

Surge Forward, Progression and Leap: The Next Phase in Our Drive toward Sustainable Growth



Takayuki Yamagishi
Representative Director,
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In fiscal 2007, ended March 31, 2007, efforts implemented in line with our new strategic road map enabled us to achieve an increase in consolidated operating income in excess of 30% for the second consecutive year, thereby laying the groundwork for a new phase of growth.

Results of Operations

In fiscal 2007, the principal global economies expanded favorably, while demand in key sectors, notably PCs, HDDs, mobile phones, aircraft and automobiles, increased. In this environment, we recorded consolidated net sales of ¥331.0 billion, a new record for the Company and the first in nine years. Sales growth was driven by rising sales of ball bearings, rod-end bearings, electronic devices and other products that enjoy leading market share and effectively capitalize on market needs.

Operating income rose 36%, to ¥26.3 billion. Despite the negative impact of the appreciation of the baht—the currency of Thailand, where we have our principle manufacturing base—growth in our ball bearings, rod-end bearings and other mainstay businesses, together with a return to profitability in our information motor and PC keyboard businesses, the operating margin rose 2.0 percentage points, to 8.0%.

Net income soared to ¥12.9 billion, three times higher than in fiscal 2006.

Toward Sustainable Growth

The chart below was developed as a visual representation of our current medium-term business plan, which outlines the sustainable growth trajectory we conceive for Minebea over the next several years.

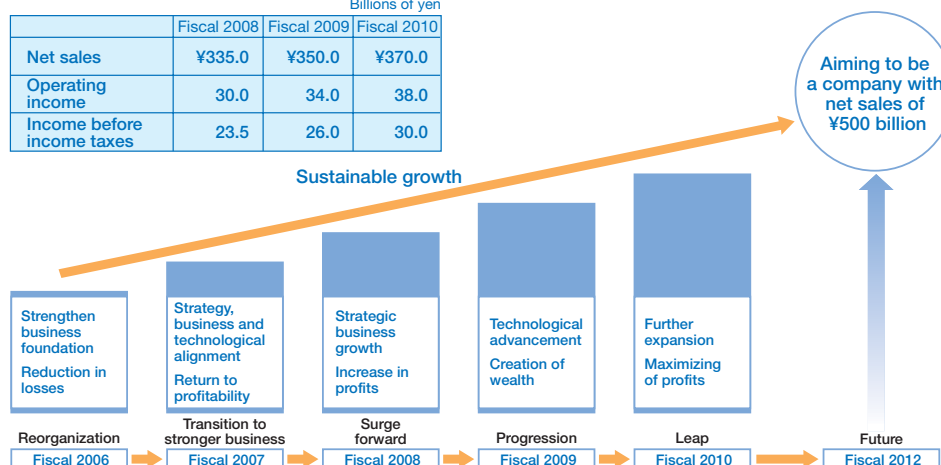
The plan aims for consolidated net sales of ¥350 billion in fiscal 2009 and ¥370 billion in fiscal 2010. It also calls for an operating margin of 10% or higher in fiscal 2010. To these ends, the plan envisions fiscal 2008, the first year of the plan, as a year in which we make a major surge forward;

Looking Ahead

Numerical Targets of Medium-Term Business Plan

Billions of yen

| | Fiscal 2008 | Fiscal 2009 | Fiscal 2010 |
|----------------------------|-------------|-------------|-------------|
| Net sales | ¥335.0 | ¥350.0 | ¥370.0 |
| Operating income | 30.0 | 34.0 | 38.0 |
| Income before income taxes | 23.5 | 26.0 | 30.0 |



fiscal 2009 as a year in which we will achieve a significant progression; and fiscal 2010 as the year in which we will see a dramatic leap forward. These three stages comprise the next phase in our growth strategy, which targets consolidated net sales of ¥500 billion in fiscal 2012.

Innovation: The Key to Sustainable Growth

Minebea's vision is to evolve as a company that leads the competition through manufacturing and technological excellence.

The diagram below is a schematic representation of how innovation in various areas will enable us to achieve sustainable growth. Efforts in these areas are invariably linked; accordingly, we will keep our attention focused on measures that yield synergies.

In ball bearings, market potential, supply capabilities, cost competitiveness and advances in manufacturing technology are crucial factors. By concentrating on reinforcing our manufacturing capabilities for high-growth miniature ball bearings and developing new extra-small-sized bearings, we will strive to cultivate and expand new demand. To enhance supply capabilities and cost competitiveness, during fiscal 2008 we will increase our monthly global production capacity to 200 million pieces, with the aim of maintaining our leading global market position. Looking further ahead, the most important concern for us is to revolutionize our manufacturing technology. With this in mind, we are currently making plans to construct a new plant featuring a next-generation bearing production system. Concurrently, we are also working to develop new machinery exclusively for miniature ball bearings that will enable us to respond better to demand for greater miniaturization and increasingly high levels of precision.

In the area of aerospace components, we expect to benefit from market growth in the air transport market, a view that is underscored by the airline industry's medium-term projections for annual increases in global demand of 5% in

the passenger sector and 6% in the cargo sector. In addition to reinforcing our existing rod-end and spherical bearings, we will endeavor to expand this business by applying our highly sophisticated processing technologies to facilitate our entry into the market for mechanical components for aerospace use.

Recognizing fan motors as the key to the growth of our motors business, we have nearly completed revamping the layout of MINEBEA ELECTRONICS & HI-TECH COMPONENTS (SHANGHAI) LTD.'s plant in Xicen—a step taken to ensure our ability to accommodate growth in this business over the next decade—and will increase production in fiscal 2008. We have also announced new products, namely, the world's smallest PM stepping motor, with a diameter of only 3 millimeters, and a compact, high-torque brush DC motor. We will also reinforce our development infrastructure and step up efforts to develop and market new products.

In lighting devices, we continue to complement our existing lineup of light-emitting diode (LED) backlights for mobile phones. In addition to launching a new business begun in late fiscal 2006—LED backlights for car navigation systems—on the road to stable growth, we will expand into the business of 15-inch LED backlights for notebook PC monitors.

We are also taking steps to cultivate new markets. In the measuring components business, we have entered the automotive market and are aiming to enter the healthcare and medical products markets. Additionally, spurred by the increasing use of automotive electronics, we plan to begin sales of our highly reliable resolvers—sensors used for measuring rotational angle, originally developed for aerospace use—in the automobile components market.

Minebea is on track to make a major surge forward in fiscal 2008—a surge that will be driven by its focus on innovation.

Our drive to increase corporate value has propelled us into a new phase of growth. The first step will be to make a major surge forward. The next will be a significant progression, followed by a dramatic leap forward toward our ultimate goal, which is sustainable growth. We realize that this will be anything but easy, and we look forward to the unflinching commitment of every Minebea Group employee. In these and all our efforts, I am grateful for the continued support of shareholders.

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Takayuki Yamagishi
Representative Director,
President and Chief Executive Officer

Achieving Sustainable Growth through Innovation

