

# *Financial Section*

*Annual Report 2008 Year ended March 31, 2008*

## Contents

Report of Independent Auditors . . . . .	01
Consolidated Balance Sheets . . . . .	02
Consolidated Statements of Operations . . . . .	04
Consolidated Statements of Net Assets . . . . .	05
Consolidated Statements of Cash Flows . . . . .	06
Notes to Consolidated Financial Statements . . . . .	08
Supplemental Information . . . . .	22

# Report of Independent Auditors



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## Report of Independent Auditors

The Board of Directors  
Shibaura Mechatronics Corporation

We have audited the accompanying consolidated balance sheets of Shibaura Mechatronics Corporation (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shibaura Mechatronics Corporation and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 19, 2008

*Ernst & Young Shin Nihon*

A MEMBER OF ERNST & YOUNG GLOBAL

# Consolidated Balance Sheets

Shibaura Mechatronics Corporation and Subsidiaries

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>Assets</b>			
Current assets :			
Cash and bank deposits (Note 10)	¥ 9,060	¥ 8,211	\$ 90,428
Short-term investments	286	388	2,858
Notes and accounts receivable, trade	21,933	25,532	218,910
Allowance for doubtful accounts	(55)	(46)	(547)
Inventories (Note 4)	11,848	15,919	118,258
Deferred tax assets (Note 7)	2,204	1,581	21,996
Other current assets	596	1,182	5,684
Total current assets	45,845	52,767	457,587
Property, plant and equipment :			
Land	198	197	1,981
Buildings and structures (Note 10)	29,281	29,339	292,258
Machinery and equipment	1,173	1,184	11,702
Construction in progress	232	192	2,313
Total	30,884	30,912	308,254
Accumulated depreciation	(15,378)	(14,448)	(153,492)
Property, plant and equipment, net	15,506	16,464	154,762
Investments and other assets :			
Investments in securities (Note 3)	295	371	2,945
Deferred tax assets (Note 7)	2,308	2,793	23,037
Other assets	1,046	807	10,434
Allowance for doubtful accounts	(5)	(5)	(50)
Total investments and other assets	3,644	3,966	36,366
Total assets	¥ 64,995	¥ 73,197	\$ 648,715

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>Liabilities and net assets</b>			
Current liabilities :			
Short-term bank loans (Note 5)	¥ 861	¥ 1,146	\$ 8,593
Current portion of long-term debt (Note 5)	6,415	0	64,030
Notes and accounts payable, trade	14,097	21,683	140,699
Allowance for bonuses to directors and statutory auditors	32	13	316
Provision for contract losses	398	373	3,973
Accrued expenses	3,529	3,321	35,226
Accrued income taxes (Note 7)	711	354	7,093
Accrued consumption taxes	0	97	0
Other current liabilities	1,695	2,433	16,919
Total current liabilities	27,738	29,420	276,849
Long-term liabilities :			
Long-term debt (Note 5)	3,804	10,220	37,971
Retirement benefits (Note 8)	4,715	4,779	47,061
Directors' retirement benefits	188	159	1,881
Reserve for repair and maintenance	303	296	3,021
Negative goodwill	179	239	1,789
Other long-term liabilities	3,023	3,000	30,170
Total long-term liabilities	12,212	18,693	121,893
Contingent liabilities (Note 11)			
Net assets :			
Shareholders' equity :			
Common stock :			
Authorized : 100,000,000 shares			
Issued : 51,926,194 shares at March 31, 2008 and 2007	6,762	6,762	67,487
Additional paid-in capital	10,739	10,739	107,186
Retained earnings	8,871	8,769	88,540
Less treasury stock, at cost	(1,718)	(1,715)	(17,140)
Total shareholders' equity	24,654	24,555	246,073
Valuation and translation adjustments :			
Net unrealized holding gains on other securities	77	129	766
Foreign currency translation adjustments	54	99	542
Total valuation and translation adjustments	131	228	1,308
Minority interest in consolidated subsidiaries	260	301	2,592
Total net assets	25,045	25,084	249,973
Total liabilities and net assets	¥ 64,995	¥ 73,197	\$ 648,715

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Statements of Operations

Shibaura Mechatronics Corporation and Subsidiaries

	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Net sales	<b>¥ 66,441</b>	¥ 74,663	<b>\$ 663,153</b>
Cost of sales	<b>52,070</b>	65,322	<b>519,714</b>
Gross profit	<b>14,371</b>	9,341	<b>143,439</b>
Selling, general and administrative expenses	<b>12,724</b>	10,971	<b>127,003</b>
Operating income (loss)	<b>1,647</b>	(1,630)	<b>16,436</b>
Other income (expenses) :			
Interest and dividend income	<b>34</b>	43	<b>338</b>
Interest expense	<b>(147)</b>	(121)	<b>(1,468)</b>
Foreign exchange gain (loss) , net	<b>(65)</b>	118	<b>(648)</b>
Amortization of negative goodwill	<b>60</b>	60	<b>597</b>
Loss on disposal of inventory	<b>(57)</b>	(196)	<b>(571)</b>
Other, net	<b>10</b>	(1)	<b>104</b>
Income (loss) before income taxes and minority interest	<b>1,482</b>	(1,727)	<b>14,788</b>
Income taxes (Note 7) :			
Current	<b>1,138</b>	540	<b>11,354</b>
Prior years	<b>59</b>	-	<b>591</b>
Deferred	<b>(118)</b>	(1,202)	<b>(1,177)</b>
Income (loss) before minority interest	<b>1,079</b>	(662)	<b>10,768</b>
	<b>403</b>	(1,065)	<b>4,020</b>
Minority interest in losses of consolidated subsidiaries	<b>(23)</b>	(18)	<b>(232)</b>
Net income (loss)	<b>¥ 426</b>	¥ (1,047)	<b>\$ 4,252</b>

The accompanying notes are an integral part of the consolidated financial statements.



# Consolidated Statements of Net Assets

Shibaura Mechatronics Corporation and Subsidiaries

	Shareholders' equity					Valuation and translation adjustments			Total
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding gains on other securities	Foreign currency translation adjustments	Minority interest in consolidated subsidiaries	
			(Millions of yen)			(Millions of yen)			(Millions of yen)
<b>Balance as of March 31, 2006</b>	51,926,194	¥ 6,762	¥ 10,739	¥ 10,224	¥ (215)	¥ 125	¥ 35	¥ 328	¥ 27,998
Net loss	-	-	-	(1,047)	-	-	-	-	(1,047)
Cash dividends	-	-	-	(363)	-	-	-	-	(363)
Bonuses to directors and statutory auditors	-	-	-	(45)	-	-	-	-	(45)
Net change during the year	-	-	-	-	-	4	64	(27)	41
Net increase in treasury stock	-	-	-	-	(1,500)	-	-	-	(1,500)
Net decrease in treasury stock	-	-	(0)	-	0	-	-	-	0
<b>Balance as of March 31, 2007</b>	51,926,194	6,762	10,739	8,769	(1,715)	129	99	301	25,084
Net income	-	-	-	426	-	-	-	-	426
Cash dividends	-	-	-	(371)	-	-	-	-	(371)
Increase due to inclusion of additional subsidiary in the consolidation	-	-	-	47	-	-	-	-	47
Net change during the year	-	-	-	-	-	(52)	(45)	(41)	(138)
Net increase in treasury stock	-	-	-	-	(3)	-	-	-	(3)
Net decrease in treasury stock	-	-	(0)	-	0	-	-	-	0
<b>Balance as of March 31, 2008</b>	51,926,194	¥ 6,762	¥ 10,739	¥ 8,871	¥ (1,718)	¥ 77	¥ 54	¥ 260	¥ 25,045

	Shareholders' equity				Valuation and translation adjustments			Total
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding gains on other securities	Foreign currency translation adjustments	Minority interest in consolidated subsidiaries	
	(Thousands of U.S. dollars) (Note 1)				(Thousands of U.S. dollars) (Note 1)			(Thousands of U.S. dollars) (Note 1)
<b>Balance as of March 31, 2007</b>	\$ 67,487	\$ 107,187	\$ 87,526	\$(17,115)	\$ 1,290	\$ 981	\$ 3,007	\$ 250,363
Net income	-	-	4,252	-	-	-	-	4,252
Cash dividends	-	-	(3,700)	-	-	-	-	(3,700)
Increase due to inclusion of additional subsidiary in the consolidation	-	-	462	-	-	-	-	462
Net change during the year	-	-	-	-	(524)	(439)	(415)	(1,378)
Net increase in treasury stock	-	-	-	(29)	-	-	-	(29)
Net decrease in treasury stock	-	(1)	-	4	-	-	-	3
<b>Balance as of March 31, 2008</b>	\$67,487	\$107,186	\$ 88,540	\$(17,140)	\$ 766	\$ 542	\$ 2,592	\$ 249,973

The accompanying notes are an integral part of the consolidated financial statements.

# Consolidated Statements of Cash Flows

Shibaura Mechatronics Corporation and Subsidiaries

	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>Operating activities :</b>			
Income (loss) before income taxes and minority interest	¥ 1,482	¥ (1,727)	\$ 14,788
Depreciation and amortization	1,245	1,165	12,427
Amortization of negative goodwill	(60)	(60)	(597)
Allowance for doubtful accounts	9	(17)	88
Decrease provision for retirement benefits	(263)	(58)	(2,626)
Interest and dividend income	(35)	(43)	(346)
Interest expense	147	121	1,468
Loss on disposal of property, plant and equipment	54	38	541
Gain on sale of land	3	-	31
Gains (losses) on sale of investment securities, net	-	(9)	-
Foreign exchange gain (loss), net	6	(7)	58
Increase (decrease) in advances received	111	(902)	1,103
Decrease (increase) in notes and accounts receivable, trade	3,596	(700)	35,895
Decrease (increase) in inventories	4,065	(174)	40,576
Decrease in notes and accounts payable, trade	(7,289)	(80)	(72,756)
Increase in accrued consumption taxes	71	19	705
Bonuses paid to directors and statutory auditors	-	(45)	-
Other, net	641	(712)	6,404
Subtotal	3,783	(3,191)	37,759
Interest and dividends received	37	41	369
Interest paid	(147)	(123)	(1,472)
Income taxes paid	(755)	(1,100)	(7,535)
Net cash provided by (used in) operating activities	¥ 2,918	¥ (4,373)	\$ 29,121



	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>Investment activities :</b>			
Payments for time deposits	¥ (113)	¥ (308)	\$ (1,130)
Proceeds from time deposits	202	150	2,019
Purchases of property, plant and equipment	(2,276)	(1,646)	(22,723)
Proceeds from sale of property, plant and equipment	810	474	8,087
Payments for acquisition of business, net of cash acquired	(59)	-	(587)
Proceeds from sale of investment securities	-	10	-
Collection of long-term loans receivable	0	1	2
Other, net	(177)	(43)	(1,766)
Net cash used in investing activities	(1,613)	(1,362)	(16,098)
<b>Financing activities:</b>			
(Decrease) increase in short-term bank loans, net	(256)	340	(2,567)
Proceeds from long-term debt	-	3,800	-
Repayment of long-term debt	-	(2,670)	-
Purchases of treasury stock	(3)	(1,500)	(29)
Proceeds from sale of treasury stock	0	0	4
Cash dividends paid	(371)	(363)	(3,700)
Cash dividends paid to minority interest	(7)	(22)	(68)
Net cash used in financing activities	(637)	(415)	(6,360)
Effect of exchange rate changes on cash and cash equivalents	(7)	24	(68)
Net increase (decrease) in cash and cash equivalents	661	(6,126)	6,595
Cash and cash equivalents at beginning of year	8,211	14,337	81,954
Increase arising from inclusion of subsidiaries in consolidation	188	-	1,879
Cash and cash equivalents at end of year	¥ 9,060	¥ 8,211	\$ 90,428

The accompanying notes are an integral part of the consolidated financial statements.

# Notes to Consolidated Financial Statements

Shibaura Mechatronics Corporation and Subsidiaries March 31, 2008

## 1. Basis of Presentation

Shibaura Mechatronics Corporation (the "Company") and its consolidated subsidiaries (collectively, the "Companies") maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which differ in certain respects from the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include non-consolidated financial statements as supplemental information.

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company is incorporated and operates. The translation of yen amounts into U.S. dollar amounts has been included solely for the convenience of readers outside Japan. The translation has been made at the rate of ¥100.19 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2008. This translation should not be construed as a representation that yen could be converted into U.S. dollars at the above or any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Basis of consolidation

The accompanying consolidated financial statements include the accounts of Shibaura Mechatronics Corporation and eight subsidiaries over which the Company exerts substantial control, either through majority ownership of voting stock and/or by other means. All assets and liabilities of the subsidiaries are revalued at fair value on acquisition, if applicable. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in unconsolidated subsidiaries that are not deemed material to the consolidated financial statements are stated at cost.

Shibaura Mechatronics (Shanghai) CO., LTD was newly consolidated in the fiscal year ended March 31, 2008 due to increase in its significance.

Investments in the unconsolidated subsidiary are stated at cost.

Certain subsidiaries have year end which differs from that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year end of the subsidiaries and the year end of the Company.

### (b) Foreign currency translation

The revenue and expense accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the average exchange rate during the year. The balance sheet accounts, except for the components of net assets, are also translated into yen at the rate of exchange in effect at the balance sheet date. The components of net assets are translated at their historical exchange rates. Differences arising from translations where two exchange rates have been used are presented as "Foreign currency translation adjustments", a component of net assets in the accompanying consolidated financial statements.

Foreign currency monetary assets and liabilities are translated into Japanese yen at the exchange rates in effect at each balance sheet date and the resulting translation gains or losses are credited or charged currently to income.

### (c) Cash and cash equivalents

The Company and its subsidiaries substantially consider all highly liquid investments with a maturity of three months or less from their purchase dates to be cash equivalents.

### (d) Securities

Marketable securities categorized as other securities are carried at fair value with unrealized holding gain and loss,

net of applicable income taxes, accounted for as a separate component of net assets. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is computed based on the moving average method.

(e) Derivatives

All derivatives are carried at fair value.

(f) Inventories

Inventories are stated at cost, determined principally by the following methods:

Finished goods and raw materials

- moving average method

Semi-finished goods and work in process

- individual cost method

(g) Depreciation and amortization

Depreciation of property, plant and equipment is generally computed by the declining-balance method, based on the estimated useful lives of the respective assets. The straight-line method is applied to a certain research facility acquired during the year ended March 31, 1995, and buildings acquired after April 1, 1998. Foreign consolidated subsidiaries compute depreciation primarily using the straight-line method. The following summarizes the estimated useful lives of property, plant and equipment by major category:

Buildings and structures	3 - 60 years
Machinery and equipment	2 - 17 years

With effect from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Statutory Tax Law. The effect of this change on the financial result is immaterial.

In addition, with effect from the year ended March 31, 2008, depreciation expense for tangible fixed assets acquired before April 1, 2007 is computed on the basis of the salvage value of 5 percent of acquisition cost, and the amount between the salvage value and memorandum value is depreciated from the year following the year in which the

book value of an asset reaches 5 percent of its acquisition cost by the straight-line method over a period of five years. This change was made based on an amendment to the Statutory Tax Law. The effect of this change on the financial result is immaterial.

Intangible assets are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over a period of 5 years, based on the estimated useful life of the software.

The Company amortizes negative goodwill over an estimated useful life of 5 years by the straight-line method.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. The amount of the allowance is determined based on their historical experience with write-offs, plus an estimate of specific probable doubtful accounts based on a review of the collectibility of individual receivables.

(i) Allowance for bonuses to directors and statutory auditors

To provide for the payment of bonuses to directors and statutory auditors, an allowance is made based on projected amount.

(j) Provision for contract losses

Provision for contract losses is provided at an amount considered to cover the estimated possible losses involved in orders for which loss occurrence is highly anticipated where the loss amount can be reasonably estimated at the balance sheet date for all orders.

(k) Retirement benefits and pension plans

An allowance for employees' retirement benefits has been provided, based on the projected retirement benefit obligation and the pension fund assets. Actuarial gain or loss is amortized effective the year subsequent to the year in which they arise by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees.

The Companies also provide for retirement benefits to directors and statutory auditors, based on the Companies' internal rules, at the amount that would be required to be paid if all directors and statutory auditors retired or resigned at the balance sheet date.

(l) Reserve for repair and maintenance

A certain research facility acquired during the year ended March 31, 1995 requires periodic repairs and maintenance. An accrual for these repair expenses is recorded based on the current portion of the total expenses estimated for such repairs.

(m) Leases

Finance leases other than those deemed to transfer the title of the leased assets to the lessee are not capitalized, but are accounted for by a method similar to that applicable to operating leases.

(n) Hedging accounting

Interest rate swaps which meet specific hedge criteria and qualify for special hedge accounting treatment are not remeasured at fair value.

Hedging instruments and hedged items are summarized as follows :

Hedging instruments	Hedged items
Interest rate swap agreements	Interest on loans

The Company uses financial instruments to hedge interest rate fluctuation risks.

For interest rate swaps meeting the criteria for special treatment, assessment is omitted.

(o) Research and development costs

Research and development costs are expensed as incurred and included in cost of sales and selling, general and administrative expenses.

(p) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax-based reporting of the assets and liabilities, and are measured using the statutory tax rates which will be in effect when the differences are expected to be realized.

### 3. Securities

At March 31, 2008 and 2007, marketable securities classified as other (available-for-sale) securities are summarized as follows :

	March 31, 2008			March 31, 2007			March 31, 2008		
	Acquisition costs	Amount recorded in the balance sheet	Difference	Acquisition costs	Amount recorded in the balance sheet	Difference	Acquisition costs	Amount recorded in the balance sheet	Difference
	(Millions of yen)			(Millions of yen)			(Thousands of U.S. dollars)		
Other securities whose market value recorded in the balance sheet exceed their acquisition costs :									
Equity securities	¥ 70	¥ 178	¥ 108	¥ 138	¥ 318	¥ 180	\$ 703	\$1,778	\$1,075
Debt securities	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	¥ 70	¥ 178	¥ 108	¥ 138	¥ 318	¥ 180	\$ 703	\$1,778	\$1,075

	March 31, 2008			March 31, 2007			March 31, 2008		
	Acquisition costs	Amount recorded in the balance sheet	Difference	Acquisition costs	Amount recorded in the balance sheet	Difference	Acquisition costs	Amount recorded in the balance sheet	Difference
	(Millions of yen)			(Millions of yen)			(Thousands of U.S. dollars)		
Other securities whose market value recorded in the balance sheet do not exceed their acquisition costs:									
Equity securities	¥ 68	¥ 64	¥ (4)	-	-	-	\$ 676	\$ 641	\$ (35)
Debt securities	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	¥ 68	¥ 64	¥ (4)	¥ -	¥ -	¥ -	\$ 676	\$ 641	\$ (35)

At March 31, 2008 and 2007, non-marketable securities carried at cost are summarized as follows :

	March 31, 2008		March 31, 2007		March 31, 2008	
	(Millions of yen)				(Thousands of U.S. dollars)	
Investments in affiliates:						
Unlisted equity securities other than those traded on the over-the-counter market	¥	52	¥	52	\$	520
Other unlisted securities other than those traded on the over-the-counter market		1		1		6

#### 4. Inventories

Inventories at March 31, 2008 and 2007 are summarized as follows :

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
Finished products	¥ 3,997	¥ 6,455	\$ 39,895
Raw materials	171	149	1,707
Work in process	7,680	9,315	76,656
Total	¥ 11,848	¥ 15,919	\$ 118,258

## 5.Short-Term Bank Loans and Long-Term Debt

The weighted average interest rate per annum on the short-term bank loans outstanding at March 31, 2008 and 2007, were 4.7% and 2.4%, respectively.

Long-term debt at March 31, 2008 and 2007 are summarized as follows :

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
Unsecured :			
Zero coupon Japanese yen convertible notes (notes with stock acquisition rights)	¥ 3,215	¥ 3,215	\$ 32,089
1.30 percent to 1.69 percent loans from banks due 2008 – 2010	7,000	7,000	69,867
Loans from Pension Welfare Service Public Corporation due 2008 – 2034	4	4	45
Total	10,219	10,219	102,001
Less current portion	6,415	-	64,030
Long-term debt ,net	¥ 3,804	¥ 10,219	\$ 37,971

Loans from the Pension Welfare Service Public Corporation represent financing for housing loans to the Company's employees, and the same amount is stated as a portion of other assets (loans to employees). The Company pays the interest on such loans to the lender and collects the same amount from the employees as the borrowers.

On March 8, 2004, the Company issued ¥5,000 million zero coupon Japanese yen convertible notes (notes with stock acquisition rights) due March 8, 2009. These notes are convertible during the period from March 22, 2004 to February 20, 2009, at the option of the holder, into shares of common stock at a price of ¥943 per share, subject to adjustment in specific circumstances.

Aggregate annual maturities of long-term debt at March 31, 2008 are summarized as follows :

	March 31, 2008	
	(Millions of yen)	(Thousands of U.S. dollars)
2009	¥ 6,415	\$ 64,030
2010	3,800	37,930
2011	0	2
2012 and thereafter	4	39
Total	¥ 10,219	\$ 102,001

At March 31, 2008, the Company had unused committed lines of credit with seven banks for efficient financial arrangements for operating funds aggregating ¥10,000 million (\$99,810 thousand). These lines of credit have fee commitment requirements.

## 6. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2008 and 2007, respectively, are as follows :

	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
	<b>¥ 3,184</b>	<b>¥ 2,713</b>	<b>\$ 31,781</b>

## 7. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of 40.6%

for the years ended March 31, 2008 and 2007. Income taxes of the overseas subsidiaries are based on the tax rates applicable in their countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2008 and 2007 are summarized as follows :

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Employees' retirement benefits	<b>¥ 1,852</b>	<b>¥ 1,887</b>	<b>\$ 18,486</b>
Accrued employees' bonuses	<b>598</b>	<b>542</b>	<b>5,963</b>
Provision for contract losses	<b>142</b>	<b>151</b>	<b>1,418</b>
Accrual for periodic repairs	<b>123</b>	<b>120</b>	<b>1,226</b>
Enterprise tax payable	<b>73</b>	<b>43</b>	<b>733</b>
Tax loss carried forward	<b>1,341</b>	<b>1,360</b>	<b>13,383</b>
Other	<b>813</b>	<b>414</b>	<b>8,117</b>
Gross deferred tax assets	<b>4,942</b>	<b>4,517</b>	<b>49,326</b>
Valuation allowance	<b>(375)</b>	<b>(91)</b>	<b>(3,744)</b>
Total deferred tax assets	<b>4,567</b>	<b>4,426</b>	<b>45,582</b>
Deferred tax liabilities:			
Unrecognized holding gain on other securities	<b>(28)</b>	<b>(52)</b>	<b>(282)</b>
Other	<b>(27)</b>	<b>-</b>	<b>(267)</b>
Total deferred tax liabilities	<b>(55)</b>	<b>(52)</b>	<b>(549)</b>
Net deferred tax assets	<b>¥ 4,512</b>	<b>¥ 4,374</b>	<b>\$ 45,033</b>



The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2008 differ from the statutory tax rate for the following reasons :

	Year ended March 31, 2008
Statutory tax rate	40.6 %
Effect of:	
Tax non-deductible expenses such as entertainment expenses	3.2
Per capita levy of inhabitants' taxes and other	1.4
Prior years' income taxes	1.3
Changes in valuation allowance	19.2
Dividends from foreign subsidiaries	12.9
Tax loss carried forward	(1.0)
Tax-deductible R&D credits	(3.4)
Other, net	(1.4)
Effective tax rates	72.8 %

The reconciliation in 2007 is omitted since loss before income taxes and minority interests was recorded for the year ended March 31, 2007.

## 8.Retirement Benefits

The Companies have defined benefit pension plans and lump-sum retirement payment plans which cover substantially all employees who retire from the Companies. Eligible employees may also receive additional payments under the plans.

The following is a summary of the plans

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
Projected benefit obligation	¥ (9,714)	¥ (9,997)	\$ (96,957)
Fair value of plan assets	3,312	3,630	33,055
Funded status	(6,402)	(6,367)	(63,902)
Unrecognized actuarial loss	1,894	1,588	18,905
Prepaid pension cost	(207)	-	(2,064)
Allowance for retirement benefits	¥ (4,715)	¥ (4,779)	\$ (47,061)

The consolidated subsidiaries have adopted a simplified method, as permitted, to calculate the projected benefit obligation.

Components of net periodic pension cost for the years ended March 31, 2008 and 2007 are summarized as follows :

	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 535	¥ 464	\$ 5,345
Interest cost on projected benefit obligation	187	182	1,868
Expected return on plan assets	(127)	(117)	(1,268)
Amortization of actuarial loss	293	345	2,923
Net periodic pension cost	¥ 888	¥ 874	\$ 8,868

The allowance for retirement benefits was determined by the simplified method by the consolidated subsidiaries and has been included in service cost.

Assumptions used in the actuarial calculation for the years ended March 31, 2008 and 2007 are summarized as follows :

	March 31, 2008	March 31, 2007
Actuarial cost method	Projected unit credit method	
Discount rate	2.0% per annum	2.0% per annum
Expected rate of return on plan assets	3.5% per annum	3.5% per annum
Amortization period for actuarial loss	10 years (within the employees' average remaining years of service)	

## 9. Leases

### (1) Finance leases

Leased property under finance leases that do not transfer the title of the leased property to the lessee on an as-if-capitalized-basis for the years ended March 31, 2008 and 2007 are as follows :

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
Machinery, equipment and other assets :			
Acquisition cost	¥ 3,861	¥ 3,966	\$ 38,538
Accumulated depreciation	1,557	1,826	15,538
Net leased property	¥ 2,304	¥ 2,140	\$ 23,000

Non-cancelable lease transactions are primarily accounted for as operating leases (regardless of whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of the title of the leased asset to the lessee are accounted for as finance leases. Lease

expenses relating to finance leases accounted for as operating leases amounted to ¥987 million (\$9,855 thousand) and ¥1,012 million for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease payments subsequent to March 31, 2008 for finance lease transactions accounted for as operating leases are summarized as follows :

	March 31, 2008	
	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	¥ 807	\$ 8,057
Due after one year	1,557	15,542
Total	¥ 2,364	\$ 23,599

### (2) Operating leases:

	March 31, 2008	
	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	¥ 4	\$ 40
Due after one year	2	21
Total	¥ 6	\$ 61

## 10. Pledged assets

Assets pledged as collateral as of March 31, 2008 are summarized as follows :

	March 31, 2008	
	(Millions of yen)	(Thousands of U.S. dollars)
Bank deposits	¥ 28	\$ 273
Buildings and structures	1,021	10,193
Total	¥ 1,049	\$ 10,466

## 11. Contingent Liabilities

The Company had the following contingent liability :

	March 31, 2008	
	(Millions of yen)	(Thousands of U.S. dollars)
As guarantor for housing loans of employees	¥ 52	\$ 515

## 12. Derivatives and Hedging Activities

The Company has entered into interest-rate swap contracts to reduce the cost of borrowing. The Company uses these contracts to manage its exposure to interest-rate risk for hedge purposes. As a matter of policy, the Company does not enter into derivative transactions for trading purposes. The Company does not anticipate nonperformance by any of the counterparties to the above transactions, all of whom are domestic financial institutions with high credit ratings.

In accordance with the Company's policy, derivative transactions are entered into under the decision-making rules approved by the Management Strategy Committee of the Company. The department which has the responsibility to enter into such contracts monitors and controls the inherent risk and performance on a daily basis and reports these to management of the Company, if and when necessary.

In accordance with the special hedge accounting under the Accounting Standard for Financial Instruments, the Company does not record certain interest swap arrangements at fair value but charges or credits the net cash flows from the swap arrangements to the interest arising from the hedged borrowing, as long as these arrangements meet the specific criteria under the standard.

At March 31, 2008 and 2007, the fair value information for derivatives was not presented, since all derivatives were accounted for as hedges.

### 13. Segment Information

The business segment information of the Companies for the years ended March 31, 2008 and 2007 is summarized as follows :

#### Business segments

	Year ended March 31, 2008						
	Fine mechatronics	Electronic & vacuum systems	Vending machines & systems	Real estate leasing	Total	Eliminations or unallocated amounts	Consolidated
(Millions of yen)							
<b>I. Sales and operating income</b>							
Sales to external customers	¥ 47,559	¥ 9,589	¥ 7,470	¥ 1,823	66,441	¥ -	¥ 66,441
Intersegment sales or transfers	136	78	-	-	214	(214)	-
Total sales	47,695	9,667	7,470	1,823	66,655	(214)	66,441
Operating expenses	47,107	9,519	6,585	1,215	64,426	368	64,794
Operating income	¥ 588	¥ 148	¥ 885	¥ 608	¥ 2,229	¥ (582)	¥ 1,647

#### II. Total assets, depreciation and capital expenditures

Total assets	¥ 34,634	¥ 7,923	¥ 4,122	¥ 8,678	¥ 55,357	¥ 9,638	¥ 64,995
Depreciation	520	88	65	572	1,245	-	1,245
Capital expenditures	470	163	42	19	694	-	694

	Year ended March 31, 2007						
	Fine mechatronics	Electronic & vacuum systems	Vending machines & systems	Real estate leasing	Total	Eliminations or unallocated amounts	Consolidated
(Millions of yen)							
<b>I. Sales and operating income</b>							
Sales to external customers	¥ 59,118	¥ 9,528	¥ 4,193	¥ 1,824	¥ 74,663	¥ -	¥ 74,663
Intersegment sales or transfers	131	131	-	-	262	(262)	-
Total sales	59,249	9,659	4,193	1,824	74,925	(262)	74,663
Operating expenses	61,629	9,339	4,090	1,102	76,160	133	76,293
Operating income (loss)	¥ (2,380)	¥ 320	¥ 103	¥ 722	¥ (1,235)	¥ (395)	¥ (1,630)

#### II. Total assets, depreciation and capital expenditures

Total assets	¥ 44,567	¥ 8,124	¥ 3,435	¥ 9,235	¥ 65,361	¥ 7,836	¥ 73,197
Depreciation	423	93	85	564	1,165	-	1,165
Capital expenditures	2,439	15	88	5	2,547	-	2,547

## Year ended March 31, 2008

	Fine mechatronics	Electronic & vacuum systems	Vending machines & systems	Real estate leasing	Total	Eliminations or unallocated amounts	Consolidated
(Thousands of U.S. dollars)							
<b>I. Sales and operating income</b>							
Sales to external customers	\$ 474,689	\$ 95,704	\$ 74,559	\$ 18,201	\$ 663,153	\$ -	\$ 663,153
Intersegment sales or transfers	1,357	774	-	-	2,131	(2,131)	-
Total sales	476,046	96,478	74,559	18,201	665,284	(2,131)	663,153
Operating expenses	470,180	95,013	65,725	12,126	643,044	3,673	646,717
Operating income	\$ 5,866	\$ 1,465	\$ 8,834	\$ 6,075	\$ 22,240	\$ (5,804)	\$ 16,436
<b>II. Total assets, depreciation and capital expenditures</b>							
Total assets	\$ 345,685	\$ 79,083	\$ 41,145	\$ 86,611	\$ 552,524	\$ 96,191	\$ 648,715
Depreciation	5,186	877	654	5,710	12,427	-	12,427
Capital expenditures	4,686	1,627	420	191	6,924	-	6,924

## Notes:

- a) Basis of segmentation  
Business segments are divided into product categories by the same criteria as applied for internal control purposes.
- b) Major products in each business segment
- (1) Fine mechatronics  
FPD manufacturing equipment (wet cleaning equipment, stripping equipment, etching equipment, developing equipment, PI ink jet coater, cell assembly equipment, outer lead bonders), semiconductor manufacturing equipment (wet cleaning equipment, etching equipment, ashing equipment, die bonders, inner lead bonders, flip chip bonders, wafer inspection equipment), railroad maintenance equipment, non-destructive inspections, and other items.
- (2) Electronic & vacuum systems  
Laser equipment, microwave equipment, media device manufacturing equipment (sputtering equipment, vacuum bonding equipment), industrial vacuum evaporation equipment, rechargeable battery manufacturing equipment, precision parts manufacturing equipment, other automation equipment, vacuum pumps, and other items.
- (3) Vending machines & systems  
Vending machines, ticket vending machines, and others.
- (4) Real estate leasing  
Real estate leasing and management, and other businesses.
- c) Included in eliminations or unallocated amounts of operating expenses are unallocable amounts relating to research and development expenses incurred over the entire Group as part of the Company's research and development activities.
- d) Included in the eliminations or unallocated amounts of total assets were unallocable amounts totaling ¥9,638 million (\$ 96,191 thousand) and ¥7,836 million for the years ended March 31, 2008 and 2007, respectively, which primarily consisted of surplus funds (cash and bank deposits), investment funds (investment securities) of the Company and deferred tax assets.

## Geographical segments

No information by geographical segment for the years ended March 31, 2008 and 2007 has been presented, due to the fact that the net sales and total assets of the operations in Japan constituted more than 90% of the respective totals for all segments.

### Overseas sales

	Year ended March 31, 2008		
	Northeastern Asia	Other	Total
	(Millions of yen)		
I. Overseas sales	¥ 16,136	¥ 6,625	¥ 22,761
II. Consolidated net sales			66,441
III. % of consolidated net sales	24.3%	10.0%	34.3%

	Year ended March 31, 2007		
	Northeastern Asia	Other	Total
	(Millions of yen)		
I. Overseas sales	¥ 27,954	¥ 4,333	¥ 32,287
II. Consolidated net sales			74,663
III. % of consolidated net sales	37.4%	5.8%	43.2%

	Year ended March 31, 2008		
	Northeastern Asia	Other	Total
	(Millions of yen)		
I. Overseas sales	\$ 161,051	\$ 66,128	\$ 227,179
II. Consolidated net sales			663,153
III. % of consolidated net sales	24.3%	10.0%	34.3%

#### Notes:

a) Overseas sales are sales recorded by the Company and its consolidated subsidiaries in countries or regions other than Japan.

b) The division of overseas sales into countries or regions is determined as follows:

(1) Overseas sales by country or region:

Geographical areas are defined based on geographical proximity.

(2) Major countries or regions included in each geographical area:

Northeastern Asia - Taiwan, Korea, China

Other - Mexico, U.S.A.



## 14. Related Party Transactions

Toshiba Corporation held 39.1% of the Company's voting rights as of March 31, 2008

The Company sold semiconductor manufacturing equipment to Toshiba Corporation and received rent revenue from Toshiba Corporation. The aggregate amounts of these transactions were

¥2,518 million (\$25,135 thousand) and ¥3,981 million for the years ended March 31, 2008 and 2007, respectively.

The Company purchased material from Toshiba Corporation totaling ¥56 million (\$555 thousand) and ¥65 million for the years ended March 31, 2008 and 2007, respectively.

Amounts due from and to Toshiba Corporation at March 31, 2008 and 2007 were as follows :

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
Due from Toshiba Corporation	¥ 239	¥ 104	\$ 2,383
Due to Toshiba Corporation	3,195	3,229	31,888

## 15. Per Share Information

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of

shares of common stock outstanding during each year, assuming full dilution of common stock equivalents. Net assets per share is computed based on the weighted-average number of shares of common stock outstanding at each balance sheet date.

	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008
	(Yen)		(U.S. dollars)
Net income (loss) :			
- Basic	¥ 8.62	¥ (20.60)	\$ 0.09
- Diluted	8.06	-	0.08
Net assets	501.50	501.41	5.01

Notes:

The information regarding diluted net income per share in 2007 is omitted because of net loss for the year ended March 31, 2007.

## Non-Consolidated Balance Sheets

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
<b>Assets</b>			
Current assets :			
Cash and bank deposits	¥ 5,654	¥ 3,806	\$ 56,435
Notes and accounts receivable, trade:			
Notes	80	106	802
Accounts	16,066	21,189	160,357
Allowance for doubtful accounts	(21)	(21)	(209)
Inventories	9,421	12,823	94,025
Deferred tax assets	1,788	1,229	17,842
Other current assets	936	1,068	9,347
Total current assets	33,924	40,200	338,599
Property, plant and equipment :			
Land	74	68	739
Buildings and structures	27,547	27,556	274,949
Machinery and equipment	608	590	6,065
Construction in progress	231	183	2,308
Total	28,460	28,397	284,061
Accumulated depreciation	(14,655)	(13,802)	(146,270)
Property, plant and equipment, net	13,805	14,595	137,791
Investments and other assets :			
Investments in securities	218	290	2,176
Investments in subsidiaries and affiliates	1,474	1,416	14,714
Deferred tax assets	2,098	2,565	20,939
Other assets	956	886	9,540
Allowance for doubtful accounts	(5)	(6)	(50)
Total investments and other assets	4,741	5,151	47,319
Total assets	¥ 52,470	¥ 59,946	\$ 523,709

	March 31, 2008	March 31, 2007	March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
<b>Liabilities and net assets</b>			
Current liabilities :			
Current portion of long-term debt	¥ 6,415	¥ -	\$ 64,030
Notes and accounts payable:			
Notes	1,584	3,565	15,812
Accounts	8,211	12,780	81,954
Advances from customers	453	219	4,519
Allowance for bonuses to directors and statutory auditors	22	10	223
Provision for contract losses	214	373	2,135
Accrued expenses	2,879	3,895	28,734
Accrued income taxes	55	46	549
Other current liabilities	129	240	1,284
Total current liabilities	19,962	21,128	199,240
Long-term liabilities :			
Long-term debt	3,804	10,219	37,971
Allowance for retirement benefits	4,072	4,139	40,640
Directors' retirement benefits	150	123	1,500
Reserve for repair and maintenance	302	296	3,021
Other long-term liabilities	3,023	3,000	30,170
Total long-term liabilities	11,351	17,777	113,302
Net assets :			
Shareholders' equity :			
Common stock :			
Authorized : 100,000,000 shares			
Issued : 51,926,194 shares at March 31, 2008 and 2007	6,762	6,762	67,487
Additional paid-in capital	10,739	10,739	107,186
Retained earnings	5,307	5,139	52,972
Less treasury stock, at cost	(1,718)	(1,715)	(17,140)
Total shareholders' equity	21,090	20,925	210,505
Valuation and translation adjustments:			
Net unrealized holding gain on other securities	67	116	662
Total net assets	21,157	21,041	211,167
Total liabilities and net assets	¥ 52,470	¥ 59,946	\$ 523,709

## Non-Consolidated Statements of Income

	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008
	(Millions of yen)		(Thousands of U.S. dollars)
Net sales	<b>¥ 47,077</b>	¥ 58,144	<b>\$ 469,877</b>
Cost of sales	<b>39,082</b>	54,116	<b>390,082</b>
Gross profit	<b>7,995</b>	4,028	<b>79,795</b>
Selling, general and administrative expenses	<b>8,475</b>	7,435	<b>84,587</b>
Operating income (loss)	<b>(480)</b>	(3,407)	<b>(4,792)</b>
Other income (expenses) :			
Interest and dividend income	<b>1,395</b>	805	<b>13,923</b>
Interest expense	<b>(120)</b>	(105)	<b>(1,202)</b>
Other, net	<b>(90)</b>	(57)	<b>(894)</b>
Income (loss) before income taxes	<b>705</b>	(2,764)	<b>7,035</b>
Income taxes :			
Current	<b>176</b>	25	<b>1,754</b>
Prior years	<b>59</b>	-	<b>591</b>
Deferred	<b>(69)</b>	(1,369)	<b>(688)</b>
	<b>166</b>	(1,344)	<b>1,657</b>
Net income (loss)	<b>¥ 539</b>	¥ (1,420)	<b>\$ 5,378</b>
	(Yen)		(U.S. dollars)
Per share of common stock :			
Net income (loss)	<b>¥ 10.90</b>	¥ (27.93)	<b>\$ 0.11</b>
Cash dividends applicable to the year	<b>8.00</b>	7.00	<b>0.08</b>

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