Minebea
Passion to Exceed Precision

Business Results

Second Quarter of Fiscal Year Ending March 31, 2016

November 5, 2015
Minebea Co., Ltd.

1. Financial Results

2. Policy and Strategy

November 5, 2015

Financial Results

Hiromi Yoda
Managing Executive Officer

Summary of Consolidated Business Results for 1H

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1H net sales hit new record high
1H operating income hits new first half record high

(Millions of yen)	FY ended Mar. '15 1H	FY ending Mar. '16 1H	Change YoY	1H of FY ending Mar. '16 July Forecast	1H of FY ending Mar. '16 Vs. Forecast
Net sales	216,557	295,554	+36%	294,500	100%
Operating income	24,761	27,417	+11%	28,900	95%
Ordinary income	24,635	23,326	-5%	28,400	82%
Net income	17,817	17,758	0%	22,200	80%
Net income per share (yen)	47.69	47.49	0%	59.37	80%

Foreign exchange rates	1H of FY Mar. '15	1H of FY Mar. '16	1H July Assumption
US$	¥102.53	¥121.77	¥119.49
Euro	¥139.10	¥134.55	¥131.37
Thai Baht	¥3.18	¥3.59	¥3.63
Chinese RMB	¥16.50	¥19.52	¥19.40

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For the first half of the fiscal year ending March 31, 2016, net sales skyrocketed to hit a record high for any six month period while operating income rose moderately to set a new first half record high.

Although the economic slowdown in emerging markets (particularly China) affected sales of some of our products, like mid-range to low-end smartphones, demand for a number of high-end consumer products employing Minebea components remained steady for the most part. Sales of LED backlights grew rapidly and external shipment volumes for ball bearings increased steadily while measuring components' sales and profits rose significantly due to an acquisition as well as growth of our existing businesses. Pivot assemblies and HDD spindle motors, however, were affected by the decline in the HDD market.

We estimate that foreign currency translations have resulted in a year-on-year gain in net sales of approximately 33.6 billion yen and a year-on-year operating income gain of approximately 5.8 billion yen.

Summary of Consolidated Business Results for 2Q

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2Q net sales hit new quarterly record high
Highest 2Q operating income ever

(Millions of yen)	FY ended Mar. '15	FY ending Mar. '16		Change	
	2Q	1Q	2Q	YoY	QoQ
Net sales	117,025	127,391	168,162	+44%	+32%
Operating income	14,237	12,512	14,905	+5%	+19%
Ordinary income	14,162	12,872	10,453	-26%	-19%
Net income	10,985	10,058	7,700	-30%	-23%
Net income per share (yen)	29.40	26.90	20.59	-30%	-23%

Foreign exchange rates	2Q of FY Mar. '15	1Q of FY Mar. '16	2Q of FY Mar. '16
US$	¥102.65	¥120.97	¥122.56
Euro	¥137.62	¥132.74	¥136.35
Thai Baht	¥3.20	¥3.66	¥3.51
Chinese RMB	¥16.60	¥19.49	¥19.55

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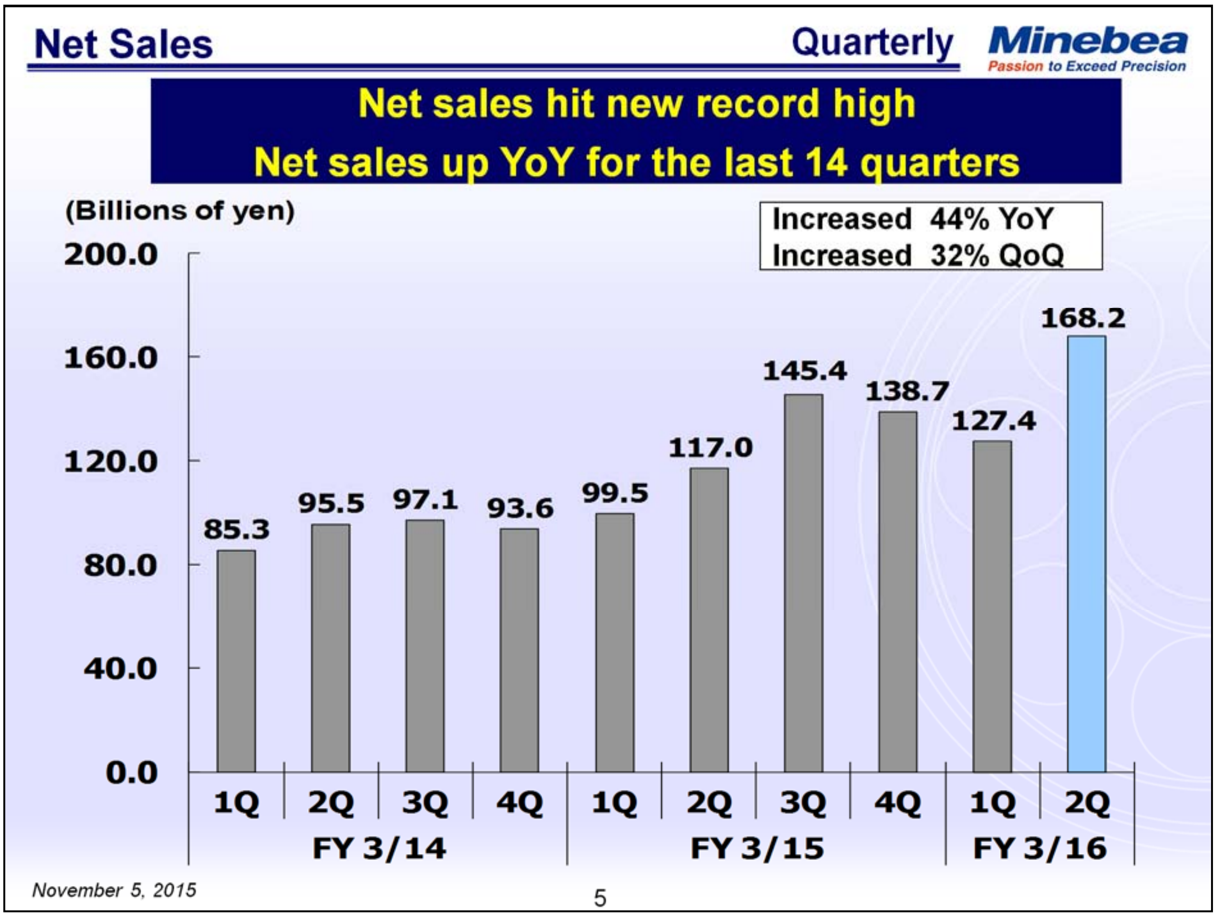
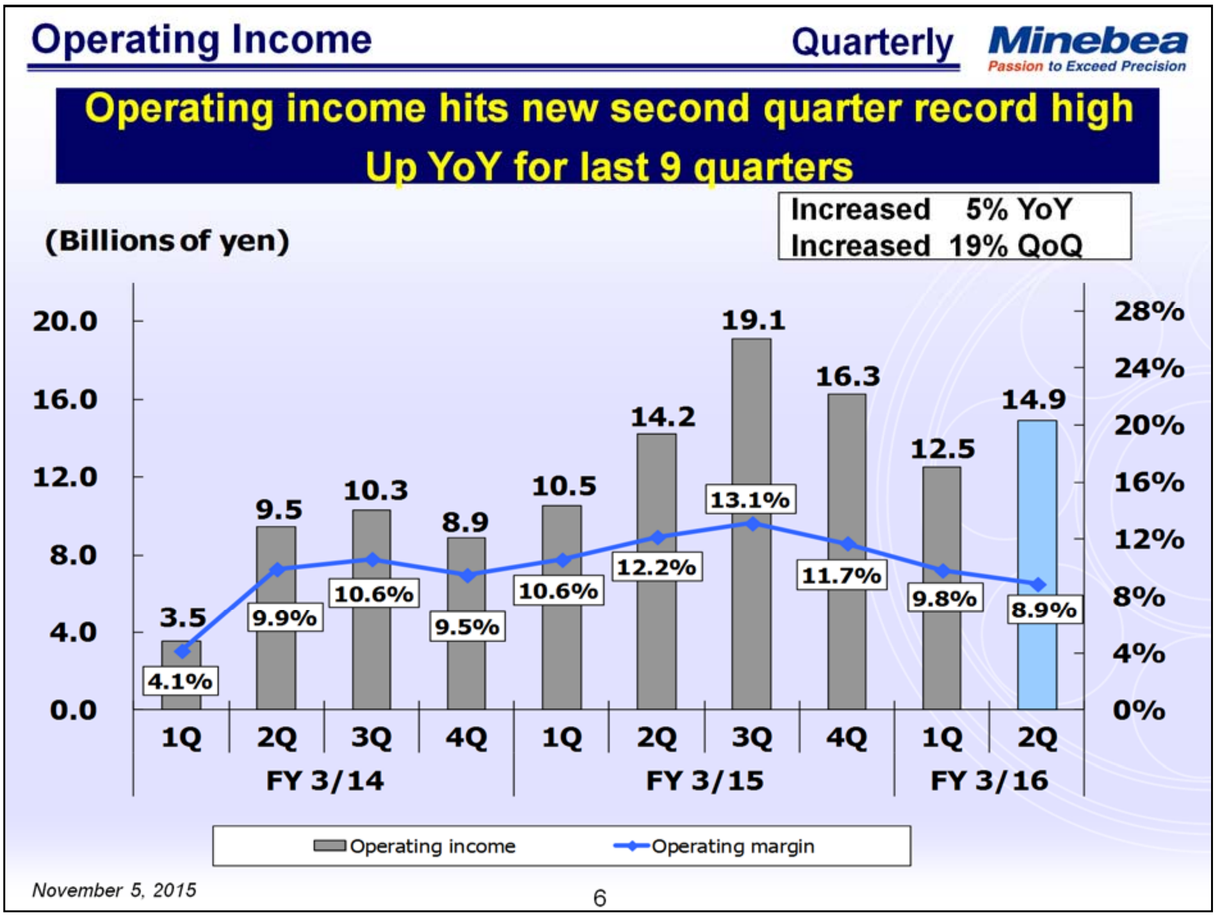
Second quarter net sales for the fiscal year ending March 31, 2016 soared to hit a quarterly record high while operating income was the highest ever for any second quarter.

The significant bump in sales can be explained by the higher price of the new LED backlights with more functions that are being used in high-end smartphones as well as the Sartorius Mechatronics T&H GmbH acquisition. Despite increased costs for ramping up LED backlight production and a quality control issue at NHBB, operating income soared above the previous quarter’s total. This increase was due to cost cutting measures that boosted the profitability of various motors, a rebounding HDD market that pushed pivot assembly and HDD spindle motor sales up, and, after adding in three full months of results from Sartorius Mechatronics T&H GmbH, a spike in profits for measuring components.

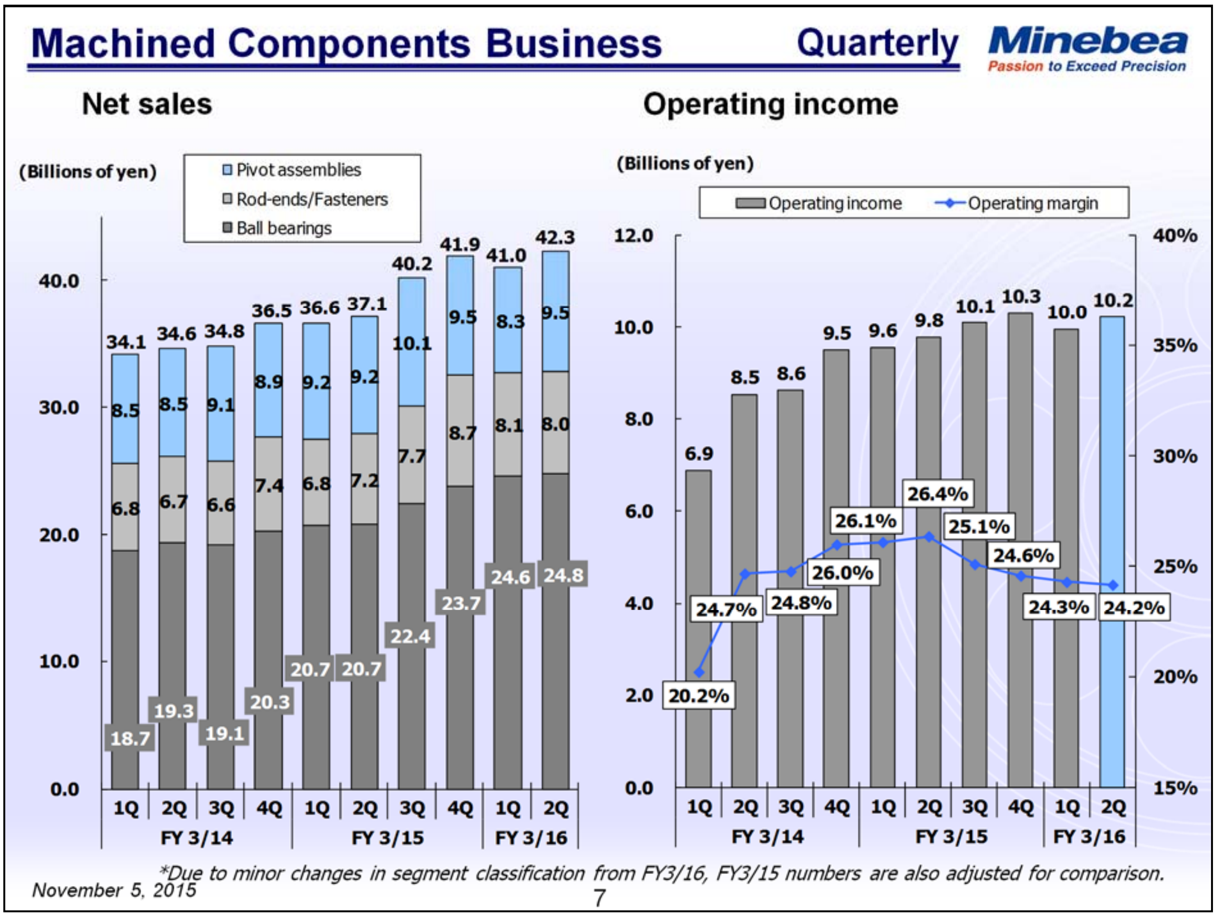
We estimate that foreign currency translations have pushed net sales up 2.0 billion yen from the previous quarter with a year-on-year gain of approximately 20.7 billion yen in addition to a 2.6 billion yen operating income increase over the previous quarter with a year-on-year gain of approximately 4.6 billion yen.



In the second quarter of the fiscal year ending March 2016, net sales were up 32% over the previous quarter to hit an all-time record high of 168.2 billion yen. Net sales have continued to climb year on year for the last fourteen quarters and we expect that demand will continue to rise, especially for LED backlights, driving sales up even further in the December quarter.



Operating income for the second quarter increased nicely to total 14.9 billion yen, surpassing last fiscal year's second quarter record high. Operating income has continued to rise year on year for the last nine quarters. The operating margin stood at 8.9%, which is 0.9 percentage points lower than the previous quarter. Operating income on a managerial accounting basis grew month by month to reach over 7 billion yen in September. We expect profits, especially for LED backlights, to hit another record high in the December quarter.



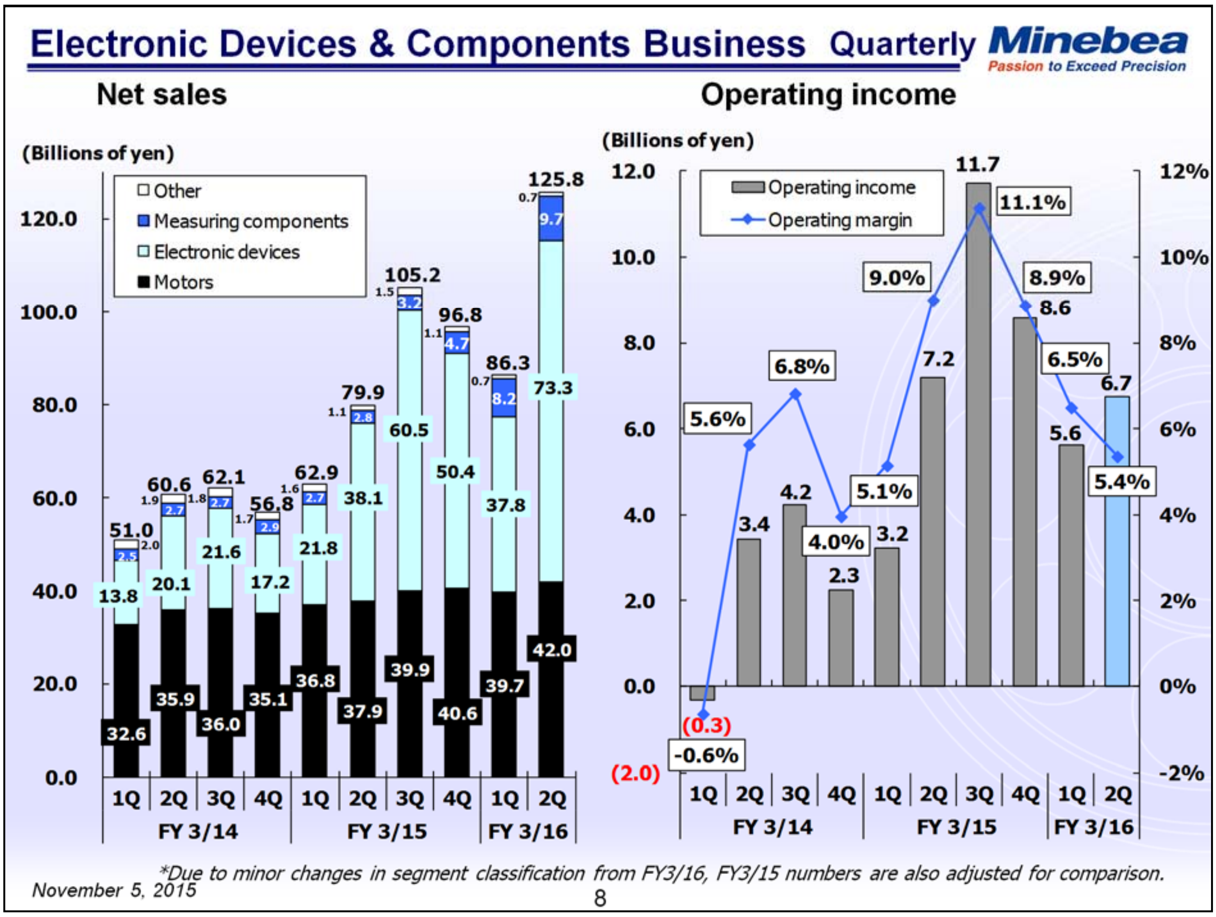
Second quarter net sales for the Machined Components business segment were up 14% from the same period last year and up 3% from the previous quarter to total 42.3 billion yen. Operating income was up 5% from the same period last year and up 3% from the previous quarter to reach 10.2 billion yen. The operating margin stayed high at 24.2%, despite a one-time loss at our U.S. subsidiary.

Sales of ball bearings increased 20% year on year and 1% quarter on quarter to total 24.8 billion yen. The external shipment volume was buoyed by strong growing demand for many different applications and hit another monthly record high of 163 million units in September to surpass the previous record set in June.

We expect shipment volumes, especially external shipments, to be high in the December quarter as well.

Sales of rod-ends and fasteners rose 11% above what they were for the same period last year to reach 8.0 billion yen as demand from the commercial aircraft sector continues to soar steadily with only a 1% dip below the previous quarter’s total due to the summer holidays in the U.S.A. and Europe.

Sales of HDD pivot assemblies increased 3% year on year and 15% quarter on quarter to hit 9.5 billion yen. The hard disk drive market has been recovering after hitting bottom in June and Minebea was able to leverage its high market share to reap a tidy profit from sales.

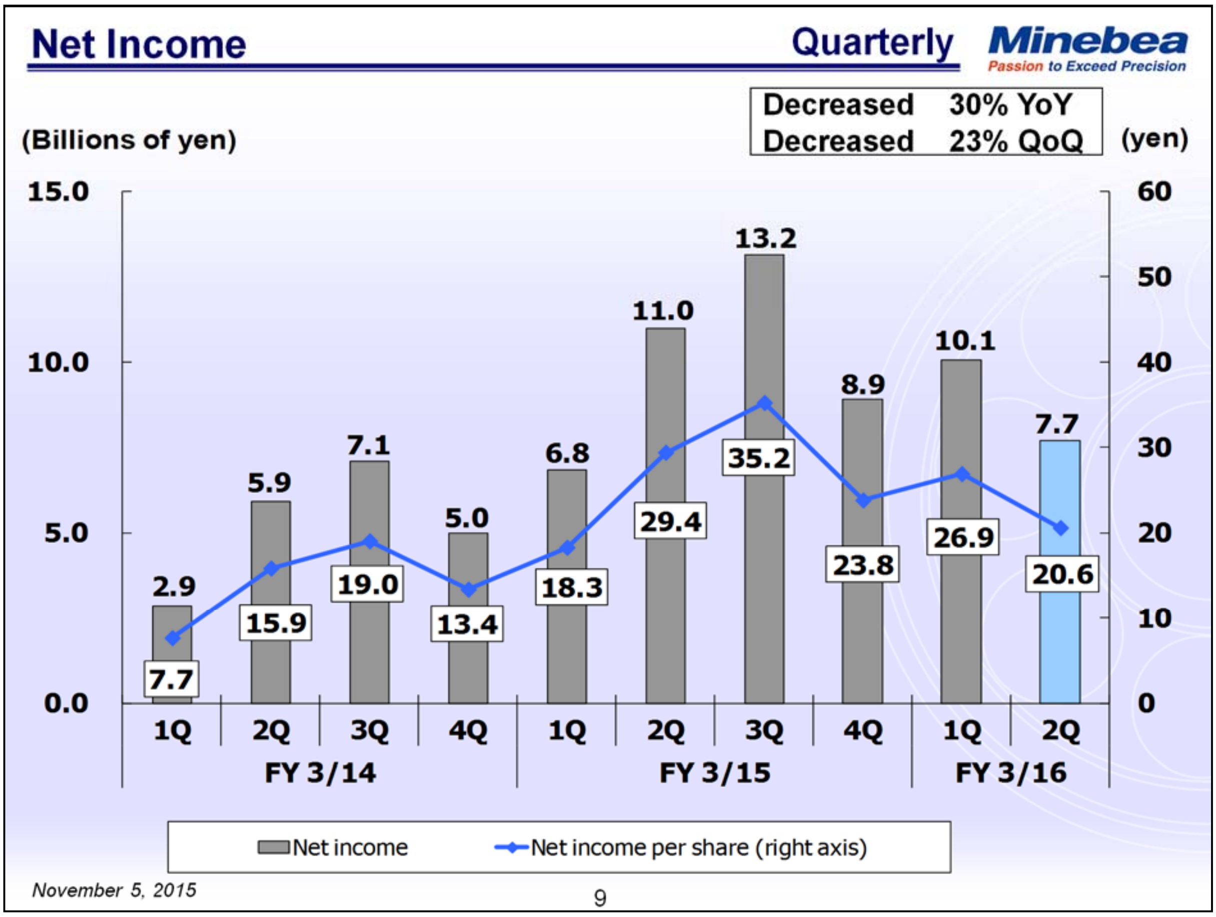


Second quarter net sales for the Electronic Devices and Components business segment totaled 125.8 billion yen, a whopping increase of 57% from the same period last year and up 46% from the previous quarter. Operating income in the meantime was down 6% from the same period last year but up 20% from the previous quarter to total 6.7 billion yen while the operating margin fell 1.1 percentage points from the previous quarter to hit 5.4%.

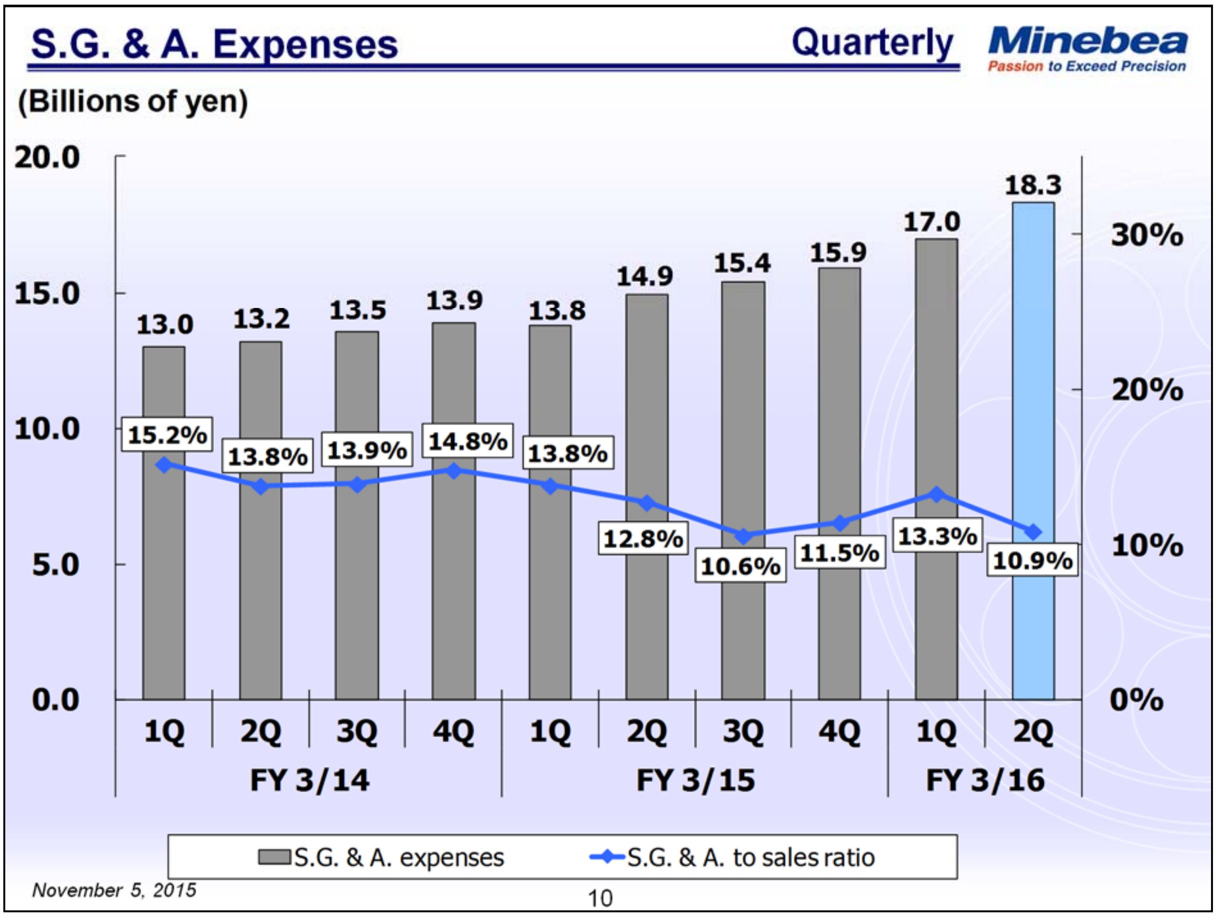
Sales of motors increased 11% year on year and 6% quarter on quarter to reach 42.0 billion yen. Compared to the June quarter, sales of HDD spindle motors were back up but down at Moatech, which was in the middle of restructuring. Profitability steadily improved quarter on quarter for many motor products as cost cutting measures paid off. We will continue to focus on ways to bring costs down.

Despite no change in shipment volumes to Chinese smartphone manufacturers, sales of electronic devices increased 92% over the same period last year and 94% over the previous quarter to reach 73.3 billion yen. The increase came as we began shipping our new higher priced LED backlights with more functions to high-end smartphones. Monthly sales of LED backlights hit record highs in August and September while operating income missed the target, falling year on year as well as quarter on quarter due to a delay in ramping up new component production and increased start-up costs. We expect to see significant increases in sales and profits in the December quarter when we enter the peak demand period.

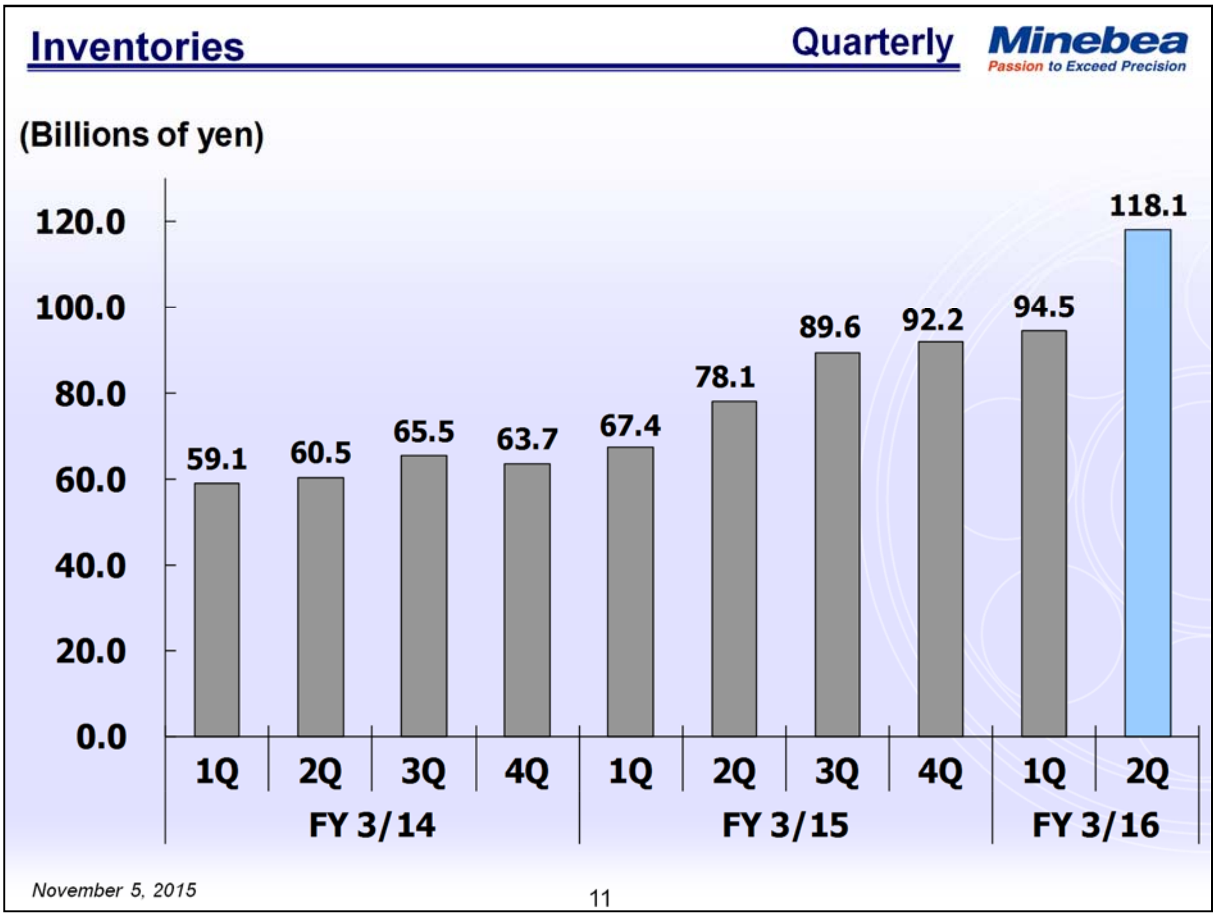
Sales of measuring components totaled 9.7 billion yen. That's 3.5 times higher than what they were for the same period last year and up 18% from the previous quarter. This increase comes from adding in three months of results from Sartorius Mechatronics T&H and steadily climbing sales at our other business operations. Despite making the acquisition, we were able to keep our profit margin high.



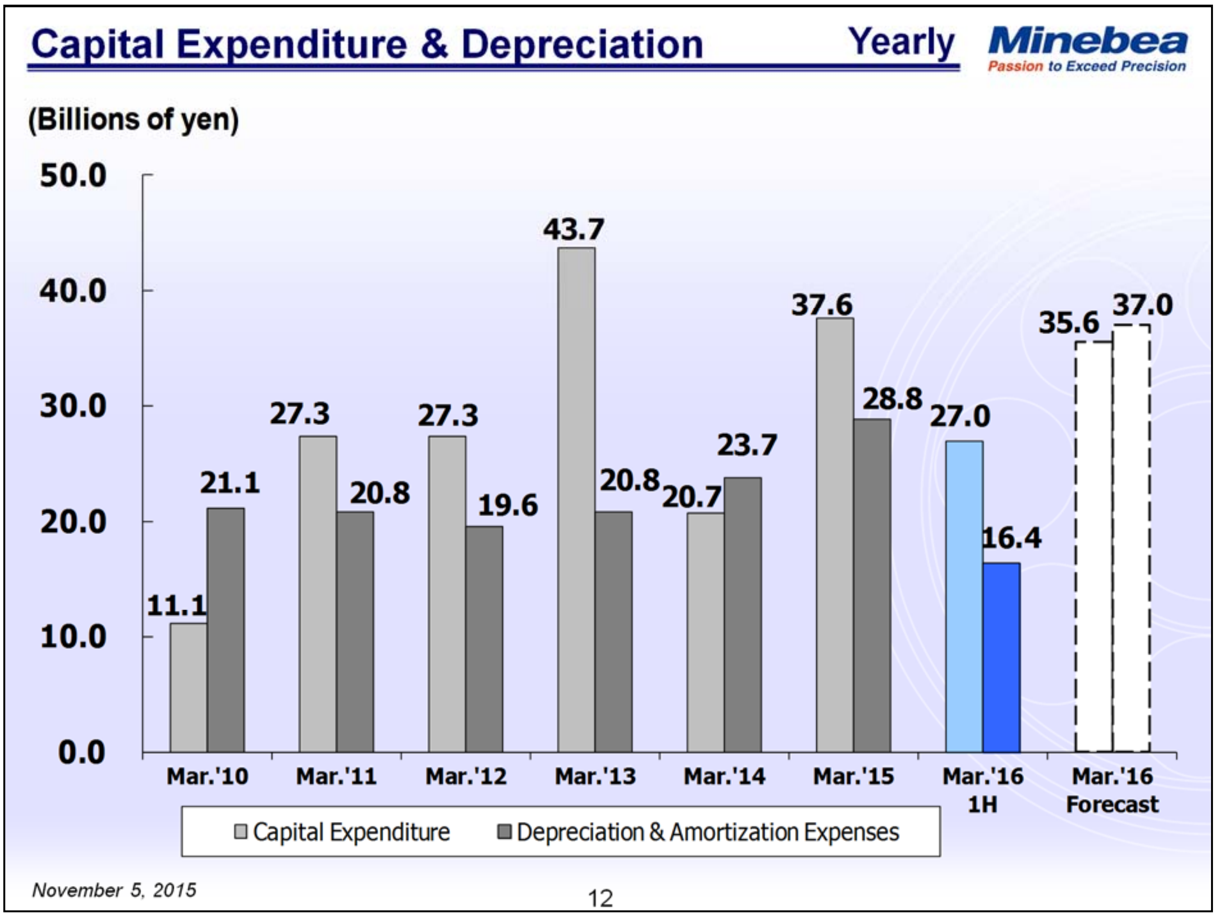
Net income for the second quarter fell 23% from the previous quarter to total 7.7 billion yen. One reason for the decline was a decrease in ordinary income due to foreign exchange losses totaling 3.9 billion yen. That figure accounts mainly for revaluation losses intended to cover foreign exchange fluctuations of the Thai baht and Chinese renminbi expected in the latter half of the fiscal year. Major extraordinary gains included a 1 billion yen Japanese government grant to one of our subsidiaries, J3DD, to boost production capacity for state-of-the-art automobile head-up display components. We used the reduction entry method to record a 0.9 billion yen extraordinary loss for machinery acquired with the government subsidy. Net income per share totaled 20.6 yen.



Second quarter SG&A expenses rose 1.3 billion yen from the previous quarter to total 18.3 billion yen due to a huge jump in sales. However, the SG&A expenses-to-sales ratio dropped 2.4 percentage points from the previous quarter and at 10.9% is almost at the lowest point it has ever been in recent years.

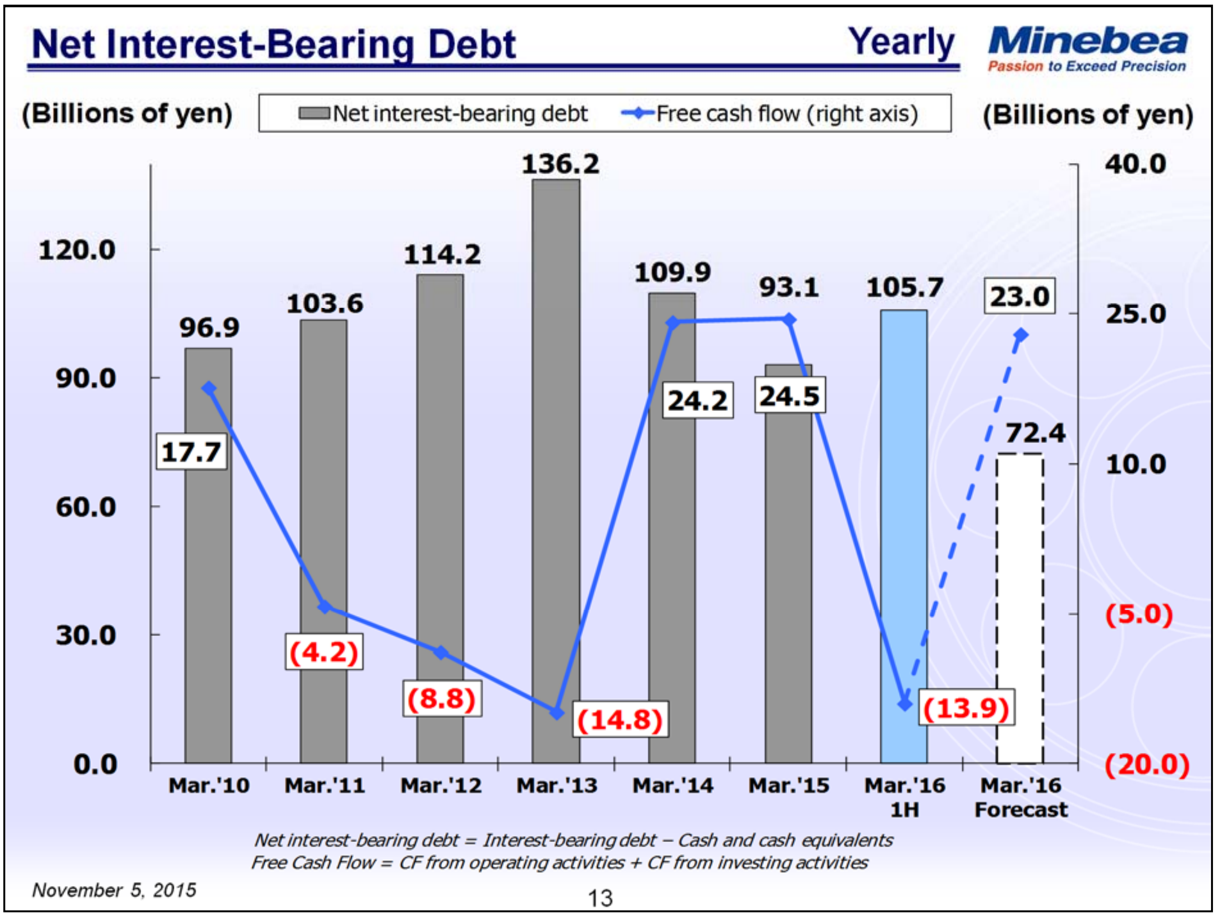


Inventories at the end of the second quarter jumped 23.6 billion yen above what they were at the end of the previous quarter to total 118.1 billion yen. This uptick was due to a temporary buildup of the LED backlight inventory as we ramped up production of the new LED backlights with more functions that are being used in high-end smartphones. In the coming quarter shipment volumes should increase further and the inventory level gradually taper off.



Capital expenditures for the first half came to 27.0 billion yen while depreciation and amortization expenses for the period totaled 16.4 billion yen.

Capital expenditures increased mainly due to increases in LED backlight production capacity, which were mostly completed in the first half. This fiscal year's capital spending, however, is expected to increase by 3.4 billion yen from the initial plan mainly in measuring components where we see good demand and an expansion of our Cambodian plant. Depreciation and amortization expenses for this fiscal year should be high at 37.0 billion yen as projected in the initial forecast due to increased capital expenditures as well as a shortened depreciation period in the LED backlight business that began last fiscal year. Once the shortened depreciation period comes to an end for some machinery next fiscal year, expenses will start to drop off significantly.



At the end of the second quarter, net interest-bearing debts, which are interest-bearing debts minus cash and cash equivalents, were up 12.6 billion yen from the end of the previous fiscal year to total 105.7 billion yen. This increase was mainly due to a temporary upsurge in inventory accompanying a major boost in production of new LED backlight components.

Free cash flow for the first half came to a negative 13.9 billion yen but we expect it to reach a positive 23.0 billion yen for the entire fiscal year due to an increase in net income.

Forecast for Fiscal Year Ending March 31, 2016

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Sales and profits set to reach new record highs

(Millions of yen)	FY ended Mar. '15	Fiscal Year ending Mar. '16					
	Full Year	1H	2H Revised Forecast	Full Year Revised Forecast	YoY	2H July Forecast	Full Year July Forecast
Net sales	500,676	295,554	384,446	680,000	+36%	355,500	650,000
Operating income	60,101	27,417	38,583	66,000	+10%	38,600	67,500
Ordinary income	60,140	23,326	39,174	62,500	+4%	38,100	66,500
Net income	39,887	17,758	30,242	48,000	+20%	27,800	50,000
Net income per share (yen)	106.73	47.49	80.85	128.34	+20%	74.35	133.72

Foreign exchange rates	Mar. '15 Full Year	1H	2H Assumption	Full Year Assumption	2H July Assumption	Full Year July Assumption
US$	¥109.19	¥121.77	¥121.00	¥121.39	¥118.00	¥118.74
Euro	¥139.38	¥134.55	¥136.00	¥135.28	¥130.00	¥130.69
Thai Baht	¥3.37	¥3.59	¥3.38	¥3.49	¥3.60	¥3.62
Chinese RMB	¥17.60	¥19.52	¥19.00	¥19.26	¥19.30	¥19.35

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This slide shows the revised forecasts for this fiscal year.

We expect sales and profits for this fiscal year are set reach new record highs following last year's.

In the first half, net sales hit a record high for a fiscal half, and operating income hit a fiscal first half record high, although profits slightly missed our plan numbers. In light of these results, and after reconsidering the fiscal second half forecast, we revised our full year forecast from July one.

In the second half, we expect higher sales and profits in the LED backlight business due to the seasonal demand uptick, especially for the new LED backlights with more functions that are being used in high-end smartphones. The external shipment volume of ball bearings is expected to be high. We also expect continued good performance of measuring components and improved profitability in motors.

Forecast for Business Segment

(Millions of yen)	FY ended Mar. '15	FY ending Mar. '16					
	Full Year	1H	2H Revised Forecast	Full Year Revised Forecast	YoY	2H July Forecast	Full Year July Forecast
Net sales	500,676	295,554	384,446	680,000	+36%	355,500	650,000
Machined components	155,785	83,247	84,753	168,000	+8%	86,000	170,000
Electronic devices and components	344,724	212,064	299,236	511,300	+48%	269,100	479,300
Other	166	242	458	700	X 4.2	400	700
Operating income	60,101	27,417	38,583	66,000	+10%	38,600	67,500
Machined components	39,722	20,175	21,825	42,000	+6%	21,300	42,600
Electronic devices and components	30,747	12,349	22,651	35,000	+14%	23,050	36,600
Other	-28	24	-224	-200	X 7.1	-150	-500
Adjustment	-10,340	-5,130	-5,670	-10,800	+4%	-5,600	-11,200

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

This slide shows the revised forecasts by business segment.

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Policy and Strategy

November 5, 2015

Yoshihisa Kainuma

Representative Director,
President and Chief Executive Officer

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This is the table of contents for today’s presentation.

Current Performance and Minebea Share Price - 1

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Net sales and operating income continues to hit first half record highs!

(Millions of yen)	FY ended Mar. '15 1H	FY ending Mar. '16 1H	Change YoY	1H of FY ending Mar. '16 July Forecast	1H of FY ending Mar. '16 Vs. Forecast
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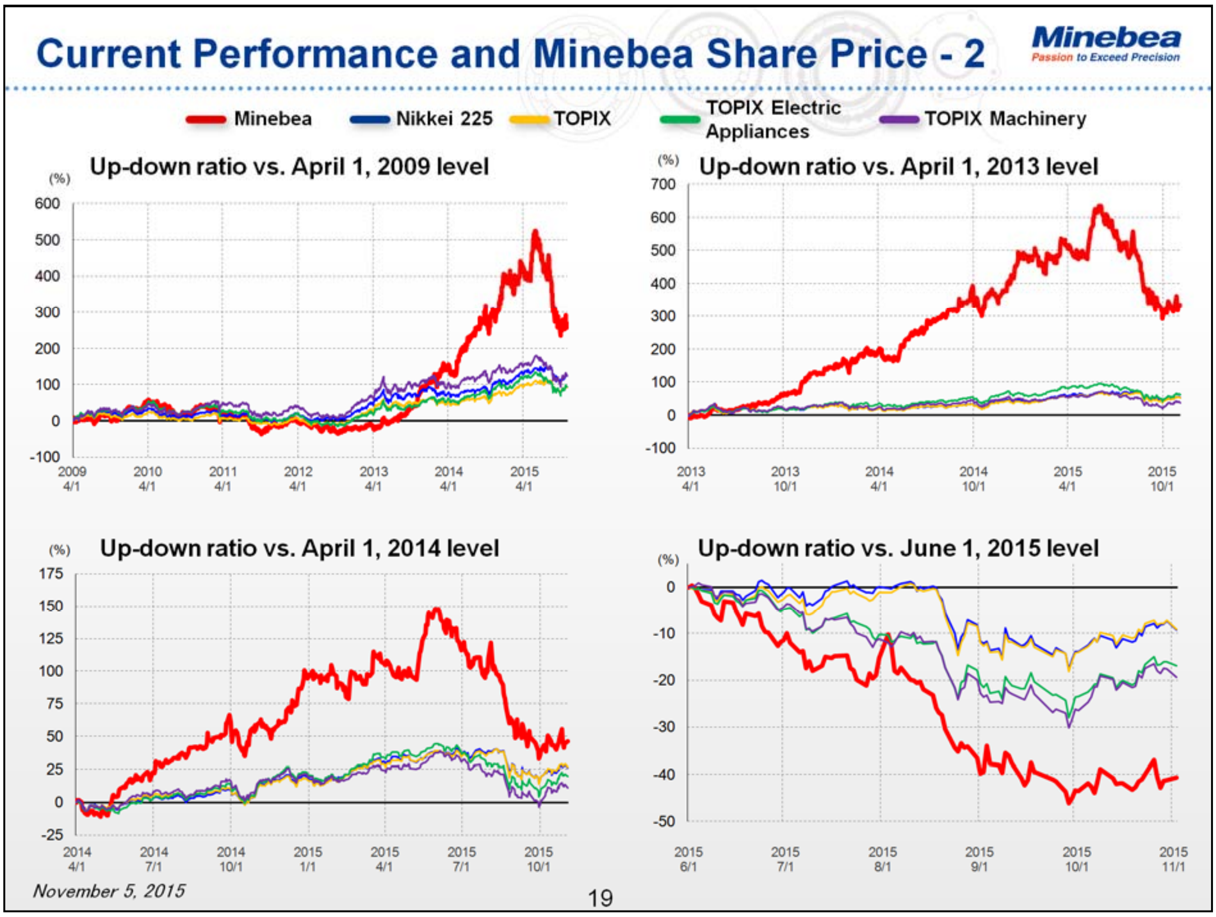
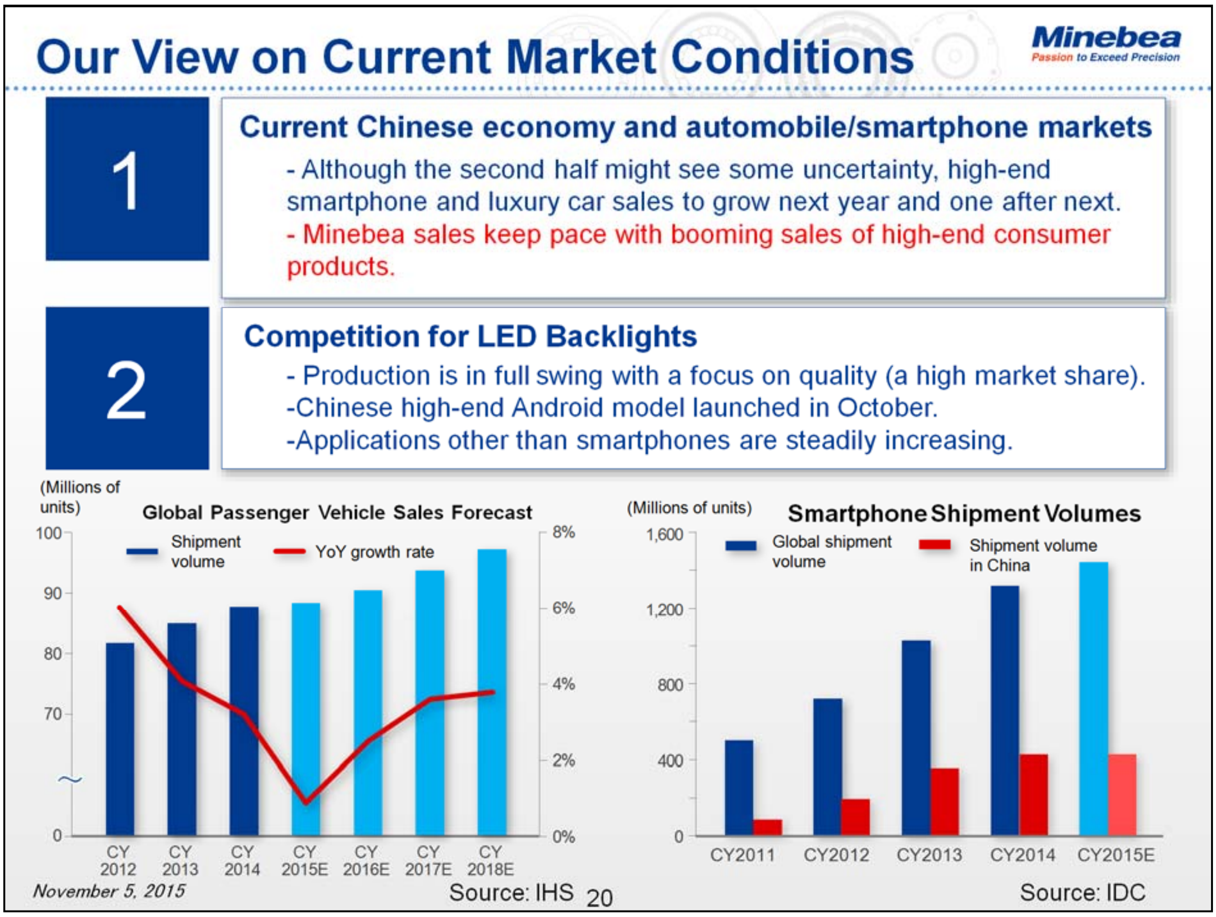
While net sales and operating income hit first half record highs, forward exchange contracts for the second half took a toll on ordinary income to generate a valuation loss, but if things remain the same throughout the second half, our losses shouldn't grow any. Should the Thai baht move in a direction other than projected, however, the valuation loss will decline. That's our outlook in light of the situation as it stands now.



This seems to be the biggest turnout we've had since I've been CEO and I assume you're all here to mainly find out about our share price. I've been told that the CEO of an issuing company should not talk share prices, but these four graphs will help explain the contents of today's presentation. These graphs show our share prices compared against the Nikkei 225, TOPIX, TOPIX Electric Appliances, and TOPIX Machinery Indices, with the price starting at zero. The graph on the top left starts in April 2009, when I took the reins as CEO, while the graph on the top right begins in April two years ago, and the graph on the bottom left in April a year ago. When our share prices are indexed against the prices as of June 1, 2015, you unfortunately get the graph shown on the bottom right. Share prices follow the law of supply and demand so when more people are selling them, they get sold. Working against this backdrop, I think the best thing to do is show how our growth strategies have paid off. In following the table of contents I showed you earlier I hope to do just that. If you consider the fact that not even nations can boost their economies with financial and monetary policies alone, looking at our growth strategies should help put our share prices in a proper light.



This slide shows our view of the current market. When China devalued the renminbi, the market responded very negatively to the slowing Chinese economy. Some say that smartphone sales won't surge, but, as I've always said, I believe that sales of Minebea products will grow as more high-value-added consumer products are sold. It's true that the Chinese economy is losing some steam, but if you look at the financial results of Mercedes-Benz and BMW, or automobile sales in the U.S., it looks like demand is still pretty strong in the global market. As far as Minebea is concerned, the changes in the Chinese economy haven't hurt our bottom line. We launched a new LED backlight product sometime around July of last year and had no choice but to go into full production with it because the competition had a problem getting its production lines going. Although we were initially aiming to supply 70% of this year's total, there was a temporary delay in getting the production for a certain model off the ground and I'm sorry for the tremendous concern that has caused. Production has been in full swing every month since September. Now that Minebea products have been adopted by Chinese smartphone manufacturers, including Huawei and Xiaomi, for their high-end LCD smartphones, production is sure to pick up. That's why I don't expect us to lose any ground to the competition. The only thing we are not sure about concerning smartphones is how and where they are really selling. We don't have a clear picture because we don't sell smartphones. Judging from the recent indication we have received from customers, demand seems to be rather robust.

Our View on Future Business Risks

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1	Will market share for LED backlights decline next year?
2	Will OLED displays replace LCDs in 3 years?
3	Will diminishing HDD sales volume drive profits down?
4	Which Minebea products other than bearings and LED backlights are growth drivers this year, next and one after next?

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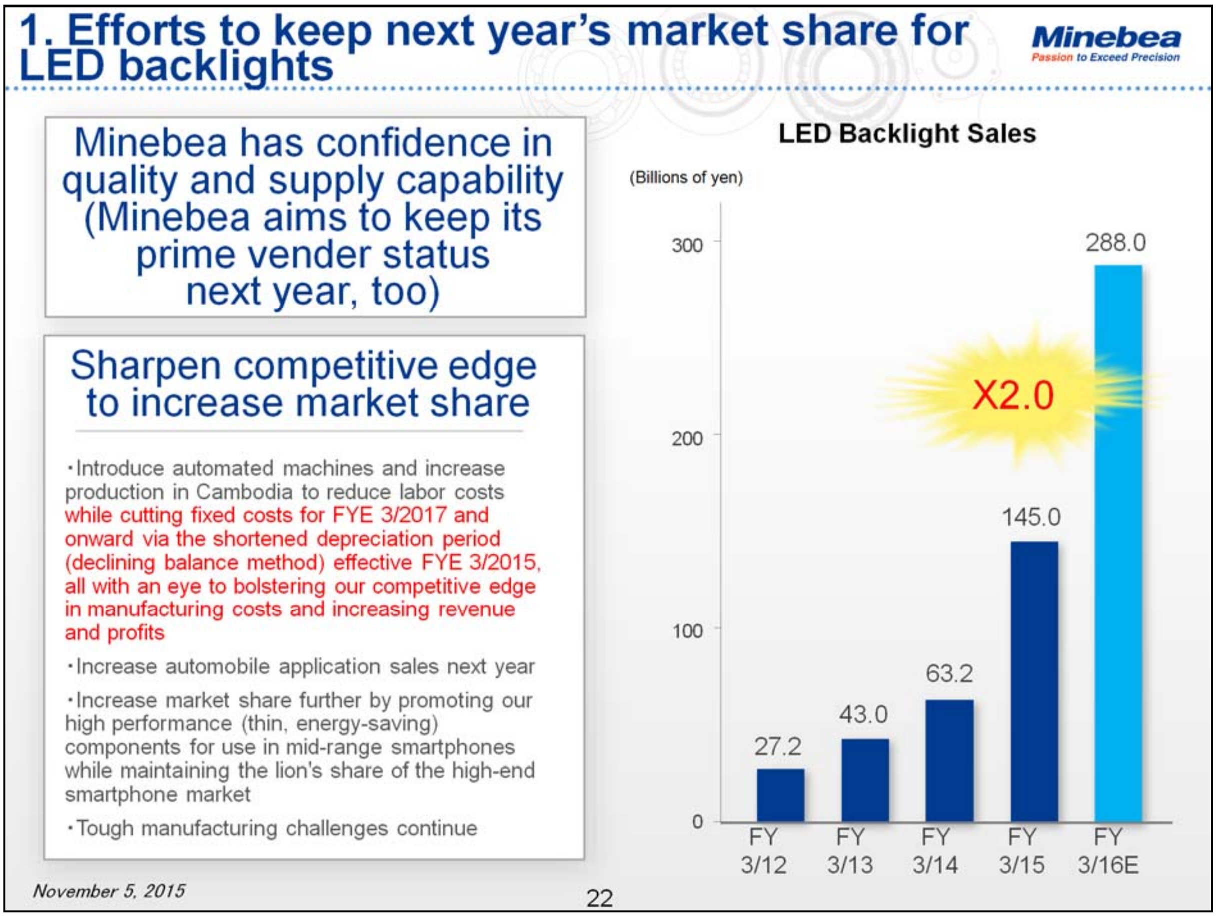
I understand that there have been whispers about Minebea in some corners of the stock market and I would like to allay any concerns they may have caused.



While we did outperform the competition in the LED backlight arena last year, some of you may be worried that we will lose our lead to the competition this year and the next. At the risk of repeating myself, since we are using the accelerated depreciation method to depreciate the value of production equipment over two years, we will generate a profit while at the same time bearing a huge amount of depreciation expenses on a short-term basis. Moreover, we have already switched from the conventional straight-line method to the declining balance method to cut fixed costs. This aggressive accelerated depreciation method should boost our competitive edge in the LED backlight market next fiscal year. While we don't know for sure how smartphones will sell next year, the one thing we are certain about is that our competitive edge is definitely getting sharper every month. Achieving about 20 billion yen sales for in-vehicle LED backlights in 2017 and 2018 now looks feasible. Our products have already been adopted by one European luxury car brand for an LCD panel application and the outlook for Minebea LED backlights being used by various other luxury automobiles is bright. When it comes to LED backlights for smartphones, July marks the beginning of the year. Just like last year and this year, the race against the competition will be on again next year. We have an excellent lead backed by our ultra-precision machining and mass production technologies and are absolutely confident about quality and yield. That's why it's very unlikely that we'll suddenly lose our competitive edge next year although it's ultimately up to the customers how much they'll buy from us.

2. OLED displays will not replace all high-end smartphone LCDs in 3 years

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We think threat of OLED is unlikely for a while

Small and medium-sized LCD sales will steadily grow

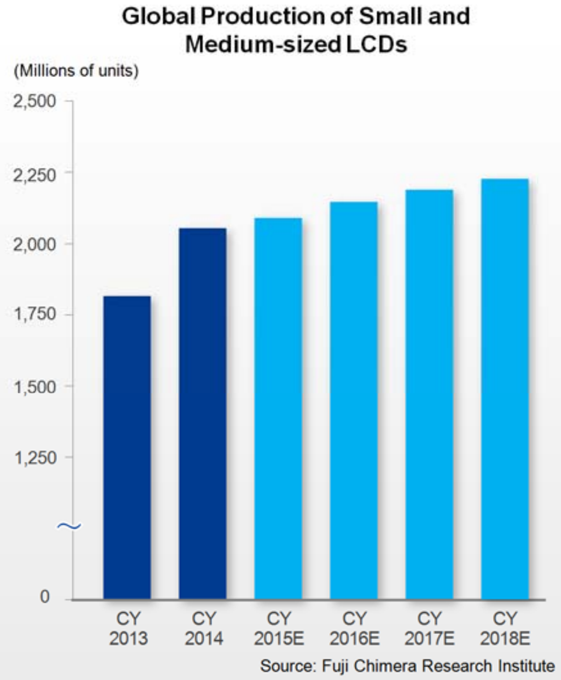
・Mobile phone applications (smartphones and feature phones combined) accounted for over 85% of all applications (in 2014).
・Sales will keep growing mainly for smartphone and in-vehicle display applications.

LCD will continue to reign

・LCD has a greater advantage over the OLED display in terms of manufacturing costs, long life, high definition, visibility in sunlight, supply chain capacity, etc.

Joint R&D for ultra-thin LED chips and optical sheet

・Supply chain companies jointly start a new R&D project to keep advantage over OLED.



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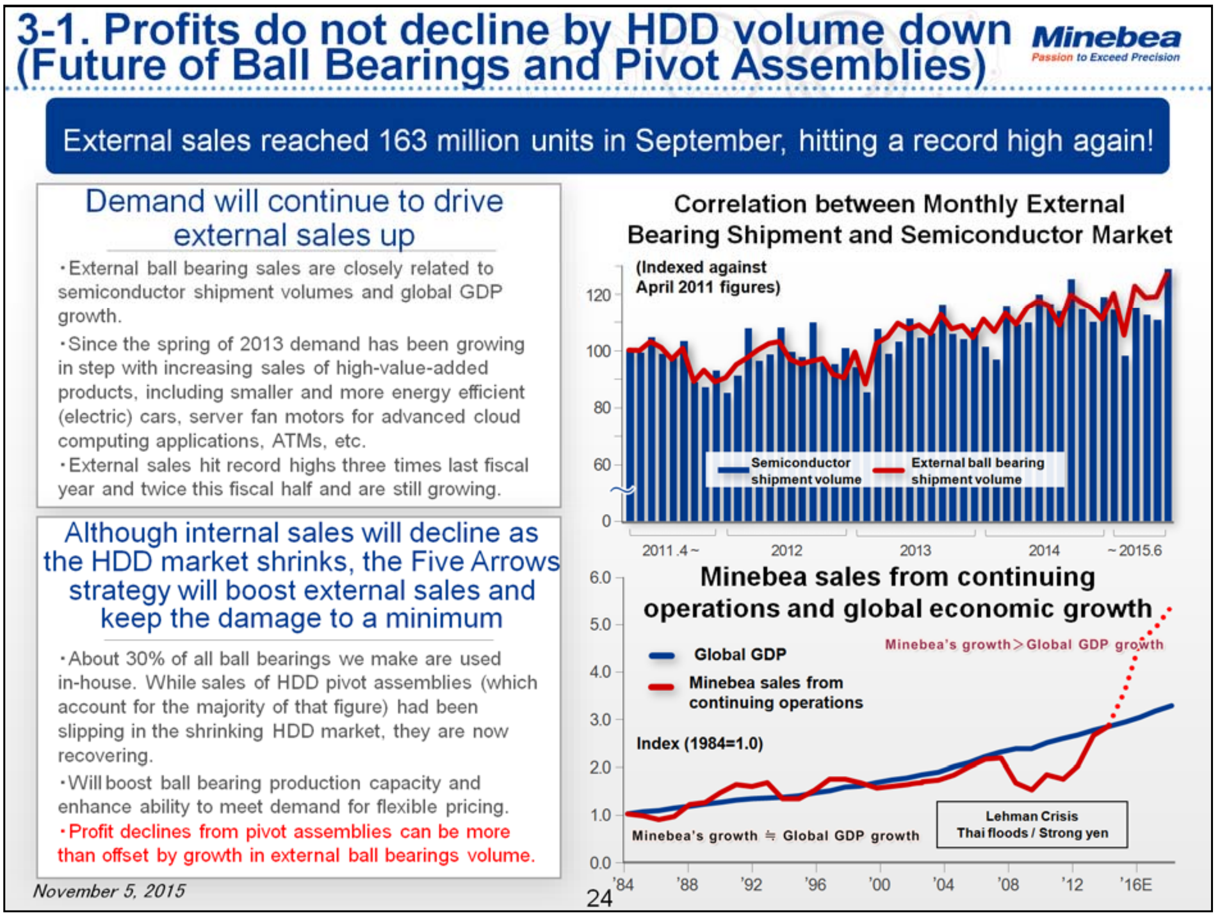
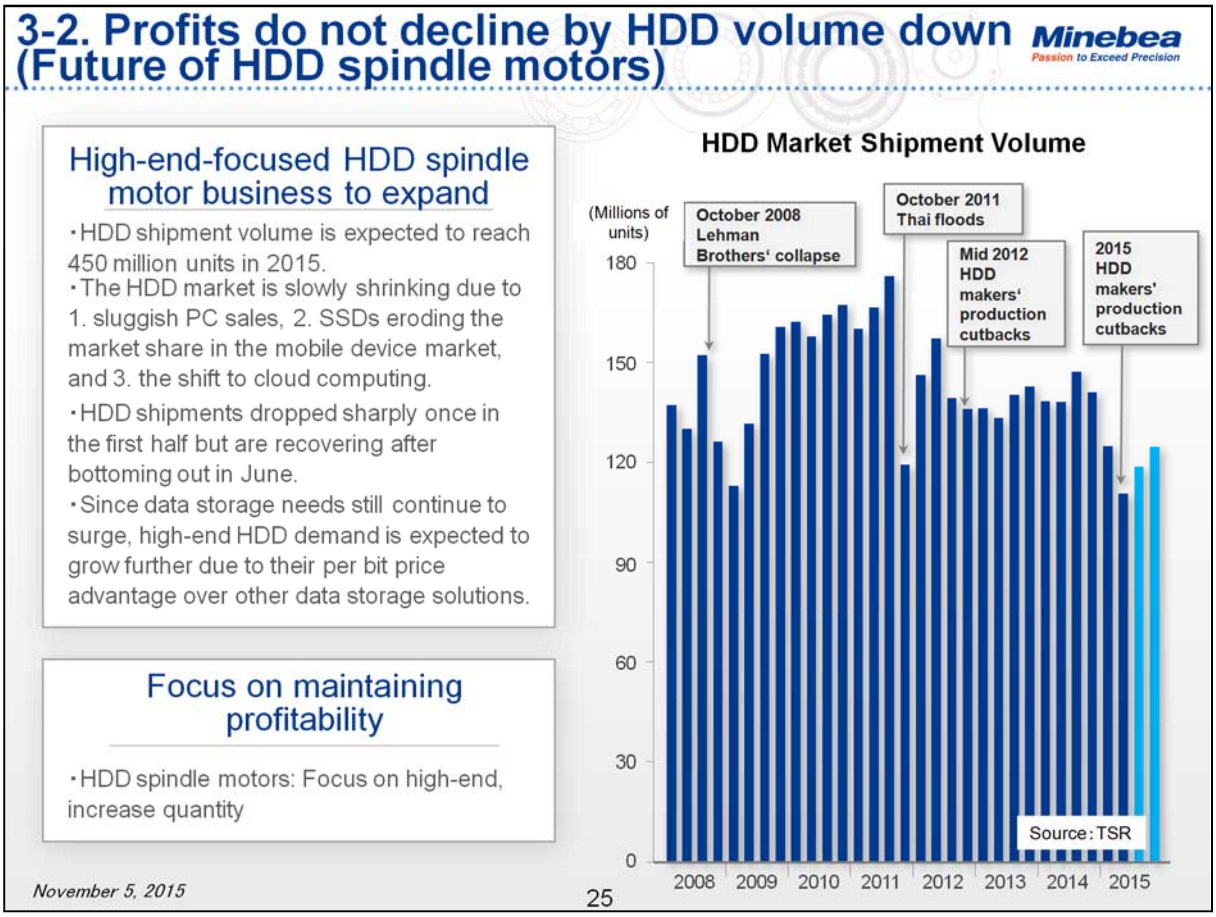
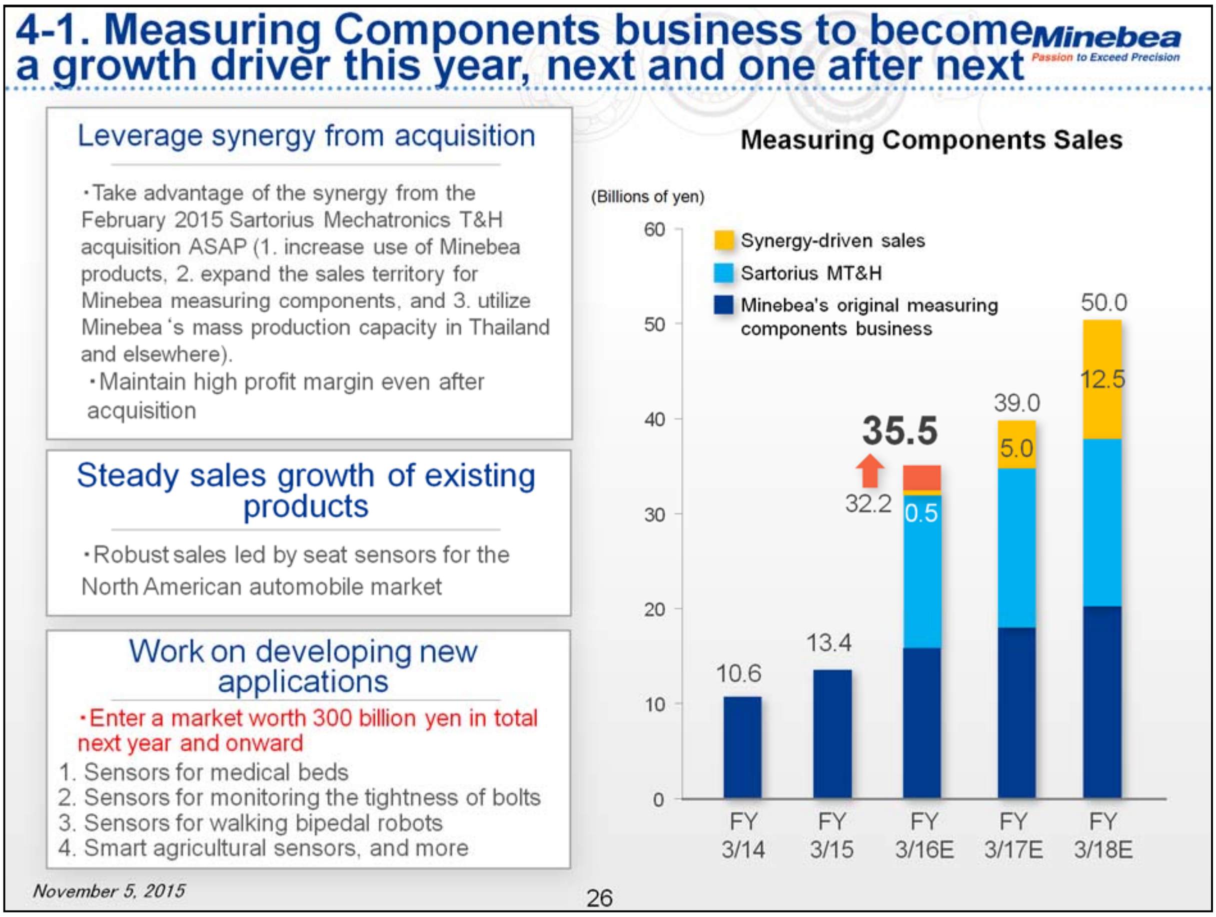
There seems to be a rumor that OLED displays will replace LCDs in high-end smartphones in three years. Again, this is not something we have any control over, so we have no way of knowing what will really happen. The thing is that we hear this rumor every year. When we announced that we were going to aggressively invest in LED backlights four or five years ago, our investors expressed concerns over the possibility of LEDs getting replaced by OLED displays. I think it will be quite some time before the OLED supply chain is able to handle the kind of demand for high-end smartphones we see now. When it comes to high-definition displays, like TVs, 4K or 8K resolution has a clear advantage. OLED displays are quite useful for applications that require some flexibility, bendability, and lighter weight, such as wearable devices, but I'm not so sure about using them for smartphones. We have also teamed up with other companies in the supply chain to develop highly efficient, thin LED chips rather than just sitting around and waiting to see what happens. We must work together to make highly efficient, thin LED chips that will pave the way to thinner smartphones with 4K resolution. For now I don't think it's realistic to think that OLED displays will dominate the smartphone market in three years.



Our investors are also concerned that our pivot assembly business may be struggling in the face of the shrinking hard disk drive market. The fact is the external sales volume for ball bearings, which are the main components in pivot assemblies and the major source of our revenue, reached a phenomenal figure in September, totaling 163 million units. If you are thinking this was just a temporary surge in demand ahead of China's National Day holiday in October, think again because sales hit 159 million units in October. This November we expect the sales total to reach 160 million units. In November two years ago I stood right here and introduced our Five Arrows strategy. Back then the monthly external sales volume for ball bearings was 132 million units at the most. When I revealed my intention to go for 150 million units per month, people in the company said to me, "What are you talking about? That's impossible." The fact is over the last two years we have increased monthly sales by 30 million units. Despite concerns over China's slowing economy, there hasn't been any signs of it impacting our small-sized and miniature ball bearing operations. Demand seems to be very strong. In fact some Chinese manufacturers of low-priced mass-produced ball bearings were really in dire straits and those that haven't gone out of business have had a hard time staying afloat. We, however, are in the position of deciding where we should move ahead with our ball bearing business. Our current monthly production capacity is 260 million units, or possibly a little more. We are now looking at how much the manufacturing costs will drop and how much demand we can cultivate when we actually make that much. Even if the quantity of our ball bearings used in-house for pivot assemblies should fall, growing external sales volumes will offset any decline. Sales volumes are quickly rising and that's reflected in our bottom line. We came out with the Five Arrows strategy at just the right time. As you can see from looking at these two graphs, showing the correlation between bearing sales and the semiconductor market as well as the link between GDP growth and ball bearing sales, demand for ball bearings is sure to keep pace with economic growth.



As the hard disk drive market shrinks, the good news for HDD spindle motors is that there is a burgeoning need for data storage. They say that one million pictures are uploaded to Facebook every day. Add in videos and other websites and the figure is astronomical. Demand for high-end hard disk drives will continue to grow as more and more high-definition images with 4K resolution are uploaded. The other day we saw one of our competitors drop out of the race. We are in the number two spot with a technological edge in high-end products and we're okay with that. Fueled by customer demand, we will take the manufacturing of products for high-end hard disk drives into high gear to keep pace with the current trend in digitization. Looking at pivot assemblies and HDD spindle motors, we see that the hard disk drive market shrank more than we had expected. Although we haven't shipped as many pivot assemblies as we had initially projected this year, our Five Arrows strategy saved us from suffering major damage.

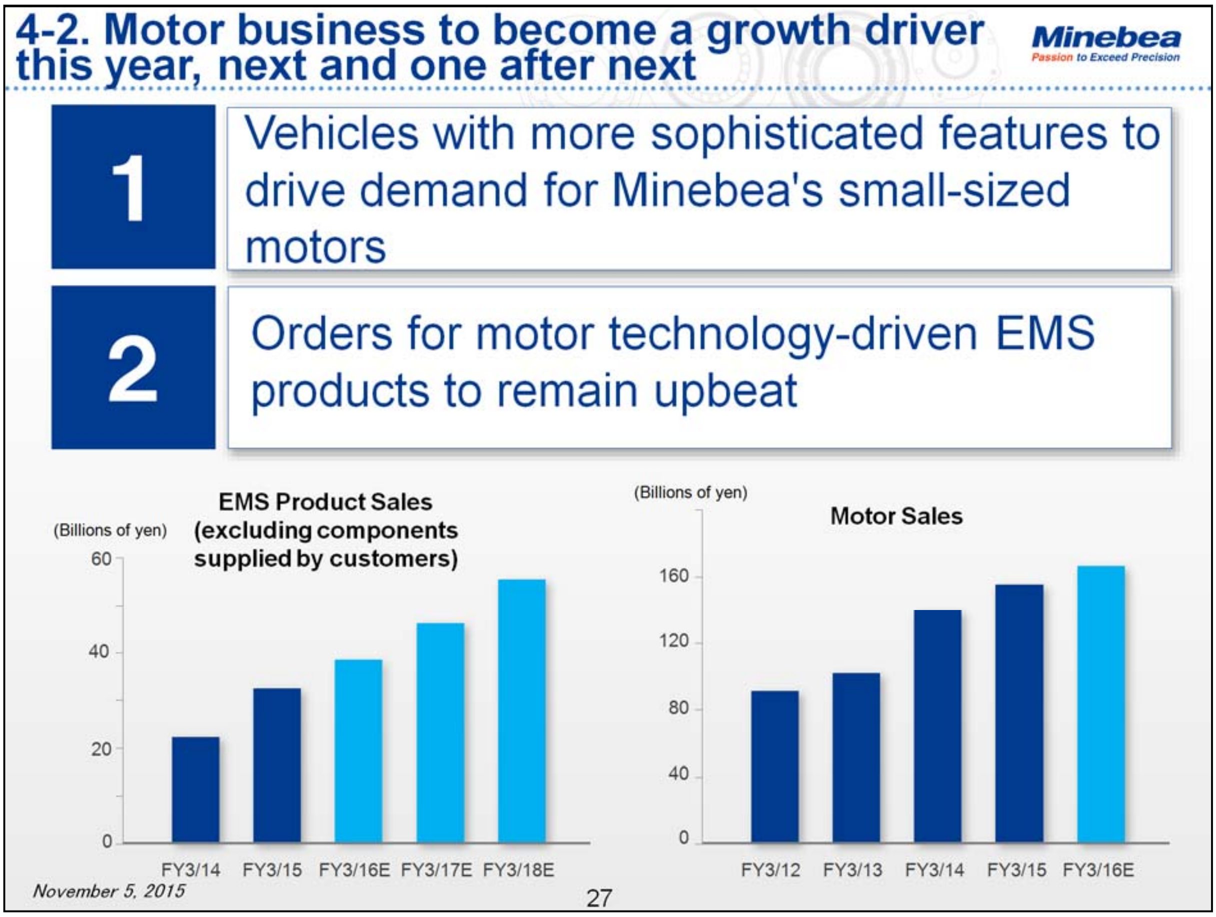


The question now is, “How are we going to boost performance?” You already know how our depreciation and amortization expenses are going to decline, so let’s look at two areas that will drive growth into at least the near future.

One is measuring components. Next fiscal year we should start to see some of the synergy from the acquisition of Sartorius Mechatronics T&H. It’s a very good company and while I’ve discovered a lot of window dressing in companies after their acquisition, I’ve found nothing like that with Sartorius. We look forward to leveraging each other’s sales channels with an eye to taking our sales figures to greater heights. Take bolt sensors for example. Sartorius had a totally different idea about them and made one that’s nothing like the one we developed on our own. This is a really fantastic development. I’m sure that I’ll have an opportunity to present the fruits borne from the synergy between the two companies very soon.

We’ve also been working on automobile seat sensors to be sold in North America where our products practically dominate the market. This is another area where we are really doing well.

On top of these areas, we are also looking to develop new applications with a focus on measuring technologies although I’m afraid I can’t talk about that just yet. Back in May I told our employees that they must “change to grow” and everyone is really taking that message to heart with an eye to cultivating growth through change.



We're committed to being number two in the motors business. We've been focusing on selling our motors in niche markets where our technologies have earned high marks from customers. Orders are flowing in for automobile applications as well. Although we once had a very difficult time in the motor business, things have completely turned around. The electronic devices and components business is doing better as well now that motors and measuring components are turning decent profits.

Our EMS business, which was established under a new strategy when I became CEO, has been steadily growing. In the three years since the Tokyo R&D Center was launched, it has been working on developing high value-added products targeting niche markets and should release a series of hot new products into the global marketplace. These products should fuel our growth for the next couple of years.

That sums up our response to the whispering about Minebea that has been heard in some corners of the market where the talk is our growth has peaked.

Unforeseen Factors behind First Half Performance

Minebea
Passion to Exceed Precision

1 One-time loss posted at NHBB

2 LED backlight sales increase delayed despite healthy motor and measuring component sales
- Sales to exceed 100 billion yen in Q3
- Production now at full capacity

3 Impact of declining pivot assembly sales

Outlook for this Fiscal Year

Minebea
Passion to Exceed Precision

Second half targets well within reach

1. September sales and operating income jumped, totaling 69 billion yen and 7 billion yen respectively (on a managerial accounting basis).
2. Positive effects of weak Thai baht and Chinese renminbi to start showing.
3. External ball bearing sales volume as well as sales of LED backlights and measuring components to increase, profit margin of motors to improve

Only slight change to capital investment plan for this fiscal year

Competitive edge will be strengthened further as depreciation costs to significantly drop next year

(Millions of yen)	FY ended Mar. '15	Fiscal Year ending Mar. '16					
	Full Year	1H	2H Revised Forecast	Full Year Revised Forecast	YoY	2H July Forecast	Full Year July Forecast
Net sales	500,676	295,554	384,446	680,000	+36%	355,500	650,000
Operating income	60,101	27,417	38,583	66,000	+10%	38,600	67,500
Ordinary income	60,140	23,326	39,174	62,500	+4%	38,100	66,500
Net income	39,887	17,758	30,242	48,000	+20%	27,800	50,000
Net income per share (yen)	106.73	47.49	80.85	128.34	+20%	74.35	133.72

November 5, 2015

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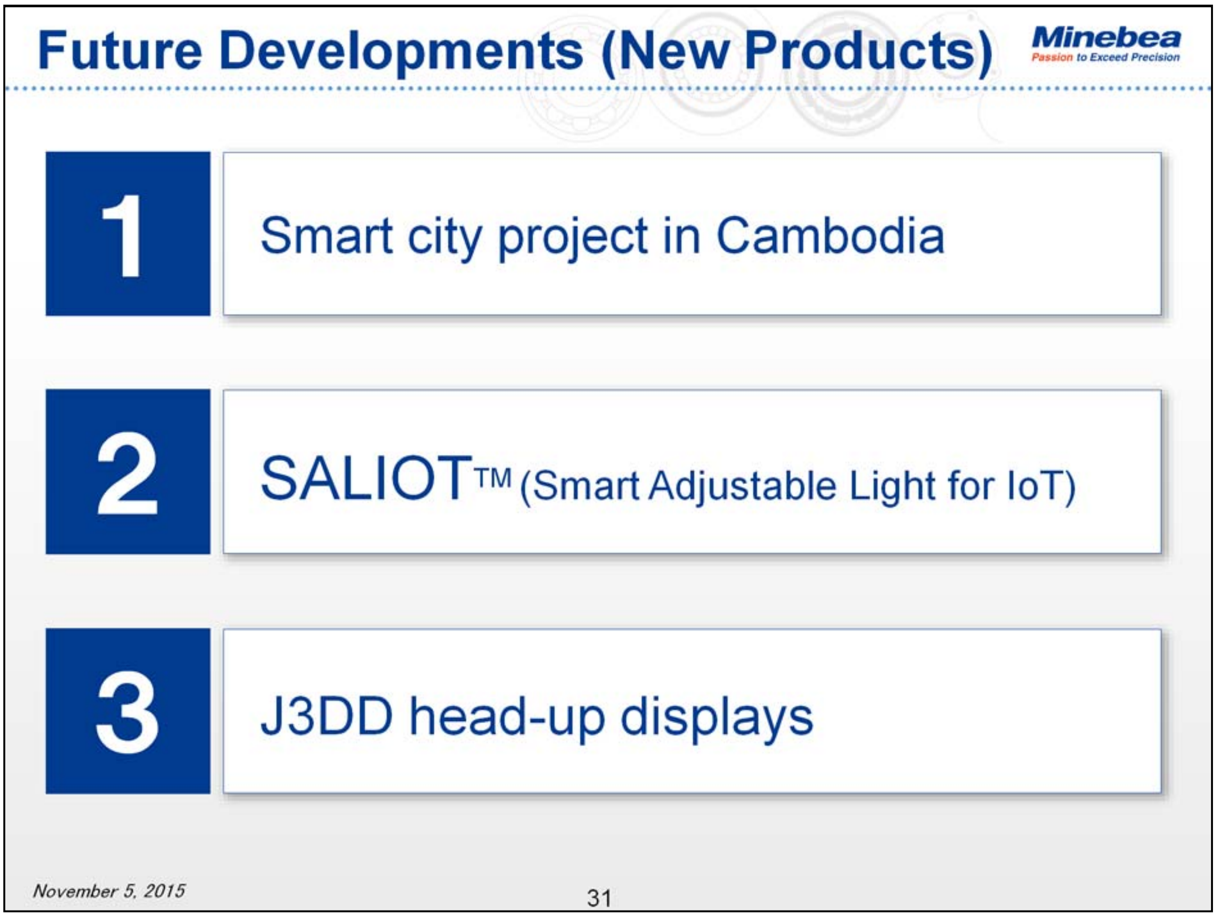
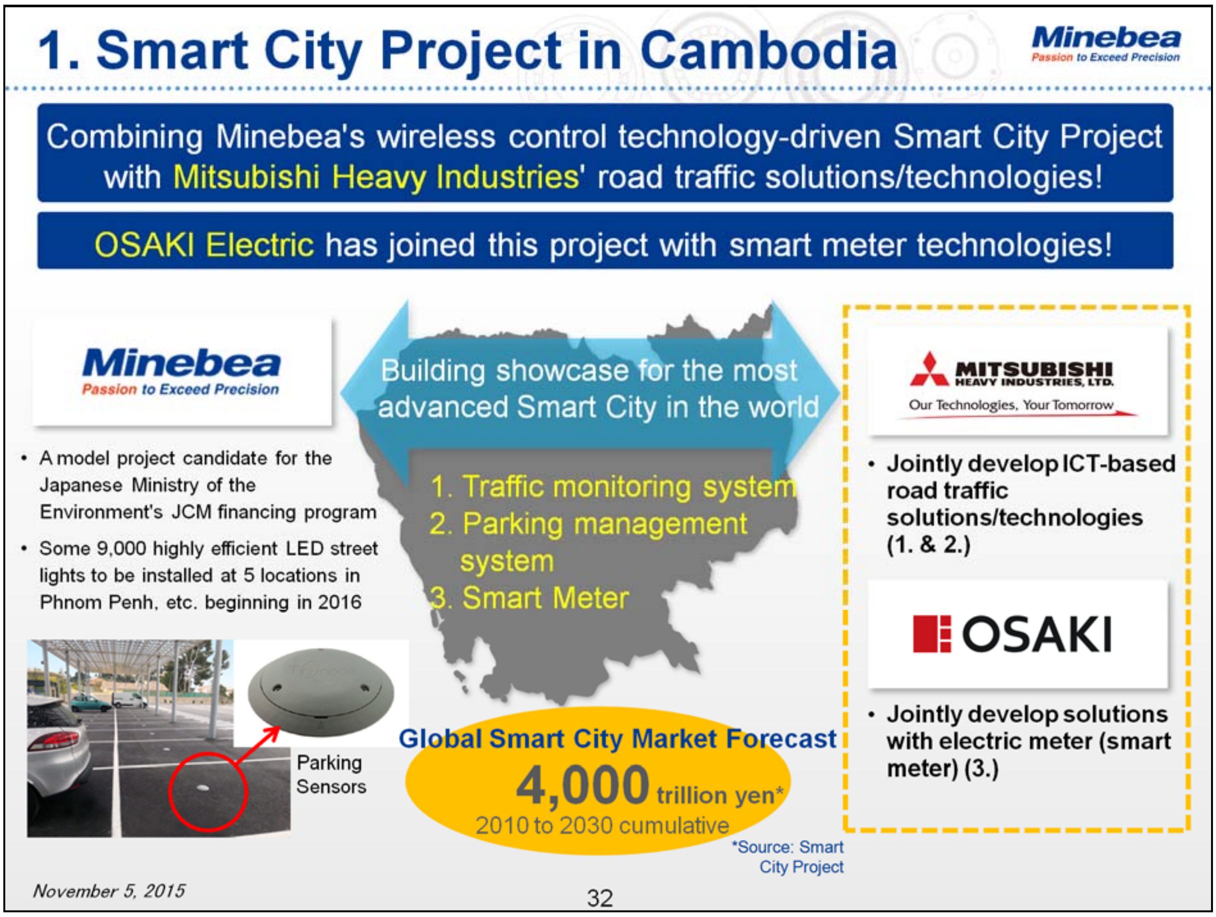
Unfortunately we posted a one-time loss during the first half due to defects found in products delivered to a British aircraft engine maker. After all of them were returned to us, we ran a check, replaced them where necessary, and shipped them back again. The bulk of this process was completed in October.

While there were no problems with motors and measuring components, LED backlight shipments were behind schedule due to a delay in launching the production of a new LED backlight product. On top of that the hard disk drive market didn't go the way we projected in the business plan we announced back in May.

We revised our full-year forecast downward in light of the difference between the first-half forecast and actual figures while making almost no change to the second-half operating income targets. Given the market conditions I explained earlier, our second-half targets are well within reach. We are aiming for 700 billion yen in net sales and 73 billion yen in operating income next fiscal year through drastic cuts in depreciation and amortization expenses as well as growing sales of various products. If this fiscal year's targets are achieved, operating income will increase by 6 billion yen from last year's total of 60.1 billion yen, and by 7 billion yen next fiscal year. This level of growth is quite attainable.

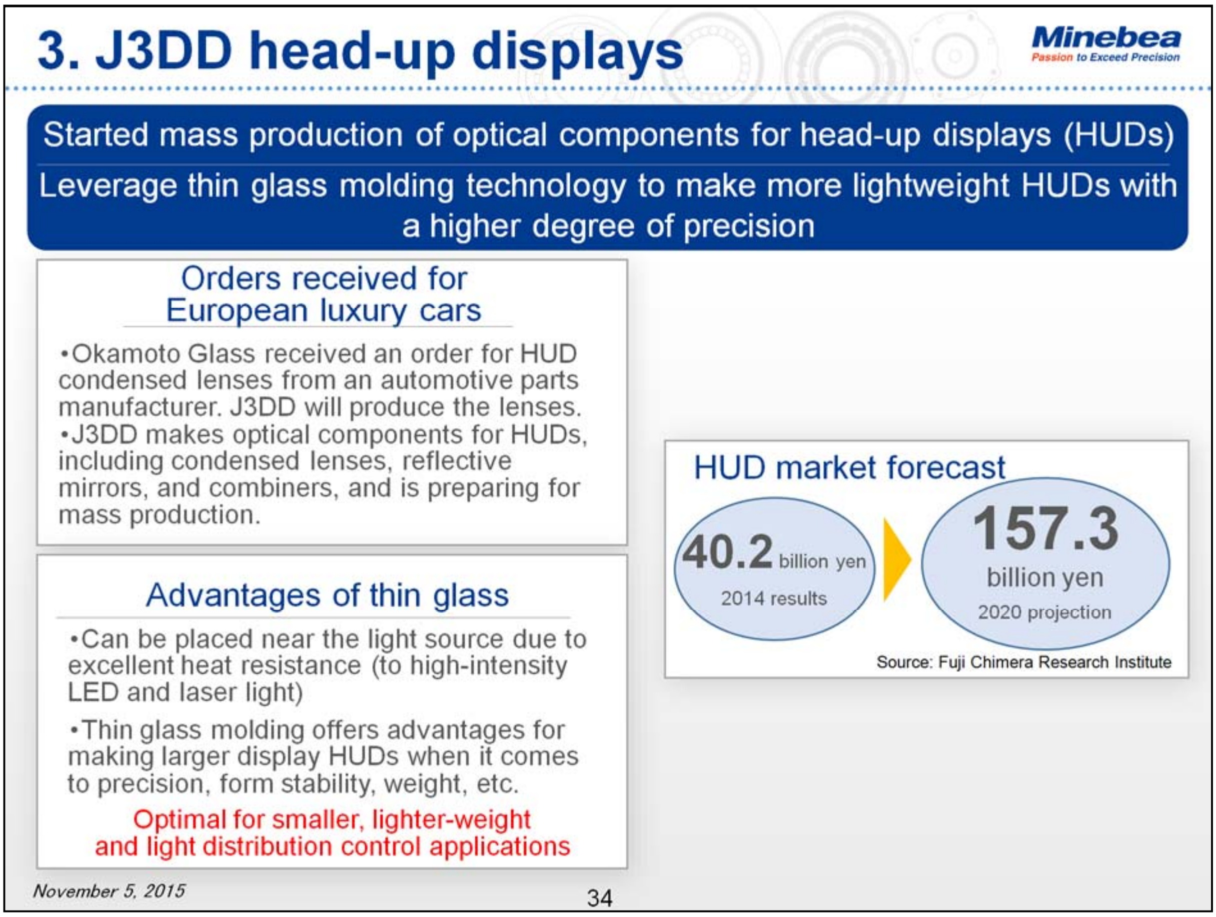


As we continue to work with an eye to the future, we've been seeing interesting developments in a project we have been working on over the last few years.



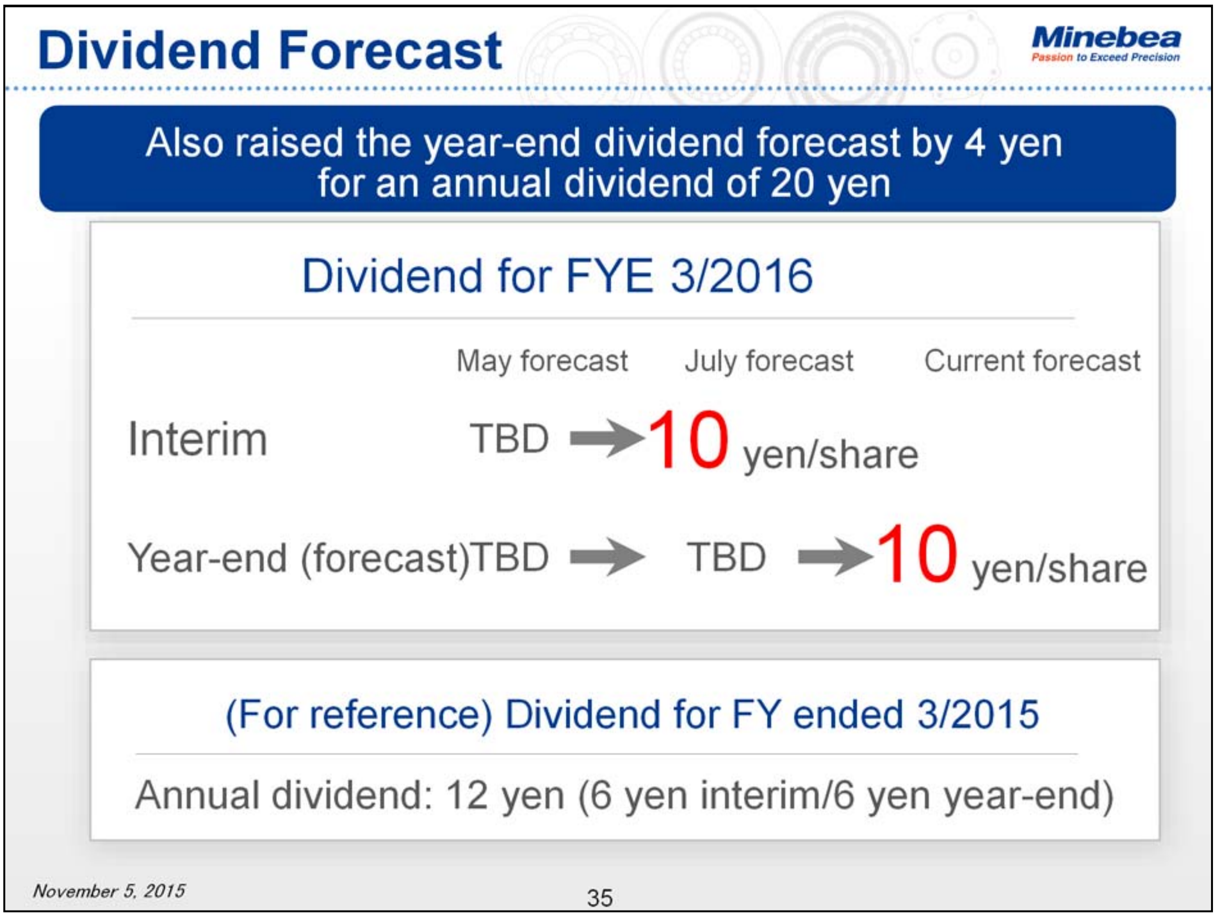
As we announced today, OSAKI Electric, which enjoys about a 50% share of the Japanese electric power meter market, joined our Smart City Project in Cambodia. After seeing an article about Minebea, Mitsubishi Heavy Industries contacted our office and is now also partnering with us. We will leverage its road traffic solutions and technologies to communicate with the nodes and gateways attached to Minebea’s street lights to be installed in Cambodia. This work is paving the way to a shining example of what a smart city should look like. A subsidiary of Paradox Engineering, a Minebea Group company, sells parking sensors in France. We can combine these with Mitsubishi’s technology to create solutions for Cambodia and beyond, including one solution that will enable people to easily find their car in a large and crowded parking lot. Or if you park in a huge multi-level parking garage with a spiral ramp, you’ll get a ticket at the entrance and it will have the location of an available parking space printed on it, like “No. 13 on the 4th floor.” We’ll work together to try and develop solutions like this that help you find an available parking space without wasting any time. When 9,500 street lights are installed in Cambodia, some of them will be outfitted with OSAKI Electric’s smart meters. We will also work on developing a system that will retrieve power usage data from the smart meters and send it to one central location.

The lens used for SALIOT employs the thin light guide plate technology we developed for smartphone LED backlights. It’s lightweight and only 1 mm thick. That’s why it can be moved back and forth to change the light distribution angle within a range of 10 to 30 degrees. We are planning to open a showroom in Bangkok this January and will work with our Thai partners to sell products in Thailand and other ASEAN countries. It has already been adopted by our customers for museums and cultural assets in Japan. By December we will have a complete line of SALIOT products to be officially unveiled at a U.S. lighting trade show in April 2016.



J3DD, which joined the Minebea Group last year, is a joint venture with Okamoto Glass that started out making optical components for in-vehicle head-up displays (HUDs. We asked Okamoto Glass to design collimating and condensed lenses that go between the LED and LCD so that an image can be projected when the LED light is shone onto a display. They have been adopted for use in a leading European manufacturer's HUDs and the first batch has already been shipped. Here's the reason why we are focusing on J3DD's glass components. HUDs currently use high-intensity LED or laser as a light source. Traditionally plastic has been chiefly used for reflecting, reducing, or magnifying lenses. While HUDs will become increasingly larger, there are two obstacles standing in the way of plastic. One is heat. When exposed to high-intensity LED or laser light, a plastic lens will deform due to the heat, resulting in a distorted image. Another problem is the fact that the blue beams of LED or laser light degrades and discolors plastic over time. There are limitations to plastic if you want to make reliable products. That's why we believe glass is a better fit for applications like this.

We started out making collimating lenses and are now working to boost sales with a line of glass products, including HUD mirrors and combiners. Other in-vehicle applications include headlamps, which increasingly employ LED lights. They have become very sophisticated and now employ an extremely complex mechanism. Those fitted to European luxury cars use a very large lens to distribute light. If we make them with thin, durable glass, we should eventually be able to make inroads into this market. Headlamps used to all be made of glass but were ultimately replaced by plastic. We're now keeping an eye on the possibility that manufacturers may go back to glass as we move forward with R&D efforts.



Finally we come to dividends. While we paid 12 yen per share last fiscal year, our forecast for this fiscal year is 20 yen per share. We have net interest-bearing debts totaling about 100 billion yen. As Minebea's CEO, I must focus on growing the company. I don't think it's a good idea to borrow more money just so we can increase dividends by a few yen. Still, I promised you back in May we would increase our dividends in light of our growth. While the last fiscal year's net income was 39.9 billion yen, we expect to see a huge jump in net income this fiscal year, totaling 48 billion yen. We also expect net interest-bearing debts to fall to around 72 billion yen. If we can achieve this net income target and the net interest-bearing debt total drops below 75 billion yen, we should be able to add some yen to the dividend.

M&A and Alliance Strategies

Minebea
Passion to Exceed Precision

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

- **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**

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Business Results

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