

CONSOLIDATED FINANCIAL RESULTS  
OF THE FISCAL YEAR ENDED  
DECEMBER 31, 2008

Consolidated Financial Results of Fiscal 2008 .....	2
Operating Results and Financial Position .....	3
Management Principles .....	10
Consolidated Balance Sheets .....	13
Consolidated Statements of Income .....	15
Consolidated Statements of Changes in Net Assets .....	16
Consolidated Statements of Cash Flows .....	17
Segment Information .....	18
Current Status of Production and Sales .....	19

# CONSOLIDATED FINANCIAL RESULTS OF THE FISCAL YEAR ENDED DECEMBER 31, 2008

Date : February 17, 2009  
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 of the fiscal year ended December 31, 2008 (From January 1 to December 31, 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)
FY2008	92,602	(14.0)	5,652	(51.6)	3,565	(67.3)
FY2007	107,640	7.1	11,685	9.2	10,914	2.9

	Net income per share	Fully diluted net income per share	Return (net income) on equity	Return (operating income) on sales
	yen	yen	%	%
FY2008	94.77	-	1.8	6.1
FY2007	280.90	-	5.0	10.9

(Notes) 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
FY2008	188,691	178,291	94.5	5,088.18
FY2007	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
FY2008	6,542	45	(18,641)	56,073
FY2007	15,447	3,687	(13,531)	76,897

## 2. Cash dividends

	Cash dividends per share			Total cash dividends	Dividends payout ratio	Dividends on net assets
	Interim	Year-end	Annual			
	yen	yen	yen			
FY2007 (Actual)	61.00	62.00	123.00	4,703	43.8	2.2
FY2008 (Actual)	61.00	62.00	123.00	4,468	129.8	2.3
FY2009 (Plan)	50.00	50.00	100.00	-	-	-

## 3. Prospect for the next fiscal year (From January 1 to December 31, 2009)

	Net sales	Operating income	Net income	Net income per share
	millions of yen	millions of yen	millions of yen	yen
Interim	28,500	(2,500)	(2,000)	(57.08)
Annual	65,000	(1,500)	(500)	(14.27)

## 4. Others

- (1) Changes in significant subsidiaries during the year (Change in certain subsidiaries resulting in change in the scope of consolidation) :  
MABUCHI MOTOR TRADING (SHENZHEN) CO., LTD.
- (2) Changes in accounting principles, procedures, presentations, etc. for preparation of consolidated financial statements
  1. Changes associated with revision of accounting standards : None
  2. Other : None
- (3) Number of shares outstanding
  1. Number of shares outstanding at end of year (including treasury stock)  
2008 : 45,875,881 shares    2007 : 47,075,881 shares
  2. Number of treasury shares at end of year  
2008 : 10,835,574 shares    2007 : 8,832,718 shares

# OPERATING RESULTS AND FINANCIAL POSITION

## 1. Analysis of the Operating Results

### Results for the Current Period

At the beginning of the year, the slowdown of the U.S. economy triggered by the subprime mortgage problem began to affect the economies of Japan, Europe and as far as Asia, and the financial crisis which emerged in the U.S. in September also had a significant impact on the real economy on a global scale. These events led to a rapid slow down of the world economy toward the end of this year. The Japanese economy also slowed abruptly. The impact of the economic slowdown in other countries and an appreciating yen saw a rapid decrease in Japanese exports beginning to affect domestic demand in the second half of this year, and caused unprecedented turmoil in the fourth quarter, such as rapid adjustments of production, declines in capital investment and an associated worsening employment situation.

Under these economic circumstances, the markets in which Mabuchi products are sold were greatly affected by the sudden economic slowdown and appreciation of the yen in the second half of the year. In the Automotive Products market, where growth was expected, there were increased sales of power unit motors, our strategic product, and of motors for new applications, but they could not cover the decrease in the sales of existing products for which the Mabuchi Group holds a large market share, which had been affected by the rapid decrease in automobile sales. In the Audio & Visual Equipment market as well, there were decreases in the sales of motors both for car CD players and for DVD players. In both the Information & Communication Equipment market and the Home Appliances and Power Tools market, sales decreased due to a lackluster year-end sales season. As a result, consolidated net sales for the period decreased to 92,602 million yen (14.0% decrease on a year-over-year basis). Sales of motors, which account for the majority of consolidated net sales, came to 92,510 million yen (13.9% decrease on a year-over-year basis). Operating income amounted to 5,652 million yen (51.6% decrease on a year-over-year basis), as the profit growth effects attributable to an improvement in the product mix were exceeded by such negative factors as soaring material prices, increases in labor costs and other manufacturing costs, increases in manufacturing costs caused by investments in new production bases, and increases in fixed costs per unit attributable to the rapid decrease in production volume in the second half of the year. Ordinary income amounted to 7,872 million yen (53.0% decrease on a year-over-year basis). This was due to a decrease in financial investment returns (interest income, etc.) resulting from falls in the interest rates on U.S. dollar deposits, and to having recorded foreign exchange losses as a result of the appreciating yen. Net income finished at 3,565 million yen (67.3% decrease on a year-over-year basis). This was due to having recorded extraordinary losses for the loss on the write-down of investment securities as a consequence of the slump in the stock market and for the compensation paid in response to a customer claim, despite also having recorded extraordinary gains such as for the proceeds from the sale of unused land held by an overseas subsidiary.

Next, we will explain the market trends and motor sales conditions by application.

### (1) Automotive Products Market

As drivers seek safety, convenience, comfort and efficiency in their automobiles, the number of electrical components in vehicles tends to increase. However, with the number of automobiles sold decreasing rapidly worldwide halfway through the year, both sales volume and sales revenue decreased.

Mabuchi commands a large share of the market for motors for major existing applications such as car mirrors, door locks and air-conditioning damper actuators, and so we were significantly affected by the decrease in automobiles sales. Motors for power window lifters are our key strategic product, and sales of these grew helped by an increase in new customers and an increase in the variety of vehicles equipped with them. There was also growth in demand for motors for headlight beam level adjusters and steering locks, and there was an increase in the sales of motors for a new application, electric parking brakes.

However, neither of these could cover the decrease in the sales of motors for existing applications. As a result of this and due to the appreciation of the yen, net sales in this market decreased to 38,633 million yen (9.8% decrease on a year-over-year basis).

## **(2) Audio & Visual Equipment Market**

Sales of motors for car CD players decreased, affected by the decrease in the volume of automobile sales. Sales of motors for DVD players decreased considerably as decreases in China, India and other parts of the Asian region added to the sales decrease experienced in the North American market. As a result of this and due to the appreciation of the yen, net sales in this market decreased substantially to 15,908 million yen (25.3% decrease on a year-over-year basis).

## **(3) Information & Communication Equipment Market**

Despite decreasing in the second half of this year, sales of motors for inkjet printers increased slightly overall from the previous period due to satisfactory sales in the first half. Sales of motors for digital cameras decreased due to a lackluster year-end sales season. We decreased our market share for motors for PC drives as we focused on profitability. As a result of this and due to the appreciation of the yen, net sales in this market decreased considerably to 15,896 million yen (12.4% decrease on a year-over-year basis).

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

Sales of motors for power tools were low in the North American market, but this was countered by growth in the European and South American markets. Overall, sales were about the same as last year buoyed by an increase in the sales of motors for high power tools that use high-performance rechargeable batteries. Sales of motors for electric toothbrushes decreased significantly due to a strong sense of market saturation, and the sales volume of motors for hair driers and other personal care products exceeded the previous year. As a result of this and due to the appreciation of the yen, net sales in this market decreased appreciably to 22,071 million yen (12.3% decrease on a year-over-year basis).

## **Non-consolidated Results**

With regard to the non-consolidated business results for the current business year, sales of motors amounted to 62,035 million yen (13.9% decrease on a year-over-year basis), and overall net sales, including parts and production equipment, amounted to 64,953 million yen (14.1% decrease on a year-over-year basis). Despite a decrease in selling, general and administrative expenses, operating income amounted to 1,765 million yen (55.0% decrease on a year-over-year basis) due to a decrease in gross profit on account of the decrease in net sales. Ordinary income was 9,786 million yen (39.4% decrease on a year-over-year basis). This was due to declines in financial investment returns (interest income, etc.) and in dividend income received from affiliated companies, and to having recorded foreign exchange losses as a result of the appreciating yen. Net income finished at 2,129 million yen (81.6% decrease on a year-over-year basis). This was due to having recorded a loss on the write-down of investment securities as a consequence of the slump in the stock market, compensation paid in response to a customer claim, and a loss on the write-down of investments in affiliates.

With respect to the payment of year-end dividends, we plan to pay 62 yen per share (an ordinary dividend of 30 yen, and a special dividend of 32 yen). We have already paid an interim dividend of 61 yen per share (an ordinary dividend of 30 yen, and a special dividend of 31 yen). This will bring the total dividend per share for the year to 123 yen (an ordinary dividend of 60 yen, and a special dividend of 63 yen), as per the projected dividend amount that was announced during the period.

## **Outlook for 2009**

It has become evident that, in 2009, an economic situation will continue which is even more severe than 2008.

With regard to the markets in which Mabuchi products are sold, sales of motors to the Automotive Products market, the Audio & Visual Equipment market, the Information & Communication Equipment market, and the Home Appliances and Power Tools market are all on a downward trend, and with the negative effects of the strengthening yen, we expect that overall net sales will decline by 29.8% on a year-over-year basis.

In terms of our business results, although a decline in the raw materials markets is expected to result in lower material costs, we expect to record an operating loss of 1,500 million yen due to the effects of such cost-push factors as a rise in fixed costs per unit attributable to a sudden decrease in production and sales volumes. We also anticipate an ordinary loss of 200 million yen and a net loss of 500 million yen, in part due to the expected decrease in interest income associated with a decline in U.S. interest rates. Our projections for the full-year business results for fiscal 2009 are as follows.

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

Net sales	65,000 million yen	(29.8% decrease)
Operating income	(1,500) million yen	(-)
Ordinary income	(200) million yen	(-)
Net income	(500) million yen	(-)

### 2. Unconsolidated results forecast (compared to the previous period)

Net sales	44,300 million yen	(31.8% decrease)
Operating income	(1,000) million yen	(-)
Ordinary income	(300) million yen	(-)
Net income	(300) million yen	(-)

The above projections assume an exchange rate of 1 USD = 90 JPY. No allowances have been made for foreign exchange gains or losses.

Notes: The above projections were made based on information that is available at the present moment. Actual results may differ from expectations owing to various future factors, the main ones of which are as follows:

- \* 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 affect our results are not limited to the above.

## 2. Analysis of the Financial Position

### Assets, Liabilities and Shareholders' Equity

Consolidated total assets at the end of the current consolidated accounting period stood at 188,691 million yen, decreasing by 42,268 million yen from the end of the previous consolidated accounting period. The most noticeable changes included a decrease in cash and bank deposits of 15,613 million yen, a decrease in trade notes and accounts receivable of 5,601 million yen, a decrease in short-term investments of 4,081 million yen, and a decrease in investment securities of 12,566 million yen.

Furthermore, although total property, plant and equipment decreased by 3,964 million yen, this is mostly due to the appreciating Japanese yen leading to decreases associated with the conversion of the assets of overseas affiliates into yen.

Total liabilities stood at 10,400 million yen, decreasing by 7,245 million yen from the end of the previous consolidated accounting period. The most noticeable changes included a decrease in trade notes and accounts payable of 1,838 million yen, a decrease in accrued income taxes of 2,676 million yen, and a decrease in deferred tax liabilities of 2,086 million yen. Accrued retirement benefits for directors and statutory auditors, which had been recorded at the end of the previous consolidated accounting period,

was transferred to an unpaid account as a determinate obligation, and has been included in other long-term liabilities. Total shareholders' equity finished at 178,291 million yen, decreasing by 35,022 million yen. The most noticeable changes included a decrease in retained earnings of 10,694 million yen (associated with the cancellation of repurchased shares), a decrease in unrealized holding gains (losses) on securities of 3,078 million yen, a decrease in foreign currency translation adjustments of 16,870 million yen, and an increase in treasury stock (an item deducted from shareholders' equity) of 4,379 million yen. Shareholders' equity per share was 5,088.18 yen, and the capital adequacy ratio was 94.5%.

### Cash Flows

Net cash provided by our operating activities amounted to 6,542 million yen, a decrease of 8,904 million yen compared to the previous consolidated accounting period. This was mostly attributable to a decrease in net income before income taxes and minority interests.

Net cash provided by our investing activities amounted to 45 million yen, a decrease of 3,642 million yen compared to the previous consolidated accounting period. This was mostly due to a decrease in the proceeds from sales of short-term investments and investment securities, and to an increase in the acquisition of fixed commercial assets.

Net cash used in our financing activities amounted to 18,641 million yen, an increase of 5,110 million yen compared to the previous consolidated accounting period, and was due to an increase in purchase price of treasury stock.

As a result, the balance of cash and cash equivalents amounted to 56,073 million yen, a decrease of 20,824 million yen from the end of the previous consolidated accounting period.

The following table shows the trend of the company's cash flow indicators:

	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008
Shareholders' equity ratio	93.1%	93.2%	92.5%	92.4%	94.5%
Shareholders' equity ratio based on market value	138.5%	114.0%	127.8%	111.6%	68.5%

\* The indicators have been calculated using the following formulae, and are based on figures in the consolidated financial statements.

Shareholders' equity ratio = Capital adequacy / 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 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 Group does not have any interest-bearing liabilities, the number of years required to repay debt and interest coverage ratio are not listed.

### 3. Basic Policy on Profit Sharing, and Dividend Payments for the Current and Next Periods

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 2008, Mabuchi acquired a total of about 12 million shares of treasury stock through public purchase offers and

at-market purchases, and by purchasing fractional shares. During fiscal 2008, we cancelled a portion of these shares (1.2 million 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 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 have no major quality issues. If a quality issue occurs, the amount of compensation may be influenced by the effect on the quality of the final product in which the Mabuchi product is incorporated. The unlikely event of a product defect that leads to a large-scale product complaint, recall or product liability compensation may trigger an accrual of large amount of costs or downturn in sales due to a loss of credibility, and may have significant adverse effects on our group's business results and financial position.

#### **(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) Securing and Developing Human Resource**

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

#### **(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 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.

#### **(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 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.

# MANAGEMENT PRINCIPLES

## (1) Management Principles

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

In the context of our Management Principle, that is, “Contributing to International Society and Continuously Increasing 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 Principle”, and the “Management Policies” clarify the guidelines for action in performing our business activities. Our Management Principle, 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) By bringing better and more reasonably priced goods to the market, we contribute to the creation of a more affluent society and more comfortable lives for everyone.
- 2) Contribute to the leveling of international economic disparities and to economic development in other countries through the creation of employment opportunities and technology transfers.
- 3) People are the most important managerial resource. Realize human potential through work and teach people to become productive members of society.
- 4) Conduct corporate activity which preserve the earth’s environment and protects human.

### 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 that have flexibility in their application and consolidate the most appropriate production condition.
- 2) Strive to improve product development based on value analysis and seek to originate interchangeable parts and materials.
- 3) Realize cost reduction by using advanced processing technologies and by minimizing waste.
- 4) Uncover new markets and secure fair market share.
- 5) Maximize each employee’s potential and conduct employee education through appropriate job placement.
- 6) Promote business activities that have minimal negative impact on the environment and that strictly abide by safety standards.
- 7) To promote management policies and strategies that promise long stable growth.

### Management Policies for Overseas Operations

- 1) To promote co-existence and mutual prosperity on a long-term basis.
- 2) Solidify the structure of international production lines that parallel the strengths of each branch, and preserve and expand

international competition.

3) Promote the Mabuchi corporate culture of philanthropy and support the transfer of knowledge and technology.

## (2) Medium- to long-term management strategy and issues to be addressed

### **Improvement in profitability**

As critical economic conditions continue, our first priority is to improve profitability. We will commence initiatives to improve profitability by seizing the current harsh conditions as a window of opportunity to return to growth.

(i) We will adjust the workforce employed directly at production bases and reduce the total number of working hours (revision of overtime and the system of shift work), aiming to switch to an operational nature that can flexibly scale back production without any decreased profitability. At the same time, we will strive to minimize production losses, by enhancing product and component yields and by improving processes.

(ii) We will carefully select only those development subjects that are recognizable as contributing to the future improvement of profitability, and we will curb research and development expenses. We will also prioritize the allocation of capital expenditure to priority businesses, and for other businesses, we will hold back capital expenditure as much as possible, apart from for those businesses with a definite recognized need. In parallel with this, we will also reduce expenses incurred directly at Head Office (such as constraints on filling vacant positions, regulations on overtime, and reductions in travel/transportation and repairs/maintenance expenses).

### **Expansion of priority businesses**

Under our business strategy of pursuing maximum potential for our core business, the small DC brush motor business, we will continue to expand business by specifying the following two points as priority areas for future business enhancement to get highly marketable applications and new areas on track for growth.

(i) Increase motor sales for automotive product applications, and in particular, for power window lifters and power seats

(ii) Open up new markets for new applications and increase sales, by launching our compact high-torque products into the market

We are still of the view that the Automotive Products Market has long-term growth potential and is the key to our growth and our return to profitability. Continuous approaches to the cultivation of new businesses and their developments in this market will form our basis for achieving a rapid turnaround in profitability.

### **Innovation in production technology**

In the past, we focused on all equipment and processes at our production bases, streamlining production site processes, as well as improving efficiencies in and minimizing on-site distribution. In the future, so that we can realize innovations in production more quickly, we will establish "Production Innovation Teams" at our production bases, and we will work on innovating whole processes based on model lines.

(i) Reduce direct labor costs by 30% through improved processes, and establish processes that do not rely entirely on skill, intuition and technique.

(ii) Aim to achieve productivity that is three times greater than current levels.

### **Reorganization of production bases**

Even in today's reality where production is being scaled down due to economic slowdowns, there has been no substantial change in the trend of risks coming to light in China, where we manufacture about 80% of our products. Consequently, for the most part,

we still intend to go ahead with the transfer of production to achieve a China-Vietnam production ratio of 6:4 by 2011, which was planned as a priority measure for the reorganization of our production bases. At the same time, in order to improve the rapidly worsening supply-demand balance, as part of the process for optimizing our overall production system, we will formulate specific downsizing plans for each of our Chinese plants and we will strive to optimize production capacity at each production base.

# CONSOLIDATED BALANCE SHEETS

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

		(Millions of yen)	
ASSETS		December 31 2007	December 31 2008
<b>Current Assets</b>	Cash and bank deposits	61,269	45,655
	Trade notes and accounts receivable	15,145	9,543
	Short-term investments	30,250	26,168
	Inventories	18,048	17,060
	Income taxes receivable	-	777
	Deferred tax assets – current	1,375	1,584
	Other current assets	1,206	1,359
	Less – Allowance for doubtful accounts	(290)	(195)
	<b>Total current assets</b>	<b>127,006</b>	<b>101,955</b>
<b>Fixed Assets</b>	Property, Plant and Equipment		
	Buildings and structures	19,683	16,619
	Machinery, equipment and vehicles	9,881	8,412
	Tools, furniture and fixture	2,186	1,821
	Land	6,190	6,023
	Construction in progress	894	1,993
	<b>Total</b>	<b>38,835</b>	<b>34,870</b>
	Intangible Assets	585	462
	Investments and Other assets		
	Investment securities	63,172	50,606
	Long-term loans receivable	133	97
	Deferred tax assets – non-current	129	124
	Other investments and other assets	1,098	596
	Allowance for doubtful accounts	(1)	(22)
	<b>Total</b>	<b>64,532</b>	<b>51,402</b>
<b>Total fixed assets</b>	<b>103,953</b>	<b>86,736</b>	
<b>Total assets</b>	<b>230,960</b>	<b>188,691</b>	

# CONSOLIDATED BALANCE SHEETS

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

LIABILITIES AND NET ASSETS		December 31 2007	December 31 2008
(Millions of yen)			
<b>Liabilities</b>	<b>Current Liabilities</b>		
	Trade notes and accounts payable	3,948	2,110
	Accrued income taxes	2,676	-
	Accrued bonus to employees	248	246
	Accrued bonus for directors	81	-
	Allowance for loss on reorganization of subsidiary	346	-
	Other current liabilities	5,185	4,976
	<b>Total current liabilities</b>	<b>12,485</b>	<b>7,333</b>
	<b>Long-term Liabilities</b>		
	Deferred tax liabilities	3,793	1,706
	Allowance for retirement benefits for employees	187	222
	Allowance for retirement benefits for directors and statutory auditors	1,094	-
	Other long-term liabilities	84	1,137
	<b>Total long-term liabilities</b>	<b>5,160</b>	<b>3,066</b>
<b>Total liabilities</b>	<b>17,645</b>	<b>10,400</b>	
<b>Net Assets</b>	<b>Shareholders' Equity</b>		
	Common stock	20,704	20,704
	Additional paid-in capital	20,419	20,419
	Retained earnings	240,983	230,288
	Treasury stock	(73,436)	(77,816)
	<b>Total shareholders' equity</b>	<b>208,671</b>	<b>193,597</b>
	<b>Revaluation / translation adjustment</b>		
	Unrealized holding gains (losses) on securities	1,956	(1,122)
	Foreign currency translation adjustments	2,686	(14,183)
	<b>Total revaluation / translation differences</b>	<b>4,643</b>	<b>(15,305)</b>
<b>Total net assets</b>	<b>213,314</b>	<b>178,291</b>	
<b>Total liabilities and net assets</b>	<b>230,960</b>	<b>188,691</b>	

# CONSOLIDATED STATEMENTS OF INCOME

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2007 and 2008

	(Millions of yen)	
	2007	2008
<b>Net Sales</b>	107,640	92,602
<b>Cost of Sales</b>	77,207	68,799
Gross profit	30,433	23,802
<b>Selling, General and Administrative Expenses</b>	18,747	18,150
Operating income	11,685	5,652
<b>Other Income (Expenses)</b>		
Interest and dividend income	3,396	2,304
Exchange gains (losses) on foreign currency transactions	131	(1,567)
Other, net	1,316	(1,058)
<b>Income before Income Taxes</b>	16,530	5,330
<b>Income Taxes</b>		
Current	5,851	1,971
Deferred	(235)	(205)
<b>Net Income</b>	<b>10,914</b>	<b>3,565</b>

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2007 and 2008

		(Millions of yen)	
		December 31 2007	December 31 2008
<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	234,893	240,983
	Net income	10,914	3,565
	Cash dividends	(4,825)	(4,667)
	Treasury stock cancellation	-	(9,592)
	Ending balance	240,983	230,288
<b>Unrealized Holding Gains (Losses) on Investments</b>	Beginning balance	3,478	1,956
	Net change during the year	(1,522)	(3,078)
	Ending balance	1,956	(1,122)
<b>Foreign Currency Translation Adjustments</b>	Beginning balance	4,454	2,686
	Net change during the year	(1,767)	(16,870)
	Ending balance	2,686	(14,183)
<b>Treasury Stock</b>	Beginning balance	(64,733)	(73,436)
	Net change during the year	(8,702)	(4,379)
	Ending balance	(73,436)	(77,816)

# CONSOLIDATED STATEMENTS OF CASH FLOWS

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2007 and 2008

		(Millions of yen)	
		2007	2008
<b>Cash Flows from Operating Activities</b>	Income before income taxes	16,530	5,330
	Depreciation and amortization	4,913	4,408
	Impairment loss	24	171
	Allowance for retirement benefits, net payments	603	443
	Decrease in allowance for loss on reorganization of subsidiary	(163)	(346)
	Interest and dividends income	(3,396)	(2,489)
	Foreign exchange loss	388	1,186
	Gain on sales of short-term investments and investment securities	(292)	(421)
	Gain on sales and disposal of fixed assets	(161)	(1,129)
	Losses on revaluation of investment securities	-	2,457
	(Increase) Decrease in trade notes and accounts receivables	(742)	3,598
	Increase in inventories	(470)	(3,946)
	Increase (Decrease) in trade notes and accounts payable	210	(1,404)
	Other, net	164	2,086
	Sub total	17,610	9,945
	Interest and dividends received	3,388	2,397
	Income taxes paid	(5,552)	(5,799)
<b>Net cash provided by operating activities</b>	<b>15,447</b>	<b>6,542</b>	
<b>Cash Flows from Investing Activities</b>	Deposition of time deposits	(26,073)	(27,505)
	Proceeds from withdrawal of time deposit	27,173	23,987
	Purchase of short-term investments	(14,704)	(13,994)
	Proceeds from sales of short-term investments	13,769	20,997
	Purchase of property, plant and equipment	(3,903)	(5,138)
	Proceeds from sales of property, plant and equipment	589	2,032
	Purchase of investment securities	(7,150)	(8,834)
	Proceeds from sales of investment securities	12,823	8,604
	Other, net	1,163	(102)
	<b>Net cash provided by investing activities</b>	<b>3,687</b>	<b>45</b>
<b>Cash Flows from Financing Activities</b>	Cash dividends paid	(4,828)	(4,669)
	Purchase of treasury stock	(8,702)	(13,972)
	<b>Net cash used in financing activities</b>	<b>(13,531)</b>	<b>(18,641)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(1,346)</b>	<b>(8,771)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>4,257</b>	<b>(20,824)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>		<b>72,639</b>	<b>76,897</b>
<b>Cash and Cash Equivalents at End of Year</b>		<b>76,897</b>	<b>56,073</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			Year ended Dec. 31, 2007	Year ended Dec. 31, 2008
<b>Net sales</b>	Japan	Outside customers	23,986	21,327
		Intersegment	51,656	43,626
		Total	75,643	64,953
	Asia	Outside customers	57,305	50,530
		Intersegment	57,375	49,161
		Total	114,680	99,692
	U.S.A.	Outside customers	9,533	6,875
		Intersegment	53	49
		Total	9,587	6,925
	Europe	Outside customers	16,814	13,868
		Intersegment	-	-
Total		16,814	13,868	
	Eliminations	(109,085)	(92,387)	
	Consolidated	107,640	92,602	
<b>Operating income</b>	Japan		3,924	1,765
	Asia		7,589	2,170
	U.S.A.		315	220
	Europe		(72)	249
	Eliminations		(70)	4,406
	Consolidated		11,685	5,652

			(Millions of yen)	
2. Overseas sales			Year ended Dec. 31, 2007	Year ended Dec. 31, 2008
<b>Overseas sales</b>	U.S.A.		11,697	8,487
	Europe		16,912	13,914
	Asia and other		68,034	59,535
	Total		96,644	81,936
<b>Net sales</b>			107,640	92,602
<b>% of overseas sales to net sales</b>			89.8%	88.5%

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	Year ended December 31, 2007		Year ended December 31, 2008		Increase (Decrease)
		thousand pieces	% (change)	thousand pieces	% (change)	thousand pieces
<b>Small Motors</b>	MABUCHI INDUSTRY CO., LTD.	969,703	52.8	844,028	49.8	(125,675)
	MABUCHI MOTOR DALIAN CO., LTD.	141,432	7.7	128,630	7.6	(12,801)
	MABUCHI MOTOR WAFANGDIAN CO., LTD.	212,487	11.6	207,435	12.3	(5,052)
	MABUCHI MOTOR (JIANGSU) CO., LTD.	157,185	8.5	113,301	6.7	(43,883)
	MABUCHI MOTOR VIETNAM LTD.	332,548	18.1	335,682	19.8	3,134
	MABUCHI MOTOR DANANG LTD.	19,654	1.1	59,789	3.5	40,134
	MABUCHI TAIWAN CO., LTD.	4,522	0.2	4,316	0.3	(205)
	<b>Total</b>	<b>1,837,533</b>	<b>100.0</b>	<b>1,693,184</b>	<b>100.0</b>	<b>(144,348)</b>

(Notes) Figures are based on products volume.

### (2) Sales by application

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

	Application	Year ended December 31, 2007		Year ended December 31, 2008		Increase (Decrease)
		millions of yen	% (change)	millions of yen	% (change)	millions of yen
<b>Small Motors</b>	Automotive Products	42,820	39.9	38,633	41.8	(4,146)
	Audio & Visual Equipment	21,308	19.8	15,908	17.2	(5,400)
	Information & Communication Equipment	18,139	16.9	15,896	17.2	(2,243)
	Home Appliances & Power Tools & Others	25,178	23.4	22,071	23.8	(3,107)
	<b>Total</b>	<b>107,446</b>	<b>100.0</b>	<b>92,510</b>	<b>100.0</b>	<b>(14,936)</b>

(Notes) Consumption taxes were excluded.