

# Value Creation Process

## Management Principle

Contributing to International Society and Continuously

### Management Marker 1

By offering superior products that are reasonably priced, we contribute to the well-being, comfort, and convenience of people all around the world.



### Management Marker 2

By fostering career opportunities and technological development, we address social and economic disparities around the world.



## Challenges facing global society

### Facing global society

- Environmental stewardship
- Energy stability and security
- Safe transport
- Aging societies
- Poverty and economic inequality

### Facing consumers

- Quality of life
- Safety and security
- Convenience
- Electrical and other energy conservation

### Facing our customers

- Electrification
- Downsizing, weight reduction, and higher efficiency
- High quality
- Cost reduction

Solving problems

## Input

### Human capital

- Total employees, Mabuchi Group: 21,477
- Employees, Headquarters in Japan: 851
- Employees at Headquarters with past or present posts at bases outside Japan: 355
- Non-Japanese managers leading bases outside Japan: 12
- Non-Japanese group executive officers: 3

### Intellectual capital

- R&D bases: 2
- Sales and technological service bases: 14
- R&D employees: 481
- Industrial property rights held: 789

### Manufacturing capital

- Overseas production ratio: 100 %
- No. of production bases: 13

### Social capital

- Corporate customers: 1,378
- Parts and material suppliers: 380
- Shareholders: 19,845

### Natural capital

- Million kWh purchased: 184
- CO<sub>2</sub> emissions, in t-CO<sub>2</sub>: 87,137

### Financial capital

- Total capital, in billion yen: 239.1
- Capital adequacy ratio: 91.0 %

Specialized in small DC motors

Value Creation at

Technology improvements

Global sales and technological support

Relationships with industry-leading customers

Consolidating market needs

Product standardization

Standardizing and equalizing all processes

Stable procurement of standard materials and parts

Financial and capital policies supporting

Risk

# Increasing Our Contribution

## Management Marker 3

By placing highest value on our people, we empower and encourage them to realize their potential and contribute to society.



## Management Marker 4

Conduct corporate activity which preserves the earth's environment and protects human health.



### Contribution to global society

#### Contribution to global society

- Safe, comfortable, prosperous society
- Convenient goods that can be carried wherever the consumer would like
- Affordable prices
- Reduction of energy consumption and environmental impact
- Reduction of economic inequality

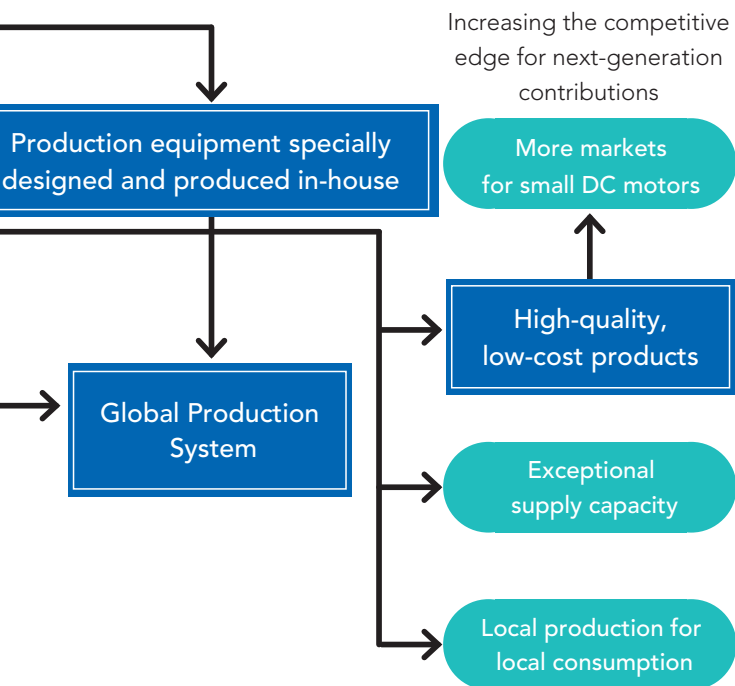
#### Contribution to customers

- Contribution to size and weight reduction, and to the improvement of product efficiency for customers
- Elimination of quality problems
- Providing low-cost products to customers

#### Creation of economic value

- Creating economic added value as a result of contribution to society and customers and redistributing it to our stakeholders

## Mabuchi Motor



long-term stability

management

## Output / Outcomes

### Human resources

- Education of top engineers
- Active roles of female employees
- Developing global human resources

### Intellectual assets

- We push the knowledge frontier of compact, lightweight, high-efficiency motors, and of the production processes and management approaches that optimize their potential
- We gain new knowledge through expansion to high-value added markets for our products

### Manufacturing assets

- Established of the global five-pole business structure covering China, Southeast Asia, the Americas, and Europe
- Expanding business in the Americas and Europe by utilizing new production bases of Mexico and Poland

### Impact on society & environment

- We reduce the environmental impact of our business activities through local production for local consumption
- We strive always to build an even stronger relationship with each stakeholder

### Financial achievements

- High operating income ratio
- Long-term and stable return to stakeholders
- Risk reserves
- Management control by ROIC

# Value Creation Process

66 years of focus on small DC motor technologies and products

Our Management Principle conveys our desire always to increase our contribution to society and to remain a company that is indispensable to the world.

Highly efficient small DC motors convert electric energy into mechanical energy. Better and better motor technology, and then even higher efficiency, lead to the conservation of energy, which reduces environmental impact. Moreover, production of small DC motors in developing countries and regions provides job opportunities, develops local economies, and fosters new engineering and managerial talent.

## Specialized in small DC motors

- We have limited our products and business domain intentionally to small DC motors, investing in human, intellectual, manufacturing and other capital in this domain. This is how we established and maintained our position as the leading small DC motor company despite the existence of competitors who are larger in scale.
- While focusing on these products and this business domain, we have watched markets all over the world. We've grown and preserved our competitiveness by satisfying the tough requirements of leading customers in the global market.
- We've expanded the markets where our products are used, securing business growth while adhering to our core business philosophy of being a contributor to society. Having started in the model and toy market, we expanded to other applications for our products, entering the home appliances, electric power tools, precision and office equipment, audio-visual equipment, and automotive appliances markets, among others.

## Technology improvements in small DC motors

- By concentrating our resources into the small DC motor business, we have developed not only our own core motor technologies but also technologies for motor products, motor production, parts, parts production (such as technologies for press, metal processing, resin molding and molds), and final production equipment (such as assembly equipment).
- Among our technologies for small DC motors, we have unrivaled brush motor technologies.
- We are equally capable of responding to our customers' needs for brushless motors with long service lives. We apply the core technologies we have cultivated for brush motors to achieve more compact, lighter weight, and higher efficiency also in our brushless motors.
- By developing and producing compact and lightweight eco-friendly model motors, we will contribute to curbing the use of global resources.



## Product standardization

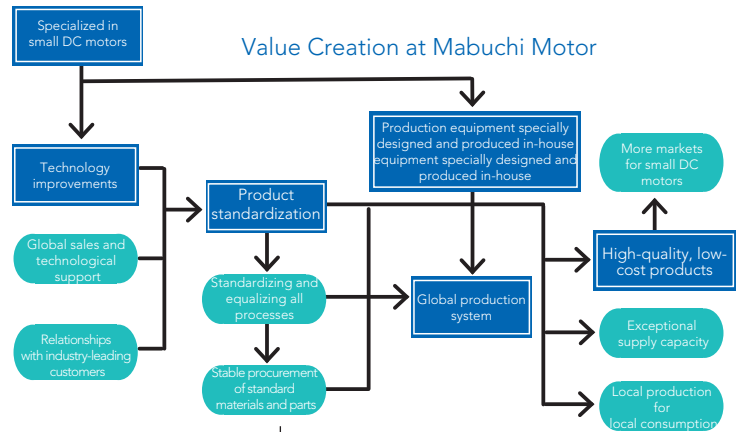
- Our product standardization strategy is the most important means through which we practice our Management Principle.
- The functions, sizes, and prices of motors that customers need and request are as diverse as the customers themselves. Yet, we have the necessary know-how, and the proven capability, to identify and produce motors that cater to multiple customers' needs.
- It is through our technological expertise and careful attention to customers' specific needs that we are able to meet their requests with our smaller, lighter, more affordable motors.
- Creating and making customized motors tailored to our customers requests would not be difficult - but the resulting products would cost a lot more. We help protect our customers' competitiveness by working with them to deliver the products they want at a good price.
- Our product development engineers commit to tough restrictions in order to achieve higher performance products using standard parts, keeping use of customized parts (which raise product prices) to a minimum.

## Our goals

Expand the applications of our products into markets that are positioned in domains with higher added value by utilizing human, intellectual and manufactured capital which have been cultivated.

Cultivate the two domains of peripheral parts technologies and brushless motor technologies and promote developing the market of high value added applications.

Position standard products in new application markets. At present, we are expanding sales of brushless motors into new applications in the fields of both automotive appliances and consumer and industrial products and aiming to build a standard at an early stage.



### Global production system

- To optimize our five-region global production system, we must improve the production efficiency of new bases to match that of our existing bases as quickly as possible. Achieving that will engage the cumulative skills and talents from all across Mabuchi Group companies. Fortunately, Mabuchi Motor has deep experience in bringing the capacities of its workforce to bear in creating new value globally. For example:
- In 1964, our first overseas production base opens in Hong Kong; 1986 we entered Guangdong Province, China. Headquarters and the Hong Kong office were instrumental.
- Our Taiwan office played an active role in launching our production base in Jiangsu, 1993.
- Our team at Bien Hoa, Vietnam put our production base in Danang, Vietnam on track.
- Today, the local team at our newest production bases in Mexico and Poland are collaborating with colleagues from Japan, China, Vietnam, and Taiwan.

### Production equipment specially designed and produced in-house

- Decades ago, production at our newly established bases outside Japan relied on labor-intensive processes. But as the company developed along with the areas where we were producing, we applied our accumulated expertise to design and build specialized equipment that automated more and more of our production processes.
- Through automation, we increase production efficiency and reduce production costs in our major production bases such as China and Vietnam. But automation has an additional important advantage: it helps us add value to the areas where we operate, through human capital investments. Automation creates more qualified, higher-paying jobs and multiplies career opportunities for employees.
- We have been focusing on this initiative as it is a win-win situation for the governance and the local people who want to reduce production costs, upgrade their jobs, and increase their salary levels.

### High-quality, low-cost products

- Typically, quality and cost are proportional to each other - if quality improves, costs increase accordingly; cost reductions would normally lead to lower quality.
- At Mabuchi Motor, high quality and low cost coexist. We achieve this through three fundamental strategies: specialization in small DC motors, product standardization, and a global production system.
- With high quality and low cost, we put approx. 1.2 billion motors in customers' products every year, motors that support safety and comfort in the lives of people around the world. This is the main substance of our contribution to society.
- We have achieved a high operating profit margin, and since our foundation have never posted an operating loss.
- Among our financial achievements, we place special emphasis on the operating profit margin. We view the operating profit margin as a key indicator of the contribution our products make to society. In product development, our engineers know that any new product we make must achieve a high operating profit margin.

In the medium term, expand sales in the Americas and Europe by taking advantage of our new production bases in Mexico and Poland.

For long-term expansion, assess the investment environment in new regions to identify opportunities.

Complete automation of the inspection process, still heavily dependent on human eyes and ears. We're dedicating research and development efforts to this task.

The operating income ratio of 15% or higher is our target. We pursue highly efficient management by introducing ROIC in order to achieve further growth by investing operating income in new areas.

# Long-Term Management Policy

Our Management Principle is "Contributing to International Society and Continuously Increasing Our Contribution", and we are making company-wide efforts to realize this Management Principle.

The Long-Term Management Policy embodies this Management Principle in a span of about 10 years and clarifies the Long-Term Management Policy, such as what we will realize and what value we will provide to our customers and other stakeholders.

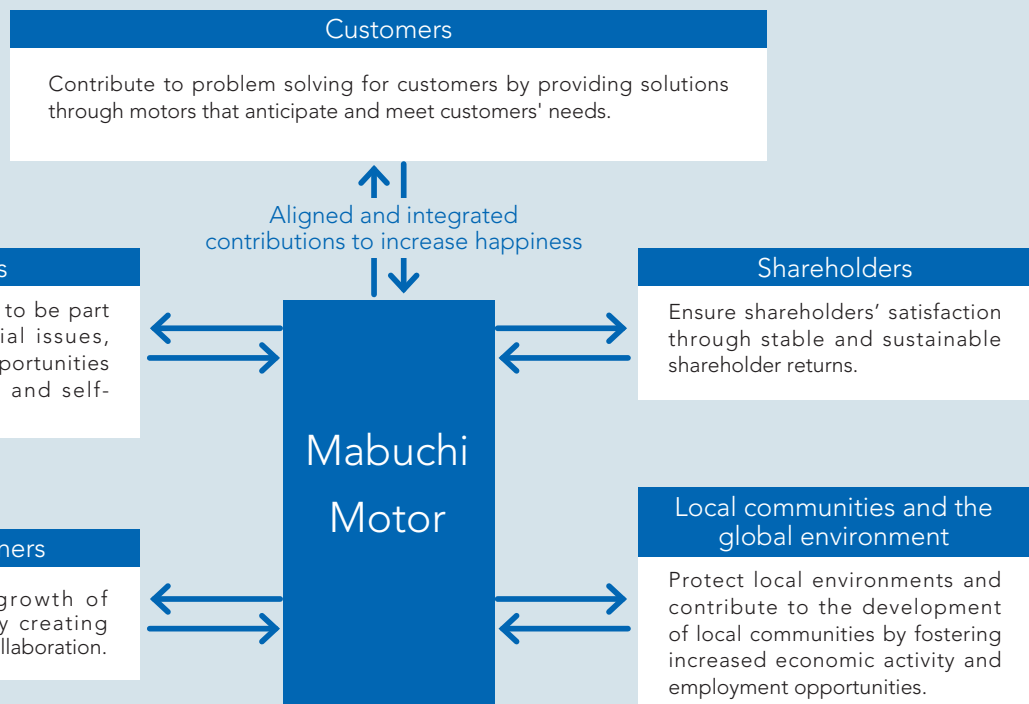
## Management Principle

Contributing to International Society and Continuously Increasing Our Contribution

Realized in a span of about 10 years

## Envisioning: Mabuchi Motor in the next 10 years

As a corporate citizen of the world, Mabuchi Motor increases the happiness of all our stakeholders.



## To Realize the Desired Vision

As a manufacturer specializing in motors, we will increase the ratio of consumer and industrial products while growing the applications of automotive products for brushed motors, brushless motors, and their units.

In such business areas, we are actively promoting the activities shown on the right based on "sustaining sound sales growth and stable, and reasonable profits" in order to realize our Long-Term Management Policy.

- Focusing investments on small motors, our field of specialization, while developing technology in this field. Create new products that contribute to problem solving and technological innovation in society and expand their use.
- Building our capacity to propose solutions in cooperation with business partners, in order to achieve growth together through enhanced added value of products.
- Preserving a balance between high quality and cost by pursuing standardization and promoting next-generation manufacturing.

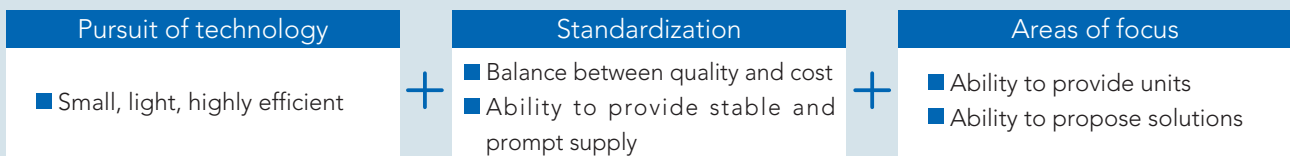
# Mid-Term Management Plan

The mid-term management plan is a breakdown of the initial three periods of the Long-Term Management Policy planning period regarding "what areas to do and what to achieve" in the Long-Term Management Policy. The mid-term management plan mainly consists of four points.

- In response to the Long-Term Management Policy, "**Vision to realize in 2023**" shows what we are aiming for after 3 years
- "**Mid-Term Management Plan Performance Guidance**" showing our company's three years later using various management indicators
- "**Mid-Term Sustainability Targets**" that plan responses to important sustainability issues and set goals for important issues (see pages 41-48 for details)
- "**Priorities**" in each area to achieve each goal

## Vision to realize in 2023

We aim to provide solutions to issues which society and customers are facing, while accelerating the growth of our business through the success and expansion of our customers' businesses.



## Performance Guidance

The performance guidance of the mid-term management plan is shown in the range of the period. By doing so, we believe that we will be able to work to achieve our goals from a medium- to long-term perspective without being overly aware of short-term business results such as semi-annual or simple.

### Mid-Term Management Plan Performance Guidance (2021 to 2023)

Net sales	Under the Long-Term Management Policy, we aim to achieve an average annual growth rate of 8 to 10%.
Operating profit ratio	Aim to achieve an operating profit ratio of 15% or more reflecting our contribution to customers and society.
ROIC	Introduce ROIC-oriented management and raise return on invested capital. Aim to achieve an ROIC of 12% or more.

Assumed exchange rate: USD = JPY 105

ROIC = (Operating profit × (1 - Effective tax rate)) / (Accounts receivable-trade + Inventories + Non-Current assets (excluding Investment securities) - Accounts payable-trade)

## Priorities

Among the priority efforts to achieve the mid-term management plan performance guidance, the main efforts to strengthen the management base are as follows.

- **The global five-pole business structure:** Expand business in Europe and North America, using production bases in Mexico and Poland.
- **Group-wide participation in ROIC management:** All employees in the Group contribute to improving ROIC.
- **Expanding units:** Create groups of external partners with whom to cooperate to innovate in units.
- **Ability to propose solutions:** Build a team that engages with customers to create proposals that exceed customers' expectations.
- **Change in work style:** Strengthen talent and skills within the organization, applying global standards and embracing diversity.

Initiatives in the automotive products (medium and small size) and the consumer and industrial products will be introduced on the following pages.