

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.

Operating Results

Given the global economic slowdown, consolidated net sales for fiscal 2019 were 131,807 million yen (a 7.9% decrease from the previous year), while motor sales, which constitute the majority of net sales, were 131,799 million yen (a 7.9% decrease year on year).

Although operating income was boosted by improvements in sales prices and the product mix and movements in market prices for commodities including copper and steel materials, the yen's appreciation, lower sales volume, and higher costs resulted in operating

income of 17,544 million yen (a 17.4% decrease year on year).

Profit before income taxes declined 31.2% year on year, to 20,179 million yen, in the absence of the one-time gain on sales of fixed assets related to real estate sales at the Company's wholly owned subsidiary Mabuchi Industry Co., Ltd. (Hong Kong Mabuchi) recorded in the previous year. Profit attributable to owners of parent was 14,234 million yen (a 37.9% decrease year on year).

Overview of Financial Position

Assets, Liabilities and Net Assets

Total assets as of December 31, 2019, were 268,244 million yen, a 1,194 million yen increase from December 31, 2018. Major changes included a 6,478 million yen increase in property, plant and equipment associated with capital investment including for the establishment of a new production base, a 1,772 million yen increase in investment securities, a 2,697 million yen decrease in cash and bank deposits, a 1,996 million yen decrease in trade notes and accounts receivable, and a 1,828 million yen decrease in inventories.

Total liabilities stood at 23,071 million yen, for a 476 million yen increase from the previous fiscal year-end. Major changes included a 1,322 million yen increase in deferred tax liabilities-non-current and a 1,102 million yen decrease in other current liabilities.

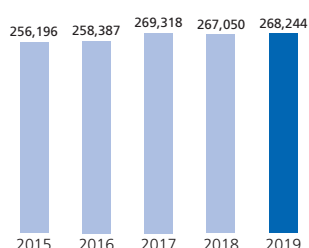
Total net assets increased 718 million yen from the end of the previous fiscal year, to 245,172 million yen. Retained earnings increased 4,380 million yen, net unrealized holding gains or losses on securities increased 1,436 million yen, foreign currency translation adjustments decreased 2,703 million yen, and treasury stock, which is deducted from net assets, increased 2,614 million yen.

Cash Flows

Net cash provided by operating activities amounted to 25,830 million yen, an increase of 4,850 million yen from the previous fiscal year. Although profit before income taxes decreased 9,143 million yen, gain on disposal of fixed assets decreased 5,377 million yen, increases and decreases in inventories resulted in a turnaround from the previous year's 4,710 million yen net increase (cash outflow) to a 1,033 million yen net decrease (cash inflow) in

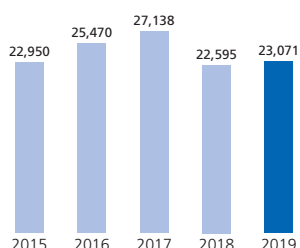
Total Assets

(Millions of yen)



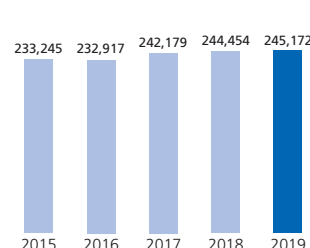
Liabilities

(Millions of yen)



Net Assets

(Millions of yen)



fiscal 2019, and income taxes paid decreased 2,178 million yen.

Net cash used in investing activities amounted to 15,246 million yen, an increase in cash used of 2,510 million yen from the previous fiscal year. This was mainly because proceeds from sales of fixed assets decreased 5,951 million yen.

Net cash used in financing activities amounted to 12,132

million yen, an increase in cash used of 1,062 million yen from the previous fiscal year. The main item was a 1,660 million yen increase in cash dividends paid.

As a result, the balance of cash and cash equivalents amounted to 110,863 million yen, a decrease of 2,697 million yen from the end of the previous fiscal year.

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

- Shareholders' equity ratio = Shareholders' 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 with the

following formula:

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

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

Outlook for Fiscal 2020

The consolidated results forecast for the fiscal year ending December 31, 2020 is undecided at the time of this writing.

The global economy is expected to undergo a major contraction in all regions from a significant stagnation of economic activity due to the global spread of the new coronavirus. At this time, there are almost no regions where the timing of infections being brought under control can be forecast. Estimating the extent of the slowdown in economic activity or how much time will be required for a recovery is also extremely difficult.

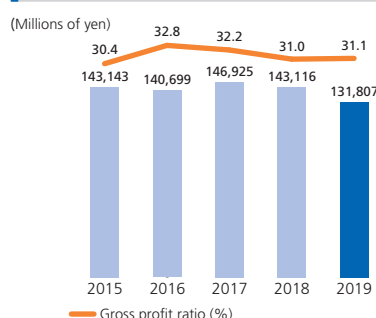
With regard to markets related to the Mabuchi Group's products, we are forecasting large declines for both the automotive products market and the consumer and industrial products market on continued weakness in markets around the world. It is also extremely difficult at this time to estimate the

degree to which markets will contract and how much time they will need to recover.

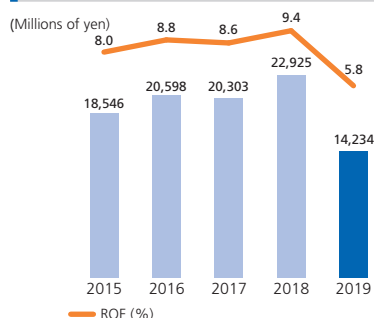
Due to this situation it is extremely difficult to make an accurate and rational results forecast because of the many uncertainties that may affect business performance. Therefore, the consolidated results forecast for the fiscal year ending December 31, 2020, is undecided.

The impact of this virus infection on the Group's business performance is currently being estimated. We will disclose consolidated results forecast as soon as the status of Group companies in each country is confirmed and it becomes possible to calculate them accurately and rationally. In the event of extremely large changes in results forecast, the dividend forecast will be reevaluated as appropriate, and the result promptly announced.

Net Sales/Gross Profit Ratio



Profit attributable to owners of parent/ROE



Capital Expenditures/Depreciation and Amortization

