

CONSOLIDATED FINANCIAL RESULTS
OF THE FISCAL YEAR ENDED
DECEMBER 31 , 2005

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CONSOLIDATED FINANCIAL RESULTS OF THE FISCAL YEAR ENDED DECEMBER 31, 2005

Date : February 17, 2006
MABUCHI MOTOR CO., LTD.
Code : 6592
Listed on Tokyo stock exchange

Headquarters : Chiba-ken (URL <http://www.mabuchi-motor.co.jp>)
Representative : Shinji Kamei (President and Representative Director)
Contact : Shunroku Nishimura (Director, Member of the Board)
Adoption of U.S. Accounting Standards : Not applicable

1. Results of the fiscal year ended December 31, 2005 (From January 1 to December 31, 2005)

(1) Operating Results

(Amounts less than one million yen have been omitted.)

	Net sales		Operating income		Net income	
	millions of yen	% (change)	millions of yen	% (change)	millions of yen	% (change)
FY2005	93,927	(5.5)	8,149	(52.9)	7,350	(44.7)
FY2004	99,347	(6.0)	17,312	(29.6)	13,279	(20.6)

	Net income per share	Fully diluted net income per share	Return (net income) on equity
	yen	yen	%
FY2005	180.72	-	3.6
FY2004	316.14	-	6.4

(Notes) 1. Weighted average number of shares outstanding during the respective years (consolidation)
2005 : 40,469,851 shares, 2004 : 41,770,076 shares
2. Changes in accounting method : None
3. The percentages of net sales, operating income, and net income show year-on-year changes

(2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	millions of yen	millions of yen	%	yen
FY2005	227,375	211,875	93.2	5,354.64
FY2004	216,489	201,543	93.1	4,966.70

(Notes) Number of shares outstanding at end of year (consolidation) ----- 2005 :39,561,763 shares, 2004 :40,563,910 shares

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Year end balance of cash and cash equivalents
	millions of yen	millions of yen	millions of yen	millions of yen
FY2005	11,034	(719)	(10,343)	64,596
FY2004	16,475	(11,752)	(23,282)	58,598

(4) Scope of consolidation and application of equity method

Number of consolidated companies : 15
Number of non-consolidated companies for equity method : None
Number of affiliated companies for equity method : None

(5) Accounting changes of scope of consolidation and application of equity method

Consolidated subsidiaries----- Added : 1 Excluded : None
Companies accounted for under the equity method ----- Added : None Excluded : None

2. Prospect for the next fiscal year (From January 1 to December 31, 2006)

	Net Sales	Net income
	millions of yen	millions of yen
Interim	45,000	2,800
Annual	93,000	6,300

(Reference) Projected annual net income per share : 158.53yen

MANAGEMENT PRINCIPLES

At Mabuchi Motor Co., Ltd. (Mabuchi), we start creative endeavors aimed at new stages of growth in order that we remain the leader in the small motor industry, supporting a high quality of life for people.

In the context of our Management Philosophy, that is, “Contributing to International Society and Ever-expanding Our Contribution”, we have reaffirmed the corporate image for which the Mabuchi Group strives, and we have developed a course that will lead us to this image, in the form of the “Mabuchi Management Vision”.

In our Management Vision, the “Management Guidelines” clarify how to understand and realize the concept of “Contribution” as based on our “Management Philosophy”, and the “Management Policies” clarify the guidelines for action in performing our business activities. Our Management Philosophy, Management Guidelines and Management Policies are the genes of our company, and form the basis of our founding management to be passed down through eternity to subsequent generations.

Management Guidelines

The following 1 through 4 are our Management Guidelines, and are the concepts that form the “standards” by which management decisions are made.

1. Contribute to the realization of an affluent society and comfortable lifestyles for people by supplying superior products at less expensive prices.
2. Position “people” as our most important management resource, make the most of people’s abilities through work, and nurture workers who can contribute positively to society.
3. Conduct business activities which are not detrimental to the global environment or human health.
4. Contribute to the economic development of foreign countries and to narrowing the economic disparity between nations, by extensively providing employment opportunities and transferring technology to countries overseas.

Management Policies

The “Management Policies” direct our business activities so that we can “accurately determine societal needs as a specialized manufacturer of small motors, and provide a stable supply of products based on these needs in a faster and cheaper manner”. The “Management Policies” also show what course of activities we should take as a business entity.

In addition, the “Management Policies for Overseas Bases” clearly show our basic philosophy for the management of our overseas bases on the basis of co-existence and co-prosperity for both Mabuchi and the respective country.

Management Policies

1. Develop products with an emphasis on versatility, and appropriately develop conditions for optimum production.
2. Ensure that products are developed and improved based on comprehensive value analyses, and that parts and materials are standardized.
3. Pursue reductions in costs by utilizing advanced processing technologies and by minimizing waste.
4. Seek out new markets, and secure reasonable market shares.
5. Maximize the potential of employees through appropriate placements, and conduct on-the-job human resource development.
6. Promote business activities that are based on minimizing environmental burdens and on the pursuit of safety.
7. Promote management measures and policies from a perspective of long-term stability.

Management Policies for Overseas Bases

1. Promote co-existence and co-prosperity with the respective country based on a long-term perspective.
2. Establish a system of international division of labor that capitalizes on the strengths of each overseas base, and maintain and expand our international competitiveness.
3. Promote the spread of the Mabuchi corporate culture emphasizing contributions to society, and promote the transfer of knowledge and technology.

Basic Policy on Profit Sharing

Mabuchi maintains a basic policy of actively returning profits through long-term stable dividend payments as well as through dividend increases and stock splits in accordance with our business results. We do this while also providing funds from internal reserves for capital expenditure, research and development which are necessary for the growth of our company, and while maintaining our financial soundness.

Based on this policy, in the past, we had distributed annual dividends to each share equivalent to the total of an ordinary dividend payment of 50 yen per share as a long-term stable dividend payment, and a special dividend equal to 20% of the consolidated net income divided by the number of shares issued. However, we resolved to review the ordinary dividend portion for the year-end dividends for this current period and for future periods, and this is outlined below.

Based on the current business environment, we have reviewed our level of dividend payments. In order to make more balanced profit returns, while taking into consideration capital expenditure, the current and future movements of cash flows, and our internal reserves, and while maintaining our business investments and financial soundness, we will change the portion of fixed ordinary dividend payments from the current 50 yen per year to 60 yen. Consequently, year-end ordinary dividend payments for this period will increase by 5 yen from the initially announced 25 yen to 30 yen. There will be no change to special dividend payments.

In November and December, we repurchased 1 million shares through the stock market. Together with the shares repurchased through tender offer and the stock market between 2002 and 2004, this brings the total number of shares acquired to 7,498,700. We will continue to appropriately review repurchases as a means of flexibly responding to changes in the share price and business environment, and as a means of fulfilling our capital policy and returning profits to shareholders.

So as to increase our corporate value, we appropriate internal reserves to further strengthen and deepen our existing businesses and to invest in areas of future growth.

Our View on Reducing the Minimum Amount of Shares that may be Traded

Based on our shareholder-focused management stance, in keeping with the fact that sustainable improvements to business results is the underlying mission of our company, our view is that we will consider reductions in stock investment units, with due consideration to the level of the stock price, the number of shareholders, the liquidity of shares, the supply-demand environment, cost effectiveness, as well as shifts in other circumstances.

Medium-term (Long-term) Business Strategies & Issues to be Resolved

Growth Strategy:

Under our basic policy of pursuing the maximum potential for our core business - the small DC brush motor business - we recognize that one of our key challenges now and in the future is to link highly marketable applications and new areas to opportunities for growth. Based on this recognition, in addition to examining our expansion into new lines of business from the following four directions, we are proceeding to strengthen our business portfolio: (1) expanded sales in existing applications for our DC brush motors; (2) expansion into new applications for our DC brush motors; (3) expanding our existing applications using such motors as our power unit motor, brushless motor, and oscillating motor; (4) expansion into new applications for motors with new technology. While delving deeper into our areas of expertise, we will open up possibilities in new fields, and further broaden the areas in which we can exercise our company's strengths.

Cost Strategy:

Mabuchi recognizes that it is imperative that we rebuild a competitively superior cost structure while maintaining the best quality. Currently, we are proceeding with cost-cutting activities across all areas, including products, parts, equipment manufacture, and frontline production technologies, and we aim to expand our black box business. In addition to lowering production costs at manufacturing sites, we will also review procurement strategies for components and equipment. We will also work earnestly to rationalize costs in the functional units of the company, such as by rearranging the functional layout and improving the speed of operations, and to make cost improvements at the design and development stage, such as by introducing new materials to production.

Parts Strategy:

We will proceed strategically with the consolidation of our purchase sources, with even greater purchasing of parts and materials from China, and with the in-house manufacturing of parts. We believe that the in-house manufacturing of parts will lead to long-term improvements in the competitiveness of our products, by aiming to keep the potential low costs, which are attributable to the economies of scale from producing over 1.8 billion motors each year, within Mabuchi; increasing our bargaining power when negotiating with suppliers, due to an understanding of the marginal costs; and retaining our core technologies.

Equipment Strategy:

The basic philosophy behind capital expenditure is not complete automation, but rather it aims for a business structure where products can be made even more cheaply than the “competing products made with parts and materials from China and with Chinese labor costs”, by pursuing “the best balance between people and machines” with consideration given to economic rationality. Naturally, we will give priority to efforts for the lateral expansion of rationalized equipment which is already being used practically, but we will also proceed with the internalization of equipment manufacture, in order to achieve labor-savings and also to retain the know-how related to the original equipment within Mabuchi.

Management Infrastructure Strategy:

In October 2004, we introduced the Mabuchi Virtual Unit (MVU). By regrouping the sales department, product development department, technology planning department and other departments into “virtual business units” sorted by market segments, we identified the diverse needs of our customers in each segment, and we restructured the time-based product development and marketing strategy framework. Furthermore, the information infrastructure, which identifies the performance of each business unit, was enhanced, and we have steadily begun to change the way we think about complying with the two-way commitment for both marketing and technology.

Furthermore, in October 2005, we clarified the functions of the Head Office (development, production, sales, and management) as well as the accountabilities and executive responsibilities, and we introduced a system of four headquarters into the Head Office organization so as to achieve business results while fully exercising the mutual check-and-balance function. At the same time, we reviewed our Management by Objective and Performance Assessment systems. We ensured their consistency, and we integrated them into a new effectively functioning mechanism.

Reorganization of Production Bases:

Mabuchi’s production bases are focused around Guangdong, which has occupied a key position in our production function. Changes in the business environment, coupled with such factors as smaller spaces being realized through process improvements and the effect of reductions in intermediate inventory at bases, means that our production bases now have a surplus production space of approximately 30% in relation to the original medium-term plan. By improving the appropriateness of this production

space, we believe that we will increase the capacity utilization at existing plants and factories, and address the issue of improving profitability. Furthermore, on a group-wide basis, we will also promote making the production capacity at production bases more appropriate in terms of a comprehensive and long-term perspective of regional infrastructure costs and wages, and the configuration and efficient scale of plants.

Specifically, on August 8, 2005, we closed our Malaysian production subsidiary which had slipped in cost competitiveness. Also, in a bid to reduce the risk of over-concentrating in China and to strengthen the competitiveness of our exports, in October 2005, we established Mabuchi Motor Danang as our second production base in Vietnam, and we commenced construction of the plant.

International Division of Labor:

Our aim is to “transfer engineering operations for existing motors to Guangdong, China” by 2008, and based on this aim, we shifted the engineering operations for relatively simple motors from our Head Office to Dongguan Mabuchi Motor. We subsequently began the development and upgrade of motors for home appliance and audio & visual applications, and began contending with optional components. Furthermore, in line with these changes, we are also proceeding to introduce Product Data Management (PDM) as part of our IT infrastructure developments so that we can enhance the coordination of information between Head Office and the bases during development and upgrades.

In sales, there has been an increasing number of cases where our Japan-affiliated customers have shifted their development functions to China, and there has also been an increase in the needs specific to the Chinese market. In response to this, we strengthened our sales structure in south China, so that we can be quick of the mark to keep pace with these developments, and so that we can have a foot in the door of future potential markets. As a result, we now have sales structures in south China (Guangdong), east China (Shanghai) and north China (Dalian) so that we can remain close to our key domestic and foreign-backed customers who are based in the Chinese market in each of these regions.

Basic View on Corporate Governance and the Status of Policies Implemented

Basic View on Corporate Governance

The Mabuchi Group recognizes that the significance of our existence lies in the very realization of our Management Philosophy of “Contributing to International Society and Ever-expanding Our Contribution” through the small motor business. We believe that corporate governance for our group should be comprised of a business management structure that supports the realization of this Management Philosophy, as well as the various management measures for maintaining this structure. Accordingly, the building and maintaining an appropriate corporate governance structure is one of the most important responsibilities of management. Following are our group’s views on the basic concepts for corporate governance.

1. Management decisions and the efficient execution of operations shall be conducted with clear divisions, and it shall be made clear where responsibilities reside.
2. An appropriate internal control organization shall be developed and operated. Namely, an internal system of checks and balances and a management supervisory system shall function effectively.
3. As a corporate culture, all employees of the Mabuchi Group shall share a common recognition that the implementation of corporate ethics and compliance supports employees and organizations with high activity levels.
4. Corporate management information shall be disclosed to stakeholders in a timely, fair and unambiguous manner.

Description of Mabuchi Group’s Organizations and the Development Status of the Internal Control System

Mabuchi employs a system of corporate auditors. Different corporate structures, accounting auditors and other organizations prescribed by Japan’s Commercial Law perform their respective legal functions. In addition to these organizations, we also independently established the Executive Committee, Internal Audit Department and other organizations within Mabuchi, related to the execution of operations and to internal control. Through the participation of these internal organizations together with outside experts, we have established and are operating a group-wide internal control structure.

At each of our overseas group companies as well, we implement internal control by means of institutions that are based on the laws of the respective countries, as well as with internal organizations and outside experts that complement the local institutions. Through the Mabuchi Management Vision, we also share our corporate culture and values across the world, and we are striving to improve our internal control function throughout our entire group, by holding meetings for the management of overseas bases and meetings for the heads of the different group departments, as well as by having our Internal Audit Department conduct operational audits on the group companies.

Following is a detailed description of the organizations within Mabuchi, and the status of our internal control.

(1) Board of Directors and Executive Committee:

Management decisions are made by the Board of Directors, which comprises eight directors (seven of which are resident in Japan) who are well acquainted with Mabuchi’s business environment and our operations, and by the “Executive Committee” which comprises the directors resident in Japan. The Board of Directors makes decisions on important matters stipulated by law, and meetings of the board are held occasionally as needed (23 times this period). The Executive Committee complements the Board of Directors. It makes decisions flexibly, and at the same time performs a function of reciprocally monitoring the execution of duties by the each of the directors.

(2) Management Supervisory System

1. Board of Auditors

The Board of Auditors comprises four auditors, including three outside auditors (two lawyers and one certified public accountant). Each auditor audits the operations executed by the directors etc., in accordance with the auditing standards, policies, plans and work schedule determined by the Board of Auditors. Specifically, at least one auditor attends every meeting of the Board of Directors and Executive Committee. They observe the decisions made and duties executed by the directors from a mostly legal perspective, and if necessary, they request direct interviews or written submissions from individual directors regarding the status of duties executed by each director, thereby complementing those functions. In addition to this, they also provide suggestions and advice concerning maintenance or improvements for the internal control mechanisms.

2. Internal Audit Department:

The Internal Audit Department comprises two full-time staff members, with period participation by outside experts. It was established as an organization under the direct control of the President to reinforce the global management supervisory function. We are building up a system where, while liaising with the auditors (and the Board of Auditors) as necessary, the Internal Audit Department conducts ongoing supervision of compliance with regard to the effectiveness, procedures and rules, etc., of the internal control systems in each of the group companies (including the "Internal Audit Committees" in the subsidiaries), and subsequently provides feedback to management.

3. Audit of Financial Accounts and Other Management Supervisory Systems:

With regard to the audit of financial accounts, we have engaged Ernst & Young ShinNihon to conduct audits under two Japanese laws, namely the Commercial Law and the Securities and Exchange Law. Ernst & Young ShinNihon conducts audits from an independent third-party perspective. We receive reports on the results of the audits, and respond in a timely fashion to the audit comments, including any matters requiring improvement in our internal control system as indicated during the audit process.

The audit structure for the period ended December 2005 is as follows.

*Names (and continuous years of auditing experience) of the certified public accountants performing audits

Appointed employees: Executive Officers	Ryoichi Ishihara (3 years)
	Nobuyuki Ono (3 years)
	Sumio Ishikawa (7 years)

*Composition of the assistants to the audits -----3 certified public accountants, 7 junior accountants

In addition to the above, we also introduced the following systems from a group-based perspective: Environmental Audits conducted by internal and external auditors; Quality Audits conducted on production activities; Design Reviews conducted on research and development activities; and the RINGI System (a system by which decisions are approved by circulating memos). These systems are functioning as important management supervisory systems. Also, support for management supervision is also received through periodic consultation, advice and management-related suggestions from one Senior Corporate Adviser and one Corporate Adviser who were previously directors at Mabuchi.

(3) Maintenance of the Internal Control System

The internal control system is the basis for corporate governance. In particular, the internal system of checks and balances, which is built into the procedures and organizations that execute ordinary operations, is effective in preventing fraud and errors. Starting with the internal structures and division of duties within Mabuchi and each of our group companies, we review the various related regulations, and conduct ongoing maintenance.

(4) Compliance Culture

We declared our Management Philosophy soon after the foundation of our company. Based on this, we established guidelines

for action, and since then we have been working to entrench these guidelines in our group companies as a corporate culture. With our Management Philosophy positioned at the top, we have formulated the “Mabuchi Management Vision”, which describes how Mabuchi should be in the 21st century. Within the Management Vision, we emphasize both contributions to society through work, and fairness and justice to other people, and we urge all Mabuchi employees to share these common values.

Furthermore, we are striving to broaden the compliance culture. We established the Compliance Promotion Office within the General Affairs Department, and based on our “Compliance Manual” and other specific themes, we have also been conducting regular activities to educate directors and all employees about compliance.

(5) Disclosure of Corporate Management Information

For the purpose of appropriately reporting and describing our management information to stakeholders, we have established intra-group regulations, and in cooperation with the departments concerned and the executive officers in each of the group companies, we have been endeavoring to disclose information in a timely, fair and unambiguous manner, mainly through our Accounting and Finance Department and our Public Relations and Advertising Department.

Furthermore, in addition to disclosing information based on laws and various systems, we have been providing investor information by means of ordinary question-and-answer sessions for investors and analysts, analyst presentations on our interim and year-end financial accounts, and through the internet and our website, including greater disclosure of information in English. We will continue to strive for improvements and enhancements to IR information, and we will continue to disclose highly transparent information.

Development of the Risk Management System

We have established a Risk Management Committee for the purpose of preventing and reducing damage which may be caused by various risks related to our business activities, and for the purpose of rapidly recovering from and minimizing damages that may be incurred in instances where those risks are realized. From a group-wide perspective, the Risk Management Committee extracts and evaluates risks both quantitatively and qualitatively, and formulates and implements countermeasure plans. Also, for the purpose of securing an emergency communication system and an initial-response system, we formed the Group Crisis Response Headquarters and we are developing other contingency systems.

Details of Executive Remuneration

Following are the remuneration and bonuses paid to the directors and auditors of Mabuchi Motor Co., Ltd. (the parent company) during the current period.

Total remuneration paid to Mabuchi directors -----	117 million yen
	(maximum allowable monthly remuneration: 15 million yen)
Total remuneration paid to Mabuchi auditors -----	28 million yen
	(maximum allowable monthly remuneration: 3 million yen)
Total bonuses paid to executives through the appropriation of retained earnings -----	68 million yen
	(including 7 million yen for bonuses to auditors)

The above totals do not include the employee portion of salaries and bonuses which have been paid to directors who concurrently serve as employees.

Details of Audit Fees

Following are the fees paid during the current period to Ernst & Young ShinNihon, Mabuchi's accounting auditors.

Total fees paid during the current period for audit certification based on audit contracts-----	31 million yen
Total fees not included above -----	0 million yen

Summary of Interests between Mabuchi and Mabuchi's External Executives

Neither the three outside auditors nor the accounting auditors have any kind of interest in Mabuchi. Therefore, full assurance can be given to the independence and effectiveness of our management supervisory function.

Implementation of Efforts to Enhance Corporate Governance during the Past Year

With regard to activities during the past year for the enhancement of corporate governance, first, in April, we formulated the "Mabuchi Motor Compliance Manual" which gives greater substance to the group's Management Vision, from the perspective of the daily activities of our executives and employees. We also established the Compliance Promotion Office within the General Affairs Department, and commenced regular activities to educate executives and all employees about compliance. Furthermore, in October, we introduced the "headquarters system" to Mabuchi. This worked to clarify the fact that the four managing directors assume responsibility (the ultimate responsibility) for supervising the execution of operations in the functional units under their respective control. Then, in December, we established "Internal Audit Committees" to serve as internal control systems in production subsidiaries overseas. We further reinforced our group internal control, by such means as obliging the Internal Audit Committees to conduct regular internal audits and to report the results to the Internal Audit Department at Mabuchi.

We will continue to carefully assess changes in our business environment and changes in various social systems, and we will continue to maintain our corporate governance to contribute to the realization of our Management Philosophy and corporate objectives.

OPERATING RESULTS AND FINANCIAL POSITION

1. Operating Results

2005 Overview

During the current period in Japanese economy, despite corporate earnings being sluggish with the negative impact from soaring prices of materials such as crude oil, steel and copper, there were clear signs of recovery seen in corporate profits across a wide range of industries as well as in household consumption. Overall, the Japanese economy experienced a steady recovery, with further debate on the transition away from deflation and on changes in monetary policy.

Turning our attention to overseas economic conditions, and in the U.S., an economy supported by consumer spending is showing resilience. The sharp increases in energy prices following the hurricane subsided, and relative poise has been shown over inflation worries. In the European economy, despite a slump in private-sector consumption in Germany, fixed capital formation and foreign demand performed strongly. Overall, the Euro economy remained on a course of moderate recovery, although new employment creation was sluggish. In the Asian economy, the first half of the year witnessed a moderate slowdown in line with the downturn in exports growth. However, in the latter half, the economy regained strength, and supported by both exports and domestic demand, the economy continued its moderate expansion.

Under these business conditions, overall, our consolidated business results were strained. Despite strong performances in our key areas for growth strategies, namely the Automotive Products market and the Information and Communication Equipment market, business results slipped in the Audio & Visual Equipment market. Various specific reasons can be given for the decline in our cost of sales ratio, including: (1) Mabuchi commands a large share of the audio sector, but the spread of memory audio equipment utilizing flash memory and mini-HDDs proceeded at a speed faster than expected, resulting in a significant negative impact; (2) Due to the effects of falling prices for end products, mainly in the digital household appliances sector, the manufacturers of end products pushed forward with reconsiderations of the parts and materials they use in order to reduce their costs, and this exacerbated the shift to models built with our lower-priced motors; (3) Steel and copper account for a major portion of our procurement costs for parts and materials, and the prices of these and other raw materials soared; (4) Costs incurred in launching new products increased, and there was an increase in the burden of fixed expenses associated with the decline in capacity utilization.

As a result, consolidated net sales for the period totaled 93,927 million yen (a 5.5% decrease compared with the previous period). Although this exceeded the forecast, it was still a drop on last year's results. Motor sales, which account for the majority of consolidated net sales, totaled 93,833 million yen (a 5.5% decrease compared with the previous period). Operating income decreased to 8,149 million yen (a 52.9% decrease compared with the previous period). This was in part due to cuts in some production costs not being sufficient to cover the negative factors outlined above. Ordinary income decreased to 13,250 million yen (a 33.1% decrease compared with the previous period), driven chiefly by the decrease in operating income and the increase in foreign exchange gains. Net income decreased to 7,350 million yen (a 44.7% decrease compared with the previous period). In part, this was due to incurring an extraordinary loss associated with the closing of the subsidiary in Malaysia, and to incurring a loss on the retirement of fixed assets associated with the scrapping of the former Head Office premises.

Following is a description of the market trends and sales conditions for motors arranged by application.

In the Audio & Visual Equipment market, recently the demand for motors for contemporary digital products continued to expand. However, during this period, the spread of memory audio equipment using flash memory or mini-HDDs accelerated rapidly. This rapid expansion eroded the market for CD players, and this led to a dramatic decrease in demand for motors for CD players. Meanwhile, although demand for motors used in car CD and DVD players was strong, major Japanese and Korean mechanism manufacturers, which are our major customers, lost their respective market shares to local Chinese manufacturers under the influence of price competition, and this contributed to a relative decrease in our market share. Accordingly, net sales considerably

decreased to 23,061 million yen (a 24.6% decrease compared with the previous period).

In the Automotive Products market, growth is being successfully sustained. As drivers seek safety, convenience, comfort and efficiency in their automobiles, the number of electrical components in vehicles continues to rise, and hence the number of motors used in any one vehicle also increases. In particular, motors for retractable rearview mirrors and air conditioning damper actuators performed well, because of the increased global tendency to provide these as standard fittings, and because of the increase of our market share in Europe. With respect to motors for power windows, there was a temporary shipping adjustment in early spring in the Chinese market, and although the effect of this meant that forecasts were not reached, strong performances in the latter half meant that full-year results ended up exceeding the results of the previous period. Net sales in this market increased to 31,597 million yen (a 4.0% increase compared with the previous period), and under our structure of classifying sales by market, these results exceeded net sales in the Audio & Visual Equipment market for the very first time.

In the Information & Communication Equipment market, demand for motors increased considerably due to the expansion of the inkjet printer market, and due to a rise in the ratio of complex machines. In particular, the switch from stepping motors to brush motors for paper feeding mechanisms (similar to the switch in motors used for carriage drives) and the expansion in motors used for cleaning ink nozzles, contributed significantly to the increase in demand for motors in this market. Furthermore, another positive factor was that shipments began for high value-added motors fitted with (optical encoder) rotation control mechanisms to be used in inkjet printers. Overall, net sales increased significantly to 16,402 million yen (a 13.1% increase compared with the previous period).

The Home Appliances, Power Tools, Toys & Hobbies market grew strongly on the back of a new hit product, the vibrating-type wet shaver, which was released onto the shaver market along with the conventional electric shaver. The market for motors used in health-related equipment, such as blood pressure meters and blood glucose monitors, also steadily increased. With regard to motors used in power tools, despite our major clients losing momentum in the second half of this year, we increased our market share and performed strongly. On the other hand, negative factors were also experienced in this market: there was a temporary suspension of shipments of motors due to the effects of complaints by consumers about certain customer products; and there was a slump in demand for fragrance generators which had experienced a boom for several years. Overall, net sales for market decreased to 22,772 million yen (a 4.3% decrease compared with the previous period).

Non-consolidated Results

With regard to non-consolidated business results, for the reasons mentioned above, net sales for motors amounted to 54,977 million yen (a 5.2% decrease compared with the previous period), and overall net sales amounted to 58,230 million yen (a 7.2% decrease compared with the previous period). Operating income amounted to 2,654 million yen (a 62.1% decrease compared to the previous period). In addition to the deterioration in gross profits attributable to a decline in the volume of sales and an increase in sales of motors with thin profit margins, the decrease in operating income was also caused by an increase in expenses related to the new office building and other administrative expenses. Ordinary income amounted to 13,748 million yen (a 26.0% decrease compared to the previous period). Despite the decrease in dividend income received from related companies, there were foreign exchange and other gains. Net income amounted to 9,742 million yen (a 24.8% decrease compared to the previous period). Similar to the reasons stated for the consolidated business results, this decrease was due in part to incurring a loss on the retirement of fixed assets associated with the scrapping of the former Head Office premises.

With respect to the payment of year-end dividends, as described in our “Basic Policy on Profit Sharing”, we plan to pay 50 yen per share. This is comprised of 30 yen as an ordinary dividend (which is an increase of 5 yen from the previous 25 yen) and 20 yen as a special dividend. We have already paid an interim dividend of 42 yen per share (25-yen ordinary dividend, 17-yen special dividend). This will bring the total dividend per share for the year to 92 yen (55-yen ordinary dividend, 37-yen special dividend). (The forecast initially announced was 85 yen: 50-yen ordinary dividend, 35-yen special dividend.)

2. Financial Position

With regard to consolidated cash flows for this fiscal period, net cash provided by our operating activities decreased to 11,034 million yen. The decline was mostly due to a decrease in net income before income taxes and minority interests. Net cash used in investing activities decreased to 719 million yen. This decline was mostly due to a reduction in expenditure attributable to the acquisition during the previous fiscal period of fixed assets in conjunction with the construction of the new Head Office building. Net cash used in financial activities amounted to 10,343 million yen, due mainly to a reduction in dividend payments and the repurchase of shares (treasury stock). As a result, the balance of cash and cash equivalents at the end of this period increased 5,997 million yen compared to the previous period, to 64,596 million yen.

3. Business and Other Risks

(1) 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 sells. Consequently, our group's business results and financial position may be adversely affected by economic recessions and the corresponding contraction in demand in Mabuchi's key markets, including Japan, North America, Europe and Asia.

(2) Fluctuations in Foreign Exchange Rates

Items denominated in local currencies on the financial statements of our overseas subsidiaries are converted into Japanese yen when the consolidated financial statements are prepared. Consequently, amounts which 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 will have a negative effect on our group's consolidated business results, and conversely any depreciation of the Japanese yen will have a positive effect.

Appreciation of local currencies in regions where the Mabuchi group carries out production will push up manufacturing and procurement costs which are denominated in those local currencies. Increased costs will lower our group's profit margins and price competitiveness, and will impact negatively on our business results.

(3) Development of New Products and New Technologies

The development and sale of new products, by their very nature, involve both complexities and uncertainties, and include a broad array of risks.

In the event our group cannot fully predict the changing needs of the market, or cannot develop appealing new products in a timely fashion, or in the event a technological innovation emerges which causes our products to become obsolete, then our group's business results and financial position may be subject to significant adverse effects.

(4) Price Competition

Our customers are businesses in a diverse range of sectors that belong to the electrical and electronic equipment and machinery manufacturing industries, and price competition in these industries is extremely severe. In these kinds of environments, prices are a major contributing factor to competition in all sectors, and with the prominence of rival Chinese manufacturers, competition is becoming even more intense.

If our cost-reduction activities cannot keep up with falling prices over the long-term, then our group's business results and financial position may be subject to significant adverse effects.

(5) Potential Risks in International Economic Transactions and in Expanding Business Overseas

The majority of our group's business activities are conducted in the various countries in Europe, North America and Asia.

Within these overseas business activities there are certain inherent risks, including changes in political and economic environments, undeveloped infrastructures, changes in laws, tax affairs or various other systems, or social unrest.

For example, much of our group's production activity is conducted in China. The occurrence of an unexpected event (such as changes in the Chinese political or legal environment, changes in economic conditions, problems related to the employment environment or SARS, problems of anti-Japanese sentiment, or other changes to the social environment) may lead to significant problems for our production and/or sales activities, and these may lead to our group's business results and financial position being subject to significant adverse effects.

(6) Product Quality

There is no guarantee that all of our group products will be without defect or that there will be no major quality problems either now or in the future. If a quality-related issue was to occur, the amount of compensation may be influenced by the effect on the quality of the final product which contains the Mabuchi product. In the unlikely event a product defect occurred that led to a large-scale recall or product liability compensation, then this may trigger an explosion in costs or a plunge in sales due to a loss of credibility, and our group's business results and financial position may be subject to significant adverse effects.

(7) 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, our group's intellectual property may be used without authority by third parties, and through the manufacture of similar products, we may suffer damages. Or we may lose our competitive advantage through the outflow of other technology or expertise, and then having it exploited by other companies. Or even still, there is a possibility that it could be claimed that our group has impinged on the intellectual property of another company.

The failure of protection or the violation of intellectual property rights, or the outflow of other intellectual property may lead to our group's business results and financial position being subject to significant adverse effects.

(8) 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 supply of the raw material is suspended due to an accident befalling the supplier or for some other reason, or that a shortage of supply transpires due to a sudden upsurge in demand. If such conditions were to continue long-term and alternative materials were not easily available, then there is a possibility that our group's production activities would be affected dramatically, and in turn this would undermine the assurance of delivery and quality of products to our customers. It is also possible, that the prices of such materials would escalate, which would trigger a rise in manufacturing costs.

If such an event were to occur, then our group's business results and financial position may be subject to significant adverse effects.

(9) Natural Disasters and Accidents

The Mabuchi Group has established a system of international division of labor. We conduct business activities in countries throughout the world, and we own facilities and equipment at our various bases, including plants and offices. Our group has implemented measures to prevent our exposure to risks associated with the occurrence of disasters and accidents at these centers, and we have implemented measures to reduce damages, including by insuring. However, there is no guarantee that completely protects us against, or which 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 occurred, our group's business results and financial position may be subject to significant adverse effects.

4. Outlook for 2006

Turning to the outlook for the world's economies for the next period, a trend of moderate expansion is forecast for the global economy. The U.S. economy is expected to remain on course for a soft landing. Japan can expect a steady improvement to its growth rate, and a quicker pace in its shift away from deflation. A trend of moderate expansion is forecast for the European economy, despite lacking any strength in domestic demand. And in the Asian economy, strong showings are anticipated for both domestic and foreign demand. Yet at the same time, uncertainties also exist which may influence economic trends: the timing of the end of zero interest rates in Japan, inflation concerns in the U.S., the deflationary effect of the German policies for fiscal deficit reduction, the direction of restrictive monetary policies in Asian countries, and fears in China concerning the revaluation of the Chinese yuan.

With regard to our market environments, we anticipate that the steady increase in sales in our areas of growth, including in the Automotive Products market, will not be able to fully cover the decreases in the Audio & Visual Equipment market, which is expected to contract further. This should result in our net sales remaining level. At the same time, tough conditions, similar to the current period are predicted, including the price of raw materials remaining high, and ongoing expenditure for upfront investment costs.

Based on these circumstances, our outlook for the full-year business results for fiscal 2006 is as follows.

Consolidated results forecast (Change compared to the previous period)

Net sales	93,000 million yen	(1.0% decrease)
Operating income	6,500 million yen	(20.2% decrease)
Ordinary income	9,600 million yen	(27.5% decrease)
Net income	6,300 million yen	(14.3% decrease)

Non-consolidated results forecast (Change compared to the previous period)

Net sales	59,500 million yen	(2.2% increase)
Operating income	1,500 million yen	(43.5% decrease)
Ordinary income	9,700 million yen	(29.4% decrease)
Net income	7,700 million yen	(21.0% decrease)

The above forecasts assume an exchange rate of 1 USD = 110 JPY. Also, no allowances have been made for foreign exchange gains and losses.

Notes: The above forecasts have been estimated based on certain conditions that we believe to be reasonable at this current time. Actual results may differ from the forecasts.

The main factors that may contribute to a difference include:

*Fluctuations in the exchange rates for Japanese yen and other Asian currencies

*Changes in economic conditions and demand trends in our business areas.

*Rapid technological innovations, such as new technologies or new products.

Note, however, that the factors that could possibly affect our results are not limited to the above.

CONSOLIDATED BALANCE SHEETS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES DECEMBER 31, 2005 and 2004

		(Millions of yen)		
ASSETS		2005 December 31	2004 December 31	Increase (Decrease)
Current Assets	Cash and bank deposits	61,399	56,390	5,008
	Trade notes and accounts receivable	14,407	13,235	1,172
	Short-term investments	11,325	10,772	553
	Inventories	17,061	16,430	631
	Deferred tax assets	1,132	1,593	(461)
	Other current assets	2,384	1,557	826
	Allowance for doubtful accounts	(344)	(267)	(77)
	Total current assets	107,365	99,713	7,652
Fixed Assets	Property, Plant and Equipment			
	Buildings and structures	20,648	19,043	1,605
	Machinery, equipment and vehicles	11,259	10,426	832
	Tools, furniture and fixture	2,490	2,389	100
	Land	6,198	6,173	24
	Construction in progress	1,106	1,673	(566)
	Total	41,703	39,705	1,997
	Intangible Assets	602	528	73
	Investments and Other assets			
	Investment securities	75,668	74,130	1,537
	Long-term loans receivable	224	338	(114)
	Deferred tax assets	142	157	(14)
	Other investments and other assets	1,670	1,916	(246)
	Allowance for doubtful accounts	(1)	(1)	-
	Total	77,704	76,541	1,162
Total fixed assets	120,009	116,775	3,234	
Total assets	227,375	216,489	10,886	

		(Millions of yen)		
LIABILITIES AND SHAREHOLDERS' EQUITY		2005 December 31	2004 December 31	Increase (Decrease)
Current Liabilities	Trade notes and accounts payable	2,877	3,094	(217)
	Accrued income taxes	891	2,562	(1,670)
	Accrued bonus to employees	293	396	(103)
	Accrued loss on reorganization of subsidiary	558	-	558
	Other current liabilities	5,300	4,968	332
	Total current liabilities	9,920	11,021	(1,100)
Long-term Liabilities	Deferred tax liabilities	4,847	3,017	1,830
	Accrued retirement benefits for employees	122	379	(256)
	Accrued retirement benefits for directors and statutory auditors	484	446	38
	Other long-term liabilities	124	81	42
	Total long-term liabilities	5,579	3,924	1,655
Total liabilities	15,500	14,945	554	
Shareholders' Equity	Common stock	20,704	20,704	-
	Additional paid-in capital	20,419	20,419	-
	Retained earnings	228,319	224,816	3,502
	Unrealized holding gains on securities	4,034	611	3,423
	Foreign currency translation adjustments	3,115	(6,863)	9,978
	Treasury stock	(64,718)	(58,145)	(6,572)
	Total shareholders' equity	211,875	201,543	10,331
Total liabilities and shareholders' equity	227,375	216,489	10,886	

CONSOLIDATED STATEMENTS OF INCOME

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2005 and 2004

	(Millions of yen)		
	2005	2004	Increase (Decrease)
Net Sales	93,927	99,347	(5,419)
Cost of Sales	66,479	63,329	3,150
Gross profit	27,447	36,018	(8,570)
Selling, General and Administrative Expenses	19,298	18,705	592
Operating income	8,149	17,312	(9,162)
Other Income (Expenses)			
Interest and dividend income	2,169	1,736	433
Exchange gains on foreign currency transactions	2,029	414	1,615
Other, net	(751)	213	(965)
Income before Income Taxes and Minority Interests	11,597	19,676	(8,079)
Income Taxes			
Current	4,277	6,889	(2,611)
Deferred	(30)	(585)	554
Minority Interests	-	93	(93)
Net Income	7,350	13,279	(5,929)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2005 and 2004

		(Millions of yen)		
		2005	2004	Increase (Decrease)
		December 31	December 31	
Common Stock	Beginning balance	20,704	20,704	
	Ending balance	20,704	20,704	-
Additional Paid-in Capital	Beginning balance	20,419	20,419	
	Ending balance	20,419	20,419	-
Retained Earnings	Beginning balance	224,816	216,890	
	Net income	7,350	13,279	
	Cash dividend	(3,772)	(5,225)	
	Bonus to directors and statutory auditors	(74)	(127)	
	Ending balance	228,319	224,816	3,502
Unrealized Holding Gains on Securities	Beginning balance	611	171	
	Net change during the year	3,423	439	
	Ending balance	4,034	611	3,423
Foreign Currency Translation Adjustments	Beginning balance	(6,863)	(5,299)	
	Net change during the year	9,978	(1,563)	
	Ending balance	3,115	(6,863)	9,978
Treasury Stock	Beginning balance	(58,145)	(40,083)	
	Net change during the year	(6,572)	(18,062)	
	Ending balance	(64,718)	(58,145)	(6,572)
Total shareholders' equity at end of year		211,875	201,543	10,331

CONSOLIDATED STATEMENTS OF CASH FLOWS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004

		(Millions of yen)		
		2005	2004	Increase (Decrease)
Cash Flows from Operating Activities	Income before income taxes and minority interests	11,597	19,676	(8,079)
	Depreciation and amortization	5,734	5,241	492
	Provision for retirement benefits, net payments	(230)	(532)	302
	Increase in accrued loss on reorganization of Subsidiary	558	-	558
	Interest and dividends income	(2,169)	(1,736)	(433)
	Foreign exchange gains (loss)	(1,220)	387	(1,607)
	Loss on sales and disposal of fixed assets	267	73	194
	Decrease in trade notes and accounts receivables	236	801	(565)
	Decrease (Increase) in inventories	1,329	(1,968)	3,297
	Increase (Decrease) in trade notes and accounts payable	(943)	217	(1,161)
	Other, net	(216)	(216)	0
	Sub total	14,943	21,945	(7,001)
	Interest and dividends received	2,162	1,737	425
	Interest paid	(13)	(0)	(13)
	Income taxes paid	(6,058)	(7,206)	1,148
Net cash provided by operating activities	11,034	16,475	(5,441)	
Cash Flows from Investing Activities	Purchase of short-term investments	(5,712)	(5,849)	136
	Proceeds from sales of short-term investments	8,881	13,677	(4,795)
	Purchase of property, plant and equipment	(5,411)	(12,175)	6,763
	Proceeds from sales of property, plant and equipment	502	144	357
	Purchase of investment securities	(6,558)	(14,017)	7,459
	Acquisition of minority interests	-	(1,710)	1,710
	Proceeds from sales of investment securities	7,193	7,437	(244)
	Other, net	384	741	(356)
Net cash used in investing activities	(719)	(11,752)	11,032	
Cash Flows from Financing Activities	Cash dividends paid	(3,771)	(5,220)	1,449
	Purchase of treasury stock	(6,572)	(18,062)	11,489
	Net cash used in financing activities	(10,343)	(23,282)	12,938
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6,026	(931)	6,958	
Net Increase (Decrease) in Cash and Cash Equivalents	5,997	(19,491)	25,489	
Cash and Cash Equivalents at Beginning of Year	58,598	78,089	(19,491)	
Cash and Cash Equivalents at End of Year	64,596	58,598	5,997	

SEGMENT INFORMATION

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

			(Millions of yen)	
1. Segment Information by Geographic Area			Year ended Dec. 31, 2005	Year ended Dec. 31, 2004
Net Sales	Japan	Outside customers	20,040	20,395
		Intersegment	38,190	42,365
		Total	58,230	62,760
	Asia	Outside customers	52,725	56,795
		Intersegment	40,222	39,918
		Total	92,948	96,714
	U.S.A.	Outside customers	8,118	8,289
		Intersegment	29	0
		Total	8,148	8,289
	Europe	Outside customers	13,043	13,866
		Intersegment	0	0
Total		13,043	13,866	
	Eliminations	(78,442)	(82,283)	
	Consolidated	93,927	99,347	
Operating Income	Japan		2,654	7,003
	Asia		4,346	10,058
	U.S.A.		63	137
	Europe		165	(14)
	Eliminations		920	127
	Consolidated		8,149	17,312

			(Millions of yen)	
2. Overseas sales			Year ended Dec. 31, 2005	Year ended Dec. 31, 2004
Overseas Sales	U.S.A.		8,728	9,091
	Europe		13,068	13,914
	Asia and Other		61,199	64,801
	Total		82,996	87,807
Net Sales			93,927	99,347
% of Overseas Sales to Net Sales			88.4%	88.4%

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

CURRENT STATUS OF PRODUCTION AND SALES

(1) Production(Quantity only)

(Volume less than one thousand pieces have been omitted.)

	Manufacturing Subsidiary	Period		Year ended		Increase (Decrease)
		December 31, 2005		December 31, 2004		
		thousand pieces	%(change)	thousand pieces	%(change)	thousand pieces
Small Motors	MABUCHI INDUSTRY CO., LTD.	1,027,372	56.7	1,153,267	57.9	(125,894)
	MABUCHI MOTOR DALIAN LTD.	170,877	9.4	161,124	8.1	9,752
	MABUCHI MOTOR WAFANGDIAN LTD.	139,719	7.7	158,175	8.0	(18,456)
	MABUCHI MOTOR (JIANGSU) CO., LTD.	130,143	7.2	143,445	7.2	(13,301)
	MABUCHI MOTOR (MALAYSIA) SDN. BHD.	31,953	1.8	52,174	2.6	(20,220)
	MABUCHI TAIWAN CO., LTD.	2,925	0.2	3,569	0.2	(644)
	MABUCHI MOTOR VIETNAM LTD.	308,861	17.0	319,122	16.0	(10,261)
	Total	1,811,852	100.0	1,990,879	100.0	(179,026)

(Notes) Figures are based on products volume.

(2) Sales by application

(Amounts less than one million yen have been omitted.)

	Application	Period		Year ended		Increase (Decrease)
		December 31, 2005		December 31, 2004		
		millions of yen	%(change)	millions of yen	%(change)	millions of yen
Small Motors	Automotive Products	31,597	33.7	30,567	30.8	1,220
	Audio & Visual Equipment	23,061	24.6	30,376	30.6	(7,505)
	Information & Communication Equipment	16,402	17.5	14,499	14.6	1,903
	Home Appliances & Power Tools & Others	22,772	24.2	23,806	24.0	(1,034)
	Total	93,833	100.0	99,249	100.0	(5,415)

(Notes) Consumption taxes were excluded.