

CONSOLIDATED FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2008

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CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2008

Date : August 14 , 2008
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 (Managing Director, Member of the Board)
Adoption of U.S. Accounting Standards : Not applicable

1. Results for the six months ended June 30, 2008 (From January 1 to June 30, 2008)

(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, 2008	48,387	(8.3)	4,230	(30.6)	3,053	(51.6)
Six months ended June 30, 2007	52,741	7.3	6,100	8.2	6,313	18.6
Year ended December 31,2007	107,640	-	11,685	-	10,914	-

	Net income per share	Fully diluted net income per share
	yen	yen
Six months ended June 30, 2008	80.38	-
Six months ended June 30, 2007	159.92	-
Year ended December 31,2007	280.90	-

(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, 2008	222,337	205,881	92.6	5,469.44
As of June 30, 2007	237,020	217,971	92.0	5,699.42
As of December 31, 2007	230,960	213,314	92.4	5,577.84

(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, 2008	3,796	(8,695)	(5,261)	63,741
Six months ended June 30, 2007	6,111	4,592	(11,185)	74,147
Year ended December 31,2007	15,447	3,687	(13,531)	76,897

2. Cash dividends

		Per share (yen)		
		Interim cash dividends	Year-end cash dividends	Annual cash dividends
FY2007	Actual	61.00	62.00	123.00
FY2008	Actual	61.00	-	-
FY2008	Plan	-	62.00	123.00

3. Prospect for the next fiscal year (From January 1 to December 31, 2008)

	Net sales	Operating income	Net income	Net income per share
	millions of yen	millions of yen	millions of yen	yen
Annual	99,000	8,400	7,000	185.96

4. Note

- (1) Change in scope of consolidation and adoption of equity method of accounting : Yes
- (2) Change in accounting policy, procedure and method.
Change due to amendment of accounting standard : Applicable | Change due to other reasons : Applicable
- (3) Number of shares outstanding at end of period
June 30, 2008 : 46,475,881 shares | June 30, 2007 : 47,075,881 shares | December 31, 2007 : 47,075,881 shares
- (4) Number of treasury stock at the end of period
June 30, 2008 : 8,833,691 shares | June 30, 2007 : 8,831,362 shares | December 31, 2007 : 8,832,718 shares

OPERATING RESULTS AND FINANCIAL POSITION

1. Analysis of the Operating Results

(1) Operating Results for the Current Interim Consolidated Accounting Period

During the current interim consolidated accounting period, the slowdown in the Japanese economy was perceived as a reality. Overseas as well, the U.S. economy continued to face subprime loan problems, and housing investment and consumer spending went into slowdown. There were no major changes to the pattern of the U.S. economy strongly influencing the Japanese and European economies, or to the Japanese, European and U.S. economies influencing the Asian economy. Therefore, a distinct sense of slowdown has begun to be felt in the economies of China and other countries which had sustained strong economic growth.

Under these business conditions, if we look at the sales performance of Mabuchi motors, we can see that sales volume decreased 3.1% compared to the same period last year, and in terms of revenue, net sales decreased 8.2% compared to the same period last year. Furthermore, sales volume was 2.1% lower and sales revenue was 1.7% higher than the interim sales forecast that was announced in the Consolidated Financial Results for the three months ended March 31, 2008. As a result, net sales for the six months ended June 30, 2008 amounted to 48,387 million yen (8.3% decrease on a year-over-year basis), and sales of motors, which account for the majority of this, amounted to 48,327 million yen (8.2% decrease on a year-over-year basis). The major factor in the decrease in sales was the continued appreciation of the yen. Operating income amounted to 4,230 million yen (30.6% decrease on a year-over-year basis). Despite the profit growth effects attributable to an improvement in the product mix, this was exceeded by the soaring prices of copper, iron and other materials, increases in labor costs and other manufacturing costs, and up-front investments in new production bases and other cost-increase factors. Ordinary income amounted to 5,564 million yen (39.4% decrease on a year-over-year basis). This was due to a decrease in financial investment returns (interest income, etc.) resulting from falls in U.S. interest rates, and to the foreign currency gains that were recorded during the same period last year shifting to losses as a result of the appreciating yen. Interim net income amounted to 3,053 million yen (51.6% decrease on a year-over-year basis), in part due to having recorded extraordinary losses of a loss on the write-down of investment securities associated with the deterioration of financial markets, as well as compensation paid in response to a customer claim. The next section describes market trends and sales conditions, categorized into separate applications for motors, which is Mabuchi Motor's principle business.

1) Automotive Products Market

Steady growth was maintained in this market. 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.

Sales of motors for major existing applications, such as for mirrors and door locks, performed well while maintaining high market shares. Motors for power window lifters are our strategic product, and demand for these continued strongly and sales grew considerably, helped by an increase in the variety of vehicles equipped with them. Motors for steering locks, electric parking brakes and headlight beam level adjusters also saw steady sales growth. Net sales in this market increased to 21,380 million yen (0.1% increase on a year-over-year basis).

2) Audio & Visual Equipment Market

Sales of motors for car CD players have remained strong due to an increase in sales targeting BRIC countries. Sales of motors for tabletop CD players decreased with the ongoing contraction of the market, and sales of motors for DVD players also decreased due to a drop in sales in the North American market. Net sales in this market decreased to 8,511 million yen (19.9% decrease on a year-over-year basis).

3) Information & Communication Equipment Market

Sales of motors for inkjet printers remained steady. Amid persistent price competition in motors for digital cameras and motors for PC drives, Mabuchi's market share decreased as a result of having emphasized profitability. Net sales in this market decreased to 7,428 million yen (9.9% decrease on a year-over-year basis).

4) Home Appliances, Power Tools, Toys & Hobbies Market

There were strong performances in both the sales of motors for personal care products such as shavers and hair dryers, and the sales of motors for health-related equipment such as blood pressure meters and massagers. Sales of motors for power tools increased due to a greater demand for motors used in professional high-power tools. Net sales in this market decreased to 11,007 million yen (11.3% decrease on a year-over-year basis).

(2) Non-consolidated Results

With regard to the non-consolidated business results for the current interim accounting period, net sales amounted to 34,419 million yen (7.7% decrease on a year-over-year basis) in part due to a stronger Japanese yen. Operating income amounted to 1,731 million yen (10.8% decrease on a year-over-year basis) as a result of selling, general and administrative expenses remaining steady, and gross profit decreasing despite an improvement in the cost of sales ratio brought about by a decrease in purchasing costs attributable to the appreciation of the yen. Ordinary income amounted to 9,740 million yen (18.2% decrease on a year-over-year basis) owing to a decrease in financial investment returns (interest income, etc.) associated with a decline in U.S. interest rates, and a decline in dividend income received from affiliated companies caused by the stronger yen. Interim net income amounted to 6,189 million yen (32.0% decrease on a year-over-year basis). This was as a result of a decrease in gains on sales of investment securities which had been recorded in the same period last year, as well as from having recorded extraordinary losses of a loss on the write-down of investment securities associated with the deterioration of financial markets, as well as compensation paid in response to a customer claim.

With respect to the payment of interim dividends, we will pay 61 yen per share as per the projected dividend announced at the beginning of the year.

(3) Full Year Forecasts

With regard to the full-year outlook, it is predicted that, in addition to such factors as the appreciation of the Japanese yen, the soaring prices of crude oil and the sustained high prices of raw materials, the slowdown of the U.S. economy will cause the slowdown of the global economy in the second half of the year to become clear.

In terms of the Automotive Products market, which is Mabuchi's largest target market, a challenging environment is predicted as the decline in automobile sales in the U.S. becomes a certainty. However, in existing applications, with an increase in sales to other regions and an increase in the number of electrical components per vehicle, sales of motors for power window lifters, which are our strategic product, are forecast to increase as we begin supplying to new customers. Slight decreases are expected in net sales for the Home Appliances and Power Tools market and for the Information & Communication Equipment market, and ongoing decreases are expected for the Audio & Visual Equipment market. With the significant effects of the strengthening yen, we expect that overall net sales will decrease by 8.0% compared to the previous period.

In terms of our business results, it is forecast that operating income will decrease by 28.1% compared to the previous period. Although positive factors attributable to an improvement in product mix and a better capacity utilization in the second half of the year are predicted, it is also expected that material costs, labor costs and other manufacturing costs will continue to increase. We also anticipate that ordinary income will decline by 32.5% and net income by 35.9% compared to the previous period, because of the expected decrease in interest income associated with a decline in U.S. interest rates, the effects of the extraordinary losses recorded in the first half year, and an increase in the corporate tax rate in China and other countries.

Our outlook for the full-year business results for the period ending December 31, 2008 is as follows:

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

Net sales	99,000 million yen	(8.0% decrease)
Operating income	8,400 million yen	(28.1% decrease)
Ordinary income	11,300 million yen	(32.5% decrease)
Net income	7,000 million yen	(35.9% decrease)

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

Net sales	70,200 million yen	(7.2% decrease)
Operating income	3,700 million yen	(5.7% decrease)
Ordinary income	12,300 million yen	(23.8% decrease)
Net income	8,100 million yen	(30.1% decrease)

Notes: The above forecasts have been estimated based on information currently available. Actual results may differ from the forecasts for a variety of reasons. The main factors that may contribute to a difference include:

- * Fluctuations in 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 products
- * Changes in the market prices of iron, copper and other materials

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

2. Analysis of Financial Position

(1) Assets, Liabilities and Shareholders' Equity

Total consolidated assets at the end of the current interim consolidated accounting period stood at 222,337 million yen, decreasing by 14,683 million yen from the end of the previous interim consolidated accounting period. The most noticeable changes included a decrease in cash and bank deposits of 16,729 million yen, an increase in short-term investments of 12,719 million yen, and a decrease in investment securities of 3,986 million yen.

Total liabilities stood at 16,455 million yen, decreasing by 2,593 million yen from the end of the previous interim consolidated accounting period. The most noticeable changes included a decrease in deferred tax liabilities of 1,669 million yen, a decrease in accrued income taxes of 1,589 million yen, and an increase in other long-term liabilities of 1,041 million yen.

Total net assets decreased 12,089 million yen from the end of the previous interim consolidated accounting period, finishing at 205,881 million yen. The most noticeable changes included a decrease in unrealized holding gains on securities of 2,413 million yen, a decrease in foreign currency translation adjustments of 9,727 million yen, a decrease in treasury stock (an item deducted from net assets) associated with the cancellation of repurchased shares of 1,954 million yen, and a decrease in retained earnings of 1,903 million yen.

Shareholders' equity per share was 5,469.44 yen, and the capital adequacy ratio was 92.6%.

(2) Cash Flows

With regard to cash flows for the current interim consolidated accounting period, net cash provided by our operating activities amounted to 3,796 million yen, a decrease of 2,315 million yen compared to the previous interim consolidated accounting period.

This was mostly attributable to the decrease in interim net income before income taxes and minority interests.

Net cash used in our investing activities amounted to 8,695 million yen, a decrease of 13,288 million yen compared to the previous interim consolidated accounting period. The main reason was that the cash used in the purchase of short-term investments and investment securities exceeded the proceeds received from their sale.

Net cash used in our financing activities amounted to 5,261 million yen, a decrease of 5,924 million yen compared to the previous interim consolidated accounting period, due mainly to a decrease in the repurchase value of treasury stock.

As a result, the balance of cash and cash equivalents amounted to 63,741 million yen, a decrease of 10,406 million yen from the end of the previous interim consolidated accounting period.

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

	June 30, 2006	Dec. 31, 2006	June 30, 2007	Dec. 31, 2007	June 30, 2008
Capital adequacy ratio	93.0%	92.5%	92.0%	92.4%	92.6%
Capital adequacy ratio based on market value	118.5%	127.8%	121.8%	111.6%	97.5%

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

Capital adequacy ratio = Capital adequacy / Total assets

Capital adequacy ratio based on market value = Total market value of shares / Total assets

* The total market value of shares has been calculated using the following 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, the debt redemption period and interest coverage ratio have not been included.

3. Basic Policy on Profit Sharing, and Payment of Current Dividends

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.

The standard we use for calculating dividend payments is an annual ordinary dividend payment of 60 yen per share as payment of a long-term stable dividend, plus an additional special dividend equal to 20% of the consolidated net income divided by the number of outstanding shares. The actual dividend payment for the full year is based on this calculation, and unless any substantial downward revision is made to business results, it shall not fall below the projected dividend amount that is announced during the period.

Between 2002 and June 2008, Mabuchi acquired a total of 9,433,691 shares of treasury stock through public purchase offers and at-market purchases, and by purchasing fractional shares. We have cancelled 600,000 of these shares. We will continue to consider repurchasing more treasury stocks as necessary, as a way of flexibly responding to changes in the share price and the business environment, and as a means of fulfilling our capital policy and returning profits to shareholders.

It is our policy to appropriate internal reserves to further strengthen and deepen our existing businesses and to invest in areas of growth, with a view to increasing corporate value.

4. 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 Trade and 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 and Vietnam. The occurrence of an unexpected event (such as changes in the political or legal environment, changes in economic conditions, or changes in the social environment, including the employment environment and others) 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 have no major quality problems. 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 product complaint, 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 by third parties without authority, 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) Securing and Developing Human Resources

The Mabuchi Group recognizes that, in order to survive fierce business competition, it is essential to secure and nurture employees who are highly competent in relevant areas, engineers who have a thorough knowledge in a particularly advanced science or technology, and personnel who have exceptional management skills in such areas as business strategies and organizational operations. Moreover, we recognize the need to overcome generational change and constantly enrich and enhance our human resources. At the same time, actively employing these personnel and continually developing them necessitates costs.

Within the industry, the competition to secure outstanding personnel is also extremely fierce, and at present, changes such as the mobilization of human resources are afoot in the employment environment. Therefore, there is no guarantee that we will necessarily be able to secure our required personnel. In the event outstanding personnel were not able to be secured, or if human resources development did not go to plan, then from a long-term perspective, our group's business results and financial position may be subject to significant adverse effects.

(9) Procurement of Raw Materials

Depending on the type of raw material that our group procures from external sources, we may be dependent on a limited number of suppliers.

There is a possibility that the supply of a raw material may be suspended due to an accident befalling the supplier or for some other reason, or that a shortage of supply may transpire 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.

(10) 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 damage, 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.

MANAGEMENT PRINCIPLES

1. Basic Policy on Company Management

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.

2. Medium-term and Long-term Corporate Management Strategies, and Issues to be Resolved

(1) Expansion of Priority Businesses

Under our business strategy of pursuing the maximum potential for our core business, the small DC brush motor business, we will continue to expand business by specifying the “increase in motor sales for automotive product applications, and in particular, for power window lifters” as the priority area for future business enhancement which will turn highly marketable applications and new areas into growth opportunities.

As well as accelerating reform of our business portfolio with a view to the rapid expansion of our priority business, we will also prioritize the allocation of Head Office resources to our strategic models, we will 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) Innovations in Production Technology

In the past, as a consequence of reviewing the immediate supply-demand balance, we had been working on economizing and saving on space at all our production bases for the purpose of curtailing excess production capacities and optimizing our operational scale. In the future, we will continue to promote such efforts, but we will also look at all equipment and processes, and we will focus on streamlining production site processes, as well as improving efficiencies in and minimizing on-site distribution.

Mabuchi also launched the “Center for Production Innovation.” The aim of the center is to accelerate efforts for identifying the most effective and efficient production technologies amassed at production bases, and gradually introducing labor-saving equipment that utilizes these technologies starting with labor-intensive production processes.

By realizing such truly effective innovations in production technology at an early stage, and by establishing a strong production base that combines high quality and low cost, we aim to achieve solid competitiveness for our future growth model.

(3) Reorganization of production bases

In China, where we currently manufacture about 80% of our products, various risks relating to production activities have come to light, such as soaring labor costs, worsening employee retention rates, and the appreciation of the Chinese currency. Under these circumstances, so that we can firmly maintain and improve our relative cost competitiveness against rival manufacturers, as a priority measure for the reorganization of our production bases, we will increase the capacity ratio of our Vietnamese production base, which has a labor-cost advantage and export competitiveness.

More precisely, by 2011, we are planning to lower the proportion of products made in China to about 60%, and bring the proportion of products made in Vietnam from the current 20% to about 40%. At the same time, given that it has been confirmed that, through space improvements, sufficient production capacity can be ensured even if plant size is decreased, we will strive to rationalize production capacity at each production base as part of the process for optimizing our overall production system.

Amid the shift of our key product application area from audio-visual to automotive products, and the marked rise in the required level of quality control, the development of production bases that are able to accommodate this has become an urgent issue. In order to establish a production system which meets the quality demands of automakers with certainty, we will specify production bases for large automotive-use motors based on the different weight given to quality by each application, and we will work at raising our level of quality even higher.

CONSOLIDATED BALANCE SHEETS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES JUNE 30, 2007 and 2008, DECEMBER 31, 2007.

		(Millions of yen)		
ASSETS		June 30 2007	June 30 2008	December 31 2007
Current Assets	Cash and bank deposits	71,203	54,474	61,269
	Trade notes and accounts receivable	17,036	14,830	15,145
	Short-term investments	17,316	30,036	30,250
	Inventories	19,089	18,923	18,048
	Deferred tax assets	1,196	1,310	1,375
	Other current assets	2,012	1,451	1,206
	Allowance for doubtful accounts	(330)	(273)	(290)
	Total current assets	127,525	120,753	127,006
Fixed Assets	Property, Plant and Equipment			
	Buildings and structures	20,819	18,619	19,683
	Machinery, equipment and vehicles	10,103	9,486	9,881
	Tools, furniture and fixture	2,131	2,167	2,186
	Land	6,203	6,030	6,190
	Construction in progress	1,292	1,117	894
	Total	40,549	37,421	38,835
	Intangible Assets	619	565	585
	Investments and Other assets			
	Investment securities	66,636	62,649	63,172
	Long-term loans receivable	150	123	133
	Deferred tax assets	122	124	129
	Other investments and other assets	1,419	701	1,098
	Allowance for doubtful accounts	(1)	(1)	(1)
	Total	68,327	63,597	64,532
Total fixed assets	109,495	101,583	103,953	
Total assets	237,020	222,337	230,960	

CONSOLIDATED BALANCE SHEETS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES JUNE 30, 2007 and 2008, DECEMBER 31, 2007.

		(Millions of yen)		
LIABILITIES AND SHAREHOLDERS' EQUITY		June 30 2007	June 30 2008	December 31 2007
Liabilities	Current Liabilities			
	Trade notes and accounts payable	4,859	4,389	3,948
	Accrued income taxes	2,892	1,302	2,676
	Accrued bonus to employees	210	241	248
	Accrued Bonus for directors	41	346	346
	Accrued loss on reorganization of Subsidiary	340	27	81
	Other current liabilities	4,951	5,516	5,185
	Total current liabilities	13,294	11,824	12,485
	Long-term Liabilities			
	Deferred tax liabilities	4,965	3,295	3,793
	Accrued retirement benefits for employees	182	197	187
	Accrued retirement benefits for directors and statutory auditors	510	-	1,094
	Other long-term liabilities	96	1,137	84
	Total long-term liabilities	5,753	4,630	5,160
Total liabilities	19,048	16,455	17,645	
Net Assets	Shareholders' Equity			
	Common stock	20,704	20,704	20,704
	Additional paid-in capital	20,419	20,419	20,419
	Retained earnings	238,714	236,810	240,983
	Treasury stock	(73,426)	(71,471)	(73,436)
	Total shareholders' equity	206,412	206,463	208,671
	Revaluation / Translation differences			
	Unrealized holding gains on securities	3,613	1,200	1,956
	Foreign currency translation adjustments	7,945	(1,782)	2,686
	Total Revaluation / Translation differences	11,558	(582)	4,643
Total net assets	217,971	205,881	213,314	
Total liabilities and net assets	237,020	222,337	230,960	

CONSOLIDATED STATEMENTS OF INCOME

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES

FOR THE SIX MONTHS ENDED JUNE 30, 2007 and 2008, and YEAR ENDED DECEMBER 31, 2007

	(Millions of yen)		
	Six months ended Jun. 30, 2007	Six months ended Jun. 30, 2008	Year ended Dec. 31, 2007
Net Sales	52,741	48,387	107,640
Cost of Sales	37,462	35,120	77,207
Gross profit	15,279	13,266	30,433
Selling, General and Administrative Expenses	9,178	9,035	18,747
Operating income	6,100	4,230	11,685
Other Income (Expenses)			
Interest and dividend income	1,648	1,197	3,396
Exchange gains on foreign currency transactions	796	605	131
Other, net	1,045	(115)	1,316
Income before Income Taxes and Minority Interests	9,591	4,707	16,530
Income Taxes			
Current	3,277	1,654	5,851
Deferred	-	-	(235)
Net Income	6,313	3,053	10,914

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES

FOR THE SIX MONTHS ENDED JUNE 30, 2007 and 2008, and YEAR ENDED DECEMBER 31, 2007

		(Millions of yen)		
		Six months ended Jun. 30, 2007	Six months ended Jun. 30, 2008	Year ended Dec. 31, 2007
Common Stock	Beginning balance	20,704	20,704	20,704
	Ending balance	20,704	20,704	20,704
Additional Paid-in Capital	Beginning balance	20,419	20,419	20,419
	Ending balance	20,419	20,419	20,419
Retained Earnings	Beginning balance	234,893	240,983	234,893
	Net income	6,313	3,053	10,914
	Cash dividend	(2,492)	(2,371)	(4,825)
	Cancellation of own shares	-	(4,854)	-
	Ending balance	238,714	236,810	240,983
Unrealized Holding Losses (Gains) on Securities	Beginning balance	3,478	1,956	3,478
	Net change during the year	135	(755)	(1,522)
	Ending balance	3,613	1,200	1,956
Foreign Currency Translation Adjustments	Beginning balance	4,454	2,686	4,454
	Net change during the year	3,490	(4,469)	(1,767)
	Ending balance	7,945	(1,782)	2,686
Treasury Stock	Beginning balance	(64,733)	(73,436)	(64,733)
	Net change during the year	(8,692)	1,965	(8,702)
	Ending balance	(73,426)	(71,471)	(73,436)
Total shareholders' equity at end of year		217,971	205,881	213,314

CONSOLIDATED STATEMENTS OF CASH FLOWS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES

FOR THE SIX MONTHS ENDED JUNE 30, 2007 and 2008, and YEAR ENDED DECEMBER 31, 2007

(Millions of yen)

	Six months ended Jun. 30, 2007	Six months ended Jun. 30, 2008	Year ended Dec. 31, 2007
Cash Flows from Operating Activities			
Income before income taxes and minority interests	9,591	4,707	16,530
Depreciation and amortization	2,406	2,120	4,913
Impairment loss	25	-	24
Provision for retirement benefits, net payments	1	378	603
(Decrease) Increase in accrued loss on reorganization of Subsidiary	(168)	-	(163)
Interest and dividends income	(1,648)	(1,383)	(3,396)
Foreign exchange gains (loss)	(246)	892	388
Gain on sales of short-term investments	(373)	4	(292)
Loss on sales and disposal of fixed assets	(29)	(724)	(161)
Loss on revaluation of short-term investments	-	814	-
(Decrease) Increase in trade notes and accounts receivables	(1,810)	(32)	(742)
(Decrease) Increase in inventories	(452)	(1,728)	(470)
Increase (Decrease) in trade notes and accounts payable	604	1,365	210
Other, net	(597)	(988)	164
Sub total	7,302	5,424	17,610
Interest and dividends received	1,648	1,273	3,388
Interest paid	(0)	-	-
Income taxes paid	(2,839)	(2,902)	(5,552)
Net cash provided by operating activities	6,111	3,796	15,447
Cash Flows from Investing Activities			
Paying in time deposit	(9,171)	(13,179)	(26,073)
Proceeds from withdrawal of time deposit	6,994	9,503	27,173
Purchase of short-term investments	(4,392)	(6,998)	(14,704)
Proceeds from sales of short-term investments	4,271	7,999	13,769
Purchase of property, plant and equipment	(1,976)	(2,002)	(3,903)
Proceeds from sales of property, plant and equipment	279	1,084	589
Purchase of investment securities	(1,107)	(6,541)	(7,150)
Proceeds from sales of investment securities	9,259	1,505	12,823
Other, net	435	(68)	1,163
Net cash used in (provided by) investing activities	4,592	(8,695)	3,687
Cash Flows from Financing Activities			
Cash dividends paid	(2,492)	(2,371)	(4,828)
Purchase of treasury stock	(8,692)	(2,889)	(8,702)
Net cash used in financing activities	(11,185)	(5,261)	(13,531)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,990	(2,994)	(1,346)
Net Increase in Cash and Cash Equivalents	1,508	(13,155)	4,257
Cash and Cash Equivalents at Beginning of Year	72,639	76,897	72,639
Cash and Cash Equivalents at End of Year	74,147	63,741	76,897

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, 2007	Six months ended Jun. 30, 2008	Year ended Dec. 31, 2007
Net sales	Japan	Outside customers	11,736	11,320	23,986
		Intersegment	25,548	23,099	51,656
		Total	37,285	34,419	75,643
	Asia	Outside customers	27,202	25,191	57,305
		Intersegment	28,273	25,741	57,375
		Total	55,476	50,933	114,680
	U.S.A.	Outside customers	4,925	3,813	9,533
		Intersegment	22	22	53
		Total	4,948	3,835	9,587
	Europe	Outside customers	8,876	8,062	16,814
		Intersegment	-	-	-
		Total	8,876	8,062	16,814
	Eliminations	(53,845)	(48,862)	(109,085)	
	Consolidated	52,741	48,387	107,640	
Operating income	Japan		1,941	1,731	3,924
	Asia		3,825	1,914	7,589
	U.S.A.		164	132	315
	Europe		13	(38)	(72)
	Eliminations		156	491	(70)
	Consolidated		6,100	4,230	11,685

			(Millions of yen)		
2. Overseas sales			Six months ended Jun. 30, 2007	Six months ended Jun. 30, 2008	Year ended Dec. 31, 2007
Overseas sales	U.S.A.		5,876	4,735	11,697
	Europe		8,915	8,069	16,912
	Asia and other		32,624	30,013	68,034
	Total		47,415	42,818	96,644
Net sales		52,741	48,387	107,640	
% of overseas sales to net sales		89.9%	88.5%	89.8%	

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, 2007		Six months ended June 30, 2008		Year ended December 31, 2007	
		thousand pieces	%(change)	thousand pieces	%(change)	thousand pieces	%(change)		
Small Motors	MABUCHI INDUSTRY CO., LTD.	469,965	53.1	438,044	50.1	969,703	52.8		
	MABUCHI MOTOR DALIAN LTD.	72,140	8.1	68,508	7.8	141,432	7.7		
	MABUCHI MOTOR WAFANGDIAN LTD.	104,368	11.8	114,714	13.1	212,487	11.6		
	MABUCHI MOTOR (JIANGSU) CO., LTD.	77,031	8.7	62,990	7.2	157,185	8.5		
	MABUCHI MOTOR VIETNAM LTD.	154,727	17.5	164,380	18.8	332,548	18.1		
	MABUCHI MOTOR DANANG LTD.	5,170	0.6	23,111	2.7	19,654	1.1		
	MABUCHI TAIWAN CO., LTD.	2,216	0.2	2,418	0.3	4,522	0.2		
	Total	885,622	100.0	874,169	100.0	1,837,533	100.0		

(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, 2007		Six months ended June 30, 2008		Year ended December 31, 2007	
		millions of yen	%(change)	millions of yen	%(change)	millions of yen	%(change)		
Small Motors	Automotive Products	21,368	40.6	21,380	44.2	42,820	39.9		
	Audio & Visual Equipment	10,625	20.2	8,511	17.6	21,308	19.8		
	Information & Communication Equipment	8,243	15.6	7,428	15.4	18,139	16.9		
	Home Appliances & Power Tools & Others	12,410	23.6	11,007	22.8	25,178	23.4		
	Total	52,647	100.0	48,327	100.0	107,446	100.0		

(Notes) Consumption taxes were excluded.