

CONSOLIDATED FINANCIAL RESULTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 (J-GAAP)

October 30, 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: November 13, 2020

Scheduled date of start of dividends payments: —

Preparation of 3Q results presentation materials (Yes/No): **Yes**

Holding of 3Q results briefing meeting (Yes/No): **No**

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

1. Consolidated Results for the Nine Months Ended September 30, 2020

(From January 1, 2020 to September 30, 2020)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|--|-----------------|--------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| For the nine months ended September 30, 2020 | 81,249 | (18.8) | 6,467 | (49.8) | 5,839 | (61.1) | 4,159 | (59.7) |
| September 30, 2019 | 100,099 | (8.1) | 12,888 | (20.2) | 14,999 | (23.1) | 10,317 | (48.2) |

Note: Comprehensive income

Nine months ended September 30, 2020: ¥(1,789) million [—%] Nine months ended September 30, 2019: ¥4,319 million [(73.0%)]

| | Profit per share | Fully diluted profit per share |
|--|------------------|--------------------------------|
| | Yen | Yen |
| For the nine months ended September 30, 2020 | 62.68 | 62.65 |
| September 30, 2019 | 155.01 | 154.94 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2020 | 252,567 | 232,722 | 92.1 |
| December 31, 2019 | 268,244 | 245,172 | 91.4 |

Reference: Shareholders' equity

As of September 30, 2020: ¥232,631 million As of December 31, 2019: ¥245,048 million

2. Dividends

| | Dividends per share | | | | |
|------------------------|---------------------|-----------------|-----------------|----------|--------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| 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 3 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: 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)

(Percentages indicate year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Profit per share |
|-----------|-----------------|--------|------------------|--------|-----------------|--------|---|--------|------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 113,000 | (14.3) | 10,500 | (40.2) | 10,300 | (50.6) | 7,100 | (50.1) | 106.98 |

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 the end of the period (including treasury stock) | Sep. 30, 2020 | 68,562,462 | Dec. 31, 2019 | 68,562,462 |
| 2) Number of shares of treasury stock at the end of the period | Sep. 30, 2020 | 2,615,144 | Dec. 31, 2019 | 2,169,271 |
| 3) Average number of shares during the period | Jan.–Sep. 2020 | 66,366,221 | Jan.–Sep. 2019 | 66,559,712 |

Note: The number of shares of treasury stock as of September 30, 2020 included the shares held by Mabuchi Motor Employee Ownership Association Trust and BIP (89,700 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.

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1. Qualitative Information

(1) Operating Results

During the nine months ended September 30, 2020 (January 1–September 30, 2020), the global economy recorded negative growth by a wide margin from the stagnation of economic activity caused by the spread of infections of the new coronavirus, but some movement toward a recovery was seen during the second half of the period. The U.S. economy recorded negative growth, but has begun to rebound backed by retail consumption. Europe saw another increase in the number of new infected people from the beginning of the third quarter and the economic recovery was limited. Japan saw a continued improvement in exports, but with a sluggish pace of recovery in retail consumption, economic growth for the period as a whole was negative. Economies for emerging market countries as a whole recorded large negative growth, but with differences by country in the strength of recovery, and China led the way in restarting economic activity and the recovery trend there continued.

With regard to markets related to the Mabuchi Group's products, the automotive products market showed only a limited recovery in Europe, but the North American market remained firm and the Chinese market continued to recover. The consumer and industrial products market saw a slowdown in the global market combined with continued contraction in markets for certain applications, but signs of a recovery were seen in the European market.

Against this backdrop, Mabuchi's motor sales declined 19.4% year on year in terms of volume, and by 18.8% year on year in terms of value. Compared with our sales plan for the nine months ended September 30, 2020 as revised in August, sales were 4.8% above plan in terms of volume, and 6.0% above plan in terms of value. As a result, consolidated net sales for the nine months ended September 30, 2020 were 81,249 million yen (an 18.8% decrease year on year), and motor sales, which account for the majority of net sales, were 81,240 million yen (an 18.8% 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 6,467 million yen (a 49.8% decrease year on year). With an increase in foreign exchange losses, ordinary income was 5,839 million yen (a 61.1% decrease year on year). Profit before income taxes, which included gain on sales of investment securities, was 7,371 million yen (a 49.6% decrease year on year), and profit attributable to owners of parent was 4,159 million yen (a 59.7% 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 58,284 million yen (a 21.1% decrease year on year). Although the global market slowed as a result of the spread of infections of the new coronavirus and was weak year on year, with the resumption of production at completed vehicle manufactures, sales recovered in the priority business of medium-sized automotive motors, which includes motors for power window lifters, motors for power seats, and motors for electric parking brakes, as well as small automotive motors including door lock actuators, motors for door mirrors, and air conditioning damper actuators.

2) Consumer and Industrial Products Market

Net sales declined to 22,956 million yen (a 12.5% 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.

(2) Financial Position

Total assets as of September 30, 2020, were 252,567 million yen, a 15,677 million yen decrease from December 31, 2019. Major changes from the end of the previous fiscal year included a 6,920 million yen decrease in cash and bank deposits as a result of dividend payments and purchases of treasury stock, a 4,265 million yen decrease in property, plant and equipment, and a 2,931 million yen decrease in investment securities.

Total liabilities decreased 3,227 million yen from the end of the previous fiscal year, to 19,844 million yen. Major changes from the end of the previous fiscal year included a 1,267 million yen decrease in trade notes and accounts payable, a 1,170 million yen decrease in accrued income taxes, and a 954 million yen decrease in deferred tax liabilities-non-current.

Total net assets decreased 12,449 million yen from the end of the previous fiscal year, to 232,722 million yen. This included a 4,872 million yen decrease in retained earnings, a 3,603 million yen decrease in foreign currency translation adjustments, and a 2,444 million yen decrease in net unrealized holding gains or losses on securities.

(3) Forward-Looking Statements Including Consolidated Results Forecast

Despite some movement toward a recovery, the outlook for the global economy remains uncertain because of concerns of a second wave of the spread of new coronavirus infections. Although the U.S. economy is showing signs of a recovery in consumption, there are concerns regarding its sustainability. With another increase in the number of new infected people, Europe is reimposing restrictions limiting people's activity and there are concerns of an economic slowdown. In Japan, although improvement is expected as economic activity restarts, the pace of recovery in consumption is sluggish and further growth is uncertain. In emerging market countries, China's recovery is expected to continue as a result of economic stimulus measures, but with weakness and strength in the degree of recovery in other countries' economies, a slow pace of recovery is anticipated overall.

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

Given this situation, although both the automotive products market and consumer and industrial products market saw major slowdowns at the end of the second quarter, they turned around to recovery in the third quarter. We have therefore revised our forecasts for the fiscal year ending December 31, 2020 based on these most recent trends in operating results, and we are now forecasting consolidated net sales of 113.0 billion yen (an 8.7% increase from the previously announced forecast), with operating income of 10.5 billion yen (a 26.5% increase), ordinary income of 10.3 billion yen (a 15.7% increase), and profit attributable to owners of parent of 7.1 billion yen (a 42.0% increase). For details regarding these revisions, please refer to the "Announcement of Revisions to Consolidated Results Forecasts" released today (October 30, 2020).

With regard to the year-end dividend, our most recently announced dividend forecast (announced on February 13, 2020) is unchanged at 68 yen per share (an ordinary dividend of 15 yen per share and a special dividend of 53 yen per share). Combined with the interim dividend of 67 yen per share (an ordinary dividend of 15 yen per share and a special dividend of 52 yen per share), which has already been paid as forecasted, this will result in 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).

Going forward, if extremely major changes emerge in our operating environment, we will review our forecasts for operating results and returns to shareholders (including dividend forecasts and purchases of treasury stock), and promptly disclose any changes to these forecasts.

The actual exchange rate for the nine months ended September 30, 2020 was ¥107.59 to the US dollar, and our forecasts for the fourth quarter 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.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

| | (Millions of yen) | |
|--|----------------------------|-----------------------------|
| | As of December 31, 2019 | As of September 30, 2020 |
| Assets | | |
| Current assets | | |
| Cash and bank deposits | 110,369 | 103,449 |
| Trade notes and accounts receivable | 21,913 | 23,249 |
| Short-term investments | 2,301 | 1,500 |
| Merchandise and finished goods | 24,353 | 21,027 |
| Work in process | 954 | 1,131 |
| Raw materials and supplies | 8,572 | 10,180 |
| Other current assets | 5,101 | 5,128 |
| Allowance for doubtful accounts | (53) | (148) |
| Total current assets | 173,510 | 165,518 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 50,580 | 49,944 |
| Accumulated depreciation | (28,443) | (29,111) |
| Buildings and structures, net | 22,137 | 20,833 |
| Machinery, equipment and vehicles | 64,220 | 65,272 |
| Accumulated depreciation | (33,269) | (35,522) |
| Machinery, equipment and vehicles, net | 30,951 | 29,749 |
| Tools, furniture and fixture | 19,403 | 20,125 |
| Accumulated depreciation | (14,916) | (15,751) |
| Tools, furniture and fixture, net | 4,487 | 4,374 |
| Land | 6,640 | 6,553 |
| Construction in progress | 16,288 | 14,727 |
| Total property, plant and equipment | 80,504 | 76,238 |
| Intangible assets | 1,144 | 1,058 |
| Investments and other assets | | |
| Investment securities | 10,980 | 8,049 |
| Deferred tax assets-non-current | 704 | 492 |
| Other investments and other assets | 1,433 | 1,607 |
| Allowance for doubtful accounts | (33) | (397) |
| Total investments and other assets | 13,084 | 9,751 |
| Total fixed assets | 94,733 | 87,049 |
| Total assets | 268,244 | 252,567 |

(Millions of yen)

| | As of December 31, 2019 | As of September 30, 2020 |
|--|----------------------------|-----------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 6,003 | 4,736 |
| Accrued income taxes | 1,966 | 796 |
| Accrued bonuses due to employees | 249 | 755 |
| Accrued bonuses due to directors | 172 | 62 |
| Other current liabilities | 8,730 | 8,514 |
| Total current liabilities | 17,121 | 14,865 |
| Long-term liabilities | | |
| Long-term loans payable | 635 | 542 |
| Accrued benefits for stock payment | 142 | 209 |
| Liability for retirement benefits | 2,139 | 2,100 |
| Asset retirement obligations | 17 | 17 |
| Deferred tax liabilities-non-current | 2,716 | 1,761 |
| Other long-term liabilities-non-current | 299 | 347 |
| Total long-term liabilities | 5,950 | 4,979 |
| Total liabilities | 23,071 | 19,844 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 20,704 | 20,704 |
| Additional paid-in capital | 20,419 | 20,419 |
| Retained earnings | 216,974 | 212,101 |
| Treasury stock | (10,014) | (11,610) |
| Total shareholders' equity | 248,084 | 241,615 |
| Accumulated other comprehensive income | | |
| Net unrealized holding gains or losses on securities | 3,456 | 1,011 |
| Deferred gains or losses on hedges | (2) | — |
| Foreign currency translation adjustments | (5,777) | (9,380) |
| Retirement benefits liability adjustments | (712) | (615) |
| Total accumulated other comprehensive income | (3,035) | (8,984) |
| Subscription rights to shares | 124 | 91 |
| Total net assets | 245,172 | 232,722 |
| Total liabilities and net assets | 268,244 | 252,567 |

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)
For the Nine Months Ended September 30, 2019 and 2020

(Millions of yen)

| | Nine Months Ended September 30, 2019 (January 1, 2019 to September 30, 2019) | Nine Months Ended September 30, 2020 (January 1, 2020 to September 30, 2020) |
|---|---|---|
| Net sales | 100,099 | 81,249 |
| Cost of sales | 69,616 | 58,064 |
| Gross profit | 30,482 | 23,184 |
| Selling, general and administrative expenses | 17,594 | 16,717 |
| Operating income | 12,888 | 6,467 |
| Non-operating income | | |
| Interest income | 591 | 574 |
| Dividend income | 177 | 165 |
| Foreign exchange gains | 562 | — |
| Gain on sales of raw material scrap | 1,001 | 764 |
| Other | 274 | 409 |
| Total non-operating income | 2,607 | 1,913 |
| Non-operating expenses | | |
| Stock-related expenses | 134 | 115 |
| Foreign exchange losses | — | 1,890 |
| Non-deductible consumption tax | 28 | 20 |
| Other | 332 | 514 |
| Total non-operating expenses | 495 | 2,541 |
| Ordinary income | 14,999 | 5,839 |
| Extraordinary income | | |
| Gain on disposal of fixed assets | 9 | 8 |
| Gain on sales of investment securities | — | 2,382 |
| Gain on reversal of share acquisition rights | — | 7 |
| Gain on sales of golf memberships | 1 | — |
| Total extraordinary income | 11 | 2,399 |
| Extraordinary loss | | |
| Loss on disposal of fixed assets | 328 | 64 |
| Extraordinary retirement expenses | 58 | 138 |
| Loss from closure of a manufacturing subsidiary | — | 414 |
| Loss related to infectious disease | — | 250 |
| Total extraordinary loss | 387 | 867 |
| Profit before income taxes | 14,623 | 7,371 |
| Income taxes | 4,306 | 3,212 |
| Profit | 10,317 | 4,159 |
| Profit attributable to owners of parent | 10,317 | 4,159 |

(Consolidated Statements of Comprehensive Income)
For the Nine Months Ended September 30, 2019 and 2020

| | (Millions of yen) | |
|--|---|---|
| | Nine Months Ended September 30, 2019 (January 1, 2019 to September 30, 2019) | Nine Months Ended September 30, 2020 (January 1, 2020 to September 30, 2020) |
| Profit | 10,317 | 4,159 |
| Other comprehensive income | | |
| Net unrealized holding gains or losses on securities | 888 | (2,444) |
| Deferred gains or losses on hedges | 37 | 2 |
| Foreign currency translation adjustments | (7,012) | (3,603) |
| Retirement benefits liability adjustments | 87 | 96 |
| Total other comprehensive income | (5,998) | (5,948) |
| Comprehensive income | 4,319 | (1,789) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,319 | (1,789) |
| Comprehensive income attributable to non-controlling interests | — | — |

(3) Notes to Consolidated Financial Statements
(Notes Regarding Going-Concern Assumptions)

None

(Notes on Significant Changes in Shareholders' Equity)

(Purchase of treasury stock)

The Company purchased 517,400 shares of treasury stock (total amount of purchase cost: 1,924 million yen) pursuant to a resolution at a meeting of the Board of Directors held on February 13, 2020. As a result, treasury stock at the end of the third quarter of the fiscal year ending December 31, 2020 was 11,610 million yen.

(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 third 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)**Nine Months Ended September 30, 2019 (From January 1, 2019 to September 30, 2019)****1. Information concerning net sales and income (loss) by reporting segment**

(Millions of yen)

| | Reporting Segment | | | | | Adjustment (Note 1) | Total reported in consolidated statements of income (Note 2) |
|-------------------------------------|-------------------|---------|----------------------------|--------|---------|------------------------|--|
| | Japan | Asia | North and Latin America | Europe | Total | | |
| Net sales | | | | | | | |
| Sales to external customers | 10,601 | 48,139 | 17,625 | 23,733 | 100,099 | — | 100,099 |
| Intersegment sales and transfers | 60,887 | 54,089 | 995 | 61 | 116,034 | (116,034) | — |
| Total | 71,488 | 102,228 | 18,621 | 23,794 | 216,133 | (116,034) | 100,099 |
| Segment income (loss) | 4,740 | 7,177 | (322) | 758 | 12,352 | 535 | 12,888 |

Notes: 1. The segment income (loss) adjustment refers to intersegment transaction eliminations.

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

Nine Months Ended September 30, 2020 (From January 1, 2020 to September 30, 2020)**1. Information concerning net sales and income (loss) by reporting segment**

(Millions of yen)

| | Reporting Segment | | | | | Adjustment (Note 1) | Total reported in consolidated statements of income (Note 2) |
|-------------------------------------|-------------------|--------|----------------------------|--------|---------|------------------------|--|
| | Japan | Asia | North and Latin America | Europe | Total | | |
| Net sales | | | | | | | |
| Sales to external customers | 8,114 | 40,723 | 13,994 | 18,417 | 81,249 | — | 81,249 |
| Intersegment sales and transfers | 47,291 | 42,647 | 1,196 | 59 | 91,196 | (91,196) | — |
| Total | 55,406 | 83,371 | 15,191 | 18,476 | 172,445 | (91,196) | 81,249 |
| Segment income (loss) | 1,988 | 4,073 | 347 | (497) | 5,911 | 555 | 6,467 |

Notes: 1. The segment income (loss) adjustment refers to intersegment transaction eliminations.

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