

Outlook for the Next Fiscal Year and Risk Management

Outlook for the Next Fiscal Year (as of May 2009)

Against a backdrop of global recession, we expect the Japanese economy to wane in the first half of the period, owing to a projected deterioration of the employment situation and slowdown in personal consumption amid fears that falling exports, the appreciation of the yen and flagging sales will continue to weaken corporate profits, causing further deterioration of the employment situation and hampering personal consumption. In the second half of the period, however, we anticipate a return to gentle economic growth, supported by an improvement in exports, in tandem with economic recovery in the United States. Elsewhere in Asia, China's economy is also likely to recover. The worsening financial environment is likely to mean protracted production, inventory and employment adjustments in the United States, and to continue hampering personal consumption, and recessionary conditions are likely to persist in the United States. However, the launch of financial reconstruction plans and a large-scale economic stimulus package is expected to trigger a gradual recovery in the U.S. economy in the second half of the period.

In this environment, it is difficult to make accurate performance forecasts. As a consequence, we have formulated forecasts with broad upper and lower limits. Given the harsh economic climate worldwide, we believe that it will be impossible to avoid a decline in net sales. Accordingly, we forecast that net sales will be from 78% to 90% of the current fiscal year result. At the operating level, we forecast our result will be between 75% to 104% of operating income in the current fiscal year. While we are aware of the difficulty of realizing a dramatic improvement in our business performance in the current economic environment, we will work to further reduce costs, develop high-value-added products and cultivate new markets, thereby positioning ourselves to capitalize on the net global economic upswing.

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 firm market for these bearings for aerospace use, particularly in Europe and the United States. The acquisition of new subsidiaries and resulting addition of special bearings for medical equipment to our product lineup are expected to yield an increase in sales. In pivot assemblies, customers have largely completed production adjustments, so we expect demand to recover in the second half of the period.

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, and anticipate a recovery in demand in the second half. The acquisition of new subsidiaries and establishment of the new Micro Actuator Division in the current fiscal year are expected to increase segment sales. 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 will strive to bolster results by shifting the focus of our production and sales structure to superior-quality, high-end models. We have completed a reorganization of our speaker business and expect these efforts to have a positive impact in the next fiscal year. We will strive to improve sales of LED backlights, backlight inverters, measuring components and other products are also expected to advance favorably, but we do not expect to see a recovery until the second half of the period.

As a consequence of the abovementioned factors, as of May 2009, we forecast consolidated net sales of between ¥200,000 million and ¥230,000 million, operating income of between ¥10,000 million and ¥14,000 million, and net income of between ¥3,500 million and ¥6,500 million in the next fiscal year.

Risk Management

Minebea recognizes a variety of risks and uncertainties that have the potential to affect its operating results and/or financial position. On June 26, 2009, 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.