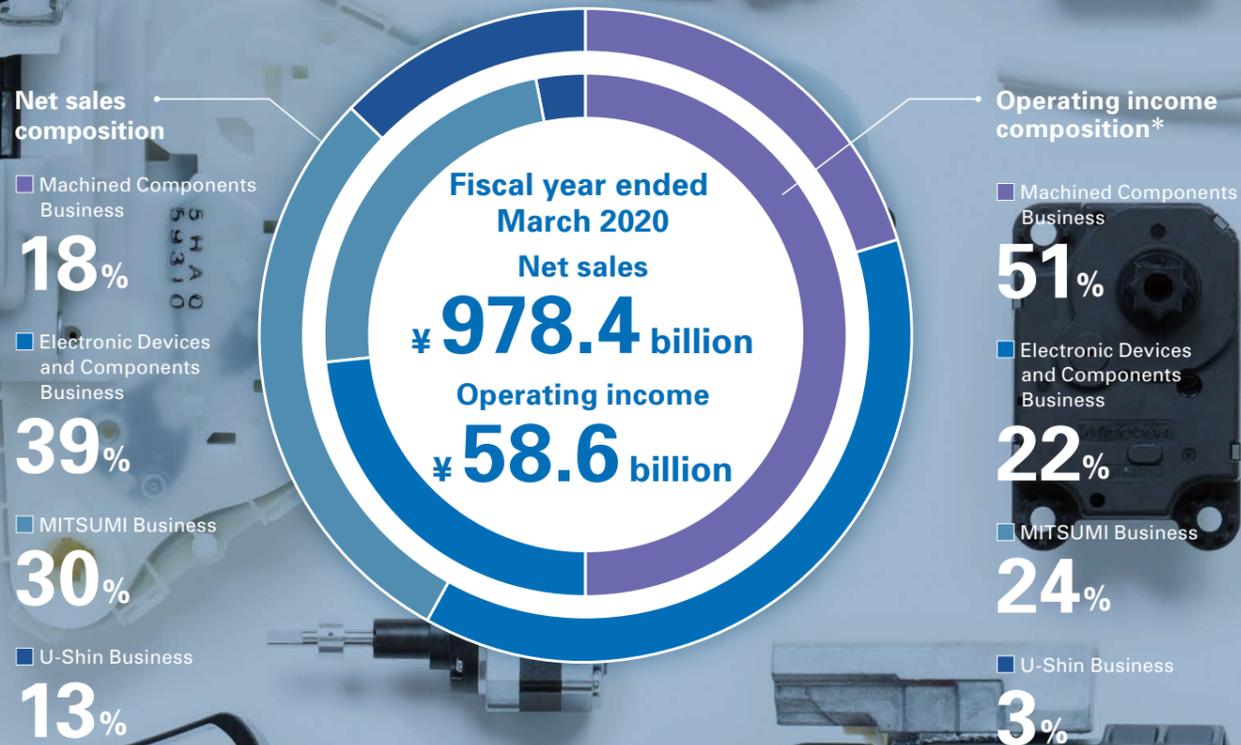


# Chapter III Initiatives for Value Creation

## Strategies by Business



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 core technologies, such as ultra-precision technologies developed through machining operations, to our Electronic Devices and Components business.

We will build a unique position as an "INTEGRATION manufacturer of precision components" with a multi-faceted business portfolio unlike any other in the world and contribute to risk diversification.

\* The ratios were calculated exclusive of other adjustments.

### Machined Components Business

Income down **16.5%** YoY

Sales and income decreased due to the macroeconomic slowdown

#### 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
- Handling low-priced products (non-high-end 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
- Development of new technologies
- Expansion of portfolio

### MITSUMI Business

Income down **16.3%** YoY

Secured the same level of income in real terms as the previous 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

- Focus on developing new products
- Expansion of automotive products
- Generation of synergies with ABLIC in the field of analog semiconductors
- Development of business focused on sales of modules rather than sales of single units

### Electronic Devices and Components Business

Income up **3.7%** YoY

Secured increased earnings with a diversified product portfolio

#### 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

### U-Shin Business

Income down **62.9%** YoY

Sales and income decreased due to the slowdown in the automobile market

#### 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/Limited customer segment

##### 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