

Outlook for Fiscal 2009 and Risk Management

Outlook for Fiscal 2009

(as of May 2008)

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

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

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

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

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

Risk Management

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

Market Risk

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

Foreign Exchange Risk

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

R&D Risk

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

Litigation Risk

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

Risk Related to Price Negotiations

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

Risk Related to Raw Materials and Logistics Costs

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

Latent Risk Related to Operations Overseas

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