A MESSAGE FROM PATRICK WANG

TO OUR SHAREHOLDERS,

The 2006 financial year marked an important watershed in Johnson Electric's development.

Through the acquisitions of Saia-Burgess Electronics Holding AG and Parlex Corporation we are transforming ourselves into a dynamic and truly multinational business with unrivalled technology and capabilities that span DC motors, stepper motors, solenoids, actuators, precision gears, precision plastics, and flexible printed circuits. The Johnson Electric Group is now uniquely positioned to lead our industry in providing innovative motor and "motion" system solutions to our growing global customer base.

These essential strategic advances, however, are being made in the context of a difficult operating environment marked by dramatic raw material price volatility that has significantly depressed near-term gross margins and more than outweighed the ongoing progress management has made in improving operational effectiveness and containing overheads.

SUMMARY OF 2005/06 RESULTS

- For the financial year ended 31st March 2006, total sales were a record US$1,526 million – an increase of 33% compared to the 2005 financial year
- Excluding restructuring charges and provisions, operating profits were US$139 million, a decrease of 15%
- Net earnings attributable to shareholders after restructuring charges and provisions declined 33% to US$94 million or 2.56 US cents per share
- The Board has recommended a final dividend of 1.09 US cents per share, which together with the interim dividend of 0.58 US cents per share, represents a total dividend of 1.67 US cents per share

SALES PERFORMANCE

The major factor behind the strong sales increase for the year was the additional contributions of Saia-Burgess Electronics and Parlex for the five months period since they were acquired in November 2005. In Johnson Electric's Automotive and Commercial Motors Groups sales grew by 3% in the year – reflecting relatively soft market conditions.

The Automotive Motors Group ("AMG") achieved sales of US$643 million, representing a growth rate of 5% compared to the prior year. With the exception of the Body Instruments business unit, where year-on-year sales were flat, all AMG business units grew sales during the year – a creditable performance given the severe structural problems that continue to affect the North American and European automotive industries.

The Commercial Motors Group ("CMG") achieved sales of US$532 million, an increase of 2% over the prior year. Strong growth in the Home Appliance and Business Equipment / Personal Products business units was partially offset by weaker performances in the Power Tools and Audio-Visual product application segments which experienced heightened price competition. The CMG division overall continues to make good progress in shifting the mix of its business to focus on differentiated products where Johnson Electric commands a stronger market position and better pricing power. Nanomotion Ltd., the Group's Israel-based producer of high precision piezo ceramic motors, continues to make progress in developing a range of advanced technological solutions to support the Group's penetration into new markets.

COMMODITY PRICE INCREASES CONTINUE TO PRESSURE GROSS MARGINS

Good progress towards securing our long-term competitiveness contrasted with the negative impact of higher raw material costs during the year. For the third year in succession, the Group's cost of materials increased due to the sharp rise in global commodity prices.

The market price for copper, for example, increased by more than 50% during the financial year – and is presently more than four times its level of three years ago. In the case of steel, although market prices declined during the second-half of the year, the Group did not benefit significantly from this during the period due to the timing and extended nature of its purchase contracts with its steel suppliers.

On-going operational efficiency improvements and copper hedging strategies helped to partially offset these negative trends. Nonetheless, the overall impact of higher material costs, as well as competitive price pressures in some market segments, reduced gross profits in the Automotive and Commercial motor divisions by approximately 11% compared to the prior year.

RESTRUCTURING CHARGES AND THE ACCOUNTING IMPACT OF RECENT ACQUISITIONS

The completion of the Saia-Burgess Electronics and Parlex acquisitions resulted in a number of restructuring initiatives designed to improve the long-term economic performance of these businesses and the expanded Johnson Electric Group. These initiatives, as well as certain other one-time restructuring charges and provisions related to the closing of overseas facilities, resulted in restructuring costs of approximately US$17 million.

The company incurred an amortisation charge of US$6 million due to the requirement to amortise the intangible assets of acquired businesses over periods ranging from 5 years to 25 years.

The overall effects of high commodity prices, business restructuring expenses, and amortisation charges related to our recent acquisitions, resulted in an unsatisfactory decrease in net income for the year.

BUILDING A PLATFORM FOR SUSTAINING LONG-TERM COMPETITIVE ADVANTAGE

For many years now, a central element of Johnson Electric's corporate strategy has been to leverage our low-cost, large-scale manufacturing platform in China to build a leading market position serving global OEM customers. By exploiting that market leadership to invest in elements of the business that our customers also value (speed to market, for example), we have been able to grow market share and volumes – hence further building the company's scale and reinforcing its low cost position.

Looking to the future, a component manufacturing business such as ours must continue to exploit its scale and improve its operational efficiency to achieve further cost reductions. In this regard, we are making steady progress in refining the effectiveness of our China manufacturing operations and global supply chain through a variety of lean manufacturing and Gemba Kaizen improvement techniques.

At the same time, however, it is imperative that we act to *sustain* our competitive advantage by investing in new capabilities that will effectively differentiate our products in the marketplace.

The acquisition of Saia-Burgess Electronics is an essential piece in this strategy and we are satisfied with the progress of this business to date. It brings to Johnson Electric a combination of technology and talent that complements and extends the Group's ability to develop innovative and integrated motion systems. The value-creation opportunity here is both to lower costs by leveraging Johnson Electric's cost base in China (though we do expect to achieve significant purchasing and manufacturing synergies in this area) and enable the Group to offer smart, value-adding solutions to customers across a spectrum of closely related products areas in ways that our competitors cannot match.

Similarly, the addition of Parlex – though a much smaller business – provides new capabilities for Johnson Electric to extend its reach in electronics and electronic assemblies which are becoming an increasingly important feature in the markets where we compete. Although the current operational model of Parlex requires further reshaping to achieve the level of profitability we demand, the business is already beginning to benefit from new business opportunities sourced from other parts of Johnson Electric and Saia-Burgess Electronics which utilise flexible printed circuits inside existing motor and actuator sub-systems.

FUTURE PROSPECTS

Looking ahead, Johnson Electric is well positioned for the 2006/07 financial year and for the longer term.

The steps that we have taken over the past twelve months have significantly enhanced the value-creation potential of our business. Turning that potential into reality, of course, will require further hard work and disciplined execution. A systematic and wide-ranging integration process is well underway to bring out the best of the combined Johnson Electric and Saia-Burgess businesses and to achieve genuine benefits in terms of superior revenue growth and operational cost savings. At Parlex, we are also optimistic that the business is on track to make a positive contribution to both the expanded technology offering and profits of the Group.

Business units serving our traditional micro-motor markets will continue to focus on those customer segments where we are able to differentiate our product offering to achieve attractive margins. In the near-term, we also anticipate an improvement in gross margins as a result of the raw material purchasing contracts that we currently have in place.

The full-year contributions of recent acquisitions can be expected to result in the Group generating annual sales of approximately US$2 billion and, barring unforeseen circumstances, we aim to achieve an improvement in the bottom-line performance in the 2006/07 financial year.

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers, and employees for their continued support.

On behalf of the Board

Patrick Shui-Chung Wang
Chairman and Chief Executive

Hong Kong, 5th June 2006