

CONSOLIDATED FINANCIAL RESULTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 (J-GAAP)

November 2, 2021

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

Stock exchange listing: Tokyo

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

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

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

Scheduled date of the filing of quarterly report: November 12, 2021

Scheduled date of start of dividends payments: —

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

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

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

1. Consolidated Results for the Nine Months Ended September 30, 2021

(From January 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the nine months ended								
September 30, 2021	101,335	24.7	11,118	71.9	15,533	166.0	10,965	163.6
September 30, 2020	81,249	(18.8)	6,467	(49.8)	5,839	(61.1)	4,159	(59.7)

Note: Comprehensive income

Nine months ended September 30, 2021: ¥23,683 million [—%] Nine months ended September 30, 2020: ¥(1,789) million [—%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
For the nine months ended		
September 30, 2021	166.58	166.52
September 30, 2020	62.68	62.65

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
September 30, 2021	277,334	252,976	91.2
December 31, 2020	262,559	239,103	91.0

Reference: Shareholders' equity

As of September 30, 2021: ¥252,884 million As of December 31, 2020: ¥239,011 million

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	67.00	—	68.00	135.00
Fiscal 2021	—	57.00	—		
Fiscal 2021 (forecast)				58.00	115.00

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

Note: Breakdown of 2nd quarter-end dividend for fiscal 2020: Special dividend: ¥52.00

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

Breakdown of 2nd quarter-end dividend for fiscal 2021: Special dividend: ¥42.00

Breakdown of year-end dividend for fiscal 2021 (forecast): Special dividend: ¥43.00

3. Consolidated Results Forecasts for the Fiscal Year (From January 1 to December 31, 2021)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	140,000	20.2	16,100	24.8	19,700	55.4	14,200	58.0	215.64

Note: Amendments to results forecasts that have been disclosed recently: None

Notes

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

(Unit: share)

1) Number of shares issued at the end of the period (including treasury stock)	Sep. 30, 2021	68,562,462	Dec. 31, 2020	68,562,462
2) Number of shares of treasury stock at the end of the period	Sep. 30, 2021	2,958,290	Dec. 31, 2020	2,603,384
3) Average number of shares during the period	Jan.–Sep. 2021	65,829,289	Jan.–Sep. 2020	66,366,221

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

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

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

Contents of the Attachment

1. Qualitative Information.....	2
(1) Operating Results.....	2
(2) Financial Position.....	3
(3) Forward-Looking Statements Including Consolidated Results Forecast	3
2. Consolidated Financial Statements and Primary Notes	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income and Comprehensive Income	6
Consolidated Statements of Income	
For the Nine Months Ended September 30, 2020 and 2021	6
Consolidated Statements of Comprehensive Income	
For the Nine Months Ended September 30, 2020 and 2021	7
(3) Notes to Consolidated Financial Statements	8
(Notes Regarding Going-Concern Assumptions).....	8
(Notes on Significant Changes in Shareholders' Equity).....	8
(Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements).....	8
(Additional Information)	8
(Segment Information)	9
(Items related to corporate merger, etc.).....	10

1. Qualitative Information

(1) Operating Results

During the nine months ended September 30, 2021 (January 1–September 30, 2021), the global economy continued its gradual recovery on large fiscal outlays by various countries and progress in the rollout of COVID-19 vaccinations, but during the second half of the period economic activity stagnated from the effects of higher resource prices and logistics costs, shortfall in supplies of semiconductors, and a resurgence of new coronavirus infections in Southeast Asia. The U.S. economy was solid, reflecting an improvement in the new coronavirus situation as vaccinations progressed and from large-scale economic measures. In Europe, economies continued to recover as lockdowns in major urban areas and other measures to prevent the spread of new coronavirus infections were eased, leading to a return to normal economic activity. The pace of recovery in the Japanese economy was sluggish, as a resurgence of new coronavirus infections brought economic activity to a standstill. Emerging market economies saw a gradual recovery overall, with economic activity in Southeast Asia stagnating on a resurgence of new coronavirus infections and a slower pace of growth in the Chinese economy.

With regard to markets related to the Mabuchi Group's products, the automotive products market showed large overall growth for the nine months ended September 30, 2021, with recoveries continuing in all markets despite the effect of production adjustments during the third quarter as a result of a global shortfall in supplies of semiconductors. The consumer and industrial products market grew overall on continued market demand in all regions.

Against this backdrop, Mabuchi's motor sales rose 20.9% year on year in terms of volume, with a 24.7% year-on-year increase in value. These figures were 4.2% below for volume and 3.9% short in terms of value compared with our sales plan for the nine months ended September 30, 2021 as revised in August. As a result, consolidated net sales for the period were 101,335 million yen (a 24.7% increase year on year), and motor sales, which account for the majority of net sales, were 101,306 million yen (a 24.7% increase year on year).

Although operating income was negatively affected by an increase in material costs on a rise in prices for commodities including copper and steel materials, increased sales volume combined with improvements in sales prices and the product mix resulted in operating income of 11,118 million yen (a 71.9% increase year on year). With this growth in operating income as well as an improvement in foreign exchange gains or losses, ordinary income was 15,533 million yen (a 166.0% increase year on year). Profit before income taxes was 15,240 million yen (a 106.7% increase year on year), and profit attributable to owners of parent was 10,965 million yen (a 163.6% increase year on year).

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

1) Automotive Products Market

Net sales rose to 74,258 million yen (a 27.4% increase year on year). Despite automobile production adjustments during the third quarter due to global shortages in the supply of semiconductors, a recovery in automotive demand led to solid sales of both medium-sized automotive motors, which includes motors for power window lifters, motors for power seats and motors for electric parking brakes, and small automotive motors including door lock actuators, motors for door mirrors, and air conditioning damper actuators, resulting in large sales growth for the nine months ended September 30, 2021.

2) Consumer and Industrial Products Market

Net sales rose to 27,048 million yen (a 17.8% increase year on year). Against a backdrop of increased telework and people spending more time at home, strong demand for home appliances, power tools and housing equipment, and office equipment led to high sales growth.

(2) Financial Position

Total assets as of September 30, 2021, were 277,334 million yen, a 14,775 million yen increase from the end of the previous fiscal year. Major changes from the end of the previous fiscal year included increases of 12,750 million yen in inventories, 5,615 million yen in property, plant and equipment, 4,115 million yen in intangible assets mainly due to the recording of goodwill associated with the acquisition of Electromag SA during the third quarter, and a 6,833 million yen decrease in cash and bank deposits mainly due to dividend payments and purchases of treasury stock.

Total liabilities increased 902 million yen from the end of the previous fiscal year, to 24,358 million yen. Major changes from the end of the previous fiscal year included an 895 million yen increase in other long-term liabilities-non-current, and a 449 million yen increase in accrued bonuses due to employees.

Total net assets increased 13,873 million yen from the end of the previous fiscal year, to 252,976 million yen. This included an 11,550 million yen increase in foreign currency translation adjustments, a 2,696 million yen increase in retained earnings, a 1,546 million yen increase in treasury stock, which is deducted from net assets, and a 1,076 million yen increase in net unrealized holding gains or losses on securities.

(3) Forward-Looking Statements Including Consolidated Results Forecast

Although the recovery in the global economy is expected to continue on large-scale fiscal stimulus measures by countries around the world and progress in the rollout of COVID-19 vaccinations, with downward pressure from higher resource prices and logistics costs, shortages in supplies of semiconductors and other components, and the slowing of the Chinese economy, the outlook going forward remains uncertain. The U.S. economy is expected to continue its solid recovery as progress in vaccinations leads to an improved situation with regard to infections, and a pickup in the environment for hiring stimulates retail consumption. A solid recovery is also forecast for Europe as lockdowns in major urban areas in various countries and other new coronavirus-prevention measures are eased, and economies move back to normal. In Japan, a gradual recovery is forecast as retail consumption improves against a backdrop of limitations on activity being eased as vaccinations progress. In emerging market countries, although the situation with regard to infections in Southeast Asia is improving and economic activity is seen restarting, the introduction of real estate regulations and electric power supply limitations are seen slowing the pace of China's economic growth, and the overall pace of growth is expected to be gradual.

With regard to markets related to the Mabuchi Group's products, we are forecasting solid results for the automotive products market as global automotive demand recovers, although we are concerned about the possibility of lower-than-projected production volumes because of supply shortages for semiconductors and other components. In the consumer and industrial products market, we expect demand to grow in all markets, and are forecasting an overall recovery.

Against this backdrop, our forecasts for consolidated results and dividends are unchanged. Going forward, we will review our forecasts for operating results and returns to shareholders (including dividend forecasts and purchases of treasury stock) in the event of drastic changes in our operating environment, and promptly disclose any changes to these forecasts.

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

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

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

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of December 31, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and bank deposits	110,018	103,185
Trade notes and accounts receivable	24,729	22,321
Short-term investments	1,500	1,500
Merchandise and finished goods	22,249	30,199
Work in process	989	1,538
Raw materials and supplies	9,280	13,532
Other current assets	4,789	4,848
Allowance for doubtful accounts	(163)	(148)
Total current assets	173,394	176,976
Fixed assets		
Property, plant and equipment		
Buildings and structures	50,328	54,173
Accumulated depreciation	(29,467)	(31,614)
Buildings and structures, net	20,860	22,559
Machinery, equipment and vehicles	68,430	78,784
Accumulated depreciation	(36,914)	(44,209)
Machinery, equipment and vehicles, net	31,515	34,574
Tools, furniture and fixture	19,976	21,672
Accumulated depreciation	(15,944)	(17,875)
Tools, furniture and fixture, net	4,031	3,796
Land	6,589	6,613
Construction in progress	14,016	15,085
Total property, plant and equipment	77,014	82,630
Intangible assets		
Goodwill	—	3,919
Other intangible assets	1,065	1,261
Total intangible assets	1,065	5,180
Investments and other assets		
Investment securities	9,254	10,520
Deferred tax assets-non-current	578	751
Other investments and other assets	1,658	1,306
Allowance for doubtful accounts	(405)	(31)
Total investments and other assets	11,085	12,547
Total fixed assets	89,164	100,357
Total assets	262,559	277,334

(Millions of yen)

	As of December 31, 2020	As of September 30, 2021
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,486	6,338
Accrued income taxes	1,934	1,970
Accrued bonuses due to employees	233	683
Accrued bonuses due to directors	176	137
Other current liabilities	9,361	9,243
Total current liabilities	18,193	18,373
Long-term liabilities		
Long-term loans payable	380	251
Accrued benefits for stock payment	241	53
101Liability for retirement benefits	2,051	2,141
Asset retirement obligations	27	27
Deferred tax liabilities-non-current	2,203	2,256
Other long-term liabilities-non-current	357	1,253
Total long-term liabilities	5,262	5,984
Total liabilities	23,456	24,358
Net assets		
Shareholders' equity		
Common stock	20,704	20,704
Additional paid-in capital	20,419	20,424
Retained earnings	216,929	219,626
Treasury stock	(11,555)	(13,101)
Total shareholders' equity	246,499	247,654
Accumulated other comprehensive income		
Net unrealized holding gains or losses on securities	1,985	3,062
Foreign currency translation adjustments	(8,928)	2,621
Retirement benefits liability adjustments	(545)	(454)
Total accumulated other comprehensive income	(7,487)	5,230
Subscription rights to shares	91	91
Total net assets	239,103	252,976
Total liabilities and net assets	262,559	277,334

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)
For the Nine Months Ended September 30, 2020 and 2021

(Millions of yen)

	Nine Months Ended September 30, 2020 (January 1, 2020 to September 30, 2020)	Nine Months Ended September 30, 2021 (January 1, 2021 to September 30, 2021)
Net sales	81,249	101,335
Cost of sales	58,064	73,604
Gross profit	23,184	27,731
Selling, general and administrative expenses	16,717	16,613
Operating income	6,467	11,118
Non-operating income		
Interest income	574	383
Dividend income	165	170
Foreign exchange gains	—	2,440
Gain on sales of raw material scrap	764	1,485
Other	409	406
Total non-operating income	1,913	4,886
Non-operating expenses		
Stock-related expenses	115	116
Foreign exchange losses	1,890	—
Depreciation	102	132
Other	432	223
Total non-operating expenses	2,541	471
Ordinary income	5,839	15,533
Extraordinary income		
Gain on disposal of fixed assets	8	4
Gain on sales of investment securities	2,382	—
Gain on reversal of share acquisition rights	7	—
Gain on reversal of foreign currency translation adjustments resulting from liquidation of foreign subsidiary	—	256
Total extraordinary income	2,399	260
Extraordinary loss		
Loss on disposal of fixed assets	64	105
Extraordinary retirement expenses	138	18
Loss from closure of a manufacturing subsidiary	414	—
Loss related to infectious disease	250	427
Loss on sales of golf memberships	—	1
Total extraordinary loss	867	552
Profit before income taxes	7,371	15,240
Income taxes	3,212	4,274
Profit	4,159	10,965
Profit attributable to owners of parent	4,159	10,965

(Consolidated Statements of Comprehensive Income)
For the Nine Months Ended September 30, 2020 and 2021

(Millions of yen)

	Nine Months Ended September 30, 2020 (January 1, 2020 to September 30, 2020)	Nine Months Ended September 30, 2021 (January 1, 2021 to September 30, 2021)
Profit	4,159	10,965
Other comprehensive income		
Net unrealized holding gains or losses on securities	(2,444)	1,076
Deferred gains or losses on hedges	2	—
Foreign currency translation adjustments	(3,603)	11,550
Retirement benefits liability adjustments	96	91
Total other comprehensive income	(5,948)	12,718
Comprehensive income	(1,789)	23,683
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,789)	23,683
Comprehensive income attributable to non-controlling interests	—	—

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

None

(Notes on Significant Changes in Shareholders' Equity)

(Purchase of treasury stock)

The Company purchased 455,300 shares of treasury stock (total amount of purchase cost: 1,999 million yen) pursuant to a resolution at a meeting of the Board of Directors held on February 12, 2021. As a result, treasury stock at the end of the third quarter of the fiscal year ending December 31, 2021 was 13,101 million yen.

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

(Calculation of tax expense)

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

(Additional Information)

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

There are no significant changes to the assumptions regarding the future spread of coronavirus infections and the timing of the pandemic being brought under control, etc., included under (Additional information: Accounting estimates associated with the effect from spread of COVID-19) in the securities report filed for the previous fiscal year.

As a result of the spread of infections of COVID-19, the Mabuchi Group is experiencing lower demand caused by economic stagnation associated with measures implemented to stop the spread of infections by the governments of various countries. Although the Mabuchi Group experienced a temporary decline in demand during the previous fiscal year, we expect a gradual recovery in demand to pre-pandemic levels from the current fiscal year as the spread of infections is brought under control and economic activity restarts in various regions, and this assumption is reflected in the accounting estimates (as "possibility of recovery of deferred tax assets, determination of recognition of impairment loss on fixed assets").

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

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

(Millions of yen)

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

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

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

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

Not applicable

Nine Months Ended September 30, 2021 (From January 1, 2021 to September 30, 2021)**1. Information concerning net sales and income by reporting segment**

(Millions of yen)

	Reporting Segment					Adjustment (Note 1)	Total reported in consolidated statements of income (Note 2)
	Japan	Asia	North and Latin America	Europe	Total		
Net sales							
Sales to external customers	9,342	51,125	18,637	22,229	101,335	—	101,335
Intersegment sales and transfers	64,678	57,067	2,611	63	124,420	(124,420)	—
Total	74,020	108,193	21,248	22,293	225,756	(124,420)	101,335
Segment income (loss)	4,564	7,424	570	(463)	12,095	(977)	11,118

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

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

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

(Significant changes in the amount of goodwill)

During the third quarter of the current fiscal year, Mabuchi Motor Co., Ltd. acquired all shares of Electromag SA and included it in the scope of consolidation, resulting in goodwill of 3,919 million yen in the "Europe" segment.

The amount of goodwill was tentatively calculated as the allocation of the acquisition cost had not been completed as of the end of the third quarter of the current fiscal year.

(Items related to corporate merger, etc.)

1. Overview of the corporate merger

(1) Name and business of acquired company

Company name: Electromag SA (the “Electromag”)

Business: Manufacturing of motors for medical equipment

(2) Primary reasons for the merger

The Company has the Management Principle of Contributing to international society and continuously increasing our contribution. To realize this principle, the Company has developed the Long-Term Management Policy and the Mid-Term Management Plan (2021-2023). This plan is aiming to accelerate the Company’s growth, by providing solutions for the issues which society and customers are facing. Expanding the business for wellness and healthcare applications and developing new brushless motor products are parts of the Company’s priority efforts to achieve such a plan.

Electromag is a brushless motor manufacturer based in Switzerland that specializes in key applications such as ventilators for hospital care, home care, including CPAP*, and handpieces for dental care. Electromag’s cutting-edge solutions and technology enable it to develop brushless motors with unique characteristics such as ultra-quiet, low vibration, high speed, perfectly suited for medical device application. Electromag is a world-leading manufacturer of motors for healthcare applications with an outstanding market share in hospital care ventilation motors.

By leveraging Electromag’s technologies and expertise in healthcare applications, the Company will accelerate its priority initiatives and furthermore realize the vision and the Management Principle.

* Stands for Continuous Positive Airway Pressure: A device that prevents sleep apnea by pumping pressurized air through the nasal cavity to expand the respiratory tract

(3) Date of merger

July 6, 2021 (Deemed date of acquisition: September 30, 2021)

(4) Legal form of merger

Acquisition of shares

(5) Company name after merger

Unchanged

(6) Percentage of voting rights acquired

100%

(7) Primary basis for decision to acquire company

The Company acquired the shares in exchange for cash.

2. Period covered for results of acquired company included in Consolidated Financial Statements

Because the acquisition was deemed to have taken place on September 30, 2021, only the balance sheet has been consolidated, with the business results of the acquired company not included in the quarterly Consolidated Statements of Income in the Consolidated Financial Results for the Nine Months Ended September 30, 2021.

3. Acquisition cost and types of compensation paid for the acquired company

We have entered into a confidentiality agreement and are not disclosing the details, but the decision was made based on an estimated value of the shares calculated by a third party, and recognized as representing fair value.

4. Amount, cause, and amortization method and period for goodwill arising from acquisition

(1) Amount of goodwill

3,919 million yen

However, the amount of goodwill was tentatively calculated as the allocation of the acquisition cost had not been completed as of the end of the third quarter of the current fiscal year..

(2) Cause of goodwill

Goodwill will arise primarily from the future excess earnings strength anticipated from business development going forward.

(3) Amortization method and period

Goodwill will be amortized in equal amounts over the estimated period until the effects materialize.