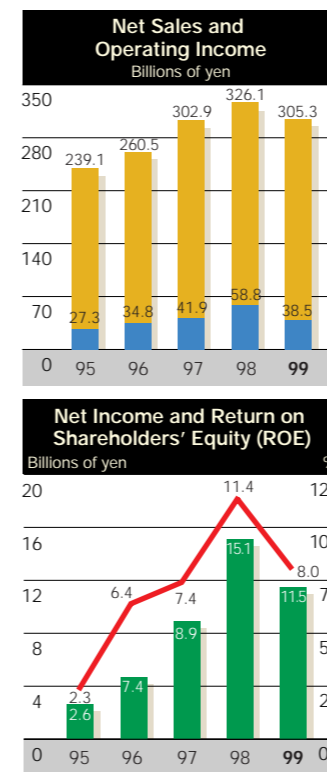


Fiscal 1999 was a challenging period for Minebea.



Our healthy free cash flow reflected ongoing efforts to reduce inventories and expedite the collection of receivables, and the fact that we maintained expenditures for the purchase of property, plant and equipment below depreciation and amortization.

The Year in Review

Fiscal 1999, ended March 31, 1999, was a challenging period for Minebea as various forces conspired to hamper our performance and prevent us from achieving consistent growth in sales and income—a constant objective. Consolidated net sales, operating income and net income all fell below the previous year's level.

More than half of Minebea's sales are for use in information and telecommunications equipment, notably personal computers (PCs), and household electrical appliances. Although the global market for PCs climbed 10.7% in 1998, inventory adjustments by PC manufacturers and sluggish demand from the household electrical appliance industry dampened sales of Minebea's products in the first half of the period. The market picked up in the second half, but declining prices for electronic devices and components precluded any significant improvement. Continued growth in orders from the aerospace industry, particularly in Europe, brightened an otherwise dismal picture. As a consequence, Minebea recorded a 6.4% decrease in net sales for the full term, to ¥305,324 million.

Operating income fell 34.5%, to ¥38,546 million. Sluggish demand in key product markets and production adjustments aimed at reducing inventory prompted a temporary rise in manufacturing costs at our mass-production facilities in the first half of the period. In the second half, income was driven down by sagging prices for electronic devices and components, the Thai baht's appreciation against the U.S. dollar—a reversal of the fiscal 1998 trend—and other developments. Operating income represented 12.6% of net sales, largely in line with figures for the three years preceding fiscal 1998, when an extraordinary factor, namely the devaluation of the baht, boosted operating income to 18.0% of net sales.

Net income totaled ¥11,507 million—a decline of 24.0%, but still the second-highest result in the Company's history thanks to a

substantial decrease in other expenses. Primary net income per share slipped to ¥28.94, from ¥38.42, while fully diluted net income per share decreased to ¥26.32, from ¥34.85.

Our free cash flow totaled ¥40,177 million at the end of fiscal 1999, approximately level with the fiscal 1998 year-end. This reflected ongoing efforts to reduce inventories and accelerate the collection of receivables, and the fact that we maintained expenditures for purchases of property, plant and equipment well below depreciation and amortization.

Strategies in Action

Global economic change, including mergers and tie-ups that transcend national borders, continues to have drastic and far-reaching consequences for Minebea's operating environment. Yet rather than being discouraged by this situation, we see it as a chance to demonstrate our caliber as a company and ensure future growth. However, this depends on our ability to formulate and implement strategies that take advantage of current prevailing economic and business conditions, thus preparing us to maximize the next upswing. Accordingly, we continue to concentrate management resources on strategies aimed at reinforcing core capabilities by achieving higher levels of quality and ensuring financial soundness. At the same time, we are striving to maintain a high level of management transparency to earn the confidence of all Minebea shareholders and employees.

Minebea has always considered environmental protection of primary importance in conducting its business and has been scrupulous in its efforts to preserve the natural environment at its facilities around the world. We continue to reinforce our commitment by taking steps to enhance the environmental soundness of our operations.

Achieving Higher Levels of Quality
 Minebea's mainstay products—ball bearings and electronic devices and components,

We continue to concentrate management resources on strategies aimed at achieving higher levels of quality, ensuring financial soundness and maintaining management transparency.



Tsugio Yamamoto, President and Representative Director

such as small motors—are indispensable to information and telecommunications equipment, such as PCs, and household electrical appliances. With the growing technological sophistication of these products, model changes are increasingly frequent. Accordingly, to ensure competitiveness, a component manufacturer must anticipate change and be prepared to respond promptly to the supply and quality requirements of customers.

We continue to sharpen our already significant competitive edge in terms of supply capabilities by investing extensively in expanding facilities in Thailand, our largest mass-production base, and in our newest plant, in the People's Republic of China, which began operating in 1994. At the same time, we will maintain our competitive advantage in terms of quality by maximizing our superior machining technologies, enabling us to prepare for evolving customer needs by continually setting new standards of quality.

Orders for mainstay ball bearings and electronic components and devices in fiscal 1999 dipped below the fiscal 1998 level. As previously stated, however, we look upon adversity as opportunity. During the period under review, we took advantage

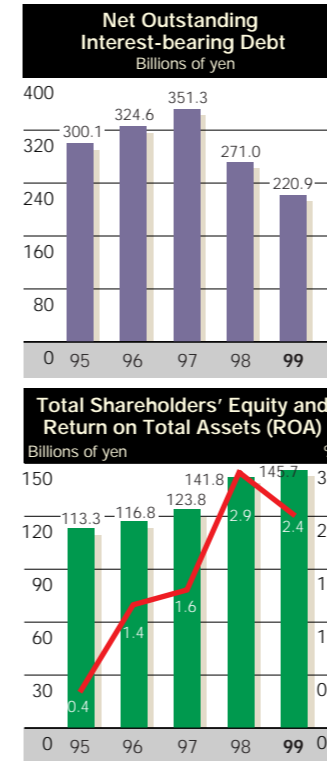
of down time resulting from the slowdown in production to invest in facility improvements worldwide that will further enhance the quality of Minebea products. We automated production lines, promoted rationalization and improved the precision of manufacturing equipment. In addition, we expanded our plants in Thailand, adding a clean room for assembling spindle motors for hard disk drives (HDDs) and reinforcing production of parts for internal use. We also augmented facilities at our research and development (R&D) centers in Thailand and Singapore, our principal mass-production bases in Asia, and set up new technical centers in the United States, for automotive components, and the United Kingdom, for fan motors.

Another reason we are able to constantly achieve higher levels of quality is our unique in-house parts production scheme, which encompasses the majority of parts we use, thus giving us complete control over the quality of these parts and enabling us to guarantee a stable supply of finished products—both significant advantages over manufacturers that depend on outside parts suppliers. By maximizing the benefits of internal sourcing, we will focus on increasing our lineup of high-quality, high-margin products, positioning Minebea to attain growth in sales and income in the years ahead.

In the special feature section of this year's annual report, we offer a critical look at our efforts to reinforce competitiveness by enhancing quality. I hope you will find it informative and interesting, and that it will enable you to better understand Minebea and its strategies.

Ensuring Financial Soundness

Surviving a period of upheaval without outside assistance demands a sound financial base. To this end, we are endeavoring to improve key measures of financial soundness, notably free cash flow. During the period under review, we proceeded with



Minebea considers environmental protection of primary importance in conducting its business and has been scrupulous in its efforts to preserve the natural environment at its facilities around the world.

measures inaugurated in fiscal 1998 to improve cash flow. Although sales and earnings were down, we maintained a high level of profitability. At the same time, we increased cash coming into the Company by restraining expenditures for the purchase of property, plant and equipment, reducing inventories and expediting collection of accounts receivable, and lowered net interest-bearing debt for the second consecutive year.

In light of the current instability of Japan's financial system, we increased cash and cash equivalents to ¥50,187 million, from ¥4,140 million at the end of fiscal 1998. At the same time, we lowered interest-bearing debt by ¥4,059 million. As a consequence, the net outstanding interest-bearing debt, i.e., the outstanding balance minus reductions and applications to cash and cash equivalents, was ¥220,864 million as of March 31, 1999, compared with ¥351,259 million at the end of fiscal 1997, representing a total reduction in net interest-bearing debt of ¥130,395 million in the two years since we turned our attention to this crucial task in April 1997. Interest payable declined ¥6,878 million during the same period. We will step up efforts to repay debt in the next few years, and have set a target for net interest-bearing debt of less than ¥200,000 million by the beginning of the year 2000—a target we fully expect to achieve.

In April 1999, we introduced monthly free cash flow monitoring in each of our eight business units. This involves preparing and distributing individual monthly free cash flow reports, which detail results and plans, to the general managers of each unit. The information is intended to strengthen awareness of free cash flow management and galvanize efforts to improve productivity, reduce inventories of works in process and finished products and accelerate the collection of outstanding accounts, thereby strengthening cash flow and facilitating attainment of our debt-reduction goal.

Maintaining Management Transparency

Timely and effective decision-making at the management level is essential to achieving the objectives we have set. Equally crucial is an accurate, consistent understanding of current challenges at the employee level. To this end, we must maintain a high level of internal, as well as external, management transparency. In other words, we need to communicate strategies and goals clearly to ensure that all of our employees, whether in production, sales or administration, have a firm grasp of management directions, individual responsibilities and objectives, and issues to be addressed, and approach their work with a shared commitment to the future.

Perhaps the most important reason that our debt repayment program has been so successful since its launch in April 1997 is that all employees were made fully aware of why this was such a crucial objective for the Company and what role they were to play in the process. My confidence in our ability to improve quality and ensure financial soundness in the short term stems from the knowledge that our employees understand what management is doing and why, and are behind us all the way.

Protecting the Environment

Minebea considers environmental protection of primary importance in conducting its business and has been scrupulous in its efforts to preserve the natural environment at its manufacturing facilities around the world. In fiscal 1999, we took several steps toward further reinforcing our commitment to the environment.

In fiscal 1998, the Karuizawa Manufacturing Unit (the parent Company's plant), U.K. subsidiary Rose Bearings Ltd.'s Lincoln Plant, our eight subsidiaries and 10 plants in Thailand, two plants in China and three subsidiaries and five plants in Singapore were all awarded ISO 14001 certification, the International Organization for Standardization's endorsement for



Minebea's newest plant, in Shanghai



The Thai R&D Center, a state-of-the-art facility that focuses on contamination control and material science

I look forward to building on the achievements of my predecessor and capitalizing on my own experience to further strengthen Minebea's position as a comprehensive supplier of bearings and high-precision components.

environmental management systems. During the period under review, we proceeded with efforts to secure ISO 14001 certification for all remaining plants in Japan and overseas by the end of 1999.

In August 1998, Minebea received the Shanghai Environmental Protection Award, given by the city of Shanghai, home of two state-of-the-art Minebea ball bearing and fan motor plants, in recognition of contributions to protection of the natural environment in and around Shanghai. We will continue to reinforce environmental management systems at our plants around the world to help ensure that both Minebea and its facilities are welcomed by local communities.

Looking Ahead

At the general meeting of shareholders on June 29, 1999, I was elected a director of Minebea. At a subsequent meeting of the Company's Board of Directors, I was named to replace Goro Ogino, who retired as president.

For a component manufacturer, competitiveness depends on the ability to offer innovative products that enable it to cultivate new markets and respond swiftly and effectively to the increasingly sophisticated and diverse demands of customers. Under the leadership of Goro Ogino, Minebea has developed a unique, vertically integrated manufacturing system, a global network of mass-production facilities and a collaborative R&D structure that have given it a significant competitive edge and earned it the trust and confidence of customers worldwide. Mr. Ogino is also largely responsible for Minebea's success in overcoming the major challenges it has faced in recent decades, including the divestiture of its semiconductor and other unprofitable businesses. At the same time, he enhanced Minebea's prestige and position as a component manufacturer, transforming it into a company that enjoys a solid reputation among investors.



I have spent more than 30 years in sales and marketing at Minebea. In this era of rapid change, characterized by massive corporate restructurings that transcend national borders and traditional corporate bonds, the importance of global sales and marketing capabilities is increasing. By capitalizing on my own experience and expertise to reinforce links between production and sales, I will endeavor to build on Mr. Ogino's achievements and further strengthen Minebea's position as the world's leading comprehensive supplier of bearings and high-precision components.

I thank our shareholders for their support to date and trust that they will continue to endorse our efforts in the years ahead.

June 29, 1999

A handwritten signature in black ink, appearing to read 'T. Yamamoto', written in a cursive style.

Tsugio Yamamoto
President and Representative Director