

2009
Annual Report
Year ended December 31, 2009



Small Motors:
Vital and Ubiquitous



Driving every

Profile

Small direct-current (DC) motors are deployed in a broad range of applications that impact the way we live. Although often not visible, they facilitate the convenience and comfort that enhance our everyday lives, through uses in automotive products, audio and visual equipment, optical and precision equipment, home appliances, tools, toys, models and recreational equipment. Small DC motors have transformed our lifestyles, providing unimagined flexibility and ease of living by freeing an array of machines from the restrictions of plugs and lengthy cables.

As we move into the 21st century, with the full-fledged manifestations of the problems of an ageing population and low birth rate, we are witnessing the advent of a truly ubiquitous society. This is supported by networks of interconnected machinery and equipment, which will generate new applications and markets heretofore unrealized.



aspect of life

Since its establishment, the Mabuchi Motor Co., Ltd., has conducted corporate activities as a specialist small DC motor manufacturer adhering to its management principle of "Contributing to International Society and Continuously Increasing Our Contribution." This approach has enabled the Company to pursue its vision of a society that features prosperity and well-being through a more stable supply of superior, less-expensive products.

Mabuchi is making concerted efforts to step up this contribution by consolidating its technologies and expertise, accumulated over many years, to create new markets and pursue the unlimited potential of small DC motors.



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We are promoting a new axis of growth and optimizing costs to drive progress in new growth areas.

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With the automotive products market as its core, the Mabuchi Group is developing business in four key markets for small motors.

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Forward-Looking Statements

This annual report contains forward-looking statements about Mabuchi's future plans, beliefs, strategies and performance that are not historical facts. These statements are based on current expectations, forecasts, estimates and projections about the industry in which Mabuchi operates and the beliefs and assumptions made by its management. As such expectations, forecasts, estimates and projections are subject to a number of risks, uncertainties and assumptions, they may cause actual results to differ materially from those projected. Mabuchi therefore cautions readers not to place undue reliance on forward-looking statements. Furthermore, the Company undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

Risks, uncertainties and assumptions mentioned above include, but are not limited to, exchange rates and economic conditions; the outcome of pending and future litigation; commodity prices; and the continued status of financing, financial instruments and financial resources.

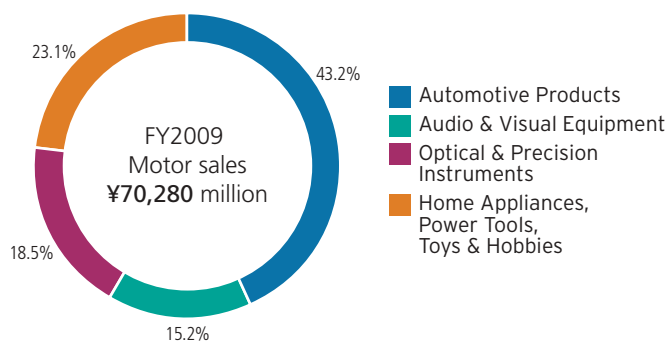
Consolidated Financial Highlights

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
Years ended December 31

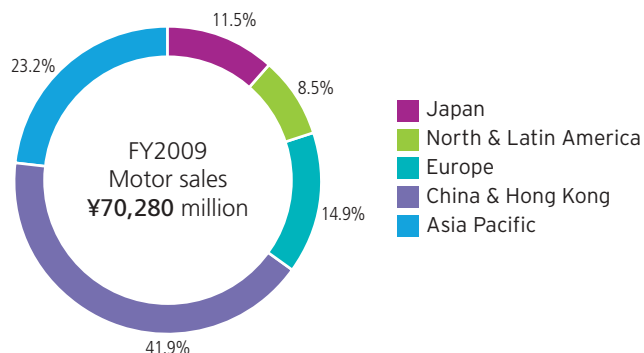
	Millions of yen			Thousands of U.S. dollars	Rate of change
	2007	2008	2009	2009	2009
For the Year:					
Net sales	¥ 107,640	¥ 92,602	¥ 70,369	\$ 764,880	-24.0%
Operating income	11,685	5,652	3,019	32,815	-46.6%
Income before income taxes	16,530	5,330	3,013	32,750	-43.5%
Net income	10,914	3,565	5,450	59,239	+52.9%
Capital expenditures	3,700	3,777	3,659	39,771	-3.1%
Depreciation and amortization	4,913	4,408	4,031	43,815	-8.6%
R&D expenses	4,187	3,892	3,298	35,847	-15.3%
Cash Flows:					
Net cash provided by operating activities	¥ 15,447	¥ 6,542	¥ 10,708	\$ 116,391	+63.7%
Net cash provided by (used in) investing activities	3,687	45	(1,630)	(17,717)	-3722.2%
Net cash used in financing activities	(13,531)	(18,641)	(3,927)	(42,684)	-78.9%
At Year-end:					
Total assets	¥ 230,960	¥ 188,691	¥ 192,362	\$2,090,891	+1.9%
Net assets	213,314	178,291	180,311	1,959,902	+1.1%
Number of employees (Persons)	45,601	41,328	38,251	-	-7.4%
Per Share Data:					
	(Yen and U.S. dollars)				
Net income	¥ 280.90	¥ 94.77	¥ 155.54	\$ 1.69	+64.1%
Net assets	5,577.84	5,088.18	5,146.04	55.93	+1.1%
Dividends payable	123.00	123.00	100.00	1.08	-18.7%
Key Ratios:					
	(%)				
Operating income margin	10.9	6.1	4.3	-	-1.8 pts
ROE	5.0	1.8	3.0	-	+1.2 pts
Shareholders' equity ratio	92.4	94.5	93.7	-	-0.8 pts

Notes 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥92=U.S.\$1, the approximate exchange rate on December 31, 2009.
2. ROE is calculated by dividing net income by the average of total shareholders' equity plus the revaluation/translation adjustment during the period.
3. The shareholders' equity ratio is calculated by dividing the sum of total shareholders' equity and the revaluation/translation adjustment as of the end of the period by total assets as of the end of the period.

Composition of motor sales by application



Composition of motor sales by region



To Our Shareholders



Takaichi Mabuchi,
*Representative Director
and Chairman*

Shinji Kamei,
*Representative Director
and President*

Mabuchi is preparing for its next stage of expansion by steadily promoting such strategies as establishing a new foundation for growth and rationalizing costs in keeping with the business environment.

Overview of Sales during Fiscal 2009

During fiscal 2009, ended December 31, 2009, the global economy was affected by the financial crisis, which had its roots in the previous fiscal period. Although the year began in a serious recessionary phase, progress with economic stimulus policies implemented by various countries, combined with inventory adjustments and other corporate measures gradually led toward an upturn beginning in the second quarter. However, underlying conditions in advanced nations remained fragile, with no signs of alleviation of the supply-demand gap, leaving it to robust emerging nations to spearhead recovery.

Although the Japanese economy began to turn around in the second quarter, bolstered by overseas trends and government economic stimulus policies, the impetus for recovery was weak, hindered by yen appreciation, lackluster exports, a slowdown in capital investment, worsening employment conditions and other factors.

Business conditions for the Mabuchi Group mirrored these trends. We suffered a drastic drop in orders through the first quarter, which forced our operational levels to unprecedented lows. We strove to minimize the negative impact of these conditions on our operating performance by taking emergency measures to improve profitability. The efforts, as well as our reorganizing of production bases, were in line with our medium-term policy of optimizing our global production system.

As a result, consolidated net sales fell 24.0% compared with the previous fiscal year, to ¥70,369 million. Sales of motors, which account for the majority of net sales, decreased 24.0%, to ¥70,280 million. Operating income dropped 46.6%, to ¥3,019 million. This arose because cuts in costs attributable to inexpensive procurement of copper (a major raw material used by the Company), successful measures to improve profitability, a rapid improvement in the gross profit ratio in step with market recovery from the second quarter and a higher-than-expected reduction effect on selling, general and administrative expenses failed to offset the decrease in net sales. Nevertheless, net income for the year climbed 52.9%, to ¥5,450 million, arising from lower tax expenses on the back of reversal of deferred tax liabilities, which had been recorded against undistributed earnings of foreign subsidiaries, posted during the first quarter in accordance with revisions to the tax system.

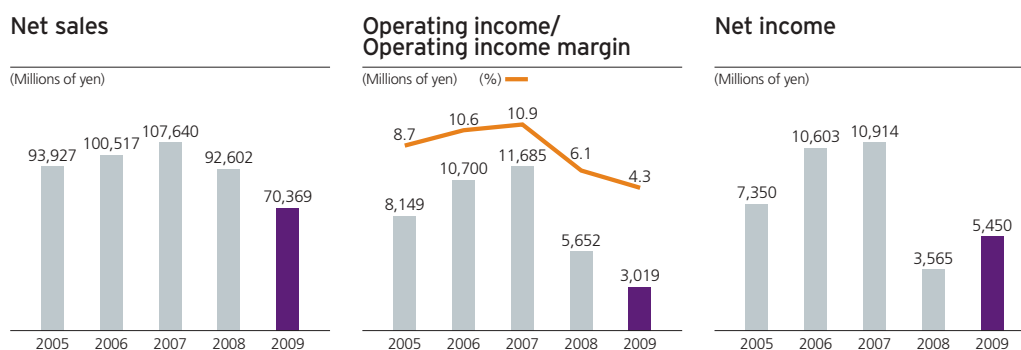
Results beyond Forecasts, Boosted by Improvements to Profitability and Enhanced Productivity

During the first quarter of fiscal 2009, orders fell to unprecedented levels and business decelerated across all markets in which Mabuchi products are used. The accompanying drop in operational levels far surpassed our ability to respond, even though we had considered ourselves flexible enough to weather fluctuating production levels.

In this environment, we inaugurated the Profitability Improvement Committee to formulate emergency measures to improve profitability, spanning various expense items. Leading these efforts were employment adjustments at production bases, with drastic revisions to factory utilization ratio configurations, further reduction of waste and other measures, as well as a 10% cut in headquarters selling, general and administrative expenses. As a result, we reduced SG&A by ¥2.6 billion and cut manufacturing costs across the Group by ¥8.2 billion.

At the same time, we restructured our production bases to achieve global optimization as part of our medium-term policy of pursuing cost efficiency. This reorganization included establishing new production bases and reallocating models and volumes between existing production bases.

Through these initiatives, Mabuchi did its utmost to rationalize costs. We believe that in achieving this objective we demonstrated unflinching responsiveness in an adverse environment.



Promoting a New Axis of Growth and Optimizing Costs to Drive Progress in New Growth Areas

To maximize the results of emergency measures to improve profitability and the various structural improvements implemented during the year, as well as to lay stepping stones to lead the Company into new growth areas, Mabuchi has determined three important management themes for fiscal 2010: optimization of costs, development of priority operations and restructuring of production bases.

Optimization of Costs

We are optimizing the operating costs incurred in our current business environment as part of an ongoing drive to transform to a leaner, more powerful business structure that makes it possible to secure a certain level of earnings even under severe business conditions. Specifically, we are fortifying our budgeting management system and procedures and carrying out rational budget allocation to strategic business areas, while reviewing the operational profitability and effectiveness of all budgets in a bid to thoroughly purge superfluous costs groupwide. Furthermore, we are constructing more efficient systems by revising and fully restructuring overlapping functions and roles at production bases.

Development of Priority Operations

Our policy is to explore all possibilities for our core small DC brush motor business. In line with this principle, we continue to focus on highly marketable and new applications. Specifically, we have identified two key priorities: expanding sales of automotive products, particularly power window lifter and power seat applications; and developing new applications by launching compact, high-torque products in the automotive products market.

We maintain our belief that this market, centered on newly emerging nations, will sustain high levels of growth over the long term. By continuously cultivating this market, we will form the base to expand our operations and return to higher levels of profitability.

Restructuring of Production Bases

The Chinese government is reviewing its system of incentives for foreign direct investment. This reality, coupled with ongoing market-oriented economic reforms in the country, make it evident that we will be unable to sustain our operations in China in their current form. Owing to these circumstances, Mabuchi will persist in its policy of establishing a 6:4 production ratio between China and Vietnam by 2011 to ensure a stable supply system and enhance Group management efficiency.

As part of this approach, we plan to terminate one of the three contract manufacturing agreements in which motor production is outsourced by Mabuchi Industry Co., Ltd., a wholly owned subsidiary, on expiry of the contract in December 2010. To replace the capacity of the closed plants, we will transfer motor manufacturing activities to bases in Vietnam and other locations in China. Through this shift, Mabuchi will ensure the stable supply of products and improve production efficiency.

Basic Policy on Returning Profit to Shareholders and Dividends for the Year

Mabuchi's basic policy is to return profits to shareholders in line with business performance, while securing sufficient retained earnings to conduct robust business activities and maintain a strong financial position.

Our standard for calculating dividends is to pay an annual dividend of ¥60 per share as a long-term, stable payout, supplemented with a special performance-linked dividend equivalent to 20% of consolidated net income (calculated per share). Furthermore, the actual dividend for the full fiscal year is calculated such that it does not fall below the dividend forecast announced during the period, which takes into account the payout ratio, dividend levels up to the previous fiscal term, internal reserves, cash flow and other conditions.

As a result, a year-end dividend of ¥50 per share was paid for fiscal 2009, comprising an ordinary dividend of ¥30 per share and a special dividend of ¥20 per share. A mid-term dividend of ¥50 per share (an ordinary dividend of ¥30 per share and a special dividend of ¥20 per share) was also paid. Accordingly, total dividends for the year were true to our dividend forecasts during the period, at ¥100 per share, composed of an ordinary dividend of ¥60 per share and a special dividend of ¥40 per share.

From 2002 through 2009, Mabuchi acquired approximately 12 million of its own shares through tender offers and by purchasing shares on the open market and acquiring odd-lot shares. During fiscal 2009, the Company cancelled 2.0 million of these shares, bringing the total number of these shares cancelled to 3.2 million.

In the future, Mabuchi will continue to be responsive to changes in its share price and management environment and will review appropriate implementation of its capital employment and shareholder return policies. At the same time, we shall maintain sufficient internal reserves to boost corporate value by fortifying existing business and making the requisite investments for future growth.

Outlook

We expect the economies of China and other emerging nations to continue growing steadily through the next fiscal term. Nevertheless, a major question mark remains as to the ability of developed nations to get on a track to recovery. Despite expectations that economic policies implemented by these countries will bear fruit, it will be some time before the overall world economy overall benefits from a full-blown demand recovery.

Although recovery in demand has yet to reach the markets that affect the Mabuchi Group, inventory adjustments were largely completed across all relevant markets during fiscal 2009. Accordingly, uptrends are evident in the markets for automotive products, audio and visual equipment, optical and precision instruments, home appliances, power tools, toys and hobby equipment. The Mabuchi Group is positioned to respond to all trends toward a demand upswing and is mounting a concerted effort to implement various management strategies. We appreciate your ongoing understanding and encouragement.



Takaichi Mabuchi,
Representative Director and Chairman



Shinji Kamei,
Representative Director and President

Segment Information by Motor Application

During fiscal 2009, harsh conditions prevailed across all Mabuchi's operating segments, which were impacted by the deterioration of global markets and appreciation of the yen. As a result, during the year, sales in the Group's mainstay motor business fell 24.0% from the same term last year to ¥70,280 million. Furthermore, sales volumes were down 372 million, at 1,271 million units.



Automotive Products

Major Applications
Car mirrors, door locks, air conditioning damper actuators, power window lifters, steering locks, etc.

Automotive Products Market

Sales of motors for power window lifters, one of Mabuchi's strategic products, surpassed forecasts, bolstered by favorable sales for small vehicle applications and expanded sales in developing countries. In terms of new applications, sales of motors for power seats and power parking brakes were steady, supported by an upturn in the automotive market from the third quarter arising from policies by various governments to stimulate consumption. However, a slump in car sales volumes compared with the previous year, led by advanced nations, resulted in significant decreases in sales of all major items.

As a result, Mabuchi's sales in the automotive products market declined 21.5%, to ¥30,346 million. During the year, total sales to this market accounted for 43.2% of motor sales, up 1.4 percentage points from the previous fiscal year.



Audio & Visual Equipment

Major Applications
DVD player/recorders, CD players, car component systems, video games, etc.

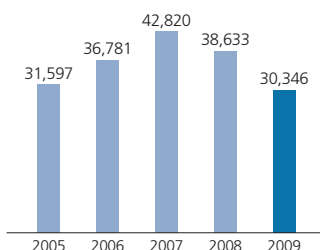
Audio & Visual Equipment Market

The market for in-car CD players, which accounts for the majority of CD player motor sales, mirrored the upturn evidenced in the automotive products market. Furthermore, sales of motors for DVD players surpassed forecasts on the back of rising demand from developing countries. Nevertheless, diminishing vehicle sales volumes and lackluster demand for game console motors, which contribute to sales of Others, drove down sales of all major products from the previous year's figures.

Consequently, sales in this market dropped 32.9%, to ¥10,679 million. Sales in the audio and visual equipment market represented 15.2% of total motor sales, 2.0 percentage points lower than during the previous year.

Net sales

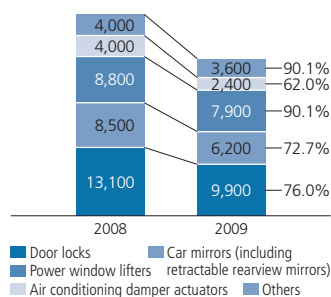
(Millions of yen)



Net sales by principal item

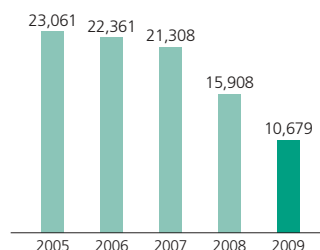
(Millions of yen)

(Compared with previous year)



Net sales

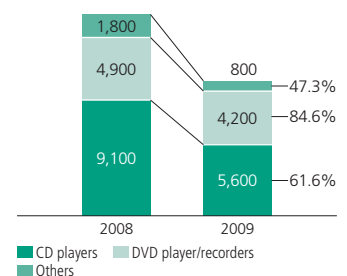
(Millions of yen)




Net sales by principal item

(Millions of yen)

(Compared with previous year)





Optical & Precision Instruments

Major Applications
Inkjet printers, PCs CD/DVD drives, digital cameras, etc.

Optical & Precision Instruments Market

Sales of motors for inkjet printers and PC drives rose during the second half, in step with an increase in personal computer shipments arising from the launch of Windows® 7, leading to an earlier recovery than initially anticipated. Performance by motors for inkjet printers was strengthened by growth in sales of encoder-equipped motors. Mabuchi also acquired additional market share in motors for PC drives. A surge in new customers for digital camera motors proved insufficient to offset a first-half slump, leading to a drop in overall sales compared to the previous year.

These factors led to sales in the Optical & Precision Instruments Market of ¥13,024 million, down 18.1% year on year. Sales in this market were equivalent to 18.5% of total motor sales, 1.3 percentage points more than for the preceding year.

*Mabuchi changed the name of this market segment from the Information & Communication Equipment Market to the Optical & Precision Instruments Market from the second quarter of the year. However, this does not represent any reclassification of the motor applications covered.



Home Appliances, Power Tools, Toys & Hobbies

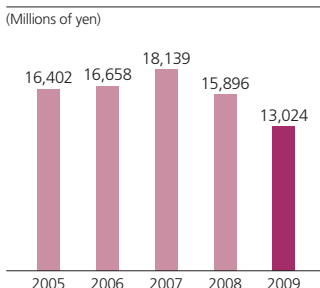
Major Applications
Personal care products, power tools, toys, health and wellness products, etc.

Home Appliances, Power Tools, Toys & Hobbies Markets

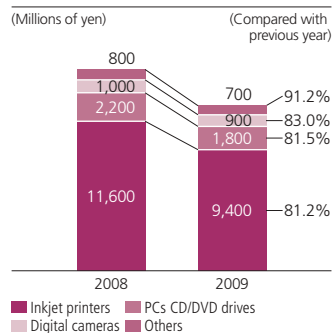
Given that consumers in developed countries represent the final destination for products in this segment, the speed of recovery over the course of the year was mild. Sales fell year on year, despite an underlying recovery for motors for beauty-related equipment, health-related equipment, power tools and other such products. Specifically, motors for beauty-related products were impacted by severe price competition in the market for motors for driers and weak sales of vibro-shavers. Sales of motors for power tools suffered from flagging demand as a result of cutbacks in housing starts arising from the recession.

Sales in these markets decreased 26.5%, to ¥16,230 million during the year. Total sales in these markets accounted for 23.1% of motor sales, 0.7 percentage point down on the previous year.

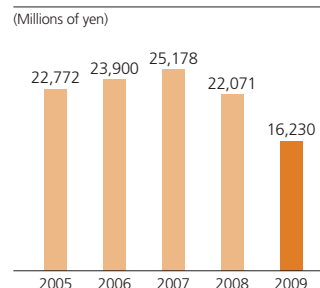
Net sales



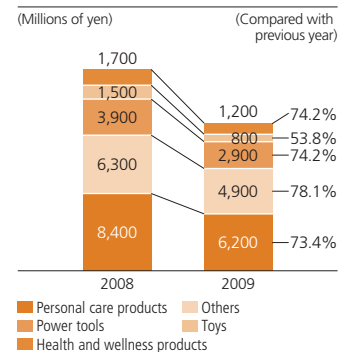
Net sales by principal item



Net sales



Net sales by principal item



Research and Development Activities

Mabuchi maintains its lead in the small motor market by continually meeting demands for motors that offer higher performance, reduced noise and other superior characteristics. These small functional components showcase the technological expertise accumulated through Mabuchi's basic research, product development and planning, production technologies and development of application technologies.

Mabuchi's R&D System

Under the auspices of the Research and Development Headquarters, Mabuchi has established Research and Development Dept. 1, Research and Development Dept. 2, Production Engineering Dept., and Production Engineering Innovation Center, each with its own specialist area of responsibilities, supported by collaborative system.

Spurred by market demands for product diversification and shorter lead times, Mabuchi is striving to improve its basic research and product development capacities, focused on noise reduction, miniaturization, higher performance (higher torque) and lower costs. We apply our core competence in this manner to develop future product applications. Furthermore, in response to calls for shorter lead times, we are stepping up the use of concurrent engineering, while promoting a comprehensive development system that integrates CAD, CAM and CAE from design and equipment through die making and machining. Moreover, we are endeavoring to raise efficiency and lower manufacturing costs through production process innovations, such as reducing inventories, shortening man-hours and saving space.

Strategic R&D Fields

Mabuchi offers a lineup of low- and medium-torque models in the new business area of power window motors and has enjoyed steady increases in demand from Japanese and overseas automakers. We are also reinforcing our position in the automotive products market in the field of small electric motors by developing a new lineup that will allow us to introduce develop-

ment models on an ongoing basis and enhance our ability to respond to customer needs. For other markets, we are conducting R&D to remodel existing products. Through ongoing R&D and the growth of core technologies, Mabuchi plans to continue developing and manufacturing standard motors for various markets.

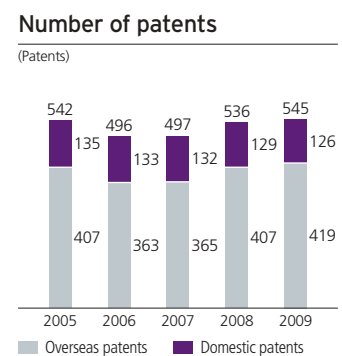
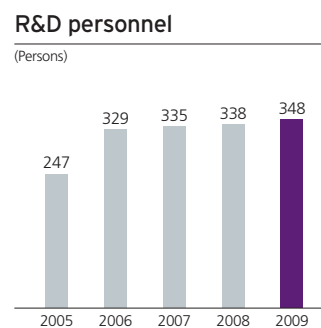
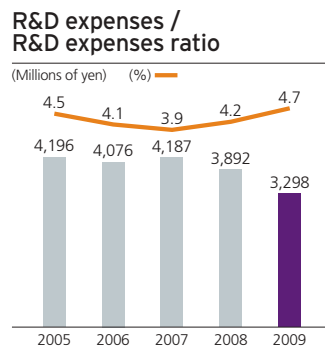
The Fruits of Recent R&D Endeavors

Motors for Tilt/Telescoping Automobile Steering Wheels

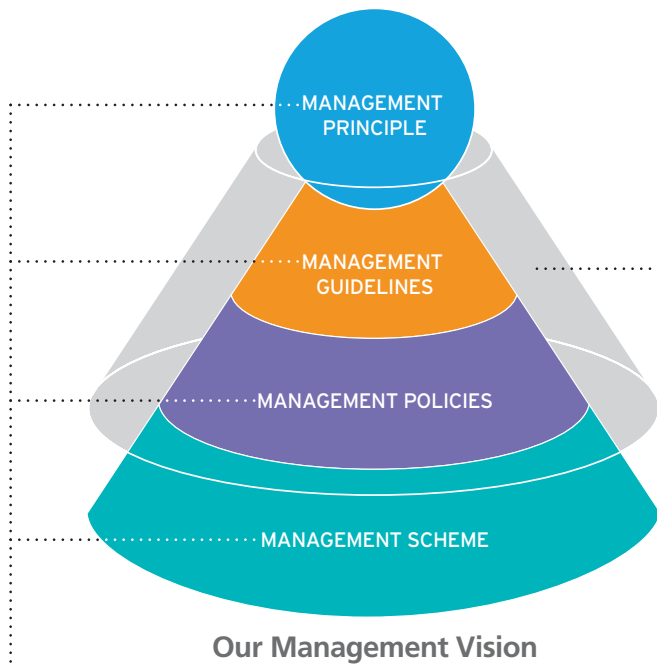
This addition to Mabuchi's small, high-torque lineup realizes a reduction in volume of approximately 38% compared with conventional products. It achieves the high-torque and low-noise characteristics required for tilt/telescoping, while facilitating weight savings that help meet automobile market demands for lower fuel consumption. Mabuchi's tilt/telescoping automobile steering wheel motor is a product that transcends the existing markets; it is positioned as a base model to cater to the market expansion of the future. We plan to extend applications for this product during the next fiscal year.

Lumbar Support Motors

Offering weight savings of 50% over conventional products, lumbar support motors are a new player in Mabuchi's small, high-torque lineup. These products realize the quiet operation required for lumbar support, while opening up possibilities for smaller, lighter actuators. Lumbar support motors can be mounted in headrests and other actuators and are otherwise suitable for general use.



Mabuchi's Management Vision



Our Missions

Mabuchi's missions embrace a set of values that all Mabuchi Group employees are to share to overcome various difficulties and conflicts that occur in carrying out their duties and achieving further growth.

MANAGEMENT PRINCIPLE

Contributing to International Society and Continuously Increasing Our Contribution

Mabuchi believes that a company can continue to exist and grow only if its business activities contribute to society on an ever-expanding basis. It goes without saying that a company cannot expand or even remain in business unless it generates profits. However, profit is not Mabuchi's sole management objective.

Our ultimate objective is to continue raising our level of contribution to society through our business activities and remain a company that society considers essential. This management principle is at the core of all our activities, unchanging through time and irrespective of the people at the management helm.

MANAGEMENT GUIDELINES

Management guidelines, which flow from our management principle, spell out specifically how we "contribute." These guidelines outline the mission of Mabuchi's business activities.

MANAGEMENT POLICIES

Mabuchi's management policies provide guidelines for its corporate activities, which are to be a starting point to create value leading to greater levels of social contribution and to achieve sound growth.

MANAGEMENT SCHEME

Based on Mabuchi's business policy of maximizing the potential of small DC brush motors as our core business, we mobilize our organizational skills and promote business activities in which we can continuously exert a unique "Mabuchi-ism" that cannot easily be emulated. Naturally, we do not aim at diversification without contributing to society, namely, diversification only to expand sales. We generate revenues and profits as a result of our contributions to markets in which we are truly welcome. We plan to continue reflecting this management philosophy, which has served us well in the past, into the future.

Corporate Governance

We strive to fulfill the mission stated in the Mabuchi Group's management principle, "Contributing to international society and continuously increasing our contribution," through the small DC motor business.

Basic Approach to Corporate Governance

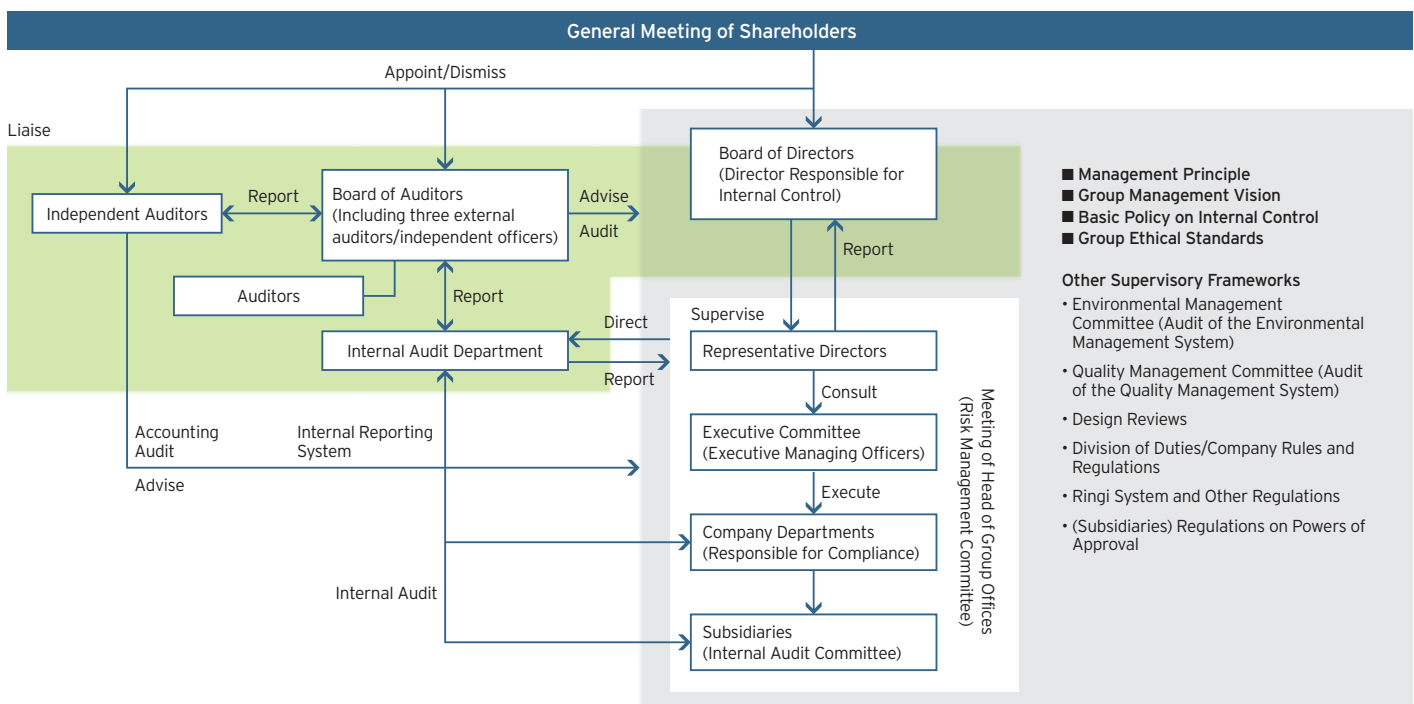
We understand that realizing this principle is our *raison d'être*, and we recognize that corporate governance comprises the organizational/management systems and various managerial measures that support those systems. Accordingly, we believe that the fundamental objective in establishing and implementing an appropriate corporate governance framework is to further the interests of our shareholders and other stakeholders on an ongoing basis through the creation of fair profits and the enhancement of corporate value.

Constructing and maintaining a corporate governance system along the lines given below are indispensable for Mabuchi as a listed company.

1. To clearly separate management decision-making and efficient business execution, and to clarify the scope of accountability,
2. To build and operate a sound internal control system, namely, to effectively work the internal control system and the management supervision system,

3. To appoint a suitable number of independent corporate officers whose interests do not conflict with those of general shareholders to ensure the objectivity and neutrality of management supervision functions,
4. To foster a corporate culture in which all Group employees recognize and share the understanding that the practices of corporate ethics and compliance support the organization's social impartiality and are fundamental to living up to the trust and expectations of all stakeholders, and
5. To disclose corporate information to shareholders and other stakeholders in an appropriate, fair, timely and clear manner and to ensure accountability through the Board of Directors, the Board of Auditors and other bodies.

The Mabuchi Group employs a simple corporate management structure by establishing a corporate group consisting of Mabuchi Motor Co., Ltd., and its wholly owned subsidiaries as well as focusing and specializing its business resources on and in the small DC motor business. The Mabuchi Group employs the Corporate Auditor System as the best-suited organizational



design after considering such matters as directors' duties, management efficiency and the maintenance of a management supervisory system that is appropriate to the above business contents and corporate management structure.

Outline of Corporate Institutions

Board of Directors and Executive Committee

Management decision-making is carried out by the Board of Directors, consisting of seven directors (including six resident in Japan) familiar with the Company's management environment and business, and an Executive Committee, primarily composed of executive managing directors. The Board of Directors quintessentially serves the function of supervising management decision-making and the execution of directors' duties and, as required by laws and ordinances, reporting on important executive management decisions and conditions. Responsibility for executing decisions that have been made by the Board of Directors is transferred to the representative directors and the executive managing directors. The Board of Directors convenes regularly once a month and at other times as required.

Mabuchi has established an Executive Committee, primarily composed of executive managing directors, with the objectives of supporting the functions of the Board of Directors, conducting preliminary consultations relating to important issues for deliberation by the Board of Directors, carrying out executive business decision-making outside the scope of the Board of Directors' legal powers, and reporting on executive business conditions. This arrangement enhances the Board of Directors function, as it allows the Board to prioritize deliberation of reports and proposals, making decisions on these topics and monitoring and supervising the execution of duties. The Executive Committee meets regularly once a month.

In addition, Mabuchi has introduced an Executive Officer System that centralizes strategic decision-making and supervision functions on the Board of Directors and delegates powers and responsibilities to executive officers for the everyday execution of their duties. This system serves to enhance the functions of both the Board of Directors and the executive officers.

Board of Auditors

The corporate auditors (three of whom are independent outside auditors) carry out audits of the execution of duties by the Board of Directors and other bodies in accordance with legal stipulations and the auditing standards, policies, plans and apportioned duties determined by the Board of Auditors. Specifically, auditors

attend meetings of the Board of Directors and the Management Council and other important meetings, oversee major business execution decisions and documentation related to their execution, if necessary requesting directors and employees to provide such documents or to submit reports, in order to audit and supervise execution of duties by the directors. The Board of Auditors convenes every second month and holds regular monthly meetings for the exchange of opinions between auditors and essential deliberations regarding the execution of duties by the Board of Directors.

Internal Audit Department

Mabuchi has established an Internal Audit Department, with three full-time members, under the direct control of the president. This body liaises with the Appropriate Auditing Committee and the Director Responsible for Internal Control and conducts ongoing supervision of the upgrading, running and effectiveness of the internal control framework for Mabuchi and its Group companies. The Internal Audit Department reports its findings to the president, the Board of Directors and the Board of Auditors.

Disclosure of Corporate Management Data

Mabuchi's basic policy is to strive to carry out impartial, timely and clear information disclosure to ensure a fair evaluation of the Company's corporate value and to gain the trust of its shareholders and investors. We innovate and improve our information disclosure to ensure highly effective data delivery that will cultivate broad understanding of the Company's business activities.

Risk Management System

In order to prevent or reduce damage arising from the various risks relating to its corporate activities and to ensure early recovery and minimize damage that materializes from such risks, Mabuchi has established a Risk Management Committee to identify and evaluate risk from a Group-wide perspective and to formulate strategic countermeasures. In addition, we have formed a Group Emergency Response System to prepare for contingencies, with the objective of securing systems for communications and initial response in the event of a crisis.

Board of Directors, Corporate Auditors, and Executive Officers

(As of December 31, 2009)

Directors

Representative Director and Chairman
Takaichi Mabuchi



Representative Director
and Chairman
Takaichi Mabuchi



Representative Director
and President
Shinji Kamei

Representative Director and President
President and CEO
Shinji Kamei

Executive Managing Director
Senior Managing Executive Officer
Nobuyo Habuchi



Executive Managing
Director
Nobuyo Habuchi



Managing Director
Shunroku Nishimura

Managing Director
Managing Executive Officer
Shunroku Nishimura

Director
Executive Officer and General Manager
of Research and Development
Headquarters
Akira Okuma



Director
Akira Okuma



Director
Takashi Kamei

Director
Executive Officer and General
Manager of Operations Control
Headquarters
Takashi Kamei

Director
Executive Officer and General
Manager of Sales Headquarters
Kaoru Kato



Director
Kaoru Kato

Corporate Auditors

Full-time Auditor
Masahiro Gennaka



Full-time Auditor
Masahiro Gennaka

Auditor
Ichiro Ando



Auditor
Ichiro Ando

Auditor
Toyokuni Yazaki



Auditor
Toyokuni Yazaki

Auditor
Keiichi Horii



Auditor
Keiichi Horii

Executive Officers

(excluding those also serving as directors)

Executive Officer and General Manager
of Administration Headquarters
Hiroo Okoshi



Executive Officer
Hiroo Okoshi

Executive Officer and General Manager
of Quality Assurance Dept.
Masato Itokawa



Executive Officer
Masato Itokawa

Corporate Social Responsibility

Mabuchi's wide-ranging CSR activities include a social action program for which the Group is particularly well suited—sharing the importance and wonder of manufacturing.

Basic Approach to CSR Activities

Mabuchi conducts corporate activities in line with its management principle, which expresses the Company's aim of "contributing to international society and continuously increasing our contribution." In other words, Mabuchi's business objective is not the pursuit of profit for its own sake, but rather a high priority on continued existence and development, which are achieved by continued increases in its contribution to society. The ultimate objectives of the Company's corporate activities are to raise the level of its social contributions through the business of small DC motors and to remain an enterprise that society considers essential.

Science Lessons for Fifth and Sixth-year Elementary School Pupils by the Company's Technical Staff

The aim of this program was to encourage children to experience the joys and wonders of science classes, while knowing that what they learned was useful in their everyday lives. Based on this principle, Mabuchi dispatched employees to teach science classes for fifth and sixth year elementary school students at four schools in Matsudo City, Chiba.

The sessions took place as a group activity, with a lead instructor facilitating the overall progress of the lesson, while assistant instructors took charge of five or six pupils each. Lessons primarily comprised dismantling equipment and experiments, using the Company's motors as educational aids. During the classes, pupils also learned how the rotational mechanism, direction and speed of the motors were attributable to electromagnetic properties. In addition, we illustrated just how many motors support our everyday lives through a display of products that contain motors.



Children working in groups to carry out investigations by dismantling motors and experiments under an assistant instructor

Summer Vacation Handicraft Workshops

Mabuchi held Summer Vacation Handicraft Workshops for parents and children to provide kids—the leaders of the next generation—with experience in the magnificence of making things and the mysteries of science and thus to stimulate their interest in manufacturing.

Every Friday during the summer holidays, we invited 24 parent/child duos to build pieces of engineering featuring spinning tops that rotate using electromagnetic induction from motors along with such easily available materials as unwanted CDs, CD cases, aluminum foil and magnets.



Parents working with their children to build their own engineering masterpieces

Robot Contest Sponsorship

To support the education of tomorrow's technologists and encourage developments in science and technology, Mabuchi has sponsored various robot contests every year since 2002, providing funding and motors. Mabuchi agrees with the overarching objective of these contests, which is to share with young people the importance of creativity and the fun of manufacturing through the building of robots.

Providing Educational Opportunities

Since 1996, Dalian Mabuchi has been supporting the establishment of schools and carrying out other activities with the objective of providing children with the opportunity of gaining an education. To date, the company has helped to establish three Mabuchi Hope Primary Schools in cities in the north of Dalian. In 2007, Dalian Mabuchi assisted in the foundation of a Mabuchi Hope Junior High School in Liaoning Province. Subsequently, the company has continued to furnish the school's students with invitations to tour its factories and to provide them with facilities and equipment. In addition, Dalian Mabuchi has established a scholarship system to support children and young people whose economic circumstances prevent them from attending schools and universities. This program helps reduce the economic burden of poor families, enabling their children to focus on their studies so they can grow into adults who will benefit society.

Business and Other Risks

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 operates. Consequently, our group's business results and financial position may be adversely affected by economic recessions and corresponding contractions in demand in Mabuchi's key markets, including Japan, North America, Europe and Asia.

Fluctuations in Foreign Exchange Rates

Items denominated in local currencies on the financial statements of our overseas subsidiaries are converted into Japanese yen to prepare the consolidated financial statements. Consequently, amounts that 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 has a negative effect on our group's consolidated business results, and conversely, any depreciation of the Japanese yen has a positive effect. Appreciation of local currencies in regions where the Mabuchi Group carries out production pushes up manufacturing and procurement costs, which are denominated in those local currencies. Such increased costs lower our group's profit margins and price competitiveness, and negatively affect our business results.

Development of New Products and New Technologies

The new product development and sales processes, by their very natures involve both complexities and uncertainties, and include a broad array of risks. In the event our group cannot fully predict changes in market needs, is unable to develop appealing new products in a timely fashion, or a technological innovation or the like emerges that causes our products to become obsolete could have a significant adverse effect on our group's business results and financial position.

Price Competition

Our customers are businesses in a diverse range of sectors that belong to the electrical/electronic equipment and machinery manufacturing industries, and price competition in these industries is extremely severe. In these environments, prices are a major contributing factor to competition in all sectors, and with the rise of rival Chinese manufacturers, competition is becoming even more intense. The inability of our cost-reduction activities to keep up with falling prices over the long term could have a significant adverse effect on our group's business results and financial position.

Potential Risks in International Economic Transactions and Expanding Business Overseas

The majority of our group's business activities are conducted in various countries in Europe, North America and Asia. These overseas business activities involve certain intrinsic risks, including changes in political and economic environments, inadequate infrastructures, changes in laws, tax affairs and various other systems, and social upheaval. For example, much of our group's production takes place in China and Vietnam. The occurrence of an unexpected event (such as a change in the political or legal environment, a change in economic conditions, or a change in the social environment, including the employment environment) may lead to significant problems for our production and/or sales activities, and these may have a significant adverse effect on our group's business results and financial position.

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, 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.

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, any third party may use our group's intellectual property without permission to manufacture similar products, and we may suffer damage as a result. In addition, our competitive superiority may suffer from outflows of other of our technologies or expertise, which was then exploited by other companies. Furthermore, the Mabuchi Group could face claims of infringing on the intellectual property of another company. The failure of protection by or the violation of intellectual property rights, or the outflow of intellectual property could have significant adverse effects on our group's business results and financial position.

Securing and Developing Human Resources

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.

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 a supplier or for some other reason, or that a shortage of supply may transpire due to a sudden upsurge in demand. If such conditions continue over a long period of time and it is difficult to obtain alternative materials, our group's production activities could be affected dramatically, which in turn would undermine the assurance of delivery and quality of products to our customers. Also possible are sharp increases in the prices of such materials, which would trigger a rise in manufacturing costs. If such an event were to occur, our group's business results and financial position may be subject to significant adverse effects.

Natural Disasters and Accidents

The Mabuchi Group has established a specialized international system. We conduct business activities in various countries throughout the world, and at each of our bases we own facilities and equipment, including factories and offices. Our group has implemented measures to prevent our exposure to risks associated with the occurrence of disasters and accidents at these bases, and we have implemented measures to reduce damage from disasters and accidents, including insurance. However, there is no guarantee that such measures will completely protect us against, or 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 occur, our group's business results and financial position may be subject to significant adverse effects.

Five-year Financial Summary

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
Years ended December 31

	Millions of yen					Thousands of U.S. dollars
	2005	2006	2007	2008	2009	2009
For the Year:						
Net sales	¥ 93,927	¥ 100,517	¥ 107,640	¥ 92,602	¥ 70,369	\$ 764,880
Cost of sales	66,479	71,919	77,207	68,799	51,805	563,097
Selling, general and administrative expenses	19,298	17,898	18,747	18,150	15,544	168,956
Operating income	8,149	10,700	11,685	5,652	3,019	32,815
Income before income taxes	11,597	15,914	16,530	5,330	3,013	32,750
Net income	7,350	10,603	10,914	3,565	5,450	59,239
Capital expenditures	5,543	3,627	3,700	3,777	3,659	39,771
Depreciation and amortization	5,734	5,360	4,913	4,408	4,031	43,815
R&D expenses	4,196	4,076	4,187	3,892	3,298	35,847
Cash Flows:						
Net cash provided by operating activities	¥ 11,034	¥ 17,500	¥ 15,447	¥ 6,542	¥ 10,708	\$ 116,391
Net cash provided by (used in) investing activities	(719)	(6,321)	3,687	45	(1,630)	(17,717)
Net cash used in financing activities	(10,343)	(4,009)	(13,531)	(18,641)	(3,927)	(42,684)
At Year-end:						
Total assets	¥ 227,375	¥ 236,999	¥ 230,960	¥ 188,691	¥ 192,362	\$2,090,891
Net assets	211,875	219,217	213,314	178,291	180,311	1,959,902
Per Share Data:						
	(Yen and U.S. dollars)					
Net income	¥ 180.72	¥ 268.03	¥ 280.90	¥ 94.77	¥ 155.54	\$ 1.69
Net assets	5,354.64	5,541.46	5,577.84	5,088.18	5,146.04	55.93
Dividends payable	92.00	114.00	123.00	123.00	100.00	1.08
Other Data:						
Operating income margin (%)	8.7	10.6	10.9	6.1	4.3	—
ROE (%)	3.6	4.9	5.0	1.8	3.0	—
Shareholders' equity ratio (%)	93.2	92.5	92.4	94.5	93.7	—
Number of shares outstanding (Thousands of shares)	40,469	39,560	38,243	35,040	35,038	—
Number of employees (Persons)	46,412	45,015	45,601	41,328	38,251	—

Notes 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥92=U.S.\$1, the approximate exchange rate on December 31, 2009.

2. ROE is calculated by dividing net income by the average of total shareholders' equity plus the revaluation/translation adjustment during the period.

3. The shareholders' equity ratio is calculated by dividing the sum of total shareholders' equity and the revaluation/translation adjustment as of the end of the period by total assets as of the end of the period.

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28	Notes to Consolidated Financial Statements
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Management's Discussion and Analysis

Market Conditions

During the year under review, the global economy continued to be affected by the financial crisis that began in 2008. The year began in a recessionary phase, but the decline bottomed out and conditions began to recover in the second half, helped by economic stimulus policies implemented by various countries, as well as inventory adjustments. The Japanese economy also began to turn around, influenced by overseas economic trends and government stimulus policies. However, the pace of the recovery was weakened by such factors as yen appreciation, which caused lackluster exports, a slow-down in capital investment and worsening employment conditions.

Operating Results

Net Sales

During fiscal 2009, consolidated net sales fell 24.0% from the previous fiscal year, to ¥70,369 million (US\$764 million). Sales of motors, which account for the majority of net sales, decreased 24.0%, to ¥70,280 (US\$763 million). The main reason for the drop was a sharp falloff in orders through the first quarter of the year, forcing operational levels to unprecedented lows. Signs of recovery appeared in the second half, encouraging us to revise our original forecasts. Nevertheless, over the full year performance was down in all markets for Mabuchi's products.

Costs, Expenses and Operating Income

Throughout the year, Mabuchi worked to improve operating income. Rapid progress in improving the gross profit ratio resulted from efforts to improve the product mix, revise selling prices and procure copper (the main material used in motors) at lower prices. In addition, Mabuchi made better-than-expected progress in cutting selling and administrative expenses. Consequently, profitability improved. However, this improvement was not enough to offset lower sales volumes and yen appreciation. As a result, operating income decreased 46.6% during the year, to ¥3,019 million (US\$32 million).

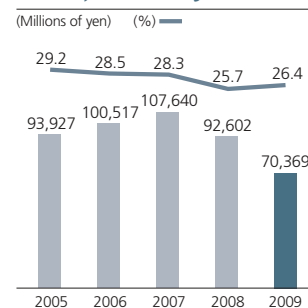
Other Expenses, Income before Income Taxes and Net Income

Other expenses stood at ¥6 million (US\$0.06 million), a ¥315 million (US\$3 million) improvement, but income before income taxes fell 43.5%, to ¥3,013 million (US\$32 million). Principal reasons for the changes were as follows: Exchange losses on foreign currency transactions turned to gains, owing to a lower year-end yen exchange rate, although interest income fell because of lower interest rates. Mabuchi also recorded losses from a subsidiary's closure of production bases during the year. In 2008, Mabuchi posted extraordinary losses stemming from the revaluation of investment securities and compensation paid for products. These losses were absent in 2009.

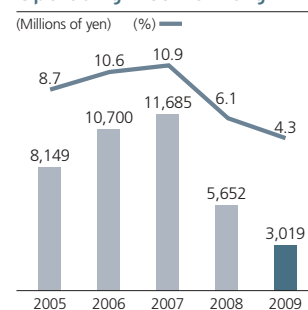
Mabuchi's income taxes were ¥4,202 million (US\$45 million) lower than in 2008, resulting in a negative total of ¥2,436 million (US\$26 million). This situation arose from lower taxes paid because of reduced income and negative deferred income taxes arising from the reversal of deferred tax liabilities, which had been recorded against undistributed earnings of foreign subsidiaries, accompanying revisions to the tax regulations in 2009.

As a result, net income for fiscal 2009 was ¥5,450 million (US\$59 million), up 52.9% from the previous term.

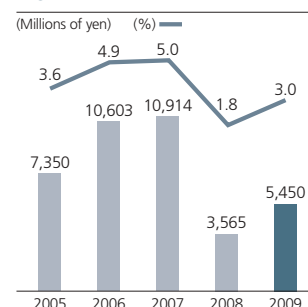
Net sales/ Gross profit margin



Operating income/ Operating income margin



Net income/ ROE



Net Sales by Application

	Millions of yen					Thousands of U.S. dollars	
	2005	2006	2007	2008	2009	2009	
Automotive Products	¥31,597	¥ 36,781	¥ 42,820	¥ 38,633	¥30,346	\$329,847	
Audio & Visual Equipment	23,061	22,361	21,308	15,908	10,679	116,076	
Optical & Precision Instruments	16,402	16,658	18,139	15,896	13,024	141,565	
Home Appliances, Power Tools, Toys & Hobbies	22,772	23,900	25,178	22,071	16,230	176,413	
Other	93	815	194	92	88	956	
Total	¥93,927	¥100,517	¥107,640	¥ 92,602	¥70,369	\$764,880	

Note: Other includes parts and equipment sales.

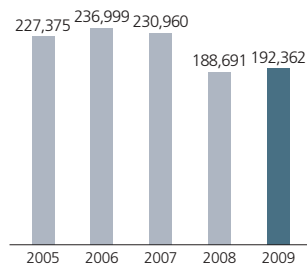
Net Sales by Geographic Area

	Millions of yen					Thousands of U.S. dollars	
	2005	2006	2007	2008	2009	2009	
Japan	¥10,928	¥ 10,902	¥ 10,980	¥10,663	¥ 8,056	\$ 87,565	
North & Latin America	8,728	10,459	11,697	8,487	5,995	65,163	
Europe	13,068	14,430	16,912	13,914	10,476	113,869	
China & Hong Kong	41,665	41,105	41,290	36,686	29,423	319,815	
Asia Pacific	19,443	22,804	26,564	22,758	16,327	177,467	
Other	93	815	194	92	88	956	
Total	¥93,927	¥100,517	¥107,640	¥92,602	¥70,369	\$764,880	

Note: Other includes parts and equipment sales.

Total assets

(Millions of yen)



Financial Position

Assets

As of December 31, 2009, total assets stood at ¥192,362 million (US\$2,090 million), up ¥3,670 million (US\$39 million), or 1.9%, from one year earlier. Major causes of this rise were increases of ¥11,031 million (US\$119 million) in cash and bank deposits, a ¥2,118 million (US\$23 million) rise in trade notes and accounts receivable and a decline of ¥3,528 million (US\$38 million) in finished goods and other inventories. In addition, short-term investments rose ¥2,698 million (US\$29 million), while investment securities dropped ¥7,785 million (US\$84 million).

Liabilities

Total liabilities increased ¥1,650 million (US\$17 million), or 15.9%, to ¥12,050 million (US\$130 million). This was primarily attributable to a rise in trade notes and accounts payable of ¥1,375 million (US\$14 million), allowance for losses on closures of production bases of ¥1,834 million (US\$19 million), and a reduction of ¥1,697 million (US\$18 million) in deferred tax liabilities.

Net Assets

Net assets at year-end were up ¥2,020 million (US\$21 million), or 1.1%, from a year earlier, at ¥180,311 million (US\$1,959 million). This growth was largely due to a decrease in retained earnings, which arose from cash dividends paid and increases in consolidated net income and revaluation/translation differences. As a result, net assets per share were ¥5,146.04 (US\$55.9), ¥57.86 higher than at the end of the previous year, and the shareholders' equity ratio was 93.7%, down 0.8 percentage point.

Cash Flows

Net Cash Provided by Operating Activities

Net cash provided by operating activities was ¥10,708 million (US\$116 million), up ¥4,166 million (US\$45 million) from the previous year. Lower income taxes paid was the main reason.

Net Cash Used in Investing Activities

Net cash used in investing activities was ¥1,630 million (US\$17 million), down ¥1,675 million (US\$18 million). This was mainly because short-term investments were higher than proceeds from short-term investments.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to ¥3,927 million (US\$42 million), down ¥14,714 million (US\$159 million) from the previous year. A cutback in the purchase of treasury stock was largely responsible for the decrease.

As a result of the above factors, cash and cash equivalents grew ¥5,566 million (US\$60 million), from ¥56,073 million (US\$609 million) at the end of fiscal 2008 to ¥61,639 million (US\$669 million) on December 31, 2009.

Capital Expenditures, Depreciation and Amortization

During the year, Mabuchi reduced capital expenditures ¥118 million (US\$1 million), to ¥3,659 million (US\$39 million). Major components were capital expenditures of ¥1,764 million (US\$19 million) to upgrade facilities for production subsidiaries and invest in the mass-production of new products, construction costs of ¥1,041 million (US\$11 million) for Mabuchi Motor Danang Ltd., ¥676 million (US\$7 million) for a dormitory for head office employees, and ¥176 million (US\$1 million) for research and development by Mabuchi and its subsidiaries.

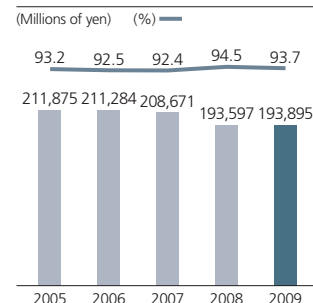
Depreciation and amortization dropped ¥376 million (US\$4 million), to ¥4,031 million (US\$43 million).

Outlook

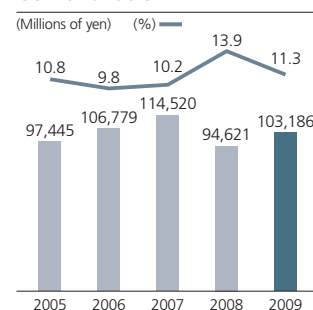
The outlook for fiscal 2010 involves uncertainty about the extent of recovery in developed nations. Despite robust growth in China and other emerging economies and expectations of positive results from various countries' economic stimulus packages, it will be some time before the world economy recovers completely.

Although demand has only just begun to recover, inventory adjustments are largely complete and all Mabuchi's markets are trending upward. Accordingly, next fiscal year Mabuchi expects net sales to rise 15.1%, to ¥81 billion. Despite wage increases at certain production bases and the possibility of higher raw materials costs, Mabuchi expects income to grow as a result of increased sales and higher production volumes, which will bring down per-unit manufacturing costs. Accordingly, operating income is expected to jump 115.3%, to ¥6.5 billion, and net income to rise 4.6%, to ¥5.7 billion.

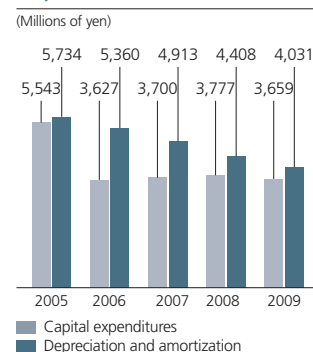
Shareholders' equity/ Shareholders' equity ratio



Working capital/ Current ratio



Capital expenditures/ Depreciation and amortization



Consolidated Balance Sheets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2008 and 2009

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Current Assets:			
Cash and bank deposits	¥ 45,655	¥ 56,687	\$ 616,163
Trade notes and accounts receivable	9,543	11,661	126,750
Less—Allowance for doubtful receivables	(195)	(246)	(2,673)
Short-term investments	26,168	28,867	313,771
Inventories	17,060	—	—
Finished goods and merchandises	—	8,375	91,032
Work in process	—	870	9,456
Raw materials and supplies	—	4,285	46,576
Income taxes receivable	777	655	7,119
Deferred tax assets—current	1,584	846	9,195
Other current assets	1,359	1,166	12,673
Total current assets	101,955	113,169	1,230,097
Property, Plant and Equipment, at cost:			
Land	6,023	6,022	65,456
Buildings	40,124	41,684	453,086
Machinery and equipment	51,885	51,801	563,054
Construction in progress	1,993	1,200	13,043
	100,027	100,709	1,094,663
Less—Accumulated depreciation	(65,156)	(66,914)	(727,326)
Property, plant and equipment, net	34,870	33,795	367,336
Investments and Other assets:			
Investment securities	50,606	42,821	465,445
Long-term loans receivable	97	82	891
Deferred tax assets—non-current	124	1,332	14,478
Other investments and other assets	1,036	1,161	12,619
Total investments and other assets	51,865	45,397	493,445
Total assets	¥188,691	¥192,362	\$2,090,891

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Current Liabilities:			
Trade notes and accounts payable	¥ 2,110	¥ 3,485	\$ 37,880
Accrued income taxes	—	187	2,032
Accrued bonus to employees	246	210	2,282
Accrued bonus to directors	—	37	402
Accrued expenses for loss on the restructuring of production bases	—	1,834	19,934
Other current liabilities	4,976	4,227	45,945
Total current liabilities	7,333	9,982	108,500
Long-term Liabilities:			
Allowance for retirement benefits for employees	222	939	10,206
Deferred tax liabilities	1,706	10	108
Other long-term liabilities	1,137	1,118	12,152
Total long-term liabilities	3,066	2,067	22,467
Total liabilities	10,400	12,050	130,978
Net Assets:			
Shareholders' Equity			
Common stock, no par value :			
Authorized: 100,000,000 shares			
Issued: 45,875,881 shares in 2008 and 43,875,881 shares in 2009	20,704	20,704	225,043
Additional paid-in capital	20,419	20,419	221,945
Retained earnings	230,288	216,230	2,350,326
Treasury stock, at cost: 10,835,574 shares in 2008 and 8,837,029 shares in 2009	(77,816)	(63,459)	(689,771)
Total shareholders' equity	193,597	193,895	2,107,554
Revaluation/Translation adjustments			
Net unrealized holding gains (losses) on securities	(1,122)	(32)	(347)
Foreign currency translation adjustments	(14,183)	(13,551)	(147,293)
Total Revaluation/Translation adjustments	(15,305)	(13,584)	(147,652)
Total net assets	178,291	180,311	1,959,902
Total liabilities and net assets	¥188,691	¥192,362	\$2,090,891

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

Consolidated Statements of Income

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Net Sales	¥92,602	¥70,369	\$764,880
Cost of Sales	68,799	51,805	563,097
Gross profit	23,802	18,564	201,782
Selling, General and Administrative Expenses	18,150	15,544	168,956
Operating income	5,652	3,019	32,815
Other Income (Expenses):			
Interest and dividend income	2,489	1,080	11,739
Exchange (losses) gains, net	(1,567)	596	6,478
Gain on sale of raw material scrap	1,446	548	5,956
Gain on disposal of fixed assets	1,209	85	923
Loss on disposal of fixed assets	(81)	(86)	(934)
Compensation relating to product sales	(1,774)	—	—
Allowance for loss on the restructuring of production bases	—	(1,863)	(20,250)
Loss on revaluation of investment securities	(2,457)	(35)	(380)
Other, net	415	(330)	(3,586)
	(321)	(6)	(65)
Income before Income Taxes	5,330	3,013	32,750
Income Taxes:			
Current	1,971	532	5,782
Income taxes refundable	—	(452)	(4,913)
Deferred	(205)	(2,515)	(27,336)
	1,765	(2,436)	(26,478)
Net Income	¥ 3,565	¥ 5,450	\$ 59,239

	Yen		U.S. Dollars
	2008	2009	2009
Per Share Data:			
Net income	¥ 94.77	¥155.54	\$ 1.69
Dividends applicable to current year earnings	123.00	100.00	1.08

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2008 and 2009

	Number of Shares (thousands)		Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2008	2009	2009
Common Stock:					
Beginning balance	47,075	45,875	¥ 20,704	¥ 20,704	\$ 225,043
Treasury stock cancellation	(1,200)	(2,000)	—	—	—
Ending balance	45,875	43,875	¥ 20,704	¥ 20,704	\$ 225,043
Additional Paid-in Capital:					
Beginning balance			¥ 20,419	¥ 20,419	\$ 221,945
Ending balance			¥ 20,419	¥ 20,419	\$ 221,945
Retained Earnings:					
Beginning balance			¥240,983	¥230,288	\$2,503,130
Decrease due to subsidiaries' accounting policy changes			—	(1,221)	(13,271)
Net income			3,565	5,450	59,239
Dividends payable			(4,667)	(3,924)	(42,652)
Treasury stock cancellation			(9,592)	(14,363)	(156,119)
Ending balance			¥230,288	¥216,230	\$2,350,326
Net Unrealized Holding Gains (Losses) on securities:					
Beginning balance			¥ 1,956	¥ (1,122)	\$ (12,195)
Net change during the year			(3,078)	1,089	11,836
Ending balance			¥ (1,122)	¥ (32)	\$ (347)
Foreign Currency Translation Adjustments:					
Beginning balance			¥ 2,686	¥ (14,183)	\$ (154,163)
Net change during the year			(16,870)	631	6,858
Ending balance			¥ (14,183)	¥ (13,551)	\$ (147,293)
Treasury Stock:					
Beginning balance			¥ (73,436)	¥ (77,816)	\$ (845,826)
Net change during the year			(4,379)	14,357	156,054
Ending balance			¥ (77,816)	¥ (63,459)	\$ (689,771)

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Cash Flows from Operating Activities:			
Income before income taxes	¥ 5,330	¥ 3,013	\$ 32,750
Depreciation and amortization	4,408	4,031	43,815
Impairment loss	171	27	293
Allowance for retirement benefits, net of payments	443	(974)	(10,586)
Decrease in allowance for loss on reorganization of a subsidiary	(346)	—	—
Interest and dividend income	(2,489)	(1,080)	(11,739)
Foreign exchange losses (gains)	1,186	(33)	(358)
(Gain) Loss on sales of short-term investments and investment securities	(421)	162	1,760
Gain on disposal of fixed assets	(1,129)	(18)	(195)
Losses on revaluation of investment securities	2,457	35	380
(Increase) Decrease in trade notes and accounts receivable	3,598	(1,988)	(21,608)
(Increase) Decrease in inventories	(3,946)	3,712	40,347
Increase (Decrease) in trade notes and accounts payable	(1,404)	1,641	17,836
Allowance for loss on the restructuring of production bases	—	1,834	19,934
Other, net	2,086	(1,308)	(14,217)
Sub total	9,945	9,057	98,445
Interest and dividends received	2,397	1,146	12,456
Interest paid	—	(0)	(0)
Income taxes paid	(5,799)	(940)	(10,217)
Income taxes refunded	—	1,445	15,706
Net cash provided by operating activities	6,542	10,708	116,391
Cash Flows from Investing Activities:			
Increase of time deposit	(27,505)	(31,572)	(343,173)
Proceeds from withdrawal of time deposit	23,987	32,293	351,010
Purchases of short-term investments	(13,994)	(22,649)	(246,184)
Proceeds from sales of short-term investments	20,997	23,722	257,847
Purchases of property, plant and equipment	(5,138)	(3,029)	(32,923)
Proceeds from sales of property, plant and equipment	2,032	72	782
Purchases of investment securities	(8,834)	(11,259)	(122,380)
Proceeds from sales of investment securities	8,604	10,883	118,293
Other, net	(102)	(89)	(967)
Net cash provided by (used in) investing activities	45	(1,630)	(17,717)
Cash Flows from Financing Activities:			
Cash dividends paid	(4,669)	(3,921)	(42,619)
Purchases of treasury stock	(13,972)	(6)	(65)
Net cash used in financing activities	(18,641)	(3,927)	(42,684)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(8,771)	414	4,500
Net Increase (Decrease) in Cash and Cash Equivalents	(20,824)	5,566	60,500
Cash and Cash Equivalents at Beginning of Year	76,897	56,073	609,489
Cash and Cash Equivalents at End of Year	¥ 56,073	¥ 61,639	\$ 669,989

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2008 and 2009

1. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying consolidated financial statements of Mabuchi Motor Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

For the purpose of this report, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

The consolidated financial statements are expressed in Japanese yen. However, the consolidated financial statements as of and for the year ended December 31, 2009 have been translated into United States dollars at the rate of ¥92 = U.S.\$1, the approximate exchange rate prevailing on March 31, 2009. Those U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the reader. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant inter-company balances, transactions, and profits have been eliminated in consolidation. Investments in unconsolidated subsidiaries are stated at cost.

(c) Translation of foreign currencies

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date. Exchange gains and/or losses resulting from such translations are included in income.

Foreign subsidiaries' assets and liabilities are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets are translated at historical rates. Revenues and expenses are translated at the average rates of exchange for the year. The resulting foreign currency translation adjustments are shown as a separate component of net assets.

(d) Cash equivalents

For purposes of the statements of cash flows, the Company considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(e) Short-term investments and investment securities

The Company classifies securities as "trading securities", which are held for the purpose of earning capital gains in the short-term, "held -to-maturity", for which management has the positive intent and ability to hold to maturity, and "available-for-sale", which represent securities not classified as either trading or held-to-maturity.

Held-to-maturity securities are reported at amortized cost. Available-for-sale securities are stated at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes presented in a separate component of net assets. However, when the fair value of held-to-maturity securities and available-for-sale securities declines significantly and is considered to be irrecoverable, such unrealized holding losses are recognized as impairment losses.

Available-for-sale securities for which fair value is not readily determinable are stated at moving average cost.

Corporate bonds classified as held-to-maturity securities and debt securities (corporate bonds) classified as available-for-sale securities include compound financial instruments.

The Company considers securities to be irrecoverable where market values decline to more than 50% of acquisition costs. Where market values decline to between 30% and 50% of acquisition costs, the Company judges the necessity for recognizing any impairment losses by assessing the recoverability of market values taking into consideration declining price trends and other individual relevant factors.

Until the year ended December 31, 2008, the Company assessed securities for irrecoverability when market values declined to between approximately 40% and 50%. However, effective for the year ended December 31, 2009, the Company changed this to reflect the changes in the financial environment and now assesses securities for irrecoverability when market values decline to between approximately 30% and 50%. There was no effect of this change on income.

(f) Inventories

Finished goods, work in process and raw materials are stated at average cost, however, where net realizable value is lower than cost, the carrying value of the inventory is reduced. Raw materials, such as copper, gold, silver and palladium, which can be traded in an active market, are stated at the lower of average cost or market.

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method for the Company (except for certain buildings) and for overseas subsidiaries, principally by the straight-line method over their estimated useful lives. Buildings acquired by the Company on and after April 1, 1998 are depreciated by the straight-line method. Maintenance and repairs, including minor and improvements, are charged to income as incurred.

The Company changed the useful lives of machinery and equipment from 4-11 years to 4-7 years from the current fiscal year after having reviewed useful lives in accordance with the 2008 amendment to the Corporate Tax Law. The effect of this change on income was immaterial.

(h) Leased assets

Assets under finance leases, except for those under lease agreements which stipulate the transfer of ownership of the leased assets to the lessee, are depreciated using the straight-line method over the lease period and assuming no residual value.

Finance leases, which existed at January 1, 2009 and which do not transfer ownership of the leased assets to the lessee, continue to be accounted for as operating lease transactions as permitted by the standard.

(i) Income taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using current enacted tax rates.

(j) Retirement benefits

The Company and certain subsidiaries have funded noncontributory pension plans covering substantially all qualifying full-time employees. Under the plan, eligible employees are entitled to a 10-year annuity or a lump-sum payment based on the rate of pay at the time of retirement or termination, length of service and certain other factors. Annual payments to the trustees for the pension plan, which are deductible for tax purposes, are based on the actuarially determined costs of the plan.

Allowance for retirement benefits are provided based on the amount of retirement benefit obligation reduced by the fair value of pension plan assets at the end of each fiscal year.

Actuarial gains and losses are amortized commencing in the year following the year in which the gains or losses arose primarily by the straight-line method within the average remaining years of service of the employees, which is mainly 10 years.

Prior service costs are amortized using straight-line method over mainly 10 years.

Certain subsidiaries have pension plans similar to the Company or unfunded retirement and termination allowance plans for qualifying employees, any amounts required under the rules of the plans have been fully accrued.

(k) Derivative and hedging activities

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the Company defers recognition of gains or losses on revaluation of the forward foreign exchange contract until the related losses or gains on the hedged items are recognized.

(l) Allowance for loss on the closure of production bases

On January 28, 2010, the Board of Directors resolved that the one of the commission based processing contracts entered between Mabuchi Industry Co., Ltd., a wholly owned subsidiary, and a Chinese company be terminated at the expiry date in December 2010. In this connection, the Company accrued certain expenses and losses as at December 31, 2009 which are expected to be incurred from the gradual reduction or discontinuation of operations of the processing plants. Impairment losses in respect of buildings intended to be disposed of, which had a book value of ¥68 million, are included in the related loss in the current period.

(m) Reclassification

Certain reclassifications have been made to the accompanying 2008 financial statements to conform to the 2009 presentation, except for in respect of inventories as below.

(Change in presentation)

Effective for the year ended December 31, 2009, the Company changed the presentation of "Inventories" and separated the account into "Finished goods and merchandise", "Work in process", and "Raw material and supplies", because the "Cabinet Office Ordinance to revise a part of Regulation for Terminology, Forms and Preparation of Financial Statements" was applied. "Finished goods and merchandise", "Work in process", and "Raw material and supplies" included in "Inventories" at December 31, 2008 were ¥10,911 million, ¥681 million and ¥5,467 million, respectively.

(n) Change in accounting policies

(Accounting standard for measurement of inventories)

Effective for the year ended 31 December 2009, the Company and its subsidiaries adopted the new accounting standard for the valuation of inventories. Accordingly, the company changed its method of valuing inventories from the average cost method to the average cost method with reduction to the carrying value of inventory where net realizable value is lower than cost. The effect of this change was to decrease gross profit, operating income and income before income taxes by ¥32 million, respectively, in the current fiscal year.

The effects of this change in specific segments are described in segment information section. (Note 13)

(Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements)

Effective for the year ended December 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" and made necessary adjustments on consolidation. The effect of this change was to decrease the beginning balance of retained earnings by ¥1,221 million.

(Accounting standard for lease transactions)

Until the year ended December 31, 2008, the Company accounted for finance leases, that do not transfer ownership of the leased assets, as operating lease transactions. Effective for the year ended December 31, 2009, the Company adopted "Accounting Standard for Lease Transactions" and "Guidance on Accounting Standard for Lease Transactions" and accounted for finance lease transactions, which commenced on or after January 1, 2009, as finance leases, recognizing lease assets and lease obligations on the balance sheet.

In addition, finance leases, which existed at January 1, 2009 and which do not transfer ownership of the leased assets to the lessee, continue to be accounted for as operating lease transactions as permitted by the standard. There was no effect of this change on income.

2. Cash and Cash Equivalents

Cash and cash equivalents as of the years ended December 31, 2008 and 2009 are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Cash and bank deposits	¥ 45,655	¥ 56,687	\$ 616,163
Time deposits with maturities over three months at the time of purchase	(5,142)	(4,552)	(49,478)
Short-term investments	26,168	28,867	313,771
Securities under the risk value fluctuation	(10,609)	(19,362)	(210,456)
Cash and cash equivalents	¥ 56,073	¥ 61,639	\$ 669,989

3. Investment Securities

The Company and its consolidated subsidiaries do not hold securities for trading purposes.

The cost, fair value and net unrealized gains (losses) for securities classified as available-for-sale and held-to-maturity as of December 31, 2008 and 2009 were as follows:

	Millions of Yen		
	2008		Net unrealized gains (losses)
Cost	Fair value		
Available-for-sale:			
Debt securities	¥17,210	¥16,335	¥ (875)
Equity securities	3,401	3,488	86
Other	7,522	6,427	(1,095)
	¥28,135	¥26,251	¥(1,883)
Held-to-maturity:			
Debt securities	¥33,853	¥29,912	¥(3,941)

	Millions of Yen			Thousands of U.S. Dollars		
	2009			2009		
	Cost	Fair value	Net unrealized gains (losses)	Cost	Fair value	Net unrealized gains (losses)
Available-for-sale:						
Debt securities	¥20,963	¥20,833	¥ (130)	\$227,858	\$226,445	\$ (1,413)
Equity securities	3,390	4,048	657	36,847	44,000	7,141
Other	3,972	3,390	(582)	43,173	36,847	(6,326)
	¥28,327	¥28,272	¥ (55)	\$307,902	\$307,304	\$ (597)
Held-to-maturity:						
Debt securities	¥31,259	¥29,715	¥(1,544)	\$339,771	\$322,989	\$(16,782)

Securities for which fair values were not available as of December 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Securities with no available fair value			
Commercial paper	¥10,991	¥ 5,497	\$ 59,750
Money Management Funds	3,000	2,505	27,228
Certificates of deposit	2,500	2,000	21,739
Money in trust	—	2,000	21,739
Equity securities of a non-consolidated subsidiary	70	70	760
Other equity securities	108	83	902
	¥16,670	¥12,156	\$132,130

The contractual maturities for securities classified as available-for-sale and held-to-maturity at December 31, 2008 and 2009 were as follows:

	Millions of Yen				
	2008				
	Within 1 year	1 - 5 years	5 - 10 years	Over 10 years	Total
Corporate bonds	¥ 8,427	¥ 9,907	¥23,853	¥8,000	¥50,189
Commercial paper	10,991	—	—	—	10,991
Certificates of deposit	2,500	—	—	—	2,500
Other	1,182	2,177	—	—	3,359
	¥23,101	¥12,085	¥23,853	¥8,000	¥67,040

	Millions of Yen					Thousands of U.S. Dollars
	2009					2009
	Within 1 year	1 - 5 years	5 - 10 years	Over 10 years	Total	Total
Corporate bonds	¥16,864	¥9,372	¥17,856	¥8,000	¥52,092	\$566,217
Commercial paper	5,497	—	—	—	5,497	59,750
Certificates of deposit	2,000	—	—	—	2,000	21,739
Money in trust	2,000	—	—	—	2,000	21,739
Other	—	137	—	—	137	1,489
	¥26,361	¥9,509	¥17,856	¥8,000	¥61,727	\$670,945

4. Retirement Plans

The table below sets forth the plan's status and amounts recognized in the balance sheets at December 31, 2008 and 2009.

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Projected benefit obligation	¥(7,075)	¥(8,631)	\$(93,815)
Plan assets at fair value	6,985	7,990	86,847
Unfunded retirement benefit obligation	(90)	(640)	(6,956)
Unrecognized prior service cost	182	162	1,760
Unrecognized actuarial gains	(313)	(301)	(3,271)
Net retirement benefit obligation	(222)	(780)	(8,478)
Prepaid pension cost	—	158	1,717
Accrued retirement benefits	¥(222)	¥(939)	\$(10,206)

Effective as of April 1, 2008, the Company amended its retirement benefit plan to introduce a "point" based retirement benefit plan. Under the amended plan, the estimated amount of all retirement benefits to be paid upon retirement is allocated to each service year based on the points earned.

Effective for the year ended 31 December 2009, the Company adopted the new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" to align the accounting policies of overseas subsidiaries with those of the Company. The effect of this change was to increase the projected benefit obligation in Mabuchi Taiwan Co., Ltd. and Mabuchi Motor Taiwan Co., Ltd.

The components of net periodic pension cost for the years ended December 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Service cost	¥516	¥474	\$5,152
Interest cost	120	169	1,836
Amortization of prior service cost	20	20	217
Expected return on plan assets	(64)	(82)	(891)
Amortization of unrecognized actuarial gain or loss	(23)	(24)	(260)
Net periodic pension cost	¥568	¥556	\$6,043

Other than the above pension cost, temporary severance benefit costs of ¥23 million in 2008 and ¥339 million in 2009 were incurred, respectively.

The assumptions used in accounting for the above plans were as follows:

	2008	2009
Discount rate	2.0%	mainly 2.0%
Expected rate of return on plan assets	1.0%	mainly 1.0%

5. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income with a normal tax rate aggregating approximately 40.4% for the years ended December 31, 2008 and 2009. Foreign subsidiaries are subject to income taxes in the countries in which they operate.

The following table summarizes the significant differences between the Japanese statutory income tax rate and the effective income tax rate on pre-tax income for the years ended December 31, 2008 and 2009.

As a result of a revision of the Corporate Tax law in Japan in 2009, dividends received from overseas subsidiaries are no longer subject to Japanese income tax. Accordingly, part of the deferred tax liability that had previously been recorded in respect of the undistributed earnings in foreign subsidiaries has been reversed.

	2008	2009
	%	%
Statutory income tax rate	40.4	40.4
Different tax rates applied to foreign subsidiaries	(19.1)	8.5
Effect on elimination of dividend income from foreign subsidiaries for consolidation purposes	57.0	—
Foreign and R&D tax credit utilization	(36.9)	(11.6)
Undistributed earnings in foreign subsidiaries	(0.9)	—
Reversal of tax effects on undistributed earnings in foreign subsidiaries	—	(121.3)
Tax credits on dividend income	(4.5)	(1.3)
Other, net	(2.9)	4.4
Effective income tax rate	33.1	(80.9)

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities at December 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Deferred tax assets:			
Unrealized profits on inventories and fixed assets	¥ 860	¥ 432	\$ 4,695
Evaluation losses on investment securities and other assets	1,684	1,441	15,663
Depreciation	156	84	913
Allowance for retirements benefits	16	144	1,565
Unrealized loss on securities available for sale	761	22	239
Other	1,122	960	10,434
Total	¥4,601	¥3,086	\$33,543
Deferred tax liabilities:			
Tax on undistributed earnings in foreign subsidiaries	¥4,443	¥ 789	\$ 8,576
Other	157	129	1,402
Total	¥4,600	¥ 918	\$ 9,978
As reported in the consolidated balance sheet:			
Deferred tax assets	¥1,709	¥2,178	\$23,673
Deferred tax liabilities	1,708	11	119

6. Compensation Relating to Product Sales

Compensation relating to product was attributed to unexpected factors and was extraordinary compensation relating to product claims from certain customers and includes an estimate based on the number of claims received.

7. Shareholders' Equity

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, where a distribution of earnings is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

As of December 31, 2009, the total amount of additional paid-in capital and legal earnings reserve exceeded 25% of the common stock, therefore, no additional transfer is required.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, by the resolution of shareholders' meeting, additional paid-in capital and legal earnings reserve may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with the Law.

Year end dividends are approved by the shareholders after the end of each fiscal year, and semiannual interim cash dividends are declared by the Board of Directors after the end of each interim six-month period.

On September 19, 2009, semi-annual interim dividends (¥50 or \$0.54 per share) of ¥1,751 million (\$19,032 thousand) were paid to shareholders of record at June 30, 2009. On March 30, 2010, the shareholders approved the declaration of dividends (¥50 or \$0.54 per share) totaling ¥1,751 million (\$19,032 thousand).

8. Per Share Data

Net income per share was computed based on the net income reported in the consolidated statements of income and the weighted average number of shares of common stock outstanding during each year. In accordance with the accounting standard for earnings per share, basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

9. Derivative Financial Instruments

The Company enters into forward exchange contracts and forward precious metal contracts as a normal part of risk management efforts and also utilizes compound financial instruments for the purpose of efficient management of surplus funds. The Company utilizes only principal guaranteed instruments, and does not utilize derivatives for speculative trading purposes. As a result, the Company is exposed to risk of currency rate fluctuation and interest volatility in compound instruments embedded derivatives. The Company is also exposed to credit related losses in the event of the nonperformance of the counterparties to foreign exchange contracts, precious metal contracts and compound instruments embedded derivatives. Management believes such credit risks are minor because of the high credit worthiness of the counterparties and as such financial instruments are not held for trading purposes. The following is a summary of derivative financial instruments which are currently held by the Company.

The Company uses foreign exchange forward contracts to hedge the risk of changes in foreign exchange rates substantially associated with accounts receivable and payable denominated in foreign currencies. Gains and losses deferred, arising from contracts related to future trade transactions, are insignificant, at December 31, 2008 and 2009. There were no outstanding currency option contracts at December 31, 2008 and 2009.

Forward precious metal contracts are used by the Company to hedge the risk of changes in market prices resulting from purchase of precious metals as raw materials for motor products. The contracted amounts outstanding at December 31, 2008 and 2009 were ¥231 million and 1,045 million (\$11,358 thousand), respectively.

The estimated fair value at December 31, 2008 and 2009 were ¥163 million (\$1,791 thousand) and 1,827 million (\$19,858 thousand), respectively.

10. Contingent Liabilities

As of December 31, 2009, the Company was contingently liable principally for forward precious metal contracts in the amount of ¥1,045 million (\$11,358 thousand).

11. Research and Development Expenses

Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥3,892 million and ¥3,298 million (\$35,847 thousand) for the years ended December 31, 2008 and 2009, respectively.

12. Impairment of Fixed Assets

The Company adopted the Accounting Standard for Impairment of Fixed Assets and the Guidance on Accounting for Impairment of Fixed Assets from 2006. Impairment losses relating to fixed assets ¥171 million in 2008 and ¥27 million (\$293 thousand) in 2009 were incurred, respectively. Accumulated losses on impairments are directly deducted from the related assets.

13. Segment Information

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

Segment Information by Geographic Area

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Net sales:			
Japan			
External customers	¥21,327	¥12,125	\$131,793
Intersegment	43,626	31,970	347,500
Total	64,953	44,096	479,304
Asia			
External customers	50,530	42,129	457,923
Intersegment	49,161	33,242	361,326
Total	99,692	75,372	819,260

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
U.S.A.			
External customers	6,875	5,681	61,750
Intersegment	49	12	130
Total	6,925	5,694	61,891
Europe			
External customers	13,868	10,432	113,391
Intersegment	—	—	—
Total	13,868	10,432	113,391
Corporate and elimination	(92,837)	(65,225)	(708,967)
Consolidated	¥ 92,602	¥ 70,369	\$ 764,880
Operating Income:			
Japan	¥ 1,765	¥ (994)	\$ (10,804)
Asia	2,170	2,960	32,173
U.S.A.	220	145	1,576
Europe	249	378	4,108
Corporate and elimination	1,246	530	5,760
Consolidated	¥ 5,652	¥ 3,019	\$ 32,815
Assets:			
Japan	¥ 66,010	¥ 66,650	\$ 724,456
Asia	78,515	93,567	1,017,032
U.S.A.	3,490	4,174	45,369
Europe	4,762	5,345	58,097
Corporate and elimination	35,912	22,623	245,902
Consolidated	¥188,691	¥192,362	\$2,090,891

The amount of corporate assets included in "Corporate and elimination" is ¥89,294 million in 2008 and ¥87,612 million (\$952,304 thousand) in 2009, which comprises principally cash, short-term investments and investment securities.

As explained in Note 1 (n). In effective for the year ended December 31, 2009, the Company adopted "Accounting Standard for Measurement of Inventories". The effect of this change was to increase operating loss by ¥14 million in Japan and to decrease operating profit by ¥18 million in Asia.

Overseas Sales

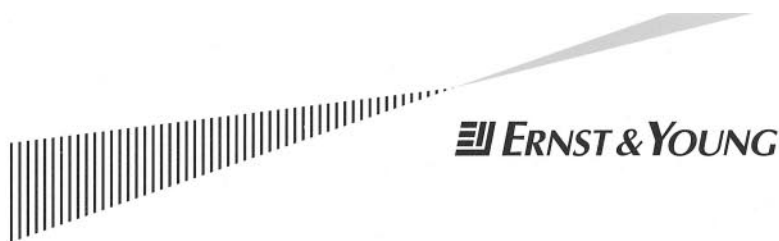
	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Overseas Sales			
U.S.A.	¥ 8,487	¥ 6,004	\$ 65,260
Europe	13,914	10,476	113,869
Asia and Other	59,535	45,812	497,956
Total	¥81,936	¥62,293	\$677,097
Net Sales	92,602	70,369	764,880
% of Overseas Sales to Net Sales	88.5%	88.5%	88.5%

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

14. Subsequent Event

On February 23, 2010, the Board of Directors resolved to cancel certain treasury shares to further improve capital efficiency and shareholders' return on investment. Accordingly, on March 12, 2010, 2 million ordinary shares were cancelled. The number of issued ordinary shares outstanding after the cancellation was 41,875,881.

Independent Auditor's Report



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
Mabuchi Motor Co., Ltd.

We have audited the accompanying consolidated balance sheets of Mabuchi Motor Co., Ltd. and consolidated subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mabuchi Motor Co., Ltd. and consolidated subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

(1) As referred to in Note 3, Mabuchi Motor Co., Ltd. and consolidated subsidiaries adopted new accounting standard "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements".

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon LLC

March 30, 2010

A member firm of Ernst & Young Global Limited

Investor Information

(As of December 31, 2009)

Stock Data

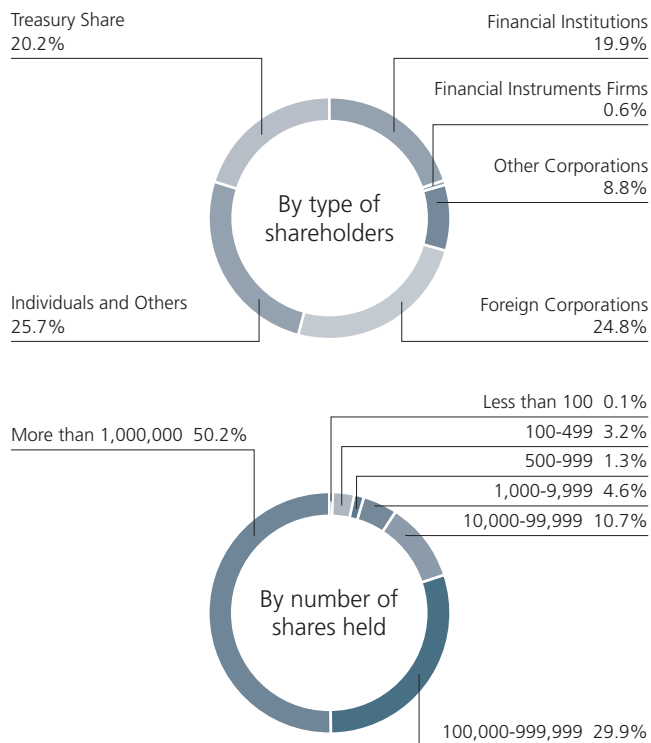
Number of Shares Authorized 100,000,000 shares
 Number of Shares Issued 43,875,881 shares
 Number of Shareholders 11,881 shareholders

Major Shareholders

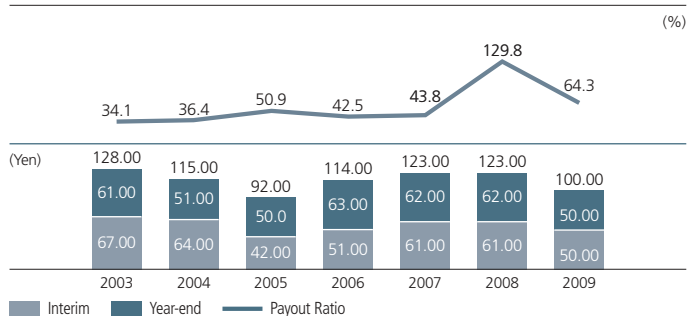
Major Shareholders	Number of Shares Held (Thousands)	Ratio of Shareholders (%)
Takaichi Mabuchi	2,500	7.1
Takashi Mabuchi	2,000	5.7
Tamotsu Mabuchi	2,000	5.7
Northern Trust Company (AVFC) Sub-account American Client	1,767	5.0
Mabuchi International Scholarship Foundation	1,500	4.3
Japan Trustee Services Bank, Ltd. (Trust Account)	1,306	3.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,096	3.1
Premiere Corporation	1,034	3.0
State Street Bank and Trust Company	997	2.8
The Nomura Trust and Banking Co., Ltd. (Trust Account)	956	2.7

Note: In addition to the above, Mabuchi Motor Co., Ltd. retains 8,837 thousand shares as treasury shares.

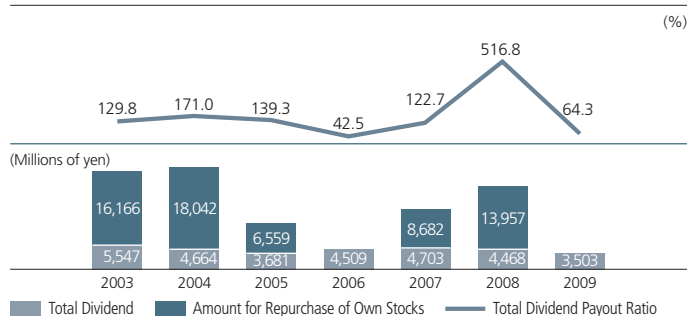
Composition of Shareholders



Cash Dividends per Share / Payout Ratio



Total Dividend / Amount for Repurchase of Own Stocks / Total Dividend Payout Ratio



Changes in Standards for Calculating Dividends

Year	Ordinary Dividend per Share	Standard Value for Calculating Special Dividend
2007 ^(*)	60 yen	20% of consolidated net income
2005	60 yen	20% of consolidated net income
2003	50 yen	20% of consolidated net income
1999	50 yen	5% of consolidated net income

(* Additional policy) Actual full-year dividend amount shall be based on the above calculation standards and shall not be less than the expected dividend amount announced during the full-year period unless a significant profit warning is issued.

Trend of Stock Price and Related Indicators

	2005	2006	2007	2008	2009
High (Yen)	7,490	7,710	7,990	6,740	5,010
Low (Yen)	5,510	5,710	6,610	2,845	3,230
At Year-end (Yen)	6,550	7,080	6,740	3,690	4,580
PER	36.2	26.4	24.0	38.9	31.2
PBR	1.2	1.3	1.2	0.7	0.9

Corporate Data

(As of December 31, 2009)

Company Name

MABUCHI MOTOR CO., LTD.

Corporate Headquarters

430 Matsuhidai, Matsudo-City
Chiba 270-2280, Japan
Tel: 81-47-710-1111
Fax: 81-47-710-1141

Established

January 18, 1954

Paid-in Capital

¥20,704,818,800

Number of Employees

751 (Non-consolidated)
38,251 (Consolidated)

Ordinary General Meeting of Shareholders

The Ordinary General Meeting of Shareholders will be held at the end of March in Matsudo.

Independent Accountants

Ernst & Young Shin Nihon LLC
Tokyo, Japan

Shareholders' Register Custodian

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
10-11, Higashi-suna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Tel: 81-120-232-711

Stock Listing

Japanese Stock Exchange Listing
Tokyo Stock Exchange

Corporate Directory

Consolidated Subsidiaries

MABUCHI INDUSTRY CO., LTD.
19 Sam Chuk Street, San Po Kong,
Kowloon, Hong Kong
Tel: 852-2328-5575
Fax: 852-2352-5266

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Fax: 86-769-2220-2117

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116600, China
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Fax: 86-411-8761-2900

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Fax: 86-411-8537-0291

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Development Zone, Jiangsu Province
215200, China
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MABUCHI MOTOR (YINGTAN) CO., LTD.

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Fax: 86-701-6689166

MABUCHI PRECISION (DONGGUAN) CO., LTD.

Ludong Industrial Area, Humen Town,
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Fax: 86-769-85564791

MABUCHI MOTOR VIETNAM LTD.

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MABUCHI MOTOR DANANG LTD.

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Zone, Lien Chieu District, Danang City,
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Fax: 84-511-3731932

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Fax: 1-248-816-3242

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Fax: 65-6339-9091

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Fax: 49-69-66902229

MABUCHI MOTOR (SHANGHAI) CO., LTD.

Room 1901, Kirin Plaza Building, No. 666
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200336, China
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Fax: 86-21-6208-8466

MABUCHI MOTOR KOREA CO., LTD.

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Korea
Tel: 82-2-534-8131
Fax: 82-2-534-8135

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Room 1704-05 Great China International
Exchange Square, Jintian Road, Futian
District, Shenzhen City, Guangdong
Province 518034, China
Tel: 86-755-2399-8568
Fax: 86-755-2399-8566

MABUCHI MOTOR (MALAYSIA) SDN. BHD.

This company closed during 2005.

Non-consolidated Subsidiary

MABUCHI REAL ESTATE CO., LTD.



CORPORATE HEADQUARTERS

430 Matsuhidai, Matsudo-City, Chiba 270-2280, Japan

<http://www.mabuchi-motor.co.jp>



- Printed with soy ink, which is free from air-polluting VOCs, and by waterless printing, which eliminates the emission of harmful liquid waste.
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