

Note: The original disclosure in Japanese was released on February 14, 2014 at 12:30 (GMT +9).

## CONSOLIDATED FINANCIAL RESULTS OF THE FISCAL YEAR ENDED DECEMBER 31, 2013 (J-GAAP)

February 14, 2014

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

Stock exchange listing: Tokyo

Securities code: 6592 (URL: <http://www.mabuchi-motor.co.jp>)

Representative: Hiroo Okoshi (President and Representative Director)

Contact: Tadahito Iyoda (Executive Officer and General Manager of Administration Headquarters)

Scheduled date of the Ordinary General Meeting of Shareholders: March 28, 2014

Scheduled date of start of dividends payments: March 31, 2014

Scheduled date of the filing of securities report: March 31, 2014

Preparation of the consolidated financial results presentation material (Yes/No): **Yes**

Holding of the consolidated financial results briefing meeting (Yes/No): **Yes**

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

### 1. Consolidated Operating Results

	Year ended Dec., 2012	Year ended Dec., 2013	2012 / 2013
	(Millions of yen)		(Percentage change)
<b>(1) Consolidated Operating Results:</b>			
Net sales	85,254	108,401	27.2%
Operating income	5,052	9,335	84.8%
Ordinary income	10,510	16,672	58.6%
Net income	6,385	10,519	64.7%
Net income per share (Yen)	182.25	300.21	
Fully diluted net income per share (Yen)	—	300.18	
Return on equity	3.6%	5.4%	
Ordinary income to total assets	5.6%	7.9%	
Operating income to net sales	5.9%	8.6%	

Note: Comprehensive income

Year ended Dec. 31, 2013: ¥30,930 million (89.3%)    Year ended Dec. 31, 2012: ¥16,339 million (—%)

	As of Dec. 31, 2012	As of Dec. 31, 2013
	(Millions of yen)	
<b>(2) Consolidated Financial Position:</b>		
Total assets	196,702	227,253
Net assets	181,372	208,791
Shareholders' equity ratio	92.2%	91.9%
Net assets per share (Yen)	5,176.75	5,956.04

Note: Shareholders' equity

As of Dec. 31, 2013: ¥208,762 million    As of Dec. 31, 2012: ¥181,372 million

	Year ended Dec., 2012	Year ended Dec., 2013
	(Millions of yen)	
<b>(3) Consolidated Cash Flows:</b>		
Net cash provided by operating activities	9,091	11,750
Net cash provided by investing activities	8,230	4,264
Net cash used in financing activities	(3,509)	(3,031)
Cash and cash equivalents at end of period	79,904	102,462

### 2. Dividends

	Dividends (Yen)				Total dividends (Millions of yen)	Dividend payout ratio (Consolidated)	Dividends on equity (Consolidated)
Record Date	1st quarter- end	2nd quarter- end	3rd quarter- end	Year-end	Full year		
Fiscal 2012	—	50.00	—	50.00	100.00	3,503	54.9%
Fiscal 2013	—	53.00	—	87.00	140.00	4,920	46.6%
Fiscal 2014 (Forecast)	—	70.00	—	70.00	140.00	52.2%	

Note: Breakdown of year-end dividend for fiscal 2013:

Special dividend: ¥37.00

Commemorative dividend: ¥20.00

Breakdown of 2nd quarter-end dividend for fiscal 2014 (forecast):

Special dividend: ¥40.00

Breakdown of year-end dividend for fiscal 2014 (forecast):

Special dividend: ¥40.00

### 3. Consolidated Results Forecasts for the Fiscal Year (From January 1 to December 31, 2014)

	Six months	Full year
	<i>(Millions of yen)</i>	
Net sales	55,800	113,000
Operating income	5,500	11,300
Ordinary income	6,100	12,800
Net income	3,900	9,400
Net income per share (Yen)	111.27	268.18

#### \* Notes

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

(Unit: share)

1) Number of shares issued at end of period (including treasury stock):	Dec. 31, 2013	37,875,881	Dec. 31, 2012	39,875,881
2) Number of shares of treasury stock at end of period:	Dec. 31, 2013	2,825,415	Dec. 31, 2012	4,840,007
3) Average number of shares during period	Dec. 31, 2013	35,039,511	Dec. 31, 2012	35,036,140

Note: Number of shares of treasury stock at the end of Dec. 31, 2013 includes the shares held by ESOP (95,200 shares at the end of the period).

#### \* Presentation of implementation status for audit procedures

The audit procedures based on the Financial Instruments and Exchange Act are being undertaken as of the release of 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.

## **Analysis of the Operating Results and the Financial Position**

### **1. Analysis of the Operating Results**

#### **Business Development and Results**

During the fiscal year ended December 31, 2013, the world economy began to gradually recover in the second half. The U.S. economy remained strong due to solid consumer spending and capital investment. Although economic stagnation continued in Europe, signs of recovery began to appear in key countries. The economies of emerging countries showed only gradual growth, with domestic demand varying from region to region. In Japan, the historically unprecedented yen appreciation was corrected, corporate performance showed improvement, and gradual economic recovery continued.

In the markets in which the Mabuchi Group operates, in the Automotive Products Market, demand in the U.S. and emerging countries was strong, while in Europe demand appeared to have bottomed out in some areas. In the Home Appliances, Power Tools & Toys Market and the Precision & Office Equipment Market, the U.S. market, where housing-related spending and consumer spending were strong, acted as a locomotive for demand, and demand in emerging countries continued as well. On the other hand, the Audio & Visual Equipment Market continued to contract.

Under these business conditions, the Mabuchi Group addressed several issues: continued strengthening of the automotive products business and new activities in the consumer and industrial products businesses, sales expansion in China, reorganization of production bases, and manufacturing process innovation. Specifically, the Group actively implemented measures to achieve further progress with sales and market share expansion, and high quality and high efficiency, and achieved results that will lead to future business growth. These measures included 1) expansion of the customer base for new motors for power window lifters; 2) development and strengthening of sales of new medium-size automotive motors, such as products that do not use neodymium; 3) full-scale entry into the commercial office equipment sector; 4) building of an organizational structure for developing new applications and commencement of activities; 5) strengthening of the business in China by means of a locally self-contained business unit structure; 6) expansion of high-end product production capacity at the coastal production bases in China; 7) expansion of automotive motor production capacity at the two production sites in Vietnam; and 8) laborsaving in production processes and man-hour reduction through expanded introduction of facilities to rationalize production.

As a result, consolidated net sales for the period were 108,401 million yen (a 27.2% increase on a year-on-year basis). Motors sales, which account for the majority of consolidated net sales, were 108,340 million yen (a 27.3% increase on a year-on-year basis).

Operating income for the year was 9,335 million yen (an 84.8% increase on a year-on-year basis) due to improvement in the gross profit ratio as a result of stabilization of the steep rise in materials costs, a trend toward improvement in the product mix, and further yen depreciation coupled with improvement in the selling, general and administrative expenses ratio accompanying the net sales increase. Ordinary income was 16,672 million yen (a 58.6% increase on a year-on-year basis) on improvement in non-operating income due to an increase from the previous year in foreign exchange gains on further yen depreciation during the year. Income before income taxes was 15,015 million yen (a 78.2% increase on a year-on-year basis) as a result of improvement in the balance of extraordinary items due to the non-recurrence of restructuring expenses and loss on sales of investment securities recorded in the previous year, despite an impairment loss on fixed assets in connection with lower profits at some consolidated subsidiaries as a result of contraction of the DVD player market. Net income was 10,519 million yen (a 64.7% increase on a year-on-year basis), despite a slight increase in the consolidated effective tax rate due to the impact of an increase in foreign exchange gains at the parent company, which carries a comparatively high tax burden among its Group companies.

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

#### **1) Automotive Products Market**

Net sales in this market rose sharply to 66,220 million yen (a 35.0% increase on a year-on-year basis). Sales of products for all applications including motors for mirrors, door lock actuators, and air conditioning damper actuators, which are applications for compact motors, and motors for power window lifters, power seats, and electronic parking brakes, which are applications for medium- or large-sized motors, developed favorably due to growth in worldwide automobile production as well as an increase in Mabuchi's market share. Furthermore, the weak yen also contributed to the sharp increase.

## 2) Home Appliances, Power Tools & Toys Market

Net sales in this market rose sharply to 19,786 million yen (a 26.1% increase on a year-on-year basis). Sales of motors for hair dryers and toothbrushes developed favorably in preparation for the year-end sales season, sales of motors for power tools also increased due to a strong U.S. market and higher sales of motors for high-end products, and the weak yen also contributed to the sharp increase.

## 3) Precision & Office Equipment Market

Net sales in this market increased to 13,479 million yen (an 18.9% increase on a year-on-year basis). Sales of motors for inkjet printers increased due to product mix improvement and the impact of the weak yen. Sales of motors for multifunction printers (MFPs) and laser printers, existing products and newly launched products alike, developed favorably.

## 4) Audio & Visual Equipment Market

Net sales in this market decreased to 8,854 million yen (a 2.1% decrease on a year-on-year basis). Sales of motors for CD players in cars in the after-market sector decreased, and the market for motors for DVD players continued to contract. Sales of both product lines decreased as a result of a greater selectivity in accepting orders to maximize profitability.

## Outlook for 2014

In the outlook for 2014, the forecast for the U.S. economy is for firm corporate earnings and consumer spending, and the stagnant European economy is expected to shift to gradual recovery centered on key countries. In Japan, an increase in exports is forecast, and the economy is likely to remain firm despite the impact of a consumption tax increase. On the other hand, only modest growth is forecast for emerging countries, where a sense of uncertainty regarding the economic outlook lingers.

The situation in the markets in which the Mabuchi Group operates is mixed. In the Automotive Products Market, worldwide automobile production is expected to grow and remain strong. In the Home Appliances, Power Tools & Toys Market, demand is expected to be stable in developed countries and to grow gradually in emerging countries. On the other hand, we expect market conditions for key items to soften in the Precision & Office Equipment Market and forecast continued market contraction in the Audio & Visual Equipment Market.

As a result, in 2014 we expect to record net sales of 113,000 million yen (a 4.2% increase on a year-on-year basis).

In terms of our business results, we expect profit growth factors such as continuation of the product mix improvement trend and the effects of cost reduction measures. Consequently, we expect to record operating income of 11,300 million yen (a 21.0% increase on a year-on-year basis). We also anticipate ordinary income of 12,800 million yen (a 23.2% decrease) and net income of 9,400 million yen (a 10.6% decrease), owing to the expected non-recurrence of foreign exchange gains or losses.

Our projections for the full-year business results for fiscal 2014 are as follows:

Consolidated results forecasts (compared to the previous period)

Net sales	113,000 million yen	(4.2% increase)
Operating income	11,300 million yen	(21.0% increase)
Ordinary income	12,800 million yen	(23.2% decrease)
Net income	9,400 million yen	(10.6% decrease)

The above projections assume an exchange rate of 1 USD = 95 JPY. No allowances have been made for foreign exchange gains or losses.

Note: The above projections 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 the exchange rates for Japanese yen and other Asian currencies
- 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. Analysis of the Financial Position

### Assets, Liabilities and Net Assets

Total assets as of December 31, 2013 stood at 227,253 million yen, an increase of 30,551 million yen from the previous fiscal year-end. The most noticeable changes included an increase in cash and bank deposits of 21,981 million yen, an increase in trade notes and accounts receivable of 5,071 million yen, an increase in inventories of 3,676 million yen, and a decrease in investment securities of 5,172 million yen. In addition, although total property, plant and equipment increased by 5,139 million yen, this is mainly attributable to yen conversion of assets of overseas subsidiaries.

Total liabilities stood at 18,461 million yen, an increase of 3,131 million yen from the previous fiscal year-end. The most noticeable changes were an increase in trade notes and accounts payable of 1,608 million yen, an increase in accrued income taxes of 1,200 million yen, increases in short-term loans payable and long-term loans payable of 113 million yen and 397 million yen, respectively, in connection with the introduction of the ESOP Trust Utilizing Employee Shareholding Association, and a decrease in provision for business structure improvement of 1,126 million yen.

Total net assets increased 27,419 million yen to 208,791 million yen. Net unrealized holding gains on securities increased 2,321 million yen, and foreign currency translation adjustments increased 18,089 million yen. In addition, retained earnings decreased by 14,359 million yen and treasury stock decreased by the same amount, due to the cancellation of treasury stock.

### Cash Flows

Net cash provided by operating activities amounted to 11,750 million yen, an increase of 2,659 million yen from the previous fiscal year. Cash flows from operating activities increased as a result of factors including an increase in income before income taxes of 6,588 million yen.

Net cash provided by investing activities amounted to 4,264 million yen, a decrease of 3,966 million yen from the previous fiscal year. Cash flows from investing activities decreased as a result of factors including a decrease of 3,506 million yen in the balance of purchases and sales of short-term investments and investment securities.

Net cash used in financing activities amounted to 3,031 million yen.

As a result, the balance of cash and cash equivalents amounted to 102,462 million yen, an increase of 22,557 million yen from the end of the previous fiscal year.

The following table shows the trend of the Company's cash flow indicators:

	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2013
Shareholder's equity ratio	93.7%	94.2%	92.9%	92.2%	91.9%
Shareholder's equity ratio based on market value	83.4%	79.1%	61.9%	65.1%	96.4%

- The indicators have been calculated using the following formulae, and are based on figures in the consolidated financial statements.
  - Shareholders' equity ratio = Net assets / Total assets
  - Shareholders' equity ratio based on market value = Total market value of shares / Total assets
- The total market value of shares has been calculated using the following formula:  
Closing stock price at the end of the period × Number of shares outstanding at the end of the period (less treasury stock)
- Since the Company does not bear substantial interest-bearing liabilities and the relevant interest paid, the ratio of interest-bearing liabilities to cash flows and interest coverage ratio are omitted.

### **3. Basic Policy on Profit Sharing, and Dividend Payments for the Current and Next Periods**

Mabuchi maintains a basic policy of actively returning profits to shareholders in accordance with its business results. We do this while also providing funds from internal reserves for capital expenditure, research and development which are necessary for the growth of the Company, and while maintaining our financial soundness.

Apart from when business results are remarkably sluggish due to a sudden deterioration in the business environment, the fundamental standard we use for calculating dividend payments is an annual ordinary dividend payment of 60 yen per share as payment of a long-term stable dividend, plus an additional special dividend equal to 20% of the consolidated net income divided by the number of outstanding shares. In addition, the actual dividend payment for the full year is based on this fundamental calculation, and taking into account the dividend payout ratio, internal reserves, cash flows and other circumstances, it shall not fall below the projected dividend amount that is announced during the period.

We will continue to consider repurchasing more treasury stocks as necessary, as a way of flexibly responding to changes in the share price and the business environment, and as a means of fulfilling our capital policy and returning profits to shareholders.

It is our policy to appropriate internal reserves to further strengthen and deepen our existing businesses and to invest in areas of growth, with a view to increasing corporate value.

Under the profit distribution policy, we plan to pay an annual dividend of 140 yen per share consisting of an amount based on the above calculation standards and the 60th anniversary commemorative dividend of 20 yen (an ordinary dividend of 60 yen, a special dividend of 60 yen, and a commemorative dividend of 20 yen). We have already paid a second-quarter dividend of 53 yen (an ordinary dividend of 30 yen and a special dividend of 23 yen) per share, and therefore, we plan to pay a year-end dividend of 87 yen per share (an ordinary dividend of 30 yen, a special dividend of 37 yen, and a commemorative dividend of 20 yen).

Concerning the dividend policy for fiscal 2014, to further increase the return of profits to shareholders, we have partially revised the calculation standards. Specifically, with regard to the performance-based special dividend, we will raise the previous “equal to 20% of the consolidated net income divided by the number of outstanding shares” to “equal to 30% of the consolidated net income divided by the number of outstanding shares” to boost the connection between dividend and performance. In addition, by returning to the originally intended performance-based dividend policy, we will withdraw the previous policy of “it (the actual dividend payment for the full year) shall not fall below the projected dividend amount that is announced during the period.”

With respect to the total dividend per share for fiscal 2014, based on the new calculation standards, we plan to pay an annual dividend of 140 yen (an ordinary dividend of 60 yen and a special dividend of 80 yen). The annual dividend will consist of a second-quarter dividend of 70 yen per share (an ordinary dividend of 30 yen and a special dividend of 40 yen) and a year-end dividend of 70 yen per share (an ordinary dividend of 30 yen and a special dividend of 40 yen).

### **4. Business and Other Risks**

#### **(1) Changes in Economic Conditions**

The demand for Mabuchi products, which are incorporated into our customers' products, is influenced by the economic conditions present in the diverse markets in which the Mabuchi Group sells. Consequently, the Group's business results and financial position may be adversely affected by economic recessions and the corresponding contraction in demand in its key markets, including Japan, North America, Europe and Asia.

#### **(2) Fluctuations in Foreign Exchange Rates**

Items denominated in local currencies on the financial statements of our overseas subsidiaries are converted into Japanese yen when the consolidated financial statements are prepared. Consequently, amounts which are to be recorded after being converted into Japanese yen are subject to the foreign exchange rates at the time of conversion. In particular, appreciation of the Japanese yen against the U.S. dollar will have a negative effect on the Mabuchi Group's consolidated business results, and conversely any depreciation of the Japanese yen will have a positive effect.

Appreciation of local currencies in regions where the Group carries out production will push up manufacturing and procurement costs which are denominated in those local currencies. Increased costs will lower Group's profit margins and price competitiveness, and will impact negatively on its business results.

**(3) Development of New Products and New Technologies**

The development and sale of new products, by their very nature, involve both complexities and uncertainties, and include a broad array of risks.

In the event the Mabuchi Group cannot fully predict the changing needs of the market, or cannot develop appealing new products in a timely fashion, or in the event a technological innovation emerges which causes its products to become obsolete, then the Group's business results and financial position may be subject to significant adverse effects.

**(4) Price Competition**

Our customers are businesses in a diverse range of sectors that belong to the electrical and electronic equipment and machinery manufacturing industries, and price competition in these industries is extremely severe. In these kinds of environments, prices are a major contributing factor to competition in all sectors, and with the prominence of rival Chinese manufacturers, competition is becoming even more intense.

If our cost-reduction activities cannot keep up with falling prices over the long-term, then the Mabuchi Group's business results and financial position may be subject to significant adverse effects.

**(5) Potential Risks in International Economic Transactions and in Expanding Business Overseas**

The majority of the Mabuchi Group's business activities are conducted in the various countries in Europe, North America and Asia.

Within these overseas business activities there are certain inherent risks, including changes in political and economic environments, undeveloped infrastructures, changes in laws, tax affairs or various other systems, or social unrest.

For example, much of the Group's production activity is conducted in China and Vietnam. The occurrence of an unexpected event (such as changes in the political or legal environment, changes in economic conditions, problems related to the employment environment, or other changes to the social environment) may lead to significant problems for our production and/or sales activities, and these may lead to the Group's business results and financial position being subject to significant adverse effects.

**(6) Product Quality**

There is no guarantee that all Mabuchi Group products will have no major quality issues. If a quality issue occurs, the amount of compensation may be influenced by the effect on the quality of the final product in which the Mabuchi product is incorporated. The unlikely event of a product defect that leads to a large-scale product complaint, recall or product liability compensation may trigger an accrual of large amount of costs or downturn in sales due to a loss of credibility, and may have significant adverse effects on the Group's business results and financial position.

**(7) Protection of Intellectual Property**

We recognize that the acquisition of intellectual property can greatly influence the growth of the Mabuchi Group. However, in certain regions, for certain inherent reasons, the Group's intellectual property rights may not be completely protected. In such instances, the Group's intellectual property may be used without authority by third parties, and through the manufacture of similar products, we may suffer damages. Or we may lose our competitive advantage through the outflow of other technology or expertise, and then having it exploited by other companies. Or even still, there is a possibility that it could be claimed that the Group has impinged on the intellectual property of another company.

The failure of protection or the violation of intellectual property rights, or the outflow of other intellectual property may lead to the Group's business results and financial position being subject to significant adverse effects.

**(8) Securing and Developing Human Resources**

The Mabuchi Group operates in a highly competitive corporate arena. This situation renders essential the recruitment and development of employees who are highly skilled in related areas: engineers with specialist scientific and technological expertise, and managers with top business strategy acumen and executive capacities. The Group is fully cognizant of the need for the continuous enhancement and improvement of its human resources for the next generation and beyond. Meanwhile, the Group should put in a great deal to recruit and develop such a workforce.

The failure to recruit and cultivate such a workforce on an ongoing basis through the requisite expenditure and long-term human resource development vision would invite adverse impact on the Group's future performance and financial position.

**(9) Procurement of Raw Materials**

Depending on the type of raw material that the Mabuchi Group procures from external sources, we may be dependent on a limited number of suppliers.

There is a possibility that supply of the raw material is suspended due to an accident befalling the supplier or for some other reason, or that a shortage of supply transpires due to a sudden upsurge in demand. If such conditions were to continue long-term and alternative materials were not easily available, then there is a possibility that the Group's production activities would be affected dramatically, and in turn this would undermine the assurance of delivery and quality of products to its customers. It is also possible, that the prices of such materials would escalate, which would trigger a rise in manufacturing costs.

If such an event were to occur, then the Group's business results and financial position may be subject to significant adverse effects.

**(10) Natural Disasters and Accidents**

The Mabuchi Group has established a system of international division of labor. We conduct business activities in countries throughout the world, and we own facilities and equipment at our various bases, including plants and offices. The Group has implemented measures to prevent its exposure to risks associated with the occurrence of disasters and accidents at these centers, and it has implemented measures to reduce damages, including by insuring. However, there is no guarantee that completely protects us against, or which can reduce as planned, the effects of disruptions to our business activities caused by disasters or accidents at our Head Office or individual bases. In the event these kinds of unforeseeable events occurred, the Group's business results and financial position may be subject to significant adverse effects.



## **Management Principles**

### **1. Management Principles**

At Mabuchi Motor Co., Ltd. (Mabuchi), we start creative endeavors aimed at new stages of growth in order that we remain the leader in the small motor industry, supporting a high quality of life for people.

In the context of our Management principle, that is, “Contributing to International Society and Continuously Increasing Our Contribution,” we have reaffirmed the corporate image for which the Mabuchi Group strives, and we have developed a course that will lead us to this image, in the form of the “Mabuchi Management Vision.”

In our Management Vision, the “Management Guidelines” clarify how to understand and realize the concept of “Contribution” as based on our “Management Principle,” and the “Management Policies” clarify the guidelines for action in performing our business activities. Our management Principle, Management Guidelines and Management Policies are the genes of the Mabuchi Group, and form the basis of its founding management to be passed down through eternity to subsequent generations.

### **Management Guidelines**

The following 1 through 4 are our Management Guidelines, and are the concepts that form the “standards” by which management decisions are made.

- 1) By bringing better and more reasonably priced goods to the market, we contribute to the creation of a more affluent society and more comfortable lives for everyone.
- 2) Contribute to the leveling of international economic disparities and to economic development in other countries through the creation of employment opportunities and technology transfers.
- 3) People are the most important managerial resource. Realize human potential through work and teach people to become productive members of society.
- 4) Conduct corporate activity which preserves the earth’s environment and protects human.

### **Management Policies**

The “Management Policies” direct our business activities so that we can “accurately determine societal needs as a specialized manufacturer of small motors, and provide a stable supply of products based on these needs faster and cheaper manner.” The “Management Policies” also show what course of activities we should take as a business entity.

In addition, the “Management Policies for Overseas Bases” clearly show our basic philosophy for the management of our overseas bases on the basis of co-existence and co-prosperity for both Mabuchi and the respective country.

### **Management Policies**

- 1) Develop products that have flexibility in their application and consolidate the most appropriate production condition.
- 2) Strive to improve product development based on value analysis and seek to originate interchangeable parts and materials.
- 3) Realize cost reduction by using advanced processing technologies and by minimizing waste.
- 4) Uncover new markets and secure fair market share.
- 5) Maximize each employee’s potential and employee education through appropriate job placement.
- 6) Promote business activities that have minimal negative impact on the environment and that strictly abide by safety standards.
- 7) Promote management policies and strategies that promise long stable growth.

### **Management Policies for Overseas Operations**

- 1) Promote co-existence and mutual prosperity on a long-term basis.
- 2) Solidify the structure of international production lines that parallel the strengths of each branch, and preserve and expand international competition.
- 3) Promote the Mabuchi corporate culture of philanthropy and support the transfer of knowledge and technology.

## **2. Medium- to Long-term Management Strategy and Issues to Be Addressed**

### **(1) Acceleration of Growth in the Automotive Products Business and Development of New Applications in the Consumer and Industrial Products Business**

In the Automotive Products Business, the Mabuchi Group will work to expand sales of two new motors for power window lifters for which development has been completed: a medium-torque and a high-torque product. We will work to increase the number of models equipped with these products by stepping up sales activities. For

the medium-torque product, we will target a Japanese automaker that has already decided to adopt the product. For the high-torque product, we will target a major North American automaker for which Mabuchi became an authorized supplier in the previous year. Furthermore, using these motors as a springboard, we will aim to win orders by focusing on acquiring new customers in Japan, North America, and Europe. In the Chinese market, we will maintain our top-level market share by working to increase the number of automobile models equipped with Mabuchi products.

Applications for medium-size automotive motors such as power seats, parking brakes, and engine air intake and exhaust constitute a market sector in which an increase in installation rates can be expected. By completing preparation of a line of new products meant to become standard products for each of these applications, Mabuchi will focus on further expansion of sales of motors for these applications and aim to expand adoptions to new related applications. We will also undertake cost reduction and profitability improvement by boosting sales and production quantities and by optimizing production base location.

Next, in the consumer and industrial product sector, while making the small brush motor business the linchpin, Mabuchi is reinforcing initiatives for medium-size and large brushless motors to uncover latent needs. For medium-size brushless motors, in addition to increasing orders and opening up new customers for motors for multifunction printers (MFPs), a market sector Mabuchi has already entered, we will seek sales expansion into related applications. Large brushless motors are products developed for light electric vehicles, including electrically assisted bicycles, and full-scale mass production of these motors for such application has already begun. It is possible to apply these motors in other wide-ranging fields, such as assistive equipment, gardening equipment, and industrial equipment, and we will work to open up new applications and win orders for these motors.

## **(2) Cost Reduction through Manufacturing Innovation**

In order to prevail in global competition, the Mabuchi Group will continue to undertake development of a manufacturing base that cannot be easily imitated by competitors.

During the past three years, in response to sharp increases in labor costs accompanying economic development in countries where production bases are located, the Mabuchi Group has engaged in laborsaving activities and achieved a target of laborsaving equivalent to 30% of direct employees from the fiscal 2010 level. In the coming three years as well, we aim to achieve further laborsaving exceeding 30% by leveraging the laborsaving know-how and automated laborsaving facilities accumulated through activities implemented to date and the structure we have developed to make acceleration of their deployment possible.

In addition to these measures, we will push forward with comprehensive activities to increase productivity, including reduction of non-value-added processes through improvement in production indicators and creation of quality in production processes, and make every effort to not merely eliminate the impact of labor cost increases, but to realize cost reduction.

## **(3) Construction of a New Global Production and Supply Structure**

In an era in which labor-intensive manufacturing was prevalent, the ability to secure an abundant supply of workers with manual dexterity was an important consideration in deciding the location of production bases. Mabuchi has developed a structure in which production is concentrated in Asia, an optimal region in that regard, and supplied motors from Asia to the rest of the world.

Meanwhile, the concept of local production for local consumption has become a strong tendency among customers for medium-size automotive motors, which Mabuchi has positioned as a strategically important application, and manufacturing innovation has brought about a shift from people to facilities as the core element of production.

Taking these developments into consideration—i.e., changes in the industry with regard to applications, changes in manufacturing, customs duties, and other factors—Mabuchi will accelerate its efforts to develop a global production and supply structure with the principal aim to expand the medium-size automotive motor business, which includes products such as power window lifter motors.

## **Consolidated Balance Sheets**

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2012 and DECEMBER 31, 2013.

(Millions of yen)

<b>ASSETS</b>	<b>December 31, 2012</b>	<b>December 31, 2013</b>
<b>Current assets</b>		
Cash and bank deposits	79,071	101,053
Trade notes and accounts receivable	14,381	19,453
Short-term investments	12,675	12,113
Merchandises and finished goods	14,030	16,819
Work in process	1,055	1,262
Raw materials and supplies	5,391	6,071
Deferred tax assets-current	751	685
Other current assets	3,111	3,461
Allowance for doubtful receivables	(79)	(58)
<b>Total current assets</b>	<b>130,390</b>	<b>160,862</b>
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	38,422	43,831
Accumulated depreciation	(22,366)	(24,988)
Buildings and structures, net	16,055	18,842
Machinery, equipment and vehicles	25,431	32,982
Accumulated depreciation	(14,088)	(18,020)
Machinery, equipment and vehicles, net	11,343	14,962
Tools, furniture and fixture	10,899	12,823
Accumulated depreciation	(8,765)	(9,807)
Tools, furniture and fixture, net	2,134	3,015
Land	6,023	6,029
Construction in progress	4,316	2,163
<b>Total property, plant and equipment</b>	<b>39,874</b>	<b>45,014</b>
<b>Intangible assets</b>	<b>731</b>	<b>794</b>
<b>Investments and other assets</b>		
Investment securities	24,349	19,176
Long-term loans receivable	30	20
Deferred tax assets-non-current	357	325
Other investments and other assets	1,002	1,092
Allowance for doubtful receivables	(33)	(33)
<b>Total investments and other assets</b>	<b>25,705</b>	<b>20,582</b>
<b>Total fixed assets</b>	<b>66,311</b>	<b>66,390</b>
<b>Total assets</b>	<b>196,702</b>	<b>227,253</b>

(Millions of yen)

<b>LIABILITIES AND NET ASSETS</b>	<b>December 31, 2012</b>	<b>December 31, 2013</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	4,028	5,637
Short-term loans payable	—	113
Accrued income taxes	1,040	2,241
Accrued bonuses due to employees	209	220
Accrued bonuses due to directors	44	74
Provision for business structure improvement	1,126	—
Deferred tax liabilities-current	15	49
Other current liabilities	6,551	6,719
<b>Total current liabilities</b>	<b>13,017</b>	<b>15,055</b>
<b>Long-term liabilities</b>		
Long-term loans payable	—	397
Allowance for retirement benefits for employees	440	484
Asset retirement obligations	15	22
Deferred tax liabilities-non-current	1,586	2,193
Other long-term liabilities-non-current	270	308
<b>Total long-term liabilities</b>	<b>2,312</b>	<b>3,406</b>
<b>Total liabilities</b>	<b>15,330</b>	<b>18,461</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	20,704	20,704
Additional paid-in capital	20,419	20,419
Retained earnings	188,175	180,490
Treasury stock	(34,749)	(20,084)
<b>Total shareholders' equity</b>	<b>194,551</b>	<b>201,529</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized holding gains (losses) on securities	(158)	2,162
Foreign currency translation adjustment	(13,020)	5,069
<b>Total accumulated other comprehensive income</b>	<b>(13,179)</b>	<b>7,232</b>
<b>Subscription rights to shares</b>	<b>—</b>	<b>29</b>
<b>Total net assets</b>	<b>181,372</b>	<b>208,791</b>
<b>Total liabilities and net assets</b>	<b>196,702</b>	<b>227,253</b>

## **Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2012 and 2013.

### **(Consolidated Statements of Income)**

	(Millions of yen)	
	2012	2013
<b>Net sales</b>	85,254	108,401
<b>Cost of sales</b>	64,214	81,546
<b>Gross profit</b>	21,039	26,854
<b>Selling, general and administrative expenses</b>	15,987	17,519
<b>Operating income</b>	5,052	9,335
<b>Non-operating income:</b>		
Interest income	518	490
Dividend income	98	110
Foreign exchange gains	3,647	5,624
Gain on sales of raw material scrap	1,045	1,182
Other	436	275
<b>Total non-operating income</b>	5,747	7,683
<b>Non-operating expenses:</b>		
Stock-related expenses	49	45
Non-deductible consumption tax	65	119
Other	174	181
<b>Total non-operating expenses</b>	289	347
<b>Ordinary income</b>	10,510	16,672
<b>Extraordinary income:</b>		
Gain on disposal of fixed assets	12	77
Gain on sales of investment securities	—	13
<b>Total extraordinary income</b>	12	90
<b>Extraordinary loss:</b>		
Loss on disposal of fixed assets	88	273
Impairment loss	—	1,473
Retirement allowance	142	—
Provision for business structure improvement	1,046	—
Loss on sales of investment securities	806	—
Loss on valuation of investment securities	11	—
<b>Total extraordinary loss</b>	2,095	1,747
<b>Income before income taxes</b>	8,426	15,015
<b>Income taxes</b>		
Current	2,422	4,090
Deferred	(381)	405
<b>Total income taxes</b>	2,041	4,496
<b>Income before minority interests</b>	6,385	10,519
<b>Net income</b>	6,385	10,519

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	2012	2013
<b>Income before minority interests</b>	6,385	10,519
<b>Other comprehensive income</b>		
Net unrealized holding gains (losses) on securities	1,298	2,321
Foreign currency translation adjustment	8,656	18,089
<b>Total other comprehensive income</b>	9,954	20,411
<b>Comprehensive income</b>	16,339	30,930
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,339	30,930
Comprehensive income attributable to minority interests	—	—

## **Consolidated Statements of Changes in Net Assets**

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2012.

**Fiscal year ended December 31, 2012 (January 1—December 31, 2012)**

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	20,704	20,419	185,294	(34,747)	191,671
Changes of items during the period					
Cash dividend			(1,751)		(1,751)
Cash dividend (interim dividends)			(1,751)		(1,751)
Net income			6,385		6,385
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock					
Cancellation of treasury stock			—	—	—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	2,881	(2)	2,879
Ending balance	20,704	20,419	188,175	(34,749)	194,551

	Millions of yen				
	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Beginning balance	(1,457)	(21,676)	(23,133)	—	168,538
Changes of items during the period					
Cash dividend					(1,751)
Cash dividend (interim dividends)					(1,751)
Net income					6,385
Purchase of treasury stock					(2)
Disposal of treasury stock					—
Cancellation of treasury stock					—
Net changes of items other than shareholders' equity	1,298	8,656	9,954		9,954
Total changes of items during the period	1,298	8,656	9,954	—	12,833
Ending balance	(158)	(13,020)	(13,179)	—	181,372

**Fiscal year ended December 31, 2013 (January 1—December 31, 2013)**

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	20,704	20,419	188,175	(34,749)	194,551
Changes of items during the period					
Cash dividend			(1,751)		(1,751)
Cash dividend (interim dividends)			(1,862)		(1,862)
Net income			10,519		10,519
Purchase of treasury stock				(575)	(575)
Disposal of treasury stock			(231)	881	649
Cancellation of treasury stock			(14,359)	14,359	
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(7,685)	14,664	6,978
Ending balance	20,704	20,419	180,490	(20,084)	201,529

	Millions of yen				
	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Beginning balance	(158)	(13,020)	(13,179)	—	181,372
Changes of items during the period					
Cash dividend					(1,751)
Cash dividend (interim dividends)					(1,862)
Net income					10,519
Purchase of treasury stock					(575)
Disposal of treasury stock					649
Cancellation of treasury stock					—
Net changes of items other than shareholders' equity	2,321	18,089	20,411	29	20,440
Total changes of items during the period	2,321	18,089	20,411	29	27,419
Ending balance	2,162	5,069	7,232	29	208,791



## Consolidated Statements of Cash Flows

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2012 and 2013.

(Millions of yen)

	2012	2013
<b>Cash flows from operating activities</b>		
Income before income taxes	8,426	15,015
Depreciation and amortization	3,579	4,571
Impairment loss	—	1,473
Increase (Decrease) in allowance for retirement benefits, net payments	5	32
Interest and dividends income	(617)	(600)
Foreign exchange losses (gains)	(1,164)	(1,877)
Loss (Gain) on sales of short-term investments and investment securities	806	(13)
Loss (Gain) on disposal of fixed assets	71	196
Loss (Gain) on valuation of investment securities	11	—
Increase (Decrease) in provision for business structure improvement	1,034	(1,290)
Decrease (Increase) in trade notes and accounts receivable	(968)	(1,823)
Decrease (Increase) in inventories	508	1,226
Increase (Decrease) in trade notes and accounts payable	(516)	221
Other, net	(741)	(1,534)
Sub total	10,435	15,597
Interest and dividends received	645	611
Interest paid	(0)	—
Payments for directors' retirement benefits	—	(935)
Income taxes paid	(1,988)	(3,522)
Net cash provided by operating activities	9,091	11,750
<b>Cash flows from investing activities</b>		
Increase of time deposits	(7,511)	(8,128)
Proceeds from withdrawal of time deposits	8,541	7,437
Purchase of short-term investments	(5,599)	(5,901)
Proceeds from sales of short-term investments	16,999	10,180
Purchase of fixed assets	(6,763)	(5,658)
Proceeds from sales of fixed assets	24	95
Purchase of investment securities	—	(1,703)
Proceeds from sales of investment securities	2,702	8,020
Other, net	(161)	(77)
Net cash provided by investing activities	8,230	4,264
<b>Cash flows from financing activities</b>		
Repayment of long-term loans payable	—	(56)
Proceeds from long-term loans payable	—	567
Cash dividends paid	(3,507)	(3,617)
Purchase of treasury stock	(2)	(575)
Proceeds from sales of treasury stock	—	649
Net cash used in financing activities	(3,509)	(3,031)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	4,824	9,575
<b>Net increase (decrease) in cash and cash equivalents</b>	18,637	22,557
<b>Cash and cash equivalents at beginning of period</b>	61,266	79,904
<b>Cash and cash equivalents at end of period</b>	79,904	102,462

**Notes Regarding Going-Concern Assumptions**

None

## **Segment information**

Fiscal year ended December 31, 2013 (January 1, 2013 – December 31, 2013)

### **1. Overview of reporting segments**

The reporting segments of the Company and its consolidated subsidiaries are regularly reviewed by the Board of Directors, etc., using the segregated financial information available within each segment of the Company and its consolidated subsidiaries to determine the allocation of management resources and evaluate business results.

The Company and its consolidated subsidiaries specialize in small motors manufacturing and sales as a single line of business. The Company is in charge of the business activities in Japan. Meanwhile, subsidiaries located overseas are in charge of operations in Asia, North and Latin America, Europe, etc. Subsidiaries located overseas are independent management units and propose comprehensive product strategies while pursuing business expansion.

Since the Company and its consolidated subsidiaries are composed of regional segments based on a manufacturing and selling system, the Company and its consolidated subsidiaries have designated that “Japan,” “Asia,” “North and Latin America” and “Europe” as their reporting segments.

## 2. Information concerning net sales, income or loss, assets, liabilities and other items by reporting segment

Fiscal years ended December 31, 2012 (January 1, 2012 – December 31, 2012) and 2013 (January 1, 2013 – December 31, 2013)

(Millions of yen)

			2012	2013
Net sales	Japan	External customers	10,177	10,461
		Intersegment	53,580	70,263
		Total	63,757	80,725
	Asia	External customers	52,151	66,750
		Intersegment	54,579	68,871
		Total	106,731	135,622
	North and Latin America	External customers	8,714	11,475
		Intersegment	—	—
		Total	8,714	11,475
	Europe	External customers	14,211	19,713
		Intersegment	—	—
		Total	14,211	19,713
	Eliminations		(108,160)	(139,135)
	Consolidated		85,254	108,401
Segment income (loss)	Japan		(1,663)	1,490
(Note 1 (1), 2)	Asia		4,964	7,535
	North and Latin America		498	328
	Europe		805	536
	Eliminations		447	(555)
	Consolidated		5,052	9,335
Segment assets	Japan		67,451	75,051
(Note 1 (2))	Asia		110,813	133,718
	North and Latin America		4,122	4,894
	Europe		7,216	9,767
	Eliminations		7,097	3,821
	Consolidated		196,702	227,253
Other items				
Depreciation and amortization	Japan		944	862
(Note 1 (3))	Asia		2,819	3,972
	North and Latin America		3	5
	Europe		6	10
	Eliminations		(194)	(278)
	Consolidated		3,579	4,571
Increase in property, plant and equipment, and intangible assets	Japan		270	500
(Note 1 (4))	Asia		8,335	5,479
	North and Latin America		5	7
	Europe		4	11
	Eliminations		(1,170)	(204)
	Consolidated		7,445	5,795

- Notes: 1. (1) The segment income (loss) eliminations of ¥447 million in fiscal 2012 and ¥(555) million in fiscal 2013 represent intersegment transaction eliminations and other adjustments.
- (2) The segment assets eliminations include: corporate assets of ¥80,799 million in fiscal 2012 and ¥85,535 million in fiscal 2013, not allocated to each segment; intersegment debt and credit eliminations of ¥(73,701) million in fiscal 2012 and ¥(81,714) million in fiscal 2013. Corporate assets primarily include the parent company's surplus funds for investment (e.g., cash and bank deposits and short-term investments) and long-term investment funds (e.g., investment securities).
- (3) The depreciation and amortization eliminations of ¥(194) million in fiscal 2012 and ¥(278) million in fiscal 2013 represent intersegment transaction eliminations.
- (4) Increase in property, plant and equipment, and intangible assets eliminations of ¥(1,170) million in fiscal 2012 and ¥(204) million in fiscal 2013 represent intersegment transaction eliminations.
2. Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

(Reference Information)

Geographical segment information

Fiscal years ended December 31, 2012 (January 1, 2012 – December 31, 2012) and 2013 (January 1, 2013 – December 31, 2013)

		(Millions of yen)	
		2012	2013
Net sales	Japan	9,718	10,113
	Asia	52,609	67,099
	North and Latin America	8,714	11,475
	Europe	14,211	19,713
	Total	85,254	108,401
Property, plant and equipment	Japan	16,526	16,172
	Asia	23,307	28,789
	North and Latin America	12	17
	Europe	28	34
	Total	39,874	45,014

Note: Net sales are classified by country and region based on customer location.

## Current Status of Production and Sales

### (1) Production (Quantity only)

Fiscal years ended December 31, 2012 (January 1, 2012 – December 31, 2012) and 2013 (January 1, 2013 – December 31, 2013)

(Volume less than one thousand pieces has been omitted.)

Period		2012		2013		Increase (Decrease)
		Volume	ratio	Volume	ratio	Volume
Manufacturing Subsidiary		(thousand pieces)	(%)	(thousand pieces)	(%)	(thousand pieces)
Small Motors	MABUCHI MOTOR (DONGGUAN) CO., LTD	202,763	14.1	114,850	7.9	(87,912)
	MABUCHI MOTOR (YINGTAN) CO., LTD	40,849	2.8	61,114	4.2	20,265
	MABUCHI MOTOR DONGGUAN DAOJIAO CO., LTD	266,524	18.6	309,411	21.2	42,887
	MABUCHI MOTOR (JIANGXI) CO., LTD	243	0.0	24,698	1.7	24,455
	MABUCHI MOTOR DALIAN CO., LTD.	170,022	11.8	151,360	10.3	(18,662)
	MABUCHI MOTOR WAFANGDIAN CO., LTD.	147,892	10.3	151,832	10.4	3,939
	MABUCHI MOTOR (JIANGSU) CO., LTD.	16,836	1.2	20,676	1.4	3,840
	MABUCHI MOTOR VIETNAM LTD.	391,999	27.3	442,612	30.3	50,613
	MABUCHI MOTOR DANANG LTD.	188,864	13.2	175,236	12.0	(13,628)
	MABUCHI TAIWAN CO., LTD.	9,352	0.7	9,557	0.6	204
Total		1,435,348	100.0	1,461,352	100.0	26,004

Note: Figures are based on products volume.

### (2) Sales by application

Fiscal years ended December 31, 2012 (January 1, 2012 – December 31, 2012) and 2013 (January 1, 2013 – December 31, 2013)

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

Period		2012		2013		Increase (Decrease)
		millions of yen	ratio (%)	millions of yen	ratio (%)	millions of yen
Application						
Small Motors	Automotive Products	49,055	57.6	66,220	61.1	17,165
	Home Appliances, Power Tools & Toys	15,695	18.5	19,786	18.3	4,090
	Precision & Office Equipment	11,334	13.3	13,479	12.4	2,144
	Audio & Visual Equipment	9,045	10.6	8,854	8.2	(191)
	Total	85,131	100.0	108,340	100.0	23,208

Note: Consumption taxes were excluded.