

Outline

Outline of Operations

Minebea's core competencies are its ultraprecision machining technologies, vertically integrated manufacturing system and mass production technologies. The Company's operations are divided into two business segments: Machined Components and Electronic Devices and Components. The Machined Components segment, which focuses on miniature and small-sized ball bearings ("ball bearings" in subsequent references), accounted for 42% of consolidated net sales in fiscal 2004. The Electronic Devices and Components segment, which encompasses HDD spindle motors, fan motors and other precision small motors, as well as other electronic devices and components, notably PC keyboards, represented 58% of consolidated net sales in fiscal 2004.

Our product development activities are centered in Japan, with additional R&D bases in Thailand, Germany and the United States, while our manufacturing network encompasses principal bases in Thailand and China, as well as smaller bases in Japan, Singapore, the United States and the United Kingdom. Our manufacturing base in Thailand accounted for 58% of total consolidated production, while combined production at all of our bases in Asia (excluding Japan) was responsible for 81% of total consolidated production.

We supply products to a number of key markets. Notable among these are the PC and peripheral equipment, information and telecommunications equipment, household electrical appliances and aerospace markets, which account for 44%, 11%, 10% and 9%, respectively, of consolidated net sales. Reflecting the increasing shift by our customers in these markets to production in China and other parts of Asia, sales to Asia (excluding Japan) now account for 45% of consolidated net sales. Our second-largest geographical market is Japan, which currently represents 26% of consolidated net sales, with remaining sales to North and South America and Europe. (For more detailed information on Minebea's results for fiscal 2004 by business and geographic segment, please refer to the section beginning on page 55.)

Principal Strategy

Our basic, ongoing strategy is to build a portfolio of products that befit our core competencies—our ultraprecision machining technologies, vertically integrated manufacturing system and mass production technologies—and selectively focus resources in ball bearings, precision small motors and other key businesses. We are also cultivating new core competencies with the aim of securing an unassailable competitive advantage. Notable among these is our product development capabilities.

To enhance the effectiveness of this core competencies strategy, we are implementing specific measures aimed at facilitating the expansion of key businesses. These include tightening our focus on businesses that meet the criteria of the strategy, implementing organizational changes that will enhance the strategy's effectiveness, substantially reinforcing our ability to execute the strategy's various elements and introducing clear standards for evaluating business performance.

Going forward, we will continue to address the following three priority tasks:

- further reinforce our mainstay bearings and bearing-related products,
- build our operations in the area of precision small motors and other rotary components into the second pillar of our operations after bearings and bearing-related products, and
- increase the ratio of high-value-added products in all product categories as well as diversify offerings to serve a broader market.

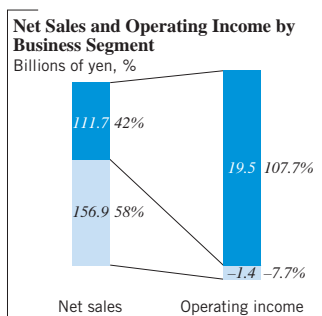
Segment Information

	<i>Millions of yen</i>				
<i>Years ended March 31</i>	2004	2003	2002	2001	2000
Net Sales to External Customers by Business Segment					
Machined components	¥ 111,693	¥118,118	¥ 122,025	¥ 124,461	¥127,734
Electronic devices and components	156,881	154,084	156,303	151,910	146,133
Consumer business and others	—	—	1,016	10,674	10,890
Total	¥ 268,574	¥272,202	¥ 279,344	¥ 287,045	¥284,757
Operating Income (Loss) by Business Segment					
Machined components	¥ 19,505	¥ 18,520	¥ 22,135	¥ 23,906	¥ 21,996
Electronic devices and components	(1,401)	832	(163)	8,259	8,254
Consumer business and others	—	—	(0)	812	819
Total	¥ 18,104	¥ 19,352	¥ 21,972	¥ 32,977	¥ 31,069
Assets by Business Segment					
Machined components	¥ 189,741	¥191,793	¥ 205,920	¥ 200,457	¥183,111
Electronic devices and components	196,918	204,489	231,806	255,789	234,558
Consumer business and others	—	—	745	3,711	8,022
Eliminations	(71,744)	(76,213)	(88,434)	(112,992)	(21,697)
Total	¥ 314,915	¥320,069	¥ 350,037	¥ 346,965	¥403,994
Depreciation and Amortization by Business Segment					
Machined components	¥ 10,811	¥ 10,378	¥ 9,489	¥ 10,842	¥ 10,031
Electronic devices and components	10,894	12,448	14,891	11,240	11,911
Consumer business and others	—	—	5	68	83
Total	¥ 21,705	¥ 22,826	¥ 24,385	¥ 22,150	¥ 22,025
Capital Expenditure by Business Segment					
Machined components	¥ 4,168	¥ 4,750	¥ 7,963	¥ 19,464	¥ 8,813
Electronic devices and components	14,929	11,853	18,485	21,010	10,571
Consumer business and others	—	—	5	185	228
Total	¥ 19,097	¥ 16,603	¥ 26,453	¥ 40,659	¥ 19,612
Sales to External Customers by Geographic Segment					
Japan	¥ 68,760	¥ 72,755	¥ 83,705	¥ 111,643	¥117,141
Asia (excluding Japan)	121,072	107,789	95,884	82,437	74,067
North and South America	48,726	58,998	63,569	58,192	58,253
Europe	30,016	32,660	36,186	34,773	35,296
Total	¥ 268,574	¥272,202	¥ 279,344	¥ 287,045	¥284,757
Operating Income by Geographic Segment					
Japan	¥ 4,883	¥ 3,133	¥ 767	¥ 11,806	¥ 11,883
Asia (excluding Japan)	10,763	12,418	17,387	17,362	15,173
North and South America	2,084	1,859	1,968	1,327	2,729
Europe	374	1,942	1,850	2,482	1,284
Total	¥ 18,104	¥ 19,352	¥ 21,972	¥ 32,977	¥ 31,069
Assets by Geographic Segment					
Japan	¥ 166,277	¥175,917	¥ 195,305	¥ 212,827	¥182,130
Asia (excluding Japan)	201,194	185,397	201,541	183,118	168,406
North and South America	29,173	37,064	38,088	38,821	41,265
Europe	20,075	20,528	25,194	25,191	33,851
Eliminations	(101,804)	(98,837)	(110,091)	(112,992)	(21,658)
Total	¥ 314,915	¥320,069	¥ 350,037	¥ 346,965	¥403,994

Results of Operations

Net Sales

Consolidated net sales in fiscal 2004 declined 1.3%, or ¥3,628 million, to ¥268,574 million. A recovery in demand from customers in principal customer industries, including manufacturers of PCs and other information and telecommunications equipment, household electrical appliances and industrial machinery spurred record production and shipments of certain mainstay products. This was countered by the negative impact of the translation of sales denominated in other currencies into yen, a consequence of the appreciation of the yen against the dollar, as well as the termination of three businesses and declines in product prices. With the greater portion of our sales denominated in U.S. dollars, the impact of exchange rate fluctuations is considerable: in the period under review, this factor was responsible for a decline of approximately ¥8,900 million. The termination of our FDD subassembly business in November 2002, certain operations in the United States in July 2003 and our switching power supplies and related businesses in March 2004 were responsible for declines of approximately ¥2,300 million, ¥1,000 million and ¥3,500 million, respectively.



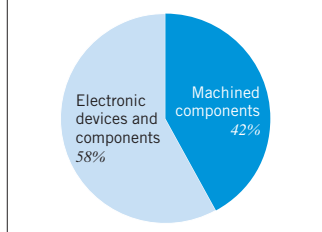
■ Machined components
 ■ Electronic devices and components
 Note: Percentages represent contribution by business segment to total.

Net Sales by Business Segment

Machined Components

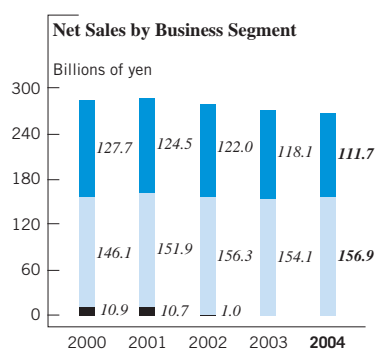
Net sales of machined components amounted to ¥111,693 million, a decrease of 5.4%, or ¥6,425 million. In the bearings and bearing-related products category, sales declined 3.4%, or ¥3,334 million, to ¥94,604 million. Efforts to expand the scale of our ball bearings business and stringent cost reduction measures—implemented as part of a program to boost monthly global production and sales to 180 million pieces—supported an increase in shipments of ball bearings. Nonetheless, volume gains were negated by the appreciation of the yen and declining product prices. Sales of pivot assemblies for HDDs also decreased for the same reason, although an increase in shipments—attributable to the timely launch of new products—enabled us to maintain our approximately 70% share of the global market for these components. Sales in the other machined components category declined 15.3%, or ¥3,091 million, to ¥17,089 million. A divestiture in the United States accounted for approximately ¥1,000 million of the decline, while the remainder was primarily attributable to a decline in sales of special machined components, a consequence of flagging demand.

Net Sales by Business Segment



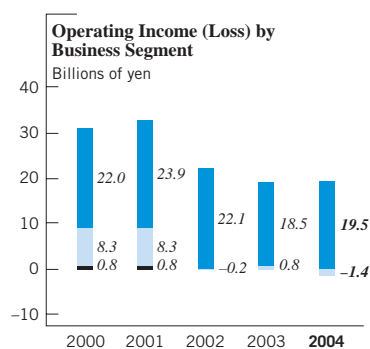
Electronic Devices and Components

Net sales of electronic devices and components rose 1.8%, or ¥2,797 million, to ¥156,881 million. In the rotary components category, sales advanced 9.5%, or ¥7,553 million, to ¥86,741 million. The impact of a strong yen and falling product prices countered increased shipments of key products. Sales of HDD spindle motors rose despite currency and price considerations, owing to rising demand for HDDs, boosting our global market share. Sales in the other electronic devices and components category declined 6.4%, or ¥4,756 million, to ¥70,141 million. Sales of lighting devices increased, reflecting efforts to cultivate new customers by launching new, high-performance products, notably LC backlight assemblies for small and medium-sized LCDs. In contrast, a delay in the start of production at a new plant in China and the impact of inventory adjustments by certain customers pushed down sales of PC keyboards. Our withdrawal from the FDD subassembly business in November 2002 and the switching power supplies and related businesses in March 2004 resulted in decreases of approximately ¥2,300 million and ¥3,500 million, respectively.



■ Machined components
■ Electronic devices and components
■ Consumer business and others

Note: Owing to the divestiture of a subsidiary, the Company withdrew from the Consumer Business and Others business segment effective from fiscal 2003.



■ Machined components
■ Electronic devices and components
■ Consumer business and others

Note: Owing to the divestiture of a subsidiary, the Company withdrew from the Consumer Business and Others business segment effective from fiscal 2003.

Average Rate of Exchange During the Fiscal Year

	Yen	
	2004	2003
U.S. Dollar	¥113.97	¥122.29
Euro	132.73	120.34
Singapore Dollar	65.58	69.08
Thai Baht	2.79	2.86
Chinese Yuan (Renminbi)	13.77	14.77

Note: Exchange rates are calculated based on the average of the average quarterly rates for fiscal 2004.

Performance by Business Segment

Millions of yen

Year ended March 31, 2004	Machined Components	Electronic Devices and Components	Total before Eliminations	Eliminations or corporate	Total
Sales to external customers	¥111,693	¥156,881	¥268,574	¥ —	¥268,574
Internal sales	2,191	15	2,206	(2,206)	—
Total sales	113,884	156,896	270,780	(2,206)	268,574
Operating expenses	94,379	158,297	252,676	(2,206)	250,470
Operating income (loss)	19,505	(1,401)	18,104	—	18,104
Assets	189,741	196,918	386,659	(71,744)	314,915
Depreciation and amortization	10,811	10,894	21,705	—	21,705
Capital expenditure	4,168	14,929	19,097	—	19,097

Net Sales by Region

Results by region continued to reflect the shift by customers in Japan, Europe and North and South America to mass production in Asia. The appreciation of the yen also affected sales denominated in other currencies to regions other than Japan.

Although business conditions in Japan exhibited steady improvement, efforts to boost sales were ineffective as key customers moved to transfer production of certain items to offshore subsidiaries. As a consequence, sales in Japan declined 6.0%, or ¥4,433 million, to ¥69,402 million.

Despite the impact of the strong yen, which held back gains, sales to Asia (excluding Japan) rose 13.7%, or ¥14,656 million, to ¥121,598 million, underscoring the region's rising importance as a manufacturing base for PCs, OA equipment and household electrical appliances.

Sales to North and South America fell 20.6%, or ¥11,767 million, to ¥45,336 million, reflecting flagging sales of electronic devices and components, a consequence of the steady shift toward production to Asia by key customers and the impact of the strong yen.

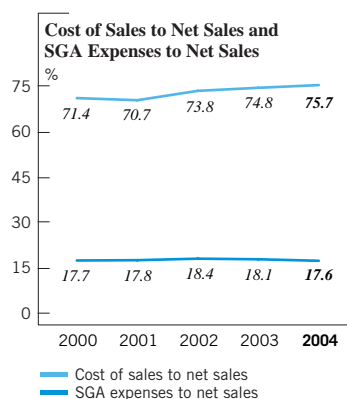
Despite signs of a gradual economic improvement in Europe, sluggish sales of electronic devices and components, while partially offset by the strength of the euro, prompted a 6.1%, or ¥2,084 million, decline in sales to Europe, to ¥32,238 million.

Overseas Sales

Millions of yen

Year ended March 31, 2004	To Asia (excluding Japan)	To North and South America	To Europe	Total
Overseas sales	¥121,598	¥45,336	¥32,238	¥199,172
Consolidated net sales				¥268,574
Overseas sales as a percentage of consolidated net sales	45.3%	16.9%	12.0%	74.2%

Cost of Sales and Selling, General and Administrative (SGA) Expenses



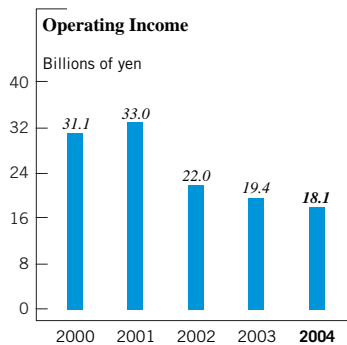
Cost of sales edged down 0.1%, or ¥239 million, to ¥203,261 million. Cost of sales as a percentage of net sales rose 0.9 percentage point, to 75.7%. While the appreciation of the yen against the dollar was the principal factor behind the decline in net sales, its impact on costs was partially negated by the fact that high portions of Minebea's costs are denominated in Thai baht and yen. Efforts to enhance the efficiency of manufacturing and sales activities succeeded in reducing production and plant administration costs, but intensifying price competition and a decline in product prices, together with an increase in the weight of products with high ratios of cost of sales to net sales—notably HDD spindle motors—in our portfolio boosted cost of sales as a percentage of net sales.

SGA expenses declined 4.3%, or ¥2,141 million, to ¥47,209 million, equivalent to 17.6% of net sales, down 0.5 percentage point. This result was primarily attributable to Companywide efforts to reduce expenses, which led to declines in logistics, personnel and general administrative expenses. A decrease in expenses at overseas subsidiaries, owing to the appreciation of the yen, also contributed to the overall decrease.

Costs of Sales and SGA Expenses

Years ended March 31	Millions of yen				
	2004	2003	2002	2001	2000
Net sales	¥268,574	¥272,202	¥279,344	¥287,045	¥284,757
Cost of sales	203,261	203,500	206,061	202,928	203,223
Cost of sales to net sales	75.7%	74.8%	73.8%	70.7%	71.4%
Gross profit	65,313	68,702	73,283	84,117	81,534
SGA expenses	47,209	49,350	51,311	51,140	50,465
SGA expenses to net sales	17.6%	18.1%	18.4%	17.8%	17.7%

Income



Operating Income

Operating income fell 6.4%, or ¥1,248 million, to ¥18,104 million. Accordingly, the operating margin slipped 0.4 percentage point, to 6.7%.

Machined Components

In the Machined Components segment, operating income advanced 5.3%, or ¥985 million, to ¥19,505 million, while the operating margin (calculated using sales to external customers) improved 1.8 percentage points, to 17.5%. In the area of ball bearings, the expansion of our monthly global production and sales, to 180 million pieces, boosted operating income and the operating margin and largely countered the impact of the strong yen and declining sales of other segment products.

Electronic Devices and Components

The Electronic Devices and Components segment posted an operating loss of ¥1,401 million, down from operating income of ¥832 million in the previous period. Despite a recovery in demand from manufacturers of PCs, HDDs, other information and telecommunications equipment and household electrical appliances, this segment continued to face persistent price-cutting pressure from customers and increasingly harsh competition from manufacturers in other parts of Asia, particularly China. As a consequence, an increase in shipments of core products—reflecting the launch of new products and efforts to bolster sales—and a decrease in costs were countered by falling product prices and the appreciation of the yen. The segment operating loss reflected worsening operating losses in the HDD spindle motor category, for which the key strategic focuses are entry into the market for FDB motors for 2.5-inch or smaller HDDs and a return to profitability, and in the PC keyboard category, owing to a heavy initial cost burden attending the establishment of a manufacturing facility in China.

Income before Income Taxes and Minority Interests

The net balance of other income (expenses) was a loss of ¥5,146 million, an improvement of ¥13,711 million from fiscal 2003. This primarily reflected the absence of losses on devaluation of investment securities and liquidation of switching power supplies and related businesses, which inflated other expenses in the previous period. The repayment of debt incurred in fiscal 2003 and reborrowing at a lower interest rate in the period under review prompted a ¥1,552 million decline in interest expense.

Income before income taxes and minority interests amounted to ¥12,958 million, an increase of ¥12,463 million.

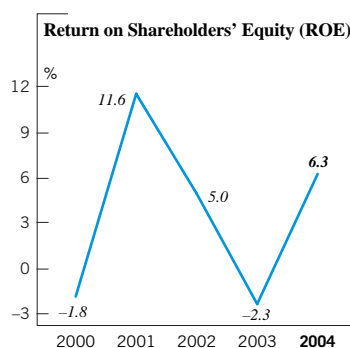
Net Income

Income taxes amounted to ¥7,210 million, up ¥4,304 million from fiscal 2003. Income taxes in fiscal 2004 comprised current taxes, that is, corporate, residential and business taxes, of ¥4,412 million, and a deferred (benefit) of ¥2,798 million. This increase was due to certain loss-making subsidiaries, as well as to operating losses carried forward and the exclusion of foreign taxes on dividend payments from the deduction for foreign taxes.

Minority interests amounted to a loss of ¥271 million, down ¥294 million from income of ¥23 million in the previous period.

As a consequence of the aforementioned factors, Minebea registered net income of ¥6,019 million, up from a loss of ¥2,434 million in fiscal 2003. Basic net income per share was ¥15.08, compared to basic net loss per share of ¥6.10 in the previous period.

Income



Years ended March 31	Millions of yen				
	2004	2003	2002	2001	2000
Operating income	¥18,104	¥19,352	¥21,972	¥32,977	¥31,069
Operating margin	6.7%	7.1%	7.9%	11.5%	10.9%
Net balance of other income (expenses)	(5,146)	(18,857)	(9,023)	(10,590)	(37,681)
Net income (loss)	6,019	(2,434)	5,298	14,826	(2,677)
Net income (loss) to net sales	2.2%	(0.9)%	1.9%	5.2%	(0.9)%
Net income (loss) per share (Yen):					
Basic	15.08	(6.10)	13.27	37.14	(6.72)
Diluted	14.51	(4.85)	12.60	34.10	(5.39)
Return on shareholders' equity	6.3%	(2.3)%	5.0%	11.6%	(1.8)%
Return on total assets	1.9%	(0.8)%	1.5%	4.0%	(0.6)%

Financial Condition

Financial Policy

In an operating environment characterized by intensifying global competition, 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, ensuring we can respond promptly to fluctuations in demand. Accordingly, we strive to maintain a high level of agility in financing activities. Our debt ratings in fiscal 2004, shown in the table below, are indicative of our sound financial condition. We have set a medium-term goal to lower our net debt-to-equity ratio* (1.6 times at fiscal 2004 year-end) to 1.0 times, that is, to reduce net interest-bearing debt below ¥100,000 million. Accordingly, with the exception of amounts applied to working capital and R&D, net cash provided by operating activities is used entirely to repay interest-bearing debt.

* Calculated using net interest-bearing debt, or total debt minus cash and cash equivalents, divided by shareholders' equity.

Debt Ratings

<i>As of June 2004</i>	<i>Long-term debt</i>	<i>Short-term debt</i>
Moody's Investors Service	Baa2	—
Japan Credit Rating Agency, Ltd.	A	J-1
Japan Rating and Investment Information, Inc.	A-	a-1

Liquidity

To the best of our ability, we have to date obtained funds used for the reduction of interest-bearing debt, purchase of tangible fixed assets and investment in R&D from cash flows from operating activities. This reflects the solid cash-generating capability of our ball bearings and other core businesses. We believe that our operating activities will continue to provide sufficient cash to cover the abovementioned outlays. We also have the ability to procure more than ¥100,000 million in short- and long-term loans if needed to enhance liquidity. We are confident that cash flows from operating activities and access to loans will continue to ensure ample liquidity going forward. To facilitate the efficient procurement of working capital, we have concluded commitment agreements with our main bank and other financial institutions. The balance of funds available under these contracts as of fiscal 2004 year-end was ¥15,000 million.

Purchase of Tangible Fixed Assets

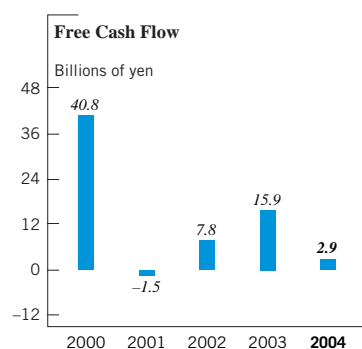
Purchase of tangible fixed assets, or capital investment, in fiscal 2004 amounted to ¥18,825 million, an increase of ¥2,443 million from the previous period. Funds were applied primarily to the expansion of production capacity for ball bearings and construction of a PC keyboard production facility in China, as well as to expansion of production facilities for pivot assemblies, HDD spindle motors and parts for internal use.

Owing to decisive measures since fiscal 2003 aimed at improving the efficiency of production, including that of parts for internal use, in fiscal 2004 we succeeded in maintaining expenditures below the ¥20,000 million mark for two consecutive fiscal years. In fiscal 2005, however, we expect this amount to increase, owing to investments related to the expansion of production capacity in core product categories. We currently estimate purchase of tangible fixed assets in fiscal 2005 at ¥23,000 million, comprising outlays aimed at increasing production capacity for ball bearings, HDD spindle motors, pivot assemblies and lighting devices, additional investment in the construction of our new PC keyboard facility in China and investment related to the operations of Minebea-Matsushita Motor.

Dividend Policy

We are committed to building a corporate structure that is able to withstand fluctuations in our operating environment. Accordingly, we recognize the importance of reinforcing our financial potency and increasing internal reserves while at the same time maintaining stable dividend payments to shareholders.

Cash Flows



Free cash flow (calculated by subtracting purchase of tangible fixed assets from net cash provided by operating activities) totaled ¥2,889 million in fiscal 2004, down ¥13,008 million from the previous period.

Cash Flows from Operating Activities

Despite a ¥12,463 million increase in income before income taxes and minority interests, net cash provided by operating activities amounted to ¥21,714 million, ¥10,565 million lower than in fiscal 2003. This was primarily attributable to the inclusion in our fiscal 2003 accounts of reserves for losses on devaluation of investment securities and for losses on the liquidation of businesses, reflected in “other,” as well as increases in notes and accounts receivable and inventories.

Cash Flows from Investing Activities

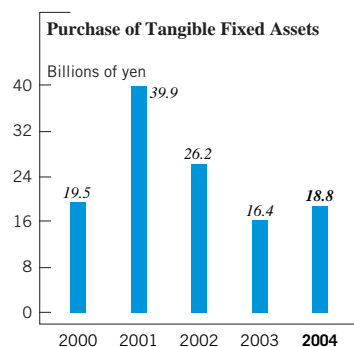
Net cash used in investing activities totaled ¥14,932 million, down ¥1,301 million from the previous period, as proceeds from sales of marketable and investment securities, included in “other, net,” and proceeds from sales of tangible fixed assets offset the use of ¥2,443 million for the purchase of tangible fixed assets.

Cash Flows from Financing Activities

Net cash provided by financing activities came to ¥4,391 million, compared with ¥15,471 million used in financing activities in fiscal 2003. This change was largely attributable to proceeds from long-term debt of ¥6,368 million, in contrast to the application of ¥12,663 million to the repayment of long-term debt in the previous period.

Cash and Cash Equivalents

Minebea’s operating and investing activities in fiscal 2004, together with proceeds from long-term debt undertaken to finance the establishment of Minebea–Matsushita Motor, resulted in a net increase in cash and cash equivalents of ¥10,603 million, raising cash and cash equivalents at end of year to ¥24,780 million.



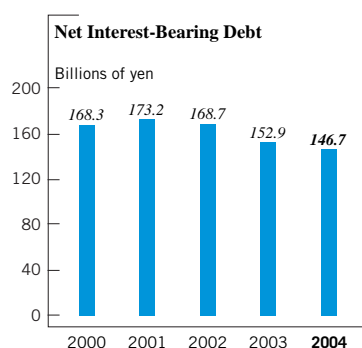
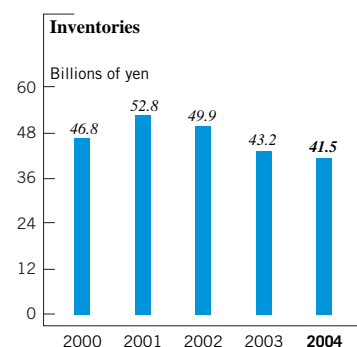
Free Cash Flow

Years ended March 31	Millions of yen				
	2004	2003	2002	2001	2000
Net cash provided by operating activities	¥ 21,714	¥ 32,279	¥ 34,017	¥ 38,332	¥ 60,289
Purchase of tangible fixed assets	(18,825)	(16,382)	(26,245)	(39,877)	(19,504)
Free cash flow	2,889	15,897	7,772	(1,545)	40,785

Note: Owing to a change in accounting standards, cash flows are shown in a new format in and after fiscal 2000.

Financial Position

Summary



Rates of Exchange at Balance Sheet Date

	Yen	
	2004	2003
U.S. Dollar	¥105.69	¥120.20
Euro	128.88	129.83
Singapore Dollar	62.91	68.01
Thai Baht	2.67	2.80
Chinese Yuan (Renminbi)	12.79	14.48

Total assets at the end of fiscal 2004 amounted to ¥314,915 million, down 1.6%, or ¥5,154 million, from the fiscal 2003 year-end. Net interest-bearing debt, or total debt minus cash and cash equivalents, declined 4.1%, or ¥6,241 million, to ¥146,706 million. The net debt-to-equity ratio was level with the previous period at 1.6 times.

Assets

Total assets were affected by the appreciation of the yen against other currencies, compared with the end of the previous period.

Cash and cash equivalents at end of year rose ¥10,603 million, to ¥24,780 million, reflecting an increase in cash generated by operating and investing activities and a temporary increase in long-term debt related to the establishment of Minebea–Matsushita Motor. Total notes and accounts receivable grew ¥3,540 million, reflecting an increase in notes and accounts receivable in Asia and termination of the securitization of certain receivables, the impact of which was partially offset by the appreciation of the yen. The strength of the Japanese currency also hindered efforts to reduce inventories, which slipped only ¥1,670 million. As a consequence, total current assets rose 9.0%, or ¥11,506 million, to ¥138,953 million.

Net tangible fixed assets declined 8.9%, or ¥14,502 million, to ¥148,458 million. Purchase of tangible fixed assets totaled ¥18,825 million, an increase of ¥2,443 million, from ¥16,382 million in fiscal 2003.

Intangible fixed assets totaled ¥12,403 million, down 9.8%, or ¥1,346 million, owing to a decrease in consolidation adjustments.

Net investments and other assets declined 5.3%, or ¥844 million, to ¥15,055 million, as a decline in deferred tax assets partially offset a sharp increase in investments in securities.

Liabilities

Total current liabilities amounted to ¥167,626 million, up 24.7%, or ¥33,167 million. This increase was largely attributable to an increase in the current portion of long-term debt, which boosted short-term interest-bearing debt, that is, the sum of short-term loans payable and the current portion of long-term debt, by ¥38,381 million, from the previous year's total.

Total long-term liabilities totaled ¥52,744 million, down 39.5%, or ¥34,384 million, from the fiscal 2003 year-end. This decline reflected the shift of certain items from long-term liabilities to short-term interest-bearing debt.

Minority Interests in Consolidated Subsidiaries

Minority interests in consolidated subsidiaries increased ¥410 million, to ¥679 million.

Shareholders' Equity

Total shareholders' equity at fiscal 2004 year-end was ¥93,866 million, down 4.4%, or ¥4,347 million. This reflected a ¥9,231 million increase in foreign currency translation adjustments—owing to the appreciation of the yen—which offset net income of ¥6,019 million.

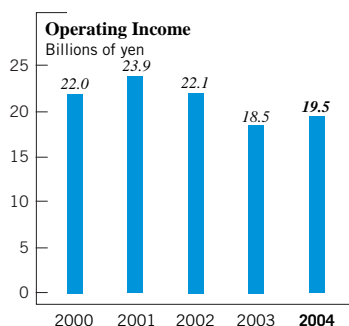
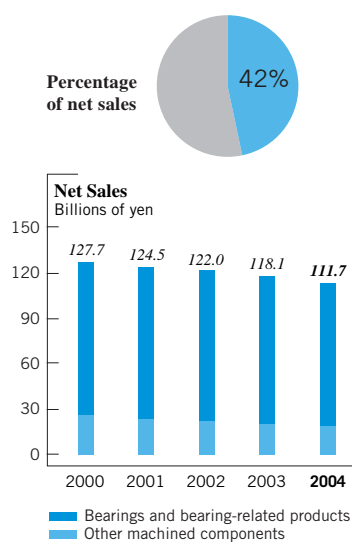
Financial Position

As of March 31	Millions of yen				
	2004	2003	2002	2001	2000
Total assets	¥314,915	¥320,069	¥350,037	¥346,965	¥403,994
Total current assets	138,953	127,447	131,548	137,106	153,658
Inventories	41,534	43,204	49,887	52,764	46,839
Total current liabilities	167,626	134,459	156,908	127,290	124,085
Working capital	(28,673)	(7,012)	(25,360)	9,816	29,573
Interest-bearing debt	171,485	167,125	182,673	185,160	192,712
Net interest-bearing debt	146,706	152,947	168,720	173,228	168,280
Total shareholders' equity	93,866	98,213	112,732	100,574	154,357
Total shareholders' equity/ Total assets	29.8%	30.7%	32.2%	29.0%	38.2%
Shareholders' equity per share (Yen)	235.21	246.08	282.42	251.96	386.71

Segment Results

Performance by Business Segment

Machined Components



The Machined Components segment, which accounted for 42% of consolidated net sales in fiscal 2004, encompasses bearings, namely, ball bearings and rod-end and spherical bearings; pivot assemblies and other bearing-related products; and other machined components, including special machined components and fasteners.

Principal Products and Applications and Minebea's Global Ranking

Principal Products	Principal Applications	Global Ranking*
Bearings and bearing-related products		
Ball bearings	Small motors, household electrical equipment, information and telecommunications equipment, automobiles	No. 1 (global market share of small and medium-sized ball bearings: approx. 60%)
Rod-end and spherical bearings	Aircraft, industrial machinery	No. 1 (global market share: between 50% and 60%)
Pivot assemblies	HDDs	No. 1 (global market share: approx. 70%)
Other machined components		
Special machined components, fasteners	Aircraft, automobiles, industrial machinery	

*Market shares are Minebea estimates and are in terms of units shipped.

Highlights of Fiscal 2004

- We implemented a program of measures aimed at increasing monthly global production and sales of ball bearings to 180 million pieces, the central objective of an aggressive strategy for expanding the scale of this business and sharpening our competitive edge.
- The timely launch of new products enabled us to maintain our global market share of approximately 70% for pivot assemblies.

Business Environment

- A recovery in corporate capital investment supported economic recovery worldwide.
- Demand from manufacturers of PCs, HDDs, household electrical appliances and information and telecommunications equipment exhibited steady growth.
- Persistent price-cutting pressure from customers resulted in a decline in product prices.
- Demand from the aircraft industry remained sluggish.

Issues and Strategies

- We will accelerate efforts to cope with increasingly harsh competition in the market for ball bearings by responding to the needs of customers in new market areas.

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
Journal bearings
Pivot assemblies
Tape guides

● Other Machined Components

Aerospace/automotive fasteners
Special machined components
Magnetic clutches and brakes

Results in Fiscal 2004

Sales of machined components declined 5.4%, or ¥6,425 million, to ¥111,693 million, while operating income rose 5.3%, or ¥985 million, to ¥19,505 million, equivalent to 17.5% of segment net sales, up 1.8 percentage points from fiscal 2003.

Bearings and Bearing-Related Products

Sales of bearings and bearing-related products amounted to ¥94,604 million, a decrease of 3.4%, or ¥3,334 million.

Ball Bearings

We implemented a program aimed at increasing monthly global production and sales of ball bearings to 180 million pieces, part of an aggressive strategy to expand the scale of this business and sharpen our competitive edge in terms of production costs. Thanks to these measures, we succeeded in boosting monthly global production and sales (including internal consumption) well above 170 million pieces. We also took decisive steps to slash costs. As a consequence, this category registered solid improvements in operating income and operating margin, contributing substantially to operating income growth in the Machined Components segment.

The market for ball bearings is expected to expand as growth in demand accelerates, spurred by the shift toward digital color copiers, the increasing prevalence of digital information and telecommunications equipment—owing to the advent of broadband—and the increased presence of household electrical appliances from China in the global market. Rising demand also reflects the soaring popularity of digital and high-performance household electrical appliances in recent years. Increased demand is also expected to provoke intensified competition.

In fiscal 2005, we will endeavor to respond to rising demand in the market for ball bearings by launching products in new market areas, thereby enhancing our competitiveness. We will also push forward toward our goal of stable monthly global production and sales of 180 million pieces. To enhance our overall capabilities in this area, we will also take steps to reinforce development and sales, expand sales in China and surrounding areas and reinforce our competitive edge in terms of cost.

Rod-End and Spherical Bearings

Flagging conditions in the airline market continued to hinder demand from the aerospace industry, the principal customer for these products. With Boeing and Airbus, the world's two largest private-sector aircraft manufacturers, scheduled to expand production in fiscal 2005, however, we expect demand in this category to bottom out in the second half of the period. Efforts to develop and secure orders for bearings for the new Airbus A380, scheduled for its maiden flight in February 2005, enabled us to win a significant share of orders from Airbus for these products.

Pivot Assemblies

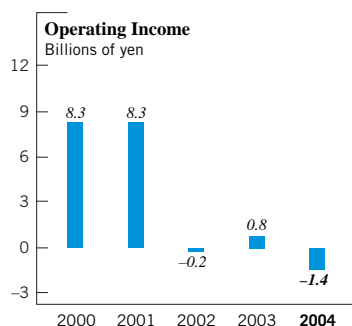
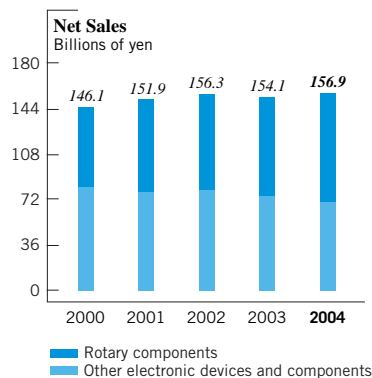
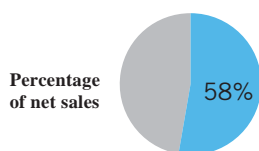
To take advantage of soaring demand for HDDs, we introduced new products and reinforced our cost competitiveness. As a consequence, we succeeded in maintaining a stable global market share of approximately 70% and boosting shipments by more than 20%. Having identified profitability of pivot assemblies a key task in the period under review, we succeeded in maximizing synergies between these products and ball bearings. In fiscal 2005, we will step up production of pivot assemblies for 2.5-, 1.8- and 1.0-inch HDDs, for which demand is increasing.

Other Machined Components

Sales of other machined components amounted to ¥17,089 million, down 15.3%, or ¥3,091 million from the previous period. Of this total, approximately ¥1,000 million was attributable to a divestiture in the United States in July 2003. The decrease in category sales also reflected a decline in sales of special machined components, a consequence of falling demand.

Electronic Devices and Components

The Electronic Devices and Components segment, which represented 58% of consolidated net sales in fiscal 2004, comprises rotary components, primarily HDD spindle motors, fan motors and stepping motors, and other electronic devices and components, which includes PC keyboards, speakers and lighting devices.



Principal Products and Applications and Minebea's Global Ranking

Principal Products	Principal Applications	Global Ranking*
Rotary components		
HDD spindle motors	HDDs	No. 2 (global market share: between 20% and 25%)
Fan motors	PCs, OA equipment, other information and telecommunications equipment, game machines, household electrical appliances	No. 2 (global market share: between 15% and 20%)
Stepping motors	OA equipment, optical disc drives	No. 2 (global market share: between 15% and 20%)
Other electronic devices and components		
PC keyboards	PCs	No. 3 (global market share: approx. 20%)
Electronic devices	PCs (FDD heads and MODs), cellular phones (lighting devices)	
Power electronic components	Power supplies (withdrew from business in fiscal 2004)	
Speakers	PCs, household electrical appliances, automobiles	
Measuring components	Industrial machinery, automobiles	

*Market shares are Minebea estimates and are in terms of units shipped.

Highlights of Fiscal 2004

- We established a joint venture with MEI to manufacture motors for information equipment.
- We increased our share of the global market for HDD spindle motors and registered higher sales.
- A new PC keyboard production facility in China commenced operations in August 2003.
- Our lighting devices business gathered momentum.

Business Environment

- Private-sector capital investment spurred global economic recovery.
- Demand from manufacturers of PCs, HDDs, information and telecommunications equipment and household electrical appliances rose favorably.
- Persistent price-cutting pressure from customers and the expansion of production in other parts of Asia, particularly China, intensified competition.

Issues and Strategies

- Ensure joint venture Minebea–Matsushita Motor is on track.
- In the HDD spindle motors category, strive for the timely launch of new products and improved profitability.
- Take steps aimed at achieving a dramatic improvement in the profitability of electronic devices and components.
- Expand display-related components business.

Principal Products

● Rotary Components

- HDD spindle motors
- Fan motors
- Hybrid-type stepping motors
- PM-type stepping motors
- DC brushless motors
- DC brushless motors for electric power steering systems
- VR resolvers

● Other Electronic Devices and Components

- PC keyboards
- Speakers
- Electronic devices
 - Magnetic heads for FDDs
 - MOD drive subassemblies
 - Lighting devices for LCDs
- Power electronic components
 - Backlight inverters
- Measuring components
 - Strain gauges
 - Load cells

Results in Fiscal 2004

Net sales of electronic devices and components rose 1.8%, or ¥2,797 million, to ¥156,881 million. Notwithstanding sales gains, this segment recorded an operating loss of ¥1,401 million, compared with operating income of ¥832 million in fiscal 2003.

Rotary Components

Sales of rotary components advanced 9.5%, or ¥7,553 million, to ¥86,741 million.

HDD Spindle Motors

Sales of HDD spindle motors climbed sharply, reflecting rising demand for HDDs and an increase in our global market share. Demand rose for spindle motors for 3.5-inch HDDs—which currently account for approximately 90% of our HDD spindle motor sales—for desktop PCs and digital household electrical appliances. Demand for these motors is expected to continue expanding for applications requiring HDDs with large capacities, notably desktop PCs, digital household electrical appliances and AV equipment. At the same time, we recognize that the future of this business also depends on establishing a presence in the soaring market for FDB spindle motors for 2.5-inch or smaller HDDs. To this end, we continued to pursue R&D in this area and in April 2004 introduced a number of new products, positioning us to enter this market with products suited to a variety of needs.

Improving profitability remains the principal challenge facing us in this category as harsh competition continues to drive down prices for spindle motors for 3.5-inch HDDs, countering efforts to lower production costs. Accordingly, we will implement a drastic reassessment of costs while at the same time step up efforts to sell cost-competitive products, with the aim of achieving a marked improvement in profitability in fiscal 2005.

Fan Motors

Despite an increase in shipments, sales of fan motors remained flat, reflecting the appreciation of the yen and falling product prices. Expanded sales efforts boosted sales to manufacturers of PCs and servers, but sales to customers in the game and other industries remained slow as demand fell off in the second half.

The establishment of joint venture Minebea–Matsushita Motor has greatly expanded our lineup in this category, which to date has centered on ball bearing-type fan motors, to include sleeve bearing-type fan motors. The new company has also given us increased access to the household electrical appliances market, until now not a core customer industry. Going forward, we will continue to build on the diversification of our capabilities to expand this key business.

Stepping Motors

Sales of stepping motors edged down as the strong yen and falling product prices offset higher shipments. Efforts to expand sales of new products for use in OA equipment and industrial machinery yielded favorable results in the category of hybrid-type stepping motors. In contrast, efforts to boost sales of PM-type stepping motors for optical disc drives were countered by intense pricing competition as the increasing presence of manufacturers from other parts of Asia continued to exert downward pressure on product prices.

The establishment of Minebea–Matsushita Motor has also expanded our lineup in this category to include compact PM-type stepping motors. As with fan motors, we will continue to maximize our new capabilities to further expand this business.

Other Electronic Devices and Components

Sales in the other electronic devices and components category declined 6.4%, or ¥4,756 million, to ¥70,141 million. Discounting the impact of our withdrawal from the FDD sub-assembly business in November 2002 and the switching power supplies and related businesses in March 2004, segment sales would have been ¥61,000 million in fiscal 2003 and ¥621 million in fiscal 2004.

PC Keyboards

Production of PC keyboards at our new PC keyboard production facility in China has progressed favorably since the facility commenced operations in August 2003. Nonetheless, a delay in the facility's startup and inventory adjustments by principal customers resulted in a sharp decline in sales in the period under review. The burden of initial investments in the new facility further hampered income. In fiscal 2005, we will proceed with the shift of all PC keyboard production from Thailand to China with the aim of completing this move as early as possible, and expect to return to profitability in the second half of the period.

Electronic Devices

This category comprises frontlight and backlight assemblies for color LCDs. This business gathered considerable momentum during the period under review as expanded sales to major customers boosted category sales 3.5 times, to approximately ¥9,000 million.

With the cellular phone market shifting toward LCDs capable of handling motion pictures, demand is focusing on devices with larger screens and improved brightness and resolution. We continue to leverage our ultraprecision machining technologies to develop and offer lighting devices that are one step ahead of demand in terms of performance.

Our LCD backlight assemblies capitalize on our extensive optical-related technologies, accumulated over many years in MOD drive subassemblies and other areas. We continue to conduct R&D aimed at maximizing these and our electronic circuit technologies in the area of display-related components. Going forward, we anticipate our backlight inverter business emerging as a key pillar of our display-related components category. While to date sales efforts have centered on manufacturers of LCDs for PCs, scanners and copiers, we also plan to enter the large-screen television LCD market.

Demand for magnetic heads for FDDs and MOD drive subassemblies shrank during the period under review. This trend is expected to persist in fiscal 2005.

Power Electronic Components

In fiscal 2004, we withdrew from the switching power supplies and related businesses, the core of this product category.

Speakers

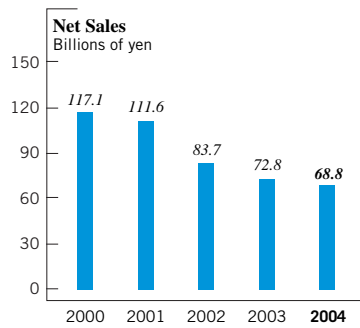
Sales were held to a slight increase despite expanded sales efforts to manufacturers of PCs, audio equipment and automobiles.

Measuring Components

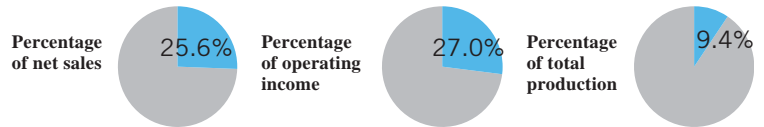
Firm demand from manufacturers of industrial machinery, primarily injection molding equipment, contributed to a substantial increase in sales of measuring components. Given the promising long-term outlook for this business, we continue to take decisive steps to strengthen this business, including introducing new products and expanding sales in China.

Performance by Geographic Segment

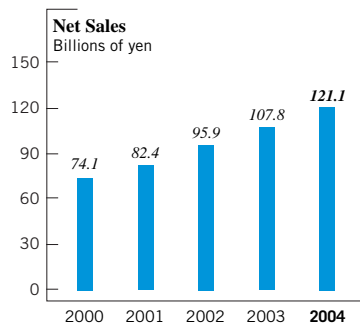
Japan



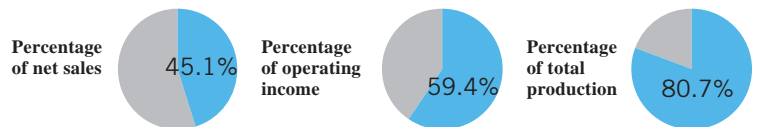
Although business conditions in Japan exhibited steady improvement, efforts to boost sales were ineffective as key customers moved to transfer production of certain items to offshore subsidiaries. These factors pushed sales to external customers in Japan down 5.5%, or ¥3,995 million, to ¥68,760 million. Nonetheless, the strong yen pushed down import prices, boosting operating income 55.9%, or ¥1,750 million, to ¥4,883 million.



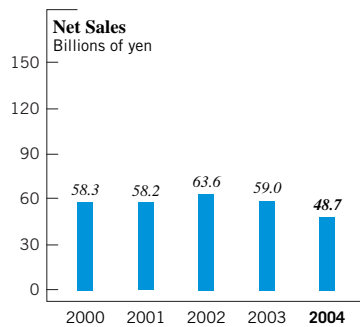
Asia (Excluding Japan)



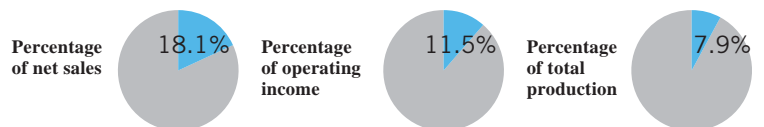
A crucial base for Japanese, American and European manufacturers of PCs and other electrical devices, Asia is a particularly important market for us. While a recovery in demand from manufacturers of information and telecommunications equipment supported firm sales in the period under review, price competition intensified, owing to expanded manufacturing in the region. Reflecting these and other factors, sales to external customers in this region increased 12.3%, or ¥13,283 million, to ¥121,072 million, while operating income decreased 13.3%, or ¥1,655 million, to ¥10,763 million.



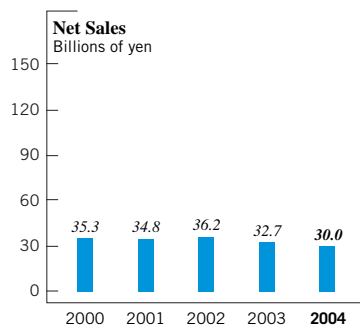
North and South America



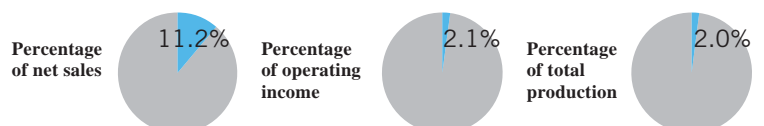
A steady shift toward production in Asia by key customers in North and South America resulted in flagging sales of PC keyboards and speakers, as well as fasteners and other machined components. The situation was exacerbated by a delayed recovery in demand from private-sector aircraft manufacturers, our principal customers in this region. As a consequence, sales to external customers in this region declined 17.4%, or ¥10,272 million, to ¥48,726 million, while operating income increased 12.1%, or ¥225 million, to ¥2,084 million.



Europe



While signs of gradual economic improvement in Europe supported firm sales of ball bearings and rod-end bearings, sluggish sales of PC keyboards and other electronic devices and components, while partially offset by the strength of the euro, prompted a decline in sales to external customers in the region of 8.1%, or ¥2,644 million, to ¥30,016 million. Operating income fell 80.7%, or ¥1,568 million, to ¥374 million.



Outlook for Fiscal 2005

With the global economy expected to remain on a recovery path in fiscal 2005, demand for PCs, HDDs, information and telecommunications equipment and household electrical appliances is likely to continue expanding. However, we also expect persistent price-cutting pressure from customers and heightened competition throughout Asia, particularly in China. In such an environment, we will continue to implement measures aimed at further reinforcing our ball bearing business and addressing the various challenges facing our electronic devices and components business, thereby establishing a strong foundation for steady increases in our operating results over the long term. In fiscal 2005, we expect consolidated net sales to edge up and operating and net income to increase.

Risk Management

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

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. Moreover, reflecting customers' increasingly short product cycles, we are seeing the average life cycle and development period for our products decrease. We work to ensure an accurate grasp of customer needs, thereby facilitating the effective allocation of development resources, and to adjust our production capacity accordingly. Nonetheless, our operating results and financial position are vulnerable to sudden fluctuations in demand and changes in our customers' product requirements.

Foreign Exchange Risk

In fiscal 2004, 74.2% of our consolidated net sales were in markets outside of Japan. We have entered into various currency exchange contracts and other derivatives transactions to hedge risks associated with exposure to fluctuations in foreign currency exchange rates.

R&D Risk

Maintaining our competitive position in the markets for machined components and electronic devices and components requires the ability to introduce a constant stream of new, high-quality products. To this end, the R&D and technology teams and manufacturing departments of Minebea Group companies work closely with sales departments. Nonetheless, there are no guarantees 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.

Legal Risk

The Legal Department is responsible for managing risk related to lawsuits and other legal actions brought against Minebea Group operations in Japan and/or overseas. In fiscal 2004, no lawsuits with the potential to significantly affect our operations were brought against Minebea or any Group company. 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

Despite ongoing measures to ensure a highly efficient manufacturing structure, we continue to face intense competition from lower-priced products manufactured in other countries and regions. While we strive to differentiate our products from those of our competitors through the provision of added value derived from superior technology and quality, 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

The companies of the Minebea Group purchase a variety of materials (products and merchandise) from external suppliers. We strive to ensure optimal purchase 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 in the future.

Latent Risk Related to Operations Overseas

The Minebea Group's manufacturing activities are conducted primarily in China, Thailand 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 the following risks, any one of which may have a negative impact on our operating results and/or financial condition:

- 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.