

Note: The original disclosure in Japanese was released on February 14, 2017 at 12:30 (GMT +9).

CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016 (J-GAAP)

February 14, 2017

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

Stock exchange listing: Tokyo

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

Representative: Hiroo Okoshi (Representative Director and President)

Contact: Tadahito Iyoda (Director and Senior General Manager of Administration Headquarters)

Scheduled date of the Ordinary General Meeting of Shareholders: March 30, 2017

Scheduled date of start of dividends payments: March 31, 2017

Scheduled date of the filing of securities report: March 31, 2017

Preparation of the consolidated financial results presentation materials (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. 2015	Year ended Dec. 2016	Year on Year
	(Millions of yen)		(Percentage change)
(1) Consolidated Operating Results:			
Net sales	143,143	140,699	-1.7%
Operating income	22,961	24,225	5.5%
Ordinary income	27,113	26,135	-3.6%
Profit attributable to owners of parent	18,546	20,598	11.1%
Net income per share (Yen)	266.98	300.70	
Fully diluted net income per share (Yen)	266.90	300.59	
Return on equity	8.0%	8.8%	
Ordinary income to total assets	10.6%	10.2%	
Operating income to net sales	16.0%	17.2%	

Note: Comprehensive income

Year ended Dec. 31, 2016: ¥11,361 million (-14.3%) Year ended Dec. 31, 2015: ¥13,259 million (-57.4%)

	As of Dec. 31, 2015	As of Dec. 31, 2016
	(Millions of yen)	
(2) Consolidated Financial Position:		
Total assets	256,196	258,387
Net assets	233,245	232,917
Shareholders' equity ratio	91.0%	90.1%
Net assets per share (Yen)	3,363.01	3,405.14

Note: Shareholders' equity

As of Dec. 31, 2016: ¥232,807 million As of Dec. 31, 2015: ¥233,183 million

	Year ended Dec. 2015	Year ended Dec. 2016
	<i>(Millions of yen)</i>	
(3) Consolidated Cash Flows:		
Net cash provided by operating activities	20,115	27,958
Net cash used in investing activities	(1,178)	(3,440)
Net cash used in financing activities	(13,312)	(11,860)
Cash and cash equivalents at end of period	112,956	122,302

2. Dividends

Record Date	Dividends (Yen)			Total dividends (Millions of yen)	Dividend payout ratio (Consolidated)	Dividends on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end			
Fiscal 2015	—	52.00	—	58.00	110.00	7,641
Fiscal 2016	—	44.00	—	76.00	120.00	8,230
Fiscal 2017 (Forecast)	—	51.00	—	52.00	103.00	41.8%

Note: Breakdown of 2nd quarter-end dividend for fiscal 2015: Special dividend: ¥37.00

Breakdown of year-end dividend for fiscal 2015: Special dividend: ¥43.00

Breakdown of 2nd quarter-end dividend for fiscal 2016: Special dividend: ¥29.00

Breakdown of year-end dividend for fiscal 2016: Special dividend: ¥61.00

Breakdown of 2nd quarter-end dividend for fiscal 2017 (forecast): Special dividend: ¥36.00

Breakdown of year-end dividend for fiscal 2017 (forecast): Special dividend: ¥37.00

3. Consolidated Results Forecasts for the Fiscal Year (From January 1 to December 31, 2017)

	Six months	Full year
	<i>(Millions of yen)</i>	
Net sales	71,400	144,000
Operating income	10,700	21,600
Ordinary income	11,200	22,500
Profit attributable to owners of parent	7,800	16,600
Net income per share (Yen)	115.19	246.15

* Notes

- (1) Changes in significant subsidiaries during the year (changes in specified subsidiaries 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: None
 - 4) Restatements: None
- (3) Number of shares issued (common stock)

	<i>(Unit: share)</i>			
1) Number of shares issued at end of period (including treasury stock):	Dec. 31, 2016	69,927,562	Dec. 31, 2015	70,927,562
2) Number of shares of treasury stock at end of period:	Dec. 31, 2016	1,558,170	Dec. 31, 2015	1,589,906
3) Average number of shares during period:	Dec. 31, 2016	68,501,074	Dec. 31, 2015	69,466,567

Note: The number of shares of treasury stock as of December 31, 2016 included the shares held by ESOP and BIP (98,700 shares and 119,600 shares, respectively, at the end of the period), and the number of shares of treasury stock as of December 31, 2015 included the shares held by ESOP (130,700 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, 2016 (fiscal 2016), the world economy as a whole showed underlying strength, despite a sense of uncertainty about the outlook for the future. In the U.S. economy, the employment and income environment improved, and strong consumer spending continued. Gradual recovery continued in the European economy, driven by domestic demand. In the Japanese economy, consumer spending was weak, and business conditions were flat, despite improvement in the employment environment. Although the economic slowdown in China eased, overall growth remained low in emerging market economies.

In the markets in which the Mabuchi Group operates, healthy demand in the Automotive Products Market continued overall, and demand in China increased due to a tax cut on small-engine cars. Although demand in the Consumer and Industrial Products Market remained stable, markets for some applications continued to contract.

Under these business conditions, the Mabuchi Group addressed several issues: continued strengthening and expansion of the automotive products business and realization of new activities in the consumer and industrial products businesses, promotion of manufacturing innovation, and establishment of new production bases.

Specifically, the Group actively introduced and implemented measures to achieve further progress with sales and market share expansion, the discovery of new markets, and high quality and high efficiency, and achieved results that contributed to business growth in fiscal 2016 and will lead to future business growth. These measures included: 1) winning of orders from new customers by strengthening sales of new motors for power window lifters; 2) expansion of orders for medium-sized automotive motors for each application by means of application-specific standard products; 3) securing of adoption for motors for the new applications for medical equipment and home appliances, following entry into the light electric vehicle (LEV) and commercial office equipment sectors; 4) expansion of labor-saving in production processes and man-hour reduction in primary parts production processes through the introduction of facilities to rationalize production; and 5) the decision to establish a new production base in Poland.

As a result, consolidated net sales for fiscal 2016 were 140,699 million yen (a 1.7% decrease on a year-on-year basis). Motors sales, which account for the majority of consolidated net sales, were 140,674 million yen (a 1.7% decrease on a year-on-year basis).

Operating income for fiscal 2016 was 24,225 million yen (a 5.5% increase on a year-on-year basis), as the impact of positive factors such as improvement in the product mix and a decline in raw material costs exceeded the negative impact of an increase in selling, general and administrative expenses, reflecting increased investment in personnel and information technology in anticipation of future growth, and a stronger yen compared with the previous fiscal year.

Ordinary income was 26,135 million yen (a 3.6% decrease on a year-on-year basis) as a result of a decrease in foreign exchange gains caused by a stronger yen compared with the previous fiscal year. Foreign exchange losses that occurred up to the third quarter were reversed, and foreign exchange gains were recorded as a result of the yen's rapid weakening in the fourth quarter.

Income before income taxes was 26,539 million yen (a 0.2% decrease on a year-on-year basis), and profit attributable to owners of parent was 20,598 million yen (an 11.1% increase on a year-on-year basis) as a result of a decrease in the effective tax rate resulting from a partial reversal of deferred tax liabilities that are reserved for the retained earnings of overseas subsidiaries.

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 to 100,132 million yen (a 3.9% increase on a year-on-year basis), despite the impact of the strong yen. Sales of medium-sized motors, which are prioritized business, increased, with sales of motors for power window lifters increasing thanks to continuation of solid expansion of sales to new customers, and sales of motors for electric parking brakes and seat belt pretensioners also increasing. In the results for compact motors, stable demand for all main applications, including motors for door mirrors, door lock actuators, air conditioning damper actuators, and headlight level adjusters, higher installation rates, and an increase in market share contributed to strong sales.

2) Consumer and Industrial Products Market

Net sales in this market fell to 40,541 million yen (a 13.3% decrease on a year-on-year basis). Although demand for motors for commercial office equipment, power tools, and other applications was stable, the markets for inkjet printers and CD players in cars contracted, and the impact of the strong yen contributed to the overall decrease.

Outlook for Fiscal 2017

In the outlook for fiscal 2017, although the forecast is for both the U.S. and European economies to remain strong, there are also many uncertain factors, such as the policies of the new U.S. administration, Brexit, and elections in European countries. Business conditions are expected to continue to recover gradually in Japan. Although the economic slowdown in China has bottomed out, the low economic growth in emerging countries overall is expected to continue.

Regarding the markets in which the Mabuchi Group operates, gradual growth is expected in the Automotive Products Market, with continued strong demand in Europe and North America compensating for softening of growth in China and other emerging countries. In the Consumer and Industrial Products Market, while demand for motors for home appliances, power tools, and office equipment in the business-use market is expected to be flat, contraction of demand for motors for office equipment in the personal-use products market is forecast.

As a result, in fiscal 2017 we expect to record net sales of 144,000 million yen (a 2.3% increase on a year-on-year basis).

In terms of our business results, we expect to record operating income of 21,600 million yen (a 10.8% decrease on a year-on-year basis) as a result of a strong yen and higher prices of commodities such as copper and steel, coupled with an increase in selling, general and administrative expenses reflecting increased investment in personnel and information technology in anticipation of further growth, despite the fact that the positive effect on growth of earnings is expected to continue through improvement in the product mix. We anticipate ordinary income of 22,500 million yen (a 13.9% decrease) and profit attributable to owners of parent of 16,600 million yen (a 19.4% decrease), as foreign exchange gains or losses are not expected.

Our forecasts for the full-year business results for fiscal 2017 are as follows:

Consolidated results forecasts (compared with the previous period)

Net sales	144,000 million yen	(2.3% increase)
Operating income	21,600 million yen	(10.8% decrease)
Ordinary income	22,500 million yen	(13.9% decrease)
Profit attributable to owners of parent	16,600 million yen	(19.4% decrease)

The above forecasts assume an exchange rate of 1 USD = 108 JPY. No allowances have been made for foreign exchange gains or losses.

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. Analysis of Financial Position

Assets, Liabilities and Net Assets

Total assets as of December 31, 2016 stood at 258,387 million yen, increasing by 2,191 million yen from the previous fiscal year-end. Major changes include an increase in cash and bank deposits of 16,171 million yen, an increase in trade notes and accounts receivable of 2,821 million yen, a decrease in short-term investments of 10,514 million yen, a decrease in inventories of 4,311 million yen, and a decrease in investment securities of 5,496 million yen.

Total liabilities stood at 25,470 million yen, an increase of 2,519 million yen compared with the previous fiscal year-end. The most noticeable changes were an increase in trade notes and accounts payable of 906 million yen, an increase in other current liabilities of 1,696 million yen, and a decrease in deferred tax liabilities (non-current)

of 1,004 million yen.

Total net assets decreased by 327 million yen from the previous fiscal year-end to 232,917 million yen. Retained earnings increased by 9,288 million yen, and foreign currency translation adjustment decreased by 8,553 million yen.

Cash Flows

Net cash provided by operating activities amounted to 27,958 million yen, an increase of 7,842 million yen from the previous fiscal year. Cash flows from operating activities increased as a result of factors including a decrease in inventories, an increase in trade notes and accounts payable, and a decrease in income taxes paid.

Net cash used in investing activities amounted to 3,440 million yen, an increase in cash used of 2,262 million yen from the previous fiscal year. This is a result of a decrease in purchases of short-term investments and investment securities of 3,504 million yen and an increase in proceeds from sales of short-term investments and investment securities of 344 million yen. In addition, there were 2,019 million yen in expenditures as start-up capital for Poland Mabuchi.

Net cash used in financing activities amounted to 11,860 million yen, a decrease in cash used of 1,451 million yen from the previous fiscal year. This is a result of factors including a decrease in cash dividends paid of 1,168 million yen.

As a result, the balance of cash and cash equivalents amounted to 122,302 million yen, an increase of 9,345 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, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016
Shareholders' equity ratio	92.2%	91.9%	91.0%	91.0%	90.1%
Shareholders' equity ratio based on market value	65.1%	96.4%	131.6%	179.7%	161.4%

- 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.

Under this policy, apart from when business results are remarkably sluggish due to a sudden deterioration in the business environment, we consistently distribute an annual ordinary dividend of 30 yen per share as payment of a long-term stable dividend, plus an additional special dividend equal to 30% of the consolidated net income divided by the number of outstanding shares, depending on the performance of the Company.

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, for fiscal 2016 we plan to pay an annual dividend of 120 yen per share consisting of an amount based on the above calculation standards (an ordinary dividend of 30 yen and a special dividend of 90 yen). We have already paid a second-quarter dividend of 44 yen (an ordinary dividend of 15 yen and a special dividend of 29 yen) per share, and therefore, we plan to pay a year-end dividend of 76 yen per share (an ordinary dividend of 15 yen and a special dividend of 61 yen).

In addition, for fiscal 2017 we plan to pay an annual dividend of 103 yen per share (an ordinary dividend of 30 yen and a special dividend of 73 yen). The annual dividend will consist of a second-quarter dividend of 51 yen per share (an ordinary dividend of 15 yen and a special dividend of 36 yen) and a year-end dividend of 52 yen per share (an ordinary dividend of 15 yen and a special dividend of 37 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 our founding management to be perpetually passed down to subsequent generations of the Mabuchi enterprise.

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 health.

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 Mabuchi and the respective country.

Management Policies

- 1) Develop products that have flexibility in their application and consolidate the most appropriate production conditions.
- 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 conduct 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) To promote management policies and strategies that promise long and stable growth.

Management Policies for Overseas Operations

- 1) To 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 Power Window Lifter Motor Business

In the power window lifter motor business, sales growth is rapidly accelerating, with new high-torque standard products for the European and North American markets driving growth. At the same time, sales of improved versions of the products introduced at the time of the start-up of the power window lifter motor business continue to increase, and these products have become the foundation for development of the business.

We started up mass production of a high-torque standard product for a second major North American automaker in the second half of the year and will approach the remaining North American customer in earnest with the aim

of winning orders. At the same time, taking advantage of the product features—small size, lightweight, high performance, and high quality—we will further step up sales activities for high-torque standard products targeting major European automakers and China, the world's largest automobile market, and link these activities to orders.

There is an increasingly greater need among Japanese automakers for size and weight reduction to increase freedom in design of components inside doors. We will accelerate development of new products that will become small, lightweight, price-competitive, next-generation standard products and aim to win orders.

(2) Expansion of Medium-sized Automotive Motor Sales and New Applications

Motors for power seats, electric parking brakes, engine peripheral equipment, and other medium-sized motor applications constitute a market sector for which continued market expansion can be expected in light of today's emphasis on automobile safety, comfort, and economy. The Mabuchi Group will work to increase sales to new customers and develop new applications by leveraging highly competitive application-specific standard products, and aim for further sales growth.

The Mabuchi Group will engage in sales expansion activities for power seat motors with the aim of winning orders from major customers in Japan and overseas by means of improved slider motors, products for which small size and lightweight are already competitive strengths. Electric parking brake motors are an application for which Mabuchi has maintained the top global market share. To further strengthen and expand this business, we will undertake share expansion by adding improvements to existing motors, which are standard products, and introducing them to customers that are some of the world's largest automakers as well as to new customers. Door area motors are an expanding new application. In fiscal 2015, we obtained orders for geared motors for backdoor closers from a major Japanese automaker, and we will seek to win additional orders through further deployment across multiple applications.

(3) Development of New Applications in the Consumer and Industrial Products Sector

In the consumer and industrial products sector, in addition to business activities centered on existing small brush motors, we are reinforcing initiatives to develop and increase sales of brushless motors in order to focus on new applications and create new demand. With regard to brushless motors for LEVs, we continue to sell motors for electrically assisted bicycles, and full-scale sales to a second major Japanese electrically assisted bicycle manufacturer are set to begin. We engage in in-house development of motor production facilities. We use standard motors for LEVs as the drive units of these production facilities, which are used in actual motor production at our plants, and at the same time are working to secure adoptions for use as drive motors by industrial equipment manufacturers. We will continue to develop new applications and realize deployment across multiple applications on the basis of application-specific standard products for LEVs. We will aim for sales expansion of brushless motors for multifunction printers (MFPs) by introducing new products with improved controllability and option adaptability. In the home appliances market, in recent years a movement toward high-end products, such as inclusion of new products with increased power in cordless vacuum cleaner, hair dryer, and other product lines, has gained impetus. Since these high-end home appliances require a wide range of motor performance characteristics, we will meet customer needs by developing and introducing high-performance new products that leverage Mabuchi's advanced technological capabilities as a specialized manufacturer.

(4) Implementation of Laborsaving Measures and Establishment of Next-generation Manufacturing

The Mabuchi Group is working to mechanize production lines and undertaking laborsaving by introducing facilities in response to a major change in the business environment: namely, sharp increases in labor costs in countries where production bases are located. Under the Phase 2 Laborsaving Plan to achieve laborsaving exceeding 30% during the three-year period from fiscal 2014 to fiscal 2016, we achieved laborsaving exceeding 30% as planned, and production process innovation progressed significantly. We have again set high targets in the Phase 3 Laborsaving Plan covering the three-year period from fiscal 2017 to fiscal 2019 and will accelerate activities with the aim of achieving laborsaving of 30% from the fiscal 2016 level.

In addition, we will install at the headquarters a new, innovative, core production line for the purpose of establishing next-generation manufacturing to further strengthen our manufacturing capabilities. This core production line will realize the ultimate in laborsaving and high-speed operation through new facilities, methods, and processes. We will proceed with development of the line with the aim of starting operations in fiscal 2017 as a new technology to lead the way in the future evolution of manufacturing.

(5) Implementation of a global base strategy

The Mabuchi Group has long provided a stable supply of high-performance, high-quality, low-priced standard products to customers around the world by concentrating production of motors in the Asian region. In recent years,

customer needs for “local production for local consumption” have increased, especially with regard to medium-sized automotive motors. We have received strong requests from customers in European markets to manufacture locally, and to meet these requests, in January 2017 we established a production subsidiary in Poland. We are now making preparations for the start of plant construction, planned for the third quarter, and will proceed with construction with the aim of starting operations in 2019.

Basic Policy on the Selection of Accounting Standards

The Mabuchi Group will continue to use Japanese accounting standards for the time being.

With regard to future application of International Financial Reporting Standards (IFRS), the Group will respond appropriately from a viewpoint of increasing corporate value, taking into account circumstances in Japan and abroad.

Consolidated Balance Sheets

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2015 and DECEMBER 31, 2016

	(Millions of yen)	
ASSETS	December 31, 2015	December 31, 2016
Current assets		
Cash and bank deposits	106,305	122,477
Trade notes and accounts receivable	25,527	28,348
Short-term investments	11,014	499
Merchandise and finished goods	21,417	18,631
Work in process	1,271	1,296
Raw materials and supplies	8,316	6,765
Deferred tax assets-current	1,637	1,667
Other current assets	3,601	5,292
Allowance for doubtful receivables	(113)	(102)
Total current assets	178,978	184,878
Fixed assets		
Property, plant and equipment		
Buildings and structures	47,221	46,131
Accumulated depreciation	(26,678)	(26,675)
Buildings and structures, net	20,542	19,456
Machinery, equipment and vehicles	46,394	49,387
Accumulated depreciation	(22,983)	(24,054)
Machinery, equipment and vehicles, net	23,411	25,332
Tools, furniture and fixture	15,532	16,281
Accumulated depreciation	(11,656)	(11,900)
Tools, furniture and fixture, net	3,876	4,381
Land	6,238	6,197
Construction in progress	4,694	4,966
Total property, plant and equipment	58,763	60,336
Intangible assets	1,261	1,163
Investments and other assets		
Investment securities	16,001	10,504
Deferred tax assets-non-current	407	488
Other investments and other assets	817	1,112
Allowance for doubtful receivables	(33)	(95)
Total investments and other assets	17,192	12,009
Total fixed assets	77,217	73,509
Total assets	256,196	258,387

(Millions of yen)

LIABILITIES AND NET ASSETS	December 31, 2015	December 31, 2016
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,434	7,340
Short-term loans payable	113	113
Accrued income taxes	2,119	2,462
Accrued bonuses due to employees	218	252
Accrued bonuses due to directors	130	145
Deferred tax liabilities-current	16	65
Other current liabilities	7,860	9,556
Total current liabilities	16,892	19,935
Long-term liabilities		
Long-term loans payable	170	56
Accrued benefits for stock payment	—	77
Net defined benefit liability	2,080	2,620
Asset retirement obligations	15	13
Deferred tax liabilities-non-current	3,481	2,476
Other long-term liabilities-non-current	311	289
Total long-term liabilities	6,058	5,534
Total liabilities	22,950	25,470
Net assets		
Shareholders' equity		
Common stock	20,704	20,704
Additional paid-in capital	20,419	20,579
Retained earnings	183,853	193,141
Treasury stock	(6,046)	(6,633)
Total shareholders' equity	218,932	227,792
Accumulated other comprehensive income		
Net unrealized holding gains on securities	2,441	2,708
Deferred gains or losses on hedges	—	(472)
Foreign currency translation adjustment	12,775	4,222
Remeasurements of defined benefit plans	(965)	(1,443)
Total accumulated other comprehensive income	14,251	5,014
Subscription rights to shares	61	110
Total net assets	233,245	232,917
Total liabilities and net assets	256,196	258,387

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2015 and 2016

(Consolidated Statements of Income)

	(Millions of yen)	
	2015	2016
Net sales	143,143	140,699
Cost of sales	99,673	94,510
Gross profit	43,470	46,188
Selling, general and administrative expenses	20,508	21,963
Operating income	22,961	24,225
Non-operating income		
Interest income	626	345
Dividend income	312	176
Foreign exchange gains	2,329	493
Gain on sales of raw material scrap	983	832
Other	457	375
Total non-operating income	4,709	2,223
Non-operating expenses		
Stock-related expenses	90	62
Non-deductible consumption tax	136	68
Other	331	180
Total non-operating expenses	558	312
Ordinary income	27,113	26,135
Extraordinary income		
Gain on disposal of fixed assets	1,128	416
Gain on sales of investment securities	15	570
Total extraordinary income	1,143	987
Extraordinary loss		
Loss on disposal of fixed assets	383	220
Impairment loss	906	90
Provision for business structure improvement	355	133
Loss on sales of investment securities	9	137
Other	7	1
Total extraordinary loss	1,662	583
Income before income taxes	26,593	26,539
Income taxes		
Current	6,883	6,833
Deferred	1,164	(893)
Total income taxes	8,047	5,940
Net income	18,546	20,598
Profit attributable to owners of parent	18,546	20,598

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	2015	2016
Net income	18,546	20,598
Other comprehensive income		
Net unrealized holding gains on securities	472	266
Deferred gains or losses on hedges	—	(472)
Foreign currency translation adjustment	(5,536)	(8,553)
Remeasurements of defined benefit plans	(222)	(478)
Total other comprehensive income	(5,286)	(9,236)
Comprehensive income	13,259	11,361
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	13,259	11,361
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Changes in Net Assets

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2015

Fiscal year ended December 31, 2015 (January 1—December 31, 2015)

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	20,704	20,419	192,606	(20,010)	213,720
Cumulative effects of changes in accounting policies	—	—	(190)	—	(190)
Restated balance	20,704	20,419	192,416	(20,010)	213,530
Changes of items during the period					
Cash dividend	—	—	(4,603)	—	(4,603)
Cash dividend (interim dividends)	—	—	(3,612)	—	(3,612)
Profit attributable to owners of parent	—	—	18,546	—	18,546
Purchase of treasury stock	—	—	—	(5,011)	(5,011)
Disposal of treasury stock	—	—	(7)	91	83
Cancellation of treasury stock	—	—	(18,884)	18,884	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	(8,562)	13,964	5,401
Ending balance	20,704	20,419	183,853	(6,046)	218,932

	Millions of yen						
	Accumulated other comprehensive income					Subscription rights to shares	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	1,968	—	18,311	(742)	19,537	54	233,312
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	(190)
Restated balance	1,968	—	18,311	(742)	19,537	54	233,122
Changes of items during the period							
Cash dividend	—	—	—	—	—	—	(4,603)
Cash dividend (interim dividends)	—	—	—	—	—	—	(3,612)
Profit attributable to owners of parent	—	—	—	—	—	—	18,546
Purchase of treasury stock	—	—	—	—	—	—	(5,011)
Disposal of treasury stock	—	—	—	—	—	—	83
Cancellation of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	472	—	(5,536)	(222)	(5,286)	7	(5,278)
Total changes of items during the period	472	—	(5,536)	(222)	(5,286)	7	122
Ending balance	2,441	—	12,775	(965)	14,251	61	233,245

Fiscal year ended December 31, 2016 (January 1—December 31, 2016)

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	20,704	20,419	183,853	(6,046)	218,932
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	20,704	20,419	183,853	(6,046)	218,932
Changes of items during the period					
Cash dividend	—	—	(4,029)	—	(4,029)
Cash dividend (interim dividends)	—	—	(3,017)	—	(3,017)
Profit attributable to owners of parent	—	—	20,598	—	20,598
Purchase of treasury stock	—	—	—	(5,442)	(5,442)
Disposal of treasury stock	—	159	—	591	751
Cancellation of treasury stock	—	—	(4,263)	4,263	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	159	9,288	(587)	8,860
Ending balance	20,704	20,579	193,141	(6,633)	227,792

	Millions of yen						
	Accumulated other comprehensive income					Subscription rights to shares	Total net assets
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	2,441	—	12,775	(965)	14,251	61	233,245
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	2,441	—	12,775	(965)	14,251	61	233,245
Changes of items during the period							
Cash dividend	—	—	—	—	—	—	(4,029)
Cash dividend (interim dividends)	—	—	—	—	—	—	(3,017)
Profit attributable to owners of parent	—	—	—	—	—	—	20,598
Purchase of treasury stock	—	—	—	—	—	—	(5,442)
Disposal of treasury stock	—	—	—	—	—	—	751
Cancellation of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	266	(472)	(8,553)	(478)	(9,236)	48	(9,188)
Total changes of items during the period	266	(472)	(8,553)	(478)	(9,236)	48	(327)
Ending balance	2,708	(472)	4,222	(1,443)	5,014	110	232,917

Consolidated Statements of Cash Flows

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE YEARS ENDED DECEMBER 31, 2015 and 2016

	(Millions of yen)	
	2015	2016
Cash flows from operating activities		
Income before income taxes	26,593	26,539
Depreciation and amortization	6,580	6,359
Impairment loss	906	90
Increase (Decrease) in net defined benefit liability	427	610
Interest and dividends income	(938)	(521)
Foreign exchange losses (gains)	(157)	131
Loss (Gain) on sales of short-term investments and investment securities	(5)	(433)
Loss (Gain) on disposal of fixed assets	(744)	(196)
Decrease (Increase) in trade notes and accounts receivable	(3,341)	(4,082)
Decrease (Increase) in inventories	(3,683)	1,960
Increase (Decrease) in trade notes and accounts payable	(758)	2,081
Other, net	2,150	1,423
Sub total	27,029	33,963
Interest and dividends received	953	519
Interest paid	(0)	—
Income taxes paid	(7,866)	(6,524)
Net cash provided by operating activities	20,115	27,958
Cash flows from investing activities		
Increase of time deposits	(9,978)	(170)
Proceeds from withdrawal of time deposits	17,237	326
Purchase of short-term investments	(5,500)	(2,000)
Proceeds from sales of short-term investments	8,400	6,000
Purchase of fixed assets	(15,592)	(11,352)
Proceeds from sales of fixed assets	1,208	429
Purchase of investment securities	(4)	—
Proceeds from sales of investment securities	3,064	5,808
Payment for establishment of a subsidiary	—	(2,019)
Other, net	(14)	(462)
Net cash used in investing activities	(1,178)	(3,440)
Cash flows from financing activities		
Repayment of long-term loans payable	(113)	(113)
Cash dividends paid	(8,214)	(7,046)
Purchase of treasury stock	(5,049)	(5,451)
Proceeds from sales of treasury stock	65	751
Net cash used in financing activities	(13,312)	(11,860)
Effect of exchange rate changes on cash and cash equivalents	(1,888)	(3,311)
Net increase (decrease) in cash and cash equivalents	3,736	9,345
Cash and cash equivalents at beginning of period	109,220	112,956
Cash and cash equivalents at end of period	112,956	122,302

Notes to Consolidated Financial Statements

Notes Regarding Going-concern Assumptions

None

Segment Information

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. Methods for Calculating Net Sales, Income or Loss, Assets, Liabilities and Other Items by Reporting Segment

Following the revision of the Corporation Tax Act, beginning in the fiscal year ended December 31, 2016, the Company has applied the Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (ASBJ Practical Issues Task Force No. 32, June 17, 2016) and changed its depreciation method for facilities attached to buildings and structures acquired by the Company on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact of the change on segment income for the fiscal year ended December 31, 2016 is minimal.

Intersegment net sales are based on prevailing market prices.

3. Information Concerning Net Sales, Income or Loss, Assets, Liabilities and Other Items by Reporting Segment

Fiscal years ended December 31, 2015 (January 1, 2015 – December 31, 2015) and 2016 (January 1, 2016 – December 31, 2016)

(Millions of yen)

			2015	2016
Net sales	Japan	External customers	11,305	11,851
		Intersegment	93,729	87,996
		Total	105,035	99,847
	Asia	External customers	85,370	81,370
		Intersegment	83,725	75,201
		Total	169,095	156,572
	North and Latin America	External customers	17,204	17,360
		Intersegment	—	0
		Total	17,204	17,360
	Europe	External customers	29,262	30,117
		Intersegment	—	—
		Total	29,262	30,117
	Eliminations		(177,454)	(163,197)
	Consolidated		143,143	140,699
Segment income (loss) (Note 1 (1), 2)	Japan		7,881	8,703
	Asia		13,509	14,546
	North and Latin America		446	228
	Europe		1,520	1,112
	Eliminations		(396)	(366)
	Consolidated		22,961	24,225
Segment assets (Note 1 (2))	Japan		88,903	95,262
	Asia		156,105	157,238
	North and Latin America		12,238	13,745
	Europe		14,454	15,784
	Eliminations		(15,506)	(23,644)
	Consolidated		256,196	258,387
Other items				
Depreciation and amortization (Note 1 (3))	Japan		998	1,124
	Asia		5,784	5,406
	North and Latin America		70	125
	Europe		7	6
	Eliminations		(280)	(303)
	Consolidated		6,580	6,359
Increase in property, plant and equipment, and intangible assets (Note 1 (4))	Japan		1,840	904
	Asia		10,530	8,740
	North and Latin America		2,829	1,652
	Europe		11	10
	Eliminations		(1,092)	(105)
	Consolidated		14,119	11,202

- Notes: 1. (1) The segment income eliminations of ¥(396) million in fiscal 2015 and ¥(366) million in fiscal 2016 represent intersegment transaction eliminations and other adjustments.
- (2) The segment assets eliminations include: corporate assets of ¥78,966 million in fiscal 2015 and ¥75,026 million in fiscal 2016, not allocated to each segment; intersegment debt and credit eliminations of ¥(94,472) million in fiscal 2015 and ¥(98,671) million in fiscal 2016. 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 ¥(280) million in fiscal 2015 and ¥(303) million in fiscal 2016 represent intersegment transaction eliminations.
- (4) Increase in property, plant and equipment, and intangible assets eliminations of ¥(1,092) million in fiscal 2015 and ¥(105) million in fiscal 2016 represent intersegment transaction eliminations.
2. Segment income is adjusted for operating income reported in the consolidated statements of income.

(Reference Information)

Geographical segment information

Fiscal years ended December 31, 2015 (January 1, 2015 – December 31, 2015) and 2016 (January 1, 2016 – December 31, 2016)
(Millions of yen)

		2015	2016
Net sales	Japan	11,618	12,018
	Asia	85,057	81,203
	North and Latin America	17,204	17,360
	Europe	29,262	30,117
	Total	143,143	140,699
Property, plant and equipment	Japan	15,861	16,123
	Asia	39,708	40,227
	North and Latin America	3,164	3,955
	Europe	29	30
	Total	58,763	60,336

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