Consolidated Balance Sheets

As of March 31, 2003 and 2002

Assets	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 3) 2003
Current Assets:			
Cash and cash equivalents (Note 2-c)	¥ 14,177	¥ 13,952	$ 117,945
Notes and accounts receivable (Notes 2-d and 4):			
Trade	54,085	51,281	449,958
Other	2,279	2,636	18,960
	56,364	53,917	468,918
Allowance for doubtful receivables (Note 2-d)	(469)	(501)	(3,902)
Total notes and accounts receivable	55,895	53,416	465,016
Inventories (Note 2-e)	43,204	49,887	359,434
Deferred tax assets (Note 6)	8,593	6,521	71,489
Prepaid expenses and other current assets	5,578	7,772	46,406
Total current assets	127,447	131,548	1,060,290
Property, Plant and Equipment (Note 2-f):			
Land	16,711	17,411	139,027
Buildings and structures	97,395	102,511	810,275
Machinery and/or transportation equipment	238,892	257,486	1,987,454
Construction in progress	438	1,351	3,644
	353,436	378,759	2,940,400
Accumulated depreciation	(190,476)	(195,321)	(1,584,659)
Net property, plant and equipment	162,960	183,438	1,355,741
Investments and Other Assets:			
Excess of cost over net assets acquired (Note 2-i)	12,837	14,595	106,797
Investments in affiliates (Notes 2-g and 4)	216	206	1,797
Investments in securities (Note 2-g)	3,766	5,524	31,331
Long-term loans receivable	188	269	1,564
Deferred tax assets (Note 6)	9,494	11,143	78,985
Other (Note 2-d)	3,644	3,537	30,316
	30,145	35,274	250,790
Allowance for doubtful receivables (Note 2-d)	(483)	(223)	(4,018)
Net investments and other assets	29,662	35,051	246,772
Total Assets	¥ 320,069	¥ 350,037	$ 2,662,803

The accompanying notes to consolidated financial statements are an integral part of these statements.

Liabilities and Shareholders' Equity	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars (Note 3) 2003
Current Liabilities:			
Short-term loans payable (Note 5)	¥ 70,475	¥ 61,618	$ 586,314
Current portion of long-term debt (Note 5)	10,787	41,843	89,742
Notes and accounts payable (Note 4):			
Trade	24,025	26,115	199,875
Other	4,609	4,672	38,344
Total notes and accounts payable	28,634	30,787	238,219
Income taxes payable (Note 6)	2,662	4,162	22,146
Accrued expenses and other current liabilities	21,901	18,498	182,205
Total current liabilities	134,459	156,908	1,118,626
Long-Term Liabilities:			
Long-term debt (Note 5)	85,862	79,212	714,326
Other (Note 2-h)	1,266	1,089	10,532
Total long-term liabilities	87,128	80,301	724,858
Minority Interests in Consolidated Subsidiaries	269	96	2,238
Shareholders' Equity (Note 7):			
Common stock			
Authorized 1,000,000,000 shares			
Issued:			
March 31, 2003—399,167,695 shares			
March 31, 2002—399,167,695 shares	68,259	68,259	567,879
Capital reserve	94,757	94,757	788,328
Retained earnings	(454)	4,774	(3,777)
Difference on revaluation of other marketable securities	(37)	(1,719)	(308)
Foreign currency translation adjustments	(64,274)	(53,333)	(534,725)
	98,251	112,738	817,397
Treasury stock	(38)	(6)	(316)
Total shareholders' equity	98,213	112,732	817,081
Contingent Liabilities (Notes 9 and 10)			
Total Liabilities and Shareholders' Equity	¥320,069	¥350,037	$2,662,803

Consolidated Statements of Income

Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	**2003**
Net Sales (Note 4)	**¥272,202**	¥279,344	¥287,045	**$2,264,576**
Cost of Sales (Note 4)	**203,500**	206,061	202,928	**1,693,012**
Gross profit	**68,702**	73,283	84,117	**571,564**
Selling, General and Administrative Expenses (Note 2-i)	**49,350**	51,311	51,140	**410,566**
Operating income	**19,352**	21,972	32,977	**160,998**
Other Income (Expenses):				
Interest income	**243**	586	360	**2,022**
Equity in income (loss) of nonconsolidated subsidiaries and affiliates	**10**	(21)	4	**83**
Interest expense	**(4,765)**	(5,673)	(7,553)	**(39,642)**
Gains (losses) on sales of marketable securities, investment securities and investment securities in affiliates	**3**	(6)	5,215	**25**
Losses on revaluation of marketable and investment securities	**(4,945)**	(1,466)	—	**(41,140)**
Foreign currency exchange losses (Note 2-b)	**(506)**	(827)	(732)	**(4,210)**
Losses on disposals of inventories	**—**	(1,125)	(1,846)	**—**
Losses on sales and disposals of property, plant and equipment	**(712)**	(612)	(340)	**(5,924)**
Losses on liquidation of subsidiaries and affiliates	**(1,843)**	(937)	(1,943)	**(15,333)**
Losses on liquidation of switching power supplies and related businesses	**(3,144)**	—	—	**(26,156)**
Environment-related expenses incurred by U.S. subsidiaries	**(1,206)**	—	—	**(10,033)**
Other, net	**(1,992)**	1,058	(3,755)	**(16,572)**
	(18,857)	(9,023)	(10,590)	**(156,880)**
Income before Income Taxes	**495**	12,949	22,387	**4,118**
Income Taxes (Note 6):				
Current	**4,276**	4,919	4,160	**35,574**
Deferred (benefit)	**(1,370)**	2,711	3,296	**(11,398)**
	2,906	7,630	7,456	**24,176**
Minority Interests in Earnings of Consolidated Subsidiaries	**23**	21	105	**192**
Net Income (Loss)	**¥ (2,434)**	¥ 5,298	¥ 14,826	**$ (20,250)**

	Yen			U.S. dollars (Note 3)
Per Share Data (Note 8):				
Net income (loss):				
Primary	**¥(6.10)**	¥13.27	¥37.14	**$(0.05)**
Fully diluted	**(4.85)**	12.60	34.10	**(0.04)**
Cash dividends applicable to the year	**7.00**	7.00	7.00	**0.06**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2003, 2002 and 2001

Millions of yen

	Number of Shares of Common Stock	Common Stock	Capital Reserve	Legal Reserve (Note 7)	Retained Earnings (Note 7)	Difference on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance at March 31, 2000	399,150,527	¥68,251	¥94,749	¥ —	¥ (8,641)	¥ —	¥ —	¥ (2)
Net income	—	—	—	—	14,826	—	—	—
Cash dividends	—	—	—	—	(2,794)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(122)	—	—	—
Transfer to legal reserve	—	—	—	292	(292)	—	—	—
Common stock issued on conversion of convertible bonds	17,168	8	8	—	—	—	—	—
Prior year tax effect adjustment	—	—	—	—	—	—	—	—
Other	—	—	—	(292)	326	(953)	(64,791)	1
Balance at March 31, 2001	399,167,695	68,259	94,757	—	3,303	(953)	(64,791)	(1)
Net income	—	—	—	—	5,298	—	—	—
Cash dividends	—	—	—	—	(2,794)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(66)	—	—	—
Transfer to legal reserve	—	—	—	—	—	—	—	—
Common stock issued on conversion of convertible bonds	—	—	—	—	—	—	—	—
Prior year tax effect adjustment	—	—	—	—	—	—	—	—
Other	—	—	—	—	(967)	(766)	11,458	(5)
Balance at March 31, 2002	**399,167,695**	**68,259**	**94,757**	**—**	**4,774**	**(1,719)**	**(53,333)**	**(6)**
Net income (loss)	**—**	**—**	**—**	**—**	**(2,434)**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**—**	**(2,794)**	**—**	**—**	**—**
Bonuses to directors and corporate auditors	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfer to legal reserve	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Common stock issued on conversion of convertible bonds	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Prior year tax effect adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**1,682**	**(10,941)**	**(32)**
Balance at March 31, 2003	**399,167,695**	**¥68,259**	**¥94,757**	**¥ —**	**¥ (454)**	**¥ (37)**	**¥(64,274)**	**¥(38)**

Thousands of U.S. dollars (Note 3)

	Number of Shares of Common Stock	Common Stock	Capital Reserve	Legal Reserve (Note 7)	Retained Earnings (Note 7)	Difference on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance at March 31, 2002	**399,167,695**	**$567,879**	**$788,328**	**$ —**	**$ 39,717**	**$(14,301)**	**$(443,702)**	**$ (50)**
Net income (loss)	**—**	**—**	**—**	**—**	**(20,250)**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**—**	**(23,244)**	**—**	**—**	**—**
Bonuses to directors and corporate auditors	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfer to legal reserve	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Common stock issued on conversion of convertible bonds	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Prior year tax effect adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**13,993**	**(91,023)**	**(266)**
Balance at March 31, 2003	**399,167,695**	**$567,879**	**$788,328**	**$ —**	**$ (3,777)**	**$ (308)**	**$(534,725)**	**$(316)**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	**2003**
Cash Flows from Operating Activities:				
Income before income taxes	**¥ 495**	¥ 12,949	¥ 22,387	**$ 4,118**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	**22,826**	24,385	22,149	**189,900**
Adjustment for consolidation	**1,189**	1,192	1,533	**9,892**
Interest and dividend income	**(292)**	(630)	(444)	**(2,429)**
Interest expense	**4,765**	5,673	7,553	**39,642**
Losses on sales and disposals of property, plant and equipment	**678**	365	234	**5,641**
Losses on liquidation of affiliates	**1,843**	937	1,943	**15,333**
(Increase) decrease in notes and accounts receivable	**(4,070)**	5,691	1,941	**(33,860)**
(Increase) decrease in inventories	**3,972**	5,711	(3,660)	**33,045**
Decrease in notes and accounts payable	**(1,585)**	(4,660)	(4,808)	**(13,186)**
Other adjustments	**11,732**	(8,609)	1,469	**97,603**
Total adjustments	**41,553**	43,004	50,297	**345,699**
Interest and dividends received	**266**	598	444	**2,213**
Accrued interest	**(5,087)**	(4,597)	(7,587)	**(42,321)**
Income tax payable	**(4,453)**	(4,988)	(3,621)	**(37,047)**
Other, net	**—**	—	(1,201)	**—**
Net cash provided by operating activities	**32,279**	34,017	38,332	**268,544**
Cash Flows from Investing Activities:				
Expenditure for purchase of property, plant and equipment	**(16,382)**	(26,245)	(39,877)	**(136,290)**
Proceeds from sales of property, plant and equipment	**662**	1,409	631	**5,507**
Expenditure for purchase of shares in subsidiaries	**—**	(53)	—	**—**
Proceeds from sales of shares in subsidiaries	**—**	0	5,215	**—**
Increase (decrease) in investments and advances	**78**	(19)	992	**649**
Other, net	**(591)**	562	(60)	**(4,916)**
Net cash used in investing activities	**(16,233)**	(24,346)	(33,099)	**(135,050)**
Cash Flows from Financing Activities:				
Repayment of long-term debt	**(12,663)**	(5,326)	(18,189)	**(105,349)**
Cash dividends paid	**(2,794)**	(2,794)	(2,794)	**(23,245)**
Cash dividends paid to minority shareholders	**—**	(31)	(27)	**—**
Other, net	**(14)**	(166)	3,872	**(116)**
Net cash used in financing activities	**(15,471)**	(8,317)	(17,138)	**(128,710)**
Effect of Exchange Rate Changes	**(350)**	668	(597)	**(2,912)**
Net increase (decrease) in cash and cash equivalents	**225**	2,022	(12,502)	**1,872**
Cash and Cash Equivalents at Beginning of Year	**13,952**	11,930	24,432	**116,073**
Cash and Cash Equivalents at End of Year	**¥ 14,177**	¥ 13,952	¥ 11,930	**$ 117,945**

The accompanying notes to consolidated financial statements are an integral part of these statements.

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Minebea Co., Ltd. (the "Company"), and its consolidated domestic and overseas subsidiaries are stated in Japanese yen, the accounts of which are maintained in accordance with generally accepted accounting principles in the respective countries and audited by independent auditors in those countries.

The accompanying consolidated financial statements have been prepared from the consolidated financial statements filed with the Ministry of Finance in Japan as required by the Securities and Exchange Law of Japan, in accordance with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. For the purpose of this annual report, certain reclassifications have been made and additional information provided to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant inter-company balances, intercompany transactions and unrealized profits have been eliminated in consolidation.

b) Translation of foreign currencies

Monetary assets and liabilities denominated in overseas currencies are translated into yen at the exchange rates prevailing at the balance sheet date, except for certain accounts that were hedged by forward exchange contracts. The resulting exchange losses and gains are charged or credited to income.

Financial statement items of consolidated overseas subsidiaries are translated into yen as follows:

Balance sheet items	Translated at the rates of exchange prevailing at the balance sheet date
Statement of income items	Translated at the average rate of exchange during the fiscal period

c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be "cash equivalents."

d) Allowance for doubtful receivables

With respect to the Company and its consolidated domestic subsidiaries, an allowance for doubtful receivables is determined by adding the estimated uncollectible amounts to an amount calculated using a set provision rate. Such allowance of consolidated overseas subsidiaries is generally provided for in the amount required for known uncollectible receivables.

Allowance for doubtful receivables applicable to consolidated subsidiary receivables is eliminated on consolidation on the balances of the allowance as of 2003 and March 31, 2002, were sufficient to cover the estimated uncollectible receivables.

e) Inventories

Inventories of the Company and its consolidated domestic subsidiaries are stated primarily at the moving average cost, and those of its consolidated foreign subsidiaries are stated at the lower of first-in, first-out cost or market, or at the lower of moving average cost or market.

Inventories as of March 31, 2003 and 2002, comprised the following:

	Millions of yen		*Thousands of U.S. dollars*
	2003	2002	**2003**
Merchandise and finished goods	**¥21,740**	¥24,339	**$180,865**
Work in process	**9,688**	11,601	**80,599**
Raw materials	**8,843**	10,489	**73,569**
Supplies	**2,933**	3,458	**24,401**
	¥43,204	¥49,887	**$359,434**

f) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation of plant and equipment of the Company and its consolidated domestic subsidiaries is computed on the declining balance method based upon the estimated useful lives of the assets, whereas depreciation of plant and equipment of consolidated foreign subsidiaries is computed primarily on the straight-line method based upon the estimated lives of the assets. Maintenance and normal repair expenses are charged against income as incurred, while major renewals and improvements are capitalized.

g) Investments in securities

Investments in securities consist of equity securities of listed and unlisted companies. Securities held by the Company or its subsidiaries with quoted market values are stated at the lower of cost or market, based on the market closing price on March 31, 2003. Resulting valuation gains and losses are included, after the application of tax accounting, in shareholders' equity in the consolidated balance sheets. Those stocks with no quoted market value are stated at cost by the moving average method.

The aggregate cost and market value of securities held by the Company and its consolidated domestic subsidiaries as of March 31, 2003, were as follows:

	Millions of yen
Aggregate cost:	
Current	**¥ —**
Noncurrent	**2,723**
	¥2,723
Aggregate market value:	
Current	**¥ —**
Noncurrent	**2,660**
	¥2,660

h) Accounting for retirement benefits

On April 1, 2000, the Company and its consolidated subsidiaries adopted new accounting standards for retirement benefits. To facilitate the payment of retirement benefits to employees, the Company makes provisions based on the estimated total benefit payments and pension plan assets as of March 31, 2003. The adoption of new accounting standards generated a shortfall in provisions of ¥3,134 million, which will be written off over five years and included as an extraordinary expense in other income (expenses).

Actuarial gains/losses are amortized using the straight-line method over the average remaining service period of employees (5–15 years), from the period subsequent to the period which they are incurred.

Certain of the Company's overseas subsidiaries provide for retirement allowances for employees using defined-benefit pension plans.

i) Excess of cost over net assets acquired

Excess of cost over net assets acquired for business acquisitions was amortized, amounting to ¥1,189 million in fiscal 2003 and ¥1,192 million in fiscal 2002, respectively, on a straight-line basis over a period ranging from five to 40 years.

j) Reclassifications

Certain amounts in the shareholders' equity section of prior years' balance sheets have been reclassified to conform with the fiscal 2003 presentation.

3. Translation into U.S. Dollars

The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have also been translated into U.S. dollar amounts at the rate of ¥120.20=US$1, the approximate rate of exchange on March 31, 2003. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars.

4. Investments in Affiliates

Summarized financial information for all affiliates as of March 31, 2003 and 2002, and for the years then ended, is as follows:

	Millions of yen		*Thousands of U.S. dollars*
Financial Position	**2003**	2002	**2003**
Assets:			
Current assets	**¥ 664**	¥ 726	**$5,524**
Other assets, including property, plant and equipment	**483**	157	**4,018**
	¥1,147	¥ 883	**$9,542**
Liabilities and shareholders' equity:			
Current liabilities	**¥ 294**	¥ 254	**$2,446**
Long-term liabilities	**205**	11	**1,705**
Shareholders' equity	**648**	618	**5,391**
	¥1,147	¥ 883	**$9,542**

Operations	Millions of yen 2003	2002	Thousands of U.S. dollars 2003
Net sales	**¥1,052**	¥1,903	**$8,752**
Cost and expenses	**1,019**	1,922	**8,478**
Net income (loss)	**¥ 33**	¥ (19)	**$ 274**

Summarized below are the significant transactions of the Company and its consolidated subsidiaries with affiliates for the years ended March 31, 2003 and 2002, and the related account balances as of March 31, 2003 and 2002:

	Millions of yen 2003	2002	Thousands of U.S. dollars 2003
Transactions:			
Sales	**¥276**	¥239	**$2,296**
Purchases	**0**	2	**3**
Account balances:			
Notes and accounts receivable	**53**	25	**441**
Notes and accounts payable	**—**	1	**—**

5. Short-Term Loans and Long-Term Debt

Short-term loans outstanding consist of notes payable to banks and commercial paper, principally due in 30 to 180 days. The average annual interest rates for short-term loans were 1.6% and 2.8% for the years ended March 31, 2003 and 2002, respectively. The rate for commercial paper was 0.07%.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2003, are as follows:

	Millions of yen	Thousands of U.S. dollars
2004	**¥10,787**	**$ 89,742**
2005	**44,574**	**370,832**
2006	**5,288**	**43,993**
2007	**8,000**	**66,556**
2008 and thereafter	**28,000**	**232,945**

The following is a summary of terms of conversion and redemption of convertible bonds and exercise of warrants:

	Exercise or conversion price per share of common stock as of March 31, 2003	*Exchange rate applicable upon conversion*	*Exercise of warrants or redemption at the option of the Company*
0.65% unsecured convertible bonds payable in Japanese yen due 2005	¥ 972.00	—	On or after April 1, 2002, at 103% to 100% of principal amount
1.55% unsecured bonds with warrants payable in Japanese yen due 2005	¥1,350.00	—	Exercisable into common stock between May 20, 2003 and September 30, 2005

Note: Exercise or conversion prices are subject to adjustments in certain events such as stock dividends, free share distributions and combinations or reclassifications of the common stock. If all outstanding bonds, notes and warrants were converted or exercised as of March 31, 2003, 30,820,369 shares of common stock would have been issued.

Long-term debt as of March 31, 2003 and 2002, consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2003	2002	**2003**
0.8% unsecured convertible bonds payable in Japanese yen due 2003	**¥ —**	¥ 13,823	**$ —**
0.65% unsecured convertible bonds payable in Japanese yen due 2005	**27,080**	27,080	**225,291**
2.85% unsecured bonds payable in Japanese yen due 2005	**10,000**	10,000	**83,195**
3.0% unsecured bonds payable in Japanese yen due 2008	**15,000**	15,000	**124,792**
2.0% unsecured bonds payable in Japanese yen due 2003	**10,000**	10,000	**83,195**
0.655% unsecured bonds payable in Japanese yen due 2007	**3,000**	—	**24,958**
1.55% unsecured bonds with warrants payable in Japanese yen due 2005	**4,000**	4,000	**33,278**
0.4% to 7.6% loans from banks, other	**27,569**	41,152	**229,359**
	96,649	121,055	**804,068**
Less current portion	**10,787**	41,843	**89,742**
	¥85,862	¥ 79,212	**$714,326**

6. Income Taxes

The Company and its consolidated domestic subsidiaries are subject to a number of different taxes based on income, which in the aggregate indicate an effective statutory rate of 40% for fiscal 2003 and 2002. Owing to a revision to the Local Tax Law introducing a factor-based system of corporate enterprise taxes effective from the fiscal year beginning April 1, 2004, the standard tax rate used for deferred tax assets and deferred tax liabilities herein is 39% for the fiscal year ended March 31, 2003, and 40% for the fiscal year ended March 31, 2002.

The income taxes of consolidated overseas subsidiaries are generally levied at lower rates than those currently applied in Japan. In addition, consolidated subsidiaries in Thailand are granted a status by the Promotion of Investment Act, whereby earnings derived from the manufacture or sale of qualifying products are fully exempt from Thai income tax for a period of three to eight years.

Also, a consolidated subsidiary in China is granted a status by the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, whereby it is exempted from income tax for two years starting from the year in which it begins to make profits, subject to 13.5% income tax rate for the following three years and after that subject to 27% income tax rate.

Provision (credit) has been made for deferred (prepaid) income taxes attributable to timing differences between recognition of income and expenses for financial reporting purposes for the Company's overseas subsidiaries. The income tax effect of these differences is not recognized for the Company and its domestic subsidiaries. However, in fiscal 2000 the Company and consolidated domestic subsidiaries recognized the timing difference because of the adoption of tax effect accounting in Japan. This income tax effect is recognized for timing differences resulting from elimination of inter-company profit and certain adjustments made in the accompanying consolidated financial statements.

The aggregate deferred (prepaid) income taxes of ¥18,087 million and ¥17,664 million as of March 31, 2003 and 2002, respectively, are included in deferred tax assets of current assets and investments and other assets in the accompanying consolidated balance sheets.

7. Shareholders' Equity

The Japanese Commercial Code provides that an amount equivalent to at least 10% of appropriation of retained earnings paid with respect to each financial period be appropriated to the legal reserve until such reserve equals 25% of the common stock. The legal reserve may be used to reduce a deficit or be transferred to the common stock account through suitable shareholder and/or director action. The capital surplus and legal reserve may also be drawn down up to an amount that equals 25% of the common stock. Owing to a change in consolidated accounting procedures in Japan, this reserve has been included in retained earnings (deficit) since fiscal 2003.

Appropriation of retained earnings with respect to cash dividends, bonuses to directors and corporate auditors, and transfer to the legal reserve are subject to the approval of the general shareholders' meeting. The accompanying consolidated financial statements reflect appropriations approved by shareholders subsequent to the fiscal years ended March 31, 2003 and 2002, respectively.

8. Per Share Data

Dividends per share shown in the consolidated statements of income have been presented on an accrual basis and include, in each fiscal year, dividends approved or to be approved after the fiscal year-end but applicable to the fiscal year.

Primary net income per share is based on the weighted average number of shares of common stock outstanding during the respective years.

Fully diluted net income per share is computed using the weighted average number of shares of common stock outstanding increased by the number of shares that would result from the conversion of all outstanding convertible bonds, the conversion of which would have a dilutive effect on net income per share. In calculating fully diluted net income per share, net income is adjusted, net of income taxes, by interest expense on the convertible bonds when such bonds are dilutive.

The number of shares used in calculating net income per share for the years ended March 31, 2003 and 2002, was as follows:

	Thousands of U.S. dollars	
	2003	2002
Primary	**$399,131**	$399,165
Fully diluted	**443,216**	443,249

9. Litigation

As of March 31, 2003, there are no material claims outstanding or threatened against the Company or its consolidated subsidiaries.

10. Contingent Liabilities

The Company and its consolidated subsidiaries had no contingent liabilities as of March 31, 2003.

11. Segment Information

Minebea classifies its operations into two business segments: machined components, which includes bearings and bearing-related products, notably ball bearings, rod-end and spherical bearings and pivot assemblies, as well as other machined components, such as fasteners, and special machined components; and electronic devices and components, encompassing rotary components and other electronic devices and components, primarily PC keyboards, speakers, FDD subassemblies and switching power supplies.

The following table presents certain information regarding the Company's performance by business segment at March 31, 2003, and for the year then ended:

Performance by Business Segment in Fiscal 2003

Millions of yen

Year ended March 31, 2003	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations*	*Total*
Sales to external customers	**¥118,118**	**¥154,084**	**¥272,202**	**¥ —**	**¥272,202**
Internal sales	**7,637**	**—**	**7,637**	**(7,637)**	**—**
Total sales	**125,755**	**154,084**	**279,839**	**(7,637)**	**272,202**
Operating expenses	**107,235**	**153,252**	**260,487**	**(7,637)**	**252,850**
Operating income	**18,520**	**832**	**19,352**	**—**	**19,352**
Assets	**191,793**	**204,489**	**396,282**	**(76,213)**	**320,069**
Depreciation and amortization	**10,378**	**12,448**	**22,826**	**—**	**22,826**
Capital expenditure	**4,750**	**11,853**	**16,603**	**—**	**16,603**

Performance by Business Segment in Fiscal 2002

Millions of yen

Year ended March 31, 2002	*Machined Components*	*Electronic Devices and Components*	*Consumer Business and Others*	*Total before Eliminations*	*Eliminations*	*Total*
Sales to external customers	¥122,025	¥156,303	¥1,016	¥279,344	¥ —	¥279,344
Internal sales	8,336	—	—	8,336	(8,336)	—
Total sales	130,361	156,303	1,016	287,680	(8,336)	279,344
Operating expenses	108,226	156,466	1,016	265,708	(8,336)	257,372
Operating income (loss)	22,135	(163)	(0)	21,972	—	21,972
Assets	205,920	231,806	745	438,471	(88,434)	350,037
Depreciation and amortization	9,489	14,891	5	24,385	—	24,385
Capital expenditure	7,963	18,485	5	26,453	—	26,453

The following tables present certain information regarding the Company's performance by region at March 31, 2003 and 2002, and for the years then ended:

Performance by Region in Fiscal 2003

Millions of yen

Year ended March 31, 2003	*Japan*	*Asia (excluding Japan)*	*North and South America*	*Europe*	*Total before Eliminations*	*Eliminations*	*Total*
Sales to external customers	**¥ 72,755**	**¥107,789**	**¥58,998**	**¥32,660**	**¥272,202**	**¥ —**	**¥272,202**
Internal sales	**110,133**	**101,269**	**2,613**	**3,306**	**217,321**	**(217,321)**	**—**
Total sales	**182,888**	**209,058**	**61,611**	**35,966**	**489,523**	**(217,321)**	**272,202**
Operating expenses	**179,755**	**196,640**	**59,752**	**34,024**	**470,171**	**(217,321)**	**252,850**
Operating income	**3,133**	**12,418**	**1,859**	**1,942**	**19,352**	**—**	**19,352**
Assets	**175,917**	**185,397**	**37,064**	**20,528**	**418,906**	**(98,837)**	**320,069**

Performance by Region in Fiscal 2002

Millions of yen

Year ended March 31, 2002	*Japan*	*Asia (excluding Japan)*	*North and South America*	*Europe*	*Total before Eliminations*	*Eliminations*	*Total*
Sales to external customers	¥ 83,705	¥ 95,884	¥63,569	¥36,186	¥279,344	¥ —	¥279,344
Internal sales	92,865	107,444	3,508	4,549	208,366	(208,366)	—
Total sales	176,570	203,328	67,077	40,735	487,710	(208,366)	279,344
Operating expenses	175,803	185,941	65,109	38,885	465,738	(208,366)	257,372
Operating income	767	17,387	1,968	1,850	21,972	—	21,972
Assets	195,305	201,541	38,088	25,194	460,128	(110,091)	350,037

The following tables present certain information regarding the Company's overseas sales for the years ended March 31, 2003 and 2002:

Overseas Sales in Fiscal 2003

Millions of yen

Year ended March 31, 2003	*To Asia (excluding Japan)*	*To North and South America*	*To Europe*	*Total*
Overseas sales	**¥106,942**	**¥57,103**	**¥34,322**	**¥198,367**
Total sales				**¥272,202**
Percentage of total sales	**39.3%**	**21.0%**	**12.6%**	**72.9%**

Overseas Sales in Fiscal 2002

Millions of yen

Year ended March 31, 2002	*To Asia (excluding Japan)*	*To North and South America*	*To Europe*	*Total*
Overseas sales	¥96,758	¥60,733	¥38,832	¥196,323
Total sales				¥279,344
Percentage of total sales	34.6%	21.8%	13.9%	70.3%

12. Subsequent Event

Offer of Voluntary Retirement Package

At a meeting of its Board of Directors on June 19, 2003, Minebea resolved to offer a voluntary retirement package, as follows:

Reasons for offer of voluntary retirement package

On April 10, 2003, Minebea announced its decision to discontinue and withdraw from switching power supplies and related businesses. As a consequence, the Company is seeking to optimize the number of employees at the Hamamatsu Manufacturing Unit, thereby streamlining its operations and enhancing efficiency. The Company is also seeking to reduce fixed costs in its domestic sales operations by reducing surplus manpower.

Eligibility for package

Eligible employees:	Full-time employees of the Hamamatsu Manufacturing Unit (including the consolidated subsidiary Minebea Electronics Co., Ltd.) and employees in domestic sales
Number to whom packages will be offered:	Approximately 170
Application period:	July 15–July 31, 2003
Retirement date:	August 20, 2003
Other:	In addition to its prescribed retirement pay, the Company will provide extra allowances. The Company will also provide placement services to interested employees.

Impact of offer

If the number of applications for this voluntary retirement package are in line with its projections, the Company expects to incur an extraordinary loss of approximately ¥400 million in fiscal 2004.