

FINANCIAL STATEMENTS

2004



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 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 every 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.

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CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

FUTABA INDUSTRIAL CO.,LTD. Years ended March 31

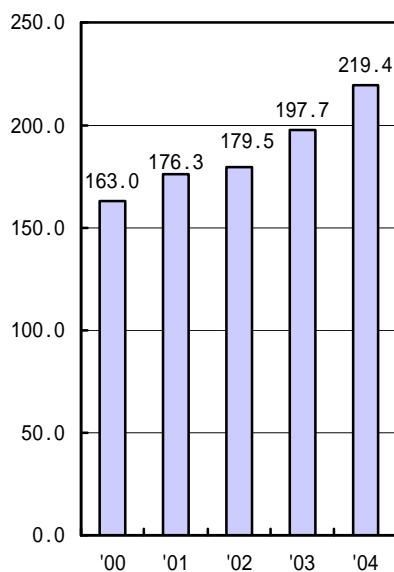
	Millions of yen					Thousands of U.S. dollars
	2004	2003	2002	2001	2000	2004
Net Sales	¥219,484	¥197,757	¥179,533	¥176,395	¥163,030	\$2,076,682
Operating Income	13,826	11,797	12,068	11,786	11,113	130,820
Income Before Income Taxes	13,781	18,277	12,362	7,357	12,000	130,391
Net Income	8,521	9,768	6,872	4,109	6,853	80,620
Shareholders' Equity	¥143,274	¥135,760	¥128,833	¥116,775	¥113,485	\$1,355,603
Total Assets	226,927	214,530	202,249	182,464	170,270	2,147,102

	yen					U.S. dollars
	2004	2003	2002	2001	2000	2004
Per Share (in yen and U.S. dollars)						
Shareholders' Equity	¥2049.53	¥1,941.95	¥1,843.09	¥1,670.27	¥1,623.20	\$19.39
Net Income	120.49	138.40	98.30	58.77	98.02	1.14
Cash Dividends	16.00	14.00	14.00	14.00	13.00	0.15

- 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 ¥105.69=US\$1

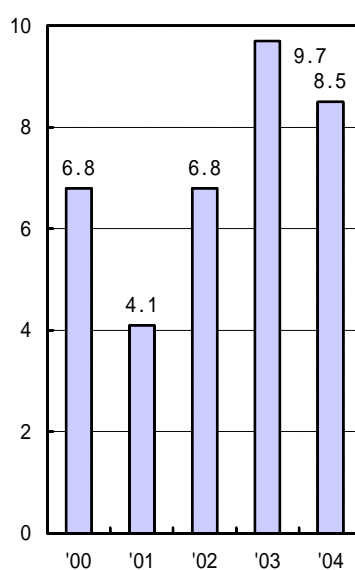
? Net Sales

(Billions of yen)



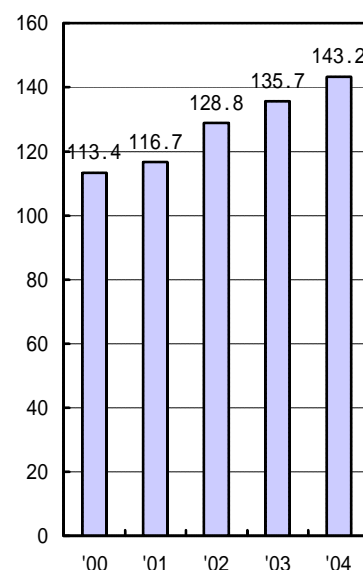
? Net Income

(Billions of yen)



? Shareholders' Equity

(Billions of yen)



CONSOLIDATED BALANCE SHEETS

FUTABA INDUSTRIAL CO.,LTD. March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
ASSETS			
Current Assets :			
Cash and Cash Equivalents	¥17,570	¥27,820	\$166,243
Marketable Securities	2,600	5,833	24,597
Trade Notes and Accounts Receivable	46,433	44,175	439,336
Inventories	21,514	16,905	203,555
Deferred Income Taxes	1,304	925	12,336
Other Current Assets	4,412	2,385	41,741
Allowance for Doubtful Accounts	(9)	(38)	(83)
Total Current Assets	¥93,824	¥98,005	\$887,725
Investments and Other Assets :			
Investments in Securities	¥38,053	¥33,880	\$360,046
Investments in Affiliates (note 3)	1,226	636	11,604
Deferred Income Taxes	1,662	2,393	15,726
Other Assets	1,393	1,481	13,180
Allowance for Doubtful Accounts	(93)	(77)	(885)
Total Investments and Other Assets	¥42,241	¥38,313	\$399,671
Property, Plant and Equipment :			
Land	¥18,293	¥16,182	\$173,081
Buildings and Structures	35,642	33,137	337,236
Machinery and Equipment	171,604	145,366	1,623,651
Construction in Progress	12,109	6,833	114,575
Less Accumulated Depreciation	(146,786)	(123,306)	(1,388,837)
Net Property, Plant and Equipment	¥90,862	¥78,212	\$859,706
Total Assets	¥226,927	¥214,530	\$2,147,102

See Accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Current Liabilities :			
Short-term Borrowings	¥4,281	¥2,212	\$40,506
Trade Notes and Accounts Payable	38,714	27,320	366,303
Convertible Bonds due within one year (note 4)	-	14,926	-
Accrued Expenses	5,108	7,207	48,332
Accrued Income Taxes	2,820	2,836	26,680
Other Current Liabilities	7,848	9,924	74,253
Total Current Liabilities	¥58,771	¥64,425	\$556,074
Long-term Liabilities :			
Bonds (note 4)	10,000	-	94,616
Long-term Borrowings	2,852	3,943	26,989
Deferred Income Taxes	800	27	7,568
Retirement and Severance Benefits	8,782	8,490	83,090
Other Long-Term Liabilities	691	29	6,539
Total Long-term Liabilities	¥23,125	¥12,489	\$218,802
Total Liabilities	¥81,896	¥76,914	\$774,876
Minority Interests	¥1,757	¥1,856	\$16,623
Shareholders' Equity :			
Common Stock	¥11,681	¥11,681	\$110,523
Authorized 200,000,000 shares			
Issued 2004 69,916,743 shares			
Capital Surplus	13,181	13,181	124,718
Retained Earnings	113,516	106,146	1,074,043
Unrealized gain on valuation of available-for-sale	5,244	4,297	49,613
Translation Adjustments	(269)	528	(2,547)
Treasury Stock	(79)	(73)	(747)
Total Shareholders' Equity	¥143,274	¥135,760	\$1,355,603
Total Liabilities and Shareholders' Equity	¥226,927	¥214,530	\$2,147,102

CONSOLIDATED STATEMENTS OF INCOME

FUTABA INDUSTRIAL CO.,LTD. Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net Sales	¥219,484	¥197,757	\$2,076,682
Cost of Sales	193,833	174,778	1,833,977
Gross Profit	25,651	22,979	242,705
Selling, General and Administrative Expenses	11,825	11,182	111,885
Operating Income	¥13,826	¥11,797	\$130,820
Other Income (Expenses):			
Interest and Dividend Income	¥641	¥ 300	\$6,067
Interest Expense	(345)	(200)	(3,264)
Gain on return of substitutionally portion of employee pension fund	-	6,636	-
Other	(341)	(256)	(3,232)
Income Before Income Taxes	¥13,781	¥18,277	\$130,391
Income Taxes :			
Current	¥5,751	¥6,403	\$54,415
Deferred	(269)	2,375	(2,549)
Minority Interests in Consolidated Subsidiaries	(222)	269	(2,095)
Net Income	¥8,521	¥9,768	\$80,620
		yen	U.S. dollars
Per Share	2004	2003	2004
Net Income	¥120.49	¥138.40	\$1.14
Cash Dividends	¥16.00	¥ 14.00	\$0.15
Average Number of Shares (in thousands)	69,857	69,859	

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FUTABA INDUSTRIAL CO.,LTD. March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Common Stock :			
Balance at Beginning of Year	¥11,681	¥11,681	\$110,523
Balance at End of Year	¥11,681	¥11,681	\$110,523
Capital Surplus :			
Balance at Beginning of Year	¥13,181	¥13,181	\$124,718
Balance at End of Year	¥13,181	¥13,181	\$124,718
Retained Earnings :			
Balance at Beginning of Year	¥106,146	¥97,454	\$1,004,315
Net Income	8,521	9,768	80,620
Cash Dividends	(1,048)	(978)	(9,914)
Bonuses to Directors and Statutory Auditors	(103)	(98)	(978)
Balance at End of Year	¥113,516	¥106,146	\$1,074,043
Net Unrealized gain on valuation of available-for-sale securities	5,244	4,297	49,613
Translation Adjustments	(269)	528	(2,547)
Treasury Stock	(79)	(73)	(747)
Total Shareholders' Equity at End of Year	¥143,274	¥135,760	\$1,355,603

See Accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FUTABA INDUSTRIAL CO.,LTD. Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash Flows from Operating Activities :			
Income Before Income Taxes	¥13,781	¥18,277	\$130,391
Adjustments to Reconcile Income Before Income Taxes to Net Cash Provided by Operating Activities :			
Depreciation and Amortization	14,316	11,925	135,455
Increase(Decrease) in Allowance for Doubtful Receivables	(13)	(2)	(126)
Increase (Decrease) in Provision for Retirement and Severance Benefits	255	(5,974)	2,416
Gain (loss) on Sale of Property , Plant and Equipment	4	(4)	41
Loss on Disposal of Property, Plant and Equipment	109	75	1,033
Write-Down of Investment Securities	35	350	335
Decrease(Increase)in Accounts Receivables	(1,716)	(9,595)	(16,236)
Decrease(Increase)in Inventories	(7,516)	746	(71,117)
Increase(Decrease)in Accounts Payables	8,819	888	83,444
Bonuses to Directors and Statutory Auditors	(103)	(98)	(978)
Income Taxes Paid	(5,768)	(6,871)	(54,570)
Other , Net	(1,450)	2,281	(13,732)
Net Cash Provided by Operating Activities	¥20,753	¥11,998	\$196,356
Cash Flows from Investing Activities :			
Payment for Purchases of Property, Plant and Equipment	(24,712)	(22,313)	(233,813)
Proceeds from Sale of Property, Plant and Equipment	91	513	859
Decrease in Marketable Securities	5,826	6,536	55,124
Increase in Investments in Securities	(5,561)	(1,520)	(52,616)
Payment for purchase of investments in consolidated subsidiaries	(563)	-	(5,332)
Other, Net	(42)	230	(395)
Net Cash Used in Investing Activities	(24,961)	(16,554)	(236,173)
Cash Flows from Financing Activities :			
Increase (Decrease) in Borrowings, Net	(125)	4,094	(1,187)
Proceeds from Issuance of Bonds	10,000	-	94,616
Redemption of Convertible Bonds	(14,926)	-	(141,224)
Cash Dividends Paid	(1,047)	(978)	(9,915)
Other, Net	175	200	1,669
Net Cash Provided By (Used in) Financing Activities	(5,923)	3,316	(56,041)
Translation Difference in Cash and Cash Equivalents	(119)	(197)	(1,123)
Net Increase(Decrease)in Cash and Cash Equivalents	(10,250)	(1,437)	(96,981)
Cash and Cash Equivalents at Beginning of Year	27,820	29,257	263,224
Cash and Cash Equivalents at End of Year	¥17,570	¥27,820	\$166,243

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 accounts 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 ¥105.69=US\$1, the approximate rate of exchange on the Tokyo Foreign Exchange Market on March 31, 2004. 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 13 subsidiaries.

Domestic

Futaba Imari Corp.

Futaba Hiraizumi Corp.

APICS Corp.

Ryowa Sheet Metal Processing Corp.

Ryowa Sheet Metal Processing Corp. has changed its name to Futaba Chiryu Corp.
on April 1, 2004.

Overseas

FIC America Corp.

Futaba-Tenneco UK Limited.

Futaba Technology Limited

Futaba Indiana of America Corp.

Tianjin Shuang Shye Mechanical Industrial Corp

FIO Automotive Canada Corp.

Futaba Czech S.R.O.

Apics Illinois Corp.

Tianjin Futaba –SC Mechanical Corp.

All of the Company's subsidiaries are consolidated

(b) Affiliated Companies

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

(c) Securities

Marketable securities classified as available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable income taxes included directly in shareholder's equity, 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 are 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, 2004 and 2003 are as follows :

	Equity Owner ship Percentage	Millions of yen		Thousands of U.S. dollars
		2004	2003	2004
Sankei Industry Corp.	31.2	¥15	¥ 15	\$142
Shye Shyang Mechanical Industry Corp.	25.0	698	621	6,601
P.T. Komponen Futaba Nusapersada	30.0	13	-	130
Business Design Laboratory Corp.	49.0	500	-	4,731
		¥1,226	¥ 636	\$11,604

4. Bonds

Bonds and convertible bonds at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
0.3% Convertible Unsecured Bonds			
In Yen Due 2003	-	¥ 14,926	-
0.29% Unsecured Bonds In Yen Due 2008	¥10,000	-	\$94,616
	¥10,000	¥ 14,926	\$94,614

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
Ryowa Sheet Metal Processing Corp. (Futaba Chiryu Corp.)	Manufacture and sale of automotive parts.	110 Donsuyama, Aizuma-Cho Chiryu-City, Aichi-Prefecture
FIC America Corp.	Manufacture and sale of automotive parts.	485, East Lies Road, Carol Stream, IL, 60188, USA
Apics Illinois Corp.	Manufacture and sale of automotive parts.	301 Longview Drive Bloomington, IL 60108 USA
Futaba Indiana of America Corp.	Manufacture and sale of automotive parts.	3320 South Keller Road Vincennes, IN ,47591, USA
FIO Automotive Canada Corp.	Manufacture and sale of automotive parts.	220 Dunn Road Stratford Ontario, Canada
Futaba-Tenneco UK Limited	Manufacture and sale of automotive parts.	Liverpool Road, Rosegrove, Burnley, Lancashire BB126HJ, England
Futaba Czech S.R.O.	Manufacture and sale of automotive parts.	Bastion 130 580 01 Havlickuv Brood Czech Republic
Futaba Technology Ltd.	Manufacture and sale of office equipment parts	UnitedCentre, 95 Queensway, Hong Kong
Tianjin Shuang Shye Mechanical Industrial Corp.	Manufacture and sale of automotive parts.	Xiali Cun Chaing Yingjian Zhilu Zhongbei Zhen Xiging Dist, Tianjin , China
Tianjin Futaba-SC Mechanical Corp.	Manufacture and sale of automotive parts.	Tianjin Economic Technological Development Area, China
Affiliate companies		
Sankei Industry Corp.	Manufacture and sale of automotive parts.	105 Ijirino, Soja-City, Okayama-Prefecture
Shye Shyang Mechanical Industry Corp.	Manufacture and sale of automotive parts.	NO.2, Kuang Fu N.Road. Hu Kou Hsiang Hsin Chu Hsien. Taiwan. R.O.C.
P.T Konponen Futaba Nusapersada	Manufacture and sale of automotive parts.	Merpati Building, 5th Floor, JL. Angkasa Blok B-15, Kav.2-3, kemayoran-Jakarta10720, Indonesia
Business Design Laboratory Corp.	R&D, sale of robots.	4-1-11Meieki, Nakamura-Ku Nagoya City, Aichi-Prefecture

CORPORATE DATA (As of March 31,2004)

Outline of the Company

Company Name :	FUTABA INDUSTRIAL CO.,LTD.
Established :	November, 1945
No. of Employees :	2,560
Paid-in Capital :	¥11,681,178,838
No. of Shares Issued :	69,916,743
No. of Shareholders :	4,896
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-City
Mutsumi Plant : Okazaki-City
Takahashi Plant : "
Tahara Plant : Tahara-City

(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 25,2004)

President

Itsuo Kozuka

Senior Managing Director

Tadaaki Sagawa

Managing Director

Motoharu Asakawa

Norihide Sato

Shunro Ito

Takehisa Terada

Koichi Nakamura

Masao Tomita

Director

Osamu Kosaka

Katsuyuki Takeuchi

Tetsuo Hanai

Akira Ohama

Masumi Ishikawa

Yasuo Ichikawa

Naohisa Nanahara

Senior Corporate Auditor

Minoru Imaeda

Kosuke Shiramizu

Tetsuo Watanabe

Yusaku Aoki

Hiroshi Motomura