATTORI
Yoshio OSAWA
Tadayoshi FUKUSHIMA

Director

Shuichi SATO
Shingo MATSUMOTO
Yasutsugu KAWABE
Toshitake KAWAKAMI
Mikio JOH
Hiroshi YAMAMOTO, Dr.
Yukio NISHIKAWA
Atsubumi HIRUSAKI

Senior Corporate Auditor

Shin IZUTSU

Corporate Auditor

Hideo YAMANE
Susumu WATANABE
Masahito WATANABE

