

CONSOLIDATED FINANCIAL RESULTS  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2006

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# CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2006

Date : August 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 for the six months ended June 30, 2006 (From January 1 to June 30, 2006)

### (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)
Six months ended June 30, 2006	49,146	10.7	5,636	21.2	5,323	28.1
Six months ended June 30, 2005	44,406	(10.3)	4,651	(55.3)	4,156	(50.7)
Year ended December 31, 2005	93,927	-	8,149	-	7,350	-

	Net income per share	Fully diluted net income per share
	yen	yen
Six months ended June 30, 2006	134.56	-
Six months ended June 30, 2005	102.47	-
Year ended December 31, 2005	180.72	-

(Notes) 1. Weighted average number of shares outstanding during the respective term(consolidation)  
Six months ended June 30, 2006 : 39,561,312 shares, Six months ended June 30, 2005 : 40,563,598 shares,  
Year ended December 31, 2005 : 40,469,851 shares  
2. Change in accounting method : None  
3. The percentages of net sales, operating income, and net income are the ratios of change  
against the corresponding period of the previous year.

### (2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	millions of yen	millions of yen	%	yen
As of June 30, 2006	228,295	212,216	93.0	5,364.33
As of June 30, 2005	223,073	208,543	93.5	5,141.20
As of December 31, 2005	227,375	211,875	93.2	5,354.64

(Notes) Number of shares outstanding at end of period (net of treasury stocks)  
June 30, 2006 : 39,560,626 shares, June 30, 2005 : 40,563,243 shares, December 31, 2006 : 39,561,763 shares

### (3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	millions of yen	millions of yen	millions of yen	millions of yen
Six months ended June 30, 2006	7,791	(2,878)	(1,982)	66,499
Six months ended June 30, 2005	4,275	856	(2,071)	64,111
Year ended December 31, 2005	11,034	(719)	(10,343)	64,596

### (4) Scope of consolidation and application of equity method

Number of consolidated companies : 16  
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
Annual	97,500	8,500

( Reference ) Projected annual net income per share : 214.86 yen

# MANAGEMENT PRINCIPLES

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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 conjunction with an ongoing ordinary dividend yearly payment of 60 yen per share as payment of a long-term stable dividend, we have resolved to make payments as a business result of a special dividend equal to 20% of the consolidated net income divided by the number of shares issued.

With regard to the repurchase of shares, every year between 2002 and 2005, we reacquired shares through tender offers and the stock market. In total, we have repurchased 7,498,700 shares. 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 have also resolved to appropriate internal reserves to further strengthen and deepen our existing businesses and to invest in areas of growth.

## 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:**

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 proceeded to change the way we

think about complying with the two-way commitment for both marketing and technology.

Furthermore, 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, 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:**

One of our aims is to "transfer upgrading engineering operations for existing motors to Guangdong, China" by 2008. Based on this aim, Dongguan Mabuchi Motor began developing and upgrading motors for home appliances and audio & visual applications, dealing with optional components, and began mass production. Furthermore, in line with this transfer, we introduced Product Data Management (PDM) as part of our IT infrastructure developments so that we could enhance the coordination and sharing of information between Head Office and Dongguan Mabuchi Motor during such developments and upgrades.

In sales, we established Mabuchi Motor Korea at the end of last year. The main purposes of establishing this company are for offshore sales geared toward the audio & visual applications market, and to maintain and increase sales in the Korean market for motors used in electrical components resulting from the expansion of the Korean automotive industry.

# OPERATING RESULTS AND FINANCIAL POSITION

## 1. Operating Results

### Review of Operation of This First Half (Consolidated Results)

During the current interim period in the Japanese economy, despite corporate earnings being sluggish with the negative impact from the high price of crude oil and the soaring prices of copper and other materials, there were clear signs of recovery seen in corporate profits across a wide range of industries as well as in household consumption. Discussion centered on observations that the economy has moved away from deflation, and overall, the Japanese economy experienced steady recovery, including the Bank of Japan lifting its zero interest rate policy.

Turning our attention to overseas economic conditions, and in the U.S., despite the economy heading for a slowdown, fears of inflation have subsided and signs have been seen that the economy will land softly. The current U.S. economy supported by consumer spending is showing resilience. In the European economy, despite a slump in fixed capital formation in Germany, consumer spending performed strongly, and in France, both economic indicators performed strongly. Overall, the Euro economy remained firm this first half, even in the face of an unavoidable slowdown set for the second half of this year. In the Asian economy, most countries continued to experience economic expansion backed by both exports and domestic demand. In particular, in China, signs had been seen that the economy was heating up again, and so authorities announced hikes for base lending rates and released restrictive property speculation measures to alleviate the heating economy.

Under these business conditions, overall, sales increased from the same period last year. In addition to strong performance in our key area for growth strategies, namely the Automotive Products market, our first-half consolidated business results were also solid in the Information and Communication Equipment market and the Home Appliances and Power Tools market. Even the Audio & Visual Equipment market, which has been tending to contract, remained only slightly down on the same period last year. The depreciation of the Japanese yen compared to the same period last year can also be cited as a cause for the increase in sales. In contrast, negative impacts on our business results include renewed hikes in the price of crude oil, spikes in the price of copper, and the soaring prices of steel products, which account for a major portion of our procurement costs for parts and materials.

As a result, consolidated net sales for the interim period increased to 49,146 million yen (a 10.7% increase from the same period last year). Motor sales, which account for the majority of consolidated net sales, totaled 48,744 million yen (a 9.8% increase from the same period last year). Operating income increased to 5,636 million yen (a 21.2% increase from the same period last year). In addition to cuts in production costs and reduced selling, general and administrative expenses, this increase in operating income was influenced by the effects of a depreciated yen. Although increases were recorded in interest income, reduced foreign exchange gains kept ordinary income at 7,706 million yen (a 13.6% increase from the same period last year). Finally, net income increased to 5,323 million yen (a 28.1% increase from the same period last year). Despite impairment losses on fixed assets being incurred, there were greater gains on sales of investment securities and other positive factors.

The following are a description of the market trends and sales conditions for motors, arranged by application:

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 small motors used in any one vehicle also increases.

Motors for all of the major applications performed well, especially for mirrors, door locks, air conditioning damper actuators and power windows. In addition to this, sales of motors were solid and business results surpassed the same period last year for headlight beam level adjusters, the ratio of vehicles fitted with which has increased remarkably, and for other innovative applications in which we are engaged. Net sales in this market increased significantly to 18,569 million yen (a 19.3% increase from the same period last year), and are paving the way for increases in our company's overall net sales.

In the Audio & Visual Equipment market, in recent years there has been a rapid acceleration in the spread of memory audio

equipment which use flash memory or mini HDDs. This rapid spread has invaded the market for CD players, and this has led to a dramatic decrease in the demand for motors for CD players. During this interim first half, however, sales of motors for DVD players were favorable and there was strong demand for motors for car CD players. As a result, net sales in this market decreased only marginally to amount to 10,885 million yen (a 0.3% decrease from the same period last year).

In the Information and Communication Equipment market, the main positive factors were a rising proportion of multifunction printers in the inkjet printer market, the expansion of the market for photo printers which print directly from digital cameras, and the sales of high value-added motors fitted with rotation control mechanisms for use in inkjet printers. There was also strong demand for motors used in digital camera zoom lenses. Overall, net sales increased to 7,702 million yen (a 5.2% increase from the same period last year).

In the Home Appliances, Power Tools, Toys & Hobbies market, the demand for motors used in toothbrushes and in hair care and beauty products has grown strongly, and there has also been steady demand for motors used in shavers, hair dryers and power tools. Overall, net sales for this market increased to 11,586 million yen (a 9.5% increase from the same period last year).

### **Non-consolidated results**

With regard to non-consolidated interim business results, for the reasons mentioned above, net sales for motors amounted to 30,262 million yen (a 15.2% increase from the same period last year), and overall net sales amounted to 32,105 million yen (a 14.0% increase from the same period last year). Operating income amounted to 2,238 million yen (a 34.9% increase from the same period last year). The increase was mostly attributable to a greater volume of sales and a decrease in selling, general and administrative expenses. Despite this increase in operating income, foreign exchange gains and dividend income received from related companies both decreased, resulting in ordinary income amounting to 10,247 million yen (a 2.8% decrease from the same period last year). Net income amounted to 8,032 million yen (a 5.4% increase from the same period last year). Although impairment losses on fixed assets were incurred, the relative increase in net income was due to a decrease in losses incurred on the retirement of fixed assets associated with the scrapping of the former Head Office premises during the previous period, as well as gains on sales of investment securities being recorded.

With respect to the payment of interim dividends, as described in the Basic Policy on Profit Sharing, we will pay 51 yen per share. This is comprised of 30 yen as an ordinary dividend and 21 yen as a special dividend.

## 2. Financial Position

With regard to interim consolidated cash flows, net cash provided by our operating activities amounted to 7,791 million yen. The increase was partly due to an increase in net income before income taxes and minority interests. Net cash used in investing activities amounted to 2,878 million yen. Although there was a reduction in expenditure attributable to the acquisition of fixed assets, the increase in net cash used resulted from the purchases of short-term investments and investment securities exceeding proceeds from such sales. Net cash used in financial activities amounted to 1,982 million yen, due mainly to the payment of dividends. As a result, the balance of cash and cash equivalents at the end of this interim period increased 1,880 million yen compared to the previous period, to 66,499 million yen.

The following table shows the trends for Mabuchi's cash flow indicators.

	June 30, 2004	December 31, 2004	June 30, 2005	December 31, 2005	June 30, 2006
Shareholders' equity ratio	92.2%	93.1%	93.5%	93.2%	93.0%
Shareholders' equity ratio based on market value	147.1%	138.5%	118.4%	114.0%	118.5%

\* Both of the indicators have been calculated using the following formulae, and using figures contained within the consolidated financial statements.

Shareholders' equity ratio = Shareholders' equity / Total assets

Shareholders' equity ratio based on market value = Total market value of shares / Total assets

\* The total market value of shares has been calculated using the formula:

Closing stock price at the end of the period × Number of shares outstanding at the end of the period (less treasury stock)

\* Since Mabuchi does not have any interest-bearing liabilities, debt repayment (years) and interest coverage ratio have not been included.

## 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. Full Year Forecasts**

With regard to the full-year outlook for the global economy, a trend of moderate deceleration is forecast in spite of the world's economies being on course for stable growth as a whole. This forecast has been suggested by individual regional and national economies including: Japan where, despite there being stronger moves away from deflation and steady growth being forecast, the future is unclear with sharp contrasts to be seen between industries and between businesses; the U.S., where it is said that, with the softening of the housing market, the economy has already entered a period of moderate deceleration; the European economy, where deceleration trends are forecast for the second half of the year; and the other Asian economies, which are on track for strong growth on account of healthy exports and private consumption. Furthermore, there are some uncertain parameters that dominate economic trends, including fears of interest rate rises, a worsening business confidence caused by soaring prices of crude oil, and the prices of raw materials hovering at high levels.

With regard to the markets in which our products are sold, on the whole, it is predicted that net sales will increase by 3.8% compared to the previous period. Although steady year-on-year increases in net sales are forecast for the Automotive Products market and the Home Appliances and Power Tools market, the outlook for the Audio Equipment market is that sales of motors will continue to remain weak.

In terms of our business results, it is forecast that operating income will increase by 10.4% compared to the previous period. Although in this second half it is predicted that the costs of materials will rise with the soaring costs of copper and other raw materials, and that the direct labor costs will rise due to higher wages, these will be offset by such positive factors as the abatement of selling price cutting, an improvement in cost rates attributable to changed product mixes, and reduced selling, general and administrative expenses. The outlook for ordinary income is that it will decrease 3.4% from the previous period, due in part to reduced foreign exchange gains. The outlook for net income is that it will increase 15.6% compared to the previous period. Although impairment losses on fixed assets have been incurred in this first half, the relative increase in net income is expected to come from a reduction in losses incurred on the retirement of fixed assets associated with the closing of our Malaysian subsidiary during the previous period, and from gains on sales of investment securities sold during this first half year.

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

**1. Consolidated results forecast (Change compared to the previous period)**

Net sales	97,500 million yen	(3.8% increase)
Operating income	9,000 million yen	(10.4% increase)
Ordinary income	12,800 million yen	(3.4% decrease)
Net income	8,500 million yen	(15.6% increase)

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

Net sales	66,000 million yen	(13.3% increase)
Operating income	5,000 million yen	(88.4% increase)
Ordinary income	13,700 million yen	(0.4% decrease)
Net income	10,600 million yen	(8.8% increase)

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.
- \* Elevating prices of copper and other parts and materials.

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 JUNE 30, 2006 and 2005, DECEMBER 31, 2005.

		(Millions of yen)		
ASSETS		June 30 2006	June 30 2005	December 31 2005
<b>Current Assets</b>	Cash and bank deposits	61,838	62,923	61,399
	Trade notes and accounts receivable	15,143	14,604	14,407
	Short-term investments	11,739	10,535	11,325
	Inventories	17,344	17,844	17,061
	Deferred tax assets	1,177	1,299	1,132
	Other current assets	2,095	1,413	2,384
	Allowance for doubtful accounts	(329)	(278)	(344)
	<b>Total current assets</b>	<b>109,009</b>	<b>108,342</b>	<b>107,365</b>
<b>Fixed Assets</b>	<b>Property, Plant and Equipment</b>			
	Buildings and structures	19,901	19,652	20,648
	Machinery, equipment and vehicles	9,715	11,282	11,259
	Tools, furniture and fixture	2,127	2,416	2,490
	Land	6,194	6,186	6,198
	Construction in progress	2,344	1,760	1,106
	<b>Total</b>	<b>40,283</b>	<b>41,298</b>	<b>41,703</b>
	<b>Intangible Assets</b>	576	553	602
	<b>Investments and Other assets</b>			
	Investment securities	76,365	70,751	75,668
	Long-term loans receivable	207	285	224
	Deferred tax assets	125	158	142
	Other investments and other assets	1,729	1,685	1,670
	Allowance for doubtful accounts	(1)	(1)	(1)
	<b>Total</b>	<b>78,427</b>	<b>72,879</b>	<b>77,704</b>
<b>Total fixed assets</b>	<b>119,286</b>	<b>114,731</b>	<b>120,009</b>	
<b>Total assets</b>	<b>228,295</b>	<b>223,073</b>	<b>227,375</b>	

# CONSOLIDATED BALANCE SHEETS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES JUNE 30, 2006 and 2005, DECEMBER 31, 2005.

		(Millions of yen)		
LIABILITIES AND SHAREHOLDERS' EQUITY		June 30 2006	June 30 2005	December 31 2005
<b>Liabilities</b>	<b>Current Liabilities</b>			
	Trade notes and accounts payable	4,169	3,731	2,877
	Accrued income taxes	2,041	2,110	891
	Accrued bonus to employees	222	345	293
	Accrued Bonus for directors	16	-	-
	Accrued loss on reorganization of Subsidiary	509	-	558
	Other current liabilities	4,094	4,453	5,300
	<b>Total current liabilities</b>	<b>11,054</b>	<b>10,640</b>	<b>9,920</b>
	<b>Long-term Liabilities</b>			
	Deferred tax liabilities	4,278	3,132	4,847
	Accrued retirement benefits for employees	129	165	122
	Accrued retirement benefits for directors and statutory auditors	503	465	484
	Other long-term liabilities	113	126	124
	<b>Total long-term liabilities</b>	<b>5,025</b>	<b>3,890</b>	<b>5,579</b>
<b>Total liabilities</b>	<b>16,079</b>	<b>14,530</b>	<b>15,500</b>	
<b>Shareholders' Equity</b>	Common stock	-	20,704	20,704
	Additional paid-in capital	-	20,419	20,419
	Retained earnings	-	226,829	228,319
	Unrealized holding gains on securities	-	1,289	4,034
	Foreign currency translation adjustments	-	(2,550)	3,115
	Treasury stock	-	(58,149)	(64,718)
	<b>Total shareholders' equity</b>	<b>-</b>	<b>208,543</b>	<b>211,875</b>
<b>Total liabilities and shareholders' equity</b>		<b>-</b>	<b>223,073</b>	<b>227,375</b>
<b>Net Assets</b>	<b>Shareholders' Equity</b>			
	Common stock	20,704	-	-
	Additional paid-in capital	20,419	-	-
	Retained earnings	231,630	-	-
	Treasury stock	(64,725)	-	-
	<b>Total shareholders' equity</b>	<b>208,030</b>	<b>-</b>	<b>-</b>
	<b>Revaluation / Translation differences</b>			
	Unrealized holding gains on securities	3,019	-	-
	Foreign currency translation adjustments	1,166	-	-
	<b>Total Revaluation / Translation differences</b>	<b>4,186</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>212,216</b>	<b>-</b>	<b>-</b>	
<b>Total liabilities and net assets</b>		<b>228,295</b>	<b>-</b>	<b>-</b>

# CONSOLIDATED STATEMENTS OF INCOME

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES

FOR THE SIX MONTHS ENDED JUNE 30, 2006 and 2005, and YEAR ENDED DECEMBER 31, 2005

	(Millions of yen)		
	Six months ended Jun. 30, 2006	Six months ended Jun. 30, 2005	Year ended Dec. 31, 2005
Net Sales	49,146	44,406	93,927
Cost of Sales	34,562	30,173	66,479
<b>Gross profit</b>	<b>14,584</b>	<b>14,232</b>	<b>27,447</b>
Selling, General and Administrative Expenses	5,947	9,581	19,298
<b>Operating income</b>	<b>5,636</b>	<b>4,651</b>	<b>8,149</b>
Other Income (Expenses)			
Interest and dividend income	1,241	895	2,169
Exchange gains on foreign currency transactions	163	915	2,029
Other, net	777	(89)	(751)
Income before Income Taxes and Minority Interests	7,818	6,373	11,597
Income Taxes			
Current	2,495	2,216	4,277
Deferred	-	-	(30)
<b>Net Income</b>	<b>5,323</b>	<b>4,156</b>	<b>7,350</b>

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES

FOR THE SIX MONTHS ENDED JUNE 30, 2006 and 2005, and YEAR ENDED DECEMBER 31, 2005

		(Millions of yen)		
		Six months ended Jun. 30, 2006	Six months ended Jun. 30, 2005	Year ended Dec. 31, 2005
<b>Common Stock</b>	Beginning balance	20,704	20,704	20,704
	Ending balance	20,704	20,704	20,704
<b>Additional Paid-in Capital</b>	Beginning balance	20,419	20,419	20,419
	Ending balance	20,419	20,419	20,419
<b>Retained Earnings</b>	Beginning balance	228,319	224,816	224,816
	Net income	5,323	4,156	7,350
	Cash dividends	(1,978)	(2,068)	(3,772)
	Bonuses to directors and statutory auditors	(36)	(74)	(74)
	Increase in accounting changes of scope of consolidation	(3)		
	Ending balance	231,630	226,829	228,319
<b>Unrealized Holding Losses (Gains) on Securities</b>	Beginning balance	4,034	611	611
	Net change during the year	(1,014)	678	3,423
	Ending balance	3,019	1,289	4,034
<b>Foreign Currency Translation Adjustments</b>	Beginning balance	3,115	(6,863)	(6,863)
	Net change during the year	(1,949)	4,312	9,978
	Ending balance	1,166	(2,550)	3,115
<b>Treasury Stock</b>	Beginning balance	(64,718)	(58,145)	(58,145)
	Net change during the year	(7)	(4)	(6,572)
	Ending balance	(64,725)	(58,149)	(64,718)
<b>Total shareholders' equity at end of year</b>		<b>212,216</b>	<b>208,543</b>	<b>211,875</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES

FOR THE SIX MONTHS ENDED JUNE 30, 2006 and 2005, and YEAR ENDED DECEMBER 31, 2005

(Millions of yen)

	Six months ended Jun. 30, 2006	Six months ended Jun. 30, 2005	Year ended Dec. 31, 2005
<b>Cash Flows from Operating Activities</b>			
Income before income taxes and minority interests	7,818	6,373	11,597
Depreciation and amortization	2,680	2,685	5,734
Impairment loss	425	-	-
Provision for retirement benefits, net payments	28	(199)	(230)
(Decrease) Increase in accrued loss on reorganization of Subsidiary	(48)	-	558
Interest and dividends income	(1,241)	(895)	(2,169)
Foreign exchange gains (loss)	230	(397)	(1,220)
Gain on sales of short-term investments	(704)	-	-
Loss on sales and disposal of fixed assets	102	211	267
(Decrease) Increase in trade notes and accounts receivables	(1,213)	(990)	236
(Decrease) Increase in inventories	(496)	(587)	1,329
Increase (Decrease) in trade notes and accounts payable	1,109	269	(943)
Other, net	(1,009)	(358)	(216)
Sub total	7,682	6,109	14,943
Interest and dividends received	1,247	892	2,162
Interest paid	(0)	(0)	(13)
Income taxes paid	(1,138)	(2,726)	(6,058)
Net cash provided by operating activities	7,791	4,275	11,034
<b>Cash Flows from Investing Activities</b>			
Purchase of short-term investments	(750)	(2,149)	(5,712)
Proceeds from sales of short-term investments	3,445	4,662	8,881
Purchase of property, plant and equipment	(2,120)	(3,124)	(5,411)
Proceeds from sales of property, plant and equipment	87	38	502
Purchase of investment securities	(5,383)	(1,606)	(6,558)
Proceeds from sales of investment securities	2,461	3,786	7,193
Other, net	(618)	(750)	384
Net cash used in (provided by) investing activities	(2,878)	856	(719)
<b>Cash Flows from Financing Activities</b>			
Cash dividends paid	(1,974)	(2,067)	(3,771)
Purchase of treasury stock	(7)	(4)	(6,572)
Net cash used in financing activities	(1,982)	(2,071)	(10,343)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	(1,049)	2,453	6,026
<b>Net Increase in Cash and Cash Equivalents</b>	1,880	5,513	5,997
<b>Cash and Cash Equivalents at Beginning of Year</b>	64,596	58,598	58,598
<b>Increase in accounting changes of scope of consolidation</b>	22	-	-
<b>Cash and Cash Equivalents at End of Year</b>	<b>66,499</b>	<b>64,111</b>	<b>64,596</b>

## 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			Six months ended Jun. 30, 2006	Six months ended Jun. 30, 2005	Year ended Dec. 31, 2005	
<b>Net sales</b>	Japan	Outside customers	11,173	9,977	20,040	
		Intersegment	20,931	18,173	38,190	
		Total	32,105	28,151	58,230	
	Asia	Outside customers	26,068	23,789	52,725	
		Intersegment	22,906	18,641	40,222	
		Total	48,975	42,430	92,948	
	U.S.A.	Outside customers	4,595	4,067	8,118	
		Intersegment	17	0	29	
		Total	4,613	4,067	8,148	
	Europe	Outside customers	7,308	6,572	13,043	
		Intersegment	-	-	0	
Total		7,308	6,572	13,043		
Eliminations		(43,855)	(36,814)	(78,442)		
Consolidated		49,146	44,406	93,927		
<b>Operating income</b>	Japan		2,238	1,659	2,654	
	Asia		2,989	2,276	4,346	
	U.S.A.		103	64	63	
	Europe		20	(36)	165	
	Eliminations		285	688	920	
	Consolidated			5,636	4,651	8,149

			(Millions of yen)		
2. Overseas sales			Six months ended Jun. 30, 2006	Six months ended Jun. 30, 2005	Year ended Dec. 31, 2005
<b>Overseas sales</b>	U.S.A.		5,194	4,347	8,728
	Europe		7,315	6,582	13,068
	Asia and other		30,810	27,855	61,199
	Total		43,320	38,785	82,996
Net sales			49,146	44,406	93,927
% of overseas sales to net sales			88.1%	87.3%	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	Six months ended June 30, 2006		Six months ended June 30, 2005		Year ended December 31, 2005	
		thousand pieces	% (change)	thousand pieces	% (change)	thousand pieces	% (change)
<b>Small Motors</b>							
MABUCHI INDUSTRY CO., LTD.		507,153	56.7	479,941	55.2	1,027,372	56.7
MABUCHI MOTOR DALIAN LTD.		76,322	8.5	87,340	10.0	170,877	9.4
MABUCHI MOTOR WAFANGDIAN LTD.		77,946	8.7	65,112	7.5	139,719	7.7
MABUCHI MOTOR (JIANGSU) CO., LTD.		83,202	9.3	56,113	6.5	130,143	7.2
MABUCHI MOTOR (MALAYSIA) SDN. BHD.		-	-	26,721	3.1	31,953	1.8
MABUCHI TAIWAN CO., LTD.		1,836	0.2	1,447	0.2	2,925	0.2
MABUCHI MOTOR VIETNAM LTD.		148,170	16.6	152,320	17.5	308,861	17.0
<b>Total</b>		<b>894,632</b>	<b>100.0</b>	<b>868,998</b>	<b>100.0</b>	<b>1,811,852</b>	<b>100.0</b>

(Notes) Figures are based on products volume.

### (2) Sales by application

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

Application	Period	Six months ended June 30, 2006		Six months ended June 30, 2005		Year ended December 31, 2005	
		millions of yen	% (change)	millions of yen	% (change)	millions of yen	% (change)
<b>Small Motors</b>							
Audio and Visual Equipment		18,569	38.1	15,561	35.1	31,597	33.7
Automotive Products		10,885	22.3	10,915	24.6	23,061	24.6
Information and Communication Equipment		7,702	15.8	7,319	16.5	16,402	17.5
Home Appliances, Power Tools and Others		11,586	23.8	10,581	23.8	22,772	24.2
<b>Total</b>		<b>48,744</b>	<b>100.0</b>	<b>44,377</b>	<b>100.0</b>	<b>93,833</b>	<b>100.0</b>

(Notes) Consumption taxes were excluded.