

# To Our Shareholders



We will unite as the Mabuchi Group  
to further improve corporate value steadily.

**Hiroo Okoshi**

Representative Director and  
President CEO

*Hiroo Okoshi*

## Business Results for Fiscal 2019

We report on the consolidated performance for the fiscal year ended December 31, 2019 (January 1 to December 31, 2019).

Consolidated net sales for fiscal 2019 were 131.8 billion yen. Operating income for fiscal 2019 was 17.5 billion yen. Profit attributable to owners of parent was 14.2 billion yen.

Please see the table below for the rate of change.

### Financial Highlights

	Millions of yen		Thousands of U.S. dollars	Rate of change
	2018	2019	2019	YoY
Net sales	¥143,116	¥131,807	\$1,203,058	-7.9%
Operating income	21,243	17,544	160,131	-17.4%
Profit attributable to owners of parent	22,925	14,234	129,920	-37.9%
Total assets	267,050	268,244	2,448,375	-0.0%
Net assets	244,454	245,172	2,237,788	+0.3%

Exchange rate: U.S.\$1 = ¥109.56

During the fiscal year ended December 31, 2019 (fiscal 2019), the trend of a slowdown in the global economy became stronger, amid concerns regarding trade and the economic environment.

### Economic Environment of Major Countries/Regions

The U.S. economy saw increased consumer spending against a backdrop of continued improvement in the environment for hiring, and continued to show solid growth. The pace of growth in the European economy remained sluggish on stagnant manufacturing in Germany, amid signs of exports for the region as a whole bottoming out. In Japan, the economy was showing gradual growth on increased capital investment and growth in consumer spending from an improving hiring environment. Growth in emerging market economies slowed overall, with a decelerating pace of growth being seen in China.

With regard to markets related to the Mabuchi Group's products, the automotive products market contracted on weakness primarily in Europe and China despite a solid North American market. The consumer and industrial products market saw a continued contraction in markets for some applications.

Sales by application market and rate changes from the previous year are as follows:

## Sales by Application Market

Application by Market	Net Sales		Rate of change
	Millions of yen	Thousands of U.S. dollars	
Automotive Products Market	¥97,959	\$894,113	-6.0%
Consumer and Industrial Products Market	33,840	308,872	-12.9%

Exchange rate: U.S.\$1 = ¥109.56

For more information on products by application market, see Segment Information on pages 7–8.

## Main Efforts and Results of the Current Fiscal Year

Against this backdrop, the Mabuchi Group has been working to address the issues of “Acceleration of growth in the power window lifter motor business,” “Expansion of medium-sized and small automotive motor sales and new applications,” “Development of new applications in the consumer and industrial products sector,” “Pursuing laborsaving and next-generation manufacturing innovation,” and “Implementation of a global base strategy.” Specifically, we proactively introduced and implemented various measures to increase sales and market share, develop new markets, and further improve efficiency and product quality, and achieved successes that will lead to future business growth. This included making significant progress in our efforts to obtain approval from a third major North American automaker, using

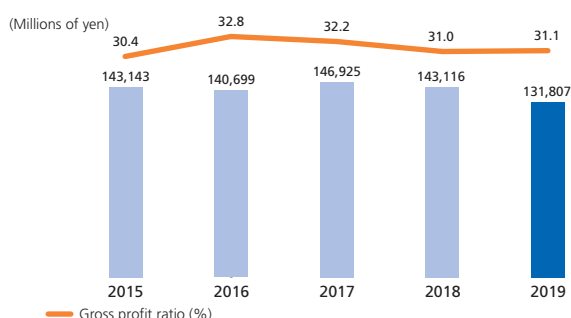
our high market share in small automotive motors and our experience in brushless motors to achieve a higher rate of order acceptance by participating in customers’ product development from the initial stages, gaining large-scale orders in both growth markets including light electric vehicles and in existing markets, being on track to achieve the targets of the Phase 3 Laborsaving Plan (FY2017–FY2019), and pursuing local production for local consumption at the global level and addressing changes in the trade and economic environment.

## Future Efforts

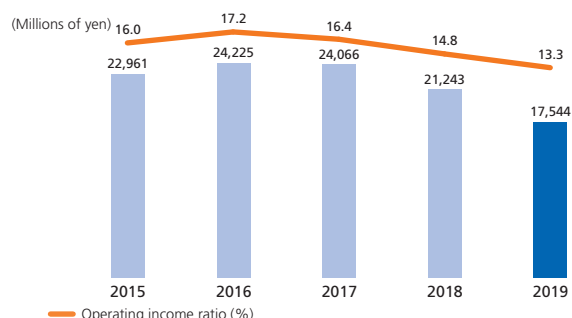
### Acceleration of Growth in the Power Window Lifter Motor Business

At the power window lifter motor business, Mabuchi Motor China has been established as a regional headquarters (management company) to respond promptly to the drastic changes being seen in the Chinese market, and the business has been working to address changes in the environment quickly, expand its marketing function, and strengthen its sales structure. Specifically, this has included accelerating the switch to new standard motors for power window lifters, where we have a large market share in China, to meet customers’ higher level of requirements. The business has won a new large-scale contract and is working to increase its market share further. In Europe, as in China, the competitive environment is changing significantly, and we are strengthening the R&D function at European sales bases to be able to respond more quickly, particularly in technological aspects. These efforts have led to inquiries from potential new customers who are currently using our competitors’ products. Orders under a contract won from a high-end

## Net Sales/Gross Profit Ratio



## Operating Income/Operating Income Ratio



European automaker in fiscal 2018 are also showing steady growth in the models equipped with our products. In the United States, we are aiming to win orders from a third North American automaker, and continue to strengthen our unified sales structure for the Americas and develop new products.

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

Medium-sized automotive motors for applications including power seats and electric parking brakes are an area for which continued market expansion can be expected going forward in light of today's emphasis on automobile safety, comfort, and economy, and a variety of new applications is emerging. The Mabuchi Group will continue to develop new products for new applications. We will work toward sales growth through increased sales of highly competitive application-specific standard products to new customers. For small automotive motors, we will maintain and enhance our superiority in existing applications where Mabuchi has overwhelming strength, while also proactively developing and increasing sales of competitive new products in response to new inquiries including for new applications, based on the Company's strengths and factors including a product's marketability and profitability.

### Development of New Applications in the Consumer and Industrial Products Sector

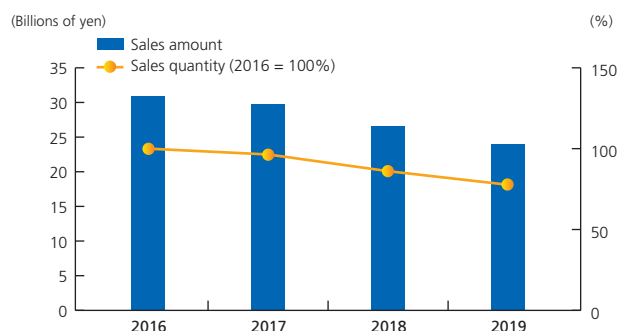
In the consumer and industrial products sector, in addition to business activities based on existing small brush motors, we are stepping up development and pursuing increased sales of brushless motors to cultivate new applications and

create new demand. With regard to brushless motors for light electric vehicles, we have a steady pace of shipments to customers for both new applications and existing applications. We continue to receive many customer inquiries regarding brushless motors for light electric vehicles, and are working to develop new additional applications in addition to light electric vehicles and strengthen our sales activities to win orders for a greater variety of applications. We continue to strengthen our sales of motors for personal care products by developing motors for new high-end products being launched by customers. The consumer and industrial products sector has a short cycle from development to sales, and we are seeking to develop motors simultaneously with customers' product development. We will strive to meet customers' expectations by building further on the technologies we have developed to date.

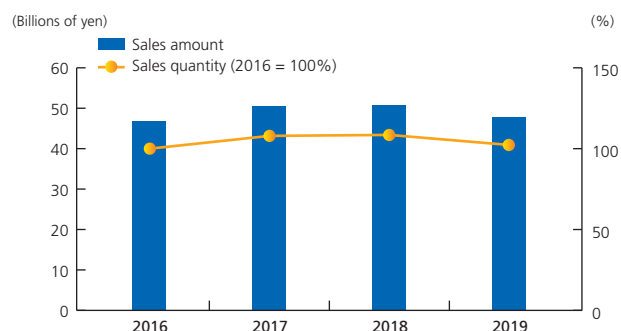
### Pursuing Laborsaving and Next-generation Manufacturing Innovation

Under both the Phase 1 (fiscal 2011 to fiscal 2013) and Phase 2 (fiscal 2014 to fiscal 2016) Laborsaving Plans to achieve laborsaving exceeding 30% during the three-year period, we achieved laborsaving exceeding 30% as planned and production process innovation progressed significantly. Under the Phase 3 Laborsaving Plan, which covered the three years from fiscal 2017 to fiscal 2019, we also achieved our challenging target of 30% laborsaving compared with fiscal 2016. In addition to laborsaving, these activities have led to a major strengthening of our equipment development capabilities. We are further refining our Next-generation Manufacturing Innovation, which achieves both high

### Power Window Lifter Motor Sales Results



### Small Automotive Motor Sales Results



\* PW: Power window lifters  
PS: Power seats  
EPB: Electric parking brakes

product quality and productivity using our expertise in automation and efficiency enhancement acquired through the combination of laborsaving and activities including the development of innovative core production lines. The two main specific activities we are pursuing are to minimize the cost of manufacturing and to establish an international specialization system for manufacturing technologies, and we are steadily pursuing these initiatives along with human resource development and organization-building.

### Implementation of a Global Base Strategy

To respond to changes in the manufacturing environment and address customers' increasing needs for motor production located close to their own factories, Mexico Mabuchi was established in Mexico in August 2014 as our first production base in the Americas, and Poland Mabuchi was established in Poland in January 2017 as our first production base in Europe. Our implementation of a global base strategy, including the establishment of these production bases, is contributing to our ability to respond to the drastic changes in external environment seen in recent years. In China, the establishment of a regional headquarters is strengthening our ability to address local needs. Initiatives in the Americas include increasing our production line capacity and raising productivity at Mexico Mabuchi. In particular, we have achieved stable supplies to counter the effects of the respective country's trade policies through cooperation between America Mabuchi and Mexico Mabuchi. In Europe, Poland Mabuchi is working to commence mass production and raise productivity, to be able to provide a high level of customer service based on local production for local consumption.

## Shareholder Returns

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 expenditure, research and development which are necessary for the growth of the Company, and while maintaining our financial soundness.

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

dividend equal to 30% of the consolidated net income divided by the number of outstanding shares, depending on the performance of the Company.

We will continue to consider repurchasing more treasury stocks 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.

### Cash Dividend

In consideration of short-term uncertainties in the business environment, we paid a dividend of 135 yen per year for the two-year period from fiscal 2018 through fiscal 2019 only, without consideration of consolidated net income. For fiscal 2020, we plan to extend the special measure by one year to maintain the same full-year dividend amount of 135 yen per share despite the uncertain operating environment due to the global spread of the new coronavirus. However, in the event of significant changes in business operation forecast, the dividend forecast will be reevaluated as appropriate. The basic dividend policy does not change the basic calculation criteria, and this special measure is for a limited period.

#### Fiscal 2019

Full-year: 135 yen per share (ordinary: 30 yen/special: 105 yen)

Interim: 67 yen per share (ordinary: 15 yen/special: 52 yen)

Year-end: 68 yen per share (ordinary: 15 yen/special: 53 yen)

#### Fiscal 2020 (plan)

Full-year: 135 yen per share (ordinary: 30 yen/special: 105 yen)

### Acquisition of Treasury Stock

The Company decided to purchase treasury stock to return profits to shareholders and improve capital efficiency. The repurchase of treasury stock is planned to take place during the period from February to December 2020, with a maximum of 3 billion yen and 1.2 million shares.

The repurchase of our treasury shares will take place for the sixth consecutive year since 2015. We determined the repurchase by taking into account comprehensively future growth investments including M&As and alliances, medium-term business plans, and the market environment. The treasury stock to be acquired this time will not be cancelled in consideration of the effective use for future funds.