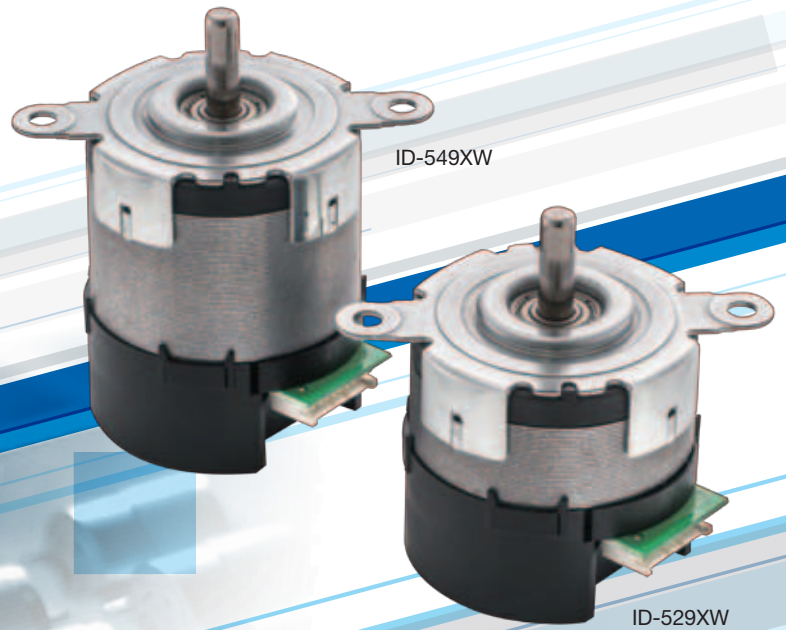


Annual Report 2012

Year ended December 31, 2012



**Small Motors
Delivering Performance
into the Future**

Small Direct-Current Electric Motor



Small Motors Delivering Performance into 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 1,435 million units (2012 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.





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.



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.

Table of Contents

Our Business

- 1 Profile

President's Message

- 4 To Our Shareholders

How We're Doing

- 9 Segment Information by Motor Application
- 11 Research and Development Activities

Activities for Sustainable Management

- 12 Mabuchi's Management Vision
- 13 Corporate Governance
- 15 Board of Directors, Audit & Supervisory Board Members, and Executive Officers
- 16 Corporate Social Responsibility

Financial Section

- 17 Financial Summary
- 19 Management's Discussion and Analysis
- 21 Business and Other Risks
- 23 Consolidated Balance Sheets
- 25 Consolidated Statements of Operations
- 25 Consolidated Statements of Comprehensive Income
- 26 Consolidated Statements of Changes in Net Assets
- 27 Consolidated Statements of Cash Flows
- 28 Notes to Consolidated Financial Statements
- 39 Independent Auditor's Report

Company Information

- 40 Investor Information
- 41 Corporate Data

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

Mabuchi will steadily proceed with the establishment of new growth axes and cost optimization aligned with the business environment in preparation for the next breakthrough.



Shinji Kamei
Representative Director
and Chairman

S. Kamei



Hiroo Okoshi
Representative Director
President and CEO

Hiroo Okoshi

Overview of Sales during Fiscal 2012

During fiscal 2012, the year ended December 31, 2012, the debt crisis in Europe had a major impact on the real economy across the entire continent and was a main cause of the global economic slowdown. Although the U.S. economy showed signs of a recovery, partly attributable to progress in household debt adjustment, it lacked the dynamism to drive the global economy. The economies of China and other emerging countries slowed further, hindered by sluggish export growth.

In Japan as well, an economic downtrend became clear as the persistently high yen, the energy problem, and other causes for concern remained unresolved, particularly so in the second half of the year as a result of the slowdown in overseas economic activity and contraction of domestic demand.


In the small motor industry, to which the Mabuchi Group belongs, although demand increased for reasons including recovery in the automotive products market, other consumer and industrial products markets were slack due to factors such as the impact of the economic slowdown in

developed countries and demand contraction in emerging countries. Another negative factor was sluggish demand leading up to the peak year-end sales season, for which our expectations were high.

Under these business conditions, the Mabuchi Group continued its efforts from the previous year to address several issues: continued strengthening of the automotive products business, enhancing sales performance in China, reorganization of production bases, and plant efficiency improvements.

Financial Highlights

	Millions of yen		Thousands of U.S. dollars	Rate of change
	2011	2012	2012	YoY
Net sales	¥ 78,886	¥ 85,254	\$991,325	+8.1%
Operating income	3,066	5,052	58,744	+64.8%
Net income (loss)	(466)	6,385	74,244	—
Total assets	181,351	196,702	2,287,232	+8.5%
Net assets	168,538	181,372	2,108,976	+7.6%



■ In fiscal 2012, the Mabuchi Group actively devised measures to reliably ensure sales and market share expansion, stable product supply, and high quality and high efficiency.

Specifically, the Mabuchi Group actively devised measures to realize management that reliably ensures sales and market share expansion, stable product supply, and high quality and high efficiency. These measures included 1) the introduction of new motors for power window lifters (two models); 2) accelerated development of products that do not use neodymium; 3) the start of activities to establish a locally self-contained business unit structure in China; 4) the start of operation at MABUCHI MOTOR (JIANGXI) CO., LTD., Mabuchi's second inland production base in China; 5) the start of mass production of new products developed jointly by Mabuchi headquarters and the R&D base in China (Dongguan); and 6) improvement in labor productivity by means including the introduction and expansion of facilities to rationalize production and the implementation of laborsaving measures.

As a result, consolidated net sales for the period were ¥85,254 million (an 8.1% increase on a year-on-year basis). Sales of motors, which account for the majority of consolidated net sales, were ¥85,131 million (an 8.1% increase). Operating income for the year was ¥5,052 million (a 64.8% increase on a year-on-year basis), due to improvement in the gross profit ratio as a result of stabilization in the steep rise in materials costs that occurred up to the previous year and a trend toward improvement in the product mix coupled with the effect from controlling selling, general and administrative expenses to roughly the prior-year level. Income before income taxes was ¥8,426 million (a 159.4% increase on a year-on-year basis) as a result of worsening of the balance of extraordinary items

due to increases in loss on sales of investment securities and loss on revaluation of investment securities and the recording of restructuring expenses at overseas subsidiaries, despite the non-recurrence of loss on reversal of foreign currency translation adjustments, the main extraordinary loss item in the previous year. Net income was ¥6,385 million (a net loss of ¥466 million in the previous year) due to a lower effective tax rate on income before income taxes resulting from the non-recurrence of expenses in connection with the reversal of deferred tax assets recorded in the previous year.

The next section describes market trends and sales conditions categorized into separate markets for motors.

Implementation of Growth and Cost Strategies in Preparation for New Breakthroughs

In fiscal 2013, Mabuchi will focus on the following four strategies for the establishment of new growth axes and cost optimization aligned with the business environment.

■ Continued Strengthening of the Automotive Products Business and New Activities in the Consumer and Industrial Products Businesses

There is substantial room for growth in medium-size automotive motors, a market sector that Mabuchi only recently entered, due to factors including the mainstreaming of low-cost cars, an increase in the option installation rate, and progress made with interchangeable parts development.

Mabuchi will continue to position this sector as an important growth driver, focusing the collective strength of the Mabuchi Group to implement a growth strategy.

With regard to motors for power window lifters, we will accelerate growth in sales of medium-torque products and expand our customer base in the European and North American markets for new high-torque products as well. In addition, we will maintain our top market share in China by increasing the number of car models equipped with our products.

Since uncertainties still remain with respect to the supply of neodymium over the medium to long term, we have begun development of new motors for power seats that use neodymium-free magnets and aim to start mass production and shipment at an early date.

Furthermore, we plan to develop the business for motors for electric parking brakes and motors for engine intake and exhaust by leveraging the track record built since the introduction of these products to obtain major projects.

We will then undertake new activities to discover latent needs in the consumer and industrial products business sectors, where growth has stalled the past few years. As our first initiative, we will begin mass production and shipment of motors for office multifunction printers and motors for office laser printers. In addition, we will boost activities in the home automation, healthcare, and unit motor sectors.

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

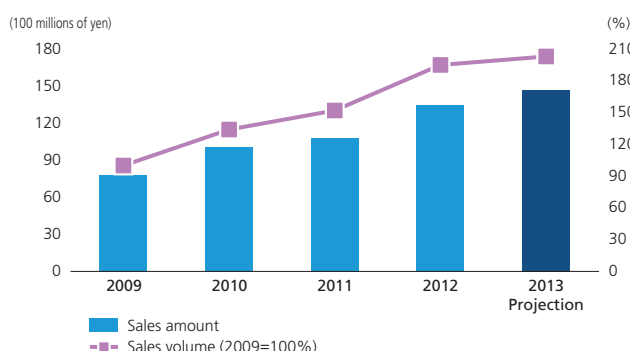
■ Sales Expansion in China

In fiscal 2012, Mabuchi established the China Business Unit to accurately ascertain and promptly respond to market needs in China, taking the first step toward a locally self-contained business by linking the cross-organizational functions of the R&D center, production bases, and sales bases in China and partially transferring authority to the local operation. In fiscal 2013, we will ascertain in an integrated way the overall state of our business in China and begin rebuilding a management system for centralized management.

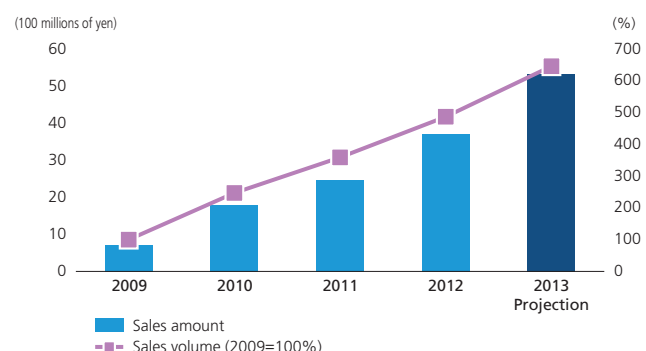
■ Reorganization of Production Bases

Approximately 20 years have passed since the start of operation at the factories in Guangdong, Dalian, and Jiangsu, the Mabuchi Group's main production bases in China, and over the course of that time many local employees have developed a great many skills and expertise. We will leverage the technological and management capabilities at these coastal production bases in China as strengths to increase the ratio of high-value-added operations: the production of technologically complex products, process innovation through the independent design and production of laborsaving equipment, and local selling of own products. To develop a structure that can generate profits even at low prices, we will transfer in stages to Yingtan Mabuchi and Jiangxi Mabuchi in Jiangxi Province the production of low-end products for which price competition is intense. Furthermore, since the two production bases in Vietnam have more favorable cost conditions than the production bases in China, we aim to boost profitability by increasing factory capacity utilization and mitigating the fixed cost burden.

Power Window Motor Sales Results and Projections



Power Seat Motor Sales Results and Projections



**Production Base Strategy:
Enhancement of Consolidated Earning Power Through Reinforcement of Strengths at Each Production Base**



Reinforcement of High-End Product Production at Coastal Production Bases in China

Jiangsu Mabuchi:

Sales expansion from establishment of a sales division and integration of production and sales

Dongguan Mabuchi:

Expansion of high-value-added motors for MFP and other applications

MFP: Multifunction printers

Production Capacity Expansion at Two Inland Production Bases in China

Yingtian Mabuchi/Jiangxi Mabuchi:

Transfer of production from coastal areas and pursuit of cost competitiveness that can prevail in global competition

Reinforcement of Automotive Motors at Two Production Bases in Vietnam

Vietnam Mabuchi:

Expansion of production scale to the highest level ever (420 million pieces)

Danang Mabuchi:

Increase in the production ratio of motors for automotive products

■ Manufacturing Process Innovation

The Mabuchi Group considers a manufacturing base that cannot be easily imitated by competitors important for prevailing in global competition and will undertake development of such a manufacturing base. To cope with a dramatic increase in labor costs in countries where Mabuchi maintains production bases, we have pursued activities to achieve our medium-term target of laborsaving of 30% from the fiscal 2010 level, the equivalent of 10,000 direct employees, by the end of fiscal 2013. We will continue to realize laborsaving measures of 10% or higher in fiscal 2014 and beyond by engaging in activities focused on the reduction of non-value-added processes, such as the reduction of inspection and correction of man-hours, through the reinforcement of ensuring quality in upstream activities.


At the same time, an increase in the relative importance of automotive applications has resulted in more stringent quality requirements, and the importance of Mabuchi's manufacturing processes and of communicating the value of those processes to customers is increasing. In fiscal 2013, Jiangsu Mabuchi, a dedicated medium-size automotive motor factory, will begin full-scale implementation of the smart factory concept for linking factory facilities and core systems. Smart factory is a leading-edge system for the early detection of abnormalities in production processes and minimization of the ramifications of problems by monitoring in real time in an integrated manner abnormality

detection information and facility operation status.

Mabuchi will develop factories that can stably deliver high-quality and high-efficiency performance while realizing low-cost production through manufacturing innovation built on three pillars: laborsaving measures, built-in quality of upstream activities, and leading-edge IT.

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 the dividend payout ratio, dividend levels prior to the previous period, internal reserves, cash flows, and other factors. The amount shall not be less than the expected full-year dividend amount announced during the full-year period.



Mabuchi will develop factories that deliver high-quality and high-efficiency performance while realizing low-cost production through manufacturing innovation built on three pillars: laborsaving measures, built-in quality of upstream activities, and leading-edge IT.

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 2012 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 2012, and has canceled 7.2 million of these shares. (On February 22, 2013, the Company canceled 2 million 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

In the outlook for fiscal 2013, in developed countries, the U.S. economy is expected to show gradual recovery, while business conditions in Europe are likely to remain stagnant despite the fact that the outlook of uncertainty is expected to fade, weighed down by drastic austerity measures. In Japan, no reliable signs pointing to economic recovery and growth are discernible. In emerging countries, economic activity is likely to stabilize, and growth should continue, although at a slower pace.

The situation in the markets in which the Mabuchi Group's products are sold is mixed. Markets showing clear signs of a recovery and an underlying growth trend are the Automotive Products market and the Home Appliances, Power Tools & Toys market, where demand is expected to increase in developed countries and emerging countries alike. In the Audio & Visual Equipment market and Optical & Precision Instruments market, which continue to contract, we expect a further decrease in demand in fiscal 2013.

With respect to the annual dividend forecast for fiscal 2013, in a business environment that remains difficult, the Company will provide shareholder returns that reflect recognition of the importance of continuity and stability. We plan to pay a dividend of ¥120 per share, consisting of an ordinary dividend of ¥60 and a special dividend of ¥40, the same as in fiscal 2012, as well as a commemorative dividend of ¥20 to mark the 60th anniversary of the founding of the Company in January 2014 and express gratitude for the continuing support of our shareholders.

Finally, at a meeting of the Board of Directors held following the conclusion of the Ordinary General Meeting of Shareholders held on March 28, 2013, Shinji Kamei was elected representative director and chairman, Hiroo Okoshi was newly elected representative director and president, and both assumed their respective new offices. We intend to work diligently to promote continuing contributions to the world community and further development of Mabuchi's business, and kindly request the continued support and encouragement of our shareholders in the coming years.

Segment Information by Motor Application

In fiscal 2012, the Mabuchi Group actively devised measures to realize management that reliably ensures sales and market share expansion, stable product supply, and high quality and high efficiency. These efforts led to an 8.1% year-on-year increase in motor sales, which account for the majority of the Group's consolidated net sales, reaching 85,131 million yen.

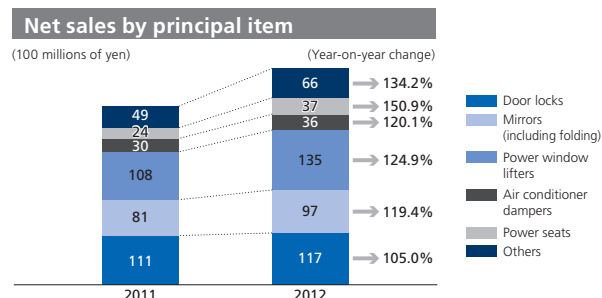
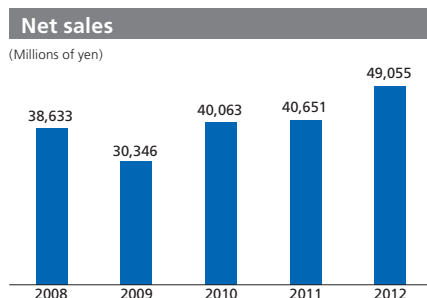
Automotive Products

Major Applications

Door locks, mirrors, power window lifters, air conditioner dampers, power seats, etc.

Automotive Products Market

Net sales in this market rose sharply to 49,055 million yen (a 20.7% increase on a year-on-year basis). Mabuchi increased its share of motors for mirrors and air conditioner dampers, major existing applications in this market. Automobile production growth, share expansion, and an increase in the number of models equipped with Mabuchi's motors contributed to a sales increase across all other applications, including power window lifters and power seats, our prioritized businesses. New applications such as motors for electronic parking brakes and steering column adjusters also contributed to the sales increase.



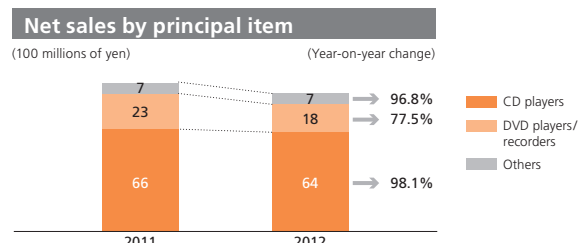
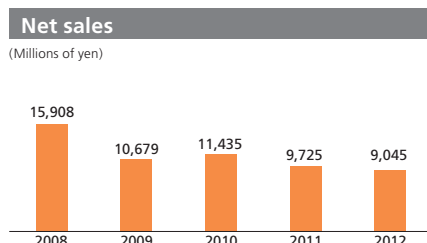
Audio & Visual Equipment

Major Applications

CD players, DVD players/recorders, etc.

Audio & Visual Equipment Market

Net sales in this market decreased to 9,045 million yen (a 7.0% decrease on a year-on-year basis). Sales of motors for DVD players fell due to market contraction, and sales of motors for CD players in cars declined as a result of the economic recession in Europe.



Optical & Precision Instruments

Major Applications

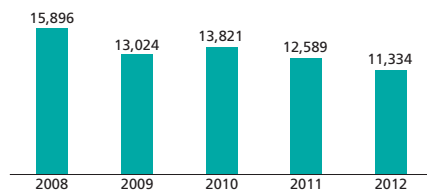
Inkjet printers, PC drives, digital cameras, etc.

Optical & Precision Instruments Market

Net sales in this market decreased to 11,334 million yen (a 10.0% decrease on a year-on-year basis). Sales of motors for inkjet printers were unfavorable in developed countries and emerging countries alike, sales of motors for digital cameras fell in a slack market for compact cameras, and sales of motors for PC drives fell due to adherence to a policy of emphasizing profitability.

Net sales

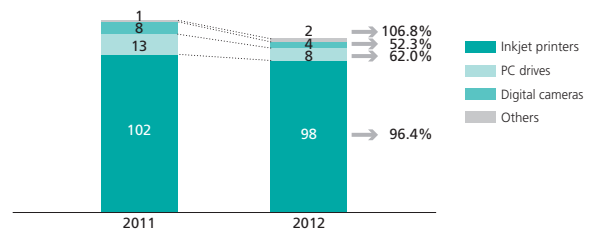
(Millions of yen)



Net sales by principal item

(100 millions of yen)

(Year-on-year change)



Home Appliances, Power Tools & Toys

Major Applications

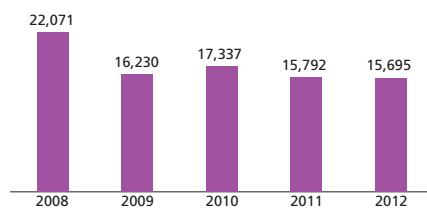
Beauty-related equipment, power tools, toys, health-related equipment, etc.

Home Appliances, Power Tools & Toys Market

Net sales in this market were roughly at the prior-year level, decreasing slightly to 15,695 million yen (a 0.6% decrease on a year-on-year basis). Although sales of motors for shavers, hair dryers, and toothbrushes fell due to factors including market stagnation leading up to the peak year-end sales season, higher sales of motors for power tools and other applications compensated for the decrease.

Net sales

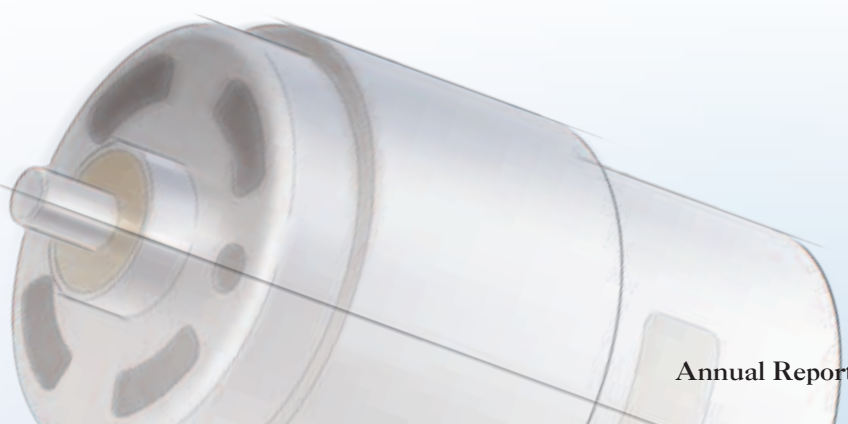
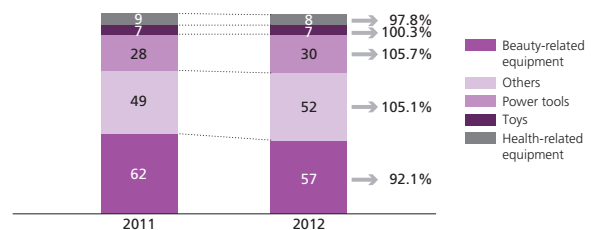
(Millions of yen)



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: the Research and Development Dept. 1, the Research and Development Dept. 2, the Production Engineering Dept., and the Production Engineering Innovation Center. In addition, the Research and Development Headquarters directly controls groups that engage in activities pertaining to fundamental technology, intellectual property, testing and evaluation, and technology research, principally high-value-added work including the development of elemental technologies based on the technology roadmap and new product development centered on strategically important applications (please see below). To date the Research and Development Center of MABUCHI MOTOR (DONGGUAN) CO., LTD. (the "R&D Center") has mainly engaged in design improvement work to ensure the allocation of headquarters R&D resources. During the year under review, it also began new product development activities for the purpose of accelerating this work and supporting the rapid introduction of products to the Chinese market.

Strategic R&D Fields

To realize timely product development and new product introductions, Mabuchi has prepared the technology roadmap based on information obtained from market research and benchmarking-based technical investigation and is steadily developing elemental technologies in accordance with the roadmap. Among these development projects, Mabuchi considers examination of the following issues and the implementation of measures to address them as an urgent task for coping with the recent soaring prices of neodymium and other rare earths, the uncertainty of their supply, and the rapid, steep rise in labor costs in overseas countries where Mabuchi operates plants—and we are proceeding 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) The enhancement of option support technologies for achieving versatility
- (4) The strengthening of capabilities that enable rapid sample production and mass production start-up

In the automotive products business, a high-priority business sector, Mabuchi is making every effort to increase customer satisfaction and customer appeal for each motor application.

Motors for Power Window Lifters

Net sales in this market increased, reaching ¥10.0 billion in fiscal 2012. This success has brought an increase in trade inquiries from customers in Japan and abroad, and Mabuchi is ramping up personnel in light of this development.

Motors for Power Seats

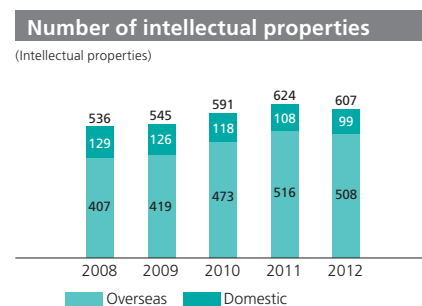
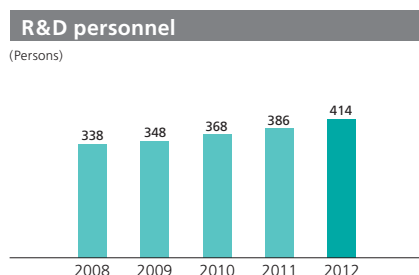
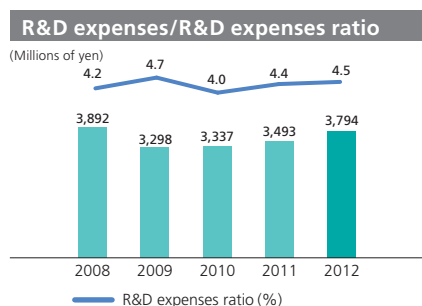
The introduction of small, high-torque motors has boosted Mabuchi's name recognition in this market and increased adoptions by large customers, and Mabuchi will undertake product enhancements to further increase its share of this market.

Motors for Other Small Automotive Applications

Although this is a market in which Mabuchi has long enjoyed competitive advantage, without succumbing to complacency, we are pursuing activities aimed at further boosting competitive strength by such means as offering a new line of small, high-torque motors.

With regard to existing models for other markets, Mabuchi faces increasingly fierce competition and is undertaking efforts to improve their features as well as to promote remodeling, while utilizing the aforementioned R&D Center to put in place a structure for promptly meeting market and customer needs.

A summary of our technical achievements in fiscal 2012 is as follows. R&D expenses for the year were ¥3,794 million. The total number of industrial properties held by the Company stood at 607 (99 domestic and 508 overseas), and the total number of domestic and overseas new industrial property applications during the year was 25. A total of 414 employees engaged in R&D activities (236 at our headquarters and 178 at MABUCHI MOTOR (DONGGUAN) CO., LTD. R&D Center).



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.

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.



Our Management Vision

● 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.

Mabuchi’s Management Vision

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.

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

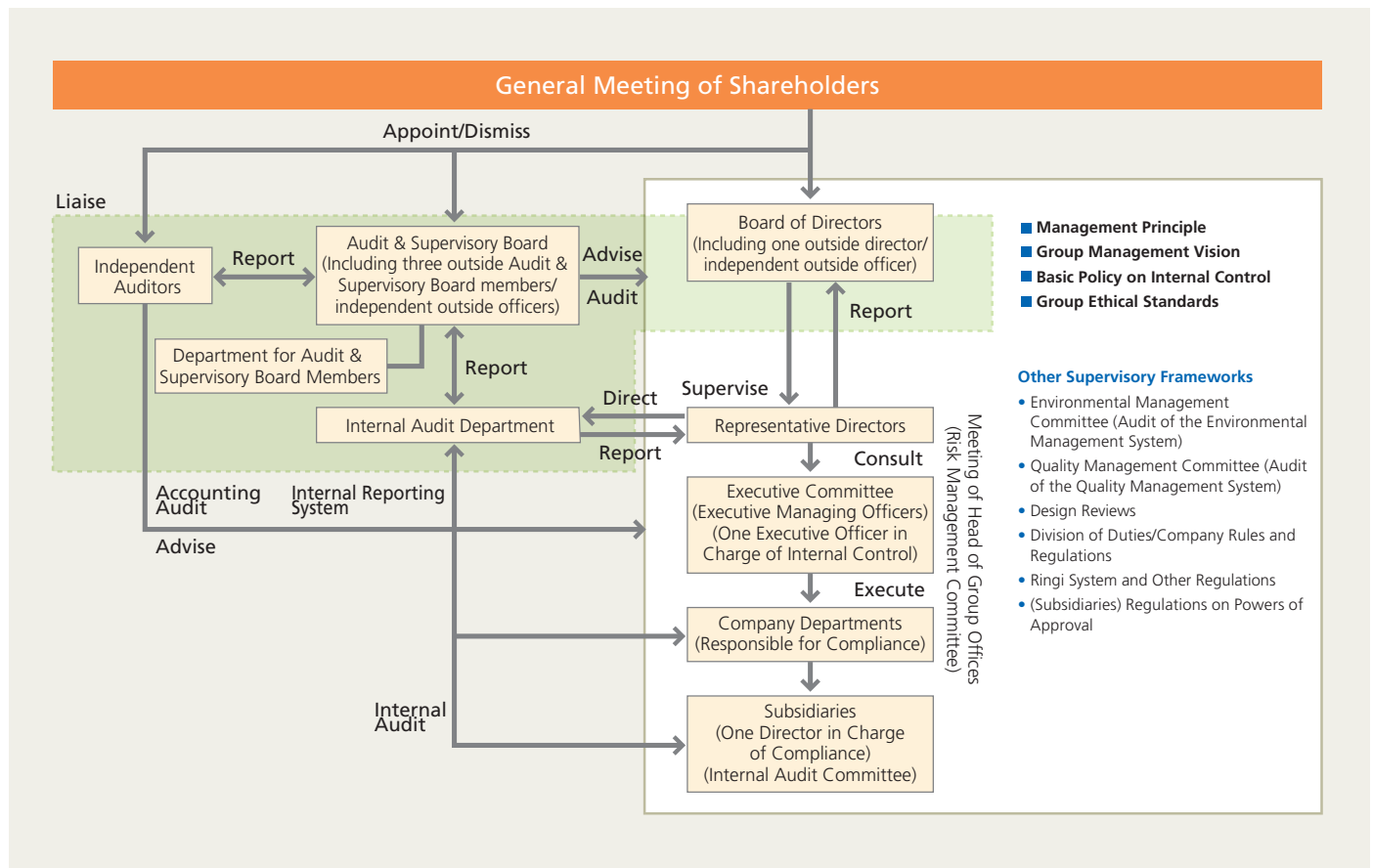
5. To disclose corporate information to shareholders and other stakeholders in an appropriate, fair, timely and clear manner and to ensure accountability through the Board of Directors, the Audit & Supervisory Board, and other bodies.

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 Audit & Supervisory Board 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 six inside directors and one independent outside director who are familiar with the Company's management environment and business. The Board of Directors quintessentially serves the functions of management decision-making and supervision of 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.

The Company deems that the independent outside director shall act in a supervisory and advisory role to the Company's management at the Board of Directors' meetings to not only ensure but also enhance transparency.

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 twice 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.

Audit & Supervisory Board

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

The Audit & Supervisory Board members (three of whom are outside members) 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 Audit & Supervisory Board. Specifically, Audit & Supervisory Board members attend meetings of the Board of Directors and the Executive Committee and other important meetings and oversee major business execution decisions and documentation related to their execution, if necessary, requesting directors and employees to provide such documents or submit reports, in order to audit and supervise the execution of duties by the directors. The Audit & Supervisory Board convenes every second month and holds regular monthly meetings for the exchange of opinions between Audit & Supervisory Board members 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 Audit & Supervisory Board (members), the Executive Officer Responsible for Internal Control, and the Internal Control Department 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 Audit & Supervisory Board members.

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 Audit & Supervisory Board members' audits. In this way, inadequacies in internal controls and other issues discovered in risk management activities, compliance activities, Audit & Supervisory Board members' audits, and internal audit activities are reported to the directors and Audit & Supervisory Board members on a periodic or nonperiodic basis, and appropriate corrective measures are taken in a timely manner. These efforts provide the Company with 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 Audit & Supervisory Board members 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 Audit & Supervisory Board. 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, Audit & Supervisory Board Members, and Executive Officers

(As of March 28, 2013)

Directors



Shinji Kamei

Representative Director
and Chairman



Hiroo Okoshi

Representative Director
President and CEO



Takashi Kamei

Executive Managing Director
Senior Managing Executive Officer and General Manager of
Operations Control Headquarters, in charge of China Business



Tadashi Takahashi

Director
Executive Officer and General
Manager of Research and
Development Headquarters



Akihiko Kitahashi

Director
Executive Officer and General
Manager of Sales & Marketing
Headquarters



Masato Itokawa

Director
Executive Officer and General
Manager of Quality Assurance
Dept., in charge of Quality and
Environmental Management



Iwao Nakamura

Director (Outside)

Audit & Supervisory Board Members



Masahiro Gennaka

Audit & Supervisory Board
Member (Full-time)



Keiichi Horii

Audit & Supervisory Board
Member



Nobutaka Motohashi

Audit & Supervisory Board
Member



Toru Masuda

Audit & Supervisory Board
Member

Executive Officers (excluding those also serving as directors)



Tadahito Iyoda

Executive Officer
General Manager of
Administration Headquarters, in
charge of Internal Controls



Chin Tai Yen

Executive Officer
Chairman of the Board and
President, MABUCHI TAIWAN
CO., LTD.



Katsuhiko Katayama

Executive Officer
Director of the Board and
President, MABUCHI MOTOR
DALIAN CO., LTD.



Tsuyoshi Nakamura

Executive Officer
Deputy General Manager –
Sales & Marketing Headquarters

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.

Workshop in a Disaster-Stricken Area

Mabuchi supports the activities of Action for Ozashi Tsunami Recovery, an organization that assists in the recovery of Jyusanhama-Ozashi, a district in Kitakami Town, Ishinomaki City, Miyagi Prefecture, stricken by the Great East Japan Earthquake in 2011. In September 2012, Mabuchi held a handicraft workshop for children at Ozashi-Jusanhama

Children's House. We will continue to support activities that provide fun and excitement to children through social contributions distinctive to Mabuchi.



Science Lessons for 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 learn in the science lessons will be useful in their everyday lives. Based on this principle, Mabuchi dispatched employees to teach science classes for elementary school students at four schools in Matsudo City and at the Science Museum in Tokyo.

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 to support science education. In 2012, Mabuchi provided approximately 17,000 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.

During the summer holidays, we invited approximately 160 parent-child duos who used motors as power generators to create handicrafts using readily available waste materials such as discarded CDs and PET bottle caps.



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.

Providing Educational Opportunities

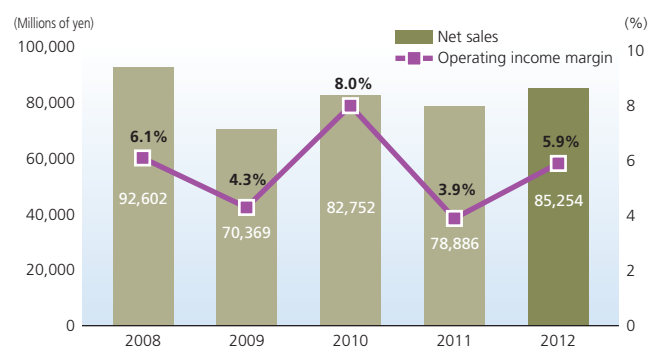
Since 1996, Dalian Mabuchi has been supporting the establishment of schools and carrying out other activities with the objective of providing children with the opportunity of gaining an education. To date, the company has helped to establish three primary schools and one junior high school. Subsequently, 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, providing assistance that enables them to grow into adults who will benefit society.

Financial Summary

Market Environment

In fiscal 2012, the small motor industry, to which the Mabuchi Group belongs, saw an increase in demand, partly owing to a recovery in the automotive products market. Other consumer and industrial products markets were weak, however, due to factors including the impact of the economic slowdown in developed countries and demand contraction in emerging countries. Under these conditions, the Mabuchi Group continued its efforts to address several issues: continued strengthening of the automotive products business, enhancing sales performance in China, reorganization of production bases, and plant efficiency improvements.

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
	2008	2009	2010	2011	2012	2012
For the year:						
Net sales	¥92,602	¥70,369	¥82,752	¥78,886	¥85,254	\$991,325
Cost of sales	68,799	51,805	60,062	59,838	64,214	746,674
Selling, general and administrative expenses	18,150	15,544	16,064	15,981	15,987	185,895
Operating income	5,652	3,019	6,624	3,066	5,052	58,744
Income before income taxes	5,330	3,013	7,291	3,248	8,426	97,976
Net income (loss)	3,565	5,450	5,260	(466)	6,385	74,244
Capital expenditures	3,777	3,659	3,210	6,524	6,825	79,360
Depreciation and amortization	4,408	4,031	3,603	3,326	3,579	41,616
R&D expenses	3,892	3,298	3,337	3,493	3,794	44,116
Cash flows:						
Net cash provided by operating activities	¥ 6,542	¥10,708	¥ 5,457	¥ 696	¥ 9,091	\$105,709
Net cash (used in) provided by investing activities	45	(1,630)	8,601	(2,874)	8,230	95,697
Net cash used in financing activities	(18,641)	(3,927)	(3,507)	(3,507)	(3,509)	(40,802)
At year-end:						
Total assets	¥188,691	¥192,362	¥185,408	¥181,351	¥196,702	\$2,287,232
Net assets	178,291	180,311	174,570	168,538	181,372	2,108,976
Per share data:	(Yen and U.S. dollars)					
Net income (loss)	¥ 94.77	¥ 155.54	¥ 150.14	¥ (13.31)	¥ 182.25	\$ 2.11
Net assets	5,088.18	5,146.04	4,982.43	4,810.36	5,176.75	60.19
Dividends payable	123.00	100.00	100.00	100.00	100.00	1.16
Other data:						
Operating income margin (%)	6.1	4.3	8.0	3.9	5.9	—
ROE (%)	1.8	3.0	3.0	(0.3)	3.5	—
Shareholders' equity ratio (%)	94.5	93.7	94.2	92.9	92.2	—
Number of shares outstanding (Thousands of shares)	35,040	35,038	35,037	35,036	35,035	—
Number of employees (Persons)	41,328	38,251	37,466	33,918	29,058	—

Notes

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥86=U.S.\$1, the approximate exchange rate on December 31, 2012.
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.

Net Sales

¥85,254 million

Consolidated net sales in fiscal 2012 rose 8.1% from the previous fiscal year to ¥85,254 million (US\$991,325 thousand).

Operating Income

¥5,052 million

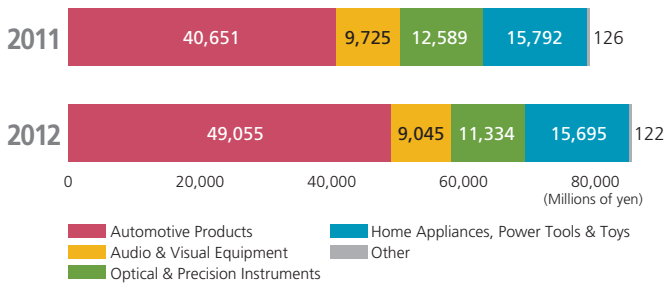
Operating income rose 64.8% to ¥5,052 million (US\$58,744 thousand).

Net Income

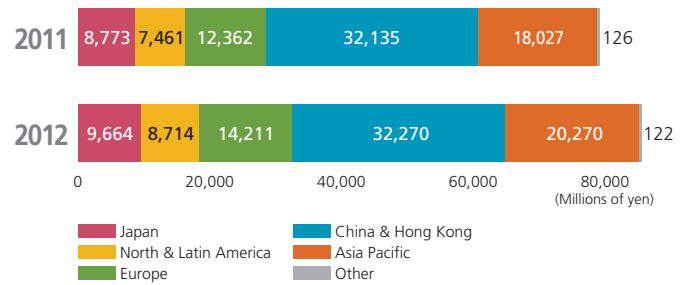
¥6,385 million

The Mabuchi Group recorded net income of ¥6,385 million (US\$74,244 thousand).

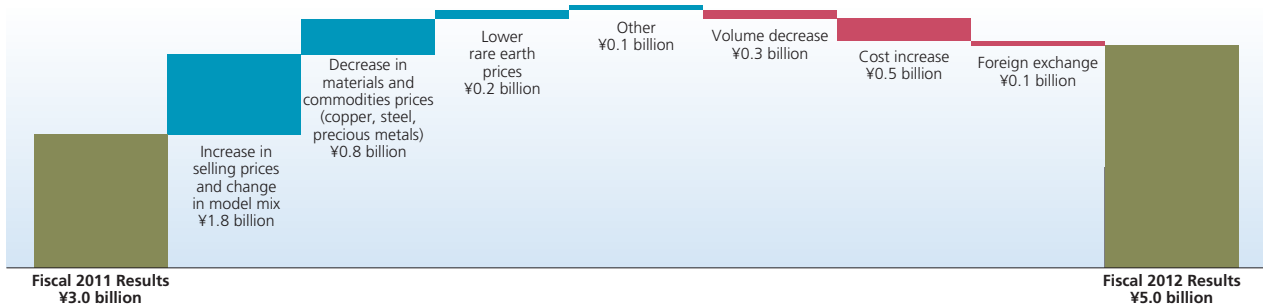
Net Sales by Application



Net Sales by Geographic Area

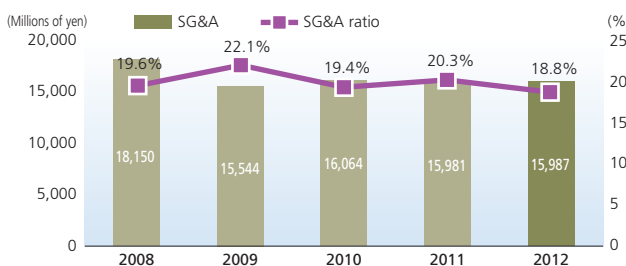


Analysis of Operating Income

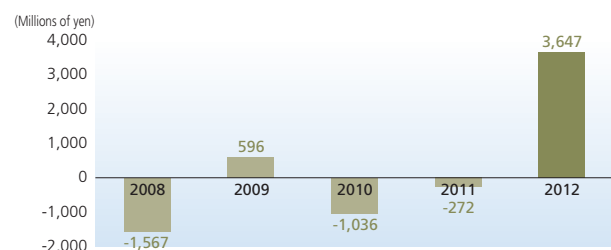


Factors Affecting FY2008–FY2012 Consolidated Operating Income

Selling, General and Administrative Expenses



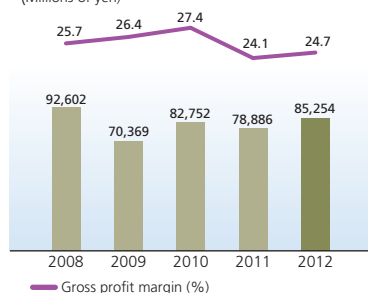
Exchange Gain/Loss



Management's Discussion and Analysis

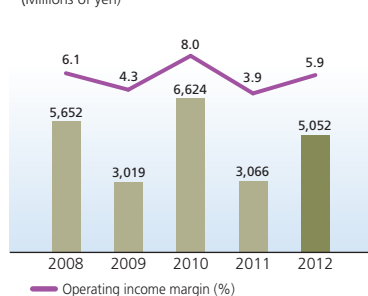
Net sales / Gross profit margin

(Millions of yen)



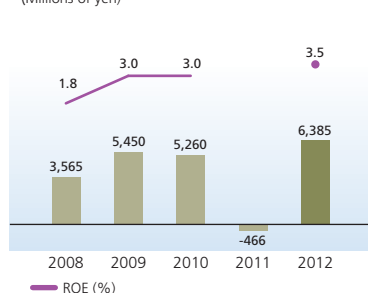
Operating income / Operating income margin

(Millions of yen)



Net income (loss) / ROE

(Millions of yen)



Net Sales by Application

	Millions of yen					Thousands of U.S. dollars
	2008	2009	2010	2011	2012	2012
Automotive Products	¥38,633	¥30,346	¥40,063	¥40,651	¥49,055	\$570,406
Audio & Visual Equipment	15,908	10,679	11,435	9,725	9,045	105,174
Optical & Precision Instruments	15,896	13,024	13,821	12,589	11,334	131,790
Home Appliances, Power Tools & Toys	22,071	16,230	17,337	15,792	15,695	182,500
Other	92	88	93	126	122	1,418
Total	¥92,602	¥70,369	¥82,752	¥78,886	¥85,254	\$991,325

Note: Other includes parts and equipment sales.

Net Sales by Geographic Area

	Millions of yen					Thousands of U.S. dollars
	2008	2009	2010	2011	2012	2012
Japan	¥10,663	¥8,056	¥10,069	¥8,773	¥9,664	\$112,372
North & Latin America	8,487	5,995	7,438	7,461	8,714	101,325
Europe	13,914	10,476	11,793	12,362	14,211	165,244
China & Hong Kong	36,686	29,423	34,477	32,135	32,270	375,232
Asia Pacific	22,758	16,327	18,880	18,027	20,270	235,697
Other	92	88	93	126	122	1,418
Total	¥92,602	¥70,369	¥82,752	¥78,886	¥85,254	\$991,325

Note: Other includes parts and equipment sales.

Market Conditions

During the fiscal year ended December 31, 2012 (fiscal 2012), the debt crisis in Europe had a major impact on the real economy across the whole of Europe and was a main cause of the global economic slowdown. Although the U.S. economy showed signs of a recovery, partly attributable to progress with household debt adjustment, it lacked the dynamism to drive the global economy. The economies of China and other emerging countries slowed further, hindered by sluggish export growth.

In Japan as well, an economic downtrend became clear as the persistently strong yen, the energy problem, and other causes for concern remained unresolved, particularly so in the second half of the year, as a result of the slowdown in overseas economic activity and contraction of domestic demand.

In the small motor industry, to which the Mabuchi Group belongs, although demand increased for reasons including recovery in the automotive products market, other consumer and industrial products markets were slack due to factors including the impact of the economic slowdown in developed countries and demand contraction in emerging countries. Another negative factor was sluggish demand leading up to the peak year-end sales season, for which the Group's expectations were high.

Operating Results

Net Sales

Consolidated net sales in fiscal 2012 increased 8.1% from the previous fiscal year to ¥85,254 million (US\$991 million). Sales of motors, which account for the majority of consolidated net sales, increased 8.1% to ¥85,131 million (US\$989 million). Although a robust year-on-year increase was achieved in sales of products for the automotive products market, a high-priority business, sales in other markets were weak. Unit selling prices increased due to an improvement trend in the product mix and other factors, resulting in a full-year sales increase.

Cost, Expenses and Operating Income

Operating income for the year increased 64.8% to ¥5,052 million (US\$58 million), due to improvement in the gross profit ratio as a result of stabilization of the steep rise in materials costs that occurred up to the previous year and a trend toward improvement in the product mix coupled with the effects from controlling selling, general and administrative expenses to roughly the previous year's level.

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

Other income was ¥3,374 million (US\$39 million), ¥3,192 million (US\$37 million) above the previous fiscal year. The reasons for the increase were the recording at year-end of an exchange gain due to weakening of the yen through the year-end and non-recurrence of a loss on reversal of foreign currency translation adjustments recorded at the previous year-end, which offset restructuring expenses at overseas subsidiaries and a loss on sales of investment securities.

Consequently, income before income taxes in fiscal 2012 was ¥8,426 million (US\$97 million), up 159.4% from the previous fiscal year. Income taxes were ¥2,041 million (US\$23 million), down ¥1,673 million (US\$19 million), a change attributable to the non-recurrence of a reversal of deferred tax assets recorded the previous fiscal year, which resulted in an ordinary effective income tax rate for the period.

As a result of the above factors, net income was ¥6,385 million (US\$74 million) in fiscal 2012.

Financial Position

Assets

Consolidated total assets as of December 31, 2012 stood at ¥196,702 million (US\$2,287 million), an increase of ¥15,350 million (US\$178 million) from a year earlier. The most noticeable changes included an increase in cash and bank deposits of ¥24,151 million (US\$280 million), an increase in trade notes and accounts receivable of ¥2,404 million (US\$27 million), an increase in inventories of ¥1,869 million (US\$21 million), an increase in construction in progress of ¥1,958 million (US\$22 million), a decrease in short-term investments of ¥10,402 million (US\$120 million), and a decrease in investment securities of ¥8,294 million (US\$96 million).

Liabilities

Total liabilities as of December 31, 2012 stood at ¥15,330 million (US\$178 million), an increase of ¥2,516 million (US\$29 million) from a year earlier. The most noticeable change was an increase in the provision for business structure improvement of ¥1,126 million (US\$13 million).

Net Assets

Total net assets were ¥181,372 million (US\$2,108 million), an increase of ¥12,833 million (US\$149 million). Net unrealized holding losses on securities decreased by ¥1,298 million (US\$15 million), and foreign currency translation adjustment losses decreased by ¥8,656 million (US\$100 million).

Net assets per share were ¥5,176.75 (US\$60.19), and the shareholders' equity ratio was 92.2%.

Cash Flows

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to ¥9,091 million (US\$105 million), an increase of ¥8,394 million (US\$97 million) compared with the previous fiscal year. The change was mainly attributable to the recording of ¥8,426 million (US\$97 million) in income before income taxes and a decrease in inventories.

Net Cash Provided by Investing Activities

Net cash provided by investing activities amounted to ¥8,230 million (US\$95 million), an increase of ¥11,105 million (US\$129 million) compared with the previous fiscal year. Cash flows from investing activities increased as a result of factors including an increase of ¥10,355 million (US\$120 million) in the balance of purchases and sales of short-term investments and investment securities due to decreases in the purchases of short-term investments and investment securities.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to ¥3,509 million (US\$40 million), owing primarily to payment for dividends.

As a result, cash and cash equivalents at the end of year amounted to ¥79,904 million (US\$929 million), an increase of ¥18,637 million (US\$216 million) from the end of the previous year.

Capital Investments, Depreciation and Amortization

Capital investments increased ¥301 million (US\$3 million) year on year to ¥6,825 million (US\$79 million). Major components were ¥3,164 million (US\$36 million) for building construction costs at MABUCHI MOTOR (JIANGSU) CO., LTD., MABUCHI MOTOR (YINGTAN) CO., LTD., and MABUCHI MOTOR (JIANGXI) CO., LTD.; ¥193 million (US\$2 million) for facilities and equipment for research and development; and ¥3,466 million (US\$40 million) for other facilities for expanding and updating motor production capacity.

Depreciation and amortization increased ¥253 million (US\$2 million) year on year to ¥3,579 million (US\$41 million).

Outlook

In the outlook for 2013, in developed countries, the U.S. economy is expected to show a gradual recovery, while business conditions in Europe are likely to remain stagnant, weighed down by drastic austerity measures, and despite waning concerns over financial uncertainty. In Japan, no reliable signs pointing to an economic recovery and growth are discernible. In emerging countries, economic activity is likely to stabilize, and growth should continue, albeit at a slower pace.

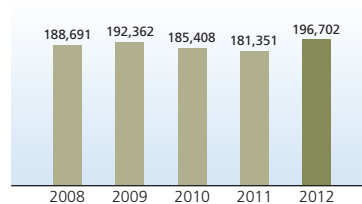
The conditions in the markets in which the Mabuchi Group's products are sold are mixed. Markets showing clear signs of a recovery and an underlying growth trend are the Automotive Products market and the Home Appliances, Power Tools & Toys market, where demand is expected to increase in developed countries and emerging countries alike. In the Audio & Visual Equipment market and Optical & Precision Instruments market, which continue to contract, we expect a further decrease in demand in 2013.

As a result, in 2013 we expect to record net sales of ¥94,000 million (US\$1,093 million) (a 10.3% increase on a year-on-year basis).

In terms of business results, despite a slight decrease in sales volume, we expect a number of positive factors supporting profit growth, including a continuing improvement in the product mix, the positive impact of a weaker yen, the effects of cost reduction measures, and decreases in the market prices of materials. Consequently, we expect to record operating income of ¥7,000 million (US\$81 million) (a 38.6% increase on a year-on-year basis). We also anticipate net income of ¥6,300 million (US\$73 million) (a 1.3% decrease).

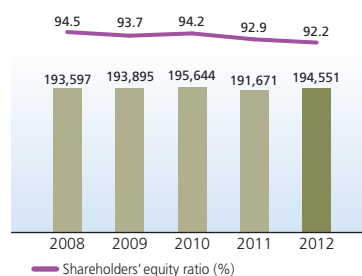
Total assets

(Millions of yen)



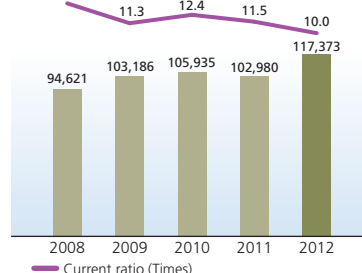
Shareholders' equity/Shareholders' equity ratio

(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 sells. Consequently, our Group's business results and financial position may be adversely affected by economic recessions and the corresponding contraction in demand in Mabuchi's key markets, including Japan, North America, Europe and Asia.

■ Fluctuations in Foreign Exchange Rates

Items denominated in local currencies on the financial statements of our overseas subsidiaries are converted into Japanese yen when the consolidated financial statements are prepared. Consequently, amounts which are to be recorded after being converted into Japanese yen are subject to the foreign exchange rates at the time of conversion. In particular, appreciation of the Japanese yen against the U.S. dollar will have a negative effect on our Group's consolidated business results, and conversely any depreciation of the Japanese yen will have a positive effect.

Appreciation of local currencies in regions where the Mabuchi Group carries out production will push up manufacturing and procurement costs which are denominated in those local currencies. Increased costs will lower our Group's profit margins and price competitiveness, and will impact negatively on our business results.

■ Development of New Products and New Technologies

The development and sale of new products, by their very nature, involve both complexities and uncertainties, and include a broad array of risks.

In the event our Group cannot fully predict the changing needs of the market, or cannot develop appealing new products in a timely fashion, or in the event a technological innovation emerges which causes our products to become obsolete, then our Group's business results and financial position may be subject to significant adverse effects.

■ Price Competition

Our customers are businesses in a diverse range of sectors that belong to the electrical and electronic equipment and machinery manufacturing industries, and price competition in these industries is extremely severe. In these kinds of environments, prices are a major contributing factor to competition in all sectors, and with the prominence of rival Chinese manufacturers, competition is becoming even more intense.

If our cost-reduction activities cannot keep up with falling prices over the long-term, then our Group's business results and financial position may be subject to significant adverse effects.

■ Potential Risks in International Economic Transactions and Expanding Business Overseas

The majority of our Group's business activities are conducted in the various countries in Europe, North America and Asia.

Within these overseas business activities there are certain inherent risks, including changes in political and economic environments, undeveloped infrastructures, changes in laws, tax affairs or various other systems, or social unrest.

For example, much of our Group's production activity is conducted in China and Vietnam. The occurrence of an unexpected event (such as changes in the political or legal environment, changes in economic conditions, problems related to the employment environment, or other changes to the social environment) may lead to significant problems for our production and/or sales activities, and these may lead to our Group's business results and financial position being subject to significant adverse effects.

■ Product Quality

There is no guarantee that all of our Group products will have no major quality issues. If a quality issue occurs, the amount of compensation may be influenced by the effect on the quality of the final product in which the Mabuchi product is incorporated. The unlikely event of a product defect that leads to a large-scale product complaint, recall or product liability compensation may trigger an accrual of large amount of costs or downturn in sales due to a loss of credibility, and may have significant adverse effects on our Group's business results and financial position.

■ Protection of Intellectual Property

We recognize that the acquisition of intellectual property can greatly influence the growth of the Mabuchi Group. However, in certain regions, for certain inherent reasons, our Group's intellectual property rights may not be completely protected. In such instances, our Group's intellectual property may be used without authority by third parties, and through the manufacture of similar products, we may suffer damages. Or we may lose our competitive advantage through the outflow of other technology or expertise, and then having it exploited by other companies. Or even still, there is a possibility that it could be claimed that our Group has impinged on the intellectual property of another company.

The failure of protection or the violation of intellectual property rights, or the outflow of other intellectual property may lead to our Group's business results and financial position being subject to significant adverse effects.

■ 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. Meanwhile, the Group should put in a great deal to recruit and develop such a workforce.

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 supply of the raw material is suspended due to an accident befalling the supplier or for some other reason, or that a shortage of supply transpires due to a sudden upsurge in demand. If such conditions were to continue long-term and alternative materials were not easily available, then there is a possibility that our Group's production activities would be affected dramatically, and in turn this would undermine the assurance of delivery and quality of products to our customers. It is also possible, that the prices of such materials would escalate, which would trigger a rise in manufacturing costs.

If such an event were to occur, then our Group's business results and financial position may be subject to significant adverse effects.

■ Natural Disasters and Accidents

The Mabuchi Group has established a system of international division of labor. We conduct business activities in countries throughout the world, and we own facilities and equipment at our various bases, including plants and offices. Our Group has implemented measures to prevent our exposure to risks associated with the occurrence of disasters and accidents at these centers, and we have implemented measures to reduce damages, including by insuring. However, there is no guarantee that completely protects us against, or which can reduce as planned, the effects of disruptions to our business activities caused by disasters or accidents at our Head Office or individual bases. In the event these kinds of unforeseeable events occurred, our Group's business results and financial position may be subject to significant adverse effects.

Consolidated Balance Sheets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2011 and 2012

ASSETS	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2012	2012
Current Assets:			
Cash and bank deposits	¥ 54,920	¥ 79,071	\$ 919,430
Trade notes and accounts receivable	11,977	14,381	167,220
Less – Allowance for doubtful receivables	(107)	(79)	(918)
Short-term investments	23,078	12,675	147,383
Merchandise and finished goods	12,762	14,030	163,139
Work in process	886	1,055	12,267
Raw materials and supplies	4,958	5,391	62,686
Income taxes refundable	84	–	–
Deferred tax assets – current	294	751	8,732
Other current assets	3,909	3,111	36,174
Total current assets	112,764	130,390	1,516,162
Property, Plant and Equipment:			
Land	6,020	6,023	70,034
Buildings	37,375	38,422	446,767
Machinery and equipment	36,100	36,331	422,453
Construction in progress	2,357	4,316	50,186
	81,854	85,095	989,476
Less – Accumulated depreciation	(47,623)	(45,220)	(525,813)
Property, plant and equipment, net	34,231	39,874	463,651
Investments and Other Assets:			
Investment securities	32,644	24,349	283,127
Long-term loans receivable	45	30	348
Deferred tax assets – non-current	221	357	4,151
Other investments and other assets	1,445	1,699	19,755
Total investments and other assets	34,355	26,436	307,395
Total Assets	¥181,351	¥196,702	\$2,287,232

LIABILITIES AND NET ASSETS	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2012	2012
Current Liabilities:			
Trade notes and accounts payable	¥ 3,854	¥ 4,028	\$ 46,837
Accrued income taxes	615	1,040	12,093
Accrued bonuses due to employees	226	209	2,430
Accrued bonuses due to directors	–	44	511
Provision for business structure improvement	–	1,126	13,093
Deferred tax liabilities – current	0	15	174
Other current liabilities	5,087	6,551	76,174
Total current liabilities	9,784	13,017	151,360
Long-term Liabilities:			
Provision for retirement benefits for employees	416	440	5,116
Asset retirement obligations	15	15	174
Deferred tax liabilities – non-current	1,382	1,586	18,441
Other long-term liabilities – non-current	1,214	270	3,139
Total long-term liabilities	3,029	2,312	26,883
Total liabilities	12,813	15,330	178,255
Net Assets:			
Shareholders' Equity			
Common stock, no par value:			
Authorized: 100,000,000 shares			
Issued: 39,875,881 shares in 2011 and 2012	20,704	20,704	240,744
Additional paid-in capital	20,419	20,419	237,430
Retained earnings	185,294	188,175	2,188,081
Treasury stock, at cost: 4,839,419 shares in 2011 and 4,840,007 shares in 2012	(34,747)	(34,749)	(404,058)
Total shareholders' equity	191,671	194,551	2,262,220
Accumulated other comprehensive income			
Net unrealized holding losses on securities	(1,457)	(158)	(1,837)
Foreign currency translation adjustments	(21,676)	(13,020)	(151,395)
Total accumulated other comprehensive income	(23,133)	(13,179)	(153,244)
Total net assets	168,538	181,372	2,108,976
Total Liabilities and Net Assets	¥181,351	¥196,702	\$2,287,232

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, 2011 and 2012

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2012	2012
Net Sales	¥78,886	¥85,254	\$991,325
Cost of Sales	59,838	64,214	746,674
Gross profit	19,047	21,039	244,639
Selling, General and Administrative Expenses	15,981	15,987	185,895
Operating income	3,066	5,052	58,744
Other Income (Expenses):			
Interest and dividend income	680	617	7,174
Exchange (loss) gain, net	(272)	3,647	42,406
Gain on sale of raw material scrap	1,155	1,045	12,151
Gain (loss) on disposal of fixed assets	309	(75)	(872)
Loss on realized foreign currency translation adjustments due to liquidation of foreign subsidiary	(1,502)	–	–
Business structure improvement expenses	–	(1,046)	(12,162)
Loss on adoption of accounting standard for asset retirement obligations	(16)	–	–
Impairment loss	(84)	–	–
Loss on cancellation of lease transactions	(20)	–	–
Loss on sales of investment securities	–	(806)	(9,372)
Loss on revaluation of investment securities	(55)	(11)	(127)
Other, net	(10)	4	46
	182	3,374	39,232
Income before Income Taxes	3,248	8,426	97,976
Income Taxes:			
Current	1,576	2,422	28,162
Deferred	2,138	(381)	(4,430)
	3,714	2,041	23,732
(Loss) Income before Minority Interests	(466)	6,385	74,244
Net (Loss) Income	¥ (466)	¥ 6,385	\$ 74,244

	Yen		U.S. Dollars
	2011	2012	2012
Per Share Data:			
Net (loss) income	¥ (13.31)	¥182.25	\$ 2.11
Dividends applicable to current year earnings	100.00	100.00	1.16

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

Consolidated Statements of Comprehensive Income

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2011 and 2012

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2012	2012
(Loss) Income before Minority Interests	¥ (466)	¥ 6,385	\$ 74,244
Other Comprehensive Income			
Net unrealized holding (losses) gains on securities	(1,200)	1,298	15,093
Foreign currency translation adjustments	(859)	8,656	100,651
Total other comprehensive income	(2,059)	9,954	115,744
Comprehensive income	¥ (2,525)	¥16,339	\$189,988
Comprehensive income attributable to:			
Shareholders of the parent	¥ (2,525)	¥16,339	\$189,988
Minority interests	–	–	–

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

Consolidated Statements of Changes in Net Assets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2011 and 2012

	Number of Shares (Thousands)		Yen (Millions)		U.S. Dollars (Thousands)
	2011	2012	2011	2012	2012
Common Stock:					
Beginning balance	41,875	39,875	¥ 20,704	¥ 20,704	\$ 240,744
Treasury stock cancellation	(2,000)	—	—	—	—
Ending balance	39,875	39,875	¥ 20,704	¥ 20,704	\$ 240,744
Additional Paid-in Capital:					
Beginning balance			¥ 20,419	¥ 20,419	\$ 237,430
Ending balance			¥ 20,419	¥ 20,419	\$ 237,430
Retained Earnings:					
Beginning balance			¥203,625	¥185,294	\$2,154,581
Net (loss) income			(466)	6,385	74,244
Dividends paid			(3,502)	(3,502)	(40,720)
Treasury stock cancellation			(14,360)	—	—
Ending balance			¥185,294	¥188,175	\$2,188,081
Treasury Stock:					
Beginning balance			¥ (49,105)	¥ (34,747)	\$ (404,034)
Net change during the year			14,358	(2)	(23)
Ending balance			¥ (34,747)	¥ (34,749)	\$ (404,058)
Net Unrealized Holding Losses on Securities:					
Beginning balance			¥ (257)	¥ (1,457)	\$ (16,941)
Net change during the year			(1,200)	1,298	15,093
Ending balance			¥ (1,457)	¥ (158)	\$ (1,837)
Foreign Currency Translation Adjustments:					
Beginning balance			¥ (20,817)	¥ (21,676)	\$ (252,046)
Net change during the year			(859)	8,656	100,651
Ending balance			¥ (21,676)	¥ (13,020)	\$ (151,395)
Accumulated Other Comprehensive Income:					
Beginning balance			¥ (21,074)	¥ (23,133)	\$ (268,988)
Net change during the year			(2,059)	9,954	115,744
Ending balance			¥ (23,133)	¥ (13,179)	\$ (153,244)

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, 2011 and 2012

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2012	2012
Cash Flows from Operating Activities:			
Income before income taxes	¥ 3,248	¥ 8,426	\$ 97,976
Depreciation and amortization	3,326	3,579	41,616
Impairment loss	84	–	–
Increase in allowance for retirement benefits, net of payments	54	5	58
Interest and dividend income	(680)	(617)	(7,174)
Exchange loss (gain)	38	(1,164)	(13,534)
Loss on realized foreign currency translation adjustment due to liquidation of foreign subsidiaries	1,502	–	–
(Gain) loss on sales of short-term investments and investment securities	(10)	806	9,372
(Gain) loss on disposal of fixed assets	(309)	71	825
Loss on revaluation of investment securities	55	11	127
Increase in trade notes and accounts receivable	(977)	(968)	(11,255)
(Increase) decrease in inventories	(3,473)	508	5,906
Increase (decrease) in trade notes and accounts payable	912	(516)	(6,000)
Decrease in the allowance for the restructuring of production bases	(373)	–	–
Increase in provision for business structure improvement	–	1,034	12,023
Other, net	(2,012)	(741)	(8,616)
Sub total	1,385	10,435	121,337
Interest and dividends received	674	645	7,500
Interest paid	–	(0)	(0)
Income taxes paid	(1,363)	(1,988)	(23,116)
Net cash provided by operating activities	696	9,091	105,709
Cash Flows from Investing Activities:			
Increase in time deposits	(13,137)	(7,511)	(87,337)
Proceeds from withdrawal of time deposits	12,301	8,541	99,313
Purchases of short-term investments	(12,713)	(5,599)	(65,104)
Proceeds from sales of short-term investments	20,264	16,999	197,662
Purchases of property, plant and equipment	(6,253)	(6,763)	(78,639)
Proceeds from sales of property, plant and equipment	630	24	279
Purchases of investment securities	(6,394)	–	–
Proceeds from sales of investment securities	2,589	2,702	31,418
Other, net	(162)	(161)	(1,872)
Net cash (used in) provided by investing activities	(2,874)	8,230	95,697
Cash Flows from Financing Activities:			
Cash dividends paid	(3,505)	(3,507)	(40,779)
Purchases of treasury stock	(2)	(2)	(23)
Net cash used in financing activities	(3,507)	(3,509)	(40,802)
Effect of exchange rate changes on cash and cash equivalents	(588)	4,824	56,093
Net (decrease) increase in cash and cash equivalents	(6,273)	18,637	216,709
Cash and Cash Equivalents at the Beginning of Year	67,540	61,266	712,395
Cash and Cash Equivalents at the End of Year	¥ 61,266	¥ 79,904	\$ 929,116

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, 2011 and 2012

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, 2012 have been translated into United States dollars at a rate of ¥86 = U.S.\$1, the approximate exchange rate prevailing on December 31, 2012. 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 taxes.

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.

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.

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 Standards issued but not yet effective

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and its Implementation Guidance, "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), but which are not yet effective at the Company. This standard and related implementation guidance revise existing standards to address the current treatment of actuarial gains or losses, unrecognized prior service cost, projected benefit obligation, and service cost. The Company is currently evaluating what effect that these revisions will have on its consolidated results of operations and financial position and the applicable date of adoption.

m Additional information

Effective the year ended December 31, 2012, the Company has adopted "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standards for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009) for accounting changes and corrections of prior period errors.

n Provision for business structure improvement

As of December 31, 2012, the Company has reasonably estimated a provision for a subsidiary's future business structure improvement. The provision mainly includes severance payments. The estimated impairment loss on equipment is also included but the impact is insignificant.

2. Cash and Cash Equivalents

Cash and cash equivalents at the end of year in the accompanying consolidated statements of cash flows are reconciled to cash and bank deposits reported in the accompanying consolidated balance sheets as of December 31, 2011 and 2012 as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2011	2012	2012
Cash and bank deposits	¥ 54,920	¥ 79,071	\$ 919,430
Time deposits with maturities over three months at the time of purchase	(4,282)	(3,679)	(42,779)
Short-term investments	23,078	12,675	147,383
Securities exposed to price risk	(12,450)	(8,164)	(94,930)
Cash and cash equivalents	¥ 61,266	¥ 79,904	\$ 929,116

3. 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 carrying value, fair value and variance for financial instruments as of December 31, 2011 and 2012 are as follows. Fair values that are not readily determinable are not included in the following table.

	Yen (millions)		
	2011		
Assets:	Carrying value	Fair value	Variance
(1) Cash and bank deposits	¥ 54,920	¥ 54,920	–
Trade notes and accounts receivable	11,977	11,997	–
(3) Short-term investments and investment securities	55,601	53,615	¥(1,986)
Total assets	¥122,499	¥120,513	¥(1,986)
Liabilities			
(1) Trade notes and accounts payable	¥ 3,854	¥ 3,854	–
Total liabilities	¥ 3,854	¥ 3,854	–

	Yen (millions)			U.S. dollars (thousands)		
	2012					
Assets:	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
(1) Cash and bank deposits	¥ 79,071	¥ 79,071	–	\$ 919,430	\$ 919,430	–
(2) Trade notes and accounts receivable	14,381	14,381	–	167,220	167,220	–
(3) Short-term investments and investment securities	36,914	36,686	¥(228)	429,232	426,581	\$(2,651)
Total assets	¥130,368	¥130,140	¥(228)	\$1,515,906	\$1,513,255	\$(2,651)
Liabilities						
(1) Trade notes and accounts payable	¥ 4,028	¥ 4,028	–	\$ 46,837	\$ 46,837	–
Total liabilities	¥ 4,028	¥ 4,028	–	\$ 46,837	\$ 46,837	–

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)
	2011	2012	2012
Unlisted stocks	¥120	¥110	\$1,279

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, 2011 and 2012

	Yen (millions)			
	2011			
	Within 1 year	1–5 years	5–10 years	Over 10 years
Cash and bank deposits	¥54,920	–	–	–
Trade notes and accounts receivable	11,977	–	–	–
Short-term investments and investment securities				
Held-to-maturity securities				
Corporate bonds	500	¥2,800	¥15,375	¥3,000
Commercial paper	4,118	–	–	–
Other securities				
Corporate bonds	11,998	6,300	–	–
Certificate of deposit	2,000	–	–	–
Money in trust	2,000	–	–	–
Investment trust		180	–	–
Total	¥87,514	¥9,280	¥15,375	¥3,000

	Yen (millions)				U.S. Dollars (thousands)			
	Within 1 year	1–5 years	5–10 years	Over 10 years	Within 1 year	1–5 years	5–10 years	Over 10 years
	2012							
Cash and bank deposits	¥ 79,071	–	–	–	\$ 919,430	–	–	–
Trade notes and accounts receivable	14,381	–	–	–	167,220	–	–	–
Short-term investments and investment securities								
Held-to-maturity securities								
Corporate bonds	1,800	¥4,375	¥13,000	–	20,930	\$50,872	\$151,162	–
Other securities								
Corporate bonds	6,199	1,200	–	–	72,081	13,953	–	–
Certificate of deposit	2,000	–	–	–	23,255	–	–	–
Investment trust	180	–	–	–	2,093	–	–	–
Total	¥103,633	¥5,575	¥13,000	–	\$1,205,034	\$64,825	\$151,162	–

4. Investment Securities

The carrying value, fair value and variance for held-to-maturity securities as of December 31, 2011 and 2012 were as follows:

(1) Held-to-maturity securities

	Yen (millions)		
	Carrying value	Fair value	Variance
	2011		
Securities whose fair value exceeds their carrying value			
Corporate bonds	¥ 1,375	¥ 1,889	¥ 514
Sub total	¥ 1,375	¥ 1,889	¥ 514
Securities whose carrying value exceeds their fair value			
Corporate bonds	24,418	21,917	(2,500)
Sub total	¥24,418	¥21,917	¥(2,500)
Total	¥25,793	¥23,807	¥(1,986)

	Yen (millions)			U.S. Dollars (thousands)		
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
	2012					
Securities whose fair value exceeds their carrying value						
Corporate bonds	¥ 2,375	¥ 2,977	¥ 602	\$ 27,616	\$ 34,616	\$ 7,000
Sub total	¥ 2,375	¥ 2,977	¥ 602	\$ 27,616	\$ 34,616	\$ 7,000
Securities whose carrying value exceeds their fair value						
Corporate bonds	16,800	15,969	(830)	195,348	185,686	(9,651)
Sub total	¥16,800	¥15,969	¥(830)	\$195,348	\$185,686	\$(9,651)
Total	¥19,175	¥18,947	¥(228)	\$222,965	\$220,313	\$(2,651)

The acquisition cost, carrying value and variance for other securities as of December 31, 2012 and 2011 were as follows:

(2) Other securities

	Yen (millions)		
	Acquisition cost	Carrying value	Variance
	2011		
Securities whose carrying value exceeds their acquisition cost			
Stock	¥ 430	¥ 965	¥ 535
Corporate bonds	1,198	1,199	1
Sub total	¥ 1,628	¥ 2,165	¥ 536
Securities whose acquisition cost exceeds their carrying value			
Stock	2,915	2,000	(914)
Corporate bonds	17,100	16,960	(139)
Other	9,431	8,681	(749)
Sub total	¥29,446	¥27,642	¥(1,803)
Total	¥31,075	¥29,808	¥(1,267)

	Yen (millions)			U.S. Dollars (thousands)		
	Acquisition cost	Carrying value	Variance	Acquisition cost	Carrying value	Variance
	2012					
Securities whose carrying value exceeds their acquisition cost						
Stock	¥ 983	¥ 1,858	¥ 874	\$ 11,430	\$ 21,604	\$10,162
Corporate bonds	1,000	1,002	2	11,627	11,651	23
Sub total	¥ 1,983	¥ 2,860	¥ 877	\$ 23,058	\$ 33,255	\$10,197
Securities whose acquisition cost exceeds their carrying value						
Stock	1,856	1,561	(294)	21,581	18,151	(3,418)
Corporate bonds	6,399	6,391	(8)	74,406	74,313	(93)
Other	7,430	6,924	(505)	86,395	80,511	(5,872)
Sub total	¥15,686	¥14,877	¥(808)	\$182,395	\$172,988	\$ (9,395)
Total	¥17,669	¥17,738	¥ 68	\$205,453	\$206,255	\$ 790

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

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, and 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, 2011 and 2012 were ¥4,342 million and ¥1,509 million (\$17,546 thousand), respectively.

The estimated fair values at December 31, 2011 and 2012 were ¥4,070 million and ¥1,697 million (\$19,732 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.

6. Retirement Benefit Plans

The table below sets forth the plans' statuses and amounts recognized in the balance sheets at December 31, 2011 and 2012.

	Yen (millions)		U.S. Dollars (thousands)
	2011	2012	2012
Projected benefit obligation	¥(8,765)	¥(9,456)	\$ (109,953)
Plan assets at fair value	8,721	9,196	106,930
Unfunded retirement benefit obligation	(43)	(260)	(3,023)
Unrecognized prior service cost	127	106	1,232
Unrecognized actuarial gains	(369)	(153)	(1,779)
Net retirement benefit obligation	(285)	(307)	(3,569)
Prepaid pension cost	130	133	1,546
Accrued retirement benefits	¥ (416)	¥ (440)	\$ (5,116)

The components of net periodic pension cost for the years ended December 31, 2011 and 2012 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2011	2012	2012
Service cost	¥456	¥551	\$6,406
Interest cost	164	161	1,872
Amortization of prior service cost	20	20	232
Expected return on plan assets	(109)	(111)	(1,290)
Amortization of unrecognized actuarial gain	(35)	(44)	(511)
Net periodic pension cost	¥497	¥578	\$6,720

Other than the above pension cost, temporary severance benefit costs of ¥423 million for the year ended December 31, 2011 and ¥142 million (\$1,651 thousand) for the year ended December 31, 2012 were incurred, respectively.

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

	2011	2012
	Discount rate	mainly 2.0%
Expected rate of return on plan assets	mainly 1.0%	mainly 1.0%

7. Income Taxes

The Company is 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 and 2012. 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, 2011 and 2012.

	2011	2012
	%	%
Statutory income tax rate	40.4	40.4
Tax credits on dividend income	(33.5)	(0.3)
Different tax rates applied to foreign subsidiaries	(9.8)	(10.0)
Non-refundable withholding tax	6.7	–
Undistributed earnings in foreign subsidiaries	7.7	1.6
Valuation allowance	78.1	(9.4)
Tax deduction	–	(0.6)
Loss on reversal of foreign currency translation adjustments due to liquidation of foreign subsidiary	18.7	–
Other, net	6.1	2.5
Effective income tax rate	114.4	24.2

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, 2011 and 2012 were as follows:

	Yen (millions)		U.S. Dollars (thousands)
	2011	2012	2012
Deferred tax assets:			
Unrealized profits on inventories and fixed assets	¥ 601	¥ 752	\$ 8,744
Evaluation losses on investment securities and other assets	907	911	10,593
Depreciation	61	91	1,058
Allowance for retirements benefits	95	89	1,034
Unrealized loss on available-for-sale securities	643	286	3,325
Net operating loss carry forwards	511	108	1,255
Allowance for restructuring of production bases	–	281	3,267
Other	706	742	8,627
Valuation allowance	(2,827)	(2,048)	(23,813)
Total	¥ 699	¥ 1,216	\$ 14,139
Deferred tax liabilities:			
Tax on undistributed earnings in foreign subsidiaries	¥ 1,236	¥ 1,368	\$ 15,906
Other	330	342	3,976
Total	¥ 1,567	¥ 1,710	\$ 19,883
As reported in the consolidated balance sheet:			
Deferred tax assets	¥ 515	¥ 1,108	\$ 12,883
Deferred tax liabilities	¥ 1,383	¥ 1,602	\$ 18,627

8. Consolidated Statement of Comprehensive Income

The following table presents reclassification adjustments and tax effects for each component of other comprehensive income for the year ended December 31, 2012.

	Yen (millions)	U.S. Dollars (thousands)
	2012	2012
Year ended December 31, 2012		
Unrealized holding gain on securities:		
Amount arising during the year	¥2,154	\$ 25,046
Reclassification adjustments for gains and losses included in net income	(817)	(9,500)
Amount before tax effect	1,337	15,546
Tax effect	(39)	(453)
Unrealized holding gain on securities	1,298	15,093
Foreign currency translation adjustment		
Amount arising during the year	8,656	100,651
Total other comprehensive income	¥9,954	\$115,744

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, 2012, 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 14, 2012, interim dividends (¥50 or \$0.58 per share) totaling ¥1,751 million (\$20,360 thousand) were paid to shareholders based on the shareholders' record at June 30, 2012. On March 29, 2013, the shareholders approved a declaration of dividends (¥50 or \$0.58 per share) totaling ¥1,751 million (\$20,360 thousand).

10. Per Share Data

Net (loss) income per share was computed based on the net (loss) income reported in the consolidated statements of operations 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 (loss) income per share was computed based on the net (loss) income 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, 2012, the Company is contingently liable principally for forward precious metal contracts in the amount of ¥1,509 million (\$17,546 thousand).

12. Research and Development Expenses

Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥3,493 million and ¥3,794 million (\$44,116 thousand) for the years ended December 31, 2011 and 2012, respectively.

13. Impairment of Fixed Assets

Impairment losses relating to fixed assets of ¥84 million were incurred for the year ended December 31, 2011. Accumulated losses on impairment are directly deducted from the related assets. There were no impairment losses relating to fixed assets for the year ended December 31, 2012.

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 reporting segment income or loss, segment assets and other material items

The accounting policies and methods for the Group's reporting 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)
	2011	2012	2012
Net sales:			
Japan			
External customers	¥ 9,765	¥ 10,177	\$ 118,337
Intersegment	44,877	53,580	623,023
Total	54,643	63,757	741,360
Asia			
External customers	49,366	52,151	606,406
Intersegment	45,752	54,579	634,639
Total	95,119	106,731	1,241,058
U.S.A.			
External customers	7,468	8,714	101,325
Intersegment	—	—	—
Total	7,468	8,714	101,325
Europe			
External customers	12,285	14,211	165,244
Intersegment	—	—	—
Total	12,285	14,211	165,244
Corporate and elimination	(90,629)	(108,160)	(1,257,674)
Consolidated	¥ 78,886	¥ 85,254	\$ 991,325
Segment Income (Loss):			
Japan	¥ (2,048)	¥ (1,663)	\$ (19,337)
Asia	3,395	4,964	57,720
U.S.A.	356	498	5,790
Europe	394	805	9,360
Corporate and elimination	968	447	5,197
Consolidated	¥ 3,066	¥ 5,052	\$ 58,744
Segment Assets:			
Japan	¥ 66,468	¥ 67,451	\$ 784,313
Asia	96,645	110,813	1,288,523
U.S.A.	3,272	4,122	47,930
Europe	5,901	7,216	83,906
Corporate and elimination	9,063	7,097	82,523
Consolidated	¥181,351	¥196,702	\$2,287,232
Others:			
Depreciation and Amortization:			
Japan	¥953	¥944	\$ 10,976
Asia	2,559	2,819	32,779
U.S.A.	3	3	34
Europe	5	6	69
Corporate and elimination	(194)	(194)	(2,255)
Consolidated	¥ 3,326	¥ 3,579	\$ 41,616
Increase in Tangible and Intangible Fixed Assets:			
Japan	¥ 472	¥270	\$ 3,139
Asia	6,914	8,335	96,918
U.S.A.	0	5	58
Europe	7	4	46
Corporate and elimination	(1,250)	(1,170)	(13,604)
Consolidated	¥ 6,145	¥ 7,445	\$ 86,569

- (1) The reported "segment income (loss) corporate and elimination" of ¥968 million in fiscal 2011 and ¥447 million (\$5,197 thousand) in fiscal 2012 represent intersegment transaction eliminations.
- (2) The reported "segment assets corporate and elimination" include: corporate assets of ¥78,240 million in fiscal 2011 and ¥80,799 million (\$939,523 thousand) in fiscal 2012, not allocated to each segment; intersegment debt and credit eliminations of ¥69,176 million in fiscal 2011 and ¥73,701 million (\$856,988 thousand) in fiscal 2012.
- (3) The reported "depreciation and amortization corporate and elimination" of ¥194 million in fiscal 2011 and ¥194 million (\$2,255 thousand) in fiscal 2012 represent intersegment transaction eliminations.
- (4) The reported "increase in tangible and intangible fixed assets corporate and elimination" of ¥1,250 million in fiscal 2011 and ¥1,170 million (\$13,604 thousand) in fiscal 2012 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 major customers because individual sales ratios for major customers are lower than 10% of total net sales.

Geographical Information

	Yen (millions)		U.S. Dollars (thousands)
	2011	2012	2012
Net Sales			
Japan	¥ 8,776	¥ 9,718	\$113,000
Asia	50,277	52,609	611,732
U.S.A.	7,469	8,714	101,325
Europe	12,362	14,211	165,244
Total	¥78,886	¥85,254	\$991,325

	Yen (millions)		U.S. Dollars (thousands)
	2011	2012	2012
Tangible Fixed Assets			
Japan	¥17,205	¥16,526	\$192,162
Asia	16,987	23,307	271,011
U.S.A.	9	12	139
Europe	27	28	325
Total	¥34,231	¥39,874	\$463,651

	Yen (millions)		U.S. Dollars (thousands)
	2011	2012	2012
Impairment Loss			
Japan	¥20	¥-	\$-
Asia	64	-	-
U.S.A.	-	-	-
Europe	-	-	-
Total	¥84	¥-	\$-

15. Subsequent Events

(Introduction of stock-based compensation)

On February 15, 2013, the Company resolved, at the Board of Directors' meeting, to propose a resolution for the determination of stock-compensation-type stock options as directors' (excluding outside directors) compensation at its 72nd Ordinary General Meeting of Shareholders held on March 28, 2013. Grants of the stock-compensation-type stock options to the directors (excluding outside directors) were subsequently resolved pursuant to Article 361 of the Law, and the subscription requirement was resolved at the Board of Directors' meeting also held on March 28, 2013.

1. Purpose

The Company abolished the retirement allowance system for directors and statutory auditors of the Company at the 67th Ordinary General Meeting of Shareholders held on March 28, 2008, and has subsequently studied enhancing the long-term incentives for directors.

Consequently, the Company recently determined that stock-compensation-type stock options targeting directors of the Company (excluding outside directors) be implemented as part of its reform of the compensation system for directors for the purpose of increasing their willingness to serve and motivation toward improved corporate value and raised share prices. This reform measure shall be closely linked to the Company's business performance and share price by establishing a scheme through which directors of the Company will share not only the benefits that may be enjoyed due to increased share prices but also the risk of a decline in share prices along with shareholders.

To strengthen the linkage of directors' remuneration with the share prices that reflect the Company's corporate value, a system of stock-compensation-type stock options (subscription rights to shares for which the exercise price is ¥1) for directors (excluding outside directors) shall be implemented and the allotment thereof shall be capped at ¥60 million annually.

The total amount of the remuneration for directors of the Company has been previously determined to be within ¥15 million (excluding salaries for service as the Company's employees) as monthly fixed payments, and within 0.7% of consolidated net income for each year (computed without remuneration for directors based on the consolidated operating results) as variable payments of which the amount is capped at ¥200 million. Statutory auditors of the Company are not subject to the stock-compensation-type stock options system concerned.

2. Details

Resolution date	March 28, 2013
Classification and number of grantees	Six directors of the Company (excluding outside directors)
Type of shares to be issued under the subscription rights to shares	Common stock capped at 25,000 shares per year
Number of shares	Maximum number of shares shall be 25,000 shares. Total number of the subscription rights to shares shall be capped at 2,500 units per year. The Company determined the number of subscription rights to be 5,970 shares. The number of shares for each subscription right to shares (hereinafter the "Number of Granted Shares") shall be 10 shares. Note 4
Amount to be paid at the time of exercise of the subscription rights to shares	¥1 per share
Period during which the subscription rights to shares may be exercised	Note 8
Conditions for the exercise of the subscription rights to shares	Note 9
Matters relating to restriction on transfer of the subscription rights to share	Note 11
Matters relating to the distribution of the subscription rights to shares following a reorganization	Note 13

Notes:

(1) Designation of the subscription rights to shares

Mabuchi Motor Co., Ltd. 1st Subscription Rights to Shares (Stock-compensation Type)

(2) Eligible persons to whom the subscription rights to shares are allotted and the number thereof

Six (6) directors of the Company

(3) Total number of the subscription rights to shares: 597 units

The above figure is the planned number to be allotted and therefore if the total number of the subscription rights to shares allotted decreases, for example, in the case where applications for the subscription are not made, the total number of the subscription rights to shares to be allotted shall be the total number of the subscription rights to shares issued.

(4) The type and number of shares underlying the subscription rights to shares

The type of shares underlying the subscription rights to shares shall be the Company's common stock, and the number of shares underlying for each subscription right to shares (hereinafter the "Number of Granted Shares") shall be ten (10).

In case where the Company conducts stock splits or reverse stock splits for the Company's common stock, the Number of Granted Shares shall be adjusted according to the following formula, and the resulting fractions of less than one (1) share, if any, shall be rounded down.

Number of Granted Shares after adjustment = Number of Granted Shares before adjustment × Ratio of the stock split or reverse stock split.

In case where the Company conducts a merger, a demerger or a gratis allotment of shares after the allotment date or any adjustment to the Number of Granted Shares is necessary mutatis mutandis to these cases, the Number of Granted Shares shall be appropriately adjusted within a reasonable range.

(5) Subscription amount for the subscription rights to shares

The subscription amount for the subscription rights to shares shall be the value based on the fair value, which is calculated using the Black-Scholes value calculation model as of the allotment date of the subscription rights to shares. Persons to whom the subscription rights to shares have been allotted (hereinafter the "Subscription Right Holders") shall offset the claim for compensation held thereby toward the Company instead of payment of said subscription amount.

(6) Allotment date of the subscription rights to shares

May 20, 2013

(7) Amount to be paid at the time of exercise of the subscription rights to shares

Amount to be paid per share in exercising subscription right to shares shall be one (1) yen, and total amount to be paid is calculated by multiplying one (1) yen by the number of shares to be issued.

(8) Period during which the subscription rights to shares may be exercised

The period during which the subscription rights to shares may be exercised shall be from May 21, 2013 to May 20, 2033.

Provided, however, that if the last day of such exercise period falls on a holiday of the Company, the business day preceding said date shall be the last exercisable day.

(9) Conditions for the exercise of the subscription rights to shares

1) A Subscription Right Holder shall be allowed to exercise the subscription rights to shares, solely in a lump sum, only within a period of ten (10) days after he/she forfeits the director's position of the Company.

2) In case where a Subscription Right Holder dies, his/her heir may exercise the subscription rights to shares. Provided, however, that any person who has inherited the subscription rights to shares from the heir of an allotted person is not allowed to exercise the subscription rights to shares.

(10) Matters relating to acquisition of the subscription rights to shares

1) In case where a Subscription Right Holder forfeits his/her subscription rights to shares before the exercise thereof pursuant to either of the clauses in Item (9) above or any provision(s) of the Subscription Rights to Shares Allotment Agreement, the Company may acquire said subscription rights to shares without charge as of a date separately specified by the Board of Directors of the Company.

2) In case a General Meeting of Shareholders of the Company (the Board of Directors if such a General Meeting of Shareholders is unnecessary) approves a proposal for (i) a merger agreement by which the Company becomes extinct; (ii) an absorption-type company split agreement or an incorporation-type company split plan by which the Company becomes a splitting company; or (iii) a share exchange agreement or a share transfer plan by which the Company becomes a wholly owned subsidiary of another company or companies, the Company may acquire the subscription rights to shares that have not been exercised as of a date separately specified by the Board of Directors of the Company without charge as of such a date.

(11) Restriction on transfer of the subscription rights to shares

Approval of the Board of Directors of the Company via resolution thereat shall be required for the transfer of the subscription rights to shares.

(12) Matters relating to common stock and additional paid-in capital that will be increased in case of stock issuance as a result of the exercise of subscription rights to shares

1) The amount of common stock that will be increased in case of stock issuance as a result of the exercise of the subscription rights to shares shall be one-half (1/2) of the maximum limit of common stock, etc., which is calculated in accordance with Article 17, Paragraph 1, of the Ordinance on Company Accounting, and the resulting fractions of less than one (1) yen, if any, shall be rounded up.

2) The amount of additional paid-in capital that will be increased in case of stock issuance as a result of the exercise of the subscription rights to shares shall be the amount of the maximum limit of common stock, etc., stated in 1) above after deducting the amount of common stock to increase, which is set forth in 1) above.

(13) Treatment of the subscription rights to shares in conducting organizational restructuring

In cases where the Company conducts mergers (limited to cases where the Company is to become extinct as a result of the merger), absorption-type company splits, incorporation-type company splits, share exchanges or share transfers (hereinafter collectively an "Organizational Restructuring Action"), the subscription rights to shares of any of the joint-stock corporations (hereinafter the "Reorganized Company"), which are listed in sub-items (a) through (e) of Article 236, Paragraph 1, Item 8, of the Law, shall be newly issued pursuant to the following conditions with regard to the subscription rights to shares that remain as of the effective date of the Organizational Restructuring Action (hereinafter the "Residual Subscription Rights to Shares"). In such cases, the Residual Subscription Rights to Shares shall be extinguished and the subscription rights to shares of the Reorganized Company shall be newly issued.

Provided, however, that the aforementioned clause shall apply only to cases where such issuance of subscription rights to shares of the Reorganized Company pursuant to the following conditions has been stipulated in the statement to that effect in the relevant merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan.

1) Number of the subscription rights to shares of the Reorganized Company to be issued

The subscription rights to shares of the Reorganized Company shall be issued in the same number as the Residual Subscription Rights to Shares held by the Subscription Right Holders.

2) The type and number of the Reorganized Company's shares underlying the subscription rights to shares

The type of shares underlying the subscription rights to shares shall be the Reorganized Company's common stock, and the number of such Reorganized Company's common stock to be issued as a result of the exercise of the subscription rights to shares shall be determined mutatis mutandis to Item (4) above by taking into account the conditions for the Organizational Restructuring Action and the like.

3) Amount to be paid at the time of exercise of the subscription rights to shares

The exercise price after the restructuring shall be one (1) yen per share of the Reorganized Company's shares that could be issued as a result of the exercise of the subscription rights to shares issued. Amount to be paid at the time of exercise of the subscription rights to shares is calculated by multiplying the exercise price after the restructuring by the number of shares underlying each subscription rights to shares.

4) Period during which the subscription rights to shares may be exercised

Period during which the subscription rights to shares may be exercised shall be from the later date of either the start date of the period during which the subscription rights to shares may be exercised, which is set forth in the aforementioned Item (8), or the effective date of the Organizational Restructuring Action, until the expiration date of the period during which the subscription rights to shares may be exercised, which is set forth in the aforementioned Item (8).

5) Matters relating to acquisition of the subscription rights to shares

Acquisition of the subscription rights to shares shall be determined mutatis mutandis to Item (10) above.

6) Restriction on transfer of the subscription rights to shares

Approval of the Board of Directors of the Reorganized Company shall be required for the transfer of the subscription rights to shares.

7) Matters relating to common stock and additional paid-in capital that will be increased in case of stock issuance as a result of the exercise of subscription rights to shares

Common stock and additional paid-in capital to be increased in case of stock issuance as a result of the exercise of subscription rights to shares shall be determined mutatis mutandis to Item (12) above.

(14) Treatment of fractions of less than one (1) share

In case where there are fractions of less than one (1) share in the number of shares to be issued to a Subscription Right Holder when the subscription rights to shares are exercised by said Subscription Right Holder, the resulting fractions shall be rounded down.

(15) Non-issuance of certificates for subscription rights to shares

The Company shall not issue certificates for the subscription rights to shares.

(16) Place for payment in exercising the subscription rights to shares

Asakusabashi Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
23-6, Yanagibashi 1-chome, Taito-ku, Tokyo

(Introduction of ESOP Trust)

On February 15, 2013, the Board of Directors resolved to introduce an employee incentive plan called the ESOP Trust Utilizing Employee Shareholding Association (hereinafter the "ESOP Trust"), with the aim of raising corporate value over the medium to long term, as described below.

1. Purpose

A major purpose of introducing the ESOP Trust is to improve welfare programs for employees who support the Company's growth. The introduction thereof also aims to enhance the Company's corporate value over the medium to long term by granting an incentive toward high stock prices and creating greater awareness of the Company's business performance and stock value among its employees.

2. Outline

The ESOP Trust is a trust-type employee incentive plan that uses the mechanism of an employee shareholding association, and is based on the Employee Stock Ownership Plan (ESOP) system of the United States, with the purpose of attempting to expand the savings system that promotes the asset accumulation of employees who own the Company's shares (enhancement of the employee welfare programs).

The Company will establish a trust in which certain employee members of Mabuchi Motor Employee Shareholding Association (hereinafter "Our Shareholding Association") who meet certain requirements are its beneficiaries. During a predetermined period for acquisition, said trust, or the ESOP Trust, will acquire the number of the Company's shares that Our Shareholding Association is expected to acquire over the next several years. Afterward, the ESOP Trust sells off the Company's shares to Our Shareholding Association on a fixed day every month. The remaining funds will be distributed according to the contribution ratio of the employees as beneficiaries when there are ESOP Trust earnings resulting from an increase in stock prices when the term of the ESOP Trust ends. There is no additional burden on the employees as the Company will pay back the loan payable collectively to the bank based on its guarantee clause in the loan agreement with the bank if a liability associated with the trust result from a loss caused by a drop in stock prices.

In the ESOP Trust, the case in which the Company might dispose of its treasury stock to the Trustee is also considered. However, whether to conduct such a disposition and specific details of such disposition, if any, are undetermined at this time because they will be decided at a later date in view of the scale and possible impact of the ESOP Trust.

(Cancellation of repurchased shares)

On February 15, 2013, the Board of Directors resolved to cancel certain treasury shares of common stock to further improve capital efficiency and shareholders' return on investment. Accordingly, on February 22, 2013, 2 million shares were cancelled. The number of issued shares outstanding after the cancellation was 37,875,881.

Independent Auditor's Report



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

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

Independent Auditor's Report

The Board of Directors
Mabuchi Motor Co., Ltd.

We have audited the accompanying consolidated financial statements of Mabuchi Motor Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2012, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mabuchi Motor Co., Ltd. and its consolidated subsidiaries as at December 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

March 29, 2013

Investor Information

(As of December 31, 2012)

Stock Data

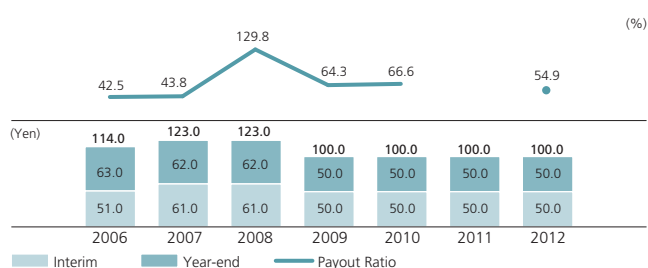
Number of Shares Authorized	100,000,000
Number of Shares Issued	39,875,881
Number of Shareholders	12,867

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	2,428	6.9
Mabuchi International Scholarship Foundation	1,500	4.3
Japan Trustee Services Bank, Ltd. (Trust Account)	1,151	3.3
Takashi Mabuchi	1,130	3.2
Tamotsu Mabuchi	1,130	3.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,060	3.0
Premiere Corporation	1,034	3.0
Taka Corporation Co., Ltd.	1,028	2.9
TEXAS Inc.	1,028	2.9

Notes: 1. In addition to the above, Mabuchi Motor Co., Ltd. retains 4,840,007 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



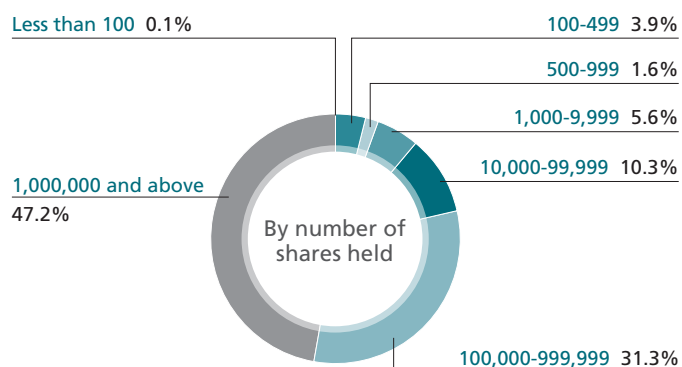
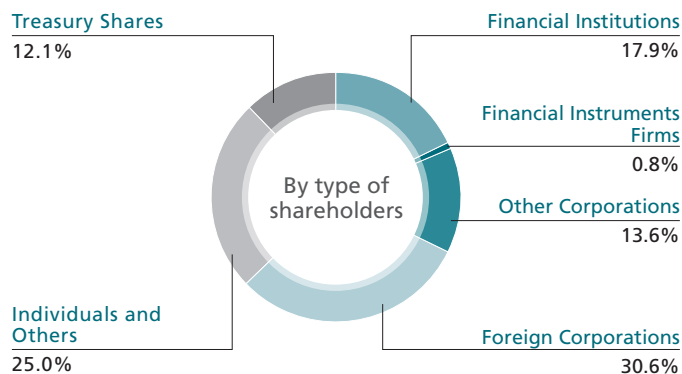
Note: The above graph does not show the payout ratio for 2011, as the Company recorded a net loss for the year.

Changes in Standards for Calculating Dividends

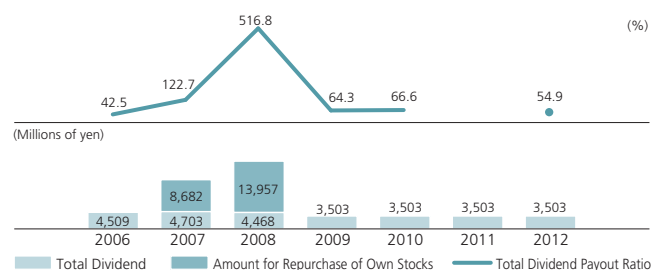
Year	Ordinary Dividend per Share	Standard Value for Calculating Special Dividend
2007 ^(*)	60 yen	20% of consolidated net income
2005	60 yen	20% of consolidated net income
2003	50 yen	20% of consolidated net income
1999	50 yen	5% of consolidated net income

(* 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

	2008	2009	2010	2011	2012
High (Yen)	6,740	5,010	5,520	4,305	3,930
Low (Yen)	2,845	3,230	3,920	3,075	2,931
At Year-end (Yen)	3,690	4,580	4,185	3,205	3,655
PER	38.9	31.2	27.8	-	20.1
PBR	0.7	0.9	0.8	0.7	0.7

Corporate Data

(As of December 31, 2012)

Company Name

MABUCHI MOTOR CO., LTD.

Corporate Headquarters

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

Established

January 18, 1954

Paid-in Capital

¥20,704,818,800

Number of Employees

732 (Non-consolidated)
29,058 (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 ShinNihon 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

[North America]

MABUCHI MOTOR AMERICA CORP.

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

[Europe]

MABUCHI MOTOR (EUROPE) GmbH

Herriotstrasse 1, 60528 Frankfurt am Main,
Germany

[China & Hong Kong]

MABUCHI INDUSTRY CO., LTD.

19 Sam Chuk Street, San Po Kong,
Kowloon, Hong Kong

MABUCHI MOTOR DALIAN CO., LTD.

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

MABUCHI MOTOR (JIANGSU) CO., LTD.

No. 100 Liuxu Road, Wujiang Economic and
Technological Development Zone,
Jiangsu Province 215200, China

MABUCHI MOTOR (DONGGUAN) CO., LTD.

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

MABUCHI MOTOR WAFANGDIAN CO., LTD.

Laohutun Town, Wafangdian City,
Liaoning Province 116322, China

MABUCHI MOTOR (SHANGHAI) CO., LTD.

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

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 (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 MOTOR DONGGUAN DAOJIAO CO., LTD.

Industrial Main Road, Daojiao Town,
Dongguan City, Guangdong Province
523179, China

MABUCHI MOTOR (JIANGXI) CO., LTD.

Jinlong Road, Ganzhou Development Zone,
Jiangxi 341000, China

[Asia Pacific]

MABUCHI TAIWAN CO., LTD.

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

MABUCHI MOTOR TAIWAN LTD.

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

MABUCHI MOTOR (SINGAPORE) PTE. LTD.

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

MABUCHI MOTOR VIETNAM LTD.

No. 2 5A Street, Bien Hoa II Industrial Zone,
Bienhoa, Dong Nai, Vietnam

MABUCHI MOTOR DANANG LTD.

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

MABUCHI MOTOR KOREA CO., LTD.

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

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>