

Message from our CEO



Mabuchi Motor's highly refined technology for small DC motors provides safe, environment-friendly, and reasonable-priced motive power that enhances safety and comfort in the lives of people everywhere.

Representative Director, President & CEO
Hiroo OKOSHI

Looking back on 2020

Expanding future businesses

In 2020, although we faced many difficulties caused by the spread of the COVID-19 around the world, all of our employees pulled together to overcome the ongoing crisis. At each of our facilities around the world, we were quick to procure masks, disinfectants, thermometers and other critical safety equipment, and to implement thorough safety measures to control the spread of infection. On the business end we delivered, in an incredibly short time, air purifier motors designed for vehicles transporting COVID-19 patients, earning an Excellent Supplier Award from the customer. For me, this is a clear manifestation of the Mabuchi Management Vision in action, and a direct practice of our core Management Principle: Contributing to International Society and Continuously Increasing our Contribution. We communicate both of these to our employees all over the world, and they have taken firm root in our corporate culture.

Our company, founded in 1954, attained a milestone in 2020 with cumulative production and sales of more than 50 billion motors. We aim to keep accelerating our growth through high-quality teamwork and wise adaptation to changes in the environment, all the while practicing our Management Principles and Markers. For the fiscal year ending in December 2020, with the spread of COVID-19 infection depressing global economic activity, consolidated sales reached ¥116.432 billion (down 11.7% from the preceding fiscal year) and operating income was ¥12.9 billion (down 26.5% from the preceding year). However, from the second half of the fiscal year and onwards, we saw a recovery in the automotive component market. In addition, we've made good progress toward future business expansion. In terms of production, our factory in Poland, the first production base we've established in Europe, has begun mass production. Meanwhile, the productivity and profitability of the Mexico factory has improved significantly. As for sales, we moved fast to accommodate changes in the competitive environment for power window motors and were awarded new orders

from two Japanese automobile manufacturers. We proceeded to the final stage of obtaining certification (*) for the third major North American automobile manufacturer. All of these factors enabled us to lay the groundwork for future growth after 2021.

(*Update: Certification obtained in January 2021.)

"Long-Term Management Policy" and "Mid-Term Management Plan"

Announcement for "Long-Term Management Policy" and "Mid-Term Management Plan" ending in 2023

The "Long-term Management Policy" announced in February 2021 sets out our longer-term goals - on about a 10-year time horizon - and our policy to realize these in alignment with our core Management Principle. As a member of global society, we will continue and expand our contribution to the happiness of "all stakeholders." The "Mid-Term Management Plan" covers the first three years of the "Long-Term Management Policy," until the end of 2023, indicating priorities and actions to take during that period. It is a performance guide designed to ensure that we attain average annual sales growth of 8% to 10%, an operating profit margin of 15% or higher, and ROIC of 12% or higher. Our Long-Term Management Policy also aims to maintain the same high growth rate during the next 10 years.

To maintain this high growth rate, we will center our investment on our world-leading small motors. Using our accumulated technologies and know-how as a dedicated motor manufacturer, we will offer new problem-solving products, revolutionize technology, and expand the applications of our products. We have a history of successfully adapting our portfolio of applications, from toy centers to audio centers to automotive components. Going forward, we will continue to identify key needs for small motors that to emerge as society and times change, and expand the number of applications for their use. For example, we are focusing on developing and selling brushless motors for Collaborative robots(Co-bot) and light electric vehicles for transportation in factories.

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"Unitization" and "Solution Proposals"

Grasping customer's needs ahead of time to drive value

While expanding our business to the automotive component market, we have also promoted the unitization of attaching peripheral parts to our motors. Our policy of not interfering with our customer's business domain will not change; however, for efficiency more customers are asking us to provide motors integrated with peripheral parts as a single unit. By increasing the value of the products we provide to our customers, I believe that our profitability will improve, too, as a result.

Because unitization has deepened our understanding of issues facing customers in their various applications, we've been able to propose and provide solution proposals that expand business opportunities and add value to customers. One of our greatest strengths is our capability to provide quality backed by superior technology in small motors at a reasonable price, including in brushless motors. We have been developing brushless motors for a long time, but now are focusing on applications of these where future growth is expected and where major technological innovation is expected on the customer side. Compared to brush motors, brushless motors have a longer life, higher speed, and lower noise level. The wide range of standard products we offer, from general-



Drive unit
MS-94BZC

purpose products to high-end products, including brush motors and brushless motors, is another strength supporting our solution proposal capabilities. As we've done consistently over time, we will anticipate the needs of society and of our customers to provide solutions that leverage our strengths and accelerate our growth through the success and expansion of our customers' business.

Mabuchi's Standardization Strategy

Standardized products for each application can meet differing requirements

The ideal version of our conventional "standardization strategy" was to have one product be used for all applications - consumer and industrial devices as well as automotive components. These days, the basic idea is to make a standardized product for each application, selecting applications that have a certain market size, or are expected to expand in the future, and offer one or two standard models for those applications. Although the tradition in the automotive industry has been customization, we have continued to develop competitive standards and offer them to our customers. What made us successful in our standardization strategy was that our request of our customers to compare our standard products with the products that they'd already adopted. Having done so, our customers came to know that our standard products are small, lightweight, high quality, and low cost compared to the products our customers were using. I believe this is the reason why we are now seeing new applications for our products increasing. We will keep developing products to meet our customers' needs so that our products can be recognized as standard not only for automobile equipment but also for consumer and business equipment, areas where we'd like to expand in the future.

Entering new Business Areas

New frontiers such as CASE and MaaS in the automotive industry

CASE and MaaS must be safe, environmentally friendly, comfortable, and convenient. We can expect such safety features to expand in the future - for example, haptics that vibrate the steering wheel when danger is detected, a parking brake that engages firmly regardless of your arm strength, and seatbelt pretensioners to brace your body in a collision. Until recently, power seats were used mainly for reclining the seat or moving the seat forwards or backwards, but as automobiles strive for improved safety and comfort, new functions will be needed. We expect that the number of motors needed will also increase and will focus on these promising areas. Even with the current shift from gasoline vehicles to EVs (electric vehicles), the need for these motors will not change much, and we do not expect a significant impact on the large global market share of our side mirror motors and door lock motors. We believe that electric vehicles will have a positive impact in providing new uses for motors, but will have little or no negative impact.

Strengthening the Foundation of Business Management

A long-term perspective

As we work to achieve our long-term vision, we strengthen our management base continuously. The global five-pole business structure we are creating is coming online with our Poland factory, the first production base in Europe, having begun mass production in October 2020.

Our policy of "local production for local consumption" guides us to procure materials for products to be manufactured and sold locally. It enables us to ensure a stable supply for customers, and to promote solution



proposals that solve problems specific to our customers. In the past few years, we've made major investments to establish factories in Mexico and Poland. To pursue our return on these capital investments, we have adopted ROIC as a business management index. We have three major objectives in adopting ROIC into our corporate group: (1) reinforce the importance of ensuring suitable profits, (2) emphasize the continued increase of sales and profits as a result of our contribution to society, and (3) optimize the efficient use of invested capital. By using the ROIC tree, we make everyone in the group actively aware of the connection between ROIC and the performance of all the organizations and employees in our corporate group. All of these are part of our "Group-wide participation in ROIC management," which entails reassessing how to use funds, our inventory and manufacturing steps for parts and products, and time utilization for high-efficiency business management. We are improving efficiency also through our IT infrastructure. The end of 2021 will be a break for ERP (enterprise resource planning). Going forward, we will work to strengthen the connections between regional bases of operation and to improve management efficiency through global response and business reforms in line with the relevant growth stage of our business.

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Mid-term Sustainability Targets

Sustainability targets align with our Management Principle

Mabuchi Motor has a history of strong envisioning. The company's first president, Kenichi Mabuchi, suffered serious burns when he tried to move a model steamship as a child, and thought: "for children around the world, I want to produce motive power that can be enjoyed safely." Somewhat later, Takaichi Mabuchi, the second president of Mabuchi Motor, voiced his aim "to supply better products at a lower price and in a stable manner." That desire has been passed down to the present day. Going forward, we will continue to contribute to a safe and comfortable life for all by providing safe and environmentally friendly power at low cost through the refined technology of small DC motors.

Our company's vision and purpose are directly applicable to helping the world meet the UN's Sustainable Development Goals (SDGs). To make our contribution to this effort tangible, we've identified a set of important sustainability goals. In our announced Mid-Term Management Plan, we set specific "Mid-Term Sustainability Targets." The progress of our sustainability activities toward these targets is monitored by our

Sustainability Committee, chaired by our President and reported to the Board of Directors. In March 2021, we announced our support for TCFD to further strengthen our efforts to address climate change by formulating and implementing more and more effective measures to reduce greenhouse gas emissions. In the realm of corporate governance, we have reviewed the remuneration system for company directors (excluding external directors and auditors) and incorporated the sustainability targets as one of the evaluation indexes for medium-term incentive compensation. We did so to emphasize that our commitment to the SDGs is part of increasing our corporate value as set out in the Mid-Term Management Plan.

Cultivating Our People under the Long-Term Management Policy

The employee mindset is key

To advance our business activities in line with our vision and strategy, and to promote the sustainable growth of our company, fostering the right mindset within our employees is key. As we state in our Management Markers, our people are our most precious resource. Until now, Mabuchi Motor has grown its business and gained customer trust through rapid and reliable responsiveness to customer requests. To reinforce the trust we have cultivated, we must undertake to anticipate our customers' needs more actively and to present proposals for high-value products.

We must also take a wider perspective on our global role, for example through the SDGs framework and other social efforts. Naturally, looking only within the company will limit our ability to seize change and develop new ideas. We are strengthening dialogue and exchange for discussion and ideation between our company, the policy world, and academia. Moreover, diverse perspectives are vitally important: with 100% of our production and 90% of our sales taking place outside Japan, we know that a global perspective is more important than ever. To foster a global mindset within our ranks, we will initiate more personnel exchanges with overseas bases and



accelerate these activities in the future.

As I write, the COVID-19 pandemic is making it difficult to conduct such international exchanges. Still, we plan to make use of our trainee system for young employees to offer as many employees as possible the opportunity to work at overseas bases and experience diverse perspectives and ways of thinking. Meanwhile in 2020, our Headquarters introduced a job description system to enhance an international-standard human resource management approach. The new system will support managers as they engage in people development at overseas bases as well as at the Headquarters in Japan, further expanding career opportunities for our employees. At the Headquarters in Japan, we took the complex challenges created by the pandemic as a chance to reconfigure our work routines. In August 2020, we announced a guideline of "New Normal Working Style at Our Company." To promote telework, we've clarified our approach to performance evaluation and linked treatment according to roles and results more than ever before. We believe that by doing so, we'll create more diverse and flexible working styles that enhance both business results and productivity. Whether our people are based in Japan or overseas, by discovering and cultivating the talents of each individual, I want to nurture "Mabuchi-ness: people with unique strengths working together to make meaningful social contributions."

Shareholder Returns and Capital Policy

Contributing to greater happiness for all stakeholders

As stated in our Long-Term Management Policy, we aim to expand our contribution to the happiness of all stakeholders. Our objective is to provide steady and continued shareholder returns. The annual dividend for the fiscal year ending in December 2020 was set at 135 yen, because the same special measures as in the previous fiscal year were continued in consideration of the uncertainty of the short-term business environment. Regarding the dividend forecast for the fiscal year ending December 2021, we plan to take transitional measures to return to the basic dividend policy, back

from the special measures implemented in 2019 and 2020, in consideration of the expected recovery of business performance in the medium term. Specifically, as a transitional measure, we plan to add half of the difference from the dividend amount for the fiscal year ending December 2020 to the annual dividend amount calculation result based on the basic policy. As a result of this transitional measure, the expected dividend per share for the fiscal year ending December 2021 will be 107 yen per share.

Also, for the purpose of returning profits to shareholders and improving capital efficiency, we have decided on a treasury stock acquisition limit, which is scheduled to be implemented from February to December 2021 with a maximum amount of 3 billion yen and 1.2 million shares. The acquisition of treasury stock will be carried out for the seventh consecutive year from 2015, but the scale of this purchase has been decided through a comprehensive analysis of our future growth investment, our medium-term business plan, the market environment, and other factors. Meanwhile, we plan to cancel all of the newly acquired treasury stock.

The basis of Mabuchi Motor's capital policy, including the return of profits to shareholders, is the belief that a company is a public institution of society and that it must continue to fulfill its responsibility to contribute to society. We believe that it is our duty to provide the funds that are necessary to create a solid management foundation supporting the realization of our core Management Principle, "Contributing to International Society and Continuously Increasing our Contribution." In particular, since the sales ratio for automobile electrical equipment currently is high, we also have a responsibility to prepare for an emergency from the viewpoint of quality assurance and safety. However, we do not intend to passively accumulate excess cash. The cash we obtain during the Mid-Term Management Plan period ending in 2023 will be used for growth investments in existing and new businesses. At the same time, we will continue to pay steady dividends to shareholders and will be flexible in providing well-balanced returns to all our stakeholders.

All of us at Mabuchi Motor will keep working together to ensure the sustainable growth of our company, and we ask for your continued support. Thank you very much.