

(TRANSLATION ONLY)

Securities code: 6592

March 8, 2019

To Those Shareholders with Voting Rights

Hiroo Okoshi
Representative Director and President
MABUCHI MOTOR CO., LTD.
430 Matsuhidai, Matsudo City, Chiba, Japan

NOTICE OF THE 78TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are informing you of the 78th Ordinary General Meeting of Shareholders (the “Meeting”) of MABUCHI MOTOR CO., LTD. (the “Company”) to be held as follows:

If you are unable to attend the Meeting, you may exercise your voting rights in writing or via electronic means (e.g., the Internet). Please read the attached REFERENCE DOCUMENTS FOR THE 78TH ORDINARY GENERAL MEETING OF SHAREHOLDERS and exercise your voting rights before 5 p.m. on Wednesday, March 27, 2019.

- 1. Date:** 10 a.m., Thursday, March 28, 2019
- 2. Place:** Large Conference Hall at Head Office
MABUCHI MOTOR CO., LTD.
430 Matsuhidai, Matsudo City, Chiba

3. Agenda:

Matters to be reported:

1. The Business Report and the Consolidated Financial Statements for the 78th Fiscal Term (from January 1, 2018 to December 31, 2018), as well as the Audit Reports of the Independent Certified Public Accountants and the Audit & Supervisory Board for the Consolidated Financial Statements
2. The Financial Statements for the 78th Fiscal Term (from January 1, 2018 to December 31, 2018)

Matters to be resolved:

- Proposal 1:** Proposed Appropriation of Retained Earnings for the 78th Fiscal Term
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of Nine (9) Directors (Excluding Directors who are Audit and Supervisory Committee Members)
- Proposal 4:** Election of Four (4) Directors who are Audit and Supervisory Committee Members
- Proposal 5:** Determination of Remuneration Paid to Directors (Excluding Directors who are Audit and Supervisory Committee Members)
- Proposal 6:** Determination of Remuneration Paid to Directors who are Audit and Supervisory Committee Members
- Proposal 7:** Determination of Amounts and the Content of the Performance-Based Stock Compensation Plan for Directors (Excluding Directors who are Audit and Supervisory Committee Members)
- Proposal 8:** Determination of Remuneration for Granting Restricted Stock to Directors (Excluding Directors who are Audit and Supervisory Committee Members)

- *For those attending, please present the enclosed Exercise Voting Rights Form at the reception desk on arrival at the Meeting. In addition, please bring this “NOTICE OF THE 78TH ORDINARY GENERAL MEETING OF SHAREHOLDERS” with you.**
- *Of the documents that we are required to provide in this “NOTICE OF THE 78TH ORDINARY GENERAL MEETING OF SHAREHOLDERS,” the Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements (Japanese version only) are not included, as they have been posted on the Company’s website (<https://www.mabuchi-motor.co.jp/>) pursuant the provisions of the relevant laws and regulations and Article 15 of the Company’s Articles of Incorporation.**
- *Should any amendments occur in the REFERENCE DOCUMENTS FOR THE 78TH ORDINARY GENERAL MEETING OF SHAREHOLDERS, the Business Report, the Financial Statements and/or the Consolidated Financial Statements, such changes will be posted on the Company’s website (<https://www.mabuchi-motor.co.jp/>).**
- *Please note that we will not arrange any gifts for shareholders attending the Meeting.**

Note: This document is a translation of an excerpt of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

REFERENCE DOCUMENTS FOR THE 78TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Proposal 1: Proposed Appropriation of Retained Earnings for the 78th Fiscal Term

Our basic policy on the appropriation of retained earnings is to retain necessary earnings for sound business activities, to maintain healthy financial strength and to ensure adequate dividends to our shareholders based on performance for the year. Based on this policy, the Company makes it a principle to 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% (paid out on a per share basis) of the consolidated profit, depending on the performance of the Company.

We plan to pay an annual dividend of 135 yen per share, an amount determined in consideration of calculations based on the above standards and the business environment (consisting of a 30 yen ordinary dividend and a 105 yen special dividend). Because we paid an interim dividend of 55 yen (consisting of a 15 yen ordinary dividend and a 40 yen special dividend) per share in September 2018, we propose the year-end dividend for the year as follows:

Matters related to the year-end dividend

- (1) Type of distributable properties
Money
- (2) Matters related to the disbursement of distributable properties and the aggregate amount
80 yen per common share of the Company
(An ordinary dividend of 15 yen and a special dividend of 65 yen)
Aggregate dividend amount: 5,379,088,640 yen
- (3) Effective date of the distribution of retained earnings
March 29, 2019

The remaining surplus will be used for measures aimed at further strengthening our existing businesses and investing in areas of future growth, with a view to further increasing corporate value.

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

- (1) In order to strengthen audit and supervision functions of the Board of Directors and to transition to a company with audit and supervisory committee to speed up decision making by delegating a portion of the Board of Directors’ decision-making authority of business execution to directors, the Company will establish new provisions concerning the audit and supervisory committee and audit and supervisory committee members, remove the provisions concerning the Audit & Supervisory Board and audit & supervisory board members, and make the necessary amendments, including the establishment of new provisions concerning the delegation of authority to directors.
- (2) Following the above amendments, the Company will take necessary procedures, such as renumbering certain Articles.

2. Details of the amendments

Details of the amendments to the Articles of Incorporation are as follows:

This proposal shall become effective at the conclusion of the 78th Ordinary General Meeting of Shareholders.

(Amended portions are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;">Chapter 1 –General Provisions</p> <p>Article 1.-3. (Text omitted)</p> <p>(Organs)</p> <p>Article 4. In addition to the Shareholders’ Meetings and Directors, the Company shall establish the following organs.</p> <ol style="list-style-type: none"> 1. Board of Directors 2. <u>Audit & Supervisory Board Members</u> 3. <u>Audit & Supervisory Board</u> 4. Independent Certified Public Accountants <p>Article 5.-12. (Text omitted)</p>	<p style="text-align: center;">Chapter 1 –General Provisions</p> <p>Article 1.-3. (Unchanged)</p> <p>(Organs)</p> <p>Article 4. In addition to the Shareholders’ Meetings and Directors, the Company shall establish the following organs.</p> <ol style="list-style-type: none"> 1. Board of Directors 2. <u>Audit and Supervisory Committee</u> (Deleted) 3. Independent Certified Public Accountants <p>Article 5.-12. (Unchanged)</p>
<p style="text-align: center;">Chapter 3 – General Meetings of Shareholders</p> <p>Article 14</p> <ol style="list-style-type: none"> 1. (Text omitted) 2. When the Director and President is unable to act, another Director, according to the order of priority determined in advance by the Board of Directors, shall act as chairperson. <p>Article 15.-17. (Text omitted)</p>	<p style="text-align: center;">Chapter 3 – General Meetings of Shareholders</p> <p>Article 14</p> <ol style="list-style-type: none"> 1. (Unchanged) 2. When the Director and President is unable to act, another Director, according to the order of priority determined in advance by the Board of Directors, shall <u>call the Shareholders’ Meeting and</u> act as chairperson. <p>Article 15.-17. (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p>Chapter 4 –Directors and Board of Directors (Number of Directors) Article 18. The Company shall appoint at least three, but no more than 11 Directors.</p> <p>(Appointment of Directors) Article 19. 1. Directors shall be elected by a resolution of a Shareholders’ Meeting.</p> <p>2.-3. (Text omitted)</p> <p>(Term of Office of Directors) Article 20. 1. The term of Directors shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the final business year that ends within <u>two</u> years of their appointment.</p> <p>2. <u>The term of a Director who is elected as a substitute or additional Director shall continue until the expiration of the terms of other incumbent Directors.</u></p> <p>(New establishment)</p>	<p>Chapter 4 –Directors and Board of Directors (Number of Directors) Article 18. 1. The Company shall appoint at least three, but no more than 11 Directors <u>(excluding individuals who are Audit and Supervisory Committee Members)</u>.</p> <p>2. <u>The Company shall have no more than four Directors who are Audit and Supervisory Committee Members (hereinafter, referred to as “Audit and Supervisory Committee Members”).</u></p> <p>(Appointment of Directors) Article 19. 1. Directors shall be elected by a resolution of a Shareholders’ Meeting, <u>separating Audit and Supervisory Committee Members from other Directors.</u></p> <p>2.-3. (Unchanged)</p> <p>(Term of Office of Directors) Article 20. 1. The term of Directors <u>(excluding Directors who are Audit and Supervisory Committee Members)</u> shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the final business year that ends within <u>one</u> years of their appointment.</p> <p>2. <u>Notwithstanding the provisions of the preceding paragraph, the term of Audit and Supervisory Committee Members shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the final business year that ends within two years of their appointment.</u></p> <p>3. <u>The term of an Audit and Supervisory Committee Member who is elected as a substitute shall continue until the time at which the term of office of the Audit and Supervisory Committee Member who retired from office ends.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>(New establishment)</p>	<p>4. <u>The term during which the resolution to elect a substitute Audit and Supervisory Committee Member, elected pursuant to Article 329, Paragraph 3 of the Companies Act, is valid shall continue until the opening of the Ordinary General Meeting of Shareholders for the final business year that ends within two years of his/her appointment.</u></p>
<p>Article 21 (Text omitted)</p> <p>(Notice of Convocation of the Board of Directors' Meetings)</p> <p>Article 22.</p> <ol style="list-style-type: none"> 1. A notice of convocation of a meeting of the Board of Directors shall be sent to all Directors <u>and all Audit & Supervisory Board Members</u> at least three days prior to the date of the meeting; provided, however, that this period may be shortened at times of urgent necessity. 2. Board of Directors' meetings may be called without conducting the procedures for convocation, if the consent of all Directors <u>and Audit & Supervisory Board Members</u> is obtained. 	<p>Article 21 (Unchanged)</p> <p>(Notice of Convocation of the Board of Directors' Meetings)</p> <p>Article 22.</p> <ol style="list-style-type: none"> 1. A notice of convocation of a meeting of the Board of Directors shall be sent to all Directors at least three days prior to the date of the meeting; provided, however, that this period may be shortened at times of urgent necessity. 2. Board of Directors' meetings may be called without conducting the procedures for convocation, if the consent of all Directors is obtained.
<p>(Convener and Chairperson of the Board of Directors)</p> <p>Article 23.</p> <ol style="list-style-type: none"> 1. (Text omitted) 2. When the Director and President is unable to act, another Director, according to the order of priority determined in advance by the Board of Directors, shall act as chairperson. 	<p>(Convener and Chairperson of the Board of Directors)</p> <p>Article 23.</p> <ol style="list-style-type: none"> 1. (Unchanged) 2. When the Director and President is unable to act, another Director, according to the order of priority determined in advance by the Board of Directors, shall <u>call the meeting and act as chairperson.</u>

Current Articles of Incorporation	Proposed Amendments
<p>Article 24.-25. (Text omitted) (New establishment)</p> <p>(Rules of the Board of Directors) Article <u>26</u>. (Change of article number)</p> <p>(Remuneration, etc. for Directors) Article <u>27</u>. Financial benefits received from the Company as consideration for the execution of duties, such as Director remuneration and bonuses (hereinafter, referred to as “Remuneration, etc.”) shall be determined by a resolution of a Shareholders’ Meeting.</p> <p>(Limited Liability Agreements with Directors) Article <u>28</u>. (Change of article number)</p> <p>Chapter 5 – <u>Audit & Supervisory Board Members</u> and the <u>Audit & Supervisory Board</u></p> <p><u>(Number of Audit & Supervisory Board Members)</u> Article <u>29</u>. The Company shall have at least <u>three, and not more than four Audit & Supervisory Board Members.</u></p>	<p>Article 24.-25. (Unchanged) <u>(Delegation to Directors of Decisions on the Execution of Business)</u> Article <u>26</u>. The Company may delegate to <u>Directors, in whole or in part, decisions regarding the execution of important business (excluding matters set forth in each item of Paragraph 5 of Article 399-13 of the Companies Act) by a resolution of the Board of Directors, in accordance with the provisions of Article 399-13, Paragraph 6 of the Companies Act.</u></p> <p>(Rules of the Board of Directors) Article <u>27</u>. (Change of article number)</p> <p>(Remuneration, etc. for Directors) Article <u>28</u>. Financial benefits received from the Company as consideration for the execution of duties, such as Director remuneration and bonuses (hereinafter, referred to as “Remuneration, etc.”) shall be determined <u>separately for Audit and Supervisory Committee Members and other Directors</u> by a resolution of a Shareholders’ Meeting.</p> <p>(Limited Liability Agreements with Directors) Article <u>29</u>. (Change of article number)</p> <p>Chapter 5 – <u>Audit and Supervisory Committee Members</u> and the <u>Audit and Supervisory Committee</u></p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
<p><u>(Election of Audit & Supervisory Board Members)</u> <u>Article 30.</u></p> <ol style="list-style-type: none"> 1. <u>Audit & Supervisory Board Members shall be elected by a resolution of a Shareholders' Meeting.</u> 2. <u>A resolution to elect Audit & Supervisory Board Members, as provided for in the preceding paragraph, shall be adopted by a majority of the voting rights held by the shareholders, where at least one-third (1/3) of the shareholders entitled to vote are present.</u> 	<p>(Deleted)</p>
<p><u>(Term of Office of Audit & Supervisory Board Members)</u> <u>Article 31.</u></p> <ol style="list-style-type: none"> 1. <u>The term of Audit & Supervisory Board Members shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the final business year that ends within four years of their appointment.</u> 2. <u>The term of an Audit & Supervisory Board Member who is elected as a substitute for an Audit & Supervisory Board Member who retired from office before the expiration of his/her term of office shall continue until the time at which the term of office of the Audit & Supervisory Board Member who retired from office ends.</u> 	<p>(Deleted)</p>
<p><u>(Full-time Audit & Supervisory Board Members)</u> <u>Article 32.</u> <u>The Audit & Supervisory Board shall appoint full-time Audit & Supervisory Board Members by a resolution.</u></p>	<p><u>(Full-time Audit and Supervisory Committee Members)</u> <u>Article 30.</u> <u>The Audit and Supervisory Committee may appoint full-time Audit and Supervisory Committee Members by a resolution.</u></p>
<p><u>(Notice of Convocation of the Audit & Supervisory Board Meetings)</u> <u>Article 33.</u></p> <ol style="list-style-type: none"> 1. <u>A notice of convocation of a meeting of the Audit & Supervisory Board shall be sent to all Audit & Supervisory Board Members at least three days prior to the date of the meeting; provided, however, that this period may be shortened at times of urgent necessity.</u> 	<p><u>(Notice of Convocation of the Audit and Supervisory Committee Meetings)</u> <u>Article 31.</u></p> <ol style="list-style-type: none"> 1. <u>A notice of convocation of a meeting of the Audit and Supervisory Committee shall be sent to all Audit and Supervisory Committee Members at least three days prior to the date of the meeting; provided, however, that this period may be shortened at times of urgent necessity.</u>

Current Articles of Incorporation	Proposed Amendments
<p>2. Meetings of the <u>Audit & Supervisory Board</u> may be called without conducting the procedures for convocation, if the consent of all <u>Audit & Supervisory Board Members</u> is obtained.</p> <p>(Method of Resolutions of Audit & Supervisory Board Meetings) Article 34. <u>Unless otherwise provided for in laws and regulations, resolutions of Audit & Supervisory Board meetings shall be adopted by a majority of the Audit & Supervisory Board Members.</u></p> <p>(Rules of the <u>Audit & Supervisory Board</u>) Article 35. <u>Unless otherwise provided for in laws and regulations and these Articles of Incorporation, matters relating to the Audit & Supervisory Board shall be in accordance with the Regulations of the Audit & Supervisory Board, as provided for by the Audit & Supervisory Board.</u></p> <p>(<u>Remuneration, etc. for Audit & Supervisory Board Members</u>) Article 36. <u>Remuneration, etc. for Audit & Supervisory Board Members shall be decided through a resolution of a Shareholders' Meeting.</u></p> <p>(<u>Limited Liability Agreements with Audit & Supervisory Board Members</u>) Article 37. <u>Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the Audit & Supervisory Board Members, to the effect that any liability under Article 423, Paragraph 1 of said Act shall be limited; provided, however, that the limit of liability shall be the prescribed minimum amount set by laws and regulations.</u></p>	<p>2. Meetings of the <u>Audit and Supervisory Committee</u> may be called without conducting the procedures for convocation, if the consent of all <u>Audit and Supervisory Committee Members</u> is obtained.</p> <p>(Method of Resolution of <u>Audit and Supervisory Committee</u> Meetings) Article 32. <u>Resolutions of Audit and Supervisory Committee meetings shall be adopted by a majority of the Audit and Supervisory Committee Members, where a majority of the Audit and Supervisory Committee Members are present.</u></p> <p>(Rules of the <u>Audit and Supervisory Committee</u>) Article 33. <u>Unless otherwise provided for in laws and regulations and these Articles of Incorporation, matters relating to the Audit and Supervisory Committee shall be in accordance with the Regulations of the Audit and Supervisory Committee, as provided for by the Audit and Supervisory Committee.</u></p> <p>(Deleted)</p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="300 241 746 300">Chapter 6 – Independent Certified Public Accountants</p> <p data-bbox="252 336 746 367">Article <u>38.-39.</u> (Change of article number)</p> <p data-bbox="252 389 746 448">(Remuneration, etc. for Independent Certified Public Accountants)</p> <p data-bbox="252 456 785 640">Article <u>40.</u> Remuneration, etc. for Independent Certified Public Accountants shall be determined by the Representative Director, after having obtained consent from the <u>Audit & Supervisory Board.</u></p> <p data-bbox="405 676 641 707">Chapter 7 – Accounts</p> <p data-bbox="252 730 427 761">(Business Year)</p> <p data-bbox="252 770 746 828">Article <u>41.-44.</u> (Change of article number) (New establishment)</p>	<p data-bbox="861 241 1308 300">Chapter 6 – Independent Certified Public Accountants</p> <p data-bbox="813 336 1308 367">Article <u>34.-35.</u> (Change of article number)</p> <p data-bbox="813 389 1308 448">(Remuneration, etc. for Independent Certified Public Accountants)</p> <p data-bbox="813 456 1347 640">Article <u>36.</u> Remuneration, etc. for Independent Certified Public Accountants shall be determined by the Representative Director, after having obtained consent from the <u>Audit and Supervisory Committee.</u></p> <p data-bbox="967 676 1203 707">Chapter 7 – Accounts</p> <p data-bbox="813 730 989 761">(Business Year)</p> <p data-bbox="813 770 1308 801">Article <u>37.-40.</u> (Change of article number)</p> <p data-bbox="813 810 1347 891"><u>(Transitional measure regarding Limited Liability Agreements with Audit & Supervisory Board Members)</u></p> <p data-bbox="813 900 1347 1240"><u>The agreements limiting the liability of Audit & Supervisory Board Members (including those who had been Audit & Supervisory Board Members) for their actions prior to the close of the ordinary general meeting of shareholders for the business year ended March 31, 2018, pursuant to Article 423 Paragraph 1 of the Corporate Law, will continue to be governed by Article 37 of the Articles of Incorporation prior to the amendment made by the resolution of the same ordinary general meeting of shareholders.</u></p>

Proposal 3: Election of Nine (9) Directors (Excluding Directors who are Audit and Supervisory Committee Members)

The Company will adopt a company with audit and supervisory committee system on condition that Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved. Therefore, the term of office of all eight (8) directors will expire at the conclusion of the 78th Ordinary General Meeting of Shareholders. Shareholders are therefore requested to elect nine (9) directors (excluding directors who are audit and supervisory committee members).

This proposal shall become effective when Proposal 2 “Partial Amendments to the Articles of Incorporation” comes into effect.

The candidates for the position of director (excluding directors who are audit and supervisory committee members) are as follows:

No.	Name	Position and assignment in the Company	
1	Hiroo Okoshi	Representative Director and President, President & CEO	Reappointment
2	Masato Itokawa	Representative Director, Managing Executive Officer, Chief Quality Officer and Senior General Manager of Quality Assurance Headquarters, in charge of Internal Controls	Reappointment
3	Hirotarō Katayama	Director, Managing Executive Officer and Chief Business Operation Officer	Reappointment
4	Tadahito Iyoda	Director, Group Executive Officer and Chief Regional Officer in the Americas	Reappointment
5	Eiji Uenishi	Director, Executive Officer and Senior General Manager of Product Development Headquarters	Reappointment
6	Shinichi Taniguchi	Executive Officer and Senior General Manager of Manufacturing Headquarters	New appointment
7	Naoki Mitarai	Outside Director	Reappointment Candidate for outside director Candidate for notification as an independent director to the Tokyo Stock Exchange
8	Kazuhiko Tsutsumi		New appointment Candidate for outside director Candidate for notification as an independent director to the Tokyo Stock Exchange
9	Jody L. Ono		New appointment Candidate for outside director Candidate for notification as an independent director to the Tokyo Stock Exchange

No.	Name (Date of birth)	Brief personal history, position, assignment and significant positions concurrently held	Number of the Company's shares held
1	Hiroo Okoshi (July 9, 1961)	<p>April 1984 Joined MABUCHI MOTOR CO., LTD.</p> <p>June 1990 Manager, Procurement Section, MABUCHI INDUSTRY CO., LTD.</p> <p>August 1996 President, MABUCHI INDUSTRY CO., LTD.</p> <p>May 2002 Director and General Manager, General Affairs Department, Human Resources Department, MABUCHI INDUSTRY CO., LTD.</p> <p>October 2002 Manager, Corporate Planning Department, MABUCHI MOTOR CO., LTD.</p> <p>March 2003 Deputy Senior General Manager, Business Platform Innovation Headquarters, MABUCHI MOTOR CO., LTD.</p> <p>January 2004 General Manager, Corporate Planning Department, MABUCHI MOTOR CO., LTD.</p> <p>November 2009 Executive Officer and Senior General Manager, Administration Headquarters, MABUCHI MOTOR CO., LTD.</p> <p>March 2011 Director, Executive Officer and Senior General Manager, Administration Headquarters, MABUCHI MOTOR CO., LTD.</p> <p>March 2013 Representative Director, President and CEO, MABUCHI MOTOR CO., LTD. (Current position)</p>	10,220
<p>Reasons for being nominated for the position of director:</p> <p>Hiroo Okoshi has been renominated as a candidate for the position of director because we have judged that we can rely on his ability to play a significant role in decision making on important matters in the Group, as well as the supervision of business execution towards the steady growth of the Group as a whole, on top of the medium- to long-term enhancement of corporate value. Since he assumed the office of Representative Director and President in March 2013, he has significantly contributed to the business expansion of the Group and the enhancement of corporate value through his strong leadership based on his abundant experience and history of achievements.</p>			

No.	Name (Date of birth)	Brief personal history, position, assignment and significant positions concurrently held	Number of the Company's shares held	
2	Masato Itokawa (January 29, 1960)	April 1984 January 1985 September 1991 March 2002 March 2005 November 2009 March 2013 March 2016 March 2017 March 2018	Joined MABUCHI MOTOR CO., LTD. Production Engineering Section, MABUCHI MOTOR TAIWAN LTD. Process Design Section, Production Engineering Department, Research and Development Headquarters, MABUCHI MOTOR CO., LTD. Manager, Manufacturing Technology Section, Production Engineering Office, Technology Department, MABUCHI MOTOR CO., LTD. General Manager, Quality Assurance Department, MABUCHI MOTOR CO., LTD. Executive Officer and General Manager, Quality Assurance Department, MABUCHI MOTOR CO., LTD. Director, Executive Officer and General Manager, Quality Assurance Department, MABUCHI MOTOR CO., LTD. Director, Executive Officer and Senior General Manager, Quality Assurance Headquarters, MABUCHI MOTOR CO., LTD. Representative Director, Managing Executive Officer, Chief Quality Officer and Senior General Manager, Quality Assurance Headquarters, MABUCHI MOTOR CO., LTD. Representative Director, Managing Executive Officer, Chief Quality Officer and Senior General Manager, Quality Assurance Headquarters, in charge of Internal Controls, MABUCHI MOTOR CO., LTD. (Current position)	35,550
		<p>Reasons for being nominated for the position of director: Masato Itokawa has been renominated as a candidate for the position of director because we have judged that we can rely on his ability to play a significant role in decision making on important matters in the Group, as well as the supervision of business execution based on his abundant experience and sophisticated knowledge gained through engaging in the formulation and implementation of plans concerning overall quality and environment assurance of the Group, and concurrently being in charge of internal controls.</p>		
3	Hirotaro Katayama (January 23, 1969)	April 1991 April 2005 March 2007 February 2014 July 2014 March 2015 March 2017	Joined MABUCHI MOTOR CO., LTD. Manager, Business Administration Department, Power Unit Motor Division, MABUCHI MOTOR CO., LTD. President, MABUCHI MOTOR (JIANGSU) CO., LTD. Deputy Senior General Manager, Operations Control Headquarters, MABUCHI MOTOR CO., LTD. Senior General Manager, Operations Control Headquarters, MABUCHI MOTOR CO., LTD. Director, Executive Officer and Senior General Manager, Operations Control Headquarters, MABUCHI MOTOR CO., LTD. Director, Managing Executive Officer and Chief Business Operation Officer, MABUCHI MOTOR CO., LTD. (Current position)	6,450
		<p>Reasons for being nominated for the position of director: Hirotaro Katayama has been renominated as a candidate for the position of director because we have judged that we can rely on his ability to play a significant role in decision making on important matters in the Group, as well as the supervision of business execution based on his abundant experience and sophisticated knowledge gained through supervising the formulation and implementation of plans concerning the overall business of the Group.</p>		

No.	Name (Date of birth)	Brief personal history, position, assignment and significant positions concurrently held		Number of the Company's shares held
4	Tadahito Iyoda (November 22, 1968)	April 1999	Joined MABUCHI MOTOR CO., LTD.	7,990
		April 2004	President, MABUCHI INDUSTRY CO., LTD.	
June 2007	Manager, Global Business Strategy Planning Group, Corporate Planning Department, MABUCHI MOTOR CO., LTD.			
November 2009	Assistant General Manager, Corporate Planning Department, MABUCHI MOTOR CO., LTD.			
January 2010	General Manager, Corporate Planning Department, MABUCHI MOTOR CO., LTD.			
March 2013	Executive Officer and Senior General Manager, Administration Headquarters, MABUCHI MOTOR CO., LTD.			
March 2015	Director, Executive Officer and Senior General Manager, Administration Headquarters, MABUCHI MOTOR CO., LTD.			
March 2018	Director, Group Executive Officer and Chief Regional Officer in the Americas, MABUCHI MOTOR CO., LTD. (Current position)			
Reasons for being nominated for the position of director: Tadahito Iyoda has been renominated as a candidate for the position of director because we have judged that we can rely on his ability to play a significant role in decision making on important matters in the Group, as well as the supervision of business execution based on his abundant experience and sophisticated knowledge gained through supervising the Corporate Planning Department and Administration Headquarters of the headquarters and overseas subsidiaries, and in subsequently serving as Chief Regional Officer in the Americas since March 2018.				
5	Eiji Uenishi (March 15, 1960)	March 2004	Joined MABUCHI MOTOR CO., LTD.	4,674
		October 2004	Manager, Research and Development Group 3, Research and Development Department, Research and Development Headquarters, MABUCHI MOTOR CO., LTD.	
July 2007	General Manager, Research and Development Department 2, Research and Development Headquarters, MABUCHI MOTOR CO., LTD.			
March 2013	Deputy Senior General Manager, Research and Development Headquarters, MABUCHI MOTOR CO., LTD.			
March 2015	Executive Officer and Deputy Senior General Manager, Research and Development Headquarters, MABUCHI MOTOR CO., LTD.			
March 2017	Director, Executive Officer and Senior General Manager, Product Development Headquarters, MABUCHI MOTOR CO., LTD. (Current position)			
Reasons for being nominated for the position of director: Eiji Uenishi has been renominated as a candidate for the position of director because we have judged that we can rely on his ability to play a significant role in decision making on important matters in the Group, as well as the supervision of business execution based on his abundant experience and sophisticated knowledge gained through his service as supervisor of research and development in improving the added value of products, developing new applications and acquiring new customers.				

No.	Name (Date of birth)	Brief personal history, position, assignment and significant positions concurrently held	Number of the Company's shares held
6	Shinichi Taniguchi (February 16, 1965)	<p>April 1987 Joined MABUCHI MOTOR CO., LTD.</p> <p>April 2005 Assistant General Manager, Business Administration Department, Power Unit Motor Division, MABUCHI MOTOR CO., LTD.</p> <p>March 2013 General Manager, Research and Development Department 2, Research and Development Headquarters, MABUCHI MOTOR CO., LTD.</p> <p>December 2013 President, MABUCHI MOTOR (JIANGSU) CO., LTD.</p> <p>January 2018 Deputy Senior General Manager, Product Development Headquarters, MABUCHI MOTOR CO., LTD.</p> <p>March 2018 Executive Officer and Deputy Senior General Manager, Product Development Headquarters, MABUCHI MOTOR CO., LTD.</p> <p>July 2018 Executive Officer and Senior General Manager, Manufacturing Headquarters, MABUCHI MOTOR CO., LTD. (Current position)</p>	5,092
<p>Reasons for being nominated for the position of director: Shinichi Taniguchi has been newly nominated as a candidate for the position of director because we have judged that we can rely on his ability to play a significant role in decision making on important matters in the Group, as well as the supervision of business execution based on his abundant experience and sophisticated knowledge gained mainly through engaging in production engineering and research and development since he joined the Company, and in the management of an overseas subsidiary.</p>			

No.	Name (Date of birth)	Brief personal history, position, assignment and significant positions concurrently held	Number of the Company's shares held
7	<p>Naoki Mitarai (October 30, 1952)</p> <p>(Candidate for outside director)</p> <p>(Candidate for notification as an independent director to the Tokyo Stock Exchange)</p>	<p>April 1976 Joined Hitachi, Ltd.</p> <p>July 2000 General Manager, Employee Relations Department, Hitachi, Ltd.</p> <p>April 2004 Deputy General Manager, Government & Public Corporation Information Systems Sales Management Division, Information & Telecommunication Systems Group, Hitachi, Ltd.</p> <p>April 2005 General Manager, Group Company Office, Hitachi Group – Corporate Strategy, Hitachi Group Headquarters, Hitachi, Ltd.</p> <p>January 2006 General Manager, Group Company Office, Hitachi Group Headquarters, Hitachi, Ltd.</p> <p>April 2010 General Manager, Corporate Administration Division, Human Capital Group, Hitachi, Ltd.</p> <p>April 2011 Vice President and Executive Officer, General Manager, Human Capital Group and General Manager, Corporate Administration Division, Human Capital Group, Hitachi, Ltd.</p> <p>April 2014 Senior Vice President and Executive Officer, Chief Human Resources Officer (CHRO) and Chief Risk Management Officer (CRO), Hitachi High-Technologies Corporation</p> <p>April 2015 Representative Executive Officer, Executive Vice President and Executive Officer, Hitachi High-Technologies Corporation</p> <p>April 2016 Executive Adviser, Hitachi High-Technologies Corporation</p> <p>March 2017 Outside Director, MABUCHI MOTOR CO., LTD. (Current position)</p>	800
<p>Reasons for being nominated for the position of director: Naoki Mitarai has been renominated as a candidate for the position of outside director because we have judged that he is able to provide us with useful and appropriate advice and recommendations regarding overall management based on his long-term experience of corporate management as an executive officer in Hitachi, Ltd. and its group companies, with his abundant experience and considerable insight concerning corporate governance in addition to being a person of integrity. Thus, we may expect that the supervisory function over the Company's management in general will be reinforced.</p>			

No.	Name (Date of birth)	Brief personal history, position, assignment and significant positions concurrently held		Number of the Company's shares held
8	Kazuhiko Tsutsumi (October 24, 1952) (Candidate for outside director) (Candidate for notification as an independent director to the Tokyo Stock Exchange)	April 1982 October 2006 April 2008 April 2010 April 2014 April 2014 April 2018 January 2019	Joined Mitsubishi Electric Corporation Vice-Director, Mitsubishi Electric Research Laboratories Director, Mitsubishi Electric Research Laboratories Executive Officer, Managing Director, Development Division, Mitsubishi Electric Corporation Adviser, Mitsubishi Electric Corporation Visiting Professor, Kanazawa Institute of Technology (Current position) Corporate Adviser, Mitsubishi Electric Corporation (Current position) Vice Chairmen, International Electrotechnical Commission (Current position)	—
	Reasons for being nominated for the position of director: Kazuhiko Tsutsumi has been newly nominated as a candidate for the position of outside director because we have judged that he will be able to provide us with appropriate supervision and advice regarding overall management based on his long-term involvement in the development division of Mitsubishi Electric Corporation leveraging his expertise as a Doctor of Engineering, and his experience of corporate management as the company's executive officer, with his abundant experience and considerable insight concerning corporate governance, in addition to being a person of integrity.			
9	Jody L. Ono (November 7, 1966) (Candidate for outside director) (Candidate for notification as an independent director to the Tokyo Stock Exchange)	June 2005 January 2013 April 2015 November 2017	Chief Operating Officer, Stockholm Institute of Transition Economics (SITE), Stockholm School of Economics, Stockholm, Sweden Instructor, Center for Leadership Excellence, Texas A&M University Adjunct Assistant Professor, School of International Corporate Strategy (ICS), Hitotsubashi University Business School Adjunct Associate Professor, School of International Corporate Strategy (ICS), Hitotsubashi University Business School (Current position)	—
	Reasons for being nominated for the position of director: Jody L. Ono has been newly nominated as a candidate for the position of outside director because we have judged that she will be able to provide us with appropriate supervision and advice regarding overall management, based on her engagement in university education and the encouragement she provides to developing professionals in Japan and abroad, with her abundant international experience, expertise and considerable insight concerning personnel development, in addition to being a person of integrity. Although she has not been directly involved in corporate management, we have newly appointed her as a candidate because we have judged that she will be able to appropriately execute her duties as an outside director due to the aforementioned reasons.			

(Notes)

1. No special relationship exists between the Company and the candidates.
2. Naoki Mitarai, Kazuhiko Tsutsumi and Jody L. Ono are candidates for the position of outside director.
3. Naoki Mitarai is currently an outside director of the Company, and his term of office will have reached two years at the conclusion of the 78th Ordinary General Meeting of Shareholders.
4. As per Article 427, Paragraph 1, of the Companies Act, the Company entered into an agreement with Naoki Mitarai to limit his liabilities for damages as provided in Article 423, Paragraph 1, of the Companies Act. The limit of liabilities under the agreement shall be the amount set forth in Article 425, Paragraph 1, of the Companies Act. If Naoki Mitarai's renomination is approved, the Company intends to extend said agreement with him. If Kazuhiko Tsutsumi and Jody L. Ono are elected as outside directors, the Company intends to enter into similar agreements to limit their liability for damages.
5. The Company registered Naoki Mitarai as an "independent officer," as stipulated by the Tokyo Stock Exchange. If he is renominated, the Company intends to continue to designate him as an "independent officer." In addition, as Kazuhiko Tsutsumi and Jody L. Ono satisfy the requirements of an "independent officer," as stipulated by the Tokyo Stock Exchange, the Company intends to

register them as “independent officers” at the Exchange if they are elected as outside directors.

Proposal 4: Election of Four (4) Directors who are Audit and Supervisory Committee Members

The Company will adopt a company with audit and supervisory committee system on condition that Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved. Shareholders are therefore requested to elect four (4) directors who are audit and supervisory committee members.

The consent of the Audit & Supervisory Board has been obtained regarding this proposal.

This proposal shall become effective when Proposal 2 “Partial Amendments to the Articles of Incorporation” comes into effect.

The candidates for the position of directors who are audit and supervisory committee members are as follows:

No.	Name	Position and assignment in the Company and significant positions concurrently held	
1	Kazuyuki Someya	Full-time Audit & Supervisory Board Member	New appointment
2	Toru Masuda	Outside Audit & Supervisory Board Member Attorney, Representative of Masuda Toru Law Office Director of Juutaku Loan Servicer Ltd.	New appointment Candidate for outside director Candidate for notification as an independent director to the Tokyo Stock Exchange
3	Takashi Asai	Outside Audit & Supervisory Board Member Attorney, Partner of DAI-ICHI FUYO LAW OFFICE	New appointment Candidate for outside director Candidate for notification as an independent director to the Tokyo Stock Exchange
4	Yukie Toge	Director of Yukie Toge Certified Public Accountant Office Representative Director of Felice Consulting Ltd.	New appointment Candidate for outside director Candidate for notification as an independent director to the Tokyo Stock Exchange

No.	Name (Date of birth)	Brief personal history, position, assignment and significant positions concurrently held		Number of the Company's shares held
1	Kazuyuki Someya (December 1, 1963)	April 1986 April 2002 October 2005 January 2010 March 2013 March 2016	Joined MABUCHI MOTOR CO., LTD. Manager, Accounting and Finance Section, Administrative Department, MABUCHI MOTOR CO., LTD. General Manager, Accounting and Finance Department, Administration Headquarters, MABUCHI MOTOR CO., LTD. General Manager, Administrative Department, Administration Headquarters, MABUCHI MOTOR CO., LTD. President, MABUCHI INDUSTRY CO., LTD. Full-time Audit & Supervisory Board Member, MABUCHI MOTOR CO., LTD. (Current position)	5,400
Reasons for being nominated for the position of director who is audit and supervisory committee member: Kazuyuki Someya has been newly nominated as a candidate for the position of director who is audit and supervisory committee member because we have judged that he has the ability to play a significant role in the supervision of business execution as an audit and supervisory committee member based on his abundant experience and history of achievements in the Company's administration and a Chinese subsidiary, as well as experience and insight as the Company's full-time audit & supervisory board member since 2016.				
2	Toru Masuda (November 9, 1951) (Candidate for outside director) (Candidate for notification as an independent director to the Tokyo Stock Exchange)	April 1979 April 1989 June 2007 March 2012 (Significant Positions Concurrently Held)	Registered as an attorney Representative, Masuda Toru Law Office (Current position) Director, Juutaku Loan Servicer Ltd. (Current position) Outside Audit & Supervisory Board Member, MABUCHI MOTOR CO., LTD. (Current position) Representative, Masuda Toru Law Office Director, Juutaku Loan Servicer Ltd.	800
Reasons for being nominated for the position of outside director who is audit and supervisory committee member: Toru Masuda has been newly nominated as a candidate for the position of outside director who is audit and supervisory committee member because we have judged that he has the ability to play a significant role in the supervision of business execution as an audit and supervisory committee member based on his abundant expertise and experience in corporate legal affairs as an attorney (including experience in being involved in corporate management as director of the Juutaku Loan Servicer, Ltd.), with considerable insight for governing corporate management, in addition to being a person of integrity. We anticipate, for the aforementioned reasons, that he will execute his duties appropriately as an outside director.				

No.	Name (Date of birth)	Brief personal history, position, assignment and significant positions concurrently held		Number of the Company's shares held
3	Takashi Asai (March 17, 1961) (Candidate for outside director) (Candidate for notification as an independent director to the Tokyo Stock Exchange)	April 1990 April 1990 April 2002 April 2005 April 2009 April 2014 March 2016 (Significant Positions Concurrently Held) Partner, DAI-ICHI FUYO LAW OFFICE	Registered as an attorney Joined DAI-ICHI FUYO LAW OFFICE (Current position) Part-time lecturer, Faculty of Law, Keio University Part-time lecturer, KEIO UNIVERSITY LAW SCHOOL Professor, KEIO UNIVERSITY LAW SCHOOL Part-time lecturer, Keio University (Current position) Outside Audit & Supervisory Board Member, MABUCHI MOTOR CO., LTD. (Current position)	700
	Reasons for being nominated for the position of outside director who is audit and supervisory committee member: Takashi Asai has been newly nominated as a candidate for the position of outside director who is audit and supervisory committee member because we have judged that he has the ability to play a significant role in the supervision of business execution as an audit and supervisory committee member based on his expertise and abundant experience in laws and regulations as an attorney, with considerable insight for governing corporate management, in addition to being a person of integrity. We anticipate, for the aforementioned reasons, that he will execute his duties appropriately as an outside director, despite having no previous experience in corporate management.			
4	Yukie Toge (December 22, 1966) (Candidate for outside director) (Candidate for notification as an independent director to the Tokyo Stock Exchange)	May 1999 February 2003 June 2007 (Significant Positions Concurrently Held) Director, Yukie Toge Certified Public Accountant Office Representative Director, Felice Consulting Ltd.	Registered as a certified public accountant Director, Yukie Toge Certified Public Accountant Office (Current position) Representative Director, Felice Consulting Ltd. (Current position)	—
	Reasons for being nominated for the position of outside director who is audit and supervisory committee member: Yukie Toge has been newly nominated as a candidate for the position of outside director who is audit and supervisory committee member because we have judged that she has the ability to play a significant role in the supervision of business execution as an audit and supervisory committee member based on her abundant expertise and experience concerning corporate accounting as a certified public accountant, in addition to her engagement in corporate management as a manager of an accounting and systems consulting firm.			

(Notes)

1. No special relationship exists between the Company and the candidates.
2. Toru Masuda, Takashi Asai and Yukie Toge are candidates for the position of outside director.
3. Yukie Toge's name in her family register is Yukie Iijima.
4. Toru Masuda and Takashi Asai are currently outside audit & supervisory board members of the Company. Their terms of office as audit & supervisory board members will have reached seven years for Toru Masuda and three years for Takashi Asai at the conclusion of the 78th Ordinary General Meeting of Shareholders.
5. As per Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation, the Company entered into agreements with Toru Masuda and Takashi Asai to limit their liabilities for damages as provided in Article 423, Paragraph 1, of the Companies Act. If their election is approved, the Company intends to extend said agreements with them. If Yukie Toge is elected as an outside director, the Company also intends to enter into a similar agreement to limit her liability for damages. The limit of liabilities under the agreement shall be the amount set forth by any relevant laws or regulations.
6. The Company registered Toru Masuda and Takashi Asai as "independent officers," as stipulated by the Tokyo Stock Exchange. If they are elected, the Company intends to continue to designate them as "independent officers." In addition, as Yukie Toge satisfies the requirements of an "independent officer," as stipulated by the Tokyo Stock Exchange, the Company intends to register her as an "independent officer" at the Exchange if her election as an outside director is approved.

Proposal 5: Determination of Remuneration Paid to Directors (Excluding Directors who are Audit and Supervisory Committee Members)

At the 66th Ordinary General Meeting of Shareholders of the Company held on March 29, 2007, it was approved that the remuneration of directors shall consist of fixed payments of no more than 15 million yen per month and variable payments of no more than 0.7% of consolidated profit for each fiscal year (which does not include consolidated business results-based remuneration for directors) with a ceiling amount of 200 million yen. However, the Company will adopt a company with audit and supervisory committee system if Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved in its original form.

Therefore, the Company proposes that the remuneration to be paid to directors (excluding directors who are audit and supervisory committee members; the same shall apply in this proposal) after the transition to a company with audit and supervisory committee be no more than 550 million yen per year (of which the remuneration for outside directors shall no more than 50 million yen per year), in consideration of various circumstances, including the increase in the responsibilities of directors following changes in the business environment on the back of significant changes in the economic situation.

The remuneration paid to directors will not, as in the past, include their salaries for their service as the Company’s employees.

While the current number of directors is eight (8) (of which two (2) are outside directors), the number will be nine (9) (of which three (3) will be outside directors) if Proposal 2 “Partial Amendments to the Articles of Incorporation” and Proposal 3 “Election of Nine (9) Directors (Excluding Directors who are Audit and Supervisory Committee Members)” are approved in their original form.

The contents of this proposal shall become effective on condition that the amendments to the Articles of Incorporation in relation to Proposal 2 “Partial Amendments to the Articles of Incorporation” come into effect.

Proposal 6: Determination of Remuneration Paid to Directors who are Audit and Supervisory Committee Members

Since the Company will adopt a company with audit and supervisory committee system if Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved in its original form, the Company proposes that the remuneration to be paid to directors who are audit and supervisory committee members after the transition to a company with audit and supervisory committee be no more than 108 million yen per year, in consideration of the economic situation and various other circumstances.

If Proposal 2 “Partial Amendments to the Articles of Incorporation” and Proposal 4 “Election of Four (4) Directors who are Audit and Supervisory Committee Members” are approved in their original form, the number of directors who are audit and supervisory committee members will be four (4).

The contents of this proposal shall become effective on condition that the amendments to the Articles of Incorporation in relation to Proposal 2 “Partial Amendments to the Articles of Incorporation” come into effect.

Proposal 7: Determination of Amounts and the Content of the Performance-Based Stock Compensation Plan for Directors (Excluding Directors who are Audit and Supervisory Committee Members)

The Company introduced the performance-based stock compensation plan (the “Plan”) targeting the Company’s directors (excluding outside directors and non-residents of Japan), upon approval at the 75th Ordinary General Meeting of Shareholders held on March 30, 2016.

The three fiscal years that were subject to the Plan (from the fiscal year ended December 31, 2016 to the fiscal year ended December 31, 2018) have ended. In continuing the Plan for the fiscal year ending December 31, 2019 and onward, the Company proposes that shareholders approve this proposal to partially revise the contents of the Plan.

If Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved in its original form, the targets of the Plan will be the directors of the Company (excluding directors who are audit and supervisory committee members, outside directors, and non-residents of Japan; the same shall apply in this proposal).

In this proposal, the Company proposes that shareholders approve the payment of stock compensation to directors, separately from the maximum amount of remuneration (550 million yen per year, excluding salaries for the directors’ service as the Company’s employees) for directors (excluding directors who are audit and supervisory committee members), which the Company requests shareholders to approve in Proposal 5 “Determination of Remuneration Paid to Directors (Excluding Directors who are Audit and Supervisory Committee Members),” and Proposal 8 “Determination of Remuneration for Granting Restricted Stock to Directors (Excluding Directors who are Audit and Supervisory Committee Members).”

The number of directors subject to the Plan will be five (5), if Proposal 2 “Partial Amendments to the Articles of Incorporation” and Proposal 3 “Election of Nine (9) Directors (Excluding Directors who are Audit and Supervisory Committee Members)” are approved in their original form.

The contents of this proposal shall become effective on the condition that the amendments to the Articles of Incorporation in relation to Proposal 2 “Partial Amendments to the Articles of Incorporation” come into effect.

1. Reasons for revising the Plan and considering the revision to the Plan appropriate
By making clearer the linkage between incentives for directors and the Company’s business performance and shareholder value, the Company aims to enhance the motivation of directors to contribute to improve business performance and increase corporate value over the medium to long term. Therefore, the Company is confident that the continuance and revision of the Plan are appropriate.

2. Amounts and types of remuneration in the Plan

(1) Overview of the Plan

The Plan allows for the delivery and payment (the “Delivery, etc.” or “delivered, etc.”) of 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.”) to directors who are incumbent during the target period (set forth in (2) below), based on their positions and attainment level of performance targets during the trust term. Under the Plan, money to be contributed by the Company for directors’ remuneration (as described in (2) below) is the source of trust money to acquire the Company’s shares through a trust.

The Delivery, etc., of the Company Shares, etc., to directors will take place at a designated time after the target period (set forth in (2) below).

(2) Maximum amount of trust money contributed by the Company

The Plan will be continued over the target period of three consecutive fiscal years (the “Target Period;” initially the three fiscal years from the fiscal year ending December 31, 2019 to the fiscal year ending December 31, 2021, and each three fiscal years thereafter if the trust term below is extended).

The Company will provide up to 600 million yen in trust money for the Target Period as remuneration for directors through the establishment of a trust (the “Trust”). The term of the Trust shall cover three years of the Target Period (including the extension of the trust term below; the same shall apply hereinafter), during which directors who satisfy beneficiary requirements shall become

beneficiaries.

The Trust shall follow the instructions of the trust administrator to acquire the Company's shares from the Company (disposal of treasury stock) or the stock market using the trust money as a resource, award points to directors (refer to (3) below) during the trust term, and carry out the Delivery, etc. of Company Shares, etc. after the Target Period based on the number of points accrued by directors over the three fiscal years.

The Company will also manage the performance-based stock compensation targeting executive officers in the Trust in an integrated manner, and separately contribute trust money to the Trust to acquire the Company's shares that will be used for the Delivery, etc., to executive officers. Under the Trust, the Company will manage the Company's shares that are subject to the Delivery, etc., as remuneration for executive officers, in addition to managing the Company's shares to be delivered, etc. to the aforementioned directors.

Furthermore, the Trust may be extended upon the expiry of the initial trust term if any provisions of the trust agreement are modified or additional contributions are made. Under such circumstances, the trust term of the Trust will be extended for three years, and the Company will make additional contributions up to a maximum of 600 million yen in trust money as remuneration for directors for each extension of the trust term and continue to award points to directors during any extension of the trust term. The Company will also separately make additional cash contributions as remuneration for executive officers during any extension of the trust term.

However, in the case of such additional contributions, should any of the Company's shares or trust money (the "Remaining Shares, etc.") that are subject to the Delivery, etc., to directors remain within the Trust at the end of the initial trust term, the combined amount of the Remaining Shares, etc., and trust money to be additionally contributed shall be within the scope of 600 million yen.

(3) Calculation method and upper limit of the number of Company Shares, etc., to be Delivered, etc. to directors

The number of the Company Shares, etc., to be delivered to directors through the Trust will be determined based on the points that are awarded in response to the attainment level of performance targets and other factors in accordance with the predetermined calculation formulae.

Fixed Points based on the position of the director, calculated using the following calculation formula for points, and Performance-Based Points based on the attainment level of performance targets for each fiscal year will be awarded to incumbent directors at specific times during the trust term. The Performance-Based Points accumulated over three years will be converted to Medium-Term Plan Points by being multiplied by a performance-based coefficient, based on the attainment level of targets of the final fiscal year of the Target Period.

The Delivery, etc. of Company Shares, etc. will be carried out based on the accumulated Fixed Points and the Medium-Term Plan Points at specific times after the final fiscal year of the Target Period.

(Fixed Points)

Stock compensation base amount specified according to the position / Closing price of the first business day of the fiscal year when the trust term starts^{*1}

(Performance-Based Points)

Amount specified according to the position and the attainment level of performance targets for each fiscal year / Closing price of the first business day of the fiscal year when the trust term starts^{*1}

(Medium-Term Plan Points)

Performance-Based Points accumulated over three years × Performance-based coefficient^{*2}

^{*1} The closing price on the Tokyo Stock Exchange on the first business day of the fiscal year when the trust term starts.

^{*2} The performance-based coefficient is determined within a range of 0–120% based on the attainment level of performance targets (e.g. for operating income) of the final fiscal year of the Target Period.

One point shall be one common stock of the Company.

However, during the trust term, if there is an event, such as a stock split and a reverse stock split

of the Company's shares, in which it is considered to be appropriate to adjust the number of points, the adjustments of the number of the Company's shares per point will be made in accordance with the relevant ratio of the stock split, reverse stock split, etc.

The upper limit of the total number of points that directors can be awarded during each Target Period shall be 150,000 points.

The upper limit of the total number of the Company's shares to be delivered to directors under the Trust shall be the number of shares equivalent to the upper limit of the number of points per Target Period (150,000 shares if one share is awarded for one point). The upper limit of the Company's shares to be delivered is set with reference to such factors as the most recent stock price and takes into account the maximum amount of trust money in (2) above.

(4) Method for and timing of the Delivery, etc., of the Company Shares, etc., to directors
Directors who satisfy the beneficiary requirements shall receive the Delivery, etc., of Company Shares, etc., based on the amount calculated using the calculation methods described in (3) above, at specified times after the final fiscal year of the Target Period. In accordance with the provisions of the trust agreement, said directors shall receive 50% of the Company's shares corresponding to accumulated points (the number of shares less than one unit will be round down), whereas such directors shall receive money equivalent to the amount obtained by converting the remaining number of Company's shares into cash within the Trust.

Directors who meet the beneficiary requirements but retire from office during the Target Period (excluding cases of voluntary retirement) shall receive the Delivery, etc., of the Company Shares, etc., from the Trust based on the Fixed Points they have accrued by the time of retirement. In cases when directors who meet the beneficiary requirements die during their terms in office, money obtainable by converting the Company's shares into cash, the amount of which will be determined according to the Fixed Points they have accrued by the time of their death, shall be granted from the Trust to the heirs of those directors. Directors who become non-residents of Japan during the Target Period shall be treated in the same manner as deceased directors. As a result, such directors shall receive from the Trust money obtainable by converting the Company's shares into cash, the amount of which will be determined according to the Fixed Points they have accrued by the time their Japanese residency expires.

Directors shall continue to hold Company's shares acquired through the Plan until one year has passed after his or her retirement.

(5) Voting rights related to Company's shares in the Trust
To ensure management neutrality, no voting rights related to the Company's shares held by the Trust shall be exercised during the trust term.

(6) Other matters regarding the Plan
Other matters regarding the Plan will be determined by the Board of Directors each time the Trust is established, any provision of the trust agreement is modified, or an additional contribution of trust money to the Trust is made.

Proposal 8: Determination of Remuneration for Granting Restricted Stock to Directors (Excluding Directors who are Audit and Supervisory Committee Members)

At the 77th Ordinary General Meeting of Shareholders of the Company held on March 29, 2018, it was approved by our shareholders that the amount of remuneration related to restricted stock for directors (excluding outside directors) shall be 60 million yen per year (salaries for their service as the Company's employees are not included), separately from the conventional remuneration system for directors, and introduced accordingly. However, the Company will transition to a company with audit and supervisory committee if Proposal 2 "Partial Amendments to the Articles of Incorporation" is approved in its original form.

Therefore, the total amount of monetary compensation to be paid for granting restricted stock to directors (the "Target Directors," excluding directors who are audit and supervisory committee members and outside directors) after transition to a company with audit and supervisory committee shall be no more than 60 million yen per year, the same amount as the prior remuneration related to restricted stock for directors, separately from the maximum amount of remuneration for directors (excluding directors who are audit and supervisory committee members) (550 million yen; salaries for their service as the Company's employees are not included), for which the Company requests the approval of shareholders in Proposal 5 "Determination of Remuneration Paid to Directors (Excluding Directors who are Audit and Supervisory Committee Members)," and Proposal 7 "Determination of Amounts and the Content of the Performance-Based Stock Compensation Plan for Directors (Excluding Directors who are Audit and Supervisory Committee Members)."

The number of Target Directors will be six (6) if Proposal 2 "Partial Amendments to the Articles of Incorporation" and Proposal 3 "Election of Nine (9) Directors (Excluding Directors who are Audit and Supervisory Committee Members)" are approved in their original form.

The contents of this proposal shall become effective on condition that the amendments to the Articles of Incorporation in relation to Proposal 2 "Partial Amendments to the Articles of Incorporation" come into effect.

The Target Directors will make payments in kind as contributed assets using all of the monetary compensation claims arising from this proposal in accordance with the resolution of the Board of Directors of the Company. The Company shall issue or dispose of its common stock to them. Accordingly, the total number of the Company's common stock to be issued or disposed of shall be 50,000 or fewer per year, which is the same number of shares as the prior restricted stock for directors. (However, after the approval and adoption of this proposal, in the event of a stock split [including a gratis allotment of the Company's common stock] or reverse stock split of the Company's common stock or any other event that requires adjustments to the total number of common stock to be issued or disposed of as restricted stock, such total number will be adjusted within a reasonable range.) The amount paid in per common stock issued or disposed of shall be determined by the Board of Directors within the scope of an amount that does not provide particular advantages to the Target Directors, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day before the day of the relevant resolution by the Board of Directors (or if no trading is reported on the day, it shall be the closing price on the immediately preceding day). When issuing or disposing of the Company's common stock for the purpose of this type of remuneration, the Company shall conclude a restricted stock allocation agreement (the "Allocation Agreement") with the Target Directors, which shall cover the following matters:

1. The Target Directors are not allowed to transfer, set collateral rights for, or otherwise dispose of the Company's common stock allocated under the Allocation Agreement (the "Allocated Shares") during the period from the day the Allocated Shares were delivered to the day when the relevant Target Directors retire or resign from the position of the Company's director or other positions as prescribed by the Company's Board of Directors (the "Transfer Restriction Period" and the "Restriction of Transfer").
2. If, prior to the expiry of the period predetermined by the Company's Board of Directors (the "Service Period"), the Target Directors retire or resign from the position of the Company's director or other positions as prescribed by the Company's Board of Directors, the Company will duly acquire all of the Allocated Shares free of charge except in cases in which there are reasons recognized as legitimate by the Company's Board of Directors.

3. Notwithstanding the provisions of paragraph 1 above, the Company will lift the Restriction of Transfer with respect to all Allocated Shares at the expiry of the Transfer Restriction Period on the condition that the Target Directors continuously held the position of the Company's director or other positions as prescribed by the Company's Board of Directors during the Service Period. If, however, Target Directors retire or resign from their position as prescribed in paragraph 2 above prior to the expiry of the Service Period for any reasons recognized as legitimate by the Company's Board of Directors as prescribed in paragraph 2 above, the Company will reasonably adjust the number of Allocated Shares for which the Restriction of Transfer is lifted, as necessary.
4. The Company will duly acquire, free of charge, any Allocated Shares for which the Restriction of Transfer is not lifted based on the provisions set forth in paragraph 3 above at the expiry of the Transfer Restriction Period.
5. Notwithstanding the provisions of paragraph 1 above, if, during the Transfer Restriction Period, a merger agreement in which the Company becomes the absorbed company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly-owned subsidiary of another company, or any other matter related to reorganization, etc., is resolved at a General Meeting of Shareholders of the Company (or by the Board of Directors, if the approval of the General Meeting of Shareholders is not required), then the Company will lift the Restriction of Transfer with respect to the number of Allocated Shares as determined by the Company's Board of Directors, based on a resolution by the Company's Board of Directors prior to the effective date of the relevant reorganization, etc.
6. In the case prescribed in paragraph 5 above, the Company will duly acquire, free of charge, any Allocated Shares for which the Restriction of Transfer is still not lifted at the time immediately after the lifting of the Restriction of Transfer, based on the provisions set forth in paragraph 5 above.
7. The Allocation Agreement contains methods for the declaration of intention and notification of the Allocation Agreement, methods for amendment to the Allocation Agreement, and other matters determined by the Board of Directors.

<Reference> Independence Criteria for Outside Officers

Independence Criteria for Outside Officers

The Company prescribes criteria for the independence of outside officers, and outside officers that fall under any of the following shall be deemed as not being sufficiently independent from the Company:

- (1) Current or former employees or officers of the Company or its subsidiaries (collectively, the “**Mabuchi Group**”);
- (2) Business executives for whom a Major Business Partner is the Mabuchi Group, or business executives who are Major Business Partners of the Mabuchi Group (“**Major Business Partners**” means customers or suppliers of Mabuchi Group products, etc., accounting for, in either case, more than 2% of consolidated net sales for a given fiscal year);
- (3) Consultants, accounting professionals, or legal professionals who receive a Significant Sum of money or other assets, other than executive remuneration, from the Mabuchi Group, including persons who belong to a business organization if the person who receives the assets is an organization, such as a corporation or partnership (a “**Significant Sum**” means the annual total of 10 million yen or more of monetary or asset benefits other than executive remuneration);
- (4) A certified public accountant who belongs to an auditing firm that serves as the accounting auditor of the Mabuchi Group or an auditing firm’s employee, partner, member of staff, or worker;
- (5) A major shareholder who owns 10% or more of the voting rights in the Company;
- (6) A person who receives a large donation or loan, etc., amounting to 10 million yen or more, annually from the Mabuchi Group (including a person who belongs to a business organization if the person who receives the donation or loan is an organization, such as a corporation or partnership);
- (7) Business executives with which the Company has a reciprocal employment relationship as each other’s outside officers;
- (8) Persons who fall under any of (2) to (7) above in the past 3 years;
- (9) The close relative of a person if that person falling under (1) to (8) is a Person in an Important Position, including a spouse, a relative within the second degree of kinship, or a relative of a Person in an Important Position’s household (a “**Person in an Important Position**” means a director other than an outside director, an audit & supervisory board member other than an outside audit & supervisory board member, an executive officer, an associate director, or a general manager or higher ranking manager).

BUSINESS REPORT (From January 1, 2018 to December 31, 2018)

1. Current Conditions of the Mabuchi Group

(1) Business Development and Results

The global economy turned to slower growth amid concerns of economic condition. The U.S. economy saw growth in consumer spending against a backdrop of continued improvement in the employment environment, and maintained solid growth. The European economy received a boost from strong domestic demand, but sluggish exports slowed the pace of overall growth. The Japanese economy showed modest expansion as a result of expansion of consumer spending accompanying improvement in the employment environment and capital investment. Although overall growth continued in emerging market economies, the pace of growth of the Chinese economy slowed.

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

Against this backdrop, the Mabuchi Group has been working to address the issues of "Strengthening of competitiveness through M&As (mergers and acquisitions)," "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," "Implementation of labor-saving measures and establishment of next-generation manufacturing," and "Implementation of a global base strategy."

We actively introduced and implemented a number of measures to increase our sales and market share, develop new market, and make further advances toward higher quality and efficiency, which led to business growth during fiscal 2018 and for the future. Specifically, these measures included making HANWA STEEL SERVICE (JIANGXI) CO., LTD. the Company's affiliate, the commencement of mass production of next-generation standard power window lifter motors for Japanese automakers, increased sales of standard power window lifter motors for the Chinese market, increased orders for new automotive products applications, accelerated development of a range of applications for standard brushless motors for light electric vehicles, implementation of the Phase 3 Labor-saving Plan (FY2017-FY2019) as scheduled, the commencement of mass production at Poland Mabuchi and proceeding as planned with preparations to expand production capacity at Mexico Mabuchi, the start of construction of a branch plant at Vietnam Mabuchi, and the launch of sales activities at Thailand Mabuchi.

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

Operating income for fiscal 2018 was 21,243 million yen (an 11.7% decrease on a year-on-year basis), with profit reduced by factors including weaker selling prices and a deterioration of the product mix, higher market prices for copper, steel and other commodities, and an increase in manufacturing costs associated with expanded production at the plant in Mexico.

Ordinary income was 24,804 million yen (a 4.0% decrease on a year-on-year basis) from an increase in foreign exchange gains. Profit before income taxes was 29,323 million yen (a 6.7% increase on a year-on-year basis), which included a gain on sales of fixed assets from the sale of real estate at the Company's wholly owned subsidiary Mabuchi Industry Co., Ltd. (Hong Kong Mabuchi), and profit attributable to owners of parent was 22,925 million yen (a 12.9% increase on a year-on-year basis).

The next section describes market trends and sales conditions categorized into separate markets for motors.

1) Automotive Products Market

Net sales in this market fell to 104,196 million yen (a 1.5% decrease on a year-on-year basis). Sales at the priority business of motors for power window lifters decreased on a delay in the startup of mass production of products for automakers' new car models, and weak demand and the shift from old to new models in the Chinese market, despite increased sales of new, high-torque, standard products for major North American automakers. Sales of medium-sized motors, such as motors for electric parking brakes, were strong overall. In the results for small motors,

although sales of motors for door locks slightly decreased, sales of motors for door mirrors, air conditioning damper actuators, and headlight level adjusters were strong.

2) Consumer and Industrial Products Market

Net sales in this market fell to 38,860 million yen (a 5.5% decrease on a year-on-year basis).

Although sales of motors for personal care products and power tools were strong, the markets for motors for ink jet printers and car CD players continued to contract.

<Consolidated sales of motors by application>

Market segment	The 78th fiscal term (the year ended December 31, 2018)	YoY (%)	Segment sales as a percentage of net sales (%)
	Amount (Millions of yen)		
Automotive Products	104,196	-1.5	72.8
Consumer and Industrial Products	38,860	-5.5	27.2
Total	143,057	-2.6	100.0

(Notes)

1. The Mabuchi Group's businesses have been developed within a single business field related to small motors. Given this single business structure, an explanation by segment is omitted.
2. As the Mabuchi Group has sales of several types of motor parts and production equipment in addition to its mainstay motor sales, the amount for consolidated net sales differs from the amount for consolidated sales of motors.
3. Amounts less than a million yen have been truncated.
4. The figures above do not include consumption tax, etc.

(2) Capital Investments

Capital investments for fiscal 2018 amounted to 16,332 million yen, which includes 5,228 million yen for the construction of facilities for MABUCHI MOTOR POLAND sp. z o.o.; 481 million yen for R&D facilities and equipment; 712 million yen for information technology; and 9,909 million yen for other facilities and equipment to upgrade product lines and reinforce overall productivity.

(3) Issues to be Addressed

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

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

Under these business conditions, the Mabuchi Group will tackle the following issues:

1) 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 along with strengthening its sales structure, the business is working to increase its market share by accelerating a switch to new, standard products.

In Europe, we obtained new orders from a high-end automaker in fiscal 2018, and we are using this as a foothold for expanding the number of equipped models. In the United States, we are aiming to obtain orders from a third North American automaker, and we are strengthening our sales structure for the Americas.

2) Expansion of Medium-sized and Small Automotive Motor Sales and New Applications
Motors for power seats, electric parking brakes, and other medium-sized motor applications constitute a market sector for which continued market expansion can be expected in light of today's emphasis on automobile safety, comfort, and economy. The Mabuchi Group will work to increase sales to new customers and develop new applications by leveraging highly competitive application-specific standard products, and aim for further sales growth. We will move ahead with proposal and development of new products to win orders for power seat and door area applications. For small automotive motors, we have received new inquiries including for new applications, and will proactively develop new, competitive products based on the Company's strengths and factors including a product's marketability and profitability.

3) Development of New Applications in the Consumer and Industrial Products Sector
In the consumer and industrial products sector, in addition to business activities centered on existing small brush motors, we are reinforcing initiatives to develop and increase sales of brushless motors in order to focus on new applications and create new demand.

With regard to brushless motors for light electric vehicles, we are already receiving many inquiries. In fiscal 2019, we will make use of external resources to address customer needs by expanding the scope of optional products we can handle and developing multiple applications. We will also work proactively to increase sales of brushless motors that we have developed for high-end home appliances. We will also work to attract demand for motors for housing equipment to follow residential electronic locks. We will step up our efforts in these growing markets as well.

4) 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 covers the three years from fiscal 2017 to fiscal 2019, we continue to set a challenging target of 30% laborsaving compared with fiscal 2016, and in fiscal 2018, the second year of the three-year plan, we achieved more than 10% laborsaving compared with the previous year as planned, which was the same as during the plan's first year. In fiscal 2019, the final year of the Phase 3 Laborsaving Plan, we will work toward the Plan's achievement by focusing on installing automatic inspection equipment utilizing image processing technology, which has already been installed at some production bases. We will also leverage our expertise acquired through our initiatives in laborsaving and innovative core production lines for Next-generation Manufacturing Innovation that achieves both high product quality and productivity. Furthermore, we will control capital expenditures by standardizing automation equipment in various production line processes.

5) Implementation of a global base strategy
To respond to changes in the manufacturing sought by customers and address their needs for motor production located close to their own factories, Mexico Mabuchi was established in August 2014 as our first production base in the Americas, and Poland Mabuchi was established 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 fiscal 2019, we are establishing Mabuchi Motor China as a regional headquarters (management company) in China and increasing local autonomy to establish a structure that is able to propose and carry out strategies swiftly in the Chinese market, and are working to increase the accuracy and speed with which these strategies are implemented. We intend to use this as a model for development in regions outside China, to continue to increase overall Group earning power by strengthening management and administrative functions and reviewing manufacturing structures in each of the regions where Mabuchi operates. We will also move

forward with our plans to prepare for production at Poland Mabuchi and to expand the plant at Mexico Mabuchi, to achieve local production for local consumption and optimize manufacturing locations at the global level.

(4) Financial Highlights

(Millions of Yen)

	75th fiscal term (FY2015)	76th fiscal term (FY2016)	77th fiscal term (FY2017)	78th fiscal term (FY2018)
Net sales	143,143	140,699	146,925	143,116
Ordinary income	27,113	26,135	25,841	24,804
Profit attributable to owners of parent	18,546	20,598	20,303	22,925
Profit per share (Yen)	266.98	300.70	299.74	341.19
ROE (%)	8.0	8.8	8.6	9.4
Total assets	256,196	258,387	269,318	268,246
Net assets	233,245	232,917	242,179	244,454
Shareholders' equity ratio (%)	91.0	90.1	89.9	91.1
Net assets per share (Yen)	3,363.01	3,405.14	3,579.98	3,640.08
Cash dividends per share (Yen)	110	120	120	135
Dividend payout ratio (%)	41.2	39.9	40.0	39.6
Dividend on equity ratio (%)	3.3	3.5	3.4	3.7

(Notes)

- Profit per share is calculated using the average number of outstanding shares during the period. Net assets per share are calculated based on the total number of shares outstanding at the end of the period.
- Amounts less than one million yen for net sales, ordinary income, profit attributable to owners of parent, total assets and net assets are omitted. Amounts of profit per share and net assets per share are rounded to two decimal places.
- Percentages for ROE, shareholders' equity ratio, dividend payout ratio and dividend on equity ratio are rounded to one decimal place.
- Cash dividends per share, dividend payout ratio and dividend on equity ratio for the 78th fiscal term are projected figures calculated on the assumption that the resolution will be passed on the proposal for appropriation of retained earnings at the 78th Ordinary General Meeting of Shareholders.
- As the Company's shares held by the ESOP Trust Utilizing Employee Shareholding Association are treated as treasury stock, the relevant number of shares is excluded from the average number of outstanding shares during the period in the calculation of profit per share and the dividend payout ratio. Moreover, the relevant number of shares is excluded from the total number of shares outstanding at the end of the period in the calculation of net assets per share and the dividend on equity ratio for the 75th, 76th and 77th fiscal terms.
- As the Company's shares held by the Executive Compensation BIP Trust are treated as treasury stock, the relevant number of shares is excluded from the average number of outstanding shares during the period in the calculation of profit per share and the dividend payout ratio for the 76th, 77th and 78th fiscal terms. Moreover, the relevant number of shares is excluded from the total number of shares outstanding at the end of the period in the calculation of net assets per share and the dividend on equity ratio.
- Beginning in the 76th fiscal term, the Company has applied the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), etc., based on which the presentation of the accounting item "net income" has been changed to "profit attributable to owners of parent." To reflect this change in presentation, the Company has restated the corresponding item of net income from the 75th fiscal term.

(5) Major Business Conducted by the Mabuchi Group (As of December 31, 2018)

The Mabuchi Group, consisting of the Company and its 24 subsidiaries (of which 21 are consolidated subsidiaries), engages in the manufacture and sales of small motors used for automotive products, consumer and industrial products, etc.

2. Matters Relating to Stocks (As of December 31, 2018)

- (1) Total Number of Shares Authorized: 200,000,000
- (2) Total Number of Shares Issued: 68,562,462
(Including 1,323,854 shares of treasury stock)
- (3) Number of Shareholders: 24,301
(Increased by 9,425 from the end of the previous term)
- (4) Major Shareholders (Top 10)

Shareholders	Number of shares held (shares)	Percentage of shares held (%)
Takaichi Mabuchi	5,000,800	7.4
Mabuchi International Scholarship Foundation, Public Interest Incorporated Foundation	3,000,000	4.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,822,600	4.2
Japan Trustee Services Bank, Ltd. (Trust Account)	2,737,700	4.1
Premiere Corporation	2,068,600	3.1
Tamotsu Mabuchi	2,050,414	3.0
Takashi Mabuchi	2,010,600	3.0
TEXAS Inc.	1,856,000	2.8
Ray Corporation Co., Ltd.	1,746,000	2.6
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,686,600	2.5

(Notes)

1. The number of shares of treasury stock (1,323,854 shares) is excluded from “Percentage of shares held.” The percentages are rounded to one decimal place.
2. 116,386 shares held by the Executive Compensation BIP Trust are included in the calculation of “Percentage of shares held.”

(5) Other Significant Matters Relating to Stocks

1) Introduction of the Performance-based Stock Compensation Plan

At the 75th Ordinary General Meeting of Shareholders held on March 30, 2016, the Company resolved the introduction of a compensation system for the Company’s directors (performance-based stock compensation plan) which is closely linked to medium-term business performance, with the purpose of enhancing the motivation of directors to contribute to improved business performance and increased corporate value over the medium term. Based on the resolution, the Company has adopted a trust called the Executive Compensation BIP (Board Incentive Plan) Trust.

The number of shares held in the trust account of the Executive Compensation BIP Trust as of the fiscal year-end was 116,386 shares.

2) Purchase of Treasury Stock

Treasury stock purchased in accordance with a resolution at a meeting of the Board of Directors held on February 14, 2018

- Class and total number of shares purchased: 563,500 shares of common stock of the Company
- Total amount of purchase cost: ¥2,999,865,000
- Purchase period: from February 16, 2018 to March 20, 2018

3) Cancellation of Treasury Stock

Treasury stock cancelled in accordance with a resolution at a meeting of the Board of Directors held on February 14, 2018

- Class and total number of shares cancelled: 563,500 shares of common stock of the Company
- Date of cancellation: April 16, 2018

4) Restricted Stock Compensation Plan

The Company has introduced a restricted stock compensation plan in accordance with the resolution of the 77th Ordinary General Meeting of Shareholders of the Company held on March 29, 2018. Following the introduction, the Company decided on the disposal of treasury stock as stock compensation at a meeting of the Board of Directors held on March 29, 2018, and completed the disposal of 9,170 shares of treasury stock for six directors (excluding outside directors) and six executive officers as of April 27, 2018.

3. Matters Concerning the Subscription Rights to Shares

Subscription Rights to Shares Held by the Company's Directors as of December 31, 2018.

Designation	Date of resolution for issuance	Number of subscription rights to shares	Number of persons granted subscription rights to shares	Type and number of shares underlying subscription rights to shares	Subscription amount required in exchange for subscription rights to shares	Value of property invested in exercising subscription rights to shares	Period for exercising subscription rights to shares
1st Subscription Rights to Shares	March 28, 2013	290 units	Three (3) directors of the Company (excluding outside directors)	5,800 shares of the Company's common stock (20 shares per subscription right)	Not required	One (1) yen per share	From May 21, 2013 to May 20, 2033
2nd Subscription Rights to Shares	March 28, 2014	194 units	Three (3) directors of the Company (excluding outside directors)	3,880 shares of the Company's common stock (20 shares per subscription right)	Not required	One (1) yen per share	From April 22, 2014 to April 21, 2034
3rd Subscription Rights to Shares	March 27, 2015	381 units	Five (5) directors of the Company (excluding outside directors)	3,810 shares of the Company's common stock (10 shares per subscription right)	Not required	One (1) yen per share	From April 21, 2015 to April 20, 2035
4th Subscription Rights to Shares	March 30, 2016	651 units	Six (6) directors of the Company (excluding outside directors)	6,510 shares of the Company's common stock (10 shares per subscription right)	Not required	One (1) yen per share	From April 21, 2016 to April 20, 2036
5th Subscription Rights to Shares	March 30, 2017	655 units	Six (6) directors of the Company (excluding outside directors)	6,550 shares of the Company's common stock (10 shares per subscription right)	Not required	One (1) yen per share	From April 21, 2017 to April 20, 2037

(Notes)

1. Conditions for the exercise of the subscription rights to shares are as follows:

- 1) A person who is allotted the subscription rights to shares (hereafter "Subscription Right Holder") shall be allowed to exercise the subscription rights to shares, solely in a lump sum,

only within a period of not later than ten (10) days following the next day after the date when he or she forfeits the director's position of the Company.

- 2) In the event a Subscription Right Holder passes away, his or her heir may exercise the subscription rights to shares, provided, however, that any person who has inherited the subscription rights to shares from the heir of an allotted person is not allowed to exercise the subscription rights to shares.
2. In keeping with the stock split that the Company conducted on January 1, 2015, in which each share of the Company's common stock was split into two shares, the "type and number of shares underlying subscription rights to shares" for the 1st and 2nd Subscription Rights to Shares have been adjusted.
3. Of the above, the subscription rights to shares granted to one (1) director include those that were granted before the director assumed the position of director.

4. Directors and Audit & Supervisory Board Members of the Company

(1) Directors and Audit & Supervisory Board Members

(As of December 31, 2018)

Position	Name	Duty and Significant Positions Concurrently Held
Representative Director and President	Hiroo Okoshi	President & CEO
Representative Director	Masato Itokawa	Managing Executive Officer, Chief Quality Officer and Senior General Manager of Quality Assurance Headquarters, in charge of Internal Controls
Director	Tadashi Takahashi	Managing Executive Officer and Chief Technology Officer, in charge of Overseas Subsidiary Issue Management
Director	Hirotao Katayama	Managing Executive Officer and Chief Business Operation Officer
Director	Tadahito Iyoda	Group Executive Officer and Chief Regional Officer in the Americas
Director	Eiji Uenishi	Executive Officer and Senior General Manager of Product Development Headquarters
Director	Ichiro Hashimoto	
Director	Naoki Mitarai	
Full-time Audit & Supervisory Board Member	Kazuyuki Someya	
Audit & Supervisory Board Member	Nobutaka Motohashi	CPA, Representative of Motohashi Nobutaka Accounting Office Outside Auditor of NAGAWA Co., Ltd.
Audit & Supervisory Board Member	Toru Masuda	Attorney, Representative of Masuda Toru Law Office Director of Juutaku Loan Servicer Ltd.
Audit & Supervisory Board Member	Takashi Asai	Attorney, Partner of DAI-ICHI FUYO LAW OFFICE

(Notes)

1. Directors Ichiro Hashimoto and Naoki Mitarai are outside directors. The Company designated these two (2) outside directors as “independent officers” as stipulated by the Tokyo Stock Exchange and registered them there.
2. Audit & Supervisory Board Members Nobutaka Motohashi, Toru Masuda and Takashi Asai are outside audit & supervisory board members. The Company designated these three (3) outside audit & supervisory board members as “independent officers” as stipulated by the Tokyo Stock Exchange and registered them there.
3. Audit & Supervisory Board Member Kazuyuki Someya has engaged in the administration of the Company for many years. He has also served in overall management as the President of a Chinese subsidiary of the Company and has significant knowledge of finance and accounting.
4. Audit & Supervisory Board Member Nobutaka Motohashi is a certified public accountant and has professional knowledge of finance and accounting.
5. Audit & Supervisory Board Members Toru Masuda and Takashi Asai are attorneys. They are familiar with corporate legal affairs and have significant knowledge of finance and accounting.
6. The Company reinforces business execution and supervision functions by entrusting directors with strategic decision making and supervision and giving executive officers the authority of and responsibility for ordinary business execution. The Company also adopts the executive officer

system to reinforce corporate governance.

Executive officers who are not concurrently directors are as follows:

Name	Areas of responsibility
Tsuyoshi Nakamura	Executive Officer and Deputy Chief Business Operation Officer
Toichi Koyata	Executive Officer and Senior General Manager of Business Platform Innovation Headquarters
Kentaro Shirai	Executive Officer and Senior General Manager of Purchasing Headquarters
Isao Ichikawa	Executive Officer and Senior General Manager of Sales & Marketing Headquarters
Shinichi Taniguchi	Executive Officer and Senior General Manager of Manufacturing Headquarters
Toru Shibasaki	Executive Officer and Deputy Senior General Manager of Manufacturing Headquarters
Takayuki Kokon	Executive Officer and Senior General Manager of Administration Headquarters
Tomofumi Imamura	Executive Officer and Senior General Manager of Corporate Planning Headquarters
Quan Da Yong	Group Executive Officer and Chief Regional Officers in China

(2) Remuneration Paid to Directors and Audit & Supervisory Board Members

1) Remuneration Paid

Category	Number of persons remunerated	Total amount of remuneration paid (Millions of yen)
Directors	8	391
[of whom, Outside Directors]	[2]	[19]
Audit & Supervisory Board Members	4	44
[of whom, Outside Audit & Supervisory Board Members]	[3]	[25]

(Notes)

- The amount of remuneration paid above includes the estimated amount of 57 million yen in the Company's shares, etc. calculated based on the points to be granted to six (6) directors (excluding outside directors) under the performance-based stock compensation plan during the fiscal year under review.
- The amount of remuneration paid above includes 35 million yen in restricted stock granted to six (6) directors (excluding outside directors) as remuneration for granting restricted stock.
- The amount of remuneration for directors includes 161 million yen in accrued bonuses due to directors, which was recorded during the fiscal year under review.
- The amount of remuneration for directors does not include their salaries for their service as the Company's employees, which is 29 million yen (paid to two [2] directors/employees).

2) Policy for Decision Making on Remuneration, etc.

As a basic policy for determining remuneration for directors and audit & supervisory board members, the Company set the amount at an appropriate level to clarify the area of responsibility of each director, outside director or audit & supervisory board member in the group management, enhance the transparency of management, give them incentives for raising business performance and corporate value, and secure and maintain highly capable human resources.

The remuneration of directors of the Company consists of monthly fixed payments of no more than 15 million yen (excluding salaries for service as the Company's employees) and variable payments of no more than 0.7% of consolidated profit for each fiscal year (which does not include consolidated business results-based remuneration for directors) with a ceiling amount of 200 million yen per year. Remuneration for audit & supervisory board members (the ceiling

amount of total remuneration) is a fixed monthly remuneration amount of no more than 4 million yen.

A fixed amount of remuneration for each director was determined, taking into account each director's position, assignment, other companies' standards and changes in the management environment, etc. The variable amounts are determined by each individual's business performance assessed using certain evaluation indices. With regard to remuneration for outside directors, because they are independent of business execution, fixed monthly remuneration that is not affected by business results is paid to each outside director.

As audit & supervisory board members are independent of business execution, like outside directors, fixed monthly remuneration is paid to each audit & supervisory board member and the amount for each audit & supervisory board member is determined by negotiation among the audit & supervisory board members.

As a medium-term incentive for directors (excluding outside directors), in March 2016 the Company introduced a performance-based stock compensation plan with the purpose of enhancing the motivation of directors to contribute to improved business performance and increased corporate value over the medium term. Furthermore, as part of a review of the executive remuneration system, the introduction of the restricted stock compensation plan in place of the stock-compensation-type stock option plan, which is a long-term incentive, to provide an incentive for directors to continuously increase the corporate value of the Company and to further share the value with shareholders was approved at the 77th Ordinary General Meeting of Shareholders held on March 29, 2018.

- (3) Matters Concerning Outside Officers (Outside Directors and Audit & Supervisory Board Members)
- 1) Representative Positions at Different Companies Concurrently Assumed by the Company's Officers and the Relation between those Companies and MABUCHI MOTOR CO., LTD.
 - i) Audit & Supervisory Board Member Nobutaka Motohashi also serves as an outside auditor at NAGAWA Co., Ltd. There has been no trading or other special relationship between NAGAWA Co., Ltd. and the Company.
 - ii) Audit & Supervisory Board Member Toru Masuda also serves as a director of Juutaku Loan Servicer Ltd. There has been no trading or other special relationship between Juutaku Loan Servicer Ltd. and the Company.
 - iii) Audit & Supervisory Board Member Takashi Asai also serves as a partner of DAI-ICHI FUYO LAW OFFICE. There has been no trading or other special relationship between DAI-ICHI FUYO LAW OFFICE and the Company.

2) Major Activities during the Fiscal Year under Review

	Activities
Director Ichiro Hashimoto	Attended all 30 meetings of the Board of Directors held during the fiscal year under review. Based on his ample experience as a company executive over the years and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.
Director Naoki Mitarai	Attended 28 of the 30 meetings of the Board of Directors held during the fiscal year under review. Based on his ample experience as a company executive over the years and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.
Audit & Supervisory Board Member Nobutaka Motohashi	Attended 29 of the 30 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held during the fiscal year under review. Based on his ample experience and professional viewpoints on corporate accounting audits as a certified public accountant and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.
Audit & Supervisory Board Member Toru Masuda	Attended all 30 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held during the fiscal year under review. Based on his ample experience and professional viewpoints on corporate legal affairs as an attorney and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.
Audit & Supervisory Board Member Takashi Asai	Attended 29 of the 30 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board held during the fiscal year under review. Based on his ample experience and professional viewpoints on corporate legal affairs as an attorney and from a position independent of the Company's management, he provided advice and made propositions to ensure the legality, adequacy and fairness of decision making and business execution.

3) Outline of Limited Liability Agreements

As per Article 427, Paragraph 1, of the Companies Act and the Company's Articles of Incorporation, the Company entered into an agreement with two (2) outside directors and three (3) outside audit & supervisory board members to limit their liabilities for damages as provided in Article 423, Paragraph 1, of the Companies Act. The limit of liabilities under the agreement shall be the amount set forth in the relevant laws and regulations.

Consolidated Balance Sheet

(As of December 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)	268,246	(Liabilities)	23,791
Current assets	181,473	Current liabilities	18,518
Cash and bank deposits	113,066	Trade notes and accounts payable	6,376
Trade notes and accounts receivable	23,909	Accrued income taxes	1,812
Short-term investments	2,500	Accrued bonuses due to employees	265
Merchandises and finished goods	25,014	Accrued bonuses due to directors	161
Work in process	998	Deferred tax liabilities-current	69
Raw materials and supplies	9,696	Other current liabilities	9,832
Deferred tax assets-current	1,570	Long-term liabilities	5,273
Other current assets	4,823	Accrued benefits for stock payment	117
Allowance for doubtful accounts	(104)	Liability for retirement benefits	2,259
Fixed assets	86,772	Asset retirement obligations	17
Property, plant and equipment	74,025	Deferred tax liabilities-non-current	2,519
Buildings and structures	21,661	Other long-term liabilities-non-current	359
Machinery, equipment and vehicles	30,111	(Net assets)	244,454
Tools, furniture and fixture	4,519	Shareholders' equity	246,318
Land	6,633	Common stock	20,704
Construction in progress	11,099	Additional paid-in capital	20,419
Intangible assets	1,109	Retained earnings	212,594
Investments and other assets	11,637	Treasury stock	(7,400)
Investment securities	9,208	Accumulated other comprehensive income	(1,988)
Long-term loans receivable	453	Net unrealized holding gains on securities	2,020
Deferred tax assets-non-current	450	Deferred gains or losses on hedges	(37)
Other investments and other assets	1,558	Foreign currency translation adjustments	(3,074)
Allowance for doubtful accounts	(33)	Retirement benefits liability adjustments	(897)
		Subscription rights to shares	124
Total assets	268,246	Total liabilities and net assets	268,246

(Note) Amounts less than one million yen have been omitted.

Consolidated Statement of Income
(For the year ended December 31, 2018)

(Millions of yen)

Item	Amount	
Net sales		143,116
Cost of sales		98,788
Gross profit		44,327
Selling, general and administrative expenses		23,084
Operating income		21,243
Non-operating income		
Interest income	614	
Dividend income	274	
Foreign exchange gains	1,474	
Gain on sale of raw material scrap	1,520	
Other	393	4,277
Non-operating expenses		
Stock-related expenses	68	
Non-deductible consumption tax	49	
Soil cleanup expenses	292	
Other	304	715
Ordinary income		24,804
Extraordinary income		
Gain on disposal of fixed assets	6,027	
Gain on sales of golf memberships	2	6,030
Extraordinary loss		
Loss on disposal of fixed assets	1,237	
Extraordinary retirement expenses	274	1,511
Profit before income taxes		29,323
Income taxes		
Current	6,433	
Deferred	(35)	6,398
Profit		22,925
Profit attributable to owners of parent		22,925

(Note) Amounts less than one million yen have been omitted.

Consolidated Statement of Changes in Net Assets

(For the year ended December 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	20,704	20,419	200,713	(7,486)	234,351
Changes of items during the period					
Cash dividend (Note: 1)	—	—	(4,474)	—	(4,474)
Cash dividend (Interim dividends)	—	—	(3,698)	—	(3,698)
Profit attributable to owners of parent	—	—	22,925	—	22,925
Purchase of treasury stock	—	—	—	(3,002)	(3,002)
Disposal of treasury stock	—	0	—	215	216
Cancellation of treasury stock	—	(0)	(2,871)	2,872	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	11,881	86	11,967
Ending balance	20,704	20,419	212,594	(7,400)	246,318

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Beginning balance	4,546	(87)	4,443	(1,203)	7,698	130	242,179
Changes of items during the period							
Cash dividend (Note: 1)	—	—	—	—	—	—	(4,474)
Cash dividend (Interim dividends)	—	—	—	—	—	—	(3,698)
Profit attributable to owners of parent	—	—	—	—	—	—	22,925
Purchase of treasury stock	—	—	—	—	—	—	(3,002)
Disposal of treasury stock	—	—	—	—	—	—	216
Cancellation of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	(2,526)	50	(7,517)	306	(9,686)	(5)	(9,692)
Total changes of items during the period	(2,526)	50	(7,517)	306	(9,686)	(5)	2,274
Ending balance	2,020	(37)	(3,074)	(897)	(1,988)	124	244,454

(Notes)

1. The dividends were paid as appropriations of retained earnings based on a resolution at the 77th ordinary general meeting of shareholders held on March 29, 2018.
2. Amounts less than one million yen have been omitted.

<Reference>

Consolidated Statement of Comprehensive Income

(For the year ended December 31, 2018)

(Millions of yen)

Item	Amount
Profit	22,925
Other comprehensive income	
Net unrealized holding gains (losses) on securities	(2,526)
Deferred gains or losses on hedges	50
Foreign currency translation adjustments	(7,517)
Retirement benefits liability adjustments	306
Total other comprehensive income	(9,686)
Comprehensive income	13,238
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	13,238
Comprehensive income attributable to non-controlling interests	—

(Note) Amounts less than one million yen have been omitted.

<Reference>

Consolidated Statement of Cash Flows

(For the year ended December 31, 2018)

(Millions of yen)

Item	Amount
Cash flows from operating activities	
Profit before income taxes	29,323
Depreciation and amortization	7,994
Increase (Decrease) in liability for retirement benefits	127
Interest and dividends income	(889)
Foreign exchange losses (gains)	(134)
Loss (Gain) on disposal of fixed assets	(4,790)
Decrease (Increase) in trade notes and accounts receivable	2,004
Decrease (Increase) in inventories	(4,710)
Increase (decrease) in trade notes and accounts payable	(207)
Other, net	(1,410)
Sub total	27,307
Interest and dividends received	857
Income taxes paid	(7,185)
Net cash provided by operating activities	20,979
Cash flows from investing activities	
Purchase of short-term investments	(2,000)
Proceeds from sales of short-term investments	2,000
Purchase of fixed assets	(16,524)
Proceeds from sales of fixed assets	6,033
Purchase of investment securities	(1,162)
Other, net	(1,082)
Net cash used in investing activities	(12,735)
Cash flows from financing activities	
Repayment of short-term loans payable	(56)
Cash dividends paid	(8,170)
Purchase of treasury stock	(3,004)
Proceeds from sales of treasury stock	162
Net cash used in financing activities	(11,069)
Effect of exchange rate changes on cash and cash equivalents	(2,571)
Net increase (decrease) in cash and cash equivalents	(5,396)
Cash and cash equivalents at beginning of period	118,956
Cash and cash equivalents at end of period	113,560

(Note) Amounts less than one million yen have been omitted.

Non-Consolidated Balance Sheet

(As of December 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)	166,700	(Liabilities)	11,651
Current assets	82,005	Current liabilities	10,273
Cash and bank deposits	47,009	Accounts payable	7,238
Trade notes receivable	160	Accounts payable-other	1,056
Accounts receivable	27,486	Accrued expenses	545
Short-term investments	2,500	Accrued income taxes	597
Merchandises and finished goods	2,577	Accrued bonuses due to employees	265
Work in process	108	Accrued bonuses due to directors	161
Raw materials and supplies	1,033	Other current liabilities	409
Deferred tax assets-current	314	Long-term liabilities	1,378
Other current assets	816	Accrued benefits for stock payment	200
Fixed assets	84,695	Allowance for retirement benefits for employees	748
Property, plant and equipment	15,501	Asset retirement obligations	17
Buildings	7,691	Deferred tax liabilities-non-current	297
Structures	647	Other long-term liabilities-non-current	115
Machinery and equipment	618	(Net assets)	155,048
Vehicles	5	Shareholders' equity	152,941
Tools, furniture and fixture	485	Common stock	20,704
Land	5,991	Additional paid-in capital	20,419
Construction in progress	61	Legal capital surplus	20,419
Intangible assets	573	Retained earnings	119,216
Software	363	Legal retained earnings	3,819
Software in progress	204	Other legal retained earnings	115,397
Other intangible assets	5	Reserve for the reduction of fixed assets	124
Investments and other assets	68,620	General reserve	170,119
Investment securities	8,966	Retained earnings carried forward	(54,846)
Stocks of subsidiaries and affiliates	16,096	Treasury stock	(7,400)
Investments in capital of subsidiaries and affiliates	38,016	Revaluation/translation adjustments	1,983
Long-term loans receivable from subsidiaries and affiliates	5,500	Net unrealized holding gains on securities	2,020
Other investments and other assets	73	Deferred gains or losses on hedges	(37)
Allowance for doubtful accounts	(33)	Subscription rights to shares	124
Total assets	166,700	Total liabilities and net assets	166,700

(Note) Amounts less than one million yen have been omitted.

Non-Consolidated Statement of Income

(For the year ended December 31, 2018)

(Millions of yen)

Item	Amount	
Net sales		100,931
Cost of sales		77,329
Gross profit		23,602
Selling, general and administrative expenses		16,603
Operating income		6,998
Non-operating income		
Interest income	155	
Interest on short-term investments	7	
Dividend income	7,440	
Foreign exchange gains	439	
Other	141	8,184
Non-operating expenses		
Stock-related expenses	68	
Other	16	85
Ordinary income		15,096
Extraordinary income		
Gain on disposal of fixed assets	1	1
Extraordinary loss		
Loss on disposal of fixed assets	1,056	1,056
Profit before income taxes		14,041
Income taxes		
Current	2,226	
Deferred	(290)	1,935
Profit		12,106

(Note) Amounts less than one million yen have been omitted.

Non-Consolidated Statement of Changes in Net Assets

(For the year ended December 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital			Retained earnings
		Legal capital surplus	Other capital surplus	Total additional paid-in capital	Legal retained earnings
Beginning balance	20,704	20,419	—	20,419	3,819
Changes of items during the period					
Cash dividend (Note: 1)	—	—	—	—	—
Cash dividend (Interim dividends)	—	—	—	—	—
Profit	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—
Disposal of treasury stock	—	—	0	0	—
Cancellation of treasury stock	—	—	(0)	(0)	—
Reversal of reserve for the reduction of fixed assets	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—
Ending balance	20,704	20,419	—	20,419	3,819

(Millions of yen)

	Shareholders' equity			
	Retained earnings			
	Other legal retained earnings			Total retained earnings
	Reserve for the reduction of fixed assets	General reserve	Retained earnings carried forward	
Beginning balance	129	170,119	(55,913)	118,154
Changes of items during the period				
Cash dividend (Note: 1)	—	—	(4,474)	(4,474)
Cash dividend (Interim dividends)	—	—	(3,698)	(3,698)
Profit	—	—	12,106	12,106
Purchase of treasury stock	—	—	—	—
Disposal of treasury stock	—	—	—	—
Cancellation of treasury stock	—	—	(2,871)	(2,871)
Reversal of reserve for the reduction of fixed assets	(4)	—	4	—
Net changes of items other than shareholders' equity	—	—	—	—
Total changes of items during the period	(4)	—	1,066	1,062
Ending balance	124	170,119	(54,846)	119,216

(Millions of yen)

	Shareholders' equity		Revaluation/translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Total revaluation/translation adjustments		
Beginning balance	(7,486)	151,792	4,546	(87)	4,458	130	156,382
Changes of items during the period							
Cash dividend (Note: 1)	—	(4,474)	—	—	—	—	(4,474)
Cash dividend (Interim dividends)	—	(3,698)	—	—	—	—	(3,698)
Profit	—	12,106	—	—	—	—	12,106
Purchase of treasury stock	(3,002)	(3,002)	—	—	—	—	(3,002)
Disposal of treasury stock	215	216	—	—	—	—	216
Cancellation of treasury stock	2,872	—	—	—	—	—	—
Reversal of reserve for the reduction of fixed assets	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	(2,526)	50	(2,475)	(5)	(2,481)
Total changes of items during the period	86	1,148	(2,526)	50	(2,475)	(5)	(1,333)
Ending balance	(7,400)	152,941	2,020	(37)	1,983	124	155,048

(Notes)

1. The dividends were paid as appropriations of retained earnings based on a resolution at the 77th ordinary general meeting of shareholders held on March 29, 2018.
2. Amounts less than one million yen have been omitted.