

88th

Interim Business Report

From April 1, 2003, to September 30, 2003

Hitachi Medical Corporation

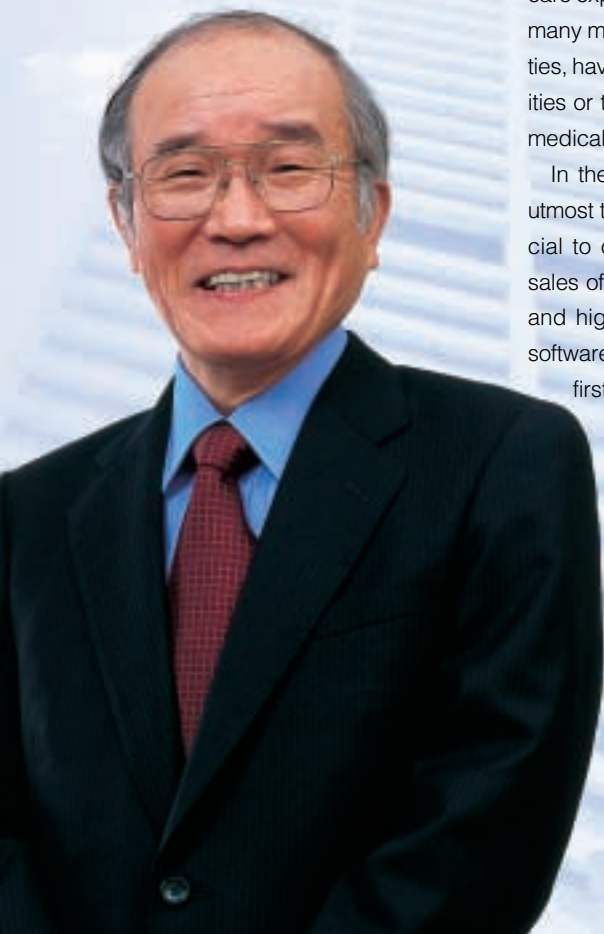
Hitachi Medical Corporation creates new value to contribute to the healthcare in the 21st century

In the 21st century, everyone can expect to live a long life. What is important now is to stay healthy as long as you live. Our technology is designed to act as a bridge between the patient's desire to recover and the medical staff's determination to cure. The Company is resolved to become an enterprise supporting the well-being of people, by facilitating communication between medical institutions and patients.

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Message to Our Stockholders



Year 2003 marks our 30th anniversary since the Company's name was changed to Hitachi Medical Corporation in April 1973, signaling our resolve to become a diversified medical systems manufacturer. I would like to thank our stockholders for their continuing understanding and support.

Creating new value

The environment for medical care has been adversely affected by the sluggishness of the Japanese economy. As a result of a reduction in remuneration for medical services and increased out-of-pocket contributions under health insurance programs, national health-care expenditure continued to be suppressed and many medical institutions, facing financial difficulties, have become reluctant to introduce new facilities or to upgrade existing ones. As a result, the medical systems market has been challenging.

In these circumstances, the Company did its utmost to provide solutions that are highly beneficial to customers, through the production and sales of systems distinguished by its high-speed and high-picture-quality image processing and software technology. As a result, net sales for the first six-month period of the current fiscal year increased 2.3% compared with the same period of the previous year to ¥58,522 million. Ordinary income soared 32.7% to ¥3,588 million, and interim net income (current fiscal year) jumped 58.7% to ¥1,106 million.

President

Hiroshi Inomata

Although the Japanese economy has entered a modest recovery phase thanks to an upturn in exports and private-sector capital investment, it will take time to emerge from deflation. The pace of economic recovery has been very slow, partly due to accelerated appreciation of the yen, and overall, the Japanese economy is still in a tough condition.

The Company has overcome difficult situations many times by emphasizing research into cutting-edge technology and pioneering new approaches to providing medical care, applying the fruits of those endeavors in the field and meeting challenges. We have a proven record as a pacesetter, including realization of the world's first vehicle for mass examinations of the gastric tract, development of Japan's first vehicle equipped with an inverter-controlled X-ray CT scanner for the head, application of ultrasound diagnostic equipment for tomographic images of heart, and development of open-type MRI system based on our newly proposed concept. We are determined to create new value through its uninterrupted progress.

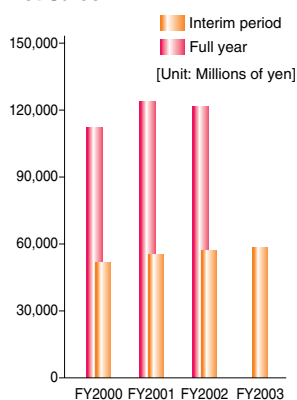
For this purpose, since the previous fiscal year, we have been implementing "V-Plan", our new management strategy stressing speed, globalization, and communication. There are three points I urge everyone at the Company to always bear in mind. Firstly, we must create leading products in each segment and expand these businesses. Secondly, it is necessary to change the content of our work and the nature of the tasks in line with the evolving realities of the contemporary business world. And thirdly, every person needs to cultivate professionalism and fulfill his or her aspirations by expressing their individuality and communicating their ideas and passion to succeed to others. I am determined to make us an enterprise that eagerly embraces challenges and overcomes them.

Reform starts from each employee's mindset

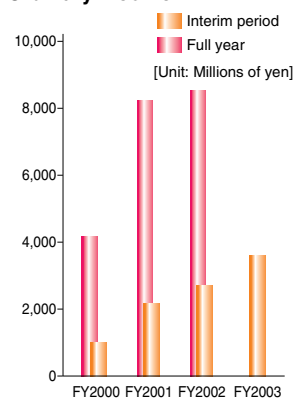
With "V-Plan", we are tackling restructuring in five areas—design and development, production, quality assurance, sales, and service, and the business portfolio—to ensure a solid foundation for the thorough execution

Past Year Results (Consolidated)

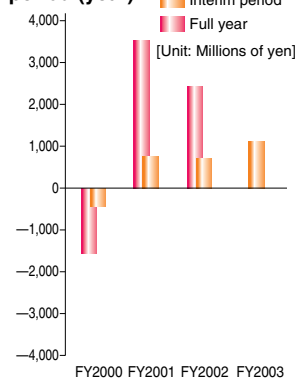
Net Sales



Ordinary Income



Net Income (loss) for interim period (year)



of business plans and continuous progress. We are seeking to optimize our performance in each of these five crucial areas.

Regarding the business portfolio reshaping, the first issue concerns the provision of solutions. Current issues confronting medical institutions cannot be dealt with simply by hardware. Comprehensive solutions are required. Accordingly, we will focus on a solution-oriented business with the aim of providing comprehensive services satisfying diverse customer needs and champion the wider application of IT in the medical field, such as electronic medical charts.

The second issue is to enter the treatment field, a logical extension from our strong position in the diagnostics field. We are promoting the introduction of intelligent operating theaters realizing advanced state-of-the-art medical care by integrating image diagnostics with treatment. Also, we are doing research on the possible practical applications of tooth germ regenerative medical techniques.

Development of patient-friendly products

Creation of segment-leading products and expansion of their businesses is one of the most important objectives of “V-Plan”. To achieve this, we are developing patient-friendly products based on the concept of reducing patient anxiety. Open-type MRI systems, which are highly reputed in the U.S. market, are welcomed by numerous patients thanks to their spacious design. We will continue to develop patient-friendly products from the viewpoint of patients so as to minimize their psychological and physical burdens.

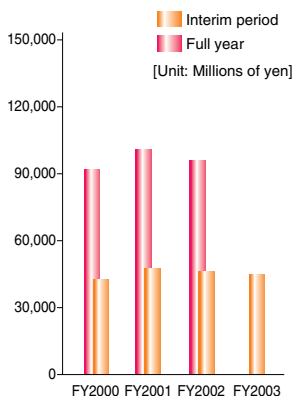
Rather than be just a supplier of medical systems, we are determined to enrich our business by positioning ourselves as the partner of choice for medical institutions and patients.

In all these endeavors, we ask for your continued guidance and support.

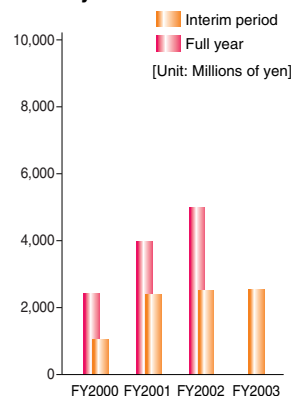
November 2003

Past Year Results (Non-consolidated)

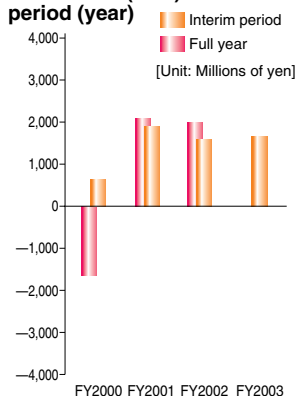
Net Sales



Ordinary Income



Net Income (loss) for interim period (year)

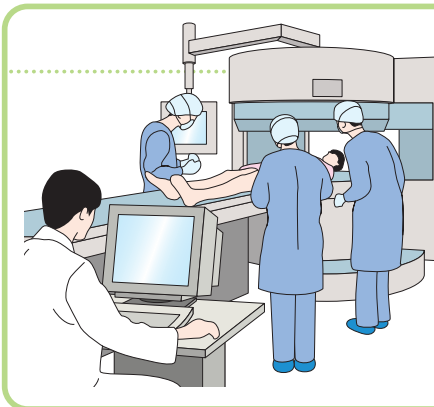


Computerized Tomography Systems



Sales of MRI systems were brisk in Japan. Sales of the APERTO, a new product with 320-degree aperture, and the AIRIS, a conventional model, increased. On the other hand, sales of the Altaire, aimed at the U.S. market were lackluster. In X-ray CT systems, the Robusto four-slice CT system sold well.

Sales of this category declined 19.1% compared with the same period of the previous year to ¥12,996 million.



Entry into MRI treatment market

Use of an open-type MRI systems enables surgery to be performed while continuously monitoring the patient. In the intelligent operating theater at Tokyo Women's Medical University, which is equipped with our open-type MRI systems, 186 operations had been performed as of September 2003 and the rate of removal of entire tumors, previously around 8%, rose more than fourfold to 39%.

X-ray Equipment

Sales of the VersiFlex multi-purpose imaging systems equipped with a flat-panel detector and the medites CREA fluoroscopic systems increased. Sales of the Sirius Star Mobile X-ray equipment were also buoyant.

Sales of this category rose 13.9% compared with the same period of the previous year to ¥6,588 million.

Electronic Medical Equipment

Sales of digital diagnostic ultrasound systems rose, results in overseas markets being particularly gratifying, with the new EUB-8500 receiving praise for its high-quality picture and superb operability. In Japan, sales of the EUB-6500, a mainstay model, were weak.

Sales of this category decreased 3% compared with the same period of the previous year to ¥5,099 million.

Services and Medical Information

In this segment, where we strive to offer comprehensive services for the hospital, equipment maintenance, image management systems, OPEN-PACS and hospital information systems increased steadily in sales.

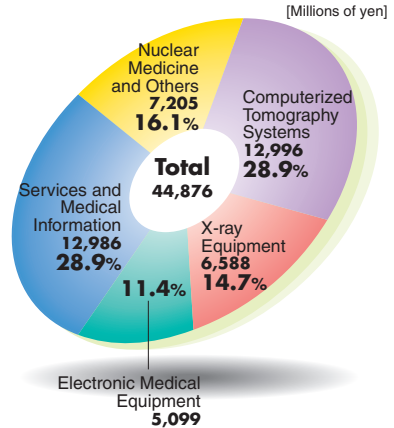
Sales of this category rose 1.8% compared with the same period of the previous year to ¥12,986 million.

Nuclear Medicine Equipment and Others

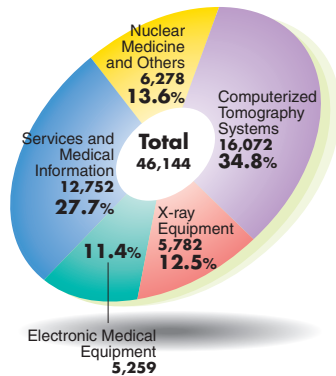
Sales increased centering on positron emission tomography (PET) systems. As a result, sales of this category increased 14.8% compared with the same period of the previous year to ¥7,205 million.

PET is an imaging-based technique for measuring the concentrations of positron-emitting radioisotopes administered in the body. It is very useful for diagnosis of cancers, brain disorders and heart diseases.

Sales by Product Category
(6 months ended September 30, 2003)



(6 months ended September 30, 2002)



Interim Consolidated Balance Sheets

(Millions of yen)

	September 30		March 31
	2003	2002	2003
(Assets)			
Current Assets	89,437	86,728	94,941
Cash	7,962	6,653	7,677
Receivables	32,025	29,256	36,882
Securities	6,711	9,761	9,783
Inventories	25,545	23,972	24,615
Others	17,685	17,510	16,341
	△493	△425	△358
Fixed Assets	28,049	27,540	27,585
Tangible assets	17,667	17,763	17,616
Buildings and structures	6,128	6,335	6,242
Land	7,664	7,664	7,664
Others	3,874	3,763	3,708
Intangible assets	2,134	2,144	2,259
Investments and others	8,247	7,631	7,709
Investment securities	761	1,082	1,010
Long-Term prepaid expenses	680	596	454
Others	6,806	5,952	6,244
Total Assets	117,487	114,268	122,526

	September 30		March 31
	2003	2002	2003
(Liabilities)			
Current Liabilities	35,193	35,215	41,119
Notes and accounts payable	19,241	18,548	24,168
Short-term borrowings	9	28	20
Accrued Income taxes	1,859	2,285	2,568
Others	14,082	14,353	14,361
Long-term Liabilities	9,178	7,533	8,251
Accrued retirement benefits	8,538	7,126	7,693
Others	639	407	557
Total Liabilities	44,371	42,748	49,371
(Minority Interests)			
Minority interests in consolidated subsidiaries	1,222	1,289	1,705
(Stockholders' Equity)			
Common stock	13,884	13,884	13,884
Capital surplus	21,206	21,206	21,206
Retained earnings	48,090	45,964	47,389
Unrealized loss on land	△11,168	△11,102	△11,168
Unrealized gain on available-for-sale securities	58	19	17
Foreign currency translation adjustment	△14	337	270
Treasury stock	△162	△79	△149
Total Stockholders' Equity	71,893	70,229	71,449
Total Liabilities, Minority Interests and Stockholders' Equity	117,487	114,268	122,526

Interim Consolidated Statements of Income

(Millions of yen)

	6 months ended September 30		Year ended March 31
	2003	2002	2003
Net Sales	58,522	57,184	121,465
Cost of Goods Sold	37,301	36,972	79,205
Selling, General and Administrative Expenses	17,128	17,330	33,413
Operating income	4,093	2,881	8,846
Non-operating Income	198	400	540
Non-operating Expenses	703	578	869
Ordinary income	3,588	2,703	8,517
Extraordinary Loss	592	473	1,449
Income before income taxes	2,995	2,229	7,067
Income taxes Current	2,218	3,264	5,198
Income taxes Deferred	△768	△2,386	△1,641
Minority interest in earnings of consolidated subsidiaries	438	654	1,090
Net income for the interim period (for the year)	1,106	697	2,418

Interim Consolidated Statements of Retained Earnings

(Millions of yen)

	6 months ended September 30				Year ended March 31	
	2003		2002		2003	
(Capital Surplus)						
Beginning balance of capital surplus		21,206				
Beginning balance of capital surplus	21,206		21,206	21,206	21,206	21,206
Ending balance of capital surplus		21,206		21,206		21,206
(Retained Earnings)						
Beginning balance of retained earnings		47,389				
Beginning balance of retained earnings	47,389		45,685	45,685	45,685	45,685
Increase in retained earnings						
Net income for the interim period	1,106	1,106	697	697	2,418	2,418
Decrease in retained earnings						
Cash dividends	295		296		592	
Directors' bonuses	110		120		120	
Reversal of unrealized loss on land	—	405	2	419	2	715
Ending balance of retained earnings		48,090		45,964		47,389

Interim Consolidated Statements of Cash Flows

(Millions of yen)

	6 months ended September 30		Year ended March 31
	2003	2002	2003
Cash flows from operating activities	911	2,002	5,041
Cash flows from investing activities	△400	1,094	685
Cash flows from financing activities	△735	△2,821	△3,227
Effect of exchange rate changes on cash and cash equivalents	△101	△395	△431
Net increase (decrease) in cash and cash equivalents	△324	△120	2,067
Beginning balance of cash and cash equivalents	25,204	23,137	23,137
Ending balance of cash and cash equivalents	24,880	23,017	25,204

Interim Balance Sheets

(Millions of yen)

	September 30		March 31
	2003	2002	2003
(Assets)			
Current Assets	74,209	72,218	78,420
Cash on hand and in banks	4,661	3,459	3,451
Notes receivable	5,017	10,644	7,707
Trade receivables	22,672	19,438	26,210
Marketable securities	5,401	6,757	7,900
Merchandise	376	139	149
Finished products	7,874	7,846	7,904
Raw materials	1,863	1,304	1,716
Work in process	8,354	7,369	7,748
Deferred tax assets	2,135	2,500	2,310
Deposits	10,012	8,003	8,008
Others	5,862	5,262	5,335
Less: Allowance for doubtful accounts	△24	△508	△25
Fixed Assets	28,415	27,563	27,936
Tangible Fixed Assets	16,514	16,711	16,578
Buildings	5,705	5,886	5,804
Structures	225	246	236
Machinery and equipment	1,348	1,508	1,377
Vehicles	1	1	1
Tools, furniture and fixture	1,659	1,492	1,584
Land	7,574	7,574	7,574
Intangible Fixed Assets	1,668	1,363	1,651
Patents	58	2	61
Trade marks	5	—	5
Software	939	1,120	1,121
Facilities utilization rights	62	66	64
Software in progress	602	174	398
Investments and Others	10,232	9,488	9,705
Investment in subsidiaries	2,777	2,284	2,777
Investment securities	539	992	792
Long-term loans	26	84	52
Guarantee deposits	516	533	522
Long-term prepaid expenses	627	579	395
Deferred tax assets	3,778	2,967	3,198
Deferred tax on revaluation of land	1,894	1,960	1,894
Other investments	72	86	72
Total Assets	102,624	99,781	106,356

	September 30		March 31
	2003	2002	2003
(Liabilities)			
Current Liabilities	25,810	25,747	31,696
Notes payable	763	849	781
Trade payables	18,233	17,082	22,832
Other payables	238	245	246
Accrued income taxes	798	1,007	1,856
Accrued expenses	3,176	2,810	2,978
Advances received	459	390	341
Deposits received	527	505	521
Reserve for product warranty	1,304	2,455	1,736
Other current liabilities	309	399	400
Long-term Liabilities	8,781	7,302	7,924
Accrued retirement benefits	8,215	6,942	7,397
Reserve for directors' retirement allowances	565	360	527
Total Liabilities	34,591	33,050	39,621
(Stockholders' Equity)			
Common stock	13,884	13,884	13,884
Capital surplus	21,206	21,206	21,206
Retained earnings	44,209	42,790	42,937
Profit reserve	786	786	786
Voluntary reserve	40,368	39,068	39,068
Unappropriated profit for the interim period	3,055	2,936	3,083
Unrealized loss on land	△11,168	△11,102	△11,168
Unrealized gain on available-for-sale securities	64	31	25
Treasury stock	△162	△79	△149
Total Stockholders' Equity	68,032	66,730	66,735
Total Liabilities and Stockholders' Equity	102,624	99,781	106,356

Interim Statements of Income

(Millions of yen)

	6 months ended September 30		Year ended March 31
	2003	2002	2003
(Ordinary Profit and Loss)			
Operating Profit and Loss			
Net sales	44,876	46,144	96,109
Cost of goods sold	33,461	34,456	72,006
Selling, general and administrative expenses	10,764	11,107	20,812
Operating income	650	580	3,290
Non-operating Profit and Loss			
Non-operating income	2,567	2,351	2,419
Interest and dividends income	2,493	2,167	2,191
Miscellaneous income	73	184	228
Non-operating expenses	678	421	713
Interest expenses	3	4	8
Miscellaneous losses	675	417	704
Ordinary income	2,538	2,511	4,997
(Extraordinary Profit and Loss)			
Extraordinary loss	590	472	1,447
Amortization of differences resulting from a change in accounting standard for retirement benefits	265	472	910
Loss on valuation of investment securities	325	—	—
Loss on return of agency business for welfare pension fund	—	—	536
Income before income taxes	1,947	2,038	3,550
Corporate income tax, inhabitant tax and enterprise tax	712	1,264	2,369
Income taxes deferred	△432	△816	△852
Net income for the interim period (for the year)	1,667	1,590	2,033
Retained profit brought forward	1,387	1,348	1,348
Reversal of unrealized gain on revaluation of land	—	△2	△2
Interim dividends	—	—	296
Unappropriated profit for the interim period (for the year)	3,055	2,936	3,083

Company name:	Hitachi Medical Corporation
Headquarters:	1-1-14 Uchi-kanda, Chiyoda-ku, Tokyo
Capital:	¥13,884 million
Number of employees:	2,214

Board Members & Corporate Officers

(as of September 30, 2003)

The Company adopted a corporate structure based on a committee system, the new system having been approved at the general meeting of stockholders held on June 24, 2003.

Board Directors

Chairman:	Yutaka Takuma
Director:	Hiroshi Inomata
Director:	Masahiro Hirokawa
Director:	Kazuo Okazaki
Director:	Masahiro Tanaka
External Director:	Hajime Honma
External Director:	Kazuo Sato
External Director:	Takao Matsui

Nomination Committee

Chairman:	Hiroshi Inomata
Member:	Kazuo Sato
Member:	Takao Matsui

Audit Committee

Chairman:	Kazuo Okazaki
Member:	Hajime Honma
Member:	Kazuo Sato

Compensation Committee

Chairman:	Hiroshi Inomata
Member:	Kazuo Sato
Member:	Takao Matsui

Executive Officers

(* Serving concurrently as member of the Board Directors)

President & Chief Executive Officer*:	Hiroshi Inomata
Executive Vice President & Representative Executive Officer*:	Masahiro Hirokawa
Senior Vice President & Executive Officer:	Shojiro Asai
Senior Vice President & Executive Officer:	Masao Ooi
Vice President & Executive Officer:	Masao Kuroda
Vice President & Executive Officer:	Kiyoshi Hamamatsu
Vice President & Executive Officer*:	Masahiro Tanaka
Vice President & Executive Officer:	Kenzo Sawaide
Vice President & Executive Officer:	Hideki Takahashi
Executive Officer:	Toshiaki Kono
Executive Officer:	Makoto Hata
Executive Officer:	Etsuji Yamamoto
Executive Officer:	Norifumi Katsukura

Number of Shares

Authorized:158,000,000 shares

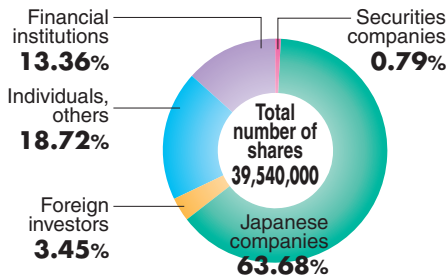
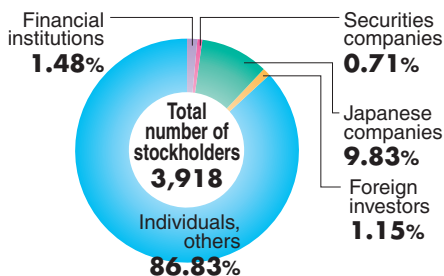
Issued:39,540,000 shares

Number of stockholders:3,918

Major stockholders

(as of September 30, 2003)

Company	Number of shares held	Ratio of shares held	Company	Number of shares held	Ratio of shares held
	shares	%		shares	%
Hitachi, Ltd.	24,220,400	62.76	Trust & Custody Services Bank, Ltd.	364,000	0.94
Japan Trustee Services Bank, Ltd.	1,845,000	4.78	State Street Trust & Banking Co., Ltd.	305,000	0.79
The Master Trust Bank of Japan, Ltd.	1,006,000	2.60	Yoshifumi Sakurai	255,000	0.66
Hitachi Medico Group Employees' Stock Association	721,000	1.86	Hitachi Medico Suppliers Stock Association	191,000	0.49
UFJ Trust Bank Ltd.	480,000	1.24	Tadako Aoyama	190,000	0.49



At ITEM 2003 Hitachi Medical Corporation announces an array of new systems poised to lead their product segments

The International Technical Exhibition of Medical Imaging (ITEM) held at Pacifico Yokohama from April 11 to 13, 2003, attracted 35,000 visitors.

In line with the basic strategy of “V-Plan”, Hitachi Medical Corporation showcased an array of new systems aimed at winning the leading position in each product segment. The company communicated the development concepts as well as the system features.



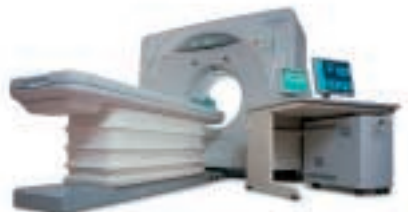
Hitachi Medical Corporation donates mobile X-ray equipment to support the fight against SARS



This spring there was an outbreak of severe acute respiratory syndrome (SARS) in China and other countries. In view of this serious situation, the Company and Hitachi, Ltd. donated 10 units of the Sirius Star Mobile 130H series inverter-controlled cordless X-ray equipment to the Ministry of Health of China to support its efforts to combat SARS. This mobile equipment is compact, offers superb operability and up to 60 images can be taken on a single charge making radiography possible in many parts of the hospital.

Robusto four-slice CT systems achieves “patient-friendly”

The Company released the Robusto four-slice CT systems during the current year. This system is equipped with an ultrahigh-speed image reconstruction system that makes flat images into a high-quality stereoscopic image in 0.2 seconds. Also, the patient’s burden was eased by a great reduction in the radiation exposure dose.



Information for Stockholders

Unit of shares:	1,000 share
Fiscal yearend:	March 31 of each year
Stockholder registration date for year-end dividend:	March 31 of each year
Stockholder registration date for interim dividend:	September 30 of each year
Ordinary general stockholders' meeting:	June of each year
Public announcements:	Nihon Keizai Shimbun issued in Tokyo Information on balance sheets provided for in Article 16, Paragraph 3, of the "Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha)" Code is available at http://www.hitachi-medical.co.jp
Transfer agent:	Tokyo Securities Transfer Agent Co., Ltd.
Transfer agent head quarters:	1-5-1 Marunouchi, Chiyoda-ku, Tokyo (Shinmaru Building) Tel: (03) 3212-4611
Transfer agent branch:	The Osaka office of Tokyo Securities Transfer Agent Co., Ltd. and all branches nationwide

Announcements

1. In accordance with revisions to the Commercial Code, on April 1, 2003, the Company established a share certificate invalidation system in place of the previous public notification and judgment nullification system. Stockholders are requested to direct inquiries concerning procedures for lost share certificates to the Company's transfer agent (Tokyo Securities Transfer Agent Co., Ltd.).
2. Following the obtaining of approval at the general meeting of stockholders held on June 24, the Company decided to implement a system for additional purchases of shares in quantities less than the minimum trading unit. Stockholders holding a quantity of shares less than one trading unit (1,000 shares) can request the issuance of the number of shares necessary to constitute one trading unit when combined with the shares less than one trading unit they hold. Requests for the Company to repurchase shares in quantities less than one trading unit will be processed in the usual manner. Inquire with the Company's transfer agent (Tokyo Securities Transfer Agent Co., Ltd.) for details.

Hitachi Medical Corporation

For further information, please contact:

General Affairs Department
1-1-14 Uchikanda, Chiyoda-ku, Tokyo 101-0047 Japan Tel: +81-3-3291-6391