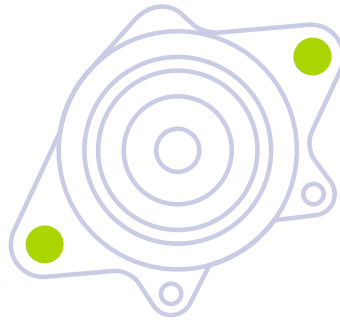


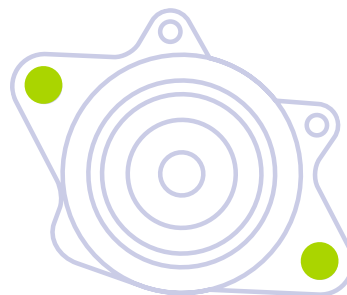
MITSUBA

MITSUBA Corporation



ANNUAL REPORT ● 2003

Creating New Value



Six-Year Summary

MITSUBA Corporation and Consolidated Subsidiaries
Years ended March 31

	Yen (millions), except for per share amounts					
	1998	1999	2000	2001	2002	2003
Net sales.....	¥114,673	¥113,305	¥113,871	¥125,633	¥128,744	¥134,045
Gross profit	17,612	15,327	18,955	20,476	20,433	22,108
Operating income.....	5,766	3,541	5,322	6,379	5,277	4,304
Income (loss) before income taxes.....	4,795	1,283	3,397	(794)	3,892	3,436
Net income (loss)	1,967	358	1,726	(496)	1,843	2,091
Capital expenditures	8,544	6,421	5,892	8,885	6,970	9,127
Total assets	106,404	103,901	105,944	113,122	115,213	111,237
Shareholders' equity	38,697	38,266	39,534	41,295	44,388	44,028
Per share:						
Net income (loss)	¥51.51	¥ 9.38	¥45.16	¥(12.97)	¥48.24	¥53.66
Cash dividends applicable to period....	11.00	10.00	8.00	6.00	8.00	6.00
Return on equity (%)	5.1	0.9	4.4	(1.2)	4.3	4.7
Return on assets (%)	1.8	0.3	1.6	(0.4)	1.6	1.9
Interest coverage (times)	8.6	4.5	8.2	10.8	8.5	7.4

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Message from the President



Noboru Hino, *President*

Since April 2002, Mitsuba has been following its latest medium-term management plan under the slogan “creating new value.” Our core aim under this plan is to achieve outstanding quality that is markedly superior to our rivals. We will also enhance our cost-competitiveness and capabilities in new product development and technology. Through these efforts, we will continue to realize Mitsuba’s corporate mission of providing pleasure and peace of mind to people all over the world.

Business Performance for Fiscal 2002

In spite of a comparatively firm trend by the United States economy during the reporting term, the outlook for the world economy became increasingly gloomy as the second half of fiscal 2002 progressed, largely owing to the gathering war clouds over Iraq. Europe remained in the economic doldrums, but Asian countries recorded high growth. In Japan, meanwhile, industrial production expanded in the first half of the term against the background of rising exports, but the economy’s recovery began to stall in mid-term in response to the global business slowdown. Industrial production once again began to head downward, and demand for end-user products deteriorated, which was partly attributable to the lack of a recovery in global demand for information technology products.

In the automobile industry, sales in Japan remained at almost the same level as the previous year, but exports to Asian countries showed strong growth, while exports to North America and Europe

also grew in line with expectations. As a result, domestic automobile production recovered the 10 million mark after falling below that level in FY2001.

It was in this business environment that Mitsuba launched the sixth medium-term management plan — covering the three business terms from April 2002 to March 2005 — under the slogan “creating new value.” Now that the automobile market has become a single market on a global scale, with companies from around the world setting up production facilities in China, for instance, we are becoming more and more deeply enmeshed in a state of “megacompetition.”

To meet the challenges we face, under the current medium-term plan we are focusing efforts on further improving the quality of our products and services, increasing our cost-competitiveness, and developing new products and technologies. We have set ourselves high goals with respect to meeting these challenges, and we remained on course for these goals

during fiscal 2002, the first term of the three-year plan.

To strengthen Mitsuba's position as a globally competitive manufacturer of automotive components, in December 2002 we concluded a contract with Jidosha Denki Kogyo Co., Ltd. for a comprehensive business alliance through the private placement of shares.

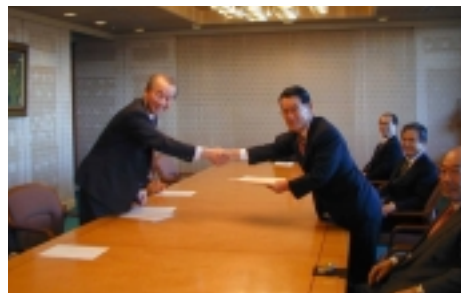
As a result of the above, the Mitsuba Group recorded sales for fiscal 2002, on a consolidated basis, amounting to ¥134,045 million (US\$1,115 million), for a year-on-year increase of 4.1%. Operating income declined by 18.4% to ¥4,304 million (US\$36 million), while net income was up 13.5% at ¥2,091 million (US\$17 million).

Progress Report on Medium-Term Management Plan

Under the slogan of "creating new value," we are pursuing 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.

Among specific measures we have mapped out are: 1) the WING Plan Group-wide business strategy; 2) the reform of the Company's earnings structure; 3) organizational reform.

More specifically, the WING plan involves steps to raise cost-competitiveness by standardization of parts, improving cost-of-sales management at our plants, and strengthening quality, cost, and delivery at overseas facilities. To improve the competitiveness of our management functions, we are planning to expand business overseas, implement technologies conformable to the environment, and develop products with new functions.



Business Alliance with Jidosha Denki Kogyo

Under our structural reform plan, we promoted specific measures to facilitate activities in the areas of product quality, the environment, improving productivity, and fostering the spirit of ambition from the perspectives of the customer, the business process, learning and growth.

With regard to organizational reform, the chief aims are to clearly separate and define functions within the Mitsuba Group so as to realize business synergy among operating units, achieve more effective corporate governance, and facilitate the implementation of our global strategy by making optimal use of the Group's four-hub production and supply system.

We utilized the first year of the current three-year plan to lay the foundations for a challenge on further, higher goals by concluding the aforementioned comprehensive business alliance. We will continue to determinedly pursue our goals under the plan in the present business term.

Future Policies

Worldwide automobile demand is following a slight downtrend. The comparatively firm showing by Japanese automobile makers is said to be due to their advantage in terms of product quality. As Mitsuba's role as component maker is vital in maintaining this lead in quality, we will be satisfied with nothing less than the very highest quality standards.

The Mitsuba Group positions its transportation equipment business and its information technology

business as the two core segments of its operations. While focusing group management resources on these two segments, we plan to seek out promising new fields of operation. In this way, we aim to achieve both growth of the Group as a whole and improved profitability.

The Mitsuba Group's transportation equipment operations are organized in a four-hub production and supply system encompassing Japan, other Asian countries, Europe, and the Americas. By further strengthening our global organization's production and development capabilities, we intend to build the Group into a thoroughly competitive force on the world market through the marketing of innovative, value-added products — taking advantage of our superior automotive-use electric motor technology — that offer greater customer convenience, comfort, and safety, while also helping reduce environmental load.

In the area of information technology, we offer value-added system integration and solutions services that meet the needs of a wide spectrum of clients in this age of e-business, from government organizations to private-sector companies. To facilitate this business, we are taking steps to bolster the Group's IT know-how and consulting capabilities while working to create a "one-stop, non-stop" system and a total support and service system.

During the current business term — the second year of our sixth medium-term management plan — we plan to strengthen Group management by expanding our overseas operations and implementing a comprehensive operational and capital alliance with Jidosha Denki Kogyo. We plan to effect a reform of the Company's cost structure through more effective cost-of-sales management, creating closer relationships with our main customers, and placing priority in our



Mitsuba do Brazil Ltda.

business strategy on the development of attractive new products. We will also continue to pursue overall reform of our earnings structure to realize both outstanding product quality and higher management quality.

In fiscal 2002, to improve corporate governance across the entire Group, the Business Management Department was set up to oversee the cooperative pursuit of business among Group companies. The new department will draw up rules to promote synergy and eliminate redundancies, and will act as an overall supervisory body. Through our four basic policies of constantly improving product and service quality, increasing cost-competitiveness, achieving innovation in products and technologies, and aiming for high-level objectives, we are confident of being able to provide pleasure and peace of mind to our customers.

For fiscal 2004, the final year of the current medium-term management plan, we are targeting a ratio of operating income to sales of 3% and ROE of 4.5% on a non-consolidated basis.

Handwritten signature of Noboru Hino in black ink.

Handwritten signature of Noboru Hino in black ink.

Noboru Hino
President

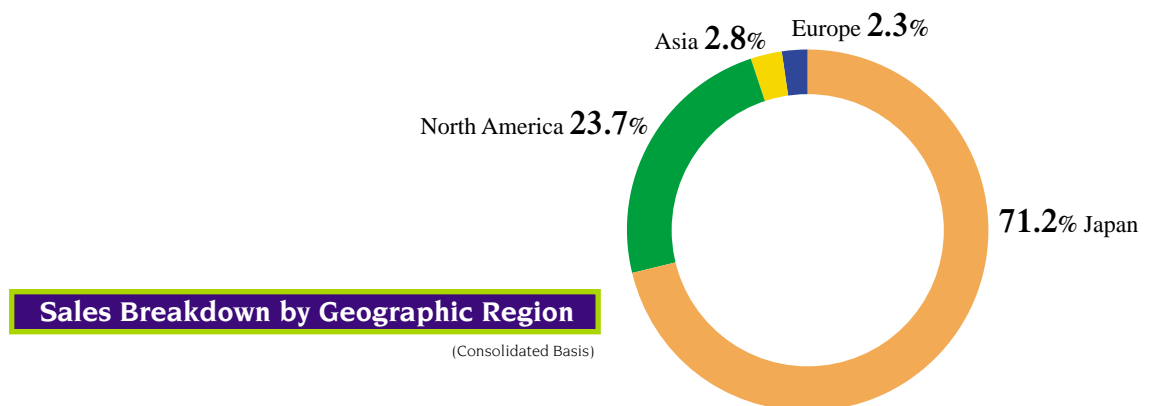
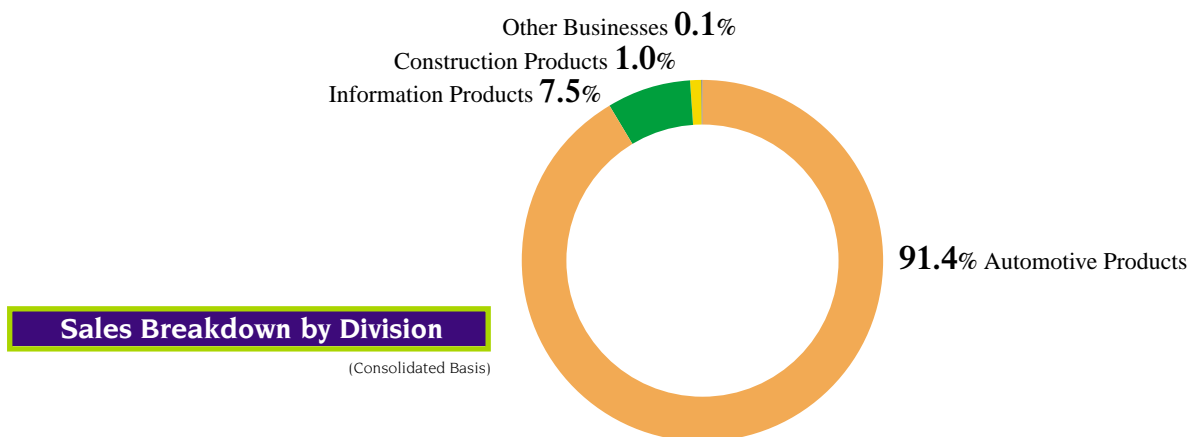
Review of Operations

Overview of Group Business

The Mitsuba Group consists of Mitsuba Corporation, its 38 subsidiaries (of which 23 are consolidated subsidiaries), and six affiliated companies. In addition to the business fields of transportation equipment and information technology, the Group also includes companies involved in construction for other Group members or for outside customers. Other businesses in which the Group is engaged include the transportation and storage of products, as well as the provision of outsourced clerical services, for other Group companies.

The following is a report on the performance of the Mitsuba Group by individual business segment.

In the transportation equipment segment, sales resulting from exports by the parent company in Japan, as well as sales by our North American subsidiaries, both recorded solid growth in line with expectations thanks to brisk demand on the North American and Asian markets. Total sales of this segment rose 5.3% year-on-year, to ¥122,506 million. Operating income for this segment, however, declined by 10.8% to ¥3,670 million, owing to further unavoidable price reductions in the face of stiff global competition.

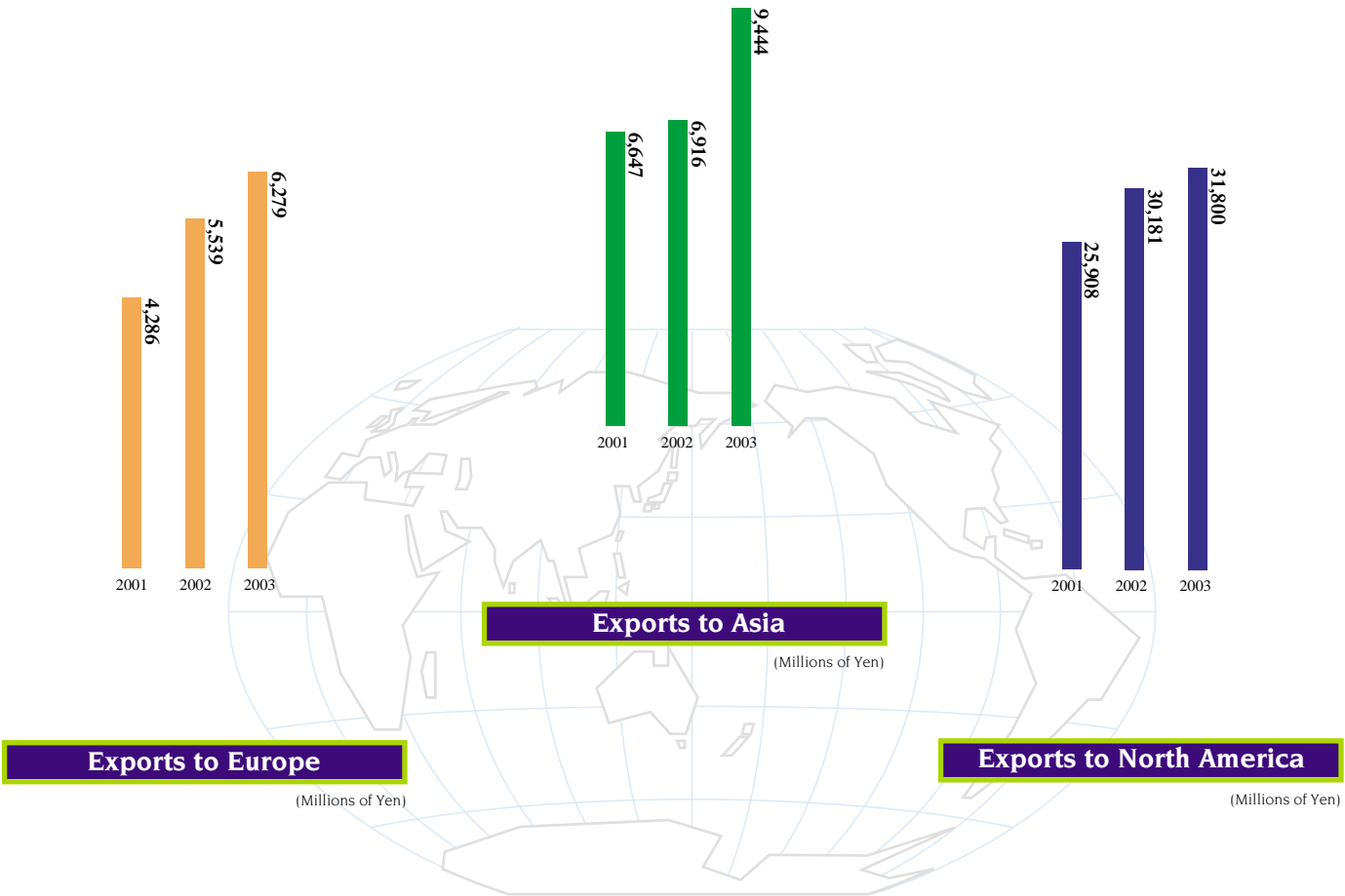


In the information technology segment, we continued to expand our solutions business to meet the growing need for e-business solutions. Our efforts included bolstering sales forces, developing new services, the adoption of cutting-edge technology, and the improvement of quality, cost, and delivery. Unfortunately, we were unable to offset the severity of the business environment, and sales for the segment were down 6.1% from the previous year, at ¥10,081 million, while operating income fell steeply by 58.3% to ¥362 million.

As a result of a sharp drop in orders from the public sector, the construction operations segment suffered a 12.7% decline in sales, to ¥1,339 million, with operating income down 24.5% at ¥77 million.

In the “Others” business segment, sales rose 2.6% to ¥118 million, with operating income edging up 0.8% to ¥123 million.

For the 2003 fiscal year, ending March 31, 2004, we forecast business performance on a consolidated basis as follows: sales at ¥132,000 million, operating income at ¥3,600 million, and net income at ¥1,800 million.



Non-Consolidated Business Operations

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

In fiscal 2002, the business term ended March

31, 2003, the number of automobiles produced domestically posted strong increases in line with the rise in exports to the US, Europe, and Asian countries. Against this background, net sales recorded a year-on-year gain of 13.8% to ¥93,479 million (US\$778 million). Operating income, however, declined 4.8% to ¥1,424 million (US\$12 million).

Auto Electrical Systems Operations

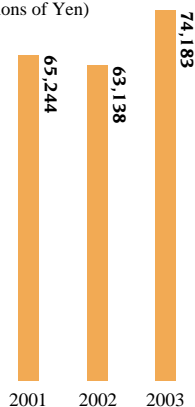


Mitsuba Corporation manufactures motors for a wide range of functions to make vehicles safer and more comfortable, including field-of-vision products such as wiper motors, power window motors and other such actuator motors, and motors for other control functions.

For the term under review, sales rose 17.5% year-on-year, to ¥74,183 million, thanks to increased automobile production in Japan.

Sales by Auto Electrical Systems Operations

(Millions of Yen)



Two-Wheeled, Universal-Use Product Operations

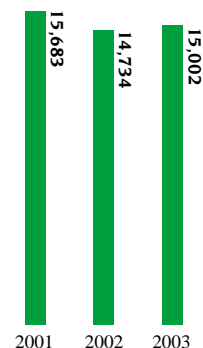


In addition to starter motors for motorcycles, in which it holds the world's top market share, Mitsuba makes starter motors and electrical systems for buggies, agricultural machinery, marine engines, and engines in many other fields. As a result of a reorganization of the Company's business domains with effect from fiscal 2002, products for construction machinery and bicycles, as well as universal-use products, have been transferred to this segment from the former CBC segment.

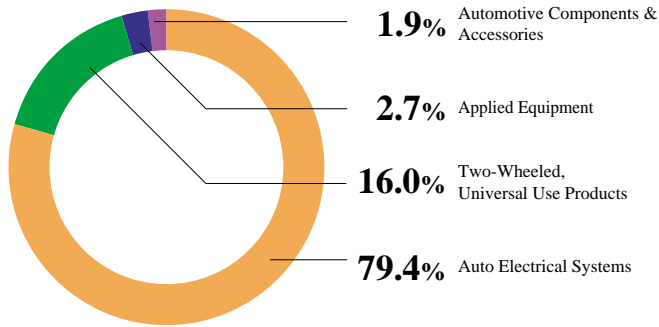
In spite of a rise in sales of motorcycle parts on the domestic and export markets, total sales of this segment edged up by only 1.8% to ¥15,002 million, owing to a fall in sales for buggies.

Sales by Two-Wheeled, Universal Use Product Operations

(Millions of Yen)



Sales Composition



Applied Equipment



Mitsuba is expanding the application of its technological expertise to the commercialization of products in many new fields, including beds and other equipment for use in nursing care, and various industrial equipment. Further new fields of application – such as servo-motors for robots — are expected in the near future. Prior to fiscal 2002, this segment's operations were conducted by the former CBC (Consumer Business Creation) segment.

Thanks to a growth in sales to Paramount Bed, sales for the reporting period came to ¥2,558 million.

Sales by Applied Equipment
(Millions of Yen)



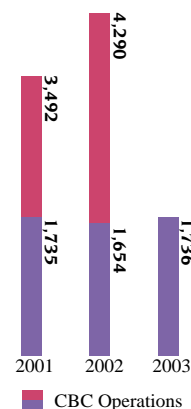
Automotive Components and Accessories



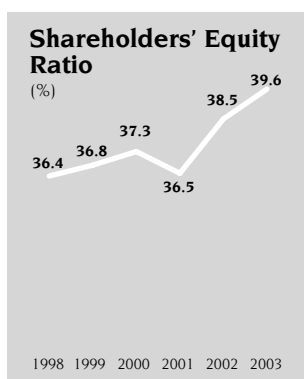
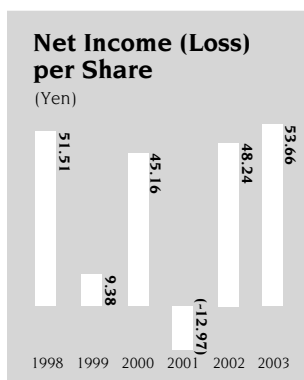
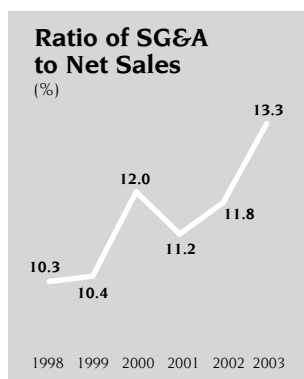
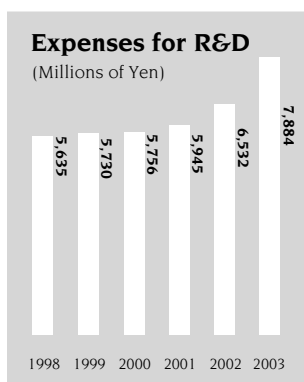
Mitsuba has developed a range of car accessories for the after-sales market that make driving comfortable. As a result of the reorganization of the Company's business domains, effective from the term under review, this segment now handles auto parts and chemicals previously handled by the CBC segment.

Sales of auto parts and chemicals for the term under review came to ¥1,736 million, an increase of 5.0% over the comparable sales of the CBC segment for the previous term.

Sales by Automotive Components and Accessories
(Millions of Yen)



Consolidated Financial Review



OPERATING RESULTS

Despite a comparatively strong showing by the US economy during the term under review, the fiscal year ended March 2003, pessimism gathered force in the second half as a result of increasing tension accompanying the growing likelihood of a war in Iraq. In Europe, economic activity remained weak, but Asian countries, in contrast, posted high growth rates.

In Japan, industrial production rose against the background of an increase in exports in the first half of the term, but by mid-term the slowdown of most overseas economies had put the brakes on the Japanese economy's modest recovery. The government's comprehensive package of anti-deflation measures was unable to halt the decline in stock prices, and indexes both for consumer confidence and business sentiment tended to decline.

In the automotive industry, sales on the Japanese market held at roughly the previous year's level. Automobile exports recorded a steep increase to Asian countries, while growth to the North American and European markets was largely in line with projections. Production of automobiles in Japan recovered the 10 million mark after falling below it in fiscal 2001.

In these circumstances, sales of the Mitsuba Group on a consolidated basis rose ¥5,301 million, or 4.1%, year-on-year, to ¥134,045 million (US\$1,115 million). Thanks to Company-wide efforts to bring down cost prices, the cost of sales came to ¥111,937 million (US\$931 million). As a result, the cost of sales as a percentage of net sales edged down to 83.5%. Selling, general and administrative expenses, however, increased by ¥2,648 million, or 17.5% year-on-year, to ¥17,804 million (US\$148 million). Operating income fell ¥973 million, or 18.4%, to ¥4,304 million (US\$36 million). Income before income taxes came to ¥3,436 million (US\$29 million), a ¥456 million decrease from the previous term, and net income came to ¥2,091 million (US\$17 million). The per-share dividend applicable to the term was ¥6.00 (US\$0.05).

Thanks to brisk sales of transportation equipment operations exported to North America and Asian countries, sales by the Company's export operations and its North American subsidiary were favorable in fiscal 2002. As a result, sales rose 5.3% year-on-year, to ¥122,506 million (US\$1,019 million). Operating income, however, fell 10.8% from the previous year, to ¥3,670 million (US\$31 million), owing to further reductions in product prices in the face of severe global competition.

In the information technology field, we continued to promote e-business solutions to meet newly emerging needs. We also reinforced our marketing system, developed new products, adopted new technologies, and implemented measures to improve quality, cost and delivery. Nonetheless, owing to the severity of the business environment, sales decreased by 6.1% to ¥10,081 million (US\$84 million). Operating income for this business segment fell sharply, by 58.3% from the previous year, to ¥362 million (US\$3 million).

In the construction operations, sales related to public works spending fell sharply. Sales posted a year-on-year fall of 12.7% to ¥1,339 million (US\$11 million) in the field. Meanwhile, operating income was down 24.5% from the previous year, at ¥77 million (US\$0.6 million).

In the "other business" segment, including transportation and warehousing, sales increased 2.6% to ¥118 million (US\$1 million). Operating income, meanwhile, was up

0.8% at ¥123 million (US\$1 million).

For the current term, we forecast consolidated net sales of ¥132,000 million (US\$1,098million), operating income of ¥3,600 million (US\$30million) and net income of ¥1,800 million(US\$15million).

FINANCIAL POSITION

Total assets as of the end of the business term under review stood at ¥111,237 million (US\$925 million), a ¥3,976 million year-on-year decrease. Current assets fell ¥5,123 million from the previous year, to ¥50,328 million (US\$418 million), which was mainly attributable to a decline in cash and deposits, due to acquisition of investment securities and the redemption of corporate bonds, as well as asset securitization as a means of fund procurement. Property, plant and equipment rose ¥1,130 million to ¥37,917 million (US\$315 million), due primarily to increased capital investments in buildings and structures, as well as machinery and equipment. Investments and other assets rose ¥17 million year-on-year, to ¥22,992 million (US\$191 million), mainly due to an increase in deferred tax assets.

On the liabilities side, current liabilities decreased ¥2,982 million year-on-year, to ¥40,787 million (US\$339 million), largely as a result of redemption of the current portion of corporate bonds. Long-term liabilities fell ¥651 million to ¥21,549 million (US\$179 million).

Minority interests in subsidiaries at the term-end totaled ¥4,873 million (US\$41 million).

Shareholders' equity fell ¥360 million from the previous year, to ¥44,028 million (US\$366 million). Equity per share fell from ¥1,161.72 for the previous term, to ¥1,159.64 for the term under review, while the equity ratio improved from 38.5% for the previous term-end, to 39.6% for the reporting term.

CASH FLOWS

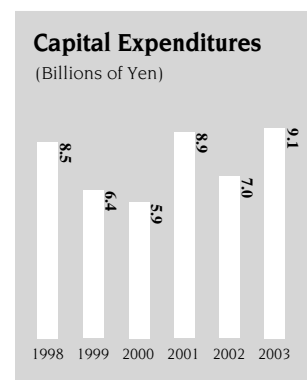
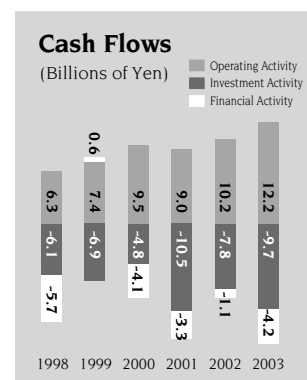
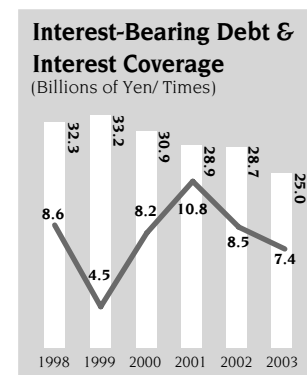
Cash inflow from operating activities rose ¥2,067 million over ¥10,182 million for the previous year, to ¥12,249 million (US\$102 million) for the term under review. This was attributable to an increase in trade payables and a decrease in trade accounts and notes receivable.

Cash outflow resulting from investing activities increased by ¥1,945 million over the previous term, to ¥9,711 million (US\$81 million), largely due to the acquisition of property, plant and equipment and investments in securities as well as a decrease in proceeds from the sale of investment securities.

Cash outflow resulting from financing activities increased by ¥3,114 million to ¥4,237 million (US\$35 million), due to a reduction in interest-bearing debt.

Cash and cash equivalents at the term-end declined ¥2,097 million from the previous term-end to ¥8,584 million (US\$71 million), due to expenditure for property, plant and equipment and investment securities as well as reduction in short-term borrowings despite a decline in trade accounts and notes receivable.

Free cash flow amounted to ¥2,828 million (US\$24 million).



Consolidated Balance Sheets

MITSUBA Corporation and Consolidated Subsidiaries
As of March 31, 2002 and 2003

Assets	Yen (millions) March 31		U.S. Dollars (thousands) March 31
	2002	2003	2003
Current assets:			
Cash and time deposits (Note 5)	¥ 12,829	¥ 10,613	\$ 88,294
Marketable securities (Note 3)	1,718	576	4,792
Trade receivables:			
Accounts and notes (Note 6)	26,799	23,639	196,664
Allowance for doubtful accounts	(55)	(25)	(207)
Inventories (Note 4)	9,558	10,482	87,204
Deferred income taxes (Note 9)	2,045	2,256	18,769
Other current assets	2,557	2,787	23,186
Total current assets.....	<u>55,451</u>	<u>50,328</u>	<u>418,702</u>
Property, plant and equipment (Notes 7 & 10):			
Land	3,484	3,634	30,233
Buildings and structures	35,460	36,153	300,773
Machinery, equipment and others	77,426	80,851	672,637
Construction in progress	1,815	2,078	17,288
	<u>118,185</u>	<u>122,716</u>	<u>1,020,931</u>
Less accumulated depreciation	<u>(81,398)</u>	<u>(84,799)</u>	<u>(705,482)</u>
Net property, plant and equipment	<u>36,787</u>	<u>37,917</u>	<u>315,449</u>
Investments and other assets:			
Investments in securities (Notes 3 & 6)	16,379	16,082	133,793
Long-term loans	226	184	1,531
Allowance for doubtful accounts	(79)	(46)	(382)
Deferred income taxes (Note 9)	1,585	2,319	19,293
Others (Note 10)	4,864	4,453	37,046
Total investment and other assets	<u>22,975</u>	<u>22,992</u>	<u>191,281</u>
Total assets (Note 14).....	<u>¥115,213</u>	<u>¥111,237</u>	<u>\$925,432</u>

Liabilities and Shareholders' Equity	Yen (millions) March 31		U.S. Dollars (thousands) March 31
	2002	2003	2003
Current liabilities:			
Short-term borrowings	¥ 8,347	¥ 6,486	\$ 53,960
Current portion of long-term debt (Note 7)	4,834	3,820	31,780
Trade payables:			
Accounts and notes (Note 6)	15,782	15,369	127,862
Income taxes payable	1,099	937	7,795
Reserve for employees' bonuses	2,600	2,460	20,466
Other current liabilities (Note 9)	11,107	11,715	97,463
Total current liabilities	<u>43,769</u>	<u>40,787</u>	<u>339,326</u>
Long-term liabilities:			
Long-term debt (Note 7)	15,507	14,657	121,939
Retirement and severance benefit	652	717	5,965
Accrued pension and severance costs (Note 12)	5,810	5,911	49,176
Others (Note 9)	231	264	2,196
Total long-term liabilities	<u>22,200</u>	<u>21,549</u>	<u>179,276</u>
Minority interests in subsidiaries	<u>4,856</u>	<u>4,873</u>	<u>40,540</u>
Contingent liabilities (Note 13):			
Shareholders' equity (Note 8):			
Common stock			
Authorized: 150,000,000 Shares			
Outstanding:			
March 31, 2002: 38,208,853 Shares	9,885		
March 31, 2003: 37,923,691 Shares		9,885	82,238
Additional paid-in capital	11,148	11,148	92,745
Retained earnings	<u>21,728</u>	<u>23,522</u>	<u>195,690</u>
	42,761	44,555	370,673
Unrealized gains on securities	1,553	664	5,524
Treasury stock, at cost:			
March 31, 2002: 3,202 Shares	(1)		
March 31, 2003: 288,364 Shares		(131)	(1,089)
Foreign currency translation adjustments	<u>75</u>	<u>(1,060)</u>	<u>(8,818)</u>
Total shareholders' equity	<u>44,388</u>	<u>44,028</u>	<u>366,290</u>
Total liabilities and shareholders' equity	<u>¥115,213</u>	<u>¥111,237</u>	<u>\$925,432</u>

Consolidated Statements of Operations

MITSUBA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2001, 2002 and 2003

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2001	2002	2003	2003
Net sales (Note 14)	¥125,633	¥128,744	¥134,045	\$1,115,183
Cost of sales	105,157	108,311	111,937	931,256
Gross profit	20,476	20,433	22,108	183,927
Selling, general and administrative expenses	14,097	15,156	17,804	148,120
Operating income (Note 14)	6,379	5,277	4,304	35,807
Other income (expenses):				
Interest and dividend income	724	327	240	1,996
Interest expenses	(659)	(658)	(617)	(5,133)
Pension and severance costs (Note 12)	(7,223)	(622)	(307)	(2,554)
Others, net	(103)	(547)	(491)	(4,085)
Income (loss) before income taxes, minority interests and equity in income of affiliates	(882)	3,777	3,129	26,031
Income taxes (Note 9)	434	(1,908)	(1,120)	(9,318)
Income (loss) before minority interests and equity in income of affiliates	(448)	1,869	2,009	16,713
Minority interests in subsidiaries	(136)	(141)	(225)	(1,871)
Equity in income of affiliates	88	115	307	2,554
Net income (loss)	¥ (496)	¥ 1,843	¥ 2,091	\$ 17,396

	Yen			U.S. Dollars
	2001	2002	2003	2003
Per share of common stock:				
Net income (loss) — Basic	¥(12.97)	¥48.24	¥53.66	\$0.44
— Diluted	—	42.85	—	—
Cash dividends, applicable to period	6.00	8.00	6.00	0.05

Consolidated Statements of Shareholders' Equity

MITSUBA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2001, 2002 and 2003

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2001	2002	2003	2003
Common stock:				
Balance at beginning of the year.....	¥ 9,885	¥ 9,885	¥ 9,885	\$ 82,237
Change for the year.....	—	—	—	—
Balance at end of the year.....	<u>9,885</u>	<u>9,885</u>	<u>9,885</u>	<u>82,237</u>
Additional paid-in capital:				
Balance at beginning of the year.....	11,148	11,148	11,148	92,745
Change for the year.....	—	—	—	—
Balance at end of the year.....	<u>11,148</u>	<u>11,148</u>	<u>11,148</u>	<u>92,745</u>
Retained earnings:				
Balance at beginning of the year.....	20,275	20,029	21,728	180,765
Net income (loss)	(496)	1,843	2,091	17,396
Cash dividends.....	(229)	(306)	(229)	(1,905)
Bonuses to directors and statutory auditors	(40)	(2)	(3)	(25)
Increase (Decrease) due to consolidation subsidiaries not consolidated in the previous year.....	519	164	(65)	(541)
Increase due to retroactive effect of accounting for deferred income taxes	—	—	—	—
Balance at end of the year.....	<u>20,029</u>	<u>21,728</u>	<u>23,522</u>	<u>195,690</u>
Unrealized gains on securities:				
Balance at beginning of the year.....	—	1,517	1,553	12,920
Unrealized holding gains (losses) arising during the period	<u>1,517</u>	<u>36</u>	<u>(889)</u>	<u>(7,396)</u>
Balance at end of the year.....	<u>1,517</u>	<u>1,553</u>	<u>664</u>	<u>5,524</u>
Treasury stock at cost:				
Balance at beginning of the year.....	(0)	(1)	(1)	(8)
Purchase of treasury stock	(8)	(3)	(130)	(1,081)
Sale of treasury stock.....	<u>7</u>	<u>3</u>	<u>—</u>	<u>—</u>
Balance at end of the year.....	<u>(1)</u>	<u>(1)</u>	<u>(131)</u>	<u>(1,089)</u>
Foreign currency translation adjustments:				
Balance at beginning of the year.....	(1,774)	(1,283)	75	624
Change for the year.....	<u>491</u>	<u>1,358</u>	<u>(1,135)</u>	<u>(9,442)</u>
Balance at end of the year.....	<u>(1,283)</u>	<u>75</u>	<u>(1,060)</u>	<u>(8,818)</u>
Total shareholders' equity.....	<u>¥41,295</u>	<u>¥44,388</u>	<u>¥44,028</u>	<u>\$366,289</u>

Consolidated Statements of Cash Flows

MITSUBA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2001, 2002 and 2003

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2001	2002	2003	2003
Cash flows from operating activities:				
Net income (loss)	¥ (496)	¥ 1,843	¥ 2,092	\$ 17,404
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization (Note 14)	6,999	7,044	7,151	59,493
Loss on disposal of fixed assets.....	138	221	164	1,364
Deferred income tax	(2,583)	(49)	(723)	(6,015)
Write-down of marketable securities	41	520	795	6,614
Decrease (increase) in assets:				
Trade accounts and notes receivable.....	(400)	1,553	2,401	19,975
Inventories.....	492	592	(1,305)	(10,857)
Prepaid expenses and other current assets	(572)	(637)	808	6,722
Increase (decrease) in liabilities:				
Trade payables	(6,352)	(763)	(103)	(857)
Accrued expenses	6,306	260	662	5,508
Income taxes payable	(325)	(45)	(119)	(990)
Accrued pension and severance costs	5,227	357	147	1,223
Other current liabilities.....	(181)	(193)	510	4,243
Others, net.....	672	(521)	(231)	(1,922)
Net cash provided by operating activities	8,966	10,182	12,249	101,905
Cash flows from investing activities:				
Payment for investment securities.....	(2,772)	(3,126)	(4,219)	(35,100)
Proceeds from sales of investment securities.....	1,103	1,086	1,165	9,692
Decrease (Increase) in marketable securities	(255)	274	1,181	9,825
Payment for purchase of property, plant and equipment.....	(8,200)	(6,578)	(8,692)	(72,313)
Proceeds from sales of property, plant and equipment	319	624	677	5,633
Others, net.....	(734)	(46)	177	1,473
Net cash used in investing activities.....	(10,539)	(7,766)	(9,711)	(80,790)
Cash flows from financing activities:				
Increase (decrease) in short-term loans.....	(914)	1,701	(1,723)	(14,335)
Proceeds from long-term debt	4,750	1,919	2,869	23,868
Repayment of long-term debt	(2,209)	(2,525)	(1,957)	(16,281)
Proceeds from bond	195	5,000	—	—
Repayment of bonds	(4,872)	(7,039)	(3,000)	(24,958)
Cash dividends paid	(270)	(363)	(294)	(2,446)
Others, net.....	(1)	184	(132)	(1,098)
Net cash provided by (used in) financing activities	(3,321)	(1,123)	(4,237)	(35,250)
Effect of exchange rate changes on cash and cash equivalents				
	126	385	(398)	(3,311)
Net increase (decrease) in cash and cash equivalents	(4,768)	1,678	(2,097)	(17,446)
Cash and cash equivalents at beginning of year	13,771	9,003	10,681	88,860
Cash and cash equivalents at end of year (Note 5)	¥ 9,003	¥10,681	¥ 8,584	\$ 71,414
Supplemental data:				
Cash paid during the year for —				
Income taxes	¥ 2,473	¥ 2,002	¥ 1,961	\$ 16,314
Interest.....	728	648	616	5,124

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 subsidiaries as of March 31, 2002 and 2003, respectively. The consolidated financial statements included the accounts of the Company and its 23 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.
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, 2001, 2002 and 2003 was 38,210,554, 38,209,871 and 38,046,226. 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, 2001 and 2002 have been made to conform to the presentation in the year ended March 31, 2003.

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 ¥120.20 = U.S. \$1, the exchange rate on March 31, 2003. 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, 2003 are shown below:

	Yen (millions)	U.S. Dollars (thousands)
	2003	2003
Debt securities — held-to-maturity		
Amount in balance sheet	¥ 105	\$ 873
Gross unrealized gains	0	0
Gross unrealized losses.....	(1)	(8)
Fair value	¥ 104	\$ 865
Debt and equity securities — available-for-sale		
Cost	¥6,392	\$53,178
Gross unrealized gains	1,943	16,164
Gross unrealized losses.....	(954)	(7,936)
Amount in balance sheet	¥7,381	\$61,406

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

Amount in balance sheet..... ¥1,843 \$15,332

4. Inventories

Inventories at March 31, 2002 and 2003 comprise the following:

	Yen (millions)		U.S. Dollars (thousands)
	2002	2003	2003
Merchandise.....	¥ 441	¥ 473	\$ 3,935
Finished products.....	2,779	3,367	28,011
Work-in-process.....	2,224	1,938	16,123
Materials and supplies.....	4,114	4,704	39,135
	<u>¥9,558</u>	<u>¥10,482</u>	<u>\$87,204</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, 2002 and 2003:

	Yen (millions)		U.S. Dollars (thousands)
	2002	2003	2003
Cash and time deposits.....	¥12,829	¥10,613	\$88,294
Marketable securities.....	1,718	576	4,792
Deposits with a maturity of three months or more.....	(2,325)	(2,208)	(18,369)
Highly liquid debt instruments with a maturity of three months or more ...	(1,541)	(397)	(3,303)
Cash and time deposits.....	<u>¥10,681</u>	<u>¥ 8,584</u>	<u>\$71,414</u>

6. Accounts with Related Parties

Accounts with the non-consolidated subsidiaries and affiliates are shown below:

	Yen (millions)		U.S. Dollars (thousands)
	2002	2003	2003
Investment in the non-consolidated subsidiaries and affiliates.....	¥4,022	¥7,327	\$60,957
Notes and accounts receivable, trade...	1,588	2,269	18,877
Notes and accounts payable, trade ...	74	3	25

7. Long-term debt

Long-term debt at March 31, 2002 and 2003 is as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2002	2003	2003
Unsecured bonds:			
1st series, due 2003, interest 2.55%...	¥ 3,000	¥ —	\$ —
2nd series, due 2006, interest 1.1% ...	5,000	5,000	41,597
1st series, due 2008, interest 1.52%...	200	200	1,664
Unsecured convertible bonds due 2004, interest 0.5%.....	180	180	1,497
Loans, principally from banks and insurance company:			
Secured, due 2003 ~ 2007, interest 1.12% ~ 2.92%.....	1,725	1,582	13,161
Unsecured, due 2003 ~ 2017, interest 0.64% ~ 7.11%	10,236	11,515	95,799
Total.....	20,341	18,477	153,718
Less current portion.....	(4,834)	(3,820)	(31,780)
	<u>¥15,507</u>	<u>¥14,657</u>	<u>\$121,938</u>

As of March 31, 2003, loans of ¥3,432 million (\$28,552 thousand), including short-term debt of ¥1,850 million (\$15,391 thousand), is secured by property, plant and equipment with a net value of ¥5,567 million (\$46,314 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)
2004.....	¥ 3,820	\$ 31,780
2005.....	3,232	26,889
2006.....	1,810	15,058
2007.....	8,882	73,894
2008.....	321	2,671
2009 and thereafter.....	412	3,426
	<u>¥18,477</u>	<u>\$153,718</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.

In October 2001, the Japanese Commercial Code has been modified. The new Japanese Commercial Code allows the company to purchase treasury stock at any reason at any time by the resolution of the Board of Directors up to the limitation approved by the shareholders' meeting. On June 26, 2003, the shareholders of the parent company approved to purchase treasury stock up to 3 million shares and up to ¥1,200 million (\$9,983 thousand) during the period up to the resolution of next Ordinary General Shareholders' Meeting which would be held in June 2004.

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 2002 and 2003.

Income tax expense comprise the following:

	Yen (millions)		U.S. Dollars (thousands)
	2002	2003	2003
Income taxes			
Current.....	¥1,957	¥1,843	\$15,332
Deferred.....	(49)	(723)	(6,015)
	<u>¥1,908</u>	<u>¥1,120</u>	<u>\$ 9,317</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2002	2003	2003
Deferred tax assets:			
Accrued employees' bonuses.....	¥ 647	¥ 852	\$ 7,088
Provision for Enterprise tax.....	72	71	591
Warranty reserves.....	229	395	3,286
Retirement and severance benefit.....	273	294	2,446
Accrued pension and severance ...	2,733	2,658	22,113
Others.....	1,246	1,162	9,667
Gross deferred tax assets	<u>5,200</u>	<u>5,432</u>	<u>45,191</u>
Deferred tax liabilities:			
Reserve for special depreciation ...	(133)	(121)	(1,006)
Reserve for program development	(100)	(90)	(749)
Gain on securities contribution to employee retirement			
Benefit trust.....	(223)	(218)	(1,814)
Unrealized gains on securities	(1,102)	(419)	(3,486)
Others.....	(208)	(299)	(2,487)
Gross deferred tax liabilities ...	<u>(1,766)</u>	<u>(1,147)</u>	<u>(9,542)</u>
	<u>¥3,434</u>	<u>¥4,285</u>	<u>\$35,649</u>

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

	2002	2003
Statutory tax rate.....	42.0%	42.0%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	1.7	1.2
Taxation on per capita basis.....	1.3	0.4
Non-taxable income	(1.1)	(1.3)
Difference in normal tax rates of foreign subsidiaries	—	(4.2)
Unrecognized deferred income taxes by foreign subsidiaries	5.3	(3.9)
Others	(0.2)	(1.7)
Effective income tax rate	<u>49.0%</u>	<u>32.5%</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2002	2003	2003
Current assets —			
Deferred income taxes.....	¥2,045	¥2,256	\$18,768
Investment and other assets —			
Deferred income taxes.....	1,585	2,319	19,293
Short-term liabilities — Others	(74)	(50)	(416)
Long-term liabilities — Others.....	(122)	(240)	(1,996)
Net deferred tax assets.....	<u>¥3,434</u>	<u>¥4,285</u>	<u>\$35,649</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, 2002 and 2003, the Company and its domestic subsidiaries made payments

of ¥2,117 million and ¥1,866 million (\$15,524 thousand), respectively, on these finance leases.

Class of property	Yen (millions)		U.S. Dollars (thousands)
	2002	2003	2003
Machinery and equipment and others...	¥11,387	¥10,593	\$88,128
Other assets.....	461	4	33
Accumulated depreciation	(7,517)	(7,029)	(58,477)
	<u>¥ 4,331</u>	<u>¥ 3,568</u>	<u>\$29,684</u>

Future minimum lease payments required under such finance lease that have initial in excess of one year as of March 31, 2003 are:

Year ending March 31	Yen (millions)	U.S. Dollars (thousands)
2004	¥1,415	\$11,772
2005 and thereafter	2,266	18,852
Total future minimum lease payment	<u>¥3,681</u>	<u>\$30,624</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, 2002 and 2003, 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 (\$4,992 thousand) at March 31, 2002 and 2003, 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)
	2003	2003
Benefit obligation.....	¥(50,598)	\$(420,948)
Plan assets	28,386	236,156
Employee retirement benefit trust	416	3,461
Funded status.....	(21,796)	(181,331)
Unrecognized actuarial loss	15,911	132,371
Net amount recognized	(5,885)	(48,960)
Prepaid benefit cost	26	216
Accrued pension and severance costs	<u>¥ (5,911)</u>	<u>\$ (49,176)</u>

Detail of net periodic benefit cost	Yen (millions)	U.S. Dollars (thousands)
	2003	2003
Service cost.....	¥ 1,908	\$15,873
Interest cost.....	1,275	10,607
Expected return on plan assets	(872)	(7,254)
Amendments	988	8,220
Net periodic benefit cost.....	<u>¥ 3,299</u>	<u>\$27,446</u>

Actuarial assumptions	2003
Discount rate.....	2.5%
Expected return on plan assets	3.0%

13. Contingent liabilities

At March 31, 2003, 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 ¥364 million (\$3,028 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, 2001, 2002 and 2003 and for the years then ended:

Industry segments:

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2001	2002	2003	2003
Sales and operating revenue:				
Automobile parts				
Customers	¥113,742	¥116,360	¥122,506	\$1,019,185
Total	113,742	116,360	122,506	1,019,185
Information processing				
Customers	10,054	10,735	10,081	83,869
Intersegment	1,091	913	1,590	13,228
Total	11,145	11,648	11,671	97,097
Construction				
Customers	1,743	1,534	1,339	11,140
Intersegment	850	1,097	900	7,487
Total	2,593	2,631	2,239	18,627
Others				
Customers	94	115	118	981
Intersegment	733	1,164	1,236	10,283
Total	827	1,279	1,354	11,264
Elimination	(2,674)	(3,174)	(3,725)	(30,990)
Consolidated	¥125,633	¥128,744	¥134,045	\$1,115,183
Operating income:				
Automobile parts	¥ 5,527	¥ 4,115	¥ 3,670	\$ 30,532
Information processing	588	869	362	3,012
Construction	110	102	77	640
Others	93	122	123	1,023
Elimination	61	69	72	599
Consolidated	¥ 6,379	¥ 5,277	¥ 4,304	\$ 35,806
Identifiable assets:				
Automobile parts	¥103,156	¥106,449	¥104,427	\$ 868,777
Information processing	8,325	8,783	8,334	69,334
Construction	2,366	2,055	2,214	18,419
Others	928	3,347	5,067	42,154
Elimination	(1,653)	(5,421)	(8,805)	(73,252)
Consolidated	¥113,122	¥115,213	¥111,237	\$ 925,432
Depreciation:				
Automobile parts	¥ 6,616	¥ 6,758	¥ 6,899	\$ 57,396
Information processing	330	234	201	1,672
Construction	28	27	26	216
Others	25	25	25	208
Consolidated	¥ 6,999	¥ 7,044	¥ 7,151	\$ 59,492
Capital expenditures:				
Automobile parts	¥ 8,684	¥ 6,770	¥ 8,875	\$ 73,835
Information processing	176	140	234	1,946
Construction	9	9	9	75
Others	16	51	9	75
Consolidated	¥ 8,885	¥ 6,970	¥ 9,127	\$ 75,931

Geographic areas:

	Yen (millions) Year ended March 31			U.S. Dollars (thousands) Year ended March 31
	2001	2002	2003	2003
Sales and operating revenue:				
Japan				
Customers	¥ 96,202	¥ 93,150	¥ 95,374	\$ 793,461
Intersegment	11,660	11,977	15,268	127,022
Total	107,862	105,127	110,642	920,483
America				
Customers	25,520	30,017	31,755	264,185
Intersegment	388	590	664	5,524
Total	25,908	30,607	32,419	269,709
Asia				
Customers	2,343	2,511	3,804	31,647
Intersegment	1,853	2,991	4,123	34,301
Total	4,196	5,502	7,927	65,948
Europe				
Customers	1,567	3,066	3,109	25,864
Intersegment	—	6	1	9
Total	1,567	3,072	3,110	25,873
Elimination	(13,900)	(15,564)	(20,053)	(166,830)
Consolidated	<u>¥125,633</u>	<u>¥128,744</u>	<u>¥134,045</u>	<u>\$1,115,183</u>
Operating income:				
Japan	¥ 5,025	¥ 3,310	¥ 2,878	\$ 23,943
America	369	1,449	1,087	9,043
Asia	688	681	590	4,908
Europe.....	(62)	(202)	(106)	(882)
Elimination.....	359	39	(145)	(1,206)
Consolidated	<u>¥ 6,379</u>	<u>¥ 5,277</u>	<u>¥ 4,304</u>	<u>\$ 35,806</u>
Identifiable assets:				
Japan	¥106,020	¥102,726	¥ 98,506	\$ 819,517
America	12,960	17,671	18,502	153,926
Asia	3,423	4,126	5,127	42,654
Europe.....	2,201	1,984	2,239	18,627
Elimination.....	(11,482)	(11,294)	(13,137)	(109,292)
Consolidated	<u>¥113,122</u>	<u>¥115,213</u>	<u>¥111,237</u>	<u>\$ 925,432</u>

Overseas operations, which represent sales to customers outside of Japan, of the Company and its consolidated subsidiaries totaled ¥36,963 million, ¥42,819 million and ¥47,707 million (\$ 396,897 thousand) for the years ended March 31, 2001, 2002 and 2003, respectively.

Independent Auditors' Report

To the Board of Directors of
MITSUBA Corporation

We have examined the consolidated balance sheets of MITSUBA Corporation and consolidated subsidiaries as of March 31, 2002 and 2003, 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, 2003, 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, 2002 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2003, in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year ended March 31, 2003 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.

Tokyo, Japan
June 26, 2003

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 :

37,923,691 shares

Number of Shareholders :

4,590

Number of Employees :

2,518

(as of June 2003)

Board of Directors and Corporate Auditors

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

(as of June 26, 2003)

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.

mitsuba

MITSUBA Corporation

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