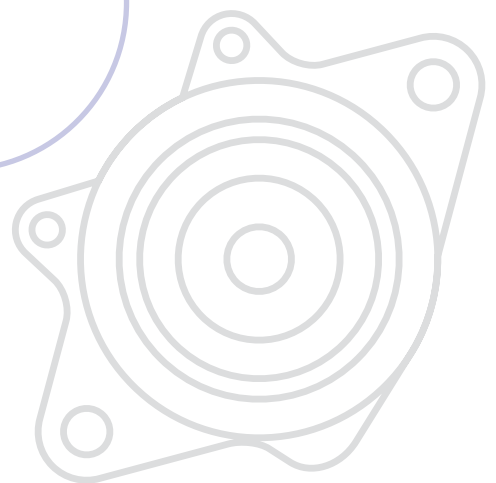


MITSUBA

MITSUBA Corporation

Creating New Value
ANNUAL REPORT 2004



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.

Six-Year Summary

MITSUBA Corporation and Consolidated Subsidiaries
Years ended March 31

	Yen (millions), except for per share amounts					
	1999	2000	2001	2002	2003	2004
Net sales.....	¥113,305	¥113,871	¥125,633	¥128,744	¥134,045	¥131,352
Gross profit	15,327	18,955	20,476	20,433	22,108	19,911
Operating income.....	3,541	5,322	6,379	4,655	3,997	3,836
Income (loss) before income taxes.....	1,283	3,397	(794)	3,892	3,436	6,901
Net income (loss).....	358	1,726	(496)	1,843	2,091	2,744
Capital expenditures	6,421	5,892	8,885	6,970	9,127	8,360
Total assets	103,901	105,944	113,122	115,213	111,237	112,609
Shareholders' equity	38,266	39,534	41,295	44,388	44,028	49,016
Per share (yen):						
Net income (loss)	¥ 9.38	¥45.16	¥(12.97)	¥48.24	¥53.66	¥71.80
Cash dividends applicable to period....	10.00	8.00	6.00	8.00	6.00	8.00
Return on equity (%)	0.9	4.4	(1.2)	4.3	4.7	5.9
Return on assets (%)	0.3	1.6	(0.4)	1.6	1.9	2.4
Interest coverage (times)	4.5	8.2	10.8	8.5	7.4	8.4

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Message from the President



Noboru Hino, *President*

Mitsuba is now implementing its sixth medium-term management plan under the slogan “Creating New Value.” In an age of intensifying global competition in the automobile industry, we have set ambitious targets in this plan to meet global challenges by further improving the quality of our products and services, increasing our cost-competitiveness, and creating new products and technologies. In pursuing these efforts, we will strive to carry out our corporate mission — to provide pleasure and peace of mind to people all over the world.

Business Performance in Fiscal 2003

Notable trends in the world economy in the period under review included increased production and higher corporate profits in the United States, which were indicative of a new period of growth, and a slow rise in exports and other factors in Europe that were signs of economic recovery there. In Asia, the Chinese, Thai and other regional economies continued to expand. In Japan, although the severe employment situation persisted, economic recovery in other parts of the world spurred moderate increases in production and exports. In addition, improvements were seen in corporate profits, investment in plant and equipment increased, stock prices rose, and it appeared that a recovery was under way.

In the automobile industry, in Japan we saw firm growth in sales resulting from rising demand, including replacement purchases of trucks that meet new emissions regulations. Exports from Japan to

Europe and other Asian countries increased, and along with other factors, this led to production surpassing the 10-million-unit mark for the second consecutive year. Overseas, new car sales slowed down in the United States and Europe from the previous year, but grew at a healthy pace in Asia. In addition, the intensity of competition heightened, due to the many strong participants in the world automobile market, including the rapidly increasing importance of China in the world market.

In this operating environment, Mitsuba carried out measures in the second year of its Sixth Medium-Term Management Plan under the slogan “Creating New Value.” With the pace of global competition accelerating, largely the result of full-fledged entries by major players into the Chinese market, the Company vigorously implemented policies in its medium-term management plan designed to meet new targets for higher product and service quality,

cost-competitiveness, and the development of new products and technologies. We also moved ahead with the development of concrete strategic proposals to generate new synergies in global markets from the comprehensive business and capital alliance formed with Jidosha Denki Kogyo Co., Ltd. (JIDECO) with the conclusion of a contract in 2002. As automobile sales and production improved, however, the Company's business results, which were generally in line with its initial estimates for the period, included a year-on-year decline in Group sales. Although Group profits rose due to gains from changes in pension accounting ("pension put-back" or partial exemption from obligation of further accumulation of pension fund), earnings fell below our projections, reflecting business operations.

As a result of the above, consolidated sales were ¥131,352 million (US\$1,244 million), a decrease of 2.0%, and consolidated operating income dropped 4.0% from the previous fiscal year to ¥3,836 million (US\$36 million). Despite decreases in profit contributions from affiliates under the equity method, ¥6,146 million (US\$58 million) in gains from corporate pension put-backs resulted in consolidated net income jumping 31.2% to ¥2,744 million (US\$26 million).

Management Strategy: To Continue Progress Made in Medium-Term Management Plan

Mitsuba's sixth medium-term management plan, a three-year plan launched in fiscal 2002 under the slogan "Creating New Value," includes four basic policies: (1) achieving customer satisfaction through improved quality in products and services; (2) developing globally through increased cost-competitiveness; (3)



achieving innovation in products and technologies; and (4) aiming for high-level objectives. Within this, we are making progress on three high-priority measures: (1) the WING Plan (Group-wide business strategy); (2) the reform of the Company's earnings structure; and (3) organizational reform.

As for actual results during the second year of the management plan, along with reducing production cost and strengthening quality, cost and delivery (QCD) at its overseas bases as it implements the WING Plan, the Group has developed strategic proposals for joint business activity with its new ally, JIDECO. Progress was also made in expanding sales in Europe and in developing new systems such as Power Tailgate System. We have also energetically provided support for efforts to strengthen competitiveness at overseas production bases, primarily in North America.

While maintaining an "A" ranking in customer evaluations for product quality, the Company has strengthened its earnings structure, and its management capability, with aggressive product quality improvement activities at its overseas bases aimed at providing the same level of quality worldwide. We also published the Mitsuba Environmental Report 2003 and stepped up environmental protection efforts. The Company also strived to promote training and

education for its human resources through such efforts as a program in which experienced personnel are sent to overseas units, and a program to encourage personnel at production units to acquire qualifications as specialists in key fields.

In the area of organizational reform, Mitsuba introduced a managing officer system to enhance decision-making functions, clearly delineate executive responsibilities in each area of business, promote speedier management decisions and raise management efficiency.

As we complete the last year of the current management plan in fiscal 2004, we will continue to undertake the tasks outlined above and endeavor to attain even higher targets to set the stage for future growth.

Future Plans

It is often said that the strength of Japan's automobile manufacturers in the face of intensifying global competition is based on superior quality. As a component manufacturer that supports this advantage, Mitsuba must assign the highest priority to raising product quality. This is the basic focus of our business activity. The Mitsuba Group positions transportation equipment and information technology as its core business fields in which it must make the fullest possible use of its management resources. On the other hand, we must also search for new business fields conducive to higher profits and the growth of the entire Group.

As concrete steps in the final year of our sixth medium-term management plan, we will put energy into reforming our earnings structure by such measures as reviewing our cost-planning mechanisms. We will also strive for quality of a higher dimension as a



New Plant of Guangzhou Mitsuba Electric Co., Ltd.

provider of components for Japanese cars whose marketing strength derives from superior quality. We will also redouble our efforts to enable every production base in our global four-hub system to supply products that are up to the "Made by Global Mitsuba" standard. As we implement proposed joint strategies with JIDECO, we will strengthen the alliance into a full-fledged, integrated operation characterized by nimble management. Our aim in implementing these plans is not only to secure earnings, but also to fulfill our corporate mission of providing pleasure and peace of mind to people all over the world.

We respectfully call on our shareholders to continue to urge us onward and to provide us with even greater support.

Noboru Hino
President

Review of Operations

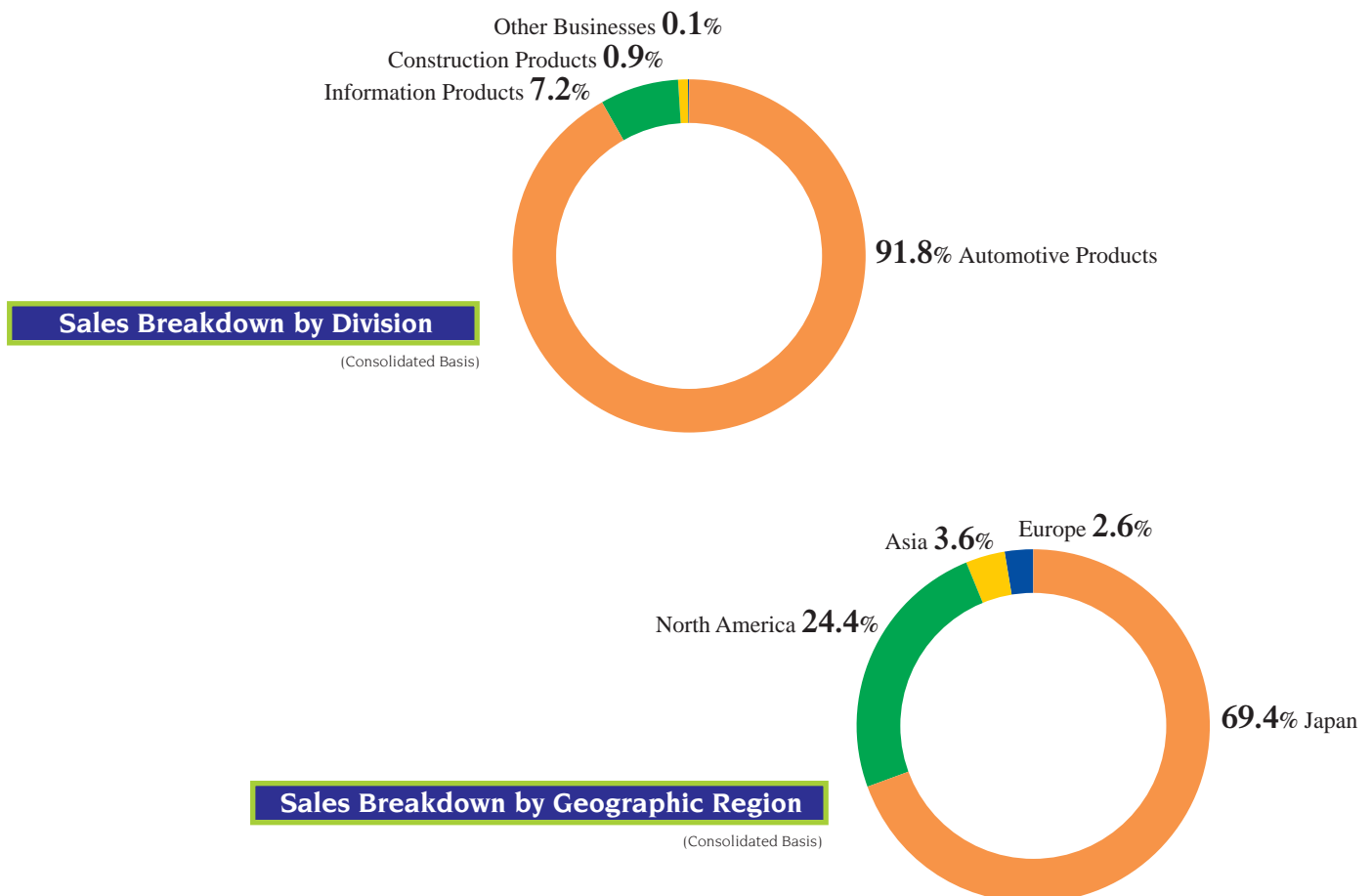
Outline of Group Operations

The Mitsuba Group consists of Mitsuba Corporation, 39 subsidiaries (of which 24 are consolidated subsidiaries), and five affiliated companies. In addition to transportation equipment and information technology, the Group's main lines of business, Group companies also engage in construction operations for Group members and outside customers, and other businesses such as transportation and storage of Group products and general freight, and outsourced clerical services.

The performance of each of the Group's business is summarized below.

In the Transportation Equipment segment, sluggish domestic sales resulted in sales edging 1.6% below the level of the previous term to ¥120,600 million (US\$1,142 million). Operating income was ¥3,305 million (US\$31 million), a drop of 9.9%.

In Information Technology, our efforts were focused on expansion of our solutions business built around an Internet Data Center. We also strengthened our management capability by improving our QCD



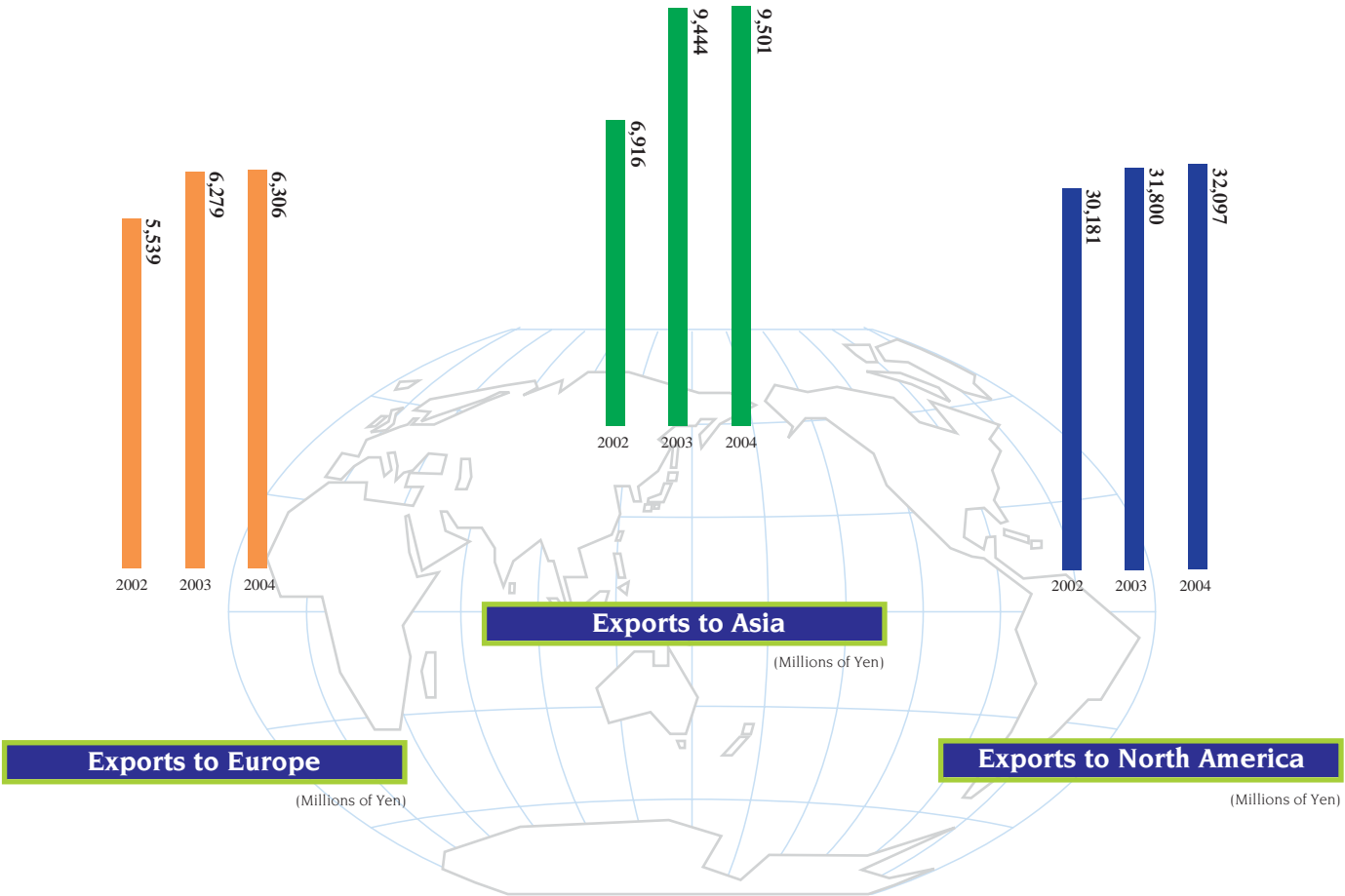
performance (stable product quality, cost reduction, and strict observance of delivery schedules) and gained certification for our information security management systems (ISMS). Despite these efforts, a severe operating environment — characterized by fierce competition for orders — resulted in ¥9,492 million (US\$90 million) in sales, down 5.8% from the previous year. Operating income fell 14.6% from the previous term to ¥309 million (US\$3 million).

A dearth of orders from the public sector led to a 16.6% drop in sales in Construction Operations to ¥1,117 million (US\$11 million) and an operating loss

of ¥2 million (US\$19,000); operating income in this segment was ¥77 million in the previous fiscal year.

In the Others segment, the transfer of Mitsuba distribution functions to a consolidated subsidiary led to a sharp 20.3% rise in sales, to ¥142 million (US\$1 million). Operating income decreased 1.6% to ¥121 million (US\$1 million).

Mitsuba’s projections of consolidated results for the current fiscal year ending March 31, 2005 are ¥132,300 million in sales, ¥4,000 million in operating income, and ¥2,000 million in net income.



Non-Consolidated Business Operations

The business operations of Mitsuba Corporation, the parent company, are divided into four business segments: (1) Auto Electrical Systems (2) Two-Wheeled, Universal-Use Products (3) Applied Equipment, and (4) Automotive Components and Accessories.

In fiscal 2003, as total automobile sales increased worldwide, sales declined from the previous

year in the U.S. and Europe. Production, domestic sales, and exports all increased, although slightly, in Japan. Against this background, Mitsuba posted ¥90,139 million (US\$853 million) in sales, a year-on-year decrease of 3.6%. The Company posted ¥316 million (US\$3 million) in operating income, a 77.8% decline.

Auto Electrical Systems Operations

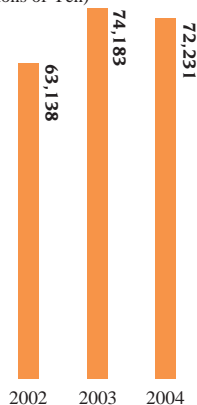


Mitsuba manufactures motors for a wide range of functions to make vehicles safe and comfortable, from field-of-vision products to drive control system products, actuators such as power window motors, and other motors.

Although automobile sales rose during the period under review, the influence of sales declines suffered by the Company's leading customers led to non-consolidated sales edging downward 2.6% to ¥72,231 million.

Sales of Auto Electrical Systems

(Millions of Yen)



Two-Wheeled, Universal-Use Product Operations

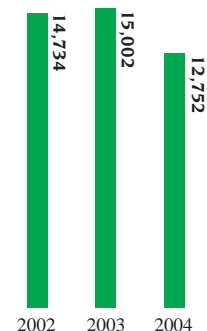


In addition to starter motors for motorcycles, in which it holds the world's top market share, Mitsuba makes electrical systems for agricultural machinery, and marine engines.

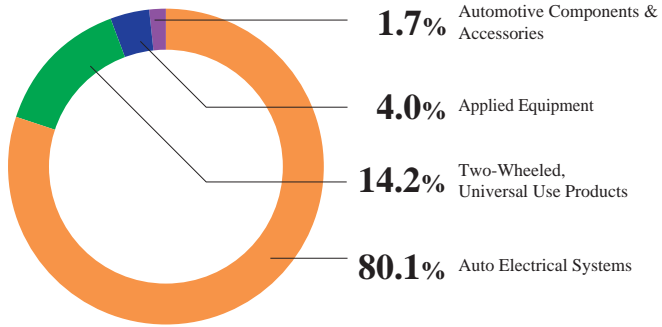
In fiscal 2003, domestic sales of large-size motorcycles decreased, as did exports of these products to the U.S. and Asia. As a result, Mitsuba's sales in this segment fell 15.0% year-on-year to ¥12,752 million.

Sales of Two-Wheeled, Universal Use Product

(Millions of Yen)



Sales Composition



Applied Equipment Operations

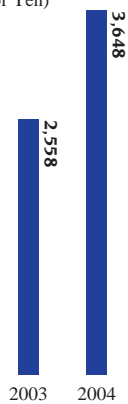


Mitsuba's technology has been applied for operations in a variety of businesses. Examples include motors and other equipment for nursing care beds and various types of industrial equipment. The Company is preparing to expand these applications to such fields as servomotors for robots. (Prior to fiscal 2002, this segment's operations were conducted by the former CBC (Consumer Business Creation) segment.)

Led by increased sales of new equipment for nursing care to Paramount Bed Co., Ltd., sales in this segment jumped 42.6% to ¥3,648 million.

Sales of Applied Equipment

(Millions of Yen)



Automotive Components and Accessories Operations

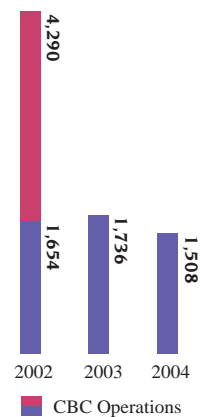


Mitsuba develops and sells after-market products to support more comfortable driving.

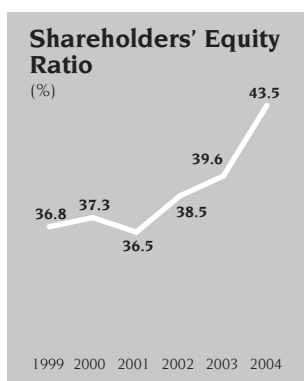
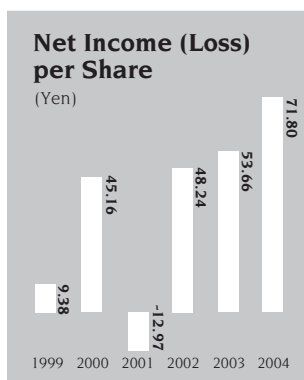
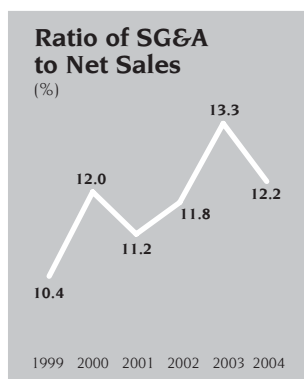
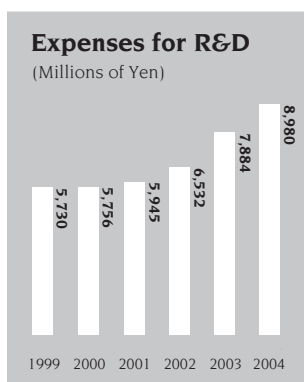
In fiscal 2003, sales in this segment were ¥1,508 million, a decrease of 13.1%.

Sales of Automotive Components and Accessories

(Millions of Yen)



Consolidated Financial Review



OPERATING RESULTS

The world economy in the fiscal year ended March 31, 2004 was characterized by rises in production and corporate profits in the United States, seen as indicative of a new period of growth, and a slow rise in exports and other rising trends in Europe that were signs of economic recovery there. In Asia, the Chinese, Thai and other economies continued to expand. In Japan, although the employment situation remained, severe economic recovery in the U.S. and other parts of the world led to moderate increases in production and exports, improvements in corporate profits, increased investment in plant and equipment, and higher stock prices: it appeared that a recovery had begun.

In the automobile industry, in Japan, we saw firm growth in domestic sales resulting from rising demand, including replacement purchases of trucks that meet new emissions regulations, and increased exports to Asia and Europe, which, along with other factors, led to production surpassing the 10-million-unit mark for the second consecutive year. Overseas, new car sales slowed down in the United States and Europe from the previous year, but grew at a healthy pace in Asia.

In this environment, the Mitsuba Group's consolidated sales were ¥131,352 million (US\$1,244 million), a year-on-year decrease of 2.0%. Group-wide cost-reduction efforts led to a decrease in consolidated cost of sales, to ¥111,441 million (US\$1,055 million). As a result, cost of sales as a percentage of sales was 84.8%. Selling, general and administrative expenses were ¥16,075 million (US\$152 million), a reduction of ¥2,036 million (11.2%) from the previous term. Operating income on a consolidated basis dropped 4.0% from the previous fiscal year to ¥3,836 million (US\$36 million), and despite decreases in profit contributions from affiliates calculated according to the equity method, ¥6,146 million (US\$58 million) in gains from corporate pension put-backs resulted in consolidated net income jumping 31.2% to ¥2,744 million (US\$26 million).

By segment, slow domestic sales resulted in Group sales in Transportation Equipment slipping 1.6% below the level of the previous term, to ¥120,600 million (US\$1,142 million). Operating income in this business was ¥3,305 million (US\$31 million), a drop of 9.9%.

In Information Technology, our efforts were focused on expansion of our solutions business built around our Internet Data Center. We also strengthened our management capability by improving QCD performance (stable product quality, cost reduction, and strict observance of delivery schedules) and gained certification for our information security management systems (ISMS). Despite these efforts, a severe operating environment, characterized by fierce competition for orders, resulted in ¥9,492 million (US\$90 million) in sales, a 5.8% decrease. Operating income in this segment dropped 14.6% from the previous term to ¥309 million (US\$3 million).

Sluggish orders from the public sector led to a 16.6% drop in sales in Construction Operations to ¥1,117 million (US\$11 million) and an operating loss of ¥2 million (US\$19,000), down from ¥77 million in operating income in the previous fiscal year.

In the Others segment, sales were ¥142 million (US\$1 million), a 20.3% improvement. Operating income decreased 1.6% to ¥121 million (US\$1 million).

Mitsuba's projections for the current fiscal year ending March 31, 2005 are ¥132,300 million in consolidated sales, ¥4,000 million in operating income, and ¥2,000 million in net income.

FINANCIAL POSITION

Total assets increased by ¥1,372 million from the previous term to ¥112,609 million (US\$1,066 million). Current assets rose by ¥2,491 million to ¥52,819 million (US\$500 million). This was mainly attributable to capital procurement on the part of Mitsubishi Corporation – the parent company – which led to increased cash and deposits. Property, plant and equipment decreased ¥315 million to ¥37,602 (US\$356 million), which was mainly the result of lower investment in buildings and machinery. Largely the result of a decrease in deferred tax assets, investments and other assets were ¥22,188 million (US\$210 million), ¥804 million less than at the end of the previous term.

Current liabilities decreased by ¥3,691 million to ¥37,096 million (US\$351 million), mainly the result of a decrease in notes payable, accounts payable and current portion of long-term debt. Long-term liabilities decreased to ¥21,324 million (US\$202 million), ¥225 million below the level of the previous term.

Minority interests in subsidiaries came to ¥5,173 million (US\$49 million).

Shareholders' equity rose ¥4,988 million to ¥49,016 million (US\$464 million). Equity per share increased from ¥1,159.64 to ¥1,292.22, and the equity ratio rose from 39.6% to 43.5%.

CASH FLOWS

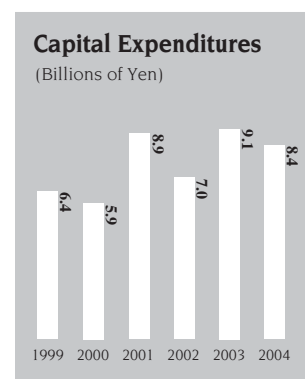
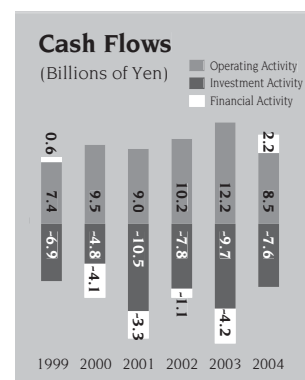
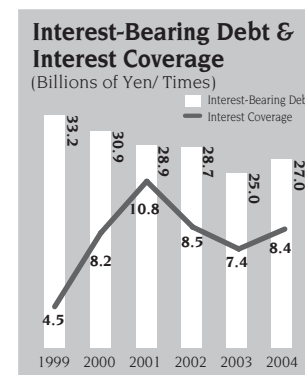
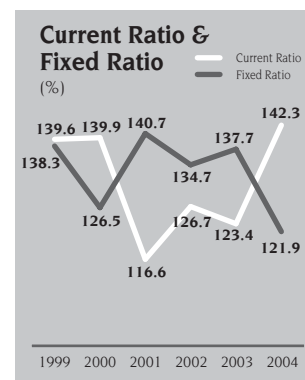
Cash inflow from operating activities dropped to ¥8,477 million (US\$80 million), down ¥3,772 million from ¥12,249 million for the previous term. This was mainly due to an increase in trade notes and accounts receivable.

Cash outflow from investing activities decreased by ¥2,135 million to ¥7,576 million (US\$72 million). This was primarily due to decreased investment in property, plant and equipment and a decline in purchases of investment securities.

Cash inflow from financing activity, largely from long-term borrowings, came to ¥2,162 million (US\$20 million), compared with a ¥4,237 million cash outflow for the previous term.

Cash and cash equivalents at term-end amounted to ¥11,287 million (US\$107 million), an increase of ¥2,703 million.

Free cash flow totaled to a negative figure of ¥228 million (US\$2 million), compared with ¥2,828 million in the positive column for the previous term.



Consolidated Balance Sheets

MITSUBA Corporation and Consolidated Subsidiaries
As of March 31, 2003 and 2004

Assets	Yen (millions) March 31		U.S. Dollars (thousands) March 31
	2003	2004	2004
Current assets:			
Cash and time deposits (Note 5)	¥ 10,613	¥ 13,251	\$ 125,447
Marketable securities (Note 3)	576	476	4,506
Trade receivables:			
Accounts and notes.....	23,639	24,244	229,518
Allowance for doubtful accounts	(25)	(14)	(133)
Inventories (Note 4)	10,482	9,543	90,344
Deferred income taxes (Note 9)	2,256	2,334	22,096
Other current assets	2,787	2,985	28,258
Total current assets.....	<u>50,328</u>	<u>52,819</u>	<u>500,036</u>
Property, plant and equipment (Notes 7 & 10):			
Land	3,634	3,598	34,062
Buildings and structures	36,153	36,197	342,678
Machinery, equipment and others.....	80,851	82,655	782,496
Construction in progress	2,078	2,728	25,826
	<u>122,716</u>	<u>125,178</u>	<u>1,185,062</u>
Less accumulated depreciation	<u>(84,799)</u>	<u>(87,576)</u>	<u>(829,083)</u>
Net property, plant and equipment	<u>37,917</u>	<u>37,602</u>	<u>355,979</u>
Investments and other assets:			
Investments in securities (Notes 3 & 6)	16,082	16,963	160,589
Long-term loans	184	193	1,827
Allowance for doubtful accounts	(46)	(46)	(435)
Deferred income taxes (Note 9)	2,319	368	3,484
Others (Note 10)	4,453	4,710	44,590
Total investment and other assets	<u>22,992</u>	<u>22,188</u>	<u>210,055</u>
Total assets (Note 14).....	<u>¥111,237</u>	<u>¥112,609</u>	<u>\$1,066,070</u>

Liabilities and Shareholders' Equity	Yen (millions) March 31		U.S. Dollars (thousands) March 31
	2003	2004	2004
Current liabilities:			
Short-term borrowings	¥ 6,486	¥ 8,836	\$ 83,650
Current portion of long-term debt (Note 7)	3,820	20	189
Trade payables:			
Accounts and notes	15,369	13,710	129,793
Income taxes payable	937	748	7,081
Reserve for employees' bonuses	2,460	2,095	19,833
Other current liabilities (Note 9)	11,715	11,687	110,642
Total current liabilities	<u>40,787</u>	<u>37,096</u>	<u>351,188</u>
Long-term liabilities:			
Long-term debt (Note 7)	14,657	18,639	176,456
Retirement and severance benefit	717	613	5,803
Accrued pension and severance costs (Note 12)	5,911	730	6,911
Others (Note 9)	264	1,342	12,704
Total long-term liabilities	<u>21,549</u>	<u>21,324</u>	<u>201,874</u>
Minority interests in subsidiaries	<u>4,873</u>	<u>5,173</u>	<u>48,973</u>
Contingent liabilities (Note 13):			
Shareholders' equity (Note 8):			
Common stock			
Authorized: 150,000,000 Shares			
Outstanding:			
March 31, 2003: 37,923,691 Shares	9,885	—	—
March 31, 2004: 37,915,092 Shares	—	9,885	93,581
Additional paid-in capital	11,148	11,148	105,538
Retained earnings	23,522	28,408	268,939
	44,555	49,441	468,058
Unrealized gains on securities	664	2,429	22,995
Treasury stock, at cost:			
March 31, 2003: 288,364 Shares	(131)	—	—
March 31, 2004: 296,963 Shares	—	(135)	(1,278)
Foreign currency translation adjustments	(1,060)	(2,719)	(25,740)
Total shareholders' equity	<u>44,028</u>	<u>49,016</u>	<u>464,035</u>
Total liabilities and shareholders' equity	<u>¥111,237</u>	<u>¥112,609</u>	<u>\$1,066,070</u>

Consolidated Statements of Shareholders' Equity

MITSUBA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2002	2003	2004	2004
Common stock:				
Balance at beginning of the year.....	¥ 9,885	¥ 9,885	¥ 9,885	\$ 93,581
Change for the year.....	—	—	—	—
Balance at end of the year.....	<u>9,885</u>	<u>9,885</u>	<u>9,885</u>	<u>93,581</u>
Additional paid-in capital:				
Balance at beginning of the year.....	11,148	11,148	11,148	105,538
Change for the year.....	—	—	—	—
Balance at end of the year.....	<u>11,148</u>	<u>11,148</u>	<u>11,148</u>	<u>105,538</u>
Retained earnings:				
Balance at beginning of the year.....	20,029	21,728	23,522	222,683
Net income.....	1,843	2,091	2,744	25,977
Cash dividends.....	(306)	(229)	(303)	(2,869)
Bonuses to directors and statutory auditors	(2)	(3)	(43)	(407)
Increase (Decrease) due to consolidation subsidiaries not consolidated in the previous year.....	164	(65)	98	928
Increase due to equity method of accounting for subsidiaries.....	—	—	2,390	22,626
Balance at end of the year.....	<u>21,728</u>	<u>23,522</u>	<u>28,408</u>	<u>268,939</u>
Unrealized gains on securities:				
Balance at beginning of the year.....	1,517	1,553	664	6,286
Unrealized holding gains (losses) arising during the period	36	(889)	1,765	16,709
Balance at end of the year.....	<u>1,553</u>	<u>664</u>	<u>2,429</u>	<u>22,995</u>
Treasury stock at cost:				
Balance at beginning of the year.....	(1)	(1)	(131)	(1,240)
Purchase of treasury stock	(3)	(130)	(4)	(38)
Sale of treasury stock.....	3	—	—	—
Balance at end of the year.....	<u>(1)</u>	<u>(131)</u>	<u>(135)</u>	<u>(1,278)</u>
Foreign currency translation adjustments:				
Balance at beginning of the year.....	(1,283)	75	(1,060)	(10,035)
Change for the year.....	1,358	(1,135)	(1,659)	(15,705)
Balance at end of the year.....	<u>75</u>	<u>(1,060)</u>	<u>(2,719)</u>	<u>(25,740)</u>
Total shareholders' equity.....	<u>¥44,388</u>	<u>¥44,028</u>	<u>¥49,016</u>	<u>\$464,035</u>

Consolidated Statements of Cash Flows

MITSUBA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2002	2003	2004	2004
Cash flows from operating activities:				
Net income.....	¥ 1,843	¥ 2,092	¥ 2,744	\$ 25,977
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization (Note 14)	7,044	7,151	7,706	72,953
Loss on disposal of fixed assets.....	221	164	306	2,897
Deferred income tax	(49)	(723)	2,155	20,401
Write-down of marketable securities	520	795	540	5,112
Decrease (increase) in assets:				
Trade accounts and notes receivable.....	1,553	2,401	(1,208)	(11,436)
Inventories.....	592	(1,305)	461	4,364
Prepaid expenses and other current assets	(637)	808	(646)	(6,116)
Increase (decrease) in liabilities:				
Trade payables	(763)	(103)	(875)	(8,284)
Accrued expenses	260	662	411	3,891
Income taxes payable	(45)	(119)	(155)	(1,467)
Accrued pension and severance costs	357	147	861	8,151
Other current liabilities.....	(193)	510	(224)	(2,121)
Others, net.....	(521)	(231)	(3,599)	(34,071)
Net cash provided by operating activities	10,182	12,249	8,477	80,251
Cash flows from investing activities:				
Payment for investment securities.....	(3,126)	(4,219)	(710)	(6,722)
Proceeds from sales of investment securities.....	1,086	1,165	722	6,835
Decrease in marketable securities	274	1,181	256	2,424
Payment for purchase of property, plant and equipment.....	(6,578)	(8,692)	(8,039)	(76,105)
Proceeds from sales of property, plant and equipment.....	624	677	223	2,111
Others, net.....	(46)	177	(28)	(265)
Net cash used in investing activities.....	(7,766)	(9,711)	(7,576)	(71,722)
Cash flows from financing activities:				
Increase (decrease) in short-term loans.....	1,701	(1,723)	(753)	(7,129)
Proceeds from long-term debt	1,919	2,869	8,124	76,910
Repayment of long-term debt	(2,525)	(1,957)	(4,686)	(44,362)
Proceeds from bond	5,000	—	200	1,893
Repayment of bonds	(7,039)	(3,000)	(390)	(3,692)
Cash dividends paid	(363)	(294)	(346)	(3,276)
Others, net.....	184	(132)	13	124
Net cash provided by (used in) financing activities	(1,123)	(4,237)	2,162	20,468
Effect of exchange rate changes on cash and cash equivalents				
Net increase (decrease) in cash and cash equivalents	1,678	(2,097)	2,703	25,589
Cash and cash equivalents at beginning of year	9,003	10,681	8,584	81,265
Cash and cash equivalents at end of year (Note 5)	<u>¥10,681</u>	<u>¥ 8,584</u>	<u>¥11,287</u>	<u>\$106,854</u>
Supplemental data:				
Cash paid during the year for —				
Income taxes	¥ 2,002	¥ 1,961	¥ 1,768	\$ 16,738
Interest.....	648	616	508	4,809

Notes to Consolidated Financial Statements

MITSUBA Corporation and Consolidated Subsidiaries

I. Summary of significant accounting policies

- (a) Basis of presenting consolidated financial statements
The accompanying consolidated financial statements of MITSUBA Corporation (the "Company") and its consolidated subsidiaries have been prepared from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan, in conformity with generally accepted accounting principles in Japan.
For the purpose of these financial report, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.
- (b) Principle of consolidation
The Company had 38 and 39 subsidiaries as of March 31, 2003 and 2004, respectively. The consolidated financial statements included the accounts of the Company and its 24 significant subsidiaries.
Intercompany accounts and significant intercompany transactions have been eliminated on consolidation.
The investments in (20% to 50% owned) affiliates, except 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.
- (c) Cash and cash equivalents
The Company and its domestic subsidiaries adopt JICPA Accounting Committee Report No.8 "Practical Guidance for the preparation of Statement of Cash Flows." Accordingly the Cash and cash equivalents include certificates of deposit, bank deposits with a maturity of three months or less which can be withdrawn without any restriction, and highly liquid debt instruments purchased with a maturity of three months or less.
- (d) Marketable securities and investment securities
Debt and equity securities are classified in one of three categories: available-for-sale, trading, or held-to-maturity. Debt securities that are classified as "held-to-maturity" securities are reported at amortized cost. The Company and its domestic 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 the stockholders' equity section of the consolidated balance sheet. Realized gains and losses are determined on the moving average cost method and reflected in income.
- (e) Inventories
Merchandise and raw materials are stated at cost determined by the average method, except for foreign subsidiary is valued at lower of cost or market. Finished products and work-in-process are stated at cost determined by the average method or the job-order-cost method, except for foreign subsidiary is valued at lower of cost or market. Supplies are stated at cost determined by the most recent purchase price method.
- (f) 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 and repairs and minor renewals and betterments are charged to income as incurred.
- (g) Accounting for leases
Finance leases other than those, which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.
- (h) 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.
- (i) Retirement and pension plan
The Company and its subsidiaries in Japan have various defined benefit pension plans and severance indemnity plans. Some of foreign subsidiaries also have defined benefit pension plans.
Pursuant to the newly enacted Defined Payment Corporation Pension Plan Act, the Company and its domestic subsidiaries received approval from the Minister of Health, Labor and Welfare, as of September 1, 2003, exempting it from the obligation to make future payments with respect to the substituted portion of the employee pension plan.
The Company and its domestic subsidiaries applied the transitional treatment specified in paragraph 47-2 of the "Practical Guideline Concerning Retirement Benefit Accounting (Interim Report)" (Report of the Accounting Standards Committee of the Japanese Institute of Certified Public Accountants No.13) and recognized an extinguishments of retirement benefit obligation with respect to such substituted portion as of the date of the approval.
As a result, the Company recorded ¥6,146 million (\$58,184 thousand) as "Gain on return of substituted portion of employee pension fund" in the accompanying consolidated statement of operations for the year ended March 31, 2004.
Amount of pension plan assets equivalent to the amount returned to the government is ¥9,947 million (\$94,168 thousand) as of March 31, 2004.
The Company and its domestic subsidiaries provided for retirement allowance to directors and statutory auditors determined based on their pertinent rules which are calculated the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet date.
- (j) Research and development costs
Research and development costs are charged to income as incurred.
- (k) 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 weighted 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.
- (l) Net income and dividends per share
Net income is computed based on the weighted average number of shares outstanding during each period. The weighted average number of shares outstanding for the years ended March 31, 2002, 2003 and 2004 was 38,209,871, 38,046,226 and 37,920,200. Cash dividends per share reflect cash dividends applicable to the respective periods.
- (m) Reclassifications
Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 2002 and 2003 have been made to conform to the presentation in the year ended March 31, 2004.

2. Translation into U.S. Dollars

The consolidated financial statements presented herein are expressed in Japanese Yen and, solely for the convenience of the reader, have been translated into U.S. Dollars at the rate of ¥105.63= U.S. \$1, the exchange rate on March 31, 2004. The translations should not be construed as representation that the Japanese Yen amounts actually represent, or have been or could be converted into U.S. Dollars.

3. Marketable securities and investments

The cost and fair value of marketable securities and investments as of March 31, 2004 are shown below:

	Yen	U.S. Dollars
	(millions)	(thousands)
	2004	2004
Debt and equity securities — available-for-sale		
Cost	¥5,384	\$50,970
Gross unrealized gains	3,734	35,350
Gross unrealized losses.....	(185)	(1,751)
Amount in balance sheet.....	<u>¥8,933</u>	<u>\$84,569</u>

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

Amount in balance sheet.....	<u>¥1,479</u>	<u>\$14,002</u>
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4. Inventories

Inventories at March 31, 2003 and 2004 comprise the following:

	Yen		U.S. Dollars
	(millions)	(millions)	(thousands)
	2003	2004	2004
Merchandise.....	¥ 473	¥ 520	\$ 4,923
Finished products	3,367	3,478	32,926
Work-in-process	1,938	1,798	17,022
Materials and supplies.....	4,704	3,747	35,473
	<u>¥10,482</u>	<u>¥9,543</u>	<u>\$90,344</u>

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, 2003 and 2004:

	Yen		U.S. Dollars
	(millions)	(millions)	(thousands)
	2003	2004	2004
Cash and time deposits.....	¥10,613	¥13,251	\$125,447
Marketable securities	576	476	4,506
Deposits with a maturity of three months or more	(2,208)	(2,021)	(19,133)
Highly liquid debt instruments with a maturity of three months or more ...	(397)	(419)	(3,966)
Cash and cash equivalents	<u>¥ 8,584</u>	<u>¥11,287</u>	<u>\$106,854</u>

6. Investment in affiliates

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

	Yen		U.S. Dollars
	(millions)	(millions)	(thousands)
	2003	2004	2004
Investment in the non-consolidated subsidiaries and affiliates.....	¥7,327	¥7,025	\$66,506

7. Long-term debt

Long-term debt at March 31, 2003 and 2004 is as follows:

Item	Annual interest	Yen		U.S. Dollars
		(millions)	(millions)	(thousands)
		2003	2004	2004
Due2004 Unsecured				
Convertible Bonds	0.50%	¥ 180	¥ —	\$ —
Due2006 Unsecured Bonds	1.10	5,000	5,000	47,335
Due2008 Unsecured Bonds	1.52	200	—	—
Due2009 Unsecured Bonds	1.29	—	100	947
Due2008 Unsecured Bonds	0.81	—	90	852
		<u>¥5,380</u>	<u>¥5,190</u>	<u>\$49,134</u>

As of March 31, 2004, loans of ¥2,826 million (\$26,754 thousand), including short-term debt of ¥1,912 million (\$18,101 thousand), is secured by property, plant and equipment with a net value of ¥5,437 million (\$51,472 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:

Year ending March 31	Yen	U.S. Dollars
	(millions)	(thousands)
2005	¥ 3,107	\$ 29,414
2006	7,339	69,478
2007	582	5,510
2008	478	4,525
2009 and thereafter	5,052	47,827
	<u>¥16,558</u>	<u>\$156,754</u>

8. Shareholders' equity

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other distributions from retained earnings paid by the parent company and its Japanese subsidiaries be appropriated as a legal reserve. The capital surplus and legal reserve, up to 25% of stated capital, are not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. The capital surplus and legal reserve, exceeding 25% of stated capital, are available for distribution upon approval of the shareholders' meeting.

In accordance with customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

9. Income taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in normal tax rates of approximately 42% in 2003 and 2004.

Income tax expense comprise the following:

	Yen		U.S. Dollars
	(millions)	(millions)	(thousands)
	2003	2004	2004
Income taxes			
Current	¥1,843	¥1,613	\$15,270
Deferred	(723)	2,155	20,401
	<u>¥1,120</u>	<u>¥3,768</u>	<u>\$35,671</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Deferred tax assets:			
Accrued employees' bonuses.....	¥ 852	¥ 841	\$ 7,962
Provision for Enterprise tax.....	71	30	284
Warranty reserves.....	395	326	3,086
Retirement and severance benefit.....	294	248	2,348
Accrued pension and severance ...	2,658	445	4,213
Others.....	<u>1,162</u>	<u>1,526</u>	<u>14,446</u>
Gross deferred tax assets	<u>5,432</u>	<u>3,416</u>	<u>32,339</u>
Deferred tax liabilities:			
Reserve for special depreciation ...	(121)	(133)	(1,259)
Reserve for program development.....	(90)	(72)	(682)
Gain on securities contribution to employee retirement			
Benefit trust.....	(218)	(210)	(1,988)
Unrealized gains on securities	(419)	(1,427)	(13,509)
Others.....	<u>(299)</u>	<u>(250)</u>	<u>(2,367)</u>
Gross deferred tax liabilities ...	<u>(1,147)</u>	<u>(2,092)</u>	<u>(19,805)</u>
	<u>¥4,285</u>	<u>¥1,324</u>	<u>\$12,534</u>

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

	2003	2004
Statutory tax rate.....	42.0%	42.0%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses.....	1.2	0.4
Taxation on per capita basis.....	0.4	0.7
Non-taxable income.....	(1.3)	3.7
Difference in normal tax rates of foreign subsidiaries.....	(4.2)	(3.5)
Unrecognized deferred income taxes by foreign subsidiaries.....	(3.9)	(0.7)
Equity in losses of affiliates.....	—	15.3
Others.....	<u>(1.7)</u>	<u>(3.3)</u>
Actual effective tax rate.....	<u>32.5%</u>	<u>54.6%</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Current assets —			
Deferred income taxes.....	¥2,256	¥2,334	\$22,096
Investment and other assets —			
Deferred income taxes.....	2,319	368	3,484
Short-term liabilities — Others.....	(50)	(40)	(379)
Long-term liabilities — Others.....	<u>(240)</u>	<u>(1,338)</u>	<u>(12,667)</u>
Net deferred tax assets.....	<u>¥4,285</u>	<u>¥1,324</u>	<u>\$12,534</u>

10. Leased assets

Under Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased assets to the lessee are permitted to be accounted for as rental transactions if certain "as if capitalized" information is disclosed in notes to the lessee's financial statements. During the year ended March 31, 2003 and 2004, the Company and its domestic subsidiaries made payments

of ¥1,866 million and ¥1,631 million (\$15,441 thousand), respectively, on these finance leases.

Class of property	Yen (millions)		U.S. Dollars (thousands)
	2003	2004	2004
Machinery and equipment and others...	¥10,593	¥9,280	\$87,854
Other assets.....	4	—	—
Accumulated depreciation	<u>(7,029)</u>	<u>(6,231)</u>	<u>(58,989)</u>
	<u>¥ 3,568</u>	<u>¥3,049</u>	<u>\$28,865</u>

Future minimum lease payments required under such finance lease that have initial in excess of one year as of March 31, 2004 are:

Year ending March 31	Yen (millions)	U.S. Dollars (thousands)
2005	¥1,197	\$11,332
2006 and thereafter	<u>1,946</u>	<u>18,423</u>
Total future minimum lease payment	<u>¥3,143</u>	<u>\$29,755</u>

11. Derivative financial instruments

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

At March 31, 2003 and 2004, the Company had no open forward exchange contracts. The Company has entered into interest rate cap agreements to convert interest long-term debt of ¥600 million and ¥500 million (\$4,734 thousand) at March 31, 2003 and 2004, respectively, from variable to fixed rate.

12. Pension and severance plans

The Company and its 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 contributed certain securities to an employee retirement benefit trust. The securities held in this trust are qualified as plan assets.

Pension and severance costs	Yen (millions)	U.S. Dollars (thousands)
	2004	2004
Benefit obligation.....	¥(29,323)	\$ (277,601)
Plan assets	24,314	230,181
Employee retirement benefit trust	758	7,176
Funded status.....	(4,251)	(40,244)
Unrecognized actuarial loss	3,765	35,643
Net amount recognized	(486)	(4,601)
Prepaid benefit cost	244	2,310
Accrued pension and severance costs	<u>¥ (730)</u>	<u>\$ (6,911)</u>

Detail of net periodic benefit cost	Yen (millions)	U.S. Dollars (thousands)
	2004	2004
Service cost.....	¥ 1,479	\$14,002
Interest cost.....	923	8,738
Expected return on plan assets	(251)	(2,376)
Amendments	1,261	11,938
Gain on return of substituted portion of employee pension fund.....	<u>(6,146)</u>	<u>(58,184)</u>
Net periodic benefit cost.....	<u>¥(2,734)</u>	<u>\$ (25,883)</u>

Actuarial assumptions	2004
Discount rate	2.5%
Expected return on plan assets	1.1%

13. Contingent liabilities

At March 31, 2004, the Company and its consolidated subsidiaries was contingently liable as guarantors of bank loans to non-consolidated subsidiaries and affiliated companies in the amount of ¥152 million (\$1,439 thousand).

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, 2002, 2003 and 2004 and for the years then ended:

Industry segments:	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2002	2003	2004	2004
Sales and operating revenue:				
Automobile parts				
Customers	¥116,360	¥122,506	¥120,600	\$1,141,721
Intersegment	—	—	1	9
Total	<u>116,360</u>	<u>122,506</u>	<u>120,601</u>	<u>1,141,731</u>
Information processing				
Customers	10,735	10,081	9,492	89,861
Intersegment	913	1,590	1,803	17,069
Total	<u>11,648</u>	<u>11,671</u>	<u>11,295</u>	<u>106,930</u>
Construction				
Customers	1,534	1,339	1,117	10,575
Intersegment	<u>1,097</u>	<u>900</u>	<u>790</u>	<u>7,479</u>
Total	<u>2,631</u>	<u>2,239</u>	<u>1,907</u>	<u>18,054</u>
Others				
Customers	115	118	142	1,344
Intersegment	<u>1,164</u>	<u>1,236</u>	<u>3,496</u>	<u>33,097</u>
Total	<u>1,279</u>	<u>1,354</u>	<u>3,638</u>	<u>34,441</u>
Elimination	<u>(3,174)</u>	<u>(3,725)</u>	<u>(6,089)</u>	<u>(57,645)</u>
Consolidated	<u>¥128,744</u>	<u>¥134,045</u>	<u>¥131,352</u>	<u>\$1,243,511</u>
Operating income:				
Automobile parts	¥ 4,115	¥ 3,670	¥ 3,305	\$ 31,289
Information processing	869	362	309	2,925
Construction	102	77	(2)	(19)
Others	122	123	121	1,146
Elimination	<u>69</u>	<u>72</u>	<u>103</u>	<u>975</u>
Consolidated	<u>¥ 5,277</u>	<u>¥ 4,304</u>	<u>¥ 3,836</u>	<u>\$ 36,316</u>
Identifiable assets:				
Automobile parts	¥106,449	¥104,427	¥105,850	\$1,002,083
Information processing	8,783	8,334	8,466	80,148
Construction	2,055	2,214	1,969	18,641
Others	3,347	5,067	6,031	57,096
Elimination	<u>(5,421)</u>	<u>(8,805)</u>	<u>(9,707)</u>	<u>(91,898)</u>
Consolidated	<u>¥115,213</u>	<u>¥111,237</u>	<u>¥112,609</u>	<u>\$1,066,070</u>
Depreciation:				
Automobile parts	¥ 6,758	¥ 6,899	¥ 7,437	\$ 70,406
Information processing	234	201	213	2,016
Construction	27	26	23	218
Others	<u>25</u>	<u>25</u>	<u>33</u>	<u>313</u>
Consolidated	<u>¥ 7,044</u>	<u>¥ 7,151</u>	<u>¥ 7,706</u>	<u>\$ 72,953</u>
Capital expenditures:				
Automobile parts	¥ 6,770	¥ 8,875	¥ 8,150	\$ 77,156
Information processing	140	234	98	928
Construction	9	9	4	38
Others	<u>51</u>	<u>9</u>	<u>108</u>	<u>1,022</u>
Consolidated	<u>¥ 6,970</u>	<u>¥ 9,127</u>	<u>¥ 8,360</u>	<u>\$ 79,144</u>

Geographic areas:

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2002	2003	2004	2004
Sales and operating revenue:				
Japan				
Customers	¥ 93,150	¥ 95,374	¥ 91,217	\$ 863,552
Intersegment	11,977	15,268	15,131	143,245
Total	<u>105,127</u>	<u>110,642</u>	<u>106,348</u>	<u>1,006,797</u>
America				
Customers	30,017	31,755	32,091	303,806
Intersegment	590	664	423	4,005
Total	<u>30,607</u>	<u>32,419</u>	<u>32,514</u>	<u>307,811</u>
Asia				
Customers	2,511	3,804	4,663	44,145
Intersegment	2,991	4,123	4,649	44,012
Total	<u>5,502</u>	<u>7,927</u>	<u>9,312</u>	<u>88,157</u>
Europe				
Customers	3,066	3,109	3,379	31,989
Intersegment	6	1	5	47
Total	<u>3,072</u>	<u>3,110</u>	<u>3,384</u>	<u>32,036</u>
Elimination	(15,564)	(20,053)	(20,206)	(191,290)
Consolidated	<u>¥128,744</u>	<u>¥134,045</u>	<u>¥131,352</u>	<u>\$1,243,511</u>
Operating income:				
Japan	¥ 3,310	¥ 2,878	¥ 1,694	\$ 16,037
America	1,449	1,087	1,031	9,760
Asia	681	590	962	9,108
Europe	(202)	(106)	(54)	(511)
Elimination	39	(145)	203	1,922
Consolidated	<u>¥ 5,277</u>	<u>¥ 4,304</u>	<u>¥ 3,836</u>	<u>\$ 36,316</u>
Identifiable assets:				
Japan	¥102,726	¥ 98,506	¥102,723	\$ 972,479
America	17,671	18,502	15,580	147,496
Asia	4,126	5,127	5,774	54,662
Europe	1,984	2,239	2,043	19,341
Elimination	(11,294)	(13,137)	(13,511)	(127,908)
Consolidated	<u>¥115,213</u>	<u>¥111,237</u>	<u>¥112,609</u>	<u>\$1,066,070</u>

Overseas operations, which represent sales to customers outside of Japan, of the Company and its consolidated subsidiaries totaled ¥42,819 million, ¥47,707 million and ¥48,023 million (\$454,634 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

15. Subsequent Events

In order to strengthen an enterprise base as a group, for the purpose of attaining speeding up of decision-making, and the increase in efficiency of management resources, the Company concluded the share exchange contract that Jidosha Denki Kogyo Co., Ltd. (JIDECO) become 100% owned subsidiary of the Company with JIDECO on May 12, 2004. And the share exchange contract was approved at the annual meeting of the Company's shareholders held on June 25, 2004.

The outline of an exchange-of-shares contract

- 1) The contents of exchange of shares
Our company performs exchange of shares by the method of setting to JIDECO Article 352 of the commercial law, or the 363rd article.
- 2) The day of exchange of shares
August 3, 2004
- 3) Stocks floated on the occasion of exchange of shares, and assignment
Our company floats 7,369,754 shares of common stocks, and does a quota grant to the stockholder except our company with the rate of 0.285 shares of stocks per one share of common stock of the JIDECO which owns of our company on the occasion of exchange of shares with JIDECO among the stockholders indicated by the list of shareholders of JIDECO of the last on the previous day of an exchange-of-shares day.

- 4) The capital and additional-paid-in-capital frame which should increase

There is no capital which our company should increase by exchange of shares, and the frame of the additional paid-in capital which should increase is the amount of money which deducted the total amount of the account-book price of the company's own stock of our company by which a quota grant is carried out to the stockholder of JIDECO from the frame which multiplied the net-assets frame which is existing in JIDECO on an exchange-of-shares day by the rate of the stocks transferred to our company by the exchange of shares to the all issued stocks of JIDECO.

- (1) The outline of Jidosha Denki Kogyo Co., Ltd.
Representative Representative director president Mitsuyoshi Komoriya
Capital 4,366 million yen (US\$41,333 thousand)
Address Yokohama City, Kanagawa Pref., Japan
- 1) The main contents of an enterprise
Manufacture of the electric parts for automobiles, selling business
- 2) Sales and current term net profit (term ended March, 2004)
Sales 58,132 million yen (US\$550,336 thousand)
Current term net loss 9,469 million yen (US\$ 89,643 thousand)
- 3) Property, a debt, the situation of capital (as of March 31, 2004)
Total assets 46,812 million yen (US\$443,170 thousand)
Debt sum total 41,260 million yen (US\$390,609 thousand)
Capital sum total 5,198 million yen (US\$ 49,210 thousand)

Independent Auditors' Report

To the Shareholders and the Board of Directors of
MITSUBA Corporation

We have examined the consolidated balance sheets of MITSUBA Corporation and consolidated subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of income and shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2004, all expressed in Yen.

These consolidated 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.

Our examinations were made 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 MITSUBA Corporation and consolidated subsidiaries as of March 31, 2003 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2004, in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31, 2004 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 2 to consolidated financial statements.

As discussed in Note 15, the Company concluded the share exchange contract with Jidosha Denki Kogyo Co., Ltd. on May 12, 2004. And the share exchange contract was approved at the annual meeting of the Company's shareholders held on June 25, 2004.

Tokyo, Japan
June 25, 2004

Shinjuku Audit Corporation

Outline of the Company

Head Office :

2681, 1-Chome, Hirosawa-Cho, Kiryu City,
Gunma Pref. 376-8555, Japan
Tel (0277) 52 0111
Fax (0277) 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 :

37,915,092 shares

Number of Shareholders :

4,493

Number of Employees :

2,543

(as of June 2004)

Board of Directors, Corporate Auditors and Managing Officers

President

Noboru Hino

Senior Managing Directors

Tsuneo Akuto
Katsuji Tabei
Toshifumi Kohno

Managing Directors

Hiroshi Ota
Kazuo Tanioku

Directors

Kazumi Shimizu
Masasuke Yagishita
Hiroyuki Sekine
Hiroyuki Komiya
Katsuhiko Hisaki
Yoshimasa Kimura
Hideo Sasaki
Noboru Abe

Corporate Auditors

Shigeru Hino
Kaoru Fukushima
Toshikazu Koya
Noritaka Tsukagoshi

Managing Officers

Kenichi Mita
Yoshikazu Takahashi
Hiroyuki Otaki
Masayuki Oyama
Takashi Nara

(as of June 25, 2004)

Corporate History

MAR. 1946:

Mitsuba Electric Mfg. Co., Ltd. founded in Kiryu City, Gunma Pref.

JUN. 1946:

Sale of generator lamps for bicycles commenced

JUN. 1951:

Production and sale of auto horns commenced; automotive component operations initiated

JAN. 1970:

Ryomo Computing Center Co., Ltd. established (name changed to Ryomo Systems Co., Ltd. in July 1982)

JUN. 1977:

Introduction of shares to Tokyo Over-the-Counter Market

JUL. 1987:

CME Corporation established in Mt. Pleasant, Michigan

FEB. 1988:

Company shares listed on the Second Section of the Tokyo Stock Exchange

SEP. 1989:

Share listing changed to the First Section of the Tokyo Stock Exchange

MAY 1993:

Announced the Mitsuba Environmental Declaration and Directions for Action

JUL. 1996:

Implemented CI (Corporate Identity) campaign

OCT. 1996:

Corporate name changed to Mitsuba Corporation

SEP. 1997:

Released the New Mitsuba Environmental Declaration and Directions for Action

OCT. 2001:

Concentrated R&D departments in Kiryu region. Established the Mitsuba R&D Center.

DEC. 2002:

Signed an agreement of Business and capital alliance with Jidosha Denki Kogyo Co., Ltd.

AUG. 2003:

Published Environmental Report

MAY 2004:

Announced management integration with Jidosha Denki Kogyo Co., Ltd.

mitsuba

MITSUBA Corporation

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