

MISUMI Group Inc. FY2025 Q2 Financial Results Briefing (Zoom) Q&A (Excerpt)
(October 31, 2025, Friday)

<Q&A>

【Regional Trends】

Q: (Ref. p.17 of 1H Earnings Report) Could you please elaborate on the factors behind the revision of the full-year operating income (OI) outlook, particularly with respect to the product mix (notably the business related to China's telecommunications sector) as reflected in the OI Variance Analysis?

A: Telecommunications-related business in China recorded exceptionally large orders last year. While we had previously anticipated this year's level to be about half of the previous year, actual orders have continued. Based on the 1H results, we expect this trend to continue into the 2H, which prompted us to make an upward revision. Although it is not expected to reach last year's level, it has been factored into a level comparable to the 1H.

Q: Please provide clarification regarding the background for the continued demand in telecommunications-related products in China. Previously, the understanding was that orders mainly came from the Chinese subsidiaries of U.S. and European companies. Do local Chinese customers now also place orders? In assessing the sustainability of sales, I would like to comprehend whether an improvement in the customer mix has been a contributing factor in structural terms.

A: The increase in demand has been mainly driven by AI-related Data Center (DC) investments, which can be viewed as structural to a certain extent. Some believe this demand will continue for the time being, but DC-related devices we handle are not directly tied to overall DC demand, making the outlook projection difficult. Accordingly, we have continued to take a conservative view in our forecast, and this stance will remain going forward.

Q: Has there been any change in the customer composition related to telecommunications demand?

A: No, there has been no change. MISUMI products continue to be utilized mainly in areas where Chinese manufacturers are strong, involving roughly ten key manufacturers. The lineup of customers remains unchanged.

Q: Regarding the 1H results for the U.S., on a pre-Fictiv consolidation basis, performance appears to have been flat or slightly weaker on a local currency basis compared to the 1Q. Impact of tariffs was mentioned in the comments, but could you provide more details?

A: The primary influencing factor is the impact of tariffs; however, in the U.S., sales from die and mold components constitute a significant portion of overall sales. Consequently, the underperformance of this business segment has inhibited improvement in overall results.

Q: Conversely, even though the first half was sluggish, the full-year performance for U.S. is not expected to be severely affected. Should this be understood as your view that the outlook will not deteriorate significantly?

A: That's correct. We implemented PU (price increase) measures in August, and the positive impact is expected to become visible in the 2H. This factor has been incorporated into our full-year outlook.

Q: Is it correct to assume that the U.S., which is a key strategic region, is demonstrating steady and solid growth?

A: Yes, that is correct.

【Price increase (PU)/ Cost decrease (CD)/ Cost increase (CU)】

Q: Aside from China's telecommunications sector, could you explain the factors behind changes in PU/CD particularly within "Volume Increase & Others" category since the beginning of the fiscal year?

A: It has been stated that PU would be implemented in the Americas due to the impact of tariffs during the 1Q. Starting in August, strategic PU in the Americas was carried out though not uniformly, which resulted in profits exceeding the impact of tariffs. PU was also implemented in Japan where possible, and as a result, PU/CD has contributed to improved profitability.

Q: (Ref. p.17 of the 1H Earnings Report) The Full-year Operating Income Variance Analysis shows that PU/CD/CU contributed +1.4 billion yen at the end of 1Q and +1.3 billion yen at the end of 1H. Has there been any material change in assumptions or composition since 1Q?

A: At the time of the 1Q results, the breakdown of PU/CD/CU was +0.9 billion yen based on the initial outlook and an additional +0.5 billion yen following the 1Q review, resulting in a total impact of +1.4 billion yen. As of the 1H, the figure stands at +1.3 billion yen, mainly reflecting CU directly affected by tariffs and PU measures implemented from August. Accordingly, there has been no significant change in the overall positioning or impact compared with the 1Q.

【Fictiv Inc. ("Fictiv")】

Q: For Fictiv, the losses were approximately \$3 million in July–September, \$7 million in October–December, and January–March outlook is expected to be break-even. Should this be interpreted as a seasonal pattern?

A: Yes, that's correct. In particular, fewer operating days in calendar-year 4Q, due to holidays, tends to slightly weigh on profitability.

Q: The initial projection for Fictiv's losses were 5 billion yen, and there is little difference in the revised outlook. Given the progress in the 1H, it appears that additional expenses are expected to be incurred in the 2H. Is the revised plan conservative, or is there room for an upside?

A: There has been about a 100 million yen improvement from the 1Q plan, due to increases in sales and operating income, with no other significant changes. The major difference between the 1H results and full-year outlook is because of allocation for goodwill amortization. 1H includes only three months, while nine months are accounted for the full year.

Q: Regarding Fictiv's path to profitability, you have mentioned the goal for achieving a turnaround by the fiscal year ending March 2028 at the latest. However, given the synergy effects and the operating loss of only \$2M in Q3, there is optimism that profitability could be realized as early as the next fiscal year. Could you share your thoughts on this?

A: We previously stated profitability would be achieved by FY2027 at the latest but are currently reviewing the options between continued growth investment and accelerating profitability. Fictiv's Business MODEL is well-aligned with customer needs in the U.S. market, and there is also a view that expanding market share should be prioritized over early profitability.

Q: Is Fictiv's capabilities to capture customer needs driven by the increasing number of R&D projects related to humanoids?

A: Not limited to humanoid-related projects, Fictiv's growth is supported by the broader dynamism of emerging industries in the U.S.—particularly robotics, aerospace, agricultural automation, EVs, and other innovation-driven sectors. Fictiv's strength lies in its ability to swiftly identify and address the evolving needs of these growth industries, which we believe will positively influence MISUMI's business over time.

【Digital Initiatives】

Q: The growth of Economy products in the 1H of this fiscal year appears stronger compared to last year's growth rate. Could you explain the background and future direction?

A: We are structuring our activities with the intention of achieving an upward revision to the full-year results. In regions like China and Asia, where price sensitivity is high, tariff impacts have increased CD pressure, resulting in stronger sales of competitive Economy products. On the other hand, the Japanese market is more sensitive to quality and reliability than price, which has made progress more challenging. Therefore, in Japan, we have been focusing on expanding new products that emphasize quality over price competitiveness.

Q: Comparing the growth rates of the Economy products and total regional sales (on a local currency basis) in China and Asia, conventional business segments appear somewhat sluggish. Could you please share the sales composition ratio of the Economy products in these regions? Also, you previously mentioned that the gross profit margin is comparable between the Economy products and High-end products—I would like to confirm whether that still holds true.

A: The sales composition ratio of the Economy products is approximately 8% in China and around 11% in Asia.

Q: If the sales composition ratio of the Economy products in China and Asia is around 10%, it would seem that the growth rate of other product categories is not comparatively weaker and that the impact of product mix change is limited at this stage. Is this understanding correct?

A: Yes, that understanding is correct.

Q: (Ref. p.22 of the 1H Earnings Report) Regarding meviy, although the number of users continues to grow steadily, overseas sales appear to be progressing at a slower pace. Is this due to any bottleneck, or should it be understood simply as a matter of timing?

A: Strategic priority is currently being set for the U.S. market, where meviy sales have grown by more than 100% year-over-year. Growth in other regions is still in an early stage, so the overall overseas sales growth appears modest due to the regional mix.