Access to **your** success

SHIMADZU

ANNUAL REPORT

Year Ended March 31, 2003

CONTENTS

P012-E402

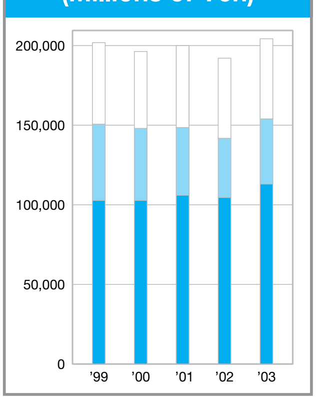
Financial Summary

Years ended March 31

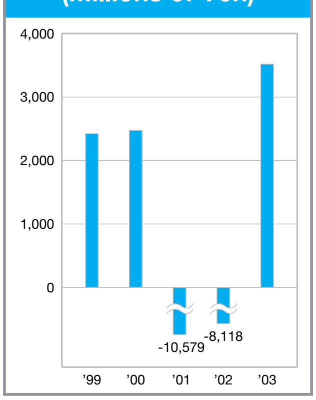
	Millions of Yen					Thousands of U.S. Dollars
For the year:	1999	2000	2001	2002	**2003**	**2003**
Net Sales	¥202,615	¥196,290	¥200,006	¥192,085	**¥204,283**	**$1,702,358**
(Sales by Industry Segments)						
Scientific and Process Instruments	103,550	102,782	106,070	104,627	**113,105**	**942,542**
Medical Systems and Equipment	47,858	45,220	42,461	37,148	**40,864**	**340,533**
Aircraft Equipment and Industrial Machinery	51,207	48,288	51,475	50,310	**50,314**	**419,283**
Operating Income (Loss)	7,389	5,844	4,096	(1,835)	**10,944**	**91,200**
Net Income (Loss)	2,422	2,474	(10,579)	(8,118)	**3,518**	**29,317**
Capital Expenditures	5,288	6,746	4,978	5,536	**3,947**	**32,892**
Depreciation	4,037	4,328	4,369	4,684	**4,416**	**36,800**
At year-end:						
Total Assets	267,419	269,371	268,704	244,496	**244,014**	**2,033,450**
Shareholders' Equity	100,864	101,886	87,139	79,333	**80,528**	**671,067**
Per share:	Yen					U.S. Dollars
Net Income (Loss)	¥ 8.61	¥ 8.87	¥ (39.96)	¥ (30.51)	**¥ 12.78**	**$ 0.11**
Cash Dividends	5.00	5.00	5.00		**5.00**	**0.04**
Shareholders' Equity	377.19	381.08	325.91	296.94	**301.46**	**2.51**
Number of Employees	7,453	7,915	8,021	7,878	**7,879**	

● Note: The U.S. dollar amounts in this report represent translations of Japanese yen for convenience only at the rate of ¥120=US$1. See Note 3 to the consolidated financial statements.

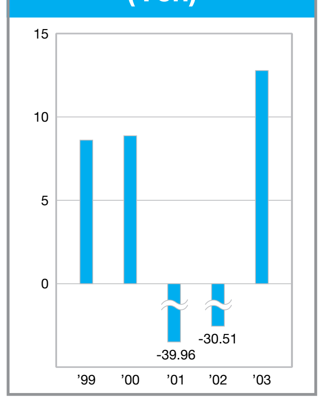
Net Sales (Millions of Yen)



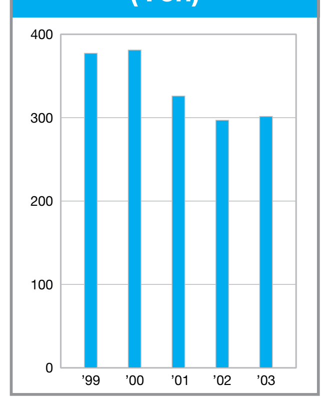
Net Income (Millions of Yen)



Net Income per share (Yen)



Shareholders' Equity per share (Yen)



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

To Our Shareholders And Customers

Review of fiscal 2002 results

Consolidated sales registered ¥204,283 million (up 6.4% over the previous year).
Under the banner of "Selection and Focus", we strengthened our global competitiveness in existing lines of business (scientific and process instruments / medical systems and equipment / aircraft equipment and industrial machinery), advanced three new businesses (focusing on life sciences, environmental solutions, semiconductors / flat panel displays), introduced new products, and put further effort into strengthening lines in accord with clients' needs.

On the profit and loss side, urgent measures were used to reduce personnel costs and fixed expenses to improve the sales-cost ratio, while also reducing selling, general and administrative expenses. This resulted in the improvement in operating income to ¥10,944 million, a big improvement over the operating loss of the previous year. Also, while pursuing "Selection and Focus" in our business operations, our extraordinary income from sales of patent rights and other items were applied against the extraordinary loss on liquidation of subsidiaries. On the other hand, the increased income taxes resulting from the introduction of the pro forma standard taxation system resulted in a net income of ¥3,518 million.

There are no signs of the disappearance of the deflationary trends in the Japanese economy that resulted from the fall of stock prices and the sizable number of bad bank loans. The economic situation remains harsh with both individual consumption and investment in plant and equipment languishing in the doldrums.

Overseas, the U.S. economy has not yet entered recovery, and the European economy is decelerating due to the dilatory effects on exports caused by the high value of the Euro. In Asia, the Chinese economy is trending strong, while recovery in other Asian countries is on track, but concerns over the health of the world economy have grown due to future uncertainties caused by the situation in Iraq.

Outlook for the Next Fiscal Year

We anticipate consolidated sales of ¥210,000 million and a net income of ¥5,000 million next year.

Regarding the future of the Japanese economy, even while prospects for the export situation continue to worsen, investment in equipment will remain harsh, and uncertainties and concerns both at home and abroad on how to deal with the huge amount of bad bank loans and the war in Iraq, etc., make prospects look dim at present. And on top of this, we anticipate an intensification of international competition.

To cope with such a severe business environment, since 2001 we have been implementing urgent measures to cut fixed and fluctuating costs across the board in order to lower the breakeven point. We will continue to cut manufacturing costs, and build an efficient management structure to improve profitability and strengthen operations.

On the business front, we will continue under "Selection and Focus" to concentrate on our main equipment in existing lines of business to meet the global competition, while at the same time, expanding sales by advancing our three new lines of business.

On December 10, 2002, Mr. Koichi Tanaka of Shimadzu Corporation, was awarded the Nobel Prize in Chemistry for development of methods for mass spectrometric analyses of biological macromolecules. We were delighted with this development and proud of his achievement. We will use his example to encourage us to put even more effort into research and development to thereby bring success to our new lines of business. To commemorate Mr. Tanaka's Nobel Prize, we established the Koichi Tanaka Mass Spectrometry Research Laboratory on January 1, 2003. This research laboratory will be at the core of our efforts to explore new horizons in mass spectrometry by creating an environment for the active exchange among a large number of researchers from a broad variety of scientific disciplines.

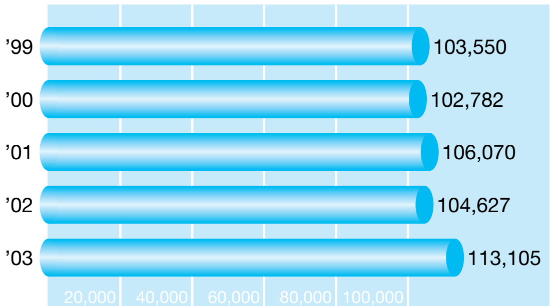
We at Shimadzu greatly appreciate and hope for your continued support.
June, 2003

Hidetoshi Yajima
Chairman of the Board

Shigehiko Hattori
President and Chief Executive Officer

Main Business

Scientific and Process Instruments Business



●Sales during the last 5years

X-ray Foreign Matter Detector for Food Inspection

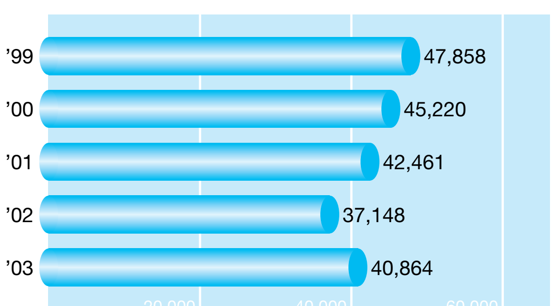
Even though the situation was harsh in the Japanese market due to the private sector cuts in investment in the semiconductor and IT-related markets, there has been a transition toward robust demand spurred by research and development in the life sciences and environmental fields. Overseas, demand was good overall, particularly in Asia.

Amid this situation and in response to trends directed towards the strengthening of safety regulations and environmental-related needs, we have put more effort into our proposal-oriented approach and into the development of new products such as bio-equipment; harmful substance analyzers for the detection residual pesticides in foodstuffs, harmful metals in electronic parts, etc.; environmental-related equipment to satisfy new water quality regulations; non-destructive inspection equipment for the food products industry and other products aimed at the current growth markets.

As a result, consolidated sales in this business totaled ¥113,105 million (up 8.1% over the previous year), and orders increased to ¥114,149 million (up 8.5%).

In the future, we will accelerate development of the growth business fields of bio and environmental enterprises according to our midterm business plan. Especially, in the bio field, we intend to utilize concentrated group efforts to expand this business.

Medical Systems and Equipment Business



●Sales during the last 5years

C-arm Type of X-ray Television Diagnostic Device

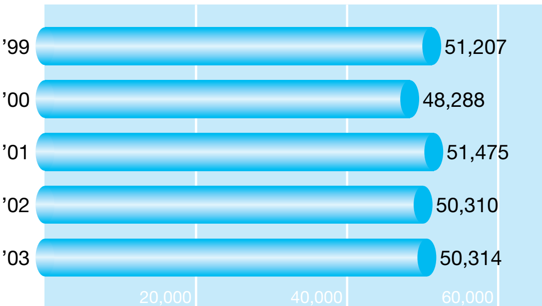
The Japanese market was in disarray due the medical cost cutting that had inhibited investment by medical organizations. Competition both at home and from abroad drove prices down. As for the overseas markets, demand was up, particularly in Asia.

Amid this situation, we pulled out all stops to keep costs down, and relied on our core X-ray equipment technology to develop demand and improve profitability.

As a result, consolidated sales in this business totaled ¥40,864 million (up 10.0% over the previous year), and orders amounted to ¥40,449 million (up 16.8%).

In the future, we plan to focus resources on X-ray equipment and strengthen our competitiveness to improve performance in this line of business. In addition, we plan to market a new X-ray imager with fully digital imaging, and which incorporates the industry's first flat panel detector. (Planned for fiscal 2003)

Aircraft Equipment and Industrial Machinery Business



●Sales during the last 5years

Head-Up Display for Use in Aircraft

Although a harsh business environment continues in the aircraft equipment business due to reduced defense budgets, this sector has begun to strengthen thanks to our efforts to begin developing the replacement parts business.

In the industrial machinery business, though demand remained low for thin film-forming equipment and turbo molecular pumps due to the delayed recovery in the semiconductor / IT sector, we worked to stimulate demand for liquid crystal related equipment in such growth areas as flat panel displays. As for overseas markets, demand for production equipment is increasing in Asia.

As a result, there was a slight increase this year in consolidated sales in this business to ¥50,314 million, with a slight decrease in orders, amounting to ¥49,128 million.

As for the future prospects for our aircraft equipment business, we are well on our way to getting a foothold in the development of domestically produced new aircraft by the Defense Agency. We are also striving to expand sales of test equipment for liquid crystal displays, as well as cutting costs for the turbo molecular pumps used in semiconductor production equipment, with the aim of expanding business.

CLOSE-UP:

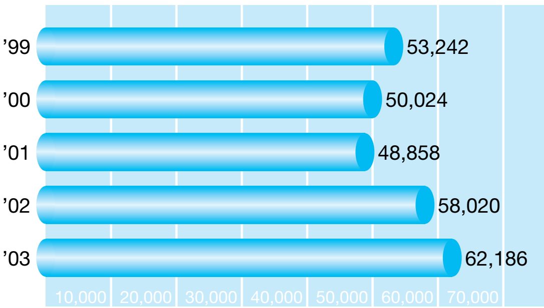
EXPANDING X-RAY ANALYSIS BUSINESS IN RESPONSE TO EU HARMFUL SUBSTANCE REGULATIONS

µEDX Series

The European Union plans to implement restrictions on harmful substances in electrical and electronic equipment in January 2006. In principle, six substances including cadmium, lead, and mercury will be totally banned. In the meantime, there is a rush to find suitable substitutes. Thus, there is an increasing need for analysis to detect harmful substances associated with electrical / electronic equipment. This year, we aggressively worked to expand sales in this area by introducing two instruments that will detect cadmium in plastic, an EDX (energy dispersive type of fluorescent X-ray) and a luminescent analytical instrument incorporating an analyzer with ICP (inductively coupled plasma). As a result of the introduction of these new products ahead of our competitors, and of our sales promotion activities including our rounds of pre-emptive client seminars in the ASEAN region, where there are many factories producing household electric equipment, sales of EDX analyzers this period grew 2.5 times over those of last year, and future sales growth is anticipated.

Main Business

Overseas Activities



●Sales during the last 5years

1. Overview

Fiscal 2002 saw a continued high level of economic growth in China of more than 7%, and in ASEAN countries and India, 4 to 5%. Our consolidated sales in the Asia-Oceania region as a whole grew 17.7%. Sales in Europe grew 4.9%, but due to such factors as the decline in the aircraft manufacturing industry in the United States, and the devaluation of the Brazilian Real currency, sales in North and South America fell by 4.8%. Overall, consolidated sales to overseas markets grew by 7.2% over the previous fiscal year to ¥62,186 million.

Seminar in Singapore on elemental analysis of electronic products

2. Europe

In the analytical equipment field, we are focusing primarily on the pharmaceutical industry, life science, and the environmental markets. We are strengthening our relationships with major pharmaceutical companies and striving to advance into the drug discovery market. In the environmental market, we are exploiting the demand created from an anticipated tighter control of water quality and air quality in Eastern Europe as these countries move toward joining the European Union.

We predict future growth for the emerging markets in Russia, where we added 4 new offices in 2002 for a total of 6, to strengthen our sales and technical support operations in that country.

3. North America

In the analytical equipment field, our U.S. subsidiary, Shimadzu Scientific Instruments, Inc. established a new biotech marketing section to develop the life sciences market. We also strove to expand our MS and LC business in the pharmaceutical industry by strengthening our application support and by holding seminars related to compliance with FDA (Food & Drug Administration) regulations.

In the medical field, we sought to expand sales of CVS (cardiovascular systems) as our focal product, by building up a user base and beefing up support by our application specialists.

4. Asia-Oceania

With the expansion of the infrastructure in China, we anticipated increased investment in the steel/cement, semiconductor and automobile sectors. We sought to expand sales of elemental analysis instruments, material testing machines, and semiconductor equipment. We also continue strong efforts in university projects and in the environmental sector involving the pollution of rivers and ground water, exhaust gas emissions, problem of acid rain, etc.

The demand for elemental analysis instruments has arisen among the electronics and household electric industries in China, Korea and the ASEAN countries due to the upcoming EU regulation of prohibiting the use of hazardous heavy metals in electronic products. We are focusing efforts on application support and extensive client seminars in each country, and are expanding our sales activities in this line of business.

Development of Bio-business

The completion of the Human Genome Project was announced on April 14, 2003. In the future, genome information will be utilized in medical therapy. This will mean more research into proteins, the building blocks for genetic information, and the increased importance of proteomics (the analysis of proteins).

AXIMA-QIT

We plan to expand the bio-business by increasing alliances with bio-ventures and universities, as well as strengthening liaisons with foreign subsidiaries. We are focusing on proteomics as an important future business. The ability to accurately measure the molecular weight of proteins (amino acids) is invaluable to proteomics, and a time-of-flight mass spectrometer is the best tool for this sort of analysis. In 2002, our British subsidiary, Kratos Analytical Ltd., began sales the AXIMA-QIT, a new instrument that we are counting on to expand our market share.

Financial Section

Consolidated Balance Sheets

March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2003**	2002	**2003**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 32,762**	¥ 17,095	**$ 273,017**
Time deposits (Note 6)	**890**	701	**7,416**
Marketable securities (Notes 4)	**120**		**1,000**
Trade receivables:			
Notes and accounts	**71,327**	73,060	**594,392**
Allowance for doubtful receivables	**(1,059)**	(1,145)	**(8,825)**
Net trade receivables	**70,268**	71,915	**585,567**
Inventories (Note 5)	**51,073**	60,877	**425,608**
Deferred tax assets (Note 12)	**3,308**	4,375	**27,567**
Prepaid expenses and other current assets	**2,719**	4,292	**22,658**
Total current assets	**161,140**	159,255	**1,342,833**
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	**19,406**	19,392	**161,717**
Buildings and structures	**49,478**	49,861	**412,317**
Machinery, equipment and vehicles	**17,008**	18,267	**141,733**
Tools, furniture and fixtures	**22,677**	22,909	**188,975**
Construction in progress	**169**	51	**1,408**
Total	**108,738**	110,480	**906,150**
Accumulated depreciation	**(56,762)**	(56,542)	**(473,017)**
Net property, plant and equipment	**51,976**	53,938	**433,133**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 6)	**5,899**	6,637	**49,158**
Investments in unconsolidated subsidiaries and associated companies	**113**	114	**942**
Long-term receivables	**2,402**	2,573	**20,017**
Deferred tax assets (Note 12)	**16,977**	17,671	**141,475**
Other assets	**5,507**	4,308	**45,892**
Total investments and other assets	**30,898**	31,303	**257,484**
TOTAL	**¥244,014**	¥244,496	**$2,033,450**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 3) 2003
CURRENT LIABILITIES:			
Short-term loans (Note 6)	¥ 13,181	¥ 16,469	$ 109,842
Current portion of long-term debt (Note 6)	11,503	846	95,858
Trade notes and accounts payable	39,544	37,076	329,533
Advances from customers	2,863	2,426	23,858
Income taxes payable	1,541	1,320	12,842
Accrued expenses and other current liabilities (Note 12)	13,444	15,411	112,034
Total current liabilities	82,076	73,548	683,967
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	62,484	73,121	520,700
Liability for retirement benefits (Note 7)	17,929	17,796	149,408
Other long-term liabilities (Note 12)	696	281	5,800
Total long-term liabilities	81,109	91,198	675,908
MINORITY INTERESTS	301	417	2,508
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13,14 and 15)			
SHAREHOLDERS' EQUITY (Note 8 and 18):			
Common stock - authorized, 800,000,000 shares; issued, 267,090,952 shares	16,825	16,825	140,208
Additional paid-in capital	25,393	25,393	211,608
Retained earnings	41,587	38,766	346,559
Net unrealized gain on available-for-sale securities	448	1,246	3,733
Foreign currency translation adjustments	(3,617)	(2,890)	(30,141)
Total	80,636	79,340	671,967
Treasury stock, at cost - 326,246 shares in 2003 and 23,153 shares in 2002	(108)	(7)	(900)
Total shareholders' equity	80,528	79,333	671,067
TOTAL	¥244,014	¥244,496	$2,033,450

Consolidated Statements of Operations

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	**2003**
NET SALES (Notes 9 and 18)	**¥204,283**	¥192,085	**$1,702,358**
OPERATING COSTS AND EXPENSES:			
Cost of sales (Notes 9 and 13)	**132,491**	131,455	**1,104,092**
Selling, general and administrative expenses (Notes 10 and 13)	**60,848**	62,465	**507,066**
Total operating costs and expenses	**193,339**	193,920	**1,611,158**
Operating income (loss) (Note 18)	**10,944**	(1,835)	**91,200**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**219**	301	**1,825**
Gain on sales of marketable and investment securities		304	
Interest expense	**(1,517)**	(2,018)	**(12,642)**
Foreign exchange gain (loss), net	**(566)**	531	**(4,717)**
Loss on disposals of inventories	**(1,018)**	(3,350)	**(8,483)**
Loss on write-down of investment securities	**(109)**	(518)	**(908)**
Write-down of goodwill		(3,011)	
Gain on sales of property, plant and equipment	**209**	1,696	**1,742**
Restructuring charge (Note 11)		(6,624)	
Gain on sales of patent rights and other	**1,939**		**16,158**
Loss on liquidation of subsidiaries	**(1,448)**		**(12,067)**
Other, net	**(303)**	(1,078)	**(2,525)**
Other expenses, net	**(2,594)**	(13,767)	**(21,617)**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**8,350**	(15,602)	**69,583**
INCOME TAXES (Note 12):			
Current	**2,564**	2,459	**21,366**
Deferred	**2,278**	(9,939)	**18,983**
Total income taxes	**4,842**	(7,480)	**40,349**
MINORITY INTERESTS IN NET LOSS	**10**	4	**83**
NET INCOME (LOSS)	**¥ 3,518**	¥ (8,118)	**$ 29,317**

	Yen		U.S. Dollars
AMOUNTS PER SHARE (Notes 2.p and 16):			
Net income (loss)	**¥12.78**	¥(30.51)	**$0.11**
Diluted net income	**11.88**		**0.10**
Cash dividends	**5.00**		**0.04**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2003 and 2002

	Issued 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, 2001	267,090,952	¥16,825	¥25,393	¥47,651	¥1,645	¥(4,374)	¥ (1)
Net loss				(8,118)			
Appropriations:							
Cash dividends paid, ¥2.5 per share				(668)			
Directors' and corporate auditors' bonuses				(93)			
Net decrease in unrealized gain on available-for-sale securities					(399)		
Foreign currency translation adjustments						1,484	
Adjustment of retained earnings for newly consolidated subsidiaries				(6)			
Net increase in treasury stock							(6)
BALANCE AT MARCH 31, 2002	**267,090,952**	**16,825**	**25,393**	**38,766**	**1,246**	**(2,890)**	**(7)**
Net income				3,518			
Appropriations:							
Cash dividends paid, ¥2.5 per share				(667)			
Directors' and corporate auditors' bonuses				(30)			
Net decrease in unrealized gain on available-for-sale securities					(798)		
Foreign currency translation adjustments						(727)	
Net increase in treasury stock							(101)
BALANCE AT MARCH 31, 2003	**267,090,952**	**¥16,825**	**¥25,393**	**¥41,587**	**¥ 448**	**¥(3,617)**	**¥(108)**

	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, 2002	**$140,208**	**$211,608**	**$323,050**	**$10,383**	**$(24,083)**	**$ (58)**
Net income			29,317			
Appropriations:						
Cash dividends paid, $0.02 per share			(5,558)			
Directors' and corporate auditors' bonuses			(250)			
Net decrease in unrealized gain on available-for-sale securities				(6,650)		
Foreign currency translation adjustments					6,058	
Net increase in treasury stock						(842)
BALANCE AT MARCH 31, 2003	**$140,208**	**$211,608**	**$346,559**	**$ 3,733**	**$(30,141)**	**$(900)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	**2003**
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	**¥ 8,350**	¥(15,602)	**$ 69,583**
Adjustments for:			
Income taxes paid	**(2,327)**	(2,545)	**(19,392)**
Depreciation and amortization	**4,580**	7,610	**38,167**
Provision for (reversal of) retirement benefits for employees	**258**	(82)	**2,150**
Net loss on sales and write-down of investment securities	**112**	222	**933**
Net loss (gain) on sales and disposals of property, plant and equipment and other assets	**9**	(1,239)	**75**
Foreign exchange loss (gain), net	**17**	(64)	**142**
Allowance for doubtful receivables	**(23)**	691	**(192)**
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease in trade receivables	**2,154**	22,834	**17,950**
Decrease in inventories	**9,254**	7,486	**77,117**
Increase (decrease) in trade payables	**2,019**	(9,218)	**16,825**
Other, net	**(448)**	(413)	**(3,733)**
Total adjustments	**15,605**	25,282	**130,042**
Net cash provided by operating activities	**23,955**	9,680	**199,625**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment and other assets	**1,288**	2,190	**10,733**
Purchases of property, plant and equipment and other assets	**(4,217)**	(5,339)	**(35,142)**
Proceeds from sales of marketable securities		5	
Purchases of marketable securities	**(125)**		**(1,041)**
Proceeds from sales of investment securities	**6**	712	**50**
Purchases of investment securities	**(773)**	(340)	**(6,442)**
Proceeds from acquisition of investment in a subsidiary newly consolidated, net of cash paid	**43**		**358**
Increase in long-term receivables	**(54)**	(133)	**(450)**
Decrease in long-term receivables	**209**	273	**1,742**
Other, net	**(131)**	(82)	**(1,091)**
Net cash used in investing activities	**(3,754)**	(2,714)	**(31,283)**
FINANCING ACTIVITIES:			
Net decrease in short-term loans	**(3,425)**	(7,877)	**(28,542)**
Borrowing of long-term debt	**1,686**	5,676	**14,050**
Repayments of long-term debt	**(1,764)**	(1,218)	**(14,700)**
Issuance of unsecured bonds		14,914	
Redemption of unsecured bonds		(20,000)	
Cash dividends paid	**(667)**	(668)	**(5,558)**
Proceeds from minority shareholders	**48**	1,069	**400**
Other, net	**(101)**	(6)	**(842)**
Net cash used in financing activities	**(4,223)**	(8,110)	**(35,192)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(311)**	476	**(2,592)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**15,667**	(668)	**130,558**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES		7	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**17,095**	17,756	**142,459**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥32,762**	¥ 17,095	**$273,017**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2003 and 2002

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 Financial Reporting 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2003 include the accounts of the Company and its 33 (32 in 2002) domestic subsidiaries and 33 (34 in 2002) overseas subsidiaries. Consolidation of the remaining subsidiaries would not have a 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 fully consolidated.

Investments in five unconsolidated subsidiaries and three associated companies in both 2003 and 2002 are accounted for on the cost basis. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is reported on the balance sheet as consolidation goodwill and is amortized using the straight-line method over 20 years while immaterial amounts of goodwill 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

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost.

ii) available-for-sale securities, which represent securities not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

d. Inventories

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

In addition, the Company and certain domestic subsidiaries have non-contributory funded pension plans covering most employees. The Company and certain domestic subsidiaries accounted for the liabilities for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The Company has an employees' retirement benefit trust for payments of retirement benefits. The securities which were previously contributed to and are held in this trust are qualified as plan assets.

Directors and corporate auditors are not covered by these plans. However, the Company and six domestic subsidiaries provide for 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 receivables 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

Leases are principally 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*

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.

n. *Foreign Currency Financial Statements*

The balance sheet accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rate 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 a separate component of shareholders' equity.
Revenue and expense accounts of the consolidated overseas subsidiaries are translated into yen at the average exchange rate.

o. *Derivative Financial Instruments*

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign currency exchange forward contracts, currency options and interest rate options (caps) are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.
The foreign currency forward contracts, currency options and interest rate options (caps) are measured at the fair value at the balance sheet date and the unrealized gains / losses are recognized in income.

p. *Amounts per Share*

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period.
Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year with an applicable adjustment for related interest expense, net of tax. Basic net income (loss) for the years ended March 31, 2003 and 2002 and diluted net income per share for the year ended March 31, 2003 were computed in accordance with the new standard.
Diluted net income per share for the year ended March 31, 2002 was 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 ¥120 to $1, the approximate rate of exchange at March 31, 2003. 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, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Current-			
Government bonds and other	**¥ 120**		**$ 1,000**
Non-current:			
Equity securities	**¥5,776**	¥6,631	**$48,133**
Government bonds and other	**123**		**1,025**
Trust fund investments and other		6	
Total	**¥5,899**	¥6,637	**$49,158**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2003 and 2002 were as follows:

	Millions of Yen			
March 31, 2003	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥4,052**	**¥1,480**	**¥683**	**¥4,849**
Held-to-maturity	**243**	**3**		**246**
March 31, 2002				
Securities classified as:				
Available-for-sale:				
Equity securities	¥4,120	¥2,494	¥343	¥6,271
Other securities	9		3	6

	Thousands of U.S. Dollars			
March 31, 2003	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$33,767**	**$12,333**	**$5,692**	**$40,408**
Held-to-maturity	**2,025**	**25**		**2,050**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Available-for-sale:			
Equity securities	**¥927**	¥360	**$7,725**

Proceeds from sales of available-for-sale securities for the year ended March 31, 2003 and 2002 were ¥6 million ($50 thousand) and ¥712 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were immaterial and ¥304 million for the years ended March 31, 2003 and 2002, respectively. Gross realized losses on these sales, computed on the moving average cost basis, were ¥3 million ($25 thousand) and ¥9 million for the years ended March 31, 2003 and 2002, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2003 are as follows:

	Carrying amount	
	Millions of Yen	Thousands of U.S. Dollars
	2003	**2003**
Due within one year	**¥120**	**$1,000**
Due after one year through five years	**123**	**1,025**
Total	**¥243**	**$2,025**

5. INVENTORIES

Inventories at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Finished products	**¥18,140**	¥24,553	**$151,167**
Semi-finished products	**7,372**	8,461	**61,433**
Work in process	**17,712**	19,350	**147,600**
Raw materials and supplies	**7,849**	8,513	**65,408**
Total	**¥51,073**	¥60,877	**$425,608**

6. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term 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 0.36% to 5.75% and from 0.35% to 6.90% at March 31, 2003 and 2002, respectively.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
1.825% unsecured bonds, due December 2003	**¥10,000**	¥10,000	**$ 83,333**
2.15% unsecured bonds, due July 2004	**20,000**	20,000	**166,667**
0.95% unsecured convertible debentures, due September 2005	**20,000**	20,000	**166,667**
1.36% unsecured bonds, due April 2008	**15,000**	15,000	**125,000**
Loans, principally from banks, due serially to March 2009 with interest rates ranging from 0.82% to 7.485%	**8,952**	8,920	**74,600**
Other	**35**	47	**291**
Total	**73,987**	73,967	**616,558**
Less portion due within one year	**(11,503)**	(846)	**(95,858)**
Long-term debt, less current portion	**¥62,484**	¥73,121	**$520,700**

The 0.95% unsecured convertible debentures outstanding at March 31, 2003 were convertible into 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, 2003 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004	**¥11,503**	**$ 95,858**
2005	**21,104**	**175,867**
2006	**20,426**	**170,217**
2007	**5,176**	**43,133**
2008	**151**	**1,258**
2009 and thereafter	**15,627**	**130,225**
Total	**¥73,987**	**$616,558**

At March 31, 2003, the following assets were pledged as collateral for short-term loans and long-term debt:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment, net of accumulated depreciation	**¥1,333**	**$11,108**
Time deposits	**84**	**700**
Investment securities	**30**	**250**
Total	**¥1,447**	**$12,508**

	Millions of Yen	Thousands of U.S. Dollars
Related liabilities:		
Short-term loans	**¥ 842**	**$ 7,017**
Long-term debt	**1,427**	**11,891**
Total	**¥2,269**	**$18,908**

7. RETIREMENT AND PENSION PLANS

The Company and certain domestic 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 domestic 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 for directors and corporate auditors were ¥473 million ($3,941 thousand) and ¥640 million at March 31, 2003 and 2002, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥49,767**	¥51,686	**$414,725**
Fair value of plan assets	**(18,677)**	(24,103)	**(155,642)**
Unrecognized prior service cost	**975**	1,051	**8,125**
Unrecognized actuarial loss	**(14,609)**	(11,478)	**(121,741)**
Net liability	**¥17,456**	¥17,156	**$145,467**

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service Cost	**¥2,254**	¥2,146	**$18,783**
Interest Cost	**1,132**	1,565	**9,434**
Expected return on plan assets	**(392)**	(582)	**(3,267)**
Amortization of prior service cost	**(76)**	(76)	**(633)**
Recognized actuarial loss	**780**	232	**6,500**
Net periodic benefit costs	**¥3,698**	¥3,285	**$30,817**

Assumptions used for the years ended March 31, 2003 and 2002 were set forth as follows:

	2003	2002
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**2.5%**	3.5%
Amortization period of prior service cost	**15 years**	15 years
Recognition period of actuarial gain / loss	**15 years, Charged to income from the next period**	15 years, Charged to income from the next period

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the “Code”) to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders’ accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥27,723 million ($231,025 thousand) as of March 31, 2003, based on the amount recorded in the parent company’s general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

9. RELATED PARTY TRANSACTIONS

Net sales and purchases representing transactions of the Companies with unconsolidated subsidiaries and associated companies for the years ended March, 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Net sales	**¥244**	¥255	**$2,033**
Purchases	**796**	591	**6,633**

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs totaled ¥6,545 million ($54,542 thousand) and ¥7,952 million for the years ended March 31, 2003 and 2002, respectively.

11. RESTRUCTURING CHARGE

Restructuring charge for the year ended March 31, 2002 consisted of special retirement benefits as part of voluntary retirement plan of ¥2,017 million, asset impairments of ¥2,058 million, write-down of software and patent of ¥651 million and other expenses of ¥1,898 million.

12. INCOME TAXES

On March 31, 2003, a tax reform law was enacted in Japan which resulted in the normal effective statutory tax rate changing from approximately 42.0% to 40.8%, effective for years beginning April 1, 2004. The effect of this change was to decrease deferred tax assets by ¥410 million ($3,417 thousand) and increase unrealized gain on available-for-sale securities by ¥10 million ($83 thousand) on the consolidated balance sheet as of March 31, 2003. The effect of this change on deferred income taxes in the consolidated statement of operations for the year ended March 31, 2003 is approximately ¥420 million ($3,500 thousand). The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Current:			
Deferred tax assets:			
Allowance for doubtful receivables	**¥ 321**	¥ 294	**$ 2,675**
Accrued bonuses	**1,214**	1,300	**10,116**
Unrealized profit included in inventories	**1,523**	1,465	**12,692**
Tax loss carryforwards	**1,382**	1,294	**11,517**
Restructuring charge		848	
Other	**801**	620	**6,675**
Total	**5,241**	5,821	**43,675**
Less valuation allowance	**(1,878)**	(1,358)	**(15,650)**
Total deferred tax assets	**¥3,363**	¥4,463	**$28,025**
Deferred Tax Liabilities:			
Allowance for doubtful receivables	**¥ 52**	¥ 55	**$ 433**
Other	**4**	36	**33**
Total deferred tax liabilities	**¥ 56**	¥ 91	**$ 466**
Net deferred tax assets	**¥3,308**	¥4,375	**$27,567**
Net deferred tax liabilities (included in accrued expenses and other current liabilities)	**¥ 1**	¥ 3	**$ 8**

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Noncurrent:			
Deferred tax assets:			
Liability for retirement benefits	**¥11,560**	¥12,067	**$ 96,333**
Depreciation	**1,973**	1,709	**16,442**
Allowance for doubtful receivables	**612**	554	**5,100**
Tax loss carryforwards	**3,140**	5,094	**26,167**
Loss on investment in subsidiaries	**3,321**	2,678	**27,675**
Other	**851**	633	**7,091**
Total	**21,457**	22,735	**178,808**
Less valuation allowance	**(166)**	(9)	**(1,383)**
Total deferred tax assets	**¥21,291**	¥22,726	**$177,425**
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit trust	**¥ 3,662**	¥ 3,819	**$ 30,517**
Special reserves (included in retained earnings)	**312**	322	**2,600**
Unrealized gain on available-for-sale securities	**326**	905	**2,717**
Other	**140**	163	**1,166**
Total deferred tax liabilities	**¥ 4,440**	¥ 5,209	**$ 37,000**
Net deferred tax assets	**¥16,977**	¥17,671	**$141,475**
Net deferred tax liabilities (included in other long-term liabilities)	**¥ 126**	¥ 154	**$ 1,050**

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, 2003 and 2002 was as follows:

	2003	2002
Normal effective statutory tax rate	**42.0%**	(42.0)%
Expenses not permanently deductible for income tax purposes	**0.2**	0.8
Valuation allowance	**4.8**	(9.1)
Elimination of dividend income	**4.6**	0.4
Effect of tax rate reduction	**5.0**	
Other, net	**1.4**	2.0
Actual effective tax rate	**58.0%**	(47.9)%

13. LEASES

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

Total rental expenses for the years ended March 31, 2003 and 2002 were ¥5,397 million ($44,975 thousand) and ¥5,562 million, respectively, including ¥564 million ($4,700 thousand) and ¥615 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, 2003 and 2002 was as follows:

	Millions of Yen					
	2003			2002		
	Machinery and Vehicles	Furniture and Fixtures	Total	Machinery and Vehicles	Furniture and Fixtures	Total
Acquisition cost	**¥862**	**¥2,381**	**¥3,243**	¥1,438	¥2,515	¥3,953
Accumulated depreciation	**385**	**1,382**	**1,767**	647	1,223	1,870
Net leased property	**¥477**	**¥ 999**	**¥1,476**	¥ 791	¥1,292	¥2,083

	Thousands of U.S. Dollars		
	2003		
	Machinery and Vehicles	Furniture and Fixtures	Total
Acquisition cost	**$7,183**	**$19,842**	**$27,025**
Accumulated depreciation	**3,208**	**11,517**	**14,725**
Net leased property	**$3,975**	**$ 8,325**	**$12,300**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥ 523**	¥ 616	**$ 4,358**
Due after one year	**953**	1,467	**7,942**
Total	**¥1,476**	¥2,083	**$12,300**

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 ¥564 million ($4,700 thousand) and ¥615 million for the years ended March 31, 2003 and 2002, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥354**	¥325	**$2,950**
Due after one year	**612**	635	**5,100**
Total	**¥966**	¥960	**$8,050**

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2003 for trade notes discounted with banks, for trade notes endorsed and for loans guaranteed amounted to ¥929 million ($7,742 thousand), ¥16 million ($133 thousand) and ¥1,028 million ($8,567 thousand), respectively.

15. DERIVATIVES

The Companies enter into foreign currency forward contracts and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies also enter into interest rate options (caps) to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge foreign currency and interest exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

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

Derivative transactions entered into by the Companies have been made in accordance with internal policies under the supervision of director in charge of the Finance Department.

The Company had the following derivative contracts outstanding at March 31, 2003 and 2002.

	In Thousands	Millions of Yen		In Thousands	Millions of Yen	
	2003			2002		
	Contract or National Amount	Fair Value	Unrealized gain (loss)	Contract or National Amount	Fair Value	Unrealized gain (loss)
Forward Exchange Contracts:						
Selling U.S. $	**$ 16,000**	**¥1,919**	**¥(11)**	$2,000	¥266	¥(1)
Selling Euro	**EUR 2,500**	**324**	**(11)**			
Buying U.S. $	**$ 356**	**43**	**1**			
Interest rate caps:						
Purchased interest caps	**¥ 360**	**11**	**(6)**			

	In Thousands	Thousands of U.S. Dollars	
	2003		
	Contract or National Amount	Fair Value	Unrealized gain (loss)
Forward Exchange Contracts:			
Selling U.S. $	**$ 16,000**	**$15,992**	**$(92)**
Selling Euro	**EUR 2,500**	**2,700**	**(92)**
Buying U.S. $	**$ 356**	**358**	**8**
Interest rate caps:			
Purchased interest caps	**¥ 360**	**92**	**(50)**

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

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2003 and 2002 is as follows:

	Yen in millions	Thousands of shares	Yen	Dollars
	Net income (loss)	Weighted average shares	EPS	
For the year ended March 31, 2003:				
Basic EPS				
Net income available to common shareholders	**¥ 3,410**	**266,945**	**¥ 12.78**	**$0.11**
Effect of Dilutive Securities Convertible bonds	**113**	**29,542**		
Diluted EPS				
Net income for computation	**¥ 3,523**	**296,487**	**¥ 11.88**	**$0.10**
For the year ended March 31, 2002:				
Basic EPS				
Net loss attributable to common shareholders	¥(8,149)	267,084	¥(30.51)	

17. SUBSEQUENT EVENTS

The following appropriations of retained earnings of the Company for the year ended March 31, 2003 was approved at the general meeting of shareholders held on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 ($0.02) per share	**¥667**	**$5,558**
Directors' and corporate auditors' bonuses	**78**	**650**

18. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2003 and 2002 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2003				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	**¥113,105**	**¥40,864**	**¥50,314**		**¥204,283**
Intersegment sales	**174**	**13**	**501**	**¥ (688)**	
Total sales	**113,279**	**40,877**	**50,815**	**(688)**	**204,283**
Operating expenses	**98,663**	**40,970**	**47,997**	**5,709**	**193,339**
Operating income (loss)	**¥ 14,616**	**¥ (93)**	**¥ 2,818**	**¥(6,397)**	**¥ 10,944**

	Millions of Yen				
	2002				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	¥104,627	¥37,148	¥50,310		¥192,085
Intersegment sales	459	2	464	¥ (925)	
Total sales	105,086	37,150	50,774	(925)	192,085
Operating expenses	98,264	40,446	46,344	8,866	193,920
Operating income (loss)	¥ 6,822	¥ (3,296)	¥ 4,430	¥(9,791)	¥ (1,835)

	Thousands of U.S. Dollars				
	2003				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	**$942,542**	**$340,533**	**$419,283**		**$1,702,358**
Intersegment sales	**1,450**	**108**	**4,175**	**$ (5,733)**	
Total sales	**943,992**	**340,641**	**423,458**	**(5,733)**	**1,702,358**
Operating expenses	**822,192**	**341,416**	**399,975**	**47,575**	**1,611,158**
Operating income (loss)	**$121,800**	**$ (775)**	**$ 23,483**	**$(53,308)**	**$ 91,200**

b. Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2003				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	**¥109,737**	**¥37,440**	**¥52,367**	**¥44,470**	**¥244,014**
Depreciation	**2,265**	**777**	**1,067**	**307**	**4,416**
Capital expenditures	**2,061**	**787**	**732**	**367**	**3,947**

	Millions of Yen				
	2002				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	¥114,998	¥41,618	¥50,679	¥37,201	¥244,496
Depreciation	2,470	788	1,123	303	4,684
Capital expenditures	2,649	637	1,579	671	5,536

	Thousands of U.S. Dollars				
	2003				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	**$914,475**	**$312,000**	**$436,392**	**$370,583**	**$2,033,450**
Depreciation	**18,875**	**6,475**	**8,892**	**2,558**	**36,800**
Capital expenditures	**17,175**	**6,558**	**6,100**	**3,059**	**32,892**

Note:

Eliminations/Corporate include unallocated operating expenses of ¥6,430 million ($53,583 thousand) and ¥9,848 million for the years ended March 31, 2003 and 2002, respectively, consisting principally of general corporate expenses incurred by the administration of the Company, fundamental research and development expenses and advertisement expenses.

Eliminations/Corporate include corporate assets of ¥44,741 million ($372,842 thousand) and ¥37,560 million for the years ended March 31, 2003 and 2002, respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to Company's administration headquarters.

(2) Geographical Segments

	Millions of Yen					
	2003					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	**¥160,537**	**¥13,744**	**¥11,779**	**¥18,223**		**¥204,283**
Intersergment sales	**18,321**	**9,408**	**1,892**	**3,240**	**¥(32,861)**	
Total sales	**178,858**	**23,152**	**13,671**	**21,463**	**(32,861)**	**204,283**
Operating expenses	**163,751**	**22,128**	**13,985**	**20,369**	**(26,894)**	**193,339**
Operating income (loss)	**¥ 15,107**	**¥ 1,024**	**¥ (314)**	**¥ 1,094**	**¥ (5,967)**	**¥ 10,944**
Assets	**¥175,745**	**¥13,926**	**¥13,550**	**¥11,067**	**¥ 29,726**	**¥244,014**

	Millions of Yen					
	2002					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	¥150,476	¥13,300	¥12,111	¥16,198		¥192,085
Intersegment sales	17,498	8,790	2,107	3,225	¥(31,620)	
Total sales	167,974	22,090	14,218	19,423	(31,620)	192,085
Operating expenses	161,613	21,437	13,672	18,670	(21,472)	193,920
Operating income (loss)	¥ 6,361	¥ 653	¥ 546	¥ 753	¥(10,148)	¥ (1,835)
Assets	¥179,990	¥15,992	¥14,052	¥11,053	¥ 23,409	¥244,496

	Thousands of U.S. Dollars					
	2003					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	**$1,337,808**	**$114,533**	**$ 98,158**	**$151,859**		**$1,702,358**
Intersegment sales	**152,675**	**78,400**	**15,767**	**27,000**	**$(273,842)**	
Total sales	**1,490,483**	**192,933**	**113,925**	**178,859**	**(273,842)**	**1,702,358**
Operating expenses	**1,364,591**	**184,400**	**116,542**	**169,742**	**(224,117)**	**1,611,158**
Operating income (loss)	**$ 125,892**	**$ 8,533**	**$ (2,617)**	**$ 9,117**	**$ (49,725)**	**$ 91,200**
Assets	**$1,464,541**	**$116,050**	**$112,917**	**$ 92,225**	**$ 247,717**	**$2,033,450**

(3) Sales to Foreign Customers

	Millions of Yen			
	North and South America	Europe	Asia Oceania and Africa	Total
2003	**¥20,235**	**¥10,919**	**¥31,032**	**¥62,186**
2002	21,246	10,409	26,365	58,020

	Thousands of U.S. Dollars			
	North and South America	Europe	Asia Oceania and Africa	Total
2003	**$168,625**	**$90,992**	**$258,600**	**$518,217**

Independent Auditors' Report

Deloitte
Touche
Tohmatsu

To the Board of Directors and Shareholders of
Shimadzu Corporation:

We have audited the accompanying consolidated balance sheets of Shimadzu Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shimadzu Corporation and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits 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 27, 2003

Name:
SHIMADZU CORPORATION

Establishment:
1875

Formation of Limited Company:
September,1917

Capital:
¥16.8 billion

Number of Employees:
7,879

Head Office:
1,Nishinokyo-Kuwabaracho,Nakagyo-ku,
Kyoto 604-8511,Japan
Phone:+81-75-823-1111

Branch Offices:
(Domestic) Tokyo,Osaka,Kyoto,Fukuoka,
Nagoya,Yokohama,Saitama,Kobe,Tsukuba,
Hiroshima,Sendai,Sapporo,Takamatsu
(Overseas) Istanbul,Moscow

Works:
Sanjo,Murasakino,Atsugi,Hadano,Seta

Consolidated Subsidiaries:
(Domestic)
SHIMADZU RIKA INSTRUMENTS CO.,LTD.
SHIMADZU MECTEM,INC.
SHIMADZU TECHNO-RESEARCH,INC.
The other 30 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)
The other 28 subsidiaries

Directors and Corporate Auditors

Chairman of the Board
Hidetoshi Yajima

President and Chief Executive Officer
Shigehiko Hattori

Senior Managing Director
Masahisa Hirato
Tadayoshi Fukushima
Hiroshi Yamamoto,Dr.

Managing Director
Yasutsugu Kawabe
Toshitake Kawakami
Tohru Fujiki

Director
Akira Nakamoto
Takayuki Kato
Yasumitsu Takagi
Shingo Takimoto
Soju Onose
Kazuo Wakasa
Tsunekazu Matsuyama

Corporate Auditor
Ryuji Ueda
Atsubumi Hirusaki
Toshinori Nomura
Kanji Uemura

SHIMADZU

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