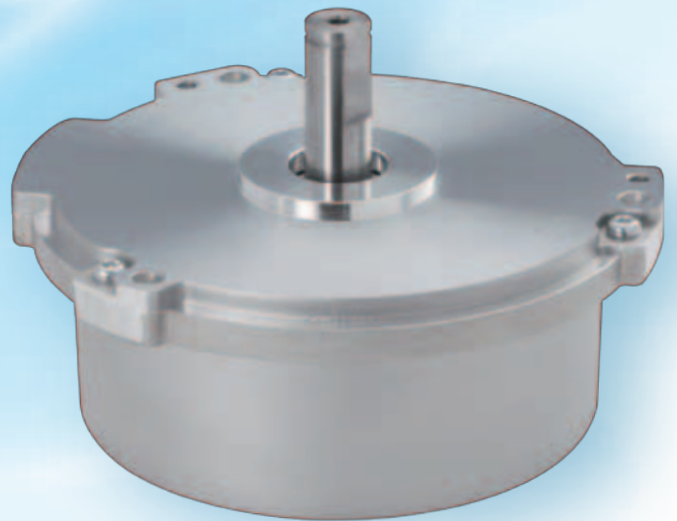


Annual Report 2015

Year ended December 31, 2015

Small Motors Powering
Further Growth



Light electric vehicle motor
IS-92BZA

Small Direct-Current Electric Motors

Small Motors Powering Further Growth

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.” Our small motors find diverse applications in automotive products and consumer and industrial products, including home appliances, power tools, precision and office equipment, audio and visual equipment, and toys. In this way, we contribute to convenient, comfortable living for people the world over.

The Mabuchi Group is the world’s leading producer of small motors. Our annual production volume of approximately 1,475 million units (2015 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.

Market Research

We engage in market research 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 in small motors.

From basic research, product development, design, and production to motor-applied technology in these small machine components, we have collected a wide range of technical capabilities over many years.



Production

Mabuchi has established production bases across Asia with the aims of developing a competitive motor production system and providing employment opportunities in host countries. And in 2014, we established a new production base in Mexico. Furthermore, we strive to combine high quality and low cost in our production processes by seeking an optimal balance between people and machines.

Quality Assurance

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

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Forward-Looking Statements

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

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

To Our Shareholders

With our newly formulated medium-term management plan, we will launch the Mabuchi Group into an era of steady and sustainable growth.



Hiroo Okoshi
Representative Director and President,
President & CEO

Hiroo Okoshi

■ Business Development and Results

During the fiscal year ended December 31, 2015 (fiscal 2015), economic slowdown in China and other countries beginning in the second half of the fiscal year resulted in sluggish growth in the world economy as a whole. The U.S. economy continued to expand due to improvement in employment and income conditions, while the gradual recovery trend continued in Europe. In Japan, moderate economic recovery continued as a result of an improvement in corporate earnings. On the other hand, growth slowed in emerging market economies because of factors such as the economic slowdown in China and a decline in resource prices.

In the markets in which the Mabuchi Group operates, demand in the Automotive Products Market was healthy as economic expansion in the U.S. and economic recovery in Europe offset sluggish demand growth in emerging countries. In the Consumer and Industrial Products Market, demand remained stable in developed countries.

Under these business conditions, the Group addressed several issues: continued strengthening and expansion of the automotive products business, realization of new activities in the consumer and industrial products business, promotion of manufacturing innovation, and establishment of new production bases.

In fiscal 2015, the Mabuchi Group achieved record-high consolidated net sales. From fiscal 2016 onwards, we will target further improvements in corporate value.

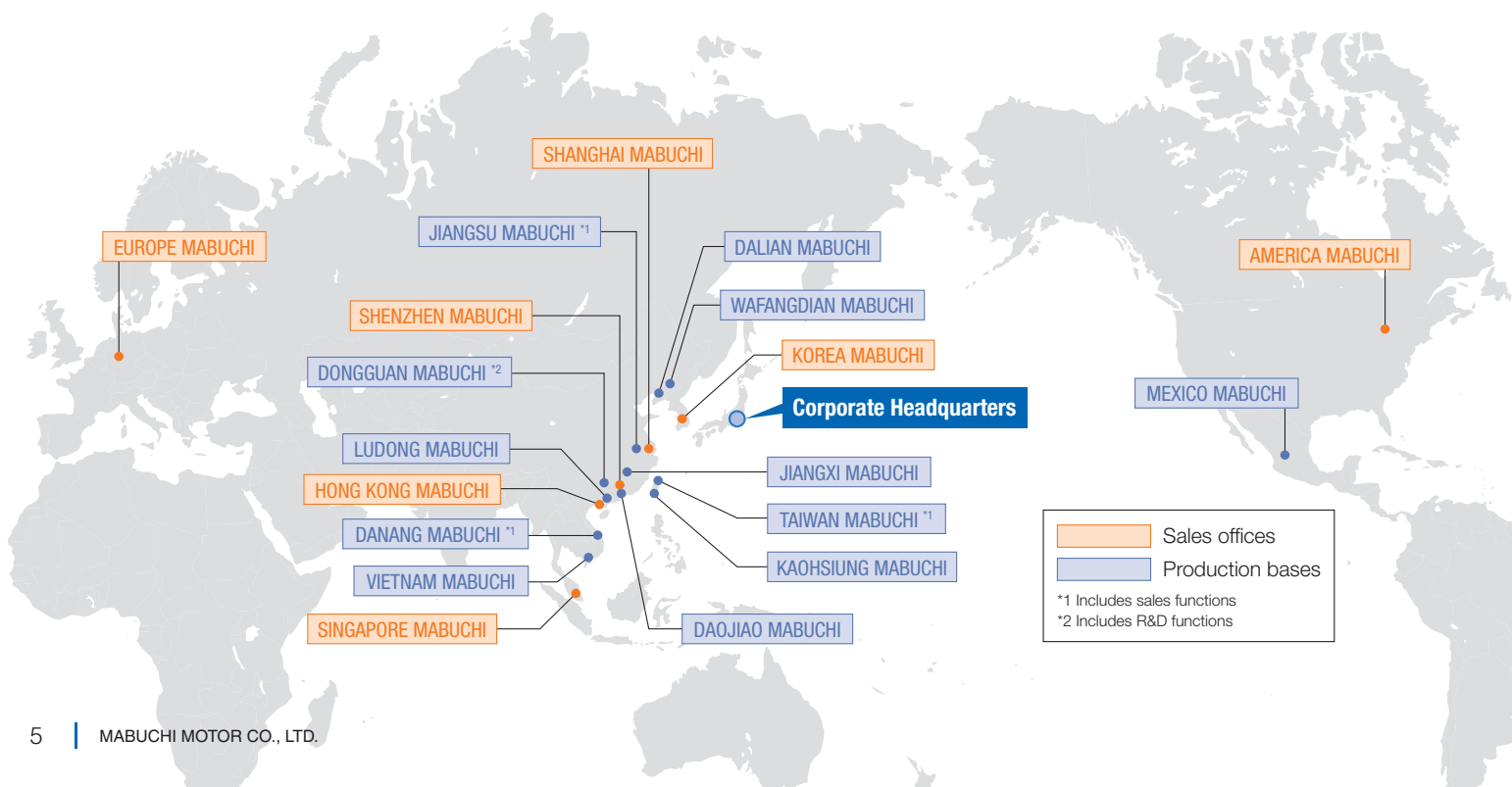
Specifically, the Group actively introduced and implemented measures to achieve further progress with sales and market share expansion, and high quality and high efficiency, and achieved results that will lead to future business growth. These measures included: 1) commencement of sales of new motors for power window lifters to new customers; 2) strengthening of sales of medium-sized automotive motors by introducing application-specific standard products for each application; 3) full-scale entry into the light electric vehicle (LEV), commercial office equipment, and welfare/nursing care equipment sectors; 4) laborsaving in production processes and man-hour reduction through expanded introduction of facilities to rationalize production; and 5) completion of the construction of a new production plant in Mexico.

As a result, consolidated net sales for fiscal 2015 were 143,143 million yen (a 16.8% increase on a year-on-year basis). Motor sales, which account for the majority of consolidated net sales, were 143,134 million yen (a 16.8% increase on a year-on-year basis).

Operating income for fiscal 2015 was 22,961 million yen (a 36.1% increase on a year-on-year basis) as a result of an improvement in the product mix and a decline in raw material costs, coupled with a weaker yen compared with the previous fiscal year.

Financial Highlights

	Millions of yen		Thousands of U.S. dollars	Rate of change
	2014	2015	2015	YoY
Net sales	¥122,544	¥143,143	\$1,192,863	+16.8%
Operating income	16,875	22,961	191,348	+36.1%
Net income	18,090	18,546	154,552	+2.5%
Total assets	256,368	256,196	2,134,966	-0.1%
Net assets	233,312	233,245	1,943,709	-0.0%



Striving for global growth by developing new applications and embarking on next-generation manufacturing.

■ Medium- to Long-term Management Strategy and Issues to Be Addressed

(1) Acceleration of Growth of the Power Window Lifter Motor Business

The Mabuchi Group began sales of new medium-torque power window lifter motors to a third Japanese automaker in fiscal 2015 and will aim to use this mass production track record as a springboard to increase the number of equipped car models. In addition, we will undertake expansion of the product lineup by accelerating development of new, next-generation products that take advantage of size and weight reduction technologies, a Mabuchi strength.

We started mass production of a new high-torque product for a major North American automaker in fiscal 2015 and will strengthen the supply structure by commencing mass production of power window lifter motors at MEXICO MABUCHI this year. We will step up sales activities to ensure adoption by additional North American automakers by emphasizing this initiative to strengthen the supply structure, our mass production track record, and the competitiveness of our products.

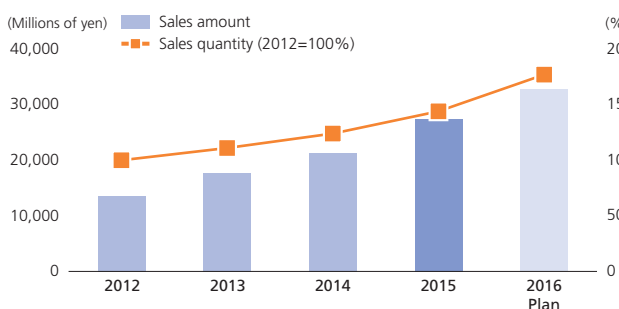
(2) Expansion of Medium-sized Automotive Motor Sales and New Applications

Motors for power seats, electric parking brakes, engine peripheral equipment, and other medium-sized motor

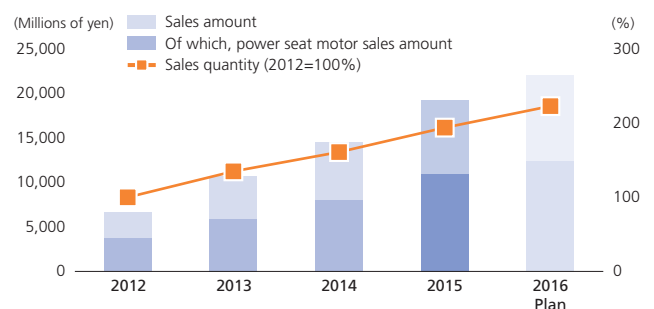
applications constitute a market sector for which continued market expansion can be expected in light of today's emphasis on automobile safety, comfort, and economy, and the Mabuchi Group will work to increase sales to new customers and develop new applications by leveraging highly competitive application-specific standard products.

Sales of power seat motors surpassed the 10.0 billion yen milestone in fiscal 2015, and we will aim for further growth in fiscal 2016 by continuing to seek global sales expansion and winning new orders in Japan and overseas. Electric parking brake motors are an application for which Mabuchi has maintained the top global market share. We intend to retain share leadership by undertaking production capacity expansion to meet a demand increase accompanying the spread of electric parking brakes and aiming to win orders from a major customer in Korea in addition to our current customers in Japan and Europe. In fiscal 2015, we began mass production of engine air intake and exhaust motors, a type of motor engine peripheral equipment, for a major Japanese customer. We will take advantage of this opportunity by working to develop new applications for other engine peripheral equipment in addition to engine air intake and exhaust.

Power Window Lifter Motor Sales Results and Forecast



Medium-sized Automotive Motor Sales Results and Forecast



Note: Medium-sized automotive motor applications: power seats, electric parking brakes, steering column adjusters, engine peripheral equipment, and seatbelt pretensioners

(3) Development of New Applications in the Consumer and Industrial Products Business

In the consumer and industrial products business, in addition to business activities centered on existing small brush motors, we are reinforcing initiatives to develop and increase sales of brushless motors to focus on new applications and create new demand.

With regard to brushless motors for LEVs, we are continuing to sell motors for electrically assisted bicycles and are reinforcing sales activities to win orders from new Japanese and European customers. We also began mass production and shipment of motors for assistive equipment for walking in fiscal 2015, and will continue to develop new applications and realize further deployment across multiple applications on the basis of application-specific standard products for LEVs.

In fiscal 2015, we won orders for brushless motors for multifunction printers (MFPs) from a third major Japanese customer. Manufacturers are mounting a full-scale effort to reduce power consumption, and we will continue sales activities to win orders from a fourth Japanese manufacturer.

With regard to new applications, we newly developed a small gear unit motor to increase ease of use for customers. We will make this the first step toward full-scale entry into medical equipment applications by means of products that offer new added value.

(4) Implementation of Laborsaving Measures and Establishment of Next-generation Manufacturing

The Mabuchi Group is working to mechanize production lines and undertaking laborsaving by introducing facilities in response to a major change in the business environment: namely, sharp increases in labor costs accompanying economic development in countries and regions where production bases are located. Laborsaving progressed steadily again in fiscal 2015, the second year of a phase-two laborsaving plan to achieve laborsaving through a decrease in direct workers exceeding 30% from the fiscal 2013 level during the three-year period from fiscal 2014 to fiscal 2016. In fiscal 2016, the final year of the three-year plan, we will

once again work to achieve the laborsaving plan target by means including the horizontal deployment of model production lines that have achieved substantial laborsaving from conventional production lines.

In addition to these initiatives to improve productivity, in fiscal 2016, we will move into high gear with activities to establish next-generation production processes, continuously improve productivity, and realize highly competitive production processes into the future.

Furthermore, the Group has opened its Manufacturing Training Hall within its corporate headquarters for the purpose of establishing next-generation manufacturing and raising the level of its production-related technologies, quality, and personnel. We are building production facilities and developing personnel for a trial production line for motors for power window lifters set up at the Manufacturing Training Hall, and are preparing mass production lines at Mabuchi Mexico by deploying facilities and personnel upgraded at the hall. In fiscal 2016, a foundation will be laid for the evolution of a series of processes extending from parts to finished products into next-generation facilities, methods, and processes through expansion of the scope of the hall's activities beyond assembly processes to include parts processes. We intend to further strengthen our manufacturing capabilities by laying a technology foundation at the corporate headquarters and deploying it globally.



MEXICO MABUCHI

We will proactively return profits to all shareholders.

■ Basic Policy on Profit Sharing, and Dividend Payments for the Current and Next Periods

Mabuchi maintains a basic policy of actively returning profits to shareholders in accordance with its business results. We do this while also providing funds from internal reserves for capital expenditures, research and development which are necessary for the growth and development of the Company, and while maintaining our financial soundness.

Under this policy, apart from when business results are remarkably sluggish due to a sudden deterioration in the business environment, we consistently distribute an annual ordinary dividend of 30 yen per share as payment of a

long-term stable dividend, plus an additional special dividend equal to 30% of the consolidated net income divided by the number of outstanding shares, depending on the performance of the Company.

We will continue to consider repurchasing more treasury stock as necessary, as a way of flexibly responding to changes in the share price and the business environment, and as a means of fulfilling our capital policy and returning profits to shareholders.

It is our policy to appropriate internal reserves to further strengthen and deepen our existing businesses and to invest in areas of growth, with a view to increasing corporate value.

Medium-term Management Plan (FY2016-FY2018)

Seeking to achieve steady, sustainable growth into the future, the Mabuchi Group has formulated a new Medium-term Management Plan covering the three-year period from January 2016 to December 2018. Our numerical targets under the plan are set out below.

Numerical Management Targets

		FY2018 Targets
Sales Growth	Net Sales	¥170.0 billion (Up 19% from FY2015)
Earnings Power	Operating Income to Net Sales	15% or more
Capital Efficiency	Return on Equity (ROE)	8% or more

Exchange rate assumption: 1 USD = 118.00 JPY

Key strategies for achieving the plan's various targets are summarized below.

Keys to Achieve the Plan

- Sales Growth**
 - Aim to achieve an average annual increase in sales amount exceeding 10% for motors for power window lifters, mainly through higher sales of the new high-torque product
 - Reinforce sales expansion of medium-sized automotive motors, with motors for power seats, electric parking brakes and engine peripheral equipment as growth drivers
 - For the consumer and industrial products business, reinforce initiatives for motors for new applications such as LEVs, commercial office equipment and medical equipment
- Earnings Power**
 - Reduce costs through laborsaving and by improving production indicators
 - Expand Manufacturing Training Hall activities to parts processes and establish next-generation production processes ranging from parts to assembly
- Capital Efficiency**
 - Aim to increase ROE through sales growth and strengthening of earnings power
- Global Structure**
 - Further restructuring of global management, R&D, procurement, production and sales functions

Financial Summary

Net Sales

¥143,143
million

Consolidated net sales in fiscal 2015 rose 16.8% from the previous fiscal year, to ¥143,143 million (US\$1,192,858 thousand).

Operating Income

¥22,961
million

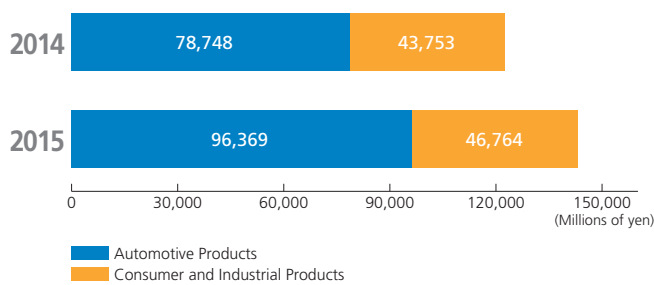
Operating income in fiscal 2015 rose 36.1% from the previous fiscal year, to ¥22,961 million (US\$191,341 thousand).

Net Income

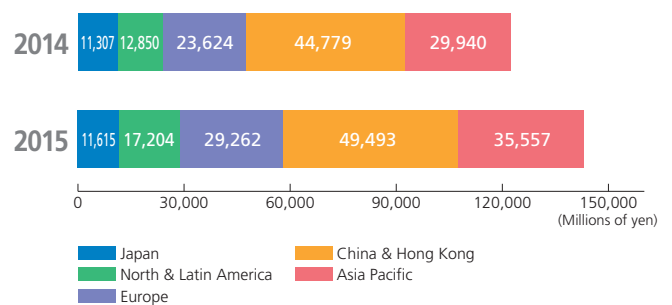
¥18,546
million

Net income in fiscal 2015 rose 2.5% from the previous fiscal year, to ¥18,546 million (US\$154,550 thousand).

Net Sales by Application

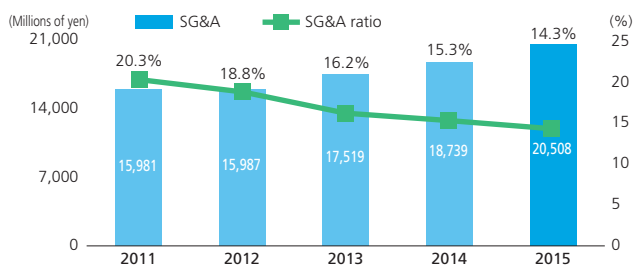


Net Sales by Region

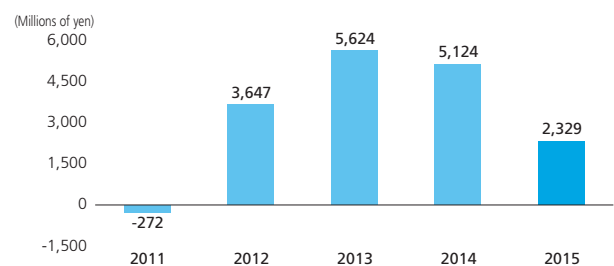


Factors Affecting FY2011–FY2015 Consolidated Operating Income

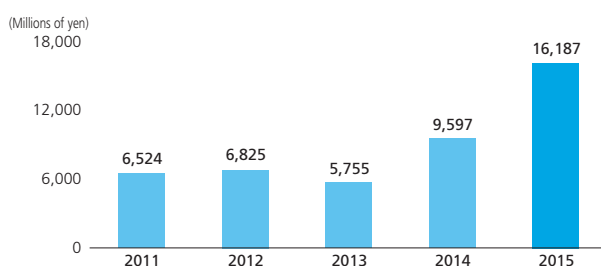
Selling, General and Administrative Expenses



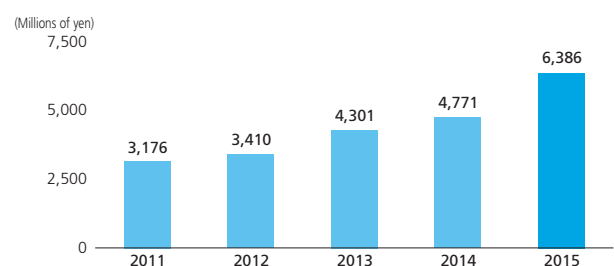
Exchange Gain/Loss



Capital Expenditures



Depreciation and Amortization



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

	Millions of yen					Thousands of U.S. dollars
For the year:	2011	2012	2013	2014	2015	2015
Net sales	¥ 78,886	¥ 85,254	¥ 108,401	¥ 122,544	¥ 143,143	\$1,192,858
Cost of sales	59,838	64,214	81,546	86,929	99,673	830,608
Selling, general and administrative expenses	15,981	15,987	17,519	18,739	20,508	170,900
Operating income	3,066	5,052	9,335	16,875	22,961	191,341
Income before income taxes	3,248	8,426	15,015	23,595	26,593	221,608
Operating income ratio (%)	3.9	5.9	8.6	13.8	16.0	
Net income (loss)	(466)	6,385	10,519	18,090	18,546	154,550
Capital expenditures	6,524	6,825	5,755	9,597	16,187	134,891
Depreciation and amortization	3,176	3,410	4,301	4,771	6,386	53,216
R&D expenses	3,493	3,794	3,763	4,503	5,164	43,033
Exchange gain (loss)	(272)	3,647	5,624	5,124	2,329	19,408
Cash flows:						
Net cash provided by operating activities	696	9,091	11,750	18,118	20,115	167,625
Net cash (used in) provided by investing activities	(2,874)	8,230	4,264	(11,977)	(1,178)	(9,816)
Net cash used in financing activities	(3,507)	(3,509)	(3,031)	(6,014)	(13,312)	(110,933)
At year-end:						
Total assets	181,351	196,702	227,253	256,368	256,196	2,134,966
Net assets	168,538	181,372	208,791	233,312	233,245	1,943,708
Per share data:					Yen	U.S. dollars
Net income (loss)	(6.65)	91.12	150.10	258.02	266.98	2.22
Net assets	2,405.18	2,588.38	2,978.02	3,325.99	3,363.01	28.02
Dividends payable	50.00	50.00	70.00	107.00	110.00	0.91
Other data:						
Operating income margin (%)	3.9	5.9	8.6	13.8	16.0	–
ROE (%)	(0.3)	3.6	5.4	8.2	8.0	–
ROA (%)	2.7	5.6	7.9	9.9	10.6	–
Shareholders' equity ratio (%)	92.9	92.2	91.9	91.0	91.0	–
Number of shares outstanding (Thousands of shares)	35,036	35,035	35,145	35,144	70,927	–
Number of employees (Persons)	33,918	29,058	28,188	25,354	24,419	–

Notes:

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120=U.S.\$1.
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.
4. Per share data: The Company conducted a stock split on January 1, 2015, in which each share of the Company's common stock was split into two shares. Per share data has been calculated based on the number of shares issued after the stock split (excluding treasury stock).

Segment Information by Motor Application

Consumer and Industrial Products

32.7%

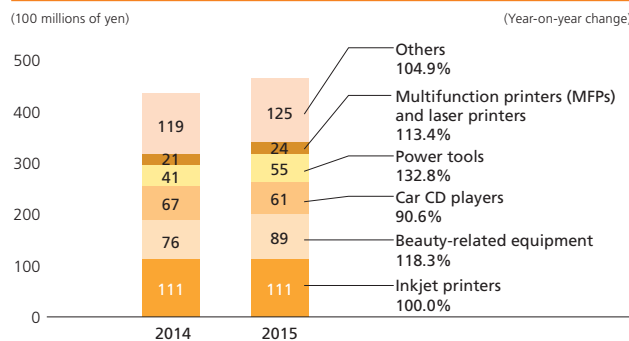
Below is a description of conditions in the markets for motors, the Mabuchi Group's main business, and a report on the Group's sales situation.

In fiscal 2015, consolidated net sales amounted to 43,134 million yen, up 16.8% from the previous fiscal year.

Consumer and Industrial Products Market

- Increase in sales of motors for multifunction printers (MFPs) as a result of adoption of a new product by a major Japanese customer
- Strong sales of high-end motors for power tools and motors for power tools for the North American market
- No change in sales of motors for inkjet printers due to stagnation in the personal-use products market
- Decrease in sales of motors for car CD players due to contraction of the aftermarket
- Regarding motors for other products, an increase in sales of motors for new applications, including light electric vehicles (LEVs) and housing equipment

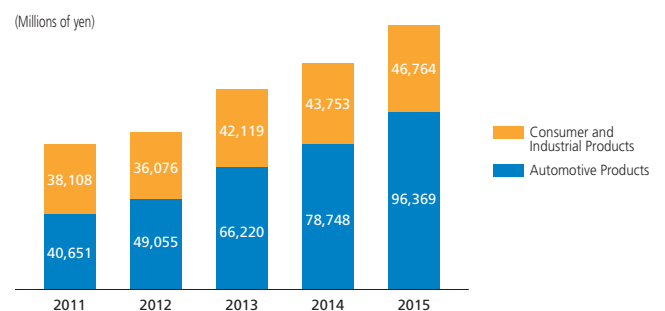
Net Sales by Principal Item



Net Sales by Application

	Millions of yen					Thousands of U.S. dollars
	2011	2012	2013	2014	2015	2015
Automotive Products	¥40,651	¥49,055	¥66,220	¥78,748	¥96,369	\$803,075
Consumer and Industrial Products	38,108	36,076	42,119	43,753	46,764	389,700
Total Sales	¥78,760	¥85,131	¥108,340	¥122,502	¥143,134	\$1,192,783

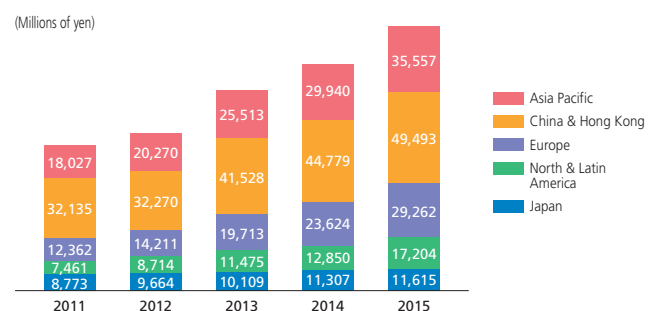
\$1=¥120



Net Sales by Region

	Millions of yen					Thousands of U.S. dollars
	2011	2012	2013	2014	2015	2015
Japan	¥8,773	¥9,664	¥10,109	¥11,307	¥11,615	\$96,791
North & Latin America	7,461	8,714	11,475	12,850	17,204	143,366
Europe	12,362	14,211	19,713	23,624	29,262	243,850
China & Hong Kong	32,135	32,270	41,528	44,779	49,493	412,441
Asia Pacific	18,027	20,270	25,513	29,940	35,557	296,308
Total Sales	¥78,760	¥85,131	¥108,340	¥122,502	¥143,134	\$1,192,783

\$1=¥120



Automotive Products

67.3%



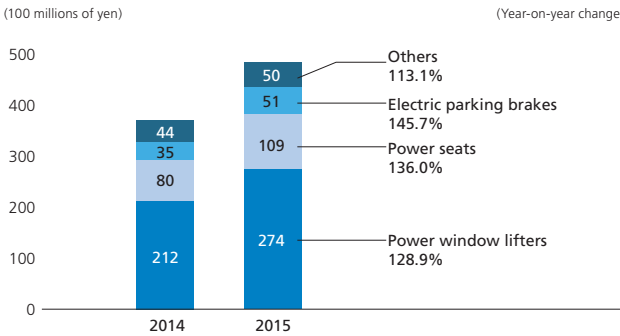
Automotive Products Market

Net sales in this market rose sharply, to 96,369 million yen (a 122.4% increase on a year-on-year basis).

Medium-sized Automotive Motors

- Increase in sales of motors for power window lifters for the North American, European, and Chinese markets due to an increase in new product adoptions
- Increase in adoptions of a new motor for power seats, mainly by European and North American customers
- Increase in sales of motors for electric parking brakes due to a higher installation rate and a rise in the number of models equipped with a new product

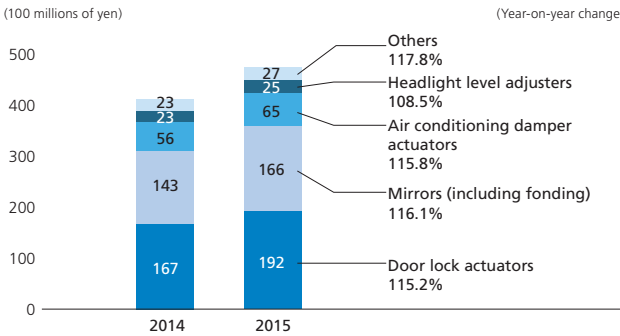
Net Sales by Principal Item



Small Automotive Motors

- Maintenance of a high market share of motors for door lock actuators and mirrors
- Increase in sales of motors for air conditioning damper actuators due to a higher market share
- Rise in sales of headlight level adjusters due to market expansion and a higher installation rate

Net Sales by Principal Item



Sales Forecast by Market

Automotive Products Market

Medium-sized Automotive Motors: 58.0 billion yen (a 19.7% increase on a year-on-year basis)

- The outlook is for further progress with adoptions of a new motor for power window lifters and an increase in the number of models equipped with Mabuchi products
- There is likely to be a continued increase in adoptions of a new motor for power seats
- An increase in the installation rate and new product adoptions of motors for electric parking brakes is anticipated to continue

Small Automotive Motors: 47.1 billion yen (a 1.3% decrease on a year-on-year basis)

- Although a high market share of motors for door lock actuators, mirrors and air conditioning damper actuators is likely to be maintained, slight decreases in sales are expected due to sluggish growth in automobile production volume and the impact of foreign exchange rates

- Sales of headlight level adjusters due to market expansions are likely to increase

Consumer and Industrial Products Market

44.7 billion yen (a 4.4% decrease on a year-on-year basis)

- A decrease in sales of motors for inkjet printers is anticipated due to sluggish growth in the personal-use products market
- The market for motors for car CD players is likely to continue contracting
- An increase in sales of motors is expected for MFPs and laser printers due to the acquisition of new customers
- Despite an expected overall decrease in sales of motors for other products due to a policy of maximizing profitability, increases in sales of motors for new applications such as LEVs and medical equipment are likely

Management's Discussion and Analysis

Analyses and studies of the Mabuchi Group's performance and financial position are, in principle, based on the consolidated financial statements.

Consolidated Performance

»» Overview

During the fiscal year ended December 31, 2015 (fiscal 2015), economic slowdown in China and other countries beginning in the second half of the fiscal year resulted in sluggish growth in the world economy as a whole. The U.S. economy continued to expand due to improvement in employment and income conditions, while the gradual recovery trend continued in Europe.

In Japan, moderate economic recovery continued as a result of an improvement in corporate earnings. On the other hand, growth slowed in emerging market economies because of factors such as the economic slowdown in China and a decline in resource prices.

In the markets in which the Mabuchi Group operates, demand in the Automotive Products Market was healthy as economic expansion in the U.S. and economic recovery in Europe offset sluggish demand growth in emerging countries. In the Consumer and Industrial Products Market, demand remained stable in developed countries.

Under these conditions, the Group improved its product mix and reduced raw materials costs, which, together with the yen's depreciation compared with the previous fiscal year, led to increases in revenue and earnings on a year-on-year basis.

»» Net Sales

Consolidated net sales for fiscal 2015 were 143,143 yen million (a 16.8% increase on a year-on-year basis). Motor sales, which account for the majority of consolidated net sales, were 143,134 million yen (a 16.8% increase on a year-on-year basis). During the year, the Group introduced new products and began sales to new customers in the Automotive Products Market. With the contribution of increased market share, significantly improved results were posted. Higher sales were also reported in the Consumer and Industrial Products Market, buoyed by healthy demand for mainstay application products and the yen's depreciation. For the year, 1,458 million motors were sold, down 0.5% from the previous fiscal year. In value terms, however, motor sales increased on a year-on-year basis, thanks to improvements in market composition by application, the yen's depreciation and increased unit prices.

»» Operating Income

Operating income amounted to 22,961 million yen, up 36.1%, or 6,086 million yen, from the previous fiscal year. Main factors in this increase (and their specific contribution in parentheses) were as follows: Improvements in product mix (2.6 billion yen); declines in market prices for core materials, such as copper and steel (0.8 billion yen); and depreciation of the yen (3.3 billion yen). Negative factors (and their downward impact) were: Decline in unit sales (0.1 billion yen) and increase in costs, mainly selling, general and administrative expenses (0.5 billion yen).

»» Other Income (Expenses)

Other income (net of other expenses) totaled 4.1 billion yen, down from 7.0 billion yen in the previous fiscal year. This represented a 2,795 million yen decline on a year-on-year basis in exchange gain, net.

»» Extraordinary Income (Loss)

Extraordinary loss (net of extraordinary income) increased from 664 million yen in the previous fiscal year, to 519 million yen. In fiscal 2015, the Group reported an impairment loss of 0.9 billion yen on fixed assets of some consolidated subsidiaries.

»» Income Taxes (Current and Deferred)

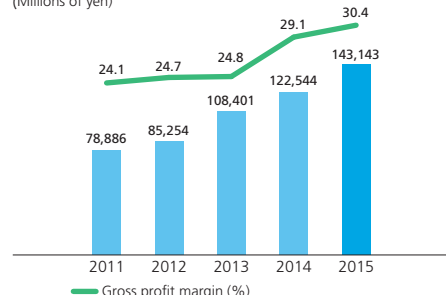
The ratio of income taxes (current and deferred) to income before income taxes (effective income tax rates) rose from 23.3% in fiscal 2014 to 30.3% in fiscal 2015. The consolidated effective tax rate was pushed up due to the Company's more conservative estimate of deferred tax liabilities, which are reported as the equivalent of withholding taxes incurred when recovering surpluses from overseas subsidiaries.

»» Net Income

As a result, net income amounted to 18,546 million yen, up 2.5%, or 456 million yen, on a year-on-year basis. Net income per share rose from 258.02 yen to 266.98 yen. The Company carried out a 2-for-1 stock split, effective January 1, 2015. The figure for net income per share in the previous fiscal year has been recalculated based on the assumption that the stock split was carried out at the beginning of that year.

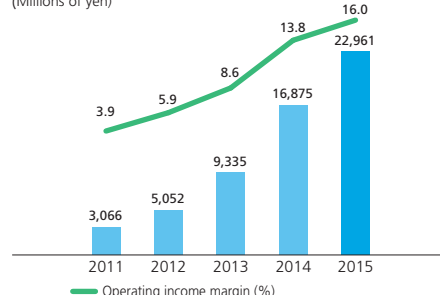
Net Sales/Gross Profit Margin

(Millions of yen)



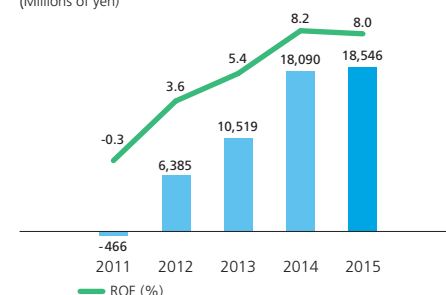
Operating Income/Operating Income Margin

(Millions of yen)



Net Income (Loss)/ROE

(Millions of yen)



Financial Position

Total assets as of December 31, 2015 stood at 256,196 million yen, decreasing ¥172 million from the previous fiscal year-end. The most noticeable changes were an increase in trade notes and accounts receivable of 2,193 million yen, an increase in inventories of 1,957 million yen, an increase in property, plant and equipment of 4,755 million yen accompanying capital expenditures, a decrease in cash and bank deposits of 4,503 million yen due to dividends and purchase of treasury stock, a decrease in short-term investments of 1,399 million yen, and a decrease in investment securities of 2,883 million yen.

Total liabilities stood at 22,950 million yen, a decrease of 104 million yen compared with the previous fiscal year-end. The most noticeable

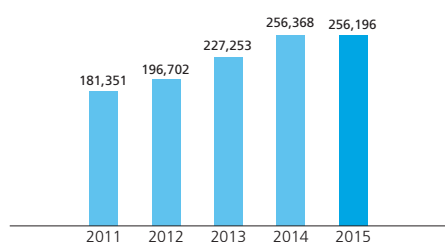
changes were an increase in deferred tax liabilities (non-current) of 1,386 million yen, a decrease in trade notes and accounts payable of 601 million yen, and a decrease in accrued income taxes of 960 million yen.

Total net assets decreased slightly from the previous fiscal year-end, to 233,245 million yen. Treasury stock, shown as a negative item in net assets, decreased 13,964 million yen due to the cancellation of treasury stock (including this, retained earnings decreased 8,752 million yen), and foreign currency translation adjustments decreased 5,536 million yen.

The shareholders' equity ratio remained mostly unchanged from the previous fiscal year, at 91.0%.

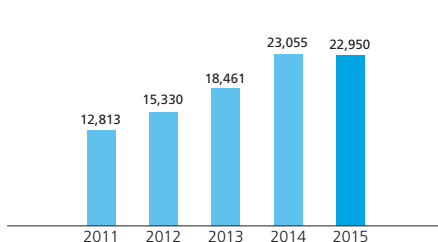
Total Assets

(Millions of yen)



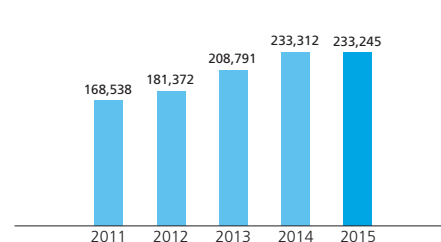
Liabilities

(Millions of yen)



Net Assets

(Millions of yen)



Analysis of Capital Resources and Liquidity

»» Cash Flows

Net cash provided by operating activities amounted to 20,115 million yen, an increase of 1,996 million yen from the previous fiscal year. Cash flows from operating activities increased as a result of factors including an increase in income before income taxes of 2,998 million yen.

Net cash used in investing activities amounted to 1,178 million yen, a decrease in cash used of 10,798 million yen from the previous fiscal year. Cash flows from investing activities increased as a result of factors including a decrease in purchases of short-term investments and investment securities of 4,556 million yen and an increase in proceeds from sales of short-term investments and investment securities of 1,792

million yen. In addition, purchases of property, plant and equipment increased 5,753 million yen due to the establishment of a new subsidiary and new capital expenditures.

Net cash used in financing activities amounted to 13,312 million yen, an increase in cash used of 7,297 million yen from the previous fiscal year. Cash flows from financing activities decreased as a result of factors including an increase in cash dividends paid of 2,239 million yen and an increase in purchase of treasury stock of 5,036 million yen.

As a result, the balance of cash and cash equivalents amounted to 112,956 million yen, an increase of 3,736 million yen from the previous fiscal year-end.

Capital Requirements

Among the Mabuchi Group's working capital requirements, the main components are costs related to product manufacturing—purchasing costs of materials and components, as well as production costs—and operating costs, such as selling, general and administrative expenses.

The Group's main equipment capital requirements are also costs related to product manufacturing, and include production equipment purchases and plant construction costs.

Financial Strategies

The Group meets its working capital and equipment capital requirements through internal reserves and does not raise funds externally. However, the balance of loans payable of our ESOP (Employee Stock Ownership) Trust was 2.0 billion yen as of December 31, 2015.

As for share buybacks, between fiscal 2002 and fiscal 2008 the Company bought back 12.01 million shares (valued at 87.2 billion yen) through public and market purchases. In fiscal 2015, we bought back 820,000 shares (4.9 billion yen) through market purchases. Between the end of the year under review and the submission date for the Securities Report, one million shares (4.7 billion yen) were bought back through market purchases.

Among shares bought back, 14.02 million shares were cancelled prior to the fiscal year under review, and a further one million shares are due to be cancelled in April 2016.

The Company carried out a 2-for-1 stock split for ordinary shares, effective January 1, 2015. For the time being, the Company will hold remaining bought-back shares as treasury stock. Going forward, the

Company will consider implementing share buybacks in a timely, flexible manner as a means of fulfilling its capital policy and returning profits to shareholders while responding to share prices and business conditions.

With respect to profit distribution, the Company's basic policy is to actively return profits to shareholders according to its business results while retaining sufficient internal reserves to conduct sound business activities and maintain a healthy financial position.

Under this policy, apart from when business results are remarkably sluggish due to a sudden deterioration in the business environment, the Group consistently pay an annual dividend of 30.00 yen per ordinary share as a stable long-term dividend, plus an additional special dividend equal to 30% of consolidated net income divided by the number of outstanding shares, depending on business performance.

The Group will continue targeting business growth and increases in operating cash flows with the aims of returning profits to shareholders in a timely and appropriate manner and maintaining a healthy financial position.

Research and Development Activities

The Mabuchi Motor Group's R&D activities are spearheaded by Mabuchi Motor Co., Ltd. (the parent company) 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, and the Production Engineering Dept. In addition, the Research and Development Headquarters directly controls groups that engage in activities pertaining to new technology development, intellectual property, test evaluation, technology research, and engineering management. The organization engages mainly in high-value-added work, including the development of elemental technologies based on the Group's technology roadmap, described below, as well as new product development centered on strategically important applications. From its inception, the Research and Development Center of MABUCHI MOTOR (DONGGUAN) CO., LTD. (the "R&D Center") has mainly engaged in design improvement work. The R&D Center also handles new product development aimed at rapidly launching products in the Chinese local market, as well as new product development tasks entrusted by the Company.

To materialize timely new 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. In fiscal 2014, we further strengthened our R&D system, having established a Cross-Functional Team (CFT) in the previous fiscal year to spearhead initiatives across departmental lines. These activities have enabled us to clearly identify technologies that should be acquired and strengthened, as well as product fields that should be targeted. In fiscal 2015, the second year of the CFT, we established a new Technical Research Group and implemented activities specific to that entity.

Mabuchi is focusing particular attention on the strategies described below for examination and implementation of urgent measures, with the aims of strengthening its responsiveness to new motor-related fields and applications and addressing the steep rise in labor costs in overseas countries where it operates plants.

- (1) Strengthen technologies of brushless motors
- (2) Expand scope of labor-saving applications
- (3) Shorten product development lead-times

Meanwhile, our technology and sales teams will join forces to address applications in our core automotive motor business and applications that we must concentrate on in businesses earmarked to become operational pillars in the future.

Motors for power window lifters

Thanks to increasing sales to large-scale customers in Japan and overseas, sales of motors for power window lifters exceeded 25 billion yen in

fiscal 2015, making this a core business for the Group. In the first half of 2015, we commenced mass production of the GD-558LE/RE, a medium-torque model aimed at large North American automakers, and we are currently working to further expand sales and provide technical support.

Motors for power seats

Mabuchi's introduction of distinctive, small, high-torque motors for power seats has led to increased adoption by large customers and sharp growth in sales and market share. Seeking to further increase market share, we are reinforcing our products and conducting sales expansion activities.

Engine peripheral equipment

Our engine peripheral equipment offerings have high future potential because they contribute to energy savings through precise engine control, and are also suited to engines subject to high temperatures and vibration. We are currently working to increase sales of the RS-4F5, a high-durability model that went into mass production in fiscal 2014.

Motors for light electric vehicles

In addition to being a growth sector, motors for light electric vehicles (LEVs) serve as welfare equipment and thus make a huge contribution to society. In fiscal 2015, we continued our proactive product development activities. During the year, we launched the IS-92B, a shortened version of the IS-94B, which is finding applications in walking-assist equipment.

In regard to existing models for other markets, Mabuchi will continue harnessing its know-how to improve its product features while promoting remodeling to enhance added value. At the same time, we will deploy the aforementioned R&D Center to build a structure for promptly meeting market and customer needs.

In fiscal 2015, R&D expenses amounted to 5,164 million yen. At fiscal year-end, the total number of industrial property rights held by the Company stood at 682 (120 in Japan and 562 overseas), and the total number of domestic and overseas new industrial property applications during the year was 54. A total of 437 employees engaged in R&D activities (245 at our headquarters and 192 at the R&D Center of MABUCHI MOTOR (DONGGUAN) CO., LTD.).

Below are major new products launched in fiscal 2015:

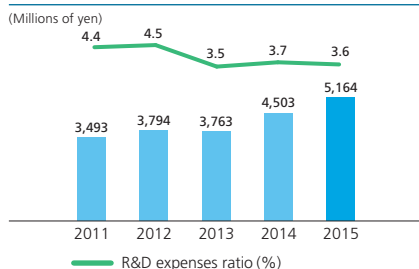
(1) Medium-torque motor for power windows (GD-558LE/RE/LF/RF)

This is a compact, lightweight, medium-torque motor developed for the North American market. It is a low-priced model that does not make use of high-cost rare earth magnets.

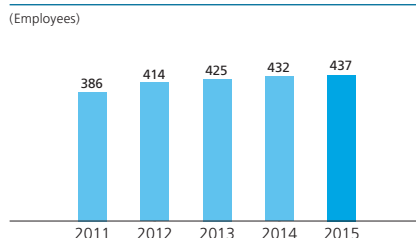
(2) Brushless motor (IS-92B)

This brushless motor is a shorter and more compact version of the IS-94B, and finds applications in light electric vehicles (LEVs), welfare equipment, gardening equipment, and the like. It reflects the expansion of the product lineup to increase responsiveness to customers.

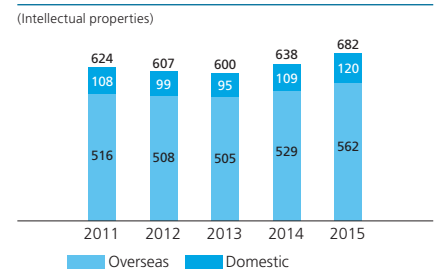
R&D Expenses/R&D Expenses Ratio



R&D Personnel



Number of Intellectual Properties



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 the Mabuchi Group sells. Consequently, the Group's business results and financial position may be adversely affected by economic recessions and the corresponding contraction in demand in its 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 the Mabuchi 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 Group carries out production will push up manufacturing and procurement costs which are denominated in those local currencies. Increased costs will lower the Group's profit margins and price competitiveness, and will impact negatively on its 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 the Mabuchi 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 its products to become obsolete, then the 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 the Mabuchi Group's business results and financial position may be subject to significant adverse effects.

Potential Risks in International Economic Transactions and in Expanding Business Overseas

The majority of the Mabuchi 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 the 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 the Group's business results and financial position being subject to significant adverse effects.

Product Quality

There is no guarantee that all Mabuchi 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 a large amount of costs or a downturn in sales due to a loss of credibility, and may have significant adverse effects on the 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, the Group's intellectual property rights may not be completely protected. In such instances, the 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 the 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 the 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. The Group 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 the Mabuchi 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 the Group's production activities would be affected dramatically, and in turn this would undermine the assurance of delivery and quality of products to its 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 the 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. The Group has implemented measures to prevent its exposure to risks associated with the occurrence of disasters and accidents at these centers, and it has 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 that these kinds of unforeseeable events occur, the Group's business results and financial position may be subject to significant adverse effects.

Activities for Sustainable Management

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

Mabuchi’s Management Vision

MANAGEMENT PRINCIPLE

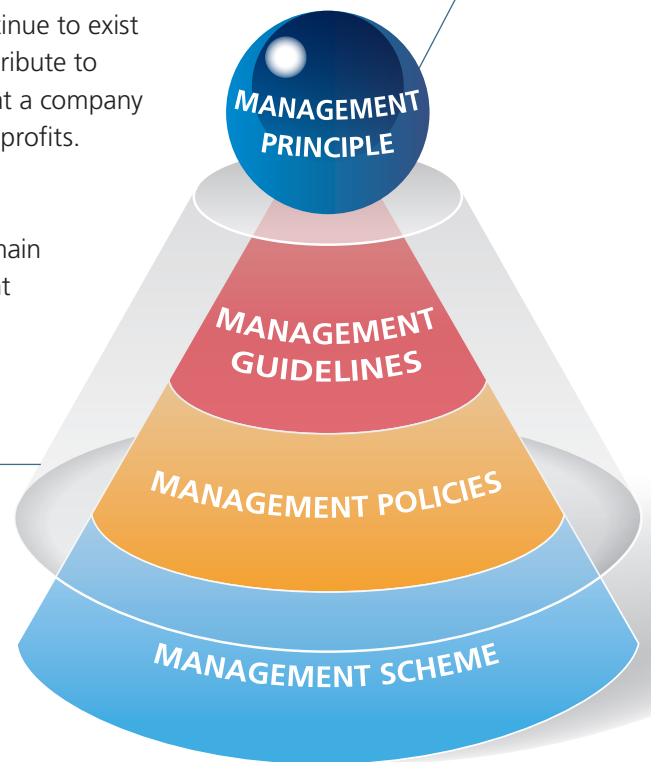
Contributing to International Society and Continuously Increasing Our Contribution

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.

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

Corporate Governance

Basic Approach to Corporate Governance

At Mabuchi, our Management Principle is “Contributing to international society and continuously increasing our contribution,” and we regard the realization of this principle, through our small motors, as our *raison d’être*. Our corporate governance comprises organizational/management systems that are designed to help realize our Management Principle, 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 to Mabuchi as a listed company.

- To clearly separate management decision-making and efficient business execution, and to clarify the scope of accountability;
- To build and operate a sound internal control system;
- To appoint a suitable number of independent officers whose interests do not conflict with those of general shareholders to ensure objectivity and neutrality of management supervision functions;
- 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
- To disclose corporate information to all 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.

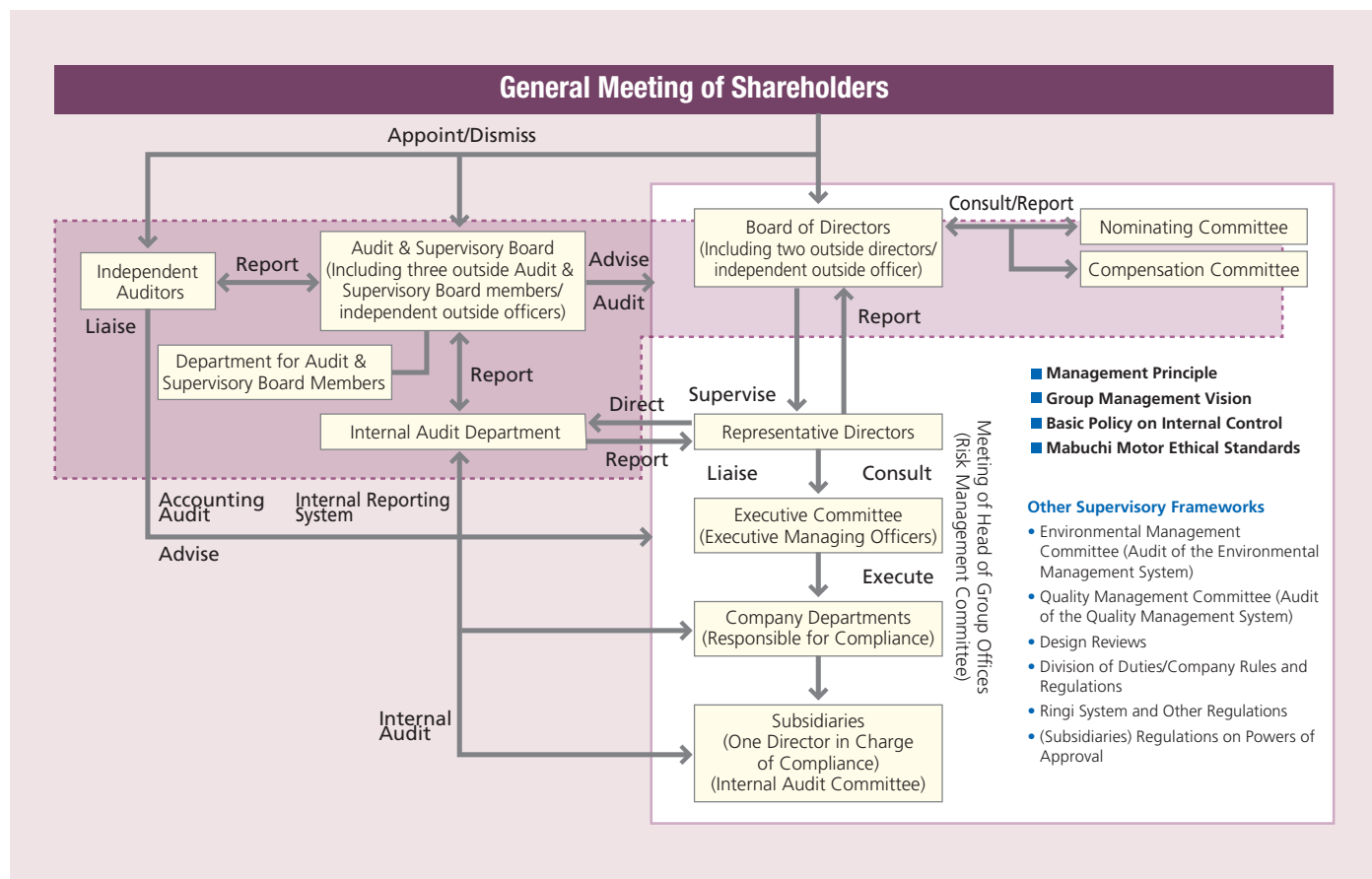
Corporate Governance Institutions

Directors, Board of Directors, Executive Committee and Executive Officer System

Significant management decision-making is carried out by the Board of Directors, consisting of six inside directors and two independent outside directors 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 representative directors and executive officers. The Board of Directors convenes regularly once a month and at other times as required. The Company deems that independent outside directors 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 also 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 executive officers.

Furthermore, 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 to compiling its own "Election Criteria for Director and Audit & Supervisory Board Member Candidates," Mabuchi has set up a Nomination Committee and a Remuneration Committee, both of which serve as advisory bodies to the Board of Directors. The Nomination Committee deliberates matters relating to the election of directors, Audit & Supervisory Board members, executive officers, and associate directors. The Remuneration Committee deliberates remuneration and the like of directors, executive officers, and associate directors. Both committees report the results of their deliberations to the Board of Directors. In these ways, Mabuchi works to ensure transparency of the decision-making process—with respect to nomination and remuneration of directors and the like—while reinforcing the corporate governance system.

Management Monitoring System

Audit and Supervisory Board Members and Audit and 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 and has made it possible for Audit & Supervisory Board members to request audit-related assistance from employees of the Internal Audit Department and other departments where appropriate.

Audit & Supervisory Board members carry out audits on 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 as well as 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 directors. The Audit & Supervisory Board convenes every second month and holds regular monthly meetings for the exchange of opinions between Audit & Supervisory Board members along with essential deliberations regarding the execution of duties by directors.

Beyond emphasizing high-level independence of outside Audit and Supervisory Board members, Mabuchi's policy is for outside Audit and Supervisory Board members to represent more than half of the Audit & Supervisory Board. Mabuchi also elects Audit & Supervisory Board members with either specialist viewpoints or considerable knowledge of legal, financial and accounting matters. As necessary, Audit & Supervisory Board members receive relevant material information from the director responsible for internal control, the Internal Control Department, the independent auditor, and the Internal Audit Department upon inquiry. Audit & Supervisory Board members and directors receive reports and advice from the Audit & Supervisory Board.

Internal Audit Department

Mabuchi has established the Internal Audit Department under the direct control of the president. This body liaises with the Audit & Supervisory Board (members), the director 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.

Independent Auditor

With respect to accounting audits, the Company has formed an auditing agreement with Ernst & Young ShinNihon LLC to carry out audits under Japan's Companies Act and Financial Instruments and Exchange Law. Ernst & Young ShinNihon conducts audits and reviews of the Company's annual and quarterly financial results based on an independent, third-party standpoint. From Ernst & Young ShinNihon, the Company receives reports as appropriate on issues identified during the audit implementation process. The Company also receives reports from Ernst & Young ShinNihon on both the results of audits and the effectiveness of internal control regarding financial reporting at the Audit Report Meeting (attended by the director responsible for internal control and Audit & Supervisory Board members) following the end of each financial period, and responds in a timely manner if there are any discrepancies.

Internal Control System

In accordance with the Basic Policy on Internal Control approved at a meeting of the Board of Directors, Mabuchi established and is now operating an internal control system. In this way, inadequacies in internal control 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 non-periodic 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 monitoring and supervision of the conduct of business by directors.

Risk Management System

In accordance with the Basic Policy on Internal Control, Mabuchi has designated a director 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 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.

Board of Directors, Audit & Supervisory Board Members, and Executive Officers

(As of March 30, 2016)

Board of Directors



Shinji Kamei

Representative Director and Chairman



Hiroo Okoshi

Representative Director and President, President and CEO



Tadashi Takahashi

Director, Managing Executive Officer and Senior General Manager of Research and Development Headquarters



Masato Itokawa

Director, Executive Officer and Senior General Manager of Quality Assurance Headquarters, in charge of Quality and Environmental Management



Tadahito Iyoda

Director, Executive Officer and Senior General Manager of Administration Headquarters, in charge of Internal Control



Hirotaro Katayama

Director, Executive Officer and Senior General Manager of Operations Control Headquarters, in charge of Production Bases Control



Iwao Nakamura

Outside Director



Ichiro Hashimoto

Outside Director

Audit & Supervisory Board Members



Kazuyuki Someya

Audit & Supervisory Board Member (Full-time)



Nobutaka Motohashi

Outside Audit & Supervisory Board Member



Toru Masuda

Outside Audit & Supervisory Board Member



Takashi Asai

Outside Audit & Supervisory Board Member

Executive Officers (excluding those also serving as directors)



Tsuyoshi Nakamura

Executive Officer, Senior General Manager of Sales & Marketing Headquarters



Eiji Uenishi

Executive Officer, Deputy Senior General Manager of Research and Development Headquarters, in charge of Product Development



Touichi Koyata

Executive Officer, Senior General Manager, Business Platform Innovation Headquarters



Kentaro Shirai

Executive Officer, General Manager, Purchasing Dept., Operations Control Headquarters



Katsuhiko Katayama

Managing Group Executive Officer, in charge of China and Taiwan Business

Corporate Social Responsibility

Mabuchi actively pursues social contribution activities. Of particular note is our proactive and ongoing educational support of the young, our future leaders, through our business activities.

“Empowering dreams.” We firmly believe in these words. People are the driving force behind social advancement, and fostering the next generation of technical engineers is extremely important from the perspective of international society. We help foster the people who will become our future leaders through activities enabling them to experience first-hand our motors, the technologies contained therein, and manufacturing processes. Success in these endeavors gives us immense joy.

Through our business activities, we will continue actively embracing future-oriented initiatives together with all of our stakeholders.

Making Environment-Friendly Products

At the Mabuchi Group, we are committed to safely providing better and cheaper products in a more reliable way, while aiming to make our products lighter, more compact and more energy-efficient for end users, and helping to save resources and energy to benefit society as a whole. To this end, we relentlessly exploit the potential of

motors and strive to maximize their value.

Our environment-friendly, high-performance, low-cost products are supplied through a flexible manufacturing system and are finding more and more applications in wide-ranging fields. We are the world’s No. 1 brand, with annual production of around 1.5 billion units.

GD-558RE/LE, GD-558RF/LF (motors for power window lifters)

The GD-558RE/LE, which conforms to specifications for European and North American markets, has been added to the GD-558 series of motors for power window lifters. With reduced weight, it offers improved fuel efficiency and represents the pinnacle of environment-friendly product manufacturing.



IS-92BZA, IS-94BZA (motors for light electric vehicles)

These motors, which contribute to advances in compactness and electrification, can be fitted to power electrically assisted bicycles and other welfare equipment, thus helping people enjoy safe, comfortable lives.

ID Series (brushless motors for MFPs)

The ID Series of inner-roller-type brushless motors for multifunction printers (MFPs) is more environment-friendly than conventional stepping motors. It also addresses customer demand for compactness, light weight, and energy efficiency.

ID-519XW (right)
ID-539XW (left)



Support for Product Manufacturing/Education

Our Management Principle is “Contributing to international society and continuously increasing our contribution.” To realize this principle, we support local communities and society at large by engaging in various activities to broadly foster social development. As one such activity, we provide support to the young, our future leaders,

to help them grow up surrounded by the joy of science and manufacturing.

Robot Contest Sponsorship

Mabuchi has long been co-sponsoring the National Technical College Robot Contest, the ABU Robot Contest, and the College

Robot Contest by providing event management support and motors on an ongoing basis. Our aim here is to help foster future engineers and the development of science and technology.

Motor Support

Support for the National Technical College Robot Contest (around 20,400 motors provided in total)



RS-555VC with gear head (top)
RS-385PH with gear head (bottom)



JC/LC-578VA

Sharing the Joy of Science with Children Teaching Children

Every year, Mabuchi dispatches staff to elementary schools in Matsudo City, where it is headquartered, to give science classes. In these classes, children gain hands-on experience in handling motors and learning about electromagnetic properties and the like. Thanks to these classes, participating children have said, “Science has become fun.”



Educational Support at Overseas Bases

At our bases in China, we provide ongoing educational support for local students, from elementary to university level. These activities include constructing school buildings, providing scholarships, and donating books and learning materials.

Internship Program

We work to provide work-experience opportunities for students who are about to become members of society, enabling them to become familiar with working and understand our “Management Principle”. To this end, we offer internships at our headquarters to vocational high school students, graduate students, and college students from the U.S.



Community Support Activities

The entire Mabuchi Group engages in community-rooted environmental protection activities, as well as visiting children and the elderly and sick at orphanages and nursing homes and making donations to such facilities, on an ongoing basis.



Consolidated Balance Sheets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2014 and 2015

ASSETS	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Current Assets:			
Cash and bank deposits	¥110,808	¥106,305	\$ 885,882
Trade notes and accounts receivable	23,333	25,527	212,726
Less – Allowance for doubtful accounts	(67)	(113)	(948)
Short-term investments	12,414	11,014	91,786
Merchandise and finished goods	20,179	21,417	178,481
Work in process	1,585	1,271	10,597
Raw materials and supplies	7,283	8,316	69,303
Deferred tax assets – current	1,635	1,637	13,641
Other current assets	3,980	3,601	30,013
Total current assets	181,154	178,978	1,491,485
Property, Plant and Equipment:			
Land	6,031	6,238	51,989
Buildings and structures	47,253	47,221	393,508
Machinery and equipment	56,719	61,927	516,058
Construction in progress	4,370	4,694	39,120
	114,375	120,081	1,000,677
Less – Accumulated depreciation	(60,366)	(61,317)	(510,979)
Property, plant and equipment, net	54,008	58,763	489,698
Investments and Other Assets:			
Investment securities	18,885	16,001	133,342
Long-term loans receivable	2	–	–
Deferred tax assets – non-current	367	407	3,395
Other investments and other assets	1,950	2,045	17,044
Total investments and other assets	21,205	18,453	153,783
Total Assets	¥256,368	¥256,196	\$2,134,966

LIABILITIES AND NET ASSETS	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Current Liabilities:			
Trade notes and accounts payable	¥ 7,035	¥ 6,434	\$ 53,618
Short-term loans payable	113	113	946
Accrued income taxes	3,079	2,119	17,662
Accrued bonuses due to employees	192	218	1,821
Accrued bonuses due to directors	127	130	1,083
Deferred tax liabilities – current	58	16	134
Other current liabilities	8,319	7,860	65,500
Total current liabilities	18,926	16,892	140,767
Long-term Liabilities:			
Long-term loans payable	283	170	1,419
Liability for retirement benefits	1,461	2,080	17,334
Asset retirement obligations	17	15	132
Deferred tax liabilities – non-current	2,095	3,481	29,011
Other long-term liabilities – non-current	271	311	2,591
Total long-term liabilities	4,129	6,058	50,490
Total liabilities	23,055	22,950	191,257
Net Assets:			
Shareholders' Equity			
Common stock, no par value:			
Authorized: 200,000,000 shares			
Issued: 75,751,762 shares in 2014			
70,927,562 shares in 2015	20,704	20,704	172,540
Additional paid-in capital	20,419	20,419	170,165
Retained earnings	192,606	183,853	1,532,112
Treasury stock, at cost: 5,619,828 shares in 2014 and 1,589,906 shares in 2015	(20,010)	(6,046)	(50,383)
Total shareholders' equity	213,720	218,932	1,824,434
Accumulated other comprehensive income			
Net unrealized holding gains (losses) on securities	1,968	2,441	20,347
Foreign currency translation adjustments	18,311	12,775	106,461
Retirement benefits liability adjustments	(742)	(965)	(8,046)
Total accumulated other comprehensive income	19,537	14,251	118,762
Subscription rights to shares	54	61	513
Total net assets	233,312	233,245	1,943,709
Total Liabilities and Net Assets	¥256,368	¥256,196	\$2,134,966

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

Consolidated Statements of Income

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2014 and 2015

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Net Sales	¥122,544	¥143,143	\$1,192,863
Cost of Sales	86,929	99,673	830,610
Gross profit	35,614	43,470	362,252
Selling, General and Administrative Expenses	18,739	20,508	170,904
Operating income	16,875	22,961	191,348
Other Income (Expenses):			
Interest and dividend income	715	938	7,823
Exchange gain, net	5,124	2,329	19,412
Gain on sale of raw material scrap	1,162	983	8,198
Gain (loss) on disposal of fixed assets, net	(242)	744	6,205
Gain on sales of investment securities, net	342	5	45
Business structure improvement expenses	(434)	(355)	(2,964)
Impairment loss	–	(906)	(7,551)
Loss on valuation of golf club membership	–	(7)	(61)
Other, net	51	(100)	(841)
	6,720	3,632	30,267
Income before Income Taxes and Minority Interests	23,595	26,593	221,616
Income Taxes:			
Current	6,210	6,883	57,358
Deferred	(705)	1,164	9,705
	5,504	8,047	67,063
Income before Minority Interests	18,090	18,546	154,552
Net Income	¥ 18,090	¥ 18,546	\$ 154,552

	Yen		U.S. Dollars
	2014	2015	2015
Per Share Data:			
Basic net income	¥ 258.02	¥ 266.98	\$ 2.22
Diluted net income	257.95	266.90	2.22
Dividends applicable to current year earnings	214.00	110.00	0.91

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, 2014 and 2015

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Income before Minority Interests	¥18,090	¥18,546	\$154,552
Other Comprehensive Income			
Net unrealized holding gains (losses) on securities	(193)	472	3,940
Foreign currency translation adjustments	13,242	(5,536)	(46,135)
Retirement benefits liability adjustments	–	(222)	(1,856)
Total other comprehensive income	13,048	(5,286)	(44,052)
Comprehensive income	¥31,139	¥13,259	\$110,499
Comprehensive income attributable to:			
Shareholders of the parent	¥31,139	¥13,259	\$110,499
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, 2014 and 2015

	Number of Shares (Thousands)		Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2014	2015	2015
Common Stock:					
Beginning balance	75,751	75,751	¥ 20,704	¥ 20,704	\$ 172,540
Treasury stock cancellation	–	(4,824)	–	–	–
Ending balance	75,751	70,927	¥ 20,704	¥ 20,704	\$ 172,540
Additional Paid-in Capital:					
Beginning balance			¥ 20,419	¥ 20,419	\$ 170,165
Ending balance			¥ 20,419	¥ 20,419	\$ 170,165
Retained Earnings:					
Beginning balance			¥180,490	¥192,606	\$1,605,052
Cumulative effect of change in accounting principle (Note 2)			–	(190)	(1,585)
Restated balance			180,490	192,416	1,603,467
Net income			18,090	18,546	154,552
Dividends paid			(5,974)	(8,216)	(68,468)
Treasury stock disposal			–	(7)	(65)
Treasury stock cancellation			–	(18,884)	(157,372)
Ending balance			¥192,606	¥183,853	\$1,532,112
Treasury Stock:					
Beginning balance			¥ (20,084)	¥ (20,010)	\$ (166,754)
Treasury stock acquisition			(12)	(5,011)	(41,764)
Treasury stock disposal			86	91	762
Treasury stock cancellation			–	18,884	157,372
Ending balance			¥ (20,010)	¥ (6,046)	\$ (50,383)
Net Unrealized Holding Gains (Losses) on Securities:					
Beginning balance			¥ 2,162	¥ 1,968	\$ 16,407
Net change during the year			(193)	472	3,940
Ending balance			¥ 1,968	¥ 2,441	\$ 20,347
Foreign Currency Translation Adjustments:					
Beginning balance			¥ 5,069	¥ 18,311	\$ 152,597
Net change during the year			13,242	(5,536)	(46,135)
Ending balance			¥ 18,311	¥ 12,775	\$ 106,461
Retirement Benefit Liability Adjustments:					
Beginning balance			¥ –	¥ (742)	\$ (6,189)
Net change during the year			(742)	(222)	(1,856)
Ending balance			¥ (742)	¥ (965)	\$ (8,046)
Total Accumulated Other Comprehensive Income:					
Beginning balance			¥ 7,232	¥ 19,537	\$ 162,814
Net change during the year			12,305	(5,286)	(44,052)
Ending balance			¥ 19,537	¥ 14,251	\$ 118,762
Subscription Rights to Shares:					
Beginning balance			¥ 29	¥ 54	\$ 451
Net change during the year			24	7	61
Ending balance			¥ 54	¥ 61	\$ 513
Total Net Assets:					
Beginning balance			¥208,791	¥233,312	\$1,944,270
Cumulative effect of change in accounting principle (Note 2)			–	(190)	(1,585)
Restated balance			208,791	233,122	1,942,684
Net income			18,090	18,546	154,552
Dividends paid			(5,974)	(8,216)	(68,468)
Treasury stock acquisition			(12)	(5,011)	(41,764)
Treasury stock disposal			86	83	696
Net changes in items other than those in shareholders' equity			12,330	(5,278)	(43,991)
Ending balance			¥233,312	¥233,245	\$1,943,709

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, 2014 and 2015

	Yen (Millions)	U.S. Dollars (Thousands)	
	2014	2015	
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 23,595	¥ 26,593	\$ 221,616
Depreciation and amortization	5,066	6,580	54,840
Impairment loss	–	906	7,551
Increase (decrease) in allowance for retirement benefits, net of payments	(483)	–	–
Increase (decrease) in liability for retirement benefits	452	427	3,563
Interest and dividend income	(715)	(938)	(7,823)
Exchange gain	(1,432)	(157)	(1,313)
(Gain) loss on sales of short-term investments and investment securities	(342)	(5)	(45)
(Gain) loss on disposal of fixed assets	242	(744)	(6,205)
Decrease (increase) in trade notes and accounts receivable	(1,738)	(3,341)	(27,844)
Decrease (increase) in inventories	(1,731)	(3,683)	(30,693)
Increase (decrease) in trade notes and accounts payable	788	(758)	(6,323)
Other, net	(1,213)	2,150	17,923
Subtotal	22,488	27,029	225,245
Interest and dividends received	723	953	7,941
Interest paid	(0)	(0)	(0)
Income taxes paid	(5,092)	(7,866)	(65,557)
Net cash provided by operating activities	18,118	20,115	167,628
Cash Flows from Investing Activities:			
Increase in time deposits	(16,070)	(9,978)	(83,151)
Proceeds from withdrawal of time deposits	14,422	17,237	143,645
Purchases of short-term investments	(7,995)	(5,500)	(45,833)
Proceeds from sales of short-term investments	7,600	8,400	70,002
Purchases of property, plant and equipment	(9,838)	(15,592)	(129,935)
Proceeds from sales of property, plant and equipment	31	1,208	10,074
Purchases of investment securities	(2,066)	(4)	(37)
Proceeds from sales of investment securities	2,070	3,064	25,533
Other, net	(132)	(14)	(118)
Net cash used in investing activities	(11,977)	(1,178)	(9,820)
Cash Flows from Financing Activities:			
Repayment of long-term loans payable	(113)	(113)	(946)
Cash dividends paid	(5,974)	(8,214)	(68,454)
Purchases of treasury stock	(12)	(5,049)	(42,079)
Proceeds from sales of treasury stock	86	65	546
Net cash used in financing activities	(6,014)	(13,312)	(110,934)
Effect of exchange rate changes on cash and cash equivalents	6,631	(1,888)	(15,737)
Net increase in cash and cash equivalents	6,758	3,736	31,136
Cash and Cash Equivalents at the Beginning of Year	102,462	109,220	910,170
Cash and Cash Equivalents at the End of Year	¥109,220	¥112,956	\$ 941,307

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, 2014 and 2015

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, 2015 have been translated into U.S. dollars at a rate of ¥120 = U.S.\$1, the approximate exchange rate prevailing on December 31, 2015. Those U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the convenience of 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 Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments in the consolidated financial statements.

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 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.

j 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.

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

“Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No.26 of December 28, 2015)

1) Overview

The new standard basically continues to apply the framework used in the JICPA Guidance No.66 (classify companies based on five categories, and according to the category, estimate the amount of deferred tax assets) where recoverability of deferred tax assets is assessed based on an entity's category, but certain accounting treatments were changed as necessary.

- ① Treatment for companies that do not meet any of the criteria for the categories
- ② Criteria for categories 2 and 3
- ③ Treatment of unscheduled deductible temporary differences for category 2 entities
- ④ Treatment of reasonable estimated duration of taxable income before adjustments for future temporary differences of category 3 entities
- ⑤ Treatment if an entity in category 4 also meets the criteria for category 2 or 3

2) Scheduled date of application

The Company will apply this standard from the fiscal year beginning January 1, 2017.

3) Impact of application of accounting standard

The Company is currently evaluating the impact of the application of this accounting standard on the consolidated financial statements.

m Additional information

(Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

1. Outline of Transactions

The ESOP Trust is a trust-type employee incentive plan that uses the mechanism of an employee shareholding association, 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). It is based on the Employee Stock Ownership Plan (ESOP) System in the United States.

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.

The Company has established a trust with those employee members of Mabuchi Motor Employee Shareholding Association (hereinafter “Our Shareholding Association”) who meet certain requirements as its beneficiaries, and 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 upward swing 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 estate resulting from a loss is caused by a drop in stock prices.

2. Treasury Shares Remaining in the Trust

Shares of the Company remaining in the trust are recorded as treasury shares under net assets through the carrying value (net of associated costs) in the trust. The carrying value was ¥398 million at December 31, 2014 and ¥333 million (\$2,777 thousand) at December 31, 2015.

Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the ESOP trust account. The number at year end and weighted average number of such treasury shares were 156,400 and 175,028 shares, respectively, during the fiscal year ended December 31, 2014 and 130,700 and 145,780 shares, respectively, during the fiscal year ended December 31, 2015.

3. Carrying Value of Loans Recorded through Application of the Gross Price Method

As of December 31, 2014: ¥397 million; As of December 31, 2015: ¥283 million (\$2,366 thousand).

2. Accounting Changes

(Accounting Standard for Retirement Benefits)

The Company has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26 issued on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 revised on March 26, 2015) pursuant to certain provisions in the main clause of Article 35 of the standard and in the main clause of Article 67 of the guidance effective from the beginning of the fiscal year ended December 31, 2015.

Under the new standards, the calculation methods of retirement benefit obligations and service costs were revised. In addition, the method of attributing the projected benefits was changed from the straight-line basis to the benefit formula basis, and the calculation method of the discount rates was also changed from the discount rate based on the average remaining service years of the employees to a single weighted average discount rate.

In accordance with transitional treatment as stipulated in Article 37 of the standard, the cumulative effect of these changes was recognized in retained earnings at January 1, 2015.

As a result, liability for retirement benefits has increased by ¥289 million (\$2,412 thousand), and retained earnings has decreased by ¥190 million (\$1,585 thousand) at December 31, 2015.

The impact on operating income and income before income taxes and minority interests for the year ended December 31, 2015 was immaterial.

3. Changes in Net Assets

Information regarding changes in net assets for the years ended December 31, 2014 and 2015 is as follows:

a Shares issued and outstanding/Treasury stock

2014

Type of shares	Shares Issued (Thousands)	Treasury Stock (Thousands)
	Common stock	Common stock
Number of shares as of December 31, 2013	37,875	2,825
Increase in number of shares	–	1
Decrease in number of shares	–	17
Number of shares as of December 31, 2014	37,875	2,809

- Notes: 1. The increase in the number of shares of treasury stock was due to the purchase of 1 thousand shares of less than one unit.
 2. The decrease in the number of shares of treasury stock was due to sales of 17 thousand shares to Our Shareholding Association by the ESOP Trust.
 3. There were 95 thousand shares and 78 thousand shares of treasury stock held by the ESOP Trust included in the number of shares of treasury stock as of January 1, 2014 and December 31, 2014, respectively.

2015

Type of shares	Shares Issued (Thousands)	Treasury Stock (Thousands)
	Common stock	Common stock
Number of shares as of December 31, 2014	37,875	2,809
Increase in number of shares	37,875	3,636
Decrease in number of shares	4,824	4,856
Number of shares as of December 31, 2015	70,927	1,589

- Notes: 1. The Company carried out a 2-for-1 stock split of its common stock effective January 1, 2015. The increase of 37,875 thousand shares during the fiscal year was due to the common stock split.
 2. The increase in the number of treasury stock was due to the common stock split of 2,809 thousand shares, purchase of the treasury stock of 824 thousand shares and purchase of shares of less than one unit of 2 thousand shares.
 3. The decrease in the number of shares issued and the number of shares of treasury stock were due to the cancellation of 4,824 thousand shares by resolution of the Board of Directors.
 4. The decrease in the number of shares of treasury stock was, other than that above, due to the exercise of stock options of 6 thousand shares and sales of 25 thousand shares to Our Shareholding Association by the ESOP Trust.
 5. There were 78 thousand shares and 130 thousand shares of treasury stock held by the ESOP Trust included in the number of shares of treasury stock as of January 1, 2015 and December 31, 2015, respectively.

b Share subscription rights

2014

Company	Description	Type of shares issued	Number of shares at January 1, 2014	Number of shares issued		Number of shares at December 31, 2014	Balance at December 31, 2014 Yen (Millions)	U.S. Dollars (Thousands)
				Increase	Decrease			
Parent Company	Subscription rights as stock options	–	–	–	–	–	¥54	\$450
Total		–	–	–	–	–	¥54	\$450

2015

Company	Description	Type of shares issued	Number of shares at January 1, 2015	Number of shares issued		Number of shares at December 31, 2015	Balance at December 31, 2015 Yen (Millions)	U.S. Dollars (Thousands)
				Increase	Decrease			
Parent Company	Subscription rights as stock options	–	–	–	–	–	¥61	\$513
Total		–	–	–	–	–	¥61	\$513

c Dividends

Dividends paid during the fiscal year ended December 31, 2014

2014

	Shareholders' Meeting	Board of Directors' Meeting
Resolution by	March 28, 2014	August 12, 2014
Total amount of dividends	¥3,057 million	¥2,917 million
Dividends per share	¥87	¥83
Record date	December 31, 2013	June 30, 2014
Effective date	March 31, 2014	September 12, 2014

Note: Dividends approved at the shareholders' meeting on March 28, 2014 paid to the ESOP Trust in the amount of ¥8 million have been included in the total amount of dividends. Dividends approved at the Board of Directors' meeting on August 12, 2014 paid to the ESOP Trust in the amount of ¥7 million have been included in the total amount of dividends.

Dividends whose record date was in the fiscal year ended December 31, 2014 but whose effective date was in the following fiscal year

2014

	Shareholders' Meeting
Resolution by	March 27, 2015
Total amount of dividends	¥4,603 million
Dividends per share	¥131
Record date	December 31, 2014
Effective date	March 30, 2015

Note: Dividends paid to the ESOP Trust in the amount of ¥10 million (\$83 thousand) have been included in the total amount of dividends.

Dividends paid during the fiscal year ended December 31, 2015

2015

	Shareholders' Meeting	Board of Directors' Meeting
Resolution by	March 27, 2015	August 12, 2015
Total amount of dividends	¥4,603 million (\$38,358 thousand)	¥3,612 million (\$30,102 thousand)
Dividends per share	¥131 (\$1.09)	¥52 (\$0.43)
Record date	December 31, 2014	June 30, 2015
Effective date	March 30, 2015	September 18, 2015

Note: Dividends approved at the shareholders' meeting on March 27, 2015 paid to the ESOP Trust in the amount of ¥10 million (\$83 thousand) have been included in the total amount of dividends. Dividends approved at the Board of Directors meeting on August 12, 2015 paid to the ESOP Trust in the amount of ¥7 million (\$58 thousand) have been included in the total amount of dividends.

Dividends whose record date was in the fiscal year ended December 31, 2015 but whose effective date was in the following fiscal year

2015

	Shareholders' Meeting
Resolution by	March 30, 2016
Total amount of dividends	¥4,029 million (\$33,576 thousand)
Dividends per share	¥58 (\$0.48)
Record date	December 31, 2015
Effective date	March 31, 2016

Note: Dividends paid to the ESOP Trust in the amount of ¥7 million (\$58 thousand) have been included in the total amount of dividends.

d Stock options

The Company issued the following share subscription rights for the purchase of new shares of common stock in accordance with the Corporation Law of Japan.

For the years ended December 31, 2014 and 2015, the Company recognized and allocated share-based compensation costs as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Selling, general and administrative expenses	¥24	¥25	\$211
Total	¥24	¥25	\$211

A description of the 2013, 2014 and 2015 Stock Option Plans as of December 31, 2014 and 2015, respectively, are summarized as follows:

	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan
Grantee categories and number of grantees	6 directors of the Company	6 directors of the Company	6 directors of the Company
Number of shares	11,940 shares of common stock	7,980 shares of common stock	4,650 shares of common stock
Grant date	May 20, 2013	April 21, 2014	April 20, 2015
Vesting conditions	None	None	None
Service period	None	None	None
Exercisable period	May 21, 2013 to May 20, 2033	April 22, 2014 to April 21, 2034	April 21, 2015 to April 20, 2035

Note: The Company conducted a 2-for-1 stock split of its common stock on January 1, 2015. The number of shares for fiscal 2013 and 2014 reflect the stock split.

The following table summarizes the option activity under the stock option plans referred to above during the years ended December 31, 2014 and 2015.

	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan
Non-vested:			
Beginning of the year	–	–	–
Granted	–	–	4,650
Forfeited	–	–	–
Vested	–	–	4,650
End of the year	–	–	–
Vested:			
Beginning of the year	11,940	7,980	–
Vested	–	–	4,650
Exercised	3,980	2,660	–
Forfeited	–	–	–
End of the year	7,960	5,320	4,650

Price information of stock options for the 2013, 2014 and 2015 Stock Option Plans as of December 31, 2014 and 2015, respectively, are summarized as follows:

	2013 Stock Option Plan Yen	2014 Stock Option Plan Yen	2015 Stock Option Plan Yen	2015 Stock Option Plan U.S. Dollars
Exercise price	¥ 1	¥ 1	¥ 1	\$ 0
Average price on exercise	6,210	6,210	–	–
Fair value on grant date	4,967	6,158	5,465	45

Fair value as of the grant date for the stock options issued during the year ended December 31, 2015 was estimated using the Black-Scholes option pricing model with the following assumptions:

	2015 Stock Option Plan
Expected volatility ^{*1}	24.1%
Expected remaining period ^{*2}	5.6 years
Expected dividend yield ^{*3}	¥214 per share (\$1.78 per share)
Risk-free interest rate ^{*4}	0.06%

^{*1} The expected volatility is estimated based on a period of 5 years and 7 months (September 7, 2009 to April 13, 2015).

^{*2} The expected remaining period is based on the estimated term of incumbency of directors.

^{*3} The expected dividend yield is based on the actual dividend amount for interim and year-end dividend of 2014.

^{*4} Risk-free interest rate represents the interest rate of Japanese government bonds whose remaining period corresponds to the expected remaining period of the stock options.

Because it is difficult to estimate the forfeited number of stock options for future periods, an estimation of the vested number is based upon actual forfeitures in prior periods.

4. Cash and Cash Equivalents

Cash and cash equivalents at the end of the 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, 2014 and 2015 as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Cash and bank deposits	¥110,808	¥106,305	\$885,882
Time deposits with maturities over three months at the time of purchase	(7,602)	(363)	(3,027)
Short-term investments	12,414	11,014	91,786
Securities exposed to price risk	(6,400)	(4,000)	(33,334)
Cash and cash equivalents	¥109,220	¥112,956	\$941,307

Significant non-cash transactions for the years ended December 31, 2014 and 2015 were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Treasury stock cancellation	¥ –	¥18,884	\$157,372

5. 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 7. 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, 2014 and 2015 are as follows. Fair values that are not readily determinable are not included in the following table.

	Yen (Millions)		
	Carrying value	Fair value	Variance
2014			
Assets:			
(1) Cash and bank deposits	¥110,808	¥110,808	¥ –
(2) Trade notes and accounts receivable	23,333	23,333	–
(3) Short-term investments and investment securities	31,187	31,885	697
Total assets	¥165,329	¥166,027	¥697
Liabilities:			
(1) Trade notes and accounts payable	¥ 7,035	¥ 7,035	¥ –
Total liabilities	¥ 7,035	¥ 7,035	¥ –

	Yen (Millions)			U.S. Dollars (Thousands)		
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
2015						
Assets:						
(1) Cash and bank deposits	¥106,305	¥106,305	¥ –	\$ 885,882	\$ 885,882	\$ –
(2) Trade notes and accounts receivable	25,527	25,527	–	212,726	212,726	–
(3) Short-term investments and investment securities	26,903	27,527	623	224,198	229,392	5,194
Total assets	¥158,736	¥159,360	¥623	\$1,322,807	\$1,328,001	\$5,194
Liabilities:						
(1) Trade notes and accounts payable	¥ 6,434	¥ 6,434	¥ –	\$ 53,618	\$ 53,618	\$ –
Total liabilities	¥ 6,434	¥ 6,434	¥ –	\$ 53,618	\$ 53,618	\$ –

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

Assets:

(1) Cash and bank deposits and (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 7. Derivative Financial Instruments.

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

	Yen (Millions)		U.S. Dollars (Thousands)	
	2014	2015	2014	2015
Unlisted stocks	112	111	931	

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, 2014 and 2015

	Yen (Millions)		
	Within 1 year	1–5 years	5–10 years
2014			
Cash and bank deposits	¥110,808	¥ –	¥ –
Trade notes and accounts receivable	23,333	–	–
Short-term investments and investment securities			
Held-to-maturity securities			
Corporate bonds	–	5,375	4,000
Commercial paper	1,500	–	–
Other securities			
Corporate bonds	4,400	1,000	–
Certificates of deposit	2,000	–	–
Investment trust	2,000	–	–
Total	¥144,042	¥6,375	¥4,000

	Yen (Millions)			U.S. Dollars (Thousands)		
	2015			2015		
	Within 1 year	1-5 years	5-10 years	Within 1 year	1-5 years	5-10 years
Cash and bank deposits	¥106,305	¥ -	¥ -	\$ 885,882	\$ -	\$ -
Trade notes and accounts receivable	25,527	-	-	212,726	-	-
Short-term investments and investment securities						
Held-to-maturity securities						
Corporate bonds	-	3,375	3,000	-	28,126	25,000
Commercial paper	2,000	-	-	16,666	-	-
Other securities						
Corporate bonds	2,000	500	-	16,666	4,166	-
Certificates of deposit	2,000	-	-	16,666	-	-
Investment trust	2,500	-	-	20,833	-	-
Total	¥140,333	¥3,875	¥3,000	\$1,169,442	\$32,293	\$25,000

6. Investment Securities

The carrying value, fair value and variance for held-to-maturity securities as of December 31, 2014 and 2015 were as follows:

(1) Held-to-maturity securities

	Yen (Millions)		
	Carrying value	Fair value	Variance
2014			
Securities whose fair value exceeds their carrying value			
Corporate bonds	¥ 8,375	¥ 9,169	¥794
Subtotal	8,375	9,169	794
Securities whose carrying value exceeds their fair value			
Corporate bonds	2,499	2,403	(96)
Subtotal	2,499	2,403	(96)
Total	¥10,874	¥11,572	¥697

	Yen (Millions)			U.S. Dollars (Thousands)		
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
2015						
Securities whose fair value exceeds their carrying value						
Corporate bonds	¥5,375	¥6,079	¥703	\$44,793	\$50,658	\$5,865
Subtotal	5,375	6,079	703	44,793	50,658	5,865
Securities whose carrying value exceeds their fair value						
Corporate bonds	2,999	2,919	(80)	24,997	24,326	(670)
Subtotal	2,999	2,919	(80)	24,997	24,326	(670)
Total	¥8,374	¥8,998	¥623	\$69,790	\$74,984	\$5,194

The acquisition cost, carrying value and variance for other securities as of December 31, 2014 and 2015 were as follows:

(2) Other securities

	Yen (Millions)		
	Acquisition cost	Carrying value	Variance
2014			
Securities whose carrying value exceeds their acquisition cost			
Stock	¥ 4,533	¥ 7,262	¥2,729
Corporate bonds	1,500	1,501	1
Other	-	-	-
Subtotal	6,033	8,763	2,730
Securities whose acquisition cost exceeds their carrying value			
Stock	54	51	(2)
Corporate bonds	3,900	3,897	(2)
Other	7,635	7,599	(36)
Subtotal	11,590	11,548	(41)
Total	¥17,623	¥20,312	¥2,689

	Yen (Millions)			U.S. Dollars (Thousands)		
	2015			2015		
	Acquisition cost	Carrying value	Variance	Acquisition cost	Carrying value	Variance
Securities whose carrying value exceeds their acquisition cost						
Stock	¥ 3,529	¥ 7,070	¥3,540	\$ 29,412	\$ 58,918	\$29,505
Corporate bonds	500	500	0	4,166	4,168	2
Subtotal	4,029	7,570	3,540	33,579	63,086	29,507
Securities whose acquisition cost exceeds their carrying value						
Stock	999	866	(132)	8,326	7,224	(1,101)
Corporate bonds	2,000	1,999	(0)	16,666	16,661	(5)
Other	8,140	8,092	(48)	67,838	67,434	(404)
Subtotal	11,139	10,958	(181)	92,832	91,321	(1,511)
Total	¥15,169	¥18,528	¥3,359	\$126,411	\$154,407	\$27,996

Unlisted stocks (¥41,000 thousand) are not included in "Other securities" because their market prices do not exist and their fair values are not readily determinable.

(3) Other securities sold

	Yen (Millions)						U.S. Dollars (Thousands)		
	2014			2015			2015		
	Sold amount	Total gain	Total loss	Sold amount	Total gain	Total loss	Sold amount	Total gain	Total loss
Stock	¥ 1	¥ 0	¥ -	¥64	¥15	¥9	\$533	\$125	\$79
Other	1,969	341	-	-	-	-	-	-	-
Total	¥1,970	¥342	¥ -	¥64	¥15	¥9	\$533	\$125	\$79

7. 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, 2014 and 2015 were ¥16,774 million and ¥22,126 million (\$184,390 thousand), respectively.

The estimated fair values at December 31, 2014 and 2015 were ¥15,598 million and ¥17,387 million (\$144,896 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.

8. Retirement Benefit Plans

The table below sets forth the plans' statuses and amounts recognized in the balance sheet at December 31, 2014 and 2015.

1. Movement in retirement benefit obligations

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Beginning balance	¥10,006	¥11,482	\$95,689
Cumulative effect of change in accounting principle	-	289	2,412
Restated balance	10,006	11,772	98,102
Service cost	358	437	3,643
Interest cost	189	118	990
Actuarial loss (gain)	978	391	3,262
Benefit paid	(320)	(934)	(7,789)
Other	271	(105)	(881)
Ending balance	¥11,482	¥11,679	\$97,326

2. Movement in plan assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Beginning balance	¥ 9,869	¥10,378	\$86,487
Expected return on plan assets	129	137	1,144
Actuarial gain (loss)	58	92	771
Contributions paid by the employer	398	441	3,675
Benefit paid	(320)	(934)	(7,789)
Other	244	(96)	(806)
Ending balance	¥10,378	¥10,017	\$83,483

3. Movement in retirement benefit obligations calculated using the simplified method

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Beginning balance	¥274	¥342	\$2,850
Retirement benefit cost	38	110	916
Benefit paid	(10)	(13)	(114)
Other	38	(19)	(161)
Ending balance	¥342	¥419	\$3,491

4. Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Funded retirement benefit obligations	¥11,482	¥11,679	\$97,326
Plan assets	(10,378)	(10,017)	(83,483)
	1,104	1,661	13,843
Unfunded retirement benefit obligations	342	419	3,491
Total net liability for retirement benefits at December 31	¥1,446	¥2,080	\$17,334

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Liability for retirement benefits	¥1,461	¥2,080	\$17,334
Asset for retirement benefits	(14)	-	-
Total net liability for retirement benefits at December 31	¥1,446	¥2,080	\$17,334

5. Retirement benefit costs

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Service cost	¥358	¥437	\$3,643
Interest cost	189	118	990
Expected return on plan assets	(129)	(137)	(1,144)
Amortization of unrecognized actuarial gain	(64)	71	592
Amortization of prior service cost	20	20	174
Retirement benefit costs applying a simplified method	38	110	916
Other	598	452	3,766
Total retirement benefit costs for the fiscal year ended December 31	¥1,012	¥1,072	\$8,940

6. Retirement benefits liability adjustments before tax effect in other comprehensive income

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Prior service cost	¥-	¥20	\$174
Actuarial loss	-	(253)	(2,111)
Total balance amount for the year	¥-	¥(232)	\$(1,936)

7. Retirement benefits liability adjustments before tax effect in accumulated other comprehensive income

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Unrecognized prior service cost	¥64	¥43	\$363
Unrecognized actuarial loss	968	1,221	10,179
Total balance amount for the year	¥1,032	¥1,265	\$10,542

8. Plan assets

The fair values of plan assets, by major category, as a percentage of total plan assets were as follows:

① Plan assets at December 31, 2014 and 2015 comprise:

	2014	2015
General accounts	68.0%	71.9%
Bonds	19.2%	17.5%
Cash and deposits	6.0%	5.0%
Other	6.8%	5.6%
Total	100.0%	100.0%

② Long-term expected rates of return

The expected rates of return on plan assets have been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

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

	2014	2015
Discount rates	Mainly 1.0%	Mainly 0.7%
Expected rates of return on plan assets	Mainly 1.0%	Mainly 1.0%
Expected rates of salary increase	Mainly 2.7%	Mainly 2.8%

9. Income Taxes

1. The Company is subject to a number of taxes based on income with the statutory income tax rates of approximately 37.8% and 35.4% for the years ended December 31, 2014 and 2015, respectively. 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 rates and the effective income tax rates on pre-tax income for the years ended December 31, 2014 and 2015.

	2014	2015
	Percentage	Percentage
Statutory income tax rates	37.8	35.4
Tax credits on dividend income	0.6	0.3
Different tax rates applied to foreign subsidiaries	(10.1)	(9.6)
Undistributed earnings in foreign subsidiaries	1.0	5.1
Valuation allowance	(4.5)	0.5
Tax deduction	(1.5)	(1.7)
Other, net	(0.0)	0.3
Effective income tax rates	23.3	30.3

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, 2014 and 2015 were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Deferred tax assets:			
Evaluation losses on investment securities and other assets	¥ 573	¥ 538	\$ 4,487
Depreciation	125	143	1,199
Allowance for retirement benefits	–	–	–
Liability for retirement benefits	415	519	4,326
Unrealized loss on available-for-sale securities	24	22	184
Impairment loss	494	638	5,316
Unrealized profits on inventories and fixed assets	1,243	1,409	11,745
Net operating loss carry forwards	237	169	1,412
Other	454	538	4,485
Valuation allowance	(1,189)	(1,319)	(10,996)
Total	¥ 2,379	¥ 2,659	\$ 22,161
Deferred tax liabilities:			
Tax on undistributed earnings in foreign subsidiaries	¥ 1,692	¥ 3,041	\$ 25,345
Unrealized holding gain on securities	720	917	7,649
Other	116	152	1,273
Total	¥ 2,529	¥ 4,112	\$ 34,268
As reported in the consolidated balance sheet:			
Deferred tax assets – Current	¥ 1,635	¥ 1,637	\$ 13,641
Deferred tax assets – Non-current	367	407	3,395
Deferred tax liabilities – Current	(58)	(16)	(134)
Deferred tax liabilities – Non-current	(2,095)	(3,481)	(29,011)

3. The effects of changes in the corporate income tax rate

Act on Partial Amendment to the Income Tax Act, etc. and Act on Partial Amendment to the Local Tax Act, etc. were promulgated on March 31, 2015, and accordingly, the effective statutory income tax rate used to calculate deferred tax assets and deferred tax liabilities (only for temporary differences expected to be realized or settled after January 1, 2016) has changed from the 35.4% used last year, to 32.8% in regard to temporary differences expected to be realized or settled from January 1, 2016 to December 31, 2016 and 32.1% in regard to temporary differences expected to be realized or settled from January 1, 2017.

As a result of this change in the corporate tax rate, deferred tax liabilities (net of deferred tax assets) decreased by ¥92 million (\$772 thousand), deferred income taxes decreased by ¥45 million (\$376 thousand), net unrealized holding gains on securities increased by ¥60 million (\$500 thousand) and retirement benefits liability adjustments increased by ¥(12) million (\$ (104) thousand) as of and for the year ended December 31, 2015.

10. Consolidated Statements of Comprehensive Income

The following table presents reclassification adjustments and tax effects for each component of other comprehensive income for the years ended December 31, 2014 and 2015.

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Unrealized holding gains (losses) on securities:			
Amount arising during the year	¥ 116	¥ 675	\$ 5,631
Reclassification adjustments for gains and losses included in net income	(341)	(5)	(43)
Amount before tax effect	(225)	670	5,587
Tax effect	31	(197)	(1,647)
Unrealized holding gains (losses) on securities	(193)	472	3,940
Foreign currency translation adjustments			
Amount arising during the year	13,242	(5,536)	(46,135)
Retirement benefits liability adjustments:			
Amount arising during the year	–	(298)	(2,490)
Reclassification adjustments for gains and losses included in net income	–	66	553
Amount before tax effect	–	(232)	(1,936)
Tax effect	–	9	79
Retirement benefits liability adjustments	–	(222)	(1,856)
Total other comprehensive income	¥13,048	¥(5,286)	\$(44,052)

11. Shareholders' Equity

Under the Japanese Corporation 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, 2015, 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 18, 2015, interim dividends (¥52 or \$0.43 per share) totaling ¥3,612 million (\$30,102 thousand) were paid to shareholders based on the shareholders' record at June 30, 2015. On March 30, 2016, the shareholders approved a declaration of dividends (¥58 or \$0.48 per share) totaling ¥4,029 million (\$33,576 thousand).

12. Amounts Per Share

	Yen		U.S. Dollars
	2014	2015	2015
Net Income			
Basic	¥258.02	¥266.98	\$2.22
Diluted	¥257.95	¥266.90	\$2.22
Net Assets			
	¥3,325.99	¥3,363.01	\$28.02

Note: 1. The Company carried out a 2-for-1 stock split of its common stock effective January 1, 2015 and basic net income, diluted net income and net assets per share have been calculated as if the stock split took place on January 1, 2014.

2. Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the ESOP trust account.

3. As shown in “2. Accounting Changes” the Company has adopted the “Accounting Standard for Retirement Benefits” in accordance with the provisional treatment stipulated in Section 37 of the standard. This resulted in a ¥2.72 (\$0.02) decline in net assets per share as of December 31, 2015.

The bases for the calculations (Net assets per share) are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Total net assets	¥233,312	¥233,245	\$1,943,709
Amounts deducted from total net assets:			
Share subscription rights	54	61	513
Net assets attributable to shares of common stock	¥233,258	¥233,183	\$1,943,196
Number of common stock on December 31 (Shares)	70,131,934	69,337,656	69,337,656

The bases for the calculations (Net income per share and Diluted net income per share) are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Net income per share			
Net income:	¥18,090	¥18,546	\$154,552
Amounts not revert to ordinary shareholders	–	–	–
Net income in relation to common stock	18,090	18,546	154,552
Average number of common stock (Shares)	70,115,136	69,466,567	69,466,567
Diluted net income per share			
Net income adjustments	–	–	–
Increase in number of shares of common stock (Shares)	17,489	21,541	21,541
Share subscription rights (Shares)	17,489	21,541	21,541

13. Selling, General and Administrative Expenses

The main components of “Selling, General and Administrative Expenses” for the years ended December 31, 2014 and 2015 were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Packing and freightage expenses	¥1,198	¥1,300	\$10,840
Salaries and wages	7,865	8,536	71,136
Provision for bonuses due to employees	186	212	1,768
Provision for bonuses due to directors	127	130	1,083
Retirement benefit expenses	457	581	4,845
Employee benefit costs	1,408	1,561	13,013
Depreciation	1,304	1,572	13,105
Provision of allowance for doubtful debts	10	49	413
Research expenses	1,153	1,325	11,043

14. Contingent Liabilities

As of December 31, 2014 and 2015, the Company is contingently liable principally for forward precious metal contracts in the amounts of ¥16,774 million and ¥22,126 million (\$184,390 thousand), respectively.

15. Research and Development Expenses

Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥4,503 million and ¥5,164 million (\$43,040 thousand) for the years ended December 31, 2014 and 2015, respectively.

16. Other Income (Expenses)

There were ¥1,118 million (\$9,322 thousand) of gains from sale of land for the year ended December 31, 2015. It is included in Gain (loss) on disposal of fixed assets, net.

17. Impairment of Fixed Assets

There were no impairment losses relating to fixed assets for the year ended December 31, 2014. Impairment losses relating to a fixed asset group in a subsidiary in China of ¥906 million were incurred due to the decline in demand for motors in the consumer and industrial products market during the year ended December 31, 2015. The recoverable amount of the fixed asset group was calculated by value in use. As expected future cash flows were negative, these assets were written down to zero.

18. 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, North and Latin America, 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,” “North and Latin America” and “Europe” as their reporting segments.

2. Methods for calculating net sales, income or loss, assets, liabilities and other items by reporting segment

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

As stated in "2. Accounting Changes", in the fiscal year ended December 31, 2015, the Company changed the methods of calculating retirement benefit obligations and prior service costs. Accompanying this change, the Company has changed the methods of calculating retirement benefit obligations and prior service costs for the reportable segments. The impact of the change on segment income for the fiscal year ended December 31, 2015 is immaterial.

Intersegment net sales are based on prevailing market prices.

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Net sales:			
Japan			
External customers	¥ 11,522	¥ 11,305	\$ 94,214
Intersegment	81,405	93,729	781,079
Total	92,927	105,035	875,293
Asia			
External customers	74,548	85,370	711,419
Intersegment	76,057	83,725	697,710
Total	150,606	169,095	1,409,130
North and Latin America			
External customers	12,850	17,204	143,373
Intersegment	–	–	–
Total	12,850	17,204	143,373
Europe			
External customers	23,624	29,262	243,855
Intersegment	–	–	–
Total	23,624	29,262	243,855
Corporate and elimination	(157,463)	(177,454)	(1,478,790)
Consolidated	¥ 122,544	¥ 143,143	\$ 1,192,863
Segment Income:			
Japan	¥ 5,311	¥ 7,881	\$65,676
Asia	11,221	13,509	112,582
North and Latin America	265	446	3,719
Europe	910	1,520	12,671
Corporate and elimination	(834)	(396)	(3,300)
Consolidated	¥ 16,875	¥ 22,961	\$ 191,348
Segment Assets:			
Japan	¥ 82,008	¥ 88,903	\$ 740,863
Asia	157,216	156,105	1,300,882
North and Latin America	8,665	12,238	101,985
Europe	11,667	14,454	120,452
Corporate and elimination	(3,190)	(15,506)	(129,218)
Consolidated	¥ 256,368	¥ 256,196	\$ 2,134,966
Others:			
Depreciation and Amortization:			
Japan	¥ 835	¥ 998	\$ 8,323
Asia	4,494	5,784	48,206
North and Latin America	7	70	586
Europe	9	7	62
Corporate and elimination	(279)	(280)	(2,338)
Consolidated	¥ 5,066	¥ 6,580	\$ 54,840
Increase in Tangible and Intangible Fixed Assets:			
Japan	¥ 495	¥ 1,840	\$ 15,339
Asia	10,031	10,530	87,755
North and Latin America	539	2,829	23,582
Europe	3	11	91
Corporate and elimination	(13)	(1,092)	(9,106)
Consolidated	¥ 11,056	¥ 14,119	\$ 117,663

Notes: 1. (1) The segment income eliminations of ¥(834) million in fiscal 2014 and ¥(396) million (\$ (3,300) thousand) in fiscal 2015 represent intersegment transaction eliminations.

(2) The segment assets eliminations include: corporate assets of ¥86,090 million in fiscal 2014 and ¥78,966 million (\$658,054 thousand) in fiscal 2015, not allocated to each segment; intersegment debt and credit eliminations of ¥(89,281) million in fiscal 2014 and ¥(94,472) million (\$ (787,272) thousand) in fiscal 2015. Corporate assets primarily include the parent company's surplus funds for investment (e.g., cash and bank deposits and short-term investments) and long-term investment funds (e.g., investment securities).

(3) The depreciation and amortization eliminations of ¥(279) million in fiscal 2014 and ¥(280) million (\$ (2,338) thousand) in fiscal 2015 represent intersegment transaction eliminations.

(4) Increase in tangible and intangible fixed assets eliminations of ¥(13) million in fiscal 2014 and ¥(1,092) million (\$ (9,106) thousand) in fiscal 2015 represent intersegment transaction eliminations.

2. Segment income is adjusted for operating income reported in the consolidated statements of income.

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)
	2014	2015	2015
Net Sales			
Japan	¥ 11,310	¥ 11,618	\$ 96,821
Asia	74,758	85,057	708,812
North and Latin America	12,850	17,204	143,373
Europe	23,625	29,262	243,855
Total	¥122,544	¥143,143	\$1,192,863

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Tangible Fixed Assets			
Japan	¥15,812	¥15,861	\$132,176
Asia	37,615	39,708	330,906
North and Latin America	550	3,164	26,370
Europe	29	29	243
Total	¥54,008	¥58,763	\$489,698

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Impairment Loss			
Japan	¥ –	¥ –	\$ –
Asia	¥ –	¥906	\$7,551
North and Latin America	–	–	–
Europe	–	–	–
Corporate and elimination	–	–	–
Total	¥ –	¥906	\$7,551

19. Subsequent Events

Purchase of treasury stock and cancellation of treasury stock

On February 12, 2016, the Company resolved, at the Board of Directors' meeting, to purchase treasury stock pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph 3 of said Act, and resolved to cancel treasury stock pursuant to the provisions of Article 178 of the Companies Act, as described below.

1. Reasons for the purchase and cancellation of treasury stock

The Company will purchase and cancel treasury stock in order to implement a flexible capital policy to respond to changes in the business environment and to improve shareholder returns and capital efficiency.

2. Details of matters pertaining to the purchase of treasury stock

- (1) Class of shares to be purchased: Common stock of the Company
- (2) Total number of shares to be purchased: 1,000,000 shares (maximum)
(1.44% of the total number of shares issued [excluding treasury stock])
- (3) Total amount of purchase cost: ¥5.0 billion (maximum)
- (4) Purchase period: February 16, 2016 to March 24, 2016
- (5) Purchase method: Purchase in the open market through discretionary trading
- (6) As a result, the Company purchased 1,000,000 shares of common stock (total amount ¥4,771 million)

3. Details of matters pertaining to the cancellation of treasury stock

- (1) Class of shares to be cancelled: Common stock of the Company
- (2) Number of shares to be cancelled: All shares of treasury stock purchased as stated in item 2 above
- (3) Scheduled date of cancellation: April 15, 2016
- (4) The Company will cancel 1,000,000 shares of common stock, pursuant to the above-mentioned Board of Directors' resolution.

Introduction of performance-based stock compensation plan for directors and executive officers

The Company resolved at a meeting of the Board of Directors held on February 17, 2016 to introduce a new stock compensation plan (the "Plan") for its directors and executive officers (excluding outside directors and those who are non-residents in Japan; collectively, the "Directors, etc.") and to submit a proposal regarding the introduction of the Plan for directors of the Company to the 75th Ordinary General Meeting of Shareholders (the "Shareholders' Meeting") to be held on March 30, 2016. It was subsequently resolved at the Shareholders' Meeting.

1. Purpose of Introduction of the Plan

The Company has decided to introduce the Plan, which is an executive remuneration system closely linked with the achievement of the performance targets as set out in the medium-term management plan, with the purpose of enhancing the motivation of Directors, etc. to contribute to improved business performance and increased corporate value over the medium term.

2. Outline of the Plan

The Executive Compensation BIP (Board Incentive Plan) Trust (the "BIP Trust") will be adopted. Under the Plan, the Company's shares acquired through the BIP Trust and money equivalent to the amount obtained by converting the Company's shares into cash (collectively, the "Company Shares, etc.") will be delivered and paid (the "Delivery, etc." or "delivered, etc.") to those serving as Directors, etc. during the target period based on the factors such as the positions and the level of attainment of the performance targets throughout the trust term. Directors, etc. will receive the Delivery, etc. of the Company Shares, etc. during a certain timeframe following the end of the target period. At first, the target period is over the three-year period from the fiscal year ending December 31, 2016 to the fiscal year ending December 31, 2018.

3. Outline of Trust Agreement (Planned)

1) Type of trust	Monetary trust other than a specified solely-administered monetary trust (third-party beneficiary trust)
2) Purpose of trust	To provide incentives to Directors, etc.
3) Entruster	The Company
4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
5) Beneficiaries	Directors, etc. who satisfy the beneficiary requirements
6) Trust administrator	Third party with no conflict of interest with the Company (certified public accountant)
7) Date of trust agreement	June 3, 2016
8) Trust term	June 3, 2016 to the end of June 2019
9) Commencement of the Plan	July 1, 2016
10) Exercise of voting rights	Voting rights will not be exercised
11) Class of shares to be acquired	Common stock of the Company
12) Maximum limit	480 million yen for directors' remuneration (including trust fees and trust expenses) The amount for executive officers' remuneration is yet to be determined.
13) Rights holder	The Company
14) Residual assets	The Company, as the rights holder, may receive residual assets within the scope of the reserve for trust expenses after deducting funds to acquire the Company's shares from trust money.

Stock-based compensation

On March 30, 2016, the Company resolved, at the Board of Directors' meeting, to issue subscription rights to shares for directors based on Articles 236, 238 and 240 of the Law, for the purpose of increasing their willingness to serve and motivation toward improved corporate value and raised share prices.

Details

Resolution date	March 30, 2016
Classification and number of grantees	6 directors of the Company (excluding outside directors) 5 executive officers of the Company
Type of shares to be issued under the subscription rights to shares	Common stock
Number of shares	Directors of the Company: 8,000 shares Executive officers of the Company: 2,360 shares
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 shares	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. 4th 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: 800 units

Five (5) executive officers of the Company: 236 units

(3) Total number of the subscription rights to shares: 1,036 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 option pricing 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

April 20, 2016

(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 April 21, 2016 to April 20, 2036.

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

Independent Auditor's Report



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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, 2015, and the consolidated statements of income, 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, 2015, 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 30, 2016

Investor Information

(As of December 31, 2015)

Stock Data

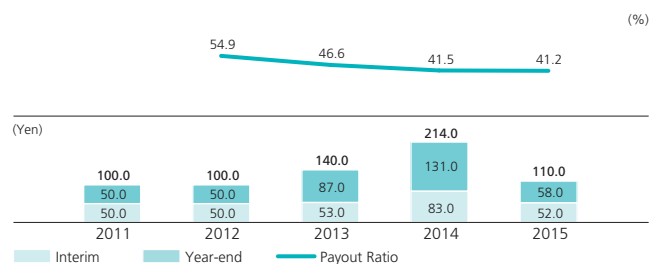
Number of Shares Authorized 200,000,000
 Number of Shares Issued 70,927,562
 Number of Shareholders 13,446

Major Shareholders

Major Shareholders	Number of Shares Held (Thousands)	Ratio of Shareholders (%)
Takaichi Mabuchi	5,000	7.2
Japan Trustee Services Bank, Ltd. (Trust Account)	4,238	6.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,317	4.8
Mabuchi International Scholarship Foundation	3,000	4.3
Takashi Mabuchi	2,110	3.0
Tamotsu Mabuchi	2,110	3.0
Premiere Corporation	2,068	3.0
Taka Corporation Co., Ltd.	2,056	3.0
TEXAS Inc.	1,856	2.7
The Nomura Trust and Banking Co., Ltd. (Trust Account)	1,140	1.6

Notes: 1. In addition to the above, Mabuchi Motor Co., Ltd. retains 1,459,206 shares of treasury stock.
 2. The number of shares of treasury stock is excluded from "Ratio of Shareholders." The percentages are rounded to one decimal place.
 3. 130,700 shares held by the ESOP Trust Utilizing Employee Shareholding Association are included in the calculation of "Percentage of shares held."

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.

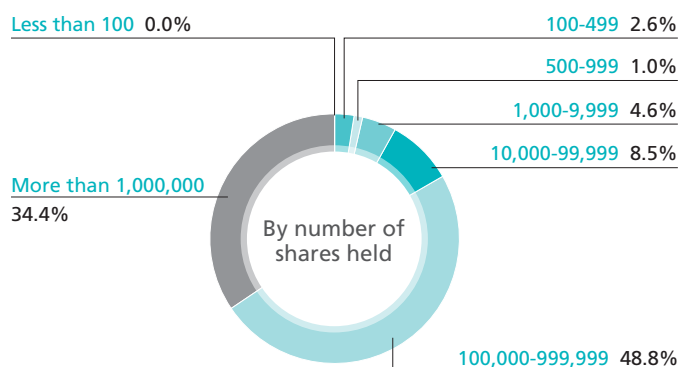
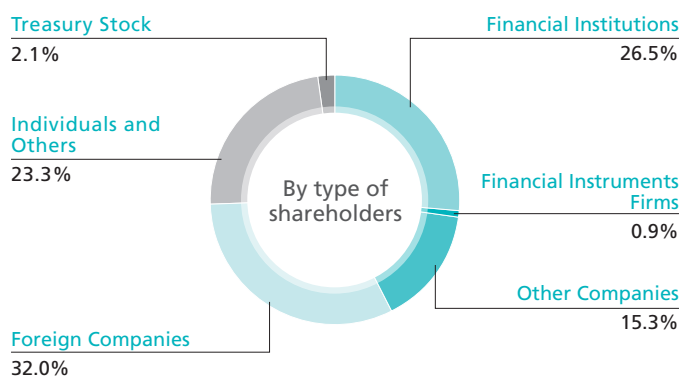
Changes in Standards for Calculating Dividends

Year	Ordinary Dividend per Share	Standard Value for Calculating Special Dividend
2015	30 yen	30% of consolidated net income
2014	60 yen	30% of consolidated net income
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

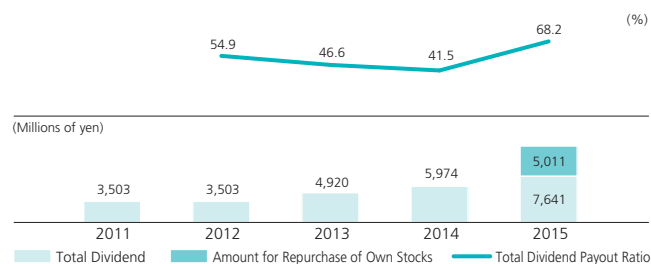
The Company conducted a 2-for-1 stock split of its common stock on January 1, 2015.

* The 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

	2011	2012	2013	2014	2015
High (Yen)	4,305	3,930	6,380	10,540	8,230
Low (Yen)	3,075	2,931	3,675	5,430	4,385
At year-end (Yen)	3,205	3,655	6,250	9,620	6,640
PER	-	20.1	20.8	18.6	24.9
PBR	0.7	0.7	1.0	1.4	2.0

Corporate Data

(As of December 31, 2015)

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 million

Number of Employees

762 (Non-consolidated)
24,419 (Consolidated)

Ordinary General Meeting of Shareholders

The Ordinary General Meeting of Shareholders will be held every March at Corporate Headquarters.

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 & Latin America)

MABUCHI MOTOR AMERICA CORP.

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

MABUCHI MOTOR MEXICO S.A.DE.C.V.

Circuito Cerezos Oriente #105,
Parque Industrial San Francisco IV,
San Francisco De Los Romo,
AGS 20304, México

(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 2007-2008 Metro Building,
No.1016 Fuzhong First Road,
Futian District, Shenzhen City,
Guangdong Province 518038, 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.

No. 62 Jinlong Road,
Ganzhou Development Zone,
Jiangxi Province 341000, China

(Asia Pacific)

MABUCHI TAIWAN CO., LTD.

No. 18, Chunghua 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 179098, Singapore

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 06601, Korea

Non-consolidated Subsidiary

MABUCHI REAL ESTATE CO., LTD.



CORPORATE HEADQUARTERS
430 Matsuhidai, Matsudo-City, Chiba 270-2280, Japan
<http://www.mabuchi-motor.co.jp>