

A MESSAGE TO SHAREHOLDERS

The Year in Review

Fiscal 2001, ended March 31, 2001, was a year of progress for Minebea as we focused on reinforcing core operations and adding more value to products in these areas and on selectively enhancing our business portfolio. At the same time, we continued to make active investments aimed at growing promising businesses.

We benefited from brisk sales of ball bearings, small motors and other core products. Nonetheless, flagging orders and a drop in prices for switching power supplies, speakers and fasteners, together with the negative impact of foreign exchange fluctuations—estimated at ¥10,766 million—held consolidated net sales to ¥287,045 million, an increase of 0.8% from the previous period. In contrast, consolidated operating income rose 6.1%, to ¥32,977 million, as higher production volume and efforts to reduce costs for ball bearings, small motors and other products countered the impact of negative foreign exchange fluctuations—estimated at ¥2,000 million. Consolidated net income amounted to ¥14,826 million as income generated by the transfer of our holding in subsidiary Actus Corporation counterbalanced expenses associated with our decision to withdraw from the wheel business and the liquidation of several loss-making subsidiaries and affiliates.

During the period, we took decisive steps to lower interest-bearing debt. At the same time, however, we invested heavily to expand production capacity in core businesses and to begin manufacturing new products. Expenditure for purchase of property, plant and equipment totaled ¥39,877 million, approximately double the investment in the previous period. As a consequence, free cash flow decreased 103.6%, to ¥(1,536) million.

I am pleased to report that results for the period were largely in line with the forecasts contained in our current three-year management plan, launched in fiscal

2000. We achieved these results despite dramatic changes in our operating environment since January 2001 and significant foreign exchange fluctuations.

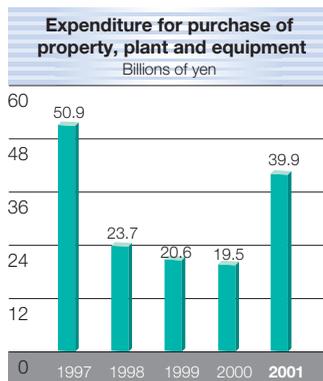
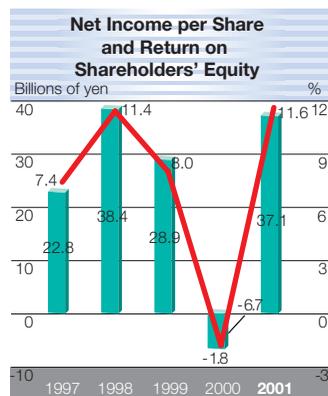
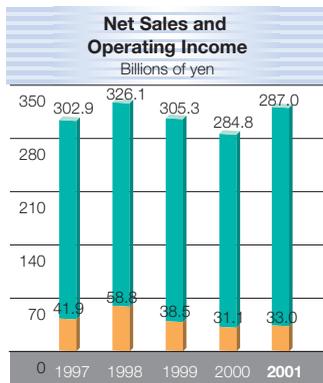
Management Strategies

Three Basic Management Directions

We have set three basic management directions that will guide our efforts to build Minebea into a high-growth, highly profitable company.

First, we will expand production capacity for our highly profitable mainstay bearings and bearing-related products. Second, we will build our operations in the area of precision small motors and other rotary components until they are similar in scale to our bearing operations. Third, we will increase the ratio of high-value-added products in core product categories.

In the half-century since its establishment in 1951 as Japan's first specialized manufacturer of miniature ball bearings, Minebea has cultivated ultraprecision machining and mass-production technologies as it has built up its bearing operations. These technologies have given us our most important advantage, the one that distinguishes us from our competitors. Today, our ultraprecision machining technologies are used not only for ball bearings but also for small motors and other core products. These technologies have facilitated the implementation of our vertically integrated manufacturing system, which encompasses all processes—from engineering and development to the manufacture of molds and components to final assembly and testing—thereby enabling us to ensure a stable, high level of quality for our mass-produced components. (We invite you to learn more about this system in the special feature of this year's annual report.)



The effectiveness of measures implemented in line with our three-year management plan to advance these technologies is borne out by the fact that we have achieved results largely equal to the forecasts contained in our current three-year management plan.

Selective Focusing of Resources

To reinforce the foundation from which we are pursuing the three management directions I have outlined, we implemented a number of key restructuring measures during the period under review.

First, we completed our withdrawal from the consumer business—in which we have been involved fully since 1993—by transferring our holding in subsidiary Actus, a furniture and interior decor product sales company, to a third party. Second, we reviewed loss-making operations with minimal growth potential and, as a result, made the decision to withdraw from the wheel business and reorganize our speaker business and related subsidiaries. Third, we dissolved our exclusive sales agent agreement with Keiaisha NMB Co., Ltd., which previously handled all domestic sales of Minebea products. This decision was prompted by a desire to improve the efficiency of domestic marketing by integrating manufacturing and reorganizing Our sales structure.

We will continue to be selective and focus our resources in key businesses in fiscal 2002. As of June 2001, three key restructuring initiatives are in progress, and we will continue to rationalize and review the business plans of loss-making and low-growth businesses.

The first restructuring initiative entails scaling back and integrating our switching power supply development and manufacturing operations in North America and development operations in Europe. The second initiative comprises a fundamental reforming of personnel and organizational structures and a review of the product lineup in our fastener business. The third initiative involves shifting our speaker box assembly operations from Taiwan to Malaysia—a major center for global audio equipment producers—and implementing a stringent review of our product lineup.

Product Strategies

In line with the directions outlined in our three-year management plan, we have invested heavily in two core product categories, notably bearings and bearing-related products and small motors. At the same time, we have focused on developing promising new products and cultivating new markets.

Bearings and Bearing-Related Products

In fiscal 2001, shipments of ball bearings to outside customers climbed approximately 10% from the previous period, with gains particularly high in Asia (excluding Japan). Shipments for internal use also expanded sharply, spurred by increased output of several key products, including fan motors and pivot assemblies.

In response to soaring demand, we have taken steps in recent years to expand our ball bearing production capacity. As of December 2000, we had established a global monthly capacity of 150 million pieces, in accordance with stated plans, up from 120 million pieces as of October 1999. By March of this year, actual production



RO bearings



Fluid dynamic bearings

RO bearings and fluid dynamic bearings are described in detail on page 15, in Performance by Industry Category.

had caught up to capacity. We have also focused on improving the precision of such key products as RO bearings. At the same time, we have commenced mass production of fluid dynamic bearings, a crucial product for the future. We are the only bearing manufacturer in the world to manufacture both ball bearings and fluid dynamic bearings, a distinction that positions us well to respond effectively to the increasingly diverse demands of principal bearing customers, namely small motor manufacturers, and sets us apart from our competitors.

Small Motors

Our small motor operations date back more than 30 years and encompass fan motors, stepping motors, hard disk drive (HDD) spindle motors and other products that fully maximize our ultraprecision machining and mass-production technologies. We manufacture most of the parts used in these motors in-house, including the bearings (ball bearings or fluid dynamic bearings), shafts, housings, lead screws and magnets, giving us a considerable advantage in terms of quality, supply capabilities, lead time and manufacturing costs.

In the period under review, we recorded a sharp increase in sales of HDD spindle motors. Sales of fan motors, stepping motors and other key products in this category were also solid. We are taking steps to expand our production capabilities in anticipation of further increases in demand and, in March 2001, completed a new production facility for HDD spindle motors in Thailand. In August, we are scheduled to complete a new fan motor facility in the People's Republic of China (PRC). Demand for our HDD spindle motors is growing in response to the forthcoming launch of high-value-added models containing our RO bearings.

In addition to enhancing production capacity for these motors, we have commenced mass production of HDD spindle motors that incorporate fluid dynamic bearings, positioning us to respond to emerging needs for both types of motor and further reinforcing our competitiveness in this crucial market.

Automotive Components

In the automotive industry, demand continues to increase for improvements in energy consumption, safety and comfort. Accordingly, demand is also rising for high-performance motors and sensors for advanced control systems. This sector enables us to maximize our motor development capabilities, centered at German subsidiary Precision-Motors-Deutsche-Minebea-GmbH (PMDM); the development and engineering expertise we have accumulated as a manufacturer of resolvers, clutches and other components for aerospace and defense equipment; and, certainly, our ultraprecision machining and mass-production technologies. We view rotary components for automobiles as a business that offers outstanding medium-to long-term growth potential and will actively cultivate new demand for these products.

We already supply motors for electrical power steering systems, dashboard units and headlight actuators to leading European automakers. Domestic automakers are also showing considerable interest in these offerings. As well, we continue to work to develop new products, including motors for antilock brake systems (ABSs) and electric brake systems, and bring them to market.

In November 2000, we began sample shipments of variable reluctance (VR) resolvers with resolver-to-digital (RD) converters. Automakers in Japan, Europe and the United States have expressed strong interest in these units.



VR resolver with RD converter



New fluid dynamic bearing and HDD spindle motor plant in Thailand

VR resolvers with RD converters and our new fluid dynamic bearing and HDD spindle motor plant in Thailand are described in detail on page 17, in Performance by Industry Category.

Outlook for Fiscal 2002

Our three-year management plan, announced in fiscal 2000, contains the following forecasts:

Millions of yen

	2001		2002		2003
	Initial Target	Actual	Initial Target	New Target	Initial Target
Net sales	¥290,000	¥287,045	¥332,000	¥300,000	¥373,000
Operating income	33,000	32,977	39,000	33,000	47,000
Net income	15,000	14,826	20,000	15,000	27,000
Expenditure for purchase of property, plant and equipment	31,300	39,877	32,000	25,700	32,000

We currently forecast net sales of ¥300 billion, operating income of ¥33 billion and net income of ¥15 billion for fiscal 2002. While all figures represent slight increases, they are closer to the fiscal 2001 targets contained in our three-year management plan and fall short of the targets for fiscal 2002. These forecasts reflect several key factors.

First, we have accounted for slow-downs in the global economy and the market for information and telecommunications equipment since January 2001. Second, we now do not expect our switching power supply business to break even until fiscal 2003 or later, contrary to our initial projection that this would happen in fiscal 2002. Third, we now anticipate sales and operating income for speakers and fasteners will fall significantly below initial expectations. Finally, the sale of Actus will eliminate approximately ¥13,300 million from net sales and ¥800 million from operating income in fiscal 2002.

A High-Growth, Highly Profitable Company

We expect the second year of our management plan to be essentially a repeat of the first in terms of sales and profit



Tsugio Yamamoto
President and Representative Director

performance. I stress, however, that the reasons for this represent the outcome of measures, implemented in line with our management plan's three basic management directions, to selectively concentrate resources in key areas and maximize our ultraprecision machining and mass-production technologies. We will continue to use such measures to ensure achievement of the plan's goals and further growth for Minebea in the future.

I thank our shareholders for their support to date. I look forward to responding to your expectations in the years ahead by building Minebea into a high-growth, highly profitable company and ask for your continued endorsement of our efforts.

June 28, 2001

Tsugio Yamamoto
President and Representative Director