

# Business Results

**Second Quarter of Fiscal Year  
Ending March 31, 2014**

**November 1, 2013**  
Minebea Co., Ltd.

# 1. Financial Results

## 2. Policy and Strategy

# Financial Results

Hiroharu Katogi  
Director, Senior Managing Executive Officer

November 1, 2013

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## Sales and profits top forecast

(Millions of yen)	FY ended Mar. '13	FY ending Mar. '14	Change YoY	1H of FY ending Mar. '14	
	1H	1H		July Forecast	Vs. Forecast
Net sales	139,101	180,799	+30.0%	178,500	101.3%
Operating income	7,700	13,003	+68.9%	10,000	130.0%
Ordinary income	6,942	11,751	+69.3%	8,800	133.5%
Net income	3,720	8,772	X 2.4	6,500	135.0%
Net income per share (yen)	9.94	23.52	X 2.4	17.43	134.9%

Foreign exchange rates	1H of FY Mar. '13	1H of FY Mar. '14	1H of FY Mar. '14 Assumption
US\$	¥79.73	¥98.03	¥98.86
Euro	¥101.27	¥128.29	¥128.48
Thai Baht	¥2.55	¥3.21	¥3.25
Chinese RMB	¥12.56	¥15.93	¥16.02

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Looking at consolidated business results for the first half of the fiscal year ending March 31, 2014, we see that net sales were up 30.0% year on year to total 180,799 million yen. Operating income climbed 68.9% year on year to reach 13,003 million yen while net income hit 8,772 million yen, 2.4 times what it was a year ago.

Sales and profits top forecast revised in July. The upturn in the global economy buoyed demand for many of our products, driving sales and profits much higher than the upward revision made to the forecast in July. Profitability improved and profits rose significantly due to increased production volume and better factory utilization. In terms of products, an increased external shipment volume for ball bearings, a rapid increase in sales of LED backlights and better profitability in motor businesses were main factors behind this significant improvement.

## Record high quarterly operating as well as ordinary income

(Millions of yen)	FY ended	FY ending		Change	
	Mar. '13	1Q	2Q	YoY	QoQ
Net sales	70,480	85,317	95,482	+35.5%	+11.9%
Operating income	4,007	3,538	9,465	X 2.4	X 2.7
Ordinary income	3,573	3,068	8,682	X 2.4	X 2.8
Net income	2,002	2,852	5,920	X 3.0	X 2.1
Net income per share (yen)	5.37	7.65	15.86	X 3.0	X 2.1

Foreign exchange rates	2Q of FY	1Q of FY	2Q of FY
	Mar. '13	Mar. '14	Mar. '14
US\$	¥78.69	¥97.72	¥98.34
Euro	¥97.65	¥126.96	¥129.61
Thai Baht	¥2.49	¥3.30	¥3.12
Chinese RMB	¥12.36	¥15.84	¥16.02

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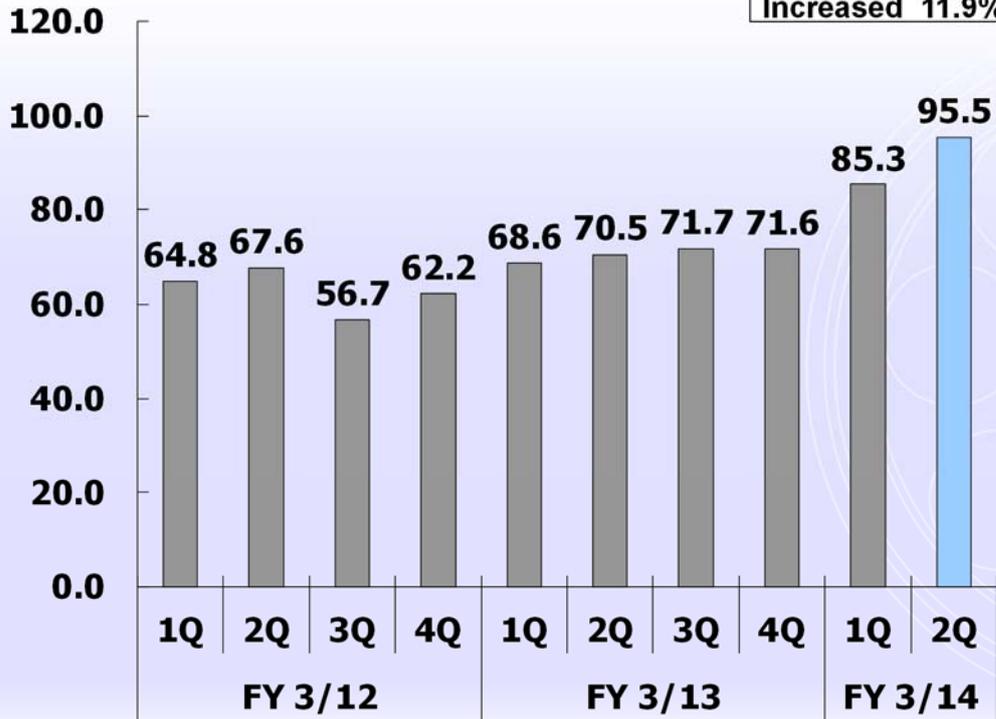
For the second quarter of the fiscal year ending March 31, 2014, net sales were 95,482 million yen. That's up 35.5% from the same period last year and an increase of 11.9% over the previous quarter. Operating income was 9,465 million yen, 2.4 times that of the same period last year and 2.7 times that of the previous quarter. Net income totaled 5,920 million yen, 3.0 times that of the same period last year and 2.1 times that of the previous quarter.

These quarterly sales as well as operating income and ordinary income figures are record highs since we started disclosing our quarterly performance results in the fiscal year ended March 31, 2002. We estimated the foreign exchange gains for sales, mainly due to the weaker Japanese yen, to be approximately 15.9 billion yen on a year-on-year basis and 0.5 billion yen on a quarter-on-quarter basis. Foreign exchange gains also boosted operating income an estimated 2.4 billion yen year on year and 1.8 billion yen quarter on quarter mainly due to weaker emerging countries' currencies such as Thai baht. Those positive impacts were amplified by the lowered production costs in terms of local currencies such as Thai baht caused by increased production volume and better efficiency.

# Net Sales

(Billions of yen)

Increased 35.5% YoY  
Increased 11.9% QoQ



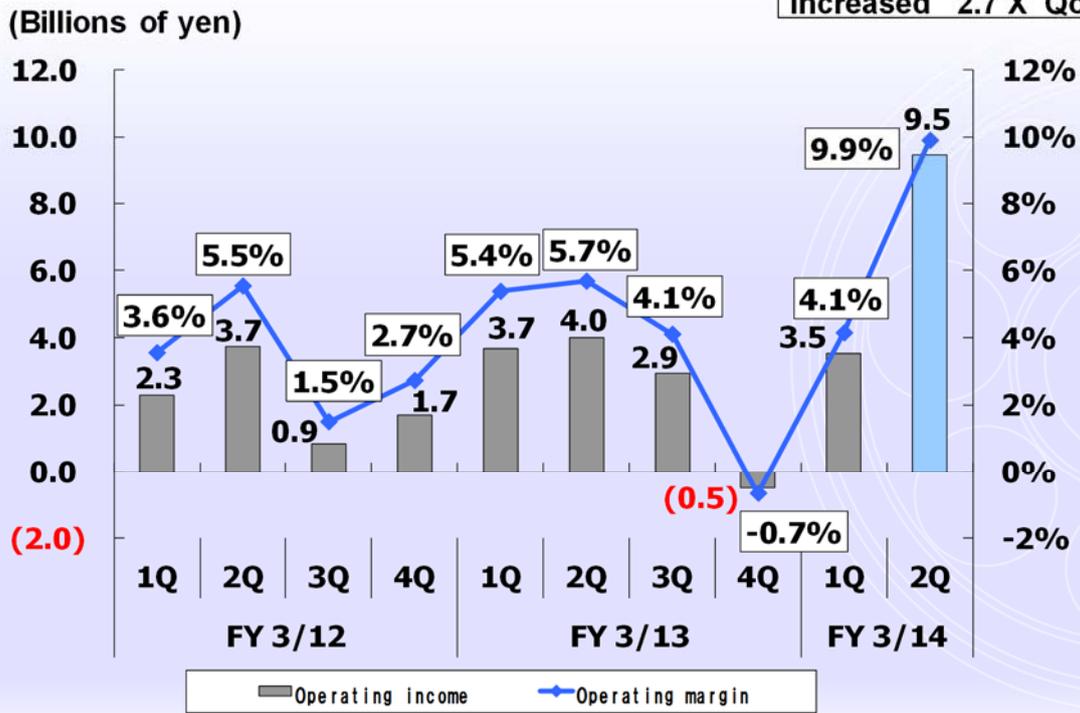
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Second quarter net sales totaled 95.5 billion yen, up 35.5% year on year and 11.9% from the previous quarter. This jump was due to increased sales volumes for a variety of our products, including ball bearings, motors and electronic devices, as well as foreign currency gains.

# Operating Income

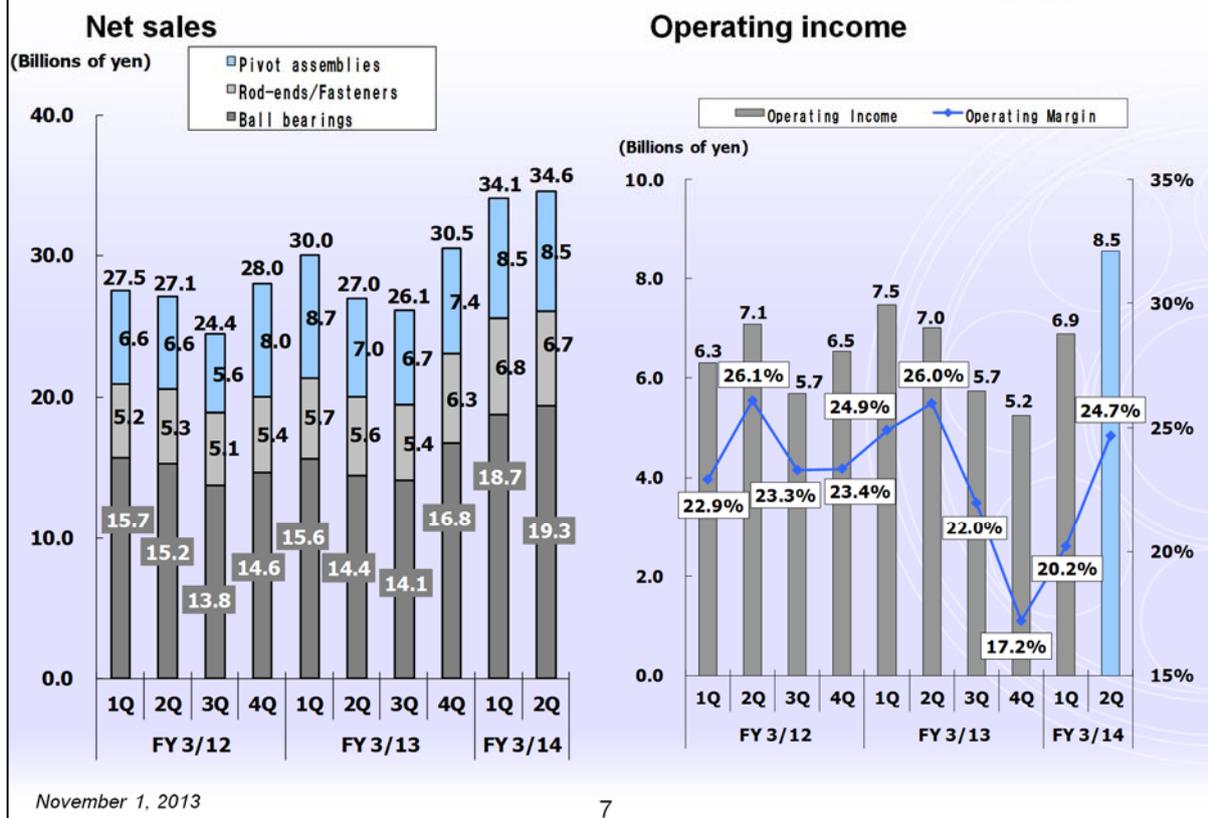
Increased 2.4 X YoY  
Increased 2.7 X QoQ



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Operating income for the second quarter was 9.5 billion yen, 2.4 times that of the same period last year and 2.7 times that of the previous quarter. Our operating margin improved 5.8 percentage points from the previous quarter to hit 9.9%. Profits for both the Machined Components and the Electronic Devices and Components business segments increased significantly and our monthly operating income has been rising steadily every month since April.



Second quarter net sales in the Machined Components business segment totaled 34.6 billion yen, a 1.5% increase from the previous quarter. Operating income was up 23.9% from the previous quarter to total 8.5 billion yen while the operating margin reached 24.7%, up 4.5 percentage points from the previous quarter.

Sales of ball bearings increased 3.2% from the previous quarter to total 19.3 billion yen. Monthly external shipment volumes have been consistently high. Hovering above 130 million units since April, external shipments hit a record-high 143 million units in September. Demand has also been growing for a variety of different applications, such as fan motors, automobiles, home appliances, office automation equipment, and automated teller machines, and we expect it to remain high for at least another three months or so. The higher production volume has boosted factory utilization, resulting in higher profits and making ball bearings one of our current profit drivers.

Sales performance for our rod-ends and fasteners remained steady in the second quarter due to growing demand for new aircrafts. While sales decreased 1.5% compared to the previous quarter, due mainly to the summer vacation season in Europe and the U.S., profits rose quarter on quarter thanks in part to the weaker Japanese yen. Since the medium-term outlook for aircraft production is bright, we are working hard to fuel growth over the coming years. These efforts include reducing costs via expanded production capacity in Thailand.

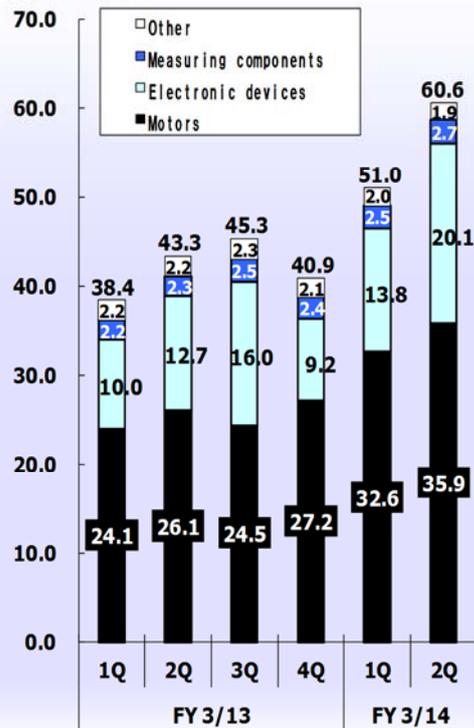
The HDD market remained flat during the second quarter mainly due to lagging PC sales. Sales of HDD pivot assemblies was flat from the previous quarter. However steady production brought manufacturing costs down and widened our profit margin.

# Electronic Devices & Components Business Quarterly **Minebea**

Passion to Exceed Precision

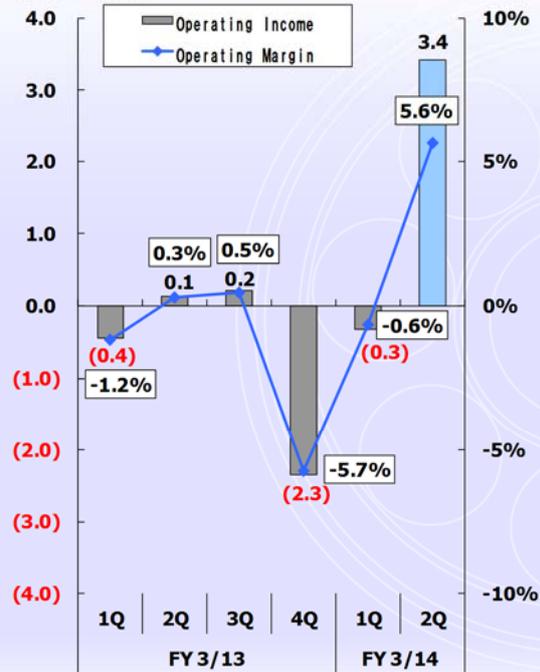
**Net sales** \* The segment results by new business segment for the fiscal year ended March 2013 are unaudited.

(Billions of yen)



## Operating income

(Billions of yen)



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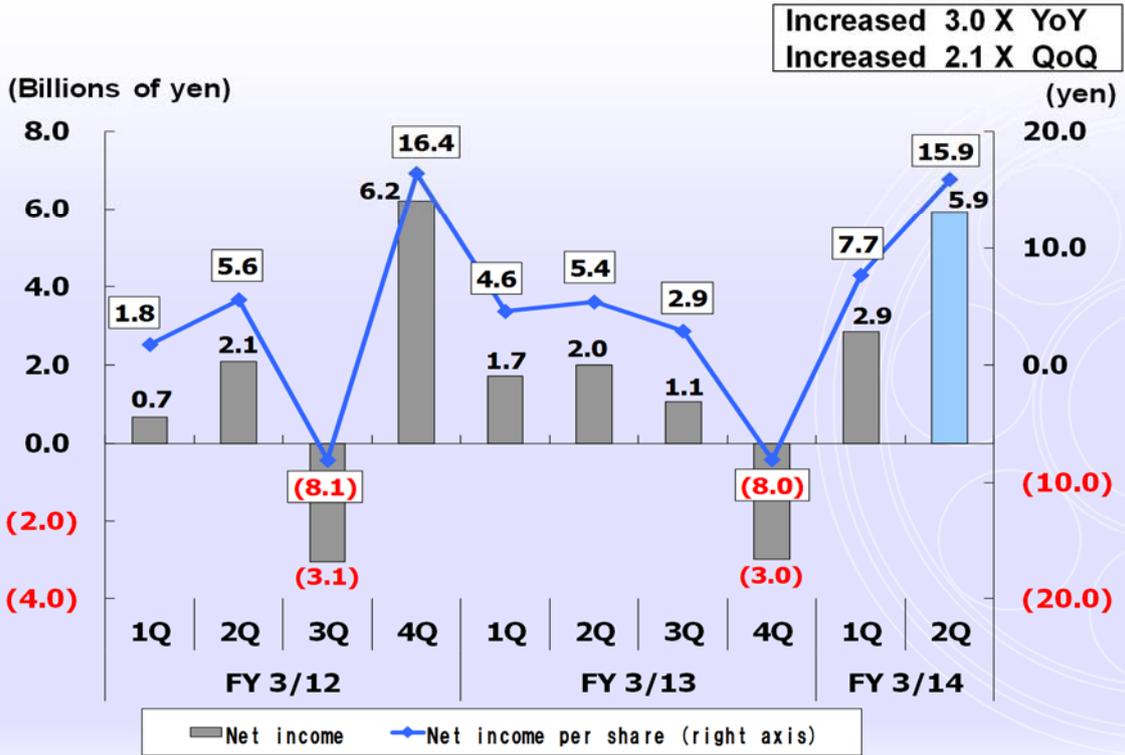
In the Electronic Devices and Components business segment, second quarter net sales totaled 60.6 billion yen, up 19.0% from the previous quarter. Operating income was back in the black with a total of 3.4 billion yen after a loss of 0.3 billion yen last quarter. The operating margin also improved by 6.2 percentage points over the previous quarter to reach 5.6%.

Sales of motors increased 10.1% from the previous quarter to total 35.9 billion yen. Buoyed by the global economic recovery, motor sales volumes increased practically across the board. Monthly earnings for motors were back in the black by June due to top line growth and structural reforms implemented in the fourth quarter of last fiscal year. During the quarter, our monthly operating income rose steadily every month and we achieved quarterly profitability for the first time in the last 11 quarters.

Sales of electronic devices rose a whopping 45.7% over the previous quarter to total 20.1 billion yen. The increase was due to shipments of LED backlights for smartphones, which account for almost 90% of all sales. Earnings increased significantly due to higher sales and better factory utilization, making LED backlights another one of our major profit engines.

Net sales of measuring components increased 8.0% over the previous quarter to 2.7 billion yen and pushed profits up.

# Net Income

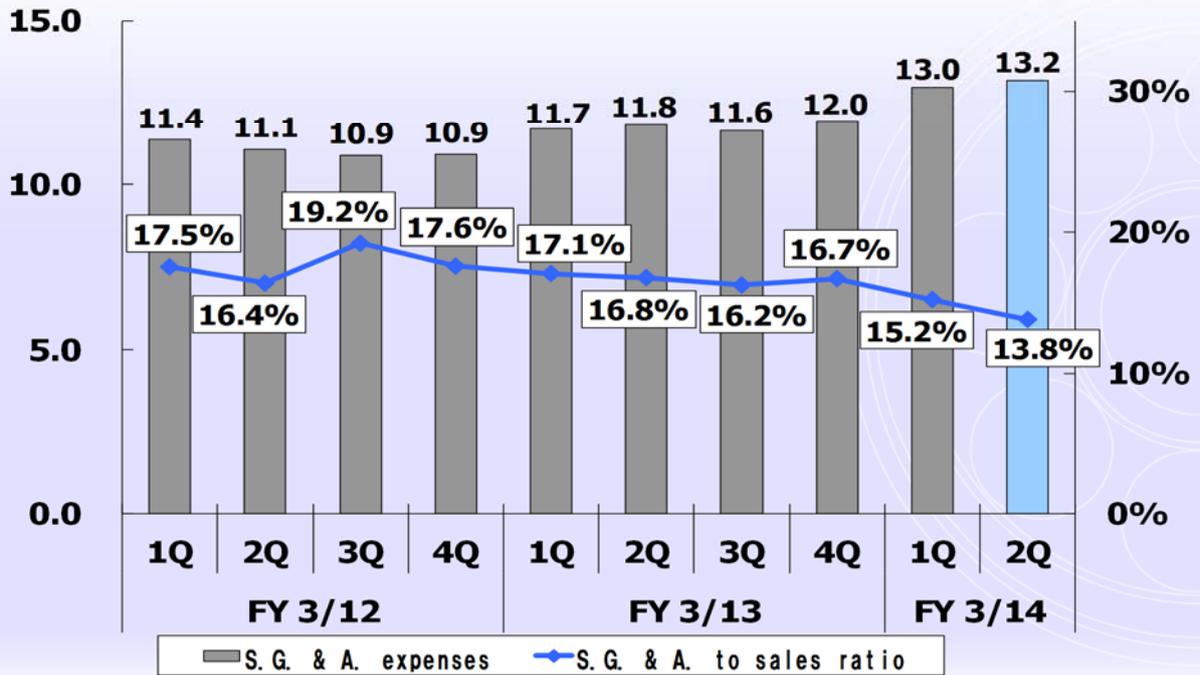


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Net income for the second quarter was 3.0 times that of the last year and 2.1 times that of the previous quarter to total 5.9 billion yen, with net income per share reaching 15.9 yen.

As an extraordinary loss, we had a 1 billion yen impairment loss of fan motor's excess production capacity in order to trim fixed costs as a part of motor business restructuring. In addition, we had a 0.1 billion yen business restructuring loss related to shutdown of a keyboard's membrane factory in Shanghai.

(Billions of yen)

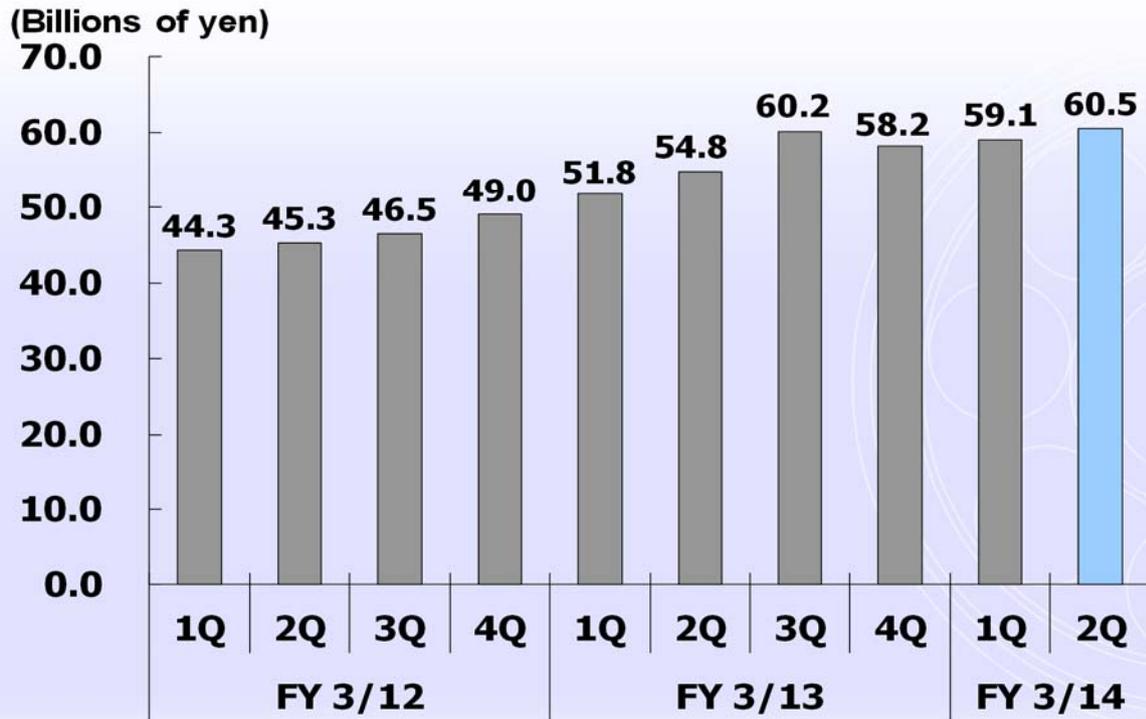


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As sales increased, second quarter SG&A expenses rose 0.2 billion yen over what they were in the previous quarter to total 13.2 billion yen. The SG&A expenses-to-sales ratio, however, dropped 1.4 percentage points to 13.8% due to cost cutting efforts.

# Inventories



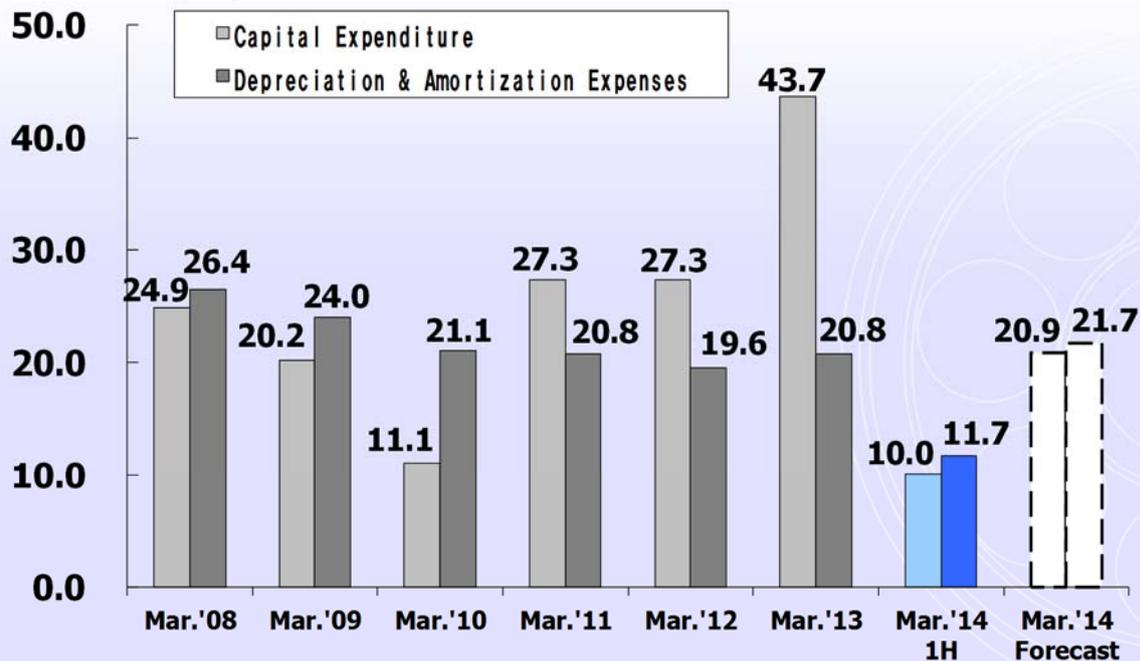
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Due to rising sales, inventory increased 1.4 billion yen compared to the previous quarter.

# Capital Expenditure & Depreciation

(Billions of yen)



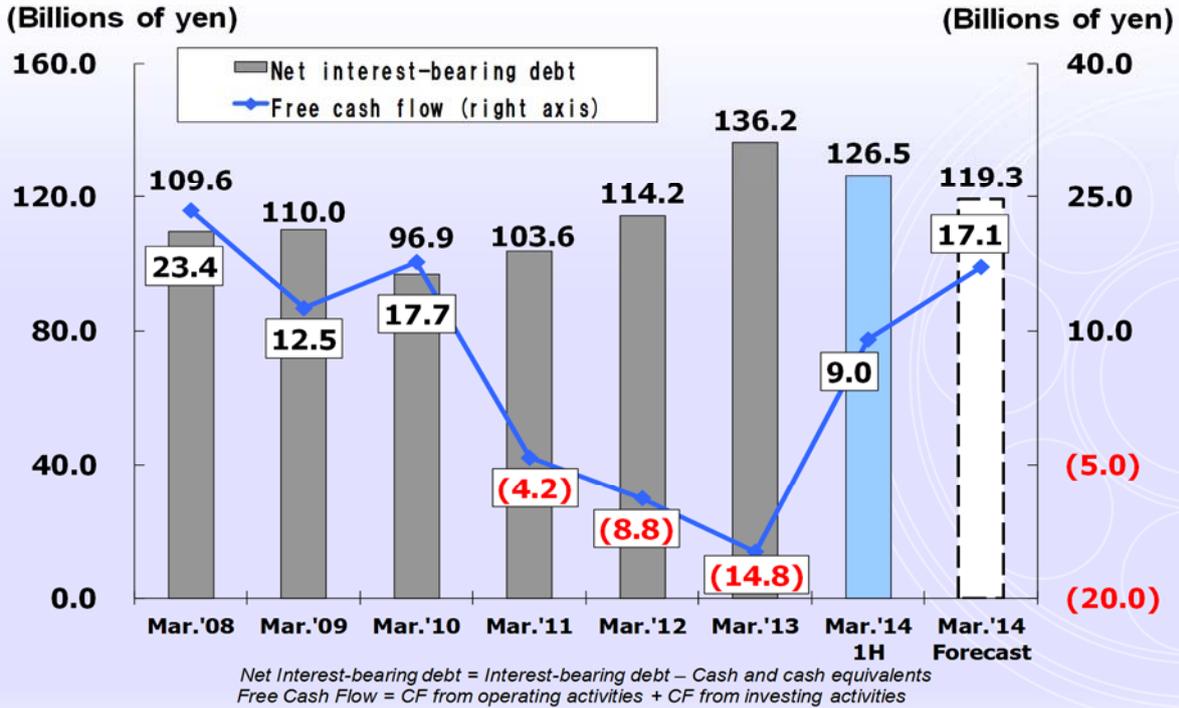
\*From FY 3/09, due to change in lease accounting, assets of finance leases are included.

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Capital expenditures for the fiscal first half were 10.0 billion yen while depreciation and amortization expenses for the period totaled 11.7 billion yen. We are curbing capital spending as much as possible this fiscal year and trying to improve our financial position since we have already aggressively expanded capacity in growth areas over the last three years. This fiscal year we plan to spend 20.9 billion yen to keep expenditures below depreciation and amortization expenses.

# Net Interest-Bearing Debt



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Net interest-bearing debts, which are interest-bearing debts minus cash and cash equivalents, totaled 126.5 billion yen at the end of the second quarter. That's down 9.7 billion yen from the end of the previous fiscal year. Free cash flow for this fiscal year is expected to total 17.1 billion yen due to soaring profits. We also plan to cut net interest-bearing debts by utilizing the improved cash flow from reduced investments, etc.

## Forecast for Fiscal Year Ending March 31, 2014



Full year forecast revised upward again after strong 1H  
Sales and net income are expected to reach record highs

(Millions of yen)	FY ended Mar. '13	Fiscal Year ending Mar. '14					
		Full Year	1H	2H Revised Forecast	Full Year Revised Forecast	YoY	2H Initial Forecast
Net sales	282,409	180,799	179,201	360,000	+27.5%	164,500	343,000
Operating income	10,169	13,003	13,997	27,000	X 2.7	9,200	19,200
Ordinary income	7,673	11,751	12,749	24,500	X 3.2	7,900	16,700
Net income	1,804	8,772	8,228	17,000	X 9.4	4,700	11,200
Net income per share (yen)	4.83	23.52	22.04	45.56	X 9.4	12.58	30.04

Foreign exchange rates	Mar. '13 Full year	1H	2H Revised Assumption	Full Year Revised Assumption	2H Initial Assumption	Full Year July Assumption
US\$	¥82.33	¥98.03	¥100.00	¥99.02	¥90.00	¥94.43
Euro	¥106.48	¥128.29	¥130.00	¥129.15	¥120.00	¥124.24
Thai Baht	¥2.67	¥3.21	¥3.20	¥3.21	¥3.00	¥3.13
Chinese RMB	¥13.08	¥15.93	¥16.20	¥16.07	¥14.40	¥15.21

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When we announced our first quarter results this past July, we made an upward revision to the first half forecast. Since we have surpassed that target in the second quarter and the business is moving squarely on track we have decided to make another upward revision to the forecast for the second fiscal half.

We expect to see significant gains this fiscal year as the robust performance of our main products that we experienced in the first half continues, including growing external shipments of ball bearings, rapidly increasing LED backlight sales, and better profitability in our motor businesses.

Sales and net income are expected to surpass past record high levels of 334.4 billion yen and 16.3 billion yen, respectively, made in the fiscal year ended March 2008.

## Forecast for Business Segment

(Millions of yen)	FY ended Mar. '13	FY ending Mar. '14					
	Full Year	1H	2H Revised Forecast	Full Year Revised Forecast	YoY	2H Initial Forecast	Full Year July Forecast
Net sales	282,409	180,799	179,201	360,000	+27.5%	164,500	343,000
Machined components	113,573	68,690	66,710	135,400	+19.2%	62,100	130,100
Electronic devices and components	167,911	111,628	111,972	223,600	+33.2%	102,000	212,000
Other	924	480	520	1,000	+8.2%	400	900
Operating income	10,169	13,003	13,997	27,000	X 2.7	9,200	19,200
Machined components	25,459	15,427	15,373	30,800	+21.0%	12,600	27,400
Electronic devices and components	-2,452	3,093	4,007	7,100	N.M.	1,840	3,000
Other	167	402	598	1,000	X 6.0	160	200
Adjustment	-13,004	-5,919	-5,981	-11,900	-8.5%	-5,400	-11,400

\* The segment results by new business segment for the fiscal year ended March 2013 are unaudited.

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This slide shows the revised business segment forecasts.

# Policy and Strategy

**November 1, 2013**

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

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Now let's move on to policy and strategy.

## Forecast revised upward

(Millions of yen)	Initial Forecast		July Revised Forecast		New Forecast	
	1 Half	Full Year	1 Half	Full Year	1 H Results	Full Year
Net sales	155,500	320,000	178,500	343,000	<b>180,799</b>	<b>360,000</b>
Operating income	6,800	16,000	10,000	19,200	<b>13,003</b>	<b>27,000</b>
Ordinary income	5,600	13,500	8,800	16,700	<b>11,751</b>	<b>24,500</b>
Net income	3,800	8,500	6,500	11,200	<b>8,772</b>	<b>17,000</b>
Exchange rates	1 Half	Full Year	1 Half	Full Year	1 H Results	Full Year
US\$	¥90.00	¥90.00	¥98.86	¥94.43	¥98.03	¥99.02
Euro	¥120.00	¥120.00	¥128.48	¥124.24	¥128.29	¥129.15
Thai Baht	¥3.00	¥3.00	¥3.25	¥3.13	¥3.21	¥3.21
Chinese RMB	¥14.40	¥14.40	¥16.02	¥15.21	¥15.93	¥16.07

**Q2 operating income hits record high on a quarterly basis!**

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We made an upward revision to our forecast for this fiscal year once again as shown here. Despite criticism from our investors we went ahead and did what we thought had to be done and I'm now happy to say that our efforts have paid off.

**Improving production efficiency  
and cutting production costs  
by boosting vertical and horizontal strength**

**Aggressive investment results**

- **New ball bearing plant (Thailand:Bang Pa-in)**
- **New aircraft part plants (Japan:Karuizawa,Thailand:Lop Buri)**
- **New LED backlight plants (China:Suzhou,Thailand:Lop Buri)**
- **Cambodian plant**

**Numerous successes from structural reform**

**<Discontinued operations>**

- **Keyboards**
- **Coreless vibration motors**
- **Speakers**

**<Structural reform>**

- **Various structural reforms in motors**
- **Dissolved information motor joint venture, etc.**

The factors driving the upward revision include our all-out effort to improve productivity and cut production costs by leveraging our vertical and horizontal strengths as well as aggressive investments. These investments include construction of a new ball bearing plant, additional aircraft part plants in Karuizawa and Thailand, new LED backlight plants in Suzhou and Lop Buri, and a new Cambodian plant. Although it will take a while before we see a full return on these huge investments, they have already started to pay off. As part of restructuring we withdrew from the keyboard business, whose employees have been reassigned to the backlight business operations. If we hadn't pulled out of the keyboard market, we never would have seen sales rise this fiscal half and today backlight sales of one hundred billion yen are within our grasp. In light of the shrinking demand in the PC market, it looks like we bowed out of the keyboard business just in time, leaving us in a good position to take the next step forward. We also withdrew from the coreless vibration motor business since there was little hope of it generating any synergy.

## Drastic Changes in the Market

(Second half of FY 3/2013)

### Political and economic changes

- Sharp drop in sales of Japanese products to China
  - Yen significantly weakening against the dollar (driving sales up)
  - Sharper depreciation of the yen against other Asian currencies (driving production costs up)
- Sales ↑ Profits →

### Global stagnation is leveling off

- Prolonged European financial crisis and slowdown in the growth of emerging markets like China
- US and Japan, though considered mature markets, are propping up the global economy with their economic upswing.

## Forecast revised upward -Drastic Upturn in the Market-

(Second half of FY 3/2013)

### Political and economic changes

- Sharp drop in sales of Japanese products to China
- Yen significantly weakening against the dollar (driving sales up)  
Sharper depreciation of the yen against other Asian currencies (driving production costs up)  
Sales ↑ Profits →

### Global stagnation is leveling off

- Prolonged European financial crisis and slowdown in the growth of emerging markets like China
- US and Japan, though considered mature markets, are propping up the global economy with their economic upswing.

## Full recovery from the Thai Floods

(First half of FY 3/2014)

### Political and economic situation

- **Recovery** in sales of Japanese products to China
- **Currencies of emerging economies hardening against the US dollar** due to expected tapering of US monetary easing policy
- **Yen staying weak**  
Sales ↑ Profits ↑

### Global economy is back to before 2008 Financial Crisis

- **European economy bottoming out**  
**Chinese consumer market on a growth track**
- **US and Japanese economies shifting to growth phase**
- **Global economy shifting from "stormy" to "rainy"**

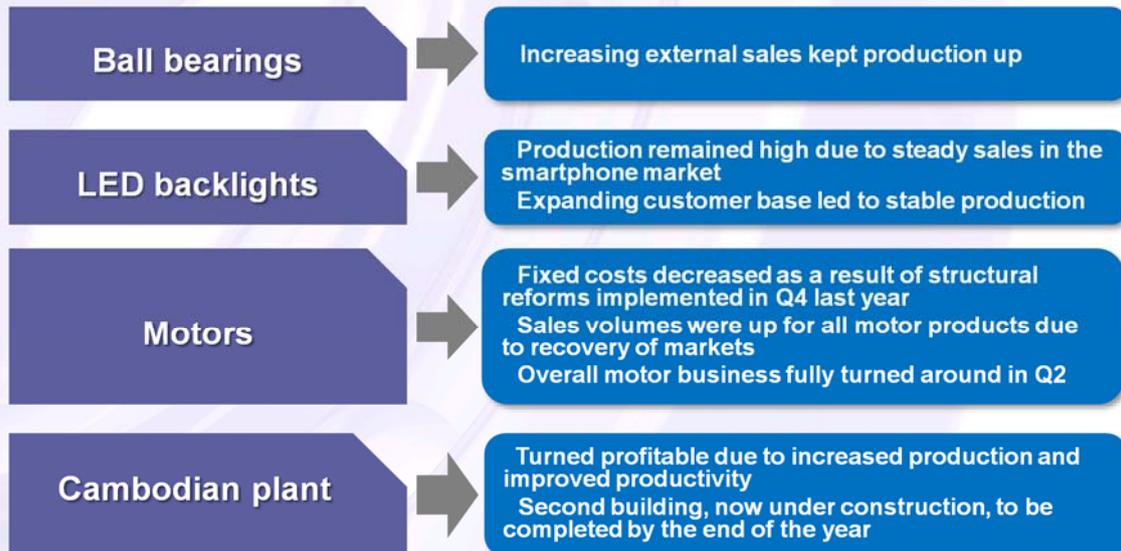
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Another important factor is the economy which has taken an upward turn over the last six months. The Japan Center for Economic Research's World Business Climate Index shows the global economy was "stormy" up until May of this year but shifted to "rainy" in June. Looking at the economic climate in China, we see that the storm is subsiding there as well and it is now just cloudy or drizzly. We at Minebea feel that, as far as our consumer markets are concerned, the economy has bounced back from the impact of the Lehman crisis. Our monthly external bearing shipment volume hit 143 million units. While annual sales of new cars in the U.S. fell from 16 million units to 10 million units after Lehman crisis, sales shot back up to 15 million units this year. The word is that world stock market values are back to where they were six years ago as well. As we look closely into the current situation, we expect that the economy will return to pre-Lehman crisis levels and consumer markets will regain momentum mainly in emerging economies. Although there are some concerns over China's slowing economy, when we look at the Chinese market, demand for high-end parts is increasing every year. Now let's consider the outlook for our operations against this backdrop.

## Remarkable turnaround in the first half

**Q2 operating income hits record high on a quarterly basis!**  
**Overall operations continued to grow**



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Let's take a look at these four areas.

Our ball bearing business is doing very well. I mentioned earlier that external shipment volume reached 143 million units in September. Sales remained robust in October as well. Although production was halted throughout China for a full week in October for the country's National Day celebrations, sales for the month were actually comparable to or higher than what they were for September.

Our share of the global market for thin LED backlights used for high-end smartphone models reached 70%.

It's no longer just a few existing major manufacturers that are focusing on high-end smartphone models. Chinese manufacturers have jumped on the bandwagon and are fueling demand for high-end parts. That's why Japanese smartphone parts makers are enjoying a booming business.

While demand dropped off for our motor business last fiscal year, we were able to bring performance up via a number of measures that we implemented.

It's been a year and a half since the Cambodian plant opened and the plant is now producing LED backlights, hybrid components, and motors. Operations at the plant finally made profits in July.

## The Five Arrows

### **Increase external sales of ball bearings to 150 mil units**

Attempt to reach a point of accomplishing external monthly average sales of ball bearings at 150 million units per month at an earliest possible date.

### **Develop new EMS products and expand their sales**

Strive to develop new EMS products · EMS components through coordination with TRDC (Tokyo Research & Development Center) network and expand their sales with the aim of further accelerating our "Electro Mechanics Solutions" strategy.

### **Develop lighting device products and associated parts and components as well as boost their sales**

Establish foundations for the development of such lighting device products as street lights and associated parts and components being developed by the Electric Device Division and Technology Development Department and set up manufacturing and sales systems for such products at an early stage.

### **Increase the sales of the Measuring Devices BU to 20 billion yen**

With a view to recognizing the strategic role of measuring components as a sensor, expand the sales of the measuring component-related products to about 20 billion yen as soon as we can.

### **Boost the sales of the aircraft components business and improve the profitability of such business segments**

Increase the sales of the aircraft components business such as rod end bearings centering on NHBB by taking advantage of its global presence in the industry, thereby striving to achieve substantial improvement in sales and profitability through maximizing synergetic effects.

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The measures we have implemented and aggressive investments we have made over the years are now paying off. Assuming that the global economy will stay on track, we are now at a point where we have to develop a growth strategy that looks two years ahead. We recently made a company-wide announcement of our strategy dubbed the "Five Arrows," which is incidentally in no way related to the Japanese government's three arrow strategy.

The first arrow concerns ball bearings. Back in January, we set a monthly external shipment target of 150 million units. In fact, some of our employees doubted we could make this target given the tough market conditions at the time, but external shipment has already hit 143 million units a month. Rising living standards in emerging economies, etc., will buoy the demand for ball bearings. Demand for products like air conditioners, vacuum cleaners, ATMs, etc. will grow as the emerging economies of Southeast Asia, India, and China grow richer. Continually on the lookout and ready to seize the opportunity wherever consumer demand is on the rise, we set our average monthly external shipment target at 150 million units. Since average monthly sales reached a little over 130 million units this year, we will work to boost sales by 20 million units on average. Right now shipment of ball bearings used for HDD pivot assemblies, which account for the bulk of internal shipment, are steady. However the HDD market is at risk of gradually shrinking, so we will continue to focus on increasing external shipment of ball bearings to hedge future risks.

The second arrow is related to hybrid components. We opened the Tokyo Research & Development Center (TRDC) with an eye to developing and marketing hybrid components.

When I took the company reins as president, Minebea already had an extensive array of technologies at its disposal. Working to provide customers with solutions that combine these technologies, we trademarked Electro Mechanics Solutions® in Japan. We look forward to working harder than ever to bring these solutions to the market.

The third arrow concerns LED lighting devices. The light that's shining above my head has motors inside that make it move or swivel sideways. It's these kinds of LED lighting devices that we will be focusing on from now on.

One of the products of our measuring component business is load cells. These are strain gauges that electronically measure strain and weight. Annual sales for these devices are currently around 10 billion yen, but we plan to double that figure. We are on the cusp of a new era in sensor technology. This is the technology to watch out for in the future.

I have also taken on the challenge of bringing sales and profits for our aircraft components business up higher. Currently our offices in Karuizawa, Thailand, the U.K. and the U.S. operate independently, but I intend to use the reins I've been handed to maximize the synergy among them.

Over the next two to three years I intend to drive home the points of the Five Arrows with every Minebea employee across the globe as we work to implement the investment strategies to make them fly.

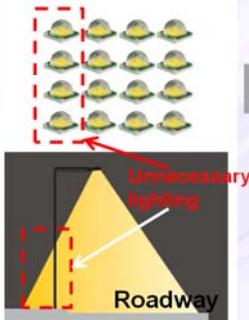
## Boost sales of newly developed LED lighting devices and parts

Special lenses that control light distribution

Energy efficiency = Up approx. 30%

**Conventional street light**

Can be eliminated



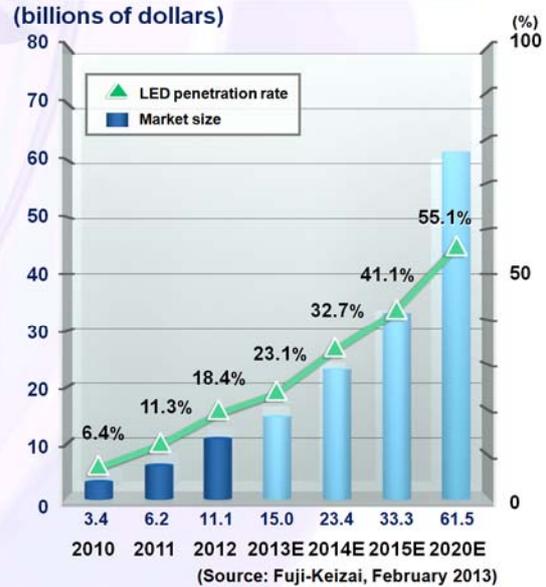
**Smart street light**

**Microprism control**

- Doesn't illuminate sidewalks or houses
- Effectively illuminates roadway (Uses fewer LEDs)



### LED Lighting Market Forecast (Global)



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Our light guide plate technology gives us an advantage in the LED backlight industry. Designed to effectively diffuse the light emitted from LEDs, they are used in products like smartphones. We plan to take this technology and apply it to street lights as well. Conventional street lamps illuminate everything, including houses, but all they really need to light is the roadway and sidewalk. We are leveraging our light guide plate technology to create products that will really shed new light on this market. Our light guide plate has already gotten high marks from customers who can now eliminate excessive illumination and cut costs. This technology can also be applied to interior lights. One department store I visited in the U.S. uses a number of LED ceiling downlights. Although these lights offer wonderful illumination, their angles need to be adjusted manually. This is a shining example of the kind of market opportunities I'm looking for. Tunnel lighting is another possible area of application. Conventional tunnel lighting shines light in every direction, including directly at oncoming drivers. If the light could be oriented only in the same direction as the traffic flow, it would not only make tunnel interiors much brighter but also reduce the burden on drivers.

# Measuring Components

Highlight their sensor function over their traditional function as mere gauges  
 ➔ Large potential for expanding applications

## Care bed

### Occupancy monitoring

Detects whether a person is in bed

### Bedsore prevention

Measures load distribution and automatically turns the patient's body

■ Automatic posture change: approx. 1 hour/cycle



For low to medium risk patients



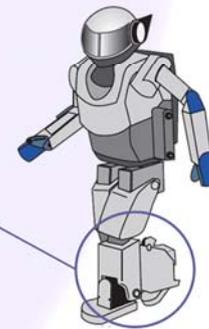
## Robot

### Walking/posture controls for robots

- 6-axis force sensors provide optimal foot-force distribution = Measure balance (biped walking)
- Must be more compact, durable, and overload resistant



6-axis force sensor



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Another area that holds huge potential is measuring components. So far we have been focusing on their function as mere gauges, like those used for scales, etc. Now we are taking the push approach to marketing rather than the pull approach. There's this product called TrackPoint, which is a red button located in the center of a keyboard that lets you control the cursor. In response to a request from one of our customers, we developed a product based on force sensor technology. The customer came up with the idea for the product and we took it from there. This is a typical pull approach. On the other hand, as push approach, our measuring components when incorporated into a bed can be used to keep track of how frequently a person turns his/her body while lying down. The data can be sent to a smartphone via a wireless network. We have the exact technology it takes to build this kind of product. The care beds and robots, shown here in this presentation, are just two examples. We are currently working on research and development to find more applications where our measuring components can make a difference. We believe highlighting their sensor function over their traditional function as mere gauges will enable us to realize the full potential of our measuring components.

## Growth drivers for the next year leading to the Five Arrows

<b>(1) LED backlights</b>	<b>Up 20 billion yen in sales</b>
<b>(2) Hybrid components</b>	<b>Up 10 billion yen</b>
<b>(3) Aircraft parts</b>	<b>Up 3 billion yen</b>
<b>(4) Bearing units for turbochargers</b>	<b>Up 1 billion yen</b>

**400 billion yen in sales within reach next year**

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The areas I have described so far will be our growth drivers two to three years from now. Now I would like to talk about next year, before our five arrows reach their targets.

We will increase LED backlight sales by 20 billion yen next year. We project this year's sales figure to total 60 billion yen. While sales usually dip from now on due to seasonal factors, we haven't seen any drop at all this year. That's why we expect third quarter sales to remain strong. Since we are getting a lot of inquiries, we intend to make capital investments to boost production capacity. We are now working to increase next year's sales by 20 to 80 billion yen, but unofficially we've set our sights on an even higher sales target. As smartphones become thinner, battery requirements are becoming more complex. While it's not so easy to make thinner smartphones, our light guide plates make thinner displays possible. Known for its ultraprecision machining technology, Minebea has the cutting-edge technology to mass produce light guide plates that are slimmer than 0.3 mm. This technology gives us a tremendous advantage. According to the business unit that actually makes the guide plates, the technology enables us to make it as thin as 0.23 mm. I'm confident that we'll see an increase of 20 billion yen in sales next year.

Although I can't give you any specific details about the new products we have developed, sales of hybrid components are expected to climb 10 billion yen next year. Since the TRDC was established, it has been working on designing, testing, and commercializing products. One such product was launched into the market three months ago. Although the shipment volume is still low, we are getting a lot of inquiries about products like this.

The synergy we've realized in our operations and enhanced production efficiency from working to clear out the large order backlog we now have will bring aircraft parts sales up by about 3 billion yen next year.

The turbocharger bearing unit we have spent several years developing will finally make its market debut at the end of this fiscal year. Designed by our German subsidiary, myonic, the prototype was made and tested at our Karuizawa Plant and will finally be mass produced in Thailand. This myonic's technology gives us a technological leg up over our competitors in the industry.

Due to all these growth engines, 400 billion yen in sales is now well within reach.

Under the targets set in the medium-term business plan we announced in May 7, 2010, we were aiming to achieve 400 billion yen in net sales and 40 billion yen in operating income by March 2013. Unfortunately, we were unable to reach these targets last year due to the floods, the sharp appreciation of the yen, the Senkaku Island issue, etc. As things stand now, it looks like 400 billion yen in net sales will be achievable next fiscal year. We will carefully review our operating income target and give you more details next year.

## Immediate growth driver 1

### Sharp increase of LED backlight sales

#### Growing demand for smartphones

- Smartphone global penetration is said to grow from 1.5 billion units to 4.3 billion units in 2017.
- Our sales increased each month in 1H and expected to be high in 2H

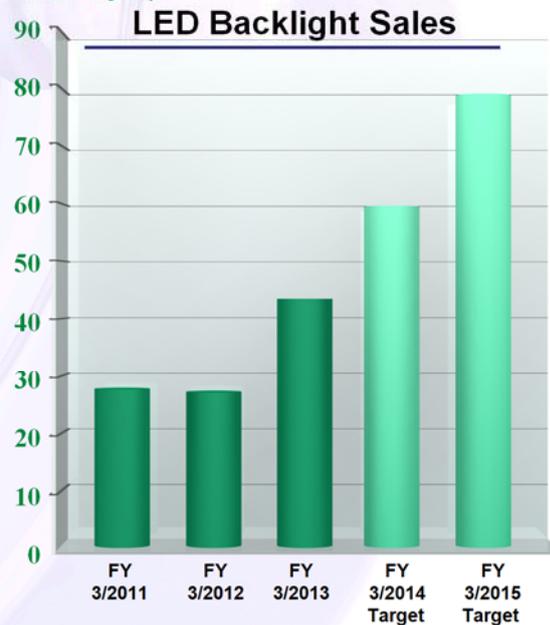
#### Bolster profitability and competitive edge

- Work on making light guide plates thinner  
→ Maintain overwhelming advantage
- In order to further strengthen profitability
  1. Expand customer base with an eye to balanced production
  2. Leverage alliance with KJ Pretech
  3. Cut labor costs via semi-automated machines and increased production in Cambodia

#### Boost production capacity as market share increases

Increase production capacity 1.5-fold next year, with expansion of the Cambodian Plant and the new Xicen Plant

(billions of yen)



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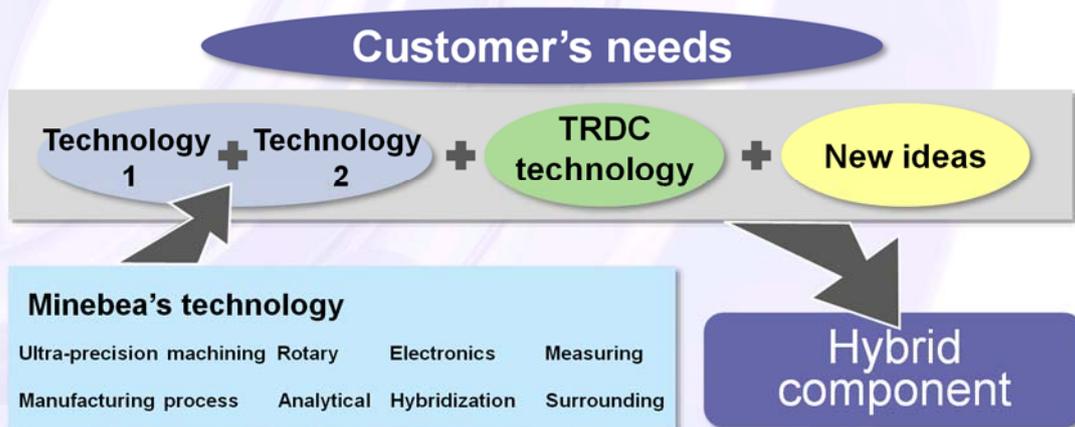
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We also plan to invest in one of our main growth drivers, the LED backlights business. The second factory building at our Cambodian Plant will be up and running in December. The new facility will be dedicated entirely to LED backlight production. In China, we will refit part of the Xicen Plant, which currently produces fan motors, to meet the growing need for LED backlights. We intend to leverage the capabilities of both these plants to boost production capacity. We expect the smartphone market to continue growing next year and bring our sales up further.

### Hybrid component sales to shift to growth phase

#### Accelerate new hybrid component development

New Tokyo Research and Development Center (TRDC) will coordinate combining technologies for customer's needs.



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We will leverage our collective technological capabilities with an eye to developing an even wider range of hybrid components to include lighting devices and more.

## Immediate growth driver 3

### Expand aircraft parts sales

Global aircraft production will continue to increase over the medium term

- In addition to steady production of existing models, mass production and parts procurement to begin for new energy-saving models (A350XWB, A320Neo, B737MAX, etc.)
- Booming LCC industry is fueling bigger orders for aircraft

#### Strengthen production

- Now boosting production capacity of Lop Buri plant in Thailand in light of steady orders and shifting production from plants in Japan, the US, and the UK

### Shipment Volume for Boeing and Airbus Commercial Aircraft



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All signs indicate that aircraft demand will continue to soar into 2020. Our big challenge is figuring out how to get the most out of the synergy we have.

## Bearing units for turbochargers launched

### Pluses: energy-saving, highly heat-resistant

- Began producing energy-saving, highly heat-resistant ball bearing units for turbochargers after they were adopted by major manufacturers
- Aim for 5 billion yen in sales for FY ending 3/2016, including related bearing products

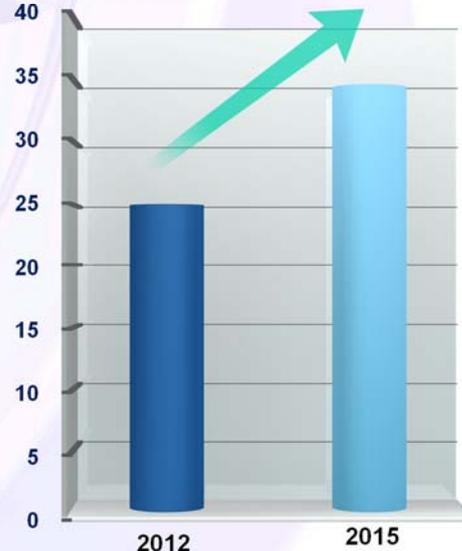


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### Number of New Turbocharger-equipped Cars around the World

(millions of units)

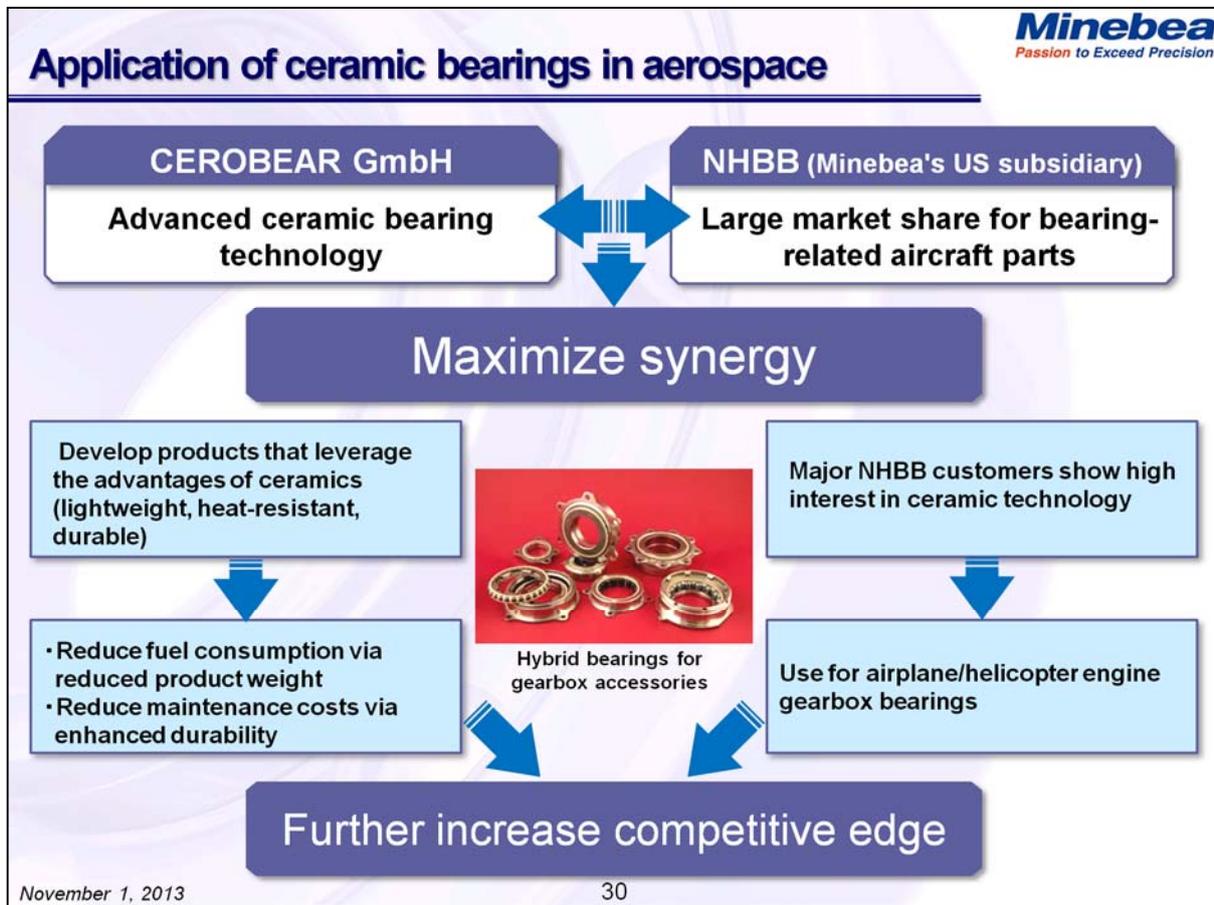


(Forecast by Minebea)

We set the sales target for turbocharger bearing units at 1 billion yen for next year and 5 billion yen for the year after next.

It's believed that the number of new cars equipped with turbocharger will reach 35 million by 2015. Inquiries have been pouring in, especially for European models. Incorporated into a turbocharger, these bearings enhance performance as well as fuel economy and are sure to hit the mark with consumers.

## Application of ceramic bearings in aerospace

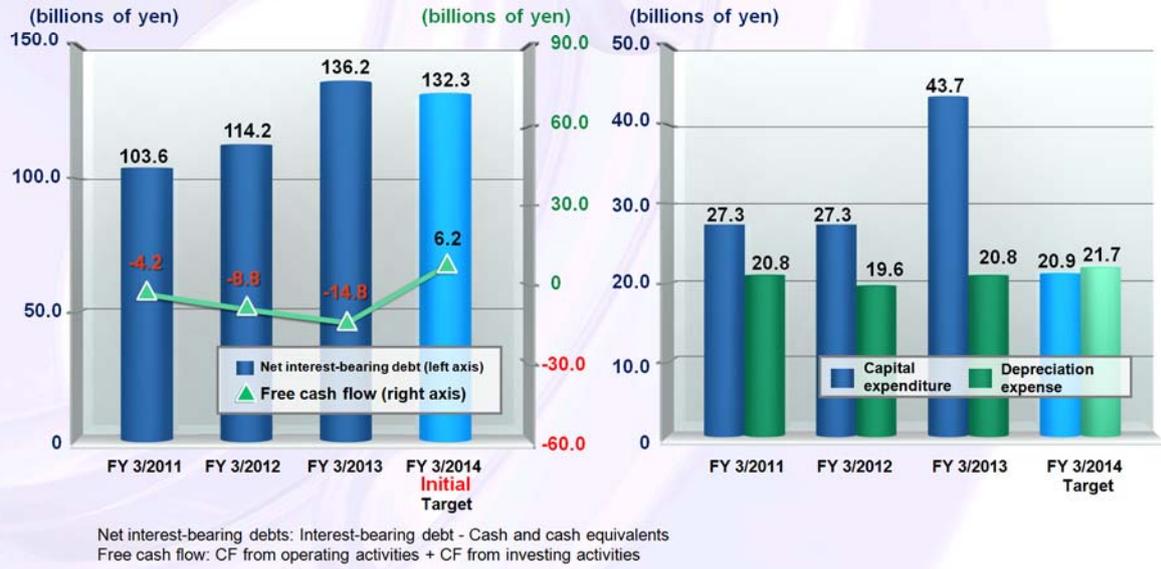


Back in May I said that Minebea would focus on machined components, and since then we have acquired two companies.

One is APB, a manufacturer of bearings for machine tools. Another is CEROBEAR, a ceramic ball bearing manufacturer. We expect these two companies to generate substantial synergy. The future for ceramic bearings looks bright since they are a likely solution for reducing aircraft engine weight and we look forward to working with customers on developing new products. Strengthening the machined components business is our primary focus now.

# Improve balance sheet

Improved cash flow brought net D/E ratio down to 0.85

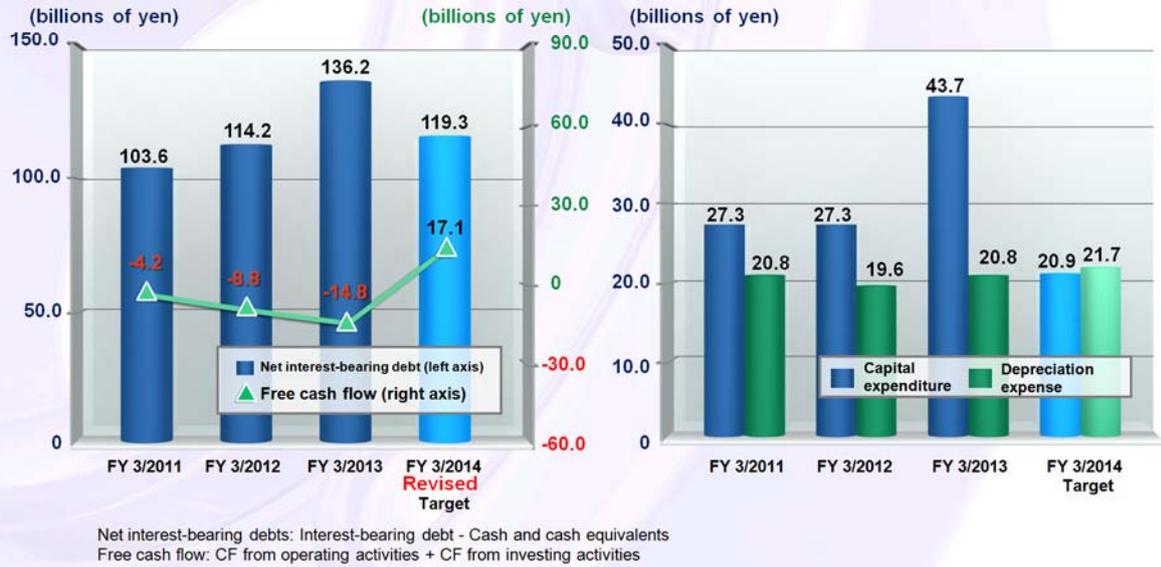


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# Improve balance sheet

Improved cash flow brought net D/E ratio down to 0.85



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Looking at the balance sheet, we see that cash flow has significantly improved. Net D/E ratio has gone down to 0.85. While we will work on reducing debt, we will still be aggressively seeking out good M&A opportunities.

**Given the backdrop of the falling yen,  
think twice about large M&A deals**

**Give priority to boosting machined  
components via medium and small M&As**

- **Strengthen various alliances in machined components business**
- **Leverage M&As and alliances in other business areas to strengthen their operations**

We had been considering major M&A deals when the yen was strong. Unfortunately we missed our window of opportunity and the yen slid, which is something I have been kicking myself over for the last four years. We will be sure to keep an eye out for promising M&A opportunities as we move forward.

### Dividend

FY 3/2014 interim dividend: **3** yen/share

FY 3/2014 year-end dividend  
forecast: **4** yen/share  
Total **7** yen/share

### Dividend policy

Our basic dividend policy gives priority to enhancing equity efficiency and improving returns to our shareholders, with dividends reflecting performance in light of the overall business environment while maintaining a stable and continuous distribution of profits.

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For now dividends are as shown here, but we believe it's only natural that we should give back to our shareholders when our profitability gets better in the future. We promise to do the best we can to meet our commitment to our shareholders under the given circumstances.

# Minebea Co., Ltd.

## Business Results

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

Any statements in this presentation which are not historical are future projections based on certain assumptions and executive judgments drawn from currently available information.

Please note that actual performance may vary significantly from any particular projection due to various factors.

Factors affecting our actual performance include but are not limited to: (i) changes in economic conditions or demand trends related to Minebea's business operations; (ii) fluctuation of foreign exchange rates or interest rates; and (iii) our ability to continue R&D, manufacturing and marketing in a timely manner in the electronics business sector, where technological innovations are rapid and new products are launched continuously.

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