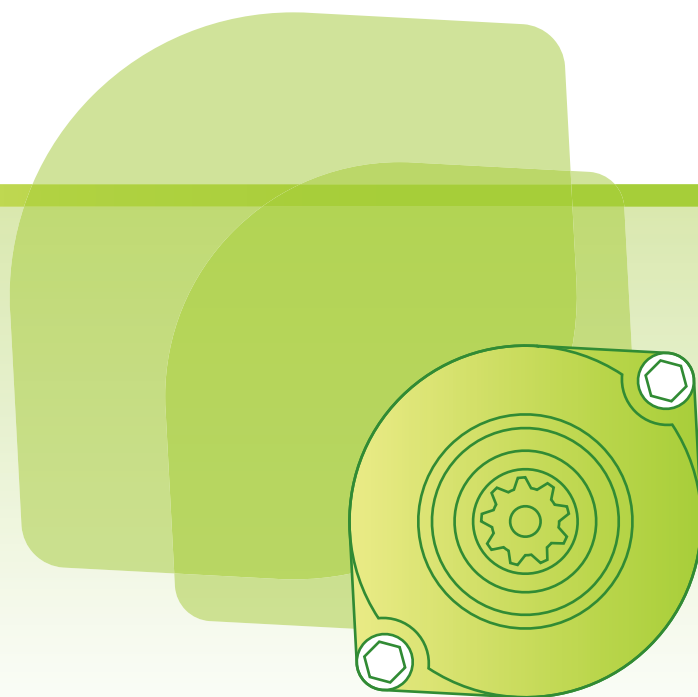


MITSUBA

MITSUBA Corporation

ANNUAL REPORT 2017

Fiscal Year Ended March 31, 2017



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Profile

Mitsuba Corporation is one of the foremost manufacturers of automotive electronic components.

With the transportation equipment-related operations regarded as our core business, we will consolidate our group strength and effectively use our business resources in order to promote global growth and improved profitability.

The 11th Midterm Management Plan is based on the key issues of ensuring quality and stable supply of products for leading to an improved quality assurance system and higher customer satisfaction. We have been developing new value

product proposals that anticipate changes in customer needs and advances in automobiles, and we are strengthening our network of global sites for enhancing product competitiveness and building a solid revenue base.

We will continue our efforts to become a trusted company that meets society's expectations by ensuring full compliance and enhancing our corporate governance keeping to heart our philosophy of "To provide pleasure and peace of mind to the people of the world".

Outline of the Company

Head Office :

1-2681 Hirosawa-cho, Kiryu-shi,
Gunma 376-8555, Japan
Tel 81-277-52-0111
Fax 81-277-52-5191

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 :

4,582

Number of Employees :

Consolidated: 23,204 (4,681)

Non-consolidated: 4,057

The figure in parentheses is the annual average number of temporary employees.

(As of March 31, 2017)



Directors

Chairman of the Board and Chief Executive Officer

Noboru Hino

Representative Director, President

Yuichi Nagase

Representative Director

Yoshikazu Takahashi

Representative Director

Kenichi Mita

Audit & Supervisory Committee Member

Koji Kobayashi

Audit & Supervisory Committee Member

Teruhide Mitsunashi

Audit & Supervisory Committee Member (External)

Akira Fujiwara

Audit & Supervisory Committee Member (External)

Takashi Hayama

Audit & Supervisory Committee Member (External)

Shigeki Dantani

Audit & Supervisory Committee Member (External)

Kazuhiro Maehara

Officers

President, Chief Operating Officer

Yuichi Nagase

Executive Vice President, Executive Officer

Yoshimasa Kimura

Senior Managing Officer

Yoshikazu Takahashi

Senior Managing Officer

Kenichi Mita

Managing Officer

Hiroyuki Otaki

Managing Officer

Masayuki Oyama

Managing Officer

Takashi Nara

Managing Officer

Shigeo Sekita

Managing Officer

Takumi Tada

Managing Officer

Katsuyoshi Kitada

Managing Officer

Tokuyu Tanahashi

Managing Officer

Nobuyuki Take

Managing Officer

Kunihiko Arai

Operating Officer

Hisashi Ogata

Operating Officer

Hideo Higeta

Operating Officer

Masayoshi Shirato

Operating Officer

Yutaka Nozue

Operating Officer

Masamichi Mogi

Operating Officer

Keiji Kiuchi

Operating Officer

Hideyuki Minami

Operating Officer

Shigeru Takei

Operating Officer

Kunio Nagai

Operating Officer

Jun Abe

Operating Officer

Ryu Saito

Operating Officer

Koji Mizuno

Operating Officer

Haruki Inamura

Operating Officer

Hideo Imai

Operating Officer

Isei Ko

Operating Officer

Takeshi Yamazaki

Operating Officer

Sadami Hino

Operating Officer

Michio Okada

(As of June 23, 2017)

Financial Section

Six-Year Summary

MITSUBA Corporation and its Consolidated Subsidiaries
 Every year starts in April of the previous year and ends in March.
 e.g.) 2017: April 2016 – March 2017

	Yen (millions), except for per share amounts					
	2012	2013	2014	2015	2016	2017
Net sales	¥ 207,803	¥ 225,605	¥ 272,543	¥ 306,030	¥ 333,232	¥ 327,977
Gross profit	26,598	29,971	41,024	51,486	53,488	55,486
Operating income	7,928	9,032	17,054	22,096	22,889	22,687
Profit (loss) before income taxes	3,979	10,318	10,037	19,044	17,729	13,460
Profit (loss) attributable to owners of parent ...	2,917	6,473	7,028	11,434	8,518	5,082
Capital expenditures	14,143	16,186	17,452	18,521	19,842	20,955
Total assets	194,165	207,534	258,186	315,910	314,859	329,391
Return on assets (%)	1.6	3.2	3.0	4.0	2.7	1.6
Shareholders' equity	33,919	44,307	56,657	79,344	76,014	78,081
Return on equity (%)	8.7	16.6	13.9	16.8	11.0	6.6
Shareholders' equity ratio (%)	17.5	21.3	21.9	25.1	24.1	23.7
Per share(yen):Net income	¥ 65.12	¥ 144.51	¥ 156.99	¥ 255.47	¥ 190.31	¥ 113.55
Cash dividends applicable to period (yen)	¥ 7.0	¥ 8.0	¥ 8.0	¥ 14.0	¥ 18.0	¥ 15.0
Interest coverage (times)	8.8	12.9	17.2	13.9	22.2	19.5
Expenses for R&D	9,652	10,627	10,725	11,002	13,039	13,806
Ratio of SG&A to net sales (%)	9.0	9.3	8.8	9.6	9.2	10.0
Current ratio (%)	103.1	96.2	131.9	143.8	148.7	152.5
Fixed ratio (%)	233.4	207.4	193.4	158.7	160.9	170.7
Interest - bearing debt	97,183	99,843	111,731	134,344	141,816	152,669
Cash flows						
Operating activity	11,200	16,075	20,588	16,330	29,276	25,450
Investing activity	(14,866)	(16,495)	(15,343)	(19,641)	(20,027)	(21,201)
Financing activity	14,006	(1,831)	3,395	17,316	1,398	3,409

History

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

Message from the Management



Noboru Hino,
Chairman of the Board and
Chief Executive Officer



Yuichi Nagase,
President of the Board and
Chief Operating Officer

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

Corporate Philosophy

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

Management Policy

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

Management Strategies for the Medium-to-Long Term

As the pace of innovations in technical innovations for automobiles technologies increases, the global market has become more diverse. In this environment, over the medium to long term, Mitsuba will focus on developing top-of-the-line products interconnecting control and mechanism technologies with our key strength in motor technology for meeting customer needs for safety and peace of mind in the diversifying mobility market. Also, we will use products and services integrating the collective strengths of the Mitsuba Group to meet new challenges in creating new markets tailored to an ecological society and an aging society.

Key Issues

Although the world economy continues to show solid growth, the future outlook remains unpredictable due to the impact of uncertainties such as trade protectionism and other political policies. Also, for the business environment surrounding our company, we are aware that advancements and technical innovations in automobiles are bringing a period of transition to our products and business.

Quality requirements are continuing to rise within our management environment, and our 11th Midterm Management Plan, which runs from FY2017 to FY2019, is based on ensuring quality and stable supply of products for leading to an improved quality assurance system and higher customer satisfaction.

Outlook for the Next Term

For the outlook of the annual performance in the end of the term in March 2018, the Japanese economy is expected to moderately recover due to the capital investment and the improvement of employment environment. However, it is anticipated that the prospects remain uncertain because of the concerns of market slowdown in emerging countries including China and the unstable exchange rate.

Furthermore, with regard to the world economy, the US economy is expected to see slow economic growth. Also, impact to the economy from the trend of elections in major European countries scheduled for 2017, concern of the slowing economy in emerging countries, and the risk of geopolitical problems becoming apparent in Southeast Asia and other regions are expected.

Under this environment, the consolidated sales for the outlook of the annual performance is estimated to be ¥320,000 million (2.4% decrease compared to the previous year), with an operating profit of ¥23,000 million (1.4% increase compared to the previous year), a pretax profit of ¥23,000 million (13.8% increase compared to the previous year), and a current term net profit attributable to owners of the parent of ¥7,000 million (37.7% increase compared to the previous year).

We will continue our efforts to become a trusted company that meets society's expectations by ensuring full compliance and enhancing our corporate governance keeping to heart our philosophy of "To provide pleasure and peace of mind to the people of the world".

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



Noboru Hino
Chairman of the Board and
Chief Executive Officer



Yuichi Nagase
President of the Board and
Chief Operating Officer

Review of Operations

The Mitsuba Group (Mitsuba and its affiliated companies) consists of Mitsuba Corporation, 50 subsidiary companies and 4 affiliated companies. Our primary lines of business are transportation equipment-related operations and information service operations, but we also cover development and sales of automobile parts, automotive components and accessories, and agency services for group companies and other companies.

Auto Electrical Products



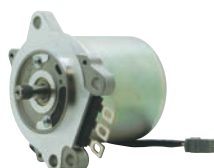
Front Wiper System



Power Window Motor



Power Slide Door System



Electric Power Steering Motor



Starter Motor

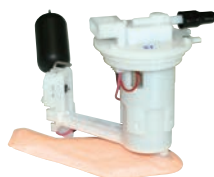


Electric Oil Pump

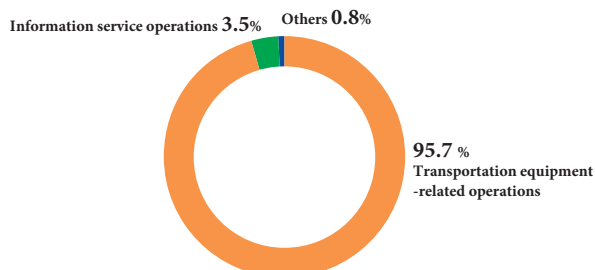
Motorcycle Electrical Products



ACG Starter



Fuel Pump Module



Sales by Business

(Consolidated Basis)

Operating Results for term end March 2017

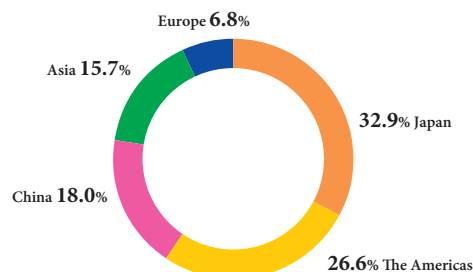
The domestic economy in the current consolidated fiscal year saw higher corporate profits due to improvements in employment and income and a recovery in exports, and the economy continued its moderate recovery. However, the economic environment has become increasingly unstable due to stock market and foreign exchange fluctuations in response to the results of Brexit and the U.S. presidential election.

In the first half of the year, the world economy slowed due to the sluggish U.S. economy and concerns about a slowdown in the Chinese economy, but the second half showed improvement, supported by a Chinese economy bolstered by various policies and a U.S. economic recovery. However, uncertainty also rose due to concerns about trade protectionism and other political policies, and so the surrounding environment for our company remained unpredictable.

Under these circumstances, the Japanese domestic automobile sales in 2016 was 5,078 thousand (2.8% increase compared to the previous year), recovering from the previous year. Although sales of mini vehicles fell to 1,720 thousand (5.1% decrease compared to the previous year), the number of registered vehicles showed strong growth to 3,358 thousand (7.5% increase compared to the previous year), for strong growth overall.

From a global perspective, the US continued strong growth with figures increasing to 17,550 thousand (0.4% increase compared to the previous year), achieving the record high level due low oil prices and low interest rates in the US. In particular, sales of light trucks showed strong growth, which made up for the decrease in passenger vehicles. In Europe, all major countries showed strong sales, which reached 15,132 thousand (6.5% increase compared to the previous year). Sales in China increased 28,028 thousand (13.9% increase compared to the previous year), showing a broad recovery of growth and being the country with the most automobile sales for eighth consecutive year.

Japanese domestic motorcycle sales and shipments were 341 thousand total (6.4% decrease compared to the previous year). All motorcycle categories, including motorized bicycles category 1, showed drops from the previous year because of structural factors such as aging of users and a decreasing younger population. On the other hand, from a global perspective, sales continue to fall in key markets such as ASEAN countries, China, and Brazil, but Japanese-made motor scooters showed remarkable growth in India, and together with motorbikes, the market continues to grow.



Sales by Geographic Region

(Consolidated Basis)

Under this environment, the consolidated sales of our group reached ¥327,977 million (1.6% decrease compared to the previous year), with a consolidated operating profit of ¥22,687 million (0.9% decrease compared to the previous year) and a consolidated pretax profit of ¥20,213 million (3.0% increase compared to the previous year) with a decrease of foreign exchange loss, etc. The current term net profit attributable to owners of the parent was ¥5,082 million (40.3% decrease compared to the previous year), due to recording of extraordinary losses for provision of an allowance reserve for product warranty costs arising from product defect expenses and an allowance reserve for losses due to compensation for damages.

By Business Segment

Transportation Equipment-related Operations Segment

Sales increased due to the growth in automobile production in Japan and the continued strong automobile production in the US and China. However, for the entire year, as a result of yen appreciation, sales were ¥314,444 million (1.8% decrease compared to the previous year), and operating profit was ¥21,760 million (1.5% decrease compared to the previous year).

Information Service Operations Segment

We had been committed to gaining orders from public and private sectors, and improved our profit structure. Sales reached ¥13,455 million (3.1% increase compared to the previous year) with an operating profit of ¥679 million (5.6% increase compared to the previous year).

Other Businesses

Sales were ¥2,882 million (24.1% increase compared to the previous year) with an operating profit of ¥211 million (46.8% increase compared to the previous year).

Breakdown by Geographic Region

Japan

Sales reached ¥107,845 million (3.8% increase from the corresponding period last year) with an operating profit of ¥5,728 million (21.6% increase from the corresponding period last year).

The Americas

Sales reached ¥87,381 million (11.0% decrease from the corresponding period last year) with an operating profit of ¥921 million (67.8% decrease from the corresponding period last year).

Europe

Sales reached ¥22,163 million (28.1% increase from the corresponding period last year) with an operating profit of ¥740 million (20.6% increase from the corresponding period last year).

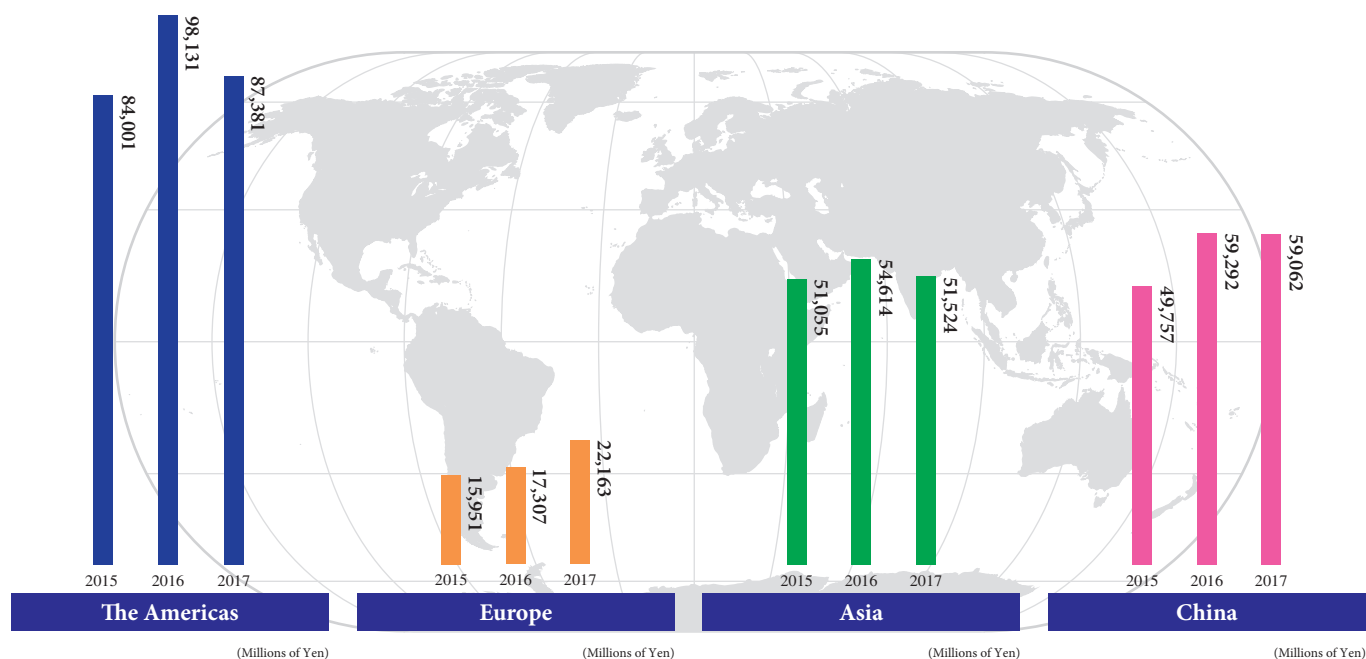
* Due to a change in the consolidated accounting year, this shows figures for the 15-month period from January 2016 to March 2017.

Asia

Sales reached ¥51,524 million (5.7% decrease from the corresponding period last year) with an operating profit of ¥7,161 million (14.3% increase from the corresponding period last year).

China

Sales reached ¥59,062 million (0.4% decrease from the corresponding period last year) with an operating profit of ¥7,704 million (0.8% decrease from the corresponding period last year).



Consolidated Balance Sheets

MITSUBA Corporation and its Consolidated Subsidiaries
As of March 31, 2016 and 2017

	Yen (Millions) As of March 31		U.S. Dollars (Thousands) As of March 31
	2016	2017	2017
ASSETS			
Current assets:			
Cash and deposits (Note 5)	¥ 68,663	¥ 75,789	\$ 675,908
Marketable securities (Notes 3 & 5)	200	100	891
Trade receivables:			
Accounts and notes (Note 13)	56,164	56,988	508,231
Less: Allowance for doubtful accounts	(137)	(66)	(595)
Inventories (Note 4)	42,930	41,755	372,384
Deferred tax assets (Note 9)	4,671	4,902	43,718
Others	20,058	16,615	148,178
Total current assets	192,550	196,083	1,748,718
Property, plant and equipment (Notes 7 & 10):			
Land	6,468	6,268	55,900
Buildings and structures	59,092	63,439	565,766
Machinery, equipment and others	178,269	179,428	1,600,179
Construction in progress	8,989	9,910	88,386
Lease assets	4,228	4,785	42,675
	257,048	263,831	2,352,909
Less accumulated depreciation	(181,480)	(185,851)	(1,657,461)
Net Property, plant and equipment	75,567	77,980	695,447
Investments and other assets:			
Investments in securities (Notes 3 & 6)	25,088	31,432	280,319
Longterm loans	2,578	3,609	32,186
Deferred tax assets (Note 9)	1,044	1,811	16,157
Others	18,189	18,624	166,096
Less: Allowance for doubtful accounts	(159)	(150)	(1,342)
Total investments and other assets	46,740	55,326	493,416
Total assets	¥ 314,859	¥ 329,391	\$ 2,937,583
Liabilities and Shareholders' Equity			
Current liabilities:			
Shortterm borrowings (Note 7)	¥ 40,280	¥ 40,800	\$ 363,868
Current portion of longterm debt (Note 7)	14,864	10,921	97,403
Trade payables:			
Accounts and notes	31,728	30,513	272,124
Income taxes payable (Note 9)	1,362	1,713	15,284
Reserve for employees' bonuses	4,498	4,639	41,374
Others (Note 9)	36,758	39,961	356,384
Total current liabilities	129,493	128,550	1,146,439
Longterm liabilities:			
Longterm debt (Note 7)	82,141	95,931	855,542
Net defined benefit liability (Note 12)	1,419	1,233	11,001
Others (Note 9)	11,497	10,371	92,493
Total longterm liabilities	95,058	107,536	959,037
Total liabilities	¥ 224,551	¥ 236,087	\$ 2,105,476
Contingent liabilities (Note 13):			
Net assets (Note 8):			
Shareholders' equity			
Common stock			
Authorized: 150,000,000 Shares			
Outstanding:			
March 31, 2016 and 2017: 45,581,809 Shares	9,885	9,885	88,159
Capital surplus	15,598	15,592	139,061
Retained earnings	47,735	52,011	463,852
Treasury stock, at cost:			
March 31, 2016: 823,068 Shares	(600)	—	—
March 31, 2017: 823,307 Shares	—	(601)	(5,365)
Total shareholders' equity	72,618	76,888	685,708
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	2,350	3,406	30,382
Foreign currency translation adjustments	1,785	(2,169)	(19,345)
Remeasurements of defined benefit plans	(740)	(44)	(393)
Total accumulated other comprehensive income	3,395	1,193	10,643
Non-controlling interests	14,293	15,222	135,755
Total net assets	90,307	93,304	832,107
Total liabilities and net asset	¥ 314,859	¥ 329,391	\$ 2,937,583

Consolidated Statements of Comprehensive Income

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2015, 2016 and 2017

Consolidated Statements of Income

	Yen (Millions)			U.S. Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2015	2016	2017	2017
Net sales (Note 14)	¥ 306,030	¥ 333,232	¥ 327,977	\$ 2,924,979
Cost of sales	254,544	279,743	272,491	2,430,143
Gross profit	51,486	53,488	55,486	494,836
Selling, general and administrative expenses	29,390	30,598	32,798	292,505
Operating income (Note 14)	22,096	22,889	22,687	202,330
Other income (expenses):				
Interest and dividend income	863	951	1,162	10,370
Interest expenses	(1,141)	(1,320)	(1,298)	(11,582)
Others, net	(2,773)	(4,791)	(9,091)	(81,075)
Profit (loss) before income taxes	19,044	17,729	13,460	120,043
Income taxes (Note 9)	(5,312)	(7,001)	(5,791)	(51,645)
Profit (loss)	13,732	10,728	7,669	68,397
Profit (loss) attributable to non-controlling interests	2,297	2,210	2,587	23,073
Profit (loss) attributable to owners of parent	¥ 11,434	¥ 8,518	¥ 5,082	\$ 45,323

	Yen			U.S. Dollars
	2015	2016	2017	2017
Per share of common stock:				
Net income — Basic	¥ 255.47	¥ 190.31	¥ 113.55	\$ 1.01
— Diluted	—	—	—	—
Cash dividends, applicable to period	14.00	18.00	15.00	0.13

Consolidated Statements of comprehensive income

	Yen (Millions)			U.S. Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2015	2016	2017	2017
Profit (loss)	¥ 13,732	¥ 10,728	¥ 7,669	\$ 68,397
Other comprehensive income				
Valuation difference on available-for-sale securities	1,612	(2,135)	1,079	9,624
Foreign currency translation adjustment	8,105	(5,611)	(4,268)	(38,069)
Remeasurements of defined benefit plans, net of tax	2,806	(4,048)	746	6,655
Share of the other comprehensive income of affiliates accounted for using equity method	448	(316)	(79)	(709)
Comprehensive income	¥ 26,706	¥ (1,382)	¥ 5,146	\$ 45,898
Comprehensive income attributable to				
Owners of the parent	23,169	(2,581)	2,879	25,682
Non-Controlling interests	3,536	1,198	2,266	20,216

Consolidated Statements of Changes in Net Assets

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2015, 2016 and 2017

	Yen (Millions)					
	Shareholders' equity					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2014	45,581,809	¥ 9,885	¥ 15,719	¥ 28,888	¥ (596)	¥ 53,896
Cumulative effects of changes in accounting policies				(166)		(166)
Change of scope of consolidation				45		45
Purchase of treasury stock					(2)	(2)
Disposal of treasury stock			0		0	0
Profit (loss) attributable to owners of parent ...				11,434		11,434
Cash dividends				(358)		(358)
Net changes during the year						
Balance at March 31, 2015	45,581,809	¥ 9,885	¥ 15,719	¥ 39,843	¥ (599)	¥ 64,849
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(121)			(121)
Purchase of treasury stock					(1)	(1)
Disposal of treasury stock			0		0	0
Profit (loss) attributable to owners of parent ...				8,518		8,518
Cash dividends				(626)		(626)
Net changes during the year						
Balance at March 31, 2016	45,581,809	¥ 9,885	¥ 15,598	¥ 47,735	¥ (600)	¥ 72,618
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(6)			(6)
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock			0		0	0
Profit (loss) attributable to owners of parent				5,082		5,082
Cash dividends				(805)		(805)
Net changes during the year						
Balance at March 31, 2017	45,581,809	¥ 9,885	¥ 15,592	¥ 52,011	¥ (601)	¥ 76,888
	U.S.Dollars (Thousands)					
	Shareholders' equity					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2016	45,581,809	\$ 88,159	\$ 139,115	\$ 425,714	\$ (5,360)	\$ 647,629
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(54)			(54)
Purchase of treasury stock					(6)	(6)
Disposal of treasury stock			0		1	1
Profit (loss) attributable to owners of parent ...				45,323		45,323
Cash dividends				(7,185)		(7,185)
Net changes during the year						
Balance at March 31, 2017	45,581,809	\$ 88,159	\$ 139,061	\$ 463,852	\$ (5,365)	\$ 685,708

Yen (Millions)						
	Accumulated other comprehensive income				Non-controlling interests in consolidated subsidiaries	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2014	¥ 2,869	¥ (602)	¥ 493	¥ 2,760	¥ 11,354	¥ 68,011
Cumulative effects of changes in accounting policies						(166)
Change of scope of consolidation						45
Purchase of treasury stock						(2)
Disposal of treasury stock						0
Profit (loss) attributable to owners of parent ...						11,434
Cash dividends						(358)
Net changes during the year	1,580	7,593	2,560	11,734	2,758	14,492
Balance at March 31, 2015	<u>¥ 4,449</u>	<u>¥ 6,990</u>	<u>¥ 3,054</u>	<u>¥ 14,495</u>	<u>¥ 14,112</u>	<u>¥ 93,456</u>
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(121)
Purchase of treasury stock						(1)
Disposal of treasury stock						0
Profit (loss) attributable to owners of parent ...						8,518
Cash dividends						(626)
Net changes during the year	(2,098)	(5,205)	(3,794)	(11,099)	181	(10,918)
Balance at March 31, 2016	<u>¥ 2,350</u>	<u>¥ 1,785</u>	<u>¥ (740)</u>	<u>¥ 3,395</u>	<u>¥ 14,293</u>	<u>¥ 90,307</u>
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(6)
Purchase of treasury stock						(0)
Disposal of treasury stock						0
Profit (loss) attributable to owners of parent						5,082
Cash dividends						(805)
Net changes during the year	1,055	(3,954)	696	(2,202)	928	(1,273)
Balance at March 31, 2017	<u>¥ 3,406</u>	<u>¥ (2,169)</u>	<u>¥ (44)</u>	<u>¥ 1,193</u>	<u>¥ 15,222</u>	<u>¥ 93,304</u>

U.S.Dollars (Thousands)						
	Accumulated other comprehensive income				Non-controlling interests in consolidated subsidiaries	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2016	\$ 20,966	\$ 15,919	\$ (6,600)	\$ 30,284	\$ 127,472	\$ 805,385
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(54)
Purchase of treasury stock						(6)
Disposal of treasury stock						1
Profit (loss) attributable to owners of parent ...						45,323
Cash dividends						(7,185)
Net changes during the year	9,416	(35,264)	6,207	(19,641)	8,283	(11,357)
Balance at March 31, 2017	<u>\$ 30,382</u>	<u>\$ (19,345)</u>	<u>\$ (393)</u>	<u>\$ 10,643</u>	<u>\$ 135,755</u>	<u>\$ 832,107</u>

Consolidated Statements of Cash Flows

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2015, 2016 and 2017

	Yen (Millions) Year ended March 31			U.S.Dollars (Thousands) Year ended March 31
	2015	2016	2017	2017
Cash flows from operating activities:				
Profit (loss) attributable to owners of parent.....	¥ 11,434	¥ 8,518	¥ 5,082	\$ 45,323
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	14,469	15,804	15,173	135,321
Loss on disposal of fixed assets	352	772	1,868	16,664
Deferred income tax	(128)	481	(745)	(6,647)
Decrease (Increase) in assets:				
Trade receivables	(2,752)	(5,052)	(4,325)	(38,573)
Inventories	(6,558)	4,767	(1,315)	(11,733)
Other current assets	(5,778)	4,027	2,597	23,167
Increase (Decrease) in liabilities:				
Trade payables	(2,086)	4,397	3,369	30,052
Accrued expenses	(1,089)	(343)	1,211	10,803
Income taxes payable	(95)	(209)	406	3,628
Net defined benefit liability	201	251	(146)	(1,309)
Other current liabilities	7,782	(4,153)	2,546	22,712
Others, net	579	13	(273)	(2,438)
Net cash provided by operating activities	16,330	29,276	25,450	226,971
Cash flows from investing activities:				
Payments for purchases of investment in securities	(485)	(66)	(244)	(2,180)
Proceeds from sales of investment in securities	221	18	131	1,173
Decrease in marketable securities, net	230	—	—	—
Payments for acquisition of property, plant and equipment	(16,345)	(18,118)	(20,150)	(179,706)
Proceeds from sales of property, plant and equipment	486	916	436	3,891
Others, net	(3,749)	(2,777)	(1,374)	(12,258)
Net cash used in investing activities	(19,641)	(20,027)	(21,201)	(189,080)
Cash flows from financing activities:				
Increase (Decrease) in shortterm loans, net	598	(2,866)	1,037	9,248
Proceeds from longterm debt	25,500	24,009	26,275	234,332
Repayment of longterm debt	(5,782)	(13,046)	(15,390)	(137,258)
Repayment of lease obligation	(1,746)	(1,779)	(1,728)	(15,411)
Repayment of bonds	(128)	(84)	—	—
Cash dividends paid	(1,216)	(1,835)	(2,195)	(19,579)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,910)	(4,663)	(41,588)
Others, net	91	(88)	74	664
Net cash provided by (used in) financing activities	17,316	1,398	3,409	30,408
Effect of exchange rate changes on cash and cash equivalents ...	2,376	(2,510)	(648)	(5,780)
Net increase in cash and cash equivalents	16,382	8,136	7,010	62,519
Cash and cash equivalents at beginning of year	42,158	59,115	67,252	599,773
Increase in cash and cash equivalents from newly consolidated subsidiary	574	—	—	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	—	—	—
Cash and cash equivalents at end of year (Note 5)	¥ 59,115	¥ 67,252	¥ 74,262	\$ 662,293
Supplemental data:				
Cash paid during the year for				
Income tax	¥ 5,650	¥ 6,645	¥ 6,076	\$ 54,189
Interest	1,173	1,316	1,303	11,628

Notes to Consolidated Financial Statements

MITSUBA Corporation and its Consolidated Subsidiaries

1. Basis of presenting financial statement

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

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

U.S. dollar amounts presented in the consolidated financial statements are included solely for convenience. The rate of ¥112.13 to US\$1.00, prevailing on March 31, 2017, has been used for translation into U.S. dollar amounts in the consolidated financial statements.

2. Summary of significant accounting policies

(a) Principle of consolidation

There were 49 subsidiary companies in the company on March 31, 2016. Moreover, there were 50 subsidiary companies on March 31, 2017. The consolidated financial statements included the accounts of the Company and its 30 and 30 significant subsidiaries as of March 31, 2016 and 2017, respectively.

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

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

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

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

(b) Cash and cash equivalents

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

(c) Marketable securities and investment in securities

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

(d) Inventories

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

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

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

(e) Property, plant and equipment

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

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

(f) Lease assets

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

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

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

(g) Income taxes

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

(h) Retirement and pension plan

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

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

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

(i) Research and development costs

Research and development costs are charged to income as incurred.

(j) Foreign currency translation

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

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

(k) Per Share Data

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

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

3. Marketable securities and investments in securities

The cost and fair value of marketable securities and investments in securities as of March 31, 2017 are shown below:

	Yen (millions)	U.S. Dollars (thousands)
	2017	2017
Debt securities – held-to-maturity:		
Amount in balance sheet	—	—
Gross unrealized gains	—	—
Gross unrealized losses	—	—
Fair value	—	—
Debt and equity securities – available-for-sale:		
Cost	¥ 11,124	\$ 99,207
Gross unrealized gains	5,218	46,542
Gross unrealized losses	(108)	(964)
Amount in balance sheet	¥ 16,234	\$ 144,785
Non-marketable securities are not included in the above cost and fair value:		
Amount in balance sheet	¥ 776	\$ 6,929

4. Inventories

Inventories at March 31, 2016 and 2017 comprise the following:

	Yen (millions)	U.S. Dollars (thousands)
	2016	2017
Merchandise and Finished products	¥ 17,311	¥ 17,135
Work-in-process	3,459	4,291
Materials and supplies	22,158	20,327
	¥ 42,930	¥ 41,755
		\$ 372,384

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, 2016 and 2017:

	Yen (millions)	U.S. Dollars (thousands)
	2016	2017
Cash and deposits	¥ 68,663	¥ 75,789
Marketable securities	200	100
Deposits with a maturity of three months or more	(1,510)	(1,526)
Securities exposed to risk of changes in value	(100)	(100)
Cash and cash equivalents	¥ 67,252	¥ 74,262
		\$ 662,293

6. Investment in non-consolidated subsidiaries and affiliates

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

	Yen (millions)	U.S. Dollars (thousands)
	2016	2017
Investment in non-consolidated subsidiaries and affiliates	¥ 9,904	¥ 14,520
		\$ 129,496

7. Longterm debt

As of March 31, 2017, loans of ¥46,073 million (\$410,893 thousand), including shortterm borrowings debt of ¥14,142 million (\$126,123 thousand), is secured by property, plant and equipment in securities with a net value of ¥6,164 million (\$54,979 thousand).

As is customary in Japan, shortterm and longterm 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 longterm debt are as follows:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2019	¥ 22,003	\$ 196,235
2020	14,261	127,184
2021	17,259	153,927
2022 and thereafter	42,407	378,195
	¥ 95,931	\$ 855,542

8. Shareholders' equity

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

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

9. Income taxes

The Company and its consolidated subsidiaries in Japan are subject to a number of taxes based on income, which in the aggregate resulted in effective tax rates of approximately 32.8% in 2016 and 30.7% in 2017.

Details of income tax expense are as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2016	2017	2017
Income taxes:			
Current	¥ 6,519	¥ 6,536	\$ 58,293
Deferred	481	(745)	(6,647)
	<u>¥ 7,001</u>	<u>¥ 5,791</u>	<u>\$ 51,645</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2016	2017	2017
Deferred tax assets:			
Accrued employees' bonuses	¥ 1,296	¥ 1,339	\$ 11,947
Provision for Enterprise taxes	29	122	1,089
Warranty reserves for products	677	1,064	9,490
Retirement and severance benefit for directors and statutory auditors	140	186	1,665
Others	3,574	4,278	38,158
Gross deferred tax assets	<u>¥ 5,716</u>	<u>¥ 6,991</u>	<u>\$ 62,351</u>
Deferred tax liabilities:			
Reserve for special depreciation	(1)	(1)	(13)
Reserve for program development	(5)	—	—
Net defined benefit asset	(1,975)	(2,789)	(24,879)
Valuation difference on available-for-sale securities	(1,086)	(1,558)	(13,898)
Others	(7)	(6)	(57)
Gross deferred tax liabilities	<u>(3,075)</u>	<u>(4,356)</u>	<u>(38,848)</u>
Net deferred tax assets	<u>¥ 2,640</u>	<u>¥ 2,635</u>	<u>\$ 23,503</u>

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

	2016	2017
Statutory effective tax rate	32.8%	30.7%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	0.3	0.3
Taxation on per capita basis	0.3	0.4
Non-taxable income	(0.2)	1.0
Difference in normal tax rates of foreign subsidiaries ..	(4.2)	(7.8)
Equity in income of affiliates	1.4	1.6
Valuation allowance	4.8	5.9
Others	4.3	10.9
Actual effective tax rate	<u>39.5%</u>	<u>43.0%</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2016	2017	2017
Current assets – Deferred tax assets	¥ 4,671	¥ 4,902	\$ 43,718
Investment and other assets –			
Deferred tax assets	1,044	1,811	16,157
Current liabilities – Others	—	—	—
Long - term liabilities – Others	(3,075)	(4,078)	(36,371)
Net deferred tax assets	<u>¥ 2,640</u>	<u>¥ 2,635</u>	<u>\$ 23,503</u>

10. Lease assets

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

	Yen (millions)		U.S. Dollars (thousands)
	2016	2017	2017
Class of property			
Machinery and equipment and others	¥ 266	¥ 254	\$ 2,267
Other assets	—	—	—
Accumulated depreciation	(185)	(198)	(1,770)
	<u>¥ 81</u>	<u>¥ 55</u>	<u>\$ 496</u>

Future lease payments required under such finance lease that have initial or remaining terms in excess of one year as of March 31, 2017 are:

	Yen (millions)	U.S. Dollars (thousands)
Years ending March 31		
2018	¥ 23	\$ 208
2019 and thereafter	41	368
Total future lease payments	<u>¥ 64</u>	<u>\$ 576</u>

Future lease payments required under operating lease that have initial in excess of one year as of March 31, 2017 are:

	Yen (millions)	U.S. Dollars (thousands)
Years ending March 31		
2018	¥ 62	\$ 553
2019 and thereafter	113	1,016
Total future lease payments	<u>¥ 176</u>	<u>\$ 1,569</u>

11. Derivative financial instruments

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

The derivative transactions as of March 31, 2017 are summarized as follows:

(1) Interest-Rate-Related Derivatives

	Yen (millions)		
	2017		
	Contract value	Fair value	Unrealized gain (loss)
Interest-rate swaps:			
receive floating, pay fixed	<u>¥ 43,940</u>	<u>¥ (536)</u>	<u>¥ (536)</u>
	U.S. Dollars (thousands)		
	2017		
	Contract value	Fair value	Unrealized gain (loss)
Interest-rate swaps:			
receive floating, pay fixed	<u>\$ 391,866</u>	<u>\$ (4,787)</u>	<u>\$ (4,787)</u>

12. Pension and severance plans

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

	Yen (millions)	U.S. Dollars (thousands)
	2017	2017
Pension and severance obligation		
Projected benefit obligation	¥ (27,409)	\$ (244,447)
Plan assets	35,518	316,764
Funded status	8,108	72,316
Unrecognized actuarial loss	829	7,401
Unrecognized past service liability	(863)	(7,700)
Net amount recognized	8,075	72,017
Net defined benefit asset	9,342	83,318
Net defined benefit liability	(1,233)	(11,001)
Remeasurements of defined benefit plans	(33)	(298)

	Yen (millions)	U.S. Dollars (thousands)
	2017	2017
Detail of net periodic pension cost		
Service cost	¥ 977	\$ 8,713
Expected return on plan assets	(900)	(8,033)
Amortization actuarial loss	680	6,065
Amortization of past service liability	(215)	(1,925)
Extra severance pay cost	61	550
Net periodic benefit cost	<u>602</u>	<u>5,371</u>
Others	780	6,964
Total	<u>¥ 1,383</u>	<u>\$ 12,335</u>

Actuarial assumptions	2017
Discount rate	Mainly 0.0%
Expected return on plan assets	Mainly 2.7%

13. Contingent liabilities

No relevance

14. Segment information

The following tables present certain information regarding the Company and its consolidated subsidiaries' industry segments and operations by geographic areas at March 31, 2016 and 2017 and for the years then ended:

Industry segments:

	Yen (Millions)		U.S.Dollars (Thousands)
	Year ended March 31		Year ended March 31
	2016	2017	2017
Sales and operating revenue:			
Transportation Equipment-related Operations			
Customers	¥ 319,755	¥ 313,783	\$ 2,798,393
Intersegment	579	660	5,891
Total	320,334	314,444	2,804,284
Information Service Operations			
Customers	¥ 11,371	¥ 11,555	\$ 103,053
Intersegment	1,675	1,900	16,948
Total	13,046	13,455	120,002
Others			
Customers	¥ 2,105	¥ 2,638	\$ 23,532
Intersegment	217	244	2,176
Total	2,322	2,882	25,709
Corporate and elimination	(2,471)	(2,805)	(25,016)
Consolidated	¥ 333,232	¥ 327,977	\$ 2,924,979
Operating income:			
Transportation Equipment-related Operations	¥ 22,087	¥ 21,760	\$ 194,068
Information Service Operations	643	679	6,057
Others	144	211	1,887
Corporate and elimination	15	35	316
Consolidated	¥ 22,889	¥ 22,687	\$ 202,330
Identifiable assets:			
Transportation Equipment-related Operations	¥ 307,702	¥ 319,552	\$ 2,849,842
Information Service Operations	11,164	12,741	113,631
Others	13,049	13,332	118,905
Corporate and elimination	(17,057)	(16,235)	(144,795)
Consolidated	¥ 314,859	¥ 329,391	\$ 2,937,583
Depreciation			
Transportation Equipment-related Operations	¥ 15,152	¥ 14,660	\$ 130,745
Information Service Operations	631	500	4,460
Others	21	12	115
Consolidated	¥ 15,804	¥ 15,173	\$ 135,321
Impairment loss			
Transportation Equipment-related Operations	¥ 20	¥ 5	\$ 52
Information Service Operations	—	—	—
Others	—	—	—
Consolidated	¥ 20	¥ 5	\$ 52
Capital expenditures:			
Transportation Equipment-related Operations	¥ 19,243	¥ 19,899	\$ 177,470
Information Service Operations	593	1,026	9,156
Others	6	29	260
Consolidated	¥ 19,842	¥ 20,955	\$ 186,887

Geographic areas:

	Yen (Millions)		U.S.Dollars (Thousands)
	Year ended March 31		Year ended March 31
	2016	2017	2017
Sales and operating revenue:			
Japan			
Customers	¥ 103,885	¥ 107,845	\$ 961,791
Intersegment	61,255	57,512	512,908
Total	165,140	165,358	1,474,699
America			
Customers	¥ 98,131	¥ 87,381	\$ 779,290
Intersegment	2,917	4,282	38,192
Total	101,048	91,664	817,483
Asia			
Customers	¥ 113,907	¥ 110,587	\$ 986,242
Intersegment	60,585	59,846	533,728
Total	174,493	170,434	1,519,970
Europe			
Customers	¥ 17,307	¥ 22,163	\$ 197,655
Intersegment	1,027	1,150	10,257
Total	18,335	23,313	207,913
Corporate and elimination	(125,786)	(122,792)	(1,095,087)
Consolidated	¥ 333,232	¥ 327,977	\$ 2,924,979
Operating income:			
Japan	¥ 4,710	¥ 5,728	\$ 51,083
America	2,857	921	8,217
Asia	14,029	14,865	132,573
Europe	613	740	6,600
Corporate and elimination	679	432	3,855
Consolidated	¥ 22,889	¥ 22,687	\$ 202,330
Identifiable assets:			
Japan	¥ 235,643	¥ 252,243	\$ 2,249,566
America	46,408	43,033	383,783
Asia	114,683	115,364	1,028,846
Europe	12,210	17,714	157,985
Corporate and elimination	(94,086)	(98,965)	(882,598)
Consolidated	¥ 314,859	¥ 329,391	\$ 2,937,583

Independent Auditor's Report

To the Shareholders and the Board of Directors of
MITSUBA Corporation

We have audited the accompanying consolidated financial statements of MITSUBA Corporation and its subsidiaries, which comprise the consolidated balance sheet as of March 31, 2017, and the consolidated statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MITSUBA Corporation and its subsidiaries as of March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

The accompanying consolidated financial statements as of and for the year then ended March 31, 2017 have been translated into U.S. Dollars solely for the convenience of the reader. We have reviewed the translation and, in our opinion, the financial statements expressed in Yen have been translated into U.S. Dollars on the basis set forth in Note 1 to the consolidated financial statements.

June 23, 2017
Tokyo, Japan

Shinjuku Audit Corporation



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