February 7, 2003
Minebea Co., Ltd

Presentation of Business Results for Third Quarter of Fiscal Year ended March 31, 2003 Supplementary Explanation on BS, PL & Cash Flow

Consolidated Balance Sheet

(Assets)

Cash and cash equivalents increased slightly. We somewhat reduced securitization of accounts receivable. This increased accounts receivable slightly, and **notes and accounts receivable** rose by 1,957 million yen. **Inventories** increased 595 million yen, which includes a decrease of 352 million yen owing to appreciation of the yen. Net increase, therefore, is 947 million yen. This is attributable mainly to less sales activities with year-end holidays, which increased inventory on consignment and finished goods.

Other current assets decreased 2,823 million yen owing to the following factors. They are 1) a decrease in prepaid expenses such as fire insurance premium and 2) exclusion of about 1,300 million yen as a result of offsetting excise tax and other items posted both as other current assets and as other current liabilities.

Fixed assets decreased 6,903 million yen. Tangible fixed assets decreased 2,520 million yen as the yen value of fixed assets of overseas subsidiaries declined owing to a slight appreciation of the yen against the U.S. dollar, the Thai baht, and the yuan. With capital investment and depreciation cost amounting to 4,020 million yen and 5,727 million yen, respectively, the total decrease in **tangible fixed assets** was 4,417 million yen. The decrease in **intangible fixed assets** is mostly a decrease in amortization. **Investments and other assets** declined by 2,035 million yen, which includes a decrease in investments in securities of 1,624 million yen as a result of declines in financial sector stock prices. Long-term deferred tax assets decreased 375 million yen.

Total assets declined by 7,162 million yen, which includes a decrease of 3,053 million yen owing to appreciation of the yen.

(Liabilities)

Notes and accounts payable increased 3,300 million yen, which includes a decrease of 247 million yen owing to exchange fluctuations. Net increase, therefore, is 3,500 million yen. The increase has to do with payment due dates. **Short-term interest-bearing debt** increased 9,119 million yen, which includes 10,000 million yen of bonds with redemption in November 2003. For breakdown in detail, please see the supplementary data. The increase in short-term debt is primarily owing to conversion of these bonds from long-term interest-bearing debt to short-term interest-bearing debt.

Other current liabilities showed a decrease of 6,161 million yen, the breakdown of which includes a decline in accrued bonuses of 3,215 million yen, a decrease in accrued income taxes of 1,365 million yen, and exclusion of about 1,000 million yen as a result of offsetting excise tax and other items posted both as other current assets and as other current liabilities. These three items make a total decrease of about 5,589 million yen.

Long-term interest-bearing debt decreased 11,200 million yen, which is due to conversion from long-term debt to short-term debt of those bonds with redemption dates within one year.

(Shareholders' equity)

With the yen stronger against the US dollar, the Thai baht, and the yuan than in the previous quarter, foreign currency translation adjustments increased 3,220 million yen to 66,528 million yen. As a result of declines in financial sector stock prices, we posted 1,013 million yen as difference on revaluation of other marketable securities. A decrease in investments in securities being 1,624 million yen, the balance of about 600 million yen is included as prepaid income taxes in current assets. As a consequence, **total shareholders' equity** declined by 2,361 million yen.

Compared with the previous quarter, **interest-bearing debt** was reduced by 2,107 million yen, out of which 391 million yen was attributable to exchange fluctuations, and the actual repayment was 1,716 million yen. **Net interest-bearing debt** reduced by 2,125 million yen from the previous quarter and by 8,168 million yen from the beginning of the current fiscal year.

Consolidated Statement of Income

The gross margin rate is improving every quarter. Selling, general and administrative (S.G. & A.) expenses slightly increased in the second quarter and decreased in the third quarter. Net interest expense is also decreasing steadily, reflecting reduction of interest expenses. The primary factor contributing to the improved profit is the decreased tax rate. The tax rate remained extremely high in the previous quarter, because increasing dividend to Minebea from its overseas subsidiaries, which we posted for tax effect accounting, became a causal factor for double taxation. In the current quarter, however, Minebea's non-consolidated profit ratio has substantially improved and the dividend to Minebea from its subsidiaries decreased. Moreover, only a few of Minebea Group companies remained in the red and taxes were imposed evenly for profit-earning companies. These factors have contributed to the improved tax rate.

Extraordinary income (loss)

Losses on disposal of fixed assets in the amount of 118 million yen represent losses on disposal of production equipment including obsolete machinery and dies. 156 million yen was posted as quarterly provisions for retirement benefits. As a result, 308 million yen was posted as extraordinary losses.

Extraordinary losses estimated at 688 million yen in the fourth quarter include losses on closure of our FDD manufacturing operations in November 2002, amounting to 100 million yen; losses on liquidation of our speaker box manufacturing subsidiary in Malaysia, amounting to 230 million yen; provisions for retirement benefits in the amount of 156 million yen; and expenses of 200 million yen for consolidating our U.K. sales subsidiary into Rose Bearings Ltd., a rod-end manufacturing subsidiary.

In the interim period, we estimated extraordinary losses in the second half at 900 million yen, which comes in line with a total of actual extraordinary losses in the third quarter and estimated extraordinary losses in the fourth quarter.

Effect of exchange fluctuations on consolidated net sales and operating income

In the third quarter, comparison between the actual exchange rate and the planned rate showed appreciation of the yen against the U.S. dollar, the Thai baht, and the yuan. A simple calculation shows this produced a negative effect of 1,845 million yen in net sales and 233 million yen in operating income. Since we have production bases in Thailand and China, exchange fluctuations have a complex effect on us. For the current quarter, however, the yen appreciated about 9% against the U.S. dollar and about 5% against the Thai bath and the yuan, compared with the initially planned exchange rates. This offset the negative effect of the yen appreciation as both selling prices and manufacturing costs went down. We therefore foresee no effect on our profit and loss status.

Consolidated statement of cash flows

With the payment of year-end bonuses in December 2002 amounting to 3,208 million yen, net cash provided by operating activities decreased to 5,655 million yen, compared with the first and the second quarters. We expect this will improve in the fourth quarter.

Capital investment and depreciation cost

We initially estimated investment in equipment for bearing production hike to be 9,500 million yen. However, recalculation in the third quarter indicated that the investment would be 5,000 million yen. We therefore reduced the full year forecast for capital investment by 4,500 million yen to 22,600 million yen, which is on an order basis.

Depreciation cost is expected to be slightly lower than planned. Since depreciation cost is on an acceptance basis, we left the amount previously announced unchanged.