

Q&A (Summary)
Investor Meeting for 3Q of FY3/2024
MinebeaMitsumi Inc.

Date & Time: Friday, February 2, 2024 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: It turned out that you revised your full-year forecast again this time in February following November, and you mentioned that there was an unprecedentedly rapid change. Please tell us in detail what has worsened and what has improved, including the degree of the change.

A: We believe that all the worsening factors can be explained by the smartphone applications and bearings.

The positive turnaround was seen on HDD related business. We have not yet reached the level of the peak period, and felt confidence on the timing of the recovery. Having said that, however, the worst is definitely behind us, and we are gradually recovering with increase in profit contribution.

Q: With regard to optical devices, I think that at the timing of the fiscal year change, there will be stringent demands from customers for volume forecasts and prices. Although your initial forecast for the next fiscal year was to maintain flat sales due to an increase in the number of components, what are the risks for profit decline?

A: Regarding the volume, we do not believe that we can make very strong assumptions about the overall market for the next fiscal year. As for the competitive environment, given that there is no change in the strong price demands from customers, we think the measures we must conduct is to continue to meet our customers' requirements by improving productivity and yield.

Taking into account that YonY profits declined in the first quarter of FY3/2024 when we struggled by losing the market share to our competitor, we believe that we can aim to secure profits in FY3/2025 at or above the level of FY3/2024.

Q: Please tell us about the recovery trend of semiconductors and bearings, which are affected by the macrocycle. What changes have you seen in your assumption of the timing of recovery as of November 2023 and now?

A: We do not expect a sudden recovery, at least not from April of this year. At this point, we are not in a position to give a definite answer as to the timing of recovery.

Q: What changes have been made to your assumptions for the smartphones and ball bearing business as of November 2023 and February 2024?

A: With regard to smartphones, the volume that we had expected to be postponed from the 3Q to the 4Q due to consumption trends and customer inventories did not turn out as expected and actually decreased.

In terms of bearings, by application, automotive applications were as strong as expected.

As for the data center recovery, sales of HDDs, including helium drives for data centers, have bottomed out. We had assumed that sales of bearings would recover a little more in the January-March period, but in fact they will remain flat or slightly decline. Accordingly, the production plan for the January-March period is revised downward to maintain the inventory level, resulting in a decline in profits compared to the November forecast.

Despite under such circumstances, there are some bright points, such as improvement in bearing inventories at a Taiwanese fan motor customer. There are also news that a 2 trillion yen data center will be built in Japan, which we believe will be a great opportunity if construction actually begins. I assume that this is linked to the trend of interest rates in the U.S. and the world.

Although investment will be restrained while interest rates are high, actual demand for such facilities is becoming necessary, and I believe that we need to wait a few more months to see what will happen.

Q: You have also revised profits downward for Motor Lighting & Sensing (MLS) this time. Can this be attributed to the gap between your forecast and the actual result in October-December period, when the non-automotive applications such as home appliances, OA, and industrial declined?

A: Yes. In particular, motors. We are forecasting conservatively because the recovery of our Chinese customers is very weak. Sales for automotive applications are almost as expected, while sales for non-automotive applications are weak, including those for hard disks.

Q: What can we interpret from the improvement of profit margin and sales of Access Solutions (AS)? Can we assume a profit of about 6 billion yen per quarter for the next fiscal year and beyond?

A: There are two reasons for the AS recovery: one is the steady improvement in productivity and resolution of various problems, and the other is the increase in volume. Manufacturing companies need to ensure that they have the capacity to meet the supply volumes demanded by customers. When production stops due to COVID-19, semiconductor problems, etc., manufacturing companies gets a heavy blow. On the other hand, when production volumes recover, all but material costs tend to be profitable, and we believe that the effects of productivity improvement and cutting back on inefficiency are linked to profits. Profits may fluctuate up or down due to foreign exchange factors, and production stoppages due to unexpected supply chain disruptions, such as earthquakes, may also affect.

Although various problems are expected to occur, we believe that if nothing goes wrong, we will be able to generate a profit of just under 6 billion yen per quarter.

We have received various orders from now until around 2025. As I mentioned in the 2Q results, we received orders worth 100 billion yen, and we have received large orders from other companies as well. I am really looking forward to this, and I believe that products such as door handles, which are typical examples of Electro Mechanics Solutions, will be used in various vehicles.

Q: Please provide the factors behind the increase in profits for the next fiscal FY3/2025. Will there be contributions from new models for mechanical components?

A: We are not in a position to answer about the existence of new models for our customers, but if new models were launched in the next fiscal year as you have asked, we believe it would be a new business opportunity for us. In addition, we have been reducing production in 4Q, and if a new model was launched in the next fiscal year, we believe that we would be able to expect a positive YonY result.

Q: Please tell us about the 3Q results and 4Q forecast for sales of parts supplied for fee.

A: Approximately 12.1 billion yen and 9.5 billion yen, in 3Q and 4Q, respectively.

Q: Please tell us about the 3Q results and 4Q forecast for ball bearing production and sales volume.

A: Actual figures are provided from October to December, and projected figures are from January to March. Volumes are in million units. Production volume: 246, 255, 248, 253, 253, and 277.

External sales volume: 220, 225, 212, 214, 203, and 234. Internal sales volume: 36, 36, 39, 37, 36, 36.

Q: What are your thoughts on the 3Q results for optical devices, and to what extent do you expect a decline in the 4Q, including seasonality?

A: In the 3Q, sales grew about 15% in QonQ.

The 3Q results turned out considerably lower than the November forecast, and the 4Q forecast is expected to be down 30-40% from the 3Q.

In the November forecast, we had expected that the 3Q downturn would be offset by an increase in the 4Q, and that the 2H total would be flat. However, in the February forecast this time, the assumed shift from 3Q to 4Q and the increase in 4Q will not be realized. Since 4Q forecast is almost the same as that of November, the decrease in 3Q will directly result in a decrease for the full year.