

# Business Results

First Quarter of Fiscal Year Ending March 31, 2009

July 31, 2008

**Minebea Co., Ltd.**



# Summary of Consolidated Business Results for 1Q

**Net Sales and Income decreased due to  
negative impacts from currency and higher raw material costs**

(Millions of yen)	FY ended Mar.'08		FY ending Mar.'09 1Q	Change	
	1Q	4Q		YoY	QoQ
Net sales	81,766	81,042	74,041	-9.4%	-8.6%
Operating income	7,115	7,286	5,083	-28.6%	-30.2%
Ordinary income	6,252	6,999	4,685	-25.1%	-33.1%
Income before income taxes	5,476	6,055	4,057	-25.9%	-33.0%
Net income	3,133	3,775	2,635	-15.9%	-30.2%
Net income per share (Yen)	7.85	9.46	6.60	-15.9%	-30.2%

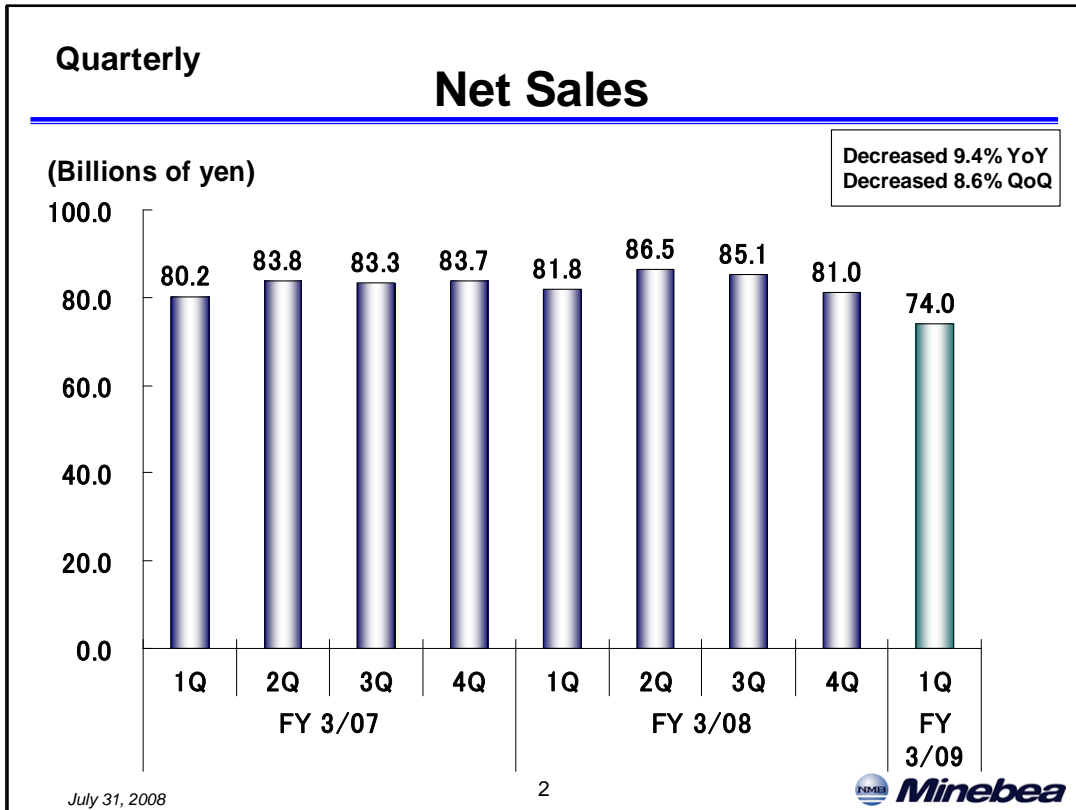
Foreign exchange rates	1Q FY3/08	4Q FY3/08	1Q FY3/09	
US\$	¥119.85	¥108.44	¥103.36	() are on-shore rates reported by the Bank of Thailand. Large difference on on-shore Thai Baht rate and off-shore one disappeared in March, 2008 when Thailand lifted its restrictions on short-term capital inflows.
Euro	¥161.22	¥161.16	¥161.48	
Thai Baht	¥3.70 (¥3.44)	¥3.60 (¥3.29)	¥3.24	
Chinese RMB	¥15.55	¥15.06	¥14.72	

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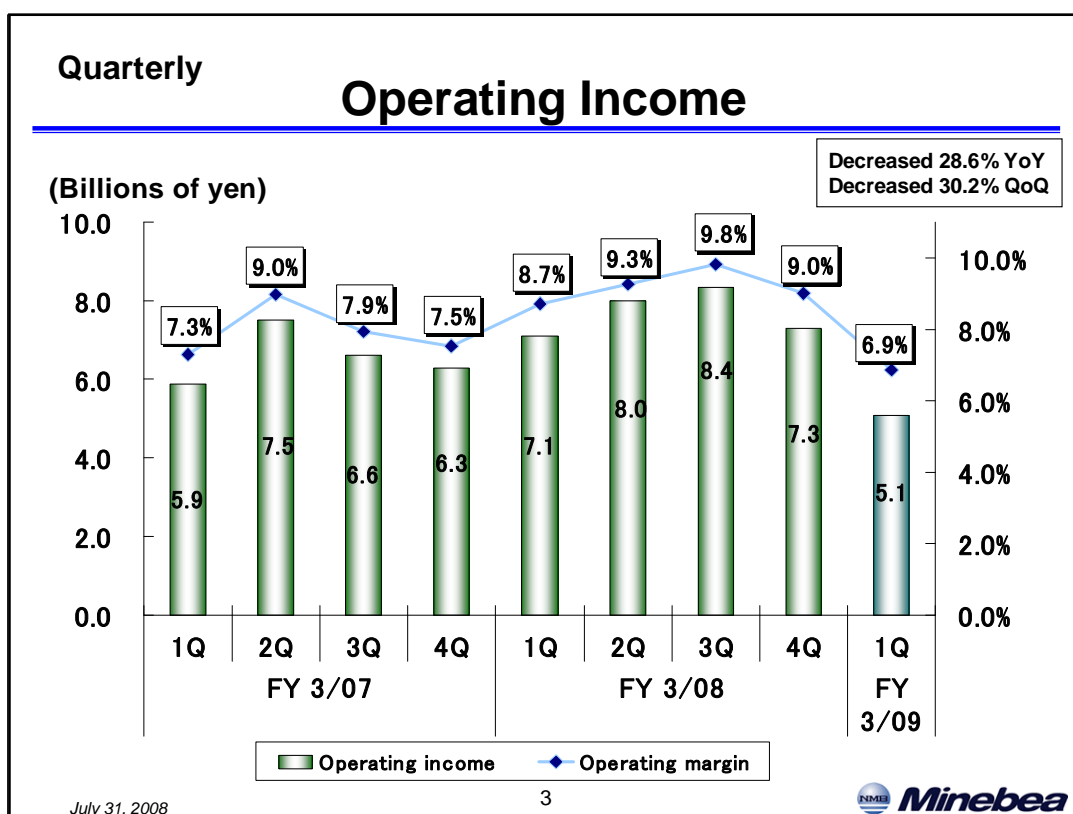
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In the first quarter, net sales were 74,041 million yen, operating income was 5,083 million yen and net income was 2,635 million yen. Compared to the same period of the last fiscal year, net sales decreased by 9.4%, operating income decreased by 28.6% and net income decreased by 15.9% due to negative impacts from the weaker US dollar and higher raw material costs.



First quarter net sales were 74 billion yen, 8.6% lower from the fourth quarter of the last fiscal year. This is mainly due to the weaker US dollar against the Japanese yen. Looking at products, sales of HDD spindle motors and pivot assemblies declined due to inventory adjustments in HDD market. The foreign exchange fluctuations decreased net sales by 7.5 billion yen from the same period of the last fiscal year, and by 3.1 billion yen from the previous quarter.

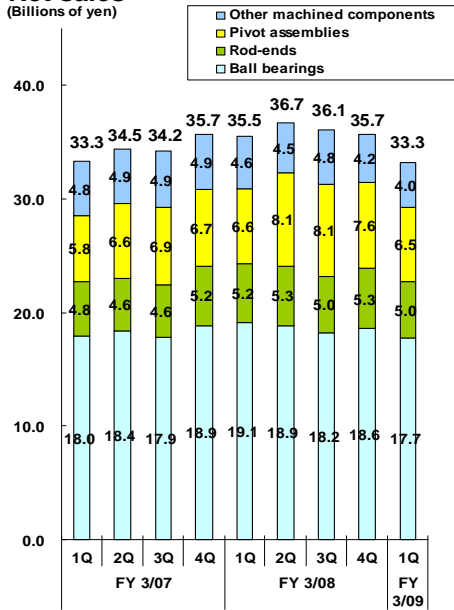


In the first quarter, operating income was 5.1 billion yen, 30.2% lower from the previous quarter. Operating margin as 6.9%, 2.1 points lower from the previous quarter. During the quarter, we had negative impacts on operating income from the inventory adjustments in HDD market, rapid increases in production costs such as labor costs which were larger than our cost reduction results and the foreign exchange fluctuations such as the weaker US dollar. According to our estimate under certain assumptions, the currency impact on operating income was about negative 0.4 billion yen during the quarter compared to the previous quarter, and about negative 0.8 billion yen compared to the same period of the last fiscal year.

## Business Segments

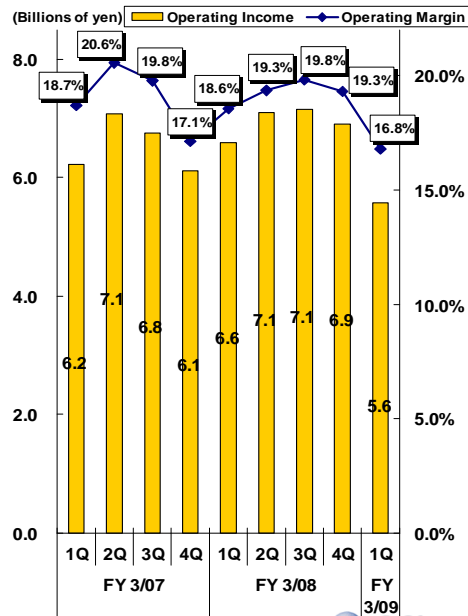
# Machined Components Business

### Net sales (Billions of yen)



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### Operating income



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Minebea

For the machined components business segment, first quarter net sales were 33.3 billion yen, down 2.4 billion yen, or down 6.9% lower from the previous quarter due mainly to the weaker US dollar. Operating income was 5.6 billion yen, down 1.3 billion yen, or down 19.1% from the previous quarter due to the weaker US dollar and other factors. Operating margin was 16.8%, down 2.5 points from the previous quarter.

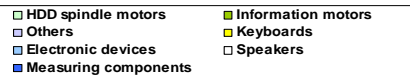
First quarter sales of miniature and small sized ball bearings decreased by 7.1% from the same period of the last fiscal year, and by 4.6% from the previous quarter due mainly to the weaker US dollar. External shipments increased by 2 million units per month from the previous quarter, and we also expect steady sales volume in the second quarter and beyond. Profits decreased in this business from the previous quarter due to the weaker US dollar against the Thai Baht and other factors. We will drive our cost reduction programs further. In addition, we will adjust our product prices to reflect increasingly higher raw material costs which we may not be able to overcome only by improved production efficiency.

First quarter sales of rod-end and spherical bearings decreased by 4.7% from the same period of the last fiscal year, and by 5.9% from the previous quarter due to the weaker US dollar against the Japanese yen, despite continued strength in the global aircraft production. We will increase our production capacity to meet this growing demand in a timely manner. At the same time, we will actively promote our products for newly designed aircraft models. Profit decreased from the previous quarter due to increased raw material costs and the weaker US dollar against the Japanese yen. We will work to adjust our product prices to cover increased raw material costs.

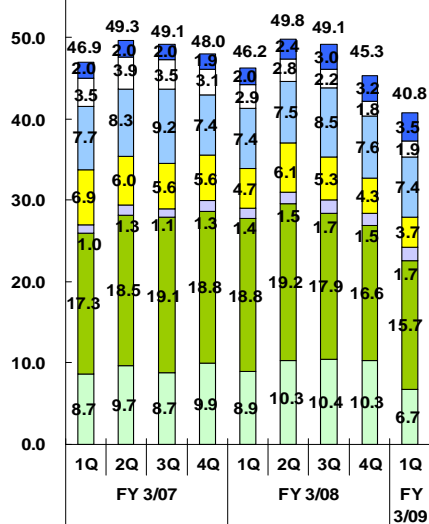
First quarter sales of pivot assemblies for Hard Disk Drives decreased by 0.5% from the same period of the last fiscal year, and by 13.9% from the previous quarter. During the quarter, sales volume of pivot assemblies was 26 million units per month, over one million units lower than the previous quarter, because of inventory adjustments by HDD manufacturers. There was also a negative currency impact from the weaker US dollar. For the second quarter and beyond, we expect an increase in shipments because the inventory adjustments are over and we will enter into a seasonally strong period. Profitability of this business significantly declined due to lower sales resulting from the weaker US dollar against the Thai Baht. We will adjust our product prices as soon as possible to reflect increasingly higher raw material costs.

## Business Segments **Electronic Devices and Components Business**

### Net sales

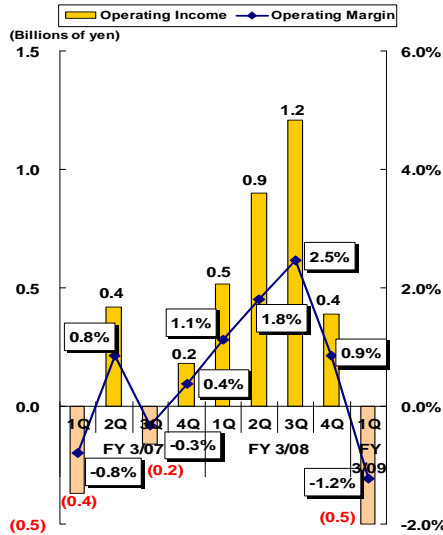


(Billions of yen)



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### Operating income



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In the electronic devices and components business segment, first quarter net sales decreased by 4.5 billion yen from the previous quarter due to the weaker US dollar, terminations of magneto-optical disk drives and floppy disk drive heads businesses during the previous quarter, and inventory adjustments in HDD market. Operating loss was 0.5 billion yen. Operating margin was negative 1.2%.

Net sales of HDD spindle motors dropped by 24.4% from the same period of the last fiscal year, and by 34.4% from the previous quarter. This is because of sales volume decline by 1.9 million units per month to 3.9 million units per month due to inventory adjustments by HDD manufacturers. However, sales volume of 2.5 inch HDD spindle motors increased by 0.2 million units per month to 1.2 million units per month as we gained business with new customers. Profitability also deteriorated further compared to the previous quarter due to significant drops in sales and production volume and a negative impact from the weaker US dollar despite our efforts to improve yields and reduce costs. We will continue our efforts to achieve our target of producing positive operating income on a monthly basis during the second quarter.

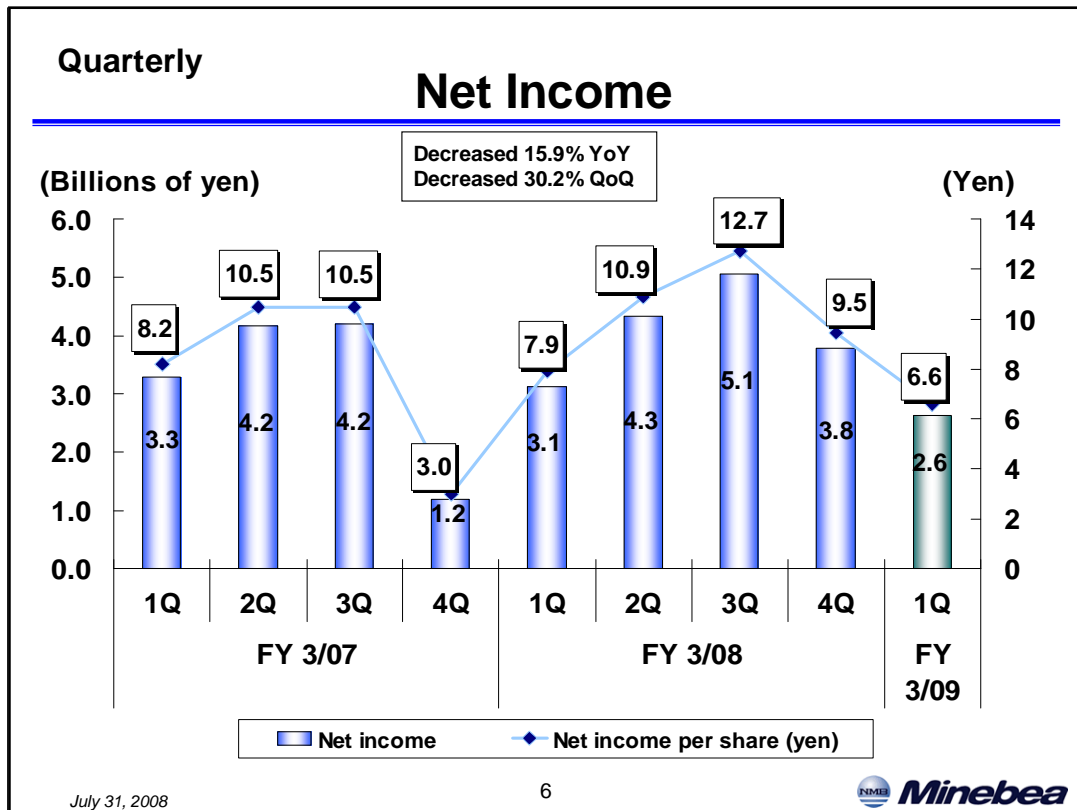
Net sales of information motors decreased by 16.2% from the same period of the last fiscal year, and by 5.1% from the previous quarter due mainly to the weaker US dollar against the Thai Baht and the Chinese Renminbi, and deterioration of product mix. Profits of this business decreased significantly compared to the same period of the last fiscal year and the previous quarter due to sales declines and intensified competition despite our efforts to reduce costs. We are aiming to improve profitability by improving the product mix and reducing costs further.

Net sales of keyboards decreased by 20.9% from the same period of the last fiscal year due to terminations of low value-added products, and by 12.7% from the previous quarter due to volume declines and the weaker US dollar against the Chinese Renminbi. This business turned slightly unprofitable for the quarter. However, we expect increased sales towards the peak Christmas holiday demand.

Net sales of electronic devices decreased by 1.2% from the same period the last fiscal year, and by 3.4% from the previous quarter. Sales of LED backlights grew steadily as volume of backlights without LED attached increased. Compared to the previous quarter, sales declined due to terminations of magneto-optical disk drives and floppy disk drive heads businesses during the previous quarter. Sales volume of inverters for large LCD TVs grew since last year, but we now expect near term declines due to inventory adjustments by some customers. Profits of this business were flat compared to the previous quarter. We aim to increase profits by development of new products and entry into new markets.

Net sales of speakers decreased by 33.3% from the same period of the last fiscal year, but increased by 6.6% from the previous quarter. Profitability was still negative as we are in a process to shift our in-house production in Thailand to outsourcing from China.

Net sales of measuring components increased 74.0% from the same period of the last fiscal year, and by 11.2% from the previous quarter, due mainly to an increase in sales for a new application. Profit also increased from the previous quarter.

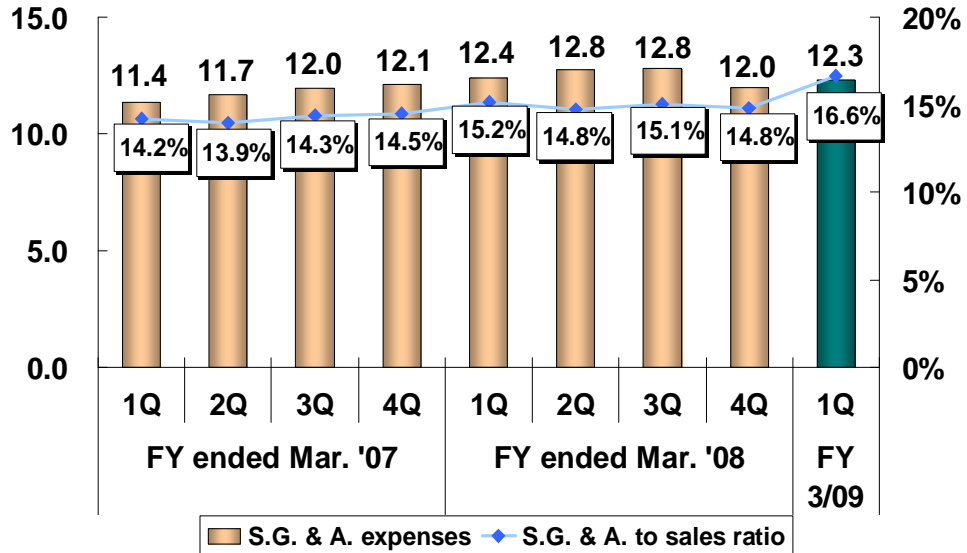


Net income for the first quarter was 2.6 billion yen, a 1.2 billion yen, or 15.9% decrease from the previous quarter. Net income per share decreased by 2.9 yen to 6.6 yen from the previous quarter. This is due to a decrease in operating income, a 0.4 billion yen loss on transition to the defined contribution pension plan and other factors, despite a decrease in interest payments and corporate taxes.

Quarterly

## S.G. & A. Expenses

(Billions of yen)



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First quarter SG&A expenses increased slightly by 0.3 billion yen to 12.3 billion yen. While we continued our efforts to keep expenses low, the primary reason for an increase in SG&A expenses to sales ratio by 1.8 points to 16.6% was a decline in sales.

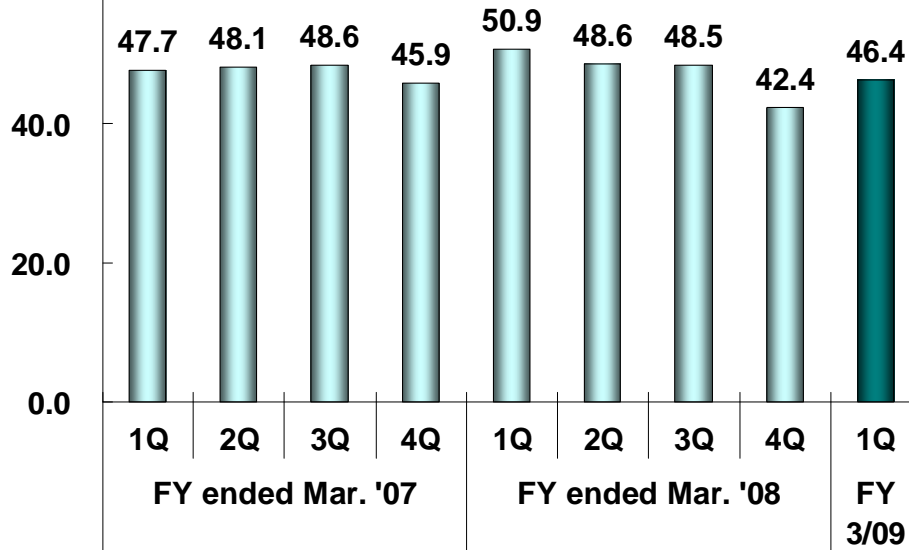


## Quarterly

# Inventories

(Billions of yen)  
60.0

Inventory buildup to prepare for seasonal demand increases, in addition to currency impact of +1.6 billion yen

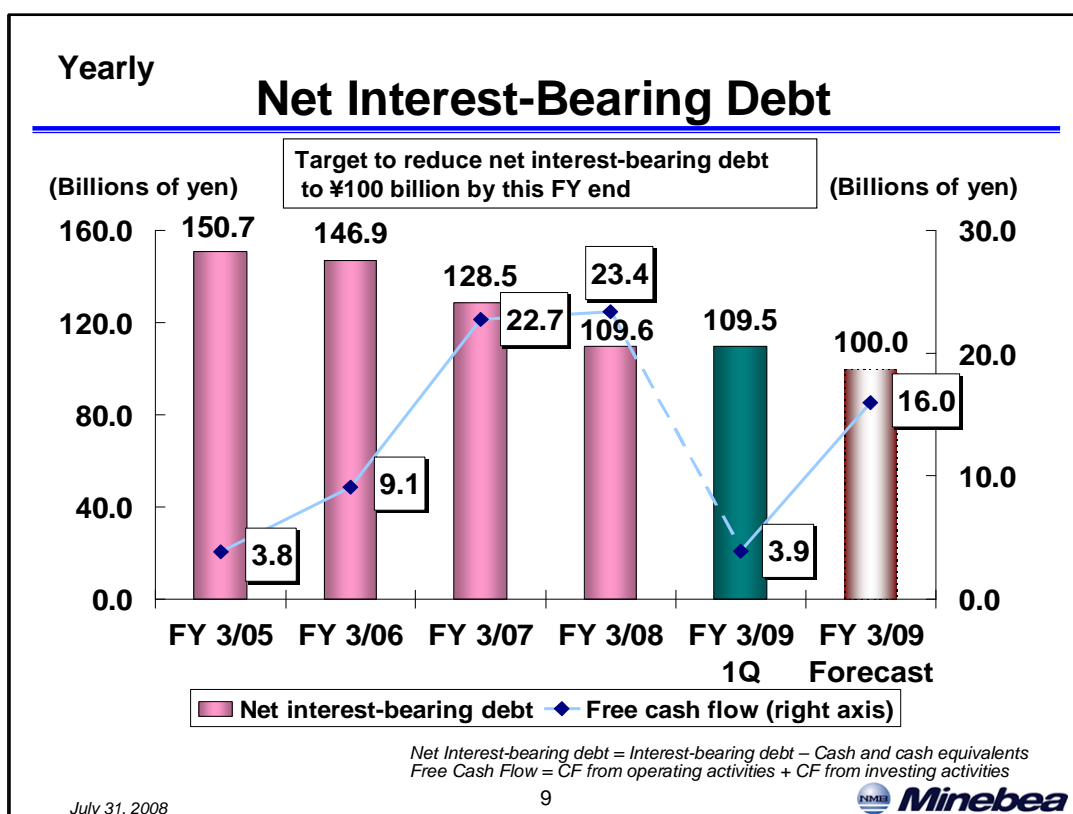


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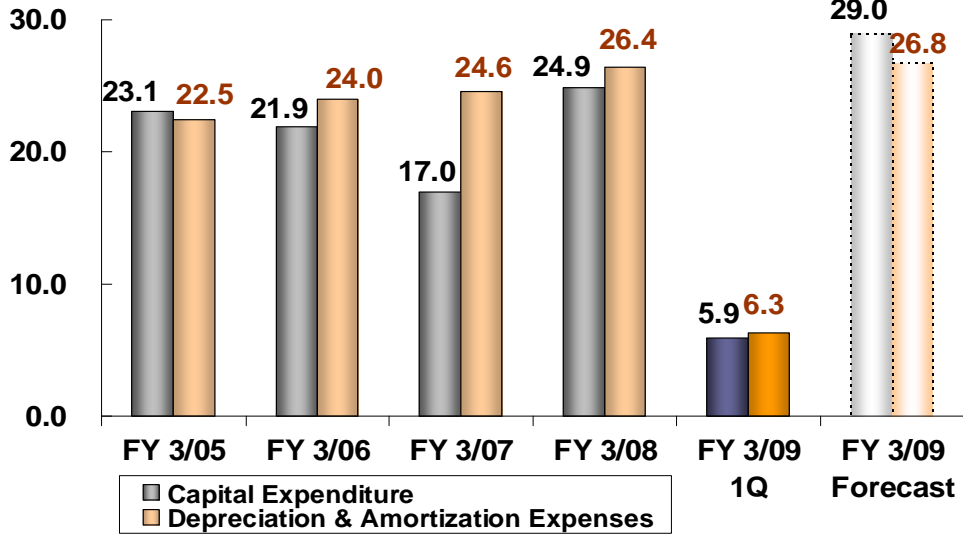
Inventories increased by 4.0 billion yen compared to the previous quarter due to an increase of 1.6 billion yen from the foreign exchange rate fluctuations and an inventory build-up to prepare for the expected demand increases for the back-to-school and Christmas holiday sales season in Europe and the U.S. during the second quarter and beyond.



Net interest-bearing debts, which are interest-bearing debts minus cash and cash equivalents, were 109.5 billion yen in the first quarter, a decrease of 0.1 billion yen from the previous quarter. The main reason was our efforts to reduce debts despite dividend payments and because free cash flow was relatively low for the quarter due to summer bonus payments. We will continue our efforts to achieve our target to reduce net interest-bearing debts to 100 billion yen by this fiscal year end.

## Quarterly Capital Expenditure & Depreciation

(Billions of yen)



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

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Capital expenditure for the first quarter was 5.9 billion yen, compared with the full year forecast of 29 billion yen. Investments were mainly in capacity expansions in ball bearings and motors. Depreciation and amortization expenses for the quarter were 6.3 billion yen, compared with the full year forecast of 26.8 billion yen.

## Forecast for Fiscal Year Ending March 31, 2009

### Initial forecast unchanged

(Millions of yen)	FY ended Mar.'08	Fiscal Year ending Mar.'09				
	Full year	1Q	1H forecast	1Q/ 1H forecast	Full year forecast	Change Y o Y
Net sales	334,431	74,041	162,000	46%	330,000	-1.3%
Operating income	30,762	5,083	15,400	33%	32,000	+4.0%
Ordinary income	27,691	4,685	14,100	33%	29,500	+6.5%
Income before income taxes	25,254	4,057	13,500	30%	28,500	+12.9%
Net income	16,303	2,635	8,100	33%	17,000	+4.3%
Net income per share (Yen)	40.86	6.60	20.30	33%	42.61	+4.3%

Foreign exchange rates	FY ended Mar.'08	FY ending Mar.'09 Assumption	
US\$	¥115.29	¥105.00	() is on-shore rate reported by the Bank of Thailand. Large difference on on-shore Thai Baht rate and off-shore one disappeared in March, 2008 when Thailand lifted its restrictions on short-term capital inflows.
Euro	¥162.18	¥163.00	
Thai Baht	¥3.70 (¥3.39)	¥3.40	
Chinese RMB	¥15.40	¥14.90	

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As a result of the above, we decided not to change our initial forecast. The results for the quarter were lower than our initial plan due to negative impacts from the foreign exchange fluctuations, inventory adjustments in HDD market and rapid increases in production costs such as labor costs which were larger than our cost reduction efforts. In order to achieve this fiscal year's forecast, we will reinforce our efforts to reduce costs further. In addition, we will adjust our product prices to reflect increasingly higher raw material costs which we may not be able to overcome only by improved production efficiency.

## **New Ball Bearing Factory in Thailand**

### **Growth potential in miniature ball bearings**

- forecasting volume growth of 5% or more per year for medium term

### **Energy-saving, environmentally-friendly ball bearing factory specialized for front-end processes (built in May 2008)**

Further strengthening industry's highest level of quality and cost competitiveness

Specialized for energy-consuming front-end processes

- targeting 40% less electricity usage (compared to existing factories) due to integration and more efficient air conditioning system
- recycling of more cutting oil and water
- next production base expansion will be easier by utilizing this capacity



Production capacity : initially 10 million units per month on final product basis

30 million units per month in the future at full capacity

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Before finishing, I would like to explain our new ball bearing factory in Thailand completed in May.

Global demand for miniature ball bearings has been growing steadily despite on-going concern about macro economic slow-downs. If you take a look at external shipments since last year, they have been increasing quarter by quarter. This is due to growth in electronic products which use fan motors, growth of HDD which needs pivot assemblies, further utilization of electronics in automobiles which leads to more use of small motors and other factors.

In order to meet these growing demands, and to further strengthen the industry's highest level of quality and cost competitiveness of our products, we built a new ball bearing factory in Bang Pa-in, Thailand. This factory is specialized for front-end processes such as machining which traditionally consume huge amounts of energy, rather than conducting all processes from the beginning to the end in a conventional factory. By integrating front-end processes in a single factory and by introducing a highly efficient air conditioning system in the entire building, we are now targeting to cut 40% of electricity usage compared to our conventional factories. This is an environmentally-friendly factory which recycles more cutting oil and water. Currently, we are shifting our existing production machinery to this new factory gradually. Initial production capacity is 10 million units per month on final product basis. In the future at full production, capacity is expected to be 30 million units per month.

# Minebea Co., Ltd.

## Business Results

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

Any statements in the presentation which are not historical fact are future projections made based on certain assumptions and executive judgment 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: (i) changes in economic conditions or demand trends around Minebea; (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. However, this is not a complete list of the factors affecting actual performance.

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