

**The 59<sup>th</sup> Ordinary General Meeting of Shareholders  
Supplementary Explanation**

**1. Medium-Term Management Policies**

We set the following three basic policies, as the three pillars of management.

The first pillar is to further reinforce and expand the business of our mainstay bearings and bearing-related products.

The second pillar is to build our operations in the area of precision small motors into a second pillar of our operations after bearing-related products.

The third pillar is to increase the ratio of high-value-added products in all product categories and diversify offerings to serve a broader market.

Minebea's principal competitive advantages are: ultra-precision machining technologies; mass production technologies; and a unique vertically integrated manufacturing system. We will strive to accomplish the three pillars of management by making the best possible use of these strengths.

With regard to miniature and small-size ball bearings in particular, we have almost completed establishing monthly production and sales capacity of 180 million pieces. As of March 2005, we achieved monthly production of over 180 million pieces and sales of more than 170 million pieces, both including internal use.

Furthermore, to further accelerate the three basic policies, we will resolutely carry out decisive structural reforms, reinforce R&D and implement management with a clear vision. With regard to structural reforms in particular, we will make a significant change of organization, effective July 1, 2005. The essence of this change will be to integrate our two separated manufacturing and sales functions into Business Units. The Business Units a manufacturing and sales operations unified will take responsibility for the earnings performance of the businesses they are in charge of from both sides of manufacturing and sales.

The Business Units will report to our president, not to our headquarters such as the Manufacturing Headquarters and the Sales Headquarters. We will clarify their business responsibilities and powers, and speed up their decision-making and execution. By so doing, we will put a profit-oriented structure on the Business Units.

The five headquarters that we will have Manufacturing Headquarters, Sales Headquarters,

Engineering Headquarters, Operations Headquarters and Administration Headquarters will also report to the president.

The Headquarters, rather than directing and supervising the new Business Units as their subordinate organization, will support the new Business Units indirectly and serve a function in guiding the businesses they are responsible for to success.

The new organization should resemble warp (vertical threads) and weft (horizontal threads) interlaced forming a well-balanced weave, where the vertical lines are Business Units and the horizontal lines are Headquarters. Moreover, responsibility and authorization for both Business Units and Headquarters will be explicit, thereby ensuring an organization that can function actively.

With regard to reinforcement of R&D, we will integrate R&D activities at our Plants and other departments under the new Engineering Headquarters to avoid overlapping. We will also reorganize our engineering team and make the operation more efficient so that we can maximize synergy effects by linking R&D activities in various parts of our operations.

Management with a clear vision will be to analyze future market trends, prepare ourselves for technological development and other tasks to meet future needs and make intensive investments in product development.

Through these three measures, we will accelerate our basic management policies.

## **2. Manufacturing Activities in Thailand**

It is 22 years since Minebea began manufacturing activities in 1982 in Ayutthaya, which lies 75 km to the north of Bangkok.

We presently operate a group of factories in four areas in Thailand and employ approximately 30,000 people. These factories account for about 50% of the Minebea Group's total output and comprise the Group's largest mass production base.

Production of HDD spindle motors with fluid dynamic bearings (FDBs), miniature and small-size ball bearings, pivot assemblies, lighting devices for LCDs and other mainstay products has continued to expand in Thailand as Minebea's primary production base.

Meanwhile, we are currently transferring keyboard production from Thailand to Shanghai, which is expected to be completed by the end of September 2005.

## **3. Manufacturing Activities in Shanghai**

In 1994, Minebea established its first Chinese subsidiary "Minebea Electronics & Hi-Tech Components (Shanghai) Ltd." in the suburbs of Shanghai and started production of miniature and small-size ball bearings and of fan motors.

Since then, production of these products has increased smoothly to the current level of output at about 30 million pieces of miniature and small-size ball bearings per month and 8 million units of fan motors per month. We are implementing plans to raise their monthly production to 40 million pieces and 10 million units, respectively.

At our Xicen Plant, we produce fan motors and measuring instruments, such as strain gauges and load cells.

In addition, together with Huan Hsin Holdings Ltd. of Singapore, we established a PC keyboard manufacturing company Shanghai Shun Ding Technologies Ltd. in Shanghai in 2002, and started production in August 2003.

We are presently transferring the keyboard production from Thailand to Shanghai, which is scheduled for completion by the end of September 2005.

Operations in China account for approximately 17% of total group output and form the second largest production base of the Minebea Group following Thailand.

As of the end of March 2005, the total capital of our operations in China amounts to 27.6 billion yen, total investment in fixed assets, such as machinery and plant buildings, reaches 59.3 billion yen, the total number of employees is approximately 8,700, and net sales for the 59th Business Term are 39 billion yen.

We intend to decide on our product lineup and production scale, while keeping a careful eye on market trends in China and the other parts of the world; situations in China; foreign exchange fluctuations; and other business factors.

#### **4. Minebea-Matsushita Motor Corporation**

On April 1, 2004, Minebea-Matsushita Motor Corporation was jointly established by Minebea and Matsushita Electric Industrial Co., Ltd. (Matsushita), integrating all functions of the information equipment motor business of both companies.

Share holding ratio is 60% by Minebea and 40% by Matsushita.

While competition in the information equipment motor business is becoming increasingly severe worldwide, especially due to industry consolidation led by Japanese manufacturers and the rise in the number of market newcomers from China, further growth in demand can be expected in new product applications such as digital home appliances including plasma TVs and LCD TVs, information terminals including personal computers and mobile phones, and game machines.

The joint venture company, with the aim of capturing the leading position in markets worldwide in the above-mentioned business, taps Minebea's advanced ultra-precision machining, mass-production technologies, cost competitiveness and Matsushita's cutting-edge product development technologies to strengthen its high added-value product development/manufacturing capabilities and accelerate development speed, as well as establishing strong customer support structure. The current fiscal year, we will do our best to lay groundwork for making the joint venture company profitable by further integrating its production bases and pursuing outsourcing.