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SHIMADZU

ANNUAL REPORT

Year Ended March 31, 2004

CONTENTS

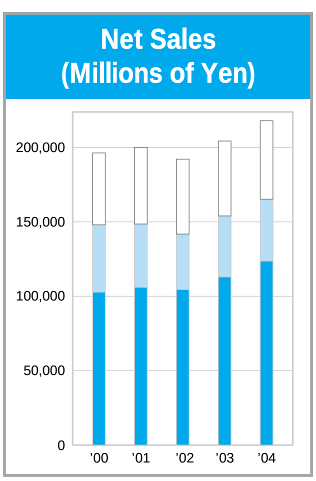
P012-E404

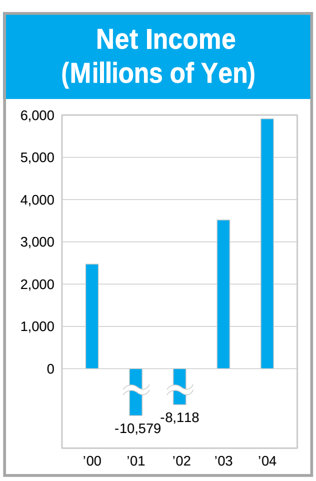
Financial Summary

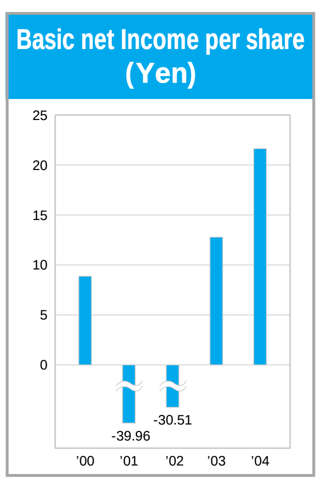
Years ended March 31

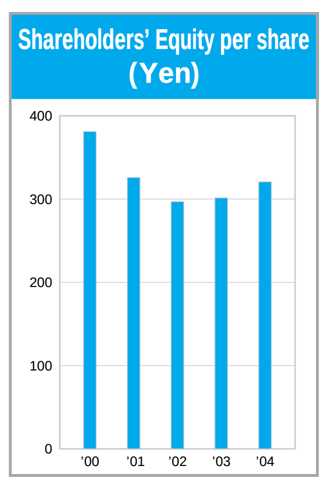
	Millions of Yen					Thousands of U.S. Dollars
For the year:	2000	2001	2002	2003	**2004**	2004
Net Sales	¥196,290	¥200,006	¥192,085	¥204,283	**¥217,940**	$2,056,038
(Sales by Industry Segments)						
Scientific and Process Instruments	102,782	106,070	104,627	113,105	**123,745**	1,167,406
Medical Systems and Equipment	45,220	42,461	37,148	40,864	**41,471**	391,236
Aircraft Equipment and Industrial Machinery	48,288	51,475	50,310	50,314	**52,724**	497,396
Operating Income (Loss)	5,844	4,096	(1,835)	10,944	**16,898**	159,415
Net Income (Loss)	2,474	(10,579)	(8,118)	3,518	**5,912**	55,774
Capital Expenditures	6,746	4,978	5,536	3,947	**11,525**	108,726
Depreciation	4,328	4,369	4,684	4,416	**4,420**	41,698
At year-end:						
Total Assets	269,371	268,704	244,496	244,014	**256,399**	2,418,858
Shareholders' Equity	101,886	87,139	79,333	80,528	**85,676**	808,264
Per share:	Yen					U.S. Dollars
Basic net Income (Loss)	¥ 8.87	¥ (39.96)	¥ (30.51)	¥ 12.78	**¥ 21.64**	$ 0.20
Cash Dividends	5.00	5.00		5.00	**5.00**	0.05
Shareholders' Equity	381.08	325.91	296.94	301.46	**320.72**	3.03
Number of Employees	7,915	8,021	7,878	7,879	**7,930**	

● Note: The U.S. dollar amounts in this report represent translations of Japanese yen for convenience only at the rate of ¥106=US$1. See Note 3 to the consolidated financial statements.









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

To Our Shareholders And Customers

Review of fiscal 2003 results

Consolidated sales totaled ¥217,940 million (up 6.7% over the previous year). On the profit and loss side, operating income totaled ¥16,898 million (up 54.4% over the previous year). Both were the highest results ever recorded. Net income was ¥5,912 million (up 68.0% over the previous year).

During this fiscal year, which was the second in our Mid-term Management Plan, we concentrated on intensifying our global competitiveness in our main equipment lines (scientific and process instruments, medical systems and equipment, aircraft equipment and industrial machinery), while continuing to advance in our three new lines of business (life sciences, environmental solutions, semiconductors / flat panel displays), where we introduced new products, worked at strengthening our domestic and foreign operations, and exerted efforts in the sales of new products for the R&D and the environmental regulatory field.

At the beginning of the year, the outlook for the recovery of the Japanese economy was bleak. After that, private sector investment in equipment and consumer spending started getting back on track against the backdrop of improved business performance. Also, with increased exports arising from booming Asian economies, especially to China, the business climate shifted toward recovery.

In the overseas markets, increases in consumer spending and business investment in the United States brought forth a shift toward recovery in that market. At the same time, some movement toward a pickup in the European market was evident. In the Asian economies, the climate in China continued to be robust, and there were broadening signs of recovery in the other countries in the region, signaling a trend toward a generalized global recovery.

Outlook for the Next Fiscal Year

We anticipate consolidated sales of ¥224,000 million and a net income of ¥7,500 million next year.

In making this forecast, we anticipated a continuing trend toward recovery in Japan led by exports and business investment. On the other hand, deflation continues, the employment and income situations remain poor, and the future remains uncertain. Further, while the yen remains stable, international competition will probably intensify.

In this business environment, we will work at cutting fixed costs and variable costs to the bare minimums, and place primary emphasis on lowering our breakeven point. We will continue to advance reform of our cost structure, including shrinking our total lead time to reduce manufacturing costs, and building a more efficient operational structure to improve profitability and strengthen operations.

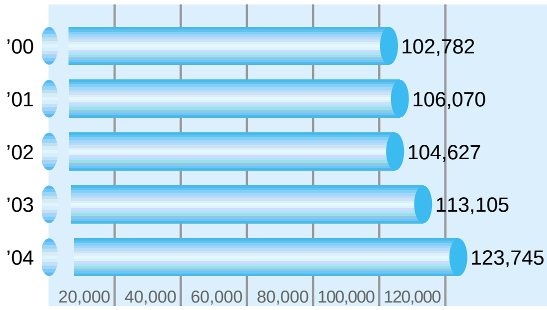
On the business front, we will continue to emphasize "Selection and Focus" in strengthening our global competitiveness in our existing main lines of business, while advancing further into our three new lines of business. And on the marketing front, we will strengthen our sales networks and introduce new products into the North American market, which is the cornerstone of our global strategy, and into the growth markets in the China region. We at Shimadzu greatly appreciate and hope for your continued support.

Hidetoshi Yajima
Chairman of the Board

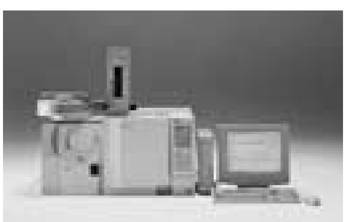
Shigehiko Hattori
President and Chief Executive Officer

Main Business

Scientific and Process Instruments Business



●Sales during the last 5years



Gas Chromatograph
Mass Spectrometer

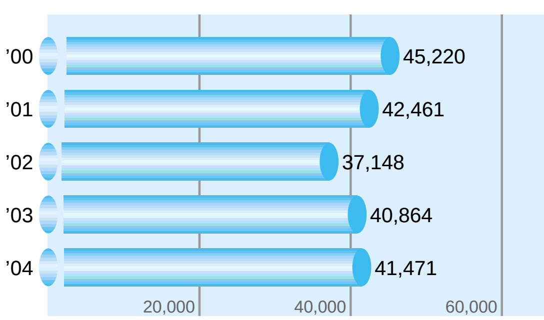
There was robust demand in the domestic market due to the recovery of private sector business investment, increased demand in the research and development sectors such as life sciences and nanotechnology, and additionally, increased demand from the strengthening of environmental / safety regulations such as the Fifth Water Quality Specification Regulations, the Revised Water Supply Law, and the EU regulations on harmful substance content in electronic parts. As a result, demand picked up for equipment such as chromatographs, mass spectrometers, and fluorescent X-ray analyzers. Due to the recovery of private sector business investment, there was also a movement toward robust demand for equipment such as non-destructive X-ray inspection instruments and material testing equipment. Demand also picked up in foreign markets, especially in China.

In response to this situation, we focused on our proposal-oriented approach and new product introduction to market products aimed at growth markets.

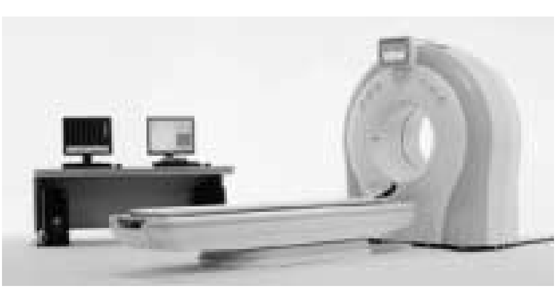
As a result, consolidated sales in this business totaled ¥123,745 million (up 9.4% over the previous year).

With anticipated future increases in business investment in the areas of pharmaceuticals, foodstuffs, and electric appliances in the domestic market, we plan to accelerate our future equipment introduction in the areas of gas and liquid chromatograph mass spectrometer and non-destructive X-ray inspection instruments. Abroad, we are planning to expand sales in the Asian-region, especially in China. In the United States, the biggest and most advanced market, we plan to strengthen our sales and service capabilities and expand our market share.

Medical Systems and Equipment Business



●Sales during the last 5years



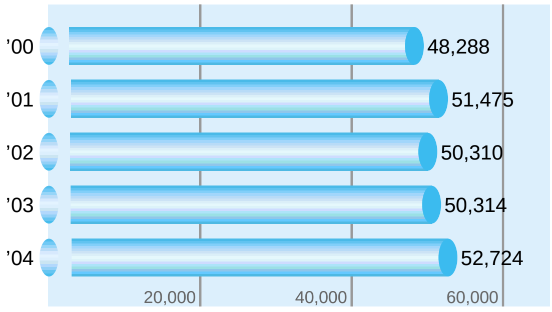
PET

In the domestic market, prices continue to fall in response to intensified competition from manufacturers both domestic and foreign. As a result of our striving to create demand through the introduction of new equipment, including X-ray equipment such as an X-ray display system and a cardiovascular system X-ray scanner equipped with a flat panel detector (FPD), as well as a positron emission tomography (PET) device intended for the early diagnosis of cancer, private sector demand, in particular, has gained momentum. In the overseas markets, demand has also picked up in Europe and China.

Amid this situation, we pushed forward drastic cost-cutting reforms.
As a result, consolidated sales in this business rose to ¥41,471 million (up 1.5% over the previous year).

We will market an expanded product lineup of X-ray imaging devices utilizing FPDs, which we digitized using our core technologies. Since PET systems are now being used for cancer diagnosis in Japan, we plan to expand our market share with the latest in high sensitivity and high speed imaging equipment.

Aircraft Equipment and Industrial Machinery Business



●Sales during the last 5years

Head-Up Display for Use in Aircraft

A bleak business environment continued in the aircraft equipment business due to the restrictions on the defense budget and the doldrums in private sector aviation demand. We tried to breathe some life into demand using replacement parts, but demand sunk both domestically and abroad.

With regard to the industrial machinery equipment business, soaring business investment in semiconductor / IT-related equipment increased demand for manufacturing and inspection equipment related to liquid crystal panels, and turbomolecular pumps used in semiconductor manufacturing. Demand also picked up for compact gear pumps and other hydraulic equipment. Abroad, demand was up in Asia, especially China.

As a result, consolidated sales in this business totaled ¥52,724 million (up 4.8% over the previous year).

Regarding the two next-generation aircraft under development (an anti-submarine patrol plane and a transport plane) by the Japan Defense Agency, we received an order for avionics equipment for prototypes from Kawasaki Heavy Industries, Ltd. (for 4 aircraft, anticipated delivery in FY2006). Beginning in FY 2008, we anticipate orders over approximately the next 10 years for mass producing this equipment, and we are now solidifying our base in the aircraft equipment business for the medium to long term.

On the other hand, in the industrial machinery business, with the onslaught of large sized displays, we are planning to expand marketing of a high speed testing device for the high speed liquid crystal displays that the major liquid crystal display manufacturers began delivering last year.

CLOSE-UP: BUSINESS RELATED TO STRENGTHENED ENVIRONMENTAL CONTROLS

This period witnessed a remarkable increase in revenue in the scientific and process instruments business due to strengthening of various environment controls. This favorable result was achieved because our strategy to provide a wide-ranging lineup of instruments enabled us to respond effectively to these strengthened environmental controls.

The specific environmental controls having an effect during this period included revisions to the domestic Water Supply Law (related instrument: gas chromatograph mass spectrometer) and the Water Quality Specification Regulations (related instrument: total nitrogen / total phosphorus analyzer), and overseas in the EU, the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) (related instrument: energy dispersive X-ray fluorescence spectrometers (EDX)). The sales associated with these strengthened environmental controls amounted to about five billion yen.

Among these, the specific EU controls that are expected to also increase sales in the next period are as follows.

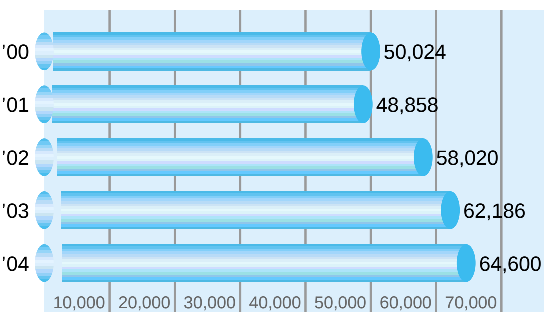
EDX

EU enforcement of the RoHS will begin in 2006, prohibiting the use of six harmful substances, including mercury, cadmium, lead, etc. in electrical and electronic equipment.

Business enterprises in the EU region that sell electrical and electronic products are speeding up establishment of inspection protocols for these harmful substances. Our EDX, with its excellent performance, functionality and wide-ranging effective customer support has earned high acclaim as a Japanese enterprise exporting electrical and electronic equipment to the EU region.

In addition, there are expectations that RoHS is spreading beyond the EU to California in the U.S., China, South Korea, and other regions. Sales of EDX in the next period are expected to reach about three billion yen.

Overseas Activities



●Sales during the last 5years

1. Overview

In FY 2003, China achieved a high growth rate of 9.1%, while the ASEAN countries and India had growth ranging from 4 to 7%. Our consolidated sales to the Asia / Oceania region as a whole grew 16.3%. Sales to Europe grew by 4.5%. In North and South America, the recession in the aircraft industries and IT sectors in the U.S., as well as the poor market climate in the medical sector were factors in our recording a negative 15.4% growth in that region. Overall, consolidated sales to overseas market grew 3.9% over the previous year and totaled ¥64,600 million.

PITTCON 2004 Exhibition in Chicago
Shimadzu introduces its latest technology to the world

2. Europe

While facing stagnant growth of less than 1% in both 2002 and 2003, EU anticipates 2% growth in 2004. This May, the EU expansion to include 25 countries with the admission of 10 new countries is anticipated to spur growth. In the analytical equipment field, in addition to England and France, we are focusing on Eastern Europe, where growth related to the expansion of the EU is expected. We are strengthening our network of distributors for medical equipment, with a primary focus on mobile and general X-ray imaging equipment.

3. North America

GDP growth in the United States improved to 2.9% in 2003, and it is expected to recover to 4.2% in 2004. In order to further elevate our presence in the North American market, we are implementing measures to raise our sales coverage, primarily through investment in personnel. In the analytical equipment field, we are increasing the number of specialized sales staff for mass spectrometers and for the Bio-sector market. We have begun direct sales of medical equipment in Texas, and are developing sales routes for angiography equipment.

4. China and Asia - Oceania

China's high growth rate continued in 2003, registering 9.1%, and in 2004, a growth of 7% is anticipated. In our analytical equipment business, we are increasing personnel as a primary measure to expand business in the life sciences / environmental / semiconductor market and for product of high-performance liquid chromatographs, mass spectrometers and elemental / surface analysis equipment. In the medical field, we will achieve cost reduction of a radiography & fluoroscopy (R&F) table system by promoting local production in China. We are also planning to strengthen our application support and increase delivery portals for angiography and interventional radiology (IVR) equipment.

In 2003, ASEAN countries recovered from the recession in the IT sector with GDP growth of 4.4%, and it is expected to further strengthen to 5.3% in 2004. In addition to electronics and household electronic industries, we are looking to broaden sales of equipment such as Energy Dispersive X-ray Fluorescence Spectrometers (EDX), principally to automobile manufacturers who face stricter regulations on harmful substance content in products destined for the EU market. In addition, expansion of our dealer network in India is aimed at promoting sales of Medical equipment in that market.

Developing Business in China

There is a great deal of investment to improve and augment China's social and industrial infrastructure as it continues its economic growth. We are concentrating sales through Hong Kong and Shanghai, and have established 10 operations and service facilities in the interior and northeast region of China to meet the specific needs of clients. With regard to manufacturing, we have set up local manufacturing facilities for scientific and process equipment in Suzhou, medical equipment in Beijing, and hydraulic equipment in Tianjin, and are marketing them through the aforementioned sales network. Sales in China totaled ¥11,796 million in 2002, ¥15,354 million in 2003, and are projected to be ¥17,600 million in 2004.

Financial Section

Consolidated Balance Sheets

March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
ASSETS	**2004**	2003	**2004**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 31,180**	¥ 32,762	**$ 294,151**
Time deposits (Note 6)	**901**	890	**8,500**
Marketable securities (Notes 4)	**129**	120	**1,217**
Trade receivables:			
Notes and accounts	**78,091**	71,327	**736,708**
Allowance for doubtful receivables	**(1,461)**	(1,059)	**(13,783)**
Net trade receivables	**76,630**	70,268	**722,925**
Inventories (Note 5)	**51,865**	51,073	**489,292**
Deferred income taxes (Note 11)	**4,294**	3,308	**40,509**
Prepaid expenses and other current assets	**3,498**	2,719	**33,000**
Total current assets	**168,497**	161,140	**1,589,594**
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	**19,367**	19,406	**182,708**
Buildings and structures	**56,668**	49,478	**534,604**
Machinery, equipment and vehicles	**16,408**	17,008	**154,792**
Tools, furniture and fixtures	**21,682**	22,677	**204,547**
Construction in progress	**143**	169	**1,349**
Total	**114,268**	108,738	**1,078,000**
Accumulated depreciation	**(56,230)**	(56,762)	**(530,472)**
Net property, plant and equipment	**58,038**	51,976	**547,528**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 6)	**9,179**	5,899	**86,594**
Investments in unconsolidated subsidiaries and associated companies	**113**	113	**1,066**
Long-term receivables	**2,241**	2,402	**21,142**
Deferred income taxes (Note 11)	**13,248**	16,977	**124,981**
Other assets	**5,083**	5,507	**47,953**
Total investments and other assets	**29,864**	30,898	**281,736**
TOTAL	**¥256,399**	¥244,014	**$2,418,858**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 3) 2004
CURRENT LIABILITIES:			
Short-term loans (Note 6)	**¥ 13,591**	¥ 13,181	**$ 128,217**
Current portion of long-term debt (Note 6)	**21,383**	11,503	**201,726**
Trade notes and accounts payable	**46,807**	39,544	**441,575**
Other payables	**13,725**	6,615	**129,481**
Advances from customers	**2,762**	2,863	**26,057**
Income taxes payable	**2,016**	1,541	**19,019**
Accrued expenses and other current liabilities (Note 11)	**8,410**	6,829	**79,340**
Total current liabilities	**108,694**	82,076	**1,025,415**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**42,203**	62,484	**398,142**
Liability for retirement benefits (Note 7)	**18,460**	17,929	**174,151**
Other long-term liabilities (Note 11)	**1,065**	696	**10,047**
Total long-term liabilities	**61,728**	81,109	**582,340**
MINORITY INTERESTS	**301**	301	**2,839**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12,13 and 14)			
SHAREHOLDERS' EQUITY (Notes 8 and 16):			
Common stock - authorized, 800,000,000 shares; issued, 267,090,952 shares	**16,825**	16,825	**158,726**
Additional paid-in capital	**25,393**	25,393	**239,557**
Retained earnings	**46,056**	41,587	**434,491**
Net unrealized gain on available-for-sale securities	**2,286**	448	**21,566**
Foreign currency translation adjustments	**(4,751)**	(3,617)	**(44,821)**
Treasury stock, at cost - 386,265 shares in 2004 and 326,246 shares in 2003	**(133)**	(108)	**(1,255)**
Total shareholders' equity	**85,676**	80,528	**808,264**
TOTAL	**¥256,399**	¥244,014	**$2,418,858**

Consolidated Statements of Income

Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	**2004**
NET SALES (Notes 9 and 17)	**¥217,940**	¥204,283	**$2,056,038**
OPERATING COSTS AND EXPENSES:			
Cost of sales (Notes 9 and 12)	**134,564**	132,491	**1,269,472**
Selling, general and administrative expenses (Notes 10 and 12)	**66,478**	60,848	**627,151**
Total operating costs and expenses	**201,042**	193,339	**1,896,623**
Operating income (Note 17)	**16,898**	10,944	**159,415**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**186**	219	**1,755**
Gain on sales of investment securities	**160**		**1,510**
Interest expense	**(1,370)**	(1,517)	**(12,924)**
Foreign exchange loss, net	**(824)**	(566)	**(7,774)**
Loss on disposals of inventories	**(2,357)**	(1,018)	**(22,236)**
Loss on write-down of investment securities	**(452)**	(109)	**(4,264)**
Gain on sales of property, plant and equipment	**86**	209	**811**
Loss on disposals of property, plant and equipment	**(406)**	(218)	**(3,830)**
Gain on sales of patent rights and other		1,939	
Loss on liquidation of subsidiaries		(1,448)	
Other, net	**(1,531)**	(85)	**(14,444)**
Other expenses, net	**(6,508)**	(2,594)	**(61,396)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**10,390**	8,350	**98,019**
INCOME TAXES (Note 11):			
Current	**2,959**	2,564	**27,915**
Deferred	**1,493**	2,278	**14,085**
Total income taxes	**4,452**	4,842	**42,000**
MINORITY INTERESTS IN NET INCOME (LOSS)	**26**	(10)	**245**
NET INCOME	**¥ 5,912**	¥ 3,518	**$ 55,774**

	Yen		U.S. Dollars
AMOUNTS PER SHARE (Notes 2.o and 15):			
Basic net income	**¥21.64**	¥12.78	**$0.20**
Diluted net income	**19.87**	11.88	**0.19**
Cash dividends applicable to the year	**5.00**	5.00	**0.05**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2004 and 2003

	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, 2002	267,067,799	¥16,825	¥25,393	¥38,766	¥1,246	¥(2,890)	¥ (7)
Net income				3,518			
Appropriations:							
Cash dividends paid, ¥2.5 per share				(667)			
Directors' and corporate auditors' bonuses				(30)			
Net decrease in unrealized gain on available-for-sale securities					(798)		
Foreign currency translation adjustments						(727)	
Net increase in treasury stock	(303,093)						(101)
BALANCE AT MARCH 31, 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)**

	Thousands of U.S. Dollars (Note 3)					
	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, 2003	**$158,726**	**$239,557**	**$392,330**	**$ 4,226**	**$(34,123)**	**$(1,019)**
Net income			55,774			
Appropriations:						
Cash dividends paid, $0.05 per share			(12,585)			
Directors' and corporate auditors' bonuses			(1,028)			
Net increase in unrealized gain on available-for-sale securities				17,340		
Foreign currency translation adjustments					(10,698)	
Net increase in treasury stock						(236)
BALANCE AT MARCH 31, 2004	**$158,726**	**$239,557**	**$434,491**	**$21,566**	**$(44,821)**	**$(1,255)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	**2004**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥10,390**	¥ 8,350	**$ 98,019**
Adjustments for:			
Income taxes paid	**(2,462)**	(2,327)	**(23,226)**
Depreciation and amortization	**4,420**	4,580	**41,698**
Provision for retirement benefits for employees	**543**	258	**5,123**
Net loss on sales and write-down of investment securities	**292**	112	**2,755**
Net loss on sales and disposals of property, plant and equipment and other assets	**320**	9	**3,019**
Foreign exchange loss, net	**39**	17	**368**
Allowance for doubtful receivables	**403**	(23)	**3,802**
Changes in assets and liabilities, net of effects from inclusion of subsidiaries in consolidation and exclusion of subsidiaries from consolidation:			
(Increase) decrease in trade receivables	**(7,391)**	2,154	**(69,727)**
(Increase) decrease in inventories	**(1,517)**	9,254	**(14,311)**
Increase in trade payables	**7,914**	2,019	**74,660**
Other, net	**1,842**	(448)	**17,377**
Total adjustments	**4,403**	15,605	**41,538**
Net cash provided by operating activities	**14,793**	23,955	**139,557**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment and other assets	**534**	1,288	**5,038**
Purchases of property, plant and equipment and other assets	**(4,331)**	(4,217)	**(40,858)**
Proceeds from sales of marketable securities	**116**		**1,094**
Purchases of marketable securities	**(46)**	(125)	**(434)**
Proceeds from sales of investment securities	**229**	6	**2,160**
Purchases of investment securities	**(734)**	(773)	**(6,925)**
Proceeds from acquisition of investment in a subsidiary newly consolidated, net of cash paid		43	
Increase in long-term receivables	**(54)**	(54)	**(509)**
Decrease in long-term receivables	**211**	209	**1,991**
Other, net	**7**	(131)	**66**
Net cash used in investing activities	**(4,068)**	(3,754)	**(38,377)**
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term loans	**456**	(3,425)	**4,302**
Borrowing of long-term debt	**2,350**	1,686	**22,170**
Repayments of long-term debt	**(2,655)**	(1,764)	**(25,047)**
Redemption of unsecured bonds	**(10,000)**		**(94,340)**
Cash dividends paid	**(1,334)**	(667)	**(12,585)**
Proceeds from minority shareholders		48	
Other, net	**(25)**	(101)	**(236)**
Net cash used in financing activities	**(11,208)**	(4,223)	**(105,736)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(529)**	(311)	**(4,991)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,012)**	15,667	**(9,547)**
DECREASE DUE TO EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	**(570)**		**(5,377)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**32,762**	17,095	**309,075**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥31,180**	¥32,762	**$294,151**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2004 and 2003

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 2003 financial statements to conform to the classification used in 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2004 include the accounts of the Company and its 33 (33 in 2003) domestic subsidiaries and 31 (33 in 2003) overseas subsidiaries. Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.
Under the control concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in five unconsolidated subsidiaries and three associated companies in both 2004 and 2003 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. Retirement Benefits and Pension Plans

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

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

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

Directors and corporate auditors are not covered by these plans. However, the Company and seven (six in 2003) domestic subsidiaries provide for the liability at the amount which would be required, if all directors and corporate auditors terminated their offices at the end of each financial period. The accrued provisions are not funded and any amounts payable to directors and corporate auditors upon retirement are subject to the approval of the shareholders.

g. Research and Development Costs

Research and development costs are charged to income as incurred.

h. Allowance for Doubtful 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.

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. 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.

k. Appropriations of Retained Earnings

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

l. 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.

m. 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.

n. 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.

o. 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.

p. New Accounting Pronouncements

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 new accounting standard requires an entity to review its 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 Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. U.S. DOLLAR AMOUNTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to $1, the approximate rate of exchange at March 31, 2004. 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, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Current-			
Government bonds and other	**¥ 129**	¥ 120	**$ 1,217**
Non-current:			
Equity securities	**¥8,836**	¥5,776	**$83,358**
Government bonds and other	**343**	123	**3,236**
Total	**¥9,179**	¥5,899	**$86,594**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2004 and 2003 were as follows:

	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**
March 31, 2003				
Securities classified as:				
Available-for-sale-				
Equity securities	¥4,052	¥1,480	¥683	¥4,849
Held-to-maturity	243	3		246

	Thousands of U.S. Dollars			
March 31, 2004	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Securities classified as:				
Available-for-sale-				
Equity securities	**$40,802**	**$36,651**	**$189**	**$77,264**
Held-to-maturity	**4,453**			**4,453**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Available-for-sale-Equity securities	**¥646**	¥927	$6,094

Proceeds from sales of available-for-sale securities for the year ended March 31, 2004 and 2003 were ¥229 million ($2,160 thousand) and ¥6 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥160 million ($1,510 thousand) and immaterial for the years ended March 31, 2004 and 2003, respectively. Gross realized losses on these sales, computed on the moving average cost basis, were immaterial and ¥3 million for the years ended March 31, 2004 and 2003, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2004 are as follows:

	Carrying amount	
	Millions of Yen	Thousands of U.S. Dollars
	2004	2004
Due within one year	**¥129**	$1,217
Due after one year through five years	**343**	3,236
Total	**¥472**	$4,453

5. INVENTORIES

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Finished products	**¥17,443**	¥18,140	$164,556
Semi-finished products	**7,026**	7,372	66,283
Work in process	**19,488**	17,712	183,849
Raw materials and supplies	**7,908**	7,849	74,604
Total	**¥51,865**	¥51,073	$489,292

6. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans primarily consisted of bank overdrafts and financing agreements with banks which are renewable on an annual basis and bear interest at annual rates ranging from 0.35% to 6.05% and from 0.36% to 5.75% at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
1.825% unsecured bonds, due December 2003		¥10,000	
2.15% unsecured bonds, due July 2004	**¥20,000**	20,000	$188,679
0.95% unsecured convertible debentures, due September 2005	**20,000**	20,000	188,679
1.36% unsecured bonds, due April 2008	**15,000**	15,000	141,509
Loans, principally from banks, due serially to March 2009 with interest rates ranging from 0.82% to 6.72% (0.82% to 7.485% in 2003)	**8,562**	8,952	80,774
Other	**24**	35	227
Total	**63,586**	73,987	599,868
Less portion due within one year	**(21,383)**	(11,503)	(201,726)
Long-term debt, less current portion	**¥42,203**	¥62,484	$398,142

The 0.95% unsecured convertible debentures outstanding at March 31, 2004 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, 2004 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2005	**¥21,383**	$201,726
2006	**20,864**	196,830
2007	**5,352**	50,491
2008	**144**	1,359
2009	**15,843**	149,462
Total	**¥63,586**	$599,868

At March 31, 2004, 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	**¥1,460**	$13,774
Time deposits	**165**	1,557
Investment securities	**38**	358
Total	**¥1,663**	$15,689

	Millions of Yen	Thousands of U.S. Dollars
Related liabilities:		
Short-term loans	**¥ 638**	$ 6,019
Long-term debt	**1,187**	11,198
Total	**¥1,825**	$17,217

7. RETIREMENT AND PENSION PLANS

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

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the basic rate of pay at the time of termination, length of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain domestic consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or certain other conditions.

The liability for retirement benefits for directors and corporate auditors were ¥461 million ($4,349 thousand) and ¥473 million at March 31, 2004 and 2003, 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, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Projected benefit obligation	**¥49,253**	¥49,767	**$464,651**
Fair value of plan assets	**(24,762)**	(18,677)	**(233,604)**
Unrecognized prior service cost	**899**	975	**8,481**
Unrecognized actuarial loss	**(7,391)**	(14,609)	**(69,726)**
Net liability	**¥17,999**	¥17,456	**$169,802**

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Service cost	**¥2,257**	¥2,254	**$21,292**
Interest cost	**1,068**	1,132	**10,075**
Expected return on plan assets	**(203)**	(392)	**(1,915)**
Amortization of prior service cost	**(76)**	(76)	**(717)**
Recognized actuarial loss	**1,042**	780	**9,831**
Net periodic benefit costs	**¥4,088**	¥3,698	**$38,566**

Assumptions used for the years ended March 31, 2004 and 2003 were set forth as follows:

	2004	2003
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**1.7%**	2.5%
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

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the “Code”) to which various amendments have become effective since October 1, 2001.

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

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

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

The amount of retained earnings available for dividends under the Code was ¥28,930 million ($272,925 thousand) as of March 31, 2004, based on the amount recorded in the parent company’s general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

9. RELATED PARTY TRANSACTIONS

Net sales and purchases representing transactions of the Companies with unconsolidated subsidiaries and associated companies for the years ended March, 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Net sales	**¥302**	¥244	**$2,849**
Purchases	**686**	796	**6,472**

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥7,171 million ($67,651 thousand) and ¥6,545 million for the years ended March 31, 2004 and 2003, respectively.

11. 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 42% for the years ended March 31, 2004 and 2003.

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 and 2003.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Current:			
Deferred tax assets:			
Allowance for doubtful receivables	**¥ 400**	¥ 321	**$ 3,774**
Accrued bonuses	**1,641**	1,214	**15,481**
Unrealized profit included in inventories	**1,849**	1,523	**17,443**
Tax loss carryforwards	**668**	1,382	**6,302**
Other	**1,445**	801	**13,632**
Total	**6,003**	5,241	**56,632**
Less valuation allowance	**(1,645)**	(1,878)	**(15,519)**
Total deferred tax assets	**¥4,358**	¥3,363	**$41,113**
Deferred Tax Liabilities:			
Allowance for doubtful receivables	**¥ 62**	¥ 52	**$ 585**
Other	**2**	4	**19**
Total deferred tax liabilities	**¥ 64**	¥ 56	**$ 604**
Net deferred tax assets	**¥4,294**	¥3,308	**$40,509**
Net deferred tax liabilities (included in accrued expenses and other current liabilities)		¥ 1	

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Noncurrent:			
Deferred tax assets:			
Liability for retirement benefits	**¥12,379**	¥11,560	**$116,783**
Depreciation	**1,946**	1,973	**18,358**
Allowance for doubtful receivables	**503**	612	**4,745**
Tax loss carryforwards	**127**	3,140	**1,198**
Loss on investment in subsidiaries	**2,806**	3,321	**26,472**
Other	**1,206**	851	**11,378**
Total	**18,967**	21,457	**178,934**
Less valuation allowance	**(175)**	(166)	**(1,651)**
Total deferred tax assets	**¥18,792**	¥21,291	**$177,283**
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit trust	**¥ 3,659**	¥ 3,662	**$ 34,519**
Special reserves (included in retained earnings)	**311**	312	**2,934**
Unrealized gain on available-for-sale securities	**1,562**	326	**14,736**
Other	**167**	140	**1,575**
Total deferred tax liabilities	**¥ 5,699**	¥ 4,440	**$ 53,764**
Net deferred tax assets	**13,248**	¥16,977	**$124,981**
Net deferred tax liabilities (included in other long-term liabilities)	**¥ 155**	¥ 126	**$ 1,462**

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, 2003 was as follows:

	2003
Normal effective statutory tax rate	42.0%
Expenses not permanently deductible for income tax purposes	0.2
Valuation allowance	4.8
Elimination of dividend income	4.6
Effect of tax rate reduction	5.0
Other, net	1.4
Actual effective tax rate	58.0%

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.

12. LEASES

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

Total rental expenses for the years ended March 31, 2004 and 2003 were ¥5,259 million ($49,613 thousand) and ¥5,397 million, respectively, including ¥529 million ($4,991 thousand) and ¥564 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, 2004 and 2003 was as follows:

	Millions of Yen					
	2004			2003		
	Machinery and Vehicles	Furniture and Fixtures	Total	Machinery and Vehicles	Furniture and Fixtures	Total
Acquisition cost	**¥1,058**	**¥2,257**	**¥3,315**	¥862	¥2,381	¥3,243
Accumulated depreciation	**453**	**1,488**	**1,941**	385	1,382	1,767
Net leased property	**¥ 605**	**¥ 769**	**¥1,374**	¥477	¥ 999	¥1,476

	Thousands of U.S. Dollars		
	2004		
	Machinery and Vehicles	Furniture and Fixtures	Total
Acquisition cost	**$9,981**	**$21,293**	**$31,274**
Accumulated depreciation	**4,274**	**14,038**	**18,312**
Net leased property	**$5,707**	**$ 7,255**	**$12,962**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 497**	¥ 523	**$ 4,689**
Due after one year	**877**	953	**8,273**
Total	**¥1,374**	¥1,476	**$12,962**

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 ($4,991 thousand) and ¥564 million for the years ended March 31, 2004 and 2003, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥300**	¥354	**$2,830**
Due after one year	**446**	612	**4,208**
Total	**¥746**	¥966	**$7,038**

13. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2004 for trade notes discounted with banks, for trade notes endorsed and for loans guaranteed amounted to ¥757 million ($7,142 thousand), ¥15 million ($142 thousand) and ¥909 million ($8,575 thousand), respectively.

14. 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. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

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

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

The Company had the following derivative contracts outstanding at March 31, 2004 and 2003.

	In Thousands	Millions of Yen		In Thousands	Millions of Yen	
	2004			2003		
	Contract or Notional Amount	Fair Value	Unrealized gain (loss)	Contract or Notional Amount	Fair Value	Unrealized gain (loss)
Forward exchange contracts:						
Selling U.S. $	**$ 29,300**	**¥3,088**	**¥38**	$ 16,000	¥1,919	¥(11)
Selling Euro	**EUR 9,500**	**1,219**	**43**	EUR 2,500	324	(11)
Buying U.S. $	**$ 135**	**14**	**(1)**	$ 356	43	1
Interest rate contracts:						
Swap						
Pay fixed/Receive floating	**¥ 184**	**(3)**	**(3)**			
Purchased interest caps	**¥ 321**	**11**	**(4)**	¥ 360	11	(6)

	In Thousands	Thousands of U.S. Dollars	
	2004		
	Contract or Notional Amount	Fair Value	Unrealized gain (loss)
Forward exchange contracts:			
Selling U.S. $	**$ 29,300**	**$29,132**	**$358**
Selling Euro	**EUR 9,500**	**11,500**	**406**
Buying U.S. $	**$ 135**	**132**	**(9)**
Interest rate contracts:			
Swap			
Pay fixed/Receive floating	**¥ 184**	**(28)**	**(28)**
Purchased interest caps	**¥ 321**	**104**	**(38)**

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

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2004 and 2003 is as follows:

	Millions of Yen	Thousands of shares	Yen	Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2004:				
Basic EPS				
Net income available to common shareholders	**¥ 5,773**	**266,736**	**¥ 21.64**	**$0.20**
Effect of Dilutive Securities				
Convertible bonds	**113**	**29,542**		
Diluted EPS				
Net income for computation	**¥ 5,886**	**296,278**	**¥ 19.87**	**$0.19**
For the year ended March 31, 2003:				
Basic EPS				
Net income available to common shareholders	¥ 3,410	266,945	¥ 12.78	
Effect of Dilutive Securities				
Convertible bonds	113	29,542		
Diluted EPS				
Net income for computation	¥ 3,523	296,487	¥ 11.88	

16. SUBSEQUENT EVENTS

a. On April 28, 2004, the Company issued unsecured ¥10,000 million ($94,340 thousand) bonds due April 2009 with an interest rate of 0.88% in accordance with resolution of the Board of Directors held on March 26, 2004.

b. The following appropriations of retained earnings of the Company for the year ended March 31, 2004 was approved at the general meeting of shareholders held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥2.5 ($0.02) per share	**¥667**	**$6,292**
Directors' and corporate auditors' bonuses	**108**	**1,019**

17. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2004 and 2003 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	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**

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

	Thousands of U.S. Dollars				
	2004				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Sales to customers	**$1,167,406**	**$391,236**	**$497,396**		**$2,056,038**
Intersegment sales	**3,557**	**75**	**6,774**	**$(10,406)**	
Total sales	**1,170,963**	**391,311**	**504,170**	**(10,406)**	**2,056,038**
Operating expenses	**984,019**	**378,679**	**469,397**	**64,528**	**1,896,623**
Operating income	**$ 186,944**	**$ 12,632**	**$ 34,773**	**$(74,934)**	**$ 159,415**

b. Assets, Depreciation and Capital Expenditures

	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**

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

	Thousands of U.S. Dollars				
	2004				
	Scientific and process instruments	Medical systems and equipment	Aircraft equipment and industrial machinery	Eliminations/ Corporate	Consolidated
Assets	**$1,076,867**	**$338,132**	**$535,717**	**$468,142**	**$2,418,858**
Depreciation	**20,528**	**7,547**	**9,585**	**4,038**	**41,698**
Capital expenditures	**20,849**	**6,377**	**12,057**	**69,443**	**108,726**

Note:

Eliminations/Corporate include unallocated operating expenses of ¥7,984 million ($75,321 thousand) and ¥6,430 million for the years ended March 31, 2004 and 2003, 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 ¥50,009 million ($471,783 thousand) and ¥44,741 million for the years ended March 31, 2004 and 2003, respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to Company's administration headquarters.

(2) Geographical Segments

	Millions of Yen 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**

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

	Thousands of U.S. Dollars 2004					
	Japan	North and South America	Europe	Asia Oceania and Africa	Eliminations/ Corporate	Consolidated
Sales to customers	**$1,628,123**	**$109,632**	**$110,849**	**$207,434**		**$2,056,038**
Intersegment sales	**202,264**	**68,566**	**22,717**	**22,236**	**$(315,783)**	
Total sales	**1,830,387**	**178,198**	**133,566**	**229,670**	**(315,783)**	**2,056,038**
Operating expenses	**1,625,057**	**173,990**	**124,189**	**213,104**	**(239,717)**	**1,896,623**
Operating income	**$ 205,330**	**$ 4,208**	**$ 9,377**	**$ 16,566**	**$ (76,066)**	**$ 159,415**
Assets	**$1,698,424**	**$124,491**	**$126,226**	**$123,792**	**$ 345,925**	**$2,418,858**

Note:

Eliminations/Corporate include unallocated operating expenses of ¥7,984 million ($75,321 thousand) and ¥6,430 million for the years ended March 31, 2004 and 2003, 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 ¥50,009 million ($471,783 thousand) and ¥44,741 million for the years ended March 31, 2004 and 2003, respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to Company's administration headquarters.

(3) Sales to Foreign Customers

	Millions of Yen			
	North and South America	Europe	Asia Oceania and Africa	Total
2004	**¥17,109**	**¥11,412**	**¥36,079**	**¥64,600**
2003	¥20,235	¥10,919	¥31,032	¥62,186

	Thousands of U.S. Dollars			
	North and South America	Europe	Asia Oceania and Africa	Total
2004	**$161,406**	**$107,660**	**$340,368**	**$609,434**

Independent Auditors' Report

Deloitte.

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To the Board of Directors and Shareholders of
Shimadzu Corporation:

We have audited the accompanying consolidated balance sheets of Shimadzu Corporation and consolidated subsidiaries as of March 31, 2004 and 2003, 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, 2004 and 2003, 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.

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

Deloitte Touche Tohmatsu

June 29, 2004

Name:
SHIMADZU CORPORATION

Establishment:
1875

Formation of Limited Company:
September,1917

Capital:
¥16.8 billion

Number of Employees:
7,930

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

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

Works:
Sanjo,Murasakino,Atsugi,Hadano,Seta

Consolidated Subsidiaries:
(Domestic)
SHIMADZU RIKA INSTRUMENTS CO.,LTD.
SHIMADZU MECTEM,INC.
SHIMADZU TECHNO-RESEARCH,INC.
The other 30 subsidiaries
(Overseas)
SHIMADZU SCIENTIFIC INSTRUMENTS,INC.(U.S.A.)
SHIMADZU PRECISION INSTRUMENTS,INC.(U.S.A.)
SHIMADZU DEUTSCHLAND GmbH(Germany)
KRATOS GROUP PLC.(U.K.)
SHIMADZU (ASIA PACIFIC) PTE LTD.(Singapore)
The other 26 subsidiaries

Directors and Corporate Auditors

Chairman of the Board
Hidetoshi Yajima

President and Chief Executive Officer
Shigehiko Hattori

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

Managing Director
Yasutsugu Kawabe
Toshitake Kawakami
Tohru Fujiki

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

Corporate Auditor
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