



SHIBAURA MECHATRONICS CORPORATION

ANNUAL REPORT 2002

For the year ended March 31, 2002

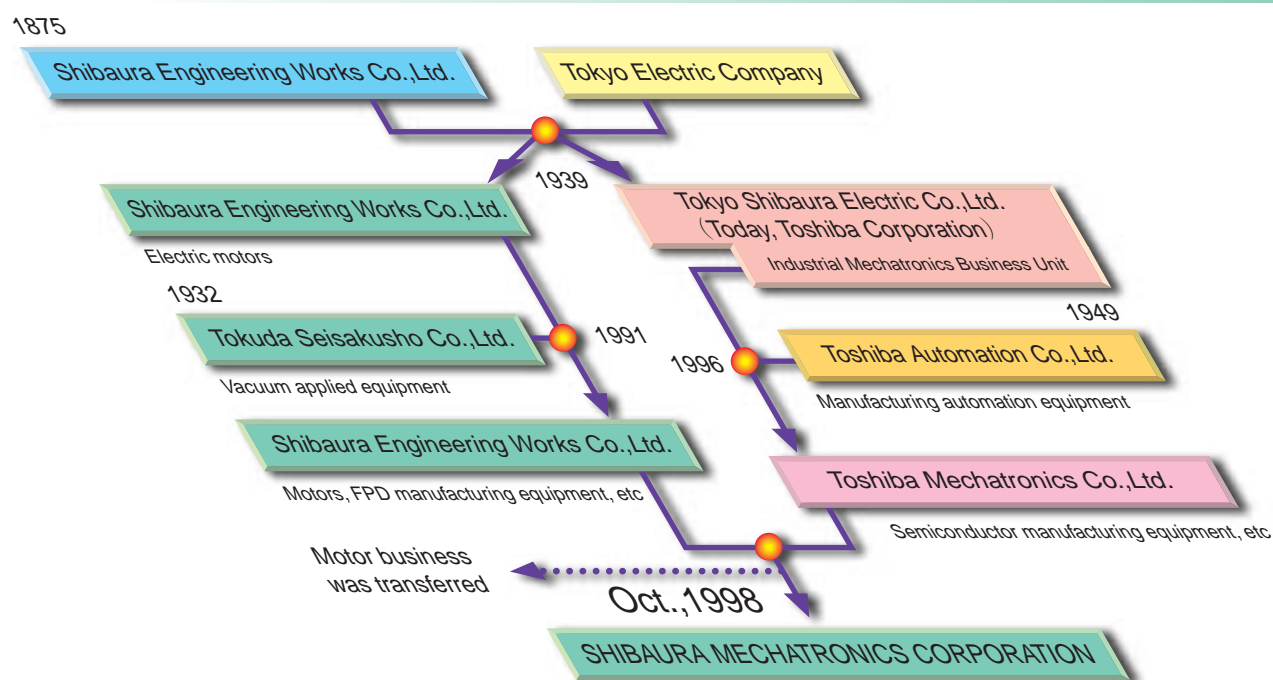
Profile

Shibaura Mechatronics Corporation commenced operations in 1939 under the name of Shibaura Engineering Works Co., Ltd. as an electric power equipment manufacturer, mainly of electric motors. The Company significantly contributed to building the infrastructure of the industrialized society in the 20th century.

In the last decade, however, the Company carried out a bold business restructuring and changed its name to Shibaura Mechatronics Corporation to reflect its new objective of supplying electronic device manufacturing equipment. At the same time, the Company defined its corporate identity as "The Provider of Infrastructure for the Digital Age".

The 21st century is the age of the Internet and of the environment. To fulfill the demands of this century, the Company has declared that it will become "e-Shibaura", a truly electronic enterprise, as well as "E-Shibaura", an enterprise that places priority on the Earth's environment. In other words, as "e & E-Shibaura" we will supply products and services that are suitable for the age of the Internet and of the environment while encouraging innovative behavior and thinking among our employees in the pursuit of global business expansion.

History



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The Leaf symbolizes "E", the Environment

Financial Highlights

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Consolidated	Years ended March 31		
Net sales	¥ 54,917	¥ 71,117	\$ 412,140
Operating income (loss)	(1,536)	3,262	(11,528)
Net income (loss)	(1,118)	(141)	(8,397)
Total shareholders' equity	18,514	19,704	138,946
Total assets	67,647	75,394	507,674
Net income (loss) per share	¥ (22.43)	¥ (2.83)	\$ (0.16)
Non-Consolidated			
Net sales	¥ 45,406	¥ 63,149	\$ 340,759
Operating income (loss)	(1,679)	2,649	(12,602)
Net income (loss)	(1,168)	(2,213)	(8,765)
Total shareholders' equity	17,264	18,774	129,561
Total assets	61,882	70,716	464,410
Net income (loss) per share	¥ (23.42)	¥ (44.25)	\$ (0.17)

Note : The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥133.25=U.S.\$1.00, as of March 31, 2002.

Message from the President



To Our Shareholders

At the end of the 20th century, the Company carried out a bold business restructuring and changed its company name to Shibaura Mechatronics Corporation to reflect its new objective of supplying electronic device manufacturing equipment. At the same time, the Company defined its corporate identity as “The Provider of Infrastructure for the Digital Age”.

Now in the 21st century, the development of electronic technology seems limitless, and the widespread use of mobile equipment and the Internet is accelerating the globalization of markets. Electronic device manufacturing equipment for such products as semiconductors, LCDs, optical discs and rechargeable batteries, which supports this trend, is an area where large changes occur in the economic environment, but it is also an area that definitely promises to see continued high growth. Therefore, as “The Provider of Infrastructure for the Digital Age”, we will pursue business expansion while focusing on this area.

As we push forward with this endeavor, we will implement an electronic revolution that makes effective use of networks in all our business operations with the aim of becoming “e-Shibaura”, a truly electronic enterprise that is in tune with the age of the Internet.

Since the 21st century is also the century of the environment, we aim to become “E-Shibaura”, an enterprise that places priority on the Earth's environment. As “e & E-Shibaura”, we will therefore supply products and services that are suitable for the age of the Internet and the environment while instituting innovative management reforms.

Fiscal 2001 in review

In fiscal 2001, to clarify group management responsibility further, we turned our domestic affiliated company Shibaura EMS Corporation into a new consolidated subsidiary. As a result, all our domestic affiliated companies became subject to consolidated accounting. Shibaura Mechatronics Taiwan Corporation became an equity-method subsidiary because of its business expansion.

During fiscal 2001, the Company's performance was adversely affected by the deep recession in the global economy caused by a rapid drop in IT industry, and net sales consequently fell well short of expectations: (1) consolidated sales reached only ¥54.9 billion, a decline of 23% compared with the previous term. As regards earnings, we made efforts to improve profitability by pursuing rationalization and cost cutting based on a management innovation movement, as well as by executing the action plan that included reducing fixed costs and other expenses. Nevertheless, these measures were insufficient to make up for the impact of lower sales and a decline in prices stemming from intensified competition. As a result, the Company reported on a consolidated basis (2) an operating loss of ¥1.5 billion, (3) an ordinary loss of ¥1.9 billion, and a net loss of ¥1.1 billion. In consequence, the Company was forced to cancel payment of dividends.

The Shibaura Group is confronting this slowdown of the market, and intends to accelerate the action plan designed to reduce fixed costs, carry out various measures to

reinforce the management, and achieve an earnings recovery.

The Company made the following main achievements in fiscal 2001. As overseas sales account for roughly 50% of our total sales, we set up Shibaura Mechatronics (Shanghai) Co., Ltd., after setting up overseas subsidiaries in Taiwan in 1999 and South Korea in 2000, and have thereby made way for business expansion in China, where growth is most remarkable at present. Further, with the aim of speeding up and improving the quality of maintenance services, as well as providing support for product installation and start-up, we opened the "e-Service Center", which operates 24 hours a day.

In fiscal 2001, we also reorganized the operations of our domestic affiliated companies by selecting the form of organization expected to ensure the greatest development for each business unit and actively transferring business to affiliated companies. More specifically, we took steps in two areas.

Bussiness expansion in Chinese market

Supplied Equipment Example

- FPD Manufacturing Equipment**
 - Outer Lead Bonder
- Semiconductor Manufacturing Equipment**
 - Chemical Dry Etching System
 - Eutectic Die Bonder
- Media Device Manufacturing Equipment**
 - Sputtering Equipment with Bonding System
 - BM Sputtering equipment
 - Rechargeable Battery Manufacturing Equipment
- Laser Applied Equipment**
 - IC Marker
 - Welding Equipment for Rechargeable Batteries
 - YAG Laser Repair System for LCD Panel

(1) We transferred the sorting and gathering equipment section to our affiliate Tosei Engineering Co., Ltd. and integrated it with our previous business form equipment section to enable business expansion resulting from the synergies produced. In addition, we transferred the operations of the machining and assembling division and attempted to reinforce external sales in the component machining business. In association with these measures, we changed the company name of Tosei Engineering to Shibaura Precision Co., Ltd.

(2) We established Shibaura EMS Corporation and transferred almost all of the operations such as vending machine manufacturing at Shibaura Mechatronics Obama Works to that company. Shibaura EMS also concentrates in Shibaura Group's electrical panel controller manufacturing. As a result, we can expect cost competitiveness by improving operating efficiency. We aim to expand the manufacturing service business.

Shibaura Mechatronics reached agreement with Sumitomo Heavy Industries, Ltd. and its affiliated company Synex corporation to transfer our semiconductor auto-molding equipment business, and we transferred this business to Synex in June 2002. Meanwhile, we intend to expand our operations in the field of semiconductor assembling equipment by focusing our resources more on such new packaging field as Flip Chip Bonder.

Shibaura ready for “e” and Environment

The 21st century is the age of the Internet as well as the age of the environment.

Manufacturers that wish to succeed in the 21st century have a duty to develop products that show consideration for the Earth's environment. Shibaura Mechatronics regards all the products that it will develop as environmentally designed products “E-Products”, and besides working to develop products with high efficiency and low-energy consumption that use less installation space and consider the Earth's environment, the

Company also aims to ensure that all products are easy to disassemble at the end of their life cycles and are able to be recycled.

Not only our products, but also our various business processes themselves must be electronically networked “e-innovation” and in harmony with the environment “E-innovation”. I believe that shortening business cycles by promoting “e-innovation” enhances corporate productivity and gives customers the great satisfaction.

What is even more essential in order to reform products and business processes is actually reforming the behavior of every one of our employees and their corporate culture. Interfacing through networks that are suitable for the digital age as well as enjoying communication between people and reunions with customers is the “e-Culture” we are aiming at.



Regarding the Company's environmental activities, we explicitly describe the achievements we have made and our planned activities in the Environmental Report, which is published annually. Declaring these activities both within and outside the Company not only accelerates our activities, but also shows our sincerity as a manufacturer.

If we didn't conduct “e-innovation”, we wouldn't be alive. If we couldn't carry out “E-innovation”, we wouldn't deserve to be alive.

Therefore, “e & E-Shibaura” is determined to live robustly together with its customers in the 21st century.

Focus on Corporate Governance

In fiscal 2001, exports to mainly Taiwan, South Korea, and the U.S. accounted for roughly 50% of the Company's total sales, and we expect to keep this export ratio. Consequently, Shibaura Mechatronics Corporation wishes to be a global and open-minded company with a high degree of transparency. We are putting into practice several policies to realize this aim. In last fiscal year's annual report, we reported on the following measures.



-
- (1) Appointment of an outside company director
(June 2001)
 - (2) Appointment of CRO (Chief Risk Management Officer)
(April 2001)
 - (3) Establishment of Management Audit Division
(April 2001)
 - (4) Publication of Environmental Report
(First edition published in June 2001)
In fiscal 2002, we will also carry out the following measures.

(5) Settlement of the Self-Assessment Program

We will formulate a program designed to improve our business efficiency. This involves establishing items to check regarding major business processes and performing a self-assessment to ensure there are no factors that will hinder the execution of these processes.

(6) Issue of the Management Book

We will summarize in a single management book various matters, including the basic preparedness that managers are required to display and the various regulations that they have to comply with. We will distribute this book to all managers, and this will raise every manager's awareness of Corporate Governance.

Further, we are striving to reinforce our IR activities. We hold regular IR meetings for institutional investors and securities analysts both in Japan and abroad, and we will make efforts to provide general investors with various opportunities to gain a clearer understanding of the Company. We also intend to adopt further measures to ensure that the general shareholders' meeting is open-minded.

In anticipation of the Company's vigorous development, we ask all our shareholders for their continued support and understanding.

June, 2002

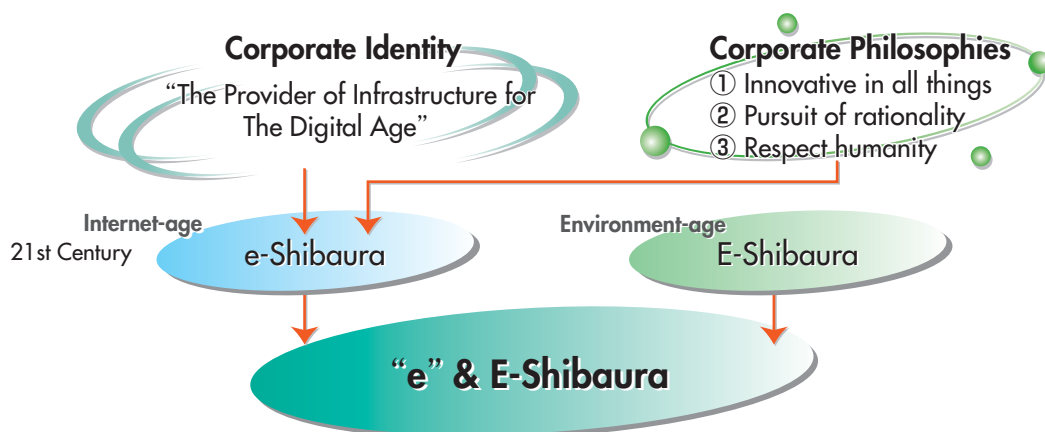
TADAO SUMI

President and Chief Executive Officer

Shibaura ready for “e” and Environment

“e” & Environment - Shibaura


Our focus on electronic networks “e-innovation” shares some common points with our focus on the environment “E-innovation” in both the scope of our business activities and in our behavior. Both strategies must address the products and systems that we supply, “Products”, all the business processes involved in manufacturing and selling these products, “Processes”, and the thinking and behavior of all of our employees, “Culture”.



	e	E
Products	Software-oriented machine Intelligence system	Minimization (foot print / weight / volume) Energy saving (Reduce power consumption)
Process	Shorten business cycle time	Minimize industrial waste Reduce release of chemical substances
Culture	Speed, Digital Mind, Profit, Communication	Commitment to the earth and human

e-Products and E-Products


The “e-innovation” and the “E-innovation” are fused together, and the relationship produces synergies. Reductions in volume, weight, power consumption, and installation space (particularly important for the efficiency of clean rooms) are key indicators for “E-Products”, but these goals will be achieved for the first time through more intelligent software-oriented “e-Products”.



Etching and Ashing equipment for 300mm wafer
with platform “Allegro”

e	E
Remote diagnosis	Power consumption 1/3
Self-diagnosis	Weight 1/2
	Volume 1/2
	Foot print 1/2
	Oxygen consumption 1/2

Per chip, Compared with the previous one



High-output LD (Laser Diode) pumped YAG laser

e	E
Remote diagnosis	Power consumption 1/4
Self-diagnosis	Volume 1/3
	Foot print 1/2
	LD life time 20 times longer than Pumping Lamp

Compared with the previous one

Aiming to e-Shibaura

e-Service Center



Progress of e-Shibaura

In conducting business centered on its corporate identity as “The Provider of Infrastructure for the Digital Age”, Shibaura is promoting the “e-innovation” by applying network functions to all of its business activities and processes.

In fiscal 2001, the Company made the following “e-innovation” achievements:

e-Service Center

On October 1, 2001, we opened an “e-Service Center” within our Yokohama Operations. This center is designed to shorten the period of installation and start-up for equipment delivered to our customers and to improve customer service through the provision of faster and higher-quality maintenance service.

Based on a 24-hour operation utilizing the Internet and other networks, we are providing support for both our customers and our field engineers.

Moreover, the Company is able to remotely monitor the operating status of equipment delivered to our customers via networks. Constantly monitoring the status of equipment, conducting surveillance of abnormal equipment conditions and status, analyzing the causes, and contacting service personnel enables us to solve problems promptly and fosters preventive maintenance.

e-Sales/Procurement



e-Sales of Cartesian robot

- Create potential customer
- Shorten the period through inquiry to order receipt
- Provide the brand-new technical information
- Deliver in five days



Web EDI procurement



Create suppliers in the web page for materials procurement

e-Sales and e-Procurement

Shibaura began “e-Sales” of its “Compoarm Series” of robots in August 2001, utilizing a Company-developed web system that handles such functions as model selection and cost estimation. As a result, we were able to shorten the period from inquiry to order receipt and at the same time thoroughly standardize components in terms of design and production. This enabled us to deliver products in five days from the time when they were ordered.

We also have been actively promoting “e-Procurement” as an innovative way of obtaining materials, and this has led to significant cost reductions. In January 2002, Shibaura created an exclusive web page for materials procurement, and a month later the Company initiated Web EDI (Electronic Data Interchange) transactions.

Aiming to E-Shibaura

E-Shibaura

E-Process

All of the Company's various corporate activities (Processes) must be in harmony with the environment. By promoting the “e-innovation” in all of our internal production activities, ranging from design to manufacture and service, we have shortened business cycles. Enhancing productivity also leads directly to the lightening of corporate activity, and this in turn helps to lighten the burden placed on the Earth's environment.

E-Products

Manufacturers wishing to succeed in the 21st century have a duty to develop products that show consideration for the Earth's environment. Shibaura regards all the products that it will develop as “E-Products”, and in addition to working to develop highly efficient products that save energy consumption and installation space, the Company also aims to ensure that all products are easy to disassemble at the end of their life cycles and are able to be recycled.



E-Culture

Regarding the Company's environmental activities, we explicitly describe the achievements we have made as well as our planned activities in our Environmental Report, which is published annually. Declaring these activities both within and outside the Company not only accelerates our activities, but also shows our sincerity as a manufacturer.

The Voluntary Environment Plan

For the establishment of the recycling-based society, it is incumbent on companies to assume greater social responsibility and act as good corporate citizens, and the voluntary environmental plan by which companies make a public commitment to voluntary action holds a particular significance.

Shibaura Mechatronics Corporation has formulated the following voluntary environmental plan and is continuously carrying out its activities of environmental protection.

Prevention of global warming	◆Reduce by 28% in fiscal 2010 compared with fiscal 1990 the ratio of CO ₂ release to net sales
Zero emission of waste	◆Starting in fiscal 2000, achieve zero emissions of waste by fiscal 2005 (The quantity of final disposal to be 1% or less of total discharge)
Reduce release of chemical substances	◆Reduce by 30% in fiscal 2005 compared with fiscal 2000
Voluntary restrictions on noise, vibration, water and air pollution	◆Comply with self-imposed restrictions based on legal restrictions
Disclosure and contribution to society	◆Expand environmental information disclosure and make environmental contributions to local communities ◆Publish environmental report and employ environmental accounting continuously
Green procurement	◆Set target for fiscal 2005 with fiscal 2000 as a benchmark
Create environmentally designed products	◆Create environmentally designed products, assessed by weight reduction and energy savings Based on fiscal 2000 standards, by fiscal 2005: · Achieve 30% reductions in weight and electricity consumption per production function · Ensure that greater than 50% of total products are environmentally designed

Environmental Activities 2001 in Shibaura

Fundamental Principles for Environmental Protection

Shibaura Mechatronics Corporation, in its principles for environmental protection based on the Environmental Charter, has three basic concepts of environment – conscious activities in the name of “E-Shibaura”.

Shibaura Mechatronics promotes environmental protection activities, in a technically and financially appropriate way, recognizing that the earth is an irreplaceable asset, and that it is mankind's duty to hand it on to future generations in a sound state.

Basic Policy for Environmental Protection

As “The Provider of Infrastructure for the Digital Age”, Shibaura Mechatronics Corporation contributes to society with environment-conscious production activities and by providing environmentally designed products to the world.



The Company makes activities of environmental protection a primary concern in conducting its business, recognizing that the earth is an irreplaceable asset, and that it is mankind's duty to hand it on to future generations in a sound state.

History

- ◆2001.....
 - Won the Award for Environmental contribution from Yokohama City
- ◆2000.....
 - Achieved zero-level use of heavy oil
 - Obtained ISO 14001 certification
- ◆1998.....
 - Acquired certification as Environmental Management Office from Kanagawa Prefecture
 - Formulation of Basic Policy for Environmental Protection
- ◆1997.....
 - Installation of raw garbage processing facility (volume reduction of raw garbage and conversion into fertilizer for trees on site)
- ◆1989-1996.....
 - Formulation of first voluntary plan
 - Total abolition of trichloroethane
 - Total abolition of fluorocarbons (CFCs)
 - Basic regulations on environmental preservation: publication of first edition

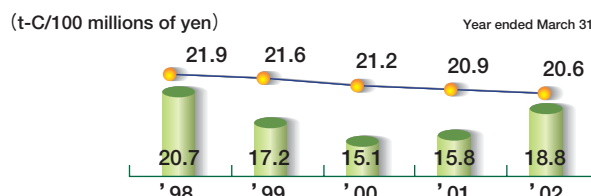
Environmental Considerations in Business Activities

Prevention of Global Warming

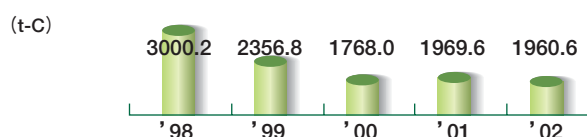
Measures to reduce greenhouse gases in an effort to prevent global warming are an international challenge. In Japan as well there is a need to adopt reduction measures as part of corporate activities.

Shibaura has established and is implementing a voluntary plan under which it aims by the year 2010 to reduce net production of CO₂ by 28% (compared to the level of CO₂ production in 1990). This represents a reduction of 3% on top of the industry benchmark, which calls for a corresponding reduction of 25%.

◆The ratio of CO₂ emissions to production

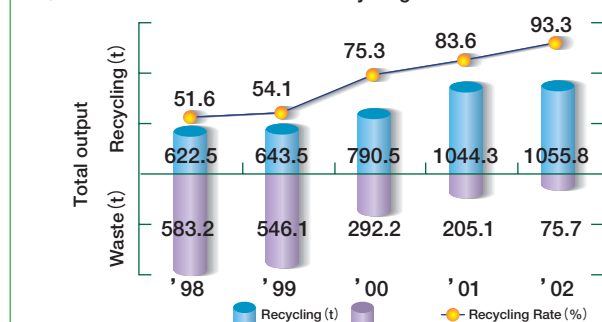


◆Transition of CO₂ emissions



Zero Emission of Waste

◆Transition of the volume and recycling rate



Financial Data

Five-Year Summary

Millions of yen

2002 2001 2000 1999 1998

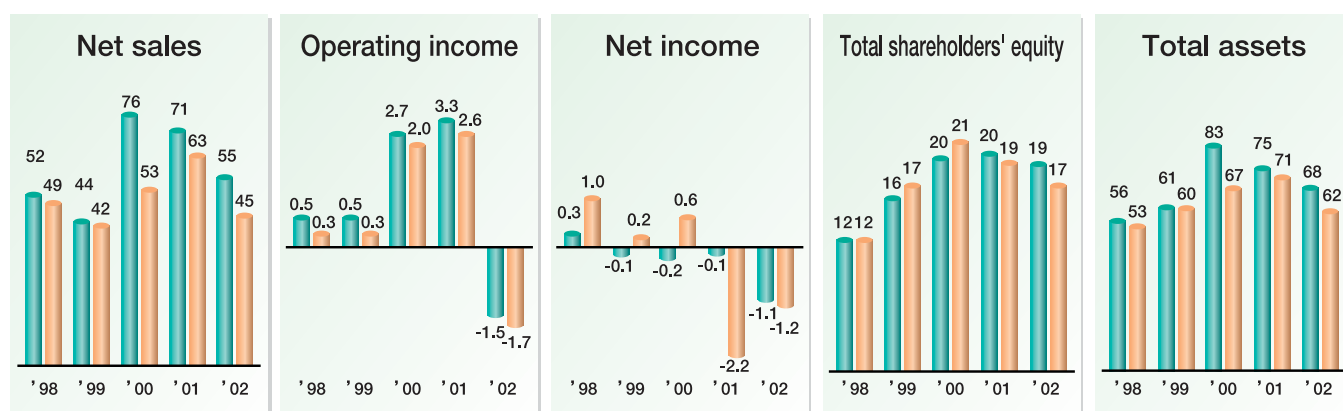
Years ended March 31

Consolidated

Net sales	¥ 54,917	¥ 71,117	¥ 75,935	¥ 43,875	¥ 52,192
Cost of sales	44,519	55,175	59,853	33,868	40,585
Gross profit	10,398	15,942	16,082	10,007	11,607
Selling, general and administrative expenses	11,934	12,680	13,347	9,506	11,112
Operating income (loss)	(1,536)	3,262	2,735	501	495
Income (loss) before income taxes	(1,810)	(1,197)	(968)	45	982
Income taxes	(692)	(1,056)	566	156	717
Minority interests in loss of consolidated subsidiaries	-	-	(1,319)	-	(67)
Net income (loss)	(1,118)	(141)	(215)	(111)	332
Net income (loss) per share	¥ (22.43)	¥ (2.83)	¥ (4.65)	¥ (2.80)	¥ 9.95
Total current assets	41,933	49,718	53,825	34,160	28,262
Property, plant and equipment, net	21,048	22,037	26,051	24,829	26,306
Total current liabilities	32,736	41,033	48,729	27,589	28,409
Total long-term liabilities	16,397	14,657	14,677	17,054	15,471
Total shareholders' equity	18,514	19,704	19,684	16,127	12,340
Total assets	67,647	75,394	83,090	60,770	56,220

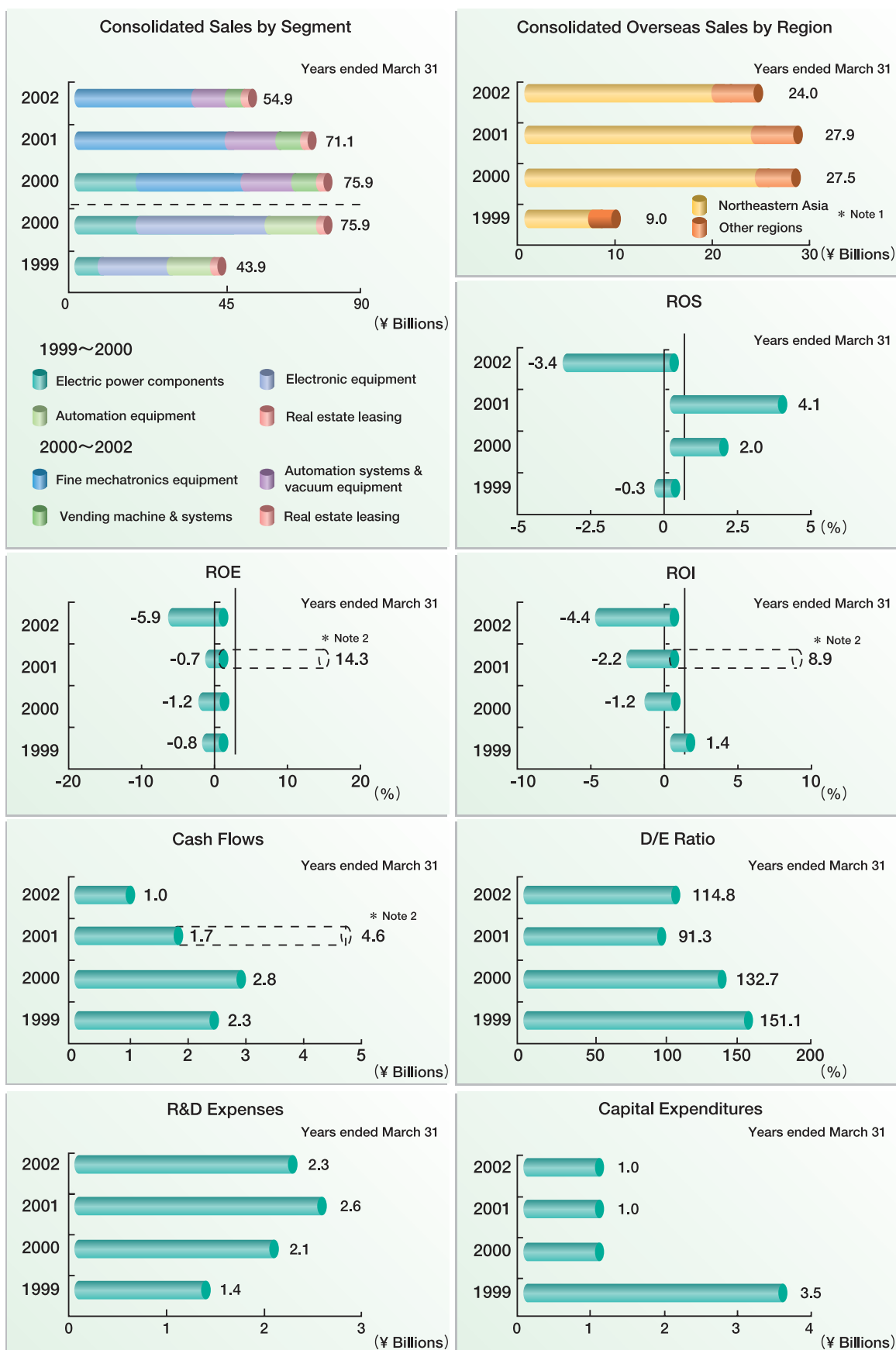
Note : Amounts in fiscal 1997 indicate the financial results of Shibaura Engineering Works Co., Ltd. before the merger with Toshiba Mechatronics Co., Ltd.

(¥ Billions)



Consolidated Non-Consolidated

Financial Analysis



Board of Directors

As of April 1, 2002



Standing, from left; Osamu Ushiku, Toshio Tsukuno, Shunichi Kato, Yasuaki Nakazawa, Kiyoshi Ozawa, Hajime Okado, Tadao Sumi, Yasutomo Fujimori
Toshio Yokouchi, Choich Kimura, Toshimichi Sanada, Hisayoshi Toda, Hiroshi Yamamoto, Michirou Ishii

• President and Chief Executive Officer

Tadao Sumi

• Executive Vice President

Yoshio Amano

Assistant to President
President of Fine Mechatronics Company
Chief International Business Officer
Chief Risk Management Officer
General Manager of Export Control Division

• Senior Vice President

Kiyoshi Ozawa

(Finance & Accounting Division)

Toshimichi Sanada

President of Automation Systems & Vacuum Equipment Company
Marketing Planning Group
General Manager of TOKYO Office
(Seibu Branch Office)
(Automation Systems & Vacuum Equipment Division)
(Laser Systems Division)

Toshio Yokouchi

General Manager of Corporate Planning Division
(General Affairs Division)

• Vice President

Hiroshi Yamamoto

Being engaged in vending machine business of
SHIBAURA VENDING MACHINE CORPORATION

Choich Kimura

General Manager of Fine Mechatronics Division

• Vice President

Iwao Komatsu

SHIBAURA MECHATRONICS (SHANGHAI) CO., LTD
President and Chief Executive Officer

Michirou Ishii

General Manager of Semiconductor Manufacturing
Equipment Division

Shunichi Kato

Chief Manufacturing Officer
Chief Procurement Officer
Chief SM2003 Planning Officer
Environmental Protection
(YOKOHAMA Operations)
(SAGAMINO Operations)
(OBAMA Works)

Yasutomo Fujimori

Chief Technical Officer
General Manager of Technology Planning
& Coordination Division
Technology Executive of Laser Systems Division
(Research & Development Division)

• Vice President (Outside)

Hisayoshi Toda

• Auditor

Osamu Ushiku

Hajime Okado

• Auditor (Outside)

Yasuaki Nakazawa

Toshio Tsukuno

Corporate Data

As of March 31, 2002

- *Date Established*

October 1939

- *Paid-in Capital*

5,868 Million -Yen

- *Common Stock*

Issued and outstanding :

50,033,312 shares

- *Number of Employees*

1,058

- *Shareholders*

9,248

- *Stock Listings*

The Tokyo Stock Exchange

- *Accounting Auditor*

Century Ota Showa & Co.

- *Common Stock Price Range (The Tokyo Stock Exchange)*

	FY1999	FY2000	FY2001	FY2002
High (yen)	790	1,885	1,330	710
Low (yen)	255	511	445	253

- *Principal Shareholders*

	Number of shares held (thousand shares)	Percentage of total shares outstanding (%)
Toshiba Corporation	23,477	46.9
MITSUI & CO., LTD.	715	1.4
UFJ Trust Bank Limited	340	0.7
The Mitsubishi Trust and Banking Corporation	313	0.6



SHIBAURA MECHATRONICS CORPORATION

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