

Interview with the COO

Towards the Achievement of the Mid-Term Management Plan



Representative Director
& COO, Senior Managing
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Towards the Mid-Term Management Plan

-- What are your thoughts on the Mid-Term Management Plan the company announced in February 2021?

Our aim for 2023 is to propose solutions that address challenges that society and our customers face. We have mapped out a dynamic path of responsible growth through the success and expansion of our customers' business. I wish to emphasize that we are not aiming for a simple increase in sales. Global society is still dealing with the COVID-19 pandemic, which is not yet subsiding. It's at a time like this that we want to really think things through when setting new targets, and to show the perseverance inherent in great engineering as we continue to challenge ourselves.

We are fortunate to have built tremendous knowledge, steadily over the 66 years since our establishment as a dedicated motor manufacturer. We want to keep deepening that knowledge and our technological capabilities to explore and demonstrate how compact, lightweight, and efficient

our motors can be; to boost quality and balance cost through our standardization strategy; to maintain our stable and rapid supply capabilities; and to build our ability to offer unit and solution proposals as a driver of growth.

Our standardization strategy and unitization capability

-- You mentioned "ability to offer unit proposals." Yet there must be a need to customize according to customers' requests. How do you account for this need within the company's standardization strategy?

Yes, our company has pursued a standardization strategy, and we are able to boast high market shares thanks to the excellent cost-performance balance of our motors. Standardization of motors is a strategy that also has become our specialization. By bringing Mabuchi's expertise in standardization to bear, we believe we can provide unitization that both accommodates customers' requests and adds value. So far, under a policy of not entering into our customers' business domains, we have focused

on dealing solely in motors. Recently, however, we have received a growing number of requests from customers in areas peripheral to motors. We believe there are efficiencies to be found in such projects, and that we can continue our win-win relationships with customers by not moving into a certain business domain if the customer so requests.

We are advancing in brushless motors, and leveraging our track record of quality in automotive applications to expand sales in this area thanks to our sound business relationships and practices. Further, we are achieving reductions in size and weight in control circuits, and can offer these unitized together with brushless motors. Naturally, in units too we will strengthen our advantages in quality, delivery time, and cost through standardization.

Recently, our customers have begun matching their mechanical designs to standard unitized items. Especially in the consumer market, the turnover of products is fast, so there is an increasing demand for products that can be easily assembled and completed as end-products. To maximize our learning for unitization, we are collaborating with people in industry, government, and academia, and with our customers to expand our knowledge.

Solution proposal capabilities

-- Can you tell us more about the "solution proposal capabilities" you mentioned?

The word "solution" is heard a lot. Although essentially it means "problem solving," we are thinking farther beyond when we say "solution proposals." By this we mean anticipating needs that even customers may not have perceived, and offering proposals based on those. To add value in our customers' products, we aim to make proposals not only from the motor perspective but also from the perspective of customers' products and, more broadly, from the perspective of society, of the people using these products. We consider, for

example, what are the performance improvements and cost reductions obtained by using our motors, and how do these differ from or improve upon what other companies might achieve?

In addition to anticipating our customer's needs through trustful dialogue, we also intend to create new products that combine our specialized knowledge of motor utilization with the expanding body of knowledge in these new fields, thereby enhancing our capability to propose solutions of high value.

Manufacturing that enhances profitability

-- What measures are you undertaking to boost profitability and efficiency?

In recent years, we have moved more and more to machine-based line design. These more flexible, labor-saving lines have improved quality and productivity through improvements in production efficiency. To improve space efficiency and equipment utilization rates, we have conducted cost-reduction activities in production, such as mixed-flow production capable of producing multiple models on a single line. As part of our Next-Generation Manufacturing Innovation, we are developing new production methods aimed at further automation and unmanned operation that emphasizes versatility and maintainability. In doing so, we want to connect systematic production quantity increases in existing locations while controlling capital investment.

Through the internal production of equipment and components, we have accumulated production technologies that are unique to us as a dedicated motor manufacturer. These give us a great advantage. We are not fixated on internal production of equipment and components, but we do so when we can leverage our knowledge and good supplier relationships where appropriate. In this way we are enhancing profitability through manufacturing that is characterized by efficiency, low cost, and flexibility.

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Solving problems facing society

-- How do our motors contribute to solving issues confronting society?

Our motors excel in technologies requiring compact, low weight, and high efficiency motors. Our motors also contribute to safety improvements in automobiles, another major responsibility of the automotive industry.

Carmakers adopting our motors can reduce weight in automobiles, for example, which contributes significantly to fuel efficiency improvements. Motors for engine peripheral equipment also contribute directly to the improvement of engine efficiency. Our motors are used in lock mechanisms that prevent dislocation of electric vehicle power supply cables, and in electric parking brakes (EPBs) that enable easy and secure brake setting regardless of the driver's strength. This is a safety feature that has been very well received, resulting in an increasing installation rate.

To accommodate the needs of aging societies with shrinking workforces through consumer and commercial equipment applications, we provide brushless motors bundled with circuitry to drive an increasing variety of components and to expand sales. Electric locks that ensure home safety have become widespread, and we have leveraged our track record in automotive door locks to achieve adoption for home use as well.

We aim to achieve business growth while contributing to improvements in safety, comfort, and environmental performance in people's daily lives.

Future activities by business applications

-- Let's talk about the outlook for future activities in different business areas.

Medium-sized automotive products:

■ Power windows:

In the automotive industry, suppliers traditionally have been fixed within each affiliate company. In that setting, our company has been able to raise our market share through quality, cost, and stable supply, as well as through technology and capital for the developing new products. In addition to standardization, our company possesses unique structural designs and manufactures key components internally. These are all things that are not easily imitated, and it is hard to imagine other companies taking on sufficient equipment investments to compete with us in this realm. Accordingly, we plan to continue growing our markets share through more compact, lightweight, and efficient new products.

■ Power seats, EPBs:

These items, developed and sold as strategic applications, have given us great confidence by capturing high-volume customers. When autonomous driving becomes commonplace, the question will be, what functions and features should self-driving cars have? We expect that features for power seats, such as reclining and silent operation, will expand. Our company has the technology to meet these expanding needs and features. EPBs too are also more and more common, and we are developing new products that can be adopted by more customers.

Small automotive products:

For many years our company has held over 70% of the global share for door lock and mirror applications. How can we maintain this position and add new value? If we make wise and large-scale use of our strengths, we can expand our business

through cost reductions in existing businesses and through the deepening of local production for local consumption.

I think that mirrors will shift towards cameras in the future. If this happens, cameras will require a motor to drive the pump that cleans the lens. I believe that our relationships with manufacturers of audio-video equipment, previously a large market, will thrive again with the shift to cameras. Here, too, we can demonstrate our capabilities for solutions proposals and unitization.

Consumer and industrial products:

At present, over 70% of our company sales come from automotive products. However, we have considered an ideal sales ratio to be 6:4, that is, about 40% from consumer and industrial products. Rather than reducing the applications of automotive products, this means increasing the applications of consumer and industrial products to 40% of sales.

The diversification of usage applications constitutes risk management in the event of major technological

innovations. Moreover, in automotive electrical fittings and equipment applications, we look several years ahead, and we don't exclusively consider business results. In consumer and commercial equipment applications, products have short life cycles, new products appear one after another, and immediacy in sales results is expected. In addition, the evolution of home appliances in recent years has been noteworthy, with robots doing more of the work, and we feel there is strong potential for rapid growth in this market.

As some societies age, nursing, medical and healthcare products are gaining importance. Entering these markets now will lead to sales in the future as social change advances. We are envisioning how people's lifestyles will be changing and, based on what will become mainstream in the future, we will ensure useful roles for our motors, including brushless motors and other new products that expand our unit business.

Priorities in the Mid-Term Management Plan

Medium-sized automotive products (PW)	<ul style="list-style-type: none"> - Delivering products to two of three companies in Detroit; in January 2021, we received certification from the remaining one. - Having received orders from two more Japanese OEMs, we now manufacture for a total of five Japanese carmakers. - Our ambition is to further expand sales to automobile manufacturers in Japan, the U.S., Europe and China, and to gain orders from EV manufacturers increasing market share.
Medium-sized automotive products (other than PW)	<ul style="list-style-type: none"> - While expanding sales, we will gain the world's largest market shares for PS and door closer, and keep our top position for EPB. - We are developing new products with higher added value and expanding orders.
Small automotive products	<ul style="list-style-type: none"> - We are ramping up activity in automotive brushless motors and the unit business. - We are expanding business by cutting costs in existing business and pursuing local production for local consumption.
Consumer and industrial products	<ul style="list-style-type: none"> - Develop brushless motors for consumers (in particular, for small light electric vehicles and collaborative robots) and increase orders. - Expand uses in wellness and healthcare. - Expand units, including gear units and fan units.