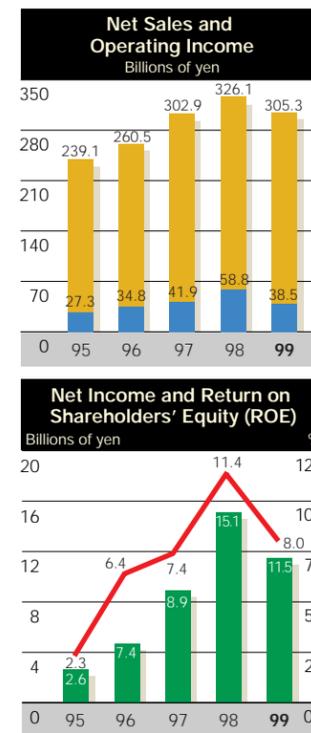


Fiscal 1999 was a challenging period for Minebea.



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

Tsugio Yamamoto
President and Representative Director



Developing Unparalleled Precision Machining Technologies



BALL BEARINGS

Tomihiro Maruta, Managing Director, General Manager of Bearing Manufacturing Division, and in charge of the Rod-end Manufacturing Division, Karuizawa Manufacturing Unit, General Manager, Fujisawa Manufacturing Unit

Often called the primary element of industry, ball bearings are found in innumerable products in contemporary society. The precision of the ball bearings used in these products plays a crucial role in determining their performance.

Miniature and small-sized ball bearings, particularly those up to 22 millimeters in external diameter, are the most prevalent classes and are used extensively in information and telecommunications equipment, as well as household electrical appliances. Minebea is the world's leading manufacturer of these ball bearings, with a 65% global market share.

Growing technological sophistication in key customer industries continues to spur demand for higher levels of ball bearing precision. In particular, the growing technological sophistication of HDDs is increasing demand on bearing manufacturers to achieve constantly higher levels of quality. Moreover, such industries demand this improved quality at greater-than-ever levels of production. Minebea's unmatched competitiveness in this market and reputation for product reliability are due to its unique vertically integrated manufacturing system, which facilitates internal sourcing of all parts used in its ball bearings.

Snap Rings

Snap rings are C-shaped steel wires used to affix metal shields to outer rings.

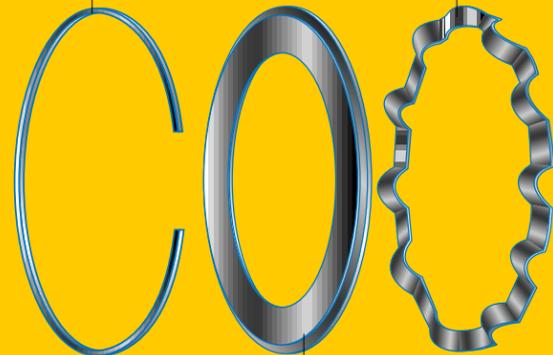
Retainers

Retainers are used to separate the balls housed between the inner and outer rings and keep them in place within the raceway. Retainers are usually made of metal or resin.

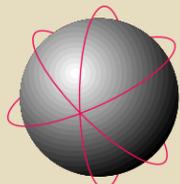
Shields

Shields are fitted onto outer rings to prevent foreign matter and dirt from penetrating and lubricants from escaping. Materials commonly used to manufacture shields include metal, rubber and resin.

B A L L B E A R I N G S



Raceway Roundness and Ball Sphericity



Improving the raceway roundness of a ball bearing's inner and outer rings and the sphericity of the balls greatly enhances the bearing's rotating speed, non-repeatable run-out (NRRO), sound level and life span. This, in turn, strengthens the quality of the motors or other components in which the bearing is used. Minebea develops and builds all jigs and tools used in the production of ball bearing parts in-house, enabling it to ensure consistently high levels of raceway roundness and ball sphericity for ball bearings manufactured at its 10 mass-production facilities worldwide.

Minebea produces approximately 8,500 different varieties with outer-ring external diameters between three millimeters and 28 millimeters, with monthly output worldwide totaling approximately 120 million pieces.

● Bearings

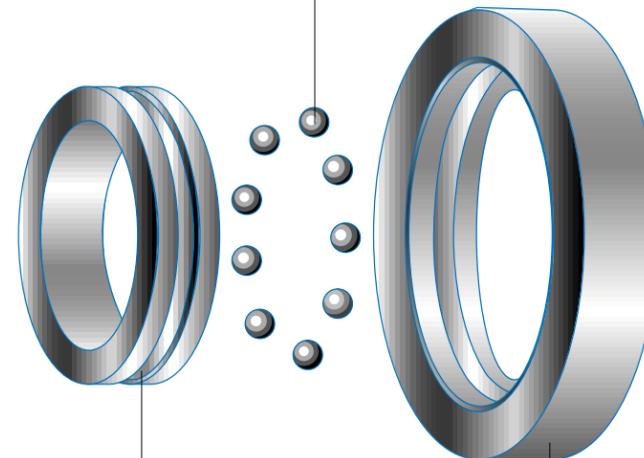
External diameter (mm) 3 5 7 9 11 13 14 16 20 22 28



Balls

Balls—usually between five and 13, although the number varies depending on the type and size of bearing—are housed between the inner and outer rings. The most prevalent materials are chrome and stainless steel, with ceramics also popular.

The raceway roundness of the inner and outer rings for ultrahigh-precision ball bearings manufactured by Minebea for use in HDDs and videocassette recorders (VCRs) exceeds 0.05 microns—less than one 1,600th the thickness of a strand of human hair. Moreover, the sphericity of balls used in such ball bearings exceeds 0.02 microns. If the earth, which has a diameter of 12.8 million meters, had such a high level of sphericity, the tallest mountain would be a mere 25.6 meters.



Inner Rings

The inner ring has a raceway on the outside in which the balls roll. Inner rings are made from the same materials as outer rings.

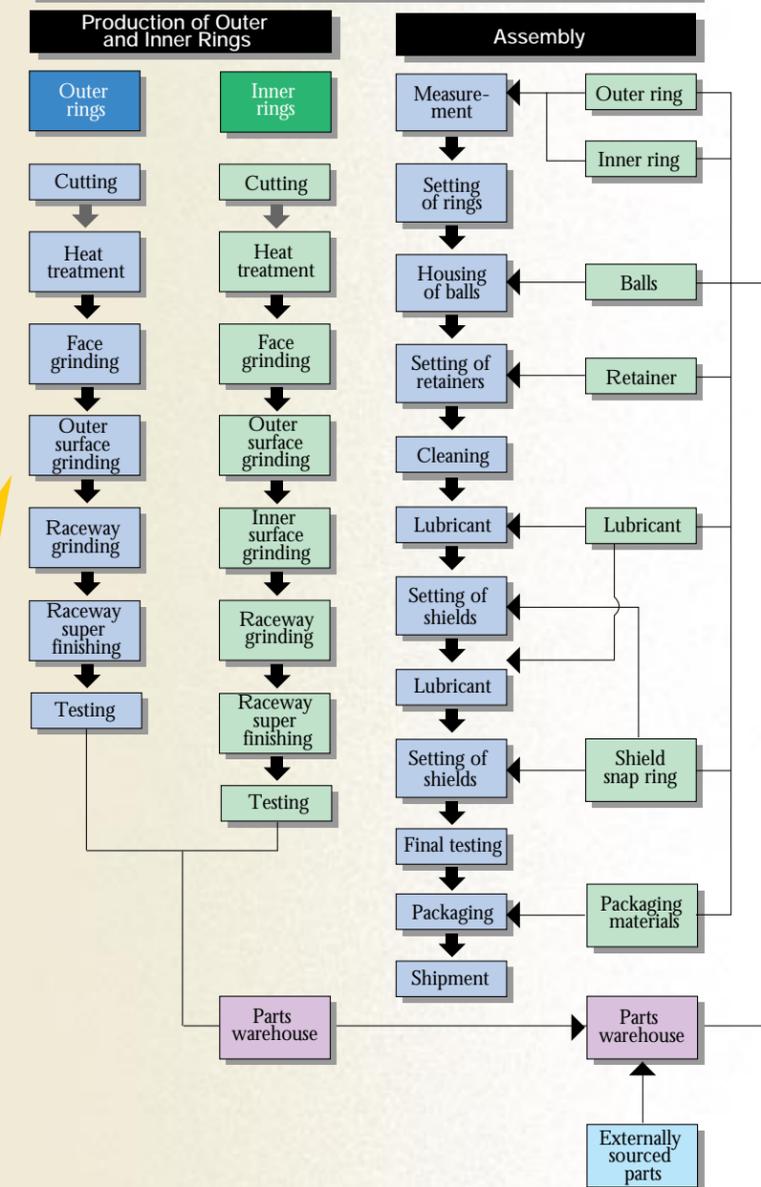
Outer Rings

The outer ring of a ball bearing has a raceway on the inside, in which the balls roll, and grooves on the top and bottom which hold protective shields. Outer rings are generally made of chrome or stainless steel.

Minebea's Vertically Integrated Manufacturing System

The level of precision in each ball bearing production process is another essential factor in determining the quality of finished products. Minebea conducts all processes in-house, as well as manufactures most production and assembly equipment used therein, thus ensuring complete control over the precision of each process and facilitating mass-produced superior-quality ball bearings.

Ball Bearing Manufacturing Process



Internal Sourcing of All Parts

The typical ball bearing comprises an outer ring, inner ring, between five and 13 balls, two retainers, two shields and two snap rings. Enhancing the precision of each of these parts is essential to raising the quality of the finished ball bearing. Minebea manufactures all parts used in its ball bearings in-house, giving it complete control over part precision and enabling it to mass-produce ball bearings of unsurpassed quality.

Applying Fundamental Technologies to the Manufacture of High-Precision Components

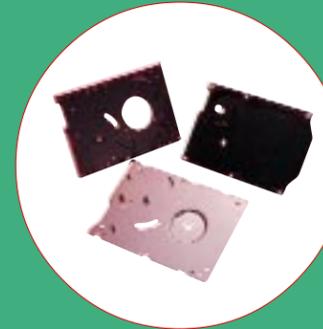


Components for HDDs

Rikuro Obara, Senior Managing Director, General Manager of 1st Manufacturing Headquarters and Karuizawa Manufacturing Unit

The growing presence of PCs in both the home and office and rapid technological advances are stimulating demand for HDDs with increased capacity and higher reading and writing speeds.

Spindle motors, of which Minebea is a world-leading manufacturer, are crucial components in HDD mechanisms. Improving the rotating speed, NRRO, sound and life span of an HDD spindle motor is thus an effective way to enhance the performance of an HDD. These factors are determined by the quality of the ball bearings used. Minebea's spindle motors contain the Company's own high-precision ball bearings, as well as other internally sourced parts, ensuring outstanding reliability. Superior accuracy is also demanded of pivot assemblies for positioning HDD magnetic heads. Here, too, Minebea has applied its high-precision bearing technologies, earning the Company a commanding 75% share of the global pivot-assembly market.



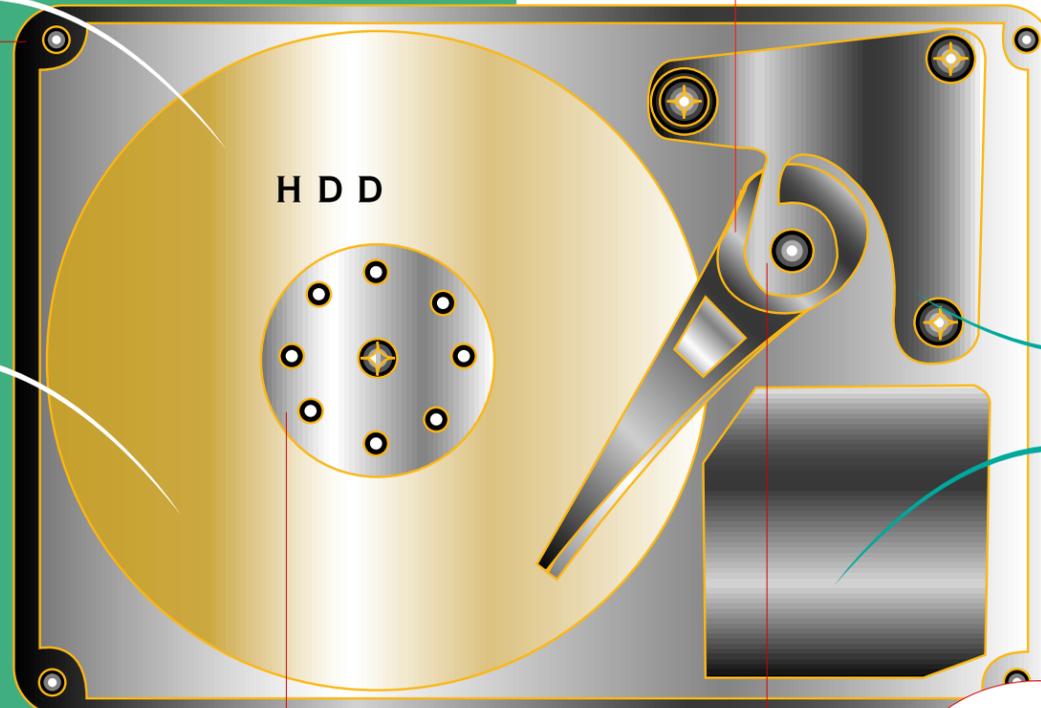
Die-cast Parts

Minebea produces die-cast bases for HDDs in-house. We also sell motors for HDDs comprising a base and a spindle motor.



Die-cast Parts

Minebea manufactures the die-cast swing arm, upon which the HDD's magnetic head is mounted. We also sell integrated units comprising a swing arm and a pivot assembly.



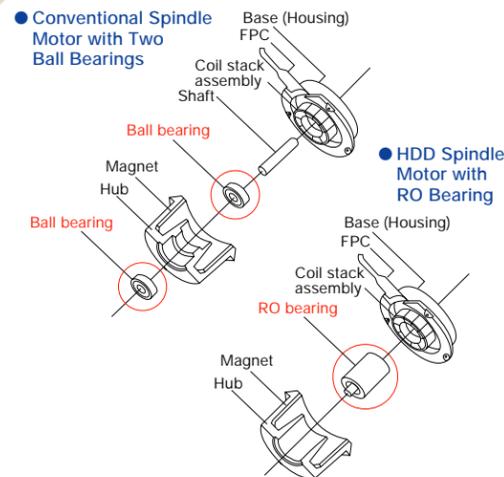
HDD

TOPIC

RO Bearings



RO bearings—named for their inventor, senior managing director Rikuro Obara—are unique, high-precision ball bearings developed by Minebea for use in HDD spindle motors. Conventional HDD spindle motors contain two standard ball bearings. The groundbreaking RO bearing, however, features two raceways on the inside of the outer ring and one each on the shaft and the inner ring fitted on the shaft, essentially combining the functions of two ball bearings in one while improving the degree of parallelism of the raceway, minimizing rotational error and facilitating more compact designs. RO bearings are also used in pivot assemblies.



Spindle Motors

With the exception of winding wires and leads, Minebea produces all parts for HDD spindle motors—from high-precision machined parts, such as ball bearings, shafts, housings and bases, to magnets—in-house.



Pivot Assemblies

Minebea produces all parts for its HDD pivot assemblies, which are mounted on die-cast swing arms.

A Leading Share of the Global Market for Ball Bearings

Minebea uses its own high-precision ball bearings in its small-sized motors and pivot assemblies, which has earned these components an outstanding reputation for reliability. With the increasing technological sophistication and rapid diffusion of PCs, office automation (OA) equipment and household electrical appliances, demand for Minebea products is growing, as is the Company's share of key global markets for electronic devices and components.



Spindle motors for HDDs



Stepping motors



Pivot assemblies

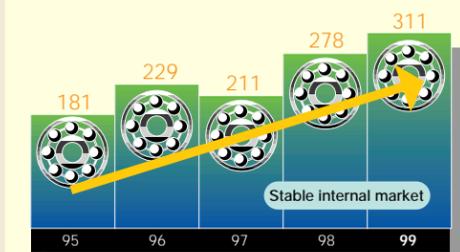


Fan motors

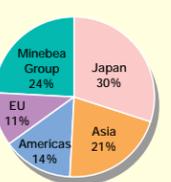
A Highly Stable Internal Market

Internal sourcing also generates powerful synergies. By using its own ball bearings, Minebea ensures the outstanding quality of its various small motors, pivot assemblies and other components. Outstanding quality attracts increased orders which, in turn, stimulates orders for ball bearings. Minebea has thus created its very own massive and highly stable ball bearing market.

Production Volume of Ball Bearings for Internal Use
(Million pieces per year)



Breakdown of ball bearing sales in fiscal 1999



Striving Constantly for Higher Levels of Precision through Extensive R&D



PROCESS-RELATED R&D

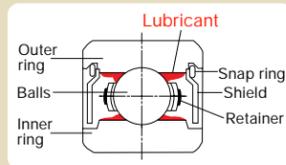
Takayuki Yamagishi, Senior Managing Director, General Manager of 2nd Manufacturing Headquarters and Hamamatsu Manufacturing Unit

Minebea's unmatched machining technologies have made it the most competitive manufacturer of ball bearings and precision components in the world. The Company thus places a high priority on R&D aimed at enhancing these technologies.

Minebea manufactures the bulk of its miniature and small-sized ball bearings and small motors and other components at its mass-production facilities in Southeast and East Asia under its unique vertically integrated manufacturing system. This system also allows the Company to apply the results of R&D carried out at parent plants in Japan swiftly and effectively to production elsewhere in Asia. Minebea thereby ensures the same level of product quality at all plants.

T O P I C

In-House Development of Lubricants



Lubricating greases and oils are used to prevent metal friction between the inner and outer rings and the balls in a ball bearing, thus ensuring smooth rolling and long bearing life. By capitalizing on its know-how and experience as a leading manufacturer of miniature and small-sized ball bearings, Minebea has begun developing its own high-quality lubricants at the Thai R&D Center. The Company is confident that these efforts will contribute to significant improvements in the quality of its ball bearings.

R&D Center, Thailand

Minebea's Thai R&D Center is located within the Bang Pa-in site, one of four manufacturing sites in Thailand that together account for approximately 60% of the Company's total production volume worldwide. Equipped with state-of-the-art analytical instruments, the center aims to resolve problems that affect precision and develop solutions that can be applied promptly and effectively on the production floor. The Thai R&D Center's activities focus on contamination control and material science, and are aimed at ensuring the reliability of finished products.

Materials Analysis Using X-Ray Photoelectron Spectrometer



X-ray photoelectron spectrometers are used to investigate the surface chemistry and interactions of solid surfaces of metal and organic materials. The Thai R&D Center's X-ray photoelectron spectrometer enables researchers to determine, for example, whether metal discoloration is the result of oxidation or corrosion caused by chlorine, sulfur or other substances.

Outgas Analysis Using Gas Chromatograph-Mass Spectrometer (GC-MS)



GC-MS is widely used to determine the chemical properties of substances. At the Thai R&D Center, researchers use the GC-MS to analyze gases released by the adhesives used in spindle motors, enabling them to identify gases that could potentially lead to functional problems for HDDs in field use.

R&D at Parent Plants

Manufacturing system at mass-production facilities

Enhancement of product quality and productivity

Development of dies, jigs and tools

Improvement

Development of maintenance technologies

Improvement

Development of manufacturing technologies

Improvement

Development of mass-production technologies

Improvement



Minebea's Global R&D Network

Minebea has established a global network of facilities to conduct R&D and testing in key product segments, thus facilitating swift and accurate responses to customer needs.



- **Karuizawa Manufacturing Unit (Japan)**
 - Product development (bearings, small motors and other products)
 - Technological development (manufacturing and mass-production technologies)
 - Product analysis and evaluation
 - Support for overseas R&D activities



- **Hamamatsu Manufacturing Unit (Japan)**
 - Materials R&D
 - Product development (electronic devices and components)
 - Technological development (manufacturing and mass-production technologies)
 - Support for overseas R&D activities



- **Thai R&D Center (Thailand)**
- **Singapore R&D Center (Singapore)**
 - Chemical analysis, cleanliness evaluation and acoustic testing of HDD components and other products



- **Minebea Electronics (UK) Ltd. (United Kingdom)**
- **Power Systems, Inc. (United States)**
 - Design and development of switching power supplies



- **Precision-Motors-Deutsche-Minebea-GmbH (Germany)**
 - Design and development of various precision small motors, notably spindle motors for HDDs



- **NMB (U.K.) Ltd., Airmover Division (United Kingdom)**
 - Design and development of fan motors



- **New Hampshire Ball Bearings, Inc. (United States)**
- **Rose Bearings Ltd. (United Kingdom)**
 - Design, development and production of aircraft bearings for customers in the United States and Europe—the world's two largest aerospace markets



- **NMB Technical Center (United States)**
 - Evaluation and testing of ball bearings for various customers, notably the Big Three U.S. automakers



- **Fujisawa Factory (Japan)**
- **NMB Technologies, Inc. (United States)**
 - Design and development of PC keyboards

Maximizing Basic Technologies to Cultivate New Markets



VERTICALLY INTEGRATED MANUFACTURING SYSTEM

Yoshihisa Kainuma, Senior Managing Director, General Manager of U.S./European Region Sales Headquarters and Operation Headquarters

To enhance the quality of mass-produced ball bearings, small motors and other mainstay products, Minebea strives constantly to improve the precision of the parts it uses and its ability to supply these parts to its production facilities worldwide. The success of the Company's efforts reflects its vertically integrated manufacturing system. This system encompasses all processes, from production and maintenance of dies and molds, to production of pressed, injection-molded and die-cast parts, machined parts such as shafts and gears, and magnets, final assembly and testing. Each process is monitored by a specialist based at either the Karuizawa or Hamamatsu manufacturing unit.



TOPIC

Reflective Color LCD Front Light Unit

One of Minebea's new products is an exclusive front light unit for reflective color liquid crystal displays (LCDs). Developed in-house using the Company's exclusive design and simulation software and advanced injection-molding technologies, this new front light unit comprises a light-conducting, transparent polymethyl methacrylate (PMMA) panel made from a number of fine prisms and white light-emitting diode (LED) chips. When attached on a reflective color LCD, the front light unit significantly improves the brightness and readability of the display in dark environments. This product consumes less power, has a lower-profile structure, is lighter in weight and more compact than conventional LCD front lights, making it particularly suitable for mobile applications. As a consequence, Minebea anticipates rapid growth in demand.



Expanding Markets for Minebea's Products

This synergistic combination of precision machining technologies—which facilitate internal sourcing of most of the parts used in its finished products—mass-production technologies and advanced R&D allows Minebea to keep abreast of the growing popularity and sophistication of information and telecommunication equipment and household electric appliances by supplying a wide range of advanced components.

With technological progress, notably digitization and the increasingly information-oriented nature of household electrical appliances, the rapid growth of mobile telephones and personal digital assistants (PDAs) and the improved performance of electronic products for automobiles, demand for superior-quality components is rising. Accordingly, Minebea expects to see its share of these and other key new markets expand.

Key Uses for Minebea's Bearings and Components

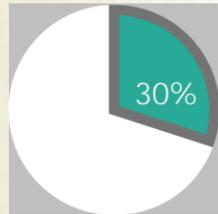
Desktop PCs	Notebook PCs	Facsimile machines	Laser printers
Copy machines	Electronic music and game devices	Air conditioners	Audio components
Televisions	VCRs	Interphones	Portable cassette players
Video cameras	Telephones	Sliding bookshelves	Microwave ovens
Sewing machines	Micro-computerized wash/dry toilets	Oil fan heaters	Window shutters
Dehumidifiers	Rice cookers	Blenders	Vacuum cleaners
Air sanitizers	Refrigerators	In-line roller skates	Low tables with built-in heaters
Weight scales	Alarm clocks	Oil and gas water heaters	Fishing reels
Remote-control devices	Electric power tools	Ball bearings	Keyboards
		Fan motors	Speakers
		Hybrid-type stepping motors	Transformers
		PM-type stepping motors	FDD subassemblies
		Spindle motors for HDDs	Head carriage assemblies
		Spindle motors for FDDs	Magnetic heads
		Induction motors	Switching power supplies
			Inductors
			Investors for backlighting units
			Strain gauges
			Load cells
			Pivot assemblies
			Tape guides



REVIEW OF OPERATIONS

Performance by Product Category

Bearings



Percentage of net sales

Principal Products

Small ball bearings

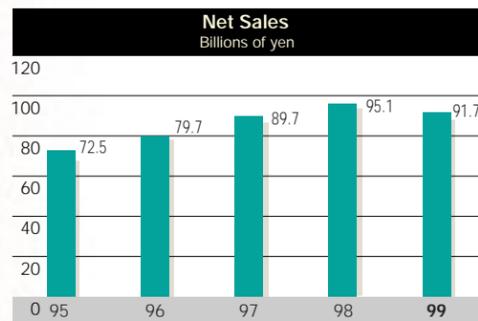
- Miniature ball bearings
- Small-sized ball bearings
- Integrated-shaft bearings
- RO bearings

Rod-end and spherical bearings

- Roller bearings
- Journal bearings
- Machine tool bearings

Sales and output of miniature and small-sized ball bearings up to 22 millimeters in external diameter—Minebea’s principal bearing products—were weakened in fiscal 1999 as inventory adjustments by PC manufacturers in the first half offset increased demand in the second half and demand for use in household electronic appliances fell short over the full term. In contrast, demand for rod-end, spherical, roller and journal bearings were level with the previous year. Although demand from the defense sector sagged, sales to private-sector aerospace companies were brisk. New demand from the automotive industry also continued to grow. **Minebea’s total sales in this category in fiscal 1999 declined 3.6%, to ¥91,691 million, and accounted for 30.0% of consolidated net sales.**

During the period, we continued to focus on enhancing the quality of bearing products. Growing technological sophistication continues to spur demand for higher levels of ball bearing quality, particularly for ball bearings used in spindle motors and



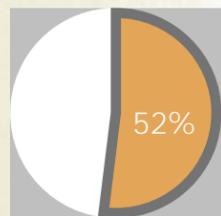
pivot assemblies for HDDs. In response to the rising expectations of customers, we endeavored to upgrade machining precision to improve the roundness of ring raceways and sphericity of balls. At the same time, we strove to develop better lubricants and conducted research in contamination control and material science.

Fan motors, stepping motors and other small motors manufactured within the Minebea Group provide another source of demand for our ball bearings, accounting for 24.0% of total ball-bearing sales volume in fiscal 1999. In fiscal 2000, we expect the volume of sales within the Group to exceed those to external customers in Japan, currently the largest market for our ball bearings. Having this stable internal market, in addition to the four key markets of Japan, Asia, the United States and Europe, gives Minebea a significant edge over other bearing manufacturers, as does the fact that our ability to provide a stable supply of superior-quality ball bearings contributes to growth in sales of our motors, which in turn stimulates demand for ball bearings. We are confident therefore that our efforts to enhance bearing quality during the period under review will work to our advantage in the future.

In February 1999, two Thai subsidiaries received QS-9000 quality system certification from the U.S. automotive industry, following two Singapore subsidiaries that earned this endorsement in fiscal 1998. Another highlight was the commencement of operations at our new technical center in Detroit, which was established with the aim of securing quality approval for our ball bearings from the Big Three U.S. automakers. This new facility will position us well to capitalize on expected growth in demand for miniature and small-sized ball bearings and increase our sales to the automotive industry.

	Small Ball Bearings	Rod-end and Spherical Bearings
Market Position	<ul style="list-style-type: none"> World's leading manufacturer (65% market share) <p>Percentage of world market</p>	<ul style="list-style-type: none"> World's leading manufacturer (60% market share) <p>Percentage of world market</p>
Competitive Advantages	<ul style="list-style-type: none"> In-house production of all parts for bearings, resulting in unmatched supply capabilities, price competitiveness and product quality Mainstay high-precision ball bearings are used extensively in telecommunications products, such as PCs, and other high-growth areas 	<ul style="list-style-type: none"> Production facilities in all three of the world's major aerospace markets (United States, United Kingdom and Japan) The only Japanese manufacturer accredited by all of the world's leading aircraft manufacturers
Market Outlook	<ul style="list-style-type: none"> Double-digit growth expected to continue in the PC market Continued growth in internal demand for use in small motors, pivot assemblies and other components anticipated; internal market expected to exceed the Japanese market in terms of sales volume in fiscal 2000 Rising demand from the automotive industry also expected 	<ul style="list-style-type: none"> Demand from the aerospace industry expected to continue rising in Europe Rising demand from manufacturers of cars and motorcycles also expected
Fiscal 1999 Highlights	<ul style="list-style-type: none"> NMB Thai Ltd. and Peltec Thai Ltd. received QS-9000 quality system certification from the U.S. automotive industry Operations commenced at Detroit technical center, established to secure quality approval for ball bearings and other products Rose Bearings' Skegness Plant obtained ISO 14001 certification, the ISO's standard for environmental management systems 	

Electronic Devices and Components



Percentage of net sales

Principal Products

Small motors

Fan motors
Hybrid-type stepping motors
PM-type stepping motors
Spindle motors for HDDs
Spindle motors for FDDs
Blowers

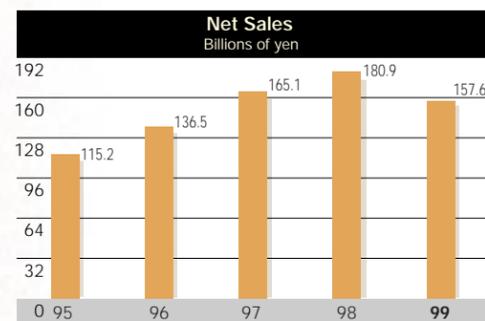
Other devices and components

PC keyboards
Speakers
FDD subassemblies
Magnetic heads for FDDs
Switching power supplies
Transformers
Inductors
Strain gauges
Load cells
Hybrid integrated circuits (ICs)
Synchros

Demand from PC manufacturers slipped below the previous year's level in the first half of the period but rallied in the second half. Demand from the household electrical appliance industry fell over the full term. **A decline in product prices also contributed to a 12.9% drop in sales in this category, to ¥157,603 million, equivalent to 51.6% of consolidated net sales.**

Sales of fan motors remained on a par with fiscal 1998 as static demand for alternating-current (AC) fan motors and blowers countered brisk orders for mainstay direct-current (DC) fan motors, particularly for use in PCs and servers. We saw a significant improvement in productivity, which had fallen off temporarily with the shift of fan-motor production from Thailand to a new facility in Shanghai in fiscal 1997. To reinforce our service capabilities in Europe, we established a fan-motor technical center in the United Kingdom.

Despite a recovery in demand for hybrid-type stepping motors, which contain ball bearings, and permanent-magnet (PM)-type stepping motors in the second half, orders remained generally slow. Accordingly, sales fell below the previous year's level.



Production adjustments by HDD manufacturers in the first half held sales of HDD spindle motors below the previous year's level. We took advantage of the opportunity afforded by the slowdown in demand to implement measures aimed at improving quality and production capacity, positioning us well to respond when demand picks up.

Sales of PC keyboards were also down from the fiscal 1998 level, owing to inventory adjustments by PC manufacturers and sagging product prices. During the period, we constructed a new plant in Mexico for printing key caps in North, Central and South American languages. This plant and our first key cap printing plant, built in Scotland in 1996, give us a presence in the world's two largest PC markets. In addition to desktop PC keyboards, especially high-end models, we are stepping up marketing of keyboards for notebook PCs.

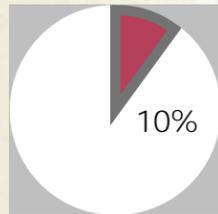
Brisk demand for speakers for use in PCs and multimedia equipment, together with intensive efforts over the past several years to rationalize and improve the productivity of our speaker division and a strategic narrowing of our focus to high-end models, contributed to strong growth in speaker sales.

Sales of other devices and components declined, owing to sagging product prices for FDD subassemblies and falling demand for switching power supplies, measuring instruments and other products.

In recent years, we have responded to the challenges posed by a difficult operating environment by endeavoring to enhance quality. We have increased production capacity, particularly for components supplied to our own mass-production facilities. In the period under review, we reinforced technical centers worldwide for mainstay electronic devices and components.

	Small Motors	Other Devices and Components
Market Position	<ul style="list-style-type: none"> World's leading manufacturer of fan motors (30% market share), PM-type stepping motors (25% market share), spindle motors for HDDs (20% market share) and hybrid-type stepping motors (35% market share) <p>Percentage of world market for hybrid-type stepping motors</p>	<ul style="list-style-type: none"> World's leading manufacturer of PC keyboards (25% market share), FDD subassemblies, magnetic heads and strain gauges <p>Percentage of world market for PC keyboards</p>
Competitive Advantages	<ul style="list-style-type: none"> Small motors manufactured using Minebea's market-leading ball bearings and manufacturing technologies reputed to be among the most advanced in the world Extensive manufacturing and R&D facilities in other parts of Asia, positioning Minebea ideally to respond to the needs of Japanese, U.S. and European manufacturers setting up plants in the region Almost all components, including pressed parts, plastic injection molded parts, die-cast parts, magnets, ferrite and machining parts, for in-house use, giving Minebea an unmatched advantage in terms of quality, supply capabilities, cost-competitiveness and speed of delivery 	<ul style="list-style-type: none"> Almost all components, including pressed parts, plastic injection molded parts, die-cast parts and ferrite, for in-house use manufactured in-house, giving Minebea an unmatched advantage in terms of quality, supply capabilities, cost-competitiveness and speed of delivery A leading supplier of electronic devices and components for PCs and other information and telecommunications equipment, a market with outstanding potential for growth in the future
Market Outlook	<ul style="list-style-type: none"> The completion of inventory adjustments by HDD manufacturers and expansion of the market for HDDs for mobile information and telecommunications equipment expected to support growth in demand for HDD spindle motors Increased demand for stepping motors anticipated, primarily from the automotive industry 	<ul style="list-style-type: none"> Double-digit growth in the market for components for PCs forecast to continue Rising demand for color printers and copiers and the proliferation of digital equipment expected to create new demand for switching power supplies In addition to fiscal 2000 orders from PC manufacturers, significant demand expected from makers of notebook PCs The proliferation of PDAs and other digital information and telecommunications equipment expected to stimulate new demand for front-end assemblies and other key products in this category
Fiscal 1999 Highlights	<ul style="list-style-type: none"> Commenced operation of recently expanded clean rooms for assembly of HDD spindle motors in Thailand PC keyboard key cap printing plant built in Mexico to supply the North, Central and South American markets New fan motor R&D center set up in the United Kingdom Japanese fan motor subsidiary NMB Electro Precision, Inc., obtained ISO 14001 certification 	

Machinery Components



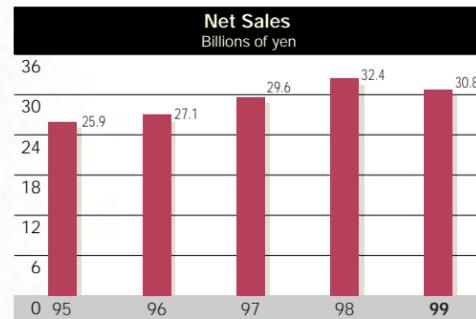
Percentage of net sales

Principal Products

- Pivot assemblies
- Tape guides
- Aerospace fasteners
- Automotive fasteners
- Wheels

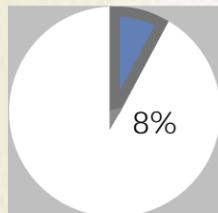
Sales of pivot assemblies for HDDs rose in fiscal 1999 as firm demand in the second half offset the impact of production adjustments by HDD manufacturers in the first half. Sales of fasteners to private-sector

customers in the aerospace industry exhibited brisk growth. However, total fastener sales were hindered by flagging demand from the defense and automotive industries. Stagnant demand for wheels for industrial vehicles drove down overall sales of wheels. **Category sales in fiscal 1999 amounted to ¥30,844 million, a decline of 4.9%, and represented 10.1% of net sales.**



Demand for HDD pivot assemblies is expected to remain firm in fiscal 2000. In preparation, during fiscal 1999 we took steps to expand production capacity at our mass-production facilities in Thailand and enhance product quality. To bolster sales of fasteners, we implemented extensive rationalization measures aimed at the Fujisawa plant in Japan, our fastener production facility, with the aim of cultivating new orders, primarily from companies in the aerospace industry.

Special Machinery Components and Others



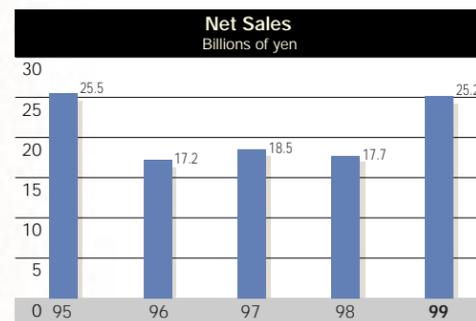
Percentage of net sales

Principal Products

- Defense-related special parts, such as bomb racks and rocket launchers
- Electronic clutch brakes
- Solenoid valves

Sales in this category rose 42.5%, to **¥25,186 million, equivalent to 8.3% of net sales.** Defense-related special parts sales were generally firm in fiscal 1999, owing to a scheduled increase in the volume of parts procured by Japan's Defense Agency and efforts to rationalize and improve productivity at the Omori plant in Japan, our

principal plant for special machinery components. This category also encompasses the operations of Actus Corporation, which became a consolidated subsidiary during the period under review, and Minebea Credit Co., Ltd. Actus' operations encompass the import and sale of furniture and interior decor items in Japan. Despite



Machinery Components

Market Position

- World's leading manufacturer of pivot assemblies (75% market share)

Percentage of world market for pivot assemblies

Competitive Advantages

- Manufactures all pivot assembly components in-house, resulting in an unmatched advantage in terms of quality, supply capabilities, cost-competitiveness and speed of delivery

Market Outlook

- Demand for HDD pivot assemblies likely to rise thanks to the completion of production adjustments by HDD manufacturers
- Demand from the aerospace industry for fasteners and other machinery components expected to expand, although demand from the automotive industry likely to remain slow

Fiscal 1999 Highlight

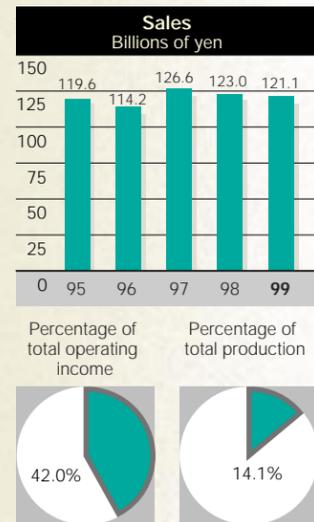
- Expanded scale of production facilities for pivot assemblies at Thai mass-production plants
- Fujisawa and Omori manufacturing units obtain ISO 14001 certification

sagging conditions in the Japanese retail market, reflecting weak consumer spending, Actus recorded its second consecutive year of stable growth in income. Minebea Credit, which is engaged primarily in real estate collateralized lending, continues to focus primarily on the collection of current loans.

With orders from defense contractors expected to remain stable in fiscal 2000, we will continue to reinforce our reputation as a manufacturer of new products. We will also concentrate on improving product quality and productivity to bolster sales of electronic clutch brakes, resolvers and other items to the consumer market.

Performance by Region

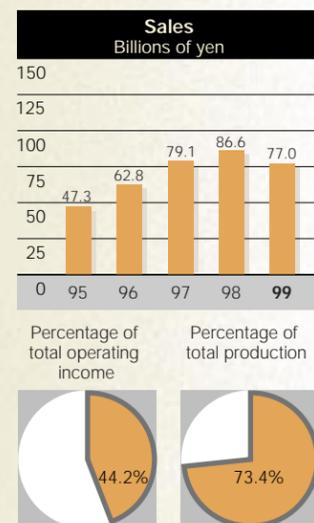
Japan



Japan is home to the Minebea Group's headquarters and to the Karuizawa and Hamamatsu manufacturing units, which act as parent plants and coordinate the activities, including quality control and environmental management, of mass-production facilities around the world. These two plants are also responsible for the development of mainstay products and manufacturing technologies, pilot production and small-lot production runs, support for overseas plants and training of overseas employees. The Group's other domestic plants, notably those in Fujisawa, Omori and Kyoto, primarily manufacture products for customers in Japan.

Demand for Minebea's products in Japan, also our largest market, plummeted in fiscal 1999, reflecting the ongoing economic malaise and the resulting decline in consumer spending. As a consequence, sales in Japan amounted to ¥121,123 million, a decline of 1.5%, and accounted for 39.7% of consolidated net sales, while operating income totaled ¥16,190 million, up 19.5%, equivalent to 42.0% of consolidated operating income. Production in Japan represented 14.1% of total production by the Group. Following the lead set by the Karuizawa Manufacturing Unit in fiscal 1998, all of our remaining plants in Japan obtained ISO 14001 certification during the period under review.

Asia (Excluding Japan)



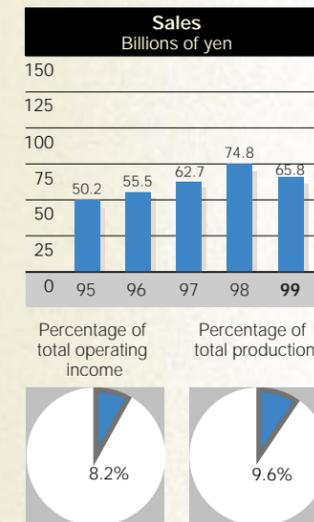
Asia is the Minebea Group's production nucleus, with output from our plants in Thailand, Singapore, China and Taiwan representing 73.4% of total Group production in fiscal 1999. Our vertically integrated production facilities in Thailand, which account for 56.8% of total group output, comprise our largest mass-production base and are responsible for the bulk of our principal products, including bearings and small motors. The majority of Minebea products manufactured in the region are exported to customers worldwide.

With the increasing number of Japanese, North American and European manufacturers of PCs and household electrical appliances setting up production facilities in Asia in recent years, the region has developed into our second largest market after Japan. In fiscal 1999, our operations in Asian countries other than Japan generated sales of ¥77,038 million, a decrease of 11.1%, and contributed 25.2% of net sales.

Because of the scale of our operations in the region, the impact of sagging demand in all segments of the Group's operations was particularly acute, driving operating income down 56.7%, to ¥17,022 million, equivalent to 44.2% of total operating income. The decline appears particularly sharp because of the significant gain in operating income in the region in fiscal 1998 prompted by the devaluation of the Thai baht.

Our newest subsidiary, Minebea Electronics & Hi-Tech Components (Shanghai) Ltd., which began operating in 1994 and occupies our state-of-the-art bearing plant in Shanghai, continued to grow in fiscal 1999, recording stable gains in income. On another note, two ball bearing subsidiaries in Thailand obtained QS-9000 quality system endorsement from the U.S. automotive industry, joining two subsidiaries in Singapore that were certified in fiscal 1998.

North, Central and South America



Our operations in the United States supply bearing products, notably rod-end, spherical and roller bearings, and small motors, primarily to customers in the local market. Subsidiaries in North, Central and South America also import products manufactured by the Minebea Group for sale to customers throughout the region. In fiscal 1999, we reinforced our customer service capabilities in Mexico by building a plant for printing key caps in regional languages on keyboards supplied by our mass-production facilities in Thailand. These keyboards are sold in North, Central and South American markets. The new plant also has warehousing facilities.

Subsidiary New Hampshire Ball Bearings, Inc., saw firm gains in sales of its rod-end and spherical bearings and other aerospace components, reflecting extensive efforts to rationalize and improve productivity in recent years. Subsidiary Hansen

Corporation, a manufacturer of small motors, continued to record solid growth in sales and income.

Our operations in North, Central and South America generated sales of ¥65,806 million, a decrease of 12.1% from fiscal 1998 and equivalent to 21.6% of net sales. Operating income slipped 21.0%, to ¥3,150 million, or 8.2% of total operating income. Production in the region accounted for 9.6% of total Group output for the period.

Another highlight of the period was the opening of a new technical center in Detroit. This facility will allow us to respond effectively to rising demand for ball bearings and other products from the U.S. automotive industry, particularly the Big Three.

Europe



Our plants in the United Kingdom primarily serve the European market, supplying rod-end and spherical bearings to the aerospace, rail and automotive industries, and small ball bearings to manufacturers of PCs and household electrical appliances. We also design and develop spindle motors for HDDs, at subsidiary Precision-Motors-Deutsche-Minebea-GmbH in Germany, and switching power supplies, at Minebea Electronics (UK) Ltd., which are sourced to our mass-production facilities in Thailand. NMB (U.K.) Ltd. prints key caps in local languages for Thai-manufactured keyboards at its plant in Scotland. In addition to production facilities, we also have sales and marketing subsidiaries in the United Kingdom, Germany, Italy and France, which handle local distribution of products manufactured at our plants in Asia.

During the period, subsidiary NMB (U.K.) Ltd. built a new R&D center at Andover, England, to house its fan motor R&D activities.

Growth in the European aerospace industry remained brisk for the second consecutive year, boosting sales of rod-end and spherical bearings manufactured by U.K. subsidiary Rose Bearings Ltd. Demand for keyboards, small motors and other products for use in PCs also increased.

Sales in Europe edged down 0.6%, to ¥41,357 million, and represented 13.5% of net sales. Operating income in the region, which rose 9.7%, to ¥2,184 million, represented 5.7% of total operating income. Plants in Europe were responsible for 2.9% of total Group production.

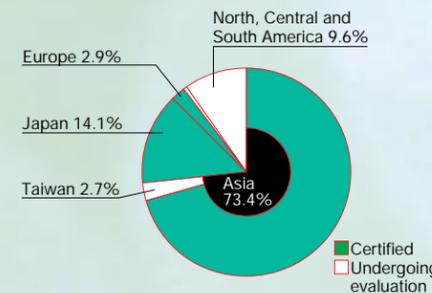
ENVIRONMENTAL ACHIEVEMENTS

Protecting the Environment

Minebea has always placed a high priority on environmental protection. We continue to take steps to enhance the environmental soundness of our operations worldwide, thus ensuring that our facilities are welcomed by local communities.

All of our principal manufacturing facilities, which together account for 90% of aggregate Group output in monetary terms, have obtained ISO 14001 certification, the International Organization for Standardization's standard for environmental management systems, and we are currently preparing to apply for endorsement at our remaining plants.

ISO 14001 Certification at Principal Production Facilities Worldwide



Japan

In April 1997, the Karuizawa Manufacturing Unit obtained ISO 14001 certification, making Minebea the first bearing manufacturer to do so. By the end of January 1999, all production facilities in Japan had followed suit.

Asia (Excluding Japan)

In October 1997, Minebea's seven Thai subsidiaries—which encompass 30 divisions and four sites and account for approximately 60% of total Group output—received ISO 14001 endorsement simultaneously. This feat was repeated by Minebea Electronics & Hi-Tech Components (Shanghai)'s two plants in

December 1997 and the Singapore plant in January 1998.

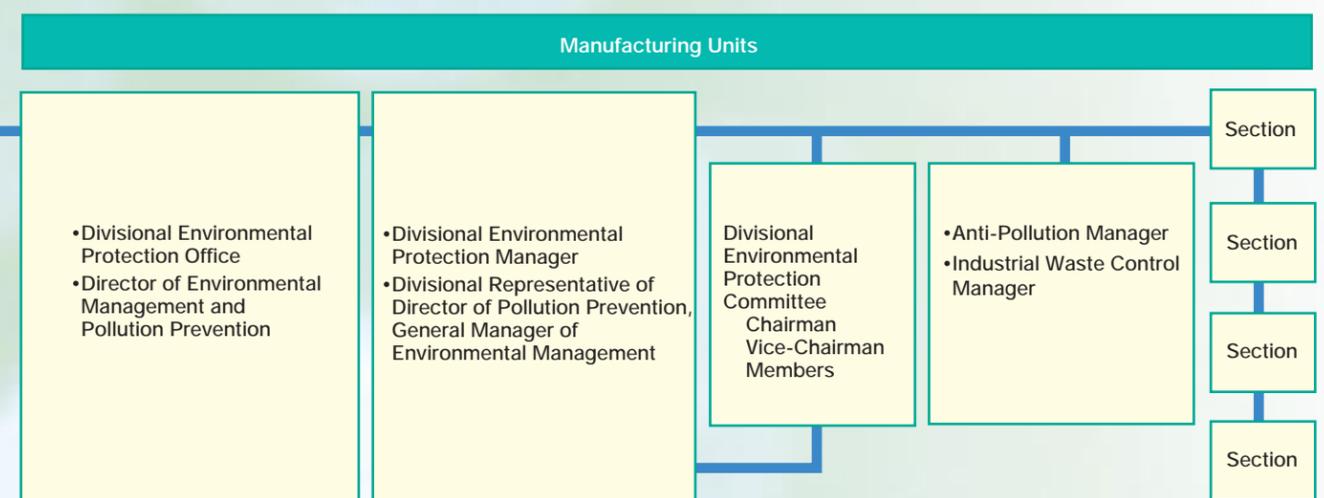
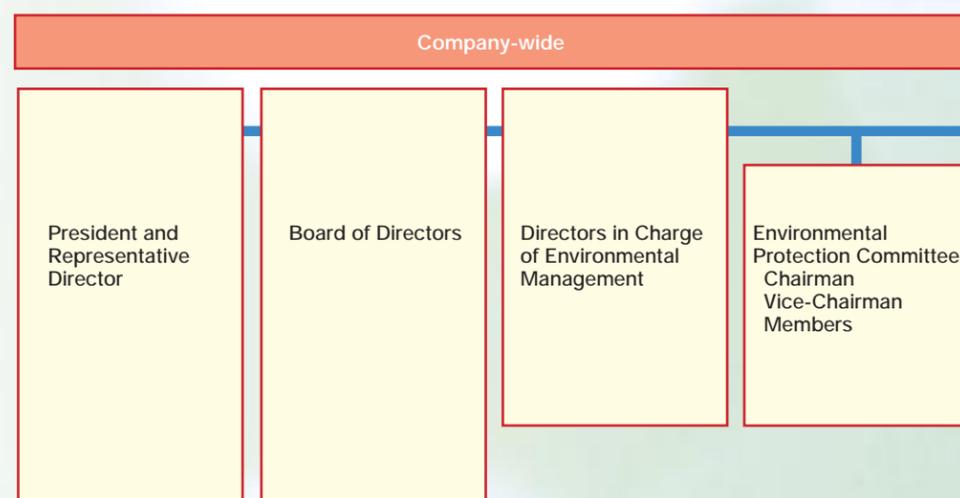
Europe

U.K. subsidiary Rose Bearings' Lincoln and Skegness plants obtained ISO 14001 certification in April 1997 and February 1999, respectively. German subsidiary Precision-Motors-Deutsche-Minebea was endorsed in May 1998.

North, Central and South America

All manufacturing facilities in the United States, including New Hampshire Ball Bearings, Inc., currently undergoing evaluation, expect to obtain ISO 14001 certification by the end of 1999.

Minebea's Environmental Management System



Environmental Achievements

1991 Minebea organizes the Anti-CFC Committee with the aim of phasing out the use of specified chlorofluorocarbons (CFCs) and ethane as cleaning agents.

1993 Minebea develops a water-based washing system, which it installs at all of its plants, becoming the first bearing manufacturer in the world to completely eliminate specified CFCs and ethane from all production and assembly processes.

The parent company and Minebea's Thai subsidiaries receive the Stratospheric Ozone Protection Award from the U.S. Environmental Protection

Agency (EPA) for eliminating specified CFCs and for contributing to overall efforts to encourage environmental protection by actively disclosing technical information on its water-based washing system.

Minebea's Anti-CFC Committee is replaced by the Environmental Protection Committee.

Minebea formulates its own "Charter for Environmental Protection."

1995 Former president Goro Ogino receives the Stratospheric Ozone Protection Award for individuals from the U.S. EPA.



The U.S. EPA's Best-of-the-Best Stratospheric Ozone Protection Award, given to the Minebea Group in 1997

1996 Minebea Electronics & Hi-Tech Components (Shanghai) establishes the Shanghai-Minebea Environmental Protection Fund, aimed at protecting the quality of the water in Lake Daishan-hu and the lake's surrounding environment.

1997 In April, the Karuizawa Manufacturing Unit and U.K. subsidiary Rose Bearings' Lincoln plant obtain ISO 14001 certification, making Minebea the first bearing manufacturer to do so. In October, Minebea's seven Thai subsidiaries, including their 30 divisions and four sites, and two plants in China also receive this endorsement.

The Minebea Group is selected as winner of the U.S. EPA's Best-of-the-Best Stratospheric Ozone Protection Award.

1998 In January, the Singapore plant obtains ISO 14001 certification. This endorsement was also awarded to five plants and three subsidiaries in Japan, and one subsidiary in Germany during the year.

1999 One plant in Japan and one plant of a subsidiary in England obtain ISO 14001 certification.

(As of June 30, 1999)

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Director

Senior Managing Directors



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Saigusa



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Kainuma



Takayuki
Yamagishi



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Managing Directors



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Masayoshi Yamanaka
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Susumu Fujisawa
Atsushi Matsuoka
Chanchai Leetavorn
Tomeshiro Takeuchi

Corporate Auditors

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Mitsuo Ichikawa
Takeo Achiwa
Toshiro Uchida

(As of June 29, 1999)