

# Financial and Capital Management

## Initiatives to Improve Capital Efficiency and Profitability

To improve capital efficiency and profitability, Mabuchi Motor aims to accelerate the management resource cycle. It will do this by actively investing its management resources, as well as reinvesting the profits derived from improving the value we provide to our customers, in growth areas. As part of its initiatives for achieving this, ROIC is one of the indicators in the Mid-Term Management Plan. The purpose of ROIC management is to make all Group employees even more keenly aware of the importance of continuously increasing sales and the profit obtained as a result of contributing to society, and of the efficient use of invested capital. More specifically, we promote Group-wide participation in ROIC management by setting KPIs in each department.

### Initiatives to improve profitability

#### Selection of and concentration on high value-added products

We will promote initiatives to improve the operating income ratio, such as stabilizing parts procurement prices, increasing production efficiency and proceeding with appropriate pricing, while accelerating the selection of and concentration on high value-added products at the same time.

- Improve the product mix by accelerating the selection of and concentration on high value-added products in all applications for automotive and life and industrial products.
- Use M&A activities, collaborations and partnerships with external parties and other initiatives in addition to the development of new products in a more agile manner as measures to improve the added value of products.

#### Stabilize material procurement prices

- Steel  
Build long-term relationships with business partners to ensure procurement at stable and well-planned prices.
- Copper and precious metals  
Use various procurement methods to stabilize procurement prices.

#### Increase production efficiency

- Aim to realize highly efficient production by fully automating production.
- Operate mixed production lines, each designed to produce more than one motor model, to increase the facility operation ratio.

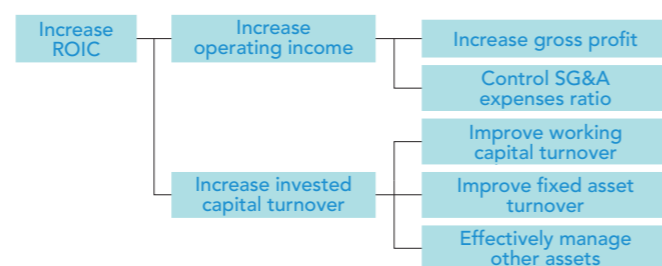
#### Implement appropriate pricing

Continue to implement appropriate pricing in view of the current situation where material prices and logistical costs are continuously soaring worldwide.

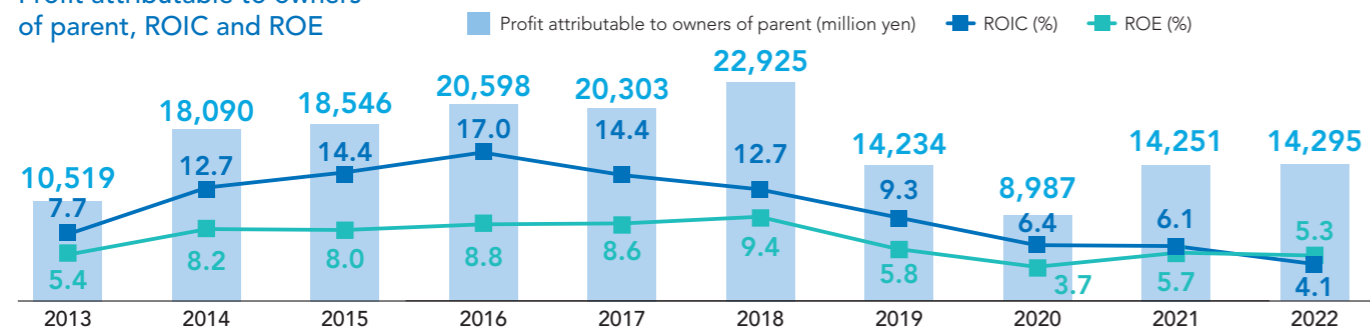
### Initiatives to improve investment efficiency

We set KPIs that will lead to the improvement of ROIC at each business unit, functional headquarters and site according to their specific tasks for the promotion of activities. We also work on educational activities through regular publications and employee training programs using e-learning, etc. We will promote systematic activities such as the reduction of inventory and the improvement of working capital turnover to return ROIC to pre-COVID-19 pandemic level. We aim to create a virtuous cycle in which excess profits are created and positively invested in growth areas.

#### Promote activities based on the KPIs we have set (excerpts)



#### Profit attributable to owners of parent, ROIC and ROE



## Message from Our CFO



Executive Officer  
In Charge of  
Accounting and  
Finance  
General Manager -  
Accounting and  
Finance Department

Keiichi  
HAGITA

The difficult business environment has continued since 2020 due to the supply chain disruptions caused by COVID-19 pandemic combined with the soaring prices of raw materials, the situation in Ukraine and other factors. In 2023 as well, it appears that it will be difficult to achieve the 15% target operating income ratio set in the Mid-Term Management Plan, given the impact of the low utilization rates associated with the continued high prices of raw materials and the decrease in sales volume. ROIC is also expected to fall short of the target of 12% due to the impact of the lower profit levels and the inventory policies aimed at supply stability. Going forward, we will improve by gradually reducing inventory, taking into consideration the supply chain situation, etc.

Our PBR continues to fall below 1, and we recognize that efforts to improve it are necessary. In response to this situation, as

part of our efforts to improve profitability, we are proceeding with price revisions while gaining the understanding of our customers about the impact of rising raw material prices, which is difficult to absorb through our own efforts alone. In addition, through aggressive investment in R&D, equipment, M&A activities, etc., we aim to continue to strengthen existing businesses and achieve growth in the 3 M fields to improve profitability through higher value-added products.

Through these initiatives to improve and enhance profitability, we will strive to obtain an appropriate evaluation of the value of our business by realizing sustainable growth through the continuous achievement of capital profitability that exceeds the cost of capital and increasing expectations for future profit, and aim to continue to improve PBR in conjunction with shareholder return measures.

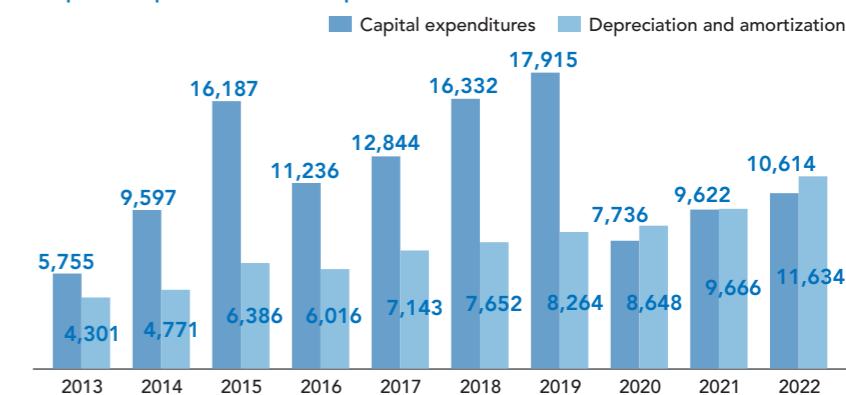
## Investment in Future Growth

To practice its Management Principle of "Contributing to international society and continuously increasing our contribution," Mabuchi Motor is proactively conducting R&D, capital investment and M&A activities for future growth.

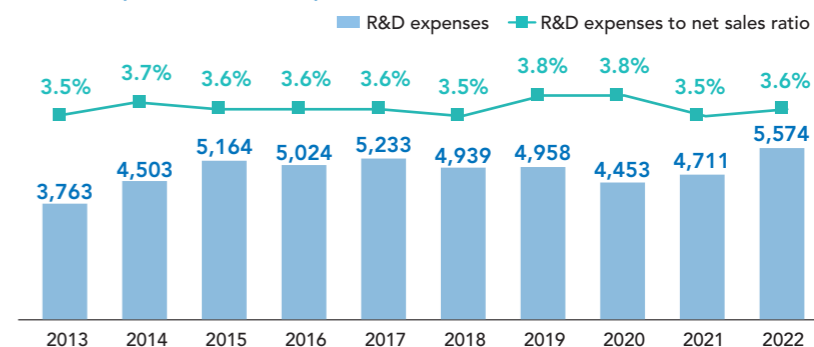
In recent years, we have been investing in the acquisition of land and buildings and production facilities of Mexico Mabuchi and Poland Mabuchi to establish production and supply systems in the Americas and Europe to develop the Five-Region Management Structure, but these investments have peaked out. We will continue to invest in production facilities for new products, increased production, labor reduction and in the field of IT to strengthen our management foundation.

Mabuchi Motor is currently aiming to grow in the 3 M fields of Mobility, Machinery and Medical, and is working to develop and launch new high value-added products for new applications. We will also actively promote R&D and M&A activities for the products and technologies needed in these areas.

#### Capital expenditures / Depreciation and amortization (million yen)



#### R&D expenses, R&D expenses to net sales ratio (million yen)



# Financial and Capital Management

## Basic Approach to Securing Funds

In the short span of around a decade, the world has faced multiple crises including the upheaval of the corporate business environment due to COVID-19 pandemic continuing from 2020, further underscoring the need to be prepared for situations that have the potential to shake the very foundations of corporate management. Moreover, in recent years, it has become essential that we address social issues such as the environmental impact of climate change and the protection of human rights, including in the supply chain.

At Mabuchi Motor, always believing that companies are public institutions and must last forever to fulfill their duty to contribute to society, we have set a Long-Term Management Policy, "Continue to contribute to all stakeholders' happiness and aim to increase it as a corporate citizen of the world." We have secured the necessary funds and built a solid management foundation to realize this goal. Our approach based on our policy is as follows.



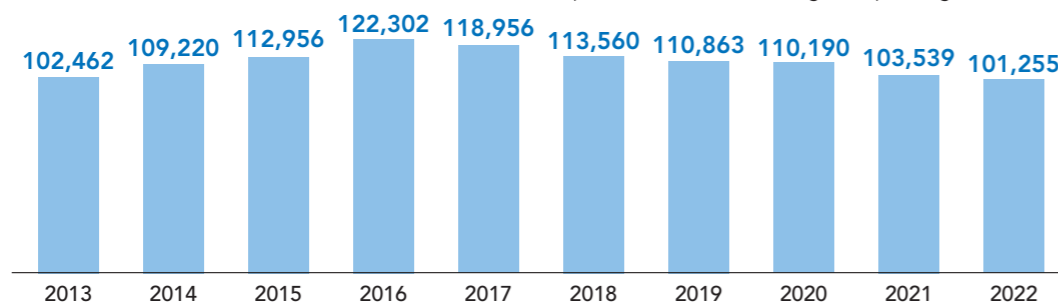
### Necessary funds

As the size of the business grows, the required funds will increase accordingly, and we always reasonably consider and calculate the funds that will be necessary.



### Cash and cash equivalents at end of period (million yen)

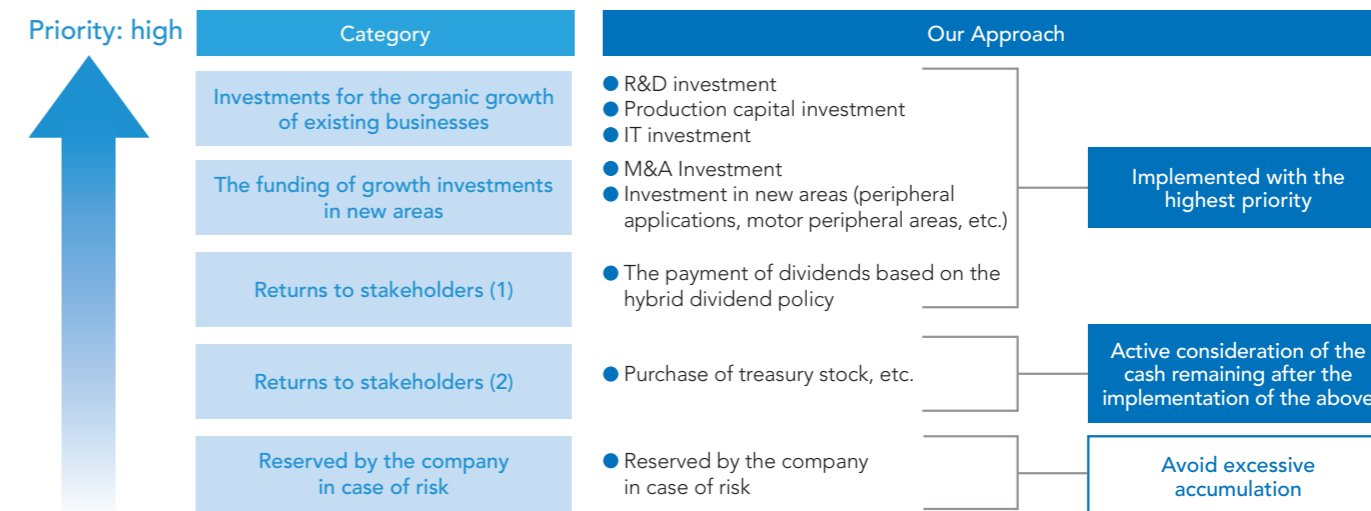
Over the past decade, the balance of cash and cash equivalents at end of period has been declining after peaking in 2016.



## Approach to Cash Allocation

Our fundamental thinking on cash allocation is unchanged in this Mid-Term Management Plan. Cash newly acquired from business activities during 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 based on the hybrid dividend policy.

Regarding the cash remaining after the above, we will consider the portion exceeding the necessary funds as calculated independently as a way to possibly augment shareholder returns (purchase of treasury stock, etc.) without excessively accumulating cash.

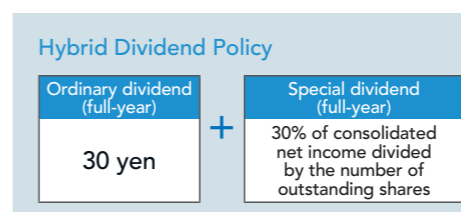


## Shareholder Returns

In keeping with our basic approach to securing funds and in consideration of the changes in business and market conditions, we will ensure appropriate shareholder return through a flexible and balanced capital policy that includes the purchase of treasury stock.

### Dividend policy

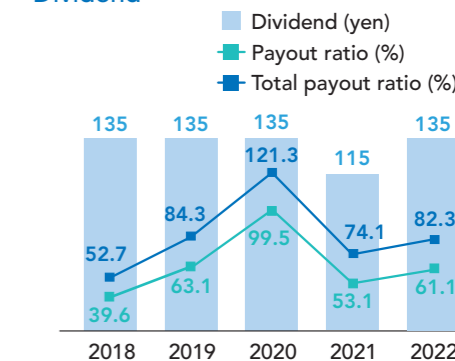
Our basic policy is to actively return profits to shareholders in line with business performance while maintaining financial soundness, and to pay dividends twice a year, an interim dividend and a year-end dividend, using retained earnings



to fund the research and development and capital investment necessary for the growth and development of the company.

The annual dividends for 2019 and 2020 were maintained at 135 yen per share as a temporary measure, considering the uncertainty of the business environment in the short term. For the 2021 dividend, the Company took transitional measures to return to the basic policy, adding half of the difference from the 2020 dividend amount to the calculated annual dividend amount based on the basic policy. For 2022, we have decided to pay a dividend of 135 yen per share (ordinary dividend of 30 yen and special dividend of 105 yen), the same amount as in the past, as a temporary measure.

### Dividend



### Treasury stock



### Purchase of treasury stock

We will continue to consider the purchase of treasury stock as appropriate, taking into account PBR and other conditions, in addition to surplus funds and cash flow, to flexibly respond to changes in the stock price and business environment and as a part of our capital policy and a way of returning profits to shareholders.