P012-E401

SHIMADZU

Solutions for Science
since 1875

ANNUAL REPORT

Year Ended 31st March, 2001

CONTENTS

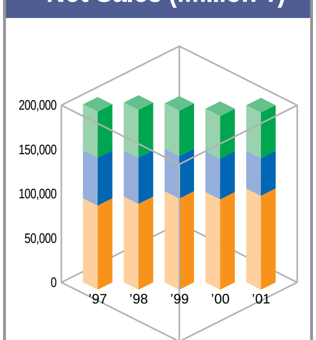
Financial Summary

Yeras ended March 31

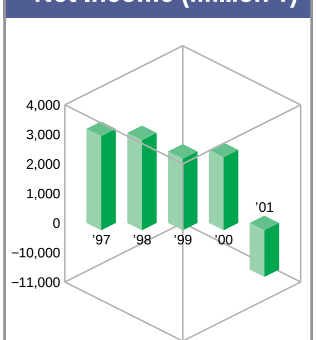
	Millions of Yen					Thousands of U.S. Dollars
For the year:	1997	1998	1999	2000	2001	2001
Net sales	¥201,144	¥203,190	¥202,615	¥196,290	**¥200,006**	**$1,612,952**
Operating costs and expenses	192,468	194,922	195,226	190,446	**195,910**	**1,579,919**
Other income(expense)-net	(1,248)	(408)	(1,924)	(163)	**(20,933)**	**(168,815)**
Income(Loss) before income taxes and minority interests	7,428	7,860	5,465	5,681	**(16,837)**	**(135,782)**
Income taxes	4,207	4,787	3,012	3,199	**(6,285)**	**(50,685)**
Net income(loss)	3,187	3,049	2,422	2,474	**(10,579)**	**(85,315)**
At the year-end:						
Total assets	253,076	256,110	267,419	269,371	**268,704**	**2,166,968**
Property, plant and equipment-net	49,004	52,576	52,836	53,454	**53,437**	**430,944**
Shareholders' equity	95,680	97,258	100,864	101,886	**87,139**	**702,734**
Amounts per share:	Yen					U.S. Dollars
Net income(loss)	¥ 11.93	¥ 11.41	¥ 9.07	¥ 9.26	**(¥ 39.61)**	**($0.32)**
Cash dividends	5.00	5.00	5.00	5.00	**5.00**	**0.04**
Shareholders' equity	358.23	364.14	377.64	381.47	**326.25**	**2.63**

- The U.S. dollar amounts in this report represent translations of Japanese yen for convenience only at the rate of ¥124=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 four overseas subsidiaries, effective in 1999.
  (2) Consolidation of two domestic subsidiaries and six overseas subsidiaries, effective in 2000.
  (3) Consolidation of a overseas subsidiary and deconsolidation of a domestic subsidiary, effective in 2001.
- See "Notes to consolidated financial statemants".

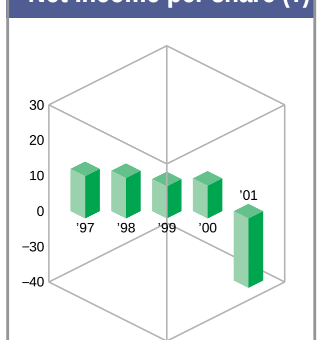
Net Sales (Million ¥)



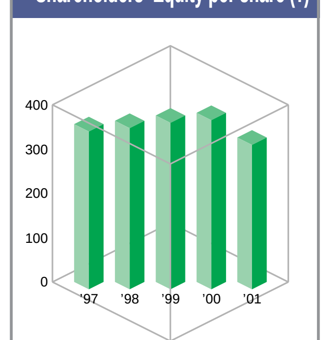
Net Income (Million ¥)



Net Income per share (¥)



Shareholders' Equity per share (¥)



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

To Our Shareholders And Customers

Review of Fiscal 2000 Results

Consolidated sales registered ¥200,006 million (up 1.9% over the previous year). On the profit and loss side, operating income was ¥4,096 million (down 29.9%), but loss before income taxes and minority interests was ¥16,837 million, with net loss of ¥10,579 million as a result of the full amortization of the accumulated shortfall of projected retirement benefit obligations under accounting for retirement benefit plan that was implemented in April, 2000.

In private sector, the Japanese economy saw increase in plant and equipment investment in the manufacturing sector, primarily in IT-related industries, however the severe employment situation and uncertainty over the future kept personal consumption down. The disastrous devaluation of stock prices set off by the economic slowdown in the United States, and bad loans problem of banks, as well as flagging consumer and wholesale price created a harsh economic environment and concerns over deflation.

Overseas, the growth of the U.S. economy has slowed, and there were clear signs of an economic slowdown in the latter half of the fiscal year. Against the backdrop of the low value of the Euro, the major European economies are experiencing stable expansion. In Asian countries, however, the slowing U.S. economy has restrained their export growth and the uncertain outlook for the future has slowed their economies.

Outlook for the Next Fiscal Year

The outlook for the next fiscal year anticipates consolidated sales of ¥210,000 million with operating income of ¥8,000 million, income before income taxes and minority interests of ¥5,500 million, and net income of ¥3,100 million.

Next year we face the domestic problem of bad bank loans and stagnant consumer spending, which stymie any potential for economic recovery. Overseas, with the U.S. economy showing clear signs of slowing, stock values will continue to decline worldwide. The future at present seems uncertain, but in all likelihood, competition will intensify both at home and abroad. The outlook for Japanese economy is severe, but we will make every effort to attain the above targets for next fiscal year.

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

June, 2001

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 through 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 liquid crystal 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.

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, managing officer system was introduced. 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 and we are striving to strictly adhere to it.

MID- TO LONG-TERM MANAGEMENT STRATEGIES

We advance "Selectivity and Concentration" projects to achieve high growth and high company profitability. We have identified the three new high growth fields of biotechnology, environmental solutions and semiconductor/flat panel displays (FPD) to serve as foci for the allocation of company resources.

On the other hand, we are strategically developing our core operations within our existing range of business with the goal of maximizing profit yields and making these products even more competitive.

In addition to introducing an operations evaluation system and a personnel review system to advance these business strategies, Shimadzu has formulated and implemented its own IT strategy to keep up with the fluctuations in the Japanese economy and to revitalize itself into a stronger industry.

ADVANCEMENT OF "SELECTIVITY AND CONCENTRATION" PROJECTS

In a management environment of ever intensifying global competition, we are advancing projects in a " Selectivity and Concentration " manner to achieve even higher corporate growth. While optimizing existing lines of business for higher profitability, we have actively begun development on next generation growth areas.

The "selected" lines of business are those which can make use of and be developed from our core lines of business. Thus, we have "concentrated" investment in the up and coming business lines of "biotechnology," "semiconductor and flat panel displays (FPD)" and "environmental solutions".

Our efforts in biotechnology are focused around proteomics (analysis of proteins), where we are expanding our business by developing analytical devices and test reagents, and by offering analytical services.

In the area of semiconductors and FPDs, we are broadening our business activities in the areas of manufacturing semiconductor components for use in equipment such as turbo molecular pumps, temperature/gas monitoring equipment and manufacturing/testing equipment for organic EL displays, a promising next generation display technology.

In addition to expanding sales of atmospheric and water quality analytical devices in the environmental field, we are moving forward in new processing technology development, such as in the field of carbon dioxide fixing.

PROTEOMICS WILL ACCELERATE OUR BIOTECHNOLOGY BUSINESS

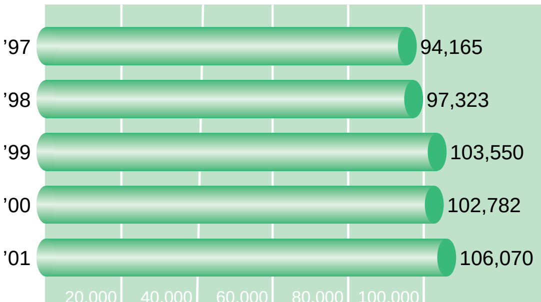
With the completion of the decoding of the human genome, attention is now being focused upon proteomics (the analysis of proteins) as the "post-genome". In the future, proteomics data will almost certainly play a key role in pharmaceutical and medical advances.

We are advanced the globalization of the Shimadzu Group overall around the field of proteomics. In the year 2000, our British group company Kratos Analitical Ltd., developed a new time-of-flight mass spectometer, the "AXIMA-CFR" which has been very well received in the field of proteomics. We are also moving forward through joint research and development in proteomics with the Australian bio-venture company.

AXIMA-CFR

Main Business

Scientific and Process Instruments Business



●Sales during the last 5years

Liquid Chromatograph Mass Spectrometer

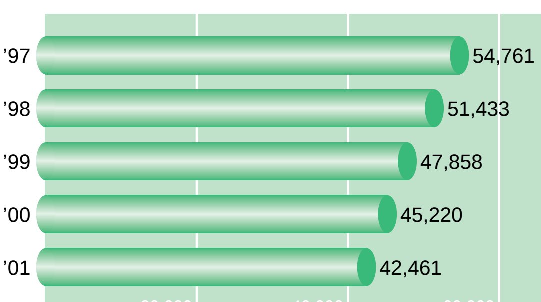
In our domestic market, though demand from the public sector remained on par with that of the previous year, private sector demand increased, primarily due to investment in equipment from electrical and chemical manufacturing sectors, for a stronger market overall. Exports, on the other hand, dropped off, being partially affected by the high value of the yen in the first half of the year.

Amid this situation, on the one hand, we strived to make analytical equipment more efficient and with lower energy requirements, while on the other, we worked to develop new types of equipment in the environmental-related and industrial non-destructive testing related fields.

As a result, consolidated sales in these sectors reached ¥10,607 million (up 3.2% over the previous year) and operating income was similarly up to ¥10,414 million (up 3.7%).

In the future, we are targeting new products for our lines of gas/liquid chromatograph mass spectrometers to increase our market share, and in addition to expanding our sales effort overseas for industrial non-destructive testing and inspection equipment, we are expanding the scale of our business by developing e-commerce and our solutions businesses.

Medical Systems and Equipment Business



●Sales during the last 5years

New Color Ultrasonic Diagnostic Device

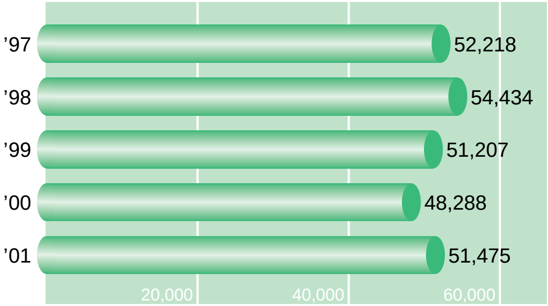
Demand was stagnant in our domestic market due to cutbacks in equipment investment budgets among medical institutions. In addition, the harsh situation both at home and overseas also continued due to falling market prices arising from fierce competition among medical equipment manufacturers.

Amid this situation, we tried to increase sales with a primary focus on digital medical equipment and sales of imaging equipment to startup medical practices, but sales declined both at home and abroad.

This resulted in consolidated sales of ¥42,461 million (down 6.1% from the previous year) in this sector and an operating loss of ¥1,551 million.

We plan to turn the situation around to profitability by fully advancing into the color ultrasonic diagnostic equipment business, by filling out our lines of equipment related to medical networks, and by strengthening our business portfolio by centralize development with alliance for greater efficiency.

Aircraft Equipment and Industrial Machinery Business



●Sales during the last 5years

In a situation where defense budget cuts made it difficult to develop new demand, we strove to expand our business in aircraft equipment primarily by exploiting demand for spare parts. For the future, we plan to improve our cost competitiveness and to expand our business for passenger aircraft equipment.

Our industrial equipment business expanded due to the dramatic effects of the expansion of the IT related market, the increased demand for turbo molecular pumps for semiconductor manufacturing as well as for liquid crystal sealing devices for use in the manufacturing liquid crystal devices. Also, cost cutting in hydraulic equipment dramatically improved that market.

Future plans are for new products to expand our market share for turbo molecular pumps, and to centralize our business development in the high growth fields of film forming devices to make optical parts for DWDM (dense wavelength division multiplexing) as well as other semiconductor and liquid crystal related products.

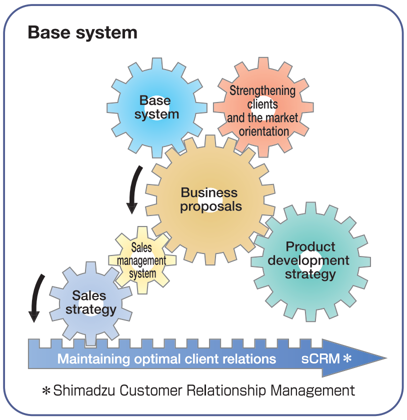
Consolidated sales reached ¥51,475 million (up 6.6% over the previous year) and operating income was ¥4,555 million (up 50.3%).

Turbo Molecular Pump

Shimadzu's IT Strategy

Amid the rapid advances in IT (information technology), business adaptation of IT can be very effective in determining company strategies and making and implementing management decisions.

Shimadzu's "IT Center" was newly established in October, 2000 to undertake planning and proposals for Shimadzu group IT strategy. The strategy is centered around our own CRM (Client Resource Management) structure, originally designed for use of IT in optimizing relations with our clients. Managing and analyzing client data allows us to speedily respond to client needs. We are actively using IT in establishing a presence on the Web and in e-commerce (electronic commerce) to expand our business.



Concept drawings

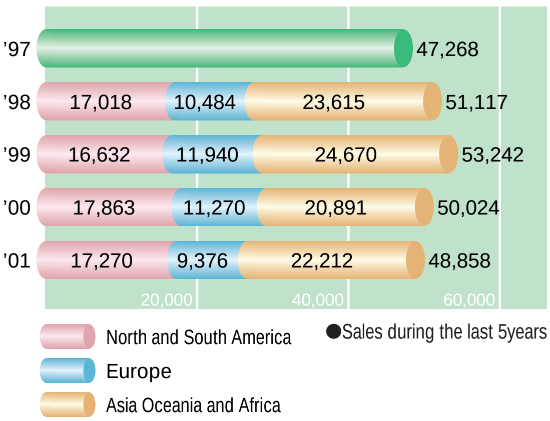
Important New Products

A high performance non-destructive testing equipment series utilizing our core technologies

Using our accumulated development experience in medical imaging diagnostic equipment, our core "X-ray and image processing technology" was commercialized in our high performance non-destructive testing equipment, which is showing good sales performance in the market. This instrumentaion is being widely used for internal examination of compact high performance equipment such as wireless telephones, and for improvement of food safety by detecting and preventing foreign materials during food inspections. Based upon our record in domestic sales, we intend to start expanding our business through sales in the overseas markets.

Non-destructive Test Equipment

Overseas Activities



RSNA2000, technical exhibition held by Radiological Society of North America, Inc. on November 26-30 in Mc Cormick Place, Chicago
We displayed latest 14 types/ 19 products under the theme of "Merging Man and Machine" and our booth had about 10 thousand visitors.

In Fiscal 2000, the dramatic rise in crude prices improved the economies of the oil producing countries. Exports from Shimadzu corporation to the Middle East grew by 22.8%, and consolidated sales also grew to ¥22,212 (up 6.3% over the previous year) in the Asia Oceania and Africa. On the other hand, with the decline of the Euro, consolidated sales decreased in Europe to ¥9,376 million (down 16.8%). With ¥17,270 (down 3.3%) of North and South America, consolidated sales overseas declined by 2.3% to ¥48,857 million.

Europe

Russia is the world's largest oil producing country, and high crude prices spurred an improved market. This fiscal year, with a view to expanding business, our Moscow office increased its staffing and a new office was opened in St. Petersburg.

North America

In the area of analysis, with the complete decoding of the human genome, the demand for protein analysis (proteomics) for gene synthesis is expected to grow. New products such as LCMS have been introduced with the goal of improving business.

We are improving our sales organization for medical equipment in the eastern region.

Asia-Oceania

China began its 10th five-year plan in 2001 with investments planned in the fields of education, the environment, etc. Demand has increased for analytical and measuring equipment in principal educational and research institutions, and increased demand is also predicted for non-gaseous measuring equipment and other environmental related equipment. We are planing to strengthen our business and service operations. Further, with an anticipated investment in developing the western regions of China, during last fiscal year, offices were opened in Xian, Chongqing, and Urumqi. We have realized the demand that was anticipated from these areas.

With regard to the ASEAN nations, Shimadzu (Asia Pacific) Pte Ltd. (SMAP) opened a branch in Malaysia during the last fiscal year, and market development is now underway.

Economic growth and expanded markets are anticipated for India, and SMAP reorganized its India Branch into wholly-owned subsidiary on April 1, 2001 with a view to expanding operations.

●overseas subsidiaries and offices

Financial Section

Consolidated Balance Sheets

March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2001**	2000	**2001**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 17,756**	¥ 22,711	**$ 143,194**
Time deposits (Note 6)	**967**	1,053	**7,798**
Marketable securities (Notes 2.c and 4)	**5**	426	**40**
Trade receivables:			
Notes and accounts	**94,587**	87,675	**762,799**
Allowance for doubtful receivables	**(666)**	(1,162)	**(5,371)**
Total	**93,921**	86,513	**757,428**
Inventories (Note 5)	**66,669**	69,368	**537,653**
Deferred tax assets (Note 12)	**4,109**	3,178	**33,137**
Prepaid expenses and other current assets	**4,479**	2,547	**36,121**
Total current assets	**187,906**	185,796	**1,515,371**
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	**18,827**	18,791	**151,831**
Buildings and structures	**49,187**	49,759	**396,669**
Machinery, equipment and vehicles	**17,571**	16,857	**141,702**
Tools, furniture and fixtures	**25,761**	24,507	**207,750**
Construction in progress	**63**	56	**508**
Total	**111,409**	109,970	**898,460**
Accumulated depreciation	**(57,972)**	(56,516)	**(467,516)**
Net property, plant and equipment	**53,437**	53,454	**430,944**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2.c, 4 and 6)	**7,928**	12,148	**63,935**
Investments in and advances to unconsolidated subsidiaries and associated companies	**131**	133	**1,056**
Long-term receivables	**2,753**	1,471	**22,202**
Consolidation goodwill	**3,676**	3,892	**29,645**
Foreign currency translation adjustments		5,198	
Deferred tax assets (Note 12)	**7,605**	1,294	**61,331**
Other assets	**5,268**	5,985	**42,484**
Total investments and other assets	**27,361**	30,121	**220,653**
TOTAL	**¥268,704**	¥269,371	**$2,166,968**

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 3) 2001
CURRENT LIABILITIES:			
Bank loans (Note 6)	¥ 23,518	¥ 23,607	$ 189,661
Current portion of long-term debt (Note 6)	21,039	913	169,669
Trade payables - Notes and accounts	45,193	43,959	364,460
Advances from customers	2,797	2,022	22,557
Accrued income taxes	1,367	2,345	11,024
Accrued expenses and other current liabilities (Note 12)	15,949	13,538	128,621
Total current liabilities	109,863	86,384	885,992
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	53,346	73,412	430,210
Liability for retirement benefits (Note 7)	17,847	7,218	143,927
Other long-term liabilities (Note 12)	185	123	1,492
Total long-term liabilities	71,378	80,753	575,629
MINORITY INTERESTS	324	348	2,613
COMMITMENTS AND 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	135,686
Additional paid-in capital	25,393	25,393	204,782
Retained earnings	47,651	59,670	384,282
Net unrealized gain on available-for-sale securities	1,645		13,266
Foreign currency translation adjustments	(4,374)		(35,274)
Total	87,140	101,888	702,742
Treasury stock, at cost	(1)	(2)	(8)
Total shareholders' equity	87,139	101,886	702,734
TOTAL	¥268,704	¥269,371	$2,166,968

See notes to consolidated financial statements.

Consolidated Statements of Operations

Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	**2001**
NET SALES (Notes 9 and 10)	**¥200,006**	¥196,290	**$1,612,952**
OPERATING COSTS AND EXPENSES:			
Cost of goods sold (Notes 9 and 13)	**135,850**	132,272	**1,095,564**
Selling, general and administrative expenses (Notes 11 and 13)	**60,060**	58,174	**484,355**
Total	**195,910**	190,446	**1,579,919**
Operating income (Note 10)	**4,096**	5,844	**33,033**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**419**	499	**3,379**
Gain on sales of marketable and investment securities	**1,692**	2,902	**13,645**
Interest expense	**(2,071)**	(2,193)	**(16,702)**
Foreign exchange gain (loss)	**483**	(1,139)	**3,895**
Loss on disposals of inventories	**(1,194)**	(422)	**(9,629)**
Gain on securities contributed to employees' retirement benefit trusts (Note 7)	**10,105**		**81,492**
Charge for full amount of transitional obligation for employees' retirement benefits (Note 7)	**(28,209)**		**(227,492)**
Loss on write-down of investment securities	**(1,014)**		**(8,177)**
Other - net	**(1,144)**	190	**(9,226)**
Other expenses - net	**(20,933)**	(163)	**(168,815)**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**(16,837)**	5,681	**(135,782)**
INCOME TAXES (Note 12):			
Current	**2,053**	3,871	**16,557**
Deferred	**(8,338)**	(672)	**(67,242)**
Total	**(6,285)**	3,199	**(50,685)**
MINORITY INTERESTS IN NET INCOME (LOSS)	**27**	8	**218**
NET INCOME (LOSS)	**¥ (10,579)**	¥ 2,474	**$ (85,315)**

	Yen		U.S. Dollars
AMOUNTS PER SHARE (Note 2.p):			
Net income (loss)	**¥(39.61)**	¥9.26	**$(0.32)**
Diluted net income		8.68	
Cash dividends	**5.00**	5.00	**0.04**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2001 and 2000

	Outstanding Number of Shares of Common Stock	Millions of Yen: Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE AT APRIL 1, 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)**
Net income				(10,579)			
Appropriations:							
Cash dividends paid, ¥5 per share				(1,335)			
Directors' and corporate auditors' bonuses				(105)			
Net unrealized gain on available-for-sale securities					¥1,645		
Foreign currency translation adjustments						¥(4,374)	
Net decrease in treasury stock							1
BALANCE AT MARCH 31, 2001	**267,090,952**	**¥16,825**	**¥25,393**	**¥47,651**	**¥1,645**	**¥(4,374)**	**¥(1)**

	Thousands of U.S. Dollars (Note 3): Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE AT MARCH 31, 2000	**$135,686**	**$204,782**	**$481,210**			**$(16)**
Net income			(85,315)			
Appropriations:						
Cash dividends paid, $0.04 per share			(10,766)			
Directors' and corporate auditors' bonuses			(847)			
Net unrealized gain on available-for-sale securities				$13,266		
Foreign currency translation adjustments					$(35,274)	
Net decrease in treasury stock						8
BALANCE AT MARCH 31, 2001	**$135,686**	**$204,782**	**$384,282**	**$13,266**	**$(35,274)**	**$(8)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
OPERATING ACTIVITIES:			
Income(Loss) before income taxes and minority interests	¥ (16,387)	¥ 5,681	$ (135,782)
Adjustments for:			
Income taxes paid	(3,037)	(3,572)	(24,492)
Depreciation and amortization	4,569	4,412	36,847
Provision for retirement benefits	10,658	405	85,952
Securities contributed to employees' retirement benefit trusts	6,700		54,032
Net gain on sales of marketable securities	(1,690)	(481)	(13,629)
Net loss (gain) on sales and write-down of investment securities	1,019	(2,415)	8,218
Net loss on sales and disposals of property, plant and equipment and other assets	54	154	435
Foreign exchange loss (gain)	(108)	115	(871)
Allowance for doubtful receivables	203	39	1,637
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in trade receivables	(6,264)	(2,099)	(50,516)
Decrease (increase) in inventories	3,542	(5,355)	28,564
Increase in trade payables	721	2,734	5,815
Other, net	1,892	(334)	15,258
Total adjustments	18,259	(6,397)	147,250
Net cash provided by (used in) operating activities	1,422	(716)	11,468
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment and other assets	643	838	5,185
Proceeds from sales of marketable securities	2,283	736	18,411
Purchases of marketable securities	(255)	(2)	(2,056)
Proceeds from sales of investment securities	11	2,838	89
Purchases of investment securities	(590)	(2,873)	(4,758)
Purchases of property, plant and equipment and other assets	(5,722)	(6,622)	(46,145)
Increase in long-term receivables	(1,560)	(249)	(12,581)
Decrease in long-term receivables	274	222	2,210
Increase in investments in and advances to unconsolidated subsidiaries and associated companies		(67)	
Other, net	79	(4)	637
Net cash used in investing activities	(4,837)	(5,183)	(39,008)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term bank loans	(533)	5,328	(4,298)
Proceeds from borrowing of long-term debt	1,736	1,349	14,000
Repayments of long-term debt	(1,788)	(1,141)	(14,419)
Redemption of unsecured bonds		(3,000)	
Cash dividends paid	(1,332)	(1,330)	(10,742)
Other	2	(1)	16
Net cash provided by (used in) financing activities	(1,915)	1,205	(15,443)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	375	(580)	3,024
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,955)	(5,274)	(39,959)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES		584	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,711	27,401	183,153
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 17,756	¥22,711	$ 143,194

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2001 and 2000

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.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

Certain reclassifications have been made in the 2000 consolidated financial statements to conform to the classifications used in 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2001 include the accounts of the Company and its 31 (32 in 2000) domestic subsidiaries and 33 (32 in 2000) overseas subsidiaries. Consolidation of the remaining subsidiaries would not have material effect on the accompanying consolidated financial statements.
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.

Investments in six unconsolidated subsidiaries and three associated companies in both 2001 and 2000 are accounted for on the cost basis, as the effect on net income(loss) and retained earnings are immaterial as a whole. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary/associated company at the dates of acquisition. Goodwill on acquisition of subsidiaries is reported in the balance sheet as consolidation goodwill and is amortized using 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

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.
Cash equivalents include time deposits which mature or become due within three months of the date of acquisition.

c. Marketable and Investment Securities

Prior to April 1, 2000, marketable and investment securities were stated principally at weighted average cost.
Effective April 1, 2000, the Companies adopted a new accounting standard for financial instruments, including marketable and investment securities.
The standard requires all applicable securities to be classified and accounted for, depending on management's intent, as follows:

i) trading securities, which are held for the purpose of earning capital gains in near term, are reported at fair value, and the related unrealized gains and losses are included in the earnings.

ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

The effect of adoption of the new standard was to increase loss before income taxes and minority interests by ¥981 million ($7,911 thousand).
Marketable securities classified as current assets decreased by ¥ 83 million ($ 669 thousand) and investment securities increased by the same amount as of April 1, 2000.

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. The range of useful lives is principally from three to 75 years for buildings and structures, from four to 17 years for machinery, equipment and vehicles and from two to 15 years for tools, furniture and fixtures.

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.

Prior to April 1, 2000, the Company and its domestic subsidiaries represented 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 were not funded. In addition, the Company, 14 domestic subsidiaries have non-contributory funded pension plans covering most employees. Prior to April 1, 2000, the Company and domestic subsidiaries' policies for their non-contributory pension plans were to currently fund and charge to income normal costs and amortize prior service costs principally over 12 years.

Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.
The full amount of the transitional obligation of ¥28,209 million ($227,492 thousand), determined as of the beginning of year, is charged to income and presented as charge for full amount of transitional obligation for employees' retirement benefits in the consolidated statements of operations. As a result, net periodic benefit costs as compared with the prior method, increased by ¥1,044 million ($8,419 thousand) and loss before income taxes and minority interests increased by ¥17,059 million ($137,573 thousand).

Directors and corporate auditors are not covered by these plans. However, the Company and four domestic subsidiaries 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. Research and Development Costs
Research and development costs are charged to income as incurred.

h. Allowance for Doubtful Accounts
The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

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

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

l. Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

m. Foreign Currency Transactions

Prior to April 1, 2000, cash and short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the rates of exchange as of each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated into Japanese yen at historical exchange rates. Effective April 1, 2000, the Companies adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

Foreign exchange gains and losses are recognized in the fiscal periods in which they occur.

The effect of such adoption on loss before income taxes and minority interests was immaterial.

n. 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. Prior to April 1, 2000, differences arising from such translation were shown as "Foreign currency translation adjustments" as either asset or liability in the accompanying consolidated balance sheets. Effective April 1, 2000, such differences are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency transactions.

Revenue and expense accounts of the consolidated overseas subsidiaries are translated into yen at the average rate.

o. Derivative Financial Instruments

Effective April 1, 2000, the Company adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. Foreign exchange forward contracts and currency options, which are utilized by the Company to reduce foreign currency exchange rate risks, are measured at the fair value at the balance sheet date and the unrealized gains / losses are recognized in income according to such standard. As a result of adopting the new accounting standard for derivative financial instruments, loss before income taxes and minority interests increased by ¥65 million ($524 thousand).

p. Amounts per Share

The computation of net income(loss) 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(loss) per share for the years ended March 31, 2001 and 2000 was 267,087,812 shares and 267,087,041 shares, 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. Diluted net income per share for the year ended March 31, 2001 is not disclosed because of the Company's net loss position.

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 ¥124 to $1, the approximate rate of exchange at March 31, 2001. 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

Marketable and investment securities as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Current:			
Marketable equity securities		¥ 410	
Other	**¥ 5**	16	**$ 40**
Total	**¥ 5**	¥ 426	**$ 40**
Non-current:			
Marketable equity securities	**¥ 7,921**	¥12,143	**$63,879**
Trust fund investments and other	**7**	5	**56**
Total	**¥ 7,928**	¥12,148	**$63,935**

All the securities classified as trading securities were sold during the year ended March 31, 2001.

Information regarding the securities classified as available-for-sale securities at March 31, 2001 was as follows:

	Millions of Yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	**¥ 4,423**	**¥ 3,173**	**¥ 333**	**¥ 7,263**
Other securities	**9**		**2**	**7**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	**$35,669**	**$25,589**	**$ 2,685**	**$58,573**
Other securities	**72**		**16**	**56**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001 were as follows:

	Carrying amount	
	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale:		
Equity securities	**¥658**	**$5,306**
Other securities	**5**	**40**
Total	**¥663**	**$5,346**

Proceeds from sales of available-for-sale securities for the year ended March 31, 2001 were ¥11 million ($89 thousand). Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥1 million ($8 thousand) and ¥5 million ($40 thousand), respectively.

Carrying amounts and aggregate market values of current and non-current marketable equity securities included in marketable securities and investment securities at March 31, 2000 were as follows:

	Millions of Yen		
	Carrying amount	Aggregate market value	Unrealized gain
Current	¥ 426	¥ 2,828	¥ 2,402
Non-current	10,675	25,698	15,023
	¥11,101	¥28,526	¥17,425

The difference between the above carrying value and the amounts shown in the accompanying consolidated balance sheets principally consisted 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, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Finished products	**¥24,373**	¥23,784	**$196,556**
Semi-finished products	**7,784**	8,082	**62,774**
Work in process	**26,345**	29,531	**212,460**
Raw materials and supplies	**8,167**	7,971	**65,863**
Total	**¥66,669**	¥69,368	**$537,653**

6. BANK LOANS AND LONG-TERM DEBT

Short-term 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 0.43% to 10.40% and from 0.41% to 8.5% at March 31, 2001 and 2000, respectively.

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
2.3% unsecured bonds, due July 2001	**¥20,000**	¥20,000	**$161,290**
1.825% unsecured bonds, due December 2003	**10,000**	10,000	**80,646**
2.15% unsecured bonds, due July 2004	**20,000**	20,000	**161,290**
0.95% unsecured convertible debentures, due September 2005	**20,000**	20,000	**161,290**
Loans, principally from banks due serially to March 2016 with interest rates ranging from 1.15% to 7.48% (2001) and from 1.15% to 6.95% (2000)	**4,326**	4,266	**34,887**
Other	**59**	59	**476**
Total	**74,385**	74,325	**599,879**
Less portion due within one year	**21,039**	913	**169,669**
Long-term debt, less current portion	**¥53,346**	¥73,412	**$430,210**

The 0.95% unsecured convertible debentures outstanding at March 31, 2001 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, 2001 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	**¥21,039**	**$169,669**
2003	**711**	**5,734**
2004	**11,727**	**94,573**
2005	**20,614**	**166,242**
2006	**20,147**	**162,476**
2007 and thereafter	**147**	**1,185**
Total	**¥74,385**	**$599,879**

At March 31, 2001, 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	¥1,399	$11,282
Time deposits	72	581
Investment securities	30	242
Total	¥1,501	$12,105

	Millions of Yen	Thousands of U.S. Dollars
Related liabilities:		
Bank loans	¥ 854	$ 6,887
Long-term debt	1,560	12,581
Total	¥2,414	$19,468

7. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the basic rate of pay at the time of termination, length of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or certain other conditions.
The liability for retirement benefits at March 31, 2001 for directors and corporate auditors is ¥609 million ($4,911 thousand). The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at March 31, 2001 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥50,835	$409,959
Fair value of plan assets	(31,252)	(252,032)
Unrecognized prior service cost	1,127	9,089
Unrecognized actuarial loss	(3,472)	(28,000)
Net liability	¥17,238	$139,016

The components of net periodic benefit costs for the year ended March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service Cost	**¥ 2,235**	**$ 18,024**
Interest Cost	**1,615**	**13,024**
Expected return on plan assets	**(639)**	**(5,153)**
Amortization of prior service cost	**(13)**	**(105)**
Amortization of transitional obligation	**28,209**	**227,492**
Net periodic benefit costs	**¥31,407**	**$253,282**

Assumptions used for the year ended March 31, 2001 were set forth as follows:

Discount rate	**3.5%**
Expected rate of return on plan assets	**4.0%**
Amortization period of prior service cost	**15 years**
Recognition period of actuarial gain / loss	**15 years**
Amortization period of transitional obligation	**Full amount charged to income as incurred**

In September 2000, the Company contributed certain available-for-sale securities with a fair value of ¥16,805 million ($135,524 thousand) to the employees' retirement benefit trusts for the Company and one consolidated subsidiary's non-contributory pension plans, and recognized a non-cash gain of ¥10,105 million ($81,492 thousand). The securities held in this trust are qualified as plan assets.

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 ¥4,176 million ($33,677 thousand) and ¥4,035 million as of March 31, 2001 and 2000, 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, 2001, retained earnings recorded on the Company's books were ¥42,245 million ($340,685 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, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Net sales	**¥ 12**	¥ 82	**$ 97**
Cost of goods sold	**590**	193	**4,758**

10. SEGMENT INFORMATION

Information about industry segments, geographical segment and sales to foreign customers of the Companies for the years ended March 31, 2001 and 2000 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2001				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	**¥106,070**	**¥42,461**	**¥51,475**		**¥200,006**
Intersegment sales	**414**	**7**	**324**	**¥ (745)**	
Total sales	**106,484**	**42,468**	**51,799**	**(745)**	**200,006**
Operating expenses	**96,070**	**44,018**	**47,244**	**8,578**	**195,910**
Operating income (loss)	**¥ 10,414**	**¥(1,550)**	**¥ 4,555**	**¥(9,323)**	**¥ 4,096**

	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				
	2001				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	**$855,403**	**$342,428**	**$415,121**		**$1,612,952**
Intersegment sales	**3,339**	**56**	**2,613**	**$ (6,008)**	
Total sales	**858,742**	**342,484**	**417,734**	**(6,008)**	**1,612,952**
Operating expenses	**774,758**	**354,984**	**381,000**	**69,177**	**1,579,919**
Operating income (loss)	**$ 83,984**	**$ (12,500)**	**$ 36,734**	**$(75,185)**	**$ 33,033**

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2001				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	**¥121,905**	**¥52,288**	**¥60,955**	**¥33,556**	**¥268,704**
Depreciation	**2,362**	**711**	**1,040**	**256**	**4,369**
Capital expenditures	**2,303**	**866**	**1,709**	**100**	**4,978**

	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				
	2001				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	**$983,105**	**$421,677**	**$491,573**	**$270,613**	**$2,166,968**
Depreciation	**19,048**	**5,734**	**8,387**	**2,065**	**35,234**
Capital expenditures	**18,573**	**6,984**	**13,782**	**806**	**40,145**

Note:

Unallocated operating expenses in the preceding table under the caption "Eliminations / Corporate" consist 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, 2001 and 2000 were summarized as follows:

	Millions of Yen					
	2001					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	**¥166,823**	**¥ 9,957**	**¥ 9,965**	**¥13,261**		**¥200,006**
Interarea transfer	**15,513**	**7,663**	**2,175**	**3,428**	**¥(28,779)**	
Total sales	**182,336**	**17,620**	**12,140**	**16,689**	**(28,779)**	**200,006**
Operating expenses	**168,779**	**17,175**	**12,829**	**16,187**	**(19,060)**	**195,910**
Operating income (loss)	**¥ 13,557**	**¥ 445**	**¥ (689)**	**¥ 502**	**¥ (9,719)**	**¥ 4,096**
Assets	**¥210,230**	**¥13,806**	**¥11,861**	**¥ 8,984**	**¥ 23,823**	**¥268,704**

	Millions 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					
	2001					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	**$1,345,347**	**$ 80,298**	**$ 80,363**	**$106,944**		**$1,612,952**
Interarea transfer	**125,105**	**61,798**	**17,541**	**27,645**	**$(232,089)**	
Total sales	**1,470,452**	**142,096**	**97,904**	**134,589**	**(232,089)**	**1,612,952**
Operating expenses	**1,361,121**	**138,508**	**103,460**	**130,540**	**(153,710)**	**1,579,919**
Operating income (loss)	**$ 109,331**	**$ 3,588**	**$ (5,556)**	**$ 4,049**	**$ (78,379)**	**$ 33,033**
Assets	**$1,695,403**	**$111,339**	**$ 95,653**	**$ 72,452**	**$ 192,121)**	**$2,166,968**

(3) Sales to Foreign Customers

Sales to foreign customers for the Companies for the years ended March 31, 2001 and 2000 were summarized as follows:

	Millions of Yen			
	2001			
	North and South America	Europe	Asia Oceania and Africa	Total
Sales to foreign customers	**¥17,270**	**¥ 9,376**	**¥22,212**	**¥48,858**

	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			
	2001			
	North and South America	Europe	Asia Oceania and Africa	Total
Sales to foreign customers	**$139,274**	**$ 75,613**	**$179,129**	**$394,016**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs totaled ¥7,940 million ($64,032 thousand) and ¥5,400 million for the years ended March 31, 2001 and 2000, 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% for the years ended March 31, 2001 and 2000. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 were as follows:

	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars 2001
Current:			
Deferred Tax Assets:			
Accrued enterprise taxes (included in accrued income taxes)	**¥ 107**	¥ 199	$ 863
Allowance for doubtful receivables	**697**	285	5,621
Accrued bonuses	**1,069**	778	8,621
Unrealized profit included in inventories	**1,955**	1,543	15,766
Tax loss carryforwards	**2,118**	1,921	17,081
Other	**413**	584	3,330
Total	**6,359**	5,310	51,282
Less valuation allowance	**2,177**	2,101	17,556
Current deferred tax assets	**¥4,182**	¥3,209	$33,726
Deferred Tax Liabilities:			
Allowance for doubtful receivables	**¥ 69**	¥ 27	$ 557
Other	**13**	14	105
Deferred tax liabilities	**¥ 82**	¥ 41	$ 662
Net deferred tax assets	**¥4,109**	¥3,178	$33,137
Non deferred tax liabilities (included in accrued expenses and other current liabilities)	**¥ 9**	¥ 10	$ 73

	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars 2001
Noncurrent:			
Deferred tax assets:			
Liability for retirement benefits	**¥8,269**	¥ 794	$66,685
Depreciation	**400**	360	3,226
Allowance for doubtful receivables	**8**	16	64
Other	**460**	462	3,710
Deferred tax assets	**¥9,137**	¥1,632	$73,685
Deferred tax liabilities:			
Special Reserves (included in retained earnings)	**¥ 337**	¥ 337	$ 2,718
Unrealized gain on available-for-sale securities	**1,189**		9,588
Other	**107**	47	863
Deferred tax liabilities	**¥1,633**	¥ 384	$13,169
Net deferred tax assets	**¥7,605**	¥1,294	$61,331
Net deferred tax liabilities (included in other long term liabilities)	**¥ 101**	¥ 46	$ 815

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 operations for the years ended March 31, 2001 and 2000 was as follows:

	2001	2000
Normal effective statutory tax rate	**(42.0)%**	42.0%
Expenses not permanently deductible for income tax purposes	**1.2**	3.4
Valuation allowance	**2.1**	7.3
Elimination of dividend income	**0.8**	2.0
Other - net	**0.6**	1.6
Actual effective tax rate	**(37.3)%**	56.3%

13. LEASES

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

Total rental expenses for the years ended March 31, 2001 and 2000 were ¥5,262 million ($42,435 thousand) and ¥4,872 million, respectively, including ¥577 million ($4,653 thousand) and ¥481 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, 2001 and 2000 was as follows:

	Millions of Yen					
	2001			2000		
	Machinery and Vehicles	Furniture and Fixtures	Total	Machinery and Vehicles	Furniture and Fixtures	Total
Acquisition cost	**¥1,330**	**¥2,492**	**¥3,822**	¥1,110	¥2,109	¥3,219
Accumulated depreciation	**495**	**1,164**	**1,659**	348	1,176	1,524
Net leased property	**¥ 835**	**¥1,328**	**¥2,163**	¥ 762	¥ 933	¥1,695

	Thousands of U.S. Dollars		
	2001		
	Machinery and Vehicles	Furniture and Furniture	Total
Acquisition cost	**$10,726**	**$20,097**	**$30,823**
Accumulated depreciation	**3,992**	**9,387**	**13,379**
Net leased property	**$ 6,734**	**$10,710**	**$17,444**

Obligations under finance leases:

	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars 2001
Due within one year	**¥ 581**	¥ 483	**$ 4,686**
Due after one year	**1,582**	1,212	**12,758**
Total	**¥2,163**	¥1,695	**$17,444**

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 operations, computed by the straight-line method was ¥577 million ($4,653 thousand) and ¥481 million for the years ended March 31, 2001 and 2000, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2001 and 2000 were as follows:

	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars 2001
Due within one year	**¥279**	¥263	**$ 2,250**
Due after one year	**674**	647	**5,435**
Total	**¥953**	¥910	**$ 7,685**

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001 for trade notes discounted with banks and for loans guaranteed amounted to ¥1,059 million ($8,540 thousand) and ¥1,285 ($10,363 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 director 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, 2001 and 2000.

	In Thousands	Millions of Yen		In Thousands	Millions of Yen	
	2001			2000		
	Contract or National Amount	Fair Value	Unrealized Gain (Loss)	Contract or National Amount	Fair Value	Unrealized Gain (Loss)
Forward Exchange Contracts:						
Selling U.S. $	**$ 4,500**	**¥554**	**¥ (26)**			
Selling Euro	**EUR 1,700**	**¥185**	**¥ (3)**			
Buying Sterling pound				£ 1,205	¥203	¥ (13)
Purchased Put Options:						
Euro	**EUR 4,100**	**¥ 14**	**¥ (8)**	EUR 300	¥ 2	
Deutsche Mark				DM 500	¥ 2	
Sold Call Options:						
Euro	**EUR 8,065**	**¥ 50**	**¥ (28)**	EUR 630	¥ 2	
Deutsche Mark				DM 6,000	¥ 4	¥ 4

	In Thousands	Thousands of U.S. Dollars	
	2001		
	Contract or National Amount	Fair Value	Unrealized Gain (Loss)
Forward Exchange Contracts:			
Selling U.S. $	**$ 4,500**	**$4,468**	**$ (210)**
Selling Euro	**EUR 1,700**	**$1,492**	**$ (24)**
Purchased Put Options-			
Euro	**EUR 4,100**	**$ 113**	**$ (64)**
Sold Call Options-			
Euro	**EUR 8,065**	**$ 403**	**$ (226)**

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

16. SUBSEQUENT EVENTS

a. On April 25, 2001, the Company issued unsecured ¥15,000 million ($120,968 thousand) bonds due April 2008 with an interest rate of 1.36% in accordance with resolution of the Board of Directors held on March 29, 2001.

b. The following plan of appropriations of retained earnings of the Company for the year ended March 31, 2001 was approved at the general meeting of shareholders held on June 28, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 ($0.02) per share	**¥668**	**$5,387**
Directors' and corporate auditors' bonuses	**61**	**492**

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, 2001 and 2000, and the related consolidated statements of operations, 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, 2001 and 2000, 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 discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments, and a revised accounting standard for foreign currency transactions.

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 28, 2001

Name:
SHIMADZU CORPORATION

Establishment:
1875

Formation of Limited Company:
September,1917

Capital:
¥16.8 billion

Number of Employees:
8,021

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

Branch Offices:
(Domestic) Tokyo,Osaka,Kyoto,Fukuoka,
Nagoya,Yokohama,Saitama,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 28 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 27 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
Shigehiko HATTORI
Tadayoshi FUKUSHIMA
Hiroshi YAMAMOTO,Dr.
Shingo MATSUMOTO
Yasutsugu KAWABE
Toshitake KAWAKAMI
Mikio JOH

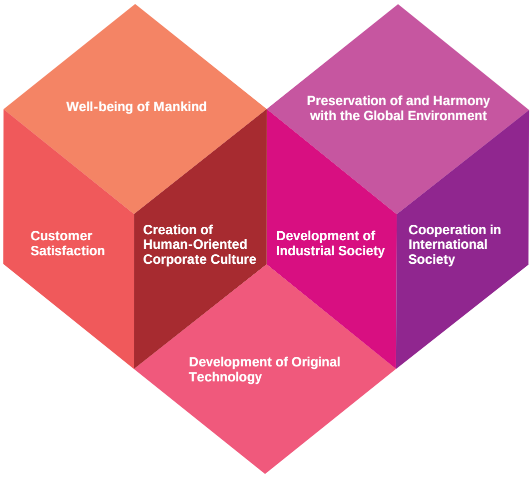
Director
Atsubumi HIRUSAKI
Tohru FUJIKI
Akira NAKAMOTO
Takayuki KATO

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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