

Q&A (Summary) Investor Meeting for FY 3/2025
MinebeaMitsumi Inc.

Date & Time: Friday, May 9, 2025 from 5:30 p.m.
Presenter: Mr. Yoshihisa Kainuma / Representative Director, Chairman CEO
Mr. Katsuhiko Yoshida / Director, President, COO&CFO

*This material has been summarized from the original dialogue.

- Q. Regarding the operating income plan for FY3/2026, despite your explanation that the sub-core business in the SE (Semiconductor & Electronics) segment is improving, why do you expect the operating income of the SE segment to decrease as on slide 23?
- A. In FY3/2026, the Smart Products business, which was previously in the SE, has been transferred to the MLS (Motor Lighting & Sensing) segment, and this transfer accounts for the decrease. Excluding this difference, the operating income would be on par with the previous year. The semiconductor business is expected to increase slightly, the Mechanical Components business is expected to increase, and the Optical Devices business is expected to decrease by about the same amount as the increase in the Semiconductor and the Mechanical Components businesses, resulting in a conservative plan that is almost unchanged on a net basis.
- Q. Could you explain why the operating income in the second half of the year is larger than in the first half?
- A. We plan operating income of 42.5 billion yen in the first half and 57.5 billion yen in the second half, and we do not think the difference is that great. 1Q sales of the Optical Devices will be sluggish due to difficulties in obtaining rare earths, but we expect a recovery from 2Q. We hope you will consider our full-year forecast to be quite conservative. The first half of 42.5 billion yen consists of 14.0 billion yen in the 1Q and 28.5 billion yen in the 2Q. In particular, the 1Q plan takes into account special factors.
- Q. Could you please explain why the AS (Access Solutions) segment and the MLS have higher operating income, especially in the second half of the year?
- A. We currently expect our various businesses for data centers to perform well into the second half of the year. Although we will need to assess continuity, we also expect our bearings and fan motors in the MLS to do well. In addition, overall operating income from motors will improve due to an improved product mix and other factors. Backlights are also planned based on the assumption that tablet production will grow through the second half of the year, and operating income for the MLS is expected to be 18 billion yen in the second half of the year, compared to 12 billion yen in the first half. The AS will be 6.5 billion yen in the first half and 12.5 billion yen in the second half. 1Q was expected to start slightly slow, but as Chairman Kainuma explained earlier, the current performance has not weakened that much, so you can assume that the plan is conservative including other segments.
- Q. You mentioned that the Optical Devices in the SE saw a YoY decline in profit, but given the problematic situation at the launch in FY3/2025, does that mean that you are looking at another level of harsh sales this year, rather than a recovery?
- A. First of all, we can hardly produce anything in the 1Q due to the rare earth issue, and we expect to be in the red. In addition, there is price pressure. In the second half of the year, we expect the production problem to be resolved and the business to recover. Last year we had difficulties in starting up the business, but this year we are troubled by the rare earth problem.
- Q. Looking back over the past few years, after the period of the spread of COVID-19, the external environment for the global electronic components business has improved at a weaker pace than expected, and your company feels that there is a kind of barrier to operating income of 100 billion yen. You will be announcing your mid-term business plan again. Given that the current challenging business environment is expected to persist, what kind of growth model do you intend to pursue in order to bridge the gap and achieve the operating income growth you originally envisioned?
- A. The bearing business is still our star performer, and for FY3/2025, we have posted an operating income of 55.7 billion yen, exceeding the former record high of 47.8 billion yen. In this business environment, we have been able to pursue profits so far as expected, including aircraft. I believe this is largely due to two factors: 1) the market is growing, and 2) our products are differentiated and have a competitive edge. We call the businesses that have been completed as *the Four Spear* out of *the Eight Spears*. They are bearings, semiconductors, motors, and Access Products. Semiconductors range from power semiconductors to analog semiconductors, and although there is no uniformity in the Semiconductors, even in the current business environment, ABLIC has been able to secure operating margin of more than 30%. I think the question is what kind of business we should concentrate on from now on, and like SHIBAURA ELECTRONICS, how much we can increase the number of businesses that can grow and further differentiate us from our competitors. Regarding AS, many other auto parts manufacturers, including those in Europe and elsewhere, are on the verge of bankruptcy. The fact that our company has been able to generate such a high level of profit amidst such a situation means that our products and technologies have been evaluated relatively highly. I understand that you may be inclined to evaluate our business in the short term, but if you look at our business from a more long-term perspective, I believe you will understand that we are gaining acceleration.
- Q. I understand that you have made progress in reviewing and leveraging the sub-core business in the Chairman's Office ICU. Could you please explain the issues you recognize, the measures you have taken and the results? Can you say that this will not be a risk factor this fiscal year?

A. For example, there is the problem solving of the overall line balance. When you are on the line every day, you tend to focus on individual issues and lose sight of the big picture. For example, even if you are trying your hardest to eliminate short stops and stick to the machines, short stops will still occur. So, I advise them to set up the line based on this premise to improve the situation. I can't go into detail as it involves proprietary know-how, but what I do is to go to the line in an honest manner and tell them what I feel, while also listening to the problems of the members on the line to make improvements. For example, suppose an important piece of equipment costs 50,000 yen per unit. If the cost were increased to 500,000 yen per unit, the accuracy would be greatly improved, but the shop floor would try to cope with the situation with a 50,000 yen machine. Simply telling them that "You can use a machine of 500,000 yen" will lighten the mental burden of the on-site members.

The two unexpected factors for FY3/2026 are the rare-earth problem in the Optical Devices and foreign exchange rates. Although the Mechanical Components are also performing well, there is no doubt that there is a potential and inherent problem with purchasing supplied parts in Japan and sending them overseas for assembly and supply to customers, which inevitably creates a time lag. If the yen strengthens significantly, it will have a very negative impact on profits.

However, as I always say, we have a clear definition of our core business, and I have told everyone that the Optical Devices and the Mechanical Components are not our core businesses. For our part, it means that we will do our best until the end.

Q. Please explain the production and sales volume 4Q results for FY3/2025 and the 1Q forecast for FY3/2026 for ball bearings and for pivot assemblies.

A. In units of 1 million, production volume is 288, 273, 289, in order from January, 283, 300, 303 after April; external sales volume is 234, 224, 257 in order from January, 253, 250, 254 after April; internal sales volume is 47, 44, 43 in order from January, 47, 45, 45 after April; total sales are 281, 267, 300 from January, 300, 295, 299 after April.

The forecast for April-June will be slightly higher for external sales. Pivot assemblies are in units of 10,000 units.

Production volume is 10, 10, 10 from January, and 9, 10, 9 from April. Sales volume is 9, 10, 9 from January, and 10, 10, 9 from April.

Regarding the market background, no particular change has occurred with regard to HDDs. On the other hand, the recovery of sales for fan motors, especially in the so-called data center market centering on China, exceeded our expectations from January to March. This trend has become even stronger since April, and we are seeing a remarkable market recovery. We believe that currently China has stronger trend than in Europe and the U.S. In the automotive market, there has been no change in the growth of content since before, with solid results in the 4Q and a similar trend in the 1Q.

Q. The March external sales volume was higher than previously disclosed. Could the reason be related to data centers in China?

A. Yes, I am not certain if it is related to DeepSeek, but I believe there is a strong need for such.

Q. Is part of the strong performance attributable to a demand pull-in effect in anticipation of the tariffs??

A. For bearings and pivots, we recognize that there is no forward loading effect from the tariffs. Rather, we recognize that different sectors are involved than the tariff-affected markets.

Q. Your exchange rate assumptions for the current fiscal year are 140 yen to the dollar and 160 yen to the euro. What are the negative impacts from such?

A. We regret to inform you that, as previously explained, we do not disclose our sensitivity to foreign exchange rates.

Q. What percentage of your sales and production is destined for the U.S.?

A. If the sales by region disclosed in the IR are incorporated into the plan for FY3/2026, they will amount to about 340 billion yen. However, this is a "bill to" figure and includes figures that are not sold directly to the U.S. Sales directly to the U.S. are approximately 160 billion yen. Of this amount, about 120 billion yen is produced in the U.S. and sold to the U.S., and about 40 billion yen is produced outside the U.S. and sold to the U.S. We do not know how many ahead requests there will be, but we assume that it will not be that much.

We do not anticipate much of an increase in supply chain inventory, especially since a large percentage of the 120 billion yen we are selling in the U.S. is in areas where we are Tier 1. We do not think that we will be able to produce a large number of products.

In our Tier 2 and Tier 3 business in the U.S., it is possible that the supply chain will have excess inventory, but we are not aware of any significant change in demand at this point in time.

Q. If you are producing outside the U.S. and selling to the U.S. for about 40 billion yen, you may have no problem with the status quo, but do you have plans to increase U.S. production?

A. If a customer strongly requests U.S. production, we will consider it carefully, but there are factors to consider, such as whether products produced in the U.S. can be sold at the same price as products produced in Asia, and whether this is acceptable. In addition, there is the issue of our relationship with Mexico and Canada. Currently, we are considering increasing some of our production in the U.S., but we have not yet developed any concrete measures to make a major change that would show up in our business performance. We have received requests from customers to slightly increase production in North America, or to increase U.S. production of products that were previously produced in other countries as customers increase their production in North America. However, we recognize that there are not that many requests.

Q. Your company has a global business model with bases mainly in Southeast Asia, procuring on a global scale, assembling, processing, and then exporting. Given the current tariff situation, will it be necessary to change the production area, or will it not be necessary to actively change it?

A. First of all, we believe that products manufactured in China and exported to the U.S. will be very small in value, so there will be almost no problem. I think the problem is how to make ends meet at other locations. Singapore has a 10% tariff rate, and if the customer requests it and is willing to bear the cost, we would be happy to accommodate the request. When

Thailand was subject to countervailing duties from the U.S., we exported everything to the U.S. from Singapore. However, we cannot simply transfer the exact same model number to Singapore, so this can only be said to depend on the wishes of the customer. Others have pointed out that Cambodia has a higher tariff rate than Thailand, but at this point we believe that we will not have to change the production location.

- Q. You are planning a large YoY increase in the MLS in FY3/2026. Which areas will contribute the most, such as HDD motors, automotive, or backlights?
- A. Comparing figures that incorporate segment changes, the MLS operating income for FY3/2025 is about 25 billion yen, and there are special factors of about 0.8 billion yen, so we think the base figure will be about 26 billion yen. We expect operating income of 30 billion yen for FY3/2026. The recovery of the HDD market is not factored into this figure. Basically, we have included a flat figure in our plan. We have also included some areas of growth for in-vehicle motors through content growth under the current business environment, but we have not included a large figure.
- As for earnings drivers, we expect operating margin of stepping motors to recover in new markets, and fan motors will see the data center market boom due to new needs, and sales of high-margin products will increase.
- In Backlight devices, production of tablets, which had previously been a drag on earnings, has increased the production above the break-even point, and although the level of earnings is still insufficient, the numbers will rise toward the second half of the year. In addition, the Smart Products will also grow as a revenue driver, as the market for storage battery protection modules is booming. In the Smart Products business, operating income was more than 2 billion yen in FY3/2025, and we expect operating income of about 3 billion yen in FY3/2026. For these areas excluding cars and HDDs, we plan to increase profits by 4 billion yen YoY with an expected increase of about 1 billion yen for each of them.
- Q. Regarding the Mechanical Components, you explained that the Chairman's Office ICU has been terminated. How do you expect the share to be in the current fiscal year?
- A. The market share of the Mechanical Components will be lower than expected due to a delay in the start-up of the business compared to other companies, but we expect to return to the previous market share percentage in the second half of the year.
- Q. What market share do you expect for the Optical Devices after the rare earth problem is resolved?
- A. We expect a large downturn in the Optical Devices in 1Q, a recovery in 2Q, and a share of less than 50% for the full year in our plan. This is a conservative estimate due to the large variable factors of the total number of smartphone sets and the rare earth issue. However, as Chairman Kainuma explained, we will continue to build a solid foundation for production, and if production proceeds smoothly, we do not expect a downward swing from the current plan, but rather an upward swing. On the other hand, we have also made a very conservative plan for the Mechanical Components, and I hope you understand that the figures are considerably lower than the previous profit level.