



The infinite possibilities of  
**small motors**



# Mabuchi's Management Vision

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## Profile

Since developing a high-performance, horseshoe-shaped magnetic motor in 1947, Mabuchi has kindled the dreams of people and society at large by developing and providing products that power a wide variety of items, including automotive products, audio and visual equipment, home appliances, power tools, optical and precision equipment, and toys and hobbies. We put into practice our own development and production philosophies centered on standardization to ensure a stable supply of cost-effective, high-quality products. As a result, we have continued to meet the demands of the market and society overall, as exemplified by the early establishment of a complete overseas production system. Mabuchi has grown to become the world's No. 1 brand of small direct-current (DC) motors with an annual production capacity of approximately 2 billion units.

### OUR MISSIONS

Mabuchi's missions embrace a set of values that all Mabuchi Group employees are to share to overcome various difficulties and conflicts that occur in carrying out their duties and achieving further growth.

MANAGEMENT PRINCIPLE

MANAGEMENT GUIDELINES

MANAGEMENT POLICIES

MANAGEMENT SCHEME

## Our Management Vision

## Forward-Looking Statements

This annual report contains forward-looking statements about Mabuchi's future plans, beliefs, strategies and performance that are not historical facts. These statements are based on current expectations, forecasts, estimates and projections about the industry in which Mabuchi operates and the beliefs and assumptions made by its management. As such expectations, forecasts, estimates and projections are subject to a number of risks, uncertainties and assumptions, they may cause actual results to differ materially from those projected. Mabuchi therefore cautions readers not to place undue reliance on forward-looking statements. Furthermore, the Company undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Risks, uncertainties and assumptions mentioned above include, but are not limited to, exchange rates and economic conditions; the outcome of pending and future litigation; commodity prices; and the continued status of financing, financial instruments and financial resources.

## Mabuchi targets new levels of growth and development, backed by **unwavering management principles.**

### MANAGEMENT PRINCIPLE

#### Contributing to International Society and Continuously Increasing Our Contribution

Mabuchi believes that a company can continue to exist and grow only if its business activities contribute to society on an ever-expanding basis. It goes without saying that a company cannot expand or even remain in business unless it generates profits. However, profit is not Mabuchi's sole management objective.

Our ultimate objective is to continue raising our level of contribution to society through our business activities and remain a company that society considers essential. This management principle is at the core of all our activities, unchanging through time and irrespective of the people at the management helm.

### MANAGEMENT GUIDELINES

Management guidelines, which flow from our management principle, spell out specifically how we "contribute." These guidelines outline the mission of Mabuchi's business activities.

### MANAGEMENT POLICIES

Mabuchi's management policies provide guidelines for its corporate activities, which are to be a starting point to create value leading to greater levels of social contribution and to achieve sound growth.

### MANAGEMENT SCHEME

Based on Mabuchi's business policy of maximizing the potential of small DC brush motors as our core business, we mobilize our organizational skills and promote business activities in which we can continuously exert a unique "Mabuchi-ism" that cannot easily be emulated. Naturally, we do not aim at diversification without contributing to society, namely, diversification only to expand sales. We generate revenues and profits as a result of our contributions to markets in which we are truly welcome. We plan to continue reflecting this management philosophy, which has served us well in the past, into the future.

## 02 Consolidated Financial Highlights

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries  
Years ended December 31

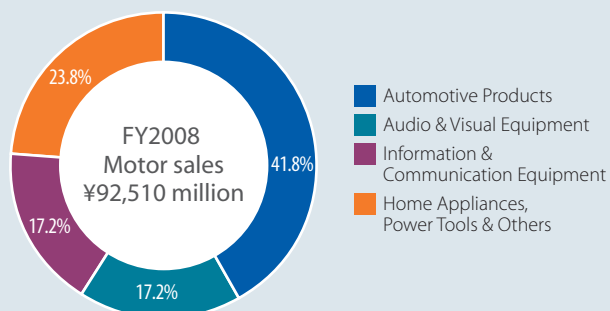
	Millions of yen			Thousands of U.S. dollars	Rate of change
	2006	2007	2008	2008	2008
<b>For the Year:</b>					
Net sales	¥100,517	¥ 107,640	¥ 92,602	\$1,017,604	-14.0%
Operating income	10,700	11,685	5,652	62,109	-51.6%
Income before income taxes and minority interests	15,914	16,530	5,330	58,571	-67.8%
Net income	10,603	10,914	3,565	39,175	-67.3%
Capital expenditures	3,627	3,700	3,777	41,505	+ 2.1%
Depreciation and amortization	5,360	4,913	4,408	48,439	-10.3%
R&D expenses	4,076	4,187	3,892	42,769	- 7.0%
<b>At Year-end:</b>					
Total assets	¥236,999	¥ 230,960	¥ 188,691	\$2,073,527	-18.3%
Net assets	219,217	213,314	178,291	1,959,241	-16.4%
<b>Per Share of Common Stock:</b>					
	(Yen and U.S. dollars)				
Net income	¥ 268.03	¥ 280.90	¥ 94.77	\$ 1.04	-66.3%
Net assets	5,541.46	5,577.84	5,088.18	55.91	- 8.8%
Cash dividends	114.00	123.00	123.00	1.35	-
<b>Key Ratios:</b>					
	(%)				
Operating income margin	10.6	10.9	6.1	-	- 4.8pts
ROE	4.9	5.0	1.8	-	- 3.2pts
Shareholders' equity ratio	92.5	92.4	94.5	-	+2.1pts

Notes 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥91=U.S.\$1, the approximate exchange rate on December 31, 2008.

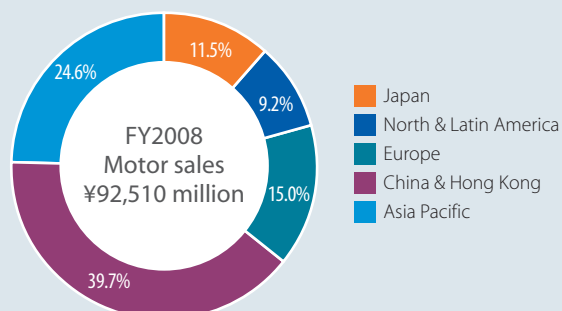
2. ROE is calculated by dividing net income by the average of total shareholders' equity plus the revaluation/translation adjustment during the period.

3. The shareholders' equity ratio is calculated by dividing the sum of total shareholders' equity and the revaluation/translation adjustment as of the end of the period by total assets as of the end of the period.

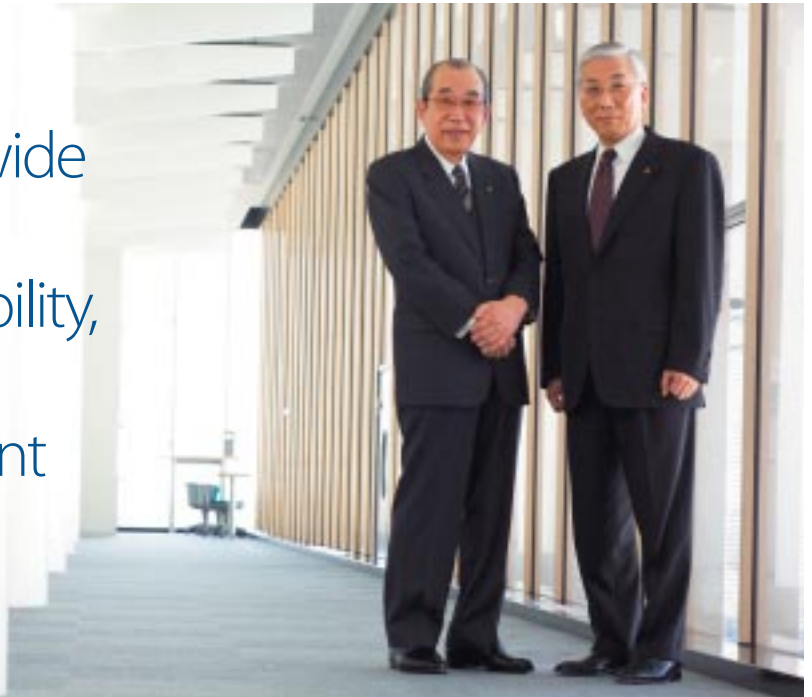
Composition of motor sales  
by application



Composition of motor sales  
by region



We are making a groupwide effort to achieve quick improvements in profitability, which we recognize as one of our most important management issues.



Takaichi Mabuchi, Chairman      Shinji Kamei, President

**Overview of Sales in Fiscal 2008**

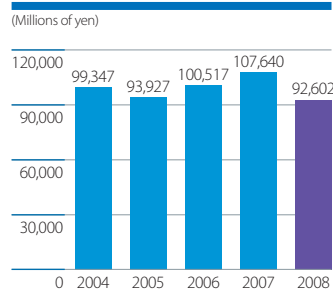
In fiscal 2008, ended December 31, 2008, the global economy suffered from the effects of the subprime loan crisis. From its epicenter in the United States, the shock waves of this blow rippled outward through Japan and Europe and into economies throughout Asia, culminating in a worldwide economic downturn by the fourth quarter. The overseas economic downturn spilled over into Japan in the form of yen appreciation, and by the fourth quarter companies were cutting production levels and curtailing capital investments. These factors, along with a worsening employment situation, plunged the Japanese economy into recession.

The sudden economic decline, combined with yen appreciation, had serious repercussions for the markets the Mabuchi

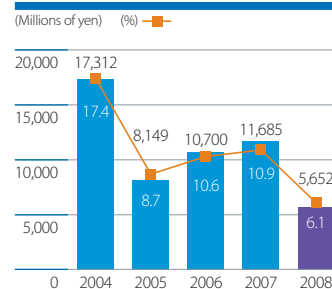
Group serves. For instance, we had anticipated growth in the market for automotive products, and we developed new applications with the aim of boosting per-vehicle sales of power unit motors, a strategic product line. Owing to plummeting new car sales, however, we were unable to sustain unit sales in this area, where we enjoy a prominent share of the existing market. In the audio and visual equipment market, demand also declined for such applications as car CD players and DVD players. Despite a year-end holiday sales push, sales declined in the markets for information and communication equipment, home appliances, power tools, toys and hobbies.

As a result, consolidated net sales fell 14.0% year on year, to ¥92.602 million. Of this amount, sales of motors, which account for the vast majority of net sales, decreased 13.9%, to ¥92,510

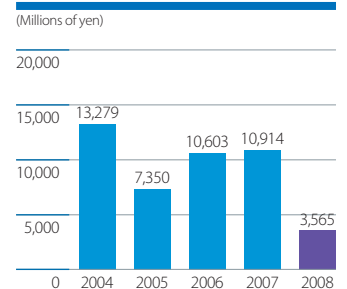
**Net sales**



**Operating income/  
Operating income margin**



**Net income**



million. Although our efforts to improve our product model mix had a positive impact on profitability, these were overshadowed by higher production costs stemming from such factors as sharply higher raw material costs and new manufacturing facility investments. Consequently, operating income dropped 51.6%, to ¥5,652 million. Net income decreased 67.3%, to ¥3,565 million, owing partly to foreign exchange losses stemming from ongoing yen appreciation. In addition, Mabuchi posted a loss on the revaluation of marketable securities due to the stock market downturn, as well as an extraordinary loss resulting from compensation paid to satisfy customer claims.

### **Groupwide Efforts to Improve Profitability and Enhance Productivity**

In recent years, the Company has experienced ongoing changes in its management environment, such as shifts in mainstay applications for its motors and the employment environment at its production bases. In response, over the past several years we have pursued new growth strategies to address our top-priority issue of recovering profit levels. At the same time, we have begun reorganizing our production bases as part of an overall approach toward making future changes in our product mix and infrastructure costs.

By promoting these measures and on the strength of increased demand from the automotive products sector, we succeeded in achieving a gradual but steady recovery in sales. In 2008, however, the situation changed dramatically as the international financial crisis plunged the world into recession.

Under these circumstances, we are positioning fiscal 2009 as a year of enhancing our ability to endure downturns in the management environment. As market conditions are unlikely to encourage sales increases, we will endeavor to secure profits by improving our own operations, reviewing the appropriateness of various costs and making adjustments where justified.

### **Emergency Measures to Improve Profitability Creating a structure to ensure profits even in an environment in which sales growth is unlikely**

We expect our operating environment to become even more challenging. In light of this situation, we have established the Profitability Improvement Committee, which is introducing emergency measures to improve profits swiftly by reducing various operating costs.

First, we will reduce personnel levels in line with decreased production. In the fourth quarter of 2008, we began this cutback by not renewing expiring employment contracts and by introducing a voluntary retirement system at some bases. Such measures reduced employment by 9,100. We have also eliminated overtime

work, reviewed our shift system, and cut back on operations in line with a reduced scale of business.

Second, to date we have promoted space-saving measures to reduce excess production capacity and ensure a proper scale of operations and steady results. However, as orders are falling off more steeply than we had expected, in fiscal 2009 we will accelerate these measures. Through such methods as further reducing costs at all facilities and processes and improving distribution efficiency, we will cut the direct cost of sales and fixed costs.

We will consider deferring or foregoing investments, including planned capital investments. Strictly limiting investment in this way should improve cash flow.

Through this combination of measures, by December 31, 2009, we expect to generate ¥2.8 billion in cost savings through efficiency improvements at production bases. In addition, we expect to trim general head office expenses by ¥1.1 billion.

### **Reorganization and Innovation at Production Bases Creating a production system to ensure a stable supply of products in a highly efficient manner while continuously improving productivity**

We are working toward a shift in production from China to Vietnam by 2011, mainly by expanding our factory in Danang, Vietnam. We expect this shift to progress essentially as planned, handling production cutbacks and assisted by the head office and our Guangdong factory.

We expect to become more cost competitive by better utilizing our Vietnam factories. To achieve additional growth, however, we must become more operationally competitive and profitable through stronger and more innovative production technologies. To this end, in July 2008 we established the Production Engineering Innovation Center. With this center taking the lead, we are positioning 2009 as a year of innovation in production. One initiative is to introduce further automation to enhance and stabilize quality levels. We also plan to create a system of production lines to meet various quality requirements. We believe that in addition to boosting productivity, such measures will help normalize product-specific cost control.

In the past, curtailing capital investments other than those required to boost capacity was considered a weakness. We now view such restraint as a strength, as it provides the leeway for us to adjust production levels to meet the demands of our operating environment. By supplying products more efficiently through innovations in production technologies and by optimizing deployment of our production bases, we aim to cut manufacturing costs at these bases by 30% or more.

### Market Cultivation Key to Growth and Recovery in Profitability

Automotive products remains Mabuchi's key growth market, both because the number of small motors used per vehicle is increasing and because we expect the market to continue its shift from vertical integration to more horizontal division among models.

In terms of motors for power windows, leading Japanese manufacturers of window regulators are increasing their usage of motors. Shipments of such motors to leading manufacturers in this field are also rising. To bolster sales under these conditions—despite the falloff in vehicle unit demand—we will work to expand our number of outlets, enhancing our value chain through the introduction of motors for common deployment on certain vehicle models and grades.

In markets for applications that are new to us, such as power seats and electric parking brakes, we will strive to maintain our edge over our competitors through our operating strategies. Our fundamental approach is to deliver value by meeting market needs precisely and ahead of the competition. Formerly found mainly in luxury vehicles, power seats and electric parking brakes are becoming more commonplace in popularly priced vehicles. We see power seat motors, in particular, as a market with major growth potential. Taking advantage of this trend, we have started shipping power seat motors for European luxury cars. To accelerate this growth, we need to make these motors more compact and lightweight, efficient and inexpensive. At the same time, we will work to achieve top-level product quality and pursue synergies with our power window motor business on the technology and sales fronts.

We expect the economic recession and a slowdown in consumer spending to hamper the markets for home appliances and power tools. Nevertheless, in emerging markets demand is shifting toward higher-end products. We also expect revenues to benefit from demand for products that are more compact and powerful, as well as from the accelerated application of lithium-ion batteries.

### Basic Policy on Returning Profit to Shareholders

Mabuchi's basic policy is to return profit to shareholders through stable, long-term increases in dividends and stock splits while maintaining the Company's financial strength. At the same time, we take into careful consideration the amount of retained earnings needed for R&D and capital investment to ensure Mabuchi's future expansion and development.

For fiscal 2008, we awarded an annual dividend of ¥123 per share. This amount comprises an ordinary dividend of ¥61 per

share—a fixed amount paid consistently to shareholders—plus a special dividend of ¥62 per share. The special dividend is linked to business performance and is equivalent to 20% of consolidated net income over the number of applicable shares.

Between 2002 and 2008, Mabuchi acquired 12 million of its own shares through tender offers, by purchasing shares in the open market and by acquiring odd-lot shares. In fiscal 2008, Mabuchi retired 1.2 million of these shares.

Mabuchi will continue to implement capital employment and shareholder return policies, responding expeditiously to changes in its share price and changes in the management environment. At the same time, we will sustain sufficient internal reserves to expand corporate value through the expansion and strengthening of existing business, as well as the cultivation of new businesses.

### Outlook

We expect our management environment to become increasingly difficult, but we will not lose hope. Rather, in this environment we will work to secure profitability, strengthen our manufacturing base and foster growth strategies. Throughout, we will retain our essence as a manufacturing-based organization.

We consider having been forced to reduce personnel a major failure of our employment traditions as a manufacturer and regret the attendant loss of experience and wisdom. We recognize that highly motivated individuals are essential to achieve new levels of growth, and accordingly we will do our utmost to sustain current employment.

The Mabuchi Group is making a concerted effort to put in place measures that will increase its ability to endure ongoing stagnation in the management environment. In these efforts, we ask for your continued understanding and cooperation.



Takaichi Mabuchi, *Chairman*



Shinji Kamei, *President*

In the fiscal year ended December 31, 2008, the Mabuchi Group faced a difficult operating environment, affected by slumping new vehicle demand, sharply higher raw materials costs and substantial yen appreciation. As a result, sales in the Mabuchi Group's mainstay motor business declined 13.9% year on year, to ¥92,510 million.



**Major Applications**

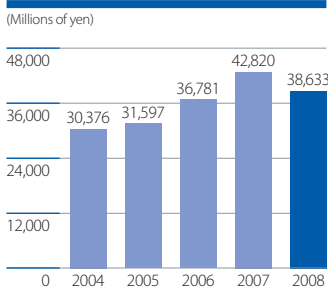
Car mirrors, door locks, air conditioning damper actuators, power window lifters, steering locks, etc.

**Automotive Products Market**

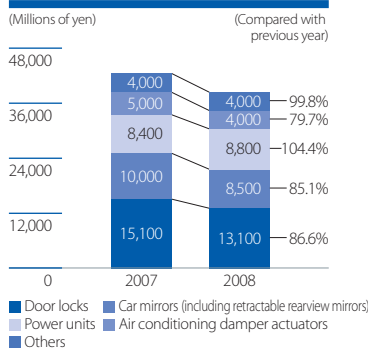
In line with the trend toward higher levels of safety, convenience, comfort and economic efficiency, automobiles tend to incorporate more electrical equipment, including more small motors per vehicle. However, new vehicle demand fell sharply in the second half of the fiscal year. This situation directly affected sales of motors for door mirrors, door locks and air conditioning damper actuators, where Mabuchi's products enjoy a market share of approximately 70%. We responded to these conditions by seeking to boost sales in the BRICs markets, which were experiencing robust demand and where actuators are being used on more vehicle types. We also cultivated demand for headlight beam level adjusters and steering locks, as well as electric parking brakes, a new application. Ultimately, however, these efforts were unable to overcome the slump in the amount and unit volume of sales of products for mainstay applications.

As a result, Mabuchi's sales in the automotive products market decreased 9.8%, to ¥38,633 million. During the year, total sales to this market accounted for 41.8% of motor sales, up 1.9 percentage points from the preceding fiscal year.

**Net sales**



**Net sales by principal item**



**Major Applications**

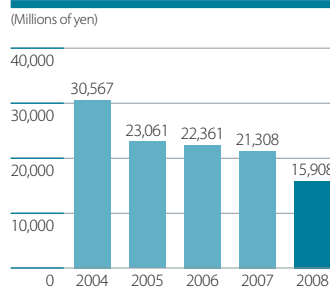
DVD player/recorders, CD players, car component systems, video games, etc.

**Audio & Visual Equipment Market**

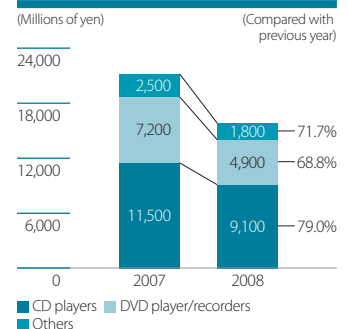
Household demand for CD player applications remained lackluster, and automotive demand plunged, owing to the sharp decline in new vehicle sales. The average price for DVD player applications improved, owing to price revisions on unprofitable models. However, sales declined significantly, owing to lower demand in the North American market, as well as from China, India and other parts of Asia. Meanwhile, sales for video game equipment and other products remained essentially flat.

Consequently, sales in this market fell 25.3%, to ¥15,908 million. Sales in the audio and visual equipment market accounted for 17.2% of total motor sales, down 2.6 percentage points.

**Net sales**



**Net sales by principal item**







## Information & Communication Equipment

### Major Applications

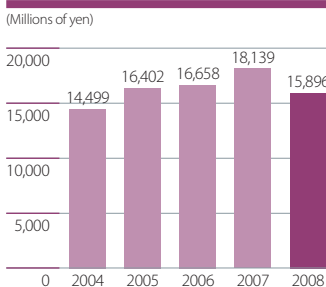
Inkjet printers, PCs CD/DVD drives, digital cameras, etc.

### Information & Communication Equipment Market

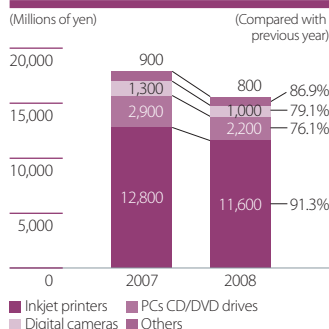
Unit sales for multifunctional equipment, such as inkjet printers and scanners, rose slightly, supported by the growing use of motors for such applications. However, sales for digital cameras declined, as year-end holiday sales campaigns failed to have a major impact. In addition, our share of the market for PC drive applications fell, as we weeded out unprofitable models.

Accordingly, sales in this market declined 12.4%, to ¥15,896 million. Of motor sales, total sales in this market accounted for 17.2%, 0.3 percentage point higher than in the preceding fiscal year.

### Net sales



### Net sales by principal item




## Home Appliances, Power Tools & Others

### Major Applications

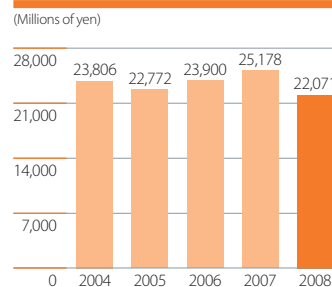
Personal care products, power tools, toys, health and wellness products, etc.

### Home Appliances, Power Tools & Others Markets

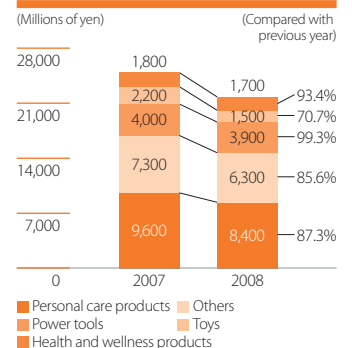
Despite the economic slowdown and sluggish overall demand, our unit sales in these markets were essentially in line with expectations. Sales for electric toothbrushes declined, as the market grew saturated with low-end products. In power tool applications, increases in the European and South American markets offset a decline in the North American market. Furthermore, sales for high-output power tools with high-performance batteries expanded, helping maintain sales in this category at the previous year's level. For electric shavers, sales for use in medium- and high-end models increased. Among health-related applications, sales for medical equipment remained firm.

As a result, sales in these markets decreased 12.3%, to ¥22,071 million. Total sales in these markets accounted for 23.8% of motor sales, up 0.4 percentage point from the previous year.

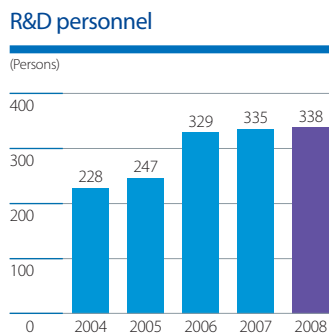
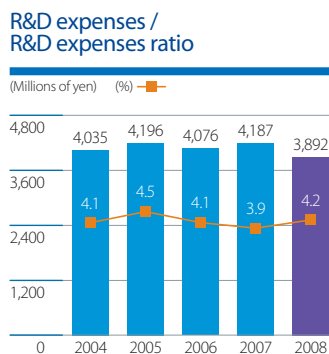
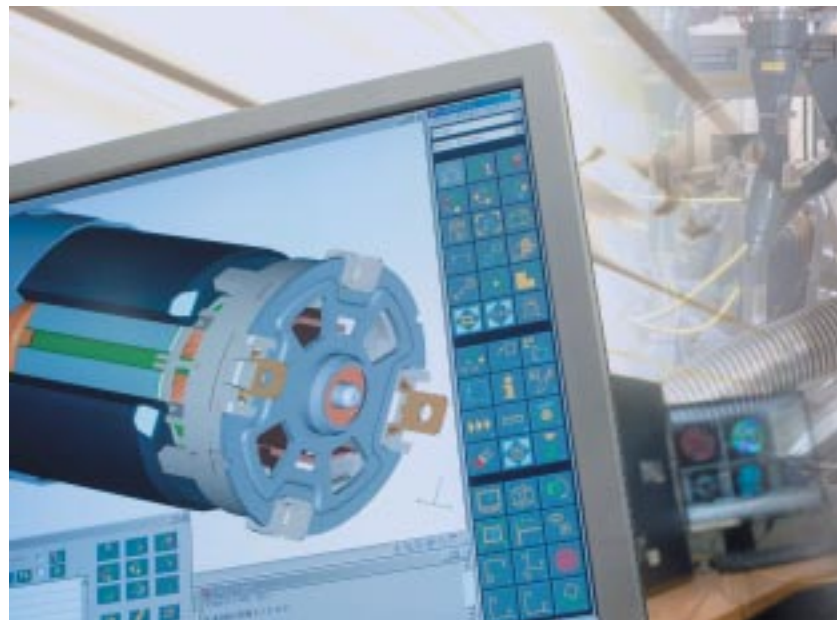
### Net sales



### Net sales by principal item



Mabuchi conducts research and development to meet demand for motors that offer higher levels of performance, are quieter and more compact and have longer service lives. Our success in meeting this demand has enabled us to maintain our lead in the market for small motors. These small motors reflect Mabuchi's many years of experience and wide-ranging technical expertise, spanning basic research, product development and improvement, development testing, production technologies and the development of application technologies.

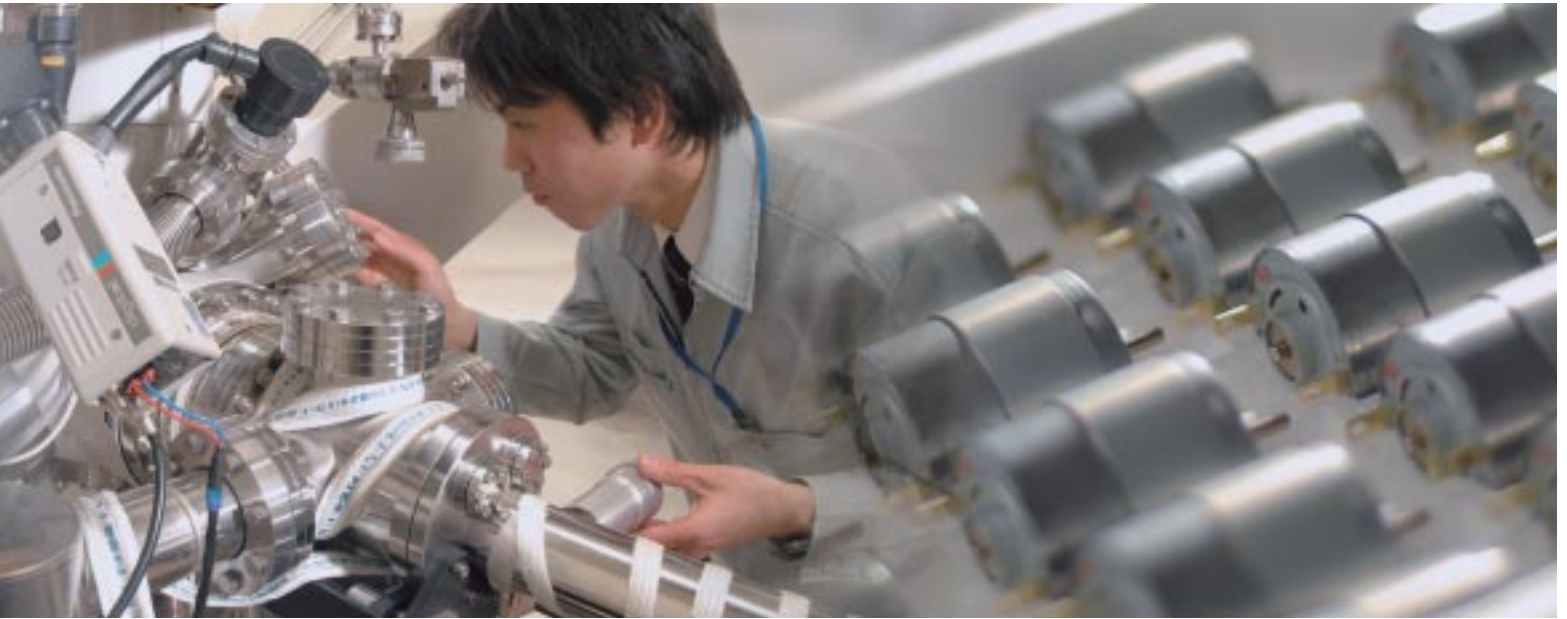


### Basic R&D Policies and Systems

The market demands increasingly diverse products with shorter lead times. For motors, this translates into products that are quieter, more compact, offer higher performance (higher torque) and are more inexpensive. We work to achieve such improvements through our basic research and product development efforts. We apply our core competence in this manner to develop future product applications.

To achieve shorter lead times, we are promoting the expanded use of concurrent engineering. Our R&D systems integrate CAD, CAM and CAE from design and equipment to die making and machining. In addition, we endeavor to raise efficiency and lower manufacturing costs through manufacturing process innovations, such as reducing inventories, shortening worker-hours and saving space.

Our Research and Development Headquarters is a collaborative system that covers two R&D departments and the Production Engineering Department—each with their own areas of specialization. In July 2008, we established the Production Engineering Innovation Center within our Research and Development Headquarters with the aim of enhancing our production engineering and promoting innovation. The center's objectives are to take an innovative approach toward the development of manufacturing systems that belie conventional wisdom and are unique to Mabuchi, and to introduce them into practice over the long term. We are also relocating design improvement activities to China and working to shift high-value-added operations to the Research and Development Headquarters.



### Strategic R&D Fields

In the new business area of power window motors, we are enjoying steady increases in orders from Japanese and overseas automakers. In the field of small electric motors, as well, we are reinforcing our position in the automotive products market by developing a new lineup that will allow us to introduce development models on an ongoing basis and enhance our ability to respond to customer needs. For other markets, we are conducting R&D to remodel existing products. Through ongoing R&D and the growth of its core technologies, Mabuchi plans to continue developing and manufacturing standard motors for various markets.

### Recent R&D Endeavors

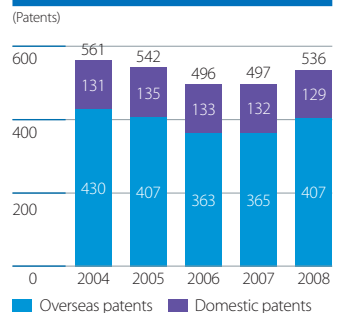
In the automotive products market, we are positioning motors for power windows and power seats as major opportunities for growth. Accordingly, we are strategically allocating head office development resources to these areas, prioritizing the development of products that will meet existing customer needs or future market needs.

In the second half of 2008, we began mass producing power seat motors that we developed in collaboration with a world-leading manufacturer of automotive seats. More compact, lightweight and delivering higher torque than competing models, these new seat motors increased Mabuchi's competitive advantage. Although announcements of production cutbacks in the automotive industry have become commonplace in the face of the worldwide recession, the percentage of vehicles employing

power seats is rising steadily. We will strive to secure a solid position in this market, centering on slider, lifter and lumbar support applications.

In the area of power window motors, on the other hand, we have developed existing models into product series and created motors that are more compact and deliver higher performance. In the future, we will extend this product lineup to include products designed for specific window sizes. Through such efforts, we aim to expand our sales of power window motors even further.

### Number of patents



**We strive to fulfill the mission stated in the Mabuchi Group’s management principle, “Contributing to international society and continuously increasing our contribution,” through the small DC motor business.**

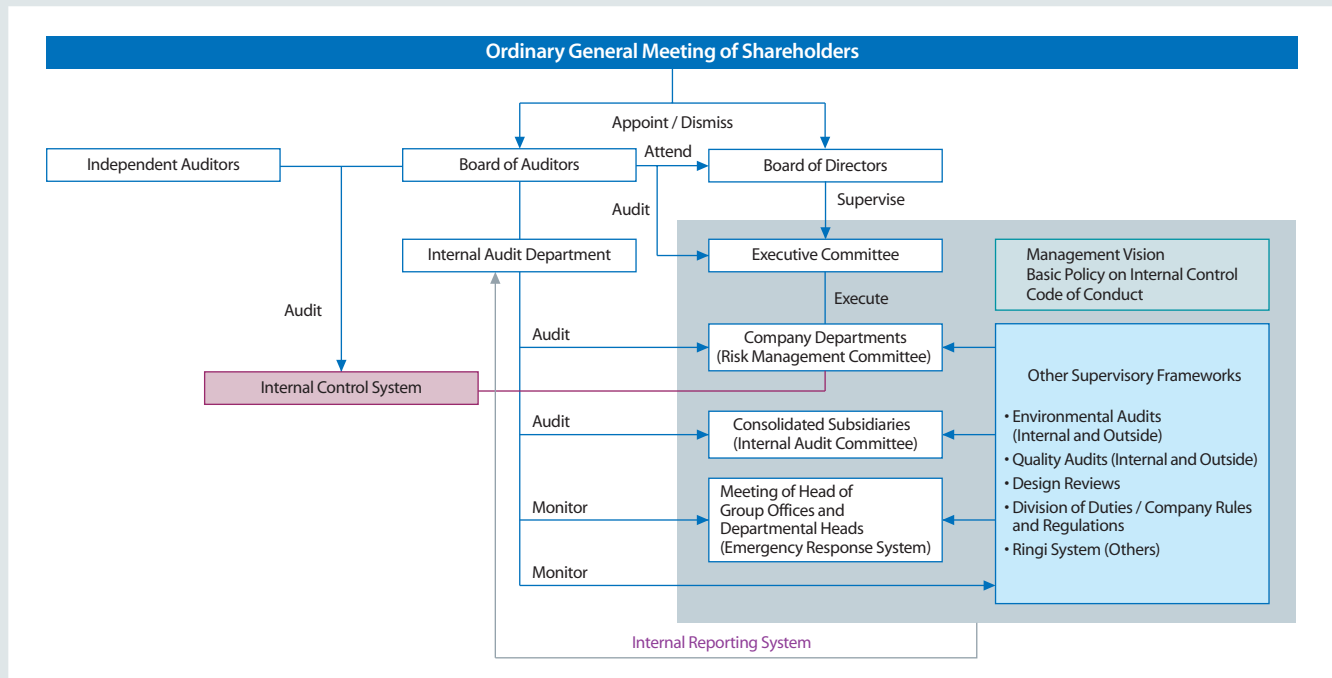
**Basic Approach to Corporate Governance**

We understand that realizing this principle is our *raison d’être*, and we recognize that corporate governance comprises the organizational/management systems and various managerial measures that support those systems.

Accordingly, building an adequate corporate governance structure and ensuring its efficacy are some of the most important duties of management. As for the basic scheme of our corporate governance, we regard it as prerequisite to build and maintain the following system that supports appropriate relationships with our stakeholders and that allows the yield of fair profits necessary to the realization of the above principle and long-term stable operations.

The elements of our corporate governance are as follows:

1. To clearly separate management decision-making and efficient business execution, and to clarify the scope of accountability,
2. To build and operate a sound internal control system, namely, to effectively work the internal control system and the management supervision system,
3. To foster a corporate culture in which all Group employees recognize and share the thought that only the practices of compliance and corporate ethics are the bases to support the organization and to live up to all of our stakeholders’ trust and expectations, and
4. To disclose corporate and management information to stakeholders in a fair, timely and clear manner.



The Mabuchi Group employs a simple corporate management structure by establishing a corporate group consisting of Mabuchi Motor Co., Ltd., and its wholly owned subsidiaries as well as focusing and specializing its business resources on and in the small DC motor business. The Mabuchi Group employs the Corporate Auditor System as the best-suited organizational design after considering such matters as directors' duties, management efficiency and the maintenance of a management supervisory system that is appropriate to the above business contents and corporate management structure.

The entire management system of the Group is constructed and carried out on the basis that the in-house offices specified in Japan's Company Law and external accounting auditors fulfill each of their duties mandated by statutes and additionally by the involvement of our own Executive Committee, Internal Audit Department and other organizations linking to the execution of duties and the internal control.

At each of our overseas group companies, we also conduct internal control through the statutory offices mandated by statutes of the respective countries, supported by other internal organizations complementing the offices. Through the Mabuchi Group Management Vision, we also share our corporate culture and values across the world, and we strive to improve our internal control functions throughout the Group by holding meetings for the management of overseas bases and for the heads of different Group departments, as well as through operational audits of our group companies conducted by the Internal Audit Department.

### Efforts toward Compliance

To link our management principle of "contributing to international society and continuously increasing our contribution," to the conduct of each employee, we have established Our Missions, which sets forth values that our employees need to share. To help employees understand and implement Our

Missions more specifically, we have established the *Mabuchi Motor Ethical Standard* and distributed copies to all directors and employees.

As necessary, we conduct compliance training (such as training programs for new and management-level employees) to familiarize employees with Ethical Standard items of particular importance. In addition, we have set up the Ethical Standard Hotline, through which all directors and employees can report directly to and consult with the internal audit department without going through normal communication channels. This hotline is designed to resolve questions relating to the *Ethical Standard*, including compliance and concerns of nonconformance.

Also, we have established a mechanism that allows top management to take timely and appropriate measures based on audit results. Such audits, which cover Group companies as well as the head office, are conducted by the internal audit department. Audits concern compliance observation and procedures, acts of nonconformance with other ethical standards, and other matters.

We intend to strengthen our development of compliance activities for Group companies and enrich our training activities and awareness campaigns.



*Mabuchi Motor  
Ethical Standard pamphlet*

**Mabuchi's wide-ranging CSR activities include a social action program for which the Group is particularly well suited—sharing the importance and wonder of manufacturing.**

**Basic Approach to CSR Activities**

We conduct our corporate activities in line with our management principle, which expresses the aim of "contributing to international society and continuously increasing our contribution." In other words, our business objective is not the pursuit of profit for its own sake. Rather, we consider more important the Company's continued existence and development, which are achieved by continued increases in our contribution to society. The ultimate objectives of our corporate activities are to raise our level of social contribution through the business of small DC motors and to remain a company that society considers essential.

**Educating Tomorrow's Leaders Summer Vacation Parent/Child Handicraft Class Using Motors**

To kindle the interest of tomorrow's leaders and share with them the joys of manufacturing and science and technology, we held a summer vacation class using motors for parents and children. Conducted at Mabuchi's head office, the class was open to local elementary school children in grades four through six. A total of 112 parent/child teams was invited to the class, with Mabuchi employees serving as instructors and helping the teams create robots and other items using motors and recycled milk cartons. Following the class, the attendees toured Mabuchi's gallery, where they saw how motors are used in many everyday items and make our lives comfortable.



The Summer Vacation Parent/Child Handicraft Class Using Motors, held on August 8, 2008

**Career Experience for Elementary School Students**

At our technology center and head office, we offered career experience for elementary school students to give them a



Learning about wire winding (head office)

glimpse of an actual working environment. At our technology center, the students conducted performance, impact and environmental tests on actual motors, which helped them understand the importance of quality motors. At the head office, the students built sample motors, onto which they printed their names using a laser marker to make their motors unique.



Environmental testing at -40°C (technology center)

**Robot Contest Sponsorship**

To support the education of tomorrow's technologists and encourage developments in science and technology, Mabuchi has sponsored various robot contests every year since 2002, providing funding support and motors. Mabuchi agrees with the purpose of holding the contests, namely, to have young people share the importance of creativity and the fun of manufacturing by building robots.

**Helping Society**

**Support for Sichuan Province Earthquake Victims**

The Mabuchi Group donated ¥20 million in disaster relief and recovery assistance to the people affected by the major earthquake that shook China's Sichuan Province on May 12, 2008. We also raised funds at Mabuchi's head office, which were donated via the Japan Red Cross Society in the name of "Mabuchi Motor Co., Ltd., and its employees."

**Environmental Preservation Efforts to Enhance Employees' Environmental Awareness**

The Mabuchi Group considers environmental initiatives an important management theme and promotes activities accordingly. As part of practical application of the environmental management system, we conduct regular environmental education activities at the head office. We believe that raising the level of environmental awareness of each employee will boost such awareness for the Group overall. At our overseas bases, employee volunteers participate in ongoing tree-planting activities that put them in close communication with the regions in which they work. In the future, we plan to increase environmental activities at all our bases.

## Directors

**Chairman**  
Takaichi Mabuchi

**President**  
Shinji Kamei

**Executive Managing Director**  
**Chief Factory Management Officer**  
Nobuyo Habuchi

**Managing Director**  
**General Manager**  
**Administration Headquarters**  
Shunroku Nishimura

**Director**  
**General Manager**  
**Research and Development Headquarters**  
Akira Okuma

**Director**  
**General Manager**  
**Operations Control Headquarters**  
Takashi Kamei

**Director**  
**General Manager**  
**Sales Headquarters**  
Kaoru Kato



**Chairman**  
Takaichi Mabuchi



**President**  
Shinji Kamei



**Executive Managing Director**  
Nobuyo Habuchi



**Managing Director**  
Shunroku Nishimura



**Director**  
Akira Okuma



**Director**  
Takashi Kamei



**Director**  
Kaoru Kato

## Corporate Auditors

**Full-time Auditor**  
Masahiro Gennaka

**Auditor**  
Ichiro Ando

**Auditor**  
Toyokuni Yazaki

**Auditor**  
Keiichi Horii



**Full-time Auditor**  
Masahiro Gennaka



**Auditor**  
Ichiro Ando

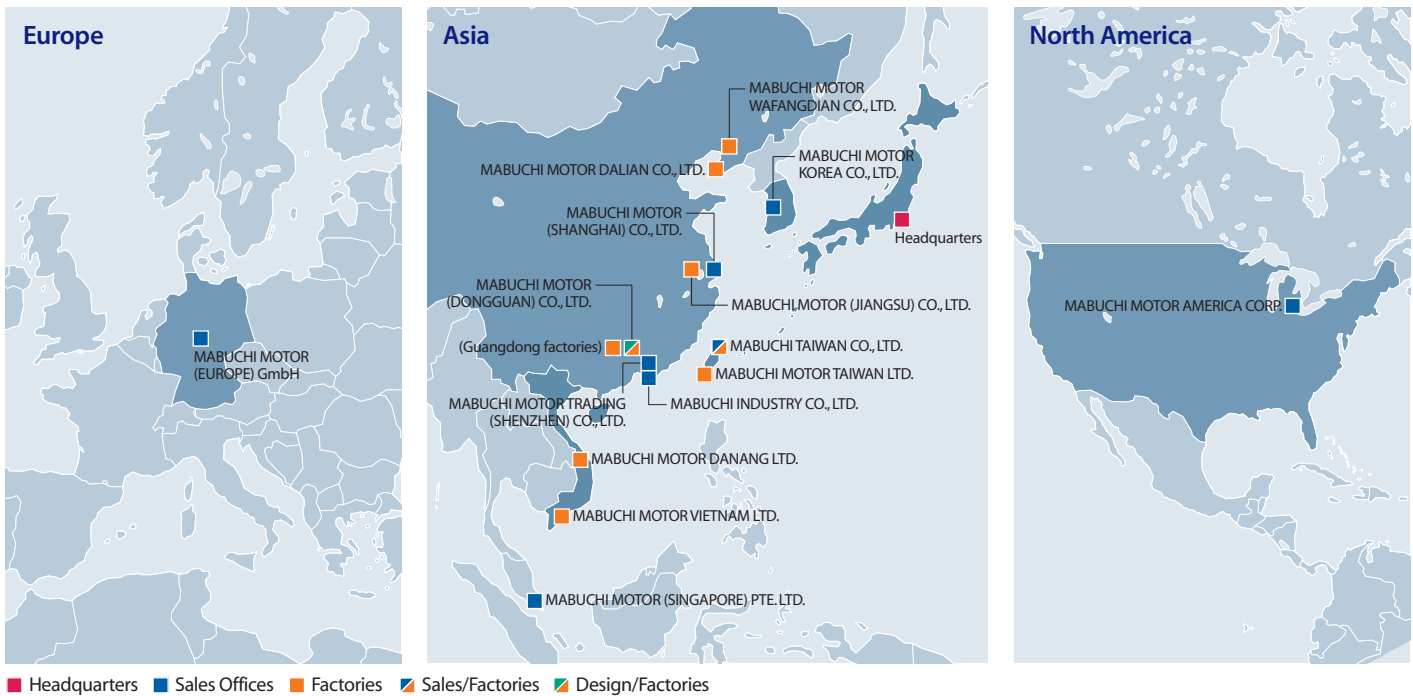


**Auditor**  
Toyokuni Yazaki



**Auditor**  
Keiichi Horii

At present, Mabuchi operates 19 overseas bases that manufacture and/or sell small DC motors. Through its overseas network, Mabuchi aims to create a highly efficient manufacturing and supply system, as well as harmonious relationships with countries where these bases are located.



**Achieving Optimal Production and Supply through a System of International Specialization**

To optimize production and supply, early on Mabuchi created a system of international specialization by establishing bases in other parts of Asia, as well as in Europe and the United States. This system embodies the management guideline to “contribute to the leveling of international economic disparities and to economic development in other countries through the creation of employment opportunities and technology transfers.” Mabuchi will continue to optimize its production and supply, making them more adaptable to economic and marketplace shifts, such as the growth of the BRICs and other emerging countries. We also plan to forge closer links among our bases and make them more functionally flexible.

**Accelerating Production System Optimization, Including the Enhancement of Our Vietnam Bases**

Mabuchi is working to optimize the surplus production space generated through its efforts to apply technical innovation in response to changes in the market environment, improve

processes and reduce inventories at production bases. After gaining a detailed understanding of the status of all its production bases, Mabuchi will review each factory’s scale of operations, location and production capacity with the aim of maximizing production efficiency. Optimizing our production system includes upgrading and expanding lines in Danang Mabuchi, our second production base in Vietnam. This measure aims to reduce the risk of overconcentration of bases in China and enhance our export competitiveness.



MABUCHI MOTOR DANANG LTD.





## Financial Section

### Contents

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27	Notes to Consolidated Financial Statements
35	Independent Auditors' Report

# 16 Six-year Financial Summary

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries  
Years ended December 31

	Millions of yen						Thousands of U.S. dollars
	2003	2004	2005	2006	2007	2008	2008
<b>For the Year:</b>							
Net sales	¥ 105,743	¥ 99,347	¥ 93,927	¥ 100,517	¥ 107,640	¥ 92,602	\$1,017,604
Cost of sales	63,334	63,329	66,479	71,919	77,207	68,799	756,032
Selling, general and administrative expenses	17,833	18,705	19,298	17,898	18,747	18,150	199,450
Operating income	24,576	17,312	8,149	10,700	11,685	5,652	62,109
Income before income taxes and minority interests	24,741	19,676	11,597	15,914	16,530	5,330	58,571
Net income	16,731	13,279	7,350	10,603	10,914	3,565	39,175
Capital expenditures	5,673	11,606	5,543	3,627	3,700	3,777	41,505
Depreciation and amortization	5,578	5,241	5,734	5,360	4,913	4,408	48,439
R&D expenses	3,714	4,035	4,196	4,076	4,187	3,892	42,769

## Cash Flows:

Net cash provided by operating activities	¥ 20,506	¥ 16,475	¥ 11,034	¥ 17,500	¥ 15,447	¥ 6,542	\$ 71,890
Net cash provided (used in) by							
investing activities	3,066	(11,752)	(719)	(6,321)	3,687	45	494
Net cash used in financing activities	(20,676)	(23,282)	(10,343)	(4,009)	(13,531)	(18,641)	(204,846)

## At Year-end:

Total assets	¥ 229,674	¥ 216,489	¥ 227,375	¥ 236,999	¥ 230,960	¥ 188,691	\$2,073,527
Net assets	212,803	201,543	211,875	219,217	213,314	178,291	1,959,241

## Per Share of Common Stock:

(Yen and U.S. dollars)

Net income	¥ 375.41	¥ 316.14	¥ 180.72	¥ 268.03	¥ 280.90	¥ 94.77	\$ 1.04
Net assets	4,934.38	4,966.70	5,354.64	5,541.46	5,577.84	5,088.18	55.91
Cash dividends	128.00	115.00	92.00	114.00	123.00	123.00	1.35

## Other Data:

Operating income margin (%)	23.2	17.4	8.7	10.6	10.9	6.1	—
ROE (%)	7.7	6.4	3.6	4.9	5.0	1.8	—
Shareholders' equity ratio (%)	92.7	93.1	93.2	92.5	92.4	94.5	—
Number of shares outstanding							
(Thousands of shares)	44,223	41,770	40,469	39,560	38,243	35,040	—
Number of employees	51,796	49,743	46,412	45,015	45,601	41,328	—

- Notes 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥91=U.S.\$1, the approximate exchange rate on December 31, 2008.  
2. ROE is calculated by dividing net income by the average of total shareholders' equity plus the revaluation/translation adjustment during the period.  
3. The shareholders' equity ratio is calculated by dividing the sum of total shareholders' equity and the revaluation/translation adjustment as of the end of the period by total assets as of the end of the period.  
4. Number of employees includes contract manufacturing labor at plants in Guangdong and Wafangdian, China.

### Market Conditions

During the year under review, the impact of the financial crisis, originating in the United States, extended throughout the real economy, causing a significant slowdown toward the end of the year. In Japan, the influence of the lackluster climate overseas, exacerbated by the appreciating yen, led to a falloff in domestic demand from the second quarter, accompanied by dramatic production adjustments and further declines in capital investment. The employment situation worsened accordingly, and the Japanese economy was thrust along a path of recession. Under these rapidly deteriorating economic conditions, the Company faced an increasingly hostile environment, which led to shrinking demand for motors in all markets in which they find applications.

### Operating Results

#### Net Sales

During fiscal 2008, ended December 31, 2008, Mabuchi posted consolidated net sales of ¥92,602 million (US\$1,017 million), down 14.0% from the previous year. The principal contributor to this decrease was a 13.9% falloff in sales of motors, which account for the majority of net sales, to ¥92,510 million (US\$1,016 million). Despite growth in demand for power unit motors from our core automotive products market and for new applications, sales declined for existing products for which Mabuchi holds a high market share as a result of a drop in new car sales, leading to decreased demand across all Mabuchi's markets.

#### Costs, Expenses and Operating Income

Operating income fell 51.6% from the previous year, to ¥5,652 million (US\$62 million). Improvements to Mabuchi's product mix and cost of sales reduction efforts failed to offset such factors as soaring raw material costs, growth in manufacturing expenses arising from higher wages at production bases and up-front investment for the start-up of the Danang factory in Vietnam and higher per-unit fixed expenses due to rapidly declining production volumes.

#### Other Income (Expenses), Income before Income Taxes and Net Income

Other expenses stood at ¥321 million (US\$3 million). Principal factors were a ¥1,069 million (US\$11 million) reduction in interest received due to falling interest rates and ¥1,567 million (US\$17 million) in exchange losses on foreign currency transactions as a result of the appreciation of the yen. Other factors included a loss on valuation of investment securities of ¥2,457 million (US\$27 million) and compensation paid for products of ¥1,774 million (US\$19 million).

As a result, income before income taxes dropped 67.8% from the previous year, to ¥5,330 million (US\$58 million), and net income fell 67.3%, to ¥3,565 million (US\$39 million).

### Net Sales by Application

#### Automotive Products

Net sales for automotive products dropped 9.8%, to ¥38,633 million (US\$424 million), with total sales of motors for automotive applications accounting for 41.8% of Mabuchi's motor sales. Unit sales were down 5.7%, to 524 million units, with a ¥3.31 cutback in the average unit price, to ¥73.70.

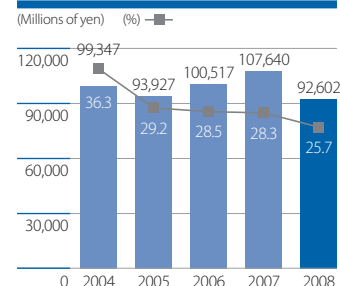
By application, sales of motors for door lock actuators totaled ¥13,100 million (US\$143 million), down 13.4% year on year; sales for door mirror drivers were ¥8,500 million (US\$93 million), a falloff of 14.9%; sales for power units were ¥8,800 million (US\$96 million), up 4.4%; sales for air conditioning damper actuators were ¥4,000 million (US\$43 million), a drop of 20.3%; and sales for other applications decreased 0.2%, to ¥4,000 million (US\$43 million).

#### Audio & Visual Equipment

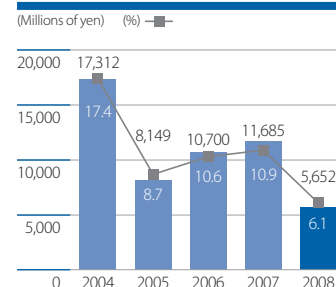
Sales of motors for audio and visual equipment fell 25.3%, to ¥15,908 million (US\$174 million), and represented 17.2% of total motor sales. Unit sales slipped 17.9%, to 470 million units, and the average unit price fell ¥3.36, to ¥33.84.

By application, sales of motors for CD players decreased 21.0%, to ¥9,100 million (US\$100 million); sales for DVD and video players declined 31.2%, to ¥4,900 million (US\$53 million); and sales for other applications dropped 28.3%, to ¥1,800 million (US\$19 million).

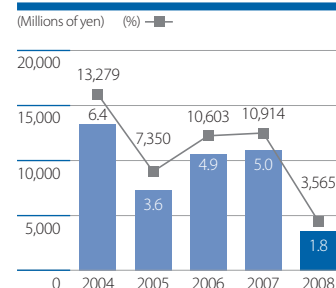
#### Net sales/ Gross profit margin



#### Operating income/ Operating income margin



#### Net income/ ROE



### Information & Communication Equipment

Sales of motors for information and communication equipment, which accounted for 17.2% of total motor sales, decreased 12.4%, to ¥15,896 million (US\$174 million). Unit sales fell 8.2%, to 306 million units, and the average unit price was ¥51.90, ¥2.47 lower than the previous year.

By application, sales of motors for inkjet printers were ¥11,600 million (US\$127 million), 8.7% below fiscal 2007; sales for PC drives were ¥2,200 million (US\$24 million), down 23.9%; sales for digital cameras were ¥1,000 million (US\$10 million), down 20.9%; and sales for other applications decreased 13.1%, to ¥800 million (US\$8 million).

### Home Appliances, Power Tools & Others

Net sales of motors for home appliances, power tools and other applications stood at ¥22,071 million (US\$242 million), 12.3% lower than the previous year, and represented 23.8% of total motor sales. Unit sales were 5.4% less than the last year's level, at 343 million units, and the average unit price was down ¥5.07, to ¥64.33.

By application, sales of motors for beauty-related equipment were ¥8,400 million (US\$92 million), down 12.7%; sales for power tools fell 0.7%, to ¥3,900 million (US\$42 million); sales for toys dropped 29.3%, to ¥1,500 million (US\$16 million); sales for health-related equipment slipped 6.6%, to ¥1,700 million (US\$18 million); and sales for other applications decreased 14.4%, to ¥6,300 million (US\$69 million).

### Net Sales by Application

	Millions of yen					Thousands of U.S. dollars
	2004	2005	2006	2007	2008	2008
Automotive Products	¥30,376	¥31,597	¥ 36,781	¥ 42,820	¥38,633	\$ 424,538
Audio & Visual Equipment	30,567	23,061	22,361	21,308	15,908	174,813
Information & Communication Equipment	14,499	16,402	16,658	18,139	15,896	174,681
Home Appliances, Power Tools & Others	23,806	22,772	23,900	25,178	22,071	242,538
Other	97	93	815	194	92	1,010
<b>Total</b>	<b>¥99,347</b>	<b>¥93,927</b>	<b>¥100,517</b>	<b>¥107,640</b>	<b>¥92,602</b>	<b>\$1,017,604</b>

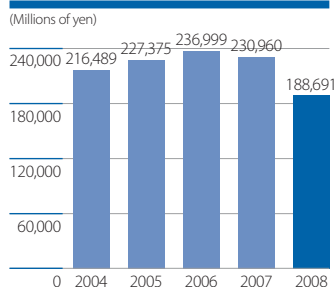
Note: Other includes parts and equipment sales.

### Net Sales by Geographic Area

	Millions of yen					Thousands of U.S. dollars
	2004	2005	2006	2007	2008	2008
Japan	¥11,536	¥10,928	¥ 10,902	¥ 10,980	¥10,663	\$ 117,175
North and Latin America	9,091	8,728	10,459	11,697	8,487	93,263
Europe	13,848	13,068	14,430	16,912	13,914	152,901
China and Hong Kong	44,855	41,665	41,105	41,290	36,686	403,142
Asia Pacific	19,917	19,443	22,804	26,564	22,758	250,087
Other	97	93	815	194	92	1,010
<b>Total</b>	<b>¥99,347</b>	<b>¥93,927</b>	<b>¥100,517</b>	<b>¥107,640</b>	<b>¥92,602</b>	<b>\$1,017,604</b>

Note: Other includes parts and equipment sales.

### Total assets



### Financial Position

#### Assets

As of December 31, 2008, total assets stood at ¥188,691 million (US\$2,073 million), down ¥42,268 million (US\$464 million), or 18.3%, from one year earlier. Principal causes of the decline included a decrease of ¥15,613 million (US\$171 million) in cash and bank deposits, ¥5,601 million (US\$61 million) lower trade notes and accounts receivable, a decline of ¥4,081 million (US\$44 million) in short-term investments, and a ¥12,566 million (US\$138 million) drop in investment securities. Although property, plant and equipment fell ¥3,964 million (US\$43 million), this was attributable to the effect of the escalating yen in currency conversions for assets of overseas subsidiaries.

## Liabilities

Total liabilities dropped ¥7,245 million (US\$79 million), or 41.0%, to ¥10,400 million (US\$114 million). The main causes for this decline were a reduction of ¥1,838 million (US\$20 million) in trade notes and accounts payable, ¥2,676 million (US\$29 million) less in accrued income taxes arising from lower profits, and a ¥2,086 million (US\$22 million) drop in deferred tax liabilities accompanying a decline in revaluation adjustments for unrealized holding gains on securities. Allowances for retirement benefits for directors and statutory auditors at the end of the year are transferred to accrued liabilities as fixed obligations, so are included in other long-term liabilities.

## Net Assets

Net assets were down ¥35,022 million (US\$384 million), or 16.4%, to ¥178,291 million (US\$1,959 million). Principal causes included the cancellation of treasury stock, which led to a reduction of ¥10,694 million (US\$117 million) in retained earnings, and a decline in stock market prices resulted in a ¥3,078 million (US\$33 million) falloff in revaluation adjustments for unrealized holding gains on securities. Furthermore, the rising value of the yen reduced foreign currency translation adjustments ¥16,870 million (US\$185 million).

In addition, owing to treasury stock purchases and cancellations during the fiscal year, treasury stock increased ¥4,379 million (US\$48 million). As a result, net assets per share stood at ¥5,088.18 (US\$55), which was ¥489.66 below the end of the previous year, and the shareholders' equity ratio was 94.5%, up 2.1 percentage points.

## Cash Flows

### Net Cash Provided by Operating Activities

Net cash provided by operating activities was ¥6,542 million (US\$71 million), down ¥8,904 million (US\$97 million) from the previous year. The main cause was lower income before income taxes arising from a decline in profits.

### Net Cash Provided by Investing Activities

Net cash provided by investing activities stood at ¥3,642 million (US\$40 million), ¥45 million (US\$0 million) lower than during fiscal 2007. Primary reasons were a decline in proceeds from withdrawal of time deposits and an increase in purchases of property, plant and equipment.

### Net Cash Used in Financing Activities

Net cash used in financing activities amounted to ¥18,641 million (US\$204 million), up ¥5,110 million (US\$56 million). This rise was led by growth in purchase of treasury stock.

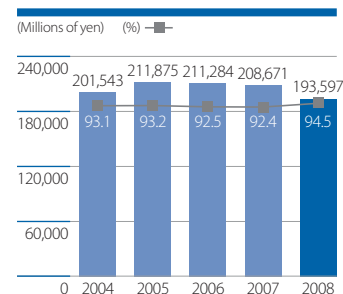
In addition to the above, there was a dramatic increase in the effect of exchange rate changes on cash and cash equivalents due to the escalation of the yen. This resulted in a ¥20,824 million (US\$228 million) reduction in cash and cash equivalents, from ¥76,897 million (US\$845 million) at the end of fiscal 2007 to ¥56,073 million (US\$616 million) as of December 31, 2008.

## Capital Expenditures, Depreciation and Amortization

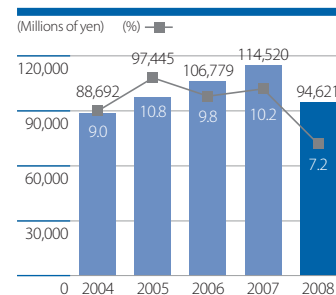
During fiscal 2008, major capital expenditures included ¥536 million (US\$5 million) in construction expenses for Mabuchi Motor Danang Ltd., ¥331 million (US\$3 million) in construction expenses for a dormitory for Head Office employees, ¥302 million (US\$3 million) for research and development equipment and ¥2,606 million (US\$28 million) for equipment to increase motor production capacity and upgrade facilities. As a result, total capital expenditures for the year were up ¥77 million (US\$0 million), to ¥3,777 million (US\$41 million).

Furthermore, depreciation and amortization declined ¥505 million (US\$5 million), to ¥4,408 million (US\$48 million).

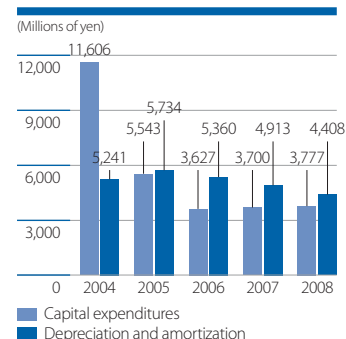
### Shareholders' equity/ Shareholders' equity ratio



### Working capital/ Current ratio



### Capital expenditures/ Depreciation and amortization



## Outlook

In fiscal 2009, ending December 31, 2009, we expect the economic climate to become even more severe. Under these circumstances, the markets targeted for applications of the Mabuchi Group's products will tend to shrink, exacerbated by the appreciation of the yen. Accordingly, we anticipate a 29.8% year-on-year reduction in consolidated net sales, to ¥65 billion.

We expect profits to be affected by sharply lower sales and production volumes, which in turn will boost per-unit fixed expenses and thus push up costs. Consequently, we forecast an operating loss of ¥1.5 billion for fiscal 2009, despite the anticipated effect of lower raw material costs stemming from falling market prices. Aggravated by a forecast falloff in interest income as a result of declining dollar interest rates, we expect to post a net loss of ¥0.5 billion for the year. Furthermore, given this financial outlook, with an assumed interest rate for the term of ¥90 to the U.S. dollar, we expect no exchange loss on foreign currency transactions.

## Business and Other Risks

### Changes in Economic Conditions

The demand for Mabuchi products, which are incorporated into our customers' products, is influenced by the economic conditions present in the diverse markets in which our group operates. Consequently, our group's business results and financial position may be adversely affected by economic recessions and corresponding contractions in demand in Mabuchi's key markets, including Japan, North America, Europe and Asia.

### Fluctuations in Foreign Exchange Rates

Items denominated in local currencies on the financial statements of our overseas subsidiaries are converted into Japanese yen to prepare the consolidated financial statements. Consequently, amounts that are to be recorded after being converted into Japanese yen are subject to the foreign exchange rates at the time of conversion. In particular, appreciation of the Japanese yen against the U.S. dollar has a negative effect on our group's consolidated business results, and conversely, any depreciation of the Japanese yen has a positive effect. Appreciation of local currencies in regions where the Mabuchi Group carries out production pushes up manufacturing and procurement costs, which are denominated in those local currencies. Such increased costs lower our group's profit margins and price competitiveness, and negatively affect our business results.

### Development of New Products and New Technologies

The new product development and sales processes, by their very natures involve both complexities and uncertainties, and include a broad array of risks. In the event our group cannot fully predict changes in market needs, is unable to develop appealing new products in a timely fashion, or a technological innovation or the like emerges that causes our products to become obsolete could have a significant adverse effect on our group's business results and financial position.

### Price Competition

Our customers are businesses in a diverse range of sectors that belong to the electrical/electronic equipment and machinery manufacturing industries, and price competition in these industries is extremely severe. In these environments, prices are a major contributing factor to competition in all sectors, and with the rise of rival Chinese manufacturers, competition is becoming even more intense. The inability of our cost-reduction activities to keep up with falling prices over the long term could have a significant adverse effect on our group's business results and financial position.

### Potential Risks in International Economic Transactions and Expanding Business Overseas

The majority of our group's business activities are conducted in various countries in Europe, North America and Asia. These overseas business activities involve certain intrinsic risks, including changes in political and economic environments, inadequate infrastructures, changes in laws, tax affairs and various other systems, and social upheaval. For example, much of our group's production takes place in China and Vietnam. The occurrence of an unexpected event (such as a change in the political or legal environment, a change in economic conditions, or a change in the social environment, includ-

ing the employment environment) may lead to significant problems for our production and/or sales activities, and these may have a significant adverse effect on our group's business results and financial position.

#### Product Quality

There is no guarantee that all of our group products will have no major quality issues. If a quality issue occurs, the amount of compensation may be influenced by the effect on the quality of the final product in which the Mabuchi product is incorporated. The unlikely event of a product defect that leads to a large-scale product complaint, recall or product liability compensation may trigger an accrual of large amount of costs or downturn in sales due to a loss of credibility, and may have significant adverse effects on our group's business results and financial position.

#### Protection of Intellectual Property

We recognize that the acquisition of intellectual property can greatly influence the growth of the Mabuchi Group. However, in certain regions, for certain inherent reasons, our group's intellectual property rights may not be completely protected. In such instances, any third party may use our group's intellectual property without permission to manufacture similar products, and we may suffer damage as a result. In addition, our competitive superiority may suffer from outflows of other of our technologies or expertise, which was then exploited by other companies. Furthermore, the Mabuchi Group could face claims of infringing on the intellectual property of another company. The failure of protection by or the violation of intellectual property rights, or the outflow of intellectual property could have significant adverse effects on our group's business results and financial position.

#### Securing and Developing Human Resources

The Mabuchi Group operates in a highly competitive corporate arena. This situation renders essential the recruitment and development of employees who are highly skilled in related areas: engineers with specialist scientific and technological expertise, and managers with top business strategy acumen and executive capacities. Mabuchi is fully cognizant of the need for the continuous enhancement and improvement of its human resources for the next generation and beyond. The failure to recruit and cultivate such a workforce on an ongoing basis through the requisite expenditure and long-term human resource development vision would invite adverse impact on the Group's future performance and financial position.

#### Procurement of Raw Materials

Depending on the type of raw material that our group procures from external sources, we may be dependent on a limited number of suppliers. There is a possibility that the supply of a raw material may be suspended due to an accident befalling a supplier or for some other reason, or that a shortage of supply may transpire due to a sudden upsurge in demand. If such conditions continue over a long period of time and it is difficult to obtain alternative materials, our group's production activities could be affected dramatically, which in turn would undermine the assurance of delivery and quality of products to our customers. Also possible are sharp increases in the prices of such materials, which would trigger a rise in manufacturing costs. If such an event were to occur, our group's business results and financial position may be subject to significant adverse effects.

#### Natural Disasters and Accidents

The Mabuchi Group has established a specialized international system. We conduct business activities in various countries throughout the world, and at each of our bases we own facilities and equipment, including factories and offices. Our group has implemented measures to prevent our exposure to risks associated with the occurrence of disasters and accidents at these bases, and we have implemented measures to reduce damage from disasters and accidents, including insurance. However, there is no guarantee that such measures will completely protect us against, or can reduce as planned, the effects of disruptions to our business activities caused by disasters or accidents at our Head Office or individual bases. In the event these kinds of unforeseeable events occur, our group's business results and financial position may be subject to significant adverse effects.

## 22 Consolidated Balance Sheets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries  
December 31, 2007 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
<b>Current Assets:</b>			
Cash and bank deposits	¥ 61,269	¥ 45,655	\$ 501,703
Trade notes and accounts receivable	15,145	9,543	104,868
Less—Allowance for doubtful receivables	(290)	(195)	(2,142)
Short-term investments	30,250	26,168	287,560
Inventories	18,048	17,060	187,472
Income taxes receivable	—	777	8,538
Deferred tax assets—current	1,375	1,584	17,406
Other current assets	1,206	1,359	14,934
Total current assets	127,006	101,955	1,120,384
<b>Property, Plant and Equipment, at Cost:</b>			
Land	6,190	6,023	66,186
Buildings	45,028	40,049	440,098
Machinery and equipment	61,079	51,885	570,164
Construction in progress	894	1,993	21,901
	113,191	99,952	1,098,373
Less—Accumulated depreciation	(74,356)	(65,081)	(715,175)
Property, plant and equipment, net	38,835	34,870	383,186
<b>Investments and Other Assets:</b>			
Investment securities	63,172	50,606	556,109
Long-term loans receivable	133	97	1,065
Deferred tax assets—non-current	129	124	1,362
Other investments and other assets	1,682	1,036	11,384
Total investments and other assets	65,118	51,865	569,945
Total assets	¥230,960	¥188,691	\$2,073,527

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.



LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
<b>Current Liabilities:</b>			
Trade notes and accounts payable	¥ 3,948	¥ 2,110	\$ 23,186
Accrued income taxes	2,676	—	—
Accrued bonus to employees	248	246	2,703
Accrued bonus for directors	81	—	—
Allowance for loss on reorganization of subsidiary	346	—	—
Other current liabilities	5,185	4,976	54,681
<b>Total current liabilities</b>	<b>12,485</b>	<b>7,333</b>	<b>80,582</b>
<b>Long-term Liabilities:</b>			
Allowance for retirement benefits for employees	187	222	2,439
Allowance for retirement benefits for directors and statutory auditors	1,094	—	—
Deferred tax liabilities	3,793	1,706	18,747
Other long-term liabilities	84	1,137	12,494
<b>Total long-term liabilities</b>	<b>5,160</b>	<b>3,066</b>	<b>33,692</b>
<b>Total liabilities</b>	<b>17,645</b>	<b>10,400</b>	<b>114,285</b>
<b>Net Assets:</b>			
Shareholders' Equity			
Common stock, without par value:			
Authorized: 100,000,000 shares			
Issued: 47,075,881 shares in 2007	20,704	—	—
Issued: 45,875,881 shares in 2008	—	20,704	227,516
Additional paid-in capital	20,419	20,419	224,384
Retained earnings	240,983	230,288	2,530,637
Treasury stock, at cost: 8,832,718 shares in 2007			
Treasury stock, at cost: 10,835,574 shares in 2008	(73,436)	(77,816)	(855,120)
<b>Total shareholders' equity</b>	<b>208,671</b>	<b>193,597</b>	<b>2,127,439</b>
Revaluation/translation adjustment:			
Unrealized holding gains (losses) on securities	1,956	(1,122)	(12,329)
Foreign currency translation adjustments	2,686	(14,183)	(155,857)
<b>Total revaluation/translation differences</b>	<b>4,643</b>	<b>(15,305)</b>	<b>(168,186)</b>
<b>Total net assets</b>	<b>213,314</b>	<b>178,291</b>	<b>1,959,241</b>
<b>Total liabilities and net assets</b>	<b>¥230,960</b>	<b>¥188,691</b>	<b>\$2,073,527</b>

## 24 Consolidated Statements of Income

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries  
For the years ended December 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Net Sales	¥107,640	¥92,602	\$1,017,604
Cost of Sales	77,207	68,799	756,032
Gross profit	30,433	23,802	261,560
Selling, General and Administrative Expenses	18,747	18,150	199,450
Operating income	11,685	5,652	62,109
Other Income (Expenses):			
Interest and dividend income	3,396	2,489	27,351
Exchange gains (losses) on foreign currency transactions	131	(1,567)	(17,219)
Gain on sale of scrap of raw material	1,230	1,446	15,890
Gain on sales of fixed assets	293	1,209	13,285
Loss on sales/disposal of fixed assets	(157)	(81)	(890)
Compensation paid for products	—	(1,774)	(19,494)
Loss on revaluation of investment securities	—	(2,457)	(27,000)
Other, net	(49)	415	4,560
	4,844	(321)	(3,527)
Income before Income Taxes	16,530	5,330	58,571
Income Taxes:			
Current	5,851	1,971	21,659
Deferred	(235)	(205)	(2,252)
	5,615	1,765	19,395
Net Income	¥ 10,914	¥ 3,565	\$ 39,175
	Yen		U.S. Dollars
	2007	2008	2008
Per Share of Common Stock:			
Net income	¥ 280.90	¥ 94.77	\$ 1.04
Cash dividends applicable to earnings of the year	123.00	123.00	1.35

The accompanying notes to consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries  
For the years ended December 31, 2007 and 2008

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	Number of Shares (thousands)		Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2007	2008	2008
<b>Common Stock:</b>					
Beginning balance	47,075	47,075	¥ 20,704	¥ 20,704	\$ 227,516
Treasury stock cancellation	—	(1,200)	—	—	—
Ending balance	47,075	45,875	¥ 20,704	¥ 20,704	\$ 227,516
<b>Additional Paid-in Capital:</b>					
Beginning balance			¥ 20,419	¥ 20,419	\$ 224,384
Ending balance			¥ 20,419	¥ 20,419	\$ 224,384
<b>Retained Earnings:</b>					
Beginning balance			¥234,893	¥240,983	\$2,648,164
Net income			10,914	3,565	39,175
Cash dividends			(4,825)	(4,667)	(51,285)
Treasury stock cancellation			—	(9,592)	(105,406)
Ending balance			¥240,983	¥230,288	\$2,530,637
<b>Unrealized Holding Gains (Losses) on Investments:</b>					
Beginning balance			¥ 3,478	¥ 1,956	\$ 21,494
Net change during the year			(1,522)	(3,078)	(33,824)
Ending balance			¥ 1,956	¥ (1,122)	\$ (12,329)
<b>Foreign Currency Translation Adjustments:</b>					
Beginning balance			¥ 4,454	¥ 2,686	\$ 29,516
Net change during the year			(1,767)	(16,870)	(185,384)
Ending balance			¥ 2,686	¥ (14,183)	\$ (155,857)
<b>Treasury Stock:</b>					
Beginning balance			¥ (64,733)	¥ (73,436)	\$ (806,989)
Net change during the year			(8,702)	(4,379)	(48,120)
Ending balance			¥ (73,436)	¥ (77,816)	\$ (855,120)

The accompanying notes to consolidated financial statements are an integral part of these statements.

## 26 Consolidated Statements of Cash Flows

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries  
For the years ended December 31, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 16,530	¥ 5,330	\$ 58,571
Depreciation and amortization	4,913	4,408	48,439
Impairment loss	24	171	1,879
Allowance for retirement benefits, net payments	603	443	4,868
Decrease in allowance for loss on reorganization of subsidiary	(163)	(346)	(3,802)
Interest and dividend income	(3,396)	(2,489)	(27,351)
Foreign exchange loss	388	1,186	13,032
Gain on sales of short-term investments and investment securities	(292)	(421)	(4,626)
Gain on sales and disposal of fixed assets	(161)	(1,129)	(12,406)
Losses on revaluation of investment securities	—	2,457	27,000
(Increase) Decrease in trade notes and accounts receivables	(742)	3,598	39,538
Increase in inventories	(470)	(3,946)	(43,362)
Increase (Decrease) in trade notes and accounts payable	210	(1,404)	(15,428)
Other, net	164	2,086	22,923
Sub total	17,610	9,945	109,285
Interest and dividends received	3,388	2,397	26,340
Income taxes paid	(5,552)	(5,799)	(63,725)
Net cash provided by operating activities	15,447	6,542	71,890
<b>Cash Flows from Investing Activities:</b>			
Deposition of time deposit	(26,073)	(27,505)	(302,252)
Proceeds from withdrawal of time deposit	27,173	23,987	263,593
Purchase of short-term investments	(14,704)	(13,994)	(153,780)
Proceeds from sales of short-term investments	13,769	20,997	230,736
Purchases of property, plant and equipment	(3,903)	(5,138)	(56,461)
Proceeds from sales of property, plant and equipment	589	2,032	22,329
Purchase of investment securities	(7,150)	(8,834)	(97,076)
Proceeds from sales of investment securities	12,823	8,604	94,549
Other, net	1,163	(102)	(1,120)
Net cash provided by investing activities	3,687	45	494
<b>Cash Flows from Financing Activities:</b>			
Cash dividends paid	(4,828)	(4,669)	(51,307)
Purchase of treasury stock	(8,702)	(13,972)	(153,538)
Net cash used in financing activities	(13,531)	(18,641)	(204,846)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,346)	(8,771)	(96,384)
Net Increase (Decrease) in Cash and Cash Equivalents	4,257	(20,824)	(228,835)
Cash and Cash Equivalents at Beginning of Year	72,639	76,897	845,021
Cash and Cash Equivalents at End of Year	¥ 76,897	¥ 56,073	\$ 616,186

The accompanying notes to consolidated financial statements are an integral part of these statements.

## 1. Summary of Significant Accounting and Reporting Policies

### (a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Mabuchi Motor Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. For the purpose of this report, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

For the convenience of the reader, the accompanying consolidated financial statements have also been presented in U.S. dollars by translating yen amounts at the rate of ¥91 to U.S.\$1, which was the approximate exchange rate prevailing on December 31, 2008.

### (b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant inter-company balances, transactions, and profits have been eliminated in consolidation. Investments in unconsolidated subsidiaries are stated at cost.

### (c) Translation of foreign currencies

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date.

Exchange gain and/or loss resulting from these translations are included in income.

Foreign subsidiaries' assets and liabilities are translated into yen at the rates of exchange in effect at the balance sheet date.

The accounts of shareholders' equity are translated at historical rates. Revenues and expenses are translated at the average rates of exchange for the year.

The resulting foreign currency translation adjustments are shown as a separate component of shareholders' equity.

### (d) Cash equivalents

For purposes of the statements of cash flows, the Company considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

### (e) Short-term investments and investment securities

The Company classifies securities as "trading securities" which are held for the purpose of earning capital gains in the short-term, "held-to-maturity" for which management has the positive intent and ability to hold to maturity, and "available-for-sale" which represent securities not classified as either trading or held-to-maturity.

Held-to-maturity securities are reported at amortized or accumulated cost. Available-for-sale securities are stated at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, and are reported in a separate component of shareholders' equity. However, when the fair value of available-for-sale securities declines significantly and is considered to be irrecoverable to the book value, such unrealized holding losses are charged to income.

Available-for-sale securities for which fair value is not readily determinable are stated at moving average cost.

### (f) Inventories

Finished goods, work in process and raw materials are principally stated at average cost. Marketable raw materials such as copper, gold, silver and palladium are stated at the lower of average cost or market.

### (g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method for the Company (except for certain building) and principally by the straight-line method for overseas subsidiaries over their estimated useful lives. Buildings acquired by the Company on and after April 1, 1998 are depreciated by the straight-line method. Maintenance and repairs, including minor and improvements, are charged to income as incurred.

### (h) Leases

Finance leases, except for those leases of which lease agreements stipulate the transfer of ownership of the leased assets to the lessee, are accounted for as operating leases. There were no significant reportable leases.

**(i) Research and development expenses**

Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥4,187 million and ¥3,892 million (\$42,769 thousand) for the years ended December 31, 2007 and 2008, respectively.

**(j) Income taxes**

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using presently enacted tax rates. Provision for Japanese income taxes on undistributed earnings of foreign subsidiaries is made only on those amounts in excess of the funds considered to be permanently reinvested.

**(k) Retirement benefits**

The Company has a trusted noncontributory pension plan covering substantially all qualified full-time employees. Under the plan, eligible employees are entitled to a 10-year annuity or lump-sum payments based on the rate of pay at the time of retirement or termination, length of service and certain other factors. Annual payments to the trustees for the pension plan, which are deductible for tax purposes, are based on actuarially determined costs of the plan.

Allowance for retirement benefits are provided based on the amount of retirement benefit obligation reduced by the fair value of pension plan assets at the end of the annual period.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss recognized primarily by the straight-line method over the period of mainly 10 years which are shorter than the average remaining years of service of the employees.

Prior service costs are amortized using straight-line method over 10 years.

Certain subsidiaries have pension plans similar to the Company or unfunded retirement and termination allowance plans for qualified employees.

The amounts required under the plans have been fully accrued.

The Company also has an unfunded retirement benefits plan for directors and statutory auditors and has fully accrued the amount required under the plan.

**Retirement benefit plan for directors and statutory auditors**

Following a resolution by the Board of Directors to abolish the unfunded retirement benefits plan for directors and statutory auditors at the close of the shareholders meeting on March 28, 2008, the shareholders meeting approved the payments to directors and statutory auditors to settle the retirement benefits plan. As a result, allowance for retirement benefits for directors and statutory auditors of ¥1,059 million (\$11,637 thousand) were transferred in long-term accrued expense and presented in other long-term liabilities. Actual payments of the retirement benefits to directors and statutory auditors will be made upon retirement from their posts.

**(l) Derivative and hedging activities**

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the Company defers recognition of gains or losses on evaluation of derivative financial instruments until the related losses or gains on the hedged items are recognized.

**(m) Impairment of fixed assets**

The Company adopted the Accounting Standard for Impairment of Fixed Assets and the Guidance on Accounting for Impairment of Fixed Assets from 2006. As a result, Impairment of fixed assets incurred ¥24 million in 2007 and ¥171 million (\$1,879 thousand) in 2008. Accumulated loss on impairment is directly deducted from the related assets,

**(n) Allowance for loss on reorganization of subsidiary**

Allowance for loss on reorganization of subsidiary incurred in connection with the closure of Mabuchi Motor (Malaysia) SDN. BHD. is reported at the reasonably estimated amount. This item was reversed since buildings and a right of using land of this subsidiary had been sold in this fiscal year.

**(o) Reclassification**

Certain reclassifications have been made to the accompanying 2007 financial statements to conform to the 2008 presentation.

**(p) Additional Information**

Conventionally, interest income had been computed on a cash basis in the Company and a certain subsidiaries. However, due to an increase in the materiality in monetary terms, the item was changed to be computed on an accrual basis, in this fiscal year. The effect of this change was to increase income before income tax and minority interest by ¥143 million (\$1,571 thousand).

## 2. Cash and Cash Equivalents

Reconciliation of cash and cash equivalents to the accounts on the statement of cash flows as of December 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Cash and bank deposits on the consolidated balance sheet	¥61,269	¥45,655	\$501,703
Time deposits with maturities over three months at the time of purchase	(2,639)	(5,142)	(56,505)
Short-term investments	30,250	26,168	287,560
Securities under the risk value fluctuation	(11,983)	(10,609)	(116,582)
Cash and cash equivalents	¥76,897	¥56,073	\$616,186

## 3. Inventories

Inventories as of December 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Finished goods	¥ 9,705	¥ 9,072	\$ 99,692
Work in process	1,703	1,468	16,131
Raw materials	6,639	6,518	71,626
	¥18,048	¥17,060	\$187,472

## 4. Securities

The Company and its consolidated subsidiaries have no trading securities.

The cost, net of unrealized gains and losses, and fair value for securities classified as available-for-sale and held-to-maturity as of December 31, 2007 and 2008 were as follows:

	Millions of Yen		
	2007		
	Cost	Fair value	Gains (losses)
<b>Available-for-sale:</b>			
Debt securities	¥18,185	¥17,680	¥ (504)
Equity securities	3,641	6,381	2,740
Other	11,484	12,529	1,045
	¥33,310	¥36,592	¥ 3,281

<b>Held-to-maturity:</b>			
Debt securities	¥37,475	¥35,179	¥(2,296)

	Millions of Yen			Thousands of U.S. Dollars		
	2008			2008		
	Cost	Fair value	Gains (losses)	Cost	Fair value	Gains (losses)
<b>Available-for-sale:</b>						
Debt securities	¥17,210	¥16,335	¥ (875)	\$189,120	\$179,505	\$ (9,615)
Equity securities	3,401	3,488	86	37,373	38,329	945
Other	7,522	6,427	(1,095)	82,659	70,626	(12,032)
	¥28,135	¥26,251	¥(1,883)	\$309,175	\$288,472	\$(20,692)

<b>Held-to-maturity:</b>						
Debt securities	¥33,853	¥29,912	¥(3,941)	\$372,010	\$328,703	\$(43,307)

The securities for which fair values were not available as of December 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
<b>Securities with no fair value</b>			
Commercial paper	¥14,186	¥10,991	\$120,780
Money Management Funds	4,988	3,000	32,967
Certificate of deposit	—	2,500	27,472
Equity securities of non-consolidated subsidiaries	70	70	769
Other equity securities	110	108	1,186
	¥19,355	¥16,670	\$183,186

The contractual maturities for securities classified as available-for-sale and held-to-maturity at December 31, 2007 and 2008 were as follows:

	Millions of Yen					Thousands of U.S. Dollars
	2007					
	Within one year	Over one year through five years	Over five years through ten years	Over ten years	Total	
Corporate bonds	¥10,992	¥10,687	¥16,475	¥17,000	¥55,156	¥55,156
Commercial paper	14,186	—	—	—	14,186	14,186
Other	—	1,723	4,517	—	6,241	6,241
	¥25,179	¥12,411	¥20,993	¥17,000	¥75,584	¥75,584

	Millions of Yen					Thousands of U.S. Dollars
	2008					2008
	Within one year	Over one year through five years	Over five years through ten years	Over ten years	Total	Total
Corporate bonds	¥ 8,427	¥ 9,907	¥23,853	¥8,000	¥50,189	\$551,527
Commercial paper	10,991	—	—	—	10,991	120,780
Certificate of deposit	2,500	—	—	—	2,500	27,472
Other	1,182	2,177	—	—	3,359	36,912
	¥23,101	¥12,085	¥23,853	¥8,000	¥67,040	\$736,703

## 5. Retirement Plans

The table below sets forth the plan's status and amounts recognized in the balance sheets at December 31, 2007 and 2008.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Retirement benefit obligation	¥(7,165)	¥(7,075)	\$(77,747)
Plan assets of fair value	7,445	6,985	76,758
Unfunded retirement benefit obligation	280	(90)	(989)
Unrecognized prior service cost	202	182	2,000
Unrecognized actuarial gain or loss	(324)	(313)	(3,439)
Net retirement benefit obligation	158	(222)	(2,439)
Prepaid pension cost	345	—	—
Accrued retirement benefits	¥ (187)	¥ (222)	\$ (2,439)



The components of net periodic pension cost for the years ended December 31, 2007 and 2008 were as follows:  
 Effective as of April 1, 2008, the Company amended its retirement benefit plan to introduced a "point" based retirement benefit plan. This plan amendment resulted in prior service cost of ¥202 million. Under the amended plan, the estimated amount of all retirement benefits to be paid upon retirement is allocated to each service year based on points earned.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Service cost	¥486	¥516	\$5,670
Interest cost	122	120	1,318
Amortization of prior service cost	—	20	219
Expected return on plan assets	(63)	(64)	(703)
Amortization of unrecognized actuarial gain or loss	4	(23)	(252)
Net periodic pension cost	¥549	¥568	\$6,241

The assumptions used in accounting for the above plans were as follows:

	2007	2008
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	1.0%	1.0%

## 6. Income Taxes

The Company and domestic consolidated subsidiaries are subject to a number of taxes based on income with a normal tax rate aggregating approximately 40.4% for the years ended December 31, 2007 and 2008. Foreign subsidiaries are subject to income taxes in the countries where they operate.

The following table summarizes the significant differences between the Japanese statutory income tax rate and the effective income tax rate on pre-tax income for the years ended December 31, 2007 and 2008:

	2007	2008
Statutory income tax rate	40.4%	40.4%
International income taxed at varying rates	(16.4)	(19.1)
Effect on elimination of dividend income from foreign subsidiaries for consolidation purposes	24.6	57.0
Foreign and R&D tax credit utilization	(14.6)	(36.9)
Undistributed earnings in foreign subsidiaries	0.1	(0.9)
Tax credit on dividend income	(0.9)	(4.5)
Other, net	0.8	(2.9)
Effective income tax rate	34.0%	33.1%

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities at December 31, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
<b>Deferred tax assets</b>			
Unrealized profits on inventories and fixed assets	¥1,144	¥ 860	\$ 9,450
Evaluation losses on assets	1,479	1,684	18,505
Depreciation	193	156	1,714
Accrued enterprise taxes	276	—	—
Allowance for retirements benefits	(132)	16	175
Unrealized loss on investments	—	761	8,362
Other	755	1,122	12,329
Total	¥3,715	¥4,601	\$50,560
<b>Deferred tax liabilities</b>			
Tax on undistributed foreign earnings	¥4,491	¥4,443	\$48,824
Unrealized loss on investments	1,325	—	—
Other	187	157	1,725
Total	¥6,004	¥4,600	\$50,549
<b>As reported in the consolidated balance sheet</b>			
Deferred tax assets	¥1,505	¥1,709	\$18,780
Deferred tax liabilities	3,793	1,708	18,769

## 7. Compensation Paid for Products

The compensation paid for products included in "other expenses" was attributed to unexpected factors and was an extraordinary expense for the product claim from certain customer. Estimates based on the number of received claim were also included in it.

## 8. Shareholders' Equity

The Japanese Commercial Code (the "Code") provides that an amount equivalent to at least 10% of cash dividends paid and other cash outlays, resulting from appropriations of retained earnings with respect to each annual period, be appropriated to the legal reserve until total of such reserve and additional paid-in capital equals 25% of the stated capital. As of December 31, 2008, the total of the legal reserve of ¥3,819 million (\$33,500 thousand) which is included in retained earnings at December 31, 2008, and additional paid-in capital, already reached 25% of the stated capital. The Code also provides that additional paid-in capital and the legal reserve up to 25% of the stated capital are not available for cash dividends but may be used to reduce a capital deficit or may be capitalized. The paid-in capital and legal reserve exceeding 25% of the stated capital are available for dividends or purchase of treasury stock upon approval of shareholders' meeting.

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. Under the Law, distribution of earnings can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met. The Company's policy on distribution of earnings is that, as in the past, year-end cash dividends are approved by the shareholders after the end of each fiscal year and semi-annual interim cash dividends are declared by the Board of Directors after the end of each interim six-month period. Such dividends are payable to shareholders of record at the end of each fiscal year or interim six-month period.

On September 19, 2008, semi-annual interim cash dividends (¥61 or \$0.67 per share) of ¥2,296 million (\$25,230 thousand) were paid to shareholders of record at June 30, 2008. On March 27, 2009, the shareholders approved the declaration of cash dividends (¥62 or \$0.68 per share) totaling ¥2,172 million (\$23,868 thousand).

## 9. Per Share Data

Net income per share was computed based on the net income reported in the consolidated statements of income and the weighted average number of shares of common stock outstanding during each year. In accordance with an accounting standard for earnings per share, basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year ended December 31, 2008.

## 10. Derivative Financial Instruments

The Company enters into forward exchange contracts and forward precious metal contracts as a normal part of risk management efforts and also utilizes compound financial instrument for the purpose of efficient management of fund surplus. The Company utilizes only principal-guaranteed instrument, and does not utilize it for speculative trading purposes. As a result, the Company is exposed to risk of a currency rate fluctuation and interest volatility in compound instruments embedded derivatives. The Company is also exposed credit-related losses in the event of nonperformance of counterparties to foreign exchange contracts, precious metal contracts and compound instruments embedded derivatives. Management believes such credit risks are minor because of the high credit worthiness of the counterparties and such financial instruments have not been held for trading purpose. Following is a summary of derivative financial instruments which are currently held by the Company.

The Company uses foreign exchange forward contracts to hedge the risk of changes in foreign exchange rates substantially associated with accounts receivable and payable denominated in foreign currencies. Gains and losses explicitly deferred, arising from contracts related to future trade transactions, are insignificant, at December 31, 2007 and 2008. There were no outstanding currency option contracts at December 31, 2007 and 2008.

Forward precious metal contracts are used by the Company to hedge the risk of changes in market prices resulting from purchase of precious metals as raw materials for motor products. The contracted amounts outstanding at December 31, 2007 and 2008 were ¥101 million and ¥231 million (\$2,538 thousand), respectively.

The estimated fair value at December 31, 2007 and 2008 were ¥107 million (\$938 thousand) and ¥163 million (\$1,791 thousand), respectively.

## 11. Contingent Liabilities

As of December 31, 2008, there were contingently liable principally for forward precious metal contracts in the amount of ¥231 million (\$2,538 thousand).

## 12. Segment Information

The Company and consolidated subsidiaries manufacture and sell small electric motors, parts and equipment used for production purposes. Substantially all of the consolidated net sales and operating income are generated from a broad range of motor products. The information on net sales, operating income and assets by geographic area, and overseas sales is summarized as follows:

### Segment Information by Geographic Area

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Net sales:			
Japan			
Outside customers	¥ 23,986	¥ 21,327	\$ 234,362
Intersegment	51,656	43,626	479,406
Total	75,643	64,953	713,769
Asia			
Outside customers	57,305	50,530	555,274
Intersegment	57,375	49,161	540,230
Total	114,680	99,692	1,095,516
U.S.A.			
Outside customers	9,533	6,875	75,549
Intersegment	53	49	538
Total	9,587	6,925	76,098
Europe			
Outside customers	16,814	13,868	152,395
Intersegment	—	—	—
Total	16,814	13,868	152,395
Corporate and elimination	(109,085)	(92,837)	(1,020,186)
Consolidated	¥ 107,640	¥ 92,602	\$ 1,017,604
Operating Income:			
Japan	¥ 3,924	¥ 1,765	\$ 19,395
Asia	7,589	2,170	23,846
U.S.A.	315	220	2,417
Europe	(72)	249	2,736
Corporate and elimination	(70)	1,246	13,692
Consolidated	¥ 11,685	¥ 5,652	\$ 62,109

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Assets:			
Japan	¥ 70,551	¥ 66,010	\$ 725,384
Asia	100,415	78,515	862,802
U.S.A.	5,097	3,490	38,351
Europe	6,818	4,762	52,329
Corporate and elimination	48,076	35,912	394,637
Consolidated	¥230,960	¥188,691	\$2,073,527

The amount of corporate assets included in "Corporate and elimination" is ¥109,987 million in 2007 and ¥89,294 million (\$981,252 thousand) in 2008, which comprises principally cash, short-term investments and investment securities.

#### Overseas Sales

	Millions of Yen		Thousands of U.S. Dollars
	2007	2008	2008
Overseas Sales			
U.S.A.	¥ 11,697	¥ 8,487	\$ 93,263
Europe	16,912	13,914	152,901
Asia and Other	68,034	59,535	654,230
Total	¥ 96,644	¥81,936	\$ 900,395
Net Sales	107,640	92,602	1,017,604
% of Overseas Sales to Net Sales	89.8%	88.5%	88.5%

Overseas sales are the total of exports by the Company and sales by consolidated overseas subsidiaries.

### 13. Subsequent Event

On January 26, 2009, the Board of Directors resolved to cancel the repurchased shares as follows:

#### (1) Purpose for cancellation of shares

To urge further improving capital efficiency, thereby making an appropriate return the Company's profits to shareholders.

#### (2) Class of shares to be cancelled

Common share of the Company

#### (3) Number of shares to be cancelled

2,000,000 shares

#### (4) Cancellation date

February 5, 2009

#### (5) Total number of shares issued after the cancellation

43,875,881 shares

## Report of Independent Auditors

The Board of Directors  
Mabuchi Motor Co., Ltd.

We have audited the accompanying consolidated balance sheets of Mabuchi Motor Co., Ltd. and consolidated subsidiaries as of December 31, 2007 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mabuchi Motor Co., Ltd. and consolidated subsidiaries at December 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a).

*Ernst & Young Shin Nihon LLC*

March 27, 2009

**Stock Data**

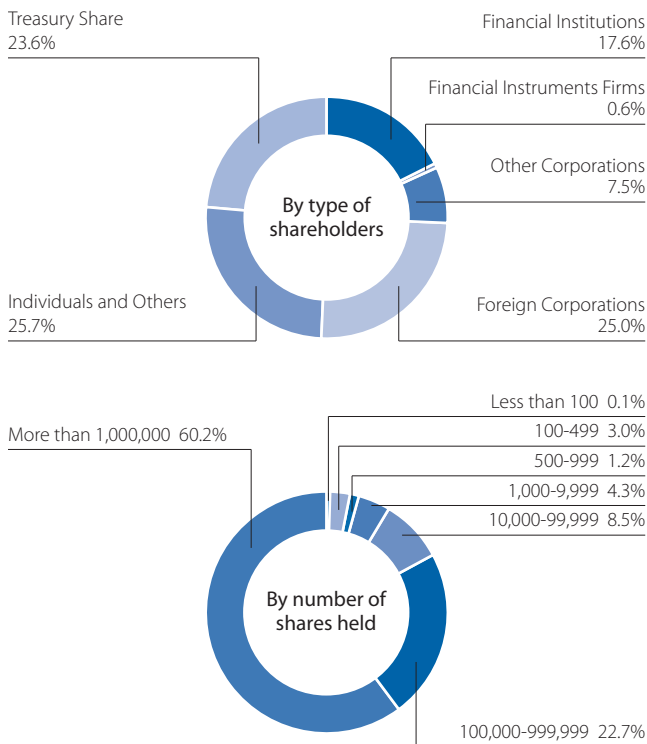
Number of Shares Authorized ..... 100,000,000 shares  
 Number of Shares Issued ..... 45,875,881 shares  
 Number of Shareholders ..... 11,594 shareholders

**Major Shareholders**

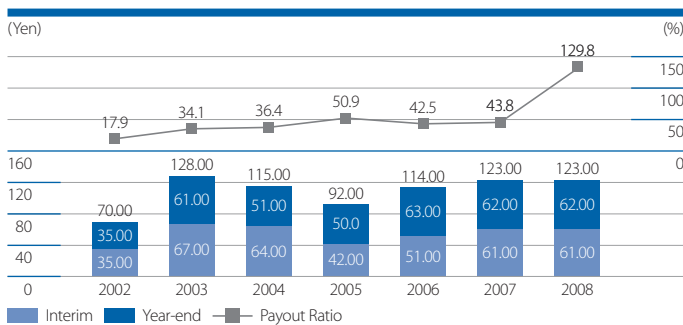
Major Shareholders	Number of Shares Held (Thousands)	Voting Rights Ratio (%)
Takaichi Mabuchi	2,500	7.1
Takashi Mabuchi	2,158	6.2
Tamotsu Mabuchi	2,158	6.2
Northern Trust Company (AVFC) Sub-account American Client	2,125	6.1
Mellon Bank NA Treaty Client Omnibus	1,615	4.6
Mabuchi International Scholarship Foundation	1,500	4.3
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	1,432	4.1
Japan Trustee Services Bank, Ltd. (Trust Account)	1,203	3.4
State Street Bank and Trust Company	1,040	3.0
Premiere Corporation	1,034	3.0

Note: In addition to the above, Mabuchi Motor Co., Ltd. retains 10,835 thousand shares as treasury shares.

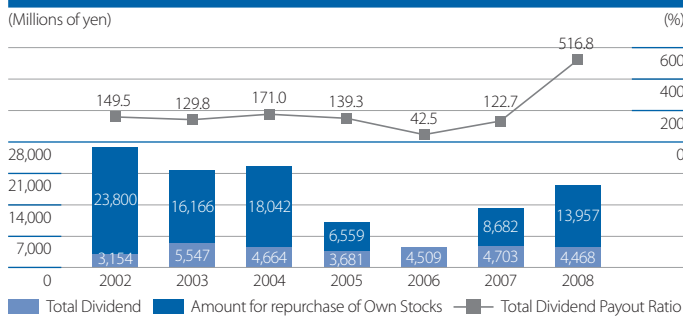
**Composition of Shareholders**



**Cash Dividends per Share / Payout Ratio**



**Total Dividend / Amount for Repurchase of Own Stocks / Total Dividend Payout Ratio**



**Changes in Standards for Calculating Dividends**

Year	Ordinary Dividend per Share	Standard Value for Calculating Special Dividend
2007 <sup>(*)</sup>	60 yen	20% of consolidated net income
2005	60 yen	20% of consolidated net income
2003	60 yen	20% of consolidated net income
1999	50 yen	5% of consolidated net income

(\* Additional policy) Actual full-year dividend amount shall be based on the above calculation standards and shall not be less than the expected dividend amount announced during the full-year period unless a significant profit warning is issued.

**Trend of Stock Price and Related Indicators**

	2004	2005	2006	2007	2008
High (Yen)	8,280	7,490	7,710	7,990	6,740
Low (Yen)	6,950	5,510	5,710	6,610	2,845
At Year-end (Yen)	7,390	6,550	7,080	6,740	3,690
PER	23.4	36.2	26.4	24.0	38.9
PBR	1.5	1.2	1.3	1.2	0.7

**Company Name**

MABUCHI MOTOR CO., LTD.

**Corporate Headquarters**

430 Matsuhidai, Matsudo-City  
Chiba, 270-2280 Japan  
Tel: 81-47-710-1111  
Fax: 81-47-710-1141

**Established**

January 18, 1954

**Paid-in Capital**

¥20,704,818,800

**Number of Employees**

763 (Non-consolidated)  
41,328 (Consolidated)

**Ordinary General Meeting of Shareholders**

The Ordinary General Meeting of Shareholders will be held at the end of March in Matsudo.

**Independent Accountants**

Ernst & Young Shin Nihon LLC  
Tokyo, Japan

**Shareholders' Register Custodian**

Mitsubishi UFJ Trust and Banking Corporation  
Corporate Agency Department  
10-11, Higashi-suna 7-chome, Koto-ku,  
Tokyo, 137-8081 Japan  
Tel: 81-120-232-711

**Stock Listing**

Japanese Stock Exchange Listing  
Tokyo Stock Exchange

**Corporate Directory****Consolidated Subsidiaries****MABUCHI INDUSTRY CO., LTD.**

19 Sam Chuk Street, San Po Kong,  
Kowloon, Hong Kong  
Tel: 852-2328-5575  
Fax: 852-2352-5266

**MABUCHI MOTOR (DONGGUAN) CO., LTD.**

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**MABUCHI MOTOR DALIAN CO., LTD.**

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Fax: 86-411-8537-0291

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215200 China  
Tel: 86-512-6345-1111  
Fax: 86-512-6345-0438

**MABUCHI MOTOR VIETNAM LTD.**

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Fax: 84-61-3836712

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Fax: 84-511-3731932

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Fax: 1-248-816-3242

**MABUCHI MOTOR (SINGAPORE) PTE. LTD.**

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Fax: 65-6339-9091

**MABUCHI MOTOR (EUROPE) GmbH**

Herriotstrasse 1, 60528 Frankfurt am Main,  
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Fax: 49-69-66902229

**MABUCHI MOTOR (SHANGHAI) CO., LTD.**

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Fax: 86-21-6208-8466

**MABUCHI MOTOR KOREA CO., LTD.**

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Fax: 82-2-534-8135

**MABUCHI MOTOR TRADING (SHENZHEN) CO., LTD.**

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Exchange Square, Jintian Road, Futian  
District, Shenzhen City, Guangdong  
Province, 518034 China  
Tel: 86-755-2399-8568  
Fax: 86-755-2399-8566

**MABUCHI MOTOR (MALAYSIA) SDN. BHD.**

This company closed during 2005.

**Non-consolidated Subsidiary**

**MABUCHI REAL ESTATE CO., LTD.**



CORPORATE HEADQUARTERS

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<http://www.mabuchi-motor.co.jp>



- Printed with soy ink, which is free from air-polluting VOCs, and by waterless printing, which eliminates the emission of harmful liquid waste.
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