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 the current fiscal year, this segment accounted for 45.2% 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 light-emitting diodes (LED) backlights for liquid crystal displays (LCDs); backlight inverters; speakers; and measuring components. This segment represented 54.8% of consolidated net sales in the current fiscal year.

Our product development efforts are centered in Japan, Germany, Thailand and the United States. Our manufacturing network encompasses bases in Thailand, China, Japan, the United States, Singapore, Malaysia and the United Kingdom. Our largest manufacturing base, in Thailand, accounted for 48.3% of total consolidated production in the current fiscal year, while our manufacturing base in China accounted for 23.0%. Combined production at all our bases in Asia (excluding Japan) represented 77.2% of total production. Production outside of Japan accounted for 90.5% 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, aerospace, automotive and household electrical appliances markets, which accounted for 30.3%, 14.2%, 12.5%, 9.9% and 8.8%, respectively, of the current fiscal year's consolidated net sales. Many of our clients—manufacturers of these products—are expanding production outside Japan, Europe, and the Americas, particularly in China and other parts of Asia, and therefore sales to Asia (excluding Japan) represented 51.2% of consolidated net sales. Our second-largest geographic market is Japan, which currently accounts for 23.8% of consolidated net sales. Remaining sales are to North, Central and South America and to Europe.

In the current fiscal year, we continued to operate under a corporate structure comprising 14 business units and 6 headquarters—all reporting directly to the president and CEO—that was originally designed to ensure our organization ran smoothly and effectively. Effective June 1, 2009, we implemented a restructuring whereby these business units and headquarters were replaced with product group-specific business headquarters. Our objectives were to integrate the functions previously assigned to the business units and headquarters more organically, thereby maximizing efficiency, and at the same time to clarify the income and loss performance of each product group and facilitate the sharing of technologies initially adopted for specific products. Within each of the new business headquarters, we have established business units similar to those that existed under our previous structure. All functions previously belonging to the headquarters—including manufacturing, engineering, sales and materials procurement—deemed effective in enhancing efficiency have been transferred to the new business headquarters. As a consequence of these moves, we now have a corporate structure comprising 16 business units and 5 business headquarters; 4 support divisions; and 2 divisions and 1 headquarter responsible for back-office functions (formerly combined in a single headquarter).

Principal Strategy

With the aim of evolving and growing as "a company that leads the competition through manufacturing and technological excellence," we continue to implement initiatives designed to reinforce profitability and increase corporate value by expanding implementation of our vertically integrated manufacturing system, as well as by establishing mass production facilities and well-appointed R&D facilities, in markets around the world.

Recognizing innovation as the key to growth, we are addressing 3 priority tasks: developing new products, cultivating new markets and revolutionizing production technologies.

1. Ball bearings: To capitalize on untapped demand, we are taking steps to expand our production capacity and strengthen our development capabilities and production technologies for high-growth miniature ball bearings.
2. Precision components for aircraft applications: In this highly promising business, we are endeavoring to maximize growth by enhancing our existing rod-end bearings business, as well as by pushing forward with our expansion into large mechanical parts for aircraft, which incorporate sophisticated new processing technologies.
3. Fan motors and other precision small motors: We are stepping up efforts to expand our rotary components business into a second pillar of growth, alongside our core bearings and bearing-related products business.
4. In all product categories, we are increasing the weight of high-value-added products. At the same time, we are expanding our product lineup, thereby positioning us to respond to a broader range of market requirements.
5. We are reinforcing our ability to respond to pricing pressure and customer demands by reorganizing our business portfolio in a manner that enables us to surmount the barriers separating production, sales, technology and development functions and give full play to our comprehensive strengths.
6. We are taking decisive steps to reduce costs with the aim of promptly overcoming the current economic slump and laying the groundwork for a dramatic leap forward.

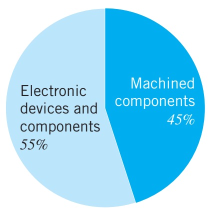
Segment Information

Years ended March 31	2009	2008	2007	2006	2005
					Millions of yen
Sales to External Customers by Business Segment					
Machined components	¥115,872	¥ 144,034	¥ 137,662	¥ 129,595	¥ 116,105
Electronic devices and components	140,291	190,397	193,360	188,851	178,317
Total	¥256,163	¥ 334,431	¥ 331,022	¥ 318,446	¥ 294,422
Operating Income (Loss) by Business Segment					
Machined components	¥ 17,469	¥ 27,750	¥ 26,195	¥ 24,556	¥ 21,572
Electronic devices and components	(4,063)	3,012	70	(5,287)	(7,489)
Total	¥ 13,406	¥ 30,762	¥ 26,265	¥ 19,269	¥ 14,083
Assets by Business Segment					
Machined components	¥162,194	¥ 189,149	¥ 216,595	¥ 205,437	¥ 194,180
Electronic devices and components	154,893	192,202	224,048	218,790	214,142
Eliminations or corporate	(31,691)	(60,807)	(85,859)	(74,365)	(76,105)
Total	¥285,396	¥ 320,544	¥ 354,784	¥ 349,862	¥ 332,217
Depreciation and Amortization by Business Segment					
Machined components	¥ 11,636	¥ 13,635	¥ 12,507	¥ 11,437	¥ 10,401
Electronic devices and components	12,352	12,808	12,141	12,535	12,061
Total	¥ 23,988	¥ 26,443	¥ 24,648	¥ 23,972	¥ 22,462
Impairment Loss by Business Segment					
Machined components	¥ 2	¥ 31	¥ 31	¥ 388	¥ —
Electronic devices and components	21	41	43	579	—
Total	¥ 23	¥ 72	¥ 74	¥ 967	¥ —
Capital Expenditure by Business Segment					
Machined components	¥ 10,320	¥ 12,292	¥ 8,423	¥ 12,279	¥ 11,400
Electronic devices and components	9,866	13,259	9,243	9,929	22,757
Total	¥ 20,186	¥ 25,551	¥ 17,666	¥ 22,208	¥ 34,157
Sales to External Customers by Geographic Segment					
Japan	¥ 59,154	¥ 75,378	¥ 83,265	¥ 77,856	¥ 76,660
Asia (excluding Japan)	129,243	170,474	162,330	155,423	137,424
North America	39,687	53,585	56,110	59,468	52,390
Europe	28,079	34,994	29,317	25,699	27,948
Total	¥256,163	¥ 334,431	¥ 331,022	¥ 318,446	¥ 294,422
Operating Income by Geographic Segment					
Japan	¥ 1,261	¥ 9,096	¥ 9,770	¥ 1,922	¥ 2,752
Asia (excluding Japan)	8,248	15,573	11,299	12,843	5,870
North America	2,833	4,476	3,730	2,888	4,510
Europe	1,064	1,617	1,466	1,616	951
Total	¥ 13,406	¥ 30,762	¥ 26,265	¥ 19,269	¥ 14,083
Assets by Geographic Segment					
Japan	¥112,111	¥ 127,492	¥ 162,335	¥ 161,968	¥ 169,239
Asia (excluding Japan)	180,024	231,262	258,046	247,186	223,995
North America	27,880	30,543	35,692	36,864	32,442
Europe	21,123	22,143	21,326	19,618	20,300
Eliminations or corporate	(55,742)	(90,896)	(122,615)	(115,774)	(113,759)
Total	¥285,396	¥ 320,544	¥ 354,784	¥ 349,862	¥ 332,217

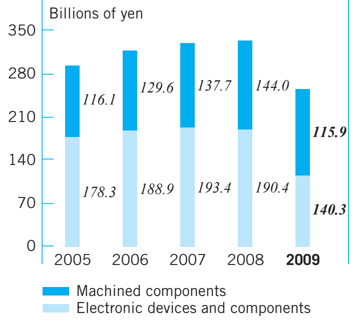
Financial Review

Results of Operations

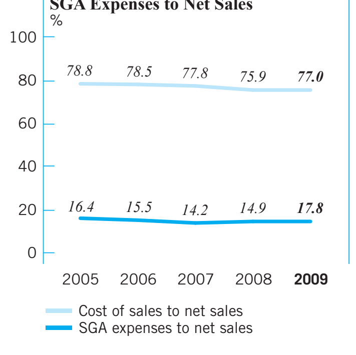
Net Sales by Business Segment



Net Sales by Business Segment



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



Net Sales

Consolidated net sales in the current fiscal year fell 23.4%, or ¥78,268 million, to ¥256,163 million.

During the period, the Japanese economy slid into a recession of unprecedented severity. Economic conditions were aggravated in the first half of the period by rising prices for crude oil and raw materials, and in the second half of the period by the global economic slump (owing to the widening impact of the financial crisis that originated in the United States), as well as by a sharp decline in exports (attributable to the steady appreciation of the yen) and substantial declines in private-sector capital investment and consumer spending. In an environment characterized by the expansion of the financial crisis and a deepening adjustment phase in the housing market, the U.S. economy also slumped sharply in the second half of the period as worsening corporate earnings in the automotive and other industries combined with the deterioration in employment figures and consumer spending to create a serious situation. The economies of Europe slid rapidly toward recession. In China, a shadow appeared over an economy that has seen rapid growth to date. There was also increasingly clear evidence of an overall slowdown elsewhere in Asia, owing to falling exports—a consequence of U.S. economic deterioration—and a worsening of conditions in financial markets.

In this environment, the Minebea Group focused on enhancing profitability through stringent cost-cutting measures, efforts to develop new, high-value-added products and technologies, and beneficial mergers and acquisitions (M&A) arrangements aimed at increasing sales and expanding the scale of our businesses. Nonetheless, consolidated net sales fell, owing to rapidly worsening economic conditions worldwide in the second half of the period, the impact of which was exacerbated by customers' inventory adjustments, and to fluctuating exchange rates—notably the appreciation of the yen. Income results were hampered by fluctuating exchange rates for other Asian currencies and rising raw materials prices in the first half, and by a major production cutback—implemented in response to slowing sales—in the second half of the period.

Cost of Sales

Cost of sales declined 22.3%, or ¥56,572 million, to ¥197,138 million. Cost of sales as a percentage of net sales rose 1.1 percentage points, to 77.0%. Cost of sales fell despite rising prices for steel materials and nonferrous metals, owing to stringent cost cutting, together with a steep decline in shipments—a consequence of the sharp deterioration of global economic conditions—and fluctuating exchange rates, notably the appreciation of the yen.

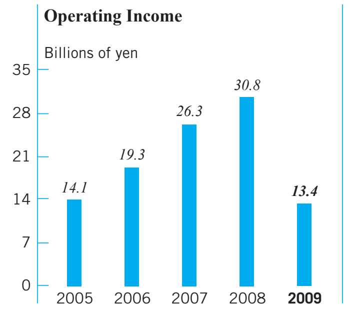
SGA Expenses

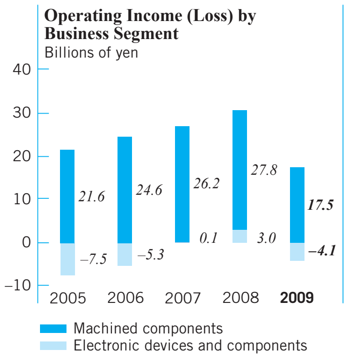
SGA expenses amounted to ¥45,619 million, down 8.7%, or ¥4,340 million. SGA expenses were equivalent to more than 17.5% of consolidated net sales, an increase of approximately 3 percentage points. The decline in SGA expenses was attributable to ongoing efforts to reduce costs, as well as to rapid global economic deterioration and fluctuating exchange rates, notably the appreciation of the yen.

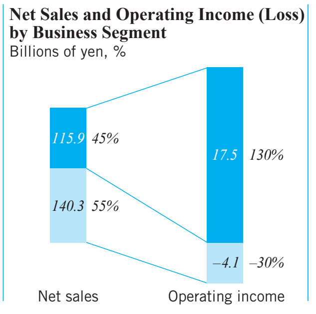
Cost of Sales and SGA Expenses

Millions of yen

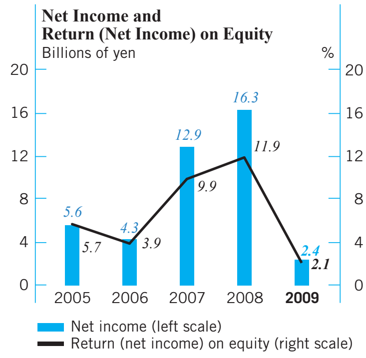
Years ended March 31	**2009**	2008	2007	2006	2005
Net sales	**¥256,163**	¥334,431	¥331,022	¥318,446	¥294,422
Cost of sales	**197,138**	253,710	257,644	249,935	232,019
Cost of sales to net sales	**77.0%**	75.9%	77.8%	78.5%	78.8%
Gross profit	**59,025**	80,721	73,378	68,511	62,403
SGA expenses	**45,619**	49,959	47,113	49,242	48,320
SGA expenses to net sales	**17.8%**	14.9%	14.2%	15.5%	16.4%







Note: Percentages represent contribution by business segment to total.



Operating Income

Operating income fell 56.4%, or ¥17,356 million, to ¥13,406 million. The operating margin declined 4.0 percentage points, to 5.2%. For more detailed information, refer to the section entitled "Performance by Business Segment" beginning on page 27.

Other Income (Expenses)

The net balance of other income (expenses) was expenses, i.e., a loss, of ¥6,572 million, ¥1,064 million greater than in the previous fiscal year. Interest expense declined ¥1,756 million, to ¥2,646 million, a consequence of falling interest rates worldwide. Other expenses also included a business restructuring loss of ¥1,793 million resulting from the closure of NMB-Minebea UK Ltd's Skegness Plant, a ball bearing manufacturing facility; special severance payments of ¥985 million, owing to personnel reductions in Thailand and the United States and outlays to accommodate the Company's and certain consolidated domestic subsidiaries' shift to a defined contribution pension plan; and ¥744 million as an allowance for environmental remediation expenses in the United States.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests totaled ¥6,834 million, down 72.9%, or ¥18,420 million.

Income Taxes

Income taxes declined ¥3,683 million, to ¥4,223 million. This is comprised of current income taxes, that is, corporate, inhabitant and business taxes, of ¥4,433 million, less a reversal of prior year's income taxes of ¥1,028 million, plus deferred income taxes of ¥818 million. The effective income tax rate climbed to 61.8%, from 31.3%, due to the decline in income before income taxes and minority interests and an increase in dividend payments from overseas subsidiaries.

Minority Interests

Minority interests amounted to ¥170 million, down ¥875 million from the previous fiscal year. This was primarily attributable to a deterioration in the earnings performance of joint venture Minebea Motor Manufacturing Corporation.

Net Income

As a consequence of the aforementioned factors, net income declined 85.0%, or ¥13,862 million, to ¥2,441 million. Basic net income per share was ¥6.18, down from ¥40.86 in the previous fiscal year.

Income

Millions of yen

Years ended March 31	**2009**	2008	2007	2006	2005
Operating income	**¥13,406**	¥30,762	¥26,265	¥19,269	¥14,083
Operating margin	**5.2%**	9.2%	8.0%	6.0%	4.8%
Net balance of other income (expenses)	**(6,572)**	(5,508)	(6,742)	(9,649)	(6,305)
Net income	**2,441**	16,303	12,862	4,257	5,581
Net income to net sales	**1.0%**	4.9%	3.9%	1.3%	1.9%
Net income per share (Yen):					
Basic	**6.18**	40.86	32.23	10.67	13.93
Diluted	**—**	—	—	—	13.27
Return (net income) on equity	**2.1%**	11.9%	9.9%	3.9%	5.7%
Return on total assets	**0.8%**	4.8%	3.7%	1.2%	1.7%

Financial Condition

Financial Policy and Liquidity

In its various businesses, the Minebea Group continues 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, allowing us to respond promptly to demand fluctuations. We strive to facilitate dynamic investment activities and strengthen our technological development capabilities by maintaining a sound financial position and a high degree of agility in our financing activities.

With the aim of reinforcing our financial position, we have set a goal to reduce net interest-bearing debt (¥109,995 million at the end of the current fiscal year) to below ¥100,000 million. Given the uncertain financial situation, we will endeavor to avoid financial risk and the increase of our interest burden by promoting efforts to expand income, shrink inventories and implement an effective investment plan that focuses on the efficient use of assets, thereby reducing interest-bearing debt. In terms of capital investment, we are promoting decisive investments in growth businesses. We are also corresponding to sharp declines in demand worldwide by making efficient investments.

To ensure the agility of our financing efforts, we obtained ratings for short-term debt up to a maximum of ¥10,000 million. 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.

Debt Ratings

As of May 2009	*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.	A–	a–1

Capital Investment

Capital investment in the current fiscal year totaled ¥20,182 million, down 18.9%, or ¥4,706 million, from the previous fiscal year, which comprised of ¥10,318 million in the Machined Components segment and ¥9,864 million in the Electronic Devices and Components segment. In the Machined Components segment, investments were used to rationalize production facilities for bearings and other products in Thailand, China, Singapore and the United States, and for facilities aimed at expanding production capacity for aircraft fasteners. In the Electronic Devices and Components segment, investments were applied to new facilities for HDD spindle motors and electronic devices in Thailand and for information motors in Thailand and China.

Capital investment included investments in purchases of intangible fixed assets (¥599 million) and in assets acquired through finance leases (¥1,154 million).

In the next fiscal year, we expect capital investment to be in the area of ¥10,000 million. Planned investments include the installation of equipment at our new production facility for aircraft components at the Karuizawa Plant and the construction of new surface treatment facilities at the Fujisawa Plant.

Dividends

Our basic dividend policy gives priority to enhancing equity efficiency and improving returns to our shareholders, with dividends reflecting performance in light of the overall business environment, while maintaining stable and continuous distributions of profits.

It is also our policy to appropriate surplus earnings for the payment of cash dividends twice annually, at the interim and at the fiscal year-end. The year-end dividend is determined by way of a proposal that is voted on at the ordinary general meeting of shareholders, while the interim dividend is set by the Board of Directors.

In line with this policy, cash dividends for the current fiscal year were declared at ¥7.00 per share, including an interim dividend of ¥5.00 per share. As a result, the consolidated payout ratio was 113.3%.

Regarding the application of retained earnings, we will step up efforts to respond to changes in our operating environment by promoting efficient investments aimed at raising our cost competitiveness and reinforcing our technological and product development capabilities, thereby improving our responsiveness to market needs.

Free Cash Flow

Free cash flow (calculated by adding net cash flows from operating activities and net cash flows from investing activities) totaled ¥12,510 million, a decrease of 46.6%, or ¥10,922 million, from the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥37,064 million, down 21.0%, or ¥9,829 million, from the previous fiscal year. This change was mainly due to an ¥18,420 million decline in income before income taxes and minority interests from the previous fiscal year, to ¥6,834 million. Depreciation and amortization totaled ¥23,988 million, down ¥2,455 million.

Cash Flows from Investing Activities

Net cash used in investing activities increased 4.7%, or ¥1,093 million, to ¥24,554 million. Factors behind this change included ¥18,429 million to the purchase of tangible fixed assets, down ¥6,459 million, and payments for purchase of shares in subsidiaries totaling ¥7,265 million, nonexistent in the previous fiscal year.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥6,975 million, down 66.1%, or ¥13,629 million. Principal applications of cash were cash dividends paid (¥5,985 million, an increase of ¥1,995 million from the previous fiscal year), the purchase of treasury stock (¥3,160 million, up ¥3,143 million) and payment for the redemption of bonds (¥15,000, up from zero). Financing activities generating cash included a net increase in short-term and long-term debt of ¥18,208 million, up ¥34,805 million from the previous fiscal year.

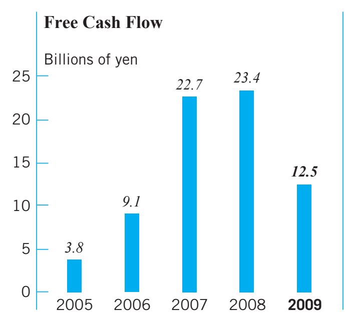
Cash and Cash Equivalents

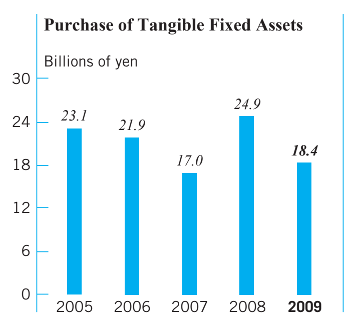
Operating, investing and financing activities in the current fiscal year resulted in cash and cash equivalents at the end of year of ¥27,895 million, a net increase of ¥4,614 million, as free cash flow exceeded net cash used in financing activities.

Free Cash Flow

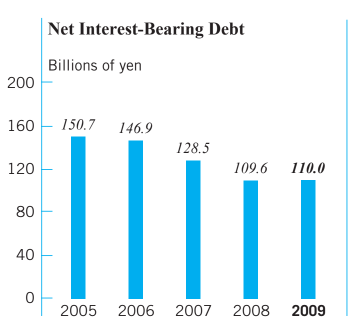
Millions of yen

Years ended March 31	**2009**	2008	2007	2006	2005
Net cash provided by operating activities	**¥ 37,064**	¥ 46,893	¥ 37,902	¥ 28,237	¥ 27,586
Net cash used in investing activities	**(24,554)**	(23,461)	(15,180)	(19,120)	(23,789)
Portion of above used in purchase of tangible fixed assets	**(18,429)**	(24,888)	(16,969)	(21,897)	(23,060)
Free cash flow	**12,510**	23,432	22,722	9,117	3,797





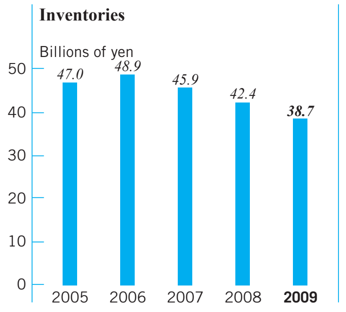
Assets, Liabilities and Net Assets



Total assets at the end of the current fiscal year amounted to ¥285,396 million, down 11.0%, or ¥35,148 million, from the end of previous fiscal year. This was primarily attributable to the reduced value of assets held by affiliates overseas when calculated in yen and declines in accounts receivable triggered by falling sales. Total net assets came to ¥106,762 million, while the equity ratio was 37.1%, down 3.6 percentage points. Net interest-bearing debt (total debt minus cash and cash equivalents) increased 0.4%, or ¥424 million, to ¥109,995 million. As a consequence, the net debt-to-equity ratio rose to 1.0 times.

Assets

With free cash flow exceeding net cash used in financing activities, cash and cash equivalents rose by a net total of ¥4,614 million, to ¥27,895 million. Notes and accounts receivable–trade were down ¥21,480 million, to ¥43,355 million, reflecting the decline in net sales. Inventories amounted to ¥38,737 million, a decline of ¥3,664 million. This decline reflected the impact of yen appreciation and M&A activity (approximately ¥3,800 million and ¥1,400 million, respectively), together with company-wide efforts to reduce inventories. Deferred tax assets (short-term) fell ¥5,354 million, to ¥3,144 million. As a consequence, total current assets fell 17.8%, or ¥26,418 million, to ¥121,699 million.



Total tangible fixed assets amounted to ¥135,406 million, down 10.1%, or ¥15,203 million. Purchase of fixed assets totaled ¥18,429 million, while depreciation and amortization amounted to ¥23,988 million. The negative impact of yen appreciation was approximately ¥12,200 million.

Total intangible fixed assets totaled ¥11,882 million, up 20.7%, or ¥2,035 million.

Total investments and other assets were ¥16,409 million, up 37.2%, or ¥4,453 million, owing to a ¥319 million decline in the equity value of investments in securities and a ¥6,002 million increase in deferred tax assets (long-term). Owing to such factors, total fixed assets amounted to ¥163,697 million, a decrease of 5.1%, or ¥8,715 million.

Deferred charges decreased from ¥15 million at the end of previous fiscal year to ¥0 million.

Liabilities

Notes and accounts payable–trade declined ¥14,391 million, to ¥9,664 million, as falling output reduced the volume of materials purchased. Short-term loans payable increased ¥8,538 million, to ¥58,890 million. The current portion of long-term debt rose ¥7,100 million, to ¥22,100 million. Owing to such factors, total current liabilities amounted to ¥112,312 million, down 5.1%, or ¥6,009 million.

Despite new borrowings, long-term debt declined 15.7%, or ¥10,600 million, to ¥56,900 million. As a consequence, total long-term liabilities declined 5.9%, or ¥4,171 million, to ¥66,322 million.

Net Assets

Total net assets fell 19.0%, or ¥24,968 million, to ¥106,762 million, owing to a ¥7,349 million decline in retained earnings, combined with a decrease of ¥12,348 million in foreign currency translation adjustments. Minority interests in consolidated subsidiaries declined 14.6%, or ¥169 million, to ¥986 million.

Financial Position

Millions of yen

As of March 31	2009	2008	2007	2006	2005
Total assets	¥285,396	¥320,544	¥354,784	¥349,862	¥332,217
Cash and cash equivalents	27,895	23,281	21,731	24,385	21,759
Total current assets	121,699	148,117	156,059	153,564	147,295
Inventories	38,737	42,401	45,904	48,914	46,963
Total current liabilities	112,312	118,321	131,155	150,886	141,449
Working capital	9,387	29,796	24,905	2,678	5,846
Interest-bearing debt	137,890	132,852	150,261	171,272	172,453
Net interest-bearing debt	109,995	109,571	128,530	146,887	150,694
Total net assets	106,762	131,730	142,558	118,209	102,088
Equity ratio	37.1%	40.7%	40.1%	33.6%	30.7%
Debt-to-equity ratio (Times)	1.3	1.0	1.1	1.5	1.7
Net debt-to-equity ratio (Times)	1.0	0.8	0.9	1.2	1.5
Net assets per share (Yen)	271.93	327.25	356.75	294.65	255.82

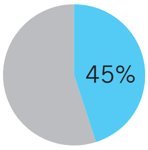
Note: Effective from fiscal 2007, Minebea has applied the Accounting Standard for Presentation of Net Assets in the Balance Sheet and the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet. Accordingly, “shareholders’ equity,” “total shareholders’ equity/total assets” and “shareholders’ equity per share” have been restated as “net assets,” “equity ratio” and “net assets per share,” respectively. Also, figures after fiscal 2006 include minority interests in net assets.

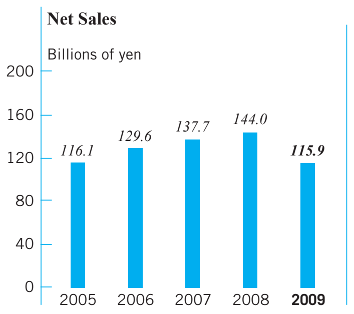
Segment Results

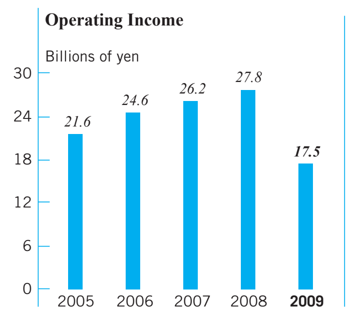
Performance by Business Segment

Machined Components

Percentage of net sales







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
  - Bushings
  - Pivot assemblies
  - Tape guides
- **Other Machined Components**
  - Aerospace/automotive fasteners
  - Special machined components
  - Magnetic clutches and brakes

Net sales in the Machined Components segment amounted to ¥115,872 million, down 19.6%, or ¥28,162 million. Operating income fell 37.1%, or ¥10,281 million, to ¥17,469 million. The segment's operating margin, calculated using sales to external customers, declined 4.2 percentage points, to 15.1%. The decline in operating income occurred despite ongoing efforts to lower cost of sales, and was attributable to the impact of unfavorable foreign exchange rates and rising raw materials prices, as well as to falling shipments, a consequence of the global economic slump.

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, industrial machinery	60%
Rod-end and spherical bearings	Aircraft	50%
Pivot assemblies	HDDs	60%
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.

Business Activities and Ongoing Efforts

Sales of mainstay ball bearings and rod-end bearings were comparatively firm in the first half of the period, but fell from month to month in the second half of the period, a consequence of steadily worsening operating conditions—a consequence of the economic downturn—and the appreciation of the yen. Sales of pivot assemblies were also down, owing to ongoing inventory adjustments by HDD manufacturers—our principal customers for these products—in the second half, and to the impact of a strong yen.

In the miniature and small-sized ball bearings business, we continued to lower manufacturing costs through efforts to improve yield and rationalize operations. In addition to strengthening this business, in line with the theme of returning to the basics of manufacturing, we sought to reinforce development of basic technologies. To further reduce fixed costs, in April 2009 we closed the Skegness Plant of NMB-Minebea UK Ltd.

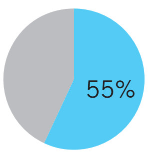
In the rod-end and spherical ball bearings business, we built a new production facility within the Karuizawa Plant, thereby positioning us to respond to an anticipated increase in demand from aircraft manufacturers. In addition to our existing rod-end and spherical bearings products, we are striving to enter the market for engine peripherals and large mechanical parts that incorporate sophisticated processing technologies.

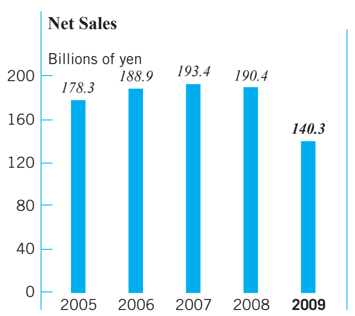
In pivot assemblies, we continue to implement measures aimed at lowering cost of sales by increasing yield.

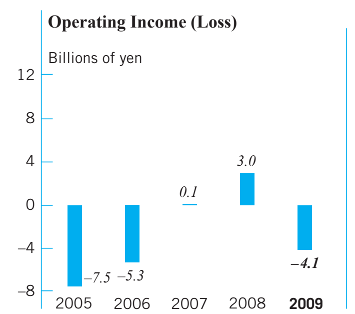
On another front, in March 2009, we introduced an early retirement program in Thailand with the aim of paring down our labor force in businesses in this segment.

Electronic Devices and Components

Percentage of net sales







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
    - Lighting devices for LCDs
    - Backlight inverters
  - Measuring components
    - Strain gages
    - Load cells

Net sales in the Electronic Devices and Components segment fell 26.3%, or ¥50,106 million, to ¥140,291 million. The segment reported an operating loss of ¥4,063 million, down from operating income of ¥3,012 million in the previous fiscal year. The operating margin was –2.9%, down 4.5 percentage points. The decline in net sales and operating income despite an increase in shipments of measuring components which is attributable to successful efforts to cultivate new markets, and were largely due to the appreciation of the yen and a decline in overall shipments as a consequence of stagnant economic conditions worldwide.

Principal Products and Applications and Minebea's Global Market Share

Principal Products	*Principal Applications*	*Global Market Share**
Rotary components		
HDD spindle motors	HDDs	8%
Information motors (fan motors, stepping motors, brush DC motors, vibration motors)	PCs and servers, information and telecommunications equipment, household electrical appliances, cellular phones, industrial machinery	2%–17%, depending on product
Other electronic devices and components		
PC keyboards	PCs	3%
Lighting devices for LCDs	Cellular phones, digital cameras, portable digital information terminals	9%
Speakers	Audio equipment, PCs, automobiles	—
Measuring components	Industrial machinery, automobiles, game consoles	—

*Global market shares are in terms of units shipped. Market shares are Minebea estimates based on information collected by the Company and by market research firms.

Business Activities and Ongoing Efforts

Sales of measuring components increased, bolstered by robust conditions in the market for game consoles. In contrast, sales of information motors, HDD spindle motors, LED backlights for LCDs and other electronics devices, and of PC keyboards and other electronic components declined, a consequence of rising raw materials prices in the first half of the period and a sharp deterioration of market conditions, together with customers' inventory adjustments and the appreciation of the yen in the second half. Segment sales results also reflected the absence of FDD head and magneto-optical disc (MOD) sales, owing to our withdrawal from these businesses in the previous fiscal year.

Our efforts in the area of HDD spindle motors continue to focus on stepping up production and sales of high-growth, high-priced 2.5-inch models. We are also working to improve yields and R&D capabilities.

In our information motors business, we are emphasizing the introduction of new products.

In PC keyboards, we are developing high-value-added products, lowering costs and enhancing efficiency.

In electronic devices, we are expanding our lineup of medium-sized LED backlights, for LCDs used in automobiles and other applications, as well as working to develop models for notebook PCs.

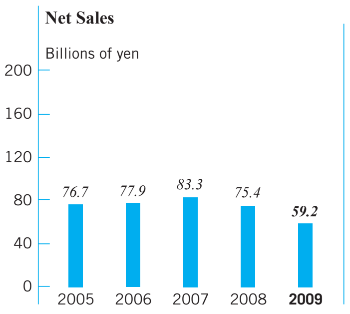
In the area of speakers, we are working to expand sales and improve production practices, while in measuring components we are striving to develop new products and cultivate new markets.

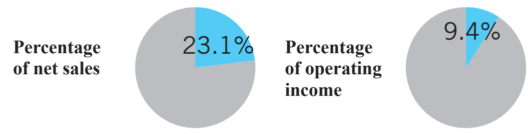
On another front, in March 2009, we introduced an early retirement program in Thailand with the aim of paring down our labor force in businesses in this segment.

Performance by Geographic Segment

Japan

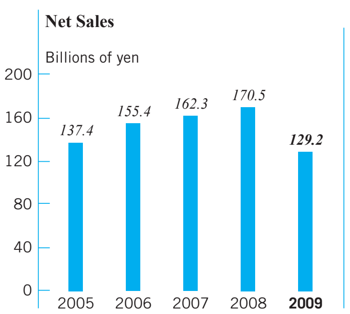
In Japan, sales of all products were weak, except for certain motors and electronics devices. In the current fiscal year, net sales amounted to ¥59,154 million, down 21.5%, or ¥16,224 million, and operating income plunged 86.1%, or ¥7,835 million, to ¥1,261 million.

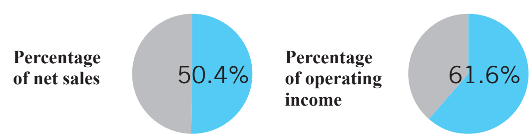




Asia (Excluding Japan)

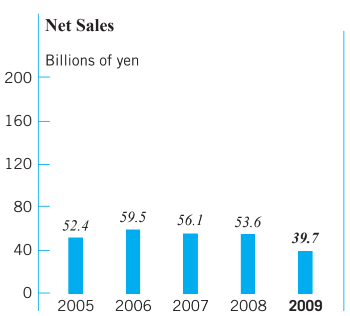
Asia includes the Greater China region, an important manufacturing base for many companies in Japan, Europe, the Americas and elsewhere. With the exception of measuring components, sales were sluggish, owing to the appreciation of the yen and falling shipments of HDD spindle motors and pivot assemblies, a consequence of production adjustments by customers. Net sales declined 24.2%, or ¥41,231 million, to ¥129,243 million, and operating income fell 47.0%, or ¥7,325 million, to ¥8,248 million.

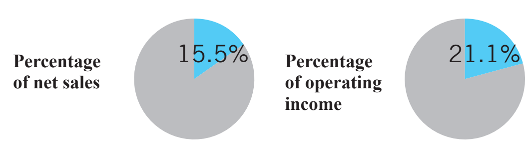




North America

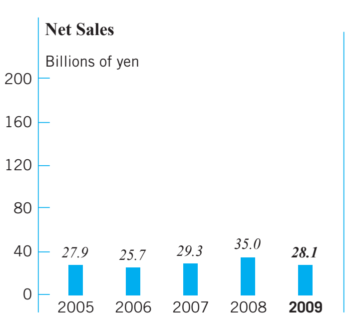
In North America, both orders and shipments of U.S.-manufactured ball bearings and rod-end bearings for aircraft-related industries were firm, but the appreciation of the yen pushed sales down. Sales of PC keyboards also declined, reflecting our move to focus on high-value-added models. Owing to these and other factors, we reported net sales of ¥39,687 million in North America, down 25.9%, or ¥13,898 million, and operating income of ¥2,833 million, a decrease of 36.7%, or ¥1,643 million.

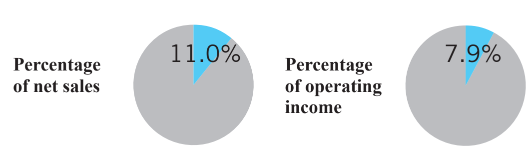




Europe

In Europe, sales of ball bearings and rod-end bearings remained comparatively firm despite the global economic downturn. Nonetheless, the strong yen hampered sales. Net sales declined 19.8%, or ¥6,915 million, to ¥28,079 million, and operating income fell 34.2%, or ¥553 million, to ¥1,064 million.





Note: Net sales figures represent sales to external customers.

Research and Development

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 6 R&D bases, 2 in Japan (Karuizawa and Hamamatsu plants) and 1 each in Thailand, 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. Our facilities in Karuizawa, Thailand and China have acquired accreditation for the ISO17025 standard and are stepping up efforts with regard to analyzing and reducing emissions of hazardous substances targeted by environmental regulations, including those banned by the European Union's Restriction of Hazardous Substances (RoHS) directive, within the Minebea Group.

In the current fiscal year, R&D costs for the Minebea Group amounted to ¥9,458 million. This included ¥339 million allocated to basic research at R&D centers in Thailand and China, such as basic materials analysis, and other research that cannot be apportioned to individual business segments. R&D activities in our two segments in the current fiscal year are outlined below.

Machined Components

R&D in this segment focused on mainstay bearings, that is, on developing basic tribological technologies for materials and lubricants, among others, and on oil fill, electromechanical machining (ECM), diamond-like carbon (DLC) and other processes. Efforts are also emphasized on responding to the requirements of manufacturers in new areas in the IT, home electrical appliances, automobiles and aerospace industries through reliability engineering—aimed at, for example, minimizing particle generation, extending product life and enhancing electroconductivity—and applied engineering.

With the majority of HDDs now using perpendicular magnetic recording to achieve higher recording densities, the cleanliness of key components has become an increasingly crucial consideration. To ensure a high level of cleanliness for our mainstay HDD-related products, which include fluid dynamic bearings, spindle motors and base plates, we have actively developed clean manufacturing technologies.

We are also working to develop ever-smaller miniature ball bearings. Recently, we succeeded in developing the world's smallest miniature ball bearings, boasting an outer ring diameter of 1.5 mm and an inner ring diameter of just 0.5 mm.

In the area of bearings for the aerospace industry, we have completed development of and received approval for tierod mechanical assemblies, trunnion bearings for main landing gear and a wide range of bearings for flight control systems, by applying technology used in our rod-end bearings.

R&D costs in the Machined Components segment in the current fiscal year amounted to ¥2,408 million.

Electronic Devices and Components

Mainstay motors in this segment include fan motors, stepping motors, brush 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. In the area of stepping motors, we succeed in developing a unit with an external diameter of just 3.2mm–smaller than any other stepping motor in the world. This unit is currently undergoing assessment for a variety of applications. For magnetic application products, our R&D efforts emphasize materials technology, core technologies and product-related technologies. These efforts continue to yield such outstanding products as rare earth bond magnets and heat-resistant magnets for use in high-performance motors. To reinforce product development for heat management system modules (HMSMs), which we have resolved to commercialize in the next fiscal year, we began conducting R&D combining our motor, fan, electronics and other technologies.

In the area of display-related products, we developed a new high-brightness, high-efficiency LED backlight for LCDs, which we will market to manufacturers of cellular telephones and digital cameras. In addition to our noted ultraprecision machining, mold production and molding technologies, we succeeded in developing plastics molding technologies capable of accommodating larger, thinner optical devices and increasingly fine optical patterns. This has positioned us to expand our focus to include LED backlights for notebook and desktop PC monitors, for which LCDs have become the preferred type of display.

In electronics-related products, we are promoting the development of driving circuits for high-efficiency backlight inverters for cold cathodes. We are also pursuing cutting-edge development in such areas as driving circuits for rare gas fluorescent lamps, which are expected to contribute to efforts to conserve energy. Moreover, by shifting from analog to digital control circuits, we have succeeded in significantly reducing the number of parts used, as well as in improving control precision, thereby enabling us to reduce engineering lead times.

In the current fiscal year, R&D costs in the Electronic Devices and Components segment totaled ¥6,711 million.

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 difficultly 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.