August 9, 2002

Minebea Co., Ltd

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

Consolidated Balance Sheet

Assets

Cash and cash equivalents decreased 2,700 million yen because of dividend payment in June 2002 and cancelled securitization of some accounts receivable.

Notes and accounts receivable showed an increase of 2,672 million yen. This is broken down into an increase of about 4,300 million yen owing to cancelled securitization of some accounts receivable and a decrease of 1,649 million yen due to appreciation of the yen.

Inventories were reduced by 3,630 million yen, which includes a decrease of 2,871 million yen owing to exchange fluctuation. Net reduction in inventories, therefore, is 759 million yen. Aiming for net inventory reduction of about 3,000 million yen in the current term, we need to achieve further reduction of 2,200 million yen by March 2003.

Other current assets increased 3,033 million yen. A primary factor contributing to the increase is provisional dividend payment amounting to 2,496 million yen. Dividend payment as appropriation of retained earnings is posted under both current assets and current liabilities.

Fixed assets decreased 15,830 million yen.

Tangible fixed assets decreased mainly due to yen appreciation at the end of June 2002. Effect of exchange rate fluctuations was 11,375 million yen. Yen appreciation reduced tangible fixed assets on a gross basis and accumulated depreciation by about 23,000 million yen and 11,700 million yen, respectively.

Intangible fixed assets declined by 884 million yen. This includes a decrease in consolidation adjustments in the amount of 917 million yen.

Investments and other assets declined by 1,350 million yen. A principal factor contributing to the decrease is deferred tax assets, which declined by 1,563 million yen.

As a consequence, total assets decreased 16,468 million yen.

Liabilities

Notes and accounts payable decreased 1,668 million yen, which includes the impact of exchange fluctuation in the amount of 706 million yen.

Short-term interest-bearing debt decreased 5,327 million yen, which includes a decrease of 1,961 million yen owing to exchange rate in favor of yen.

Other current liabilities increased 3,518 million yen. Provisional dividend payment of 2,496 million yen posted under current assets is also posted here as accrued dividend. Accrued bonuses increased 1,685 million yen at the end of June.
Long-term interest-bearing debt was reduced by 791 million yen, which is entirely attributable to exchange rate in favor of yen.

As a result, total liabilities declined 4,830 million yen.

Shareholders' equity

Common stock decreased 11,641 million yen. Net income stood at 1,903 million yen, and the value of marketable securities such as financial sector stocks somewhat improved compared with that at the end of March, thereby reducing difference on revaluation by 110 million yen. However, these positive factors were more than offset by foreign currency translation adjustments, which increased 13,650 million yen over the previous year, owing to appreciation of the yen, to 66,983 million yen.

Interest-bearing debt includes primarily long-term and short-term loans payable and bonds. Net interest-bearing debt, which is the amount of interest-bearing debt minus cash and cash equivalents, decreased 3,408 million yen, out of which 2,422 million yen was attributable to exchange rate in favor of yen and 986 million yen was the actual amount repaid. Aiming to reduce interest-bearing debt by 10,000 million yen in the current term, we need to achieve further reduction of 9,000 million yen by the end of the current term. However, given the dividend payment at the end of June and the cancellation of yearly securitization of some accounts receivable, amounting to 4,000 million yen for the quarter, a large reduction was actually made.

Consolidated Statement of Income

Operating income margin improved 0.4 percentage point, to 8.3%. This is primarily because the ratio of selling, general and administrative (S.G.&A.) expenses to net sales substantially improved with S.G.&A. expenses reduced by about 700 million yen compared with the same period of the previous term. Net interest expense in other income (expenses) slightly improved to 1,206 million yen owing to reduction in loans payable.

Minebea's consolidated tax rate remains extremely high since last year. Income tax in the previous term was 7,629 million yen and tax rate was 58.9%. Tax rate for the first quarter of the current term stayed high at 54.4%. This is because increasing dividend from Minebea's overseas subsidiaries is pushing up tax rate. For the current term, we project tax rate will gradually come down throughout the rest of the term due to the effect of cost reduction and will end at 44% for full year.

Loss on disposal of dead dies, machinery and equipment at plants in Thailand and Singapore, amounting to 185 million yen, was posted as loss on disposal of fixed assets inextraordinary income (loss).

Changes in accounting standards in the year 2000 generated a shortfall in provisions for retirement benefits amounting to about 3,000 million yen, which are being written off over five years. On a quarterly basis 156 million yen and on a full year basis 626 million yen are included as an extraordinary expense.

Details of segment information are as per the presentation.
Operating income margin in the first quarter turned out 8.3%. Projections at the beginning of the current term being 7.0% for the first half, 9.6% for the second half and 8.3% for full year, we consider the first quarter operating income margin of 8.3% to be a notable improvement.

Impact of Exchange Fluctuation
A comparison between the actual exchange rate for the first quarter and the full year average rate in the previous term shows the yen turned out a little weaker. And this brought about a positive effect of 1,635 million yen in net sales and 155 million yen in operating income. These figures were arrived at by simply converting into yen net sales and operating income of overseas subsidiaries.

Likewise, a comparison between the actual first quarter rate of 128 yen against the U.S. dollar and the assumed full year rate of 132 yen against the U.S. dollar shows appreciation of the yen, which produced a negative effect of 747 million yen in net sales and 84 million yen in operating income.

At the end of June 2002, we experienced a sharp appreciation of the yen and the depreciation of the U.S. dollar. Assuming that the exchange rate used in conversion for the balance sheet at the end of June continues until the end of the current term, a simple calculation shows net sales and operating income will fall short of projections by about 9,300 million yen and about 880 million yen, respectively, during nine months from July 2002 to March 2003.

Given the fact that the U.S. dollar alone considerably depreciated at the end of June this year, we made a calculation to see how much our profit and loss status would be affected if the U.S. dollar depreciation continues.

Our assumed exchange rates for full year are 132 yen against the U.S. dollar, 117 yen against the Euro, 3 yen against Thai bath, 71 yen against the Singapore dollar and 16 yen against the yuan. Assuming that the value of the U.S. dollar alone declines 10% to 119 yen and stays at this level throughout the current term with the values of other currencies remain unchanged, we will see a negative effect of about 3,000 million yen per year in operating income.

In reality, the yen appreciated 10% against the U.S. dollar, while the values of Asian currencies increased only about 5% against the U.S. dollar. We therefore estimate the negative effect at about 1,500 million yen, a half of 3,000 million yen. Presently the value of Thai bath is somewhat coming down against the U.S. dollar, we predict the negative effect will decrease further.

In figuring out the impact of exchange fluctuation, we based our calculation on the following:

(1) With regard to net sales for the first April to June quarter, about 36% of Minebea products are priced in yen, 43% in dollar, 7% in Asian currencies and about 14% in Euro.

(2) Raw materials and parts are imported on a yen basis on some occasions and on a dollar basis on other occasions. With regard to cost of sales and S.G.&A. expenses, the ratio by currency is about 17% in yen, 40% in dollar, 28% in Thai bath, 5% in Singapore dollar, 6% in Chinese Yuan and 4% in Euro, although these ratios could vary according to circumstances concerning sales and production.

Consolidated Statement of Cash Flows

Net cash provided by operating activities was 7,812 million yen, the breakdown of which is shown in the supplementary data.

Net cash used in investing activities was 3,934 million yen, most of which was capital expenditure. Free cash flow totaled 3,878 million yen.

Because of the cancelled securitization of some accounts receivable amounting to about 4,000 million yen, net cash provided by operating activities declined by that amount. Given this fact, we can say consolidated cash flows were actually very strong.

Changes in Consolidated Performance

Performance for the first quarter through the fourth quarter of the previous fiscal year was compiled based on internal information.