

CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 (J-GAAP)

August 13, 2020

Name of listed company: MABUCHI MOTOR CO., LTD.

Stock exchange listing: Tokyo

Securities code: 6592 (URL: <https://www.mabuchi-motor.com/>)

Representative: Hiroo Okoshi (Representative Director and President, CEO)

Contact: Takumi Tomita (Executive Officer in charge of Accounting and Finance)

Scheduled date of the filing of quarterly report: August 14, 2020

Scheduled date of start of dividends payments: September 14, 2020

Preparation of 2Q results presentation materials (Yes/No): **Yes**

Holding of 2Q results briefing meeting (Yes/No): **Yes**

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

1. Consolidated Operating Results

	6M ended Jun. 2019	6M ended Jun. 2020	Year on Year
	(Millions of yen)		(Percentage change)
(1) Consolidated Operating Results:			
Net sales	66,002	48,840	-26.0%
Operating income	8,316	3,509	-57.8%
Ordinary income	9,648	2,994	-69.0%
Profit attributable to owners of parent	6,517	860	-86.8%
Profit per share (Yen)	97.80	12.96	
Fully diluted profit per share (Yen)	97.76	12.96	

Note: Comprehensive income

Six months ended Jun. 30, 2020: ¥-5,593 million (—%) Six months ended Jun. 30, 2019: ¥2,591 million (-18.6%)

	As of Dec. 31, 2019	As of Jun. 30, 2020
	(Millions of yen)	
(2) Consolidated Financial Position:		
Total assets	268,244	252,853
Net assets	245,172	235,208
Shareholders' equity ratio	91.4%	93.0%

Note: Shareholders' equity

As of Jun. 30, 2020: ¥235,113 million As of Dec. 31, 2019: ¥245,048 million

2. Dividends

	Dividends (Yen)				
Record Date	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Full year
Fiscal 2019	—	67.00	—	68.00	135.00
Fiscal 2020	—	67.00	—	—	—
Fiscal 2020 (Forecast)	—	—	—	68.00	135.00

Note: Amendments to dividend forecast that has been disclosed recently: None

Please refer to "1. Qualitative Information (3) Forward-Looking Statements Including Consolidated Results Forecast" on page 4 for basic policy on profit distribution and dividend forecast for the current fiscal year.

Note: Breakdown of 2nd quarter-end dividend for fiscal 2019: Special dividend: ¥52.00

Breakdown of year-end dividend for fiscal 2019: Special dividend: ¥53.00

Breakdown of 2nd quarter-end dividend for fiscal 2020 (forecast): Special dividend: ¥52.00

Breakdown of year-end dividend for fiscal 2020 (forecast): Special dividend: ¥53.00

3. Consolidated Results Forecasts for the Fiscal Year (From January 1 to December 31, 2020)

	Full year	Year on Year
	(Millions of yen)	(Percentage change)
Net sales	104,000	-21.1%
Operating income	8,300	-52.7%
Ordinary income	8,900	-57.3%
Profit attributable to owners of parent	5,000	-64.9%
Profit per share (Yen)	75.62	

Note: Amendments to results forecasts that have been disclosed recently: Yes

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries that accompanied changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, restatements:
- 1) Changes in accounting policies resulting from revision of accounting standards, etc.: None
 - 2) Changes in accounting policies due to reasons other than those stated in 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None
- (4) Number of shares issued (common stock)

	(Unit: share)			
1) Number of shares issued at end of period (including treasury stock):	Jun. 30, 2020	68,562,462	Dec. 31, 2019	68,562,462
2) Number of shares of treasury stock at end of period:	Jun. 30, 2020	2,122,040	Dec. 31, 2019	2,169,271
3) Average number of shares during the period:	Jan.–Jun. 2020	66,405,895	Jan.–Jun. 2019	66,644,866

Note: The number of shares of treasury stock as of June 30, 2020 included the shares held by Mabuchi Motor Employee Ownership Association Trust and BIP (114,000 shares and 202,449 shares, respectively, at the end of the period), and the number of shares of treasury stock as of December 31, 2019 included the shares held by Mabuchi Motor Employee Ownership Association Trust and BIP (139,100 shares and 203,226 shares, respectively, at the end of the period).

* The quarterly review procedure by a Certified Public Accountant or an auditing firm does not apply these Consolidated Financial Results.

* Explanation related to appropriate use of results forecasts and other items warranting special mention

The above forecasts are based on the information available as of the date of the release of this document. As a result, a variety of factors in the future may cause actual results to differ from these forecasts.

1. Qualitative Information

(1) Operating Results

(1) Operating Results

During the six months ended June 30, 2020 (January 1–June 30, 2020), the global economy slowed drastically from a stagnation in economic activity, caused by the global spread of the new coronavirus. The U.S. economy recorded large negative growth on a drop-in retail consumption tied to urban lockdowns. Across Europe, lockdowns in major cities caused sharp drops in consumption that led to a large economic downturn. Japan's economy weakened rapidly on sluggish retail consumption as people refrained from going out following the declaration of a state of emergency. In emerging market countries, the resumption of economic activity in China pointed to a trend of recovery and growth turned positive, but other countries overall recorded large negative growth as economic activity stagnated in the face of the pandemic.

With regard to markets related to the Mabuchi Group's products, the automotive products market showed signs of bottoming out in China, but also major slowdowns, primarily in North America and Europe. The consumer and industrial products market showed signs of a recovery in Europe, but also major deceleration in other regions.

Against this backdrop, Mabuchi's motor sales declined 25.2% year on year in terms of volume, and by 26.0% year on year in terms of value. As a result, consolidated net sales for the first half were 48,840 million yen (a 26.0% decrease year on year), and motor sales, which account for the majority of net sales, were 48,837 million yen (a 26.0% decrease year on year).

Although operating income was boosted by improvements in sales prices and the product mix, the negative effect from reduced sales volumes and an increase in fixed costs per unit from a decline in capacity utilization rates resulted in operating income of 3,509 million yen (a 57.8% decrease year on year). Despite an increase in interest income, ordinary income was 2,994 million yen (a 69.0% decrease year on year), with an increase in foreign exchange losses. Profit before income taxes was 3,136 million yen (a 66.5% decrease year on year), and profit attributable to owners of parent was 860 million yen (an 86.8% decrease year on year).

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

(1) Automotive Products Market

Net sales declined to 34,969 million yen (a 28.5% decrease year on year). In the priority business of medium-sized automotive motors, all applications were affected by the global stoppages and cutbacks in automotive production due to the new coronavirus pandemic. Sales of high-torque standard motors for power window lifters to North American automakers continued to grow, but sales of motors for power seats and for electric parking brakes declined from stoppages of automotive production around the world, despite the positive effect of an increase in the number of equipped models. Although we maintained our shares of the markets for small automotive motors including door lock actuators, motors for door mirrors, and air conditioning damper actuators, sales declined as a result of the pandemic.

(2) Consumer and Industrial Products Market

Net sales were 13,867 million yen (an 18.8% decrease year on year). Although sales were strong in the midrange and high-end toothbrush segments, overall sales of personal care products declined from the effect of the new coronavirus and curtailed orders in certain applications reflecting our policy of emphasizing profitability, and the market for motors for inkjet printers contracted as well.

(2) Financial Position

Total assets as of June 30, 2020, were 252,853 million yen, a 15,391 million yen decrease from December 31, 2019. Major changes from the end of the previous fiscal year included a 7,053 million yen decrease in trade notes and accounts receivable, a 4,888 million yen decrease in cash and bank deposits as a result of dividend payments, a 3,147 million yen decrease in property, plant and equipment, a 2,698 million yen decrease in investment securities, and a 2,970 million yen increase in inventories.

Total liabilities decreased 5,427 million yen from the end of the previous fiscal year, to 17,644 million yen. Major changes from the end of the previous fiscal year included a 2,254 million yen decrease in trade notes and accounts payable, and a 1,637 million yen decrease in other current liabilities.

Total net assets decreased 9,963 million yen from the end of the previous fiscal year, to 235,208 million yen. This included decreases of 4,476 million yen in foreign currency translation adjustments, 3,698 million yen in retained earnings, and 2,045 million yen in net unrealized holding gains or losses on securities.

(3) Forward-Looking Statements Including Consolidated Results Forecast

With the global spread of infections of the new coronavirus continuing, the global economy is expected to see stagnant economic activity. Although there are signs of a recovery in consumption in the U.S. economy from the reopening in stages of urban lockdowns and government support measures, the sustainability of a recovery is uncertain. In Europe, economic activity is beginning to resume as respective countries ease urban lockdowns in stages, but the pace of recovery is expected to differ by country. In Japan, a turnaround to growth from the resumption of economic activity is forecast. In emerging market countries, although economic stimulus measures in China have brought about a recovery to pre-corona levels, with exports stagnant, concerns regarding further growth remain. In other emerging market countries, the pace of recovery is expected to be gradual from the effect of weak exports.

With regard to markets related to the Mabuchi Group's products, for the automotive products market, operations are restarting at completed vehicle manufacturers in North America and Europe and capacity utilization is returning to normal in China, but we are forecasting a large full-year decline in global automotive production volume. In the consumer and industrial products market, we expect the margin of decline in Europe to narrow, but are forecasting large contractions in other markets.

Given this situation, we are forecasting full-year consolidated net sales of 104.0 billion yen (a 21.1% decrease year on year). In terms of profit, although we see benefits from improvements in sales prices and the product mix and from lower prices for copper, steel materials, and other commodities, we also anticipate negative effects including a strong yen, lower sales volumes, and higher fixed costs per unit from a decline in capacity utilization rates, and are therefore forecasting operating income of 8.3 billion yen (a 52.7% decrease year on year), ordinary income of 8.9 billion yen (a 57.3% decrease year on year), and profit attributable to owners of parent of 5.0 billion yen (a 64.9% decrease year on year).

With regard to the interim dividend, our most recently announced dividend forecast (announced on February 13, 2020) is unchanged, with an interim dividend of 67 yen per share (an ordinary dividend of 15 yen per share and a special dividend of 52 yen per share). Our forecast for the year-end dividend is unchanged as well, at 68 yen per share (an ordinary dividend of 15 yen per share and a special dividend of 53 yen per share), for a full-year dividend of 135 yen per share (an ordinary dividend of 30 yen per share and a special dividend of 105 yen per share).

In the event of any extremely significant changes in the operating environment going forward, results forecasts and the policy for returns to shareholders, including the dividend forecast and the purchase of treasury stock, will be reviewed as appropriate and any revisions will be promptly disclosed.

The actual exchange rate for the first half was ¥108.27 to the US dollar, and our forecasts for the second half are based on a rate assumption of ¥105 to the US dollar.

Note: The above forecasts were made based on information that is available at the present moment. Actual results may differ from expectations owing to various future factors, the main ones of which are as follows:

- Fluctuations in foreign exchange rates
- Changes in economic conditions and demand trends in our business areas
- Rapid technological innovations, such as new technologies or new products
- Fluctuations in market prices of copper, steel materials, rare earths, and other raw materials

Note, however, that the factors that could affect our results are not limited to the above.

Consolidated Balance Sheets and Primary Notes

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2019 and JUNE 30, 2020

	(Millions of yen)	
ASSETS	December 31, 2019	June 30, 2020
Current assets		
Cash and bank deposits	110,369	105,480
Trade notes and accounts receivable	21,913	14,859
Short-term investments	2,301	2,300
Merchandise and finished goods	24,353	24,838
Work in process	954	1,067
Raw materials and supplies	8,572	10,944
Other current assets	5,101	4,960
Allowance for doubtful accounts	(53)	(85)
Total current assets	173,510	164,365
Fixed assets		
Property, plant and equipment		
Buildings and structures	50,580	49,751
Accumulated depreciation	(28,443)	(28,676)
Buildings and structures, net	22,137	21,075
Machinery, equipment and vehicles	64,220	64,145
Accumulated depreciation	(33,269)	(34,321)
Machinery, equipment and vehicles, net	30,951	29,823
Tools, furniture and fixture	19,403	19,728
Accumulated depreciation	(14,916)	(15,275)
Tools, furniture and fixture, net	4,487	4,453
Land	6,640	6,548
Construction in progress	16,288	15,455
Total property, plant and equipment	80,504	77,356
Intangible assets	1,144	1,094
Investments and other assets		
Investment securities	10,980	8,282
Deferred tax assets-non-current	704	489
Other investments and other assets	1,433	1,653
Allowance for doubtful accounts	(33)	(388)
Total investments and other assets	13,084	10,037
Total fixed assets	94,733	88,488
Total assets	268,244	252,853

(Millions of yen)

LIABILITIES AND NET ASSETS	December 31, 2019	June 30, 2020
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,003	3,749
Accrued income taxes	1,966	1,548
Accrued bonuses due to employees	249	235
Accrued bonuses due to directors	172	43
Other current liabilities	8,730	7,092
Total current liabilities	17,121	12,669
Long-term liabilities		
Long-term loans payable	635	542
Accrued benefits for stock payment	142	198
Liability for retirement benefits	2,139	2,137
Asset retirement obligations	17	17
Deferred tax liabilities-non-current	2,716	1,795
Other long-term liabilities-non-current	299	283
Total long-term liabilities	5,950	4,974
Total liabilities	23,071	17,644
Net assets		
Shareholders' equity		
Common stock	20,704	20,704
Additional paid-in capital	20,419	20,419
Retained earnings	216,974	213,275
Treasury stock	(10,014)	(9,797)
Total shareholders' equity	248,084	244,603
Accumulated other comprehensive income		
Net unrealized holding gains or losses on securities	3,456	1,410
Deferred gains or losses on hedges	(2)	—
Foreign currency translation adjustments	(5,777)	(10,254)
Retirement benefits liability adjustments	(712)	(646)
Total accumulated other comprehensive income	(3,035)	(9,489)
Subscription rights to shares	124	95
Total net assets	245,172	235,208
Total liabilities and net assets	268,244	252,853

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE SIX MONTHS ENDED JUNE 30, 2019 and 2020

(Consolidated Statements of Income)

	(Millions of yen)	
	2019	2020
Net sales	66,002	48,840
Cost of sales	46,001	34,078
Gross profit	20,000	14,762
Selling, general and administrative expenses	11,684	11,252
Operating income	8,316	3,509
Non-operating income		
Interest income	390	459
Dividend income	177	165
Foreign exchange gains	257	—
Gain on sales of raw material scrap	647	532
Other	204	216
Total non-operating income	1,677	1,374
Non-operating expenses		
Stock-related expenses	57	51
Foreign exchange losses	—	1,514
Non-deductible consumption tax	19	13
Other	268	309
Total non-operating expenses	345	1,889
Ordinary income	9,648	2,994
Extraordinary income		
Gain on disposal of fixed assets	8	5
Gain on sales of investment securities	—	845
Gain on reversal of share acquisition rights	—	3
Gain on sales of golf memberships	1	—
Total extraordinary income	10	854
Extraordinary loss		
Loss on disposal of fixed assets	244	26
Extraordinary retirement expenses	58	69
Loss from closure of a manufacturing subsidiary	—	361
Loss related to infectious disease	—	254
Total extraordinary loss	303	711
Profit before income taxes	9,355	3,136
Income taxes	2,837	2,275
Profit	6,517	860
Profit attributable to owners of parent	6,517	860

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	2019	2020
Profit	6,517	860
Other comprehensive income		
Net unrealized holding gains or losses on securities	360	(2,045)
Deferred gains or losses on hedges	37	2
Foreign currency translation adjustments	(4,381)	(4,476)
Retirement benefits liability adjustments	56	65
Total other comprehensive income	(3,926)	(6,454)
Comprehensive income	2,591	(5,593)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,591	(5,593)
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Cash Flows

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE SIX MONTHS ENDED JUNE 30, 2019 and 2020

	(Millions of yen)	
	2019	2020
Cash flows from operating activities		
Profit before income taxes	9,355	3,136
Depreciation and amortization	4,280	4,440
Increase (Decrease) in liability for retirement benefits	27	65
Interest and dividends income	(567)	(624)
Foreign exchange losses (Gains)	(11)	2,114
Loss (Gain) on sales of investment securities	—	(845)
Loss (Gain) on disposal of fixed assets	236	21
Decrease (Increase) in trade notes and accounts receivable	(132)	6,516
Decrease (Increase) in inventories	1,678	(4,254)
Increase (Decrease) in trade notes and accounts payable	(2,221)	(2,904)
Gain on reversal of share acquisition rights	—	(3)
Other, net	(426)	(195)
Sub total	12,218	7,465
Interest and dividends received	577	642
Income taxes paid	(2,269)	(2,980)
Net cash provided by operating activities	10,526	5,127
Cash flows from investing activities		
Increase of time deposits	(1,646)	—
Proceeds from sales of short-term investments	1,000	—
Purchase of fixed assets	(6,984)	(5,348)
Proceeds from sales of fixed assets	64	39
Purchase of investment securities	(802)	—
Proceeds from sales of investment securities	—	1,132
Other, net	(40)	11
Net cash used in investing activities	(8,408)	(4,164)
Cash flows from financing activities		
Repayment of long-term loans payable	—	(92)
Cash dividends paid	(5,376)	(4,539)
Purchase of treasury stock	(3,002)	(0)
Proceeds from sales of treasury stock	63	87
Net cash used in financing activities	(8,314)	(4,545)
Effect of exchange rate changes on cash and cash equivalents	(1,901)	(1,305)
Net increase (decrease) in cash and cash equivalents	(8,098)	(4,888)
Cash and cash equivalents at beginning of period	113,560	110,863
Cash and cash equivalents at end of period	105,461	105,974

Notes to Consolidated Financial Statements

Notes Regarding Going-concern Assumptions

None

Notes on Significant Changes in Shareholders' Equity

None

Changes in Significant Subsidiaries During the Quarter

None

Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements

Calculation of tax expense

The Company calculates tax expense by rationally estimating its effective tax rate after application of deferred-tax accounting to profit before income taxes for the fiscal year that includes the second quarter under review and multiplying quarterly profit before income taxes by estimated effective tax rate.

Additional Information

Accounting estimates associated with the effect from spread of COVID-19

As a result of the spread of infections of COVID-19, the Mabuchi Group is experiencing lower demand caused by economic stagnation associated with measures implemented to stop the spread of infections by the governments of various countries. Although demand is temporarily declining during the current fiscal year, we are assuming that demand will gradually recover as the spread of infections is brought under control and economic activity restarts in various regions, and this assumption is reflected under accounting estimates (as “possibility of recovery of deferred tax assets, determination of recognition of impairment loss on fixed assets”).

The time of convergence of COVID-19 and its future impact remain uncertain, and the results based on actual results in the future may differ from these estimates and assumptions.

Segment Information

Six months ended June 30, 2019 (January 1, 2019 – June 30, 2019) and 2020 (January 1, 2020 – June 30, 2020)

1. Information concerning net sales and income by reporting segment

			(Millions of yen)	
			2019	2020
Net sales	Japan	External customers	6,908	5,132
		Intersegment	40,865	31,810
		Total	47,773	36,943
	Asia	External customers	31,512	24,699
		Intersegment	36,206	29,297
		Total	67,718	53,996
	North and Latin America	External customers	11,612	7,849
		Intersegment	629	620
		Total	12,241	8,469
	Europe	External customers	15,968	11,159
		Intersegment	41	39
		Total	16,010	11,199
	Eliminations Note 1		(77,741)	(61,768)
	Consolidated Note 2		66,002	48,840
Segment income (loss)	Japan		3,084	1,031
	Asia		4,555	2,486
	North and Latin America		(452)	37
	Europe		471	(398)
	Eliminations Note 1		657	352
	Consolidated Note 2		8,316	3,509

Notes: 1. The segment income (loss) eliminations of ¥657 million in the six months ended June 30, 2019 and ¥352 million in the six months ended June 30, 2020 represent intersegment transaction eliminations and other adjustments.

2. Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

2. Information concerning impairment loss on fixed assets and goodwill by reporting segment

Not applicable