

# Increasing Profitability to Enhance Corporate Value and Capital Policy

## Initiatives to Improve Capital Efficiency and Profitability

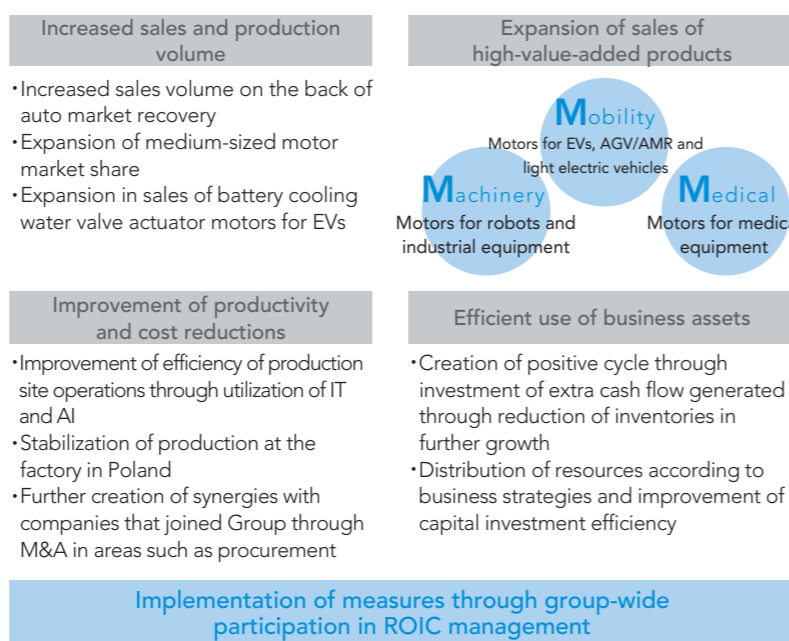
Mabuchi Motor aims to quickly increase ROIC and ROE by maximizing returns through the growth of its business and improving capital efficiency.



## Initiatives for Improving Profitability

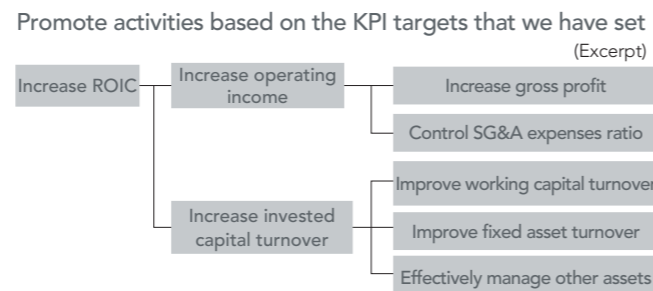
We aim to increase sales and production, with a particular focus on increasing sales of high-value-added products in the 3 M fields. We will streamline indirect operations at production sites using IT, use AI to accelerate the reduction of labor in inspection operations, and ensure stable production at the factory in Poland as ongoing efforts to improve productivity and reduce costs.

Additionally, we plan to increase synergy with companies that have joined the Group through mergers and acquisitions, particularly in the procurement of components and other operations. Another important initiative is the efficient use of business assets. We will create a positive cycle through the investment of surplus cash flow generated through the reduction of inventories in continued growth. We will allocate resources according to our business strategies and improve the efficiency of capital investment.

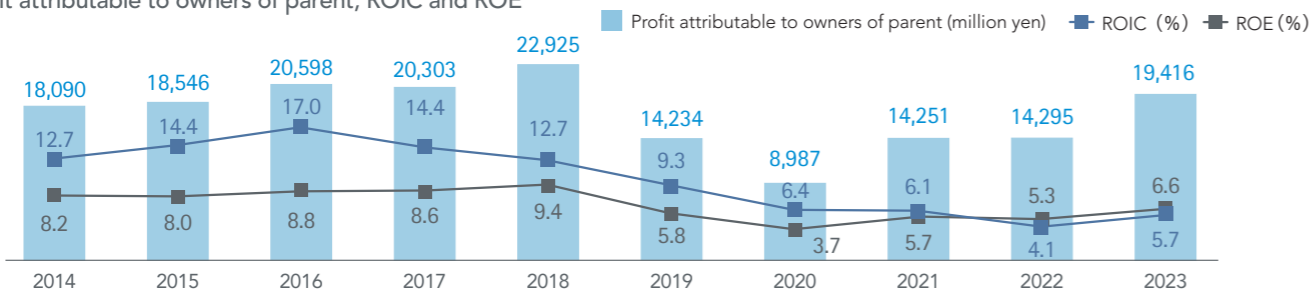


## Initiatives to Increase ROIC

We set KPIs that will lead to the improvement of ROIC at each business unit, functional headquarters and site according to their specific tasks for the promotion of activities. We are focusing on systematic activities such as increasing the operating income ratio, reducing inventory and improving working capital turnover. We aim to create a virtuous cycle of monitoring progress quarterly against the KPI targets that we have set, taking specific actions, generating surplus profits, and actively investing in growth areas.



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



During Management Plan 2030, we will actively invest the cash provided by operating activities in growth areas to increase corporate value while also increasing shareholder return.

We aim to achieve an operating income ratio of 15% or higher and a ROIC of 12% or higher. We will strive to enhance the operating income ratio by increasing sales of high-value-added products and improving cost control. We plan to reduce the ratios of material costs, manufacturing expenses, and SG&A expenses to net sales. To increase ROIC, aside from enhancing the operating income ratio, we will set internal targets regarding receivables and payables periods, inventory turnover periods, and fixed assets turnover and take actions based on these targets. We strategically maintained high levels of product and component inventories that far exceeded the

usual levels during the Mid-Term Management Plan up to 2023 to fulfill our responsibilities to supply products despite the disruption of our supply chains. This led to a decrease in ROIC. We plan to reduce our inventories. We anticipate that the cash provided by operating activities in the three years from 2024 to 2026 will be around 90.0 billion yen due to these initiatives.

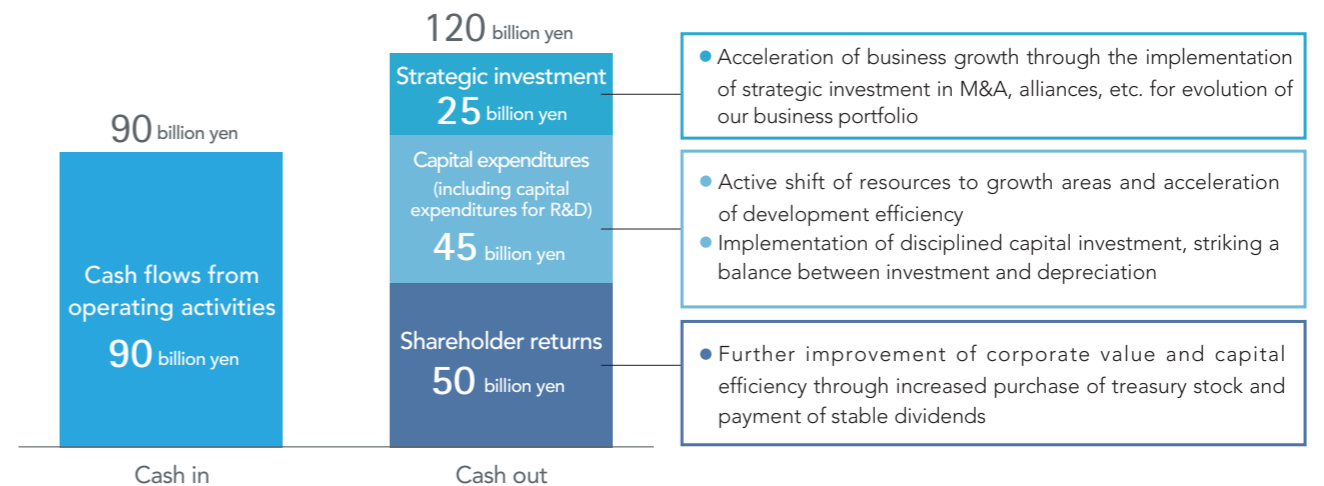
To accelerate the expansion of businesses, especially in the 3 M fields, we plan to strategically invest 25.0 billion yen primarily in mergers and acquisitions and alliances and to implement capital investments of 45.0 billion yen over the three years as a part of the e-MOTO strategy. We plan to revise the dividend calculation method to base dividends on DOE to ensure the consistency of payments and increase stock repurchases. We anticipate that we will return approximately 50.0 billion yen to the shareholders during the three years. We expect cash outflows of around 120.0 billion yen due to these initiatives, resulting in our cash decreasing about 30.0 billion yen.

We are committed to consistently improving the profitability of our capital to more than offset any rise in the cost of capital to achieve sustainable growth and enable our business to be valued fairly. We will implement management practices that are tied to the stock price, including shareholder return practices.

## Initiatives to Improve Capital Efficiency

We will actively invest the cash provided by operating activities in growth areas to enhance its corporate value and shareholder return.

### 2024-2026 Cash Allocation Policy



We will actively allocate cash flow from operating activities generated through our business activities to investment in further growth, while also strengthening shareholder returns. Lower cash flow is expected.

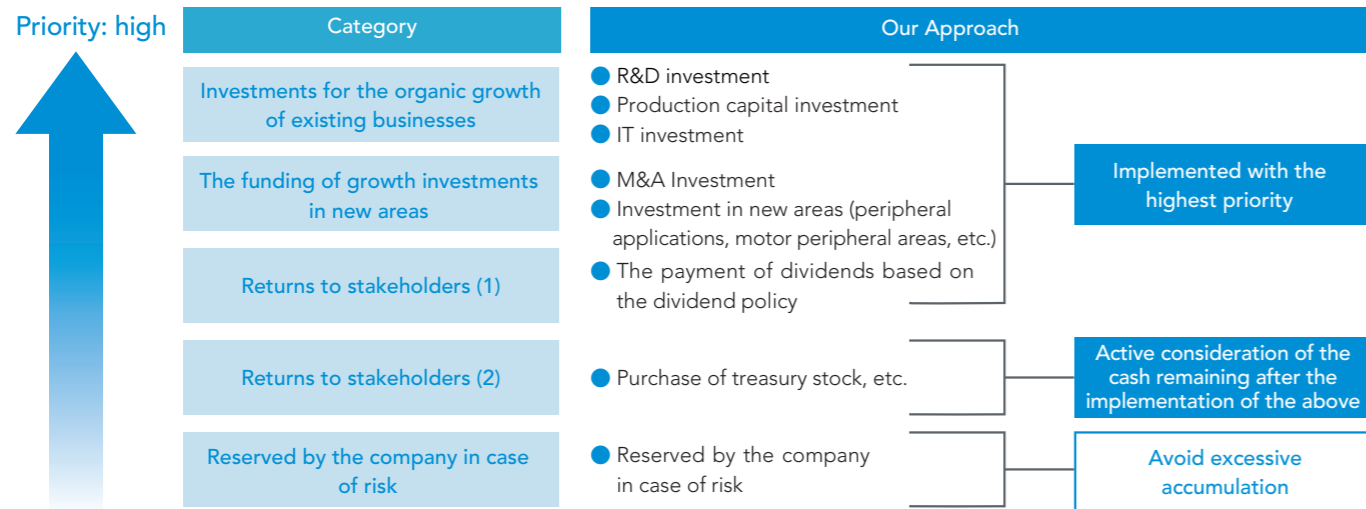
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## Approach to Cash Allocation

Cash provided by business activities will be used in activities that have been prioritized in the following order. The first priority will be investments for the organic growth of existing businesses and the funding of growth investments in new areas (including M&A investments). The next priority will be funds for the payment of dividends based on our dividend

policy.

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



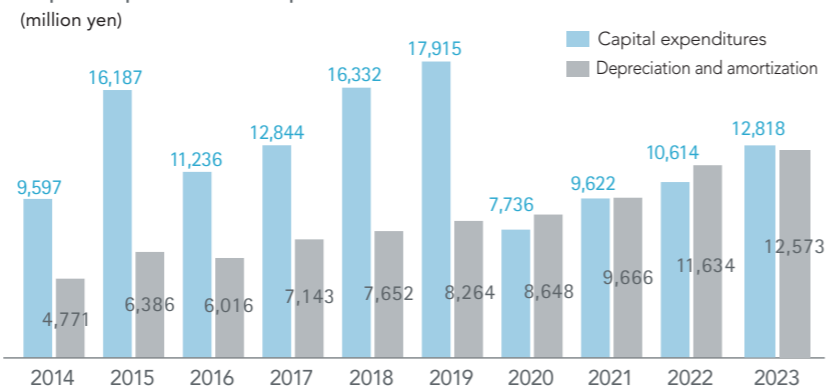
## Growth Investment

To practice its Management Principle of "Contributing to International Society and Continuously Increasing Our Contribution," Mabuchi Motor is proactively conducting R&D, capital investment and M&A activities for future growth.

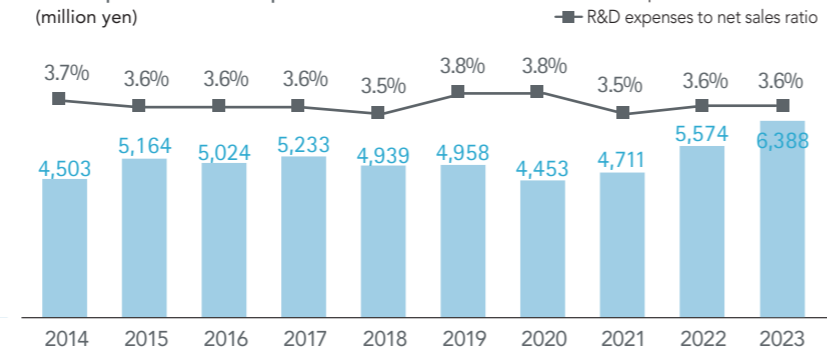
In recent years, we have been investing in the acquisition of land and buildings and production facilities of Mexico Mabuchi and Poland Mabuchi to establish production and supply systems in the Americas and Europe to develop the Five-Region Management Structure, but these investments have peaked out.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

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

Capital expenditures / Depreciation and amortization (million yen)



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



## Shareholder returns

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

### Dividend policy

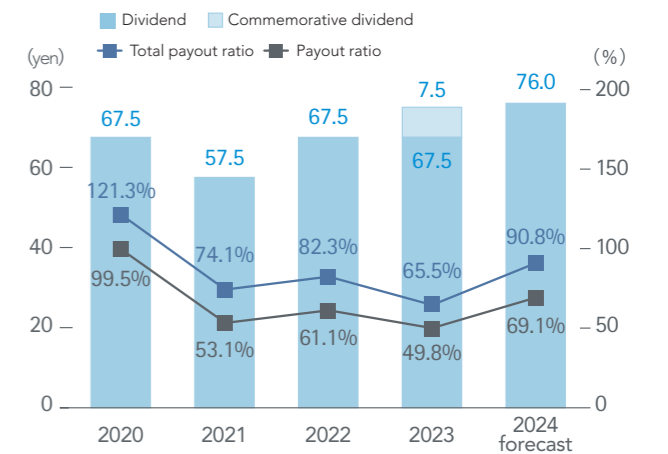
Our basic policy is to actively return profits to shareholders in line with the performance of the business while maintaining financial soundness by using retained earnings to fund the research and development and capital investment necessary for the growth and development of the company.

The annual dividend for 2023 was 150 yen per share, a record high. This includes a dividend of 135 yen per share (an ordinary dividend of 30 yen and a special dividend of 105 yen due to the anticipated improvement in business performance) and an additional commemorative dividend of 15 yen in honor of the Company's 70th anniversary.

### Dividend calculation method

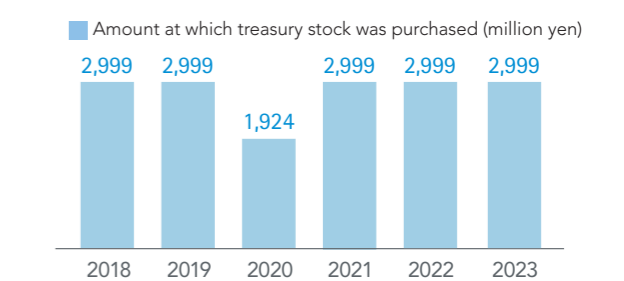
We have consistently paid an annual ordinary dividend of 30 yen per share and a special dividend that is equivalent to 30% of its consolidated net income per share. This method was discontinued after 2023. From 2024, the Company will base its dividend payments on a DOE (dividend on equity) of 3.0% to 4.0%. In addition to DOE, cash flows, the business environment and other factors will be considered.

Dividend



\* We executed a stock split on January 1, 2024. Dividends for 2023 and the preceding years are restated as if the 2-for-1 stock split had been executed before these years.

Treasury stock



### Purchase of treasury stock

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

## Basic Approach to Securing Funds

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

At Mabuchi Motor, always believing that companies are public institutions and must last forever to fulfill their duty to contribute to society, we have set a Long-Term Management Policy, "Continue and expand our contribution to the happiness of all stakeholders." We have secured the necessary funds and built a solid management foundation to realize this goal. Our approach to this goal is as shown on the right.

### Necessary funds

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

