

Outline

Outline of Operations Minebea's operations are divided into two business segments: Machined Components and Electronic Devices and Components. The Machined Components segment focuses on miniature and small-sized ball bearings, rod-end and spherical bearings, and pivot assemblies. In fiscal 2008, this segment accounted for 43.1% of consolidated net sales. The Electronic Devices and Components segment encompasses precision small motors, notably HDD spindle motors and fan motors; PC keyboards and other electronic devices; lighting devices, including LED backlights; backlight inverters; speakers and measuring components. This segment represented 56.9% of consolidated net sales in fiscal 2008.

Our product development efforts are centered in Japan, Germany, Thailand and the United States. The Engineering Headquarters is charged with basic technology and product development with a medium- to long-term perspective. Technology development divisions affiliated with business units emphasize development of commercially viable products. Cooperation among these divisions facilitates the supplementing and sharing of technologies, thereby contributing to effective product development. Our manufacturing network encompasses bases in Thailand, China, Japan, the United States, Singapore, Malaysia and the United Kingdom. Our largest manufacturing base, in Thailand, accounted for 52.3% of total consolidated production in fiscal 2008, while our manufacturing base in China accounted for 21.2%. Combined production at all our bases in Asia (excluding Japan) represented 80.5% of total production. Production outside of Japan accounted for 91.6% of total production.

We supply products to a number of key markets. Notable among these are the PC and peripheral equipment, OA and telecommunications equipment, household electrical appliances, automotive and aerospace markets, which accounted for 35.4%, 15.1%, 7.9%, 10.1% and 10.6%, respectively, of fiscal 2008 consolidated net sales. Reflecting the steady shift by customers in Japan, Europe, and North and South America to production in China and other parts of Asia, sales to Asia (excluding Japan) represented 52.2% of consolidated net sales. Our second-largest geographic market is Japan, which currently accounts for 23.1% of consolidated net sales. Remaining sales are to North and South America and to Europe.

To ensure our organization runs smoothly and effectively, we have established an operating structure comprising 13 business units and six headquarters that report directly to the president and CEO. Under this structure, manufacturing and sales groups are assigned and report directly to each business unit. The function-based headquarters are charged with providing support for business units.

Principal Strategy

With the aim of evolving and growing as "the leading company through manufacturing and technological excellence," we continue to implement initiatives designed to reinforce profitability and increase corporate value by expanding implementation of our vertically integrated manufacturing system, as well as by establishing mass production facilities and well-appointed R&D facilities, in markets around the world.

Recognizing innovation as the key to growth, we are addressing three priority tasks: developing new products, cultivating new markets and revolutionizing production technologies.

- **Ball bearings:** We are taking steps to strengthen our development capabilities and production technologies for high-growth miniature ball bearings, with the aim of reinforcing and expanding production capacity, as well as to cultivate new, high-growth markets and capitalize on untapped demand.
- **Precision components for aircraft applications:** In this highly promising business, we are endeavoring to enhance our existing rod-end bearings, as well as to broaden our lineup of new products that incorporate sophisticated new technologies and expand our production capacity, with the aim of maximizing growth.
- **Fan motors and other precision small motors:** We are stepping up efforts to expand our rotary components business into a second pillar of growth, similar to our core bearings and bearing-related products business.
- **In all product categories,** we are increasing the weight of high-value-added products. At the same time, we are expanding our product lineup, thereby positioning us to respond to a broader range of market requirements.

In our medium-term business plan, we positioned fiscal 2008 as a year for moving forward, and our efforts during the period focused on growing strategic businesses and increasing profits in a drive to launch Minebea on a new and sustainable growth path. In fiscal 2009, which we see as a year of progression, we will emphasize the creation of wealth and technological advancement. By achieving the targets of this plan, we will propel Minebea into a new phase of growth.

Numerical Targets of Minebea's Medium-Term Business Plan

(As of May 31, 2007)

Years ended/ending March 31	<i>Billions of yen</i>		
	2008	2009	2010
Net sales	¥335.0	¥350.0	¥370.0
Operating income	30.0	34.0	38.0
Income before income taxes and minority interests	23.5	26.0	30.0

Note: The above targets were announced in May 2007. Accordingly, these figures are not consistent with the actual figures for fiscal 2008 and current forecasts for fiscal 2009. For information on current forecasts for fiscal 2009, as of May 2008, see the section titled "Outlook for Fiscal 2009 and Risk Management," on page 31.

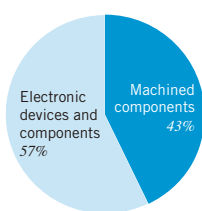
We have also set a long-term goal for consolidated net sales of ¥500.0 billion in fiscal 2012.

Segment Information

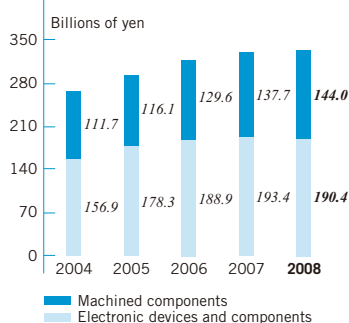
	<i>Millions of yen</i>				
<i>Years ended March 31</i>	2008	2007	2006	2005	2004
Sales to External Customers by Business Segment					
Machined components	¥ 144,034	¥ 137,662	¥ 129,595	¥ 116,105	¥ 111,693
Electronic devices and components	190,397	193,360	188,851	178,317	156,881
Total	¥ 334,431	¥ 331,022	¥ 318,446	¥ 294,422	¥ 268,574
Operating Income (Loss) by Business Segment					
Machined components	¥ 27,750	¥ 26,195	¥ 24,556	¥ 21,572	¥ 19,505
Electronic devices and components	3,012	70	(5,287)	(7,489)	(1,401)
Total	¥ 30,762	¥ 26,265	¥ 19,269	¥ 14,083	¥ 18,104
Assets by Business Segment					
Machined components	¥ 189,149	¥ 216,595	¥ 205,437	¥ 194,180	¥ 189,741
Electronic devices and components	192,202	224,048	218,790	214,142	196,918
Eliminations	(60,807)	(85,859)	(74,365)	(76,105)	(71,744)
Total	¥ 320,544	¥ 354,784	¥ 349,862	¥ 332,217	¥ 314,915
Depreciation and Amortization by Business Segment					
Machined components	¥ 13,635	¥ 12,507	¥ 11,437	¥ 10,401	¥ 10,811
Electronic devices and components	12,808	12,141	12,535	12,061	10,894
Total	¥ 26,443	¥ 24,648	¥ 23,972	¥ 22,462	¥ 21,705
Impairment Loss by Business Segment					
Machined components	¥ 31	¥ 31	¥ 388	¥ —	¥ —
Electronic devices and components	41	43	579	—	—
Total	¥ 72	¥ 74	¥ 967	¥ —	¥ —
Capital Expenditure by Business Segment					
Machined components	¥ 12,292	¥ 8,423	¥ 12,279	¥ 11,400	¥ 4,168
Electronic devices and components	13,259	9,243	9,929	22,757	14,929
Total	¥ 25,551	¥ 17,666	¥ 22,208	¥ 34,157	¥ 19,097
Sales to External Customers by Geographic Segment					
Japan	¥ 75,378	¥ 83,265	¥ 77,856	¥ 76,660	¥ 68,760
Asia (excluding Japan)	170,474	162,330	155,423	137,424	121,072
North America	53,585	56,110	59,468	52,390	48,726
Europe	34,994	29,317	25,699	27,948	30,016
Total	¥ 334,431	¥ 331,022	¥ 318,446	¥ 294,422	¥ 268,574
Operating Income by Geographic Segment					
Japan	¥ 9,096	¥ 9,770	¥ 1,922	¥ 2,752	¥ 4,883
Asia (excluding Japan)	15,573	11,299	12,843	5,870	10,763
North America	4,476	3,730	2,888	4,510	2,084
Europe	1,617	1,466	1,616	951	374
Total	¥ 30,762	¥ 26,265	¥ 19,269	¥ 14,083	¥ 18,104
Assets by Geographic Segment					
Japan	¥ 127,492	¥ 162,335	¥ 161,968	¥ 169,239	¥ 166,277
Asia (excluding Japan)	231,262	258,046	247,186	223,995	201,194
North America	30,543	35,692	36,864	32,442	29,173
Europe	22,143	21,326	19,618	20,300	20,075
Eliminations	(90,896)	(122,615)	(115,774)	(113,759)	(101,804)
Total	¥ 320,544	¥ 354,784	¥ 349,862	¥ 332,217	¥ 314,915

Results of Operations

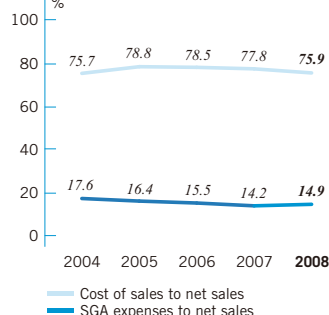
Net Sales by Business Segment



Net Sales by Business Segment



Cost of Sales to Net Sales and SGA Expenses to Net Sales



Net Sales

Consolidated net sales in fiscal 2008 rose 1.0%, or ¥3,409 million, to ¥334,431 million. During the period, the Japanese economy remained on a gentle upswing, reflecting strong corporate earnings, which were supported by increased investment in plants and equipment and rising exports, despite indications of a slowdown—notably surging crude oil and raw materials prices and a slump in housing starts and construction investment in the second half. In the United States, the economic outlook was clouded by chaos in the financial and capital markets and a deepening adjustment in the housing market in the second half, both stemming from the subprime loan crisis, while downturns in previously robust capital investment and personal consumption underscored an increased risk of recession. In Europe, moderate growth continued, bolstered by brisk domestic demand in key countries, despite increasing signs of a slowdown. In China, economic growth remained high, reflecting increases in exports and investment in fixed assets. The economies of other Asian countries also remained firm.

In this environment, the Minebea Group focused on reducing costs, developing new, high-value-added products and technologies and expanding sales. These efforts contributed to the increase in consolidated net sales for the period.

Cost of Sales

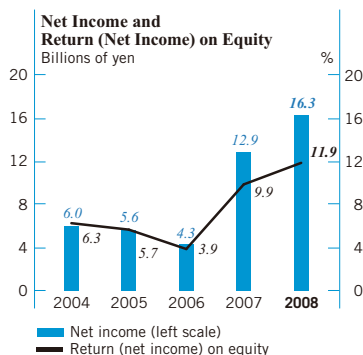
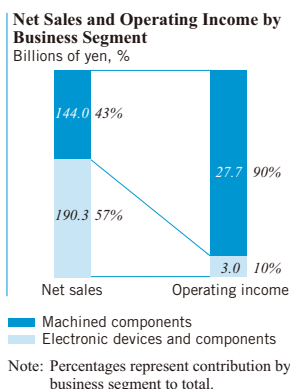
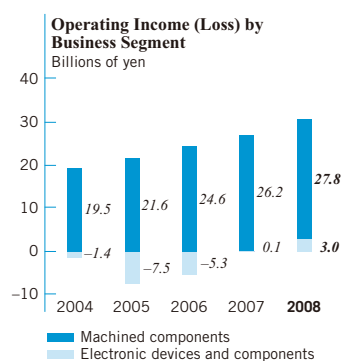
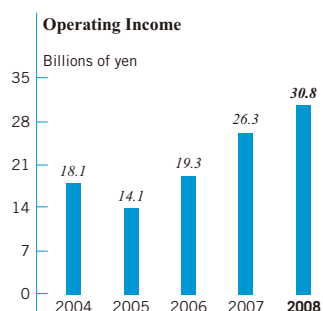
Cost of sales declined 1.5%, or ¥3,934 million, to ¥253,710 million. Cost of sales as a percentage of net sales edged down 1.9 percentage points, to 75.9%. Despite such negative factors as depreciation of the yen against the Thai baht, and rising prices for crude oil, steel materials, rare metals and other raw materials, stringent cost cutting prompted an improvement in cost of sales as a percentage of net sales.

SGA Expenses

Despite ongoing efforts to lower administrative expenses, an increase in investment in R&D, higher transport costs attributable to rising crude oil prices, and outlays for internal controls relating to the preparation of the Company's financial statements, coupled with the impact of unfavorable exchange rates, boosted SGA expenses 6.0%, or ¥2,846 million, to ¥49,959 million. SGA expenses were equivalent to 14.9% of net sales, up 0.7 percentage point from fiscal 2007.

Cost of Sales and SGA Expenses

Years ended March 31	Millions of yen				
	2008	2007	2006	2005	2004
Net sales	¥334,431	¥331,022	¥318,446	¥294,422	¥268,574
Cost of sales	253,710	257,644	249,935	232,019	203,261
Cost of sales to net sales	75.9%	77.8%	78.5%	78.8%	75.7%
Gross profit	80,721	73,378	68,511	62,403	65,313
SGA expenses	49,959	47,113	49,242	48,320	47,209
SGA expenses to net sales	14.9%	14.2%	15.5%	16.4%	17.6%



Operating Income

Operating income advanced 17.1%, or ¥4,497 million from fiscal 2007, to ¥30,762 million. As a consequence, the operating margin rose 1.2 percentage points, to 9.2%. For more detailed information, refer to the section entitled "Performance by Business Segment," on page 27.

Other Income (Expenses)

The net balance of other income (expenses) was expenses, i.e., a loss, of ¥5,508 million, a decrease of ¥1,234 million. Efforts to reduce interest-bearing debt supported a ¥822 million decline in interest expense, to ¥4,402 million.

Income before Income Taxes and Minority Interests

Owing to the factors described above, income before income taxes and minority interests climbed 29.4%, or ¥5,731 million, to ¥25,254 million.

Income Taxes

Income taxes edged up ¥844 million, to ¥7,906 million. This comprised current income taxes, that is, corporate, residential and business taxes, of ¥8,497 million, less an adjustment of ¥591 million. The effective income tax rate improved to 31.3%, from 36.2% in fiscal 2007, reflecting a decline in the number of overseas subsidiaries reporting losses, a decrease in losses of those that continued to do so, and the impact of the cumulative tax losses of subsidiaries.

Minority Interests

Minority interests amounted to ¥1,045 million, compared with a negative ¥401 million in the previous period. This was primarily attributable to an improvement in the earnings performance of joint venture Minebea Motor Manufacturing Corp.

Net Income

As a consequence of the aforementioned factors, net income climbed 26.8%, or ¥3,441 million, to ¥16,303 million. Basic net income per share was ¥40.86, a significant increase from ¥32.23 in the previous period.

Income

Years ended March 31	Millions of yen				
	2008	2007	2006	2005	2004
Operating income	¥30,762	¥26,265	¥19,269	¥14,083	¥18,104
Operating margin	9.2%	8.0%	6.0%	4.8%	6.7%
Net balance of other income (expenses)	(5,508)	(6,742)	(9,649)	(6,305)	(5,146)
Net income	16,303	12,862	4,257	5,581	6,019
Net income to net sales	4.9%	3.9%	1.3%	1.9%	2.2%
Net income per share (Yen):					
Basic	40.86	32.23	10.67	13.93	15.08
Diluted	—	—	—	13.27	14.51
Return (net income) on equity	11.9%	9.9%	3.9%	5.7%	6.3%
Return on total assets	4.8%	3.7%	1.2%	1.7%	1.9%

Financial Condition

Financial Policy and Liquidity

The businesses of the Minebea Group continue to operate in an environment characterized by accelerating product and technological development and intensifying global competition. In such an environment, we recognize the importance of ensuring the flexibility necessary to allow advance investment, enabling us to develop products that satisfy diverse customer expectations, and capital investment, allowing us to respond promptly to demand fluctuations. We strive to facilitate dynamic investment activities and strengthen our technological development capabilities by maintaining a sound financial position and high degree of agility in our financing activities.

Our debt ratings in fiscal 2008, shown in the table below, are indicative of the success of efforts to reinforce our financial position. We have set medium-term goals to reduce interest-bearing debt (¥109,571 million at fiscal 2008 year-end) to below ¥100,000 million. Given the uncertain interest rate situation, we will promote efforts to expand income, shrink inventories and step up implementation of an effective investment program that focuses on the efficient use of assets to accelerate the reduction of interest-bearing debt. In terms of capital investment, we are promoting decisive investment in growth businesses, as well as stringent rationalization efforts and efficient investments in businesses that remain unprofitable.

To ensure the agility of our financing efforts, we filed for shelf registration of corporate bond issues in the amount of ¥50,000 million and obtained a rating for short-term debt up to a maximum of ¥10,000 million. Moreover, to create a stronger, more stable structure for fund procurement, we strive to maintain solid relationships with key financial institutions in Japan and overseas and have taken steps to manage liquidity risks, including signing agreements to set up commitment lines.

In Thailand, where our principal manufacturing base is located, in December 2006 stringent controls were placed on short-term capital inflows with the aim of preventing speculative investment in and appreciation of the baht. Most of these controls were subsequently eased, however, and the impact on our operations was negligible. These controls were abolished in March 2008.

Debt Ratings

<i>As of May 2008</i>	<i>Long-term debt</i>	<i>Short-term debt</i>
Moody's Investors Service	Baa2	—
Japan Credit Rating Agency, Ltd.	A	J-1
Japan Rating and Investment Information, Inc.	A-	a-2

Purchase of Tangible Fixed Assets

Purchase of tangible fixed assets, or capital investment, in fiscal 2008 totaled ¥24,888 million, up ¥7,919 million, or 46.7%, from the previous fiscal year, and comprised ¥11,959 million in the Machined Components segment and ¥12,929 million in the Electronic Devices and Components segment. In the Machined Components segment, investments were used to expand and rationalize production facilities for bearings and bearing-related products in Thailand, China and Singapore, and to expand production facilities for pivot assemblies in Thailand. In the Electronic Devices and Components segment, investments were applied to facilities for HDD spindle motors, LED backlights and other electronic devices in Thailand and for information motors in Thailand and China.

In fiscal 2009, we expect capital investment to be in the area of ¥29,000 million. We plan on making investments in, among others, the construction of a ball bearing plant and the expansion of bearing production facilities in Thailand, the construction of a new plant and expansion of production facilities for aircraft components in Karuizawa, the expansion of production facilities for pivot assemblies and changes to the layout of facilities necessitated by the merger of consolidated subsidiaries in Thailand.

Dividends

Our basic dividend policy is to ensure dividends reflect our business performance, while giving consideration to our operating environment and placing our primary emphasis on enhancing capital efficiency and enhancing returns to investors.

Cash dividends for fiscal 2008 were declared at ¥10.00. As a result, the payout ratio was 24.5%.

Free Cash Flow

Free cash flow (calculated by subtracting net cash used in investing activities from net cash provided by operating activities) totaled ¥23,432 million, an increase of 3.1%, or ¥710 million, from fiscal 2007.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥46,893 million, up 23.7%, or ¥8,991 million, from fiscal 2007. Factors behind this change included income before income taxes and minority interests of ¥25,254 million, up ¥5,731 million, and a ¥939 million decrease in notes and accounts receivable, compared with a ¥3,674 million increase in fiscal 2007. Depreciation and amortization totaled ¥26,443 million, up ¥1,795 million from the previous fiscal year.

Cash Flows from Investing Activities

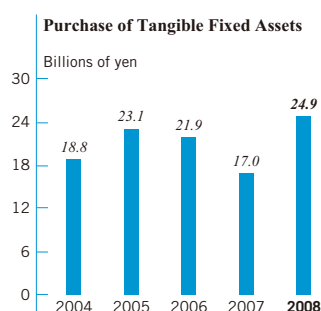
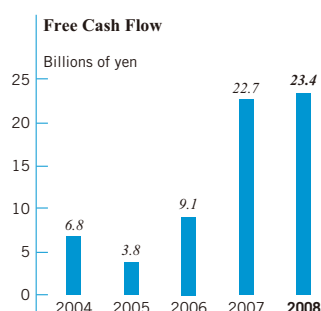
Net cash used in investing activities increased 54.6%, or ¥8,281 million, to ¥23,461 million. This change reflected the application of ¥24,888 million to the purchase of tangible fixed assets, up ¥7,919 million from the previous fiscal year.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥20,604 million, a decrease of 19.8%, or ¥5,079 million, from fiscal 2007. This change was primarily due to the application of ¥16,597 million to the repayment of short-term and long-term debt, down ¥6,279 million, and was despite cash dividends paid of ¥3,990 million, up ¥1,197 million from fiscal 2007.

Cash and Cash Equivalents

Operating, investing and financing activities in fiscal 2008 resulted in a net increase in cash and cash equivalents at end of year of ¥1,550 million, to ¥23,281 million, as free cash flow exceeded net cash used in financing activities.

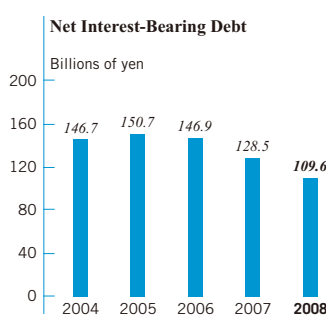


Free Cash Flow

	Millions of yen				
Years ended March 31	2008	2007	2006	2005	2004
Net cash provided by operating activities	¥ 46,893	¥ 37,902	¥ 28,237	¥ 27,586	¥ 21,714
Net cash used in investing activities					
Portion of above used in purchase of tangible fixed assets	(23,461)	(15,180)	(19,120)	(23,789)	(14,932)
Purchase of tangible fixed assets	(24,888)	(16,969)	(21,897)	(23,060)	(18,825)
Free cash flow	23,432	22,722	9,117	3,797	6,782

Note: Effective fiscal 2005, Minebea calculates free cash flow by subtracting net cash used in investing activities from net cash provided by operating activities. Figures for previous years have been restated using this calculation.

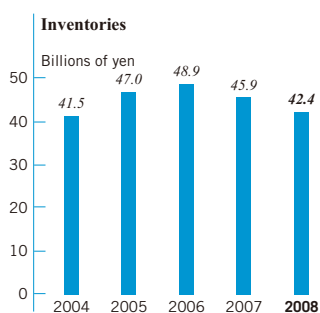
Assets, Liabilities and Net Assets



Total assets at the end of fiscal 2008 amounted to ¥320,544 million, a decrease of 9.7%, or ¥34,240 million, from the fiscal 2007 year-end, owing primarily to a decline in the value of assets held by affiliates overseas when calculated in yen. Total net assets came to ¥131,730 million and the equity ratio was 40.7%, up 0.6 percentage point. Net interest-bearing debt (total debt minus cash and cash equivalents) declined 14.8%, or ¥18,959 million, to ¥109,571 million. As a consequence, the net debt-to-equity ratio improved to 0.8 times.

Assets

Since free cash flow exceeded net cash used in financing activities, cash and cash equivalents rose by a net total of ¥1,550 million, to ¥23,281 million. Notes and accounts receivable—trade declined ¥7,048 million, including approximately ¥6,100 million attributable to yen appreciation, to ¥64,835 million. Despite increased inventories resulting from the shift of sales functions for Southeast Asia to Thailand, from Singapore, inventories fell ¥3,503 million, to ¥42,401 million, owing to the impact of yen appreciation—a decline of approximately ¥5,000 million—and Companywide inventory reduction efforts. Deferred tax assets (short-term) amounted to ¥8,498 million, an increase of ¥1,442 million. As a consequence, total current assets declined 5.1%, or ¥7,942 million, to ¥148,117 million.



Net tangible fixed assets declined 12.0%, or ¥20,455 million, to ¥150,609 million. Purchase of tangible fixed assets (capital investment) totaled ¥24,888 million, while depreciation and amortization amounted to ¥26,443 million. The negative impact of yen appreciation was approximately ¥17,300 million. Intangible fixed assets totaled ¥9,847 million, a decline of 17.8%, or ¥2,127 million. Net investments and other assets were ¥11,956 million, down 23.6%, or ¥3,691 million, due to a decline in the equity value of investments in securities. As a consequence, total fixed assets amounted to ¥172,412 million, an increase of 13.2%, or ¥26,273 million. Deferred charges declined ¥25 million, to ¥15 million.

Liabilities

Notes and accounts payable—trade declined ¥3,689 million, including approximately ¥2,400 million attributable to yen appreciation, to ¥24,055 million. Short-term loans payable fell ¥7,287 million, to ¥50,352 million. The current portion of long-term debt increased ¥878 million, to ¥15,000 million, reflecting an increase in bonds payable within one year. Owing to such factors, total current liabilities declined 9.8%, or ¥12,834 million, to ¥118,321 million.

Long-term debt declined 14.0%, or ¥11,000 million, to ¥67,500 million, reflecting the transfer of long-term debt due within one year to current portion of long-term debt. As a consequence, total long-term liabilities fell 13.0%, or ¥10,578 million, to ¥70,493 million.

Net Assets

Despite a ¥12,313 million increase in the earnings surplus, total net assets at fiscal 2008 year-end were ¥131,730 million, a decline of 7.6%, or ¥10,828 million, as foreign currency translation adjustments, a negative figure, decreased a further ¥22,536 million. Minority interests in consolidated subsidiaries climbed 466.2%, or ¥951 million, to ¥1,155 million.

Financial Position

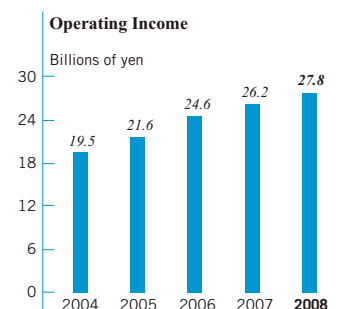
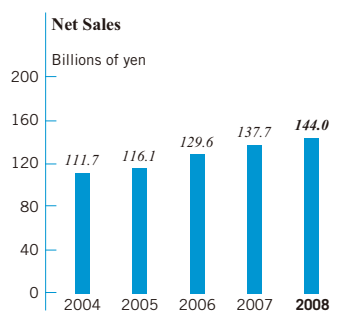
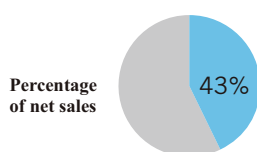
As of March 31	Millions of yen				
	2008	2007	2006	2005	2004
Total assets	¥320,544	¥354,784	¥349,862	¥332,217	¥314,915
Cash and cash equivalents at end of year	23,281	21,731	24,385	21,759	24,780
Total current assets	148,117	156,059	153,564	147,295	138,953
Inventories	42,401	45,904	48,914	46,963	41,534
Total current liabilities	118,321	131,155	150,886	141,449	167,626
Working capital	29,796	24,905	2,678	5,846	(28,673)
Interest-bearing debt	132,852	150,261	171,272	172,453	171,485
Net interest-bearing debt	109,571	128,530	146,887	150,694	146,706
Total net assets	131,730	142,558	118,209	102,088	93,866
Equity ratio	40.7%	40.1%	33.6%	30.7%	29.8%
Debt-to-equity ratio (Times)	1.0	1.1	1.5	1.7	1.8
Net debt-to-equity ratio (Times)	0.8	0.9	1.2	1.5	1.6
Net assets per share (Yen)	327.25	356.75	294.65	255.82	235.21

Note: Effective fiscal 2007, Minebea has applied the Accounting Standard for Presentation of Net Assets in the Balance Sheet and the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet. Accordingly, “shareholders’ equity,” “total shareholders’ equity/total assets” and “shareholders’ equity per share” have been restated as “net assets,” “equity ratio” and “net assets per share,” respectively. Also, fiscal 2008, 2007 and 2006 figures include minority interests in net assets.

Segment Results

Performance by Business Segment

Machined Components



Principal Products

- **Bearings and Bearing-Related Products**
 - Miniature ball bearings
 - Small-sized ball bearings
 - Integrated-shaft ball bearings
 - Rod-end bearings
 - Spherical bearings
 - Roller bearings
 - Bushings
 - Pivot assemblies
 - Tape guides
- **Other Machined Components**
 - Aerospace/automotive fasteners
 - Special machined components
 - Magnetic clutches and brakes

Net sales in the Machined Components segment rose 4.6%, or ¥6,372 million, to ¥144,034 million. Operating income increased 5.9%, or ¥1,555 million, to ¥27,750 million. The segment's operating margin, calculated using sales to external customers, edged up 0.3 percentage point from fiscal 2007, to 19.3%. Despite the impact of unfavorable foreign exchange rates and rising raw materials prices, sales of mainstay products increased, reflecting persistently strong demand worldwide. Operating income also increased, reflecting ongoing efforts to lower cost of sales.

Principal Products and Applications and Minebea's Global Market Share

Principal Products	Principal Applications	Global Market Share*
Bearings and bearing-related products		
Miniature and small-sized ball bearings	Small motors, household electrical appliances, information and telecommunications equipment, automobiles, industrial machinery	60%
Rod-end and spherical bearings	Aircraft	50%
Pivot assemblies	HDDs	65%
Other machined components		
Special machined components, fasteners	Aircraft, automobiles, industrial machinery	—

*Global market shares are in terms of units shipped, except the market share for rod-end and spherical bearings, which is in terms of sales value. Market shares are Minebea estimates based on information collected by the Company and by market research firms.

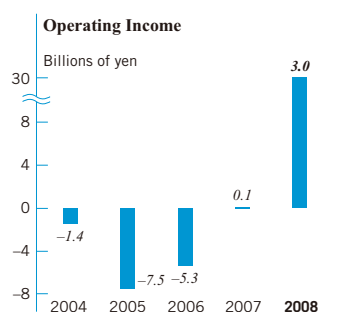
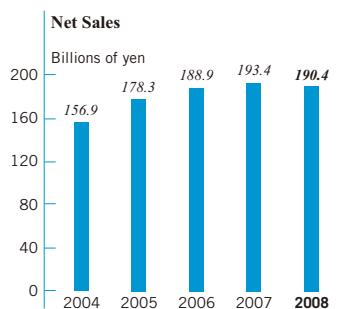
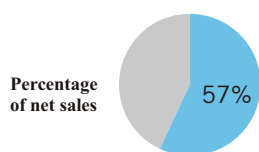
Ongoing Efforts

Sales of principal segment products miniature and small-sized ball bearings increased, primarily to manufacturers of automobiles and motors, as did operating income. We expanded production capacity for miniature ball bearings in response to market growth, a consequence of brisk demand for miniature ball bearings for use in pivot assemblies, fan motors and other components for PCs and digital home electronics products. We also continued to lower manufacturing costs through efforts to improve yield and rationalize operations. In line with the theme of returning to the basics of manufacturing, we are striving to reinforce this business. We have also created a department dedicated to basic technology development.

In rod-end and spherical bearings, both sales and income were up, reflecting robust aircraft production worldwide. In response to soaring demand from aircraft manufacturers, we are expanding production capacity at our plants in Japan (Karuizawa), the United States and the United Kingdom, while at the same time stepping up front-end production in Thailand with the aim of establishing a low-cost structure and further enhancing capacity. In addition to our existing rod-end and spherical bearings, we are striving to enter the markets for ball bearing parts for engine peripherals and large mechanical parts that make use of sophisticated processing technologies. In April 2008, we merged the Rod-End Bearing Business Unit and the Fastener Business Unit with the aim of entering the market for fasteners for commercial aircraft.

The market for pivot assemblies continues to grow, spurred by expanding demand for use in HDDs for PCs and home electronics products. With double-digit growth in the market for HDDs expected to continue, our ongoing objective is to maintain our commanding market share. To this end, we are taking steps to lower manufacturing costs by increasing production capacity, shifting parts production in-house, increasing yields and standardizing designs.

Electronic Devices and Components



Principal Products

● Rotary Components

- HDD spindle motors
- Fan motors
- Hybrid-type stepping motors
- PM-type stepping motors
- Brush DC motors
- Vibration motors
- VR resolvers

● Other Electronic Devices and Components

- PC keyboards
- Speakers
- Electronic devices
 - Color wheels
 - Lighting devices for LCDs
 - Backlight inverters
- Measuring components
 - Strain gages
 - Load cells

Despite an increase in sales of HDD spindle motors and successful efforts to cultivate new markets for measuring components, net sales in the Electronic Devices and Components segment edged down 1.5% in fiscal 2008, or ¥2,963 million, to ¥190,397 million, owing to a decline in sales of speakers and the restructuring of our PC keyboard business. Operating income improved substantially, rising 43.7 times, or ¥2,942 million, to ¥3,012 million. The segment's operating margin, calculated using sales to external customers, improved 1.6 percentage points, to 1.6%, up from 0.0% in the previous period. This primarily reflected a sharp improvement in profitability for PC keyboards, the result of a major restructuring of the business, the cultivation of new markets for measuring components, and an improvement in profitability for information motors, which countered the impact of unfavorable foreign exchange rates and rising raw materials prices.

Principal Products and Applications and Minebea's Global Market Share

Principal Products	Principal Applications	Global Market Share*
Rotary components		
HDD spindle motors	HDDs	13%
Information motors (fan motors, stepping motors, brush DC motors, vibration motors)	PCs and servers, information and telecommunications equipment, household electrical appliances, cellular phones, automobiles, industrial machinery	2%–18%, depending on product
Other electronic devices and components		
PC keyboards	PCs	6%
Lighting devices for LCDs	Cellular phones, digital cameras, portable digital information terminals	8%
Speakers	Audio equipment, PCs, automobiles	—
Measuring components	Industrial machinery, automobiles, game consoles	—

*Global market shares are in terms of units shipped. Market shares are Minebea estimates based on information collected by the Company and by market research firms.

Ongoing efforts

In the HDD spindle motor business despite efforts to lower the cost of sales, a deterioration of the business environment—reflecting the appreciation of the Thai baht and rising raw materials prices—and falling yields exacerbated the operating loss. Looking ahead, we will continue to work to maintain sales prices, as well as to step up production and sales of high-growth, high-margin 2.5-inch spindle motors.

During the period under review, we completed a reorganization of our information motors business, achieving a sharp increase in operating income. Specific steps included integrating and closing manufacturing facilities, reconsidering our use of outside suppliers and lowering costs by improving production efficiency. We are also striving to review orders and accelerate the introduction of new products to enhance our product mix.

We restructured the PC keyboards business, withdrawing from the production of persistently unprofitable products and focusing our efforts on high-value-added products, including keyboards for notebook PCs and wireless keyboards. We also reduced fixed costs by reorganizing our manufacturing, sales and technological groups, reducing employee numbers and eliminating certain facilities. These moves resulted in a decline in sales, but operating income rose substantially.

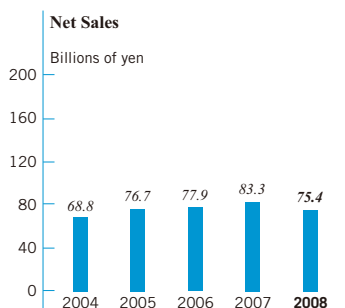
In electronic devices, both sales and income declined despite increased sales of backlight inverters, owing to falling sales prices for LED backlights and our withdrawal from the FDD head and MOD businesses. Going forward, we will continue striving to expand our business in the area of medium-size LED backlights for automobiles and other applications.

In our speaker business, intensifying competition pushed operating income down. In measuring components, our entry into the market for speakers for game consoles prompted an increase in operating income.

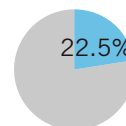
Performance by Geographic Segment

Japan

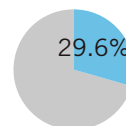
Net sales in Japan declined 9.5%, or ¥7,887 million, to ¥75,378 million. Operating income edged down 6.9%, or ¥674 million, to ¥9,096 million, reflecting an increase in SGA expenses.



Percentage of net sales

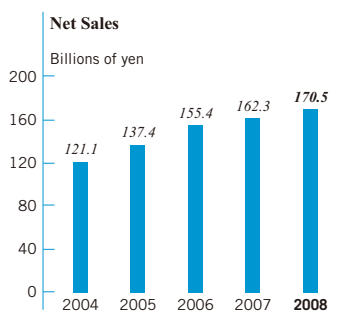


Percentage of operating income

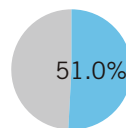


Asia (Excluding Japan)

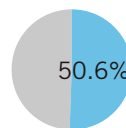
Asia includes the high-growth Greater China region, an important manufacturing base for many companies in Japan, Europe, the Americas and elsewhere. In the period under review, sales in Asia (excluding Japan) were firm, supported by expanded demand from the information and telecommunications industry and steady demand from the household electrical appliances industry. As a consequence, net sales increased 5.0%, or ¥8,144 million, to ¥170,474 million, and operating income climbed 37.8%, or ¥4,274 million, to ¥15,573 million.



Percentage of net sales

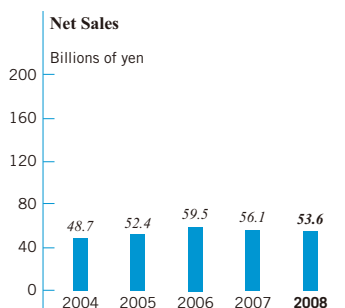


Percentage of operating income

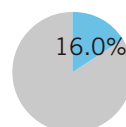


North America

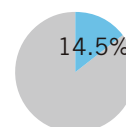
In North America, both orders and sales of U.S.-made ball bearings and rod-end bearings for the aerospace industry were strong. Owing to a decline in sales of PC keyboards, however, reflecting our move to focus on high-value-added models, net sales slipped 4.5%, or ¥2,525 million, to ¥53,585 million. Nonetheless, operating income climbed 20.0%, or ¥746 million, to ¥4,476 million.



Percentage of net sales

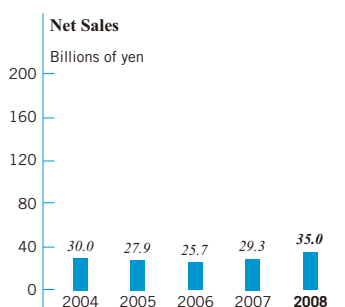


Percentage of operating income

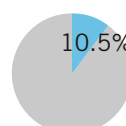


Europe

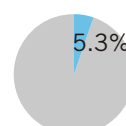
In Europe, sales of ball bearings and rod-end bearings remained firm, buoyed by moderate economic growth. As a consequence, net sales rose 19.4%, or ¥5,677 million, to ¥34,994 million, and operating income increased 10.3%, or ¥151 million, to ¥1,617 million.



Percentage of net sales



Percentage of operating income



Note: Net sales figures represent sales to external customers.

Minebea manufactures and sells a wide range of products around the world. These include ball bearings and other precision components that apply its expertise in ball bearings; aircraft components, notably rod-end bearings and high-end fasteners; and electronic components used in state-of-the-art electronics equipment. Minebea and the companies of the Minebea Group also cooperate closely to conduct R&D in each of these fields.

Minebea has established six R&D bases, two in Japan (Karuizawa and Hamamatsu plants) and one each in Thailand, Singapore, China, the United States and Europe. These bases strive to leverage their particular expertise and promote complementary R&D with the aim of accelerating the development of products that will lead to the creation of new businesses.

In fiscal 2008, R&D costs for the Minebea Group amounted to ¥9,950 million. This included ¥385 million allocated to basic research at R&D centers in Thailand, Singapore and China, such as basic materials analysis, and other research that cannot be apportioned to individual business.

R&D activities in each of our business segments in fiscal 2008 are outlined below.

Machined Components

R&D in this segment focused on mainstay bearings, that is, on developing materials, lubricants, machining and processes, and on tribology for ball, rod-end and fluid dynamic bearings. Efforts also focus on responding to rising demand for all types of bearings, buoyed by robust operating conditions, from the information equipment, home electrical appliance, automobile and aerospace industries, and on responding to the requirements of manufacturers in new areas, through high-reliability and applied engineering.

With the majority of HDDs now using perpendicular magnetic recording to achieve higher recording densities, the cleanliness of key components has become an increasingly crucial consideration. To ensure a high level of cleanliness for our mainstay HDD-related products, which include fluid dynamic bearings, spindle motors and base plates, we have actively developed clean manufacturing technologies. We are also working to develop ever-smaller miniature ball bearings. Recently, we completed prototype production for the world's smallest miniature ball bearings, boasting an outer ring diameter of 1.5 mm and an inner ring diameter of just 0.5 mm.

In the area of bearings for the aerospace industry, we have completed development of and received approval for tierod mechanical assemblies, trunnion bearings for main landing gear and a wide range of bearings for flight control systems, by applying technology used in our rod-end bearings. These bearings will be marketed primarily to aircraft manufacturers in Europe and the United States.

R&D costs in the Machined Components segment in fiscal 2008 amounted to ¥2,488 million.

Electronic Devices and Components

Mainstay motors in this segment include fan motors, stepping motors, brush DC motors, brushless DC motors and HDD spindle motors. We are working to enhance our various core analysis technologies, control technologies and materials technologies, with the aim of being the first to launch advanced products that respond to customer requirements for compact size, high efficiency (low energy consumption), quietness and reliability, which vary depending on type of motor and application. For magnetic application products, our R&D efforts emphasize materials technology, core technologies and product-related technologies. These efforts continue to yield such outstanding products as rare earth bond magnets for high-performance motors and resolver sensors. To reinforce product development for HMSMs, which we have resolved to commercialize in fiscal 2009, we began conducting R&D combining our motor, fan, electronics and other technologies.

In the area of display-related products, we developed a new LCD backlight for high-brightness, high-efficiency LEDs, which we are proposing to manufacturers of cellular telephones and digital cameras. In addition to our noted ultraprecision machining, mold production and molding technologies, we succeeded in developing plastics molding technologies capable of accommodating larger, thinner optical devices and increasingly fine optical patterns. This has positioned us to expand our focus to include LED backlights for notebook and desktop PC monitors, for which LEDs are rapidly becoming mainstream.

In electronics-related products, we are promoting the development of driving circuits for high-efficiency backlight inverters for cold cathodes. We are also pursuing cutting-edge development in such areas as driving circuits for rare gas fluorescent lamps, which are expected to contribute to efforts to conserve energy. Moreover, by shifting from analog to digital control circuits, we have succeeded in significantly reducing the number of parts used, as well as in improving control precision, thereby enabling us to reduce engineering lead times. During the period under review, we also made notable achievements in the development of backlight inverter-related products, including tailored ICs and software, which we expect to contribute to increased sales of backlight inverters going forward. Additionally, in the area of wireless transmission technology, in which we began to pursue development efforts in fiscal 2007, we completed basic technological investigation and expect to move on to the next stage, i.e., actual product development, which will focus on PC keyboards, in the near future.

In fiscal 2008, R&D costs in the Electronic Devices and Components segment totaled ¥7,077 million.

Outlook for Fiscal 2009 and Risk Management

Outlook for Fiscal 2009

(as of May 2008)

Against a backdrop of decelerating economic growth worldwide, we expect the Japanese economy to wane in the first half of fiscal 2009, reflecting an anticipated slowdown in personal consumption and fears that persistently high crude oil and raw materials prices, coupled with the appreciation of the yen and a slowdown in exports, will weaken corporate profits. In the second half, however, we anticipate a return to gentle growth, supported by economic recovery in the United States and an improvement in exports. Elsewhere in Asia, China's economy is expected to continue expanding. In the United States, however, fears are that protracted production, inventory and employment adjustments—necessitated by a deteriorating financial environment and rising crude oil and raw materials prices—and flagging personal consumption will tilt the economy toward recession in the first half. In the second half, however, tax cuts and a substantial lowering of interest rates is likely to put the U.S. economy back on the road to recovery.

In this environment, we expect net sales in fiscal 2009 to be largely level with fiscal 2008, despite the fact that the strong yen will negatively affect net sales outside of Japan, which account for a significant portion of the total. In contrast, we expect growth in operating income to outpace fiscal 2008 thanks to further cost reductions, the development of high-value-added products and efforts to cultivate new markets.

In our Machined Components segment, we will take decisive steps to expand sales of mainstay ball bearings to the automobile and information and telecommunications equipment industries and, by maximizing economies of scale resulting from expanded sales to further reduce costs, to further improve results. We expect our rod-end bearings business to benefit from a robust market for these bearings for aerospace use, particularly in Europe and the United States. We also expect an increase in sales of pivot assemblies, reflecting favorable demand.

In the Electronic Devices and Components segment, we will continue working to improve production efficiency, revamp our product mix and further improve results in the area of information motors. In HDD spindle motors, we will strive to improve results by continuing to promote cost reductions and expanding sales of 2.5-inch motors. In PC keyboards, we expect stable results with the completion of a shift in the focus of our production and sales structure to superior-quality, high-end models. We are currently reorganizing our speaker business and expect these efforts to have a positive impact in fiscal 2009. Sales of LED backlights, backlight inverters, measuring components and other products are also expected to advance favorably.

As a consequence of the abovementioned factors, as of May 2008, we forecast consolidated net sales of ¥330,000 million, operating income of ¥32,000 million and net income of ¥17,000 million in fiscal 2009.

Risk Management

Minebea recognizes a variety of risks and uncertainties that have the potential to affect its operating results and/or financial position. As of June 27, 2008, the date of our Japanese-language *yuka shoken hokokusho*, the filing of which is required of all publicly traded companies in Japan, we recognized the following risks.

Market Risk

Principal markets for Minebea products, including those for PCs and peripheral equipment, information and telecommunications equipment and household electrical appliances, are intensely competitive and subject to significant fluctuations in demand. Accordingly, our operating results and financial position are vulnerable to sudden fluctuations in demand and changes in our customers' product requirements.

Foreign Exchange Risk

A significant portion of our consolidated net sales and production are in markets outside of Japan. Our business is thus vulnerable to risk associated with fluctuations in foreign currency exchange rates. We have entered into various currency exchange contracts and other derivatives transactions to hedge these risks, but fluctuations in foreign currency exchange rates may affect our operating results and/or financial position over the long term.

R&D Risk

With the aim of introducing a constant stream of new, high-quality products, we conduct extensive R&D. Nonetheless, there is no guarantee that R&D efforts will come to fruition. Accordingly, we are subject to the risk that significant R&D expenditures may not be rewarded with successful products.

Litigation Risk

The Legal Department is responsible for managing risk related to lawsuits and other legal actions brought against our operations in Japan and/or overseas. However, we are subject to the risk that lawsuits or other actions with the potential to affect our operating results and/or financial position may be brought against us in the future.

Risk Related to Price Negotiations

We continue to face intense competition from lower-priced products manufactured in other countries and regions. Accordingly, we are subject to the risk that we will be unable to maintain or increase our share should market needs shift to low-quality, low-priced products.

Risk Related to Raw Materials and Logistics Costs

We purchase a variety of materials from external suppliers and strive to ensure optimal inventory volumes for such materials and access to stable supplies of materials with stable prices. However, we are subject to the risk that rising prices for such materials may affect our operating results and/or financial position.

Latent Risk Related to Operations Overseas

The Minebea Group's manufacturing activities are conducted primarily in Thailand, China and Singapore. While considerable time has passed since we established operations in these countries, and while we continue to promote the integration of these operations, our operations overseas are subject to a number of risks that may have a negative impact on our operating results and/or financial position. These include unexpected changes to laws or regulations, difficulty in attracting and securing appropriate human resources, and acts of terrorism or war, or other acts that may cause social disruption.