

# Business Results

**Fiscal Year Ended March 31, 2016**

**May 10, 2016**  
Minebea Co., Ltd.

# 1. Financial Results

# 2. Policy and Strategy

# Financial Results

Hiromi Yoda

Managing Executive Officer

## Sales hit record highs 3 years in a row

(Millions of yen)	FY ended Mar. '15 Full year	FY ended Mar. '16 Full year	Change YoY	FY ended Mar.'16 February forecast Full year	VS. Forecast
Net sales	500,676	609,814	+21.8%	635,000	96.0%
Operating income	60,101	51,438	-14.4%	55,000	93.5%
Ordinary income	60,140	46,661	-22.4%	50,000	93.3%
Net income attributable to owners of the parent	39,887	36,386	-8.8%	40,000	91.0%
Net income per share (yen)	106.73	97.26	-8.9%	106.93	91.0%

Foreign exchange rates	FY ended Mar. '15 Full year	FY ended Mar. '16 Full year
US\$	¥109.19	¥120.78
Euro	¥139.38	¥132.75
Thai Baht	¥3.37	¥3.46
Chinese RMB	¥17.60	¥19.03

# Summary of Consolidated Business Results for 4Q

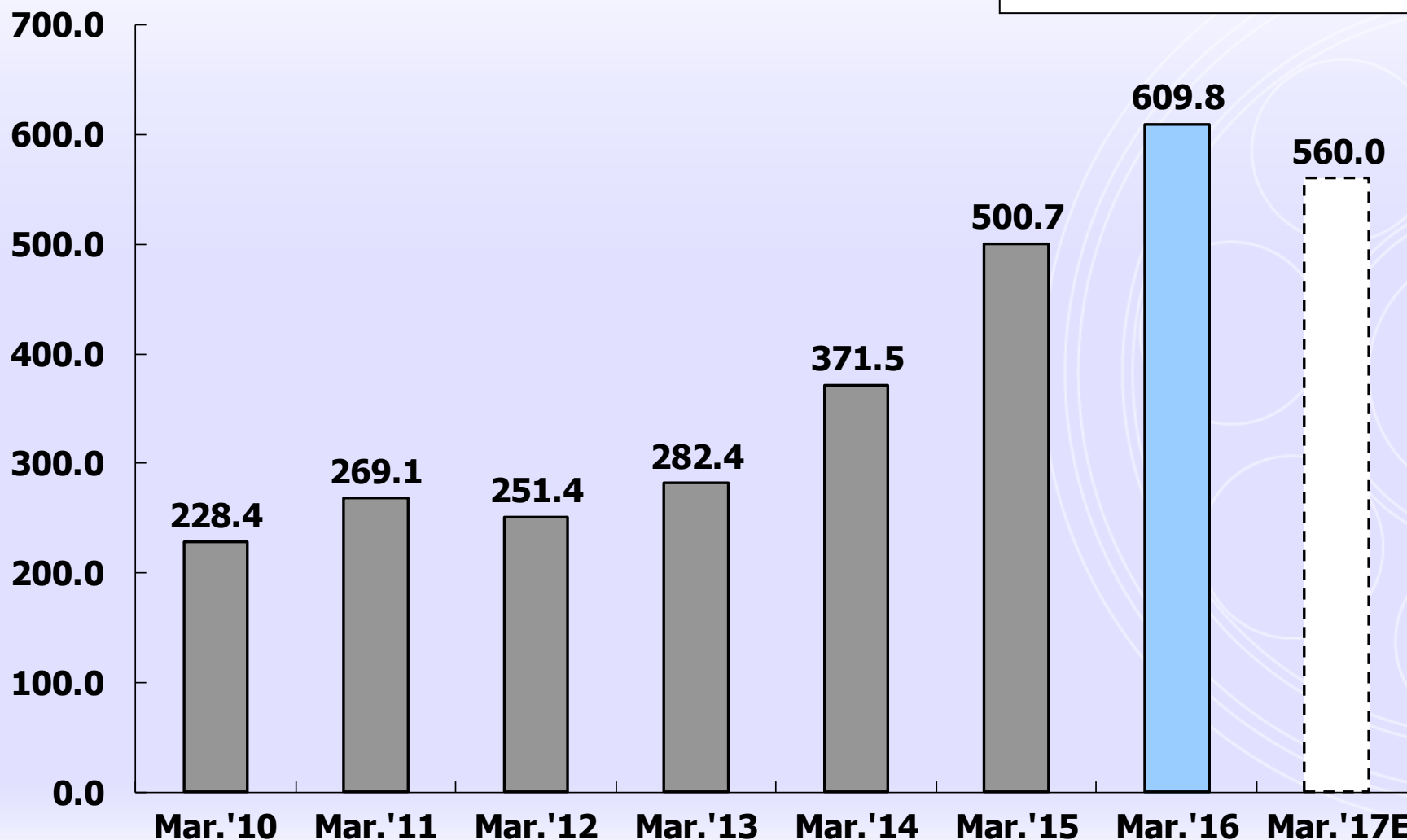
(Millions of yen)	FY ended Mar. '15	FY ended Mar. '16		Change	
	4Q	3Q	4Q	YoY	QoQ
Net sales	138,715	178,661	135,599	-2.2%	-24.1%
Operating income	16,259	15,484	8,536	-47.5%	-44.9%
Ordinary income	16,905	15,120	8,215	-51.4%	-45.7%
Net income attributable to owners of the parent	8,906	11,825	6,802	-23.6%	-42.5%
Net income per share (yen)	23.82	31.61	18.17	-23.7%	-42.5%

Foreign exchange rates	4Q of FY Mar. '15	3Q of FY Mar. '16	4Q of FY Mar. '16
US\$	¥119.36	¥121.23	¥118.37
Euro	¥138.02	¥132.56	¥129.35
Thai Baht	¥3.66	¥3.37	¥3.30
Chinese RMB	¥19.11	¥19.02	¥18.06

## Sales hit record highs 3 years in a row

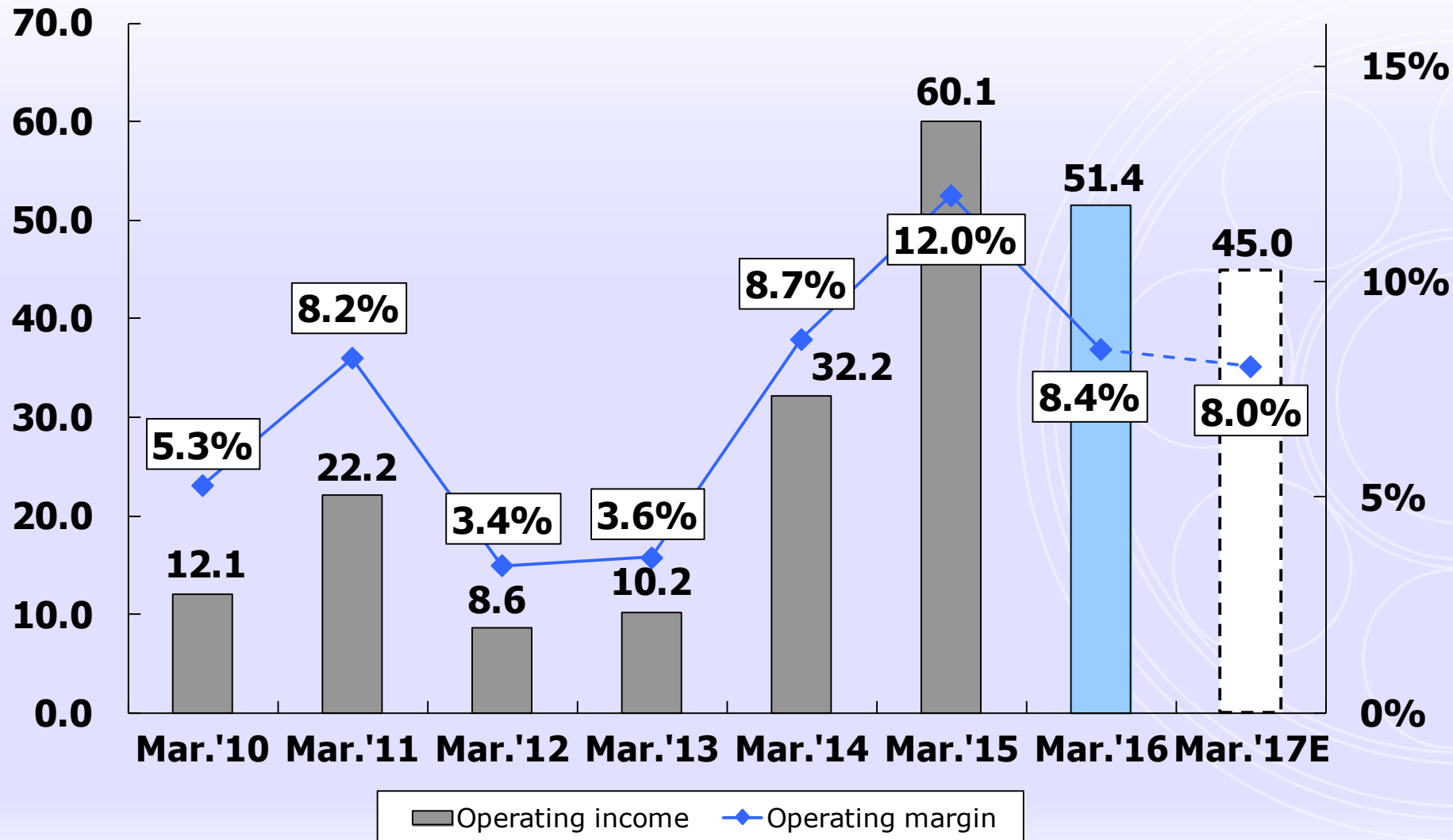
(Billions of yen)

Increased 21.8% YoY



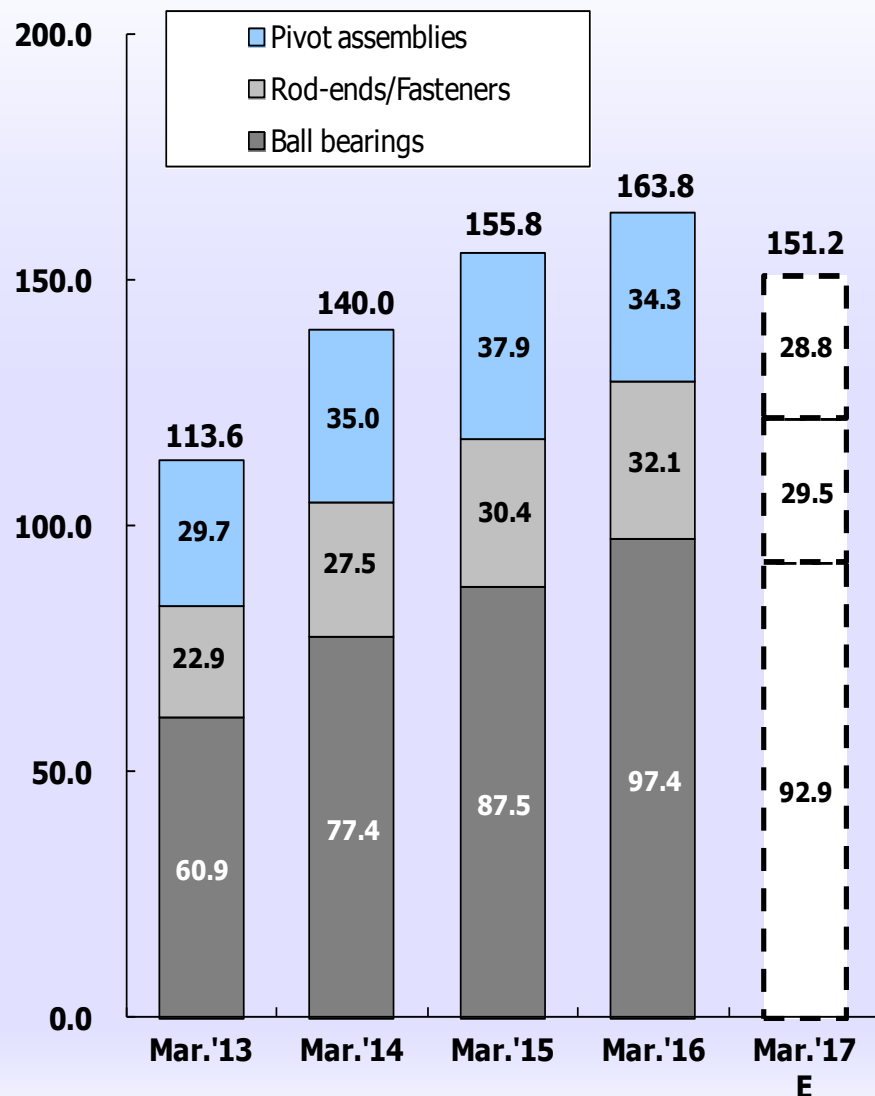
Decreased 14.4% YoY

(Billions of yen)



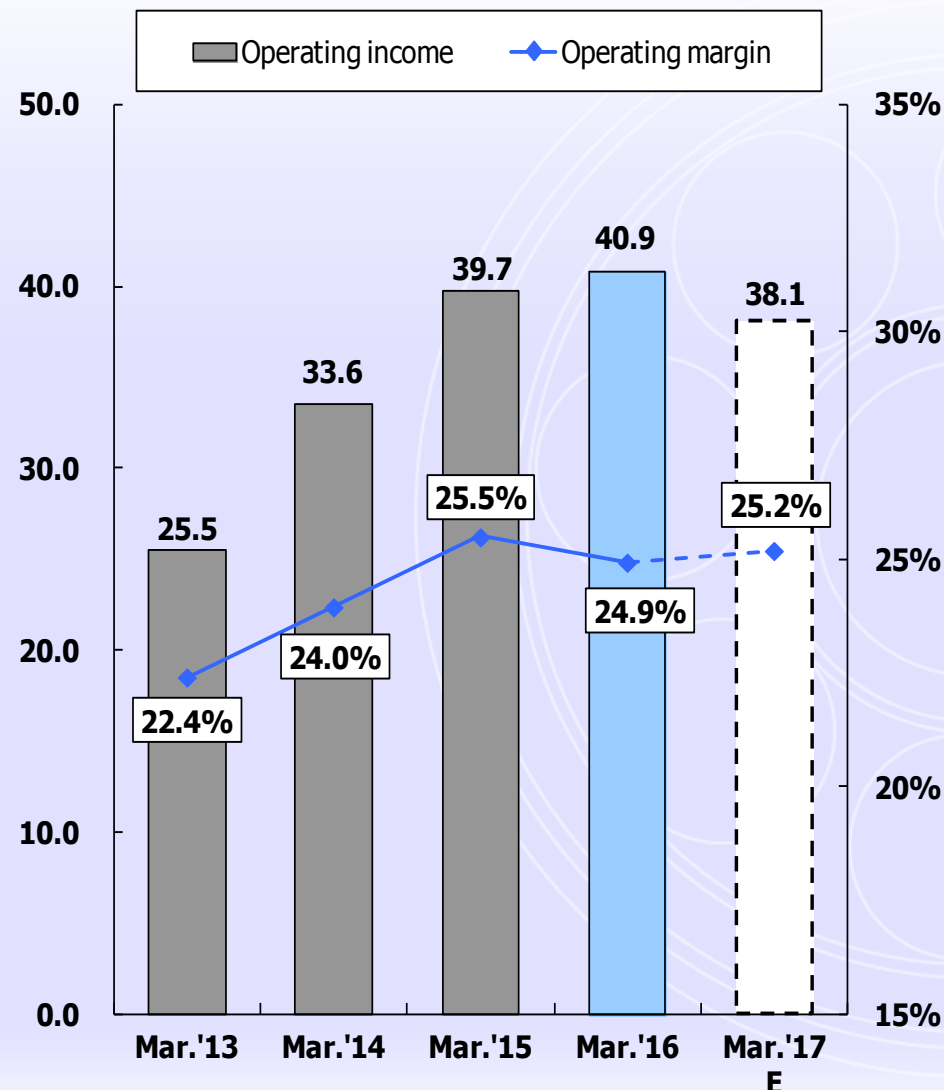
## Net sales

(Billions of yen)



## Operating income

(Billions of yen)



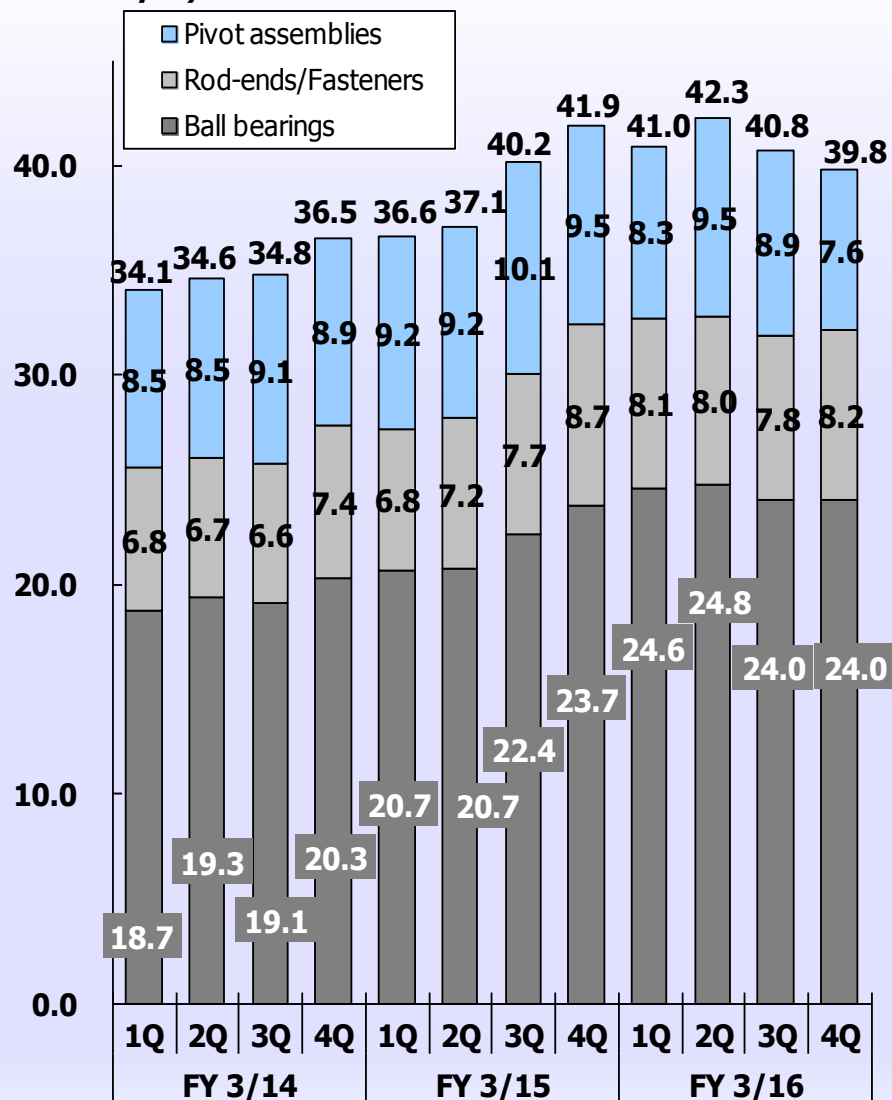
\*Due to minor changes in segment classification from FY3/16, FY3/15 numbers are also adjusted for comparison.

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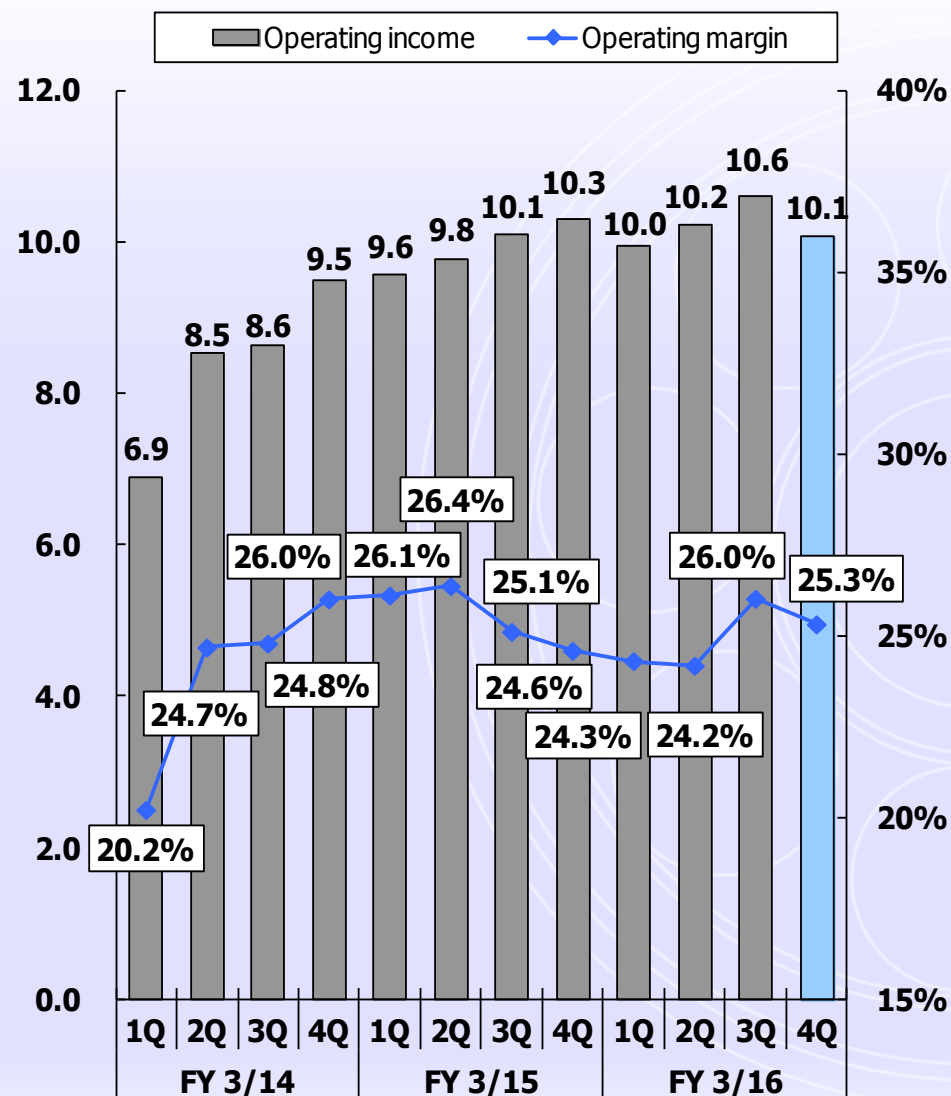
### Net sales

(Billions of yen)



### Operating income

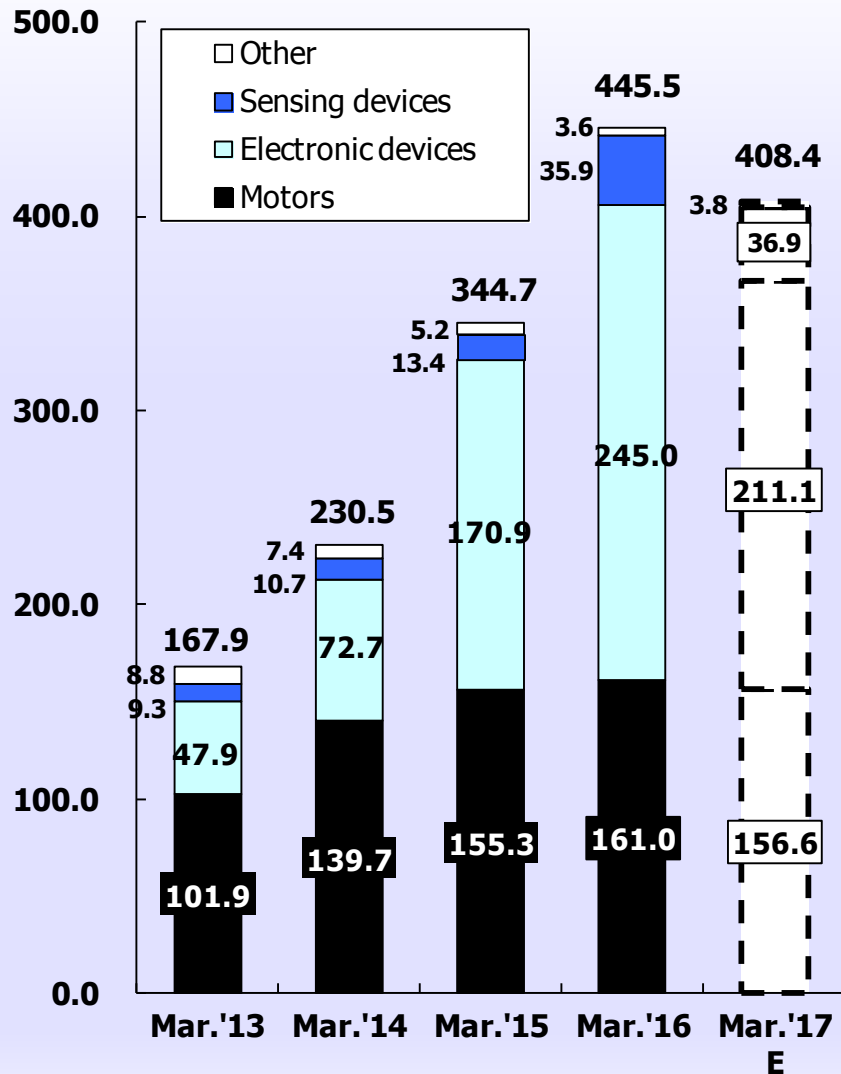
(Billions of yen)



\*Due to minor changes in segment classification from FY3/16, FY3/15 numbers are also adjusted for comparison.

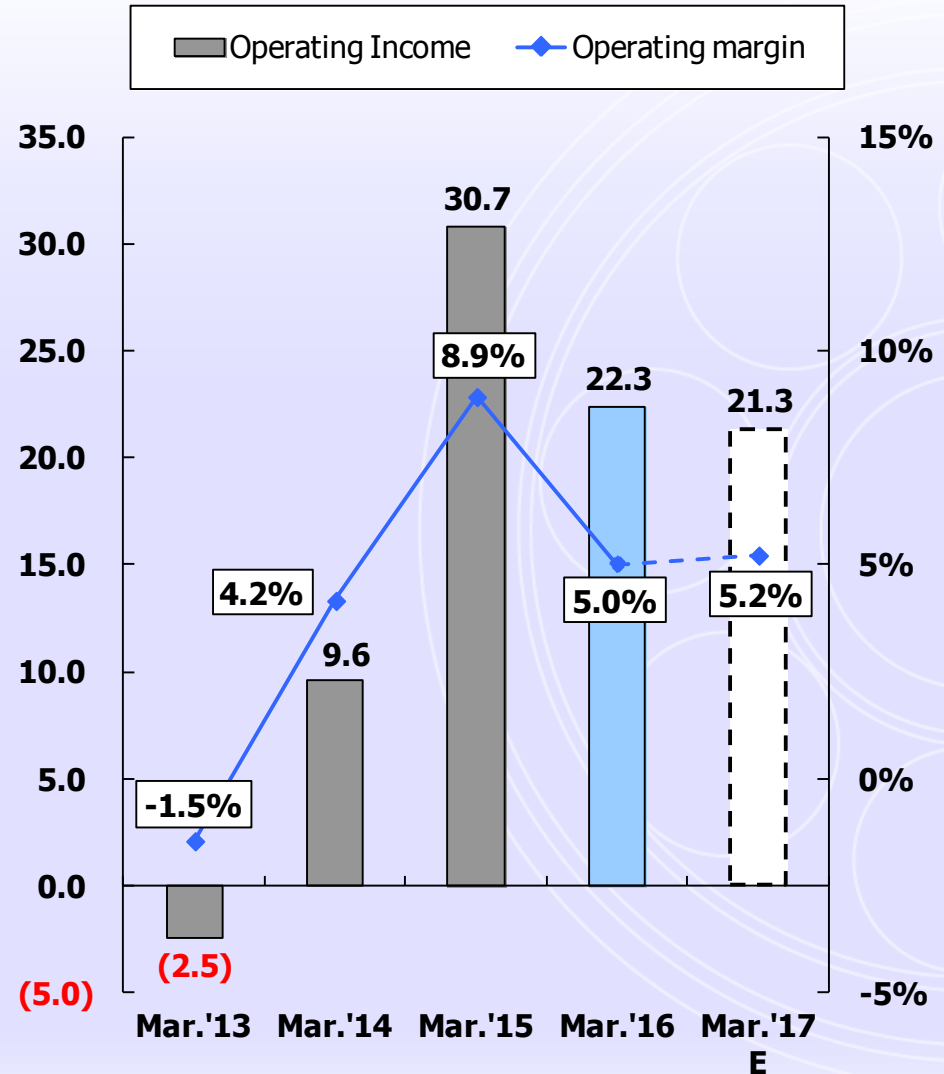
**Net sales** *\*Measuring components have changed their name to sensing devices in April 2016.*

(Billions of yen)



**Operating income**

(Billions of yen)

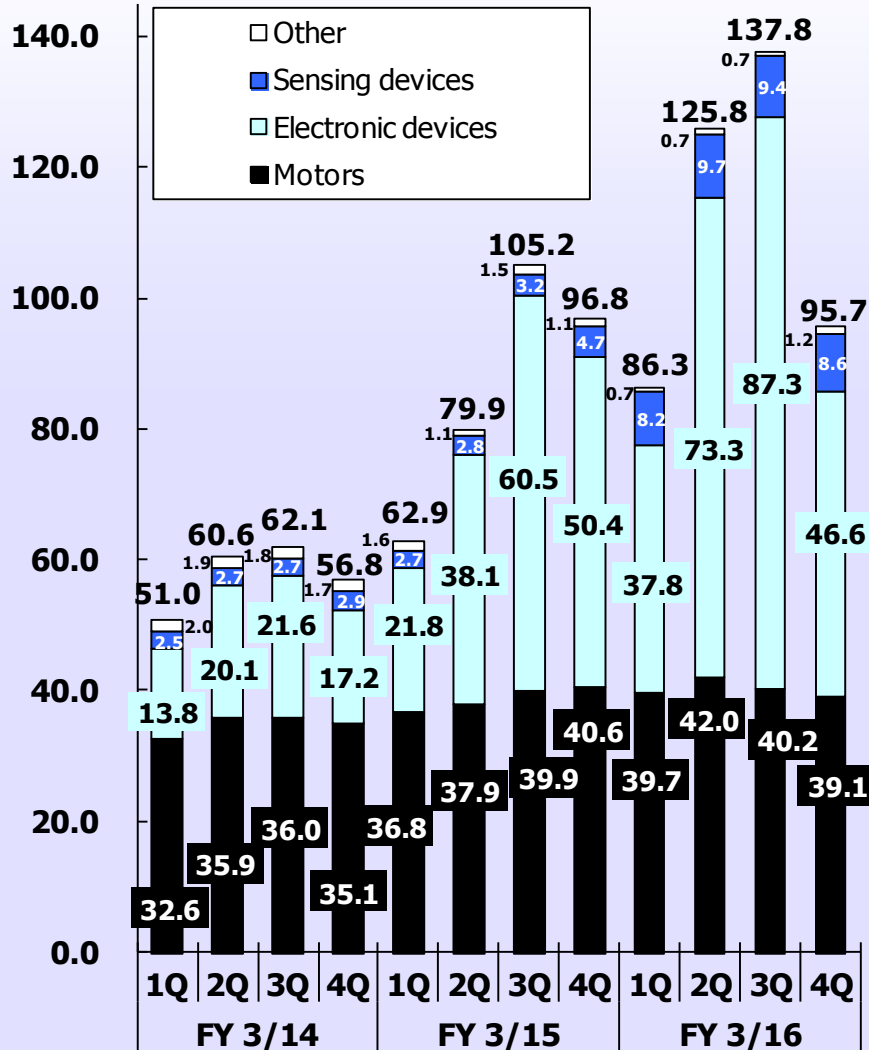


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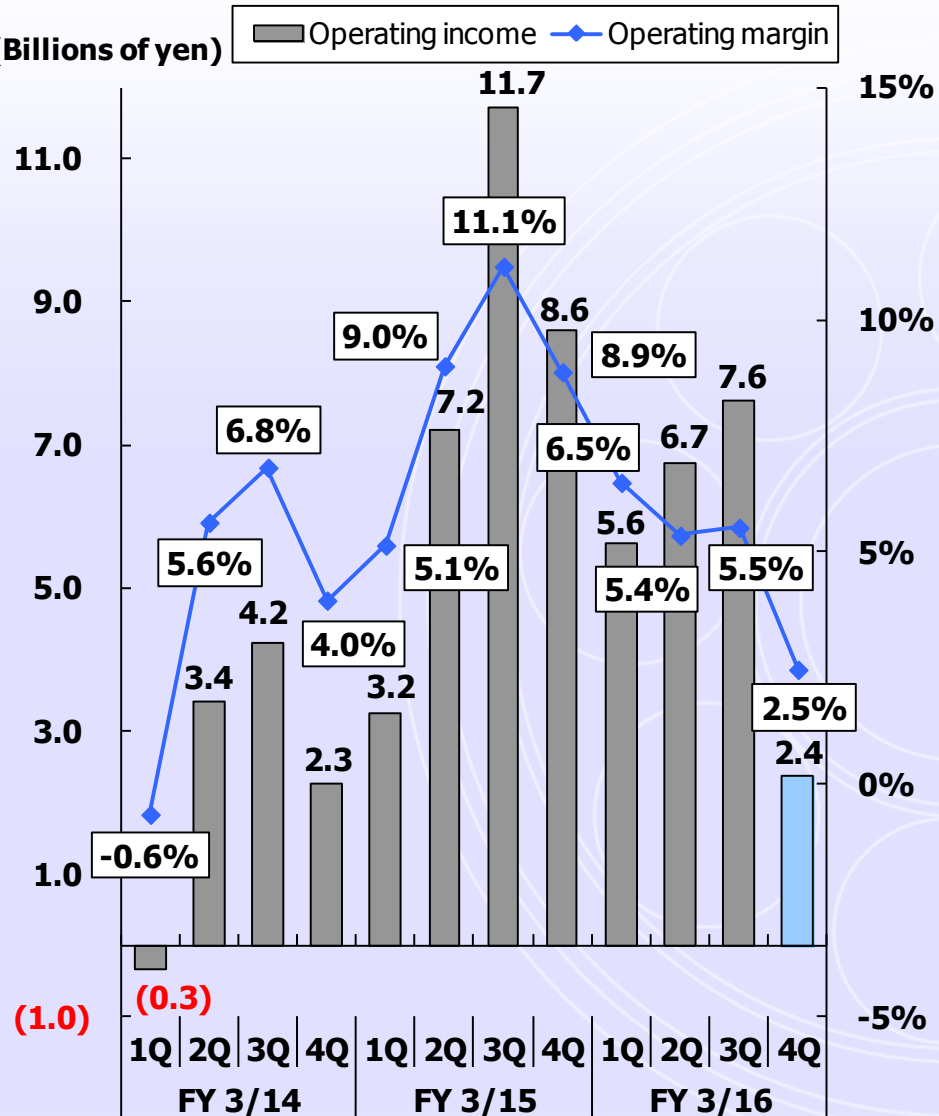
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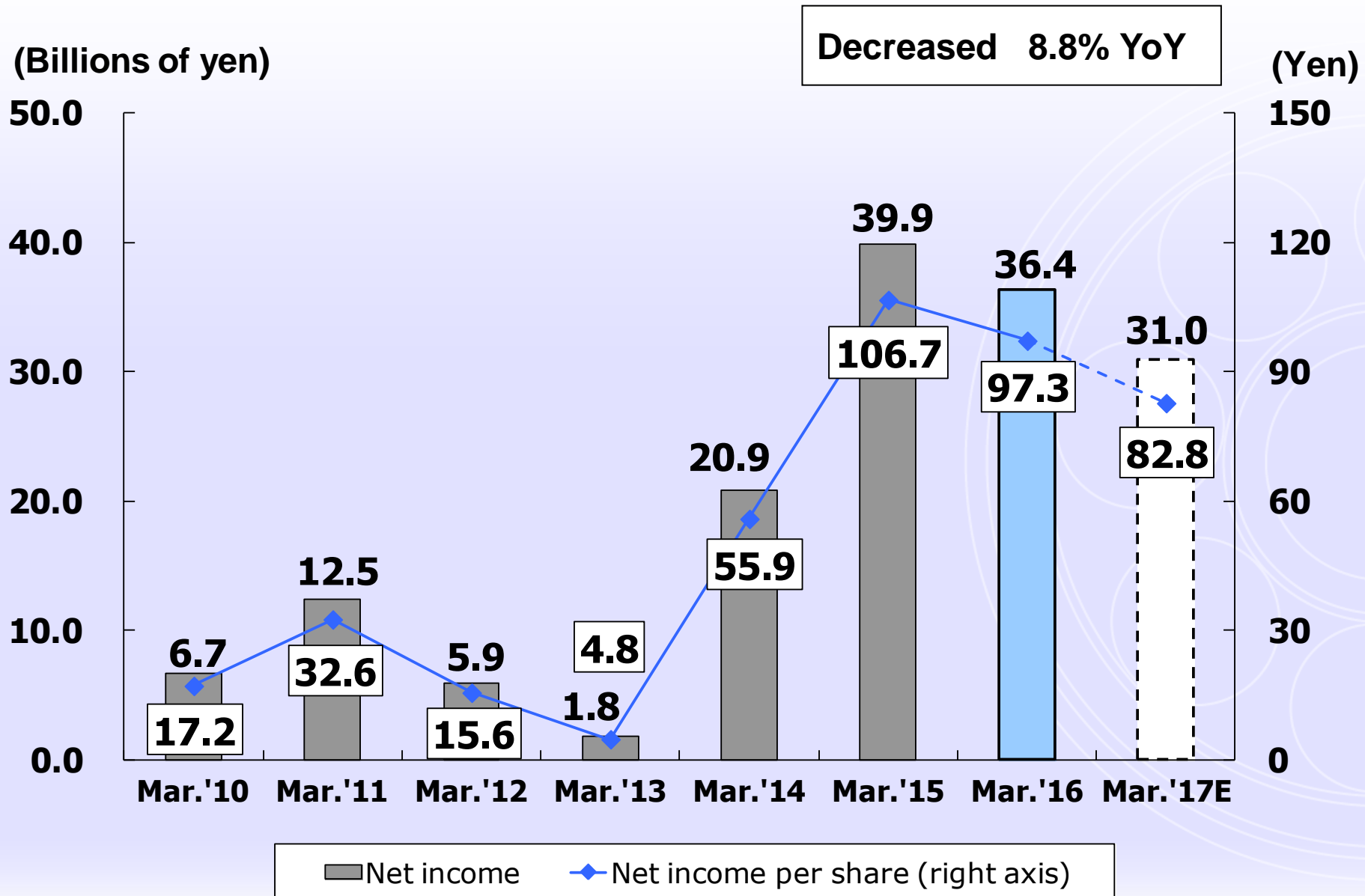


**Operating income**

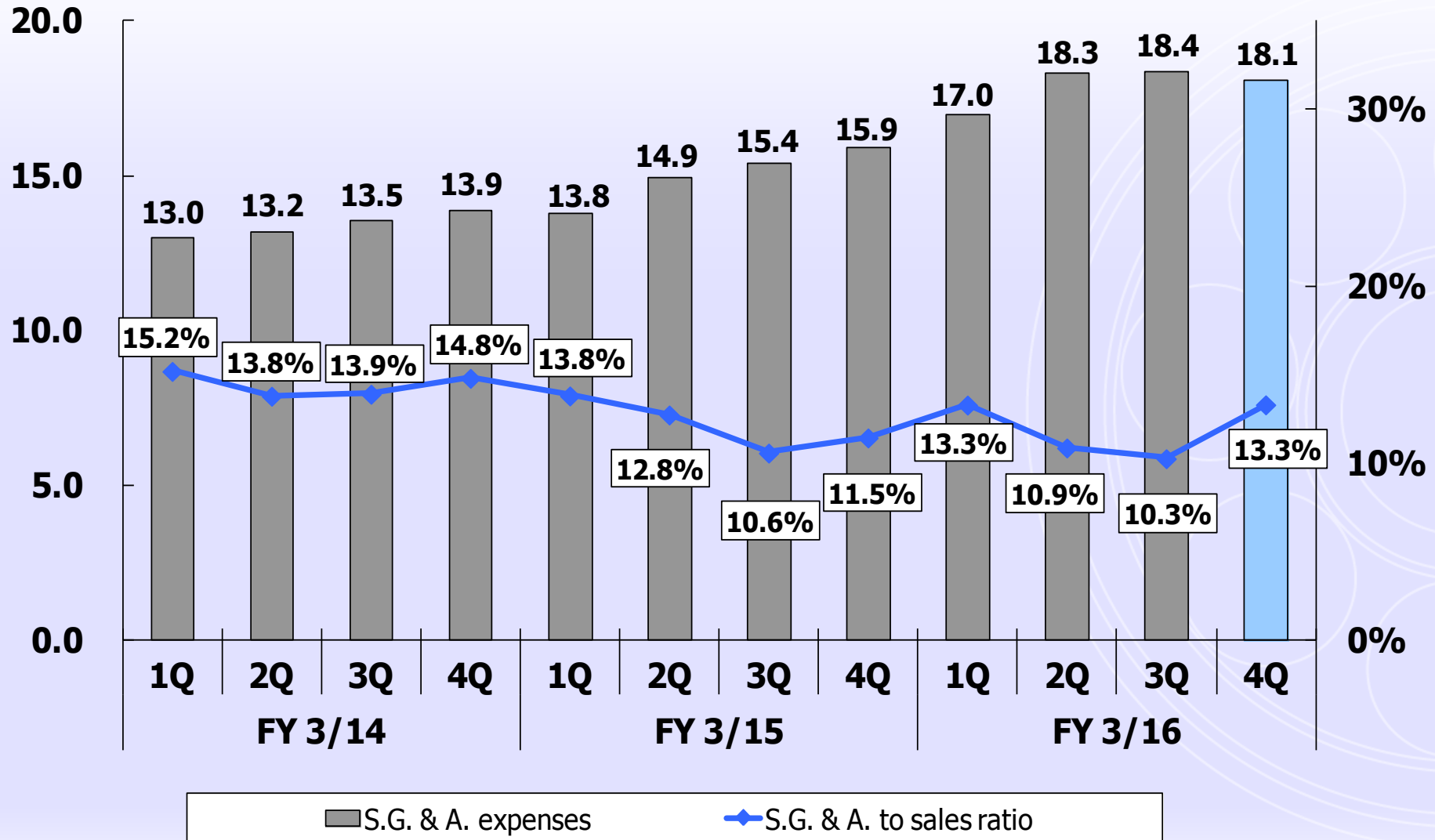
(Billions of yen)



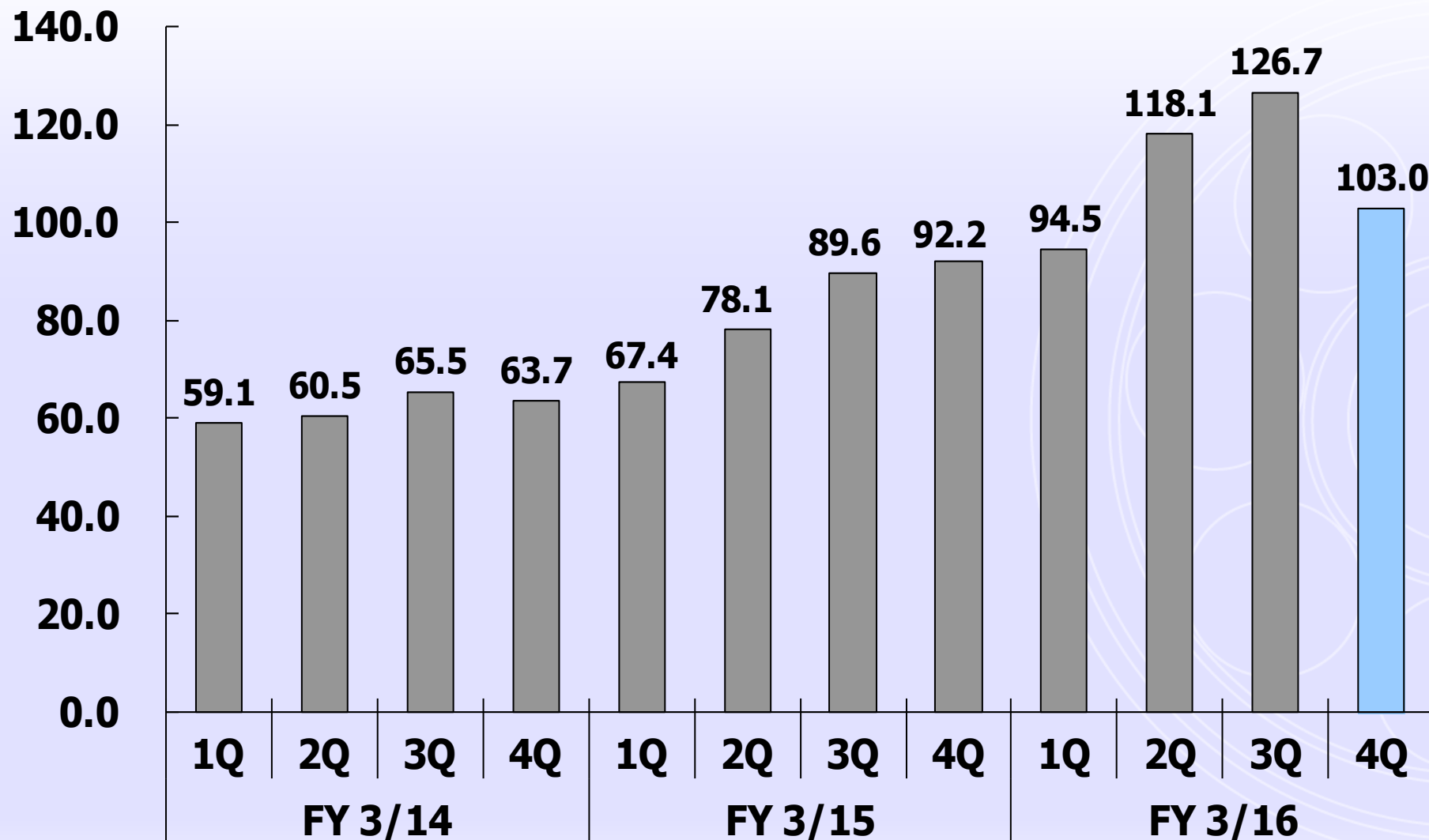
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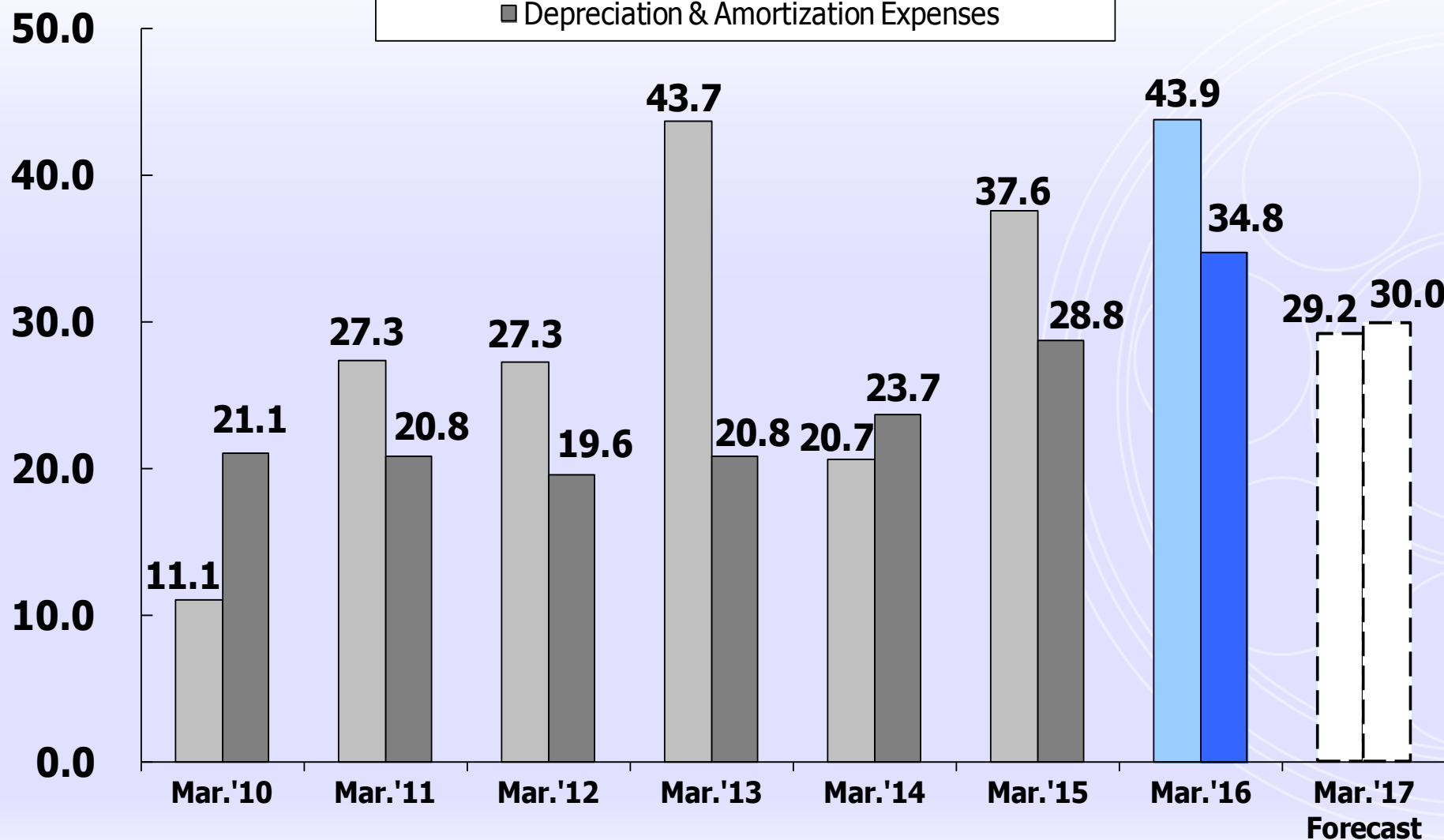
(Billions of yen)



(Billions of yen)



(Billions of yen)

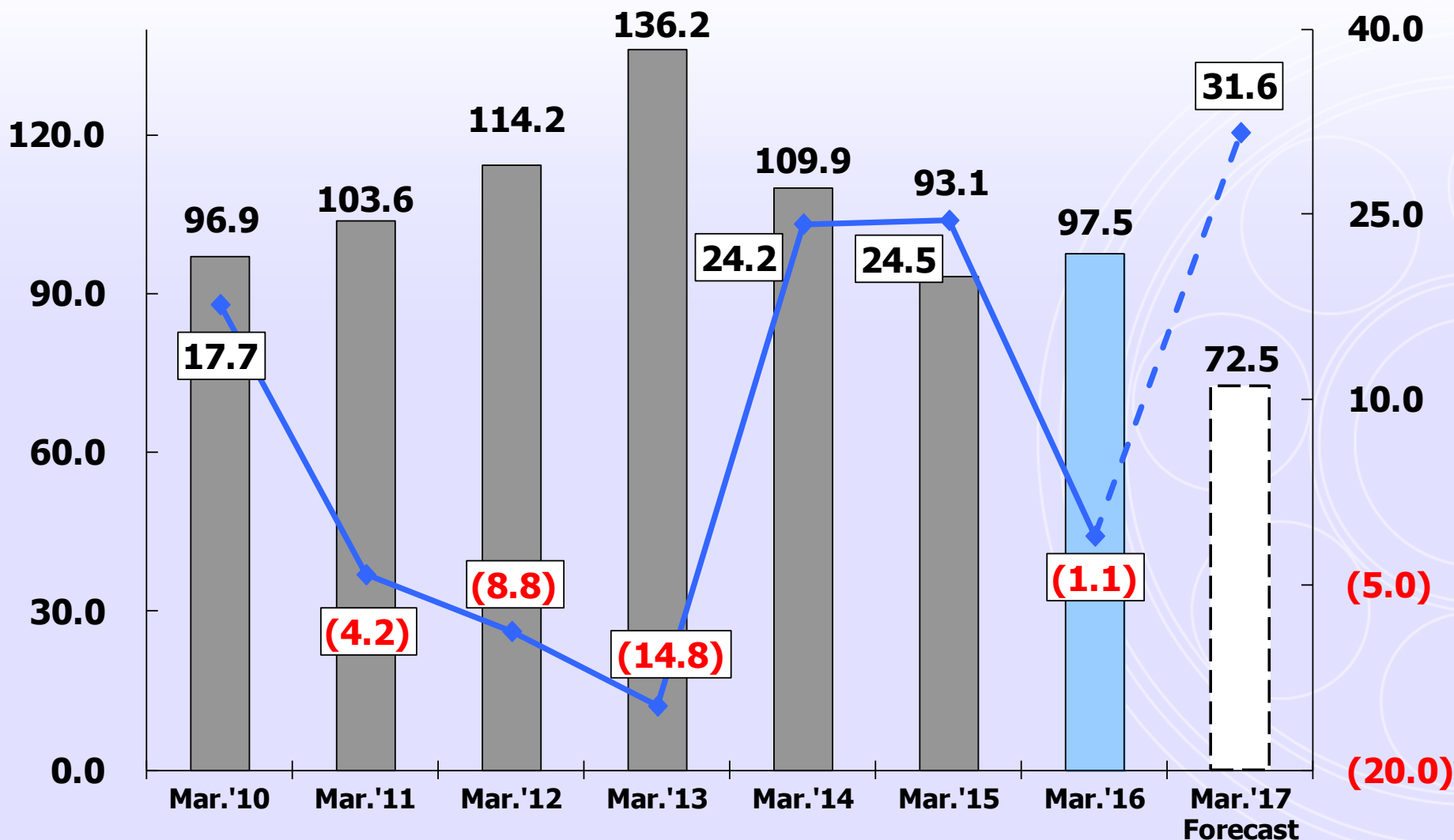


# Net Interest-Bearing Debt/Free Cash Flow Yearly

(Billions of yen)

■ Net interest-bearing debt ◆ Free cash flow (right axis)

(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*



## Clouded outlook for LED backlight market and strong yen signal lower sales and profits ahead

(Millions of yen)	FY ended Mar. '16 Full year	Fiscal year ending Mar. '17			
		1st Half	2nd Half	Full year	YoY
Net sales	609,814	260,000	300,000	560,000	-8.2%
Operating income	51,438	18,300	26,700	45,000	-12.5%
Ordinary income	46,661	17,800	26,200	44,000	-5.7%
Net income attributable to owners of the parent	36,386	12,100	18,900	31,000	-14.8%
Net income per share (yen)	97.26	32.32	50.48	82.80	-14.9%

Foreign exchange rates	Mar. '16 Full year	FY ending Mar. '17 Full year Assumption
US\$	¥120.78	¥105.00
Euro	¥132.75	¥122.00
Thai Baht	¥3.46	¥3.00
Chinese RMB	¥19.03	¥16.20

# Forecast for Business Segment

(Millions of yen)	FY ended Mar. '16  Full year	Fiscal year ending Mar. '17			
		1st Half	2nd Half	Full year	YoY
Net sales	609,814	260,000	300,000	560,000	-8.2%
Machined components	163,811	75,100	76,100	151,200	-7.7%
Electronic devices and components	445,467	184,700	223,700	408,400	-8.3%
Other	536	200	200	400	-25.4%
Operating income	51,438	18,300	26,700	45,000	-12.5%
Machined components	40,854	18,200	19,900	38,100	-6.7%
Electronic devices and components	22,336	7,100	14,200	21,300	-4.6%
Other	-124	-200	-200	-400	X 3.2
Adjustment	-11,627	-6,800	-7,200	-14,000	+20.4%



# Policy and Strategy

May 10, 2016

**Yoshihisa Kainuma**

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

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➤ **Dividend Policy**

## Positive factors

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1. Ball bearings external shipment volume up 7%
2. Motor profitability continued to improve
3. Sensing devices (former measuring components) profits jumped due to M&A and organic growth
4. Agreement to integrate with Mitsumi Electric

## Negative factors

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1. LED backlights underperformed
  - a. Slowdown in the smartphone market
  - b. Inventory adjustments by a U.S. customer
2. Stronger Japanese yen in 4Q
3. NHBB underperformed

**Steady growth is expected for ball bearings, motors and sensing devices (former measuring components) , but for now lower sales and profits from LED backlights are assumed conservatively.**

**Stronger yen assumptions make sales and profits lower.**

(US\$=¥120.78 → ¥105 Euro=¥132.75 → ¥122 (FY 3/16 vs. FY 3/17E)

Thai Baht=¥3.46 → ¥3 Chinese Renminbi=¥19.03 → ¥16.2)

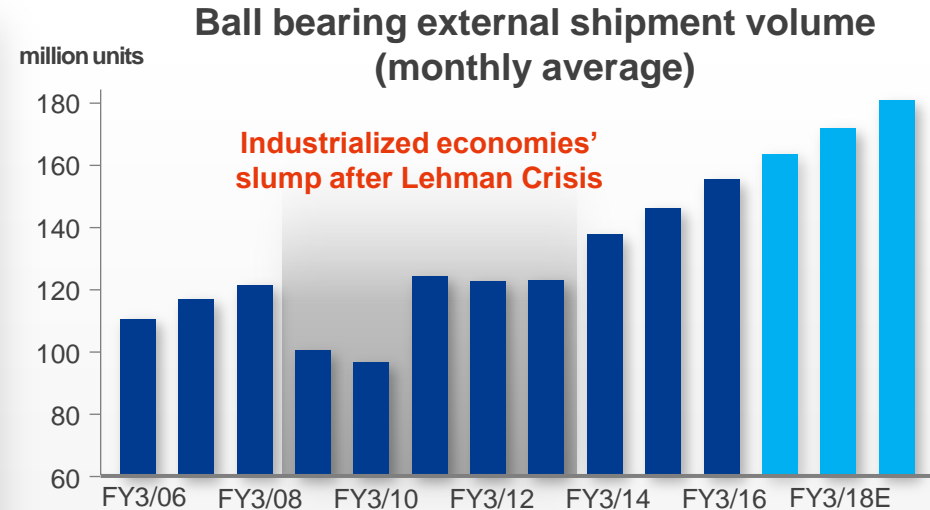
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External sales up year-on-year **14 quarters in a row !**

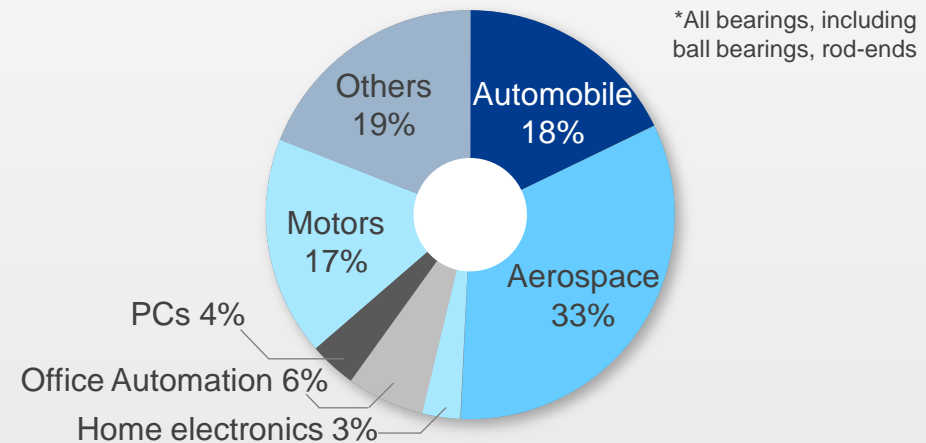
March external sales hit another record high at 165 million units

## Growing external sales volume

- Miniature ball bearings are growing with high-end consumer products such as:
  1. Automobile : needs for energy saving with down-sizing, passenger comfort and safety.
  2. Fan motors : needs for cloud server cooling fan motors.
- External sales hit record highs 3 times last FY.
- **Grew 8 % a year for the last 3 years ! !**



## Bearing sales by user industry\* (FY3/2016)



# Sensing device sales and profits are growing

Formerly measuring components, the name was changed before the Mitsumi integration aimed at expanding sensor products.

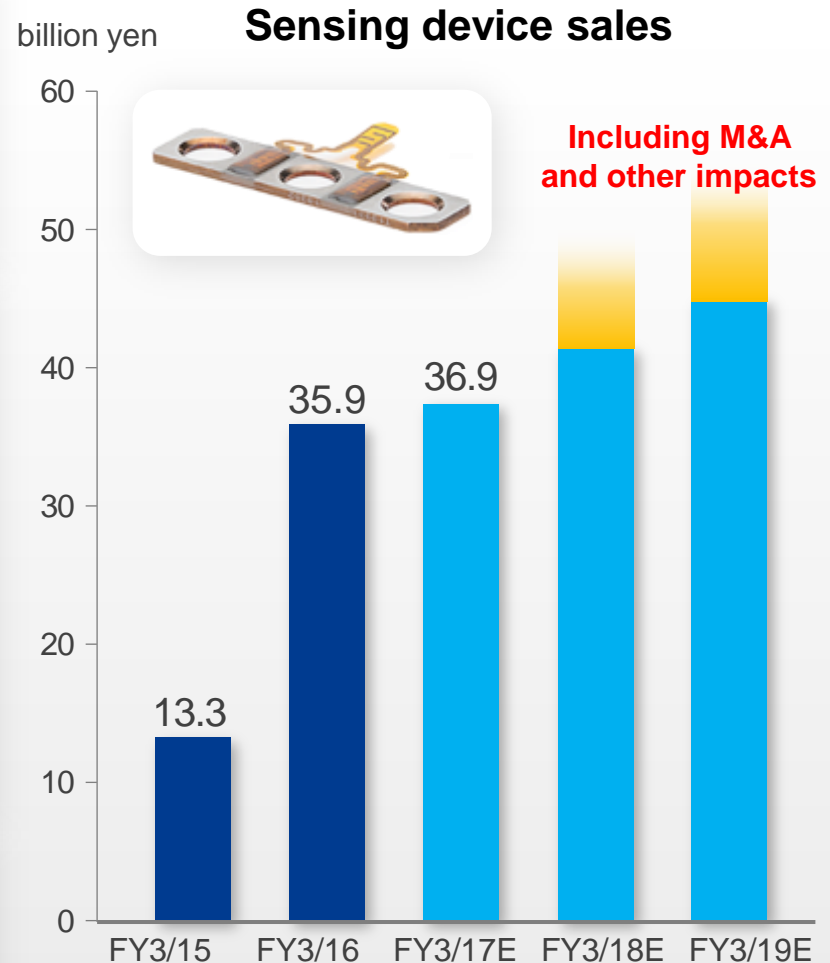
## Steady growth of existing products

- Passenger seat sensor sales expanding in the North American automobile market due to wider customer base
- Production capacity has increased

## Pursuing M&A synergy

- Sartorius MT&H acquired on February 2015.
  1. Broadening customer base via cross sales
  2. Utilizing Minebea components in Sartorius MT&H products.
- Maintained high OP margin even after Sartorius MT&H acquisition.
- Two French industrial weighing equipment companies acquired by Sartorius MT&H in April 2016.

**Targeting sales of 50 billion  
in FY 3/18 from M&A's, etc.**





## Planning to invest aggressively this fiscal year

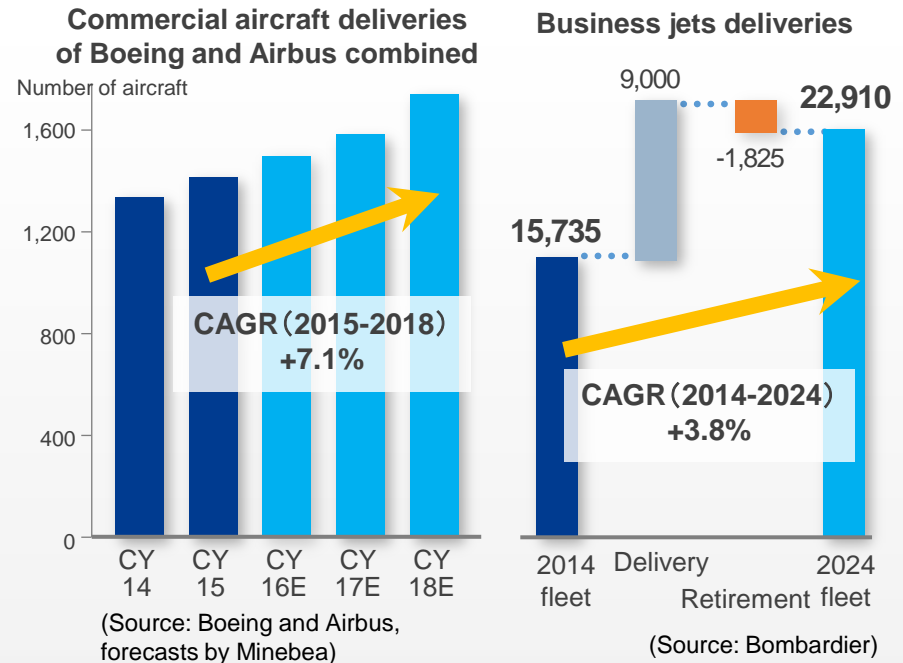
### Aircraft production to grow

- Air traffic is growing with globalization. Airlines enjoying higher profits due to lower fuel costs need more and newer aircraft.
- Newer and energy efficient aircraft models' (B787, A350XWB, A320Neo, B737MAX, etc.) production rates are picking up.

### Targeting sales of 70 billion yen over the next few years

- Expanding production capacity in Japan and Thailand.
- Enhancing marketing and production cooperation on global basis.
- Leveraging CEROBEAR acquisition with a focus on R&D of ceramic bearing aircraft parts.

### Growing commercial aircraft deliveries



# Measures to improve profitability in a shrinking HDD market

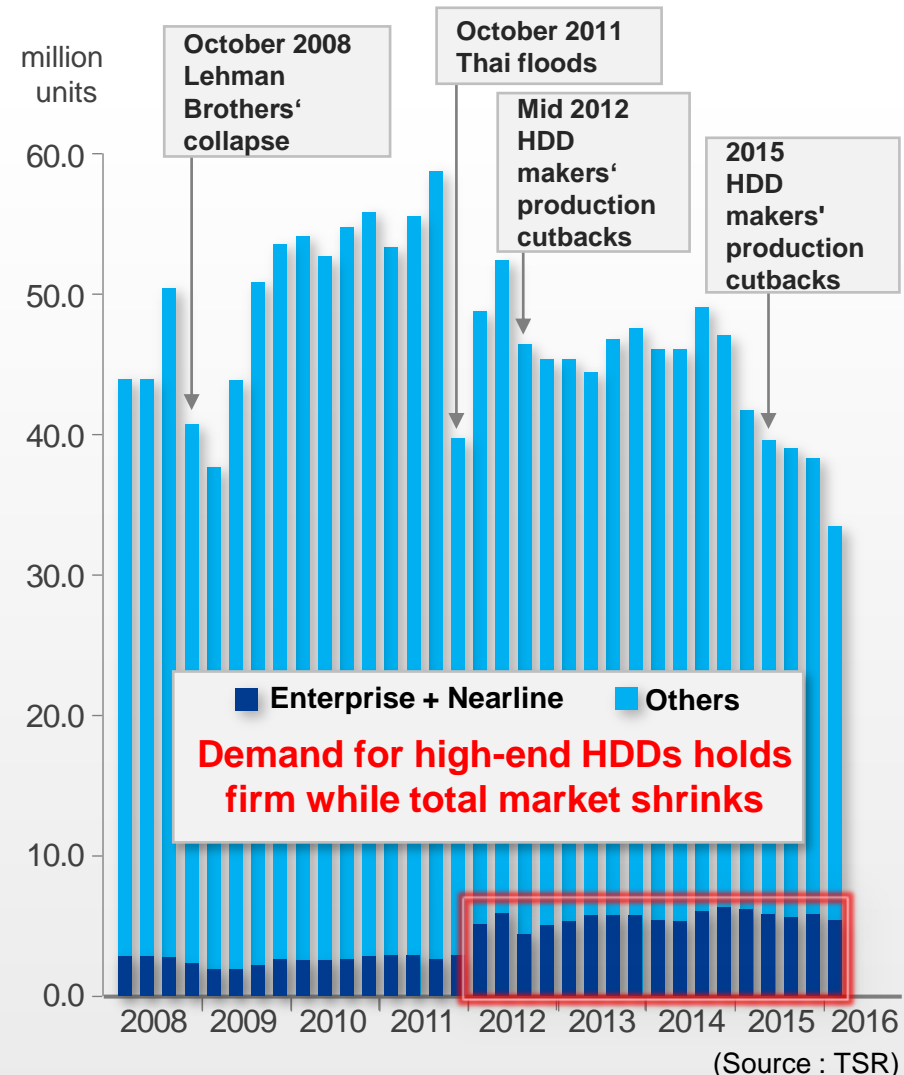
## Focusing on firm high-end HDDs in shrinking market

- HDD market is declining due to 1. sluggish PC sales, 2. SSDs that are eroding HDD demand in the mobile device market, and 3. the shift to cloud computing that's reducing storage needs at PCs.
- High-end HDDs, on the other hand, are expected to grow further for cloud servers as cloud storage demand continues to rise.

## Present and future of pivot assemblies and spindle motors

- Aiming to boost current 70+% share in the three player pivot assembly market.
- Focusing on high-end HDDs in the two player HDD spindle market.

**HDD Market Shipment Volume  
(monthly average)**



## Efficiency improves, but Sales and OP assumed to decline

### Sales & OP are assumed to decline

- Due to inventory adjustment in 1Q, low visibility in the smartphone market and customer's demand, and stronger Japanese yen assumption

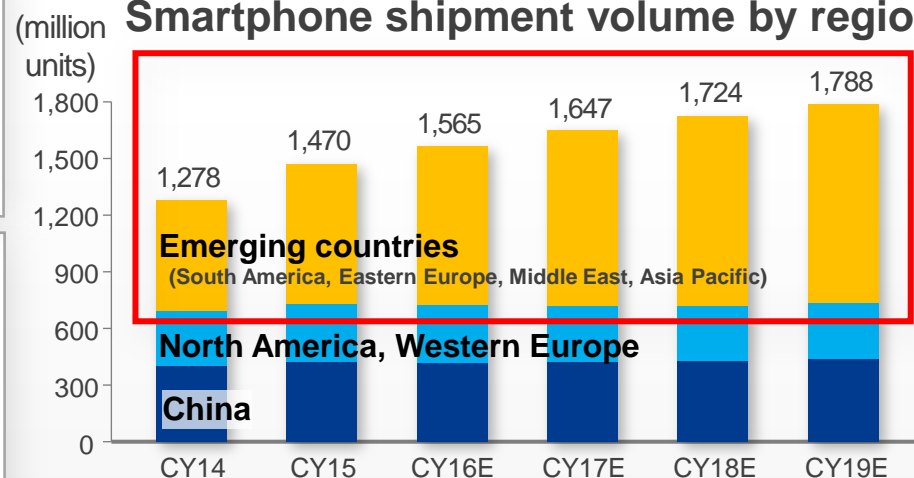
### Capacity expansion completed and competitive edge strengthened

- Minebea completed its expansion plan last fiscal year, establishing an overwhelming production capacity with an aim to boosting efficiency in the high-quality small-sized LED backlight market.

### Measures against OLED

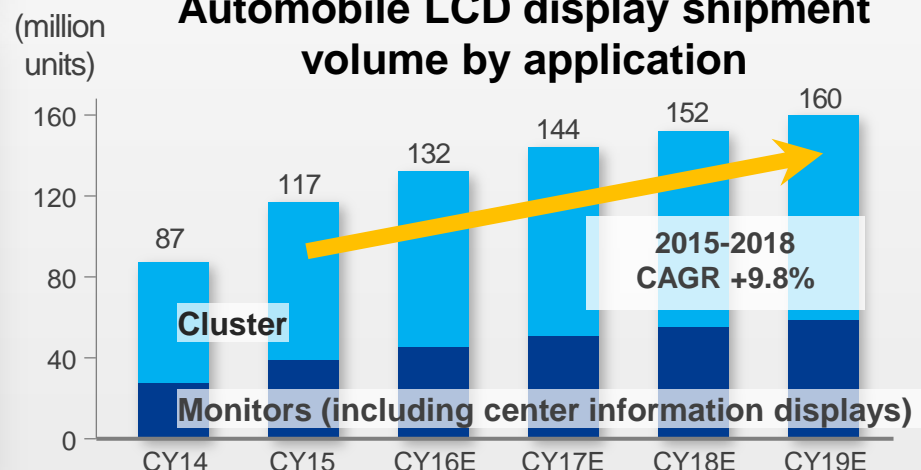
- Supply chain companies are jointly progressing a smartphone R&D project for ultra-thin LED chips and optical sheets to keep ahead of OLED.
- Focusing on automobile displays which requires much longer life, in order to counter a risk of volume decline next year.

### Smartphone shipment volume by region



Source : IHS Display Search

### Automobile LCD display shipment volume by application

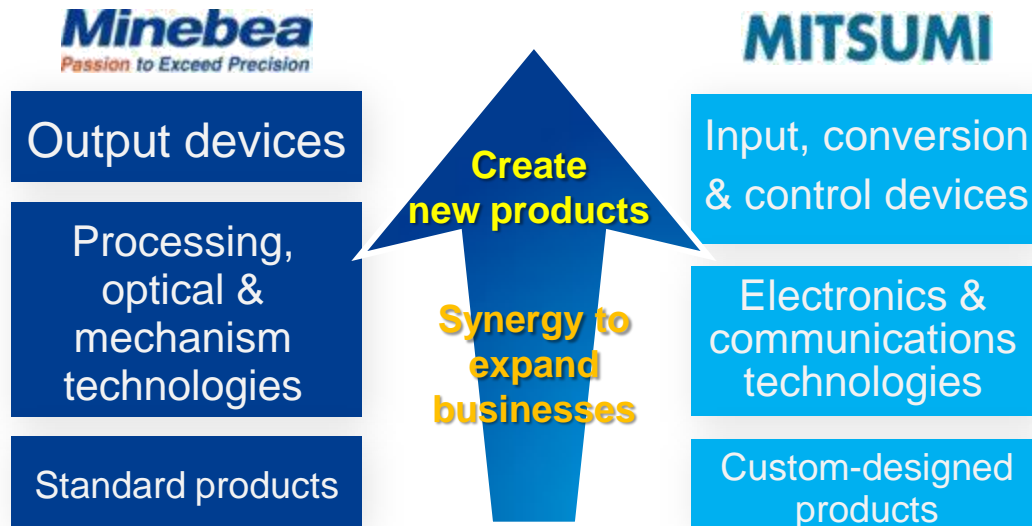


Source : IHS Display Search

# Mitsumi integration an eye to FY 3/2018

After approvals from anti-monopoly authorities  
⇒ Preparing to jump start after Mitsumi integration

## Synergy between Minebea's ultra-precision machining and Mitsumi's electronics technologies



12/21/2015  
Basic agreement

3/30/2016  
Definitive agreement

**Approval processes  
might take longer**

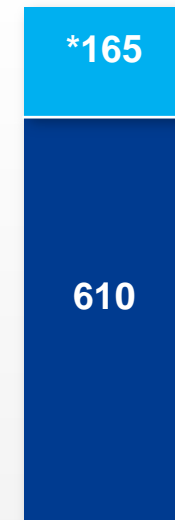
Applications to anti-monopoly  
authorities (about 4 months)

**Preparation for integration**

**Next year, 3 year business plan will be announced**

May 10, 2016

**Sales**  
(FY 3/2016 E)  
(Billion yen)



**Employees**  
(Minebea : End of 3/2016)  
\*\*(Mitsumi : End of 9/2015)



\*Mitsumi sales are according to  
its forecast as of 3/30/2016

**3/17/2017(Plan)**

**Start of Minebea Mitsumi**

12/27/2016  
Mitsumi extraordinary  
shareholders' meeting

# Future Developments (New Products)

**1**

**Acquisition of two French companies  
by Sartorius MT&H**

**2**

**Accelerating SALIOT™ marketing  
this year**

**3**

**Started clinical testing of  
medical bed sensors**

# 1. Sartorius MT&H acquires two French industrial weighing equipment companies

**Aiming for the biggest share  
of the French industrial weighing / inspection equipment market**

## AaZ Pesage

- Products & highly skilled services for diverse weighing applications using scales of own design
- Food, recycling & pharmaceutical customers
- Sales of 9.1 million euros in FY 12 / 2015

## Centre Pesage

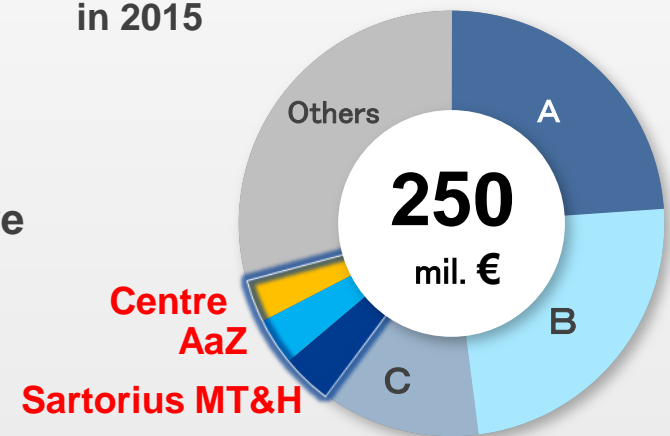
- Products & highly skilled services for diverse weighing applications with focus on truck scales
- Agriculture, environment & pharmaceutical customers
- Sales of 7.5 million euros in FY 12 / 2015

**100% of both purchased for about 1.5 billion yen by Sartorius MT&H**

## Synergy

- Expanding customer base for Minebea and Sartorius MT&H products
- Strengthening product portfolio, particularly with system configuration embodying application software
- Increasing market share in growing food processing, hygienic & pharmaceutical applications

**French industrial weighing /  
inspection equipment market  
in 2015**





## 2. Accelerating SALIOT™ marketing this year

### Accelerating marketing of SALIOT™ (Smart Adjustable Light for the Internet of Things)

- Premier Lighting Solutions Co., Ltd. was established in cooperation with CTI Holding Co., Ltd. in Thailand in October 2015. In March 2016, a showroom in Bangkok was opened to start sales activities on a full scale.
- Will establish a marketing channel in Japan and open a Tokyo showroom (by summer) In FY 3/2017.
- Installed at Isetan Mitsukoshi's Isetan Shinjuku store to 3/2/2016, on the 2<sup>nd</sup> and 5<sup>th</sup> floor to 4/19/2016, on the 5<sup>th</sup> floor and show windows on the ground floor to 4/27/2016, The Stage on the ground floor
- Also installed in Japan & abroad at a commercial complex, car dealer, museum



Display at Isetan Mitsukoshi's Isetan Shinjuku store

### Participated in LIGHTFAIR International 2016 exhibition

- The world's largest annual architectural and commercial lighting trade show and conference from 4/26 to 4/28 in San Diego, California, U.S.A.
- Minebea displayed a new SALIOT™ product lineup plus wireless communication and networking technologies for smart city applications.
- **Minebea wins an Innovation Award in Track, Display, Undercabinet & Shelf !!**



Showroom in Bangkok



Light Fair International 2016

## 2. Establishing global sales network for SALIOT™

### Sales cooperation agreement with the leading lighting equipment makers, OSRAM and EPL

**Minebea**  
Passion to Exceed Precision

Strengthening product portfolio  
Mass production  
Establishing Japanese sales channel



Sales cooperation  
in Europe to begin  
in or around December 2016

**Will soon pick  
partners in Asia  
and the Pacific**



Marketing partnership  
in the US, Canada,  
Mexico, and the Caribbean  
in or around the Autumn 2016



Premier Lighting Solutions  
Sales cooperation in  
Thailand, etc.  
PLS was established in cooperation  
with CTI in October 2015



# 3. Started clinical testing of medical bed sensors

## Ongoing joint research with IBM Japan & Chiba University Hospital Minebea to commercialize early next fiscal year

### Body data monitoring

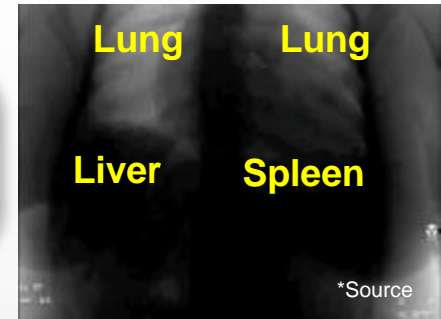
- Combined machine learning, cloud technologies and Minebea's high-precision load sensors
- Non-invasive, non-contact, real time monitoring of body weight and movement (direction, trajectory), breathing (frequency, depth, pattern), heartbeat & etc. of a person in bed.
- Providing assistance to healthcare workers & sense of security to patients
- 10+ related patents & design rights pending

Accurate  
measurement

Identifying data  
& analysis

Feedback from  
medical practice

High-precision load  
sensors can detect  
+/-100g shift of weight



### Nighttime monitoring is neither continuous nor reliable

Operating room - ICU

Patient monitoring  
display



Large  
gap

General ward  
(before discharge)

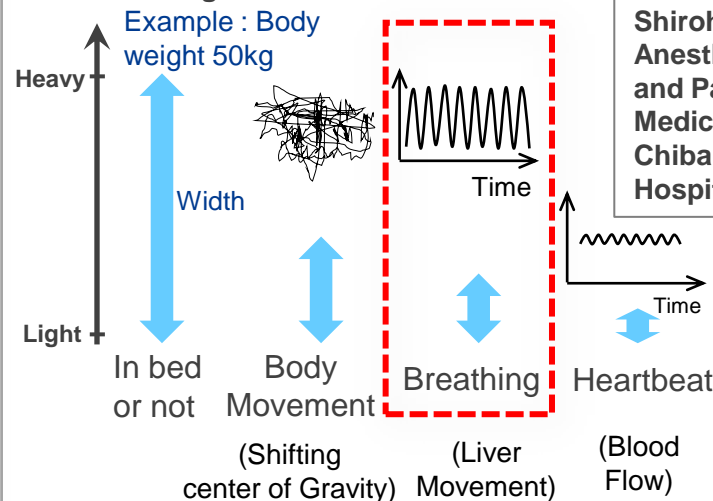
Nurses make rounds

2 – 4 times during the day &  
possibly only once at night to  
check blood pressure,  
heartbeat, body temperature  
and breathing.

**Lack of nighttime staff  
= higher accident risk**

\*Source

Bed sensor signal



\*Source : Professor  
Shiroh Isono  
Anesthesiology, Pain  
and Palliative Care  
Medicine Department,  
Chiba University  
Hospital

Sleeping  
Awakening  
Risk of Falling  
Night Loitering

## Dividend

FY ended 3/2016      year-end dividend: **10** yen/share;      Total year: **20** yen/share

Forecast for FY ending 3/2017      Interim: **TBD** yen/share  
Year-end: **TBD** yen/share

**Aiming for about a 20% payout ratio for FY3/17**

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.

Preparing to jump start after Mitsumi integration

Aim for large scale M&A to boost machined components business

Seek medium to small M&As and various alliances in selected areas



# 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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