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CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 (J-GAAP)

August 9, 2019

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: Takayuki Kokon (Executive Officer and Senior General Manager of Administration Headquarters)

Scheduled date of the filing of quarterly report: August 14, 2019

Scheduled date of start of dividends payments: September 17, 2019

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

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

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

1. Consolidated Operating Results

	6M ended Jun. 2018	6M ended Jun. 2019	Year on Year
	<i>(Millions of yen)</i>		<i>(Percentage change)</i>
(1) Consolidated Operating Results:			
Net sales	72,524	66,002	-9.0%
Operating income	11,025	8,316	-24.6%
Ordinary income	12,744	9,648	-24.3%
Profit attributable to owners of parent	9,010	6,517	-27.7%
Profit per share (Yen)	133.95	97.80	
Fully diluted profit per share (Yen)	133.89	97.76	

Note: Comprehensive income

Six months ended Jun. 30, 2019: ¥2,591million (-18.6%) Six months ended Jun. 30, 2018: ¥3,184 million (-62.2%)

	As of Dec. 31, 2018	As of Jun. 30, 2019
	<i>(Millions of yen)</i>	
(2) Consolidated Financial Position:		
Total assets	267,050	258,830
Net assets	244,454	238,910
Shareholders' equity ratio	91.5%	92.3%

Note: Shareholders' equity

As of Jun. 30, 2019: ¥238,785 million As of Dec. 31, 2018: ¥244,330 million

Note: The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the consolidated first quarter of the fiscal year under review and have also been applied retroactively to the financial position (consolidated) of the fiscal year ended December 31, 2018.

2. Dividends

Record Date	Dividends (Yen)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Full year
Fiscal 2018	—	55.00	—	80.00	135.00
Fiscal 2019	—	67.00	—	—	—
Fiscal 2019 (Forecast)	—	—	—	68.00	135.00

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

Note: Breakdown of 2nd quarter-end dividend for fiscal 2018: Special dividend: ¥40.00

Breakdown of year-end dividend for fiscal 2018: Special dividend: ¥65.00

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

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

3. Consolidated Results Forecasts for the Fiscal Year (From January 1 to December 31, 2019)

	Full year	Year on Year
	(Millions of yen)	(Percentage change)
Net sales	135,000	-5.7
Operating income	17,500	-17.6
Ordinary income	19,200	-22.6
Profit attributable to owners of parent	13,500	-41.1
Profit per share (Yen)	202.95	

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

* Notes

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

(Unit: share)				
1) Number of shares issued at end of period (including treasury stock):	Jun. 30, 2019	68,562,462	Dec. 31, 2018	68,562,462
2) Number of shares of treasury stock at end of period:	Jun. 30, 2019	2,170,204	Dec. 31, 2018	1,440,240
3) Average number of shares during period:	Jan.–Jun. 2019	66,644,866	Jan.–Jun. 2018	67,264,329

Note: The number of shares of treasury stock as of June 30, 2019 included the shares held by BIP (82,886 shares at the end of the period), and the number of shares of treasury stock as of December 31, 2018 included the shares held by BIP (116,386 shares at the end of the period).

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

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

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

1. Qualitative Information

(1) Operating Results

During the six months ended June 30, 2019 (January 1–June 30, 2019), the trend of a slowdown in the global economy gained strength against a backdrop of concerns regarding the economic environment. The U.S. economy saw increased consumer spending on a solid environment for hiring, but the outlook going forward remains uncertain. In the European economy, the pace of growth slowed on sluggish exports. The Japanese economy saw the pace of growth slow as exports declined on a decrease in external demand. Emerging markets were soft with slower growth overall, primarily because of the slowdown in the Chinese market.

In terms of markets related to the Mabuchi Group's products, slowdowns were seen in both the automotive products market and the consumer and industrial products market, mainly in China.

Against this backdrop, Mabuchi's motor sales declined 9.7% year-on-year in terms of volume and 9.0% in value terms. Relative to the first-half plan, announced in February, sales volume and value were both 7.8% short of plan. As a result, consolidated net sales for the first half were 66,002 million yen (a 9.0% decrease year-on-year), while motor sales, which constitute the majority of net sales, were 65,996 million yen (a 9.0% decrease year-on-year).

Although operating income was boosted by improvements in sales prices and the product mix, lower sales volume and an increase in fixed costs per unit associated with a decline in capacity utilization rates resulted in an overall decline, to 8,316 million yen (a 24.6% decrease year-on-year). Ordinary income also declined, to 9,648 million yen (a 24.3% decrease year-on-year), on lower foreign exchange gains despite an increase in interest income. Profit before income taxes was 9,355 million yen (a 26.1% decrease year-on-year) and profit attributable to owners of parent was 6,517 million yen (a 27.7% decrease year-on-year).

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

1) Automotive Products Market

Net sales declined to 48,908 million yen (an 8.7% decrease year-on-year). Sales at the priority business of medium-sized automotive motors saw a decline in sales of motors for power window lifters, mostly from the effects of weak demand and stricter emission control in China despite an increase in sales of high-torque standard products for major North American automakers. Sales of motors for power seats declined due to the discontinuation of production of equipped models and weak markets. Sales of motors for electric parking brakes were roughly flat year-on-year, with increased use by major Japanese automakers being offset by weak demand from existing customers. Although we maintained our share of the market for small automotive motors including motors for door locks, door mirrors, air conditioning damper actuators, and headlight level adjusters, a global market slowdown resulted in weak sales.

2) Consumer and Industrial Products Market

Net sales were 17,087 million yen (a 9.8% decrease year-on-year). Sales of motors for personal care products declined despite solid sales in the midrange and high-end toothbrush segments, as orders were curtailed in some applications based on our policy of emphasizing profitability. The markets for motors for inkjet printers and car CD players continued to contract.

(2) Financial Position

Total assets as of June 30, 2019, were 258,830 million yen, an 8,220 million yen decrease from December 31, 2018. Major changes from the end of the previous fiscal year included a 6,487 million yen decrease in cash and bank deposits from dividend payments and the purchase of treasury stock, a 2,897 million yen decrease in inventories, a 1,315 million yen increase in investment securities, and a 1,063 million yen increase in property, plant and equipment.

Total liabilities stood at 19,920 million yen, for a 2,675 million yen decrease from the previous fiscal year end. Major changes from the end of the previous fiscal year included an 820 million yen decrease in trade notes and accounts payable and a 2,231 million yen decrease in other current liabilities.

Total net assets decreased by 5,544 million yen from the end of the previous fiscal year, to 238,910 million yen. Foreign currency translation adjustments decreased 4,381 million yen, and treasury stock, which is deducted from net assets, increased 2,746 million yen.

(3) Forward-Looking Statements Including Consolidated Results Forecast

Downside risks to the global economy are increasing on trade and geopolitical tensions, making the outlook increasingly unclear, and we are forecasting slower growth rates. In developed countries, we see solid growth continuing in the U.S. economy, led by domestic demand despite concerns regarding the direction of trade policies. Looking to Europe, in addition to concerns regarding the U.K.'s Brexit negotiations and Italy's state finances, we anticipate a slowdown in the German economy and slower growth overall. We are forecasting gradual growth for the Japanese economy, with stimulus measures alleviating the effect of the planned consumption tax increase. In emerging markets, the outlook for China is uncertain, and we expect slower rates of growth overall.

With regard to markets related to the Mabuchi Group's products, we are forecasting a decline from the previous year in the automotive products market on slight declines in North America and Europe and a decline in China. For the consumer and industrial products market, we see demand contracting on an anticipated slowdown in the Chinese market.

Against this backdrop, we are forecasting full-year consolidated net sales of 135.0 billion yen (a 5.7% decrease year-on-year). In terms of business performance, although we see profit being boosted by improvements in sales prices and the product mix and from declines in market prices for commodities like copper and steel material, we see downward pressure from a stronger yen, lower sales volume, an increase in fixed costs per unit associated with a decline in capacity utilization rates, and startup costs for a new plant in Poland, and are forecasting operating income of 17.5 billion yen (a 17.6% decrease year-on-year), ordinary income of 19.2 billion yen (a 22.6% decrease year-on-year), and profit attributable to owners of parent of 13.5 billion yen (a 41.1% decrease year-on-year).

For the interim dividend, our most recently announced (on February 14, 2019) dividend forecast is unchanged at 67 yen per share (consisting of a 15 yen ordinary dividend and a 52 yen special dividend). Our most recent year-end dividend forecast is also unchanged at 68 yen per share (a 15 yen ordinary dividend and a 53 yen special dividend), resulting in an annual dividend forecast of 135 yen per share (a 30 yen ordinary dividend and a 105 yen special dividend).

The actual exchange rate for the first half was ¥110.05 to the US dollar, and our forecasts for the second half are based on a rate assumption of ¥108 to the US dollar.

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

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

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

Consolidated Balance Sheets and Primary Notes

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2018 and JUNE 30, 2019

(Millions of yen)

ASSETS	December 31, 2018	June 30, 2019
Current assets		
Cash and bank deposits	113,066	106,579
Trade notes and accounts receivable	23,909	23,319
Short-term investments	2,500	1,500
Merchandise and finished goods	25,014	23,268
Work in process	998	1,004
Raw materials and supplies	9,696	8,538
Other current assets	4,823	5,409
Allowance for doubtful accounts	(104)	(57)
Total current assets	179,902	169,561
Fixed assets		
Property, plant and equipment		
Buildings and structures	48,936	48,608
Accumulated depreciation	(27,275)	(27,524)
Buildings and structures, net	21,661	21,084
Machinery, equipment and vehicles	59,856	60,310
Accumulated depreciation	(29,744)	(30,871)
Machinery, equipment and vehicles, net	30,111	29,438
Tools, furniture and fixture	18,278	18,525
Accumulated depreciation	(13,758)	(14,214)
Tools, furniture and fixture, net	4,519	4,311
Land	6,633	6,624
Construction in progress	11,099	13,630
Total property, plant and equipment	74,025	75,088
Intangible assets	1,109	1,093
Investments and other assets		
Investment securities	9,208	10,524
Long-term loans receivable	453	441
Deferred tax assets-non-current	825	751
Other investments and other assets	1,558	1,403
Allowance for doubtful accounts	(33)	(33)
Total investments and other assets	12,012	13,086
Total fixed assets	87,147	89,268
Total assets	267,050	258,830

(Millions of yen)

LIABILITIES AND NET ASSETS	December 31, 2018	June 30, 2019
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,376	5,556
Accrued income taxes	1,812	2,298
Accrued bonuses due to employees	265	245
Accrued bonuses due to directors	161	89
Other current liabilities	9,832	7,601
Total current liabilities	18,448	15,791
Long-term liabilities		
Accrued benefits for stock payment	117	66
Liability for retirement benefits	2,259	2,170
Asset retirement obligations	17	17
Deferred tax liabilities-non-current	1,393	1,582
Other long-term liabilities-non-current	359	291
Total long-term liabilities	4,147	4,128
Total liabilities	22,595	19,920
Net assets		
Shareholders' equity		
Common stock	20,704	20,704
Additional paid-in capital	20,419	20,419
Retained earnings	212,594	213,723
Treasury stock	(7,400)	(10,147)
Total shareholders' equity	246,318	244,700
Accumulated other comprehensive income		
Net unrealized holding gains or losses on securities	2,020	2,380
Deferred gains or losses on hedges	(37)	—
Foreign currency translation adjustments	(3,074)	(7,455)
Retirement benefits liability adjustments	(897)	(840)
Total accumulated other comprehensive income	(1,988)	(5,914)
Subscription rights to shares	124	124
Total net assets	244,454	238,910
Total liabilities and net assets	267,050	258,830

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE SIX MONTHS ENDED JUNE 30, 2018 and 2019

(Consolidated Statements of Income)

	(Millions of yen)	
	2018	2019
Net sales	72,524	66,002
Cost of sales	50,004	46,001
Gross profit	22,519	20,000
Selling, general and administrative expenses	11,494	11,684
Operating income	11,025	8,316
Non-operating income		
Interest income	242	390
Dividend income	163	177
Foreign exchange gains	607	257
Gain on sales of raw material scrap	716	647
Other	162	204
Total non-operating income	1,893	1,677
Non-operating expenses		
Stock-related expenses	38	57
Non-deductible consumption tax	26	19
Other	109	268
Total non-operating expenses	174	345
Ordinary income	12,744	9,648
Extraordinary income		
Gain on disposal of fixed assets	5	8
Gain on sales of golf memberships	2	1
Total extraordinary income	7	10
Extraordinary loss		
Loss on disposal of fixed assets	92	244
Extraordinary retirement expenses	—	58
Total extraordinary loss	92	303
Profit before income taxes	12,659	9,355
Income taxes	3,649	2,837
Profit	9,010	6,517
Profit attributable to owners of parent	9,010	6,517

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	2018	2019
Profit	9,010	6,517
Other comprehensive income		
Net unrealized holding gains or losses on securities	(854)	360
Deferred gains or losses on hedges	67	37
Foreign currency translation adjustments	(5,107)	(4,381)
Retirement benefits liability adjustments	69	56
Total other comprehensive income	(5,825)	(3,926)
Comprehensive income	3,184	2,591
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,184	2,591
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Cash Flows

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE SIX MONTHS ENDED JUNE 30, 2018 and 2019

	(Millions of yen)	
	2018	2019
Cash flows from operating activities		
Profit before income taxes	12,659	9,355
Depreciation and amortization	3,888	4,280
Increase (Decrease) in liability for retirement benefits	63	27
Interest and dividends income	(406)	(567)
Foreign exchange losses (gains)	137	(11)
Loss (Gain) on disposal of fixed assets	86	236
Decrease (Increase) in trade notes and accounts receivable	1,143	(132)
Decrease (Increase) in inventories	(1,601)	1,678
Increase (Decrease) in trade notes and accounts payable	(1,770)	(2,221)
Other, net	(477)	(426)
Sub total	13,723	12,218
Interest and dividends received	408	577
Income taxes paid	(3,624)	(2,269)
Net cash provided by operating activities	10,507	10,526
Cash flows from investing activities		
Payments into time deposits	—	(1,646)
Purchase of short-term investments	(1,000)	—
Proceeds from sales of short-term investments	2,000	1,000
Purchase of fixed assets	(8,733)	(6,984)
Proceeds from sales of fixed assets	7	64
Purchase of investment securities	(1,162)	(802)
Other, net	(558)	(40)
Net cash used in investing activities	(9,447)	(8,408)
Cash flows from financing activities		
Repayment of short-term loans payable	(56)	—
Cash dividends paid	(4,473)	(5,376)
Purchase of treasury stock	(3,003)	(3,002)
Proceeds from sales of treasury stock	31	63
Net cash used in financing activities	(7,502)	(8,314)
Effect of exchange rate changes on cash and cash equivalents	(2,169)	(1,901)
Net increase (decrease) in cash and cash equivalents	(8,611)	(8,098)
Cash and cash equivalents at beginning of period	118,956	113,560
Cash and cash equivalents at end of period	110,345	105,461

Notes to Consolidated Financial Statements

Notes Regarding Going-concern Assumptions

None

Notes on Significant Changes in Shareholders' Equity

Purchase and Disposal of treasury stock

The Company purchased 777,500 shares of treasury stock (total amount of purchase cost: 2,999 million yen) pursuant to a resolution at a meeting of the Board of Directors held on February 14, 2019. The purchase of treasury stock pursuant to said resolution concluded on March 19, 2019.

In addition, the Company disposed of 47,830 shares of treasury stock (total amount of disposal book value: 254 million yen) as Restricted Stock Compensation and allotment by BIP Trust.

As a result, treasury stock at the end of the second quarter of the fiscal year ending December 31, 2019 was 10,147 million yen.

Changes in Significant Subsidiaries During the Quarter

None.

There were no changes in specified subsidiaries, but from the first quarter of the fiscal year ending December 31, 2019, Mabuchi Precision (Jiangmen) Co., Ltd. was included in the scope of consolidation in light of its increased significance.

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

Calculation of tax expense

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

Supplementary information

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Effective from the first quarter of the current fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). As a result, the Company now classifies deferred tax assets as investments and other assets, and deferred tax liabilities as non-current liabilities.

Segment Information

Six months ended June 30, 2018 (January 1, 2018 – June 30, 2018) and 2019 (January 1, 2019 – June 30, 2019)

1. Information concerning net sales and income by reporting segment

(Millions of yen)

			2018	2019
Net sales	Japan	External customers	6,306	6,908
		Intersegment	44,069	40,865
		Total	50,376	47,773
	Asia	External customers	37,552	31,512
		Intersegment	38,970	36,206
		Total	76,523	67,718
	North and Latin America	External customers	10,220	11,612
		Intersegment	23	629
		Total	10,244	12,241
	Europe	External customers	18,444	15,968
		Intersegment	40	41
		Total	18,484	16,010
	Eliminations Note 1		(83,104)	(77,741)
	Consolidated Note 2		72,524	66,002
Segment income (loss)	Japan		3,513	3,084
	Asia		6,412	4,555
	North and Latin America		(354)	(452)
	Europe		709	471
	Eliminations Note 1		744	657
	Consolidated Note 2		11,025	8,316

Notes: 1. The segment income (loss) eliminations of ¥744 million in the six months ended June 30, 2018 and ¥657 million in the six months ended June 30, 2019 represent intersegment transaction eliminations and other adjustments.

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

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

Not applicable