



# Business Results

Second Quarter of Fiscal Year Ending March 31, 2010

November 6, 2009

**Minebea Co., Ltd.**



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

November 6, 2009

1



# Financial Results

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

*November 6, 2009*

2



# Summary of Consolidated Business Results for 1H

Continue to improve profits by net sales recovery,  
but big negative impact from the 1Q deficit

(Millions of yen)	FY ended Mar. '09 1H	FY ending Mar. '10 1H	Change YoY	1H of FY ending Mar. '10 Original forecast
Net sales	150,613	109,268	-27.5%	105,500~96,000
Operating income	11,698	2,115	-81.9%	3,500~ 1,800
Ordinary income	10,891	1,029	-90.6%	2,200~ 600
Income before income taxes	10,102	729	-92.8%	2,200~ 600
Net income	6,205	-364	N.M.	800~ -700
Net income per share (yen)	15.55	-0.94	N.M.	2.06~ -1.80

Foreign exchange rates	1H of FY Mar. '09	1H of FY Mar. '10
US\$	¥105.67	¥96.12
Euro	¥163.65	¥132.90
Thai Baht	¥3.22	¥2.78
Chinese RMB	¥15.25	¥14.06

1H of FY ending Mar. '10 Assumption
¥91.00
¥128.00
¥2.60
¥13.00

November 6, 2009

3



Looking at consolidated business results for the first half of the fiscal year ending March 31, 2010, net sales were 109,268 million yen, operating income was 2,115 million yen, and net loss was 364 million yen.

Compared to the same period of the previous fiscal year, net sales decreased by 27.5%, operating income decreased by 81.9%, and net income turned to negative. Month by month during the first half, profitability had been improving as sales recovered gradually from the bottom of the global economic downturn. However, the entire first half results were affected by losses during the first quarter due to negative impacts from higher manufacturing costs per unit of our inventory caused by significantly lower production volume during the latter half of the previous fiscal year when sales dropped sharply.

Compared to the initial forecast, sales overshoot due mainly to demand recovery and positive impacts from foreign exchange fluctuations. However, operating income was in the forecast range due to negative impacts of lower production volume mentioned above and of stronger Asian currencies against the Japanese yen.

# Summary of Consolidated Business Results for 2Q

Turned profitable by net sales recovery and cost cutting efforts

(Millions of yen)	FY ended Mar.'09 2Q	FY ending Mar.'10		Change	
		1Q	2Q	YoY	QoQ
Net sales	76,572	51,837	57,430	-25.0%	+10.8%
Operating income	6,615	-605	2,720	-58.9%	N.M.
Ordinary income	6,206	-1,101	2,130	-65.7%	N.M.
Income before income taxes	6,044	-1,370	2,099	-65.3%	N.M.
Net income	3,570	-1,680	1,315	-63.2%	N.M.
Net income per share (yen)	8.95	-4.32	3.38	-62.2%	N.M.

Foreign exchange rates	2Q of FY Mar. '09	1Q of FY Mar. '10	2Q of FY Mar. '10
US\$	¥107.97	¥97.50	¥94.74
Euro	¥165.81	¥131.56	¥134.24
Thai Baht	¥3.20	¥2.78	¥2.78
Chinese RMB	¥15.77	¥14.28	¥13.85

November 6, 2009

4



In the second quarter of the fiscal year ending March 2010, net sales were 57,430 million yen, up 10.8% from the first quarter as sales had been recovering in many product markets.

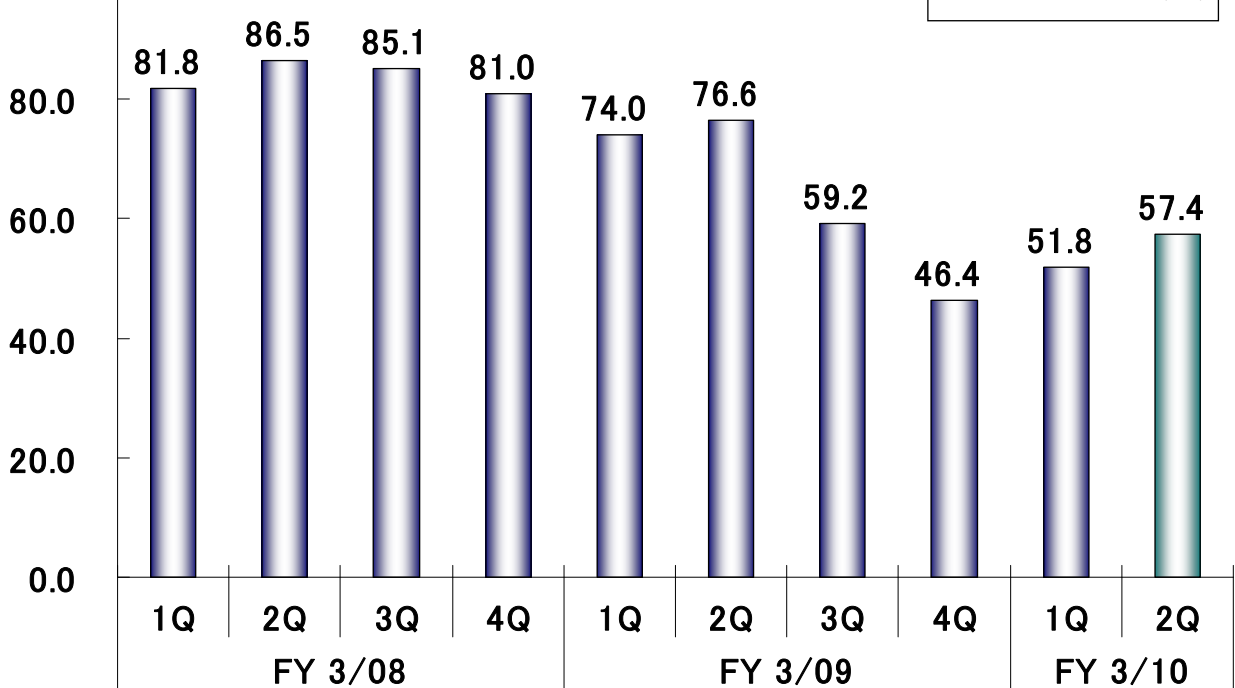
Profits all turned positive from losses in the first quarter due to increased sales and cost cutting efforts across the board considering the difficult business environment. Operating income was 2,720 million yen, ordinary income was 2,130 million yen and net income was 1,315 million yen.

Quarterly

## Net Sales

(Billions of yen)

100.0



Decreased 25.0% YoY  
Increased 10.8% QoQ

November 6, 2009

5



Due to the global recession, net sales decreased significantly in the third quarter of the previous fiscal year and hit its bottom in the fourth quarter. Net sales started to increase in the first quarter of this fiscal year and continued to increase during the second quarter by 10.8% from the first quarter to 57.4 billion yen.

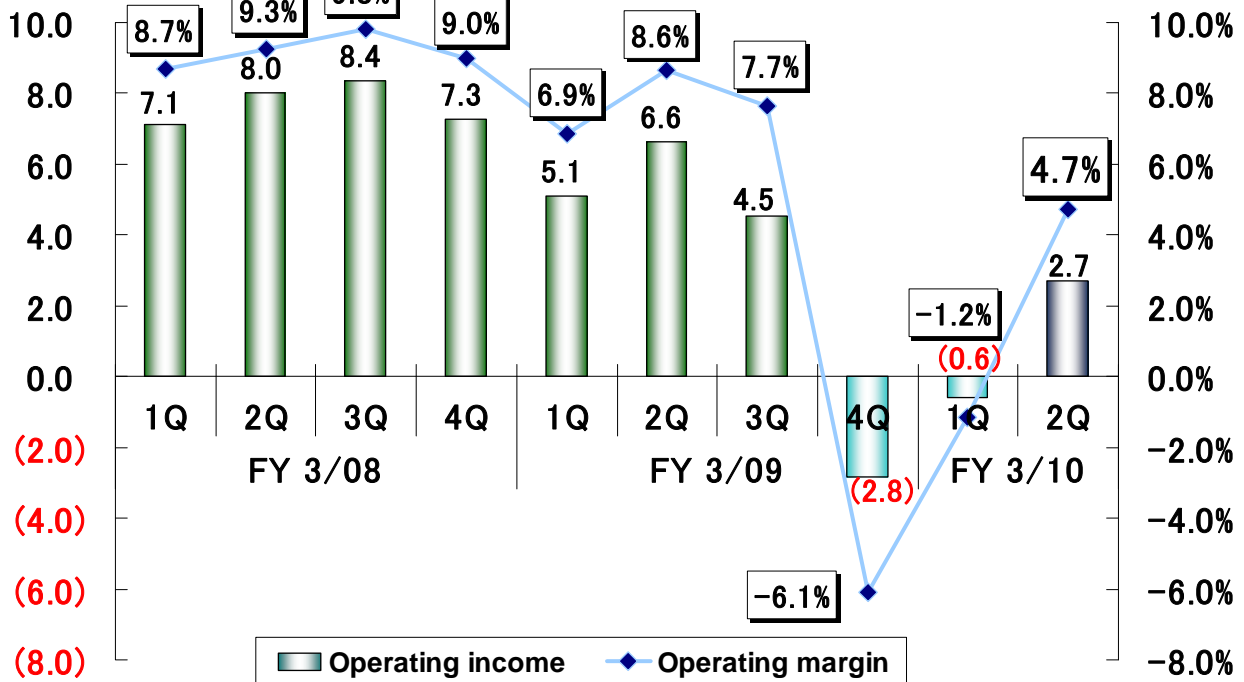
Looking at products, sales of ball bearings, LED backlights, HDD spindle motors and pivot assemblies in particular increased significantly.

The currency impact on net sales was approximately a negative 0.5 billion yen compared to the previous quarter, and approximately a negative 7.1 billion yen from the same period of the last fiscal year.

Quarterly

# Operating Income

(Billions of yen)



November 6, 2009

6



Due to the global recession, operating income turned negative in the fourth quarter of the previous fiscal year and the first quarter of this fiscal year. In the second quarter, however, operating income turned positive to 2.7 billion yen, a 3.3 billion yen improvement from the previous quarter due to increased sales and production volume and various cost reduction measures. In addition, month by month during the second quarter, there were less and less negative impacts from higher manufacturing costs per unit of our inventory caused by significantly lower production volume in the fourth quarter of the last fiscal year.

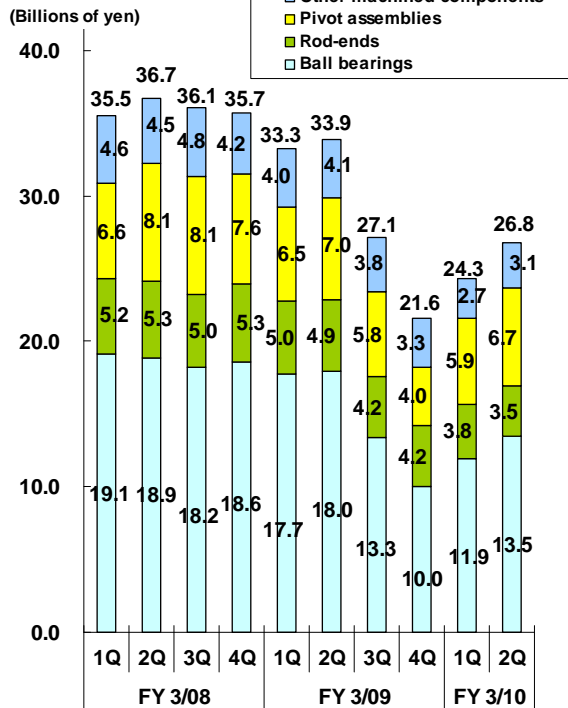
Operating margin was 4.7%, a large 5.9 percentage point improvement from the previous quarter.

According to our estimate under certain assumptions, the currency impact on operating income was approximately a negative 0.2 billion yen compared to the first quarter, and approximately a positive 0.6 billion yen compared to the same period of the last fiscal year.

## Business Segments

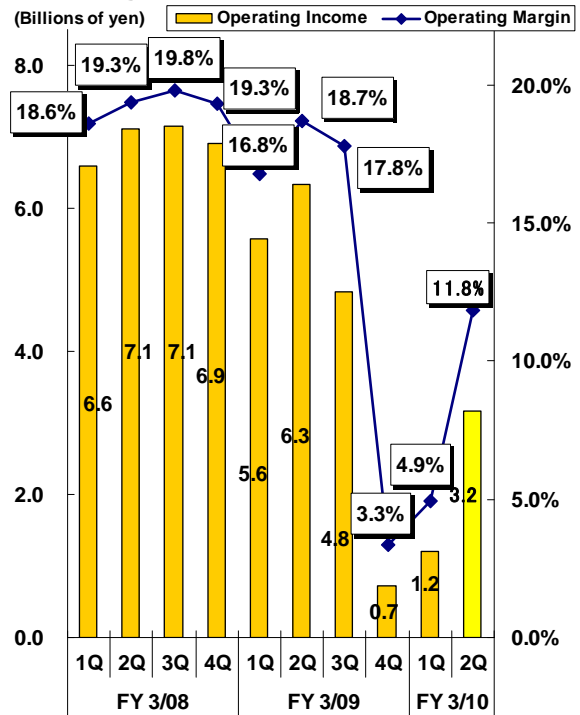
# Machined Components Business

### Net sales



November 6, 2009

### Operating income



7

NMB Minebea

For the machined components business segment, second quarter net sales were 26.8 billion yen, up 10.1% from the first quarter. Due to the global recession, sales volume decreased significantly in the third quarter of the last fiscal year and hit its bottom in the fourth quarter. In the first and second quarters of this fiscal year, sales volume of ball bearings and pivot assemblies in particular increased significantly.

Operating income was 3.2 billion yen, 2.6 times over the first quarter. Operating margin was 11.8%, a large 6.9 percentage point improvement from the previous quarter. These improvements were due to continued production and sales volume increases since the first quarter and various cost reduction measures. In addition, month by month during the second quarter, there were less and less negative impacts from higher manufacturing costs per unit of our inventory caused by significantly lower production volume in the fourth quarter of the last fiscal year.

Second quarter sales of ball bearings decreased by 25% from the same period of the last fiscal year, but increased by 13% from the first quarter. Monthly sales quantity of miniature and small sized ball bearings, including for in-house use, continued to increase month by month during the quarter as well as the previous quarter. Profits in this business jumped up from the first quarter due to increased sales and cost reduction measures in addition to smaller negative impacts from higher manufacturing costs per unit of our inventory caused by significantly lower production volume in the fourth quarter of the last fiscal year. However, we do not regard this profit recovery sufficient. We also expect steady increases in sales volume and further reduction in costs, therefore, further profit recovery in the third quarter and beyond.

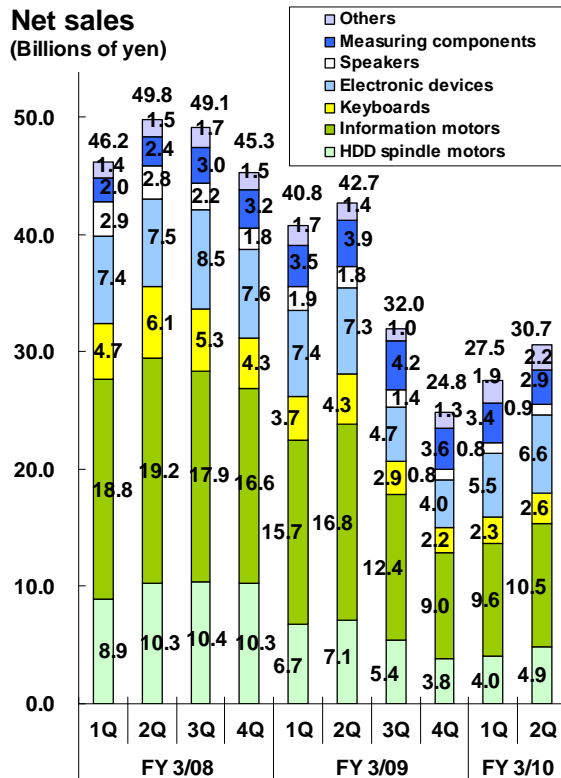
Second quarter sales of rod-end and spherical bearings decreased by 29% from the same period of the last fiscal year due mainly to the contracting market and the weaker US dollar against the Japanese yen, and by 8% from the previous quarter due to lower sales caused by market contraction. Profitability worsened from the previous quarter.

Second quarter sales of pivot assemblies for Hard Disk Drives decreased by 4% from the same period of the last fiscal year due mainly to foreign exchange fluctuations, but increased by 14% from the previous quarter. Sales volume of pivot assemblies saw a large rebound starting in April due to demand recovery in the HDD market and an end of inventory adjustments by HDD manufacturers, and continued to increase in the second quarter. Profit increased significantly from the first quarter due to higher sales volume, improved production efficiency and cost reductions.



# Business Segments Electronic Devices and Components Business

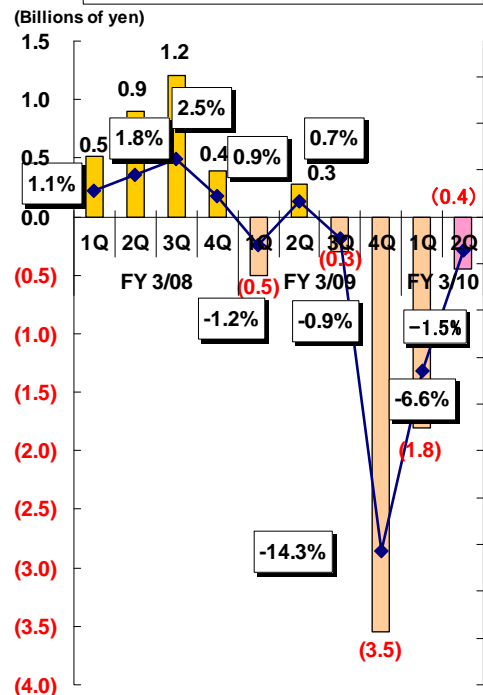
**Net sales**  
(Billions of yen)



November 6, 2009

**Operating income**

(Billions of yen)



8



In the electronic devices and components business segment, second quarter net sales were 30.7 billion yen, up 3.2 billion yen, or up 11.4% from the previous quarter. Due to the global recession, sales volume decreased significantly in the third quarter of the last fiscal year and hit its bottom in the fourth quarter. Sales volume started to increase in the first quarter of this fiscal year and continued to increase in the second quarter.

Operating loss was 0.4 billion yen, a 1.4 billion yen improvement from the previous quarter due to continued sales and production volume increases since the first quarter and various cost reduction measures. This business segment has already turned profitable in September.

Net sales of HDD spindle motors dropped by 31% from the same period of the last fiscal year, but increased by 23% from the previous quarter. The year-on-year drop was due mainly to significantly lower sales volume and the stronger Japanese yen. However, sales volume hit its bottom in the previous two quarters. During the second quarter, sales volume of 2.5 inch HDD spindle motors increased significantly, contributing to an improved product mix. Operating loss in this business shrunk significantly from the previous quarter due to increased production volume, improved product mix, cost reduction measures, etc. In the third quarter, we expect further profitability improvement due to an expected further sales volume increase.

Net sales of information motors decreased by 38% from the same period of the last fiscal year due mainly to the global recession, but increased by 9% from the previous quarter due to increases in sales volume. Operating loss of this business decreased significantly from the previous quarter, mainly due to improved profitability in fan motors and stepping motors as sales volume increased. This business unit has already turned profitable in September. We will continue our efforts to increase sales volume, improve product mix, reduce costs and improve production efficiency.

Net sales of keyboards decreased by 40% from the same period of the last fiscal year, but increased by 13% from the previous quarter. Operating loss of this business narrowed significantly from the previous quarter due to increased sales volume. We will make further efforts to improve profitability by reducing costs and improving product quality.

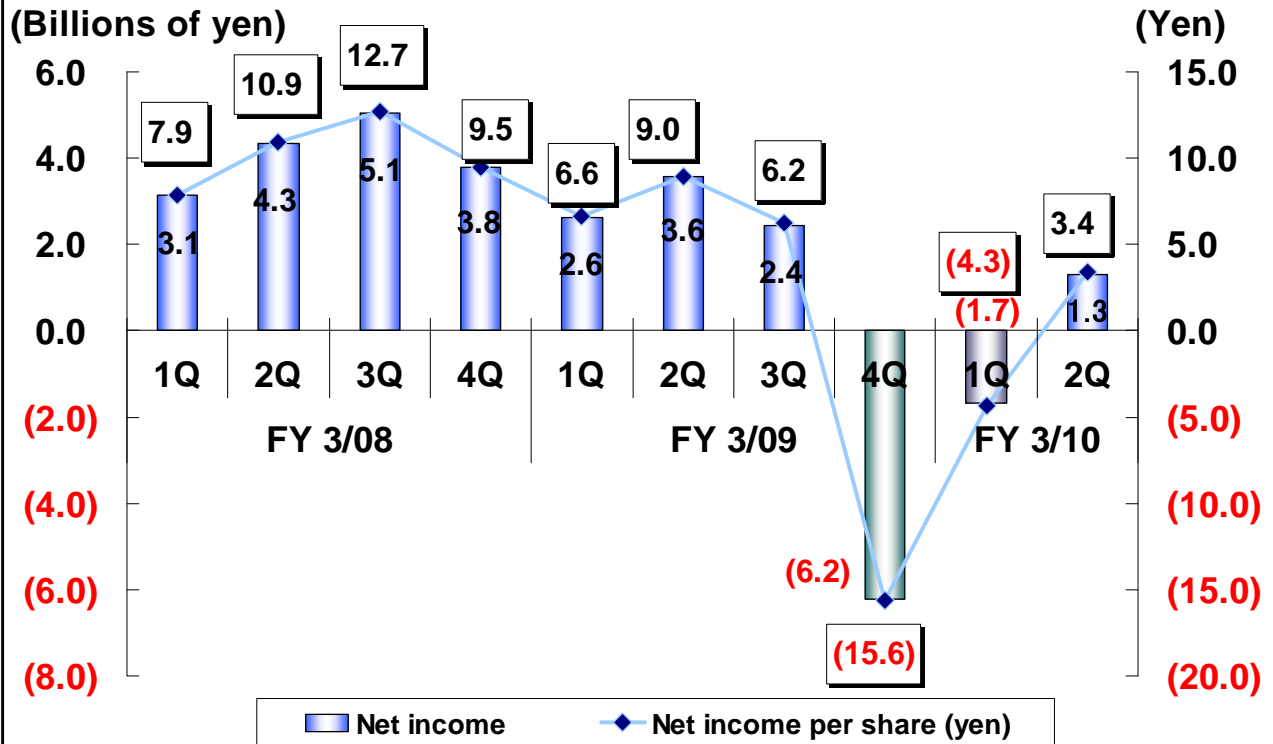
Net sales of electronic devices decreased by 10% from the same period of the last fiscal year, but increased by 20% from the previous quarter. Sales of small-sized LED backlights jumped up due to competitors' shrinkage/exit and market recovery. Profit of this business increased further from the previous quarter. Regarding LED backlights, we will increase our production capacity as we expect a further increase in sales volume in the third quarter.

Net sales of speakers decreased by 50% from the same period of the last fiscal year, but increased by 13% from the previous quarter. Profitability was still slightly negative due to lower sales caused by market contraction, although we shifted all of our in-house production in Thailand to outsourcing in September last year.

Net sales of measuring components decreased by 26% from the same period of the last fiscal year, and by 15% from the previous quarter. This is mainly because product sales for a game console related application have already peaked out. Profit decreased from the previous quarter as sales declined.

Quarterly

# Net Income



November 6, 2009

9



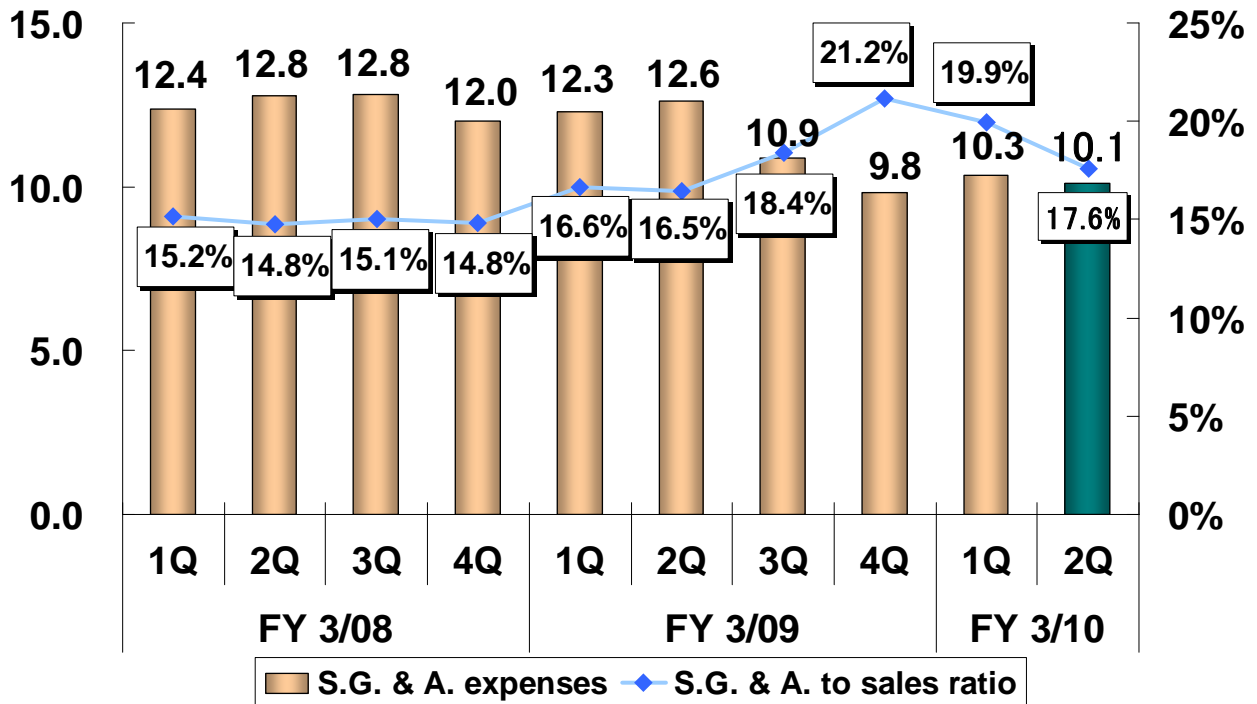
Net income for the second quarter was 1.3 billion yen, a 3.0 billion yen improvement from the previous quarter.

Net income per share was 3.4 yen, a 7.7 yen improvement from the previous quarter.

Quarterly

## S.G. & A. Expenses

(Billions of yen)



November 6, 2009

10



SG&A expenses in the second quarter decreased by 0.2 billion yen from the previous quarter to 10.1 billion yen. The SG&A expenses to sales ratio decreased by a large 2.3 percentage points from the previous quarter to 17.6%.

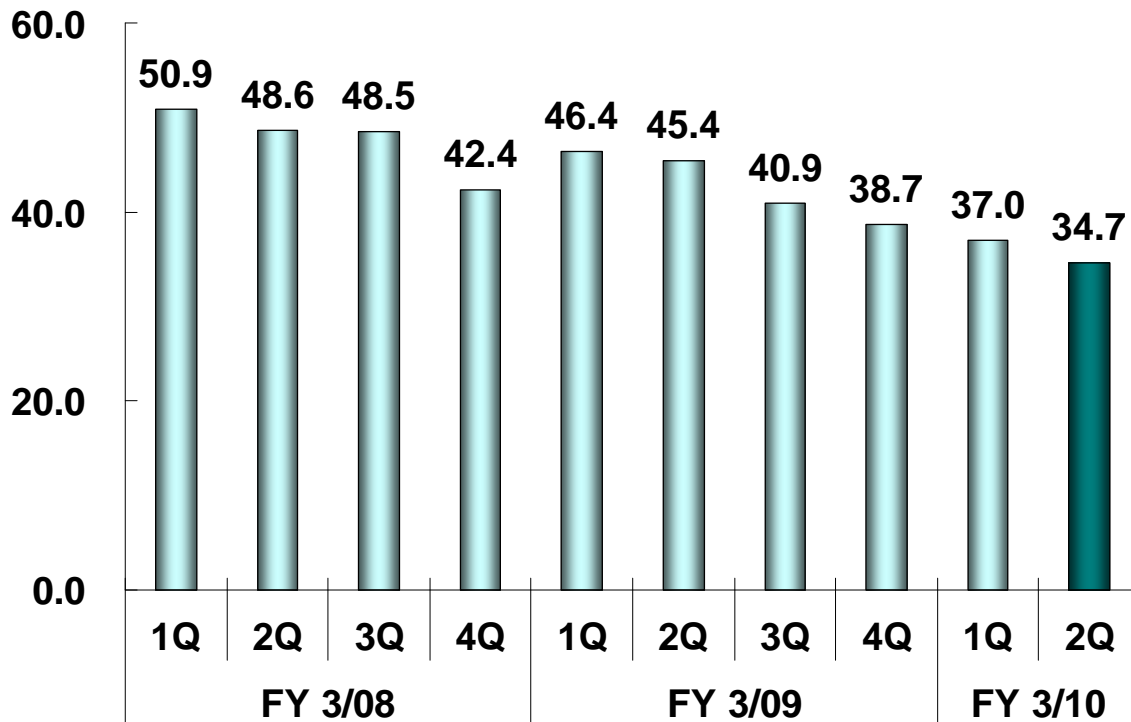
Although sales increased nearly 11% compared to the first quarter, SG&A expenses actually decreased. This is because, in our organizational reform in June, we established the new Cost Reduction Promotion Office in order to promote company wide efforts to reduce SG&A and other expenses by top down orders, and bottom up by introducing an electronic suggestion box system. We have already been realizing some of these effects.

As sales are expected to recover further, we will continue our efforts to hold expenses down.

Quarterly

## Inventories

(Billions of yen)



November 6, 2009

11



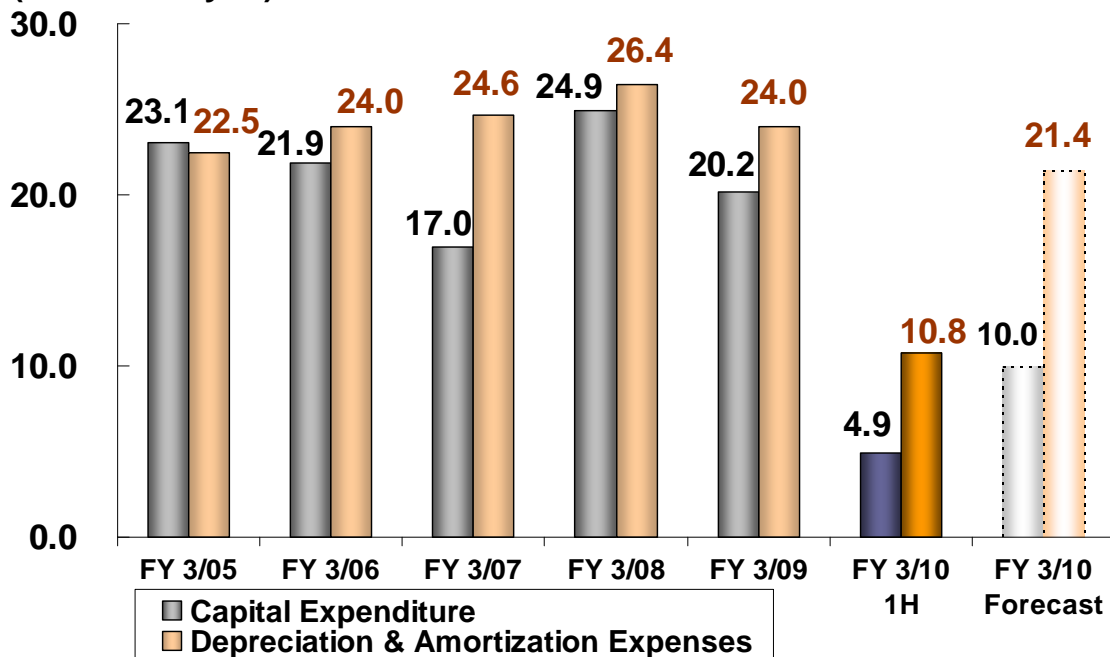
Inventories decreased by 2.3 billion yen compared to the previous quarter.

This is due to lower manufacturing costs per unit achieved by increased production volume, and the fact that demand for some products was even stronger than our increased production level, in addition to foreign exchange fluctuations.

Yearly

## Capital Expenditure & Depreciation

(Billions of yen)



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

November 6, 2009

12



Capital expenditure for the first half was 4.9 billion yen.

Investments were mainly for maintenance and renewal.

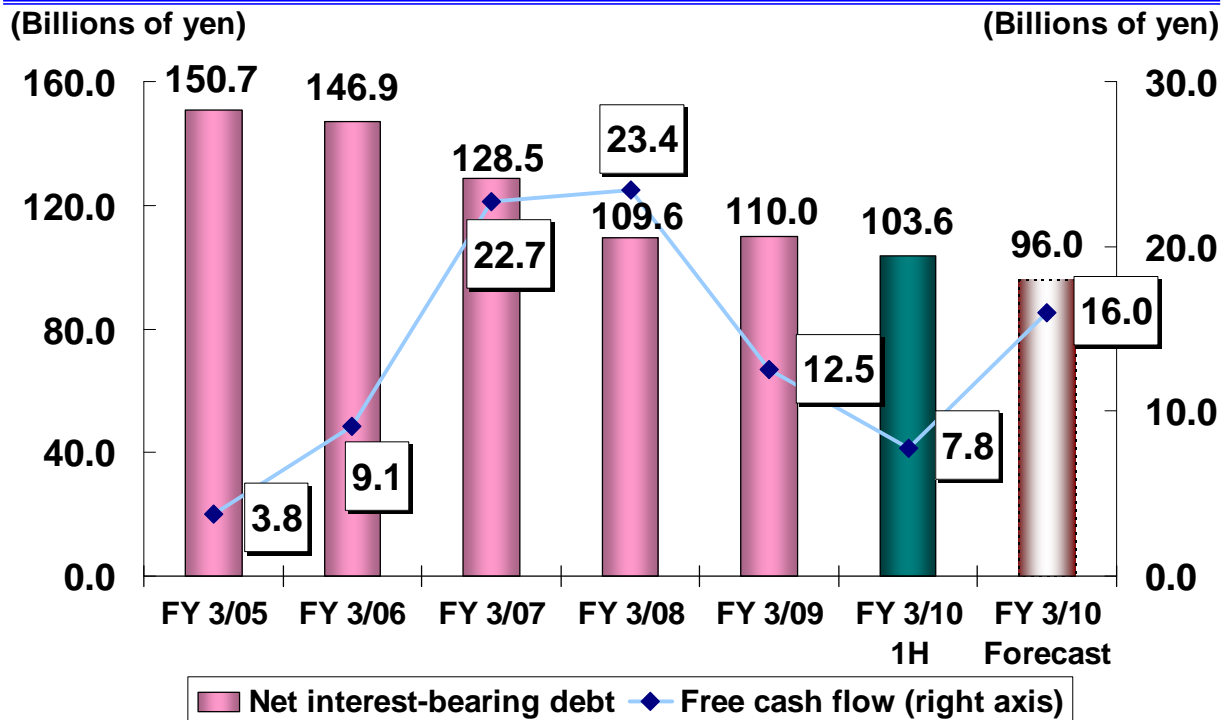
We keep our capital expenditure guidance for this fiscal year unchanged at 10 billion yen.

We will continue our efforts for improving capital efficiency and creating free cash flow by postponing investments which are not urgent, although we will continue investments which contribute future growth.

Depreciation and amortization expenses for the first half were 10.8 billion yen. We also keep our depreciation and amortization expenses guidance for this fiscal year unchanged at 21.4 billion yen.

Yearly

# Net Interest-Bearing Debt



Net Interest-bearing debt = Interest-bearing debt - Cash and cash equivalents  
 Free Cash Flow = CF from operating activities + CF from investing activities

November 6, 2009

13



Net interest-bearing debts, which are interest-bearing debts minus cash and cash equivalents, were 103.6 billion yen at the end of the second quarter, a decrease of 6.4 billion yen from the end of the previous fiscal year. First half free cash flow was 7.8 billion yen. As we are on track to achieve our net interest-bearing debts and free cash flow targets, we keep them unchanged.

We will continue our efforts to create cash flow. We will also consider new investment opportunities and returns to shareholders in light of the overall operating environment.

# Forecast for Fiscal Year Ending March 31, 2010

## Full year forecast range unchanged

(Millions of yen)	FY ended Mar. '09  Full year	Fiscal Year ending Mar. '10				
		1st Half	2nd Half Forecast Range		Full year Forecast Range	
			Upper end	Lower end	Upper end	Lower end
Net sales	256,163	109,268	120,732	90,732	230,000	200,000
Operating income	13,406	2,115	11,885	7,885	14,000	10,000
Ordinary income	11,555	1,029	10,271	6,571	11,300	7,600
Income before income taxes	6,834	729	10,371	6,671	11,100	7,400
Net income	2,441	-364	6,864	3,864	6,500	3,500
Net income per share (yen)	6.18	-0.94	17.65	9.94	16.71	9.00

Foreign exchange rates	FY ended Mar. '09	FY ending Mar. '10 1H	FY ending Mar. '10 Assumption 2H	FY ending Mar. '10 Assumption Full Year
US\$	¥100.83	¥96.12	¥91.00	¥93.56
Euro	¥145.65	¥132.90	¥128.00	¥130.45
Thai Baht	¥2.98	¥2.78	¥2.60	¥2.69
Chinese RMB	¥14.64	¥14.06	¥13.00	¥13.53

November 6, 2009

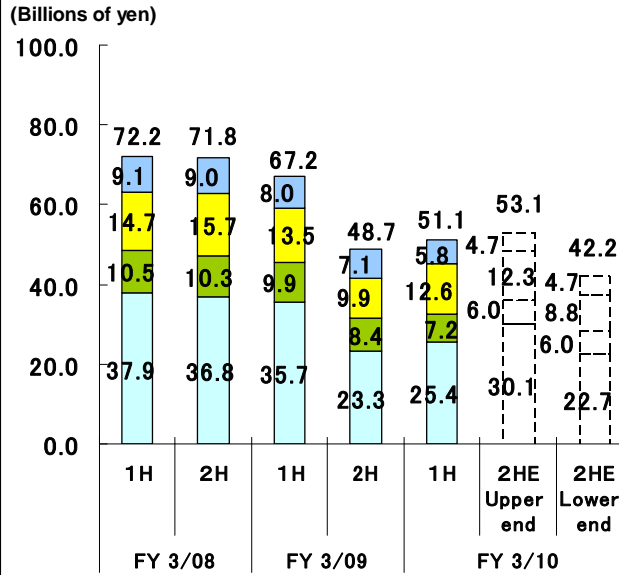
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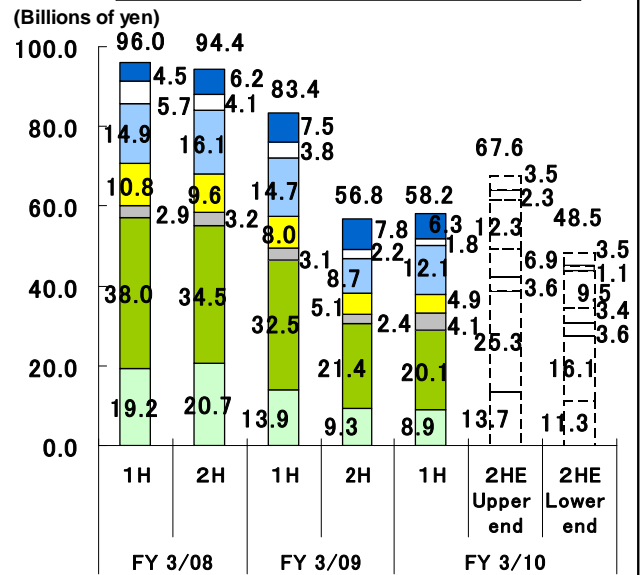
Month by month during the first half, profitability had been improving as sales recovered gradually from the bottom of the global economic downturn. However, the first half results were mostly in our initial forecast range, and visibility is still quite low regarding the second half, we do not change our initial forecast range this time.

# Business Segments 2H Forecast for Fiscal Year Ending March 31, 2010

## Machined Components Net Sales



## Electronic Devices and Components Business Net Sales



November 6, 2009

15



This graph shows sales forecasts of business units in two business segments for the second half of this fiscal year, together with past results.

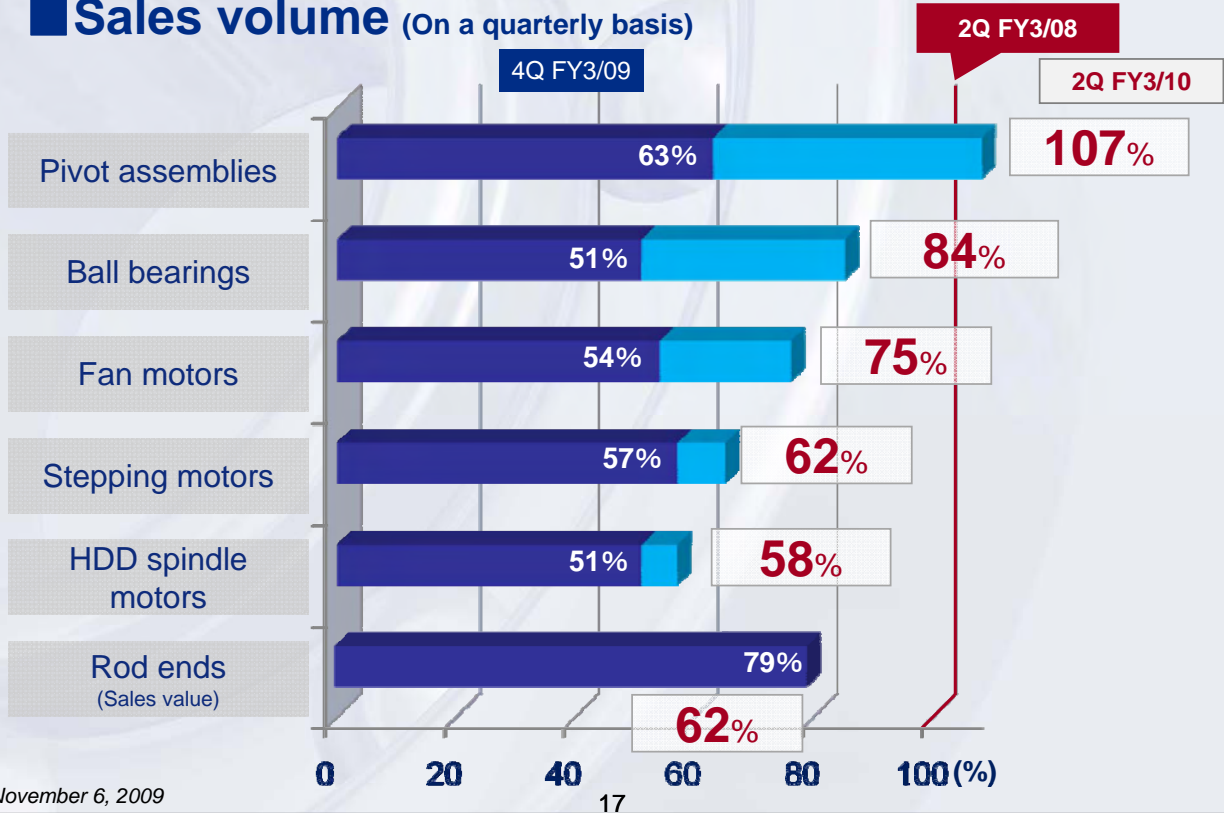


# Policy and Strategy

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

# Orders on Track to Recovery

## ■ Sales volume (On a quarterly basis)



After a year since the Lehman Brothers collapse that triggered an unprecedented economic depression and we are finally seeing orders steadily get back on track toward recovery.

This slide shows sales volume for the period from July to September 2007 when our quarterly sales peaked. It also shows sales volume for the period from January to March 2009 when sales hit bottom. The graph represents a comparison of sales volume by product for the two periods in terms of percentages. As you can see, the sales volume dipped significantly. You can also see that sales bounced back to the levels shown by the light blue bars for the period from July to September of this year. Sales of pivot assemblies exceeded previous peak sales volume. Sales volume of ball bearings and fan motors have respectively rebounded to 84% and 75% of their peak level performance figures, while sales of rod ends unfortunately dropped to 62%.

## Operating Income Also Steadily Recovering

•Rod ends	▶	To remain stagnant
•Ball bearings	▶	Continuing to recover profitability
•HDD spindle motors	▶	One step away from breaking even
•Keyboards	▶	Making improvements
•Pivot assemblies	▶	Totally recovered
•LED backlights	▶	Profits increasing
•Speakers	▶	Making improvements
•Information motors	▶	Returned to profitability in Sept.

**April and May results showed a deficit due to sales lagging behind projection  
In September operating margin recovered to 70% of its  
peak, bringing overall motor business back to profitability.**

November 6, 2009

18

As sales have started to increase, operating income has also been steadily recovering.

The rod-end business faces an increasingly uphill battle in a turbulent aerospace industry market. As development of the Boeing 787 continues to lag behind schedule, it looks like we'll have to weather the storm until the second half of next year when the market is expected to pick up again.

We have been seeing orders for ball bearings steadily recover. We will be able to lower overall cost by gradually increasing production over the long term. The business has recovered up to the point where we can start producing 200 million units in January next year. Profitability is steadily improving every month.

The HDD spindle motor business was only a step away from breaking even in September, which I will discuss in greater detail later on.

We have been seeing improvements in the keyboard and speaker businesses as explained by Mr. Katogi earlier and are looking forward to seeing things improve next fiscal year.

The pivot assembly business has completely recovered.

Orders for LED backlights have been soaring due to the market's recovery on top of both corporate downsizing and withdrawal from the business by our competitors. Our profits are rising quickly.

We had announced that there was no longer a need for any further structural reforms in the information motor business. For a long time we weren't able to clearly demonstrate the results we achieved in terms of figures due to the significant decline in sales that was triggered by the collapse of Lehman Brothers. Our upbeat September performance which remained in the black for October as well is a sure sign that the information motor business has returned to profitability.

The operating margin for September was at 70% peak performance.

Monthly sales for the entire motor business returned to profitability in September. While we are hesitant to count our chickens before they are hatched, the overall outlook for our motor businesses, including information motors, is bright.

## Six Months after Implementing New Organizational Structure

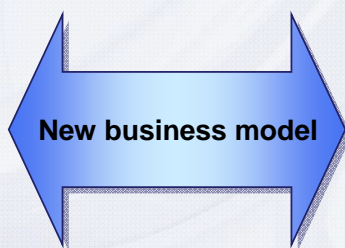


### Boost Vertical Strength



- Increased agility
- Enhanced ability to meet demand for flexible pricing
- Quick recovery in motor business performance

### Boost Horizontal Strength



- EMS project is on schedule
    - Various new initiatives including technological exchanges and joint development across business unit borders are ongoing.
    - Centralized material purchasing and standardized components
    - Poised to make a big leap forward next fiscal year
- \*EMS = Electro Mechanics Solution = new hybrid components

November 6, 2009

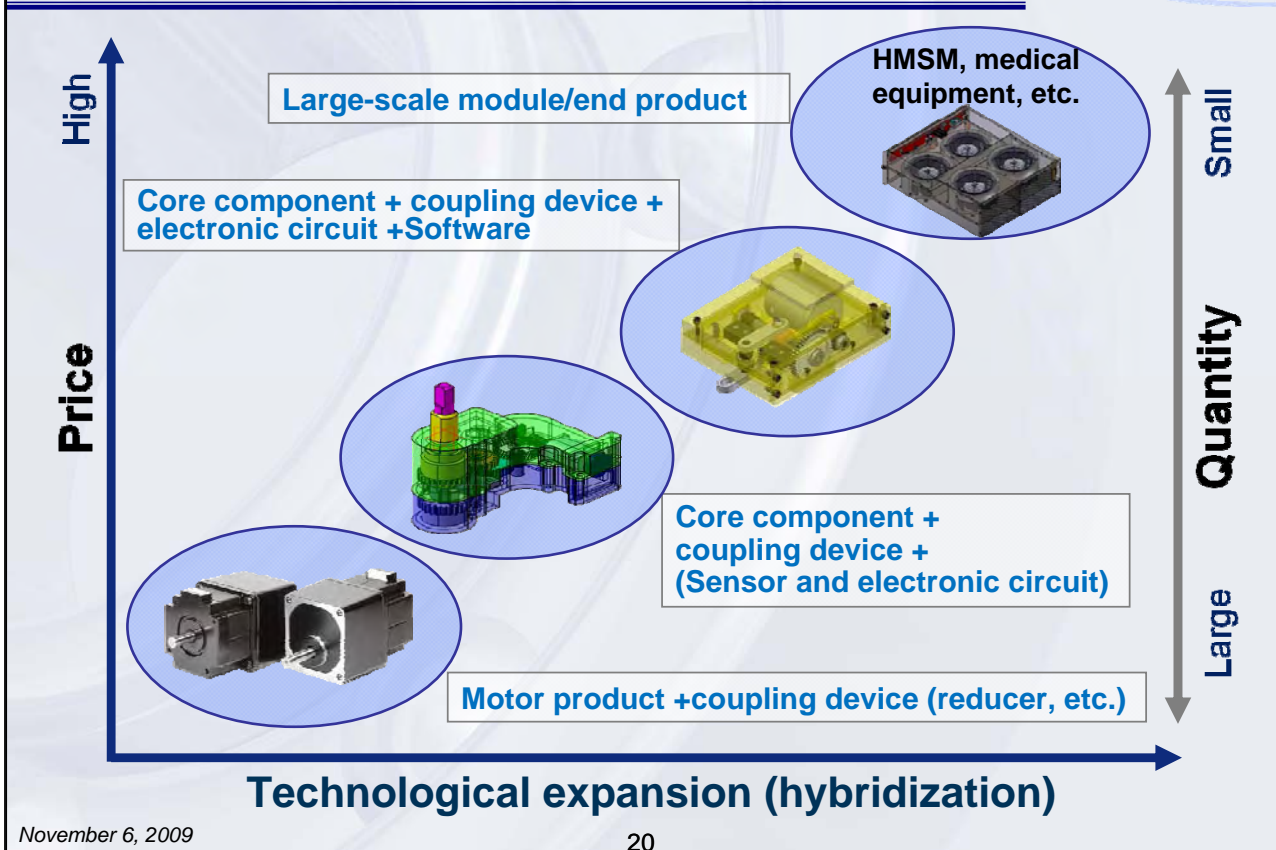
19

I talked about our vertical and horizontal strengths at the investor meeting back in May.

Minebea has a vertically integrated production system where we do everything in-house from component manufacturing to assembly. We overhauled our organizational structure in June. The parts division and the assembly division that it supplies components of respective business unit have now been merged under a single administrative roof so everybody gets their marching orders from the same place. This has boosted our agility as well as price edge over the competition. We expect that this restructuring strategy will make the biggest impact on the motor business. In fact, we have started to see the strategy pay off with the quick recovery of the motor business.

To boost our horizontal strength, we have been working on the EMS business since June. EMS refers to "electro mechanics solutions." It's a new initiative that combines our diverse technological capabilities to create new products. Under the EMS project, various new initiatives including technological exchanges and joint development across business unit borders are currently ongoing. In the motor business, for example, we are centralizing material purchasing and promoting the use of standardized components at the design stage. Growth during the next fiscal year will be the key measure of success for the EMS project.

# EMS Project: What Are EMS Products ?



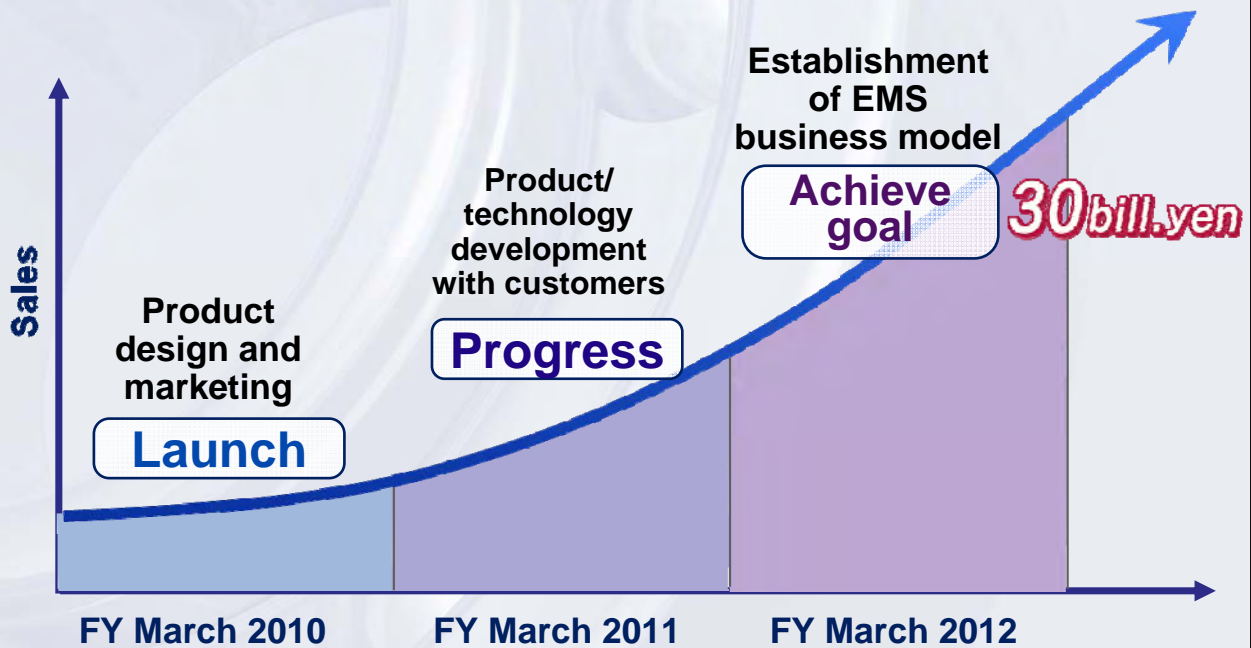
I have categorized possible EMS products into various types. The graph shows the price and quantity range along the vertical axis and the degree of hybridization along the horizontal axis.

One type of EMS product, which is shown on the bottom, includes those that require the lowest degree of hybridization. They are sort of a combination of motors and reducers. The next type of product includes core components plus electromechanical parts such as coupling devices combined with electronic circuits. The next type of product entails an even greater degree of hybridization that adds software to the combination. The last type of products includes large-scale modules and those that tend to be more like end products. That basically sums up how we have categorized our EMS products.

EMS products essentially combine our various technologies. It's just one part of our varied strategy for moving forward.

# EMS: Vision and Roadmap

**¥30 billion in EMS product sales by FY March 2012**



November 6, 2009

21

I explained back in May that we are aiming to achieve 30 billion yen in sales of EMS products. We are targeting sales of approximately 7.5 billion yen in FY ending March 2010, 15 billion yen in FY ending March 2011 and 30 billion yen in FY ending March 2012.

We are developing various products like those I mentioned earlier as well as new input devices, which I'll explain later on with an eye to establishing the Minebea EMS brand. This will enable us to leverage our unique position in the market as a comprehensive component manufacturer that produces everything from machined to rotary and electronic components.

# Ball Bearing Business Strategies

[ Market change after global economic downturn ]

**Expansion of market for low-priced, mass-produced products**



**Consider strategic entry  
into the market**

**Target: standard size  
(Ball bearings for Chinese vacuum cleaner maker, etc.)**

## Measures

- [1] Reduce cost by increasing production at ball bearing plant in Shanghai
- [2] Use materials and components made in China
- [3] Depreciation expenses declining
- [4] Reduce indirect costs across the board
- [5] Consider M&A of Chinese ball bearing manufacturer, etc.

November 6, 2009

22

We do not have any major concerns about our ball bearing business for the time being because its profit margin has been growing every month. The only cause for some concern would be that our inventory is dropping to a dangerously low level as the inventory turnover rate reaches an unprecedented level. We are now preparing to boost monthly production to 200 million units starting in January next year.

We have focused on manufacturing high quality products under a strategy of supplying higher quality products at lower prices. However, the global economic downturn after the collapse of Lehman Brothers has shifted the market focus toward low-priced, mass-produced products, mainly in China and other emerging markets. We can no longer overlook this growing trend of customers who are willing to sacrifice quality for cost.

As we begin to look at how to make inroads into the market for low-priced, mass-produced products, we will start by targeting Chinese vacuum cleaner makers that currently buy bearings from domestic suppliers.

A production capacity upgrade to our Shanghai plant, using production equipment transferred from the closed UK bearing plant, has enabled us to increase production while cutting costs. The products to be sold in the market for low-priced, mass-produced products will use materials made in China.

Because we have been producing and selling ball bearings in China since 1992, we are able to cut our depreciation expenses dramatically. This reduction will have a big impact on next year's performance figures and an even bigger effect the following year. These measures and various efforts to cut indirect costs will help pave the way toward entering the market for low-priced, mass-produced products.

Other plans on the drawing board include an acquisition of a Chinese ball bearing manufacturer.

# LED Backlight Business Strategies

- Two Stronger Japanese manufacturers of small LED backlights in the market
- Expanding customer base for car instrument clusters (European car manufacturers)
- Stronger ties with LCD manufacturers



Sales are expected to rise more during the second half of this fiscal year  
 Implement strategies with an eye to increasing market share next year

- Measures
- [1] Increase production capacity in clean room and assembly line for small LED backlights (Completion by the end of 2009)
  - [2] Adjust a mass production system for LED backlights for car instrument cluster
  - [3] Develop LED backlights for new markets

November 6, 2009

23

A temporary downturn in the LED backlight market had either forced our competitors out of the market entirely or to downsize their operations. Today there are two stronger Japanese manufacturers left in the LED backlight market arena. Since we have a strong sales team in Europe, we are expanding our customer base in the area of small LED backlights for car instrument clusters and expect to see a sharp rise in sales volume during the second half of this fiscal year. We must implement strategies designed to boost our market share during the next fiscal year and onward. We plan to make large capital investments in clean rooms and assembly lines for small LED backlights to significantly increase production capacity by the end of this year. Our plans also include making preparations to mass produce LED backlights for car instrument clusters.

We will also work on developing LED backlights for new markets including the lighting equipment market and market for larger LED backlights. We expect that the LED lighting market will grow to mega proportions as it is buoyed by the government policy to achieve a 25% reduction in carbon dioxide emissions under the Hatoyama initiative. With our technological capability, if we can cover only a portion of the market, that niche market alone could be significant. It's too soon to give you any details at this time, but I would like you to know that we are getting ready to make a move in the area of LED backlights.



# HDD Spindle Motor Business Strategies

**Invested the best management resources to restore business**  
(Active involvement of relevant senior executive officers, reorganization in June put business into ICU)

**Improving communication among offices/factories**  
(Japan, Germany, Thailand)

**Enhanced preciseness of components/enhanced quality/regained customer confidence**

**Focus on 2.5-inch motors: Won orders for next-generation models**  
(Sales of 2.5-inch motors: 1.1 million units in Feb. 2009 ⇒ 3 million units in Sept. 2009)



One step away from breaking even

**Expects to return to profitability in 4Q**

November 6, 2009

24

Now, let's look at our HDD spindle motor business.

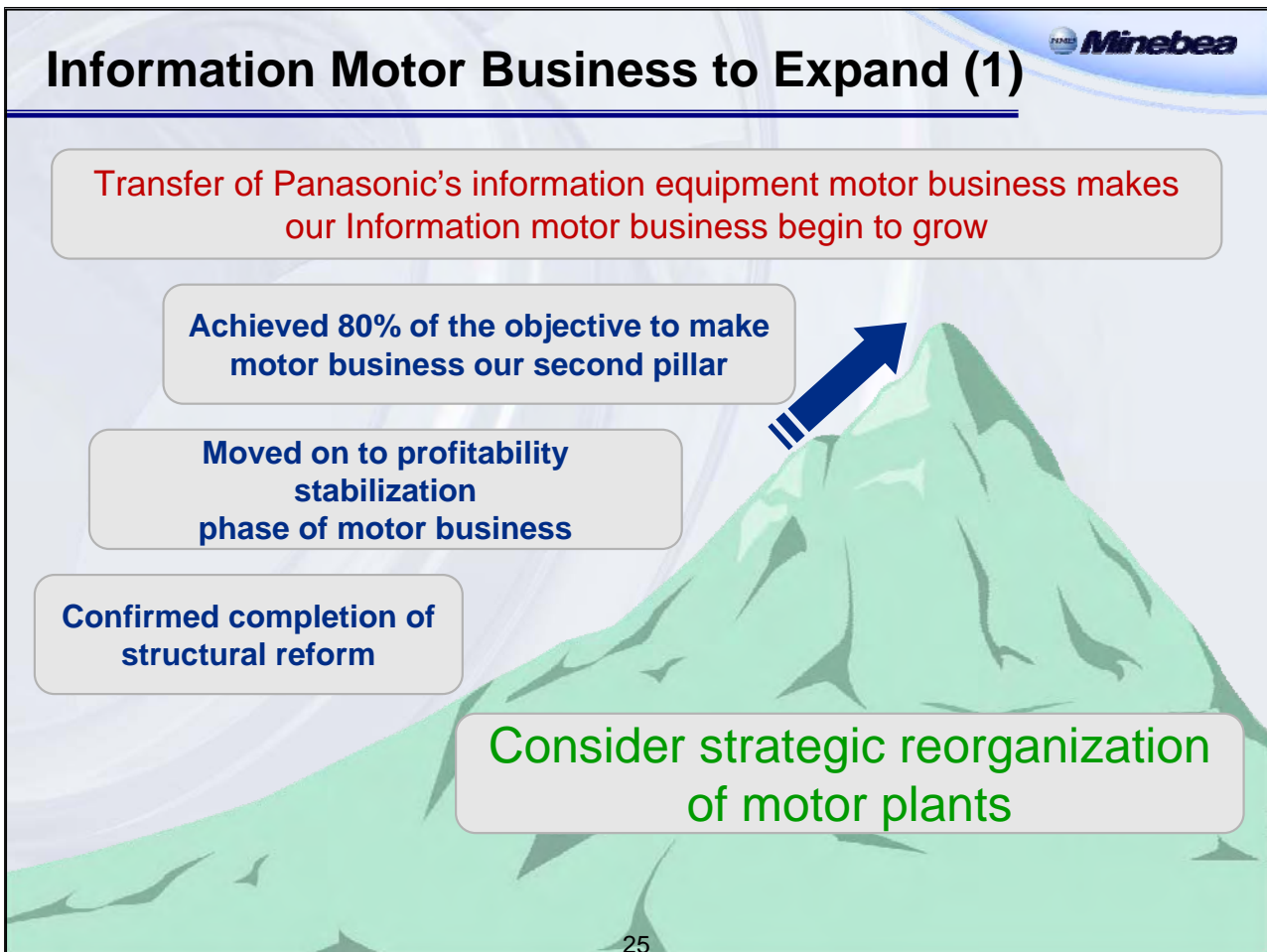
At the last meeting, I told you that we would put our best people to work on the job of bringing back the HDD spindle motor business. We've done just that and have seen good results from it. Part of our effort to turn the business around includes building cooperative bridges among our operational bases in Japan, Germany and Thailand via the stationing of engineers in each location as way to improve communication.

I asked senior managing executive officer, Eiichi Kobayashi, who has many years of experience working in the area of parts and components, to take the helm at the HDD Motor Business Headquarters. Under his leadership, we have concentrated our efforts for the last six months on achieving a higher level of precision in our parts and components. This effort has paid off, and we successfully enhanced quality and regained customer confidence. We will continue to work on restoring market confidence and increasing orders. We shipped 3 million 2.5-inch HDD spindle motors in September 2009.

We are very close to bringing the HDD spindle motor business to the break-even point. We were here once before, but unfortunately were unable to go that one step forward. We want to make it this time around. Everyone involved in this business is now extremely motivated.

We're looking forward to the business returning to profitability on a monthly basis during the fourth quarter.

# Information Motor Business to Expand (1)



The September and October performance results verify in numerical terms that there is no need for further structural reforms to the information motor business.

We now have to work on ensuring the sustainability of profitable operations and moving the business to the next stage. We believe that we have achieved 80% of our objective to make motor business the second pillar upon which our business rests.

After recently acquiring Panasonic's information equipment motor business, we anticipate that the information motor business will enter a period of growth. In a related development, we took over FDK's stepping motor plant last year. There are also two information motor plants in Zhuhai, China, which we are going to take over from Panasonic. These plants along with our four existing plants in Zhuhai will give us a total of six plants all in Zhuhai. We're going to have to consider a strategic reorganization of motor plants to enhance operational efficiency and should integrate the management of these plants as much as possible. We should also establish a system for supplying required parts from a single source that is located near the plants that can deliver the quantity they need whenever they needed it. We are currently looking at the most optimal strategic reorganization of the plants from a number of different angles.

## Information Motor Business to Expand (2)



**Minebea and Panasonic agreed to transfer Panasonic's Information Equipment Motor Business to Minebea Motor Manufacturing Corporation, a joint venture of both company in April 2010.**

### Merits

- [1] Strengthen motor engineers base
- [2] Enhance related intellectual property rights portfolio
- [3] Sales expansion (by peak sales of approximately 25 billion yen / year)
- [4] Actively participate in reshuffle of small size motor industry
- [5] Contribute to profits from the first year
- [6] Increased use of Minebea ball bearings

### Products

- **Small brushless motors**  
(Applications: Optical disk drives, in-vehicle equipment, etc.)
- **Power brushless motors (Applications: Printers, etc.)**
- **Polygon mirror motors (Application: Laser printers)**

November 6, 2009

26

As announced on Monday, Minebea and Panasonic reached an agreement to transfer Panasonic's information equipment motor business to Minebea Motor Manufacturing Corporation. The details of the final deal will be ironed out and the agreement officially signed by the end of December. Once the agreement is signed, we may be able to start business operations as soon as April.

Three lines of Panasonic products will be transferred to Minebea, including small brushless motors, power brushless motors, and polygon mirror motors. Small brushless motors are used in optical disk drives. The key technological features of these products are that they are extremely compact and thin. Power brushless motors are mainly used in printers for feeding paper. Polygon mirror motors are used in laser printers.

You may be wondering why Minebea Motor is taking over this business now. We see six benefits emerging from this deal. First, we will have more motor engineers. We started out as a machined component maker and have made a variety of motors. It's true that we have produced a number of engineers along the way, but unfortunately we still don't have a sufficient number of engineers in proportion to the scale of our operations. Although we have received a large number of inquiries for our new S-type DC motors, we have not been able to respond to every need due to a lack of engineers. Over the last several years, we have employed Panasonic engineers at Minebea Motor, which is a joint venture between Minebea and Panasonic. Every one of them is top notch experts in the field. We expect the takeover to bring approximately 70 additional engineers to Minebea Motor.

The deal with Panasonic will also bring us more than 200 intellectual property rights. That's a number that will significantly boost our intellectual property rights portfolio.

Fourthly, we will have an active hand in reshuffling the small-size motor industry.

Fifthly and most importantly, the acquisition of the business will be sure to bring profits up right away. As both parties have announced, Panasonic's information equipment motor business will be transferred to the existing joint venture in which Minebea and Panasonic respectively hold a 60% and 40% stake. Forty percent of the profits generated from the joint venture will go back to Panasonic. We both signed the basic agreement on the premise that it's going to be a long-term relationship. So we think that the business is sure to generate a profit in the first year its operations are launched.

The sixth benefit is just a little extra but something that will give us a big advantage. This business uses tens of millions of ball bearings made by other manufacturers every year and now we will be able to replace them with Minebea ball bearings.

# Prospects for Achieving ¥400 billion in Sales

Total approx. **¥380 billion**

## Revenue from newly acquired businesses



**With economic recovery, ¥400 billion in sales is now within our reach!!**

November 6, 2009

27

We will be aiming for 400 billion yen in sales. Our sales performance peaked at 334.4 billion yen for the fiscal year ended March 2008. Over the past year, we have acquired myonic, FDK's stepping motor business, and are ready for the Panasonic Motor Company's Information Equipment Motor Business. Sales generated by all of these businesses two years ago totaled about 42 billion yen all together. This will bring our total peak sales up to approximately 380 billion yen. As long as the economy continues to recover, our 400 billion yen sales goal lies within our grasp.

# Initiatives to Turn Around Businesses Running in the Red

## Speakers



- Focus on high power micro speakers
- Build a system suitable for fabless operations
- Review outsourcing policy
- Enhance marketing and increase orders to put us back in the black

## Keyboards



- Develop roadmap to cut costs by 20%
- +
- Take measures for automation and enhanced efficiency
- Achieve monthly break even by March 2010
- New input device products to be announced early next year

November 6, 2009

28

We are currently working to turn around our speaker and keyboard businesses that are operating in the red.

For the speaker business, we will focus our marketing efforts on our compact high power micro speakers that deliver excellent performance. We no longer make these speakers in-house. Production is now completely fabless and fully-outsourced to a third party manufacturer. In addition to making cost reduction efforts, we also reviewed our outsourcing policy. We have already implemented the policy and are confident it will help put the business back on track to profitability once orders start rolling in. We are now stepping up on our marketing efforts and have already made a considerable dent in our deficit.

I appointed a new head of the Keyboard Business Unit to stop our keyboard business from losing money. He used to oversee the production of PM motors when I was in charge of the information motor operations. Back when PM motors was stuck in the red for five or six years, he was assigned to put the business unit back on track. He did and today it is still in the black. We developed a roadmap for cutting costs by 20% and we are currently implementing it. I flew to China the week before last to check on the progress. I saw a lot of improvements made on the shop floor, which are reflected in the sales figures. We are almost there and should hit the monthly break-even point by March 2010.

We are also currently developing new input device products and will make an announcement once we have worked out all the intellectual property rights issues.

# Development of Next-generation Input Devices

**Next-generation input devices  
(keyboards, remote controls, calculators, phones)**  
designed by Dr. Kazuo Kawasaki, professor from the Osaka  
University Graduate School of Engineering

## Samples of Dr. Kawasaki's work



November 6, 2009

29

I'd like to give you just a brief overview of these new input devices.

As you may already know, this is Dr. Kazuo Kawasaki from the Osaka University Graduate School of Engineering. He is a world-renowned industrial designer. You can see some pictures of Dr. Kawasaki's work at the bottom of the slide.

On the far left is a picture of an artificial heart jointly designed by Dr. Kawasaki, the University of Tokyo, Osaka University, Kitasato University and Tohoku University. It was implanted in a goat, which survived for 51 days.

Next is a photo of the glasses worn by former Alaska governor and Republican Party vice-presidential candidate, Sarah Palin. The glasses were also designed by Dr. Kawasaki.

# Profile of Dr. Kazuo Kawasaki



**Professor, School of Engineering, Osaka University (Ph.D. in medical science)**

**Member, JIDPO\* Good Design Award Judging Committee**

Dr. Kawasaki works extensively on research, education and design in a wide range of fields from traditional handcrafts to eyewear, computers, robotics, nuclear energy, artificial organs, advanced medical treatments, and “products in multi-dimensional space.” He has won numerous international awards and his design works are housed in the permanent collections of major museums around the world.

He was twice named by Newsweek Japan as being among the “100 Japanese Respected by the World.”

Dr. Kawasaki is currently working on the Peace-Keeping Design (PKD) project, which aims to build world peace through design.

In September 2008 he was appointed product design adviser for the Chen Yet-Sen Family Foundation established as part of the Clinton Global Initiative.

\*Japan Industrial Design Promotion Organization

# Cost Reduction Initiatives

Top management took the lead to promote cost reduction (top-down)

Established Cost Reduction Promotion Office

Implemented a system to solicit cost reduction proposals (bottom-up)

e.g. The system was implemented at the Tokyo Head Office



Over 600 proposals were submitted during a two-month period.

**The system is to be implemented on a global basis**



**Instilling a keen sense of awareness**

November 6, 2009

31

Since I have been talking a lot about cutting costs, I am going to take the lead in promoting cost reduction through a top-down approach.

I believe it's the passion of a company's people that drive it forward, from the bottom up. That's why we created what we call a "database of passion" and solicited cost reduction proposals from all our employees. We received more than 600 proposals in the first two months, by the third month the number had reached 700. We are now working quickly to implement these proposals.

The truth is we have always focused our attention on increasing efficiency in every aspect related to production, from personnel to materials, machines and more. There are still many aspects not directly related to manufacturing, like electricity, sparkling clean floors, and fully transparent operations that actually add on extra costs to production. Now that demand has shifted to lower-priced products, we can no longer make a profit by simply doing something no one else is doing. From now on we will give top priority to cutting cost everywhere we can.



# Introduction of Incentive Plan

**Approx. ¥0.9 billion Employee Shareholding Incentive Plan (E-Ship®) introduced as part of management strategy to focus on share price.**

(Please see today's press release for more details.)

**[1] Provides employees with medium to long-term incentives for increasing corporate value**

- Makes employees aware of share price and feel that they are “riding in the same boat” with management and shareholders.

**[2] Enhance corporate governance**

- Plan will provide employees with increased opportunities to be indirectly involved in Minebea's decision-making process as shareholders through the voting rights associated with shares held within the trust. It will also further enhance our corporate governance.

**[3] Enhance employee benefits**

\* The Employee Shareholding Incentive Plan, E-Ship® is a registered trade mark of Nomura Securities Co., Ltd.

November 6, 2009

32

As you see from the slide, today we announced the implementation of the Trust-type Employee Shareholding Incentive Plan.

While our share price serves as a management report card, I want our employees to be aware of our share price as well. When I first became president, I was shocked to learn that very few employees were taking advantage of our employee stock ownership plan. I implemented this incentive plan as a way to get all the employees on board and moving in the same direction.

# Financial Strategies (1)

## Focus on creating free cash flow and maintaining sound financial structure

- Free cash flow has been steadily improving. Net-interest bearing debt is expected to reach the medium-term target of ¥100 billion as of the end of this fiscal year.
- Continue to focus on maintaining sound financial structure and creating cash flow, with an eye to keeping net interest-bearing debts in ¥100 billion range.

## Dividend policy

- Interim dividend of ¥3 per share will be paid as initially planned (combined with planned year-end dividend of ¥4 per share, ¥7 per share planned in total this fiscal year).
- 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 stable and continuous distribution of profits.

## M&A strategy

- Work actively toward realizing M&As that create synergy and accelerate growth.
- Analyze our current status and work to further enhance our strengths while reinforcing areas where we find weaknesses.
- Strengthen the function for carrying out M&As.

November 6, 2009

33

Let's move on to our financial strategies.

Free cash flow has been steadily improving. Net-interest bearing debt is very close to reaching 100 billion yen. We will keep our eye on maintaining net interest-bearing debts in the 100 billion yen range with a keen focus on creating free cash flow.

The interim dividend for this fiscal year will be three yen per share as initially planned since our interim financial results were generally on target although net income was slightly in the red. The full year dividend forecast will also remain unchanged from the seven yen per share that was initially planned.

As for our M&A strategy, we are the original "M&A company" and should return to our roots. Our M&A-related operations are carried out by the Corporate Planning Department. We formed three teams within the department. Some of the team members have occupational backgrounds similar to yours. The teams will work actively toward realizing various types of M&As.

## Financial Strategies (2)

### Enhance IR for individual investors

- Individual investors are important investor base

### Continue to work on policy of repurchasing own shares

- Making it possible to carry out an agile capital policy in response to changes in the business environment.

### Consider various equity measures

- Introduction of E-Ship®

November 6, 2009

34

Finally, we will enhance investor relations for individual investors. Historically we have not devoted much effort to any special investor relations activities targeting individual investors. As a CEO I believe that individual investors are the backbone of our investor base. We will actively carry out investor relations activities geared toward individual investors and stick with our strategy of repurchasing Minebea shares in addition to various equity measures.

That's our strategy. I believe today's rocky economic environment will serve as the springboard that will help us make a huge leap forward. All of us at Minebea are committed to pulling together so that we can move forward into the future. Thank you for your continued support.

# Minebea Co., Ltd.

## Business Results

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

Any statements in the presentation which are not historical fact are future projections made based on certain assumptions and executive 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 conditions or demand trends around Minebea; (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.

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November 6, 2009

35