

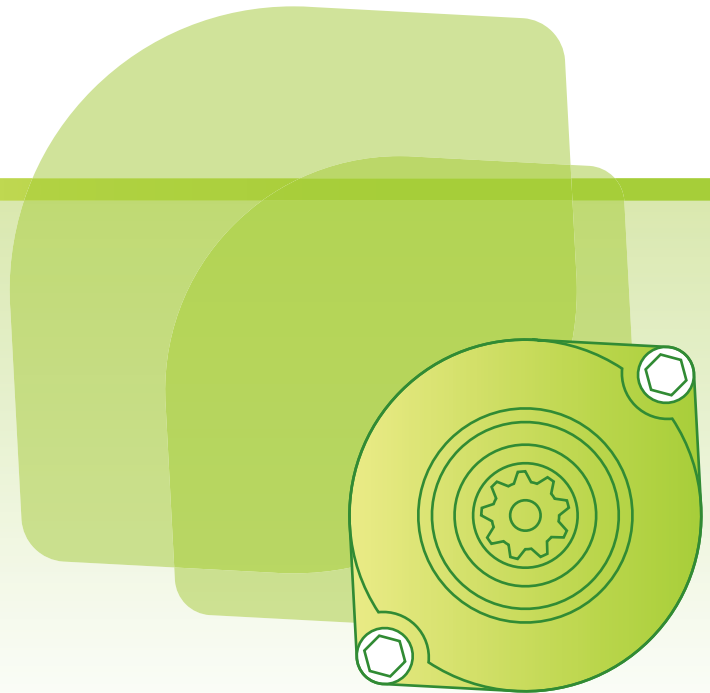
MITSUBA

MITSUBA Corporation

ANNUAL REPORT 2014

Fiscal Year Ended March 31, 2014

"Growing Globally"



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Profile

Mitsuba Corporation is one of the foremost manufacturers of automotive electronic components. With the transportation equipment-related operations regarded as our core business, we will consolidate our group strength and effectively use our business resources in order to promote global growth and improved profitability. For Mitsuba to grow with the rapidly increasing technologies, we need to develop products in step with the progress of automobiles, and respond to the needs of our customers globally. We are strengthening our development capabilities in response to the trend of modularization and systemization. In developed markets, we are responding to improving safety and environmental performance of

automobiles, while in the emerging markets, we are focusing on improving the product development and production technology appropriate for local conditions. Moreover, we have a system to enable cross-organizational collaboration of our diverse human resources. Manufacturing with a high QCD competency builds sustainable profitability for each of our group companies.

Mitsuba will fulfill its corporate responsibilities towards the society and develop into a promising company accepted by stakeholders worldwide. Through such efforts, Mitsuba will continue to pursue the realization of its corporate philosophy: "To provide pleasure and safety to the people of the world."

Outline of the Company

Head Office :

1-2681 Hirosawa-cho, Kiryu-shi,
Gunma 376-8555, Japan
Tel 81-277-51-0111
Fax 81-277-52-5160

Established :

March 8, 1946

Paid-in Capital :

¥9,885 million

Stock Listed :

Tokyo Stock Exchange First Section

Shares Issued :

150,000,000 shares

Outstanding :

45,581,809 shares

Number of Shareholders :

4,085

Number of Employees :

4,016

(As of March 31, 2014)



Board of Directors, Auditing Officers, Managing Officers and Operating Officers

Chairman of the Board and Chief Executive Officer

Noboru Hino

President of the Board and Chief Operating Officer

Yuichi Nagase

Executive Vice President

Katsuo Takahara

Executive Managing Officer

Yoshimasa Kimura

Director, Executive Managing Officer

Noboru Abe

Director, Executive Managing Officer

Yoshikazu Takahashi

Director, Executive Managing Officer

Kenichi Mita

Director and Executive Advisor

Tsuneo Akuto

Director

Mitsuhiro Hara

Managing Officer

Hiroyuki Otaki

Managing Officer

Masayuki Oyama

Managing Officer

Junichi Iizuka

Managing Officer

Takashi Nara

Standing Statutory Auditor

Yoshiyuki Hirai

Standing Statutory Auditor

Koji Kobayashi

Statutory Auditor

Noritaka Tsukagoshi

Statutory Auditor

Akira Fujiwara

Operating Officer

Hirofumi Nakayama

Operating Officer

Shigeo Sekita

Operating Officer

Takumi Tada

Operating Officer

Katsuyoshi Kitada

Operating Officer

Shingo Nishikawa

Operating Officer

Kazumi Umahashi

Operating Officer

Tokuyu Tanahashi

Operating Officer

Hisashi Ogata

Operating Officer

Nobuyuki Take

Operating Officer

Hideo Higeta

Operating Officer

Masayoshi Shirato

Operating Officer

Masanori Shoji

Operating Officer

Yutaka Nozue

Operating Officer

Kunihiko Arai

Operating Officer

Masamichi Mogi

Operating Officer

Keiji Kiuchi

Operating Officer

Hideyuki Minami

Operating Officer

Shigeru Takei

Operating Officer

Kunio Nagai

(As of June 20, 2014)

Financial Section

Six-Year Summary

MITSUBA Corporation and its Consolidated Subsidiaries
 Every year starts in April of the previous year and ends in March.
 e.g.) 2014: April 2013 – March 2014

	Yen (millions), except for per share amounts					
	2009	2010	2011	2012	2013	2014
Net sales	¥ 209,973	¥ 175,522	¥ 208,162	¥ 207,803	¥ 225,605	¥ 272,543
Gross profit	15,566	21,498	31,419	26,598	29,971	41,024
Operating income	(7,500)	2,176	10,462	7,928	9,032	17,054
Income before income taxes and minority interests	(14,908)	1,579	6,779	3,979	10,318	10,037
Net income (loss)	(18,376)	(3,247)	3,655	2,917	6,473	7,028
Capital expenditures	13,823	9,062	11,896	14,143	16,186	17,452
Total assets	173,177	178,897	169,282	194,165	207,534	258,186
Return on assets (%)	(10.1)	(1.8)	2.1	1.6	3.2	3.0
Shareholders' equity	33,053	32,859	33,268	33,919	44,307	56,657
Return on equity (%)	(39.9)	(9.9)	11.1	8.7	16.6	13.9
Shareholders' equity ratio (%)	19.1	18.4	19.7	17.5	21.3	21.9
Per share(yen):Net income	¥ (406.43)	¥ (71.93)	¥ 81.19	¥ 65.12	¥ 144.51	¥ 156.99
Cash dividends applicable to period	—	—	6.0	7.0	8.0	8.0
Interest coverage (times)	3.5	10.8	15.3	8.8	12.9	17.2
Expenses for R&D	9,436	7,482	10,001	9,652	10,627	10,725
Ratio of SG&A to net sales (%)	11.0	11.0	10.1	9.0	9.3	8.8
Current ratio (%)	99.1	100.0	101.3	103.1	96.2	131.9
Fixed ratio (%)	264.6	260.9	238.9	233.4	207.4	193.4
Interest - bearing debt	83,381	81,485	81,013	96,651	99,471	111,401
Cash flows						
Operating activity	4,562	14,709	18,151	11,200	16,075	20,588
Investing activity	(15,465)	(8,230)	(9,503)	(14,866)	(16,495)	(15,343)
Financing activity	18,627	(3,430)	(8,811)	14,006	(1,831)	3,395

History

1946	Mitsuba Electric Mfg. Co., Ltd. was founded in Kiryu, Gunma Prefecture. Production and sale of generator lamps for bicycles began.
1951	Production and sale of auto horns began as the first auto related business.
1956	Production and sale of wiper motors began.
1960	Production and sale of starters for small motorcycles began.
1970	Ryomo Computing Center Co., Ltd. was founded. (Renamed to Ryomo Systems Co., Ltd. in 1982)
1977	Initial public offering on the Tokyo Stock Exchange.
1986	American Mitsuba Corporation was founded in Illinois, U.S.A.
1988	Mitsuba shares were listed on the Second Section of the Tokyo Stock Exchange.
1989	Listing of Mitsuba shares was changed to the First Section of the Tokyo Stock Exchange.
1996	Business name was changed to Mitsuba Corporation.
1997	Mitsuba announced the New Mitsuba Environmental Declaration and Guidelines for Action.
2006	MITSUBA WAY was established.
2007	The Jidosha Denki Kogyo Co., Ltd. (Jideco) merged with Mitsuba.

Message from the Management



Noboru Hino,
Chairman of the Board and
Chief Executive Officer



Yuichi Nagase,
President of the Board and
Chief Operating Officer

Mitsuba Group upholds as our basic principle that management based on a business concept of “providing pleasure and peace of mind” to our customers for a sustainable corporate development allows us to meet the expectations of the society and our shareholders. We pursue business activities founded on the management policies below.

Corporate Philosophy

Together with those who support it, Mitsuba will provide pleasure and peace of mind to the people of the world by creating technology in harmony with society and the environment.

Management Policy

Our basic principle is to unify the direction of the group companies' actions through sharing our corporate principles and having them permeate throughout the organization. Through our management and the improvement of the quality of our products and services, we aim to become a preferred corporate group and to enhance our corporate value via aggressive business development. With “technology” as the driving force in our business development, Mitsuba will continue to strive for market development and new values. We aspire to management where each and every Mitsuba employee can reach a higher level through becoming agents of corporate innovation, which brings out the best from both the people and the enterprise.

Management Strategies for the Medium-to-Long Term

The future automobile industry will see sluggish automobile sales in Japan, but an increasing sales in emerging economies.

To respond to the needs in emerging economies, automobile manufacturers and parts manufactures are expected to accelerate local production and local R&D.

To secure the competitive advantage of our company in expanding businesses, we must immediately respond to the needs of customers, increase cooperation between our global network of group companies, and put more effort in developing products with high added value, reducing costs, and developing our human resources.

Key Issues

The global economy expects a moderate growth due to the economic recovery of advanced economies despite the possible slowdown in emerging economies.

The automotive industry is anticipating increased production in emerging economies to drive automobile sales and accelerated local production and local R&D by the auto manufacturers and parts manufacturers.

In such a business environment, we place activities related to transportation equipment-related operations as our core business. We will consolidate our group strengths and effectively use our business resources in order to promote global growth and improved profitability.

Outlook for the Next Term

For the outlook of the annual performance in the end of the term in March 2015, the consumption tax hike will affect consumer spending in Japan. However, the Japanese economy is expected to continue its recovery, supported by economic measures and financial policies so that corporate profits continue to improve, increasing capital spending.

We expect a mild recovery in the US. However, with the problems concerning the prolonged debt in Europe, economic slowdown in China, and the slowing down of economic growths in emerging economies, the surrounding environment remains in a difficult situation.

In the new Three-Year Plan, the 10th midterm management plan for our transportation equipment-related operations started in April 2014, we will increase cooperation between our bases of operation, considering the strength of Mitsuba's group network for a further global growth.

For Mitsuba to grow in the midst of rapidly increasing technological revolutions in automobiles, we need to develop products considering the progress of automobiles, and respond to the needs of our customers globally.

We are strengthening our product development capabilities in response to modularization and systemization of automobiles. In developed markets, we are responding to improving safety and environmental performance of automobiles, while in the emerging markets, we are focusing on improving the product development and production technology appropriate for each local condition.

Moreover, we have a system to enable cross-organizational collaboration of our diverse human resources. Manufacturing with a high QCD competency builds continuous profitability for each of our group companies.

We hope to receive your continued support and encouragement in these endeavors.



Noboru Hino
Chairman of the Board and
Chief Executive Officer



Yuichi Nagase
President of the Board and
Chief Operating Officer

Review of Operations

The Mitsuba Group (Mitsuba and its affiliated companies) consists of Mitsuba Corporation, 47 subsidiary companies and 4 affiliated companies. Our primary lines of business are transportation equipment-related operations and information service operations, but we also cover development and sales of automobile parts, automotive components and accessories, and agency services for group companies and other companies.

Auto electrical products



Motorcycle products



Nursing care products

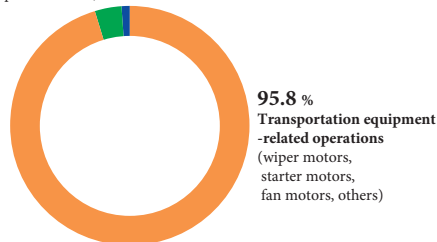


Car accessories



Information service operations 3.3%
(system integration services, information processing services, software development, others)

Others 0.9%
(Transportation, Warehousing, Business Outsourcing, others)



Sales by Business

(Consolidated Basis)

Operating Results for term end March 2014

Economic policies aimed to overcome deflation had corrected the high value of the yen and caused the Nikkei Stock Average to rise. As improvements were seen in corporate profits and consumer spending, the Japanese economy is expected to be heading for recovery.

Although the world economy continued to show mild recovery driven by the improving employment environment and consumer spending in the US, the European economy showed indications of bottoming out but with delayed recovery.

In addition to apprehensions for the further shrinking of the monetary policies on quantitative easing in emerging countries in Southeast Asia, worries on the decreasing economic growth in China and India persist, and the surrounding environment for our company had remained unpredictable.

Under this circumstance, the Japanese domestic automobile sales in 2013 was 5,692 thousand (9.2% increase from the same period last year), indicating high growth for two consecutive years.

Although the subsidy for environmentally friendly cars had caused favorable sales of 2,590 thousand in the first half of 2012, the total in the period from April to September 2013 was at 2,545 thousand (1.7% decrease from the same period last year), which is slightly less. The mainstream year-beginning outlook of various automobile manufacturers was below 5,000 thousand for the year.

However, the last-minute demand, in anticipation of the consumption tax hike from April 2014, had caused total sales from October to March to significantly increase by 20.1% from last year to 3,147 thousand.

When we look at the situation from a global perspective, the US continued to be in good shape, with the figures increased to 15,952 thousand (7.5% increase from the last year), and had exceeded 15,000 thousand for the first time in 6 years since the 2007 figure of 16,473 thousand.

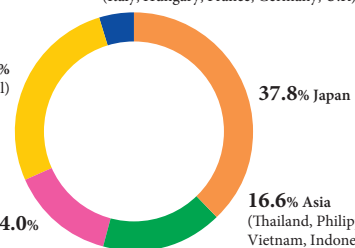
Although mild recovery was seen in the second half of the year in Europe, sales for the year was 12,308 thousand (1.8% decrease from the last year), showing a continuous decline for 6 consecutive years.

Sales had been increasing in China, with the figures 21,984 thousand (13.9% increase from the previous year) exceeding the 20,000 thousand mark for the first time.

Japanese domestic motorcycle sales and shipments made a good start for each category except for 50cc medium-sized motorcycles. Despite the slight decrease for 50cc medium-sized motorcycles, the total increased to 439 thousand (9.0% increase from the same period last year), which made a complete turn for a substantial improvement from last year's decrease.

Europe 4.6%
(Italy, Hungary, France, Germany, U.K)

The Americas 27.0%
(U.S.A., Mexico, Brazil)



Sales by Geographic Region

(Consolidated Basis)

On the other hand, from a global perspective, the market in Asia, particularly in Indonesia and India is expanding continuously.

Under this circumstance, the consolidated sales of our group reached ¥272,543 million (20.8% increase from the same period last year), with the consolidated operating profit of ¥17,054 million (88.8% increase from the same period last year) and the consolidated pretax profit of ¥20,441 million (68.0% increase from the same period last year). The consolidated current term net profit is ¥7,028 million (8.6% increase from the same period last year) due to the payment of penalties under violation of the United States antitrust laws and other related laws, as well as extraordinary loss, such as the allowance for warranty expense, in anticipation of problems with the products.

By Business Segment

Transportation Equipment-related Operations Segment

Along with the increased automobile sales due to the launch of new products and the last-minute surge in demand in anticipation of the consumption tax hike in Japan, automobile sales in the US continued to be in good condition. Sales reached ¥261,720 million (21.4% increase from the corresponding period last year), and the operating profit rose to ¥16,275 million (87.8% increase from the corresponding period last year).

Information Service Operations Segment

We had been committed to gaining orders from public and private sectors, and improved our profit structure. Sales reached ¥10,264 million (7.7% increase from the same period last year) with an operating profit of ¥533 million (224.5% increase from the same period last year).

Other Businesses

Sales reached ¥2,655 million (6.2% increase from the same period last year) with an operating profit of ¥228 million (32.8% increase from the same period last year).

Breakdown by Geographic Region

Japan

Sales reached ¥102,976 million (1.6% increase from the corresponding period last year).

The Americas

Sales reached ¥73,454 million (29.9% increase from the corresponding period last year).

Europe

Sales reached ¥12,482 million (37.1% increase from the corresponding period last year).

Asia

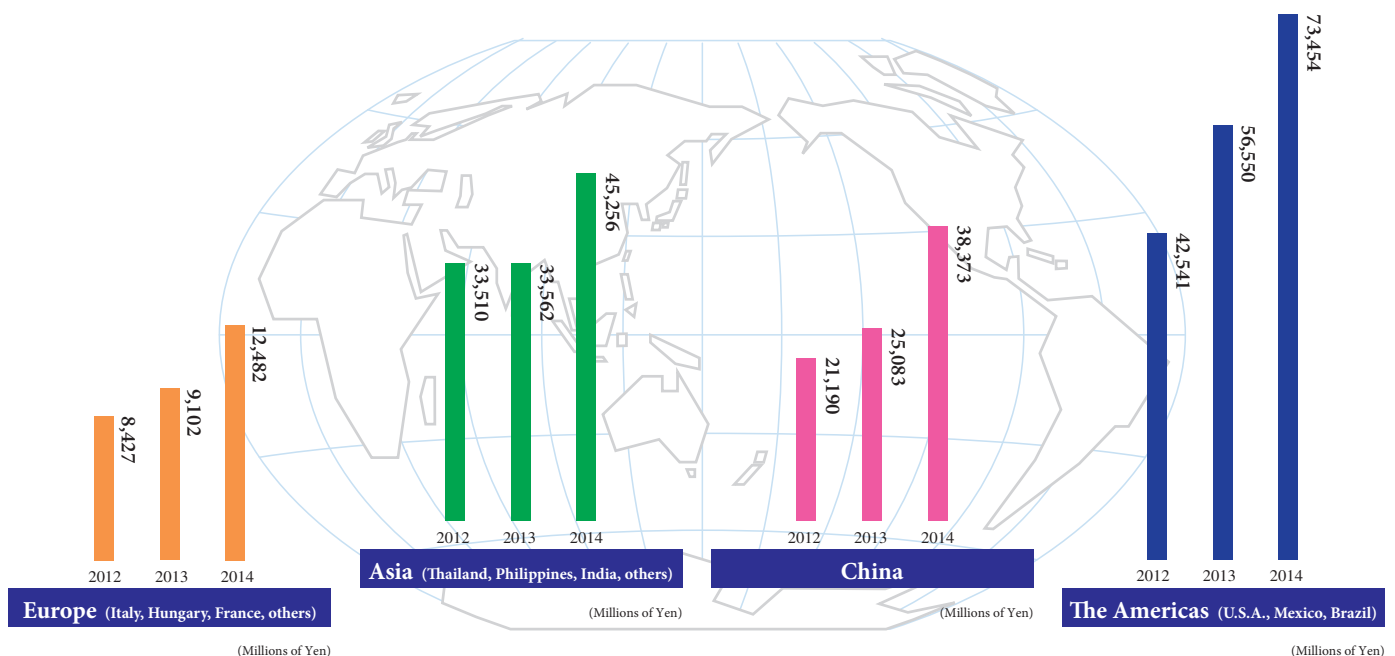
Sales reached ¥45,256 million (34.8% increase from the corresponding period last year).

China

Sales reached ¥38,373 million (53.0% increase from the corresponding period last year).

Overseas Sales

Overseas sales refer to sales by the Company and its consolidated subsidiaries to countries and regions outside of Japan.



Consolidated Balance Sheets

MITSUBA Corporation and its Consolidated Subsidiaries
As of March 31, 2013 and 2014

	Yen (Millions)		U.S. Dollars (Thousands)
	As of March 31		As of March 31
	2013	2014	2014
ASSETS			
Current assets:			
Cash and deposits (Note 5)	¥ 32,365	¥ 43,523	\$ 422,890
Marketable securities (Notes 3 & 5)	105	505	4,912
Trade receivables:			
Accounts and notes (Note 13)	38,296	45,679	443,834
Less: Allowance for doubtful accounts	(129)	(148)	(1,438)
Inventories (Note 4)	30,361	39,799	386,702
Deferred tax assets (Note 9)	1,008	3,439	33,419
Others	13,626	15,803	153,549
Total current assets	<u>115,634</u>	<u>148,602</u>	<u>1,443,868</u>
Property, plant and equipment (Notes 7 & 10):			
Land	6,434	6,739	65,482
Buildings and structures	54,900	58,897	572,269
Machinery, equipment and others	148,023	164,888	1,602,102
Construction in progress	4,517	5,020	48,785
Lease assets	3,432	3,790	36,832
	217,310	239,337	2,325,470
Less accumulated depreciation	(159,208)	(171,077)	(1,662,233)
Net Property, plant and equipment	<u>58,100</u>	<u>68,260</u>	<u>663,237</u>
Investments and other assets:			
Investments in securities (Notes 3 & 6)	21,292	23,227	225,685
Long-term loans	923	1,758	17,085
Deferred tax assets (Note 9)	701	1,572	15,279
Others	10,935	14,818	143,977
Less: Allowance for doubtful accounts	(54)	(53)	(519)
Total investments and other assets	<u>33,799</u>	<u>41,323</u>	<u>401,507</u>
Total assets	<u>¥ 207,534</u>	<u>¥ 258,186</u>	<u>\$ 2,508,612</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings (Note 7)	¥ 50,681	¥ 42,019	\$ 408,277
Current portion of long-term debt (Note 7)	18,951	5,248	51,000
Trade payables:			
Accounts and notes	20,934	28,231	274,309
Income taxes payable (Note 9)	771	1,668	16,208
Reserve for employees' bonuses	3,988	4,535	44,072
Others (Note 9)	24,877	30,943	300,655
Total current liabilities	<u>120,204</u>	<u>112,648</u>	<u>1,094,521</u>
Long-term liabilities:			
Long-term debt (Note 7)	27,153	60,918	591,905
Accrued pension and severance costs (Note 12)	782	1,009	9,810
Others (Note 9)	6,817	15,598	151,555
Total long-term liabilities	<u>34,753</u>	<u>75,276</u>	<u>753,270</u>
Total liabilities	<u>¥ 154,957</u>	<u>¥ 190,174</u>	<u>\$ 1,847,791</u>
Contingent liabilities (Note 13):			
Net assets (Note 8):			
Shareholders' equity			
Common stock			
Authorized: 150,000,000 Shares			
Outstanding:			
March 31, 2013 and 2014: 45,581,809 Shares	9,885	9,885	96,049
Capital surplus	15,718	15,719	152,737
Retained earnings	22,061	28,888	280,690
Treasury stock, at cost:			
March 31, 2013: 793,377 Shares	(552)	—	—
March 31, 2014: 821,307 Shares	—	(596)	(5,798)
Total shareholders' equity	<u>47,113</u>	<u>53,896</u>	<u>523,678</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	5,247	2,869	27,883
Foreign currency translation adjustments	(8,053)	(602)	(5,858)
Remeasurements of defined benefit plans	—	493	4,797
Total accumulated other comprehensive income	<u>(2,806)</u>	<u>2,760</u>	<u>26,822</u>
Minority interests in consolidated subsidiaries	8,269	11,354	110,321
Total net assets	<u>52,576</u>	<u>68,011</u>	<u>660,821</u>
Total liabilities and net asset	<u>¥ 207,534</u>	<u>¥ 258,186</u>	<u>\$ 2,508,612</u>

Consolidated Statements of Comprehensive Income

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2012, 2013 and 2014

Consolidated Statements of Income

	Yen (Millions)			U.S. Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2012	2013	2014	2014
Net sales (Note 14)	¥ 207,803	¥ 225,605	¥ 272,543	\$ 2,648,109
Cost of sales	181,204	195,633	231,518	2,249,512
Gross profit	26,598	29,971	41,024	398,597
Selling, general and administrative expenses	18,669	20,938	23,969	232,889
Operating income (Note 14)	7,928	9,032	17,054	165,708
Other income (expenses):				
Interest and dividend income	720	579	740	7,191
Interest expenses	(1,209)	(1,237)	(1,154)	(11,215)
Others, net	(3,459)	1,944	(6,603)	(64,153)
Income before income taxes and minority interests	3,979	10,318	10,037	97,531
Income taxes (Note 9)	(905)	(2,657)	(1,050)	(10,206)
Income before minority interests	3,074	7,661	8,987	87,325
Minority interests in subsidiaries	(156)	(1,188)	(1,959)	(19,036)
Net income	¥ 2,917	¥ 6,473	¥ 7,028	\$ 68,289

	Yen			U.S. Dollars
	Year ended March 31			Year ended March 31
	2012	2013	2014	2014
Per share of common stock:				
Net income — Basic	¥ 65.12	¥ 144.51	¥ 156.99	\$ 1.53
— Diluted	—	—	—	—
Cash dividends, applicable to period	7.00	8.00	8.00	0.08

Consolidated Statements of comprehensive income

	Yen (Millions)			U.S. Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2012	2013	2014	2014
Income before minority interests	¥ 3,074	¥ 7,661	¥ 8,987	\$ 87,325
Other comprehensive income				
Valuation difference on available-for-sale securities	661	1,299	(2,344)	(22,778)
Foreign currency translation adjustment	(3,271)	3,284	7,544	73,305
Share of the other comprehensive income of affiliates accounted for using equity method	(156)	324	370	3,605
Comprehensive income	¥ 307	¥ 12,570	¥ 14,558	\$ 141,455
Comprehensive income attributable to				
Owners of the parent	1136	11,058	12,101	117,577
Non-Controlling interests	(828)	1,511	2,457	23,878

Consolidated Statements of Changes in Net Assets

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2012, 2013 and 2014

	Yen (Millions)					
	Shareholders' equity					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2011	45,581,809	¥ 9,885	¥ 15,718	¥ 13,809	¥ (535)	¥ 38,878
Change of scope of consolidation				(205)		(205)
Purchase of treasury stock					(11)	(11)
Net income				2,917		2,917
Cash dividends				(268)		(268)
Net changes during the year						
Balance at March 31, 2012	<u>45,581,809</u>	<u>¥ 9,885</u>	<u>¥ 15,718</u>	<u>¥ 16,253</u>	<u>¥ (546)</u>	<u>¥ 41,310</u>
Change of scope of consolidation				(350)		(350)
Purchase of treasury stock					(7)	(7)
Disposal of treasury stock			(0)		1	1
Transfer to less on disposal of treasury stock			0	(0)		
Net income				6,473		6,473
Cash dividends				(313)		(313)
Net changes during the year						
Balance at March 31, 2013	<u>45,581,809</u>	<u>¥ 9,885</u>	<u>¥ 15,718</u>	<u>¥ 22,061</u>	<u>¥ (552)</u>	<u>¥ 47,113</u>
Change of scope of consolidation				155		155
Purchase of treasury stock					(44)	(44)
Disposal of treasury stock			0		0	1
Net income				7,028		7,028
Cash dividends				(357)		(357)
Net changes during the year						
Balance at March 31, 2014	<u>45,581,809</u>	<u>¥ 9,885</u>	<u>¥ 15,719</u>	<u>¥ 28,888</u>	<u>¥ (596)</u>	<u>¥ 53,896</u>

	U.S.Dollars (Thousands)					
	Shareholders' equity					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2013	45,581,809	\$ 96,049	\$ 152,729	\$ 214,361	\$ (5,371)	\$ 457,767
Change of scope of consolidation				1,514		1,514
Purchase of treasury stock					(435)	(435)
Disposal of treasury stock			8		9	17
Net income				68,288		68,288
Cash dividends				(3,472)		(3,472)
Net changes during the year						
Balance at March 31, 2014	<u>45,581,809</u>	<u>\$ 96,049</u>	<u>\$ 152,737</u>	<u>\$ 280,690</u>	<u>\$ (5,798)</u>	<u>\$ 523,678</u>

Yen
(Millions)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	
Balance at March 31, 2011	¥ 3,338	¥ (8,948)	—	¥ (5,610)	¥ 7,879	¥ 41,147
Change of scope of consolidation						(205)
Purchase of treasury stock						(11)
Net income						2,917
Cash dividends						(268)
Net changes during the year	657	(2,439)	—	(1,781)	(622)	(2,403)
Balance at March 31, 2012	<u>¥ 3,996</u>	<u>¥ (11,387)</u>	<u>—</u>	<u>¥ (7,391)</u>	<u>¥ 7,257</u>	<u>¥ 41,176</u>
Change of scope of consolidation						(350)
Purchase of treasury stock						(7)
Disposal of treasury stock						1
Transfer to less on disposal of treasury stock						
Net income						6,473
Cash dividends						(313)
Net changes during the year	1,251	3,334	—	4,585	1,012	5,597
Balance at March 31, 2013	<u>¥ 5,247</u>	<u>¥ (8,053)</u>	<u>—</u>	<u>¥ (2,806)</u>	<u>¥ 8,269</u>	<u>¥ 52,576</u>
Change of scope of consolidation						155
Purchase of treasury stock						(44)
Disposal of treasury stock						1
Net income						7,028
Cash dividends						(357)
Net changes during the year	(2,377)	7,450	493	5,566	3,084	8,651
Balance at March 31, 2014	<u>¥ 2,869</u>	<u>¥ (602)</u>	<u>¥ 493</u>	<u>¥ 2,760</u>	<u>¥ 11,354</u>	<u>¥ 68,011</u>

U.S.Dollars
(Thousands)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	
Balance at March 31, 2013	\$ 50,985	\$ (78,250)	—	\$ (27,265)	\$ 80,349	\$ 510,852
Change of scope of consolidation						1,514
Purchase of treasury stock						(435)
Disposal of treasury stock						17
Net income						68,288
Cash dividends						(3,472)
Net changes during the year	(23,102)	72,392	4,797	54,087	29,972	84,059
Balance at March 31, 2014	<u>\$ 27,883</u>	<u>\$ (5,858)</u>	<u>\$ 4,797</u>	<u>\$ 26,822</u>	<u>\$ 110,321</u>	<u>\$ 660,821</u>

Consolidated Statements of Cash Flows

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2012, 2013 and 2014

	Yen (Millions)			U.S.Dollars (Thousands)
	2012	2013	2014	Year ended March 31 2014
Cash flows from operating activities:				
Net income	¥ 2,917	¥ 6,473	¥ 7,028	\$ 68,288
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	11,153	10,530	11,694	113,624
Loss on disposal of fixed assets	185	173	200	1,944
Deferred income tax	(1,758)	(214)	(4,514)	(43,862)
Write-down of investment in securities	41	13	—	—
Decrease (Increase) in assets:				
Trade receivables	(9,253)	6,206	(1,127)	(10,956)
Inventories	(4,137)	(2,180)	(4,044)	(39,295)
Other current assets	(4,561)	812	(1,246)	(12,116)
Increase (Decrease) in liabilities:				
Trade payables	9,934	(6,840)	(90)	(884)
Accrued expenses	2,596	(688)	3,040	29,542
Income taxes payable	146	43	897	8,716
Accrued pension and severance costs	71	30	108	1,058
Other current liabilities	3,007	1,618	8,731	84,838
Others, net	859	98	(88)	(858)
Net cash provided by operating activities	11,200	16,075	20,588	200,039
Cash flows from investing activities:				
Payments for purchases of investment in securities	(939)	(529)	(7,626)	(74,099)
Proceeds from sales of investment in securities	40	13	6,643	64,551
Decrease in marketable securities, net	252	198	(2)	(27)
Payments for acquisition of property, plant and equipment	(12,967)	(15,236)	(14,716)	(142,987)
Proceeds from sales of property, plant and equipment	918	816	1,210	11,762
Others, net	(2,170)	(1,757)	(852)	(8,279)
Net cash used in investing activities	(14,866)	(16,495)	(15,343)	(149,079)
Cash flows from financing activities:				
Increase (Decrease) in short-term loans, net	10,531	1,264	(12,142)	(117,983)
Proceeds from long-term debt	14,235	9,969	39,151	380,404
Repayment of long-term debt	(8,491)	(10,848)	(20,859)	(202,681)
Repayment of lease obligation	(1,583)	(1,463)	(1,695)	(16,471)
Repayment of bonds	(268)	(160)	(160)	(1,555)
Cash dividends paid	(866)	(724)	(982)	(9,548)
Others, net	448	131	85	828
Net cash provided by (used in) financing activities	14,006	(1,831)	3,395	32,994
Effect of exchange rate changes on cash and cash equivalents	(744)	1,159	2,252	21,882
Net increase in cash and cash equivalents	9,596	(1,092)	10,892	105,836
Cash and cash equivalents at beginning of year	22,523	31,897	30,964	300,862
Increase in cash and cash equivalents from newly consolidated subsidiary	—	159	301	2,931
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(223)	—	—	—
Cash and cash equivalents at end of year (Note 5)	¥ 31,897	¥ 30,964	¥ 42,158	\$ 409,628
Supplemental data:				
Cash paid during the year for				
Income tax	¥ 2,474	¥ 2,878	¥ 4,707	\$ 45,735
Interest	1,270	1,242	1,199	11,650

Notes to Consolidated Financial Statements

mitsuba Corporation and its Consolidated Subsidiaries

1. Basis of presenting financial statement

The accompanying consolidated financial statements have been prepared from accounting records maintained by MITSUBA Corporation (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Corporation Law and the Financial Instruments and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In order to facilitate the understanding of readers outside Japan, certain reclassifications are made to the consolidated financial statements prepared for domestic reporting purposes. In addition, the notes in the consolidated financial statements also include some information that is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

U.S. dollar amounts presented in the consolidated financial statements are included solely for convenience. The rate of ¥102.92 to US\$1.00, prevailing on March 31, 2014, has been used for translation into U.S. dollar amounts in the consolidated financial statements.

2. Summary of significant accounting policies

(a) Principle of consolidation

There were 45 subsidiary companies in the company on March 31, 2013. Moreover, there were 47 subsidiary companies on March 31, 2014. The consolidated financial statements included the accounts of the Company and its 26 and 28 significant subsidiaries as of March 31, 2013 and 2014, respectively.

Intercompany accounts and significant intercompany transactions have been eliminated on consolidation.

The investments in 20% - 50% owned affiliates, except for some of them, are accounted for by the equity method.

Non-consolidated subsidiaries and a part of investments in affiliates are stated at cost because of their immateriality. Earnings of these companies are recorded in the Company's books only to the extent that cash dividends are received.

The difference between the cost of investments in consolidated subsidiaries and the equity in their net assets at dates of acquisition is amortized, on a straight-line basis, over five years.

(b) Cash and cash equivalents

The Company and its consolidated subsidiaries adopt JICPA Accounting Committee Report No.8 "Practical Guidelines Accounting Standards for Preparing Consolidated Statements of Cash Flows." Accordingly the Cash and cash equivalents include certificate deposits, bank deposits with a maturity of three months or less which can be withdrawn without any restriction, and highly liquid debt instruments with a maturity of three months or less when purchased.

(c) Marketable securities and investment in securities

Debt and equity securities are classified in one of the three categories: held-to-maturity, trading, or available-for-sale. Debt securities that are classified as "held-to-maturity" securities are reported at amortized cost. The Company and its consolidated subsidiaries do not have any securities classified as "trading." Other debt and equity securities are classified as "available-for-sale" securities and are reported at fair value at the closing date, with unrealized gains or losses net of deferred taxes, included in unrealized gains (losses) on securities in net assets section of the consolidated balance sheet. Realized gains and losses are determined on the moving average cost method and reflected in income.

(d) Inventories

In the Transportation Equipment-related Operations Segment, finished products, work-in-process and raw materials are mainly stated at cost determined by the average method, except foreign subsidiaries in which these are mainly valued at lower of cost or market determined by the average method.

Supplies are mainly stated at cost determined by the last invoice method.

In the Information Service Operations Segment, raw materials and work-in-process are mainly stated at cost determined by the job-order-cost method.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is mainly computed by the declining-balance method at rates based on estimated useful lives of the respective assets.

Significant renewals and additions are capitalized at cost. Maintenance, repairs, minor renewals and betterments are charged to income as incurred.

(f) Lease assets

Finance lease other than those, which are deemed to transfer the ownership of the leased assets to lessee are accounted for by the method similar to that applicable to ordinary sale and purchase transactions.

However, finance lease referred to above, and started earlier than March 31, 2008, are continuously accounted for in a similar manner with ordinary rental transaction.

Depreciation expense for these leased assets is provided, based on the assumption of zero-scrap-value, using the straight-line-method.

(g) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

(h) Retirement and pension plan

The reserve for employees' retirement benefits is stated at the amount required to cover the liability as of the balance sheet date and is based on the Company's estimate of its liability for retirement benefits and its pension fund assets as of the balance sheet date.

Prior service cost is being amortized as incurred by the straight-line method over a period (mainly 10 years) which is shorter than the average remaining years of service of the participants in the plans.

Actuarial gain or loss are being amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period (mainly 10 years) which is shorter than the average remaining years of service of the participants in the plans.

(i) Research and development costs

Research and development costs are charged to income as incurred.

(j) Foreign currency translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese Yen at appropriate year-end current rates, and all income and expense accounts are translated at average rate for the year. The resulting translation adjustments are presented as "Foreign currency translation adjustments" in the accompanying consolidated financial statements.

Foreign currency receivables and payables are translated at appropriate year-end current rates and the resulting transaction gains or losses are taken into income currently.

(k) Per Share Data

Net income per share of common stock has been computed based on the weighted-average number of shares outstanding during the fiscal year.

Cash dividends per share shown for each fiscal year in the accompanying consolidated financial statements are dividends declared as applicable to the respective fiscal years.

3. Marketable securities and investments in securities

The cost and fair value of marketable securities and investments in securities as of March 31, 2014 are shown below:

	Yen (millions)	U.S. Dollars (thousands)
	2014	2014
Debt securities – held-to-maturity:		
Amount in balance sheet	—	—
Gross unrealized gains	—	—
Gross unrealized losses	—	—
Fair value	—	—
Debt and equity securities – available-for-sale:		
Cost	¥ 11,263	\$ 109,443
Gross unrealized gains	4,757	46,224
Gross unrealized losses	(112)	(1,094)
Amount in balance sheet	¥ 15,908	\$ 154,573

7. Long-term debt

Bonds at March 31, 2013 and 2014 are as follows:

Item	Issued by	Interest rate	Yen (millions)		U.S. Dollars (thousands)
			2013	2014	2014
Unsecured Bonds:					
Due2014 Unsecured Bonds	Momimo manufacturing	1.35	40	—	—
Due2015 Unsecured Bonds	Momimo manufacturing	0.73	104	56	544
Due2016 Unsecured Bonds	Momimo manufacturing	0.68	228	156	1,516
			¥ 372	¥ 212	\$ 2,060

As of March 31, 2014, loans of ¥38,997 million (\$378,913 thousand), including short-term borrowings debt of ¥16,338 million (\$158,751 thousand), is secured by property, plant, equipment and investments in securities with a net value of ¥9,529 million (\$92,591 thousand).

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations due to the bank. The aggregate annual maturities of long-term debt are as follows:

Non-marketable securities are not included in the above cost and fair value:

Amount in balance sheet	¥ 633	\$ 6,151
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4. Inventories

Inventories at March 31, 2013 and 2014 comprise the following:

	Yen (millions)		U.S. Dollars (thousands)
	2013	2014	2014
Merchandise and Finished products	¥ 10,841	¥ 15,285	\$ 148,517
Work-in-process	2,687	3,423	33,267
Materials and supplies	16,833	21,090	204,918
	¥ 30,361	¥ 39,799	\$ 386,702

5. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts at March 31, 2013 and 2014:

	Yen (millions)		U.S. Dollars (thousands)
	2013	2014	2014
Cash and deposits	¥ 32,365	¥ 43,523	\$ 422,890
Marketable securities	105	505	4,912
Deposits with a maturity of three months or more	(1,400)	(1,464)	(14,233)
Securities exposed to risk of changes in value	(105)	(405)	(3,940)
Cash and cash equivalents	¥ 30,964	¥ 42,158	\$ 409,628

6. Investment in non-consolidated subsidiaries and affiliates

Investment in non-consolidated subsidiaries and affiliates are shown below:

	Yen (millions)		U.S. Dollars (thousands)
	2013	2014	2014
Investment in non-consolidated subsidiaries and affiliates	¥ 5,198	¥ 7,191	\$ 69,873

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2016	¥ 12,744	\$ 123,831
2017	13,591	132,058
2018	11,316	109,955
2019 and thereafter	16,782	163,061
	<u>¥ 54,434</u>	<u>\$ 528,905</u>

8. Shareholders' equity

Under the Japanese Corporation Law, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as capital surplus.

The Japanese Corporation Law provides that an amount equal to 10% of cash dividends shall be appropriated and set aside as a legal reserve until the total amount of legal reserve equals to 25% of common stock.

9. Income taxes

The Company and its consolidated subsidiaries in Japan are subject to a number of taxes based on income, which in the aggregate resulted in effective tax rates of approximately 37.8% in 2013 and 2014.

Details of income tax expense are as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2013	2014	2014
Income taxes:			
Current	¥ 2,872	¥ 5,564	\$ 54,068
Deferred	(214)	(4,514)	(43,862)
	<u>¥ 2,657</u>	<u>¥ 1,050</u>	<u>\$ 10,206</u>

The significant components of deferred tax assets and liabilities are as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2013	2014	2014
Deferred tax assets:			
Accrued employees' bonuses	¥ 1,453	¥ 1,748	\$ 16,984
Provision for Enterprise taxes	63	101	990
Warranty reserves for products	237	385	3,759
Retirement and severance benefit for directors and statutory auditors	129	135	1,319
Others	(173)	4,093	39,773
Gross deferred tax assets	<u>¥ 1,709</u>	<u>¥ 6,465</u>	<u>\$ 62,816</u>
Deferred tax liabilities:			
Reserve for special depreciation	(33)	(17)	(169)
Reserve for program development	(7)	(6)	(68)
Prepaid pension expense	(2,148)	(2,499)	(24,285)
Valuation difference on available-for-sale securities	(2,896)	(1,643)	(15,968)
Others	(117)	(325)	(3,158)
Gross deferred tax liabilities	<u>(5,203)</u>	<u>(4,492)</u>	<u>(43,649)</u>
Net deferred tax assets	<u>¥ (3,493)</u>	<u>¥ 1,972</u>	<u>\$ 19,167</u>

Reconciliation of the differences between the statutory tax rate and the actual effective tax rate is as follows:

	2013	2014
Statutory effective tax rate	37.8%	37.8%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	0.4	0.7
Taxation on per capita basis	0.6	0.5
Non-taxable income	(0.8)	(0.8)
Difference in normal tax rates of foreign subsidiaries ..	(10.6)	(21.7)
Equity in income of affiliates	3.7	3.5
Valuation allowance	(12.5)	(14.1)
Others	7.2	4.6
Actual effective tax rate	<u>25.8%</u>	<u>10.5%</u>

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2013	2014	2014
Current assets – Deferred tax assets	¥ 1,008	¥ 3,439	\$ 33,419
Investment and other assets –			
Deferred tax assets	701	1,572	15,279
Current liabilities – Others	(220)	(25)	(245)
Long - term liabilities – Others	(4,983)	(3,014)	(29,285)
Net deferred tax assets	<u>¥(3,493)</u>	<u>¥ 1,972</u>	<u>\$ 19,167</u>

10. Lease assets

A summary of assumed amounts of acquisition cost and accumulated depreciation of lease equipments, the transaction of which began before March 31, 2008, is as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2013	2014	2014
Class of property			
Machinery and equipment and others	¥ 1,497	¥ 1,039	\$ 10,095
Other assets	—	—	—
Accumulated depreciation	(992)	(777)	(7,557)
	<u>¥ 505</u>	<u>¥ 261</u>	<u>\$ 2,538</u>

Future lease payments required under such finance lease that have initial or remaining terms in excess of one year as of March 31, 2014 are:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2015	¥ 197	\$ 1,922
2016 and thereafter	114	1,108
Total future lease payments	<u>¥ 311</u>	<u>\$ 3,030</u>

Future lease payments required under operating lease that have initial in excess of one year as of March 31, 2014 are:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2015	¥ 39	\$ 387
2016 and thereafter	68	667
Total future lease payments	<u>¥ 108</u>	<u>\$ 1,054</u>

11. Derivative financial instruments

The Company and its consolidated subsidiaries enter into forward currency exchange contracts, foreign currency option contracts and interest rate swap contracts as derivative financial instruments. The Company and its consolidated subsidiaries deal with forward currency exchange transactions and foreign currency option contracts to hedge exchange rate risk of monetary receivables denominated in foreign currencies. Interest rate swap transactions are made in order to minimize the risk of interest rate on borrowings changing upward.

The derivative transactions as of March 31, 2014 are summarized as follows:

(1) Interest-Rate-Related Derivatives

	Yen (millions)		
	2014		
	Contract value	Fair value	Unrealized gain (loss)
Interest-rate swaps:			
receive floating, pay fixed	<u>¥ 35,000</u>	<u>¥ (366)</u>	<u>¥ (366)</u>
	U.S. Dollars (thousands)		
	2014		
	Contract value	Fair value	Unrealized gain (loss)
Interest-rate swaps:			
receive floating, pay fixed	<u>\$ 340,070</u>	<u>\$ (3,562)</u>	<u>\$ (3,562)</u>

12. Pension and severance plans

The Company and its consolidated subsidiaries in Japan have various defined benefit pension plans and severance indemnity plans. Some of foreign subsidiaries also have defined benefit pension plans. The Company and some of domestic consolidated subsidiaries adopted defined contribution pension plans.

	Yen	U.S. Dollars
	(millions)	(thousands)
	2014	2014
Pension and severance obligation		
Projected benefit obligation	¥ (25,144)	\$ (244,308)
Plan assets	32,831	319,000
Funded status	7,687	74,692
Unrecognized actuarial loss	1,072	10,420
Unrecognized past service liability	(1,874)	(18,217)
Net amount recognized	6,884	66,895
Prepaid pension cost	(7,894)	(76,705)
Accrued pension and severance costs	<u>¥ (1,009)</u>	<u>\$ (9,810)</u>

	Yen	U.S. Dollars
	(millions)	(thousands)
	2014	2014
Detail of net periodic pension cost		
Service cost	¥ 1,790	\$ 17,394
Interest cost	459	4,468
Expected return on plan assets	(1,223)	(11,888)
Amortization actuarial loss	30	295
Amortization of past service liability	(579)	(5,632)
Extra severance pay cost	17	174
Net periodic benefit cost	<u>495</u>	<u>4,812</u>
Others	774	7,527
Total	<u>¥ 1,269</u>	<u>\$ 12,339</u>

Actuarial assumptions	2014
Discount rate	Mainly 1.1%
Expected return on plan assets	Mainly 3.2%

13. Contingent liabilities

No relevance

14. Segment information

The following tables present certain information regarding the Company and its consolidated subsidiaries' industry segments and operations by geographic areas at March 31, 2013 and 2014 and for the years then ended:

Industry segments:

	Yen (Millions)		U.S.Dollars (Thousands)
	Year ended March 31		Year ended March 31
	2013	2014	2014
Sales and operating revenue:			
Transportation Equipment-related Operations			
Customers	¥ 214,960	¥ 261,005	\$ 2,536,007
Intersegment	638	714	6,944
Total	215,599	261,720	2,542,951
Information Service Operations			
Customers	¥ 8,365	¥ 9,112	\$ 88,539
Intersegment	1,168	1,152	11,197
Total	9,533	10,264	99,736
Others			
Customers	¥ 2,279	¥ 2,425	\$ 23,563
Intersegment	220	230	2,243
Total	2,500	2,655	25,806
Corporate and elimination	(2,027)	(2,097)	(20,383)
Consolidated	¥ 225,605	¥ 272,543	\$ 2,648,110
Operating income:			
Transportation Equipment-related Operations	¥ 8,666	¥ 16,275	\$ 158,142
Information Service Operations	164	533	5,184
Others	172	228	2,220
Corporate and elimination	29	16	162
Consolidated	¥ 9,032	¥ 17,054	\$ 165,708
Identifiable assets:			
Transportation Equipment-related Operations	¥ 201,872	¥ 253,398	\$ 2,462,088
Information Service Operations	9,161	9,363	90,983
Others	9,224	11,920	115,818
Corporate and elimination	(12,724)	(16,495)	(160,278)
Consolidated	¥ 207,534	¥ 258,186	\$ 2,508,611
Depreciation			
Transportation Equipment-related Operations	¥ 10,126	¥ 11,118	\$ 108,034
Information Service Operations	384	558	5,425
Others	19	16	164
Consolidated	¥ 10,530	¥ 11,694	\$ 113,623
Impairment loss			
Transportation Equipment-related Operations	¥ 112	¥ 16	\$ 161
Information Service Operations	—	2	28
Others	—	—	—
Consolidated	¥ 112	¥ 19	\$ 189
Capital expenditures:			
Transportation Equipment-related Operations	¥ 15,969	¥ 16,957	\$ 164,766
Information Service Operations	210	454	4,414
Others	6	40	395
Consolidated	¥ 16,186	¥ 17,452	\$ 169,575

Geographic areas:

	Yen (Millions)		U.S.Dollars (Thousands)
	Year ended March 31		Year ended March 31
	2013	2014	2014
Sales and operating revenue:			
Japan			
Customers	¥ 101,306	¥ 102,976	\$ 1,000,551
Intersegment	42,692	54,429	528,848
Total	143,999	157,405	1,529,399
America			
Customers	¥ 56,550	¥ 73,454	\$ 713,706
Intersegment	127	921	8,952
Total	56,677	74,375	722,658
Asia			
Customers	¥ 58,645	¥ 83,630	\$ 812,575
Intersegment	34,419	47,749	463,946
Total	93,065	131,379	1,276,521
Europe			
Customers	¥ 9,102	¥ 12,482	\$ 121,279
Intersegment	470	906	8,812
Total	9,572	13,389	130,091
Corporate and elimination	(77,710)	(104,006)	(1,010,557)
Consolidated	¥ 225,605	¥ 272,543	\$ 2,648,112
Operating income:			
Japan	¥ 2,713	¥ 4,175	\$ 40,575
America	744	925	8,995
Asia	5,797	11,500	111,741
Europe	78	175	1,708
Corporate and elimination	(302)	276	2,689
Consolidated	¥ 9,032	¥ 17,054	\$ 165,708
Identifiable assets:			
Japan	¥ 178,548	¥ 204,582	\$ 1,987,783
America	29,763	39,919	387,868
Asia	59,023	86,251	838,045
Europe	6,731	9,609	93,367
Corporate and elimination	(66,532)	(82,176)	(798,452)
Consolidated	¥ 207,534	¥ 258,186	\$ 2,508,611

Independent Auditor's Report

To the Shareholders and the Board of Directors of
MITSUBA Corporation

We have audited the accompanying consolidated financial statements of MITSUBA Corporation and its subsidiaries, which comprise the consolidated balance sheet as of March 31, 2014, and the consolidated statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MITSUBA Corporation and its subsidiaries as of March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year then ended March 31, 2014 have been translated into U.S. Dollars solely for the convenience of the reader. We have reviewed the translation and, in our opinion, the financial statements expressed in Yen have been translated into U.S. Dollars on the basis set forth in Note 1 to the consolidated financial statements.

June 20, 2014
Tokyo, Japan

Shinjuku Audit Corporation

mitsuba

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