

Annual Report **2017**

Year ended December 31, 2017



Motor for
power window lifters
GD-558RK

Motor for
power window lifters
GD-558RJ

Enhanced Lineup
Shifting Growth into
Overdrive



Small Direct-Current Electric Motors

—— Accelerate for further Growth

Ever since its founding, Mabuchi Motor Co., Ltd. has been a specialist manufacturer of small motors that consistently deliver high quality and efficiency at low prices in line with our basic policy of “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 1,560 million units (2017 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 through a flexible supply system.”

Extending Our Contribution through New Business

We hope to challenge ourselves in new spheres of business by creatively combining the technology that we have cultivated over the years into new forms that are applicable to tomorrow’s needs. By investigating resources outside our walls and by measuring our in-house capabilities, we strive to develop new technological platforms. By refining our product and business skills, we in turn strengthen our own internal structure. Attentive to current technological trends, we invest our energy in business fields where we believe Mabuchi Motors can excel. Our constant hope is to provide highly advanced technology, products, and services with a special touch of “Mabuchi-ness.”

Expanding Our Contribution to Existing Businesses

By improving the products and processes of our existing stratum of businesses and by retaining the unique high technology of crucial components within our enterprise, we are able to accomplish the following endeavors that buttress our continued effort to raise consumer satisfaction.

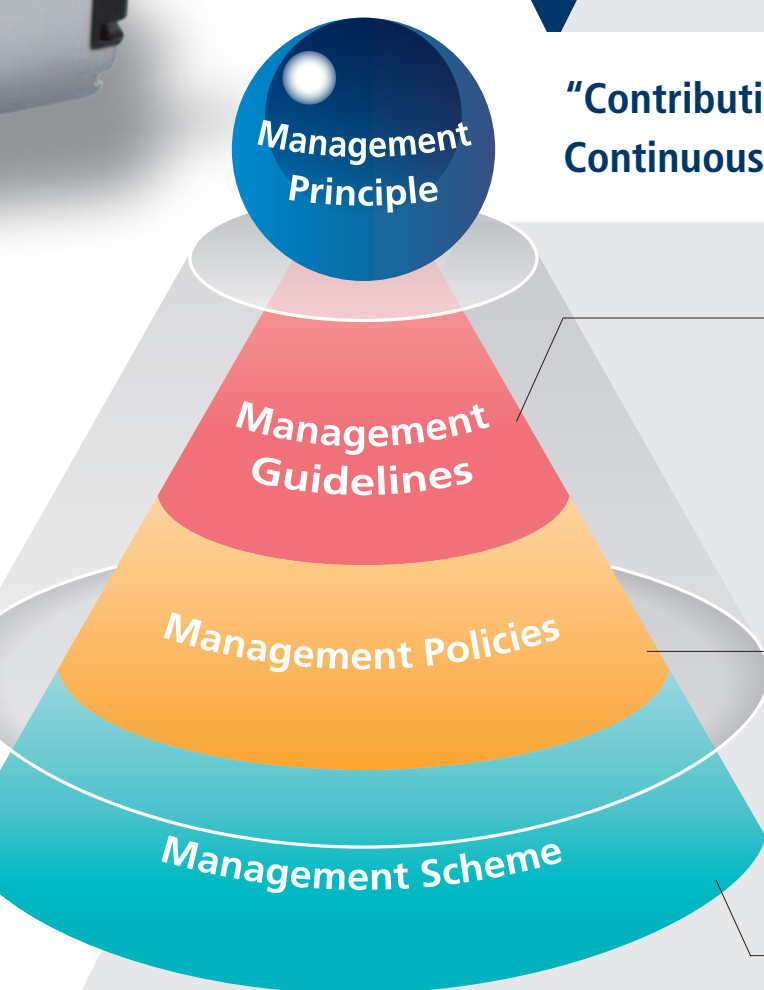
Exerting Continued Strength

To build realistic and effective organizational power, it is imperative for all employees to have a sense of autonomy and responsibility when tackling a challenging, worthwhile project. With his or her own strength, every employee must exert a sense of leadership, and by sharing a common direction as a team, aim toward success. By maximizing the capacities of each individual and by concentrating these unique forces into one, we are able to realize the “Mabuchi Strength.”

Profile

Mabuchi's Management Vision

"Contributing to International Society and Continuously Increasing Our Contribution."



Management Guidelines

The "Management Guidelines" offer a direction for how to perceive and realize the "contribution" expressed in the "Management Principle." This guideline also states the services our business activities should aspire to perform. We aim to become a corporation that can continue to aggrandize this "contribution" and proceed in strength and perseverance.

Management Policies

When a new "value" created through our business activities is recognized and received by society, is when the fruit of our contribution "profit," can be achieved. The management policies of Mabuchi Motor act as a starting point for our philanthropic activities as well as the healthy growth of our business.

Management Scheme

For the future of the Mabuchi Motor, while sustaining a distinct "Mabuchi-ness," we propose to proceed by condensing our organizational strength through selection and concentration.

We believe that the diversification of our business activities is not possible without a contribution to society. The heart of our work does not reside solely in the realm of expanding sales. When our products are truly welcomed in the marketplace, the product of our contribution takes the shape of profit. We truly believe this view of management, and shall continue to support future endeavors based on this belief.

Our Management Vision

Forward-looking Statements

Statements concerning the business forecast are based on information available at the time of preparation. Actual results may differ from the forecast due to various factors.

Factors that may affect the operating results include, but are not limited to:

- Fluctuations in exchange rates
- Changes in economic conditions, demand trends, and other factors surrounding Mabuchi's businesses
- Rapid technical innovations such as new technologies and new products
- Fluctuations in the market prices of copper, steel, rare earth metals, and other materials

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To Our Shareholders

Standing united, the Mabuchi Group will implement priority activities in its quest to achieve renewed growth.

Hiroo Okoshi

Representative Director and President,
President & CEO

Hiroo Okoshi



Business Results for Fiscal 2017

We will report on the consolidated performance for the fiscal year ended December 31, 2017 (January 1 to December 31, 2017).

For the fiscal year ended December 31, 2017 (fiscal 2017), consolidated net sales were 146,925 million yen, operating income was 24,066 million yen, and income before income taxes was 27,485 million yen.

Financial Highlights

	Millions of yen		Thousands of U.S. dollars	Rate of change
	2016	2017	2017	YoY
Net sales	¥140,699	¥146,925	\$1,300,223	+4.4%
Operating income	24,225	24,066	212,974	-0.7%
Profit attributable to owners of parent	20,598	20,303	179,672	-1.4%
Total assets	258,387	269,318	2,383,349	+4.2%
Net assets	232,917	242,179	2,143,182	+4.0%

Please see the table below for the year-on-year changes.

During fiscal 2017, the world economy in general showed underlying strength. The economic environments of the major countries and regions were as follows:

Economic Environments of Major Countries and Regions

In the U.S. economy: Sustained growth continued, supported by strong consumer spending spurred by improvement in the employment environment.

In the European economy: The economy was strong against a backdrop of capital investment expansion.

In the Japanese economy: Moderate growth continued, as a result of expansion of consumer spending accompanying improvement in the employment environment.

In emerging market economies: A gradual adjustment phase continued in the Chinese economy, and overall growth remained low.

The Group's applications by market were as follows:

■ Applications by Market

In the Automotive Products Market: Healthy demand continued overall.

In the Consumer and Industrial Products Market: Although demand remained stable, markets for some applications continued to contract.

■ Main Initiatives for Fiscal 2017

The main initiatives and results of fiscal 2017 are as follows.

Issue 1 Acceleration of Growth in the Power Window Lifter Motor Business

Result Winning of orders from new customers by means of next-generation motors for power window lifters

Issue 2 Expansion of Small and Medium-sized Automotive Motor Sales and New Applications

Result Expansion of orders for small and medium-sized automotive motors for various applications by means of application-specific standard products, and development of new applications

Issue 3 Development of New Applications in the Consumer and Industrial Products Sector

Result Sales expansion through enhancement of the lineup of motors for high-end home appliances

Issue 4 Implementation of Laborsaving Measures and Establishment of Next-Generation Manufacturing

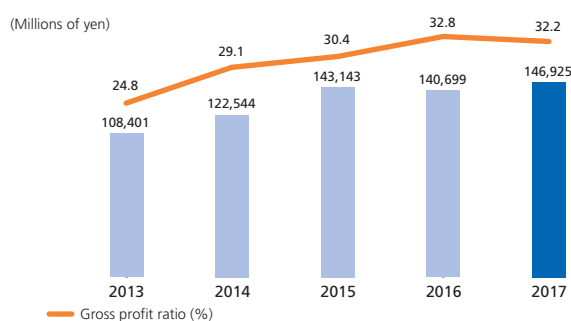
Result Acceleration of labor-saving in production processes through inspection automation using image processing technology

Issue 5 Implementation of Global Base Strategy

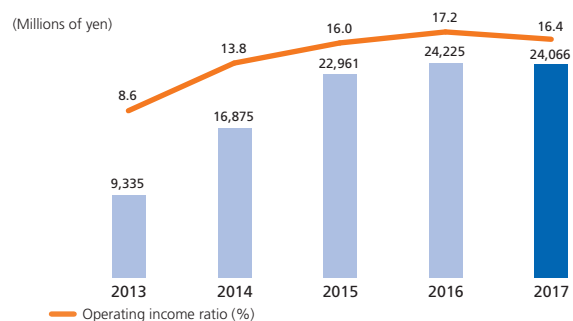
Result Construction of a plant building at the new production base in Poland

We actively introduced and implemented measures to achieve further progress with sales and market share expansion, the development of new markets, and the realization of higher quality and higher efficiency, and achieved results that contributed to business growth in fiscal 2017 and that will lead to future business growth.

Net Sales/Gross Profit Ratio



Operating Income



■ Outlook for Fiscal 2018

The economic environments of the major countries and regions are forecasted as follows for fiscal 2018.

■ Economic Environments of Major Countries and Regions

In the U.S. economy: Expected to remain strong.

In the European economy: Expected to maintain growth as a whole, despite a sense of uncertainty about the outlook for the U.K. economy.

In the Japanese economy: Modest growth is expected to continue.

In emerging market economies: China, India and Brazil are showing a recovery trend, and gradual growth in emerging countries overall is expected to continue.

The Group's applications by market are forecast as follows:

■ Applications by Market

In the Automotive Products Market: Gradual growth is expected to continue.

In the Consumer and Industrial Products Market: While demand for motors for power tools and office equipment in the business-use market is expected to be flat, contraction of demand for motors for office equipment in the personal-use products market is forecast.

■ Priority Activities for Fiscal 2018 (Issues to Be Addressed)

(1) Strengthening of Competitiveness through M&As (mergers and acquisitions)

The Company reached an agreement with HANWA Co., Ltd. (HANWA) to transfer HANWA's Chinese subsidiary, HANWA STEEL SERVICE (JIANGXI) CO., LTD. (HSSJ), to the Company's subsidiary Mabuchi Industry Co., Ltd. (Hong Kong Mabuchi), and a transfer of equity agreement was executed between Hong Kong Mabuchi and HANWA on January 15, 2018. Through Hong Kong Mabuchi, the Company will acquire 100% equity in HSSJ and make it an affiliated company.

HSSJ is a processing company that supplies steel sheet coil material, a key material for motors, to Jiangxi Mabuchi, a production base of the Company, thus contributing to stable procurement of key components, quality improvement, and strengthening of cost competitiveness. We will work to create early-stage synergies that will lead to a further increase in the competitiveness of internally manufactured components.

(2) Acceleration of Growth in the Power Window Lifter Motor Business

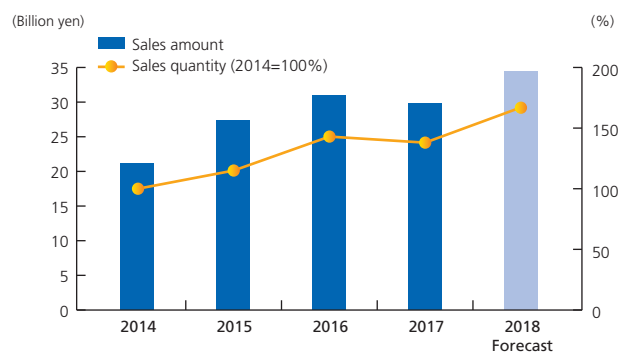
Medium-sized automotive motor for power window lifter For Japanese automakers

- In fiscal 2017, we secured orders for next-generation motors that will realize further size and weight reduction, and we plan to start mass production in the third quarter of fiscal 2018.
- We will develop a structure to ensure smooth supply and use this increased adoption of such motors as a spring-board for activities to expand sales to other automakers and increase the number of equipped models.

For European, North American and Chinese automakers

- Against a backdrop of robust demand in the European, North American, and Chinese markets, we continue to secure new business for standard products, for which we are actively engaging in sales expansion activities, and making steady progress with trade inquiries that will lead to future business.
- We will continue to step up sales expansion activities to solidify our market position.

■ Power Window Lifter Motor Sales Results and Forecast



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

Medium-sized automotive motors for power seats, electric parking brakes, and new door area applications

Below is a summary of our activities related to electric parking brakes, power seats, and new door area applications, which are some of the main applications for medium-sized automotive motors.

For electric parking brakes

- We will aim for further sales growth from electric parking brake motors by increasing the number of models equipped with such brakes and raising the installation rates of products for major Japanese and European auto-makers.

For power seats and new door area applications

- We will move ahead with proposals and development of new products to win orders for power seat and door area applications.

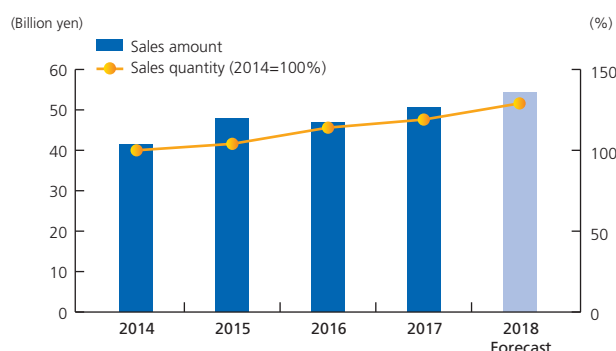
Small automotive motors

Below is a summary of our activities related to grille shutter actuators and shift-by-wire systems, which are applications for small automotive motors.

For grille shutter actuators and shift-by-wire systems

- In addition to stepping up sales expansion activities, we will focus on development of new brush motors and brushless motors capable of contributing to functional enhancement of customers' products.

■ Small Automotive Motor Sales Results and Forecast



(4) Development of New Applications in the Consumer and Industrial Products Sector

In addition to business activities centered on existing small brush motors, we are reinforcing initiatives to develop and increase sales of brushless motors in order to focus on new applications and create new demand. Our main activities in this area are described below.

For light electric vehicles

- We will work to win new orders for brushless motors for light electric vehicles by deploying application-specific standard products for automated guided vehicles (AGVs), medical stretchers, and other applications.

For high-end home appliances

- Upgrading of products such as cordless vacuum cleaners and hair dryers is progressing. We will develop new high-performance motors by leveraging the advanced technological capabilities of a specialized manufacturer to meet customer needs.

For residential electronic locks

- We will deploy small-diameter standard motors and further strengthen sales expansion activities.

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

Our production technology strategy calls for a shift from "humans" to "equipment." To maximize the effectiveness of this strategy, we are engaged in the following activities.

Phase 1 and 2 Laborsaving Plans (2011–2016)

- We achieved labor-saving in excess of 30% during both Phase 1 (2011–2013) and Phase 2 (2014–2016) Laborsaving Plans.

Phase 3 Laborsaving Plan (2017–2019)

- In fiscal 2017, the first year of the three-year plan, we achieved year-on-year labor-saving in excess of 10% as planned.
- We will horizontally deploy the automatic inspection equipment utilizing image processing technology that has already been introduced at some production bases.

Promotion of the international specialization system in manufacturing technology innovation

- We will organize a global start-up team of specialists from within the Group and work to realize the rapid start-up of new production bases and production lines.
- We will strengthen activities to horizontally deploy best practices from each production base across all production bases.

(6) Implementation of Global Base Strategy

To further solidify our global production and supply system, we are engaged in the following activities.

Poland Mabuchi

- The start-up of this production base is progressing smoothly. Plant building construction began during the third quarter of fiscal 2017, and we are working toward completion of construction during 2018 as planned.

Europe Mabuchi

- To realize a rapid response to technical issues in Europe, in the third quarter of fiscal 2017, we established within Europe Mabuchi in Germany an organization with design and development functions, in addition to the previous technical services function, and began design and development activities.
- The sales, technology and production functions will be integrated, and we will work to improve customer satisfaction and increase sales by promptly responding locally to the needs of European customers.

Thailand Mabuchi

- To strengthen the sales structure in the ASEAN region, where automotive electrical equipment companies have been concentrating operations in recent years, in January 2018, we established Thailand Mabuchi as a sales base.

Vietnam Mabuchi Branch Plant

- We will construct a branch plant near Vietnam Mabuchi to mainly handle development and manufacturing of motor production facilities.
- Construction of a plant building is planned to start in fall 2018 to accelerate labor-saving throughout the Group by expanding the capacity to construct production facilities.

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 paid an interim dividend of 54 yen (an ordinary dividend of 15 yen and a special dividend of 39 yen) per share and a year-end dividend of 66 yen (an ordinary dividend of 15 yen and a special dividend of 51 yen) per share. Thus, the annual dividend for fiscal 2017 was 120 yen per share in total. We plan to pay an annual dividend of 109 yen per share (an ordinary dividend of 30 yen and a special dividend of 79 yen) for fiscal 2018.

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.

Mabuchi's Global Network



Directly connected to the German border by land route (approx. 450 km)

Five-year Summary

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

(Years Ended December 31)

	Millions of yen					Thousands of U.S. dollars
For the year:	2013	2014	2015	2016	2017	2017
Net sales	¥ 108,401	¥ 122,544	¥ 143,143	¥ 140,699	¥ 146,925	\$1,300,223
Cost of sales	81,546	86,929	99,673	94,510	99,619	881,587
Selling, general and administrative expenses	17,519	18,739	20,508	21,963	23,239	205,661
Operating income	9,335	16,875	22,961	24,225	24,066	212,974
Income before income taxes	15,015	23,595	26,593	26,539	27,485	243,235
Profit attributable to owners of parent	10,519	18,090	18,546	20,598	20,303	179,672
Capital expenditures	5,755	9,597	16,187	11,236	12,844	113,664
Depreciation and amortization	4,301	4,771	6,386	6,016	7,143	63,212
R&D expenses	3,763	4,503	5,164	5,024	5,233	46,310
Exchange gain, net	5,624	5,124	2,329	493	280	2,479
Cash flows:						
Net cash provided by operating activities	11,750	18,118	20,115	27,958	22,585	199,873
Net cash provided by (used in) investing activities	4,264	(11,977)	(1,178)	(3,440)	(14,027)	(124,132)
Net cash used in financing activities	(3,031)	(6,014)	(13,312)	(11,860)	(13,844)	(122,521)
At year-end:						
Total assets	227,253	256,368	256,196	258,387	269,318	2,383,349
Net assets	208,791	233,312	233,245	232,917	242,179	2,143,182
Per share data:					Yen	U.S. dollars
Profit attributable to owners of parent	150.10	258.02	266.98	300.70	299.74	2.65
Net assets	2,978.02	3,325.99	3,363.01	3,405.14	3,579.98	31.68
Dividends applicable to current year earnings	70.00	107.00	110.00	120.00	120.00	1.06
Other data:						
Operating income ratio (%)	8.6	13.8	16.0	17.2	16.4	—
ROE (%)	5.4	8.2	8.0	8.8	8.6	—
ROA (%)	7.9	9.9	10.6	10.2	9.8	—
Shareholders' equity ratio (%)	91.9	91.0	91.0	90.1	89.9	—
Number of shares outstanding (Thousands of shares)	35,145	35,144	69,468	68,587	67,792	—
Number of employees (Persons)	28,188	25,354	24,419	23,768	23,936	—

Notes:

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥113=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). The results for fiscal years 2013 and 2014 have been adjusted and restated, and reflect the amounts after the stock split to facilitate year-on-year comparison of results.

Segment Information by Motor Application

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

In fiscal 2017, consolidated net sales amounted to 146,915 million yen, up 4.4% from the previous fiscal year.



Automotive
Products

72.0%

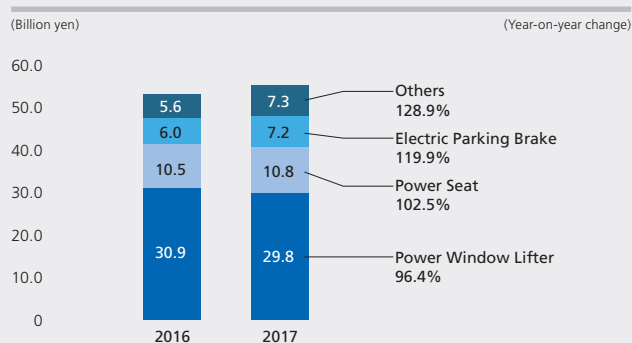
Automotive Products Market

Net sales in this market rose to 105,793 million yen (a 5.7% increase on a year-on-year basis).

Medium-sized Motors

- Decrease in sales of power window lifter motors due to the impact of an inventory adjustment in China, despite higher sales of new high-torque standard products to major automakers in North America
- Increase in sales of electric parking brake motors due to full-scale mass production and shipment to major Japanese customers and an increase in the number of equipped models and higher installation rates at European and American customers
- In others, increases in sales of seat belt pretensioner and door closer

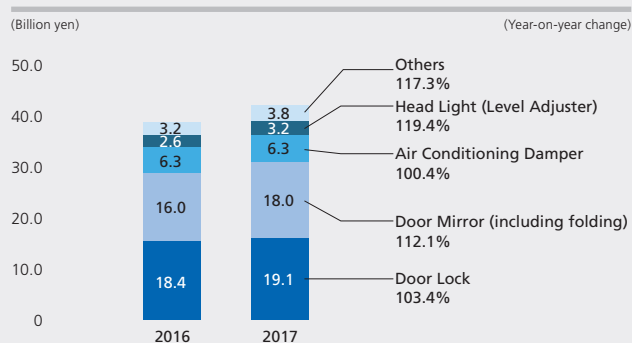
Net Sales by Principal Item



Small Motors

- Increase in sales of motors for door lock and mirror due to a stable increase in demand for automobiles, higher installation rates, and other factors
- Maintenance of high market share of motors for air conditioning damper
- Increase in sales of motors for head light (level adjuster) due to increases in the number of equipped models and market share

Net Sales by Principal Item





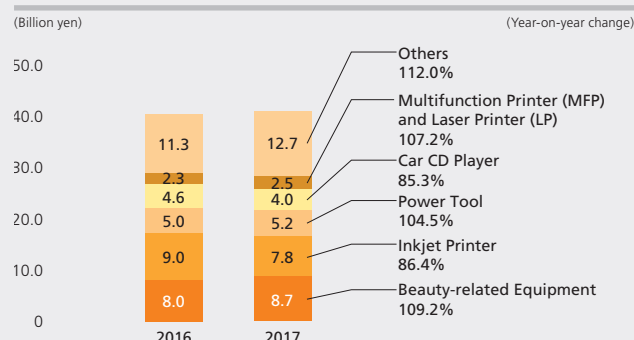
Consumer and Industrial Products Market

Consumer and Industrial Products
28.0%

Net sales in this market rose to 41,222 million yen (a 1.4% increase on a year-on-year basis).

- Increase in sales of motors for beauty-related equipment thanks to strong demand from the midrange and high-end toothbrush segments
- Decrease in sales of motors for inkjet printer due to a policy of emphasizing profitability and market contraction
- Strong sales of motors for power tool to the North American market
- In others, increases in sales of motors for light electric vehicle and housing equipment

Net Sales by Principal Item



Sales Forecast by Market

Automotive Products Market

Medium-sized Motors: 61.8 billion yen
(a 12.0% increase on a year-on-year basis)

- Increase in sales of power window lifter motors to the European, North American, and Chinese markets due to an increase in adoption of high-torque standard products
- Decrease in sales of power seat motors due to the impact of a change in the product mix and model changes of equipped models
- Increase in sales of electric parking brake motors due to an increase in the number of equipped models and higher installation rates
- In others, increases in sales of motors for engine peripheral equipment, seat belt pretensioner, and door closer

Small Motors: 54.3 billion yen

(a 7.5% increase on a year-on-year basis)

- Maintenance of a high market share of motors for door lock,

mirror, and air conditioning damper

- Increase in sales of motors for headlight level adjusters due to higher installation rates
- In others, increases in sales of motors for steering lock, grille shutter actuator, and shift-by-wire

Consumer and Industrial Products Market

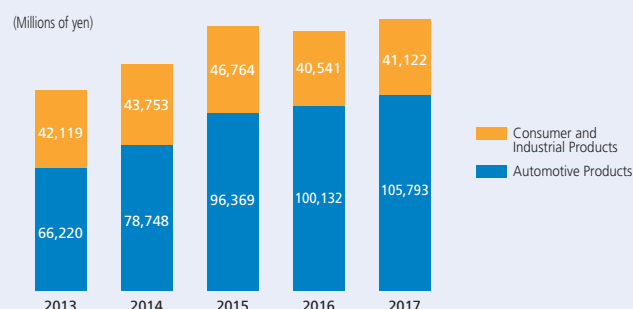
37.7 billion yen (an 8.1% decrease on a year-on-year basis)

- Increase in sales of motors for beauty-related equipment due to continued strong demand from the midrange and high-end toothbrush segments
- Decrease in sales of motors for inkjet printer due to a policy of emphasizing profitability and market contraction
- A decrease in sales of others overall due to a policy of maximizing profitability, despite increases in sales of motors for medical equipment, light electric vehicle, and housing equipment

Net Sales by Application

	Millions of yen					Thousands of U.S. dollars
	2013	2014	2015	2016	2017	2017
Automotive Products	¥ 66,220	¥ 78,748	¥ 96,369	¥100,132	¥105,793	\$ 936,221
Consumer and Industrial Products	42,119	43,753	46,764	40,541	41,122	363,911
Total Sales	¥108,340	¥122,502	¥143,134	¥140,674	¥146,915	\$1,300,132

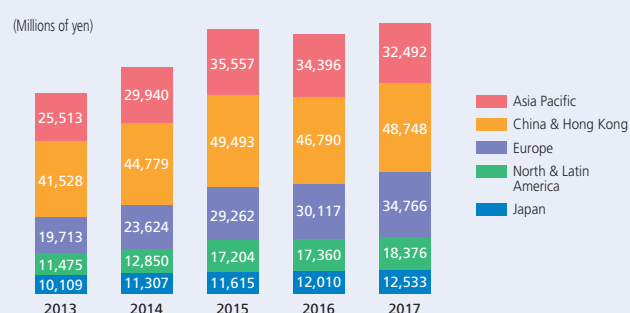
\$1=¥113



Net Sales by Region

	Millions of yen					Thousands of U.S. dollars
	2013	2014	2015	2016	2017	2017
Japan	¥ 10,109	¥ 11,307	¥ 11,615	¥ 12,010	¥ 12,533	\$ 110,911
North & Latin America	11,475	12,850	17,204	17,360	18,376	162,619
Europe	19,713	23,624	29,262	30,117	34,766	307,663
China & Hong Kong	41,528	44,779	49,493	46,790	48,748	431,398
Asia Pacific	25,513	29,940	35,557	34,396	32,492	287,539
Total Sales	¥108,340	¥122,502	¥143,134	¥140,674	¥146,915	\$1,300,132

\$1=¥113



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 Product Development Headquarters, Manufacturing Headquarters, Engineering Management Dept., and Technical Research Institute. The Product Development Headquarters consists of Product Development Dept. 1, Product Development Dept. 2 and Product Development Dept. 3. In fiscal 2017, our R&D organization assumed a matrix structure subordinated to the Company's business division system, which centers on applications.

The Manufacturing Headquarters consists of the Production Engineering Dept. and the Operations Control Dept. The Production Engineering Dept. conducts research into construction methods and production technologies. The newly established Technical Research Institute engages mainly in high-value-added work, including the development of elemental technologies based on the Group's technology roadmap, 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 on a timely basis new product development and new product introductions, Mabuchi prepared a 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. Our Technical Research Group, established in 2015, is implementing measures specific to this roadmap, including development of new product-out-type offerings.

Mabuchi is focusing 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 realizing manufacturing capabilities that can win anywhere in the world based on the philosophy of local production, local consumption.

- (1) Strengthen technologies of brushless motors and their drive circuits
- (2) Consider further laborsaving for production lines in addition to existing laborsaving efforts
- (3) Shorten and eliminate development lead-times and processes

In addition, while tailoring our responses to specific applications, our technology and sales teams have joined forces under our business division system 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

In fiscal 2017, we commenced mass production of the GD-558 series

of power window lifter motors, a development model aimed at large North American automakers, and we are currently working to further expand sales and provide technical support. We also received orders from Japanese automakers for our next-generation development model featuring further advances in compactness and weight reduction.

■ 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. We also started developing a derivative model for our lumbar support motor and a new type of geared motor for recliners.

■ 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. In mid-November 2017, we started mass production of the RS-4G5WA, a high-torque model in the same series as the RS-4F5WA, a high-durability model that went into mass production in fiscal 2014, and continued our sales promotion activities.

■ Power lift gates (PLGs)

Power lift gates (PLGs) are increasingly being fitted to SUVs, where demand is growing. In the PLG market, we have started developing a new model compatible with compact unit designs.

■ Motors for light electric vehicles

In this market, we have continued working to increase sales of motors for electrically assisted bicycles and commuter vehicles. We are receiving various inquiries about these motors, which are finding widespread applications in electric carriages, electric lawn mowers, and the like.

In regard to existing models for other markets, Mabuchi will continue harnessing its know-how to improve its product features while 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 2017, R&D expenses amounted to 5,233 million yen. At fiscal year-end, the total number of industrial properties held by the Company stood at 783 (168 in Japan and 615 overseas), and the total number of new industrial property applications domestically and overseas was 80.

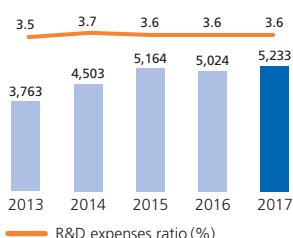
Below is a major new product launched in fiscal 2017:

RS-4G5WA for engine peripherals

In the existing RS-4F5WA series, we developed a high-torque model for applications requiring high durability, such as intake and exhaust valves, coolant valves, turbocharger actuators, and EGR valves. This brush motor reflects our improved responsiveness to the diversified needs of customers.

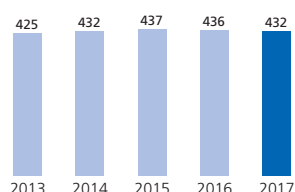
R&D Expenses/R&D Expenses Ratio

(Millions of yen)



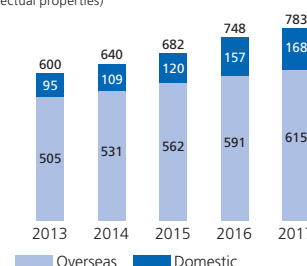
R&D Personnel

(Employees)



Number of Intellectual Properties

(Intellectual properties)

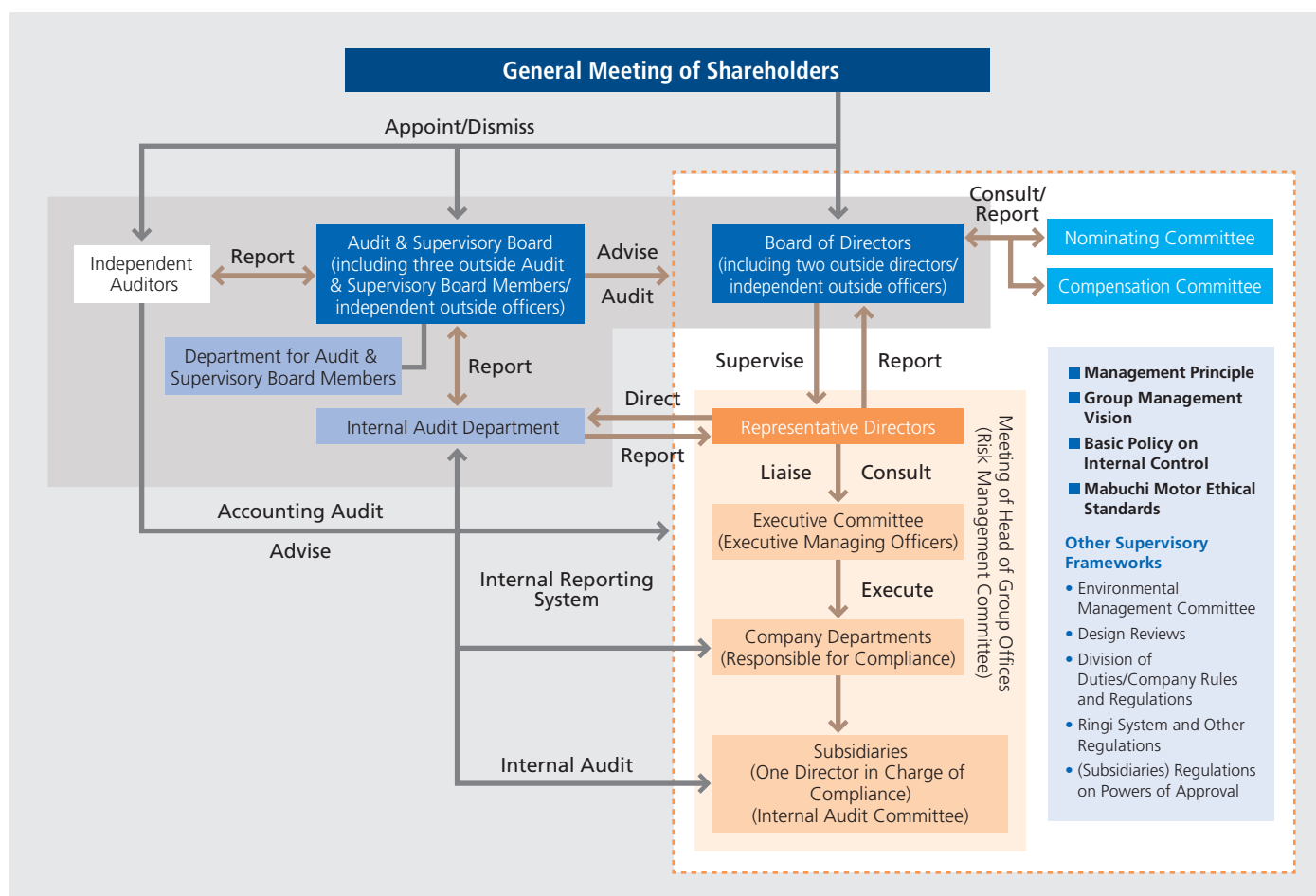


Corporate Governance

Basic Approach to Corporate Governance

The Management Principle of MABUCHI MOTOR CO., LTD. (the "Company") is "Contributing to International Society and Continuously Increasing Our Contribution" through the Company's small motors business. The Company understands that realizing this principle is its *raison d'être*. Corporate governance of the Company comprises the organizational structure and managerial systems that support the realization of its Management Principle and various management measures that maintain these systems. Accordingly, the fundamental objective in establishing and implementing an appropriate corporate governance framework is to further the interests of 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 is indispensable for the Company 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 shareholders, to ensure the objectivity and neutrality of management supervision functions;
- To foster a corporate culture in which all 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 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 Social Responsibility

Contributing to Society through Motors



Initiatives to Achieve Sustainable Development Goals (SDGs)

In September 2015, the Sustainable Development Goals (SDGs) were adopted by the consensus of 193 member countries at a United Nations Summit held in New York, with 17 goals and 169 targets as the 2030 Agenda for Sustainable Development. Paragraph 67 of the official agenda document calls on “all businesses to apply their creativity and innovation,” stating clearly the role expected of businesses in achieving the SDGs.

Mabuchi Motor is also committed to this approach and is actively pursuing environmental and social initiatives.

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



Making Environment-Friendly Products

Our products are environmentally friendly, high-performance and low-cost, and they can be flexibly produced and supplied. They can be used in a wide range of fields in various applications, and this makes us the world's top brand with a production rate of about 1.6 billion units a year.

Mabuchi Motor's missions as a specialized motor manufacturer are to supply better and cheaper products, to contribute to reducing the size and weight of our customers' final products, thereby conserving energy and resources society-wide, and to make the lives of our customers more convenient, comfortable, and safe. Therefore, we are striving to thoroughly develop the potential uses and benefits of motors and enhance their values.

Please refer to page 11 (Research and Development Activities) for details on new products.

Workplace Experience and Observation

The Head Office regularly accepts students from elementary schools in the community to cooperate in their career education at school.

Overseas bases are also inviting local students to observe their workplaces.



Support for Education at Overseas Bases



Our bases in China have been continuously providing educational support such as offering a scholarship program and donating books and school supplies for students of various ages from local elementary school to college.

• Internship Program

We hold an internship program for students to provide them with an opportunity to deepen their understanding of Mabuchi's mind-set through actual work. The Head Office thus accepted advanced vocational school students, graduate students, and U.S. college students as interns.

Support for Manufacturing/Education

Mabuchi aims to contribute to the development of society by extending various types of support to local communities and international society. This is an effort in line with our management principle "Contributing to international society and continuously increasing our contribution." As one such activity, we provide educational support to the young people who will lead the next generation to help them grow up surrounded by the joy of science and manufacturing.

• Co-sponsoring Robot Contests

Mabuchi has been co-sponsoring the National Technical College Robot Contest, the ABU Robot Contest and the College Robot Contest by providing motors and funds. We support these events in the hope that we can help foster future engineers and develop science and technology.

Providing support for the National Technical College Robot Contest and the College Robot Contest (around 24,000 motors provided in total)



We are teaching the fun aspects of science to children.

Visiting Classes

We have been sending our employees to elementary schools in the Head Office area (Matsudo City) as science instructors every year. We have received comments from children saying things such as they found science to be fun as they experimented with magnets using motor components.



Exhibition and Events at Science Museum

Mabuchi has been presenting a permanent exhibition at the Science Museum (Chiyoda-ku, Tokyo) to support scientific education for young people. Displays include an explanation on the mechanism of motors, various motors used in our daily lives, and handicrafts powered by motors. We also offer a science experiment class in collaboration with the museum.



Summer Vacation Handicraft Class

We hold the "summer vacation handicraft class for parents and children" every year for children (fourth through sixth graders) living in the area around the Head Office (Matsudo City). We plan to continue this handicraft class so that more students can enjoy the pleasure of creating something.



Wooden Craft Event

Besides the summer vacation classes, children enjoyed wooden crafts with our motors in the Hobby Show held in Shizuoka in May and the Chiba Museum of Science and Industry in September.



Supporting Local Communities

The entire Mabuchi Group continuously conducts various community activities, including those to protect the environment, and social and welfare activities.

• Head Office Aiming to Coexist with Local Communities

When the Head Office building was being constructed, a gentle flowing waterscape and field called the Bio Garden was built in the spacious front garden of the premises to convey one of the concepts of "coexistence with the local community."

Vegetation management continues today, 12 years after the construction of the building. Such management improves the regional environment by reproducing vegetation that is unique to the region for biodiversity and eliminating alien species.

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.

Analysis of Operating Results

Business Development and Results

Business Development and Results During the fiscal year that ended on December 31, 2017 (fiscal 2017), the world economy in general showed underlying strength. The U.S. economy experienced sustained growth supported by strong consumer spending spurred by improvement in the employment environment. The European economy was strong, against a backdrop of expansion of capital investment. In the Japanese economy, moderate growth continued as a result of expansion of consumer spending accompanying improvement in the employment environment. A gradual adjustment phase continued in the Chinese economy, and overall growth remained low in emerging market economies.

In the markets in which the Mabuchi Group operates, healthy demand in the Automotive Products Market continued overall. Although demand in the Consumer and Industrial Products Market remained stable, markets for some applications continued to contract.

Under these business conditions, the Mabuchi Group addressed several issues: continued strengthening and expansion of the automotive products business and realization of new activities in the consumer and industrial products businesses,

promotion of manufacturing innovation, and establishment of new production bases.

As a result, consolidated net sales for fiscal 2017 were 146,925 million yen (a 4.4% increase on a year-on-year basis). Motors sales, which account for the majority of consolidated net sales, were 146,915 million yen (a 4.4% increase on a year-on-year basis).

Operating income for fiscal 2017 was 24,066 million yen (a 0.7% decrease on a year-on-year basis), as the negative impact of an increase in selling, general and administrative expenses and cost increases due to factors including the start of mass production at the plant in Mexico exceeded the positive impact of an increase in sales volume, improvement in the product mix, and a weaker yen compared with the previous fiscal year.

Profit before income taxes was 27,485 million yen (a 3.6% increase on a year-on-year basis) as a result of the recording of a gain on reversal of foreign currency translation adjustments in connection with completion of the liquidation of an overseas subsidiary as other income. Profit attributable to owners of parent was 20,303 million yen (a 1.4% decrease on a year-on-year basis).

Analysis of Financial Position

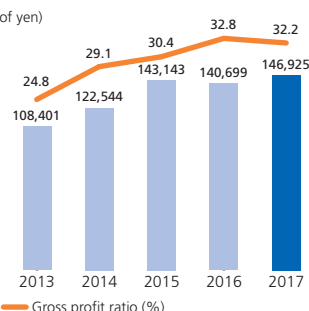
Assets, Liabilities and Net Assets

Total assets as of December 31, 2017 stood at 269,318 million yen, increasing by 10,930 million yen from the end of the previous fiscal year. Major changes include increases in property,

plant and equipment of 7,974 million yen accompanying capital expenditures, including establishment of a new production base, inventories of 6,312 million yen and short-term investments of 2,448 million yen, and decreases in cash and bank deposits of

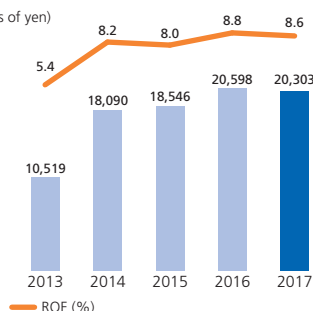
Net Sales/Gross Profit Ratio

(Millions of yen)



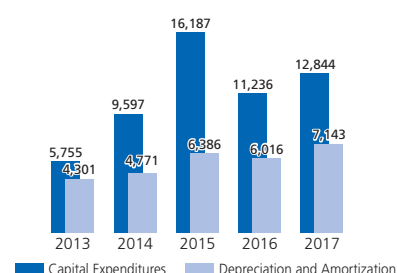
Net income attributable to owners of the parent/ROE

(Millions of yen)



Capital Expenditures/Depreciation and Amortization

(Millions of yen)



4,514 million yen and trade notes and accounts receivable of 1,269 million yen.

Total liabilities stood at 27,138 million yen, an increase of 1,668 million yen compared with the end of the previous fiscal year. The most noticeable changes were increases in deferred tax liabilities (non-current) of 876 million yen and trade notes and accounts payable of 516 million yen.

Total net assets increased by 9,262 million yen from the end of the previous fiscal year, to 242,179 million yen. Retained earnings increased by 7,571 million yen, and net unrealized holding gains on securities increased by 1,838 million yen.

Cash Flows

Net cash provided by operating activities amounted to 22,585 million yen, a decrease of 5,372 million yen from the previous fiscal year. Cash flows from operating activities decreased as a result of factors including an increase in inventories.

Net cash used in investing activities amounted to 14,027 million yen, an increase in cash used of 10,586 million yen from the previous fiscal year. Purchase of property, plant and equipment increased 3,463 million yen due to the newly established Poland Mabuchi and new capital expenditures.

Net cash used in financing activities amounted to 13,844 million yen, an increase in cash used of 1,984 million yen from the previous fiscal year. This is a result of factors including an increase in cash dividends paid of 1,825 million yen.

As a result, the balance of cash and cash equivalents

amounted to 118,956 million yen, a decrease of 3,345 million yen from the end of the previous fiscal year.

The indicators have been calculated using the following formulae, and are based on figures in the consolidated financial statements.

- Shareholders' equity ratio = Shareholder's equity / Total assets
- Shareholders' equity ratio based on market value = Total market value of shares / Total assets

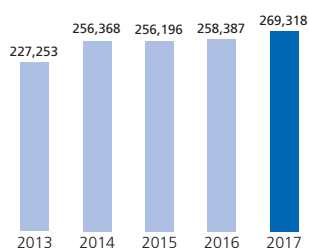
The total market value of shares has been calculated using the following formula:

Closing stock price at the end of the period × Number of shares outstanding at the end of the period (less treasury stock)

Since the Company does not bear substantial interest-bearing liabilities and the relevant interest paid, the ratio of interest-bearing liabilities to cash flows and interest coverage ratio are omitted.

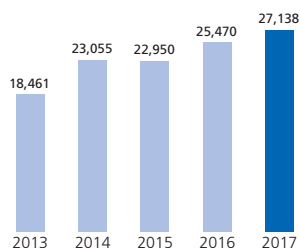
Total Assets

(Millions of yen)



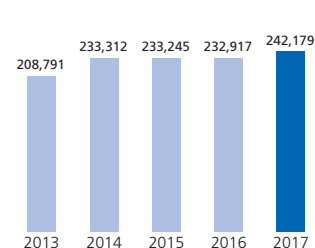
Liabilities

(Millions of yen)



Net Assets

(Millions of yen)



Outlook for Fiscal 2018

In the outlook for fiscal 2018, the forecast is for the U.S. economy to remain strong. Despite a sense of uncertainty about the outlook for the U.K. economy, the European economy as a whole is expected to maintain growth. In the Japanese economy, modest growth is expected to continue. Economic growth in China is expected to continue, although the growth rate will slow, India and Brazil are showing a recovery trend, and gradual growth in emerging countries overall is expected to continue.

Regarding the markets in which the Mabuchi Group operates, gradual growth is expected to continue in the Automotive Products Market. In the Consumer and Industrial Products Market, while demand for motors for home appliances, power tools, and office equipment in the business-use market is expected to be flat, contraction of demand for motors for office equipment in the personal-use products market is forecast.

As a result, in fiscal 2018 we expect to record net sales of 154,000 million yen (a 4.8% increase on a year-on-year basis).

In terms of our business results, although the positive effect on our earnings growth from an increase in sales volume and improvement in the product mix is expected to continue, we expect a decline in earnings due to such factors as the strong yen and higher prices for copper, steel and other commodities. We expect to record operating income of 23,100 million yen (a 4.0% decrease on a year-on-year basis) as a result of an increase in selling, general and administrative expenses reflecting start-up costs for a production base in Europe and active engagement in R&D. We anticipate ordinary income of 24,100 million yen (a 6.7% decrease) and profit attributable to owners of parent of 17,900 million yen (an 11.8% decrease), without the consideration of foreign exchange gains or losses.

Consolidated Balance Sheet

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2016 and 2017

	Yen (Millions)	U.S. Dollars (Thousands) (Note 1)
ASSETS	2016	2017
Current Assets:		
Cash and bank deposits (Notes 3, 4)	¥122,477	\$1,043,920
Trade notes and accounts receivable (Note 4)	28,348	239,640
Less – Allowance for doubtful accounts	(102)	(1,314)
Short-term investments (Note 4)	499	26,094
Merchandise and finished goods	18,631	196,260
Work in process	1,296	14,230
Raw materials and supplies	6,765	81,607
Deferred tax assets – current (Note 8)	1,667	15,101
Other current assets	5,292	39,438
Total current assets	184,878	1,654,978
Property, Plant and Equipment:		
Land	6,197	58,951
Buildings and structures	46,131	406,686
Machinery and equipment	65,669	645,689
Construction in progress	4,966	94,059
	122,966	1,205,387
Less – Accumulated depreciation	(62,629)	(600,869)
Property, plant and equipment, net	60,336	604,517
Investments and Other Assets:		
Investment securities (Note 4)	10,504	100,986
Deferred tax assets – non-current (Note 8)	488	3,756
Other investments and other assets	2,179	19,110
Total investments and other assets	13,173	123,853
Total Assets	¥258,387	\$2,383,349

	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
LIABILITIES AND NET ASSETS	2016	2017	2017
Current Liabilities:			
Trade notes and accounts payable (Note 4)	¥ 7,340	¥ 7,856	\$ 69,528
Short-term loans payable	113	56	502
Accrued income taxes	2,462	2,854	25,259
Accrued bonuses due to employees	252	259	2,296
Accrued bonuses due to directors	145	143	1,265
Deferred tax liabilities – current (Note 8)	65	80	715
Other current liabilities	9,556	9,547	84,487
Total current liabilities	19,935	20,798	184,055
Long-term Liabilities:			
Long-term loans payable	56	–	–
Accrued benefits for stock payment	77	130	1,156
Liability for retirement benefits (Note 7)	2,620	2,532	22,415
Asset retirement obligations	13	16	148
Deferred tax liabilities – non-current (Note 8)	2,476	3,353	29,676
Other long-term liabilities – non-current	289	306	2,715
Total long-term liabilities	5,534	6,340	56,112
Total liabilities	25,470	27,138	240,167
Net Assets (Note 2):			
Shareholders' Equity			
Common stock, no par value:			
Authorized: 200,000,000 shares			
Issued: 69,927,562 shares in 2016			
69,125,962 shares in 2017	20,704	20,704	183,228
Additional paid-in capital	20,579	20,419	180,706
Retained earnings	193,141	200,713	1,776,222
Treasury stock, at cost: 1,558,170 shares in 2016 and 1,513,962 shares in 2017	(6,633)	(7,486)	(66,252)
Total shareholders' equity	227,792	234,351	2,073,904
Accumulated other comprehensive income			
Net unrealized holding gains on securities	2,708	4,546	40,236
Deferred gains or losses on hedges	(472)	(87)	(776)
Foreign currency translation adjustments	4,222	4,443	39,320
Retirement benefits liability adjustments (Note 7)	(1,443)	(1,203)	(10,654)
Total accumulated other comprehensive income	5,014	7,698	68,125
Subscription rights to shares	110	130	1,152
Total net assets	232,917	242,179	2,143,182
Total Liabilities and Net Assets	¥258,387	¥269,318	\$2,383,349

See notes to consolidated financial statements.

Consolidated Statement of Income

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2016 and 2017

	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2016	2017	2017
Net Sales (Note 17)	¥140,699	¥146,925	\$1,300,223
Cost of Sales	94,510	99,619	881,587
Gross profit	46,188	47,305	418,636
Selling, General and Administrative Expenses (Notes 12,14)	21,963	23,239	205,661
Operating income	24,225	24,066	212,974
Other Income (Expenses):			
Interest and dividend income	521	588	5,211
Exchange gain, net	493	280	2,479
Gain on sale of raw material scrap	832	1,080	9,564
Gain on disposal of fixed assets, net (Note 15)	196	445	3,943
Gain (loss) on sales of investment securities, net	433	(36)	(327)
Business structure improvement expenses	(133)	—	—
Impairment loss (Note 16)	(90)	—	—
Gain on reversal of foreign currency translation adjustments resulting from liquidation of foreign subsidiary	—	1,259	11,143
Other, net	61	(198)	(1,753)
	2,314	3,419	30,260
Profit before Income Taxes	26,539	27,485	243,235
Income Taxes (Note 8):			
Current	6,833	7,132	63,116
Deferred	(893)	50	446
	5,940	7,182	63,563
Profit	20,598	20,303	179,672
Profit attributable to owners of parent	¥ 20,598	¥ 20,303	\$ 179,672

	Yen		U.S. Dollars
	2016	2017	2017
Per Share Data (Note 11):			
Profit attributable to owners of parent - Basic	¥ 300.70	¥ 299.74	\$ 2.65
- Diluted	300.59	299.61	2.65
Dividends applicable to current year earnings	120.00	120.00	1.06

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2016 and 2017

	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2016	2017	2017
Profit	¥20,598	¥20,303	\$179,672
Other Comprehensive Income (Note 9)			
Net unrealized holding gains on securities	266	1,838	16,267
Deferred gains or losses on hedges	(472)	384	3,404
Foreign currency translation adjustments	(8,553)	220	1,954
Retirement benefits liability adjustments	(478)	239	2,122
Total other comprehensive income	(9,236)	2,683	23,748
Comprehensive income	¥11,361	¥22,986	\$203,421
Comprehensive income attributable to:			
Owners of parent	¥11,361	¥22,986	\$203,421
Non-controlling interests	¥ —	¥ —	\$ —

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2016 and 2017

	Number of Shares (Thousands)		Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2016	2017	2016	2017	2017
Common Stock:					
Beginning balance	70,927	69,927	¥ 20,704	¥ 20,704	\$ 183,228
Treasury stock cancellation	(1,000)	(801)	—	—	—
Ending balance	69,927	69,125	¥ 20,704	¥ 20,704	\$ 183,228
Additional Paid-in Capital:					
Beginning balance			¥ 20,419	¥ 20,579	\$ 182,121
Treasury stock disposal			159	(8)	(74)
Treasury stock cancellation			—	(151)	(1,340)
Ending balance			¥ 20,579	¥ 20,419	\$ 180,706
Retained Earnings:					
Beginning balance			¥183,853	¥193,141	\$1,709,220
Profit attributable to owners of parent			20,598	20,303	179,672
Dividends paid			(7,047)	(8,873)	(78,526)
Treasury stock cancellation			(4,263)	(3,858)	(34,145)
Ending balance			¥193,141	¥200,713	\$1,776,222
Treasury Stock:					
Beginning balance			¥ (6,046)	¥ (6,633)	\$ (58,706)
Treasury stock acquisition			(5,442)	(5,001)	(44,260)
Treasury stock disposal			591	138	1,228
Treasury stock cancellation			4,263	4,009	35,485
Ending balance			¥ (6,633)	¥ (7,486)	\$ (66,252)
Net Unrealized Holding Gains on Securities:					
Beginning balance			¥ 2,441	¥ 2,708	\$ 23,968
Net change during the year			266	1,838	16,267
Ending balance			¥ 2,708	¥ 4,546	\$ 40,236
Deferred Gains or Losses on Hedges:					
Beginning balance			¥ —	¥ (472)	\$ (4,181)
Net change during the year			(472)	384	3,404
Ending balance			¥ (472)	¥ (87)	\$ (776)
Foreign Currency Translation Adjustments:					
Beginning balance			¥ 12,775	¥ 4,222	\$ 37,366
Net change during the year			(8,553)	220	1,954
Ending balance			¥ 4,222	¥ 4,443	\$ 39,320
Retirement Benefit Liability Adjustments:					
Beginning balance			¥ (965)	¥ (1,443)	\$ (12,776)
Net change during the year			(478)	239	2,122
Ending balance			¥ (1,443)	¥ (1,203)	\$ (10,654)
Total Accumulated Other Comprehensive Income:					
Beginning balance			¥ 14,251	¥ 5,014	\$ 44,377
Net change during the year			(9,236)	2,683	23,748
Ending balance			¥ 5,014	¥ 7,698	\$ 68,125
Subscription Rights to Shares:					
Beginning balance			¥ 61	¥ 110	\$ 975
Net change during the year			48	19	176
Ending balance			¥ 110	¥ 130	\$ 1,152
Total Net Assets:					
Beginning balance			¥233,245	¥232,917	\$2,061,216
Profit attributable to owners of parent			20,598	20,303	179,672
Dividends paid			(7,047)	(8,873)	(78,526)
Treasury stock acquisition			(5,442)	(5,001)	(44,260)
Treasury stock disposal			751	130	1,154
Net changes in items other than those in shareholders' equity			(9,188)	2,703	23,925
Ending balance			¥232,917	¥242,179	\$2,143,182

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
For the years ended December 31, 2016 and 2017

	Yen (Millions)	U.S. Dollars (Thousands) (Note 1)	
	2016	2017	2017
Cash Flows from Operating Activities:			
Profit before income taxes	¥ 26,539	¥ 27,485	\$ 243,235
Depreciation and amortization	6,359	7,383	65,340
Impairment loss	90	—	—
Increase (decrease) in liability for retirement benefits	610	104	925
Interest and dividend income	(521)	(588)	(5,211)
Exchange (gain) loss	131	136	1,209
(Gain) loss on sales of short-term investments and investment securities	(433)	36	327
(Gain) loss on disposal of fixed assets	(196)	(445)	(3,943)
Decrease (increase) in trade notes and accounts receivable	(4,082)	2,168	19,187
Decrease (increase) in inventories	1,960	(5,255)	(46,510)
Increase (decrease) in trade notes and accounts payable	2,081	126	1,118
Gain on reversal of foreign currency translation adjustments resulting from liquidation of foreign subsidiary	—	(1,259)	(11,143)
Other, net	1,423	(1,005)	(8,894)
Subtotal	33,963	28,887	255,641
Interest and dividends received	519	587	5,197
Income taxes paid	(6,524)	(6,889)	(60,965)
Net cash provided by operating activities	27,958	22,585	199,873
Cash Flows from Investing Activities:			
Increase in time deposits	(170)	—	—
Proceeds from withdrawal of time deposits	326	168	1,495
Purchases of short-term investments	(2,000)	(1,000)	(8,849)
Proceeds from sales of short-term investments	6,000	500	4,424
Purchases of property, plant and equipment	(11,352)	(14,815)	(131,112)
Proceeds from sales of property, plant and equipment	429	802	7,102
Purchases of investment securities	—	(504)	(4,464)
Proceeds from sales of investment securities	5,808	1,093	9,677
Payments for establishment of subsidiary	(2,019)	—	—
Other, net	(462)	(271)	(2,406)
Net cash used in investing activities	(3,440)	(14,027)	(124,132)
Cash Flows from Financing Activities:			
Repayment of long-term loans payable	(113)	(56)	(502)
Cash dividends paid	(7,046)	(8,872)	(78,515)
Purchases of treasury stock	(5,451)	(5,004)	(44,291)
Proceeds from sales of treasury stock	751	88	787
Net cash used in financing activities	(11,860)	(13,844)	(122,521)
Effect of exchange rate changes on cash and cash equivalents	(3,311)	(78)	(699)
Net increase (decrease) in cash and cash equivalents	9,345	(5,365)	(47,480)
Cash and Cash Equivalents at the Beginning of Year	112,956	122,302	1,082,319
Increase in cash and cash equivalents from newly consolidated subsidiary	—	2,019	17,873
Cash and Cash Equivalents at the End of Year	¥122,302	¥118,956	\$1,052,713

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2016 and 2017

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, 2017, have been translated into U.S. dollars at the rate of ¥113 = U.S.\$1, the approximate exchange rate prevailing on December 31, 2017. 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 an unconsolidated subsidiary 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 consolidated statement 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 and facilities attached to buildings and structures acquired on or after April 1, 2016 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 with the assumption that there is no residual value.

i Allowance for doubtful accounts

The allowance to provide for potential loss on receivables is provided at the estimated amount of irrecoverable receivables. Allowance for ordinary debt is computed based on the historical rate of default. For certain debts, such as those where recovery is doubtful, the likelihood of recovery is considered on an individual basis.

The allowance for doubtful accounts is adjusted after offsetting receivables and payables between consolidated subsidiaries.

j Accrued bonuses due to employees

Accrued bonuses due to employees are provided at the estimated amount to be paid to employees for the services rendered by the balance sheet date.

k Accrued bonuses due to directors

Accrued bonuses due to directors are provided at the estimated amount to be paid to directors for the services rendered by the balance sheet date.

l Accrued benefits for stock payment

Accrued benefits for stock payment are provided at the amount of stocks to be paid to directors through the trust by the balance sheet date based on the performance-linked stock compensation plan.

m Retirement benefits

a. Allocation of projected retirement benefit obligation

In calculating the retirement benefit obligation, the benefit formula basis is used to allocate the projected retirement benefit obligation to the estimated years of service of eligible employees.

b. Method for amortizing actuarial gain or loss and prior service cost

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.

c. Application of simplified method at smaller-sized companies, etc.

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.

n 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.

o 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.

p Additional information

(Accounting Treatment for 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.

The 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.

The Company applied the "Revised Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No.30 revised on March 26, 2015).

2. Treasury shares remaining in the trust

Shares of the Company remaining in the trust are recorded as treasury stock under net assets through the carrying value (net of associated costs) in the trust. The carrying value was ¥251 million at December 31, 2016 and ¥162 million (\$1,439 thousand) at December 31, 2017.

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 the weighted average number of such treasury shares were 98,700 and 116,973 shares, respectively, during the fiscal year ended December 31, 2016, and 63,800 and 84,621 shares, respectively, during the fiscal year ended December 31, 2017.

3. Carrying value of loans recorded through application of the gross price method

As of December 31, 2016: ¥170 million; as of December 31, 2017: ¥56 million (\$502 thousand)

(Accounting Treatment for Performance-based Stock Compensation Plan for Directors and Executive Officers)

1. Outline of transactions

The Company has introduced the Executive Compensation BIP (Board Incentive Plan) Trust Plan, the executive remuneration system closely linked to the achievement of performance targets as set out in the medium-term management plan, with the purpose of enhancing the motivation of Directors to contribute to improved business performance and increased corporate value over the medium term.

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 factors such as the status and level of attainment of performance targets throughout the trust term. Directors, etc., will receive the Delivery, etc., of 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 ended December 31, 2016, to the fiscal year ending December 31, 2018.

The Company applied the "Revised Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (ASBJ PITF No. 30 revised on March 26, 2015).

2. Treasury shares remaining in the trust

Shares of the Company remaining in the trust are recorded as treasury stock under net assets through the carrying value (net of associated costs) in the trust. The carrying value was ¥669 million at December 31, 2016 and ¥651 million (\$5,767 thousand) at December 31, 2017.

Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the BIP trust account. The number of such treasury shares at December 31, 2016 was 119,600 shares, and at December 31, 2017 was 116,386 shares, and the number of such treasury shares during the fiscal year ended December 31, 2016 was 67,643 shares and during the fiscal year ended December 31, 2017 was 117,442 shares.

(Applying Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The company adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets"(ASBJ Guidance No.26, March 28, 2016) from the beginning of the year ended December 31, 2017.

2. Changes in Net Assets

Information regarding changes in net assets for the years ended December 31, 2016 and 2017, is as follows:

a Shares issued and outstanding/Treasury stock

2016

Type of shares	Shares Issued (Thousands)	Treasury Stock (Thousands)
	Common stock	Common stock
Number of shares as of December 31, 2015	70,927	1,589
Increase in number of shares	—	1,119
Decrease in number of shares	1,000	1,151
Number of shares as of December 31, 2016	69,927	1,558

Note: 1. The decrease in the number of shares issued and the number of shares of treasury stock was due to the cancellation of 1,000 thousand shares.

2. The increase in the number of shares of treasury stock was due to the purchase of 1,000 thousand shares of treasury stock, the purchase of 119 thousand shares by the BIP Trust and the purchase of 0 thousand shares of less than one unit.

3. The decrease in the number of shares of treasury stock was, other than Note 1, due to sales of 119 thousand shares to the BIP Trust and sales of 32 thousand shares to Our Shareholding Association by the ESOP Trust.

4. There were 130 thousand shares and 98 thousand shares of treasury stock held by the ESOP Trust included in the number of shares of treasury stock as of January 1, 2016 and December 31, 2016, respectively, and there were 0 shares and 119 thousand shares of treasury stock held by the BIP Trust included in the number of shares of treasury stock as of January 1, 2016 and December 31, 2016, respectively.

2017

Type of shares	Shares Issued (Thousands)	Treasury Stock (Thousands)
	Common stock	Common stock
Number of shares as of December 31, 2016	69,927	1,558
Increase in number of shares	—	801
Decrease in number of shares	801	846
Number of shares as of December 31, 2017	69,125	1,513

Note: 1. The decrease in the number of shares issued and the number of shares of treasury stock was due to the cancellation of 801 thousand shares.

2. The increase in the number of shares of treasury stock was due to the purchase of 801 thousand shares of treasury stock and the purchase of 0 thousand shares of less than one unit.

3. The decrease in the number of shares of treasury stock was, other than Note 1, due to sales of 34 thousand shares to Our Shareholding Association by the ESOP Trust, the exercise of 6 thousand stock options, the issue of 1 thousand shares and sales of 1 thousand shares held by the BIP Trust.

4. There were 98 thousand shares and 63 thousand shares of treasury stock held by the ESOP Trust included in the number of shares of treasury stock as of January 1, 2017 and December 31, 2017, respectively and there were 119 shares and 116 thousand shares of treasury stock held by the BIP Trust included in the number of shares of treasury stock as of January 1, 2017 and December 31, 2017, respectively.

b Share subscription rights

2016

Company	Description	Type of shares issued	Number of shares at January 1, 2016	Number of shares issued		Number of shares at December 31, 2016	Balance at December 31, 2016 Yen (Millions)
				Increase	Decrease		
Parent Company	Subscription rights as stock options	—	—	—	—	—	¥110
Total		—	—	—	—	—	¥110

2017

Company	Description	Type of shares issued	Number of shares at January 1, 2017	Number of shares issued		Number of shares at December 31, 2017	Balance at December 31, 2017 Yen (Millions)	U.S. Dollars (Thousands)
				Increase	Decrease			
Parent Company	Subscription rights as stock options	—	—	—	—	—	¥130	\$1,152
Total		—	—	—	—	—	¥130	\$1,152

c Dividends

Dividends paid during the fiscal year ended December 31, 2016

2016

	Shareholders' Meeting	Board of Directors' Meeting
	March 30, 2016	August 12, 2016
Resolution by	March 30, 2016	August 12, 2016
Total amount of dividends	¥4,029 million	¥3,017 million
Dividends per share	¥58	¥44
Record date	December 31, 2015	June 30, 2016
Effective date	March 31, 2016	September 20, 2016

Note: Dividends approved at the shareholders' meeting on March 30, 2016 paid to the ESOP Trust in the amount of ¥7 million have been included in the total amount of dividends. Dividends approved at the Board of Directors' meeting on August 12, 2016 paid to the ESOP Trust and BIP Trust in the amount of ¥10 million have been included in the total amount of dividends.

Dividends whose record date was in the fiscal year ended December 31, 2016, but whose effective date was in the following fiscal year

2016

	Shareholders' Meeting
Resolution by	March 30, 2017
Total amount of dividends	¥5,212 million
Dividends per share	¥76
Record date	December 31, 2016
Effective date	March 31, 2017

Note: Dividends paid to the ESOP Trust and BIP Trust in the amount of ¥16 million have been included in the total amount of dividends.

Dividends paid during the fiscal year ended December 31, 2017

2017

	Shareholders' Meeting	Board of Directors' Meeting
Resolution by	March 30, 2017	August 10, 2017
Total amount of dividends	¥5,212 million (\$46,129 thousand)	¥3,660 million (\$32,396 thousand)
Dividends per share	¥76 (\$0.67)	¥54 (\$0.47)
Record date	December 31, 2016	June 30, 2017
Effective date	March 31, 2017	September 15, 2017

Note: Dividends approved at the shareholders' meeting on March 30, 2017 paid to the ESOP Trust and BIP Trust in the amount of ¥16 million (\$146 thousand) have been included in the total amount of dividends. Dividends approved at the Board of Directors' meeting on August 10, 2017 paid to the ESOP Trust and BIP Trust in the amount of ¥10 million (\$96 thousand) have been included in the total amount of dividends.

Dividends whose record date was in the fiscal year ended December 31, 2017, but whose effective date was in the following fiscal year

2017

	Shareholders' Meeting
Resolution by	March 29, 2018
Total amount of dividends	¥4,474 million (\$39,595 thousand)
Dividends per share	¥66 (\$0.58)
Record date	December 31, 2017
Effective date	March 30, 2018

Note: Dividends paid to the ESOP Trust and BIP Trust in the amount of ¥11 million (\$105 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, 2016 and 2017, the Company recognized and allocated share-based compensation costs as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Selling, general and administrative expenses	¥48	¥43	\$383
Total	¥48	¥43	\$383

A description of the 2013, 2014, 2015, 2016 and 2017 Stock Option Plans as of December 31, 2016 and 2017, respectively, are summarized as follows:

	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan	2016 Stock Option Plan	2017 Stock Option Plan
Grantee categories and number of grantees	6 directors of the Company	6 directors of the Company	6 directors of the Company	6 directors of the Company 5 executive officers of the Company	6 directors of the Company 4 executive officers of the Company
Number of shares	11,940 shares of common stock	7,980 shares of common stock	4,650 shares of common stock	10,360 shares of common stock	8,180 shares of common stock
Grant date	May 20, 2013	April 21, 2014	April 20, 2015	April 20, 2016	April 20, 2017
Vesting conditions	None	None	None	None	None
Service period	None	None	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	April 21, 2016 to April 20, 2036	April 21, 2017 to April 20, 2037

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.

	Number of shares				
	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan	2016 Stock Option Plan	2017 Stock Option Plan
Non-vested:					
Outstanding as of December 31, 2016	—	—	—	—	—
Granted	—	—	—	—	8,180
Forfeited	—	—	—	—	—
Vested	—	—	—	—	8,180
Outstanding as of December 31, 2017	—	—	—	—	—
Vested:					
Outstanding as of December 31, 2016	7,960	5,320	4,650	10,360	—
Vested	—	—	—	—	8,180
Exercised	2,160	1,440	840	1,920	—
Forfeited	—	—	—	—	—
Outstanding as of December 31, 2017	5,800	3,880	3,810	8,440	8,180

Note: Number of stock options are listed after conversion to share numbers.

Price information of stock options for the 2013, 2014, 2015, 2016 and 2017 Stock Option Plans are summarized as follows:

	2013 Stock Option Plan Yen	2014 Stock Option Plan Yen	2015 Stock Option Plan Yen	2016 Stock Option Plan Yen	2017 Stock Option Plan Yen	2017 Stock Option Plan U.S. Dollars
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	\$ 0
Average price on exercise	6,270	6,270	6,270	6,270	—	—
Fair value on grant date	4,967	6,158	5,465	4,699	5,304	46

Fair value as of the grant date for the stock options issued during the year ended December 31, 2017, was estimated using the Black-Scholes option pricing model with the following assumptions:

	2017 Stock Option Plan
Expected volatility ^{*1}	30.3%
Expected remaining period ^{*2}	5.6 years
Expected dividend yield ^{*3}	¥120 per share (\$1.06 per share)
Risk-free interest rate ^{*4}	-0.17%

^{*1} The expected volatility is estimated based on a period of 5 years and 7 months (September 5, 2011 to April 10, 2017).

^{*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 the interim and year-end dividend of 2016.

^{*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.

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

3. Cash and Cash Equivalents

Cash and cash equivalents at the end of the year in the accompanying consolidated statement of cash flows are reconciled to cash and bank deposits reported in the accompanying consolidated balance sheet as of December 31, 2016 and 2017, as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Cash and bank deposits	¥122,477	¥117,963	\$1,043,920
Time deposits with maturities over three months at the time of purchase	(175)	(6)	(56)
Short-term investments	499	2,948	26,094
Securities exposed to price risk	(499)	(1,948)	(17,245)
Cash and cash equivalents	¥122,302	¥118,956	\$1,052,713

Significant non-cash transactions for the years ended December 31, 2016 and 2017, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Treasury stock cancellation	¥4,263	¥4,009	\$35,485

4. 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 securities and investments in stocks of trading partners, are exposed to the risk of fluctuations in market prices.

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 and forecasted transactions 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 and forecasted transactions, 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 described in Note 6. Derivative Financial Instruments 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, 2016 and 2017, were as follows. Fair values that are not readily determinable are not included in the following table.

	Yen (Millions)		
	2016		
	Carrying value	Fair value	Variance
Assets:			
(1) Cash and bank deposits	¥122,477	¥122,477	¥-
(2) Trade notes and accounts receivable	28,348	28,348	-
(3) Short-term investments and investment securities	10,892	10,892	-
Total assets	¥161,718	¥161,718	¥-
Liabilities			
(1) Trade notes and accounts payable	¥ 7,340	¥ 7,340	¥-
Total liabilities	¥ 7,340	¥ 7,340	¥-

	Yen (Millions)			U.S. Dollars (Thousands)		
	2017			2017		
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
Assets:						
(1) Cash and bank deposits	¥117,963	¥117,963	¥-	\$1,043,920	\$1,043,920	\$-
(2) Trade notes and accounts receivable	27,079	27,079	-	239,640	239,640	-
(3) Short-term investments and investment securities	14,248	14,248	-	126,089	126,089	-
Total assets	¥159,290	¥159,290	¥-	\$1,409,650	\$1,409,650	\$-
Liabilities						
(1) Trade notes and accounts payable	¥ 7,856	¥ 7,856	¥-	\$ 69,528	\$ 69,528	\$-
Total liabilities	¥ 7,856	¥ 7,856	¥-	\$ 69,528	\$ 69,528	\$-

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

Assets:

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

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

(3) Short-term investments and investment securities

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

Liabilities:

(1) Trade notes and accounts payable

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

Derivative instruments:

Please refer to Note 6. Derivative Financial Instruments.

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

	Yen (Millions)		U.S. Dollars (Thousands)	
	2016	2017	2017	
Unlisted stocks	¥111	¥112	\$991	

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, 2016 and 2017

	Yen (Millions)		
	2016		
	Within 1 year	1–5 years	5–10 years
Cash and bank deposits	¥122,477	¥ –	¥–
Trade notes and accounts receivable	28,348	–	–
Short-term investments and investment securities			
Other securities			
Corporate bonds	500	1,000	–
Total	¥151,326	¥1,000	¥–

	Yen (Millions)			U.S. Dollars (Thousands)		
	2017			2017		
	Within 1 year	1–5 years	5–10 years	Within 1 year	1–5 years	5–10 years
Cash and bank deposits	¥117,963	¥–	¥–	\$1,043,920	\$–	\$–
Trade notes and accounts receivable	27,079	–	–	239,640	–	–
Short-term investments and investment securities						
Other securities						
Corporate bonds	3,000	–	–	26,548	–	–
Total	¥148,042	¥–	¥–	\$1,310,109	\$–	\$–

5. Investment Securities

The carrying value, fair value and variance for held-to-maturity securities as of December 31, 2016 and 2017, were as follows:

(1) Held-to-maturity securities

They were not applicable for the years ended December 31, 2016 and 2017.

The acquisition cost, carrying value and variance for other securities as of December 31, 2016 and 2017, were as follows:

(2) Other securities

	Yen (Millions)		
	2016		
	Carrying value	Acquisition cost	Variance
Securities whose carrying value exceeds their acquisition cost			
Stock	¥ 7,499	¥3,529	¥3,969
Corporate bonds	–	–	–
Subtotal	7,499	3,529	3,969
Securities whose acquisition cost exceeds their carrying value			
Stock	883	999	(116)
Corporate bonds	1,444	1,500	(55)
Other	1,065	1,126	(60)
Subtotal	3,393	3,625	(231)
Total	¥10,892	¥7,154	¥3,737

Notes: 1. Corporate bonds include compound financial instruments.

2. Unlisted stocks of ¥41 million are not included in “Other securities” because their market prices do not exist and their fair values are not readily determinable.

	Yen (Millions)			U.S. Dollars (Thousands)		
	2017			2017		
	Carrying value	Acquisition cost	Variance	Carrying value	Acquisition cost	Variance
Securities whose carrying value exceeds their acquisition cost						
Stock	¥10,788	¥4,528	¥6,259	\$ 95,470	\$40,077	\$55,392
Corporate bonds	2,000	2,000	0	17,701	17,699	2
Other	511	500	11	4,524	4,424	100
Subtotal	13,299	7,028	6,270	117,696	62,201	55,495
Securities whose acquisition cost exceeds their carrying value						
Stock	–	–	–	–	–	–
Corporate bonds	948	1,000	(51)	8,392	8,849	(456)
Subtotal	948	1,000	(51)	8,392	8,849	(456)
Total	¥14,248	¥8,028	¥6,219	\$126,089	\$71,050	\$55,038

Notes: 1. Corporate bonds include compound financial instruments.

2. Unlisted stocks of ¥42 million (\$371 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)		
	2016			2017			2017		
	Sold amount	Total gain	Total loss	Sold amount	Total gain	Total loss	Sold amount	Total gain	Total loss
Other	¥—	¥—	¥—	¥1,093	¥—	¥36	\$9,677	\$—	\$327
Total	¥—	¥—	¥—	¥1,093	¥—	¥36	\$9,677	\$—	\$327

(4) Held-to-maturity securities sold

	Yen (Millions)						U.S. Dollars (Thousands)		
	2016			2017			2017		
	Acquisition cost	Sold amount	Total gain	Acquisition cost	Sold amount	Total gain	Acquisition cost	Sold amount	Total gain
Bonds (Corporate bonds)	¥3,375	¥3,808	¥433	¥—	¥—	¥—	\$—	\$—	\$—
Total	¥3,375	¥3,808	¥433	¥—	¥—	¥—	\$—	\$—	\$—

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

The fair value of derivative transactions for which hedge accounting is not applied is the forward foreign exchange quotation or the price provided by correspondent financial institutions.

(1) Derivative transactions for which hedge accounting is not applied

1. Forward exchange contracts and currency option transactions

	Yen (Millions)			
	2016			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	¥15,852	¥—	¥(11)	¥(11)
Total	¥15,852	¥—	¥(11)	¥(11)

	Yen (Millions)			
	2017			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	¥21,239	¥—	¥1	¥1
Total	¥21,239	¥—	¥1	¥1

	U.S. Dollars (Thousands)			
	2017			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	\$187,963	\$—	\$13	\$13
Total	\$187,963	\$—	\$13	\$13

2. Forward precious metal contracts

	Yen (Millions)			
	2016			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	¥17,853	¥13,817	¥16,971	¥(881)
Total	¥17,853	¥13,817	¥16,971	¥(881)

	Yen (Millions)			
	2017			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	¥13,403	¥9,554	¥17,118	¥3,715
Total	¥13,403	¥9,554	¥17,118	¥3,715

	U.S. Dollars (Thousands)			
	2017			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	\$118,614	\$84,555	\$151,492	\$32,878
Total	\$118,614	\$84,555	\$151,492	\$32,878

(2) Derivative transactions for which hedge accounting is applied

Dividends receivable from foreign subsidiaries

Yen (Millions)					
2016					
Hedge accounting method	Hedging instrument	Hedged item	Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts Sell US\$	Dividends			
			¥6,234	¥-	¥(681)
Total			¥6,234	¥-	¥(681)

Yen (Millions)					
2017					
Hedge accounting method	Hedging instrument	Hedged item	Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts Sell US\$	Dividends			
			¥5,463	¥-	¥(126)
Total			¥5,463	¥-	¥(126)

U.S. Dollars (Thousands)					
2017					
Hedge accounting method	Hedging instrument	Hedged item	Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts Sell US\$	Dividends			
			\$48,347	\$-	\$(1,120)
Total			\$48,347	\$-	\$(1,120)

7. Retirement Benefit Plans

The table below sets forth the plans' status and amounts recognized in the consolidated balance sheets at December 31, 2016 and 2017.

1. Movement in retirement benefit obligations

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Beginning balance	¥11,679	¥12,123	\$107,290
Service cost	438	470	4,163
Interest cost	99	76	673
Actuarial loss (gain)	600	(107)	(947)
Benefit paid	(624)	(611)	(5,411)
Other	(68)	178	1,576
Ending balance	¥12,123	¥12,130	\$107,346

2. Movement in plan assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Beginning balance	¥10,017	¥ 9,916	\$87,755
Expected return on plan assets	107	103	917
Actuarial gain (loss)	21	11	105
Contributions paid by the employer	449	462	4,092
Benefit paid	(624)	(611)	(5,411)
Other	(54)	130	1,151
Ending balance	¥ 9,916	¥10,013	\$88,611

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Beginning balance	¥419	¥413	\$3,659
Retirement benefit cost	30	44	389
Benefit paid	(16)	(33)	(293)
Other	(19)	(8)	(74)
Ending balance	¥413	¥415	\$3,680

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Funded retirement benefit obligations	¥12,123	¥ 12,130	\$107,346
Plan assets	(9,916)	(10,013)	(88,611)
	2,207	2,117	18,734
Unfunded retirement benefit obligations	413	415	3,680
Total net liability for retirement benefits at December 31	¥ 2,620	¥ 2,532	\$ 22,415

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Liability for retirement benefits	¥2,620	¥2,532	\$22,415
Total net liability for retirement benefits at December 31	¥2,620	¥2,532	\$22,415

5. Retirement benefit costs

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Service cost	¥ 438	¥ 470	\$4,163
Interest cost	99	76	673
Expected return on plan assets	(107)	(103)	(917)
Amortization of unrecognized actuarial gain	100	164	1,457
Amortization of prior service cost	20	20	185
Retirement benefit costs applying a simplified method	30	44	389
Other	158	34	303
Total retirement benefit costs for the fiscal year ended December 31	¥ 741	¥ 707	\$6,256

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Prior service cost	¥ 20	¥ 20	\$ 185
Actuarial loss	(621)	283	2,510
Total balance amount for the year	¥(600)	¥304	\$2,696

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Unrecognized prior service cost	¥ 22	¥ 1	\$ 14
Unrecognized actuarial loss	1,843	1,559	13,801
Total balance amount for the year	¥1,865	¥1,561	\$13,816

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, 2016 and 2017, comprise:

	2016	2017
General accounts	73.6%	75.2%
Bonds	14.5%	13.6%
Cash and deposits	5.3%	4.5%
Other	6.6%	6.7%
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:

	2016	2017
Discount rates	Mainly 0.4%	Mainly 0.4%
Expected rates of return on plan assets	Mainly 1.0%	Mainly 1.0%
Expected rates of salary increase	Mainly 2.8%	Mainly 2.7%

8. Income Taxes

1. Income taxes in Japan applicable to the Company consist of corporation tax, inhabitant's taxes and enterprise tax, which, in the aggregate, resulted in statutory rates of approximately 32.8% and 30.7% for the years ended December 31, 2016 and 2017, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rates for the years ended December 31, 2016 and 2017 was as follows:

	2016	2017
	Percentage	Percentage
Effective statutory tax rates	32.8	30.7
Tax credits on dividend income	0.8	0.6
Different tax rates applied to foreign subsidiaries	(8.0)	(5.7)
Tax deduction	(0.5)	(2.1)
Undistributed earnings in foreign subsidiaries	(3.9)	0.8
Valuation allowance	0.4	0.4
Other, net	0.8	1.4
Effective tax rates	22.4	26.1

2. The significant components of deferred tax assets and liabilities at December 31, 2016 and 2017, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Deferred tax assets:			
Enterprise tax payable	¥ 132	¥ 144	\$ 1,278
Depreciation	165	138	1,222
Liability for retirement benefits	598	585	5,178
Allowance for retirement benefits for officers	21	—	—
Valuation losses on investment securities and other assets	247	247	2,192
Valuation losses on golf club membership	71	71	630
Impairment loss	476	12	110
Net unrealized holding gains on securities	70	15	140
Deferred gains or losses on hedges	209	38	343
Unrealized profits on inventories and fixed assets	1,475	1,558	13,796
Loss carried forward	368	485	4,297
Other	339	354	3,138
Subtotal	4,176	3,653	32,329
Valuation allowance	(1,353)	(914)	(8,097)
Total	¥ 2,823	¥ 2,738	\$ 24,232
Deferred tax liabilities:			
Tax on undistributed earnings in foreign subsidiaries	¥(2,009)	¥(2,227)	\$(19,715)
Reserve for reduction entry	(58)	(56)	(501)
Unrealized holding gains on securities	(1,029)	(1,688)	(14,942)
Other	(111)	(68)	(606)
Total	¥(3,208)	¥(4,041)	\$(35,766)
Net deferred tax assets (liabilities)	¥ (385)	¥(1,303)	\$(11,533)
As reported in the consolidated balance sheet:			
Deferred tax assets – Current	¥ 1,667	¥ 1,706	\$ 15,101
Deferred tax assets – Non-current	488	424	3,756
Deferred tax liabilities – Current	(65)	(80)	(715)
Deferred tax liabilities – Non-current	(2,476)	(3,353)	(29,676)

9. Consolidated Statement 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, 2016 and 2017.

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Unrealized holding gains (losses) on securities:			
Amount arising during the year	¥ 378	¥2,444	\$21,633
Reclassification adjustments for gains and losses included in net income	—	36	327
Amount before tax effect	378	2,481	21,960
Tax effect	(111)	(643)	(5,693)
Unrealized holding gains (losses) on securities	266	1,838	16,267
Deferred gains or losses on hedges:			
Amount arising during the year	(681)	555	4,912
Tax effect	209	(170)	(1,507)
Deferred gains or losses on hedges	(472)	384	3,404
Foreign currency translation adjustments:			
Amount arising during the year	(8,553)	220	1,954
Retirement benefits liability adjustments:			
Amount arising during the year	(722)	119	1,053
Reclassification adjustments for gains and losses included in net income	121	185	1,643
Amount before tax effect	(600)	304	2,696
Tax effect	122	(64)	(574)
Retirement benefits liability adjustments	(478)	239	2,122
Total other comprehensive income	¥(9,236)	¥2,683	\$23,748

10. 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, 2017, 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 15, 2017, interim dividends (¥54 or \$0.47 per share) totaling ¥3,660 million (\$32,396 thousand) were paid to shareholders based on the shareholders' record at June 30, 2017. On March 29, 2018, the shareholders approved the declaration of dividends (¥66 or \$0.58 per share) totaling ¥4,474 million (\$39,595 thousand).

11. Amounts per Share

	Yen		U.S. Dollars
	2016	2017	2017
Profit attributable to owners of parent			
Basic	¥ 300.70	¥ 299.74	\$ 2.65
Diluted	¥ 300.59	¥ 299.61	\$ 2.65
	Yen		U.S. Dollars
	2016	2017	2017
Net assets	¥3,405.14	¥3,579.98	\$31.68

Notes: 1. Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the ESOP trust account and BIP trust account.

2. The number at year end of such treasury shares were 98,700 and 119,600 shares, respectively, during the fiscal year ended December 31, 2016, and 63,800 and 116,386 shares, respectively, during the fiscal year ended December 31, 2017.

3. The weighted average number of such treasury shares were 116,973 and 67,643 shares, respectively, during the fiscal year ended December 31, 2016, and 84,621 and 117,442 shares, respectively, during the fiscal year ended December 31, 2017.

The bases for calculation (net assets per share) are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Total net assets	¥ 232,917	¥ 242,179	\$2,143,182
Amounts deducted from total net assets:			
Share subscription rights	110	130	1,152
Net assets attributable to shares of common stock	¥ 232,807	¥ 242,049	\$2,142,029
Number of common stock on December 31 (Shares)	68,369,392	67,612,000	–

The bases for calculation (basic and diluted profit attributable to owners of parent per share) are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Profit attributable to owners of parent per share			
Profit attributable to owners of parent	¥ 20,598	¥ 20,303	\$179,672
Amounts not attributable to ordinary shareholders	–	–	–
Profit attributable to owners of parent in relation to common stock	20,598	20,303	179,672
Average number of common stock (Shares)	68,501,074	67,735,198	–
Diluted profit attributable to owners of parent per share			
Profit attributable to owners of parent adjustments	–	–	–
Increase in number of shares of common stock (Shares)	25,172	29,230	–
Share subscription rights (Shares)	25,172	29,230	–

12. Selling, General and Administrative Expenses

The main components of “Selling, General and Administrative Expenses” for the years ended December 31, 2016 and 2017, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Packing and freightage expenses	¥1,167	¥1,168	\$10,337
Salaries and wages	8,701	9,031	79,925
Provision for bonuses due to employees	247	260	2,307
Provision for bonuses due to directors	141	143	1,265
Retirement benefit expenses	477	615	5,445
Employee benefit costs	1,630	1,739	15,395
Depreciation	1,532	1,584	14,023
Provision of allowance for doubtful debts	199	44	395
Research expenses	1,242	1,140	10,090

13. Contingent Liabilities

As of December 31, 2016 and 2017, the Company is contingently liable principally for forward precious metal contracts in the amounts of ¥17,853 million and ¥13,403 million (\$118,614 thousand), respectively.

14. Research and Development Expenses

Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥5,024 million and ¥5,233 million (\$46,310 thousand) for the years ended December 31, 2016 and 2017, respectively.

15. Other Income (Expenses)

A gain of ¥412 million and ¥567 million (\$5,020 thousand) on the sale of buildings and structures was recognized for the years ended December 31, 2016 and 2017, respectively, and included in gain on disposal of fixed assets, net.

16. Impairment of Fixed Assets

There were no impairment losses relating to fixed assets to be disclosed in the notes for the fiscal years ended December 31, 2016 and 2017.

17. 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, profits or losses, 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."

Intersegment net sales are based on prevailing market prices.

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Net sales:			
Japan			
External customers	¥ 11,851	¥ 12,424	\$ 109,954
Intersegment	87,996	90,313	799,236
Total	99,847	102,738	909,191
Asia			
External customers	81,370	81,358	719,982
Intersegment	75,201	78,213	692,157
Total	156,572	159,571	1,412,139
North and Latin America			
External customers	17,360	18,376	162,620
Intersegment	0	26	235
Total	17,360	18,402	162,855
Europe			
External customers	30,117	34,766	307,666
Intersegment	—	—	—
Total	30,117	34,766	307,666
Corporate and elimination	(163,197)	(168,554)	(1,491,628)
Consolidated	¥ 140,699	¥ 146,925	\$ 1,300,223
Segment profit or loss:			
Japan	¥ 8,703	¥ 10,137	\$ 89,710
Asia	14,546	13,596	120,324
North and Latin America	228	(449)	(3,975)
Europe	1,112	1,202	10,642
Corporate and elimination	(366)	(421)	(3,728)
Consolidated	¥ 24,225	¥ 24,066	\$ 212,974
Segment assets:			
Japan	¥ 95,262	¥ 103,338	\$ 914,503
Asia	157,238	162,854	1,441,192
North and Latin America	13,745	19,526	172,805
Europe	15,784	20,332	179,936
Corporate and elimination	(23,644)	(36,734)	(325,088)
Consolidated	¥ 258,387	¥ 269,318	\$ 2,383,349
Others:			
Depreciation and amortization:			
Japan	¥ 1,124	¥ 1,215	\$ 10,753
Asia	5,406	6,074	53,752
North and Latin America	125	397	3,514
Europe	6	5	49
Corporate and elimination	(303)	(308)	(2,729)
Consolidated	¥ 6,359	¥ 7,383	\$ 65,340
Increase in tangible and intangible fixed assets:			
Japan	¥ 904	¥ 1,667	\$ 14,754
Asia	8,740	7,855	69,516
North and Latin America	1,652	3,128	27,689
Europe	10	1,357	12,016
Corporate and elimination	(105)	(528)	(4,677)
Consolidated	¥ 11,202	¥ 13,480	\$ 119,299

Notes: 1. (1) Corporate and elimination for segment profit or loss of ¥366 million in fiscal 2016 and ¥421 million (\$3,728 thousand) in fiscal 2017 represent intersegment transaction eliminations.

(2) The segment assets eliminations include: corporate assets of ¥75,026 million in fiscal 2016 and ¥70,970 million (\$628,054 thousand) in fiscal 2017, not allocated to each segment; intersegment debt and credit eliminations of ¥98,671 million in fiscal 2016 and ¥107,705 million (\$953,142 thousand) in fiscal 2017. 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 ¥303 million in fiscal 2016 and ¥308 million (\$2,729 thousand) in fiscal 2017 represent intersegment transaction eliminations.

(4) Increase in tangible and intangible fixed assets eliminations of ¥105 million in fiscal 2016 and ¥528 million (\$4,677 thousand) in fiscal 2017 represent intersegment transaction eliminations.

2. Segment profit or loss is adjusted for operating income reported in the consolidated statement of income.

Related information

Information on net sales, tangible fixed assets and impairment losses by geographic area is summarized as follows. For the fiscal year ended December 31, 2016, sales to one specific major customer in the amount of ¥14,154 million accounted for 10% or more of consolidated net sales. For the fiscal year ended December 31, 2017, sales to one specific major customer in the amount of ¥14,729 million (\$130,352 thousand) accounted for 10% or more of consolidated net sales.

Geographical Information

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Net sales			
Japan	¥ 12,018	¥ 12,540	\$ 110,981
Asia	81,203	81,241	718,955
North and Latin America	17,360	18,376	162,620
Europe	30,117	34,766	307,666
Total	¥140,699	¥146,925	\$1,300,223

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Tangible fixed assets			
Japan	¥16,123	¥17,115	\$151,465
Asia	40,227	43,121	381,604
North and Latin America	3,955	6,691	59,219
Europe	30	1,381	12,228
Total	¥60,336	¥68,310	\$604,517

	Yen (Millions)		U.S. Dollars (Thousands)
	2016	2017	2017
Impairment loss			
Japan	¥ –	¥–	\$–
Asia	90	–	–
North and Latin America	–	–	–
Europe	–	–	–
Corporate and elimination	–	–	–
Total	¥90	¥–	\$–

18. Subsequent Events

Purchase and cancellation of treasury stock

On February 14, 2018, 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: 800,000 shares (maximum)
(1.18% of the total number of shares issued [excluding treasury stock])
- (3) Total amount of purchase cost: ¥3.0 billion (\$26,548 thousand) (maximum)
- (4) Purchase period: February 16, 2018 to March 23, 2018
- (5) Purchase method: Purchase in the open market through discretionary trading
- (6) As a result, the Company purchased 563,500 shares of common stock (total amount ¥2,999 million (\$26,547 thousand)).

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 16, 2018
- (4) The Company will cancel 563,500 shares of common stock, pursuant to the above-mentioned Board of Director's resolution.

Introduction of the restricted stock compensation plan

The Company, at its Board of Directors' meeting held on February 23, 2018, revised the executive remuneration system and resolved the introduction of a Restricted Stock Compensation Plan (the "Plan"). The Plan was approved at its Shareholders' Meeting held on March 29, 2018.

1. Purpose of the introduction of the Plan

The introduction of the Plan is intended to grant Directors of the Company (the "Directors Covered by the Plan", excluding outside directors) an incentive to continuously increase the corporate value of the Company, and to further share it with the shareholders.

2. Overview of the Plan

Based on the Plan, the Directors Covered by the Plan will be granted monetary compensation claims by the Company, and make payments in kind using all such monetary compensation claims as contributed assets. The Company shall then issue or dispose of its common stock to them.

The total amount of such remuneration to be paid to Directors shall not exceed ¥60 million (\$530 thousand) per year, which is the same amount as the total amount of remuneration concerning stock options, apart from the conventional remuneration for Directors. The total number of the Company's common stock to be issued or disposed of under the Plan shall not exceed 50,000 per year, which is the same number of shares to be issued by stock options. However, in the event of a stock split or reverse stock split of the Company's common stock, requiring unavoidable adjustments to the number of shares, the number of shares to be issued or disposed of will be adjusted reasonably.

The transfer restriction period of the restricted stock shall be the period from the issue date of the restricted stock to the date the relevant Directors Covered by the Plan retire, or resign from the post of Director of the Company, or other post specified by the Company's Board of Directors, which will meet the purpose for the introduction of the Plan to achieve the aim of strengthening shareholder value over the medium- to long-term period. The specific payment timing to each Director Covered by the Plan and its allocation shall be decided by the Board of Directors.

The amount paid in per common stock issued or disposed of under the Plan shall be determined by the Board of Directors within reasonable range that is not particularly advantageous to the Directors Covered by the Plan, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day before the day of the relevant resolution of the Board of Directors (if no trading is reported on the day, it shall be the closing price on the immediately preceding day).

When issuing or disposing of the Company's common stock based on the Plan, the Company shall conclude a restricted stock allocation agreement (the "Allocation Agreement") with the Directors Covered by the Plan, which shall contain the following conditions.

- 1) The Directors Covered by the Plan are not allowed to transfer, set collateral rights for or otherwise dispose of the common stock granted pursuant to the Allocation Agreement during a predetermined period; and
- 2) In the event that a prescribed event should occur, the Company shall acquire the relevant common stock free of charge.

3. Grants to the Company's Executive Officers

The Company grants restricted stock similar to the above-mentioned restricted stock for the Company's Executive Officers living in Japan, while granting stock-price based compensation under similar or corresponding conditions to the above-mentioned restricted stock to the Company's Executive Officers living outside of Japan.

The Company, at its Board of Directors' meeting held on March 29, 2018, resolved the total amount of compensation receivables and the total number of shares to be allotted for granting the restricted stock.

Number of directors to be grants	Total compensation receivable	The total amount of shares to be allotted
12	¥47,775,700 (\$422,793)	9,170 shares

The Company, at its Board of Directors' meeting held on March 29, 2018, resolved the treasury stock disposal as part of the restricted stock compensation plan.

(1) Payment date	April 27, 2018
(2) Class and number of shares to be disposed	9,170 shares of common stock
(3) Disposal value	¥5,210 per share (\$46 per share)
(4) Total disposal value	¥47,775,700 (\$422,793)
(5) Grantees and number of grantees and number of shares to be allotted	6 directors of the Company (excluding outside directors) : 6,890 shares of common stock 6 executive officers of the Company : 2,280 shares of common stock

Independent Auditor's Report



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

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

March 29, 2018

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

(As of March 30, 2018)

Board of Directors



Hiroo Okoshi

Representative Director and President, President & CEO



Masato Itokawa

Representative Director, Managing Executive Officer, Chief Quality Officer and Senior General Manager - Quality Assurance Headquarters, in charge of Internal Controls



Tadashi Takahashi

Director, Managing Executive Officer, Chief Technology Officer and Senior General Manager - Manufacturing Headquarters



Hirotaro Katayama

Director, Managing Executive Officer and Chief Business Operation Officer



Tadahito Iyoda

Director, Group Executive Officer and Chief Regional Officer in the Americas



Eiji Uenishi

Director, Executive Officer and Senior General Manager - Product Development Headquarters



Ichiro Hashimoto

Outside Director



Naoki Mitarai

Outside Director

Audit & Supervisory Board Members



Kazuyuki Someya

Full-time Audit & Supervisory Board Member



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 and Deputy Chief Business Operation Officer



Toichi Koyata

Executive Officer and Senior General Manager - Business Platform Innovation Headquarters



Kentaro Shirai

Executive Officer and Senior General Manager - Purchasing Headquarters



Isao Ichikawa

Executive Officer and Senior General Manager - Sales & Marketing Headquarters



Shinichi Taniguchi

Executive Officer and Deputy Senior General Manager - Product Development Headquarters



Toru Shibasaki

Executive Officer and Deputy Senior General Manager - Manufacturing Headquarters



Quan Da Yong

Group Executive Officer and Chief Regional Officer in China

Corporate Data

(As of December 31, 2017)

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

806 (Non-consolidated)
23,936 (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

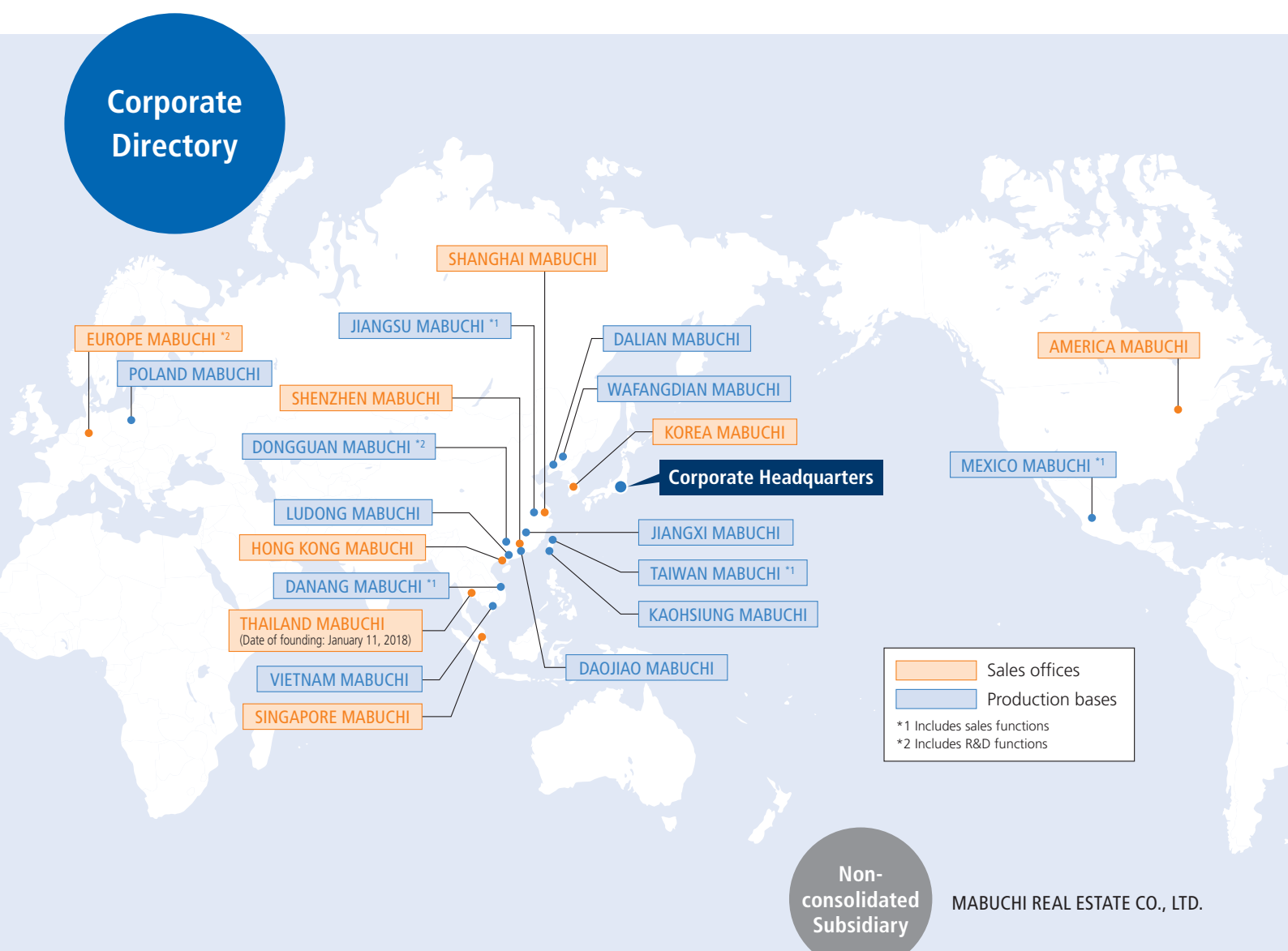
Shareholders' Register Custodian

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
Tel: +81-120-232-711

Stock Listing

Japanese Stock Exchange Listing
Tokyo Stock Exchange

Corporate Directory



Non-consolidated
Subsidiary

MABUCHI REAL ESTATE CO., LTD.

Investor Information

(As of December 31, 2017)

■ Stock Data

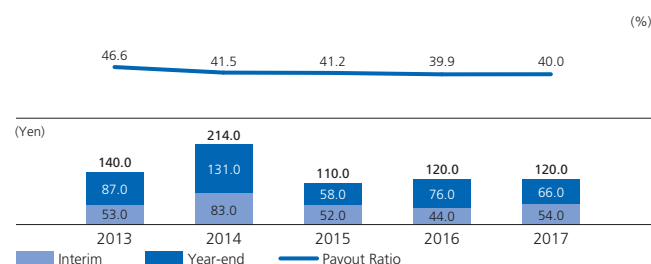
Number of Shares Authorized	200,000,000
Number of Shares Issued	69,125,962
Number of Shareholders	14,876

■ Major Shareholders

Major Shareholders	Number of Shares Held (Thousands)	Ratio of Shareholders (%)
Takaichi Mabuchi	5,000	7.4
Mabuchi International Scholarship Foundation	3,000	4.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,989	4.4
Japan Trustee Services Bank, Ltd. (Trust Account)	2,966	4.4
Premiere Corporation	2,068	3.1
Takashi Mabuchi	2,060	3.0
Tamotsu Mabuchi	2,060	3.0
Taka Corporation Co., Ltd.	2,056	3.0
TEXAS Inc.	1,856	2.7
BBH FOR MATTHEWS JAPAN FUND	1,418	2.1

- Notes: 1. In addition to the above, Mabuchi Motor Co., Ltd. retains 1,333,776 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. Our company stock held by ESOP trust of employee shareholders association and the Executive Compensation BIP (Board Incentive Plan) Trust is not included in treasury stock.

■ Cash Dividends per Share/Payout Ratio



* We split each share of our common stock into two shares on January 1, 2015.

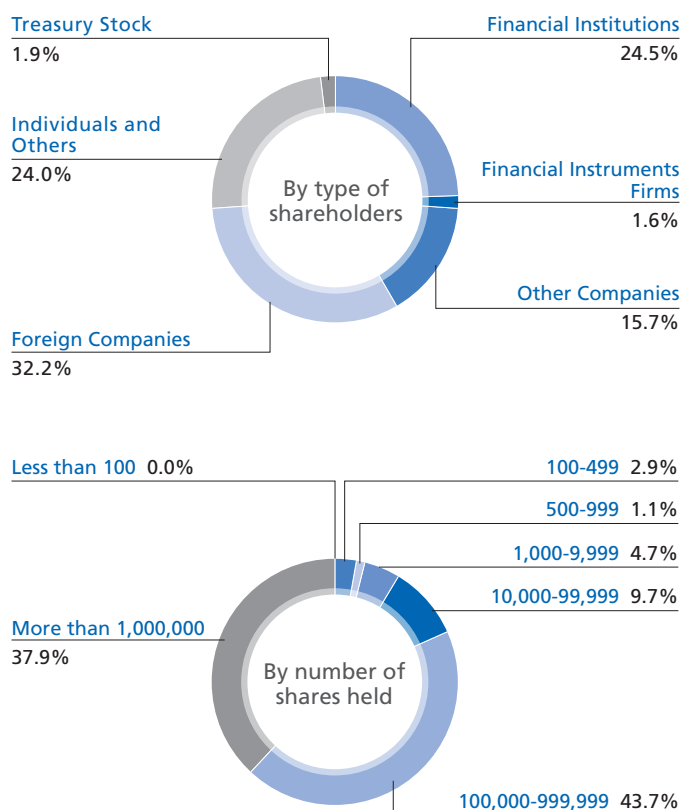
■ Changes in Standards for Calculating Dividends

Year	Ordinary Dividend per Share	Standard Value for Calculating Special Dividend
2015	30 yen *1	30% of consolidated net income
2014	60 yen	30% of consolidated net income
2007 *2	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

*1 We split each share of our common stock into two shares on January 1, 2015.

*2 [Additional policy] Actual full-year dividend amount shall be based on the above calculation standards and shall not be less than the expected dividend amount announced during the full-year period unless a significant profit warning is issued.

■ Composition of Shareholders



■ Share Repurchase

Transaction period	Number of shares repurchased	Amount (Millions of yen)
Mar. 1, 2018 - Mar. 20, 2018	357,100	1,888
Feb. 16, 2018 - Feb. 28, 2018	206,400	1,111
Mar. 1, 2017 - Mar. 24, 2017	474,800	2,978
Feb. 16, 2017 - Feb. 28, 2017	326,800	2,021
Feb. 16, 2016 - Feb. 25, 2016	1,000,000	4,771
Mar. 13, 2015 - Mar. 23, 2015	219,200	1,393
Feb. 17, 2015 - Mar. 12, 2015	605,000	3,605

■ Trend of Stock Price and Related Indicators

	2013	2014	2015	2016	2017
High (Yen)	6,380	10,540	8,230	6,740	6,740
Low (Yen)	3,675	5,430	4,385	3,810	5,020
At year-end (Yen)	6,250	9,620	6,640	6,100	6,110
PER	20.8	18.6	24.9	20.3	20.4
PBR	1.0	1.4	2.0	1.8	1.7



CORPORATE HEADQUARTERS

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

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