

## **Outlook for Fiscal 2005 and Risk Management**

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### **Outlook for Fiscal 2005**

With the global economy expected to remain on a recovery path in fiscal 2005, demand for PCs, HDDs, information and telecommunications equipment and household electrical appliances is likely to continue expanding. However, we also expect persistent price-cutting pressure from customers and heightened competition throughout Asia, particularly in China. In such an environment, we will continue to implement measures aimed at further reinforcing our ball bearing business and addressing the various challenges facing our electronic devices and components business, thereby establishing a strong foundation for steady increases in our operating results over the long term. In fiscal 2005, we expect consolidated net sales to edge up and operating and net income to increase.

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### **Risk Management**

Minebea recognizes a variety of risks and uncertainties that have the potential to affect its operating results and/or financial position.

#### **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. Moreover, reflecting customers' increasingly short product cycles, we are seeing the average life cycle and development period for our products decrease. We work to ensure an accurate grasp of customer needs, thereby facilitating the effective allocation of development resources, and to adjust our production capacity accordingly. Nonetheless, our operating results and financial position are vulnerable to sudden fluctuations in demand and changes in our customers' product requirements.

#### **Foreign Exchange Risk**

In fiscal 2004, 74.2% of our consolidated net sales were in markets outside of Japan. We have entered into various currency exchange contracts and other derivatives transactions to hedge risks associated with exposure to fluctuations in foreign currency exchange rates.

#### **R&D Risk**

Maintaining our competitive position in the markets for machined components and electronic devices and components requires the ability to introduce a constant stream of new, high-quality products. To this end, the R&D and technology teams and manufacturing departments of Minebea Group companies work closely with sales departments. Nonetheless, there are no guarantees 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.

#### **Legal Risk**

The Legal Department is responsible for managing risk related to lawsuits and other legal actions brought against Minebea Group operations in Japan and/or overseas. In fiscal 2004, no lawsuits with the potential to significantly affect our operations were brought against Minebea or any Group company. 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**

Despite ongoing measures to ensure a highly efficient manufacturing structure, we continue to face intense competition from lower-priced products manufactured in other countries and regions. While we strive to differentiate our products from those of our competitors through the provision of added value derived from superior technology and quality, 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**

The companies of the Minebea Group purchase a variety of materials (products and merchandise) from external suppliers. We strive to ensure optimal purchase 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 in the future.

#### **Latent Risk Related to Operations Overseas**

The Minebea Group's manufacturing activities are conducted primarily in China, Thailand 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 the following risks, any one of which may have a negative impact on our operating results and/or financial condition:

- 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.