

The Year in Review

Minebea faced a harsh operating environment in the fiscal year, ended March 31, 2002, as the global economic downturn depressed demand from manufacturers of information and telecommunications equipment—its primary customers. Sales of mainstay ball bearings fell as weak sales to the information and telecommunications industry offset firm sales to certain segments of the household electrical appliance and automotive industries. We also faced sluggish demand for other principal products, including fan motors and stepping motors. Despite brisk sales of HDD spindle motors—both those containing ball bearings and those containing fluid dynamic bearings—and an increase in sales of PC keyboards, consolidated net sales declined 2.7%, to ¥279,344 million.

Although efforts to reduce manufacturing costs, particularly for ball bearings, were successful, they failed to offset the impact of lower sales of mainstay products and forward investments related to, among others, fluid dynamic bearing HDD spindle motors. As a consequence, consolidated operating income fell 33.4%, to ¥21,972 million. Similarly, although decreases in interest expenses and losses on liquidation of subsidiaries and affiliates reduced other expenses, gains were insufficient to counter the drop in operating income and other factors. Accordingly, consolidated net income plunged 64.3%, to ¥5,298 million.

Despite a decline in net income, ongoing steps to reduce inventories and control capital investment allowed us to boost free cash flow—net cash provided by operating activities minus expenditure for purchase of property, plant and equipment—to ¥7,772 million, an increase of ¥9,317 million from the previous period. Free cash flow was applied to the repayment of debt, enabling us to lower net interest-bearing debt ¥4,508 million, to ¥168,720 million, further improving our financial position.



Tsugio Yamamoto
President and Representative Director

Three Basic Management Directions

Strategic Achievements

During this turbulent period, we continued to implement strategies in line with our three-year management plan, launched in the fiscal year ended March 31, 2000, to guide our efforts to enhance growth and profitability.

Strengthen Our Bearings Business

Shipments of ball bearings fell in the fiscal year ended March 31, 2002, as a consequence of lower demand from the information and telecommunications industry. Toward the end of the period, however, demand from this industry began to pick up. Soaring demand from manufacturers in China for use in air conditioners further underscored the outstanding growth potential of this area, as did the rapid expansion of applications for precision small motors containing ball bearings, owing to the increasing digitization of household electrical appliances and the prevalence of electric control systems in automobiles.

In preparation for a significant rise in demand for ball bearings, in the fiscal year ended March 31, 2001, we expanded production capacity at plants in Shanghai and elsewhere, boosting our global monthly capacity

to 150 million pieces. In the period under review, we took decisive steps to enhance our competitive edge in terms of production and sales by raising product quality and lowering manufacturing costs. We also reinforced our sales structure in Asia, Europe and the United States.

Expand Rotary Components Business

We continued to benefit from brisk demand for HDD spindle motors as the market for HDD spindle motors containing fluid dynamic bearings took off in the second half of the period. Production of HDD spindle motors continued to rise, reflecting successful efforts to ensure stable, high product quality and enhance production efficiency at a dedicated plant in Thailand, completed in March 2001.

Demand for fan motors for PCs remained stagnant. Nonetheless, we continued to develop high-value-added new models and improve product quality and lower manufacturing costs for low-end models, thereby completing the groundwork for business expansion beginning in the fiscal year ending March 31, 2003.

We also continued to strengthen cooperation among automotive motor development, manufacturing and sales divisions and finalized plans for a number of models. Production of most of these models is slated to begin in 2004. We expect this business to grow into a key source of growth and will thus continue to focus considerable efforts on its expansion and development.

Respond to Growth in Existing Markets for High-Value-Added Products and Cultivate New Markets

Despite a sluggish market for PCs, we continued to see growth in sales of HDD spindle motors and PC keyboards in the fiscal year ended March 31, 2002, reflecting the success of our strategic focus on high-value-added new models. Although sales of fan motors and switching power supplies flagged, we continued to revamp our development system and improve product quality and seek applications for new models. In the

years ahead, we plan to further bolster the ratio of high-value-added products in our lineup.

A New Medium-Term Management Plan

Minebea continues to operate in an environment characterized by rapid and profound changes. These include, but are not limited to, the shift of production to Southeast Asia and China by customers, rapid growth in the Chinese market, the realignment of key customer industries and persistent pressure to lower prices. In recent years, we have sought to respond to such changes, as well as strengthen our business structure, by selectively focusing resources in key areas and investing heavily in core product categories. These efforts enabled us to significantly strengthen our production capabilities, as well as highlighted tasks we must address to improve our competitiveness—namely the need to improve responsiveness to market changes and cultivate new markets.

Based on the results of these efforts, management has formulated a new medium-term management plan—effective from the fiscal year ending March 31, 2003—that is designed to put the Company back on the growth track. We invite you to read more about the new medium-term management plan in the Q&A-format special feature of this year's annual report.

While the new medium-term management plan maintains the three basic management directions set forth in its predecessor, it sets forth four basic strategies that address remaining tasks and build on the success of the previous plan.

Targets Under the New Medium-Term Management Plan

	Millions of yen			
	2002	2003	2004	2005
	(Actual)	(Target)	(Target)	(Target)
Net sales	¥279,344	¥288,000	¥316,800	¥348,000
Operating income	21,972	24,000	33,000	37,000
Net income	5,298	10,000	17,000	21,000

Reinforce R&D

Implement measures that help us maximize competitive advantages in manufacturing and sales and facilitate entry into new markets.

Expand operational strategies in China

Respond to the shift toward production in China by customers and capitalize on the rapid expansion of the local market by integrating and strengthening our sales structure, expanding production capabilities and improving cost competitiveness.

Reorganize sales structure

Establish a highly efficient, global sales structure that enables us to expand sales and cultivate new markets by identifying and responding appropriately to customer needs.

Restructure unprofitable businesses

Return loss-making businesses, such as switching power supplies, to profitability as quickly as possible, thereby raising overall Group profitability.

The new medium-term management plan also focuses on five key product areas: ball bearings, HDD spindle motors, fan motors, automotive motors and sensors, and switching power supplies.

Ball bearings

Our principal source of income and cash, ball bearings, is expected to see outstanding growth over the medium-to-long term in China and other markets.

HDD spindle motors

HDD spindle motors, which use our ultraprecision machining and mass production technologies—our principal competitive advantages—are positioned as a new profit-expanding pillar of our rotary component operations under the new medium-term management plan.

Fan motors

Like HDD spindle motors, fan motors are positioned as a new pillar of our rotary component operations under the new medium-term management plan. Efforts will focus on enhancing profitability by maximizing economies of scale, lowering costs and enhancing our product mix.

Automotive motors and sensors

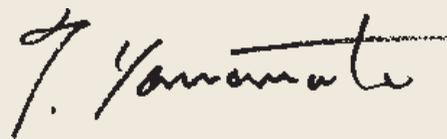
Automotive motors and sensors are expected to contribute significantly to future growth.

Switching power supplies

To raise the profitability of switching power supplies—currently an unprofitable business—we will focus particularly on expanding the weighting of high-value-added products.

As I have already described, our efforts during the period under review incorporated the aim of strengthening and expanding these businesses. In the years ahead, our efforts to achieve these ends will be governed by two overriding objectives: build a new portfolio of high-revenue, high-profit businesses and enhance corporate value. In these and all of our efforts I look forward to the continued support of our shareholders.

June 27, 2002



Tsugio Yamamoto
President and Representative Director