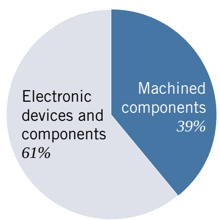
Financial Review

Results of Operations

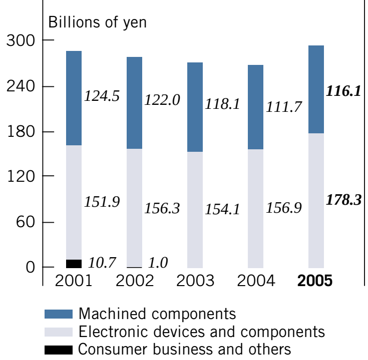
Net Sales

Consolidated net sales in fiscal 2005 rose 9.6%, or ¥25,848 million, to ¥294,422 million. Although rising prices for oil and materials prompted considerable uncertainty, economic conditions in Japan and other key global economies remained relatively firm during the period as the market for information and telecommunications equipment expanded and the aerospace market headed toward recovery. Moreover, despite a decline in product prices and a demand adjustment in the second half of the period, the global market for digital household electrical appliances expanded, led by flat-screen televisions, DVD recorders and portable digital music players. In this environment, we recorded higher shipments of all mainstay products which, together with comparatively stable unit prices, supported the increase in net sales. The impact of yen appreciation on overseas sales reduced net sales approximately ¥10,200 million, while our withdrawal from switching power supplies and related businesses had a negative effect of approximately ¥8,100 million. In contrast, the addition of the sales of MEI's motor company through the establishment of joint venture Minebea–Matsushita Motor added approximately ¥24,000 million to net sales.

Net Sales by Business Segment



Net Sales by Business Segment



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

Net Sales by Business Segment

Machined Components

Net sales of machined components amounted to ¥116,105 million, an increase of 4.0%, or ¥4,412 million. Despite the negative impact of yen appreciation on sales in overseas markets after translation into yen, sales of mainstay segment products rose, owing to favorable economic conditions in Japan and overseas and firm capital spending, a recovery in demand from the aerospace industry and rising demand from HDD manufacturers. In mainstay miniature and small-sized ball bearings, ongoing efforts to expand the scale of our business and enhance cost competitiveness and achieve monthly global production and sales of 180 million pieces boosted shipments. Sales increased primarily for use in PC cooling fans, OA equipment and automobile applications. Sales of rod-end and spherical bearings—for which the principal customer base is the aerospace industry—recovered, particularly in the United States. Shipments of pivot assemblies increased on the back of rising demand for HDDs. Growth in demand was particularly sharp for pivot assemblies used in 1.8-inch and 1-inch HDDs, for which we enjoy a market share in excess of 90%.

Electronic Devices and Components

Net sales of electronic devices and components advanced 13.7%, or ¥21,436 million, to ¥178,317 million. Although the appreciation of the yen negatively affected overseas sales, firm demand for PCs, information and telecommunications equipment and household electrical appliances, as well as efforts to introduce new products and boost sales, prompted an increase in sales of mainstay segment products. Sales gains also reflected the expansion of our fan and stepping motor product ranges and the addition of DC brush motors and vibration motors to our lineup. Despite the impact of a demand adjustment in the cellular phone market, sales of lighting devices, primarily LED backlight assemblies for LCDs, were reinforced by the timely development of new products. Reflecting brisk demand for automotive sensors, we recorded a substantial increase in sales of measuring components. In the area of PC keyboards, we succeeded in cultivating new customers and expanding orders for keyboards for notebook PCs. Sales of HDD spindle motors fell sharply, owing to a delay in the development of new products and a decline in market share related to our product mix.

Net Sales by Region

Net sales in different regions continued to reflect the shift by customers in Japan, Europe and North and South America to production in Asia. The appreciation of the yen also affected sales denominated in other currencies to North and South America and Asia (excluding Japan).

In Japan, business conditions remained firm in the first half of the period. The addition of the sales of new joint venture Minebea–Matsushita Motor and firm sales of mainstay products in the Electronic Devices and Components segment offset the impact of our withdrawal from switching power supplies and related businesses, supporting a 13.4%, or ¥9,273 million, increase in sales in Japan to ¥78,675 million.

Sales to Asia (excluding Japan) rose, reflecting market growth in China and the region's increasing importance as a manufacturing base for information and telecommunications equipment and household electrical appliances. Despite the negative impact of yen appreciation, sales advanced 15.3%, or ¥18,631 million, to ¥140,229 million.

Sales to North and South America rose 1.5%, or ¥677 million, to ¥46,013 million. Although sales of rod-end and spherical bearings for aerospace applications rose, our results in this region continued to reflect a steady shift of production to Asia by key customers and the impact of the strong yen.

In Europe, firm economic conditions contributed to brisk sales of ball bearings, as well as rod-end and spherical bearings to customers in the aerospace industry. However, owing to the shift of PC keyboard sales activities to North and South America, sales in the region declined 8.5%, or ¥2,733 million, to ¥29,505 million.

Average Rate of Exchange During the Fiscal Year

Yen

	2005	2004
U.S. Dollar	¥107.46	¥113.97
Euro	134.90	132.73
Singapore Dollar	64.04	65.58
Thai Baht	2.67	2.79
Chinese Yuan (Renminbi)	12.98	13.77

Note: Exchange rates are calculated based on the average of the average quarterly rates for fiscal 2005.

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

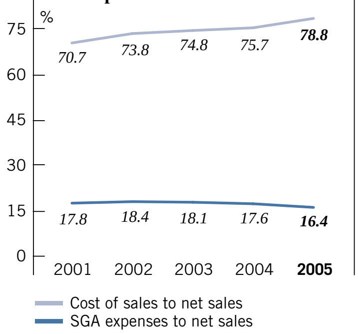
Cost of Sales

Cost of sales rose 14.1%, or ¥28,758 million, to ¥232,019 million. Cost of sales as a percentage of net sales rose 3.1 percentage points, to 78.8%. Currency exchange rate fluctuations reduced cost of sales approximately ¥8,300 million. Despite efforts to enhance the efficiency of manufacturing and sales activities, the profitability of motors and PC keyboards deteriorated, while sales of low-margin products in these two categories increased. High raw materials prices also had a negative effect on cost of sales.

SGA Expenses

SGA expenses increased 2.4%, or ¥1,111 million, to ¥48,320 million, equivalent to 16.4% of net sales, down 1.2 percentage points. Despite an increase in expenses related to the establishment of Minebea–Matsushita Motor, Companywide efforts to reduce expenses reduced SGA expenses as a percentage of net sales. The appreciation of the yen reduced expenses at overseas subsidiaries approximately ¥1,200 million.

Cost of Sales to Net Sales and SGA Expenses to Net Sales



Costs of Sales and SGA Expenses

Millions of yen

Years ended March 31	2005	2004	2003	2002	2001
Net sales	¥294,422	¥268,574	¥272,202	¥279,344	¥287,045
Cost of sales	232,019	203,261	203,500	206,061	202,928
Cost of sales to net sales	78.8%	75.7%	74.8%	73.8%	70.7%
Gross profit	62,403	65,313	68,702	73,283	84,117
SGA expenses	48,320	47,209	49,350	51,311	51,140
SGA expenses to net sales	16.4%	17.6%	18.1%	18.4%	17.8%

Income

Operating Income

Operating income fell 22.2%, or ¥4,021 million, to ¥14,083 million. As a consequence, the operating margin declined 1.9 percentage points, to 4.8%.

Operating Income by Business Segment

Machined Components

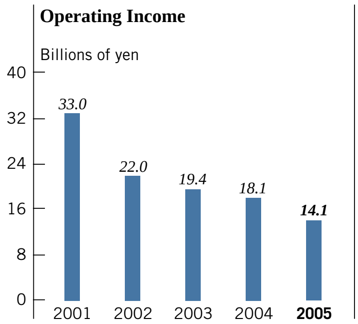
Operating income in the Machined Components segment advanced 10.6%, or ¥2,067 million, to ¥21,572 million. The segment's operating margin, calculated using sales to external customers, rose 1.1 percentage points, to 18.6%. Despite the negative impact of declining unit prices, segment operating income was bolstered by an increase in production and sales volume for ball bearings, lower manufacturing costs, a recovery in shipments of rod-end and spherical bearings and improved profitability for pivot assemblies.

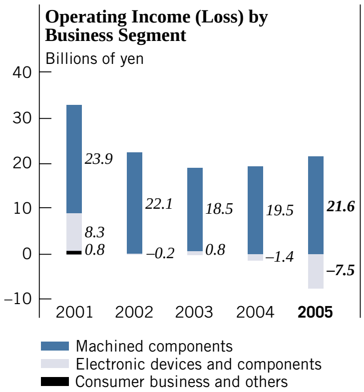
Electronic Devices and Components

The Electronic Devices and Components business segment posted an operating loss of ¥7,489 million, down ¥6,088 million from the previous period, giving the segment a negative operating margin of 4.2%, down 3.3 percentage points. This result was largely attributable to the deteriorating profitability of HDD spindle motors, joint venture Minebea–Matsushita Motor and PC keyboards. In the HDD spindle motors business, flagging production and sales volume prompted a loss as sales were insufficient unable to cover fixed costs. At Minebea–Matsushita Motor, falling demand and unit prices for products transferred to the company combined with an increase in overall related costs to drive operating income well below projections. In the PC keyboard business, despite efforts to bring our new production system in China on line and improve productivity, expenses resulting from the shift of production to China from Thailand, combined with rising prices for key raw material resin and the fact that the shift to China coincided with a sharp increase in demand, delayed a return to profitability.

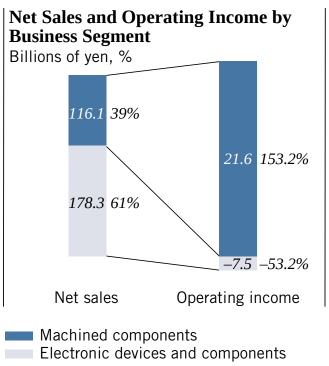
Income before Income Taxes and Minority Interests

The net balance of other income (expenses) was a loss of ¥6,305 million, ¥1,159 million greater than in fiscal 2004. Interest expense rose ¥148 million, to ¥3,361 million, reflecting an increase in interest-bearing debt. Losses on sales and disposals of tangible fixed assets amounted to ¥1,019 million, up ¥272 million. We also posted losses on devaluation of investment securities of ¥619 million. As a consequence, income before income taxes and minority interests declined ¥5,180 million, to ¥7,778 million.

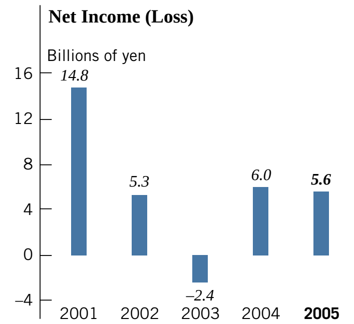




Note: Owing to the divestiture of a subsidiary, the Company withdrew from the Consumer Business and Others business segment effective from fiscal 2003.



Note: Percentages represent contribution by business segment to total.

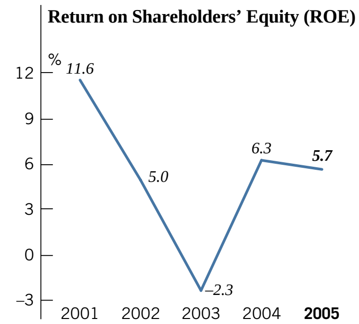


Net Income

Income taxes decreased ¥1,697 million, to ¥5,513 million. Income taxes comprised current income taxes, that is, corporate, residential and business taxes, of ¥5,943 million, and a benefit of ¥430 million. A higher tax rate was due to certain loss-making overseas subsidiaries.

Minority interests amounted to a loss of ¥3,316 million, ¥3,045 million greater than in fiscal 2004, owing to a loss posted by new joint venture Minebea–Matsushita Motor, newly included in our consolidated results, and an increase in the loss reported by our PC keyboard joint venture in Shanghai.

As a consequence of aforementioned factors, net income declined ¥438 million, to ¥5,581 million. Basic net income per share amounted to ¥13.93, compared with ¥15.08 in the previous period.



Income

Millions of yen

Years ended March 31	**2005**	2004	2003	2002	2001
Operating income	**¥14,083**	¥18,104	¥19,352	¥21,972	¥32,977
Operating margin	**4.8%**	6.7%	7.1%	7.9%	11.5%
Net balance of other income (expenses)	**(6,305)**	(5,146)	(18,857)	(9,023)	(10,590)
Net income (loss)	**5,581**	6,019	(2,434)	5,298	14,826
Net income (loss) to net sales	**1.9%**	2.2%	(0.9)%	1.9%	5.2%
Net income (loss) per share (Yen):					
Basic	**13.93**	15.08	(6.10)	13.27	37.14
Diluted	**13.27**	14.51	(4.85)	12.60	34.10
Return on shareholders' equity	**5.7%**	6.3%	(2.3)%	5.0%	11.6%
Return on total assets	**1.7%**	1.9%	(0.8)%	1.5%	4.0%

Financial Condition

Financial Policy and Liquidity

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 2005, 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 (1.5 times at fiscal 2005 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.

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 also have the ability to procure more than ¥100,000 million in short- and long-term loans if needed to enhance liquidity. We are thus 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 at fiscal 2005 year-end was ¥7,000 million.

Debt Ratings

As of June 2005	*Long-term debt*	*Short-term debt*
Moody's Investors Service	Baa2	—
Japan Credit Rating Agency, Ltd.	A	J–1
Japan Rating and Investment Information, Inc.	A–	a–1

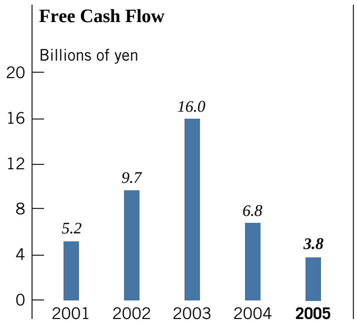
Purchase of Tangible Fixed Assets

Purchase of tangible fixed assets, or capital investment, in fiscal 2005 amounted to ¥23,060 million, an increase of ¥4,235 from ¥18,825 million in the previous period. Owing to decisive measures aimed at improving the efficiency of production, including that of parts for internal use, we succeeded in maintaining expenditures below the ¥20,000 million mark in fiscal 2003 and fiscal 2004. In the period under review, however, we made forward-looking investments to expand production facilities for ball bearings; respond to increased demand for pivot assemblies, primarily for small HDDs; install a production line for a new model of spindle motor; finance the establishment of joint venture Minebea–Matsushita Motor; and reinforce production capacity at our PC keyboard factory in China. In fiscal 2006, we expect investments to remain at a similar level, owing primarily to investments aimed at expanding production facilities in core businesses.

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. In fiscal 2005, cash dividends were maintained at ¥7.00 per share. We plan to maintain cash dividends for fiscal 2006 at the same level.

Cash Flows



Free cash flow (calculated by subtracting net cash used in investing activities from net cash provided by operating activities) totaled ¥3,797 million, ¥2,985 million less than in fiscal 2004.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥27,586 million, ¥5,872 million higher than in fiscal 2004. Factors contributing to this included a ¥5,180 million decline in income before income taxes and minority interests, to ¥7,778 million; a ¥757 million increase in depreciation and amortization, to ¥22,462 million; an increase in notes and accounts receivable of ¥1,020 million, ¥6,714 million less than in fiscal 2004; and an increase in inventories of ¥1,597 million, ¥286 million lower than in the previous period.

Cash Flows from Investing Activities

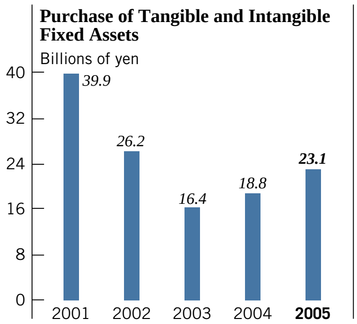
Net cash used in investing activities increased ¥8,857 million, to ¥23,789 million. This change was primarily attributable to a ¥4,235 increase in cash applied to purchase of tangible fixed assets, to ¥23,060 million.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥8,772 million, compared with ¥4,391 million provided by these activities in fiscal 2004, as ¥5,909 was applied to repayment of long-term debt, whereas in the previous period proceeds from long-term debt totaled ¥6,368 million.

Cash and Cash Equivalents

Operating, investing and financing activities in fiscal 2005 resulted in a net decrease in cash and cash equivalents at end of year of ¥3,021 million, to ¥21,759 million, as net cash provided by operating activities was largely offset by net cash used in investing activities.



Free Cash Flow

Millions of yen

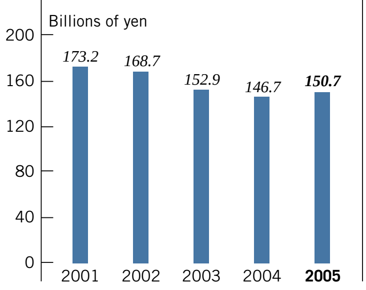
Years ended March 31	2005	2004	2003	2002	2001
Net cash provided by operating activities	¥ 27,586	¥ 21,714	¥ 32,279	¥ 34,017	¥ 38,332
Net cash used in investing activities Portion of above used in purchase of tangible fixed assets	(23,789)	(14,932)	(16,233)	(24,346)	(33,099)
Purchase of tangible fixed assets	(23,060)	(18,825)	(16,382)	(26,245)	(39,877)
Free cash flow	3,797	6,782	16,046	9,671	5,233

Note: Effective fiscal 2005, Minebea calculates free cash flow by subtracting net cash used in investing activities from net cash provided by operating activities. Figures for previous years have been restated using this calculation.

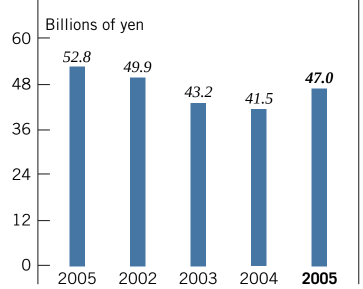
Financial Position

Summary

Net Interest-Bearing Debt



Inventories



Total assets at the end of fiscal 2005 amounted to ¥332,217 million, an increase of 5.5%, or ¥17,302 million, from the fiscal 2004 year-end. Net interest-bearing debt (total debt minus cash and cash equivalents) edged up 2.7%, or ¥3,988 million, to ¥150,694 million. As a consequence, the net debt-to-equity ratio improved slightly, to 1.5 times. Net interest-bearing debt inherited from the motor company of MEI amounted to ¥4,651 million.

Assets

Total assets were affected by a decline in the value of the yen against other currencies compared with the fiscal 2004 year-end, the impact of which was ¥5,741 million. Assets inherited from the motor company of MEI totaled ¥16,542 million. Cash and cash equivalents declined ¥3,021 million, to ¥21,759 million, reflecting an increase in cash outlays as well as a short-lived increase at the end of fiscal 2004 owing to the establishment of Minebea–Matsushita Motor. Trade and other notes and accounts receivable rose ¥6,962 million, to ¥66,397 million, including ¥2,187 million inherited from the motor company of MEI and ¥897 million attributable to the decline in the value of the yen. Inventories rose ¥5,429 million, to ¥46,963 million, owing to the addition of inventories from the motor company of MEI, which totaled ¥2,716 million, and ¥1,011 resulting from yen appreciation. As a consequence, total current assets rose 6.0%, or ¥8,342 million, to ¥147,295 million.

Net tangible fixed assets increased 5.4%, or ¥8,063 million, to ¥156,521 million. Cash applied to the purchase of tangible fixed assets (capital investment) totaled ¥23,060 million, up ¥4,235 million from the previous period. Tangible fixed assets inherited from the motor company of MEI amounted to ¥8,018 million and the decline in the value of the yen contributed ¥2,881 million. Depreciation amounting to ¥22,250 million boosted accumulated depreciation ¥613 million. The sale of Minebea's Kofu Plant resulted in a ¥1,417 million decrease.

Intangible fixed assets totaled ¥14,113 million, an increase of ¥13.8%, or ¥1,710 million, as a decline in consolidation adjustments offset an increase in other intangible fixed assets.

Net investments and other assets edged down ¥880 million, to ¥14,175 million, owing primarily to the impact of impairment accounting for investments in securities.

Deferred charges increased ¥67 million, to ¥113 million.

Liabilities

Total current liabilities amounted to ¥141,449 million, down 15.6%, or ¥26,177 million. Total notes and accounts payable rose ¥5,504 million, to ¥35,300 million, including ¥1,396 million inherited from the motor company of MEI and ¥262 million attributable to a decline in the value of the yen. Short-term loans payable rose ¥5,061 million, to ¥81,256 million. The current portion of long-term debt fell ¥37,592 million, to ¥5,856 million, as ¥27,080 million in convertible bonds and ¥10,000 million in bonds came due during the period.

Total long-term liabilities rose 63.3%, or ¥33,401 million, to ¥86,145 million. Owing to an issue of convertible bonds in the amount of ¥10,000 million, bonds increased to ¥38,000 million. Loans from banks rose ¥27,498 million, to ¥47,340 million.

Total long-term liabilities as of the end of fiscal 2005 included ¥11,472 inherited from the motor company of MEI.

Minority Interests in Consolidated Subsidiaries

Minority interests in consolidated subsidiaries rose 273.3%, or ¥1,856 million, to ¥2,535 million, of which ¥2,398 million was accounted for by our interest in joint venture Minebea–Matsushita Motor.

Rates of Exchange at Balance Sheet Date

Yen	2005	2004
U.S. Dollar	¥107.39	¥105.69
Euro	138.87	128.88
Singapore Dollar	65.19	62.91
Thai Baht	2.73	2.67
Chinese Yuan (Renminbi)	12.99	12.79

Shareholders' Equity

Total shareholders' equity at fiscal 2005 year-end was ¥102,088 million, up 8.8%, or ¥8,222 million. This reflected net income of ¥5,581 million and a ¥5,539 decline in foreign currency translation adjustments, which partially offset ¥2,793 million in cash dividends paid.

Financial Position

Millions of yen

As of March 31	2005	2004	2003	2002	2001
Total assets	¥332,217	¥314,915	¥320,069	¥350,037	¥346,965
Cash and cash equivalents at end of year	21,759	24,780	14,177	13,952	11,930
Total current assets	147,295	138,953	127,447	131,548	137,106
Inventories	46,963	41,534	43,204	49,887	52,764
Total current liabilities	141,449	167,626	134,459	156,908	127,290
Working capital	5,846	(28,673)	(7,012)	(25,360)	9,816
Interest-bearing debt	172,453	171,485	167,125	182,673	185,160
Net interest-bearing debt	150,694	146,706	152,947	168,720	173,228
Total shareholders' equity	102,088	93,866	98,213	112,732	100,574
Total shareholders' equity/ Total assets	30.7%	29.8%	30.7%	32.2%	29.0%
Debt-to-equity ratio (Times)	1.7	1.8	1.7	1.6	1.8
Net debt-to-equity ratio (Times)	1.5	1.6	1.6	1.5	1.7
Shareholders' equity per share (Yen)	255.82	235.21	246.08	282.42	251.96