



ANNUAL REPORT 2009

Year ended March 31, 2009

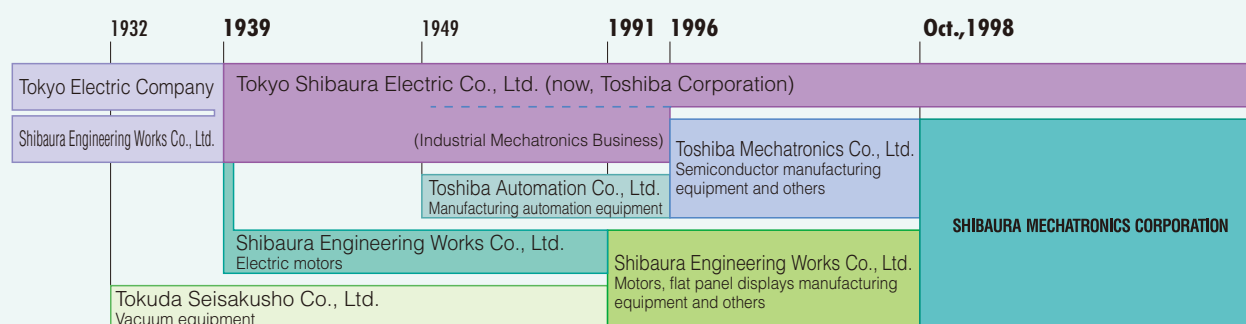
SHIBAURA MECHATRONICS CORPORATION

ANNUAL REPORT 2009

Profile

Shibaura Mechatronics was established in 1939 as Shibaura Engineering Works Co., Ltd. Initially, our primary focus was on the motor business, but in 1998 we completed an ambitious restructuring from which we emerged as a producer of manufacturing equipment for LCDs, semiconductors and optical discs. At that time the company took on its present name, Shibaura Mechatronics Corporation. Guided by our management philosophy of “contribute to the achievement of an affluent life by offering superior technology and services,” and inspired by our determination to be “the infrastructure provider for the digital age,” we support an evolving social infrastructure by supplying manufacturing equipment for the production of essential electronic components.

History



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Forward-Looking Statements

This annual report contains forward-looking statements concerning Shibaura Mechatronics' 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, 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.

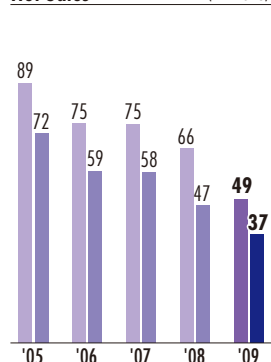
Financial Highlights

	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2009
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Consolidated			
Net sales	¥ 49,013	¥ 66,441	\$ 498,966
Operating income (loss)	(1,462)	1,647	(14,886)
Net income (loss)	(5,525)	426	(56,245)
Total assets	55,649	64,995	566,518
Net assets	18,870	25,045	192,103
	(yen)		(U.S. dollars)
Net income (loss) per share	¥ (111.80)	¥ 8.62	\$ (1.14)
	(Millions of yen)		(Thousands of U.S. dollars)
Non-consolidated			
Net sales	¥ 37,007	¥ 47,077	\$ 376,738
Operating income (loss)	(1,588)	(480)	(16,172)
Net income (loss)	(4,060)	539	(41,341)
Total assets	47,259	52,470	481,105
Net assets	16,652	21,157	169,520
	(yen)		(U.S. dollars)
Net income (loss) per share	¥ (82.17)	¥ 10.90	\$ (0.84)

Effective for the year ended March 31, 2007, net assets are presented based on the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Statement No.5, 2005/12/9) and the "Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Financial Standards Implementation Guidance No.8, 2005/12/9).

Note 1 : The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥98.23 = U.S.\$1.00, as of March 31, 2009.

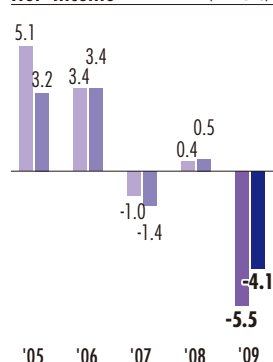
Net Sales (¥Billions)



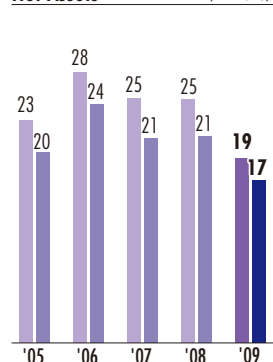
Consolidated

Non-consolidated

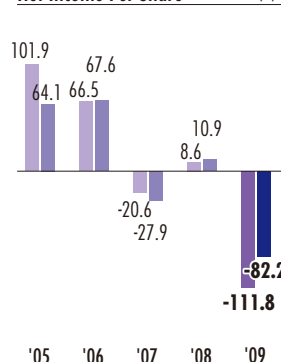
Net Income (¥Billions)



Net Assets (¥Billions)



Net Income Per Share (¥)



To Our Shareholders

SHIBAURA MECHATRONICS CORPORATION
President and Chief Executive Officer

Kenji Minami



Shibaura Mechatronics, the "Infrastructure Provider of the Digital Age", produces manufacturing equipment for such essential electronic components as flat panel displays, semiconductors and optical discs. As an infrastructure provider we support digitization and the development of a networked society, and through our business we contribute to the realization of a more affluent society.

A corporate philosophy of "Innovation in All Things", "Pursuit of Rationality" and "Respect for Humanity" guides us in our business activities. We are ensuring that these principles permeate throughout Shibaura Mechatronics Group as we seek to become a global business entity that acts with speed and vitality.

Shibaura Mechatronics contributes to society through its business activities. Given this we recognize that, in thoroughly implementing business strategy, it is necessary for us to listen very closely to the voices of our customer, to understand fast changing needs, and to respond with speed and flexibility. We believe that this approach allows us to realize our designated management philosophy: "contribute to the achievement of an affluent life by offering excellent technology and services". Beyond this, and on the basis of all of our employees sharing this vision, we must establish targets and commit to management practices that embrace responsibility for reaching our goals; we must advance as company that complies with rules and observes fair corporate activities.

Results for the Fiscal Year ending March 2009

In the fiscal term to the end of March 2009, Japan's economy was hit by the impact of the financial crisis in the US, as it plunged the global economy into a severe, "once

in a 100 years" recession. Consumer spending and capital investment both declined rapidly. There was no growth in the markets for LCD TVs, personal computers, mobile phones, or mobile music players; prices of LCD displays and memories declined; the balance in supply and demand sharply deteriorated; and capital investment slowed.

In flat panel displays, one of our core businesses, manufacturers of LCD panels cut back investment, so orders received declined and sales slowed. However, through cost restructuring that included promoting standardization and shortening lead times, we managed to stay in the black.

In the semiconductor business, capital investments in all devices (memories, logics and discretes) were restrained and frozen, and our sales largely fell and profit / loss worsened.

In optical discs and vacuum equipment, plant investments for Blu-ray Discs were the main source of business, and steady sales resulted in increased profit. In extremely severe business conditions, Shibaura Mechatronics Group sought to strengthen management vitality by promoting activities to win orders, implementing measures that included cuts in fixed costs, and undertaking cost restructuring, including advancing standardization and shorter lead times. As a result, for the fiscal year to the end of March 2009, the Group recorded consolidated sales of 49,013, some 26.25% down against the previous fiscal term, an operating loss of 1,462 million yen, and a net loss of 5,525 million yen. In respect of the dividend, we are reluctantly forced to waive the full-term dividend. With the interim dividend of four yen, the annual dividend will stand at four yen.

Looking Ahead

As we enter the fiscal year to the end of March 2010,

it appears that the Japanese economy may have gone through the worst, and that we can anticipate a recovery in exports and production. However, we cannot avoid a distinct impression that equipment overcapacity and high unemployment will continue for some time yet.

Shibaura Mechatronics Group's main customers in the LCD panel industry are responding to increases in demand for panels that have followed the Chinese government's stimulus package for consumer electronics. As a result, rates of operation at panel manufacturers are rising and, little by little, we are receiving more inquiries about reinforcing their production capacity. By contrast, the semiconductor industry continues to try to raise demand through inventory adjustment. While capacity utilization rates at manufacturers have picked up, there remains a lot of caution in respect of investing in increased capacity, and circumstances continue to be uncertain.

In our optical disc business, demand is flat, and investment is still restrained. However, Blu-ray Disc recorders and players are starting to penetrate the market. Looking ahead, we expect the market for BD-ROM to take off, and that it will be followed by market expansion.

In our battery and cell business, we expect interest in clean energy to translate into increased demand for PV cells and market growth at the global level. Beyond this, we expect to see increased activity in investments in rechargeable batteries for hybrid and electric vehicles, and a considerable increase in demand from now on.

In the midst of this business environment, Shibaura Mechatronics Group, following our basic policy of "strengthen product appeal, profitability and business power as means to achieve growth and a profitable organization" is promoting improved profitability, and seeking to move forward by once again returning our business to a growth trajectory. In more concrete terms, we will drive forward with cost reductions that bring down our break-even point (BEP), while simultaneously reinforcing our core technologies in order to expand our range of business, following a clear business strategy that allows us to steadily execute a range of measures.

CSR Management

Shibaura Mechatronics Group's approach to management and our corporate activities are grounded in that opinion that, in moving toward the future and in respect of how we should act now, our activities should be rooted in CSR. As a Group, in communicating with all of our stakeholders, we constantly think about how we should comply with their

needs and reflect that in our business as much as possible. Shibaura Mechatronics Group is involved in making things, a manufacturer, and our business fields are at the technological cutting edge of the manufacturing equipment industry for electronic components. From these standpoints, and by making full use of the fact that we are a company that has the ability to make a major contribution to mitigating global warming, and a company that understands the importance of people, we are able to contribute to solving social problems, with consideration to environmental issues, our employees and the local community.

Towards New Develop

Since fall 2008, in the midst of the global economic crisis, there has been a drastic change in the shape of the flat panel display, semiconductor and optical disc industries, and of other businesses related to the electronic devices industry, including companies in the manufacturing equipment business. With the passing of the economic crisis, we can expect to see major changes in the industrial landscape, and as a result we can expect to enter a tempestuous time, in which it will be more important than ever to accurately understand social trends and changes in the market.

Until now, Shibaura Mechatronics, as a producer of manufacturing equipment, has cultivated many and diverse core technologies. In addition, we have tried to contain our cost competitiveness, stable equipment operation and technology in a black box, in-house production to cultivate integrated strength in the manufacturing industry. From now on, we will develop and bring to market manufacturing equipment that meets the needs of a new age and of our customers; and we will continue to enhance our integrated strengths in core technologies and manufacturing industry, and to offer new levels of added value to our customers.

As we move forward, I hope we may continue to rely on the support and encouragement of our shareholders and investors.

September 2009

Kenji Minami
President and CEO



Topics

Shibaura Mechatronics Receives Top Vacuum Equipment Award in Japan Vacuum Industry Association Awards

Shibaura Mechatronics' development of small display bonding equipment was recognized with the top award in the vacuum equipment category in the Japan Vacuum Industry Association Awards. The equipment bonds together display cover panels and LCD panels used in mobile phones and mobile devices. The award singled out the integration of our company's vacuum technology with mechatronics technology with a citation noting that : "In the field of liquid crystal display bonding, this equipment is capable of performing bubbleless, high-precision bonding of LCD modules with protective glass, using adhesive agents and double-sided tape, with the purpose of improving panel visibility. It has been recognized as achieving increased panel visibility through the development of vacuum technology and unique adhesive agents for bonding LCD modules with protective glass.



Commendation ceremony

Shibaura Mechatronics Korea Now a Wholly-owned Subsidiary - Focus on Sales and Services

In the Korean market, intense price competition and decisions by LCD panel manufacturers to delay their capital investment plans for the current fiscal term prompted concerns that Shibaura Mechatronics Korea might suffer increased losses in the fiscal year ending March 2009. Shibaura Mechatronics Group responded by taking steps to acquire Shibaura Mechatronics Korea, making it a wholly-owned Group subsidiary, and to downsize its production activities. Starting from January 2009, the company has shifted its primary focus in Korea to sales, service and procurement activities.



Shibaura Mechatronics Korea

Financial Review

Business at a Glance

In the fiscal year ending March 2009, the business environment in which Shibaura Mechatronics operates was marked by a sharp downturn in the economy and rapid declines in personal consumption and capital investment, results of the financial crisis that emerged in the US in the second half of the year. Demand was sluggish in the market for digital home appliances, covering such products as LCD TVs, personal computers, mobile phones and portable audio players, while capital investment was weakened by the impact of falling prices and deterioration in the balance of supply and demand of LCDs and memory devices.

In the LCD panel business, Shibaura Mechatronics Group's major customer base, some manufacturers postponed equipment deliveries and capital investment plans, as a result of panel inventory and production adjustments carried out in the second half of the year. In the semiconductor business, the situation continued to worsen, with capital investment under continual restraint as a consequence of falling prices for memories and the general economic uncertainty.

In the midst of this business climate, Shibaura Mechatronics Group pushed ahead with operations aimed at attracting

orders, implemented urgent countermeasures, including cuts in fixed costs, and endeavored to strengthen its management constitution by promoting standardization and the reduction of lead times as means to restructure costs.

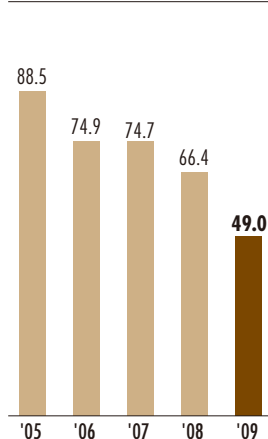
In the Korean market, falling retail prices, driven by intense price competition and decisions by LCD panel manufacturers to delay capital investment plans for the current term, prompted concerns for increased losses at Shibaura Mechatronics Korea. Consequently, Shibaura Mechatronics Group downsized production in Korea, and from January 2009 shifted its primary focus in the Korean market to sales, service and procurement activities. As a result of this change in emphasis, we booked an extraordinary loss of 392 million yen. This included severance payments and the impairment loss on Shibaura Mechatronics Korea's fixed assets.

Furthermore, although Shibaura Mechatronics Group records deferred tax assets in accordance with deferred tax accounting standards, in light of business performance for the fiscal year under review, and as a result of careful consideration of the possibility of the collection of deferred tax assets, we recorded 3,268 million yen as an adjustment to corporate taxes, with some of those assets drawn down.

As a result of the foregoing, sales for the fiscal year amounted to 49,013 million yen (down 26.2% year-on-year).

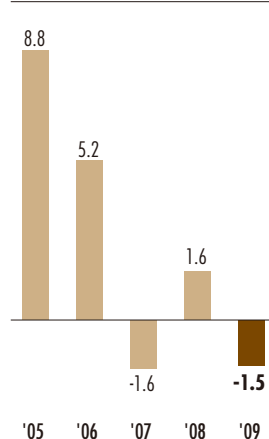
Net Sales

(¥Billions)



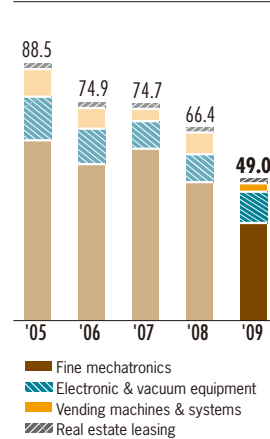
Operating Income

(¥Billions)



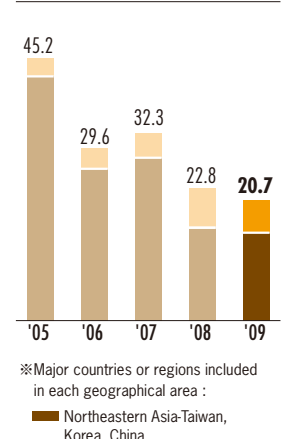
Sales by Segment

(¥Billions)



Overseas Sales by Region

(¥Billions)



※Major countries or regions included in each geographical area :

■ Northeastern Asia-Taiwan, Korea, China
■ Other regions-USA, Austria etc.

We recorded an operating loss of 1,462 million yen (against operating income of 1,647 million yen in the previous fiscal year), an ordinary loss of 1,802 million yen (against ordinary income of 1,481 million yen in the previous fiscal year), and a net loss of 5,525 million yen (against net income of 426 million yen in the previous fiscal year).

Segment Information

1. Fine Mechatronics Segment

Segment sales stood at 33,459 million yen, a decline of 29.5% from the previous fiscal term, and we recorded an operating loss of 1,795 million yen, against operating income of 588 million yen in the previous fiscal year.

Orders for LCD panel manufacturing equipment were sluggish due to subdued capital investment in the second half of the year. Sales from our core products—wet cleaning equipment and PI ink jet coaters for large panels and outer lead bonders for monitors and large screen TVs—were down against the previous year.

Both orders and sales in semiconductor manufacturing equipment were generally poor in the face of stagnating capital investment in semiconductors, including a slump

in NAND flash memory.

2. Electronic and Vacuum Systems Segment

Segment sales stood at 10,788 million yen, an increase of 12.5% from the previous fiscal term, and we recorded operating income of 556 million yen, against income of 408 million yen in the previous fiscal term.

In the media device manufacturing equipment field, sales were robust, centering on sputtering equipment and dual-layer transcription equipment for Blu-ray Discs for games and high-definition video. In the vacuum equipment field we saw increased deliveries of bonding equipment for mobile displays. In the area of laser equipment, demand increased in the new field of manufacturing equipment for rechargeable batteries, and we made deliveries to major users.

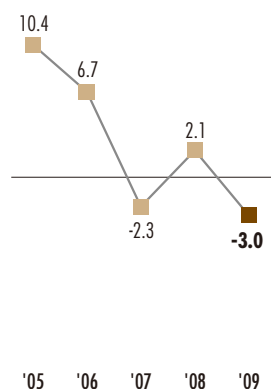
3. Vending Machines and Systems Segment

Segment sales stood at 2,855 million, a decline of 61.8% from the previous fiscal term, and we recorded an operating loss of 279 million yen, against operating income of 885 million in the previous fiscal year).

Sales of cigarette vending machines waned on a slowdown in demand for machines with an integrated

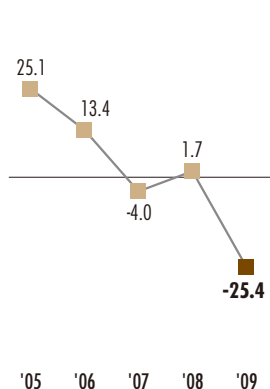
ROA

(%)



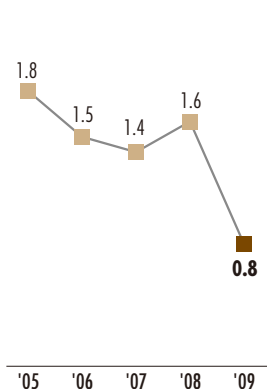
ROE

(%)



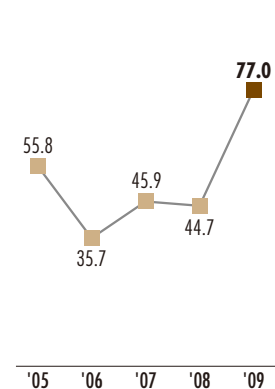
DOE

(%)



D/E Ratio

(%)



adult verification function, which we introduced in 2008. In the ticket vending machine business, we brought to market a touch panel machine.

4. Real Estate Leasing Segment

Segment sales stood at 1,821 million yen, 0.2% down from the previous fiscal year, and we recorded operating income of 553 million yen, a decrease of 55 million yen against the previous fiscal year.

Research and Development Expenditure

Research and development expenditure by Shibaura Mechatronics Group as a whole in the fiscal year under review stood at 2,933 million yen. This included 496 million yen for the development of core technologies common to Group companies.

Proactive R&D activities range from basic technology to product development, and involve the Company's corporate R&D department, the development and design departments in our operating divisions, and consolidated subsidiaries.

Key research activities and results and R&D expenditure in each segment are described below.

1. Fine Mechatronics Segment

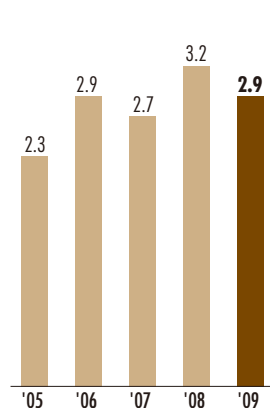
R&D costs for the segment totaled 1,707 million yen. Development work on LCD manufacturing equipment encompassed wet processing equipment, cell assembly equipment and PI ink jet coaters for next generation large glass substrates, and outer lead bonders and PWB for large screen TVs. Development of semiconductor manufacturing equipment included wet cleaning equipment for 300mm wafers and for next generation devices, etching equipment, ashing equipment and wafer inspection equipment, and high-speed, high-precision flip chip bonders.

2. Electronic and Vacuum Systems Segment

R&D costs for the segment totaled 469 million yen. In the area of laser equipment, we promoted development of fiber laser markers, manufacturing equipment for rechargeable batteries for automotive application, and thin-film solar energy panel manufacturing equipment. In electronic and vacuum systems, development work included single-layer and multi-layer sputtering equipment, bonding equipment and dual layer transcription equipment for Blu-ray Discs, photocatalyst sputtering equipment, and sputtering equipment for

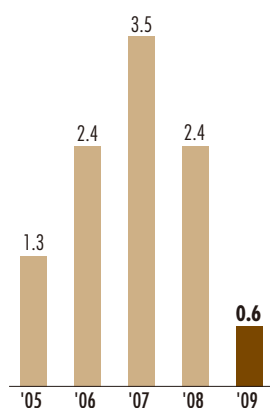
R&D Expenditures

(¥Billions)

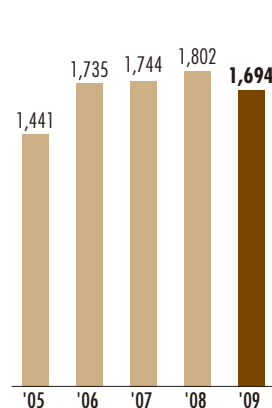


Facilities Expenditures

(¥Billions)

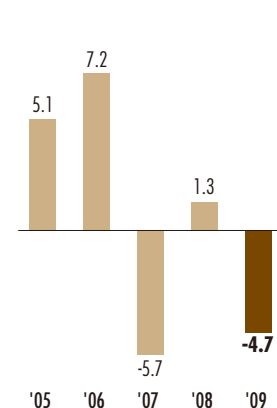


Number of Employees



Free Cash Flows

(¥Billions)



semiconductor backside contacts.

3. Vending Machines and Systems Segment

R&D costs for the segment totaled 259 million yen. In the field of vending machines and ticket vending machines, development activities covered 2009 model cigarette vending machines, vending machines for general products, new remote control equipment for vending machines, ticket vending machines capable of accepting rewritable cards, new models of ticket vending machines compatible with JIS-II cards, and touch-panel ticket vending machines.

Financial Condition

Total assets at the end of the fiscal year amounted to 55,649 million yen, down 9,346 million yen from the previous fiscal year-end.

Current assets at the end of the fiscal year amounted to 37,912 million yen, a decrease of 7,933 million yen. This was primarily due to a decrease in cash and bank deposits and notes and accounts receivable.

In addition, fixed assets at the end of the fiscal year amounted to 17,737 million yen, a decrease of 1,413 million yen compared with the previous fiscal year-end. This was largely attributable to the depreciation of tangible fixed assets and the drawdown of deferred tax assets, even though there was an increase in fixed assets as a result of recording leased assets.

Total liabilities at the end of the fiscal year were 36,779 million yen, 3,171 million yen lower than at the end of the previous fiscal year. The primary reason for this was a decrease in notes and accounts payable.

Total net assets at the end of the fiscal year stood at 18,870 million yen, down 6,174 million yen from the previous fiscal year-end. The underlying reason for this was a decrease in retained earnings resulting from the net loss recorded for the fiscal year, as well as a drop in the equity of minority shareholders.

Cash Flows

Total cash and cash equivalents at the end of the fiscal year stood at 4,385 million yen, a decrease of 4,675 million yen from the end of the previous year.

Cash flow from operating activities decreased by 4,653 million yen (compared with an increase of 2,918 million yen recorded in the previous year). This was mainly due to a decrease in accounts payable and recording a net loss before income tax adjustment for the fiscal year, even though funds did increase as a result of fewer account receivables. Cash flow from investing activities decreased by 91 million yen (compared with a decrease of 1,613 million yen recorded in the previous year), the result of expenditure on the acquisition of tangible fixed assets.

Cash flow from financing activities increased by 223 million yen (compared with a decrease of 637 million yen recorded in the previous year). Although some funds were directed to the redemption of bonds, this increase was primarily due to an increase in short-term loans.

Five-year Summary

	Year ended March 31,					Year ended March 31, 2009 (Thousands of U.S. dollars)
	2009	2008	2007	2006	2005	
	(Millions of yen)					
Consolidated						
Net sales	¥ 49,013	¥ 66,441	¥ 74,663	¥ 74,913	¥ 88,513	\$ 498,966
Cost of sales	39,309	52,070	65,322	58,015	67,492	400,176
Operating income (loss)	(1,462)	1,647	(1,630)	5,180	8,824	(14,886)
Income (loss) before income taxes	(2,232)	1,482	(1,727)	5,752	8,260	(22,721)
Net income (loss)	(5,525)	426	(1,047)	3,393	5,134	(56,245)
Depreciation and amortization	2,105	1,245	1,165	1,133	1,255	21,428
R&D expenses	2,933	3,184	2,713	2,851	2,337	29,862
Total assets	55,649	64,995	73,197	75,151	70,411	566,518
Net assets	18,870	25,045	25,084	27,670	22,791	192,103
	(yen)					(U.S. dollars)
Net income (loss) per share	¥ (111.80)	¥ 8.62	¥ (20.60)	¥ 66.52	¥ 101.92	\$ (1.14)
Number of employees	1,694	1,802	1,744	1,735	1,441	1,694

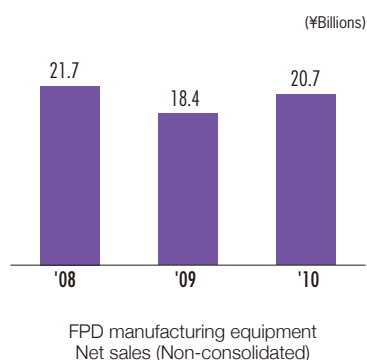
Business Overview

Fine Mechatronics Segment

Flat Panel Display Manufacturing Equipment

Main Products

- Wet Cleaning Equipment
- Stripping Equipment
- Developing Equipment
- PI Ink Jet Coater
- Seal Dispenser
- LC Drop Fill Equipment
- Vacuum Bonder
- Outer Lead Bonder



Cutting COO by increasing product added value and expanding market share by increasing product competitiveness

Market Environment

In the second half of the fiscal year to March 2009, a period marked by sluggish demand and a deteriorating supply and demand balance for such end products as LCD TVs, mobile phones and personal computers, LCD panel manufacturers initiated deep cuts in production in support of inventory adjustment. As each manufacturer lost its appetite for further investment, postponing current equipment purchases and capital investment plans for the coming fiscal term, it looked as if uncertainty in the business environment would make itself felt well into the fiscal year to March 2010. However, following the Chinese government's introduction of a recovery package that promoted sales of consumer electronics, we have started to see higher rates of operation at panel makers, and a movement to renewed investment in some parts of the market. Going forward, we now expect to see recovery spread to the wider global economy, and at this point we expect the market to regain upward momentum in fiscal year ending March 2011.



Wet cleaning equipment



PI ink jet coater

Improve profitability, realize strategies for growth

●TFT/Color Filter Process Equipment

Competition is fierce among manufacturers of cleaning, stripping and developing equipment. At Shibaura Mechatronics, we respond to this by striving to bring down equipment manufacturing costs and by specializing in equipment that is technologically superior. Alongside this, we reinforce our efforts to win orders by investigating various factors connected to our activities, such as higher rates of standardization in equipment manufacturing or the market competitiveness and growth potential of each individual customer. In all of this we are working toward specific objectives: to further reduce the COO of equipment; to shorten processing times; and to improve the quality of our products.

Not only are we endeavoring to strengthen our competitive edge with enhanced cost-competitiveness by improving and standardizing equipment functions, we are also focused on differentiating ourselves in advance of our competitors by utilizing micro-cleaning technology to reduce COO and bolster process performance and quality.

●Cell Process Equipment

Panel manufacturers have introduced our technologically advanced PI ink jet coaters into their mass production lines, and we now plan to expand future business

operations by developing manufacturing equipment for large-sized LCD panels. In a field that even higher levels of precision coating technology is required, we develop equipment for this market by applying the coating technology previously cultivated for PI coating.

With regard to our seal dispensers, we are endeavoring to improve functionality, provide cheaper prices and better service and to expand our market share.

●Module Process Equipment

Our main focus in this area of business is to assure the retention of our valued customers. In practice that means we are seeking to expand sales to television manufacturers that plan domestic production of module process equipment for manufacturing LCD panels in the Chinese market.

With regard to outer lead bonders, we will develop and bring to market high precision equipment suitable to meet the needs of high precision miniaturized personal computer monitors. We also aim to increase our market share in COG equipment for small LCD panels for applications in products such as mobile phones.

In the LCD driver market, we will seek to retain our No.1 share by bringing to market high-speed, high-precision flip chip bonders.



Seal dispenser



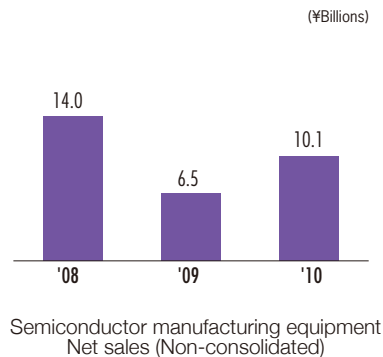
Outer lead bonder

Fine Mechatronics Segment

Semiconductor Manufacturing Equipment

Main Products

- Etching Equipment
- Ashing Equipment
- Wet Cleaning Equipment
- Wafer Inspection Equipment
- Die Bonder
- Flip Chip Bonder



Increasing market share to reinforce our position as a semiconductor equipment manufacturer

Market Environment

In the face of falling prices and sluggish demand for finished products, including personal computers, flat panel TVs and mobile devices, semiconductor manufacturers reviewed their production output in order to carry out inventory adjustment. Even so, it looks as if the opacity of the semiconductor market in fiscal year 2008 will carry over into fiscal 2009). In NAND flash memory equipment – an area in which Shibaura Mechatronics Group is endeavoring to raise market share – capital investment continues to be subdued. Although a gradual recovery is forecast to start from the second half of the fiscal year ending March 2010, all expectations for a full-scale revival point to the second half of the fiscal year to March 2011, or even beyond then. It is to be hoped that capital investment in memory devices will be revitalized by increased demand for solid state drives (SSD), which are now emerging as an alternative to magnetic discs, and by measures to combat the price declines brought about by the miniaturization of DRAM. A moderate recovery in capital investment in logic devices is forecast for the second half of the fiscal year ending March 2011, which would be in line with support for automotive electronics and the transition to digital broadcasting.



Chemical dry etching equipment



Wet cleaning equipment

Improve profitability, realize strategies for growth

●Front-end Process Equipment

We are working to secure orders for etching equipment for next generation CMOS lines, and we are now working with major users of chemical dry etching equipment to expand the range of application.

In wet processing equipment we are looking to expand our market share, based on results following deliveries of high throughput equipment to mass production lines. In addition, we are pushing ahead with product development based on electrolyzed sulfuric acid systems, with an emphasis on environmental considerations and reductions in COO.

We are also trying to boost sales by introducing to market wafer inspection equipment equipped with high-speed imaging classification functionality.

●Back-end Process Equipment

By strengthening our sales to major clients who represent their industry, and by forming partnerships, we intend to expand sales of 300mm die bonders. Our primary target here is the thin chip sector, and we will develop applications and equipment for packages for new uses, such as IC tags.

In the flip chip bonder business, we are pushing ahead with development of high-precision flip chip bonders that support the mounting of advanced packages such as

COWs (Chip on Wafer) and TSVs (Through Silicon Via).



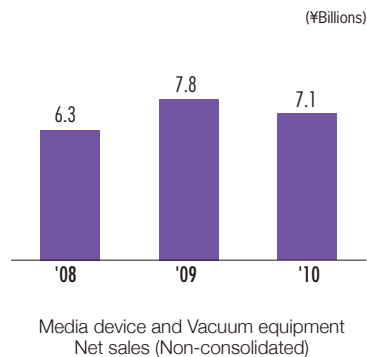
Flip chip bonder

Electronic and Vacuum Systems Segment

Media Device and Vacuum Equipment

Main Products

- Sputtering Equipment
- Vacuum Bonding Equipment



Replication line for Blu-ray disc



Vacuum bonding equipment

Building a business based on vacuum technologies

Market Environment

Although weak global demand has held back capital investment in the optical disc industry, the spread of Blu-ray Disc recorders and players and the rise of the BD-ROM market, where discs are a medium for games and high-definition video, is expected to kick-start a future market expansion centered on recordable Blu-ray Discs (BD-R).

Improve profitability, realize strategies for growth

●Disc Manufacturing Equipment

We will continue to maintain our No.1 market share in sputtering equipment through tie-ups with the leading manufacturers of recordable and read-only optical discs (BD-ROM and BD-R).

●Vacuum Bonding Equipment

We have developed and introduced to the market vacuum bonding equipment capable of manufacturing displays offering the high levels of visibility legibility required for utilization in portable media devices with touch screens. Our established vacuum film and resin bonding technology prevents the infiltration of bubbles, and our equipment can produce thin displays with a superior level of legibility. We aim to continue to improve results from the application of our equipment to the manufacture of small displays.

●Vacuum Equipment

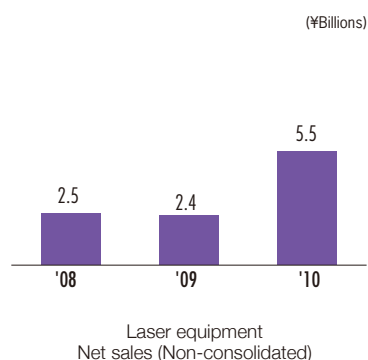
We are promoting increased sales of discontinuous film sputtering equipment (for mobile devices), semiconductor backside sputtering equipment and reflective film formation for lamp reflectors. We are also seeking to boost our market share in semiconductor backside sputtering equipment by building up a track-record of deliveries to leading manufacturers.

Electronic and Vacuum Systems Segment

Laser Equipment

Main Products

- Laser Markers
- Laser Welding Equipment
- Battery / Cell Manufacturing Equipment

Thin film PV cell
manufacturing equipment

Laser welding equipment

Expand business in the field of clean energy

Market Environment

Forecasts indicate that markets related to clean energy and the environment will see increasing demand and growth on the global scale. In solar batteries, growth is expected in thin film solar cells, which may well have the long-term potential to become a low cost source of energy. In the market for rechargeable batteries for vehicles, forecasts indicate that growth in demand for lithium-ion batteries will start to rise in the fiscal year ending March 2011.

Improve profitability, realize strategies for growth

●Solar Cell Systems

Centering our efforts on high-speed, high-precision processing technology for laser scribes, Shibaura Mechatronics Group will continue to accumulate processing technology and make domestic manufacturers of thin film solar cells our main target. We also intend to enter the market for manufacturing processes for next generation solar cells, such as those manufactured with CIGS^{※1}.

Furthermore, we will apply our LCD module process equipment technology to bringing to market ACF^{※2} connection equipment that can replace conventional soldering methods in the interconnection process of crystal solar cells. This equipment can also be used on thin film solar cell systems, we are confident that we can increase sales in the future.

●Lithium-ion Batteries for Vehicles

We are seeking to improve our market share with high-speed, high-grade welding for large size batteries. We also intend to start a turnkey business (which provides a ready-to-use uniform manufacturing line) based on our core technologies in laser welding, transportation and immersion.

※1 CIGS: CuIn-GaSe.

A type of thin film solar cell that, instead of silicon, uses a chemical compound composed of copper (Cu), indium (In), gallium (Ga) and selenium (Se).

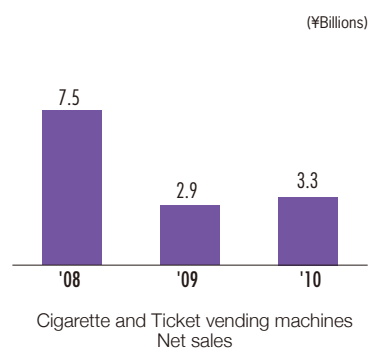
※2 ACF: Anisotropic Conductive Film.

Vending Machines and Systems Segment

Cigarette Vending Machines Ticket Vending Machines

Main Products

- Cigarette Vending Machines
- Ticket Vending Machines
(Food Tickets, Admission Tickets)



Market Environment

In the cigarette vending machine business the market has been shrinking, on slowing demand for vending machines with an integrated adult verification function, introduced nationwide in 2008. The ticket machine market is moving in the opposite direction. The last round of installation was in 2004, when new banknotes were introduced, and demand is gradually increasing as a replacement market develops. In the area of food ticket vending, there has been a surge in the number of restaurants seeking to become low-cost eateries. This is fueling new installations of ticket machines, as they allow such businesses to cut back on staffing costs and carry out cash control.

Improve profitability, realize strategies for growth

As part of our vision of becoming a provider of infrastructure in the vending machine industry, we will take measures to strengthen our systems technology, alliances and collaborations, and by doing so reinforce our product line-up and appeal and boost sales of ticket vending machines.



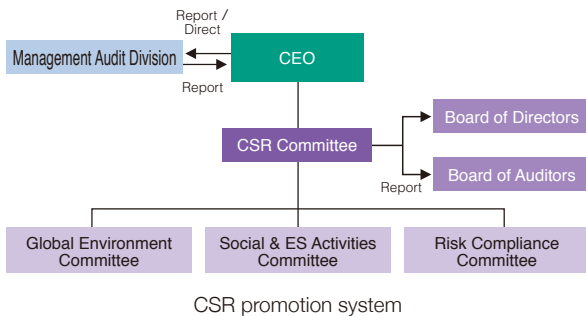
Cigarette vending machines



Touch panel ticket vending machines

CSR Management

We established the CSR Committee in April 2005. This move brought a systematic approach to dealing with issues and activities previously handled by individual departments and independent committees. The CSR Committee drafts Groupwide plans related to promoting CSR, and assures promotion of CSR activities by providing direction and impetus for the activities of Global Environment Committee, the Social & ES (Employee Satisfaction) Activities Committee and the Risk Compliance Committee.



Environmental Initiatives

Environmental problems, climate change among them, are today the most critical issues that we must address. Corporations that have continued to achieve economic growth over the past several decades must now take the initiative in becoming involved in solving these issues, and adopt effective countermeasures and engage in reasonable activities from a long-term perspective.

As a producer of manufacturing equipment, Shibaura Mechatronics Group advocates a policy of “do not use and do not emit,” and thereby strives to minimize the natural resources utilized and the burdens placed on the global environment as we carry out our business. We also make every effort to reduce CO₂ and waste generated as a result of our activities. Guided by this policy, we are committed to reducing environmental loads at all stages from product development through to production, and are endeavoring to cut back greenhouse gas emissions by offering customers manufacturing equipment able to produce products while

Environmental Charter

Based on the understanding that “humankind has the duty to hand on the irreplaceable global environment to the next generation in a sound state,” we seek to make our contributions to a sustainable society.

■ Environmental Management Promotion

“Promoting the idea we must use less resources and reduce emissions in all of our business processes.”

■ Offering Environmentally Conscious Products

“In pursuit of fewer environmental burdens, from the development stage all the way through to disposal.”

■ A Socially Aware Company

“Promoting CSR management in cooperation with our stakeholders.”

using even less energy and fewer materials.

As part of our effort to reduce greenhouse gases, we are pushing ahead with activities to curtail CO₂ emissions per unit of current production output. However, in consideration of the global environment as a whole, we also feel that, going forward, it is necessary for Shibaura Mechatronics Group to reduce its CO₂ emissions in absolute terms. This is no simple task for any company, and we are currently carrying out a thorough investigation of reduction targets and methods for achieving them. Environmental management at Shibaura Mechatronics Group must involve the establishment of objectives that accurately identify what we need to do as an individual entity in order to help create a better society. Instead of simply continuing with our present business model, we must visualize an ideal society and the kind of company we want to be, and do so from a long -term and then an ultra long-term perspective. From there we will adopt a backcasting approach and implement appropriate actions.

Our environmental charter states that “humankind has the duty to hand on the irreplaceable global environment to the next generation in a sound state.” In order to realize that stipulated Shibaura Mechatronics Group will continue to drive forward with its long-term environmental management plan.

* Please refer to the 2009 Shibaura Mechatronics Group CSR Report for more details on our CSR activities.

http://www.shibaura.co.jp/csr/pdf/CSR_2009.pdf

Corporate Governance

Fundamental Approach to Corporate Governance

Shibaura Mechatronics Group defines corporate governance as a key management function for developing corporate value with shareholders, customers, employees and society and for a medium - to long - term perspective. We are all of us - the company's executives and offices, all employees - responsible for implementing measure that will build corporate value, and we must all ask and clarify, "What is required of us ?" and "What should we do ?" in respect of the law, social norms, ethics, and the like, and as the basis for compliance and risk management and for drawing up and applying the "Shibaura Mechatronics Group Code of Conduct".

Enforcement and Oversight of Corporate Decision Making and the Business Management Structure and Other Aspects of Corporate Governance

(1) The board of directors currently has 10 members. Outside directors are not elected. The company recognizes the need for outside directors who are not captive to the company's internal logic, who are able to draw on their experience to offer an independent, objective perspective. Going forward, we propose to identify suitable candidates to become outside directors

and to propose them to the general meeting of the shareholders.

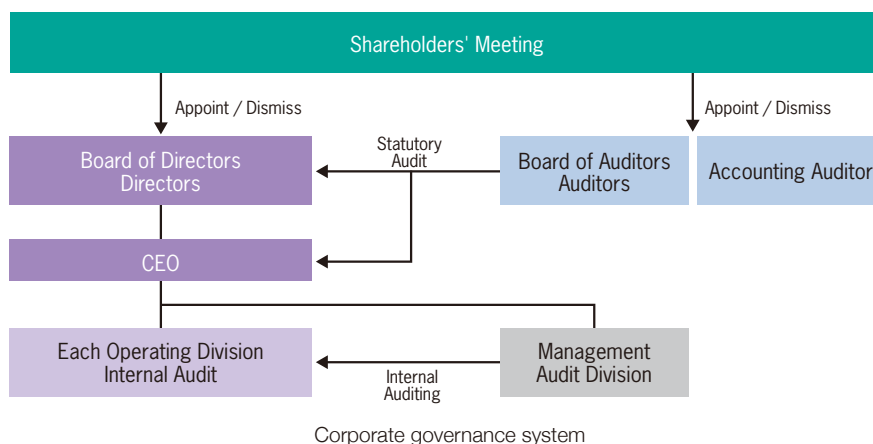
We also intend to examine measures for further strengthening corporate governance, in order to implement optimized policy on management administration (including the size of the board and introducing the executive officer system).

(2) The corporate auditing system currently comprises four corporate auditors, all from outside the company, who are charged with further reinforcing corporate governance. Two of the corporate auditors are full-time, able to conduct proactive audits and to work in close cooperation with the part-time auditors. The auditors receive advance briefings on matters concerning the board of directors, and are able to play a positive role in bringing matter to the board's attention.

The corporate auditors and financial auditors cooperate closely to develop and plan audit-related policy and objectives, through such means as information exchanges and prior consultation.

The corporate governance system is shown in the illustration below.

(3) Management Audit Division is organized under the direct



control of the CEO and is responsible for auditing management. Its mission centers on monitoring management appropriateness. The audit function also includes another aspect : auditing for compliance with laws and regulations by a certified public accountant (independent auditor). Beyond this, each individual section also carries out its own audit of operations, under the guidance of Management Audit Division.

The corporate auditors and Management Audit Division, responsible for internal auditing work in close cooperation to define audit objectives, plans, et cetera, and the head of Management Audit Division ensures that audits are enforced and that the results are reported to the corporate auditors. In addition, the head of Management Audit Division is to be appointed with prior consultations between the corporate auditors and the company.

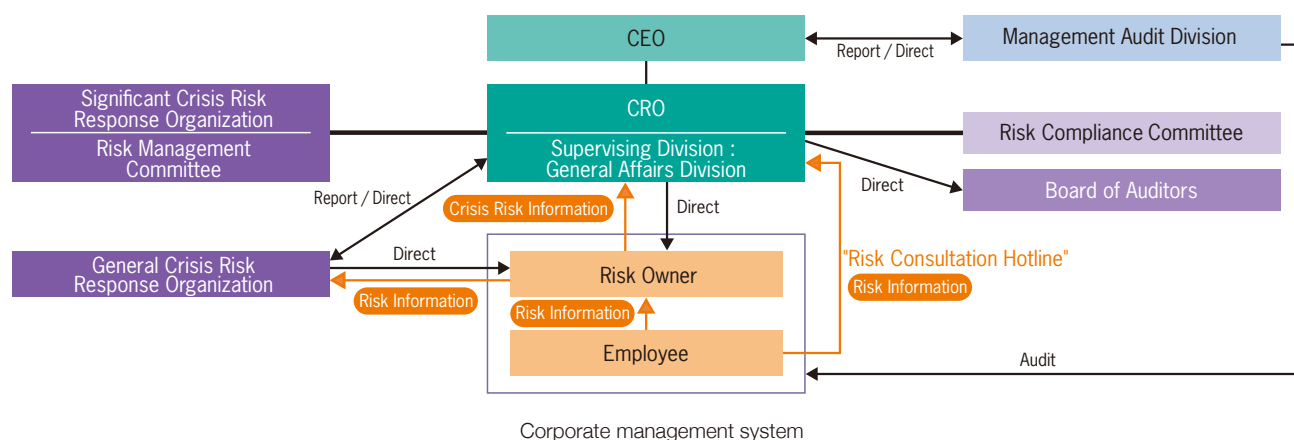
- (4) At present, policy on providing incentives to directors of the company is being considered what kind of incentive is to contribute not restricted to short term performance, but to be continuously contributions to improve performance in the medium to long term.
- (5) Remuneration paid to directors is periodically disclosed in the business reports and the Financial Statement, as a

sum total.

- (6) General Affairs Division provides the outside directors with a support organization. In addition, the division provides the full-time auditors with briefings prior to meetings, as necessary, and is dedicated to assuring a structure where there is no deficiency in the provision of information.
- (7) The management strategy meeting, in addition to the meeting of the board of directors, is held once a week in principle, with a membership comprising the CEO and executive directors, as well as the directors responsible for management corporate planning, marketing & sales, technology, production & procurement, finance & accounting and general affairs, and shall discuss and make decisions on matters related to such functions as management of business, auditing and supervision, nomination, and decisions on remuneration.

Basic Approach to and Maintenance of the Internal Control System

Shibaura Mechatronics deploys an internal control system that is centered on legal compliance and risk management, plus management efficiency. We continue to introduce



policy measures to strengthen the internal control system (establishing official rules, comprehensive education, strengthening audit systems, information management and the like), and to make it the bedrock for further improvement.

In addition, the following has been decided in respect of the system to ensure that directors carry out their duties in conformity with laws and regulations and the company's articles of incorporation, and the system to assure the efficient performance of directors in carrying out their duties.

(1) System in order to ensure that directors carry out their duties in conformity with laws and regulations and the company's articles of incorporation.

(a) The board of directors, as specified in the regulations for meetings of the board of directors, meets every month, as a general rule.

(b) The head of Management Audit Division develops and plans audit-related policy and objectives, in close cooperation with the corporate auditors, and also enforces internal audits by ensuring that all departments carry out audits of their operations in the same way.

(2) System for preserving and managing information used by directors in carrying out their duties.

Important documents used by directors in carrying out their duties (minutes of major meetings, documents granting approval, contract documents, confidential documents and all applicable electronic media), must be preserved and managed pursuant to company regulations (Documents preserving regulation, Confidential information managing basic regulations, etc.) in an appropriate manner.

(3) The regulations in respect of managing the danger of a loss and other systems.

Observing the risk management regulation, risk management systems for normal times (identify

and analyze (business) risk, develop and deploy countermeasures, train employees, make internal reports) and times of emergency (establish Risk Management Committee, centralize information to the Chief Risk Officer, etc.) must be made for preventing or minimizing any damage, and for the reasonable disclosure of information.

(4) System to guarantee the efficient performance of directors in carrying out their duties.

(a) Meetings of the board of directors shall be held at a regular time every month, and also be held in recognition of the need for timeliness.

(b) In order to achieve rapid decision-making and optimized business operations, and to observe rules on final decision-making authority, CEO and executive directors, as well as the directors responsible for management corporate planning, marketing & sales, technology, production & procurement, finance & accounting and general affairs, will, as a general rule, hold a weekly meeting of management strategy meeting, to deliberate on and make decisions.

(c) Specialized meetings related to deliberating and reporting on the following management matters, the budget, business, manufacturing, development and design, and others, will be held every month, as a general rule.

(d) The decisions made by the final decision-making authority including the meetings of the board of directors shall be undertaken pursuant to organization regulations, regulation of division of duties and managerial responsibilities, and assuring observance of regulations in undertaking all professional duties and the appropriate performance of business management.

(5) System to guarantee conformity with laws and regulations and the articles of incorporation by employees carrying out their responsibilities.

(a) The CSR Committee is responsible for taking concrete action to promote thorough penetration of and

systematic compliance with management ethics and laws and regulations. Further to this, the Shibaura Mechatronics Group Code of Conduct has been established to provide group companies with ethical standards in their business activities, and the content should be made familiar to all employees through training.

- (b) In addition to distributing information through the organization, early detection of problems and an appropriate response making use of an internal report procedure (include a risk consultation hotline for any necessary consultation with a lawyer) should be achieved.
- (6) System to ensure business operations appropriate for a public company by the business group comprising the parent company and its affiliated companies.
 - (a) The Shibaura Mechatronics Group Code of Conduct shall apply to all the the affiliated companies and should be made familiar to all the employees.
 - (b) Shibaura's Management Audit Division also oversees management audits at the affiliated companies.
 - (c) In order to supervise the management performance of the affiliated companies, managers from the Company may be appointed to serve as part-time directors.
 - (d) Both domestic and overseas affiliated companies must implement and abide by regulations regarding business management (matters requiring prior approval by or that have to be notified to the parent) pursuant to Domestic affiliated companies and Overseas affiliated companies respectively.
- (7) System by which auditors carrying out their duties and who seek assistance can assure the assistance of an appropriate assistant.
 - (a) Management Audit Division and General Affairs Division support the auditors carrying out their duties.
 - (b) When auditors seek assistance carrying out their duties, an assistant shall be selected from an appropriate department, in consultation with the auditors.

- (8) The independence of the assistant referred to above from directors of the company.

The assistant referred to in (7)(b) above shall be treated as full-time staff, subject to oversight by the auditors, and shall not carry out other assignments concurrently.

- (9) The system for reports to the auditors by directors and employees and the system for reports to the other auditors.
 - (a) In the event that directors, the CRO and the head of Management Audit Division discover, in connection with an internal audit, any material items that will impact on performance or any actions that represent serious breaches of laws and regulations, they shall, without delay, inform the corporate auditors.
 - (b) The auditors shall be allowed to attend management strategy meetings and other important meetings, and committee meetings.
- (10) System to further ensure the practical effectiveness of audits by the auditors.
 - (a) The president shall, at certain intervals, exchange information with the auditors.
 - (b) The corporate auditors shall, at certain intervals, exchange information with the independent auditors.
 - (c) The head of Finance and Accounting Division shall, at certain intervals, exchange information with the auditors.
 - (d) The head of Management Audit Division shall submit a report to the corporate auditors in respect of the results of internal audits.
 - (e) The head of Management Audit Division shall be appointed with prior consultations between the corporate auditors and the company.

Board of Directors

As of June 18, 2009



Sennosuke Yoshida Auditor	Yutaka Okazaki Auditor	Hitoshi Dojima Vice President	Masaaki Nomi Auditor	Yoshiaki Sato Auditor	
Kazuhiko Igarashi Vice President	Shunichi Kishimoto Vice President	Satoru Hara Vice President	Shuichi Shimada Vice President	Yukimasa Yoshida Vice President	Masaharu Yamanaka Vice President
	Shigeki Fujita Senior Vice President	Kenji Minami President and Chief Executive Officer	Masahiro Abe Senior Vice President		

Directors

President and Chief Executive Officer

Kenji Minami

Senior Vice President

Masahiro Abe
Shigeki Fujita

Vice President

Shuichi Shimada
Satoru Hara
Yukimasa Yoshida
Shunichi Kishimoto
Masaharu Yamanaka
Kazuhiko Igarashi
Hitoshi Dojima

Auditor

Masaaki Nomi
Yutaka Okazaki
Yoshiaki Sato (Outside)
Sennosuke Yoshida (Outside)

Executive Adviser

Shigeki Morita

Investor Information

As of March 31, 2009

Date Established	October 12, 1939
Capital	6,761 Million-Yen
Number of Employees	Consolidated : 1,694 Non-consolidated : 964
Common Stock	Authorized : 100,000,000 shares Issued and outstanding : 51,926,194 shares
Number of Shareholders	7,469
Stock Listings	The Tokyo Stock Exchange (Code : 6590)
Transfer Agent for Common Stock	The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan
Independent Auditor	ERNST & YOUNG SHINNIHON LLC
Headquarters	5-1, Kasama 2-chome, Sakae-ku, Yokohama, Kanagawa Pref. 247-8610, Japan TEL : +81-45-897-2421 FAX : +81-45-897-2470 http://www.shibaura.co.jp/

Common Stock Price Range (The Tokyo Stock Exchange)

	Year ended March 31,				
	2009	2008	2007	2006	2005
High (yen)	687	824	1,374	1,759	1,081
Low (yen)	234	388	525	864	590

Principal Shareholders

	Number of shares hold (thousand shares)	Percentage of total shares outstanding (%)
Toshiba Corporation	18,977	36.5
UBS AG LONDON ASIA EQUITIES	2,130	4.1
THE TACHIBANA SECURITIES Co., LTD	2,123	4.1
Japan Trustee Services Bank, Limited (trust accounts 4)	1,646	3.2

SHIBAURA MECHATRONICS CORPORATION

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FAX : +81-45-897-2470

<http://www.shibaura.co.jp/>

※Blu-ray Disc is a trademark of Sony Corporation.

※All the other trademarks mentioned in this report belong to their respective companies.

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