



SHIBAURA MECHATRONICS CORPORATION

ANNUAL REPORT 2003

For the year ended March 31, 2003

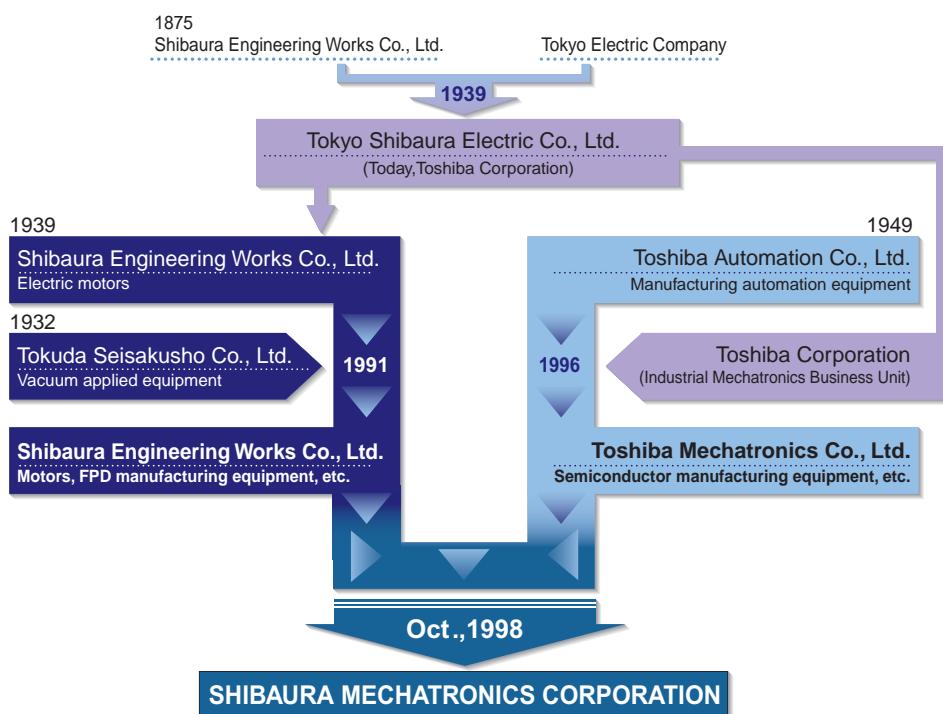
Profile

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 IT and of the environment. To fulfill the demands of this century, the Company has declared that it will become "e-Shibaura", a truly IT-based 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 IT 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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Forward-Looking Statements

This annual report contains forward-looking statements concerning Shibaura's future plans, strategies and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on data currently available. Furthermore, they are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Shibaura therefore wishes to caution readers that actual results may differ materially from our expectations.



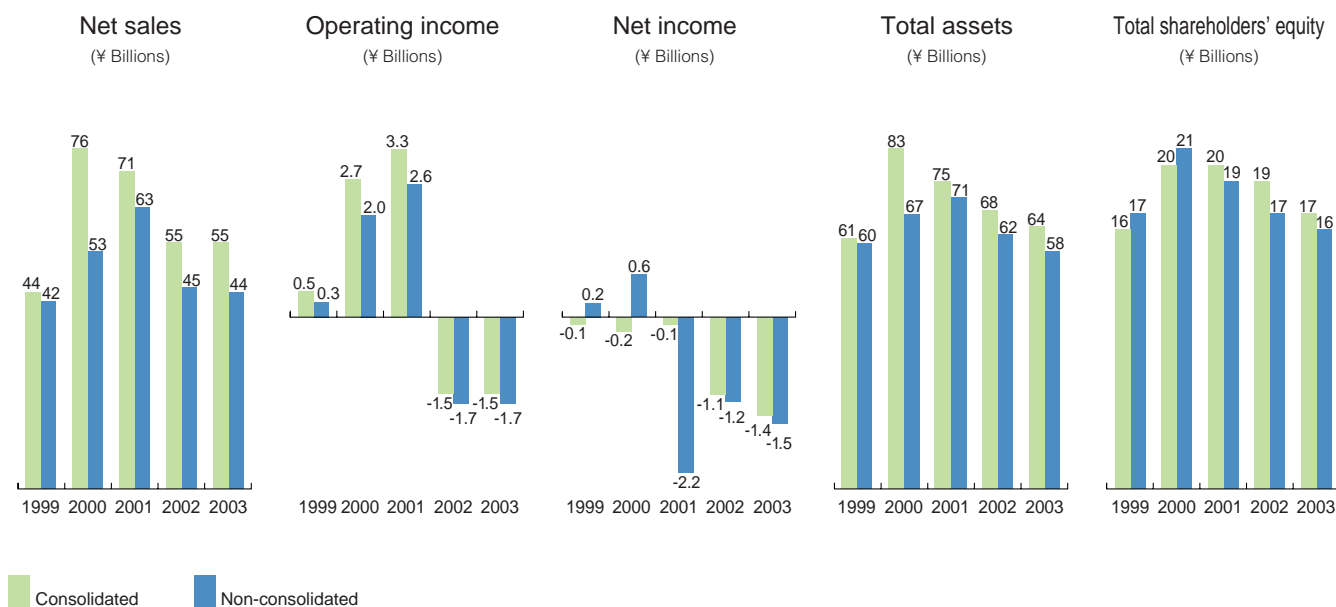
Cover Photo: DVDs in sputtering chamber

The DVD (Digital Versatile Disc) is about to make quantum leaps. Our "Octava-II" is the world's fastest sputtering equipment for DVDs, and incorporates our high-speed sputtering technology and high-precision disc transferring technology. (See page 9.)

Financial Highlights

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Years ended March 31			
Consolidated			
Net sales	¥ 54,761	¥ 54,917	\$ 455,589
Operating income (loss)	(1,502)	(1,536)	(12,500)
Net income (loss)	(1,416)	(1,118)	(11,781)
Total assets	63,615	67,647	529,244
Total shareholders' equity	17,066	18,514	141,978
Net income (loss) per share	¥ (28.40)	¥ (22.46)	\$ (0.24)
Non-consolidated			
Net sales	¥ 43,754	¥ 45,406	\$ 364,010
Operating income (loss)	(1,742)	(1,679)	(14,497)
Net income (loss)	(1,455)	(1,168)	(12,110)
Total assets	57,646	61,882	479,585
Total shareholders' equity	15,785	17,264	131,325
Net income (loss) per share	¥ (29.19)	¥ (23.42)	\$ (0.24)

Note : The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥120.20=U.S.\$1.00, as of March 31, 2003.





Hiroo Okuhara
President and Chief Executive Officer

The corporate philosophies of Shibaura Mechatronics are "Innovative in All Things", "Pursuit of Rationality", and "Respect Humanity". By endeavoring to ensure that these concepts will permeate the Company and its subsidiaries and affiliates, we are working hard at actualizing a global business group full of speed and vitality. Under these corporate philosophies, we are continuously addressing a number of corporate tasks. These tasks include actualizing a group that represents high growth and high profitability; fully implementing the management innovation movement "SM2003 Campaign", which incorporates statistical management reform techniques (six sigma methodology); adopting result-based personnel treatment programs designed to help employees find greater satisfaction in their jobs and thus enhance their morale, and further stepping up our environmental preservation activities.

We believe that the production of manufacturing equipment for various electronics components indispensable for the IT society of the 21st century, such as LCDs, other flat panel displays, semiconductors, DVDs, and rechargeable batteries, is a field in which we can definitely expect continued high growth. Focusing on this business field, we will pursue business expansion centered on our corporate identity of being "The Provider of Infrastructure for the Digital Age". In that direction, we are striving to be a real IT company, "e-Shibaura", by carrying out e-innovations through the utilization of networks in all of our business operations.

Moreover, the 21st century is also the age of the environment, and it is becoming increasingly important for every business to consider the Earth's environment. Shibaura Mechatronics gives due consideration to the Earth's environment in its manufacturing activities, such as by designing all the products to be developed as environmentally conscious products "E-Products". At the same time, the Company will promote the "E-innovation" (emphasis on the environment) in all its business activities in order to actualize "E-

Shibaura" and will, under the motto of "e & E-Shibaura", endeavor to innovate its management.

Performance in Fiscal 2002

The market environment in fiscal 2002 was characterized by a slowdown of growth, due largely to stagnant IT market conditions around the world and declining stock prices, and by businesses' continued restraint on equipment investment. The Japanese market, in particular, saw continued economic downturns, including inactive personal consumption and worsening deflation.

In the second half of fiscal 2002, however, the market environment surrounding Shibaura Mechatronics began to show some signs of recovery. At present, major LCD manufacturers are making equipment investment at a steady pace, and in the semiconductor industry there are signs that equipment investment for 300 mm wafers will gather momentum. With respect to DVDs, the use of recorders has really started to spread, and equipment investment for recordable DVDs is becoming increasingly active.

Under these business circumstances, our LCD manufacturing equipment sales in fiscal 2002 exceeded the planned level thanks to a sharp increase in investment in equipment for the fifth-generation large glass substrates. However, in the automation systems & vacuum equipment segment, which was considerably affected by a low level of business activity in Japan, sales did not reach the planned level. As a result, the Shibaura Group's consolidated sales in fiscal 2002 slightly decreased from the previous fiscal year to ¥54,761 million.

As for income, the Shibaura Group suffered a consolidated ordinary loss of ¥2,135 million for fiscal 2002, partly because of an increased development costs and so on for unexpectedly rapid rise in investment in equipment for the fifth-generation large glass substrates in the first half of the year, and partly because of the decrease in profits resulting inevitably from the weak sales of the automation systems & vacuum equipment segment. Although we stepped up our efforts to further reduce fixed costs and other expenses under an emergency action plan in addition to continuously making streamlining and cost-cutting efforts, we could not fully make up for a loss suffered in the first half of the fiscal year and thus regrettably recorded a large loss at the consolidated income level. In the second half of fiscal 2002, however, our basic earnings performance began to improve remarkably.

The level of orders received reached bottom in fiscal 2001 and began to pick up in fiscal 2002. In particular, the volume of orders received in the second half of fiscal 2002 far exceeded the planned level. LCD-related orders stayed at a fairly high level, and orders for back-end process equipment increased in the semiconductor field. DVD-related orders reached an all-time high.

Shibaura Mechatronics is working hard at improving its financial structure. As a result of strenuous efforts to cut inventories and reduce trade receivable, the Company succeeded in improving cash flows and in finally achieving a D/E ratio of less than 100 percent on March 31, 2003.

Future Activities

In consideration of domestic and international business trends, changes in our business environment, and other factors, we have formulated a medium-term business plan covering the three years beginning with fiscal 2003. The basic policy of this medium-term business plan is to refocus on a high profitable structure and a growth path. Under the plan, we will take measures to expand business in growth fields and strengthen our competitiveness in a deflationary environment.

At the same time, we will place priority on management that emphasizes cash flows. For this purpose, we will endeavor to make more efficient use of our management resources through early recovery of trade receivable, reduction of inventories, and so on. We will thus further improve our financial structure. In addition, we will strive to establish a more stable earnings structure by promoting "streamlined management" through such measures as reduction of fixed costs.

On April 1, 2003, Shibaura Mechatronics set up the Bonding Equipment Division, integrating the business for bonding equipment for semiconductor back-end processes and the business for bonding equipment for LCD back-end processes. Through the new division, we will concentrate our high-speed, high-precision mechanical and bonding technologies and will thereby strengthen our development capabilities and our capability of providing systemized equipment for the expansion of business.

With about half of its sales is now recorded abroad, Shibaura Mechatronics is better preparing itself to do business in the global market, primarily through overseas affiliated companies. Further enhancing cooperation between the headquarters in Japan and four overseas affiliated companies in the United States, Taiwan, China, and Korea, the Company will try even harder to expand business in the Asian market, especially in China, Taiwan, and Korea.

Our joint venture company in Korea has constructed a new factory. To respond to the active LCD-related equipment investment in Korea, the factory, completed in the end of April 2003, will gradually boost production, beginning with LCD-related peripheral equipment.

Corporate Governance

Corporate governance, as we define it, is the function of governing business administration in such a way as to increase medium- and long-term enterprise value for shareholders, customers, employees, and society.

In fiscal 2002, we conducted the following activities to improve our corporate governance:

(1) At a regular shareholders' meeting held in June 2002, our shareholders reduced the term of office of director to one year in order to clarify the directors' management responsibility and to establish a more dynamic system to immediately react to the changes in the business environment.

(2) We have established "SMSAP" (Shibaura Mechatronics Self-Assessment Program) as a voluntary auditing system covering the whole Shibaura Group, including affiliates.

(3) We have established "Shibaura Values", which are values that should be shared by all directors and auditors and by all employees to give a concrete form to the "Shibaura Group Corporate Identity and Corporate Philosophies". In addition, we have reviewed our "Code of Conduct", which provides a basis for compliance with laws, social norms, and ethics and for risk management by clearly stating what should be done and what should not be done. We have also issued a "Management Book" as action guidelines for all employees in managerial positions and have taken steps to ensure its thorough implementation.

Shibaura Mechatronics is making efforts to enhance its IR activities. The Company periodically holds IR reporting meetings at home and abroad for institutional investors and analysts. We will also make continued efforts to have Shibaura Mechatronics better understood by general investors by utilizing such means as more open press releases and Web pages. At the same time, we will endeavor to make shareholders' meetings more open-minded.

For the Future

Although the severe market environment continues, and Japanese companies are shifting more of their manufacturing bases to foreign countries, we are confident that it is Japanese manufacturing equipment makers that lead the world manufacturing industry in the 21st century and that manufacturing equipment is the engine for the IT industry. With this confidence and pride, we will carry on our business in the future.

For that purpose, it is absolutely necessary to shorten the "Time to Market". If Japanese equipment manufacturers lose in this competition, they will not be able to lead the world manufacturing industry.

Fortunately, Japan has the power to create IT engines of the next generation, such as video games, DVDs, cellular phones, digital cameras, intelligent consumer electronics, and digital TVs. Based in Japan, Shibaura Mechatronics will seek to be market-driven and will be agile to compete successfully in the global market.

We hope that in expectation of the further growth and prosperity of Shibaura Mechatronics our shareholders will extend to us even greater support and understanding.

July 2003



Hiroo Okuhara
President and Chief Executive Officer

Financial Review

Sales

The Japanese economy continues to struggle. However, in the electronics field, our major business field, investment in LCD (liquid crystal display) manufacturing equipment has been active, and inventory adjustment of certain semiconductor devices has been steadily taking place. Some users have begun to see improvements in their factory operating ratios.

Under such circumstances, in the year ended March 31, 2003, the LCD manufacturing equipment market was relatively strong, due to active investment in Korea and other area for equipment capable of processing large glass substrates of the next generation. The semiconductor manufacturing equipment market continued to be very weak for the second consecutive year because of a perceived excess manufacturing capacity resulting from slow sales of cellular phones and personal computers, with a few exceptional area where the operating ratio has increased. The market for laser equipment and automation equipment continued to be impacted by general investment restraint in Japan. The optical disc industry, which previously suffered from slow equipment investment due to excess supply and lowered price of CD-R, began to see a real pickup in investment in DVD manufacturing equipment. The cigarette vending machine market continued to shrink because of the global restraint on cigarette demand.

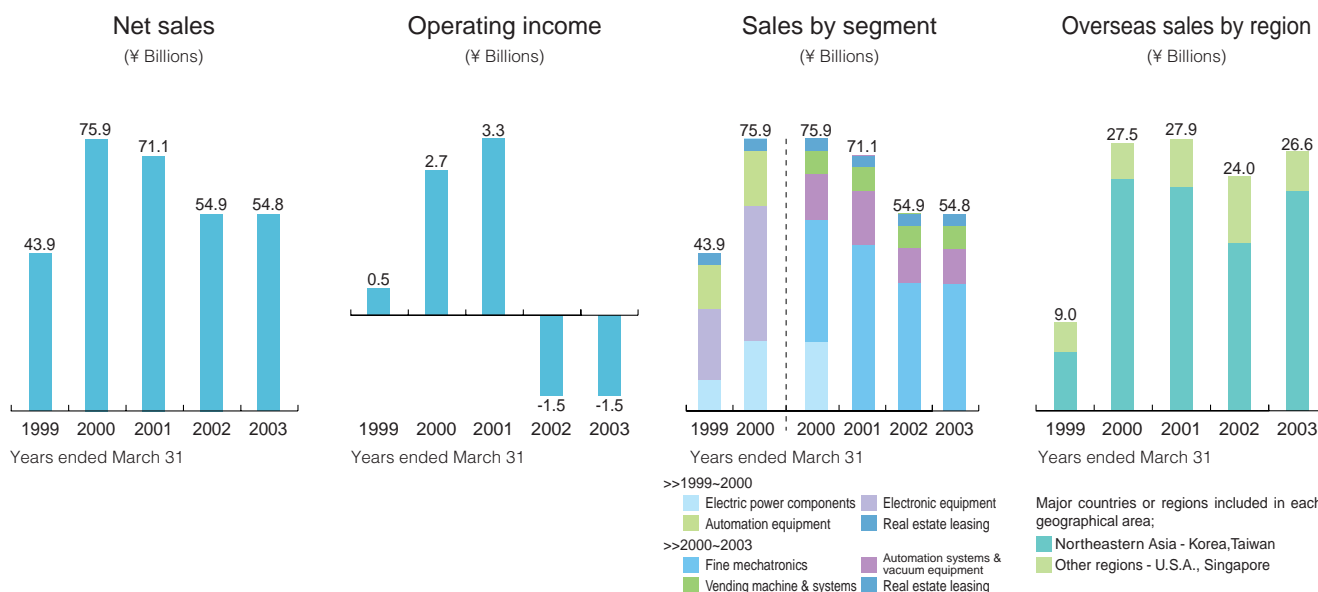
Under these severe business circumstances, the Group (the Company and its consolidated subsidiaries) made concerted efforts of securing orders with highest priority. As a result, the fine mechatronics segment recorded larger-than-planned sales of LCD

manufacturing equipment, receiving orders at a steady pace thanks to investment in manufacturing facility for fifth-generation large glass substrates (over 1 m square). The automation systems & vacuum equipment segment was substantially affected by lackluster business activities in Japan, and its sales did not reach the planned level. The Group's consolidated sales in the year ended March 31, 2003 totaled ¥54,761 million, almost reaching the planned level and slightly below the previous year's corresponding figure.

Profit and Loss Analysis

We worked hard at improving earnings performance by stepping up streamlining and cost-cutting efforts in the management innovation movement "SM2003" and implementing emergency action plans, including efforts to reduce fixed costs and other expenses. Although the fine mechatronics segment posted sales close to the planned level, its income fell far short of the planned level partly because of increased expenses resulting from a sharper-than-anticipated surge in investment in manufacturing equipment for fifth-generation large glass substrates and partly because of increased development costs to make equipment ready for new products. The automation systems & vacuum equipment segment was unable to escape being affected by a delay in the recovery of domestic equipment investment and thus suffered decreases in both sales and income. The Group's consolidated ordinary loss amounted to ¥2,135 million, and consolidated net loss stood at ¥1,416 million.

As described above, we suffered a slight year-on-year decrease



in sales and a net loss for the year ended March 31, 2003. However, we began to gain far more orders than planned and to see sales pick up in the latter half of the year. We also established production systems for large glass substrates, and improve earnings performance.

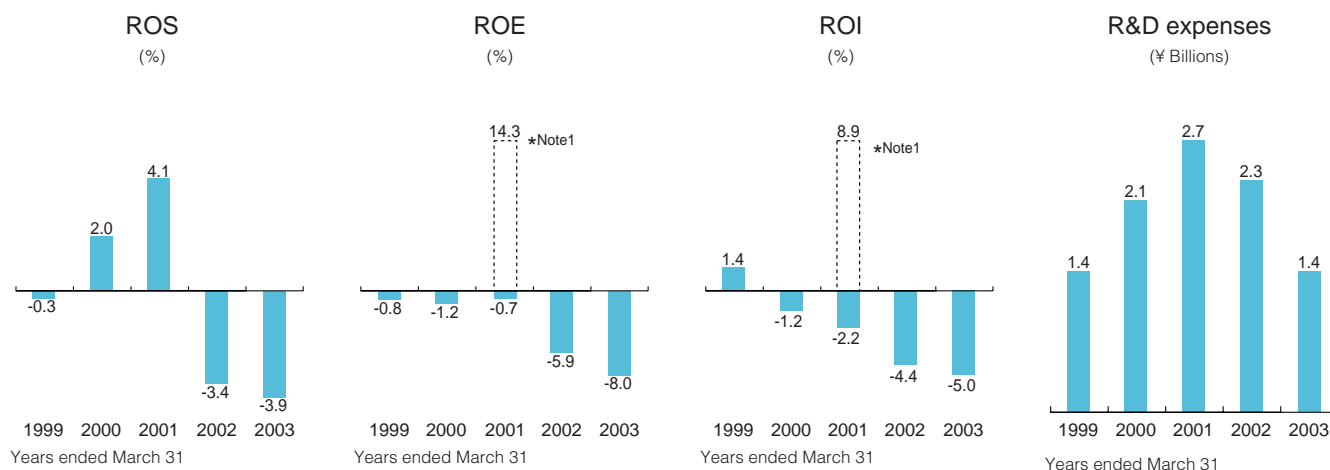
Segment Information

The fine mechatronics segment recorded larger-than-planned sales of LCD manufacturing equipment, receiving orders at a steady pace thanks to sharp increase of Investment, especially in Korea, in manufacturing equipment ready for fifth-generation large glass substrates (over 1 m square). On the other hand, the sharper-than-anticipated increase in investment pushed up development costs for equipment for new products. As a consequence, income fell far below the planned level. However, the division's equipment was better prepared for the next generation of substrates, and in the latter half of the year the production system was more firmly established and its earnings performance significantly improved. The semiconductor manufacturing equipment business was generally weak because of a low level of equipment investment by the semiconductor industry. However, the pace of orders for back-end process equipment began to recover, leading to a sales recovery. For the year ended March 31, 2003, the division recorded consolidated sales of ¥35,651 million, a slight increase over the previous year, but suffered an operating loss of ¥650 million, compared with an operating income of ¥217 million for the previous year.

As the automation systems & vacuum equipment segment, the laser application equipment business fared well, supported by brisk equipment investment in overseas, especially in Asia, although it continued to suffer from restrained equipment investment due to economic stagnation in Japan. With respect to the media device manufacturing equipment business, DVD-related equipment investment began in full-scale. However, sales of automation systems fell sharply from the previous year's level because the recovery of investment related to rechargeable battery equipment was slow to come due partly to a prolonged, low level of general equipment investment in Japan and partly to slow sales of cellular phones and personal computers. As a result, the division recorded consolidated sales of ¥11,260 million for the year ended March 31, 2003, a slight increase over the previous year, but suffered an operating loss of ¥1,514 million, compared with an operating loss of ¥2,087 million for the previous year.

In the face of a severe business environment, including the continued shrinkage of the cigarette vending machine market, the vending machines & systems segment succeeded in capturing a larger market share through enhanced sales activities and in curtailing fixed costs. The division posted consolidated sales of ¥5,705 million, down 6 percent from the previous year, and an operating income of ¥238 million, compared with an operating loss of ¥15 million for the previous year.

The real estate leasing segment achieved planned targets, recording an operating income of ¥769 million on consolidated sales of ¥2,145 million, the same as the previous year's figure.



Note 1: The dotted bar in 2001 indicates values excluding the increase in retirement benefit allowance.

Research and Development Expenses

The Group has been actively conducting research and development activities, ranging from element technologies to product development.

At present, research and development is conducted by the Company's Research & Development Division, development and design departments at our operations, and consolidated subsidiaries' engineering departments. We have a comprehensive R&D agreement with the Corporate Manufacturing Engineering Center of Toshiba Corporation to promote efficient research, development, and commercialization of cutting-edge technologies.

The Group's R&D expenses for the year ended March 31, 2003 totaled ¥1,409 million. Major research results are described below.

In the fine mechatronics segment, the Company worked on the development of such LCD manufacturing equipment as wet cleaning equipment for large substrates, cell assembly equipment, and outer lead bonders for large displays and such semiconductor manufacturing equipment as chemical dry etching equipment, ashing/etching equipment for low-k materials, semiconductor wet cleaning equipment for 300 mm wafers, Cu-CMP slurry, high-speed, high-precision flip chip bonders, and a multi-functional ACF line.

In the automation systems & vacuum equipment segment, the Company worked toward development of laser marking equipment for semiconductor chips and LD (laser diode) pumped high-power YAG laser processing equipment in the laser application equipment

field, and toward development of an integrated system of sputtering equipment for DVD-ROM/R and bonding equipment, high-speed phase change sputtering equipment for CD-RW and DVD-RAM, sputtering equipment for photocatalysts, high-speed business form equipment, and rechargeable battery manufacturing equipment in the automation systems and vacuum equipment field.

Financial Condition

As of March 31, 2003, total assets amounted to ¥63,615 million, a decrease of ¥4,032 million from the previous fiscal year-end.

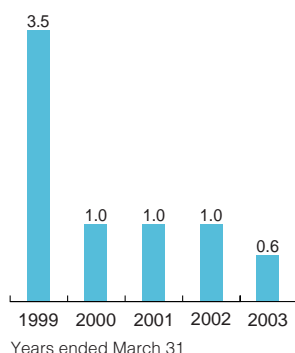
Current assets declined ¥2,626 million from the end of the previous fiscal year to ¥39,307 million. Among principal changes, notes and accounts receivable declined ¥1,220 million, owing to the effects of a decline in sales. Inventory assets shrank 13 percent to ¥15,180 million.

Deferred tax assets rose ¥525 million to ¥950 million, due largely to the net loss for the year ended March 31, 2003.

On the liabilities side, total liabilities amounted to ¥46,549 million, a decline of ¥2,583 million from the previous fiscal year-end. Total interest-bearing liabilities decreased ¥4,368 million from the end of the previous fiscal year to ¥16,891 million as a result of efforts to reduce total assets. Notes and accounts payable increased ¥2,443 million from the previous fiscal year-end due to an increase in the backlog.

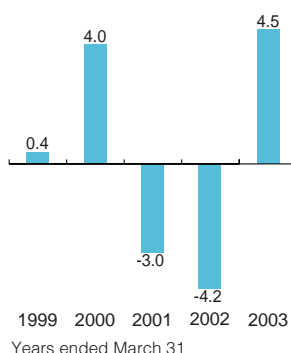
Capital expenditures

(¥ Billions)



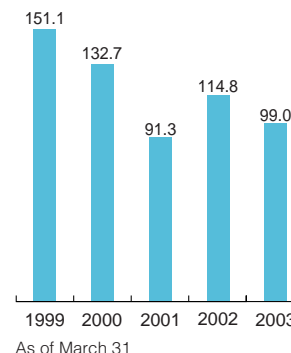
Free cash flows

(¥ Billions)



D/E ratio

(%)



In shareholders' equity, retained earnings declined ¥1,417 million to ¥1,552 million due to the net loss for the year ended March 31, 2003.

Cash Flows

Cash and cash equivalents (hereinafter called "funds") on a consolidated basis on March 31, 2003 stood at ¥3,343 million, an increase of ¥87 million from a year earlier, because a decrease due to the loss before income taxes and a decrease in short-term bank loans were more than offset by an increase resulting from decreased trade receivable and inventory assets, an increase in accounts payable, and others.

Net cash provided by operating activities in the year ended March 31, 2003 amounted to ¥4,932 million, compared with ¥3,177 million in net cash used in operating activities the previous fiscal year. The increase is largely attributable to the loss before income taxes, an increase in the depreciation, a decrease in trade receivable as a result of promotion of early recovery, a decrease in

inventory assets resulting from the management innovation movement "SM2003", and an increase in account payable.

Net cash used in investing activities amounted to ¥469 million, compared with ¥995 million in the previous fiscal year. This is due largely to expenditures for the acquisition of tangible fixed assets.

The basic policy for equipment investment during the year ended March 31, 2003 was to make priority investment in facility capable of contributing to profit generation through the creation of new products and the improvement of productivity. Under the policy, equipment investment totaling ¥606 million was made, primarily in the fine mechatronics segment. Corporate infrastructure investment included innovations of information technology and systems, and environmental investment. In addition, production facilities were expanded to boost the production of LCD manufacturing equipment, which is becoming increasingly large.

Net cash decreased in financing activities amounted to ¥4,373 million, compared with an increase of ¥3,120 million in the previous year. This was due primarily to a decrease in short-term bank loans.

Five-Year Summary

	Millions of yen					Thousands of U.S. dollars
	2003	2002	2001	2000	1999	2003
Consolidated	Years ended March 31					
Net sales	¥ 54,761	¥ 54,917	¥ 71,117	¥ 75,935	¥ 43,875	\$ 455,589
Cost of sales	45,428	44,519	55,175	59,853	33,868	377,940
Operating income (loss)	(1,502)	(1,536)	3,262	2,735	501	(12,500)
Income (loss) before income taxes	(2,172)	(1,810)	(1,197)	(968)	45	(18,071)
Net income (loss)	(1,416)	(1,118)	(141)	(215)	(111)	(11,781)
Depreciation and amortization	2,080	2,144	2,065	3,302	2,502	17,310
R&D expenses	1,409	2,313	2,685	2,115	1,443	11,719
Net income (loss) per share	¥ (28.40)	¥ (22.46)	¥ (2.83)	¥ (4.65)	¥ (2.80)	\$ (0.24)
Total assets	63,615	67,647	75,394	83,090	60,770	529,244
Total shareholders' equity	17,066	18,514	19,704	19,684	16,127	141,978
Number of employees	1,586	1,719	1,756	2,446	1,629	1,586

Topics 2002 in Shibaura

A Bid to Upsize Mother Glass Substrate <LCD Manufacturing Equipment>

Following notebook computers and monitors, flat panel televisions are emerging as a big market for LCDs. It is expected that increasing investment will be made in equipment that is ready for larger glass substrates in anticipation of LCD televisions.

In pursuit of higher productivity, LCD manufacturers are endeavoring to upsize mother glass substrates because more LCDs can be yielded from each of them. The primary targets of current equipment investment are fifth-generation substrates, that is, substrates 1 square meter or over. In the future, however, more investment will be made in equipment compatible with the sixth-generation substrates, that is, much larger substrates. There already are equipment investment plans for the seventh-generation substrates.

Shibaura Mechatronics provides major LCD manufacturers with LCD manufacturing equipment covering processes from front-end (TFT process and color filter process) to back-end (module process).

With respect to manufacturing equipment for the fourth-generation (less than 1 m square) substrates, Shibaura Mechatronics delivered many units, including wet process equipment such as wet cleaning equipment, to many LCD manufacturers, thus firmly establishing its position in the market.

Also with respect to manufacturing equipment for the fifth-generation (over 1 m square) substrates, the Company has delivered many units, being ahead of competitors. Moreover the Company launched the equipment for the sixth-generation large glass substrates.

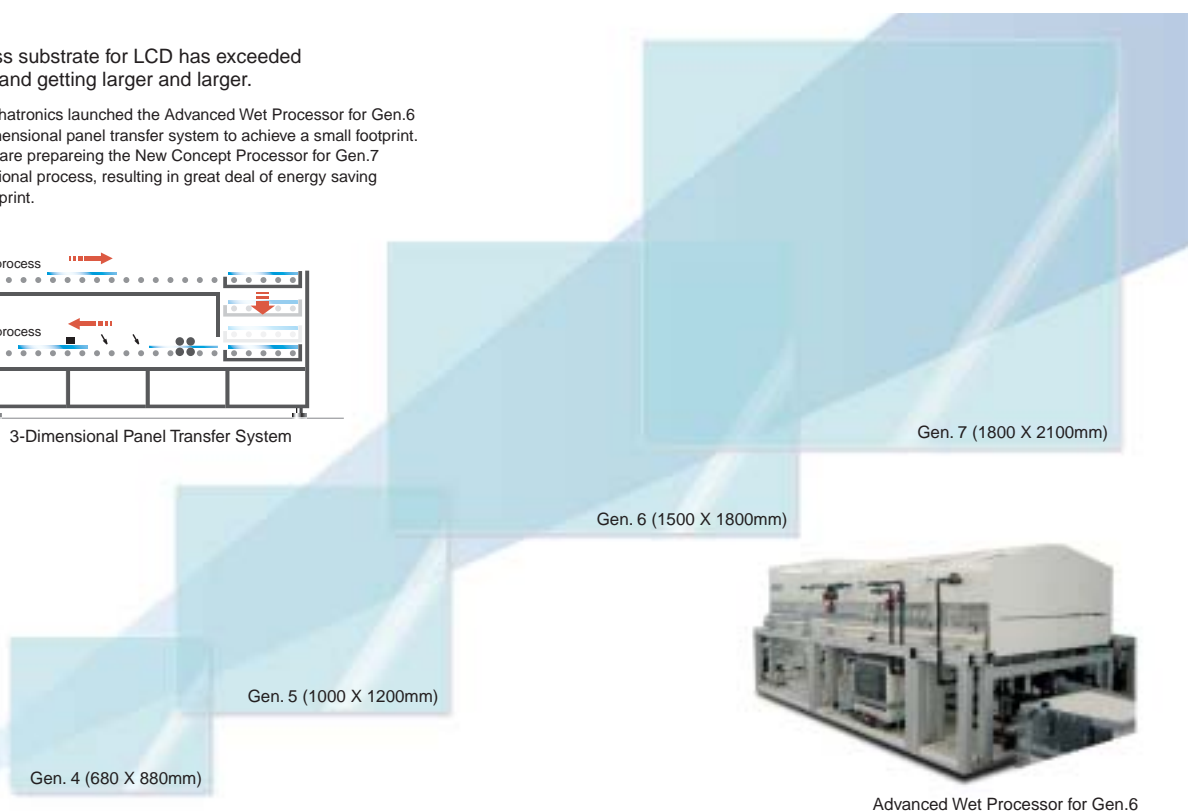
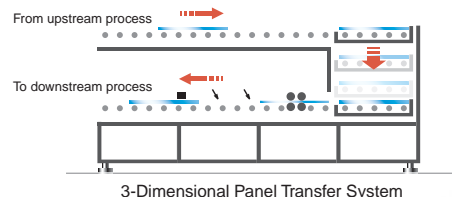
With respect to manufacturing equipment for the seventh-generation large glass substrates, Shibaura Mechatronics is preparing to provide equipment based on new concepts.

As regards the cell assembly process, Shibaura Mechatronics has started providing a new integrated cell assembly system that utilizes liquid crystal dropping and a vacuum alignment system. The new system makes it possible to significantly improve material utilization and productivity, thus helping LCD manufacturers improve productivity and cut product costs.

Concerning the back-end module process, the Company maintains a large share of the market for outer lead bonders used for bonding driver ICs to panels. In fiscal 2002 we launched 40-inch class equipment to respond to increasingly large LCD televisions. In the future, we will develop a series of outer lead bonders for LCD televisions and will endeavor to promote sales, taking advantage of the substantial popularization of LCD televisions.

Mother glass substrate for LCD has exceeded 1m square and getting larger and larger.

Shibaura Mechatronics launched the Advanced Wet Processor for Gen.6 adopted 3-dimensional panel transfer system to achieve a small footprint. Moreover, we are preparing the New Concept Processor for Gen.7 with 3-dimensional process, resulting in great deal of energy saving and small footprint.



Aiming to Be No.1 in the World <DVD Manufacturing Equipment>

Following the lead of DVD players, DVD recorders are really coming into widespread use. Just as CDs and MDs have replaced phonograph records and tapes, DVDs have started replacing videotapes. It is considered certain that total domestic demand for recordable DVDs, write-once type and rewritable type, will exceed that for videotapes by 2004. DVDs will gradually replace videotapes on a global scale.

The main products that Shibaura Mechatronics provides for the DVD manufacturing process are sputtering equipment and bonding equipment. The Company's sputtering equipment, in particular, is based on vacuum technology the Company has developed over many years and is highly trusted by users. It enjoys the largest share of Japanese market.

As DVDs are really coming into wide use, DVD-related equipment investment is rapidly increasing on a global scale. In fiscal 2002, we shipped many units to overseas markets, including the United States and Taiwan. There has been a particularly sharp increase in equipment investment for recordable DVDs, which are expected to replace videotapes. Our sputtering equipment "OCTAVA-Series" is highly rated for its high productivity and disc quality. We have succeeded in selling it in some countries where we previously had no sales record. In the future, we will step up global sales promotion of DVD-related equipment.

The last stage of the DVD manufacturing process is the process of bonding two 0.6 mm-thick discs together. Our bonding equipment does its job in vacuum to prevent the generation of air bubbles in the bonded part and thus to enable the production of discs of more stable quality. Our bonding equipment is highly rated by users.

Shibaura Mechatronics is working on the development of manufacturing equipment for next-generation large-capacity discs to succeed DVDs. The Company has already delivered experimental equipment and small-scale production equipment for the AOD (Advanced Optical Disc) and the BD (Blu-ray Disc), both of which are still in the experimental stage. In our equipment development activities, we are holding partnership with customers who are expected to start investing in mass-production equipment several years from now.



Aiming for the Expanding Asian Market

With about half of our sales being recorded abroad, it is becoming even more important for us to enhance our activities overseas. For this reason, we have been making efforts to better position ourselves to do business in the global market. Shibaura Mechatronics set up a affiliated company in the United States in 1996, and subsequently did the same in Taiwan, Korea, and China.

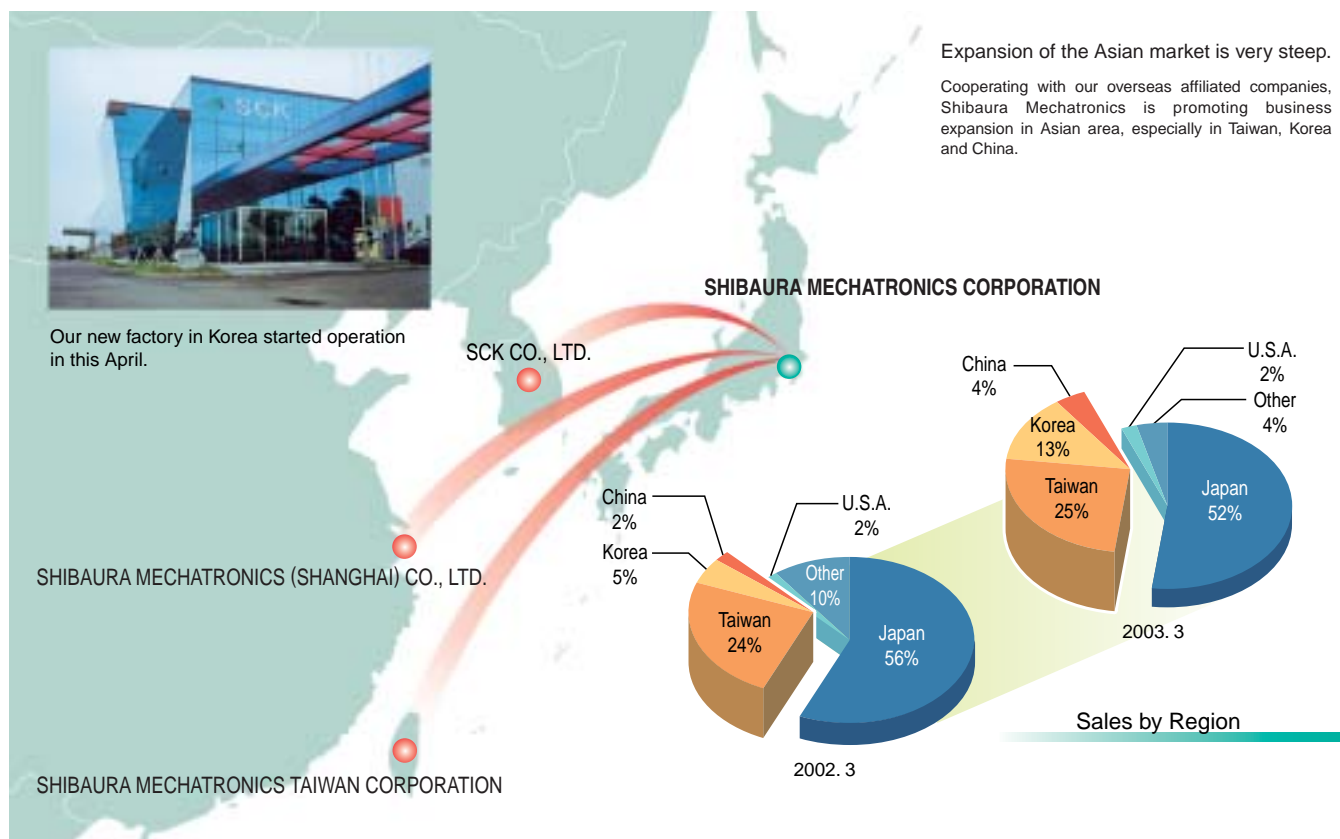
For cultivation of the rapidly expanding Chinese market, we will act primarily through SHIBAURA MECHATRONICS (SHANGHAI) CO., LTD., which we set up jointly with Mitsui & Co., Ltd. in October 2001. We will quickly establish a three-point network linking Shanghai, North China, and South China, and will strive to achieve ¥6 billion in annual sales to China by fiscal 2005.

In the year ended March 31, 2003, we recorded a 2.4-fold sales to Korea over the previous fiscal year, due especially to the delivery of LCD manufacturing equipment for large glass substrates. Major Korean LCD manufacturers have been actively making equipment investment. In an effort to boost sales to that country, we recently constructed a new factory for our joint venture company in Korea. Completed in the end of April 2003, the factory will gradually expand production, starting with peripheral equipment for LCD manufacturing. We adopted a production system under which we supply core equipment from Japan, and equipment and peripheral units are integrated in the Korean factory as final products for

delivery to customers. Under this system we will endeavor to meet an even wider variety of customer needs.

Taiwan is the most important area for us, accounting for the largest part of our overseas sales in a single region, and will also be so in fiscal 2005, the last year of our new medium-term management plan. For us, Taiwan has primarily been a market for LCD manufacturing equipment, but it will now become important for equipment of all the segments we produce. To reinforce our selling power, we will beef up the organization of our affiliated company there and strengthen its linkage with the parent company's operating divisions.

As part of its efforts to accelerate overseas business development on corporate level, Shibaura Mechatronics set up the International Operations Division in April 2003. The division is responsible for better positioning ourselves for overseas business by firming up links between Shibaura Mechatronics' headquarters in Japan and its operating bases abroad, and thus promoting global business management.



Environmental Activities 2002 in Shibaura

Basic Environmental Concepts

It is one of our most important management tasks to establish, in consideration of the Earth's environment, the recycling society in which limited resources are effectively used. Shibaura Mechatronics thinks that addressing environmental issues is a primary management requirement and emphasizes "E-Shibaura" in its Basic Policy for Environmental Protection, which represents the fundamental principles of our corporate environmental management. Shibaura Mechatronics is working with three basic environmental concepts: "Improving the Environment Awareness", "Environment-Aware Manufacturing" and "Environment-Friendly Designed Products".

Basic Policy for Environmental Protection

As "The Provider of Infrastructure for The Digital Age", Shibaura Mechatronics aims to contribute to society by being conscious of the environment in conducting production activities and by providing environment-friendly designed products worldwide. It is one of our most important management tasks to make efforts to protect the environment. We are working with the recognition that the earth is an irreplaceable asset, and that it is mankind's duty to hand it on to future generations.

The Voluntary Environmental Plan

- Prevention of global warming:
Reduce to 28% in fiscal 2010 compared with fiscal 1990 in the ratio of CO₂ 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 to 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
- 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

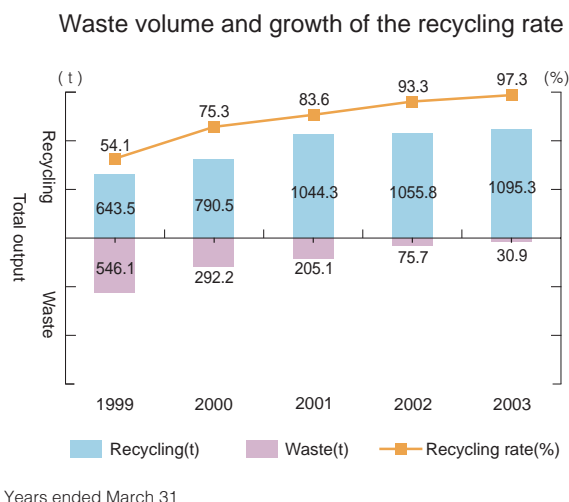


Environmental Activities in 2002

- To ensure that not only top management but also each employee is environmentally aware and acts in accordance with that awareness, we formulated the Guidelines for Environmental Activities and distributed them to employees.
- To have our environmental preservation activities understood, we issued an environmental report describing the results of our environmental activities during the year.

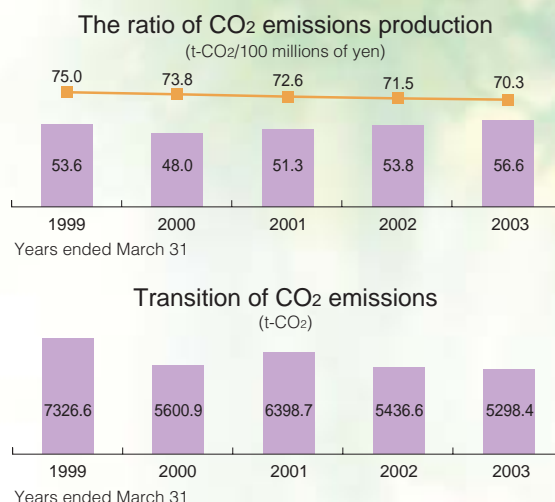
Zero Waste-Emission

- Yokohama Operations and Sagami Operations achieved zero emission of waste.



Prevention of Global Warming

- We reduced CO₂ emissions by taking such steps as conserving electric power and converting to city gas, which places less impact on the environment.



Board of Directors

As of June 12, 2003



Standing, from left;

Noriaki Mori, Tsunemasa Tokura, Hiroshi Horioka, Kunihiro Yokoyama, Mikio Haga, Nobuyuki Yamaura, Masakazu Mori, Michio Tsuruoka, Yasuaki Nakazawa

Sitting, from left;

Yasutomo Fujimori, Michirou Ishii, Toshio Yokouchi, Hiroo Okuhara, Toshimichi Sanada, Choichi Kimura, Shunichi Kato, Noboru Tamura

President and Chief Executive Officer

Hiroo Okuhara

Executive Vice President

Toshimichi Sanada Assistant to President
Chief Sales and Marketing Officer
General Manager of Sales Planning
Division
(Seibu Branch Office)
Toshio Yokouchi Assistant to President
Chief Information Officer
Chief Risk Management Officer
General Manager of Corporate Planning
Division

Senior Vice President

Choichi Kimura Executive Manager of LCD Group
General Manager of Fine Mechatronics
Division

Vice President

Michirou Ishii Executive Manager of Semiconductor
Manufacturing Equipment Group
General Manager of Semiconductor
Manufacturing Equipment Division
Shunichi Kato Chief Manufacturing Officer
Chief Technical Officer
Chief Procurement Officer
Chief SM-2003 Planning Officer
Chief Environmental Protection Officer
General Manager of Environment &
Production Planning Division

Vice President

Yasutomo Fujimori General Manager of Laser Systems
Division
Noboru Tamura General Manager of Bonding Equipment
Division
Mikio Haga (Finance & Accounting Division)
(Management Accounting Division)
General Manager of Management Audit
Division
Nobuyuki Yamaura General Manager of Automation Systems
& Vacuum Equipment Division
Kunihiro Yokoyama President of SHIBAURA MECHATRONICS
(SHANGHAI) CO., LTD
Masakazu Mori General Manager of International
Operations Division
General Manager of Export Control
Division
Hiroshi Horioka General Manager of General Affairs
Division

Auditor

Michio Tsuruoka
Tsunemasa Tokura

Auditor (Outside)

Yasuaki Nakazawa
Noriaki Mori

Corporate Data

As of March 31, 2003

Date Established

October 1939

Paid - in Capital

5,868 Million -Yen

Common Stock

Issued and outstanding : 50,033,312 shares

Number of Employees

960

Shareholders

8,428

Stock Listings

The Tokyo Stock Exchange

Accounting Auditor

Shin Nihon & Co.

Common Stock Price Range (The Tokyo Stock Exchange)

Years ended March 31

	2003	2002	2001	2000	1999
High (yen)	604	710	1,330	1,885	790
Low (yen)	201	253	445	511	255

Principal Shareholders

	Number of shares held (thousand shares)	Percentage of total shares outstanding (%)
Toshiba Corporation	23,477	46.9
The Master Trust Bank of Japan, Ltd.	729	1.5
MITSUI & CO., LTD.	715	1.4
Mitsui Asset Trust and Banking Company, Limited	526	1.1



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