

**Q&A (Summary)**  
**Investor Conference Call for 1Q of FY3/2024**  
**MinebeaMitsumi Inc.**

Date & Time: Friday, August 4, 2023 17:30-JST

Speaker: Mr. Yoshihisa Kainuma / Representative Director Chairman CEO  
Mr. Katsuhiko Yoshida / Director, President COO & CFO

\* This material has been summarized from the original dialogue.

Q: Please tell us about the forecast of second quarter results by segment and whether they are up or down in relation to the initial guidance.

A: The figures from the second quarter forecasts are obtained by subtracting the first quarter results from the first half forecasts announced in May.

In Precision Technologies (PT) segment, ball bearings for automobiles are expected to remain firm, and bearings for aircraft are expected to slightly exceed the initial forecast. However, the segment as a whole is expected to come in slightly below the initial forecast due to the substantial decline in data centers.

As for Motor Lighting & Sensing (MLS) segment, backlights are almost progressing as expected. Motors for automobiles are strong, but others such as motors for HDDs and office automation are slowing down a little. In particular, performance of motors for HDDs is being slightly weak. In Semiconductors & Electronics (SE) segment, the launch of new optical device models is progressing smoothly. Although there may be a slight shift in the timing, the situation is as expected. Performance of mechanical components is a little stronger than expected, while performance of semiconductors is as expected for the most part.

Access Solutions (AS) segment is impacted by the current slowdown in the sale and production of internal combustion engine vehicles in China. Still, we expect second quarter results to be mostly as projected.

Q: Can you tell us what was behind the 40 billion yen QoQ increase in inventories?

A: The main reason for this was basically that we strategically built up inventories for seasonal smartphones and games in preparation for the demand period. There was also a slight increase in finished goods inventory for certain bearings and inventory of non-automotive motors.

Q: With regard to when data centers will recover, what are the assumed scenarios for inventory adjustment and the timing of the bottoming out? Also, you mentioned that products such as ball bearings, pivot assemblies, motors for HDDs and fan motors will be impacted. Will there be a

uniform production adjustment, or will it vary by product?

A: The current season is definitely the bottom, so there is no need to panic right now. Also, this is subjective, but in a situation like we are in where the market experiences a rapid deceleration, I would anticipate a swift recovery rather than a gradual one. To ensure that we solidly maintain the supply capacity for which we have received high praise from our customers, we believe it is necessary to maintain a certain level of inventory. However, we have established certain criteria for appropriate inventory for both HDDs and bearings.

Q: Please provide us with the actual and estimated monthly ball bearing sales volumes?

A: The results for April to July and the forecast to September are as follows:

External sales volumes of 181, 190, 191, 195, 191, and 203 million units, respectively.

Internal sales volumes of 42, 42, 42, 40, 42, and 39 million units, respectively.

Production volumes of 267, 288, 280, 248, 263, and 254 million units, respectively.

Q: In the SE segment, first quarter results showed a significant decrease in profit contrary to the declining level of sales YoY. Are optical devices behind this?

A: Optical devices are the biggest factor. Semiconductors were also down YoY due in part to the very strong first quarter of the fiscal year ended March 2023.

Q: What is the outlook for optical devices and semiconductors in the second quarter, and are shipments proceeding as planned?

A: As for optical devices, although the overall production volume of new models is still uncertain, shipments are steadily picking up without any problems, including the numbers requested by customers.

On the other hand, orders for sustaining models are weak, and we see also some minor downward pressure factors there.

Looking at semiconductors, there are some positive factors such as a recovery of orders related to smartphones in Greater China, and I have a feeling that the first quarter was the bottom with the BB ratio exceeding 1. However, we do not believe the situation will get much better in the second quarter and beyond.

Q: In relation to data centers, comparing HDD motors and ball bearings, are there any differences in the changes in demand between the first quarter results and the second quarter forecasts?

A: First, our customers for ball bearings are fan motor manufacturers. Our position in the supply chain is little far off from the product because the fan motor manufacturers deliver fan motors for servers installed at data centers.

With HDD motors, we deal directly with data center device manufacturers. As such, the impact of

last year's data center-related orders and production is earlier with HDD motors, while bearing adjustments happen a quarter or so later.

However, it does not mean there are differences in the current recovery or the forecasts for the second quarter and the second half. At this stage, the situation remains uncertain.

Q: What are the risks and opportunities related to the medium- to long-term impact of generative AI servers on your business?

A: Generative AI chips produce high heat, which requires a device to cool them. There are several types of cooling methods, but in any case, we believe there are various business opportunities by making our bearings more precise or more suitable for high-speed rotation. We also anticipate various business opportunities arising related to this, including details that cannot be explicitly disclosed at this stage.

Q: Is it safe to say there is no impact from FX forward contract this year?

A: No, there is no impact.

Q: What are the key factors behind the current improvement in profitability in the AS segment?

Also, what are the effects of SOGO (=INTEGRATION) in the medium to long term and the impact of new projects on profitability?

A: There are various factors behind the improvement, but the business turnaround of longtime loss-making U-Shin Europe made a significant impact in this regard. In Europe, we carried out restructuring including the dismissal of nearly 300 employees and transferred production from the German plant to the Eastern Europe. I believe it is important to increase the production volumes at these plants to the point where they can generate profits above the break-even point. Meanwhile, U-Shin Japan has been highly profitable. We believe that profitability will recover once automobile production comes back. The most significant point is that we are seeing improvement in the areas where we struggled with the cost structure and volume.

On the other hand, Minebea Access Solutions (MAS) did not do very well in the first quarter due to a decline in the sales volumes of Japanese car manufacturers in China that are in the process of following the trend towards electric vehicles. However, once they catch up sooner or later on electric vehicles and the overall volume increases, I believe we will be able to make a profit.

As for the effects of SOGO in the medium to long term, door handles, that is integrating motors, antennas and sensors allow us to achieve differentiation by engaging in vertically integrated production and in-house development of products that other companies procure externally for production. In Europe, there has been a rapid increase in recognition among customers that MinebeaMitsumi is a door handle manufacturer. With regard to new projects, the 2025 models will take a little more time, but if we increase the volume, it is more likely that the operating

margin will drastically improve. We are planning a strategy to standardize and produce these commonly functional components in Southeast Asia and other places where labor costs are lower. They will then be made into finished goods in the Eastern Europe. There are currently no other door handle manufacturers of our business scale utilizing Asian production footprints, and thus we would like you to anticipate in this area. We are implementing various countermeasures toward our target operating margin being at least 10%.