SHIBAURA MECHATRONICS CORPORATION

ANNUAL REPORT 2001

For the year ended March 31, 2001

PROFILE

Shibaura Mechatronics Corporation was founded in 1939, succeeding the well-established "Shibaura Engineering Works Co., Ltd.", which was famous as one of Japan's largest manufacturers of heavy electrical equipment. The company significantly contributed to building the infrastructure of the industrialized society of the 20th century by supplying electric power equipment, mainly industrial motors.

Now in the 21st century, there is no limit to the progress of electronic technology. The widespread use of mobile equipment and the Internet is accelerating the globalization of markets. And the company's business of producing electronic device manufacturing equipment for such products as semiconductor devices, LCDs, optical discs and rechargeable batteries has become an increasingly important mission as a "provider of infrastructure for the digital age".

Entering a new century, the company has declared it will become "e-Shibaura", a true "e-Company". The company is newly determined to meet global customers' requests, not only by providing products and services that are suitable for the Internet age, but by encouraging innovative behavior and thinking among its employees.

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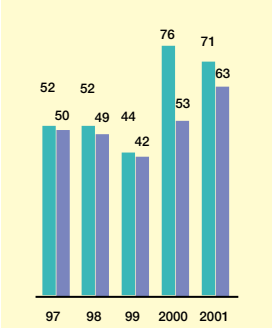
Financial Highlights

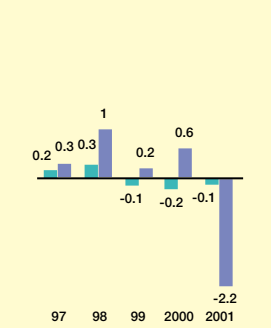
	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Consolidated		Years ended March 31	
Net sales	¥ 71,117	¥ 75,935	$ 573,989
Operating income	3,262	2,735	26,325
Net income (loss)	(141)	(215)	(1,139)
Total shareholders' equity	19,704	19,684	159,033
Total assets	75,394	83,090	608,508
Net income (loss) per share	¥ (2.83)	¥ (4.65)	$ (0.02)
Non-Consolidated			
Net sales	¥ 63,149	¥ 52,562	$ 509,681
Operating income	2,649	1,995	21,380
Net income (loss)	(2,213)	610	(17,862)
Total shareholders' equity	18,774	21,176	151,525
Total assets	70,716	66,691	570,752
Net income (loss) per share	¥ (44.25)	¥ 13.18	$ (0.35)

Note 1: The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥123.90=U.S.$1.00, as of March 31, 2001.

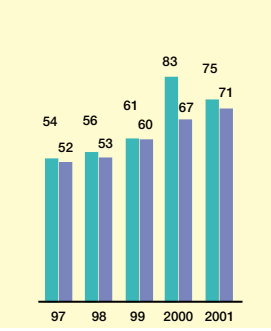
(¥ Billions)



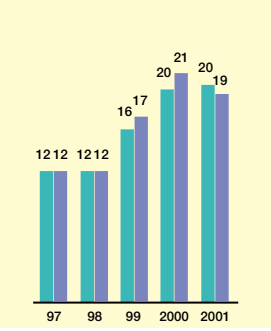
Net sales



Net income



Total assets



Total shareholders' equity

Years ended March 31

Consolidated Non-Consolidated

Note 2: Amounts in fiscal 1997 indicate the financial results of Shibaura Engineering Works Co., Ltd. before the merger with Toshiba Mechatronics Co., Ltd.

Message from the President

TO OUR SHAREHOLDERS

Shibaura Mechatronics Corporation is a high-tech, global company headquartered in Yokohama City, Japan. The Company manufactures and supplies manufacturing equipment for semiconductors, LCDs, and optical discs as well as automated machines and laser equipment.

We started operations in 1939, succeeding Shibaura Engineering Works Co., Ltd.'s well-established name, which was famous as one of the largest manufacturers of heavy electrical equipment in Japan. The Company significantly contributed to building the infrastructure of the industrialized society throughout the 20th century by supplying electric power equipment, particularly industrial motors.

As the 21st century neared, we succeeded in shifting our business to supplying manufacturing equipment for electronic devices, which are known as the "staple of industry" in today's Information society. In 1991, Shibaura Engineering Works Co., Ltd., merged with Tokuda Seisakusho Co., Ltd., a manufacturer of vacuum pumps and equipment. In 1998, the Company spun off the small motor business, one of the Company's main businesses since its establishment. At the same time, we merged with Toshiba Mechatronics Co., Ltd., a mechatronics and automation equipment manufacturing company in the Toshiba group, changed our name to Shibaura Mechatronics Corporation and established a new corporate image and identity as "The Provider of Infrastructure for the Digital Age".

Now in the 21st century, the progress of electronic technology seems limitless. The widespread use of mobile equipment and the Internet is accelerating the globalization of markets. We are committed to producing electronic device manufacturing equipment for such products as semiconductors, LCDs, optical discs and rechargeable batteries, therefore, remaining the provider of infrastructure for the information age.

Now at the threshold of a new century, we are geared to become "e-Shibaura", a true and unique "e-Company". We are newly determined to meet global customers' requests, not only by providing products and services that are suitable for the Internet age, but by encouraging innovative behavior and thinking among our employees.

FISCAL 2000 IN REVIEW

The first half of fiscal 2000 was favorable thanks to active capital investment for semiconductors and LCDs manufacturing equipment in Japan, Taiwan and Korea. However, the second half was less favorable, because the market began to head toward the bottom of the silicon and crystal cycles. During the fiscal year under review, we launched new businesses in semiconductor wet cleaning equipment. We also took system orders for Li-ion polymer battery manufacturing equipment for new rechargeable batteries for mobile equipment. Finally, we developed and commercialized the high productivity sputtering equipment OCTAVA for rewritable CD-RWs and DVDs. In spite of a difficult operating climate, we again reported record results for net sales, operating income and ordinary income: (1) consolidated sales declined 6.0%, to ¥71.1 billion due to Shibaura Nidec Corporation no longer being consolidated because of sales of its shares. Non-consolidated sales rose 20%, to ¥63.1 billion, (2) consolidated operating income of ¥3.3 billion (¥2.6 billion on non-consolidated basis), (3) consolidated ordinary income of ¥2.9 billion (¥2.5 billion on non-consolidated basis), which was double that in the previous year.

In accordance with a change in the accounting standard for retirement benefit schemes, the Company posted a ¥5.1 billion extraordinary loss due to a special provision to its retirement benefit allowance. The Company also booked a ¥1.2 billion extraordinary loss on sale of Shibaura Nidec Corporation's stocks in its non-consolidated statements. As a result, the Company registered a loss on both a consolidated and non-consolidated basis, but we believe that the Company's actual operating performance was profitable. Consequently, we decided to pay annual cash dividends of ¥5 per share.

We scored a number of achievements in fiscal 2000. In August, because exports account for more than 40% of our sales, we established a joint venture company, SCK Co., Ltd. (Shibaura Chisan Korea Corporation), with a local company in Korea. The joint venture is our second company in Asia following a company in Taiwan. In October, we invested in Toshiba Socio-Engineering Co., Ltd., working to strengthen our skilled engineering staff.

Three years ago, to enhance the competitiveness of our business of home-appliances that use small motors, we established a joint venture company, Shibaura Nidec Co., Ltd. in October 1998.

However, we decided to transfer all our shares to Nidec Corporation, another joint company, in September, and unify their operations for quick management restructuring. In March, to strengthen the business, we decided to consolidate the Shibaura Vending Machine Corporation, an affiliated company for sales and service for cigarette and ticket vending machines, with our Vending Machines & Systems Division at our Tokyo bay office in Minato-ku, Tokyo.

In January 2001, the division was transferred and the system was unified, from planning and sales to service. Even after this, we will be in charge of their development and manufacturing. This action was taken to ensure quick response to the rapidly changing business environment in the information age, such as the conversion of products to IT-versions.

In February 2001, Shibaura Mechatronics Corporation received the Corporate Prize at the Ansoff Award from the Japan Strategic Management Society (JSMS). The Ansoff Award is an award for pioneering and excellence in strategic management. This award was named for an honorary chairman of JSMS, Dr. H. Igor Ansoff and goes to a company that achieves remarkable results in strategic management. The reason that our company received this award was a high evaluation of our management reformation over the past three years and our excellent results. This award has further motivated us to work toward furthering management revolution.

Ansoff Award commendation ceremony on February 26, 2001

ON THE WAY TO BECOMING A BILLION DOLLAR COMPANY

Shibaura Mechatronics Corporation has declared it will become an "e-Shibaura": a true "e-Company", which provides e-Products, e-Service, e-Process and e-Culture. Based on this slogan we are determined to meet global customer's requests. Not only by providing products and services that are suitable for the Internet age, concurrent with introducing new electronics applied business processes, but by encouraging innovative behavior and thinking from our employees. To ensure the success of our transformation to "e-Shibaura", we are promoting a management innovation movement called SM2001 throughout the Shibaura Group, which will finish in fiscal 2001. This movement uses the Six Sigma methodology. This program will lead directly to improved corporate performance. In fiscal 2002, we believe we will reach ¥100 billion in sales and become a billion dollar company.

FOCUS ON CORPORATE GOVERNANCE

Exports to Taiwan, Korea and the U.S. constitute 44% of our total sales in fiscal 2000. As the export ratio is forecast to increase in the future, Shibaura Mechatronics Corporation wishes to be a global and open-minded company. Each of our major targets is guided by the following basic business strategies:

(1) Appointment of an outside company director

We will introduce an outside company director at the shareholder's meeting this June.

(2) Appointment of CRO (Chief Risk management Officer)

Mr. Amano, the senior vice president, was appointed as the CRO in April 2001, who will be responsible for risk-sensitive management.

(3) Management Audit Division

The Management Audit Division was newly established in April 2001, for the purpose of auditing group companies and the sections inside the Company more effectively, and reporting directly to the President.

(4) Environmental Report

One of our corporate philosophies is to respect humanity. Thus we think environmental activity is fundamental to the Company's administrative actions. So we plan to issue an environmental report, and express the details directly to people inside/outside the Company.

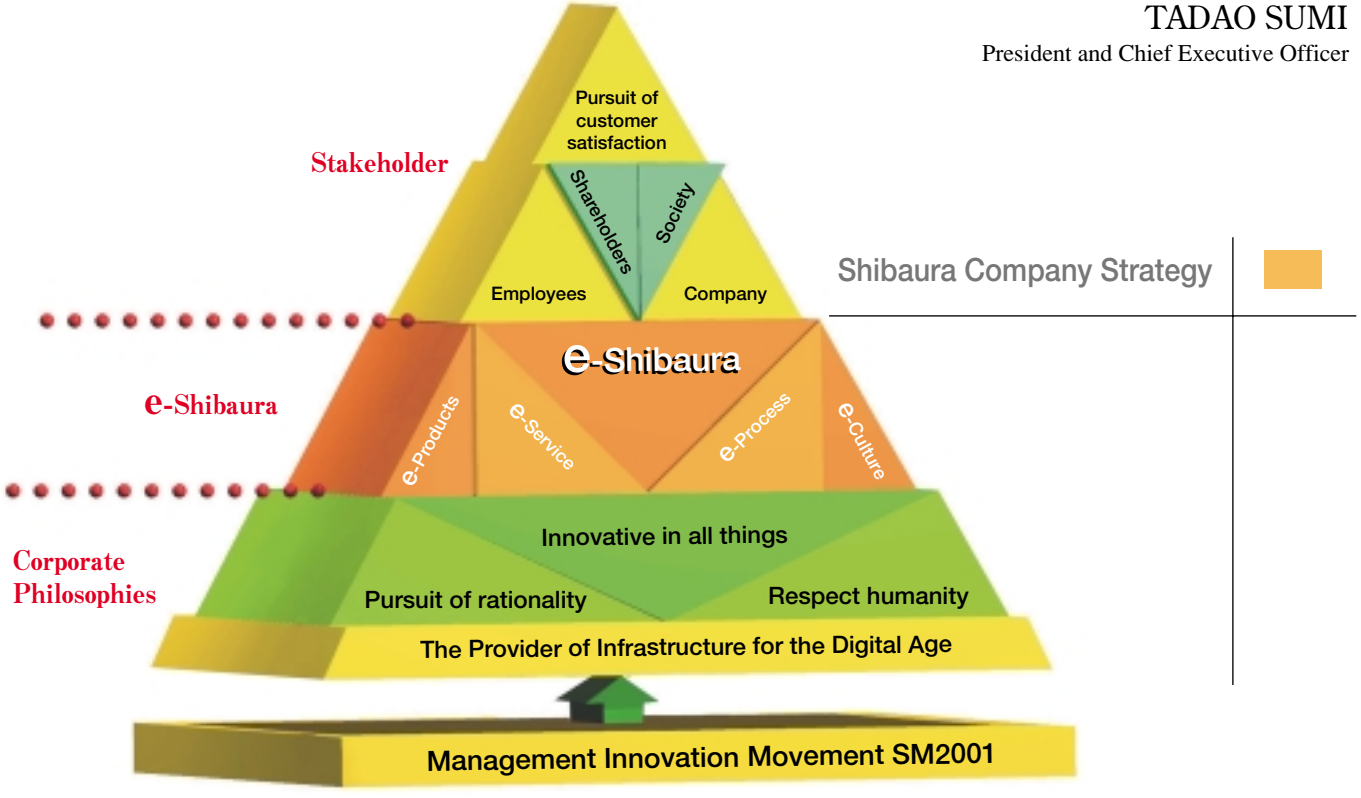
(5) Reinforcing Investor Relations activities

The Company plans to hold periodic IR meetings for investors and analysts not only in Japan and Europe, but also in the U.S. As well as every other meeting that can be held to explain the Company's status precisely and clearly to domestic general investors from this year. The Company will make efforts to ensure that the general shareholders' meeting will be open-minded.

As the new century begins, we ask our shareholders and business partners for their continuous support and understanding as we proceed with this major undertaking.

June 2001

TADAO SUMI
President and Chief Executive Officer



Aiming to become "e-Shibaura"

●Progress of the Internet Society

With the popularization of the Internet, the widespread use of PC's in offices and home, and the increasing prevalence of cellular phones worldwide, the Internet society is already coming true today.

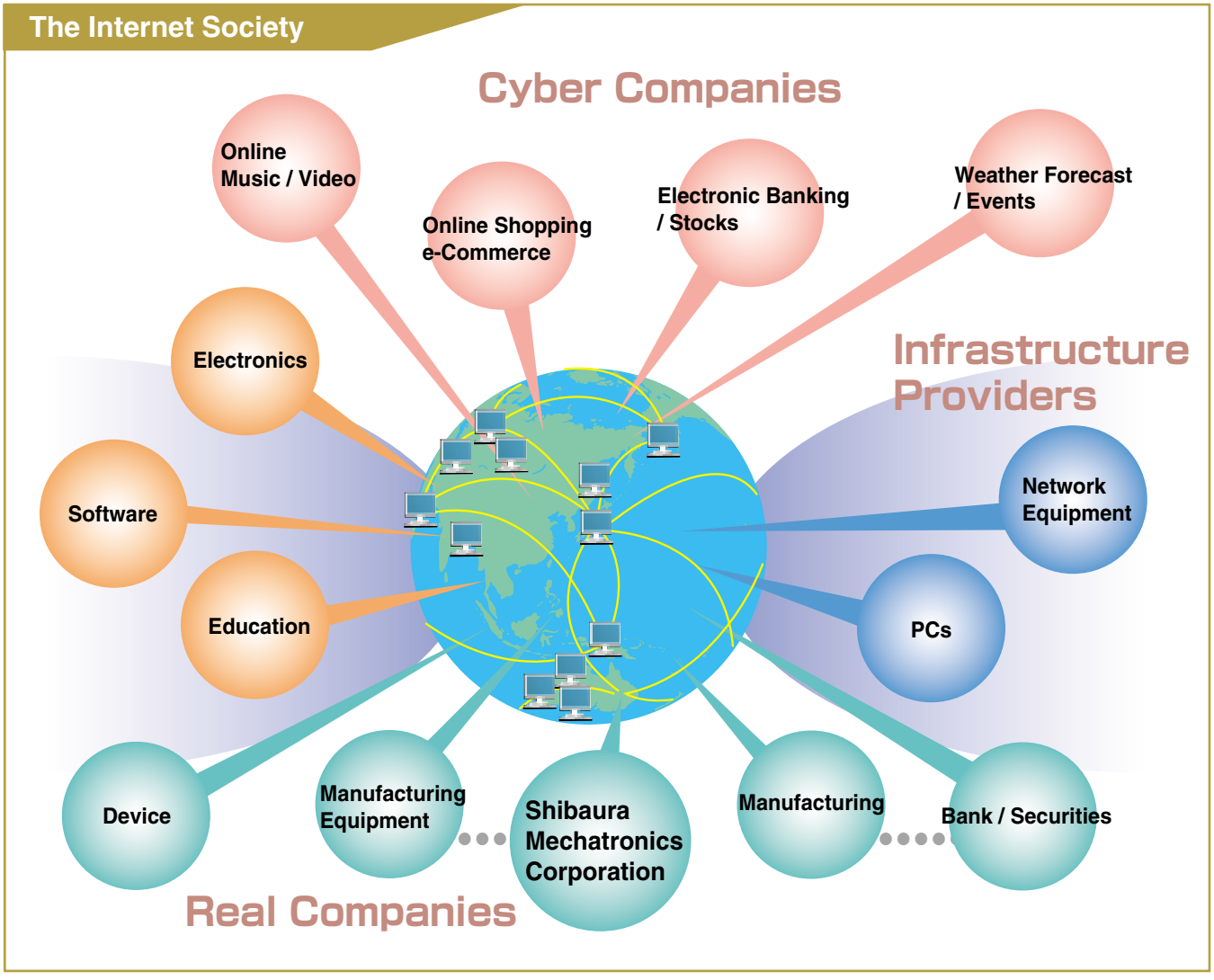
In the first stage of the Internet society, infrastructure providers of the Internet have achieved outstanding performance by providing PC's, cellular phones, optical fibers, software packages and related products.

In the second stage, cyber companies that provide various kinds of services, such as online music, online video, e-commerce, and electronic banking, are expanding rapidly.

The special features of this society are: no time lag, no degradation of information, an infinite number of users and infinite business possibilities. Making the most of these features, it is taken for granted that the society will be changed dramatically and globally.

In the third stage, bricks & mortar companies as represented by industrial manufacturers will have to make changes suitable for the Internet society and steadily develop.

In the 21st century, Shibaura Mechatronics Corporation aims to become "e-Shibaura", a company in which all activities are linked to the Internet as appropriate for an e-revolution company, and we will endeavor to innovate our management to reach this goal.

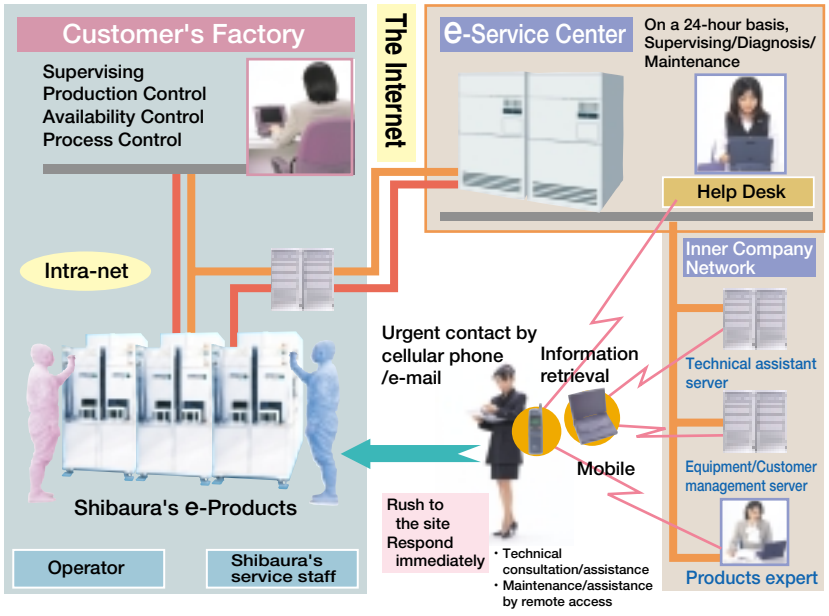


●Becoming "e-Shibaura"

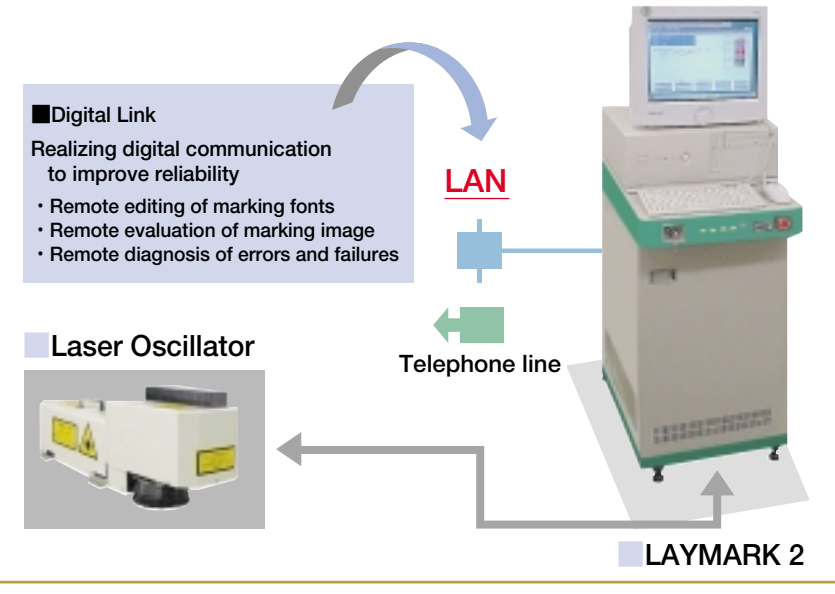
In carrying out its business in keeping with its aim of becoming a "provider of infrastructure for the digital age", Shibaura Mechatronics Corporation will spur the e-revolution by applying network functions to all business activities and processes.

Aiming to become "e-Shibaura", the company will focus on four areas of development, e-Products, e-Process for business activities utilizing the Internet, e-Service, and the establishment of e-Culture for the Internet age.

An example of installing an e-Product



Shibaura's first e-Product: YAG laser marker LAY-700 Series



Four areas of "e-Shibaura"

●Development of e-Products

e-Products are intelligent machines that are equipped with self-diagnostic functions, remote software upgrade and install functions, and remote maintenance functions.

e-Products are not only connected to customers' CIM (Computer Integrated Manufacturing system), but also to Shibaura's service center and data center by all kinds of communication lines, and are placed under the supervision of the company.

e-Products acquire the latest information through an online connection with the data center at all times. They can thus improve and maintain operations and functions at the most immediate level.

The YAG laser marker LAY-700 Series, which made its sales debut in October 2000, is the company's first e-Product.

We intend to successively launch new e-Products in the future.

●e-Process

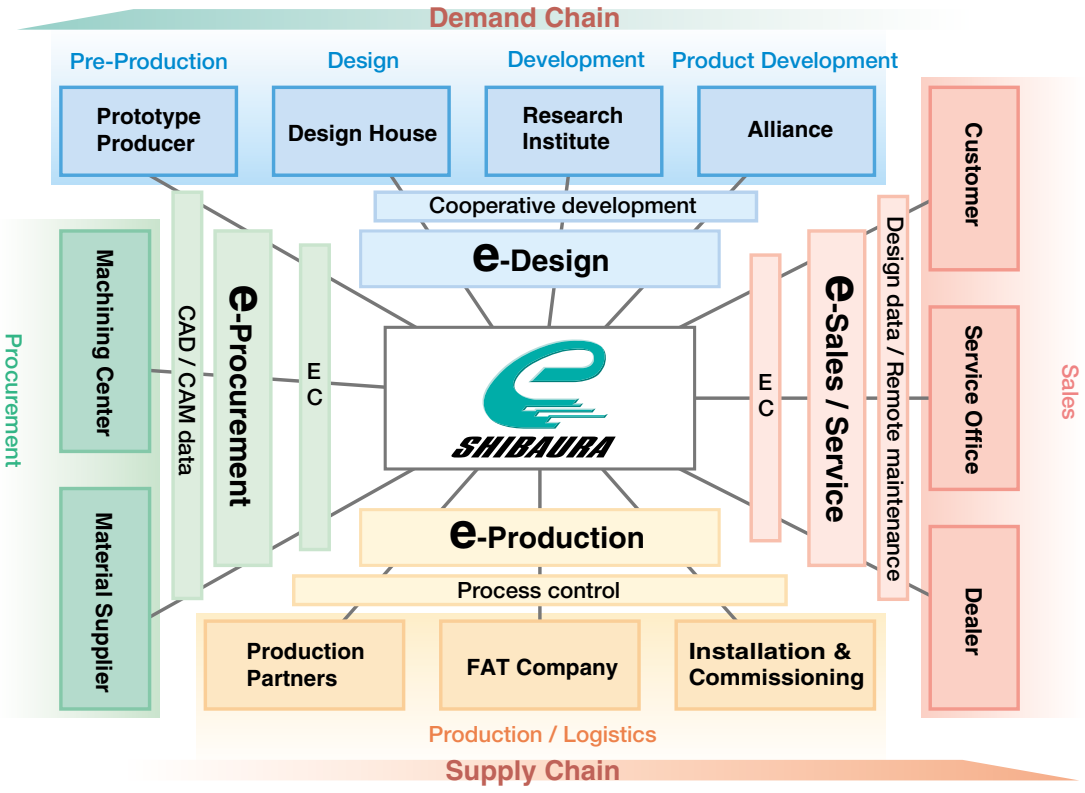
e-Process is a new business model intended to improve the company's productivity and serviceability by connecting all business activities, such as sales, procurement, designing, manufacturing and service to the Internet.

At our Sagamino Operations, the new production system SUMMIT started operations in March 2000. It manages a range of jobs from designing and outputting drawings for the workshop and manufacturing partner, to cost estimation and ordering, in real time.

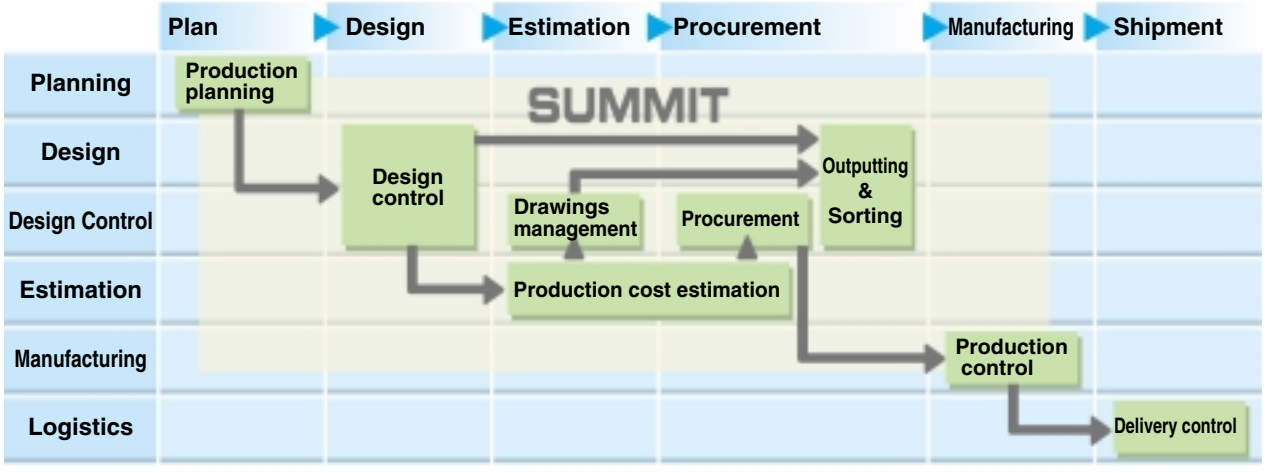
The system works even more effectively than expected. The drawings recycling rate has increased to 80%, and the estimation lead times have been cut to one third of previous levels.

We plan to introduce this system more widely in the company.

Manufacturer's e-Process Model



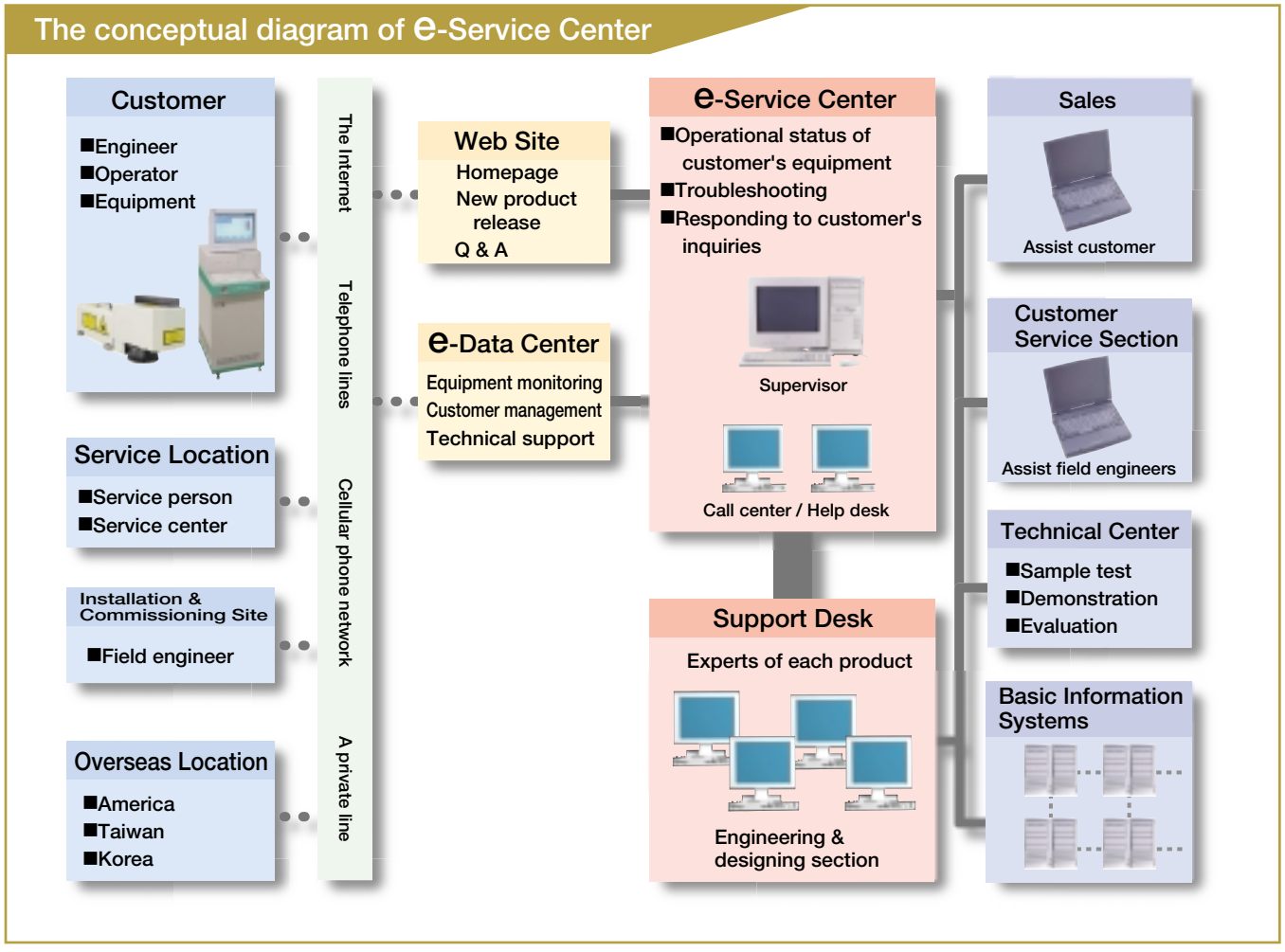
New production system SUMMIT at Sagamino Operations



●e-Service

e-Service is a synthetic service in which customers can obtain various services, such as quick installation, supervision and maintenance of e-Products through the Internet in real time on a 24-hour basis.

We are pressing ahead with commercialization of new e-Products. At the same time, we plan to open an e-Service Center in our Yokohama Operations in October 2001, and to expand our facilities step by step. In realizing the functions of e-Service, we aim to adjust the infrastructure to establish an e-Process with an adequate working system. This system will supervise already installed equipment and to support its engineers' installation work on site. Accordingly, Shibaura Mechatronics Corporation will provide advanced services to global customers with no time lag and no regional discrepancies.



●e-Culture

A revolution is taking place in our workplace by adopting digital thinking management. For example, digital evaluation of the outgoing product quality, which we have already started to use in the workplace, allows every engineer to represent results visibly, resulting in everyone understanding without explanations. Making use of the Internet accelerates this small but significant revolution in the workplace.

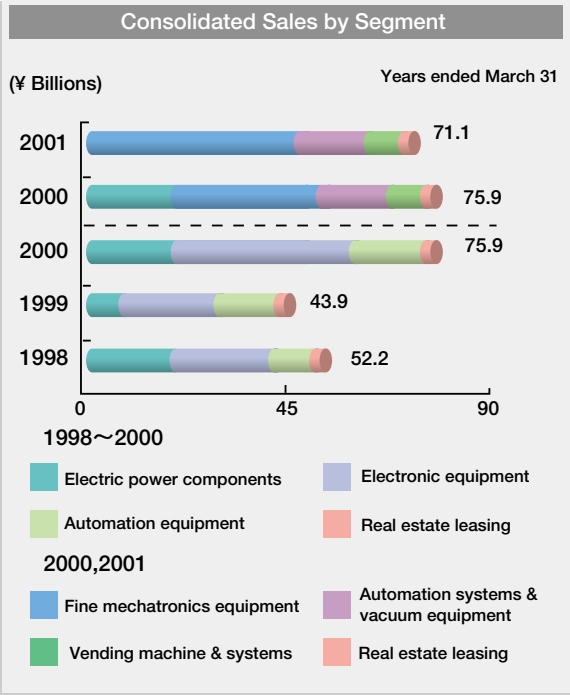
On the other hand, we believe face-to-face communication will be more important in the Internet society. We hope that the humanity and friendliness of our corporate culture and our employees as expressed to customers from Japan and overseas, who visit us for business discussions and inspections, will become our most prized product.

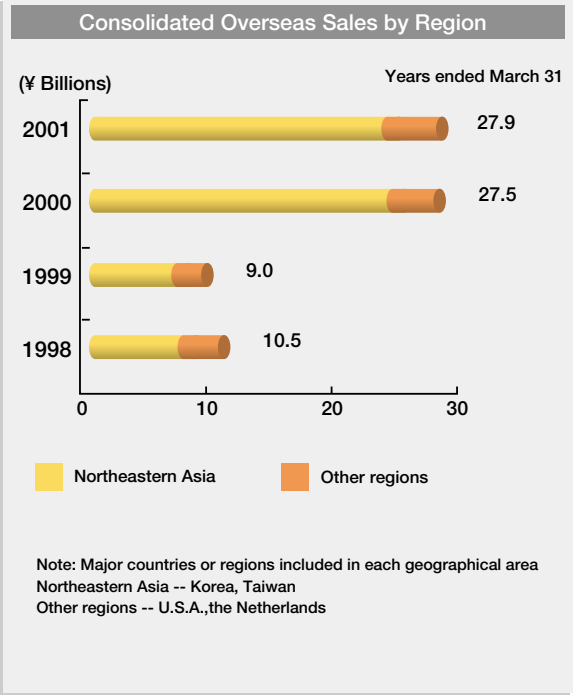
Financial Data

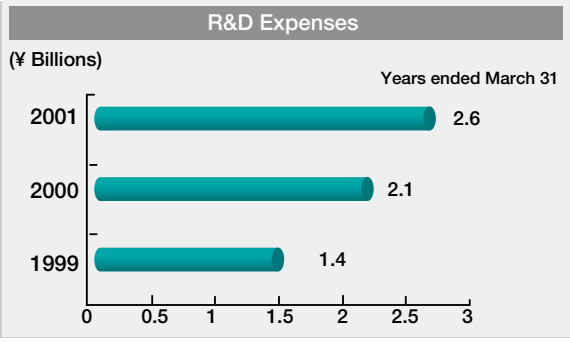
Five-Year Summary

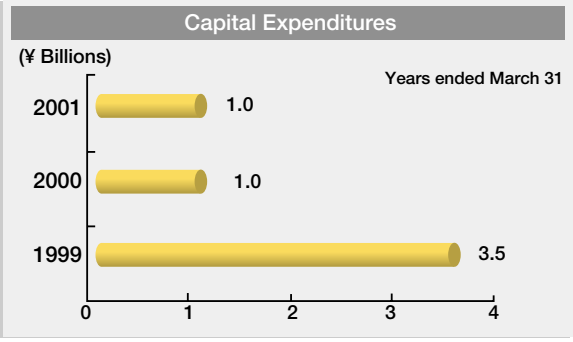
	Millions of yen				
	2001	2000	1999	1998	1997
	Years ended March 31				
Consolidated					
Net sales	¥ 71,117	¥ 75,935	¥ 43,875	¥ 52,192	¥ 52,124
Cost of sales	55,175	59,853	33,868	40,585	40,968
Gross profit	15,942	16,082	10,007	11,607	11,156
Selling, general and administrative expenses	12,680	13,347	9,506	11,112	11,200
Operating income (loss)	3,262	2,735	501	495	(44)
Income (loss) before income taxes	(1,197)	(968)	45	982	598
Income taxes	(1,056)	566	156	717	354
Minority interests in loss of consolidated subsidiaries	-	(1,319)	-	(67)	-
Net income (loss)	(141)	(215)	(111)	332	244
Net income (loss) per share	¥ (2.83)	¥ (4.65)	¥ (2.80)	¥ 9.95	¥ 7.31
Total current assets	49,718	53,825	34,160	28,262	27,072
Net property, plant and equipment	22,037	26,051	24,829	26,306	9,718
Total current liabilities	41,033	48,729	27,589	28,409	26,534
Total long-term liabilities	14,657	14,677	17,054	15,471	14,882
Total shareholders' equity	19,704	19,684	16,127	12,340	12,404
Total assets	75,394	83,090	60,770	56,220	53,820

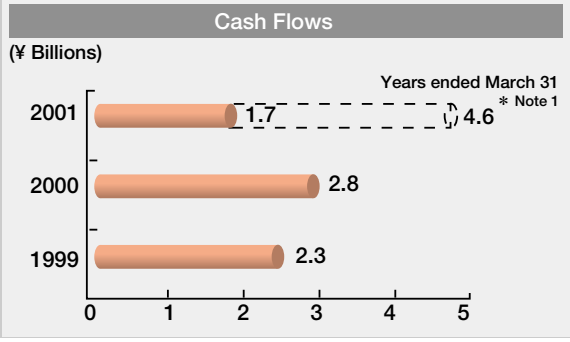
Financial Analysis

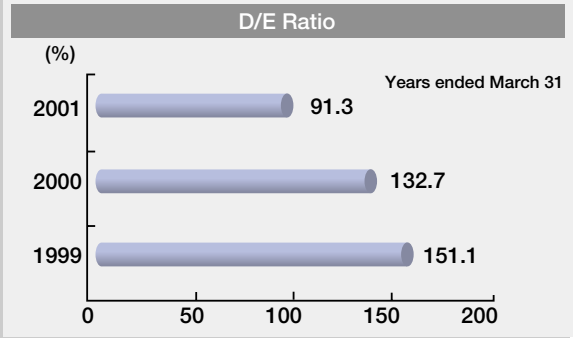


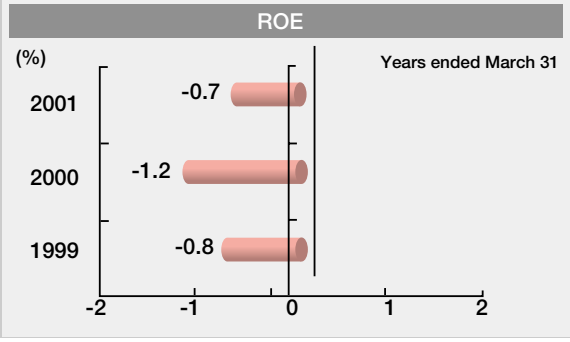


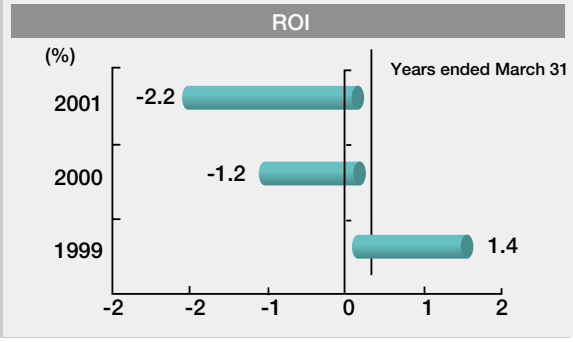












Note 1: The dotted bar in FY2001 indicates cash flows excluding the increase in retirement benefit allowance.

Board of Directors

(As of April 1, 2001)

Standing, from left; Osamu Ushiku, Michirou Ishii, Yoshio Amano, Iwao Komatsu, Kunihiko Wada, Toshio Yokouchi, Tadao Sumi, Tetsurou Yanagiya, Hajime Okado, Kiyoshi Ozawa, Hiroshi Yamamoto, Toshimichi Sanada, Choichi Kimura, Shunichi Kato

President and Chief Executive Officer:
Tadao Sumi

Executive Vice President:
Kunihiko Wada
SHIBAURA VENDING MACHINE CORPORATION
President and Chief Executive Officer
Tetsurou Yanagiya
Assistant to President
Chief Technical Officer
(Technology Planning & Coordination Division)
(Research & Development Division)

Senior Vice President:
Hiroshi Yamamoto
Chief Manufacturing Officer
Executive Quality Leader
Chief Procurement Officer
(SAGAMINO Operations)
(OBAMA Works)
(Precision Machining Center)
Kiyoshi Ozawa
General Manager of Finance & Accounting Group
Yoshio Amano
President of Fine Mechatronics Company
(Marketing Planning Group)
(Chief Risk Management Officer)
(Seibu Branch Office)
General Manager of Export Control Division
General Manager of TOKYO Office
Toshimichi Sanada
President of Automation Systems & Vacuum Equipment Company
(Automation Systems & Vacuum Equipment Division)

Vice President:
Toshio Yokouchi
(General Affairs Division)
(Corporate Planning Division)
Choichi Kimura
General Manager of Fine Mechatronics Division
Iwao Komatsu
General Manager of Laser Systems Division
General Manager of Laser & Microwave Heating Systems Sales Department
General Manager of Laser Systems
Assistant to President of Automation System & Vacuum Equipment Company
(Automation Systems)
Michirou Ishii
General Manager of Semiconductor Manufacturing Equipment Division
Shunichi Kato
General Manager of YOKOHAMA Operations
Assistant to Chief Manufacturing Officer
SHIBAURA ENGINEERING WORKS CO., LTD.
President and Chief Executive Officer

Auditors:
Osamu Ushiku
Hajime Okado
Yasuaki Nakazawa (Outside)
Toshio Tsukuno (Outside)

Corporate Data

(As of March 31, 2001)

◆ Date Established

October 1939

◆ Number of Employees

1,295

◆ Stock Listings

The Tokyo Stock Exchange

◆ Paid-in Capital

5,868 Million -Yen

◆ Shareholders

9,108

◆ Accounting Auditor

Century Ota Showa & Co.

◆ Common Stock

Issued and outstanding :
50,033,312 shares

◆ Common Stock Price Range (The Tokyo Stock Exchange)

	FY1998	FY1999	FY2000	FY2001
High (yen)	540	790	1,885	1,330
Low (yen)	215	255	511	445

◆ Principal Shareholders

	Number of shares held (hundred shares)	Percentage of total shares outstanding (%)
Toshiba Corporation	23,477	46.9
Sumitomo Mitsui Banking Corporation	946	1.9
MITSUI & CO., LTD.	673	1.3
Japan Securities Finance Co., Ltd.	618	1.2

SHIBAURA MECHATRONICS CORPORATION

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