

CONSOLIDATED FINANCIAL RESULTS  
OF THE FISCAL YEAR ENDED  
DECEMBER 31 , 2006

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# CONSOLIDATED FINANCIAL RESULTS OF THE FISCAL YEAR ENDED DECEMBER 31, 2006

Date : February 16, 2007  
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, 2006 (From January 1 to December 31, 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)
FY2006	100,517	7.0	10,700	31.3	10,603	44.3
FY2005	93,927	(5.5)	8,149	(52.9)	7,350	(44.7)

	Net income per share	Fully diluted net income per share	Return (net income) on equity
	yen	yen	%
FY2006	268.03	-	4.9
FY2005	180.72	-	3.6

- (Notes) 1. Weighted average number of shares outstanding during the respective years (consolidation)  
2006 : 39,560,729 shares, 2005 : 40,469,851 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
FY2006	236,999	219,217	92.5	5,541.46
FY2005	227,375	211,875	93.2	5,354.64

(Notes) Number of shares outstanding at end of year (consolidation) ----- 2006 :39,559,461 shares, 2005 :39,561,763 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
FY2006	17,500	(6,321)	(4,009)	72,639
FY2005	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, 2007)

	Net sales	Net income
	millions of yen	millions of yen
Interim	49,000	4,600
Annual	101,000	10,000

( Reference ) Projected annual net income per share:252.78yen

# 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 addition to 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 of a special dividend of business results, equal to 20% of the consolidated net income divided by the number of shares issued.

With regard to the repurchase of shares, between 2002 and 2006, we reacquired shares through tender offers or market buying, and we purchased fractional shares. In total, we have repurchased 7,516,420 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 appropriate internal reserves for further strengthening and deepening 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.

## Issues to be Resolved

### (1) Expansion of priority businesses

Under our basic policy of pursuing the maximum potential for our core business – the small DC brush motor business – in order to promptly link highly marketable applications and new areas to opportunities for growth, we have specified the following four points as important areas for future business expansion: (i) increase sales in appliances for automotive products, especially in motors for power window-lifter and motors for seat adjusters; (ii) raise competitiveness in existing markets for applications by launching our compact high-torque products into the market, and open up new markets for new applications and increase sales; (iii) increase sales of our brushless motors for car AV and navigation systems; and (iv) develop new technologies motors. As we proceed to build a competitive business portfolio, we will also open up possibilities in new fields while delving deeper into our areas of expertise, and we will further broaden the areas in which we exercise our company's strengths.

### (2) Rebuilding of cost structure

In order to rebuild a competitively superior cost structure while maintaining the best quality, We are proceeding with cost-cutting activities across all areas, including products, parts, equipment manufacture, and production technologies, and we aim to expand our black box business. In addition to lowering production costs at manufacturing sites, we will also proceed with cost rationalizations at the functional units, including: inventive cost-cutting proposals at the source, namely at the design and development stage; promotion of the in-house manufacturing of parts and equipment; the lateral expansion of labor-saving and other rationalized equipment; the review of strategies for the external procurement of new materials, components and equipment; and the rationalization and acceleration of corporate functions.

**(3) Reorganization of production bases**

Surplus production space can occur at plants and factories because of changes in market environments due to technological innovation and because of the effects of improved processes and reduced inventories at production bases. Optimizing this surplus space is an important policy that leads directly to increased capacity utilization at existing plants and factories and enhanced profitability of our businesses. We will take a comprehensive view of the local infrastructures and human resources in the countries where our production bases are located, as well as of wage costs and trend of the markets for applications. Based on this view, we will then proceed to optimize the sizes, distribution and production capacities of our plants and factories. Based on this policy, we will endeavor to get Mabuchi Motor Danang Ltd. up and running. Mabuchi Motor Danang Ltd. was established as our second production base in Vietnam aiming to reduce the risk of over-concentrating in China and to strengthen the competitiveness of our exports. With regard to the commissioned Guangdong processing factory in China, we plan to streamline its production scale by reducing surplus production space.

# OPERATING RESULTS AND FINANCIAL POSITION

## 1. Operating Results

### 2006 Overview

During the current period, the Japanese economy sustained its moderate growth. Despite household consumption lacking strength, there were signs of recovery of corporate profits on the back of steady foreign demand. Meanwhile, the U.S. economy maintained its strength, although there were some signs of economic slowdown due to adjustments in the housing market. The European economy achieved strong growth, supported by the recovery of the German economy. The Asian economy also continued to flourish, backed by both steady exports and steady domestic demand.

Under these business conditions, the Mabuchi Group promoted further sales expansion in our key area for growth, namely the Automotive Products market, for our existing products that continue to keep a large market share. Furthermore, we achieved competitive superiority in terms of cost and performance for power unit motors, our strategic product, and we steadily increased our market share despite having entered the market later than our competitors. In the Audio & Visual Equipment market, there was a sharp decline in demand for CD players attributable to the spread of memory audio equipment, and this caused the market to continue to contract. The effects of this, however, were kept minor as we experienced increased sales of motors for automobiles and motors for DVD players. Moreover, in both the Information and Communication Equipment market and the Home Appliances, Power Tools, Toys & Hobbies market, we expanded sales of our high value-added motors.

In terms of product development, development of our compact high-torque products progressed smoothly. It is expected that these products will play a prominent role in our lineup of standard products. In terms of costs, we made various efforts aimed at rebuilding our cost structure. We suspended or readjusted production of any unprofitable products, we strengthened our procurement activities for parts and materials, we reduced expenses incurred directly at Head Office and overhead expenses incurred at our production bases, and we shifted production to bases with export competitiveness.

As a result, consolidated net sales for the period increased to 100,517 million yen (a 7.0% increase compared with the previous period). Motor sales, which account for the majority of consolidated net sales, totaled 99,702 million yen (a 6.3% increase compared with the previous period). Operating income amounted to 10,700 million yen (a 31.3% increase compared with the previous period). This was the result of negative factors, including skyrocketing copper prices, hovering steel prices, increased labor costs, and reduced sales quantity, being covered by such positive factors as reductions in the costs of the other materials, reductions in manufacturing costs, improved product model mixes, and reductions in selling, general and administrative expenses. Ordinary income amounted to 15,933 million yen (a 20.3% increase compared with the previous period), as a result of improvements to non-operating expenses. Finally, net income amounted to 10,603 million yen (a 44.3% increase compared with the previous period). Despite impairment losses on fixed assets being incurred, the relative increase in net income was the result of recording gains on sales of investment securities, and no longer recording the losses from the previous period associated with the closure of our production subsidiary.

The following is a description of the market trends and sales conditions for motors arranged by application;

#### (1) Automotive Products market

Steady growth has been sustained as more and more electrical components are used in vehicles leading to an increase in the number of small motors used per vehicle. Motors for all of the major applications performed well, especially for car mirrors, door locks actuators, air conditioning damper actuators and power window-lifters. In addition, sales of motors were also strong for headlight beam level adjusters, the ratio of vehicles fitted with which has increased significantly, and for steering locks and other new applications which we are responding to the increasing demands. Overall, net sales in this market easily surpassed the actual results for the previous period, and increased to 36,781 million yen (a 16.4% increase compared with the previous period).

### (2) Audio & Visual Equipment market

In this market, the demand for motors for CD players has continued to decline as the popularity of audio equipment using flash memory and HDD continues. Meanwhile, sales remain strong for motors for car CD players. Sales for motors for DVD players increased 27.9% compared with the previous period as a result of market growth mainly in the BRIC nations, and this softened the effects of the considerable fall in sales of motors for CD players. As a result, net sales in this market declined only slightly to amount to 22,361 million yen (a 3.0% decrease compared with the previous period).

### (3) Information and Communication Equipment market

While the market for ink-jet printers remained flat overall, we increased sales in this market by launching new high value-added motors fitted with rotation control mechanisms, and by improving the prices of our conventional models. Sales of motors for PC drives decreased as a result of inventory adjustments by our customers and production pull out from our brushless spindle motors. Sales of motors for cameras also decreased due to major domestic camera manufacturers of film cameras suspending production, and to fiercer competition between domestic and overseas manufacturers of digital cameras. As a result, net sales in this market increased only slightly to amount to 16,658 million yen (a 1.6% increase compared with the previous period).

### (4) Home Appliances, Power Tools, Toys & Hobbies market

In this market, there has been steady growth in demand for personal care products, and in particular, motors used in toothbrushes, hair dryers and in hair care and beauty products. Demand for motors used in power tools remained slightly sluggish in the North America, but continued strong in Europe. Sales also remained strong for health-related equipment, and overall net sales in this market increased to 23,900 million yen (a 5.0% increase compared with the previous period).

## Non-consolidated Results

With regard to non-consolidated business results for this fiscal period, for the reasons mentioned above, net sales for motors amounted to 63,578 million yen (a 15.6% increase compared with the previous period), and overall net sales, including parts and production equipment, amounted to 67,243 million yen (a 15.5% increase compared with the previous period). Operating income amounted to 4,905 million yen (an 84.8% increase compared with the previous period), due in part to increases in sales volumes and decreases in selling, general and administrative expenses. Ordinary income amounted to 14,418 million yen (a 4.9% increase compared with the previous period). The increase in operating income more than offset the decrease in foreign exchange gains and the costs incurred in compensating the production subsidiaries for their capital expenditure. As a result of recording gains on the sale of investment securities, net income amounted to 10,667 million yen (a 9.5% increase compared with the previous period).

With respect to the payment of year-end dividends, we plan to pay 63 yen per share (an ordinary dividend of 30 yen, and a special dividend of 33 yen). We have already paid an interim dividend of 51 yen per share (an ordinary dividend of 30 yen, and a special dividend of 21 yen). This will bring the total dividend per share for the year to 114 yen (ordinary dividends of 60 yen, and special dividends of 54 yen). (The forecast initially announced was for 103 yen per share, comprised of ordinary dividends of 60 yen and special dividends of 43 yen).

## 2. Financial Position

With regard to consolidated cash flows for this fiscal period, net cash provided by our operating activities increased by 6,465 million yen from the previous period, to amount to 17,500 million yen. This increase was partly attributable to the increase in revenue resulting from the increase in net income before income taxes and minority interests. Net cash used in investing activities increased by 5,602 million yen from the previous period, to amount to 6,321 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 purchase of short-term investments and investment securities exceeding the proceeds from such sales. Net cash used in financial activities amounted to 4,009 million yen. While there was an increase in dividend payments, there was a decrease in cash used in purchasing treasury stock. As a result, the balance of cash and cash equivalents at the end of this period increased 8,043 million yen compared to the previous period, to amount to 72,639 million yen.

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

	December 31, 2002	December 31, 2003	December 31, 2004	December 31, 2005	December 31, 2006
Shareholders' equity ratio	91.6%	92.7%	93.1%	93.2%	92.5%
Shareholders' equity ratio based on market value	200.9%	154.9%	138.5%	114.0%	127.8%

- \* 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 x Number of shares outstanding at the end of the period (less treasury stock)
- \* Since Mabuchi does not have any interest-bearing liabilities, debt repayments (years) and the 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.

#### **(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 2007

The outlook for the Japanese economy is that improved corporate profits will support job growth, capital expenditure and personal spending, and there will be continued moderate economic expansion. The trend toward future economic slowdown in the U.S. is a major cause for concern. In particular, the housing market adjustment is expected to continue until the middle of the next period, and if the effects of this extend as far as household consumption and the employment environment, then shifts toward deceleration are forecast for both Asian and European economies. Furthermore, there are some uncertain parameters that dominate economic trends, including fears of interest rate rises, instability of crude oil prices and soaring prices of raw materials. With regard to the markets in which our products are sold, assuming 1 USD = 115 JPY, which was the actual exchange rate level of the previous period, then unit prices should improve, and it is predicted that net sales will increase slightly by 0.5% 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 & Visual Equipment market is that sales of motors will continue to remain weak and sales volumes will dip below the previous period.

In terms of our business results, it is forecast that operating income will increase by 2.8% compared to the previous period. Although it is predicted that the costs of materials will rise with the soaring costs of copper and other raw materials, and that direct labor costs will increase as a result of minimum wages being raised during the second half of the previous period, these should be offset by decreases in the costs of other materials, decreases in manufacturing costs, and an improvement in cost rates attributable to changed product mixes. With no foreign exchange gains expected, the outlook for ordinary income and net income are decreases of 5.2% and 5.7% respectively.

Based on these circumstances, our outlook for the full-year business results for fiscal 2007 is as follows:

##### Consolidated results forecast (Change compared to the previous period)

Net sales	101,000 million yen	(0.5% increase)
Operating income	11,000 million yen	(2.8% increase)
Ordinary income	15,100 million yen	(5.2% decrease)
Net income	10,000 million yen	(5.7% decrease)

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

Net sales	70,800 million yen	(5.3% increase)
Operating income	4,500 million yen	(8.3% decrease)
Ordinary income	14,000 million yen	(2.9% decrease)
Net income	10,600 million yen	(0.6% decrease)

The above forecasts assume an exchange rate of 1 USD = 115 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 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
- \*Fluctuations in the market price of copper, etc.

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, 2006 and 2005.

		(Millions of yen)		
ASSETS		2006 December 31	2005 December 31	Increase (Decrease)
<b>Current Assets</b>	Cash and bank deposits	67,403	61,399	6,004
	Trade notes and accounts receivable	14,533	14,407	126
	Short-term investments	16,061	11,325	4,735
	Inventories	17,814	17,061	752
	Deferred tax assets	1,215	1,132	83
	Other current assets	2,159	2,384	(224)
	Allowance for doubtful accounts	(308)	(344)	35
	<b>Total current assets</b>	<b>118,879</b>	<b>107,365</b>	<b>11,513</b>
<b>Fixed Assets</b>	Property, Plant and Equipment			
	Buildings and structures	21,307	20,648	659
	Machinery, equipment and vehicles	9,634	11,259	(1,624)
	Tools, furniture and fixture	1,975	2,490	(514)
	Land	6,197	6,198	(1)
	Construction in progress	1,247	1,106	140
	<b>Total</b>	<b>40,362</b>	<b>41,703</b>	<b>(1,340)</b>
	Intangible Assets	598	602	(3)
	Investments and Other assets			
	Investment securities	75,141	75,668	(526)
	Long-term loans receivable	151	224	(72)
	Deferred tax assets	113	142	(29)
	Other investments and other assets	1,753	1,670	82
	Allowance for doubtful accounts	(1)	(1)	-
	<b>Total</b>	<b>77,158</b>	<b>77,704</b>	<b>(545)</b>
<b>Total fixed assets</b>	<b>118,119</b>	<b>120,009</b>	<b>(1,890)</b>	
<b>Total assets</b>	<b>236,999</b>	<b>227,375</b>	<b>9,623</b>	

# CONSOLIDATED BALANCE SHEETS

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

LIABILITIES AND SHAREHOLDERS' EQUITY		2006 December 31	2005 December 31	Increase (Decrease)
(Millions of yen)				
<b>Liabilities</b>	Current Liabilities			
	Trade notes and accounts payable	3,845	2,877	968
	Accrued income taxes	2,464	891	1,572
	Accrued bonus to employees	216	293	(76)
	Accrued bonus for directors	62	-	62
	Accrued loss on reorganization of subsidiary	509	558	(48)
	Other current liabilities	5,001	5,300	(299)
	Total current liabilities	12,100	9,920	2,179
	Long-term Liabilities			
	Deferred tax liabilities	4,887	4,847	39
	Accrued retirement benefits for employees	162	122	39
	Accrued retirement benefits for directors and statutory auditors	522	484	38
	Other long-term liabilities	108	124	(15)
	Total long-term liabilities	5,681	5,579	101
Total liabilities	17,781	15,500	2,281	
<b>Shareholders' Equity</b>	Common stock	-	20,704	(20,704)
	Additional paid-in capital	-	20,419	(20,419)
	Retained earnings	-	228,319	(228,319)
	Unrealized holding gains on securities	-	4,034	(4,034)
	Foreign currency translation adjustments	-	3,115	(3,115)
	Treasury stock	-	(64,718)	64,718
	Total shareholders' equity	-	211,875	(211,875)
<b>Total liabilities and shareholders' equity</b>	-	227,375	(227,375)	
<b>Net Assets</b>	Shareholders' Equity			
	Common stock	20,704	-	20,704
	Additional paid-in capital	20,419	-	20,419
	Retained earnings	234,893	-	234,893
	Treasury stock	(64,733)	-	(64,733)
	Total shareholders' equity	211,284	-	211,284
	Revaluation / Translation differences			
	Unrealized holding gains on securities	3,478	-	3,478
	Foreign currency translation adjustments	4,454	-	4,454
	Total Revaluation / Translation differences	7,932	-	7,932
Total net assets	219,217	-	219,217	
<b>Total liabilities and net assets</b>	<b>236,999</b>	<b>-</b>	<b>236,999</b>	

# CONSOLIDATED STATEMENTS OF INCOME

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005

	(Millions of yen)		
	2006	2005	Increase (Decrease)
Net Sales	100,517	93,927	6,590
Cost of Sales	71,919	66,479	5,439
<b>Gross profit</b>	<b>28,598</b>	<b>27,447</b>	<b>1,150</b>
Selling, General and Administrative Expenses	17,898	19,298	(1,399)
<b>Operating income</b>	<b>10,700</b>	<b>8,149</b>	<b>2,550</b>
Other Income (Expenses)			
Interest and dividend income	2,907	2,169	737
Exchange gains on foreign currency transactions	957	2,029	(1,072)
Other, net	1,348	(751)	2,100
Income before Income Taxes	15,914	11,597	4,316
Income Taxes			
Current	4,945	4,277	667
Deferred	365	(30)	395
<b>Net Income</b>	<b>10,603</b>	<b>7,350</b>	<b>3,253</b>

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005

		(Millions of yen)		
		2006	2005	Increase
		December 31	December 31	(Decrease)
<b>Common Stock</b>	Beginning balance	20,704	20,704	
	Ending balance	20,704	20,704	-
<b>Additional Paid-in Capital</b>	Beginning balance	20,419	20,419	
	Ending balance	20,419	20,419	-
<b>Retained Earnings</b>	Beginning balance	228,319	224,816	
	Net income	10,603	7,350	
	Cash dividend	(3,995)	(3,772)	
	Bonus to directors and statutory auditors	(36)	(74)	
	Increase in accounting changes of scope of consolidation	3	-	
	Ending balance	234,893	228,319	6,574
<b>Unrealized Holding Gains on Securities</b>	Beginning balance	4,034	611	
	Net change during the year	(555)	3,423	
	Ending balance	3,478	4,034	(555)
<b>Foreign Currency Translation Adjustments</b>	Beginning balance	3,115	(6,863)	
	Net change during the year	1,338	9,978	
	Ending balance	4,454	3,115	1,338
<b>Treasury Stock</b>	Beginning balance	(64,718)	(58,145)	
	Net change during the year	(15)	(6,572)	
	Ending balance	(64,733)	(64,718)	(15)
<b>Total shareholders' equity at end of year</b>		<b>219,217</b>	<b>211,875</b>	<b>7,342</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2006 and 2005

		(Millions of yen)		
		2006	2005	Increase (Decrease)
<b>Cash Flows from Operating Activities</b>	Income before income taxes and minority interests	15,914	11,597	4,316
	Depreciation and amortization	5,360	5,734	(373)
	Impairment loss	521	-	521
	Provision for retirement benefits, net payments	77	(230)	307
	Decrease (Increase) in accrued loss on reorganization of Subsidiary	(48)	558	(606)
	Interest and dividends income	(2,907)	(2,169)	(737)
	Foreign exchange gains (loss)	(98)	(1,220)	1,121
	Gain on sales of short-term investments	(704)	-	(704)
	Gain (Loss) on sales and disposal of fixed assets	(36)	267	(304)
	Increase (Decrease) in trade notes and accounts receivables	(139)	236	(376)
	Increase (Decrease) in inventories	(197)	1,329	(1,526)
	Increase (Decrease) in trade notes and accounts payable	962	(943)	1,905
	Other, net	(1,012)	(216)	(796)
	Sub total	17,691	14,943	2,747
	Interest and dividends received	2,911	2,162	748
	Interest paid	(0)	(13)	13
	Income taxes paid	(3,102)	(6,058)	2,956
	Net cash provided by operating activities	17,500	11,034	6,465
<b>Cash Flows from Investing Activities</b>	Purchase of short-term investments	(4,781)	(5,712)	930
	Proceeds from sales of short-term investments	7,080	8,881	(1,801)
	Purchase of property, plant and equipment	(4,261)	(5,411)	1149
	Proceeds from sales of property, plant and equipment	390	502	(112)
	Purchase of investment securities	(9,411)	(6,558)	(2,853)
	Proceeds from sales of investment securities	5,518	7,193	(1,674)
	Other, net	(856)	384	(1,240)
Net cash used in investing activities	(6,321)	(719)	(5,602)	
<b>Cash Flows from Financing Activities</b>	Cash dividends paid	(3,994)	(3,771)	(223)
	Purchase of treasury stock	(15)	(6,572)	6,557
	Net cash used in financing activities	(4,009)	(10,343)	6,334
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	852	6,026	(5,174)	
<b>Net Increase in Cash and Cash Equivalents</b>	8,020	5,997	2,022	
<b>Cash and Cash Equivalents at Beginning of Year</b>	64,596	58,598	5,997	
<b>Increase in accounting changes of scope of consolidation</b>	22	-	22	
<b>Cash and Cash Equivalents at End of Year</b>	72,639	64,596	8,043	

## 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, 2006	Year ended Dec. 31, 2005
<b>Net Sales</b>	Japan	Outside customers	22,659	20,040
		Intersegment	44,584	38,190
		Total	67,243	58,230
	Asia	Outside customers	54,419	52,725
		Intersegment	48,622	40,222
		Total	103,041	92,948
	U.S.A.	Outside customers	9,035	8,118
		Intersegment	43	29
		Total	9,078	8,148
	Europe	Outside customers	14,403	13,043
		Intersegment	-	0
Total		14,403	13,043	
	Eliminations	(93,249)	(78,442)	
	Consolidated	100,517	93,927	
<b>Operating Income</b>	Japan		4,905	2,654
	Asia		5,335	4,346
	U.S.A.		181	63
	Europe		70	165
	Eliminations		207	920
	Consolidated		10,700	8,149

			(Millions of yen)	
2. Overseas sales			Year ended Dec. 31, 2006	Year ended Dec. 31, 2005
<b>Overseas Sales</b>	U.S.A.		10,459	8,728
	Europe		14,430	13,068
	Asia and other		64,106	61,199
	Total		88,996	82,996
<b>Net sales</b>			100,517	93,927
<b>% of overseas sales to net sales</b>			88.5%	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, 2006		December 31, 2005		
		thousand pieces	%(change)	thousand pieces	%(change)	thousand pieces
<b>Small Motors</b>	MABUCHI INDUSTRY CO., LTD.	1,013,214	55.8	1,027,372	56.7	(14,157)
	MABUCHI MOTOR DALIAN LTD.	148,569	8.2	170,877	9.4	(22,307)
	MABUCHI MOTOR WAFANGDIAN LTD.	171,470	9.4	139,719	7.7	31,751
	MABUCHI MOTOR (JIANGSU) CO., LTD.	162,266	8.9	130,143	7.2	32,123
	MABUCHI MOTOR (MALAYSIA) SDN. BHD.	-	-	31,953	1.8	(31,953)
	MABUCHI MOTOR VIETNAM LTD.	316,080	17.4	308,861	17.0	7,218
	MABUCHI MOTOR DANANG LTD.	840	0.1	-	-	840
	MABUCHI TAIWAN CO., LTD.	3,385	0.2	2,925	0.2	460
	<b>Total</b>	<b>1,815,828</b>	<b>100.0</b>	<b>1,811,852</b>	<b>100.0</b>	<b>3,975</b>

(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, 2006		December 31, 2005		
		millions of yen	%(change)	millions of yen	%(change)	millions of yen
<b>Small Motors</b>	Automotive Products	36,781	36.9	31,597	33.7	5,184
	Audio & Visual Equipment	22,361	22.4	23,061	24.6	(699)
	Information & Communication Equipment	16,658	16.7	16,402	17.5	256
	Home Appliances & Power Tools & Others	23,900	24.0	22,772	24.2	1,128
	<b>Total</b>	<b>99,702</b>	<b>100.0</b>	<b>93,833</b>	<b>100.0</b>	<b>5,868</b>

(Notes) Consumption taxes were excluded.