

# Leveraging Mabuchi Motor's strengths to expand our business into new areas

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## Looking Back on the Fiscal Year Ended December 31, 2023 and the Mid-Term Management Plan

— What are your thoughts looking back on 2023 in terms of results and the final year of the Mid-Term Management Plan?

The Mid-Term Management Plan that ended in 2023 was formulated at the end of 2020. At the time, we couldn't have predicted that the effects of the COVID-19 pandemic would be so long-lasting. Throughout most of the previous Mid-Term Management Plan, we were beset by an extremely difficult business environment, including slumping consumption, supply chain disruptions, restrictions on automotive production due to shortages of semiconductors and other components, rising geopolitical risks and soaring prices for energy and raw materials. There were even times when we faced production restrictions that lasted months due to the lockdown of some sites to prevent the spread of the COVID-19, but the Group came together to overcome these difficulties and fulfill its responsibility to supply customers with our products. Those stable supply capabilities were highly appreciated by customers, and the coordination between our different sites and departments was further strengthened.

In 2023, the final year of the previous Mid-Term Management Plan, sales to the Automotive Products market increased, reflecting both a recovery in automotive

production and an expansion in the range of models in which our products are installed. This covered the downturn in individual consumption for some applications in the Life & Industrial Products market, and as a result net sales rose 14% year over year to 178,663 million yen. Operating income benefitted from the weak yen in addition to price revisions and improved product mix, increasing 43.5% year on year to 15,536 million yen, with an operating income ratio of 8.7%. ROIC was 5.7%. This represented a strategic buildup of inventories in excess of regular times to ensure our supply responsibilities were met. We achieved a 15% CAGR in net sales, surpassing our performance guidance under the Mid-Term Management Plan of 8-10%, but failed to reach an operating income ratio of at least 15% and an ROIC of at least 12%.

As part of our Management Principle - Contributing to International Society and Continuously Increasing Our Contribution - we place a major emphasis on the profit earned from contributing to society and our customers, and consider profits to be an indicator of the contributions we make to society. Even in a tough business environment of rapid change, to ensure stable and high profitability we want to evolve our business portfolio for new growth and reinforce the management foundations to do that.

## Key Points of Management Plan 2030

— Please give an overview of Management Plan 2030 that was announced in 2024.

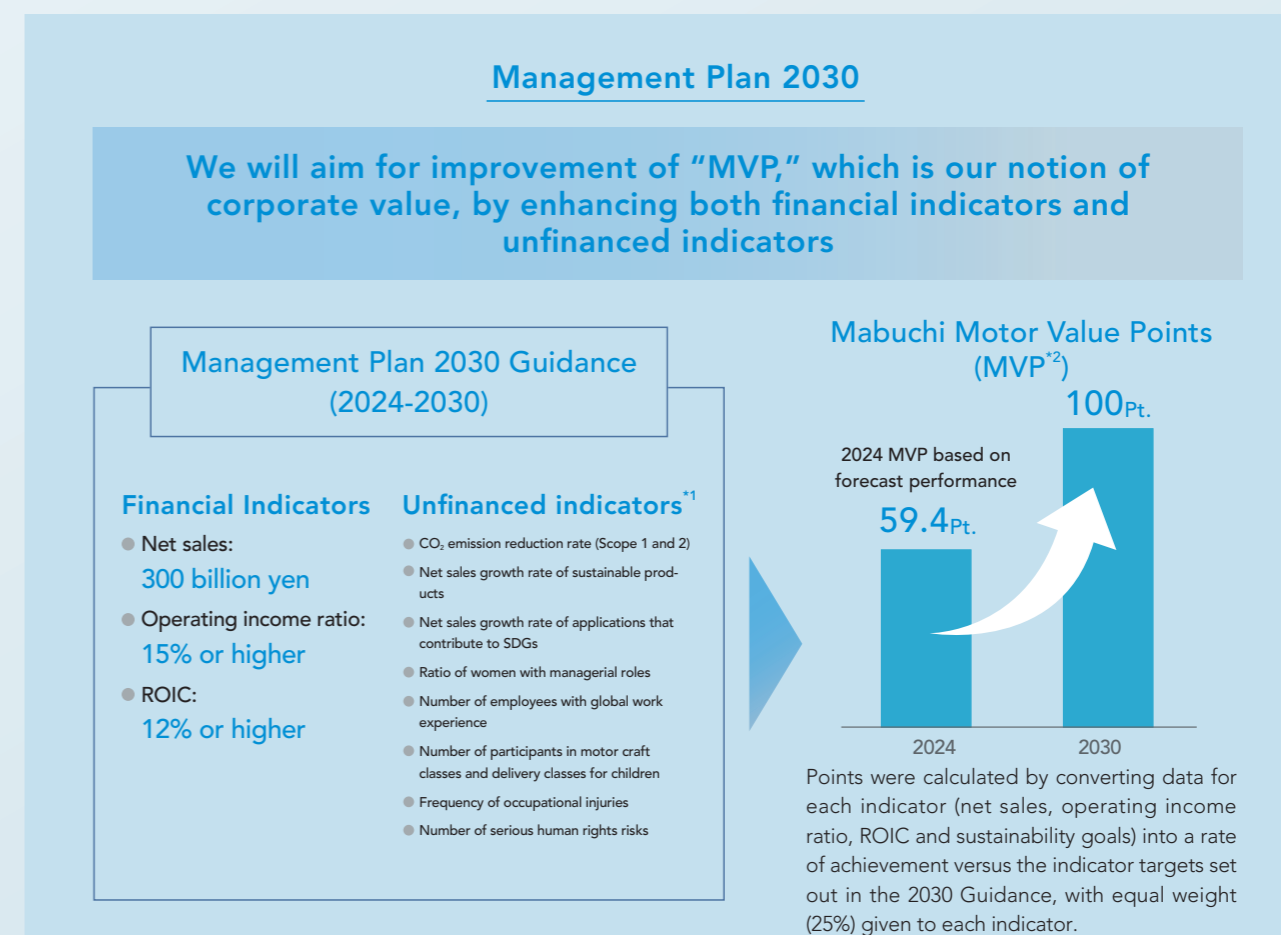
This year Mabuchi Motor announced Management Plan 2030 with the year 2030 as its final year. In Management Plan 2030, corporate value as we see it is expressed as Mabuchi Motor Value Points (MVP). We have set the points to be earned by realizing our 2030 guidance at 100. We look at the rate of achievement towards that goal each year, and strive to enhance corporate value through improvement efforts to enhance both the financial indicators set as KPIs and the unfinanced indicators that will contribute to finance in the future.

As for financial indicators, we have set extremely ambitious targets: net sales of 300 billion yen, an operating income ratio of at least 15%, and an ROIC of at least 12%. We have previously formulated three-year mid-term management plans, but this time we are adopting a long-term perspective, establishing a management plan that is relatively longer at seven years, in order to achieve a more dynamic transformation. To meet the challenging goals we have set, we have clarified the direction in which the Company is headed, share information about the challenges and targets that all employees of departments and sites will strive to

achieve, and are considering each of the measures that need to be implemented based on a backcasting approach, and carrying out those measures. As a result, we will work to promote a shared awareness and boost motivation across the organization, while strengthening organizational capabilities to respond flexibly to changes in the external environment.

In setting unfinanced indicators, we revised the materiality items in our Mid-Term Sustainability Targets tackled up to 2023, and set four materiality items: corporate activities that do not sacrifice the global environment, manufacturing that realizes an affluent society and comfortable lives for people, realization of an environment in which all people can play an active role, and fulfillment of social responsibilities. We have set eight indicators, comprising indicators to gauge the degree of contributions Mabuchi Motor has made to society, and indicators that Mabuchi Motor needs to achieve sustainable growth as a global company that enjoys a robust management infrastructure.

By setting concrete action plans to achieve these targets and regularly managing our progress, we hope to enhance management transparency, while helping stakeholders gain a deeper understanding and trust of Mabuchi Motor's vision and strategies.

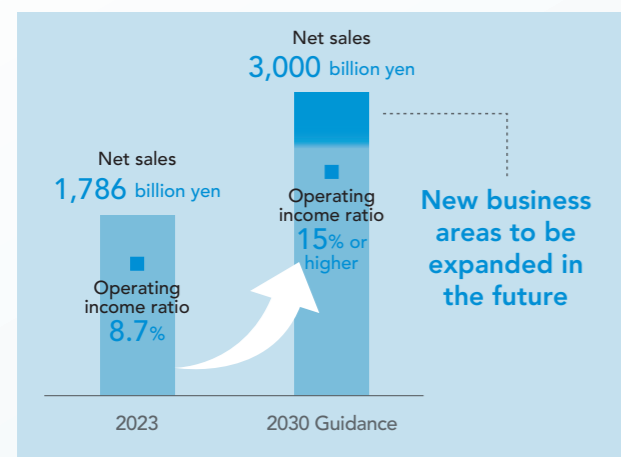


<sup>\*1</sup> Unfinanced indicators are indicators of intangible assets such as human capital which do not contribute financially yet but will contribute to business results in the future. Since they are as important to us financial indicators, we refer to them as "unfinanced indicators" rather than as "non-financial indicators."

<sup>\*2</sup> MVP: Results each year are quantified through the provision of points for financial indicators and unfinanced indicators.



## Initiatives to Achieve 300 Billion Yen in Net Sales



— Out of your financial indicators, net sales of 300 billion yen in particular is an ambitious target. How will you achieve it?

With our current business portfolio, roughly 80% of net sales are for Automotive Products, while the remaining 20% are for Life & Industrial products. We want to change this portfolio to achieve a ratio of 6:4 by the year 2030, and in the context of our target net sales of 300 billion yen, around 180 billion yen will be from automotive products, and the remaining 120 billion yen or so will be from life & industrial products.

For automotive products, net sales in 2023 were 140 billion yen, so we plan to expand this by around 40 billion yen. Within the automotive products market, we will steadily expand sales of compact electrical components with a focus on products with a relatively high market share such as mirrors and door lock actuators, in line with growth of the automotive market. At the same time, we will expand sales of new products that meet various needs in the shift to electric vehicles. For medium-sized electrical components such as power window lifters (PW) and power seats (PS), we aim to achieve growth that surpasses growth in the automotive market. Our global and stable supply capabilities, and products boasting compact sizes, light weight and high quality have earned high markets from customers, and we have made progress in expanding the number of models in which our products

are installed, and encouraging customers to switch over from our competitors. For PW, from 2025 we plan to begin mass production shipments to the third major US-based automotive manufacturer. With PS, when we first entered the market our sales were mainly from major European manufacturers. However, we began shipments to major Japanese manufacturers from 2023, and expect adoption to expand in the future. For both PW and PS, we hope to achieve a market share of 20% as early as possible prior to the year 2030.

In terms of new areas, in particular we expect to see growth in valve actuator motors for battery cooling, which is designed to provide thermal control for electric vehicles. We can take the valve actuator motors for internal combustion engines we have traditionally sold and repurpose them for battery cooling purposes without extra modification. In addition, integrated brushless motor units that enable flow paths to be switched in detail are currently under development and we plan to start shipping during 2024. Recently there appears to be a slowdown in the trend of electric vehicle adoption, but in terms of the long-term trend the shift to electric vehicles is undoubtedly proceeding worldwide, and we want to make sure we do not miss the opportunities created by these changes and translate them into growth.

Net sales for Life & Industrial Products was 38.6 billion yen in 2023, so we cannot reach our goals merely as an extension of past performance. We will accelerate initiatives in the 3 M fields that we focused on during the previous mid-term plan: Mobility, Machinery, and Medical. Under Mobility, we will expand sales of motors for light electric vehicles such as e-bikes and motorized carts for the elderly. Under Machinery, we will introduce controllers to operate our motors on AC power and aim to expand sales for factory automation applications. We will also strive to further expand sales of Mabuchi Electromag motors known for their ultra-high RPMs, capitalizing on their track record of deliveries for industrial machinery in addition to medical applications. Under Medical, in addition to expanding sales for existing applications such as high-end toothbrushes, we will expand synergies with the likes of Mabuchi Electromag and Mabuchi Oken to expand sales of unit products.

### The 3 M fields

#### Mobility

- Expand sales of motors for mobility applications such as e-bikes and motorized carts for the elderly
- Expand sales of cooling water valve actuator motors and units for EVs

#### Machinery

- Develop drive circuits for AC motor operations and expand sales for FA
- Expand sales of Mabuchi Electromag's ultra high speed rotation motors for industrial power tool application
- Expand sales of products of agricultural machinery and lawn mower applications

#### Medical

- Expand sales of compact pump unit products (jointly developed with Mabuchi Oken)
- Develop and expand sales of new ventilator motor products jointly developed with Mabuchi Electromag)
- Expand sales of surgical power tool motors

## e-MOTO Business Concept

— In Management Plan 2030, Mabuchi Motor has declared that it will evolve as a company that provides “movement” solutions with motors remaining at its core with the aim of further expanding contributions, and announced e-MOTO as the concept at the core of that endeavor.

e-MOTO is a combination of the English word “electric,” meaning “moved by electricity” and the Latin “moto,” which means “to give motion” and the origin of the word “motor.” Looking towards 2030 we will aim for rapid growth, defining the value we will provide as “movement.” To date, Mabuchi Motor has centered its business around motors as standalone offerings, but in an increasing number of cases customers are demanding the provision of products in complete units, and going forward we will aim to provide solutions that cater to various movements beyond rotation, including control and unit packages. To achieve this, in addition to increasing the types of motors we offer, we will actively utilize M&A activities and collaboration with outside parties as we expand our business domains in areas such as control and units. In June 2024, we announced the business acquisition of Oki Micro Engineering. This acquisition will give us a lineup of products Mabuchi Motor has not had in the past including stepping motors and rotary solenoids, and expand product development capabilities for these products. The company also has stable business dealings with major companies which we believe has potential for expanding future sales channels.

By expanding our business domains through e-MOTO, we will increase opportunities for our motors to be employed and sell more of our standard motor products, further solidifying the standardization strategy that has been a source of our strength. Moreover by expanding these standardization concepts to the strategies and unit products of the companies we welcome to the Group through acquisitions, we will further reinforce our competitiveness as a business.

— What do you recognize to be the management challenges that will be faced as you expand the business through the e-MOTO strategy with a focus on the 3 M fields?

When expanding the business in these new fields, it will be important to look closely at what fields enable us to play to our strengths, and to change how we proceed and the basis for decision making as we develop products and prepare for their mass production with new applications. To date we have developed our business through a narrow focus on brush motors, but since we will expand the breadth of our products from brush motors to brushless motors and unit products, we have significantly revised the guidelines for business decisions that operate internally.

On the production front, rather than immediately installing large-scale facilities with a view to mass production, we will need to look closely and what can be utilized based on the facilities we currently own, and pursue a phased expansion. We will also need to decide what parts to produce in-house and what parts to utilize outside collaboration, and that outside collaboration will need to be utilized in smart ways. Our high in-house production ratio is one of our strengths, but I think we also need to consider the role of in-house production. Up to now our basic approach has been to manufacture components, assemble motors and ship them out at each factory, but as we pursue the development of unit products going forward, adding new manufacturing processes for unit components such as control boards and gears at all production bases will increase fixed costs and require a long time for the recovery of investment. I believe that creating distinct qualities for each factory based on processes and items and promoting smooth coordination between factories while mitigating the risks will be vital for production management going forward. I hope to utilize my many years of experience with production management to build a new production system for Mabuchi Motor in the future.

