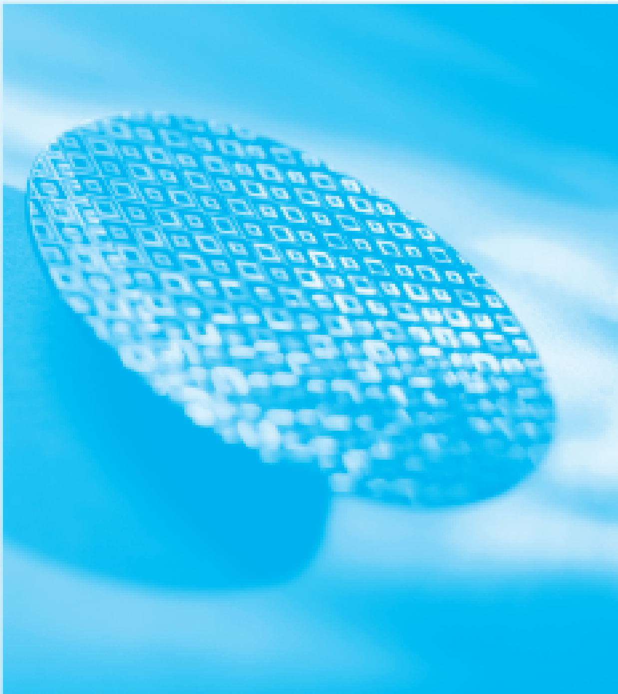
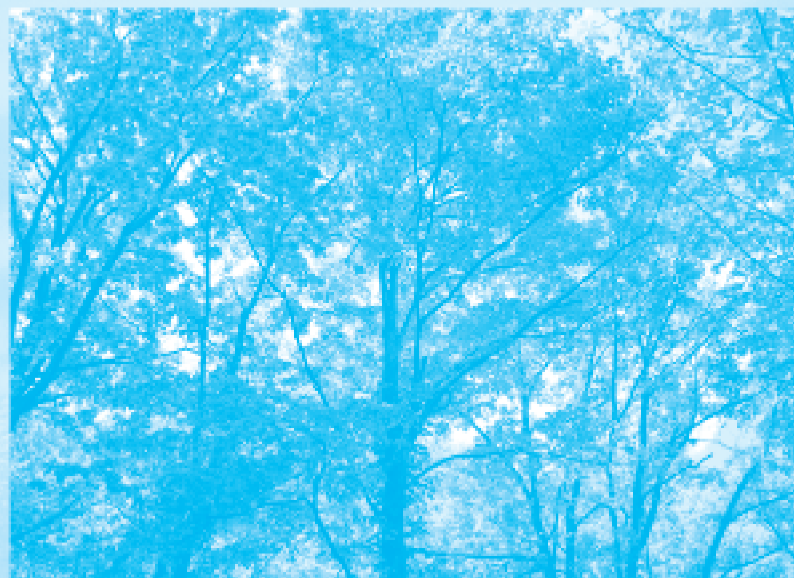
Access to your success
SHIMADZU



ANNUAL REPORT

Year Ended March 31, 2002



CONTENTS

P012-E402

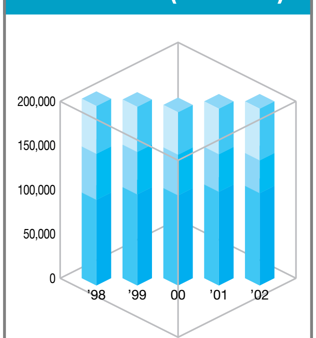
Financial Summary

Years ended March 31

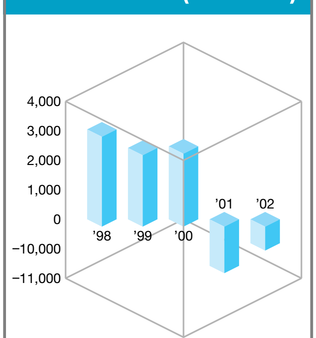
	Millions of Yen					Thousands of U.S. Dollars
For the year:	1998	1999	2000	2001	**2002**	**2002**
Net sales	¥203,190	¥202,615	¥196,290	¥200,006	**¥192,085**	**$1,444,248**
Operating costs and expenses	194,922	195,226	190,446	195,910	**193,920**	**1,458,045**
Other income(expenses)-net	(408)	(1,924)	(163)	(20,933)	**(13,767)**	**(103,511)**
Income(Loss) before income taxes and minority interests	7,860	5,465	5,681	(16,837)	**(15,602)**	**(117,308)**
Income taxes	4,787	3,012	3,199	(6,285)	**(7,480)**	**(56,240)**
Net income(loss)	3,049	2,422	2,474	(10,579)	**(8,118)**	**(61,038)**
At the year-end:						
Total assets	256,110	267,419	269,371	268,704	**244,496**	**1,838,316**
Property, plant and equipment-net	52,576	52,836	53,454	53,437	**53,938**	**405,549**
Shareholders' equity	97,258	100,864	101,886	87,139	**79,333**	**596,489**
Amounts per share:	Yen					U.S. Dollars
Net income(loss)	¥ 11.41	¥ 9.07	¥ 9.26	¥ (39.61)	**¥ (30.40)**	**$ (0.23)**
Cash dividends	5.00	5.00	5.00	5.00		
Shareholders' equity	364.14	377.64	381.47	326.25	**297.05**	**2.23**

- The U.S. dollar amounts in this report represent translations of Japanese yen for convenience only at the rate of ¥133=U.S.$1. See Note 3 to the consolidated financial statements.
- The following changes on the consolidated subsidiaries were made in their respective years.
  The cumulative effects on prior years of the changes have been shown as an addition to or a deduction from retained earnings of the years in which such change were made.
  (1) Consolidation of two domestic subsidiaries and six overseas subsidiaries, effective in 2000.
  (2) Consolidation of a overseas subsidiary and deconsolidation of a domestic subsidiary, effective in 2001.
  (3) Consolidation of three overseas subsidiaries and a domestic subsidiary and deconsolidation of two overseas subsidiaries,effective in 2002.
- See "Notes to consolidated financial statemants".

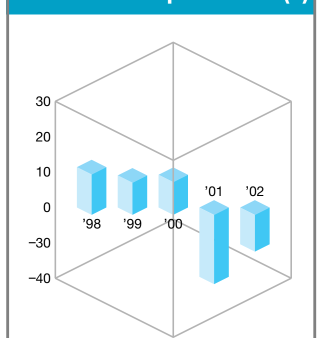
Net Sales (Million ¥)



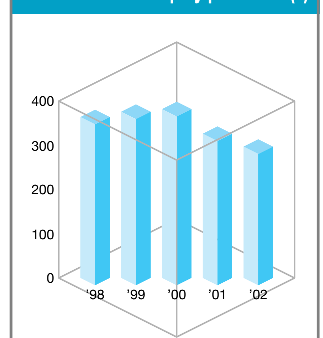
Net Income (Million ¥)



Net Income per share (¥)



Shareholders' Equity per share (¥)



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

To Our Shareholders And Customers

Review of Fiscal 2001 Results

Consolidated sales registered ¥192,085 million (down 4.0% from the previous year). The slump in the semiconductor and IT markets continued to dampen demand for testing & inspection machines and industrial equipment. Moreover, restraint in medical-related expenditures decreased equipment investment.

On the profit and loss side, operating loss was ¥1,835 million. Several urgent measures were taken to address the negative profitability situation. We strove to improve business efficiency through reductions in directors' remuneration, and reductions in employment costs including reducing the size of the workforce, fixed costs, manufacturing costs and other expenditures. However, the profit margin deteriorated due to decreased sales, production adjustments to reduce distribution inventory, and severe competition.

In addition to this, since we declared as an extraordinary loss the costs of dealing with unprofitable products and restructuring charge to strengthen the business structure, the loss before income taxes was ¥15,602 million, with a net loss of ¥8,118 million.

The Japanese economy saw a rapid deterioration of markets related to semiconductors and IT with the principle causes being the retreat of business along with deflationary price drops, while severe unemployment continued along with sluggish individual consumption due to the adverse income environment. Moreover, the business situation became even more severe as private capital investment continued a decreasing trend in the face of the decelerating world economy.

Overseas, the U.S. economy experienced a marked business retreat and the European economy has also been affected, displaying overall decelerating business activity. As for the Asian economy, though China's business outlook has turned bullish, the other countries of Asia experienced a business downturn, while a generally harsh situation continued throughout the world economy.

Outlook for the Next Fiscal Year

The outlook for the next fiscal year anticipates consolidated sales of ¥197,000 million, with net income of ¥3,500 million.

While there is glimmer of partial brightness in the business outlook for next year, with some recovery expected in the latter half of the period, we face continued business sluggishness due to the domestic problem of bad bank loans and the recession in the semiconductor and IT sectors. Furthermore, this harsh business situation is likely to be exacerbated with further intensification of competition both at home and abroad.

Under such a business environment, the Shimadzu group is implementing urgent measures to address this severe predicament of stagnant demand due to reductions in capital investment, combined with intensified competition from domestic and overseas medical equipment manufacturers and deterioration of business results due to the structural slowdown. These measures, which include the reduction of fixed costs including downsizing of the workforce, and the persistent reduction of variable costs such as manufacturing costs, will continue into the future with a view to lowering the breakeven point and to quickly post an improvement in earnings and to reestablish a sound business footing.

We started a 3-year mid-term management plan in April 2002. With implementation of this plan, our aim is to achieve an early recovery, to reinforce the business footing, and establish a long-term growth trajectory amid accelerated business globalization.

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

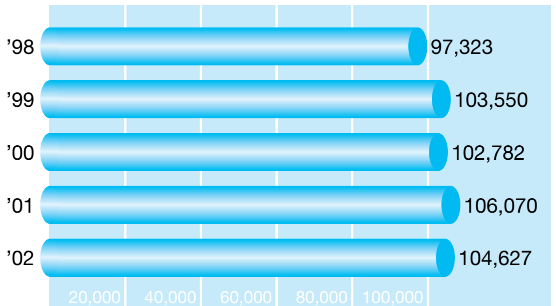
June, 2002

Hidetoshi Yajima

President and Chief Executive Officer

Main Business

Scientific and Process Instruments Business



●Sales during the last 5years

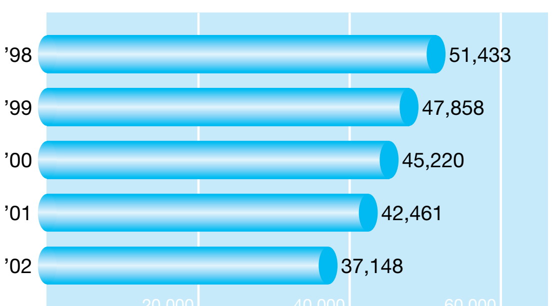
Environmental gas analyzer

Demand was sluggish in our domestic market as a whole due to overall restraint in capital investment across all industries, centralized in the semiconductor and IT recession-hit industries. Overseas markets, on the other hand, exhibited a pick-up in demand.
Amid this situation, we concentrated our efforts on sales operations implementing a proposal-oriented approach and on developing new products directed toward growth fields in response to demands for labor savings and greater efficiency. Focus was placed on growth fields for life science equipment, environmental-related instrumentation to satisfy new water quality regulations, and non-destructive X-ray test equipment for the food industry.

As a result, consolidated sales in this business registered ¥104,627 million (down 1.4% from the previous year), while orders received amounted to ¥105,349 million (up 5.8%).

The business division was reorganized to promote timely introduction of new products and accelerate new product development, and at the same time, improve the speed of sales and service response by establishing closer regional relationships with our customers. This strengthened business organization will continue to be employed into the future to promote concentrated development in such growth fields as life science and the environment.

Medical Systems and Equipment Business



●Sales during the last 5years

X-ray TV system
"Sonialvision"

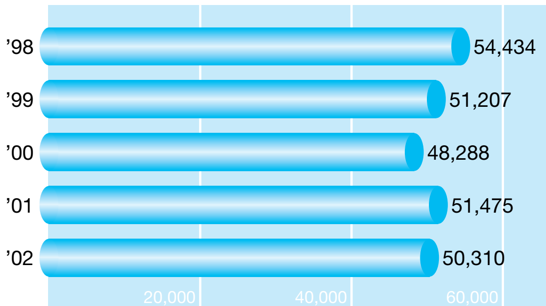
In addition to the continued stagnation of demand in our domestic market due to budgetary restraint in capital investment by medical institutions, downward price pressure mounted as a result of fierce competition from manufacturers at home and abroad. Despite efforts to reduce cost, we were not able to mobilize sufficient competitive clout.

Amid this harsh situation, we strove to generate demand for X-ray diagnostic equipment and general-use color ultrasonic diagnostic equipment. However, orders for high cost products such as MRI and nuclear medical equipment were down significantly. Domestic demand including that in the public sector declined drastically, and even in overseas markets, the worldwide budgetary control over medical treatment expenses continued unabated, forcing down demand.

As a result, consolidated sales for this business registered ¥37,148 million (down 12.5% from the previous year) on orders of ¥34,622 million (down 9.1%).

Although profitability in the medical equipment business is deteriorating amid this continuing harsh business environment, not only will emphasis be placed on persistent cost cutting from this point forward, as outlined in the mid-term management plan, drastic reforms will proceed and Shimadzu's core technologies will be fully utilized to strengthen the X-ray product line and return this business to profitability.

Aircraft Equipment and Industrial Machinery Business



●Sales during the last 5years

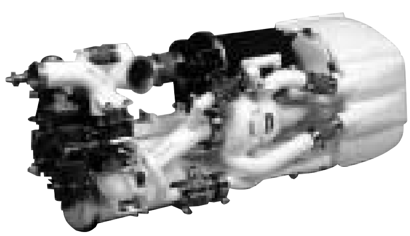


Photo: Air Conditioning System

Amid the continuing severe business environment brought on by defense budgetary restraint, our efforts to develop demand in the aircraft equipment business were primarily focused on spare parts.

Our industrial machinery business experienced an overall decline in demand due to a sudden drop in demand for film forming equipment and turbo molecular pumps caused by extensive equipment investment cutbacks in the semiconductor and IT industries, despite steady demand for our other industrial equipment. The demand for hydraulic equipment declined due to production cutbacks by major users who are also struggling amid the economic stagnation. The overseas markets, on the other hand, saw an increase in demand for industrial equipment.

As a result, consolidated sales for this business registered ¥50,310 million (down 2.3% from the previous year) on orders of ¥48,992 million (down 9.7%).

Future plans for the aircraft equipment business focus on strengthening organization and coordination in sales, development and production, and to become a strong participant in the development of the Defense Agency's new aircraft. Our plan for the industrial machinery business is directed at concentrating on the turbulent IT sector, by responding quickly to the forecasted technological innovation and market growth with accelerated business development.

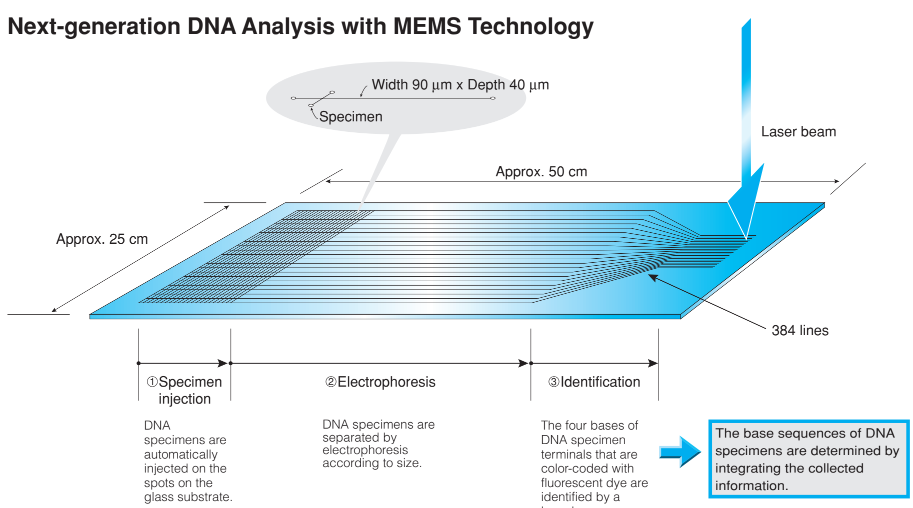
Noteworthy Technological Development

We are now developing the next-generation DNA sequencer, incorporating revolutionary technology to make a great leap forward in high performance DNA analysis. Utilizing the newest technologies, including ultra-micro level processing with nanotechnology, the goal is to develop an epoch-making instrument capable of more than ten times current speeds at less than one tenth the running cost. (See figure below)

Applications for this instrument will be in genetic diagnostics and tailored medical treatment in the near future, to satisfy the demands forecasted for high speed and large volume analysis of DNA.

This instrument will incorporate both our own original technology and the patented technology of the U.S. bio-venture company GenoMEMS, Inc., with completion of product development projected for the first quarter of 2003.

Next-generation DNA Analysis with MEMS Technology

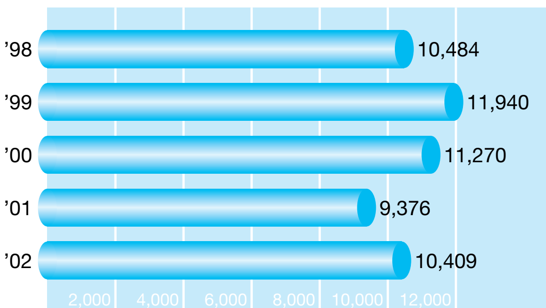


We are aggressively pursuing development in the field of life science as one of our new businesses, determined to make the best use of our equipment development expertise in the fields of genome and protein analysis, and to advance expansion of the business overall based on the relationship between commissioned analysis and the reagent business.

The development of this next-generation DNA sequencer is situated at the core of our future life science business promotion in all of the business areas of instrumentation, commissioned analysis and reagents.

Main Business

Overseas Activities



●Sales during the last 5years

1. Overview

In Fiscal 2001, exports to China, continuing its high economic growth, showed a dramatic expansion, and notwithstanding the IT recession in Southeast Asia, the consolidated sales for Asia-Oceania and Africa increased by 18.7%. Even amid the economic stagnation in Europe, the consolidated sales for that region showed an 11.0% expansion. In North and South America, sales of analytical instruments continue to grow in the pharmaceutical market especially in the area of new drug development in the United States with consolidated sales expanding by 23.0%. Assisted by the let-up in the appreciation of the yen, consolidated sales to overseas markets overall recorded an overall increase of 18.8% over the previous year to ¥58,020 million.

Exhibitions and Seminar on Environmental Equipment in China

2. Europe

Sales of analytical instruments are focused in the pharmaceutical, biotechnology and environmental fields. In addition, direct sales started in France in March 2002. In the Russian market, the first half of 2002 will see the establishment of four new offices in addition to the existing sales offices in Moscow and Saint Petersburg, in order to accommodate the future growth expansion predicted in this market.

3. North America

In the analytical instruments field, the aim is to garner a greater market share by strengthening efforts at large pharmaceutical companies, increasing sales of the latest model like the 2010 series of chromatographs, and introducing products of Shimadzu Group company Kratos Analytical Ltd. into the biotechnology market.
In the medical equipment field, efforts will be centralized at major hospitals to promote sales of Angiography system and digital X-ray system.

4. Asia-Oceania

In China, as part of the second year of the 10th five-year plan that started in 2001, the Government is expected to focus in the fields of education and environmental issues and in the development of the western regions. This year, we plan to expand our sales by strengthening sales promotion at universities and concentrating on issues related to the field of environmental analysis, such as acid rain problems and arsenic in drinking water.
In the private sector, investment primarily by Japanese enterprises is continuing in China, now becoming the 'world's factory', and we will work to capture some of this investment to increase sales of analytical and measurement equipment.
China and ASEAN countries are now facing the problems of residual pesticide and other chemicals in vegetables, meats and marine products exported to Japan and Europe. We are targeting expanding sales of analytical instruments into these food safety control market by providing relevant application data.

In addition, in view of the enforcement of regulation related to use of harmful chemicals which may be generated during the recycling of electric appliances in Europe, there is a special demand for elemental analysis instruments for ASEAN electrical and electronic industries. Customer seminars are being held in the various countries to quickly take advantage of sales opportunities for this application.

Mid-term Management Plan

In April 2002, we started a 3-year mid-term management plan. This plan will address changes in industrial structure and accelerated globalization in this new era of business environment, with the aim of achieving new growth through expansion of new businesses at the same time as strengthening our competitive power.

1 "Strengthen profitability" by reforming cost structure

By reducing fixed expenses such as personnel expense by 10% and variable expenses like production costs by 2%, the breakeven point can be lowered by ¥18 billion to improve the profitability profile.

2 "Concentrate on growth fields" by redirecting business portfolio

By concentrating management resources on the growth fields comprising the "three new businesses" (life science, environmental solutions, semiconductors / flat panel displays), in addition to our existing business lines of strategic products that continue to hold promise for future growth (five product lines including liquid chromatographs, etc.), the global competitiveness of each of these products will improve.
The medical equipment business, which is currently in the grip of an extremely harsh business environment, will be drastically reformed to improve earnings by focusing on specialized use of our core technologies in the X-ray equipment products.

3 Reorganization of head office and business divisions

The head office will be made "leaner" and strategic functions strengthened. This will involve shifting the current business section support activities and the associated personnel to the various business divisions. In addition, we will reorganize the current business divisions into four divisions to focus on analytical & measuring instruments, medical systems, aircraft equipment and semiconductor equipment, respectively, in order to streamline business activities.

Financial Section

Consolidated Balance Sheets

March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2002**	2001	**2002**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 17,095**	¥ 17,756	**$ 128,534**
Time deposits (Note 6)	**701**	967	**5,271**
Marketable securities (Notes 2.c and 4)		5	
Trade receivables:			
Notes and accounts	**73,060**	94,587	**549,323**
Allowance for doubtful receivables	**(1,145)**	(666)	**(8,609)**
Net trade receivables	**71,915**	93,921	**540,714**
Inventories (Note 5)	**60,877**	66,669	**457,722**
Deferred tax assets (Note 13)	**4,375**	4,109	**32,895**
Prepaid expenses and other current assets	**4,292**	4,479	**32,270**
Total current assets	**159,255**	187,906	**1,197,406**
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	**19,392**	18,827	**145,805**
Buildings and structures	**49,861**	49,187	**374,895**
Machinery, equipment and vehicles	**18,267**	17,571	**137,346**
Tools, furniture and fixtures	**22,909**	25,761	**172,248**
Construction in progress	**51**	63	**383**
Total	**110,480**	111,409	**830,677**
Accumulated depreciation	**(56,542)**	(57,972)	**(425,128)**
Net property, plant and equipment	**53,938**	53,437	**405,549**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2.c, 4 and 6)	**6,637**	7,928	**49,902**
Investments in and advances to unconsolidated subsidiaries and associated companies	**114**	131	**857**
Long-term receivables	**2,573**	2,753	**19,346**
Consolidation goodwill		3,676	
Deferred tax assets (Note 13)	**17,671**	7,605	**132,865**
Other assets	**4,308**	5,268	**32,391**
Total investments and other assets	**31,303**	27,361	**235,361**
TOTAL	**¥244,496**	¥268,704	**$1,838,316**

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	**2002**
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	**¥ 16,469**	¥ 23,518	**$ 123,827**
Current portion of long-term debt (Note 6)	**846**	21,039	**6,361**
Trade notes and accounts payables	**37,076**	45,193	**278,767**
Advances from customers	**2,426**	2,797	**18,241**
Income taxes payable	**1,320**	1,367	**9,925**
Accrued expenses and other current liabilities (Note 13)	**15,411**	15,949	**115,872**
Total current liabilities	**73,548**	109,863	**552,993**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**73,121**	53,346	**549,782**
Liability for retirement benefits (Note 7)	**17,796**	17,847	**133,804**
Other long-term liabilities (Note 13)	**281**	185	**2,113**
Total long-term liabilities	**91,198**	71,378	**685,699**
MINORITY INTERESTS	**417**	324	**3,135**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14,15 and 16)			
SHAREHOLDERS' EQUITY (Note 8):			
Common stock, - authorized, 800,000,000 shares; issued, 267,090,952 shares	**16,825**	16,825	**126,504**
Additional paid-in capital	**25,393**	25,393	**190,925**
Retained earnings	**38,766**	47,651	**291,474**
Net unrealized gain on available-for-sale securities	**1,246**	1,645	**9,368**
Foreign currency translation adjustments	**(2,890)**	(4,374)	**(21,729)**
Treasury stock, at cost - 23,153 shares and 1,513 shares in 2002 and 2001, respectively	**(7)**	(1)	**(53)**
Total shareholders' equity	**79,333**	87,139	**596,489**
TOTAL	**¥244,496**	¥268,704	**$1,838,316**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	**2002**
NET SALES (Notes 9 and 10)	**¥192,085**	¥200,006	**$1,444,248**
OPERATING COSTS AND EXPENSES:			
Cost of sales (Notes 9 and 14)	**131,455**	135,850	**988,383**
Selling, general and administrative expenses (Notes 11 and 14)	**62,465**	60,060	**469,662**
Total	**193,920**	195,910	**1,458,045**
Operating income (loss) (Note 10)	**(1,835)**	4,096	**(13,797)**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**301**	419	**2,263**
Gain on sales of marketable and investment securities	**304**	1,692	**2,286**
Interest expense	**(2,018)**	(2,071)	**(15,173)**
Foreign exchange gain, net	**531**	483	**3,992**
Loss on disposals of inventories	**(3,350)**	(1,194)	**(25,188)**
Gain on securities contributed to employees' retirement benefit trusts (Note 7)		10,105	
Charge for full amount of transitional obligation for employees' retirement benefits (Note 7)		(28,209)	
Loss on write-down of investment securities	**(518)**	(1,014)	**(3,895)**
Write-down of goodwill	**(3,011)**		**(22,639)**
Gain on sales of property, plant and equipment	**1,696**	74	**12,752**
Restructuring charge (Note 12)	**(6,624)**		**(49,804)**
Other, net	**(1,078)**	(1,218)	**(8,105)**
Other expenses, net	**(13,767)**	(20,933)	**(103,511)**
LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS	**(15,602)**	(16,837)	**(117,308)**
INCOME TAXES (Note 13):			
Current	**2,459**	2,053	**18,489**
Deferred	**(9,939)**	(8,338)	**(74,729)**
Total income taxes	**(7,480)**	(6,285)	**(56,240)**
MINORITY INTERESTS IN NET LOSS	**(4)**	27	**(30)**
NET LOSS	**¥ (8,118)**	¥ (10,579)	**$ (61,038)**

	Yen		U.S. Dollars
AMOUNTS PER SHARE (Note 2.p):			
Net loss	**¥(30.40)**	¥(39.61)	**$(0.23)**
Cash dividends		5.00	

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2002 and 2001

	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, 2000	267,090,952	¥16,825	¥25,393	¥59,670			¥(2)
Net loss				(10,579)			
Appropriations:							
Cash dividends paid, ¥5 per share				(1,335)			
Directors' and corporate auditors' bonuses				(105)			
Net unrealized gain on available-for-sale securities					¥1,645		
Foreign currency translation adjustments						¥(4,374)	
Net decrease in treasury stock							1
BALANCE AT MARCH 31, 2001	**267,090,952**	**16,825**	**25,393**	**47,651**	**1,645**	**(4,374)**	**(1)**
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)**

	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, 2001	**$126,504**	**$190,925**	**$358,278**	**$12,368**	**$(32,887)**	**$ (8)**
Net loss			(61,038)			
Appropriations:						
Cash dividends paid, $0.019 per share			(5,022)			
Directors' and corporate auditors' bonuses			(699)			
Net decrease in unrealized gain on available-for-sale securities				(3,000)		
Foreign currency translation adjustments					11,158	
Adjustment of retained earnings for newly consolidated subsidiaries			(45)			
Net increase in treasury stock						(45)
BALANCE AT MARCH 31, 2002	**$126,504**	**$190,925**	**$291,474**	**$ 9,368**	**$(21,729)**	**$(53)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
OPERATING ACTIVITIES:			
Loss before income taxes and minority interests	¥(15,602)	¥(16,837)	$(117,308)
Adjustments for:			
Income taxes paid	(2,545)	(3,037)	(19,135)
Depreciation and amortization	7,610	4,569	57,218
Provision for (reversal of) retirement benefits	(82)	10,658	(617)
Securities contributed to employees' retirement benefit trusts		6,700	
Net gain on sales of marketable securities		(1,690)	
Net loss on sales and write-down of investment securities	222	1,019	1,669
Net loss (gain) on sales and disposals of property, plant and equipment and other assets	(1,239)	54	(9,316)
Foreign exchange gain, net	(64)	(108)	(481)
Allowance for doubtful receivables	691	203	5,195
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Decrease (increase) in trade receivables	22,834	(6,264)	171,684
Decrease in inventories	7,486	3,542	56,286
Increase (decrease) in trade payables	(9,218)	721	(69,308)
Other, net	(413)	1,892	(3,105)
Total adjustments	25,282	18,259	190,090
Net cash provided by operating activities	9,680	1,422	72,782
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment and other assets	2,190	643	16,466
Purchases of property, plant and equipment and other assets	(5,339)	(5,722)	(40,143)
Proceeds from sales of marketable securities	5	2,283	38
Purchases of marketable securities		(255)	
Proceeds from sales of investment securities	712	11	5,353
Purchases of investment securities	(340)	(590)	(2,556)
Increase in long-term receivables	(133)	(1,560)	(1,000)
Decrease in long-term receivables	273	274	2,053
Other, net	(82)	79	(617)
Net cash used in investing activities	(2,714)	(4,837)	(20,406)
FINANCING ACTIVITIES:			
Net decrease in short-term bank loans	(7,877)	(533)	(59,226)
Proceeds from borrowing of long-term debt	5,676	1,736	42,677
Repayments of long-term debt	(1,218)	(1,788)	(9,158)
Issuance of unsecured bonds	14,914		112,135
Redemption of unsecured bonds	(20,000)		(150,376)
Cash dividends paid	(668)	(1,332)	(5,023)
Proceeds from minority shareholders	1,069		8,038
Other, net	(6)	2	(45)
Net cash used in financing activities	(8,110)	(1,915)	(60,978)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	476	375	3,579
NET DECREASE IN CASH AND CASH EQUIVALENTS	(668)	(4,955)	(5,023)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	7		53
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,756	22,711	133,504
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 17,095	¥ 17,756	$ 128,534

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2002 and 2001

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

Certain reclassifications have been made in the 2001 consolidated financial statements to conform to the classifications used in 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2002 include the accounts of the Company and its 32 (31 in 2001) domestic subsidiaries and 34 (33 in 2001) 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 to be fully consolidated.

Investments in five (six in 2001) unconsolidated subsidiaries and three associated companies in both 2002 and 2001 are accounted for on the cost basis, as the effect on net loss and retained earnings is immaterial.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary/associated company at the dates of acquisition. Goodwill on acquisition of subsidiaries is reported in the balance sheet as consolidation goodwill and is amortized using the straight-line method over 20 years while immaterial amounts 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) trading securities, which are held for the purpose of earning capital gains in near term, are reported at fair value, and the related unrealized gains and losses are included in the earnings.
ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

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 specifically identified cost or at the most recent purchase price which approximates cost using the first-in, first-out method, except those held by overseas subsidiaries which are stated principally at the lower of cost or market using the first-in, first-out method. Work in process is stated at the specifically identified cost. Other inventories are stated principally at 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, while the straight-line method is applied to the buildings of the Company and its domestic subsidiaries. Overseas subsidiaries compute depreciation by the straight-line method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from three to 75 years for buildings and structures, from four to 17 years for machinery, equipment and vehicles and from two to 15 years for tools, furniture and fixtures.

f. *Retirement Benefits and Pension Plans*

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

Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.
The full amount of the transitional obligation of ¥28,209 million, determined as of the beginning of year, was charged to income for the year ended March 31, 2001.

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

g. *Research and Development Costs*

Research and development costs are charged to income as incurred.

h. *Allowance for Doubtful Accounts*

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

i. *Leases*

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

Foreign exchange forward contracts and currency options, which are utilized by the Company to reduce foreign currency exchange rate risks, are measured at the fair value at the balance sheet date and the unrealized gains / losses are recognized in income.

p. Amounts per Share

The computation of net loss per share amounts is based on the weighted average number of shares of common stock outstanding during each period. The number of shares used for computing net loss per share for the years ended March 31, 2002 and 2001 was 267,084,172 shares and 267,087,812 shares, respectively.
Diluted net income per share for the years ended March 31, 2002 and 2001 are 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 ¥133 to $1, the approximate rate of exchange at March 31, 2002. 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, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Current-			
Other securities		¥ 5	
Non-current:			
Equity securities	**¥6,631**	¥7,921	**$49,857**
Trust fund investments and other	**6**	7	**45**
Total	**¥6,637**	¥7,928	**$49,902**

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

Information regarding the securities classified as available-for-sale securities at March 31, 2002 and 2001 was as follows:

	Millions of Yen			
March 31, 2002	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	**¥ 4,120**	**¥ 2,494**	**¥ 343**	**¥ 6,271**
Other securities	**9**		**3**	**6**
March 31, 2001				
Equity securities	¥ 4,423	¥ 3,173	¥ 333	¥ 7,263
Other securities	9		2	7

	Thousands of U.S. Dollars			
March 31, 2002	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	**$30,977**	**$18,752**	**$2,579**	**$47,150**
Other securities	**68**		**23**	**45**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Available-for-sale:			
Equity securities	**¥360**	¥658	**$2,707**
Other securities		5	
Total	**¥360**	¥663	**$2,707**

Proceeds from sales of available-for-sale securities for the year ended March 31, 2002 and 2001 were ¥712 million ($5,353 thousand) and ¥11 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥304 million ($2,286 thousand) and ¥1 million for the years ended March 31, 2002 and 2001, respectively. Gross realized losses on these sales, computed on the moving average cost basis, were ¥9 million ($68 thousand) and ¥5 million for the years ended March 31, 2002 and 2001, respectively.

5. INVENTORIES

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Finished products	**¥24,553**	¥24,373	**$184,609**
Semi-finished products	**8,461**	7,784	**63,617**
Work in process	**19,350**	26,345	**145,489**
Raw materials and supplies	**8,513**	8,167	**64,007**
Total	**¥60,877**	¥66,669	**$457,722**

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans primarily consisted of bank overdrafts and financing agreements with banks which are renewable on an annual basis and bear interest at annual rates ranging from 0.35% to 6.9% and from 0.43% to 10.40% at March 31, 2002 and 2001, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
2.3% unsecured bonds, due July 2001		¥20,000	
1.825% unsecured bonds, due December 2003	**¥10,000**	10,000	**$ 75,188**
2.15% unsecured bonds, due July 2004	**20,000**	20,000	**150,376**
0.95% unsecured convertible debentures, due September 2005	**20,000**	20,000	**150,376**
1.36% unsecured bonds, due April 2008	**15,000**		**112,782**
Loans, principally from banks, due serially to March 2016 with interest rates ranging from 0.94% to 7.485% (2002) and from 1.15% to 7.48% (2001)	**8,920**	4,326	**67,068**
Other	**47**	59	**353**
Total	**73,967**	74,385	**556,143**
Less portion due within one year	**(846)**	(21,039)	**(6,361)**
Long-term debt, less current portion	**¥73,121**	¥53,346	**$549,782**

The 0.95% unsecured convertible debentures outstanding at March 31, 2002 were convertible into 29,542,097 shares of common stock of the Company, at the conversion price of ¥677 per share, subject to certain adjustments.

The aggregate annual maturities of long-term debt outstanding at March 31, 2002 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2003	**¥ 846**	**$ 6,361**
2004	**11,978**	**90,060**
2005	**20,784**	**156,271**
2006	**20,180**	**151,729**
2007	**5,056**	**38,015**
2008 and thereafter	**15,123**	**113,707**
Total	**¥73,967**	**$556,143**

At March 31, 2002, 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	**¥1,360**	**$10,226**
Time deposits	**78**	**586**
Investment securities	**50**	**376**
Total	**¥1,488**	**$11,188**

	Millions of Yen	Thousands of U.S. Dollars
Related liabilities:		
Short-term bank loans	**¥ 897**	**$ 6,744**
Long-term debt	**1,560**	**11,729**
Total	**¥2,457**	**$18,473**

7. RETIREMENT AND PENSION PLANS

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

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the basic rate of pay at the time of termination, length of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or certain other conditions.
The liability for retirement benefits for directors and corporate auditors were ¥640 million ($4,812 thousand) and ¥609 million at March 31, 2002 and 2001, 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, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Projected benefit obligation	**¥51,686**	¥50,835	**$388,617**
Fair value of plan assets	**(24,103)**	(31,252)	**(181,226)**
Unrecognized prior service cost	**1,051**	1,127	**7,902**
Unrecognized actuarial loss	**(11,478)**	(3,472)	**(86,301)**
Net liability	**¥17,156**	¥17,238	**$128,992**

The components of net periodic benefit costs for the year ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Service Cost	**¥2,146**	¥ 2,235	**$16,135**
Interest Cost	**1,565**	1,615	**11,767**
Expected return on plan assets	**(582)**	(639)	**(4,376)**
Amortization of prior service cost	**(76)**	(13)	**(571)**
Recognized actuarial loss	**232**		**1,744**
Amortization of transitional obligation		28,209	
Net periodic benefit costs	**¥3,285**	¥31,407	**$24,699**

Assumptions used for the years ended March 31, 2002 and 2001 were set forth as follows:

	2002	2001
Discount rate	**2.5%**	3.5%
Expected rate of return on plan assets	**3.5%**	4.0%
Amortization period of prior service cost	**15 years**	15 years
Recognition period of actuarial gain / loss	**15 years**	15 years

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

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.
Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥4,206 million ($31,624 thousand) and ¥4,176 million as of March 31, 2002 and 2001, respectively.

Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors.
Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing 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 after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

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, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Net sales	**¥255**	¥ 12	**$1,917**
Purchases	**591**	590	**4,444**

10. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2002 and 2001 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	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)**

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

	Thousands of U.S. Dollars				
	2002				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	**$786,669**	**$279,308**	**$378,271**		**$1,444,248**
Intersegment sales	**3,451**	**15**	**3,489**	**$ (6,955)**	
Total sales	**790,120**	**279,323**	**381,760**	**(6,955)**	**1,444,248**
Operating expenses	**738,827**	**304,105**	**348,451**	**66,662**	**1,458,045**
Operating income (loss)	**$ 51,293**	**$ (24,782)**	**$ 33,309**	**$(73,617)**	**$ (13,797)**

b. Assets, Depreciation and Capital Expenditures

	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**

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

	Thousands of U.S. Dollars				
	2002				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	**$864,647**	**$312,917**	**$381,045**	**$279,707**	**$1,838,316**
Depreciation	**18,571**	**5,925**	**8,444**	**2,278**	**35,218**
Capital expenditures	**19,917**	**4,790**	**11,872**	**5,045**	**41,624**

Note:
Unallocated operating expenses in the preceding table under the caption “Eliminations / Corporate” consist principally of general corporate expenses incurred by the administration of the Company, fundamental research and development expenses and advertisement expenses.

(2) Geographical Segments

	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**
Intersergment 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**

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

	Thousands of U.S. Dollars					
	2002					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	**$1,131,398**	**$100,000**	**$ 91,060**	**$121,790**		**$1,444,248**
Intersegment sales	**131,564**	**66,090**	**15,842**	**24,248**	**$(237,744)**	
Total sales	**1,262,962**	**166,090**	**106,902**	**146,038**	**(237,744)**	**1,444,248**
Operating expenses	**1,215,135**	**161,180**	**102,797**	**140,376**	**(161,443)**	**1,458,045**
Operating income (loss)	**$ 47,827**	**$ 4,910**	**$ 4,105**	**$ 5,662**	**$ (76,301)**	**$ (13,797)**
Assets	**$1,353,308**	**$120,241**	**$105,654**	**$ 83,105**	**$ 176,008**	**$1,838,316**

(3) Sales to Foreign Customers

	Millions of Yen			
	North and South America	Europe	Asia Oceania and Africa	Total
2002	**¥ 21,246**	**¥10,409**	**¥ 26,365**	**¥ 58,020**
2001	17,270	9,376	22,212	48,858

	Thousands of U.S. Dollars			
	North and South America	Europe	Asia Oceania and Africa	Total
2002	**$159,744**	**$78,263**	**$198,233**	**$436,240**

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs totaled ¥7,952 million ($59,789 thousand) and ¥7,940 million for the years ended March 31, 2002 and 2001, respectively.

12. 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 ($15,165 thousand), asset impairments of ¥2,058 million ($15,474 thousand), write-down of software and patent of ¥651 million ($4,895 thousand) and other expenses of ¥1,898 million ($14,270 thousand).

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 42.0% for the years ended March 31, 2002 and 2001. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Current:			
Deferred tax assets:			
Allowance for doubtful receivables	**¥ 294**	¥ 697	**$ 2,211**
Accrued bonuses	**1,300**	1,069	**9,774**
Unrealized profit included in inventories	**1,465**	1,955	**11,015**
Tax loss carryforwards	**1,294**	2,118	**9,729**
Restructuring charge	**848**		**6,376**
Other	**620**	520	**4,662**
Total	**5,821**	6,359	**43,767**
Less valuation allowance	**(1,358)**	(2,177)	**(10,211)**
Total current deferred tax assets	**¥4,463**	¥4,182	**$33,556**
Deferred Tax Liabilities:			
Allowance for doubtful receivables	**¥ 55**	¥ 69	**$ 414**
Other	**36**	13	**270**
Total deferred tax liabilities	**¥ 91**	¥ 82	**$ 684**
Net deferred tax assets	**¥4,375**	¥4,109	**$32,895**
Net deferred tax liabilities (included in accrued expenses and other current liabilities)	**¥ 3**	¥ 9	**$ 23**

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Noncurrent:			
Deferred tax assets:			
Liability for retirement benefits	**¥12,067**	¥12,516	**$ 90,729**
Depreciation	**1,709**	400	**12,850**
Allowance for doubtful receivables	**554**	8	**4,165**
Tax loss carryforwards	**5,094**		**38,301**
Loss on investment in subsidiaries	**2,678**		**20,135**
Other	**633**	460	**4,760**
Total	**22,735**	13,384	**170,940**
Less valuation allowance	**(9)**		**(68)**
Total deferred tax assets	**¥22,726**	¥13,384	**$170,872**
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit trust	**¥ 3,819**	¥ 4,248	**$ 28,714**
Special reserves (included in retained earnings)	**322**	337	**2,421**
Unrealized gain on available-for-sale securities	**905**	1,189	**6,805**
Other	**163**	107	**1,225**
Total deferred tax liabilities	**¥ 5,209**	¥ 5,881	**$ 39,165**
Net deferred tax assets	**¥17,671**	¥ 7,605	**$132,865**
Net deferred tax liabilities (included in other long-term liabilities)	**¥ 154**	¥ 101	**$ 1,158**

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, 2002 and 2001 was as follows:

	2002	2001
Normal effective statutory tax rate	**(42.0)%**	(42.0)%
Expenses not permanently deductible for income tax purposes	**0.8**	1.2
Valuation allowance	**(9.1)**	2.1
Elimination of dividend income	**0.4**	0.8
Other, net	**2.0**	0.6
Actual effective tax rate	**(47.9)%**	(37.3)%

14. LEASES

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

Total rental expenses for the years ended March 31, 2002 and 2001 were ¥5,562 million ($41,820 thousand) and ¥5,262 million, respectively, including ¥615 million ($4,624 thousand) and ¥577 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, 2002 and 2001 was as follows:

	Millions of Yen					
	2002			2001		
	Machinery and Vehicles	Furniture and Fixtures	Total	Machinery and Vehicles	Furniture and Fixtures	Total
Acquisition cost	**¥1,438**	**¥2,515**	**¥3,953**	¥1,330	¥2,492	¥3,822
Accumulated depreciation	**647**	**1,223**	**1,870**	495	1,164	1,659
Net leased property	**¥ 791**	**¥1,292**	**¥2,083**	¥ 835	¥1,328	¥2,163

	Thousands of U.S. Dollars		
	2002		
	Machinery and Vehicles	Furniture and Furniture	Total
Acquisition cost	**$10,812**	**$18,910**	**$29,722**
Accumulated depreciation	**4,865**	**9,195**	**14,060**
Net leased property	**$ 5,947**	**$ 9,715**	**$15,662**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Due within one year	**¥ 616**	¥ 581	**$ 4,632**
Due after one year	**1,467**	1,582	**11,030**
Total	**¥2,083**	¥2,163	**$15,662**

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 ¥615 million ($4,624 thousand) and ¥577 million for the years ended March 31, 2002 and 2001, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Due within one year	**¥325**	¥279	**$2,444**
Due after one year	**635**	674	**4,774**
Total	**¥960**	¥953	**$7,218**

15. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2002 for trade notes discounted with banks, for trade notes endorsed and for loans guaranteed amounted to ¥1,265 million ($9,511 thousand), ¥18 million ($135 thousand) and ¥1,162 million ($8,737 thousand), respectively.

16. DERIVATIVES

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

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

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

The Company had the following derivative contracts outstanding at March 31, 2002 and 2001.

	In Thousands	Millions of Yen		In Thousands	Millions of Yen	
	2002			2001		
	Contract or National Amount	Fair Value	Unrealized Loss	Contract or National Amount	Fair Value	Unrealized Loss
Forward Exchange Contracts:						
Selling U.S. $	**$2,000**	**¥266**	**¥(1)**	$ 4,500	¥554	¥(26)
Selling Euro				EUR 1,700	¥185	¥ (3)
Purchased Put Options:						
Euro				EUR 4,100	¥ 14	¥ (8)
Sold Call Options:						
Euro				EUR 8,065	¥ 50	¥(28)

	In Thousands	Thousands of U.S. Dollars	
	2002		
	Contract or National Amount	Fair Value	Unrealized Loss
Forward Exchange Contracts:			
Selling U.S. $	**$2,000**	**$2,000**	**$(8)**

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

17. SUBSEQUENT EVENTS

The Company resolved to discontinue the operations of the Biodegradable Plastics business. Intellectual property rights, machinery and equipment and other assets of the business will be sold to Toyota Motor Corporation by September 30, 2002, and the estimated gain on sale of assets is ¥1,600 million ($12,030 thousand).

Independent Auditors' Report

Deloitte
Touche
Tohmatsu

To the Board of Directors and Shareholders of
Shimadzu Corporation:

We have examined the consolidated balance sheets of Shimadzu Corporation and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Shimadzu Corporation and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

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

Deloitte Touche Tohmatsu

June 27, 2002

Business Outline

Name:
SHIMADZU CORPORATION

Establishment:
1875

Formation of Limited Company:
September,1917

Capital:
¥16.8 billion

Number of Employees:
7,878

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

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

Works:
Sanjo,Murasakino,Atsugi,Hadano,Seta

Consolidated Subsidiaries:
(Domestic)
SHIMADZU RIKA INSTRUMENTS CO.,LTD.
SHIMADZU MECTEM,INC.
SHIMADZU TECHNO-RESEARCH,INC.
THE OTHER 29 SUBSIDIARIES
(Overseas)
SHIMADZU SCIENTIFIC INSTRUMENTS,INC.(U.S.A.)
SHIMADZU PRECISION INSTRUMENTS,INC.(U.S.A.)
SHIMADZU DEUTSCHLAND GmbH(Germany)
KRATOS GROUP PLC.(U.K.)
SHIMADZU (ASIA PACIFIC) PTE LTD.(Singapore)
SHIMADZU AUSTRALIA MANUFACTURING PTY. LTD.
(Australia)
THE OTHER 28 SUBSIDIARIES

Directors and Corporate Auditors

President and Chief Executive Officer
Hidetoshi YAJIMA

Senior Managing Director
Masahisa HIRATO
Tasuku HARA

Managing Director
Shigehiko HATTORI
Tadayoshi FUKUSHIMA
Hiroshi YAMAMOTO,Dr.
Shingo MATSUMOTO
Yasutsugu KAWABE
Toshitake KAWAKAMI

Director
Atsubumi HIRUSAKI
Tohru FUJIKI
Akira NAKAMOTO
Takayuki KATO

Senior Corporate Auditor
Yasuo TAHARA

Corporate Auditor
Susumu WATANABE
Ryuji UEDA
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SHIMADZU

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