

**Q&A (Summary)**

**Investor Meeting for 2Q of FY 3/2025**

**MinebeaMitsumi Inc.**

Date & Time: Wednesday, November 6, 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: For Semiconductors & Electronics (SE) and Access Solutions (AS) segments, it appears that the amount of operating income increases in the second half of the year compared to the first half. Could you explain the reason behind this?

A: As I explained earlier, the operating income forecast remains unchanged from the August forecast due to exchange rate fluctuations associated with the U.S. presidential election and the difficulty in forecasting the external environment. The current business environment for SE game-related and OIS-related businesses is certainly not good, and our operations are not performing as expected. Therefore, we expect the performance to be weak compared to the forecast.

AS figures are based on the expectation of a slight recovery in the second half, and include price adjustment and productivity improvement. In addition, business related to the slowdown of Japanese OEMs in the Chinese market is not going well at the moment, but instead, North American operations, including Mexico, are being rebuilt. The slowdown in China is being offset by the North American operations. We expect the strong performance in North America to continue, and we believe our current operating income forecast is achievable. We expect a recovery in the second half due to the price adjustment for future production, an improved product mix, and the turnaround of previously loss-making plants into profitability.

Q: The forecast for the second half has not been adjusted since August, and while some businesses, such as Precision Technologies (PT) and Motor Lighting & Sensing (MLS), are expected to perform well, others are a bit challenging. Is it fair to assume that you have determined you can achieve 103 billion yen in operating income as a whole?

A: It is somewhat uncertain at this time due to various external factors such as exchange rates.

Q: In AS, you mentioned the price adjustment and the product mix shift to high value-added products, and that your position in the industry will also increase. When will be the timing that these efforts yield results and establish a structure capable of consistently achieving a 10% operating margin?

A: We have made considerable progress in improving productivity, but the operating margin is currently around 5%. In order to improve, it is necessary to change the product mix through electrification and implement price adjustment. The change in product mix will take more time than for ordinary electronic components, and we expect it to take about two years.

Q: What is your exposure to China in the semiconductor business, and what is the most important point of differentiation from the competition in analog semiconductors? Based on your track record of competing with Chinese manufacturers in various businesses, is the improvement in performance sufficient, or is there a risk?

A: In our current semiconductor portfolio, the highly competitive area related to China is not a majority for us. Even if we were not able to compete well in China, we do not see it as a major downside because we can find various business opportunities outside of China by differentiating ourselves.

Currently, Chinese competitors are capable of producing similar products at a very low price, although the quality is not exactly the same. As a countermeasure, our point of differentiation is to improve the performance of each individual semiconductor. I cannot go into details, but I believe that by changing the design and processing and improving performance, we will be able to differentiate our products in terms of current volume.

Q: Please tell us about the 2Q results and the 3Q forecast for the FY3/2025 for ball bearing production and sales volume.

A: Volume are in million units, and the results for July to September and the forecast to December are as follows: Production volume is 281, 276, 278, 284, 302, and 300. External sales volume is 245, 237, 246, 243, 247, and 248. Internal sales volume is 55, 52, 52, 49, 49, and 45.

Q: Please tell us your current bearing production capacity and the future outlook?

A: We have been indicating that that our production capacity is 370 million. As we are constantly working to improve productivity, we believe there is room to further increase the production.

Q: Regarding the sub-core business, what is the change from 1Q to 2Q and your outlook for 3Q and beyond for camera actuators? What kind of change do you expect in the games from the first half to the second half? What business opportunities do you see for backlights for tablets in the future?

A: First of all, with regard to camera actuators, production and sales grew significantly in the 2Q, and the figures were higher than the initial forecast and the August forecast. However, these figures themselves were not necessarily satisfactory. We believe that the competitive landscape was not as expected either. Although we have not changed our forecast for the second half, we are not certain at this time whether we will be able to achieve our forecast, given the downward trend in the production volume forecast by our customers.

Although we cannot explain the games in details, as they are related to our customers' roadmaps and other factors, we have built our figures based on the assumption that the second half will be lower than the first half.

Regarding backlights for tablets, we expected a reasonable figure at the beginning of the fiscal year, and these orders itself has started, but there is a downward trend at the moment. We do not expect this situation to change significantly during the current fiscal year, and we will carefully assess what kind of business will be possible in the next fiscal year and beyond.

Q: What are your prospects for the camera actuators and games in the next fiscal year and beyond?

A: Basically, what we can say is that there is demand from our customers, and we are committed to fulfilling that demand.

Q: Regarding MLS, Could you explain why the amount of change in operating income relative to the change in sales in the 1Q and 2Q appears to be small?

A: Motor sales and profits increased and operating income also improved, which is better than our expectation. Lower-than-expected performance of lighting devices is the reason.

Q: Is there room for upside to the current 2H plans for PT and MLS, maybe to cover the risk of SE?

A : First of all, in MLS, we believe that the HDD market will grow steadily in the medium to long term, centering on helium. However, as for this fiscal year, we do not expect a large increase in sales and profit for the second half, but rather flat growth or a slight adjustment in the 4Q. Although the growth in motors from 1Q to 2Q was in the non-automotive field, we do not expect a large growth potential in 3Q and 4Q due to seasonality.

As for PT, we expect a very strong trend in the medium to long term, both in bearings and aircrafts, but we do not expect the current demand for bearings for data centers to recover even stronger.

We also recognize that the automotive market itself is not strong, although it is not decreasing due to content growth. In the aircraft market, the overall business is very strong, and we believe that the planned figures are within the achievable range. However, there is talk that some of our customers in North America will be affected by production adjustments, so it is difficult to assume a large upward swing at this point.

Although there is a slight change in the exchange rate, operating income is expected to be at least flat, with 14.0 billion yen in the 3Q and 14.3 billion yen in the 4Q, compared to 14.7 billion yen in the 2Q.