

MISUMI Group Inc. FY2025 Q1 Financial Results Briefing (Zoom) Q&A (Excerpt)
(July 25, 2025, Friday)

<Q&A>

[Fictiv]

Q: While you have outlined the synergies and future strategies for Fictiv, how do you plan to respond if new competitors enter the market and there is an overlap in business areas with other companies?

A: We are confident that it would require considerable time for competitors to attain the level of expertise MISUMI possesses in manufacturing Made-To-Order (MTO) (customized) products with precise specifications. This expertise, established through businesses such as meviy or Fictiv utilizing CAD-based fabrication processes, represents a significant competitive advantage.

Q: With respect to Fictiv's outlook, the projected reduction in losses appears modest compared to anticipated sales growth for CY25. Is this due to aspects of the product lineup or business model, such as marginal profit, or is it related to costs?

A: There has been no significant change in underlying profitability. Fictiv operates as a fabless company, manufacturing through partner factories rather than in-house production, leaving gross margins unchanged. Some one-off expenses associated with post-acquisition PMI are reflected, similar to our own experience. The current profitability forecast does not incorporate any optimistic future assumptions at this time.

Q: With respect to the EC platform your company plans to establish, as referenced on page 22 of the financial results presentation, what level of upfront investment will be required to realize this platform? Can the existing system infrastructure be utilized in its development? Please elaborate on how this aligns with anticipated synergies.

A: The development of this business primarily involves enhancing our current infrastructure and addressing any remaining requirements through targeted new developments. As a result, we do not foresee significant capital expenditure. From a profitability standpoint, we intend to leverage the foundations established by our previous initiatives and therefore do not expect any substantial decline in profitability. Additionally, as the organization is pursuing multiple new ventures concurrently, we carefully manage overall expenditure for these initiatives, adjusting allocation in accordance with each business's projected timeline to reach profitability or to improve earnings, ensuring total expenses remain within reasonable bounds.

Q: Could you provide quantitative estimates regarding the anticipated synergies from the Fictiv acquisition—specifically, the expected impact on sales or profits? Even approximate figures would be appreciated.

A: We have based our projections on Fictiv's existing sales plans and have thoroughly examined them to ensure alignment through post-merger integration (PMI). As a result of identified synergies, we anticipate approximately a 10% increase in sales. With respect to operating income, accounting for operational efficiencies and cross-selling opportunities, while initial expectations targeted profitability by FY27, we are now evaluating the possibility of achieving this milestone as early as FY26.

[Capital Policy]

Q: Regarding your capital policy, you mention "equity spread." How do you consider capital cost using indicators such as ROE and ROIC? Please provide quantitative details.

A: Our estimated Weighted Average Cost of Capital is about 9%. To improve equity spread, we aim to raise ROE, though a specific quantitative target is still under review. We plan to clarify this further. The Fictiv acquisition was funded with existing cash, and we intend to expand our credit lines to boost capital efficiency.

[Trends in China]

Q: With respect to the steady performance in China during Q1, is it accurate to attribute this primarily to robust top-line growth driven by Economy products? Additionally, while data center demand was anticipated to be approximately half of last year's level, indications suggest that some of this demand was advanced into Q1 and Q2. Is this demand environment reaching its peak, or does it remain stable?

A: Data center demand in China for Q1 was comparable to the previous year's level; however, this outcome largely reflects orders that were accelerated from Q3 onwards, with the full-year forecast expected to be roughly half of last year's volume. Sales in China increased by 12.2% year-on-year on a local currency basis. While overall data center demand remained relatively unchanged from the prior year, we observed sustained growth primarily in mass-production areas, including Factory Automation (FA) and certain Die components businesses.

[Tariff impact]

Q: Is demand in the Americas still strong despite ongoing tariff issues?

A: Yes, demand remains solid, especially in medical, major electronics, and EV sectors. While tariffs could dampen future investment, their impact so far has been milder than expected and this lighter outlook is reflected in current forecasts.

In Japan, Q1 was sluggish, with tariffs affecting performance. Future projections use the same logic as at year-start, based on manufacturing GDP and sales revenue. Notably, the forecast does not account for the recently reported "15% mutual tariffs between Japan and the U.S."

Q: Regarding cost increases (CU) resulting from tariffs, do you anticipate being able to reflect these in your prices? How are negotiations with customers progressing in relation to your initial plan?

A: In the first quarter, there was a negative impact of 500 million yen in the PU/CD/CU segment, primarily due to increased costs (CU) from tariffs in the Americas. There is a delay in passing on these costs; however, starting from the first quarter, price increases (PU) are planned pending customer feedback. As a result, it may seem that price adjustments have not yet been made in Q1, but this reflects the current approach.

[Profitability]

Q: Could you elaborate on the extent to which Q1 operating profit surpassed your internal projections? Additionally, regarding the full-year operating profit forecast, you referenced an upward revision of 4.4 billion yen (excluding Fictiv) from the previous plan. How much of this has already been realized in Q1?

A: While we do not disclose specific quarterly targets, I can share that sales in China and other Asian markets outpaced initial expectations, whereas performance in Japan lagged. Excluding foreign exchange effects, overall sales exceeded our planned figures. The weaker yen, compared to assumptions at the start of the year, contributed favorably; thus, including forex movements, results landed ahead of plan. In terms of operating profit, prior to considering forex and M&A intermediary fees, we fell slightly short of target; however, with forex considered, we achieved our goal. After incorporating intermediary fees of approximately 1.1 billion yen—an item not included in the original plan—we arrived at the current outcome.

With respect to Q1's progress against the full-year plan, based on the revised outlook, we are assuming a conservative exchange rate of 139 yen to the dollar for Q2 and beyond. Of the projected 1.8-billion-yen forex impact, roughly half was realized in Q1. Regarding tariff impacts, we are forecasting a total of 1 billion yen for the full year, with just under half incurred during Q1. While some adjustments may be required as the year progresses, our present projections reflect consistent logic for both tariff and forex impacts as established earlier in the year.

[Others]

Q: You have announced a total capital investment plan of 18 billion yen for FY25. What is your outlook for capital investment amounts over the next three years, including the consolidation of Fictiv?

A: We do not anticipate significant increases in capital investment. The investment in IT has been substantial, mainly due to the renewal of core systems, but with the completion of this system upgrade next year, those costs will decrease. Even if there is additional capital expenditure, they are expected to remain within the planned range. We expect the amount to remain at or below the 18 to 20 billion yen level.