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# Business Results

## Second Quarter of Fiscal Year Ending March 31, 2015

**November 5, 2014**

Minebea Co., Ltd.

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# 1. Financial Results

# 2. Policy and Strategy

# Financial Results

Hiromi Yoda
Managing Executive Officer

# Summary of Consolidated Business Results for 1H

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## Net sales, ordinary income and net income hit half-year record highs

| (Millions of yen) | FY ended Mar. '14 1H | FY ending Mar. '15 1H | Change YoY | 1H of FY ending Mar. '15 July Forecast | 1H of FY ending Mar. '15 Vs. Forecast |
|---|---|---|---|---|---|
| Net sales | 180,799 | 216,557 | +19.8% | 204,000 | 106.2% |
| Operating income | 13,003 | 24,761 | +90.4% | 21,200 | 116.8% |
| Ordinary income | 11,751 | 24,635 | X 2.1 | 20,500 | 120.2% |
| Net income | 8,772 | 17,817 | X 2.0 | 15,200 | 117.2% |
| Net income per share (yen) | 23.52 | 47.69 | X 2.0 | 40.69 | 117.2% |

| Foreign exchange rates | 1H of FY Mar. '14 | 1H of FY Mar. '15 | 1H July Assumption |
|---|---|---|---|
| US$ | ¥98.03 | ¥102.53 | ¥101.88 |
| Euro | ¥128.29 | ¥139.10 | ¥139.44 |
| Thai Baht | ¥3.21 | ¥3.18 | ¥3.14 |
| Chinese RMB | ¥15.93 | ¥16.50 | ¥16.35 |

# Summary of Consolidated Business Results for 2Q

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## Net sales, operating income, ordinary income & net income hit quarterly record highs

| (Millions of yen) | FY ended Mar. '14 | FY ending Mar. '15 | | Change | |
|---|---|---|---|---|---|
| | 2Q | 1Q | 2Q | YoY | QoQ |
| Net sales | 95,482 | 99,531 | 117,025 | +22.6% | +17.6% |
| Operating income | 9,465 | 10,524 | 14,237 | +50.4% | +35.3% |
| Ordinary income | 8,682 | 10,473 | 14,162 | +63.1% | +35.2% |
| Net income | 5,920 | 6,831 | 10,985 | +85.6% | +60.8% |
| Net income per share (yen) | 15.86 | 18.29 | 29.40 | +85.4% | +60.7% |

| Foreign exchange rates | 2Q of FY Mar. '14 | 1Q of FY Mar. '15 | 2Q of FY Mar. '15 |
|---|---|---|---|
| US$ | ¥98.34 | ¥102.40 | ¥102.65 |
| Euro | ¥129.61 | ¥140.57 | ¥137.62 |
| Thai Baht | ¥3.12 | ¥3.15 | ¥3.20 |
| Chinese RMB | ¥16.02 | ¥16.40 | ¥16.60 |

# Net Sales

Quarterly

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(Billions of yen)

**2Q net sales hits record high again**

Increased 22.6% YoY
Increased 17.6% QoQ



# Operating Income

Quarterly

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## 2Q OP margin jumps to new record high

Increased 50.4% YoY
Increased 35.3% QoQ



# Machined Components Business Quarterly

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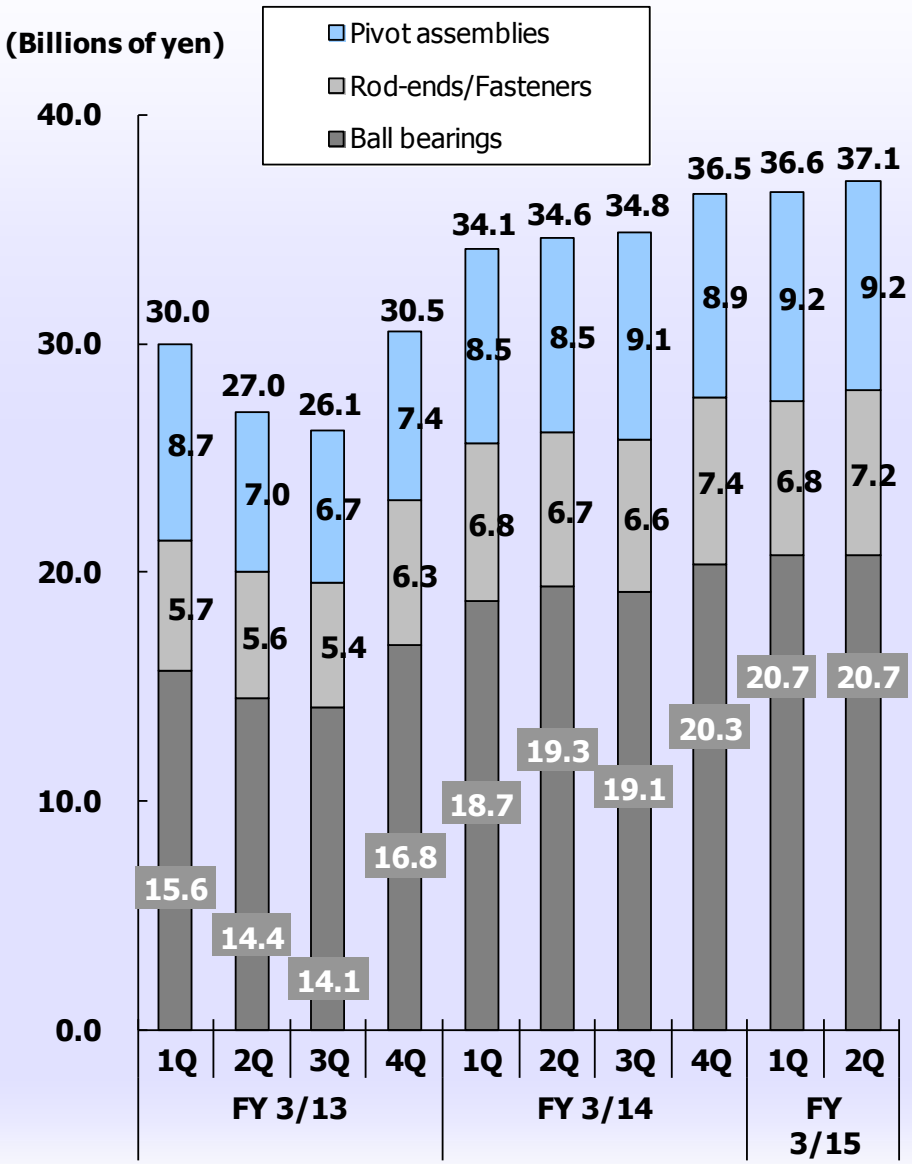
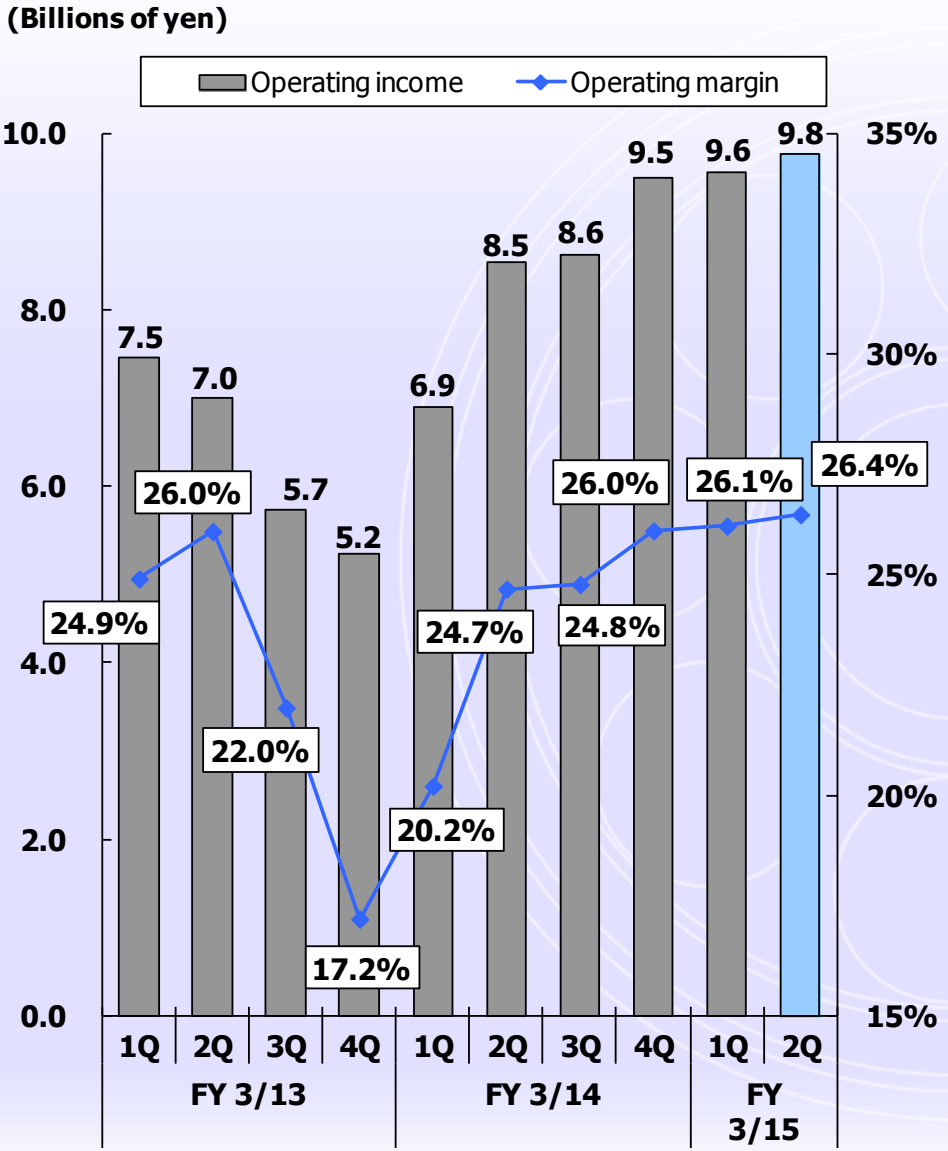
## Net sales




## Operating income



# Electronic Devices & Components Business Quarterly

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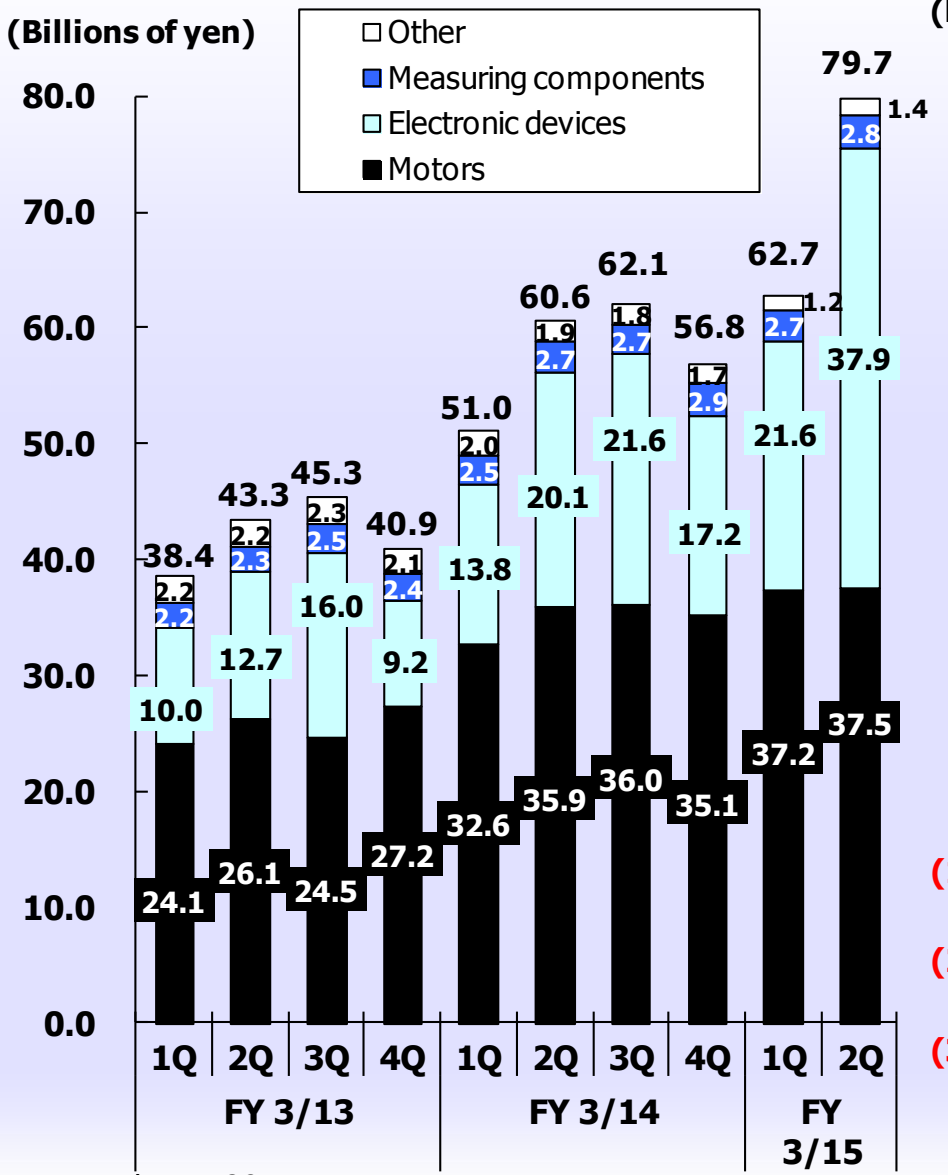
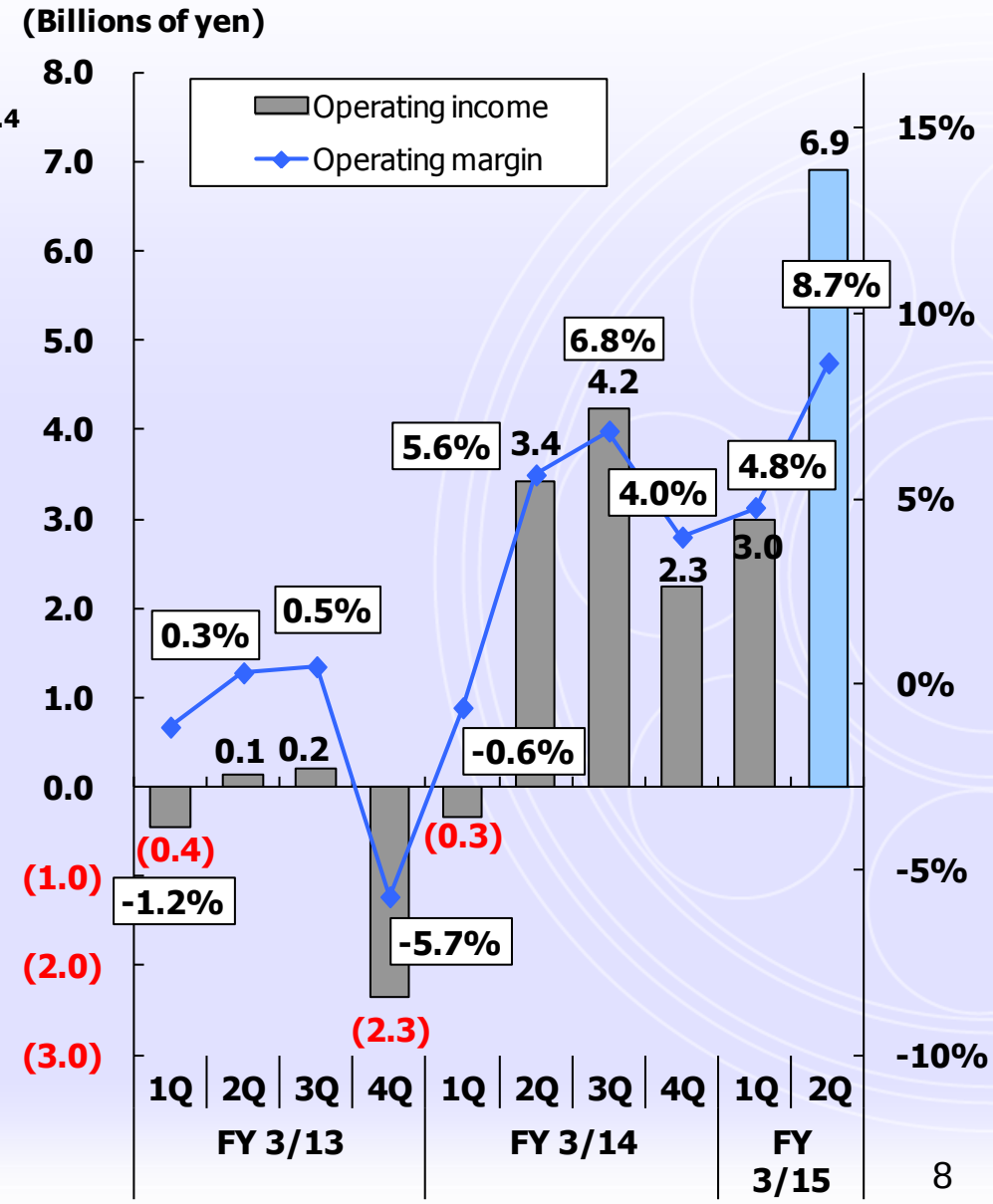
## Net sales




## Operating income



# Net Income

Quarterly

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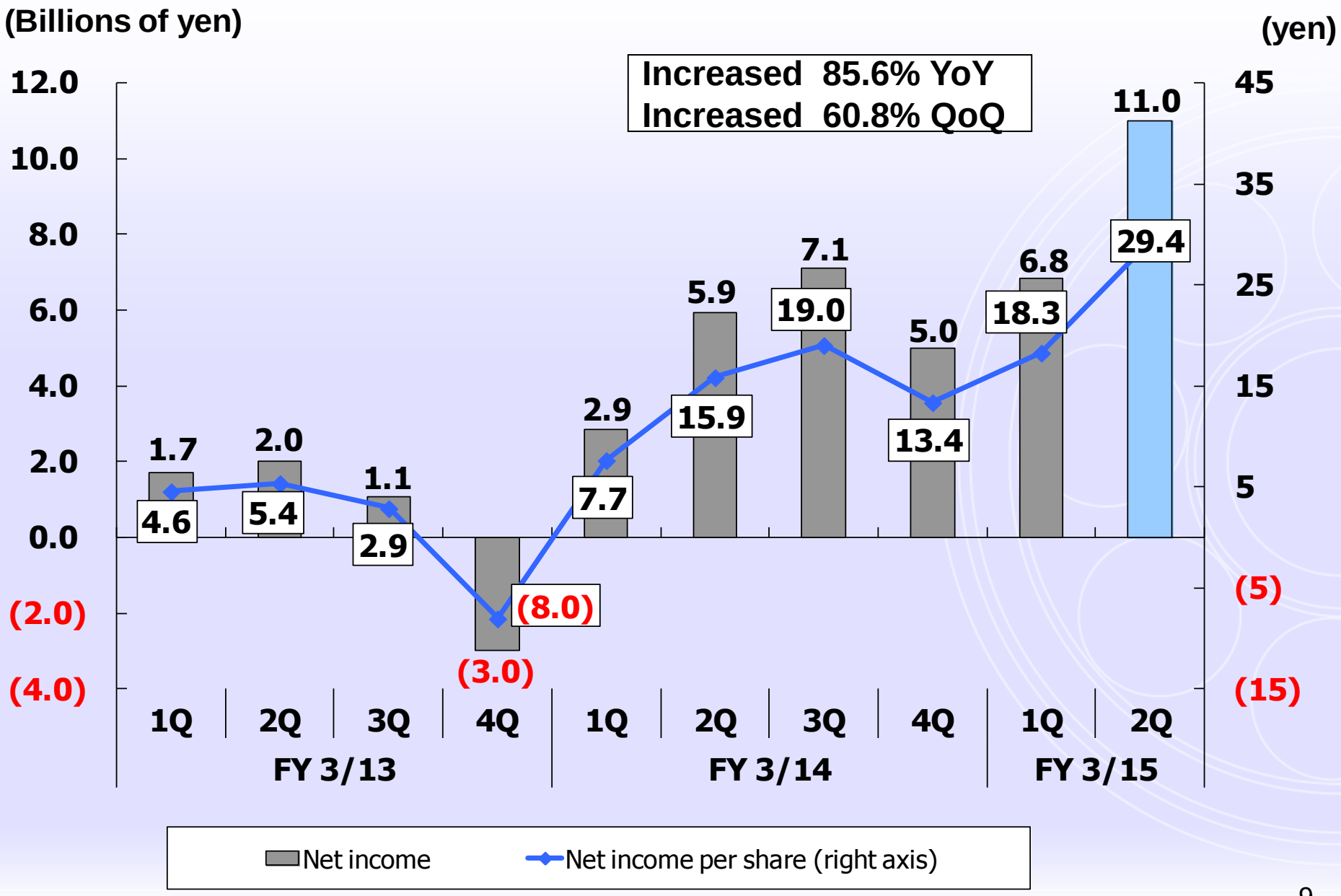

# S.G. & A. Expenses

Quarterly

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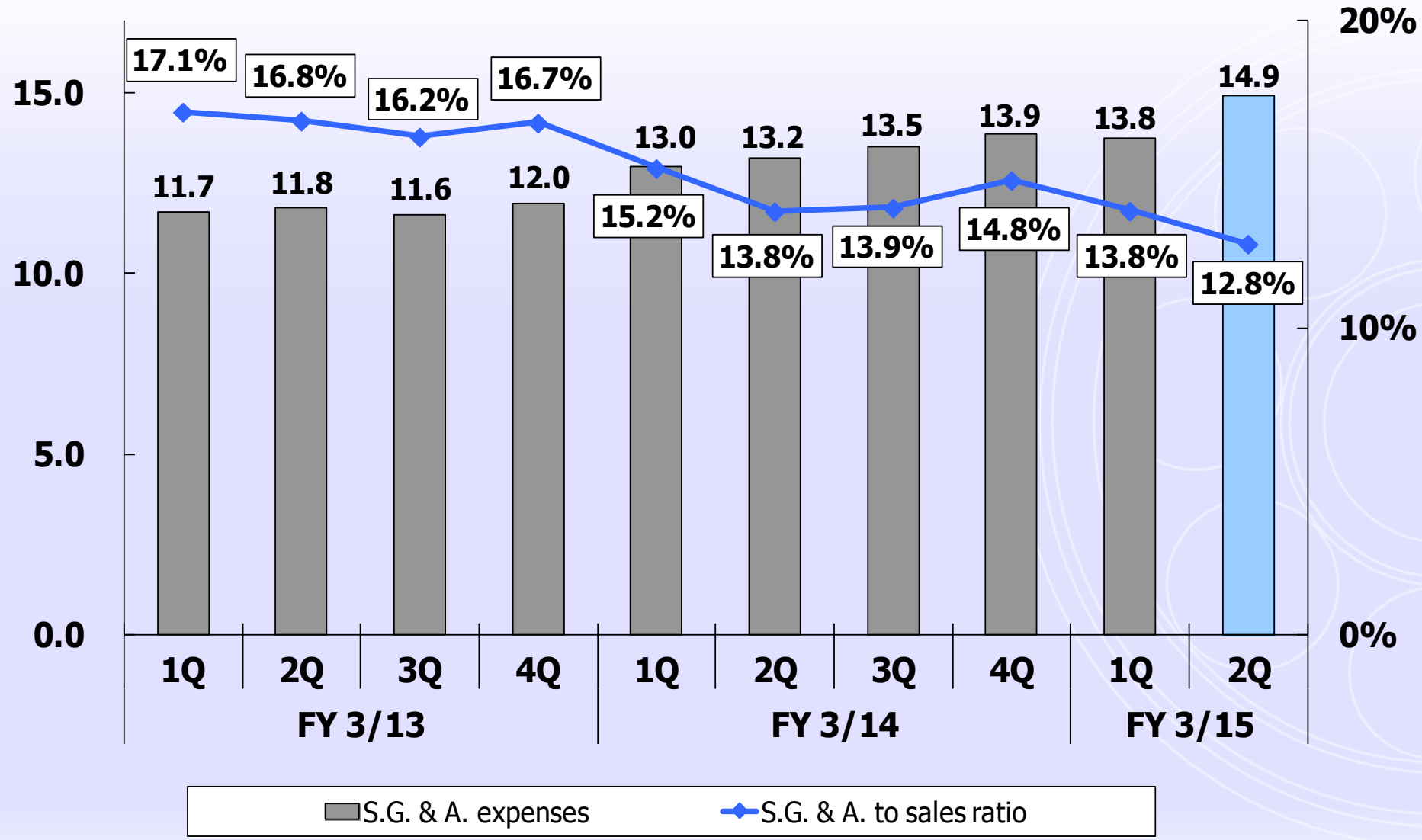
(Billions of yen)



# Inventories

Quarterly

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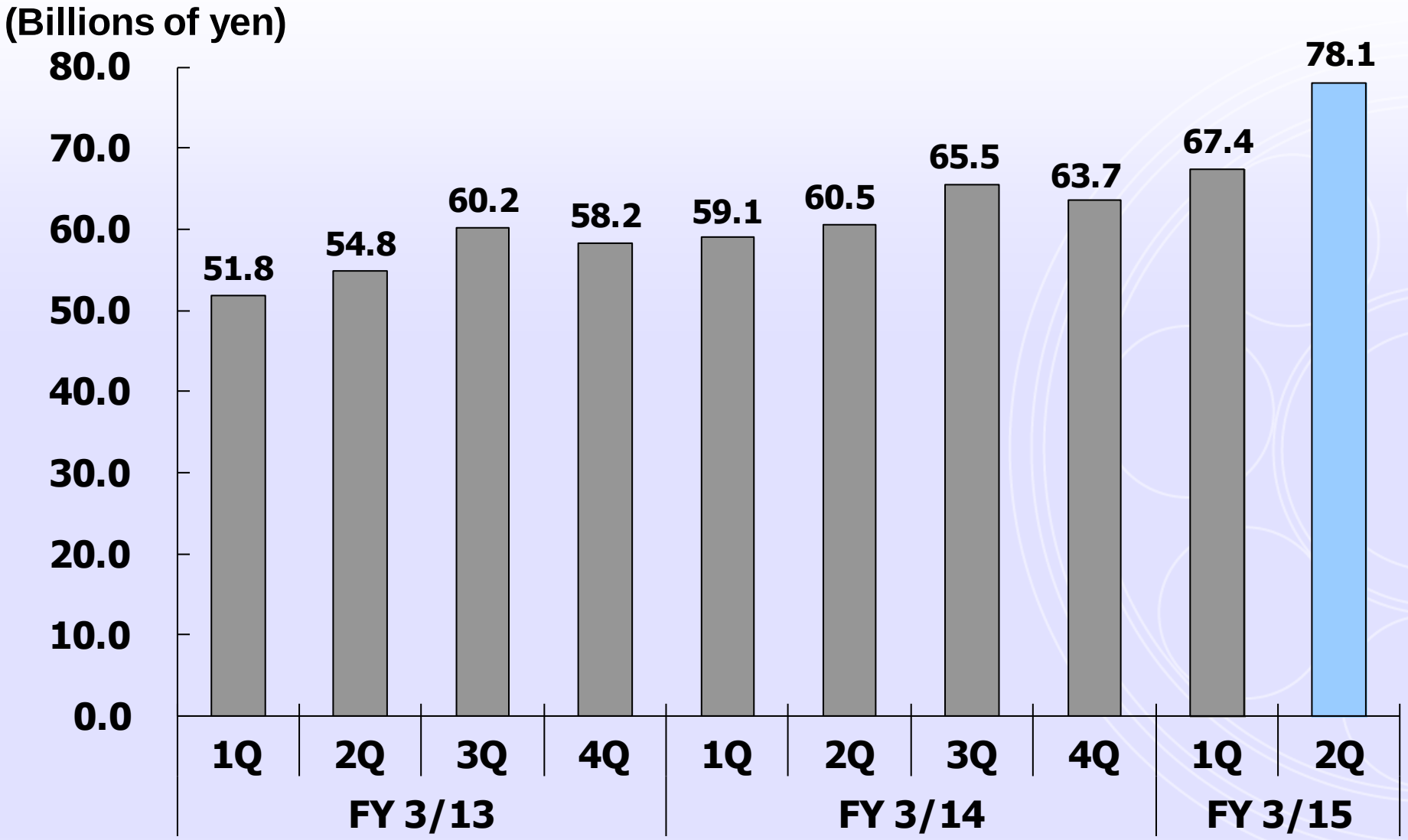
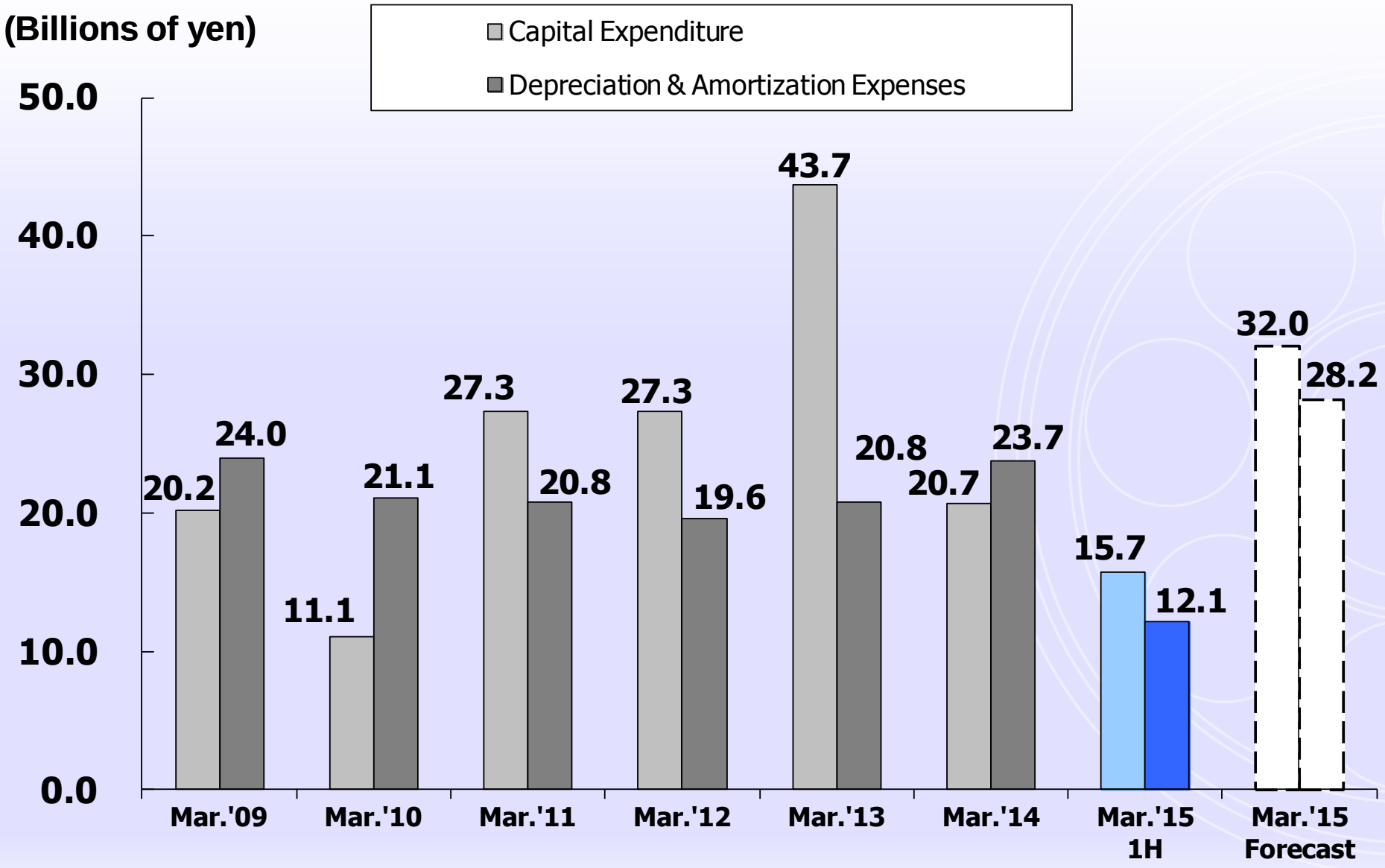


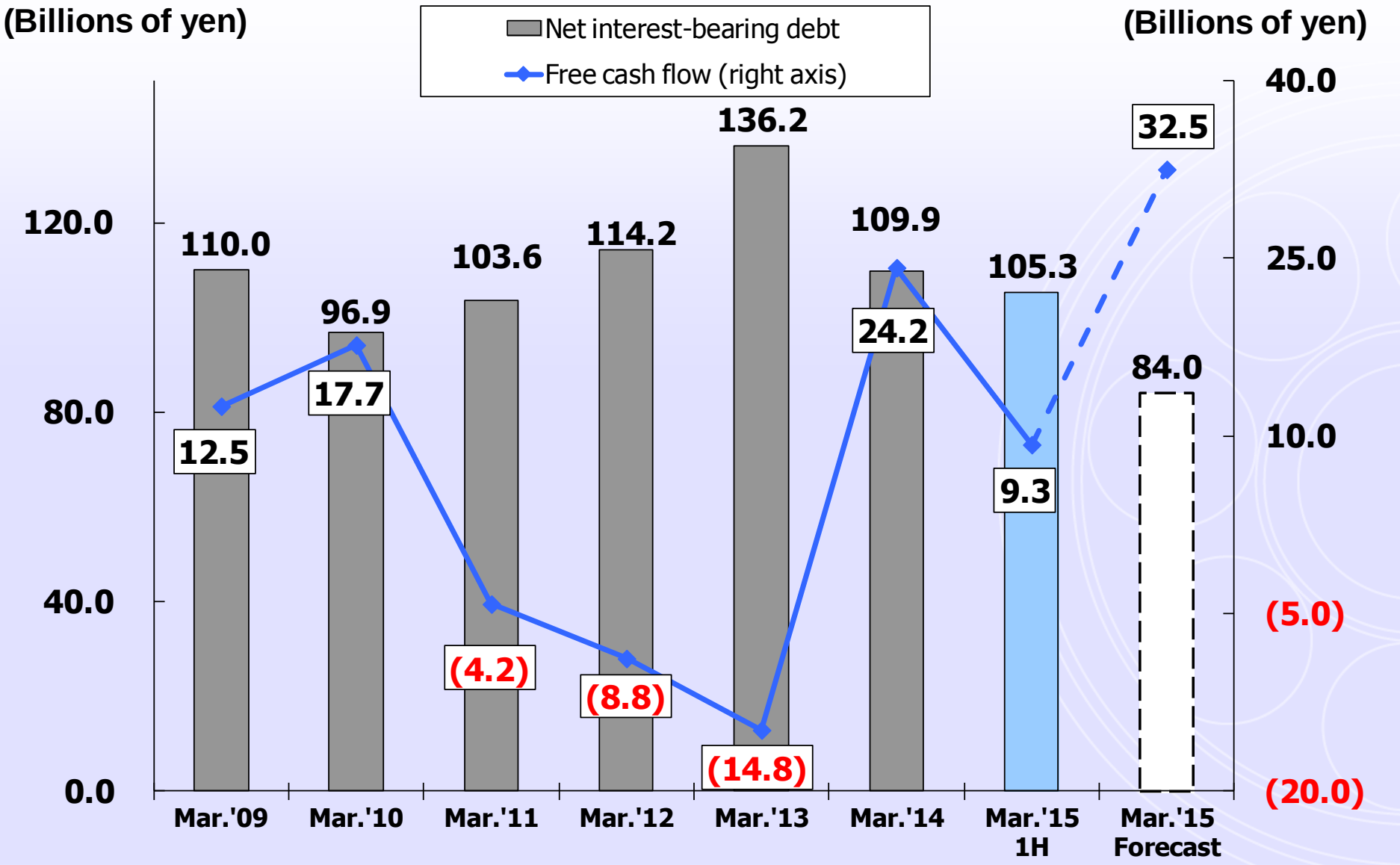
# Capital Expenditure & Depreciation

Yearly



# Net Interest-Bearing Debt

Yearly




*Net interest-bearing debt = Interest-bearing debt – Cash and cash equivalents*
*Free Cash Flow = CF from operating activities + CF from investing activities*

# Forecast for Fiscal Year Ending March 31, 2015

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**Making another upward revision to annual forecast due to the robust performance in 1H. Aiming to hit record highs for net sales, ordinary income & net income.**

| (Millions of yen) | FY ended Mar. '14 | Fiscal Year ending Mar. '15 | | | | | |
|---|---|---|---|---|---|---|---|
| | Full Year | 1H | 2H Revised Forecast | Full Year Revised Forecast | YoY | 2H Initial Forecast | Full Year July Forecast |
| Net sales | 371,543 | 216,557 | 243,443 | 460,000 | +23.8% | 204,000 | 408,000 |
| Operating income | 32,199 | 24,761 | 25,239 | 50,000 | +55.3% | 18,800 | 40,000 |
| Ordinary income | 28,065 | 24,635 | 23,365 | 48,000 | +71.0% | 17,500 | 38,000 |
| Net income | 20,878 | 17,817 | 13,183 | 31,000 | +48.5% | 10,800 | 26,000 |
| Net income per share (yen) | 55.94 | 47.69 | 35.27 | 82.96 | +48.3% | 28.91 | 69.60 |

| Foreign exchange rates | Mar. '14 Full year | 1H | 2H Assumption | Full Year Assumption | 2H Initial Assumption | Full Year July Assumption |
|---|---|---|---|---|---|---|
| US$ | ¥99.76 | ¥102.53 | ¥102.00 | ¥102.26 | ¥102.00 | ¥101.94 |
| Euro | ¥133.38 | ¥139.10 | ¥139.00 | ¥139.05 | ¥139.00 | ¥139.22 |
| Thai Baht | ¥3.18 | ¥3.18 | ¥3.20 | ¥3.19 | ¥3.20 | ¥3.17 |
| Chinese RMB | ¥16.28 | ¥16.50 | ¥16.80 | ¥16.65 | ¥16.80 | ¥16.57 |

# Forecast for Business Segment

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| (Millions of yen) | FY ended Mar. '14 Full Year | FY ending Mar. '15 1H | 2H Revised Forecast | Full Year Revised Forecast | YoY | 2H Initial Forecast | Full Year July Forecast |
|---|---|---|---|---|---|---|---|
| Net sales | 371,543 | 216,557 | 243,443 | 460,000 | +23.8% | 204,000 | 408,000 |
| Machined components | 140,032 | 73,687 | 74,313 | 148,000 | +5.7% | 72,800 | 145,600 |
| Electronic devices and components | 230,514 | 142,360 | 167,640 | 310,000 | +34.5% | 130,700 | 261,400 |
| Other | 996 | 508 | 1,492 | 2,000 | X 2.0 | 500 | 1,000 |
| Operating income | 32,199 | 24,761 | 25,239 | 50,000 | +55.3% | 18,800 | 40,000 |
| Machined components | 33,550 | 19,330 | 18,970 | 38,300 | +14.2% | 17,200 | 36,000 |
| Electronic devices and components | 9,581 | 9,886 | 11,314 | 21,200 | X 2.2 | 6,200 | 12,900 |
| Other | 866 | 643 | 157 | 800 | -7.6% | 400 | 1,000 |
| Adjustment | -11,799 | -5,098 | -5,202 | -10,300 | -12.7% | -5,000 | -9,900 |

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# Policy and Strategy

November 5, 2014

**Yoshihisa Kainuma**

Representative Director,
President and Chief Executive Officer

# Forecast for Fiscal Year Ending March 31, 2015

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**Quarterly forecasts were over-achieved 6 times in a row !**

**Revising annual forecast upward again,
net sales, ordinary income, net income hit record highs !**

**Included in JPX-Nikkei Index 400 in August !**

| (Millions of yen) | FY ended Mar. '14 | Fiscal Year ending Mar. '15 | | | | | |
|---|---|---|---|---|---|---|---|
| | Full Year | 1H | 2H Revised Forecast | Full Year Revised Forecast | YoY | 2H Initial Forecast | Full Year July Forecast |
| Net sales | 371,543 | 216,557 | 243,443 | 460,000 | +23.8% | 204,000 | 408,000 |
| Operating income | 32,199 | 24,761 | 25,239 | 50,000 | +55.3% | 18,800 | 40,000 |
| Ordinary income | 28,065 | 24,635 | 23,365 | 48,000 | +71.0% | 17,500 | 38,000 |
| Net income | 20,878 | 17,817 | 13,183 | 31,000 | +48.5% | 10,800 | 26,000 |
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| Foreign exchange rates | Mar. '14 Full year | 1H | 2H Assumption | Full Year Assumption | 2H Initial Assumption | Full Year July Assumption |
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| US$ | ¥99.76 | ¥102.53 | ¥102.00 | ¥102.26 | ¥102.00 | ¥101.94 |
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| Chinese RMB | ¥16.28 | ¥16.50 | ¥16.80 | ¥16.65 | ¥16.80 | ¥16.57 |

# Delivering mid-term OP target in 1st year!

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## Revised OP forecast is the last one for Mid-term plan

While the global economy isn't out of the woods yet…

### Machined components

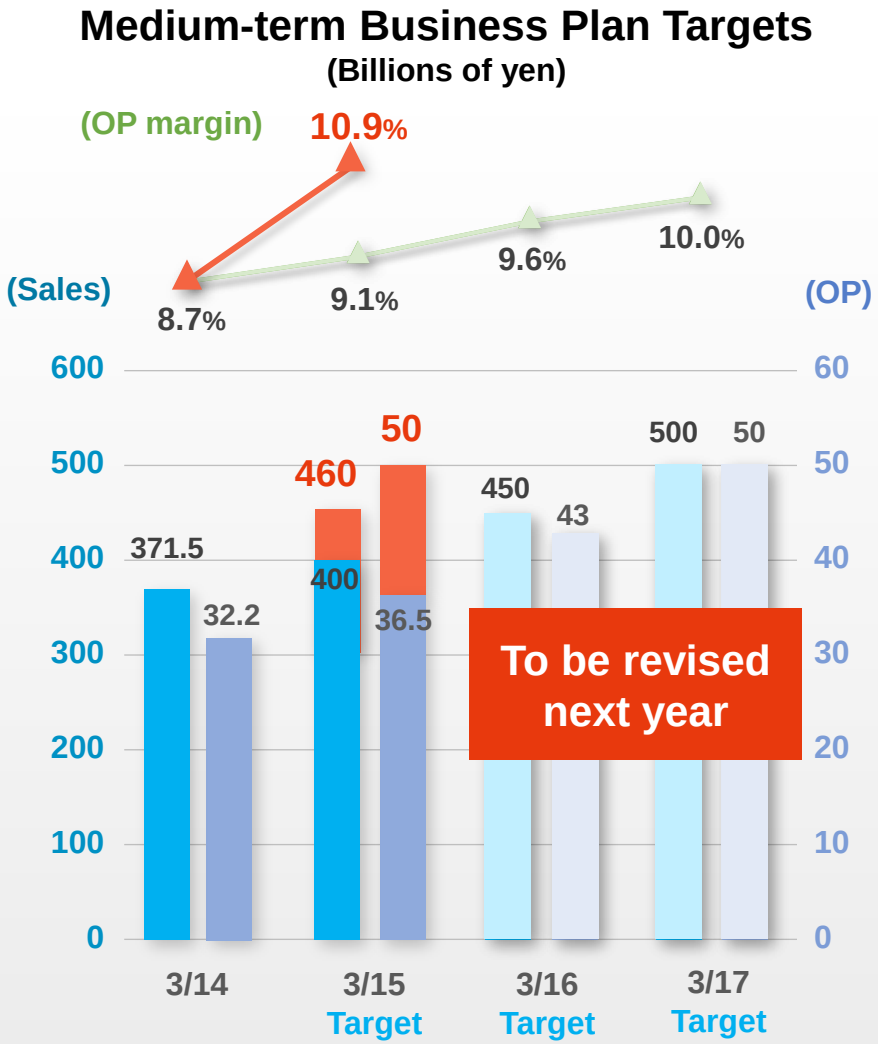
**Steady profit growth**

- Successfully expanding ball bearing sales volume
- Growing aircraft parts sales
- Steady performance of pivots

### Electronic devices & components

**Large jump up of sales and profit**

- Expanding LED backlight sales and higher profit margin
- Improving profitability of motor businesses
- All others performed much better than expected



# The two-pillar structure is completed!!

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**Operating income 50 billion yen**



| Machined components | Electronic Devices & components |
|---|---|
| Steady growth | High growth |
| High margin | Large contribution to profit |
| 32% of 2Q net sales | 68% of 2Q net sales |
| 69% of 2Q OP | 48% of 2Q OP |

(OP total exceeds 100% due to HQ expense adjustments)

# Machined components: Continues to grow steadily

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## Expanding ball bearing shipments

- Back on track 5 years after the Lehman crisis, demand has been rising since last fiscal year
- Driven by automobile downsizing & energy efficiency (electric), fan motors for cloud computing servers
- **Achieved Five Arrows for a single month (September 2014)**

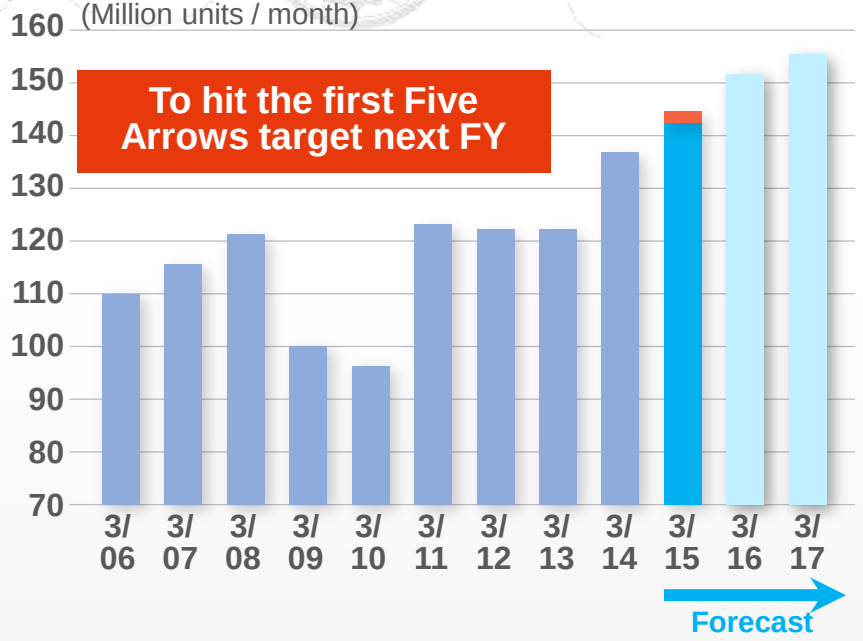
## Growing aircraft components

- Increasing production of commercial aircrafts
- More projects with Japanese aircraft components manufacturers
- Leveraging CEROBEAR acquisition, focus on R&D of ceramic bearing aircraft parts

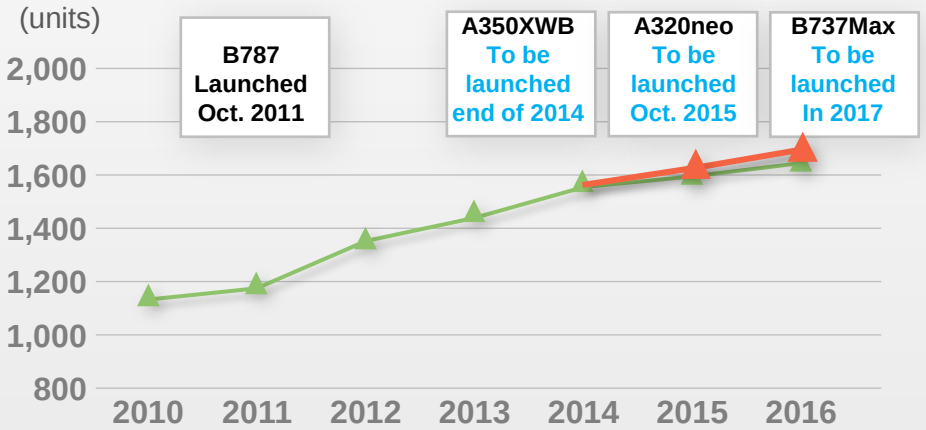
## Steady pivot assembly profits

- Holding on to high market share in a stable HDD market

**Ball bearing average monthly external shipment volume**




**Boeing & Airbus commercial aircraft shipment volume**




(Source: Boeing, Airbus and forecasts by Minebea)

# LED backlights: Driving substantial growth

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## Rapid growth in sales and improved profitability

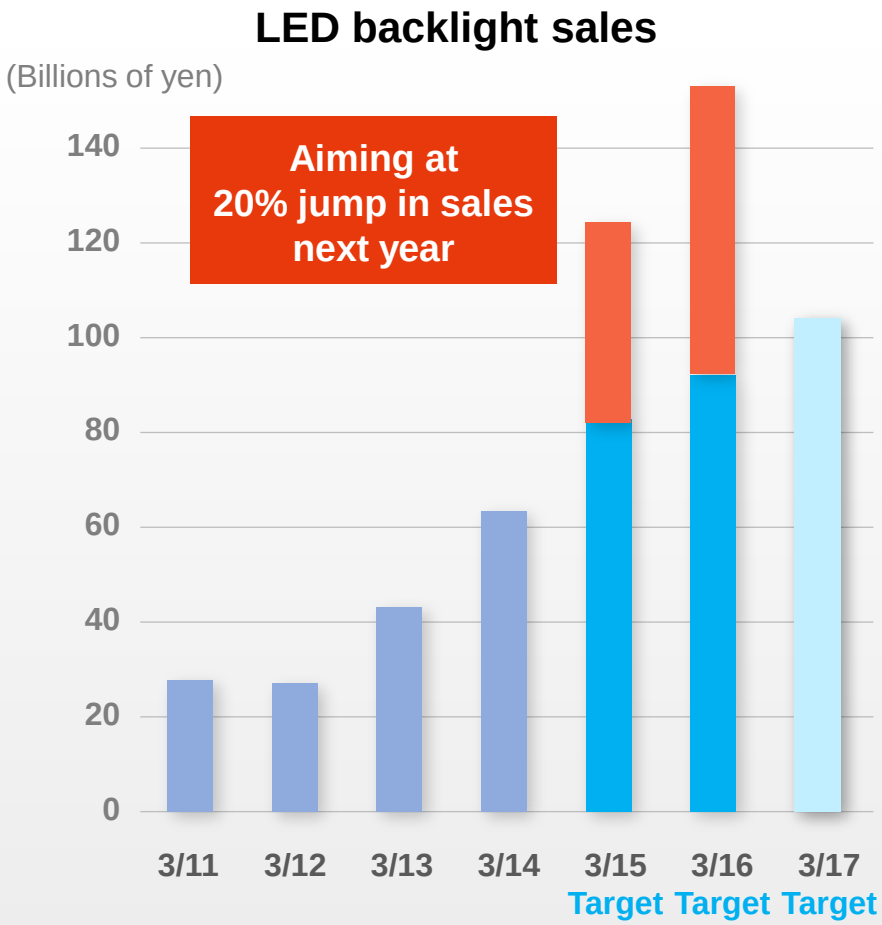
**Full swing LED backlight production for smartphones boosts sales & profits**

### Huge share of the high-end smartphone market

Big competitive edge in ultra-thin LED backlights needed to create more battery space in thinner & lighter smartphones

### Boosting production capacity

1. Launched joint-project with top customer for release of its new model next year
2. Expanding customers base on growing demand from Chinese smartphone manufacturers.
3. To pave the way toward future business opportunities in India



# Investments for next year's LED backlight production

**1. Invest 16.3 billion yen (order basis) in Cambodia & Banwha Site**

**2. Boost production capacity to meet 20% sales growth next year**

i. Converting the entire 2nd building of Cambodian Plant into clean rooms

ii. Converting the Banwha Site from a logistics center to a component factory (10,000 $m^2$)





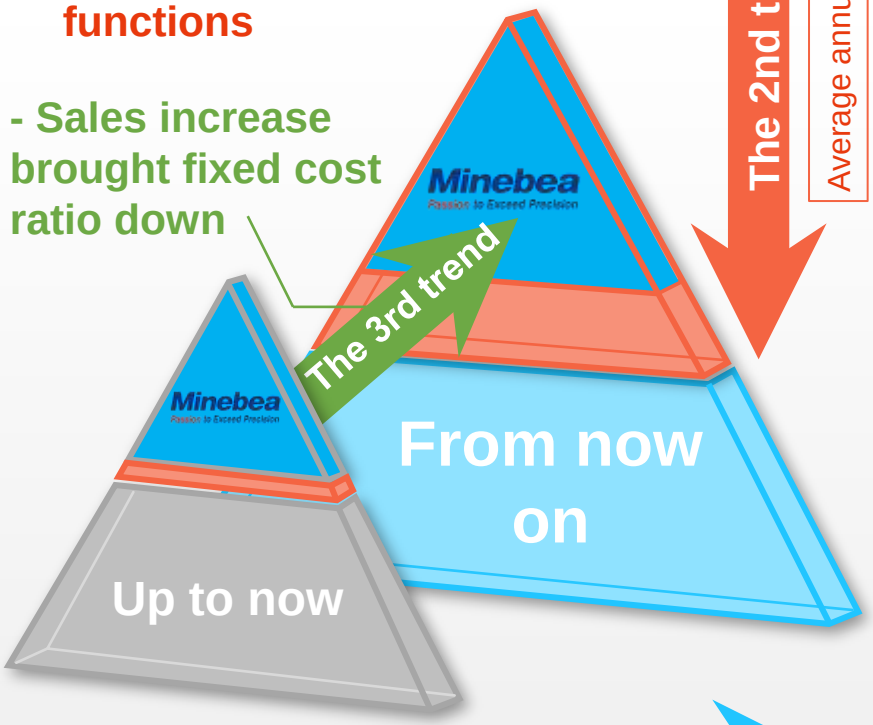
Banwha MTLC
(Minebea Thailand Logistics Center)



Cambodian Plant

# Three (plus one) tail winds for Minebea products

- Higher living standards drives demand for high quality products
- Penetration of sophisticated functions
- Sales increase brought fixed cost ratio down

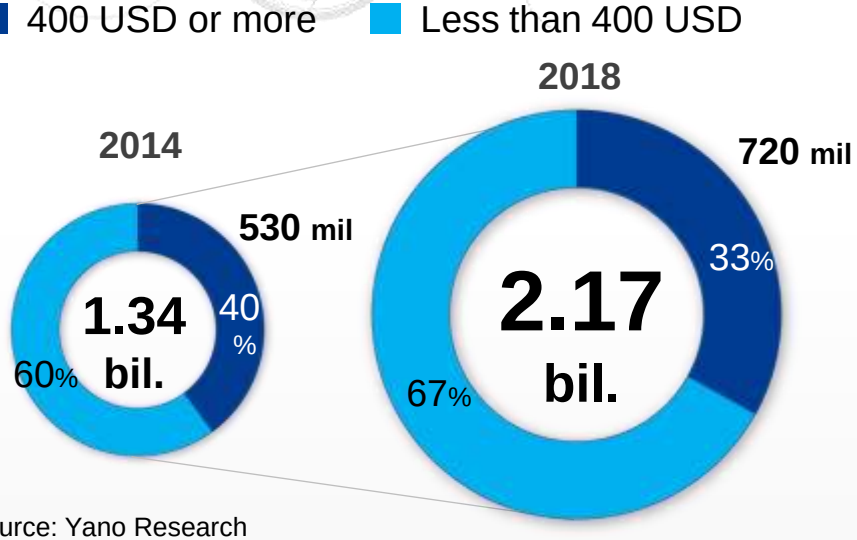



**The 1st trend**

- Total demand expanding due to global economic growth

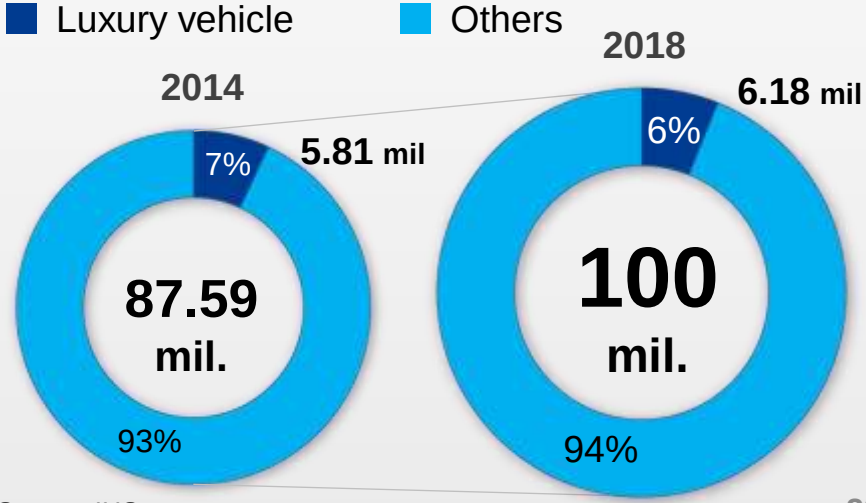
Average annual growth: 3-4% (IMF )

## World wide smartphone shipment forecast




Source: Yano Research

## Worldwide automobile shipment forecast




Source: IHS

# Motor business: Profitability steadily improves

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## Motor business generates steady profits since Jul-Sept 2013

| | |
|---|---|
| Making MMMC our wholly-owned subsidiary, merger and reorganization | - Centralized operation of motor business (since Apr. 2013)<br>- Cut indirect costs via streamlining |
| Leveraging Cambodia Plant | - Production shift for some of micro actuators, brush DC motors and brushless DC motors |
| Continually making structural reforms | - Fan motors in the black since Apr-Jun 2014.<br>- Moatech centralizing production in the Philippines |
| Sales expansion of other motors | - Boosting sales of technologically superior motors, mainly for automobiles<br>- Focusing on sales of motors via EMS |

# Other electronic devices & components

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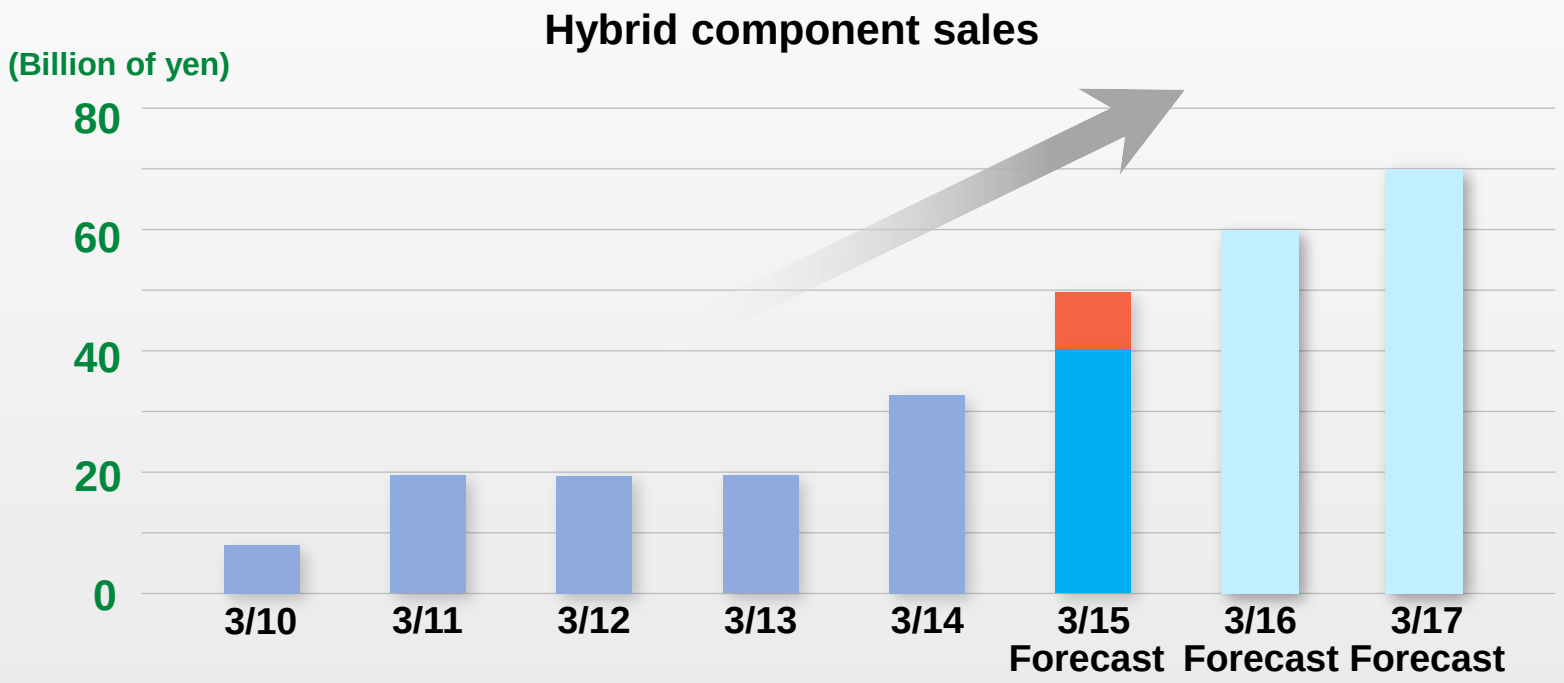
## Accelerating initiatives aimed at Five Arrows targets

| | | |
|---|---|---|
| Measuring components | → | Developing and promoting new products along with the roadmap to boost our bottom line from next FY onward |
| New EMS products | → | EMS(Electro Mechanics Solutions® (*registered in Japan)) business grew much more than expected, targeting 100 billion yen over the next three years |



# Launched joint ball bearing venture

**Establishment of double brands of ball bearing business**

**Marketing low-priced, mass produced, medium-sized ball bearings to the Chinese market**

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- Invest 2.3 billion yen in cash
- 75% of shareholdings



Ningbo WT

- In-kind contribution of equipment and other assets worth 800 million yen
- 25% of shareholdings

**Cixi New**

**Synergy**

- Quality control
- Global customer base
- Supporting strong business growth

- Using Chinese-made equipment
- Using Chinese-made materials
- Miniature, small-sized & medium-sized products
- Using WT brand

# Boosting sales of lighting device-related products

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- Launched MIK Smart Lighting Network Corp., a three-company joint venture targeting the growing smart building & smart city market. Now drafting a roadmap for product development

- Smart building and smart city projects are booming in the West, China, and Japan.

  Obtained commission from METI of Japan for feasibility study on a wireless network of LED street lights in Phnom Penh, related to the JCM Project which aims for reduction of greenhouse effect gas

- Developed wireless controlled LED down-light device that MIK will work on connecting to a network
  Sent Paradox staff to Minebea Tokyo Head Office

- Acquired shares of J3DD via a third party allotment for 1.1 billion yen

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# Seeding for the future is in steady progress

**Sell 150 million ball bearings externally per month on average**

Achieved for a single month and will be fully achieved next FY

**Develop and boost sales of new EMS products**

EMS business grew steadily much more than expected

**Boost sales of lighting device-related products**

Sent staff from Paradox to Minebea Tokyo Head Office and began drafting product development road map

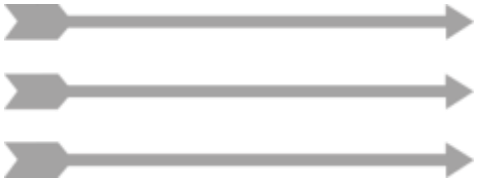
**Take Measuring Components BU sales to 20 billion yen**

New product development and marketing will boost profitability from next FY onward

**Increase the sales and profitability of aircraft components business**

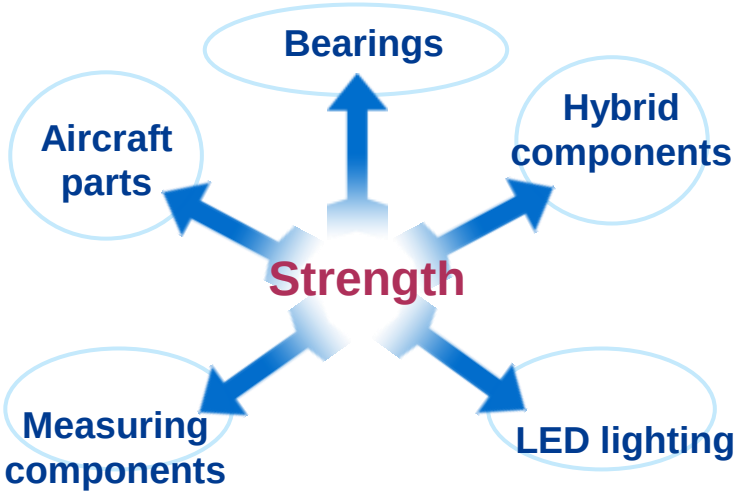
Leveraging CEROBEAR acquisition with focus on R&D of ceramic bearing aircraft parts while accelerating joint projects with Japanese aircraft components manufacturers

## Lord Mouri's "3 arrows"



3 united are stronger than 1

## Minebea's "5 Arrows"




Hedge risk via 5 directions

# Increased capital expenditure plan

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**Increased from original 21.5 billion yen (internal target 20.0 billion yen) to 41.0 billion yen (order basis)**

| | |
|---|---|
| Business strengthening investments | Invest 3.0 billion yen for early returns aiming at future business opportunities |
| Capacity increase in ball bearings | Invest 1.8 billion yen for increase of 7 million units per month capacity |
| Capacity increase in LED backlights | Increase investment plan from initial 2.3 billion yen to 16.3 billion yen to boost production capacity to meet 20% sales growth next year |
| New factory of J3DD | Increase 2.5 billion yen investment from newly acquired J3DD |

# Increased dividend!

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**Raised interim & year-end dividend forecasts by 2 yen each to total 12 yen per share yearly**

## Dividend forecast for FY 3/2015

| | Original forecast in May | Revised in July | Revised this time | |
|---|---|---|---|---|
| Interim | 4 → | 5 → | 6 | yen/share |
| Year-end (forecast) | 4 → | 5 → | 6 | yen/share |
| Total year (forecast) | 8 → | 10 → | 12 | yen/share |

Fixed!

# M&A and alliance strategies

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## Leverage M&As and alliances in target and focus business areas

- Cautiously aiming at large scale M&A deals

- Give priority to boosting machined components business, including via medium to small M&As and various alliances

# Minebea Co., Ltd.

## Business Results

## http://www.minebea.co.jp/

Any statements in this presentation which are not historical are future projections based on certain assumptions and executive judgments drawn from currently available information.

Please note that actual performance may vary significantly from any particular projection due to various factors.

Factors affecting our actual performance include but are not limited to: (i) changes in economic conditions or demand trends related to Minebea's business operations; (ii) fluctuation of foreign exchange rates or interest rates; and (iii) our ability to continue R&D, manufacturing and marketing in a timely manner in the electronics business sector, where technological innovations are rapid and new products are launched continuously.

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