P012-E400

SHIMADZU
Solutions for Science
since 1875

ANNUAL REPORT

Year Ended 31st March, 2000

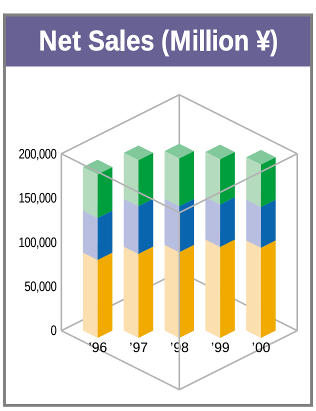
CONTENTS

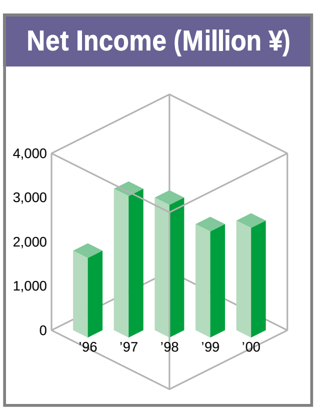
Financial Summary

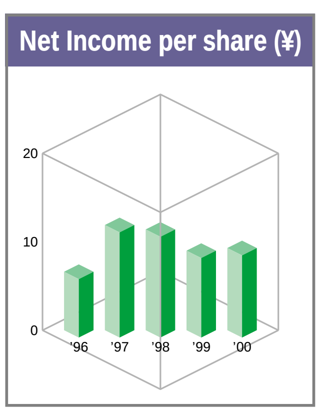
Yeras ended March 31

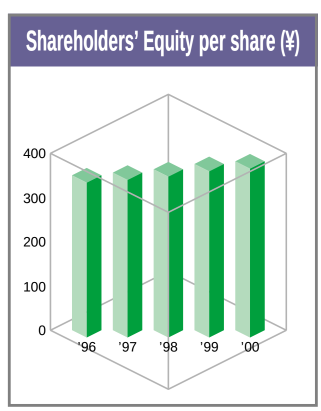
	Millions of Yen					Thousands of U.S. Dollars
For the year:	1996	1997	1998	1999	2000	2000
Net sales	¥184,863	¥201,144	¥203,190	¥202,615	**¥196,290**	**$1,851,792**
Operating costs and expenses	178,096	192,468	194,922	195,226	**190,446**	**1,796,660**
Other income(expense)-net	(1,244)	(1,248)	(408)	(1,924)	**(163)**	**(1,538)**
Income before income taxes	5,523	7,428	7,860	5,465	**5,681**	**53,594**
Income taxes	3,606	4,207	4,787	3,012	**3,199**	**30,179**
Net income	1,801	3,187	3,049	2,422	**2,474**	**23,340**
At the year-end:						
Total assets	231,934	253,076	256,110	267,419	**269,371**	**2,541,236**
Property, plant and equipment-net	48,647	49,004	52,576	52,836	**53,454**	**504,283**
Shareholders' equity	93,910	95,680	97,258	100,864	**101,886**	**961,189**
Amounts per share:	Yen					U.S. Dollars
Net income	¥ 6.74	¥ 11.93	¥ 11.41	¥ 9.07	**¥ 9.26**	**$0.09**
Cash dividends	5.00	5.00	5.00	5.00	**5.00**	**0.05**
Shareholders' equity	351.61	358.23	364.14	377.64	**381.47**	**3.60**

- The U.S. dollar amounts in this report represent translations of Japanese yen for convenience only at the rate of ¥106=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 six overseas subsidiaries, effective in 1998.
  (2) Consolidation of three domestic subsidiaries and four overseas subsidiaries, effective in 1999.
  (3) Consolidation of two domestic subsidiaries and six overseas subsidiaries, effective in 2000.
- See "Notes to consolidated financial statemants".









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

To Our Shareholders And Customers

Review of the Fiscal 1999 Results

Consolidated sales registered ¥196,290 million (down 3.1% over the previous fiscal year) with income before income taxes of ¥5,681 million (up 3.9%) and net income of ¥2,474 million (up 2.1%).

During the first half of the fiscal year, Japan's economic policies fostered a vigorous public works investment which stimulated the economy, but private sector investment in plant and equipment remained at low levels. In the latter half, while private sector investment in plant and equipment showed some signs of recovery, individual consumption remained stagnant with only a slight trend toward recovery of consumer demand with the high value of the yen, Japan's economy remained glum.

Abroad, the U.S. economy continued to tighten over worries of inflation, but it remained healthy. In Europe, the low value of the Euro currency led to moderate economic expansion in the principal countries such as Germany and France. In Asia, the growth of exports created an overall trend toward economic recovery, but economic expansion in China was weak.

Outlook for the Next Fiscal Year

The projection for the next fiscal year is ¥210,000 million in consolidated sales with loss before income taxes of ¥14,100 million, and net loss of ¥8,300 million.

It is not clear what the prospects are for individual consumption and employment in the next fiscal year, but there are signs of recovery in private sector facilities investment due to increased demand for IT-related products and increased demand from the economic recovery in Asia that will take Japan's economy off the floor toward a gradual recovery. On the other hand, there is some uncertainty with regard to what the U.S. economic adjustments hold for the future, as well as concerns with the inflation in Europe due to the low value of the Euro. Thus, as before, firm predictions cannot be made.

With regard to projected retirement benefit obligation under accounting for retirement benefit plans that was implemented in April, 2000, we plan to contribute some of investment securities to retirement benefit trust, and replenish the remaining accumulation shortfall.

We at Shimadzu greatly appreciate and hope for your continued support.
June, 2000

Kikuo Fujiwara
Chairman of the Board

Hidetoshi Yajima
President and Chief Executive Officer

Management Policies

BASIC POLICIES

Since its foundation, our corporate philosophy has been "Contributing to Society though Science and Technology". With this mission and in view of the current situation, our main management principle is to "Realizing Our Wish for the Well-being of Mankind and the Environment". Our common managing concept throughout the world has been and remains "Solutions for Science since 1875".

To attain the above mentioned social mission, we continues its all-out efforts to provide products and services that meet the needs of clients, which are driven by the latest technology across a broad range of fields: including analysis, measurement, and test instruments for industry and research; environmental measurement instruments; diagnostic medical equipment; semiconductor and media-related equipment; aircraft equipment; bio-related equipment; information systems, software services and the like. We have further emphasized resource management in meeting the needs for our activities in these various fields, and are continually striving to increase the value of our company by improving our management efficiency, profitability, and cash flow.

An important part of our management policy is the return of profits - based upon profit situation - to the shareholders. Profits that we keep are used for business development by investing in efficient facilities and in research and development for future growth, thus, continue our efforts to expand our business.

POLICIES RELATED TO IMPROVING CORPORATE GOVERNANCE

With a global economy, we are striving toward corporate governance that works on a global basis. As a part of this, a managing officer system was introduced in June, 1998. Clarifying the division of roles and responsibilities between the directors who set management policy and the managing officers who execute business activities has served to make the board of directors more active and to speed up management.

Further, Shimadzu, as a corporation within a society, continues to strive for harmony with the surrounding society. The company, its officers, and employees pledge to behave in a manner appropriate to being a member of society. "Corporate Ethics Regulations" was strengthened in June, 1999.

MID- TO LONG-TERM MANAGEMENT STRATEGIES

At a time when the foundation for operations has changed due to changing industrial structures and intensifying international competition, we are focusing on its core competencies by using "selectivity and concentration" as a guide line to increase its strength as a company. Management resources are concentrated upon promising markets, expanding current business and venturing into new areas.

For the 21st century, Shimadzu Group is looking toward actively developing business in high growth fields such as in the biotechnology area, which is expanding by leaps and bounds, the environment, semiconductors, and communications. Further, using the core technologies of Shimadzu involving light, X-rays, and imaging technology, we are actively developing systemized products with a high value added.

We are further promoting management efficiency by revolutionizing the development process, strengthening global manufacturing capabilities, and reforming our personnel system. We are reviewing the cost structure for the entire company to strengthen the corporation and improve sales through management policies that facilitate meeting customer requirements and improving our ability to move into high growth fields.

ACCELERATING IN THE BIOTECHNOLOGY BUSINESS

Biotechnology is expected to play a big role in addressing the most serious problems facing the world in fields such as medicine, food, and the environment. Many believe that this industry will dramatically increase in scale. Biotechnology has the potential to sway the civilization of the whole world, and will be a core element of the 21st century.

Since 1984, Shimadzu has brought a large number of bio-research instruments to the market. In November, 1999, together with "The Institute of Physical and Chemical Research", we succeeded in commercializing genetic analyzer (DNA sequencer) having the fastest analytical processing capability in the world. This success accelerated our entry into the biotechnology business.

In March, 2000, we teamed up with the Australian bio-venture company to jointly develop technology and equipment for a high speed protein analyzer based upon the genetic code. In April of that same year, we began our own participation in the genetic analysis business by establishing "Genomic Research Center" to perform genetic analysis on a consignment basis and to obtain patents on our technology.

Currently, the United States and Europe enjoy a big lead in the biotechnology sector, but using our proven business model, we plan to gain market share based upon the speed of our equipment, and rapidly expand the scope of our operations and profits in this sector.

Recent Topics in the Biotechnology Business

1999

November: Established Life Science Department
Sales begin on the RISA-384, the world's fastest DNA sequencer

2000

March: Started joint research and development on a protein analyzer with the Australian bio-venture company, "Proteom Systems Limited"

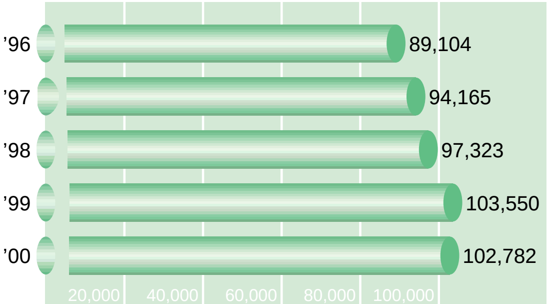
April: Established Genomic Research Center and entered the genetic analysis business

Shimadzu's new genetic analyzer, which is the fastest in the world, is used in "The Institute of Physical and Chemical Research" for large scale genetic analysis.

Mass spectrometer for protein analysis

Main Business

Scientific and Process Instruments Business



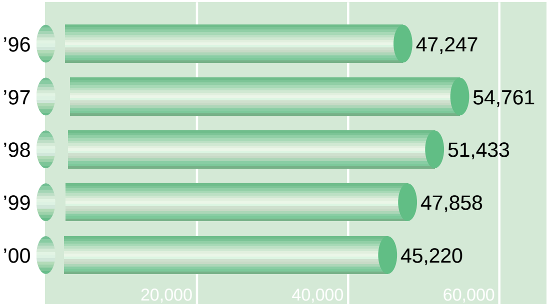
●Sales during the last 5years

Liquid chromatograph
(LC-2010)

The investment in plant and equipment increased in the field of electrical instrument due to increasing demand in IT-related industries, but declined in the fields of food processing, chemistry, and steel. To address this situation, we are concentrating development to target market needs as we work to develop new demand. Even though we are concentrating efforts into putting new products on the market in the fields of environmental equipment, non-destructive inspection equipment and in biotechnology, which are all projected to be high growth fields, the high value of the yen has been a problem, and sales in those areas of ¥102,782 million (down 0.7% over the fiscal previous year).

It is anticipated that there will be large scale research investment in primarily the pharmaceutical industry, and we are directing business expansion efforts toward this field. We are selling new LC and LCMS instrumentation which are heavily used in this area, and we expect sales to increase.

Medical Systems and Equipment Business



●Sales during the last 5years

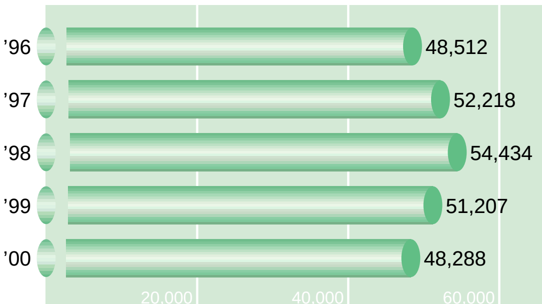
Sub second CT scanner
(SCT-7800T series)

The global trend of medical organization to hold down medical costs is restricting investment in equipment, and demand remains low. In addition, the intensifying competition has driven market prices further downward. Amid this severe situation, we are concentrating our efforts on digital equipment in expanding and developing business. Domestic demand, principally from the governmental sector, is down, and with the high appreciation of the yen, sales in this field were down to ¥45,220 million (down 5.5%).

Still, IT is expanding the medical systems market, and we are working on medical information systems that utilize information networks for physicians to make remote diagnoses and exchange patient information.

We are accelerating to release highly competitive systems, especially large diagnostic imaging equipment such as CT and MRI, by concentrating development investment in addition to the sales alliances.

Aircraft Equipment and Industrial Machinery Business



●Sales during the last 5years

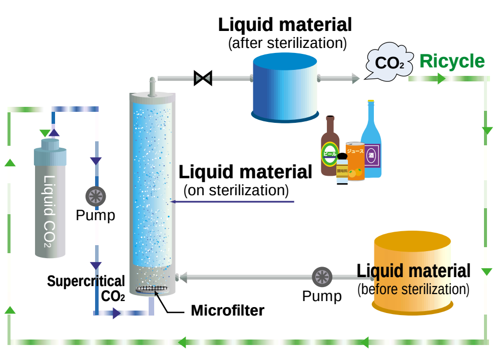

Turbo Molecular Pumps. (TMP Series)

With the continued restrictions on the domestic defense budget, large scale projects in the aircraft equipment business have dropped down a notch and the business environment has become harsher. Further, the rapid appreciation of the yen and The Boeing Company's adjustment of production schedules have resulted in lower sales. For Industrial Machinery, it has increased demand for Turbo-molecular pumps with recovery of the market for semiconductor manufacturing equipment, but the business with thin film deposition systems for HD (Hard Disk) and HD Head is very harsh with both lower demand and price reduction. It resulted in the sales amount of ¥48,288 million (down 5.7%).

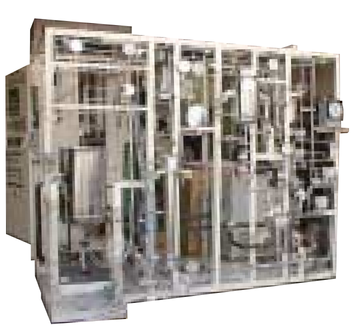
It is anticipated that there will be new aircraft equipment development projects incorporated into the next build-up plan by the Defense Agency, and we plan to utilize accumulated technology in the development of aircraft equipment to gain participation in these projects. We also plan to cut production costs to the bone as a means of expanding orders from The Boeing Company and the other manufacturers of passenger aircraft.

We are also advancing toward business expansion in the field of semiconductor industry and flat panel industry like LCD (Liquid Crystal Display) panel, PD (Plasma Display) panel and so on. We have a target to increase particularly the sales amount of Liquid crystal injection systems and Turbo-molecular pumps.

Research and Development



Continuous Sterilization System with Supercritical Carbon Dioxide Micro-bubble Method

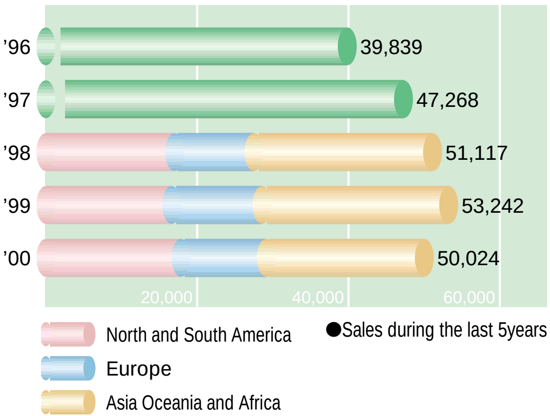


Research and development is concentrated on deepening our core competence technologies, and in fusing these with highly marketable, new product development. An example is the completely unique technology developed in October, 1999 for using supercritical state (the intermediate state between liquid and gas) for killing bacteria in liquors and drinking beverages using carbon dioxide. This technology differs from the heating technology used in the past in that it does not affect the taste of the product, and the process uses less energy.

This new food sterilization technology is now in the stage of prototype testing in the plants of major food manufacturers. The technology will be improved using these actual prototype tests, and we plan to offer commercial products in 2001.

Main Business

Overseas Activities



Shimadzu (Shuzhou) Manufacturing Co., Ltd. opend in 1999 to manufacture analytical instruments for the Chinese market

The rapid appreciation of the yen has reduced sales in Europe and the United States despite the increased demand. Sales are increasing in Korea and Taiwan with the improvement in their economic situation, but have decreased in China. Overall, sales to overseas customers has dropped for the year to ¥50,024 (down 6.0%).

We are hurrying to firm up our global organization in order to more closely match business activities to the local markets in the world, and to reduce the impact of fluctuating exchange rates.

In addition to the regional head offices we have established in North America, Europe, China and South America, we will complete our global production and marketing organization in the middle of this year when we establish a regional head office in Singapore to cover the Asia-Oceania market.

Thus, we have improved our position as a global player, and are putting serious efforts into expanding our overseas business activities.

Europe

We are developing the supporting facilities for quality control systems by major chemical and pharmaceutical manufacturers.

North America

We are advancing to support large scale research and development by pharmaceutical manufacturers.

We have newly established a presence in Kansas City, a stronghold for the major pharmaceutical industries, and have begun business and service activities.

Asia-Oceania

We are planning to expand business activities in the Chinese market, which is on the verge of being admitted to the WTO. We are also strengthening our business operations in the Korean market, which is experiencing a dramatic economic recovery. We established a joint venture company "Dong-IL Shimadzu Corporation" in Seoul, South Korea, and are expanding activities in the growth fields of information and communications, the environment, and biotechnology.

●overseas subsidiaries and offices

Financial Section

Consolidated Balance Sheets

March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2000**	1999	**2000**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 22,711**	¥ 27,401	**$ 214,255**
Time deposits (Note 6)	**1,053**	1,057	**9,934**
Marketable securities (Note 4)	**426**	778	**4,019**
Trade receivables:			
Notes and accounts	**87,675**	87,384	**827,122**
Unconsolidated subsidiaries and associated companies		15	
Allowance for doubtful receivables	**(1,162)**	(1,237)	**(10,962)**
Total	**86,513**	86,162	**816,160**
Inventories (Note 5)	**69,368**	65,917	**654,415**
Deferred tax assets (Note 12)	**3,178**	2,746	**29,981**
Prepaid expenses and other current assets	**2,547**	4,663	**24,028**
Total current assets	**185,796**	188,724	**1,752,792**
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	**18,791**	18,172	**177,274**
Buildings and structures	**49,759**	47,406	**469,425**
Machinery, equipment and vehicles	**16,857**	16,583	**159,028**
Tools, furniture and fixtures	**24,507**	25,003	**231,198**
Construction in progress	**56**	1,035	**528**
Total	**109,970**	108,199	**1,037,453**
Accumulated depreciation	**(56,516)**	(55,363)	**(533,170)**
Net property, plant and equipment	**53,454**	52,836	**504,283**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**12,148**	9,599	**114,604**
Investments in and advances to unconsolidated subsidiaries and associated companies	**133**	632	**1,255**
Long-term receivables	**1,105**	1,124	**10,424**
Consolidation goodwill	**3,892**	4,108	**36,717**
Foreign currency translation adjustments	**5,198**	3,429	**49,038**
Deferred tax assets (Note 12)	**1,294**	1,049	**12,208**
Other assets	**6,351**	5,918	**59,915**
Total investments and other assets	**30,121**	25,859	**284,161**
TOTAL	**¥269,371**	¥267,419	**$2,541,236**

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars (Note 3) 2000
CURRENT LIABILITIES:			
Bank loans (Note 6)	¥ 23,607	¥ 19,573	$ 222,708
Current portion of long-term debt (Note 6)	913	4,128	8,613
Trade payables - Notes and accounts	43,959	42,447	414,708
Advances from customers	2,022	2,708	19,075
Accrued income taxes	2,345	2,095	22,123
Accrued expenses and other current liabilities (Note 12)	13,538	15,327	127,717
Total current liabilities	86,384	86,278	814,944
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	73,412	73,111	692,566
Liability for retirement benefits (Note 7)	7,218	6,806	68,094
Other long-term liabilities (Note 12)	123	41	1,160
Total long-term liabilities	80,753	79,958	761,820
MINORITY INTERESTS	348	319	3,283
CONTINGENT LIABILITIES (Notes 13, 14 and 15)			
SHAREHOLDERS' EQUITY (Notes 8 and 16):			
Common stock, ¥50 par value - authorized, 800,000,000 shares; issued and outstanding, 267,090,952 shares	16,825	16,825	158,726
Additional paid-in capital	25,393	25,393	239,556
Retained earnings	59,670	58,647	562,925
Total	101,888	110,865	961,207
Treasury stock, at cost	(2)	(1)	(18)
Total shareholders' equity	101,886	100,864	961,189
TOTAL	¥269,371	¥267,419	$2,541,236

See notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	**2000**
NET SALES (Notes 9 and 10)	**¥196,290**	¥202,615	**$1,851,792**
OPERATING COSTS AND EXPENSES:			
Cost of goods sold (Notes 9 and 13)	**132,272**	136,834	**1,247,849**
Selling, general and administrative expenses (Notes 11 and 13)	**58,174**	58,392	**548,811**
Total	**190,446**	195,226	**1,796,660**
Operating income (Note 10)	**5,844**	7,389	**55,132**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**499**	623	**4,708**
Gain on sales of marketable and investment securities	**2,902**	497	**27,377**
Interest expense	**(2,193)**	(2,145)	**(20,689)**
Foreign exchange loss	**(1,139)**	(710)	**(10,745)**
Loss on disposals of property, plant and equipment	**(221)**	(246)	**(2,085)**
Loss on sales of marketable and investment securities	**(6)**	(148)	**(57)**
Other - net	**(5)**	205	**(47)**
Other expenses - net	**(163)**	(1,924)	**(1,538)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**5,681**	5,465	**53,594**
INCOME TAXES (Note 12):			
Current	**3,871**	3,529	**36,519**
Deferred	**(672)**	(517)	**(6,340)**
Total	**3,199**	3,012	**30,179**
MINORITY INTERESTS IN NET INCOME	**(8)**	(31)	**(75)**
NET INCOME	**¥ 2,474**	¥ 2,422	**$ 23,340**

	Yen		U.S. Dollars
AMOUNTS PER SHARE (Note 2.n):			
Net income	**¥9.26**	¥9.07	**$0.09**
Diluted net income	**8.68**	8.50	**0.08**
Cash dividends	**5.00**	5.00	**0.05**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2000 and 1999

	Outstanding Number of Shares of Common Stock	Millions of Yen			
		Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost
BALANCE AT APRIL 1, 1998	267,090,952	¥16,825	¥25,393	¥55,041	¥(1)
Net income				2,422	
Appropriations:					
Cash dividends paid, ¥5 per share				(1,335)	
Directors' and corporate auditors' bonuses				(137)	
Adjustment of retained earnings for newly consolidated subsidiaries				(69)	
Adjustment of retained earnings for the adoption of deferred tax accounting method (Note 2.k)				2,725	
BALANCE AT MARCH 31, 1999	**267,090,952**	**16,825**	**25,393**	**58,647**	**(1)**
Net income				2,474	
Appropriations:					
Cash dividends paid, ¥5 per share				(1,335)	
Directors' and corporate auditors' bonuses				(122)	
Adjustment of retained earnings for newly consolidated subsidiaries				6	
Net increase in treasury stock					(1)
BALANCE AT MARCH 31, 2000	**267,090,952**	**¥16,825**	**¥25,393**	**¥59,670**	**¥(2)**

	Thousands of U.S. Dollars (Note 3)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost
BALANCE AT MARCH 31, 1999	**$158,726**	**$239,556**	**$553,274**	**$(9)**
Net income			23,340	
Appropriations:				
Cash dividends paid, $0.05 per share			(12,595)	
Directors' and corporate auditors' bonuses			(1,151)	
Adjustment of retained earnings for newly consolidated subsidiaries			57	
Net increase in treasury stock				(9)
BALANCE AT MARCH 31, 2000	**$158,726**	**$239,556**	**$562,925)**	**$(18)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	2000
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 5,681	¥ 5,465	$ 53,594
Adjustments for:			
Income taxes paid	(3,572)	(4,017)	(33,698)
Depreciation and amortization	4,412	4,235	41,623
Provision for retirement benefits	400	(134)	3,773
Loss on disposals of property, plant and equipment	221	246	2,085
Loss on sales of marketable and investment securities	6	148	57
Gain on sales of marketable and investment securities	(2,902)	(497)	(27,377)
Directors' and corporate auditors' bonuses	(125)	(141)	(1,179)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in trade receivables	(2,099)	(3,857)	(19,802)
Increase in inventories	(5,355)	(5,182)	(50,519)
Decrease in interest and dividends receivable	17	5	160
Decrease (increase) in other current assets	2,033	(821)	19,179
Increase (decrease) in trade payables	2,734	(3,660)	25,792
Decrease in advances from customers	(487)	(1,211)	(4,594)
Increase (decrease) in interest payable	(58)	107	(547)
Increase (decrease) in other current liabilities	(1,345)	317	(12,689)
Other, net	(277)	(1,288)	(2,613)
Total adjustments	(6,397)	(15,750)	(60,349)
Net cash used in operating activities	(716)	(10,285)	(6,755)
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	838	315	7,906
Proceeds from sales of marketable and investment securities	3,574	625	33,717
Purchases of property, plant and equipment	(5,935)	(6,855)	(55,991)
Purchases of marketable and investment securities	(2,875)	(688)	(27,123)
Decrease in time deposits	4	141	38
Increase in investments in newly consolidated subsidiaries		(3,241)	
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(67)	(306)	(632)
Other, net	(722)	(224)	(6,811)
Net cash used in investing activities	(5,183)	(10,233)	(48,896)
FINANCING ACTIVITIES:			
Net increase in short-term bank loans	5,328	1,960	50,264
Proceeds from borrowing of long-term debt	1,348	1,243	12,717
Repayments of long-term debt	(1,141)	(951)	(10,764)
Proceeds from issuance of unsecured bonds		30,000	
Redemption of unsecured bonds	(3,000)		(28,302)
Redemption of convertible debentures		(19,908)	
Cash dividends paid	(1,330)	(1,339)	(12,547)
Net cash provided by financing activities	1,205	11,005	11,368
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(580)	(521)	(5,471)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,274)	(10,034)	(49,754)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	584	323	5,509
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,401	37,112	258,500
CASH AND CASH EQUIVALENTS, END OF YEAR	¥22,711	¥ 27,401	$214,255

See notes to consolidated financial statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Shimadzu Corporation (the "Company") and its significant subsidiaries (together the "Companies") 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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Effective April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and those for the years ended March 31, 2000 and 1999 are presented herein.

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.

Certain reclassifications have been made in the 1999 consolidated financial statements to conform to the classifications used in 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2000 include the accounts of the Company and its 32 (30 in 1999) domestic subsidiaries and 32 (26 in 1999) overseas subsidiaries.
Effective April 1, 1999, the Companies changed their consolidation scope from the application of the ownership concept to the control concept. Under the control concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are to be fully consolidated. One subsidiary previously accounted for by the cost method has been consolidated in the consolidated financial statements.
The consolidated financial statements for the year ended March 31, 1999 are not retroactively adjusted. The change of retained earnings arising from the change in the consolidation scope is recognized as "Adjustment of retained earnings for newly consolidated subsidiaries" in the Consolidated Statements of Shareholders' Equity for the year ended March 31, 2000.

Investments in six (10 in 1999) unconsolidated subsidiaries and three in both 2000 and 1999 associated companies are accounted for on the cost basis, as the effect on net income and retained earnings are immaterial as a whole. Effective April 1, 1999, consolidation goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the dates of acquisition, which represented costs in excess of equity in net assets of subsidiary at the dates of acquisition prior to the years ended March 31, 1999. Such amounts are amortized by the straight-line method over 20 years while immaterial amounts are charged to income as incurred.

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.

b. Cash Equivalents

For purposes of the consolidated statements of cash flows, the Companies consider time deposits with an original maturity of three months or less to be cash equivalents. Generally, such time deposits can be withdrawn on demand with no diminution of the principal amount. The scope of cash and cash equivalents in 1999 was changed from ¥28,458 million to ¥27,401 million to conform to the presentation in 2000.

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 of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic subsidiaries. Overseas subsidiaries compute depreciation by the straight-line method at rates based on the estimated useful lives of the assets.

f. Software

Effective April 1, 1999, a new accounting method for software costs for internal use was applied. Expenditures for the purchase of software, which meet certain criteria are capitalized as software (presented as other assets) and amortized by the straight-line method over the useful lives internally determined (five years).

g. 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 represent 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 have non-contributory funded pension plans covering most employees. The Company and domestic subsidiaries' policies for their non-contributory pension plans are to currently fund and charge to income normal costs and amortize prior service costs principally over 12 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.

h. Research and Development Costs

Research and development costs are charged to income as incurred.

i. 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.

j. Bond Issuance Costs

Bond issuance costs are charged to income as incurred.

k. Income Taxes

Effective April 1, 1998, the Company and domestic subsidiaries adopted an accounting method for interperiod allocation of income taxes based on the asset and liability method. As a result, net income increased by ¥517 million for the year ended March 31, 1999. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥2,725 million is included as an adjustment to retained earnings as of April 1, 1998. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of March 31, 1999. Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences. Certain overseas subsidiaries provide for deferred income taxes relating to temporary differences in accordance with accounting principles generally accepted in the relevant countries.

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

m. 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 "Foreign currency 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.

n. 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, 2000 and 1999 was 267,087 thousand and 267,089 thousand, respectively.

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 ¥106 to $1, the approximate rate of exchange at March 31, 2000. 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, 2000 and 1999 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2000		1999		**2000**	
	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value
Marketable securities	¥ **426**	¥ **2,828**	¥ 778	¥ 3,309	**$ 4,019**	**$ 26,679**
Investment securities	**10,675**	**25,698**	8,182	25,809	**100,708**	**242,434**

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.

In 2000, the Company reclassified investment securities of ¥3 million ($28 thousand) to marketable securities and marketable securities of ¥102 million ($962 thousand) to investment securities, due to the Company's investment policy.

5. INVENTORIES

Inventories at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Finished products	**¥23,784**	¥21,731	**$224,378**
Semi-finished products	**8,082**	9,097	**76,245**
Work in process	**29,531**	27,297	**278,594**
Raw materials and supplies	**7,971**	7,792	**75,198**
Total	**¥69,368**	¥65,917	**$654,415**

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 ranging from 0.41% to 8.5% and from 0.89% to 9.0% at March 31, 2000 and 1999, respectively.

Long-term debt at March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
5.3% unsecured bonds, due December 1999		¥ 3,000	
2.3% unsecured bonds, due July 2001	**¥ 20,000**	20,000	**$188,679**
1.825% unsecured bonds, due December 2003	**10,000**	10,000	**94,340**
2.15% unsecured bonds, due July 2004	**20,000**	20,000	**188,679**
0.95% unsecured convertible debentures, due September 2005	**20,000**	20,000	**188,679**
Unsecured loans, principally from insurance companies, due serially to March 2016 with interest rates ranging from 1.15% to 6.95% (2000) and from 1.375% to 6.57% (1999)	**4,266**	4,186	**40,245**
Other	**59**	53	**557**
Total	**74,325**	77,239	**701,179**
Less portion due within one year	**913**	4,128	**8,613**
Long-term debt, less current portion	**¥73,412**	¥73,111	**$692,566**

The 0.95% unsecured convertible debentures outstanding at March 31, 2000 were convertible into 29,542,097 shares of common stock of the Company, at the conversion price of ¥677 per share, subject to certain adjustments.

The aggregate annual maturities of long-term debt outstanding at March 31, 2000 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 913	$ 8,613
2002	20,806	196,283
2003	447	4,217
2004	11,473	108,236
2005	20,456	192,981
2006 and thereafter	20,230	190,849
Total	¥74,325	$701,179

At March 31, 2000, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment, net of accumulated depreciation	¥1,150	$10,849
Time deposits	65	613
Related liabilities:		
Bank loans	751	7,085
Long-term debt	1,411	13,311
	¥2,162	$20,396

7. RETIREMENT BENEFITS AND PENSION PLANS

Total charges to income under the plans for the years ended March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Provisions and payments for retirement benefits and pension plans	¥4,452	¥4,328	$42,000

The unfunded prior service costs were ¥6,906 million ($65,151 thousand) at July 31, 1999, the date of which figures were most recently available.

The liability for retirement benefits included ¥638 million ($6,019 thousand) and ¥550 million of liability for directors' and corporate auditors' retirement benefits at March 31, 2000 and 1999, 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 amount, which is included in retained earnings, totaled ¥4,035 million ($38,066 thousand) and ¥ 3,893 million as of March 31, 2000 and 1999, respectively, and 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, 2000, retained earnings recorded on the Company's books were ¥53,731 million ($506,896 thousand) which was available for future dividends subject to approval of the shareholders and legal reserve requirements.

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).

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 and charging corresponding amounts to retained earnings. This resolution was approved at the general meeting of shareholders held on June 26, 1998.

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, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Net sales	¥ **82**	¥105	**$ 774**
Cost of goods sold	**193**	635	**1,821**

10. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2000 and 1999 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2000				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	**¥102,782**	**¥45,220**	**¥48,288**		**¥196,290**
Intersegment sales	**298**	**18**	**281**	**¥ (597)**	
Total sales	**103,080**	**45,238**	**48,569**	**(597)**	**196,290**
Operating expenses	**93,037**	**44,461**	**45,538**	**7,410**	**190,446**
Operating income	**¥ 10,043**	**¥ 777**	**¥ 3,031**	**¥(8,007)**	**¥ 5,844**

	Thousands of U.S. Dollars				
	2000				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	**$969,642**	**$426,603**	**$455,547**		**$1,851,792**
Intersegment sales	**2,811**	**170**	**2,651**	**$ (5,632)**	
Total sales	**972,453**	**426,773**	**458,198**	**(5,632)**	**1,851,792**
Operating expenses	**877,707**	**419,443**	**429,604**	**69,906**	**1,796,660**
Operating income	**$ 94,746**	**$ 7,330**	**$ 28,594**	**$(75,538)**	**$ 55,132**

	Millions of Yen				
	1999				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	¥103,550	¥47,858	¥51,207		¥202,615
Intersegment sales	184	2	358	¥ (544)	
Total sales	103,734	47,860	51,565	(544)	202,615
Operating expenses	92,247	46,838	48,018	8,123	195,226
Operating income	¥11,487	¥ 1,022	¥ 3,547	¥(8,667)	¥ 7,389

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2000				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	**¥114,344**	**¥56,477**	**¥56,572**	**¥41,978**	**¥269,371**
Depreciation	**2,305**	**787**	**1,004**	**232**	**4,328**
Capital expenditures	**3,341**	**529**	**1,026**	**1,850**	**6,746**

	Thousands of U.S. Dollars				
	2000				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	**$1,078,717**	**$532,802**	**$533,698**	**$396,019**	**$2,541,236**
Depreciation	**21,745**	**7,424**	**9,472**	**2,189**	**40,830**
Capital expenditures	**31,519**	**4,991**	**9,679**	**17,453**	**63,642**

	Millions of Yen				
	1999				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	¥121,780	¥51,706	¥56,539	¥37,394	¥267,419
Depreciation	2,110	790	957	180	4,037
Capital expenditures	3,118	146	1,942	82	5,288

Note:

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

(2) Geographical Segments

The geographical segments of the Companies for the years ended March 31, 1999 and 1998 were summarized as follows:

	Mlions of Yen					
	2000					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	**¥165,290**	**¥11,359**	**¥10,737**	**¥ 8,904**		**¥196,290**
Interarea transfer	**15,040**	**7,748**	**1,861**	**4,608**	**¥(29,257)**	
Total sales	**180,330**	**19,107**	**12,598**	**13,512**	**(29,257)**	**196,290**
Operating expenses	**167,968**	**18,662**	**12,885**	**13,204**	**(22,273)**	**190,446**
Operating income (loss)	**¥ 12,362**	**¥ 445**	**¥ (287)**	**¥ 308**	**¥ (6,984)**	**¥ 5,844**
Assets	**¥206,296**	**¥11,711**	**¥10,930**	**¥ 7,628**	**¥ 32,806**	**¥269,371**

	Thousands of U.S. Dollars					
	2000					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	$1,559,340	$107,160	$101,292	$84,000		$1,851,792
Interarea transfer	141,887	73,094	17,557	43,472	$(276,010)	
Total sales	1,701,227	180,254	118,849	127,472	(276,010)	1,851,792
Operating expenses	1,584,604	176,056	121,557	124,566	(210,123)	1,796,660
Operating income (loss)	$ 116,623	$ 4,198	$ (2,708)	$ 2,906	$ (65,887)	$ 55,132
Assets	$1,946,189	$110,481	$103,113	$71,962	$ 309,491	$2,541,236

	Millions of Yen					
	1999					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	¥170,837	¥12,772	¥11,738	¥ 7,268		¥202,615
Interarea transfer	17,416	9,195	1,368	4,720	¥(32,699)	
Total sales	188,253	21,967	13,106	11,988	(32,699)	202,615
Operating expenses	173,409	21,627	12,727	11,538	(24,075)	195,226
Operating income	¥ 14,844	¥ 340	¥ 379	¥ 450	¥ (8,624)	¥ 7,389
Assets	¥205,067	¥13,755	¥15,581	¥ 7,201	¥ 25,815	¥267,419

(3) Sales to Foreign Customers

Sales to foreign customers for the Companies for the years ended March 31, 2000 and 1999 were summarized as follows:

	Millions of Yen			
	2000			
	North and South America	Europe	Asia Oceania and Africa	Total
Sales to foreign customers	**¥17,863**	**¥11,270**	**¥20,891**	**¥50,024**

	Thousands of U.S. Dollars			
	2000			
	North and South America	Europe	Asia Oceania and Africa	Total
Sales to foreign customers	$168,519	$106,321	$197,085	$471,925

	Millions of Yen			
	1999			
	North and South America	Europe	Asia Oceania and Africa	Total
Sales to foreign customers	¥16,632	¥11,940	¥24,670	¥53,242

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs totaled ¥5,400 million ($50,943 thousand) and ¥5,376 million for the years ended March 31, 2000 and 1999, respectively.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 42.0% and 47.6% for the years ended March 31, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Current:			
Deferred tax assets:			
Accrued enterprise taxes (included in accrued income taxes)	**¥ 199**	¥ 156	**$ 1,877**
Allowance for doubtful receivables	**285**	198	**2,689**
Accrued bonuses	**778**	391	**7,340**
Unrealized profit included in inventories	**1,543**	1,604	**14,557**
Tax loss carryforwards	**1,921**	1,849	**18,123**
Other	**584**	673	**5,509**
Total	**5,310**	4,871	**50,095**
Less valuation allowance	**2,101**	2,055	**19,821**
Deferred tax assets	**¥3,209**	¥2,816	**$30,274**
Deferred tax liabilities:			
Allowance for doubtful receivables	**¥ 27**	¥ 24	**$ 255**
Unrealized loss included inventories	**5**	53	**47**
Other	**9**	12	**85**
Deferred tax liabilities	**¥ 41**	¥ 89	**$ 387**
Net deferred tax assets	**¥3,178**	¥2,746	**$29,981**
Net deferred tax liabilities (included in accrued expenses and other current liabilities)	**¥ 10**	¥ 19	**$ 94**

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Noncurrent:			
Deferred tax assets:			
Liability for retirement benefits	**¥ 794**	¥ 458	**$ 7,491**
Depreciation	**360**	391	**3,396**
Allowance for doubtful receivables	**16**	25	**151**
Other	**462**	518	**4,358**
Deferred tax assets	**¥1,632**	¥1,392	**$15,396**
Deferred tax liabilities:			
Special reserve (included in retained earnings)	**¥ 337**	¥ 337	**$ 3,179**
Other	**47**	28	**444**
Deferred tax liabilities	**¥ 384**	¥ 365	**$ 3,623**
Net deferred tax assets	**¥1,294**	¥1,049	**$12,208**
Net deferred tax liabilities (included in other long-term liabilities)	**¥ 46**	¥ 22	**$ 434**

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

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying statements of consolidated income for the years ended March 31, 2000 and 1999 was as follows:

	2000	1999
Normal effective statutory tax rate	**42.0%**	47.6%
Expenses not permanently deductible for income tax purposes	**3.4**	6.9
Lower income tax rates applicable to income in certain foreign countries		(2.3)
Effect of tax rate reduction		1.3
Valuation allowance	**7.3**	
Elimination of dividend income	**2.0**	
Other - net	**1.6**	1.6
Actual effective tax rate	**56.3%**	55.1%

13. LEASES

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

Total rental expenses for the years ended March 31, 2000 and 1999 were ¥4,872 million ($45,962 thousand) and ¥4,761 million, respectively, including ¥481 million ($4,538 thousand) and ¥437 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases and depreciation expense for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2000 and 1999 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2000			**2000**		
	Machinery and Vehicles	Furniture and Fixtures	Total	Machinery and Vehicles	Furniture and Fixtures	Total
Acquisition cost	**¥1,110**	**¥2,109**	**¥3,219**	**$10,472**	**$19,896**	**$30,368**
Accumulated depreciation	**348**	**1,176**	**1,524**	**3,283**	**11,094**	**14,377**
Net leased property	**¥ 762**	**¥ 933**	**¥1,695**	**$7,189**	**$8,802**	**$15,991**

	Millions of Yen		
	1999		
	Machinery and Vehicles	Furniture and Furniture	Total
Acquisition cost	¥842	¥1,599	¥2,441
Accumulated depreciation	287	931	1,218
Net leased property	¥555	¥ 668	¥1,223

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥ 483**	¥ 396	**$ 4,557**
Due after one year	**1,212**	827	**11,434**
Total	**¥1,695**	¥1,223	**$15,991**

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥481 million ($4,538 thousand) and ¥437 million for the years ended March 31, 2000 and 1999, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥263**	¥241	**$ 2,481**
Due after one year	**647**	747	**6,104**
Total	**¥910**	¥988	**$ 8,585**

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2000 for trade notes discounted with banks and for loans guaranteed amounted to ¥1,494 million ($14,094 thousand) and ¥1,514 ($14,283 thousand) million, respectively.

15. DERIVATIVES

It is the Company's policy to use derivative transactions for the purpose of reducing market risks associated with assets and liabilities, under the supervision of officers in charge of the Finance Department.

The Company enters into foreign exchange forward contracts as well as currency options both in the normal course of business and within the range of corporate exchange rates to hedge foreign exchange risk.

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

The Company had the following derivative contracts outstanding at March 31, 2000 and 1999.

	In Thousands	Millions of Yen			Thousands of U.S. Dollars		
	Contracted or Notional Amount	Carrying Value	Fair Value	Unrealized Gain (Loss)	Carrying Value	Fair Value	Unrealized Gain (Loss)
March 31, 2000:							
Forward Exchange Contracts -							
Buying Sterling pound	**£ 1,205**	**¥216**	**¥203**	**¥(13)**	**$2,038**	**$1,915**	**$(123)**
Purchased Put Options:							
Deutsche Mark	**DM 500**	**2**	**2**		**19**	**19**	
Euro	**EUR 300**	**2**	**2**		**19**	**19**	
Sold Call Options:							
Deutsche Mark	**DM6,000**	**8**	**4**	**4**	**76**	**38**	**38**
Euro	**EUR 630**	**2**	**2**		**19**	**19**	
March 31, 1999:							
Purchased Put Options -							
Deutsche Mark	DM 500	¥1	¥1				
Sold Call Options -							
Deutsche Mark	DM3,850	7	4	¥3			

The fair value was estimated based on quotes from financial institutions.

Forward exchange contracted or notional amounts which are assigned to associated assets or liabilities and are reflected on the balance sheets at year-end are not subject to the disclosure of market value information.

16. SUBSEQUENT EVENT

The following plan of appropriations of retained earnings of the Company for the year ended March 31, 2000 was approved at the general meeting of shareholders held on June 29, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 ($0.02) per share	**¥668**	**$6,302**
Transfer to legal reserve	**74**	**698**
Directors' and corporate auditors' bonuses	**72**	**679**

Independent Auditors' Report

Deloitte Touche Tohmatsu

To the Board of Directors and Shareholders of
Shimadzu Corporation:

We have examined the consolidated balance sheets of Shimadzu Corporation and consolidated subsidiaries as of March 31, 2000 and 1999, 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, procedures and practices generally accepted and applied 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, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2, effective April 1, 1999, the consolidated financial statements have been prepared in accordance with new accounting standards for consolidated financial statements.

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

June 29, 2000

Name:
SHIMADZU CORPORATION

Establishment:
1875

Formation of Limited Company:
September,1917

Capital:
¥16.8 billion

Number of Employees:
7,915

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
(Overseas) Istanbul,Moscow

Works:
Sanjo,Murasakino,Atsugi,Hadano

Consolidated Subsidiaries:
(Domestic)
SHIMADZU RIKA INSTRUMENTS CO.,LTD.
SHIMADZU MECTEM,INC.
SHIMADZU TECHNO-RESEARCH,INC.
THE OTHER 29 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 26 SUBSIDIARIES

Directors and Corporate Auditors

Chairman of the Board
Kikuo FUJIWARA

President and Chief Executive Officer
Hidetoshi YAJIMA

Senior Executive Director
Masahisa HIRATO
Tasuku HARA

Executive Director
Toshiya KUBODERA
Ryuji UEDA
Shigehiko HATTORI
Tadayoshi FUKUSHIMA
Hiroshi YAMAMOTO,Dr.
Shingo MATSUMOTO
Yasutsugu KAWABE
Toshitake KAWAKAMI
Mikio JOH

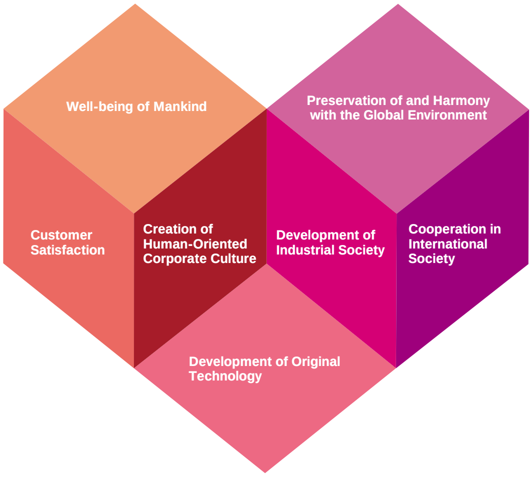
Director
Atsubumi HIRUSAKI
Tohru FUJIKI

Senior Corporate Auditor
Yasuo TAHARA

Corporate Auditor
Susumu WATANABE
Shin IZUTSU
Masahito WATANABE
Toshinori NOMURA

The Cubic Heart

SHIMADZU's Wishes Form the Cubic Heart



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