

Chapter III Initiatives for Value Creation

Strategies by Business



* The ratios were calculated exclusive of other adjustments.

Adding to our other three segments – the Machined Components, the Electronic Devices and Components, and the MITSUMI business segments – we newly introduced the U-Shin business segment in April 2019.

We originally embarked on business as a manufacturer specializing in ball bearings, but later applied our capabilities in ultra-precision technologies developed through machining operations to our Electronic Devices and Components business.

As a result, our Electronic Devices and Components business now outperforms our Machined Components business in terms of percentage of net sales.

Machined Components Business

Income up 16.4% YoY

Annual external sales of ball bearings recorded the highest ever. Sales and income increased due to dual factors of organic growth and M&As.

SWOT analysis

- Strengths**
 - Ultra-precision machining technology
 - High-quality and mass production technologies
 - Product supply speed
 - High market share in niches
- Weaknesses**
 - Relatively low profitability for some products
- Opportunities**
 - Innovation of products
 - More sophisticated and advanced products
 - Demand for greater energy efficiency
- Threats**
 - Substitution with new technology (Certain products including those for HDDs)
 - Shift to low-priced products

Future growth strategy

- Response to increasing demand
- Improvements in productivity
- Enhancement of aerospace area and entry into new area
- Development of new technologies
- Expansion of portfolio

Electronic Devices and Components Business

Income down 29.8% YoY

Sales and income decreased largely due to a slowdown in China demand particularly for household electrical appliances and office automation.

SWOT analysis

- Strengths**
 - High-quality and mass production technologies
 - Product supply speed
 - High market share in niches
 - Extensive product lineup
- Weaknesses**
 - Low profitability for some products
 - Insufficient sales channels for new products
- Opportunities**
 - Innovation of products
 - More sophisticated and advanced products
 - Demand for greater energy efficiency
- Threats**
 - Substitution with new technology
 - Intensifying competitive environments
 - Rising raw materials and parts prices

Future growth strategy

- Core business centered on motors and sensing devices
- Expansion of automotive product lineup
- INTEGRATION with former MITSUMI ELECTRIC's technologies
- Development of new technologies

MITSUMI Business

Income up 11.0% YoY

Sales and income increased despite substantial production adjustments for certain products in the second half of the fiscal year.

SWOT analysis

- Strengths**
 - R&D capability/proposal-based sales capability
 - Capability for handling mass production
 - Product supply speed
 - Connectivity (IoT) related technologies
- Weaknesses**
 - Low profitability for some products
 - Susceptibility to demand trends
 - Product portfolio
- Opportunities**
 - Demand for greater energy efficiency
 - Increased demand for connectivity related products
 - Emergence of revolutionary products
 - Increasing digitalization of components
- Threats**
 - Substitution with new technology
 - Intensifying competitive environments
 - Change in trend of major customers

Future growth strategy

- Creation of new products utilizing development capabilities
- Expansion of automotive product lineup
- Further improvements in productivity
- Development of business focused on sales of modules rather than sales of single units

U-Shin Business

Business integration in April 2019

SWOT analysis

- Strengths**
 - Transaction results of doing business with leading OEMs worldwide/ Global manufacturing sites / Shift to in-house production of parts and development of new products
- Weaknesses**
 - Dispensing strengths and relationships in Europe/ Insufficient investment due to poor financial performance
- Opportunities**
 - Substantial growth opportunities through the business integration/ Shift to electric lock systems / Increasing business involving shift to smart house technologies
- Threats**
 - Intensifying offensives mounted by competitors
 - Stagnation of global automotive shipment

Future growth strategy

- Improvements in productivity
- Higher yield
- Implementation of clear location strategy
- Establishing competitive products