Minebea

Business Results for the First Quarter of Fiscal Year ending March 31, 2003

Minebea Co., Ltd

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President and
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August 9, 2002

First Quarter Results of Fiscal Year ending March 31, 2003

(Millions of yen)	Fiscal year ended Mar. '02				FY ending Mar. '03	Change	
	1Q	2Q	3Q	4Q	1Q	Q/Q	Y/Y
Net Sales	69,988	66,894	68,536	73,926	72,367	-2.1%	+3.4%
Operating Income	6,554	5,942	4,964	4,512	6,031	+33.7%	-8.0%
Ordinary Income	4,804	4,148	3,835	3,208	4,524	+41.0%	-5.8%
Net Income	—	—	—	—	1,903	—	—

※ **From this fiscal year we are reporting quarterly financially results. Therefore, net income on quarterly basis for the last fiscal year have been omitted.**

1

Business results were favorable for the first quarter of fiscal year ending March 31, 2003. Operating income increased substantially compared with the fourth quarter of fiscal year ended March 31, 2002.

(N.B.) Change Q/Q : change from the fourth quarter (Jan. to Mar. 2002) of fiscal year ended March 31, 2002

Change Y/Y : change from the first quarter (Apr. to June 2001) of fiscal year ended March 31, 2002

Sales and Operating Income by Segment

※Forecast announced on May 16.

(Millions of yen)	Fiscal year ended Mar. 2002 1Q	2Q	3Q	4Q	FY ending Mar. '03 1Q	Change Q/Q	Y/Y	FY ending Mar. '03 First half forecast
〔Sales〕								
Machined components business	**32,021**	**30,174**	**28,356**	**31,474**	**31,668**	**+0.6%**	**−1.1%**	**59,450**
Bearing related products	26,299	24,890	23,166	25,759	26,420	+2.6%	+0.5%	49,100
Other machinery components	5,722	5,284	5,190	5,715	5,249	−8.2%	−8.3%	10,350
Electronic devices and components business	**37,624**	**36,354**	**39,879**	**42,444**	**40,699**	**−4.1%**	**+8.2%**	**82,550**
Rotary components	18,412	17,504	19,435	21,088	20,793	−1.4%	+12.9%	45,300
Other electronic devices	19,212	18,850	20,444	21,356	19,908	−6.8%	+3.6%	37,250
Consumer business and others	**343**	**366**	**300**	**7**	**—**	**—**	**—**	**—**
Total sales	**69,988**	**66,894**	**68,536**	**73,926**	**72,367**	**−2.1%**	**+3.4%**	**142,000**
〔Operating Income〕								
Machined components business	7,014	5,550	4,678	4,893	5,098	+4.2%	−27.3%	9,800
Electronic devices and components business	△457	383	296	△384	933	—	—	200
Consumer business and others	△3	9	△9	3	—	—	—	—
Total operating income	6,554	5,942	4,964	4,512	6,031	+33.7%	−8.0%	10,000

※ External sales only
※ From this fiscal year we are reporting quarterly financially results.

2

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Both machined components and electronic devices and components business segments had a strong quarter.

Compared with the previous quarter, quantity of ball bearings sold during period under review soared to a monthly average of 142 million pieces, thereby pushing up operating income in machined components business.

Operating income in electronic devices and components business improved considerably, compared with the previous fiscal year, to 900 million yen. A principal contributing factor is the sales growth of rotary components, particularly fan motors.

Sales by User Industry & by Region

➢ **Sales by User Industry**

	Automobile	Aerospace	Home electronics	Office automation	PC and PC related equipment	Motor	Others	Total
% of Sales	7.2%	9.7%	10.6%	11.4%	42.5%	5.4%	13.0%	100.0%
Change qoq	+1.1%	+0.0%	+8.3%	+3.1%	-8.9%	+11.9%	+1.5%	-2.1%

➢ **Sales by Region**

	Japan	Asia (ex-Japan)	North and South America	Europe	Total
% of Sales	27.2%	38.2%	21.1%	13.4%	100.0%
Change qoq	-0.4%	0.2%	-6.0%	-5.5%	-2.1%

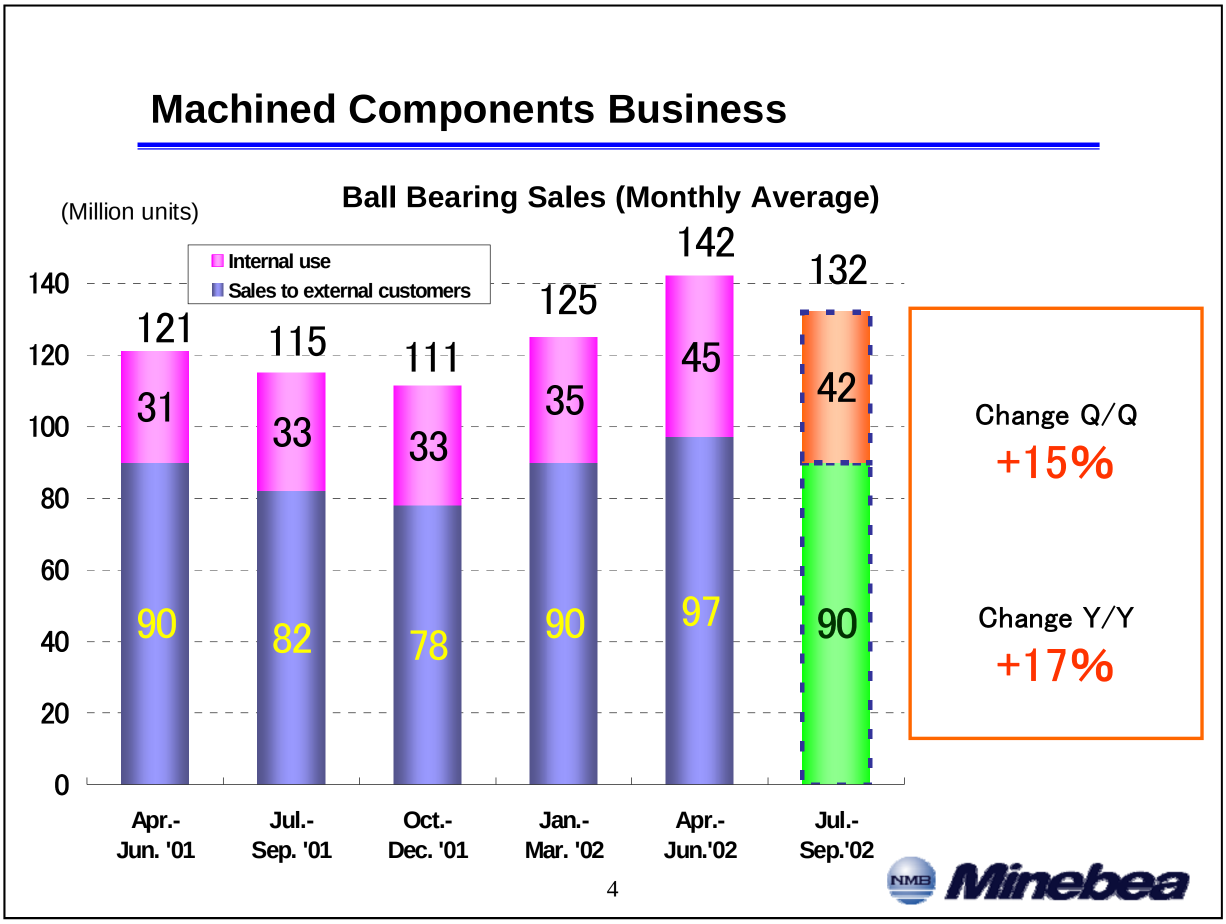
[Sales by User Industry]
Sales for the household electrical appliance market and the information & telecommunications equipment market grew compared with the previous quarter.

Sales for manufacturers of PCs and peripheral equipment declined from the previous quarter. This is attributable to slowdown in PC business and to inventory adjustment by HDD makers.

Primary contributing factors to the growth in sales for the household electrical appliance market are that sales of bearings for VCRs turned out more brisk than expected and that sales of bearings for air-conditioners soared in China. We predict that in the second quarter of the current term, sales of bearings for VCRs will remain brisk at a similar level, while those for air-conditioners in China will show a seasonal decline.

[Sales by Region]
Sales in Asia (excluding Japan) rose slightly as a result of the increased sales in China. Despite the shrinking market because of accelerating trend among domestic customers to shift their production bases to overseas, sales in Japan made a good showing at a negative growth of only 0.4% compared with the previous quarter.

Sales in North and South America and in Europe fell 6% and 5.5%, respectively, compared with the previous quarter. This is mainly because of slump in sales to aircraft manufacturers.



Sales quantity of ball bearings, which hit bottom in the third quarter of the previous fiscal year, increased in the previous quarter and the first quarter of the current term both for external customers and internal use. Especially, in the first quarter of the current term, sales volume of this product reached a record level of average 142 million pieces per month, up 15% over the previous quarter (Jan. to Mar. 2002) and 17% over the previous year.

We anticipate that business environment will be harsher in the second quarter than in the first quarter. Demand from manufacturers of household electrical appliance, such as audio-video equipment, is expected to remain relatively steady through the second quarter, while demand from makers of PCs and related equipment will be significantly affected by production adjustment. However, Minebea's bearing business, unlike other businesses, has underlying strength and will not be swayed so much by fluctuations in demand. We therefore can say the estimate of average 132 million pieces per month in the second quarter is fairly firm.

Bearing Related Products

Ball bearings (70% of bearing related products division)

Apr.-Jun. quarter	**Sales**	**+ 3% qoq (-1% yoy)**
	External sales volume	+ 8% qoq
	Internal sales volume	+29% qoq
Jul.-Sep. quarter forecast	External sales volume	- 7% qoq
	Internal sales volume	- 7% qoq

Rod-end & Spherical bearings (10% of bearing related products division)

Apr.-Jun. quarter	**Sales - 7% qoq (+1% yoy)**
Jul.-Sep. quarter forecast	In line with plan

Pivot Assemblies (20% of bearing related products division)

Apr.-Jun. quarter	**Sales**	**+8% qoq (+7% yoy)**
	Volume	+13% qoq
Jul.-Sep. quarter forecast	Volume	- 7% qoq

* qoq : change form the previous quarter
  Apr.-Jun.'02 quarter vs. Jan.-Mar. '02 quarter
  Jul.-Sep.'02 quarter vs. Apr.-Jun. '02 quarter
* yoy : change from the previous year
  Apr.-Jun.'02 quarter vs. Apr.-Jun.'01 quarter

5

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Out of the entire sales of bearing-related products, sales of ball bearings account for 70%, those of rod-end and spherical bearings 10%, and those of pivot assemblies 20%.

We are going to skip presentation of ball bearings here because we already touched on this product earlier.

Affected by the decreased demand from the aircraft industry, the first quarter sales of rod-end and spherical bearings fell 7% from the previous quarter. With negative factors taken into consideration, sales estimate of this product for the second quarter remains as per the projection.

Quantity of pivot assemblies sold in the first quarter increased about 13% over the previous quarter. However, in the second quarter, sales volume of this product is expected to decline 7% from the first quarter, owing to production adjustment and inventory adjustment by PC manufacturers since June 2002.

(N.B.) Sales quantity of ball bearings includes that of miniature and small-sized ball bearings. Sales amount of ball bearings includes that of ball bearings for the U.S. aircraft makers. Sales quantity of pivot assemblies is the quantity sold, while sales amount of pivot assemblies includes the sales amount of other related products such as tape guides.

Rotary Components

Fan Motors (30% of rotary components division)

Apr.-Jun. quarter	**Sales**	**+16% qoq (+21% yoy)**
	Volume	+14% qoq
Jul.-Sep. quarter forecast	Volume	+27% qoq

Stepping Motors (30% of rotary components division)

Apr.-Jun. quarter	**Sales**	**+ 1% qoq (-15% yoy)**
	Volume	+ 1% qoq
Jul.-Sep. quarter forecast	Volume	+ 5% qoq

HDD Spindle Motors (40% of rotary components division)

Apr.-Jun. quarter	**Sales**	**-12% qoq (+35% yoy)**
	Volume	Flat qoq
Jul.-Sep. quarter forecast	Volume	- 15% qoq

* qoq : change form the previous quarter
  Apr.-Jun.'02 quarter vs. Jan.-Mar. '02 quarter
  Jul.-Sep.'02 quarter vs. Apr.-Jun. '02 quarter
* yoy : change from the previous year
  Apr.-Jun.'02 quarter vs. Apr.-Jun.'01 quarter

6

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Rotary components consist of fan motors, stepping motors and HDD spindle motors, which account for 30%, 30% and 40%, respectively, of total sales of this product division.

Sales of fan motors in the first quarter rose 16% over the previous quarter, and sales quantity of this product also increased 14% quarter on quarter. In the second quarter, demand for fan motors is expected to be extremely brisk and sales quantity is estimated to soar 27% over the first quarter, while sales quantities of other products are estimated on the conservative side. This reflects our endeavor to quickly expand our market share of fan motors through entry into the chip cooler and game console businesses. For this reason, the growth rate of our market share is estimated to be higher than that of the entire fan motor market.

Sales of stepping motors in the first quarter increased 1% over the previous quarter, and so did sales quantity of this product. Sales quantity in the second quarter is expected to rise about 5%. Stepping motor business is a relatively mature and steady market. Demand for this product is sharply increasing for such applications as PPC multiple-use machines.

Sales of HDD spindle motors declined 12% from the previous quarter, while the quantity sold leveled off. Sales quantity increased steadily in April and May. In June, our primary customers suddenly carried out a major adjustment of production, the impact of which is expected to extend into the second quarter. Sales quantity in the second quarter is therefore estimated to fall 15% from the first quarter.

(N.B.) Stepping motors include motors for automobile use such as EPS motors.

Other Electronic Devices

PC Keyboards (40% of other electronic devices)

Apr.-Jun. quarter	**Sales**	**-12% qoq (+43% yoy)**
	Volume	- 9% qoq
Jul.-Sep. quarter forecast	Volume	+13% qoq

*** New business development**

Switching Power Supplies (20% of other electronic devices)

Apr.-Jun. quarter	**Sales**	**+ 6% qoq (+13% yoy)**
Jul.-Sep. quarter forecast	**Sales**	**In line with plan**

* qoq : change form the previous quarter
Apr.-Jun.'02 quarter vs. Jan.-Mar. '02 quarter
Jul.-Sep.'02 quarter vs. Apr.-Jun. '02 quarter
* yoy : change from the previous year
Apr.-Jun.'02 quarter vs. Apr.-Jun.'01 quarter

7

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Of the total sales of other electronic devices, sales of keyboards and those of switching power supplies account for 40% and 20%, respectively.

Keyboards showed a 12% decrease in sales and a 9% decline in sales quantity quarter on quarter. In the previous quarter, our productivity was extremely high, which enabled us to meet customers' needs and to achieve good business results. The first quarter of the current term happened to be a period of model change or a period between model changes by our major customers. This explains the decline in both sales amount and sales quantity. In the second quarter, we expect to be able to ride on the wave of brisk business and predict sales will rise 13% over the first quarter.

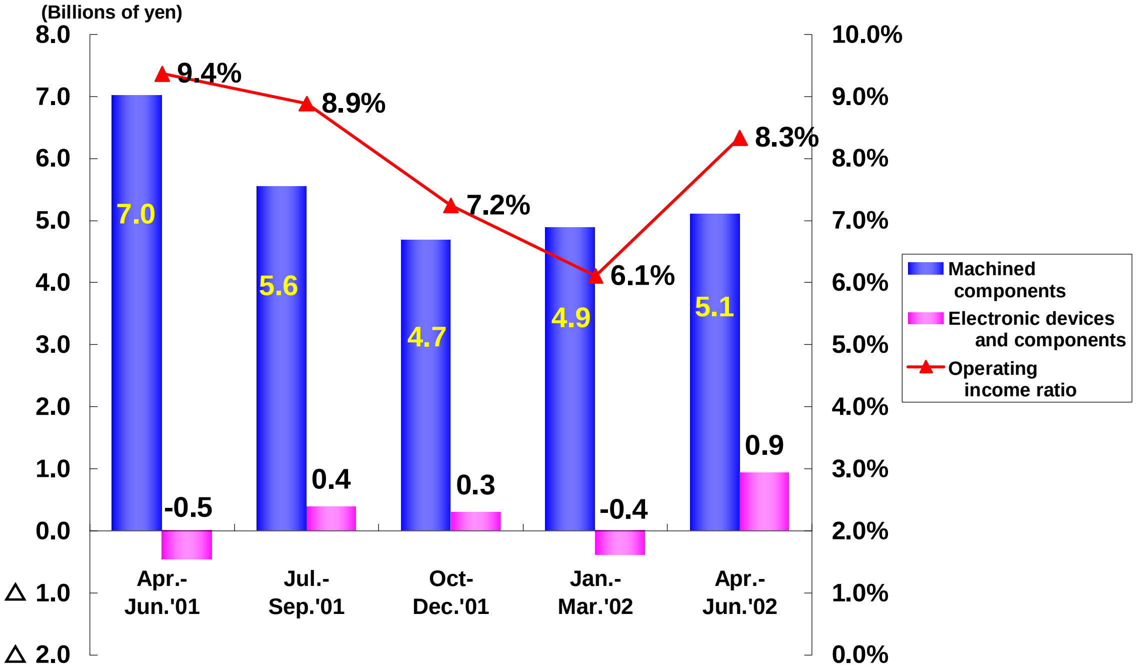
Minebea produces and assembles all parts other than connectors, cables, and electronic components at the Bang Pa-in Plant in Thailand and is regarded as one of the world's top manufacturers of computer keyboards with a share of about 20% of the global market.

Recently, our principal keyboard customers and competing keyboard manufacturers are shifting their production bases to China, particularly Shanghai and its vicinity. Under these circumstances, Minebea decided to establish a joint venture with the Huan Hsin Group of Singapore and to begin keyboard production at a Shanghai plant of a Chinese subsidiary in order to achieve a significant expansion and improved profitability in the keyboard business.

Huan Hsin will be responsible for manufacturing operations and labor management, while Minebea will be responsible for product design, development, production technology support, and sales. The joint venture links the business speed of Huan Hsin with the sales network, product development capacity and production technology of Minebea and manufacturing costs in China, thereby enabling the Company to win a larger market share, from the current 20% to, hopefully, 40% in the future.

Sales of switching power supplies increased 6% over the previous quarter. Sales growth, though not so large, was seen particularly in applications such as PCs. The second quarter sales are expected to be as per projections.

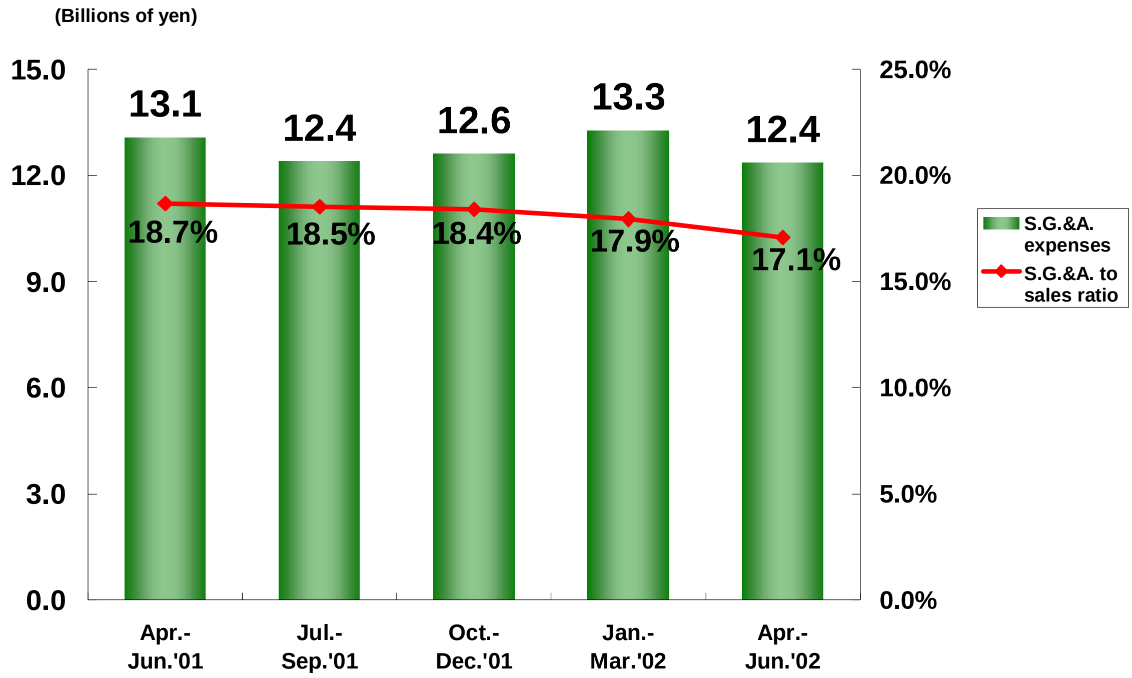
Operating Income



8

As the graph shows, operating income ratio bottomed out at 6.1% in the previous quarter and rose to 8.3% in the first quarter of the current term. This is because electronic devices and components business, which was in the red in the previous fiscal year, turned around and produced a profit in the current first quarter.

S.G. & A. Expenses



9

S.G. & A. expenses decreased about 700 million yen, or 1.6 percentage points, to 17.1% from 18.7% in the previous year.

Concerted efforts toward thorough cost reduction by the operations, the administration, the sales, and the manufacturing teams under the leadership of the Business Reform Committee bore fruit and was reflected in the reduced S.G. & A. expenses.

The Second Quarter of Fiscal Year ending March 31, 2003

- **No change in forecasts for the interim and the full year.**
- **Agreement with Matsushita on consignment production of HDD FDB motors.**
- **New strategy for the Keyboard operation**

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In the current world economic environment that shows few encouraging elements, the second quarter projections remain unchanged.

Under the agreement with Matsushita Electric Industrial Co., Ltd. for consignment production of FDB motors for HDDs, we have already begun to supply FDB motor components. We plan to start mass-production of finished motor products in Jan. to Mar. 2003. Our own sales estimate of this product is about 1,500 million yen for the current term and 7,000 million yen for the next term.

Outlines of the new keyboard business are as given earlier. Production by the joint venture company will start in December 2002. We plan to achieve production of 1.5 million units per month in the year ending March 2003 and 2.5 million units per month in the year ending March 2004. Production is expected to reach 4.0 million per month in the year ending March 2005, when all keyboard production is done by the Chinese subsidiary of the joint venture. Market share is estimated to soar from the current 20% to 40%.

Expansion of our operations into China in no way means that we are merely shifting production of mainstay products from Thailand to China. In Thailand, taking full advantage of our high productivity and manufacturing expertise amassed over these 20 years, we intend to focus on the production of ultra-precision components such as ball bearings and small precision motors.

In China, on the other hand, we are going to pursue our operations based on business tie-up with regard to products that are susceptible to effects of cost competitiveness in a rapidly growing market where competing makers are concentrating their production. The recent joint venture for keyboard production in China marks the first step in this direction.

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Minebea Co., Ltd

http://www.minebea.co.jp/

Any statements in the presentation which are not an historical fact are future projections made based on certain assumptions and our management's judgment drawn from currently available information.

Please note that actual performance may vary significantly from any particular projection, due to various factors.

Factors affecting our actual performance include: (i) changes in economic indicators surrounding us or demand trends; (ii) fluctuation of foreign exchange rates or interest rates; and (iii) our ability to continue R&D, manufacturing and marketing in a timely manner in the electronics business sector, where technological innovations are rapid and new products are launched continuously. However, this is not a complete list of the factors affecting actual performance.