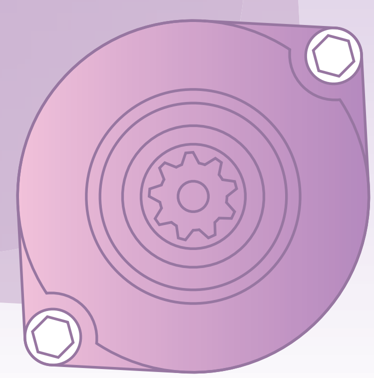
MITSUBA

MITSUBA Corporation

ANNUAL REPORT 2019

Fiscal Year Ended March 31, 2019



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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 automotive industry is now approaching a once-in-a-century turning point called CASE (Connectivity, Autonomous, Sharing, Electricity) and MaaS (Mobility as a service: a new concept of a single, seamlessly connected mobility service via all forms of transportation).
The 11th Midterm Management Plan aims to take advantage of the current major turning point to anticipate changes in customer needs and advances in automobiles, and develop and propose new value products based on our motor technology. We also plan to utilize our group business network that spans 18 countries across the globe to improve productivity by optimizing the entire process including development, procurement, production, and delivery which will help build a solid revenue base along with enhancing our product competitiveness by incorporating smart factories with IoT. Furthermore, our number one priority is thorough quality assurance on a global scale and a stable supply of products, which are fundamental business practices, so that we can take our quality assurance system and customer satisfaction to the next level.

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

Authorized :
150,000,000 shares

Outstanding :
45,581,809 shares

Number of Shareholders :
10,748

Number of Employees :
Consolidated: 28,433 (3,369)
Non-consolidated: 4,105
The figure in parentheses is the annual average number of temporary employees.

(As of March 31, 2019)

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 Mitsuhashi

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)
Yusuke Tasaka

Officers

President, Chief Operating Officer
Yuichi Nagase

Senior Managing Officer
Yoshikazu Takahashi

Senior Managing Officer
Kenichi Mita

Managing Officer
Takumi Tada

Managing Officer
Katsuyoshi Kitada

Managing Officer
Tokuyu Tanahashi

Managing Officer
Kazumi Umahashi

Managing Officer
Nobuyuki Take

Managing Officer
Kunihiko Arai

Managing Officer
Masayoshi Shirato

Managing Officer
Hisashi Ogata

Managing Officer
Masamichi Mogi

Managing Officer
Yutaka Nozue

Managing Officer
Sadami Hino

Managing Officer
Hideyuki Minami

Operating Officer
Hideo Higeta

Operating Officer
Keiji Kiuchi

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
Michio Okada

Operating Officer
Hideaki Komiya

Operating Officer
Yusuke Ichikawa

Operating Officer
Takashi Hanzawa

Operating Officer
Tsutomu Idei

(As of June 21, 2019)

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.) 2019: April 2018 – March 2019

	Yen (millions), except for per share amounts					
	2014	2015	2016	2017	2018	2019
Net sales	¥ 272,543	¥ 306,030	¥ 333,232	¥ 327,977	¥ 387,186	¥ 333,278
Gross profit	41,024	51,486	53,488	55,486	59,258	44,773
Operating income	17,054	22,096	22,889	22,687	19,103	10,956
Profit (loss) before income taxes	10,037	19,044	17,729	13,460	9,127	3,853
Profit (loss) attributable to owners of parent	7,028	11,434	8,518	5,082	(6,528)	(7,021)
Capital expenditures	17,452	18,521	19,842	20,955	22,304	35,199
Total assets	258,186	315,910	314,859	329,391	337,269	334,679
Return on assets (%)	3.0	4.0	2.7	1.6	—	—
Shareholders' equity	56,657	79,344	76,014	78,081	68,473	56,971
Return on equity (%)	13.9	16.8	11.0	6.6	—	—
Shareholders' equity ratio (%)	21.9	25.1	24.1	23.7	20.3	17.0
Per share(yen):Net income	¥ 156.99	¥ 255.47	¥ 190.31	¥113.55	¥(145.87)	¥(156.87)
Cash dividends applicable to period (yen)	8.0	14.0	18.0	15.0	16.0	16.0
Interest coverage (times)	17.2	13.9	22.2	19.5	3.7	3.7
Expenses for R&D	10,725	11,002	13,039	13,806	14,441	18,242
Ratio of SG&A to net sales (%)	8.8	9.6	9.2	10.0	10.4	10.1
Current ratio (%)	131.9	143.8	148.7	152.5	142.0	150.0
Fixed ratio (%)	193.4	158.7	160.9	170.7	203.3	259.3
Interest - bearing debt	111,731	134,344	141,816	152,669	175,222	189,439
Cash flows						
Operating activity	20,588	16,330	29,276	25,450	5,470	6,157
Investing activity	(15,343)	(19,641)	(20,027)	(21,201)	(19,876)	(33,374)
Financing activity	3,395	17,316	1,398	3,409	16,385	8,154

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 trade problems between the U.S. and China, disorder over the U.K. withdrawing from the EU, and other increasing geopolitical risks.

Furthermore, the automotive industry is now approaching a once-in-a-century turning point with significant trends known as CASE (Connectivity, Autonomous, Sharing, Electricity) and MaaS (Mobility as a service: a new concept of a single, seamlessly connected mobility service via all forms of transportation).

Under this business environment, the 11th Midterm Management Plan, which runs from FY2017 to FY2019, is based on efforts to achieve our three-point management policy of "predicting future changes and developing, proposing, and marketing leading technology products that are ahead of the curve", "strengthening the revenue base through innovative approaches to productivity improvements", and finally, "prioritizing customer satisfaction in everything we do".

Outlook for the Next Term

It is expected that uncertainties will continue for the time being due to predictions for the worldwide economy including friction between U.S.-China trade, instability in European governments, and economic slowdown in China. Although the economic situation in Japan shows increasing investments in corporate facilities, there are concerns over sluggish wage growth and stagnating consumer spending due to increasing consumption tax.

Under this environment, the outlook of the annual consolidated performance in the end of the term in March 2020 is ¥335,000 million in consolidated sales (0.5% increase compared to the previous year), an operating profit of ¥12,000 million (9.5% increase compared to the previous year), a pretax profit of ¥12,000 million (12% increase compared to the previous year), net profit attributable to owners of the parent of ¥3,500 million (net loss attributable to owners of the parent of ¥7,021 million in 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, 51 subsidiary companies and 4 affiliated companies. Our primary lines of business are transportation equipment-related operations and information service operations, but we also cover agency services and electrical construction for group companies and other companies.

Auto Electrical Products

Front Wiper System

Power Window Motor

Power Sliding Door Drive System

Electric Power Steering Motor

Starter Motor

Electric Oil Pump

Motorcycle Electrical Products

Starting Generator

Fuel Pump Module

Operating Results for term end March 2019

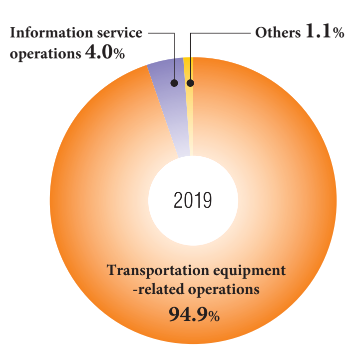
In the current consolidated fiscal year, the worldwide economy has maintained a sense of caution during the downturn due to trade problems between the U.S. and China, however, it has enjoyed comparatively stable growth. Increased corporate profits thanks to tax reforms in the U.S. has resulted in increasing job creation and individual income and a steady economic trend. Expanding domestic demand in Europe centered on individual consumers has led to continued economic recovery.

In Japan, continued improvements in corporate profits, jobs and income show a trend toward gradual recovery. China and other emerging countries are enjoying a steady economic trend thanks to solid exports. However, uncertainty also rose due to problems with the U.K. leaving the EU and concerns over the economic outlook in China, so the surrounding environment for our company remained unpredictable.

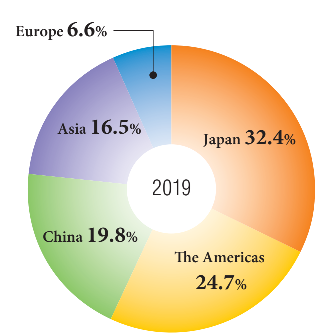
Under these circumstances, the global automobile sales in calendar year 2018 was 94,790 thousand units (0.5% decrease compared to the previous year), showing a slight decrease. Despite rising interest rates and adjusted sales promotion premiums in the U.S., favorable SUV sales conditions resulted in 17,334 thousand units (0.6% increase compared to the previous year), which is the first increase in two years. China experienced a drop for the first time in 28 years with 28,081 thousand units (2.8% decrease compared to the previous year) due to trade problems between China and the U.S. and the end of tax breaks. Although Europe has enjoyed a steady trend, the introduction of new exhaust gas regulations has caused stagnating sales, resulting in the first decrease in five years at 15,624 thousand units (0.1% decrease compared to the previous year).

Japan has enjoyed its third consecutive year of increase, at 5,260 thousand units (1.2% increase compared to the previous year). Although the number of registered vehicles fell to 3,337 thousand (0.1% decrease compared to the previous year), which is a decrease for the second consecutive year, sales of mini vehicles showed strong growth to 1,923 thousand (3.4% increase compared to the previous year) thanks to the effect of new models, for strong growth overall.

On the other hand, global sales of motorcycles continue to grow thanks to the increase for the 10th consecutive year in India where the market is the largest. Despite a significant increase in motorized bicycles category 2 for Japan, a decrease in the main category of motorized bicycles category 1 resulted in a drop from the previous year for the fifth consecutive year to 335 thousand units overall (4.0% decrease from the previous year).



Sales by Business



Sales by Geographic Region

Under this environment, the consolidated sales of our group totaled ¥333,278 million (13.9% decrease compared to the previous year), the consolidated operating income was ¥10,956 million (42.6% decrease compared to the previous year) due to the continued high cost of materials, increased costs incurred in dealing with defects and added tariffs due to trade friction between the U.S. and China, and the consolidated pretax profit was ¥10,711 million (46.6% decrease compared to the previous year). The current term net loss attributable to owners of the parent was ¥7,021 million (net loss attributable to owners of the parent of ¥6,528 million in the previous year) due to factors such as recording of extraordinary losses for settlement fees for group civil litigation in the U.S. and reversal of deferred tax assets. Also, the closing date for the previous consolidated fiscal year was changed to March 31 for 13 consolidated subsidiaries overseas excluding Europe, resulting in the creation of the consolidated statement of income for 15 months.

By Business

Transportation Equipment-related Operations Segment

Along with decreasing automobile production in China, sales totaled ¥316,953 million (14.8% decrease compared to the previous year). Occurrences such as the cost of dealing with defects resulted in an operating income of ¥9,814 million (45.5% 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 ¥15,514 million (11.3% increase compared to the previous year) with an operating income of ¥768 million (9.1% increase compared to the previous year).

Other Businesses

Sales were ¥6,933 million (9.9% increase compared to the previous year) with an operating income of ¥394 million (16.1% increase compared to the previous year).

Breakdown by Region

Japan

Sales reached ¥107,934 million (1.6% decrease compared to the previous year) with an operating income of –¥861 million (operating income of –¥351 million in the previous year).

The Americas

Sales reached ¥82,294 million (24.2% decrease compared to the previous year) with an operating income of –¥551 million (operating income of ¥827 million in the previous year).

Europe

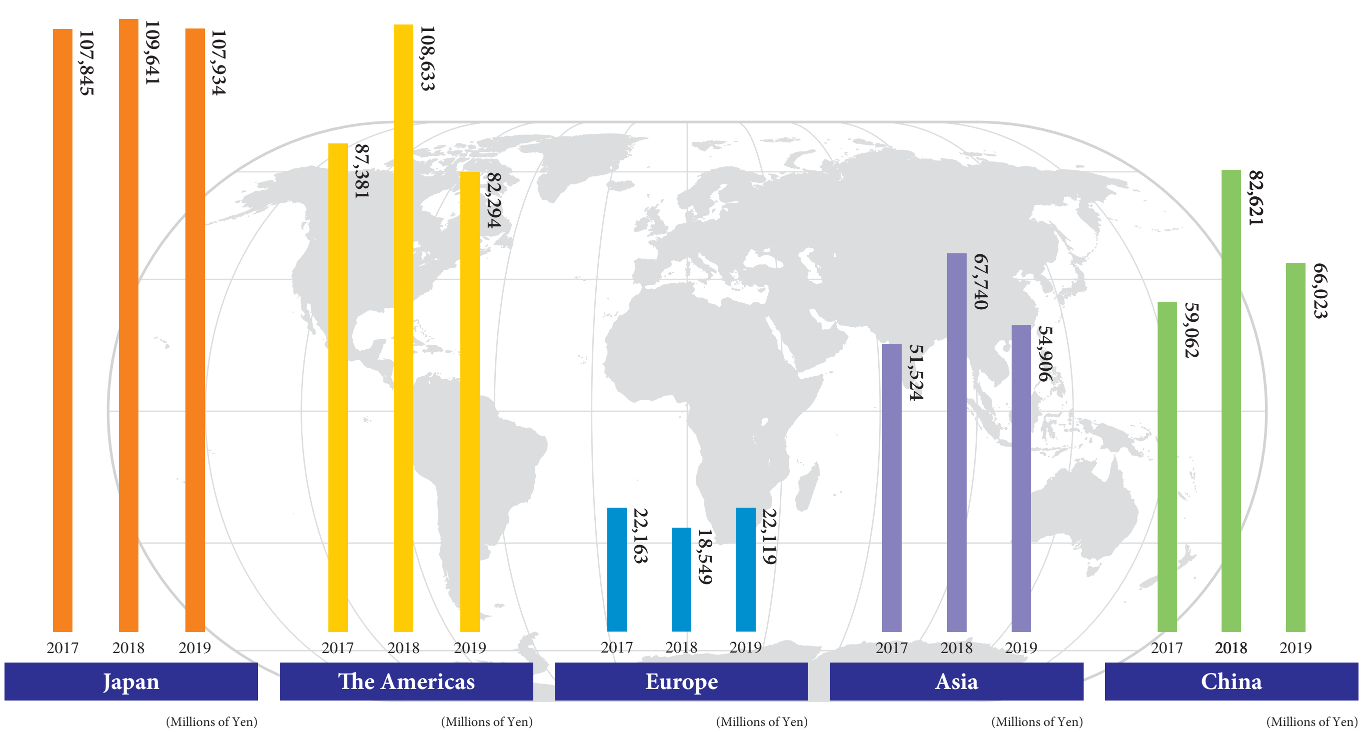
Sales reached ¥22,119 million (19.2% increase compared to the previous year) with an operating income of –¥999 million (operating income of ¥131 million in the previous year).

Asia

Sales were ¥54,906 million (18.9% decrease compared to the previous year) with an operating income of ¥5,951 million (38.2% decrease compared to the previous year).

China

Sales were ¥66,023 million (20.1% decrease compared to the previous year) with an operating income of ¥6,449 million (24.2% decrease compared to the previous year).



Consolidated Balance Sheets

MITSUBA Corporation and its Consolidated Subsidiaries
As of March 31, 2018 and 2019

	Yen (Millions)		U.S. Dollars (Thousands)
	As of March 31		As of March 31
ASSETS	2018	2019	2019
Current assets:			
Cash and deposits (Note 5)	¥ 79,030	¥ 61,672	$ 555,561
Marketable securities (Notes 3 & 5)	99	99	900
Trade receivables:			
Accounts and notes (Note 13)	56,325	53,386	480,920
Less: Allowance for doubtful accounts	(61)	(29)	(269)
Inventories (Note 4)	42,354	50,117	451,470
Others	20,287	21,714	195,611
Total current assets	198,036	186,962	1,684,195
Property, plant and equipment (Notes 7 & 10):			
Land	6,826	7,455	67,163
Buildings and structures	65,795	74,917	674,873
Machinery, equipment and vehicles	139,180	150,841	1,358,807
Tools furniture and fixtures	49,449	53,114	478,469
Construction in progress	9,741	21,107	190,140
Lease assets	5,367	6,004	54,091
	276,361	313,441	2,823,545
Less accumulated depreciation	(192,894)	(207,729)	(1,871,269)
Net Property, plant and equipment	83,466	105,712	952,276
Investments and other assets:			
Investments in securities (Notes 3 & 6)	28,897	18,593	167,498
Longterm loans	2,364	2,263	20,387
Deferred tax assets (Note 9)	3,348	2,425	21,852
Others	21,307	18,737	168,790
Less: Allowance for doubtful accounts	(150)	(15)	(139)
Total investments and other assets	55,766	42,004	378,388
Total assets	¥ 337,269	¥ 334,679	$ 3,014,861

Liabilities and Shareholders' Equity

Current liabilities:			
Shortterm borrowings (Note 7)	¥ 44,531	¥ 44,503	$ 400,894
Current portion of longterm debt (Note 7)	21,104	14,774	133,091
Trade payables:			
Accounts and notes	29,921	26,062	234,780
Income taxes payable (Note 9)	1,649	1,791	16,139
Reserve for employees' bonuses	4,565	4,807	43,308
Others (Note 9)	37,721	32,712	294,679
Total current liabilities	139,493	124,652	1,122,893
Longterm liabilities:			
Longterm debt (Note 7)	104,010	122,932	1,107,396
Deferred tax liabilities (Note 9)	4,947	6,789	61,162
Net defined benefit liability (Note 12)	1,374	1,638	14,762
Others	4,212	5,928	53,402
Total longterm liabilities	114,544	137,288	1,236,724
Total liabilities	¥ 254,038	¥ 261,941	$ 2,359,617
Contingent liabilities (Note 13):			
Net assets (Note 8):			
Shareholders' equity			
Common stock			
Authorized: 150,000,000 Shares			
Outstanding:			
March 31, 2018 and 2019: 45,581,809 Shares	9,885	9,885	89,049
Capital surplus	15,593	15,572	140,278
Retained earnings	45,147	36,096	325,166
Treasury stock, at cost:			
March 31, 2018: 823,565 Shares	(602)	—	—
March 31, 2019: 824,079 Shares	—	(602)	(5,429)
Total shareholders' equity	70,024	60,951	549,064
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	2,795	665	5,992
Foreign currency translation adjustments	(5,420)	(4,265)	(38,425)
Remeasurements of defined benefit plans	1,074	(380)	(3,425)
Total accumulated other comprehensive income	(1,550)	(3,980)	(35,857)
Non-controlling interests	14,757	15,767	142,036
Total net assets	83,231	72,738	655,243
Total liabilities and net asset	¥ 337,269	¥ 334,679	$ 3,014,861

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2017, 2018 and 2019

Consolidated Statements of Income	Yen (Millions) Year ended March 31			U.S. Dollars (Thousands) Year ended March 31
	2017	2018	2019	2019
Net sales (Note 14)	¥ 327,977	¥ 387,186	¥ 333,278	$ 3,002,240
Cost of sales	272,491	327,927	288,504	2,598,908
Gross profit	55,486	59,258	44,773	403,332
Selling, general and administrative expenses	32,798	40,155	33,817	304,634
Operating income (Note 14)	22,687	19,103	10,956	98,697
Other income (expenses):				
Interest and dividend income	1,162	1,308	1,263	11,378
Interest expenses	(1,298)	(1,466)	(1,651)	(14,873)
Others, net	(9,091)	(9,817)	(6,714)	(60,486)
Profit (loss) before income taxes	13,460	9,127	3,853	34,716
Income taxes (Note 9)	(5,791)	(12,243)	(8,786)	(79,147)
Profit (loss)	7,669	(3,116)	(4,932)	(44,430)
Profit (loss) attributable to non-controlling interests	2,587	3,412	2,089	18,818
Profit (loss) attributable to owners of parent	¥ 5,082	¥ (6,528)	¥ (7,021)	$ (63,249)

	Yen			U.S. Dollars
	2017	2018	2019	2019
Per share of common stock:				
Net income — Basic	¥ 113.55	¥ (145.87)	¥ (156.87)	$ (1.41)
— Diluted	—	—	—	—
Cash dividends, applicable to period	15.00	16.00	16.00	0.14

Consolidated Statements of comprehensive income	Yen (Millions) Year ended March 31			U.S. Dollars (Thousands) Year ended March 31
	2017	2018	2019	2019
Profit (loss)	¥ 7,669	¥ (3,116)	¥ (4,932)	$ (44,430)
Other comprehensive income				
Valuation difference on available-for-sale securities	1,079	(601)	(2,180)	(19,645)
Foreign currency translation adjustment	(4,268)	(4,213)	1,309	11,791
Remeasurements of defined benefit plans, net of tax	746	1,209	(1,534)	(13,825)
Share of the other comprehensive income of affiliates accounted for using equity method	(79)	402	(205)	(1,851)
Comprehensive income	¥ 5,146	¥ (6,318)	¥ (7,544)	$ (67,962)
Comprehensive income attributable to				
Owners of the parent	2,879	(9,273)	(9,451)	(85,136)
Non-Controlling interests	2,266	2,954	1,906	17,174

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2017, 2018 and 2019

		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, 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
Change in treasury shares of parent arising from transactions with non-controlling shareholders			0			0
Change of scope of consolidation				336		336
Purchase of treasury stock					(1)	(1)
Disposal of treasury stock			0		0	0
Profit (loss) attributable to owners of parent				(6,528)		(6,528)
Cash dividends				(671)		(671)
Net changes during the year						
Balance at March 31, 2018	45,581,809	¥ 9,885	¥15,593	¥ 45,147	¥ (602)	¥ 70,024
Capital increase of consolidated subsidiaries			(21)			(21)
Change of scope of consolidation				(1,313)		(1,313)
Purchase of treasury stock					(0)	(0)
Profit (loss) attributable to owners of parent				(7,021)		(7,021)
Cash dividends				(716)		(716)
Net changes during the year						
Balance at March 31, 2019	45,581,809	¥ 9,885	¥ 15,572	¥ 36,096	¥ (602)	¥ 60,951

		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, 2018	45,581,809	$ 89,049	$ 140,472	$ 406,700	$ (5,428)	$ 630,793
Capital increase of consolidated subsidiaries			(193)			(193)
Change of scope of consolidation				(11,833)		(11,833)
Purchase of treasury stock					(0)	(0)
Profit (loss) attributable to owners of parent				(63,249)		(63,249)
Cash dividends				(6,451)		(6,451)
Net changes during the year						
Balance at March 31, 2019	45,581,809	$ 89,049	$140,278	$ 325,166	$ (5,429)	$ 549,064

The accompanying notes are an integral part of these statements.

	Yen (Millions)					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2016	¥ 2,350	¥ 1,785	¥ (740)	¥ 3,395	¥ 14,293	¥ 90,307
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	¥ 3,406	¥ (2,169)	¥ (44)	¥ 1,193	¥ 15,222	¥ 93,304
Change in treasury shares of parent arising from transactions with non-controlling shareholders						0
Change of scope of consolidation						336
Purchase of treasury stock						(1)
Disposal of treasury stock						0
Profit (loss) attributable to owners of parent						(6,528)
Cash dividends						(671)
Net changes during the year	(611)	(3,251)	1,118	(2,744)	(464)	(3,209)
Balance at March 31, 2018	¥ 2,795	¥ (5,420)	¥ 1,074	¥ (1,550)	¥ 14,757	¥ 83,231
Capital increase of consolidated subsidiaries						(21)
Change of scope of consolidation						(1,313)
Purchase of treasury stock						(0)
Profit (loss) attributable to owners of parent						(7,021)
Cash dividends						(716)
Net changes during the year	(2,129)	1,155	(1,455)	(2,429)	1,010	(1,419)
Balance at March 31, 2019	¥ 665	¥ (4,265)	¥ (380)	¥ (3,980)	¥ 15,767	¥ 72,738

	U.S.Dollars (Thousands)					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2018	$ 25,180	$ (48,832)	$ 9,682	$ (13,970)	$ 132,938	$ 749,761
Capital increase of consolidated subsidiaries						(193)
Change of scope of consolidation						(11,833)
Purchase of treasury stock						(0)
Profit (loss) attributable to owners of parent						(63,249)
Cash dividends						(6,451)
Net changes during the year	(19,187)	10,407	(13,107)	(21,887)	9,098	(12,789)
Balance at March 31, 2019	$ 5,992	$ (38,425)	$ (3,425)	$ (35,857)	$ 142,036	$ 655,243

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2017, 2018 and 2019

	Yen (Millions) Year ended March 31			U.S.Dollars (Thousands) Year ended March 31
	2017	2018	2019	2019
Cash flows from operating activities:				
Profit (loss) attributable to owners of parent	¥ 5,082	¥ (6,528)	¥ (7,021)	$ (63,249)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	15,173	18,324	17,328	156,096
Loss on disposal of fixed assets	1,868	314	1,445	13,025
Deferred income tax	(745)	3,875	4,233	38,139
Decrease (Increase) in assets:				
Trade receivables	(4,325)	(590)	4,892	44,071
Inventories	(1,315)	(797)	(7,075)	(63,734)
Other current assets	2,597	(3,739)	273	2,468
Increase (Decrease) in liabilities:				
Trade payables	3,369	(1,754)	(4,935)	(44,462)
Accrued expenses	1,211	13,866	1,610	14,503
Income taxes payable	406	(64)	142	1,282
Net defined benefit liability	(146)	240	114	1,028
Other current liabilities	2,546	(2,934)	(442)	(3,988)
Others, net	(273)	(14,741)	(4,408)	(39,714)
Net cash provided by operating activities	25,450	5,470	6,157	55,467
Cash flows from investing activities:				
Payments for purchases of investment in securities	(244)	(5,173)	(55)	(497)
Proceeds from sales of investment in securities	131	7,368	170	1,531
Payments for acquisition of property, plant and equipment	(20,150)	(20,265)	(34,552)	(311,259)
Proceeds from sales of property, plant and equipment	436	446	1,282	11,555
Others, net	(1,374)	(2,251)	(218)	(1,970)
Net cash used in investing activities	(21,201)	(19,876)	(33,374)	(300,640)
Cash flows from financing activities:				
Increase (Decrease) in shortterm loans, net	1,037	4,168	(93)	(840)
Proceeds from longterm debt	26,275	31,604	34,936	314,712
Repayment of longterm debt	(15,390)	(13,118)	(22,683)	(204,341)
Repayment of lease obligation	(1,728)	(2,072)	(2,130)	(19,193)
Cash dividends paid	(2,195)	(4,131)	(1,872)	(16,872)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(4,663)	(64)	—	—
Others, net	74	(0)	(0)	(4)
Net cash provided by (used in) financing activities	3,409	16,385	8,154	73,459
Effect of exchange rate changes on cash and cash equivalents	(648)	(1,495)	(344)	(3,101)
Net increase in cash and cash equivalents	7,010	484	(19,406)	(174,815)
Cash and cash equivalents at beginning of year	67,252	74,262	76,278	687,130
Increase in cash and cash equivalents from newly consolidated subsidiary	—	1,531	1,224	11,027
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	—	—	—
Cash and cash equivalents at end of year (Note 5)	¥ 74,262	¥ 76,278	¥ 58,096	$ 523,342
Supplemental data:				
Cash paid during the year for				
Income tax	¥ 6,076	¥ 8,458	¥ 4,438	$ 39,985
Interest	1,303	1,482	1,671	15,058

The accompanying notes are an integral part of these statements.

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 ¥111.01 to US$1.00, prevailing on March 31, 2019, 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 50 subsidiary companies in the Company on March 31, 2018. Moreover, there were 51 subsidiary companies on March 31, 2019. The consolidated financial statements included the accounts of the Company and its 33 and 46 significant subsidiaries as of March 31, 2018 and 2019, 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, 2019 are shown below:

	Yen (millions)	U.S. Dollars (thousands)
	2019	2019
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	¥ 12,998	$ 117,097
Gross unrealized gains	1,819	16,394
Gross unrealized losses	(709)	(6,392)
Amount in balance sheet	¥ 14,109	$ 127,098
Non-marketable securities are not included in the above cost and fair value:		
Amount in balance sheet	¥ 419	$ 3,780

4. Inventories

Inventories at March 31, 2018 and 2019 comprise the following:

	Yen (millions)		U.S. Dollars (thousands)
	2018	2019	2019
Merchandise and Finished products	¥ 11,450	¥ 12,748	$ 114,841
Work-in-process	5,235	6,801	61,266
Materials and supplies	25,668	30,568	275,362
	¥ 42,354	¥ 50,117	$ 451,470

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, 2018 and 2019:

	Yen (millions)		U.S. Dollars (thousands)
	2018	2019	2019
Cash and deposits	¥ 79,030	¥ 61,672	$ 555,561
Marketable securities	99	99	900
Deposits with a maturity of three months or more	(2,752)	(3,576)	(32,218)
Securities exposed to risk of changes in value	(99)	(99)	(900)
Cash and cash equivalents	¥ 76,278	¥ 58,096	$ 523,342

6. Investment in non-consolidated subsidiaries and affiliates

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

	Yen (millions)		U.S. Dollars (thousands)
	2018	2019	2019
Investment in non-consolidated subsidiaries and affiliates	¥ 11,275	¥ 4,165	$ 37,519

7. Longterm debt

As of March 31, 2019, loans of ¥47,009 million ($423,468 thousand), including shortterm borrowings debt of ¥13,587 million ($122,396 thousand), is secured by property, plant and equipment in securities with a net value of ¥7,469 million ($67,285 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)
2021	¥ 20,728	$ 186,724
2022	24,778	223,206
2023	2,543	22,914
2024 and thereafter	74,881	674,549
	¥ 122,932	$ 1,107,396

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 30.7% in 2018 and 30.5% in 2019.

Details of income tax expense are as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2018	2019	2019
Income taxes:			
Current	¥ 8,367	¥ 4,552	$ 41,008
Deferred	3,875	4,233	38,139
	¥ 12,243	¥ 8,786	$ 79,147

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

	Yen (millions)		U.S. Dollars (thousands)
	2018	2019	2019
Deferred tax assets:			
Accrued employees' bonuses	¥ 1,370	¥ 1,398	$ 12,595
Provision for Enterprise taxes	101	109	988
Warranty reserves for products	643	805	7,259
Retirement and severance benefit for directors and statutory auditors	99	89	803
Others	4,209	800	7,213
Gross deferred tax assets	¥ 6,425	¥ 3,203	$ 28,860
Deferred tax liabilities:			
Reserve for special depreciation	(0)	(0)	(0)
Reserve for program development	(4)	(4)	(37)
Net defined benefit asset	(3,438)	(3,414)	(30,754)
Valuation difference on available-for-sale securities	(1,294)	(339)	(3,059)
Tax on undistributed earnings of foreign subsidiaries	(3,227)	(3,471)	(31,275)
Others	(59)	(337)	(3,043)
Gross deferred tax liabilities	(8,024)	(7,567)	(68,170)
Net deferred tax assets	¥ (1,599)	¥ (4,363)	$ (39,310)

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

	2018	2019
Statutory effective tax rate	30.7%	30.5%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	0.5	1.0
Taxation on per capita basis	0.7	1.6
Non-taxable income	(1.2)	(8.1)
Difference in normal tax rates of foreign subsidiaries	(9.1)	17.2
Foreign tax amount	22.4	9.0
Equity in income of affiliates	2.7	7.7
Valuation allowance	33.0	76.9
Tax on undistributed earnings of foreign subsidiaries	35.4	90.1
Others	19.0	2.1
Actual effective tax rate	134.1%	228.0%

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

	Yen (millions)		U.S. Dollars (thousands)
	2018	2019	2019
Investment and other assets – Deferred tax assets	¥ 6,285	¥ 3,203	$ 28,860
Long - term liabilities – Others	(7,885)	(7,567)	(68,170)
Net deferred tax assets	¥ 1,599	¥ (4,363)	$ (39,310)

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)
Class of property	2018	2019	2019
Machinery and equipment and others	¥ 222	¥ 177	$ 1,594
Accumulated depreciation	(191)	(162)	(1,461)
	¥ 31	¥ 14	$ 132

Future lease payments required under such finance lease that have initial or remaining terms in excess of one year as of March 31, 2019 are:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2020	¥ 14	$ 131
2021 and thereafter	3	33
Total future lease payments	¥ 18	$ 165

Future lease payments required under operating lease that have initial in excess of one year as of March 31, 2019 are:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2020	¥ 50	$ 458
2021 and thereafter	58	527
Total future lease payments	¥ 109	$ 985

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, 2019 are summarized as follows:

(1) Interest-Rate-Related Derivatives

	Yen (millions)		
	2019		
	Contract value	Fair value	Unrealized gain (loss)
Interest-rate swaps:			
receive floating, pay fixed	¥ 28,272	¥ 262	¥ 262

	U.S. Dollars (thousands)		
	2019		
	Contract value	Fair value	Unrealized gain (loss)
Interest-rate swaps:			
receive floating, pay fixed	$ 254,683	$ 2,361	$ 2,361

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)
Pension and severance obligation	2019	2019
Projected benefit obligation	¥ (26,113)	$ (235,233)
Plan assets	35,088	316,080
Funded status	8,974	80,847
Unrecognized actuarial gain (loss)	614	5,537
Unrecognized past service liability	(431)	(3,889)
Net amount recognized	9,157	82,495
Net defined benefit asset	10,613	95,609
Net defined benefit liability	(1,638)	(14,762)
Remeasurements of defined benefit plans	182	1,648

	Yen (millions)	U.S. Dollars (thousands)
Detail of net periodic pension cost	2019	2019
Service cost	¥ 1,156	$ 10,421
Expected return on plan assets	(1,470)	(13,248)
Amortization actuarial loss	159	1,438
Amortization of past service liability	(215)	(1,944)
Extra severance pay cost	80	724
Net periodic benefit cost	(289)	(2,608)
Others	817	7,362
Total	¥ 527	$ 4,754

Actuarial assumptions	2019
Discount rate	Mainly 0.0%
Expected return on plan assets	Mainly 5.3%

13. Contingent liabilities

A lawsuit was filed on October 26, 2018 (complaint service date: November 15, 2018) by OGIS-RI Co., Ltd. against Ryomo Systems Co., Ltd., which is a consolidated subsidiary of the Company, demanding payment of a total of ¥3.409 billion (US$30.708 million) in compensation and damages, plus associated delinquency charges.

The demands of the lawsuit are: (1) payment of damages caused by debt default and other issues arising from the existence of defects in the system that Ryomo Systems Co., Ltd. developed in relation to an end user's system development project concerning electric power deregulation, which OGIS-RI Co., Ltd. ordered from Ryomo Systems Co., Ltd. after receiving the original order from the end user; and (2) payment of remuneration and relevant delinquency charges in accordance with Article 512 of the Commercial Code, due to the support provided by OGIS-RI Co., Ltd. to the business operations of Ryomo Systems Co., Ltd. in relation to this matter.

As the legal proceedings move forward, the policy of Ryomo Systems Co., Ltd. will be to strongly contest the claims and fully establish the validity of their position in the dispute.

At present, it is difficult to rationally predict the effects that this litigation may have on the business results of our group.

As for pending civil litigation involving the U.S. consolidated subsidiaries, there are two cases of opt-out litigation in the U.S. (litigation in which a person withdraws from class action litigation to pursue claims for damages on an individual basis). Discussions to reach amicable settlements are currently at a standstill due to reasons related to the legal proceedings on the plaintiff side.

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, 2018 and 2019 and for the years then ended:

Industry segments:

	Yen (Millions)		U.S.Dollars (Thousands)
	Year ended March 31		Year ended March 31
	2018	2019	2019
Sales and operating revenue:			
Transportation Equipment-related Operations			
Customers	¥ 371,159	¥ 316,370	$ 2,849,927
Intersegment	708	583	5,254
Total	371,867	316,953	2,855,181
Information Service Operations			
Customers	¥ 11,828	¥ 13,157	$ 118,528
Intersegment	2,105	2,357	21,232
Total	13,933	15,514	139,761
Others			
Customers	¥ 4,198	¥ 3,750	$ 33,784
Intersegment	2,112	3,183	28,676
Total	6,311	6,933	62,461
Corporate and elimination	(4,925)	(6,123)	(55,163)
Consolidated	¥ 387,186	¥ 333,278	$3,002,240
Operating income:			
Transportation Equipment-related Operations	¥ 18,006	¥ 9,814	$ 88,412
Information Service Operations	704	768	6,925
Others	339	394	3,553
Corporate and elimination	52	(21)	(193)
Consolidated	¥ 19,103	¥ 10,956	$ 98,697
Identifiable assets:			
Transportation Equipment-related Operations	¥ 322,208	¥ 317,978	$ 2,864,416
Information Service Operations	15,718	17,744	159,843
Others	15,663	15,047	135,548
Corporate and elimination	(16,319)	(16,090)	(144,947)
Consolidated	¥ 337,269	¥ 334,679	$ 3,014,861
Depreciation			
Transportation Equipment-related Operations	¥ 17,641	¥ 16,584	$ 149,395
Information Service Operations	620	682	6,149
Others	63	61	551
Consolidated	¥ 18,324	¥ 17,328	$ 156,096
Impairment loss			
Transportation Equipment-related Operations	¥ 75	¥ 20	$ 180
Information Service Operations	—	91	826
Others	—	—	—
Consolidated	¥ 75	¥ 111	$ 1,006
Capital expenditures:			
Transportation Equipment-related Operations	¥ 21,806	¥ 33,714	$ 303,710
Information Service Operations	464	860	7,753
Others	33	624	5,622
Consolidated	¥ 22,304	¥ 35,199	$ 317,086

Geographic areas:

	Yen (Millions) Year ended March 31		U.S.Dollars (Thousands) Year ended March 31
	2018	2019	2019
Sales and operating revenue:			
Japan			
Customers	¥ 109,641	¥ 107,934	$ 972,298
Intersegment	55,219	57,400	517,076
Total	164,861	165,335	1,489,375
America			
Customers	¥ 108,633	¥ 82,294	$ 741,325
Intersegment	5,458	3,297	29,703
Total	114,091	85,591	771,029
Europe			
Customers	¥ 18,549	¥ 22,119	$ 199,259
Intersegment	793	1,810	16,307
Total	19,343	23,930	215,566
Asia			
Customers	¥ 67,740	¥ 54,906	$ 494,604
Intersegment	61,071	49,746	448,129
Total	128,811	104,652	942,734
China			
Customers	¥ 82,621	¥ 66,023	$ 594,752
Intersegment	16,591	14,352	129,294
Total	99,213	80,376	724,046
Corporate and elimination	(139,134)	(126,608)	(1,140,512)
Consolidated	¥ 387,186	¥ 333,278	$ 3,002,240
Operating income:			
Japan	¥ (351)	¥ (861)	$ (7,763)
America	827	(551)	(4,965)
Europe	131	(999)	(9,003)
Asia	9,623	5,951	53,612
China	8,505	6,449	58,095
Corporate and elimination	366	968	8,722
Consolidated	¥ 19,103	¥ 10,956	$ 98,697
Identifiable assets:			
Japan	¥ 271,764	¥ 263,630	$ 2,374,832
America	33,823	37,570	338,439
Europe	14,614	11,754	105,886
Asia	55,321	54,808	493,723
China	48,458	45,034	405,677
Corporate and elimination	(86,712)	(78,117)	(703,698)
Consolidated	¥ 337,269	¥ 334,679	$ 3,014,861

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, 2019, 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, 2019, 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, 2019 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 21, 2019
Tokyo, Japan

Shinjuku Audit Corporation

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