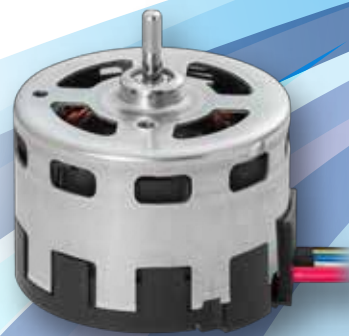


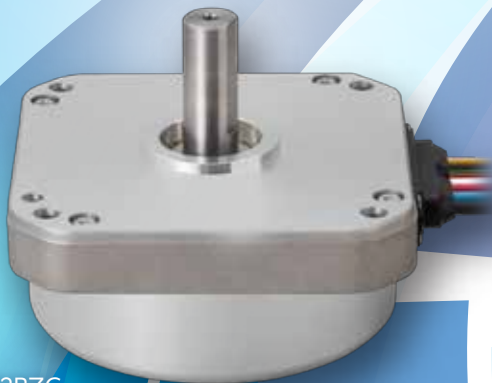


Annual Report 2018

Year ended December 31, 2018

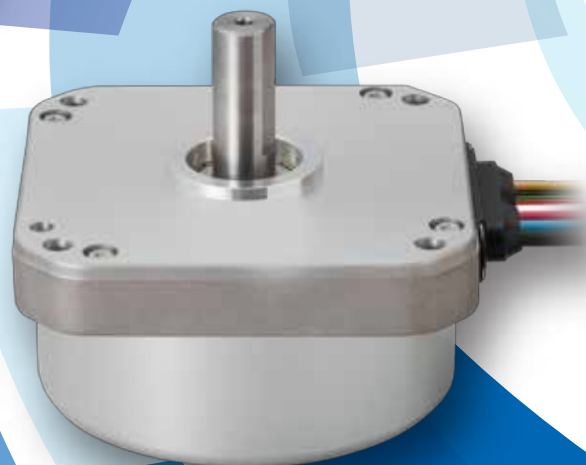


Motor for vacuum cleaner
ID-659ZA



IS-92BZC

Motor for commercial
robot and light electric
vehicle



IS-94BZC

Expanded Our Lineup
in the Consumer and
Industrial Products Market
to Achieve Further Growth

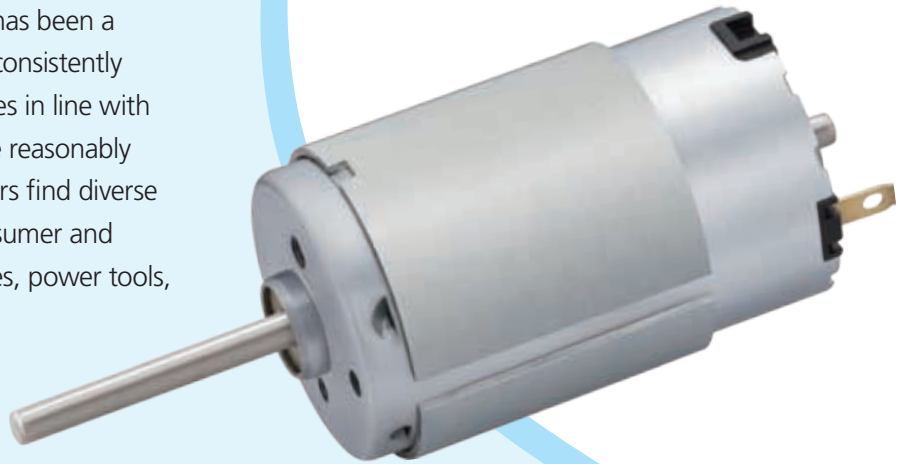
Motors for the Future of People Around the World

———— We Expanded Our Lineup in the Consumer and Industrial Products Market in Addition to the Automotive Products Market to Achieve Further Growth

Since its founding, Mabuchi Motor Co., Ltd. has been a specialist manufacturer of small motors that consistently deliver high quality and efficiency at low prices in line with our basic policy of “bringing better and more reasonably priced goods to the market.” Our small motors find diverse applications in automotive products and consumer and industrial products, including home appliances, power tools, precision and office equipment, audio and visual equipment, and toys. In this way, we contribute to convenient, comfortable living for people the world over.

“The Mabuchi Group is the world’s leading producer of small motors. Our annual production volume of approximately 1,562 million units (in 2018) is testimony to the excellent reputation and trust we have built with our customers and a source of great pride for us.

In the coming years, we will continue to aspire to create new value through product development adaptable to market needs and through a flexible supply system.”



Enlarging Our Contribution Through New Business

We hope to challenge ourselves in new business spheres by creatively combining the technology we have cultivated over the years into new forms that are applicable to tomorrow’s needs. By investigating resources outside our walls and by measuring our in-house capabilities, we strive to develop new technological platforms. By refining our product and business skills, we in turn strengthen our own internal structure. Attentive to current technological trends, we invest our energy in business fields where we believe Mabuchi Motor can excel. Our constant hope is to provide highly advanced technology, products, and services with a special touch of “Mabuchi-ness.”

Enlarging Our Contribution to Existing Businesses

By improving the products and processes of our existing strata of businesses and by retaining the unique high technology of crucial components within our enterprise, we are able to accomplish the following endeavors that buttress our continuous effort to raise consumer satisfaction.

Exerting Continuous Strength

To build realistic and effective organizational power, it is imperative for all employees to have a sense of autonomy and responsibility when tackling a challenging, worthwhile project. With his or her own strength, every employee must exert a sense of leadership, and by sharing a common direction as a team, aim toward success. By maximizing the capacities of each individual and by concentrating these unique forces into one, we are able to realize “Mabuchi Strength.”



Contributing to International Society and Continuously Increasing Our Contribution.



Mabuchi's Management Vision

Management Guidelines

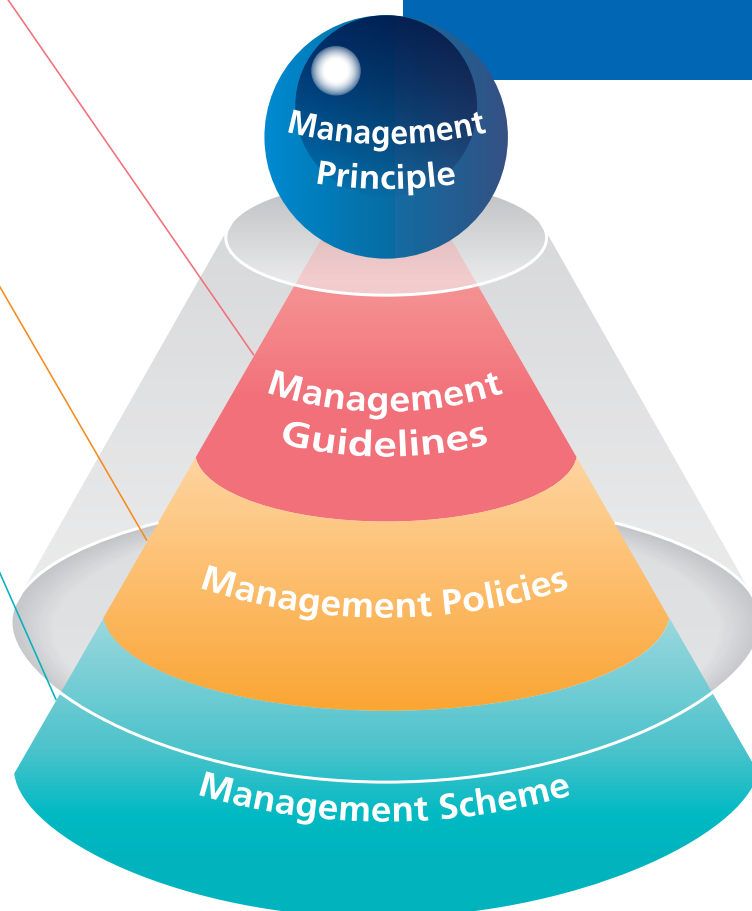
The "Management Guidelines" offer a direction for how to perceive and realize the "contribution" expressed in the "Management Principle." These guidelines also state the services our business activities should aspire to perform. We aim to be a corporation that can continue to aggrandize this "contribution" and proceed in strength and perseverance.

Management Policies

When new "value" created through our business activities is recognized and received by society, the fruit of our contribution, "profit," can be achieved. The management policies of Mabuchi Motor act as a starting point for our philanthropic activities and the healthy growth of our business.

Management Scheme

For the future of Mabuchi Motor, while sustaining a distinct "Mabuchi-ness," we propose to proceed by compressing our organizational strength through selection and concentration. We believe that diversifying our business activities is not possible without contributing to society. The heart of our work does not reside solely in the realm of expanding sales. When our products are truly welcomed in the marketplace, the product of our contribution takes the shape of profit. We truly believe in this view of management, and will continue to support future endeavors based on this belief.



Our Management Vision

Forward-looking Statements

Statements concerning the business forecast are based on information available at the time of preparation. Actual results may differ from the forecast due to various factors.

Factors that may affect the operating results include but are not limited to:

- Fluctuations in exchange rates
- Changes in economic conditions, demand trends, and other factors surrounding Mabuchi's businesses
- Rapid technological innovations such as new techniques and new products
- Fluctuations in market prices of copper, steel, rare earths, and other materials

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2	Mabuchi's Management Vision	13	Corporate Governance
3	To Our Shareholders	14	Corporate Social Responsibility
7	Segment Information by Motor Application	15	Investor Information
9	Research and Development Activities	16	Corporate Data
10	Five-year Summary		

To Our Shareholders

We will steadily work together as the Mabuchi Group to further improve corporate value under the new medium-term management plan.

Hiroo Okoshi
Representative Director and
President CEO

Hiroo Okoshi



Business Results for Fiscal 2018

We report on the consolidated performance for the fiscal year ended December 31, 2018 (January 1 to December 31, 2018).

Consolidated net sales for fiscal 2018 were 143.1 billion yen. Operating income for fiscal 2018 was 21.2 billion yen. Income before income taxes was 22.9 billion yen.

Please see the table below for the rate of change.

Financial Highlights

	Millions of yen		Thousands of U.S. dollars	Rate of change
	2017	2018	2018	YoY
Net sales	¥146,925	¥143,116	\$1,289,333	-2.6%
Operating income	24,066	21,243	191,378	-11.7%
Profit attributable to owners of parent	20,303	22,925	206,532	+12.9%
Total assets	269,318	268,246	2,416,631	-0.4%
Net assets	242,179	244,454	2,202,288	+0.9%

Exchange rate: U.S.\$1 = ¥111

The growth of the global economy slowed amid concerns about economic conditions.

Economic Environment of Major Countries/Regions

The U.S. economy maintained solid growth and saw an increase in consumer spending against a backdrop of continued improvement in the employment environment.

The European economy received a boost from strong domestic demand, but sluggish exports slowed the pace of overall growth.

The Japanese economy showed modest expansion as a result of increased consumer spending accompanying improvement in the employment environment and capital investment.

Although overall growth continued in emerging market economies, the pace of growth of the Chinese economy slowed.

In the markets related to the Mabuchi Group's products, the automotive products market saw slowdowns from the late second half in Europe and China. The consumer and industrial products market saw continued stable demand for motors for personal care products and power tools, but

markets for certain other applications continued to contract.

Sales by application market and rate changes from the previous year are as follows:

▶ Sales by Application Market

Application by Market	Net Sales		Rate of change
	Millions of yen	Thousands of U.S. dollars	
Automotive Products Market	104,196	938,703	-1.5%
Consumer and Industrial Products Market	38,860	350,090	-5.5%

Exchange rate: U.S.\$1 = ¥111

For more information on products by application market, see Segment Information on pages 7–8.

▶ Main Efforts and Results of the Current Fiscal Year

We actively introduced and implemented a number of measures to increase our sales and market share, develop new markets, and make further advances toward higher quality and efficiency, which led to business growth during fiscal 2018 and for the future.

Specifically, these measures included making HANWA STEEL SERVICE (JIANGXI) CO., LTD. the Company's affiliate, commencing mass production of next-generation standard power window lifter motors for Japanese automakers, increasing sales of standard power window lifter motors for the Chinese market, increasing orders for new automotive products' applications, accelerating development of a range

of applications for standard brushless motors for light electric vehicles, implementing the Phase 3 Laborsaving Plan (FY2017–FY2019) as scheduled, commencing mass production at Poland Mabuchi and proceeding as planned with preparations to expand production capacity at Mexico Mabuchi, starting construction of a branch plant at Vietnam Mabuchi, and launching sales activities at Thailand Mabuchi.

By actively introducing and realizing measures to expand sales and market share, and develop new markets and make further progress in high quality and efficiency, we achieved results that will lead to business growth in the future.

▶ The Medium-term Management Plan

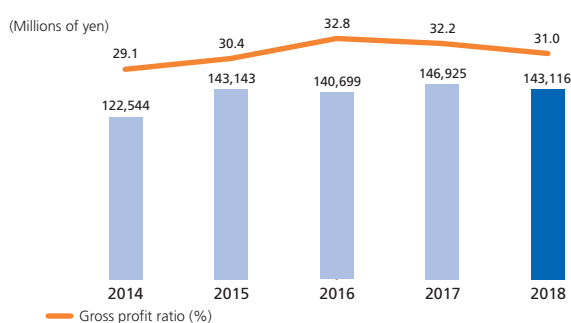
With regard to the medium-term management plan, due to concerns about the economic environment, etc., the market environment significantly deteriorated in the second half of 2018 (the final year). Even in that situation, our numerical targets, excluding those for sales, were generally achieved during the three fiscal years from fiscal 2016 through fiscal 2018. To steadily achieve sustainable growth, we have formulated a new medium-term business plan, with the three fiscal years from fiscal 2019 through 2021 as the planning years.

Management numerical targets (FY2021) are as follows:

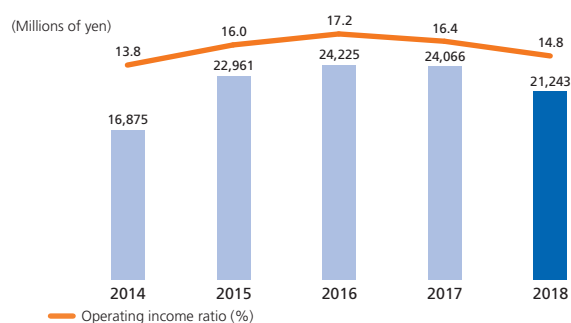
Sales Growth	Net Sales	Approx. 160 billion yen
Earnings Power	Operating Income Ratio	Approx. 15.0%
Capital Efficiency	Return on Equity (ROE)	Approx. 8.0%

* The assumed exchange rate premised for the above targets for fiscal 2021 is U.S.\$1 = ¥108.

Net Sales/Gross Profit Ratio



Operating Income



An outline of the key measures to achieve each goal of the medium-term management plan is as follows.

Medium-term Management Plan (FY2019-FY2021): Keys to Achieve the Plan

Sales Growth

- In motors for automotive products, maintain competitiveness in main products, including PW and PS motors to drive Company's business
- Comprehensively consider Company's strengths, potential for new applications, and cooperation with new and existing customers, to concentrate resources in these areas of focus
- In consumer and industrial motors, use external resources and achieve timely entry and sales expansion in light electric vehicles, housing equipment, and robotics markets

Earning Power

- As Next-generation Manufacturing Innovation, minimize manufacturing costs at all production lines and enhance earning power
- At the same time, automate and enhance functionality, especially in sensory evaluation

Capital Efficiency

- Raise profit margins and increase ROE through agile and flexible capital policy
- Continue activities including possible strategic use of shareholders' equity and treasury stock

FY2019 Priority Activities

Medium-sized Automotive Motors

Increase share in China's PW market by accelerating switch to new models

Increase orders through stronger region-specific approach to European and North American automakers

■ Strategy for China's PW market

- Innovate sales structure in China to respond faster to market changes
- Promote switch to newest models from first generation models

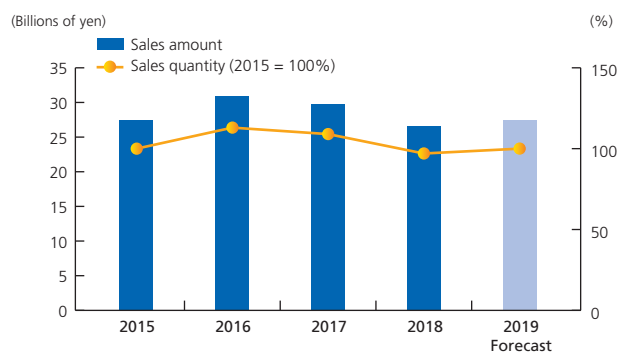
■ PW and PS motors for European and North American automakers

- Increase production capacity at Mexico Mabuchi, promote local production for local consumption
- Aim to obtain orders from new North American automaker (third company) and strengthen Americas sales structure
- In Europe, obtain new orders from high-end automaker, and leverage this to expand the number of equipped models
- Strengthen cooperation between European bases, with view to start manufacturing at Poland Mabuchi

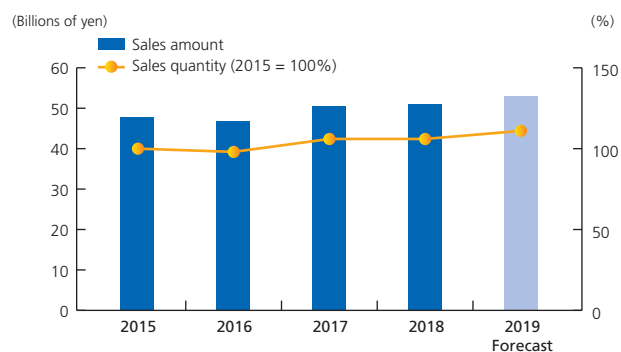
■ Address diversification of applications for medium-sized automotive motors

- Develop new products for increasingly diverse applications for medium-sized automotive motors, including PS and door area applications

▶▶ Power Window Lifter Motor Sales Results and Forecast



▶▶ Small Automotive Motor Sales Results and Forecast



* PW: Power window lifters
PS: Power seats
EPS: Electric parking brakes

Small Automotive Motors/ Consumer and Industrial Motors

Lead with newly developed motors for new automotive applications in areas where future growth is forecast

Expand use of IS series in light electric vehicles, proactively increase sales and introduce new models for housing equipment applications

■ Small automotive motors

- In new inquiries, including for new applications, proactively develop new products based on marketability, profitability, etc.

■ Consumer and industrial motors

- Increase options for standard brushless motors for light electric vehicles, accelerate development of multiple applications
- Accelerate sales growth of brushless motors for high-end home appliances, etc.
- Use external resources to expand scope of possible uses, leading to increased sales
- Following residential electronic locks, accelerate sales growth of small-diameter standard motors for growing housing equipment applications

Production Engineering Strategy

Minimize manufacturing costs through “Next-generation Manufacturing Innovation”

■ Next-generation Manufacturing Innovation

- Develop and apply expertise and technologies gained at innovative core production line in production lines going forward
- Ascertain functions required in respective automation systems and promote further standardization of production facilities to control capital expenditures

■ Phase 3 Laborsaving Plan (FY2017-FY2019)

- In FY2019, final year of the Phase 3 Laborsaving Plan, focus particularly on introduction of automatic inspection equipment utilizing image processing technology
- Overall effort to achieve 30% laborsaving vs. FY2016

Global Base Strategy

Steadily implement respective regional strategies, expand local business

Use global development strength to strengthen structure for local production for local consumption

■ Mabuchi Group

- Increase overall Group earning power by reviewing and reorganizing management structure for overseas subsidiaries

■ China

- Strengthen China regional headquarters function for further expansion of local autonomy
- Locally plan, implement, and manage overall China strategy, increase accuracy and speed of implementation

■ Respond to changes in external environment

- Shift production to optimize manufacturing locations, achieve local production for local consumption at global level, respond to changes in trade environment
- Steady progress in preparations for production at Poland Mabuchi and expansion at Mexico Mabuchi

➤ Shareholder Returns

Basic Policy on Dividends Unchanged

Hybrid Dividend Policy

- Ordinary dividend (full-year): ¥30
- Special dividend (full-year): 30% of consolidated net income divided by the number of outstanding shares
- Dividend amount calculated based on the consolidated net income results
- In FY2018-19 only, however, dividend payment will exceed this policy

Dividend:

Taking into account short-term uncertainty in management environment

FY2018: ¥135/share (unchanged from forecast announced on August 10, 2018)

FY2019: ¥135/share regardless of consolidated net income (plan)

* This is a special, limited-time measure; basic policy on dividends unchanged

Acquisition of treasury stock:

Acquire up to ¥3.0 billion or 1.2 million shares in February-March 2019

Segment Information by Motor Application

Below is a description of conditions in the markets for motors, the Mabuchi Group's main business, and a report on the Group's sales situation.

In fiscal 2018, consolidated net sales generated by motor sales amounted to 143,057 million yen, down 2.6% from the previous fiscal year.



Automotive
Products

72.8%

Automotive Products Market

Net sales in this market were 104.1 billion yen (a 1.5% decrease on a year-on-year basis).

Medium-sized Motors

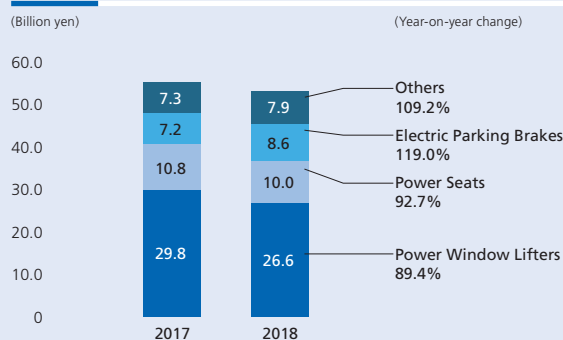
- For PW motors, new, high-torque standard products are growing, despite an overall decline from weak demand and a delay in switching from old to new models in the Chinese market
- Increase in sales of EPB motors due to an increase in the number of equipped models and higher installation rates
- In Others, increases in sales of motors for engine peripheral equipment, seat belt pretensioners, and door closers

Small Motors

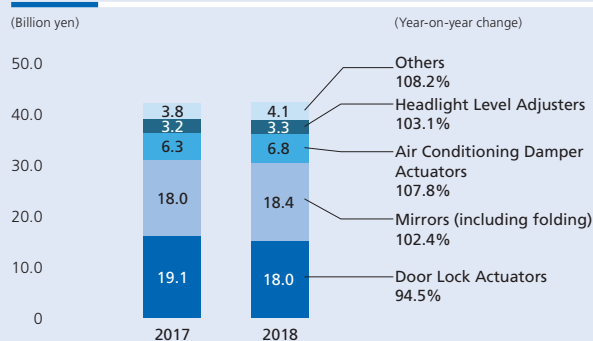
- Slight decline in motors for door lock actuators
- Sales growth in motors for mirrors on higher rate of installation and other factors
- Maintenance of high market share of motors for air conditioning damper actuators
- Increase in sales of motors for headlight level adjusters due to increases in the number of equipped models and market share

* PW: Power window lifters
PS: Power seats
EPS: Electric parking brakes

Sales by Main Application



Sales by Main Application





Consumer and Industrial Products Market

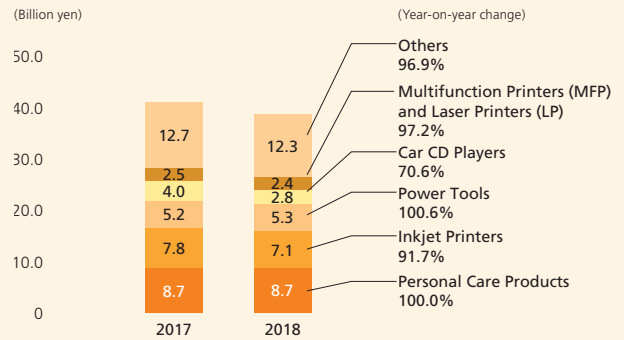
Consumer and Industrial Products

27.2%

Net sales in this market were 38.8 billion yen (a 5.5% decrease on a year-on-year basis).

- Motors for personal care products flat despite strength in midrange and high-end toothbrush segments
- Lower sales of motors for inkjet printers from market contraction
- Solid sales of motors for power tools
- Others generally flat despite growth in motors for housing equipment and medical equipment

Sales by Main Application



Sales Forecast by Market Automotive Products Market

Medium-sized Motors: 57.2 billion yen (a 7.3% increase on a year-on-year basis)

- Increase in sales of PW motors in the North American and Chinese markets due to increases in adoptions of high-torque standard products
- Decrease in sales of PS motors due to the impact of a change in the product mix and model changes of equipped models
- Increase in sales of EPB motors due to an increase in the number of equipped models and higher installation rates
- In Others, increases in sales of motors for engine peripheral equipment, seat belt pretensioners, and door closers

Small Motors: 53.0 billion yen

(a 4.4% increase on a year-on-year basis)

- Maintenance of a high market share of motors for door lock

actuators, mirrors, air conditioning damper actuators, and headlight level adjusters

- In Others, increases in sales of motors for steering locks, grille shutter actuators, and shift-by-wire systems

Consumer and Industrial Products Market

35.6 billion yen (an 8.2% decrease on a year-on-year basis)

- Although midrange and high-end toothbrush segments remain strong, overall decline for personal care products from the policy of emphasizing profitability in certain applications
- Decrease in sales of motors for inkjet printers due to market contraction
- Decrease in sales of Others overall due to the policy of emphasizing profitability, despite increases in sales of motors for medical equipment and housing equipment

U.S.\$1 = ¥108 (Estimate)

Net Sales by Application

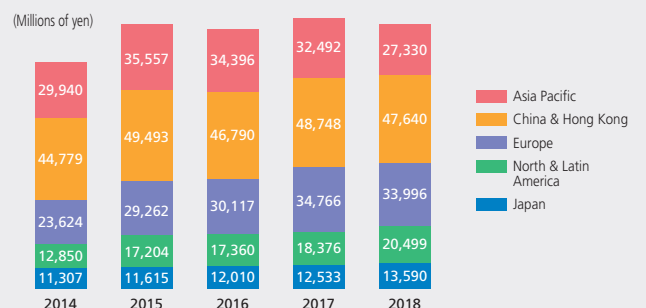
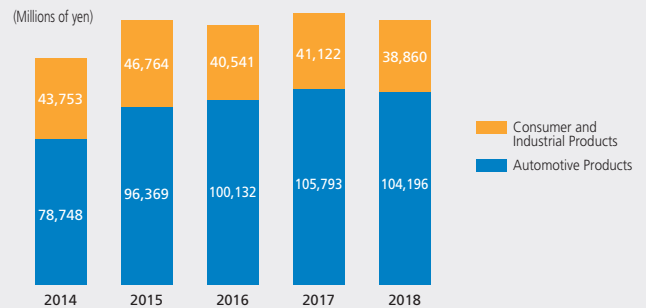
	Millions of yen					Thousands of U.S. dollars
	2014	2015	2016	2017	2018	2018
Automotive Products	¥ 78,748	¥ 96,369	¥100,132	¥105,793	¥104,196	\$ 938,703
Consumer and Industrial Products	43,753	46,764	40,541	41,122	38,860	350,090
Total Sales	¥122,502	¥143,134	¥140,674	¥146,915	¥143,057	\$1,288,802

U.S.\$1 = ¥111

Net Sales by Region

	Millions of yen					Thousands of U.S. dollars
	2014	2015	2016	2017	2018	2018
Japan	¥ 11,307	¥ 11,615	¥ 12,010	¥ 12,533	¥ 13,590	\$ 122,432
North & Latin America	12,850	17,204	17,360	18,376	20,499	184,676
Europe	23,624	29,262	30,117	34,766	33,996	306,270
China & Hong Kong	44,779	49,493	46,790	48,748	47,640	429,189
Asia Pacific	29,940	35,557	34,396	32,492	27,330	246,216
Total Sales	¥122,502	¥143,134	¥140,674	¥146,915	¥143,057	\$1,288,802

U.S.\$1 = ¥111



Research and Development Activities

The Mabuchi Motor Group's R&D activities are spearheaded by Mabuchi Motor Co., Ltd., the parent company, and MABUCHI MOTOR (DONGGUAN) CO., LTD. in the Asia segment. For the Company's R&D activities, we established the Development Headquarters, the Manufacturing Headquarters, and the Technical Research Institute.

The Development Headquarters consisted of five departments—Product Development Department 1, Product Development Department 2, Product Development Department 3, Product Development Department 4, and the Engineering Management Department. However, from September 2018, the Technical Research Institute was added to the Development Headquarters with the aim of strengthening our development system. This further reinforces a series of technological collaborations from R&D to product development. In particular, the Technical Research Institute is responsible for creating high added value, such as elemental technology development and new product development, with a focus on strategic applications. In addition, from fiscal 2017, the Technical Research Institute has been part of the business division system centered on applications, and the Company has adopted a matrix organization system.

The Manufacturing Headquarters consists of three departments—Production Engineering Department 1, Production Engineering Department 2, and the Operations Control Department. Production Engineering Department 1 is responsible for designing mass production facilities, supporting manufacturing, and designing molds. Production Engineering Department 2 is responsible for research on process designs and methods, as well as production technology. At the same time, the R&D center at MABUCHI MOTOR (DONGGUAN) CO., LTD. has been focusing on design improvement since its establishment. The center improves existing products for quick introduction to the local Chinese market and develops new products commissioned by the Company.

As for the application status of our products, under the business division system, the engineering departments and the sales departments work together to develop automotive product applications and applications to emphasize as pillars of future business.

▶ Mobile Applications

In 2018, we started mass production of new versatile products IS-92BZC and IS-94BZC and expanded the application to motors for medical bed assistance and electric lawn mowers. In 2019, we plan to start selling the developed drive circuit and gear unit options for mobility products and electric carts. In addition, we continue to expand our lineup for a wide range of applications, such as electric assisted bicycles, AGVs, and service robots.

▶ Power Window Applications

In 2018, we started mass production of a next-generation standard development model that enables Japanese automobile manufacturers to develop smaller, lighter products. We are carrying out further sales promotion activities and offering engineering

services. In addition, with our new development model, we received new orders from a European automobile manufacturer.

▶ Power Seat Applications

The introduction of small, distinctive, high-torque motors for power seats has led to increased adoption by major automotive manufacturers and sharp growth in sales and market share. Seeking to further increase market share, we are reinforcing our products and conducting sales expansion activities. In 2018, we prepared to start mass production of a derivative motor model for lumbar support. Furthermore, we are continuing to develop a new type of geared motor for recliners and have started developing applicable motors for various functions for automobile seats.

▶ Engine Peripheral Equipment Application

This application can contribute to energy savings by precisely controlling engines. At the same time, tolerance for higher temperatures and resistance to vibration are required for this application, compared with other applications. In 2018, we added optional specifications to RS-4F5 and RS-4G5, which had already gone into mass production, and are continuing sales promotion activities.

▶ Other Small Electrical Equipment Applications

We developed a motor in response to inquiries for new applications to achieve lower fuel consumption and further convenience and are currently preparing for mass production.

Research and development expenses for fiscal 2018 totaled 4,939 million yen, the total number of industrial property rights owned by the Company was 876 (191 domestic, 685 overseas), and the total number of new applications at home and abroad was 81. To contribute to global activities, we aim to improve product competitiveness by providing multifaceted in-house product protection of intellectual property rights. In addition, we are reviewing intellectual property education to promote engineers' awareness of intellectual property and proactive invention proposals.

Representative new products in fiscal 2018 are as follows:

(1) Brushless motors IS-92BZC and IS-94BZC

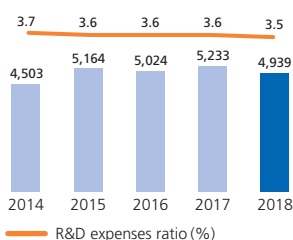
These are brushless motors with enhanced versatility used in a wide range of environments. Specifically, a waterproof function (IPX4 guaranteed) was added to conventional models, allowing them to be used for mobile and AGV applications.

(2) Brushless motor ID-659ZA

This is a new, high-speed brushless motor that is small and lightweight, with a high output, mainly used for handy cleaners. In addition, the inner rotor structure makes it a brushless motor with a high starting performance (compared with other companies' brushless motors for the same purpose).

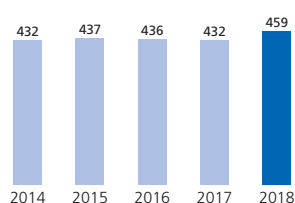
R&D Expenses/R&D Expenses Ratio

(Millions of yen)



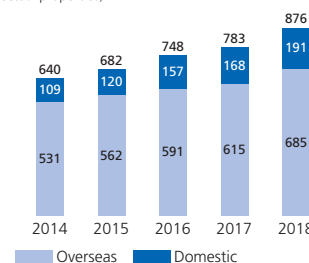
R&D Personnel

(Employees)



Number of Intellectual Properties

(Intellectual properties)



Five-year Summary

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries (Years Ended December 31)

	Millions of yen					Thousands of U.S. dollars
For the year:	2014	2015	2016	2017	2018	2018
Net sales	¥ 122,544	¥ 143,143	¥ 140,699	¥ 146,925	¥ 143,116	\$1,289,333
Cost of sales	86,929	99,673	94,510	99,619	98,788	889,982
Selling, general and administrative expenses	18,739	20,508	21,963	23,239	23,084	207,964
Operating income	16,875	22,961	24,225	24,066	21,243	191,378
Income before income taxes	23,595	26,593	26,539	27,485	29,323	264,171
Profit attributable to owners of parent	18,090	18,546	20,598	20,303	22,925	206,532
Capital expenditures	9,597	16,187	11,236	12,844	16,332	147,135
Depreciation and amortization	4,771	6,386	6,016	7,143	7,652	68,937
R&D expenses	4,503	5,164	5,024	5,233	4,939	44,495
Exchange gain, net	5,124	2,329	493	220	1,474	13,279
Cash flows:						
Net cash provided by operating activities	18,118	20,115	27,958	22,585	20,979	189,000
Net cash provided by (used in) investing activities	(11,977)	(1,178)	(3,440)	(14,027)	(12,735)	(114,730)
Net cash used in financing activities	(6,014)	(13,312)	(11,860)	(13,844)	(11,069)	(99,721)
At year-end:						
Total assets	256,368	256,196	258,387	269,318	268,246	2,416,631
Net assets	233,312	233,245	232,917	242,179	244,454	2,202,288
Per share data:					Yen	U.S. dollars
Profit attributable to owners of parent	258.02	266.98	300.70	299.74	341.19	3.07
Net assets	3,325.99	3,363.01	3,405.14	3,579.98	3,640.08	32.79
Dividends applicable to current year earnings	107.00	110.00	120.00	120.00	135.00	1.22
Other data:						
Operating income ratio (%)	13.8	16.0	17.2	16.4	14.8	—
ROE (%)	8.2	8.0	8.8	8.6	9.4	—
ROA (%)	9.9	10.6	10.2	9.8	9.2	—
Shareholders' equity ratio (%)	91.0	91.0	90.1	89.9	91.1	—
Number of shares outstanding (Thousands of shares)	35,144	69,468	68,587	67,792	67,238	—
Number of employees (Persons)	25,354	24,419	23,768	23,936	23,476	—

Notes:

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of U.S.\$1=¥111.
2. ROE is calculated by dividing net income by the average of total shareholders' equity plus the revaluation/translation adjustment during the period.
3. The shareholders' equity ratio is calculated by dividing the sum of total shareholders' equity and the revaluation/translation adjustment as of the end of the period by total assets as of the end of the period.
4. Per share data: The Company conducted a stock split on January 1, 2015, in which each share of the Company's common stock was split into two shares. Per share data has been calculated based on the number of shares issued after the stock split (excluding treasury stock). The results for fiscal year 2014 have been adjusted and restated, and reflect the amounts after the stock split to facilitate year-on-year comparison of results.

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

Consolidated net sales for fiscal 2018 were 143,116 million yen, a 2.6% decrease on a year-on-year basis. Motors sales, which account for the majority of consolidated net sales, were 143,057 million yen, a 2.6% decrease on a year-on-year basis.

Operating income for fiscal 2018 was 21,243 million yen, an 11.7% decrease on a year-on-year basis, with profit reduced by factors including weaker selling prices and a deterioration of the product mix, higher market prices for copper, steel, and other

commodities, and an increase in manufacturing costs associated with expanded production at the plant in Mexico.

Profit before income taxes was 29,323 million yen, a 6.7% increase on a year-on-year basis, which included a gain on sales of fixed assets from the sale of real estate at the Company's wholly owned subsidiary Mabuchi Industry Co., Ltd. (Hong Kong Mabuchi). Profit attributable to owners of parent was 22,925 million yen, a 12.9% increase on a year-on-year basis.

Analysis of Financial Position

Assets, Liabilities and Net Assets

As of December 31, 2018, total assets stood at 268,246 million yen, a decrease of 1,072 million yen from the end of the previous fiscal year. Major changes included an increase of 5,715 million yen in property, plant and equipment from capital investment including outlays for setting up a new production base, a decrease of 4,896 million yen in cash and bank deposits, a decrease of 3,170 million yen in trade notes and accounts receivable, an increase of 2,701 million yen in inventories, and a decrease of 2,202 million yen in investment securities.

Total liabilities stood at 23,791 million yen, a decrease of 3,347 million yen from the end of the previous fiscal year. The most noticeable changes were decreases in trade notes and accounts payable of 1,479 million yen, accrued income taxes of 1,041 million yen, and deferred tax liabilities (non-current) of 833 million yen.

From the end of the previous fiscal year, total net assets

increased by 2,274 million yen, to 244,454 million yen. Retained earnings increased by 11,881 million yen, and foreign currency translation adjustments and net unrealized holding gains or losses on securities decreased by 7,517 million yen and 2,526 million yen, respectively.

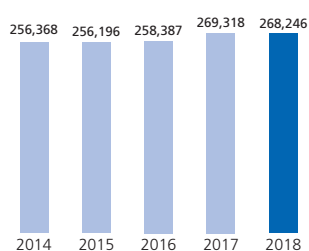
Cash Flows

Net cash provided by operating activities amounted to 20,979 million yen, a decrease of 1,605 million yen from the previous fiscal year. Profit before income taxes increased 1,837 million yen because of an increase of 4,345 million yen in gain on disposal of fixed assets.

Net cash used in investing activities amounted to 12,735 million yen, a decrease of 1,291 million yen in cash used from the previous fiscal year. Outlays for the purchase of fixed assets increased 1,708 million yen, but proceeds from sales of fixed assets also increased 5,230 million yen.

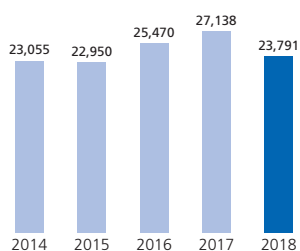
Total Assets

(Millions of yen)



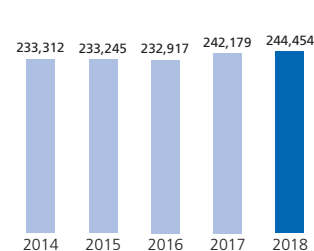
Liabilities

(Millions of yen)



Net Assets

(Millions of yen)



Net cash used in financing activities amounted to 11,069 million yen, a decrease of 2,775 million yen in cash used from the previous fiscal year. The main item was a 2,000 million yen reduction in outlays for the purchase of treasury stock.

As a result, the balance of cash and cash equivalents amounted to 113,560 million yen, a decrease of 5,396 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 2019

Although we see gradual growth in the global economy continuing in fiscal 2019, we expect growth rates to slow due to increased uncertainty related to concerns about economic conditions. In developed countries, we see solid growth driven by domestic demand continuing in the U.S. economy, despite concerns about effects of the direction of trade policy and the partial government shutdown. In Europe, in addition to concerns about Brexit negotiations and public finances in Italy, we expect the German economy to slow and forecast weaker growth for the European economy. We forecast continued gradual growth in Japan, with fiscal stimulus measures alleviating the effect of the consumption tax increase. For emerging countries overall, we expect gradual growth but with an even weaker rate of growth, as uncertainty about the Chinese economy increases.

In the Mabuchi Group's products markets, we forecast a slower rate of growth for the automotive products market, with growth continuing in South America, Russia, and Southeast Asia, but with the North American and European markets plateauing and the Chinese market slowing down. In the consumer and industrial products market, we expect demand for motors for home appliances and power tools to remain flat, and we see demand for motors for office equipment contracting.

As a result, in fiscal 2019, we expect to record net sales of 146,000 million yen, a 2.0% increase on a year-on-year basis.

In terms of business results, we forecast a 10.6% decline in operating income from fiscal 2018, to 19,000 million yen.

Although we anticipate a profit boost from increased sales volumes and an improved product mix, we forecast an overall decline due to a stronger yen and increased market prices for commodities, including copper and steel, along with an increase in selling, general and administrative expenses including startup costs for a new production base in Europe and proactive research and development. We anticipate ordinary income of 20,200 million yen, an 18.6% decrease, and profit attributable to owners of parent of 14,800 million yen, a 35.4% decrease, without taking foreign exchange gains or losses into consideration.

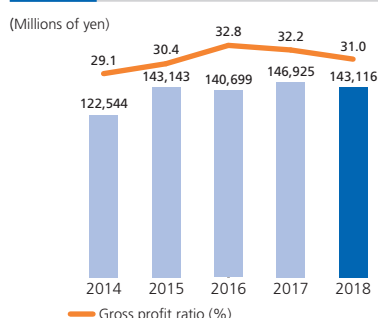
Capital Expenditures

Forecasting growth in capital expenditures to 18.8 billion yen to handle orders over the medium and long terms, and for new products, increased production capacity, and plant expansion.

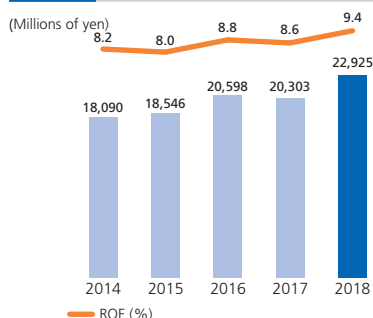
The main items in the projected capital expenditures are 11.0 billion yen in production facilities investment and 5.2 billion yen in building-related expenditures.

In addition to the expansion of the plant at Mexico Mabuchi and the construction of an additional plant at Vietnam Mabuchi, we anticipate increased investment in new products, increased production capacity, and additional labor-saving equipment.

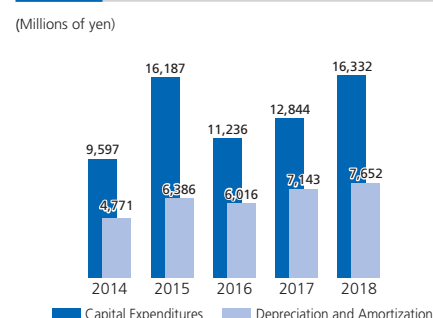
Net Sales/Gross Profit Ratio



Net income attributable to owners of parent/ROE



Capital Expenditures/Depreciation and Amortization



Corporate Governance

Basic Approach to Corporate Governance

The Management Principle of MABUCHI MOTOR CO., LTD. (the "Company") is "Contributing to International Society and Continuously Increasing Our Contribution" through the Company's small motors business. The Company understands that realizing this principle is its *raison d'être*. Corporate governance of the Company comprises the organizational structure and managerial systems that support the realization of its Management Principle and various management measures that maintain these systems. Accordingly, the fundamental objective in establishing and implementing an appropriate corporate governance framework is to further the interests of shareholders and other stakeholders on an ongoing basis through the creation of fair profits and the enhancement of corporate value. Constructing and maintaining a corporate governance system along the lines given below are indispensable for the Company as a listed company:

- To clearly separate management decision making and efficient business execution, and to clarify the scope of accountability;
- To build and operate a sound internal control system;
- To appoint a suitable number of independent officers whose interests do not conflict with those of shareholders to ensure the objectivity and neutrality of management's supervision functions;
- To foster a corporate culture in which all employees recognize and share the understanding that the practices of corporate ethics and compliance support the organization's social impartiality and are fundamental to living up to the trust and expectations of all stakeholders; and

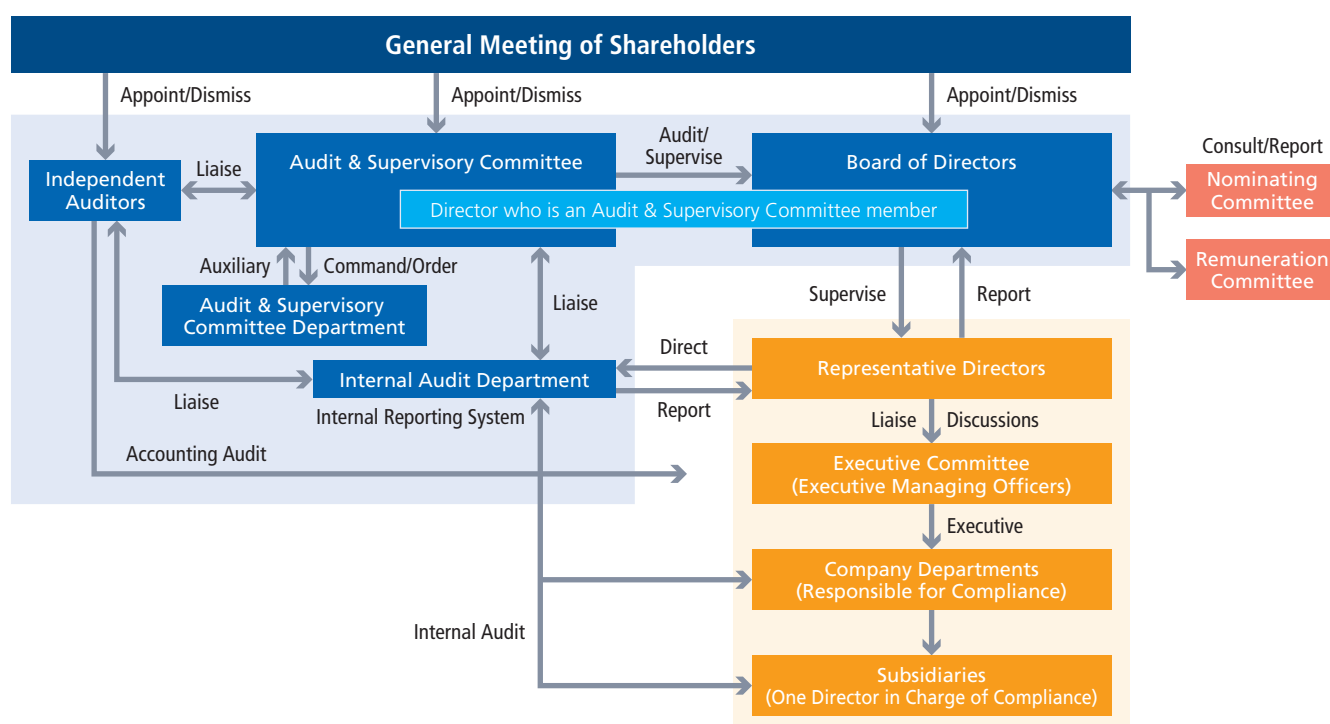
- To disclose corporate information to shareholders and other stakeholders in an appropriate, fair, timely, and clear manner and to ensure accountability through the Board of Directors and the Audit & Supervisory Committee.

Outline of Corporate Governance System and Reasons for Its Adoption

On March 28, 2019, Mabuchi Motor adopted the structure of a company with an audit and supervisory committee, with the aim of strengthening the supervision functions of the Board of Directors and speeding up management decision-making by delegating part of the executive decision-making authority to directors. We also established the Nominating Committee and the Remuneration Committee as discretionary advisory bodies to the Board of Directors.

In addition to appointing outside directors with high levels of independence and managerial experience, we have established and are operating multifaceted management oversight systems, such as audits by the Audit & Supervisory Committee, whose members include directors with high levels of independence and expertise, management (internal) audits, and quality control audits. We also have an audit by an independent accounting auditor. Through such systems, we maintain a disciplined management organization and realize appropriate risk management and compliance throughout the Mabuchi Motor Group.

This corporate governance system enables us to ensure efficient and transparent management. Going forward, we will continue to pursue frameworks that are best suited to the specific attributes of our business.



Corporate Social Responsibility

Contributing to Society through Motors

Achieving Sustainable Development Goals (SDGs)

To realize the SDGs (sustainable development goals), drawn up by the 193 countries that belong to the United Nations, we must not only recognize the issues but also create value to solve those issues. This value creation is the very concept of the management philosophy "Contributing to International Society and Continuously Increasing Our Contribution," which is the fundamental idea for carrying out all our activities.

All employees of the Mabuchi Group are engaged in day-to-day activities with the belief that companies exist to contribute to society and contribute to the well-being of people. Following this belief, we offer a flexible manufacturing system to make environment-friendly products with high performance and low price. Those products can be used in various applications in a wide range of fields. Ours is the world's top brand with a production rate of about 1.5 billion items a year.

Mabuchi Motor's mission as a specialized motor manufacturer is to supply better and cheaper products and contribute to reducing the size and weight of our customers' final products, thereby conserving energy and resources across society. We aim to do this by utilizing our technology and wisdom, thereby making our customers' lives more convenient, more comfortable, and safer. Therefore, we are striving to thoroughly develop the potential uses and benefits of motors and enhance their value.

Please refer to page 9 (Research and Development Activities) for details on new products.



Support for *Monozukuri* (Manufacturing) and Education

◆ Cosponsoring Robot Contests

Mabuchi has been cosponsoring and providing motors and funds for the National Technical College Robot Contest, the ABU Robot Contest, and the College Robot Contest. We support these events in the hope that we can help foster future engineers and develop science and technology.



◆ Teaching Children the Fun Side of Science

Visiting Classes: Our employees visit elementary schools in the Head Office area (Matsudo City) as science instructors every year. Summer Vacation Handicraft Class: We hold a "summer vacation handicraft class for parents and children" every year.

Supporting Local Communities

The entire Mabuchi Group has continuously been engaged in regional activities including environmental conservation projects and various other social and welfare activities.



Investor Information

(As of December 31, 2018)

Stock Data

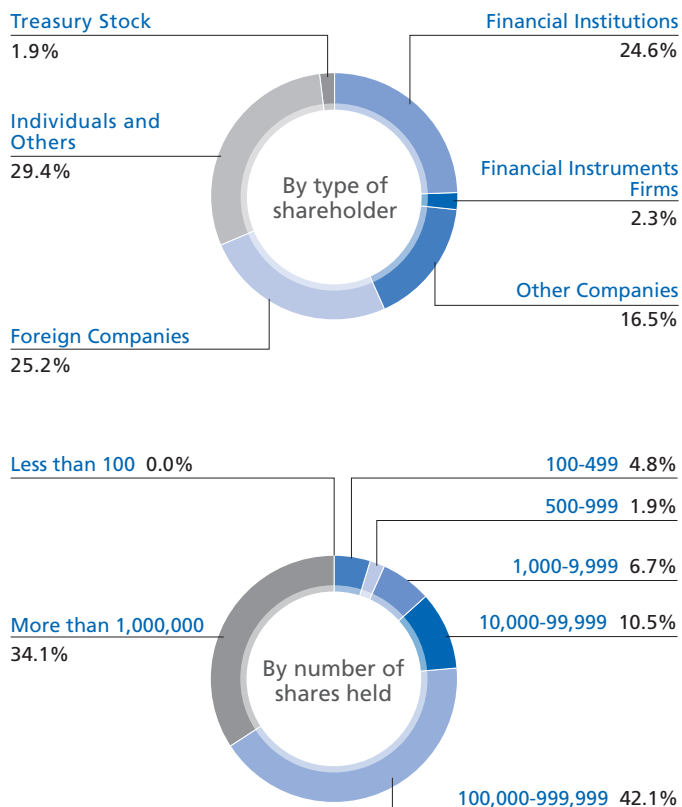
Number of Shares Authorized	200,000,000
Number of Shares Issued	68,562,462
Number of Shareholders	24,301

Major Shareholders

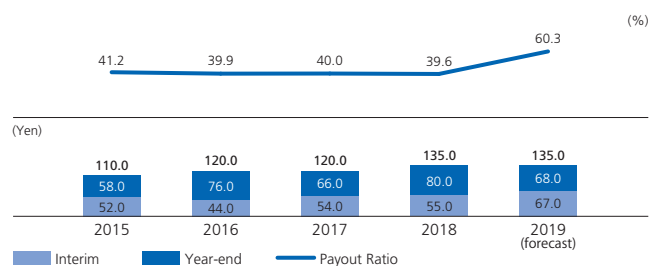
Major Shareholders	Number of Shares Held (Thousands)	Ratio of Shareholders (%)
Takaichi Mabuchi	5,000	7.4
Mabuchi International Scholarship Foundation	3,000	4.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,822	4.2
Japan Trustee Services Bank, Ltd. (Trust Account)	2,737	4.1
Premiere Corporation	2,068	3.1
Tamotsu Mabuchi	2,050	3.0
Takashi Mabuchi	2,010	3.0
TEXAS Inc.	1,856	2.8
Ray Corporation	1,746	2.6
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,686	2.5

Notes: 1. In addition to the above, Mabuchi Motor Co., Ltd. retains 1,323,854 shares of treasury stock.
2. Ratio of shareholders excludes the number of treasury stock.

Composition of Shareholders



Cash Dividends per Share/Payout Ratio



* We split each share of our common stock into two shares on January 1, 2015.

Changes in Standards for Calculating Dividends

Year	Ordinary Dividend per Share	Standard Value for Calculating Special Dividend
2015	30 yen ^{*1}	30% of consolidated net income
2014	60 yen	30% of consolidated net income
2007 ^{*2}	60 yen	20% of consolidated net income
2005	60 yen	20% of consolidated net income
2003	50 yen	20% of consolidated net income
1999	50 yen	5% of consolidated net income

*1 We split each share of our common stock into two shares on January 1, 2015.

*2 [Additional policy] Actual full-year dividend amount shall be based on the above calculation standards and shall not be less than the expected dividend amount announced during the full-year period unless a significant profit warning is issued.

Purchase History of Treasury Stock

Transaction period	Number of shares repurchased	Amount (Millions of yen)
Mar. 1, 2018 - Mar. 20, 2018	357,100	1,888
Feb. 16, 2018 - Feb. 28, 2018	206,400	1,111
Mar. 1, 2017 - Mar. 24, 2017	474,800	2,978
Feb. 16, 2017 - Feb. 28, 2017	326,800	2,021
Feb. 16, 2016 - Feb. 25, 2016	1,000,000	4,771
Mar. 13, 2015 - Mar. 23, 2015	219,200	1,393
Feb. 17, 2015 - Mar. 12, 2015	605,000	3,605

Trend of Stock Price and Related Indicators

	2014	2015	2016	2017	2018
High (Yen)	10,540	8,230	6,740	6,740	6,750
Low (Yen)	5,430	4,385	3,810	5,020	3,130
At year-end (Yen)	9,620	6,640	6,100	6,110	3,370
PER	18.6	24.9	20.3	20.4	9.9
PBR	1.4	2.0	1.8	1.7	0.9

Corporate Data

(As of December 31, 2018)

<https://www.mabuchi-motor.com/company/profile.html>

- **Company Name**
MABUCHI MOTOR CO., LTD.
- **Corporate Headquarters**
430 Matsuhidai, Matsudo City,
Chiba 270-2280, Japan
Tel: +81-47-710-1111
- **Established**
January 18, 1954
- **Paid-in Capital**
¥20,704 million
- **Number of Employees**
824 (Non-consolidated)
23,476 (Consolidated)
- **Ordinary General Meeting of Shareholders**
The Ordinary General Meeting of Shareholders will be held every March at Corporate Headquarters.
- **Independent Accountants**
Ernst & Young ShinNihon LLC
Tokyo, Japan
- **Shareholders' Register Custodian**
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
Tel: +81-120-232-711
- **Stock Listing**
Japanese Stock Exchange Listing
Tokyo Stock Exchange
- **Number of Subsidiaries**
Consolidated Subsidiaries 21
Non-consolidated Subsidiaries 3

Board of Directors, Audit & Supervisory Board Members, and Executive Officers

(As of March 31, 2019)

<https://www.mabuchi-motor.com/investor/management/executives/>

- **Board of Directors (excluding Audit & Supervisory Committee Members)**
 - Hiroo Okoshi**
Representative Director and President CEO
 - Masato Itokawa**
Representative Director COO, Senior Managing Executive Officer, in charge of Internal Controls and Chief Quality and Environmental Officer
 - Hirotarō Katayama**
Director, Managing Executive Officer, Assistant President and Chief Officer of Subsidiaries
 - Tadahito Iyoda**
Director, Group Executive Officer and Chief Regional Officer in the Americas
 - Eiji Uenishi**
Director, Executive Officer, Deputy Chief Business Officer, Senior General Manager of Product Development and Senior General Manager - Automotive Product Business Unit 1
- Shinichi Taniguchi**
Director, Executive Officer, Chief Technology Officer and Senior General Manager - Manufacturing Headquarters
- Naoki Mitarai**
Outside Director
- Kazuhiko Tsutsumi**
Outside Director
- Jody Ono**
Outside Director
- **Directors and Audit & Supervisory Committee Members**
 - Kazuyuki Someya**
Director and Full-time Audit & Supervisory Committee Member
 - Toru Masuda**
Outside Director and Audit & Supervisory Committee Member
 - Takashi Asai**
Outside Director and Audit & Supervisory Committee Member
- Yukie Toge**
Outside Director and Audit & Supervisory Committee Member
- **Executive Officers and Their Responsibilities (excluding those also serving as directors)**
 - Tadashi Takahashi**
Managing Executive Officer and in charge of Overseas Subsidiary Issue Management
 - Kentaro Shirai**
Managing Executive Officer, Chief Business Officer and Senior General Manager - Purchasing Headquarters
 - Isao Ichikawa**
Managing Executive Officer, Deputy Chief Business Officer, Senior General Manager of Sales & Marketing and Senior General Manager - Consumer and Industrial Product Business Unit
- Tsuyoshi Nakamura**
Executive Officer and Senior General Manager - Automotive Product Business Unit 2
- Toichi Koyata**
Executive Officer and Senior General Manager - Business Platform Innovation Headquarters
- Toru Shibasaki**
Executive Officer and Deputy Senior General Manager - Manufacturing Headquarters
- Takayuki Kokon**
Executive Officer and Senior General Manager - Administration Headquarters
- Tomofumi Imamura**
Executive Officer and Senior General Manager - Corporate Planning Headquarters
- Quan Da Yong**
Group Executive Officer and Chief Regional Officer in China

Consolidated Subsidiaries

Area	Company Name	
	(Formal)	(Informal)
North & Latin America	MABUCHI MOTOR AMERICA CORP.	AMERICA MABUCHI
	MABUCHI MOTOR MEXICO S.A. DE C.V.	MEXICO MABUCHI
Europe	MABUCHI MOTOR (EUROPE) GmbH	EUROPE MABUCHI
	MABUCHI MOTOR POLAND sp. z o.o.	POLAND MABUCHI
China & Hong Kong	MABUCHI INDUSTRY CO., LTD.	HONG KONG MABUCHI
	MABUCHI MOTOR (DONGGUAN) CO., LTD.	DONGGUAN MABUCHI
	MABUCHI PRECISION (DONGGUAN) CO., LTD.	LUDONG MABUCHI
	MABUCHI MOTOR DONGGUAN DAOJIAO CO., LTD.	DAOJIAO MABUCHI
	MABUCHI MOTOR (JIANGXI) CO., LTD.	JIANGXI MABUCHI
	MABUCHI MOTOR DALIAN CO., LTD.	DALIAN MABUCHI
	MABUCHI MOTOR WAFANGDIAN CO., LTD.	WAFANGDIAN MABUCHI
	MABUCHI MOTOR (JIANGSU) CO., LTD.	JIANGSU MABUCHI
	MABUCHI MOTOR (SHANGHAI) CO., LTD.	SHANGHAI MABUCHI
	MABUCHI MOTOR TRADING (SHENZHEN) CO., LTD.	SHENZHEN MABUCHI
Asia Pacific	MABUCHI TAIWAN CO., LTD.	TAIWAN MABUCHI
	MABUCHI MOTOR TAIWAN LTD.	KAOHSIUNG MABUCHI
	MABUCHI MOTOR VIETNAM LTD.	VIETNAM MABUCHI
	MABUCHI MOTOR DANANG LTD.	DANANG MABUCHI
	MABUCHI MOTOR (SINGAPORE) PTE. LTD.	SINGAPORE MABUCHI
	MABUCHI MOTOR KOREA CO., LTD.	KOREA MABUCHI
	MABUCHI MOTOR (THAILAND) CO., LTD.	THAILAND MABUCHI

Consolidated Balance Sheet

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2017 and 2018

ASSETS	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2017	2018	2018
Current Assets:			
Cash and bank deposits (Notes 3, 4)	¥117,963	¥113,066	\$1,018,619
Trade notes and accounts receivable (Note 4)	27,079	23,909	215,396
Less – Allowance for doubtful accounts	(148)	(104)	(944)
Short-term investments (Note 4)	2,948	2,500	22,522
Merchandise and finished goods	22,177	25,014	225,352
Work in process	1,608	998	8,993
Raw materials and supplies	9,221	9,696	87,355
Deferred tax assets – current (Note 8)	1,706	1,570	14,152
Other current assets	4,456	4,823	43,451
Total current assets	187,012	181,473	1,634,900
Property, Plant and Equipment:			
Land	6,661	6,633	59,758
Buildings and structures	45,955	48,936	440,868
Machinery and equipment	72,962	78,134	703,918
Construction in progress	10,628	11,099	99,999
	136,208	144,804	1,304,545
Less – Accumulated depreciation	(67,898)	(70,778)	(637,646)
Property, plant and equipment, net	68,310	74,025	666,898
Investments and Other Assets:			
Investment securities (Note 4)	11,411	9,208	82,960
Long-term loans receivable	–	453	4,085
Deferred tax assets – non-current (Note 8)	424	450	4,060
Other investments and other assets	2,159	2,633	23,727
Total investments and other assets	13,995	12,746	114,833
Total Assets	¥269,318	¥268,246	\$2,416,632

LIABILITIES AND NET ASSETS	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2017	2018	2018
Current Liabilities:			
Trade notes and accounts payable (Note 4)	¥7,856	¥6,376	\$57,448
Short-term loans payable	56	—	—
Accrued income taxes	2,854	1,812	16,327
Accrued bonuses due to employees	259	265	2,392
Accrued bonuses due to directors	143	161	1,450
Deferred tax liabilities – current (Note 8)	80	69	629
Other current liabilities	9,547	9,832	88,584
Total current liabilities	20,798	18,518	166,833
Long-term Liabilities:			
Accrued benefits for stock payment	130	117	1,056
Liability for retirement benefits (Note 7)	2,532	2,259	20,357
Asset retirement obligations	16	17	156
Deferred tax liabilities – non-current (Note 8)	3,353	2,519	22,698
Other long-term liabilities – non-current	306	359	3,239
Total long-term liabilities	6,340	5,273	47,508
Total liabilities	27,138	23,791	214,341
Net Assets (Note 2):			
Shareholders' Equity			
Common stock, no par value:			
Authorized: 200,000,000 shares			
Issued: 69,125,962 shares in 2017			
68,562,462 shares in 2018	20,704	20,704	186,529
Additional paid-in capital	20,419	20,419	183,962
Retained earnings	200,713	212,594	1,915,263
Treasury stock, at cost: 1,513,962 shares in 2017 and 1,323,854 shares in 2018	(7,486)	(7,400)	(66,671)
Total shareholders' equity	234,351	246,318	2,219,084
Accumulated other comprehensive income			
Net unrealized holding gains on securities	4,546	2,020	18,201
Deferred gains or losses on hedges	(87)	(37)	(334)
Foreign currency translation adjustments	4,443	(3,074)	(27,696)
Retirement benefits liability adjustments (Note 7)	(1,203)	(897)	(8,084)
Total accumulated other comprehensive income	7,698	(1,988)	(17,913)
Subscription rights to shares	130	124	1,119
Total net assets	242,179	244,454	2,202,291
Total Liabilities and Net Assets	¥269,318	¥268,246	\$2,416,632

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2017 and 2018

U.S. Dollars
(Thousands)
(Note 1)

	Number of Shares (Thousands)		Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2017	2018	2017	2018	
Common Stock:					
Beginning balance	69,927	69,125	¥20,704	¥20,704	\$186,529
Treasury stock cancellation	(801)	(563)	—	—	—
Ending balance	69,125	68,562	¥20,704	¥20,704	\$186,529
Additional Paid-in Capital:					
Beginning balance			¥20,579	¥20,419	\$183,962
Treasury stock disposal			(8)	0	7
Treasury stock cancellation			(151)	0	(7)
Ending balance			¥20,419	¥20,419	\$183,962
Retained Earnings:					
Beginning balance			¥193,141	¥200,713	\$1,808,226
Profit attributable to owners of parent			20,303	22,925	206,534
Dividends paid			(8,873)	(8,172)	(73,625)
Treasury stock cancellation			(3,858)	(2,871)	(25,871)
Ending balance			¥200,713	¥212,594	\$1,915,263
Treasury Stock:					
Beginning balance			¥(6,633)	¥(7,486)	\$(67,446)
Treasury stock acquisition			(5,001)	(3,002)	(27,046)
Treasury stock disposal			138	215	1,941
Treasury stock cancellation			4,009	2,872	25,879
Ending balance			¥(7,486)	¥(7,400)	\$(66,671)
Net Unrealized Holding Gains on Securities:					
Beginning balance			¥2,708	¥4,546	\$40,961
Net change during the year			1,838	(2,526)	(22,759)
Ending balance			¥4,546	¥2,020	\$18,201
Deferred Gains or Losses on Hedges:					
Beginning balance			¥(472)	¥(87)	\$(790)
Net change during the year			384	50	455
Ending balance			¥(87)	¥(37)	\$(334)
Foreign Currency Translation Adjustments:					
Beginning balance			¥4,222	¥4,443	\$40,028
Net change during the year			220	(7,517)	(67,725)
Ending balance			¥4,443	(3,074)	\$(27,696)
Retirement Benefit Liability Adjustments:					
Beginning balance			¥(1,443)	¥(1,203)	\$(10,846)
Net change during the year			239	306	2,761
Ending balance			¥(1,203)	¥(897)	\$(8,084)
Total Accumulated Other Comprehensive Income:					
Beginning balance			¥5,014	¥7,698	\$69,353
Net change during the year			2,683	(9,686)	(87,266)
Ending balance			¥7,698	¥(1,988)	\$(17,913)
Subscription Rights to Shares:					
Beginning balance			¥110	¥130	\$1,173
Net change during the year			19	(5)	(53)
Ending balance			¥130	¥124	\$1,119
Total Net Assets:					
Beginning balance			¥232,917	¥242,179	\$2,181,798
Profit attributable to owners of parent			20,303	22,925	206,534
Dividends paid			(8,873)	(8,172)	(73,625)
Treasury stock acquisition			(5,001)	(3,002)	(27,046)
Treasury stock disposal			130	216	1,949
Net changes in items other than those in shareholders' equity			2,703	(9,692)	(87,319)
Ending balance			¥242,179	¥244,454	\$2,202,291

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2017 and 2018

	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2017	2018	2018
Cash Flows from Operating Activities:			
Profit before income taxes	¥27,485	¥29,323	\$264,174
Depreciation and amortization	7,383	7,994	72,026
Increase (decrease) in liability for retirement benefits	104	127	1,150
Interest and dividend income	(588)	(889)	(8,009)
Exchange (gain) loss	136	(134)	(1,213)
(Gain) loss on sales of short-term investments and investment securities	36	—	—
(Gain) loss on disposal of fixed assets	(445)	(4,790)	(43,159)
Decrease (increase) in trade notes and accounts receivable	2,168	2,004	18,059
Decrease (increase) in inventories	(5,255)	(4,710)	(42,437)
Increase (decrease) in trade notes and accounts payable	126	(207)	(1,873)
Gain on reversal of foreign currency translation adjustments resulting from liquidation of foreign subsidiary	(1,259)	—	—
Other, net	(1,005)	(1,410)	(12,706)
Subtotal	28,887	27,307	246,011
Interest and dividends received	587	857	7,726
Income taxes paid	(6,889)	(7,185)	(64,730)
Net cash provided by operating activities	22,585	20,979	189,006
Cash Flows from Investing Activities:			
Proceeds from withdrawal of time deposits	168	—	—
Purchases of short-term investments	(1,000)	(2,000)	(18,018)
Proceeds from sales of short-term investments	500	2,000	18,018
Purchases of property, plant and equipment	(14,815)	(16,524)	(148,866)
Proceeds from sales of property, plant and equipment	802	6,033	54,355
Purchases of investment securities	(504)	(1,162)	(10,475)
Proceeds from sales of investment securities	1,093	—	—
Other, net	(271)	(1,082)	(9,748)
Net cash used in investing activities	(14,027)	(12,735)	(114,734)
Cash Flows from Financing Activities:			
Repayment of short-term loans payable	—	(56)	(511)
Repayment of long-term loans payable	(56)	—	—
Cash dividends paid	(8,872)	(8,170)	(73,608)
Purchases of treasury stock	(5,004)	(3,004)	(27,066)
Proceeds from sales of treasury stock	88	162	1,465
Net cash used in financing activities	(13,844)	(11,069)	(99,721)
Effect of exchange rate changes on cash and cash equivalents	(78)	(2,571)	(23,163)
Net increase (decrease) in cash and cash equivalents	(5,365)	(5,396)	(48,613)
Cash and Cash Equivalents at the Beginning of Year	122,302	118,956	1,071,681
Increase in cash and cash equivalents from newly consolidated subsidiary	2,019	—	—
Cash and Cash Equivalents at the End of Year	¥118,956	¥113,560	\$1,023,067

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2017 and 2018

1. Summary of Significant Accounting Policies

a Basis of presentation

The accompanying consolidated financial statements of Mabuchi Motor Co., Ltd. (the "Company") and consolidated subsidiaries are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

For the purpose of this report, certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

The consolidated financial statements are expressed in Japanese yen. However, the consolidated financial statements as of, and for the year ended December 31, 2018, have been translated into U.S. dollars at the rate of ¥111 = U.S.\$1, the approximate exchange rate prevailing on December 31, 2018. Those U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the convenience of the reader. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

b Principles of consolidation

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant inter-company balances, transactions, and profits have been eliminated on consolidation. Investments in unconsolidated subsidiaries are stated at cost.

c Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments in the consolidated financial statements.

d Cash equivalents

For the purposes of the consolidated statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

e Short-term investments and investment securities

The Company classifies securities as "trading securities," when they are held for the purpose of earning capital gains in the short-term, "held-to-maturity," where management has the positive intent and ability to hold the securities to maturity, and "other securities," where those securities are not classified as either trading or held-to-maturity, which represent primarily available-for-sale securities.

Held-to-maturity securities are reported at amortized cost. Available-for-sale securities are stated at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, presented in a separate component of net assets. However, when the fair value of held-to-maturity securities and available-for-sale securities declines significantly and the decline is considered to be irrecoverable, such unrealized holding losses are recognized as impairment losses. Available-for-sale securities for which fair value is not readily determinable are stated at moving average cost.

Corporate bonds classified as held-to-maturity securities and debt securities (corporate bonds) classified as available-for-sale securities include compound financial instruments.

The Company considers a decline in the value of securities to be irrecoverable where market values decline to more than 50% of acquisition costs. Where market values decline to between 30% and 50% of acquisition costs, the Company judges the necessity of recognizing any impairment losses by assessing the potential of market values to recover taking into consideration declining price trends and other individually relevant factors.

f Inventories

Finished goods, work in process and raw materials are stated at average cost, however, where net realizable value is lower than cost, the carrying value of the inventory is reduced.

g Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is computed primarily using the declining-balance method for the Company (except for certain buildings) and for overseas subsidiaries, principally using the straight-line method over their estimated useful lives. Buildings acquired by the Company on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method. Maintenance and repairs, including minor repairs and improvements, are charged to income as incurred.

h Leased assets

Assets under finance leases, except for those under lease agreements which stipulate the transfer of ownership of the leased assets to the lessee, are depreciated using the straight-line method over the lease period with the assumption that there is no residual value.

i Allowance for doubtful accounts

The allowance to provide for potential loss on receivables is provided at the estimated amount of irrecoverable receivables. Allowance for ordinary debt is computed based on the historical rate of default. For certain debts, such as those where recovery is doubtful, the likelihood of recovery is considered on an individual basis.

The allowance for doubtful accounts is adjusted after offsetting receivables and payables between consolidated subsidiaries.

j Accrued bonuses due to employees

Accrued bonuses due to employees are provided at the estimated amount to be paid to employees for the services rendered by the balance sheet date.

k Accrued bonuses due to directors

Accrued bonuses due to directors are provided at the estimated amount to be paid to directors for the services rendered by the balance sheet date.

l Accrued benefits for stock payment

Accrued benefits for stock payment are provided at the amount of stocks to be paid to directors through the trust by the balance sheet date based on the performance-linked stock compensation plan.

m Retirement benefits

(a) Allocation of projected retirement benefit obligation

In calculating the retirement benefit obligation, the benefit formula basis is used to allocate the projected retirement benefit obligation

to the estimated years of service of eligible employees.

(b) Method for amortizing actuarial gain or loss and prior service cost

Actuarial gains and losses are amortized commencing from the year following the year in which the gains or losses arose, primarily using the straight-line method within the average remaining years of service of the employees, which is mainly 10 years.

Prior service costs are amortized using the straight-line method mainly over 10 years.

(c) Application of simplified method at smaller-sized companies, etc.

Certain subsidiaries have pension plans similar to the Company or unfunded retirement and termination allowance plans for qualifying employees. Any amounts required under the rules of the plans have been fully accrued.

n Income taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using current enacted tax rates.

o Derivative and hedging activities

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the Company defers recognition of gains or losses on revaluation of the forward foreign exchange contract until the related losses or gains on the hedged items are recognized.

p Accounting standards issued but not yet effective

Tax Effect Accounting

(a) "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28 issued February 16, 2018)

(b) "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 revised February 16, 2018)

1) Overview

The following amendments were made to Accounting Standard for Tax Effect Accounting, etc. in connection with the transfer of authority for the practical guidance on tax effect accounting issued by the Japanese Institute of Certified Public Accountants to the ASBJ.

(Major revised treatments)

- The treatment of future taxable temporary differences pertaining to shares of subsidiaries in non-consolidated financial statements
- The treatment of recoverability of deferred tax assets in companies classified as Category 1

2) Scheduled date of adoption

The Company expects to adopt the Accounting Standard and the Implementation Guidance from the fiscal year beginning January 1, 2019.

3) Impact of adopting the accounting standards

The Company is currently evaluating the impact of adopting the Accounting Standard and the Implementation Guidance on its consolidated financial statements.

Revenue Recognition

(a) "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued March 30, 2018)

(b) "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued March 30, 2018)

1) Overview

The Accounting Standard and the Implementation Guidance provide comprehensive principles for revenue recognition. An entity applies the following five steps to recognize revenue.

- ① Identify the contracts with a customer
- ② Identify the separate performance obligations in the contract
- ③ Determine the transaction price
- ④ Allocate the transaction price to the performance obligations
- ⑤ Recognize revenue when or as the performance obligation is satisfied

2) Scheduled date of adoption

The Company expects to adopt the Accounting Standard and the Implementation Guidance from the fiscal year beginning January 1, 2022.

3) Impact of adopting the accounting standards

The Company is currently evaluating the impact of adopting the Accounting Standard and the Implementation Guidance on its consolidated financial statements.

q Additional information

(Accounting Treatment for Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts)

1. Outline of transactions

The ESOP Trust is a trust-type employee incentive plan that uses the mechanism of an employee shareholding association, with the purpose of attempting to expand the savings system that promotes the asset accumulation of employees who own the Company's shares (enhancement of the employee welfare programs). It is based on the Employee Stock Ownership Plan (ESOP) system in the United States.

The major purpose of introducing the ESOP Trust is to improve welfare programs for employees who support the Company's growth. The introduction thereof also aims to enhance the Company's corporate value over the medium to long term by granting an incentive toward high stock prices and creating greater awareness of the Company's business performance and stock value among its employees. This plan was finished in June 2018.

The Company has established a trust with those employee members of Mabuchi Motor Employee Shareholding Association (hereinafter "Our Shareholding Association") who meet certain requirements as its beneficiaries, and during a predetermined period for acquisition, said trust, or the ESOP Trust, will acquire the number of the Company's shares that Our Shareholding Association is expected to acquire over the next several years. Afterward, the ESOP Trust sells off the Company's shares to Our Shareholding Association on a fixed day every month. The remaining funds will be distributed according to the contribution ratio of the employees as beneficiaries when there are ESOP Trust earnings resulting from an upward swing in stock prices when the term of the ESOP Trust ends. There is no additional burden on the employees as the Company will pay back the loan payable collectively to the bank based on its guarantee clause in the loan agreement with the bank if a liability associated with the trust estate resulting from a loss is caused by a drop in stock prices.

The Company applied the "Revised Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No.30 revised on March 26, 2015).

2. Treasury shares remaining in the trust

Shares of the Company remaining in the trust are recorded as treasury stock under net assets through the carrying value (net of associated costs) in the trust. The carrying value was ¥162 million at December 31, 2017 and ¥- million (\$- thousand) at December 31, 2018.

Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the ESOP Trust

account. The number at year-end and the weighted average number of such treasury shares were 63,800 and 84,621 shares, respectively, during the fiscal year ended December 31, 2017 and 0 and 29,988 shares, respectively, during the fiscal year ended December 31, 2018.

3. Carrying value of loans recorded through application of the gross price method

As of December 31, 2017: ¥56 million; as of December 31, 2018: ¥- million(\$-thousand)

(Accounting Treatment for Performance-based Stock Compensation Plan for Directors and Executive Officers)

1. Outline of transactions

The Company has introduced the Executive Compensation BIP (Board Incentive Plan) Trust Plan, the executive remuneration system closely linked to the achievement of performance targets as set out in the medium-term management plan, with the purpose of enhancing the motivation of Directors to contribute to improved business performance and increased corporate value over the medium term.

Under the Plan, the Company's shares acquired through the BIP Trust and money equivalent to the amount obtained by converting the Company's shares into cash (collectively, the "Company Shares, etc.") will be delivered and paid (the "Delivery, etc." or "delivered, etc.") to those serving as Directors, etc., during the target period based on factors such as the status and level of attainment of performance targets throughout the trust term. Directors, etc., will receive the Delivery, etc., of Company Shares, etc., during a certain timeframe following the end of the target period. Originally, the target period was over the three-year period from the fiscal year ended December 31, 2016, to the fiscal year ended December 31, 2018. However, the plan was extended and the target period is over the three-year period from the fiscal year ending December 31, 2019, to the fiscal year ending December 31, 2021.

The Company applied the "Revised Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (ASBJ PITF No. 30 revised on March 26, 2015).

2. Treasury shares remaining in the trust

Shares of the Company remaining in the trust are recorded as treasury stock under net assets through the carrying value (net of associated costs) in the trust. The carrying value was ¥651 million at December 31, 2017 and ¥651 million (\$5,871 thousand) at December 31, 2018.

Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the BIP Trust account. The number of such treasury shares at December 31, 2017 was 116,386 shares, and at December 31, 2018 was 116,386 shares, and the number of such treasury shares during the fiscal year ended December 31, 2017 was 117,442 shares and during the fiscal year ended December 31, 2018 was 116,386 shares.

2. Changes in Net Assets

Information regarding changes in net assets for the years ended December 31, 2017 and 2018, is as follows:

a Shares issued and outstanding / Treasury stock

2017

Type of shares	Shares Issued (Thousands)	Treasury Stock (Thousands)
	Common stock	Common stock
Number of shares as of December 31, 2016	69,927	1,558
Increase in number of shares	-	801
Decrease in number of shares	801	846
Number of shares as of December 31, 2017	69,125	1,513

Note: 1. The decrease in the number of shares issued and the number of shares of treasury stock was due to the cancellation of 801 thousand shares.

2. The increase in the number of shares of treasury stock was due to the purchase of 801 thousand shares of treasury stock and the purchase of 0 thousand shares of less than one unit.

3. The decrease in the number of shares of treasury stock was, other than Note 1, due to sales of 34 thousand shares to Our Shareholding Association by the ESOP Trust, the exercise of 6 thousand stock options, the issue of 1 thousand shares and sales of 1 thousand shares held by the BIP Trust.

4. There were 98 thousand shares and 63 thousand shares of treasury stock held by the ESOP Trust included in the number of shares of treasury stock as of January 1, 2017 and December 31, 2017, respectively and there were 119 shares and 116 thousand shares of treasury stock held by the BIP Trust included in the number of shares of treasury stock as of January 1, 2017 and December 31, 2017, respectively.

2018

Type of shares	Shares Issued (Thousands)	Treasury Stock (Thousands)
	Common stock	Common stock
Number of shares as of December 31, 2017	69,125	1,513
Increase in number of shares	-	563
Decrease in number of shares	563	637
Number of shares as of December 31, 2018	68,562	1,440

Note: 1. The decrease in the number of shares issued and the number of shares of treasury stock was due to the cancellation of 563 thousand shares.

2. The increase in the number of shares of treasury stock was due to the purchase of 563 thousand shares of treasury stock and the purchase of 0 thousand shares of less than one unit.

3. The decrease in the number of shares of treasury stock was, other than Note 1, due to sales of 51 thousand shares to the market accompanied by the expiration of the ESOP Trust period, sales of 12 thousand shares to Our Shareholding Association by the ESOP Trust, disposition of 9 thousand treasury shares as restricted stock compensation, and the exercise of 1 thousand stock options.

4. There were 63 thousand shares and 0 thousand shares of treasury stock held by the ESOP Trust included in the number of shares of treasury stock as of January 1, 2018 and December 31, 2018, respectively and there were 116 thousand shares and 116 thousand shares of treasury stock held by the BIP Trust included in the number of shares of treasury stock as of January 1, 2018 and December 31, 2018, respectively.

b Share subscription rights

2017			Number of shares issued				Balance at December 31, 2017 Yen (Millions)
Company	Description	Type of shares issued	Number of shares at January 1, 2017	Increase	Decrease	Number of shares at December 31, 2017	
Parent Company	Subscription rights as stock options	-	-	-	-	-	¥130
Total		-	-	-	-	-	¥130

2018			Number of shares issued				Balance at December 31, 2018 Yen (Millions)	U.S. Dollars (Thousands)
Company	Description	Type of shares issued	Number of shares at January 1, 2018	Increase	Decrease	Number of shares at December 31, 2018		
Parent Company	Subscription rights as stock options	-	-	-	-	-	¥124	\$1,119
Total		-	-	-	-	-	¥124	\$1,119

c Dividends

Dividends paid during the fiscal year ended December 31, 2017

2017			Shareholders' Meeting	Board of Directors' Meeting
Resolution by			March 30, 2017	August 10, 2017
Total amount of dividends			¥5,212 million	¥3,660 million
Dividends per share			¥76	¥54
Record date			December 31, 2016	June 30, 2017
Effective date			March 31, 2017	September 15, 2017

Note: Dividends approved at the shareholders' meeting on March 30, 2017 paid to the ESOP Trust and BIP Trust in the amount of ¥16 million have been included in the total amount of dividends. Dividends approved at the Board of Directors' meeting on August 10, 2017 paid to the ESOP Trust and BIP Trust in the amount of ¥10 million have been included in the total amount of dividends.

Dividends whose record date was in the fiscal year ended December 31, 2017, but whose effective date was in the following fiscal year

2017		Shareholders' Meeting
Resolution by		March 29, 2018
Total amount of dividends		¥4,474 million
Dividends per share		¥66
Record date		December 31, 2017
Effective date		March 30, 2018

Note: Dividends paid to the ESOP Trust and BIP Trust in the amount of ¥11 million have been included in the total amount of dividends.

Dividends paid during the fiscal year ended December 31, 2018

2018			Shareholders' Meeting	Board of Directors' Meeting
Resolution by			March 29, 2018	August 10, 2018
Total amount of dividends			¥4,474 million (\$40,308 thousand)	¥3,698 million (\$33,316 thousand)
Dividends per share			¥66 (\$0.59)	¥55 (\$0.49)
Record date			December 31, 2017	June 30, 2018
Effective date			March 30, 2018	September 14, 2018

Note: Dividends approved at the shareholders' meeting on March 29, 2018 paid to the ESOP Trust and BIP Trust in the amount of ¥11 million (\$107 thousand) have been included in the total amount of dividends. Dividends approved at the Board of Directors' meeting on August 10, 2018 paid to the ESOP Trust and BIP Trust in the amount of ¥9 million (\$83 thousand) have been included in the total amount of dividends.

Dividends whose record date was in the fiscal year ended December 31, 2018, but whose effective date was in the following fiscal year

2018

	Shareholders' Meeting
Resolution by	March 28, 2019
Total amount of dividends	¥5,379 million (\$48,460 thousand)
Dividends per share	¥80 (\$0.72)
Record date	December 31, 2018
Effective date	March 29, 2019

Note: Dividends paid to the BIP Trust in the amount of ¥9 million (\$83 thousand) have been included in the total amount of dividends.

d Stock options

The Company issued the following share subscription rights for the purchase of new shares of common stock in accordance with the Corporation Law of Japan.

For the years ended December 31, 2017 and 2018, the Company recognized and allocated share-based compensation costs as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Selling, general and administrative expenses	¥43	¥ -	¥ -
Total	¥43	¥ -	¥ -

A description of the 2013, 2014, 2015, 2016 and 2017 Stock Option Plans as of December 31, 2017 and 2018, respectively, are summarized as follows:

	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan	2016 Stock Option Plan	2017 Stock Option Plan
Grantee categories and number of grantees	6 directors of the Company	6 directors of the Company	6 directors of the Company	6 directors of the Company 5 executive officers of the Company	6 directors of the Company 4 executive officers of the Company
Number of shares	11,940 shares of common stock	7,980 shares of common stock	4,650 shares of common stock	10,360 shares of common stock	8,180 shares of common stock
Grant date	May 20, 2013	April 21, 2014	April 20, 2015	April 20, 2016	April 20, 2017
Vesting conditions	None	None	None	None	None
Service period	None	None	None	None	None
Exercisable period	May 21, 2013 to May 20, 2033	April 22, 2014 to April 21, 2034	April 21, 2015 to April 20, 2035	April 21, 2016 to April 20, 2036	April 21, 2017 to April 20, 2037

Note: The Company conducted a 2-for-1 stock split of its common stock on January 1, 2015. The number of shares for fiscal 2013 and 2014 reflect the stock split.

The following table summarizes the option activity under the stock option plans referred to above.

	Number of shares				
	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan	2016 Stock Option Plan	2017 Stock Option Plan
Non-vested:					
Outstanding as of December 31, 2017	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding as of December 31, 2018	-	-	-	-	-
Vested:					
Outstanding as of December 31, 2017	5,800	3,880	3,810	8,440	8,180
Vested	-	-	-	-	-
Exercised	-	-	-	640	550
Forfeited	-	-	-	-	-
Outstanding as of December 31, 2018	5,800	3,880	3,810	7,800	7,630

Note: Number of stock options are listed after conversion to share numbers.

Price information of stock options for the 2013, 2014, 2015, 2016 and 2017 Stock Option Plans are summarized as follows:

	2013 Stock Option Plan	2014 Stock Option Plan	2015 Stock Option Plan	2016 Stock Option Plan	2017 Stock Option Plan	2017 Stock Option Plan
	Yen	Yen	Yen	Yen	Yen	U.S. Dollars
Exercise price	¥1	¥1	¥1	¥1	¥1	\$0
Average price on exercise	-	-	-	5,270	5,270	47
Fair value on grant date	4,967	6,158	5,465	4,699	5,304	47

Since it is fundamentally difficult to reasonably estimate the forfeited number of stock options for future periods, an estimation of the vested number is based upon actual forfeitures in prior periods.

3. Cash and Cash Equivalents

Cash and cash equivalents at the end of the year in the accompanying consolidated statement of cash flows are reconciled to cash and bank deposits reported in the accompanying consolidated balance sheet as of December 31, 2017 and 2018, as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Cash and bank deposits	¥117,963	¥113,066	\$1,018,619
Time deposits with maturities over three months at the time of purch:	(6)	(6)	(55)
Short-term investments	2,948	2,500	22,522
Securities exposed to price risk	(1,948)	(2,000)	(18,018)
Cash and cash equivalents	¥118,956	¥113,560	\$1,023,067

Significant non-cash transactions for the years ended December 31, 2017 and 2018, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Treasury stock cancellation	¥4,009	¥2,872	\$25,879

4. Financial Instruments

(1) Financial instruments

a. Policies for financial instruments

The Company funds R&D expenditure and equipment investment through retained earnings to maintain a sound financial position. According to this policy, the Company limits the management of surplus funds to short-term deposits and other highly secure financial assets. The Company uses derivatives to mitigate risks as described below and does not engage in speculative transactions.

b. Financial instruments description and risks

Trade notes and accounts receivable are exposed to customer credit risk and some are also exposed to foreign currency risk.

Short-term investments and investment securities, primarily securities and investments in stocks of trading partners, are exposed to the risk of fluctuations in market prices.

Trade notes and accounts payable are due within one year, and some are exposed to foreign currency risk.

The Company uses forward foreign exchange contracts to hedge the risk of foreign exchange fluctuations associated with receivables and payables and forecasted transactions denominated in foreign currencies.

c. Risk management of financial instruments

1. Management of credit risk (risks associated with the default of counterparties)

The Company and its consolidated subsidiaries manage credit risk in compliance with internal control rules and procedures. The due dates and the balances of trade notes and accounts receivable from major counterparties are monitored and managed regularly to ensure early detection and to mitigate the risk of doubtful receivables.

2. Management of market risk (risks associated with fluctuations in foreign exchange rates and interest rates)

The Company and some of its consolidated subsidiaries hedge the risk of foreign exchange rate fluctuations on foreign currency denominated receivables and payables and forecasted transactions, using foreign exchange forward contracts on a monthly and individual currency basis. The Company enters into exchange contracts based on the decision of the Board of Directors and these are monitored regularly by the head office administrative department.

The Company monitors the fair value and the financial position of the respective issuers of short-term investments and investment securities regularly in the head office administrative department, and continually reviews the condition of stocks held. The Company reports the condition of stocks held and their fair value to the Board of Directors, and monitors the rating and financial conditions of issuers.

3. Management of liquidity risk related to financing activities (risk of non-payment on due date)

The Company manages liquidity risk centrally through the administrative department, which ensures a certain amount of liquidity through the preparation and update of cash forecasts based on reports from each department and the finance plans prepared by the accounting departments of each subsidiary.

d. Supplemental information on the fair value of financial instruments

The Company calculates the fair value of financial instruments based on market prices, or by using reasonable estimates when market prices are not available.

These estimates include variable factors, and therefore may change depending on changes in the underlying assumptions. The contract amounts of the derivatives described in Note 6. Derivative Financial Instruments are not indicative of the market risk associated with derivatives transactions.

(2) Fair value of financial instruments

The carrying value, fair value and variance for financial instruments as of December 31, 2017 and 2018, were as follows. Fair values that are not readily determinable are not included in the following table.

	Yen (Millions)		
	2017		
	Carrying value	Fair value	Variance
Assets:			
(1) Cash and bank deposits	¥117,963	¥117,963	¥ -
(2) Trade notes and accounts receivable	27,079	27,079	-
(3) Short-term investments and investment securities	14,248	14,248	-
Total assets	¥159,290	¥159,290	¥ -
Liabilities			
Trade notes and accounts payable	¥7,856	¥7,856	¥ -
Total liabilities	¥7,856	¥7,856	¥ -

	Yen (Millions)			U.S. Dollars (Thousands)		
	2018			2018		
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
Assets:						
(1) Cash and bank deposits	¥113,066	¥113,066	¥ -	\$1,018,619	\$1,018,619	\$ -
(2) Trade notes and accounts receivable	23,909	23,909	-	215,396	215,396	-
(3) Short-term investments and investment securities	11,433	11,433	-	103,005	103,005	-
Total assets	¥148,409	¥148,409	¥ -	\$1,337,021	\$1,337,021	\$ -
Liabilities						
Trade notes and accounts payable	¥6,376	¥6,376	¥ -	\$57,448	\$57,448	\$ -
Total liabilities	¥6,376	¥6,376	¥ -	\$57,448	\$57,448	\$ -

1: Method for calculating the fair values of financial instruments, short-term investments and derivative transactions

Assets:

(1) Cash and bank deposits, (2) Trade notes and accounts receivable

The carrying value is used for the fair value of these short-term items because these amounts are approximately the same.

(3) Short-term investments and investment securities

Market prices on securities exchanges are used to determine the fair value of stock. Prices quoted by exchanges or financial institutions are used to determine the fair value of bonds.

Liabilities:

(1) Trade notes and accounts payable

The carrying value is used for the fair value of these short-term items because these amounts are approximately the same.

Derivative instruments:

Please refer to Note 6. Derivative Financial Instruments.

2: Carrying value of financial instruments for which fair values were extremely difficult to determine

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
	Unlisted stocks	¥112	¥275

These items are not included in "(3) Short-term investments and investment securities" because market prices do not exist for these items and their fair values are not readily determinable.

3: Redemption schedule for receivables and marketable securities with maturities at December 31, 2017 and 2018

	Yen (Millions)		
	2017		
	Within 1 year	1-5 years	5-10 years
Cash and bank deposits	¥117,963	¥ -	¥ -
Trade notes and accounts receivable	27,079	-	-
Short-term investments and investment securities			
Other securities			
Corporate bonds	3,000	-	-
Total	¥148,042	¥ -	¥ -

	Yen (Millions)			U.S. Dollars (Thousands)		
	2018			2018		
	Within 1 year	1-5 years	5-10 years	Within 1 year	1-5 years	5-10 years
Cash and bank deposits	¥113,066	¥ -	¥ -	\$1,018,619	\$ -	\$ -
Trade notes and accounts receivable	23,909	-	-	215,396	-	-
Short-term investments and investment securities						
Other securities						
Corporate bonds	2,000	-	-	18,018	-	-
Certificate of deposit	500	-	-	4,504	-	-
Total	¥139,475	¥ -	¥ -	\$1,256,538	\$ -	\$ -

5. Investment Securities

The carrying value, fair value and variance for held-to-maturity securities as of December 31, 2017 and 2018, were as follows:

(1) Held-to-maturity securities

They were not applicable for the years ended December 31, 2017 and 2018.

The acquisition cost, carrying value and variance for other securities as of December 31, 2017 and 2018, were as follows:

(2) Other securities

	Yen (Millions)		
	2017		
	Carrying value	Acquisition cost	Variance
Securities whose carrying value exceeds their acquisition cost			
Stock	¥10,788	¥4,528	¥6,259
Credit (Corporate bonds)	2,000	2,000	0
Other	511	500	11
Subtotal	13,299	7,028	6,270
Securities whose acquisition cost exceeds their carrying value			
Stock	-	-	-
Credit (Corporate bonds)	948	1,000	(51)
Subtotal	948	1,000	(51)
Total	¥14,248	¥8,028	¥6,219

Note: 1. Corporate bonds include compound financial instruments.

2. Unlisted stocks of ¥42 million are not included in "Other securities" because their market prices do not exist and their fair values are not readily determinable.

	Yen (Millions)			U.S. Dollars (Thousands)		
	2018			2018		
	Carrying value	Acquisition cost	Variance	Carrying value	Acquisition cost	Variance
Securities whose carrying value exceeds their acquisition cost						
Stock	¥5,153	¥1,942	¥3,211	\$46,431	\$17,502	\$28,929
Credit (Corporate bonds)	1,000	1,000	0	9,009	9,009	0
Subtotal	6,153	2,942	3,211	55,441	26,511	28,929
Securities whose acquisition cost exceeds their carrying value						
Stock	3,283	3,585	(301)	29,583	32,300	(2,716)
Credit (Corporate bonds)	1,000	1,000	-	9,009	9,009	-
Other	995	1,000	(4)	8,972	9,009	(36)
Subtotal	5,279	5,585	(305)	47,564	50,318	(2,753)
Total	¥11,433	¥8,528	¥2,905	\$103,005	\$76,829	\$26,176

Note: Unlisted stocks of ¥41 million (\$374 thousand) are not included in "Other securities" because their market prices do not exist and their fair values are not readily determinable.

(3) Other securities sold

	Yen (Millions)						U.S. Dollars (Thousands)		
	2017			2018			2018		
	Sold amount	Total gain	Total loss	Sold amount	Total gain	Total loss	Sold amount	Total gain	Total loss
Other	¥1,093	¥-	¥36	¥-	¥-	¥-	\$-	\$-	\$-
Total	¥1,093	¥-	¥36	¥-	¥-	¥-	\$-	\$-	\$-

(4) Held-to-maturity securities sold

They were not applicable for the years ended December 31, 2017 and 2018.

6. Derivative Financial Instruments

The Company enters into forward exchange contracts and options, and forward precious metal contracts, as a normal part of risk management efforts. The Company also utilizes compound financial instruments for the purpose of efficient management of surplus funds. However, only principal guaranteed instruments are used, and derivatives are not used for speculative trading purposes. As a result, the Company is exposed to risk of currency rate fluctuations and commodity price risk. The Company is also exposed to credit related losses in the event of the nonperformance of the counterparties to foreign exchange contracts, precious metal contracts and compound instruments. Management believes such credit risks are minor because of the high credit worthiness of the counterparties and as such financial instruments are not held for trading purposes.

Forward precious metal contracts are used by the Company to hedge the risk of changes in market prices resulting from the purchase of precious metals as raw materials for motor products. These contracts are long-term purchase contracts of raw materials, and are also not in the scope of the accounting standards of financial instruments.

The fair value of derivative transactions for which hedge accounting is not applied is the forward foreign exchange quotation or the price provided by correspondent financial institutions.

(1) Derivative transactions for which hedge accounting is not applied
1. Forward exchange contracts and currency option transactions

Yen (Millions)				
2017				
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	¥21,239	¥ -	¥1	¥1
Total	¥21,239	¥ -	¥1	¥1

Yen (Millions)				
2018				
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	¥19,708	¥ -	¥3	¥3
Total	¥19,708	¥ -	¥3	¥3

U.S. Dollars (Thousands)				
2018				
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	\$177,556	\$ -	\$33	\$33
Total	\$177,556	\$ -	\$33	\$33

2. Forward precious metal contracts

Yen (Millions)				
2017				
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	¥13,403	¥9,554	¥17,118	¥3,715
Total	¥13,403	¥9,554	¥17,118	¥3,715

Yen (Millions)				
2018				
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	¥9,385	¥5,654	¥9,918	¥532
Total	¥9,385	¥5,654	¥9,918	¥532

U.S. Dollars (Thousands)				
2018				
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	\$84,555	\$50,940	\$89,351	\$4,796
Total	\$84,555	\$50,940	\$89,351	\$4,796

(2) Derivative transactions for which hedge accounting is applied
Dividends receivable from foreign subsidiaries

Yen (Millions)					
2017					
Hedge accounting method	Hedging instrument	Hedged item	Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts	Dividends			
	Sell US\$		¥5,463	¥ -	¥(126)
Total			¥5,463	¥ -	¥(126)

Yen (Millions)					
2018					
Hedge accounting method	Hedging instrument	Hedged item	Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts	Dividends			
	Sell US\$		¥4,314	¥ -	¥(53)
Total			¥4,314	¥ -	¥(53)

U.S. Dollars (Thousands)					
2018					
Hedge accounting method	Hedging instrument	Hedged item	Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts	Dividends			
	Sell US\$		\$38,866	\$ -	\$(480)
Total			\$38,866	\$ -	\$(480)

7. Retirement Benefit Plans

The table below sets forth the plans' status and amounts recognized in the consolidated balance sheets at December 31, 2017 and 2018.

1. Movement in retirement benefit obligations

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Beginning balance	¥12,123	¥12,130	\$109,280
Service cost	470	479	4,324
Interest cost	76	73	662
Actuarial loss (gain)	(107)	(157)	(1,418)
Benefit paid	(611)	(909)	(8,191)
Other	178	(161)	(1,456)
Ending balance	¥12,130	¥11,455	\$103,200

2. Movement in plan assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Beginning balance	¥9,916	¥10,013	\$90,207
Expected return on plan assets	103	100	904
Actuarial gain (loss)	11	89	810
Contributions paid by the employer	462	451	4,068
Benefit paid	(611)	(661)	(5,957)
Other	130	(119)	(1,080)
Ending balance	¥10,013	¥9,873	\$88,953

3. Movement in retirement benefit obligations calculated using the simplified method

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Beginning balance	¥413	¥415	\$3,747
Retirement benefit cost	44	61	551
Benefit paid	(33)	(44)	(402)
Other	(8)	(16)	(150)
Ending balance	¥415	¥415	\$3,746

4. Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Funded retirement benefit obligations	¥12,130	¥11,455	\$103,200
Plan assets	(10,013)	(9,873)	(88,953)
	2,117	1,581	14,247
Unfunded retirement benefit obligations	415	415	3,746
Total net liability for retirement benefits at December 31	¥2,532	¥1,997	\$17,993

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Liability for retirement benefits	¥2,532	¥1,997	\$17,993
Total net liability for retirement benefits at December 31	¥2,532	¥1,997	\$17,993

5. Retirement benefit costs

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Service cost	¥470	¥479	\$4,324
Interest cost	76	73	662
Expected return on plan assets	(103)	(100)	(904)
Amortization of unrecognized actuarial gain	164	180	1,630
Amortization of prior service cost	20	0	6
Retirement benefit costs applying a simplified method	44	61	551
Other	34	288	2,601
Total retirement benefit costs for the fiscal year ended December 31	¥707	¥984	\$8,873

6. Retirement benefits liability adjustments before tax effect in other comprehensive income

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Prior service cost	¥20	¥0	\$6
Actuarial loss	283	408	3,684
Total balance amount for the year	¥304	¥409	\$3,690

7. Retirement benefits liability adjustments before tax effect in accumulated other comprehensive income

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Unrecognized prior service cost	¥1	¥0	\$8
Unrecognized actuarial loss	1,559	1,150	10,366
Total balance amount for the year	¥1,561	¥1,151	\$10,374

8. Plan assets

The fair values of plan assets, by major category, as a percentage of total plan assets were as follows:

① Plan assets at December 31, 2017 and 2018, comprise:

	2017	2018
General accounts	75.2%	67.6%
Bonds	13.6%	13.4%
Stocks	-	5.1%
Cash and deposits	4.5%	3.0%
Other	6.7%	10.9%
Total	100.0%	100.0%

② Long-term expected rates of return

The expected rates of return on plan assets have been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

	2017	2018
Discount rates	Mainly 0.4%	Mainly 0.3%
Expected rates of return on plan assets	Mainly 1.0%	Mainly 1.0%
Expected rates of salary increase	Mainly 2.7%	Mainly 2.8%

8. Income Taxes

1. Income taxes in Japan applicable to the Company consist of corporation tax, inhabitant's taxes and enterprise tax, which, in the aggregate, resulted in statutory rates of approximately 30.7% and 30.7% for the years ended December 31, 2017 and 2018, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rates for the years ended December 31, 2017 and 2018 was as follows:

	2017	2018
	Percentage	Percentage
Effective statutory tax rates	30.7	30.7
Tax credits on dividend income	0.6	0.9
Different tax rates applied to foreign subsidiaries	(5.7)	(9.8)
Tax deduction	(2.1)	(1.3)
Undistributed earnings in foreign subsidiaries	0.8	0.9
Valuation allowance	0.4	2.0
Other, net	1.4	(1.6)
Effective tax rates	26.1	21.8

2. The significant components of deferred tax assets and liabilities at December 31, 2017 and 2018, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Deferred tax assets:			
Enterprise tax payable	¥144	¥85	\$766
Depreciation	138	138	1,249
Liability for retirement benefits	585	537	4,838
Loss on retirement of fixed assets	-	320	2,883
Valuation losses on investment securities and other assets	247	247	2,232
Valuation losses on golf club membership	71	71	641
Impairment loss	12	11	105
Net unrealized holding gains on securities	15	93	838
Deferred gains or losses on hedges	38	16	146
Unrealized profits on inventories and fixed assets	1,558	1,455	13,116
Loss carried forward	485	1,068	9,623
Other	354	436	3,935
Subtotal	3,653	4,482	40,379
Valuation allowance	(914)	(1,550)	(13,967)
Total	¥2,738	¥2,931	\$26,411
Deferred tax liabilities:			
Tax on undistributed earnings in foreign subsidiaries	¥2,227	¥2,480	\$22,343
Reserve for reduction entry	(56)	(54)	(492)
Unrealized holding gains on securities	(1,688)	(885)	(7,974)
Other	(68)	(79)	(716)
Total	¥(4,041)	¥(3,499)	\$(31,527)
Net deferred tax assets (liabilities)	¥(1,303)	¥(567)	\$(5,115)
As reported in the consolidated balance sheet:			
Deferred tax assets-Current	¥1,706	¥1,570	\$14,152
Deferred tax assets-Non-current	424	450	4,060
Deferred tax liabilities-Current	(80)	(69)	(629)
Deferred tax liabilities-Non-current	(3,353)	(2,519)	(22,698)

9. Consolidated Statement of Comprehensive Income

The following table presents reclassification adjustments and tax effects for each component of other comprehensive income for the years ended December 31, 2017 and 2018.

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Net unrealized holding gains (losses) on securities:			
Amount arising during the year	¥2,444	¥(3,313)	\$(29,854)
Reclassification adjustments for gains and losses included in net income	36	-	-
Amount before tax effect	2,481	(3,313)	(29,854)
Tax effect	(643)	787	7,094
Net unrealized holding gains (losses) on securities	1,838	(2,526)	(22,759)
Deferred gains or losses on hedges:			
Amount arising during the year	555	73	659
Tax effect	(170)	(22)	(203)
Deferred gains or losses on hedges	384	50	455
Foreign currency translation adjustments:			
Amount arising during the year	220	(7,517)	(67,725)
Retirement benefits liability adjustments:			
Amount arising during the year	119	227	2,053
Reclassification adjustments for gains and losses included in net income	185	181	1,637
Amount before tax effect	304	409	3,690
Tax effect	(64)	(103)	(928)
Retirement benefits liability adjustments	239	306	2,761
Total other comprehensive income	¥2,683	¥(9,686)	\$(87,266)

10. Shareholders' Equity

Under the Japanese Corporation Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, where a distribution of earnings is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and the legal earnings reserve must be set aside as additional paid-in capital or as part of the legal earnings reserve. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

As of December 31, 2018, the total amount of additional paid-in capital and the legal earnings reserve exceeded 25% of the common stock; therefore, no additional transfer is required.

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. However, by a resolution at a shareholders' meeting, additional paid-in capital and the legal earnings reserve may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Year-end dividends are approved by the shareholders after the end of each fiscal year, and semiannual interim cash dividends are declared by the Board of Directors after the end of each interim six-month period.

On September 14, 2018, interim dividends (¥55 or \$0.49 per share) totaling ¥3,698 million (\$33,316 thousand) were paid to shareholders based on the shareholders' record at June 30, 2018. On March 28, 2019, the shareholders approved the declaration of dividends (¥80 or \$0.72 per share) totaling ¥5,379 million (\$48,460 thousand).

11. Amounts per Share

	Yen		U.S. Dollars
	2017	2018	2018
Profit attributable to owners of parent			
Basic	¥299.74	¥341.19	\$3.07
Diluted	¥299.61	¥341.05	\$3.07
	Yen		U.S. Dollars
	2017	2018	2018
Net assets	¥3,579.98	¥3,640.08	\$32.79

Notes: 1. Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the ESOP trust account and BIP trust account.

2. The number at year end of such treasury shares were 63,800 and 116,386 shares, respectively, during the fiscal year ended December 31, 2017, and 0 and 116,386 shares, respectively, during the fiscal year ended December 31, 2018.

3. The weighted average number of such treasury shares were 84,621 and 117,442 shares, respectively, during the fiscal year ended December 31, 2017, and 29,988 and 116,386 shares, respectively, during the fiscal year ended December 31, 2018.

The bases for calculation (net assets per share) are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Total net assets	¥242,179	¥244,454	\$2,202,291
Amounts deducted from total net assets:			
Share subscription rights	130	124	1,119
Net assets attributable to shares of Common stock	¥242,049	¥244,330	\$2,201,171
Number of Common stock on December 31 (Shares)	67,612,000	67,122,222	-

The bases for calculation (basic and diluted profit attributable to owners of parent per share) are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Profit attributable to owners of parent per share			
Profit attributable to owners of parent	¥20,303	¥22,925	\$206,534
Amounts not attributable to ordinary shareholders	-	-	-
Profit attributable to owners of parent in relation to Common stock	20,303	22,925	206,534
Average number of Common stock (Shares)	67,735,198	67,191,599	-
Diluted profit attributable to owners of parent per share			
Profit attributable to owners of parent adjustments	-	-	-
Increase in number of shares of Common stock (Shares)	29,230	29,243	-
Share subscription rights (Shares)	29,230	29,243	-

12. Selling, General and Administrative Expenses

The main components of “Selling, General and Administrative Expenses” for the years ended December 31, 2017 and 2018, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Packing and freightage expenses	¥1,168	¥1,173	\$10,575
Salaries and wages	9,031	9,341	84,161
Provision for bonuses due to employees	260	262	2,363
Provision for bonuses due to directors	143	161	1,450
Retirement benefit expenses	615	596	5,370
Employee benefit costs	1,739	1,927	17,364
Depreciation	1,584	1,565	14,107
Provision of allowance for doubtful debts	44	(56)	(512)
Research expenses	1,140	1,159	10,442

13. Contingent Liabilities

As of December 31, 2017 and 2018, the Company is contingently liable principally for forward precious metal contracts in the amounts of ¥13,403 million and ¥9,385 million (\$84,555 thousand), respectively.

14. Research and Development Expenses

Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥5,233 million and ¥4,939 million (\$44,502 thousand) for the years ended December 31, 2017 and 2018, respectively.

15. Other Income (Expenses)

A gain of ¥567 million and ¥6,023 million (\$54,266 thousand) on the sale of buildings and structures was recognized for the years ended December 31, 2017 and 2018, respectively, and included in gain on disposal of fixed assets, net. A loss of ¥1,050 million (\$9,465 thousand) on the disposal of construction in progress was recognized for the years ended December 31, 2018 and included in gain on disposal of fixed assets, net.

16. Impairment of Fixed Assets

There were no impairment losses relating to fixed assets to be disclosed in the notes for the fiscal years ended December 31, 2017 and 2018.

17. Segment Information

1. Overview of reporting segments

The reporting segments of the Company and its consolidated subsidiaries are regularly reviewed by the Board of Directors using the segregated financial information available within each segment of the Company and its consolidated subsidiaries, to determine the allocation of management resources and evaluate business results.

The Company and its consolidated subsidiaries specialize in small motors manufacturing and sales as a single line of business. The Company is in charge of the business activities in Japan. Meanwhile, subsidiaries located overseas are in charge of operations in Asia, North and Latin America, Europe, etc. Subsidiaries located overseas are independent management units and propose comprehensive product strategies while pursuing business expansion.

Since the Company and its consolidated subsidiaries are composed of regional segments based on a manufacturing and selling system, the Company and its consolidated subsidiaries have designated “Japan,” “Asia,” “North and Latin America” and “Europe” as their reporting segments.

2. Methods for calculating net sales, profits or losses, assets, liabilities and other items by reporting segment

The accounting policies and methods for the Group’s reporting segments are the same as described in “1. Summary of Significant Accounting Policies.”

Intersegment net sales are based on prevailing market prices.

3. Information concerning net sales, profits or losses, assets, liabilities and other items by reporting segment

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Net sales:			
Japan			
External customers	¥12,424	¥13,032	\$117,411
Intersegment	90,313	87,898	791,880
Total	102,738	100,931	909,292
Asia			
External customers	81,358	75,581	680,916
Intersegment	78,213	78,262	705,070
Total	159,571	153,844	1,385,987
North and Latin America			
External customers	18,376	20,505	184,735
Intersegment	26	420	3,784
Total	18,402	20,925	188,519
Europe			
External customers	34,766	33,996	306,270
Intersegment	-	79	719
Total	34,766	34,075	306,989
Corporate and elimination	(168,554)	(166,661)	(1,501,455)
Consolidated	¥146,925	¥143,116	\$1,289,334
Segment profit or loss:			
Japan	¥10,137	¥7,062	\$63,627
Asia	13,596	13,529	121,883
North and Latin America	(449)	(1,085)	(9,778)
Europe	1,202	1,325	11,944
Corporate and elimination	(421)	410	3,702
Consolidated	¥24,066	¥21,243	\$191,380
Segment assets:			
Japan	¥103,338	¥113,103	\$1,018,948
Asia	162,854	166,481	1,499,837
North and Latin America	19,526	25,033	225,526
Europe	20,332	21,726	195,738
Corporate and elimination	(36,734)	(58,099)	(523,418)
Consolidated	¥269,318	¥268,246	\$2,416,632
Others:			
Depreciation and amortization:			
Japan	¥1,215	¥1,151	\$10,375
Asia	6,074	6,535	58,881
North and Latin America	397	628	5,663
Europe	5	7	71
Corporate and elimination	(308)	(329)	(2,966)
Consolidated	¥7,383	¥7,994	\$72,026
Increase in tangible and intangible fixed assets:			
Japan	¥1,667	¥129	\$1,169
Asia	7,855	9,626	86,726
North and Latin America	3,128	3,410	30,723
Europe	1,357	1,966	17,718
Corporate and elimination	(528)	(584)	(5,265)
Consolidated	¥13,480	¥14,548	\$131,072

Notes: 1. (1) Corporate and elimination for segment profit or loss of ¥(421) million in fiscal 2017 and ¥410 million (\$3,702 thousand) in fiscal 2018 represent intersegment transaction eliminations.

(2) The segment assets eliminations include: corporate assets of ¥70,970 million in fiscal 2017 and ¥56,298 million (\$507,196 thousand) in fiscal 2018, not allocated to each segment; intersegment debt and credit eliminations of ¥(107,705) million in fiscal 2017 and ¥(114,398) million (\$1,030,614 thousand) in fiscal 2018. Corporate assets primarily include the parent company's surplus funds for investment (e.g., cash and bank deposits and short-term investments) and long-term investment funds (e.g., investment securities).

(3) The depreciation and amortization eliminations of ¥(308) million in fiscal 2017 and ¥(329) million (\$2,966 thousand) in fiscal 2018 represent intersegment transaction eliminations.

(4) Increase in tangible and intangible fixed assets eliminations of ¥(528) million in fiscal 2017 and ¥(584) million (\$5,265 thousand) in fiscal 2018 represent intersegment transaction eliminations.

2. Segment profit or loss is adjusted for operating income reported in the consolidated statement of income.

Related information

Information on net sales, tangible fixed assets and impairment losses by geographic area is summarized as follows. For the fiscal year ended December 31, 2017, sales to one specific major customer in the amount of ¥14,729 million accounted for 10% or more of consolidated net sales. For the fiscal year ended December 31, 2018, sales to one specific major customer in the amount of ¥14,392 million (\$129,659 thousand) accounted for 10% or more of consolidated net sales.

Geographical Information

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Net sales			
Japan	¥12,540	¥13,597	\$122,502
Asia	81,241	75,022	675,882
North and Latin America	18,376	20,499	184,678
Europe	34,766	33,996	306,270
Total	¥146,925	¥143,116	\$1,289,334

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	2018	2018
Tangible fixed assets			
Japan	¥17,115	¥16,438	\$148,093
Asia	43,121	45,102	406,326
North and Latin America	6,691	9,263	83,458
Europe	1,381	3,221	29,020
Total	¥68,310	¥74,025	\$666,898

There were no impairment losses relating to fixed assets to be disclosed for the fiscal years ended December 31, 2017 and 2018.

Notes: 1. Net sales in China in the amount of ¥35,652 million and ¥35,724 million (\$321,841 thousand) for the years ended December 31, 2017 and 2018, respectively were included in Asia.

2. Tangible fixed assets in China in the amount of ¥25,628 million and ¥25,684 million (\$231,388 thousand) and in Vietnam in the amount of ¥13,208 million and ¥14,462 million (\$130,288 thousand) were included in Asia for the years ended December 31, 2017 and 2018, respectively. Tangible fixed assets in Mexico in the amount of ¥9,251 million (\$83,345 thousand) for the year ended December 31, 2018 were included in North and Latin America.

18. Subsequent Events

1) Purchase of treasury stock

On February 14, 2019, the Company resolved, at the Board of Directors' meeting, to purchase treasury stock pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, Paragraph 3, of said Act, as described below.

1. Reasons for the purchase of treasury stock

The Company purchases treasury stock in order to implement a flexible capital policy to respond to changes in the business environment and to improve shareholder returns and capital efficiency.

2. Details of matters pertaining to the purchase of treasury stock

- (1) Class of shares to be purchased: Common stock of the Company
- (2) Total number of shares to be purchased: 1,200,000 shares (maximum)
(1.8% of the total number of shares issued [excluding treasury stock])
- (3) Total amount of purchase cost: ¥3.0 billion (\$27,027 thousand) (maximum)
- (4) Purchase period: February 18, 2019 to March 22, 2019
- (5) Purchase method: Purchase in the open market through discretionary trading
- (6) As a result, the Company purchased 777,500 shares of common stock (total amount ¥2,999 million (\$27,023 thousand)).

2) Introduction of restricted stock compensation plan

The Company, at its Board of Directors' meeting held on March 28, 2019, resolved the total amount of compensation receivable and the total number of shares to be allotted for granting restricted stock to Directors of the Company (the "Directors Covered by the Plan", excluding members of the audit and supervisory committee, outside directors, and directors residing outside Japan).

Number of directors to be granted shares	Total compensation receivable	Total number of shares to be allotted
13	¥56,603,500 (\$509,941)	14,330 shares

The Company, at its Board of Directors' meeting held on March 28, 2019, resolved the treasury stock disposal as part of the restricted stock compensation plan.

(1) Payment date	April 26, 2019
(2) Class and number of shares to be disposed	14,330 shares of common stock
(3) Disposal value	¥3,950 per share (\$35 per share)
(4) Total disposal value	¥56,603,500 (\$509,941)
(5) Grantees and number of grantees and number of shares to be allotted	5 directors of the Company (excluding members of the audit and supervisory committee, outside directors, and directors residing outside Japan): 7,550 shares of common stock 8 executive officers of the Company: 6,780 shares of common stock

Independent Auditor's Report

The Board of Directors
Mabuchi Motor Co., Ltd.

We have audited the accompanying consolidated financial statements of Mabuchi Motor Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mabuchi Motor Co., Ltd. and its consolidated subsidiaries as at December 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

March 28, 2019