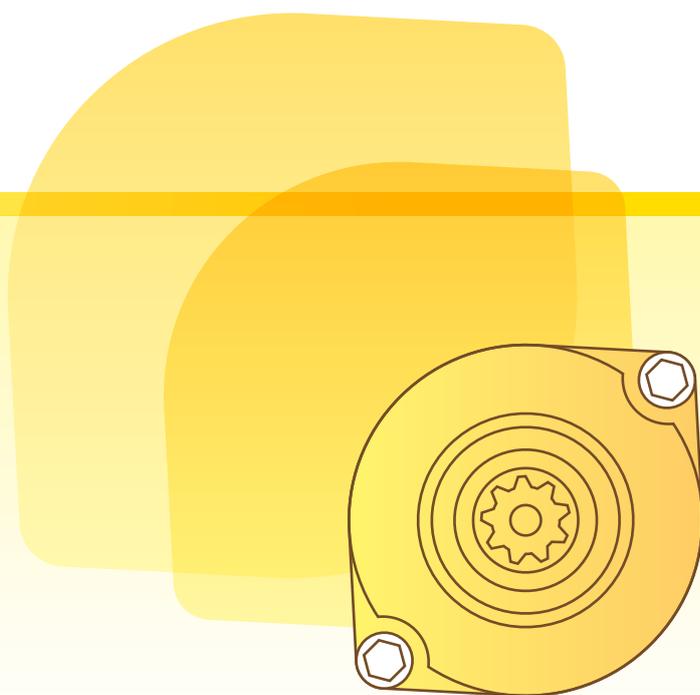


# MITSUBA

MITSUBA Corporation

# ANNUAL REPORT 2021

Fiscal Year Ended March 31, 2021



## Contents

Profile.....	C2
Outline of the Company.....	C2
Six-Year Summary.....	1
Corporate History.....	1
Message from the Management...	2
Review of Operations.....	4
Financial Section.....	6

## Profile

Mitsuba Corporation is a manufacturer of automotive electronic components with transportation equipment-related operations as its core business. We are currently working to reinforce our corporate structure by promoting business restructuring while also creating new products with new value for the next generation. Mitsuba set a basic policy in April 2020 of “Improvement of financial structures through reinforcement of earning capacity and cash flow generation” and initiated its 12th Midterm Management Plan, which covers five years. Under the plan, our priorities will be to create products with new value for the next generation and to reinforce our corporate structure by carrying out business restructuring. For our automobile parts business, we will work to develop next-generation system products, and in the motorcycle and general-purpose products business, we intend to further strengthen development of environmentally friendly products while actively increasing sales. We are also committed to firming up our financial structure by improving free cash flow through selecting areas of

business, focusing management resources, and improving product competitiveness.

Our industry, the automobile industry, is undergoing a once-in-a-century transformation that centers on CASE, an acronym for Connected, Autonomous, Shared and Electrified. Evolving technologies are driving a change from internal combustion to electrification, from gas-powered to electric vehicles. The values we provide, though, will remain the same: convenience, comfort and safety for mobility. And the technologies that underpin these values, which have been passed down in an unbroken chain since our founding, will continue to make up the fabric of who we are.

Guided by a philosophy of “providing pleasure and peace of mind to the people of the world” through “technology in harmony with society and the environment,” we will continue to fulfill our obligations as a good corporate citizen and our commitment to being a trusted company that meets the expectations of society.

## 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 :

¥5,000 million

### Stock Listed :

Tokyo Stock Exchange First Section

### Authorized :

150,000,000 shares

### Outstanding :

Common stock : 45,581,809  
Class A shares : 15,000  
Class C shares : 5,000

### Number of Shareholders :

Common stock : 12,184  
Class A shares : 1  
Class C shares : 1

### Number of Employees :

Consolidated : 26,126 (2,499)  
Non-consolidated : 3,626

The figure in parentheses is the annual average number of temporary employees.  
(As of March 31, 2021)



### Directors

Representative Director, President

**Katsuyoshi Kitada**

Representative Director

**Nobuyuki Take**

Director

**Masahiko Sugiyama**

Director (External)

**Takashi Komagata**

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**

### Officer

President, Chief Operating Officer

**Katsuyoshi Kitada**

Executive Vice President, Executive Officer

**Nobuyuki Take**

Senior Managing Officer

**Sadami Hino**

Managing Officer

**Masahiko Sugiyama**

Managing Officer

**Kazumi Umahashi**

Managing Officer

**Yutaka Nozue**

Managing Officer

**Hideyuki Minami**

Managing Officer

**Masayoshi Shirato**

Managing Officer

**Masamichi Mogi**

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**

Operating Officer

**Yoshiaki Takei**

Operating Officer

**Hitoshi Ono**

Operating Officer

**Takashi Shimura**

(As of June 25, 2021)

## 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.) 2020: April 2019 – March 2020

	Yen (millions), except for per share amounts					
	2016	2017	2018	2019	2020	2021
Net sales .....	¥333,232	¥327,977	¥387,186	¥333,278	¥304,224	¥269,202
Gross profit .....	53,488	55,486	59,258	44,773	40,194	38,053
Operating income .....	22,889	22,687	19,103	10,956	8,531	8,548
Profit (loss) before income taxes .....	17,729	13,460	9,127	3,853	(5,352)	5,568
Profit (loss) attributable to owners of parent ...	8,518	5,082	(6,528)	(7,021)	(13,804)	732
Capital expenditures .....	19,842	20,955	22,304	35,199	27,847	7,757
Total assets .....	314,859	329,391	337,269	334,679	312,384	343,136
Return on assets(%) .....	2.7	1.6	—	—	—	0.2
Shareholders' equity .....	76,014	78,081	68,473	56,971	28,830	58,372
Return on equity(%) .....	11.0	6.6	—	—	—	1.3
Shareholders' equity ratio(%) .....	24.1	23.7	20.3	17.0	9.2	17.0
Per share(yen):Net income .....	¥190.31	¥113.55	¥(145.87)	¥(156.87)	¥(308.43)	¥16.36
Cash dividends applicable to period(yen)						
Common stock .....	18.0	15.0	16.0	16.0	—	—
Class A shares .....	—	—	—	—	—	30,000.00
Interest coverage(times) .....	22.2	19.5	3.7	3.7	8.0	7.7
Expenses for R&D .....	13,039	13,806	14,441	18,242	14,320	11,749
Ratio of SG&A to net sales(%) .....	9.2	10.0	10.4	10.1	10.4	11.0
Current ratio(%) .....	148.7	152.5	142.0	150.0	128.6	147.9
Fixed ratio(%) .....	160.9	170.7	203.3	259.3	491.8	240.5
Interest - bearing debt .....	141,816	152,669	175,222	189,439	200,169	196,572
Cash flows .....						
Operating activity .....	29,276	25,450	5,470	6,157	15,305	15,410
Investing activity .....	(20,027)	(21,201)	(19,876)	(33,374)	(23,601)	(6,655)
Financing activity .....	1,398	3,409	16,385	8,154	6,337	12,816

### History

<b>1946</b>	Mitsuba Electric Mfg. Co., Ltd. was founded in Kiryu, Gunma Prefecture. Production and sale of generator lamps for bicycles began.
<b>1951</b>	Production and sale of auto horns began as the first auto related business.
<b>1956</b>	Production and sale of wiper motors began.
<b>1960</b>	Production and sale of starters for small motorcycles began.
<b>1970</b>	Ryomo Computing Center Co., Ltd. was founded. (Renamed to Ryomo Systems Co., Ltd. in 1982)
<b>1977</b>	Initial public offering on the Tokyo Stock Exchange.
<b>1986</b>	American Mitsuba Corporation was founded in Illinois, U.S.A.
<b>1988</b>	Mitsuba shares were listed on the Second Section of the Tokyo Stock Exchange.
<b>1989</b>	Listing of Mitsuba shares was changed to the First Section of the Tokyo Stock Exchange.
<b>1996</b>	Business name was changed to Mitsuba Corporation.
<b>1997</b>	Mitsuba announced the New Mitsuba Environmental Declaration and Guidelines for Action.
<b>2006</b>	MITSUBA WAY was established.
<b>2007</b>	The Jidosha Denki Kogyo Co., Ltd. (Jideco) merged with Mitsuba.
<b>2014</b>	Mitsuba Vision 2024 established.
<b>2017</b>	Mitsuba Environmental Vision 2046 announced.
<b>2021</b>	Mitsuba Vision 2030 established.

## 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

Our industry, the automobile industry, is going through a once-in-a-century transformation called CASE, an acronym for Connected, Autonomous, Shared and Electrified. Internal combustion engines are giving way to electric vehicles, and connected cars and autonomous driving are becoming a reality thanks to ICT and AI technologies. Mobility-as-a-service, or MaaS, services that provide mobility for a fee when it is needed, is also becoming more widely available; car sharing is a prime example. Cars are changing from something you own to something you use. Amid these changes, we established a basic policy in April 2020, “Improvement of financial structures through reinforcement of earning capacity and cash flow generation,” and established our 12th Midterm Management Plan, which covers five years.

The priorities of the plan for the 12th midterm are:  
1) For the automobile parts business: System products with mechatronical integration applicable to CASE; and

2) For motorcycle and general-purpose products businesses: Environment-friendly products, seizing exhaust gas regulations of each country as an opportunity. We will actively strengthen development of these products and actively work to increase sales.

In the year ending March 2025, the final year of our midterm plan, we are targeting net sales of ¥350.0 billion or higher, an operating income ratio of 6% or higher, and cumulative cash flow of ¥70.0 billion or higher, and will build a profit structure that is sustainable over the medium to long term. We have identified the following three key initiatives and will carry out measures necessary for them.

1. Business Restructuring
2. Reinforcement of Corporate Structure
3. Measures Aimed at Next-Generation Business

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## Key Issues

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The Mitsuba Group began operating under its 12th Midterm Management Plan in fiscal 2020. The plan defines three key initiatives: Business Restructuring, Reinforcement of Corporate Structure, and Measures Aimed at Next-Generation Business. The business environment remains very challenging, but in fiscal 2021, the second year of the plan, we will improve our earnings base by continuing, and fully integrating, restructuring measures started in the first year of the plan and thereby establish a firm business foundation for the future.

### 1) Business Restructuring

We will promote a shift of management resources to motorcycles, where growth is expected, and accommodate needs related to compliance with environmental regulations, which are increasing globally. Moreover, we will select business areas by markets/customers and products and focus management resources in them to rebuild and optimize our global supply chain.

### 2) Reinforcement of Corporate Structure

We will work to strengthen our financial structure by improving free cash flow, firm up management capacities in support of restructuring, and reinforce

the corporate structure through business reforms. To firm up management capacities, we will execute PDCA cycles at the business and product levels to maximize earnings and optimize business.

### 3) Measures Aimed at Next-Generation Business

We will endeavor to create products with new value that will form the pillar of next-generation business and convert to products with high added value through mechatronical integration. In addition, by strengthening our global quality assurance system, we will work to further improve customer satisfaction. The COVID-19 pandemic has had an enormous impact on the global economy. However, Mitsuba's products and services will continue to be required by the market. We will continue to carry out and integrate restructuring measures to build a foundation for the future.

Going forward, guided by our philosophy, which is "to provide pleasure and peace of mind to the people of the world," we will continue to take rigorous measures to ensure compliance and further strengthen corporate governance in order to be a trusted company that meets the expectations of society.

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## Outlook for the Next Term

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Regarding the forecast for the global economy going forward, the real economy is being heavily impacted by the COVID-19 pandemic, which is causing personal consumption to stagnate and corporate earnings to deteriorate, so it remains difficult to predict when economic activities will normalize and economic conditions recover.

In the automobile industry as well, due in part to risk factors like spikes in raw material prices and semiconductor supply shortages, it is extremely difficult to predict a recovery in production and sales

in countries around the world; the situation remain opaque.

Amid these conditions, our full-year consolidated performance forecasts for the year ending March 2022 are as follows. We are forecasting consolidated net sales of ¥300.0 billion, a year-on-year increase of 11.4%, operating income of ¥15.0 billion, a year-on-year increase of 75.5%, ordinary income of ¥14.0 billion, a year-on-year increase of 60.0%, and profit attributable to owners of parent of ¥7.0 billion, which last fiscal year was ¥732 million.



Katsuyoshi Kitada  
Representative Director, President

# Review of Operations

The Mitsuba Group comprises 49 companies, including the Mitsuba Corporation. Our primary lines of business are transportation equipment-related operations and information service operations, but we are also involved in agency services for group and other companies.

## Automotive Products



Front Wiper System



Power Window Motor



Power Sliding Door Drive System



Electric Power Steering Motor



Starter Motor



Electric Oil Pump

## Motorcycle Products / General Use Products



Starting Generator

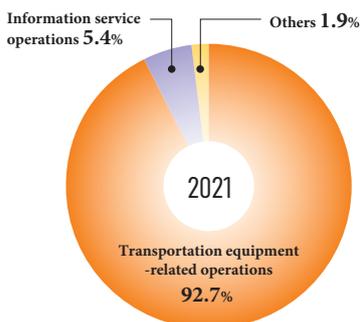


Fuel Pump Module

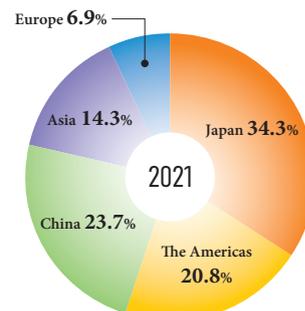
## Operating Results for term end March 2021

The global economy in the consolidated fiscal year under review was severely impacted by COVID-19 as it spread around the world. There were signs of a partial recovery in the middle of the fiscal year, but due to prolonged entry restrictions in various countries, lockdowns in major European countries, and other related developments, there was protracted stagnation in economic activity. Vaccinations for the virus commenced in the second half of the fiscal year, but it is still unclear when infections will subside, and, in addition, new variants have emerged, so the outlook remain uncertain.

In the automobile industry, global automobile sales volume in calendar year 2020 totaled 77,661 thousand units, a year-on-year decrease of 14.0%. In the U.S., due to the impact of the pandemic, tight semiconductor supply and other factors, sales volume for the calendar year amounted to 14,577 thousand units, a year-on-year decrease of 14.5% for the second consecutive year of year-on-year declines. In Europe, volume for the calendar year was 11,573 thousand units, a year-on-year decrease of 24.6%, due to lockdowns caused by COVID-19. It was the first year-on-year decline in two years. In China, the impact of COVID-19 decreased, but sales subsidies and other consumption stimulus measures bore fruit, and calendar year sales volume was 25,272 thousand units, a year-on-year decrease of 1.9%, so the negative margin was kept to a minimum, though it was the third consecutive year of year-on-year declines. Japan has been impacted by the pandemic, tight semiconductor supply and other related factors, so in fiscal 2020 volume totaled 4,657 thousand units, a year-on-year decrease of 7.6%. It was the second straight year of year-on-year declines. Registered vehicles totaled 2,899 thousand units, a year-on-year decrease of 8.9% and the fourth consecutive year of declines. Light vehicles totaled 1,758 thousand units, a year-on-year decrease of 5.3% and the second consecutive year of declines.



Sales by Business Type



Sales by Geographic Region

Global motorcycle sales for the calendar year amounted to 13,956 thousand units, a year-on-year decrease of 25.6% and the second consecutive year of year-on-year declines, as a result of India, the largest market, being impacted by COVID-19. In Indonesia, sales fell for the second consecutive year, to 3,743 thousand units for the calendar year, a year-on-year decrease of 41.1% that was due to COVID-19 and more stringent loan regulations. In Japan, sales of mopeds increased, but declines in motorized bicycles categories 1 and 2 and small motorcycles resulted in overall motorcycle sales of 326 thousand units for the calendar year, a year-on-year decrease of 9.9% for a seventh straight year of declines.

#### By Business

##### Transportation Equipment-related Operations Segment

Sales totaled ¥249,496 million, down 13.0% year on year, and operating income was ¥6,815 million (¥6,912 million in the previous fiscal year) due to the impact of COVID-19, tight semiconductor supply, and other factors.

##### Information Service Operations Segment

Orders increased from the public and private sectors and the earnings structure improved thanks to increased productivity and other factors, resulting in sales of ¥14,580 million, a year-on-year increase of 8.6%, and operating income of ¥1,432 million (¥1,349 million in the previous fiscal year).

#### Other Businesses

Sales were ¥5,125 million, up 28.8% year on year, and operating income totaled ¥290 million (¥264 million in the previous fiscal year).

#### Breakdown by Region

##### Japan

Sales totaled ¥92,216 million, down 10.2% year on year, and operating income was ¥1,383 million (¥2,376 million in the previous fiscal year).

##### The Americas

Sales amounted to ¥55,943 million, down 26.1% year on year. There was an operating loss of ¥851 million (operating loss of ¥1,033 million in the previous fiscal year).

##### Europe

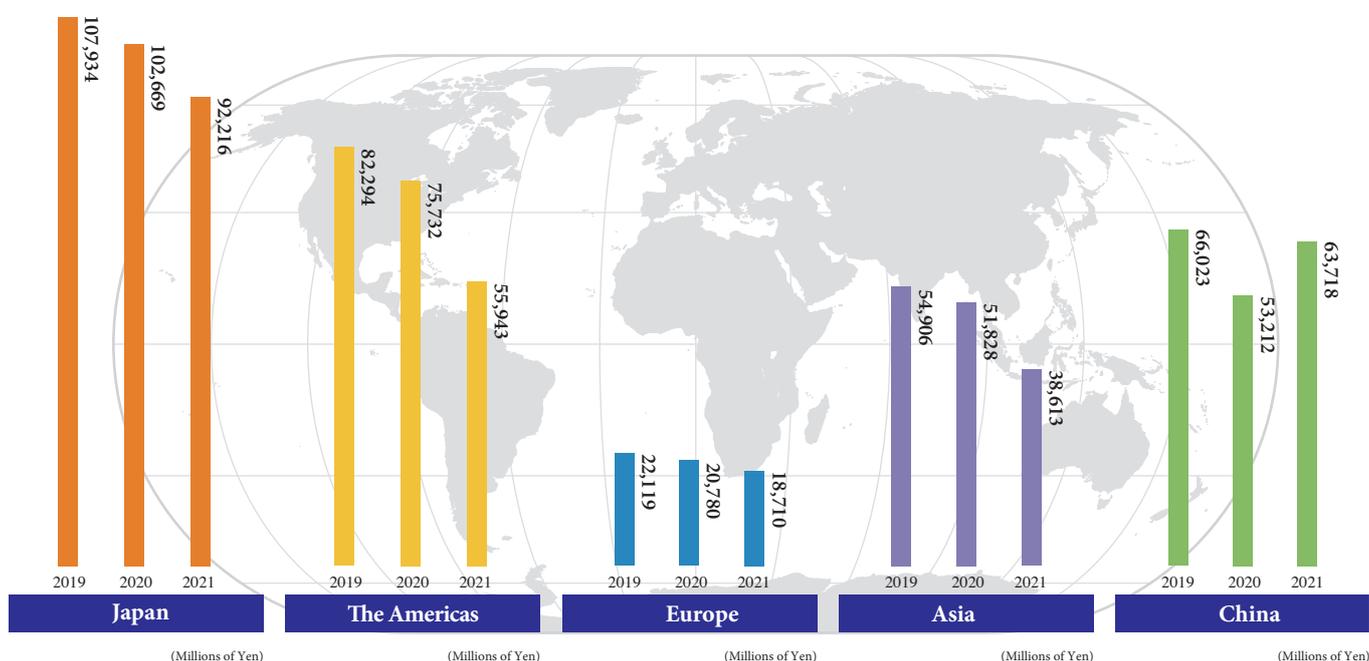
Sales were ¥18,710 million, down 10.0% year on year. There was an operating loss of ¥337 million (operating loss of ¥467 million in the previous fiscal year).

##### Asia

Sales totaled ¥38,613 million, a year-on-year decrease of 25.5%, and operating income was ¥2,941 million (¥5,079 million in the previous fiscal year).

##### China

Sales amounted to ¥63,718 million, a year-on-year increase of 19.7%, and operating income totaled ¥5,167 million (¥2,884 million in the previous fiscal year).



# Consolidated Balance Sheets

MITSUBA Corporation and its Consolidated Subsidiaries  
As of March 31, 2020 and 2021

ASSETS	Yen (Millions) As of March 31		U.S. Dollars (Thousands) As of March 31
	2020	2021	2021
<b>Current assets :</b>			
Cash and deposits (Note 7) .....	¥55,699	¥78,748	\$711,242
Trade receivables :			
Accounts and notes (Note 13) .....	43,932	50,751	458,372
Less: Allowance for doubtful accounts .....	(40)	(15)	(141)
Inventories (Note 6) .....	49,777	55,074	497,423
Others .....	21,214	18,186	164,253
Total current assets .....	<u>170,584</u>	<u>202,744</u>	<u>1,831,150</u>
<b>Property, plant and equipment (Notes 9 &amp; 12) :</b>			
Land .....	7,878	7,989	72,158
Buildings and structures .....	77,460	80,530	727,334
Machinery, equipment and vehicles .....	157,265	165,338	1,493,304
Tools furniture and fixtures .....	52,119	52,782	476,716
Construction in progress .....	12,673	3,994	36,077
Lease assets .....	7,654	8,032	72,549
	315,052	318,667	2,878,140
Less accumulated depreciation .....	(207,855)	(217,938)	(1,968,374)
Net Property, plant and equipment .....	<u>107,196</u>	<u>100,729</u>	<u>909,765</u>
<b>Investments and other assets :</b>			
Investments in securities (Notes 5 & 8 & 9) .....	15,029	18,120	163,664
Long-term loans .....	2,252	2,354	21,265
Deferred tax assets (Note 11) .....	1,128	1,431	12,928
Others .....	16,194	17,756	160,375
Less: Allowance for doubtful accounts .....	(0)	(0)	(8)
Total investments and other assets .....	<u>34,603</u>	<u>39,662</u>	<u>358,225</u>
Total assets .....	<u>¥312,384</u>	<u>¥343,136</u>	<u>\$3,099,141</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities :</b>			
Short-term borrowings (Note 9) .....	¥50,051	¥48,176	\$435,120
Current portion of long-term debt (Note 9) .....	21,842	26,567	239,951
Current portion of bonds payable (Note 9) .....	30	30	270
Trade payables :			
Accounts and notes .....	23,464	27,809	251,174
Income taxes payable (Note 11) .....	1,835	2,599	23,474
Reserve for employees' bonuses .....	2,613	3,844	34,720
Others (Note 11) .....	32,831	28,086	253,675
Total current liabilities .....	<u>132,669</u>	<u>137,114</u>	<u>1,238,387</u>
<b>Long-term liabilities :</b>			
Bonds payable (Note 9) .....	1,105	1,075	9,709
Long-term debt (Note 9) .....	119,013	112,151	1,012,927
Deferred tax liabilities (Note 11) .....	6,708	7,971	71,998
Net defined benefit liability (Note 14) .....	1,776	2,164	19,552
Others .....	6,755	6,441	58,182
Total long-term liabilities .....	<u>135,357</u>	<u>129,804</u>	<u>1,172,370</u>
Total liabilities .....	<u>¥268,027</u>	<u>¥266,919</u>	<u>\$2,410,757</u>
<b>Contingent liabilities (Note 15) :</b>			
<b>Net assets (Note 10) :</b>			
Shareholders' equity			
Authorized			
Common stock : 150,000,000 Shares    Class A shares : 15,000 Shares    Class B shares : 6,000 Shares    Class C shares : 5,000 Shares			
Outstanding :			
March 31, 2020 : 45,581,809 Shares			
Common stock : 45,581,809 Shares			
March 31, 2021 : 45,601,809 Shares			
Common stock : 45,581,809 Shares    Class A shares : 15,000 Shares    Class C shares : 5,000 Shares			
Total capital stock .....	9,885	5,000	45,158
Capital surplus .....	15,407	33,926	306,421
Retained earnings .....	20,735	26,986	243,732
Treasury stock, at cost :			
March 31, 2020 : 824,714 Shares .....	(603)	—	—
March 31, 2021 : 825,208 Shares .....	—	(603)	(5,448)
Total shareholders' equity .....	<u>45,425</u>	<u>65,309</u>	<u>589,864</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities .....	(2,096)	1,212	10,948
Foreign currency translation adjustments .....	(12,019)	(6,593)	(59,549)
Remeasurements of defined benefit plans .....	(2,478)	(1,555)	(14,051)
Total accumulated other comprehensive income .....	<u>(16,595)</u>	<u>(6,936)</u>	<u>(62,652)</u>
Non-controlling interests .....	15,526	17,845	161,172
Total net assets .....	<u>44,357</u>	<u>76,217</u>	<u>688,384</u>
Total liabilities and net asset .....	<u>¥312,384</u>	<u>¥343,136</u>	<u>\$3,099,141</u>

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, 2019, 2020 and 2021

Consolidated Statements of Income	Yen (Millions) Year ended March 31			U.S. Dollars (Thousands) Year ended March 31
	2019	2020	2021	2021
Net sales (Note 16) .....	¥333,278	¥304,224	¥269,202	\$2,431,383
Cost of sales .....	288,504	264,029	231,149	2,087,696
Gross profit .....	44,773	40,194	38,053	343,687
Selling, general and administrative expenses .....	33,817	31,663	29,504	266,478
Operating income (Note 16) .....	10,956	8,531	8,548	77,208
<b>Other income (expenses) :</b>				
Interest and dividend income .....	1,263	1,095	782	7,068
Interest expenses .....	(1,651)	(1,922)	(1,960)	(17,702)
Others, net .....	(6,714)	(13,057)	(1,802)	(16,283)
<b>Profit (loss) before income taxes</b> .....	3,853	(5,352)	5,568	50,291
Income taxes (Note 11) .....	(8,786)	(6,741)	(3,121)	(28,192)
<b>Profit (loss)</b> .....	(4,932)	(12,094)	2,446	22,098
<b>Profit (loss) attributable to non-controlling interests</b> .....	2,089	1,710	1,714	15,487
Profit (loss) attributable to owners of parent .....	¥(7,021)	¥(13,804)	¥732	\$6,611

Per share of common stock :	Yen			U.S. Dollars
	2019	2020	2021	2021
Net income — Basic .....	¥(156.87)	¥(308.43)	¥16.36	\$0.15
— Diluted .....	—	—	14.30	0.13
Cash dividends, applicable to period				
Common stock .....	16.00	—	—	—
Class A shares .....	—	—	30,000.00	270.95

Consolidated Statements of comprehensive income	Yen (Millions) Year ended March 31			U.S. Dollars (Thousands) Year ended March 31
	2019	2020	2021	2021
<b>Profit (loss)</b> .....	¥(4,932)	¥(12,094)	¥2,446	\$22,098
<b>Other comprehensive income</b>				
Valuation difference on available-for-sale securities .....	(2,180)	(2,792)	3,336	30,136
Foreign currency translation adjustment .....	1,309	(9,010)	6,733	60,820
Remeasurements of defined benefit plans, net of tax .....	(1,534)	(2,287)	1,100	9,938
Share of the other comprehensive income of affiliates accounted for using equity method .....	(205)	183	(175)	(1,581)
Comprehensive income .....	¥(7,544)	¥(26,000)	¥13,442	\$121,411
<b>Comprehensive income attributable to</b>				
Owners of the parent .....	(9,451)	(26,419)	10,390	93,841
Non-Controlling interests .....	1,906	418	3,052	27,570

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, 2019, 2020 and 2021

	Yen (Millions)					
	Shareholders' equity					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at March 31, 2018</b> .....	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 ...						—
<b>Balance at March 31, 2019</b> .....	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 ...						—
<b>Balance at March 31, 2020</b> .....	45,581,809	¥9,885	¥15,407	¥20,735	¥(603)	¥45,425
Issuance of new shares .....	20,000	10,000	10,000			20,000
Capital reduction .....		(14,885)	14,885			—
Deficit disposition .....			(5,912)	5,912		—
Profit (loss) attributable to owners of parent .....				732		732
Purchase of treasury stock .....					(0)	(0)
Change in scope of consolidation .....				(393)		(393)
Capital increase of consolidated subsidiaries .....			(454)			(454)
Net changes in items other than shareholders' equity ...						—
<b>Balance at March 31, 2021</b> .....	45,601,809	¥5,000	¥33,926	¥26,986	¥(603)	¥65,309

	U.S. Dollars (Thousands)					
	Shareholders' equity					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at March 31, 2020</b> .....	45,581,809	\$89,282	\$139,161	\$187,280	\$(5,446)	\$410,277
Issuance of new shares .....	20,000	90,317	90,317			180,635
Capital reduction .....		(134,441)	134,441			—
Deficit disposition .....			(53,396)	53,396		—
Profit (loss) attributable to owners of parent .....				6,611		6,611
Purchase of treasury stock .....					(1)	(1)
Change in scope of consolidation .....				(3,555)		(3,555)
Capital increase of consolidated subsidiaries .....			(4,103)			(4,103)
Net changes in items other than shareholders' equity ...						—
<b>Balance at March 31, 2021</b> .....	45,601,809	\$45,158	\$306,421	\$243,732	\$(5,448)	\$589,864

The accompanying notes are an integral part of these statements.

Yen  
(Millions)

	Accumulated other comprehensive income					Total net assets
	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	
<b>Balance at March 31, 2018</b> .....	¥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)
<b>Balance at March 31, 2019</b> .....	¥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)
<b>Balance at March 31, 2020</b> .....	¥(2,096)	¥(12,019)	¥(2,478)	¥(16,595)	¥15,526	¥44,357
Issuance of new shares .....						20,000
Capital reduction .....						—
Deficit disposition .....						—
Profit (loss) attributable to owners of parent .....						732
Purchase of treasury stock .....						(0)
Change in scope of consolidation .....						(393)
Capital increase of consolidated subsidiaries .....						(454)
Net changes in items other than shareholders' equity ...	3,309	5,425	923	9,658	2,318	11,976
<b>Balance at March 31, 2021</b> .....	¥1,212	¥(6,593)	¥(1,555)	¥(6,936)	¥17,845	¥76,217

U.S. Dollars  
(Thousands)

	Accumulated other comprehensive income					Total net assets
	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	
<b>Balance at March 31, 2020</b> .....	\$(18,939)	\$(108,553)	\$(22,389)	\$(149,882)	\$140,230	\$400,625
Issuance of new shares .....						180,635
Capital reduction .....						—
Deficit disposition .....						—
Profit (loss) attributable to owners of parent .....						6,611
Purchase of treasury stock .....						(1)
Change in scope of consolidation .....						(3,555)
Capital increase of consolidated subsidiaries .....						(4,103)
Net changes in items other than shareholders' equity ...	29,887	49,003	8,338	87,229	20,941	108,171
<b>Balance at March 31, 2021</b> .....	\$10,948	\$(59,549)	\$(14,051)	\$(62,652)	\$161,172	\$688,384

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, 2019, 2020 and 2021

	Yen (Millions) Year ended March 31			U.S. Dollars (Thousands) Year ended March 31
	2019	2020	2021	2021
<b>Cash flows from operating activities :</b>				
Profit (loss) attributable to owners of parent .....	¥(7,021)	¥(13,804)	¥732	\$6,611
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization .....	17,328	15,669	16,555	149,522
Loss on disposal of fixed assets .....	1,445	252	331	2,995
Share of profit of entities accounted for using equity method .....	(966)	(850)	(254)	(2,296)
Deferred income tax .....	4,233	2,518	187	1,696
Decrease (Increase) in assets:				
Trade receivables .....	4,892	6,707	(4,310)	(38,934)
Inventories .....	(7,075)	(2,114)	(2,831)	(25,576)
Other current assets .....	(655)	(457)	1,496	13,517
Increase (Decrease) in liabilities:				
Trade payables .....	(4,935)	(370)	2,519	22,753
Accrued expenses .....	1,610	(686)	937	8,468
Income taxes payable .....	142	44	763	6,895
Net defined benefit liability .....	114	327	214	1,935
Other current liabilities .....	(442)	3,877	(1,294)	(11,690)
Others, net .....	(2,513)	4,192	363	3,284
Net cash provided by (used in) operating activities .....	6,157	15,305	15,410	139,183
<b>Cash flows from investing activities :</b>				
Payments for purchases of investment in securities .....	(55)	(328)	(659)	(5,953)
Proceeds from sales of investment in securities .....	170	158	358	3,240
Payments for acquisition of property, plant and equipment .....	(34,552)	(25,644)	(7,379)	(66,649)
Proceeds from sales of property, plant and equipment .....	1,282	1,043	394	3,561
Others, net .....	(218)	1,169	629	5,687
Net cash provided by (used in) investing activities .....	(33,374)	(23,601)	(6,655)	(60,112)
<b>Cash flows from financing activities:</b>				
Increase (Decrease) in short-term loans, net .....	(93)	5,976	(2,357)	(21,291)
Proceeds from long-term debt .....	34,936	18,991	20,536	185,482
Repayment of long-term debt .....	(22,683)	(16,043)	(22,799)	(205,915)
Proceeds from issuance of bonds .....	—	1,134	—	—
Redemption of bonds .....	—	(15)	(30)	(270)
Proceeds from issuance of shares .....	—	—	19,930	180,003
Repayment of lease obligation .....	(2,130)	(2,024)	(1,818)	(16,423)
Cash dividends paid .....	(1,872)	(1,681)	(645)	(5,829)
Others, net .....	(0)	(0)	(0)	(1)
Net cash provided by (used in) financing activities .....	8,154	6,337	12,816	115,752
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(344)</b>	<b>(2,315)</b>	<b>1,995</b>	<b>18,024</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>(19,406)</b>	<b>(4,273)</b>	<b>23,566</b>	<b>212,848</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>76,278</b>	<b>58,096</b>	<b>53,822</b>	<b>486,114</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiary .....</b>	<b>1,224</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash and cash equivalents at end of year (Note 5) .....</b>	<b>¥58,096</b>	<b>¥53,822</b>	<b>¥77,389</b>	<b>\$698,962</b>
<b>Supplemental data:</b>				
Cash paid during the year for				
Income tax .....	¥4,438	¥4,032	¥2,332	\$21,066
Interest .....	1,671	1,917	1,988	17,964

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 ¥110.72 to US\$1.00, prevailing on March 31, 2021, 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. Moreover, there were 47 subsidiary companies on March 31, 2021. The consolidated financial statements included the financial statements of the Company and its 46 and 44 significant subsidiaries as of March 31, 2020 and 2021, 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 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. Some overseas consolidated subsidiaries conduct accounting for leases with the method for normal lease transactions in accordance with IFRS 16 "Leases." All leases in principle are recorded as assets and liabilities on their consolidated balance sheets, and the straight-line method is used to depreciate lease assets that are stated as assets.

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 presentation methods

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) is being applied as of the fiscal year under review, and "Notes on accounting estimates" is included in the "Notes to consolidated financial statements."

## 4. Notes on accounting estimates

Significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are as follows.

Regarding the impact of COVID-19, the Company and its consolidated subsidiaries have made accounting estimates on the basis of the assumption that the impact of COVID-19 will continue for an indeterminate amount of time in the fiscal year ending March 2022 based on external information available as of the end of the consolidated fiscal year under review. This is assumed because of the difficulty at the present time of predicting how infections will spread going forward and when they will subside, etc.

### (a) Recoverability of deferred tax assets

Amounts recorded in the consolidated fiscal year  
Deferred tax assets ¥1,431 million  
Deferred tax liabilities ¥7,971 million

Deferred tax assets are recorded after carefully considering recoverability based primarily on estimates of future taxable income. If it is determined that there is a low likelihood of recovery, the amount may be reduced to an amount deemed appropriate.

### (b) Reserve for business structure improvements

Amount recorded in the consolidated fiscal year under review  
Reserve for business structure improvements ¥2,757 million

The reserve for business structure improvements is set aside to provide for losses estimated in conjunction with business structure improvements, so the amount of loss estimated to occur from the next consolidated fiscal year is recorded for those items that can be rationally estimated as of the end of the fiscal year under review.

The estimates apply assumptions that include estimates of expenses to be incurred from eliminating and consolidating

business sites.

Should it become necessary to revise the estimates and assumptions due to changes in the expenses, etc., it may impact the amount of reserve for business structure improvements recognized in the consolidated financial statements from the next consolidated fiscal year.

### (c) Impairment of fixed assets

Amount recorded in the fiscal year under review  
Impairment loss ¥203 million

Regarding fixed assets, whether or not impairment is necessary is considered based on the Accounting Standard for Impairment of Fixed Assets. Should impairment be recognized as a current necessity due to there being no prospect for recovering the investment as initially assumed due to business conditions deteriorating, etc., impairment accounting may be applied to fixed assets.

## 5. Marketable securities and investments in securities

The cost and fair value of marketable securities and investments in securities as of March 31, 2021 are shown below :

	Yen (millions)	U.S. Dollars (thousands)
	2021	2021
Debt and equity securities – available-for-sale :		
Cost .....	¥12,202	\$110,214
Gross unrealized gains .....	2,289	20,677
Gross unrealized losses .....	(447)	(4,037)
Amount in balance sheet .....	¥14,045	\$126,853
Non-marketable securities are not included in the above cost and fair value :		
Amount in balance sheet .....	¥369	\$3,332

## 6. Inventories

Inventories at March 31, 2020 and 2021 comprise the following :

	Yen (millions)		U.S. Dollars (thousands)
	2020	2021	2021
Merchandise and Finished products .....	¥11,797	¥12,953	\$116,992
Work-in-process .....	5,254	5,402	48,798
Materials and supplies .....	32,725	36,718	331,632
	¥49,777	¥55,074	\$497,423

## 7. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated balance sheet amounts at March 31, 2020 and 2021 :

	Yen (millions)		U.S. Dollars (thousands)
	2020	2021	2021
Cash and deposits .....	¥55,699	¥78,748	\$711,242
Deposits with a maturity of three months or more .....	(1,877)	(1,359)	(12,279)
Cash and cash equivalents .....	¥53,822	¥77,389	\$698,962

## 8. Investment in non-consolidated subsidiaries and affiliates

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

	Yen (millions)		U.S. Dollars (thousands)
	2020	2021	2021
Investment in non-consolidated Subsidiaries and affiliates .....	¥4,228	¥3,706	\$33,477

## 9. Long-term debt

As of March 31, 2021, loans of ¥47,699 million (\$430,815 thousand), including short-term borrowings debt of ¥14,272 million (\$128,903 thousand), is secured by property, plant and equipment in securities with a net value of ¥11,398 million (\$102,951 thousand).

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset deposits against such obligations due to the bank.

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

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2023.....	¥7,634	\$68,951
2024.....	26,069	235,457
2025.....	34,792	314,242
2026 and thereafter.....	50,328	454,553
	<u>¥118,825</u>	<u>\$1,073,205</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 2020 and 2021.

Details of income tax expense are as follows :

	Yen (millions)		U.S. Dollars (thousands)
	2020	2021	2021
Income taxes :			
Current .....	¥4,223	¥2,933	\$26,495
Deferred .....	2,518	187	1,696
	<u>¥6,741</u>	<u>¥3,121</u>	<u>\$28,192</u>

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

	Yen (millions)		U.S. Dollars (thousands)
	2020	2021	2021
Deferred tax assets :			
Accrued employees' bonuses .....	¥691	¥1,032	\$9,326
Provision for Enterprise taxes .....	112	146	1,326
Warranty reserves for products .....	268	284	2,569
Retirement and severance benefit for directors and statutory auditors ....	73	0	0
Others .....	1,453	584	5,277
Gross deferred tax assets .....	<u>¥2,599</u>	<u>¥2,048</u>	<u>\$18,500</u>
Deferred tax liabilities :			
Reserve for program development ....	(3)	(3)	(34)
Net defined benefit asset .....	(2,805)	(3,473)	(31,374)
Valuation difference on available-for- sale securities .....	(222)	(560)	(5,064)
Tax on undistributed earnings of foreign subsidiaries .....	(3,769)	(4,029)	(36,395)
Others .....	(1,378)	(520)	(4,700)
Gross deferred tax liabilities .....	<u>(8,179)</u>	<u>(8,588)</u>	<u>(77,570)</u>
Net deferred tax assets .....	<u>¥(5,580)</u>	<u>¥(6,540)</u>	<u>\$(59,069)</u>

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

	2020	2021
Statutory effective tax rate .....	—	30.5%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses .....	—	0.2
Taxation on per capita basis .....	—	1.1
Non-taxable income .....	—	(0.6)
Difference in normal tax rates of foreign subsidiaries .....	—	(0.6)
Foreign tax amount .....	—	21.1
Equity in income of affiliates .....	—	1.8
Valuation allowance .....	—	(0.3)
Tax on undistributed earnings of foreign subsidiaries .....	—	4.7
Others .....	—	(1.8)
Actual effective tax rate .....	<u>—</u>	<u>56.1%</u>

Note: Net loss before taxes and other adjustments are recorded for the previous 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)
	2020	2021	2021
Investment and other assets –			
Deferred tax assets .....	¥2,599	¥2,048	\$18,500
Long - term liabilities – Others .....	(8,179)	(8,588)	(77,570)
Net deferred tax assets .....	<u>¥(5,580)</u>	<u>¥(6,540)</u>	<u>\$(59,069)</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)
	2020	2021	2021
Machinery and equipment and others ....	¥177	¥177	\$1,598
Accumulated depreciation .....	(174)	(177)	(1,598)
	¥2	—	—

Future lease payments required under operating lease that have initial in excess of one year as of March 31, 2021 are :

Years ending March 31	Yen (millions)	U.S. Dollars (thousands)
2022 .....	¥20	\$180
2023 and thereafter .....	24	225
Total future lease payments .....	¥44	\$406

## 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, 2021 are summarized as follows :

### (1) Interest-Rate-Related Derivatives

	Yen(millions)		
	2021		
	Contract value	Fair value	Unrealized gain(loss)
Interest-rate swaps:			
receive floating, pay fixed	¥11,458	¥(267)	¥(267)

	U.S. Dollars(thousands)		
	2021		
	Contract value	Fair value	Unrealized gain(loss)
Interest-rate swaps:			
receive floating, pay fixed	\$103,491	\$(2,415)	\$(2,415)

## 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.

Pension and severance obligation	Yen (millions)	U.S. Dollars (thousands)
	2021	2021
Projected benefit obligation .....	¥(23,043)	\$(208,125)
Plan assets .....	32,316	291,875
Funded status .....	9,272	83,749
Unrecognized actuarial gain (loss) .....	2,140	19,334
Net amount recognized .....	11,413	103,083
Net defined benefit asset .....	11,437	103,301
Net defined benefit liability .....	(2,164)	(19,552)
Remeasurements of defined benefit plans .....	2,140	19,334

Detail of net periodic pension cost	Yen (millions)	U.S. Dollars (thousands)
	2021	2021
Service cost .....	¥1,300	\$11,742
Expected return on plan assets .....	(1,323)	(11,952)
Amortization actuarial loss .....	230	2,084
Amortization of past service liability .....	(215)	(1,949)
Retirement benefit expenses calculated by		
the simplified method .....	63	574
Extra severance pay cost .....	8	76
Net periodic benefit cost .....	63	575
Others .....	798	7,216
Total .....	¥862	\$7,792

Actuarial assumptions	2021
Discount rate .....	Mainly 0.0%
Expected return on plan assets .....	Mainly 5.1%

## 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\$30.789 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, 2020 and 2021 and for the years then ended:

Industry segments:	Yen (Millions) Year ended March 31		U.S. Dollars (Thousands) Year ended March 31
	2020	2021	2021
Sales and operating revenue :			
Transportation Equipment-related Operations			
Customers .....	¥286,822	¥249,496	\$2,253,400
Intersegment .....	613	529	4,780
Total .....	287,436	250,025	2,258,181
Information Service Operations			
Customers .....	¥13,423	¥14,580	\$131,689
Intersegment .....	2,423	2,060	18,607
Total .....	15,847	16,640	150,296
Others			
Customers .....	¥3,978	¥5,125	\$46,292
Intersegment .....	2,423	1,196	10,808
Total .....	6,401	6,322	57,101
Corporate and elimination .....	(5,460)	(3,786)	(34,195)
Consolidated .....	¥304,224	¥269,202	\$2,431,383
Operating income :			
Transportation Equipment-related Operations .....	¥6,912	¥6,815	\$61,554
Information Service Operations .....	1,349	1,432	12,935
Others .....	264	290	2,619
Corporate and elimination .....	3	10	99
Consolidated .....	¥8,531	¥8,548	\$77,208
Identifiable assets :			
Transportation Equipment-related Operations .....	¥296,809	¥326,769	\$2,951,309
Information Service Operations .....	16,020	16,714	150,965
Others .....	16,612	15,904	143,647
Corporate and elimination .....	(17,058)	(16,251)	(146,781)
Consolidated .....	¥312,384	¥343,136	\$3,099,141
Depreciation			
Transportation Equipment-related Operations .....	¥14,968	¥15,753	\$142,283
Information Service Operations .....	616	683	6,169
Others .....	84	118	1,069
Consolidated .....	¥15,669	¥16,555	\$149,522
Impairment loss			
Transportation Equipment-related Operations .....	¥4,821	¥203	\$1,833
Information Service Operations .....	4	—	—
Others .....	—	—	—
Consolidated .....	¥4,825	¥203	\$1,833
Capital expenditures :			
Transportation Equipment-related Operations .....	¥25,805	¥7,313	\$66,054
Information Service Operations .....	976	375	3,394
Others .....	1,083	75	678
Corporate and elimination .....	(17)	(7)	(65)
Consolidated .....	¥27,847	¥7,757	\$70,061

Geographic areas :	Yen (Millions) Year ended March 31		U.S. Dollars (Thousands) Year ended March 31
	2020	2021	2021
Sales and operating revenue :			
Japan			
Customers .....	¥102,669	¥92,216	\$832,882
Intersegment .....	62,045	57,323	517,732
Total .....	164,714	149,540	1,350,615
America			
Customers .....	¥75,732	¥55,943	\$505,268
Intersegment .....	863	794	7,173
Total .....	76,595	56,737	512,441
Europe			
Customers .....	¥20,780	¥18,710	\$168,989
Intersegment .....	1,686	1,503	13,583
Total .....	22,467	20,214	182,573
Asia			
Customers .....	¥51,828	¥38,613	\$348,752
Intersegment .....	48,535	44,745	404,130
Total .....	100,364	83,359	752,883
China			
Customers .....	¥53,212	¥63,718	\$575,490
Intersegment .....	11,981	9,867	89,117
Total .....	65,194	73,585	664,607
Corporate and elimination .....	(125,112)	(114,233)	(1,031,736)
Consolidated .....	¥304,224	¥269,202	\$2,431,383
Operating income :			
Japan .....	¥2,376	¥1,383	\$12,499
America .....	(1,033)	(851)	(7,691)
Europe .....	(467)	(337)	(3,044)
Asia .....	5,079	2,941	26,562
China .....	2,884	5,167	46,671
Corporate and elimination .....	(307)	244	2,210
Consolidated .....	¥8,531	¥8,548	\$77,208
Identifiable assets :			
Japan .....	¥263,624	¥283,875	\$2,563,907
America .....	27,834	29,272	264,383
Europe .....	6,459	8,374	75,635
Asia .....	54,345	58,508	528,439
China .....	38,955	51,439	464,587
Corporate and elimination .....	(78,835)	(88,333)	(797,811)
Consolidated .....	¥312,384	¥343,136	\$3,099,141

# 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, 2021, 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, 2021, 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, 2021 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 25, 2021

Tokyo, Japan

*Shinjuku Audit Corporation*

# **mitsuba**

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