

# **Business Results**

## **Second Quarter of Fiscal Year Ending March 31, 2014**

**November 1, 2013**  
Minebea Co., Ltd.

# 1. Financial Results

# 2. Policy and Strategy

# Financial Results

Hiroharu Katogi

Director, Senior Managing Executive Officer

## Sales and profits top forecast

(Millions of yen)	FY ended Mar. '13	FY ending Mar. '14	Change YoY	1H of FY ending Mar. '14	
	1H	1H		July Forecast	Vs. Forecast
Net sales	139,101	180,799	+30.0%	178,500	101.3%
Operating income	7,700	13,003	+68.9%	10,000	130.0%
Ordinary income	6,942	11,751	+69.3%	8,800	133.5%
Net income	3,720	8,772	X 2.4	6,500	135.0%
Net income per share (yen)	9.94	23.52	X 2.4	17.43	134.9%

Foreign exchange rates	1H of FY Mar. '13	1H of FY Mar. '14
US\$	¥79.73	¥98.03
Euro	¥101.27	¥128.29
Thai Baht	¥2.55	¥3.21
Chinese RMB	¥12.56	¥15.93

1H of FY Mar. '14 Assumption
¥98.86
¥128.48
¥3.25
¥16.02

Record high quarterly operating as well as ordinary income

(Millions of yen)	FY ended Mar. '13	FY ending Mar. '14		Change	
	2Q	1Q	2Q	YoY	QoQ
Net sales	70,480	85,317	95,482	+35.5%	+11.9%
Operating income	4,007	3,538	9,465	X 2.4	X 2.7
Ordinary income	3,573	3,068	8,682	X 2.4	X 2.8
Net income	2,002	2,852	5,920	X 3.0	X 2.1
Net income per share (yen)	5.37	7.65	15.86	X 3.0	X 2.1

Foreign exchange rates	2Q of FY Mar. '13	1Q of FY Mar. '14	2Q of FY Mar. '14
US\$	¥78.69	¥97.72	¥98.34
Euro	¥97.65	¥126.96	¥129.61
Thai Baht	¥2.49	¥3.30	¥3.12
Chinese RMB	¥12.36	¥15.84	¥16.02

(Billions of yen)

120.0

100.0

80.0

60.0

40.0

20.0

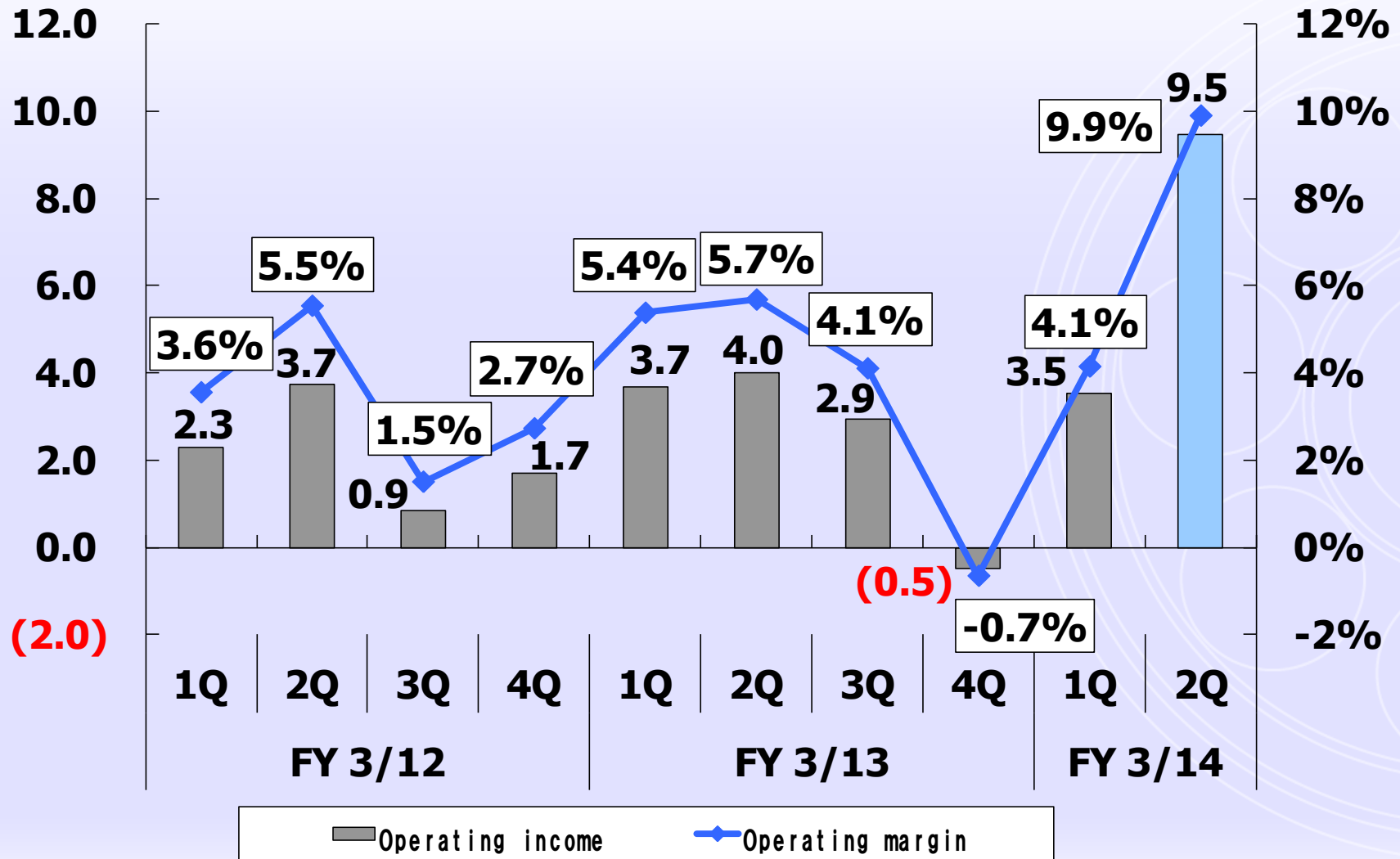
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FY 3/12				FY 3/13				FY 3/14	
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
64.8	67.6	56.7	62.2	68.6	70.5	71.7	71.6	85.3	95.5

Increased 35.5% YoY  
Increased 11.9% QoQ

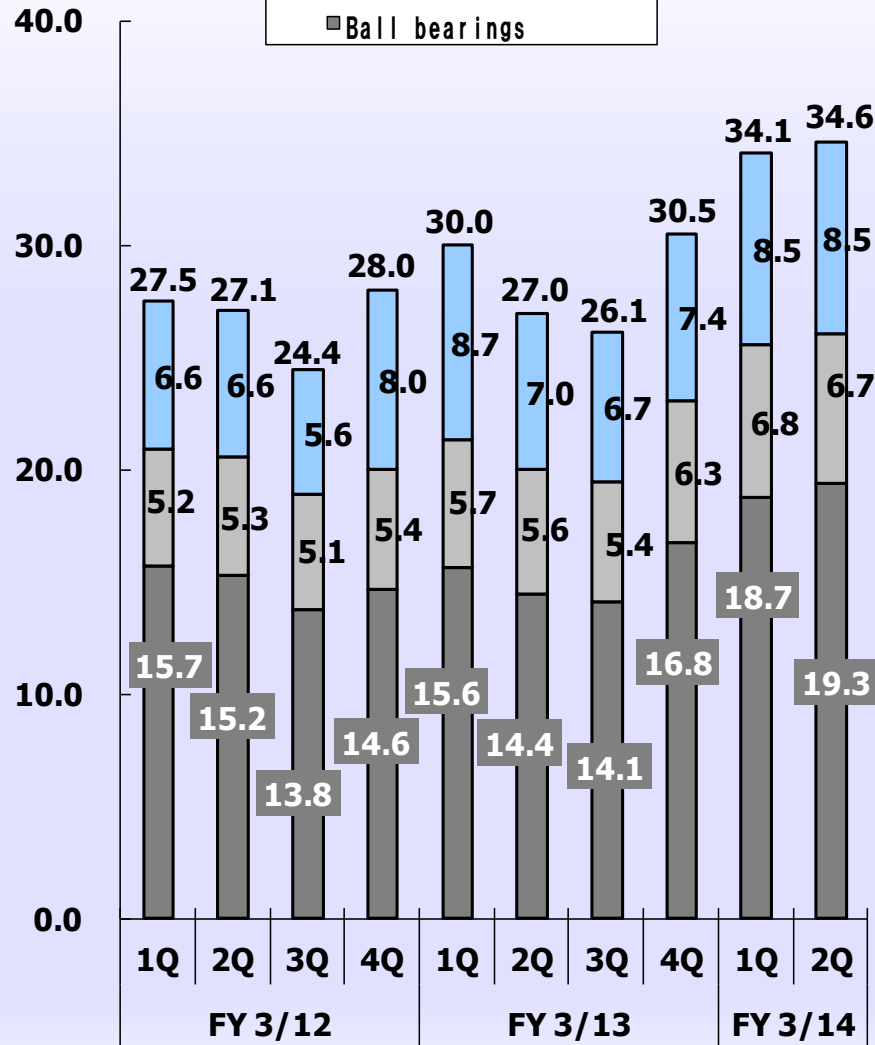
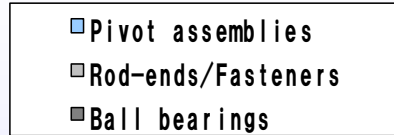
Increased 2.4 X YoY  
Increased 2.7 X QoQ

(Billions of yen)



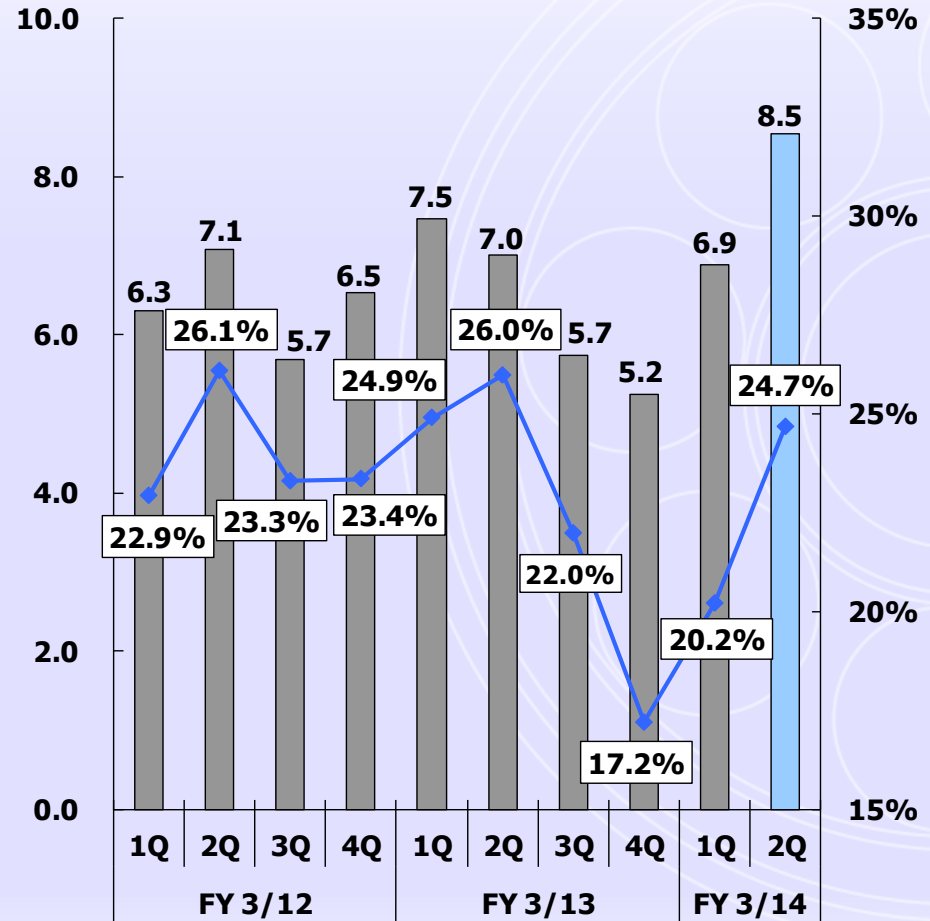
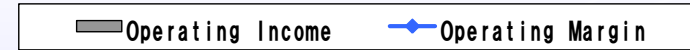
### Net sales

(Billions of yen)



### Operating income

(Billions of yen)

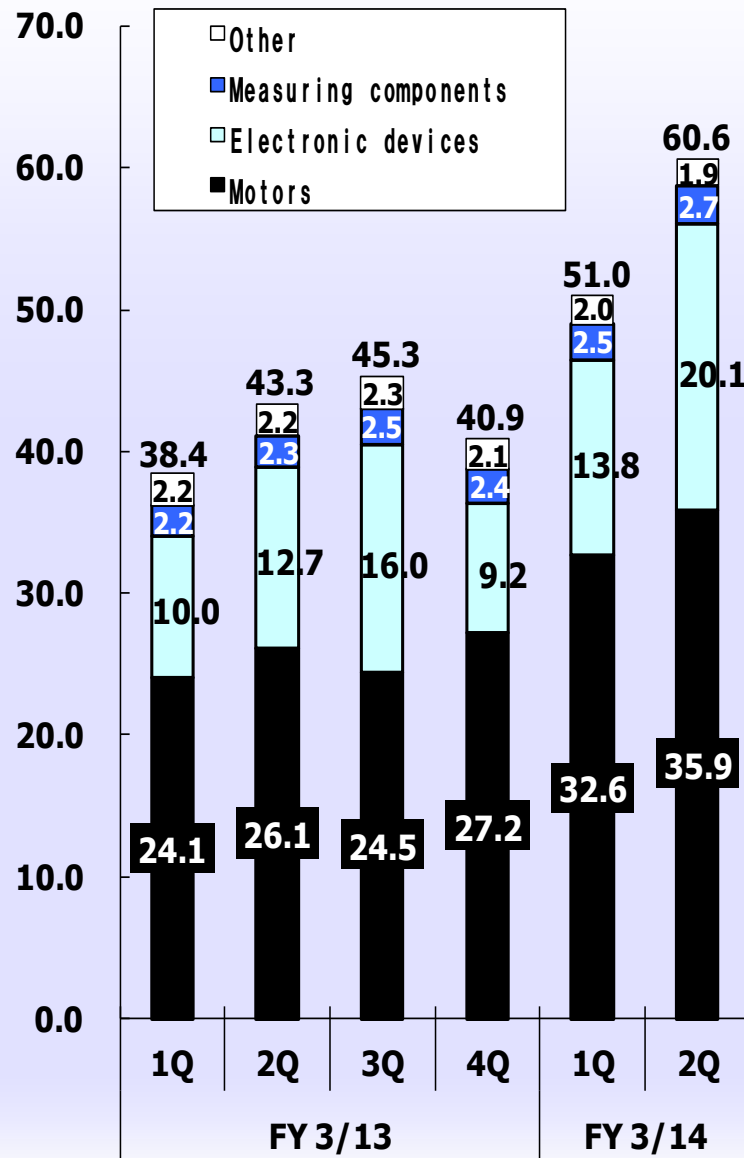




## Net sales

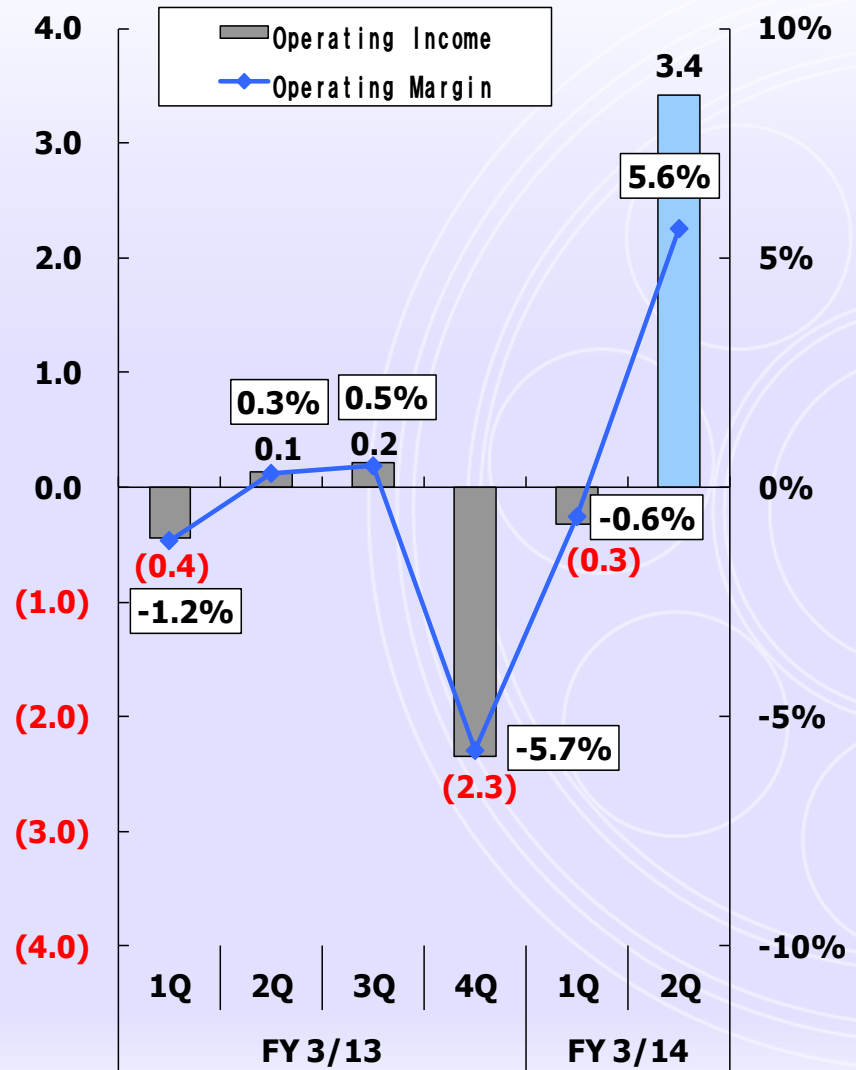
\* The segment results by new business segment for the fiscal year ended March 2013 are unaudited.

(Billions of yen)

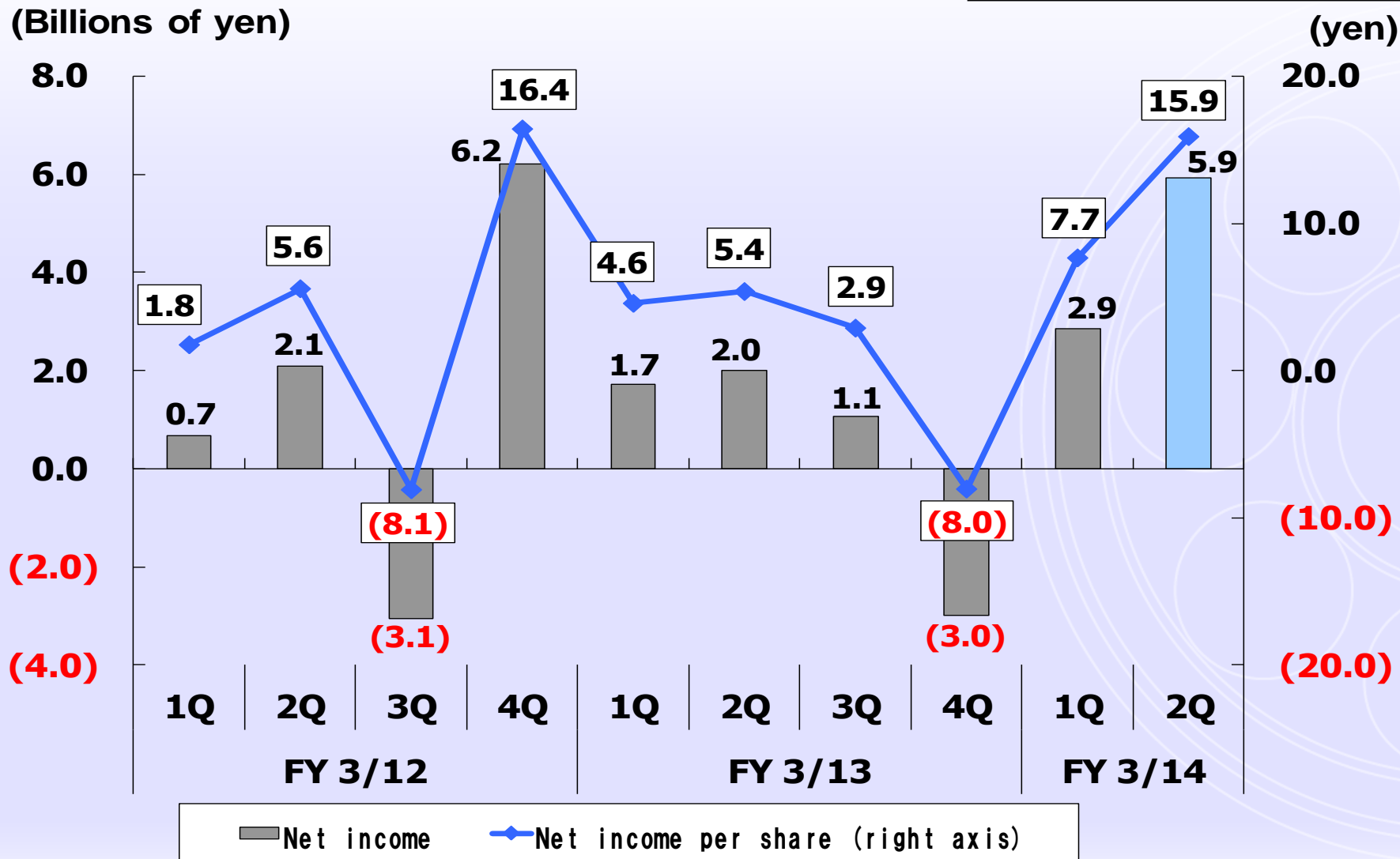


## Operating income

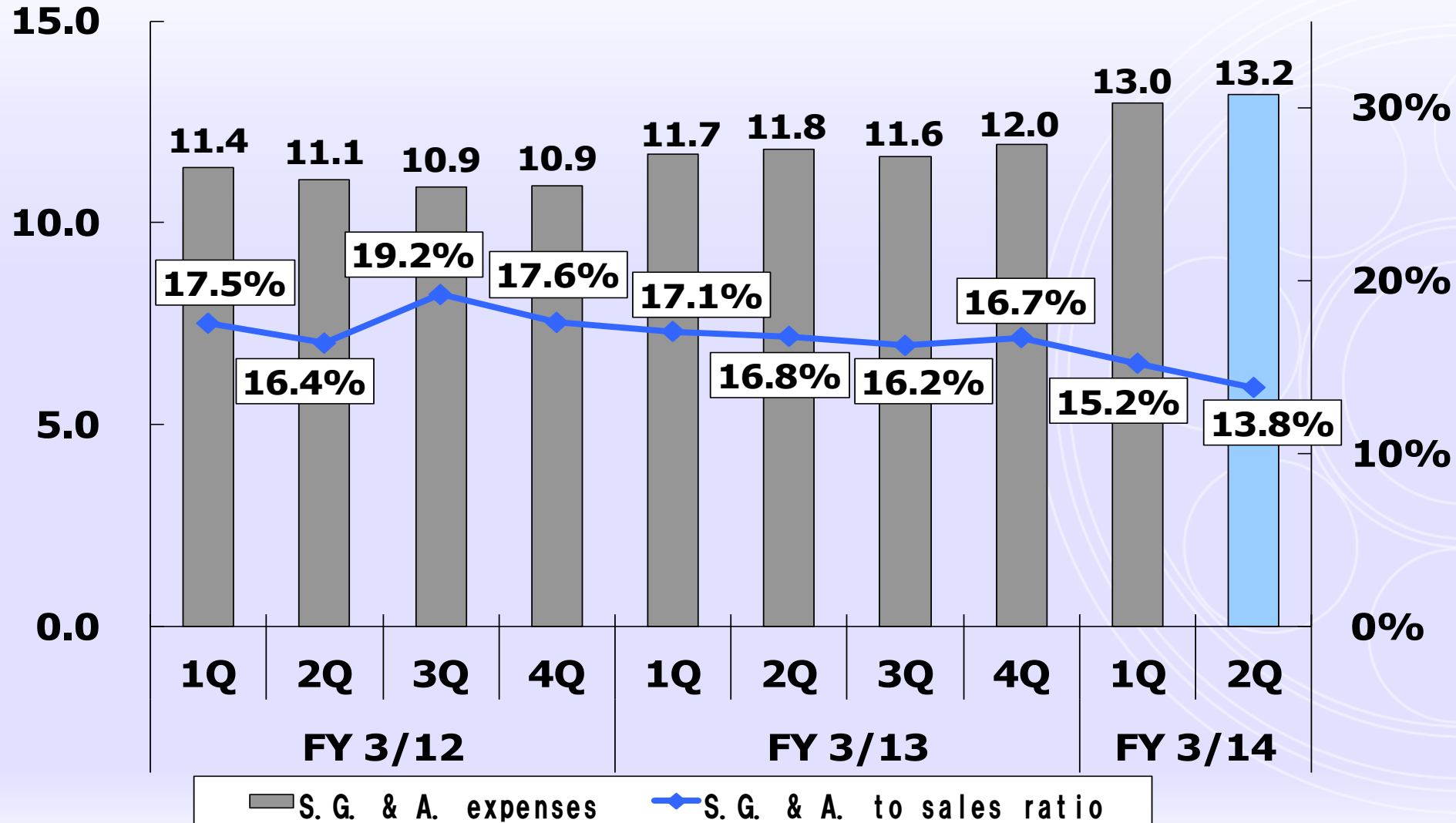
(Billions of yen)



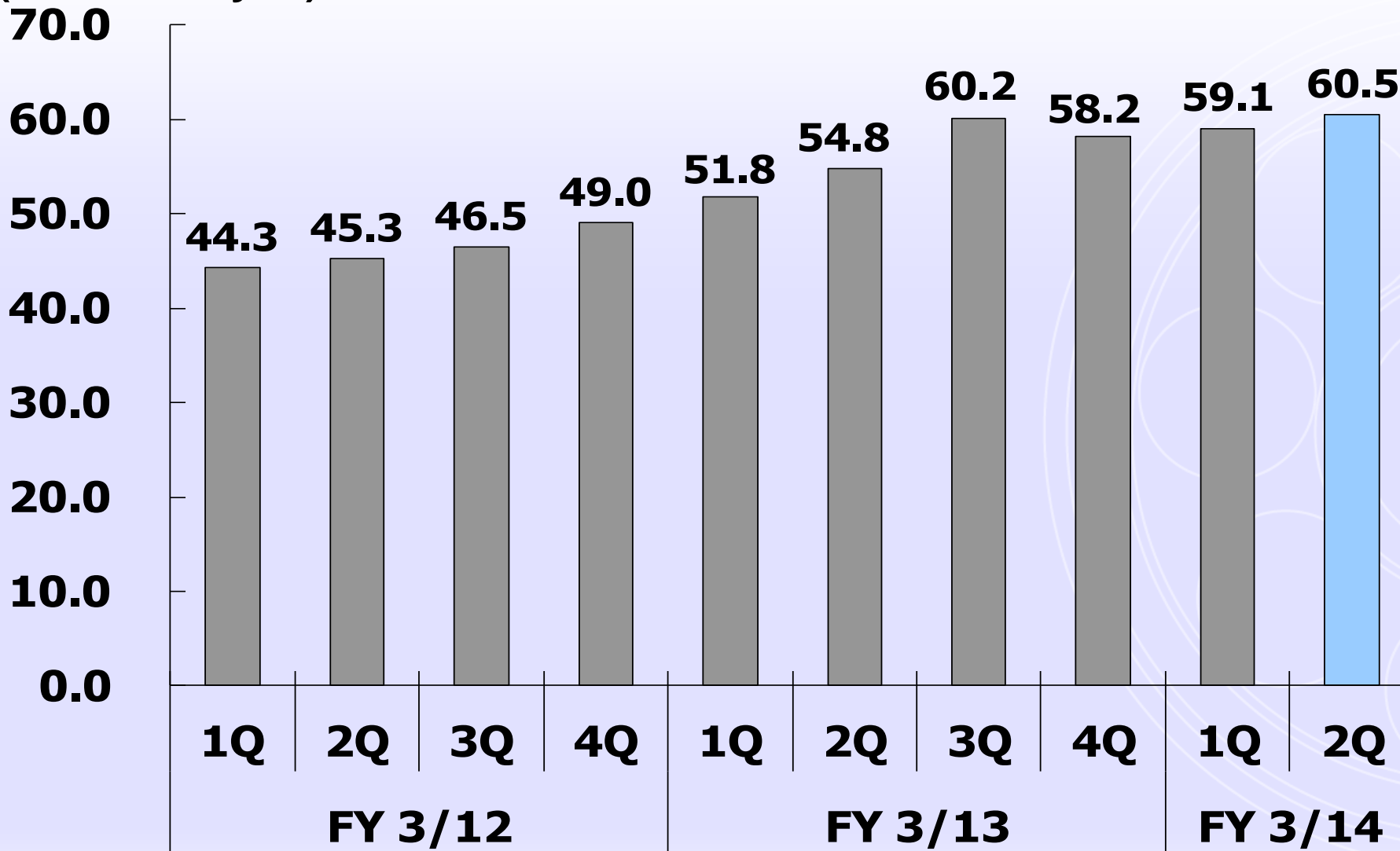
Increased 3.0 X YoY  
Increased 2.1 X QoQ



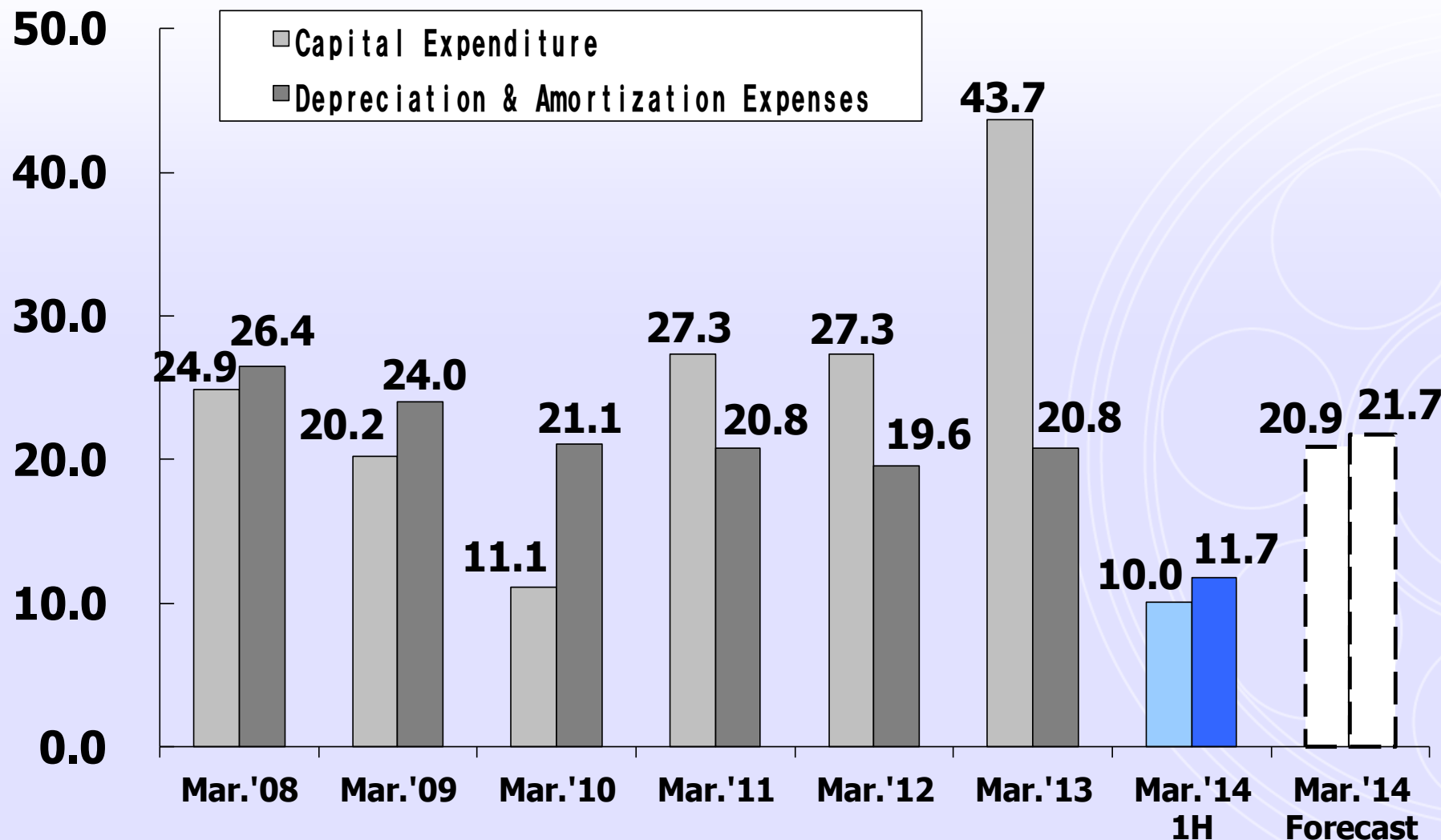
(Billions of yen)



(Billions of yen)

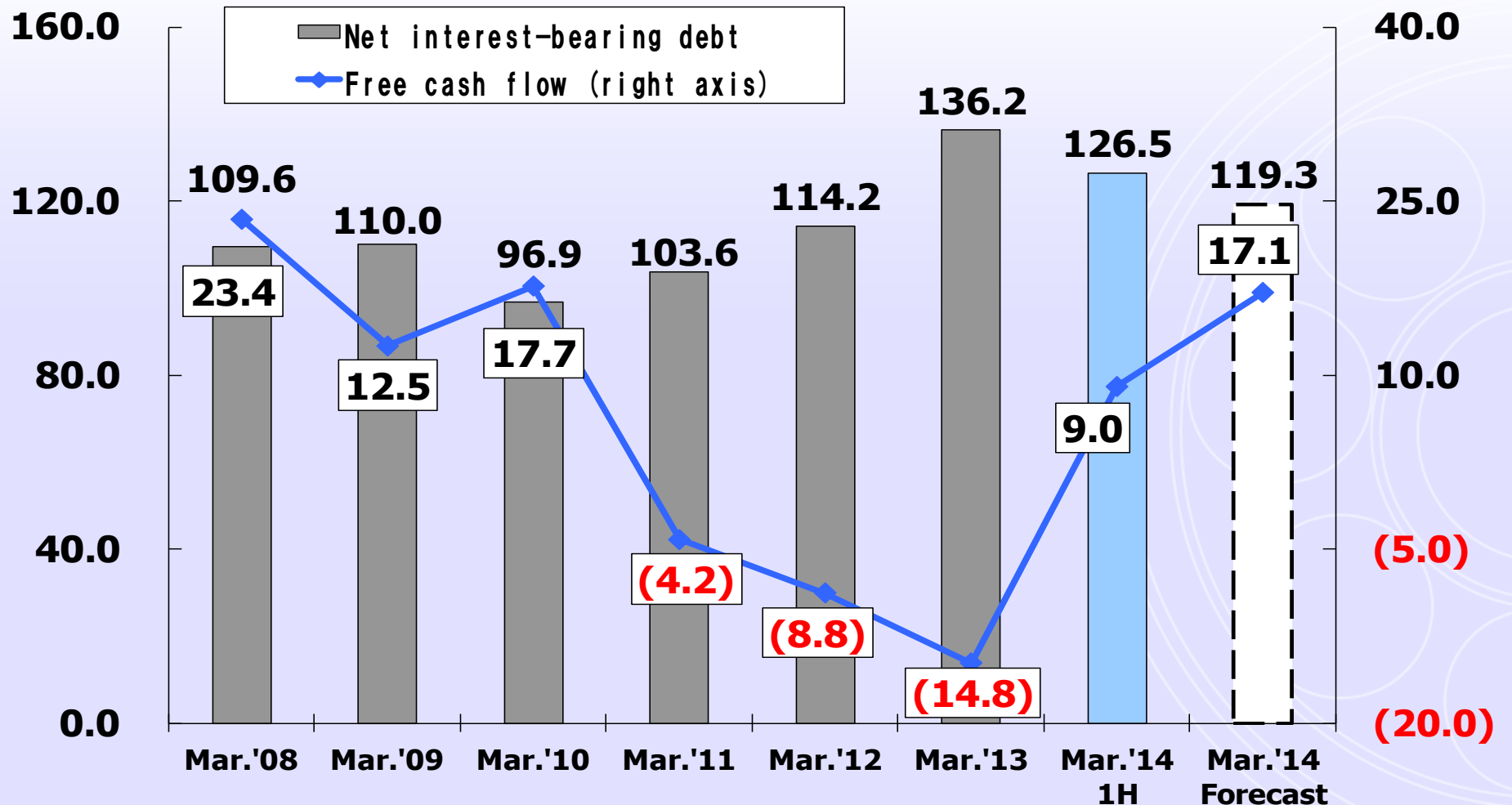


(Billions of yen)



\*From FY 3/09, due to change in lease accounting, assets of finance leases are included.

(Billions of yen)



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, 2014

Full year forecast revised upward again after strong 1H  
Sales and net income are expected to reach record highs

(Millions of yen)	FY ended Mar. '13	Fiscal Year ending Mar. '14					
	Full Year	1H	2H Revised Forecast	Full Year Revised Forecast	YoY	2H Initial Forecast	Full Year July Forecast
Net sales	282,409	180,799	179,201	360,000	+27.5%	164,500	343,000
Operating income	10,169	13,003	13,997	27,000	X 2.7	9,200	19,200
Ordinary income	7,673	11,751	12,749	24,500	X 3.2	7,900	16,700
Net income	1,804	8,772	8,228	17,000	X 9.4	4,700	11,200
Net income per share (yen)	4.83	23.52	22.04	45.56	X 9.4	12.58	30.04

Foreign exchange rates	Mar. '13 Full year	1H	2H Revised Assumption	Full Year Revised Assumption		2H Initial Assumption	Full Year July Assumption
US\$	¥82.33	¥98.03	¥100.00	¥99.02		¥90.00	¥94.43
Euro	¥106.48	¥128.29	¥130.00	¥129.15		¥120.00	¥124.24
Thai Baht	¥2.67	¥3.21	¥3.20	¥3.21		¥3.00	¥3.13
Chinese RMB	¥13.08	¥15.93	¥16.20	¥16.07		¥14.40	¥15.21

# Forecast for Business Segment

(Millions of yen)	FY ended Mar. '13	FY ending Mar. '14					
	Full Year	1H	2H Revised Forecast	Full Year Revised Forecast	YoY	2H Initial Forecast	Full Year July Forecast
Net sales	282,409	180,799	179,201	360,000	+27.5%	164,500	343,000
Machined components	113,573	68,690	66,710	135,400	+19.2%	62,100	130,100
Electronic devices and components	167,911	111,628	111,972	223,600	+33.2%	102,000	212,000
Other	924	480	520	1,000	+8.2%	400	900
Operating income	10,169	13,003	13,997	27,000	X 2.7	9,200	19,200
Machined components	25,459	15,427	15,373	30,800	+21.0%	12,600	27,400
Electronic devices and components	-2,452	3,093	4,007	7,100	N.M.	1,840	3,000
Other	167	402	598	1,000	X 6.0	160	200
Adjustment	-13,004	-5,919	-5,981	-11,900	-8.5%	-5,400	-11,400

\* The segment results by new business segment for the fiscal year ended March 2013 are unaudited.



# Policy and Strategy

**November 1, 2013**

**Yoshihisa Kainuma**

**Representative Director,  
President and Chief Executive Officer**

# Forecast revised upward

	Initial Forecast		July Revised Forecast		New Forecast	
(Millions of yen)	1 Half	Full Year	1 Half	Full Year	1 H Results	Full Year
Net sales	155,500	320,000	178,500	343,000	180,799	360,000
Operating income	6,800	16,000	10,000	19,200	13,003	27,000
Ordinary income	5,600	13,500	8,800	16,700	11,751	24,500
Net income	3,800	8,500	6,500	11,200	8,772	17,000
Exchange rates	1 Half	Full Year	1 Half	Full Year	1 H Results	Full Year
US\$	¥90.00	¥90.00	¥98.86	¥94.43	¥98.03	¥99.02
Euro	¥120.00	¥120.00	¥128.48	¥124.24	¥128.29	¥129.15
Thai Baht	¥3.00	¥3.00	¥3.25	¥3.13	¥3.21	¥3.21
Chinese RMB	¥14.40	¥14.40	¥16.02	¥15.21	¥15.93	¥16.07

**Q2 operating income hits record high on a quarterly basis!**

# Forecast revised upward – our actions

**Improving production efficiency  
and cutting production costs  
by boosting vertical and horizontal strength**

## **Aggressive investment results**

- **New ball bearing plant (Thailand:Bang Pa-in)**
- **New aircraft part plants (Japan:Karuizawa,Thailand:Lop Buri)**
- **New LED backlight plants (China:Suzhou,Thailand:Lop Buri)**
- **Cambodian plant**

## **Numerous successes from structural reform**

### **<Discontinued operations>**

- **Keyboards**
- **Coreless vibration motors**
- **Speakers**



### **<Structural reform>**

- **Various structural reforms in motors**
- **Dissolved information motor joint venture, etc.**

# Drastic Changes in the Market

(Second half of FY 3/2013)

## Political and economic changes

- Sharp drop in sales of Japanese products to China
- Yen significantly weakening against the dollar (driving sales up)  
Sharper depreciation of the yen against other Asian currencies  
(driving production costs up)  
Sales  Profits 



## Global stagnation is leveling off

- Prolonged European financial crisis and slowdown in the growth of emerging markets like China
- US and Japan, though considered mature markets, are propping up the global economy with their economic upswing.

# Forecast revised upward -Drastic Upturn in the Market-

(Second half of FY 3/2013)

## Political and economic changes

- Sharp drop in sales of Japanese products to China
- Yen significantly weakening against the dollar (driving sales up)  
Sharper depreciation of the yen against other Asian currencies  
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Sales  Profits 



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- US and Japan, though considered mature markets, are propping up the global economy with their economic upswing.

## Full recovery from the Thai Floods

(First half of FY 3/2014)

## Political and economic situation

- **Recovery** in sales of Japanese products to China
- **Currencies of emerging economies hardening against the US dollar** due to expected tapering of US monetary easing policy
- **Yen staying weak**  
Sales  Profits 

## Global economy is back to before 2008 Financial Crisis

- European **economy bottoming out**  
Chinese **consumer market on a growth track**
- US and Japanese economies **shifting to growth phase**
- Global economy **shifting from "stormy" to "rainy"**

# Remarkable turnaround in the first half

**Q2 operating income hits record high on a quarterly basis!**  
**Overall operations continued to grow**

**Ball bearings**

Increasing external sales kept production up

**LED backlights**

Production remained high due to steady sales in the smartphone market  
Expanding customer base led to stable production

**Motors**

Fixed costs decreased as a result of structural reforms implemented in Q4 last year  
Sales volumes were up for all motor products due to recovery of markets  
Overall motor business fully turned around in Q2

**Cambodian plant**

Turned profitable due to increased production and improved productivity  
Second building, now under construction, to be completed by the end of the year



# The Five Arrows

## Increase external sales of ball bearings to 150 mil units

Attempt to reach a point of accomplishing external monthly average sales of ball bearings at 150 million units per month at an earliest possible date.

## Develop new EMS products and expand their sales

Strive to develop new EMS products • EMS components through coordination with TRDC (Tokyo Research & Development Center) network and expand their sales with the aim of further accelerating our “Electro Mechanics Solutions” strategy.

## Develop lighting device products and associated parts and components as well as boost their sales

Establish foundations for the development of such lighting device products as street lights and associated parts and components being developed by the Electric Device Division and Technology Development Department and set up manufacturing and sales systems for such products at an early stage.

## Increase the sales of the Measuring Devices BU to 20 billion yen

With a view to recognizing the strategic role of measuring components as a sensor, expand the sales of the measuring component-related products to about 20 billion yen as soon as we can.

## Boost the sales of the aircraft components business and improve the profitability of such business segments

Increase the sales of the aircraft components business such as rod end bearings centering on NHBB by taking advantage of its global presence in the industry, thereby striving to achieve substantial improvement in sales and profitability through maximizing synergetic effects.

# LED Lighting

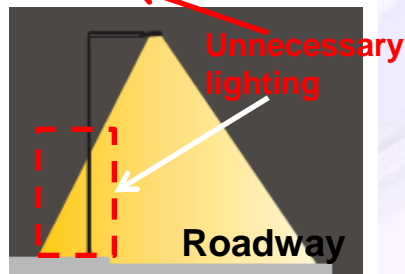
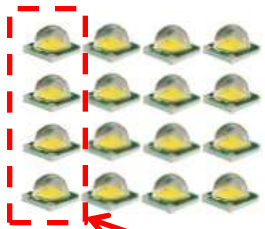
Boost sales of newly developed LED lighting devices and parts

Special lenses that control light distribution

Energy efficiency = Up approx. 30%

Conventional street light

Can be eliminated



Smart street light

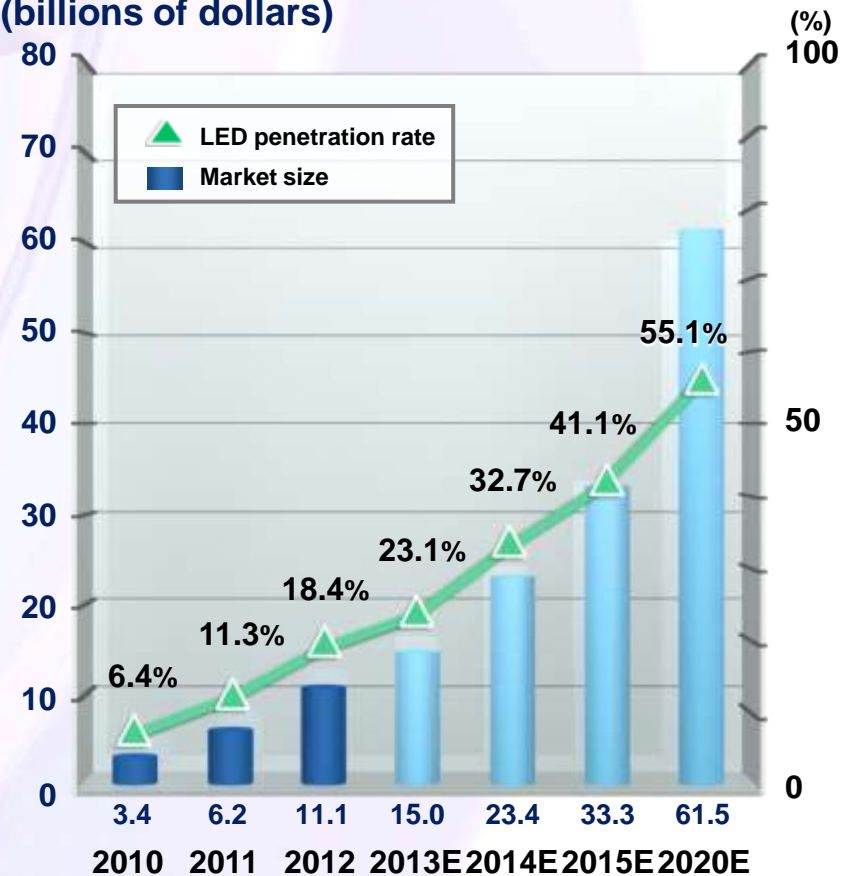
**Microprism control**

- Doesn't illuminate sidewalks or houses
- Effectively illuminates roadway



LED Lighting Market Forecast (Global)

(billions of dollars)



(Source: Fuji-Keizai, February 2013)



# Measuring Components

Highlight their sensor function over their traditional function as mere gauges  
➔ Large potential for expanding applications

## Care bed

### Occupancy monitoring

Detects whether a person is in bed

### Bedsore prevention

Measures load distribution and automatically turns the patient's body

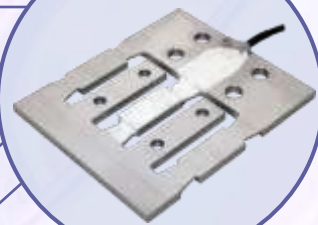
■ Automatic posture change: approx. 1 hour/cycle



For low to medium risk patients



Load cell



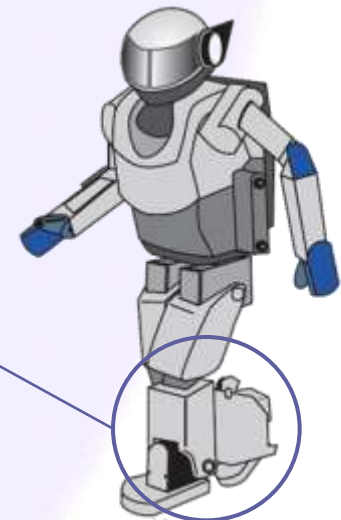
## Robot

### Walking/posture controls for robots

- 6-axis force sensors provide optimal foot-force distribution  
= Measure balance (biped walking)
- Must be more compact, durable, and overload resistant



6-axis force sensor



# Growth drivers for the next year leading to the Five Arrows

**(1) LED backlights**

**Up 20 billion yen in sales**

**(2) Hybrid components**

**Up 10 billion yen**

**(3) Aircraft parts**

**Up 3 billion yen**

**(4) Bearing units for turbochargers**

**Up 1 billion yen**



**400 billion yen in sales within reach next year**

# Immediate growth driver 1

## Sharp increase of LED backlight sales

### Growing demand for smartphones

- Smartphone global penetration is said to grow from 1.5 billion units to 4.3 billion units in 2017.
- Our sales increased each month in 1H and expected to be high in 2H

### Bolster profitability and competitive edge

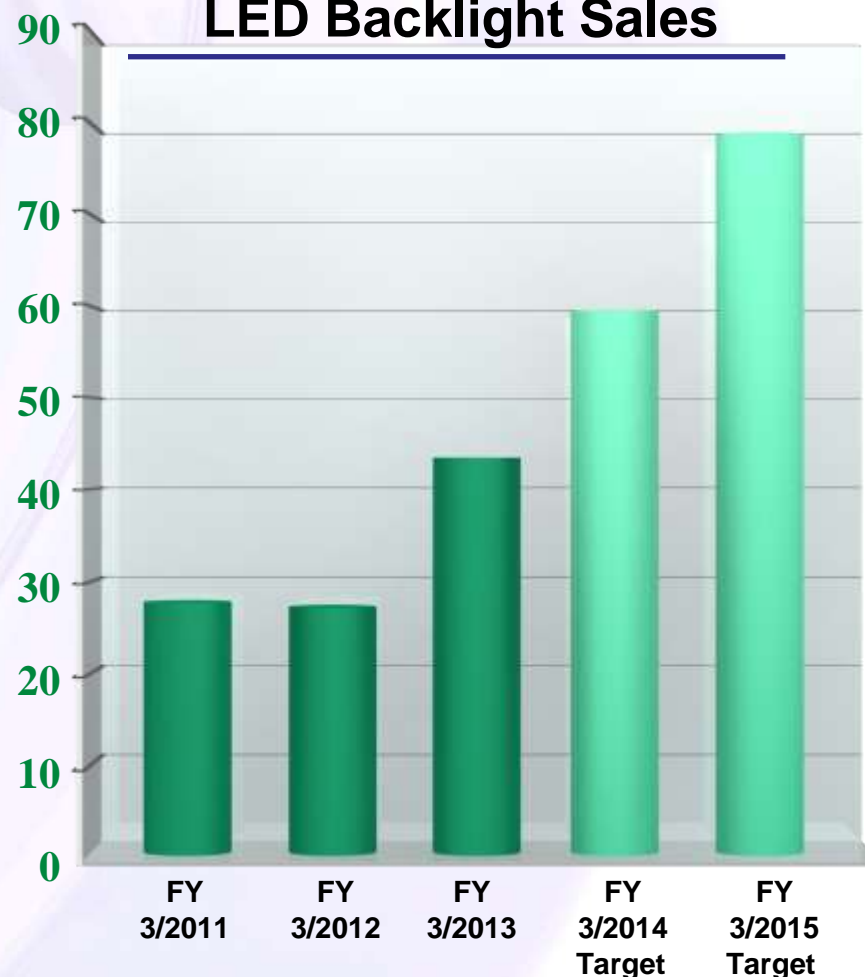
- Work on making light guide plates thinner  
→ Maintain overwhelming advantage
- In order to further strengthen profitability
  1. Expand customer base with an eye to balanced production
  2. Leverage alliance with KJ Pretech
  3. Cut labor costs via semi-automated machines and increased production in Cambodia

### Boost production capacity as market share increases

Increase production capacity 1.5-fold next year, with expansion of the Cambodian Plant and the new Xicen Plant

(billions of yen)

### LED Backlight Sales



# Immediate growth driver 2

**Hybrid component sales to shift to growth phase**

**Accelerate new hybrid component development**

**New Tokyo Research and Development Center (TRDC)  
will coordinate combining technologies for customer's needs.**

**Customer's needs**

**Technology 1 + Technology 2**

+

**TRDC  
technology**

+

**New ideas**

**Minebea's technology**

Ultra-precision machining	Rotary	Electronics	Measuring
Manufacturing process	Analytical	Hybridization	Surrounding

**Hybrid  
component**

# Immediate growth driver 3

## Expand aircraft parts sales

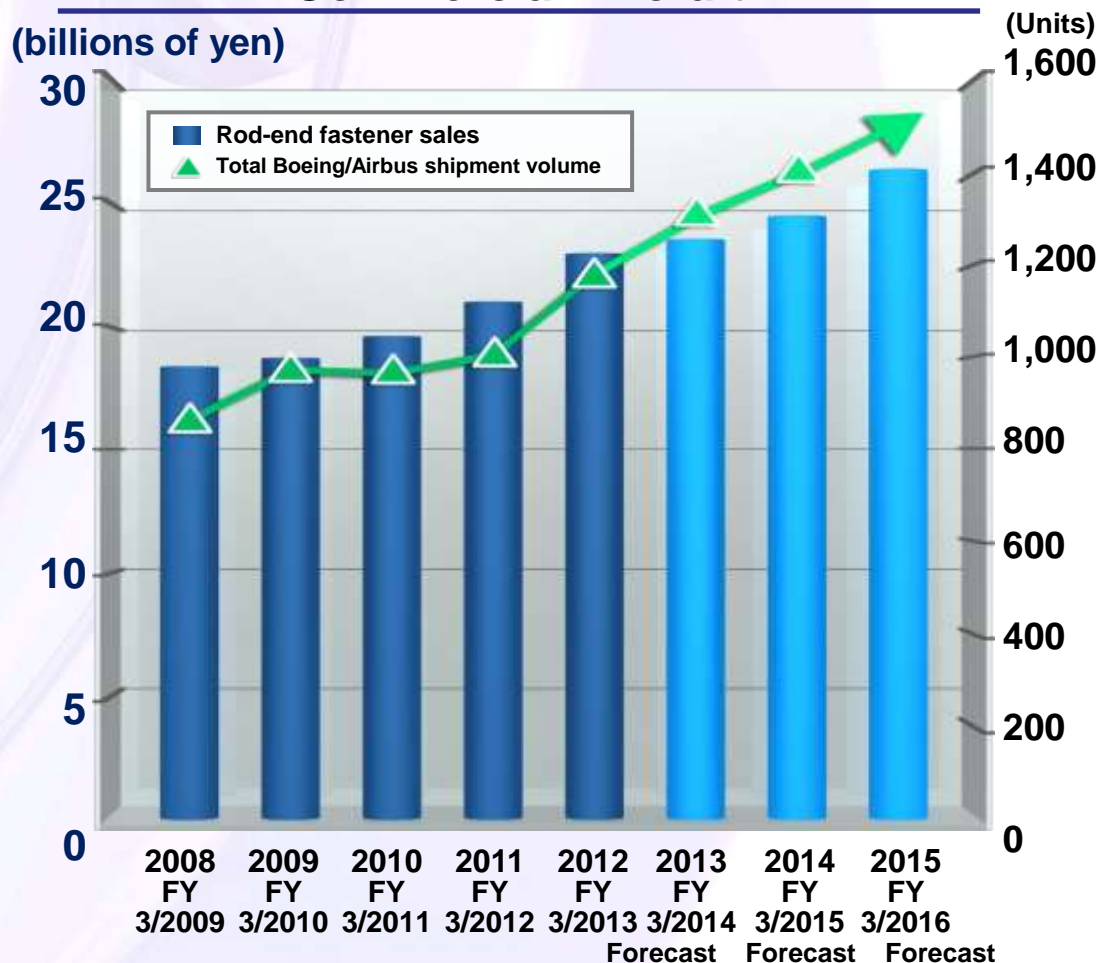
Global aircraft production will continue to increase over the medium term

- In addition to steady production of existing models, mass production and parts procurement to begin for new energy-saving models (A350XWB, A320Neo, B737MAX, etc.)
- Booming LCC industry is fueling bigger orders for aircraft

### Strengthen production

- Now boosting production capacity of Lop Buri plant in Thailand in light of steady orders and shifting production from plants in Japan, the US, and the UK

## Shipment Volume for Boeing and Airbus Commercial Aircraft



(Source: Boeing and Airbus, forecasts by Minebea)



# Immediate growth driver 4

## Bearing units for turbochargers launched

**Pluses: energy-saving,  
highly heat-resistant**

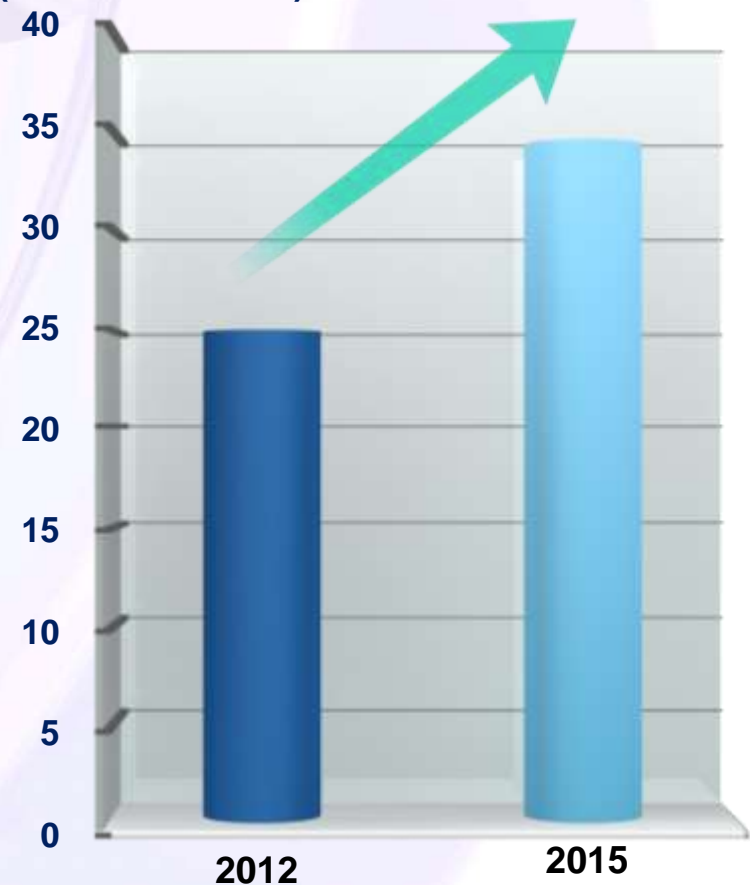
■ Began producing energy-saving, highly heat-resistant ball bearing units for turbochargers after they were adopted by major manufacturers

■ Aim for 5 billion yen in sales for FY ending 3/2016, including related bearing products



### Number of New Turbocharger-equipped Cars around the World

(millions of units)



(Forecast by Minebea)

# Application of ceramic bearings in aerospace

**CEROBEAR GmbH**

**Advanced ceramic bearing technology**

**NHBB (Minebea's US subsidiary)**

**Large market share for bearing-related aircraft parts**

**Maximize synergy**

**Develop products that leverage the advantages of ceramics (lightweight, heat-resistant, durable)**

- Reduce fuel consumption via reduced product weight
- Reduce maintenance costs via enhanced durability



Hybrid bearings for gearbox accessories

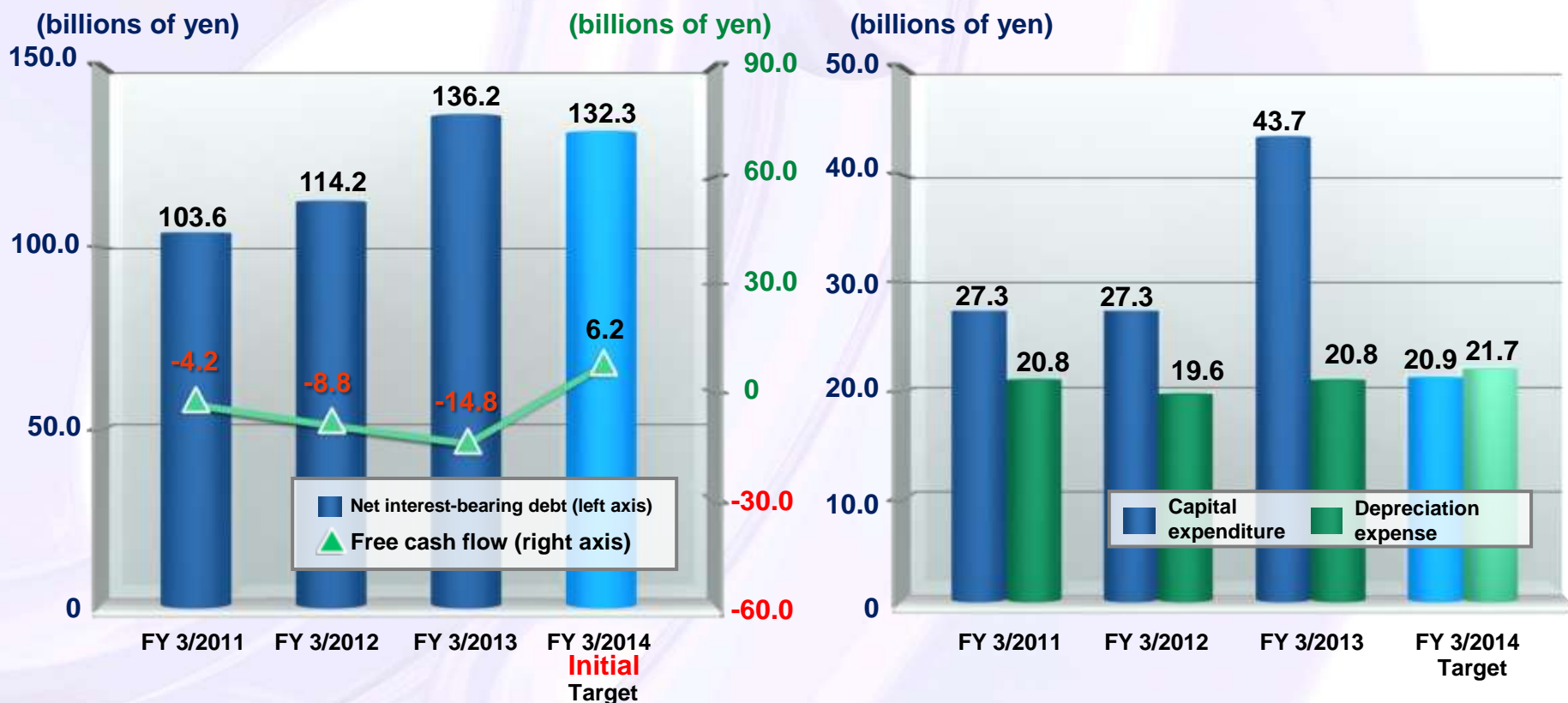
**Major NHBB customers show high interest in ceramic technology**

**Use for airplane/helicopter engine gearbox bearings**

**Further increase competitive edge**

# Improve balance sheet

Improved cash flow brought net D/E ratio down to 0.85

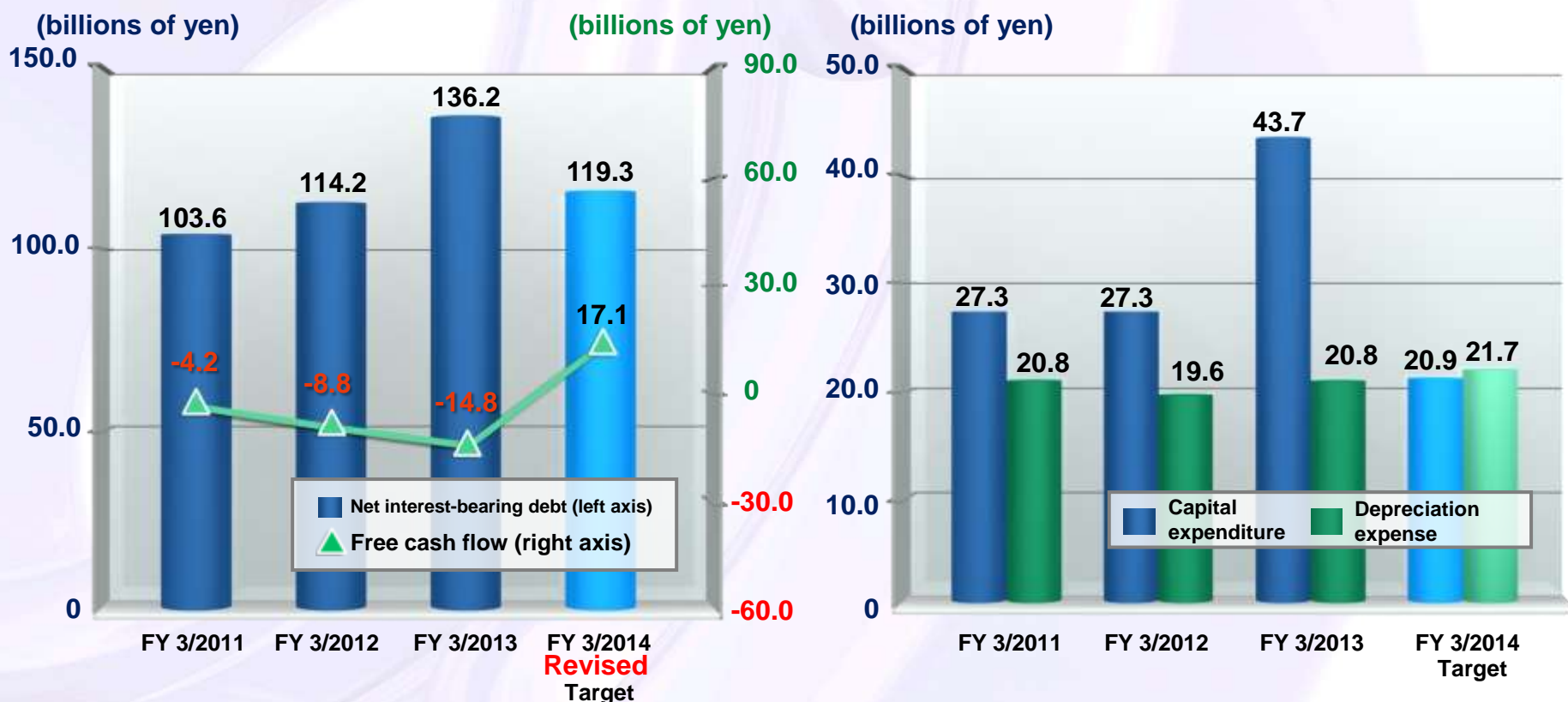


Net interest-bearing debts: Interest-bearing debt - Cash and cash equivalents  
Free cash flow: CF from operating activities + CF from investing activities



# Improve balance sheet

Improved cash flow brought net D/E ratio down to 0.85



Net interest-bearing debts: Interest-bearing debt - Cash and cash equivalents  
Free cash flow: CF from operating activities + CF from investing activities

# M&A and alliance strategies

**Given the backdrop of the falling yen,  
think twice about large M&A deals**

**Give priority to boosting machined  
components via medium and small M&As**

- **Strengthen various alliances in machined components business**
- **Leverage M&As and alliances in other business areas to strengthen their operations**

# Dividend policy

## Dividend

**FY 3/2014 interim dividend: 3 yen/share**

**FY 3/2014 year-end dividend  
forecast: 4 yen/share  
Total 7 yen/share**

## Dividend policy

**Our basic dividend policy gives priority to enhancing equity efficiency and improving returns to our shareholders, with dividends reflecting performance in light of the overall business environment while maintaining a stable and continuous distribution of profits.**

# 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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