

# **Business Results**

## **Second Quarter of Fiscal Year Ending March 31, 2017**

**November 2, 2016**  
Minebea Co., Ltd.

# 1. Financial Results

# 2. Policy and Strategy

# Financial Results

Hiromi Yoda

Director, Senior Managing Executive Officer

## Sales & OP lower YoY due to currency and other factors, but better than plan

(Millions of yen)	FY ended Mar. '16	FY ending Mar. '17	Change YoY	1H of FY ending Mar. '17	
	1H	1H		May Forecast	Vs. Forecast
Net sales	295,554	275,133	-7%	260,000	106%
Operating income	27,417	18,594	-32%	18,300	102%
Ordinary income	23,326	18,915	-19%	17,800	106%
Net income attributable to owners of the parent	17,758	12,745	-28%	12,100	105%
Net income per share (yen)	47.49	34.01	-28%	32.32	105%

Foreign exchange rates	1H of FY Mar. '16	1H of FY Mar. '17
US\$	¥121.77	¥107.31
Euro	¥134.55	¥120.08
Thai Baht	¥3.59	¥3.06
Chinese RMB	¥19.52	¥16.28

1H May Assumption
¥105.00
¥122.00
¥3.00
¥16.20

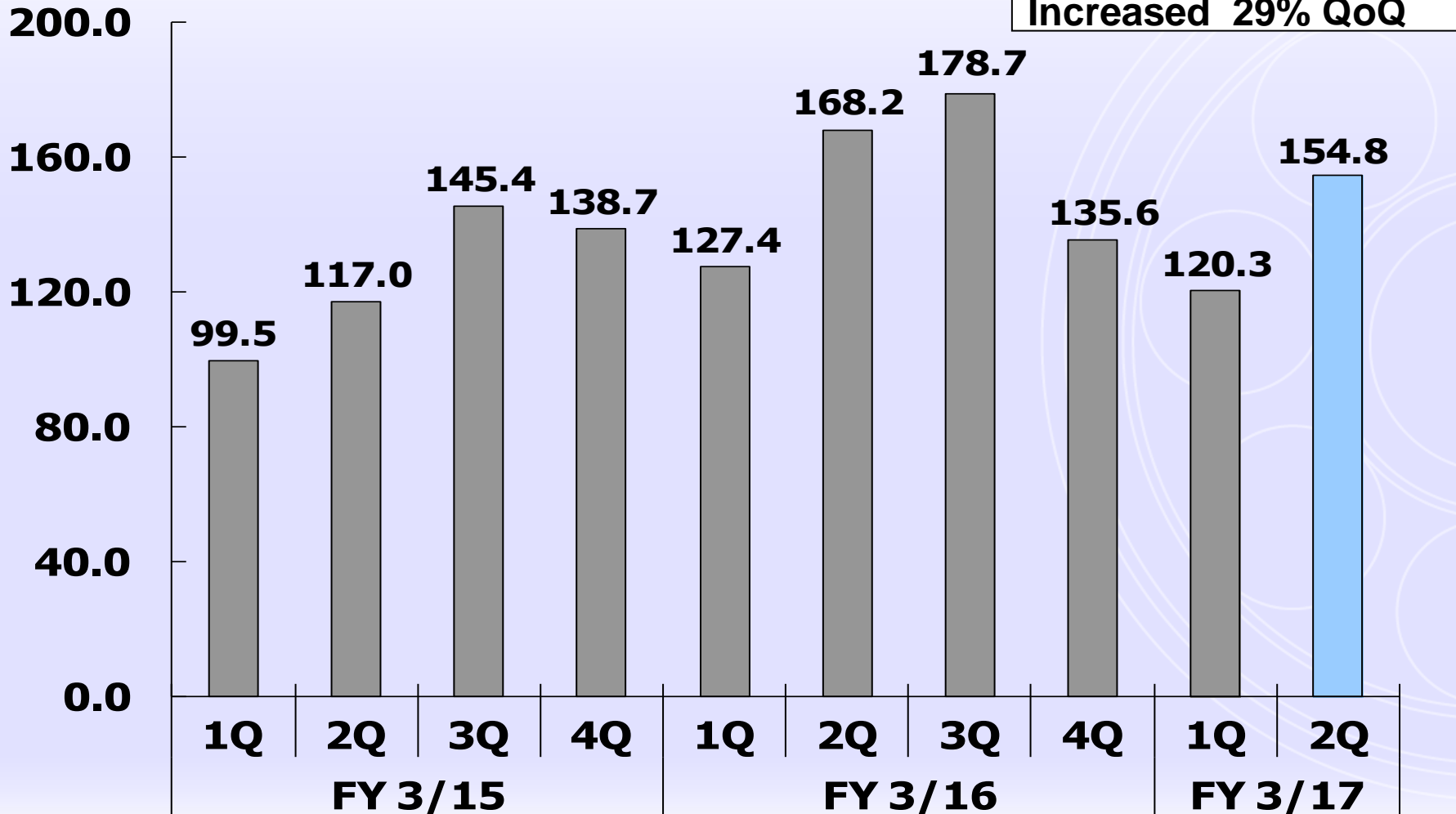
## Despite currency, sales & OP jumped up QoQ Mainly due to LED backlight shipment increase

(Millions of yen)	FY ended Mar. '16 2Q	FY ending Mar. '17		Change	
		1Q	2Q	YoY	QoQ
Net sales	168,162	120,288	154,844	-8%	+29%
Operating income	14,905	6,971	11,623	-22%	+67%
Ordinary income	10,453	7,255	11,659	+12%	+61%
Net income attributable to owners of the parent	7,700	3,176	9,568	+24%	X 3.0
Net income per share (yen)	20.59	8.48	25.53	+24%	X 3.0

Foreign exchange rates	2Q of FY Mar. '16	1Q of FY Mar. '17	2Q of FY Mar. '17
US\$	¥122.56	¥111.12	¥103.50
Euro	¥136.35	¥125.16	¥115.00
Thai Baht	¥3.51	¥3.14	¥2.97
Chinese RMB	¥19.55	¥17.03	¥15.52

**Despite currency, sales increased QoQ  
due to improved seasonality**

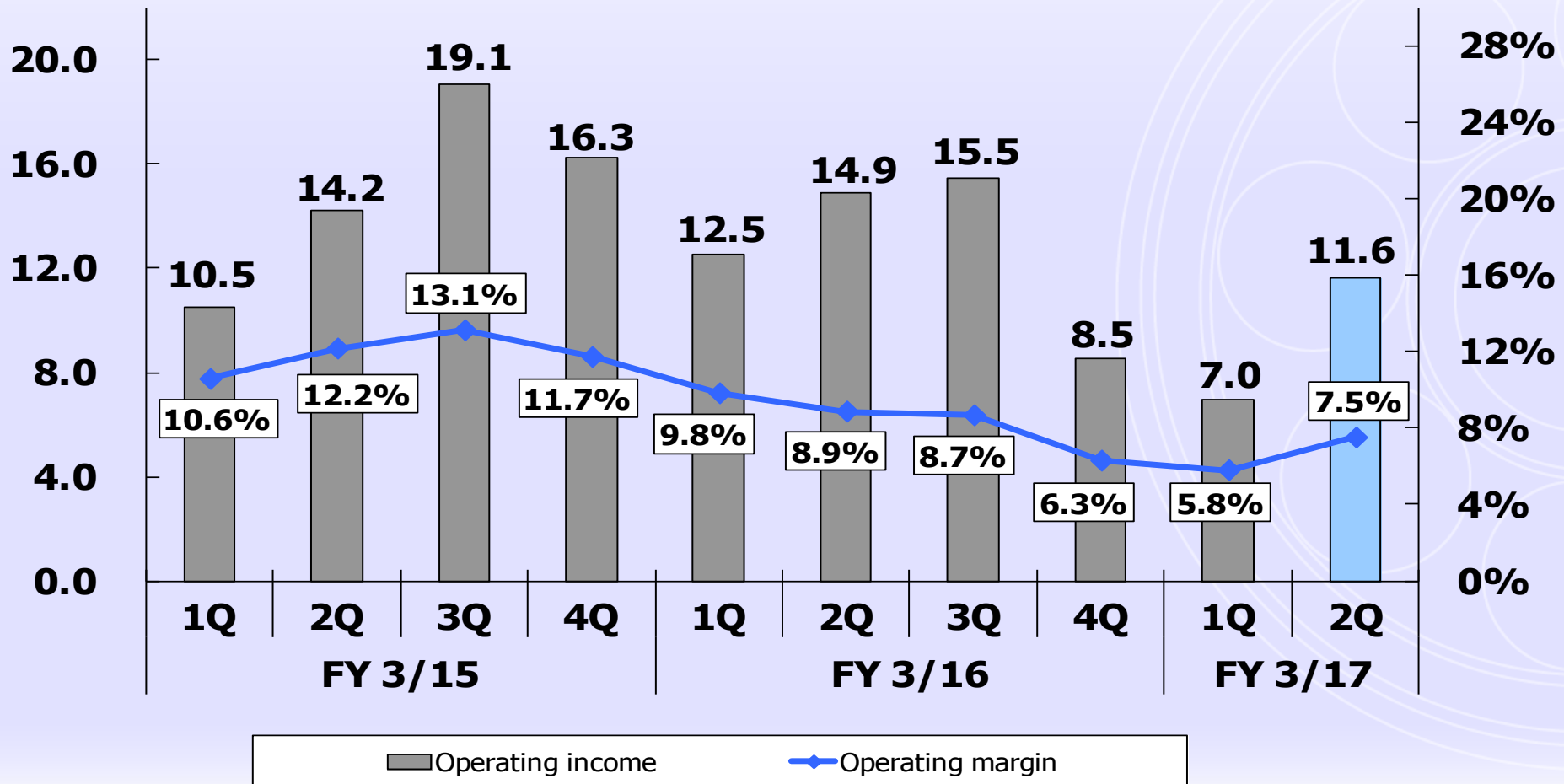
(Billions of yen)



**Despite currency, operating income increased QoQ due to improved seasonality**

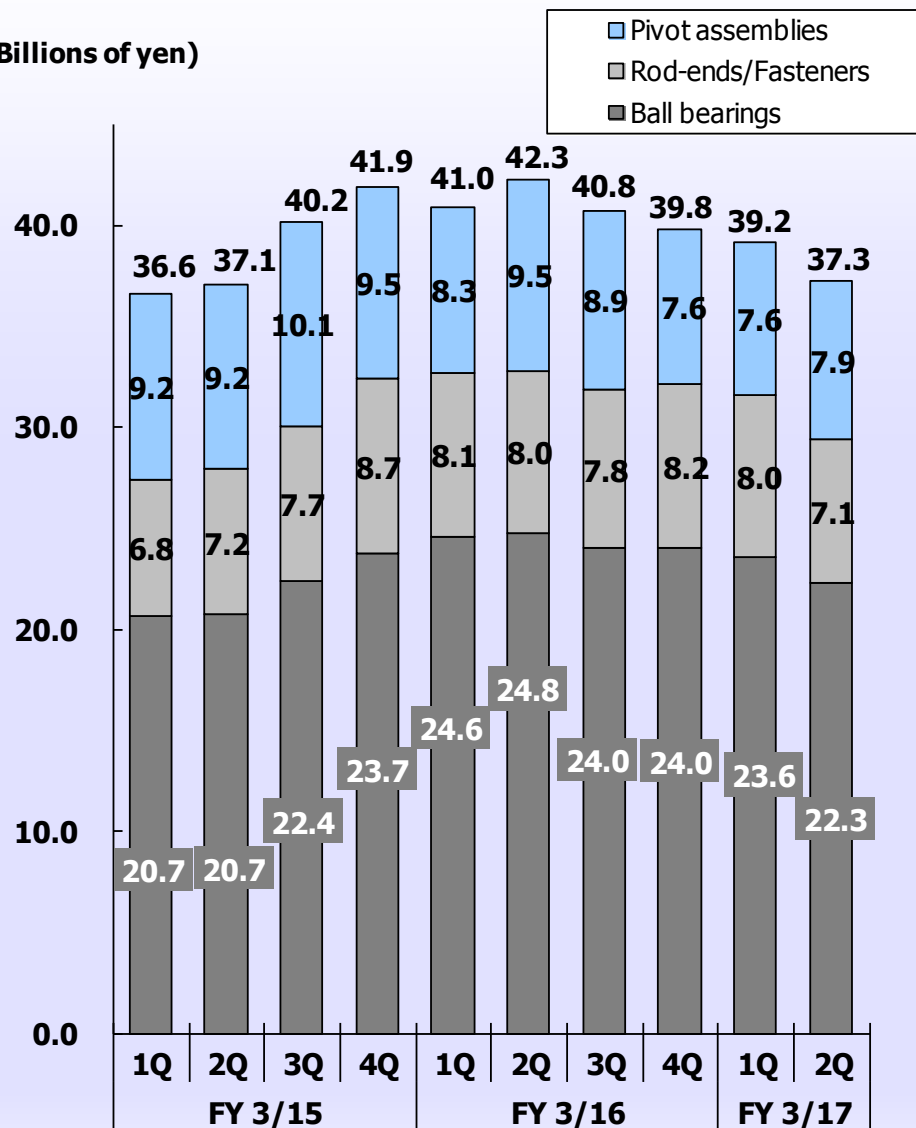
(Billions of yen)

Decreased 22% YoY  
Increased 67% QoQ



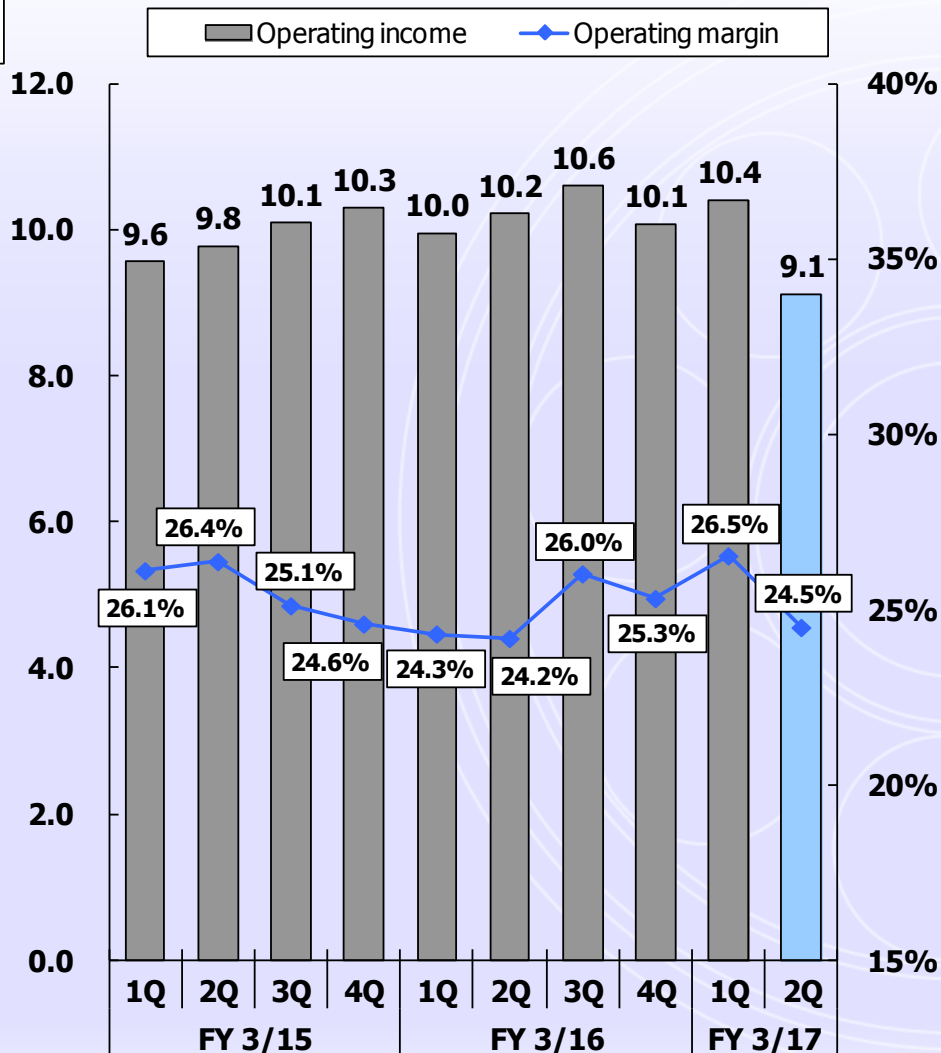
### Net sales

(Billions of yen)



### Operating income

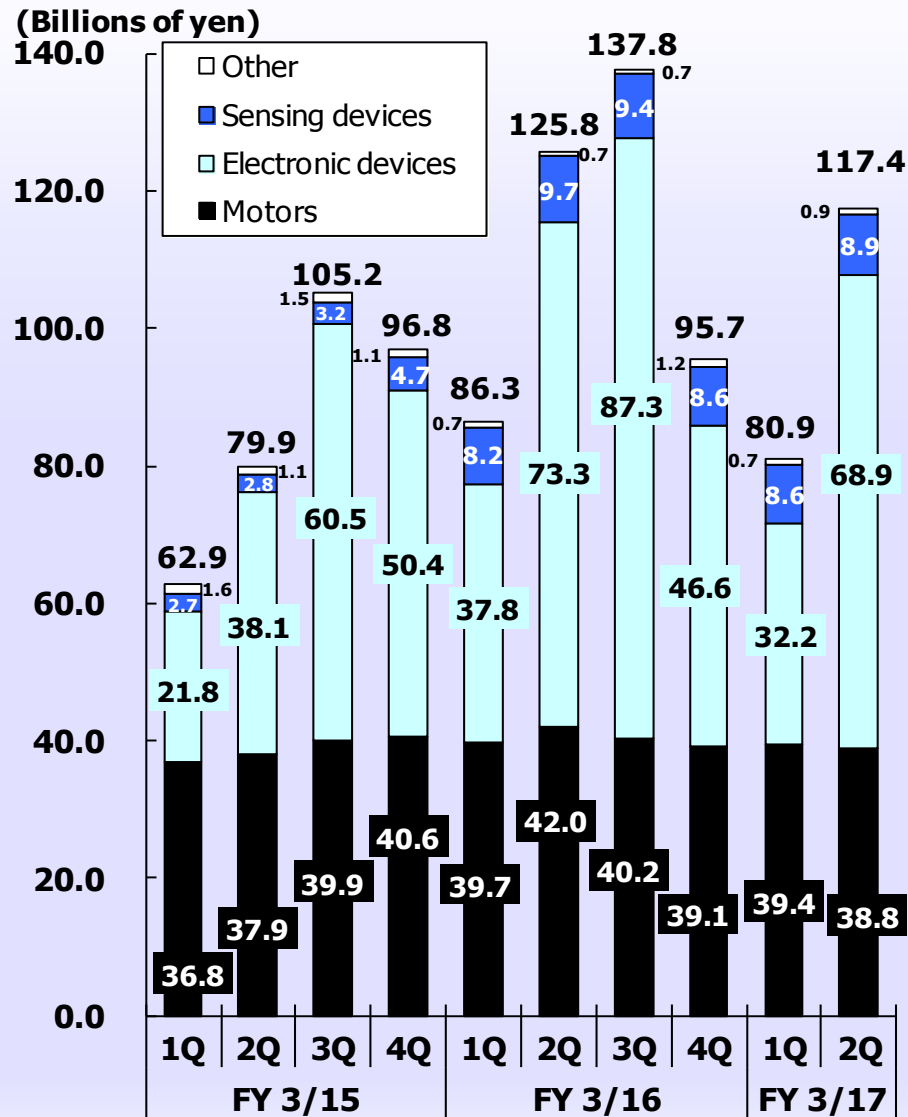
(Billions of yen)



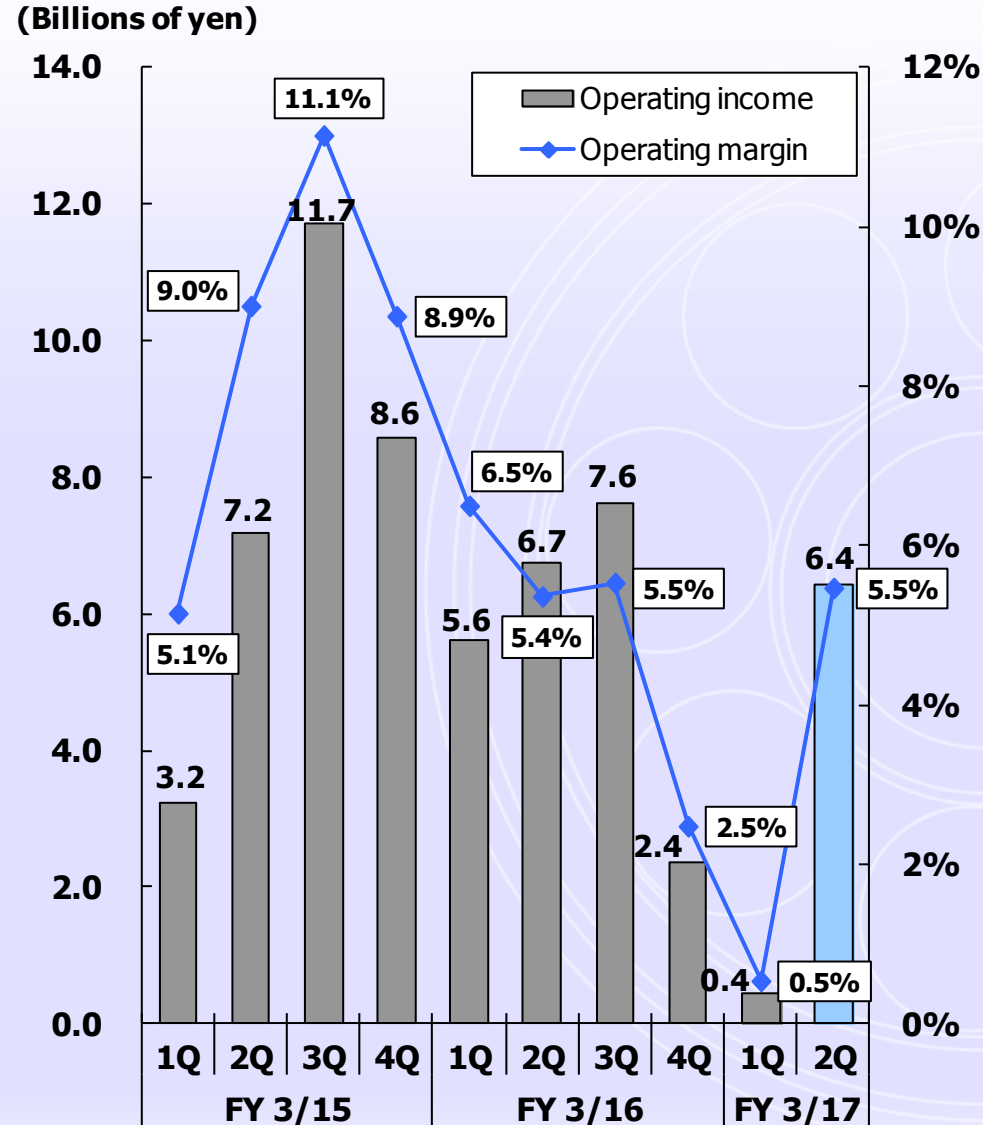
\*Due to minor changes in segment classification from FY3/16, FY3/15 numbers are also adjusted for comparison.



## Net sales



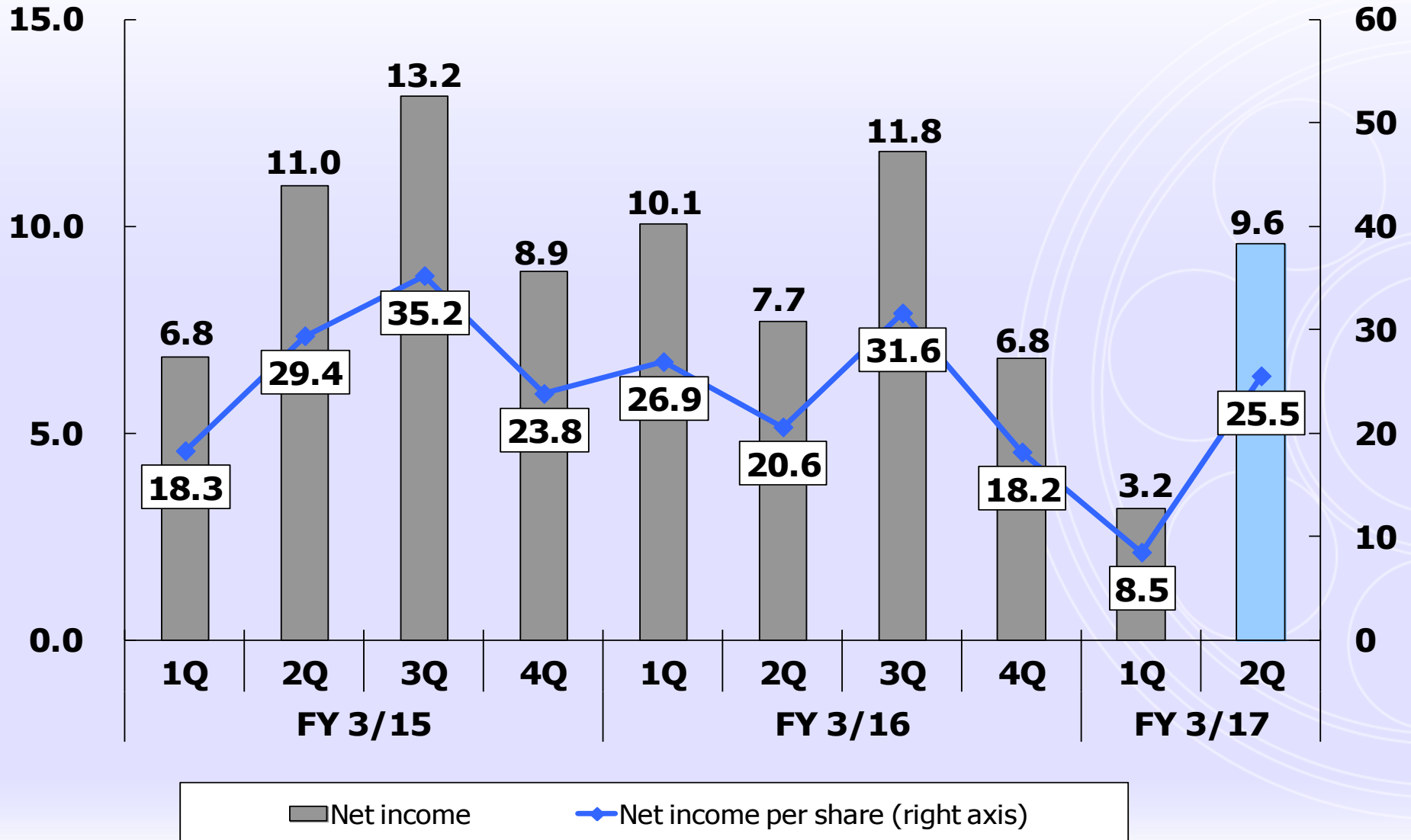
## Operating income



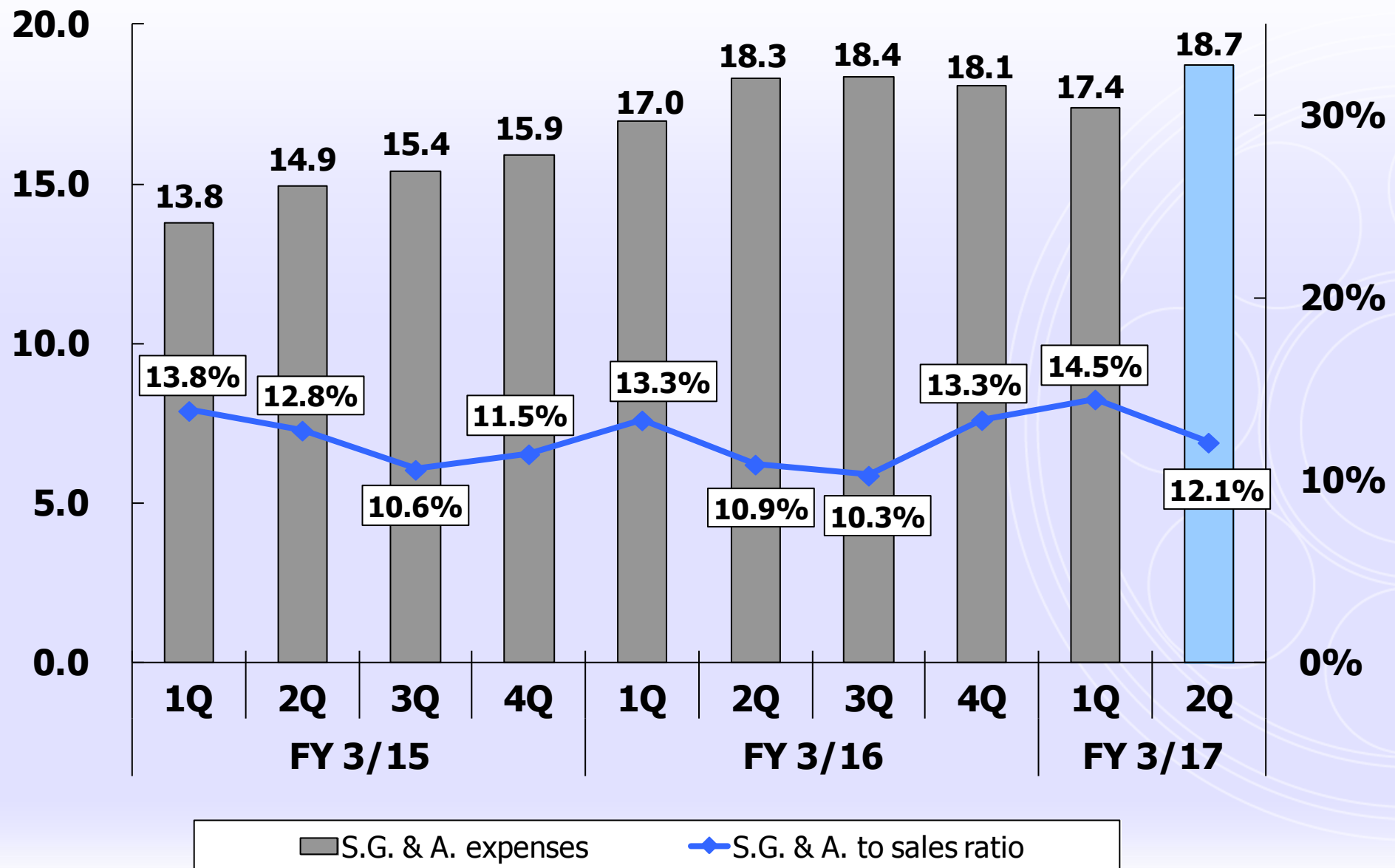
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(Billions of yen)

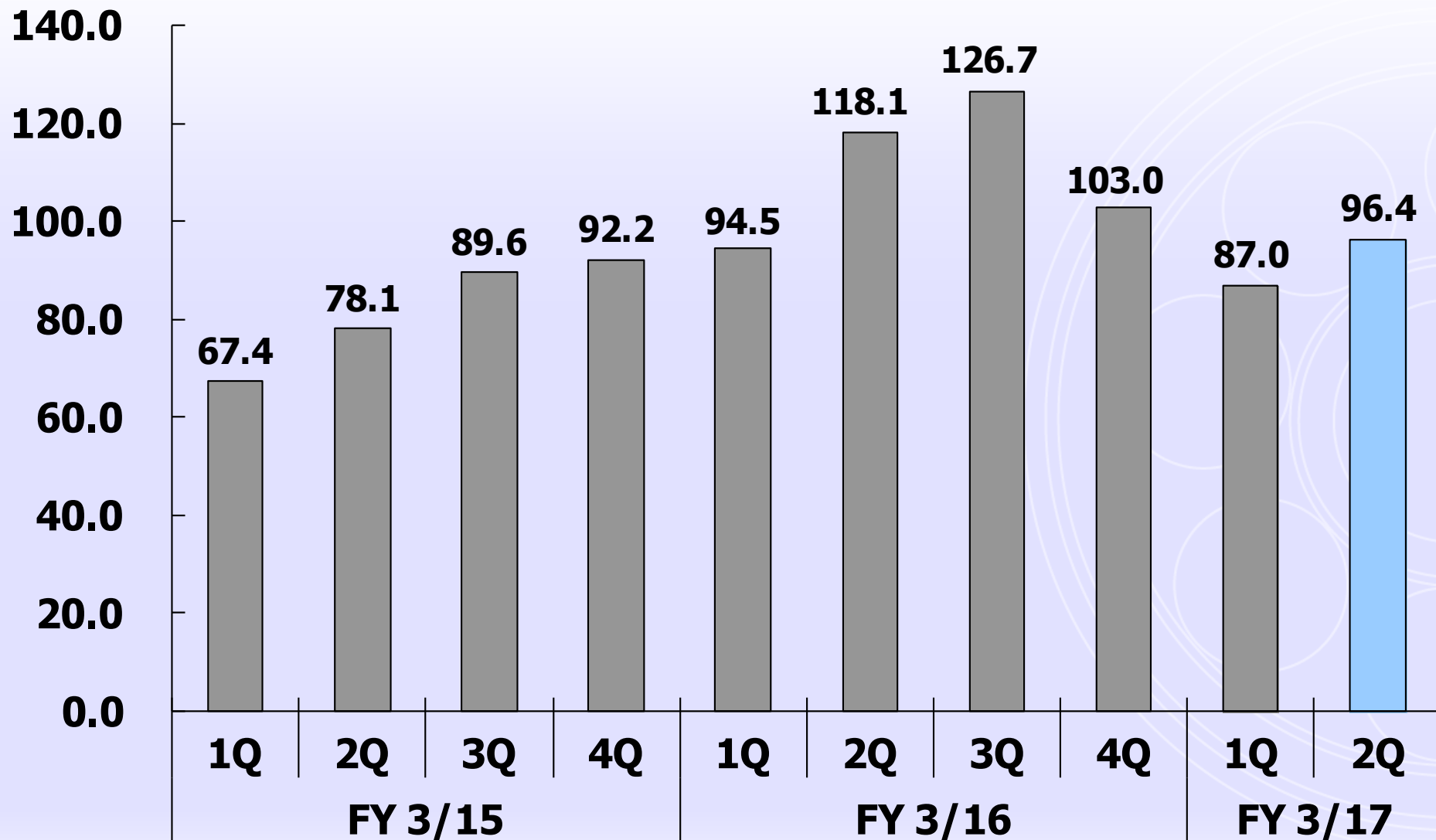
Increased 24% YoY  
Increased to 3.0 X QoQ (yen)



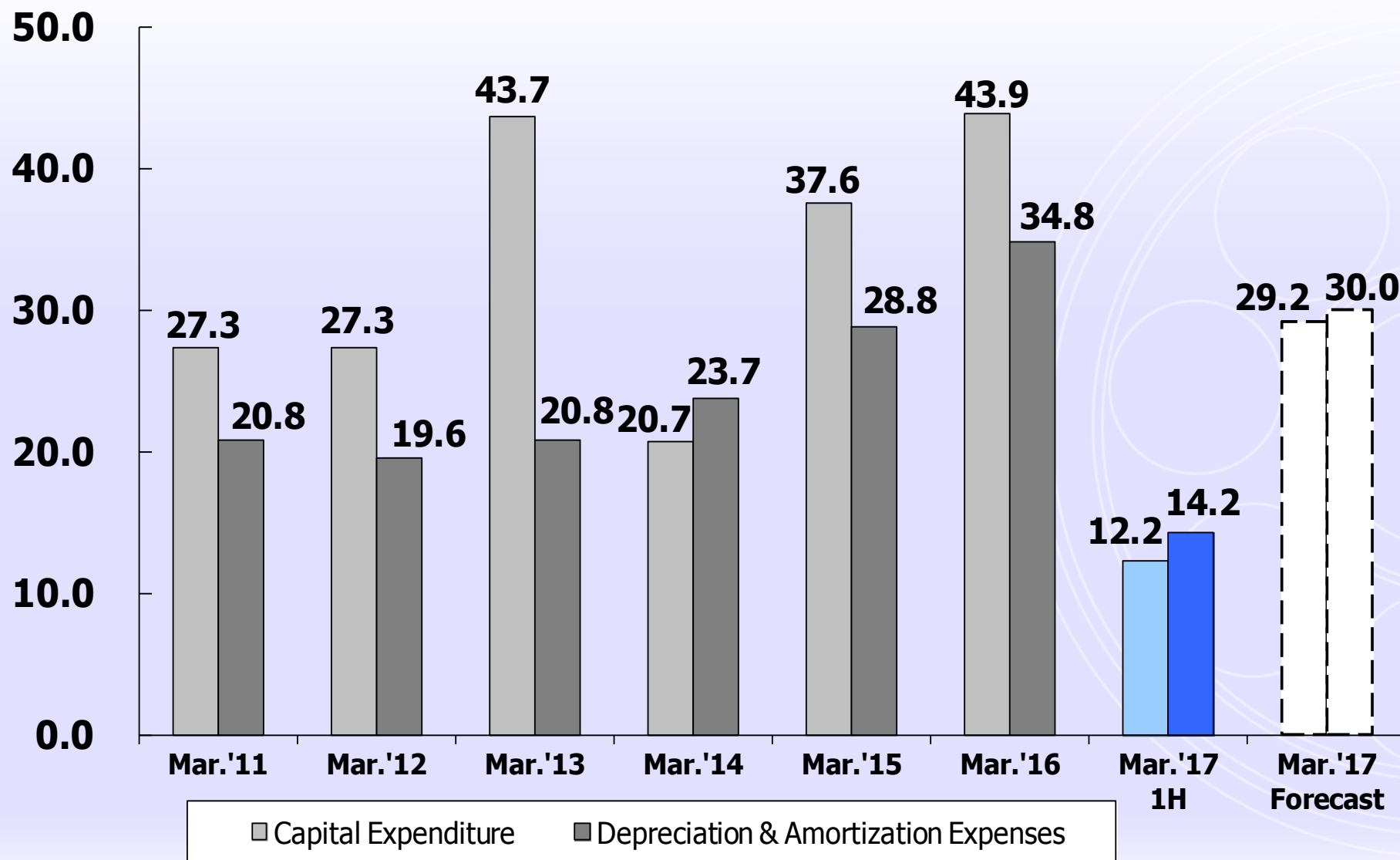
(Billions of yen)



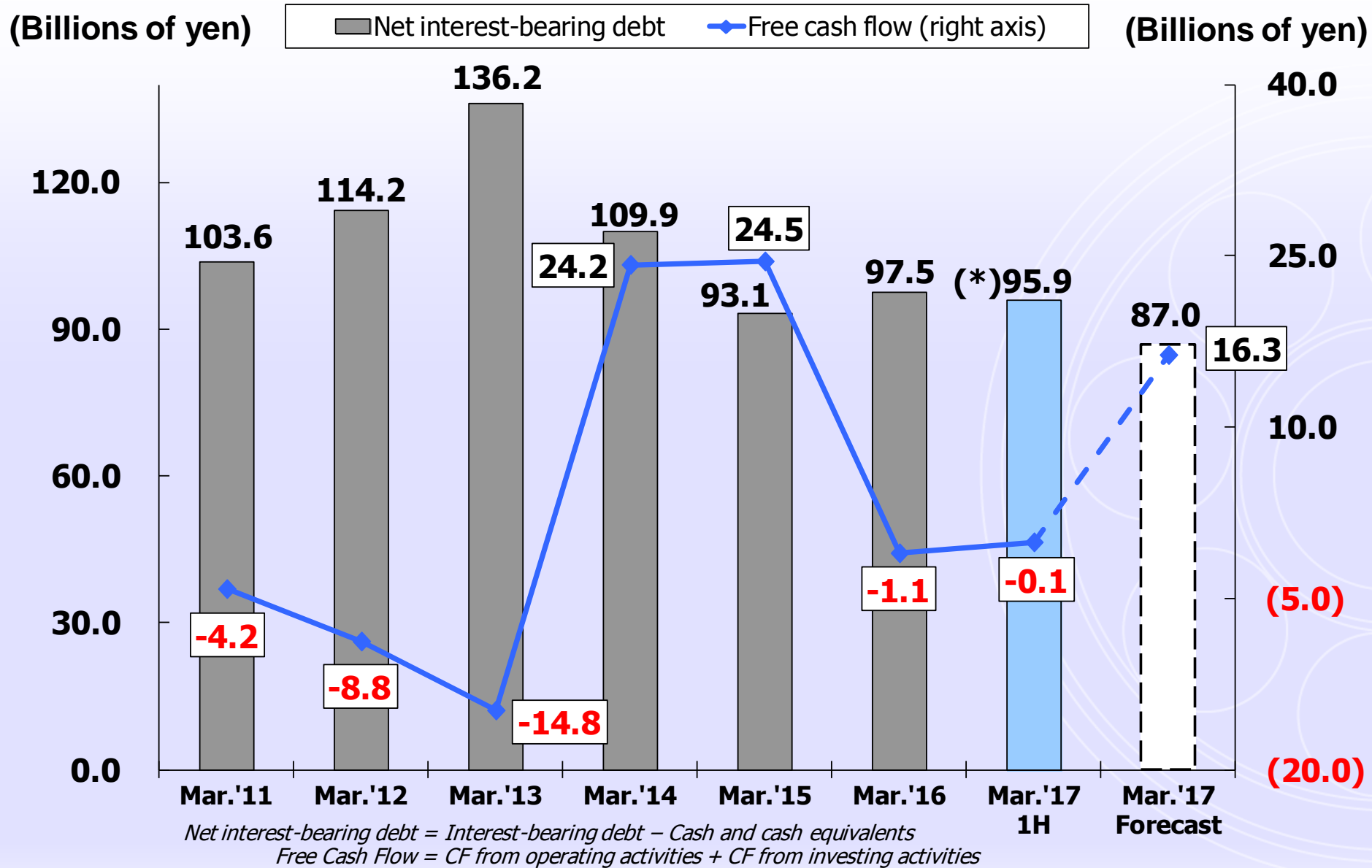
(Billions of yen)



(Billions of yen)



# Net Interest-Bearing Debt/Free Cash Flow Yearly



(\*)Net interest-bearing debt excludes 7.7 billion yen convertible bonds which will be cancelled by the end of this fiscal year.

## Full year guidance remains basically unchanged.

Net income reflects 6.2 billion yen loss from CB buyback.

(Millions of yen)	FY ended Mar. '16	Fiscal Year ending Mar. '17					
	Full Year	1H	2H Revised Forecast	Full Year Revised Forecast	YoY	2H Initial Forecast	Full Year Initial Forecast
Net sales	609,814	275,133	284,867	560,000	-8%	300,000	560,000
Operating income	51,438	18,594	26,406	45,000	-13%	26,700	45,000
Ordinary income	46,661	18,915	25,085	44,000	-6%	26,200	44,000
Net income attributable to owners of the parent	36,386	12,745	13,755	26,500	-27%	18,900	31,000
Net income per share (yen)	97.26	34.01	36.68	70.69	-27%	50.48	82.80

Foreign exchange rates	Mar. '16 Full Year	1H
US\$	¥120.78	¥107.31
Euro	¥132.75	¥120.08
Thai Baht	¥3.46	¥3.06
Chinese RMB	¥19.03	¥16.28

Full Year Assumption
¥105.00
¥122.00
¥3.00
¥16.20

Full Year Initial Assumption
¥105.00
¥122.00
¥3.00
¥16.20

(As for MITUMI ELECTRIC which we plan to integrate on January, 2017, we plan to consolidate its B/S, but not its P/L this fiscal year)

## Current FOREX impact on Minebea is mainly translation, rather than transaction

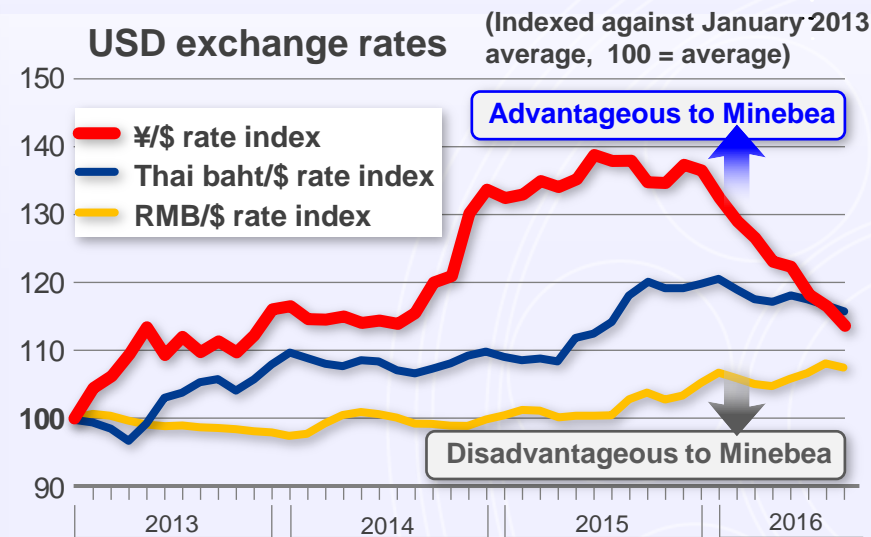
**Weak dollar and euro have negative impact while weak Asian currencies have a positive effect**

- **Currency composition of sales & expenses (FY 3/2016)**

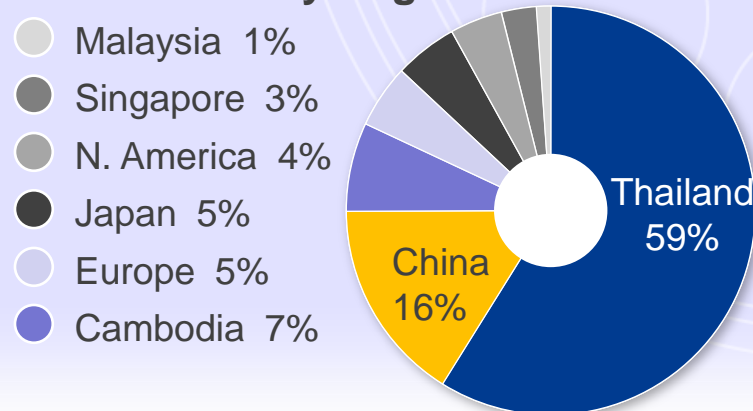
<b>Sales</b>	US dollar = <b>73%</b> , yen = <b>13%</b> , euro = <b>9%</b>
<b>Expenses</b>	US dollar = <b>42%</b> , yen = <b>16%</b> , Thai baht = <b>28%</b> , RMB = <b>9%</b>

- The **Thai baht/US dollar rate**, followed by the **RMB/US dollar rate**, affects profits denominated in local currencies the most.
- Next there is the **yen/US dollar rate** which affects consolidated accounting when translating figures into yen.

**Lower production costs due to weak Asian currencies still provides a big leg up over the competition**



### Production by Region (FY 3/2016)







# Policy and Strategy

November 2, 2016

**Yoshihisa Kainuma**

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

# 1. Evaluation of 1H (FY 3/2017) Results

## Achieved fiscal first half targets!

### FOREX were close to our assumptions

- Positive factors**
1. Motors performed better than plan mainly due to automotive applications.
  2. Pivot assemblies and HDD spindle motors benefitted from slower-than-expected decline of HDD market.
- Negative factor**
1. Higher-than-expected expenses for preparations to MITSUMI business integration

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## 2. Full-year forecast (FY 3/2017)

### Full-year targets well within reach!

#### Keys to achieving full-year targets

1. Core businesses remain upbeat.
2. LED backlights likely to reach targets despite the cloudy outlook.
3. FOREX to remain unpredictable.
4. Revised only the forecast figure for net income since a loss from convertible bond retirements (6.2 billion yen) has been factored into extraordinary losses.

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November 2, 2016

### 3. External ball bearing sales steadily growing

Monthly average external sales up YoY for the **16th consecutive quarter!**

September external shipment hit a record high of 181 million units

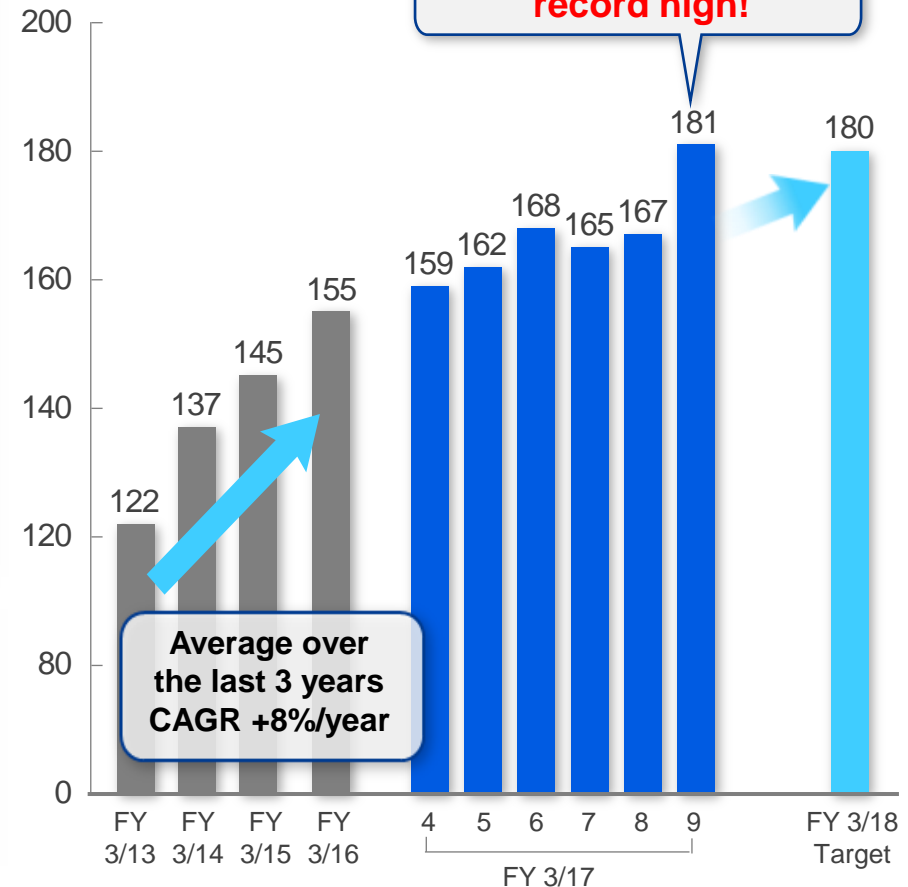
#### External sales continue to top targets

- Stable advanced economies are fueling demand for ball bearings used in high-end consumer products.
- Chinese customers are now fully focused on high-end products.
- It's just **a matter of time** before we reach the target of 180 million units for FY 3/2018 set under the New “Five Arrows” strategy.
- Minebea's market share rises as Chinese bearing makers are on the decline. Although product mix will deteriorate, we'll make up for it as we increase our market share.

**Growing external sales outstrip declining internal sales due to the shrinking HDD market**

Monthly Average External Ball Bearing Sales Volume

(Millions unit / month)



## 4. Motor business to bring in steady income mainly from in-vehicle applications

As a result of thoroughgoing structural reforms, the motor business turned around in FY 3/2014 and has become a steady source of revenue mainly for in-vehicle applications.

### Structural reforms and outcomes

#### Structural reforms

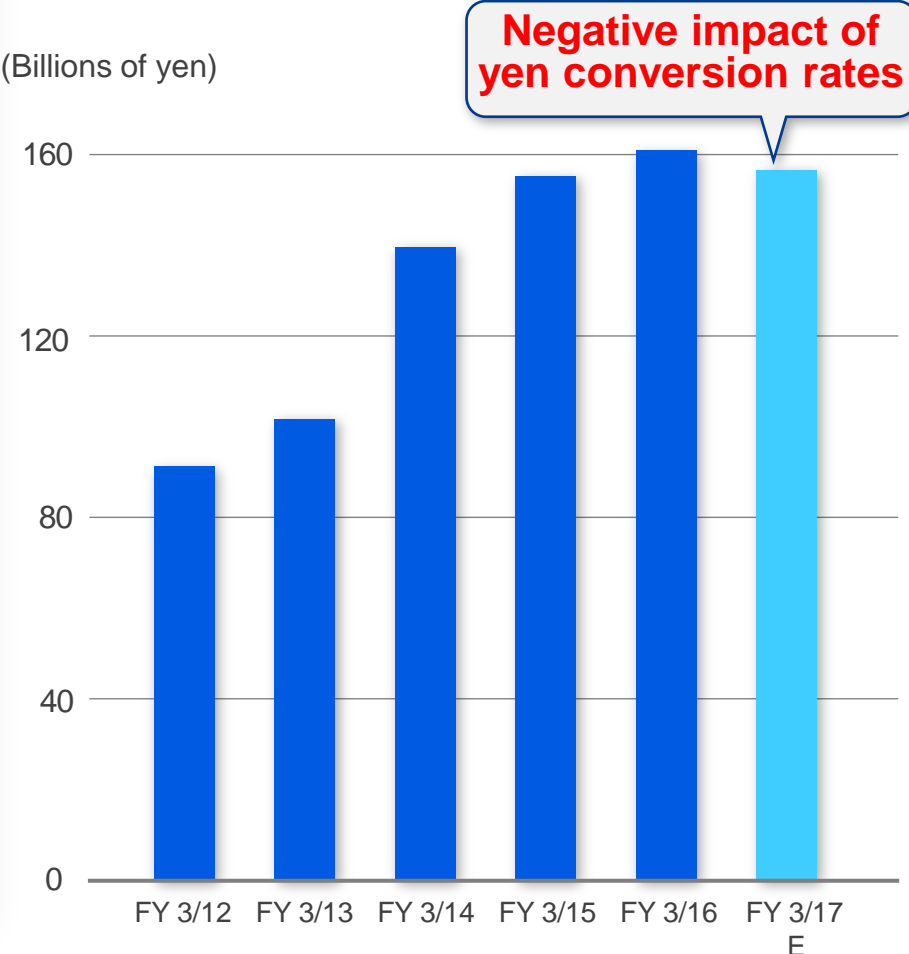
- Cutting fixed costs: revamping and automating processes
- Better product mix: focusing on profitable products
- Enhancing product development capability
- Improving productivity: better yields
- Launch of Cambodian plant and transfer of some manufacturing operations in 2011
- Stopped making vibration motors in 2013

#### Improving profitability

- Better profitability, due largely to a lower break-even point and increased earnings fueled by growing motor sales, turned the business around in FY 3/2014.
- Profitability will continue to gradually improve, making the business a stable source of income.

### Motor Sales

(Billions of yen)



# 5. Beefing up growth for sensing devices

**Enhance strategies for medium- to long-term growth despite adverse effects of the FOREX and European market downturn**

## Current status and outlook

- The yen's appreciation has a negative impact on sales in yen terms.
- Adverse effect of dwindling capital expenditures in Europe as Brexit and other factors cast a shadow of uncertainty
- Sales of seat sensors steadily growing in the North American automobile market.



**Participating in FachPack,  
German packaging solutions exhibition**

## Create synergy with Sartorius MT&H

- Started implementing promotional activities under the Minebea Intec brand in September 2016.
- Expand sales channels via cross-selling (few overlapping customers)
- Acquisition of 2 French industrial weighing equipment companies steadily boosting earnings



**Suitable for food,  
medical, and other  
applications that  
require highly  
clean  
environments**

**New high-end weighing equipment, CS5000**

## 6. Aircraft parts to focus on investments to grow

### Plan to make aggressive investments in growing market

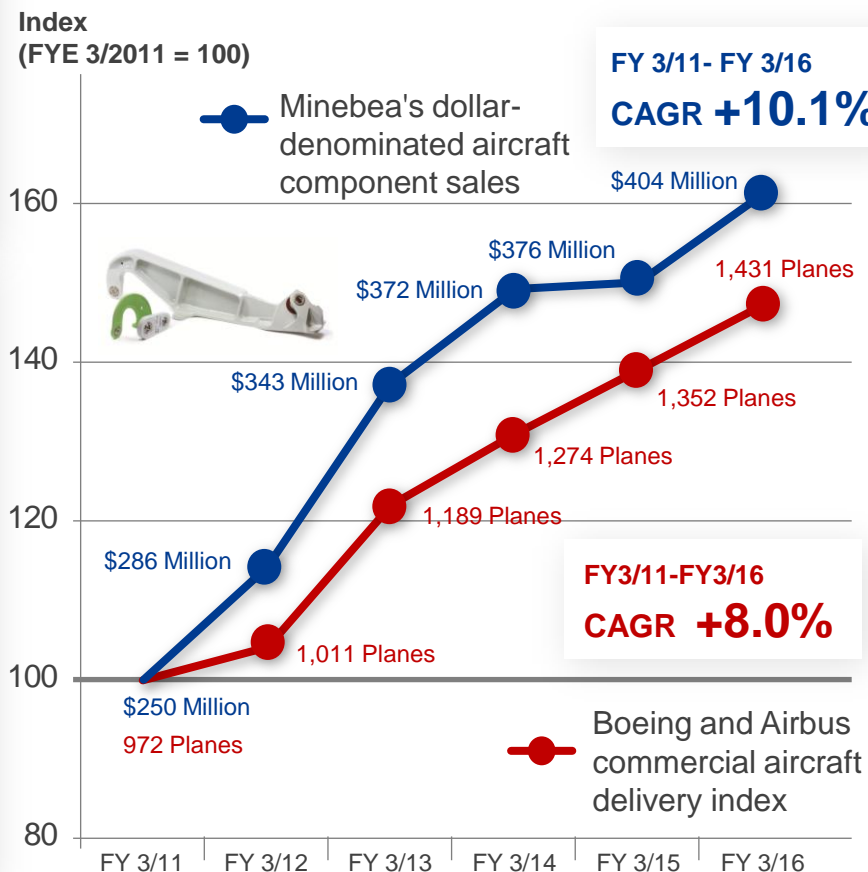
#### Growing commercial aircraft production

- The market will remain robust as both Boeing and Airbus work on an order backlog for the next 8-9 years.
- Minebea's dollar-denominated aircraft component sales over the last 5 years increased at a slightly higher rate than the growth rate of the total aircraft production volume of Boeing and Airbus combined. Steadily growing sales are expected to continue.
- In the short run however, the yen's appreciation will have a negative impact especially on Karuizawa products.

#### Aim for 70 billion yen sales in the medium term and invest 10 billion yen over the next 5 years

- While riding on the wings of soaring aircraft production, boost sales of electromechanical parts (expand product lines) to increase earnings per aircraft with an eye to accelerating growth.
- Invest 10 billion yen in Japanese and Thai manufacturing sites over the next 5 years to achieve the 70 billion yen in aircraft component sales targeted in the New "Five Arrows" strategy.
- Step up marketing efforts for products that incorporate the ceramic bearing technology of Minebea's overseas subsidiary, CEROBEAR.

#### Minebea's Dollar-denominated Aircraft Component Sales vs. Boeing and Airbus Commercial Aircraft Production Volumes





# 7. Status and Future of HDD-related Business

## Continue to work on improving profitability despite the shrinking HDD market

### Nearline model sales remain strong despite of overall market decline

- While NAND flash will continue to chip away at demand for notebook PCs, tablets, smartphones, and other mobile products as well as enterprise devices, nearline devices for data center applications will keep growing.
- Continue to work on improving profitability by leveraging the less competitive environment of the shrinking HDD market to keep our market share and sales up.

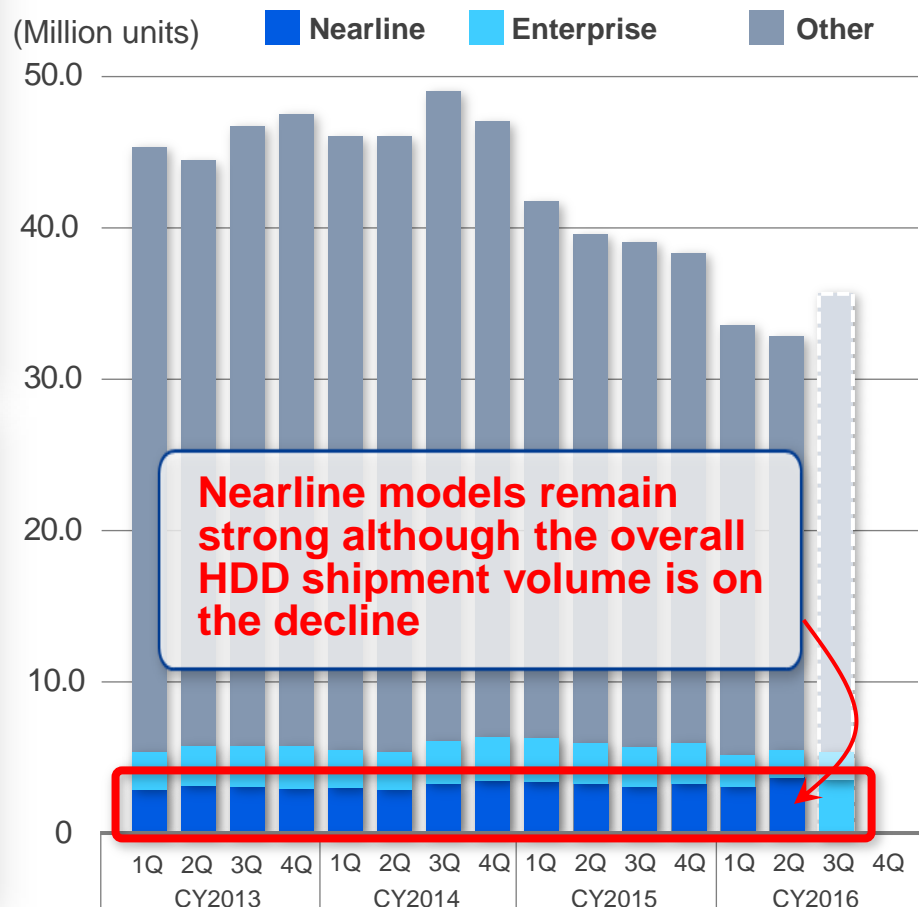
### Pivot assemblies

- Market share to increase from 70% to 80%
- While internal ball bearing sales are dwindling in a shrinking HDD market, external sales are increasing at a much faster pace.

### HDD Spindle motors

- Growing nearline device sales are softening the impact of the shrinking HDD market.

### Quarterly HDD Market Shipment Volume (monthly average)





# 8. Current status of LED Backlight business

## Fiscal second half may exceed plan targets !

### Fiscal first half results

- First half sales were slightly above target while operating income just missed the mark due to a delay in launching this year's models.
- Production has been fully launched with shipment of new models beginning in 2Q.

### Fiscal second half

- Current yields, volume, and market share are all higher than what they were last year.
- Operating income for this FY is expected to be on par with last year.
- The outlook for the future is still uncertain since sales will be largely affected by the smartphone market and customer trends.

### LED Backlight Sales

(Billions of yen)



# 9. Integrating with MITSUMI with eye to next fiscal year and onward

## Integration schedule partially moved up

Minebea and MITSUMI agreed to move up the effective date of the share exchange from March 17, 2017 to January 27, 2017.

**=> Create synergy ASAP by accelerating preparations**

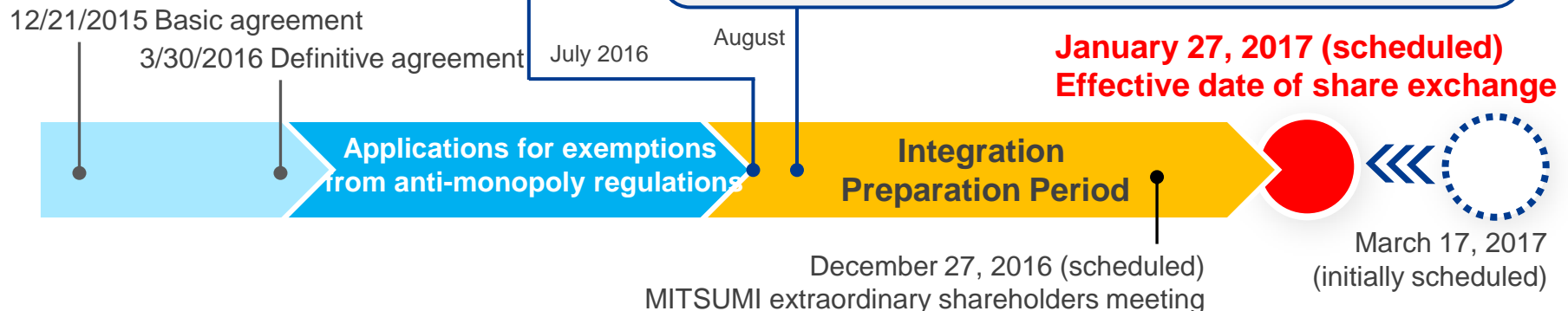
Green-lighted by competition authorities in key countries, the business integration groundwork moved into high gear

Cleared to pave the way toward integration, except in areas where Minebea and MITSUMI directly compete (e.g. motors, power supplies)

### Business support agreement signed in August 2016

1. Manufacturing support for MITSUMI (Loaning of personnel, automation/labor-saving and precision mold technologies, access to equipment and facilities, etc.)
2. Support for expanding MITSUMI product sales
3. Joint purchasing/integrated logistics
4. Utilization of other internal resources

**=> Pursue synergy in a wide areas ASAP**



# 10. LED backlights to remain in operation next year

## No news to cut models using Minebea products next year

### Sharpen competitive edge

- In April 2014 we changed the depreciation method used for LED backlight manufacturing equipment to a 2-year accelerated depreciation method (instead of the conventional 10-year straight-line depreciation) in light of the obsolescence risk.
- Investments aimed at boosting production capacity were completed in the first half of the last fiscal year.

Depreciation and amortization costs have already peaked out and will continue to decline.

### Enhance marketing

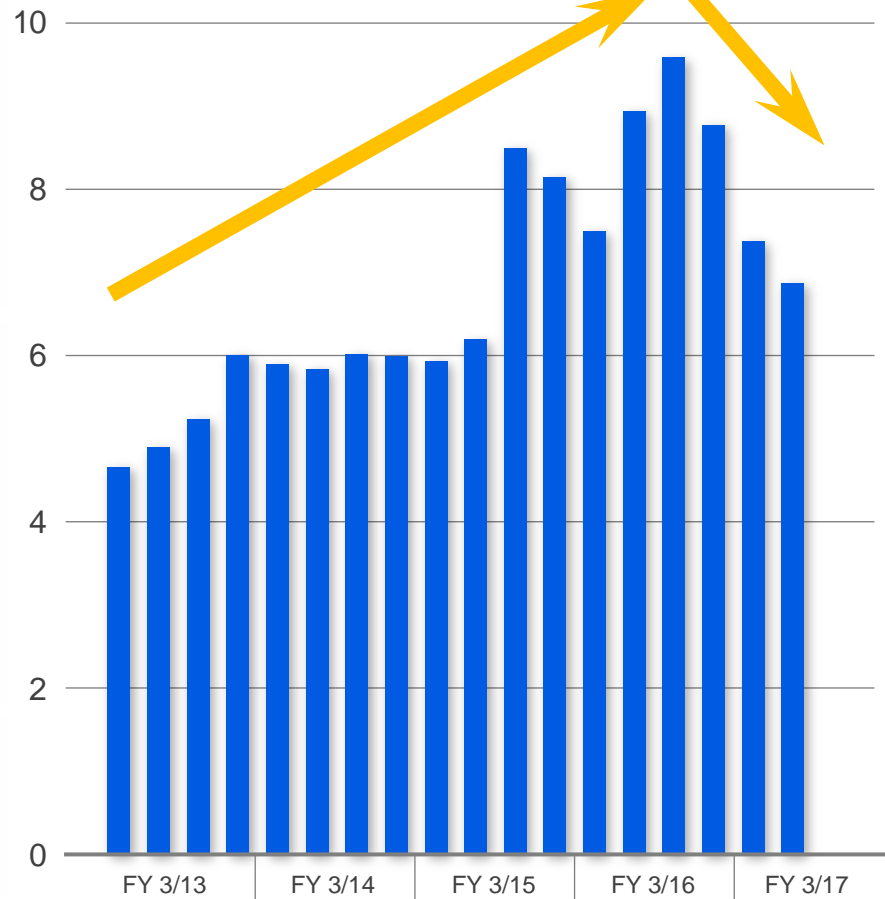
- Start all-out efforts to expand in-vehicle LED backlight sales.
- Entering the mid-range smartphone market remains a future option.
- Explore new developments in LED backlight technology by enhancing LED lighting products.

### LCD is still evolving!

- Joint development of display with suppliers to counter OLED is well underway.

### Company-wide Quarterly Depreciation and Amortization Expenses

(Billions of yen)



# 11. Cambodian plant building #3 completed!

## Overview

- Construction area: 31,500 m<sup>2</sup> (150 m x 210 m)
- Floor area: 63,000 m<sup>2</sup> (1st floor: 36,000 m<sup>2</sup>, 2nd floor: 27,000 m<sup>2</sup>)

## Future uses

- Ball bearing assembly to begin early 2017 followed by fan motor production
- Start producing press and mold parts
- Save extra space for future use

**Cambodian plant building #3**



# 12. New Sartorius MT&H Bengaluru plant

## Minebea's first manufacturing site in India!

To be a foothold for future Group operations in India

### Overview of Sartorius MT&H operations in India

<b>Feature</b>	Local production for local consumption - Everything, from development and production to sales, is done locally for all products.
<b>Target markets</b>	Weighing and inspection equipment for the Indian food, pharmaceutical, medical, and steel industries
<b>Net sales</b>	7.7 million euro (FY 12/2015)



Industrial measuring equipment



Check weigher

## Sartorius MT&H to open a new Bengaluru (former Bangalore) plant

Sartorius MT&H's new Bengaluru plant is Minebea's first manufacturing site in India. Minebea looks to use it for future Group-wide operations targeting promising high-tech sectors, like the automobile, aerospace, IT, as well as electronics industries, and more.

- **Start of operation:** December 2016 (scheduled)
- **Product lines:** industrial weighing and inspection equipment (plan)

### Looking to transfer manufacturing of some MITSUMI products

Products: in-vehicle antenna modules

Start of operation: Fall 2017 (scheduled)



Rendering of new Bengaluru plant

# 13. Plan to build new Slovakia plant

**Decided to build a new plant in Europe with an eye to expanding in-vehicle/industrial equipment business there!**

<b>Investment</b>	100 million euro (5-year total)
<b>Location</b>	Kosice, Slovakia
<b>Start of operation</b>	January 2018 (scheduled)
<b>Product lines</b>	In-vehicle motors, etc.
<b>Employees</b>	2,000 (by 2022)
<b>Site area</b>	100,000 m <sup>2</sup>
<b>Floor area</b>	26,000 m <sup>2</sup>
<b>Advantages</b>	<ol style="list-style-type: none"><li>1. Participating European supply chain</li><li>2. Reduced currency risk</li><li>3. Lower transportation costs and tariffs (Production is currently based in Thailand)</li></ol>



# 14. Marketing strategies to new heights

## Open a showroom in Tokyo's Yaesu area!

Boost sales by showcasing the strategic products and latest technologies that are taking Minebea to new heights

### ● Opening

February 2017 (scheduled)

### ● Displayed products

1. Lighting devices (SALIOT(Smart Adjustable Light for the Internet Of Things), thin surface-emitting lighting, undercabinet lights, floodlights, etc.)
2. Sensing devices (medical bed sensors, measuring components, etc.)
3. Smart diorama
4. Minebea's other strategic products
5. Other companies' products (MITUMI ELECTRIC, Iwasaki Electric, Koizumi Lighting Technology, Germany's OSRAM, etc.)

### SALIOT CUBE



 **GOOD DESIGN  
AWARD 2016**

## Alliance with Germany's OSRAM

**New partnership in smart city lighting infrastructure project, following sales cooperation for SALIOT**



Design administration for wireless and networked communication  
IoT-ready communication platform



Ultra-precision machining technology  
Mass production technology  
Combination of component and assembly technology

**OSRAM**

Full lineup of LED lighting products  
Smart connected lighting solutions

**Broaden product lineup to achieve targets in the New “Five Arrows” strategy**

# 15. Business / capital alliance with Iwasaki Electric

Enhance capability to develop, manufacture and sell  
next-generation street lighting products

**Minebea**  
Passion to Exceed Precision

Optical and circuit technologies  
Overseas manufacturing know-how

**EYE IWASAKI**

Techniques for developing  
street lighting products  
Lighting design technology

## About the business and capital alliance

### (1) Business alliance

1. Partially outsource manufacture of street lighting products to Minebea's overseas factories
2. Regarding next-generation street lighting products
  - (i) Jointly develop them,
  - (ii) manufacture them at Minebea's overseas factories
  - (iii) sell them through overseas sales networks of both companies

### (2) Capital alliance

Minebea acquired 3 million shares of Iwasaki stock held by Iwasaki for approx. 400 million yen.  
=> Minebea becomes the single largest shareholder with a 3.83% stake



# 16. Financial Strategies:

## Share buyback as an anti-dilution measure

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1

In June 2016 Minebea paid 13.9 billion yen to repurchase all of the privately-placed convertible bonds which had been allocated to DBJ, preventing dilution by about 5%.

2

Consider flexible buyback strategies to prevent dilution resulting from the approximately 13% increase in outstanding shares following the share exchange with MITSUMI shareholders scheduled for January 27, 2017.

## Dividend for FY 3/2017

	Initial forecast	Current
<b>Interim</b>	TBD →	<b>7</b> yen/share
<b>Year-end (forecast)</b>	TBD →	<b>7</b> yen/share

- Keep the around 20% dividend payout ratio for this FY on the new 70.7 yen EPS target.
- This FY, Minebea already carried out a buyback of convertible bonds (13.9 billion yen), which is comparable to a buyback of Minebea's own shares.
- An extraordinary gain that may occur in the form of negative goodwill as a result of the share exchange will not be counted to calculate dividend amounts since it is a non-cash accounting gain.

## (For reference) Dividend for FY 3/2016

**Annual dividend: 20 yen (10 yen interim/10 yen year-end)**

# 18. Financial Strategies: M&A Strategies

Prepare to jump-start operations after MITSUMI integration

Now that the term of the alliance agreement with DBJ has been extended, aim for M&As that will boost machined components business

Look into M&A and alliance opportunities in specific fields and for particular targets



# 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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Minebea may file a registration statement on Form F-4 (“Form F-4”) with the U.S. Securities and Exchange Commission (the “SEC”) in connection with the possible share exchange (the “Share Exchange”) pertaining to a business integration between the two companies, if it is consummated. The Form F-4 (if filed in connection with the Share Exchange) will contain a prospectus and other documents. If a Form F-4 is filed and declared effective, the prospectus contained in the Form F-4 will be mailed to U.S. shareholders of MITSUMI prior to the shareholders’ meeting at which the Share Exchange will be voted upon. The Form F-4 and prospectus (if a Form F-4 is filed) will contain important information about the two companies, the Share Exchange and related matters. U.S. shareholders to whom the prospectus is distributed are urged to read the Form F-4, the prospectus and other documents that may be filed with the SEC in connection with the Share Exchange carefully before they make any decision at the shareholders’ meeting with respect to the Share Exchange. Any documents filed with the SEC in connection with the Share Exchange will be made available when filed, free of charge, on the SEC’s web site at [www.sec.gov](http://www.sec.gov) Open in a new window. In addition, upon request, the documents can be distributed for free of charge. To make a request, please refer to the contact of Minebea below.

#### Contacts for inquiries regarding the Business Integration

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