

**Our fiscal year ended March 2012 should have seen celebrations marking the Company's 60th anniversary, but it was a critical year for us in which we faced many hardships. In addition to a yen at historical highs and soaring rare earth prices, no sooner had Japan emerged from the Great East Japan earthquake's effects than we were hit by the October floods in Thailand last year, necessitating us to make strenuous efforts to recover from disasters.**

Though there was no direct impact on the Company from earthquake-driven supply chain disruptions, there were significant effects and the recovery efforts of all concerned rolled the situation back in the second half, thanks to each member's efforts involved. This was imperiled by the floods in Thailand in October. Five of the Company's plants there were affected, including flood damage to the Rojana and Navanakorn plants manufacturing HDD spindle motor parts. The Bang Pa-in and Ayutthaya plants were forced to stop operations temporarily due to suspended lifelines and out of concern for employee safety. Further, multiple customers and business counterparties sustained damage, and many industries were impacted deeply, centering on HDD, digital equipment, automotive and other industries whose suppliers are concentrated in Thailand.

At Minebea, measures were taken to preserve plant facilities, with the spontaneous participation of a great many employees, and efforts toward prompt recovery continued at plants damaged by flood waters. Going forward, all efforts will be made for recovery in business results, and to build a disaster-resistant and stable business structure.

### **Consolidated Results of Operations for Fiscal Year Ended March, 2012**

The term ended March 2012 was a year of many negatives, including the earthquake and nuclear power station accident, soaring rare earth prices, record high yen levels and the floods in Thailand. Though the Japanese economy's post-earthquake recovery was rapid, the second half's government debt-driven economic deceleration in Europe impacted the world economy and slowed growth in the U.S. and Asian economies that had theretofore been recovering.

In this economic environment the Minebea Group stressed thoroughgoing cost reduction, development of high added value products and new technology, and expanded marketing activity,



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with a view to further earning power improvement. But the impact of two natural disasters was heavy, and sales declined by ¥17,781 million (-6.6%) year-to-year to ¥251,358 million. Operating profit was down by ¥13,564 million (-61.2%) to ¥8,599 million.

In the machined components segment, ball bearings and HDD pivot assemblies were heavily impacted by the Thai floods. They were in recovery mode up to the middle of the term, but the floods

forced temporary production stoppages and disrupted the supply chain, sending business results far down, especially in the third quarter. But the results for rod end bearings and fasteners trended well, due to aircraft market expansion and despite a high yen-driven difficult situation.

The rotary component segment was also hurt by the Thai floods, and with soaring prices of rare earths and other resources, encountered a difficult business environment. In the second quarter, operating profit on HDD spindle motors posted black ink on improvements in production efficiency, but thereafter production plummeted due to flood-driven damage to parts plants, causing difficulties for major customers and component manufacturers, including stoppages of operations, and a resumption of deterioration in business results. The fourth quarter saw improvement in results, in conjunction with market recovery.

In the electronic devices and components segment, the earthquake sent sales of automotive measuring components down. The earthquake and the floods also impacted LED backlights heavily, startup of the Suzhou plant was delayed, and results fell short of targets.

In the others segment, the keyboard business was affected by weak markets and soaring materials prices, as well as parts production specialization, causing major declines in sales and operating profit.

## **I Management Policies for Fiscal Year Ending March 2012**

Keying off the two major themes of "Seeking maximization of per-share profit and improving corporate value" and "Laying the foundation for the 100th anniversary of Minebea," the Company is taking measures for reinforcement of its overall strength, bolstering composite technology and strengthening of production capacity.

In the machined components segment, construction of a new ball bearing plant inside Thailand's Bang Pa-in plant was completed and production began in October. It was right in the middle of the flood's flow, but system preparation enabled prompt accommodation to HDD market recovery-driven demand increases. In pivot assemblies, facilities augmentation is expanding production capacity, and we believe that the setup can fully meet customer demand. In addition to parts production as heretofore, the Thai plant for Rod End /Fastener BU is to inaugurate production of standard aircraft spherical bearings. Preparations have been made to concentrate in Thailand most of standard parts production.

In the rotary component field, the leased plant in Cambodia commenced production of micro-actuators and brush DC motors, theretofore the Company's own plant was completed last December and has started full scale output. The dimensions of the Company's own plant are 70 meters in width and 400 meters in length, so going forward this will be linked to improvement in

this segment's business results. In the others segment as well, plant production has begun to come on stream in succession. The transit time for parts supply from Thailand is gradually shrinking, and the concept of a network of Asian production bases has begun to take shape. At Thailand's Lopburi plant, a motor parts production-centered multi-purpose plant has been constructed. Previously diversified parts production will be concentrated in order to improve efficiency, and the space thus vacated will be converted to LED backlights and rod end bearings output. As a strategy for growing the rotary component segment, Korea's major stepping motor maker Moatech Co. has been purchased. In a highly competitive small sized motor industry, the financial results of specialized makers have been steadily increasing. Going forward, the linkage and mutual complementarities with the Company's motor divisions will operate to improve the overall Group's product development power and cost competitiveness.

In the electronic devices and components field, Minebea strengthened its responses to an expanding LED backlight market. The new backlight plant established in China's Suzhou is positioned as a production base for tablet PCs, while Thailand's Lopburi plant stresses compact products especially for the burgeoning smart phone market. Construction of multi-purpose plant makes use of vacant space and augments production capacity, to accommodate large increases in demand.

In the others segment, the Company has withdrawn from completed PC keyboard production, and is specializing in the high added value mainstay product membrane sheets with a view to improving profitability.

The Company has also reinforced its policy of aggressive use of M&A, and to this end concluded in February 2012 a capital and business alliance contract with the Development Bank of Japan (DBJ) for joint investment. Minebea's machined components segment M&A projects will be supported by joint investment from DBJ, which will also provide expertise and information for promotion of our growth strategies. Both companies will thereby see improvement in their corporate value, and Minebea can realize large scale deals difficult to implement independently.

## **I Toward Fiscal Year Ended March 2012 and New Medium-Term Business Plan**

Although there are concerns about European economic weakness and the strong yen, Japan's economy in the current term is expected to improve gradually, on prospects for earthquake recovery demand and higher consumer spending. Forecasts for the U.S. economy as well see progress in employment improvement and strong trends in consumer spending, continuing a slow recovery. In Europe, however, the aggregate economy is expected to remain weak, burdened by government debt that impacts on capital expenditure and consumer spending. In Asia economies,

European weakness will hurt exports and have other adverse effects, but China's domestic demand and other factors suggest that any major falloff can be avoided.

In this business environment, Minebea is targeting Fiscal Year 2012 (ending March 2013) sales of ¥312.0 billion and operating profit of ¥23.3 billion. With a view to bringing about progress toward growth, we have also formulated a new intermediate term business plan that calls for sales of ¥388.0 billion and operating profit of ¥37.9 billion in the three years to March 2015. Measures will be taken for business expansion to meet these targets.

## Policy by Business Segment

### Machined components

In the mainstay ball bearing products, full scale production at Thailand's new Bang Pa-in Plant will augment pivot assembly supply capacity, while sales to the automotive, IT and telecommunication industries will expand and entry will be made into the market for low-priced ball bearing products. Similarly, ball bearing supply capacity gains will boost production and sales of pivot assemblies. Rod end bearing capacity augmentation at the Lopburi plant could flow through to high added value product output in Japan, the U.S. and the UK, where development of high energy efficiency new aircraft models could expand sales in an aircraft market showing signs of vigorous activity.

### Rotary components

Abatement of Thai flood effects has substantially improved the environment for the information motors business. With a view to business results improvement, stress will be placed on cultivation of new markets and development of new products. And as part of materials cost reductions and production efficiency pursuit, by-product optimized production venues will be revamped and, led by the shift to the Cambodian plant, production locations will be reorganized. Further, the output and sales functions of new Group member Moatech will be aggressively stimulated. HDD spindle motors are recovering from the Thai flood-driven plant damage, and we will concentrate on improving output efficiency and cost price reduction in search of higher profitability. Increased sales to the growing HEV and EV markets will cement our status in the automotive sector. These factors are making for a turnaround to profitability in the rotary equipment segment as a whole.

### Electronic devices and components

With higher production of the mainstay LED backlights, we will steadily supply the burgeoning smart phone and tablet PC markets, looking for substantial gains in segment sales and profit. In measuring components, prospects are for strong trends in those for automotives and medical instruments. We will pursue sales growth in the China market as well.

## Passion is POWER, Passion is SPEED, Passion is the FUTURE

The two natural disasters that occurred in 2011 underlined anew the critical role played by Minebea in the global supply chain. Our Group is moving forward to establish a production system and build a solid supply chain enabling prompt and flexible responses to all sorts of changes in the external environment. We will tackle with great determination the attainment of the targets of our new intermediate term business plan.

We at the Minebea Group request the ongoing understanding and support of our stockholders.

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