P012-E405

Access to your success
SHIMADZU

ANNUAL REPORT 2005

Year ended March 31, 2005

Profile

Since its establishment in 1875, Shimadzu Corporation has incorporated cutting-edge technologies in a diversity of products that have been supplied in large numbers to numerous areas of science and industry.

Today, Shimadzu is engaged world-wide in four core business areas: scientific and process instruments, medical systems and equipment, aircraft equipment, and industrial machinery.

In the field of scientific and process instruments, our products, most notably chromatographs, are used extensively by petrochemical, pharmaceutical, food and environmental analysis companies in their R&D and production departments for quality control.

In the medical systems and equipment business we are developing sophisticated diagnostic imaging equipment such as X-ray diagnostic systems and PET systems.

In the field of aircraft equipment, we supply a wide variety of products, including flight control systems and head-up displays to numerous aircraft manufacturers, primarily the Japan Defense Agency.

In the industrial equipment field we primarily supply turbomolecular pumps and film deposition systems to manufacturers of semiconductors and other manufacturers, as well as hydraulic components to producers of forklift trucks.

To translate our operation principle "For the Well-being of Mankind and the Earth" into reality, we retain our global commitment to providing numerous fields of industry and science with equipment and services that utilize state-of-the-art technologies to meet the demands of the times. In this way, we can contribute to the development of society.

Contents

Consolidated Financial Highlights

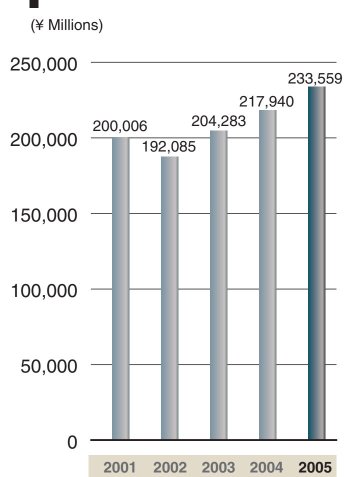
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
For the year:	2001	2002	2003	2004	2005	2005
Net sales	¥200,006	¥192,085	¥204,283	¥217,940	¥233,559	$2,182,794
(Sales by Industry Segments)						
Scientific and Process Instruments	105,502	103,876	112,198	122,918	131,643	1,230,308
Medical Systems and Equipment	42,461	37,148	40,864	41,471	44,291	413,935
Aircraft Equipment and Industrial Machinery	48,984	47,141	47,804	49,251	52,306	488,841
Other	3,059	3,920	3,417	4,300	5,319	49,710
Operating Income (Loss)	4,096	(1,835)	10,944	16,898	20,587	192,402
Net Income (Loss)	(10,579)	(8,118)	3,518	5,912	11,902	111,234
Capital Expenditures	4,978	5,536	3,947	11,525	6,350	59,346
Depreciation	4,369	4,684	4,416	4,420	4,678	43,720
At year-end:						
Total Assets	268,704	244,496	244,014	256,399	262,846	2,456,505
Shareholders' Equity	87,139	79,333	80,528	85,676	96,387	900,813

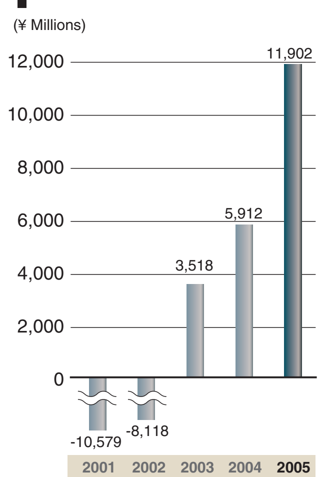
	Yen					U.S. Dollars
Per share:						
Basic Net Income(Loss)	¥ (39.96)	¥ (30.51)	¥ 12.78	¥ 21.64	¥ 43.87	$ 0.41
Cash Dividends	5.00		5.00	5.00	7.00	0.07
Shareholders' Equity	325.91	296.94	301.46	320.72	360.81	3.37

Note: The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥107=US$1. See Note 4 to the consolidated financial statements.

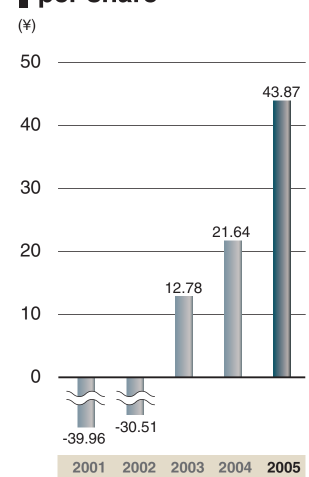
Net Sales



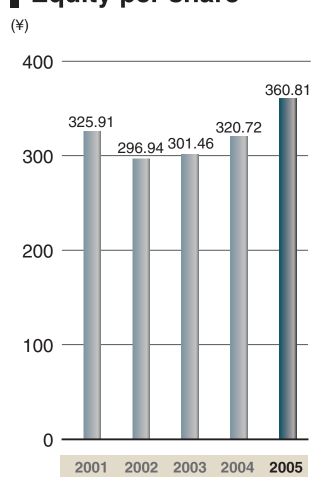
Net Income



Basic Net Income per share



Shareholders' Equity per share



To Our Shareholders

Shigehiko Hattori
President and Chief Executive Officer

Business Review

In fiscal 2004, ended March 31, 2005, the Japanese economy showed signs of slowing in the second half, however, overall there was an increase in private-sector capital investment, particularly in the manufacturing sector, and consumer spending staged a modest recovery. Meanwhile, the U.S. economy sustained robust growth, and East Asian economic activity continued to expand, particularly in China, fueling Japanese exports. The result was that, in spite of raw material price rises, the Japanese economy sustained its pace of recovery.

Given these conditions, we focused on the implementation of a range of measures in what was the final year of the Shimadzu Group's medium-term management plan. These were principally the large-scale reform of our cost structure and the development of operations in growth fields based on our "selection and focus" policy. In addition, to aid this strategy's implementation, we emphasized the reform of our business processes from the sales stage through to the manufacturing and service stages, strengthening and reorganizing our business structure, and increasing sales of new products designed to fulfill customer needs.

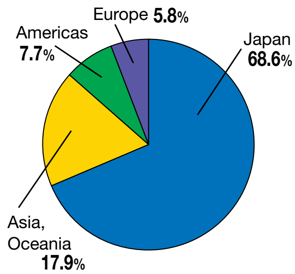
As a result, our sales increased 7.2% year-on-year, to ¥233,559 million (US$2,183 million), and net income rose 101.3% to ¥11,902 million (US$111 million) on a consolidated basis.

We paid a term-end dividend of ¥2.5 per share, plus a commemorative dividend of ¥2 per share to mark the 130th anniversary of the Company's establishment, creating a total of ¥4.5 per share. Combined with the interim dividend of ¥2.5, the total annual dividend was ¥7 (US$0.07) per share.

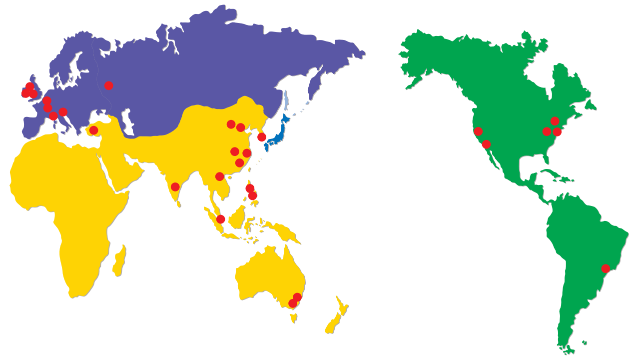
Viewing the year's sales by region, in the Japanese market demand was boosted by the recovery in private-sector capital investment, and demand related to the strengthening of environmental and safety regulations was also robust. As a result, sales rose 4.5% year-on-year, to ¥160,238 million.

In North America, demand for scientific and process instruments was buoyed by factors such as a recovery in capital investment in the manufacturing sector, which in turn expanded sales, particularly of chromatographs. Sales growth was seen in South America as well, due to

Sales by Region (FY2004)



Principal overseas bases



large-scale government sector orders for medical systems and equipment. As a result, sales in the Americas as a whole totaled ¥17,982 million, up 5.1% from the previous year.

In Europe, market expansion resulting from enlargement of the European Union brought substantial increases in sales of both scientific and process instruments, and medical systems and equipment. As a result, total sales in this segment rose 19.1%, to ¥13,588 million.

In Asia and Oceania, demand in China continued to rise strongly, particularly in the field of scientific and process instruments, with other regions showing increases as well. As a result, sales in this region totaled ¥41,751 million, up 15.7%.

Forecast for FY2005

Looking ahead, we expect the Japanese economy to sustain its modest recovery trend, however, the outlook is nonetheless clouded with uncertainty due to rises in the prices of crude oil and other raw materials.

In fiscal 2005, ended March 31, 2006, we forecast sales of ¥237,000 million, up 1.5% year-on-year, operating income of ¥21,000 million, up 2.0%, and net income of ¥10,500 million, down 11.8%.

The New Medium-Term Management Plan

The Shimadzu Group inaugurated a new three-year medium-term management plan in April 2005. At the core of this new plan are the basic policies of building a firm foundation for Shimadzu Group earnings (structural reform of business operations) and taking on new challenges to achieve new growth (global growth): both of which are designed to drive our growth as a truly global corporation.

In our business operations we will foster the globalization of our existing business activities, primarily in North America and China and other parts of East Asia, with the aim of further strengthening our core businesses. Additionally, while pursuing and expanding new lines of business in the life sciences field, we will also begin activity in next-generation medical treatment and diagnostics, and the environment and energy fields.

As a result, we are taking a long-term perspective in our development of core, cutting-edge technologies, and in tandem with this we seek to enhance profitability and reinforce our corporate strengths by reforming our business structure. Reforms will include focusing on establishing an in-house production system, improving our sales and service structure, raising the efficiency of our business processes by reconstructing our core computer systems, and enhancing the strength and efficiency of Shimadzu Group management.

I would like to thank our shareholders for their continued support.

July 2005

Shigehiko Hattori
President and Chief Executive Officer

New Medium-Term Management Plan

Shimadzu began implementing its new Medium-term Management Plan from fiscal 2005 to fiscal 2007. The plan's aim is to build on and increase the superb results achieved under the previous three-year medium-term management plan, in the form of selection and focus on profitable businesses, and reform of the Company's cost structure. These efforts have led to a major improvement in our earnings ability, and over the next three years we will be pursuing global expansion (promoting globalization, investing in growth businesses, acquiring cutting-edge technologies) and structural reform of business operations (implementing production reforms, implementing sales and service reforms, strengthening group management). This will allow us to further strengthen our earnings structure and achieve further global growth.

Targets in new Medium-term Management Plan

Years ended March 31

Sales: ¥270 billion, operating margin of 10% or over, overseas sales ratio of 35% or over

(¥ Billions)

	2005	2008 (Target)	Change
Net sales	233.6	270.0	+16%
Operating income	20.6	27.0	+31%
Operating margin	8.8%	10% or over	—
Overseas sales	73.3	94.0	+28%
Overseas sales ratio	31.4%	35% or over	—

Global Growth

Promotion of globalization

By focusing on products for which we already enjoy large Japanese market shares, we will strive to increase overseas sales and services, and build a world-leading brand. This plan calls for the current overseas sales ratio of 31.4% in fiscal 2004, to increase to 35% or over by fiscal 2007. Our long-term goal is to increase this ratio to more than 50%, and to that end we will be taking active steps to increase sales in larger markets that have strong growth potential.

Scientific and process instruments

In the North American market, the world's largest, we will seek to increase our market share in products such as gas chromatographs, gas chromatograph-mass spectrometers, and liquid chromatographs, primarily in the fields of pharmaceuticals and petrochemicals, thereby increasing our profile in the world market. In China, a promising growth market, we will strive to increase sales in a wide range of fields.

Medical systems and equipment

In Japanese and overseas markets, particularly in North America, we will take vigorous steps to increase sales of our flat panel detector-equipped X-ray diagnostic systems, which offer outstandingly sharp image quality.

Industrial machinery

Our primary goals are to increase overseas sales of turbomolecular pumps and LCD-array inspection systems, as well as expand our Chinese market sales of hydraulic equipment.

Investment of resources in growth businesses

We will sustain our active investment in the life-science field. We plan to develop state-of-the-art analytical instruments to conduct increasingly sophisticated genetic and protein analysis, and also to enter the diagnostic field by initiating research into disease biomarker discovery for early disease detection. Our aim is to increase the scale of this business to ¥17,600 million (equipment and reagents ¥17,000 million; contractual analytical services ¥600 million) by fiscal 2007, an increase of 50% from fiscal 2004.

Acquisition of cutting-edge technologies

With a view to addressing society's future needs, we will undertake the development of cutting-edge technologies with a long-term perspective. In particular, we will develop advanced molecular imaging technologies that allow the observation of functional changes in cells at the molecular level to permit the early diagnosis of disease, and new technologies for carbon dioxide fixation and soil recovery, which will help prevent the ever-worsening destruction of the Earth's environment.

Structural Reform of Business Operations

Production reforms

We will begin production reform, with our key objective being the creation a system that permits wide-range, small-lot production of products in short periods. Our aim in doing this is to solve completely the problem of wasting of inventory, time, and labor that has occurred up until now when using wide-range, small-lot production.

Production reforms will enable us to transform our present external subcontractor-based make-to-stock production system to an in-house build-to-order production system. (Only the minimum amount of component inventory is maintained, and products can be manufactured quickly once ordered.) This system will be applied to scientific and process instruments.

The expected results of this will be the dramatic shortening of lead times (from 90-120 days at present, to 5-21 days), substantial reductions in inventories (¥10,000 million lower than currently), and cost-cutting (¥7,000 million of cuts in such areas as procurement, goods distribution and reduction of defective product-related costs).

In addition, increases in personnel costs will be restrained by the ongoing creation of subsidiaries to which this production will be assigned.

The capital investment required to implement this production reform is projected to total ¥3,500 million for the new construction of production plants for scientific and process instruments (scheduled to begin operations in November 2006), and ¥1,100 million for reconstruction of computer network systems.

Concept drawing of a new plant for the manufacture of scientific and process instruments to be constructed as part of the production reforms. (Kyoto)

Sales and service reforms

To increase customer satisfaction, we will reorganize our sales and service companies, increase customer coverage by establishing sales information systems, and enhance our global marketing.

Strengthening of Shimadzu Group management

We will further strengthen Shimadzu Group management so as to generate synergies throughout the Shimadzu Group. This will be carried out by enhancing business consolidation (consolidated management in which groups formed through inter-company links by business segment are treated as management units), increasing the efficiency of Shimadzu Group business, and tightening internal controls for Shimadzu Group administration and operations.

Scientific and Process Instruments

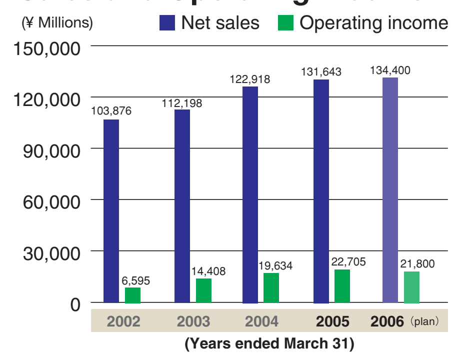
Shimadzu's GCMS, being used to effectively monitor water quality at a water purification plant in Japan

This segment primarily handles gas chromatographs (GCs), gas chromatograph-mass spectrometers (GCMSs), and liquid chromatographs (LCs). We have a wide line-up of highly competitive products, most of which enjoy the top share in the Japanese market.

Shimadzu is one of only a handful of companies in Japan manufacturing a comprehensive range of products in these categories. These include instruments that can accurately identify chemical compounds contained in samples, and precisely measure the amount of the chemical concerned, as well as testing machines for measuring the strength of materials. These instruments are used by customers in the pharmaceutical, petrochemical, and semiconductor industries, as well as by university research facilities. They are widely employed in research and development, product quality control, and environmental monitoring such as of air, water, and soil pollution. On top of the large market shares our products enjoy in Japan, they have also recently been making increasing inroads into the world's largest market, the United States.

We have also recently moved into the new business area of the life sciences, including instruments for the analysis of DNA and proteins, and contractual analytical services. We are also pursuing research into next-generation technology for the early detection of biomarkers, as yet another means of combating disease.

Sales and Operating Income

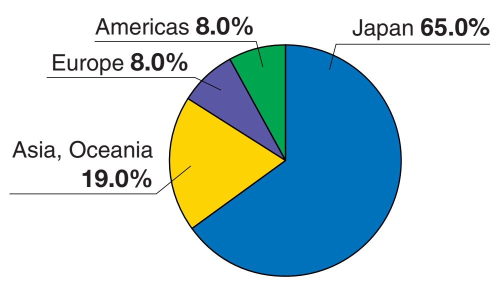


Overview for FY2004

In the Japanese market, the recovery in private-sector capital investment brought about an increase in demand, and there was also remarkably strong demand relating to the stiffening of environmental and safety regulations, for example the revision of the Water Supply Law in Japan, as well as WEEE and RoHS (European Union regulations on harmful substances). As a result, we registered robust sales of mainstay products such as chromatographs, mass spectrometers, total organic carbon analyzers and X-ray fluorescence spectrometers. The recovery in private capital investment also fueled robust sales of material testing machines. In overseas markets, sales were also brisk, particularly in China.

As a result, sales in this segment totaled ¥131,643 million, up 7.1% year-on-year, and operating income totaled ¥22,705 million, up 15.6%.

Sales by Region (FY2004)



Forecast for FY2005

In the Japanese market, vigorous capital investment is expected to sustain demand at a high level. Overseas, although we expect a dip in sales in the Asia-Oceania region, we are forecasting sales growth in the Americas and Europe, where we are strengthening our operations.

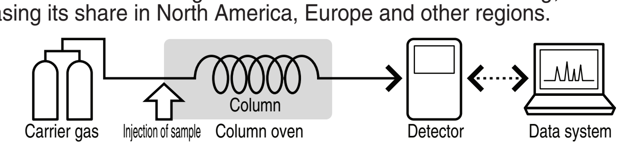
We forecast sales in this segment of ¥134,400 million, up 2.1% year-on-year, and operating income of ¥21,800 million, down 4.0%.

Main points of New Medium-term Management Plan

- ∗ Expansion of overseas business, with emphasis on North America and China
- ∗ Expansion of life-science business
- ∗ Expansion of strategic products in the LC, GC, and GCMS categories

Chromatographs

A device to separate the components of a chemical compound by means of a column, and to analyze those components and their quantities. There are two types of chromatographs: gas and liquid, the former conducting the separation and analysis after vaporization of the sample at a high temperature, and the latter doing so at normal temperatures. Chromatographs are used for research and development and quality management in a wide range of fields, such as petrochemicals, pharmaceuticals, foods, and environmental analysis. Shimadzu has the leading market share in Japan for both types, and is dedicated both to raising still further its domestic standing, and also to increasing its share in North America, Europe and other regions.



Basic mechanism of a gas chromatograph

Business Performance

Medical Systems and Equipment

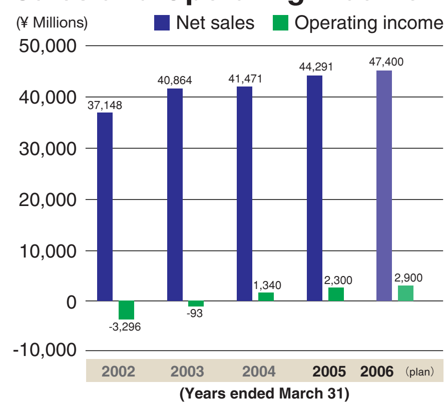
Shimadzu's FPD-equipped X-ray diagnostic systems in use for a medical operation in Japan

In this segment, we are involved in the development of diagnostic imaging systems for the detection and identification of abnormalities in patients' internal organs or bone structure. This equipment consists mainly of X-ray diagnostic systems and CT scanning equipment.

Amid an extremely competitive business environment, the management of Shimadzu have taken a bold initiative to reorganize the operational structure of this business, and these efforts are now bearing fruit in the form of growing competitiveness. The focus of efforts at the moment is on X-ray diagnostic systems and positron emission tomography (PET) diagnosis equipment.

We are experiencing an expansion in sales of X-ray equipment products that do not use film, and are instead equipped with digital flat panel detectors (FPDs).

Sales and Operating Income

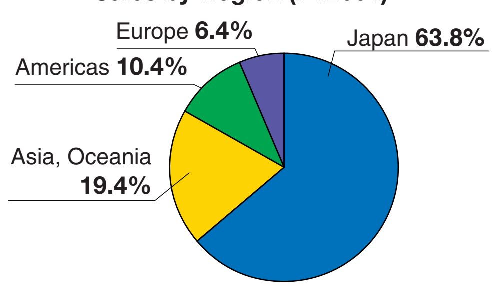


Overview for FY2004

Increasingly intense competition caused prices to trend downward in the Japanese market, however, sales were nonetheless brisk, particularly of new products such as PET equipment for early cancer screening, and circulatory organ X-ray diagnostic systems equipped with FPDs that are capable of digital imaging. Performance in overseas markets was sluggish, impacted by factors such as the previous year's SARS-related demand in the East Asian region.

As a result, sales in this segment totaled ¥44,291 million, up 6.8% from the previous year, and operating income was ¥2,300 million, up 71.7%.

Sales by Region (FY2004)



Forecast for FY2005

The range of FPD-equipped X-ray diagnostic systems will be expanded to cover not only the circulatory system but also the digestive system. We will also conduct full-scale marketing in the United States. In the PET area, we will invest in PET-CT products with the aim of maintaining and increasing domestic market share.

We forecast sales in this segment of ¥47,400 million, up 7.0% year-on-year, and operating income of ¥2,900 million, up 26.1%.

Main points of New Medium-term Management Plan

- ＊ Expand business relating to FPD-equipped X-ray diagnostic systems
- ＊ Maintain and increase PET equipment domestic market share
- ＊ Expand service business

FPD-Equipped X-Ray Diagnostic Systems

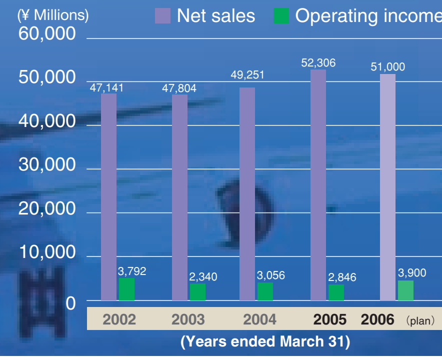
The flat panel detector (FPD) for medical use is a new device capable of digital X-ray imaging instead of conventional analog media such as film. Of the two methods used by FPD panels to convert X-rays, namely direct and indirect, Shimadzu has succeeded in developing direct-method FPDs, which produce clearer images. In 2003 Shimadzu mounted these units on its X-ray diagnostic system for circulatory organs and began sales. The FPD-based diagnostic system lineup has expanded progressively since then, including the adding of FPDs to digestive system radiography systems. Sales are increasing steadily, aided by the launch of these systems in the U.S.


Image produced by a circulatory organ X-ray system incorporating a direct-conversion FPD. This system makes it possible to see sharp delineations in the fine structure of heart capillaries.

Business Performance

Aircraft Equipment and Industrial Machinery

Sales and Operating Income



Aircraft Equipment

In this segment, we develop and manufacture aircraft components for supply to aircraft makers in Japan. The majority of demand is for military planes ordered by the Japan Defence Agency, however Shimadzu also supplies parts for Boeing corporation's passenger aircraft.

Shimadzu has an extensive record of deliveries of components for aircraft control systems, air conditioning systems, and head-up displays. We are currently developing components for inclusion in two new models of aircraft for the Japan Defense Agency that are scheduled to go into mass production around the year 2010.

Overview for FY2004

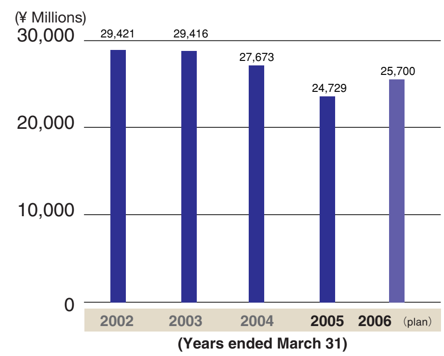
The operating environment remained very difficult, adversely affected by factors such as the Japanese government's defense-budget constraints and the sluggishness of overseas demand for passenger aircraft. As a result, performance was lackluster both domestically and overseas.

As a result, sales in this segment fell by 10.6% year-on-year, to ¥24,729 million.

Forecast for FY2005

Demand related to the Japan Defence Agency and to passenger aircraft overseas is expected to show an upturn from the end of fiscal 2004.We forecast sales in this segment of ¥25,700 million, up 3.9% year-on-year.

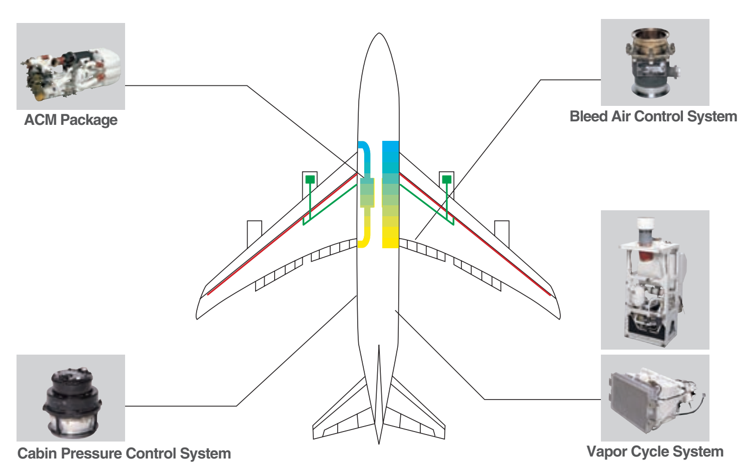
Sales



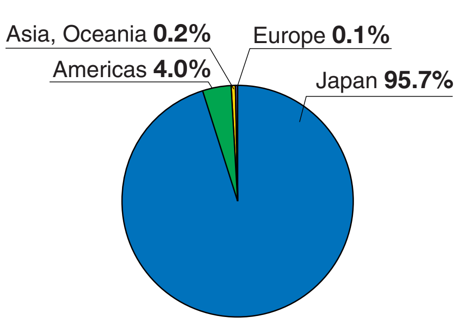
Main points of New Medium-term Management Plan

* Promote equipment for development of P-X/C-X aircraft
* Develop new business in passenger aircraft

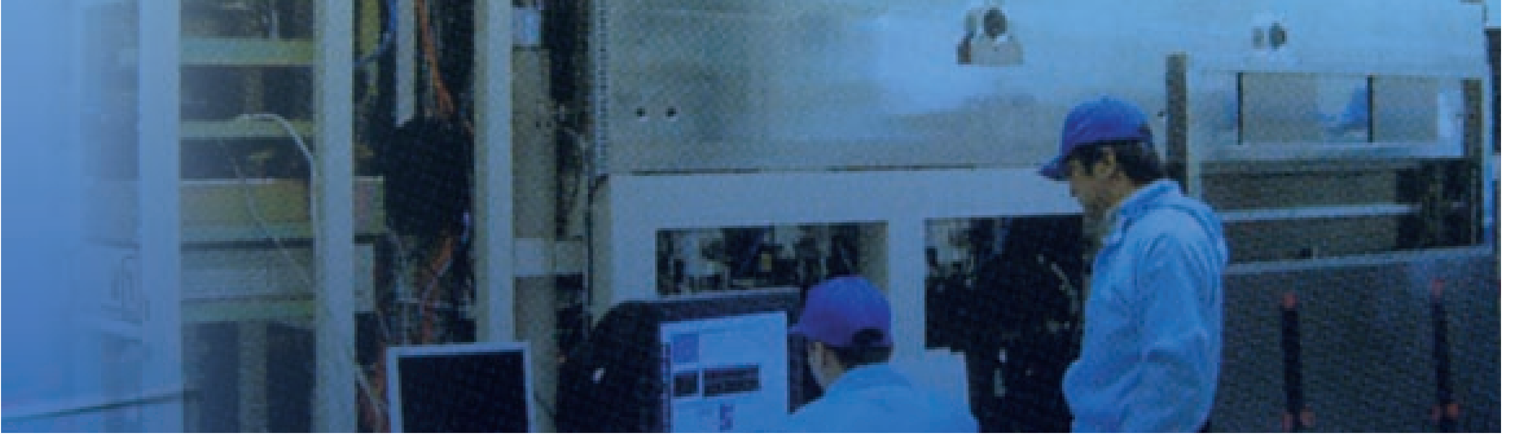
Shimadzu Air Management System includes all air-related systems from Bleed Air Systems to Air Conditioning and Pressurization Systems.



Sales by Region (FY2004)



Note: The P-X and C-X are the Japan Defense Agency's next-generation submarine detection and transport planes. Mass production of these aircraft, which will represent a major advance in capability over current models, is expected to commence, at the earliest, in fiscal 2010.



Industrial Machinery

The principal product categories in this segment are components for semiconductor and LCD manufacturing equipment, and hydraulic machinery parts.

In turbomolecular pumps (TMPs) for semiconductor manufacturing equipment, a number of our products are being used by several major manufacturers. In the past few years, Shimadzu has also enjoyed good sales of film deposition systems for solar cells, while in the hydraulic machinery field, sales of parts to manufacturers of forklift trucks have also been growing.

Overview for FY2004

An increase in semiconductor and IT-related capital investment buoyed demand for TMPs for semiconductor manufacturing equipment, film deposition systems for solar cells, and glass fiber winders. There was also brisk demand for compact gear pumps and other hydraulic equipment for industrial vehicles and construction machinery.

As a result, sales in this segment grew by 27.8% year-on-year, to ¥27,577 million.

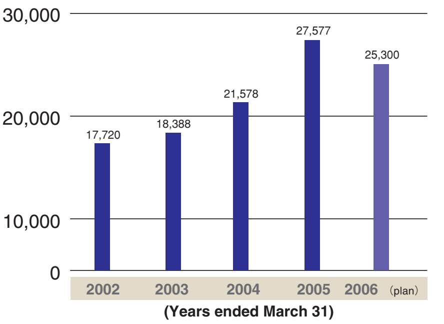
Forecast for FY2005

The semiconductor field has entered a phase of production adjustment, with the result that demand for semiconductor-related equipment is expected to decline. In contrast, we expect the demand for hydraulic equipment to remain strong. Sales in this segment are forecasted at ¥25,300 million, down 8.3% year-on-year.

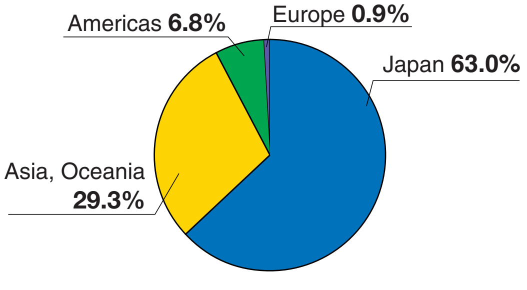
Main points of New Medium-term Management Plan

- ∗ Expand sales of TMPs aimed at the semiconductor industry in North America and Europe
- ∗ Expand sales of LCD-array inspection systems in Taiwan
- ∗ Expand hydraulic-equipment business in China

Sales

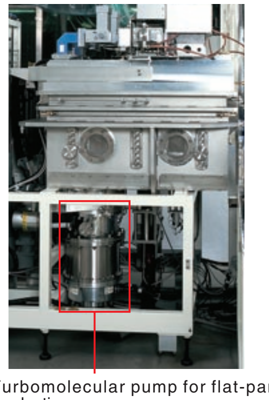


Sales by Region (FY2004)



Turbomolecular Pumps

A TMP is an exhaust pump essential for creating ultrahigh-vacuums in the semiconductor manufacturing process, and large numbers of them are used in semiconductor manufacturing equipment. The mechanism of the TMP is that a turbine is made to spin rapidly, enabling gas molecules to be extracted very efficiently from the chamber of semiconductor manufacturing equipment. Shimadzu's TMPs, which feature a large exhaust flow capability, are used extensively by major manufacturers of semiconductor manufacturing equipment both in Japan and the U.S., and their market share is increasing annually.



Turbomolecular pump for flat-panel production

Contributing to Society

Shimadzu Corporation is actively involved in activities that help to prevent the increasingly serious destruction of the environment, its objective being to foster the creation of a society that exists in harmony with the natural world. In scientific fields we are also actively involved in activities that contribute to society at large. For example, through the Shimadzu Science Foundation, we support research scientists who produce outstanding results in natural science research.

Assistance for United Nations University project

Shimadzu provided continuous assistance to the United Nations University's environmental governance project through its first three stages (fiscal 1996 to 2004). In addition to providing funds and environmental measurement instruments, Shimadzu provided assistance for the holding of symposia and training workshops. Our extensive specialized know-how in environmental analysis was used in the implementation of this project, and we also assisted research and study by the participating countries, as well as transferring analytical technologies to countries in the East Asian region. We will continue providing support for the project's fourth phase (October 2005 to September 2008): *Environmental Monitoring and Governance in the East Asian Hydrosphere.*

Environmental analysis workshop (Malaysia)

Shimadzu Science Foundation

Established by the Company in June 1980, the Shimadzu Science Foundation presents awards and gives support to research scientists who produce outstanding results in basic research in science and technology, primarily in scientific measurement and related areas.

Environmental preservation

The Company has been working to establish a Shimadzu Group-wide environmental management system, which includes obtaining ISO14001 certification. We also contribute to the protection of the environment in such ways as reducing the burden our business imposes on the environment, and developing environmental measurement and purification equipment. In addition, we are expediting the introduction of life-cycle assessment (LCA), in which we are assessing to the environmental burden caused by our products throughout their life-cycles, from materials procurement to production, sale, use, and disposal.

Support for obtaining ISO14001 certification

Companies have a responsibility to society to reduce their burden on the Earth's environment - a responsibility whose importance is growing greater with every passing year. Shimadzu provides a service to assist companies to obtain ISO certification, backed by measures such as the development of computer software used for environmental impact assessments, systems for water re-use, and devices for continuous monitoring of water quality, including total nitrogen and phosphorus content, which are among the targets of the Japanese government's water quality regulations.

Environmental education

The Company also frequently conducts environmental education to ensure that all employees are thoroughly aware of the importance of environmental preservation. For other companies with which we have business relations, we provide assistance in the form of guidance on the importance of environmental activities and legal compliance, and support for the creation of environmental management systems.

Environmental education for elementary school students

Financial Section

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2004	2005
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 29,860	¥ 31,180	$ 279,065
Time deposits	762	901	7,122
Marketable securities (Note 5)	104	129	972
Trade receivables:			
Notes and accounts (Note 11)	76,653	78,091	716,383
Allowance for doubtful receivables	(1,434)	(1,461)	(13,402)
Net trade receivables	75,219	76,630	702,981
Inventories (Note 6)	56,465	51,865	527,710
Deferred income taxes (Note 13)	6,969	4,294	65,131
Prepaid expenses and other current assets	3,165	3,498	29,580
Total current assets	172,544	168,497	1,612,561
Property, plant and equipment (Note 8):			
Land (Note 7)	18,968	19,367	177,271
Buildings and structures	57,821	56,668	540,383
Machinery, equipment and vehicles	16,972	16,408	158,617
Tools, furniture and fixtures	22,577	21,682	211,000
Construction in progress	103	143	963
Total	116,441	114,268	1,088,234
Accumulated depreciation	(58,272)	(56,230)	(544,598)
Net property, plant and equipment	58,169	58,038	543,636
Investments and other assets:			
Investment securities (Notes 5 and 8)	10,056	9,179	93,981
Investments in unconsolidated subsidiaries and associated companies	113	113	1,056
Long-term receivables	2,123	2,241	19,841
Deferred income taxes (Note 13)	14,356	13,248	134,168
Other assets	5,485	5,083	51,262
Total investments and other assets	32,133	29,864	300,308
Total	¥262,846	¥256,399	$2,456,505

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2004	**2005**
Liabilities and shareholders' equity			
Current liabilities:			
Short-term loans (Note 8)	**¥ 12,043**	¥ 13,591	**$ 112,551**
Current portion of long-term debt (Note 8)	**20,702**	21,383	**193,477**
Trade notes and accounts payable	**46,878**	46,807	**438,112**
Other payables (Note 11)	**8,665**	13,725	**80,981**
Advances from customers	**3,139**	2,762	**29,336**
Income taxes payable	**6,913**	2,016	**64,608**
Accrued expenses and other current liabilities (Note 13)	**8,583**	8,410	**80,215**
Total current liabilities	**106,923**	108,694	**999,280**
Long-term liabilities:			
Long-term debt (Note 8)	**31,678**	42,203	**296,056**
Liability for retirement benefits (Note 9)	**19,785**	18,460	**184,907**
Other long-term liabilities (Notes 3, 8 and 13)	**7,767**	1,065	**72,589**
Total long-term liabilities	**59,230**	61,728	**553,552**
Minority interests	**306**	301	**2,860**
Commitments and contingent liabilities (Notes 14, 15 and 16)			
Shareholders' equity (Notes 10 and 18):			
Common stock – authorized, 800,000,000 shares; issued, 267,093,906 shares in 2005 and 267,090,952 shares in 2004	**16,826**	16,825	**157,252**
Additional paid-in capital	**25,394**	25,393	**237,327**
Retained earnings	**56,476**	46,056	**527,813**
Net unrealized gain on available-for-sale securities	**2,720**	2,286	**25,421**
Foreign currency translation adjustments	**(4,819)**	(4,751)	**(45,037)**
Treasury stock, at cost – 518,788 shares in 2005 and 386,265 shares in 2004	**(210)**	(133)	**(1,963)**
Total shareholders' equity	**96,387**	85,676	**900,813**
Total	**¥262,846**	¥256,399	**$2,456,505**

Consolidated Statements of Income

Years Ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2004	2005
Net sales (Notes 11 and 19)	¥233,559	¥217,940	$2,182,794
Operating costs and expenses:			
Cost of sales (Notes 11 and 14)	142,791	134,564	1,334,495
Selling, general and administrative expenses (Notes 12 and 14)	70,181	66,478	655,897
Total operating costs and expenses	212,972	201,042	1,990,392
Operating income (Note 19)	20,587	16,898	192,402
Other income (expenses):			
Interest and dividend income	196	186	1,832
Interest expense	(1,018)	(1,370)	(9,514)
Foreign exchange loss, net	(55)	(824)	(514)
Loss on disposals of inventories	(1,226)	(2,357)	(11,458)
Gain on sales of investment securities	9	160	84
Loss on write-down of investment securities	(76)	(452)	(710)
Gain on sales of property, plant and equipment	87	86	813
Loss on disposals of property, plant and equipment	(374)	(406)	(3,495)
Loss on impairment of long-lived assets (Note 7)	(467)		(4,365)
Other, net	(1,504)	(1,531)	(14,056)
Other expenses, net	(4,428)	(6,508)	(41,383)
Income before income taxes and minority interests	16,159	10,390	151,019
Income taxes (Note 13):			
Current	8,276	2,959	77,346
Deferred	(4,054)	1,493	(37,888)
Total income taxes	4,222	4,452	39,458
Minority interests in net income	35	26	327
Net income	¥ 11,902	¥ 5,912	$ 111,234

	Yen		U.S. dollars
Amounts per share (Notes 2.p and 17):			
Basic net income	¥ 43.87	¥ 21.64	$ 0.41
Diluted net income	39.89	19.87	0.37
Cash dividends applicable to the year	7.00	5.00	0.07

See notes to consolidated financial statements.

Shimadzu Corporation and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2005 and 2004

	Outstanding number of shares of common stock	Millions of yen: Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance at April 1, 2003	266,764,706	¥16,825	¥25,393	¥41,587	¥ 448	¥(3,617)	¥(108)
Net income				5,912			
Appropriations:							
Cash dividends paid, ¥5.0 per share				(1,334)			
Directors' and corporate auditors' bonuses				(109)			
Net increase in unrealized gain on available-for-sale securities					1,838		
Foreign currency translation adjustments						(1,134)	
Net increase in treasury stock	(60,019)						(25)
Balance at March 31, 2004	266,704,687	16,825	25,393	46,056	2,286	(4,751)	(133)
Net income				**11,902**			
Appropriations:							
Cash dividends paid, ¥5.0 per share				**(1,333)**			
Directors' and corporate auditors' bonuses				**(149)**			
Net increase in unrealized gain on available-for-sale securities					**434**		
Foreign currency translation adjustments						**(68)**	
Net increase in treasury stock	**(132,523)**						**(77)**
Conversion of convertible bonds	**2,954**	**1**	**1**				
Balance at March 31, 2005	**266,575,118**	**¥16,826**	**¥25,394**	**¥56,476**	**¥2,720**	**¥(4,819)**	**¥(210)**

	Thousands of U.S. dollars (Note 4): Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2004	$157,243	$237,318	$430,430	$21,364	$(44,402)	$(1,243)
Net income			**111,234**			
Appropriations:						
Cash dividends paid, $0.05 per share			**(12,458)**			
Directors' and corporate auditors' bonuses			**(1,393)**			
Net increase in unrealized gain on available-for-sale securities				**4,057**		
Foreign currency translation adjustments					**(635)**	
Net increase in treasury stock						**(720)**
Conversion of convertible bonds	**9**	**9**				
Balance at March 31, 2005	**$157,252**	**$237,327**	**$527,813**	**$25,421**	**$(45,037)**	**$(1,963)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2004	2005
Operating activities:			
Income before income taxes and minority interests	¥16,159	¥10,390	$151,019
Adjustments for:			
Income taxes paid	(3,649)	(2,462)	(34,103)
Depreciation and amortization	4,678	4,420	43,720
Loss on impairment of long-lived assets	467		4,365
Increase in accrued bonuses	1,232	515	11,514
Provision for retirement benefits for employees	1,217	543	11,374
Net loss on sales and write-down of investment securities	67	292	626
Net loss on sales and disposals of property, plant and equipment and other assets	287	320	2,682
Foreign exchange (gain) loss, net	(13)	39	(122)
Allowance for doubtful receivables	(51)	403	(477)
Changes in assets and liabilities, net of effects from exclusion of subsidiaries from consolidation:			
Decrease (increase) in trade receivables	1,584	(7,391)	14,804
Increase in inventories	(4,630)	(1,517)	(43,271)
Increase in trade payables	141	7,914	1,318
Other, net	650	1,327	6,074
Total adjustments	1,980	4,403	18,504
Net cash provided by operating activities	18,139	14,793	169,523
Investing activities:			
Proceeds from sales of property, plant and equipment and other assets	831	534	7,766
Purchases of property, plant and equipment and other assets	(12,789)	(4,331)	(119,523)
Proceeds from sales of marketable securities	131	116	1,224
Purchases of marketable securities		(46)	
Proceeds from sales of investment securities	31	229	290
Purchases of investment securities	(362)	(734)	(3,383)
Increase in long-term receivables	(35)	(54)	(327)
Decrease in long-term receivables	156	211	1,458
Other, net	141	7	1,318
Net cash used in investing activities	(11,896)	(4,068)	(111,177)
Financing activities:			
Net (decrease) increase in short-term loans	(1,666)	456	(15,570)
Borrowing of long-term debt	625	2,350	5,841
Repayments of long-term debt	(1,811)	(2,655)	(16,925)
Issuance of unsecured bonds	9,940		92,897
Redemption of unsecured bonds	(20,000)	(10,000)	(186,916)
Cash dividends paid	(1,354)	(1,334)	(12,654)
Receipt of construction cooperation fund (Note 3)	6,823		63,766
Other, net	(77)	(25)	(719)
Net cash used in financing activities	(7,520)	(11,208)	(70,280)
Foreign currency translation adjustments on cash and cash equivalents	(43)	(529)	(402)
Net decrease in cash and cash equivalents	(1,320)	(1,012)	(12,336)
Decrease due to exclusion of subsidiaries from consolidation		(570)	
Cash and cash equivalents, beginning of year	31,180	32,762	291,401
Cash and cash equivalents, end of year	¥29,860	¥31,180	$279,065

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2005 and 2004

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2004 financial statements to conform to the classification used in 2005.

2. Summary of significant accounting policies

a. Consolidation

The consolidated financial statements as of March 31, 2005 include the accounts of the Company and its 32 (33 in 2004) domestic subsidiaries and 31 (31 in 2004) 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 Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in five unconsolidated subsidiaries and three associated companies in both 2005 and 2004 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 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. Long-lived assets
In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

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

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2005 by ¥467 million ($4,365 thousand).

g. Retirement Benefits and Pension Plans
Employees whose service with the Company is terminated are, under most circumstances, entitled to lump-sum indemnities determined by reference to the basic rate of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age, or certain other conditions, the employee is entitled to greater payments than in the case of voluntary termination.

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.

Effective April 1, 2004, one consolidated subsidiary changed its method from the simplified method, which provides for the liability for retirement benefits based on the amount which would be required at the balance sheet date minus plan assets, to accounting for the liabilities 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 eight (seven in 2004) 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.

h. Research and Development Costs
Research and development costs are charged to income as incurred.

i. Allowance for Doubtful Receivables
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.

j. 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.

k. Income Taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted 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, interest rate swap 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, interest rate swap 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
Basic net income per share is computed by dividing net income available to common shareholders 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.

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

3. Accounting change

Effective April 1, 2004, the Company changed its method of accounting for "rental income from large scale leased property and related expense", from recording them as other income and other expense to recording them as net sales and cost of sales, respectively. This change was made due to the increase in quantitative materiality of rental income and expense related to the lease of a shopping center constructed by the Company on a site of a demolished factory.

The effect of such change was to increase net sales by ¥1,263 ($11,804 thousand), cost of sales by ¥672 million ($6,280 thousand), operating income by ¥591 ($5,524 thousand), and to decrease other income by ¥1,263 million ($11,804 thousand) and other expenses by ¥672 million ($6,280 thousand).

The consolidated financial statements for the year ended March 31, 2004 are not retroactively adjusted.

With respect to the above construction of the shopping center, the Company received construction cooperation fund of ¥6,823 million ($63,766 thousand) from the developer for the year ended March 31, 2005 and recorded it as other long-term liability.

4. U.S. dollar amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107 to $1, the approximate rate of exchange at March 31, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

5. Marketable and investment securities

Marketable and investment securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Current-			
Government bonds and other	¥ 104	¥ 129	$ 972
Non-current:			
Equity securities	¥ 9,826	¥8,836	$91,832
Government bonds and other	230	343	2,149
Total	¥10,056	¥9,179	$93,981

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2005 and 2004 were as follows:

	Millions of yen			
March 31, 2005	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale –				
Equity securities	**¥4,630**	**¥4,664**	**¥77**	**¥9,217**
Held-to-maturity	**334**		**3**	**331**

	Millions of yen			
March 31, 2004	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale –				
Equity securities	¥4,325	¥3,885	¥20	¥8,190
Held-to-maturity	472			472

	Thousands of U.S. dollars			
March 31, 2005	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Available-for-sale –				
Equity securities	**$43,271**	**$43,589**	**$720**	**$86,140**
Held-to-maturity	**3,121**		**28**	**3,093**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Available-for-sale –			
Equity securities	**¥609**	¥646	**$5,692**

Proceeds from sales of available-for-sale securities for the year ended March 31, 2005 and 2004 were ¥31 million ($290 thousand) and ¥229 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥9 million ($84 thousand) and ¥160 million for the years ended March 31, 2005 and 2004, respectively. Gross realized losses on these sales, computed on the moving average cost basis, were immaterial for the years ended March 31, both 2005 and 2004.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2005 are as follows:

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
	2005	**2005**
Due within one year or less	**¥104**	**$ 972**
Due after one year through five years	**230**	**2,149**
Total	**¥334**	**$3,121**

6. Inventories

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Finished products	**¥18,233**	¥17,443	**$170,402**
Semi-finished products	**7,722**	7,026	**72,168**
Work in process	**20,172**	19,488	**188,523**
Raw materials and supplies	**10,338**	7,908	**96,617**
Total	**¥56,465**	¥51,865	**$527,710**

7. Long-lived assets

The Companies reviewed their long-lived assets for impairment as of the year ended March 31, 2005 and, as a result, recognized an impairment loss for land due to significant declines in market value of ¥467 million ($4,365 thousand) as other expense. The carrying amount of the relevant land was written down to the recoverable amount.

Location	Description	Classification	Impairment loss: Millions of yen	Impairment loss: Thousands of U.S. dollars
Kobuchisawa-cho, Yamanashi	Idle land	Land	¥322	$3,010
Kaga-shi, Ishikawa	Idle land	Land	¥145	$1,355
Total			¥467	$4,365

The recoverable amount of land was measured at its net selling price determined by quotation from a real-estate appraiser.

8. 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 0.37% to 6.25% and from 0.35% to 6.05% at March 31, 2005 and 2004, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
2.15% unsecured bonds, due July 2004		¥20,000	
0.95% unsecured convertible debentures, due September 2005	**¥19,998**	20,000	**$186,897**
1.36% unsecured bonds, due April 2008	**15,000**	15,000	**140,187**
0.88% unsecured bonds, due April 2009	**10,000**		**93,458**
Loans, principally from banks, due serially to September 2009 with interest rates ranging from 0.82% to 6.00% (0.82% to 6.72% in 2004)	**7,370**	8,562	**68,879**
Other	**12**	24	**112**
Total	**52,380**	63,586	**489,533**
Less portion due within one year	**(20,702)**	(21,383)	**(193,477)**
Long-term debt, less current portion	**¥31,678**	¥42,203	**$296,056**

The 0.95% unsecured convertible debentures outstanding at March 31, 2005 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, 2005 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥20,702	$193,477
2007	5,344	49,944
2008	187	1,748
2009	15,834	147,981
2010	10,313	96,383
Total	¥52,380	$489,533

At March 31, 2005, the following assets were pledged as collateral for short-term bank loans and long-term debt:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥6,737	$62,963
Investment securities	26	243
Total	¥6,763	$63,206

	Millions of yen	Thousands of U.S. dollars
Related liabilities:		
Short-term loans	¥ 325	$ 3,037
Other current liabilities	99	925
Long-term debt	684	6,393
Other long-term liabilities	7,497	70,066
Total	¥8,605	$80,421

9. 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 ¥568 million ($5,309 thousand) and ¥461 million at March 31, 2005 and 2004, 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, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligation	**¥49,724**	¥49,253	**$464,710**
Fair value of plan assets	**(25,045)**	(24,762)	**(234,066)**
Unrecognized prior service cost	**823**	899	**7,692**
Unrecognized actuarial loss	**(6,285)**	(7,391)	**(58,738)**
Net liability	**¥19,217**	¥17,999	**$179,598**

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service cost	¥2,315	¥2,257	$21,636
Interest cost	1,082	1,068	10,112
Expected return on plan assets	(254)	(203)	(2,374)
Amortization of prior service cost	(76)	(76)	(710)
Recognized actuarial loss	630	1,042	5,888
Loss on change in method of calculation	365		3,411
Net periodic benefit costs	¥4,062	¥4,088	$37,963

Assumptions used for the years ended March 31, 2005 and 2004 were set forth as follows:

	2005	2004
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	1.7%	1.7%
Amortization period of prior service cost	15 years	15 years
Recognition period of actuarial gain/loss	15 years, Charged/credited to income from the next period	15 years, Charged/credited to income from the next period

10. Shareholders' equity

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are 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, which is included in capital surplus. 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 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 Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. 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.

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. The amount of retained earnings available for dividends under the Code was ¥33,218 million ($310,449 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

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.

11. Related party transactions

Net sales and purchases representing transactions of the Companies with unconsolidated subsidiaries and associated companies for the years ended March, 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Net sales	¥ 423	¥302	$ 3,953
Purchases	1,077	686	10,065

The balances due to or from these unconsolidated subsidiaries and associated companies at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Trade accounts receivable	¥ 38	¥30	$355
Other payables	106	87	991

12. Research and development costs

Research and development costs charged to income were ¥7,912 million ($73,944 thousand) and ¥7,171 million for the years ended March 31, 2005 and 2004, respectively.

13. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41% and 42% for the years ended March 31, 2005 and 2004, respectively.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from approximately 42% to 41%, effective for years beginning on or after April 1, 2004. The deferred tax assets and liabilities which will realize on or after April 1, 2004 are measured at the effective tax rate of approximately 41% as at March 31, 2004.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Current:			
Deferred tax assets:			
Accrued bonuses	¥2,138	¥1,641	$19,981
Unrealized profit included in inventories	1,728	1,849	16,150
Tax loss carryforwards	776	668	7,252
Enterprise taxes	629	108	5,879
Allowance for doubtful receivables	406	400	3,794
Other	1,431	1,337	13,374
Total	7,108	6,003	66,430
Less valuation allowance	(40)	(1,645)	(374)
Total deferred tax assets	¥7,068	¥4,358	$66,056
Deferred tax liabilities:			
Allowance for doubtful receivables	¥ 74	¥ 62	$ 692
Other	41	2	383
Total deferred tax liabilities	¥ 115	¥ 64	$ 1,075
Net deferred tax assets	¥6,969	¥4,294	$65,131
Net deferred tax liabilities (included in accrued expenses and other current liabilities)	¥ 16		$ 150
Noncurrent:			
Deferred tax assets:			
Liability for retirement benefits	¥12,966	¥12,379	$121,177
Loss on investment in subsidiaries	2,799	2,806	26,159
Depreciation	1,905	1,945	17,804
Allowance for doubtful receivables	505	503	4,720
Loss on impairment of long-lived assets	190		1,776
Other	2,054	1,334	19,196
Total	20,419	18,967	190,832
Less valuation allowance	(190)	(175)	(1,776)
Total deferred tax assets	¥20,229	¥18,792	$189,056
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit trust	¥ 3,688	¥ 3,659	$ 34,467
Special reserves (included in retained earnings)	311	311	2,907
Unrealized gain on available-for-sale securities	1,859	1,562	17,374
Other	183	167	1,710
Total deferred tax liabilities	¥ 6,041	¥ 5,699	$ 56,458
Net deferred tax assets	¥14,356	¥13,248	$134,168
Net deferred tax liabilities (included in other long-term liabilities)	¥ 168	¥ 155	$ 1,570

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 rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2005 was as follows:

	2005
Normal effective statutory tax rate	40.6%
Expenses not permanently deductible for income tax purposes	2.0
Valuation allowance	(9.0)
Tax credit for research and development expenses	(4.5)
Difference in subsidiaries' tax rates	(2.9)
Other, net	(0.1)
Actual effective tax rate	26.1%

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2004 is not more than 5% of the normal effective statutory tax rate, a reconciliation has not been disclosed.

14. Leases

LESSEE

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

Total rental expenses for the years ended March 31, 2005 and 2004 were ¥5,275 million ($49,299 thousand) and ¥5,259 million, respectively, including ¥529 million ($4,944 thousand) and ¥529 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, 2005 and 2004 was as follows:

	Millions of yen		
	2005		
	Machinery and vehicles	Furniture and fixtures	Total
Acquisition cost	¥1,249	¥1,805	¥3,054
Accumulated depreciation	426	1,170	1,596
Net leased property	¥ 823	¥ 635	¥1,458

	Millions of yen		
	2004		
	Machinery and vehicles	Furniture and fixtures	Total
Acquisition cost	¥1,058	¥2,257	¥3,315
Accumulated depreciation	453	1,488	1,941
Net leased property	¥ 605	¥ 769	¥1,374

	Thousands of U.S. dollars		
	2005		
	Machinery and vehicles	Furniture and fixtures	Total
Acquisition cost	$11,673	$16,869	$28,542
Accumulated depreciation	3,981	10,935	14,916
Net leased property	$ 7,692	$ 5,934	$13,626

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥ 455	¥ 497	$ 4,252
Due after one year	1,003	877	9,374
Total	¥1,458	¥1,374	$13,626

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method was ¥529 million ($4,944 thousand) and ¥529 million for the years ended March 31, 2005 and 2004, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥278	¥300	$2,598
Due after one year	462	446	4,318
Total	¥740	¥746	$6,916

LESSOR

Future lease income under non-cancelable operating leases at March 31, 2005 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Due within one year	¥ 950	$ 8,879
Due after one year	7,442	69,551
Total	¥8,392	$78,430

15. Contingent liabilities

Contingent liabilities at March 31, 2005 for trade notes discounted with banks, for trade notes endorsed and for loans guaranteed amounted to ¥722 million ($6,748 thousand), ¥3 million ($28 thousand) and ¥801 million ($7,486 thousand), respectively.

16. 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 swap and 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.

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 the director in charge of the Finance Department.

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

The Company had the following derivative contracts outstanding at March 31, 2005 and 2004.

	In thousands	Millions of yen	
	2005		
	Contract or notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:			
Selling U.S. $	$32,181	¥3,433	¥(91)
Selling Euro	EUR 8,500	1,175	(9)
Buying U.S. $	$ 113	12	
Buying Swiss Franc	CHF 46	4	
Buying Japanese Yen	JPY 1,326	1	
Interest rate contracts:			
Purchased interest caps	¥ 313	13	(1)

	In thousands	Millions of yen	
	2004		
	Contract or notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:			
Selling U.S. $	$29,300	¥3,088	¥38
Selling Euro	EUR 9,500	1,219	43
Buying U.S. $	$ 135	14	(1)
Interest rate contracts:			
Swap			
Pay fixed/Receive floating	¥ 184	(3)	(3)
Purchased interest caps	¥ 321	11	(4)

	In thousands	Thousands of U.S. dollars	
	2005		
	Contract or notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:			
Selling U.S. $	$32,181	$32,084	$(850)
Selling Euro	EUR 8,500	10,981	(84)
Buying U.S. $	$ 113	112	
Buying Swiss Franc	CHF 46	37	
Buying Japanese Yen	JPY 1,326	9	
Interest rate contracts:			
Purchased interest caps	¥ 313	121	(9)

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

17. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2005 and 2004 is as follows:

	Millions of yen	Thousands of shares	Yen	Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2005:				
Basic EPS				
Net income available to common shareholders	¥11,699	266,646	¥43.87	$0.41
Effect of Dilutive Securities Convertible bonds	116	29,542		
Diluted EPS				
Net income for computation	¥11,815	296,188	¥39.89	$0.37
For the year ended March 31, 2004:				
Basic EPS				
Net income available to common shareholders	¥ 5,773	266,736	¥21.64	
Effect of Dilutive Securities Convertible bonds	113	29,542		
Diluted EPS				
Net income for computation	¥ 5,886	296,278	¥19.87	

18. Subsequent events

The following appropriations of retained earnings of the Company for the year ended March 31, 2005 was approved at the general meeting of shareholders held on June 29, 2005:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥4.5 ($0.04) per share	¥1,200	$11,215
Directors' and corporate auditors' bonuses	162	1,514

19. Segment information

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2005 and 2004 was as follows:

(1) Industry segments

a. Sales and operating income

	Millions of yen					
	2005					
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥131,643	¥44,291	¥52,306	¥5,319		¥233,559
Intersegment sales	233	3	171	953	¥(1,360)	
Total sales	131,876	44,294	52,477	6,272	(1,360)	233,559
Operating expenses	109,171	41,994	49,631	4,630	7,546	212,972
Operating income	¥ 22,705	¥ 2,300	¥ 2,846	¥1,642	¥(8,906)	¥ 20,587

	Millions of yen				
	2004				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	¥123,745	¥41,471	¥52,724		¥217,940
Intersegment sales	377	8	718	¥(1,103)	
Total sales	124,122	41,479	53,442	(1,103)	217,940
Operating expenses	104,306	40,140	49,756	6,840	201,042
Operating income	¥ 19,816	¥ 1,339	¥ 3,686	¥(7,943)	¥ 16,898

	Thousands of U.S. dollars					
	2005					
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Other	Eliminations/ Corporate	Consolidated
Sales to customers	$1,230,308	$413,935	$488,841	$49,710		$2,182,794
Intersegment sales	2,177	28	1,598	8,907	$(12,710)	
Total sales	1,232,485	413,963	490,439	58,617	(12,710)	2,182,794
Operating expenses	1,020,289	392,468	463,841	43,271	70,523	1,990,392
Operating income	$ 212,196	$ 21,495	$ 26,598	$15,346	$(83,233)	$ 192,402

b. Assets, depreciation, loss on impairment of long-lived assets and capital expenditures

	Millions of yen					
	2005					
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Other	Eliminations/ Corporate	Consolidated
Assets	**¥115,667**	**¥35,318**	**¥57,873**	**¥12,928**	**¥41,060**	**¥262,846**
Depreciation	**2,262**	**617**	**1,030**	**419**	**350**	**4,678**
Loss on impairment of long-lived assets					**467**	**467**
Capital expenditures	**2,574**	**621**	**2,725**	**42**	**388**	**6,350**

	Millions of yen				
	2004				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	¥114,148	¥35,842	¥56,786	¥49,623	¥256,399
Depreciation	2,176	800	1,016	428	4,420
Capital expenditures	2,210	676	1,278	7,361	11,525

	Thousands of U.S. dollars					
	2005					
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Other	Eliminations/ Corporate	Consolidated
Assets	**$1,081,000**	**$330,075**	**$540,869**	**$120,823**	**$383,738**	**$2,456,505**
Depreciation	**21,140**	**5,767**	**9,626**	**3,916**	**3,271**	**43,720**
Loss on impairment of long-lived assets					**4,365**	**4,365**
Capital expenditures	**24,056**	**5,804**	**25,467**	**393**	**3,626**	**59,346**

Note:
"Eliminations/Corporate" include unallocated operating expenses of ¥8,908 million ($83,252 thousand) and ¥7,984 million for the years ended March 31, 2005 and 2004, 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 ¥41,581 million ($388,607 thousand) and ¥50,009 million as of March 31, 2005 and 2004, respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to Company's administration headquarters.

As described in Note 3, effective April 1, 2004, the Company changed its method of accounting for "rental income from large scale leased property and related expense," from recording them as other income and other expense to recording them as net sales and cost of sales, respectively. The effect of such change on "Other" was to increase sales to customers by ¥1,263 million ($11,804 thousand), operating expenses by ¥672 million ($6,280 thousand) and operating income by ¥591 million ($5,524 thousand) for the year ended March 31, 2005. Accordingly, the assets related to the large scale leased property included in "Eliminations/Corporate" as of March 31, 2004 is included in "Other" as of March 31, 2005. The effect of such change, as of March 31, 2005, was to increase assets and depreciation of "Other" by ¥8,433 million ($78,813 thousand) and ¥376 million ($3,514 thousand), respectively, and decrease assets and depreciation for "Eliminations/Corporate" by the same amount, respectively.

Effective April 1, 2004, the Companies changed their industry segmentation from "Scientific and process instruments," "Medical systems and equipment" and "Aircraft equipment and industrial machinery" to "Scientific and process instruments," "Medical systems and equipment," "Aircraft equipment and industrial machinery" and "Other" because the Company constructed a shopping center for rent business on a site of a demolished factory and rental income increased. Software development, designing, constructing, advertising, distribution and other businesses by the Company's subsidiaries previously included in "Scientific and process instruments" and "Aircraft equipment and industrial machinery" are included in "Other" effective April 1, 2004.

The effect of such change on "Scientific and process instruments" was to decrease sales by ¥1,183 million ($11,056 thousand), operating expense by ¥900 million ($8,411 thousand), operating income by ¥283 million ($2,645 thousand), depreciation by ¥12 million ($112 thousand) and capital expenditures by ¥21 million ($196 thousand) for the year ended March 31, 2005. The effect of such change on "Aircraft equipment and industrial machinery" was to decrease sales by ¥3,629 million ($33,916 thousand), operating expense by ¥2,935 million ($27,430 thousand), operating income by ¥693 million ($6,477 thousand), depreciation by ¥31 million ($290 thousand) and capital expenditures by ¥22 million ($206 thousand) for the year ended March 31, 2005. If the segment information for the year ended March 31, 2004 was prepared using the new segmentation, such information would be as follows;

	Millions of yen					
	2004					
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥122,919	¥41,471	¥49,250	¥4,300		¥217,940
Intersegment sales	206	8	82	914	¥(1,210)	
Total sales	123,125	41,479	49,332	5,214	(1,210)	217,940
Operating expenses	103,491	40,140	46,276	4,402	6,733	201,042
Operating income	¥ 19,634	¥ 1,339	¥ 3,056	¥ 812	¥(7,943)	¥ 16,898

	Millions of yen					
	2004					
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Other	Eliminations/ Corporate	Consolidated
Assets	¥112,611	¥35,842	¥54,313	¥4,010	¥49,623	¥256,399
Depreciation	2,165	800	987	40	428	4,420
Capital expenditures	2,208	676	1,253	27	7,361	11,525

(2) Geographical segments

	Millions of yen					
	2005					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	¥182,249	¥12,448	¥13,825	¥25,037		¥233,559
Intersegment sales	23,875	6,864	2,571	3,161	¥(36,471)	
Total sales	206,124	19,312	16,396	28,198	(36,471)	233,559
Operating expenses	180,769	19,044	15,319	25,967	(28,127)	212,972
Operating income	¥ 25,355	¥ 268	¥ 1,077	¥ 2,231	¥ (8,344)	¥ 20,587
Assets	¥192,377	¥14,214	¥14,942	¥14,293	¥ 27,020	¥262,846

	Millions of yen					
	2004					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	¥172,581	¥11,621	¥11,750	¥21,988		¥217,940
Intersegment sales	21,440	7,268	2,408	2,357	¥(33,473)	
Total sales	194,021	18,889	14,158	24,345	(33,473)	217,940
Operating expenses	172,256	18,443	13,164	22,589	(25,410)	201,042
Operating income	¥ 21,765	¥ 446	¥ 994	¥ 1,756	¥ (8,063)	¥ 16,898
Assets	¥180,033	¥13,196	¥13,380	¥13,122	¥ 36,668	¥256,399

	Thousands of U.S. dollars					
	2005					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	**$1,703,262**	**$116,336**	**$129,206**	**$233,990**		**$2,182,794**
Intersegment sales	**223,131**	**64,150**	**24,028**	**29,542**	**$(340,851)**	
Total sales	**1,926,393**	**180,486**	**153,234**	**263,532**	**(340,851)**	**2,182,794**
Operating expenses	**1,689,430**	**177,981**	**143,168**	**242,682**	**(262,869)**	**1,990,392**
Operating income	**$ 236,963**	**$ 2,505**	**$ 10,066**	**$ 20,850**	**$ (77,982)**	**$ 192,402**
Assets	**$1,797,916**	**$132,841**	**$139,645**	**$133,580**	**$ 252,523**	**$2,456,505**

Note:
Eliminations/Corporate include unallocated operating expenses of ¥8,908 million ($83,252 thousand) and ¥7,984 million for the years ended March 31, 2005 and 2004, 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 ¥41,581 million ($388,607 thousand) and ¥50,009 million for the years ended March 31, 2005 and 2004, respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to Company's administration headquarters.

As described in Note 3, effective April 1, 2004, the Company changed its method of accounting for "rental income from large scale leased property and related expense," from recording them as other income and other expense to recording them as net sales and cost of sales, respectively. The effect of such change on "Japan" was to increase sales to customers by ¥1,263 million ($11,804 thousand), operating expenses by ¥672 million ($6,280 thousand) and operating income by ¥591 million ($5,524 thousand) for the year ended March 31, 2005. Accordingly, the assets related to the large scale leased property included in "Eliminations/Corporate" as of March 31, 2004 is included in "Japan" as of March 31, 2005. The effect of such change, as of March 31, 2005, was to increase assets and of "Japan" by ¥8,433 million ($78,813 thousand), and decrease assets for "Eliminations/Corporate" by the same amount.

(3) Sales to foreign customers

	Millions of yen			
	North and South America	Europe	Asia Oceania and Africa	Total
2005	**¥17,982**	**¥13,588**	**¥41,751**	**¥73,321**
2004	17,109	11,412	36,079	64,600

	Thousands of U.S. dollars			
	North and South America	Europe	Asia Oceania and Africa	Total
2005	**$168,056**	**$126,991**	**$390,196**	**$685,243**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Shimadzu Corporation:

We have audited the accompanying consolidated balance sheets of Shimadzu Corporation (the "Company") and consolidated subsidiaries (together, the "Companies") as of March 31, 2005 and 2004, and the related consolidated statements of income, 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 generally accepted 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.f to the consolidated financial statements, the Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

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 4. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2005

Member of
Deloitte Touche Tohmatsu

Business Outline

Name: SHIMADZU CORPORATION

Establishment: 1875

Formation of Limited Company: September, 1917

Capital: ¥16.8 billion

Number of Employees: 8,246

Head Office: 1, Nishinokyo-Kuwabara-cho, 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, Shizuoka

(Overseas)

Istanbul, Moscow

Works:

Sanjo, Murasakino, Atsugi, Hadano, Seta

Consolidated Subsidiaries:

(Domestic)

SHIMADZU MECTEM, INC.
SHIMADZU RIKA INSTRUMENTS CO., LTD.
SHIMADZU TECHNO-RESEARCH, INC.
SHIMADZU SYSTEM SOLUTIONS CO., LTD.
SHIMADZU SCIENCE CORPORATION
SHIMADZU MEDICAL SYSTEMS CORPORATION
(Including 26 others)

(Overseas)

SHIMADZU SCIENTIFIC INSTRUMENTS,INC. (U.S.A.)
SHIMADZU PRECISION INSTRUMENTS,INC. (U.S.A.)
KRATOS GROUP PLC. (U.K.)
SHIMADZU DEUTSCHLAND GmbH (Germany)
SHIMADZU (ASIA PACIFIC) PTE LTD. (Singapore)
SHIMADZU (HONG KONG) LTD.
(Including 25 others)

Directors and Corporate Auditors

Chairman of the Board
Hidetoshi Yajima

President and Chief Executive Officer
Shigehiko Hattori

Senior Managing Directors
Tadayoshi Fukushima
Hiroshi Yamamoto, Dr.

Managing Directors
Tohru Fujiki
Akira Nakamoto
Takayuki Kato

Directors
Yasumitsu Takagi
Shingo Takimoto
Soju Onose
Kazuo Wakasa
Tsunekazu Matsuyama
Yukio Yoshida
Tamio Yoshida
Ichiro Kowaki

Corporate Auditors
Ryuji Ueda
Atsubumi Hirusaki
Toshinori Nomura
Nobuya Nishimura

SHIMADZU

http://www.shimadzu.com

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