

ANNUAL
REPORT
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MABUCHI MOTOR

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FINANCIAL HIGHLIGHTS

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

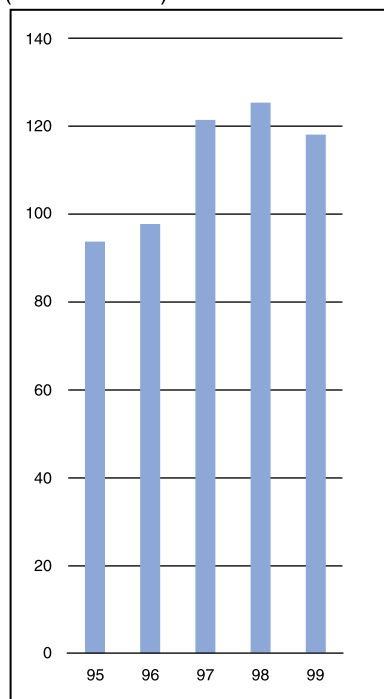
Years ended December 31

	Yen (millions)			U.S. Dollars (thousands)
	1997	1998	1999	1999
Net sales	¥ 121,835	¥ 124,652	¥ 117,545	\$ 1,152,402
Operating income	24,062	28,300	28,481	279,225
Income before income taxes	30,672	28,487	28,498	279,392
Net income	16,664	17,016	18,793	184,245
Shareholders' equity	172,422	187,841	204,403	2,003,951
Total assets	213,045	207,682	218,083	2,138,069
Per share of common stock:				
	Yen			U.S. Dollars
Net income	¥ 354.69	¥ 362.00	¥ 399.20	\$ 3.91
Cash dividends	40.00	45.00	70.00	0.69

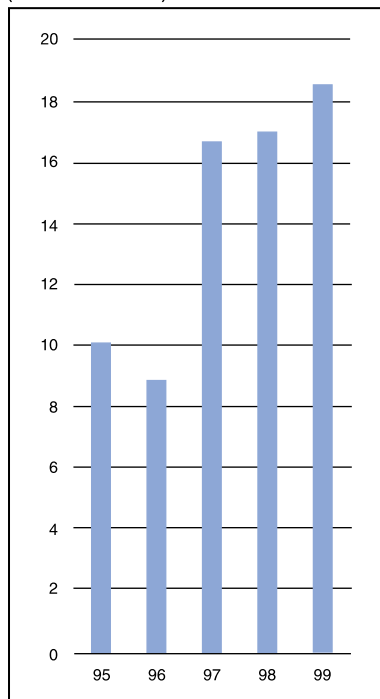
Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥102=U.S.\$1, the approximate exchange rate on December 31, 1999.

2. Net income per share figures are based on the weighted average number of shares of common stock outstanding during each fiscal year.

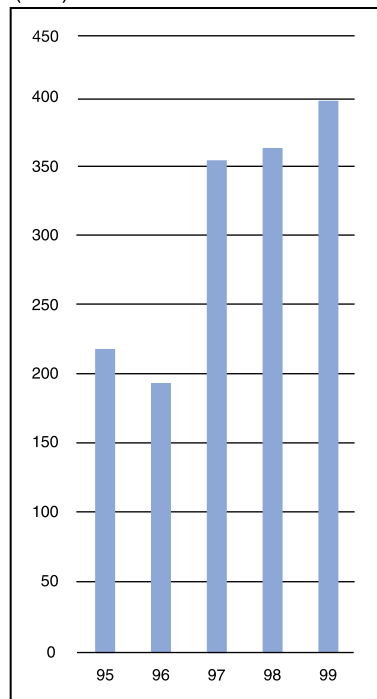
Net Sales
(Yen in billions)



Net Income
(Yen in billions)



Net Income per Share
(Yen)



A Message from the President

Overview of Performance

Despite the Japanese government's efforts to stimulate the economy in 1999 by implementing an economy revival plan and strategies for the recovery of the financial sector, investments in manufacturing machinery remained soft and unemployment rates increased due to restructuring activities implemented by small, medium and major companies in various industries. Accordingly, consumer spending remained weak delaying the economic recovery.

On the other hand, the demand for our products in the North American market was consistently strong and healthy in 1999 due to the 8-year long economic expansion, supported by rapid growth of the I.T. industry, improved productivity of U.S. corporations and the continued increase in stock values. Also, the E.U. market was strong due to steady growth in the economy and strong consumer spending.

The demand for our products in Asia-Pacific was also healthy due to the unexpected speedy recovery of most economies in the region as well as the dramatic recovery of the export business.

The results for the 1999 fiscal year, compared with 1998, were as follows:

• Consolidated net sales	: ¥ 117.5 billion	(Down 5.7%)
• Operating income	: ¥ 28.5 billion	(Up 0.6%)
• Net income	: ¥ 18.8 billion	(Up 10.4%)
• Earning per share	: ¥ 399.20	(Up 10.3%)
• Dividends per share	: ¥ 70.00	(Up 55.6%)

Net Sales by product application were:

• Audio-Visual Equipment	: ¥ 54.4 billion	(Down 7.0%)
• Automotive Products	: ¥ 27.6 billion	(Down 0.8%)
• Home Appliances and Power Tools	: ¥ 17.6 billion	(Down 2.6%)
• Precision Instruments and Office Equipment	: ¥ 10.9 billion	(Down 5.4%)
• Toys and Hobbies	: ¥ 6.9 billion	(Down 18.7%)

On a regional basis, compared with 1998, we experienced the following sales results by region: down 7.3% in the Japanese market, down 8.2% in North and Latin America, down 9.2% in Europe, down 4.2% in China and Hong Kong, and down 2.9% in Asia-Pacific.

Despite the fact that the quantity of actual sales of our DC motor had increased by 15% due to strong worldwide demand, the turnover of consolidated sales decreased by 5.7% because of the fact that turnover was calculated based on an appreciated Japanese yen against the U.S. dollar. Also the average selling unit price of our DC motor was decreased due to strong competition in the various markets.

Looking Ahead

Although we need to carefully monitor the possible impact from overheated consumer spending in the North American market, the worldwide economic outlook seems to be favorable for the balance of the year 2000. We are finally starting to see slow, but gradual recovery of the economy in the Japanese market backed by growing consumer spending and more investment in manufacturing machinery for various industries such as the I.T. industry, housing and consumer products.

Further, economic growth can also be expected in the Asia-Pacific region, including China. The economy in North America is still robust and healthy with continued strong momentum in consumer spending. The soft landing for the U.S. economy seems to be dependent upon how and when the U.S. government's interest rate policy will be implemented in the future to control inflation.

In the E.U. market, steady growth in the economy can also be expected supported by the reduction of the corporate tax rate in Germany, robust stock markets and higher levels of consumer spending.

In such an economic environment, we expect to increase production quantities by 4% with estimated turnover of ¥111 billion for 2000 fiscal year.

In order for us to make the year 2000 a strong and more profitable year, we will strive to implement the following strategies:

1. Cost reduction project:

Implementation of cost-effective design of products, global purchasing of materials and components, renovated and rationalized manufacturing processes and utilization of Supply Chain Management technique.

2. High manufacturing operation rate:

Full utilization of our vast production facilities, capacity and other resources.

3. New motor development:

More investment in new R&D projects and timely release of newly developed products for audio-visual, multi-media equipment and the automotive markets.

4. Enhance customer satisfaction:

By competitive price, short production lead time, high quality, quick response and quick action to customer's request and group quality control operations in compliance with ISO9000, QS9000 and ISO14000 certificates.

5. Reduction of operation cost:

To reduce fixed operating costs and inventory levels of finished products, materials and on-line components.

I am confident that our management policy, as described above, will lead to an improvement in productivity, stronger cost competitiveness, increase in turnover and profit for shareholders and contribution to the society.

On behalf of the Board and Mabuchi Group, I would like to thank all of our shareholders, customers, supporting partners and employees worldwide for the continued support.

April 2000

T. Mabuchi

Takaichi Mabuchi
President



FINANCIAL REVIEW

Net Sales

In fiscal 1999, consolidated sales amounted to ¥117,545 million (\$1,152 million), down by 5.7% from the previous year due primarily to the effect of the appreciated yen against the U.S. dollar in the second half of the year and also declining selling prices from on-going worldwide competition.

Following is the trend of our markets by application in 1999:

■ Audio-Visual Equipment

Shipments increased to meet increasing demands for DVD/CD/MD player motors, boosted by a technology trend toward digitization of analogue systems, as well as for PC CD-ROM player motors. However, sales decreased 7.0% to ¥54,429 million (\$534 million) due to the stronger yen and user's motor shift to economy models.

■ Automotive Products

Motor sales for all main items such as rear view mirrors, door lock, air-conditioning damper actuators, etc. were brisk, but sales decreased 0.8% to ¥27,599 million (\$271 million) due to the same factors as described in the Audio & Visual Market.

■ Home Appliances, Power Tools, Precision Instruments and Office Equipment

Motor sales for printer and for health care products soared. Also, motor demand for main items such as hair dryers, shavers and power tools increased. However, sales decreased 3.7% to ¥28,514 million (\$280 million) due to the same factors as above.

■ Toys and Hobbies

Electronic stuffed toy motors were brisk, but sales were generally slow compared with other motor markets and fell 18.7% to ¥6,928 million (\$68 million).

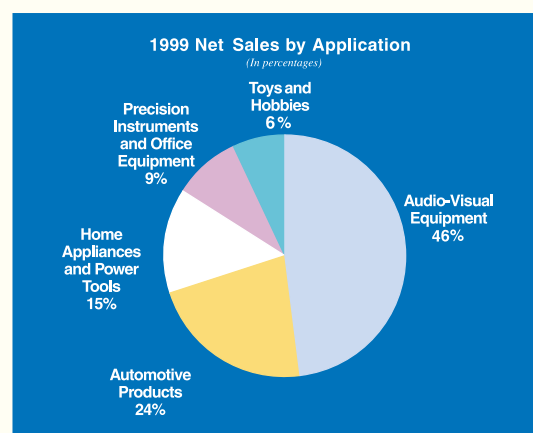
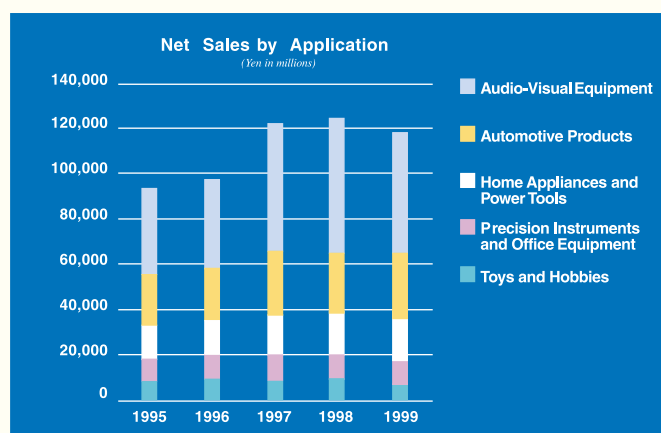
Reviewing net sales by geographic area in 1999, net sales in Japan decreased 7.3% to ¥19,124 million (\$187 million). The Japanese economy was slightly recovering but slow during the year due to sluggishness in personal consumption and corporate capital investment despite continuing fiscal and financial policies to stimulate the economy.

The U.S. and the European markets enjoyed steady overall growth during the year, but overseas sales decreased due primarily to the effect of translation from U.S. dollar to the appreciated yen. Net sales decreased 8.2% in North and Latin America, 9.2% in Europe, 4.2% in China and Hong Kong, and 2.9% in Asia Pacific, respectively.

Net Sales by Application

Years ended December 31	Yen (millions)					U.S. Dollars (thousands)
	1995	1996	1997	1998	1999	1999
Audio-Visual Equipment	¥ 39,389	¥ 40,298	¥ 55,236	¥ 58,524	¥ 54,429	\$ 533,618
Automotive Products	21,230	22,958	29,036	27,809	27,599	270,578
Home Appliances and Power Tools	15,120	14,737	17,316	18,056	17,585	172,402
Precision Instruments and Office Equipment	9,513	11,116	12,502	11,554	10,929	107,147
Toys and Hobbies	6,688	7,848	7,608	8,522	6,928	67,921
Other	444	808	137	187	75	736
Total	¥ 92,384	¥ 97,765	¥ 121,835	¥ 124,652	¥ 117,545	\$ 1,152,402

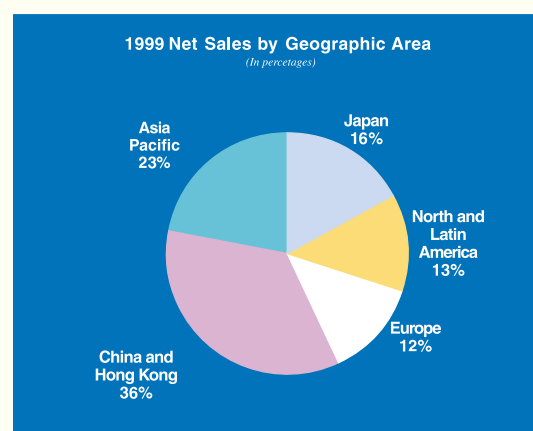
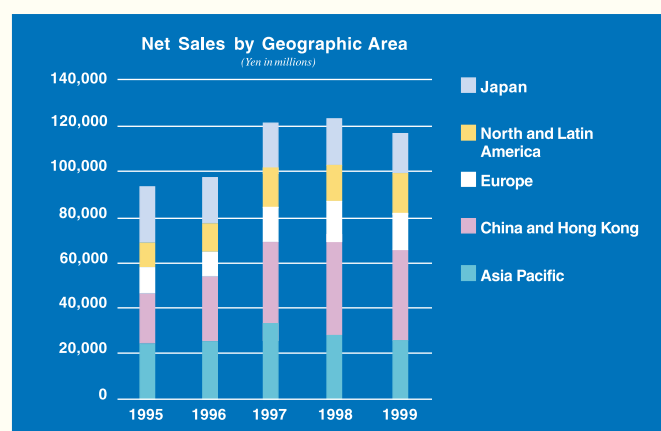
Other includes parts and equipment sales.



Net Sales by Geographic Area

Years ended December 31	Yen (millions)					U.S. Dollars (thousands)
	1995	1996	1997	1998	1999	1999
Japan	¥ 24,232	¥ 20,154	¥ 20,832	¥ 20,634	¥ 19,124	\$ 187,490
North and Latin America	10,835	12,834	16,107	16,170	14,843	145,520
Europe	11,948	10,830	13,838	16,228	14,731	144,421
China and Hong Kong	21,860	28,441	39,129	44,051	42,188	413,608
Asia Pacific	23,065	24,698	31,792	27,382	26,584	260,627
Other	444	808	137	187	75	736
Total	¥ 92,384	¥ 97,765	¥ 121,835	¥ 124,652	¥ 117,545	\$ 1,152,402

Other includes parts and equipment sales.



Costs, Expenses, and Net Income

Cost of sales decreased by 8.3% compared to the prior year mainly due to reductions in manufacturing overhead costs. The gross profit ratio was 38.0% in 1999 compared to 36.2% in 1998. Selling, general and administrative expenses decreased by 3.9% over the previous year as a result of continuous efforts to reduce indirect costs. Research and development expenses amounted to ¥3,752 million (\$37 million) in 1999 and ¥3,780 million in 1998. As a result of these factors, operating income slightly increased 0.6%, to ¥28,481 million (\$279 million) over the previous year.

Other income (expense) includes net other income of ¥17 million (\$167 thousand) in 1999 versus net other income of ¥187 million in 1998. The decrease in 1999 was principally due to a decrease in net interest expense and income and dividend income.

Income before income taxes was comparable to the prior year. However, net income increased by 10.4% compared to the previous year due mainly to the reduction in the effective tax rate. The effective tax rate decreased to 33.5% in 1999 from 39.9% in 1998 primarily due to the reduction in Japan's statutory corporate income tax rate from 37.5% to 34.5% and a decrease in tax rates applied to the manufacturing subsidiaries operating in Asian countries which were lower than that in Japan.

Foreign Currency

As indicated in Note 8 "Segment Information" to consolidated financial statements, overseas sales accounted for approximately 84% of consolidated net sales in 1999, of which 76% was transacted by the U.S. dollar and U.S. dollar linked currencies. In 1999, the average rate of the yen appreciated approximately 13% against the U.S. dollar, compared with 1998.

The appreciation of the yen against the foreign currencies resulted in decreases of net sales of approximately ¥15,000 million (\$147 million) and operating income of ¥7,000 million (\$69 million).

The parent company uses foreign exchange forward contracts to hedge foreign exchange risks associated with accounts receivable and payables denominated in foreign currencies. It is our current policy to hedge 80% of net receivables and payables (see Note 6 "Derivative Financial Instruments").

Financial Position

Net working capital at December 31, 1998 and 1999 is summarized as follows:

Yen (millions)	1998	1999	Increase (Decrease)
Current Assets:			
Cash and cash equivalents	¥ 37,432	¥ 49,133	¥ 11,701
Short-term investments	35,766	27,285	(8,481)
Trade receivables	13,872	13,900	28
Inventories	30,529	21,667	(8,862)
Other	1,350	1,770	420
	<u>118,949</u>	<u>113,755</u>	<u>(5,194)</u>
Current Liabilities:			
Short-term borrowings	5,210	—	(5,210)
Accounts payable	5,393	4,819	(574)
Accrued expenses	6,019	6,257	238
Other	378	537	159
	<u>17,000</u>	<u>11,613</u>	<u>(5,387)</u>
Net Working Capital	<u>¥ 101,949</u>	<u>¥ 102,142</u>	<u>¥ 193</u>
Current Ratio	<u>7.0</u>	<u>9.8</u>	

The decrease in short-term investments at December 31, 1999 was primarily due to a shift to cash equivalents and investment securities.

The decrease in inventories at December 31, 1999 was primarily due to more quantities sold in excess of quantities produced.

Short-term borrowings were repaid in full by two overseas subsidiaries during 1999.

See Note 1-(c) to consolidated financial statements as to foreign currency translation adjustments. Shareholders' equity was ¥204,403 million at December 31, 1999 compared with ¥187,841 million at December 31, 1998. Affecting equity were mainly earnings of ¥18,793 million and dividends paid of ¥2,354 million. The shareholders' equity ratio was 93.7% at December 31, 1999 compared with 90.4% at December 31, 1998.

The Statement of Cash Flows for the years ended December 31, 1998 and 1999 is summarized below:

Yen (millions)	1998	1999
Net income	¥ 17,016	¥ 18,793
Depreciation and amortization	7,314	7,234
Additions to plant and equipment	(6,431)	(3,560)
Purchase of short-term investments and investment securities, net	(13,090)	(9,180)
Repayments of short-term borrowings	(5,725)	(5,210)
Cash dividends paid	(1,880)	(2,354)
Other, net	4,130	5,978
Net increase in cash and cash equivalents	¥ 1,334	¥ 11,701

The Company's financial condition remains very strong. Net cash provided by operating activities of ¥33,336 million in 1999 was used primarily for additions to plant and equipment, for purchase of short-term investments and investment securities, repayments of short-term borrowings and for cash dividends.

Dividends per share increased 55.6% to ¥70 per share in 1999 from ¥45 per share in 1998. In October 1999, management announced a new dividend program in which it would continue to pay ¥50 per share every year as a regular dividend as long as its operating results do not significantly deteriorate and in addition, it would pay certain percentage of consolidated net income as a special dividend.

The Company believes that it has the financial resources needed to meet business requirements in the foreseeable future, capital expenditures for the expansion or upgrading of worldwide manufacturing capacity, working capital requirements and the dividend program.

FIVE-YEAR FINANCIAL SUMMARY

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

Years ended December 31

	Yen (millions)					U.S. Dollars (thousands)
	1995	1996	1997	1998	1999	1999
Operating Results						
Net sales	¥ 92,384	¥ 97,765	¥ 121,835	¥ 124,652	¥ 117,545	\$ 1,152,402
Operating income	18,237	14,680	24,062	28,300	28,481	279,225
Income before income taxes	21,065	17,479	30,672	28,487	28,498	279,392
Net income	10,127	8,940	16,664	17,016	18,793	184,245
Per share of common stock:						
Net income	¥ 216.52	¥ 190.70	¥ 354.69	¥ 362.00	¥ 399.20	\$ 3.91
(Yen and U.S. Dollars)						
Cash dividends per share	27.50	30.00	40.00	45.00	70.00	0.69
(Yen and U.S. Dollars)						
Depreciation and amortization	¥ 6,400	¥ 8,320	¥ 7,837	¥ 7,314	¥ 7,234	\$ 70,922
Capital expenditures	12,128	8,367	9,753	6,832	4,051	39,716
R&D expenses	2,062	2,920	3,702	3,780	3,752	36,784
Balance Sheet						
Shareholders' equity	¥ 149,168	¥ 157,362	¥ 172,422	¥ 187,841	¥ 204,403	\$ 2,003,951
Total assets	¥ 184,028	¥ 191,508	¥ 213,045	¥ 207,682	¥ 218,083	\$ 2,138,069
Other Data						
Number of shares outstanding	46,817	46,968	46,999	47,076	47,076	
(thousands of shares)						
Number of employees	47,273	44,319	56,547	55,530	58,279	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥102=U.S.\$1, the approximate exchange rate on December 31, 1999.

2. Net income per share figures are based on the weighted average number of shares of common stock outstanding during each fiscal year.

3. Number of employees includes contract manufacturing labor at plants in Guang Dong, China.

4. As a result of a review of the scope of R&D expenses in 1998, figures for R&D expenses for 1996, 1997, 1998 and 1999 are compiled differently from 1995. The figure for 1995 is not adjusted to the new scope of R&D expenses as information to determine the new scope of R&D expenses was not available.

Consolidated Balance Sheets

Mabuchi Motor Co.,Ltd. and Consolidated Subsidiaries

December 31, 1998 and 1999

ASSETS	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Current Assets:			
Cash and cash equivalents	¥ 37,432	¥ 49,133	\$ 481,696
Short-term investments	35,766	27,285	267,500
Trade notes and accounts receivable	14,124	14,144	138,667
Less-Allowance for doubtful receivables	(252)	(244)	(2,392)
Inventories	30,529	21,667	212,422
Other current assets	<u>1,350</u>	<u>1,770</u>	<u>17,352</u>
Total current assets	118,949	113,755	1,115,245
Plant and Equipment, at cost:			
Land	4,021	4,003	39,245
Buildings	37,627	36,551	358,343
Machinery and equipment	51,869	49,992	490,118
Construction in progress	<u>1,545</u>	<u>1,364</u>	<u>13,372</u>
	95,062	91,910	901,078
Less-Accumulated depreciation	<u>(52,265)</u>	<u>(53,951)</u>	<u>(528,931)</u>
	42,797	37,959	372,147
Investments and Other assets:			
Investment securities	39,026	54,923	538,461
Long-term loans receivable	2,991	1,951	19,127
Other investments and other assets	<u>3,919</u>	<u>2,961</u>	<u>29,030</u>
	45,936	59,835	586,618
Foreign Currency Translation Adjustments	<u>—</u>	<u>6,534</u>	<u>64,059</u>
	<u>¥ 207,682</u>	<u>¥ 218,083</u>	<u>\$ 2,138,069</u>

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Current Liabilities:			
Short-term borrowings	¥ 5,210	¥ —	\$ —
Trade notes and accounts payable	5,393	4,819	47,245
Accrued expenses	2,183	2,390	23,431
Accrued income taxes	3,836	3,867	37,912
Other current liabilities	378	537	5,265
Total current liabilities	17,000	11,613	113,853
Long-term Liabilities:			
Estimated retirement and termination allowances	1,153	784	7,686
Other long-term liabilities	36	27	265
	1,189	811	7,951
Foreign Currency Translation Adjustments	240	—	—
Minority Interests	1,412	1,256	12,314
Contingent Liabilities			
Shareholders' Equity:			
Common stock, par value ¥50 per share:			
Authorized: 100,000,000 shares			
Issued: 47,075,881 shares			
in 1998 and 1999	20,705	20,705	202,990
Additional paid-in capital	20,420	20,420	200,196
Retained earnings	146,720	163,284	1,600,824
Less-Treasury stock	(4)	(6)	(59)
Total shareholders' equity	187,841	204,403	2,003,951
	¥ 207,682	¥ 218,083	\$ 2,138,069

Consolidated Statements of Shareholders' Equity

Mabuchi Motor Co.,Ltd. and Consolidated Subsidiaries

For the years ended December 31, 1998 and 1999

	Number of Shares (thousands)		Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1998	1999	1999
Common Stock:					
Beginning balance	46,999	47,076	¥ 20,511	¥ 20,705	\$ 202,990
Conversion of convertible bonds	77	—	194	—	—
Ending balance	<u>47,076</u>	<u>47,076</u>	<u>¥ 20,705</u>	<u>¥ 20,705</u>	<u>\$ 202,990</u>
Additional Paid-in Capital:					
Beginning balance			¥ 20,226	¥ 20,420	\$ 200,196
Conversion of convertible bonds			194	—	—
Ending balance			<u>¥ 20,420</u>	<u>¥ 20,420</u>	<u>\$ 200,196</u>
Retained Earnings:					
Beginning balance			¥ 131,686	¥ 146,720	\$ 1,438,431
Adjustment due to an increase in consolidated subsidiaries			—	243	2,382
Net income			17,016	18,793	184,245
Cash dividends			(1,880)	(2,354)	(23,078)
Bonuses to directors and statutory auditors			(102)	(118)	(1,156)
Ending balance			<u>¥ 146,720</u>	<u>¥ 163,284</u>	<u>\$ 1,600,824</u>

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, 1998 and 1999

	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Cash Flows from Operating Activities:			
Net income	¥ 17,016	¥ 18,793	\$ 184,245
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,314	7,234	70,922
Estimated retirement and termination allowance	167	203	1,990
Unrealized losses on marketable securities	228	202	1,980
(Increase) Decrease in trade notes and accounts receivables ...	2,908	(28)	(274)
Decrease in inventories	5,280	8,862	86,882
(Increase) Decrease in other current assets	333	(420)	(4,118)
(Decrease) in trade notes and accounts payable	(2,333)	(548)	(5,372)
Increase (Decrease) in accrued income taxes	(4,881)	5	49
Foreign currency translation adjustments	(3,915)	(2,091)	(20,500)
Other, net	1,903	1,124	11,020
Net cash provided by operating activities	24,020	33,336	326,824
Cash Flows from Investing Activities:			
Additions to plant and equipment	(6,431)	(3,560)	(34,902)
Change in short-term investments	1,229	8,279	81,167
Purchase of investment securities	(41,749)	(33,620)	(329,608)
Proceeds from sale of investment securities	27,430	16,161	158,441
Collection of long-term loans receivable, net	1,882	353	3,461
Other, net	1,682	(108)	(1,059)
Net cash used in investing activities	(15,957)	(12,495)	(122,500)
Cash Flows from Financing Activities:			
Change in short-term borrowings	(5,725)	(5,210)	(51,079)
Cash dividends paid	(1,880)	(2,354)	(23,078)
Net cash used in financing activities	(7,605)	(7,564)	(74,157)
Cash and Cash Equivalents from Consolidating previously			
Unconsolidated Subsidiaries	—	377	3,696
Effect of Exchange Rate Changes on Cash and Cash Equivalents	876	(1,953)	(19,147)
Net Increase in Cash and Cash Equivalents	1,334	11,701	114,716
Cash and Cash Equivalents at Beginning of Year	36,098	37,432	366,980
Cash and Cash Equivalents at End of Year	¥ 37,432	¥ 49,133	\$ 481,696
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest	¥ 305	¥ 25	\$ 245
Income taxes	16,265	9,506	93,196
Noncash Investing and Financing Activities:			
Increase in common stock and additional paid-in capital on conversion of convertible bonds	¥ 388	¥ —	\$ —

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

1. Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting financial statements

The accompanying consolidated financial statements of Mabuchi Motor Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan. The Company maintains the accounts in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. 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.

For the convenience of the reader, the accompanying consolidated financial statements have also been presented in U.S. dollars by arithmetically translating yen amounts at the rate of ¥102 to U.S.\$1, which was the approximate exchange rate prevailing on December 31, 1999.

Certain reclassifications have been made to the accompanying consolidated financial statements for 1998 to conform to 1999 presentations.

(b) Principles of consolidation

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

(c) Translation of foreign currencies

Transactions in foreign currencies are translated at the exchange rates in effect at the time of the transactions. Monetary current assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. All other accounts are translated at historical rates in effect at the time of each transaction. Exchange differences resulting from these 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 accounts of shareholders' equity are translated at historical rates. Revenues and expenses are translated at the average rates of exchange for the year. Translation adjustments are not included in income but are dealt with as an account of assets or liabilities.

(d) Cash and cash equivalents Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

(e) Short-term investments and investment securities Short-term investments consist principally of marketable equity securities, debt securities and investment trust. Investment securities consist principally of foreign debt securities and marketable equity securities. Marketable securities are stated at the lower of cost determined by the moving average method or market. Closed end investment trust and foreign debt securities are stated at cost.

(f) Inventories Finished goods, work in process and raw materials are principally stated at average cost. Marketable raw materials such as copper, gold, silver and palladium are stated at the lower of average cost or market.

(g) Depreciation Depreciation of plant and equipment is computed by the declining-balance method for the Company and its domestic subsidiary and principally by the straight-line method for overseas subsidiaries over the estimated useful lives. In connection with the amendment of the Japanese corporate income tax law in 1998, the Company and its domestic subsidiary applied the straight-line method to buildings which were purchased after April 1, 1998. The effect of the change in depreciation method is immaterial.

(h) Research and development expenses Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥3,780 million and ¥3,752 million (\$36,784 thousand) for the years ended December 31, 1998 and 1999, respectively.

(i) Income taxes

Income taxes of the Company and most consolidated subsidiaries are provided based on the amount required by the tax returns for the year. No tax effect has been recorded for timing differences between tax and financial reporting in the recognition of certain revenues and expenses.

(j) Termination and retirement plans

The Company has a trustee noncontributory pension plan covering substantially all qualified full-time employees. Under the plan, eligible employees are entitled to a 10-year annuity or lump-sum payments 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 are based on actuarially determined costs of the plan. It is the Company's policy to charge the annual payments to income, including the amortization of prior service costs.

The Company's pension fund assets and the actuarially computed value of pension benefits as of November 30, 1999, the latest date of report available from the trustees, were ¥3,603 million (\$35,324 thousand) and ¥4,598 million (\$45,078 thousand).

Certain subsidiaries have similar pension plans to the Company and have pension fund assets of ¥1,476 million (\$14,471 thousand) as of December 31, 1999. Also, certain subsidiaries have unfunded retirement and termination allowance plans for qualified employees and the amounts required under the plan have been fully accrued.

The Company also has an unfunded retirement and termination allowance plan for directors and statutory auditors, and has fully accrued the amount required under the plan.

Total provisions, including the amortization of prior service costs, charged to income under these termination and retirement plans for the years ended December 31, 1998 and 1999 were ¥682 million and ¥653 million (\$6,402 thousand), respectively.

2. Inventories

Inventories as of December 31, 1998 and 1999 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Finished products	¥ 16,992	¥ 10,551	\$ 103,441
Work in process	4,621	3,127	30,657
Raw materials	8,916	7,989	78,324
	¥ 30,529	¥ 21,667	\$ 212,422

3. Short-term Investments and Investment Securities

Short-term investments and investment securities as of December 31, 1998 and 1999 include marketable debt and equity securities and investment trusts of which market value is as follows:

	Yen (millions)						U.S. Dollars (thousands)		
	1998			1999			1999		
	Book value	Market value	Gains (losses)	Book value	Market value	Gains (losses)	Book value	Market value	Gains (losses)
Short-term investments:									
Debt securities	¥ 21,146	¥ 20,832	¥ (314)	¥ 9,440	¥ 9,413	¥ (27)	\$ 92,549	\$ 92,284	\$ (265)
Equity securities	1,775	2,003	228	1,301	2,658	1,357	12,755	26,059	13,304
Investment trusts	3,400	3,408	8	15,050	15,125	75	147,549	148,284	735
	¥ 26,321	¥ 26,243	¥ (78)	¥ 25,791	¥ 27,196	¥ 1,405	\$ 252,853	\$ 266,627	\$ 13,774
Investment securities:									
Equity securities	¥ 2,165	¥ 2,303	¥ 138	¥ 2,114	¥ 3,312	¥ 1,198	\$ 20,725	\$ 32,470	\$ 11,745

4. Income Taxes

The Company is subject to several taxes based on income with a normal tax rate aggregating approximately 51.1% and 47.4% for the years ended December 31, 1998 and 1999, respectively. Income taxes applicable to consolidated subsidiaries were levied at the tax rates in effect in the countries where each subsidiary operates.

The amendment of the Japanese corporate income tax law in 1999 was applicable to Japanese corporations for fiscal years beginning after March 31, 1999. As a result of the amendment, the Company will be subject to an aggregate normal tax rate of 41.7% in 2000.

5. Shareholders' Equity and Per Share Data

The Japanese Commercial Code (the "Code") provides that an amount equivalent to at least 10% of cash dividends paid and other cash outlays resulting from appropriations of retained earnings with respect to each annual period be appropriated to the legal reserve until such reserve equals 25% of the stated capital. The legal reserve of ¥2,774 million and ¥3,046 million (\$29,863 thousand) is included in retained earnings at December 31, 1998 and 1999, respectively. The Code also provides that additional paid in capital and the legal reserve are not available for cash dividends, but may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

Year-end cash dividends are approved by the shareholders after the end of each fiscal year, and semi-annual interim cash dividends are declared by the Board of Directors after the end of each interim six month period. Such dividends are payable to shareholders of record at the end of each fiscal year or interim six month period.

In accordance with the Code, these dividends and the related appropriations of retained earnings have not been reflected in the financial statements at the end of such fiscal year. However, dividends per share shown in the accompanying consolidated statements of income reflect dividends applicable to the respective fiscal year. Net income per share is computed based on the weighted average number of shares of common stock outstanding.

On September 24, 1999, semi-annual interim cash dividends (¥25 or \$0.25 per share) of ¥1,177 million (\$11,539 thousand) were paid to shareholders of record at June 30, 1999. On March 30, 2000, the shareholders approved the declaration of cash dividends (¥45 or \$0.44 per share) totaling ¥2,118 million (\$20,765 thousand), payments of bonuses to directors and statutory auditors totaling ¥145 million (\$1,422 thousand) and related appropriations of retained earnings to legal reserve of ¥230 million (\$2,255 thousand).

6. Derivative Financial Instruments

The Company enters into forward exchange contracts and forward precious metal contracts as a normal part of risk management efforts. As a result, the Company is exposed to risk of credit-related losses in the event of nonperformance of counterparties to foreign exchange contracts and precious metal contracts, but management believes such risks to be minor because of the high creditability of the counterparties and such financial instruments have not been held for trading purpose. 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. The Company had forward exchange contracts which mature within a year to sell ¥327 million and ¥296 million (\$2,902 thousand) in U.S. dollars at December 31, 1998 and 1999, respectively, and the estimated fair value outstanding at December 31, 1998 and 1999 were ¥318 million and ¥287 million (\$2,814 thousand), respectively.

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, 1998 and 1999 were ¥138 million and ¥45 million (\$441 thousand), respectively, and the estimated fair value outstanding at December 31, 1998 and 1999 were ¥126 million and ¥48 million (\$471 thousand), respectively.

7. Contingent Liabilities

As of December 31, 1999, the Company and certain subsidiaries were contingently liable principally for bank guarantees in the amount of ¥30 million (\$294 thousand).

8. Segment Information

The Company and consolidated subsidiaries manufacture and sell small electric motors, parts and equipment used for production purposes. Almost 100% of the consolidated net sales and operating income are generated from a broad range of motor products. The information on net sales, operating income and assets by geographic area, and overseas sales is summarized as follows:

Segment Information by Geographic Area

	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Net sales:			
Japan			
Outside customers	¥ 37,694	¥ 35,952	\$ 352,471
Intersegment	52,349	43,923	430,618
Total	90,043	79,875	783,089
Asia			
Outside customers	59,971	56,197	550,951
Intersegment	54,045	46,659	457,441
Total	114,016	102,856	1,008,392
U.S.A.			
Outside customers	14,639	13,280	130,196
Intersegment	12	26	255
Total	14,651	13,306	130,451
Europe			
Outside customers	12,348	12,117	118,794
Intersegment	37	19	186
Total	12,385	12,136	118,980
Corporate and elimination	(106,443)	(90,628)	(888,510)
Consolidated	¥ 124,652	¥ 117,545	\$ 1,152,402
Operating Income:			
Japan	¥ 18,776	¥ 17,525	\$ 171,814
Asia	7,193	7,499	73,520
U.S.A.	880	697	6,833
Europe	417	559	5,480
Corporate and elimination	1,034	2,201	21,578
Consolidated	¥ 28,300	¥ 28,481	\$ 279,225
Assets:			
Japan	¥ 70,130	¥ 65,063	\$ 637,873
Asia	59,161	78,020	764,902
U.S.A.	5,718	5,264	51,608
Europe	4,137	4,942	48,451
Corporate and elimination	68,536	64,794	635,235
Consolidated	¥ 207,682	¥ 218,083	\$ 2,138,069

The amount of corporate assets included in "Corporate and elimination" is ¥97,695 million in 1998 and ¥111,334 million (\$1,091,510 thousand) in 1999, which comprises principally cash, short-term investments and investment securities.

Overseas Sales

	Yen (millions)		U.S. Dollars (thousands)
	1998	1999	1999
Overseas Sales			
U.S.A.	¥ 16,170	¥ 14,843	\$ 145,520
Europe	16,228	14,731	144,421
Asia and Other	71,612	68,824	674,745
Total	104,010	98,398	964,686
Net Sales	124,652	117,545	1,152,402
% of Overseas Sales to Net Sales	83.4%	83.7%	

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

Report of Independent Public Accountants

To the Board of Directors of Mabuchi Motor Co., Ltd.

We have audited the consolidated balance sheets of Mabuchi Motor Co., Ltd. and its consolidated subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. Our audits were made in accordance with **auditing standards generally accepted in Japan** and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Mabuchi Motor Co., Ltd. and its consolidated subsidiaries as of December 31, 1998 and 1999, and the results of their operations and cash flows for the years then ended, in conformity with **accounting principles generally accepted in Japan** applied on a consistent basis.

The United States dollar amounts shown in the accompanying consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into dollars on the basis described in Note 1 (a).

Century Audit Corporation

CENTURY AUDIT CORPORATION
(Certified Public Accountants)

Tokyo, Japan
March 30, 2000

See note 1 (a) to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Mabuchi Motor Co., Ltd. and its consolidated subsidiaries under Japanese accounting principles and practices.

CORPORATE INFORMATION

BOARD OF DIRECTORS

As of April 1, 2000

<i>President</i>	Takaichi Mabuchi
<i>Executive Vice President</i>	Akira Ohnishi
<i>Managing Director</i>	Shoji Nishimura Shinji Kamei
<i>Directors</i>	Yoshimasa Sugiyama Chiaki Kajiwara Sun Zuei Che Nobuyo Habuchi
<i>Statutory Auditors</i>	Toshiaki Takahashi Kiyoshi Iwakura Ichiro Ando Yuzaburo Nagase

CORPORATE DIRECTORY

As of December 31, 1999

Consolidated Subsidiaries

MABUCHI INDUSTRY CO., LTD.

19 Sam Chuk St., San Po Kong
Kowloon, Hong Kong
Tel : 852-2328-5575
Fax : 852-2352-1008

MABUCHI TAIWAN CO., LTD.

6/F No. 3 Sec. 1 Tun Hwa South Rd.
Taipei, Taiwan
Tel : 886-2-2579-0155
Fax : 886-2-2570-6535

MABUCHI MOTOR TAIWAN LTD.

No. 66 Kai Fa Rd., N.E.P.Z.
Kaohsiung, Taiwan
Tel : 886-7-362-1111
Fax : 886-7-361-9111

MABUCHI MOTOR DALIAN LTD.

Harbin Rd., Dalian Economic
and Technical Development Zone
China
Tel : 86-411-761-1111
Fax : 86-411-761-2900

MABUCHI MOTOR WAFANGDIAN LTD.

Wafangdian City
Laohutun Town, China
Tel : 86-411-537-0241
Fax : 86-411-537-0291

MABUCHI MOTOR (JIANGSU) CO., LTD.

No. 1 Liu Xu Rd., Song Ling
Economic and Technical Development Zon
Wu Jiang City, Jiang Su, China
Tel : 86-512-345-1111
Fax : 86-512-345-0438

MABUCHI MOTOR (MALAYSIA) SDN. BHD.

Plot 15, Kanthan Industrial Estate
31200 Chemor, Perak, Malaysia
Tel : 60-5-201-1888
Fax : 60-5-201-2288

MABUCHI MOTOR VIETNAM LTD.

No. 28, Bienhoa Industrial Zone 2
Long Binh Ward, Bienhoa City
Dongnai Province, Vietnam
Tel : 84-61-836711
Fax : 84-61-836712

MABUCHI PRECISION INDUSTRIES LTD.

1087 Hinata-cho, Tatebayashi-shi
Gunma-ken, 374-0076, Japan
Tel : 81-276-72-1941
Fax : 81-276-72-1943

MABUCHI PRECISION INDUSTRIES HONG KONG LTD.

19 Sam Chuk St., San Po Kong
Kowloon, Hong Kong
Tel : 852-2328-5575
Fax : 852-2352-1008

DONGGUAN MABUCHI MOTOR EQUIPMENT CO., LTD.

16 Tian Bao Road, Dong Zong Road
Dong Guang City, Guang Dong Province
China
Tel : 86-769-225-6985
Fax : 86-769-225-6984

MABUCHI MOTOR AMERICA CORP.

3001, West Big Beaver Rd., Suite 520
Troy, MI. 48084 U.S.A.
Tel : 1-248-816-3100
Fax : 1-248-816-3242

MABUCHI MOTOR (SINGAPORE) PTE. LTD.

111 North Bridge Rd., #21-02
Peninsula Plaza, Singapore 179098
Tel : 65-339-9991
Fax : 65-339-9091

MABUCHI MOTOR (EUROPE) GmbH

Hahnstrasse 38, 60528
Frankfurt/Main, Germany
Tel : 49-69-6690220
Fax : 49-69-66902229

Non-Consolidated Subsidiaries

MABUCHI REAL ESTATE CO., LTD.

TAIWAN MABUCHI (HONG KONG) CO., LTD.

INVESTOR INFORMATION

As of March 31, 2000

Corporate Headquarters MABUCHI MOTOR CO., LTD.

430 Matsuhidai, Matsudo-shi
Chiba-ken 270-2280, Japan
Tel : 047-384-1111
Fax : 047-389-5299
[http : //www.mabuchi-motor.co.jp](http://www.mabuchi-motor.co.jp)

Ordinary General Meeting of Shareholders

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

Independent Accountants

Century Audit Corporation (Member Firm of KPMG International)
Tokyo, Japan

Transfer Agent of Common Shares Handling Office

The Toyo Trust and Banking Co., Ltd.
Corporate Agency Department
10-11, Higashi-suna 7-chome, Koto-ku
Tokyo 137-8081, Japan
Tel : 03-5683-5111

Japanese Stock Exchange Listing

Tokyo stock exchange

