

FINANCIAL STATEMENTS

2003



FUTABA INDUSTRIAL CO., LTD.

PROFILE

Since its establishment in 1945, Futaba Industrial Co.,Ltd. a manufacturer and supplier of automotive parts, has grown steadily, contributing to the development of the automotive industry in Japan.

To achieve this, we have vigorously introduced latest equipment and rationalized our facilities. And through the application of our comprehensive technological research and development organization, as well as our accumulated know-how and with the participation of all our employees in quality-control activities, we create quality with machines, technology and heart.

In the automobile parts field, where cooperative labor and management originated, we cultivate competitive spirit in the promotion of our unique single work-shift production system and in Futaba's basic posture of treating all employees equally.

As we expand into the next age as the world's number one parts maker centered around the manufacture of automobile mufflers, our watchwords are " Quality Products at Lower Cost " as we create human resources full of vitality and conduct our business placing importance in the trust of our customers.

Futaba has seven factories and one R&D facilities in Aichi Prefecture, and at our seven plants, we manufacture exhaust components, chassis, body automotive components.

We incorporate our outstanding welding and press-work techniques into the design and production of welding fixtures, specialized welding machines and tools & dies for stamping. Also, Futaba produces components for office equipment such as photo copiers and fax machines.

We have inspired confidence in our customers through supplying products which have been produced using the technology and experience found in all corners of Futaba's divisions.

For overall planning in the group, Futaba has 100% affiliated companies in Saga prefecture and Iwate prefecture, in Illinois and Indiana, USA, in Ontario, Canada and in Czech. It also has joint venture companies in China, Taiwan, Indonesia and England, to create a firm base at the four corners of the globe. We believe that our mission is to establish a system that enables us to manufacture quality products at lower cost and deliver them to the locations the customers want. With this mind, we will improve our abilities as a global supplier as well as strengthening cooperation with our technical tie-up companies.

CONTENTS

Consolidated Five-Years Financial Summary	1
Consolidated Balance Sheets	2
Consolidated Statements of Income	4
Consolidated Statements of Shareholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Group Companies " ALL FUTABA "	11
Corporate Data	12

CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

FUTABA INDUSTRIAL CO.,LTD. Years ended March 31

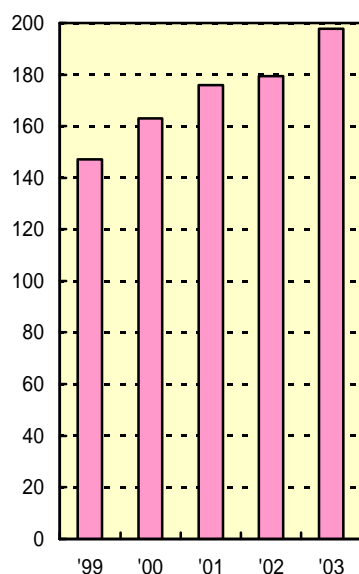
	Millions of yen					Thousands of U.S.dollars
	2003	2002	2001	2000	1999	2003
Net Sales	¥197,757	¥179,533	¥176,395	¥163,030	¥147,936	\$1,645,238
Operating Income	11,797	12,068	11,786	11,113	10,124	98,147
Income Before Income Taxes	18,277	12,362	7,357	12,000	10,879	152,059
Net Income	9,768	6,872	4,109	6,853	5,413	81,269
Shareholders' Equity	¥135,760	¥128,833	¥116,775	¥113,485	¥102,370	\$ 1,129,458
Total Assets	214,530	202,249	182,464	170,270	157,041	1,784,777

	yen					U.S.dollars
	2003	2002	2001	2000	1999	2003
Per Share (in yen and U.S.dollars)						
Shareholders' Equity	¥1,941.95	1,843.09	¥1,670.27	¥1,623.20	¥1,464.22	\$ 16.16
Net Income	138.40	98.30	58.77	98.02	79.62	1.15
Cash Dividends	14.00	14.00	14.00	13.00	12.00	0.12

Notes: 1.The computation of net income per share is based on the average number of shares outstanding during each period.
2.U.S.dollar amounts have been translated from yen at the balance sheet date, rate of ¥120.20=US\$1

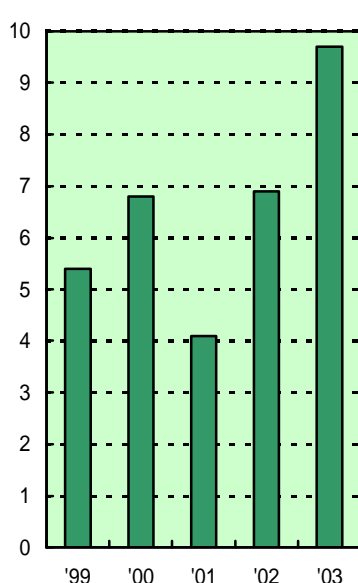
Net Sales

(Billions of yen)



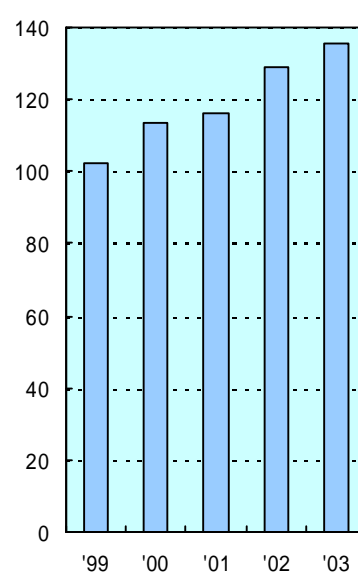
Net Income

(Billions of yen)



Shareholders' Equity

(Billions of yen)



CONSOLIDATED BALANCE SHEETS

FUTABA INDUSTRIAL CO.,LTD. March 31, 2003 and 2002

ASSETS	Millions of yen		Thousands of U.S.dollars (note 1)
	2003	2002	2003
Current Assets :			
Cash and Cash Equivalents	¥ 27,820	¥ 29,257	\$ 231,449
Marketable Securities	5,833	6,549	49,233
Trade Notes and Accounts Receivable	44,175	34,797	367,513
Inventories	16,905	12,974	140,639
Deferred Income Taxes	925	861	7,695
Other Current Assets	2,385	4,694	19,141
Allowance for Doubtful Receivables	(38)	(70)	(320)
Total Current Assets	¥ 98,005	¥ 89,062	\$815,350
Investments and Other Assets :			
Investments in Securities	¥ 33,880	¥ 39,527	\$ 281,864
Investments in Affiliates (note 3)	636	636	5,287
Deferred Income Taxes	2,393	4,208	19,908
Other Assets	1,481	1,269	12,328
Allowance for Doubtful Receivables	(77)	(47)	(643)
Total Investments and Other Assets	¥ 38,313	¥ 45,593	\$ 318,744
Property, Plant and Equipment :			
Land	¥ 16,182	¥ 15,600	\$ 134,628
Buildings and Structures	33,137	30,599	275,679
Machinery and Equipment	145,366	134,482	1,209,371
Construction in Progress	6,833	2,795	56,849
Less Accumulated Depreciation	(123,306)	(115,882)	(1,025,844)
Net Property, Plant and Equipment	¥ 78,212	¥ 67,594	\$ 650,683
Total Assets	¥ 214,530	¥ 202,249	\$1,784,777

See Accompanying Notes To Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S.dollars (note 1)
	2003	2002	2003
Current Liabilities :			
Short-term Borrowings	¥ 2,212	¥ 1,828	18,404
Trade Notes and Accounts Payable	27,320	26,711	227,287
Convertible bonds due within one year (note 4)	14,926	-	124,176
Accrued Expenses	7,207	5,116	59,958
Accrued Income Taxes	2,836	3,304	23,592
Other Current Liabilities	9,924	4,472	82,564
Total Current Liabilities	¥ 64,425	¥ 41,431	\$ 535,981
Long-term Liabilities :			
Convertible Bonds (note 4)	-	¥ 14,926	-
Long-term Borrowings	3,943	445	32,804
Deferred Income Taxes	27	34	228
Retirement and Severance Benefits	8,490	14,695	70,631
Other Long-term Liabilities	29	5	235
Total Long-term Liabilities	¥ 12,489	¥ 30,105	\$ 103,898
Total Liabilities	¥ 76,914	¥ 71,536	\$ 639,879
Minority Interests	¥ 1,856	¥ 1,880	\$ 15,440
Shareholders' Equity :			
Common Stock	¥ 11,681	¥ 11,681	\$ 97,181
Authorized 200,000,000 shares			
Issued 2003 69,916,743 shares			
Capital Surplus	¥ 13,181	¥ 13,181	\$ 109,663
Retained Earnings	106,146	97,454	883,079
Net unrealized gain on valuation of marketable securities	4,297	4,974	35,751
Translation Adjustments	528	1,563	4,394
Treasury Stock	(73)	(20)	(610)
Total Shareholders' Equity	¥ 135,760	¥ 128,833	\$ 1,129,458
Total Liabilities and Shareholders' Equity	¥ 214,530	¥ 202,249	\$ 1,784,777

CONSOLIDATED STATEMENTS OF INCOME

FUTABA INDUSTRIAL CO.,LTD. Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S.dollars (note 1)
	2003	2002	2003
Net Sales	¥ 197,757	¥ 179,533	\$1,645,238
Cost of Sales	174,778	156,924	1,454,059
Gross Profit	22,979	22,609	191,179
Selling, General and Administrative Expenses	11,182	10,541	93,032
Operating Income	¥ 11,797	¥ 12,068	\$ 98,147
Other Income (Expenses):			
Interest and Dividend Income	¥ 300	¥ 653	\$ 2,502
Interest Expense	(200)	(208)	(1,667)
Gain on return of substitutionary portion of employee pension fund	6,636	-	55,215
Other, Net	(256)	(151)	(2,138)
Income Before Income Taxes	¥ 18,277	¥ 12,362	\$ 152,059
Income Taxes :			
Current	¥ 6,403	¥ 6,340	\$ 53,267
Deferred	2,375	(620)	19,758
Minority Interests in Consolidated Subsidiaries	269	230	2,235
Net Income	¥ 9,768	¥ 6,872	\$ 81,269
			U.S.dollars (note 1)
Per Share	yen		2003
Net Income	¥138.40	¥ 98.30	\$ 1.15
Cash Dividends	¥ 14.00	¥ 14.00	\$ 0.12
Average Number of Shares (in thousands)	69,859	69,909	

See Accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FUTABA INDUSTRIAL CO.,LTD. March 31, 2003 and 2002

	Millions of yen		Thousands of U.S.dollars (note 1)
	2003	2002	2003
Common Stock :			
Balance at Beginning of Year	¥ 11,681	¥ 11,681	\$ 97,181
Conversion of Convertible bonds	-	-	-
Balance at End of Year	¥ 11,681	¥ 11,681	\$ 97,181
Capital Surplus :			
Balance at Beginning of Year	¥ 13,181	¥ 13,181	\$ 109,663
Conversion of Convertible bonds	-	-	-
Balance at End of Year	¥ 13,181	¥ 13,181	\$ 109,663
Retained Earnings :			
Balance at Beginning of Year	¥ 97,454	¥ 91,658	\$ 810,764
Net Income	9,768	6,872	81,269
Cash Dividends	(978)	(978)	(8,140)
Bonuses to Directors and Statutory Auditors	(98)	(98)	(814)
Balance at End of Year	¥ 106,146	¥ 97,454	\$ 883,079
Net unrealized gain on valuation of marketable securities	4,297	4,974	35,751
Translation Adjustments	528	1,563	4,394
Treasury Stock	(73)	(20)	(610)
Total Shareholders' Equity at End of Year	¥ 135,760	¥ 128,833	\$ 1,129,458

See Accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FUTABA INDUSTRIAL CO.,LTD. Years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S.dollars (note 1)
	2003	2002	2003
Cash Flows from Operating Activities :			
Income Before Income Taxes	¥ 18,277	¥ 12,362	\$ 152,059
Adjustments to Reconcile Income Before Income Taxes to Net Cash Provided by Operating Activities :			
Depreciation and Amortization	11,925	12,222	99,206
Increase(Decrease) in Allowance for Doubtful Receivables, Net	(2)	(23)	(17)
Increase in Provision for Retirement and Severance Benefits, Net Payment	(5,974)	1,083	(49,706)
Gain on Sale of Property, Plant and Equipment	(4)	28	(38)
Loss on Disposal of Property, Plant and Equipment	75	88	627
Write Down of Investment Securities	350	347	2,915
Decrease(Increase)in Trade Receivables	(9,595)	(4,212)	(79,823)
Decrease(Increase)in Inventories	746	(2,040)	6,209
Increase(Decrease)in Trade Payables	888	5,293	7,387
Bonuses to Directors and Statutory Auditors	(98)	(98)	(814)
Accrued Income Taxes Paid	(6,871)	(6,187)	(57,163)
Other, Net	2,281	(334)	18,980
Net Cash Provided by Operating Activities	¥ 11,998	¥ 18,529	\$ 99,822
Cash Flows from Investing Activities :			
Payment for Purchases of Property, Plant and Equipment	(22,313)	(17,098)	(185,630)
Proceeds from Sale of Property, Plant and Equipment	513	462	4,266
Decrease in Marketable Securities	6,247	7,945	51,975
Increase in Investments in Securities	(1,520)	(2,741)	(12,651)
Other, Net	519	(865)	4,316
Net Cash Used in Investing Activities	(16,554)	(12,297)	(137,724)
Cash Flows from Financing Activities :			
(Decrease)Increase in Borrowing,Net	4,094	158	34,064
Cash Dividends Paid	(978)	(979)	(8,140)
Other, Net	200	184	1,663
Net Cash Provided By (Used in) Financing Activities	3,316	(637)	27,587
Translation Difference in Cash and Cash Equivalents	(197)	273	(1,642)
Net Increase(Decrease)in Cash and Cash Equivalents	(1,437)	5,868	(11,957)
Cash and Cash Equivalents at Beginning of Year	29,257	23,389	243,406
Cash and Cash Equivalents at End of Year	¥ 27,820	¥ 29,257	\$ 231,449

See Accompanying Notes To Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with generally accepted accounting principles in Japan from accounts and records maintained by Futaba Industrial Co.,Ltd. (the "Company") and its subsidiaries.

Relevant notes have been added and certain reclassifications of the accounts in the basic consolidated financial statements disclosed in Japan have been made for presentation in a form which is more familiar to readers outside Japan.

These reclassifications do not affect the values of total assets, shareholders' equity, net sales or net income.

The Company and its consolidated subsidiaries in Japan maintain their books of account in yen. The U.S.dollar amounts included in the accompanying consolidated financial statements and the notes represent the arithmetic results of translating yen into dollars at 120.20=US\$1, the approximate rate of exchange on the Tokyo Foreign Exchange Market on March 31, 2003. The U.S.dollar amounts are presented solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be converted realized or settled in U.S.dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and the following 10 subsidiaries.

Domestic

Futaba Imari Corp.

Futaba Hiraizumi Corp.

APICS Corp.

Overseas

FIC America Corp.

Futaba-Tenneco UK Ltd.

Futaba Technology Ltd.

Futaba Indiana of America Corp.

Tianjin Shuang Shye Mechanical Industrial Co., Ltd

FIO Automotive Canada Corp.

Futaba Czech S.R.O.

All of the Company's subsidiaries are consolidated.

(b) Affiliated Companies

The equity method of accounting has not been applied to the two affiliated companies due to their immaterial impact on the consolidated net income and retained earnings.

(c) Securities

Marketable securities are stated at fair value based on quoted market prices as of balance sheet dates.

Securities which have no readily available market are stated at cost , as determined by the moving average method.

(d) Inventories

Finished Products, raw materials, work in process and supplies are principally stated at cost determined by the periodic average method.

(e) Depreciation and amortization

Depreciation of property, plant and equipment is computed on the declining-balance method. However, buildings newly acquired since April 1, 1998 have been computed on the straight-line method.

Amortization of intangible assets is computed on the straight-line method.

(f) Allowance for doubtful accounts

Estimated losses from bad loans are covered by reserve. Amount of loss has been generally anticipated and appropriated based on the proportion of past bad loan results, and in addition uncollectable amount has been specifically assessed and appropriated covering each of anticipated bad loans.

(g) Retirement and severance benefits

We reviewed severance liability and pension asset positioned at the end of the consolidated financial year, and due amount recognized as accrued liability at the end of the year has been appropriated for severance indemnity.

(h) Lease transaction

Finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are mainly accounted for by the method similar to that applicable to ordinary operating leases.

(i) Hedge accounting method

In Principle, the deferral method of hedge accounting is applied.

In case of foreign currency swap contracts, the hedge items are translated at contracted rate if certain conditions are met.

(j) Consumption tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services with certain exceptions. The consumption tax withheld by the Company upon sales and paid by the Company on its purchases of goods and services are not included in the relevant accounts but is recorded as an asset or a liability.

The consumption tax withheld and paid by the Company is offset, and the net balance is included in "Other Current Liabilities".

(k) Consolidated Statements of Retained Earnings

The accompanying consolidated statements of retained earnings are presented based on the dividends and appropriations occurred during the fiscal year.

(l) Amounts per share

The computation of net income per share is based on the average number of shares outstanding during each period.

3. Affiliates

Investments in affiliates at March 31, 2003 and 2002 are as follows :

	Equity Owner ship Percentage	Millions of yen		Thousands of U.S.dollars (note 1)
		2003	2002	2003
Sankei Industry Co.,Ltd.	31.2	¥ 15	¥ 15	\$ 125
Shye Shyang Mechanical Industry Co.,Ltd.	25.0	621	621	5,166
		¥ 636	¥ 636	\$ 5,291

4. Convertible Bonds

Convertible bonds at March 31, 2003 and 2002 are as follows :

	Millions of yen		Thousands of U.S.dollars (note 1)
	2003	2002	2003
0.3% Convertible Unsecured Bonds In Yen Due 2003	¥ 14,926	¥ 14,926	\$124,176
	¥ 14,926	¥ 14,926	\$124,176

GROUP COMPANIES “ ALL FUTABA “

Company Name	Business Activities	Location
Consolidated subsidiary companies		
Futaba Imari Corp.	Manufacture and sale of automotive parts.	5515 Kawabaru, Okawa-cho, Imari-City, Saga-Prefecture
Futaba Hiraizumi Corp.	Manufacture and sale of automotive parts.	65 Kamitokusawa, Hiraizumi, Hiraizumi-cho, Nisi Iwai-gun, Iwate-Prefecture
APICS Corp.	Manufacture and sale of automotive parts.	55-1 Hiromi, Anjo-cho, Anjo-city, Aichi-Prefecture
FIC America Corp.	Manufacture and sale of automotive parts.	485, East Lies Road, Carol Stream, IL, 60188, USA
Futaba Indiana of America Corp.	Manufacture and sale of automotive parts.	3320 South Keller Road Vincennes,In ,47591, USA
FIO Automotive Canada Corp. (In September 2003, operating start schedule)	Manufacture and sale of automotive parts	220 Dunn Road Stratford Ontario,Canada
Futaba-Tenneco UK Ltd.	Manufacture and sale of automotive parts.	Liverpool Road, Rosegrove, Burnley, Lancashire BB126HJ, England
Futaba Czech S.R.O. (In January 2005, operating start schedule)	Manufacture and sale of automotive parts	Havlickuv Brod City Czech
Futaba Technology Ltd.	Manufacture and sale of office equipment parts.	United Centre, 95 Queensway, Hong Kong
Tianjin Shuang Shye Mechanical Industrial Co.,Ltd.	Manufacture and sale of automotive parts	Xiali Cun Chaing Yingjian Zhilu Zhongbei Zhen Xiging Dist,Tianjin China
Affiliate companies		
Sankei Industry Co.,Ltd.	Manufacture and sale of automotive parts.	105 Ijirino, Soja-City, Okayama-Prefecture
Shye Shyang Mechanical Industry Co.,Ltd.	Manufacture and sale of automotive parts.	NO.2, Kuang Fu N.Road. Hu Kou Hsiang Hsin Chu Hsien. Taiwan. R.O.C.

CORPORATE DATA (As of March 31,2003)

Outline of the Company

Company Name : FUTABA INDUSTRIAL CO.,LTD.
Established : November, 1945
No. of Employees : 2,553
Paid-in Capital : ¥11,681,178,838
No. of Shares Issued : 69,916,743
No. of Shareholders : 4,823
Stock Listing : Tokyo Stock Exchange, 1st section
Nagoya Stock Exchange, 1st section

Main Business

Manufacturing and sales of following products:

Automotive parts

Exhaust muffler, Exhaust manifold, Intake manifold,
Fender sealed, Body pillar reinforcement,
Instrument panel reinforcement, Control arms,
Bumper beams, Suspension, Pedal bracket,
Rear axle housing

Office equipment parts, ,

Welding machine

Tools & dies for stamping

Offices and Plants

Head office: 1, Ochaya, Hashime-cho, Okazaki-city,
Aichi-prefecture

Plants: Okazaki Plant : Okazaki-city
Midori Plant : Toyota-city
Nagoya Plant : Nagoya-city
Kota Plant : Kota-cho,Nukata-gun
Mutsumi Plant : Okazaki-city
Takahashi Plant : "
Tahara Plant : Tahara-cho, Atsumi-gun
(All plant located in Aichi-prefecture)

Major Customers

TOYOTA MOTOR CORPORATION
MITSUBISHI MOTORS CORPORATION
HONDA MOTOR CO.,LTD.
SUZUKI MORTOR CORPORATION
DAIHATSU MOTOR CO.,LTD.
FUJI XEROX CO.,LTD.
MATSUSHITA ELECTRIC INDUSTRIAL
CO.,LTD.

Directors and Auditors

(As of June 27,2003)

President

Itsuo Kozuka

Senior Managing Director

Tadaaki Sagawa

Managing Director

Motoharu Asakawa

Norihide Sato

Shunro Ito

Takehisa Terada

Tsunehisa Tajima

Koichi Nakamura

Masao Tomita

Director

Osamu Kosaka

Katsuyuki Takeuchi

Tetsuo Hanai

Akira Ohama

Masumi Ishikawa

Yasuo Ichikawa

Senior Corporate Auditor

Minoru Imaeda

Corporate Auditor

Kosuke Shiramizu

Shinobu Nishimura

Tetsuo Watanabe