



# **Business Results**

**First Half of Fiscal Year Ending March 31, 2007**

**October 31, 2006**

**Minebea Co., Ltd.**

- 1. Financial Results**
- 2. Policy and Strategy**

# Financial Results

**Hiroharu Katogi**  
**Director, Managing Executive Officer**

October 31, 2006



# Summary of Consolidated Business Results for 1H

(Millions of yen)	Year ended Mar. '06	Year ending Mar. '07	Change yoy	1H of year ending Mar. '07	
	1H	1H		Original forecast	Vs. forecast
Net sales	155,739	163,998	+5.3%	152,000	107.9%
Operating income	7,224	13,367	+85.0%	11,500	116.2%
Machined components business	11,112	13,317	+19.8%	12,150	109.6%
Electronic devices and components business	-3,887	50	- ⇨ +	-650	- ⇨ +
Ordinary income	5,322	10,947	x2.1	8,400	130.3%
Income before income taxes	4,425	11,114	x2.5	8,000	138.9%
Net income	2,421	7,468	x3.1	5,300	140.9%

**Effect of FX fluctuations**    1H of FY Mar. '06 → 1H of FY Mar. '07  
**Net sales** +¥7.53 billion, **Operating income** +¥0.64 billion  
 (US\$ = ¥109.39 → ¥115.26, Thai Baht = ¥2.69 → ¥3.03)

# Quarterly Summary of Consolidated Business Results for 2Q

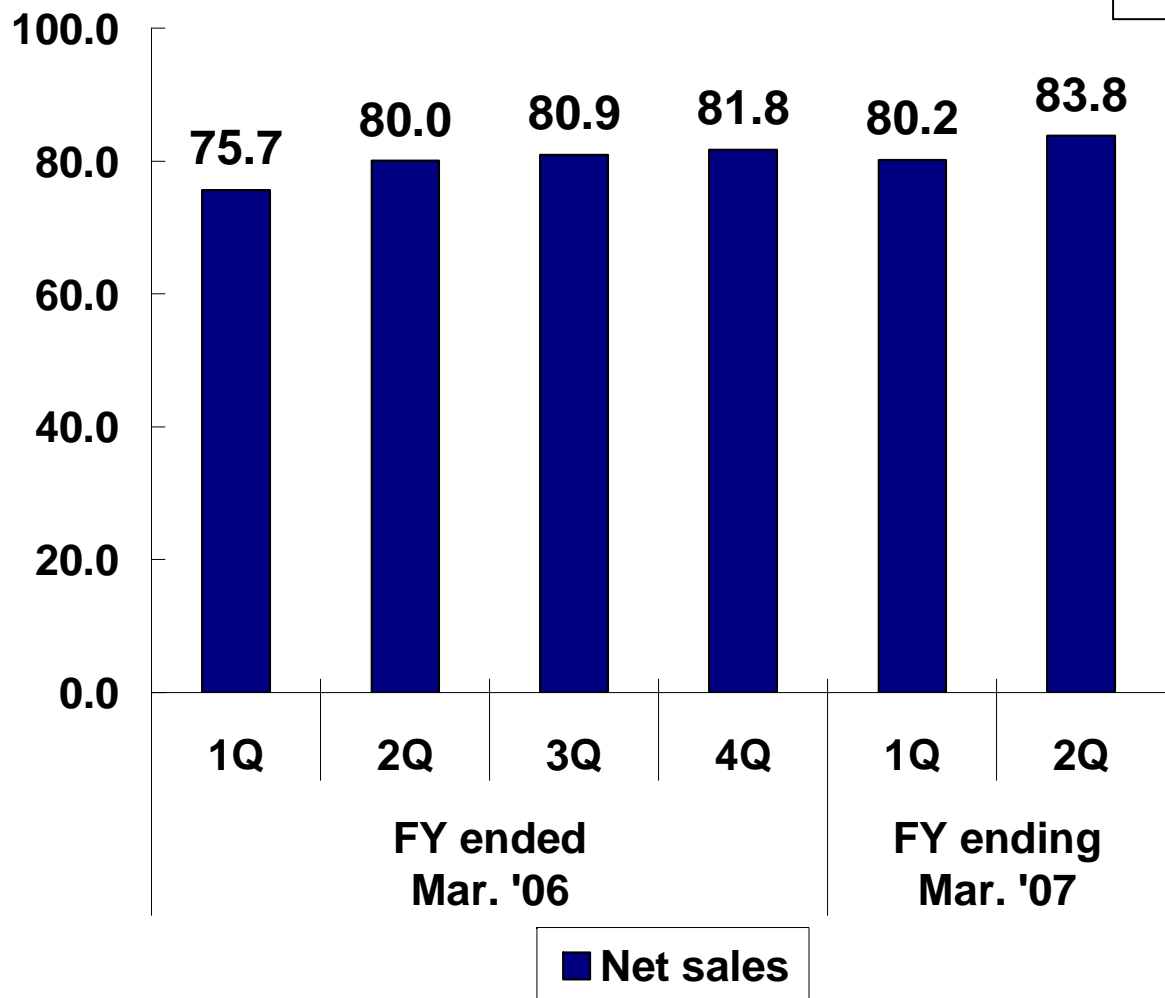
(Millions of yen)	Year ended Mar. '06	Year ending Mar. '07		Change yoy
	2Q	1Q	2Q	
Net sales	80,049	80,201	83,797	+4.7%
Operating income	4,214	5,858	7,509	+78.2%
Ordinary income	3,159	4,713	6,234	+97.3%
Income before income taxes	3,595	5,205	5,909	+64.4%
Net income	1,441	3,288	4,180	x2.9

**Effect of FX fluctuations** 2Q of FY Mar. '06 → 2Q of FY Mar. '07  
 Net sales +¥3.41 billion, Operating income +¥0.39 billion  
 (US\$ = ¥111.50 → ¥115.80, Thai Baht = ¥2.68 → ¥3.05)

# Quarterly

# Net Sales

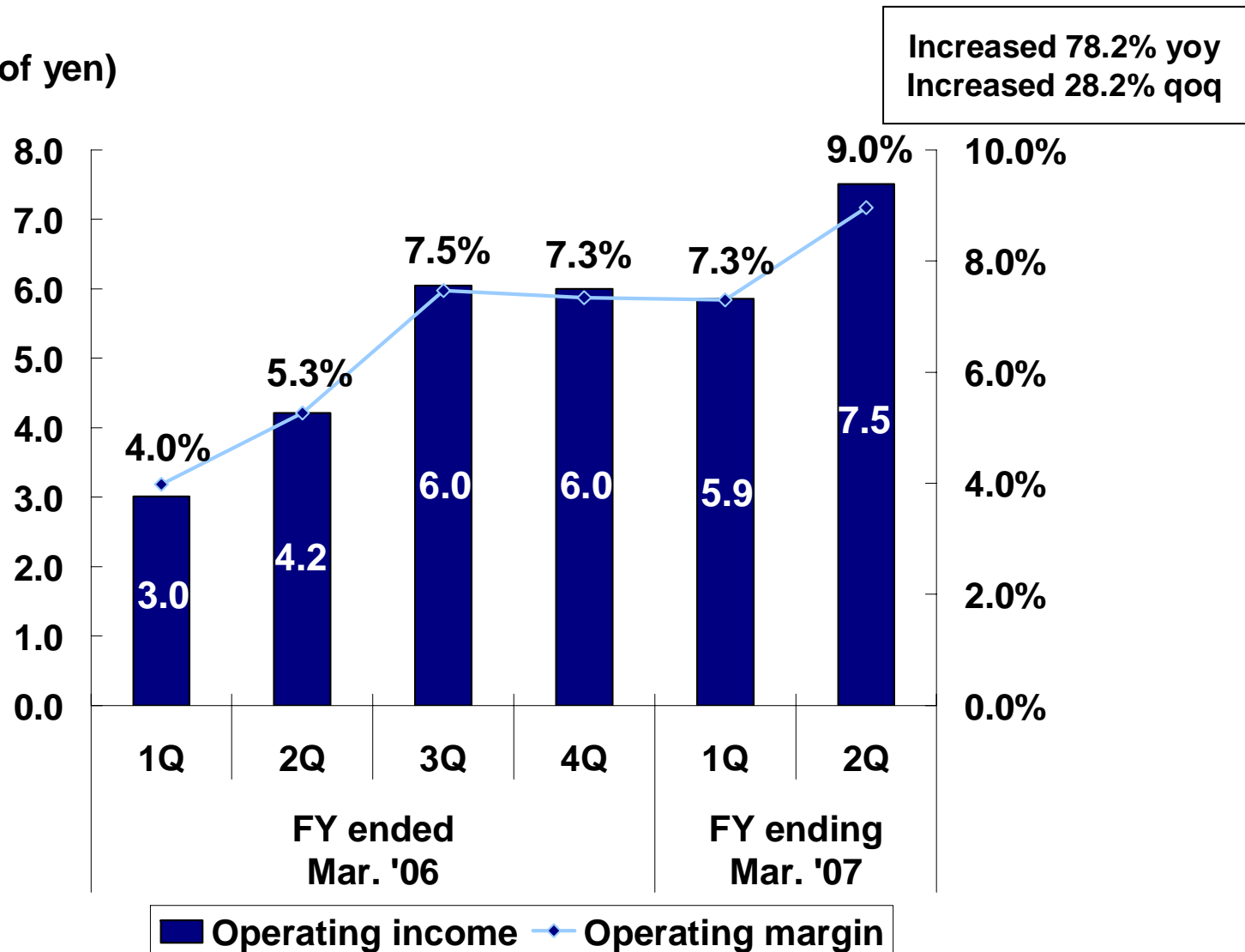
(Billions of yen)



# Quarterly

# Operating Income

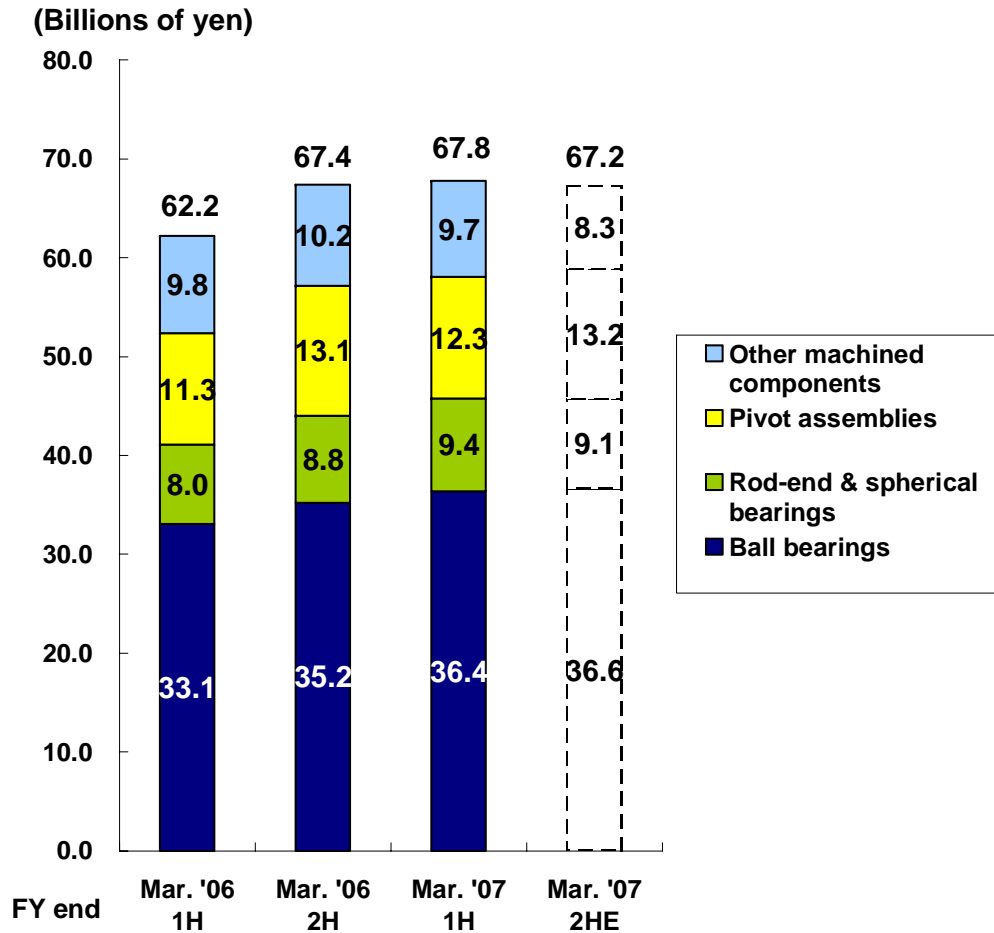
(Billions of yen)



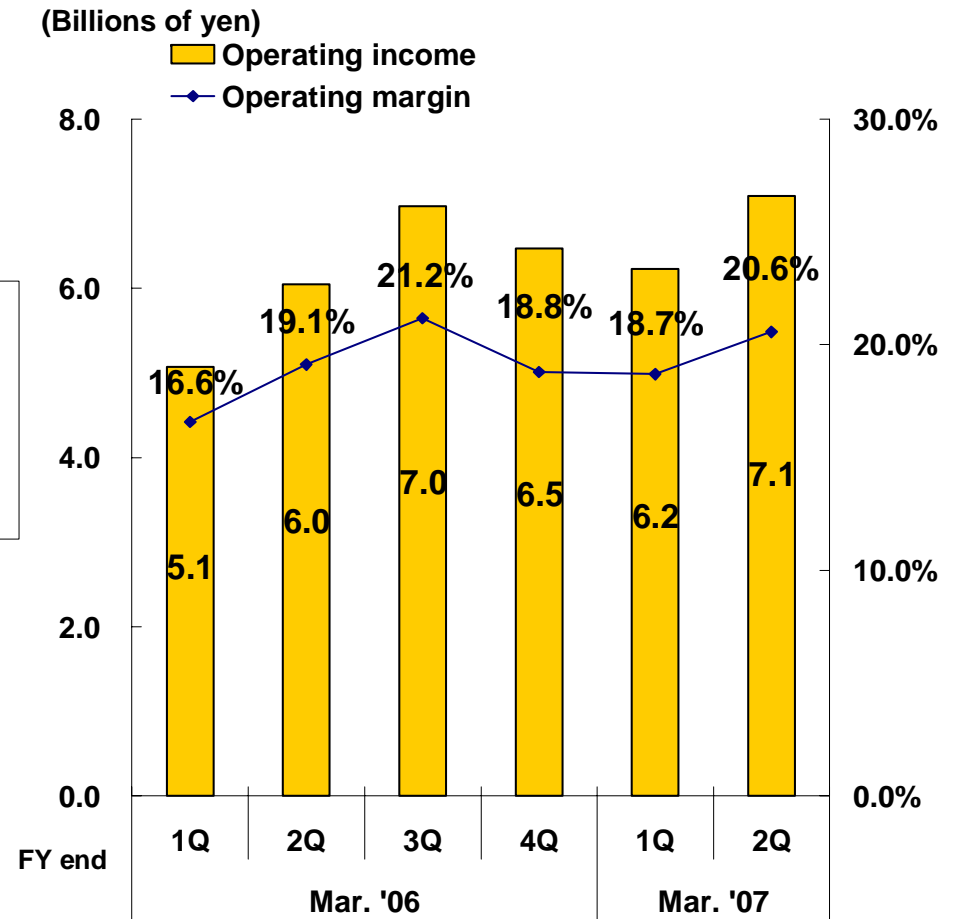
# Business Segments

## Machined Components Business

### Net sales



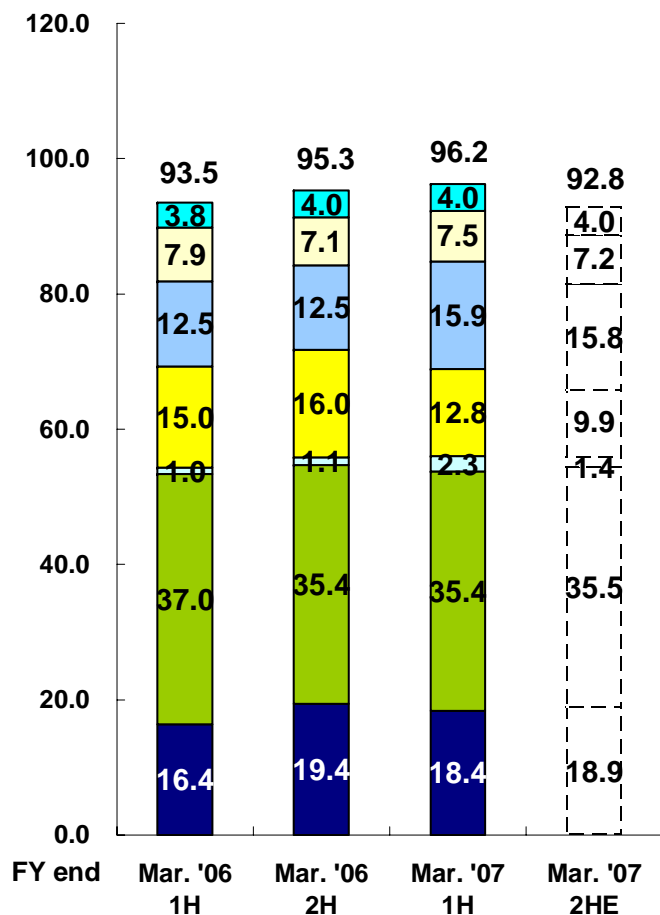
### Operating income



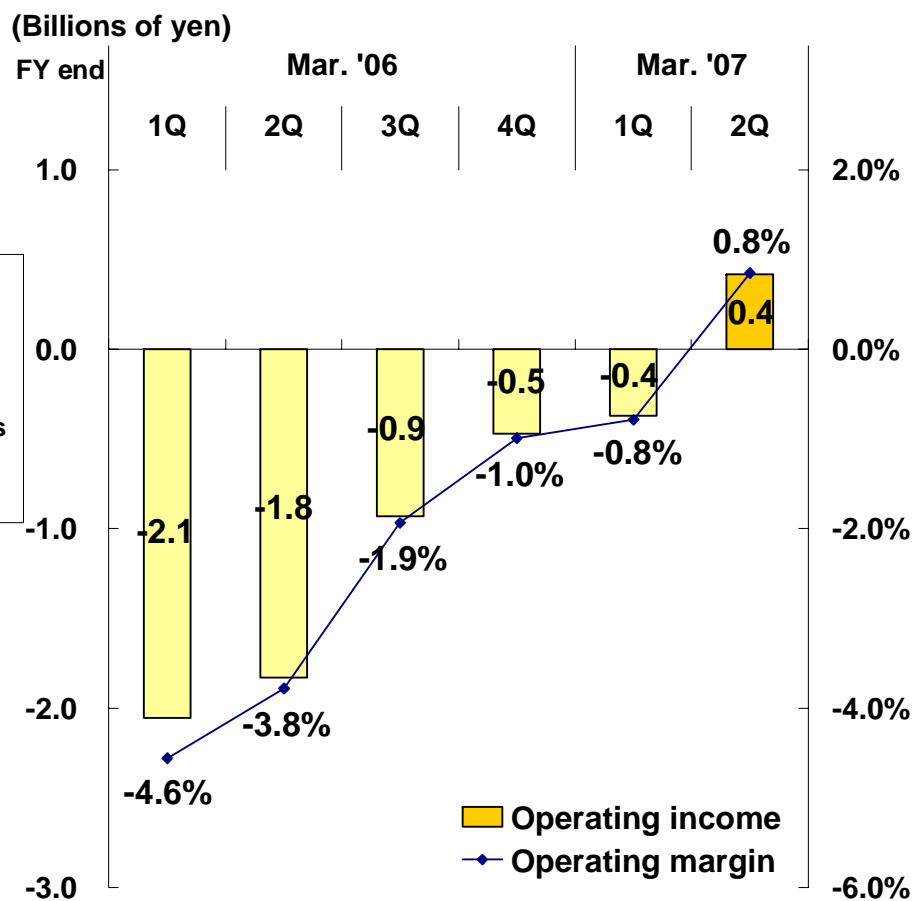


# Business Segments **Electronic Devices and Components Business**

**Net sales**  
(Billions of yen)



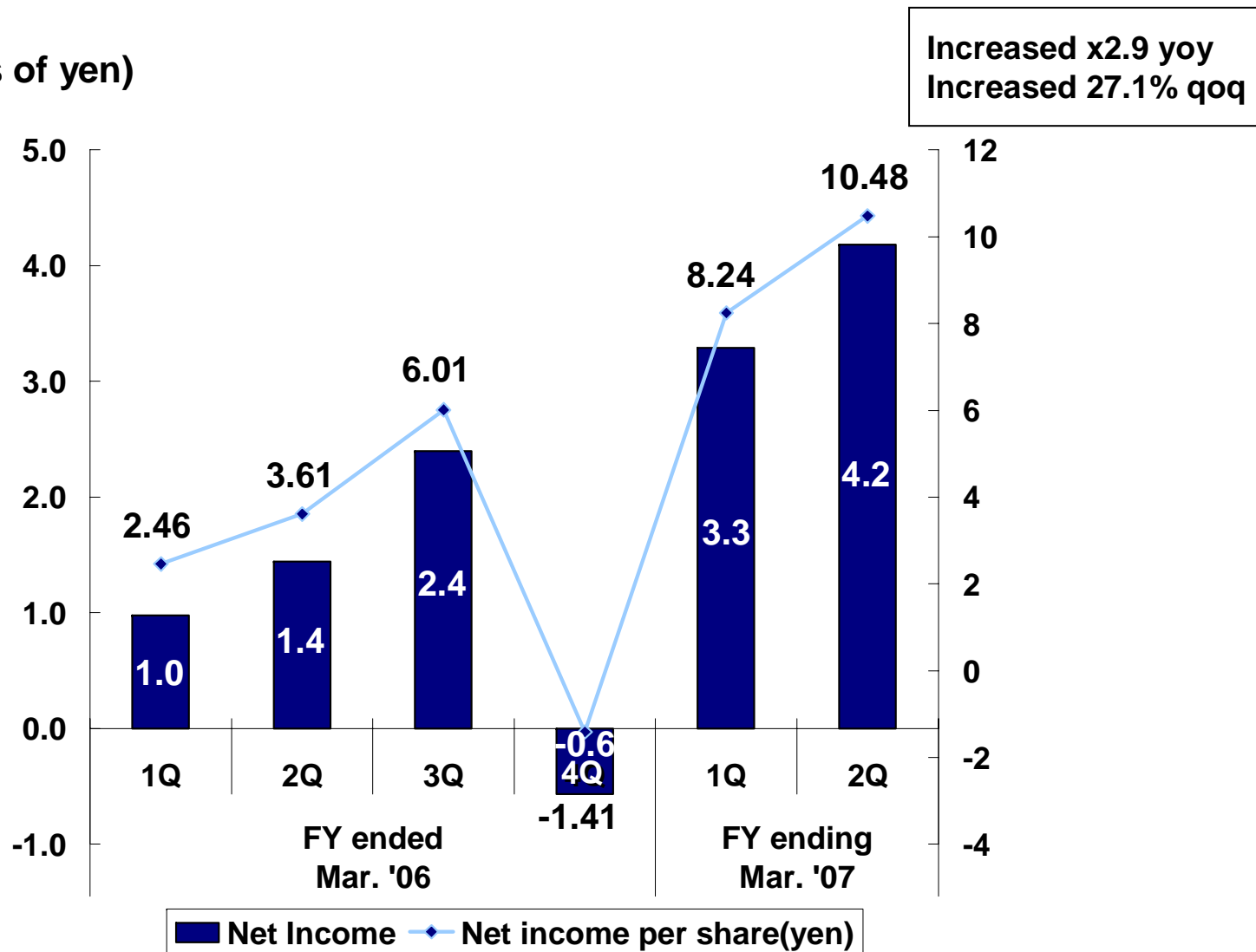
**Operating income**



# Quarterly

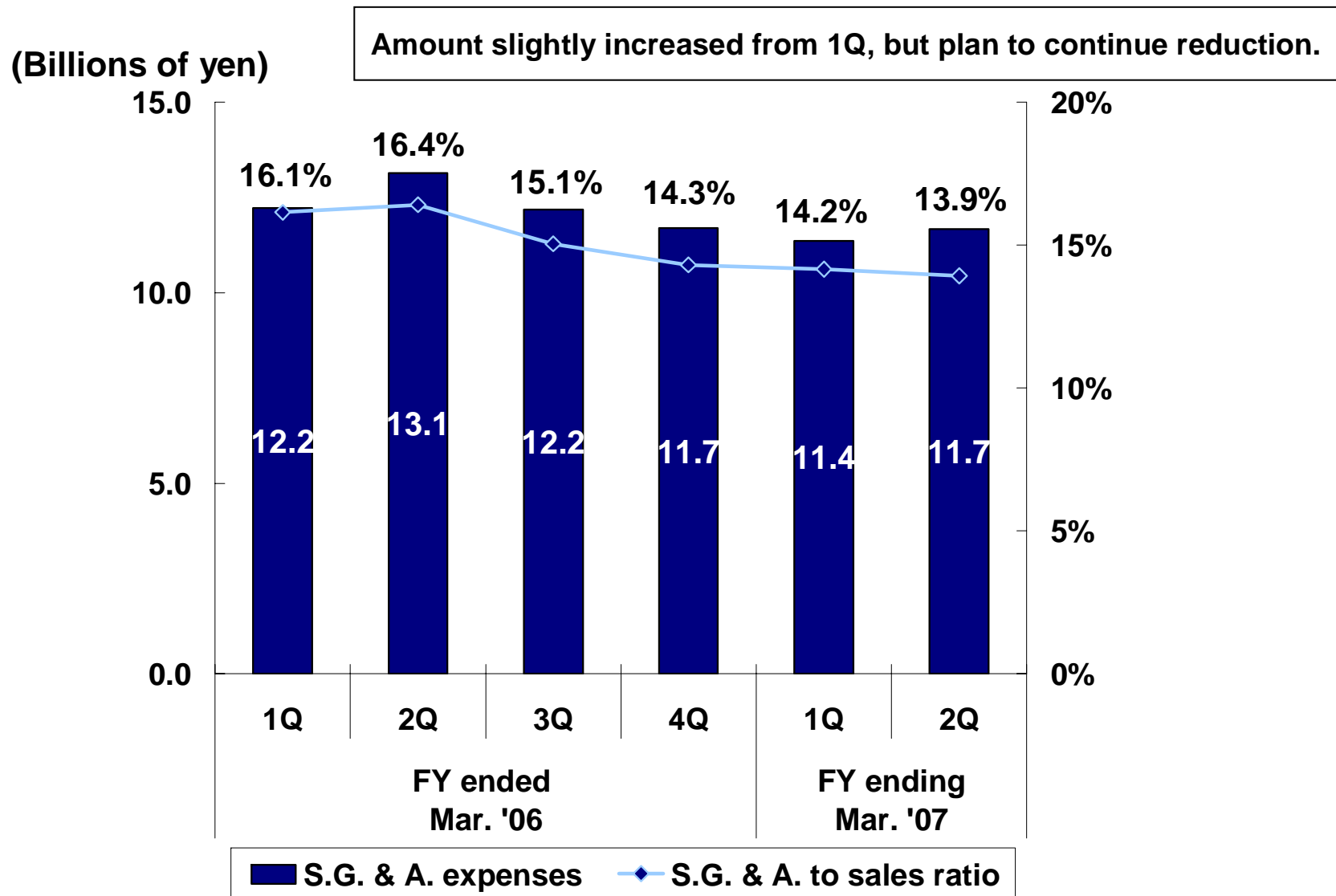
# Net Income

(Billions of yen)



# Quarterly

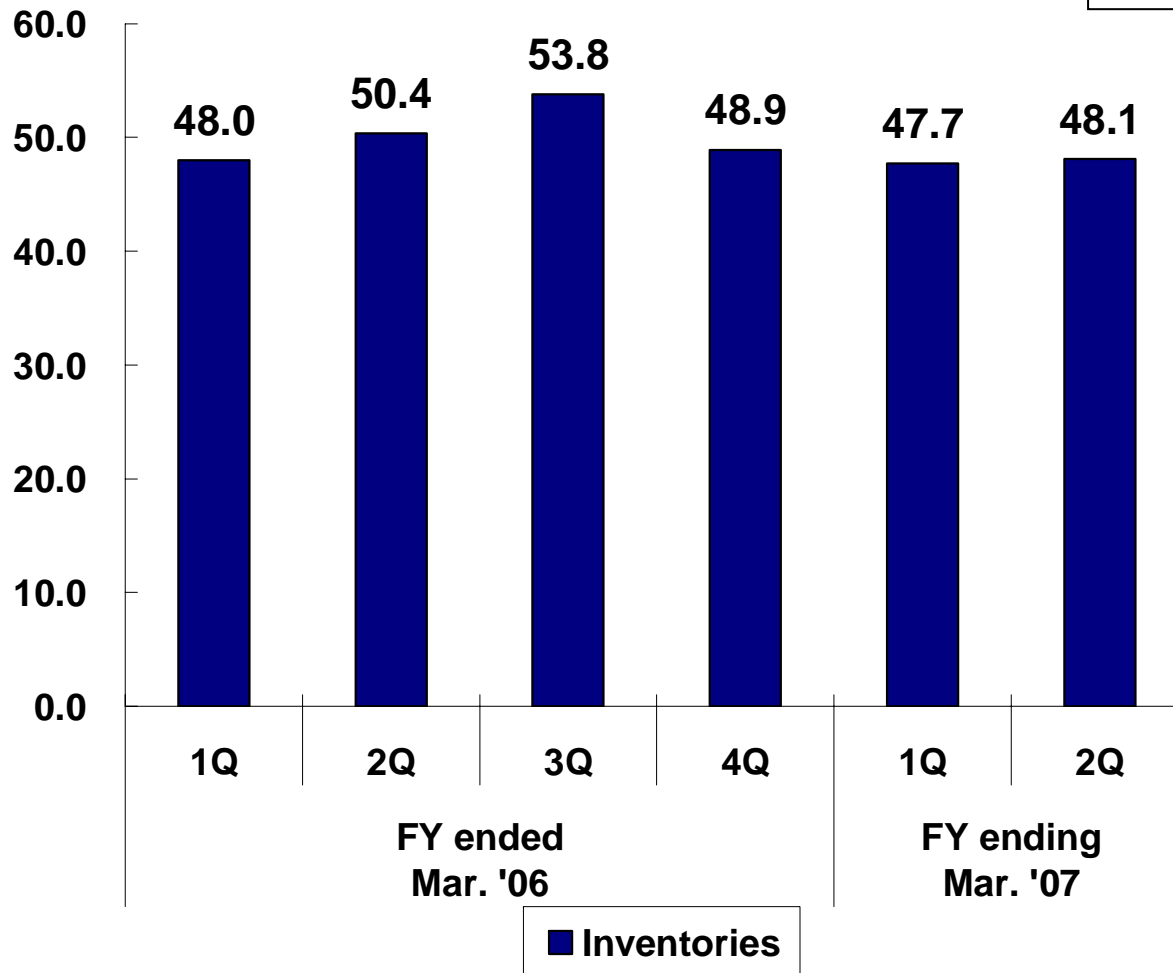
## S.G. & A. Expenses



# Quarterly

# Inventories

(Billions of yen)



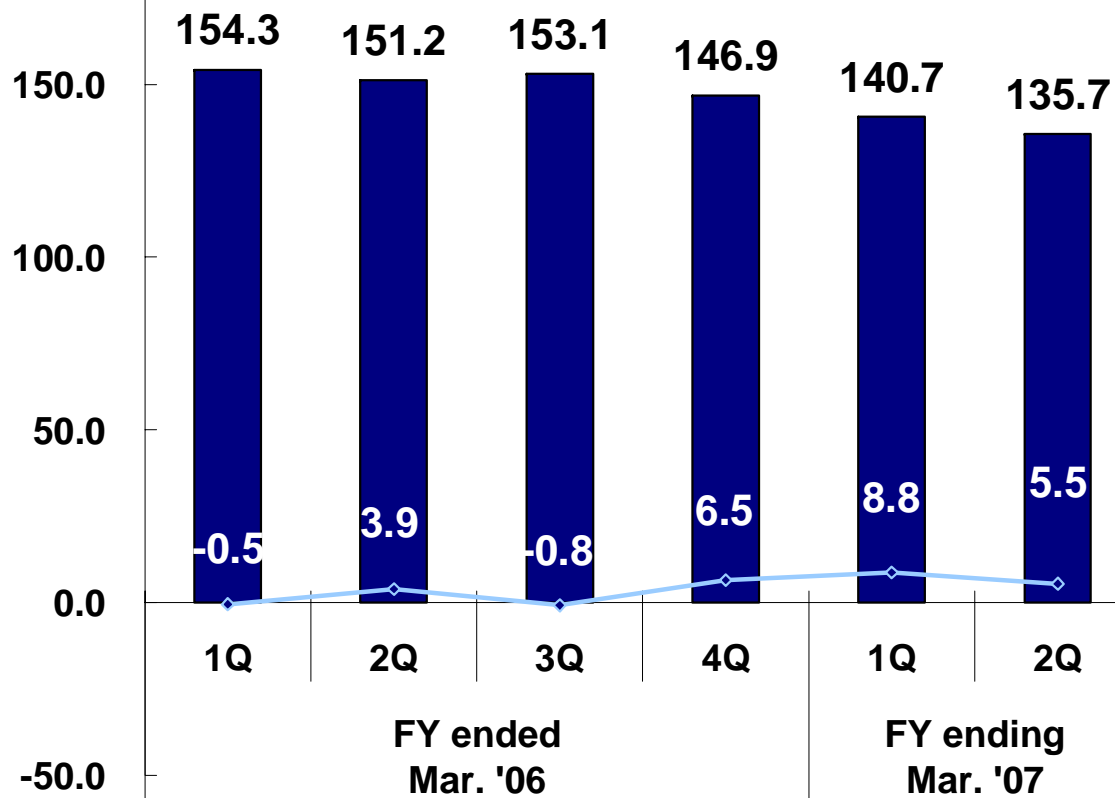
Decreased 4.4% yoy  
Increased 0.8% qoq

# Quarterly

## Net Interest-Bearing Debts

(Billions of yen)

200.0



Target to reduce net interest-bearing debts to 130 billion yen by FY end.

■ Net interest-bearing debts ◆ Free cash flow

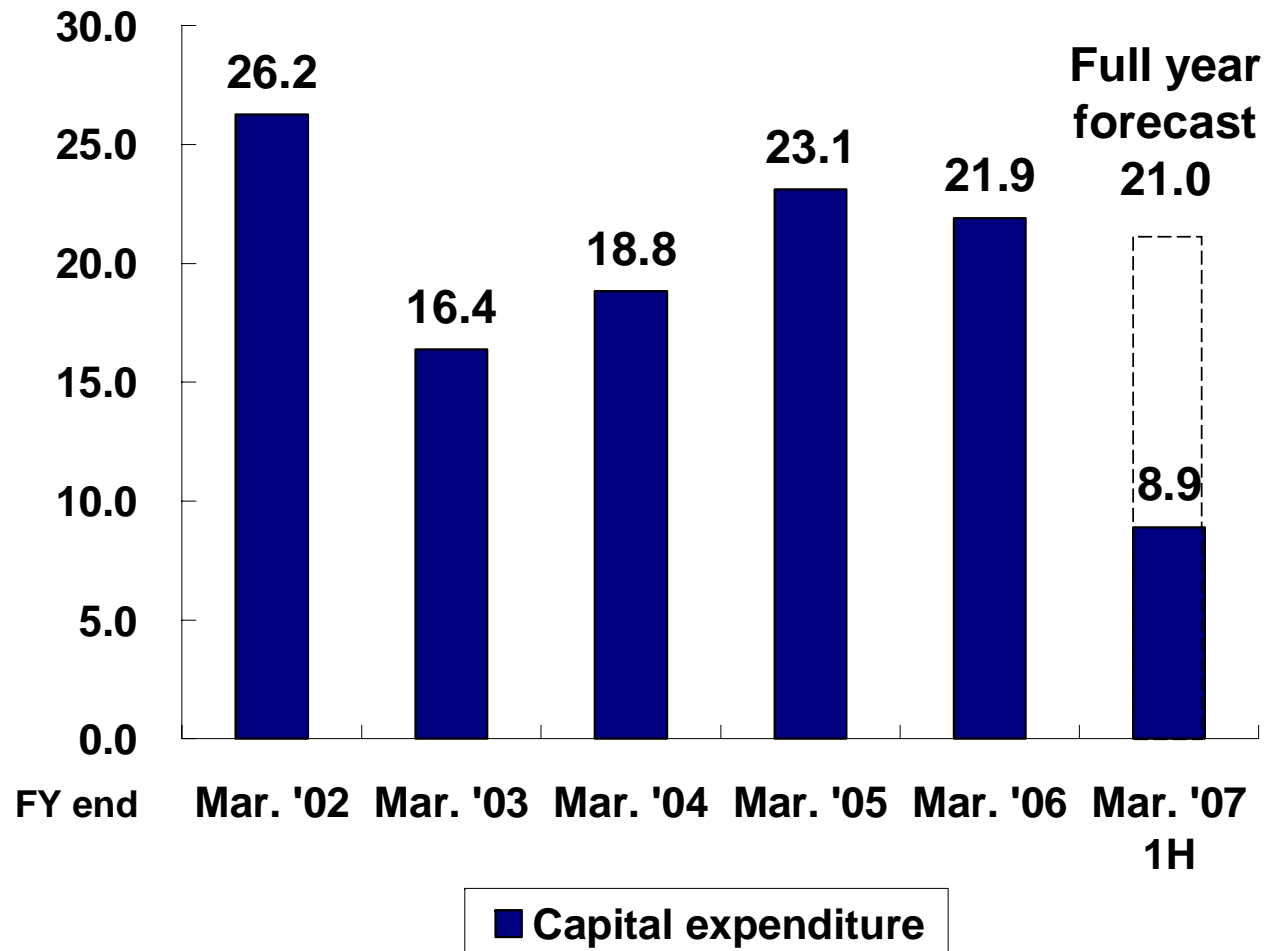
Net Interest-bearing debts = Interest-bearing debts – Cash and cash equivalents  
 Free Cash Flow = CF from operating activities + CF from Investing activities

Yearly

# Capital Expenditure

(Billions of yen)

No revision in full year forecast.



# Forecast for Fiscal Year Ending March 31, 2007

(Millions of yen)	FY ended Mar. '06	FY ending Mar. '07			Change yoy	Previous Forecast		Full year change Vs. previous forecast
	Full year	1H	2H revised forecast	Full year revised forecast		2H	Full year	
Net sales	318,446	163,998	160,002	324,000	+1.7%	158,000	310,000	14,000
Operating income	19,269	13,367	14,633	28,000	+45.3%	13,500	25,000	3,000
Ordinary income	14,595	10,947	11,053	22,000	+50.7%	10,600	19,000	3,000
Income before income taxes	9,620	11,114	9,886	21,000	x2.2	10,000	18,000	3,000
Net income	4,257	7,468	6,032	13,500	x3.2	4,700	10,000	3,500

**Foreign Exchange Rate Assumptions**    FY Mar. '06 → FY Mar. '07  
(US\$ = ¥113.09 → ¥115.05, Thai Baht = ¥2.79 → ¥3.03)

# Forecast for Net Sales and Operating Income by Segment

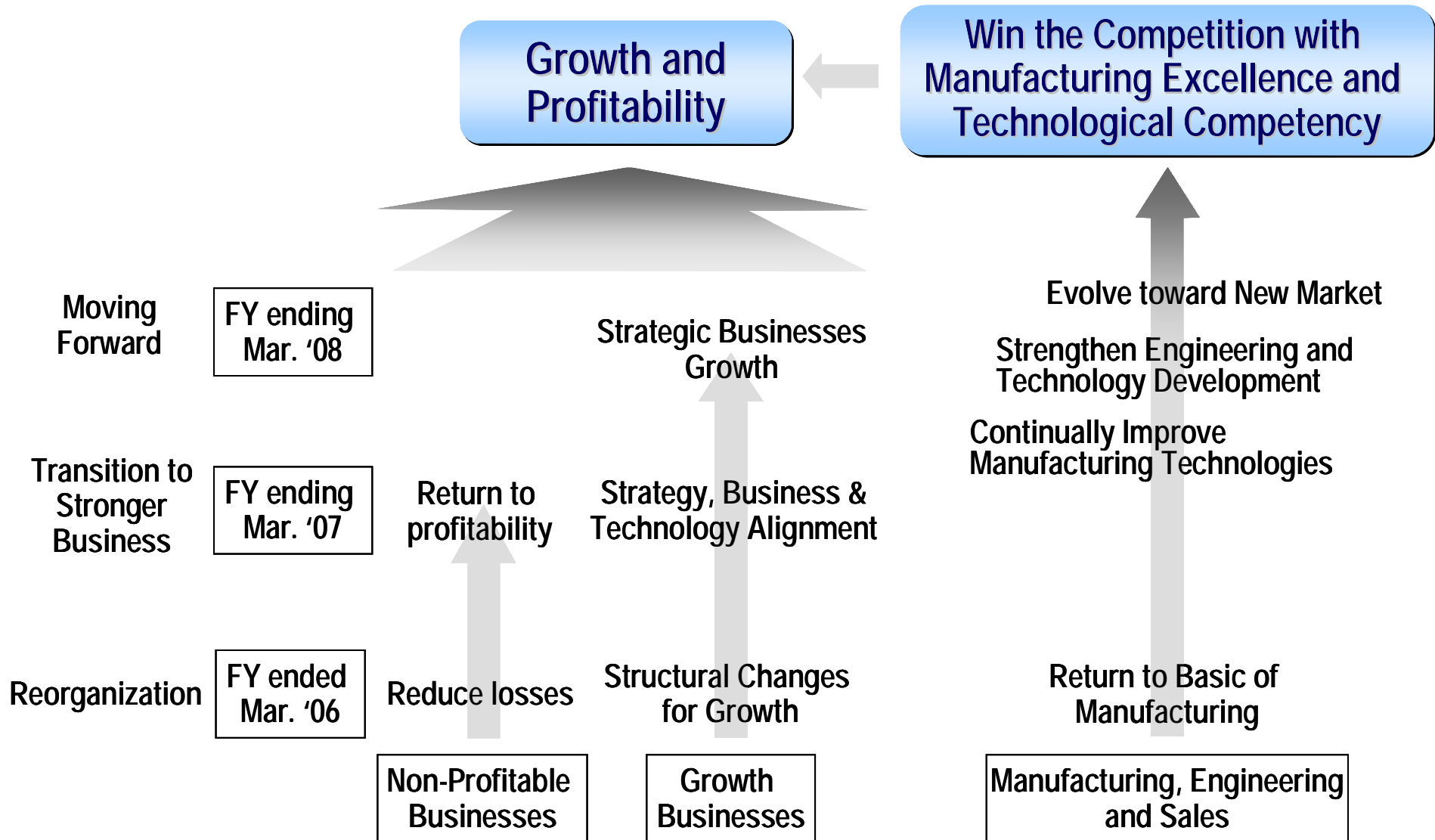
(Millions of yen)	Year ended Mar. '06	Year ending Mar. '07			Change yoy	Previous forecast	
	Full year	1H	2H revised forecast	Full year revised forecast		2H	Full year
<b>[Net sales]</b>							
Machined components business	129,595	67,768	67,232	135,000	+4.2%	68,000	132,000
Bearing-related products	109,547	58,101	58,899	117,000	+6.8%	59,500	115,000
Other machined components	20,047	9,667	8,333	18,000	-10.2%	8,500	17,000
Electronic devices and components business	188,851	96,229	92,771	189,000	+0.1%	90,000	178,000
Rotary components	110,136	56,016	55,884	111,900	+1.6%	56,500	110,000
Other electronic devices	78,715	40,213	36,887	77,100	-2.1%	33,500	68,000
<b>Total net sales</b>	<b>318,446</b>	<b>163,998</b>	<b>160,002</b>	<b>324,000</b>	<b>+1.7%</b>	<b>158,000</b>	<b>310,000</b>
<b>[Operating income]</b>							
Machined components business	24,556	13,317	13,683	27,000	+10.0%	12,350	24,500
Electronic devices and components business	-5,287	50	950	1,000	- ⇨ +	1,150	500
<b>Total operating income</b>	<b>19,269</b>	<b>13,367</b>	<b>14,633</b>	<b>28,000</b>	<b>+45.3%</b>	<b>13,500</b>	<b>25,000</b>



# Policy and Strategy

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

# A Strategic Growth Company

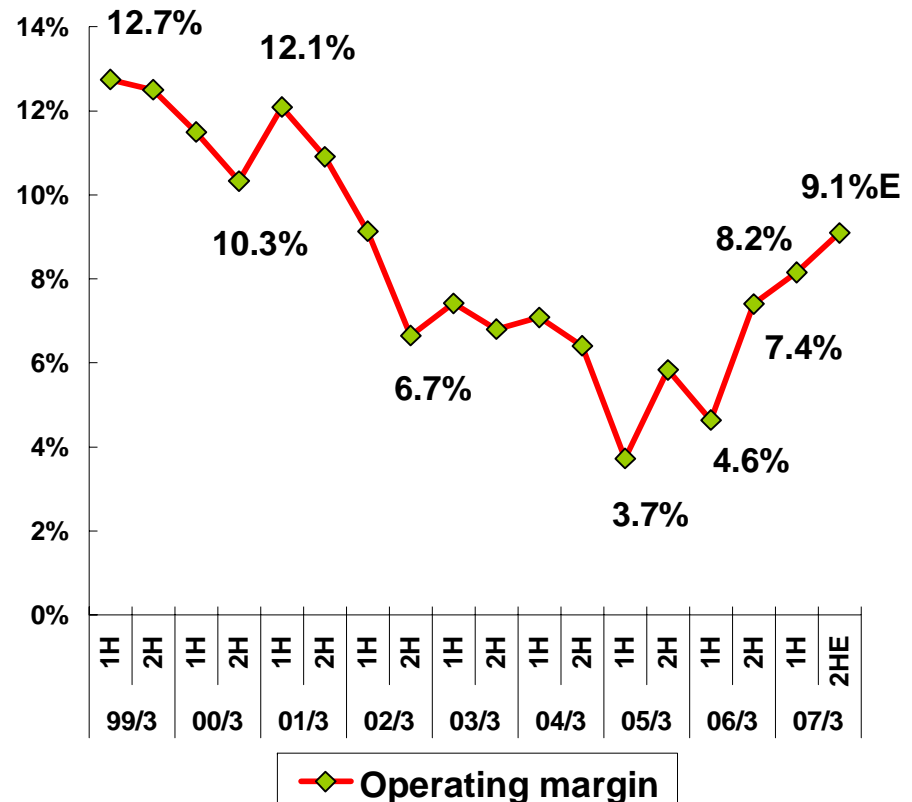


# 1H Achievement: Margin Improvement

## New measures have been bearing fruits

- ◆ Profit expanding : Machined components business profits steadily increasing
  - Primarily volume increases and cost reductions
- ◆ Transition to stronger business : Electronic devices and components business turned profitable
  - Information Motors business turned profitable due to stronger Fan Motors
  - Increased profitability of Lighting Devices and Measuring Components
  - Steady profits of HDD Spindle Motors

Operating margin improving by measures taken for profitability



# Restructuring of Keyboards Business

## <Aiming profitability>

- Terminating non-profitable models in 3Q-4Q
  - Reduced production level (workforce reductions and disposals of production equipment)
- Aiming profitability on monthly basis toward fiscal year-end
- Focus on high-value-added products
  - Notebook PC keyboards, wireless keyboards & others
- Next year and beyond
  - Strengthen R&D capability - focus on basic technology
  - Product developments based on new technology

# **Growth Businesses: Strategy (1)**

---

## **◆ Ball bearings = Establishing 200 million units /month production capacity**

- Increased production of miniature ball bearings
- Ayutthaya and Chaichee factories expansion (assembly line)

## **◆ Rod-end bearings, aircraft parts = Essence of high-value-added products**

- Sales amounts to 10% of Minebea Group
- Define roles among factories (for optimization)
- Strengthening R&D capabilities (Karuizawa, Peterborough factories)
  - Heat, surface treatments & durability tests
- Increase capacity and number of items produced in Thailand

# **Growth Businesses: Strategy (2)**

---

## **◆ Lighting devices = Technology advancement**

- Product development of next generation high-brightness/super-thin back light for mobile hand sets
- New business of back lights for car navigation system
- Product development of mid-sized high-brightness back lights for PCs
- Products incorporating peripheral components

## **◆ Measuring components = Becoming outstanding products**

- Vertically integrated production system
- Development of next generation products
  - Sensors for cars and multi-purpose load sensors
  - Products for medical and healthcare device markets

# Growth Businesses: Strategy (3)

---

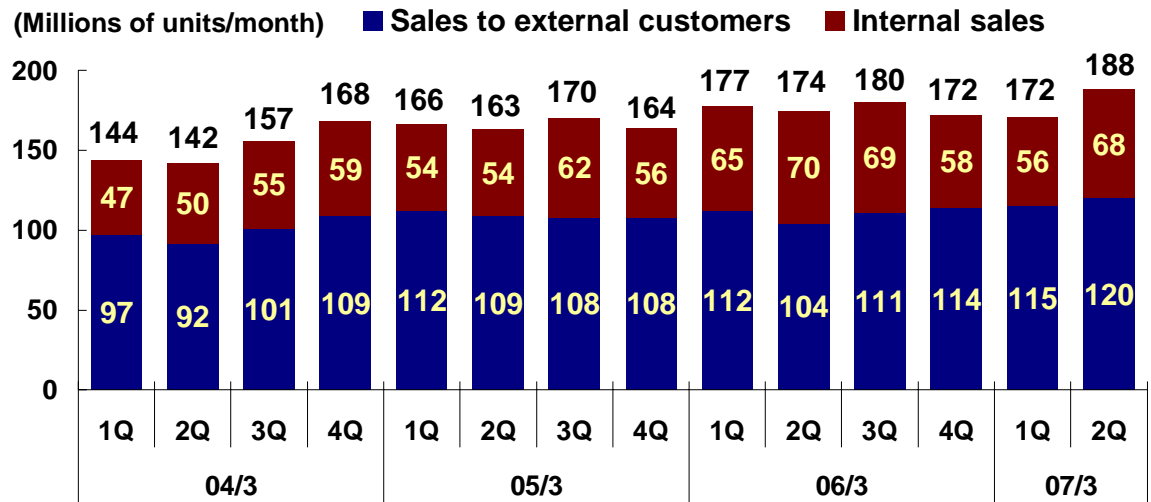
## ◆ Motor = Seeking new possibilities

### ● Business restructuring and clear vision

- **HDD Spindle Motors = Quality rather than quantity**  
Emphasis on margin, technological advancement and challenge for high performance/smaller sized products
- **Fan Motors = Challenge to accelerate growth**  
Respond to needs of value addition/expanding market/high performance
- **Stepping Motors = products w/ something more**  
HB Motors : Development of assembled products  
PM Motors : Seeking new market w/ smaller, high performance products
- **DC Brush Motors = Redirection**  
Focus on applications, margin and technology
- **Vibration Motors = thorough review of cost structure**  
Integration of production site / selecting orders
- **Other Motors = Technology oriented**  
Business strategy based on technological advantages

# Growth Potential : Ball Bearing Business

- ◆ **Market growth = Increasing demands for miniature-sized products**
  - Helped by HDD(Pivot Assemblies), smaller digital and other applications
- ◆ **Production capacity and cost reduction = Establishing 200 million units /month production capacity**
  - Continued efforts to improve quality and production efficiency
  - Leadership in production capacity
- ◆ **Returning to basics of manufacturing and strengthening technology**
  - Pursue excellence in basic technology from materials to products
  - Strengthen production methodology with advanced technology



**Miniature and small-sized ball bearing shipments**



# Growth Potential : Rod-end, Aircraft Parts and Fastener Businesses

## Demand growth in global commercial aviation

### ◆ Demands estimates by Boeing

- 27,210 new commercial airplanes needed in the next 20 years
- Air travel demands will grow by 4.9% /year, air freight demands by 6.1% /year (by Boeing Current Outlook 2006)

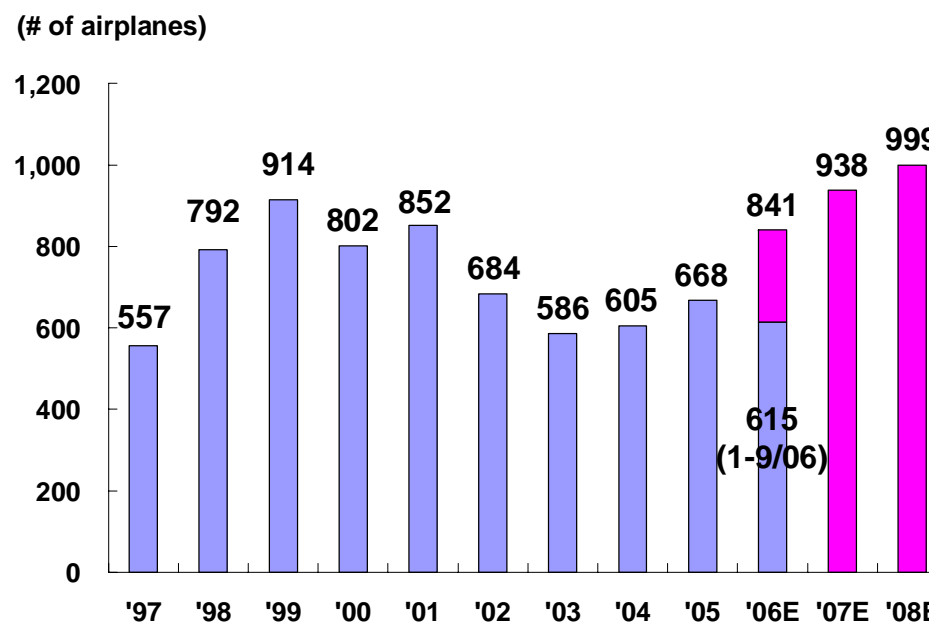
### ◆ Backgrounds

- Increasing demand : Globalization
- Lower airfare : better cost performance by air transportation
- Competition : new airlines / liberalization

### ◆ Minebea's aircraft-related businesses

- 50% global share in bearing-related aircraft parts
- Factories in North America, Europe, Japan and Thailand

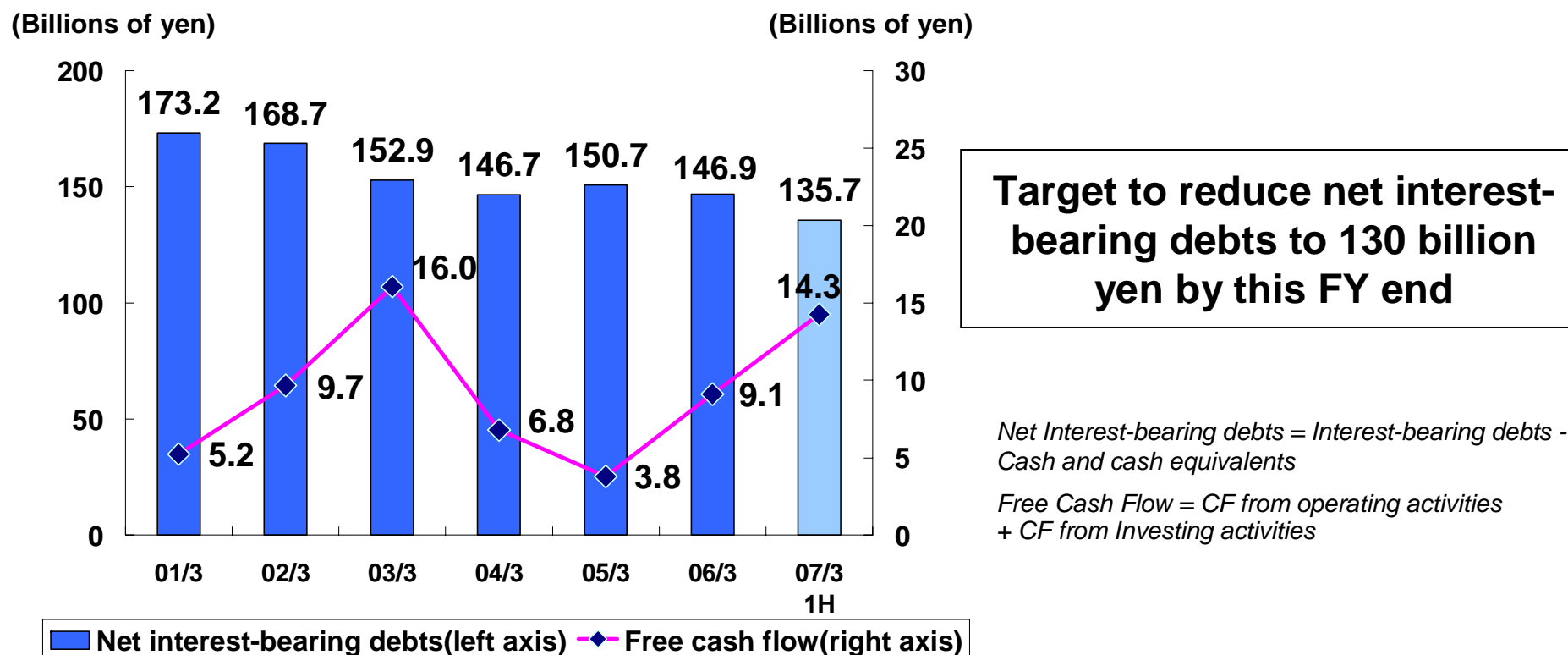
### Commercial airplane shipments by Boeing and Airbus combined



(by Boeing, Airbus, forecasts by Minebea)

# Cash Flow : Priority on Reducing Debts

- ◆ Increasing free cash flow = Priority is to reduce interest-bearing debts
- ◆ Mid-term target = ¥100 billion level of net interest-bearing debts
- ◆ No interim dividend as indicated in May
- ◆ Dividend increase may be considered in the future



# Minebea Co., Ltd.

## Business Results

<http://www.minebea.co.jp/>

Any statements in the presentation which are not an historical fact are future projections made based on certain assumptions and our management's judgment 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: (i) changes in economic indicators surrounding us or demand trends; (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. However, this is not a complete list of the factors affecting actual performance.

All the information in this document are the property of Minebea Co., Ltd. You are prohibited for whatever purpose to copy, modify, reproduce, transmit, etc. those information regardless of ways and means without our prior written permission.