

Management's Discussion and Analysis of Results of Operations and Financial Condition

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 2007, this segment accounted for 41.6% 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 backlight assemblies; and measuring components. This segment represented 58.4% of consolidated net sales in fiscal 2007.

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, Singapore, Malaysia, Japan and the United States. Our largest manufacturing base, in Thailand, accounted for 49.6% of total consolidated production in fiscal 2007, while our manufacturing base in China accounted for 23.5%. Combined production at all our bases in Asia (excluding Japan) represented 80.9% of total production. Production outside of Japan accounted for 91.5% 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 36.5%, 15.0%, 9.3%, 9.9% and 10.2%, respectively, of fiscal 2007 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 50.2% of consolidated net sales. Our second-largest geographic market is Japan, which currently accounts for 25.6% of consolidated net sales. Remaining sales are to North America and Europe.

With the aim of ensuring our organization runs smoothly and effectively, we have established an operating structure comprising 14 business units and five 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 Our principal goal is to evolve and grow as "the leading company through manufacturing and technological excellence." We believe that the key to achieving this objective is to accelerate efforts to improve profitability. Accordingly, we have continued to address three priority tasks: take decisive actions to implement structural reforms, reinforce R&D and manage the Company with a clear vision.

To these ends, we have:

- implemented organizational reforms, namely, the introduction of a business unit system and the establishment of headquarters
- shifted our policy from volume to quality, and our focus from sales to profits
- reinforced R&D by assigning management of R&D efforts to the Engineering Headquarters and by creating a department dedicated to basic technology development
- implemented measures to restore the profitability of loss-making businesses and strengthen growth businesses.

These efforts have yielded concrete results. Thanks to organizational reforms, we have made progress in eliminating organizational barriers and promoting the more effective use of Group resources. This has enabled individual businesses to align their growth tracks. We clarified our shift in policy toward quality, rather than volume—a move that marks a return to the basics of manufacturing and the concept of workmanship. With the aim of reinforcing R&D, we laid a new foundation for future R&D activities under the direction of the Engineering Headquarters. We have also placed a priority on strengthening core technologies, which are essential to the development of new products and businesses, as well as next-generation products, and are striving to develop new businesses through the integration of multiple core technologies.

Our key concern has been the restoration of profitability Companywide by eliminating loss-making businesses. With a few minor exceptions, we achieved this objective in the period under review. We also implemented organizational changes necessary to support growth and expansion in the years ahead.

We have positioned fiscal 2008 as a year for surging forward. Accordingly, our efforts during the period will focus on expanding businesses and raising income. Recognizing the importance of launching Minebea on a new and sustainable growth trajectory and the need to set forth clear medium-term growth indicators, we formulated a new medium-term management plan to guide our efforts for three years beginning in fiscal 2008. We are confident that achieving the numerical targets of this plan will ready us for our next major leap forward.

Numerical Targets of Minebea's New Medium-Term Management Plan

(As of May 31, 2007)

Years ending March 31	Billions of yen		
	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

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

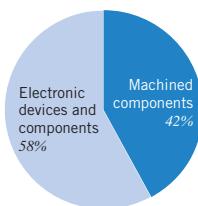
Segment Information

Years ended March 31	Millions of yen				
	2007	2006	2005	2004	2003
Sales to External Customers by Business Segment					
Machined components	¥ 137,662	¥ 129,595	¥ 116,105	¥ 111,693	¥118,118
Electronic devices and components	193,360	188,851	178,317	156,881	154,084
Total	¥ 331,022	¥ 318,446	¥ 294,422	¥ 268,574	¥272,202
Operating Income (Loss) by Business Segment					
Machined components	¥ 26,195	¥ 24,556	¥ 21,572	¥ 19,505	¥ 18,520
Electronic devices and components	70	(5,287)	(7,489)	(1,401)	832
Total	¥ 26,265	¥ 19,269	¥ 14,083	¥ 18,104	¥ 19,352
Assets by Business Segment					
Machined components	¥ 216,595	¥ 205,437	¥ 194,180	¥ 189,741	¥191,793
Electronic devices and components	224,048	218,790	214,142	196,918	204,489
Eliminations	(85,859)	(74,365)	(76,105)	(71,744)	(76,213)
Total	¥ 354,784	¥ 349,862	¥ 332,217	¥ 314,915	¥320,069
Depreciation and Amortization by Business Segment					
Machined components	¥ 12,507	¥ 11,437	¥ 10,401	¥ 10,811	¥ 10,378
Electronic devices and components	12,141	12,535	12,061	10,894	12,448
Total	¥ 24,648	¥ 23,972	¥ 22,462	¥ 21,705	¥ 22,826
Impairment Loss by Business Segment					
Machined components	¥ 31	¥ 388	¥ —	¥ —	¥ —
Electronic devices and components	43	579	—	—	—
Total	¥ 74	¥ 967	¥ —	¥ —	¥ —
Capital Expenditure by Business Segment					
Machined components	¥ 8,423	¥ 12,279	¥ 11,400	¥ 4,168	¥ 4,750
Electronic devices and components	9,243	9,929	22,757	14,929	11,853
Total	¥ 17,666	¥ 22,208	¥ 34,157	¥ 19,097	¥ 16,603
Sales to External Customers by Geographic Segment					
Japan	¥ 83,265	¥ 77,856	¥ 76,660	¥ 68,760	¥ 72,755
Asia (excluding Japan)	162,330	155,423	137,424	121,072	107,789
North and South America	56,110	59,468	52,390	48,726	58,998
Europe	29,317	25,699	27,948	30,016	32,660
Total	¥ 331,022	¥ 318,446	¥ 294,422	¥ 268,574	¥272,202
Operating Income by Geographic Segment					
Japan	¥ 9,770	¥ 1,922	¥ 2,752	¥ 4,883	¥ 3,133
Asia (excluding Japan)	11,299	12,843	5,870	10,763	12,418
North and South America	3,730	2,888	4,510	2,084	1,859
Europe	1,466	1,616	951	374	1,942
Total	¥ 26,265	¥ 19,269	¥ 14,083	¥ 18,104	¥ 19,352
Assets by Geographic Segment					
Japan	¥ 162,335	¥ 161,968	¥ 169,239	¥ 166,277	¥175,917
Asia (excluding Japan)	258,046	247,186	223,995	201,194	185,397
North and South America	35,692	36,864	32,442	29,173	37,064
Europe	21,326	19,618	20,300	20,075	20,528
Eliminations	(122,615)	(115,774)	(113,759)	(101,804)	(98,837)
Total	¥ 354,784	¥ 349,862	¥ 332,217	¥ 314,915	¥320,069

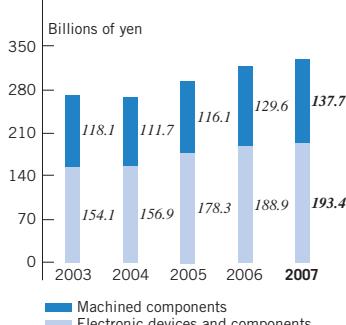
Financial Review

Results of Operations

Net Sales by Business Segment



Net Sales by Business Segment



Net Sales

Consolidated net sales in fiscal 2007 rose 3.9%, or ¥12,576 million, to ¥331,022 million. During the period, the Japanese economy remained on a gentle upswing, supported by high corporate earnings, as well as by such factors as increased investment in plants and equipment and an improved employment situation. The U.S. economy continued to see stable growth, owing to robust personal consumption, while the overall European economy exhibited a favorable recovery. In China, economic growth remained high, reflecting increases in exports and investment in fixed assets. The economies of other Asian countries were generally solid. Demand remained firm in key customer industries, owing to the increasing popularity of information and telecommunications equipment, including PCs, and cellular telephones, particularly in countries classified as emerging economies, and digital home electronics products, including flat-screen televisions and DVD recorders, primarily in developed countries. Brisk conditions also persisted in the aircraft and automobile markets. In this environment, sales prices remained comparatively stable. This, together with expanded sales of existing products and the launch of attractive new products, contributed to the increase in consolidated net sales for the period. The impact of yen depreciation on overseas sales added approximately ¥13,200 million to net sales.

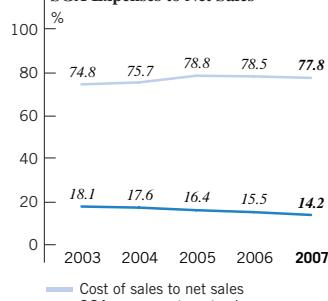
Cost of Sales

Cost of sales increased 3.1%, or ¥7,709 million, to ¥257,644 million. Cost of sales as a percentage of net sales edged down 0.7 percentage point, to 77.8%. Despite negative impact of yen depreciation and rising prices for steel, steel materials, rare metals and other raw materials, enhanced productivity prompted an improvement in cost of sales as a percentage of net sales.

SGA Expenses

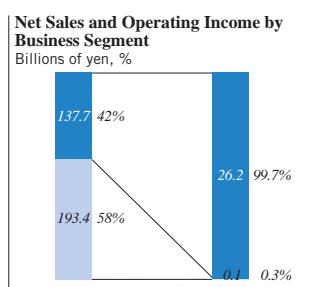
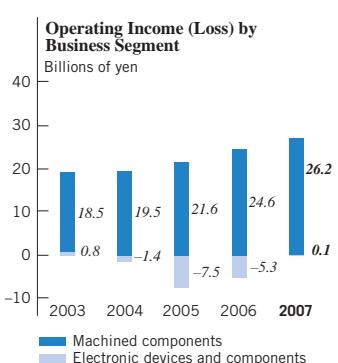
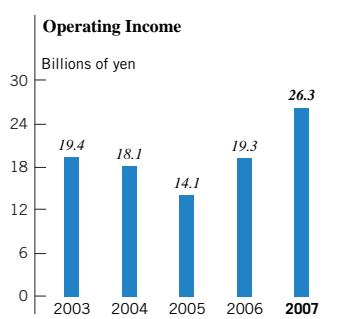
SGA expenses declined 4.3%, or ¥2,129 million, to ¥47,113 million. SGA expenses were equivalent to 14.2% of net sales, down 1.3 percentage points from fiscal 2006.

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

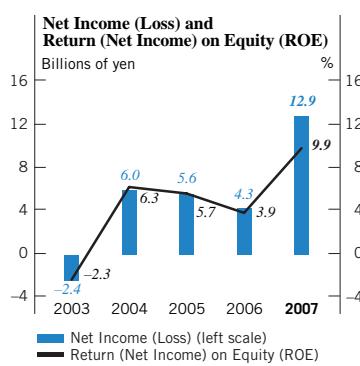


Cost of Sales and SGA Expenses

Years ended March 31	Millions of yen				
	2007	2006	2005	2004	2003
Net sales	¥331,022	¥318,446	¥294,422	¥268,574	¥272,202
Cost of sales	257,644	249,935	232,019	203,261	203,500
Cost of sales to net sales	77.8%	78.5%	78.8%	75.7%	74.8%
Gross profit	73,378	68,511	62,403	65,313	68,702
SGA expenses	47,113	49,242	48,320	47,209	49,350
SGA expenses to net sales	14.2%	15.5%	16.4%	17.6%	18.1%



Note: Percentages represent contribution by business segment to total.



Operating Income

Operating income advanced 36.3%, or ¥6,996 million, to ¥26,265 million. As a consequence, the operating margin rose 2.0 percentage points, to 8.0%. For more detailed information, refer to the section entitled "Performance by Business Segment," on page 35.

Other Income (Expenses)

The net balance of other income (expenses) was expenses, i.e., a loss, of ¥6,742 million, a decrease of ¥2,907 million. Despite efforts to reduce interest-bearing debt, interest expense rose ¥453 million, to ¥5,224 million, as a consequence of the impact of rising interest rates overseas. The overall decrease also reflected the absence of a ¥3,475 million business restructuring loss in the previous period related to the restructuring of our PC keyboards business.

Income before Income Taxes and Minority Interests

Owing to the factors described above, income before income taxes and minority interests climbed 102.9%, or ¥9,903 million, to ¥19,523 million.

Income Taxes

Income taxes edged down ¥79 million, to ¥7,062 million. This comprised current income taxes, that is, corporate, residential and business taxes, of ¥6,249 million, and an adjustment of ¥813 million. In fiscal 2006, losses posted by certain overseas subsidiaries and parent-company losses brought forward from the preceding period meant that dividend income received from overseas subsidiaries did not qualify for overseas tax credits, resulting in a higher effective tax rate. In fiscal 2007, the impact of such factors weakened significantly, as a consequence of which the effective tax rate normalized.

Minority Interests

Minority interests amounted to ¥401 million, down ¥1,377 million from fiscal 2006. This decline was primarily attributable to an improvement in the performance of joint venture Minebea–Matsushita Motor.

Net Income

As a consequence of the aforementioned factors, net income rose ¥8,605 million, to ¥12,862 million. Basic net income per share was ¥32.23, a significant increase from ¥10.67 in the previous period.

Income

Years ended March 31	Millions of yen				
	2007	2006	2005	2004	2003
Operating income	¥26,265	¥19,269	¥14,083	¥18,104	¥19,352
Operating margin	8.0%	6.0%	4.8%	6.7%	7.1%
Net balance of other income (expenses)	(6,742)	(9,649)	(6,305)	(5,146)	(18,857)
Net income (loss)	12,862	4,257	5,581	6,019	(2,434)
Net income (loss) to net sales	3.9%	1.3%	1.9%	2.2%	(0.9)%
Net income (loss) per share (Yen):					
Basic	32.23	10.67	13.93	15.08	(6.10)
Diluted	—	—	13.27	14.51	(4.85)
Return (net income) on equity	9.9%	3.9%	5.7%	6.3%	(2.3)%
Return on total assets	3.7%	1.2%	1.7%	1.9%	(0.8)%

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, ensuring we can respond promptly to fluctuations in demand. 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 2007, 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 net interest-bearing debt (¥128,530 million at fiscal 2007 year-end) to below ¥100,000 million. Given the uncertain interest rate situation in Japan, 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 and promoting 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, on December 18, 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.

Debt Ratings

As of May 2007	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.	BBB+	a-2

Purchase of Tangible Fixed Assets

Purchase of tangible fixed assets, or capital investment, in fiscal 2007 totaled ¥16,969 million, down ¥4,928 million from fiscal 2006. This amount included investments in the expansion and refurbishment of production facilities for ball bearings in Thailand, China and Singapore, and the expansion of production facilities for pivot assemblies in Thailand, as well as investments in facilities related to the production of electronic devices—notably HDD spindle motors and LED backlight assemblies—in Thailand and information motors in Thailand, China and Malaysia.

In fiscal 2008, we expect purchase of tangible fixed assets to be in the area of ¥27,500 million. We plan on making investments to, among others, build new plants overseas, expand and rationalize production facilities for ball bearings, expand production of aircraft components and rationalize production of HDD spindle motor production and molds.

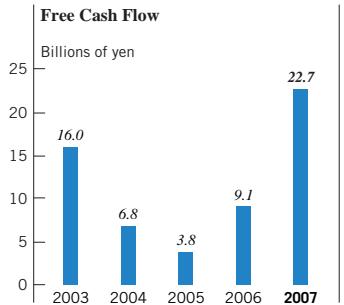
Dividend Policy

To date, our dividend policy has centered on appropriating profits to implement stable dividend payments to shareholders. Going forward, however, our primary emphasis will be raising capital efficiency and enhancing the distribution of profits to shareholders while giving comprehensive consideration to our operating environment. Accordingly, we will pursue a policy of ensuring a return on investment for shareholders that is in line with our operating results.

In line with our new policy, cash dividends for fiscal 2007 were declared at ¥10.00, an increase of ¥3.00. As a result, the payout ratio was 31.0%.

Free Cash Flow

Free cash flow (calculated by subtracting net cash used in investing activities from net cash provided by operating activities) totaled ¥22,722 million, an increase of 149.2%, or ¥13,605 million, from fiscal 2006.



Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥37,902 million, 34.2%, or ¥9,665 million, higher than in fiscal 2006. This change was primarily attributable to a ¥9,903 million increase in income before income taxes and minority interests, to ¥19,523 million, and a ¥6,403 million decrease in inventories, ¥4,321 million greater than in fiscal 2006. Depreciation and amortization totaled ¥24,648 million, up ¥676 million from the previous fiscal year.

Cash Flows from Investing Activities

Net cash used in investing activities decreased 20.6%, or ¥3,940 million, to ¥15,180 million. The principal factor contributing to this result was the application of ¥16,969 million for the purchase of tangible fixed assets, a decline of ¥4,928 million.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥25,683 million, an increase of 248.0%, or ¥18,303 million, from fiscal 2006. This change was primarily due to the application of ¥22,876 million to the repayment of long-term debt, up ¥18,309 million, and cash dividends paid of ¥2,793 million, essentially level with the previous period.

Cash and Cash Equivalents

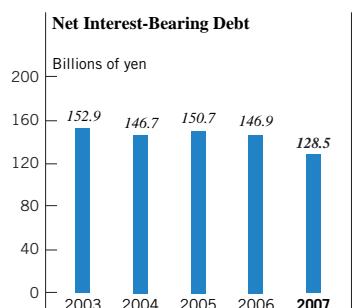
Operating, investing and financing activities in fiscal 2007 resulted in a net decrease in cash and cash equivalents of ¥2,654 million, to ¥21,731 million, as net cash used in financing activities exceeded free cash flow.

Free Cash Flow

Years ended March 31	2007	2006	2005	2004	2003	Millions of yen
Net cash provided by operating activities	¥ 37,902	¥ 28,237	¥ 27,586	¥ 21,714	¥ 32,279	
Net cash used in investing activities						
Portion of above used in purchase of tangible fixed assets	(15,180)	(19,120)	(23,789)	(14,932)	(16,233)	
Purchase of tangible fixed assets	(16,969)	(21,897)	(23,060)	(18,825)	(16,382)	
Free cash flow	22,722	9,117	3,797	6,782	16,046	

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.

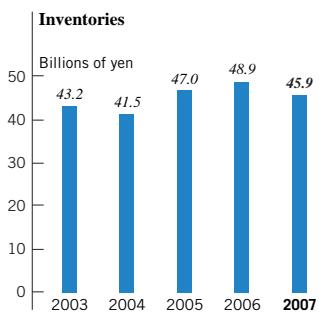
Assets, Liabilities and Net Assets



Total assets at the end of fiscal 2007 amounted to ¥354,784 million, an increase of 1.4%, or ¥4,922 million, from the fiscal 2006 year-end. The impact of yen depreciation on this total was approximately ¥26,000 million. Total net assets were ¥142,558 million. Net interest-bearing debt (total debt minus cash and cash equivalents) declined 12.5%, or ¥18,357 million, to ¥128,530 million. As a consequence, the net debt-to-equity ratio improved, to 0.9 times. The equity ratio was 40.1%, up 6.5 percentage points.

Assets

Cash and cash equivalents in fiscal 2007 declined ¥2,654 million, to ¥21,731 million, owing primarily to an increase in outlays aimed at reducing interest-bearing debt. Notes and accounts receivable—trade rose ¥5,521 million, to ¥71,883 million, including approximately ¥1,800 million attributable to yen depreciation. Despite the impact of yen depreciation, which added approximately ¥3,400 million, inventories fell ¥3,010 million, to ¥45,904 million, reflecting declines attributable to Companywide efforts to reduce inventories and the restructuring of our PC keyboard business. Deferred tax assets (short-term) amounted to ¥7,056 million, an increase of ¥3,654 million. As a consequence, total current assets rose 1.6%, or ¥2,495 million, to ¥156,059 million.



Net tangible fixed assets rose 3.2%, or ¥5,305 million, to ¥171,064 million. Purchase of tangible fixed assets (capital investment) totaled ¥16,969 million, while depreciation and amortization amounted to ¥24,648 million. Yen depreciation added approximately ¥19,500 million to this total. Intangible fixed assets totaled ¥11,974 million, a decline of 9.1%, or ¥1,203 million. Net investments and other assets were down 9.5%, or ¥1,633 million, to ¥15,647 million. Deferred charges declined ¥42 million, to ¥40 million.

Liabilities

Total notes and accounts payable rose ¥1,558 million, to ¥38,167 million. The impact of yen depreciation was approximately ¥2,700 million. Short-term loans payable fell ¥23,017 million, to ¥57,639 million. The current portion of long-term debt increased ¥3,006 million, to ¥14,122 million. Owing to such factors, total current liabilities declined 13.1%, or ¥19,731 million, to ¥131,155 million.

Long-term debt declined 1.3%, or ¥1,000 million, to ¥78,500 million. As a consequence, total long-term liabilities edged down 0.4%, or ¥304 million, to ¥81,071 million.

Net Assets

Total net assets at fiscal 2007 year-end were ¥142,558 million. Differences on revaluation of other marketable securities declined ¥1,133 million, while retained earnings climbed ¥8,872 million, and foreign currency translation adjustments declined ¥17,052 million. Minority interests in consolidated subsidiaries totaled ¥204 million, down 67.7%, or ¥428 million.

Financial Position

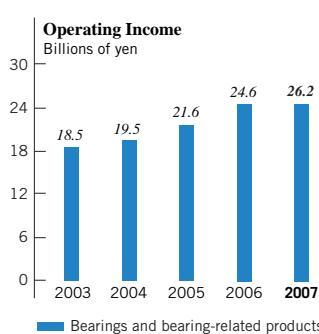
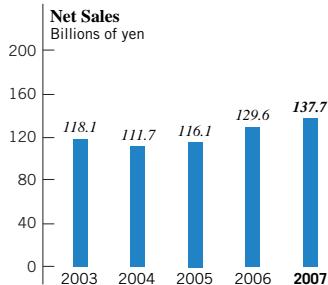
As of March 31	Millions of yen				
	2007	2006	2005	2004	2003
Total assets	¥354,784	¥349,862	¥332,217	¥314,915	¥320,069
Cash and cash equivalents					
at end of year	21,731	24,385	21,759	24,780	14,177
Total current assets	156,059	153,564	147,295	138,953	127,447
Inventories	45,904	48,914	46,963	41,534	43,204
Total current liabilities	131,155	150,886	141,449	167,626	134,459
Working capital	24,905	2,678	5,846	(28,673)	(7,012)
Interest-bearing debt	150,261	171,272	172,453	171,485	167,125
Net interest-bearing debt	128,530	146,887	150,694	146,706	152,947
Total net assets	142,558	118,209	102,088	93,866	98,213
Equity ratio	40.1%	33.6%	30.7%	29.8%	30.7%
Debt-to-equity ratio (Times)	1.1	1.5	1.7	1.8	1.7
Net debt-to-equity ratio (Times)	0.9	1.2	1.5	1.6	1.6
Net assets per share (Yen)	356.75	294.65	255.82	235.21	246.08

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 (yen)" have been restated as "net assets," "equity ratio" and "net assets per share (yen)," respectively. Also, fiscal 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
- Sleeve bearings
- 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 6.2%, or ¥8,067 million, to ¥137,662 million. Operating income increased 6.7%, or ¥1,639 million, to ¥26,195 million. The segment's operating margin, calculated using sales to external customers, edged up 0.1 percentage point, to 19.0%. Despite the appreciation of the baht, sales of mainstay products increased, reflecting persistently strong demand worldwide and stable sales prices.

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	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

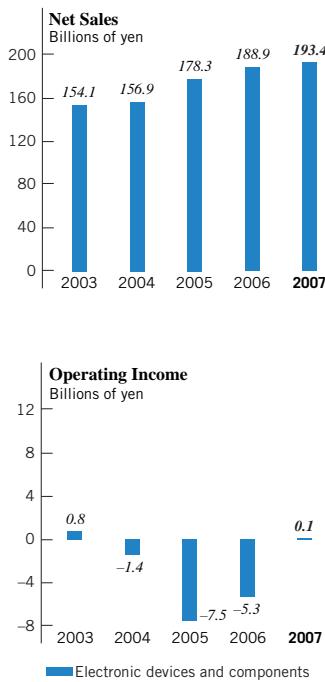
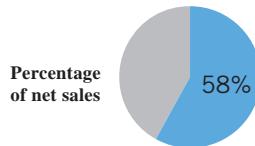
Sales of principal segment products miniature and small-sized ball bearings increased, primarily to manufacturers of automobiles, PCs and peripheral equipment, and office automation equipment, as did operating income. We expanded production capacity for miniature ball bearings in response to market growth, a consequence of brisk demand for use in 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 sustained double-digit growth in 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, we are striving to augment our existing rod-end and spherical bearings operations by entering the markets for engine peripherals combining these products with ball bearings and large mechanical parts that make use of sophisticated processing technologies.

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 pivot assemblies for use in 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



Net sales in the Electronic Devices and Components segment increased 2.4%, or ¥4,509 million, to ¥193,360 million. While the restructuring hampered sales in our PC keyboards business, sales of electronics devices, notably mainstay LED backlight assemblies and the depreciation of the yen supported higher segment sales. The segment returned to profitability after four consecutive years in the red, registering operating income of ¥70 million, ¥5,357 million higher than in fiscal 2006. The segment's operating margin, calculated using sales to external customers, was 0.0%, a 2.8-percentage point improvement from the previous period. This primarily reflected improved profitability for information motors, PC keyboards and HDD spindle motors, which countered the impact of the appreciation of the baht.

Principal Products and Applications and Minebea's Global Market Share

Principal Products	Principal Applications	Global Market Share*
Rotary components	HDDs	15%
HDD spindle motors	PCs and servers, information and telecommunications equipment, household electrical appliances, cellular phones, bicycles, industrial machinery	5%–20%, depending on product
Information motors (fan motors, stepping motors, brush DC motors, vibration motors)		
Other electronic devices and components	PCs	5%
PC keyboards	Cellular phones, digital cameras, portable digital information terminals	15%
Lighting devices for LCDs		
Speakers	Audio equipment, PCs, automobiles	—
Measuring instruments	Industrial machinery, automobiles	—

*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

In the HDD spindle motor business, the appreciation of the baht caused an increase in costs during the period under review. Nonetheless, efforts to reduce costs helped return the segment to profitability. We will continue to work to maintain sales prices, as well as step up production and sales of 2.5-inch HDD motors containing fluid dynamic bearings, which boast high unit prices.

We have completed the initial phase of a reorganization of our information motors business, achieving an increase in sales and a return to profitability. Specific steps included creating a low-cost manufacturing structure by integrating and closing manufacturing facilities, reconsidering our use of outside suppliers and lowering costs by reconsidering royalty payments to the parent company. We are also striving to improve the precision of order confirmation and accelerate the introduction of new products to enhance our product mix. In response to brisk demand, we overhauled our production lines for fan motors with the aim of drastically improving productivity and expanding production capacity.

In the latter half of the period under review, 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 in March 2007, the first month after completion of this restructuring, this business returned to profitability on a monthly basis.

In electronic devices, we registered an increase in sales of mainstay LED backlight assemblies despite falling sales prices, owing to expansion of the cellular phone market and an increase in the number of models using our products. In March 2007, we entered the market for medium-sized LED backlight assemblies used in car navigation equipment.

In our speaker business, intensifying competition pushed sales down. In measuring instruments, efforts to respond to diverse market needs by applying our core technologies enabled us to achieve a high level of income, although sales remained level with fiscal 2006.

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
 - MOD drive subassemblies
 - Lighting devices for LCDs
 - Magnetic heads for FDDs
 - Backlight inverters

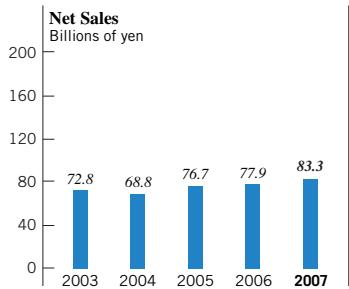
- Measuring components

 - Strain gages
 - Load cells

Performance by Geographic Segment

Japan

Net sales in Japan rose 6.9%, or ¥5,409 million, to ¥83,265 million. Operating income soared 408.3%, or ¥7,848 million, to ¥9,770 million, owing to changes in the prices of products imported from overseas subsidiaries.



Percentage of net sales

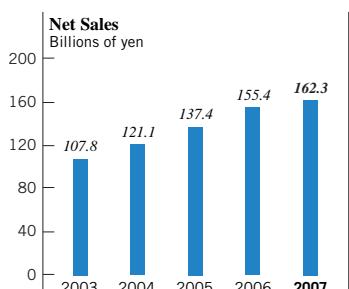
25.1%

Percentage of operating income

37.2%

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. Sales in the region were firm, particularly in greater China, 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 4.4%, or ¥6,907 million, to ¥162,330 million. Despite higher sales, operating income fell 12.0%, or ¥1,544 million, to ¥11,299 million.



Percentage of net sales

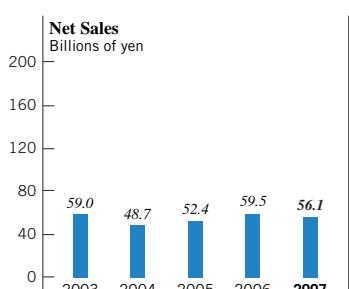
49.0%

Percentage of operating income

43.0%

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. In addition, sales of imported machined components and electronic devices were firm. Owing to a decline in sales of PC keyboards, however, reflecting our move to focus on high-value-added models, net sales declined 5.6%, or ¥3,358 million, to ¥56,110 million. Nonetheless, operating income increased 29.2%, or ¥842 million, to ¥3,730 million.



Percentage of net sales

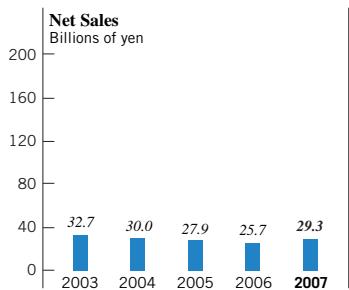
17.0%

Percentage of operating income

14.2%

Europe

In Europe, sales of ball bearings and rod-end bearings remained firm, buoyed by moderate economic growth. As a consequence, net sales rose 14.1%, or ¥3,618 million, to ¥29,317 million, although operating income declined 9.3%, or ¥150 million, to ¥1,466 million.



Percentage of net sales

8.9%

Percentage of operating income

5.6%

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 2007, R&D costs for the Minebea Group amounted to ¥9,000 million. This included ¥309 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 2007 are outlined below.

Machined Components

R&D in this segment focused on mainstay bearings, that is, on developing materials, lubricants, machining and other processes, and tribology for ball bearings, sliding bearings 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 optimized and applied engineering. With manufacturers of HDDs beginning to adopt perpendicular magnetic recording to achieve higher recording densities, the precision of key components is becoming an increasingly crucial consideration. The ball bearings used in Minebea's pivot assemblies were developed to realize extremely low dust scattering and gas contamination. We have helped manufacturers of printers and copiers respond to demand for higher-quality output, which has risen in recent years, by developing and manufacturing a highly conductive proprietary bearing grease that resolves the problem of electric charge transfer inside printers and copiers—the key to output quality. In the area of lubricant development, we have also succeeded in developing a low-viscosity lubricant for fluid dynamic bearings used in HDD spindle motors, thereby reinforcing the technological foundation that will facilitate the development of increasingly compact HDD spindle motors. In the area of bearings for the aerospace industry, we have completed development of trunnion bearings and spherical bearings for use in tierod mechanical assemblies and main landing gear by applying the sliding bearing technology used in our rod-end bearings.

R&D costs in the machined components segment in fiscal 2007 amounted to ¥2,082 million.

Electronic Devices and Components

Mainstay motors in this segment include fan motors, stepping motors, 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 technologies, core technologies and product-related technologies. These efforts continue to yield such outstanding products as rare earth bond magnets for high-performance motors and transformers for inverters. In the area of display-related products, we focused on advanced condensed matter physics and materials and core technologies, and the development of high-performance LCD backlight assemblies for LEDs, medium-sized LCD backlight assemblies for car navigation systems and optical components for projectors. We are also combining our noted ultraprecision machining, mold production and molding technologies with CAD/CAE engineering, optical engineering, thin film-formation and photolithographic technologies to develop compact and medium-sized LCD backlight assemblies for next-generation mobile devices, optical components for projectors, and LED modules and other components for flat-panel displays.

In electronics-related products, we are targeting the display market by promoting the development of advanced circuits for, among others, inverters used in high-efficiency, large-screen televisions and high-pressure mercury lamps used in projectors. We are also engaged in the development of drive circuits that will optimize the efficiency and power-smart performance of our high-efficiency motors, underscoring our desire to contribute to the prevention of global warming from the product development stage. On another front, we are conducting research in the area of wireless transmission technology, an area that we believe will grow in importance as demand grows for wirelessly connected OA equipment and home electrical appliances.

In fiscal 2007, R&D costs in the electronic devices and components segment totaled ¥6,609 million.

Outlook for Fiscal 2008 and Risk Management

Outlook for Fiscal 2008

(as of May 31, 2007)

In Japan, favorable business results are expected to favorably affect household spending and private-sector demand to continue driving economic expansion. Elsewhere in Asia, China's economy continues to expand, while in the United States sustained, moderate economic growth is forecast despite concerns over crude oil prices. As a consequence, well-balanced growth in the global economy is expected to continue in fiscal 2008.

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, demand from which remains firm. By maximizing economies of scale resulting from expanded sales to further reduce costs, we will strive to further improve segment 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 favorable sales of pivot assemblies, reflecting favorable demand.

In the electronic devices and components segment, we expect solid results in the information motors business, owing to major structural reforms aimed at improving production efficiency and subcontractor management and at revamping our product mix. In HDD spindle motors, we will continue to promote cost reductions and strive to expand 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 high-value-added models. Sales of measuring components and other products are also expected to advance favorably.

As a consequence of the abovementioned factors, as of May 31, 2007, we forecast consolidated net sales of ¥335,000 million, operating income of ¥30,000 million and net income of ¥15,000 million in fiscal 2008.

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 28, 2007, the date of Minebea's Japanese-language *yuka shoken hokokusho*, the filing of which is required of all publicly traded companies under Japan's Securities and Exchange Law, Minebea 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 are in markets outside of Japan. Our business is thus vulnerable to risks 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.