

mitsuba

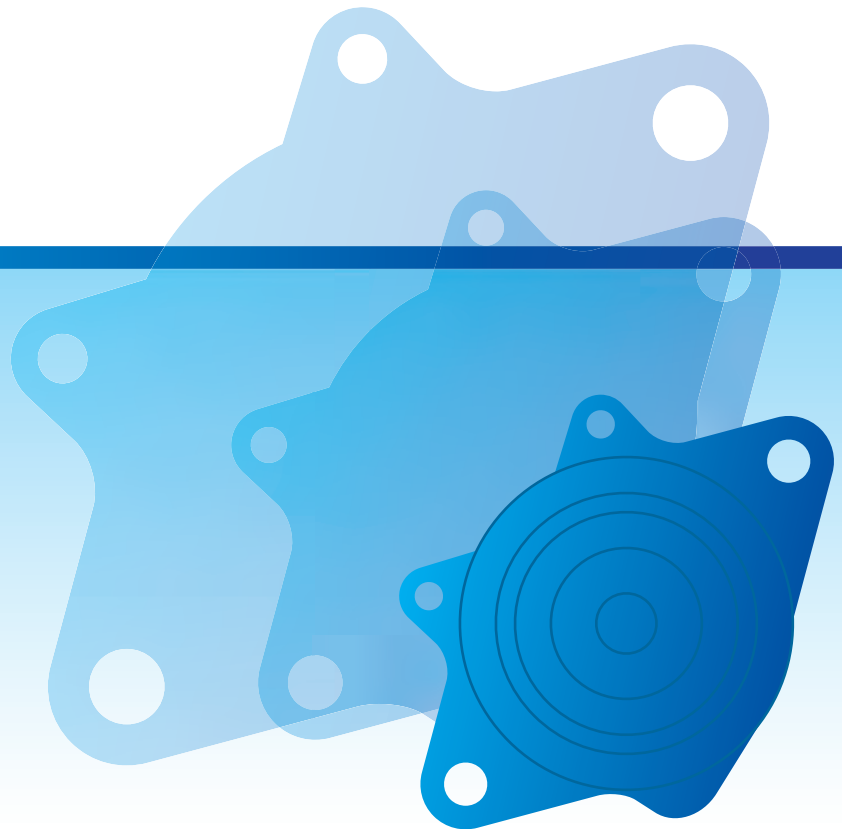
MITSUBA Corporation

ANNUAL REPORT 2010

Year Ended March 31, 2010

A Global Victory!!

The enhancement of profit - earning capacity



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Profile

Leading the Competition on a Global Scale

Mitsuba Corporation is one of Japan's foremost manufacturers of automotive electronic components. It has positioned transportation equipment and information services as its core business fields for achieving growth in business scale and an increase in earnings throughout the Mitsuba Group. The environment for the automotive industry is one of global mega-competition that continues to grow in intensity. We provide world-leading products through constant advances in techno-logical expertise. We aim to make our products trusted

worldwide by offering the very highest quality. Following a policy of selection and focus, we are working to accelerate the upgrading of our product portfolio, while improving our profitability and increasing our market share. By setting such ambitious goals, we hope to grow as individuals, as a company, and as a group on a global scale. Simultaneously, we will take into due consideration environmental preservation initiatives, and the importance of social and cultural contributions, following the Code of Conduct which we call "The MITSUBA WAY," whose corporate mission is "providing pleasure and peace of mind to the people of the world."

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 :

4,711

Number of Employees :

3,868

(as of March 2010)



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

Chairman of the Board and Chief Executive Officer (CEO)

Noboru Hino

President of the Board and Chief Operating Officer (COO)

Tsuneo Akuto

Member of the Board, Senior Managing Officers

Toshifumi Kono

Katsuo Takahara

Member of the Board, Managing Officers

Hiroyuki Sekine

Hiroyuki Komiya

Yoshimasa Kimura

Member of the Board, Corporate Advisor

Shigeru Hino

Member of the Board

Kengo Takano

Member of the Board, Operating Officers

Katsuhiko Hisaki

Noboru Abe

Kenichi Mita

Yoshikazu Takahashi

Shinichi Kuwabara

Kenichi Kuramochi

Full-time Auditing Officers

Satoshi Yamazaki

Auditing Officers

Noritaka Tsukagoshi

Akira Fujiwara

Operating Officers

Hideo Sasaki

Hiroyuki Otaki

Masayuki Oyama

Takashi Nara

Hirofumi Nakayama

Yuichi Nagase

Koji Kobayashi

Kiyoshi Konishi

Junichi Iizuka

Yoshiyuki Hirai

Shigeo Sekita

Takumi Tada

Katsuyoshi Kitada

(as of June 2010)

Financial Section

||| Six-Year Summary

mitsuba Corporation and Consolidated Subsidiaries
Years ended March 31

	Yen (millions), except for per share amounts					
	2005	2006	2007	2008	2009	2010
Net sales	¥167,643	¥216,463	¥216,200	¥225,440	¥209,973	¥175,522
Gross profit	24,400	27,472	27,276	28,831	15,566	21,498
Operating income	5,243	4,890	3,097	3,841	(7,500)	2,176
Income before income taxes	4,400	7,404	2,273	3,077	(14,908)	1,579
Net income (loss)	2,603	4,187	(134)	649	(18,376)	(3,247)
Capital expenditures	8,568	13,201	16,645	14,489	13,823	9,062
Total assets	168,262	181,108	189,923	191,026	173,177	178,897
Return on assets (%)	1.5	2.3	(0.1)	0.3	(10.1)	(1.8)
Shareholders' equity	51,256	60,417	62,640	59,020	33,054	32,860
Return on equity (%)	5.1	7.0	(0.2)	1.1	(39.9)	(9.9)
Shareholders' equity ratio (%)	30.5	33.4	33.0	30.9	19.1	18.4
Per share (yen):						
Net income	¥59.44	¥91.32	¥(2.96)	¥14.35	¥(406.43)	¥(71.93)
Cash dividends applicable to period	8.0	8.0	10.0	8.0	6.0	—
Interest coverage (times)	9.2	6.9	4.2	4.2	(5.7)	1.9
Expenses for R&D	10,008	11,832	12,814	11,344	9,436	7,482
Ratio of SG&A to net sales (%)	11.4	10.4	11.2	11.1	11.0	11.0
Current ratio (%)	110.0	115.3	112.2	106.2	99.1	100.0
Fixed ratio (%)	162.2	156.8	164.6	170.7	264.6	260.9
Interest - bearing debt	55,537	56,063	64,053	70,432	89,006	86,610
Cash flows						
Operating activity	4,676	14,571	8,585	7,365	4,612	14,709
Investment activity	(9,426)	(14,086)	(16,746)	(14,156)	(14,948)	(8,230)
Financial activity	8,044	(44)	6,354	5,862	18,627	(3,430)

||| Corporate History

MAR. 1946:

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

JUN. 1946:

Sale of generator lamps for bicycles
commenced

JUN. 1951:

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

JAN. 1970:

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

JUN. 1977:

Introduction of shares to Tokyo Over-
the-Counter Market

JUL. 1987:

CME Corporation established in Mt.
Pleasant, Michigan

FEB. 1988:

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

SEP. 1989:

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

MAY 1993:

Announced the Mitsuba
Environmental Declaration and
Directions for Action

JUL. 1996:

Implemented CI (Corporate Identity)
campaign

OCT. 1996:

Corporate name changed to Mitsuba
Corporation

SEP. 1997:

Released the New Mitsuba
Environmental Declaration and
Directions for Action

OCT. 2001:

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

DEC. 2002:

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

AUG. 2003:

Published Environmental Report

AUG. 2004:

Jidosha Denki Kogyo Co., Ltd., 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 corporate separation.

DEC. 2006:

Published the MITSUBA WAY code
of conduct.

APR. 2007:

Jidosha Denki Kogyo Co., Ltd. was fully
absorbed by Mitsuba.

Message from the Management



Noboru Hino,
Chairman of the Board and Chief
Executive Officer (CEO)



Tsuneo Akuto,
President of the Board and Chief
Operating Officer (COO)

For the sustainable growth of Mitsuba as a corporate group, we conduct our management activities with the “providing pleasure and peace of mind” to our customers as our primary business concept. Furthermore, we undertake our business activities in accordance with the following management policy set out below, so as to meet the expectations of our shareholders and all other stakeholders.

Corporate Philosophy

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

Management Policy

The basic policy of the Mitsuba Group is to share and publicize the Group philosophy among all Group members and to act in concert along the same vector. Through this policy, we aim to be the corporate group of choice, by enhancing the quality of our management, products and services, and to increase our enterprise value through aggressive business development. Technology is the driving force behind our robust efforts to generate new value and create markets. We aim for a style of management that makes optimum use of our human resources, with a structure in which growth is achieved by having every individual employee take part in corporate innovation.

Management Strategies for the Medium-to-Long Term

The Mitsuba Group’s management will be conducted in a way that positions transportation equipment-related operations and information service operations businesses as its core fields, making maximum use of Group management resources in those areas, while seeking out new fields, targeting Group-wide growth and increasing earnings.

Our transportation equipment-related operations are most strongly affected by the automobile industry, which is currently seeing extensive restructuring on a global scale. In this era

of intensified mega competition, we are working to further strengthen our global production and distribution systems, encompassing Japan, Americas, Europe, and Asia (China in particular). Through the effective utilization of these systems we aim to implement a technology-driven strategy for improving the cost-competitiveness of our products and ensuring future growth. In this way, we will pursue the development of new value-added products centered on motor technologies that offer improved convenience, comfort and safety, and that reduce the environmental load, with the aim of establishing a competitive advantage on a global basis.

Amid this management environment, the Group’s transportation equipment operations unveiled a new slogan in April 2008: “A Global Victory!! — The enhancement of profit-earning capacity—” Under this slogan, we have launched our 8th medium-term management plan, covering three years. Our management policies under this new plan are as follows.

1. Provide world-leading products achieved through advanced technologies and superior expertise, and launch world-leading products in a timely manner.
2. Through the fulfillment of our duties as manufacturers of transportation equipment-related operations, give the greatest priority to quality to maintain the highest level of customer loyalty.

3. Allocate management resources based on a policy of selection and focus, and create merger synergies through the accelerated upgrading of our product portfolio, thereby raising profitability and expanding our market share.
4. Provide both individuals and organizational units with the opportunity to boldly tackle ambitious targets and take responsibility for the performance of professional duties. We believe the opportunity to take on challenges is essential for growth as individuals, as a company, and as a group on a global scale.

The operating environment is expected to become increasingly severe. If we are to lead the global mega-competition, it will be necessary to further strengthen the Group's global management, and develop new products that will be the source of our competitiveness in the future, while simultaneously raising quality and reducing the unit cost of our products. To this end, we have placed our departments responsible for product development under the direction of the head of our business divisions. Through this and other initiatives, we have bolstered strategy implementation and clarified the responsibilities of each department.

Meanwhile, in our information service operations segment, we will work to improve the profitability of our existing operations, while cultivating new business fields and realizing further growth through the expansion of revenues, especially from new customers.

Key Issues

Since the global slowdown began two years ago, a harsh business climate has hung over the Mitsuba Group's operations. We are responding to this as an emergency situation by focusing our efforts on the actions below.

1. Increasing added value by reorganizing our purchasing structure
2. Cutting fixed costs Group-wide through business restructuring
3. Focusing on growth sectors (environment, energy-saving) and investing in high-growth areas

This will enable us to operate with more adaptability to rapidly-changing business environments for realizing a stronger corporate structure with enhanced QCD competitiveness and improved profitability.

Outlook for Fiscal 2010

In the next fiscal year, with a forecast for a modest recovery in the United States and low growth in Europe, we expect growth in the global economy to continue to be led by China and other emerging economies. In Japan, stagnant consumer spending and reduced public works projects due to the latest political policies are expected to lead to a slowdown, but export growth fueled by a recovery in overseas economies is anticipated to bring an upturn in the Japanese economy.

In our financial outlook for next year, we expect a slight improvement in sales and lower fixed costs and expenses due to our business restructuring implemented last fiscal year. Based on these factors, in our consolidated results, our outlook is for sales of ¥188 billion yen, operating income of ¥5.5 billion, ordinary income of ¥4.8, and net income of ¥1.8 billion.

We will work to strengthen Group management, primarily through the reform of our high-cost business structure, and reinforce our corporate governance system. We will also tackle other priority issues to secure a sufficient level of earnings.

In conducting its business activities on the global stage, Mitsuba Corporation is dedicated to contributing to society by providing valuable products and services: valuable not only to the customers with whom it conducts business directly, but to the entire global community.

I hope that our shareholders will continue to favor us with their support and goodwill.



Noboru Hino
Chairman of the Board and Chief
Executive Officer (CEO)



Tsuneo Akuto
President of the Board and Chief
Operating Officer (COO)

Review of Operations

The Mitsuba Group consists of Mitsuba Corporation (“the Company”), 57 subsidiaries, and 8 affiliates. It is engaged primarily in the production of transportation equipment and the information services business.

Some Group companies engage in the transportation and storage businesses, as well as agency services for other Group companies and external customers.

Auto Electrical Systems



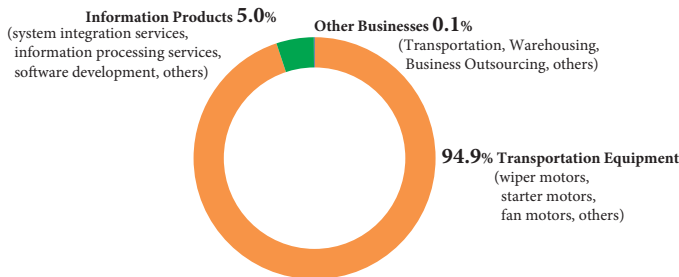
Two-wheeled, Universal-Use Products



Applied Equipment



Linear Actuator Controls



Sales Breakdown by Division

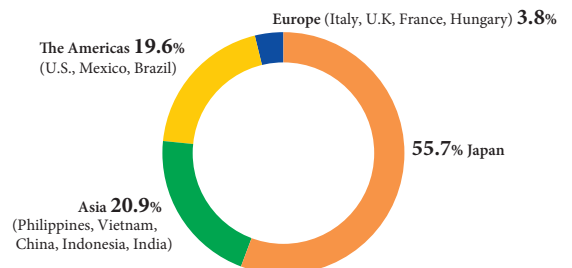
(Consolidated Basis)

Operating Results for term ended March 2010

In Japan, recovery in overseas economies and the effects of the various economic stimulus measures led to a slight improvement in exports, primarily to China and east Asian countries, and as a result, domestic production picked up, and corporate profits have been improving. However, the economy is still dealing with many downside risks, including concerns about a downturn in overseas economies, continued yen appreciation, reduced equipment investment, and weak consumer spending and deflation due to unfavorable employment and income conditions.

In the automotive industry, the Asian market showed a steady recovery, led by demand from the emerging economies, particularly China and India. In Japan, North America, Europe, and other developed countries, on the other hand, although government purchase incentive programs and other measures had a positive impact, demand after these programs expire remains uncertain, and the harsh business climate persists.

Against this backdrop, the Group’s sales on a consolidated basis totaled ¥175,522 million (down 16.4% from the previous year), operating income was ¥2,176 million (compared with a loss of ¥7,500 million the previous year), and ordinary income was ¥1,874 million (compared with a loss of ¥9,736 million the previous year). The Company recorded a net loss of ¥3,247 million (compared with a loss of ¥18,376 the previous year) due to the posting of extraordinary losses on business restructuring and devaluation of assets and consolidated net losses due to the write-off of deferred tax assets.



Sales Breakdown by Geographic Region

(Consolidated Basis)

By Business Segment

Transportation Equipment-related Operations Segment

In the Transportation Equipment-related Operations segment, business was initially sluggish due to the ongoing effects of the global slowdown that began in the fall of 2008, but demand increased in Japan due to eco-car tax incentives, and sales were strong in China and other Asian countries. However, sales overall were ¥166,541 million (down 17.5% from the previous year) due to the steep drop in sales in North America and Europe. Even so, the effects of cost-cutting measures for raw materials, staff, and other expenses, and the upturn in sales in the second half of the year enabled us to record an operating income of ¥1,816 million (compared to an operating loss of ¥7,809 million the previous year).

Information Service Operations Segment

In the Information Service Operations segment, although sales to the manufacturing industry were weak, strong sales to local municipalities and natural gas companies enabled us to achieve sales of ¥9,497 million (up 5.8% from the previous year). Moreover, reduced material purchasing and outsourcing costs helped us to reach an operating income of ¥223 million (up 41.2% from the previous year).

Other Businesses

In the Others segment, sales totaled ¥5,110 million (down 17.6% from the previous year), and operating income was ¥35 million (down 47.4% from the previous year).

Breakdown by Geographic Region

Japan

Sales were ¥97,800 million (down 10.0% from the previous year). Operating income was ¥1,097 million (compared to a loss of ¥9,605 million the previous year).

The Americas

Sales were ¥34,412 million (down 29.6% from the previous year). Operating loss was ¥1,828 million (compared to a loss of ¥1,778 million the previous year).

Asia

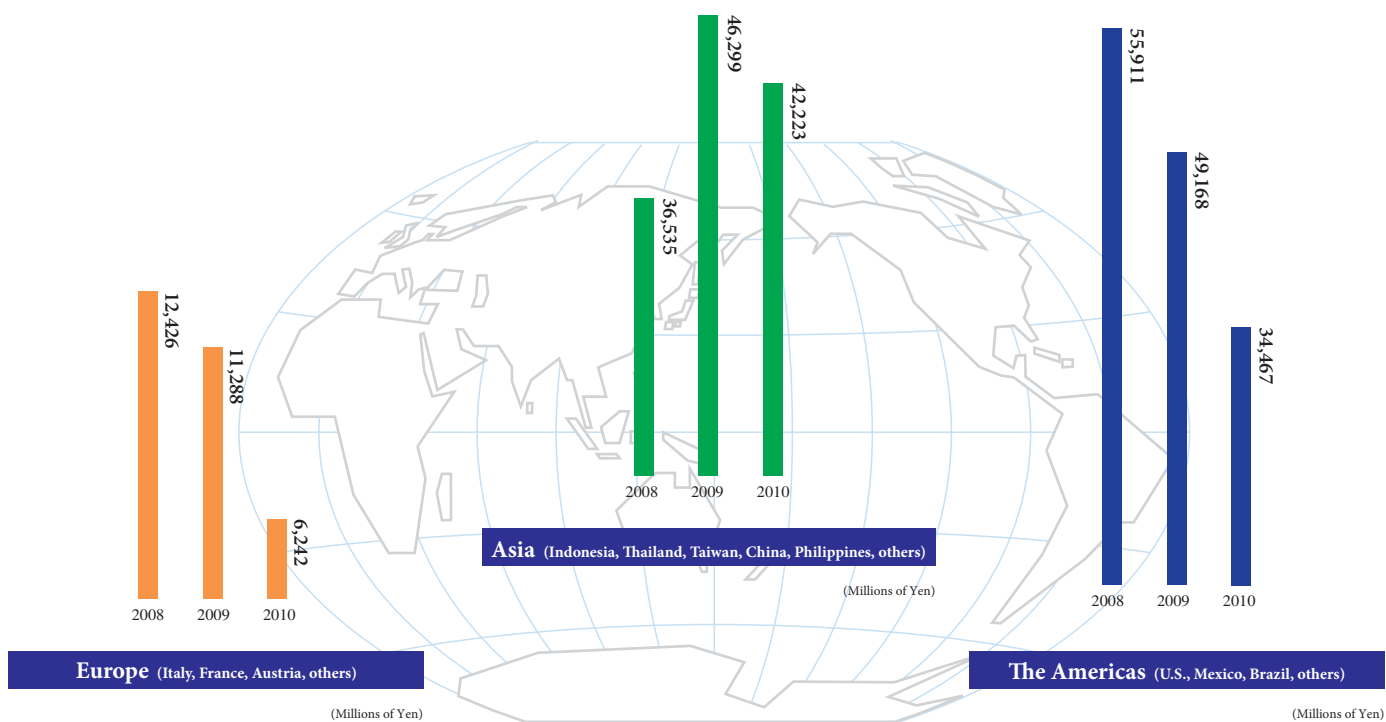
Sales were ¥36,715 million (down 9.6% from the previous year), and operating income was ¥3,011 million (down 14.6% from the previous year).

Europe

Sales were ¥6,594 million (down 44.1% from the previous year), and operating loss was ¥174 million (compared to an income of ¥248 million the previous year).

Overseas Sales

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



Consolidated Balance Sheets

MITSUBA Corporation and Consolidated Subsidiaries
As of March 31, 2009 and 2010

	Yen (millions)		U.S. Dollars (Thousands)
	March 31		March 31
	2009	2010	2010
ASSETS			
Current assets :			
Cash and time deposits (Note 5)	¥ 20,693	¥ 24,434	\$ 262,618
Marketable securities (Notes 3 & 5)	1,460	1,040	11,178
Trade receivables :			
Accounts and notes	30,767	38,585	414,714
Allowance for doubtful accounts	(310)	(417)	(4,482)
Inventories (Note 4)	22,089	21,922	235,619
Deferred income taxes (Note 9)	3,303	510	5,482
Other current assets	7,699	7,089	76,193
Total current assets	<u>85,701</u>	<u>93,163</u>	<u>1,001,322</u>
Property, plant and equipment (Notes 7 & 10) :			
Land	5,704	5,835	62,715
Buildings and structures	52,616	52,968	569,304
Machinery, equipment and others	143,804	145,078	1,559,308
Construction in progress	3,119	1,581	16,992
Leasing assets	2,132	3,538	38,026
	<u>207,375</u>	<u>209,000</u>	<u>2,246,345</u>
Less accumulated depreciation	(150,689)	(157,726)	(1,695,249)
Net Property, plant and equipment	<u>56,686</u>	<u>51,274</u>	<u>551,096</u>
Investments and other assets :			
Investments in securities (Notes 3 & 6)	16,096	20,454	219,841
Long-term loans	557	388	4,170
Allowance for doubtful accounts	(56)	(54)	(580)
Deferred income taxes (Note 9)	340	256	2,752
Others	13,853	13,416	144,196
Total investments and other assets	<u>30,790</u>	<u>34,460</u>	<u>370,379</u>
Total assets	<u>173,177</u>	<u>¥178,897</u>	<u>1,922,797</u>
Liabilities and Shareholders' Equity			
Current liabilities :			
Short-term borrowings (Note 7)	¥ 49,805	¥ 42,718	\$ 459,136
Current portion of long-term debt (Note 7)	10	7,010	75,344
Trade payables :			
Accounts and notes	15,040	18,444	198,237
Income taxes payable (Note 9)	518	870	9,351
Reserve for employees' bonuses	2,710	2,218	23,839
Other current liabilities (Note 9)	18,420	21,869	235,049
Total current liabilities	<u>86,503</u>	<u>93,129</u>	<u>1,000,956</u>
Long-term liabilities :			
Long-term debt (Note 7)	39,191	36,882	396,410
Accrued pension and severance costs (Note 12)	581	642	6,900
Retirement and severance benefits	614	109	1,172
Others (Note 9)	5,829	7,274	78,181
Total long-term liabilities	<u>46,215</u>	<u>44,907</u>	<u>482,663</u>
Contingent liabilities (Note 13) :			
Net assets (Note 8) :			
Owners' equity			
Common stock			
Authorized : 150,000,000 Shares			
Outstanding :			
March 31, 2009: 45,150,935 Shares	9,885	—	—
March 31, 2010: 45,149,457 Shares	—	9,885	106,245
Capital surplus	15,719	15,719	168,949
Retained earnings	13,415	10,163	109,233
Treasury stock, at cost:			
March 31, 2009: 430,874 Shares	(338)	—	—
March 31, 2010: 432,352 Shares	—	(335)	(3,601)
Total owners' equity	<u>38,681</u>	<u>35,432</u>	<u>380,826</u>
Valuation and translation adjustments :			
Unrealized gains on securities	1,505	3,653	39,263
Foreign currency translation adjustments	(7,132)	(6,225)	(66,907)
Total valuation and translation adjustments	(5,627)	(2,572)	(27,644)
Minority interests in subsidiaries	7,405	8,001	85,996
Total net assets	<u>40,459</u>	<u>40,861</u>	<u>439,178</u>
	<u>¥ 173,177</u>	<u>¥ 178,897</u>	<u>\$ 1,922,797</u>

Consolidated Statements of Income

MITSUBA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2008, 2009 and 2010

	Yen (millions)			U.S. Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2008	2009	2010	2010
Net sales (Note 14)	¥ 225,440	¥ 209,973	¥ 175,522	\$ 1,886,522
Cost of sales	196,609	194,407	154,024	1,655,460
Gross profit	28,831	15,566	21,498	231,062
Selling, general and administrative expenses	24,990	23,066	19,322	207,674
Operating income (Note 14)	3,841	(7,500)	2,176	23,388
Other income (expenses) :				
Interest and dividend income	848	702	353	3,794
Interest expenses	(1,127)	(1,195)	(1,329)	(14,284)
Others, net	(1,439)	(7,515)	(108)	(1,161)
Income before income taxes, minority interests and equity in income of affiliates	2,123	(15,508)	1,092	11,737
Income taxes (Note 9)	(1,745)	(3,085)	(4,087)	(43,927)
Income before minority interests and equity in income of affiliates	378	(18,593)	(2,995)	(32,190)
Minority interests in subsidiaries	(682)	(382)	(739)	(7,943)
Equity in income of affiliates	953	599	487	5,234
Net income	¥ 649	¥ (18,376)	¥ (3,247)	\$ (34,899)

	Yen			U.S. Dollars
	2008	2009	2010	2010
Per share of common stock :				
Net income — Basic	¥ 14.35	¥ (406.43)	¥ (71.93)	\$ (0.77)
— Diluted	13.02	—	—	—
Cash dividends, applicable to period	8.00	6.00	—	—

	Yen (Millions)				
	Valuation and translation adjustment				
	Unrealized gains on securities	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2007	¥ 5,761	¥ 286	¥ 6,047	¥ 8,048	¥ 70,688
Increase due to equity method of accounting for subsidiaries					(558)
Unrealized holding gain arising during the period ...	(3,088)		(3,088)		(3,088)
Translation adjustment		(236)	(236)		(236)
Purchase of treasury stock					(22)
Net income					649
Cash dividends					(364)
Net changes during the year				260	260
Balance at March 31, 2008	¥ 2,673	¥ 50	¥ 2,723	¥ 8,308	¥ 67,329
Increase due to equity method of accounting for subsidiaries					1,102
Unrealized holding gain arising during the period ...	(1,168)		(1,168)		(1,168)
Translation adjustment		(7,182)	(7,182)		(7,182)
Purchase of treasury stock					(72)
Net income					(18,376)
Cash dividends					(271)
Net changes during the year				(903)	(903)
Balance at March 31, 2009	¥ 1,505	¥ (7,132)	¥ (5,627)	¥ 7,405	¥ 40,459
Unrealized holding gain arising during the period	2,148		2,148		2,148
Translation adjustment		907	907		907
Purchase of treasury stock					(3)
Disposal of treasury stock					1
Net income					(3,247)
Net changes during the year				596	596
Balance at March 31, 2010	¥ 3,653	¥ (6,225)	¥ (2,572)	¥ 8,001	¥ 40,861
	U.S.Dollars (Thousands)				
	Valuation and translation adjustment				
	Unrealized gains on securities	Foreign currency translation adjustment	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2009	\$ 16,176	\$ (76,655)	\$ (60,479)	\$ 79,589	\$ 434,856
Unrealized holding gain arising during the period ...	23,087		23,087		23,087
Translation adjustment		9,748	9,748		9,748
Purchase of treasury stock					(32)
Disposal of treasury stock					11
Net income					(34,899)
Net changes during the year	23,087	9,748	32,835	6,407	4,322
Balance at March 31, 2010	\$ 39,263	\$ (66,907)	\$ (27,644)	\$ 85,996	\$ 439,178

Consolidated Statements of Cash Flows

MITSUBA Corporation and Consolidated Subsidiaries
For the years ended March 31, 2008, 2009 and 2010

	Yen (Millions) Year ended March 31			U.S.Dollars (Thousands) Year ended March 31
	2008	2009	2010	2010
Cash flows from operating activities:				
Net income	¥ 649	¥ (18,376)	¥ (3,247)	\$ (34,899)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	13,090	14,680	12,637	135,823
Loss on disposal of fixed assets	278	317	203	2,182
Deferred income tax	246	1,295	2,295	24,667
Write-down of marketable securities	307	2,312	181	1,945
Decrease (Increase) in assets:				
Trade accounts and notes receivable.....	(454)	7,080	(7,108)	(76,397)
Inventories	(664)	(2,256)	859	9,233
Prepaid expenses and other current assets	(2,591)	536	1,498	16,101
Increase(Decrease) in liabilities:				
Trade payables	(8,357)	100	2,862	30,761
Accrued expenses	4,143	(5,967)	3,533	37,973
Income tax payables	(51)	(91)	352	3,783
Accrued pension and severance costs	150	26	56	602
Other current liabilities	186	1,265	1,497	16,090
Others, net	433	3,691	(909)	(9,771)
Net cash provided by operating activities	7,365	4,612	14,709	158,093
Cash flows from investing activities:				
Payments for purchases of investment securities.....	(1,476)	(2,139)	(1,107)	(11,898)
Proceeds from sales of investment securities.....	130	648	342	3,676
Decrease (Increase) in marketable securities.....	6	(276)	306	3,289
Payments for acquisition of property, plant and equipment.....	(13,920)	(13,345)	(7,235)	(77,762)
Proceeds from sales of property, plant and equipment	490	880	1,017	10,931
Others, net	614	(716)	(1,553)	(16,692)
Net cash used in investing activities	(14,156)	(14,948)	(8,230)	(88,456)
Cash flows from financing activities:				
Increase (Decrease) in short-term loans	3,266	17,823	(1,810)	(19,454)
Proceeds from long-term debt.....	10,873	15,897	7,405	79,589
Repayment of long-term debt	(6,950)	(9,721)	(7,327)	(78,751)
Repayment of lease obligation	—	(555)	(1,368)	(14,703)
Proceed from bond	199	—	—	—
Repayment of bonds	(900)	(3,848)	(31)	(333)
Cash dividends paid	(603)	(896)	(373)	(4,009)
Others, net	(23)	(73)	74	795
Net cash provided by (used in) financing activities	5,862	18,627	(3,430)	(36,866)
Effect of exchange rate changes on cash and cash equivalents	(215)	(798)	177	1,902
Net increase in cash and cash equivalents	(1,144)	7,493	3,226	34,673
Cash and cash equivalents at beginning of year	13,978	12,834	20,327	218,476
Cash and cash equivalents at end of year (Note 5)	¥ 12,834	¥ 20,327	¥ 23,553	\$ 253,149
Supplemental data:				
Cash paid during the year for				
Income tax	¥ 1,806	¥ 1,919	¥ 1,499	\$ 16,111
Interest	1,090	1,310	1,356	14,574

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 Corporation Law and the Financial Instruments and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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

U.S. dollar amounts presented in the financial statements are included solely for convenience. The rate of ¥93.04 to US\$1.00, prevailing on March 31, 2010, 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 57 and 57 subsidiaries as of March 31, both 2009 and 2010. The consolidated financial statements included the accounts of the Company and its 34 and 32 significant subsidiaries as of March 31, 2009 and 2010, respectively.

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

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

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

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

(b) Cash and cash equivalents

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

(c) Marketable securities and investment securities

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

(d) Inventories

Automobile parts industry, merchandise, finished products, work-in-process and raw materials are mainly stated at cost determined by the average method, except foreign subsidiaries in which these are mainly valued at lower of cost or market determined by the average method.

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

Information processing industry, finished products and work-in-process are mainly stated at cost determined by the job-order-cost method.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is mainly computed by the declining-balance method at rates based on estimated useful lives of the respective assets. Useful lives of machinery and equipment of the Company and domestic subsidiaries, according to revision of corporate income tax law, have been reexamined and changed from 12 years to 9 years since the fiscal year ended March 31, 2009.

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

(f) Accounting for leases

Finance lease other than those, which are deemed to transfer the ownership of the leased assets to lessee are accounted for by the method similar to that applicable to ordinary sale and purchase transactions, since the fiscal year ended March 31, 2009.

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

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

(g) Income taxes

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

(h) Retirement and pension plan

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

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

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

(i) Research and development costs

Research and development costs are charged to income as incurred.

(j) Foreign currency translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese Yen at appropriate year-end current rates, and all income and expense accounts are translated at 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.

3. Marketable securities and investments

The cost and fair value of marketable securities and investments as of March 31, 2010 are shown below:

	Yen (millions)	U.S. Dollars (thousands)
	2010	2010
Debt and equity securities – held-to-maturity:		
Amount in balance sheet	¥ 676	\$ 7,266
Gross unrealized gains	6	64
Gross unrealized losses	(4)	(43)
Fair value	¥ 678	\$ 7,287
Debt and equity securities – available-for-sale:		
Cost	¥ 7,276	\$ 78,202
Gross unrealized gains	6,113	65,702
Gross unrealized losses	(353)	(3,793)
Amount in balance sheet	¥ 13,036	\$ 140,111

7. Long-term debt

Long-term debt at March 31, 2009 and 2010 is as follows:

Item	Issued by	Annual interest	Yen (millions)		U.S. Dollars (thousands)
			2009	2010	2010
Due2011 Convertible Unsecured Bonds	Mitsuba	0.00%	¥ 6,731	¥ 6,700	\$ 72,013
Due2012 Unsecured Bonds	Momimo manufacturing	1.53	200	200	2,149
Due2011 Unsecured Bonds	Momimo manufacturing	1.02	200	200	2,149
Due2014 Unsecured Bonds	Momimo manufacturing	1.35	100	100	1,074
Due2009 Unsecured Bonds	Higashinihon Diecasting	0.97	10	—	—
Due2010 Unsecured Bonds	Higashinihon Diecasting	0.94	110	110	1,183
			¥ 7,351	¥ 7,310	\$ 78,568

As of March 31, 2010, loans of ¥10,309 million (\$110,802 thousand), including short-term debt of ¥5,607 million (\$60,264 thousand), is secured by property, plant, equipment and investments in securities with a net value of ¥11,148 million (\$119,819 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.

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

Amount in balance sheet	¥ 1,365	\$ 14,671
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4. Inventories

Inventories at March 31, 2009 and 2010 comprise the following:

	Yen (millions)		U.S. Dollars (thousands)
	2009	2010	2010
Merchandise	¥ 695	¥ 650	\$ 6,986
Finished products	6,008	7,179	77,160
Work-in-process	3,503	2,904	31,213
Materials and supplies	11,883	11,189	120,260
	¥ 22,089	¥ 21,922	\$ 235,619

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, 2009 and 2010:

	Yen (millions)		U.S. Dollars (thousands)
	2009	2010	2010
Cash and deposits	¥ 20,693	¥ 24,434	\$ 262,618
Marketable securities	1,460	1,040	11,178
Deposits with a maturity of three months or more	(1,419)	(1,312)	(14,101)
Securities exposed to risk of changes in value	(407)	(609)	(6,546)
Cash and cash equivalents	¥ 20,327	¥ 23,553	\$ 253,149

6. Investment in affiliates

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

	Yen (millions)		U.S. Dollars (thousands)
	2009	2010	2010
Investment in the non-consolidated subsidiaries and affiliates	¥ 5,707	¥ 6,416	\$ 68,960

The aggregate annual maturities of long-term debt are as follows:

Year ending March 31	Yen (millions)	U.S. Dollars (thousands)
2011	¥ 9,478	\$ 101,870
2012	8,293	89,134
2013	9,868	106,062
2014	14,992	161,135
2015 and thereafter	3,729	40,079
	<u>¥ 46,360</u>	<u>\$ 498,280</u>

8. Shareholders' equity

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

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

9. Income taxes

The Company and its consolidated subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in effective tax rates of approximately 40.4% in both 2009 and 2010.

Details of income tax expense are as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2009	2010	2010
Income taxes:			
Current	¥ 1,790	¥ 1,792	\$ 19,260
Deferred	1,295	2,295	24,667
	<u>¥ 3,085</u>	<u>¥ 4,087</u>	<u>\$ 43,927</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2009	2010	2010
Deferred tax assets :			
Accrued employees' bonuses	¥ 1,070	¥ 967	\$ 10,393
Provision for Enterprise taxes	20	60	645
Warranty reserves for products	1,078	637	6,847
Retirement and severance benefit for directors and statutory auditors	54	45	484
Others	1,536	(875)	(9,405)
Gross deferred tax assets	<u>¥ 3,758</u>	<u>¥ 834</u>	<u>\$ 8,964</u>
Deferred tax liabilities :			
Reserve for special depreciation	(178)	(136)	(1,462)
Reserve for program development	(5)	(1)	(10)
Gain on securities contribution to employee retirement prepaid pension expense	(3,817)	(3,351)	(36,017)
Unrealized gains on securities	(886)	(2,339)	(25,140)
Others	(145)	(250)	(2,687)
Gross deferred tax liabilities	<u>(5,031)</u>	<u>(6,077)</u>	<u>(65,316)</u>
Net deferred tax assets	<u>¥ (1,273)</u>	<u>¥ (5,243)</u>	<u>\$ (56,352)</u>

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

	2009	2010
Statutory tax rate	—	40.4%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	—	(0.2)
Taxation on per capita basis	—	(0.4)
Non-taxable income	—	0.8
Difference in normal tax rates of foreign subsidiaries ..	—	(4.0)
Unrecognized deferred income taxes by foreign subsidiaries ..	—	(1.2)
Equity in losses of affiliates	—	1.6
Valuation reserve	—	239.3
Others	—	(17.5)
Actual effective tax rate	<u>—</u>	<u>258.8%</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2009	2010	2010
Current assets – Deferred income taxes	¥ 3,303	¥ 510	\$ 5,482
Investment and other assets –			
Deferred income taxes	340	256	2,752
Short - term liabilities – Others	(11)	(113)	(1,215)
Long - term liabilities – Others	(4,905)	(5,896)	(63,371)
Net deferred tax assets	<u>¥(1,273)</u>	<u>¥(5,243)</u>	<u>\$ (56,352)</u>

10. Leased assets

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

	Yen (millions)		U.S. Dollars (thousands)
	2009	2010	2010
Class of property			
Machinery and equipment and others	¥ 5,868	¥ 4,021	\$ 43,218
Other assets	466	396	4,256
Accumulated depreciation	(3,701)	(2,611)	(28,063)
	<u>¥ 2,633</u>	<u>¥ 1,806</u>	<u>\$ 19,411</u>

Future minimum lease payments required under such finance lease that have initial or remaining terms in excess of one year as of March 31, 2010 are:

Year ending March 31	Yen (millions)	U.S. Dollars (thousands)
2010	¥ 553	\$ 5,944
2011 and thereafter	1,286	13,822
Total future minimum lease payment	<u>¥ 1,839</u>	<u>\$ 19,766</u>

Future minimum lease payments required under operating lease that have initial or remaining terms in excess of one year as of March 31, 2010 are:

Year ending March 31	Yen (millions)	U.S. Dollars (thousands)
2010	¥ 72	\$ 774
2011 and thereafter	219	2,354
Total future minimum lease payment	<u>¥ 291</u>	<u>\$ 3,128</u>

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, 2008, 2009 and 2010 and for the years then ended:

Industry segments:

	Yen (Millions)			U.S.Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2008	2009	2010	2010
Sales and operating revenue:				
Automobile parts				
Customers	¥ 216,825	¥ 201,795	¥ 166,540	\$ 1,789,983
Intersegment	1	1	1	11
Total	216,826	201,796	166,541	1,789,994
Information processing				
Customers	¥ 8,194	¥ 7,784	¥ 8,734	\$ 93,873
Intersegment	1,416	1,189	763	8,201
Total	9,610	8,973	9,497	102,074
Others				
Customers	¥ 419	¥ 393	¥ 247	\$ 2,655
Intersegment	7,096	5,809	4,863	52,268
Total	7,515	6,202	5,110	54,923
Corporate and elimination	(8,511)	(6,998)	(5,626)	(60,469)
Consolidated	¥ 225,440	¥ 209,973	¥ 175,522	\$ 1,886,522
Operating income:				
Automobile parts	¥ 3,271	¥ (7,809)	¥ 1,816	\$ 19,519
Information processing	312	158	223	2,397
Others	150	66	35	376
Corporate and elimination	108	85	102	1,096
Consolidated	¥ 3,841	¥ (7,500)	¥ 2,176	\$ 23,388
Identifiable assets:				
Automobile parts	¥ 186,007	¥ 165,083	¥ 170,651	\$ 1,834,169
Information processing	9,354	9,251	10,209	109,727
Others	9,513	8,475	9,569	102,848
Corporate and elimination	(13,848)	(9,632)	(11,532)	(123,947)
Consolidated	¥ 191,026	¥ 173,177	¥ 178,897	\$ 1,922,797
Depreciation				
Automobile parts	¥ 12,800	¥ 14,409	¥ 12,349	\$ 132,728
Information processing	204	164	195	2,096
Others	86	107	93	999
Consolidated	¥ 13,090	¥ 14,680	¥ 12,637	\$ 135,823
Impairment loss				
Automobile parts	¥ 3	¥ 65	¥ 445	\$ 4,783
Information processing	—	—	10	107
Others	—	—	—	—
Consolidated	¥ 3	¥ 65	¥ 455	\$ 4,890
Capital expenditures:				
Automobile parts	¥ 14,330	¥ 13,468	¥ 7,246	\$ 77,880
Information processing	74	202	1,731	18,605
Others	85	153	85	914
Consolidated	¥ 14,489	¥ 13,823	¥ 9,062	\$ 97,399

Geographic areas:

	Yen (Millions)			U.S.Dollars (Thousands)
	2008	Year ended March 31 2009	2010	Year ended March 31 2010
Sales and operating revenue:				
Japan				
Customers	¥ 129,569	¥ 108,660	¥ 97,800	\$ 1,051,161
Intersegment	36,894	30,522	30,173	324,301
Total	166,463	139,182	127,973	1,375,462
America				
Customers	¥ 54,699	¥ 48,888	¥ 34,412	\$ 369,862
Intersegment	345	299	56	602
Total	55,044	49,187	34,468	370,464
Asia				
Customers	¥ 28,487	¥ 40,627	¥ 36,715	\$ 394,615
Intersegment	23,040	20,137	13,890	149,291
Total	51,527	60,764	50,605	543,906
Europe				
Customers	¥ 12,683	¥ 11,797	¥ 6,594	\$ 70,873
Intersegment	494	487	207	2,225
Total	13,177	12,284	6,801	73,098
Corporate and eliminationq	(60,771)	(51,444)	(44,325)	(476,408)
Consolidated	¥ 225,440	¥ 209,973	¥ 175,522	\$ 1,886,522
Operating income:				
Japan	¥ 418	¥ (9,605)	¥ 1,097	\$ 11,791
America	(726)	(1,778)	(1,828)	(19,647)
Asia	3,496	3,527	3,011	32,362
Europe	600	248	(174)	(1,870)
Corporate and elimination	53	108	70	752
Consolidated	¥ 3,841	¥ (7,500)	¥ 2,176	\$ 23,388
Identifiable assets:				
Japan	¥ 164,147	¥ 156,667	¥ 164,438	\$ 1,767,390
America	23,842	20,609	21,855	234,899
Asia	29,996	31,206	35,787	384,641
Europe	8,555	5,622	5,359	57,599
Corporate and elimination	(35,514)	(40,927)	(48,542)	(521,732)
Consolidated	¥ 191,026	¥ 173,177	¥ 178,897	\$ 1,922,797

15. Business combination (within consolidated subsidiaries)

In accordance with the resolution approved at the meeting of the Board of Directors held on November 11, 2009, Sun-you Corporation merged with M-tech Co.,Ltd., for the purpose of rationalization of management on April 1, 2010.

The merger was correspondent to transactions under common control, and was accounted in accordance with ASBJ Guidance No. 10. The merger has no effect on consolidated financial statements.

|||| **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, 2009 and 2010, and the related consolidated statements of income and changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2010, 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, 2009 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 15 in the consolidated financial statements, in accordance with the resolution approved at the meeting of the Board of Directors held on November 11, 2009, Sun-you Corporation merged with M-tech Co., Ltd., on April 1, 2010.

The accompanying consolidated financial statements as of and for the year ended March 31, 2010 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.

Tokyo, Japan
June 25, 2010

Shinjuku Audit Corporation

mitsuba

MITSUBA Corporation

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