

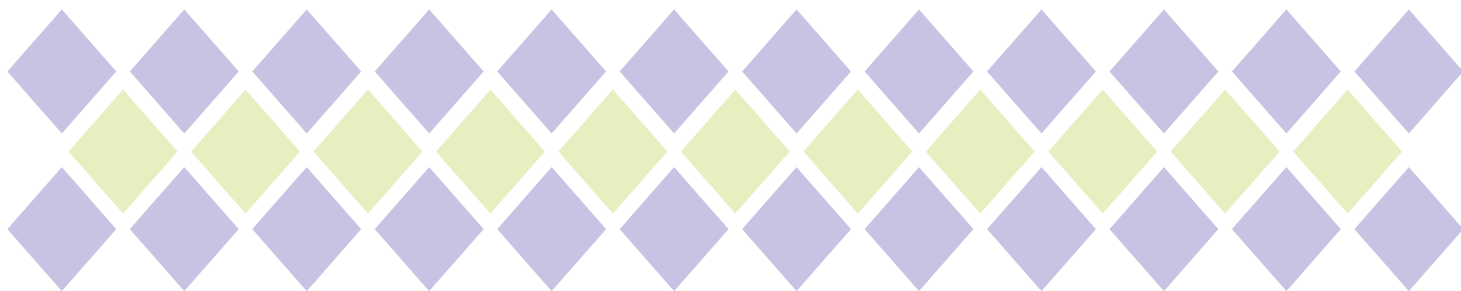
MITSUBA

MITSUBA Corporation

Towards becoming an attractive enterprise
through renewed establishment

ANNUAL REPORT 2005

Year Ended March 31, 2005



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					
	2000	2001	2002	2003	2004	2005
Net sales.....	¥113,871	¥125,633	¥128,744	¥134,045	¥131,352	¥167,643
Gross profit	18,955	20,476	20,433	22,108	19,911	24,400
Operating income.....	5,322	6,379	4,655	3,997	3,836	5,243
Income (loss) before income taxes.....	3,397	(794)	3,892	3,436	6,901	4,400
Net income (loss)	1,726	(496)	1,843	2,091	2,744	2,603
Capital expenditures	5,892	8,885	6,970	9,127	8,360	8,568
Total assets	105,944	113,122	115,213	111,237	112,609	168,262
Shareholders' equity	39,534	41,295	44,388	44,028	49,016	51,256
Per share (yen):						
Net income (loss)	¥45.16	¥(12.97)	¥48.24	¥53.66	¥71.80	¥59.44
Cash dividends applicable to period....	8.00	6.00	8.00	6.00	8.00	8.00
Return on equity (%)	4.4	(1.2)	4.3	4.7	5.9	5.2
Return on assets (%)	1.6	(0.4)	1.6	1.9	2.4	1.5
Interest coverage (times)	8.2	10.8	8.5	7.4	8.4	9.2

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Message from the President



Noboru Hino, *President*

The Mitsuba Group seeks growth and higher earnings by focusing management resources on its core businesses, transportation equipment and information services, while at the same time exploring new business opportunities.

In August 2004, we acquired Jidosha Denki Kogyo Co., Ltd. (JIDECO) through an equity swap, making it a wholly owned subsidiary. We intend to expand this business by taking advantage of synergies, sharing products, components, and raw materials, and engaging in joint product development, procurement, and use of production bases.

Business Performance in FY 2004

Global economic trends during the period under review included a generally strong performance by the U.S. economy, despite steep rises in prices for crude oil, steel and other materials, and a series of interest rate hikes carried out as the economy expanded. In Europe, the economy staged a modest recovery in the first half based on increased exports, and then slowed in the second half. In Asia, rapid growth continued in China and ASEAN countries. The Japanese economy, on the other hand, showed no growth or slightly negative growth throughout the year.

In the automotive industry, growth in automobile manufacturing in Asia boosted global production levels. Domestically, production of passenger cars, especially for export to Europe, performed strongly. Japanese manufacturers produced more than 10 million vehicles domestically for the third consecutive year. Combined with overseas production, their output

exceeded the 20 million-vehicle mark for the first time.

In this environment, the Company entered the final year of its Sixth Medium-Term Management Plan, under the slogan "Creating New Value." As globalization accelerated, particularly with the full-fledged entry of China into the market, we set high goals: to raise quality levels of products and services, improve cost-competitiveness, and create new products and technologies. Aggressive efforts to achieve them bore fruit, as we met and exceeded all sales targets in the Medium-Term Plan, but fell short of our profit objectives.

In the period under review, the fiscal year ended March 31, 2005, net sales jumped to ¥167,643 million (US\$1,561 million), on a consolidated basis, an increase of 27.6% over the previous year; operating income surged to ¥5,243 million (US\$49 million), an increase of 36.7%; and net income was ¥2,603 million (US\$24 million), a decrease of 5.1% from FY 2003, when a gain on the settlement of the substituted

portion of the employee pension fund was booked as an extraordinary gain.

Management Strategy: Implementing the Seventh Medium-Term Management Plan

FY2005 is the first year of the Company's Seventh Medium-Term Management Plan. Under the slogan "Towards becoming an attractive enterprise through renewed establishment," the three key elements of the plan are (1) to build customers' trust by providing quality, technology, and expertise; (2) To mobilize the Group to achieve cost-competitiveness that will enable it to win globally; and (3) to strive for personal growth and utilize teamwork to reach the Group's and the personnel lofty goals.

The two major measures are (A) implementing our WING Plan II and (B) carrying out management and structural reform main emphasis of the WING plan II is redesigning our cost structure, an activity to be carried out by all Group companies, centering around Mitsuba and JIDECO. Key elements of (A), the WING Plan II, include improving our cost-management systems, strengthening cost-planning activities, moving forward with such activity as new product and technology development, and strengthening the production systems at our manufacturing bases.

In (B), management and structural reform, we are engaged in long-term initiatives based on the concept that the key components of a corporation's vitality are its organizational strength and the quality of its staff. Specifics include raising product and management quality across the board, establishing an optimal



The photo shows an interior view of the Mitsuba Vietnam Technical Center, in Ho Chi Minh City. The center commenced operation on October 1, 2004

governance system, and building a human resources system that effectively leverages our organization and the people who work in it.

Organizationally, we will establish a Group General Staff to strengthen Group management. In addition, in our transportation equipment operations, we will introduce a system of business accountability, ensuring that our strategy is carried out effectively and efficiently and profit responsibility is clear.

We view the three years of the Seventh Medium-Term Management Plan as critical to achieving our vision of becoming a global enterprise. During this key period, we will consolidate our product lineup, achieve production efficiencies, and exploit synergies, to achieve the plan's FY2007 target of a 3.7% consolidated operating margin, and accomplishing our mission of "Providing pleasure and peace of mind to the people of the world."

Corporate Governance

The Company had already established, in addition to its Board of Directors and system of statutory auditors, a Management Conference with executive powers, to function as a decision-making organ to make better and faster decisions. In January 2004, we also introduced a managing officer system to strengthen governance and raise management efficiency. The Board of Directors currently includes one outside director, and the board of auditors includes two independent auditors. In the interests of ensuring transparency and enhancing corporate governance, we are taking initiatives to reform the Board of Directors and strengthen auditing functions. We also are committed to providing prompt and accurate management information to stockholders and investors by means of both results briefings and our corporate website.

In our efforts for thorough compliance, we are striving to ensure that operations are carried out in conformity with the law and company policy, by revising and enforcing company policies, in particular approval processes, and by raising compliance awareness through a variety of internal training programs.

We also assign top priority to monitoring our business processes from a governance perspective.

Outlook for the Current Fiscal Year

In the first half of the current fiscal year, against a background of skyrocketing crude oil prices and unease about steel supplies, a correction phase and slower growth are expected in the U.S. and China, the two engines of global economic growth. The global economy should pick up in the second half of the term, as



MITSUBA Corporation and Jidosya Denki Kogyo Co., Ltd. signed an "Equity-swap agreement"

equipment investment and personal consumption recover. In the automotive industry, global competition is expected to intensify, leading to a more challenging operating environment for the Group.

Our response is to focus on improved profitability in the first year of our Seventh Medium-Term Management Plan by redesigning our cost structure, while launching initiatives to raise product quality and strengthen Group management and corporate governance.

In view of these factors, the Company's forecasts for the upcoming fiscal year include net sales of ¥204,000 million on a consolidated basis, operating income of ¥6,700 million, recurring income of ¥6,700 million, and net income of ¥3,400 million.

We appreciate the support of our shareholders and look forward to a fruitful ongoing partnership.

Noboru Hino
President

Review of Operations

Review of Operations

The Group, which consists of Mitsuba Corporation (“the Company”), 51 subsidiaries, and 9 affiliates, is primarily engaged in the transportation equipment and information service businesses, but also provides transportation and storage of group products and general freight, contracted business agency services, and construction-related services to the Group and outside customers.

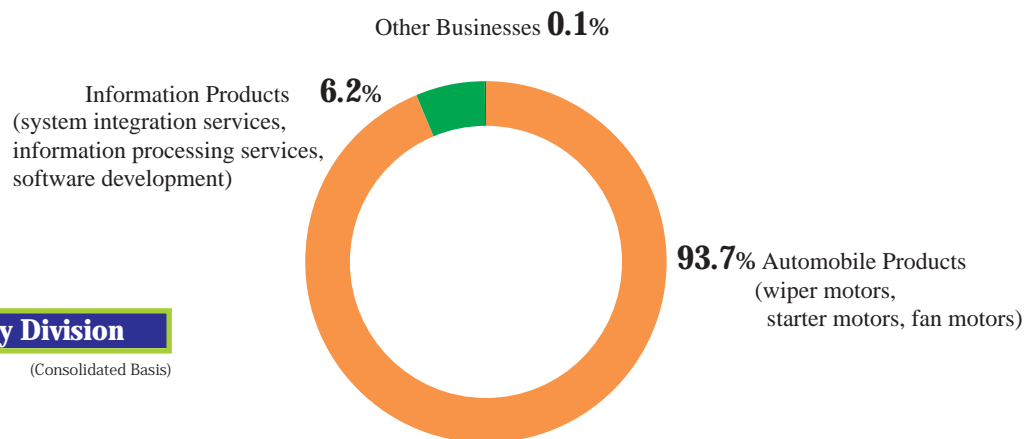
The construction-related business, which was a separate business in previous fiscal years, has been

included in the Others category due to its decreased weight. This reclassification is of no material effect, however, since the consolidated subsidiaries in that business were no longer included in the scope of consolidation as of the fiscal year under review.

We have redefined the scope of consolidation due to substantial changes in the Group business structure resulting from the acquisition of JIDECO by an equity swap and its conversion to a wholly owned subsidiary on August 3, 2004. Three new subsidiaries have been consolidated, three have been removed

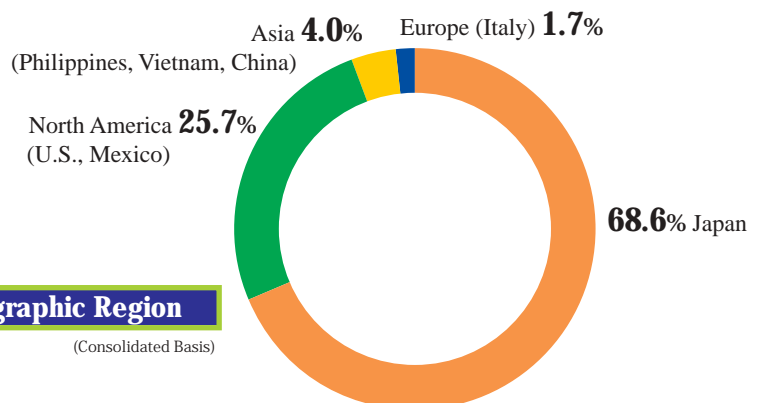
Sales Breakdown by Division

(Consolidated Basis)



Sales Breakdown by Geographic Region

(Consolidated Basis)



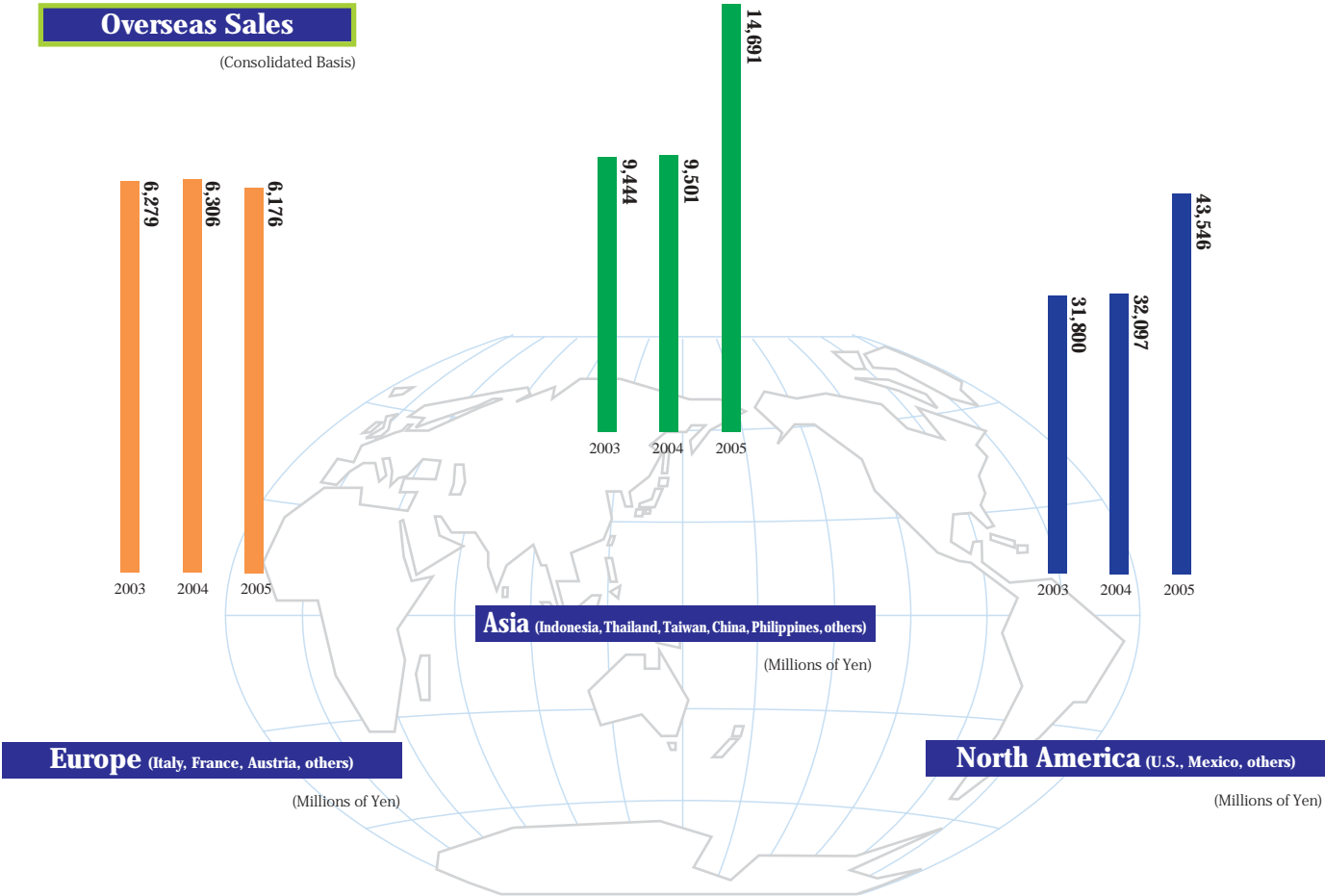
from consolidation, and one company was removed from equity-method accounting.

In our Transportation Equipment segment, sales reached ¥157,013 million (US\$1,462 million), an increase of 30.2% over the previous period, operating income was ¥4,395 million (US\$41 million), an increase of 33.0%. This performance was due not only to the strength of the automotive industry — spurring increases in both domestic sales and exports — but also to three new subsidiaries being consolidated from the second half of the fiscal year.

In the Information Service segment, we pushed forward with the solutions business centered on our

Internet Data Center, worked to increase product value through renewed focus on QCD (reliable quality, reduced costs, and on-time delivery), and took steps towards greater corporate vitality. As a result, sales reached ¥10,416 million (US\$97 million), an increase of 9.7% over the previous period, while operating income improved to ¥631 million (US\$6 million), a 104.2% increase.

In the Others segment, sales reached ¥214 million (US\$2 million), an increase of 50.7%, while operating income improved to ¥170 million (US\$2 million), a 40.5% increase.



Non-Consolidated Operations

Mitsuba's business activities are in four fields: auto electrical systems, two-wheeled, universal-use products, applied equipment, and automotive components and accessories.

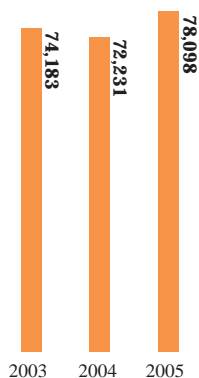
Auto Electrical Systems Operations



Products in this field cover a wide range of functional components designed to increase automotive safety and comfort in a variety of applications, from field-of-vision systems to drive control systems, and actuator such as those for power window motors.

Sales in this business were ¥78,098 million (US\$727 million), an increase of 8.1% over the prior period.

Sales of Auto Electrical Systems
(Millions of Yen)



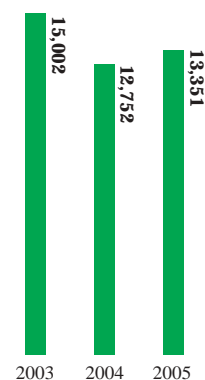
Two-wheeled, Universal-Use Products Operations



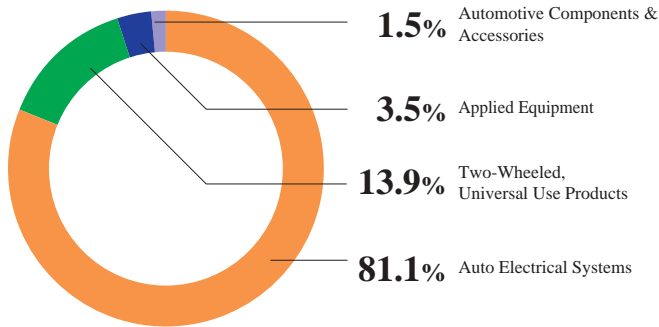
Products in this field include starter motors, which boast the top market shares in the world, agricultural machinery, and marine engines.

Sales rose 4.7% to ¥13,351 million (US\$124 million).

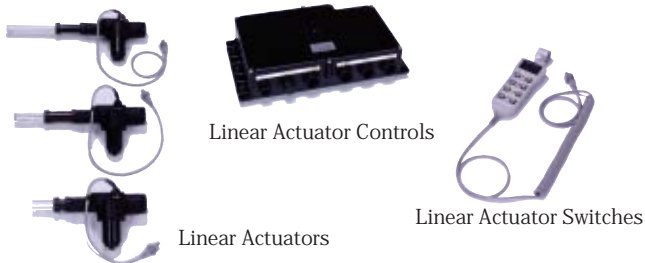
Sales of Two-Wheeled, Universal Use Products
(Millions of Yen)



Sales Composition



Applied Equipment Operations



In this area, we commercialize Mitsuba's technology to supply products in a variety of fields, such as motors for nursing care beds and various types of industrial equipment. In the future, we will expand this activity to include robot servomotors and other new applied equipment.

Sales in this field were ¥3,379 million (US\$31 million), a decrease of 7.4%.

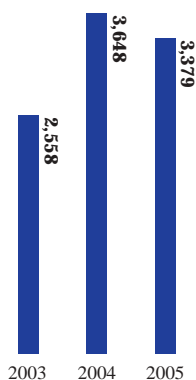
Automotive Components and Accessories Operations



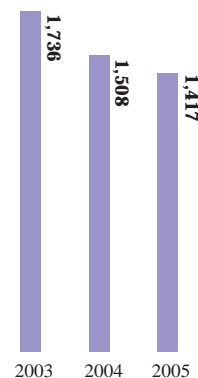
Mitsuba develops and markets after-market products to support more comfortable driving.

Sales in this business were ¥1,417 million (US\$13 million), a decrease of 6.0%.

Sales of Applied Equipment
(Millions of Yen)



Sales of Automotive Components and Accessories
(Millions of Yen)



Financial Section

Consolidated Financial Review

JAPAN

Strong sales at both parent and subsidiaries, as well as the effect of consolidating Jidosha Denki Kogyo, drove sales to ¥114,925 million (US\$1,070 million), an increase of 26.0% from the previous fiscal year; operating income rose 123.9% to ¥3,793 million (US\$35 million).

NORTH AMERICA

Brisk sales at U.S. and Mexican subsidiaries, combined with the effect of consolidating a new U.S. subsidiary, pushed sales up to ¥43,097 million (US\$401 million), an increase of 34.3% over the previous period, with operating income of ¥962 million (US\$9 million), a 6.7% decline, attributable partially to the effect of changes in foreign exchange rates on the U.S. subsidiaries.

ASIA

Robust sales at Company subsidiaries in Hong Kong and Vietnam, combined with the effect of consolidating a new Philippine subsidiary, boosted sales to ¥6,757 million (US\$63 million), a 44.9% increase over the previous period; operating income was ¥726 million (US\$7 million), a 24.5% decline due to such factors as higher materials costs.

EUROPE

In Europe, sales declined 15.2% to ¥2,864 million (US\$27 million), as a result of unfavorable market conditions for our subsidiary in Italy, as well as the effects of restructuring. The operating loss for the region was ¥91 million (US\$1 million), compared to an operating loss of ¥54 million in the previous term.

OPERATING RESULTS

Reviewing the global economic developments in FY 2004, we see that the U.S. economy performed strongly overall, notwithstanding a series of interest rate hikes implemented as the economy expanded, as well as steep rises in prices of crude oil, steel and

other materials. In Europe, the economy staged a modest recovery in the first half based on increased exports, and then slowed in the second half. In Asia, rapid growth continued in China and ASEAN countries. The Japanese economy, on the other hand, showed no growth or slightly negative growth for the year.

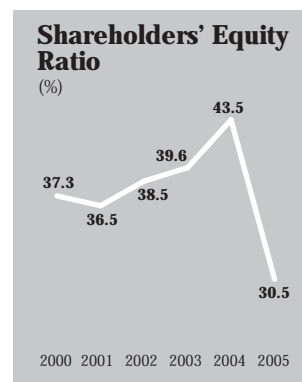
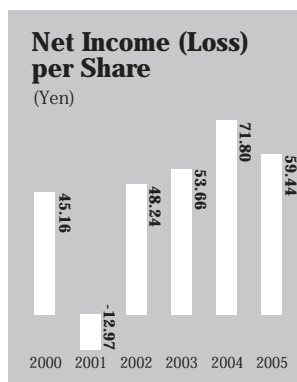
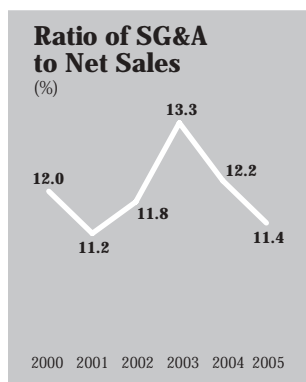
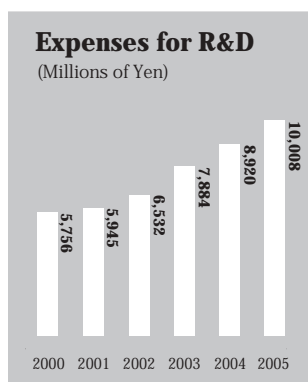
In the automotive industry, the growth in automobile manufacturing in Asia boosted global production levels. Domestically, production of passenger cars, especially for export to Europe, performed strongly. Japanese manufacturers produced more than 10 million vehicles domestically for the third consecutive year; combined with overseas production, their total production exceeded the 20 million mark for the first time.

The Mitsuba Group recorded net sales of ¥167,643 million (US\$1,561 million) on a consolidated basis, an increase of 27.6% over the previous period, with operating income of ¥5,243 million (US\$49 million), an increase of 36.7%, and net income of ¥2,603 million (US\$24 million), a decrease of 5.1% from the previous period, when a gain on the settlement of the substituted portion of the employee pension fund was booked as an extraordinary gain.

The reader should note that the three newly consolidated subsidiaries are treated as having been acquired on the last day of the first fiscal half, their contribution thus being reflected only in the second half of the reporting period. It should also be borne in mind that the three companies removed from consolidation had a negligible effect on performance for the reporting period.

Reviewing Group businesses, in the Transportation Equipment segment, sales reached ¥157,013 million (US\$1,462 million), an increase of 30.2% over the previous period, and operating income was ¥4,395 million (US\$41 million), an increase of 33.0%. This performance was due not only to the strength of the automotive industry and associated increases in both domestic sales and exports, but also to three new subsidiaries being consolidated for the first time.

In the Information Service segment, we pushed forward with



the solutions business centered on our Internet Data Center, worked to increase product value through renewed focus on QCD (reliable quality, reduced costs, and on-time delivery), and took steps towards greater corporate vitality. As a result, sales reached ¥10,416 million (US\$97 million), an increase of 9.7% over the previous period, while operating income improved to ¥631 million (US\$6 million), a 104.2% increase.

In the Others segment, sales reached ¥214 million (US\$2 million), an increase of 50.7% over the previous period, while operating income improved to ¥170 million (US\$2 million), a 40.5% increase.

FINANCIAL POSITION

Total assets as of period end were ¥168,262 million (US\$1,567 million), a year-on-year increase of ¥55,653 million. Current assets were ¥85,122 million (US\$793 million), an increase of ¥32,303 million. The major factor behind the rise was an increase in trade receivables stemming from growth in sales. Property, plant and equipment amounted to ¥47,548 million (US\$443 million), up ¥9,946 million. This is mainly due to the conversion of Jidosha Denki Kogyo to a wholly owned subsidiary. Investments and other assets reached ¥35,592 million (US\$331 million), an increase of ¥13,404 million. This is due to the increase in marketable securities largely resulting from the reclassification of shares in connection with the acquisition of Jidosha Denki Kogyo.

On the liability side, current liabilities were ¥77,360 million (US\$720 million), an increase of ¥40,264 million over the previous period. This is primarily due to an increase in trade payables stemming from the increase in sales, as well as the addition of short-term borrowings by Jidosha Denki Kogyo.

Long-term liabilities rose ¥12,801 million to reach ¥34,125 million (US\$318 million). Minority interests in subsidiaries were ¥5,521 million (US\$51 million).

Shareholders' equity reached ¥51,256 million (US\$477 million), an increase of ¥2,240 million over the previous period.

Earnings per share declined from ¥71.80 in the previous period to ¥59.44, while shareholders' equity per share declined from ¥1,292.22 at previous period end to ¥1,127.97, dropping the equity ratio from 43.5% for the previous period to 30.5%.

Cash and cash equivalents at the end of the reporting period rose to ¥14,615 million (US\$136 million), an increase of ¥3,328 million over the previous period, as a decline in net cash provided by operating activities compared to the previous period was offset by financing activities in the form of borrowings to acquire funds necessary for investments.

Free cash flow for the reporting period was a negative ¥4,248 million (US\$40 million), compared to a negative ¥228 million (US\$2 million) in the previous period.

Cash inflows from operating activities

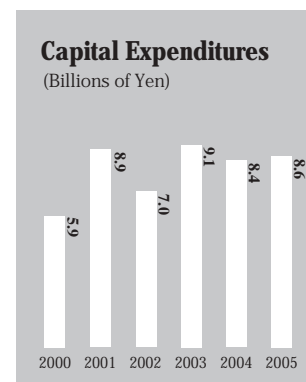
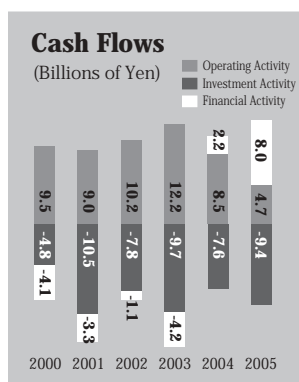
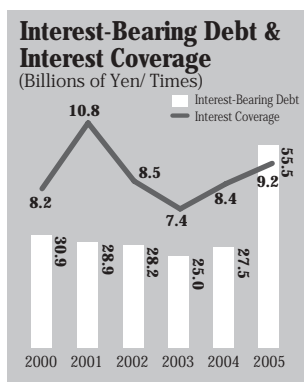
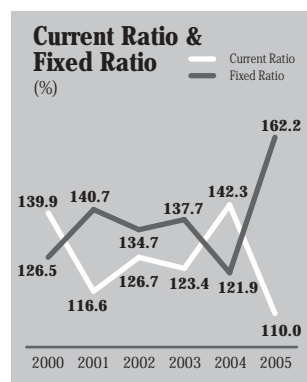
Net cash provided by operating activities amounted to ¥4,676 million (US\$44 million), a decline of 44.8%. This was principally due to decline income before income taxes and increase trade receivables.

Cash outflows from investing activities

Net cash used in investing activities amounted to ¥9,426 million (US\$88 million), an increase of 24.4% over the previous period. This is primarily due to payments for purchases of investment securities.

Cash inflows from financing activities

Net cash provided by financing activities amounted to ¥8,044 million (US\$75 million), an increase of 272.1% over the previous period. This is primarily due to proceeds from short-term and long-term borrowings.



Consolidated Balance Sheets

MITSUBA Corporation and Consolidated Subsidiaries
As of March 31, 2004 and 2005

Assets	Yen (millions) March 31		U.S. Dollars (thousands) March 31
	2004	2005	2005
Current assets:			
Cash and time deposits (Note 5)	¥ 13,251	¥ 16,076	\$ 149,711
Marketable securities (Notes 3 & 5)	476	288	2,682
Trade receivables:			
Accounts and notes.....	24,244	45,699	425,582
Allowance for doubtful accounts	(14)	(117)	(1,090)
Inventories (Note 4)	9,543	15,704	146,247
Deferred income taxes (Note 9)	2,334	2,102	19,575
Other current assets	2,985	5,370	50,010
Total current assets.....	<u>52,819</u>	<u>85,122</u>	<u>792,717</u>
Property, plant and equipment (Notes 7 & 10):			
Land.....	3,598	5,312	49,469
Buildings and structures.....	36,197	45,931	427,743
Machinery, equipment and others.....	82,655	119,021	1,108,409
Construction in progress	2,728	1,858	17,303
	<u>125,178</u>	<u>172,122</u>	<u>1,602,924</u>
Less accumulated depreciation	(87,576)	(124,574)	(1,160,123)
Net property, plant and equipment	<u>37,602</u>	<u>47,548</u>	<u>442,801</u>
Investments and other assets:			
Investments in securities (Notes 3 & 6)	16,963	23,996	223,468
Long-term loans	193	739	6,882
Allowance for doubtful accounts	(46)	(51)	(475)
Deferred income taxes (Note 9)	368	252	2,347
Others	4,710	10,656	99,237
Total investments and other assets	<u>22,188</u>	<u>35,592</u>	<u>331,459</u>
Total assets.....	<u>¥112,609</u>	<u>¥168,262</u>	<u>\$1,566,977</u>

Liabilities and Shareholders' Equity	Yen (millions) March 31		U.S. Dollars (thousands) March 31
	2004	2005	2005
Current liabilities:			
Short-term borrowings (Note 7).....	¥ 8,836	¥ 28,685	\$ 267,135
Current portion of long-term debt (Note 7).....	20	900	8,381
Trade payables:			
Accounts and notes.....	13,710	25,401	236,552
Income taxes payable (Note 9).....	748	1,163	10,831
Reserve for employees' bonuses.....	2,095	2,655	24,726
Other current liabilities.....	11,687	18,556	172,807
Total current liabilities.....	<u>37,096</u>	<u>77,360</u>	<u>720,432</u>
Long-term liabilities:			
Long-term debt (Note 7).....	18,639	25,952	241,684
Accrued pension and severance costs (Note 12).....	730	1,867	17,387
Retirement and severance benefits.....	613	715	6,659
Others (Note 9).....	1,342	5,591	52,067
Total long-term liabilities.....	<u>21,324</u>	<u>34,125</u>	<u>317,797</u>
Minority interests in subsidiaries.....	<u>5,173</u>	<u>5,521</u>	<u>51,415</u>
Contingent liabilities (Note 13):			
Shareholders' equity (Note 8):			
Common stock			
Authorized: 150,000,000 Shares			
Outstanding:			
March 31, 2004: 37,915,092 Shares.....	9,885	—	—
March 31, 2005: 45,393,221 Shares.....	—	9,885	92,056
Additional paid-in capital.....	11,148	15,719	146,387
Retained earnings.....	28,408	26,033	242,438
Unrealized gains on securities.....	2,429	2,857	26,607
Foreign currency translation adjustments.....	(2,719)	(3,091)	(28,786)
Treasury stock, at cost:			
March 31, 2004: 296,963 Shares.....	(135)	—	—
March 31, 2005: 188,588 Shares.....	—	(147)	(1,369)
Total shareholders' equity.....	<u>49,016</u>	<u>51,256</u>	<u>477,333</u>
Total liabilities and shareholders' equity.....	<u>¥112,609</u>	<u>¥168,262</u>	<u>\$1,566,977</u>

Consolidated Statements of Shareholders' Equity

MITSUBA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2003	2004	2005	2005
Common stock:				
Balance at beginning of the year.....	¥ 9,885	¥ 9,885	¥ 9,885	\$ 92,056
Change for the year.....	—	—	—	—
Balance at end of the year.....	<u>9,885</u>	<u>9,885</u>	<u>9,885</u>	<u>92,056</u>
Additional paid-in capital:				
Balance at beginning of the year.....	11,148	11,148	11,148	103,818
Change for the year.....	—	—	4,571	42,569
Balance at end of the year.....	<u>11,148</u>	<u>11,148</u>	<u>15,719</u>	<u>146,387</u>
Retained earnings:				
Balance at beginning of the year.....	21,728	23,522	28,408	264,555
Net income.....	2,091	2,744	2,603	24,241
Cash dividends.....	(229)	(303)	(303)	(2,822)
Bonuses to directors and statutory auditors.....	(3)	(43)	(14)	(130)
Increase (Decrease) due to consolidation subsidiaries not consolidated in the previous year.....	(65)	98	(4,661)	(43,406)
Increase due to equity method of accounting for subsidiaries.....	—	2,390	—	—
Balance at end of the year.....	<u>23,522</u>	<u>28,408</u>	<u>26,033</u>	<u>242,438</u>
Unrealized gains on securities:				
Balance at beginning of the year.....	1,553	664	2,429	22,621
Unrealized holding gains (losses) arising during the period.....	(889)	1,765	428	3,986
Balance at end of the year.....	<u>664</u>	<u>2,429</u>	<u>2,857</u>	<u>26,607</u>
Foreign currency translation adjustment:				
Balance at beginning of the year.....	75	(1,060)	(2,719)	(25,321)
Change for the year.....	(1,135)	(1,659)	(372)	(3,465)
Balance at end of the year.....	<u>(1,060)</u>	<u>(2,719)</u>	<u>(3,091)</u>	<u>(28,786)</u>
Treasury stock at cost:				
Balance at beginning of the year.....	(1)	(131)	(135)	(1,257)
Purchase of treasury stock.....	(130)	(4)	(12)	(112)
Sale of treasury stock.....	—	—	—	—
Balance at end of the year.....	<u>(131)</u>	<u>(135)</u>	<u>(147)</u>	<u>(1,369)</u>
Total shareholders' equity.....	<u>¥44,028</u>	<u>¥49,016</u>	<u>¥51,256</u>	<u>\$477,333</u>

Consolidated Statements of Cash Flows

MITSUBA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2003	2004	2005	2005
Cash flows from operating activities:				
Net income.....	¥ 2,092	¥ 2,744	¥ 2,603	\$ 24,241
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	7,151	7,706	8,618	80,257
Loss on disposal of fixed assets.....	164	306	598	5,569
Deferred income tax	(723)	2,155	(265)	(2,468)
Write-down of marketable securities	795	540	237	2,207
Decrease (Increase) in assets:				
Trade accounts and notes receivable.....	2,401	(1,208)	(5,368)	(49,991)
Inventories.....	(1,305)	461	(2,110)	(19,650)
Prepaid expenses and other current assets	808	(646)	(670)	(6,240)
Increase (Decrease) in liabilities:				
Trade payables	(103)	(875)	(345)	(3,213)
Accrued expenses	662	411	503	4,684
Income tax payables.....	(119)	(155)	478	4,451
Accrued pension and severance costs	147	861	158	1,471
Other current liabilities.....	510	(224)	(9)	(84)
Others, net.....	(231)	(3,599)	248	2,310
Net cash provided by operating activities	12,249	8,477	4,676	43,544
Cash flows from investing activities:				
Payments for purchases of investment securities	(4,219)	(710)	(2,533)	(23,589)
Proceeds from sales of investment securities.....	1,165	722	200	1,863
Decrease in marketable securities	1,181	256	170	1,583
Payments for acquisition of property, plant and equipment.....	(8,692)	(8,039)	(8,152)	(75,917)
Proceeds from sales of property, plant and equipment.....	677	223	577	5,373
Others, net.....	177	(28)	312	2,906
Net cash used in investing activities.....	(9,711)	(7,576)	(9,426)	(87,781)
Cash flows from financing activities:				
Increase (Decrease) in short-term loans	(1,723)	(753)	3,521	32,790
Proceeds from long-term debt	2,869	8,124	9,771	90,995
Repayment of long-term debt	(1,957)	(4,686)	(4,519)	(42,084)
Proceeds from bonds	—	200	100	931
Repayment of bonds	(3,000)	(390)	(460)	(4,283)
Cash dividends paid	(294)	(346)	(357)	(3,324)
Others, net.....	(132)	13	(12)	(112)
Net cash provided by (used in) financing activities	(4,237)	2,162	8,044	74,913
Effect of exchange rate changes on cash and cash equivalents				
	(398)	(360)	34	317
Net increase (decrease) in cash and cash equivalents	(2,097)	2,703	3,328	30,993
Cash and cash equivalents at beginning of the year	10,681	8,584	11,287	105,112
Cash and cash equivalents at end of the year (Note 5)	¥ 8,584	¥11,287	¥14,615	\$136,105
Supplemental data:				
Cash paid during the year for				
Income tax.....	¥ 1,961	¥ 1,768	¥ 1,188	\$ 11,064
Interest.....	616	508	615	5,727

Notes to Consolidated Financial Statements

MITSUBA Corporation and 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 consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material 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 to the consolidated financial statements include 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 financial statements are included solely for convenience. The rate of ¥107.38 to US\$1.00, prevailing on March 31, 2005, has been used for translation into U.S. dollar amounts in the financial statements.

2. Summary of significant accounting policies

(a) Principle of consolidation

The Company had 39 and 51 subsidiaries as of March 31, 2004 and 2005, respectively. The consolidated financial statements included the accounts of the Company and its 24 significant subsidiaries as of March 31, 2004 and 2005, respectively.

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.

(b) 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.

(c) 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.

(d) 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.

(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 and repairs and minor renewals and betterments are charged to income as incurred.

(f) 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.

(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 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 April 1, 2005, for a change to a corporate pension plan fund. The Company and its domestic subsidiaries transferred the corporate portion of their welfare pension fund plan to defined contribution pension plans.

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.

(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 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.

(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 statements are dividends declared as applicable to the respective fiscal years.

Effective from the year ended March 31, 2003, the Companies adopted the Statement of Financial Accounting Standard No. 2 "Earnings per Share" issued by the Accounting Standards Board of Japan. Prior to adopting the new statement, earnings per share were calculated based on the net income shown on the Income Statements. The earnings per share calculation therefore excluded bonuses to directors and statutory auditors, since under the Japanese Commercial Code, these are recognized as an appropriation of retained earnings, in the Statements of Shareholders' Equity, rather than as expenses in the Income Statements.

However, the new statement requires that net income should be adjusted by deducting bonuses paid to directors and statutory auditors, as well as the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings, from net income shown in the Income Statements, and the calculation of earnings per share be made on that adjusted net income basis.

(l) Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 2003 and 2004 have been made to conform to the presentation in the year ended March 31, 2005.

3. Marketable securities and investments

The cost and fair value of marketable securities and investments as of March 31, 2005 are shown below:

	Yen (millions)	U.S. Dollars (thousands)
	2005	2005
Debt and equity securities — available-for-sale:		
Cost	¥ 5,988	\$ 55,765
Gross unrealized gains	5,734	53,399
Gross unrealized losses	(138)	(1,285)
Amount in balance sheet	<u>¥11,584</u>	<u>\$107,879</u>

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

Amount in balance sheet	<u>¥ 1,518</u>	<u>\$ 14,137</u>
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4. Inventories

Inventories at March 31, 2004 and 2005 comprise the following:

	Yen (millions)		U.S. Dollars (thousands)
	2004	2005	2005
Merchandise	¥ 520	¥ 507	\$ 4,722
Finished products.....	3,478	5,762	53,660
Work-in-process.....	1,798	3,787	35,267
Materials and supplies.....	3,747	5,648	52,598
	<u>¥9,543</u>	<u>¥15,704</u>	<u>\$146,247</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, 2004 and 2005:

	Yen (millions)		U.S. Dollars (thousands)
	2004	2005	2005
Cash and time deposits	¥13,251	¥16,076	\$149,711
Marketable securities.....	476	288	2,682
Deposits with a maturity of three months or more	(2,021)	(1,502)	(13,988)
Highly liquid debt instruments with a maturity of three months or more	(419)	(247)	(2,300)
Cash and cash equivalents	<u>¥11,287</u>	<u>¥14,615</u>	<u>\$136,105</u>

6. Investment in affiliates

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

	Yen (millions)		U.S. Dollars (thousands)
	2004	2005	2005
Investment in the non-consolidated subsidiaries and affiliates.....	<u>¥7,025</u>	<u>¥11,282</u>	<u>\$105,066</u>

7. Long-term debt

Long-term debt at March 31, 2004 and 2005 is as follows:

Item	Issued by	Annual interest	Yen (millions)		U.S. Dollars (thousands)
			2004	2005	2005
Due2006 Unsecured Bonds	Mitsuba	1.10%	¥5,000	¥ 5,000	\$ 46,564
Due2008 Unsecured Bonds	Jidosha Denki Kogyo	1.25	—	490	4,563
Due2008 Unsecured Bonds	Jidosha Denki Kogyo	0.75	—	2,640	24,586
Due2008 Unsecured Bonds	Jidosha Denki Kogyo	1.02	—	3,000	27,938
Due2009 Unsecured Bonds	Momimo manufacturing	1.29	100	100	931
Due2008 Unsecured Bonds	Higashinohon Diecasting	0.89	90	70	652
Due2009 Unsecured Bonds	Higashinohon Diecasting	0.97	—	90	838
			<u>¥5,190</u>	<u>¥11,390</u>	<u>\$106,072</u>

As of March 31, 2005, loans of ¥8,314 million (\$77,426 thousand), including short-term debt of ¥5,992 million (\$55,802 thousand), is secured by inventories, property, plant and equipment with a net value of ¥10,320 million (\$96,107 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 (millions)	U.S. Dollars (thousands)
2006.....	¥13,086	\$121,866
2007.....	8,801	81,961
2008.....	3,221	29,996
2009.....	9,304	86,646
2010 and thereafter.....	4,499	41,898
	<u>¥38,911</u>	<u>\$362,367</u>

8. Shareholders' equity

Under the Japanese Commercial Code, 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 Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and capital surplus equals 25% of common stock. The legal reserve is not available for dividends unless the total amount of legal reserve and capital surplus exceeds 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. Legal reserve is included in retained earnings.

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% and 40.4% in 2004 and 2005, respectively.

Income tax expense comprise the following:

	Yen (millions)		U.S. Dollars (thousands)
	2004	2005	2005
Income taxes:			
Current.....	¥1,613	¥1,666	\$15,515
Deferred.....	2,155	(265)	(2,468)
	<u>¥3,768</u>	<u>¥1,401</u>	<u>\$13,047</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2004	2005	2005
Deferred tax assets:			
Accrued employees' bonuses	¥ 841	¥ 855	\$ 7,962
Provision for Enterprise tax	30	146	1,360
Warranty reserves	326	156	1,453
Retirement and severance benefit ...	248	253	2,356
Accrued pension and severance	445	549	5,113
Others	1,526	1,069	9,955
Gross deferred tax assets	3,416	3,028	28,199
Deferred tax liabilities:			
Reserve for special depreciation	(133)	(125)	(1,164)
Reserve for program development ..	(72)	(56)	(522)
Gain on securities contribution to employee retirement benefit trust	(210)	—	—
Unrealized gains on securities	(1,427)	(2,370)	(22,071)
Others	(250)	(149)	(1,387)
Gross deferred tax liabilities	(2,092)	(2,700)	(25,144)
Net deferred tax assets	¥1,324	¥ 328	\$ 3,055

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

	2004	2005
Statutory tax rate	42.0%	40.4%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	0.4	0.8
Taxation on per capita basis	0.7	1.0
Non-taxable income	3.7	(1.8)
Difference in normal tax rates of foreign subsidiaries	(3.5)	(1.6)
Unrecognized deferred income taxes by foreign subsidiaries	(0.7)	(1.9)
Equity in losses of affiliates	15.3	(7.3)
Others	(3.3)	2.2
Actual effective tax rate	54.6%	31.8%

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

	Yen (millions)		U.S. Dollars (thousands)
	2004	2005	2005
Current assets —			
Deferred income taxes	¥2,334	¥2,102	\$19,575
Investment and other assets —			
Deferred income taxes	368	252	2,347
Short-term liabilities — Others	(40)	(115)	(1,071)
Long-term liabilities — Others	(1,338)	(1,911)	(17,796)
Net deferred tax assets	¥1,324	¥ 328	\$ 3,055

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,

2004 and 2005, the Company and its domestic subsidiaries made payments of ¥1,631 million and ¥1,743 million (\$16,232 thousand), respectively, on these finance leases.

Class of property	Yen (millions)		U.S. Dollars (thousands)
	2004	2005	2005
Machinery, equipment and others	¥9,280	¥10,117	\$94,217
Intangible assets	—	114	1,062
Accumulated depreciation	(6,231)	(6,900)	(64,258)
	¥3,049	¥ 3,331	\$31,021

Future minimum lease payments required under such finance lease that have initial in excess of one year as of March 31, 2005 are:

Year ending March 31	Yen (millions)	U.S. Dollars (thousands)
2006	¥1,170	\$10,896
2007 and thereafter	1,938	18,048
Total future minimum lease payment	¥3,108	\$28,944

Future minimum lease payments required under operating lease that have initial in excess of one year as of March 31, 2005 are:

Year ending March 31	Yen (millions)	U.S. Dollars (thousands)
2006	¥ 66	\$ 615
2007 and thereafter	123	1,145
Total future minimum lease payment	¥189	\$1,760

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.

The derivative transactions as of March 31, 2005 are summarized as follows:

(1) Currency-Related Derivatives

	Yen (millions)		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain (loss)
Foreign currency options:			
Buying Contracts			
EURO put options	¥ 804 {13}	¥ 6	¥(7)
US \$ put options	313 {7}	9	2
Selling Contracts			
EURO call options	804 {(13)}	(18)	(5)
US \$ call options	625 {(7)}	(5)	2
Total	¥2,546 {0}	¥ (8)	¥(8)

	U.S. Dollars (thousands)		
	2005		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain (loss)
Foreign currency options:			
Buying Contracts			
EURO put options	\$ 7,487		
	{121}	\$ 55	\$(66)
US \$ put options	2,915		
	{66}	85	19
Selling Contracts			
EURO call options	7,487		
	{(121)}	(168)	(47)
US \$ call options	5,821		
	{(66)}	(47)	19
Total	\$23,710		
	{0}	\$ (75)	\$(75)

At March 31, 2004, the Company had no open forward exchange contracts.

Option premiums within the consolidated balance sheets are disclosed, in brackets ({ }), under the contract or notional amounts.

(2) Interest-Rate-Related Derivatives

	Yen (millions)		
	2005		
	Contract Value	Fair Value	Unrealized Gain (loss)
Interest-rate swaps:			
Receive floating, pay floating	¥769	¥612	¥(36)
	¥769	¥612	¥(36)

	U.S. Dollars (thousands)		
	2005		
	Contract Value	Fair Value	Unrealized Gain (loss)
Interest-rate swaps:			
Receive floating, pay floating	\$7,161	\$5,699	\$(335)
	\$7,161	\$5,699	\$(335)

At March 31, 2004, figures for contract value, fair value and gains (or losses) are not disclosed.

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.

	Yen (millions)	U.S. Dollars (thousands)
	2005	2005
Pension and severance costs		
Benefit obligation	¥(34,777)	\$(323,869)
Plan assets	29,752	277,072
Employee retirement benefit trust	559	5,206
Funded status	(4,466)	(41,591)
Unrecognized actuarial loss	7,574	70,535
Net amount recognized	3,108	28,944
Prepaid benefit cost	4,975	46,331
Accrued pension and severance costs	¥ (1,867)	\$ (17,387)

	Yen (millions)	U.S. Dollars (thousands)
	2005	2005
Detail of net periodic benefit cost		
Service cost	¥1,558	\$14,509
Interest cost	780	7,264
Expected return on plan assets	(504)	(4,694)
Recognized actuarial loss	681	6,342
Loss on change in retirement plan to defined contribution plan	566	5,271
Net periodic benefit cost	¥3,081	\$28,692

	2005
Actuarial assumptions	
Discount rate	2.0%
Expected return on plan assets	2.0%

13. Contingent liabilities

At March 31, 2005, 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 ¥2,447 million (\$22,788 thousand).

14. Supplemental information

The Company concluded the share exchange contract with Jidosha Denki Kogyo Co., Ltd on May 12, 2004. As a result, the company newly included 3 subsidiaries for consolidation. These 3 subsidiaries and their financial situations are summarized as follows:

Jidosha Denki Kogyo Co., Ltd (JIDECO)
 Jideco of Birdstown, Inc. (JOB)
 Jideco Manufacturing Philippines, Inc. (JMPI)

	Yen (millions)	
	JIDECO	JOB & JMPI
2005		
Current assets	¥17,655	¥ 7,987
Fixed assets	20,810	5,563
Current liabilities	(20,778)	(10,682)
Non-current liabilities	(9,281)	(444)
Consolidation adjustment account	(1,256)	—
U.S. Dollars (thousands)		
2005		
Current assets	\$164,416	\$74,381
Fixed assets	193,798	51,807
Current liabilities	(193,500)	(99,478)
Non-current liabilities	(86,431)	(4,135)
Consolidation adjustment account	(11,697)	—

15. 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, 2003, 2004 and 2005 and for the years then ended:

Industry segments:

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2003	2004	2005	2005
Sales and operating revenue:				
Automobile parts				
Customers	¥122,506	¥120,600	¥157,013	\$1,462,218
Intersegment	—	1	1	9
Total	122,506	120,601	157,014	1,462,227
Information processing				
Customers	10,081	9,492	10,416	97,001
Intersegment	1,590	1,803	1,581	14,724
Total	11,671	11,295	11,997	111,725
Construction				
Customers	1,339	1,117	—	—
Intersegment	900	790	—	—
Total	2,239	1,907	0	0
Others				
Customers	118	142	214	1,993
Intersegment	1,236	3,496	4,401	40,985
Total	1,354	3,638	4,615	42,978
Corporate and elimination	(3,725)	(6,089)	(5,983)	(55,718)
Consolidated	¥134,045	¥131,352	¥167,643	\$1,561,212
Operating income:				
Automobile parts	¥ 3,670	¥ 3,305	¥ 4,395	\$ 40,930
Information processing	362	309	631	5,876
Construction	77	(2)	—	—
Others	123	121	170	1,583
Corporate and elimination	72	103	47	438
Consolidated	¥ 4,304	¥ 3,836	¥ 5,243	\$ 48,827
Identifiable assets:				
Automobile parts	¥104,427	¥105,850	¥161,756	\$1,506,389
Information processing	8,334	8,466	9,730	90,613
Construction	2,214	1,969	—	—
Others	5,067	6,031	6,772	63,065
Corporate and elimination	(8,805)	(9,707)	(9,996)	(93,090)
Consolidated	¥111,237	¥112,609	¥168,262	\$1,566,977
Depreciation:				
Automobile parts	¥ 6,899	¥ 7,437	¥ 8,319	\$ 77,473
Information processing	201	213	200	1,863
Construction	26	23	—	—
Others	25	33	99	921
Consolidated	¥ 7,151	¥ 7,706	¥ 8,618	\$ 80,257
Capital expenditures:				
Automobile parts	¥ 8,875	¥ 8,150	¥ 8,164	\$ 76,029
Information processing	234	98	248	2,309
Construction	9	4	—	—
Others	9	108	156	1,453
Consolidated	¥ 9,127	¥ 8,360	¥ 8,568	\$ 79,791

Geographic areas:

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2003	2004	2005	2005
Sales and operating revenue:				
Japan				
Customers	¥ 95,374	¥ 91,217	¥114,925	\$1,070,264
Intersegment	15,268	15,131	23,294	216,930
Total	<u>110,642</u>	<u>106,348</u>	<u>138,219</u>	<u>1,287,194</u>
North America				
Customers	31,755	32,091	43,097	401,350
Intersegment	664	423	517	4,815
Total	<u>32,419</u>	<u>32,514</u>	<u>43,614</u>	<u>406,165</u>
Asia				
Customers	3,804	4,663	6,757	62,926
Intersegment	4,123	4,649	12,282	114,379
Total	<u>7,927</u>	<u>9,312</u>	<u>19,039</u>	<u>177,305</u>
Europe				
Customers	3,109	3,379	2,864	26,672
Intersegment	1	5	2	19
Total	<u>3,110</u>	<u>3,384</u>	<u>2,866</u>	<u>26,691</u>
Corporate and elimination	(20,053)	(20,206)	(36,095)	(336,143)
Consolidated	<u>¥134,045</u>	<u>¥131,352</u>	<u>¥167,643</u>	<u>\$1,561,212</u>
Operating income:				
Japan	¥ 2,878	¥ 1,694	¥ 3,793	\$ 35,323
North America	1,087	1,031	962	8,959
Asia	590	962	726	6,761
Europe	(106)	(54)	(91)	(847)
Corporate and elimination	(145)	203	(147)	(1,369)
Consolidated	<u>¥ 4,304</u>	<u>¥ 3,836</u>	<u>¥ 5,243</u>	<u>\$ 48,827</u>
Identifiable assets:				
Japan	¥ 98,506	¥102,723	¥154,764	\$1,441,274
North America	18,502	15,580	23,554	219,352
Asia	5,127	5,774	14,998	139,672
Europe	2,239	2,043	1,500	13,969
Corporate and elimination	(13,137)	(13,511)	(26,554)	(247,290)
Consolidated	<u>¥111,237</u>	<u>¥112,609</u>	<u>¥168,262</u>	<u>\$1,566,977</u>

|||| 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, 2004 and 2005, 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, 2005, 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, 2004 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31, 2005 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 consolidated financial statements.

Shinjuku Audit Corporation

Tokyo, Japan
June 29, 2005

Outline of the Company

Head Office :

2681, 1-Chome, Hirosawa-Cho, Kiryu,
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 :

45,581,809 shares

Number of Shareholders :

6,472

Number of Employees :

2,565

(as of June 2005)

Board of Director and Corporate Auditors

President

Noboru Hino

Managing Directors

Tsuneo Akuto
Katsuji Tabei
Toshifumi Kohno

Directors

Soichi Ushijima
Hiroyuki Sekine
Hiroyuki Komiya
Katsuhiko Hisaki
Yoshimasa Kimura
Hideo Sasaki
Noboru Abe

Auditors

Shigeru Hino
Kaoru Fukushima
Toshikazu Koya
Noritaka Tsukagoshi

Managing Officers

Katsuo Takahara
Kenichi Mita
Yoshikazu Takahashi
Hiroyuki Otaki
Masayuki Oyama
Takashi Nara
Ichiro Tashiro
Hirofumi Nakayama
Yuichi Nagase
Shinichi Kuwabara
Nobuo Yoshioka

(as of July 2005)

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; automo-
tive 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

AUG. 2004:

The Jidosha Denki Kogyo Co., Ltd. (JIDECO), became a
wholly owned subsidiary through an exchange of stock.

APR. 2005:

The automotive components and accessories operations
underwent a spin-off into a separate company through cor-
porate separation.

mitsuba

MITSUBA Corporation

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