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**Minebea**

Minebea Co., Ltd.  
ANNUAL REPORT 2004  
Year Ended March 31, 2004

**For Minebea, competitiveness means  
ultraprecision machining and mass  
technologies.**



# ensuring both production

Minebea Co., Ltd., was established in 1951 as Japan's first specialized manufacturer of miniature ball bearings. Today, the Company is the world's leading comprehensive manufacturer of miniature ball bearings and high-precision components, supplying customers worldwide in the information and telecommunications equipment, aerospace, automotive and household electrical appliance industries.

As of March 31, 2004, the Minebea Group encompassed 48 subsidiaries and affiliates in 13 countries. The Group maintains 27 plants and 43 sales offices and employs a total of 43,839 people.

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#### **Disclaimer Regarding Future Projections**

In this annual report, all statements that are not historical facts are future projections made based on certain assumptions and our management's judgement drawn from currently available information. Accordingly, when evaluating our performance or value as a going concern, these projections should not be relied on entirely. Please note that actual performance may vary significantly from any particular projection, owing to various factors, including: (i) changes in economic indicators surrounding us, or in demand trends; (ii) fluctuation of foreign exchange rates or interest rates; and (iii) our ability to continue R&D, manufacturing and marketing in a timely manner in the electronics business sector, where technological innovations are rapid and new products are launched continuously. Please note, however, this is not a complete list of the factors affecting actual performance.

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## At a Glance

Year ended March 31, 2004

### Machined Components

#### Principal Products

##### ● Bearings and

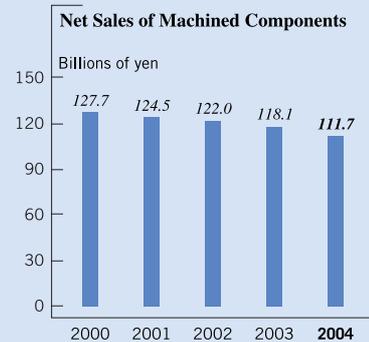
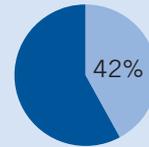
##### Bearing-Related Products

Miniature ball bearings  
 Small-sized ball bearings  
 Integrated-shaft ball bearings  
 Rod-end bearings  
 Spherical bearings  
 Roller bearings  
 Journal bearings  
 Pivot assemblies  
 Tape guides  
 ROF-type fluid dynamic bearing (FDB) units  
 HMF-type FDB units

##### ● Other Machined Components

Aerospace/automotive fasteners  
 Special machined components  
 Magnetic clutches and brakes

Percentage of net sales



### Electronic Devices and Components

#### Principal Products

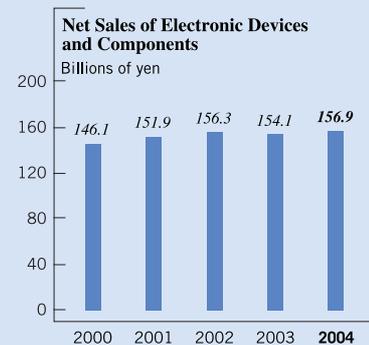
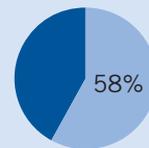
##### ● Rotary Components

Hard disc drive (HDD) spindle motors  
 Fan motors  
 Hybrid-type stepping motors  
 Permanent magnet (PM)-type stepping motors  
 DC brushless motors  
 DC brushless motors for electric power steering systems  
 Variable reluctance (VR) resolvers  
 DC brush motors  
 Vibration motors

##### ● Other Electronic Devices and Components

Personal computer (PC) keyboards  
 Speakers  
 Electronic devices  
 Magnetic heads for floppy disc drives (FDDs)  
 Magneto optical disc (MOD) drive subassemblies  
 Lighting devices for liquid crystal displays (LCDs)  
 Power electronic components  
 Backlight inverters  
 Measuring components  
 Strain gauges  
 Load cells

Percentage of net sales



Note: Fan, hybrid- and PM-type stepping, DC brush and vibration motors are products of Minebea-Matsushita Motor Corporation.

## Consolidated Financial Highlights

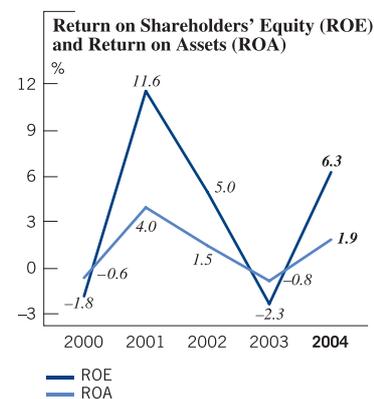
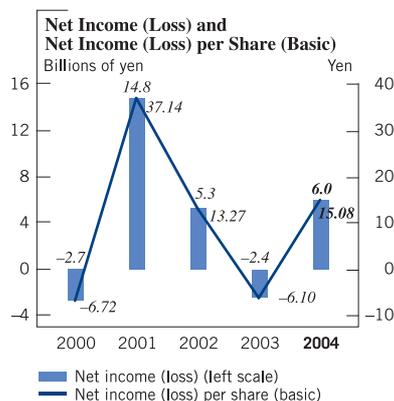
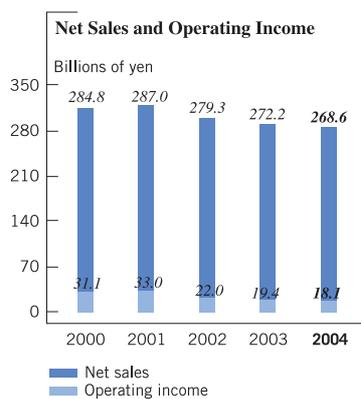
Years ended March 31

	Millions of yen		Percentage change	Thousands of U.S. dollars (Note)
	2004	2003	2004/2003	2004
Net sales	¥268,574	¥272,202	(1.3)%	\$2,541,151
Operating income	18,104	19,352	(6.4)	171,302
Net income (loss)	6,019	(2,434)	—	56,956
Total shareholders' equity	93,866	98,213	(4.4)	888,129
Total assets	314,915	320,069	(1.6)	2,979,616
Return on shareholders' equity	6.3%	(2.3)%		

Per Share Data:	Yen		Percentage change	U.S. dollars (Note)
	2004	2003	2004/2003	2004
Net income (loss) (basic)	¥ 15.08	¥ (6.10)	—%	\$0.14
Shareholders' equity	235.21	246.08	(4.4)	2.23

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.69=US\$1, the approximate rate of exchange on March 31, 2004.





Representative Director,  
President and Chief Executive Officer  
Tsugio Yamamoto

In last year's annual report, I expressed my firm confidence in Minebea's ability to attain operating results in keeping with its excellent potential and spoke about our efforts to chart a new course for growth. Unfortunately, we fell short of achieving concrete progress on the first count in fiscal 2004, ended March 31, 2004. We were more successful on the second count, however, as we implemented a variety of strategic measures aimed at maximizing core competencies in our mainstay businesses, reinforcing our competitive edge and positioning ourselves for growth going forward.

■ Miniature and small-sized ball bearings

In line with our goal, set in fiscal 2002, of boosting monthly global production and sales to 180 million pieces, we expanded monthly production and sales while maintaining solid profitability.

■ HDD spindle motors

We developed two new types of high-performance, competitively priced FDB units (patents pending) for use in HDDs. Mass production of these new FDB units is scheduled to start at the end of 2004.

■ Other precision small motors

We established a joint venture with Matsushita Electric Industrial Co., Ltd. (MEI), enabling us to offer an expanded and enhanced lineup of precision small motors.

■ PC keyboards

We began shifting production of PC keyboards to China, from Thailand—a move we now anticipate completing by the end of March 2005, approximately six months ahead of schedule. We expect that this will lead to a recovery in competitiveness that will begin to impact on our operating results in the second half of fiscal 2005.

■ Lighting devices for LCDs

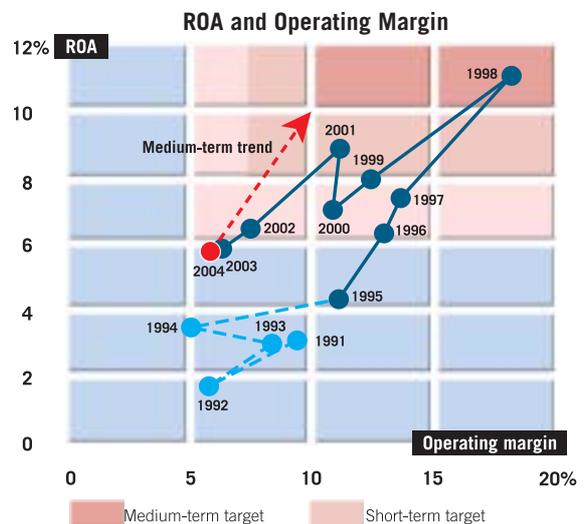
A favorable market evaluation of the superior performance of these devices supported steady gains in sales and income.

These achievements are attributable to intensive efforts undertaken in line with our core competencies strategy, which calls for selectively focusing the investment of management resources in businesses that maximize our core competencies. These efforts endeavored to address three ongoing, priority tasks:

- further reinforce our mainstay bearings and bearing-related products,
- build our operations in the area of precision small motors and other rotary components into the second pillar of our operations after bearings and bearing-related products, and
- increase the ratio of high-value-added products in all product categories as well as diversify offerings to serve a broader market.

Results of Operations

Despite declines in consolidated net sales and operating income, to ¥268.6 billion and ¥18.1 billion, respectively, we recorded consolidated net income of ¥6.0 billion, a solid improvement from fiscal 2003's net loss. Return on assets



Notes: 1. ROA here is calculated using operating income.  
2. Years are fiscal years. The years prior to fiscal 1994 ended September 30, while fiscal 1994 and subsequent years ended March 31.

(ROA), calculated using operating income, was 5.7%, below our stated minimum acceptable level of 6%.

The decline in net sales was largely attributable to the termination or withdrawal from certain businesses, declines in unit prices and the impact of a strengthening yen on sales denominated in other currencies. Operating income was hampered by an operating loss in the Electronic Devices and Components segment, the consequence of a sharp increase in costs accompanying the shift of our PC keyboard manufacturing operations to China, from Thailand, and the worsening profitability of rotary components, particularly HDD spindle motors. This countered strong profitability in the Machined Components segment, sustained by an increase in production of ball bearings. The Electronic Devices and Components segment accounts for approximately 60% of consolidated net sales; accordingly, we recognize that improving profitability in this segment—and above all, HDD spindle motors—is an urgent challenge for the entire Minebea Group.

#### **Building a portfolio of highly competitive products**

##### *HDD spindle motors and other precision small motors*

The key to improving profitability in our Electronic Devices and Components business segment is to raise that of our HDD spindle motors. This, in turn, depends on lowering costs for FDB spindle motors for 3.5-inch HDDs and entering the market for higher-value-added FDB spindle motors for 2.5-inch or smaller HDDs, the market for which is expanding rapidly. Ongoing price erosion has intensified pressure on the profitability of FDB spindle motors for 3.5-inch HDDs. With an approximate 30% share of this key market, however, we are well positioned to strengthen our profit performance in this business if we can achieve necessary cost reductions. Capitalizing on our proprietary technologies and development prowess, in May 2004 we introduced a high-performance, competitively priced ROF-type FDB unit that is highly suited to cost-efficient mass production and will thus allow us to significantly reduce costs for HDD spindle motors. This is because the ROF-type FDB unit is produced with Minebea's proprietary ball bearing manufacturing technology on the same production line and using the same production methods as ball bearings. We began sample shipments of spindle motors with ROF-type FDB units in June 2004, primarily targeting 3.5-inch HDDs, and intend to commence mass production in late 2004.

With the development of the ROF-type FDB unit, we have positioned ourselves well to enter the highly promising market for FDB spindle motors for 2.5-inch or smaller HDDs. The HMF-type FDB unit, which was developed in collaboration with Hitachi Powdered Metals Co., Ltd., uses sintered metal for the bearing and a multiple-lobed shape for the inner surface of the bearing to generate hydrodynamic force in the radial direction. Because this multiple-lobed

shape is used, instead of conventional herringbone grooves, the HMF-type FDB unit not only enhances motor performance but also facilitates easy, simultaneous forming of the shape of both multiple lobes on the radial side and hydrodynamic grooves on the thrust side during sizing. This is what makes the HMF-type FDB unit so well suited for mass production. These units are also highly appropriate for use in compact and thin motors. We have positioned ROF- and HMF-type FDB units as new products that will play an essential role in our effort to propel our HDD spindle motor business forward. For further details on both of these products, please refer to this year's special feature, which begins on page 7.

Our joint venture with MEI, Minebea–Matsushita Motor Corporation, was established in April 2004 and has substantially strengthened our precision small motors business. The new company, which integrates the fan, stepping, DC brush and vibration motors businesses of the two parent companies, is the world's second-ranked manufacturer of all four types in revenue terms. The objectives of the joint venture are to expand and enhance the product range of both companies, e.g., we have added fan motors with metal bearings and vibration motors for cellular phones to our lineup, as well as to reinforce product development capabilities, quality and cost competitiveness. To these ends, the company will work to maximize the considerable synergies generated by MEI's development prowess and product range and our ultraprecision machining and mass production technologies.

##### *Ball bearings*

We continue to take steps to ensure stable, high profitability for ball bearings while expanding production and sales volume. In recent years, the proliferation of digital household electrical appliances, the emergence of digital and color copiers, the increasing prevalence of broadband networks and services and the expansion of the air conditioner market in China have spurred expansion of markets and applications for miniature and small-sized ball bearings. In terms of shipments, the global market for these bearings has grown an average of 7% annually for more than a decade. We expect this rate to rise above 10% annually for the next several years as the market enters a new phase of accelerated growth.

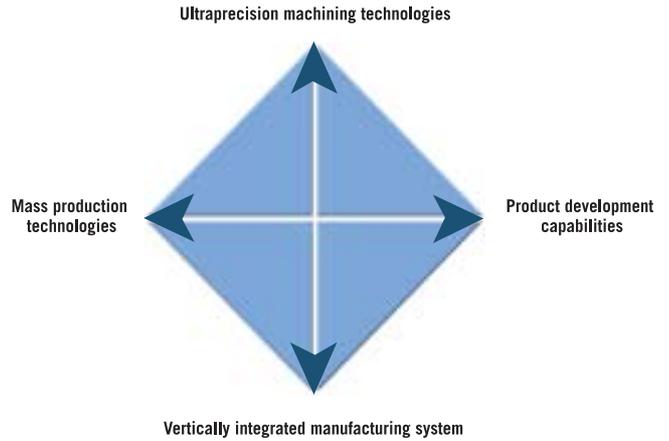
In the second half of fiscal 2002, we embarked on a program to boost our monthly global production and sales of miniature and small-sized ball bearings to 180 million pieces. As of March 2004, we had achieved monthly global production and sales of well over 170 million pieces, an improvement that contributed to substantial cost reductions and a marked improvement in profitability for this mainstay business. We expect to achieve monthly global production and sales of 180 million pieces in October 2004, six months ahead of our initial plan.

**PC keyboards**

Sales of PC keyboards declined in fiscal 2004, owing primarily to a delay in the commencement of operations at a new production facility in China. We are now in the process of shifting production of PC keyboards to this new facility, from the Bang Pa-in Plant in Thailand, and expect to complete the shift of desktop PC keyboards by the end of September 2004 and notebook PC keyboards by the end of March 2005, approximately six months ahead of our initial schedule. The early completion will avert the duplicate costs that would have resulted from a production overlap, thereby improving profits, and reinforce price competitiveness.

**Flat panel display (FPD) peripheral components**

In recent years we have capitalized on our accumulated optical-related technologies—which include optical engineering, optical simulation, optical thin-film and photolithography technologies—as well as our electronic circuit, power electronics and ultraprecision machining technologies, to develop a broad range of FPD peripheral components, including frontlight and backlight assemblies and backlight inverters. In fiscal 2004, the outstanding performance capabilities of our lighting devices, notably our backlight assemblies, supported expanded sales to leading equipment manufacturers, a trend we expect to continue going forward. In the current term, we have begun to take steps aimed at expanding sales of backlight inverters for use in large-screen LCD televisions.



**Achieving continuous growth in corporate value**

In last year’s annual report, I outlined a number of specific measures we are implementing to address key challenges in line with our core competencies strategy. These include:

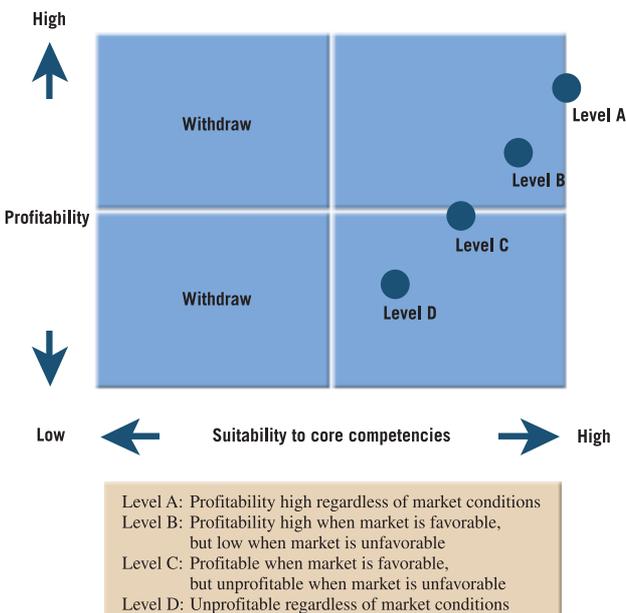
- tightening our focus on businesses that meet the criteria of our core competencies strategy,
- implementing organizational changes that will enhance the strategy’s effectiveness, and
- substantially reinforcing our ability to execute the strategy’s various elements.

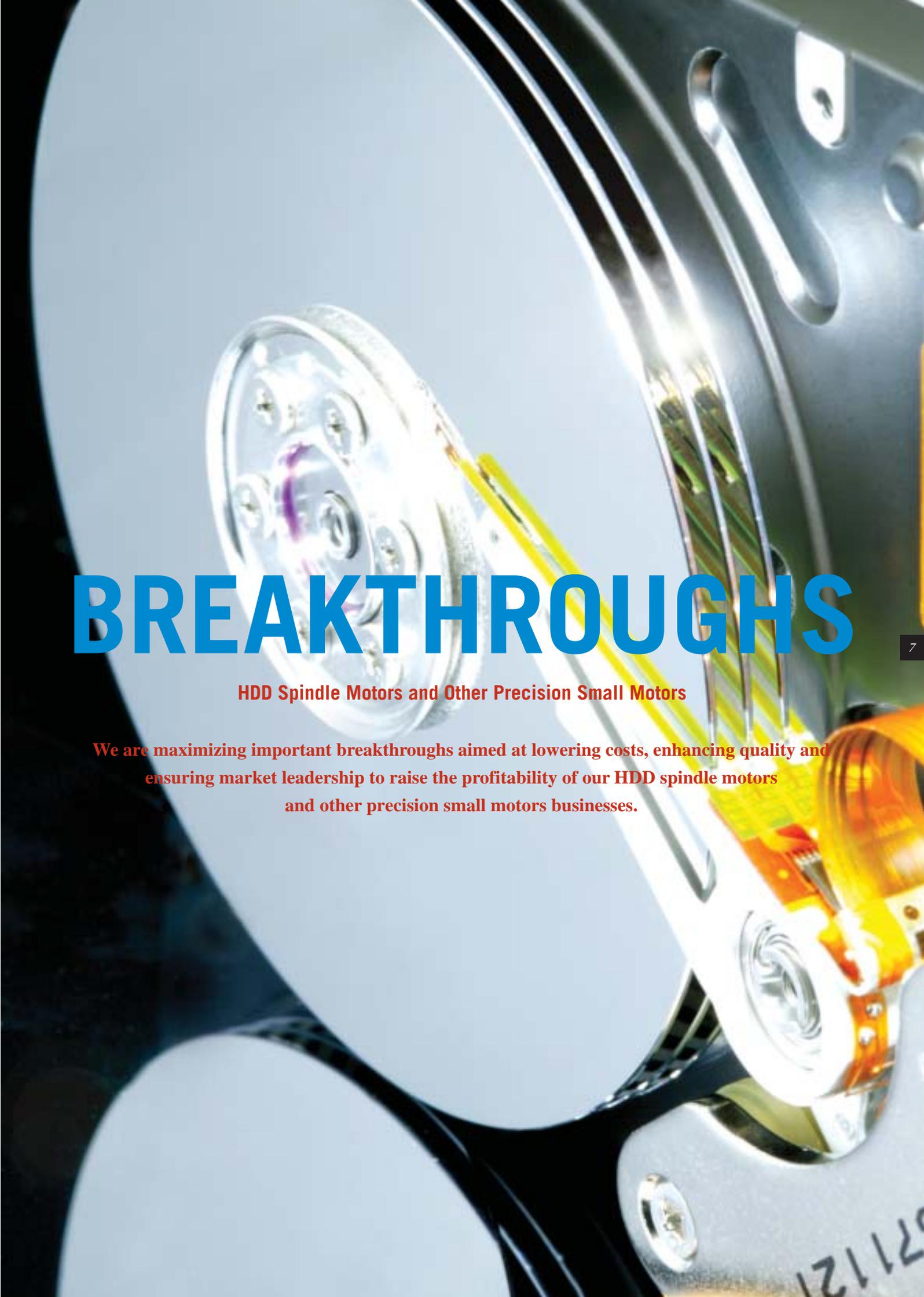
The success of our ongoing efforts to reinforce the competitiveness of mainstay products has positioned us to make a strong start on the new course for growth that we have charted. As I also said last year, I recognize that ensuring this happens is my foremost responsibility. Accordingly, I will take steps to add new force to the core competencies strategy, thereby enabling us to build a portfolio of highly competitive products. At the same time, I will continue to fortify our core competencies, namely, our ultraprecision machining technologies, vertically integrated manufacturing system, mass production technologies and product development capabilities. The fourth core competency, which we have cultivated in recent years, will be more crucial than ever as we strive to take advantage of emerging business opportunities and achieve concrete, quantifiable growth in corporate value. In these and other efforts, I look forward to the continued support of our shareholders.

June 29, 2004

*T. Yamamoto*

Tsugio Yamamoto  
 Representative Director,  
 President and Chief Executive Officer

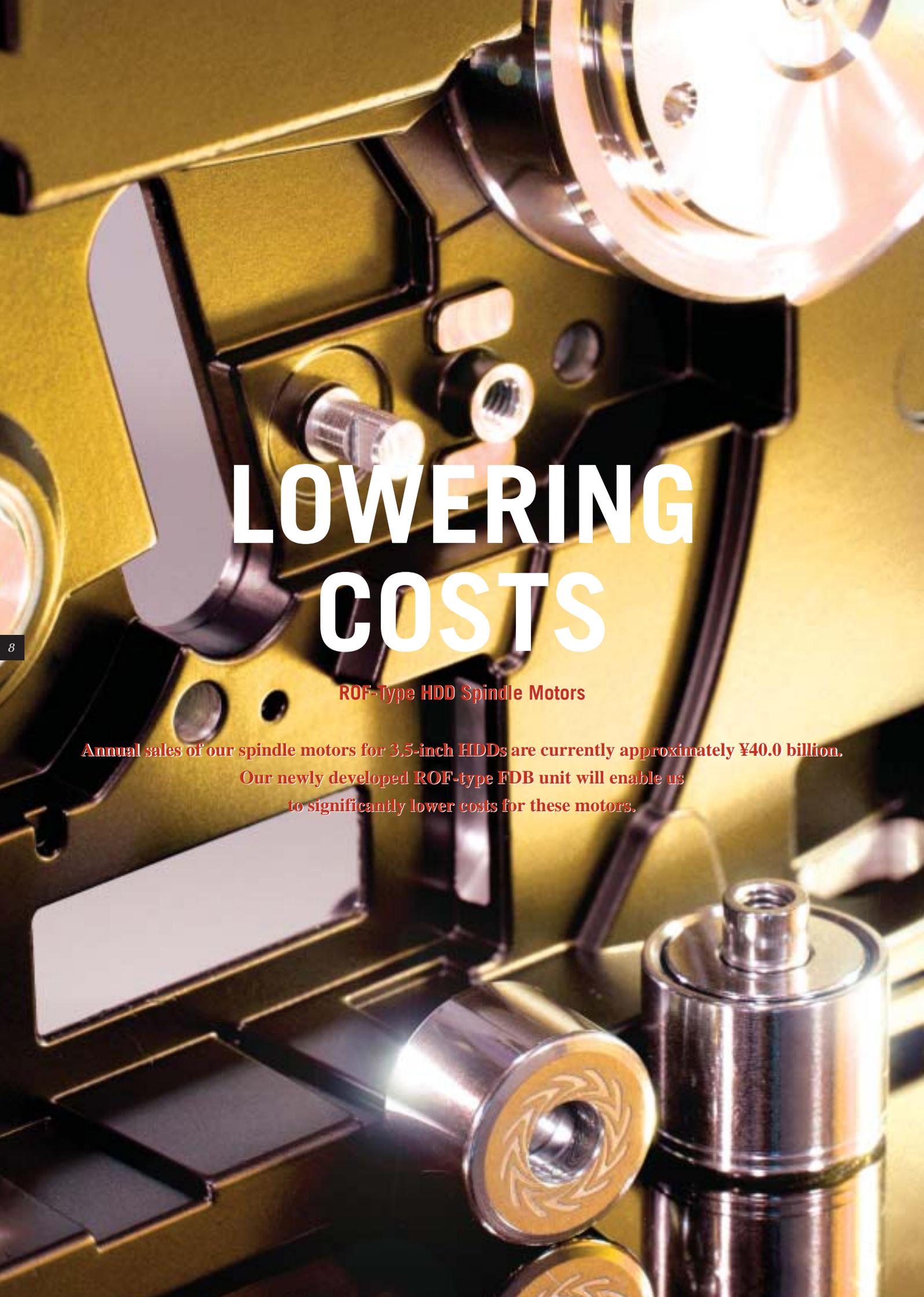




# BREAKTHROUGHS

**HDD Spindle Motors and Other Precision Small Motors**

**We are maximizing important breakthroughs aimed at lowering costs, enhancing quality and ensuring market leadership to raise the profitability of our HDD spindle motors and other precision small motors businesses.**



# LOWERING COSTS

## ROF-Type HDD Spindle Motors

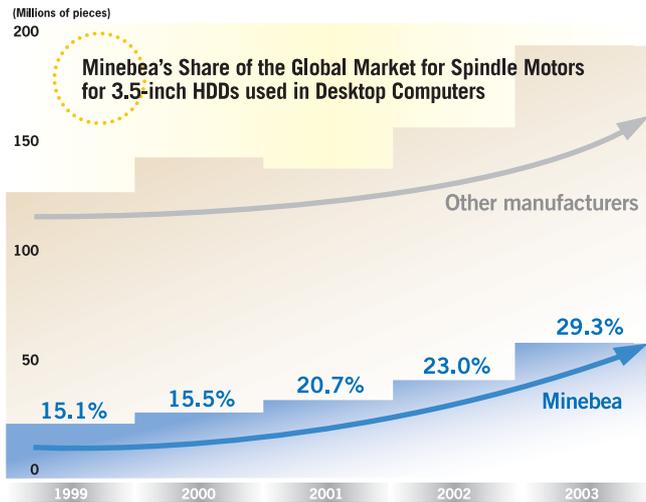
*Annual sales of our spindle motors for 3.5-inch HDDs are currently approximately ¥40.0 billion.  
Our newly developed ROF-type FDB unit will enable us  
to significantly lower costs for these motors.*

# HDD Spindle Motors

Improving the profitability of our Electronic Devices and Components business segment hinges on our ability to raise the profitability of our HDD spindle motors business. This, in turn, depends on lowering costs for FDB spindle motors for 3.5-inch HDDs and entering the rapidly expanding market for FDB spindle motors for 2.5-inch or smaller HDDs. Our new ROF-type FDB spindle motor was developed primarily for use in 2.5-inch or larger HDDs, while our HMF-type FDB spindle motor was developed for use in 2.5-inch or smaller HDDs.

## Market for Spindle Motors for 3.5-inch HDDs

Despite intense pressure on the profitability of this business, owing to the steady erosion of motor prices, we continue to command a global market share of approximately 30%. Accordingly, we are well positioned to strengthen our profit performance if we can achieve necessary, significant cost reductions.



Source: Techno Systems Research Co., Ltd.

With the aim of significantly lowering costs for FDB spindle motors, we developed the ROF-type FDB unit:

### ROF-Type FDB Unit (Patents Pending)

#### Basic Development Concept

Unmatched suitability to mass production

Unrivaled cost competitiveness

Outstanding performance

The basic development concept for our ROF-type FDB unit was to create an FDB that was unmatched in terms of suitability to mass production and offered unrivaled cost competitiveness and outstanding performance.

#### Features

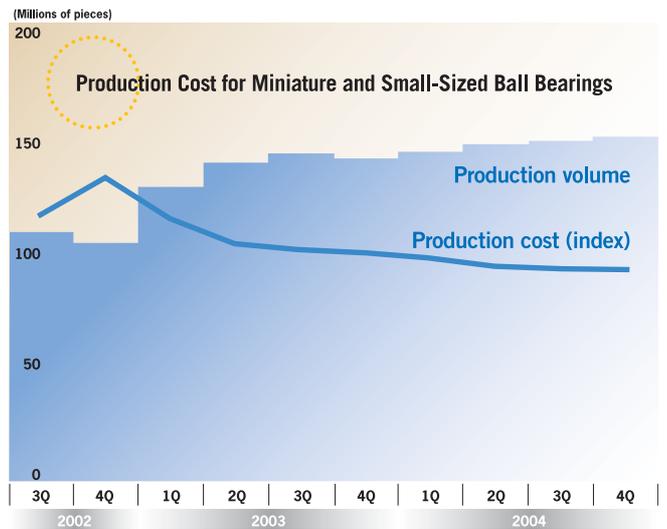
ROF-type FDB units are manufactured using the same manufacturing technologies, production lines and production methods as our ball bearings, monthly global output of which is currently over 170 million pieces. As with ball bearings, steel is put through quenching and grinding processes to form the bearing, the heart of the FDB unit.

Same manufacturing technologies

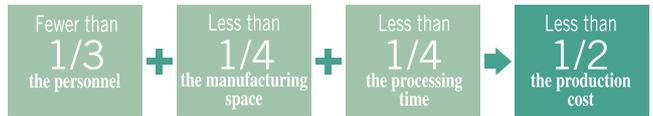
Same production lines

Same production methods

We began sample shipments of spindle motors with ROF-type FDB units, primarily for 3.5-inch HDDs, in June 2004, and intend to commence mass production in late 2004.



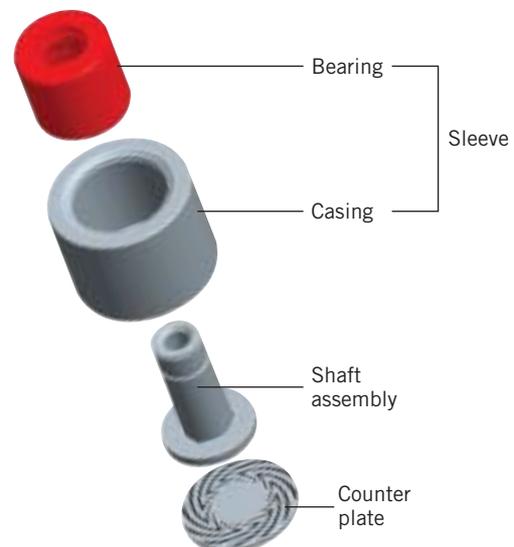
### Comparison of ROF-Type and Conventional FDB Units



Because ROF-type FDB units are produced on the same lines as ball bearings, requirements in terms of personnel, manufacturing space and processing time are significantly reduced. As a consequence, production cost is approximately one-half of that of conventional FDB units, giving Minebea a considerable advantage in terms of cost competitiveness.

### Structure of ROF-Type FDB Unit

The ROF-type FDB unit comprises four parts. In conventional FDB units, the bearing and the casing are integrated in a single component, called the sleeve. In the ROF-type FDB unit, however, the bearing and the casing are independent. This enables us to manufacture the bearing—the costliest part of the FDB unit—using the same manufacturing technologies, production lines and production methods as we use for ball bearings. The two remaining parts of the ROF-type FDB unit—the shaft assembly and the counter plate—are the same as those used for our conventional FDB units.





# ENHANCING QUALITY

HMF-Type HDD Spindle Motors

The development of the HMF-type FDB unit has positioned us to capitalize on growth in the emerging market for spindle motors for 2.5-inch or smaller HDDs by ensuring an unmatched competitive edge in terms of performance as well as cost.



## Market for Spindle Motors for 2.5-Inch or Smaller HDDs

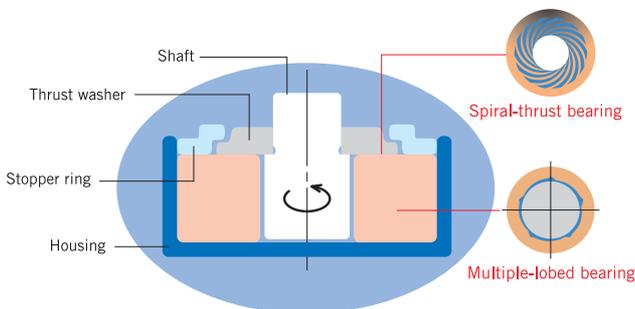
We will strategically cultivate demand for spindle motors for 2.5-inch or smaller HDDs by entering markets that offer high potential in terms of profitability and growth. We will also take advantage of rising demand for 2.5-inch or smaller HDDs for use in notebook PCs and cellular phones and other handheld information terminals.



### HMF-Type FDB Unit (Patents Pending)

While 2.5-inch or smaller HDDs currently account for only approximately 20% of the global HDD market, demand for use in such applications as notebook PCs, digital music players, digital cameras, cellular phones and car navigation systems is rising rapidly. The HMF-type FDB unit, developed in collaboration with Hitachi Powdered Metals, has positioned us to enter the market for FDB spindle motors for 2.5-inch or smaller HDDs. Delivering outstanding performance and cost-competitiveness, this unit uses sintered metal for the bearing and a multiple-lobed shape for the inner surface of the bearing to generate hydrodynamic force in the radial direction, which makes it highly appropriate for use in compact and thin motors. Proprietary precision sizing technologies facilitate the simultaneous forming of radial and thrust bearings, significantly reducing production costs.

### Structure of HMF-Type FDB Unit

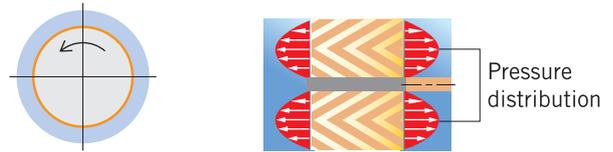


## Types of FDBs

### ● Herringbone-Groove FDB (Conventional FDB)

FDBs with herringbone grooves on the inner surface of the sleeve are commonly used in spindle motors for HDDs. A thin layer of oil is injected between the shaft and sleeve. The rotating shaft causes the oil to collect in the herringbone grooves, triggering a pumping action that generates hydrodynamic force that ensures the rotational accuracy of the shaft is maintained.

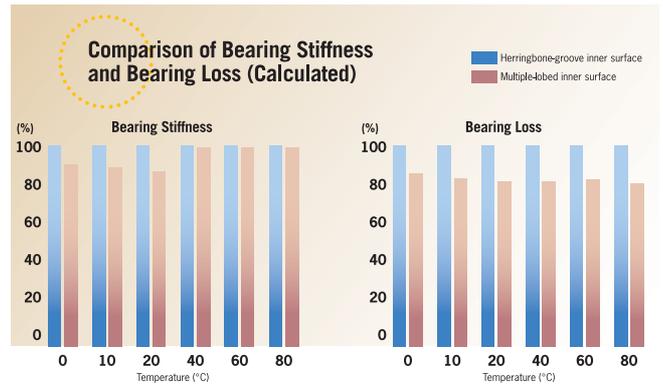
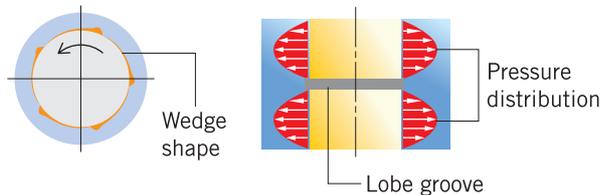
Herringbone-groove inner surface



### ● Multiple-Lobed FDB (HMF-Type FDB)

FDBs featuring an inner surface with three lobes have been used to date in such applications as motors for laser scanners and spindle motors for CD-ROM drives. The HMF-type FDB was developed specially for use in spindle motors for HDDs by introducing a number of key technical improvements. Key among these is the use of five lobes instead of three. The wedge action of the oil in the bearing clearance generates hydrodynamic force that ensures the rotational accuracy of the shaft is maintained.

Multiple-lobed inner surface



Bearing stiffness and bearing loss are shown as percentages. As these graphs indicate, while bearing stiffness varies little between FDBs with multiple-lobed inner surfaces and those with herringbone-groove inner surfaces at all temperatures, bearing loss is close to 20% less for FDBs with multiple-lobed inner surfaces.



Source: Techno Systems Research Co., Ltd.



# ENSURING MARKET LEADERSHIP

Newly established joint venture Minebea–Matsushita Motor Corporation brings together the superior manufacturing and development capabilities and highly competitive product lineups of Minebea and MEI in the area of motors for information equipment.

## Other Precision Small Motors

In April 2004, we established Minebea–Matsushita Motor Corporation, a precision small motor manufacturing joint venture with MEI that is the world’s second-ranked manufacturer of fan, stepping, DC brush and vibration motors in revenue terms. The objectives of the joint venture are to expand and enhance the product range of both parent companies—e.g., it has enabled us to add vibration motors to our lineup—as well as reinforce product development capabilities, quality and cost competitiveness. To these ends, the company will work to maximize the considerable synergies generated by MEI’s development prowess and extensive product range and our ultraprecision machining and mass production technologies to generate increased corporate value.

### Key Global Markets

Competition in the market for motors for information equipment has intensified in recent years, reflecting the oligopoly of Japanese manufacturers and the entry of an increasing number of manufacturers from China. In contrast, growth markets, including those for motors for plasma and LCD televisions and other digital household electrical appliances, PCs, cellular phones, handheld information terminals and game machines, are expected to see a sharp increase in demand.

Minebea–Matsushita Motor commands leading shares of key global markets.



(Market shares are Minebea estimates and are in terms of units shipped.)



### Minebea–Matsushita Motor Corporation

Start of operations:	April 1, 2004
Head office:	Meguro-ku, Tokyo, Japan
Capital:	¥10.0 billion
Principal shareholders:	Minebea Co., Ltd. (60%) Matsushita Electric Industrial Co., Ltd. (40%)
Number of employees:	9,803 (including 275 in Japan)
Net sales target for fiscal 2005:	¥72.5 billion

### Optimized Production Sites



### Minebea–Matsushita Motor Product Lineup

Product Category	Markets	Product Examples	
Fan motors	PCs, household electrical appliances, AV equipment and others	<b>DC axial fan motors</b> Newly designed fan blades and optimized motor engineering deliver improved airflow and air pressure Lineup includes products compatible with ball bearings and high-performance sleeve bearings	
Stepping motors	Optical media equipment, OA equipment, digital cameras and others	<b>Stepping motors with lead screws</b> Option of mold screws or metal screws to suit application Lineup includes a new product that delivers outstanding torque and high stopping precision	
DC brush motors	AV media equipment, OA equipment, automotive electrical equipment and others	<b>DC brush motors</b> Lineup includes compact and thin motors for a variety of applications Lineup includes an expanded range of motors for automotive applications	
Vibration motors	Cellular phones and others	<b>Vibration motors</b> Product development is focused on maximizing features and minimizing costs Small diameter, high-density wired motors deliver higher output	

## Corporate Governance

Minebea believes that effective decision making, engendered by a sound management policy that encourages vigorous debate, and transparent, accountable management are essential to the effective execution of corporate activities. We conduct our operations with the firm conviction that our shareholders, customers, business partners, government and local communities and employees are all stakeholders in Minebea and have advocated five basic management principles, shown below, which reflect this conviction. These include responding to shareholders' expectations by raising corporate value, a task we continue to approach with the understanding that to build long-term corporate value we must address the concerns of all stakeholders.

To enhance decision making, we have reduced the number of directors on the board to 10, from 25. This has enabled us to realize quicker and more strategically focused management decisions. Additionally, we introduced an executive

officer system to facilitate a clear distinction between management and supervisory functions and functions related to the execution of business. These measures have greatly enhanced our responsiveness to the market.

We have also introduced an economic value-added (EVA<sup>®</sup>) management system to evaluate businesses and facilitate forward-looking, strategic decisions regarding the selective cultivation of businesses and the appropriate allocation of management resources. Additionally, we have adopted EVA<sup>®</sup>-based bonus assessment programs for directors and executive officers.

To improve the transparency and accountability of management, we have decided that two of the 10 directors on the Minebea Board and two of our four corporate auditors will be from outside the Company. We have also sought to enhance our investor relations activities and increase information available on Minebea's web site.

### Five Basic Management Principles

Ensure that Minebea is a company for which we are proud to work

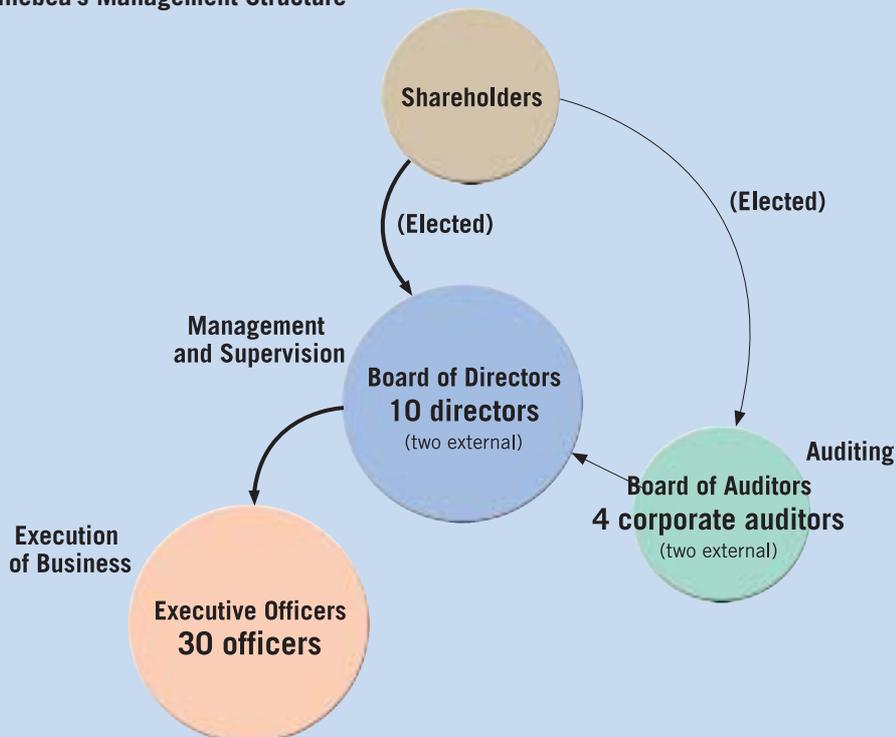
Reinforce our customers' confidence in us

Respond to our shareholders' expectations

Ensure Minebea is welcome in local communities

Contribute to a global society

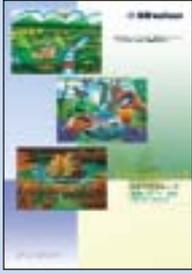
### Minebea's Management Structure



## Protecting the Environment

Acutely aware of the significant burden placed on the environment by the activities of industrial concerns, we have always approached environmental protection as a

key management objective. We continue to implement a variety of measures aimed at minimizing the negative impact of our operations on the environment.



For more information on the Minebea Group's environmental activities, please refer to the *Minebea Group Environmental Report 2003*, which can be accessed at: <http://www.minebea.co.jp/english/company/business/environment/reports/reports.html>

### Environmental Protection Activities

Thanks to efforts aimed at phasing out the use of specified chlorofluorocarbons (CFCs) and ethane as cleaning agents, in April 1993 Minebea became the first bearing manufacturer in the world to completely eliminate specified CFCs and ethane from all production processes.

These and other efforts to contribute to ozone protection have been recognized three times to date with the U.S. Environmental Protection Agency (EPA)'s Stratospheric Ozone Protection Award.

### Environmental Management System

Minebea continues to implement a proactive environmental protection program at all of its production bases worldwide. In September 2004, we plan to complete ISO 14001 certification—the International Organization for Standardization (ISO)'s benchmark for environmental management systems—for all Minebea Group plants worldwide.

### Green Procurement

In June 2004, we set forth management guidelines for our Green Procurement Program, which aims to ensure the purchase of raw materials and parts from ecologically sound suppliers, thereby reducing the negative impact of our operations on the environment.

### Environmentally Sound Products

Minebea products are used in a broad range of applications in homes and offices, as well as in aerospace and automotive applications. To enhance the environmental soundness of our products, we continue to take steps to reduce or eliminate the use of lead and other hazardous chemical substances in products, as well as to promote the development of energy-efficient products that contribute to the prevention of global warming, products that are compatible with the so-called "3R" ("reduce, reuse and recycle") criteria and the use of environment-friendly packaging.



Minebea employees planting trees



Environmental emergency drill (Karuizawa Manufacturing Unit)

### 1991 | 7

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

### 1993 | 4

Minebea becomes the first bearing manufacturer in the world to completely eliminate specified CFCs and ethane from all production processes.

(Note: Minebea installed its water-based washing system at all of its plants, at a total cost of ¥5.0 billion, enabling it to terminate use of approximately 145 tons of specified CFCs and 325 tons of ethane monthly worldwide.)

The Anti-CFC Committee is replaced by the Environmental Protection Committee.

### | 7

Minebea displays its water-based washing technology at the Ozone Layer Protection Seminar, sponsored by Japan's Ministry of International Trade and Industry (the present Ministry of Economy, Trade and Industry).

### | 8

Minebea formulates its own "Charter for Environmental Protection."

### | 10

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

### 1995 | 10

Goro Ogino, then president of Minebea, receives the U.S. EPA's Stratospheric Ozone Protection Award for individuals.



Stratospheric Ozone Protection Award

### 1996 | 4

Minebea Electronics & Hi-Tech Components (Shanghai) Ltd. 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, becoming the first foreign-capitalized company in Shanghai to establish an environmental protection fund. (As of June 2004, the fund is Rmb 11.0 million, approximately US\$1.3 million.)

### | 7

Minebea finalizes plans to obtain ISO 14001 certification, the ISO's standard for environmental management systems, at all its plants and begins construction of an environmental management system.

### 1997 | 4

The Karuizawa Manufacturing Unit—the principal parent plant—and U.K. subsidiary Rose Bearings Ltd.'s Lincoln Plant become the first bearing production facilities to obtain ISO 14001 certification.

### | 9

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

### | 10

All of Minebea's plants in Thailand obtain ISO 14001 certification simultaneously.

### | 12

Minebea Electronics & Hi-Tech Components (Shanghai) Ltd.'s two plants obtain ISO 14001 certification.

### 1998 | 1

All of Minebea's plants in Singapore obtain ISO 14001 certification.

### | 2

German subsidiary Precision Motors Deutsche Minebea GmbH (PMDM) obtains ISO 14001 certification.

### | 6

Goro Ogino, then president of Minebea, receives the City of Shanghai's Shanghai Environmental Protection Award, in recognition of his contributions to environmental preservation in the city.

Japanese subsidiary NMB Electro Precision, Inc., and Minebea Onkyo Co., Ltd. (R&D Center), obtain ISO 14001 certification.

### | 8

The Hamamatsu Manufacturing Unit, the parent plant for electronic components, obtains ISO 14001 certification.

### | 10

The Fujisawa Manufacturing Unit and Omori Manufacturing Unit obtain ISO 14001 certification.

### 1999 | 2

Rose Bearings Ltd.'s Skegness Plant obtains ISO 14001 certification.

### | 6

U.S. subsidiary New Hampshire Ball Bearings, Inc.'s Peterborough Plant obtains ISO 14001 certification.

### | 11

U.K. subsidiary NMB (U.K.) Ltd.'s Inchinnan Keyboard Printing Plant obtains ISO 14001 certification.

### 2001 | 7

U.S. subsidiary Hansen Corporation obtains ISO 14001 certification.

### | 11

U.S. subsidiary New Hampshire Ball Bearings, Inc.'s Chatsworth Plant obtains ISO 14001 certification.

### 2002 | 8

U.S. subsidiary New Hampshire Ball Bearings, Inc.'s Laconia Plant obtains ISO 14001 certification.

### 2003 | 8

Minebea Electronics & Hi-Tech Components (Shanghai) Ltd.'s Xicen Factory is one of 77 companies selected under China's Top 100 Projects of National Environmental Protection Program, ranking fourth overall and first among the foreign-affiliated companies chosen.

## Contributing to Society

### Takahashi Foundation

The Takahashi Foundation, named in memory of Takami Takahashi, founder of the Minebea Group, was established in 1992 in celebration of the 10th anniversary of the Minebea Group's operations in Thailand. The Foundation began with a fund of 20 million baht (approximately US\$500 thousand), contributed by Minebea Group companies in Thailand. In 2002, the fund was increased to 60 million baht (approximately US\$1.4 million), to commemorate the Minebea Group's 20th anniversary in Thailand.

The Takahashi Foundation offers support to impoverished students studying science and technology-related subjects. Since 1993, scholarships have been awarded to more than 500 students in educational institutions nationwide. The Foundation also contributes to students at the primary school level by initiating a nutritional lunch fund project to ensure the good physical and mental health of needy students.

In addition to supporting the Takahashi Foundation, Minebea Group companies in Thailand have set up a scholarship program for local students in Lop Buri and Ayutthaya provinces, both home to major Minebea plants.

### Local Industrial Support Programs

In line with the Thai government's policy of industrial localization, local manufacturing subsidiary Minebea Thai Ltd. supports the BOI Unit for Industrial Linkage Development (BUILD) program by contracting local subcontractors to supply it with parts and components.

### Amateur Baseball Association of Thailand

In January 1992, Minebea Group companies in Thailand, in cooperation with the Baseball Federation of Asia and the International Baseball Association, played a major role in establishing the Amateur Baseball Association of Thailand with the objective of introducing and promoting baseball in Thailand.



Takahashi Foundation students on a Minebea plant tour



Baseball game during the XIII Asian Games Bangkok (ASIAD 98)

### Shanghai-Minebea Environmental Protection Fund

In April 1996, Minebea Electronics & Hi-Tech Components (Shanghai) established the Shanghai-Minebea Environmental Protection Fund with the aim of helping preserve the quality of the water in Lake Daishan-hu and the environment of the surrounding area. The fund is the first of its kind to be set up by a foreign firm in China.

In May 2001, Minebea Electronics & Hi-Tech Components (Shanghai) increased the Shanghai-Minebea Environmental Protection Fund to Rmb 11.0 million (approximately US\$1.3 million), from Rmb 7.5 million (approximately US\$900 thousand). This was done in commemoration of the July 2001 50th anniversary of Minebea's founding. Accrued interest from the fund is used to finance a variety of activities. To date, the fund has assisted efforts to plant cherry tree saplings along nearby Highway No. 318, build green belts in adjacent areas and install chemical toilets in local residences. In May 2001, the fund also donated saplings to the Shanghai Sapling Center. The saplings will later be supplied to the city of Shanghai for use in greening programs in the city.

### Fire Engine Donation

To commemorate the 10th anniversary of the establishment of Minebea Electronics & Hi-Tech Components (Shanghai), in May 2004 Minebea donated two fire engines to the Qingpu District, Shanghai, where the company is situated. This move was made with the intention of assisting local authorities' efforts to prevent fires and ensure the safety of local residents.



Ceremony in May 2004 to commemorate the donation of fire engines to the city of Shanghai



Minebea President Tsugio Yamamoto at a ceremony to commemorate increasing the amount of the Shanghai-Minebea Environmental Protection Fund, in May 2001



Sapling donation ceremony at the Shanghai Sapling Center

## Financial Section

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## Eleven-Year Summary

	2004	2003	2002	2001
<b>Statement of Income Data:</b>				
Net sales:	<b>¥268,574</b>	¥272,202	¥279,344	¥287,045
Machined components	<b>111,693</b>	118,118	122,025	124,461
Percentage of net sales	<b>42%</b>	43%	44%	43%
Electronic devices and components	<b>156,881</b>	154,084	156,303	151,910
Percentage of net sales	<b>58%</b>	57%	56%	53%
Consumer business and others	—	—	1,016	10,674
Percentage of net sales	<b>—%</b>	—%	0%	4%
Gross profit	<b>¥ 65,313</b>	¥ 68,702	¥ 73,283	¥ 84,117
Percentage of net sales	<b>24.3%</b>	25.2%	26.2%	29.3%
Operating income	<b>18,104</b>	19,352	21,972	32,977
Percentage of net sales	<b>6.7%</b>	7.1%	7.9%	11.5%
Net income (loss)	<b>6,019</b>	(2,434)	5,298	14,826
Percentage of net sales	<b>2.2%</b>	(0.9)%	1.9%	5.2%
<b>Balance Sheet Data:</b>				
Total assets	<b>¥314,915</b>	¥320,069	¥350,037	¥346,965
Total current assets	<b>138,953</b>	127,447	131,548	137,106
Total current liabilities	<b>167,626</b>	134,459	156,908	127,290
Short-term loans payable and current portion of long-term debt	<b>119,643</b>	81,262	103,461	66,531
Long-term debt	<b>51,842</b>	85,862	79,212	118,629
Working capital	<b>(28,673)</b>	(7,012)	(25,360)	9,816
Total shareholders' equity	<b>93,866</b>	98,213	112,732	100,574
Percentage of total assets	<b>29.8%</b>	30.7%	32.2%	29.0%
<b>Per Share Data:</b>				
Net income (loss):				
Basic	<b>¥ 15.08</b>	¥ (6.10)	¥ 13.27	¥ 37.14
Diluted	<b>14.51</b>	(4.85)	12.60	34.10
Shareholders' equity	<b>235.21</b>	246.08	282.42	251.96
Cash dividends	<b>7.00</b>	7.00	7.00	7.00
<b>Other Data:</b>				
Return on shareholders' equity	<b>6.3%</b>	(2.3)%	5.0%	11.6%
Return on total assets	<b>1.9%</b>	(0.8)%	1.5%	4.0%
Interest expense	<b>¥ 3,213</b>	¥ 4,765	¥ 5,673	¥ 7,553
Net cash provided by operating activities	<b>21,714</b>	32,279	34,017	38,332
Purchase of tangible fixed assets	<b>18,825</b>	16,382	26,245	39,877
Free cash flow	<b>2,889</b>	15,897	7,772	(1,545)
Depreciation and amortization	<b>22,728</b>	24,015	25,577	23,682
Number of shares outstanding	<b>399,167,695</b>	399,167,695	399,167,695	399,167,695
Number of employees	<b>43,839</b>	43,002	43,729	45,193

- Notes: 1. In fiscal 2003, owing to significant declines in the prices of stocks listed on major markets, resulting in the impairment of shares in financial institutions, losses on devaluation of investment securities totaled ¥4,945 million. In line with projected losses resulting from its withdrawal from switching power supplies and related businesses, the Company posted losses on liquidation of switching power supplies and related businesses of ¥3,144 million. The Company also registered ¥1,206 million in environment-related expenses incurred by U.S. subsidiaries.
2. In fiscal 2001, to concentrate resources in its best areas and improve financial strength, the Company transferred its shares in subsidiary Actus Corporation, posting an extraordinary gain of ¥5,215 million in gains on sales of investment securities in affiliates. The Company also showed an extraordinary loss of ¥2,762 million, in line with the projected loss on the withdrawal from the wheel business.
3. In fiscal 2000, to concentrate resources in its best areas and improve financial strength, the Company made decisions with regard to the transfer of its shares, etc., in Minebea Credit Co., Ltd., a wholly owned subsidiary; the liquidation of different affiliated companies; and other matters. As a result, the Company showed ¥25,782 million in extraordinary losses as losses on liquidation of subsidiaries and affiliates. The Company also applied tax effect accounting overall, which resulted in ¥6,276 million in deferred income taxes (benefit).

Millions of yen							Thousands of U.S. dollars (Note 8)
2000	1999	1998	1997	1996	1995	1994	2004
¥284,757	¥305,324	¥326,094	¥302,886	¥260,537	¥239,133	¥121,586	<b>\$2,541,151</b>
127,734	136,807	142,007	136,147	122,540	113,795	51,835	<b>1,056,798</b>
45%	45%	43%	45%	47%	48%	42%	
146,133	157,603	180,875	165,118	136,519	115,216	61,504	<b>1,484,353</b>
51%	52%	56%	54%	52%	48%	51%	
10,890	10,914	3,212	1,621	1,478	10,122	8,247	—
4%	3%	1%	1%	1%	4%	7%	
¥ 81,534	¥ 90,161	¥107,086	¥ 86,487	¥ 75,152	¥ 63,866	¥ 31,753	<b>\$ 617,976</b>
28.6%	29.5%	32.8%	28.6%	28.8%	26.7%	26.1%	
31,069	38,546	58,811	41,901	34,788	27,283	12,706	<b>171,302</b>
10.9%	12.6%	18.0%	13.8%	13.4%	11.4%	10.4%	
(2,677)	11,507	15,144	8,862	7,354	2,570	591	<b>56,956</b>
(0.9)%	3.7%	4.6%	2.9%	2.8%	1.1%	0.5%	
¥403,994	¥473,360	¥492,210	¥563,220	¥556,787	¥529,959	¥699,475	<b>\$2,979,616</b>
153,658	219,826	213,194	264,368	291,143	287,762	457,402	<b>1,314,726</b>
124,085	197,071	246,114	322,966	336,106	308,740	414,075	<b>1,586,021</b>
68,022	142,828	178,228	254,243	251,983	249,712	328,082	<b>1,132,019</b>
124,690	128,223	96,882	109,365	97,129	99,208	161,207	<b>490,514</b>
29,573	22,755	(32,920)	(58,598)	(44,963)	(20,978)	43,327	<b>(271,294)</b>
154,357	145,705	141,843	123,831	116,753	113,276	111,623	<b>888,129</b>
38.2%	30.8%	28.8%	22.0%	21.0%	21.4%	16.0%	
							U.S. dollars (Note 8)
¥ (6.72)	¥ 28.94	¥ 38.42	¥ 22.76	¥ 18.91	¥ 6.61	¥ 1.52	<b>\$0.14</b>
(5.39)	26.32	34.85	21.03	18.68	6.61	1.52	<b>0.14</b>
386.71	366.29	357.77	317.46	300.22	291.33	287.13	<b>2.23</b>
7.00	7.00	7.00	7.00	7.00	6.00	3.00	<b>0.07</b>
							Thousands of U.S. dollars (Note 8)
							Millions of yen
(1.8)%	8.0%	11.4%	7.4%	6.4%	2.3%	0.5%	
(0.6)%	2.4%	2.9%	1.6%	1.4%	0.4%	0.1%	
¥ 7,897	¥12,231	¥16,593	¥19,109	¥17,525	¥17,903	¥ 7,707	<b>\$ 30,403</b>
60,289	60,740	83,878	29,546	26,230	52,951	16,594	<b>205,453</b>
19,504	20,563	23,688	50,931	37,434	22,895	8,880	<b>178,115</b>
40,785	40,177	60,190	(21,385)	(11,204)	30,056	7,714	<b>27,338</b>
25,026	28,034	29,616	29,277	22,319	18,634	9,269	<b>215,057</b>
399,150,527	397,787,828	396,470,473	390,076,018	388,892,609	388,824,616	388,761,608	
42,399	40,482	38,733	37,096	35,978	29,790	27,821	

4. 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.

5. 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 consist of 12 months.

6. In fiscal 2000, the Company reclassified its operations into three business segments and revised figures in prior years.

7. Owing to a change in accounting standards, cash flows are shown in a new format in and after fiscal 2000.

8. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.69=US\$1, the approximate rate of exchange on March 31, 2004.

## Outline

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### Outline of Operations

Minebea's core competencies are its ultraprecision machining technologies, vertically integrated manufacturing system and mass production technologies. The Company's operations are divided into two business segments: Machined Components and Electronic Devices and Components. The Machined Components segment, which focuses on miniature and small-sized ball bearings ("ball bearings" in subsequent references), accounted for 42% of consolidated net sales in fiscal 2004. The Electronic Devices and Components segment, which encompasses HDD spindle motors, fan motors and other precision small motors, as well as other electronic devices and components, notably PC keyboards, represented 58% of consolidated net sales in fiscal 2004.

Our product development activities are centered in Japan, with additional R&D bases in Thailand, Germany and the United States, while our manufacturing network encompasses principal bases in Thailand and China, as well as smaller bases in Japan, Singapore, the United States and the United Kingdom. Our manufacturing base in Thailand accounted for 58% of total consolidated production, while combined production at all of our bases in Asia (excluding Japan) was responsible for 81% of total consolidated production.

We supply products to a number of key markets. Notable among these are the PC and peripheral equipment, information and telecommunications equipment, household electrical appliances and aerospace markets, which account for 44%, 11%, 10% and 9%, respectively, of consolidated net sales. Reflecting the increasing shift by our customers in these markets to production in China and other parts of Asia, sales to Asia (excluding Japan) now account for 45% of consolidated net sales. Our second-largest geographical market is Japan, which currently represents 26% of consolidated net sales, with remaining sales to North and South America and Europe. (For more detailed information on Minebea's results for fiscal 2004 by business and geographic segment, please refer to the section beginning on page 55.)

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### Principal Strategy

Our basic, ongoing strategy is to build a portfolio of products that befit our core competencies—our ultraprecision machining technologies, vertically integrated manufacturing system and mass production technologies—and selectively focus resources in ball bearings, precision small motors and other key businesses. We are also cultivating new core competencies with the aim of securing an unassailable competitive advantage. Notable among these is our product development capabilities.

To enhance the effectiveness of this core competencies strategy, we are implementing specific measures aimed at facilitating the expansion of key businesses. These include tightening our focus on businesses that meet the criteria of the strategy, implementing organizational changes that will enhance the strategy's effectiveness, substantially reinforcing our ability to execute the strategy's various elements and introducing clear standards for evaluating business performance.

Going forward, we will continue to address the following three priority tasks:

- further reinforce our mainstay bearings and bearing-related products,
- build our operations in the area of precision small motors and other rotary components into the second pillar of our operations after bearings and bearing-related products, and
- increase the ratio of high-value-added products in all product categories as well as diversify offerings to serve a broader market.

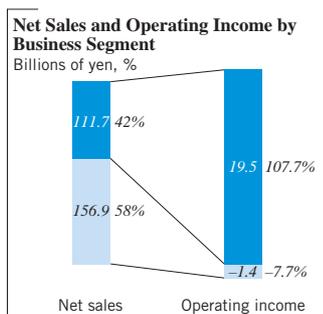
## Segment Information

	<i>Millions of yen</i>				
<i>Years ended March 31</i>	2004	2003	2002	2001	2000
<b>Net Sales to External Customers by Business Segment</b>					
Machined components	¥ 111,693	¥118,118	¥ 122,025	¥ 124,461	¥127,734
Electronic devices and components	156,881	154,084	156,303	151,910	146,133
Consumer business and others	—	—	1,016	10,674	10,890
Total	¥ 268,574	¥272,202	¥ 279,344	¥ 287,045	¥284,757
<b>Operating Income (Loss) by Business Segment</b>					
Machined components	¥ 19,505	¥ 18,520	¥ 22,135	¥ 23,906	¥ 21,996
Electronic devices and components	(1,401)	832	(163)	8,259	8,254
Consumer business and others	—	—	(0)	812	819
Total	¥ 18,104	¥ 19,352	¥ 21,972	¥ 32,977	¥ 31,069
<b>Assets by Business Segment</b>					
Machined components	¥ 189,741	¥191,793	¥ 205,920	¥ 200,457	¥183,111
Electronic devices and components	196,918	204,489	231,806	255,789	234,558
Consumer business and others	—	—	745	3,711	8,022
Eliminations	(71,744)	(76,213)	(88,434)	(112,992)	(21,697)
Total	¥ 314,915	¥320,069	¥ 350,037	¥ 346,965	¥403,994
<b>Depreciation and Amortization by Business Segment</b>					
Machined components	¥ 10,811	¥ 10,378	¥ 9,489	¥ 10,842	¥ 10,031
Electronic devices and components	10,894	12,448	14,891	11,240	11,911
Consumer business and others	—	—	5	68	83
Total	¥ 21,705	¥ 22,826	¥ 24,385	¥ 22,150	¥ 22,025
<b>Capital Expenditure by Business Segment</b>					
Machined components	¥ 4,168	¥ 4,750	¥ 7,963	¥ 19,464	¥ 8,813
Electronic devices and components	14,929	11,853	18,485	21,010	10,571
Consumer business and others	—	—	5	185	228
Total	¥ 19,097	¥ 16,603	¥ 26,453	¥ 40,659	¥ 19,612
<b>Sales to External Customers by Geographic Segment</b>					
Japan	¥ 68,760	¥ 72,755	¥ 83,705	¥ 111,643	¥117,141
Asia (excluding Japan)	121,072	107,789	95,884	82,437	74,067
North and South America	48,726	58,998	63,569	58,192	58,253
Europe	30,016	32,660	36,186	34,773	35,296
Total	¥ 268,574	¥272,202	¥ 279,344	¥ 287,045	¥284,757
<b>Operating Income by Geographic Segment</b>					
Japan	¥ 4,883	¥ 3,133	¥ 767	¥ 11,806	¥ 11,883
Asia (excluding Japan)	10,763	12,418	17,387	17,362	15,173
North and South America	2,084	1,859	1,968	1,327	2,729
Europe	374	1,942	1,850	2,482	1,284
Total	¥ 18,104	¥ 19,352	¥ 21,972	¥ 32,977	¥ 31,069
<b>Assets by Geographic Segment</b>					
Japan	¥ 166,277	¥175,917	¥ 195,305	¥ 212,827	¥182,130
Asia (excluding Japan)	201,194	185,397	201,541	183,118	168,406
North and South America	29,173	37,064	38,088	38,821	41,265
Europe	20,075	20,528	25,194	25,191	33,851
Eliminations	(101,804)	(98,837)	(110,091)	(112,992)	(21,658)
Total	¥ 314,915	¥320,069	¥ 350,037	¥ 346,965	¥403,994

Results of Operations

Net Sales

Consolidated net sales in fiscal 2004 declined 1.3%, or ¥3,628 million, to ¥268,574 million. A recovery in demand from customers in principal customer industries, including manufacturers of PCs and other information and telecommunications equipment, household electrical appliances and industrial machinery spurred record production and shipments of certain mainstay products. This was countered by the negative impact of the translation of sales denominated in other currencies into yen, a consequence of the appreciation of the yen against the dollar, as well as the termination of three businesses and declines in product prices. With the greater portion of our sales denominated in U.S. dollars, the impact of exchange rate fluctuations is considerable: in the period under review, this factor was responsible for a decline of approximately ¥8,900 million. The termination of our FDD subassembly business in November 2002, certain operations in the United States in July 2003 and our switching power supplies and related businesses in March 2004 were responsible for declines of approximately ¥2,300 million, ¥1,000 million and ¥3,500 million, respectively.



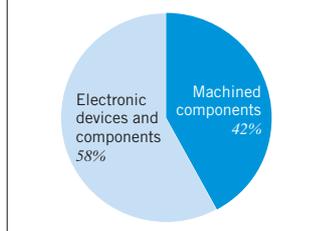
■ Machined components  
■ Electronic devices and components  
Note: Percentages represent contribution by business segment to total.

Net Sales by Business Segment

Machined Components

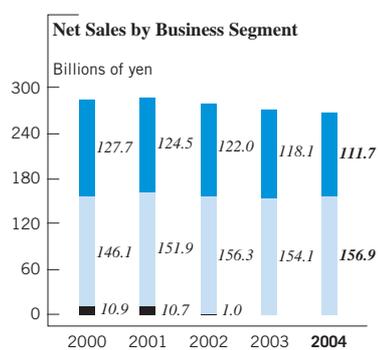
Net sales of machined components amounted to ¥111,693 million, a decrease of 5.4%, or ¥6,425 million. In the bearings and bearing-related products category, sales declined 3.4%, or ¥3,334 million, to ¥94,604 million. Efforts to expand the scale of our ball bearings business and stringent cost reduction measures—implemented as part of a program to boost monthly global production and sales to 180 million pieces—supported an increase in shipments of ball bearings. Nonetheless, volume gains were negated by the appreciation of the yen and declining product prices. Sales of pivot assemblies for HDDs also decreased for the same reason, although an increase in shipments—attributable to the timely launch of new products—enabled us to maintain our approximately 70% share of the global market for these components. Sales in the other machined components category declined 15.3%, or ¥3,091 million, to ¥17,089 million. A divestiture in the United States accounted for approximately ¥1,000 million of the decline, while the remainder was primarily attributable to a decline in sales of special machined components, a consequence of flagging demand.

Net Sales by Business Segment



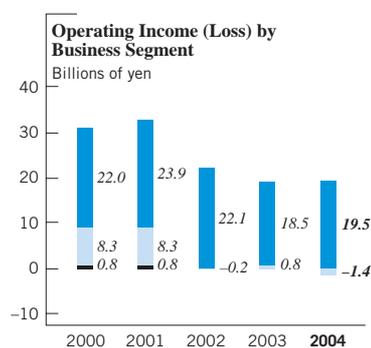
Electronic Devices and Components

Net sales of electronic devices and components rose 1.8%, or ¥2,797 million, to ¥156,881 million. In the rotary components category, sales advanced 9.5%, or ¥7,553 million, to ¥86,741 million. The impact of a strong yen and falling product prices countered increased shipments of key products. Sales of HDD spindle motors rose despite currency and price considerations, owing to rising demand for HDDs, boosting our global market share. Sales in the other electronic devices and components category declined 6.4%, or ¥4,756 million, to ¥70,141 million. Sales of lighting devices increased, reflecting efforts to cultivate new customers by launching new, high-performance products, notably LC backlight assemblies for small and medium-sized LCDs. In contrast, a delay in the start of production at a new plant in China and the impact of inventory adjustments by certain customers pushed down sales of PC keyboards. Our withdrawal from the FDD subassembly business in November 2002 and the switching power supplies and related businesses in March 2004 resulted in decreases of approximately ¥2,300 million and ¥3,500 million, respectively.



■ Machined components  
■ Electronic devices and components  
■ Consumer business and others

Note: Owing to the divestiture of a subsidiary, the Company withdrew from the Consumer Business and Others business segment effective from fiscal 2003.



■ Machined components  
■ Electronic devices and components  
■ Consumer business and others

Note: Owing to the divestiture of a subsidiary, the Company withdrew from the Consumer Business and Others business segment effective from fiscal 2003.

**Average Rate of Exchange During the Fiscal Year**

	Yen	
	2004	2003
U.S. Dollar	¥113.97	¥122.29
Euro	132.73	120.34
Singapore Dollar	65.58	69.08
Thai Baht	2.79	2.86
Chinese Yuan (Renminbi)	13.77	14.77

Note: Exchange rates are calculated based on the average of the average quarterly rates for fiscal 2004.

**Performance by Business Segment**

Millions of yen

Year ended March 31, 2004	Machined Components	Electronic Devices and Components	Total before Eliminations	Eliminations or corporate	Total
Sales to external customers	¥111,693	¥156,881	¥268,574	¥ —	¥268,574
Internal sales	2,191	15	2,206	(2,206)	—
<b>Total sales</b>	<b>113,884</b>	<b>156,896</b>	<b>270,780</b>	<b>(2,206)</b>	<b>268,574</b>
Operating expenses	94,379	158,297	252,676	(2,206)	250,470
Operating income (loss)	19,505	(1,401)	18,104	—	18,104
Assets	189,741	196,918	386,659	(71,744)	314,915
Depreciation and amortization	10,811	10,894	21,705	—	21,705
Capital expenditure	4,168	14,929	19,097	—	19,097

**Net Sales by Region**

Results by region continued to reflect the shift by customers in Japan, Europe and North and South America to mass production in Asia. The appreciation of the yen also affected sales denominated in other currencies to regions other than Japan.

Although business conditions in Japan exhibited steady improvement, efforts to boost sales were ineffective as key customers moved to transfer production of certain items to offshore subsidiaries. As a consequence, sales in Japan declined 6.0%, or ¥4,433 million, to ¥69,402 million.

Despite the impact of the strong yen, which held back gains, sales to Asia (excluding Japan) rose 13.7%, or ¥14,656 million, to ¥121,598 million, underscoring the region's rising importance as a manufacturing base for PCs, OA equipment and household electrical appliances.

Sales to North and South America fell 20.6%, or ¥11,767 million, to ¥45,336 million, reflecting flagging sales of electronic devices and components, a consequence of the steady shift toward production to Asia by key customers and the impact of the strong yen.

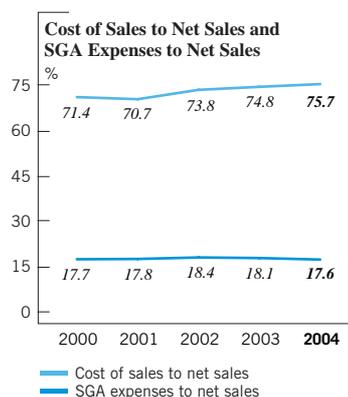
Despite signs of a gradual economic improvement in Europe, sluggish sales of electronic devices and components, while partially offset by the strength of the euro, prompted a 6.1%, or ¥2,084 million, decline in sales to Europe, to ¥32,238 million.

**Overseas Sales**

Millions of yen

Year ended March 31, 2004	To Asia (excluding Japan)	To North and South America	To Europe	Total
Overseas sales	¥121,598	¥45,336	¥32,238	¥199,172
Consolidated net sales				¥268,574
Overseas sales as a percentage of consolidated net sales	45.3%	16.9%	12.0%	74.2%

## Cost of Sales and Selling, General and Administrative (SGA) Expenses



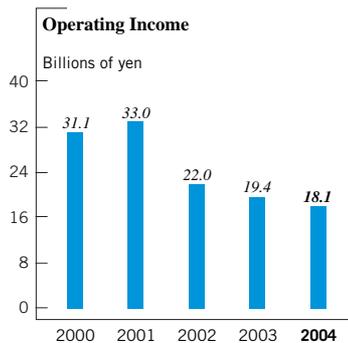
Cost of sales edged down 0.1%, or ¥239 million, to ¥203,261 million. Cost of sales as a percentage of net sales rose 0.9 percentage point, to 75.7%. While the appreciation of the yen against the dollar was the principal factor behind the decline in net sales, its impact on costs was partially negated by the fact that high portions of Minebea's costs are denominated in Thai baht and yen. Efforts to enhance the efficiency of manufacturing and sales activities succeeded in reducing production and plant administration costs, but intensifying price competition and a decline in product prices, together with an increase in the weight of products with high ratios of cost of sales to net sales—notably HDD spindle motors—in our portfolio boosted cost of sales as a percentage of net sales.

SGA expenses declined 4.3%, or ¥2,141 million, to ¥47,209 million, equivalent to 17.6% of net sales, down 0.5 percentage point. This result was primarily attributable to Companywide efforts to reduce expenses, which led to declines in logistics, personnel and general administrative expenses. A decrease in expenses at overseas subsidiaries, owing to the appreciation of the yen, also contributed to the overall decrease.

### Costs of Sales and SGA Expenses

Years ended March 31	Millions of yen				
	2004	2003	2002	2001	2000
Net sales	¥268,574	¥272,202	¥279,344	¥287,045	¥284,757
Cost of sales	203,261	203,500	206,061	202,928	203,223
Cost of sales to net sales	75.7%	74.8%	73.8%	70.7%	71.4%
Gross profit	65,313	68,702	73,283	84,117	81,534
SGA expenses	47,209	49,350	51,311	51,140	50,465
SGA expenses to net sales	17.6%	18.1%	18.4%	17.8%	17.7%

## Income



### Operating Income

Operating income fell 6.4%, or ¥1,248 million, to ¥18,104 million. Accordingly, the operating margin slipped 0.4 percentage point, to 6.7%.

#### Machined Components

In the Machined Components segment, operating income advanced 5.3%, or ¥985 million, to ¥19,505 million, while the operating margin (calculated using sales to external customers) improved 1.8 percentage points, to 17.5%. In the area of ball bearings, the expansion of our monthly global production and sales, to 180 million pieces, boosted operating income and the operating margin and largely countered the impact of the strong yen and declining sales of other segment products.

#### Electronic Devices and Components

The Electronic Devices and Components segment posted an operating loss of ¥1,401 million, down from operating income of ¥832 million in the previous period. Despite a recovery in demand from manufacturers of PCs, HDDs, other information and telecommunications equipment and household electrical appliances, this segment continued to face persistent price-cutting pressure from customers and increasingly harsh competition from manufacturers in other parts of Asia, particularly China. As a consequence, an increase in shipments of core products—reflecting the launch of new products and efforts to bolster sales—and a decrease in costs were countered by falling product prices and the appreciation of the yen. The segment operating loss reflected worsening operating losses in the HDD spindle motor category, for which the key strategic focuses are entry into the market for FDB motors for 2.5-inch or smaller HDDs and a return to profitability, and in the PC keyboard category, owing to a heavy initial cost burden attending the establishment of a manufacturing facility in China.

### Income before Income Taxes and Minority Interests

The net balance of other income (expenses) was a loss of ¥5,146 million, an improvement of ¥13,711 million from fiscal 2003. This primarily reflected the absence of losses on devaluation of investment securities and liquidation of switching power supplies and related businesses, which inflated other expenses in the previous period. The repayment of debt incurred in fiscal 2003 and reborrowing at a lower interest rate in the period under review prompted a ¥1,552 million decline in interest expense.

Income before income taxes and minority interests amounted to ¥12,958 million, an increase of ¥12,463 million.

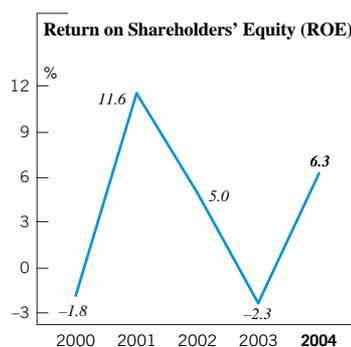
### Net Income

Income taxes amounted to ¥7,210 million, up ¥4,304 million from fiscal 2003. Income taxes in fiscal 2004 comprised current taxes, that is, corporate, residential and business taxes, of ¥4,412 million, and a deferred (benefit) of ¥2,798 million. This increase was due to certain loss-making subsidiaries, as well as to operating losses carried forward and the exclusion of foreign taxes on dividend payments from the deduction for foreign taxes.

Minority interests amounted to a loss of ¥271 million, down ¥294 million from income of ¥23 million in the previous period.

As a consequence of the aforementioned factors, Minebea registered net income of ¥6,019 million, up from a loss of ¥2,434 million in fiscal 2003. Basic net income per share was ¥15.08, compared to basic net loss per share of ¥6.10 in the previous period.

### Income



Years ended March 31	Millions of yen				
	2004	2003	2002	2001	2000
Operating income	¥18,104	¥19,352	¥21,972	¥32,977	¥31,069
Operating margin	6.7%	7.1%	7.9%	11.5%	10.9%
Net balance of other income (expenses)	(5,146)	(18,857)	(9,023)	(10,590)	(37,681)
Net income (loss)	6,019	(2,434)	5,298	14,826	(2,677)
Net income (loss) to net sales	2.2%	(0.9)%	1.9%	5.2%	(0.9)%
Net income (loss) per share (Yen):					
Basic	15.08	(6.10)	13.27	37.14	(6.72)
Diluted	14.51	(4.85)	12.60	34.10	(5.39)
Return on shareholders' equity	6.3%	(2.3)%	5.0%	11.6%	(1.8)%
Return on total assets	1.9%	(0.8)%	1.5%	4.0%	(0.6)%

## Financial Condition

### Financial Policy

In an operating environment characterized by intensifying global competition, we recognize the importance of ensuring the flexibility necessary to allow advance investment, enabling us to develop products that satisfy diverse customer expectations, and capital investment, ensuring we can respond promptly to fluctuations in demand. Accordingly, we strive to maintain a high level of agility in financing activities. Our debt ratings in fiscal 2004, shown in the table below, are indicative of our sound financial condition. We have set a medium-term goal to lower our net debt-to-equity ratio\* (1.6 times at fiscal 2004 year-end) to 1.0 times, that is, to reduce net interest-bearing debt below ¥100,000 million. Accordingly, with the exception of amounts applied to working capital and R&D, net cash provided by operating activities is used entirely to repay interest-bearing debt.

\* Calculated using net interest-bearing debt, or total debt minus cash and cash equivalents, divided by shareholders' equity.

#### Debt Ratings

<i>As of June 2004</i>	<i>Long-term debt</i>	<i>Short-term debt</i>
Moody's Investors Service	Baa2	—
Japan Credit Rating Agency, Ltd.	A	J-1
Japan Rating and Investment Information, Inc.	A-	a-1

### Liquidity

To the best of our ability, we have to date obtained funds used for the reduction of interest-bearing debt, purchase of tangible fixed assets and investment in R&D from cash flows from operating activities. This reflects the solid cash-generating capability of our ball bearings and other core businesses. We believe that our operating activities will continue to provide sufficient cash to cover the abovementioned outlays. We also have the ability to procure more than ¥100,000 million in short- and long-term loans if needed to enhance liquidity. We are confident that cash flows from operating activities and access to loans will continue to ensure ample liquidity going forward. To facilitate the efficient procurement of working capital, we have concluded commitment agreements with our main bank and other financial institutions. The balance of funds available under these contracts as of fiscal 2004 year-end was ¥15,000 million.

### Purchase of Tangible Fixed Assets

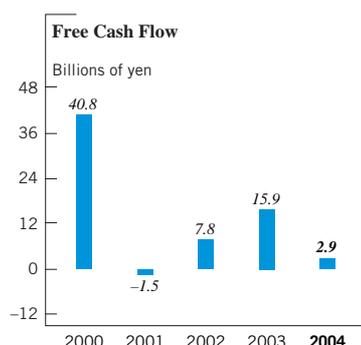
Purchase of tangible fixed assets, or capital investment, in fiscal 2004 amounted to ¥18,825 million, an increase of ¥2,443 million from the previous period. Funds were applied primarily to the expansion of production capacity for ball bearings and construction of a PC keyboard production facility in China, as well as to expansion of production facilities for pivot assemblies, HDD spindle motors and parts for internal use.

Owing to decisive measures since fiscal 2003 aimed at improving the efficiency of production, including that of parts for internal use, in fiscal 2004 we succeeded in maintaining expenditures below the ¥20,000 million mark for two consecutive fiscal years. In fiscal 2005, however, we expect this amount to increase, owing to investments related to the expansion of production capacity in core product categories. We currently estimate purchase of tangible fixed assets in fiscal 2005 at ¥23,000 million, comprising outlays aimed at increasing production capacity for ball bearings, HDD spindle motors, pivot assemblies and lighting devices, additional investment in the construction of our new PC keyboard facility in China and investment related to the operations of Minebea-Matsushita Motor.

### Dividend Policy

We are committed to building a corporate structure that is able to withstand fluctuations in our operating environment. Accordingly, we recognize the importance of reinforcing our financial potency and increasing internal reserves while at the same time maintaining stable dividend payments to shareholders.

## Cash Flows



Free cash flow (calculated by subtracting purchase of tangible fixed assets from net cash provided by operating activities) totaled ¥2,889 million in fiscal 2004, down ¥13,008 million from the previous period.

### Cash Flows from Operating Activities

Despite a ¥12,463 million increase in income before income taxes and minority interests, net cash provided by operating activities amounted to ¥21,714 million, ¥10,565 million lower than in fiscal 2003. This was primarily attributable to the inclusion in our fiscal 2003 accounts of reserves for losses on devaluation of investment securities and for losses on the liquidation of businesses, reflected in “other,” as well as increases in notes and accounts receivable and inventories.

### Cash Flows from Investing Activities

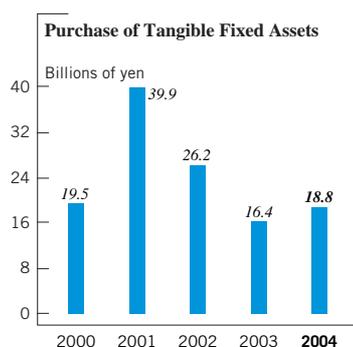
Net cash used in investing activities totaled ¥14,932 million, down ¥1,301 million from the previous period, as proceeds from sales of marketable and investment securities, included in “other, net,” and proceeds from sales of tangible fixed assets offset the use of ¥2,443 million for the purchase of tangible fixed assets.

### Cash Flows from Financing Activities

Net cash provided by financing activities came to ¥4,391 million, compared with ¥15,471 million used in financing activities in fiscal 2003. This change was largely attributable to proceeds from long-term debt of ¥6,368 million, in contrast to the application of ¥12,663 million to the repayment of long-term debt in the previous period.

### Cash and Cash Equivalents

Minebea’s operating and investing activities in fiscal 2004, together with proceeds from long-term debt undertaken to finance the establishment of Minebea–Matsushita Motor, resulted in a net increase in cash and cash equivalents of ¥10,603 million, raising cash and cash equivalents at end of year to ¥24,780 million.



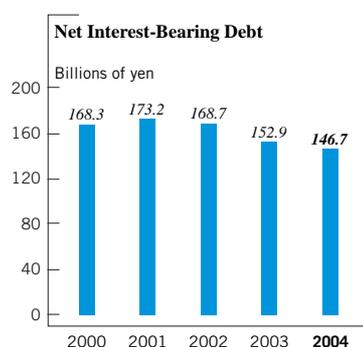
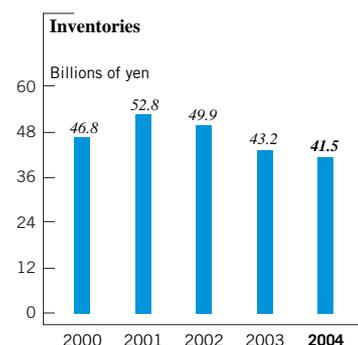
### Free Cash Flow

Years ended March 31	Millions of yen				
	2004	2003	2002	2001	2000
Net cash provided by operating activities	¥ 21,714	¥ 32,279	¥ 34,017	¥ 38,332	¥ 60,289
Purchase of tangible fixed assets	(18,825)	(16,382)	(26,245)	(39,877)	(19,504)
Free cash flow	2,889	15,897	7,772	(1,545)	40,785

Note: Owing to a change in accounting standards, cash flows are shown in a new format in and after fiscal 2000.

## Financial Position

### Summary



### Rates of Exchange at Balance Sheet Date

	Yen	
	2004	2003
U.S. Dollar	¥105.69	¥120.20
Euro	128.88	129.83
Singapore Dollar	62.91	68.01
Thai Baht	2.67	2.80
Chinese Yuan (Renminbi)	12.79	14.48

Total assets at the end of fiscal 2004 amounted to ¥314,915 million, down 1.6%, or ¥5,154 million, from the fiscal 2003 year-end. Net interest-bearing debt, or total debt minus cash and cash equivalents, declined 4.1%, or ¥6,241 million, to ¥146,706 million. The net debt-to-equity ratio was level with the previous period at 1.6 times.

### Assets

Total assets were affected by the appreciation of the yen against other currencies, compared with the end of the previous period.

Cash and cash equivalents at end of year rose ¥10,603 million, to ¥24,780 million, reflecting an increase in cash generated by operating and investing activities and a temporary increase in long-term debt related to the establishment of Minebea–Matsushita Motor. Total notes and accounts receivable grew ¥3,540 million, reflecting an increase in notes and accounts receivable in Asia and termination of the securitization of certain receivables, the impact of which was partially offset by the appreciation of the yen. The strength of the Japanese currency also hindered efforts to reduce inventories, which slipped only ¥1,670 million. As a consequence, total current assets rose 9.0%, or ¥11,506 million, to ¥138,953 million.

Net tangible fixed assets declined 8.9%, or ¥14,502 million, to ¥148,458 million. Purchase of tangible fixed assets totaled ¥18,825 million, an increase of ¥2,443 million, from ¥16,382 million in fiscal 2003.

Intangible fixed assets totaled ¥12,403 million, down 9.8%, or ¥1,346 million, owing to a decrease in consolidation adjustments.

Net investments and other assets declined 5.3%, or ¥844 million, to ¥15,055 million, as a decline in deferred tax assets partially offset a sharp increase in investments in securities.

### Liabilities

Total current liabilities amounted to ¥167,626 million, up 24.7%, or ¥33,167 million. This increase was largely attributable to an increase in the current portion of long-term debt, which boosted short-term interest-bearing debt, that is, the sum of short-term loans payable and the current portion of long-term debt, by ¥38,381 million, from the previous year's total.

Total long-term liabilities totaled ¥52,744 million, down 39.5%, or ¥34,384 million, from the fiscal 2003 year-end. This decline reflected the shift of certain items from long-term liabilities to short-term interest-bearing debt.

### Minority Interests in Consolidated Subsidiaries

Minority interests in consolidated subsidiaries increased ¥410 million, to ¥679 million.

### Shareholders' Equity

Total shareholders' equity at fiscal 2004 year-end was ¥93,866 million, down 4.4%, or ¥4,347 million. This reflected a ¥9,231 million increase in foreign currency translation adjustments—owing to the appreciation of the yen—which offset net income of ¥6,019 million.

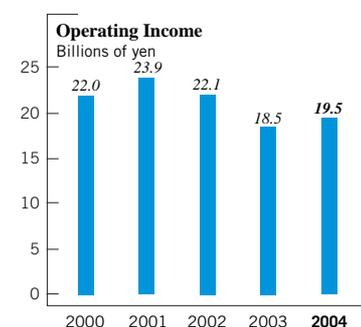
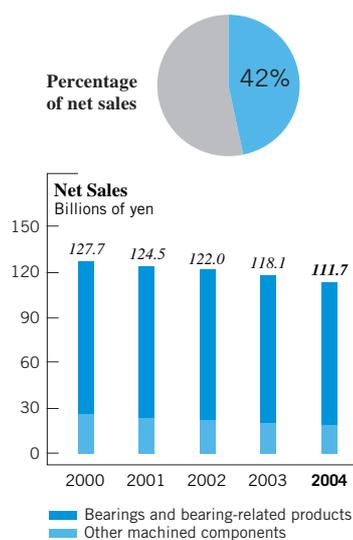
### Financial Position

As of March 31	Millions of yen				
	2004	2003	2002	2001	2000
Total assets	¥314,915	¥320,069	¥350,037	¥346,965	¥403,994
Total current assets	138,953	127,447	131,548	137,106	153,658
Inventories	41,534	43,204	49,887	52,764	46,839
Total current liabilities	167,626	134,459	156,908	127,290	124,085
Working capital	(28,673)	(7,012)	(25,360)	9,816	29,573
Interest-bearing debt	171,485	167,125	182,673	185,160	192,712
Net interest-bearing debt	146,706	152,947	168,720	173,228	168,280
Total shareholders' equity	93,866	98,213	112,732	100,574	154,357
Total shareholders' equity/					
Total assets	29.8%	30.7%	32.2%	29.0%	38.2%
Shareholders' equity per share (Yen)	235.21	246.08	282.42	251.96	386.71

## Segment Results

### Performance by Business Segment

#### Machined Components



The Machined Components segment, which accounted for 42% of consolidated net sales in fiscal 2004, encompasses bearings, namely, ball bearings and rod-end and spherical bearings; pivot assemblies and other bearing-related products; and other machined components, including special machined components and fasteners.

#### Principal Products and Applications and Minebea's Global Ranking

Principal Products	Principal Applications	Global Ranking*
<b>Bearings and bearing-related products</b>		
Ball bearings	Small motors, household electrical equipment, information and telecommunications equipment, automobiles	No. 1 (global market share of small and medium-sized ball bearings: approx. 60%)
Rod-end and spherical bearings	Aircraft, industrial machinery	No. 1 (global market share: between 50% and 60%)
Pivot assemblies	HDDs	No. 1 (global market share: approx. 70%)
<b>Other machined components</b>		
Special machined components, fasteners	Aircraft, automobiles, industrial machinery	

\*Market shares are Minebea estimates and are in terms of units shipped.

#### Highlights of Fiscal 2004

- We implemented a program of measures aimed at increasing monthly global production and sales of ball bearings to 180 million pieces, the central objective of an aggressive strategy for expanding the scale of this business and sharpening our competitive edge.
- The timely launch of new products enabled us to maintain our global market share of approximately 70% for pivot assemblies.

#### Business Environment

- A recovery in corporate capital investment supported economic recovery worldwide.
- Demand from manufacturers of PCs, HDDs, household electrical appliances and information and telecommunications equipment exhibited steady growth.
- Persistent price-cutting pressure from customers resulted in a decline in product prices.
- Demand from the aircraft industry remained sluggish.

#### Issues and Strategies

- We will accelerate efforts to cope with increasingly harsh competition in the market for ball bearings by responding to the needs of customers in new market areas.

## Principal Products

### ● Bearings and

#### Bearing-Related Products

Miniature ball bearings  
Small-sized ball bearings  
Integrated-shaft ball bearings  
Rod-end bearings  
Spherical bearings  
Roller bearings  
Journal bearings  
Pivot assemblies  
Tape guides

### ● Other Machined Components

Aerospace/automotive fasteners  
Special machined components  
Magnetic clutches and brakes

## Results in Fiscal 2004

Sales of machined components declined 5.4%, or ¥6,425 million, to ¥111,693 million, while operating income rose 5.3%, or ¥985 million, to ¥19,505 million, equivalent to 17.5% of segment net sales, up 1.8 percentage points from fiscal 2003.

### Bearings and Bearing-Related Products

Sales of bearings and bearing-related products amounted to ¥94,604 million, a decrease of 3.4%, or ¥3,334 million.

#### Ball Bearings

We implemented a program aimed at increasing monthly global production and sales of ball bearings to 180 million pieces, part of an aggressive strategy to expand the scale of this business and sharpen our competitive edge in terms of production costs. Thanks to these measures, we succeeded in boosting monthly global production and sales (including internal consumption) well above 170 million pieces. We also took decisive steps to slash costs. As a consequence, this category registered solid improvements in operating income and operating margin, contributing substantially to operating income growth in the Machined Components segment.

The market for ball bearings is expected to expand as growth in demand accelerates, spurred by the shift toward digital color copiers, the increasing prevalence of digital information and telecommunications equipment—owing to the advent of broadband—and the increased presence of household electrical appliances from China in the global market. Rising demand also reflects the soaring popularity of digital and high-performance household electrical appliances in recent years. Increased demand is also expected to provoke intensified competition.

In fiscal 2005, we will endeavor to respond to rising demand in the market for ball bearings by launching products in new market areas, thereby enhancing our competitiveness. We will also push forward toward our goal of stable monthly global production and sales of 180 million pieces. To enhance our overall capabilities in this area, we will also take steps to reinforce development and sales, expand sales in China and surrounding areas and reinforce our competitive edge in terms of cost.

#### Rod-End and Spherical Bearings

Flagging conditions in the airline market continued to hinder demand from the aerospace industry, the principal customer for these products. With Boeing and Airbus, the world's two largest private-sector aircraft manufacturers, scheduled to expand production in fiscal 2005, however, we expect demand in this category to bottom out in the second half of the period. Efforts to develop and secure orders for bearings for the new Airbus A380, scheduled for its maiden flight in February 2005, enabled us to win a significant share of orders from Airbus for these products.

#### Pivot Assemblies

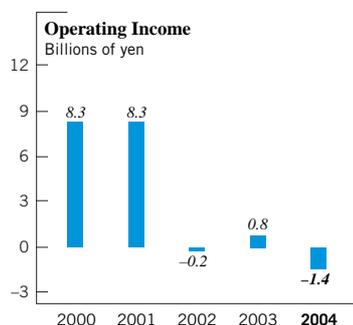
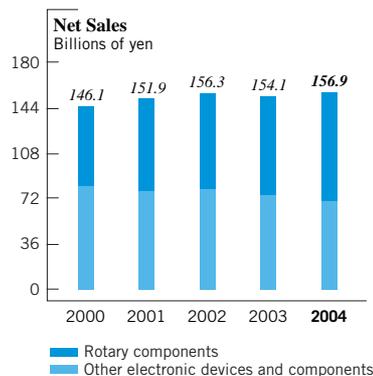
To take advantage of soaring demand for HDDs, we introduced new products and reinforced our cost competitiveness. As a consequence, we succeeded in maintaining a stable global market share of approximately 70% and boosting shipments by more than 20%. Having identified profitability of pivot assemblies a key task in the period under review, we succeeded in maximizing synergies between these products and ball bearings. In fiscal 2005, we will step up production of pivot assemblies for 2.5-, 1.8- and 1.0-inch HDDs, for which demand is increasing.

#### Other Machined Components

Sales of other machined components amounted to ¥17,089 million, down 15.3%, or ¥3,091 million from the previous period. Of this total, approximately ¥1,000 million was attributable to a divestiture in the United States in July 2003. The decrease in category sales also reflected a decline in sales of special machined components, a consequence of falling demand.

## Electronic Devices and Components

The Electronic Devices and Components segment, which represented 58% of consolidated net sales in fiscal 2004, comprises rotary components, primarily HDD spindle motors, fan motors and stepping motors, and other electronic devices and components, which includes PC keyboards, speakers and lighting devices.



### Principal Products and Applications and Minebea's Global Ranking

Principal Products	Principal Applications	Global Ranking*
<b>Rotary components</b>		
HDD spindle motors	HDDs	No. 2 (global market share: between 20% and 25%)
Fan motors	PCs, OA equipment, other information and telecommunications equipment, game machines, household electrical appliances	No. 2 (global market share: between 15% and 20%)
Stepping motors	OA equipment, optical disc drives	No. 2 (global market share: between 15% and 20%)
<b>Other electronic devices and components</b>		
PC keyboards	PCs	No. 3 (global market share: approx. 20%)
Electronic devices	PCs (FDD heads and MODs), cellular phones (lighting devices)	
Power electronic components	Power supplies (withdrew from business in fiscal 2004)	
Speakers	PCs, household electrical appliances, automobiles	
Measuring components	Industrial machinery, automobiles	

\*Market shares are Minebea estimates and are in terms of units shipped.

### Highlights of Fiscal 2004

- We established a joint venture with MEI to manufacture motors for information equipment.
- We increased our share of the global market for HDD spindle motors and registered higher sales.
- A new PC keyboard production facility in China commenced operations in August 2003.
- Our lighting devices business gathered momentum.

### Business Environment

- Private-sector capital investment spurred global economic recovery.
- Demand from manufacturers of PCs, HDDs, information and telecommunications equipment and household electrical appliances rose favorably.
- Persistent price-cutting pressure from customers and the expansion of production in other parts of Asia, particularly China, intensified competition.

### Issues and Strategies

- Ensure joint venture Minebea–Matsushita Motor is on track.
- In the HDD spindle motors category, strive for the timely launch of new products and improved profitability.
- Take steps aimed at achieving a dramatic improvement in the profitability of electronic devices and components.
- Expand display-related components business.

## Principal Products

### ● Rotary Components

- HDD spindle motors
- Fan motors
- Hybrid-type stepping motors
- PM-type stepping motors
- DC brushless motors
- DC brushless motors for electric power steering systems
- VR resolvers

### ● Other Electronic Devices and Components

- PC keyboards
- Speakers
- Electronic devices
  - Magnetic heads for FDDs
  - MOD drive subassemblies
  - Lighting devices for LCDs
- Power electronic components
  - Backlight inverters
- Measuring components
  - Strain gauges
  - Load cells

## Results in Fiscal 2004

Net sales of electronic devices and components rose 1.8%, or ¥2,797 million, to ¥156,881 million. Notwithstanding sales gains, this segment recorded an operating loss of ¥1,401 million, compared with operating income of ¥832 million in fiscal 2003.

### Rotary Components

Sales of rotary components advanced 9.5%, or ¥7,553 million, to ¥86,741 million.

#### HDD Spindle Motors

Sales of HDD spindle motors climbed sharply, reflecting rising demand for HDDs and an increase in our global market share. Demand rose for spindle motors for 3.5-inch HDDs—which currently account for approximately 90% of our HDD spindle motor sales—for desktop PCs and digital household electrical appliances. Demand for these motors is expected to continue expanding for applications requiring HDDs with large capacities, notably desktop PCs, digital household electrical appliances and AV equipment. At the same time, we recognize that the future of this business also depends on establishing a presence in the soaring market for FDB spindle motors for 2.5-inch or smaller HDDs. To this end, we continued to pursue R&D in this area and in April 2004 introduced a number of new products, positioning us to enter this market with products suited to a variety of needs.

Improving profitability remains the principal challenge facing us in this category as harsh competition continues to drive down prices for spindle motors for 3.5-inch HDDs, countering efforts to lower production costs. Accordingly, we will implement a drastic reassessment of costs while at the same time step up efforts to sell cost-competitive products, with the aim of achieving a marked improvement in profitability in fiscal 2005.

#### Fan Motors

Despite an increase in shipments, sales of fan motors remained flat, reflecting the appreciation of the yen and falling product prices. Expanded sales efforts boosted sales to manufacturers of PCs and servers, but sales to customers in the game and other industries remained slow as demand fell off in the second half.

The establishment of joint venture Minebea–Matsushita Motor has greatly expanded our lineup in this category, which to date has centered on ball bearing-type fan motors, to include sleeve bearing-type fan motors. The new company has also given us increased access to the household electrical appliances market, until now not a core customer industry. Going forward, we will continue to build on the diversification of our capabilities to expand this key business.

#### Stepping Motors

Sales of stepping motors edged down as the strong yen and falling product prices offset higher shipments. Efforts to expand sales of new products for use in OA equipment and industrial machinery yielded favorable results in the category of hybrid-type stepping motors. In contrast, efforts to boost sales of PM-type stepping motors for optical disc drives were countered by intense pricing competition as the increasing presence of manufacturers from other parts of Asia continued to exert downward pressure on product prices.

The establishment of Minebea–Matsushita Motor has also expanded our lineup in this category to include compact PM-type stepping motors. As with fan motors, we will continue to maximize our new capabilities to further expand this business.

#### Other Electronic Devices and Components

Sales in the other electronic devices and components category declined 6.4%, or ¥4,756 million, to ¥70,141 million. Discounting the impact of our withdrawal from the FDD sub-assembly business in November 2002 and the switching power supplies and related businesses in March 2004, segment sales would have been ¥61,000 million in fiscal 2003 and ¥621 million in fiscal 2004.

#### PC Keyboards

Production of PC keyboards at our new PC keyboard production facility in China has progressed favorably since the facility commenced operations in August 2003. Nonetheless, a delay in the facility's startup and inventory adjustments by principal customers resulted in a sharp decline in sales in the period under review. The burden of initial investments in the new facility further hampered income. In fiscal 2005, we will proceed with the shift of all PC keyboard production from Thailand to China with the aim of completing this move as early as possible, and expect to return to profitability in the second half of the period.

#### Electronic Devices

This category comprises frontlight and backlight assemblies for color LCDs. This business gathered considerable momentum during the period under review as expanded sales to major customers boosted category sales 3.5 times, to approximately ¥9,000 million.

With the cellular phone market shifting toward LCDs capable of handling motion pictures, demand is focusing on devices with larger screens and improved brightness and resolution. We continue to leverage our ultraprecision machining technologies to develop and offer lighting devices that are one step ahead of demand in terms of performance.

Our LCD backlight assemblies capitalize on our extensive optical-related technologies, accumulated over many years in MOD drive subassemblies and other areas. We continue to conduct R&D aimed at maximizing these and our electronic circuit technologies in the area of display-related components. Going forward, we anticipate our backlight inverter business emerging as a key pillar of our display-related components category. While to date sales efforts have centered on manufacturers of LCDs for PCs, scanners and copiers, we also plan to enter the large-screen television LCD market.

Demand for magnetic heads for FDDs and MOD drive subassemblies shrank during the period under review. This trend is expected to persist in fiscal 2005.

#### Power Electronic Components

In fiscal 2004, we withdrew from the switching power supplies and related businesses, the core of this product category.

#### Speakers

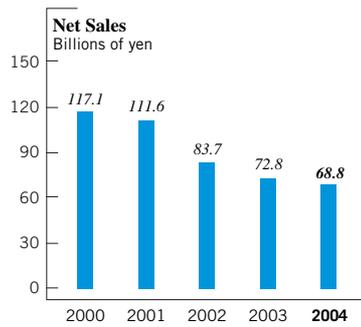
Sales were held to a slight increase despite expanded sales efforts to manufacturers of PCs, audio equipment and automobiles.

#### Measuring Components

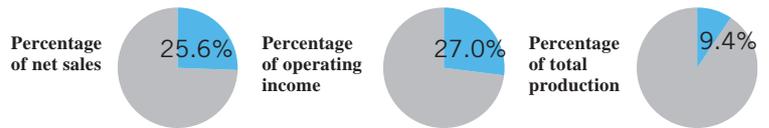
Firm demand from manufacturers of industrial machinery, primarily injection molding equipment, contributed to a substantial increase in sales of measuring components. Given the promising long-term outlook for this business, we continue to take decisive steps to strengthen this business, including introducing new products and expanding sales in China.

## Performance by Geographic Segment

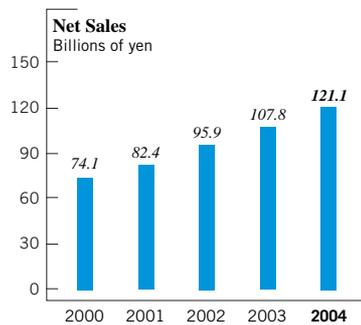
### Japan



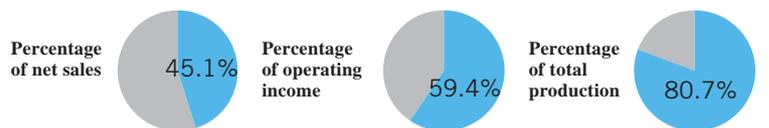
Although business conditions in Japan exhibited steady improvement, efforts to boost sales were ineffective as key customers moved to transfer production of certain items to offshore subsidiaries. These factors pushed sales to external customers in Japan down 5.5%, or ¥3,995 million, to ¥68,760 million. Nonetheless, the strong yen pushed down import prices, boosting operating income 55.9%, or ¥1,750 million, to ¥4,883 million.



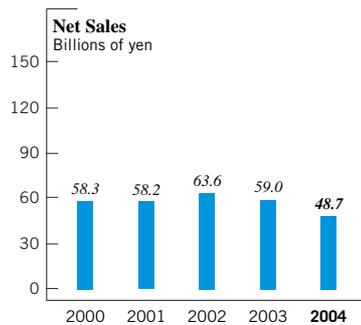
### Asia (Excluding Japan)



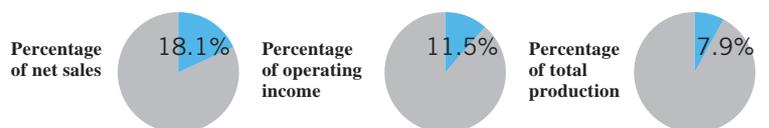
A crucial base for Japanese, American and European manufacturers of PCs and other electrical devices, Asia is a particularly important market for us. While a recovery in demand from manufacturers of information and telecommunications equipment supported firm sales in the period under review, price competition intensified, owing to expanded manufacturing in the region. Reflecting these and other factors, sales to external customers in this region increased 12.3%, or ¥13,283 million, to ¥121,072 million, while operating income decreased 13.3%, or ¥1,655 million, to ¥10,763 million.



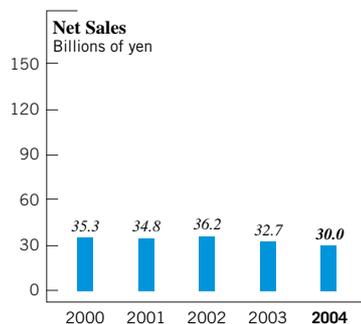
### North and South America



A steady shift toward production in Asia by key customers in North and South America resulted in flagging sales of PC keyboards and speakers, as well as fasteners and other machined components. The situation was exacerbated by a delayed recovery in demand from private-sector aircraft manufacturers, our principal customers in this region. As a consequence, sales to external customers in this region declined 17.4%, or ¥10,272 million, to ¥48,726 million, while operating income increased 12.1%, or ¥225 million, to ¥2,084 million.



### Europe



While signs of gradual economic improvement in Europe supported firm sales of ball bearings and rod-end bearings, sluggish sales of PC keyboards and other electronic devices and components, while partially offset by the strength of the euro, prompted a decline in sales to external customers in the region of 8.1%, or ¥2,644 million, to ¥30,016 million. Operating income fell 80.7%, or ¥1,568 million, to ¥374 million.



### Outlook for Fiscal 2005

With the global economy expected to remain on a recovery path in fiscal 2005, demand for PCs, HDDs, information and telecommunications equipment and household electrical appliances is likely to continue expanding. However, we also expect persistent price-cutting pressure from customers and heightened competition throughout Asia, particularly in China. In such an environment, we will continue to implement measures aimed at further reinforcing our ball bearing business and addressing the various challenges facing our electronic devices and components business, thereby establishing a strong foundation for steady increases in our operating results over the long term. In fiscal 2005, we expect consolidated net sales to edge up and operating and net income to increase.

### Risk Management

Minebea recognizes a variety of risks and uncertainties that have the potential to affect its operating results and/or financial position.

#### Market Risk

Principal markets for Minebea products, including those for PCs and peripheral equipment, information and telecommunications equipment and household electrical appliances, are intensely competitive and subject to significant fluctuations in demand. Moreover, reflecting customers' increasingly short product cycles, we are seeing the average life cycle and development period for our products decrease. We work to ensure an accurate grasp of customer needs, thereby facilitating the effective allocation of development resources, and to adjust our production capacity accordingly. Nonetheless, our operating results and financial position are vulnerable to sudden fluctuations in demand and changes in our customers' product requirements.

#### Foreign Exchange Risk

In fiscal 2004, 74.2% of our consolidated net sales were in markets outside of Japan. We have entered into various currency exchange contracts and other derivatives transactions to hedge risks associated with exposure to fluctuations in foreign currency exchange rates.

#### R&D Risk

Maintaining our competitive position in the markets for machined components and electronic devices and components requires the ability to introduce a constant stream of new, high-quality products. To this end, the R&D and technology teams and manufacturing departments of Minebea Group companies work closely with sales departments. Nonetheless, there are no guarantees that R&D efforts will come to fruition. Accordingly, we are subject to the risk that significant R&D expenditures may not be rewarded with successful products.

#### Legal Risk

The Legal Department is responsible for managing risk related to lawsuits and other legal actions brought against Minebea Group operations in Japan and/or overseas. In fiscal 2004, no lawsuits with the potential to significantly affect our operations were brought against Minebea or any Group company. However, we are subject to the risk that lawsuits or other actions with the potential to affect our operating results and/or financial position may be brought against us in the future.

#### Risk Related to Price Negotiations

Despite ongoing measures to ensure a highly efficient manufacturing structure, we continue to face intense competition from lower-priced products manufactured in other countries and regions. While we strive to differentiate our products from those of our competitors through the provision of added value derived from superior technology and quality, we are subject to the risk that we will be unable to maintain or increase our share should market needs shift to low-quality, low-priced products.

#### Risk Related to Raw Materials and Logistics Costs

The companies of the Minebea Group purchase a variety of materials (products and merchandise) from external suppliers. We strive to ensure optimal purchase inventory volumes for such materials and access to stable supplies of materials with stable prices. However, we are subject to the risk that rising prices for such materials may affect our operating results and/or financial position in the future.

#### Latent Risk Related to Operations Overseas

The Minebea Group's manufacturing activities are conducted primarily in China, Thailand and Singapore. While considerable time has passed since we established operations in these countries, and while we continue to promote the integration of these operations, our operations overseas are subject to the following risks, any one of which may have a negative impact on our operating results and/or financial condition:

- unexpected changes to laws or regulations,
- difficulty in attracting and securing appropriate human resources, and
- acts of terrorism or war, or other acts that may cause social disruption.

## Consolidated Balance Sheets

As of March 31, 2004 and 2003

Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
<b>Current Assets:</b>			
Cash and cash equivalents (Note 2-c)	¥ 24,780	¥ 14,177	\$ 234,460
Notes and accounts receivable (Notes 2-d and 4):			
Trade	58,241	54,085	551,062
Other	1,602	2,279	15,160
	<u>59,843</u>	<u>56,364</u>	<u>566,222</u>
Allowance for doubtful receivables (Note 2-d)	(408)	(469)	(3,864)
Total notes and accounts receivable	<u>59,435</u>	<u>55,895</u>	<u>562,358</u>
Inventories (Note 2-e)	41,534	43,204	392,980
Deferred tax assets (Note 6)	6,554	8,593	62,012
Prepaid expenses and other current assets	6,650	5,578	62,916
	<u>138,953</u>	<u>127,447</u>	<u>1,314,726</u>
<b>Tangible Fixed Assets (Note 2-f):</b>			
Land	16,135	16,711	152,664
Buildings and structures	92,881	97,395	878,806
Machinery and transportation equipment	226,576	238,892	2,143,781
Construction in progress	763	438	7,221
	<u>336,355</u>	<u>353,436</u>	<u>3,182,472</u>
Accumulated depreciation	(187,897)	(190,476)	(1,777,819)
Net tangible fixed assets	<u>148,458</u>	<u>162,960</u>	<u>1,404,653</u>
<b>Intangible Fixed Assets:</b>			
Consolidation adjustments (Note 2-i)	11,423	12,837	108,081
Other	980	912	9,275
	<u>12,403</u>	<u>13,749</u>	<u>117,356</u>
<b>Investments and Other Assets:</b>			
Investments in affiliates (Notes 2-g and 4)	219	216	2,070
Investments in securities (Note 2-g)	6,867	3,766	64,975
Long-term loans receivable	47	188	440
Deferred tax assets (Note 6)	6,167	9,494	58,358
Other	1,897	2,716	17,952
	<u>15,197</u>	<u>16,382</u>	<u>143,795</u>
Allowance for doubtful receivables (Note 2-d)	(142)	(483)	(1,348)
Net investments and other assets	<u>15,055</u>	<u>15,899</u>	<u>142,447</u>
<b>Deferred Charges</b>	46	14	434
<b>Total Assets</b>	<u>¥ 314,915</u>	<u>¥ 320,069</u>	<u>\$ 2,979,616</u>

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

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
<b>Current Liabilities:</b>			
Short-term loans payable (Note 5)	¥ 76,195	¥ 70,475	\$ 720,932
Current portion of long-term debt (Note 5)	43,448	10,787	411,088
Notes and accounts payable (Note 4):			
Trade	22,777	24,025	215,514
Other	7,019	4,609	66,409
Total notes and accounts payable	29,796	28,634	281,923
Income taxes payable (Note 6)	2,639	2,662	24,968
Accrued expenses and other current liabilities	15,548	21,901	147,110
Total current liabilities	167,626	134,459	1,586,021
<b>Long-Term Liabilities:</b>			
Long-term debt (Note 5)	51,842	85,862	490,514
Other (Note 2-h)	902	1,266	8,528
Total long-term liabilities	52,744	87,128	499,042
<b>Minority Interests in Consolidated Subsidiaries</b>	679	269	6,424
<b>Shareholders' Equity (Note 10):</b>			
Common stock			
Authorized 1,000,000,000 shares			
Issued:			
March 31, 2004—399,167,695 shares			
March 31, 2003—399,167,695 shares	68,259	68,259	645,841
Capital reserve	94,757	94,757	896,552
Retained earnings	2,755	(454)	26,073
Differences on revaluation of other marketable securities	1,647	(37)	15,591
Foreign currency translation adjustments	(73,505)	(64,274)	(695,485)
Total common stock	93,913	98,251	888,572
Treasury stock	(47)	(38)	(443)
Total shareholders' equity	93,866	98,213	888,129
<b>Contingent Liabilities (Notes 12 and 13)</b>			
<b>Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity</b>	<b>¥314,915</b>	<b>¥320,069</b>	<b>\$2,979,616</b>

## Consolidated Statements of Income

Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
<b>Net Sales</b> (Note 4)	<b>¥268,574</b>	¥272,202	¥279,344	<b>\$2,541,151</b>
<b>Cost of Sales</b> (Note 4)	<b>203,261</b>	203,500	206,061	<b>1,923,175</b>
Gross profit	<b>65,313</b>	68,702	73,283	<b>617,976</b>
<b>Selling, General and Administrative Expenses</b> (Note 2-i)	<b>47,209</b>	49,350	51,311	<b>446,674</b>
Operating income	<b>18,104</b>	19,352	21,972	<b>171,302</b>
<b>Other Income (Expenses):</b>				
Interest income	111	243	586	1,055
Equity in income (loss) of unconsolidated subsidiaries and affiliates	3	10	(21)	32
Prior year's adjustment of losses on liquidation of subsidiaries and affiliates	325	—	—	3,077
Reversal of reserve for liquidation of switching power supplies and related businesses	441	—	—	4,178
Interest expense	(3,213)	(4,765)	(5,673)	(30,403)
Gains (losses) on sales of investment securities and investment securities in affiliates	882	3	(6)	8,342
Losses on devaluation of investment securities	—	(4,945)	(1,466)	—
Foreign currency exchange losses (Note 2-b)	(771)	(506)	(827)	(7,295)
Losses on disposals of inventories	—	—	(1,125)	—
Losses on sales and disposals of tangible fixed assets	(747)	(712)	(612)	(7,074)
Losses on liquidation of subsidiaries and affiliates	—	(1,843)	(937)	—
Losses on liquidation of switching power supplies and related businesses	—	(3,144)	—	—
Environment-related expenses incurred by U.S. subsidiaries	—	(1,206)	—	—
Other, net	(2,177)	(1,992)	1,058	(20,602)
	<b>(5,146)</b>	(18,857)	(9,023)	<b>(48,690)</b>
<b>Income before Income Taxes and Minority Interests</b>	<b>12,958</b>	495	12,949	<b>122,612</b>
<b>Income Taxes</b> (Note 6):				
Current	4,412	4,276	4,919	41,743
Deferred (benefit)	2,798	(1,370)	2,711	26,481
	<b>7,210</b>	2,906	7,630	<b>68,224</b>
<b>Minority Interests</b>	<b>(271)</b>	23	21	<b>(2,568)</b>
<b>Net Income (Loss)</b>	<b>¥ 6,019</b>	¥ (2,434)	¥ 5,298	<b>\$ 56,956</b>
		Yen		U.S. dollars (Note 3)
<b>Per Share Data</b> (Note 11):				
Net income (loss):				
Basic	<b>¥15.08</b>	¥(6.10)	¥13.27	<b>\$0.14</b>
Diluted	<b>14.51</b>	(4.85)	12.60	<b>0.14</b>
Cash dividends applicable to the year	<b>7.00</b>	7.00	7.00	<b>0.07</b>

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

## Consolidated Statements of Shareholders' Equity

Years ended March 31, 2004, 2003 and 2002

Millions of yen

	Number of Shares of Common Stock	Common Stock	Capital Reserve	Retained Earnings (Note 10)	Differences on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Treasury Stock
<b>Balance at March 31, 2001</b>	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)	—	—	—
Common stock issued on conversion of convertible bonds	—	—	—	—	—	—	—
Other	—	—	—	(967)	(766)	11,458	(5)
<b>Balance at March 31, 2002</b>	399,167,695	68,259	94,757	4,774	(1,719)	(53,333)	(6)
Net loss	—	—	—	(2,434)	—	—	—
Cash dividends	—	—	—	(2,794)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—
Common stock issued on conversion of convertible bonds	—	—	—	—	—	—	—
Other	—	—	—	—	1,682	(10,941)	(32)
<b>Balance at March 31, 2003</b>	<b>399,167,695</b>	<b>68,259</b>	<b>94,757</b>	<b>(454)</b>	<b>(37)</b>	<b>(64,274)</b>	<b>(38)</b>
Net income	—	—	—	6,019	—	—	—
Cash dividends	—	—	—	(2,794)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—
Common stock issued on conversion of convertible bonds	—	—	—	—	—	—	—
Other	—	—	—	(16)	1,684	(9,231)	(9)
<b>Balance at March 31, 2004</b>	<b>399,167,695</b>	<b>¥68,259</b>	<b>¥94,757</b>	<b>¥ 2,755</b>	<b>¥ 1,647</b>	<b>¥(73,505)</b>	<b>¥(47)</b>

Thousands of U.S. dollars (Note 3)

	Number of Shares of Common Stock	Common Stock	Capital Reserve	Retained Earnings (Note 10)	Differences on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Treasury Stock
<b>Balance at March 31, 2003</b>	399,167,695	\$645,841	\$869,552	\$ (4,296)	\$ (355)	\$(608,138)	\$(355)
Net income	—	—	—	56,956	—	—	—
Cash dividends	—	—	—	(26,432)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—
Common stock issued on conversion of convertible bonds	—	—	—	—	—	—	—
Other	—	—	—	(155)	15,946	(87,347)	(88)
<b>Balance at March 31, 2004</b>	<b>399,167,695</b>	<b>\$645,841</b>	<b>\$869,552</b>	<b>\$ 26,073</b>	<b>\$15,591</b>	<b>\$(695,485)</b>	<b>\$(443)</b>

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

## Consolidated Statements of Cash Flows

Years ended March 31, 2004, 2003 and 2002

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 3)</i>
	2004	2003	2002	2004
<b>Cash Flows from Operating Activities:</b>				
Income before income taxes and minority interests	¥ 12,958	¥ 495	¥ 12,949	\$ 122,612
Depreciation and amortization	21,705	22,826	24,385	205,371
Amortization of consolidation adjustments	1,023	1,189	1,192	9,685
Interest and dividend income	(138)	(292)	(630)	(1,309)
Interest expense	3,213	4,765	5,673	30,403
Losses on sales and disposals of tangible fixed assets	664	678	365	6,283
Losses on liquidation of subsidiaries and affiliates	—	1,843	937	—
(Increase) decrease in notes and accounts receivable	(7,734)	(4,070)	5,691	(73,185)
(Increase) decrease in inventories	(1,883)	3,972	5,711	(17,822)
Decrease in notes and accounts payable	(386)	(1,585)	(4,660)	(3,661)
Other	(678)	11,732	(8,609)	(6,401)
Total adjustments	28,744	41,553	43,004	271,976
Interest and dividends received	176	266	598	1,668
Interest paid	(3,197)	(5,087)	(4,597)	(30,256)
Income tax paid	(4,009)	(4,453)	(4,988)	(37,935)
Net cash provided by operating activities	21,714	32,279	34,017	205,453
<b>Cash Flows from Investing Activities:</b>				
Purchase of tangible fixed assets	(18,825)	(16,382)	(26,245)	(178,115)
Proceeds from sales of tangible fixed assets	2,372	662	1,409	22,447
Purchase of shares in subsidiaries	—	—	(53)	—
Proceeds from sales of shares in subsidiaries	385	—	0	3,644
(Decrease) increase in loans receivable	(156)	78	(19)	(1,482)
Other, net	1,292	(591)	562	12,225
Net cash used in investing activities	(14,932)	(16,233)	(24,346)	(141,281)
<b>Cash Flows from Financing Activities:</b>				
Proceeds from (repayment of) long-term debt	6,368	(12,663)	(5,326)	60,255
Cash dividends paid	(2,794)	(2,794)	(2,794)	(26,432)
Cash dividends paid to minority shareholders	(27)	—	(31)	(256)
Other, net	844	(14)	(166)	7,982
Net cash provided by (used in) financing activities	4,391	(15,471)	(8,317)	41,548
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	(570)	(350)	668	(5,398)
Net increase in cash and cash equivalents	10,603	225	2,022	100,322
<b>Cash and Cash Equivalents at Beginning of Year</b>	14,177	13,952	11,930	134,138
<b>Cash and Cash Equivalents at End of Year</b>	¥ 24,780	¥ 14,177	¥ 13,952	\$ 234,460

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 the accounting principles generally accepted in the respective countries and audited by independent auditors in those countries.

The accompanying consolidated financial statements have been compiled 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 generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. 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 controlled directly or indirectly by the Company. All significant intercompany 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 Japanese yen at the exchange rates prevailing at the balance sheet date, except for certain accounts that were hedged by forward exchange contracts. Translation differences arising from the translation of the financial statements denominated in overseas currencies are recorded as minority interests in consolidated subsidiaries and foreign currency translation adjustments, in shareholders’ equity.

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

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

**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**

Allowance for doubtful receivables of the Company and its consolidated domestic subsidiaries is provided for normal receivables based on the historical write-off rate and an estimate of uncollectible amounts for doubtful receivables on a specific identification basis. Allowance for doubtful receivables of consolidated overseas subsidiaries is generally stated in the amount required for estimated uncollectible receivables.

Allowance for doubtful receivables applicable to consolidated subsidiary receivables is eliminated for consolidation purposes. Allowance for doubtful receivables as of March 31, 2004 and 2003, were sufficient to cover the estimated uncollectible receivables.

**e) Inventories**

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

Inventories as of March 31, 2004 and 2003, comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2004</b>	2003	<b>2004</b>
Merchandise and finished goods	<b>¥22,320</b>	¥21,740	<b>\$211,182</b>
Work in process	<b>9,451</b>	9,688	<b>89,422</b>
Raw materials	<b>7,384</b>	8,843	<b>69,864</b>
Supplies	<b>2,379</b>	2,933	<b>22,512</b>
	<b>¥41,534</b>	¥43,204	<b>\$392,980</b>

**f) Tangible fixed assets**

Tangible fixed assets is stated at cost. Depreciation of buildings and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining balance method based upon the estimated useful lives of the assets, whereas depreciation of buildings and equipment of consolidated overseas subsidiaries is computed primarily by the straight-line method based upon the estimated useful lives of the assets. Maintenance and normal repair expenses are charged against income as incurred, while significant 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, 2004. Resulting valuation gains and losses are included, after the application of tax effect accounting, in shareholders' equity in the consolidated balance sheets. Those securities with no quoted market value are stated at cost by the moving average method.

	<i>Millions of yen</i>						<i>Thousands of U.S. dollars</i>		
	<b>2004</b>			2003			<b>2004</b>		
	<i>Acquisition cost</i>	<i>Carrying value</i>	<i>Unrealized gain (loss)</i>	<i>Acquisition cost</i>	<i>Carrying value</i>	<i>Unrealized gain (loss)</i>	<i>Acquisition cost</i>	<i>Carrying value</i>	<i>Unrealized gain (loss)</i>
Equity securities	<b>¥3,071</b>	<b>¥5,772</b>	<b>¥2,701</b>	¥2,723	¥2,660	¥(63)	<b>\$29,057</b>	<b>\$54,613</b>	<b>\$25,556</b>

The aggregate acquisition cost and market value of securities held by the Company and its consolidated domestic subsidiaries as of March 31, 2004, are as follows:

	<i>Millions of yen</i>
Aggregate acquisition cost:	
Current	¥ —
Noncurrent	<b>3,071</b>
	<b>¥3,071</b>
Aggregate market value:	
Current	¥ —
Noncurrent	<b>5,772</b>
	<b>¥5,772</b>

**h) Accounting for retirement benefits**

With effect from April 1, 2000, the Company and its consolidated domestic subsidiaries have adopted the accounting standards for retirement benefits. To facilitate the payment of retirement benefits to employees, the Company makes provisions based on the estimated retirement obligations and the estimated plan assets as of March 31, 2004. The net transition amount of ¥3,050 million resulting from adoption of the new accounting standards is amortized over five years using the straight-line method as other (expenses).

Actuarial gains and 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.

#### Retirement benefit plans

Principal assumptions used in computing projected benefit obligations for the years ended March 31, 2004 and 2003, are as follows:

<b>Retirement Benefit Obligations</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2004</b>	2003	<b>2004</b>
Projected benefit obligations	¥(20,489)	¥(20,035)	\$(193,859)
Plan assets at fair value	15,978	12,802	151,178
Unfunded projected benefit obligations	(4,511)	(7,233)	(42,681)
Unrecognized transitional obligations	610	1,253	5,772
Unrecognized actuarial gains	3,348	5,225	31,677
Net amount recognized on consolidated balance sheets	(553)	(755)	(5,232)
Prepaid pension cost	—	218	—
Accrued retirement benefits	¥ (553)	¥ (973)	\$ (5,232)

<b>Net Retirement Benefit Costs</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2004</b>	2003	<b>2004</b>
Services cost	¥1,081	¥1,175	\$10,228
Interest cost	666	726	6,301
Expected return on plan assets	(143)	(559)	(1,353)
Amortization of transitional obligations	610	626	5,772
Amortization of actuarial gains	765	333	7,238
Retirement benefit costs	¥2,979	¥2,302	\$28,186

<b>Assumption Used for Calculation</b>	<b>2004</b>	2003
Discount rate	mainly 2.5%	mainly 3.0%
Expected rate of return on plan assets	mainly 2.5%	mainly 3.0%
Allocation of estimated amount of all retirement benefits to be paid at future retirement dates	—	Equally to each service year using the estimated number of total service years

#### i) Consolidation adjustments

Excess of cost over net assets acquired for business acquisitions is amortized, amounting to ¥1,023 million in fiscal 2004 and ¥1,189 million in fiscal 2003, 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' consolidated balance sheets have been reclassified to conform with the fiscal 2004 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 ¥105.69=US\$1, the approximate rate of exchange on March 31, 2004. 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, 2004 and 2003, and for the years then ended, is as follows:

Financial Position	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
<b>Assets:</b>			
Current assets	¥ 704	¥ 664	\$ 6,664
Other assets, including tangible fixed assets	512	483	4,842
	<u>¥1,216</u>	<u>¥1,147</u>	<u>\$11,506</u>
<b>Liabilities and shareholders' equity:</b>			
Current liabilities	¥ 306	¥ 294	\$ 2,896
Noncurrent liabilities	258	205	2,446
Shareholders' equity	652	648	6,164
	<u>¥1,216</u>	<u>¥1,147</u>	<u>\$11,506</u>

Results of Operations	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales	¥1,207	¥1,052	\$11,422
Cost and expenses	1,201	1,019	11,366
Net income	<u>¥ 6</u>	<u>¥ 33</u>	<u>\$ 56</u>

Summarized below are the significant transactions of the Company and its consolidated subsidiaries with affiliates for the years ended March 31, 2004 and 2003, and the related account balances as of March 31, 2004 and 2003:

Transactions:	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Sales	¥276	¥276	\$2,609
Purchases	0	0	2
<b>Account balances:</b>			
Notes and accounts receivable	91	53	859
Notes and accounts payable	0	—	1

#### 5. Short-Term Loans Payable and Long-Term Debt

Short-term loans payable consists of notes payable to banks and commercial paper, principally due in 30 to 180 days. The average annual interest rates for short-term loans payable are 1.07% and 1.6% for the years ended March 31, 2004 and 2003, respectively. The rates for commercial paper are 0.02% and 0.07%, respectively.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Short-term loans payable	¥72,195	¥67,475	\$683,085
Commercial paper	4,000	3,000	37,847
Total	<u>¥76,195</u>	<u>¥70,475</u>	<u>\$720,932</u>

The aggregate annual maturities of long-term debt outstanding as of March 31, 2004, are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2005	¥43,448	\$411,088
2006	5,842	55,279
2007	9,000	85,155
2008	12,000	113,539
2009 and thereafter	25,000	236,541
	<u>¥95,290</u>	<u>\$901,602</u>

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

	<i>Exercise price for conversion per share of common stock as of March 31, 2003</i>	<i>Exchange rate applicable upon conversion</i>	<i>Exercise of warrants or redemption at the option by the Company</i>
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 from May 20, 2003 to 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, 2004, 30,735,082 shares of common stock would have been issued.

Long-term debt as of March 31, 2004 and 2003, consists of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2004</u>	2003	<u>2004</u>
0.65% unsecured convertible bonds payable in Japanese yen due 2005	¥27,080	¥27,080	\$256,221
2.85% unsecured bonds payable in Japanese yen due 2005	10,000	10,000	94,616
3.0% unsecured bonds payable in Japanese yen due 2008	15,000	15,000	141,925
2.0% unsecured bonds payable in Japanese yen due 2003	—	10,000	—
0.655% unsecured bonds payable in Japanese yen due 2007	3,000	3,000	28,385
1.39% unsecured bonds payable in Japanese yen due 2010	10,000	—	94,616
1.55% unsecured bonds with warrants payable in Japanese yen due 2005	4,000	4,000	37,847
0.57% to 7.78% loans from banks, other	26,210	27,569	247,992
	<u>95,290</u>	96,649	<u>901,602</u>
Less current portion	43,448	10,787	411,088
	<u>¥51,842</u>	<u>¥85,862</u>	<u>\$490,514</u>

## 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, resulted in an effective statutory rate of 39% for fiscal 2004 and 2003. Owing to a revision to the Local Tax Law introducing a Business Scale Taxation of corporate enterprise taxes effective from the fiscal year beginning April 1, 2004, the effective tax rate used for deferred tax assets and deferred tax liabilities herein is 39% for current and noncurrent assets for the fiscal year ended March 31, 2004, and 39% for noncurrent assets for the fiscal year ended March 31, 2003.

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 was 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 exempt from income tax for two years starting from the year in which its accumulated deficits are settled, subject to 13.5% income tax rate for the following three years and after that subject to 27% income tax rate.

This income tax effect is recognized for temporary differences resulting from elimination of intercompany profit and certain adjustments made in the accompanying consolidated financial statements.

Deferred income taxes of ¥11,853 million and ¥16,273 million as of March 31, 2004 and 2003, respectively, are included in deferred tax assets of current assets and deferred tax liabilities of current liabilities in the accompanying consolidated balance sheets. Deferred tax assets and liabilities consist of the following elements:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2004	2003	2004
<b>Deferred Tax Assets</b>			
Accrued bonuses to employees in excess of tax limit	¥ 744	¥ 631	\$ 7,040
Reserve for retirement benefits in excess of tax limit	93	18	875
Loss on devaluation of investment securities	1,519	2,210	14,372
Loss on investments in affiliates	—	245	—
Allowance for doubtful receivables in excess of tax limit	1,489	1,501	14,089
Unrealized gains on sales of inventories	2,046	2,463	19,361
Operating losses carried forward	5,406	8,770	51,155
Deduction for foreign taxes	1,539	—	14,562
Loss on devaluation of other marketable securities	—	24	—
Other	939	2,225	8,883
Total deferred tax assets	¥13,775	¥18,087	\$130,337
	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2004	2003	2004
<b>Deferred Tax Liabilities</b>			
Depreciation of overseas subsidiaries	¥ 720	¥ 1,758	\$ 6,815
Differences on revaluation of other marketable securities	1,054	—	9,968
Other	148	56	1,398
Total deferred tax liabilities	1,922	1,814	18,181
Net deferred tax assets	¥11,853	¥16,273	\$112,156

The reconciliation of the statutory tax rate in Japan and the effective tax rates appearing in the consolidated statements of income for the years ended March 31, 2004 and 2003, is shown below:

	2004	2003
Statutory tax rate in Japan	39.0%	40.0%
Adjustments:		
Amortization of consolidated adjustments	3.0	93.2
Different tax rates applied to overseas subsidiaries	(17.3)	(713.0)
Valuation allowance for operating losses of consolidated subsidiaries	—	800.3
Nontaxable dividend income	32.6	758.4
Difference resulting from realization of benefits of tax effect accounting at U.S. subsidiaries	—	(560.0)
Difference resulting from change in statutory tax rate	—	41.2
Withholding tax	—	128.7
Other	(1.7)	(2.6)
Effective income tax rate	<u>55.6%</u>	<u>586.2%</u>

## 7. Leases

Pro forma information for finance leases, except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee, is as follows:

### Acquisition Cost, Accumulated Depreciation and Net Book Value of Leased Assets

	2004			2003		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	¥1,196	¥ 657	¥ 538	¥1,364	¥ 650	¥ 714
Machinery and equipment	3,079	1,721	1,358	3,333	1,692	1,641
	<u>¥4,275</u>	<u>¥2,378</u>	<u>¥1,896</u>	<u>¥4,697</u>	<u>¥2,432</u>	<u>¥2,355</u>

*Millions of yen*

	2004		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	\$11,315	\$ 6,222	\$ 5,092
Machinery and equipment	29,134	16,281	12,853
	<u>\$40,449</u>	<u>\$22,503</u>	<u>\$17,945</u>

*Thousands of U.S. dollars*

Note: Because the pro forma amounts of acquisition cost of leased assets are not material as compared with the outstanding future lease payments payable at the balance sheet date, the interest portion is included in the pro forma amounts of acquisition cost.

### Outstanding Future Lease Payments Payable

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	¥ 946	¥1,107	\$ 8,949
Due after one year	950	1,247	8,996
	<u>¥1,896</u>	<u>¥2,354</u>	<u>\$17,945</u>

Note: Because the outstanding future lease payments payable at the balance sheet date is not material as compared with the year-end balance of tangible fixed assets, the interest portion is included in the pro forma amounts of outstanding future lease payments payable.

### Actual Lease Payments and Depreciation Expense

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2004	2003	2004
Actual lease payments	¥1,242	¥1,247	\$11,757
Depreciation	1,242	1,247	11,757

Depreciation of leased assets is computed on the straight-line method over the lease term with no residual value.

### 8. Derivatives

The Company and its consolidated subsidiaries have entered into currency exchange contracts on foreign currency-denominated receivables and payables related to actual and forecast import and export transactions to hedge certain risks related to fluctuations in foreign currency exchange rates. In principal, currency exchange contracts are carried at fair value in the consolidated balance sheets, while changes in their fair value are deferred and recognized in earnings. However, the Company and its consolidated subsidiaries adhere to a policy of maintaining the outstanding balance of these instruments within the amounts of hedged foreign currency-denominated receivables and payables.

The execution of derivative transactions is controlled by the Finance Department. It is the policy of the Company and its consolidated subsidiaries to utilize currency exchange contracts solely for the purpose of hedging foreign currency position-related risks.

In line with internal risk management policies, the Company and its consolidated subsidiaries cover currency exchange contracts with forward currency exchange contracts denominated in the same currency, in the same amount and executed on the same day. Accordingly, the hedging relationships between the derivative financial instrument and the hedged item are highly effective in offsetting changes in currency exchange rates.

Details of derivative financial instruments which qualify for hedge accounting held as of March 31, 2004 and 2003, are as follows:

#### Currency Exchange Contracts

	<i>Millions of yen</i>							
	2004				2003			
	<i>Nominal amount</i>		<i>Fair value</i>	<i>Unrealized gain (loss)</i>	<i>Nominal amount</i>		<i>Fair value</i>	<i>Unrealized gain (loss)</i>
<i>Total</i>	<i>Portion in excess of one year</i>	<i>Total</i>			<i>Portion in excess of one year</i>			
<b>Sell</b>								
U.S. dollars	—	—	—	—	¥ 408	—	¥ 408	—
Japanese yen	—	—	—	—	83	—	83	—
Euro	—	—	—	—	19	—	19	—
Hong Kong dollars	—	—	—	—	2,142	—	2,142	—
<b>Buy</b>								
Japanese yen	—	—	—	—	35	—	35	—
	—	—	—	—	¥2,687	—	¥2,687	—

### 9. Research and Development Expenses

Research and development expenses incurred by the Company and its consolidated subsidiaries are included in selling, general and administrative expenses and cost of sales.

Research and development expenses for the years ended March 31, 2004 and 2003, amounted to ¥9,639 million and ¥9,741 million, respectively.

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## 10. Shareholders' Equity

The Commercial Code of Japan 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 the total of such reserve and the additional paid-in capital account equals 25% of the common stock. The legal reserve may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to the common stock account by resolution of the Board of Directors. The capital surplus and legal reserve may also be drawn down up to an amount that equals 25% of the common stock. In line with consolidated accounting procedures in Japan, the legal reserve is included in capital reserve and the capital surplus is included in retained earnings.

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 resolution of the general shareholders' meeting. The accompanying consolidated financial statements reflect appropriations approved by shareholders subsequent to the fiscal years ended March 31, 2004 and 2003.

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## 11. 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.

Basic net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share is computed using the weighted average number of shares of common stock during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds. In calculating 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, 2004 and 2003, is as follows:

	<i>Thousands of shares</i>	
	2004	2003
Basic	399,090	399,131
Diluted	426,950	433,216

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## 12. Litigation

As of March 31, 2004, there are no material claims outstanding or threatened against the Company or its consolidated subsidiaries.

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## 13. Contingent Liabilities

The Company and its consolidated subsidiaries had no contingent liabilities as of March 31, 2004.

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## 14. Segment Information

The Company and its consolidated subsidiaries are engaged in 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 and FDD subassemblies.

The business segments of the Company and its consolidated subsidiaries as of March 31, 2004 and 2003, and for the years then ended are outlined as follows:

### Business Segments

<i>Millions of yen</i>					
<i>Year ended March 31, 2004</i>	<i>Machined Components</i>	<i>Electronic Devices and Components</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
Sales to external customers	¥111,693	¥156,881	¥268,574	¥ —	¥268,574
Internal sales	2,191	15	2,206	(2,206)	—
Total sales	113,884	156,896	270,780	(2,206)	268,574
Operating expenses	94,379	158,297	252,676	(2,206)	250,470
Operating income (loss)	19,505	(1,401)	18,104	—	18,104
Assets	189,741	196,918	386,659	(71,744)	314,915
Depreciation and amortization	10,811	10,894	21,705	—	21,705
Capital expenditure	4,168	14,929	19,097	—	19,097

<i>Thousands of U.S. dollars</i>					
<i>Year ended March 31, 2004</i>	<i>Machined Components</i>	<i>Electronic Devices and Components</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
Sales to external customers	\$1,056,798	\$1,484,353	\$2,541,151	\$ —	\$2,541,151
Internal sales	20,738	144	20,882	(20,882)	—
Total sales	1,077,536	1,484,497	2,562,033	(20,882)	2,541,151
Operating expenses	892,985	1,497,746	2,390,731	(20,882)	2,369,849
Operating income (loss)	184,551	(13,249)	171,302	—	171,302
Assets	1,795,269	1,863,169	3,658,438	(678,822)	2,979,616
Depreciation and amortization	102,290	103,081	205,371	—	205,371
Capital expenditure	39,438	141,256	180,694	—	180,694

<i>Millions of yen</i>					
<i>Year ended March 31, 2003</i>	<i>Machined Components</i>	<i>Electronic Devices and Components</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
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

The geographic segments of the Company and its consolidated subsidiaries as of March 31, 2004 and 2003, and for the years then ended are outlined as follows:

### Geographic Segments

<i>Millions of yen</i>							
<i>Year ended March 31, 2004</i>	<i>Japan</i>	<i>Asia (excluding Japan)</i>	<i>North and South America</i>	<i>Europe</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
Sales to external customers	¥ 68,760	¥121,072	¥48,726	¥30,016	¥268,574	¥ —	¥268,574
Internal sales	138,158	125,129	2,859	1,387	267,533	(267,533)	—
Total sales	206,918	246,201	51,585	31,403	536,107	(267,533)	268,574
Operating expenses	202,035	235,438	49,501	31,029	518,003	(267,533)	250,470
Operating income	4,883	10,763	2,084	374	18,104	—	18,104
Assets	166,277	201,194	29,173	20,075	416,719	(101,804)	314,915

Thousands of U.S. dollars

Year ended March 31, 2004	Japan	Asia (excluding Japan)	North and South America	Europe	Total before Eliminations	Eliminations or Corporate	Total
Sales to external customers	\$ 650,585	\$1,145,537	\$461,031	\$283,997	\$2,541,151	\$ —	\$2,541,151
Internal sales	1,307,196	1,183,927	27,047	13,131	2,531,301	(251,301)	—
Total sales	1,957,781	2,329,464	488,078	297,129	5,072,452	(251,301)	2,541,151
Operating expenses	1,911,577	2,227,627	468,358	293,588	4,901,150	(251,301)	2,369,849
Operating income	46,204	101,837	19,720	3,541	171,302	—	171,302
Assets	1,573,257	1,903,621	276,023	189,946	3,942,847	(963,231)	2,979,616

Millions of yen

Year ended March 31, 2003	Japan	Asia (excluding Japan)	North and South America	Europe	Total before Eliminations	Eliminations or Corporate	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

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003, are summarized as follows:

#### Overseas Sales

Millions of yen

Year ended March 31, 2004	To Asia (excluding Japan)	To North and South America	To Europe	Total
Overseas sales	¥121,598	¥45,336	¥32,238	¥199,172
Consolidated net sales				¥268,574
Overseas sales as a percentage of consolidated net sales	45.3%	16.9%	12.0%	74.2%

Thousands of U.S. dollars

Year ended March 31, 2004	To Asia (excluding Japan)	To North and South America	To Europe	Total
Overseas sales	\$1,150,513	\$428,961	\$305,026	\$1,884,500
Consolidated net sales				\$2,541,151
Overseas sales as a percentage of consolidated net sales	45.3%	16.9%	12.0%	74.2%

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
Consolidated net sales				¥272,202
Overseas sales as a percentage of consolidated net sales	39.3%	21.0%	12.6%	72.9%

The Board of Directors  
Minebea Co., Ltd.

We have audited the accompanying consolidated balance sheets of Minebea Co., Ltd., and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Minebea Co., Ltd., and subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Tokyo, Japan  
June 29, 2004



Shin Nihon & Co.  
Certified Public Accountants

## Principal Subsidiaries

Subsidiaries in Asia	Operations	Percentage of shares controlled by Minebea
<b>Japan</b>		
Minebea Electronics Co., Ltd.	Manufacture and sale of electronic devices and components	100.0%
NMB Electro Precision, Inc.	Manufacture and sale of fan motors	100.0
Minebea–Matsushita Motor Corporation	Manufacture and sale of electronic devices and components	60.0
<b>Thailand</b>		
NMB Thai Ltd.	Manufacture and sale of ball bearings	100.0
Pelmec Thai Ltd.	Manufacture and sale of ball bearings	100.0
Minebea Thai Ltd.	Manufacture and sale of PC keyboards and motors	100.0
NMB Hi-Tech Bearings Ltd.	Manufacture and sale of ball bearings	100.0
NMB Precision Balls Ltd.	Manufacture and sale of steel balls for ball bearings	100.0
Minebea Electronics (Thailand) Co., Ltd.	Manufacture and sale of electronic devices and components	100.0
Power Electronics of Minebea Co., Ltd.	Manufacture and sale of electronic devices and components	100.0
Thai Minebea–Matsushita Motor Co., Ltd.	Manufacture and sale of electronic devices and components	60.0
<b>Singapore</b>		
NMB Singapore Ltd.	Manufacture and sale of ball bearings and machinery components	97.4
Pelmec Industries (Pte.) Ltd.	Manufacture and sale of ball bearings	100.0
Minebea Technologies Pte. Ltd.	Sale of bearings and electronic devices and components	100.0
Minebea–Matsushita Motor (S) Pte. Ltd.	Manufacture and sale of electronic devices and components	60.0
<b>China</b>		
Minebea Electronics & Hi-Tech Components (Shanghai) Ltd.	Manufacture and sale of ball bearings, fan motors and measuring components	100.0
Minebea Technologies Taiwan Co., Ltd.	Manufacture and sale of bearings and electronic devices and components	100.0
Minebea Trading (Shanghai) Ltd.	Sale of bearings and electronic devices and components	100.0
Minebea (Shenzhen) Ltd.	Sale of bearings and electronic devices and components	100.0
Minebea (Hong Kong) Ltd.	Sale of bearings and electronic devices and components	100.0
Zhuhai Minebea–Matsushita Motor Co., Ltd.	Manufacture and sale of electronic devices and components	60.0
<b>Malaysia</b>		
Minebea–Matsushita Motor (Malaysia) Sdn. Bhd.	Manufacture and sale of electronic devices and components	60.0
<b>Korea</b>		
NMB Korea Co., Ltd.	Sale of bearings and electronic devices and components	100.0

<b>Subsidiaries in North America</b>	<b>Operations</b>	<b>Percentage of shares controlled by Minebea</b>
<b>United States</b>		
NMB (USA) Inc.	Holding company	100.0%
New Hampshire Ball Bearings, Inc.	Manufacture and sale of bearings	100.0
Hansen Corporation	Manufacture and sale of small motors	100.0
NMB Technologies Corporation	Sale of bearings and electronic devices and components	100.0

<b>Subsidiaries in Europe</b>	<b>Operations</b>	<b>Percentage of shares controlled by Minebea</b>
<b>United Kingdom</b>		
NMB-Minebea UK Ltd.	Manufacture and sale of bearings, sale of electronic devices and components	100.0%
<b>Germany</b>		
Precision Motors Deutsche Minebea GmbH	Development, manufacture and sale of HDD spindle motors	100.0
NMB-Minebea-GmbH	Sale of bearings and electronic devices and components	100.0
<b>Italy</b>		
NMB Italia S.r.L.	Sale of bearings and electronic devices and components	100.0
<b>France</b>		
NMB Minebea S.a.r.l.	Sale of bearings and electronic devices and components	100.0

#### **Machined Components**

Bearings and Bearing-Related Products

- Miniature ball bearings**
- Small-sized ball bearings**
- Integrated-shaft ball bearings**
- Rod-end bearings**
- Spherical bearings**
- Roller bearings**
- Journal bearings**
- Pivot assemblies**
- Tape guides**
- ROF-type FDB units**
- HMF-type FDB units**

Other Machined Components

- Aerospace/automotive fasteners**
- Special machined components**
- Magnetic clutches and brakes**

# Minebea Up Close

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#### **Electronic Devices and Components**

Rotary Components

- HDD spindle motors**
- Fan motors**
- Hybrid-type stepping motors**
- PM-type stepping motors**
- DC brushless motors**
- DC brushless motors for electric power steering systems**
- VR resolvers**
- DC brush motors**
- Vibration motors**

Other Electronic Devices and Components

- PC keyboards**
- Speakers**
- Electronic devices**
  - Magnetic heads for FDDs**
  - MOD drive subassemblies**
  - Lighting devices for LCDs**
- Power electronic components**
  - Backlight inverters**
- Measuring components**
  - Strain gauges**
  - Load cells**

Note: Fan, hybrid- and PM-type stepping, DC brush and vibration motors are products of Minebea-Matsushita Motor Corporation.

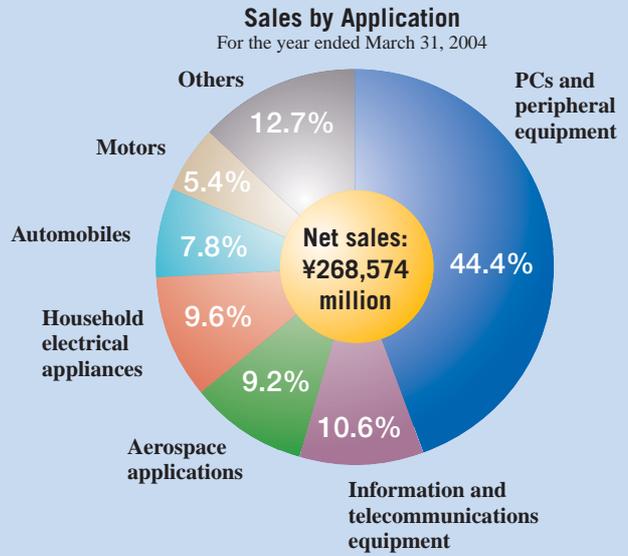
## Principal Products

### Applications

Minebea is the world's largest manufacturer of small ball bearings, up to 22mm in external diameter, and has a global market share in excess of 60%. The Company also manufactures a broad range of small motors and other electronic components for which it also enjoys a significant competitive advantage.

Bearings, the core product group in Minebea's Machined Components business segment encompasses standard ball bearings; integrated-shaft ball bearings and RO bearings, for high-end applications; and FDBs, which deliver outstanding quietness and robustness. The Company is positioned to respond swiftly and accurately to customers' needs in terms of quality, manufacturing cost, delivery time and supply capabilities for all of these products. Minebea is also a leading global manufacturer of bearings for highly demanding applications, such as rod-end and spherical bearings, which are used primarily by the aerospace industry.

Small motors—the mainstay of Minebea's Electronic Devices and Components business segment—include HDD spindle, fan and stepping motors, which maximize the ultraprecision machining and mass production technologies Minebea has accumulated as a manufacturer of small bearings and have given the Company outstanding competitiveness in the electronics market. This competitiveness is also evident in other products in this segment, including PC keyboards and measuring components.



#### Miniature and Small-Sized Ball Bearings



Each ball bearing comprises an outer ring, inner ring, balls, retainers, shields and snap rings. Essential to high-precision motors and other rotary components, ball bearings determine rotational accuracy. The average motor contains two ball bearings. Minebea manufactures more than 8,500 different types of miniature and small-sized ball bearings, most of which have external diameters of 22mm or less.

#### RO Bearings



RO bearings are high-precision bearings developed by Minebea for use in HDD spindle motors. Each RO bearing 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 bearings in one. In addition to preventing misalignment and minimizing Non-Repeatable Run Out (NRRO), RO bearings facilitate more compact motor designs.

#### FDBs



In an FDB, a thin layer of oil or other lubricant is injected between the shaft and sleeve. The structure of the bearing features a rotating shaft, which generates a hydrodynamic force, causing the shaft to float. The noncontact construction of this bearing makes it particularly suited for improving rotational accuracy and enhancing quietness and robustness. The ultraprecision machining and mass production technologies Minebea has cultivated as a manufacturer of ball bearings also ensure a sharp competitive edge in terms of quality and manufacturing costs of FDBs.

#### Integrated-Shaft Ball Bearings



An integrated-shaft ball bearing has two raceways on the shaft, allowing the integration of the inner ring and shaft of two ball bearings. This facilitates more precise rotation than is possible with two independent ball bearings, making integrated-shaft ball bearings particularly suited to applications such as cylinder units for video cameras.

#### Pivot Assemblies



Pivot assemblies are fitted into the base of actuators to position HDD magnetic heads. Minebea enjoys the top share of the global market for these components. Standard pivot assemblies combine one or two ball bearings between a shaft and a graded sleeve.

#### Journal Bearings



Journal bearings are used in helicopters, primarily in the main rotor axes, and landing gear for fixed wing aircraft.

#### Rod-End Bearings



Used in aircraft components, such as wing flaps, engine and wing mounts and hatches, rod-end bearings function as joints. These bearings are also used extensively in helicopters, trains and automobiles.

#### Precision Machined Parts

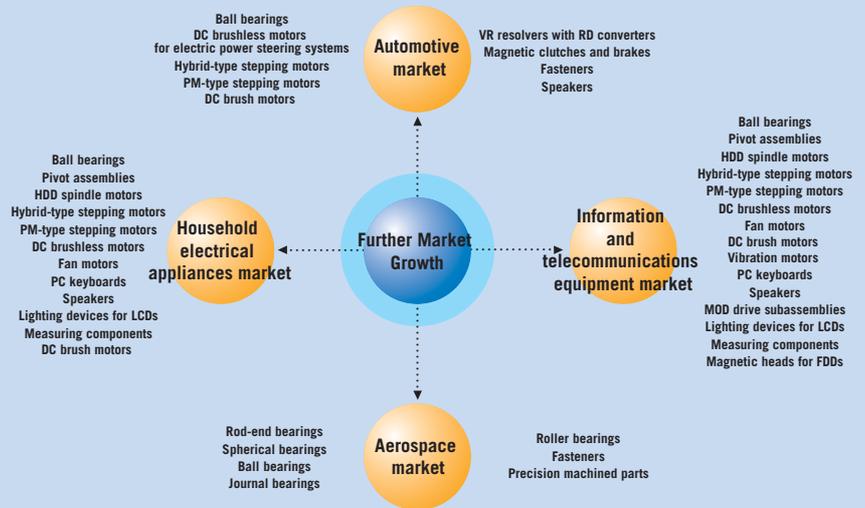


These parts combine bearings and other machined components and are used primarily to join aircraft parts together.

## Markets

When Minebea started out, it primarily supplied bearings for use in aircraft instruments and dental handpieces. The advent of the videocassette recorder (VCR) in the 1970s, OA equipment in the 1980s and PCs and information and telecommunications equipment in the 1990s, however, spurred market expansion and demands for ever-higher performance, a trend that boosted demand for Minebea's ball bearings, small motors and other ultraprecision components.

In addition to continued growth, these markets are expected to see demand rise for products that offer increased energy efficiency, safety and convenience. Accordingly, demand for precision motors and control sensors is rising, particularly from manufacturers of automobiles, information and telecommunications equipment—such as cellular phones and mobile devices—and digital household electrical appliances. Accordingly, Minebea expects new opportunities to maximize the competitive edge afforded by its ultraprecision machining and mass production technologies to enhance its responsiveness and cultivate customers in these important markets.



**Hybrid-Type Stepping Motors**



**PM-Type Stepping Motors**



These motors rotate at fixed angles by digitally controlled electronic pulses and are used in the paper-feeding devices of printers, copy machines, facsimiles and similar equipment. Hybrid-type stepping motors combine a rotor with a permanent magnet (PM) and a magnetic body and use ball bearings. PM-type stepping motors use a PM as a rotor and contain no ball bearings.

**Fan Motors**



Fan motors are used to cool the inside of PCs and other OA equipment by directing heat outside.

**PC Keyboards**



Membrane switches, frames, cases and other principal components are manufactured in-house. Minebea supplies keyboards on an OEM basis to leading global manufacturers of desktop and notebook PCs.

**HDD Spindle Motors**

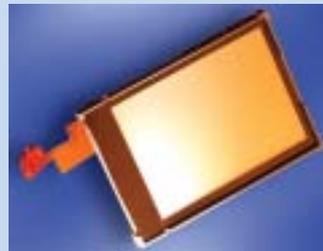


**FDB Spindle Motors for HDDs**



HDD spindle motors are what cause the disks in HDDs to rotate. The precision of HDD spindle motors determines the capacity and speed of HDDs, making these components critical to HDD performance. Accordingly, HDD spindle motors must offer superior performance in terms of rotational speed and low NRRO. Minebea manufactures ball bearings, including RO bearings, and FDBs for HDD spindle motors in-house, giving it a sharp competitive edge in this key market.

**Lighting Devices for LCDs**



Minebea manufactures lighting devices for LCDs used in cellular telephones, personal digital assistants (PDAs) and other applications. These lighting devices involve front and back lights, both of which comprise white light-emitting diode (LED) chips with micro-order prisms, facilitating unparalleled brightness and quality.

**Speakers/Speaker Boxes**



Minebea capitalizes on its pressing and plastic injection-molding technologies to manufacture speakers. Speakers are also fitted into speaker boxes and supplied as units to leading global audio equipment manufacturers on an OEM basis.

# Minebea's Core Competencies

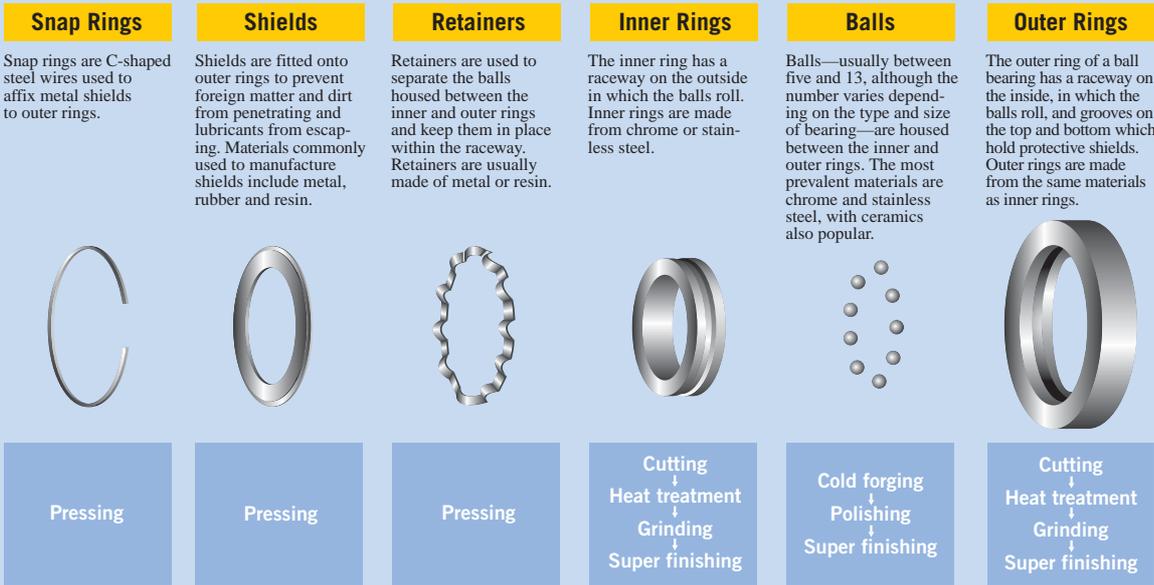
## Ultraprecision Machining Technologies

### Miniature and Small-Sized Ball Bearings: The Origin of Minebea's Ultraprecision Machining Technologies

The raceway roundness of the inner and outer rings for ultraprecision ball bearings manufactured by Minebea for use in applications requiring high precision, such as VCR cylinders and pivot assemblies for HDDs, is less than 0.05 micron. One micron is

1/1,000th of one millimeter—a particle of cigarette smoke is between 0.01 mm and 1.0 micron. Minebea's ability to mass produce ultraprecision machined products is the root of its competitive advantage.

An approach to production that ensures consistently superior-quality products from Minebea's 10 mass production bases worldwide



### Ultraprecision machining technologies and mass production of superior-quality products

The level of precision in each ball bearing production process is an essential factor in determining the quality of the finished

product. Minebea conducts all processes in-house, as well as manufactures the dies, jigs, tools and production and assembly equipment used therein. This ensures consistently superior-quality products from Minebea's 10 mass production bases worldwide.

A global network of ball bearing production facilities



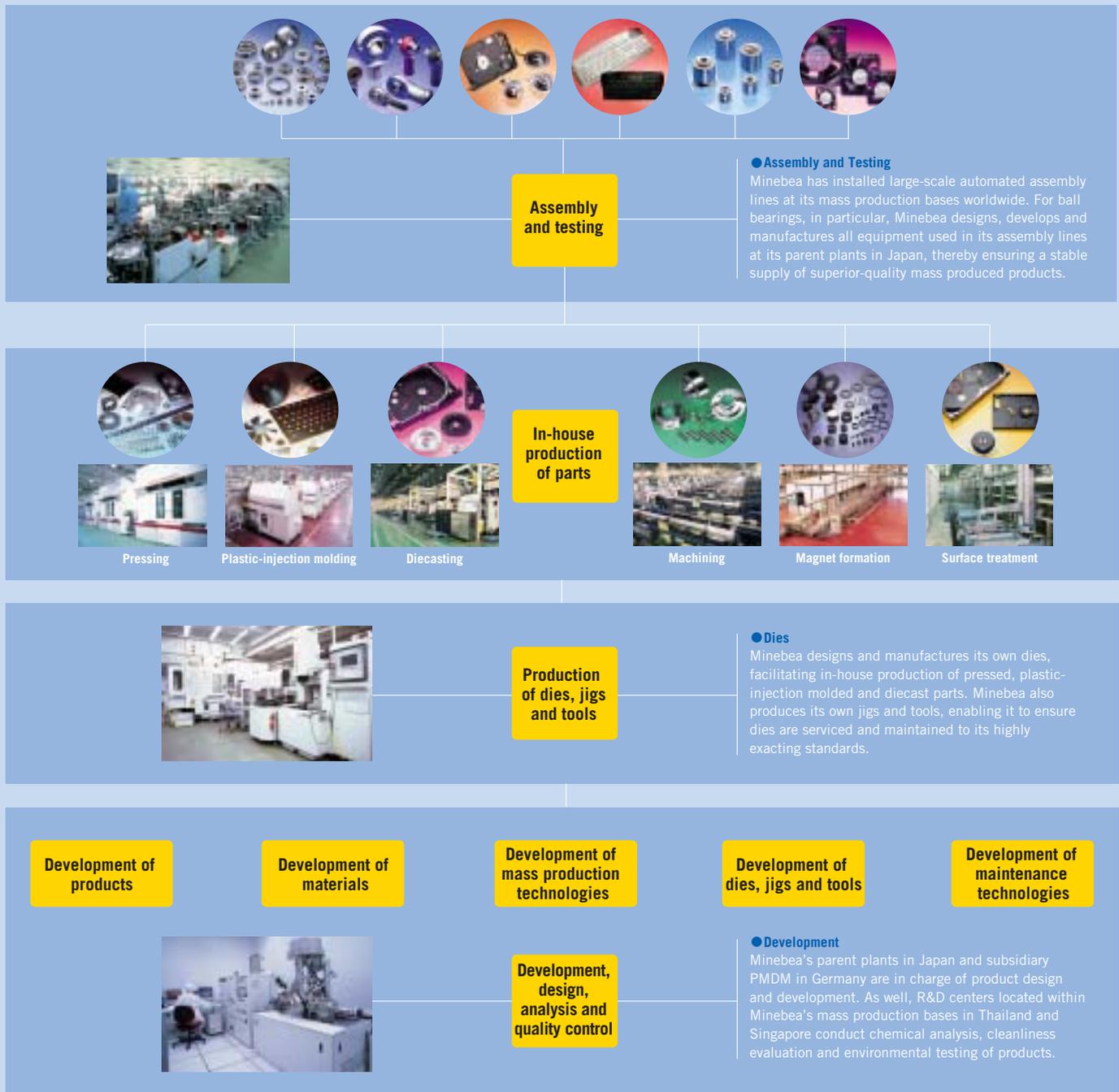
## Vertically Integrated Manufacturing System

Minebea's vertically integrated manufacturing system maximizes its ultraprecision machining technologies

The level of precision in each production process is an essential factor in determining the quality of the finished product. Minebea's vertically integrated manufacturing system enables it to conduct all

processes in-house—design and development; manufacture and maintenance of dies; production of pressed, plastic-injection molded, diecast and machined parts and ferrites; and final assembly. This system facilitates mass production of Minebea's ultraprecision components.

## Vertically Integrated Manufacturing System



## Mass Production Technologies

### Minebea's vertically integrated manufacturing system facilitates the use of its mass production technologies

Responding swiftly and effectively to the increasingly diverse needs of customers requires unparalleled superiority in terms of supply capabilities and manufacturing costs. All of Minebea's mass production facilities worldwide operate under the same vertically

integrated manufacturing system. Productive, organic links between facilities—especially those in Thailand, China and Singapore, which account for approximately 80% of the Minebea Group's production—the parent plants in Japan and global R&D bases ensure the effective integration of Minebea's vertically integrated manufacturing system and mass production technologies.



# Research and Development

Minebea has established four R&D bases worldwide to, respectively, promote the development of intellectual assets—a key to competitiveness; facilitate the sharing and use of these assets within the Group; enable a smooth transition from development to mass production; and conduct forward-looking R&D. Recently, Minebea absorbed its R&D Headquarters into the newly established Engineering Headquarters, a step that will reinforce technology sharing among Minebea Group companies, encourage forward-looking R&D—contributing to the cultivation of new core competencies—and strengthen coordination between R&D and production groups.



## Bearing-Related Products, Small Motors

### Precision Motors Deutsche Minebea GmbH (Germany)

HDD spindle motors and other small motors

- Product development
- Engineering
- Production of prototypes
- Quality evaluation



### R&D Centers (Thailand and Singapore)

Ball bearings, fluid dynamic bearings, pivot assemblies, HDD spindle motors, hybrid-type stepping motors, fan motors and other products

- Quality evaluation
- Cleanliness evaluation/management
- Development, production and evaluation/management of lubricants



### Karuizawa Manufacturing Unit (Japan)

Ball bearings, FDBs, rod-end and spherical bearings, pivot assemblies, HDD spindle motors, hybrid-type stepping motors, fan motors and other products

- Product development
- Engineering
- Development of production technologies (mass production)
- Production of prototypes
- Quality evaluation



### NMB Technologies Corporation Technical Center (U.S.A.)

Ball bearings, motors and other products

- Quality evaluation for automotive components



### New Hampshire Ball Bearings, Inc. (U.S.A.)

Rod-end and spherical bearings

- Product development
- Engineering
- Quality evaluation



### NMB-Minebea UK Ltd. (United Kingdom)

Rod-end and spherical bearings

- Product development
- Engineering
- Quality evaluation



## Electronic Components

### Hamamatsu Manufacturing Unit (Japan)

PM stepping motors, DC brushless motors, DC spindle motors, MOD drive subassemblies, magnetic heads for FDDs, lighting devices

- Product development
- Development of magnets and other materials
- Engineering
- Development of production technologies (production of prototypes)



## PC Keyboards

### NMB Technologies Corporation (U.S.A.)

PC keyboards

- Quality evaluation



### Mechatronics Division (Japan)

PC keyboards

- Product development
- Engineering
- Quality evaluation



## Development of Electronics Technologies and Related Products

### Electronics Engineering Center Europe (Germany)



## Speakers

### Minebea Technologies Taiwan Co., Ltd. (Taiwan, China)

Speaker boxes

- Engineering
- Production of prototypes



### Speaker Division (Japan)

Speakers

- Product development
- Engineering
- Quality evaluation



## Measuring Components

### Measuring Components Division (Japan)

Strain gauges, load cells and other measuring components

- Product development
- Engineering
- Production of prototypes
- Quality evaluation



## Fasteners

### Fujisawa Manufacturing Unit (Japan)

Fasteners

- Product development
- Engineering
- Quality evaluation



## Defense-Related Special Parts

### Omori Manufacturing Unit (Japan)

Defense-related special parts

- Product development
- Engineering
- Quality evaluation



## A History of Achievements

- 1951 | 7 Nippon Miniature Bearing Co., Ltd., Japan's first specialized manufacturer of miniature ball bearings, is incorporated in Azusawa, Itabashi-ku, Tokyo.
- 1956 | 10 The Company relocates its headquarters to Nihonbashi-Kabuto-cho, Chuo-ku, Tokyo, and its factory to Aoki-cho, Kawaguchi, Saitama.
- 1959 | 6 A new plant is established at Aoki-cho, Kawaguchi, Saitama, to serve as the Company's integrated headquarters and factory.
- 1962 | 11 A representative office is set up in the United States to cultivate the U.S. market.
- 1963 | 3 A factory is established in Karuizawa, Nagano. Some operations are relocated to the Karuizawa Manufacturing Unit.
- 1965 | 7 The Kawaguchi Factory is closed and its equipment is conveyed to Karuizawa. The Company's headquarters is shifted from Kawaguchi, Saitama, to Miyota-machi, Kitasaku-gun, Nagano.
- 1967 | 3 A representative office is set up in London to promote business in Europe.
- 1968 | 9 Subsidiary Nippon Miniature Bearing Corporation (the present NMB Technologies Corporation) is established in Los Angeles, California.
- 1971 | 4 Sales subsidiary NMB (U.K.) Ltd. is established in the United Kingdom.
- | 5 The Company's stock is listed on the first sections of the Osaka and Nagoya stock exchanges.
- | 9 The Company acquires the U.S. firm Reed Instrument Corp. (the present Chatsworth Plant of New Hampshire Ball Bearings, Inc.) from SKF, Inc., of Sweden and commences production in the United States.
- 1972 | 2 Manufacturing subsidiary NMB Singapore Ltd. is established in Singapore. (Production begins in 1973.)
- 1974 | 9 The Company acquires Shinko Communication Industry Co., Ltd., a major strain gauge manufacturer listed on the Second Section of the Tokyo Stock Exchange.
- 1975 | 1 The Company acquires U.S. company IMC Magnetics Corp., a listed manufacturer of small precision motors.
- | 7 The Company acquires a leading fastener producer, Tokyo Screw Co., Ltd. (the present Fujisawa Manufacturing Unit), and an electro-magnetic clutch manufacturer, Shin Chuo Kogyo Co., Ltd. (the present Omori Manufacturing Unit), both of which are listed on the Second Section of the Tokyo Stock Exchange.
- 1977 | 9 The Company acquires Hansen Manufacturing Co., Inc. (the present Hansen Corporation), which is, at the time, the motor manufacturing division of Mallory Corp., a U.S. multinational.
- | 10 Sales subsidiary Nippon Miniature Bearing GmbH (the present NMB-Minebea-GmbH) is established in Germany.
- 1980 | 3 The Company acquires the Singapore factory of Koyo Seiko Co., Ltd., and establishes Pelmec Industries (Pte.) Ltd. to manufacture small-sized ball bearings.
- | 8 Manufacturing subsidiary NMB Thai Ltd. is established in Thailand. (Production begins in 1982.)
- 1981 | 1 The marketing division of the Company is spun off as subsidiary NMB (Japan) Corporation, which is charged with integrating marketing operations for all manufacturing companies in the Minebea Group.
- | 10 The Company absorbs four of its manufacturing affiliates—Tokyo Screw Co., Ltd., Shinko Communication Industry Co., Ltd., Shin Chuo Kogyo Co., Ltd., and Osaka Motor Wheel Co., Ltd.—and changes its name to Minebea Co., Ltd.
- 1982 | 9 Sales subsidiary NMB Italia S.r.L. is established in Italy.
- 1983 | 3 The Company acquires a cooling fan manufacturer, Kondo Electric Works Ltd. (the present NMB Electro Precision, Inc.).

### Minebea is Incorporated as a Small Factory in Tokyo

Minebea was incorporated in Itabashi-ku, Tokyo, in 1951, as Nippon Miniature Bearing Co., Ltd.—Japan's first specialized manufacturer of miniature ball bearings. Initially, the Company had 10 employees. In 1956, Minebea relocated to Saitama. With the aim of substantially expanding its production capacity, in 1963 the Company built a new, large-scale factory in Karuizawa, Nagano, that later became the Karuizawa Manufacturing Unit. In 1965, the Company shifted all production to the Karuizawa Factory. In subsequent years, the Company's operations expanded rapidly, reflecting rising demand and the increasing diversification of its product lineup. Because most production processes were still manual, the Company's payroll increased significantly. Prompted by the realization that it would be unable to secure employees in Japan—a consequence of rapid growth in Japan's manufacturing sector and its own relatively low profile—Minebea decided to build its first overseas factory, in Asia.

### First Overseas Production Base is Established through U.S. Acquisition

In the latter half of the 1960s, approximately 70% of the ball bearings manufactured at the Karuizawa Factory were exported to the U.S. aerospace market and accounted for approximately 40% of the U.S. market for aerospace-use ball bearings. With the aim of protecting domestic bearing manufacturers, the U.S. government introduced legislation prohibiting overseas firms from supplying defense-related products. In response, in 1971 Minebea acquired a local subsidiary of Sweden's SKF—the world's largest bearing maker—and launched production in the United States.

### Mass Production is Launched in Singapore

Singapore's ample labor force, status as an English-speaking country and official efforts to encourage foreign investment prompted Minebea to choose the country in 1972 for its first overseas mass production facility. The Singapore Factory began operating in 1973 and continued to serve as Minebea's principal facility for main-stay products until late in the 1970s, when the flood of foreign firms operating in the country and the imposition of restrictions on the use of non-Singaporean laborers again prompted concern over securing employees and the hunt for another country in which to establish a mass production base.

- 1984 | 8 Two manufacturing subsidiaries, Minebea Thai Ltd. and Pelmec Thai Ltd., are established in Thailand.
- 1985 | 3 The Company acquires New Hampshire Ball Bearings, Inc., a listed U.S. ball bearing manufacturer.
- 1985 | 9 The Company acquires the Miami Lakes operations of Harris Corporation, a U.S. manufacturer of switching power supplies.
- 1986 | 5 The R&D center and subsidiary Minebea Electronics Co., Ltd., are established in Asaba-cho, Iwata-gun, Shizuoka.
- 1987 | 5 Manufacturing joint venture Thai Ferrite Co., Ltd. (the present Power Electronics of Minebea Co., Ltd.), is established in Thailand.
- 1988 | 2 The Company acquires Rose Bearings Ltd., (the present NMB-Minebea UK Ltd.) a U.K. manufacturer of rod-end and spherical bearings.
- 1988 | 3 Sales subsidiary NMB Technologies, Inc. (the present NMB Technologies Corporation), is established in the United States to coordinate sales and marketing of Minebea's electronic devices.
- 1988 | Manufacturing joint venture Minebea Electronics (Thailand) Co., Ltd., is established.
- 1988 | 12 Manufacturing subsidiaries NMB Hi-Tech Bearings Ltd. and NMB Precision Balls Ltd. are established in Thailand.
- 1989 | 1 Marketing subsidiary NMB France S.a.r.l. (the present NMB Minebea S.a.r.l.) is established.
- 1990 | 10 Papst-Minebea-Disc-Motor GmbH (the present Precision Motors Deutsche Minebea GmbH), a joint venture with Papst-Motoren GmbH & Co. KG, is established in Germany to manufacture HDD spindle motors.
- 1990 | 11 Rose Bearings Ltd., (the present NMB-Minebea UK Ltd.) in the United Kingdom, commences production of ball bearings at its Skegness plant.
- 1992 | 2 The Company absorbs Sorensen Ltd. and reestablishes it as Minebea Electronics (UK) Ltd., a manufacturer of switching power supplies in Scotland.
- 1993 | 8 Joint venture agreement with Papst-Motoren GmbH & Co. KG of Germany is cancelled. The Company acquires all outstanding shares in Papst-Minebea-Disc-Motor GmbH and changes the company's name to Precision Motors Deutsche Minebea GmbH (PMDM).
- 1993 | 10 Sales and R&D subsidiary Minebea Trading Pte. Ltd. (the present Minebea Technologies Pte. Ltd.) is established in Singapore.
- 1994 | 4 Manufacturing subsidiary Minebea Electronics & Hi-Tech Components (Shanghai) Ltd. is established in China.
- 1996 | 8 A vertically integrated ball bearing production facility—Minebea's largest to date—commences operations in Shanghai.
- 1996 | 10 U.K. subsidiary NMB (U.K.) Ltd. establishes a new plant in Inchinnan, Scotland.
- 1999 | 3 The Company commences quality evaluation and testing at the NMB Corporation Technical Center in the United States.
- 1999 | 7 U.S. subsidiaries NMB Corporation and NMB Technologies, Inc., merge to form NMB Technologies Corporation.
- 2000 | 3 The Company acquires Kuen Dar (M) Sdn. Bhd., a Malaysian speaker box manufacturer.
- 2001 | 2 A controlling interest in Actus Corporation, a furniture and interior decor product sales subsidiary, is sold to TRS Co., Ltd.
- 2002 | 8 Huan Hsin Holdings Ltd., of Singapore, and Shen Ding Pte. Ltd.—a joint venture between Minebea and Huan Hsin—establishes PC keyboard manufacturing subsidiary Shanghai Shun Ding Technologies Ltd. in China.
- 2002 | Minebea establishes sales company Minebea (Hong Kong) Ltd. in China.
- 2002 | 9 Minebea establishes sales companies Minebea (Shenzhen) Ltd. and Minebea Trading (Shanghai) Ltd. in China.
- 2004 | 4 Minebea establishes joint venture Minebea–Matsushita Motor Corporation with Matsushita Electric Industrial Co., Ltd., with the aim of integrating the fan motor, stepping motor, vibration motor and DC brush motor businesses of the two parent companies.

### Production in Thailand

Minebea's reasons for selecting Thailand for its second overseas mass production base included the country's abundant supply of workers, the professionalism of Thai employees at its Singapore Factory, the Thai government's efforts to attract component manufacturers and its Buddhist traditions and history of friendly relations with Japan. Realizing that if it took the same approach in Thailand as it had in Japan and Singapore, it would eventually face the same problems securing employees and expanding production capacity, Minebea chose to locate initially in rural Ayutthaya. Since then, the Company has established three additional plants in rural areas. Thailand is currently Minebea's largest mass production base, accounting for approximately 60% of Group production.

#### Minebea's Thai Operations

	(Year ended March 31, 2004)
Net sales:	¥156,745 million
	(As of March 31, 2004)
Cumulative investment:	¥163,670 million
Total site space:	1,466,032 meters <sup>2</sup>
Total factory floor space:	372,309 meters <sup>2</sup>

### Operations in China: The Market of the Future

To expand its production capacity and take advantage of the growing Chinese market, in 1994 Minebea established and commenced operations at subsidiary Minebea Electronics & Hi-Tech Components (Shanghai) Ltd., in Shanghai. Building on expertise accumulated through operations in five countries, in 1996 the Company completed a state-of-the-art facility that is the world's largest vertically integrated production facility for miniature and small-sized ball bearings and Minebea's second largest mass production base.

In 2002, Minebea established Shen Ding Pte. Ltd., a joint venture with Huan Hsin Holdings Ltd., of Singapore, and Shanghai Shanghai Shun Ding Technologies Ltd., a PC keyboard manufacturing subsidiary of Shen Ding. Production at Shanghai Shun Ding Technologies commenced in August 2003. By March 2005, Minebea plans to shift PC keyboard manufacturing operations currently in Thailand to Shanghai Shun Ding Technologies.

#### Minebea's China Operations

	(Year ended March 31, 2004)
Net sales:	¥34,854 million
	(As of March 31, 2004)
Cumulative investment:	¥50,723 million

	Minebea Electronics & Hi-Tech Components (Shanghai) Ltd.	Shanghai Shun Ding Technologies Ltd.
Total site space:	495,834 meters <sup>2</sup>	47,425 meters <sup>2</sup>
Total factory floor space:	89,299 meters <sup>2</sup>	45,300 meters <sup>2</sup>

## Directors, Auditors and Executive Officers

### Representative Director, President and Chief Executive Officer



Tsugio Yamamoto

### Directors and Senior Managing Executive Officers



Yoshihisa Kainuma

Director, Senior Managing Executive Officer  
Member of the Tokyo Head Office Administration Executive Council, in charge of Personnel & General Affairs, Logistics and Procurement



Takayuki Yamagishi

Director, Senior Managing Executive Officer  
General Manager of Engineering Headquarters



Rikuro Obara

Director, Senior Managing Executive Officer  
General Manager of Manufacturing Headquarters and Karuizawa Manufacturing Unit



Ryusuke Mizukami

Director, Senior Managing Executive Officer  
Member of the Tokyo Head Office Administration Executive Council, in charge of Corporate Planning, Information Systems and Environmental Preservation



Kenji Senoue

Director, Senior Managing Executive Officer  
Member of the Tokyo Head Office Administration Executive Council, in charge of Strategy Planning



Tosei Takenaka

Representative Director and President, Minebea-Matsushita Motor Corporation

### Director and Managing Executive Officer



Koichi Dosho

Director, Managing Executive Officer  
General Manager of Sales Headquarters, European and American Regional Sales Headquarters, European Region Operations

### Directors



Atsushi Matsuoka

Chairman and Director, Kelaisha Co., Ltd.



Chanchai Leetavorn

Chairman, Asia Credit Plc.

### Standing Corporate Auditors

Shinichi Mori  
Yoshinori Amano  
Tukasa Oshima

### Auditor

Isao Hiraide

### Managing Executive Officers

Takashi Yamaguchi  
Member of the Tokyo Head Office Administration Executive Council, in charge of Finance and Accounting

### Yukio Shimizu

Deputy General Manager of Sales Headquarters (in charge of Japan and Asian Region) and General Manager of Japan and Asian Regional Sales Headquarters

### Hiroharu Katogi

In charge of Business Administration and Investor Relations

### Susumu Fujisawa

In charge of China Operations

### Akio Okamiya

General Manager of R&D Center of Karuizawa Manufacturing Unit and General Manager of Chemical Integration Lab

### Hiroyuki Yajima

General Manager of Bearing Division and Bearing Manufacturing Dept. of Karuizawa Manufacturing Unit

### Executive Officers

#### Sadao Sawamura

General Manager of Information Systems Dept.

#### Akihiro Hirao

General Manager of Omori Manufacturing Unit

#### Sadahiko Oki

In charge of Internal Auditing Office

#### Takuya Naka

In charge of Legal Affairs and General Manager of Legal Dept.

#### Masayoshi Yamanaka

In charge of Asian Region Operations

#### Shunji Mase

General Manager of Personnel & General Affairs Dept. and Secretary of Office of Tokyo Head Office Administration Executive Council

#### Masamitsu Osada

General Manager of Mechatronics Division

#### Eiichi Kobayashi

General Manager of Production Technology Center and Tool & Die Dept. of Karuizawa Manufacturing Unit

#### Motoyuki Niijima

General Manager of Measuring Components Division

#### Tadahiko Mori

General Manager of Logistics Dept.

#### Masao Iwasa

General Manager of Administration Office of Karuizawa Manufacturing Unit

#### Hiroataka Fujita

General Manager of Hamamatsu Manufacturing Unit, Lighting Devices Dept. and Visual Electronics Components Dept.

#### Junio Shimba

General Manager of Global Storage Component Product Management

#### Junichi Mochizuki

General Manager of Global Bearing Product Management

#### Morihiro Iijima

General Manager of Strategy Planning Dept.

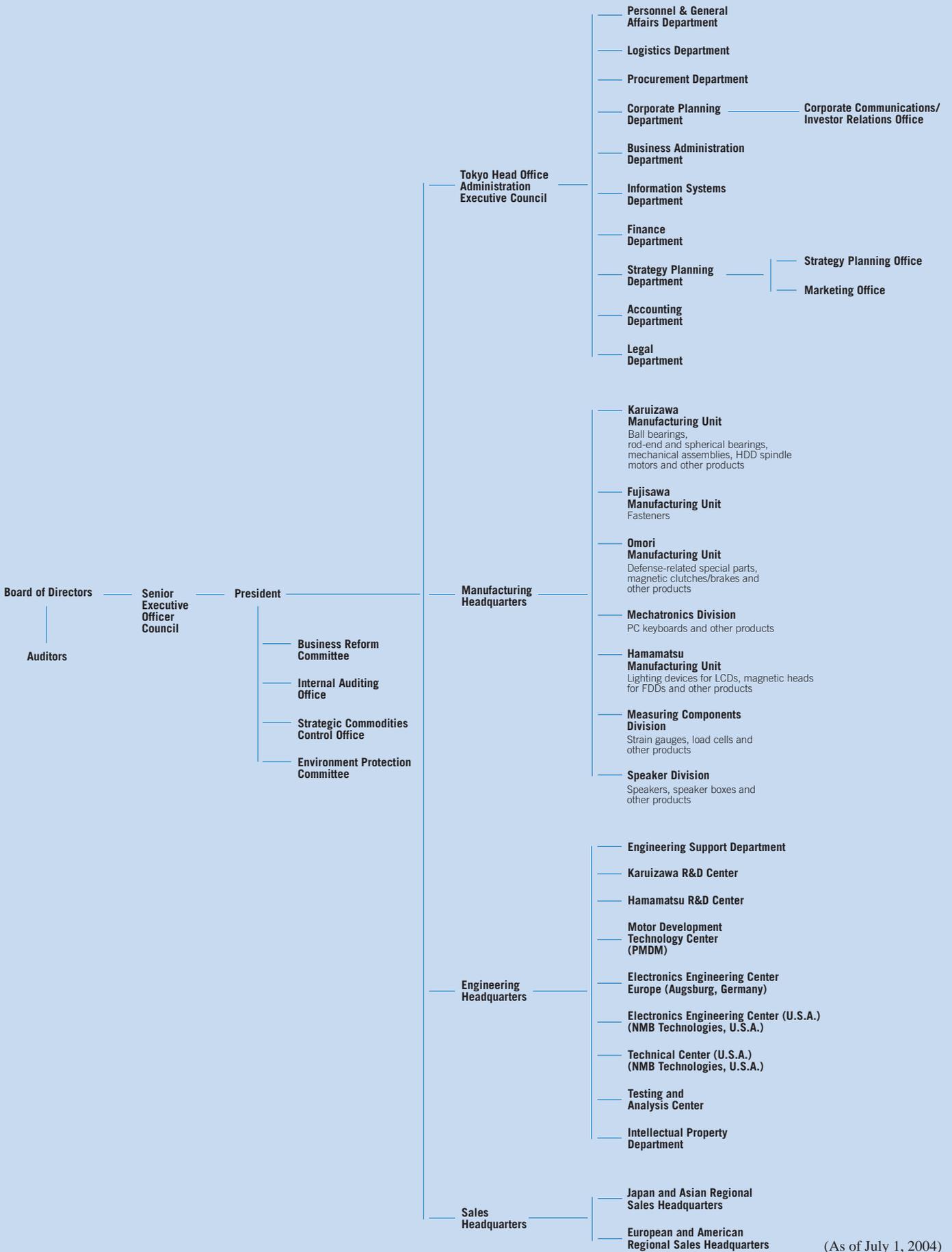
#### Toshisada Koyama

General Manager of Precision Motor Division and Automotive Motor Manufacturing Dept. of Karuizawa Manufacturing Unit

Note: Messrs. Atsushi Matsuoka and Chanchai Leetavorn are external directors as required under Article 188, Paragraph 2, item 7-2 of the Japanese Commercial Code.

Messrs. Tukasa Oshima and Isao Hiraide are external corporate auditors as required under Article 18, Paragraph 1, of the Law For Special Exceptions to the Commercial Code concerning Audit, etc., of Corporations.

# Organization



(As of July 1, 2004)

URL: <http://www.minebea.co.jp/english/>

For the latest corporate, product and financial information and more detailed information on Minebea, please visit our corporate web site.

**Product purchasing inquiries and catalog requests:**

Sales Headquarters  
Tel: 81-3-5434-8711  
Fax: 81-3-5434-8700  
E-mail: [business@minebea.co.jp](mailto:business@minebea.co.jp)

**Inquiries and comments regarding investor relations and corporate communications:**

Corporate Communications/Investor Relations Office  
Investor Relations  
Tel: 81-3-5434-8643  
Fax: 81-3-5434-8603  
E-mail: [minebeair@minebea.co.jp](mailto:minebeair@minebea.co.jp)

Corporate Communications  
Tel: 81-3-5434-8637  
Fax: 81-3-5434-8607  
E-mail: [kouho@minebea.co.jp](mailto:kouho@minebea.co.jp)

**Inquiries regarding employment opportunities:**

Personnel & General Affairs Department  
Personnel Office  
Tel: 81-3-5434-8643  
Fax: 81-3-5434-8603  
E-mail: [jinjisoumu@minebea.co.jp](mailto:jinjisoumu@minebea.co.jp)

**Minebea Co., Ltd.**  
**Corporate Information**

**Tokyo Head Office**

ARCO Tower, 19th Floor,  
1-8-1, Shimo-Meguro,  
Meguro-ku, Tokyo 153-8662, Japan  
Tel: 81-3-5434-8611  
Fax: 81-3-5434-8601  
<http://www.minebea.co.jp/>

**Registered Headquarters**

4106-73, Oaza Miyota,  
Miyota-machi, Kitasaku-gun,  
Nagano 389-0206, Japan  
Tel: 81-2-6732-2200  
Fax: 81-2-6731-1330

**Established**

July 16, 1951

**Investor Information**

**Common Stock** (As of March 31, 2004)

Authorized: 1,000,000,000 shares  
Issued: 399,167,695 shares  
Capital: ¥68,259 million

**Common Stock Listings**

Tokyo, Osaka, Nagoya and Singapore

**American Depositary Receipts**

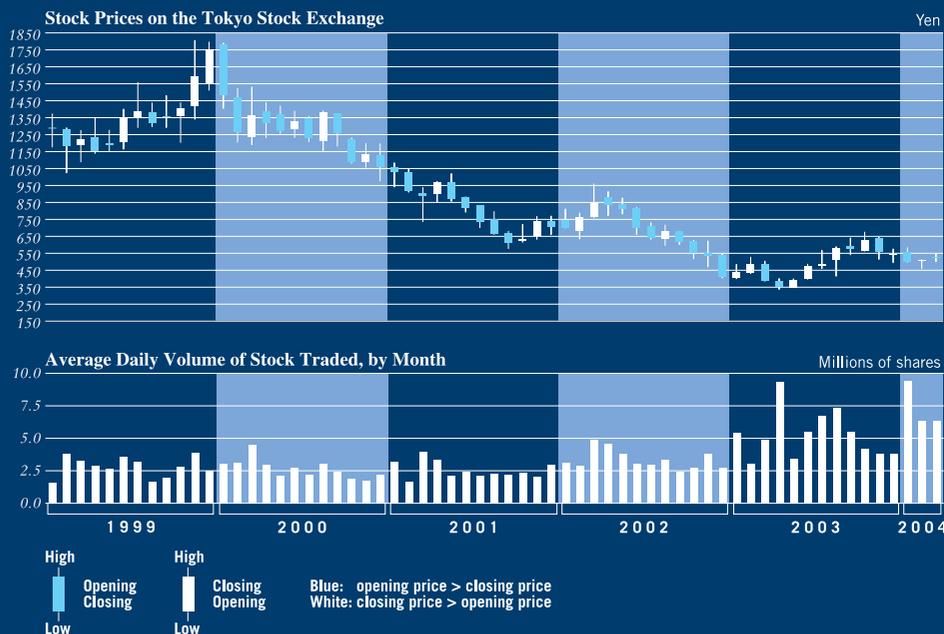
Ratio (ADR : ORD): 1 : 2  
Exchange: Over-the-Counter (OTC)  
Symbol: MNBEY  
CUSIP: 602725301  
Depository: The Bank of New York  
101 Barclay Street,  
New York, NY 10286, U.S.A.  
Tel: 1-212-815-2042  
U.S. toll-free: 888-269-2377  
(888-BNY-ADRS)  
<http://www.adrbny.com/>

**Independent Certified Public Accountants**

Shin Nihon & Co.

**Transfer Agent**

The Sumitomo Trust and Banking Co., Ltd.



**For further information  
please contact:**

Minebea Co., Ltd.  
Corporate Planning Department  
Corporate Communications/  
Investor Relations Office  
Tel: 81-3-5434-8643  
Fax: 81-3-5434-8603  
E-mail: [minebeair@minebea.co.jp](mailto:minebeair@minebea.co.jp)



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