Financial and Capital Policy

Sustainable Growth from a Solid Financial Base

Growth rooted in increasing contributions to society

Mabuchi Motor seeks to deliver lightweight, compact, power-efficient direct current motors to the world and thereby to contribute to society. To ensure our longevity, we seek to obtain appropriate profits and develop ourselves as a company.
Indeed, we consider operating income margin as the most important indicator of the level of our contribution to society. In the Mid-Term Management Plan we announced in February 2021, we look to an operating income ratio of 15% or more as guidance.

We consider it important to earn appropriate profits, create cash flows, engage in R&D investments and capital investments for further growth, and duly return profits to our shareholders.

Introduction of ROIC management

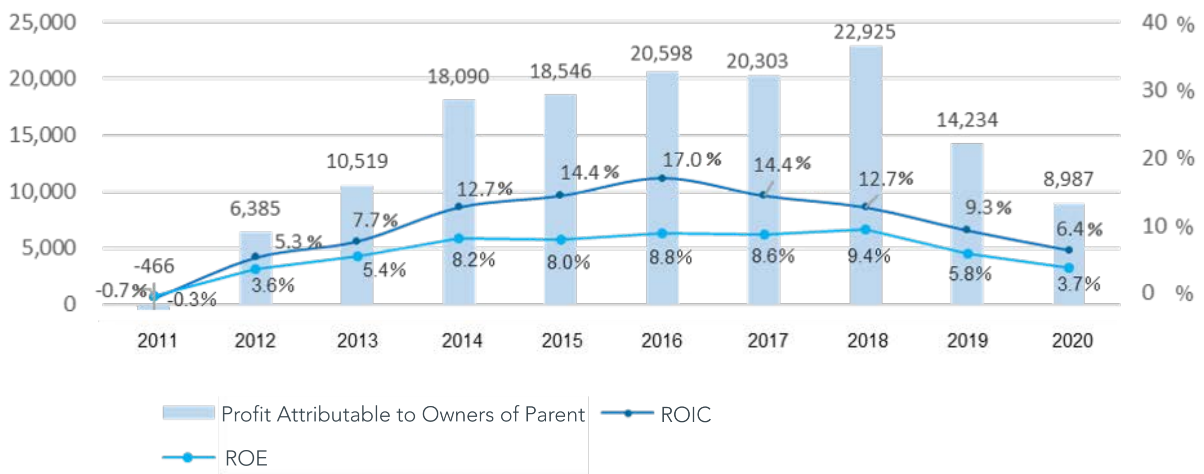
In the Mid-Term Management Plan unveiled in February 2021, we announced the introduction of ROIC management, with the goal of increasing the return on invested capital and aiming for a ROIC of 12% or higher as a guide to performance. Within the company, we had considered adopting ROIC as a management metric in the past. A major reason why we are doing so now is that with our major investments in Mexico, Poland, and elsewhere made, we have entered a phase in which all employees should be thinking in terms of returns on invested capital.

Group-wide participation in ROIC management

The purpose of ROIC management is to build awareness among all Group employees of three points: the importance of securing appropriate profits, the importance of generating sustainable growth in sales and profits through their own contribution to the company, and the importance of efficiently utilizing invested capital. By building such awareness, we aim to speed up the cycle of management resource turnover through which we invest management resources actively in dynamic fields, utilize the invested resources to increase value provided to customers, and reinvest the appropriate profits earned into high-potential fields. By evaluating return on investment in business and by focusing management resources in businesses with high returns, we will achieve sustainable growth for our company.

2021 is our first year of "Group-wide participation in ROIC management," and so the necessary training and education are happening now within the company. By utilizing the ROIC tree and empowering all employees to link their work to ROIC, we will build a system in which anyone can make proposals and make specific work improvements into concrete practice.

Net Income Attributable to Owners of Parent / ROIC / ROE



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

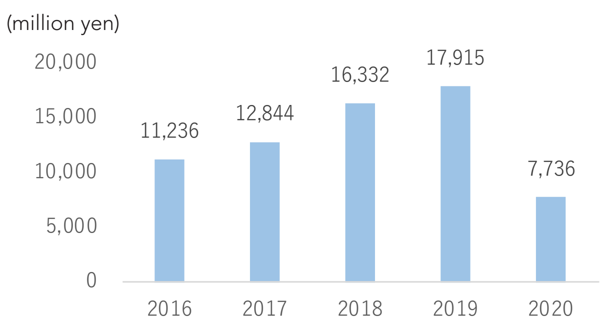
Growth investment

Mabuchi Motor has been investing in R&D and physical facilities in service to our Management Principle of " Contributing to international society and continuously increasing our contribution."

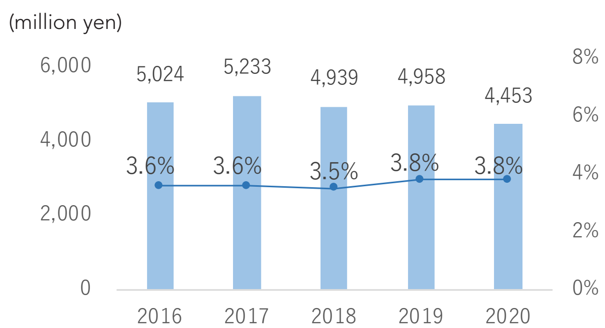
In recent years, as part of building out our global five-pole business structure, we have acquired land and buildings in Mexico Mabuchi and Poland Mabuchi and invested in production facilities there to establish a production and supply system in the Americas and Europe.

Although the investment to expand the production and supply system has peaked out, we will continue to invest in production facilities for new products, increased production, labor saving, and more. We will also invest in R&D and IT to strengthen our intellectual and management capital and capabilities. The ROIC perspective will be key to this process.

Capital Expenditures



R&D Expenses and R&D Expenses to Net Sales Ratio



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Dividend Policy

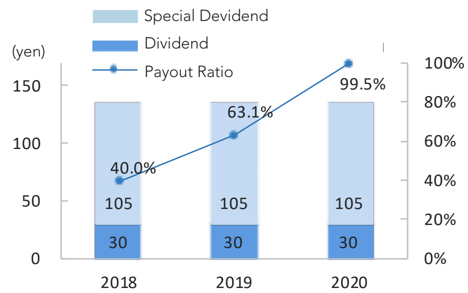
Our basic policy is to return profits actively to our shareholders in accordance with our business performance, while maintaining financial soundness by using internal reserves to fund research and development and capital investment necessary for the growth and development of our company. Our company's basic policy is to pay dividends from surplus twice a year, an interim dividend and a year-end dividend. The decision-making bodies for these dividends are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

Under this basic policy, our company has adopted the "Standard of Hybrid Dividend" as the formula for calculating dividend amounts, in which our company continuously pays an annual ordinary dividend of 30 yen per share. The ordinary dividend is a stable dividend for the long term, except when the company's performance is significantly sluggish due to a sudden deterioration in the business environment. The company also pays a special dividend of 30% of consolidated net income per share as a result of its business activities.

Standard of Hybrid Dividend

Dividend	+	Special Dividend
30 yen	+	30% of consolidated net income per share

In the case of dividends based on this calculation formula, the dividend payout ratio is 30% or more.



For dividends in 2019 and 2020, we set a dividend of 135 yen per share, regardless of consolidated net income, as a limited-time measure in consideration of the short-term uncertainty in the business environment. For dividends in 2021, we will discontinue these special measures and make adjustments aimed at a return to the criteria described further above. Specifically, in the event that the dividend amount based on those criteria is less than 135 yen, we will adjust the amount upward by half of the difference. This is a transitional measure to return to criteria-based calculation while we look ahead to performance recovery in the medium term.

Financial Stability: Our Approach

In 2020, some companies have faced tight cash flow and severe financial conditions due to sudden changes in the business environment following the spread of the COVID-19 starting in early 2020.

Looking back over the past decade, we see that the world has faced several emergencies, and it has become increasingly important for corporate management to be prepared for situations that may hinder stable management. On the other hand, recently "Public Interest Capitalism," which takes into account social issues such as the environment, inequality, and human rights, and values all stakeholders, has been in the spotlight.

We have always believed that companies are public institutions and must endure to fulfill their duty of contribution to society and we have reserves to serve a stable financial foundation. More specifically, our approach rests on two observations;

1. The business environment changes drastically:
   A company should survive even under drastic changes in the environment.
2. Companies have a duty to set aside reserves necessary for institutional survival:
   A company should have the necessary funds to survive even under risk and to seize growth opportunities.

Necessary Funds

Necessary funds to be reserved will increase according to the business growth, we rationally calculate the amounts of necessary funds.

Contingency measures for growth

- Capital investment: Reserves to ensure continuity in capital and R&D investment
- M&A: Reserves to finance M&A activities that are necessary for investing in growth opportunities

Large-scale risk contingency measures

- Operating funds: Working capital to prepare for the realization of a large, systemic risk
- Job security: Reserves to secure our ability to retain employees
- Dividends: Reserves to secure our ability to continue paying dividends based on a hybrid dividend policy, even if a risk event occurs

Contingency measures to address rapid market changes

- Risk of commodity price hikes: Reserves to secure our ability to procure market-sensitive commodities for the medium to long term by means of futures trading or other activities
- Foreign exchange risk: Reserves to maintain stability in the face of severe foreign exchange disruptions

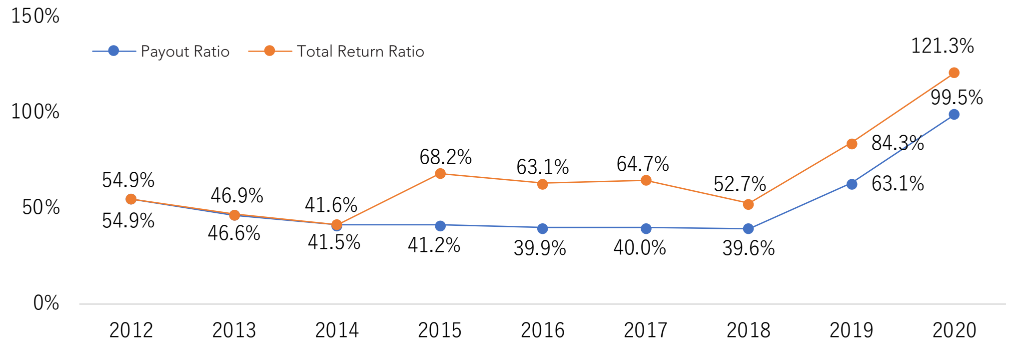
Claim-related contingency measures

- Handling claims and disputes: Because the ratio of automotive appliance products in our sales is high, we keep reserves to prepare for claim-related risk

Shareholder Returns

We will undertake to realize appropriate return of profits to shareholders based on the concepts noted above, with ongoing consideration of changes in the business and market environments and through agile and balanced capital policies that include the purchase of treasury stock.

Payout ratio and Total return ratio



Our Approach to Cash Allocation in the Mid-Term Management Plan

Our fundamental thinking on cash allocation is unchanged under the Mid-Term Management Plan. Cash newly acquired from business activities under the Mid-Term Management Plan will be used based on the order of the following priorities:

The first priority will be investments for the organic growth of existing businesses and the funding of growth investments in new areas (including M&A investments). The next priority will be funds for the payment of dividends on the basis of hybrid dividends.

For cash remaining after the above spending, we will consider the portion exceeding necessary funds as calculated independently as a possible augmentation of return to stakeholders (purchase of treasury stock, etc.) that avoids excessive accumulation.

Allocation of new cash obtained from the business during the period of the Mid-term management plan

Priority: High

Category	Our Approach	
Investments for the organic growth of existing businesses	• R&D investment • Production capital investment • IT investment	Implemented with the highest priority
The funding of growth investments in new areas	• M&A investment • Investment in new areas (peripheral applications, motor peripheral areas, etc.)	
further return to stakeholders(1)	• The payment of dividends on the basis of hybrid dividends.	
further return to stakeholders(2)	• Purchase of treasury stock, etc.	Actively consider the cash remaining after the above implementation
Reserved by the company in case of risk	• Reserved by the company in case of risk	Do not stack excessively

Priority: Low