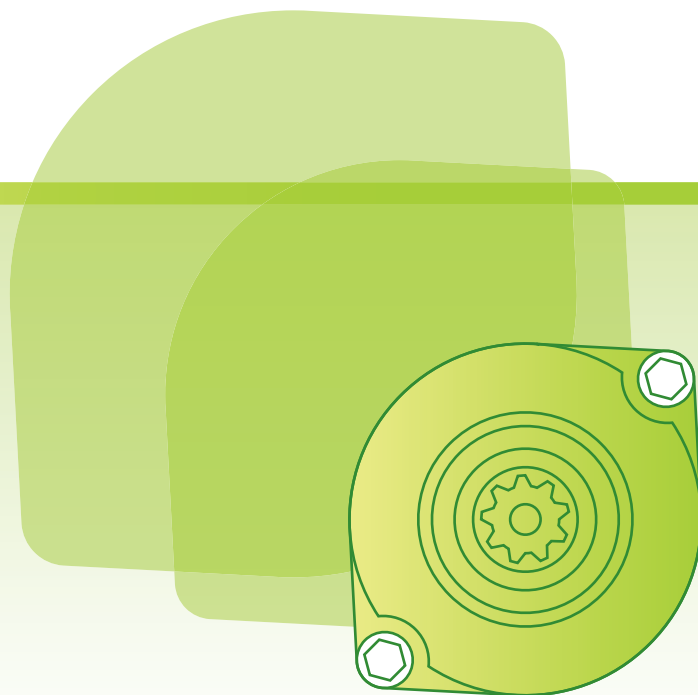


MITSUBA

MITSUBA Corporation

ANNUAL REPORT 2020

Fiscal Year Ended March 31, 2020



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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 that we are a part of is now facing a once-in-a-century turning point called “CASE.” Realization of “Connectivity” and “Autonomous” through shifts from internal-combustion engines to EV as well as introduction of ICT and AI technology. Also, due to the spread of “MaaS,” a service to use transportation systems for a fee when required, as represented in car sharing, automobiles have become items to “use” rather than to “own.” Under this environment, with “Improvement of financial structures through reinforcement of earning capacity and cash flow generation” as our basic policy set on April 2020, we have initiated our 12th Midterm Management Plan which is a 5 year plan.

As the priority during the 12th midterm, we aim to expand sales by reinforcing the development of;

- (1) For automobile parts business: System products with mechatronical integration applicable to CASE
- (2) For motorcycle and general-purpose products businesses: Environment-friendly products, seizing exhaust gas regulations of each country as an opportunity.

In addition, we aim to reinforce our corporate structure by improving the free cash flow through business selection and concentration, and the improvement of product competitiveness.

We will continue our efforts to become a trusted company that meets society’s expectations by ensuring full compliance as well as enhancing our corporate governance and business management capabilities, keeping in 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 :

10,252

Number of Employees :

Consolidated: 28,230 (2,387)

Non-consolidated: 4,081

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

(As of March 31, 2020)



Directors

Representative Director, President
Katsuyoshi Kitada

Representative Director
Nobuyuki Take

Director
Masahiko Sugiyama

Audit & Supervisory Committee Member
Keiji Kiuchi

Audit & Supervisory Committee Member (External)
Akira Fujiwara

Audit & Supervisory Committee Member (External)
Takashi Hayama

Audit & Supervisory Committee Member (External)
Shigeki Dantani

Officers

President, Chief Operating Officer
Katsuyoshi Kitada

Executive Vice President, Executive Officer
Nobuyuki Take

Managing Officer
Masahiko Sugiyama

Managing Officer
Tokuyu Tanahashi

Managing Officer
Kazumi Umahashi

Managing Officer
Masayoshi Shirato

Managing Officer
Masamichi Mogi

Managing Officer
Yutaka Nozue

Managing Officer
Sadami Hino

Managing Officer
Hideyuki Minami

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
Hideaki Komiya

Operating Officer
Yusuke Ichikawa

Operating Officer
Takashi Hanzawa

Operating Officer
Tsutomu Idei

Operating Officer
Kiyotaka Yoshida

(As of June 26, 2020)

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					
	2015	2016	2017	2018	2019	2020
Net sales	¥ 306,030	¥ 333,232	¥ 327,977	¥ 387,186	¥ 333,278	¥ 304,224
Gross profit	51,486	53,488	55,486	59,258	44,773	40,194
Operating income	22,096	22,889	22,687	19,103	10,956	8,531
Profit (loss) before income taxes	19,044	17,729	13,460	9,127	3,853	(5,352)
Profit (loss) attributable to owners of parent ...	11,434	8,518	5,082	(6,528)	(7,021)	(13,804)
Capital expenditures	18,521	19,842	20,955	22,304	35,199	27,847
Total assets	315,910	314,859	329,391	337,269	334,679	312,384
Return on assets (%)	4.0	2.7	1.6	—	—	—
Shareholders' equity	79,344	76,014	78,081	68,473	56,971	28,830
Return on equity (%)	16.8	11.0	6.6	—	—	—
Shareholders' equity ratio (%)	25.1	24.1	23.7	20.3	17.0	9.2
Per share(yen):Net income	¥ 255.47	¥ 190.31	¥113.55	¥(145.87)	¥(156.87)	¥(308.43)
Cash dividends applicable to period (yen)	14.0	18.0	15.0	16.0	16.0	—
Interest coverage (times)	13.9	22.2	19.5	3.7	3.7	8.0
Expenses for R&D	11,002	13,039	13,806	14,441	18,242	14,320
Ratio of SG&A to net sales (%)	9.6	9.2	10.0	10.4	10.1	10.4
Current ratio (%)	143.8	148.7	152.5	142.0	150.0	128.6
Fixed ratio (%)	158.7	160.9	170.7	203.3	259.3	491.8
Interest - bearing debt	134,344	141,816	152,669	175,222	189,439	200,169
Cash flows						
Operating activity	16,330	29,276	25,450	5,470	6,157	15,305
Investing activity	(19,641)	(20,027)	(21,201)	(19,876)	(33,374)	(23,601)
Financing activity	17,316	1,398	3,409	16,385	8,154	6,337

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



Katsuyoshi Kitada
Representative Director, President

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

The worldwide economy continues to decelerate in growth due to rises in trade barriers and increased uncertainties in geopolitical risks. In the meantime, our business has been gravely affected by various occurrences including the impact of tariffs between China and the U.S., economic deceleration in the Chinese market, quality deficiency correspondence, as well as the spread of the COVID-19 infection that emerged in Hubei, China on November 2019. As a means to counter these occurrences, we are now required to review our business operations.

Based on the harsh business results of the March 2020 term which was the final year of the 11th Midterm Management Plan (FY2017 to FY2019), we have applied “Business Restructuring,” “Reinforcement of Corporate Structure,” and “Measures Aimed at Next-Generation Businesses” to our management policy for the 12th Midterm Management Plan that began in FY2020. By steadily accomplishing these measures, we aim to improve our revenue base and establish a firm business foundation for the future.

Outlook for the Next Term

Concerning the future outlook in the worldwide economy, the effects of COVID-19 continues to impact the real economy in a tremendously large scale decreasing individual consumption and deteriorating corporate profits, making it difficult to assume the period of economical recovery or when economical activities will normalize.

In the automotive industry, since the outlook for economic recovery in production and sales remains extremely harsh and unpredictable around the world including Japan and the Americas where our production bases are located, our performance forecast of the March 2021 term remains undecided since we are currently unable to provide proper and rational calculations.

We will, in the future, promptly announce these results when calculations of our performance forecast become available.

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.



Katsuyoshi Kitada
Representative Director, President

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

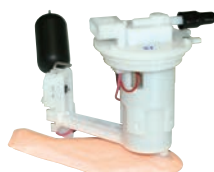


Electric Oil Pump

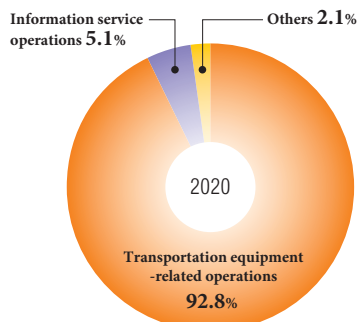
Motorcycle Electrical Products



Starting Generator



Fuel Pump Module



Sales by Business

Operating Results for term end March 2020

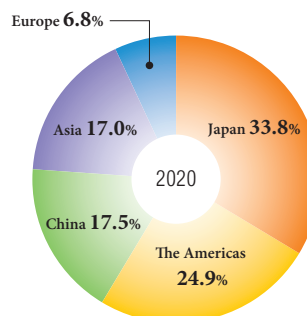
In addition to the U.S.-China trade conflict and the Brexit problem, the worldwide economy in the current consolidated fiscal year has decelerated due to the severe impact following spread of the COVID-19 infection all over the world. In the latter half of the period, the economic growth rate showed a significant decrease compared to the previous year in countries including the U.S., Europe, Japan, and China, and the surrounding environment for our company remained harsh.

Under these circumstances, the global automobile sales in calendar year 2019 was 90,266 thousand units (4.8% decrease compared to the previous year). Although the sales promotion premiums in the U.S. rose, due to the impacts of the U.S.-China trade problem, sales in calendar year was at 17,048 thousand units (1.3% decrease compared to the previous year) which was the first decrease compared to the previous year in 2 years. In China, sales in calendar year was at 25,769 thousand units (8.2% decrease compared to the previous year) which marked a decrease compared to previous years for 2 consecutive years. In Europe, in spite of an economic unpredictability due to the Brexit, sales in calendar year marked 15,340 thousand units (1.2% increase compared to the previous year), the first increase compared to the previous year in 2 years, due to the rush demand before revisions of exhaust gas regulation, which is to be partially introduced in 2020, were implemented.

In Japan, sales in FY2019 marked 5,039 thousand units (4.2% decrease compared to the previous year), the first decrease compared to the previous year in 4 years, due to the effects of consumption tax increase in October, typhoon damage, and the COVID-19 infection. The number of registered vehicles fell to 3,183 thousand units (4.6% decrease compared to the previous year), the first decrease in 5 years, and sales of light vehicles fell to 1,856 thousand units (3.5% decrease compared to the previous year), the first decrease in 3 years.

On the other hand, global sales of motorcycles largely decreased, especially in India where the market is the largest due to increases in automobile liability insurance and vehicle prices following the introduction of new exhaust gas regulations.

In Japan, despite a significant increase in mopeds and small motorcycles, a decrease in the main category of motorized bicycles category 1 resulted in a drop from the previous year for the sixth consecutive year to 362 thousand units overall (1.6% decrease from the previous year).



Sales by Geographic Region

Under this environment, the consolidated sales of our group totaled ¥304,224 million (8.7% decrease compared to the previous year), the consolidated operating income was ¥8,531 million (22.1% decrease compared to the previous year), and the consolidated pretax profit was ¥6,893 million (35.6% decrease compared to the previous year). Also, owing to the appropriation of costs related to business structure reformation following the decision to implement drastic structural changes during this term as extraordinary losses as well as appropriation of impairment losses of existing facilities that cannot be expected to recover investments in order to regain a stable financial structure and recover performances for the largely deteriorating financial structure, the current term net loss attributable to owners of the parent was ¥13,804 million (net loss attributable to owners of the parent of ¥7,021 million in the previous year).

By Business

Transportation Equipment-related Operations Segment

Sales were ¥287,436 million (9.3% decrease compared to the previous year) with an operating income of ¥6,912 million (29.6% decrease compared to the previous year) due to the effects of sales decrease in North American and Chinese markets as well as the spread of the COVID-19 infection.

Information Service Operations Segment

We have been committed to gaining orders from public and private sectors, and improved our profit structure. Sales reached ¥15,847 million (2.1% increase compared to the previous year) with an operating income of ¥1,349 million (75.6% increase compared to the previous year).

Other Businesses

Sales were ¥6,401 million (7.7% decrease compared to the previous year) with an operating income of ¥264 million (32.9% decrease compared to the previous year).

Breakdown by Region

Japan

Sales reached ¥102,669 million (4.9% decrease compared to the previous year) with an operating income of ¥2,376 million (operating income of -¥861 million in the previous year).

The Americas

Sales reached ¥75,732 million (8.0% decrease compared to the previous year) with an operating income of -¥1,033 million (operating income of -¥551 million in the previous year).

Europe

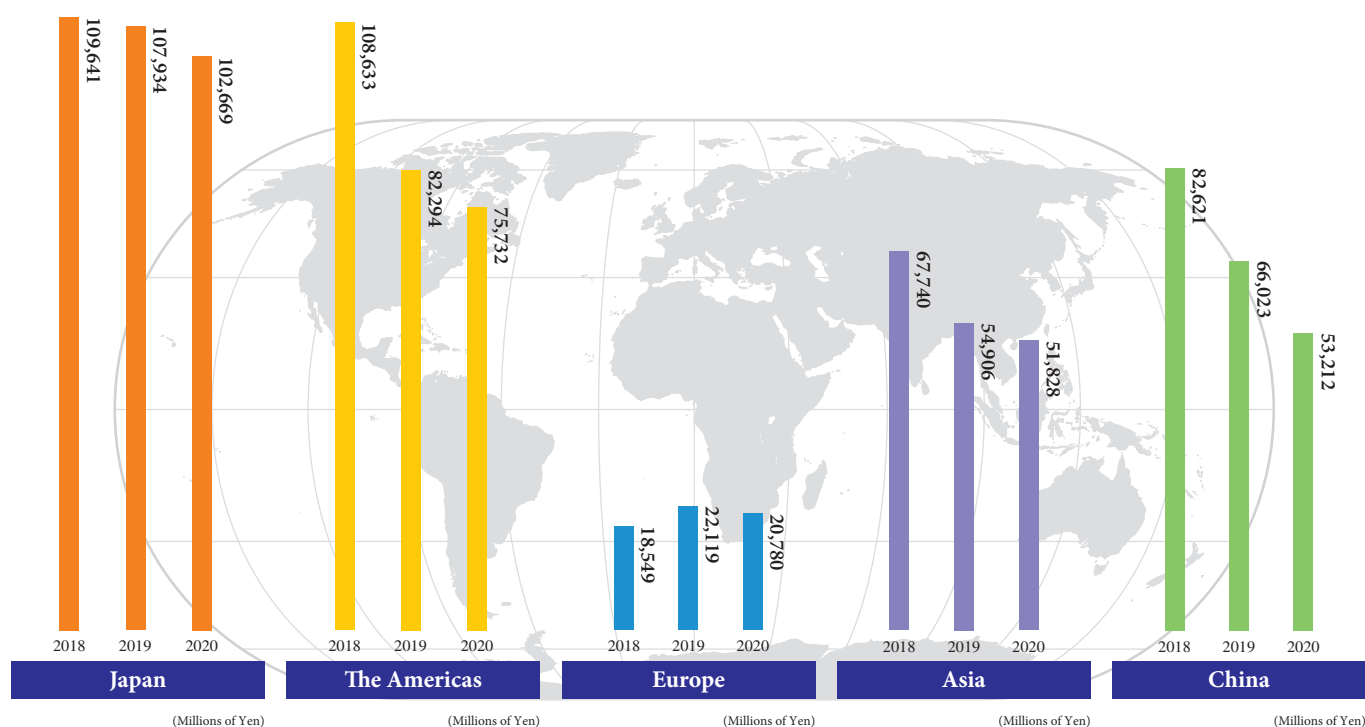
Sales reached ¥20,780 million (6.1% decrease compared to the previous year) with an operating income of -¥467 million (operating income of -¥999 million in the previous year).

Asia

Sales were ¥51,828 million (5.6% decrease compared to the previous year) with an operating income of ¥5,079 million (14.7% decrease compared to the previous year).

China

Sales were ¥53,212 million (19.4% decrease compared to the previous year) with an operating income of ¥2,884 million (55.3% decrease compared to the previous year).



Consolidated Balance Sheets

MITSUBA Corporation and its Consolidated Subsidiaries
As of March 31, 2019 and 2020

	Yen (Millions) As of March 31		U.S. Dollars (Thousands) As of March 31
	2019	2020	2020
ASSETS			
Current assets:			
Cash and deposits (Note 5)	¥ 61,672	¥ 55,699	\$ 511,804
Marketable securities (Notes 3 & 5)	99	—	—
Trade receivables:			
Accounts and notes (Note 13)	53,386	43,932	403,678
Less: Allowance for doubtful accounts	(29)	(40)	(372)
Inventories (Note 4)	50,117	49,777	457,392
Others	21,714	21,214	194,935
Total current assets	186,962	170,584	1,567,437
Property, plant and equipment (Notes 7 & 10):			
Land	7,455	7,878	72,396
Buildings and structures	74,917	77,460	711,756
Machinery, equipment and vehicles	150,841	157,265	1,445,052
Tools furniture and fixtures	53,114	52,119	478,905
Construction in progress	21,107	12,673	116,453
Lease assets	6,004	7,654	70,337
	313,441	315,052	2,894,902
Less accumulated depreciation	(207,729)	(207,855)	(1,909,913)
Net Property, plant and equipment	105,712	107,196	984,989
Investments and other assets:			
Investments in securities (Notes 3 & 6)	18,593	15,029	138,099
Longterm loans	2,263	2,252	20,701
Deferred tax assets (Note 9)	2,425	1,128	10,366
Others	18,737	16,194	148,802
Less: Allowance for doubtful accounts	(15)	(0)	(8)
Total investments and other assets	42,004	34,603	317,962
Total assets	¥ 334,679	¥ 312,384	\$ 2,870,389
Liabilities and Shareholders' Equity			
Current liabilities:			
Shortterm borrowings (Note 7)	¥ 44,503	¥ 50,051	\$ 459,902
Current portion of longterm debt (Note 7)	14,774	21,842	200,705
Current portion of bonds payable (Note 7)	—	30	275
Trade payables:			
Accounts and notes	26,062	23,464	215,604
Income taxes payable (Note 9)	1,791	1,835	16,867
Reserve for employees' bonuses	4,807	2,613	24,015
Others (Note 9)	32,712	32,831	301,679
Total current liabilities	124,652	132,669	1,219,050
Longterm liabilities:			
Bonds payable (Note 7)	—	1,105	10,153
Longterm debt (Note 7)	122,932	119,013	1,093,568
Deferred tax liabilities (Note 9)	6,789	6,708	61,641
Net defined benefit liability (Note 12)	1,638	1,776	16,320
Others	5,928	6,755	62,071
Total longterm liabilities	137,288	135,357	1,243,755
Total liabilities	¥ 261,941	¥ 268,027	\$ 2,462,805
Contingent liabilities (Note 13):			
Net assets (Note 8):			
Shareholders' equity			
Common stock			
Authorized: 150,000,000 Shares			
Outstanding:			
March 31, 2019 and 2020: 45,581,809 Shares	9,885	9,885	90,832
Capital surplus	15,572	15,407	141,578
Retained earnings	36,096	20,735	190,532
Treasury stock, at cost:			
March 31, 2019: 824,079 Shares	(602)	—	—
March 31, 2020: 824,714 Shares	—	(603)	(5,541)
Total shareholders' equity	60,951	45,425	417,402
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	665	(2,096)	(19,268)
Foreign currency translation adjustments	(4,265)	(12,019)	(110,438)
Remeasurements of defined benefit plans	(380)	(2,478)	(22,778)
Total accumulated other comprehensive income	(3,980)	(16,595)	(152,485)
Non-controlling interests	15,767	15,526	142,666
Total net assets	72,738	44,357	407,583
Total liabilities and net asset	¥ 334,679	¥ 312,384	\$ 2,870,389

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, 2018, 2019 and 2020

Consolidated Statements of Income

	Yen (Millions)			U.S. Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2018	2019	2020	2020
Net sales (Note 14)	¥ 387,186	¥ 333,278	¥ 304,224	\$ 2,795,411
Cost of sales	327,927	288,504	264,029	2,426,076
Gross profit	59,258	44,773	40,194	369,334
Selling, general and administrative expenses	40,155	33,817	31,663	290,945
Operating income (Note 14)	19,103	10,956	8,531	78,388
Other income (expenses):				
Interest and dividend income	1,308	1,263	1,095	10,067
Interest expenses	(1,466)	(1,651)	(1,922)	(17,662)
Others, net	(9,817)	(6,714)	(13,057)	(119,979)
Profit (loss) before income taxes	9,127	3,853	(5,352)	(49,186)
Income taxes (Note 9)	(12,243)	(8,786)	(6,741)	(61,944)
Profit (loss)	(3,116)	(4,932)	(12,094)	(111,130)
Profit (loss) attributable to non-controlling interests	3,412	2,089	1,710	15,714
Profit (loss) attributable to owners of parent	¥ (6,528)	¥ (7,021)	¥ (13,804)	\$ (126,845)

	Yen			U.S. Dollars
	2018	2019	2020	2020
Per share of common stock:				
Net income — Basic	¥ (145.87)	¥ (156.87)	¥ (308.43)	\$ (2.83)
— Diluted	—	—	—	—
Cash dividends, applicable to period	16.00	16.00	—	—

Consolidated Statements of comprehensive income

	Yen (Millions)			U.S. Dollars (Thousands)
	Year ended March 31			Year ended March 31
	2018	2019	2020	2020
Profit (loss)	¥ (3,116)	¥ (4,932)	¥ (12,094)	\$ (111,130)
Other comprehensive income				
Valuation difference on available-for-sale securities	(601)	(2,180)	(2,792)	(25,657)
Foreign currency translation adjustment	(4,213)	1,309	(9,010)	(82,794)
Remeasurements of defined benefit plans, net of tax	1,209	(1,534)	(2,287)	(21,017)
Share of the other comprehensive income of affiliates accounted for using equity method	402	(205)	183	1,689
Comprehensive income	¥ (6,318)	¥ (7,544)	(26,000)	(238,909)
Comprehensive income attributable to				
Owners of the parent	(9,273)	(9,451)	(26,419)	(242,754)
Non-Controlling interests	2,954	1,906	418	3,844

Consolidated Statements of Changes in Net Assets

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2018, 2019 and 2020

		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, 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 in items other than shareholders' equity						—
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 in items other than shareholders' equity						—
Balance at March 31, 2019	45,581,809	¥ 9,885	¥ 15,572	¥ 36,096	¥ (602)	¥ 60,951
Capital increase of consolidated subsidiaries			(164)			(164)
Purchase of treasury stock					(0)	(0)
Disposal of treasury shares			(0)		0	0
Profit (loss) attributable to owners of parent				(13,804)		(13,804)
Cash dividends				(716)		(716)
Decrease in surplus related to adjustment of inflation accounting				(840)		(840)
Net changes in items other than shareholders' equity						—
Balance at March 31, 2020	45,581,809	¥ 9,885	¥ 15,407	¥ 20,735	¥ (603)	¥ 45,425

		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, 2019	45,581,809	\$ 90,832	\$ 143,088	\$ 331,680	\$ (5,538)	\$ 560,063
Capital increase of consolidated subsidiaries			(1,509)			(1,509)
Purchase of treasury stock					(3)	(3)
Disposal of treasury shares			(0)		0	0
Profit (loss) attributable to owners of parent				(126,845)		(126,845)
Cash dividends				(6,580)		(6,580)
Decrease in surplus related to adjustment of inflation accounting				(7,722)		(7,722)
Net changes in items other than shareholders' equity						—
Balance at March 31, 2020	45,581,809	\$ 90,832	\$ 141,578	\$ 190,532	\$ (5,541)	\$ 417,402

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, 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 in items other than shareholders' equity	(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 in items other than shareholders' equity	(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
Capital increase of consolidated subsidiaries						(164)
Purchase of treasury stock						(0)
Disposal of treasury shares						0
Profit (loss) attributable to owners of parent						(13,804)
Cash dividends						(716)
Decrease in surplus related to adjustment of inflation accounting ...						(840)
Net changes in items other than shareholders' equity	(2,762)	(7,753)	(2,098)	(12,614)	(241)	(12,855)
Balance at March 31, 2020	¥ (2,096)	¥ (12,019)	¥ (2,478)	¥ (16,595)	¥ 15,526	¥ 44,357

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, 2019	\$ 6,112	\$ (39,195)	\$ (3,493)	\$ (36,576)	\$ 144,881	\$ 668,369
Capital increase of consolidated subsidiaries						(1,509)
Purchase of treasury stock						(3)
Disposal of treasury shares						0
Profit (loss) attributable to owners of parent						(126,845)
Cash dividends						(6,580)
Decrease in surplus related to adjustment of inflation accounting ...						(7,722)
Net changes in items other than shareholders' equity	(25,381)	(71,243)	(19,284)	(115,909)	(2,215)	(118,125)
Balance at March 31, 2020	\$ (19,268)	\$ (110,438)	\$ (22,778)	\$ (152,485)	\$ 142,666	\$ 407,583

Consolidated Statements of Cash Flows

MITSUBA Corporation and its Consolidated Subsidiaries
For the years ended March 31, 2018, 2019 and 2020

	Yen (Millions) Year ended March 31			U.S.Dollars (Thousands) Year ended March 31
	2018	2019	2020	2020
Cash flows from operating activities:				
Profit (loss) attributable to owners of parent.....	¥ (6,528)	¥ (7,021)	¥ (13,804)	\$ (126,845)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	18,324	17,328	15,669	143,979
Loss on disposal of fixed assets	314	1,445	252	2,317
Share of profit of entities accounted for using equity method ...	(803)	(966)	(850)	(7,813)
Deferred income tax	3,875	4,233	2,518	23,137
Decrease (Increase) in assets:				
Trade receivables	(590)	4,892	6,707	61,637
Inventories	(797)	(7,075)	(2,114)	(19,429)
Other current assets	(6,322)	(655)	(457)	(4,206)
Increase (Decrease) in liabilities:				
Trade payables	(1,754)	(4,935)	(370)	(3,399)
Accrued expenses	13,866	1,610	(686)	(6,308)
Income taxes payable	(64)	142	44	404
Net defined benefit liability	240	114	327	3,011
Other current liabilities	(2,934)	(442)	3,877	35,627
Others, net	(11,357)	(2,513)	4,192	38,520
Net cash provided by (used in) operating activities	5,470	6,157	15,305	140,632
Cash flows from investing activities:				
Payments for purchases of investment in securities	(5,173)	(55)	(328)	(3,013)
Proceeds from sales of investment in securities	7,368	170	158	1,455
Payments for acquisition of property, plant and equipment	(20,265)	(34,552)	(25,644)	(235,642)
Proceeds from sales of property, plant and equipment	446	1,282	1,043	9,589
Others, net	(2,251)	(218)	1,169	10,747
Net cash provided by (used in) investing activities	(19,876)	(33,374)	(23,601)	(216,863)
Cash flows from financing activities:				
Increase (Decrease) in shortterm loans, net	4,168	(93)	5,976	54,913
Proceeds from longterm debt	31,604	34,936	18,991	174,506
Repayment of longterm debt	(13,118)	(22,683)	(16,043)	(147,417)
Proceeds from issuance of bonds	—	—	1,134	10,425
Redemption of bonds	—	—	(15)	(137)
Repayment of lease obligation	(2,072)	(2,130)	(2,024)	(18,604)
Cash dividends paid	(4,131)	(1,872)	(1,681)	(15,448)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(64)	—	—	—
Others, net	(0)	(0)	(0)	(3)
Net cash provided by (used in) financing activities	16,385	8,154	6,337	58,233
Effect of exchange rate changes on cash and cash equivalents ...	(1,495)	(344)	(2,315)	(21,271)
Net increase in cash and cash equivalents	484	(19,406)	(4,273)	(39,269)
Cash and cash equivalents at beginning of year	74,262	76,278	58,096	533,825
Increase in cash and cash equivalents from newly consolidated subsidiary	1,531	1,224	—	—
Cash and cash equivalents at end of year (Note 5)	¥ 76,278	¥ 58,096	¥ 53,822	\$ 494,556
Supplemental data:				
Cash paid during the year for				
Income tax	¥ 8,458	¥ 4,438	¥ 4,032	\$ 37,053
Interest	1,482	1,671	1,917	17,614

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 ¥108.83 to US\$1.00, prevailing on March 31, 2020, 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 51 subsidiary companies in the Company on March 31, 2020. The consolidated financial statements included the accounts of the Company and its 46 significant subsidiaries as of March 31, 2019 and 2020.

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 straight-line 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

The straight-line method is applied with the lease period as the useful life and the residual value as zero. As noted in "3. Notes on changes to accounting policies, (a) Application of IFRS #16 'Leases,'" some overseas consolidated subsidiaries began applying International Financial Reporting Standard #16 ("IFRS #16" hereafter) during the current consolidated fiscal year, and have generally switched to a method of recording all leases made as borrowers as assets and liabilities in their consolidated balance sheets.

Additionally, finance lease transactions outside of ownership transfers for which the lease transaction began on or prior to March 31, 2008 are accounted according to methods related to normal lease transactions.

(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. Notes on changes to accounting policies

(a) Application of IFRS #16 "Leases"

Some overseas consolidated subsidiaries began applying IFRS #16 "Leases" during the current consolidated fiscal year.

Due to applying IFRS #16, they have generally switched to a method of recording all leases made as borrowers as assets and liabilities in their consolidated balance sheets. However, this standard will have only a slight impact on the financial position and financial performance of Mitsuba Group.

(b) Changes to accounting estimates and changes to accounting policies that are not easily differentiated

Mitsuba consolidated subsidiaries in Japan and some overseas consolidated subsidiaries have traditionally applied the declining-balance method as the depreciation method for property, plant and equipment. However, this was switched to the straight-line method beginning with the current consolidated fiscal year. This change was made as a result of reviewing depreciation methods from a perspective of uniforming Group accounting policies and providing more suitable periodic accounting of profit and loss. During this review, it was determined that applying the straight-line method would more suitably reflect the actual state of property, plant and equipment and would therefore be the more logical method to use, as it was estimated that property, plant and equipment would transition to longterm stability within their useful lives, based on factors such as past investment and usage performance and on future investment and usage plans. This change resulted in an increase of ¥1,346 million (US\$12.367 million) to operating income and net income before taxes and other adjustments, as compared with figures computed by the conventional method.

4. Notes on additional information

The operating results of Mitsuba Group continue to be impacted by lock downs and other measures enacted by governments across the world as COVID-19 infections continue to spread. This situation is expected to continue for some time, and we continue to make accounting estimates such as realizability of deferred tax assets using the best methods that can be determined at the present time. If the impact of COVID-19 extends over the longterm, it could have an impact on the operating results of Mitsuba Group.

5. Marketable securities and investments in securities

The cost and fair value of marketable securities and investments in securities as of March 31, 2020 are shown below:

	Yen (millions)	U.S. Dollars (thousands)
	2020	2020
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	¥ 12,865	\$ 118,213
Gross unrealized gains	769	7,068
Gross unrealized losses	(3,236)	(29,742)
Amount in balance sheet	¥ 10,397	\$ 95,540

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

Amount in balance sheet	¥ 402	\$ 3,701
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6. Inventories

Inventories at March 31, 2019 and 2020 comprise the following:

	Yen (millions)	U.S. Dollars (thousands)	
	2019	2020	2020
Merchandise and Finished products	¥ 12,748	¥ 11,797	\$ 108,404
Work-in-process	6,801	5,254	48,281
Materials and supplies	30,568	32,725	300,706
	¥ 50,117	¥ 49,777	\$ 457,392

7. 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, 2019 and 2020:

	Yen (millions)	U.S. Dollars (thousands)	
	2019	2020	2020
Cash and deposits	¥ 61,672	¥ 55,699	\$ 511,804
Marketable securities	99	—	—
Deposits with a maturity of three months or more	(3,576)	(1,877)	(17,247)
Securities exposed to risk of changes in value	(99)	—	—
Cash and cash equivalents	¥ 58,096	¥ 53,822	\$ 494,556

8. Investment in non-consolidated subsidiaries and affiliates

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

	Yen (millions)		U.S. Dollars (thousands)
	2019	2020	2020
Investment in non-consolidated subsidiaries and affiliates	¥ 4,165	¥ 4,228	\$ 38,857

9. Longterm debt

As of March 31, 2020, loans of ¥47,383 million (\$435,386 thousand), including shortterm borrowings debt of ¥17,583 million (\$161,565 thousand), is secured by property, plant and equipment in securities with a net value of ¥1,681 million (\$15,452 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)
2022	¥ 27,381	\$ 251,602
2023	7,349	67,535
2024	24,413	224,323
2025 and thereafter	66,732	613,181
	<u>¥ 125,877</u>	<u>\$ 1,156,643</u>

10. 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.

11. 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 30.5% in 2019 and 30.5% in 2020.

Details of income tax expense are as follows:

	Yen (millions)	U.S. Dollars (thousands)
	2019	2020
Income taxes:		
Current	¥ 4,552	¥ 4,223
Deferred	4,233	2,518
	<u>¥ 8,786</u>	<u>¥ 6,741</u>
		<u>\$ 61,944</u>

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

	Yen (millions)	U.S. Dollars (thousands)
	2019	2020
Deferred tax assets:		
Accrued employees' bonuses	¥ 1,398	¥ 691
Provision for Enterprise taxes	109	112
Warranty reserves for products	805	268
Retirement and severance benefit for directors and statutory auditors	89	73
Others	800	1,453
Gross deferred tax assets	<u>¥ 3,203</u>	<u>¥ 2,599</u>
Deferred tax liabilities:		
Reserve for special depreciation	(0)	(0)
Reserve for program development	(4)	(3)
Net defined benefit asset	(3,414)	(2,805)
Valuation difference on available-for-sale securities	(339)	(222)
Tax on undistributed earnings of foreign subsidiaries	(3,471)	(3,769)
Others	(337)	(1,378)
Gross deferred tax liabilities	<u>(7,567)</u>	<u>(8,179)</u>
Net deferred tax assets	<u>¥ (4,363)</u>	<u>¥ (5,580)</u>
		<u>\$ (51,274)</u>

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

	2019	2020
Statutory effective tax rate	30.5%	—
Increase (reduction) in taxes resulting from:		
Non-deductible expenses	1.0	—
Taxation on per capita basis	1.6	—
Non-taxable income	(8.1)	—
Difference in normal tax rates of foreign subsidiaries ..	17.2	—
Foreign tax amount	9.0	—
Equity in income of affiliates	7.7	—
Valuation allowance	76.9	—
Tax on undistributed earnings of foreign subsidiaries ..	90.1	—
Others	2.1	—
Actual effective tax rate	<u>228.0%</u>	<u>—</u>

Note: Net loss before taxes and other adjustments are recorded for the current consolidated fiscal year, so notes are omitted here.

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

	Yen (millions)	U.S. Dollars (thousands)
	2019	2020
Investment and other assets –		
Deferred tax assets	¥ 3,203	¥ 2,599
Long - term liabilities – Others	(7,567)	(8,179)
Net deferred tax assets	<u>¥ (4,363)</u>	<u>¥ (5,580)</u>
		<u>\$ (51,274)</u>

12. 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:

Class of property	Yen (millions)		U.S. Dollars (thousands)
	2019	2020	2020
Machinery and equipment and others	¥ 177	¥ 177	\$ 1,626
Accumulated depreciation	(162)	(174)	(1,599)
	¥ 14	¥ 2	\$ 27

Future lease payments required under such finance lease that have initial or remaining terms in excess of one year as of March 31, 2020 are:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2021	¥ 3	\$ 34
2022 and thereafter	0	0
Total future lease payments	¥ 3	\$ 34

Future lease payments required under operating lease that have initial in excess of one year as of March 31, 2020 are:

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2021	¥ 36	\$ 333
2022 and thereafter	45	421
Total future lease payments	¥ 82	\$ 755

13. 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, 2020 are summarized as follows:

(1) Interest-Rate-Related Derivatives

	Yen (millions)		
	2020		
	Contract value	Fair value	Unrealized gain (loss)
Interest-rate swaps:			
receive floating, pay fixed	¥ 21,965	¥ (353)	¥ (353)
	U.S. Dollars (thousands)		
	2020		
	Contract value	Fair value	Unrealized gain (loss)
Interest-rate swaps:			
receive floating, pay fixed	\$ 201,833	¥ (3,250)	¥ (3,250)

14. 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	2020	2020
Projected benefit obligation	¥ (25,679)	\$ (235,957)
Plan assets	33,093	304,086
Funded status	7,414	68,128
Unrecognized actuarial gain (loss)	3,938	36,193
Unrecognized past service liability	(215)	(1,983)
Net amount recognized	11,137	102,338
Net defined benefit asset	9,190	84,448
Net defined benefit liability	(1,776)	(16,320)
Remeasurements of defined benefit plans	¥ 3,723	\$ 34,209
	Yen (millions)	U.S. Dollars (thousands)
Detail of net periodic pension cost	2020	2020
Service cost	¥ 1,129	\$ 10,378
Interest cost	0	0
Expected return on plan assets	(1,859)	(17,087)
Amortization actuarial loss	(311)	(2,860)
Amortization of past service liability	(215)	(1,983)
Extra severance pay cost	7	71
Net periodic benefit cost	(1,249)	(11,481)
Others	817	7,509
Total	¥ (432)	\$ (3,972)

Actuarial assumptions	2020
Discount rate	Mainly 0.0%
Expected return on plan assets	Mainly 4.0%

15. 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\$31.328 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.

16. 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, 2019 and 2020 and for the years then ended:

Industry segments:

	Yen (Millions)		U.S.Dollars (Thousands)
	Year ended March 31		Year ended March 31
	2019	2020	2020
Sales and operating revenue:			
Transportation Equipment-related Operations			
Customers	¥ 316,370	¥ 286,822	\$ 2,635,509
Intersegment	583	613	5,640
Total	316,953	287,436	2,641,150
Information Service Operations			
Customers	¥ 13,157	¥ 13,423	\$ 123,347
Intersegment	2,357	2,423	22,269
Total	15,514	15,847	145,617
Others			
Customers	¥ 3,750	¥ 3,978	\$ 36,553
Intersegment	3,183	2,423	22,264
Total	6,933	6,401	58,817
Corporate and elimination	(6,123)	(5,460)	(50,173)
Consolidated	¥ 333,278	¥ 304,224	\$ 2,795,411
Operating income:			
Transportation Equipment-related Operations	¥ 9,814	¥ 6,912	\$ 63,520
Information Service Operations	768	1,349	12,402
Others	394	264	2,432
Corporate and elimination	(21)	3	32
Consolidated	¥ 10,956	¥ 8,531	\$ 78,388
Identifiable assets:			
Transportation Equipment-related Operations	¥ 317,978	¥ 296,809	\$ 2,727,276
Information Service Operations	17,744	16,020	147,205
Others	15,047	16,612	152,649
Corporate and elimination	(16,090)	(17,058)	(156,742)
Consolidated	¥ 334,679	¥ 312,384	\$ 2,870,389
Depreciation			
Transportation Equipment-related Operations	¥ 16,584	¥ 14,968	\$ 137,542
Information Service Operations	682	616	5,664
Others	61	84	773
Consolidated	¥ 17,328	¥ 15,669	\$ 143,979
Impairment loss			
Transportation Equipment-related Operations	¥ 20	¥ 4,821	\$ 44,300
Information Service Operations	91	4	38
Others	—	—	—
Consolidated	¥ 111	¥ 4,825	\$ 44,339
Capital expenditures:			
Transportation Equipment-related Operations	¥ 33,714	¥ 25,788	\$ 236,957
Information Service Operations	860	976	8,972
Others	624	1,083	9,955
Consolidated	¥ 35,199	¥ 27,847	\$ 255,885

Geographic areas:

	Yen (Millions)		U.S.Dollars (Thousands)
	Year ended March 31		Year ended March 31
	2019	2020	2020
Sales and operating revenue:			
Japan			
Customers	¥ 107,934	¥ 102,669	\$ 943,392
Intersegment	57,400	62,045	570,112
Total	165,335	164,714	1,513,505
America			
Customers	¥ 82,294	¥ 75,732	\$ 695,879
Intersegment	3,297	863	7,934
Total	85,591	76,595	703,813
Europe			
Customers	¥ 22,119	¥ 20,780	\$ 190,948
Intersegment	1,810	1,686	15,496
Total	23,930	22,467	206,444
Asia			
Customers	¥ 54,906	¥ 51,828	\$ 476,237
Intersegment	49,746	48,535	445,976
Total	104,652	100,364	922,213
China			
Customers	¥ 66,023	¥ 53,212	\$ 488,953
Intersegment	14,352	11,981	110,091
Total	80,376	65,194	599,044
Corporate and elimination	(126,608)	(125,112)	(1,149,610)
Consolidated	¥ 333,278	¥ 304,224	\$ 2,795,411
Operating income:			
Japan	¥ (861)	¥ 2,376	\$ 21,834
America	(551)	(1,033)	(9,497)
Europe	(999)	(467)	(4,298)
Asia	5,951	5,079	46,670
China	6,449	2,884	26,502
Corporate and elimination	968	(307)	(2,822)
Consolidated	¥ 10,956	¥ 8,531	\$ 78,388
Identifiable assets:			
Japan	¥ 263,630	¥ 263,624	\$ 2,422,350
America	37,570	27,834	255,759
Europe	11,754	6,459	59,355
Asia	54,808	54,345	499,365
China	45,034	38,955	357,949
Corporate and elimination	(78,117)	(78,835)	(724,391)
Consolidated	¥ 334,679	¥ 312,384	\$ 2,870,389

17. Notes on significant subsequent events

(Issuance of class shares via private allocation, reduction in capital and capital reserves and appropriation of surplus)
The Board of Directors convened on July 15, 2020 and reached a decision on the same date for Mitsuba to enter into an underwriting contract with Japan Industrial Solutions Fund II ("allocation entity" hereafter), and to issue class A class shares totaling ¥15,000 million (US\$137.829 million) and class C class shares totaling ¥5,000 million (US\$45.943 million) (collectively called "these class shares" hereafter) via private allocation to the allocation entity.

Furthermore, in order to provide future capital policies with agility and flexibility with the goal of improving our financial structure as quickly as possible, a decision was also reached to reduce the amount of capital and capital reserves ("capital, etc." hereafter) and transfer these to other capital surplus constituting distributable amounts, and to use a portion of the other capital surplus obtained by reducing the amount of capital, etc. to cover for deficits in retained earnings carried forward.

A vote will be held on issuing class shares via private allocation and reducing the amount of capital, etc. during the extraordinary general shareholders' meeting on August 28, 2020. Following are the details for this.

(a) Issuance of class shares via private allocation

Class A class shares

- (1) Payment period: From August 29, 2020 to January 20, 2021
- (2) Shares issued: 15,000 shares of class A class shares
- (3) Issuance price: ¥1,000,000 (US\$9,188) per share
- (4) Funds procured: ¥15,000,000,000 (US\$137.829 million)
- (5) Selection and allocation method (allocation entity): All class A class shares to be allocated to Japan Industrial Solutions Fund II via private allocation
- (6) Preferred dividend: Preferred dividend coverage 6.0% annual, cumulative/non-participating

Class C class shares

- (1) Payment period: From August 29, 2020 to January 20, 2021
- (2) Shares issued: 5,000 shares of class C class shares
- (3) Issuance price: ¥1,000,000 (US\$9,188) per share
- (4) Funds procured: ¥5,000,000,000 (US\$45.943 million)
- (5) Selection and allocation method (allocation entity): All class C class shares to be allocated to Japan Industrial Solutions Fund II via private allocation
- (6) Preferred dividend: N/A

Purpose of funds

- (1) Installation of new machinery and equipment involved in launching new motorcycle products, installation of new machinery and equipment involved in launching products for new motorcycle customers, maintenance/replacement investment and investment to increase capacity to expand sales for existing motorcycle customers, etc.
- (2) Installation of new machinery and equipment involved in launching products for new automobile customers, investment in new production equipment and molds as well as maintenance/replacement investment with the goal of increasing productivity for automobile growth products, etc.
- (3) Investment in information systems in plants, etc.

(b) Reduction in the amount of capital, etc.

- (1) [Purpose]
In order to provide future capital policies with agility and flexibility with the goal of improving our financial structure as quickly as possible, the amount of capital, etc. will be reduced and transferred to other capital surplus constituting distributable amounts.
Note that this reduction in capital, etc. is a condition for stopping payment of these class shares.
- (2) Amount of capital to be reduced
¥19,885,337,250 (US\$182.719 million) of capital following this private allocation of shares will be reduced by ¥14,885,337,250 (US\$136.776 million) to ¥5,000,000,000 (US\$45.943 million).
- (3) Amount of capital reserves to be reduced
¥26,597,227,321 (US\$244.392 million) of capital reserves following this private allocation of shares will be reduced by ¥26,582,726,269 (US\$244.259 million) to ¥14,501,052 (US\$0.133 million).
- (4) Method of reducing the amount of capital, etc.
After recording this decrease in the amount of capital, etc., the totals of each will be transferred to other capital surplus.
- (5) Effective date for reduction in the amount of capital, etc.
January 21, 2021 (Thursday) (tentative)

(c) Appropriation of surplus

- (1) [Purpose]
The surplus will be appropriated, and other capital surplus obtained through reducing the amount of capital, etc. will be used to cover for deficits in retained earnings carried forward.
However, the effectiveness of this reduction in capital, etc. will serve as a condition for appropriating this surplus.
- (2) Category and amount of surplus to decrease:
Other capital surplus of ¥5,912,006,538 (US\$54.323 million)
- (3) Category and amount of surplus to increase:
Retained earnings carried forward of ¥5,912,006,538 (US\$54.323 million)

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, 2020, 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, 2020, 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, 2020 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.

August 28, 2020
Tokyo, Japan

Shinjuku Audit Corporation



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