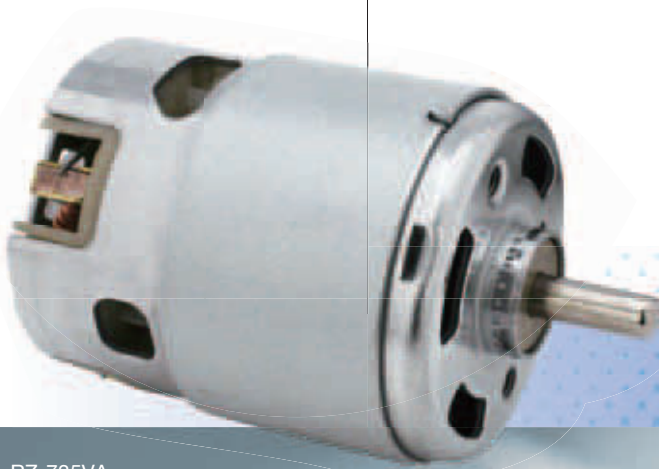


# Annual Report

# 2011

Year ended December 31, 2011



RZ-735VA  
Reduced to three-fourths the size and  
weight of the previous model

Small Motors =  
Innovation and Reliability  
for the Future

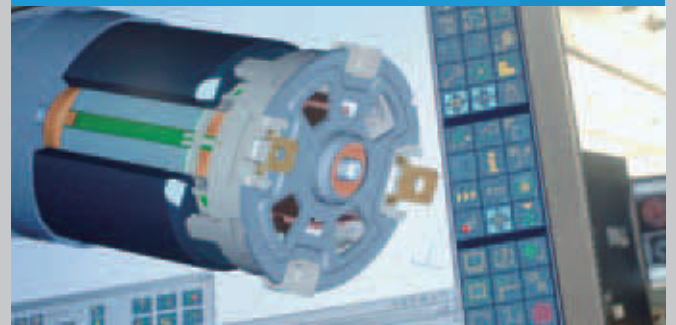
# Profile

## Small Direct-Current Electric Motor



### Marketing

We engage in marketing to rapidly, sufficiently and appropriately ascertain market and technology trends around the world and the motor functions that customers require. We provide our customers with low-cost, high-quality products and excellent delivery response times while analyzing information we collect on diverse customer needs to discover commonalities that permit standardization.



### Research and Development

Continuing to respond to a variety of needs with regard to motors, primarily the ability to be highly efficient and low in noise, Mabuchi Motor has always been leading the market of small motors.

From basic research, product development, product design, and production technology to motor-applied technology in these small machine parts, Mabuchi has collected every wide range of technical capability that has been acquired over many years.

# Small Motors = Innovation and Reliability for the Future

Ever since its founding, Mabuchi Motor Co., Ltd. has been a specialist manufacturer of small motors that deliver consistently high quality and efficiency at low prices in line with our basic policy “Bringing better and more reasonably priced goods to the market.” Small motors from Mabuchi contribute to convenient, comfortable living for people the world over as functional components in a wide variety of applications in many industries, including automotive products, audio and visual equipment, optical and precision instruments, home appliances, power tools, toys, and hobbies.

The Mabuchi Group is the world’s leading producer of small motors. Our annual production volume of approximately 1,535 billion units (2011 results) is testimony to the excellent reputation and trust we have built with our customers and a source of great pride for us. In the coming years, we will continue to aspire to create new value through product development adaptable to market needs and a flexible supply system.



## Production

Mabuchi is establishing production bases across Asia with the aim of developing a competitive motor production system and providing employment opportunities in host countries. Furthermore, we strive to combine high quality and low cost in our production process by seeking an optimal balance between people and machines.



## Quality Assurance

Small motors from Mabuchi play an important role in many different settings in everyday life, mainly in the automotive products industry. To enable people to use our motors with confidence even in demanding environments, we conduct rigorous quality testing of every aspect of product performance, including the material quality and processing accuracy of parts, noise, change in temperature and humidity, and vibration.

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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 continuing status of financing, financial instruments, and financial resources.

# To Our Shareholders

In fiscal 2012, the Company will steadily proceed with establishing new growth axes and cost rationalization in preparation for the next breakthrough.



**Shinji Kamei**  
Representative Director and President

## Overview of Sales during Fiscal 2011

During fiscal 2011, the year ended December 31, 2011, the overall sense of uncertainty in the global economy heightened. The fiscal problems in Europe further increased in severity, their impact spread to the real economy, and the economic recovery trend weakened in both the United States and Europe. In emerging countries as well, while a certain level of economic growth potential was sustained, the pace of growth showed a slowing trend.

Although the Japanese economy recovered from a slump in production activities following the Great East Japan Earthquake at a pace that exceeded initial expectations, the flooding in Thailand caused yet another supply chain disruption crisis, and the pace of recovery slowed markedly.

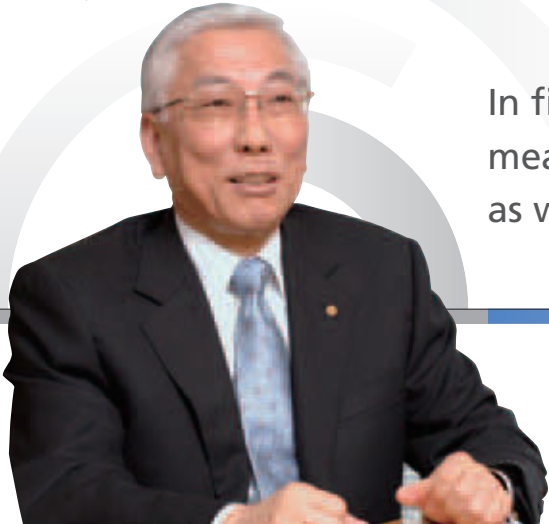
The small motor industry, to which the Mabuchi Group belongs, experienced large fluctuations in demand as a result of the impact of these changes in the business environment. In particular, the circumstances surrounding products for the automotive products market changed at a bewildering pace as the earthquake disaster brought a steep decline in demand, and as the floods in Thailand brought a decrease for certain regions, followed by overall

recovery and higher production in the second half. At the same time, many key products in other markets depend heavily on demand in developed countries, and on the whole, demand declined owing to factors including sluggish demand in preparation for the peak year-end sales period.

Under these business conditions, the Mabuchi Group addressed several issues: continued strengthening of the automotive products business, sales expansion in China, reorganization of production bases, and plant efficiency improvements.

## Financial Highlights

	Millions of yen		Thousands of	Rate of
	2010	2011	U.S. dollars	change
			2011	YoY
Net sales	¥ 82,752	¥ 78,886	\$1,024,493	-4.7%
Operating income	6,624	3,066	39,818	-53.7%
Net income (loss)	5,260	(466)	(6,051)	—
Total assets	185,408	181,351	2,355,207	-2.2%
Net assets	174,570	168,538	2,188,805	-3.5%



In fiscal 2011, the Mabuchi Group actively devised measures to achieve sales and market share expansion as well as increases in profitability and productivity.

Specifically, the Group actively devised measures to achieve sales and market share expansion, stable product supply and quality improvements, and increases in profitability and productivity. These measures included 1) the introduction in China of motors for power window lifters for emerging markets (new products); 2) expansion of the compact, high-output motor line (new product market introduction); 3) the strengthening of cross-regional and cross-organizational activities in China (integrated development, production, and sales systems); 4) the establishment of MABUCHI MOTOR (JIANGXI) CO., LTD. for the purpose of strengthening cost competitiveness and increasing sales in China; 5) production capacity expansion at production bases in Vietnam; 6) personnel efficiency improvements through the introduction and expansion of facilities to rationalize production; and 7) the start of activities to realize smart factories (centralized management of manufacturing site information).

As a result, consolidated net sales for the period were ¥78,886 million (a 4.7% decrease on a year-on-year basis). Sales of motors, which account for the majority of consolidated net sales, were ¥78,760 million (a 4.7% decrease). Operating income for the year was ¥3,066 million (a 53.7% decrease on a year-on-year basis) as a result of factors including higher materials costs triggered by soaring prices of copper, steel materials, and rare earths—key product components. Although non-operating income versus expenses improved due to factors including an increase in income from the sale of scrap materials and a decrease in the foreign exchange loss, ordinary income was ¥4,926 million (a 35.1% decrease on a year-on-year basis) as a result of the decrease in operating income. Income before income taxes was ¥3,248 million (a 55.4% decrease on a year-on-year basis) as a result of the recording of a loss on reversal of foreign currency translation adjustments in connection with the liquidation of an overseas subsidiary as an extraordinary loss. Net loss was ¥466 million (net income for the prior year was ¥5,260 million) as a result of the recording at year-end of a reversal of deferred tax assets as deferred income taxes following a careful review of the collectability of deferred tax assets in light of the Company's operating results and outlook.

## Implementation of Growth and Cost Strategies in Preparation for New Breakthroughs

In fiscal 2012, the Company will focus on continued strengthening of the automotive products business, sales expansion in China, reorganization of production bases, and manufacturing process innovation necessary for the establishment of new growth axes and cost rationalization aligned with the business environment.

### Continued Strengthening of the Automotive Products Business

The Mabuchi Group will continue to strengthen the automotive products business, from which growth is expected.

First, in response to a steady increase in new inquiries based on customer evaluation after market introduction of motors for power window lifters and motors for power seats, we will focus further efforts on these products and solidify our market position.

We have recently completed development of next-generation models of motors for power window lifters. Since demand is expected to rise in proportion to increased awareness of these motors as a solution for achieving size, weight, and cost reductions, we will further pursue the acquisition and development of customers that will constitute a foundation for sales of these products.

To attain further growth from motors for power seats, we will strive to boost product competitiveness and profitability by rigorously implementing measures to maintain and increase quality and lower costs.

Next, we will promote our expanded line of compact, high-output motors for door mirrors and air conditioner dampers, key existing applications, and leverage these products to increase sales, including in market sectors where our share is comparatively low.

### Sales Expansion in China

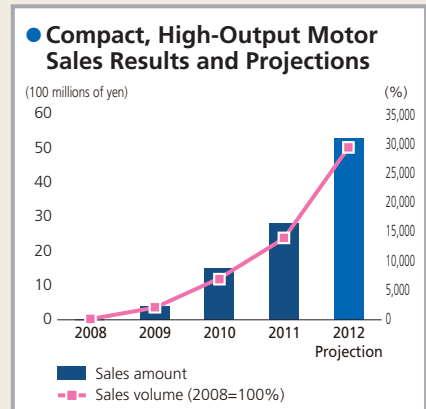
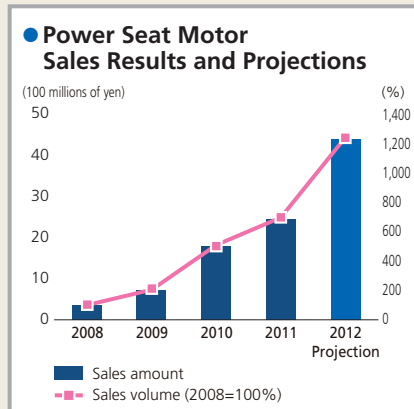
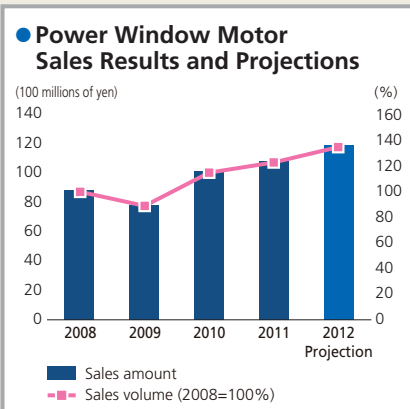
In China, a market that holds promise for future growth, the market environment changes rapidly, and a timely response is required. For this reason, the development of local self-contained processes is essential, and the Mabuchi Group will proceed with the implementation of an integrated development, production, and sales system in China.

In addition, we will seek to avoid unhealthy price competition and simultaneously tap latent demand by optimizing the performance and structure of our products, establishing quality standards, and reviewing parts and materials procurement methods to adapt them to the market, whose competitive environment and characteristics vary according to product and/or application.

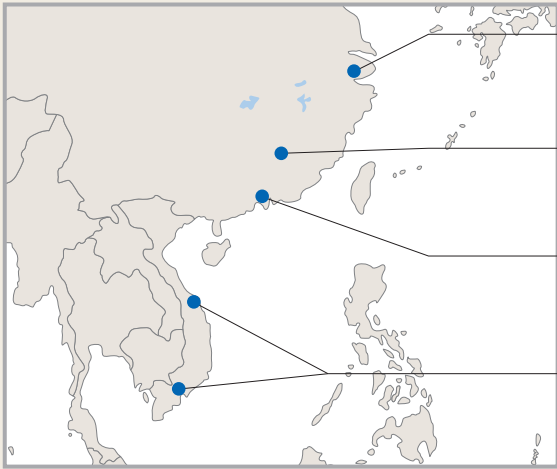
### Reorganization of Production Bases

The Mabuchi Group will pursue global cost competitiveness by continuing to reorganize its production bases.

To that end, we will increase the production ratio of high-end products at our coastal production bases in China. We aim to increase our competitive advantage and boost added value by realizing high-quality, high-efficiency manufacturing through means including the construction of a new plant building optimized for production of high-end automotive products and the practice of integrated operation of processes from development to production.



## The Pursuit of Global Cost Competitiveness Through Optimal Location of Production Bases



- Production base in Jiangsu Province, China (Jiangsu Mabuchi)**  
Improvement in productivity and quality from the construction of a new facility optimized for production of high-end products
- Production base in Jiangxi Province, China (Jiangxi Mabuchi)**  
Increase in cost competitiveness through production site relocation from China's coastal areas to a new inland production base
- Production base in Guangdong Province, China (Dongguan Mabuchi)**  
Quality and efficiency improvements and an increase in competitive advantage via an integrated development and production system
- Production bases in Vietnam (Vietnam Mabuchi, Danang Mabuchi)**  
Increased production of automotive motors and expansion of production volume at the two plants in Vietnam to around 600 million pieces (including motors for non-automotive applications)

We will also increase production capacity at our inland production bases in China. We will strive to increase cost competitiveness by completing construction of a plant at a new production base established in fiscal 2011, commencing mass production according to plan, and shifting production from coastal production bases in China to the cost-competitive new production base.

Furthermore, we will increase production of automotive motors at our production bases in Vietnam. In this way, we will put in place a system for producing 600 million pieces at our two production bases in Vietnam, including motors for non-automotive applications.

### Manufacturing Process Innovation

The Mabuchi Group will take maximum advantage of cost competitiveness achieved through production base reorganization and at the same time accelerate manufacturing process innovation and increase competitiveness in both quality and cost.

First, we will accelerate the reduction of manufacturing line workers, which we have been implementing as a medium-term initiative. Since upward pressure on costs is increasing these days, we will accelerate the previous plan by two years and realize production processes that will enable personnel reduction of 30% or higher compared to the 2010 level by the end of 2013.

In addition, we will continue with optimization of indirect personnel. We will achieve a reduction of about 30% from the 2009 level by the end of 2013 by proceeding with consolidation of organizational functions, optimization of management personnel, rigorous man-hour control, and other measures, while at the same time making necessary investments in information technology after carefully examining cost effectiveness.

Finally, we are implementing activities to realize the smart factory concept (centralized management of manufacturing site information). At a time when greater relative importance of automotive applications brings more stringent quality assurance requirements, a framework based on visualization of the overall manufacturing process has become essential. Accordingly, we will connect production facilities and backbone systems using a network and introduce in stages the smart factory approach of clarifying cause-and-effect relationships between data in production processes. After conducting demonstration trials on model production lines during 2012, we will systematically implement the concept in order to create benefits throughout our plants.



We will take advantage of cost competitiveness achieved through production base reorganization and at the same time accelerate manufacturing process innovation, increasing competitiveness in both quality and cost.

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

Our basic policy on the appropriation of retained earnings is to retain necessary earnings for sound business activities, to maintain healthy financial strength, and to ensure adequate dividends to our shareholders based on performance for the year. Based on the above policy, the Company makes it a principle to consistently distribute an ordinary dividend of ¥60 per share on an annual basis plus a special dividend equivalent to 20% (paid out on a per share basis) of the annual consolidated net income. In addition, the actual full-year dividend amount shall be based in principle on the above calculation standards and calculated in consideration of dividend payout ratio, dividend levels prior to the previous period, internal reserves, cash flows, and other situations. The amount shall not be less than the expected full-year dividend amount announced during the full-year period.

As a result, the Company has decided to pay a year-end dividend of ¥50 per share (consisting of an ordinary dividend of ¥30 and a special dividend of ¥20). Since the Company has already paid an interim dividend of ¥50 per share (an ordinary dividend of ¥30 and a special dividend of ¥20), the annual dividend for fiscal 2011 will be ¥100 per share (an ordinary dividend of ¥60 and a special dividend of ¥40), as planned and announced during the term.

The Company purchased a total of 12 million shares of treasury stock through public tender offers or market purchases and purchases of fractional shares from fiscal 2002 to fiscal 2011 and has canceled 7.2 million of these shares. The Company will continue to consider purchases of treasury stock as appropriate as a flexible response to changes in the share price or management environment and capital policy and as a method of returning profits to shareholders.

The remaining surplus will be used for measures aimed at further strengthening our existing businesses and investing in areas of future growth, with a view to further increasing corporate value.

### **Outlook**

The outlook for fiscal 2012 is for business conditions to follow a recovery path despite a sense of uncertainty with regard to the future. In emerging countries, economic growth is expected to continue and remain firm, although the pace of growth is likely to slow. In developed countries, on the other hand, economic recovery remains anemic, and credit uncertainty and other concerns in Europe continue. In addition, trends in resource prices will continue to require careful scrutiny. It appears that additional time will be necessary for the global economy to attain some degree of stability.

The situation in the markets in which the Mabuchi Group's products are sold is mixed as well. The only market that seems to be on a clear recovery path is the Automotive Products market, where demand is expected to recover in developed countries and emerging countries alike. We expect little change and demand on a par with fiscal 2011 in the Audio & Visual Equipment market, the Optical & Precision Instruments market, and the Home Appliances, Power Tools & Toys market.

# Segment Information by Motor Application

In fiscal 2011, the overall sense of uncertainty in the world economy heightened owing to a number of developments, including the fiscal problems in Europe, the Great East Japan Earthquake, and the flooding in Thailand. Under these conditions, demand in the markets in which the Mabuchi Group operates was adversely affected. As a result, sales in the Group's mainstay motor business declined 4.7% year on year, to ¥78,760 million, with sales volumes showing a decrease from the previous fiscal year.

## Automotive Products

### Major Applications

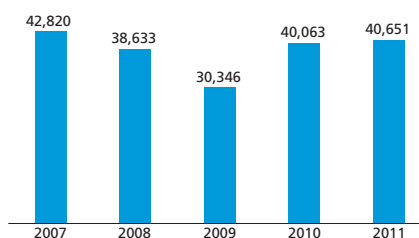
Car mirrors, door locks, air conditioner damper actuators, power window lifters, steering locks, etc.

### Automotive Products Market

Net sales in this market increased to ¥40,651 million (a 1.5% increase on a year-on-year basis). Although demand temporarily declined due to the impact of the earthquake disaster and flooding in Thailand, it recovered sharply in the second half. Despite rapid yen appreciation, a sales increase was achieved thanks to higher market share for motors for mirrors and other applications, higher sales of motors for power window lifters, and continued strong sales of motors for power seats.

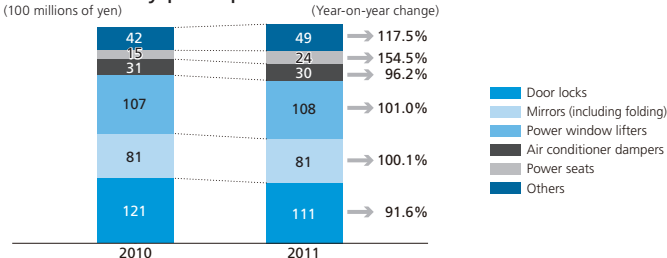
### Net sales

(Millions of yen)



### Net sales by principal item

(100 millions of yen) (Year-on-year change)



## Audio & Visual Equipment

### Major Applications

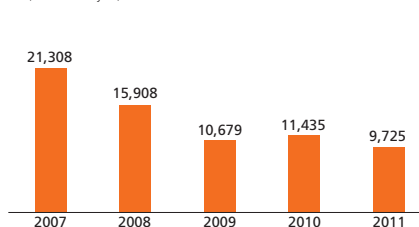
DVD players/recorders, CD players, car component systems, video games, etc.

### Audio & Visual Equipment Market

Net sales in this market decreased sharply to ¥9,725 million (a 15.0% decrease on a year-on-year basis). Although shipments of motors for car CD players were at the prior-year level due to recovery in automobile production, sales of motors for DVD players fell sharply due to lower demand in emerging markets, a sales decrease resulting from a slump in demand in preparation for the peak year-end sales period, and the impact of yen appreciation.

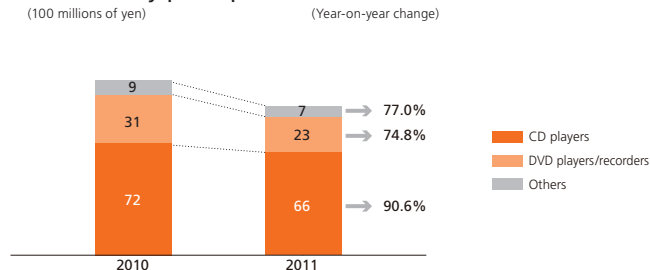
### Net sales

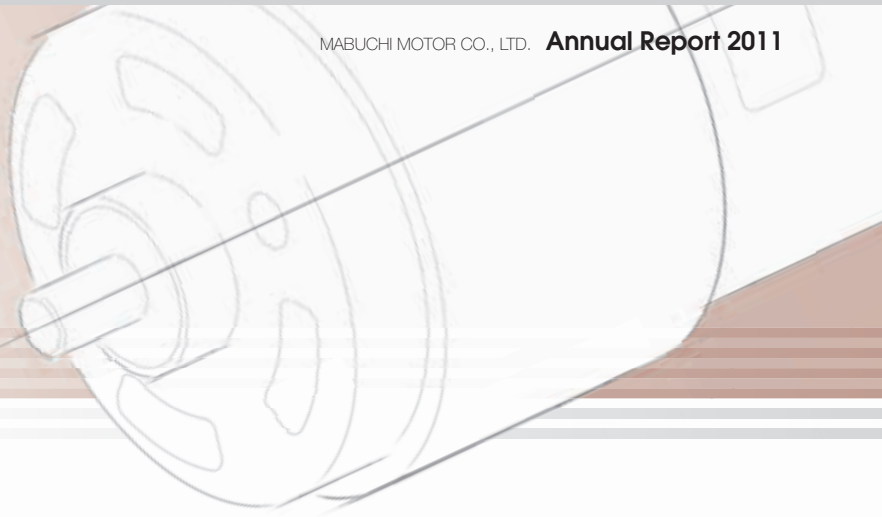
(Millions of yen)



### Net sales by principal item

(100 millions of yen) (Year-on-year change)





## Optical & Precision Instruments

### Major Applications

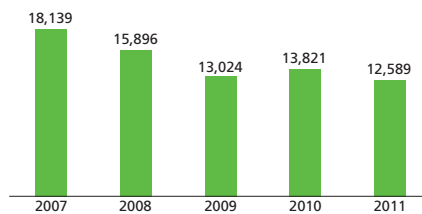
Inkjet printers, PC drives, digital cameras, etc.

### Optical & Precision Instruments Market

Net sales in this market decreased to ¥12,589 million (an 8.9% decrease on a year-on-year basis). Sales declined as a result of placing priority on profitability amid fierce price competition for motors for digital cameras. Sales of motors for inkjet printers and motors for PC drives decreased due to the impact of yen appreciation even though overall sales volumes were maintained at the prior-year level despite the impact of supply chain disruption resulting from the flooding in Thailand.

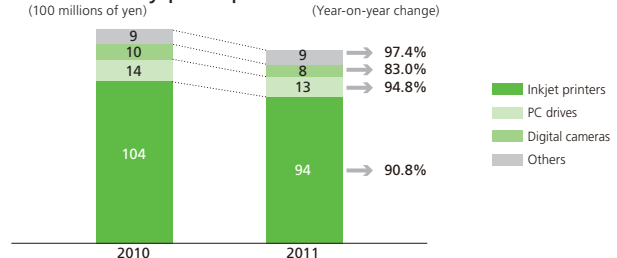
#### Net sales

(Millions of yen)



#### Net sales by principal item

(100 millions of yen) (Year-on-year change)



## Home Appliances, Power Tools & Toys

### Major Applications

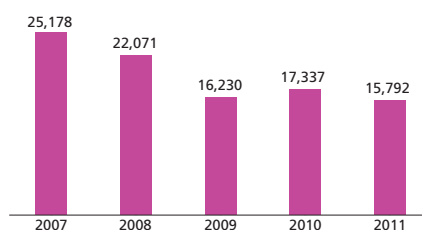
Personal care products, power tools, toys, health and wellness products, etc.

### Home Appliances, Power Tools & Toys Market

Net sales in this market decreased to ¥15,792 million (an 8.9% decrease on a year-on-year basis). Although strong sales of motors for tooth brushes compensated for a slump in demand for motors for hair dryers, shavers, and beauty- and healthcare-related products for the peak year-end sales period, and sales volumes of motors for power tools rose slightly year on year, sales decreased due to the impact of yen appreciation.

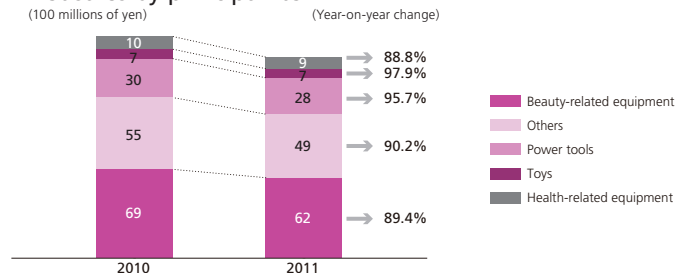
#### Net sales

(Millions of yen)



#### Net sales by principal item

(100 millions of yen) (Year-on-year change)



# Research and Development Activities

## Mabuchi's R&D System

The Mabuchi Group conducts its research and development activities at Mabuchi Motor Co., Ltd. and MABUCHI MOTOR (DONGGUAN) CO., LTD. (in the Asia segment). In this section, we provide an overview of the Group's R&D activities.

The R&D organization consists of the Research and Development Headquarters and its subordinate organizations: Research and Development Dept. 1, Research and Development Dept. 2, the Production Engineering Dept., and the Production Engineering Innovation Center. The R&D units pursue in-depth technical development in their respective areas of specialization within a collaborative framework. In the interest of efficiency, the Research and Development Headquarters, which performs a cross-departmental role, directly controls and engages in activities pertaining to fundamental technology, intellectual property, testing and evaluation, and technology research. With regard to the ongoing strategy for transferring design improvement activities to China, further expansion of the scope of transferred work has made it possible to more effectively allocate headquarters R&D resources to focus on high-value-added work.

## Strategic R&D Fields

To realize timely product development and new product market introduction, Mabuchi has prepared a technology roadmap based on information obtained from various market studies and is engaged in the development of groundbreaking elemental technologies based on the roadmap. Among these development projects, we are considering examination of the following issues and the implementation of measures to address such issues as an urgent task, in our efforts to cope with the recent soaring prices of neodymium and other rare earths and the rapid, steep rise in labor costs overseas, in countries where Mabuchi operates plants, and we are proceeding accordingly with these efforts.

- (1) Continuous research into technologies for the maximally effective use of inexpensive, readily available ferrite magnets
- (2) Innovative planning and implementation of a substantial reduction in the number of production line workers
- (3) New product development techniques using the project management method

In the automotive products business, a high-priority business sector, the line of motors for power window lifters, which has developed into a core business for the Group, is now complete, and demand from customers in Japan and abroad is steadily increasing. In addition, the introduction of new products in the line of motors for power seats, from which future growth is expected, has led to increased adoptions by large customers. Mabuchi has also solidified its position in the automotive products market for compact motors through continued market introduction of products in a new line of small, high-torque models and reinforcement of customer response capabilities.

We are also engaging in R&D to modify basic performance specifications of existing models for other applications, such as improving motor properties and lowering product costs. In the year under review, we introduced a new product for power tools.

Through R&D based on the technology roadmap and growth in core technologies, we will continue to aspire to develop and manufacture motors that will become industry standards in the markets in which Mabuchi products are used.

A summary of our technical achievements in the year under review is as follows: R&D expenses for the year were ¥3,493 million. The total number of intellectual properties held by the Company stood at 624 (108 domestic and 516 overseas), and the total number of domestic and overseas new intellectual property applications during the year was 27.

A total of 386 employees engaged in R&D activities (237 at our headquarters and 149 at MABUCHI MOTOR (DONGGUAN) CO., LTD. Motor Research & Development Center).

### (1) The SZ-446WB motor for automobile power seats and recliners

This addition to Mabuchi's small, high-torque motor line realizes weight saving of approximately 38% compared to previous Mabuchi products. Based on the SZ-466WB developed last year, the SZ-446WB delivers the product performance and quiet operation required for power seats. This model completes Mabuchi's development of the line of compact, high-torque products that make possible dramatic weight saving in power seat and recliner applications.

### (2) The SF-136SA low-noise motor for automobile mirrors

This motor realizes a torque increase of approximately 35%, a weight reduction of approximately 28%, and a volume reduction of approximately 32% compared to previous Mabuchi products. It has satisfied an important market requirement by solving problems of operating noise by reducing vibration during operation by approximately two-thirds compared to previous Mabuchi products. When combined with the SE266SA, developed as a motor for automobile power folding mirrors and now in mass production, the SF-136SA completes a line of products that reduce noise in the operation of rearview mirrors.

### (3) The GB-558LA/RA and GA-558LN/RN motors for power window lifters

The GB-558LA/RA, a motor for rear windows developed based on the GB-558LB/RM, which was introduced in the market in 2008, is equipped with slots that enable connection of direct connectors and ECUs. The GA-558LN/RN, based on the GA-558LP/RP, which was released in 2007, is a product remodeled to meet needs in emerging countries. The two models, equipped with a noise-reduction device to meet increasingly stringent electrical noise requirements, satisfy diversifying customer needs.

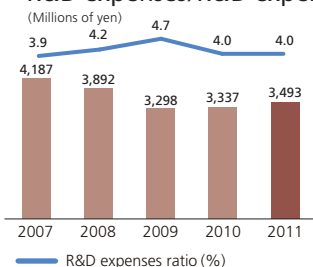
### (4) The RF-300EZ/FZ motor for home DVD players

Based on the RF-300EA/FA, a highly reliable existing product for car audio equipment, the RF-300EZ/FZ provides appropriate reliability and enhances price competitiveness for use in home DVD players in emerging countries.

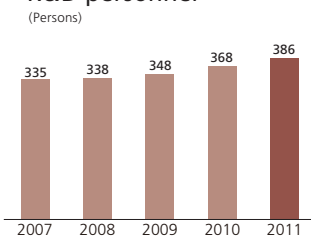
### (5) The RZ-735VA rare earth-free compact, lightweight motor for power tools

The RZ-735VA realizes reductions of approximately 25% in both size and weight compared to previous Mabuchi products, and this product also complies with the electrical noise standard applied to power tools for the European market beginning in 2012 (CISPR 14-1, ed. 5). By achieving further advances in the optimal design of magnetic circuits, at which it has long excelled, Mabuchi has realized high output from ordinary ferrite magnets without using neodymium or other rare earths, which are subject to price instability. The need for compact, lightweight, and high-output products that emphasize usability is increasing in the power tools market, and Mabuchi will continue to pursue reductions in the use of rare earths and in motor size and weight.

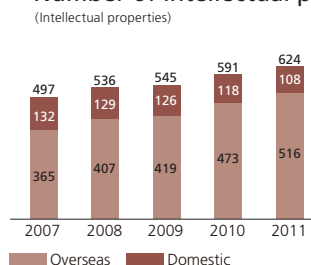
### ● R&D expenses/R&D expenses ratio



### ● R&D personnel



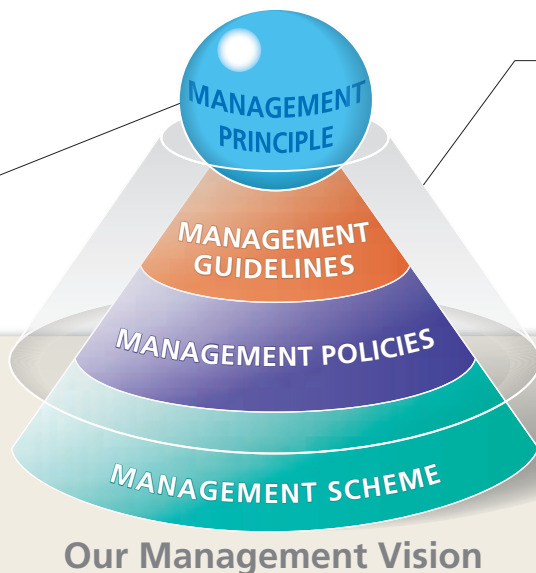
### ● Number of intellectual properties



# Activities for Sustainable Management

The “Management Principle” of Mabuchi Motor encompasses the belief that we at Mabuchi must elevate our level of contribution to society and persevere as a prominent entity the world cannot do without. This principle is not only a guide for running our corporation but a gene to be carried down to subsequent generations of the Mabuchi enterprise.

## Mabuchi’s Management Vision



### Our Missions

Mabuchi’s missions embrace a set of values for all Mabuchi Group employees to share in overcoming 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

Mabuchi’s 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 a starting point for creating value and lead to greater levels of social contribution and achieving 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

## 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 check system and the management supervision system;
3. To appoint a suitable number of independent 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

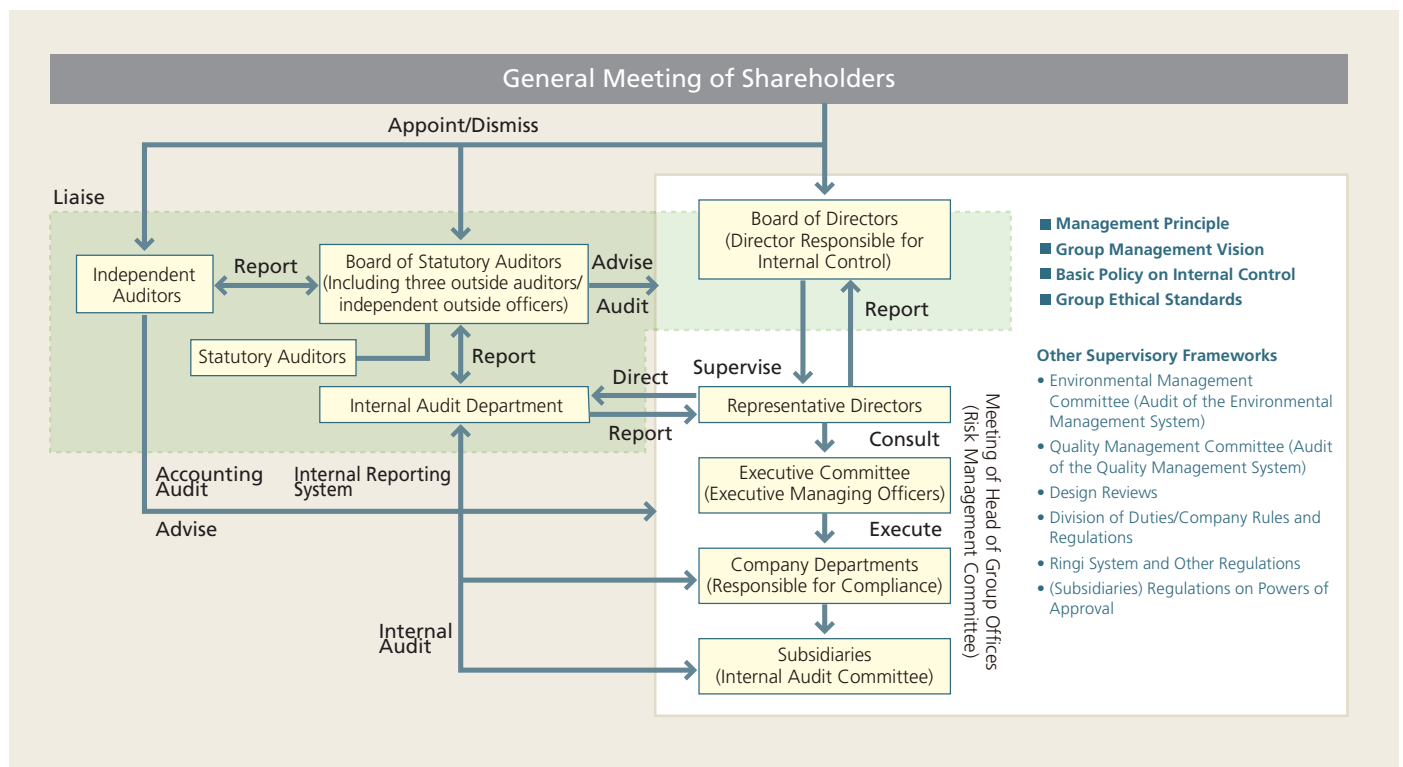
5. To disclose corporate information to shareholders and other stakeholders in an appropriate, fair, timely and clear manner and to ensure accountability through the Board of Directors, the Board of Statutory Auditors and other bodies.

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

Significant 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 an executive director. 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



officers. 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 officers, 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 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 directors and the executive officers.

#### Board of Statutory Auditors

Mabuchi has appointed four statutory auditors, three of whom are outside auditors with a high degree of independence. Mabuchi has also established a department for statutory auditors, with one employee assigned to the department to assist the statutory auditors with their audits, and has made it possible for the statutory auditors to request audit-related assistance from employees of the Internal Audit Department and other departments where appropriate.

The statutory auditors (three of whom are outside auditors) carry out audits of the execution of duties by directors and other bodies in accordance with legal stipulations and the auditing standards, policies, plans and apportioned duties determined by the Board of Statutory Auditors. Specifically, statutory auditors attend meetings of the Board of Directors and the Executive Committee 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 the execution of duties by the directors. The Board of Statutory Auditors convenes every second month and holds regular monthly meetings for the exchange of opinions between statutory auditors and essential deliberations regarding the execution of duties by directors.

#### Internal Audit Department

Mabuchi has established an Internal Audit Department, with one full-time member, under the direct control of the president. This body liaises with the Board of Statutory Auditors and the Director Responsible for Internal Control on a timely basis 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, directors and statutory auditors.

#### Internal Control System

In accordance with the Basic Policy on Internal Controls approved at a meeting of the Board of Directors under the provisions of the Companies Act, Mabuchi is working to establish an internal control system that includes systems for risk management, compliance assurance, document management, Group management, and auditors' audits. In this way, inadequacies in internal controls and other issues discovered in risk management activities, compliance activities, auditors' audits, and internal audit activities are reported to the directors and statutory auditors on a periodic or nonperiodic basis, and appropriate corrective measures are taken in a timely manner. Moreover, the Company is developing a framework for continuously enhancing the functioning and effectiveness of the internal control system. By establishing and ensuring the appropriate application of internal regulations governing the approval system, job authority and division of responsibilities, and other matters, the Company seeks to further ensure the appropriate conduct of business. These various internal mechanisms serve to support the directors and statutory auditors in their monitoring and supervision of the conduct of business by directors.

#### Risk Management System

In accordance with the Basic Policy on Internal Controls, Mabuchi has designated an executive officer with overall control over risk management and the departments responsible for risk management; has prepared and established internal rules and procedures necessary for appropriate management of risk; and has taken necessary measures, including informing and educating employees about risk management.

In addition, Mabuchi has established the Risk Management Committee, whose members are the persons responsible for risk management at each company department and subsidiary; has made possible cross-organizational activities concerning risk awareness and assessment in routine business activities, risk response, and information provision; and has put in place a Group Emergency Response System to prepare for contingencies, with the objective of protecting all the Group business activities in the event of an emergency.

Furthermore, the Internal Audit Department periodically audits the status of risk management and reports the audit results to the Board of Directors and Board of Statutory Auditors. The Board of Directors reviews the report and takes any necessary measures. In this way, Mabuchi pursues continuous improvement of the risk management system.

#### 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.

# Board of Directors, Statutory Auditors, and Executive Officers

(As of March 29, 2012)

## Directors



**Takaichi Mabuchi**  
Representative Director  
and Chairman



**Shinji Kamei**  
Representative Director and President  
President and CEO



**Nobuyo Habuchi**  
Executive Managing Director  
Senior Managing Executive Officer



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



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



**Kaoru Kato**  
Director  
Executive Officer and General  
Manager of Sales Headquarters



**Hiroo Okoshi**  
Director  
Executive Officer and General Manager  
of Administration Headquarters

## Statutory Auditors



**Masahiro Gennaka**  
Full-time Statutory Auditor



**Keiichi Horii**  
Statutory Auditor



**Nobutaka Motohashi**  
Statutory Auditor



**Toru Masuda**  
Statutory Auditor

## Executive Officers (excluding those also serving as directors)



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



**Chin Tai Yen**  
Executive Officer, Chairman of the Board  
and General Manager  
MABUCHI TAIWAN CO., LTD.



# 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 is rather to place a high priority on sustainability 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 Students by the Company's Technical Staff

The aim of this program is to encourage children to experience the joys and wonders of science, while knowing that what they



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

learn in the science lessons will be 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 and at the Science Museum in Tokyo.

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, the pupils also learned how the rotational mechanism of the motors and electrical power generation result from electromagnetic properties. In addition, we illustrated just how many motors support our everyday lives through a display of products that contain motors.

## Provision of Learning Materials

Each year Mabuchi provides a large amount of learning materials, principally motors, to support science education. In 2011, Mabuchi provided approximately 15,000 motors as well as case examples of handicrafts powered by motors. These learning materials are put to good use in science classes at public elementary schools in Matsudo City and at handicraft workshops held by numerous educational institutions all over Japan.

## Summer Vacation Handicraft Workshops

Every year since 2008, Mabuchi has 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 in the mysteries of science, thus stimulating their interest in manufacturing.

Every Friday during the summer holidays, we invited 24 parent-child duos who used motors as power generators to create handicrafts using readily available materials such as discarded CDs and PET bottle caps.



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 ABU Robocon, NHK University Robocon and Kosen (technical college) Robocon 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

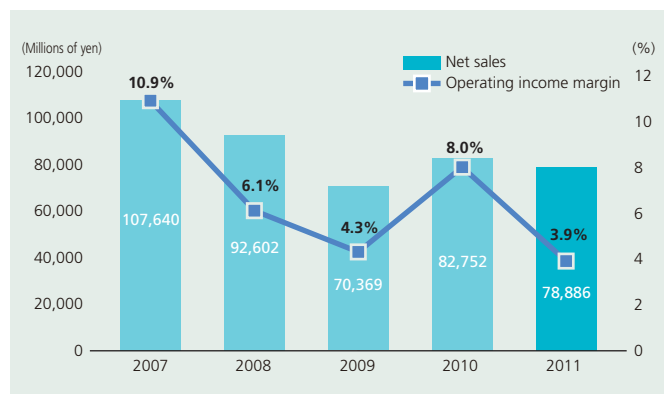
Since 1996, Dalian Mabuchi has been supporting the establishment of schools and carrying out other activities with the objective of providing children with the opportunity of gaining an education. To date, the company has helped to establish three Mabuchi Hope Primary Schools in three cities in the north 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 that they can grow into adults who will benefit society.

# Financial Summary

## ● Market Environment

In fiscal 2011, the small motor industry, to which the Mabuchi Group belongs, experienced large fluctuations in demand owing to a number of developments that greatly impacted the business environment, including the fiscal problems in Europe, the Great East Japan Earthquake, and the flooding in Thailand. Despite an overall decline in demand in the markets in which the Group operates, the automotive products market saw a sharp recovery in demand in the second half of the fiscal year.

## ● Net Sales and Operating Income Margin



## Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries (Years Ended December 31)

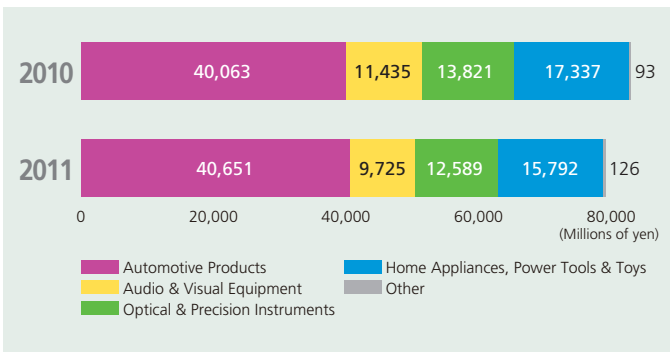
	Millions of yen					Thousands of U.S. dollars
For the year:	2007	2008	2009	2010	2011	2011
<b>Net sales</b>	¥107,640	¥92,602	¥70,369	¥82,752	¥78,886	\$1,024,493
Cost of sales	77,207	68,799	51,805	60,062	59,838	777,116
Selling, general and administrative expenses	18,747	18,150	15,544	16,064	15,981	207,545
<b>Operating income</b>	11,685	5,652	3,019	6,624	3,066	39,818
Income before income taxes	16,530	5,330	3,013	7,291	3,248	42,181
<b>Net income (loss)</b>	10,914	3,565	5,450	5,260	(466)	(6,051)
Capital expenditures	3,700	3,777	3,659	3,210	6,524	84,727
Depreciation and amortization	4,913	4,408	4,031	3,603	3,326	43,194
R&D expenses	4,187	3,892	3,298	3,337	3,493	45,363
<b>Cash flows:</b>						
Net cash provided by operating activities	¥ 15,447	¥ 6,542	¥10,708	¥ 5,457	¥ 696	\$ 9,038
Net cash (used in) provided by investing activities	3,687	45	(1,630)	8,601	(2,874)	(37,324)
Net cash used in financing activities	(13,531)	(18,641)	(3,927)	(3,507)	(3,507)	(45,545)
<b>At year-end:</b>						
Total assets	¥230,960	¥188,691	¥192,362	¥185,408	¥181,351	\$2,355,207
Net assets	213,314	178,291	180,311	174,570	168,538	2,188,805
<b>Per share data:</b>	(Yen and U.S. dollars)					
Net income (loss)	¥ 280.90	¥ 94.77	¥ 155.54	¥ 150.14	¥ (13.31)	\$ (0.17)
Net assets	5,577.84	5,088.18	5,146.04	4,982.43	4,810.36	62.47
Dividends payable	123.00	123.00	100.00	100.00	100.00	1.29
<b>Other data:</b>						
Operating income margin (%)	10.9	6.1	4.3	8.0	3.9	—
ROE (%)	5.0	1.8	3.0	3.0	(0.3)	—
Shareholders' equity ratio (%)	92.4	94.5	93.7	94.2	92.9	—
Number of shares outstanding (Thousands of shares)	38,243	35,040	35,038	35,037	35,036	—
Number of employees (Persons)	45,601	41,328	38,251	37,466	33,918	—

### Notes

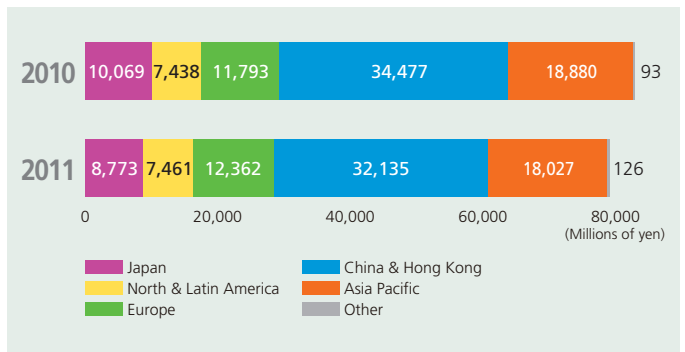
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥77=U.S.\$1, the approximate exchange rate on December 31, 2011.
2. ROE is calculated by dividing net income by the average of total shareholders' equity plus the revaluation/translation adjustment during the period.
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.

<b>Net Sales</b> <b>¥78,886 million</b>	<b>Operating Income</b> <b>¥3,066 million</b>	<b>Net Loss</b> <b>¥466 million</b>
Consolidated net sales in fiscal 2011 declined 4.7% from the previous fiscal year to ¥78,886 million (US\$1,024,493 thousand).	Operating income declined 53.7% to ¥3,066 million (US\$39,818 thousand).	The Mabuchi Group recorded a net loss of ¥466 million (US\$6,051 thousand).

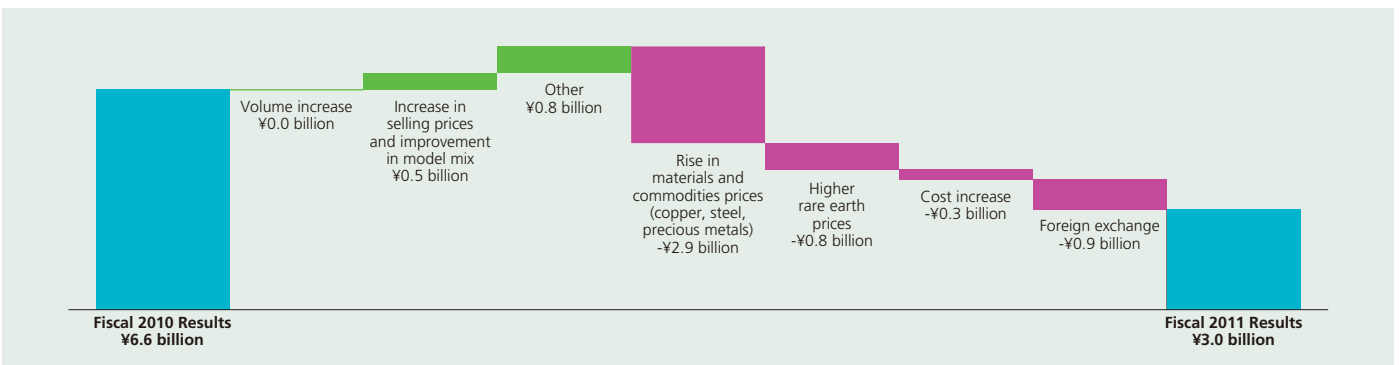
● Net Sales by Application



● Net Sales by Geographic Area

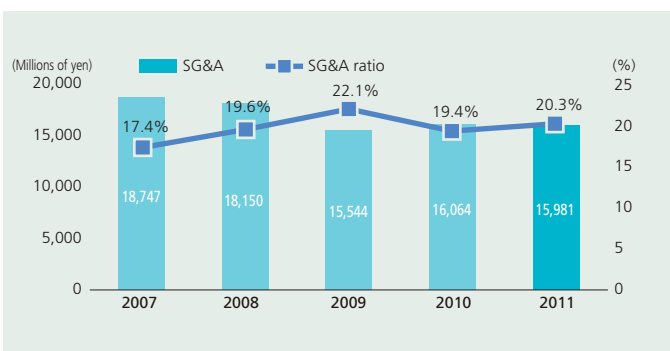


● Analysis of Operating Income

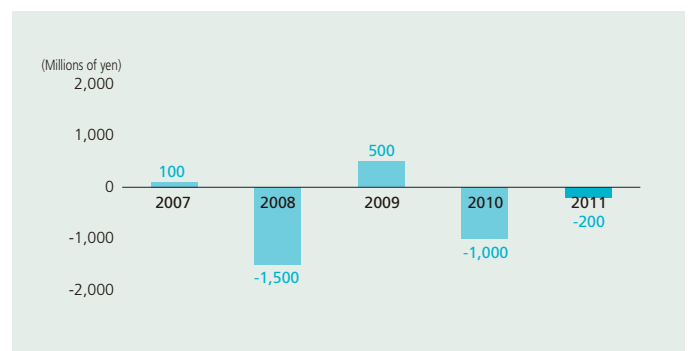


● Factors Affecting FY2007–FY2011 Consolidated Operating Income

Selling, General and Administrative Expenses



Foreign Exchange Gains/Losses



# Management's Discussion and Analysis

## Market Conditions

During the fiscal year ended December 31, 2011 (fiscal 2011), the overall sense of uncertainty in the global economy heightened. The fiscal problems in Europe further increased in severity, their impact spread to the real economy, and the economic recovery trend weakened in both the United States and Europe. In emerging countries as well, while a certain level of economic growth potential was sustained, the pace of growth showed a slowing trend.

Although the Japanese economy recovered from a slump in production activities following the Great East Japan Earthquake at a pace that exceeded initial expectations, the flooding in Thailand caused yet another supply chain disruption crisis, and the pace of recovery slowed markedly.

The small motor industry, to which the Mabuchi Group belongs, experienced large fluctuations in demand as a result of the impact of these changes in the business environment. In particular, the circumstances surrounding products for the automotive products market changed at a bewildering pace as the earthquake disaster brought a steep decline in demand, and as the floods in Thailand brought a decrease for certain regions, followed by overall recovery and higher production in the second half. At the same time, many key products in other markets depend heavily on demand in developed countries, and on the whole demand declined owing to factors including sluggish demand in preparation for the peak year-end sales period.

## Operating Results

### Net Sales

Consolidated net sales in fiscal 2011 fell 4.7% from the previous fiscal year to ¥78,886 million (US\$1,024 million). Sales of motors, which account for the majority of consolidated net sales, decreased 4.7% to ¥78,760 million (US\$1,022 million). Although sales of products for the Automotive Products market were favorable, achieving a year-on-year increase, sales in other markets were stagnant. This, coupled with the impact of the supply chain disruption due to the earthquake and flooding disasters and appreciation of the yen to record-high levels, resulted in a year-on-year sales decline.

### Cost, Expenses, and Operating Income

Operating income fell 53.7% to ¥3,066 million (US\$39 million) due to the impact of soaring prices for commodities such as copper and steel, which are key raw materials, and for precious metals and rare earths, which are used in some models, as well as higher fixed costs resulting from lower production volumes, despite such positive factors as an improvement in selling prices and in the model mix.

### Other Income (Expenses), Income before Income Taxes, and Net Income (Loss)

Other income was ¥182 million (US\$2 million), ¥484 million (US\$6 million) below the previous period. The reason for the decrease was the recording of a loss on reversal of foreign currency translation adjustments in connection with the liquidation of an overseas subsidiary, which offset an increase in income from the sales of scrap materials and fixed assets and a decrease in the foreign exchange loss.

Consequently, income before income taxes in fiscal 2011 was ¥3,248 million (US\$42 million), down 55.4% from the previous period. Income taxes were ¥3,714 million (US\$48 million), up ¥1,683 million (US\$22 million), a change attributable to the recording at year-end of a reversal of deferred tax assets as deferred income taxes following a careful review of the collectability of deferred tax assets in light of the Company's operating results and outlook.

As a result of the above factors, the Company posted a net loss of ¥466 million (US\$6 million) in fiscal 2011.

## Net Sales by Application

	Millions of yen					Thousands of U.S. dollars
	2007	2008	2009	2010	2011	2011
Automotive Products	¥ 42,820	¥38,633	¥30,346	¥40,063	¥40,651	\$ 527,935
Audio & Visual Equipment	21,308	15,908	10,679	11,435	9,725	126,298
Optical & Precision Instruments	18,139	15,896	13,024	13,821	12,589	163,493
Home Appliances, Power Tools & Toys	25,178	22,071	16,230	17,337	15,792	205,090
Other	194	92	88	93	126	1,636
<b>Total</b>	<b>¥107,640</b>	<b>¥92,602</b>	<b>¥70,369</b>	<b>¥82,752</b>	<b>¥78,886</b>	<b>\$1,024,493</b>

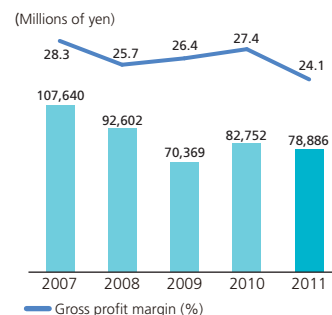
Note: Other includes parts and equipment sales.

## Net Sales by Geographic Area

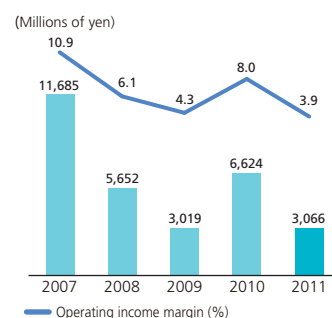
	Millions of yen					Thousands of U.S. dollars
	2007	2008	2009	2010	2011	2011
Japan	¥ 10,980	¥10,663	¥ 8,056	¥10,069	¥ 8,773	\$ 113,935
North & Latin America	11,697	8,487	5,995	7,438	7,461	96,896
Europe	16,912	13,914	10,476	11,793	12,362	160,545
China & Hong Kong	41,290	36,686	29,423	34,477	32,135	417,337
Asia Pacific	26,564	22,758	16,327	18,880	18,027	234,116
Other	194	92	88	93	126	1,636
<b>Total</b>	<b>¥107,640</b>	<b>¥92,602</b>	<b>¥70,369</b>	<b>¥82,752</b>	<b>¥78,886</b>	<b>\$1,024,493</b>

Note: Other includes parts and equipment sales.

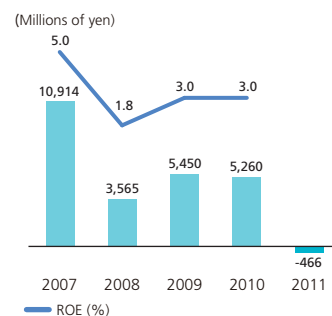
### Net sales/Gross profit margin



### Operating income/ Operating income margin



### Net income (loss)/ROE



## Financial Position

### Assets

Total assets as of December 31, 2011 were ¥181,351 million (US\$2,355 million), down ¥4,056 million (US\$52 million), or 2.2%, from a year earlier. The most noticeable changes included increases of ¥1,589 million (US\$20 million) in short-term investments, ¥2,517 million (US\$32 million) in inventories, and ¥1,536 million (US\$19 million) in construction in progress, and decreases of ¥8,845 million (US\$114 million) in cash and bank deposits and ¥3,502 million (US\$45 million) in investment securities.

### Liabilities

Total liabilities as of December 31, 2011 were ¥12,813 million (US\$166 million), up ¥1,974 million (US\$25 million). The increase was mainly attributable to an increase of ¥1,377 million (US\$17 million) in deferred tax liabilities—non-current.

### Net Assets

Total net assets at fiscal year-end were ¥168,538 million (US\$2,188 million), down ¥6,031 million (US\$78 million) from a year earlier. The most noticeable changes were a decrease of ¥14,360 million (US\$186 million) in both retained earnings and treasury stock due to treasury stock cancellation and increases of ¥1,200 million (US\$15 million) in net unrealized holding losses on securities and ¥859 million (US\$11 million) in foreign currency translation adjustments.

Net assets per share were ¥4,810.36, ¥172.07 lower than at the previous year-end. The shareholders' equity ratio was 92.9%, down 1.3 percentage points.

## Cash Flows

### Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to ¥696 million (US\$9 million), a decrease of ¥4,760 million (US\$61 million) compared with the previous fiscal year. The change was mainly attributable to a decrease in income before income taxes.

### Net Cash Used in Investing Activities

Net cash used in investing activities amounted to ¥2,874 million (US\$37 million). Principal factors were decreases in proceeds from sales of short-term investments and investment securities and an increase in purchases of property, plant and equipment in connection with investment in facilities.

### Net Cash Used in Financing Activities

Net cash used in financing activities amounted to ¥3,507 million (US\$45 million), unchanged from the previous fiscal year.

As a result of the above factors, the balance of cash and cash equivalents decreased ¥6,273 million (US\$81 million) from ¥67,540 million at the end of fiscal 2010 to ¥61,266 million (US\$795 million) on December 31, 2011.

## Capital Investments, Depreciation and Amortization

Capital investments increased ¥3,314 million (US\$43 million) year on year to ¥6,524 million (US\$84 million).

Major components were ¥1,225 million (US\$15 million) for building construction costs at MABUCHI MOTOR (JIANGSU) CO., LTD., MABUCHI MOTOR VIETNAM LTD., and MABUCHI MOTOR (YINGTAN) CO., LTD.; ¥233 million (US\$3 million) for facilities and equipment for research and development; and ¥5,066 million (US\$65 million) for other facilities for expanding and updating motor production capacity.

Depreciation and amortization decreased ¥277 million (US\$3 million) year on year to ¥3,326 million (US\$43 million).

## Outlook

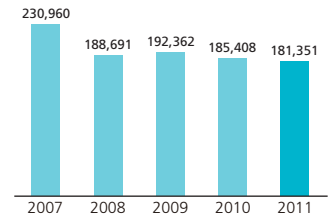
The outlook for fiscal 2012 is for business conditions to follow a recovery path despite a sense of uncertainty with regard to the future. In emerging countries, economic growth is expected to continue and remain firm, although the pace of growth is likely to slow. In developed countries, on the other hand, economic recovery remains anemic, and credit uncertainty and other concerns in Europe continue. In addition, trends in resource prices will continue to require careful scrutiny. It appears that additional time will be necessary for the global economy to attain some degree of stability.

The situation in the markets in which the Mabuchi Group's products are sold is mixed as well. The only market that seems to be on a clear recovery path is the Automotive Products market, where demand is expected to recover in developed countries and emerging countries alike. We expect little change and demand on a par with fiscal 2011 in the Audio & Visual Equipment market, the Optical & Precision Instruments market, and the Home Appliances, Power Tools & Toys market. As a result, we expect to record net sales of ¥86,000 million (US\$1,116 million), a 9.0% increase on a year-on-year basis.

In terms of our business results, despite apprehension concerning the negative impact of yen appreciation and increases in labor and other costs, we expect the impact of profit growth to accompany increases in sales volumes. Consequently, we expect to record operating income of ¥4,500 million (US\$58 million), a 46.8% increase on a year-on-year basis. We also anticipate ordinary income of ¥6,400 million (US\$83 million), a 29.9% increase, and net income of ¥4,800 million (US\$62 million).

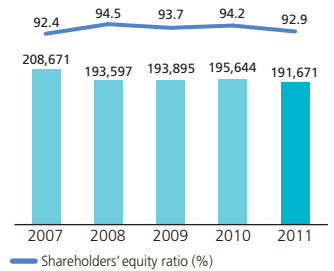
### Total assets

(Millions of yen)



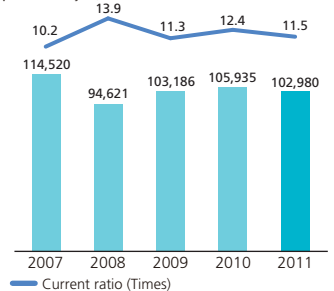
### Shareholders' equity/ Shareholders' equity ratio

(Millions of yen)



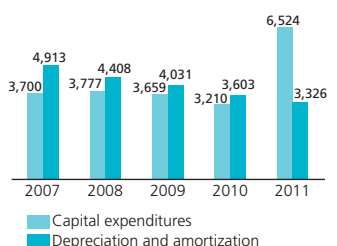
### Working capital/Current ratio

(Millions of yen)



### Capital expenditures/ Depreciation and amortization

(Millions of yen)



# 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 claim, recall or product liability compensation may trigger an accrual of a 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.

# Consolidated Balance Sheets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries  
December 31, 2010 and 2011

ASSETS	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2011
<b>Current Assets:</b>			
Cash and bank deposits	¥ 63,765	¥ 54,920	\$ 713,246
Trade notes and accounts receivable	11,449	11,977	155,545
Less – Allowance for doubtful receivables	(224)	(107)	(1,389)
Short-term investments	21,488	23,078	299,714
Merchandise and finished goods	10,574	12,762	165,740
Work in process	940	886	11,506
Raw materials and supplies	4,574	4,958	64,389
Income taxes refundable	206	84	1,090
Deferred tax assets – current	796	294	3,818
Other current assets	1,650	3,909	50,766
Total current assets	115,221	112,764	1,464,467
<b>Property, Plant and Equipment:</b>			
Land	6,022	6,020	78,181
Buildings	38,764	37,375	485,389
Machinery and equipment	45,131	36,100	468,831
Construction in progress	821	2,357	30,610
	90,739	81,854	1,063,038
Less – Accumulated depreciation	(58,963)	(47,623)	(618,480)
Property, plant and equipment, net	31,775	34,231	444,558
<b>Investments and Other Assets:</b>			
Investment securities	36,146	32,644	423,948
Long-term loans receivable	59	45	584
Deferred tax assets – non-current	869	221	2,870
Other investments and other assets	1,335	1,445	18,766
Total investments and other assets	38,410	34,355	446,168
<b>Total Assets</b>	<b>¥185,408</b>	<b>¥181,351</b>	<b>\$2,355,207</b>



LIABILITIES AND NET ASSETS	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2011
<b>Current Liabilities:</b>			
Trade notes and accounts payable	¥ 3,739	¥ 3,854	\$ 50,051
Accrued income taxes	424	615	7,987
Accrued bonuses due to employees	214	226	2,935
Accrued bonuses due to directors	37	–	–
Allowance for the restructuring of production bases	381	–	–
Deferred tax liabilities – current	0	0	0
Other current liabilities	4,490	5,087	66,064
<b>Total current liabilities</b>	<b>9,286</b>	<b>9,784</b>	<b>127,064</b>
<b>Long-term Liabilities:</b>			
Allowance for retirement benefits for employees	387	416	5,402
Asset retirement obligations	–	15	194
Deferred tax liabilities – non-current	5	1,382	17,948
Other long-term liabilities – non-current	1,158	1,214	15,766
<b>Total long-term liabilities</b>	<b>1,551</b>	<b>3,029</b>	<b>39,337</b>
<b>Total liabilities</b>	<b>10,838</b>	<b>12,813</b>	<b>166,402</b>
<b>Net Assets:</b>			
Shareholders' Equity			
Common stock, no par value:			
Authorized: 100,000,000 shares			
Issued: 41,875,881 shares in 2010 and 39,875,881 shares in 2011	20,704	20,704	268,883
Additional paid-in capital	20,419	20,419	265,181
Retained earnings	203,625	185,294	2,406,415
Treasury stock, at cost: 6,838,777 shares in 2010 and 4,839,419 shares in 2011	(49,105)	(34,747)	(451,259)
<b>Total shareholders' equity</b>	<b>195,644</b>	<b>191,671</b>	<b>2,489,233</b>
Accumulated other comprehensive income			
Net unrealized holding losses on securities	(257)	(1,457)	(18,922)
Foreign currency translation adjustments	(20,817)	(21,676)	(281,506)
<b>Total accumulated other comprehensive income</b>	<b>(21,074)</b>	<b>(23,133)</b>	<b>(300,428)</b>
<b>Total net assets</b>	<b>174,570</b>	<b>168,538</b>	<b>2,188,805</b>
<b>Total Liabilities and Net Assets</b>	<b>¥185,408</b>	<b>¥181,351</b>	<b>\$2,355,207</b>

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

# Consolidated Statements of Operations

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2010 and 2011

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2011
<b>Net Sales</b>	¥82,752	¥78,886	\$1,024,493
<b>Cost of Sales</b>	60,062	59,838	777,116
Gross profit	22,689	19,047	247,363
<b>Selling, General and Administrative Expenses</b>	16,064	15,981	207,545
Operating income	6,624	3,066	39,818
<b>Other Income (Expenses):</b>			
Interest and dividend income	786	680	8,831
Exchange losses, net	(1,036)	(272)	(3,532)
Gain on sale of raw material scrap	995	1,155	15,000
(Loss) gain on disposal of fixed assets	(98)	309	4,012
Loss on realized foreign currency translation adjustments due to liquidation of foreign subsidiary	–	(1,502)	(19,506)
Loss on adoption of the changes the accounting standard for asset retirement obligations	–	(16)	(207)
Impairment loss	–	(84)	(1,090)
Loss on cancellation of lease transactions	–	(20)	(259)
Loss on revaluation of investment securities	(217)	(55)	(714)
Other, net	236	(10)	(129)
	666	182	2,363
<b>Income before Income Taxes</b>	7,291	3,248	42,181
<b>Income Taxes:</b>			
Current	1,366	1,576	20,467
Deferred	664	2,138	27,766
	2,030	3,714	48,233
<b>Income (Loss) before Minority Interests</b>	–	(466)	(6,051)
<b>Net Income (Loss)</b>	¥ 5,260	¥ (466)	\$ (6,051)

	Yen		U.S. Dollars
	2010	2011	2011
<b>Per Share Data:</b>			
Net income (loss)	¥150.14	¥(13.31)	\$(0.17)
Dividends applicable to current year earnings	100.00	100.00	1.30

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

# Consolidated Statement of Comprehensive Income

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2010 and 2011

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2011
<b>Loss before Minority Interests</b>	–	¥ (466)	\$ (6,051)
<b>Other Comprehensive Income</b>			
Net unrealized holding losses on securities	–	(1,200)	(15,584)
Foreign currency translation adjustments	–	(859)	(11,155)
Total other comprehensive income	–	(2,059)	(26,740)
Comprehensive income	–	¥(2,525)	\$(32,792)
Comprehensive income attributable to:			
Shareholders of the parent	–	¥(2,525)	\$(32,792)
Minority interests	–	–	–

# Consolidated Statements of Changes in Net Assets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2010 and 2011

	Number of Shares (Thousands)		Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2010	2011	2011
<b>Common Stock:</b>					
Beginning balance	43,875	41,875	¥ 20,704	¥ 20,704	\$ 268,883
Treasury stock cancellation	(2,000)	(2,000)	—	—	—
Ending balance	41,875	39,875	¥ 20,704	¥ 20,704	\$ 268,883
<b>Additional Paid-in Capital:</b>					
Beginning balance			¥ 20,419	¥ 20,419	\$ 265,181
Ending balance			¥ 20,419	¥ 20,419	\$ 265,181
<b>Retained Earnings:</b>					
Beginning balance			¥216,230	¥203,625	\$2,644,480
Net income (loss)			5,260	(466)	(6,051)
Dividends paid			(3,502)	(3,502)	(45,480)
Treasury stock cancellation			(14,362)	(14,360)	(186,493)
Ending balance			¥203,625	¥185,294	\$2,406,415
<b>Treasury Stock:</b>					
Beginning balance			¥ (63,459)	¥ (49,105)	\$(637,727)
Net change during the year			14,353	14,358	186,467
Ending balance			¥ (49,105)	¥ (34,747)	\$(451,259)
<b>Net Unrealized Holding Losses on Securities:</b>					
Beginning balance			¥ (32)	¥ (257)	\$ (3,337)
Net change during the year			(224)	(1,200)	(15,584)
Ending balance			¥ (257)	¥ (1,457)	\$ (18,922)
<b>Foreign Currency Translation Adjustments:</b>					
Beginning balance			¥ (13,551)	¥ (20,817)	\$ (270,350)
Net change during the year			(7,265)	(859)	(11,155)
Ending balance			¥ (20,817)	¥ (21,676)	\$ (281,506)
<b>Accumulated Other Comprehensive Income:</b>					
Beginning balance			¥ (13,584)	¥ (21,074)	\$ (273,688)
Net change during the year			(7,489)	(2,059)	(26,740)
Ending balance			¥ (21,074)	¥ (23,133)	\$ (300,428)

The accompanying notes to the 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, 2010 and 2011

	Yen (Millions)	U.S. Dollars (Thousands)
	2010	2011
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 7,291	¥ 3,248
Depreciation and amortization	3,603	3,326
Impairment loss	–	84
(Decrease) increase in allowance for retirement benefits, net of payments	(483)	54
Interest and dividend income	(786)	(680)
Exchange losses	1,156	38
Loss on realized foreign currency translation adjustment due to liquidation of foreign subsidiaries	–	1,502
Gain on sales of short-term investments and investment securities	(82)	(10)
(Gain) loss on disposal of fixed assets	93	(309)
Loss on revaluation of investment securities	217	55
Increase in trade notes and accounts receivable	(1,009)	(977)
Increase in inventories	(4,548)	(3,473)
Increase in trade notes and accounts payable	897	912
Decrease in the allowance for the restructuring of production bases	(1,333)	(373)
Other, net	171	(2,012)
Subtotal	5,186	1,385
Interest and dividends received	785	674
Interest paid	–	–
Income taxes paid	(1,069)	(1,363)
Income taxes refunded	554	–
Net cash provided by operating activities	5,457	696
<b>Cash Flows from Investing Activities:</b>		
Increase in time deposits	(13,229)	(13,137)
Proceeds from withdrawal of time deposits	13,756	12,301
Purchases of short-term investments	(13,771)	(12,713)
Proceeds from sales of short-term investments	25,159	20,264
Purchases of property, plant and equipment	(3,398)	(6,253)
Proceeds from sales of property, plant and equipment	29	630
Purchases of investment securities	(8,697)	(6,394)
Proceeds from sales of investment securities	8,886	2,589
Other, net	(134)	(162)
Net cash provided by (used in) investing activities	8,601	(2,874)
<b>Cash Flows from Financing Activities:</b>		
Cash dividends paid	(3,499)	(3,505)
Purchases of treasury stock	(8)	(2)
Net cash used in financing activities	(3,507)	(3,507)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	(4,650)	(588)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	5,900	(6,273)
<b>Cash and Cash Equivalents at the Beginning of Year</b>	61,639	67,540
<b>Cash and Cash Equivalents at the End of Year</b>	¥ 67,540	¥ 61,266
		\$ 795,662

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

# Notes to Consolidated Financial Statements

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries  
December 31, 2010 and 2011

## 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 in accordance with accounting principles generally accepted in Japan, which are different in certain respects 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, 2011 have been translated into United States dollars at a rate of ¥77 = U.S.\$1, the approximate exchange rate prevailing on December 31, 2011. 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 on 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 before income tax.

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

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 the decline 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 a decline in the value of 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 of recognizing any impairment losses by assessing the potential of market values to recover taking into consideration declining price trends and other individually relevant factors.

### 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.

### g Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is computed primarily using the declining-balance method for the Company (except for certain buildings) and for overseas subsidiaries, principally using the straight-line method over their estimated useful lives. Buildings acquired by the Company on or after April 1, 1998 are depreciated using the straight-line method. Maintenance and repairs, including minor repairs 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 year ended December 31, 2009 after having reviewed these 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 making the assumption that there is 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.

The allowance for retirement benefits is provided based on the amount of the 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 from the year following the year in which the gains or losses arose, primarily

using 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 the straight-line method mainly over 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 the restructuring of production bases

On January 28, 2010, the Board of Directors made a resolution, and, as a result, one of the commission-based processing contracts entered into between Mabuchi Industry Co., Ltd., a wholly owned subsidiary, and a Chinese company, was terminated at its expiry date in December 2010. In connection with this, 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 2009. At December 31, 2011, there were no accrued expenses for certain costs such as termination benefits and assets disposal.

#### m Additional Information

Effective from the current fiscal year, the Company adopted "Accounting Standard for Disclosure of Comprehensive Income". However, "Accumulated Other Comprehensive Income and Total Accumulated Other Comprehensive Income" for the fiscal year ended December 31, 2011 is equivalent to "Revaluation and Translation Adjustments" and "Total Revaluation and Translation Adjustments". In addition, the Company has prepared the consolidated statement of comprehensive income for the fiscal year ended December 31, 2011.

#### n Change in accounting policies

(Accounting standard for retirement benefits)

Effective for the year ended December 31 2010, the Company adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)". The adoption of this accounting standard had no effect on operating income and income before income taxes in the current fiscal year.

(Accounting standard for asset retirement obligations)

Effective from the current fiscal year, the Company adopted "Accounting Standard for Asset Retirement Obligations" and "Guidance on Accounting Standard for Asset Retirement Obligations". The adoption of this accounting standard had little effect on operating income and income before income tax in the current fiscal year.

(Changes in accounting presentation)

Effective from the current fiscal year, the Company adopted the revised "Accounting Standard for Consolidated Financial Statements". As a result, "Income (Loss) before minority interests" was added to the Consolidated Statements of Operations.

## 2. Cash and Cash Equivalents

Cash and cash equivalents as of the years ended December 31, 2010 and 2011 are reconciled to the accounts reported in the consolidated balance sheets as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2011
Cash and bank deposits	¥ 63,765	¥ 54,920	\$ 713,246
Time deposits with maturities over three months at the time of purchase	(3,733)	(4,282)	(55,610)
Short-term investments	21,488	23,078	299,714
Securities exposed to price risk	(13,981)	(12,450)	(161,688)
Cash and cash equivalents	¥ 67,540	¥ 61,266	\$ 795,662

## 3. Financial Instruments

Effective from the year ended December 31 2010, the Company applied "Accounting Standards for Financial Instruments" and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments".

### (1) Financial instruments

#### a. Policies for financial instruments

The Company funds R&D expenditure and equipment investment through retained earnings to maintain a sound financial position. According to this policy, the Company limits the management of surplus funds to short-term deposits and other highly secure financial assets. The Company uses derivatives to mitigate risks as described below, and does not engage in speculative transactions.

#### b. Financial instruments description and risks

Trade notes and accounts receivable are exposed to customer credit risk and some are also exposed to foreign currency risk.

Short-term investments and investment securities, primarily held-to-maturity securities, other securities and investments in the stocks of trading partners, are exposed to the risk of fluctuations in market price.

Trade notes and accounts payable are due within one year, and some are exposed to foreign currency risk.

The Company uses forward foreign exchange contracts to hedge the risk of foreign exchange fluctuations associated with receivables and payables denominated in foreign currencies.

#### c. Risk management of financial instruments

##### 1. Management of credit risk (risks associated with the default of counterparties)

The Company and its consolidated subsidiaries manage credit risk in compliance with internal control rules and procedures. The due dates and the balances of trade notes and accounts receivable from major counterparties are monitored and managed regularly to ensure early detection and to mitigate the risk of doubtful receivables.

##### 2. Management of market risk (risks associated with fluctuations in foreign exchange rates and interest rates)

The Company and some of its consolidated subsidiaries hedge the risk of foreign exchange rate fluctuations on foreign currency-denominated receivables and payables, using foreign exchange forward contracts on a monthly and individual currency basis. The Company enters into exchange contracts based on the decision of the Board of Directors and these are monitored regularly by the head office administrative department.

The Company monitors the fair value and the financial position of the respective issuers of short-term investments and investment securities regularly in the head office administrative department, and continually reviews the condition of stocks held. The Company reports the condition of stocks held and their fair value to the Board of Directors, and monitors the rating and financial conditions of issuers.

### 3. Management of liquidity risk related to financing activities (risk of non-payment on due date)

The Company manages liquidity risk centrally through the administrative department, which ensures a certain amount of liquidity through the preparation and update of cash forecasts based on reports from each department and the finance plans prepared by the accounting departments of each subsidiary.

#### d. Supplemental information on the fair value of financial instruments

The Company calculates the fair value of financial instruments based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors, and therefore may change depending on changes in the underlying assumptions. The contract amounts of the derivatives are described in Note 5. Derivative Financial Instruments below and are not indicative of the market risk associated with derivatives transactions.

#### (2) Fair value of financial instruments

The fair values of financial instruments held, and the variances with the carrying values presented on the balance sheets as of December 31, 2010 and 2011, are as follows. Fair values that are not readily determinable are not included in the following table.

	Yen (Millions)		
	2010		
Assets:	Carrying value	Fair value	Variance
(1) Cash and bank deposits	¥ 63,765	¥ 63,765	-
(2) Trade notes and accounts receivable	11,449	11,449	-
(3) Short-term investments and investment securities	57,514	56,395	¥(1,118)
Total	¥132,729	¥131,610	¥(1,118)
Liabilities:			
(1) Trade notes and accounts payable	3,739	3,739	-
Total	¥ 3,739	¥ 3,739	-
Derivative instruments (forward exchange contracts)	¥ (4)	¥ (4)	-

	Yen (Millions)			U.S. Dollars (Thousands)		
	2011					
Assets:	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
(1) Cash and bank deposits	¥ 54,920	¥ 54,920	-	\$ 713,246	\$ 713,246	-
(2) Trade notes and accounts receivable	11,977	11,977	-	155,545	155,545	-
(3) Short-term investments and investment securities	55,601	53,615	¥(1,986)	722,090	696,298	\$(25,792)
Total	¥122,499	¥120,513	¥(1,986)	\$1,590,896	\$1,565,103	\$(25,792)
Liabilities:						
(1) Trade notes and accounts payable	3,854	3,854	-	50,051	50,051	-
Total	¥ 3,854	¥ 3,854	-	\$ 50,051	\$ 50,051	-

#### 1. Method for calculating the fair values of financial instruments, short-term investments and derivative transactions

##### Assets:

(1) Cash and bank deposits (2) Trade notes and accounts receivable

The carrying value is used for the fair value of these short-term items because these amounts are approximately the same.

(3) Short-term investments and investment securities

Market prices on securities exchanges are used to determine the fair value of stock. Prices quoted by exchanges or financial institutions are used to determine the fair value of bonds.

##### Liabilities:

(1) Trade notes and accounts payable

The carrying value is used for the fair value of these short-term items because these amounts are approximately the same.

##### Derivative instruments

Please refer to Note 5 Derivative Financial Instruments.

#### 2. Carrying value of financial instruments for which fair values were extremely difficult to determine

	Yen (Millions)	Yen (Millions)	U.S. Dollars (Thousands)
	2010	2011	2011
Unlisted stocks	¥121	¥120	\$1,558

These items are not included in "(3) Short-term investments and investment securities" because market prices do not exist for these items and their fair values are not readily determinable.

#### 3. Redemption schedule for receivables and marketable securities with maturities at December 31, 2010 and 2011

	Yen (Millions)			
	2010			
	Within 1 year	1-5 years	5-10 years	Over 10 years
Cash and bank deposits	¥63,765	-	-	-
Trade notes and accounts receivable	11,449	-	-	-
Short-term investments and investment securities				
Held-to-maturity securities				
Corporate bonds	1,000	¥2,300	¥15,500	¥6,000
Commercial paper	2,000	-	-	-
Other securities				
Corporate bonds	11,994	6,100	-	-
Certificates of deposit	2,000	-	-	-
Money in trust	2,000	-	-	-
Investment trust	-	180	-	-
Total	¥94,210	¥8,580	¥15,500	¥6,000

	Yen (Millions)				U.S. Dollars (Thousands)			
	<b>2011</b>							
	Within 1 year	1-5 years	5-10 years	Over 10 years	Within 1 year	1-5 years	5-10 years	Over 10 years
Cash and bank deposits	¥54,920	-	-	-	\$ 713,246	-	-	-
Trade notes and accounts receivable	11,977	-	-	-	155,545	-	-	-
Short-term investments and investment securities								
Held-to maturity securities								
Corporate bonds	500	¥2,800	¥15,375	¥3,000	6,493	\$ 36,363	\$199,675	\$38,961
Commercial paper	4,118	-	-	-	53,480	-	-	-
Other securities								
Corporate bonds	11,998	6,300	-	-	155,818	81,818	-	-
Certificate of deposit	2,000	-	-	-	25,974	-	-	-
Money in trust	2,000	-	-	-	25,974	-	-	-
Investment trust	-	180	-	-	-	2,337	-	-
<b>Total</b>	<b>¥87,514</b>	<b>¥9,280</b>	<b>¥15,375</b>	<b>¥3,000</b>	<b>\$1,136,545</b>	<b>\$120,519</b>	<b>\$199,675</b>	<b>\$38,961</b>

#### 4. Investment Securities

The carrying value, fair value and variance for securities classified as either held-to-maturity securities or other securities as of December 31, 2010 and 2011 were as follows:

##### (1) Held-to-maturity securities

	Yen (Millions)		
	Carrying value	Fair value	Variance
<b>2010</b>			
Securities whose fair value exceeds their carrying value			
Corporate bonds	¥ 2,875	¥ 3,428	¥ 553
Subtotal	¥ 2,875	¥ 3,428	¥ 553
Securities whose carrying value exceeds their fair value			
Corporate bonds	23,282	21,610	(1,671)
Subtotal	¥23,282	¥21,610	¥(1,671)
<b>Total</b>	<b>¥26,157</b>	<b>¥25,039</b>	<b>¥(1,118)</b>

	Yen (Millions)			U.S. Dollars (Thousands)		
	<b>2011</b>					
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
Securities whose fair value exceeds their carrying value						
Corporate bonds	¥ 1,375	¥ 1,889	¥ 514	\$ 17,857	\$ 24,532	\$ 6,675
Subtotal	¥ 1,375	¥ 1,889	¥ 514	\$ 17,857	\$ 24,532	\$ 6,675
Securities whose carrying value exceeds their fair value						
Corporate bonds	24,418	21,917	(2,500)	317,116	284,636	(32,467)
Subtotal	¥24,418	¥21,917	¥(2,500)	\$317,116	\$284,636	\$(32,467)
<b>Total</b>	<b>¥25,793</b>	<b>¥23,807</b>	<b>¥(1,986)</b>	<b>\$334,974</b>	<b>\$309,181</b>	<b>\$(25,792)</b>

##### (2) Other securities

	Yen (Millions)		
	Carrying value	Fair value	Variance
<b>2010</b>			
Securities whose fair value exceeds their carrying value			
Stock	¥ 1,240	¥ 2,143	¥ 902
Corporate bonds	8,985	9,005	20
Subtotal	¥10,226	¥11,149	¥ 922
Securities whose carrying value exceeds their fair value			
Stock	2,161	1,699	(461)
Corporate bonds	9,468	9,072	(396)
Other	9,933	9,435	(497)
Subtotal	¥21,562	¥20,207	¥(1,354)
<b>Total</b>	<b>¥31,788</b>	<b>¥31,356</b>	<b>¥ (432)</b>

Unlisted stocks are not included in "Other securities" because their market prices do not exist and their fair values are not readily determinable.



	Yen (Millions)			U.S. Dollars (Thousands)		
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
	<b>2011</b>					
Securities whose fair value exceeds their carrying value						
Stock	¥ 430	¥ 965	¥ 535	\$ 5,584	\$ 12,532	\$ 6,948
Corporate bonds	1,198	1,199	1	15,558	15,571	12
Subtotal	¥ 1,628	¥ 2,165	¥ 536	\$ 21,142	\$ 28,116	\$ 6,961
Securities whose carrying value exceeds their fair value						
Stock	2,915	2,000	(914)	37,857	25,974	(11,870)
Corporate bonds	17,100	16,960	(139)	222,077	220,259	(1,805)
Other	9,431	8,681	(749)	122,480	112,740	(9,727)
Subtotal	¥29,446	¥27,642	¥(1,803)	\$382,415	\$358,987	¥(23,415)
Total	¥31,075	¥29,808	¥(1,267)	\$403,571	\$387,116	¥(16,454)

## 5. Derivative Financial Instruments

The Company enters into forward exchange contracts and options, and forward precious metal contracts, as a normal part of risk management efforts. The Company also utilizes compound financial instruments for the purpose of efficient management of surplus funds. However only principal guaranteed instruments are used, derivatives are not used for speculative trading purposes. As a result, the Company is exposed to risk of currency rate fluctuations and commodity price risk. 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. 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.

Forward precious metal contracts are used by the Company to hedge the risk of changes in market prices resulting from the purchase of precious metals as raw materials for motor products. The contracted amounts outstanding at December 31, 2010 and 2011 were ¥118 million and ¥4,342 million (\$56,389 thousand), respectively.

The estimated fair values at December 31, 2010 and 2011 were ¥193 million and ¥4,070 million (\$52,857 thousand), respectively.

These forward contracts are long-term purchase contracts of raw materials, and are also not in the scope of the accounting standards of financial instruments.

Gains and losses deferred, arising from contracts related to future trade transactions, are insignificant at December 31, 2010. The currency option contracts outstanding at December 31, 2010 were ¥973 million. The estimated fair values at December 31, 2010 were ¥4 million. There are no currency option contracts outstanding at December 31, 2011.

## 6. Retirement Benefit Plans

The table below sets forth the plans' statuses and amounts recognized in the balance sheets at December 31, 2010 and 2011.

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2011
Projected benefit obligation	¥(8,717)	¥(8,765)	\$(113,831)
Plan assets at fair value	8,663	8,721	113,259
Unfunded retirement benefit obligation	(54)	(43)	(558)
Unrecognized prior service cost	148	127	1,649
Unrecognized actuarial gains	(331)	(369)	(4,792)
Net retirement benefit obligation	(236)	(285)	(3,701)
Prepaid pension cost	150	130	1,688
Accrued retirement benefits	¥ (387)	¥ (416)	\$ (5,402)

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 December 31, 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 Ltd.

The components of net periodic pension cost for the years ended December 31, 2010 and 2011 were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2011
Service cost	¥ 427	¥ 456	\$ 5,922
Interest cost	168	164	2,129
Amortization of prior service cost	20	20	259
Expected return on plan assets	(104)	(109)	(1,415)
Amortization of unrecognized actuarial gain	(30)	(35)	(454)
Net periodic pension cost	¥ 481	¥ 497	\$ 6,454

Other than the above pension cost, temporary severance benefit costs of ¥84 million in 2010 and ¥423 million (\$5,493 thousand) in 2011 were incurred, respectively.

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

	2010	2011
Discount rate	mainly 2.0%	mainly 2.0%
Expected rate of return on plan assets	mainly 1.0%	mainly 1.0%

## 7. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on income with a normal aggregate tax rate of approximately 40.4% for the years ended December 31, 2011. 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, 2010 and 2011.

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.

	2010	2011
	%	%
Statutory income tax rate	40.4	40.4
Tax credits on dividend income	(1.5)	(33.5)
Different tax rates applied to foreign subsidiaries	(16.9)	(9.8)
Foreign and R&D tax credit utilization	(1.7)	-
Non-refundable withholding tax	-	6.7
Undistributed earnings in foreign subsidiaries	2.7	7.7
Valuation allowance	-	78.1
Loss on reversal of foreign currency translation adjustments due to liquidation of foreign subsidiary	-	18.7
Other, net	4.9	6.1
Effective income tax rate	27.9	114.4

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, 2010 and 2011 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2011
Deferred tax assets:			
Unrealized profits on inventories and fixed assets	¥ 815	¥ 601	\$ 7,805
Evaluation losses on investment securities and other assets	1,035	907	11,779
Depreciation	81	61	792
Allowance for retirements benefits	78	95	1,233
Unrealized loss on securities available for sale	175	643	8,350
Net operating loss carry forwards	-	511	6,636
Other	800	706	15,805
Valuation allowance	(11)	(2,827)	(36,714)
Total	¥2,975	¥ 699	\$ 9,077
Deferred tax liabilities:			
Tax on undistributed earnings in foreign subsidiaries	¥ 987	¥ 1,236	\$ 16,051
Other	327	330	4,285
Total	¥1,315	¥ 1,567	\$ 20,350
As reported in the consolidated balance sheet:			
Deferred tax assets	¥1,665	¥ 515	\$ 6,688
Deferred tax liabilities	¥ 6	¥ 1,383	\$ 17,961

(Additional information)

(Tax amendment)

Due to the amendment of Japanese corporation tax law in 2011, the income tax rate will be changed and a special taxation measures law will be adopted. As a result, the existing effective tax rate of 40.4% will be changed to 37.8% from January 1, 2013 to December 31, 2015 and 35.4% from January 1, 2016, respectively. The effect of this change was immaterial.

## 8. Consolidated Statement of Comprehensive Income

Comprehensive income for the year ended December 31, 2010 is as follows:

(1) Comprehensive income

	Yen (Millions)
	2010
Comprehensive income attributable to shareholders of the parent	(2,229)
Comprehensive income attributable to minority interests	-
Total	(2,229)

(2) Other comprehensive income

	Yen (Millions)
	2010
Net unrealized holding losses on securities	(224)
Foreign currency translation adjustments	(7,265)
Total	(7,489)

## 9. 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 the legal earnings reserve must be set aside as additional paid-in capital or as part of the legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying

consolidated balance sheets.

As of December 31, 2011, the total amount of additional paid-in capital and the legal earnings reserve exceeded 25% of the common stock; therefore, no additional transfer is required.

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. However, by a resolution at a shareholders' meeting, additional paid-in capital and the 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 16, 2011, interim dividends (¥50 or \$0.64 per share) of ¥1,751 million (\$22,740 thousand) were paid to shareholders based on the shareholder's records at June 30, 2011. On March 29, 2012, the shareholders approved the declaration of dividends (¥50 or \$0.64 per share) totaling ¥1,751 million (\$22,740 thousand).

## 10. Per Share Data

Net income (loss) per share was computed based on the net income (loss) 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 (loss) available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

## 11. Contingent Liabilities

As of December 31, 2011, the Company is contingently liable principally for forward precious metal contracts in the amount of ¥4,342 million (\$56,389 thousand).

## 12. Research and Development Expenses

Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥3,337 million and ¥3,493 million (\$45,363 thousand) for the years ended December 31, 2010 and 2011, respectively.

## 13. Impairment of Fixed Assets

Impairment losses relating to fixed assets of ¥84 million (\$1,090 thousand) were incurred in 2011. Accumulated losses on impairments are directly deducted from the related assets. There were no impairment losses relating to fixed assets in 2010.

## 14. Segment Information

### 1. Overview of reporting segments

The reporting segments of the Company and its consolidated subsidiaries are regularly reviewed by the Board of Directors using the segregated financial information available within each segment of the Company and its consolidated subsidiaries, to determine the allocation of management resources and evaluate business results.

The Company and its consolidated subsidiaries specialize in small motors manufacturing and sales as a single line of business. The Company is in charge of the business activities in Japan. Meanwhile, subsidiaries located overseas are in charge of operations in Asia, the U.S.A., Europe, etc. Subsidiaries located overseas are independent management units and propose comprehensive product strategies while pursuing business expansion.

Since the Company and its consolidated subsidiaries are composed of regional segments based on a manufacturing and selling system, the Company and its consolidated subsidiaries have designated "Japan," "Asia," "U.S.A." and "Europe" as their reporting segments.

### 2. Basis of measurement for reported segment profit or loss, segment assets and other material items

The accounting policies and methods for the Group's reported business segments are the same as described in "1. Summary of Significant Accounting Policies".

### 3. Information concerning net sales, income or loss, assets, liabilities and other items by reporting segment

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2011	2011
Net sales:			
Japan			
External customers	¥ 12,327	¥ 9,765	\$ 126,818
Intersegment	44,032	44,877	582,818
Total	56,359	54,643	709,649
Asia			
External customers	51,295	49,366	641,116
Intersegment	42,735	45,752	594,181
Total	94,031	95,119	1,235,311
U.S.A.			
External customers	7,396	7,468	96,987
Intersegment	(0)	—	—
Total	7,396	7,468	96,987
Europe			
External customers	11,732	12,285	159,545
Intersegment	—	—	—
Total	11,732	12,285	159,545
Corporate and elimination	(86,768)	(90,629)	(1,177,000)
Consolidated	¥ 82,752	¥ 78,886	\$ 1,024,493
Segment income (loss):			
Japan	¥ 1,574	¥ (2,048)	\$ (26,597)
Asia	4,334	3,395	44,090
U.S.A.	296	356	4,623
Europe	231	394	5,116
Corporate and elimination	188	968	12,571
Consolidated	¥ 6,624	¥ 3,066	\$ 39,818
Segment assets:			
Japan	¥ 64,788	¥ 66,468	\$ 863,220
Asia	89,679	96,645	1,255,129
U.S.A.	3,183	3,272	42,493
Europe	5,362	5,901	76,636
Corporate and elimination	22,394	9,063	117,701
Consolidated	¥185,408	¥181,351	\$ 2,355,207
Others:			
Depreciation and amortization:			
Japan	¥ 1,033	¥ 953	\$ 12,376
Asia	2,704	2,559	33,233
U.S.A.	2	3	38
Europe	5	5	64
Corporate and elimination	(143)	(194)	(2,519)
Consolidated	¥ 3,603	¥ 3,326	\$ 43,194
Increase in tangible and intangible fixed assets:			
Japan	¥ 163	¥ 472	\$ 6,129
Asia	3,939	6,914	89,792
U.S.A.	11	0	0
Europe	6	7	90
Corporate and elimination	(972)	(1,250)	(16,233)
Consolidated	¥ 3,148	¥ 6,145	\$ 79,805

- (1) The reported "segment income (loss) corporate and elimination" of ¥188 million in fiscal 2010 and ¥968 million (\$12,571 thousand) in fiscal 2011 represent intersegment transaction eliminations.
- (2) The reported "segment assets corporate and elimination" include: corporate assets of ¥87,338 million in fiscal 2010 and ¥78,240 million (\$1,016,103 thousand) in fiscal 2011, not allocated to each segment; intersegment debt and credit eliminations of ¥64,944 million in fiscal 2010 and ¥69,176 million (\$898,389 thousand) in fiscal 2011.
- (3) The reported "depreciation and amortization corporate and elimination" of ¥143 million in fiscal 2010 and ¥194 million (\$2,519 thousand) in fiscal 2011 represent intersegment transaction eliminations.
- (4) The reported "increase in property, plant and equipment, and intangible assets, corporate and elimination" of ¥972 million in fiscal 2010 and ¥1,250 million (\$16,233 thousand) in fiscal 2011 represent intersegment transaction eliminations.

2. Segment income (loss) is adjusted for operating income reported in the consolidated statements of operations.

#### Related Information

Information on net sales, tangible fixed assets and impairment losses by geographic area is summarized as follows. There is no information on each client because each sales ratio for main clients is lower than 10% of total net sales.

#### Geographical information

	Yen (Millions)		U.S. Dollars (Thousands)			Yen (Millions)		U.S. Dollars (Thousands)	
	2011	2011	2011	2011		2011	2011		
Net sales:					Tangible fixed assets:				
Japan	¥ 8,776	\$ 113,974	¥17,205	\$223,441	Japan	¥20	\$ 259		
Asia	50,277	652,948	16,987	220,610	Asia	64	831		
U.S.A.	7,469	97,000	9	116	U.S.A.	—	—		
Europe	12,362	160,545	27	350	Europe	—	—		
Total	¥78,886	\$1,024,493	¥34,231	\$444,558	Total	¥84	\$1,090		

#### (Additional information)

Effective from the fiscal year ended December 31, 2011, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information".

In addition, the Company restates segment information as of and for the fiscal years ended December 31, 2010 and 2011 in conformity with the requirements of the Standard and the Guidance.

# Independent Auditors' Report



**ERNST & YOUNG**

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## 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, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended December 31, 2011, 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, 2011 and 2010, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2011 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.

March 30 2012

*Ernst & Young Shin Nihon LLC*

# Investor Information

(As of December 31, 2011)

## Stock Data

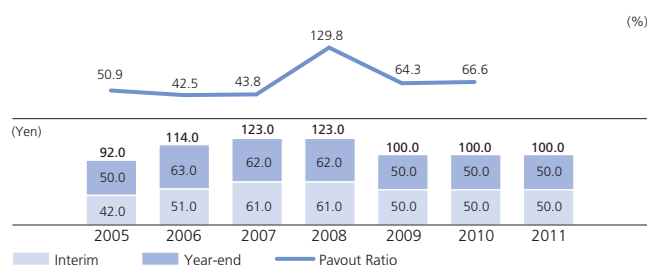
Number of Shares Authorized ..... 100,000,000  
 Number of Shares Issued ..... 39,875,881  
 Number of Shareholders ..... 13,227

## Major Shareholders

Major Shareholders	Number of Shares Held (Thousands)	Ratio of Shareholders (%)
Takaichi Mabuchi	2,500	7.1
Northern Trust Co. (AVFC) Sub-account American Clients	2,463	7.0
Mabuchi International Scholarship Foundation	1,500	4.3
Takashi Mabuchi	1,130	3.2
Tamotsu Mabuchi	1,130	3.2
Premiere Corporation	1,034	3.0
Taka Corporation Co., Ltd.	1,028	2.9
TEXAS Inc.	1,028	2.9
The Nomura Trust and Banking Co., Ltd. (Trust Account)	956	2.7
Japan Trustee Services Bank, Ltd. (Trust Account)	945	2.7

Notes: 1. In addition to the above, Mabuchi Motor Co., Ltd. retains 4,839,419 treasury shares.  
 2. The number of shares of treasury stock is excluded from "Ratio of Shareholders." The percentages are rounded to one decimal place.

## Cash Dividends per Share/Payout Ratio



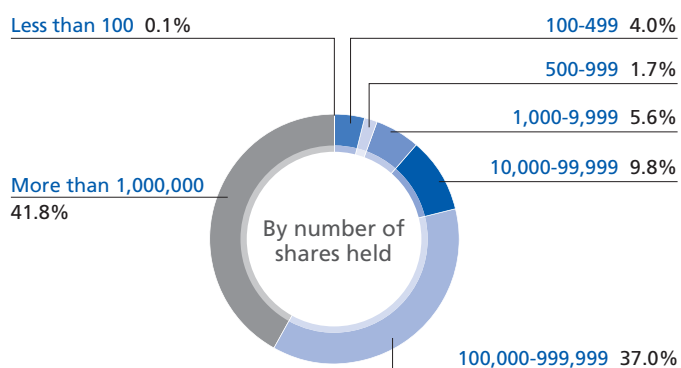
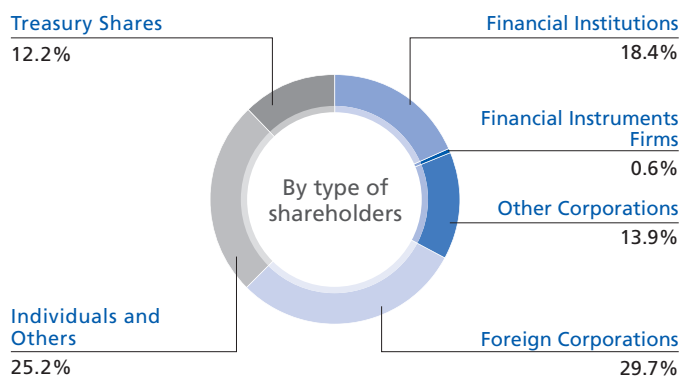
Note: The above graph does not show the payout ratio for 2011, as the Company recorded a net loss for the year.

## Changes in Standards for Calculating Dividends

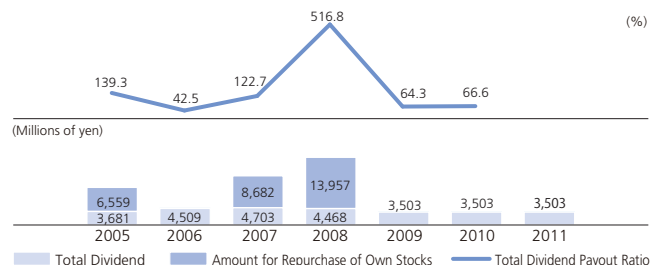
Year	Ordinary Dividend per Share	Standard Value for Calculating Special Dividend
2007 <sup>(*)</sup>	60 yen	20% of consolidated net income
2005	60 yen	20% of consolidated net income
2003	50 yen	20% of consolidated net income
1999	50 yen	5% of consolidated net income

(\* 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.

## Composition of Shareholders



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



Note: The above graph does not show the total dividend payout ratio for 2011, as the Company recorded a net loss for the year.

## Trend of Stock Price and Related Indicators

	2007	2008	2009	2010	2011
High (Yen)	7,990	6,740	5,010	5,520	4,305
Low (Yen)	6,610	2,845	3,230	3,920	3,075
At Year-end (Yen)	6,740	3,690	4,580	4,185	3,205
PER	24.0	38.9	31.2	27.8	—
PBR	1.2	0.7	0.9	0.8	0.7

# Corporate Data

(As of December 31, 2011)

## 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

750 (Non-consolidated)  
33,918 (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

#### MABUCHI MOTOR AMERICA CORP.

3001, West Big Beaver Road, Suite 328,  
Troy, MI 48084, U.S.A.

#### MABUCHI MOTOR DALIAN CO., LTD.

No. 41 Harbin Road, Dalian Economic and  
Technical Development Zone,  
Dalian 116600, China

#### MABUCHI MOTOR DANANG LTD.

Lot A2, No. 3 Street, Hoa Khanh Industrial  
Zone, Lien Chieu District, Danang City,  
Vietnam

#### MABUCHI MOTOR (DONGGUAN) CO., LTD.

Guancheng Science & Technology Park,  
Shilong Road, Guanlong Road's Section,  
Dongguan City, Guangdong Province  
523119, China

#### MABUCHI MOTOR DONGGUAN DAOJIAO CO., LTD.

No.9 Industrial Main Road, Daojiao Town,  
Dongguan City, Guangdong Province  
523179, China

#### MABUCHI MOTOR (EUROPE) GmbH

Herriotstrasse 1, 60528 Frankfurt am Main,  
Germany

#### MABUCHI MOTOR (JIANGSU) CO., LTD.

No. 1 Liuxu Road, Wujiang City Economic  
Development Zone, Jiangsu Province  
215200, China

#### MABUCHI MOTOR (JIANGXI) CO., LTD.

Jinlong Road, Ganzhou Development Zone,  
Jiangxi 341000, China

#### MABUCHI MOTOR KOREA CO., LTD.

G-five Central Plaza 328, 27,  
Seochojungang-Ro 24-Gil, Seocho-Gu,  
Seoul, 137-882 Korea

#### MABUCHI MOTOR (SHANGHAI) CO., LTD.

Room 1901, Kirin Plaza Building, No. 666  
Gubei Road, Changning District,  
Shanghai 200336, China

#### MABUCHI MOTOR (SINGAPORE) PTE. LTD.

111, North Bridge Road, #12-05  
Peninsula Plaza, Singapore, 179098

#### MABUCHI MOTOR TAIWAN LTD.

No. 66 Kai-Fa Road, N.E.P.Z., Kaohsiung  
81170, Taiwan

#### MABUCHI MOTOR TRADING (SHENZHEN) CO., LTD.

Room 1704-05 Great China International  
Exchange Square, Jintian Road,  
Futian District, Shenzhen City,  
Guangdong Province 518034, China

#### MABUCHI MOTOR VIETNAM LTD.

No. 2-5A Street, Bienhoa II Industrial Zone,  
Bienhoa, Dongnai, Vietnam

#### MABUCHI MOTOR WAFANGDIAN CO., LTD.

Laohutun Town, Wafangdian City,  
Liaoning Province 116322, China

#### MABUCHI MOTOR (YINGTAN) CO., LTD.

Yingtian Economic and Technological  
Development Zone, Yingtian City,  
Jiangxi Province 335000, China

#### MABUCHI PRECISION (DONGGUAN) CO., LTD.

Ludong Industrial Area, Humen Town,  
Dongguan City, Guangdong Province  
523935, China

#### MABUCHI TAIWAN CO., LTD.

No. 18, Chunghua Road, Hsinchu Industrial  
District, Hsinchu 30352, Taiwan

#### Non-consolidated Subsidiary MABUCHI REAL ESTATE CO., LTD.



**MABUCHI MOTOR CO., LTD.**

CORPORATE HEADQUARTERS

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

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



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- Printed on FSC®-certified paper using material from well-managed forests.

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