

FINANCIAL SECTION

Contents

26	Eleven-Year Summary
28	Management's Discussion and Analysis of Results of Operations and Financial Condition
32	Consolidated Balance Sheets
34	Consolidated Statements of Income
35	Consolidated Statements of Shareholders' Equity
36	Consolidated Statements of Cash Flows
37	Notes to Consolidated Financial Statements
46	Report of Independent Certified Public Accountants

ELEVEN-YEAR SUMMARY

	Millions of yen											Thousands of U.S. dollars (Note 3)
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1999
Statement of Income Data												
Net sales:	¥305,324	¥326,094	¥302,886	¥260,537	¥239,133	¥121,586	¥265,165	¥278,685	¥285,419	¥263,436	¥229,267	\$2,532,758
Bearings	91,691	95,103	89,705	79,722	72,487	30,506	65,763	76,090	80,704	77,781	72,161	760,605
Percentage of net sales	30%	29%	30%	31%	30%	25%	25%	27%	28%	30%	32%	
Electronic devices and components	157,603	180,875	165,118	136,519	115,216	61,504	126,653	124,555	121,001	113,820	98,541	1,307,366
Percentage of net sales	52%	56%	54%	52%	48%	51%	48%	45%	43%	43%	43%	
Machinery components	30,844	32,438	29,578	27,086	25,928	12,923	28,086	28,895	31,327	31,721	29,107	255,861
Percentage of net sales	10%	10%	10%	10%	11%	10%	10%	10%	11%	12%	12%	
Special machinery components and others	25,186	17,678	18,485	17,210	25,502	16,653	44,663	49,145	52,387	40,114	29,458	208,926
Percentage of net sales	8%	5%	6%	7%	11%	14%	17%	18%	18%	15%	13%	
Gross profit	¥ 90,161	¥107,086	¥ 86,487	¥ 75,152	¥ 63,866	¥ 31,753	¥ 69,430	¥ 68,197	¥ 78,032	¥ 79,103	¥ 72,967	\$ 747,914
Percentage of net sales	29.5%	32.8%	28.6%	28.8%	26.7%	26.1%	26.2%	24.5%	27.3%	30.0%	31.8%	
Operating income	38,546	58,811	41,901	34,788	27,283	12,706	23,894	15,826	27,646	32,877	33,690	319,751
Percentage of net sales	12.6%	18.0%	13.8%	13.4%	11.4%	10.4%	9.0%	5.7%	9.7%	12.5%	14.7%	
Net income (loss)	11,507	15,144	8,862	7,354	2,570	591	(61,212)	(13,643)	889	1,458	5,749	95,454
Percentage of net sales	3.7%	4.6%	2.9%	2.8%	1.1%	0.5%	-23.1%	-4.9%	0.3%	0.5%	2.5%	
Balance Sheet Data												
Total assets	¥473,360	¥492,210	¥563,220	¥556,787	¥529,959	¥699,475	¥706,790	¥859,661	¥921,294	¥825,005	¥617,486	\$3,926,669
Current assets	219,826	213,194	264,368	291,143	287,762	457,402	463,902	546,324	610,029	562,441	373,756	1,823,525
Current liabilities	197,071	246,114	322,966	336,106	308,740	414,075	384,190	388,385	454,420	395,083	274,903	1,634,766
Short-term loans payable and current portion of long-term debt	142,828	178,228	254,243	251,983	249,712	328,082	290,144	277,031	321,153	274,817	183,370	1,184,803
Long-term debt	128,223	96,882	109,365	97,129	99,208	161,207	198,773	285,111	260,251	225,246	141,037	1,063,650
Working capital	22,755	(32,920)	(58,598)	(44,963)	(20,978)	43,327	79,712	157,939	155,609	167,358	98,853	188,759
Total shareholders' equity	145,705	141,843	123,831	116,753	113,276	111,623	111,573	168,489	181,921	182,770	183,060	1,208,668
Percentage of total assets	30.8%	28.8%	22.0%	21.0%	21.4%	16.0%	15.8%	19.6%	19.7%	22.2%	29.7%	
Yen												
U.S. dollars (Note 3)												
Per Share Data												
Net income (loss):												
Primary	¥ 28.94	¥ 38.42	¥ 22.76	¥ 18.91	¥ 6.61	¥ 1.52	¥(157.48)	¥(35.11)	¥ 2.29	¥ 3.80	¥ 15.31	\$0.24
Fully diluted	26.32	34.85	21.03	18.68	6.61	1.52	(157.40)	(35.07)	2.31	3.84	15.27	0.22
Shareholders' equity	366.29	357.77	317.46	300.22	291.33	287.13	287.00	433.51	468.43	474.55	480.21	3.04
Cash dividends	7.00	7.00	7.00	7.00	6.00	3.00	—	6.00	11.75	11.75	11.75	0.06
Millions of yen												
Thousands of U.S. dollars (Note 3)												
Other Data												
Return on shareholders' equity	8.0%	11.4%	7.4%	6.4%	2.3%	0.5%	-54.9%	-7.8%	0.5%	0.8%	3.1%	
Return on total assets	2.4%	2.9%	1.6%	1.4%	0.4%	0.1%	-7.8%	-1.5%	0.1%	0.2%	1.0%	
Interest expense	¥12,231	¥16,593	¥19,109	¥17,525	¥17,903	¥ 7,707	¥ 18,159	¥26,456	¥ 31,100	¥ 21,838	¥14,897	\$101,460
Cash flow from operating activities	60,740	83,878	29,546	26,230	52,951	16,594	1,868	17,134	(12,630)	(70,008)	2,846	503,857
Expenditure for purchase of property, plant and equipment	20,563	23,688	50,931	37,434	22,895	8,880	19,452	35,256	61,704	52,838	56,476	170,577
Depreciation and amortization	28,034	29,616	29,277	22,319	18,634	9,269	17,584	24,771	22,316	21,679	22,276	232,551
Number of shares outstanding	397,787,828	396,470,473	390,076,018	388,892,609	388,824,616	388,761,608	388,758,517	388,664,237	388,368,093	385,143,978	381,212,734	
Number of employees	40,482	38,733	37,096	35,978	29,790	27,821	28,311	31,582	33,372	27,825	25,252	

Notes: 1. In fiscal 1995, the Company divested its consumer financing business and sold shares in its consumer financing subsidiary. This sale generated proceeds of ¥109,368 million, which were applied to the repayment of short-term loans payable and long-term debt. As a consequence, finance receivables and liabilities declined.

2. In fiscal 1994, the Company changed its fiscal year-end from September 30 to March 31. Accordingly, fiscal 1994 included only six months of operations, beginning in October 1993 and ending in March 1994, whereas other fiscal years consisted of 12 months.

3. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120.55=US\$1, the approximate rate on March 31, 1999.

4. Net loss in fiscal 1993 includes extraordinary losses totaling ¥59,118 million. As part of our attempt at thorough restructuring to strengthen the corporate structure, the Company withdrew from the semiconductor business in March 1993, resulting in a loss of ¥46,792 million. In order to further strengthen and improve our financial position, the Company changed its method of accounting for marketable securities listed on stock exchanges, resulting in a marketable security revaluation loss of ¥12,326 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

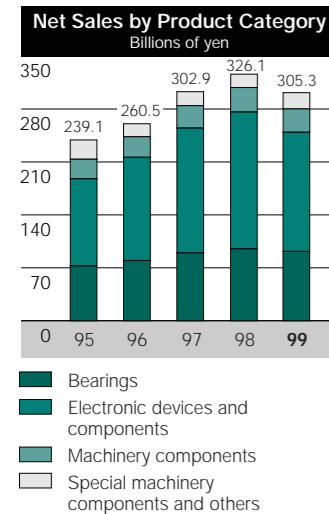
Net Sales

Minebea's consolidated net sales decreased 6.4% in fiscal 1999, to ¥305,324 million. Despite increased demand for miniature and small-sized bearings in the second half, sales were hindered by inventory adjustments by PC manufacturers in the first half. In contrast, demand for rod-end, spherical, roller and journal bearings was firm, primarily from private-sector aerospace companies. As a consequence, sales in the bearings segment edged down 3.6%, to ¥91,691 million.

Electronic devices and components segment sales declined 12.9%, to ¥157,603 million. Orders from household electrical appliance manufacturers sagged. Demand for use in PCs slipped below the previous year's level in the first half of the period but rallied in the second half. Sales were also hindered by falling product prices.

Sales in the machinery components segment amounted to ¥30,844 million, down 4.9%, as lower sales of fasteners and wheels countered a sharp increase in demand for pivot assemblies in the second half.

Owing to firm sales of defense-related special parts and the addition of consolidated subsidiaries with operations in this segment, including furniture import and sales company Actus, sales of special machinery components and others rose 42.5%, to ¥25,186 million.



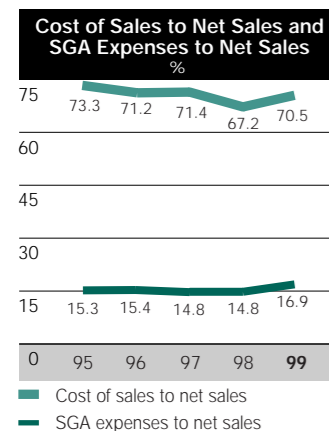
Net Sales by Product Category

Years ended March 31	1999	1998	1997	1996	1995
Bearings	¥ 91,691	¥ 95,103	¥ 89,705	¥ 79,722	¥ 72,487
Electronic devices and components	157,603	180,875	165,118	136,519	115,216
Machinery components	30,844	32,438	29,578	27,086	25,928
Special machinery components and others	25,186	17,678	18,485	17,210	25,502
Net sales	¥305,324	¥326,094	¥302,886	¥260,537	¥239,133

Costs and Expenses

The cost of sales rose owing to reduced demand from key customer industries in the first half and an intensive, short-term production adjustment to reduce inventories, which boosted production costs. Declining prices for electronic devices and components and the rising value of the Thai baht against the U.S. dollar in the second half boosted the cost of sales. As a consequence of these and other factors, the ratio of cost of sales to net sales climbed to 70.5%, from 67.2%.

Despite a change in accounting regulations that resulted in the corporate enterprise tax being shifted to income taxes, selling, general and administrative (SGA) expenses rose 6.9%, to ¥51,615 million, reflecting the addition of good will and the SGA expenses of newly consolidated subsidiary Actus. The ratio of SGA expenses to net sales was 16.9%, up from 14.8% in the previous period.



Costs and Expenses

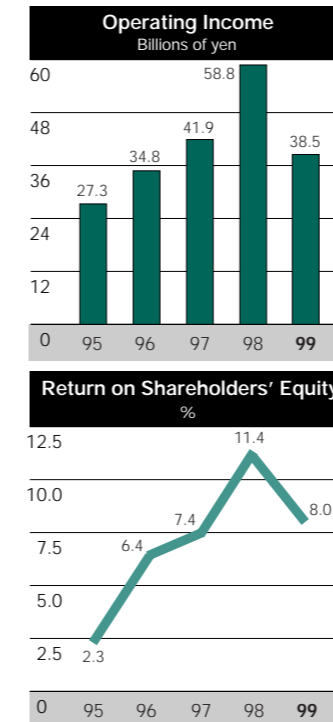
Years ended March 31	1999	1998	1997	1996	1995
Net sales	¥305,324	¥326,094	¥302,886	¥260,537	¥239,133
Cost of sales	215,163	219,008	216,399	185,385	175,267
Cost of sales to net sales	70.5%	67.2%	71.4%	71.2%	73.3%
Gross profit	90,161	107,086	86,487	75,152	63,866
SGA expenses	51,615	48,275	44,586	40,364	36,583
SGA expenses to net sales	16.9%	14.8%	14.8%	15.4%	15.3%

Income

Increases in cost of sales and SGA expenses contributed to a 34.5% decline in operating income, to ¥38,546 million, while the ratio of operating income to net sales fell to 12.6%, from 18.0% in the preceding period. Although these decreases appear significant on paper, they are largely attributable to the addition of consolidated adjustment account charges and an increase in good will and SGA expenses of newly consolidated subsidiary Actus. Calculated in line with fiscal 1998 standards, Minebea's ratio of operating income to net sales in fiscal 1999 would have been 13.9%, in line with the three years preceding fiscal 1998, when an extraordinary factor, namely the devaluation of the Thai baht, boosted net income to 18% of net sales.

Other expenses, a net figure, decreased 43.9%, to ¥20,111 million. Interest expenses declined 26.3%, to ¥12,231 million in fiscal 1999. Losses on revaluation of marketable and investment securities, particularly shares in Japanese banks, and foreign currency exchange losses were both down significantly, the former falling 72.6%, to ¥1,256 million, while the latter plunged 86.1%, to ¥860 million.

Net income fell 24.0%, to ¥11,507 million. Primary net income per share was ¥28.94, a decrease from ¥38.42, while fully diluted net income per share was ¥26.32, compared with ¥34.85 in fiscal 1998. ROE fell to 8.0% from 11.4%, and ROA slipped to 2.4%, from 2.9%. Because total assets were reduced to improve financial leverage, the rate of decline in ROA was lower than that of ROE.



Income

Years ended March 31	1999	1998	1997	1996	1995
Operating income	¥38,546	¥58,811	¥41,901	¥34,788	¥27,283
Operating income to net sales	12.6%	18.0%	13.8%	13.4%	11.4%
Other expenses (income), net	20,111	35,876	27,045	24,543	20,937
Net income	11,507	15,144	8,862	7,354	2,570
Net income to net sales	3.7%	4.6%	2.9%	2.8%	1.1%
Net income per share (Yen):					
Primary	28.94	38.42	22.76	18.91	6.61
Fully diluted	26.32	34.85	21.03	18.68	6.61
Return on shareholders' equity	8.0%	11.4%	7.4%	6.4%	2.3%
Return on total assets	2.4%	2.9%	1.6%	1.4%	0.4%

Analysis of Financial Position and Cash Flows

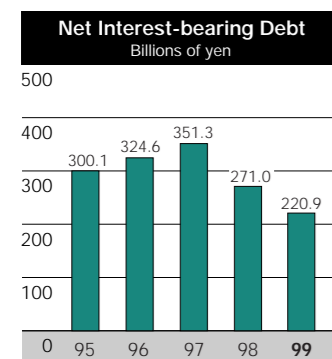
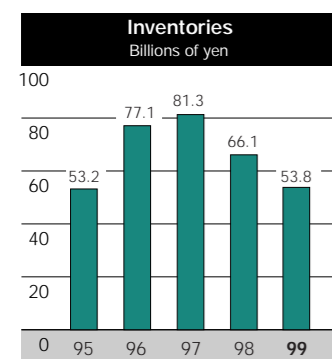
Financial Position

Total assets of Minebea amounted to ¥473,360 million at the end of fiscal 1999, a decline of ¥18,850 million from March 31, 1998. During the period under review, the Company continued to focus on reducing debt. Efforts to reduce assets lowered notes and accounts receivable 17.2%, to ¥89,049 million, while inventories were reduced 18.6%, to ¥53,816 million.

In light of financial system instability in Japan, the Company increased cash and cash equivalents to ¥50,187 million, from ¥4,140 million a year earlier. Interest-bearing debt at the end of fiscal 1999 was ¥271,051, a decline of ¥4,059 million from the end of fiscal 1998. Net interest-bearing debt, excluding that applied to cash and cash equivalents, amounted to ¥220,864 million, down significantly from ¥270,970 a year earlier.

Total shareholders' equity advanced ¥3,862 million, to ¥145,705 million, reflecting an increase in undistributed profits. As a consequence, the equity ratio rose to 30.8%, from 28.8% in fiscal 1998.

To take advantage of low interest rates, in August and November Minebea issued ¥15,000 million and ¥10,000 million worth of unsecured bonds, respectively, in the domestic market and borrowed a long-term loan of ¥10,083 million from the Export-Import Bank of Japan and others.



Financial Position

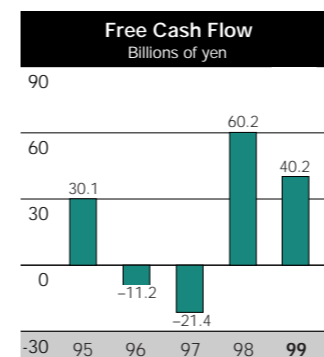
As of March 31	Millions of yen				
	1999	1998	1997	1996	1995
Total assets	¥473,360	¥492,210	¥563,220	¥556,787	¥529,959
Current assets	219,826	213,194	264,368	291,143	287,762
Inventories	53,816	66,074	81,293	77,146	53,227
Current liabilities	197,071	246,114	322,966	336,106	308,740
Working capital	22,755	(32,920)	(58,598)	(44,963)	(20,978)
Interest-bearing debt	271,051	275,110	363,608	349,112	348,920
Net interest-bearing debt	220,864	270,970	351,259	324,615	300,101
Total shareholders' equity	145,705	141,843	123,831	116,753	113,276
Shareholders' equity/total assets	30.8%	28.8%	22.0%	21.0%	21.4%
Shareholders' equity per share (Yen)	366.29	357.77	317.46	300.22	291.33

Note: In fiscal 1995, the Company divested its consumer financing business and sold shares in its consumer financing subsidiary. This sale generated proceeds of ¥109,368 million, which were applied to the repayment of short-term loans payable and long-term debt. As a consequence, finance receivables and liabilities declined.

Cash Flows

During the period under review, Minebea continued to focus on paring its assets and curtailing liabilities by minimizing expenditures for purchase of property, plant and equipment. Despite posting a decline in net income, efforts to accelerate the collection of notes and accounts receivable and curtail inventories resulted in a net cash inflow of ¥60,740 million from the Company's operating activities.

Expenditures for purchase of property, plant and equipment amounted to ¥20,563 million, well below depreciation and amortization, which totaled ¥28,034 million. As a consequence, Minebea generated a positive free cash flow (net cash provided by operating activities minus expenditures for purchase of property, plant and equipment) of ¥40,177 in fiscal 1999, the second consecutive year the Company has achieved a substantial positive net result.



In another move aimed at strengthening free cash flow, in April 1999 the Company introduced monthly free cash flow monitoring in each of the Minebea Group's eight business units.

To cope with the ongoing instability of Japan's financial system, Minebea maintained relevant reserves in the form of cash and cash equivalents, contributing to a significant increase in cash and cash equivalents at year-end.

Cash Flows from Operating Activities

Years ended March 31	Millions of yen				
	1999	1998	1997	1996	1995
Net income	¥ 11,507	¥ 15,144	¥ 8,862	¥ 7,354	¥ 2,570
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	28,034	29,616	29,277	22,319	18,634
Losses on revaluation of marketable and investment securities	1,256	4,577	3,408	36	3,671
Losses on disposals of inventories and real estate for resale	1,572	751	1,728	571	605
Losses on sales and disposals of property, plant and equipment	316	2,130	58	1,343	177
Losses on liquidation of subsidiaries and affiliates	—	—	147	4,290	988
Equity in (income) losses of nonconsolidated subsidiaries and affiliates	(14)	167	(130)	646	797
Allowance for doubtful receivables	(183)	—	—	—	—
(Increase) decrease in notes and accounts receivable	19,170	16,571	5,384	(6,779)	48,486
(Increase) decrease in inventories	13,253	15,219	(4,147)	(23,919)	3,597
(Increase) decrease in prepaid expenses and other current assets	4,880	442	(197)	(2,711)	1,720
Increase (decrease) in notes and accounts payable	(14,208)	(1,104)	(17,078)	20,681	(12,063)
Increase (decrease) in income taxes payable	549	(1,108)	1,750	951	579
Increase (decrease) in accrued expenses and other current liabilities	(1,428)	1,375	(72)	3,464	(15,481)
Increase (decrease) in minority interests in consolidated subsidiaries	(3,964)	98	556	(2,016)	(2,622)
Total adjustments	49,233	68,734	20,684	18,876	50,381
Net cash provided by operating activities	¥ 60,740	¥ 83,878	¥ 29,546	¥ 26,230	¥ 52,951

Free Cash Flow

Years ended March 31	Millions of yen				
	1999	1998	1997	1996	1995
Net cash provided by operating activities	¥ 60,740	¥ 83,878	¥ 29,546	¥ 26,230	¥ 52,951
Expenditure for purchase of property, plant and equipment	(20,563)	(23,688)	(50,931)	(37,434)	(22,895)
Free cash flow	¥ 40,177	¥ 60,190	¥ (21,385)	¥ (11,204)	¥ 30,056