

Note: The original disclosure in Japanese was released on August 10, 2017 at 12:30 (GMT +9).

CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017 (J-GAAP)

August 10, 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 filing of quarterly report: August 10, 2017

Scheduled date of start of dividends payments: September 15, 2017

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. 2016	6M ended Jun. 2017	Year on Year
	<i>(Millions of yen)</i>		<i>(Percentage change)</i>
(1) Consolidated Operating Results:			
Net sales	69,503	71,931	3.5%
Operating income	11,902	12,365	3.9%
Ordinary income	8,306	13,202	59.0%
Profit attributable to owners of parent	5,902	9,346	58.4%
Profit per share (Yen)	85.98	137.70	
Fully diluted profit per share (Yen)	85.96	137.65	

Note: Comprehensive income

Six months ended Jun. 30, 2017: ¥8,428 million (—%) Six months ended Jun. 30, 2016: ¥(14,550) million (—%)

	As of Dec. 31, 2016	As of Jun. 30, 2017
	<i>(Millions of yen)</i>	
(2) Consolidated Financial Position:		
Total assets	258,387	254,025
Net assets	232,917	231,225
Shareholders' equity ratio	90.1%	91.0%

Note: Shareholders' equity

As of Jun. 30, 2017: ¥231,094 million As of Dec. 31, 2016: ¥232,807 million

2. Dividends

Record Date	Dividends (Yen)				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Full year
Fiscal 2016	—	44.00	—	76.00	120.00
Fiscal 2017	—	54.00	—	—	—
Fiscal 2017 (Forecast)	—	—	—	55.00	109.00

Note: Amendments to dividend forecast that has been disclosed recently: Yes

Note: 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: ¥39.00

Breakdown of year-end dividend for fiscal 2017 (forecast): Special dividend: ¥40.00

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

	Full year	Year on Year
	<i>(Millions of yen)</i>	<i>(Percentage change)</i>
Net sales	144,000	2.3%
Operating income	22,500	-7.1%
Ordinary income	24,000	-8.2%
Profit attributable to owners of parent	17,900	-13.1%
Profit per share (Yen)	264.29	—

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, 2017	69,125,962	Dec. 31, 2016	69,927,562
2) Number of shares of treasury stock at end of period:	Jun. 30, 2017	1,536,514	Dec. 31, 2016	1,558,170
3) Average number of shares during period:	Jan.–Jun. 2017	67,872,315	Jan.–Jun. 2016	68,643,673

Note: The number of shares of treasury stock as of June 30, 2017 included the shares held by ESOP and BIP (86,500 shares and 116,386 shares, respectively, at the end of the period), and 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).

* The quarterly review procedure 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, 2017 (January 1–June 30, 2017), the world economy in general showed underlying strength. In the U.S. economy, strong consumer spending and steady improvement in the employment and income environment continued. The gradual economic recovery trend in the European economy continued. In the Japanese economy, although improvement in the employment environment underpinned consumer spending, business conditions were lackluster. Although the Chinese economy was strong due to economic stimulus measures, it entered a reactionary adjustment phase in the latter half of the quarter, and 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. Although demand in the Consumer and Industrial Products Market remained stable, markets for some applications continued to contract.

Under these business conditions, looking at the sales performance of Mabuchi motors, sales volume increased 1.9% and sales revenue increased 3.5% compared with the same period of the previous year. Furthermore, sales volume and sales revenue were 1.6% and 0.7% higher, respectively, than the first-half forecasts under the sales plan at the beginning of the year. As a result, net sales for the six months ended June 30, 2017 were 71,931 million yen (a 3.5% increase on a year-on-year basis). Motor sales, which account for the majority of consolidated net sales, were 71,924 million yen (a 3.5% increase on a year-on-year basis).

Operating income for the six months ended June 30, 2017 was 12,365 million yen (a 3.9% increase on a year-on-year basis), as the positive impact of an increase in sales volume, improvement in the product mix, and a weaker yen compared with the same period of the previous year exceeded the negative impact of an increase in selling, general and administrative expenses and cost increases due to factors including the start of mass production at the plant in Mexico. Ordinary income was 13,202 million yen (a 59.0% increase on a year-on-year basis) as a result of a decrease in foreign exchange losses compared with the same period of previous fiscal year. Profit before income taxes was 13,120 million yen (a 64.4% increase on a year-on-year basis), and profit attributable to owners of parent was 9,346 million yen (a 58.4% increase on a year-on-year basis).

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 52,054 million yen (a 5.6% increase on a year-on-year basis). In the results for medium-sized motors, which are a prioritized business, overall sales of power window lifters were flat as a result of a temporary decrease in orders accompanying an inventory adjustment in China, despite an increase in sales of new products. Sales of motors for electric parking brakes, engine peripheral equipment, seat belt pretensioners, and door closers increased. Sales of compact motors also increased. Sales of motors for door lock actuators and car mirrors increased thanks to a stable increase in demand for automobiles and higher installation rates. Market share of motors for air conditioning damper actuators was maintained, and sales developed according to plan. Sales of motors for headlight level adjusters increased due to an increase in the number of equipped models, an increase in market share, and other factors.

2) Consumer and Industrial Products Market

Net sales in this market fell to 19,869 million yen (a 1.7% decrease on a year-on-year basis). The markets for inkjet printers and CD players in cars continued to contract, and sales declined despite strong sales of motors for power tools.

(2) Financial Position

Total assets as of June 30, 2017 stood at 254,025 million yen, decreasing by 4,362 million yen from the end of the previous fiscal year. Major changes from the end of the previous fiscal year include an increase in inventories of 1,826 million yen, a decrease in cash and bank deposits of 5,394 million yen due to cash dividends paid and purchase of treasury stock and a decrease in trade notes and accounts receivable of 2,510 million yen.

Total liabilities stood at 22,800 million yen, a decrease of 2,669 million yen compared with the end of the previous fiscal year. The most noticeable changes from the end of the previous fiscal year were a decrease in trade notes and accounts payable of 769 million yen and a decrease in other current liabilities of 2,058 million yen.

Total net assets decreased by 1,692 million yen from the end of the previous fiscal year, to 231,225 million yen.

Major changes include a decrease in foreign currency translation adjustments of 1,911 million yen.

(3) Forward-Looking Statements Including Consolidated Results Forecast

In developed countries, the outlook for the U.S. economy remains strong, due to improvement in the employment environment and higher consumer spending. The European economy is expected to be strong overall, despite a sense of uncertainty about the outlook for the U.K. The Japanese economy is expected to gradually recover. In emerging market economies, China will likely see the adjustment phase continue, and an overall gradual recovery is forecast for other emerging countries.

In the markets in which the Mabuchi Group operates, we expect gradual growth in the Automotive Products Market to continue. In the Consumer and Industrial Products Market, we expect flat demand for motors for home appliances and power tools, lower demand for precision and office equipment and audio and visual equipment in the personal-use products market, and flat demand for precision and office equipment in the business-use market. In light of these circumstances, we forecast full-year consolidated 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 22,500 million yen (a 7.1% decrease on a year-on-year basis) as a result of negative factors, namely higher prices of commodities such as copper and steel and an increase in selling, general and administrative expenses reflecting increased investment in personnel and information technology in anticipation of further growth, despite an earnings boost from a continued sales volume increase and improvement in the product mix. We anticipate ordinary income of 24,000 million yen (an 8.2% decrease on a year-on-year basis) and profit attributable to owners of parent of 17,900 million yen (a 13.1% decrease on a year-on-year basis).

With regard to the current results forecast, we have left the forecast for net sales unchanged and revised upward the forecasts for operating income, ordinary income, and profit attributable to owners of parent by 4.2%, 6.7%, and 7.8%, respectively, from the forecast announced at the beginning of the fiscal year (announced on February 14, 2017).

The actual exchange rate for the first half was 1 USD = 112.37 JPY, and the second half projection is 1 USD = 108 JPY, unchanged from the previous assumption made at the beginning of the fiscal year.

In accordance with the revision to the consolidated results forecast, we have increased the forecast for the full-year dividend by 6 yen per share (3 yen each for the 2nd quarter-end dividend and year-end dividend) from the initial forecast and have revised the forecasts for dividends to a 2nd quarter-end dividend of 54 yen per share (ordinary dividend of 15 yen and special dividend of 39 yen) and a year-end dividend of 55 yen per share (ordinary dividend of 15 yen and special dividend of 40 yen), for a full-year dividend of 109 yen per share (ordinary dividend of 30 yen and special dividend of 79 yen).

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, 2016 and JUNE 30, 2017

(Millions of yen)

ASSETS	December 31, 2016	June 30, 2017
Current assets		
Cash and bank deposits	122,477	117,082
Trade notes and accounts receivable	28,348	25,837
Short-term investments	499	1,947
Merchandise and finished goods	18,631	19,338
Work in process	1,296	1,412
Raw materials and supplies	6,765	7,769
Deferred tax assets-current	1,667	1,447
Other current assets	5,292	3,744
Allowance for doubtful accounts	(102)	(147)
Total current assets	184,878	178,434
Fixed assets		
Property, plant and equipment		
Buildings and structures	46,131	45,541
Accumulated depreciation	(26,675)	(26,529)
Buildings and structures, net	19,456	19,012
Machinery, equipment and vehicles	49,387	51,108
Accumulated depreciation	(24,054)	(25,349)
Machinery, equipment and vehicles, net	25,332	25,759
Tools, furniture and fixture	16,281	16,710
Accumulated depreciation	(11,900)	(12,419)
Tools, furniture and fixture, net	4,381	4,290
Land	6,197	6,683
Construction in progress	4,966	7,037
Total property, plant and equipment	60,336	62,783
Intangible assets	1,163	1,094
Investments and other assets		
Investment securities	10,504	10,198
Deferred tax assets-non-current	488	513
Other investments and other assets	1,112	1,098
Allowance for doubtful accounts	(95)	(96)
Total investments and other assets	12,009	11,713
Total fixed assets	73,509	75,590
Total assets	258,387	254,025

(Millions of yen)

LIABILITIES AND NET ASSETS	December 31, 2016	June 30, 2017
Liabilities		
Current liabilities		
Trade notes and accounts payable	7,340	6,570
Short-term loans payable	113	113
Accrued income taxes	2,462	2,788
Accrued bonuses due to employees	252	244
Accrued bonuses due to directors	145	58
Deferred tax liabilities-current	65	132
Other current liabilities	9,556	7,497
Total current liabilities	19,935	17,405
Long-term liabilities		
Long-term loans payable	56	—
Accrued benefits for stock payment	77	94
Liability for retirement benefits	2,620	2,622
Asset retirement obligations	13	13
Deferred tax liabilities-non-current	2,476	2,435
Other long-term liabilities-non-current	289	228
Total long-term liabilities	5,534	5,394
Total liabilities	25,470	22,800
Net assets		
Shareholders' equity		
Common stock	20,704	20,704
Additional paid-in capital	20,579	20,419
Retained earnings	193,141	193,417
Treasury stock	(6,633)	(7,543)
Total shareholders' equity	227,792	226,998
Accumulated other comprehensive income		
Net unrealized holding gains on securities	2,708	3,186
Deferred gains or losses on hedges	(472)	(29)
Foreign currency translation adjustments	4,222	2,310
Retirement benefits liability adjustments	(1,443)	(1,370)
Total accumulated other comprehensive income	5,014	4,096
Subscription rights to shares	110	130
Total net assets	232,917	231,225
Total liabilities and net assets	258,387	254,025

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

MABUCHI MOTOR CO., LTD. & CONSOLIDATED SUBSIDIARIES FOR THE SIX MONTHS ENDED JUNE 30, 2016 and 2017

(Consolidated Statements of Income)

	(Millions of yen)	
	2016	2017
Net sales	69,503	71,931
Cost of sales	46,687	48,512
Gross profit	22,816	23,419
Selling, general and administrative expenses	10,914	11,053
Operating income	11,902	12,365
Non-operating income		
Interest income	183	177
Dividend income	114	126
Foreign exchange gains	—	58
Gain on sale of raw material scrap	360	513
Other	217	148
Total non-operating income	875	1,025
Non-operating expenses		
Stock-related expenses	37	38
Foreign exchange losses	4,331	—
Non-deductible consumption tax	35	52
Other	67	97
Total non-operating expenses	4,471	188
Ordinary income	8,306	13,202
Extraordinary income		
Gain on disposal of fixed assets	0	7
Total extraordinary income	0	7
Extraordinary loss		
Loss on disposal of fixed assets	92	88
Impairment loss	94	—
Provision for business structure improvement	139	—
Total extraordinary loss	326	88
Profit before income taxes	7,980	13,120
Income taxes	2,078	3,774
Profit	5,902	9,346
Profit attributable to owners of parent	5,902	9,346

(Consolidated Statements of Comprehensive Income)

	(Millions of yen)	
	2016	2017
Profit	5,902	9,346
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(1,388)	477
Deferred gains or losses on hedges	—	443
Foreign currency translation adjustments	(19,171)	(1,911)
Retirement benefits liability adjustments	107	72
Total other comprehensive income	(20,452)	(917)
Comprehensive income	(14,550)	8,428
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(14,550)	8,428
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, 2016 and 2017

	(Millions of yen)	
	2016	2017
Cash flows from operating activities		
Profit before income taxes	7,980	13,120
Depreciation and amortization	3,142	3,565
Impairment loss	94	—
Increase (Decrease) in liability for retirement benefits	30	54
Interest and dividends income	(297)	(304)
Foreign exchange losses (gains)	1,624	714
Loss (Gain) on disposal of fixed assets	91	81
Decrease (Increase) in trade notes and accounts receivable	(1,894)	2,931
Decrease (Increase) in inventories	433	(1,959)
Increase (Decrease) in trade notes and accounts payable	42	(1,751)
Other, net	1,894	(1,956)
Sub total	13,141	14,497
Interest and dividends received	298	311
Interest paid	(0)	(2)
Income taxes paid	(3,439)	(3,517)
Net cash provided by operating activities	10,000	11,289
Cash flows from investing activities		
Increase of time deposits	(171)	—
Proceeds from withdrawal of time deposits	340	164
Purchase of short-term investments	(2,000)	(1,000)
Proceeds from sales of short-term investments	3,500	500
Purchase of fixed assets	(5,286)	(6,467)
Proceeds from sales of fixed assets	3	3
Other, net	(366)	(140)
Net cash used in investing activities	(3,980)	(6,939)
Cash flows from financing activities		
Repayment of long-term loans payable	(56)	(56)
Cash dividends paid	(4,028)	(5,211)
Purchase of treasury stock	(5,445)	(5,004)
Proceeds from sales of treasury stock	713	31
Net cash used in financing activities	(8,817)	(10,241)
Effect of exchange rate changes on cash and cash equivalents	(9,505)	(1,353)
Net increase (decrease) in cash and cash equivalents	(12,302)	(7,245)
Cash and cash equivalents at beginning of period	112,956	122,302
Increase in cash and cash equivalents from newly consolidated subsidiary	—	2,019
Cash and cash equivalents at end of period	100,654	117,076

Notes to Consolidated Financial Statements

Notes Regarding Going-concern Assumptions

None

Notes on Significant Changes in Shareholders' Equity

Purchase and cancellation of treasury stock

On February 14, 2017, the Company resolved, at a meeting of the Board of Directors, to purchase treasury stock pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, Paragraph 3 of said Act, and resolved to cancel treasury stock pursuant to the provisions of Article 178 of the Companies Act. As a result, the Company purchased and cancelled treasury stock during the six months ended June 30, 2017 as described below.

1. Purchase of treasury stock

- (1) Class of shares purchased
Common stock of the Company
- (2) Total number of shares purchased
801,600 shares
- (3) Total amount of purchase cost
4,999 million yen
- (4) Purchase period
February 16, 2017 to March 24, 2017
- (5) Purchase method
Purchase in the open market through discretionary trading

2. Cancellation of treasury stock

- (1) Class of shares cancelled
Common stock of the Company
- (2) Number of shares cancelled
801,600 shares
- (3) Total value of shares cancelled
4,009 million yen
As a result, retained earnings and treasury stock each decreased by the same amount.
- (4) Date of cancellation
April 14, 2017

Changes in Significant Subsidiaries During the Quarter

Not applicable.

Although MABUCHI MOTOR POLAND sp. z o.o., newly established in the first quarter of the fiscal year ending December 31, 2017, has been included in the scope of consolidation, this matter does not constitute a change in a specified subsidiary.

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.

Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Beginning in the first quarter of the fiscal year ending December 31, 2017, the Company has applied Application of Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

Segment Information

Six months ended June 30, 2016 (January 1, 2016–June 30, 2016) and 2017 (January 1, 2017–June 30, 2017)

1. Information concerning net sales and income by reporting segment

		(Millions of yen)		
		2016	2017	
Net sales	Japan	External customers	5,718	6,018
		Intersegment	45,629	44,608
		Total	51,347	50,627
	Asia	External customers	39,176	38,953
		Intersegment	38,979	37,716
		Total	78,156	76,669
	North and Latin America	External customers	8,837	9,298
		Intersegment	—	9
		Total	8,837	9,307
	Europe	External customers	15,771	17,660
		Intersegment	—	—
		Total	15,771	17,660
	Eliminations Note 1	(84,609)	(82,334)	
	Consolidated Note 2	69,503	71,931	
Segment income (loss)	Japan	4,314	5,386	
	Asia	6,971	6,440	
	North and Latin America	(28)	(148)	
	Europe	521	676	
	Eliminations Note 1	124	10	
	Consolidated Note 2	11,902	12,365	

Notes: 1. The segment income (loss) eliminations of ¥124 million in the six months ended June 30, 2016 and ¥10 million in the six months ended June 30, 2017 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