

# Business Results

## Third Quarter of Fiscal Year Ending March 31, 2014

**February 4, 2014**  
Minebea Co., Ltd.

## Posting record high 9-month-net-sales and net-income

(Millions of yen)	FY ended Mar. '13 1Q-3Q	FY ending Mar. '14 1Q-3Q	Change YoY
Net sales	210,807	277,934	+31.8%
Operating income	10,644	23,316	X 2.2
Ordinary income	9,261	20,121	X 2.2
Net income	4,796	15,880	X 3.3
Net income per share (yen)	12.83	42.56	X 3.3

Foreign exchange rates	1Q-3Q of FY Mar. '13	1Q-3Q of FY Mar. '14
US\$	¥79.75	¥98.54
Euro	¥101.97	¥130.70
Thai Baht	¥2.56	¥3.19
Chinese RMB	¥12.63	¥16.06

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Looking at consolidated business results for the first nine months of the fiscal year ending March 31, we see that net sales increased 31.8% year-on-year to reach 277,934 million yen. Operating income reached 23,316 million yen, which is 2.2 times higher than what it was for the same period last year, while net income reached 15,880 million yen, which is 3.3 times higher than what it was for the same period last year.

Net sales and net income for the first nine months hit a record high, surpassing the previous peak recorded during the same period of the fiscal year ended March 31, 2008, when net sales were 253.4 billion yen and net income was 12.5 billion yen.

Demand of our major products such as ball bearings, rod-ends, HDD pivot assemblies, motors, and LED backlights remains strong.

## Marking record high net sales, operating and net income in 3Q

(Millions of yen)	FY ended Mar. '13	FY ending Mar. '14		Change	
	3Q	2Q	3Q	YoY	QoQ
Net sales	71,705	95,482	97,135	+35.5%	+1.7%
Operating income	2,943	9,465	10,312	X 3.5	+8.9%
Ordinary income	2,319	8,682	8,370	X 3.6	-3.6%
Net income	1,076	5,920	7,107	X 6.6	+20.1%
Net income per share (yen)	2.89	15.86	19.04	X 6.6	+20.1%

Foreign exchange rates	3Q of FY Mar. '13	2Q of FY Mar. '14	3Q of FY Mar. '14
US\$	¥79.79	¥98.34	¥99.56
Euro	¥103.36	¥129.61	¥135.53
Thai Baht	¥2.60	¥3.12	¥3.16
Chinese RMB	¥12.76	¥16.02	¥16.31

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Third quarter net sales for the fiscal year ending March 31, 2014 hit 97,135 million yen, up 35.5% year-on-year and up 1.7% quarter-on-quarter. Operating income was 10,312 million yen, which is 3.5 times higher than it was for the same period last year and up 8.9% over the previous quarter. Net income was 7,107 million yen. That is 6.6 times higher than it was for the same period last year and up 20.1% over the previous quarter.

In the previous quarter, we posted the highest quarterly sales, operating income and ordinary income since we started disclosing quarterly results in the fiscal year ended March 31, 2002. Third quarter sales, operating and net income hit a new record high.

We estimate the foreign exchange gains on sales, mainly due to the weaker Japanese yen, to be approximately 15.9 billion yen on a year-on-year basis and 1.2 billion yen on a quarter-on-quarter basis. Foreign exchange gains also boosted operating income an estimated 3.1 billion yen year-on-year and 0.2 billion yen quarter on quarter.

## Net Sales

Quarterly

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(Billions of yen)

Increased 35.5% YoY  
Increased 1.7% QoQ

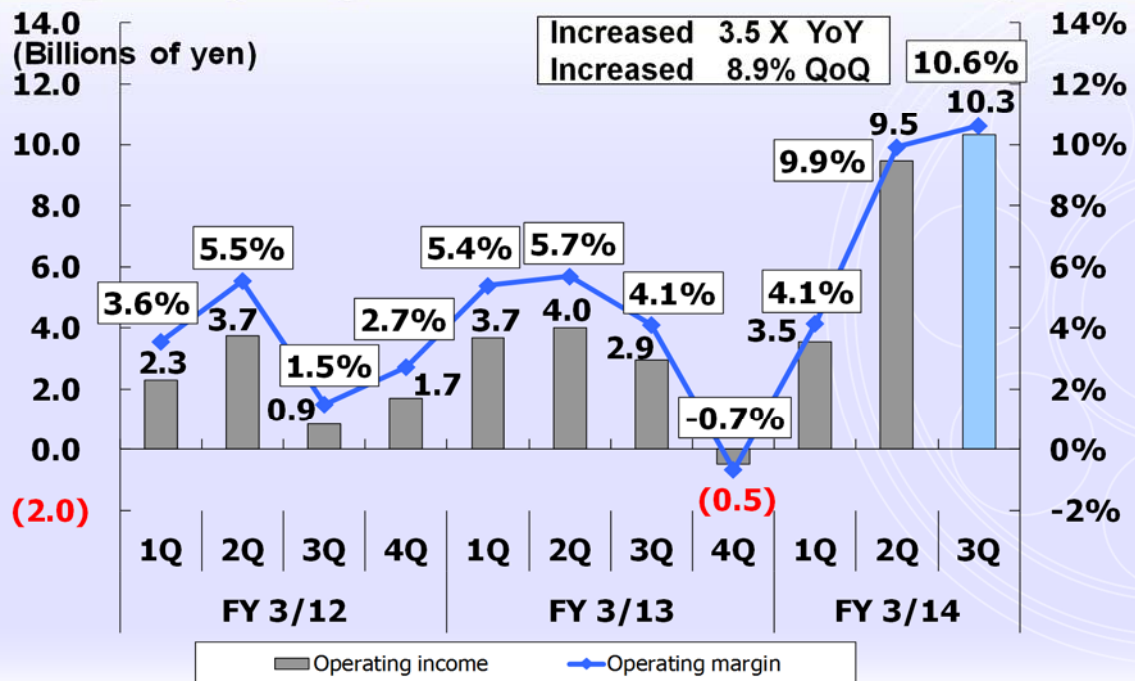


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Third quarter net sales totaled 97.1 billion yen, up 35.5% year-on-year and up 1.7% from the previous quarter. Sales of LED backlights continued to expand while sales of HDD pivot assemblies, OA equipment motors and hybrid components also saw an increase over the previous quarter.

## 3Q operating income topped 10 billion yen and operating margin achieved 10%+, both record highs



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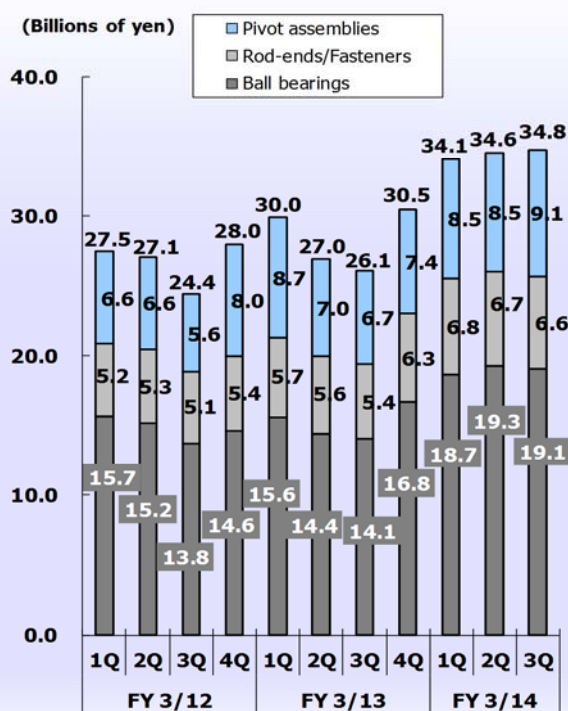
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Operating income for the third quarter surpassed 10 billion yen. This was a quarterly record-high, with operating income totaling 10.3 billion yen, 3.5 times higher than it was for the same period last year and up 8.9% over the previous quarter.

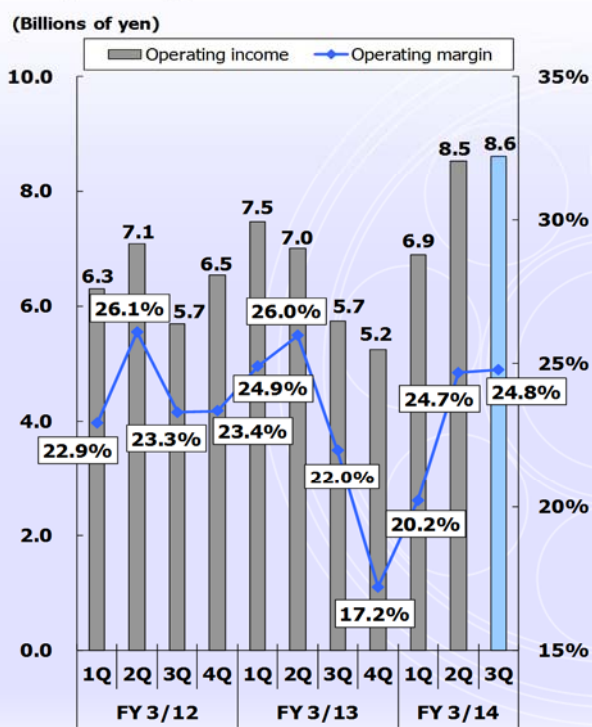
The operating margin for the quarter improved 0.7 percentage points from the previous quarter to hit 10.6%, enabling us to achieve our operating margin target of 10%.

Because of the Christmas and New Year holidays, product demand tends to decline in the December. However, the decline was smaller than we had anticipated in 2013 and we continued to post high earnings.

### Net sales



### Operating income



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Third quarter net sales in the Machined Components business segment totaled 34.8 billion yen, a 0.6% increase from the previous quarter. Operating income was up 24.8% from the previous quarter to total 8.6 billion yen while the operating margin reached 24.8%, up 0.1 percentage points from the previous quarter.

Sales of ball bearings dropped 1.0% from the previous quarter to total 19.1 billion yen. Although external shipment volumes in the third quarter did not match the second quarter, the volume remained consistently high throughout the quarter at above 130 million units per month, including December when the demand usually declines due to the Christmas holiday. Demand for a variety of different applications, including automobiles, home appliances, office automation equipment, and automated teller machines, kept pace throughout the quarter. While demand usually falls off in January and February due to the Chinese New Year, given the current high order level, we expect the monthly external shipment volume to far exceed 130 million in the fourth quarter.

Business performance for our rod-ends and fasteners remained steady in the second quarter due to growing demand from the aircraft sector. While sales dipped 1.5% below what they were in the previous quarter, profits rose quarter-on-quarter. Since the medium-term outlook for aircraft production is bright, we have been increasing production capacity. We expect the facility utilization ratio to gradually rise along with growing demand.

Sales of HDD pivot assemblies rose 7.1% quarter-on-quarter to reach 9.1 billion yen. Higher-than-expected PC demand, triggered by the rush to replace systems as support for Windows XP expires, the recovery of the global economy, as well as strong game equipment sales, are estimated to have pushed third quarter HDD sales slightly above what they were in the second quarter. The rise in sales as well as lower per unit production cost thanks to continuous stable production at high level resulted in increase in earnings.



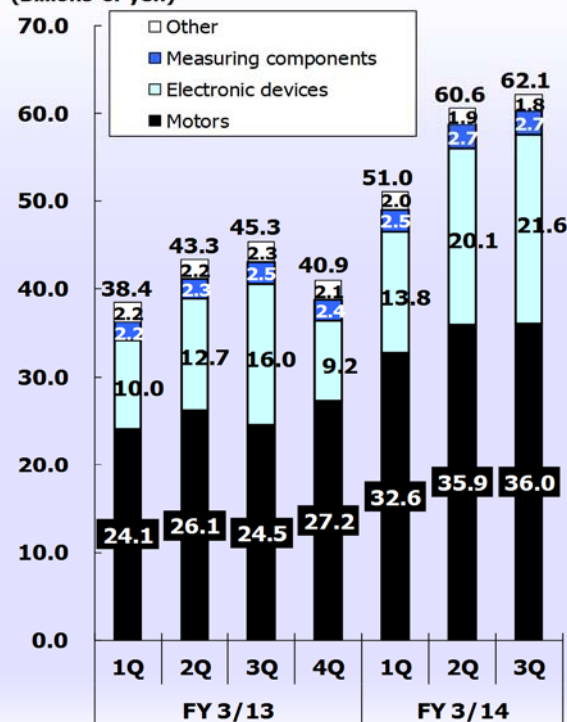
# Electronic Devices & Components Business Quarterly **Minebea**

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## Net sales

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

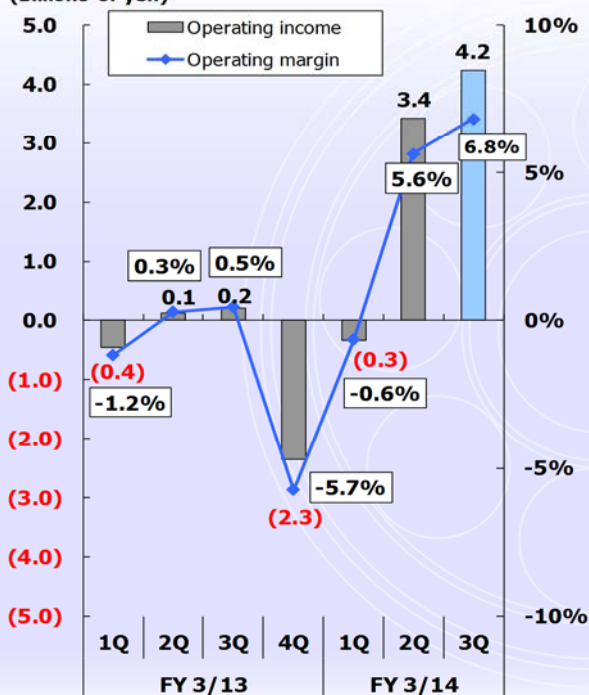
(Billions of yen)



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## Operating income

(Billions of yen)



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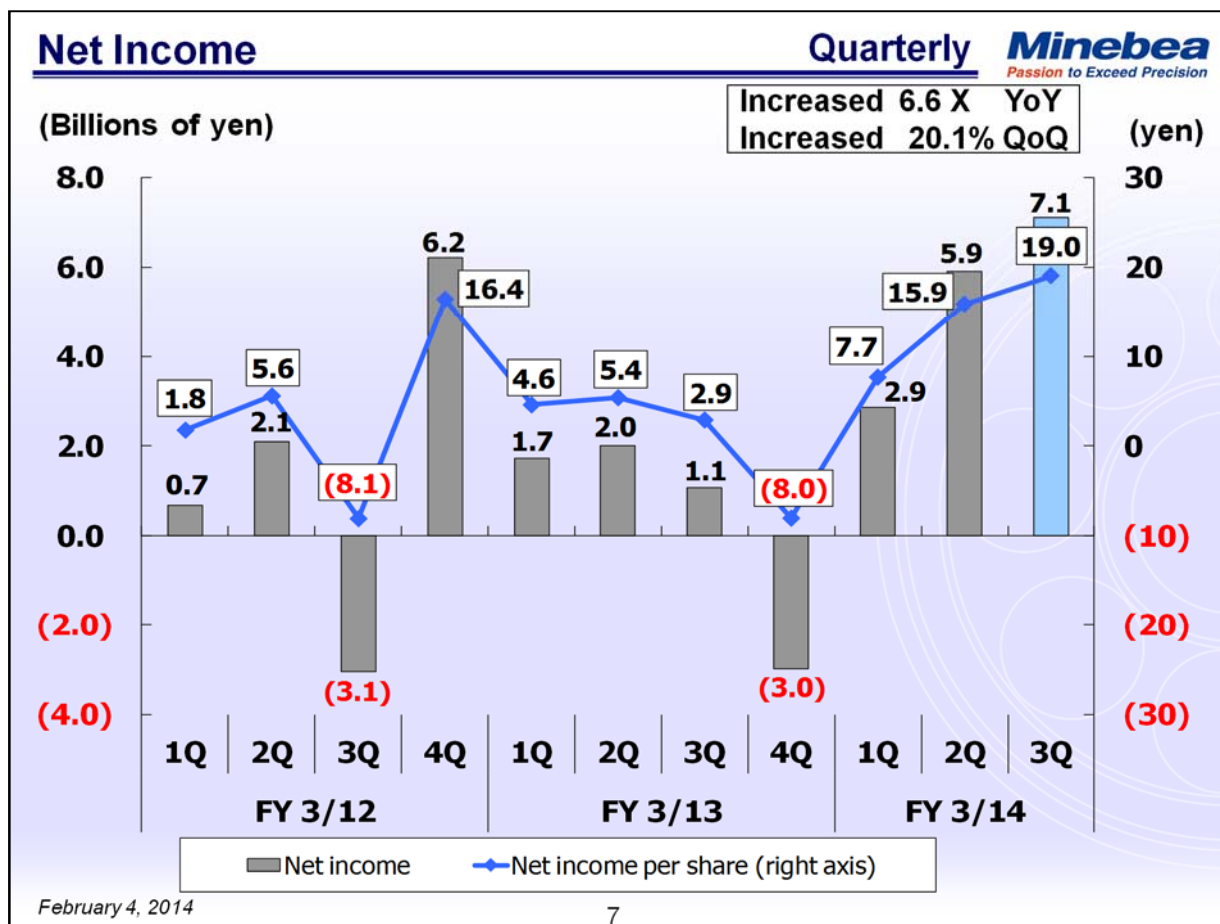
Third quarter net sales for the Electronic Devices and Components business segment totaled 62.1 billion yen, up 2.4% from the previous quarter. Operating income increased 23.8% quarter-on-quarter to hit 4.2 billion, with the operating margin improving by 1.2 percentage points over the previous quarter to reach 6.8%.

After returning to the black in the previous quarter, the motor business continued to improve in the third quarter. Despite flat sales, quarter-on-quarter profits rose. Sales and earnings for OA equipment motors continued to climb.

Sales of electronic devices rose 7.5% over the previous quarter to total 21.6 billion yen.

Sales of LED backlights, which account for almost 90% of all sales, remained strong thanks to the buoyant demand of smartphones. October and November LED backlight sales exceeded our forecast. While sales usually taper off in December, this fiscal year's December decline was less than anticipated. As a result, third quarter LED backlight sales were up over the previous quarter as LED backlights continued to drive profits up. Although demand usually falls off from January to March, we expect the drop is less than the past years as we have expanded the customer base. We will be expanding our production capacity to meet the growing demand in the next fiscal year.

Measuring components profits held steady with flat quarter-on-quarter net sales that hovered at 2.7 billion yen.



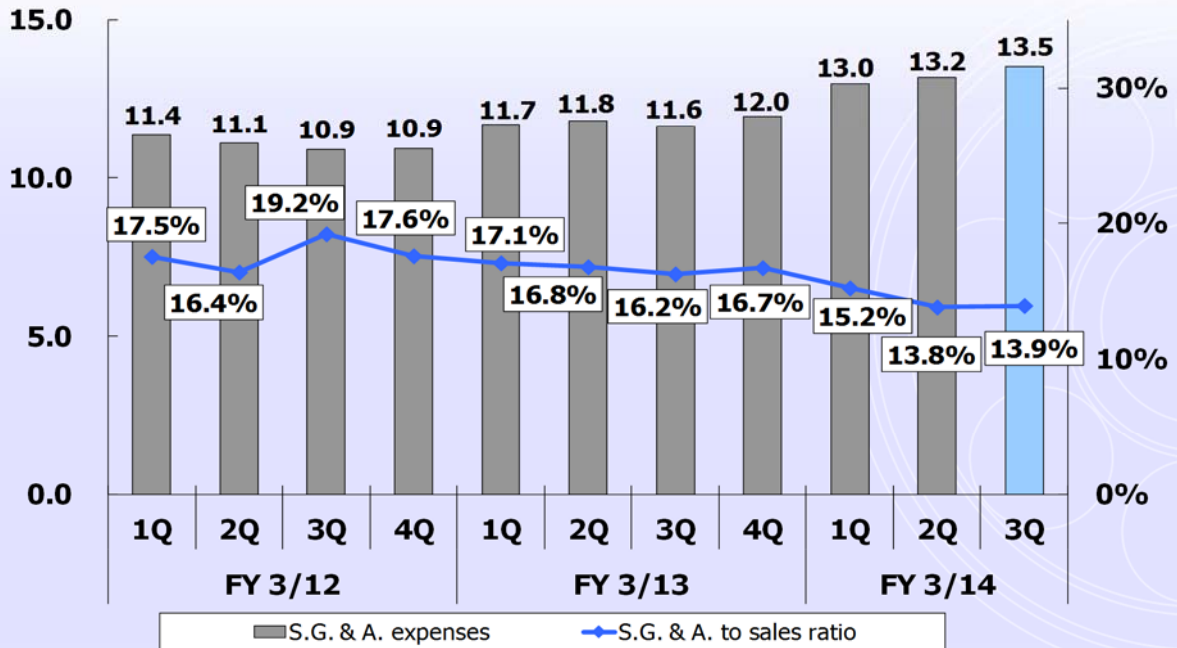
Third quarter net income was 6.6 times higher than what it was during the same period last year and up 20.1% quarter-on-quarter to total 7.1 billion yen. Net income per share reached 19.0 yen.

As part of the restructuring of our South Korean motor subsidiary Moatech, we have excluded Moatech subsidiary, Hysonic, from the consolidated results for this third quarter. According to the Japanese accounting standard, this change resulted in non-operating expenses of 0.8 billion yen due to equity in losses of affiliates and an extraordinary gain of 1.2 billion yen from a gain on sales of shares in affiliates, resulting in a net balance of 0.4 billion yen profit.

The effective tax rate for the third quarter was 25.4% due to the lower corporate tax rate in Thailand as well as the impact from improved earnings overseas where tax rate is lower than that of Japan. As a result, net income growth surpassed operating income growth.



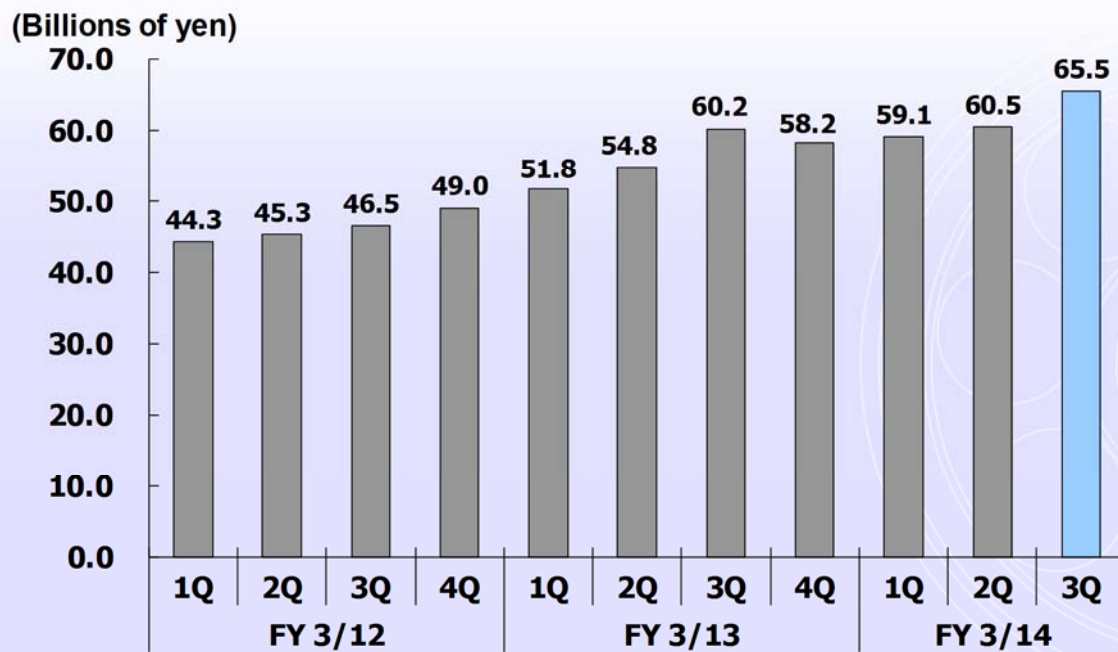
(Billions of yen)



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As sales increased, third quarter SG&A expenses rose 0.3 billion yen over what they were in the previous quarter to total 13.5 billion yen. The SG&A expenses-to-sales ratio saw a minimal increase of 0.1 percentage points to total 13.9%.



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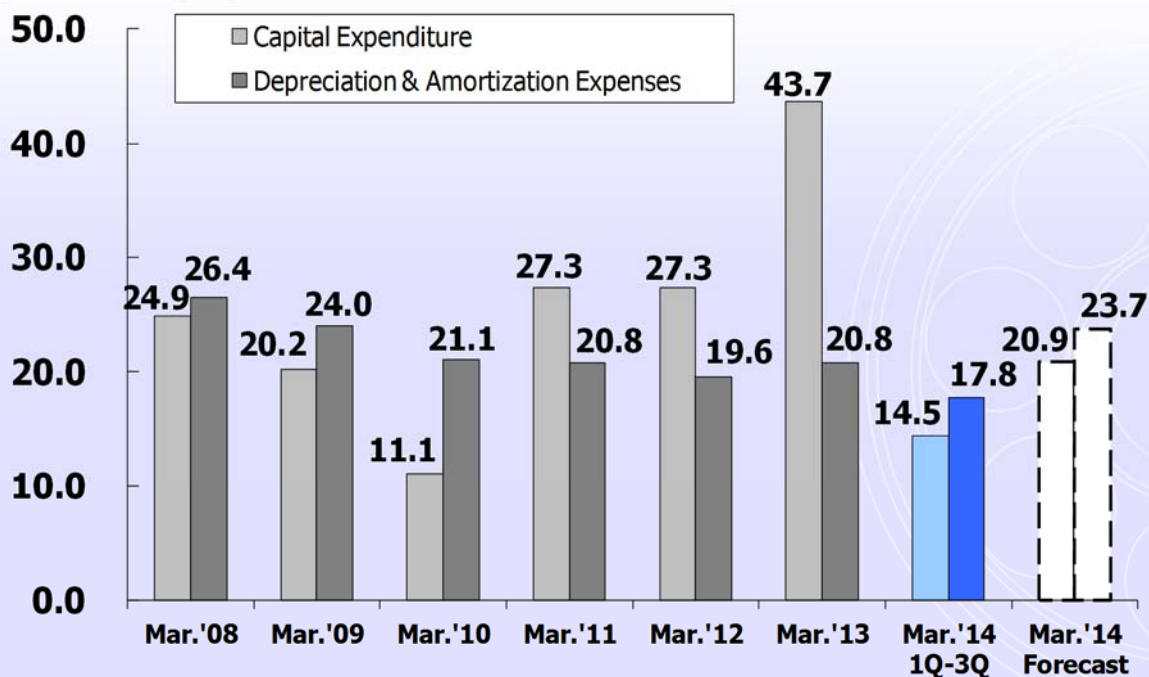
Inventories at the end of the third quarter increased 5.0 billion yen. Excluding the impact of the weaker Japanese yen, amounting to 3.6 billion yen, our inventories actually increased 1.3 billion yen.

## Capital Expenditure & Depreciation

Yearly

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(Billions of yen)



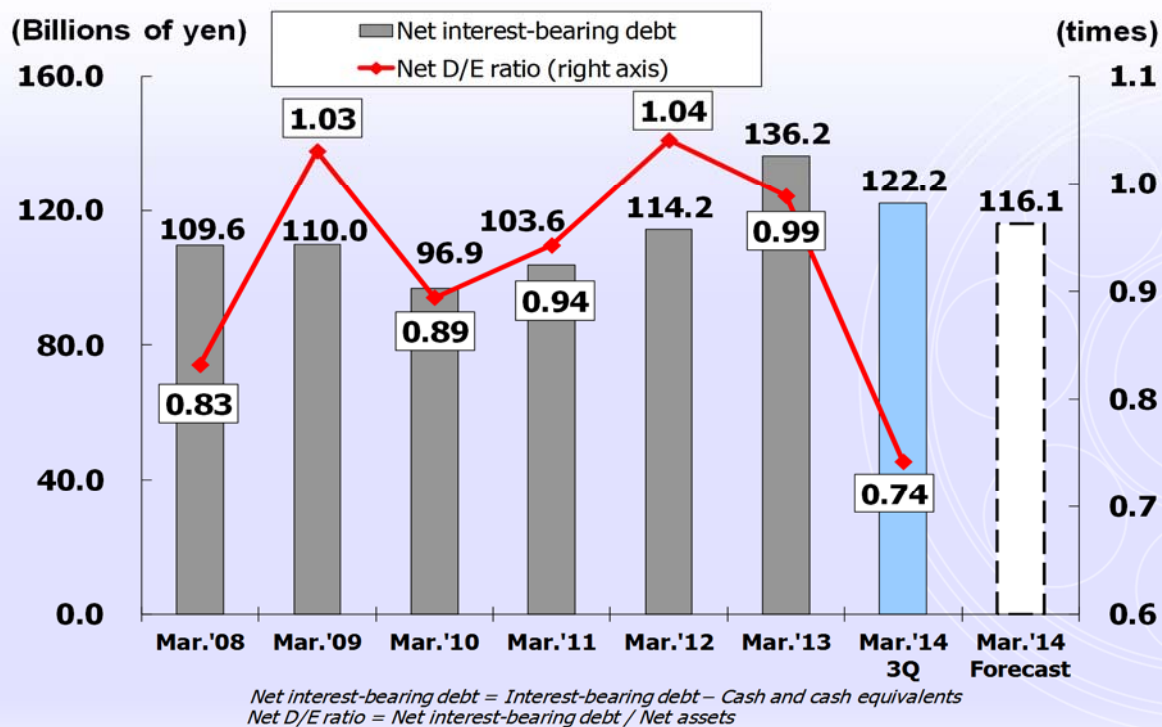
\*From FY 3/09, due to change in lease accounting, assets of finance leases are included.

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Capital expenditures for the first nine month of the fiscal year were 14.5 billion yen while depreciation and amortization expenses for the period totaled 17.8 billion yen. We are curbing capital spending 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 & Net D/E ratio Yearly

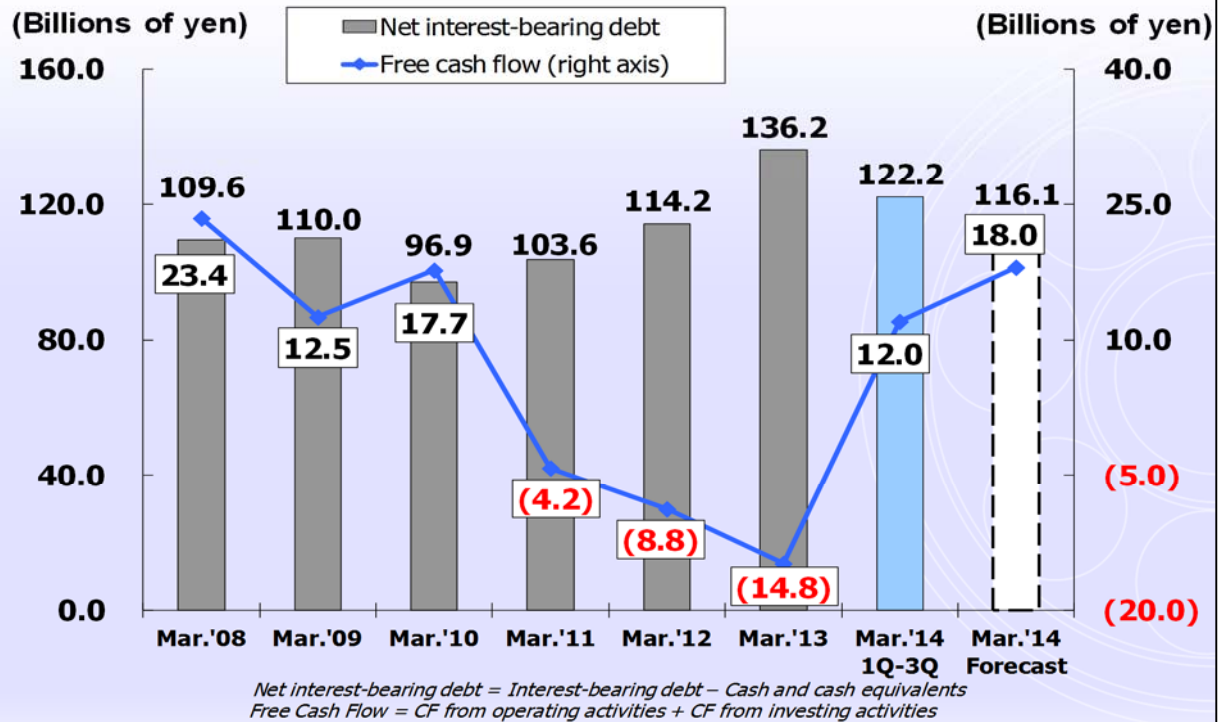


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Net interest-bearing debts, which are interest-bearing debts minus cash and cash equivalents, totaled 122.1 billion yen at the end of the third quarter. That's down 14.0 billion yen from the end of the previous fiscal year.

Thanks to increased profits as well as fewer losses from foreign currency translation adjustments, net assets increased 26.8 billion yen to reach 164.6 billion yen. The net D/E ratio at the end of the third quarter fell to 0.74.



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Free cash flow for this fiscal year is expected to reach 18 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.

## Third upward revision this fiscal year Net sales and net income to reach record high levels

(Millions of yen)	FY ended Mar. '13	Fiscal Year ending Mar. '14				
	Full Year	1Q-3Q	4Q Forecast	Full Year Revised Forecast	YoY	Full Year Nov. '13 Forecast
Net sales	282,409	277,934	92,066	370,000	+31.0%	360,000
Operating income	10,169	23,316	6,684	30,000	X 3.0	27,000
Ordinary income	7,673	20,121	6,379	26,500	X 3.5	24,500
Net income	1,804	15,880	3,120	19,000	X 10.5	17,000
Net income per share (yen)	4.83	42.56	8.35	50.91	X 10.5	45.56

Foreign exchange rates	Mar. '13 Full year	FY ending Mar. '14 1Q-3Q avg.	FY ending Mar. '14 4Q Assumption	FY ending Mar. '14 Full Year Assumption	Full Year Nov. '13 Assumption
US\$	¥82.33	¥98.54	¥102.00	¥99.41	¥99.02
Euro	¥106.48	¥130.70	¥139.00	¥132.78	¥129.15
Thai Baht	¥2.67	¥3.19	¥3.20	¥3.20	¥3.21
Chinese RMB	¥13.08	¥16.06	¥16.80	¥16.24	¥16.07

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Considering the strong earnings in the third quarter, we have revised our full year estimates. We already revised our estimates in July and November, so this is the third revision this fiscal year.

In the fourth quarter, the external shipment volume of ball bearings is expected to remain high. In addition, sales of aircraft parts such as rod-ends and fasteners are expected to grow. We expect sales and net income to beat their respective record highs of 334.4 billion yen in sales and 16.3 billion yen in net income reached in the fiscal year ended March 31, 2008.

The effective tax rate is expected to drop to around 25% beginning in the current fiscal year and onward. In 2012, the Thai corporate tax rate dropped from 30% to 23% when the minimum wage was raised. In 2013 the tax rate was further lowered to 20%. Since our overseas earnings have improved, we expect to enjoy a lower effective tax rate from now on.



## Forecast for Business Segment

(Millions of yen)	FY ended Mar. '13	FY ending Mar. '14				
	Full Year	1Q-3Q	4Q Forecast	Full Year Revised Forecast	YoY	Full Year Nov. '13 Forecast
Net sales	282,409	277,934	92,066	370,000	+31.0%	360,000
Machined components	113,573	103,485	36,015	139,500	+22.8%	135,400
Electronic devices and components	167,911	173,701	55,799	229,500	+36.7%	223,600
Other	924	748	252	1,000	+8.2%	1,000
Operating income	10,169	23,316	6,684	30,000	X 3.0	27,000
Machined components	25,459	24,049	8,651	32,700	+28.4%	30,800
Electronic devices and components	-2,452	7,329	971	8,300	N.M.	7,100
Other	167	850	150	1,000	X 6.0	1,000
Adjustment	-13,004	-8,912	-3,088	-12,000	-7.7%	-11,900

\* 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.

**Raised year-end dividend forecast by 1 yen  
to total 8 yen per share yearly**

### FY 3/2014 Dividend

Interim dividend:	<b>3</b> yen/share
Year-end dividend forecast:	<b>4 → 5</b> yen/share
Total yearly dividend forecast:	<b>7 → 8</b> yen/share

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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.

Considering our strong earnings, we plan to increase the year-end dividend from the 4 yen per share we projected in the beginning of this fiscal year to 5 yen per share, raising it by 1 yen. Together with the interim dividend of 3 yen already paid, the annual dividend will be 8 yen per share.

# 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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