



87th

Business Report for the 87th Term

From April 1, 2002 to March 31, 2003

Hitachi Medical Corporation

I am pleased to report to the stockholders of Hitachi Medical Corporation on the operating results of the Company for the year ended March 31, 2003. On behalf of the management and employees, I would like to thank our stockholders for their constant understanding and support.

The Business Environment

During the year under review, the Japanese economy showed signs of an underlying recovery trend supported by increased exports, a firm undertone of personal consumption, and an increase in capital expenditures. However, concerns over the slowdown of the U.S. economy following the United States' launching of the attack against Iraq toward the end of the fiscal year and lackluster exports to the U.S. gave rise to greater uncertainty about the economic outlook, and falling stock prices, slower growth in capital expenditures, and concern about the viability of banks and life insurance companies increased the likelihood of the Japanese economy falling back into recession.

Against the backdrop of intensified competition to develop new technologies and products and price competition, the medical equipment and systems industry keenly felt the effect of revisions to the medical insurance system including the reduction in remuneration for medical care. Demand remained lackluster as medical institutions reconsidered their capital expenditure plans and put off equipment upgrades, and the business environment grew increasingly harsh.

Operating Results for the Year under Review

In these circumstances, the Company pursued its policy of contributing to healthcare desirable for our society in the 21st century and creating new value through the combination of medical science and engineering. We strove to provide customers with truly beneficial solutions, taking advantage of our high-speed, high-resolution image processing technologies and software technologies to develop and release new products and working to optimize production including the manufacturing base in China and imbue our products with the highest level of quality.

As a result, during the year under review the value of orders received increased 2.7% year on year to ¥98,275 million, net sales decreased 4.6% to ¥96,109 million, and ordinary income increased 25.2% to ¥4,997 million. Net income was ¥2,033 million, as a result of booking an extraordinary loss of ¥536 million on the return of the subrogated portion of the employee pension fund.

Creating and Developing Category-Leading Products

Against the backdrop of economic contraction in the United States after the war in Iraq and an unavoidable global economic slump, the outlook for the Japanese economy remains uncertain: a slowdown in exports has brought a downturn in capital expenditures and lower disposable income stemming from revisions to the social security system has brought on a slump in personal consumption.



Hiroshi Inomata
President and Chief Executive Officer



In these circumstances, the Company will carry on with efforts to develop the business for its category-leading products. Focusing on equipment for the digestive tract and abdominal region, we will introduce new products into the market such as the VersiFlex high-definition digital radiography multipurpose imaging system incorporating a large field-of-view flat-panel display with wider diagnostic applicability, the Clavis 2000F, the Robusto four-slice CT system that enables real-time image display, the APERTO MR imaging system that offers greater openness and high definition equivalent to that of an high-field system, the EUB-8500 high-end digital diagnostic ultrasound system that offers higher performance and greater functionality than the EUB-6500, the Natural Report voice recognition radiogram interpretation report production system, and the Open-Karte electronic medical chart system.

The Company will also move forward with full-scale research and development into a new field: tooth germ regeneration medicine.

Global Business Strategy

In overseas markets, the Company strengthened its sales channels by consolidating its two U.S. sales subsidiaries into Hitachi Medical Systems America Inc. and consolidating its two European sales subsidiaries into Hitachi Medical Systems Europe Holding AG. In the United States, we expanded sales of diagnostic ultrasound systems and PET systems to complement the MR imaging systems business. In Europe, we will move forward with multi-modality by bring forward the start of full-scale involvement with MR imaging systems and X-ray CT systems to complement the diagnostic ultrasound systems business.

The Company also acquired in March the MR imaging systems power supply business of MTS Systems Corporation of the United States and established a subsidiary, Performance Controls Inc.

A manufacturing subsidiary in China, Hitachi Medical Systems (Suzhou) Corporation began production of general-purpose X-ray fluoroscopes and diagnostic ultrasound system probes during the year under review. The Company will continue to move ahead with the transfer of production to this subsidiary. In November 2002 we established Hitachi Medical Systems Service (Beijing) Corporation a subsidiary that performs installation and maintenance services in China. Despite concerns over the economic slowdown caused by the SARS outbreak, the Company will tie up with local dealers to strengthen its fully integrated manufacturing, sales, and service structure in China, a market that is expected to grow rapidly in the future.

A medical waste processing systems manufacturing subsidiary, Hitachi Medico Eco Systems Inc. will seek to expand its business by widening its line of syringe needle disposal systems and other products.

Management intends to steadily implement the above measures, aggressively undertake to improve business performance, and develop the Company as a world-class medical equipment manufacturer.

We request your continued guidance and support for our endeavors.

June 2003

Sales by Product Category

Computerized Tomography Systems

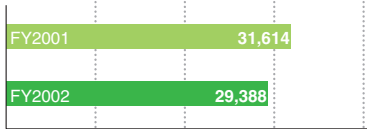


APERTO MR Imaging System



Robusto X-ray CT System

[Millions of yen]



In MR imaging systems, the new APERTO model with a 320-degree open aperture, launched in April 2002 has performed well in the market and sales have increased sharply. Sales of the Altair superconductive open-type MR imaging system targeted at the U.S. market have been steady. However, sales of conventional AIRIS systems were sluggish.

As for X-ray CT systems, although sales of the Pronto line of low-end systems increased steadily both in Japan and overseas, the reexamination of the product lineup implemented during the second half of the prior year adversely affected sales. Overall sales fell to well below the prior-year level.

As a result of these developments, net sales for this category fell 7.0% year on year to ¥29,388 million.

As a percentage of total sales(FY2002)

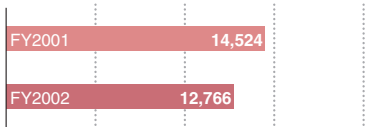


X-ray Systems



medites CREA

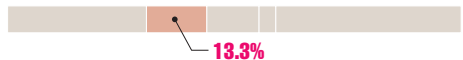
[Millions of yen]



Although sales of medites 2000 and 3000 multi-purpose full-digital X-ray fluoroscopic systems with elevating tables were flat year on year, the prolongation of equipment update cycles in the domestic market brought on lower demand for product updates and sluggish sales.

Net sales for this category decreased 12.1% year on year to ¥12,766 million.

As a percentage of total sales(FY2002)



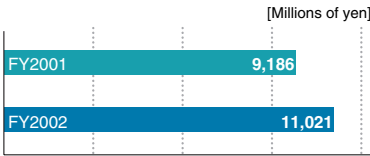


Medical Electronic Equipment

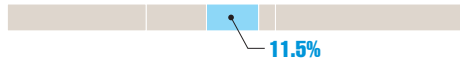


EUB-8500

Sales of digital diagnostic ultrasound systems rose sharply as the mainstay EUB-6500 intermediate-grade model featuring a contrast-agent supporting function along with high resolution and reduced operation time made possible by means of harmonic imaging technology met with a favorable reception both in Japan and abroad. Sales of the EUB-8500 high-end model launched in January 2003 also grew steadily. Net sales for this category increased 20.0% year on year to ¥11,021 million.

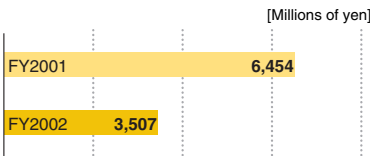


As a percentage of total sales(FY2002)



Specimen Examination Systems

In October 2001 the Company transferred its specimen examination systems sales unit to Hitachi High-Technologies Corporation. Since the transfer of the business, the Company has provided support for the sales effort directed at hospitals. Net sales for this category decreased 45.7% year on year to ¥3,507 million.



As a percentage of total sales(FY2002)



Services and Others

Sales of comprehensive solution services for hospitals and healthcare information systems remained steady. Sales of the core maintenance services business and of new business such as environmental equipment increased. In the area of healthcare information systems, sales of the HERZA comprehensive medical checkup system and the OPEN-PACS medical image management system increased. On the other hand, sales of imported products and accessories fell. Net sales for this category rose 1.2% year on year to ¥39,425 million.

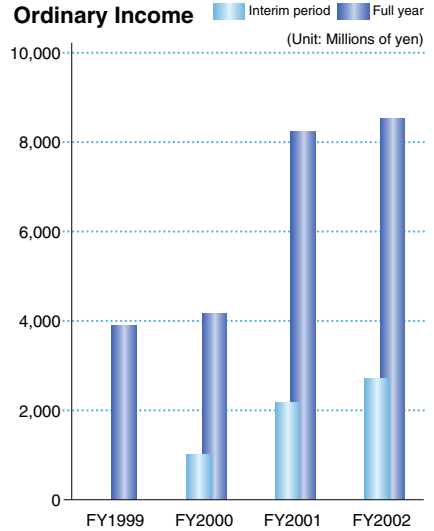
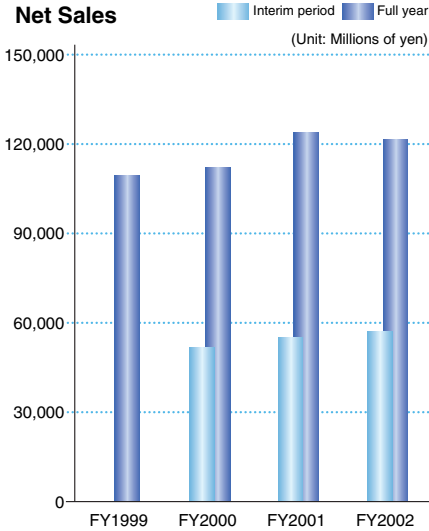


As a percentage of total sales(FY2002)

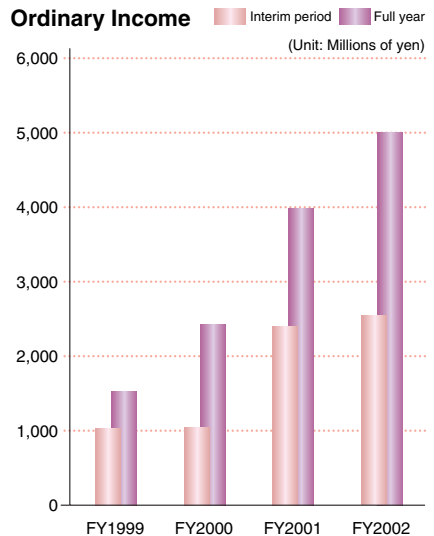
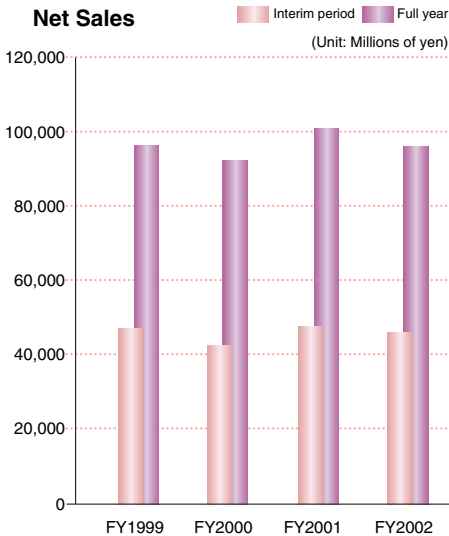


Trend of Financial Performance

Consolidation basis



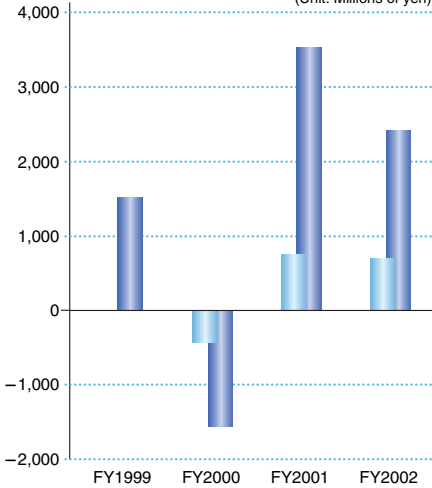
Non-consolidation basis



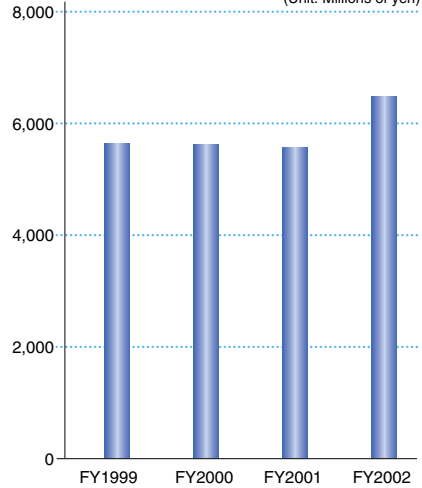


Consolidation basis

Net Income (loss) ■ Interim period ■ Full year
(Unit: Millions of yen)

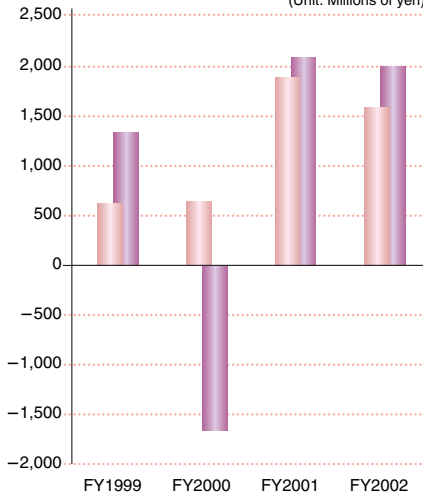


R&D Expenses ■ Full year
(Unit: Millions of yen)

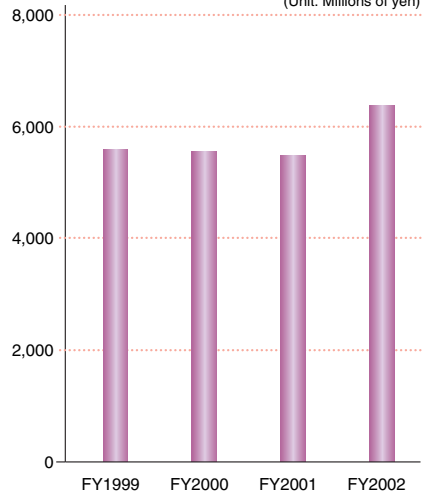


Non-consolidation basis

Net Income (loss) ■ Interim period ■ Full year
(Unit: Millions of yen)



R&D Expenses ■ Full year
(Unit: Millions of yen)



Consolidated Financial Statements

Consolidated Balance Sheets (As of March 31, 2003 and 2002)

| (Assets) | (Unit: Millions of yen) March 31 2003 | (Unit: Millions of yen) March 31 2002 |
|---|---|---|
| Current Assets | 94,941 | 91,531 |
| Cash or hand and in banks | 7,677 | 13,233 |
| Receivables | 36,882 | 34,019 |
| Securities | 9,783 | 11,819 |
| Inventories | 24,615 | 23,379 |
| Deferred taxes | 4,484 | 3,613 |
| Deposits | 8,008 | 4,001 |
| Others | 3,849 | 1,801 |
| Less: Allowance for doubtful accounts | △358 | △337 |
| Fixed Assets | 27,585 | 27,670 |
| Tangible assets | 17,616 | 17,453 |
| Buildings and structures | 6,242 | 6,334 |
| Machinery, equipment and vehicles | 1,676 | 1,790 |
| Land | 7,664 | 7,667 |
| Others | 2,031 | 1,661 |
| Intangible assets | 2,259 | 2,086 |
| Consolidation Goodwill | 246 | 422 |
| Software | 1,804 | 1,464 |
| Others | 208 | 199 |
| Investments and other assets | 7,709 | 8,129 |
| Investment securities | 1,010 | 1,725 |
| Long-term prepaid expenses | 454 | 854 |
| Deferred taxes | 3,449 | 2,729 |
| Deferred taxes on revaluation of land | 1,894 | 1,960 |
| Others | 900 | 860 |
| Total assets | 122,526 | 119,201 |
| | | |
| (Liabilities) | (Unit: Millions of yen) March 31 2003 | (Unit: Millions of yen) March 31 2002 |
| Current Liabilities | 41,119 | 40,904 |
| Notes and accounts payable | 24,168 | 24,260 |
| Short-term borrowings | 20 | 1,784 |
| Accrued income taxes | 2,568 | 1,455 |
| Accrued expenses | 6,477 | 6,113 |
| Reserve for product warranty | 2,875 | 2,573 |
| Others | 5,009 | 4,715 |
| Long-term Liabilities | 8,251 | 6,532 |
| Long-term borrowings | — | 32 |
| Accrued retirement benefits | 7,693 | 6,141 |
| Reserve for directors' retirement allowances | 547 | 350 |
| Others | 10 | 7 |
| Total Liabilities | 49,371 | 47,436 |
| (Minority Interests) | | |
| Minority Interests in consolidated subsidiaries | 1,705 | 1,527 |
| (Stockholders' Equity) | | |
| Common Stock | 13,884 | 13,884 |
| Capital Surplus | 21,206 | 21,206 |
| Retained earnings | 47,389 | 45,685 |
| Unrealized loss on land | △11,168 | △11,105 |
| Unrealized gain on available-for-sale securities | 17 | 39 |
| Foreign currency translation adjustment | 270 | 554 |
| Treasury stock | △149 | △26 |
| Total stockholders' Equity | 71,449 | 70,237 |
| Total Liabilities, Minority Interests and Stockholders' Equity | 122,526 | 119,201 |



Consolidated Statements of Income (For the years ended March 31, 2003 and 2002)

| | (Unit: Millions of yen) March 31 2003 | (Unit: Millions of yen) March 31 2002 |
|--|---|---|
| Net Sales | 121,465 | 123,791 |
| Cost of Goods Sold | 79,205 | 84,536 |
| Selling, General and Administrative Expenses | 33,413 | 30,158 |
| Operating Income | 8,846 | 9,096 |
| Non-operating Income | 540 | 673 |
| Non-operating Expenses | 869 | 1,538 |
| Ordinary Income | 8,517 | 8,231 |
| Extraordinary Gain | — | 660 |
| Extraordinary Loss | 1,449 | 2,053 |
| Income before Income Taxes | 7,067 | 6,838 |
| Income taxes Current | 5,198 | 3,479 |
| Income taxes Deferred | △1,641 | △1,003 |
| Minority interest in earnings of consolidated subsidiaries | 1,090 | 837 |
| Net Income | 2,418 | 3,525 |

Consolidated Statements of Retained Earnings (For the years ended March 31, 2003 and 2002)

| | (Unit: Millions of yen) March 31 2003 | | (Unit: Millions of yen) March 31 2002 | |
|--|---|--------|---|--------|
| (Capital Surplus) | | | | |
| Beginning balance of Capital Surplus | | | | |
| Beginning balance of Capital Surplus | 21,206 | 21,206 | 21,206 | 21,206 |
| Ending balance of Capital Surplus | | 21,206 | | 21,206 |
| (Retained Earnings) | | | | |
| Beginning balance of Retained Earnings | | | | |
| Beginning balance of Retained Earnings | 45,685 | 45,685 | 42,768 | 42,768 |
| Increase in Retained Earnings | | | | |
| Net income for the year | 2,418 | 2,418 | 3,525 | 3,525 |
| Decrease in Retained Earnings | | | | |
| Cash Dividends | 592 | | 593 | |
| Directors' bonuses | 120 | | 15 | |
| Reversal of unrealized loss on land | 2 | 715 | — | 608 |
| Ending balance of Retained Earnings | | 47,389 | | 45,685 |

Consolidated Statements of Cash Flows (For the years ended March 31, 2003 and 2002)

| | (Unit: Millions of yen) March 31 2003 | (Unit: Millions of yen) March 31 2002 |
|--|---|---|
| Cash flows from operating activities | 5,041 | 14,304 |
| Cash flows from investing activities | 685 | △2,962 |
| Cash flows from financing activities | △3,227 | △1,289 |
| Effect of exchange rate changes on cash and cash equivalents | △431 | 202 |
| Net increase in cash and cash equivalents | 2,067 | 10,255 |
| Beginning balance of cash and cash equivalents | 23,137 | 12,882 |
| Ending balance of cash and cash equivalents | 25,204 | 23,137 |

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

(As of March 31, 2003 and 2002)

| (Assets) | (Unit: Millions of yen) March 31 2003 | (Unit: Millions of yen) March 31 2002 |
|---|---|---|
| Current Assets | 78,420 | 74,055 |
| Cash on hand and in banks | 3,451 | 6,073 |
| Notes receivable | 7,707 | 10,796 |
| Trade receivables | 26,210 | 24,216 |
| Marketable securities | 7,900 | 7,265 |
| Merchandise | 149 | 324 |
| Finished products | 7,904 | 8,162 |
| Raw materials | 1,716 | 1,628 |
| Work in process | 7,748 | 8,211 |
| Deferred tax assets | 2,310 | 2,051 |
| Short-term loans | 4,562 | — |
| Deposits | 8,008 | 4,001 |
| Others | 773 | 1,759 |
| Less: Allowance for doubtful accounts | △25 | △435 |
| Fixed Assets | 27,936 | 27,622 |
| Tangible Fixed Assets | 16,578 | 16,734 |
| Buildings | 5,804 | 6,028 |
| Structures | 236 | 255 |
| Machinery and equipment | 1,377 | 1,501 |
| Vehicles | 1 | 2 |
| Tools, furniture and fixture | 1,584 | 1,354 |
| Land | 7,574 | 7,577 |
| Construction in progress | — | 15 |
| Intangible Fixed Assets | 1,651 | 1,189 |
| Patents | 61 | 2 |
| Trade marks | 5 | — |
| Software | 1,121 | 999 |
| Software in progress | 398 | 119 |
| Facilities utilization rights | 64 | 68 |
| Investments and others | 9,705 | 9,698 |
| Investment in subsidiaries | 2,777 | 1,925 |
| Investment securities | 792 | 1,661 |
| Long-term loans | 52 | 118 |
| Guarantee deposits | 522 | 513 |
| Long-term prepaid expenses | 395 | 853 |
| Deferred tax assets | 3,198 | 2,576 |
| Deferred tax asset on revaluation of land | 1,894 | 1,960 |
| Other investments | 72 | 88 |
| Total Assets | 106,356 | 101,678 |

Notes to the non-consolidated balance sheets

- Valuation standard and valuation method for securities:
 - Investment in subsidiaries: Cost method, with cost being determined by the moving average method
 - Available-for-sale securities: Securities with fair market value: Fair market value based on the market price at the year-end
 - Securities without fair market value: Cost method, with cost being determined by the moving average method
- Valuation standard and valuation method for financial derivatives:
 - Fair market value method
- Valuation standard and valuation method for inventories:
 - Merchandise, finished products and work in process: Lower of cost or market method, with cost being determined by the specific cost method or the moving average method
 - Raw materials: Lower of cost or market, with cost being determined by the moving average method
- Depreciation method for fixed assets:
 - Tangible fixed assets: Declining balance method. However, buildings, excluding building attachments, acquired after March 31, 1998 are depreciated by the straight-line method. Major useful life years by category are as follows:
 - Buildings: 3-50 years
 - Tools, furniture and fixture: 2-20 years
 - Machinery and equipment: 10 years
 - Intangible fixed assets: Software costs for market sales are amortized based on the larger amount of the proportionate amount based on estimated total salable quantity or the equally allocated amount over anticipated useful years (3 years). Software costs for internal use are amortized over the useful life years (5 years). Others: Straight-line method
 - Long-term prepaid expenses: Equally amortized over the applicable period
- Accounting for reserves and allowances:
 - Allowance for doubtful accounts: To provide for possible losses arising from bad debts, the Company recorded allowance for doubtful accounts based on the past default experiences for general accounts and in addition, for specific accounts whose collection is in doubt, the possibility for recovery is considered individually and the amount estimated to be uncollectible is included in the allowance as specific reserve.
 - Reserve for product warranty: The Company recorded the estimated service costs within the defined warranty period under "Reserve for product warranty" based on the past experiences to provide for the future payment of after-sale service costs in connection with merchandise and finished products sold.
 - Accrued retirement benefits: The Company recorded "Accrued retirement benefits" based on the projected retirement benefit obligation and estimated plan assets as of the fiscal year-end to provide for the future payments for the employees' retirement benefits. Differences resulting from a change in accounting standard amounting to ¥4,724 million are equally amortized over five years and charged to extraordinary loss in the accompanying statements of income. Prior service liabilities are charged to income using a straight-line method over the average remaining service years (16-17 years) of the employees when incurred. Actuarial differences are to be charged to income from the following year using a straight-line method over the average remaining service years (16-17 years) of the employees when incurred.
 - On February 25, 2003, the Company obtained an approval on exemption of future payment obligation from the Minister of Health, Welfare and Labor for the agency business of Welfare Pension Fund in accordance with the enforcement of the Law concerning Defined Benefits Corporate Pension Plan. The Company adopted transitional measure defined by Section 47-2 of

| | (Unit: Millions of yen) March 31 2003 | (Unit: Millions of yen) March 31 2002 | |
|---|---|---|--|
| (Liabilities) | | | |
| Current Liabilities | 31,696 | 29,808 | |
| Notes payable | 781 | 1,705 | |
| Trade payables | 22,832 | 22,172 | |
| Other payables | 246 | 175 | |
| Accrued income taxes | 1,856 | 343 | |
| Accrued expenses | 2,978 | 2,944 | |
| Advance received | 341 | 294 | |
| Deposits received | 521 | 457 | |
| Reserve for product warranty | 1,736 | 1,375 | |
| Other current liabilities | 400 | 340 | |
| Non-Current Liabilities | 7,924 | 6,237 | |
| Accrued retirement benefits | 7,397 | 5,897 | |
| Reserve for directors' retirement allowances | 527 | 340 | |
| Total Liabilities | 39,621 | 36,046 | |
| (Stockholders' Equity) | | | |
| Common stock | 13,884 | 13,884 | |
| Capital surplus | 21,206 | 21,206 | |
| Capital reserve | 21,206 | 21,206 | |
| Retained earnings | 42,937 | 41,609 | |
| Profit reserve | 786 | 786 | |
| Voluntary reserve | 39,068 | 37,968 | |
| Voluntary reserve-other | 39,068 | 37,968 | |
| Unappropriated profit | 3,083 | 2,855 | |
| (Of which, net income for the year) | (2,033) | (2,089) | |
| Unrealized loss on land | △11,168 | △11,105 | |
| Unrealized gain on available-for-sale securities | 25 | 64 | |
| Treasury stock | △149 | △26 | |
| Total Stockholders' Equity | 66,735 | 65,631 | |
| Total Liabilities and Stockholders' Equity | 106,356 | 101,678 | |
| | | | <p>"Practical Guidelines for Accounting for Retirement Benefits (Interim Report)" (JICPA Accounting Committee Report No. 13) and accounted for as if retirement benefit obligation related to the agency portion and pension plan assets corresponding to the repayment were extinguished on the date of the approval. The resulting impact in an amount of ¥536 million is accounted for as an extraordinary loss. The corresponding repayable amount of the related plan assets was ¥8,845 million as of the current fiscal year-end.</p> <p>Reserve for directors' retirement allowances: The Company recorded "Reserve for directors' retirement allowances" based on the amount required by the internal rule as of the fiscal year-end to provide for the future payments for directors' retirement allowances. This reserve is a reserve stipulated by the article 287-2 of the Commercial Law before an amendment in 2002.</p> <p>6. Accounting for lease transactions: Finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees are accounted for using a method similar to the operating lease method.</p> <p>7. Consumption taxes paid or received are recorded as an asset or liability and excluded from the related revenue, costs or expenses.</p> <p>8. Short-term monetary receivables due from subsidiaries: ¥7,692 million Long-term monetary receivables due from subsidiaries: ¥33 million Short-term monetary payables due to subsidiaries: ¥751 million</p> <p>9. Short-term monetary receivables due from the parent company: ¥8,234 million Short-term monetary payables due to the parent company: ¥497 million</p> <p>10. Accumulated depreciation of tangible fixed assets: ¥22,287 million</p> <p>11. The Company revaluated the land for business use in accordance with the Law concerning revaluation of Land (Law No. 34 promulgated on March 31, 1998) and recorded the tax effect on the related unrealized gain on revaluation as "Deferred tax asset on revaluation of land" in the asset side of the accompanying balance sheets and the net amount as "Unrealized loss on land" in the shareholders' equity of the accompanying balance sheets.</p> <p>Revaluation method: The applicable land was revalued after making reasonable adjustments based on the property tax appraisal as defined by No. 3 of the article 2 of the enforcement order of the Law concerning Revaluation of Land. Revaluation date: March 31, 2002 The difference between market value as of the current fiscal year-end and book value after revaluation: ¥44 million (loss)</p> <p>12. Lease contracts are arranged for certain design support system equipment, etc. in addition to the fixed assets included in the accompanying balance sheets.</p> <p>13. Net income per share: ¥48.98 The Company adopted "Accounting Standard for Earnings per Share" (Accounting Standard No. 2) and "Implementation Guidance on Accounting Standard for Earnings per Share" (Accounting Standard Implementation Guidance No.4) from the current fiscal year. Earnings per share information for the prior fiscal year, if the above accounting standard and implementation guidance had been applied, would have been as follows: Net income per share: ¥50.07</p> <p>14. Net assets provided by No.6 of the 1st section of the article 290 of the Commercial Law before an amendment in 2002 amount to ¥25 million.</p> <p>Additional information Deferred taxes: On March 31, 2003, "Law to revise a part of the local tax law, etc." (Law No. 9 in 2003) was promulgated and accordingly, enterprise tax rate will be changed for the fiscal year beginning after March 31, 2004, resulting from an introduction of taxation system based on external form. As a result, deferred tax assets and deferred tax asset on revaluation of land decreased by ¥110 million and ¥65 million, respectively, and deferred income taxes to be deducted from corporate income tax, inhabitant tax and enterprise tax decreased by ¥111 million.</p> |

Non-Consolidated Financial Statements

Non-Consolidated Statements of Income

(For the years ended March 31, 2003 and 2002)

| | (Unit: Millions of yen) March 31 2003 | (Unit: Millions of yen) March 31 2002 |
|--|---|---|
| (Ordinary Profit and Loss) | | |
| Operating Profit and Loss | | |
| Net sales | 96,109 | 100,733 |
| Cost of goods sold | 72,006 | 77,981 |
| Selling, general and administrative expenses | 20,812 | 19,597 |
| Operating income | 3,290 | 3,155 |
| Non-Operating Profit and Loss | | |
| Non-operating income | 2,419 | 2,267 |
| Interest and dividends income | 2,191 | 1,875 |
| Miscellaneous income | 228 | 391 |
| Non-operating expenses | 713 | 1,430 |
| Interest expenses | 8 | 8 |
| Miscellaneous losses | 704 | 1,422 |
| Ordinary income | 4,997 | 3,991 |
| (Extraordinary gain and loss) | | |
| Extraordinary gain | — | 660 |
| Gain on sales of business | — | 660 |
| Extraordinary loss | 1,447 | 2,089 |
| Amortization of differences resulting from a change in accounting standard for retirement benefits | 910 | 944 |
| Loss on return of agency business for welfare pension fund | 536 | — |
| Loss on rearrangement of product types | — | 1,105 |
| Loss on valuation of investment in subsidiaries | — | 38 |
| Income before income taxes | 3,550 | 2,562 |
| Corporate income tax, inhabitant tax and enterprise tax | 2,369 | 628 |
| Income taxes deferred | △852 | △155 |
| Net income | 2,033 | 2,089 |
| Retained profit brought forward | 1,348 | 1,062 |
| Reversal of unrealized loss on revaluation of land | △2 | — |
| Interim dividends | 296 | 296 |
| Unappropriated profit | 3,083 | 2,855 |

Notes to the non-consolidated statements of income

- Net sales to subsidiaries:
 - ¥21,193 million
 - Purchase from subsidiaries:
 - ¥3,273 million
 - Non-operating transactions with subsidiaries:
 - ¥2,711 million
- Net sales to the parent company:
 - ¥456 million
 - Purchase from the parent company:
 - ¥263 million
 - Non-operating transactions with the parent company:
 - ¥781 million

Appropriation of Profit

(For the year ended March 31, 2003)

| | |
|--|--------------------------|
| Unappropriated profit for the year | ¥3,083,137,573 |
| This amount will be disposed as follows: | |
| Cash dividends | ¥295,683,173 |
| (Cash dividends per share) | (Common dividends ¥7.50) |
| Directors' bonuses | ¥100,000,000 |
| Transfer to voluntary reserve | ¥1,300,000,000 |
| Retained profit carried forward | ¥1,387,454,400 |

Notes to the appropriation of profit

Interim dividends were paid to the shareholders registered as of September 30, 2002 at ¥7.50 per share on December 10, 2002.

Stock Information

(as of March 31, 2003)

| | |
|-------------------------|--------------------|
| Number of Shares | |
| Authorized: | 158,000,000 shares |
| Issued: | 39,540,000 shares |
| Number of stockholders: | 4,053 |

Corporate Data

(as of March 31, 2003)

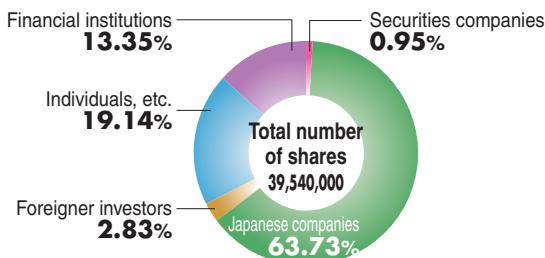
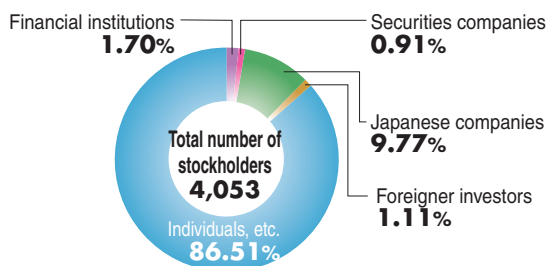
| | |
|----------------------|--------------------------------------|
| Company name: | Hitachi Medical Corporation |
| Head office: | 1-1-14 Uchi-kanda, Chiyoda-ku, Tokyo |
| Capital: | ¥13,884 million |
| Number of employees: | 2,217 |

Major Stockholders

(as of March 31, 2003)

| Company | Number of shares held | Ratio of shares held |
|---|-----------------------|----------------------|
| | shares | % |
| Hitachi, Ltd. | 24,220,400 | 62.77 |
| Mitsui Asset Trust and Banking Co., Ltd. | 1,059,000 | 2.74 |
| The Master Trust Bank of Japan, Ltd. | 992,000 | 2.57 |
| Japan Trustee Services Bank, Ltd. | 716,000 | 1.85 |
| Hitachi Medico Group Employees' Stock Association | 703,000 | 1.82 |

| Company | Number of shares held | Ratio of shares held |
|---|-----------------------|----------------------|
| | shares | % |
| Deutsche Trust Bank Ltd. | 571,000 | 1.47 |
| UFJ Trust Bank Ltd. Trust & Custody Services Bank, Ltd. | 532,000 | 1.37 |
| Boston Safe Deposit and Trust Company | 262,000 | 0.67 |
| Yoshifumi Sakurai | 255,000 | 0.66 |





Transition to the Committee System

Following the approval obtained at the general meeting of stockholders held on June 24, the Company changed over to the Committee System of management. The Committee System is a new corporate structure by which a company establishes within the board directors a nomination committee, an audit committee, and a compensation committee, all of which must have a majority of External Board Directors, and appoints corporate executive officers charged with executing company business. The board directors can extensively delegate decision-making authority for the company's business to the executive officers, and specializes in deciding basic management policy and providing a monitoring function. The conventional statutory auditor system is abolished, and the audit committee bears responsibility for auditing functions.

In making this change, the Company seeks to achieve speedy management decision-making and increased transparency with the aim of engaging in business as a global corporation.

Board Directors

Chairman of the Board: Yutaka Takuma
Board Director : Hiroshi Inomata
Board Director : Masahiro Hirokawa
Board Director : Kazuo Okazaki
Board Director : Masahiro Tanaka
External Board Director: Hajime Honma
External Board Director: Kazuo Sato
External Board 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

TOPICS

2002

- April
- The VersiFlex X-ray system is released.
 - New NHI (National Health Insurance) points are applied to optical topography systems.
 - The APERTO MR imaging system is announced.
 - The 200th Pronto X-ray CT system is shipped.
- May
- The European sales network is consolidated within Hitachi Medical Systems Europe Holding AG.
- June
- The Company announces its entry into the field of regeneration medicine.
- July
- The Company holds a management strategy briefing.
- August
- The ETG-7000 optical topography system is announced.
- September
- The ETG-100 optical topography system receives an R&D 100 Award.
- October
- The Tabata Site obtains ISO9001 2000 certification.
 - The Sirius Star Mobile mobile X-ray system is released.
- November
- The Company establishes Hitachi Medical Systems Service (Beijing) Corporation strengthening its service structure in China.
- December
- The Company merges Hitachi Medical Corporation of America into Hitachi Medical Systems America Inc., consolidating its sales network in North America.
 - The Natural Report voice recognition radiogram interpretation report production system is released.

June



Prof. Minoru Ueda (right) of Nagoya Univ. and our CEO Hiroshi Inomata, making a joint announcement on our entry into the field of regeneration medicine market.

August



Optical topography system ETG-7000

2003

- January
- The EUB-8500 diagnostic ultrasound system is released.
- February
- The medites CREA X-ray system is released.
- March
- The Company acquires the power supply business unit of MTS Systems Corporation of the United States and establishes a subsidiary, Performance Controls Inc.
 - The Kashiwa Site obtains ISO9001 2000 certification.

March



ISO9001 2000 Certificate

Information for Stockholders



| | |
|--|---|
| Unit of shares: | 1,000 shares |
| Fiscal year end: | 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 283, Paragraph 5 of the Commercial 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 the 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 approval obtained at the general meeting of stockholders held on June 24, the Company decided to implement a system for additional purchases of shares 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 less than one trading unit will be processed as usual. Inquire with the Company's transfer agent (Tokyo Securities Transfer Agent Co., Ltd.) for details.

Hitachi Medical Corporation

For any inquiries about this business report,
please contact:

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