Representative Director,
President and Chief Executive Officer
Tsugio Yamamoto

In last year's annual report, I expressed my firm confidence in Minebea's ability to attain operating results in keeping with its excellent potential and spoke about our efforts to chart a new course for growth. Unfortunately, we fell short of achieving concrete progress on the first count in fiscal 2004, ended March 31, 2004. We were more successful on the second count, however, as we implemented a variety of strategic measures aimed at maximizing core competencies in our mainstay businesses, reinforcing our competitive edge and positioning ourselves for growth going forward.

■ Miniature and small-sized ball bearings

In line with our goal, set in fiscal 2002, of boosting monthly global production and sales to 180 million pieces, we expanded monthly production and sales while maintaining solid profitability.

■ HDD spindle motors

We developed two new types of high-performance, competitively priced FDB units (patents pending) for use in HDDs. Mass production of these new FDB units is scheduled to start at the end of 2004.

■ Other precision small motors

We established a joint venture with Matsushita Electric Industrial Co., Ltd. (MEI), enabling us to offer an expanded and enhanced lineup of precision small motors.

■ PC keyboards

We began shifting production of PC keyboards to China, from Thailand—a move we now anticipate completing by the end of March 2005, approximately six months ahead of schedule. We expect that this will lead to a recovery in competitiveness that will begin to impact on our operating results in the second half of fiscal 2005.

■ Lighting devices for LCDs

A favorable market evaluation of the superior performance of these devices supported steady gains in sales and income.

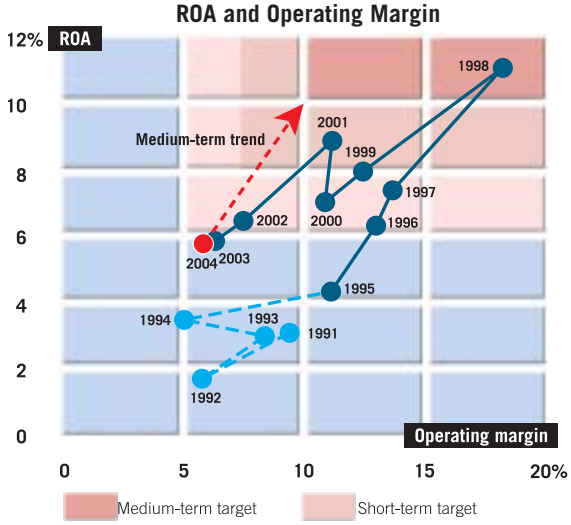
These achievements are attributable to intensive efforts undertaken in line with our core competencies strategy, which calls for selectively focusing the investment of management resources in businesses that maximize our core competencies. These efforts endeavored to address three ongoing, priority tasks:

- 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.

Results of Operations

Despite declines in consolidated net sales and operating income, to ¥268.6 billion and ¥18.1 billion, respectively, we recorded consolidated net income of ¥6.0 billion, a solid improvement from fiscal 2003's net loss. Return on assets

ROA and Operating Margin



Notes: 1. ROA here is calculated using operating income.
2. Years are fiscal years. The years prior to fiscal 1994 ended September 30, while fiscal 1994 and subsequent years ended March 31.

(ROA), calculated using operating income, was 5.7%, below our stated minimum acceptable level of 6%.

The decline in net sales was largely attributable to the termination or withdrawal from certain businesses, declines in unit prices and the impact of a strengthening yen on sales denominated in other currencies. Operating income was hampered by an operating loss in the Electronic Devices and Components segment, the consequence of a sharp increase in costs accompanying the shift of our PC keyboard manufacturing operations to China, from Thailand, and the worsening profitability of rotary components, particularly HDD spindle motors. This countered strong profitability in the Machined Components segment, sustained by an increase in production of ball bearings. The Electronic Devices and Components segment accounts for approximately 60% of consolidated net sales; accordingly, we recognize that improving profitability in this segment—and above all, HDD spindle motors—is an urgent challenge for the entire Minebea Group.

Building a portfolio of highly competitive products

HDD spindle motors and other precision small motors

The key to improving profitability in our Electronic Devices and Components business segment is to raise that of our HDD spindle motors. This, in turn, depends on lowering costs for FDB spindle motors for 3.5-inch HDDs and entering the market for higher-value-added FDB spindle motors for 2.5-inch or smaller HDDs, the market for which is expanding rapidly. Ongoing price erosion has intensified pressure on the profitability of FDB spindle motors for 3.5-inch HDDs. With an approximate 30% share of this key market, however, we are well positioned to strengthen our profit performance in this business if we can achieve necessary cost reductions. Capitalizing on our proprietary technologies and development prowess, in May 2004 we introduced a high-performance, competitively priced ROF-type FDB unit that is highly suited to cost-efficient mass production and will thus allow us to significantly reduce costs for HDD spindle motors. This is because the ROF-type FDB unit is produced with Minebea's proprietary ball bearing manufacturing technology on the same production line and using the same production methods as ball bearings. We began sample shipments of spindle motors with ROF-type FDB units in June 2004, primarily targeting 3.5-inch HDDs, and intend to commence mass production in late 2004.

With the development of the ROF-type FDB unit, we have positioned ourselves well to enter the highly promising market for FDB spindle motors for 2.5-inch or smaller HDDs. The HMF-type FDB unit, which was developed in collaboration with Hitachi Powdered Metals Co., Ltd., uses sintered metal for the bearing and a multiple-lobed shape for the inner surface of the bearing to generate hydrodynamic force in the radial direction. Because this multiple-lobed shape is used, instead of conventional herringbone grooves, the HMF-type FDB unit not only enhances motor performance but also facilitates easy, simultaneous forming of the shape of both multiple lobes on the radial side and hydrodynamic grooves on the thrust side during sizing. This is what makes the HMF-type FDB unit so well suited for mass production. These units are also highly appropriate for use in compact and thin motors. We have positioned ROF- and HMF-type FDB units as new products that will play an essential role in our effort to propel our HDD spindle motor business forward. For further details on both of these products, please refer to this year's special feature, which begins on page 7.

Our joint venture with MEI, Minebea–Matsushita Motor Corporation, was established in April 2004 and has substantially strengthened our precision small motors business. The new company, which integrates the fan, stepping, DC brush and vibration motors businesses of the two parent companies, is the world's second-ranked manufacturer of all four types in revenue terms. The objectives of the joint venture are to expand and enhance the product range of both companies, e.g., we have added fan motors with metal bearings and vibration motors for cellular phones to our lineup, as well as to reinforce product development capabilities, quality and cost competitiveness. To these ends, the company will work to maximize the considerable synergies generated by MEI's development prowess and product range and our ultraprecision machining and mass production technologies.

Ball bearings

We continue to take steps to ensure stable, high profitability for ball bearings while expanding production and sales volume. In recent years, the proliferation of digital household electrical appliances, the emergence of digital and color copiers, the increasing prevalence of broadband networks and services and the expansion of the air conditioner market in China have spurred expansion of markets and applications for miniature and small-sized ball bearings. In terms of shipments, the global market for these bearings has grown an average of 7% annually for more than a decade. We expect this rate to rise above 10% annually for the next several years as the market enters a new phase of accelerated growth.

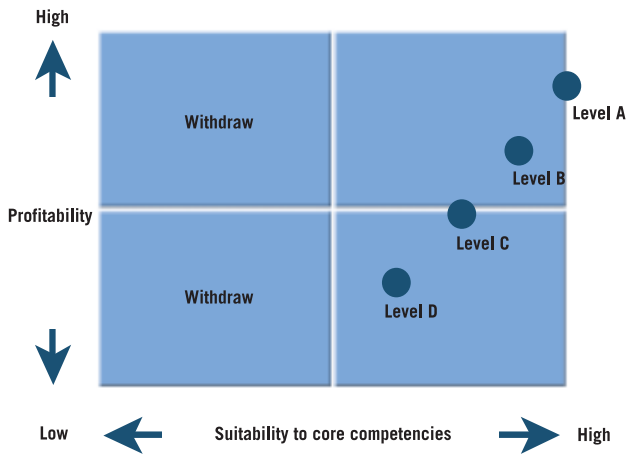
In the second half of fiscal 2002, we embarked on a program to boost our monthly global production and sales of miniature and small-sized ball bearings to 180 million pieces. As of March 2004, we had achieved monthly global production and sales of well over 170 million pieces, an improvement that contributed to substantial cost reductions and a marked improvement in profitability for this mainstay business. We expect to achieve monthly global production and sales of 180 million pieces in October 2004, six months ahead of our initial plan.

PC keyboards

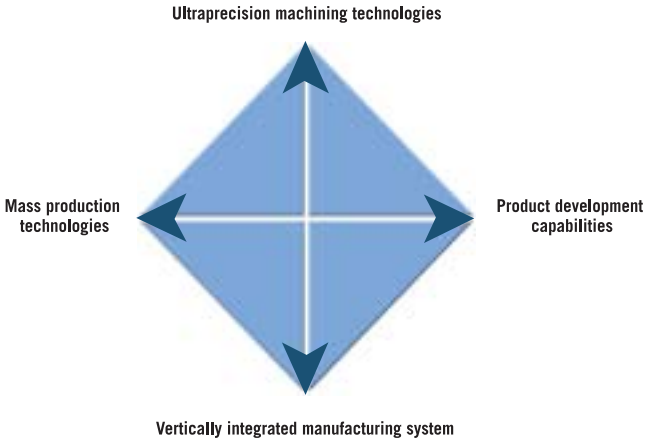
Sales of PC keyboards declined in fiscal 2004, owing primarily to a delay in the commencement of operations at a new production facility in China. We are now in the process of shifting production of PC keyboards to this new facility, from the Bang Pa-in Plant in Thailand, and expect to complete the shift of desktop PC keyboards by the end of September 2004 and notebook PC keyboards by the end of March 2005, approximately six months ahead of our initial schedule. The early completion will avert the duplicate costs that would have resulted from a production overlap, thereby improving profits, and reinforce price competitiveness.

Flat panel display (FPD) peripheral components

In recent years we have capitalized on our accumulated optical-related technologies—which include optical engineering, optical simulation, optical thin-film and photolithography technologies—as well as our electronic circuit, power electronics and ultraprecision machining technologies, to develop a broad range of FPD peripheral components, including frontlight and backlight assemblies and backlight inverters. In fiscal 2004, the outstanding performance capabilities of our lighting devices, notably our backlight assemblies, supported expanded sales to leading equipment manufacturers, a trend we expect to continue going forward. In the current term, we have begun to take steps aimed at expanding sales of backlight inverters for use in large-screen LCD televisions.



Level A: Profitability high regardless of market conditions
Level B: Profitability high when market is favorable, but low when market is unfavorable
Level C: Profitable when market is favorable, but unprofitable when market is unfavorable
Level D: Unprofitable regardless of market conditions



Achieving continuous growth in corporate value

In last year's annual report, I outlined a number of specific measures we are implementing to address key challenges in line with our core competencies strategy. These include:

- tightening our focus on businesses that meet the criteria of our core competencies strategy,
- implementing organizational changes that will enhance the strategy's effectiveness, and
- substantially reinforcing our ability to execute the strategy's various elements.

The success of our ongoing efforts to reinforce the competitiveness of mainstay products has positioned us to make a strong start on the new course for growth that we have charted. As I also said last year, I recognize that ensuring this happens is my foremost responsibility. Accordingly, I will take steps to add new force to the core competencies strategy, thereby enabling us to build a portfolio of highly competitive products. At the same time, I will continue to fortify our core competencies, namely, our ultraprecision machining technologies, vertically integrated manufacturing system, mass production technologies and product development capabilities. The fourth core competency, which we have cultivated in recent years, will be more crucial than ever as we strive to take advantage of emerging business opportunities and achieve concrete, quantifiable growth in corporate value. In these and other efforts, I look forward to the continued support of our shareholders.

June 29, 2004

Tsugio Yamamoto
Representative Director,
President and Chief Executive Officer