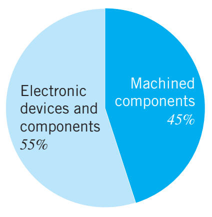
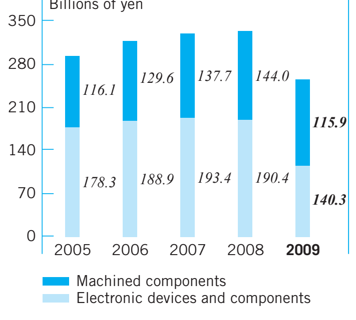
Financial Review

Results of Operations

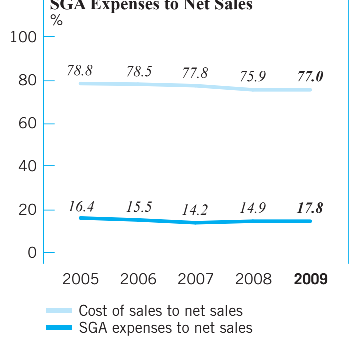
Net Sales by Business Segment



Net Sales by Business Segment



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



Net Sales

Consolidated net sales in the current fiscal year fell 23.4%, or ¥78,268 million, to ¥256,163 million.

During the period, the Japanese economy slid into a recession of unprecedented severity. Economic conditions were aggravated in the first half of the period by rising prices for crude oil and raw materials, and in the second half of the period by the global economic slump (owing to the widening impact of the financial crisis that originated in the United States), as well as by a sharp decline in exports (attributable to the steady appreciation of the yen) and substantial declines in private-sector capital investment and consumer spending. In an environment characterized by the expansion of the financial crisis and a deepening adjustment phase in the housing market, the U.S. economy also slumped sharply in the second half of the period as worsening corporate earnings in the automotive and other industries combined with the deterioration in employment figures and consumer spending to create a serious situation. The economies of Europe slid rapidly toward recession. In China, a shadow appeared over an economy that has seen rapid growth to date. There was also increasingly clear evidence of an overall slowdown elsewhere in Asia, owing to falling exports—a consequence of U.S. economic deterioration—and a worsening of conditions in financial markets.

In this environment, the Minebea Group focused on enhancing profitability through stringent cost-cutting measures, efforts to develop new, high-value-added products and technologies, and beneficial mergers and acquisitions (M&A) arrangements aimed at increasing sales and expanding the scale of our businesses. Nonetheless, consolidated net sales fell, owing to rapidly worsening economic conditions worldwide in the second half of the period, the impact of which was exacerbated by customers' inventory adjustments, and to fluctuating exchange rates—notably the appreciation of the yen. Income results were hampered by fluctuating exchange rates for other Asian currencies and rising raw materials prices in the first half, and by a major production cutback—implemented in response to slowing sales—in the second half of the period.

Cost of Sales

Cost of sales declined 22.3%, or ¥56,572 million, to ¥197,138 million. Cost of sales as a percentage of net sales rose 1.1 percentage points, to 77.0%. Cost of sales fell despite rising prices for steel materials and nonferrous metals, owing to stringent cost cutting, together with a steep decline in shipments—a consequence of the sharp deterioration of global economic conditions—and fluctuating exchange rates, notably the appreciation of the yen.

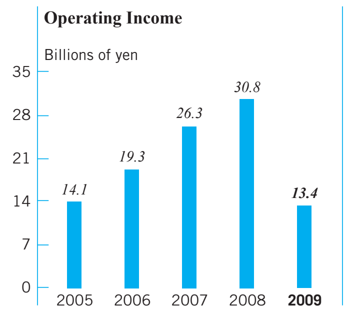
SGA Expenses

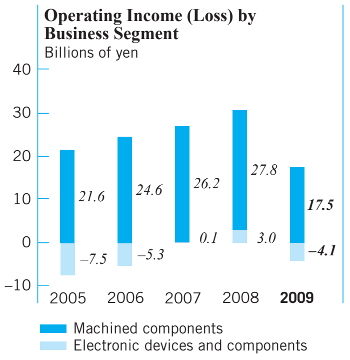
SGA expenses amounted to ¥45,619 million, down 8.7%, or ¥4,340 million. SGA expenses were equivalent to more than 17.5% of consolidated net sales, an increase of approximately 3 percentage points. The decline in SGA expenses was attributable to ongoing efforts to reduce costs, as well as to rapid global economic deterioration and fluctuating exchange rates, notably the appreciation of the yen.

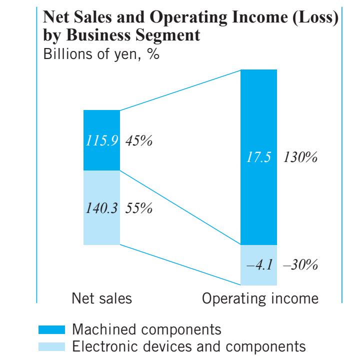
Cost of Sales and SGA Expenses

Millions of yen

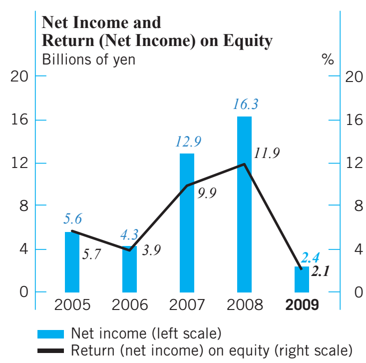
Years ended March 31	**2009**	2008	2007	2006	2005
Net sales	**¥256,163**	¥334,431	¥331,022	¥318,446	¥294,422
Cost of sales	**197,138**	253,710	257,644	249,935	232,019
Cost of sales to net sales	**77.0%**	75.9%	77.8%	78.5%	78.8%
Gross profit	**59,025**	80,721	73,378	68,511	62,403
SGA expenses	**45,619**	49,959	47,113	49,242	48,320
SGA expenses to net sales	**17.8%**	14.9%	14.2%	15.5%	16.4%







Note: Percentages represent contribution by business segment to total.



Operating Income

Operating income fell 56.4%, or ¥17,356 million, to ¥13,406 million. The operating margin declined 4.0 percentage points, to 5.2%. For more detailed information, refer to the section entitled "Performance by Business Segment" beginning on page 27.

Other Income (Expenses)

The net balance of other income (expenses) was expenses, i.e., a loss, of ¥6,572 million, ¥1,064 million greater than in the previous fiscal year. Interest expense declined ¥1,756 million, to ¥2,646 million, a consequence of falling interest rates worldwide. Other expenses also included a business restructuring loss of ¥1,793 million resulting from the closure of NMB-Minebea UK Ltd's Skegness Plant, a ball bearing manufacturing facility; special severance payments of ¥985 million, owing to personnel reductions in Thailand and the United States and outlays to accommodate the Company's and certain consolidated domestic subsidiaries' shift to a defined contribution pension plan; and ¥744 million as an allowance for environmental remediation expenses in the United States.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests totaled ¥6,834 million, down 72.9%, or ¥18,420 million.

Income Taxes

Income taxes declined ¥3,683 million, to ¥4,223 million. This is comprised of current income taxes, that is, corporate, inhabitant and business taxes, of ¥4,433 million, less a reversal of prior year's income taxes of ¥1,028 million, plus deferred income taxes of ¥818 million. The effective income tax rate climbed to 61.8%, from 31.3%, due to the decline in income before income taxes and minority interests and an increase in dividend payments from overseas subsidiaries.

Minority Interests

Minority interests amounted to ¥170 million, down ¥875 million from the previous fiscal year. This was primarily attributable to a deterioration in the earnings performance of joint venture Minebea Motor Manufacturing Corporation.

Net Income

As a consequence of the aforementioned factors, net income declined 85.0%, or ¥13,862 million, to ¥2,441 million. Basic net income per share was ¥6.18, down from ¥40.86 in the previous fiscal year.

Income

Millions of yen

Years ended March 31	**2009**	2008	2007	2006	2005
Operating income	**¥13,406**	¥30,762	¥26,265	¥19,269	¥14,083
Operating margin	**5.2%**	9.2%	8.0%	6.0%	4.8%
Net balance of other income (expenses)	**(6,572)**	(5,508)	(6,742)	(9,649)	(6,305)
Net income	**2,441**	16,303	12,862	4,257	5,581
Net income to net sales	**1.0%**	4.9%	3.9%	1.3%	1.9%
Net income per share (Yen):					
Basic	**6.18**	40.86	32.23	10.67	13.93
Diluted	**—**	—	—	—	13.27
Return (net income) on equity	**2.1%**	11.9%	9.9%	3.9%	5.7%
Return on total assets	**0.8%**	4.8%	3.7%	1.2%	1.7%

Financial Condition

Financial Policy and Liquidity

In its various businesses, the Minebea Group continues 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 a high degree of agility in our financing activities.

With the aim of reinforcing our financial position, we have set a goal to reduce net interest-bearing debt (¥109,995 million at the end of the current fiscal year) to below ¥100,000 million. Given the uncertain financial situation, we will endeavor to avoid financial risk and the increase of our interest burden by promoting efforts to expand income, shrink inventories and implement an effective investment plan that focuses on the efficient use of assets, thereby reducing interest-bearing debt. In terms of capital investment, we are promoting decisive investments in growth businesses. We are also corresponding to sharp declines in demand worldwide by making efficient investments.

To ensure the agility of our financing efforts, we obtained ratings for short-term debt up to a maximum of ¥10,000 million. 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.

Debt Ratings

As of May 2009	*Long-term debt*	*Short-term debt*
Moody's Investors Service	Baa2	—
Japan Credit Rating Agency, Ltd.	A	J–1
Japan Rating and Investment Information, Inc.	A–	a–1

Capital Investment

Capital investment in the current fiscal year totaled ¥20,182 million, down 18.9%, or ¥4,706 million, from the previous fiscal year, which comprised of ¥10,318 million in the Machined Components segment and ¥9,864 million in the Electronic Devices and Components segment. In the Machined Components segment, investments were used to rationalize production facilities for bearings and other products in Thailand, China, Singapore and the United States, and for facilities aimed at expanding production capacity for aircraft fasteners. In the Electronic Devices and Components segment, investments were applied to new facilities for HDD spindle motors and electronic devices in Thailand and for information motors in Thailand and China.

Capital investment included investments in purchases of intangible fixed assets (¥599 million) and in assets acquired through finance leases (¥1,154 million).

In the next fiscal year, we expect capital investment to be in the area of ¥10,000 million. Planned investments include the installation of equipment at our new production facility for aircraft components at the Karuizawa Plant and the construction of new surface treatment facilities at the Fujisawa Plant.

Dividends

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

It is also our policy to appropriate surplus earnings for the payment of cash dividends twice annually, at the interim and at the fiscal year-end. The year-end dividend is determined by way of a proposal that is voted on at the ordinary general meeting of shareholders, while the interim dividend is set by the Board of Directors.

In line with this policy, cash dividends for the current fiscal year were declared at ¥7.00 per share, including an interim dividend of ¥5.00 per share. As a result, the consolidated payout ratio was 113.3%.

Regarding the application of retained earnings, we will step up efforts to respond to changes in our operating environment by promoting efficient investments aimed at raising our cost competitiveness and reinforcing our technological and product development capabilities, thereby improving our responsiveness to market needs.

Free Cash Flow

Free cash flow (calculated by adding net cash flows from operating activities and net cash flows from investing activities) totaled ¥12,510 million, a decrease of 46.6%, or ¥10,922 million, from the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥37,064 million, down 21.0%, or ¥9,829 million, from the previous fiscal year. This change was mainly due to an ¥18,420 million decline in income before income taxes and minority interests from the previous fiscal year, to ¥6,834 million. Depreciation and amortization totaled ¥23,988 million, down ¥2,455 million.

Cash Flows from Investing Activities

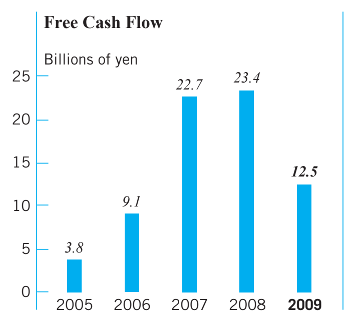
Net cash used in investing activities increased 4.7%, or ¥1,093 million, to ¥24,554 million. Factors behind this change included ¥18,429 million to the purchase of tangible fixed assets, down ¥6,459 million, and payments for purchase of shares in subsidiaries totaling ¥7,265 million, nonexistent in the previous fiscal year.

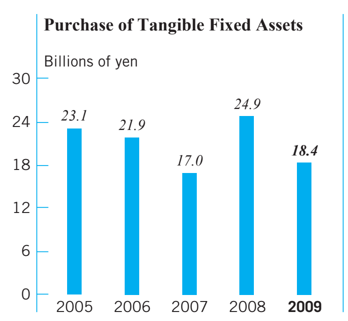
Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥6,975 million, down 66.1%, or ¥13,629 million. Principal applications of cash were cash dividends paid (¥5,985 million, an increase of ¥1,995 million from the previous fiscal year), the purchase of treasury stock (¥3,160 million, up ¥3,143 million) and payment for the redemption of bonds (¥15,000, up from zero). Financing activities generating cash included a net increase in short-term and long-term debt of ¥18,208 million, up ¥34,805 million from the previous fiscal year.

Cash and Cash Equivalents

Operating, investing and financing activities in the current fiscal year resulted in cash and cash equivalents at the end of year of ¥27,895 million, a net increase of ¥4,614 million, as free cash flow exceeded net cash used in financing activities.





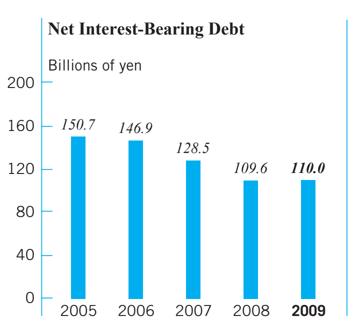
Free Cash Flow

Millions of yen

Years ended March 31	**2009**	2008	2007	2006	2005
Net cash provided by operating activities	**¥ 37,064**	¥ 46,893	¥ 37,902	¥ 28,237	¥ 27,586
Net cash used in investing activities	**(24,554)**	(23,461)	(15,180)	(19,120)	(23,789)
Portion of above used in purchase of tangible fixed assets	**(18,429)**	(24,888)	(16,969)	(21,897)	(23,060)
Free cash flow	**12,510**	23,432	22,722	9,117	3,797

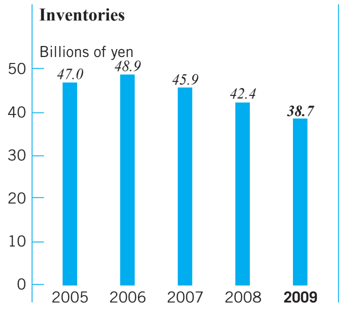
Assets, Liabilities and Net Assets

Total assets at the end of the current fiscal year amounted to ¥285,396 million, down 11.0%, or ¥35,148 million, from the end of previous fiscal year. This was primarily attributable to the reduced value of assets held by affiliates overseas when calculated in yen and declines in accounts receivable triggered by falling sales. Total net assets came to ¥106,762 million, while the equity ratio was 37.1%, down 3.6 percentage points. Net interest-bearing debt (total debt minus cash and cash equivalents) increased 0.4%, or ¥424 million, to ¥109,995 million. As a consequence, the net debt-to-equity ratio rose to 1.0 times.



Assets

With free cash flow exceeding net cash used in financing activities, cash and cash equivalents rose by a net total of ¥4,614 million, to ¥27,895 million. Notes and accounts receivable–trade were down ¥21,480 million, to ¥43,355 million, reflecting the decline in net sales. Inventories amounted to ¥38,737 million, a decline of ¥3,664 million. This decline reflected the impact of yen appreciation and M&A activity (approximately ¥3,800 million and ¥1,400 million, respectively), together with company-wide efforts to reduce inventories. Deferred tax assets (short-term) fell ¥5,354 million, to ¥3,144 million. As a consequence, total current assets fell 17.8%, or ¥26,418 million, to ¥121,699 million.



Total tangible fixed assets amounted to ¥135,406 million, down 10.1%, or ¥15,203 million. Purchase of fixed assets totaled ¥18,429 million, while depreciation and amortization amounted to ¥23,988 million. The negative impact of yen appreciation was approximately ¥12,200 million.

Total intangible fixed assets totaled ¥11,882 million, up 20.7%, or ¥2,035 million.

Total investments and other assets were ¥16,409 million, up 37.2%, or ¥4,453 million, owing to a ¥319 million decline in the equity value of investments in securities and a ¥6,002 million increase in deferred tax assets (long-term). Owing to such factors, total fixed assets amounted to ¥163,697 million, a decrease of 5.1%, or ¥8,715 million.

Deferred charges decreased from ¥15 million at the end of previous fiscal year to ¥0 million.

Liabilities

Notes and accounts payable–trade declined ¥14,391 million, to ¥9,664 million, as falling output reduced the volume of materials purchased. Short-term loans payable increased ¥8,538 million, to ¥58,890 million. The current portion of long-term debt rose ¥7,100 million, to ¥22,100 million. Owing to such factors, total current liabilities amounted to ¥112,312 million, down 5.1%, or ¥6,009 million.

Despite new borrowings, long-term debt declined 15.7%, or ¥10,600 million, to ¥56,900 million. As a consequence, total long-term liabilities declined 5.9%, or ¥4,171 million, to ¥66,322 million.

Net Assets

Total net assets fell 19.0%, or ¥24,968 million, to ¥106,762 million, owing to a ¥7,349 million decline in retained earnings, combined with a decrease of ¥12,348 million in foreign currency translation adjustments. Minority interests in consolidated subsidiaries declined 14.6%, or ¥169 million, to ¥986 million.

Financial Position

Millions of yen

As of March 31	**2009**	2008	2007	2006	2005
Total assets	**¥285,396**	¥320,544	¥354,784	¥349,862	¥332,217
Cash and cash equivalents	**27,895**	23,281	21,731	24,385	21,759
Total current assets	**121,699**	148,117	156,059	153,564	147,295
Inventories	**38,737**	42,401	45,904	48,914	46,963
Total current liabilities	**112,312**	118,321	131,155	150,886	141,449
Working capital	**9,387**	29,796	24,905	2,678	5,846
Interest-bearing debt	**137,890**	132,852	150,261	171,272	172,453
Net interest-bearing debt	**109,995**	109,571	128,530	146,887	150,694
Total net assets	**106,762**	131,730	142,558	118,209	102,088
Equity ratio	**37.1%**	40.7%	40.1%	33.6%	30.7%
Debt-to-equity ratio (Times)	**1.3**	1.0	1.1	1.5	1.7
Net debt-to-equity ratio (Times)	**1.0**	0.8	0.9	1.2	1.5
Net assets per share (Yen)	**271.93**	327.25	356.75	294.65	255.82

Note: Effective from 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, figures after fiscal 2006 include minority interests in net assets.