

Mabuchi Group Annual Report 2019



Motor for Automotive Product
SF-266XA

Mabuchi Group Annual Report 2019

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Management Principle

“Contributing to International Society and Continuously Increasing Our Contribution.”

Way of thinking that never changes

Way of thinking that does not change in the short term

Way of thinking that changes with the times



Management Guidelines

1. By bringing better and more reasonably priced goods to the market, we contribute to the creation of a more affluent society and more comfortable lives for everyone.
2. Contribute to the leveling of international economic disparities and to economic development in other countries through the creation of employment opportunities and technology transfers.
3. People are the most important managerial resource. Realize human potential through work and teach people to become productive members of society.
4. Conduct corporate activity which preserves the earth's environment and protects human health.

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

It is extremely difficult to make an accurate and rational results forecast because there are many uncertainties that affect business performance, such as the spread of the new coronavirus (COVID-19) infectious disease in countries around the world, regulations by the government, and changes in the operating status of customers. Therefore, the consolidated results forecasts for the fiscal year ending December 31, 2020, are undecided.

We will disclose consolidated results forecasts as soon as the status of Group companies in each country is confirmed and it becomes possible to calculate them accurately and rationally.

Actuating Your Dreams Contribute to the Creation of a Sustainable Society through Business

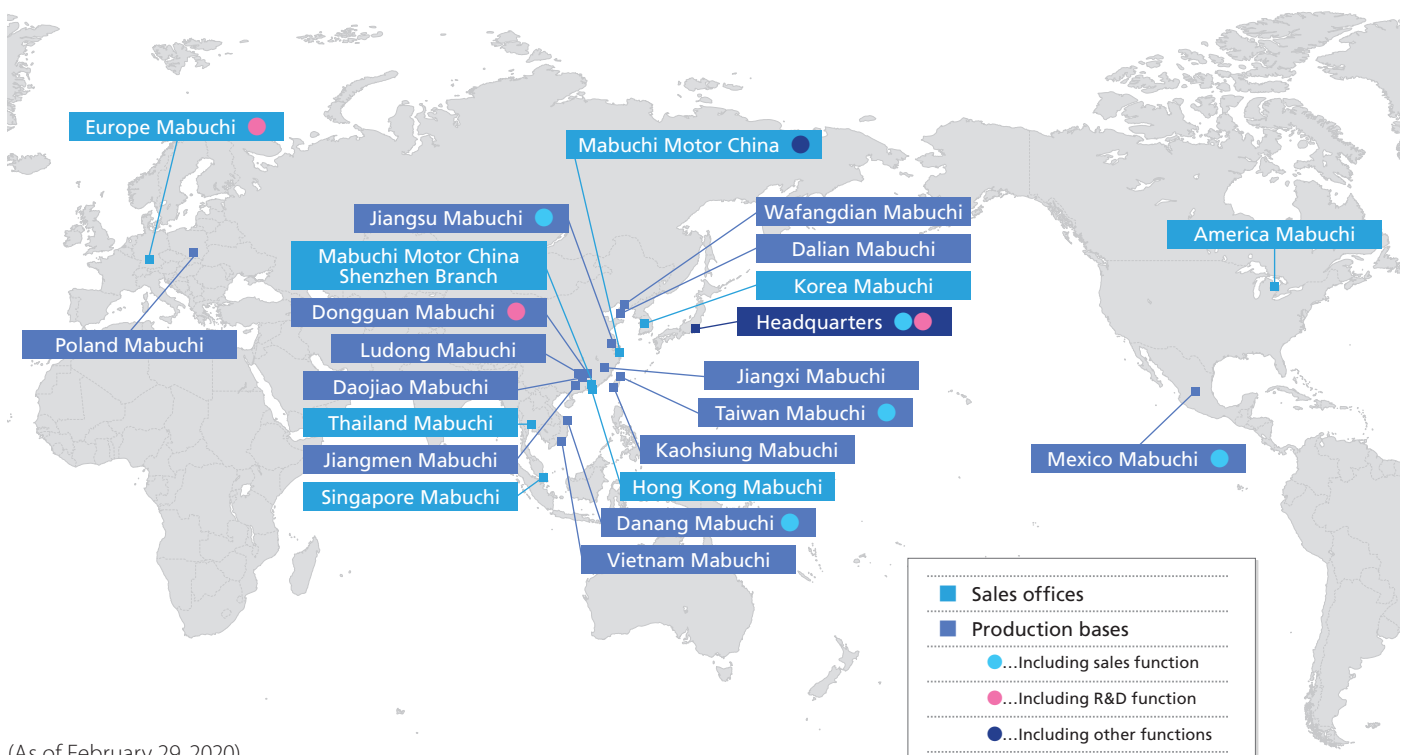
Expand Market by Developing New Applications Centered on New Products

Mabuchi Motor has been, since the foundation, operating as a company specialized in the field of small direct current electric motors aiming, with a management principle of "Contributing to international society and continuously increasing our contribution," at the realization of a fulfilling and enriching society and a society comfortable to everyone through the supply of reasonable and high quality products.

"The Mabuchi Group is the world's leading producer of small motors. Our annual production volume of approximately 1,371 million units (in 2019) 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."

Worldwide Network



(As of February 29, 2020)

To Our Shareholders



We will unite as the Mabuchi Group
to further improve corporate value steadily.

Hiroo Okoshi
Representative Director and
President CEO

Hiroo Okoshi

Business Results for Fiscal 2019

We report on the consolidated performance for the fiscal year ended December 31, 2019 (January 1 to December 31, 2019).

Consolidated net sales for fiscal 2019 were 131.8 billion yen. Operating income for fiscal 2019 was 17.5 billion yen. Profit attributable to owners of parent was 14.2 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
	2018	2019	2019	YoY
Net sales	¥143,116	¥131,807	\$1,203,058	-7.9%
Operating income	21,243	17,544	160,131	-17.4%
Profit attributable to owners of parent	22,925	14,234	129,920	-37.9%
Total assets	267,050	268,244	2,448,375	-0.0%
Net assets	244,454	245,172	2,237,788	+0.3%

Exchange rate: U.S.\$1 = ¥109.56

During the fiscal year ended December 31, 2019 (fiscal 2019), the trend of a slowdown in the global economy became stronger, amid concerns regarding trade and the economic environment.

Economic Environment of Major Countries/Regions

The U.S. economy saw increased consumer spending against a backdrop of continued improvement in the environment for hiring, and continued to show solid growth. The pace of growth in the European economy remained sluggish on stagnant manufacturing in Germany, amid signs of exports for the region as a whole bottoming out. In Japan, the economy was showing gradual growth on increased capital investment and growth in consumer spending from an improving hiring environment. Growth in emerging market economies slowed overall, with a decelerating pace of growth being seen in China.

With regard to markets related to the Mabuchi Group's products, the automotive products market contracted on weakness primarily in Europe and China despite a solid North American market. The consumer and industrial products market saw a continued contraction in markets for some applications.

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	¥97,959	\$894,113	-6.0%
Consumer and Industrial Products Market	33,840	308,872	-12.9%

Exchange rate: U.S.\$1 = ¥109.56

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

Main Efforts and Results of the Current Fiscal Year

Against this backdrop, the Mabuchi Group has been working to address the issues of “Acceleration of growth in the power window lifter motor business,” “Expansion of medium-sized and small automotive motor sales and new applications,” “Development of new applications in the consumer and industrial products sector,” “Pursuing laborsaving and next-generation manufacturing innovation,” and “Implementation of a global base strategy.” Specifically, we proactively introduced and implemented various measures to increase sales and market share, develop new markets, and further improve efficiency and product quality, and achieved successes that will lead to future business growth. This included making significant progress in our efforts to obtain approval from a third major North American automaker, using

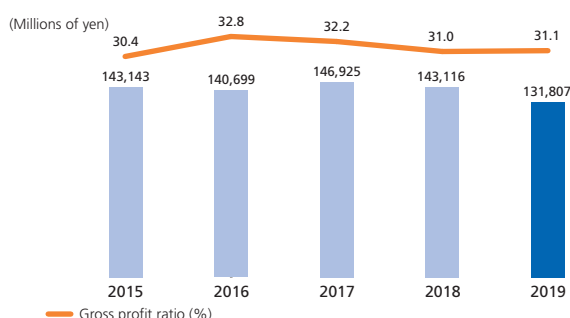
our high market share in small automotive motors and our experience in brushless motors to achieve a higher rate of order acceptance by participating in customers’ product development from the initial stages, gaining large-scale orders in both growth markets including light electric vehicles and in existing markets, being on track to achieve the targets of the Phase 3 Laborsaving Plan (FY2017–FY2019), and pursuing local production for local consumption at the global level and addressing changes in the trade and economic environment.

Future Efforts

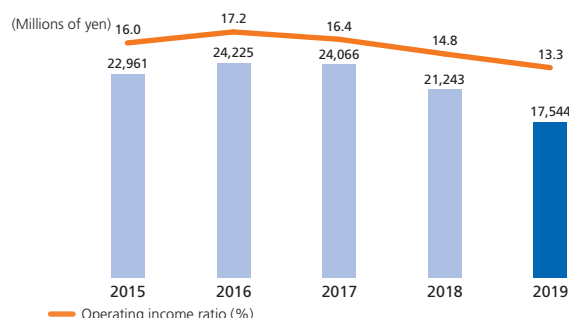
Acceleration of Growth in the Power Window Lifter Motor Business

At the power window lifter motor business, Mabuchi Motor China has been established as a regional headquarters (management company) to respond promptly to the drastic changes being seen in the Chinese market, and the business has been working to address changes in the environment quickly, expand its marketing function, and strengthen its sales structure. Specifically, this has included accelerating the switch to new standard motors for power window lifters, where we have a large market share in China, to meet customers’ higher level of requirements. The business has won a new large-scale contract and is working to increase its market share further. In Europe, as in China, the competitive environment is changing significantly, and we are strengthening the R&D function at European sales bases to be able to respond more quickly, particularly in technological aspects. These efforts have led to inquiries from potential new customers who are currently using our competitors’ products. Orders under a contract won from a high-end

Net Sales/Gross Profit Ratio



Operating Income/Operating Income Ratio



European automaker in fiscal 2018 are also showing steady growth in the models equipped with our products. In the United States, we are aiming to win orders from a third North American automaker, and continue to strengthen our unified sales structure for the Americas and develop new products.

Expansion of Medium-sized and Small Automotive Motor Sales and New Applications

Medium-sized automotive motors for applications including power seats and electric parking brakes are an area for which continued market expansion can be expected going forward in light of today's emphasis on automobile safety, comfort, and economy, and a variety of new applications is emerging. The Mabuchi Group will continue to develop new products for new applications. We will work toward sales growth through increased sales of highly competitive application-specific standard products to new customers. For small automotive motors, we will maintain and enhance our superiority in existing applications where Mabuchi has overwhelming strength, while also proactively developing and increasing sales of competitive new products in response to new inquiries including for new applications, based on the Company's strengths and factors including a product's marketability and profitability.

Development of New Applications in the Consumer and Industrial Products Sector

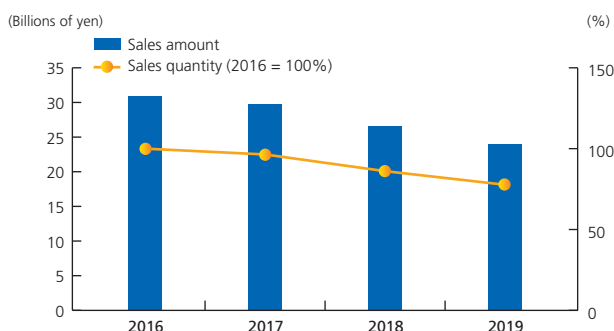
In the consumer and industrial products sector, in addition to business activities based on existing small brush motors, we are stepping up development and pursuing increased sales of brushless motors to cultivate new applications and

create new demand. With regard to brushless motors for light electric vehicles, we have a steady pace of shipments to customers for both new applications and existing applications. We continue to receive many customer inquiries regarding brushless motors for light electric vehicles, and are working to develop new additional applications in addition to light electric vehicles and strengthen our sales activities to win orders for a greater variety of applications. We continue to strengthen our sales of motors for personal care products by developing motors for new high-end products being launched by customers. The consumer and industrial products sector has a short cycle from development to sales, and we are seeking to develop motors simultaneously with customers' product development. We will strive to meet customers' expectations by building further on the technologies we have developed to date.

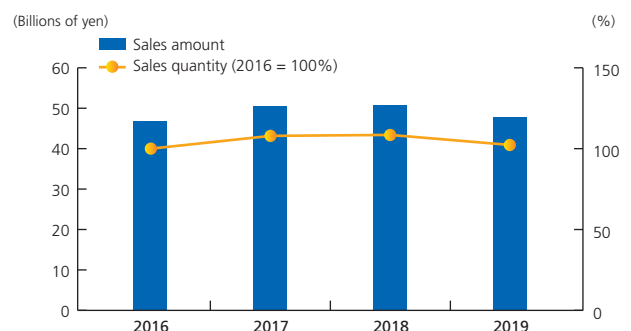
Pursuing Laborsaving and Next-generation Manufacturing Innovation

Under both the Phase 1 (fiscal 2011 to fiscal 2013) and Phase 2 (fiscal 2014 to fiscal 2016) Laborsaving Plans to achieve laborsaving exceeding 30% during the three-year period, we achieved laborsaving exceeding 30% as planned and production process innovation progressed significantly. Under the Phase 3 Laborsaving Plan, which covered the three years from fiscal 2017 to fiscal 2019, we also achieved our challenging target of 30% laborsaving compared with fiscal 2016. In addition to laborsaving, these activities have led to a major strengthening of our equipment development capabilities. We are further refining our Next-generation Manufacturing Innovation, which achieves both high

Power Window Lifter Motor Sales Results



Small Automotive Motor Sales Results



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

product quality and productivity using our expertise in automation and efficiency enhancement acquired through the combination of laborsaving and activities including the development of innovative core production lines. The two main specific activities we are pursuing are to minimize the cost of manufacturing and to establish an international specialization system for manufacturing technologies, and we are steadily pursuing these initiatives along with human resource development and organization-building.

Implementation of a Global Base Strategy

To respond to changes in the manufacturing environment and address customers' increasing needs for motor production located close to their own factories, Mexico Mabuchi was established in Mexico in August 2014 as our first production base in the Americas, and Poland Mabuchi was established in Poland in January 2017 as our first production base in Europe. Our implementation of a global base strategy, including the establishment of these production bases, is contributing to our ability to respond to the drastic changes in external environment seen in recent years. In China, the establishment of a regional headquarters is strengthening our ability to address local needs. Initiatives in the Americas include increasing our production line capacity and raising productivity at Mexico Mabuchi. In particular, we have achieved stable supplies to counter the effects of the respective country's trade policies through cooperation between America Mabuchi and Mexico Mabuchi. In Europe, Poland Mabuchi is working to commence mass production and raise productivity, to be able to provide a high level of customer service based on local production for local consumption.

Shareholder Returns

Mabuchi maintains a basic policy of actively returning profits to shareholders in accordance with its business results. We do this while also providing funds from internal reserves for capital expenditure, research and development which are necessary for the growth of the Company, and while maintaining our financial soundness.

Under this policy, apart from when business results are remarkably sluggish due to a sudden deterioration in the business environment, we consistently distribute an annual ordinary dividend of 30 yen per share as payment of a long-term stable dividend, plus an additional special

dividend equal to 30% of the consolidated net income divided by the number of outstanding shares, depending on the performance of the Company.

We will continue to consider repurchasing more treasury stocks as necessary, as a way of flexibly responding to changes in the share price and the business environment, and as a means of fulfilling our capital policy and returning profits to shareholders.

It is our policy to appropriate internal reserves to further strengthen and deepen our existing businesses and to invest in areas of growth, with a view to increasing corporate value.

Cash Dividend

In consideration of short-term uncertainties in the business environment, we paid a dividend of 135 yen per year for the two-year period from fiscal 2018 through fiscal 2019 only, without consideration of consolidated net income. For fiscal 2020, we plan to extend the special measure by one year to maintain the same full-year dividend amount of 135 yen per share despite the uncertain operating environment due to the global spread of the new coronavirus. However, in the event of significant changes in business operation forecast, the dividend forecast will be reevaluated as appropriate. The basic dividend policy does not change the basic calculation criteria, and this special measure is for a limited period.

Fiscal 2019

Full-year: 135 yen per share (ordinary: 30 yen/special: 105 yen)

Interim: 67 yen per share (ordinary: 15 yen/special: 52 yen)

Year-end: 68 yen per share (ordinary: 15 yen/special: 53 yen)

Fiscal 2020 (plan)

Full-year: 135 yen per share (ordinary: 30 yen/special: 105 yen)

Acquisition of Treasury Stock

The Company decided to purchase treasury stock to return profits to shareholders and improve capital efficiency. The repurchase of treasury stock is planned to take place during the period from February to December 2020, with a maximum of 3 billion yen and 1.2 million shares.

The repurchase of our treasury shares will take place for the sixth consecutive year since 2015. We determined the repurchase by taking into account comprehensively future growth investments including M&As and alliances, medium-term business plans, and the market environment. The treasury stock to be acquired this time will not be cancelled in consideration of the effective use for future funds.

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 2019, consolidated net sales generated by motor sales amounted to 131,799 million yen, down 7.9% from the previous fiscal year.



Automotive Products

74.3%

Automotive Products Market

Net sales in this market were 97.9 billion yen (a 6.0% decrease on a year-on-year basis).

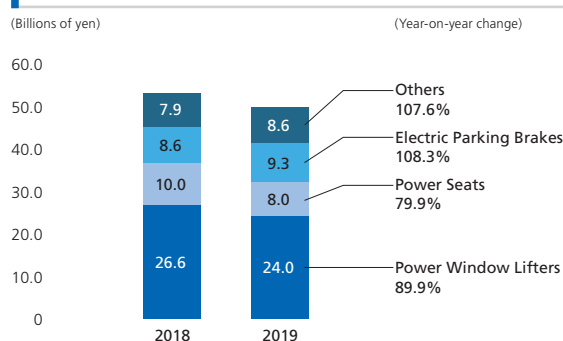
Medium-sized Motors

- Sales of PW motors declined mainly due to a slowdown in auto production in China despite increased sales of high-torque standard products for major North American automakers
- PS motors declined on end of production of equipped models and weak market
- Sales of EPB motors grew, reflecting increased use by major Japanese automakers
- In Others, increases in sales of motors for engine peripheral equipment, etc.

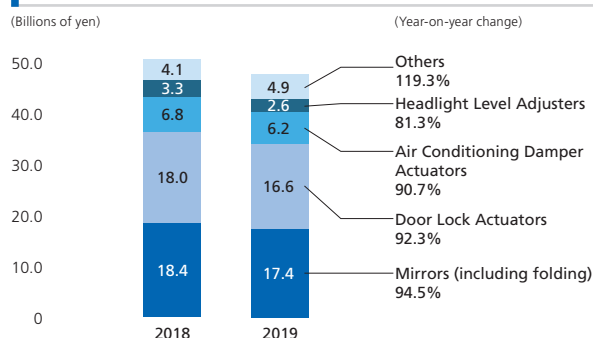
Small Motors

- Motors for door lock actuators, motors for mirrors, and motors for air conditioning damper actuators maintained market share, but sales declined due to weak market
- In Others, growth in motors for steering locks, grille shutter actuators, and shift-by-wire systems

Sales by Main Application



Sales by Main Application



Consumer and Industrial Products

25.7%

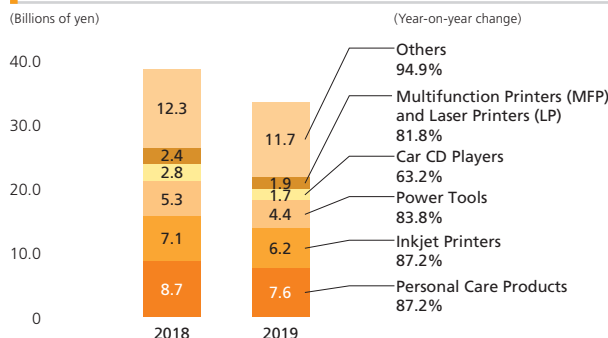


Consumer and Industrial Products Market

Net sales in this market were 33.8 billion yen (a 12.9% decrease on a year-on-year basis).

- Although midrange and high-end toothbrush segments remain strong, overall decline for motors for personal care products due to policy of emphasizing profitability in certain applications (following a high-margin, low-volume approach)
- Lower sales of motors for inkjet printers due to market contraction
- Sales in the Others category declined despite increases in sales of motors for vacuum cleaners and housing equipment

Sales by Main Application

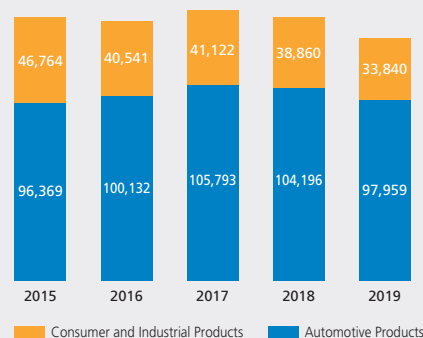


Net Sales by Application

	Millions of yen					Thousands of U.S. dollars
	2015	2016	2017	2018	2019	2019
Automotive Products	¥ 96,369	¥100,132	¥105,793	¥104,196	¥ 97,959	\$ 894,113
Consumer and Industrial Products	46,764	40,541	41,122	38,860	33,840	308,872
Total Sales	¥143,134	¥140,674	¥146,915	¥143,057	¥131,799	\$1,202,985

U.S.\$1 = ¥109.56

(Millions of yen)

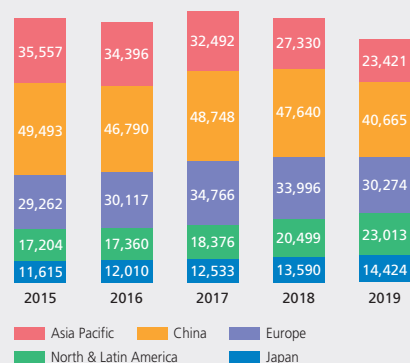


Net Sales by Region

	Millions of yen					Thousands of U.S. dollars
	2015	2016	2017	2018	2019	2019
Japan	¥ 11,615	¥ 12,010	¥ 12,533	¥ 13,590	¥ 14,424	\$ 131,654
North & Latin America	17,204	17,360	18,376	20,499	23,013	210,049
Europe	29,262	30,117	34,766	33,996	30,274	276,323
China	49,493	46,790	48,748	47,640	40,665	371,166
Asia Pacific	35,557	34,396	32,492	27,330	23,421	213,773
Total Sales	¥143,134	¥140,674	¥146,915	¥143,057	¥131,799	\$1,202,985

U.S.\$1 = ¥109.56

(Millions of yen)



Research and Development Activities

The Mabuchi Motor Group's R&D activities are led by Mabuchi Motor Co., Ltd., the parent company, and MABUCHI MOTOR (DONGGUAN) CO., LTD. in the Asia segment. Those activities are outlined below.

The organizational structure for the Company's R&D activities was restructured as of the end of March 2019, with the strategic elimination of the Development Headquarters, and the respective spinning off of Product Development Department 1, Product Development Department 2, and Product Development Department 3 to the Consumer and Industrial Product Business Unit, Automotive Product Business Unit 1, and Automotive Product Business Unit 2. This is designed to increase further the Group's competitive superiority in an operating environment that has recently been experiencing drastic changes. By aligning these development departments with their respective sales departments, we are bolstering the development of the business units' activities with swift decision making and timely responses to market changes, enhancing our ability to develop new models for specific applications, and introducing a global approach to customer support and customer service activities.

The Manufacturing Headquarters consists of three departments—Production Engineering Department 1, Production Engineering Department 2, and the Mabuchi Production System Management Department. Production Engineering Department 1 is responsible for designing mass production facilities, supporting manufacturing, and designing molds, while Production Engineering Department 2 is responsible for research on process designs and methods, as well as production technology.

The Technical Research Institute and the Engineering Management Department report directly to the Chief Technology Officer. The Technical Research Institute is responsible for new product development and other high-value-added operations, focusing primarily on the development of elemental technologies and strategic applications, and the Engineering Management Department manages blueprints for mass-produced products and intellectual property rights.

By strengthening technological cooperation across the board, we are restructuring to realign business units and integrating functional units into business units, with the goal of promoting cooperation across divisions to achieve greater operational efficiency and increase added value.

At the same time, the R&D center at MABUCHI MOTOR (DONGGUAN) CO., LTD. is primarily responsible for processing various types of testing requests, component and material evaluations, blueprint preparation operations, and design improvement. The center also supports operations for improving existing products for swift introduction to the local Chinese market and developing new products commissioned by the Company.

We have also identified the following items as matters for urgent consideration and policy development, with the aim of introducing our competitive manufacturing from the perspective of introducing our motors into new fields, strengthening our ability to respond to appropriate applications, and local production for local consumption.

- (1) Development of brushless motors and gear units for mobile applications and technological enhancement of drive circuits
- (2) In addition to conventional labor savings, study manufacturing lines with additional labor savings and enhance manufacturing competitiveness
- (3) Reduce development lead times and reduce and eliminate development man-hours

Next, the following presents the application status of our products. For applications in the core automotive products business and applications to be emphasized going forward, the engineering departments and sales departments will work together within the business division organization.

Mobile Applications (AGVs, robots, etc.)

In 2019, we began selling options for drive circuits, gears, and drive units for brushless motors, and expanded our sales and sales promotion activities for AGVs (automated guided vehicles) and personal mobility. In 2020, we are accelerating our product development in applications for service robots, and will continue to expand our lineup in a broad range of applications that assist with human operations.

Power Window Applications

In 2019, we completed preparations for the mass production of models that will lead to higher sales in China by enabling Chinese automobile manufacturers to develop smaller, lighter vehicles, and are also carrying out and offering additional sales promotion activities and engineering services. We have also received orders from Chinese automakers for lineup models currently being developed to increase sales in China.

Power Seat Applications

Sales and market share are growing as the introduction of small, distinctive, high-torque motors for power seats has led to increased adoption by major automobile manufacturers. Seeking to increase market share further, we are reinforcing our products and carrying out activities to increase sales. In 2019, we prepared to commence the mass production of a derivative motor model for lumbar support. We are also continuing to develop a new type of geared motor for recliners and have begun developing applicable motors for various automobile seat functions.

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 addition to the RS-4F5 and RS-4G5, which are already in mass production, we continue to work to increase sales by adding optional specifications for these models.

Other Small Electrical Equipment Applications

We are developing motors in response to inquiries for new applications to achieve lower fuel consumption and increased convenience, and are moving forward with preparations for mass production.

New Flagship Products

DS-34EC1 brushless motor drive circuit; MS-94BZ# geared motor

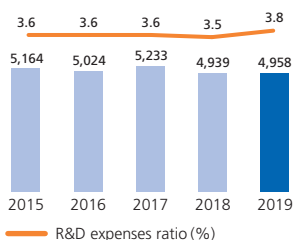
This series of drive circuits and geared motors is for autonomous traveling robots and personal mobility, primarily in light electric vehicles and AGVs. We also offer a lineup of drive units equipped with wheels, brackets, and electromagnetic brakes.

Research and development expenses in fiscal 2019 totaled 4,958 million yen. As of the fiscal year-end, the Company owned a total of 812 industrial property rights (171 in Japan and 641 overseas), and we made a total of 31 new applications (Japan and overseas; patents, utility models, designs, and trademarks) during the year.

To increase product sales and new applications, we are working to maintain our superior competitive position by comprehensively and proactively acquiring and protecting intellectual property rights. In addition to the protection of intellectual property rights, we are implementing a range of measures including training to raise awareness in all Group employees of the risks of divulging or infringing on intellectual property rights.

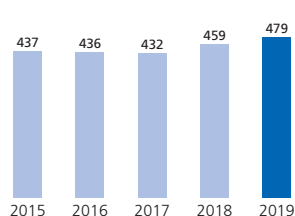
R&D Expenses/R&D Expenses Ratio

(Millions of yen)



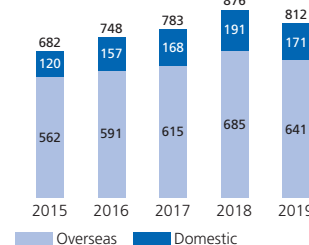
R&D Personnel

(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:	2015	2016	2017	2018	2019	2019
Net sales	¥ 143,143	¥ 140,699	¥ 146,925	¥ 143,116	¥ 131,807	\$1,203,058
Cost of sales	99,673	94,510	99,619	98,788	90,776	828,551
Selling, general and administrative expenses	20,508	21,963	23,239	23,084	23,486	214,367
Operating income	22,961	24,225	24,066	21,243	17,544	160,131
Income before income taxes	26,593	26,539	27,485	29,323	20,179	184,182
Profit attributable to owners of parent	18,546	20,598	20,303	22,925	14,234	129,920
Capital expenditures	16,187	11,236	12,844	16,332	17,915	163,518
Depreciation and amortization	6,386	6,016	7,143	7,652	8,264	75,429
R&D expenses	5,164	5,024	5,233	4,939	4,958	45,254
Exchange gain, net	2,329	493	220	(7,517)	(2,703)	(24,671)
Cash flows:						
Net cash provided by operating activities	20,115	27,958	22,585	20,979	25,830	235,761
Net cash provided by (used in) investing activities	(1,178)	(3,440)	(14,027)	(12,735)	(15,246)	(139,157)
Net cash used in financing activities	(13,312)	(11,860)	(13,844)	(11,069)	(12,132)	(110,734)
At year-end:						
Total assets	256,196	258,387	269,318	267,050	268,244	2,448,375
Net assets	233,245	232,917	242,179	244,454	245,172	2,237,788
Per share data:					Yen	U.S. dollars
Profit attributable to owners of parent	266.98	300.70	299.74	341.19	214.00	1.95
Net assets	3,363.01	3,405.14	3,579.98	3,640.08	3,690.86	33.69
Dividends applicable to current year earnings	110.00	120.00	120.00	135.00	135.00	1.23
Other data:						
Operating income ratio (%)	16.0	17.2	16.4	14.8	13.3	—
ROE (%)	8.0	8.8	8.6	9.4	5.8	—
ROA (%)	10.6	10.2	9.8	9.2	7.8	—
Shareholders' equity ratio (%)	91.0	90.1	89.9	91.1	91.4	—
Number of shares outstanding (Thousands of shares)	69,468	68,587	67,792	67,238	66,735	—
Number of employees (Persons)	24,419	23,768	23,936	23,476	22,061	—

- Notes:
1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of U.S.\$1 = ¥109.56.
 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. The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the consolidated first quarter of the fiscal year ended December 31, 2019, but have not been applied retroactively to the financial position (consolidated) of the fiscal year ended December 31, 2017, and before.

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

Given the global economic slowdown, consolidated net sales for fiscal 2019 were 131,807 million yen (a 7.9% decrease from the previous year), while motor sales, which constitute the majority of net sales, were 131,799 million yen (a 7.9% decrease year on year).

Although operating income was boosted by improvements in sales prices and the product mix and movements in market prices for commodities including copper and steel materials, the yen's appreciation, lower sales volume, and higher costs resulted in operating

income of 17,544 million yen (a 17.4% decrease year on year).

Profit before income taxes declined 31.2% year on year, to 20,179 million yen, in the absence of the one-time gain on sales of fixed assets related to real estate sales at the Company's wholly owned subsidiary Mabuchi Industry Co., Ltd. (Hong Kong Mabuchi) recorded in the previous year. Profit attributable to owners of parent was 14,234 million yen (a 37.9% decrease year on year).

Overview of Financial Position

Assets, Liabilities and Net Assets

Total assets as of December 31, 2019, were 268,244 million yen, a 1,194 million yen increase from December 31, 2018. Major changes included a 6,478 million yen increase in property, plant and equipment associated with capital investment including for the establishment of a new production base, a 1,772 million yen increase in investment securities, a 2,697 million yen decrease in cash and bank deposits, a 1,996 million yen decrease in trade notes and accounts receivable, and a 1,828 million yen decrease in inventories.

Total liabilities stood at 23,071 million yen, for a 476 million yen increase from the previous fiscal year-end. Major changes included a 1,322 million yen increase in deferred tax liabilities-non-current and a 1,102 million yen decrease in other current liabilities.

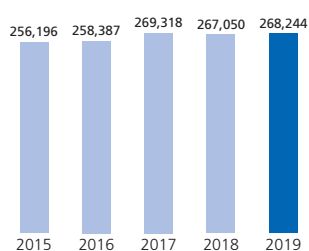
Total net assets increased 718 million yen from the end of the previous fiscal year, to 245,172 million yen. Retained earnings increased 4,380 million yen, net unrealized holding gains or losses on securities increased 1,436 million yen, foreign currency translation adjustments decreased 2,703 million yen, and treasury stock, which is deducted from net assets, increased 2,614 million yen.

Cash Flows

Net cash provided by operating activities amounted to 25,830 million yen, an increase of 4,850 million yen from the previous fiscal year. Although profit before income taxes decreased 9,143 million yen, gain on disposal of fixed assets decreased 5,377 million yen, increases and decreases in inventories resulted in a turnaround from the previous year's 4,710 million yen net increase (cash outflow) to a 1,033 million yen net decrease (cash inflow) in

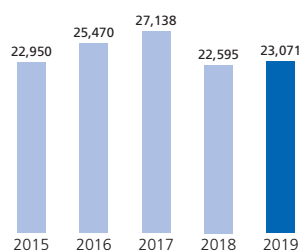
Total Assets

(Millions of yen)



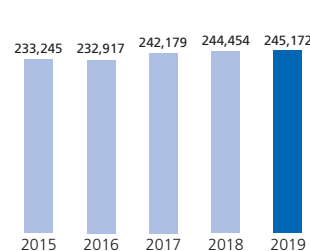
Liabilities

(Millions of yen)



Net Assets

(Millions of yen)



fiscal 2019, and income taxes paid decreased 2,178 million yen.

Net cash used in investing activities amounted to 15,246 million yen, an increase in cash used of 2,510 million yen from the previous fiscal year. This was mainly because proceeds from sales of fixed assets decreased 5,951 million yen.

Net cash used in financing activities amounted to 12,132

million yen, an increase in cash used of 1,062 million yen from the previous fiscal year. The main item was a 1,660 million yen increase in cash dividends paid.

As a result, the balance of cash and cash equivalents amounted to 110,863 million yen, a decrease of 2,697 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 2020

The consolidated results forecast for the fiscal year ending December 31, 2020 is undecided at the time of this writing.

The global economy is expected to undergo a major contraction in all regions from a significant stagnation of economic activity due to the global spread of the new coronavirus. At this time, there are almost no regions where the timing of infections being brought under control can be forecast. Estimating the extent of the slowdown in economic activity or how much time will be required for a recovery is also extremely difficult.

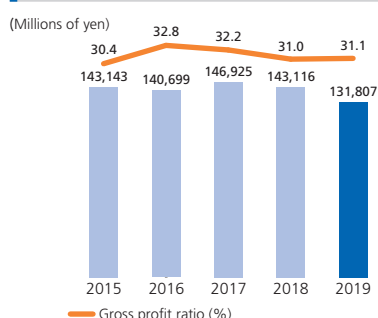
With regard to markets related to the Mabuchi Group's products, we are forecasting large declines for both the automotive products market and the consumer and industrial products market on continued weakness in markets around the world. It is also extremely difficult at this time to estimate the

degree to which markets will contract and how much time they will need to recover.

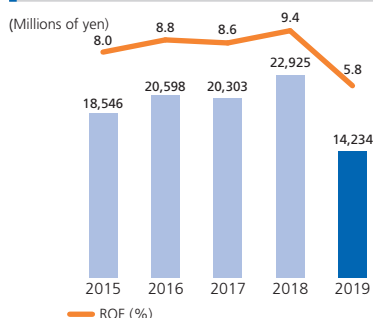
Due to this situation it is extremely difficult to make an accurate and rational results forecast because of the many uncertainties that may affect business performance. Therefore, the consolidated results forecast for the fiscal year ending December 31, 2020, is undecided.

The impact of this virus infection on the Group's business performance is currently being estimated. We will disclose consolidated results forecast as soon as the status of Group companies in each country is confirmed and it becomes possible to calculate them accurately and rationally. In the event of extremely large changes in results forecast, the dividend forecast will be reevaluated as appropriate, and the result promptly announced.

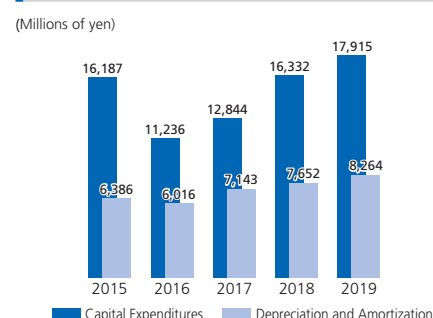
Net Sales/Gross Profit Ratio



Profit attributable to owners of parent/ROE



Capital Expenditures/Depreciation and Amortization



ESG Activities

Mabuchi Motor's management philosophy, "Contributing to International Society and Continuously Increasing Our Contribution," embodies the wish to raise the extent of the Company's contribution to society, and to continue being an indispensable company to the world, alongside the hopes that everyone who belongs to the Mabuchi Group will "actively contribute to society through their work as a member of the Company," "cherish not just people but also nature and the environment, as well as the millions of other beings on the earth, and achieve personal growth by coming to gain a sense of fulfillment not solely through material wealth."

Following this philosophy, we are actively tackling the three perspectives that ESG presents.

Environment

- Environmental Measures Required for Motors
- Manufacture of Environmentally Conscious Products
- Production in Consideration of the Environment
- CSR Procurement
- Prevention of Global Warming
- Contamination Prevention and Remediation
- Reduction and Recycling of Wastes



Social

- Contribution to Society through Corporate Activities
- Educational Support
- Regional Support

Governance

- Basic Approach to Corporate Governance
- Management Monitoring System
- Risk Management
- Thorough Compliance

Efforts to Achieve Sustainable Development Goals (SDGs)

The Mabuchi Group regards the SDGs as goals that the Group can achieve along with economic growth that respects people. We will continue to actively engage in social and environmental activities to achieve these goals.

Sustainable Development Goals (SDGs)

These are international goals for a better world, adopted at the "United Nations Sustainable Development Summit" in September 2015, specifically, 17 goals and 169 targets to achieve for each goal. To reach the target by 2030, action must be taken by all countries and people, as well as by companies.



The Mabuchi Group supports SDGs.

Various CSR activities



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 the reason for its existence. 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:

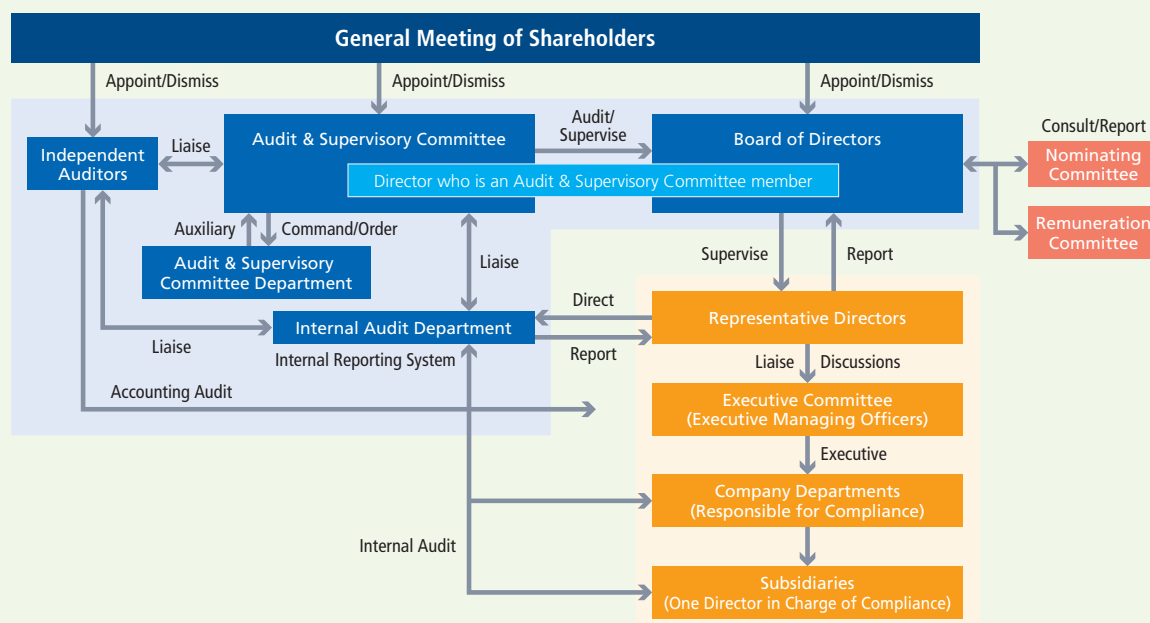
- To clearly separate management decision making and efficient business execution, and to clarify the scope of accountability;
- To build and operate a sound internal control system;
- To appoint a suitable number of independent officers whose interests do not conflict with those of shareholders to ensure 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. As a pioneer in small, direct-current electric motors, Mabuchi is constantly emphasizing the development of unique products and services and its management organization and administrative structure, while achieving growth through differentiation. In addition, we are strengthening and enhancing corporate governance on an ongoing basis, and have achieved efficient Group management by establishing a structure for managerial and operational execution and a practical system of internal controls.

Specifically, we have appointed Outside Directors with high levels of independence and managerial experience, while also establishing and operating multifaceted management oversight systems that include 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 are also audited by an independent accounting auditor. Through these systems, we maintain a disciplined management organization and carry out appropriate risk management and compliance throughout the Mabuchi Motor Group.



Investor Information

(As of December 31, 2019)

■ Stock Data

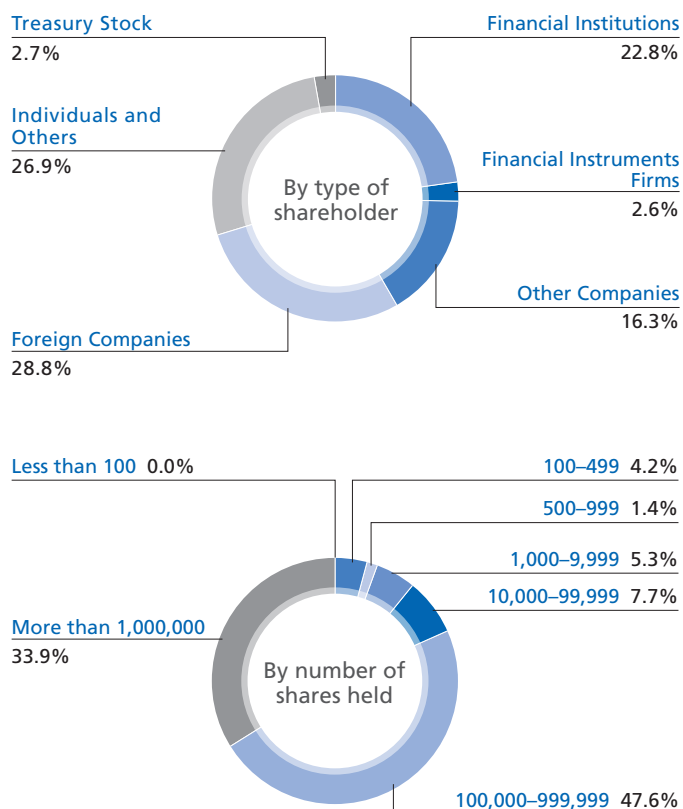
Number of Shares Authorized	200,000,000
Number of Shares Issued	68,562,462
Number of Shareholders	21,795

■ Major Shareholders

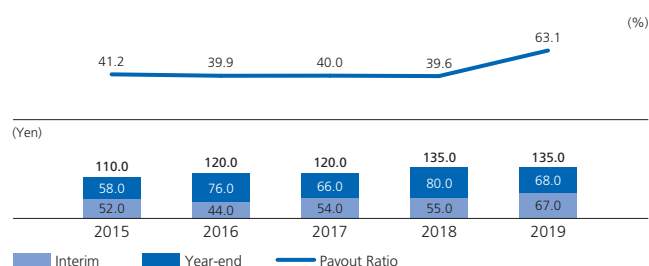
Major Shareholders	Number of Shares Held (Thousands)	Ratio of Shareholders (%)
Takaichi Mabuchi	5,000	7.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,460	5.2
Mabuchi International Scholarship Foundation	3,000	4.5
Japan Trustee Services Bank, Ltd. (Trust Account)	2,659	4.0
Premiere Corporation	2,068	3.1
Tamotsu Mabuchi	2,050	3.1
Takashi Mabuchi	2,010	3.0
Ray Corporation	1,746	2.6
MISAKI ENGAGEMENT MASTER FUND	1,202	1.8
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,120	1.7

Notes: 1. In addition to the above, Mabuchi Motor Co., Ltd. retains 1,826,900 shares of treasury stock.
2. Ratio of shareholders excludes the number of treasury stock.

■ Composition of Shareholders



■ Cash Dividends per Share/Payout Ratio



■ 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, 2019–Mar. 19, 2019	505,500	1,949
Feb. 18, 2019–Feb. 28, 2019	272,000	1,050
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

	2015	2016	2017	2018	2019
High (Yen)	8,230	6,740	6,740	6,750	4,670
Low (Yen)	4,385	3,810	5,020	3,130	3,130
At year-end (Yen)	6,640	6,100	6,110	3,370	4,150
PER	24.9	20.3	20.4	9.9	19.4
PBR	2.0	1.8	1.7	0.9	1.1

Corporate Data

(As of December 31, 2019)

For details, please refer to the corporate outline section on our corporate website:

<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 Subsidiaries**
Consolidated Subsidiaries 22
Non-consolidated Subsidiaries 1
- **Number of Employees**
849 (Non-consolidated)
22,061 (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
10-11, Higashi-suna 7-chome, Koto-ku,
Tokyo 137-8081, Japan
Tel: +81-120-232-711
- **Stock Listing**
Japanese Stock Exchange Listing
Tokyo Stock Exchange

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

(As of March 31, 2020)

For details, please refer to the executives section on our corporate website:

<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
Shinichi Taniguchi
Director, Managing Executive Officer, Chief Technology Officer and Senior General Manager of Manufacturing Headquarters
Tadahito Iyoda
Director, Executive Officer and General Manager of Corporate Planning Department
- Eiji Uenishi**
Director, Executive Officer, Senior General Manager of Product Development, In Charge of Customer Solutions and Senior General Manager of Automotive Product Business Unit 1
Naoki Mitarai
Outside Director
Kazuhiko Tsutsumi
Outside Director
Jody L. 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)**
Kentaro Shirai
Managing Executive Officer, Chief Business Officer and Senior General Manager of Purchasing Headquarters
Isao Ichikawa
Managing Executive Officer, In Charge of Business Operations and Senior General Manager of Consumer and Industrial Product Business Unit
Takayuki Kokon
Executive Officer, Chief Administrative Officer, Senior General Manager of Human Resources and General Affairs Headquarters and Senior General Manager of Business Platform Innovation Headquarters
Tsuyoshi Nakamura
Executive Officer and In Charge of Customer Relations
- Toru Shibasaki**
Executive Officer and Deputy Senior General Manager of Manufacturing Headquarters
Tomofumi Imamura
Executive Officer and Senior General Manager of Automotive Product Business Unit 2
Takumi Tomita
Executive Officer, Senior General Manager of Finance and Accounting Headquarters and General Manager of Corporate Communication Department
Quan Da Yong
Group Managing Executive Officer and Chief Regional Officer in China
Shu Zheng
Group Executive Officer and Deputy Chief Regional Officer in China
Hoang Son
Group Executive Officer, MABUCHI MOTOR VIETNAM LTD. Chairman / President and MABUCHI MOTOR DANANG LTD. Chairman



Back row, from left: Yukie Toge, Takashi Asai, Toru Masuda, Kazuyuki Someya, Shinichi Taniguchi, Tadahito Iyoda, Eiji Uenishi
 Front row, from left: Kazuhiko Tsutsumi, Hirotarō Katayama, Hiroo Okoshi, Masato Itokawa, Naoki Mitarai, Jody L. Ono

Consolidated Balance Sheet

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2018 and 2019

ASSETS	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2018	2019	2019
Current Assets:			
Cash and bank deposits (Notes 3, 4)	¥113,066	¥110,369	\$1,007,386
Trade notes and accounts receivable (Note 4)	23,909	21,913	200,009
Less – Allowance for doubtful accounts	(104)	(53)	(491)
Short-term investments (Note 4)	2,500	2,301	21,002
Merchandise and finished goods	25,014	24,353	222,284
Work in process	998	954	8,710
Raw materials and supplies	9,696	8,572	78,241
Other current assets	4,823	5,101	46,562
Total current assets	179,902	173,510	1,583,706
Property, Plant and Equipment:			
Land	6,633	6,640	60,607
Buildings and structures	48,936	50,580	461,671
Machinery and equipment	78,134	83,623	763,268
Construction in progress	11,099	16,288	148,672
	144,804	157,133	1,434,220
Less – Accumulated depreciation	(70,778)	(76,628)	(699,422)
Property, plant and equipment, net	74,025	80,504	734,797
Investments and Other Assets:			
Investment securities (Note 4)	9,208	10,980	100,227
Long-term loans receivable	453	–	–
Deferred tax assets – non-current (Note 8)	825	704	6,429
Other investments and other assets	2,633	2,543	23,218
Total investments and other assets	13,121	14,229	129,876
Total Assets	¥267,050	¥268,244	\$2,448,380

LIABILITIES AND NET ASSETS	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2018	2019	2019
Current Liabilities:			
Trade notes and accounts payable (Note 4)	¥6,376	¥6,003	\$54,797
Accrued income taxes	1,812	1,966	17,947
Accrued bonuses due to employees	265	249	2,273
Accrued bonuses due to directors	161	172	1,575
Other current liabilities	9,832	8,730	79,682
Total current liabilities	18,448	17,121	156,275
Long-term Liabilities:			
Long-term loans payable	–	635	5,795
Accrued benefits for stock payment	117	142	1,301
Liability for retirement benefits (Note 7)	2,259	2,139	19,530
Asset retirement obligations	17	17	159
Deferred tax liabilities – non-current (Note 8)	1,393	2,716	24,790
Other long-term liabilities – non-current	359	299	2,734
Total long-term liabilities	4,147	5,950	54,311
Total liabilities	22,595	23,071	210,587
Net Assets (Note 2):			
Shareholders' Equity			
Common stock, no par value:			
Authorized: 200,000,000 shares			
Issued: 68,562,462 shares in 2018			
68,562,462 shares in 2019	20,704	20,704	188,981
Additional paid-in capital	20,419	20,419	186,380
Retained earnings	212,594	216,974	1,980,415
Treasury stock, at cost: 1,323,854 shares in 2018 and 1,826,945 shares in 2019	(7,400)	(10,014)	(91,410)
Total shareholders' equity	246,318	248,084	2,264,367
Accumulated other comprehensive income			
Net unrealized holding gains on securities	2,020	3,456	31,548
Deferred gains or losses on hedges	(37)	(2)	(19)
Foreign currency translation adjustments	(3,074)	(5,777)	(52,735)
Retirement benefits liability adjustments (Note 7)	(897)	(712)	(6,502)
Total accumulated other comprehensive income	(1,988)	(3,035)	(27,708)
Subscription rights to shares	124	124	1,134
Total net assets	244,454	245,172	2,237,792
Total Liabilities and Net Assets	¥267,050	¥268,244	\$2,448,380

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, 2018 and 2019

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

	Number of Shares (Thousands)		Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2018	2019	2018	2019	
Common Stock:					
Beginning balance	69,125	68,562	¥20,704	¥20,704	\$188,981
Treasury stock cancellation	(563)	—	—	—	—
Ending balance	68,562	68,562	¥20,704	¥20,704	\$188,981
Additional Paid-in Capital:					
Beginning balance			¥20,419	¥20,419	\$186,380
Treasury stock disposal			0	—	—
Treasury stock cancellation			(0)	—	—
Ending balance			¥20,419	¥20,419	\$186,380
Retained Earnings:					
Beginning balance			¥200,713	¥212,594	\$1,940,437
Profit attributable to owners of parent			22,925	14,234	129,925
Dividends paid			(8,172)	(9,832)	(89,749)
Treasury stock cancellation			(2,871)	(137)	(1,258)
Increase in retained earnings due to merger of non-consolidated subsidiary			—	116	1,060
Ending balance			¥212,594	¥216,974	\$1,980,415
Treasury Stock:					
Beginning balance			¥(7,486)	¥(7,400)	\$(67,547)
Treasury stock acquisition			(3,002)	(4,082)	(37,262)
Treasury stock disposal			215	1,468	13,400
Treasury stock cancellation			2,872	—	—
Ending balance			¥(7,400)	¥(10,014)	\$(91,410)
Net Unrealized Holding Gains on Securities:					
Beginning balance			¥4,546	¥2,020	\$18,441
Net change during the year			(2,526)	1,436	13,107
Ending balance			¥2,020	¥3,456	\$31,548
Deferred Gains or Losses on Hedges:					
Beginning balance			¥(87)	¥(37)	\$(338)
Net change during the year			50	35	319
Ending balance			¥(37)	¥(2)	\$(19)
Foreign Currency Translation Adjustments:					
Beginning balance			¥4,443	¥(3,074)	\$(28,060)
Net change during the year			(7,517)	(2,703)	(24,675)
Ending balance			¥(3,074)	¥(5,777)	\$(52,735)
Retirement Benefit Liability Adjustments:					
Beginning balance			¥(1,203)	¥(897)	\$(8,190)
Net change during the year			306	184	1,688
Ending balance			¥(897)	¥(712)	\$(6,502)
Total Accumulated Other Comprehensive Income:					
Beginning balance			¥7,698	¥(1,988)	\$(18,148)
Net change during the year			(9,686)	(1,047)	(9,560)
Ending balance			¥(1,988)	¥(3,035)	\$(27,708)
Subscription Rights to Shares:					
Beginning balance			¥130	¥124	\$1,134
Net change during the year			(5)	—	—
Ending balance			¥124	¥124	\$1,134
Total Net Assets:					
Beginning balance			¥242,179	¥244,454	\$2,231,237
Profit attributable to owners of parent			22,925	14,234	129,925
Dividends paid			(8,172)	(9,832)	(89,749)
Treasury stock acquisition			(3,002)	(4,082)	(37,262)
Treasury stock disposal			216	1,330	12,141
Consolidation of subsidiaries			—	116	1,060
Net changes in items other than those in shareholders' equity			(9,692)	(1,047)	(9,560)
Ending balance			¥244,454	¥245,172	\$2,237,792

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries

For the years ended December 31, 2018 and 2019

	Yen (Millions)		U.S. Dollars (Thousands) (Note 1)
	2018	2019	2019
Cash Flows from Operating Activities:			
Profit before income taxes	¥29,323	¥20,179	\$184,187
Depreciation and amortization	7,994	8,581	78,328
Increase (decrease) in liability for retirement benefits	127	70	641
Interest and dividend income	(889)	(1,121)	(10,240)
Exchange (gain) loss	(134)	22	209
(Gain) loss on disposal of fixed assets	(4,790)	586	5,354
Decrease (increase) in trade notes and accounts receivable	2,004	1,586	14,477
Decrease (increase) in inventories	(4,710)	1,033	9,429
Increase (decrease) in trade notes and accounts payable	(207)	(1,013)	(9,246)
Other, net	(1,410)	(240)	(2,197)
Subtotal	27,307	29,684	270,942
Interest and dividends received	857	1,152	10,522
Income taxes paid	(7,185)	(5,006)	(45,700)
Net cash provided by operating activities	20,979	25,830	235,764
Cash Flows from Investing Activities:			
Payments into time deposits	—	(1,635)	(14,928)
Proceeds from withdrawal of time deposits	—	1,635	14,928
Purchases of short-term investments	(2,000)	—	—
Proceeds from sales of short-term investments	2,000	1,000	9,127
Purchases of property, plant and equipment	(16,524)	(15,391)	(140,485)
Proceeds from sales of property, plant and equipment	6,033	81	746
Purchases of investment securities	(1,162)	(802)	(7,324)
Other, net	(1,082)	(133)	(1,221)
Net cash used in investing activities	(12,735)	(15,246)	(139,157)
Cash Flows from Financing Activities:			
Repayment of short-term loans payable	(56)	—	—
Proceeds from long-term loans payable	—	635	5,795
Cash dividends paid	(8,170)	(9,830)	(89,729)
Purchases of treasury stock	(3,004)	(4,083)	(37,274)
Proceeds from sales of treasury stock	162	1,147	10,474
Net cash used in financing activities	(11,069)	(12,132)	(110,734)
Effect of exchange rate changes on cash and cash equivalents	(2,571)	(1,149)	(10,493)
Net increase (decrease) in cash and cash equivalents	(5,396)	(2,697)	(24,620)
Cash and Cash Equivalents at the Beginning of Year	118,956	113,560	1,036,514
Cash and Cash Equivalents at the End of Year	¥113,560	¥110,863	\$1,011,894

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mabuchi Motor Co., Ltd. and Consolidated Subsidiaries
December 31, 2018 and 2019

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, 2019, have been translated into U.S. dollars at the rate of ¥109.56 = U.S.\$1, the approximate exchange rate prevailing on December 31, 2019. 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 an unconsolidated subsidiary 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 and executive officers are provided at the estimated amount to be paid to directors and executive officers 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

Revenue Recognition

(a) "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("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 Changes in presentation

(Changes in line with the application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting")

The Company applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended December 31, 2019. Therefore, deferred tax assets were presented in Investments and Other Assets, deferred tax liabilities were presented in Long-term Liabilities, and notes regarding tax effect accounting were updated.

As a result, in the consolidated balance sheet for the previous fiscal year, "Deferred tax assets" in the amount of ¥374 million, which had been included in "Current Assets" of ¥1,570 million were included in "Deferred tax assets" of ¥825 million in "Investments and Other Assets" and "Deferred tax assets" of ¥1,196 million and "Deferred tax liabilities" of ¥69 million, which had been included in "Current Assets" and "Current Liabilities", respectively, were included in "Deferred tax liabilities" of ¥1,393 million in "Long-term Liabilities".

Note 8, excluding total amount of valuation allowance, and Note 9 of "Accounting Standard for Tax Effect Accounting" prescribed in Paragraphs 3 to 5 of Partial Amendments to Accounting Standard for Tax Effect Accounting were reflected in the notes regarding tax effect accounting.

However, comparative information for the fiscal year ended December 31, 2018 was not disclosed in accordance with the transitional measures prescribed by Paragraphs 7 of Partial Amendments to Accounting Standard for Tax Effect Accounting.

r Additional information

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

1. Outline of transactions

The Company implemented an E-Ship® Trust-Type Employee Stock Ownership Incentive Plan (hereinafter, "the Incentive Plan"). The purpose of the Incentive Plan is to promote the constant development of the Company by motivating and encouraging enthusiasm among employees. This will be accomplished by providing incentives to raise the medium- to long-term corporate value of the Company, enhancing the employee welfare program, and facilitating capital participation as shareholders of the Company.

The Incentive Plan is available to all employees who belong to the Mabuchi Motor Employee Shareholders Association (hereinafter, "the Employee Shareholders Association"). Under the Incentive Plan, the Company will establish a trust—the Mabuchi Motor Employee Shareholders Association Exclusive Trust (hereinafter, "the Employee Shareholders Association Exclusive Trust")—through a trust bank. The Employee Shareholders Association Exclusive Trust will estimate the number of shares that the Employee Shareholders Association is likely to acquire over the next three years and will purchase this amount in advance using bank loans. Subsequently, the Employee Shareholders Association Exclusive Trust will continuously sell Company shares to the Employee Shareholders Association and, if an amount equivalent to net gains on Company shares has accumulated in the Employee Shareholders Association Exclusive Trust when the trust period comes to an end, such money will be distributed as residual assets to members of the Employee Shareholders Association who meet the beneficiary eligibility criteria. Please note that the Company will guarantee loans taken out to purchase Company shares and will repay any outstanding portion of the loans if, due to a drop in the market price of Company shares, an amount equivalent to the loss on sale of shares has accumulated in the Employee Shareholders Association Exclusive Trust when the trust period comes to an end.

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 based on the carrying value (net of associated costs) in the trust. The carrying value was ¥634 million (\$5,795 thousand) at December 31, 2019.

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

Shareholders Association Exclusive Trust account. The number at year-end and the weighted average number of such treasury shares were 139,100 and 7,241 shares, respectively, during the fiscal year ended December 31, 2019.

3. Carrying value of loans recorded based on the gross method

As of December 31, 2019: ¥635 million (\$5,795 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, 2018 and ¥904 million (\$8,259 thousand) at December 31, 2019.

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, 2018 was 116,386 shares, and at December 31, 2019 was 203,226 shares, and the number of such treasury shares during the fiscal year ended December 31, 2018 was 116,386 shares and during the fiscal year ended December 31, 2019 was 133,971 shares.

2. Changes in Net Assets

Information regarding changes in net assets for the years ended December 31, 2018 and 2019, is as follows:

a Shares issued and outstanding / Treasury stock

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 - 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.

2019

Type of shares	Shares Issued (Thousands)	Treasury Stock (Thousands)
	Common stock	Common stock
Number of shares as of December 31, 2018	68,562	1,440
Increase in number of shares	-	1,038
Decrease in number of shares	-	309
Number of shares as of December 31, 2019	68,562	2,169

Note: 1. The increase in the number of shares of treasury stock was due to the purchase of treasury stock, the BIP Trust, the Employee Shareholders Association Exclusive Trust, and the purchase of shares of less than one unit (777 thousand, 121 thousand, 139 thousand, and 0 thousand shares, respectively).

2. The decrease in the number of shares of treasury stock was due to disposition of 14 thousand treasury shares as restricted stock compensation, allocation of 121 thousand shares and 139 shares to the third party representing the BIP Trust and the Employee Shareholders Association Exclusive Trust, respectively, sales of 17 thousand and distribution of 16 thousand shares of treasury stock held by the BIP Trust.

3. There were - thousand shares and 139 thousand shares of treasury stock held by the Employee Shareholders Association Exclusive Trust included in the number of shares of treasury stock as of January 1, 2019 and December 31, 2019, respectively and there were 116 thousand shares and 203 thousand shares of treasury stock held by the BIP Trust included in the number of shares of treasury stock as of January 1, 2019 and December 31, 2019, respectively.

b Share subscription rights

2018			Number of shares issued				Balance at December 31, 2018 Yen (Millions)
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
Total		-	-	-	-	-	¥124

2019			Number of shares issued				Balance at December 31, 2019 Yen (Millions)	U.S. Dollars (Thousands)
Company	Description	Type of shares issued	Number of shares at January 1, 2019	Increase	Decrease	Number of shares at December 31, 2019		
Parent Company	Subscription rights as stock options	-	-	-	-	-	¥124	\$1,134
Total		-	-	-	-	-	¥124	\$1,134

c 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	¥3,698 million
Dividends per share			¥66	¥55
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 the BIP Trust in the amount of ¥11 million 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 the BIP Trust in the amount of ¥9 million 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
Dividends per share		¥80
Record date		December 31, 2018
Effective date		March 29, 2019

Note: Dividends paid to the BIP Trust in the amount of ¥9 million have been included in the total amount of dividends.

Dividends paid during the fiscal year ended December 31, 2019

2019			Shareholders' Meeting	Board of Directors' Meeting
Resolution by			March 28, 2019	August 9, 2019
Total amount of dividends			¥5,379 million (\$49,097 thousand)	¥4,453 million (\$40,652 thousand)
Dividends per share			¥80 (\$0.73)	¥67 (\$0.61)
Record date			December 31, 2018	June 30, 2019
Effective date			March 29, 2019	September 17, 2019

Note: Dividends approved at the shareholders' meeting on March 28, 2019 paid to the BIP Trust in the amount of ¥9 million (\$84 thousand) have been included in the total amount of dividends. Dividends approved at the Board of Directors' meeting on August 9, 2019 paid to the BIP Trust in the amount of ¥5 million (\$50 thousand) have been included in the total amount of dividends.

Dividends whose record date was in the fiscal year ended December 31, 2019, but whose effective date was in the following fiscal year

2019

	Shareholders' Meeting
Resolution by	March 27, 2020
Total amount of dividends	¥4,538 million (\$41,420 thousand)
Dividends per share	¥68 (\$0.62)
Record date	December 31, 2019
Effective date	March 30, 2020

Note: Dividends paid to the Employee Shareholders Association Exclusive Trust and the BIP Trust in the amount of ¥23 million (\$212 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, 2018 and 2019, the Company didn't recognize nor allocate share-based compensation costs.

A description of the 2013, 2014, 2015, 2016 and 2017 Stock Option Plans as of December 31, 2019, 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, 2018	-	-	-	-	-
Granted	-	-	-	-	-
Forfeited	-	-	-	-	-
Vested	-	-	-	-	-
Outstanding as of December 31, 2019	-	-	-	-	-
Vested:					
Outstanding as of December 31, 2018	5,800	3,880	3,810	7,800	7,630
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Outstanding as of December 31, 2019	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
	Yen	Yen	Yen	Yen	Yen
Exercise price	¥1	¥1	¥1	¥1	¥1
Average price on exercise	-	-	-	-	-
Fair value on grant date	4,967	6,158	5,465	4,699	5,304

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, 2018 and 2019, as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Cash and bank deposits	¥113,066	¥110,369	\$1,007,386
Time deposits with maturities over three months at the time of purchi:	(6)	(6)	(55)
Short-term investments	2,500	2,301	21,002
Securities exposed to price risk	(2,000)	(1,801)	(16,438)
Cash and cash equivalents	¥113,560	¥110,863	\$1,011,894

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 accounting and finance 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 accounting and finance 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 accounting and finance 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, 2018 and 2019, were as follows. Fair values that are not readily determinable are not included in the following table.

	Yen (Millions)		
	2018		
	Carrying value	Fair value	Variance
Assets:			
(1) Cash and bank deposits	¥113,066	¥113,066	¥ -
(2) Trade notes and accounts receivable	23,909	23,909	-
(3) Short-term investments and investment securities	11,433	11,433	-
Total assets	¥148,409	¥148,409	¥ -
Liabilities			
Trade notes and accounts payable	¥6,376	¥6,376	¥ -
Total liabilities	¥6,376	¥6,376	¥ -

	Yen (Millions)			U.S. Dollars (Thousands)		
	2019			2019		
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
Assets:						
(1) Cash and bank deposits	¥110,369	¥110,369	¥ -	\$1,007,386	\$1,007,386	\$ -
(2) Trade notes and accounts receivable	21,913	21,913	-	200,009	200,009	-
(3) Short-term investments and investment securities	13,178	13,178	-	120,288	120,288	-
Total assets	¥145,461	¥145,461	¥ -	\$1,327,684	\$1,327,684	\$ -
Liabilities						
Trade notes and accounts payable	¥6,003	¥6,003	¥ -	\$54,797	\$54,797	\$ -
Total liabilities	¥6,003	¥6,003	¥ -	\$54,797	\$54,797	\$ -

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:

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)
	2018	2019	2019
	Unlisted stocks	¥275	¥103

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, 2018 and 2019

	Yen (Millions)		
	2018		
	Within 1 year	1-5 years	5-10 years
Cash and bank deposits	¥113,066	¥ -	¥ -
Trade notes and accounts receivable	23,909	-	-
Short-term investments and investment securities			
Other securities			
Corporate bonds	2,000	-	-
Certificate of deposit	500	-	-
Total	¥139,475	¥ -	¥ -

	Yen (Millions)			U.S. Dollars (Thousands)		
	2019			2019		
	Within 1 year	1-5 years	5-10 years	Within 1 year	1-5 years	5-10 years
Cash and bank deposits	¥110,369	¥ -	¥ -	\$1,007,386	\$ -	\$ -
Trade notes and accounts receivable	21,913	-	-	200,009	-	-
Short-term investments and investment securities						
Other securities						
Corporate bonds	1,801	-	-	16,438	-	-
Certificate of deposit	500	-	-	4,563	-	-
Total	¥134,583	¥ -	¥ -	\$1,228,398	\$ -	\$ -

5. Investment Securities

The carrying value, fair value and variance for held-to-maturity securities as of December 31, 2018 and 2019, were as follows:

(1) Held-to-maturity securities

Not applicable for the years ended December 31, 2018 and 2019.

The acquisition cost, carrying value and variance for other securities as of December 31, 2018 and 2019, were as follows:

(2) Other securities

	Yen (Millions)		
	Carrying value	Acquisition cost	Variance
Securities whose carrying value exceeds their acquisition cost			
Stock	¥5,153	¥1,942	¥3,211
Credit (Corporate bonds)	1,000	1,000	0
Subtotal	6,153	2,942	3,211
Securities whose acquisition cost exceeds their carrying value			
Stock	3,283	3,585	(301)
Credit (Corporate bonds)	1,000	1,000	-
Other	995	1,000	(4)
Subtotal	5,279	5,585	(305)
Total	¥11,433	¥8,528	¥2,905

Note: Unlisted stocks of ¥41 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)		
	Carrying value	Acquisition cost	Variance	Carrying value	Acquisition cost	Variance
Securities whose carrying value exceeds their acquisition cost						
Stock	¥8,926	¥4,028	¥4,897	\$81,473	\$36,773	\$44,699
Credit (Corporate bonds)	1,000	1,000	0	9,127	9,127	0
Other	542	500	42	4,950	4,563	386
Subtotal	10,468	5,528	4,939	95,551	50,464	45,086
Securities whose acquisition cost exceeds their carrying value						
Stock	1,409	1,499	(89)	12,861	13,683	(821)
Credit (Corporate bonds)	801	801	(0)	7,311	7,312	(1)
Other	500	500	-	4,563	4,563	-
Subtotal	2,710	2,800	(90)	24,737	25,559	(822)
Total	¥13,178	¥8,329	¥4,849	\$120,288	\$76,024	\$44,264

Note: Unlisted stocks of ¥33 million (\$302 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

Not applicable for the years ended December 31, 2018 and 2019.

(4) Held-to-maturity securities sold

Not applicable for the years ended December 31, 2018 and 2019.

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)			
	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

	Yen (Millions)			
	2019			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	¥23,083	¥ -	¥9	¥9
Total	¥23,083	¥ -	¥9	¥9

	U.S. Dollars (Thousands)			
	2019			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Forward exchange contracts				
Sell US\$	\$210,689	\$ -	\$90	\$90
Total	\$210,689	\$ -	\$90	\$90

2. Forward precious metal contracts

	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

	Yen (Millions)			
	2019			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	¥7,110	¥3,108	¥8,294	¥1,183
Total	¥7,110	¥3,108	¥8,294	¥1,183

	U.S. Dollars (Thousands)			
	2019			
	Contract amount	Maturity over 1 year	Fair value	Revaluation gain/loss
Non-market transactions				
Buy	\$64,901	\$28,376	\$75,707	\$10,805
Total	\$64,901	\$28,376	\$75,707	\$10,805

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

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

Hedge accounting method	Hedging instrument	Hedged item	Yen (Millions)		
			2019		
			Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts	Dividends			
	Sell US\$		¥539	¥ -	¥(3)
Total			¥539	¥ -	¥(3)

Hedge accounting method	Hedging instrument	Hedged item	U.S. Dollars (Thousands)		
			2019		
			Contract amount	Maturity over 1 year	Fair value
Principle-based accounting	Forward exchange contracts	Dividends			
	Sell US\$		\$4,919	\$ -	\$(27)
Total			\$4,919	\$ -	\$(27)

7. Retirement Benefit Plans

The table below sets forth the plans' status and amounts recognized in the consolidated balance sheets at December 31, 2018 and 2019.

1. Movement in retirement benefit obligations

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Beginning balance	¥12,130	¥11,455	\$104,557
Service cost	479	479	4,377
Interest cost	73	55	510
Actuarial loss (gain)	(157)	77	710
Benefit paid	(909)	(595)	(5,436)
Other	(161)	26	241
Ending balance	¥11,455	¥11,499	\$104,960

2. Movement in plan assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Beginning balance	¥10,013	¥9,873	\$90,122
Expected return on plan assets	100	95	876
Actuarial gain (loss)	89	170	1,559
Contributions paid by the employer	451	462	4,221
Benefit paid	(661)	(567)	(5,177)
Other	(119)	(241)	(2,205)
Ending balance	¥9,873	¥9,794	\$89,396

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Beginning balance	¥415	¥415	\$3,795
Retirement benefit cost	61	59	544
Benefit paid	(44)	(35)	(321)
Other	(16)	(5)	(51)
Ending balance	¥415	¥434	\$3,966

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Funded retirement benefit obligations	¥11,455	¥11,499	\$104,960
Plan assets	(9,873)	(9,794)	(89,396)
	1,581	1,705	15,563
Unfunded retirement benefit obligations	415	434	3,966
Total net liability for retirement benefits at December 31	¥1,997	¥2,139	\$19,530

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Liability for retirement benefits	¥1,997	¥2,139	\$19,530
Total net liability for retirement benefits at December 31	¥1,997	¥2,139	\$19,530

5. Retirement benefit costs

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Service cost	¥479	¥479	\$4,377
Interest cost	73	55	510
Expected return on plan assets	(100)	(95)	(876)
Amortization of unrecognized actuarial gain	180	159	1,455
Amortization of prior service cost	0	0	6
Retirement benefit costs applying a simplified method	61	59	544
Other	288	96	883
Total retirement benefit costs for the fiscal year ended December 31	¥984	¥756	\$6,901

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Prior service cost	¥0	¥0	\$6
Actuarial loss	408	252	2,303
Total balance amount for the year	¥409	¥253	\$2,310

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Unrecognized prior service cost	¥0	¥0	\$1
Unrecognized actuarial loss	1,150	898	8,198
Total balance amount for the year	¥1,151	¥898	\$8,200

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, 2018 and 2019, comprise:

	2018	2019
General accounts	67.6%	66.1%
Bonds	13.4%	12.4%
Stocks	5.1%	5.6%
Cash and deposits	3.0%	3.5%
Other	10.9%	12.4%
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:

	2018	2019
Discount rates	Mainly 0.3%	Mainly 0.4%
Expected rates of return on plan assets	Mainly 1.0%	Mainly 1.0%
Expected rates of salary increase	Mainly 2.8%	Mainly 2.7%

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 30.5% for the years ended December 31, 2018 and 2019, 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, 2018 and 2019 was as follows:

	2018	2019
	Percentage	Percentage
Effective statutory tax rates	30.7	30.5
Tax credits on dividend income	0.9	1.1
Different tax rates applied to foreign subsidiaries	(9.8)	(5.6)
Tax deduction	(1.3)	(1.0)
Undistributed earnings in foreign subsidiaries	0.9	1.9
Valuation allowance	2.0	1.7
Other, net	(1.6)	0.9
Effective tax rates	21.8	29.5

2. The significant components of deferred tax assets and liabilities at December 31, 2018 and 2019, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Deferred tax assets:			
Enterprise tax payable	¥85	¥88	\$811
Depreciation	138	141	1,295
Liability for retirement benefits	537	508	4,645
Loss on retirement of fixed assets	320	-	-
Valuation losses on investment securities and other assets	247	247	2,261
Valuation losses on golf club membership	71	71	650
Impairment loss	11	7	64
Net unrealized holding gains on securities	93	27	250
Deferred gains or losses on hedges	16	0	8
Unrealized profits on inventories and fixed assets	1,455	1,312	11,981
Loss carried forward (Note)	1,068	1,436	13,107
Other	436	427	3,905
Subtotal	4,482	4,270	38,981
Valuation allowance for tax loss carried forward (Note)	-	(1,436)	(13,107)
Valuation allowance for total amount of future deductible temporary differences, etc.	-	(441)	(4,031)
Subtotal	(1,550)	(1,877)	(17,139)
Total	¥2,931	¥2,392	\$21,841
Deferred tax liabilities:			
Tax on undistributed earnings in foreign subsidiaries	¥(2,480)	¥(2,853)	\$(26,043)
Reserve for reduction entry	(54)	(52)	(481)
Unrealized holding gains on securities	(885)	(1,393)	(12,716)
Other	(79)	(105)	(960)
Total	¥(3,499)	¥(4,404)	\$(40,202)
Net deferred tax assets (liabilities)	¥(567)	¥(2,011)	\$(18,360)

	Yen (Millions)							Total
	2019							
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years		
Loss carried forward	¥ -	¥ -	¥2	¥49	¥146	¥1,238	¥1,436	
Valuation allowance	-	-	(2)	(49)	(146)	(1,238)	(1,436)	
Deferred tax assets	-	-	-	-	-	-	-	

	U.S. Dollars (Thousands)							Total
	2019							
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years		
Loss carried forward	\$ -	\$ -	\$21	\$447	\$1,333	\$11,305	\$13,107	
Valuation allowance	-	-	(21)	(447)	(1,333)	(11,305)	(13,107)	
Deferred tax assets	-	-	-	-	-	-	-	

* : Loss carried forward was calculated by multiplying the effective statutory tax rate.

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, 2018 and 2019.

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Net unrealized holding gains (losses) on securities:			
Amount arising during the year	¥(3,313)	¥1,944	\$17,743
Reclassification adjustments for gains and losses included in net income	-	-	-
Amount before tax effect	(3,313)	1,944	17,743
Tax effect	787	(508)	(4,636)
Net unrealized holding gains (losses) on securities	(2,526)	1,436	13,107
Deferred gains or losses on hedges:			
Amount arising during the year	73	50	459
Tax effect	(22)	(15)	(140)
Deferred gains or losses on hedges	50	35	319
Foreign currency translation adjustments:			
Amount arising during the year	(7,517)	(2,703)	(24,675)
Retirement benefits liability adjustments:			
Amount arising during the year	227	92	848
Reclassification adjustments for gains and losses included in net income	181	160	1,462
Amount before tax effect	409	253	2,310
Tax effect	(103)	(68)	(622)
Retirement benefits liability adjustments	306	184	1,688
Total other comprehensive income	¥(9,686)	¥(1,047)	\$(9,560)

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, 2019, 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 17, 2019, interim dividends (¥67 or \$0.61 per share) totaling ¥4,453 million (\$40,652 thousand) were paid to shareholders based on the shareholders' record at June 30, 2019. On March 27, 2020, the shareholders approved the declaration of dividends (¥68 or \$0.62 per share) totaling ¥4,538 million (\$41,420 thousand).

11. Amounts per Share

	Yen		U.S. Dollars
	2018	2019	2019
Profit attributable to owners of parent			
Basic	¥341.19	¥214.00	\$1.95
Diluted	¥341.05	¥213.91	\$1.95

	Yen		U.S. Dollars
	2018	2019	2019
Net assets	¥3,640.08	¥3,690.86	\$33.68

Notes: 1. Per share amounts are computed based on the number of shares outstanding less treasury stock including shares of the ESOP trust and the BIP trust during the fiscal year ended December 31, 2018. Those during the fiscal year ended December 31, 2019 are computed based on the number of shares outstanding less treasury stock including shares of the Employee Shareholders Association Exclusive Trust and the BIP trust

2. The numbers at year end of such treasury shares were 0 and 116,386 shares, respectively, during the fiscal year ended December 31, 2018, and 139,100 and 203,226 shares, respectively, during the fiscal year ended December 31, 2019.

3. The weighted average numbers of such treasury shares were 29,988 and 116,386 shares, respectively, during the fiscal year ended December 31, 2018, and 7,241 and 133,971 shares, respectively, during the fiscal year ended December 31, 2019.

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Total net assets	¥244,454	¥245,172	\$2,237,792
Amounts deducted from total net assets:			
Share subscription rights	124	124	1,134
Net assets attributable to shares of Common stock	¥244,330	¥245,048	\$2,236,658
Number of Common stock on December 31 (Shares)	67,122,222	66,393,191	-

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Profit attributable to owners of parent per share			
Profit attributable to owners of parent	¥22,925	¥14,234	\$129,925
Amounts not attributable to ordinary shareholders	-	-	-
Profit attributable to owners of parent in relation to Common stock	22,925	14,234	129,925
Average number of Common stock (Shares)	67,191,599	66,517,552	-
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)	29,243	28,913	-
Share subscription rights (Shares)	29,243	28,913	-

12. Selling, General and Administrative Expenses

The main components of "Selling, General and Administrative Expenses" for the years ended December 31, 2018 and 2019, were as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Packing and freightage expenses	¥1,173	¥1,142	\$10,426
Salaries and wages	9,341	9,775	89,226
Provision for bonuses due to employees	262	252	2,304
Provision for bonuses due to directors	161	165	1,508
Retirement benefit expenses	596	541	4,937
Employee benefit costs	1,927	1,878	17,144
Depreciation	1,565	1,716	15,671
Provision of allowance for doubtful debts	(56)	(41)	(383)
Research expenses	1,159	1,075	9,816

13. Contingent Liabilities

As of December 31, 2018 and 2019, the Company is contingently liable principally for forward precious metal contracts in the amounts of ¥9,385 million and ¥7,155 million (\$65,308 thousand), respectively.

14. Research and Development Expenses

Expenditures relating to research and development activities are charged to income as incurred and amounted to ¥4,939 million and ¥4,958 million (\$45,260 thousand) for the years ended December 31, 2018 and 2019, respectively.

15. Other Income (Expenses)

A gain of ¥6,023 million on the sale of buildings and structures was recognized for the years ended December 31, 2018 and included in Gain (loss) on disposal of fixed assets, net. A loss of ¥1,050 million on the disposal of construction in progress and ¥533 million (\$4,871 thousand) on the disposal of machinery and vehicles was recognized and included in Gain (loss) on disposal of fixed assets, net, for the years ended December 31, 2018 and 2019, respectively.

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, 2018 and 2019.

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. The "Partial Amendments to Accounting Standard for Tax Effect Accounting" have been applied from the beginning of the fiscal year ended December 31, 2019 and have also been applied retroactively to the segment assets of the previous fiscal year.

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

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Net sales:			
Japan			
External customers	¥13,032	¥14,091	\$128,617
Intersegment	87,898	79,477	725,419
Total	100,931	93,568	854,037
Asia			
External customers	75,581	64,427	588,058
Intersegment	78,262	71,242	650,257
Total	153,844	135,669	1,238,316
North and Latin America			
External customers	20,505	23,013	210,055
Intersegment	420	1,573	14,357
Total	20,925	24,586	224,412
Europe			
External customers	33,996	30,274	276,330
Intersegment	79	82	748
Total	34,075	30,356	277,079
Corporate and elimination	(166,661)	(152,374)	(1,390,783)
Consolidated	¥143,116	¥131,807	\$1,203,061
Segment profit or loss:			
Japan	¥7,062	¥6,370	\$58,147
Asia	13,529	10,058	91,805
North and Latin America	(1,085)	(266)	(2,432)
Europe	1,325	828	7,563
Corporate and elimination	410	553	5,055
Consolidated	¥21,243	¥17,544	\$160,138
Segment assets:			
Japan	¥111,909	¥115,529	\$1,054,489
Asia	166,481	167,088	1,525,082
North and Latin America	25,030	30,615	279,443
Europe	21,726	21,599	197,147
Corporate and elimination	(58,099)	(66,588)	(607,783)
Consolidated	¥267,050	¥268,244	\$2,448,380
Others:			
Depreciation and amortization:			
Japan	¥1,151	¥1,204	\$10,996
Asia	6,535	6,698	61,138
North and Latin America	628	856	7,819
Europe	7	146	1,335
Corporate and elimination	(329)	(324)	(2,961)
Consolidated	¥7,994	¥8,581	\$78,328
Increase in tangible and intangible fixed assets:			
Japan	¥129	¥829	\$7,573
Asia	9,626	12,337	112,607
North and Latin America	3,410	4,669	42,619
Europe	1,966	542	4,950
Corporate and elimination	(584)	(874)	(7,980)
Consolidated	¥14,548	¥17,504	\$159,769

Notes: 1. (1) Corporate and elimination for segment profit or loss of ¥410 million in fiscal 2018 and ¥553 million (\$5,055 thousand) in fiscal 2019 represent intersegment transaction eliminations.

(2) The segment assets eliminations include: corporate assets of ¥56,298 million in fiscal 2018 and ¥55,536 million (\$506,902 thousand) in fiscal 2019, not allocated to each segment; intersegment debt and credit eliminations of ¥(114,398) million in fiscal 2018 and ¥(122,124) million (\$1,114,685 thousand) in fiscal 2019. 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 ¥(329) million in fiscal 2018 and ¥(324) million (\$2,961 thousand) in fiscal 2019 represent intersegment transaction eliminations.

(4) Increase in tangible and intangible fixed assets eliminations of ¥(584) million in fiscal 2018 and ¥(874) million (\$7,980 thousand) in fiscal 2019 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, 2018, sales to one specific major customer in the amount of ¥14,392 million accounted for 10% or more of consolidated net sales. For the fiscal year ended December 31, 2019, sales to any specific customer didn't account for 10% or more of consolidated net sales.

Geographical Information

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Net sales			
Japan	¥13,597	¥14,428	\$131,693
Asia	75,022	64,090	584,982
North and Latin America	20,499	23,013	210,055
Europe	33,996	30,274	276,330
Total	¥143,116	¥131,807	\$1,203,061

	Yen (Millions)		U.S. Dollars (Thousands)
	2018	2019	2019
Tangible fixed assets			
Japan	¥16,438	¥15,357	\$140,173
Asia	45,102	48,665	444,188
North and Latin America	9,263	12,872	117,497
Europe	3,221	3,608	32,938
Total	¥74,025	¥80,504	\$734,797

There were no impairment losses relating to fixed assets to be disclosed for the fiscal years ended December 31, 2018 and 2019.

Notes: 1. Net sales in China in the amount of ¥35,724 million and ¥31,614 million (\$288,559 thousand) for the years ended December 31, 2018 and 2019, respectively were included in Asia.

2. Tangible fixed assets in China in the amount of ¥25,684 million and ¥25,627 million (\$233,908 thousand) and in Vietnam in the amount of ¥14,462 million and ¥18,984 million (\$173,281 thousand) were included in Asia for the years ended December 31, 2018 and 2019, respectively. Tangible fixed assets in Mexico in the amount of ¥9,251 million and ¥12,857 million (\$117,352 thousand) for the year ended December 31, 2018 and 2019, respectively were included in North and Latin America.

18. Subsequent Events

Setting the Maximum Allowance for Acquisition of Treasury Stock

On February 13, 2020, the Company resolved, at the Board of Directors' meeting, to set the maximum allowance for acquisition of 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 (\$27,382 thousand) (maximum)
- (4) Purchase period: February 14, 2020 to December 31, 2020
- (5) Purchase method: Purchase in the open market through discretionary trading

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, 2019, 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.

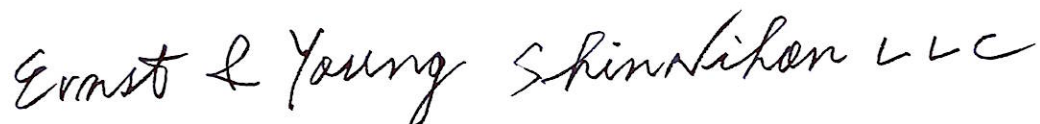
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, 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.



March 27, 2020