

## Outline

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### Outline of Operations

Minebea'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, accounted for 39% of consolidated net sales in fiscal 2005. 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 and LED backlight assemblies for small LCDs, represented 61% of consolidated net sales in fiscal 2005.

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 47% of total consolidated production in fiscal 2005, while combined production at all of our bases in Asia (excluding Japan) represented 80% of total production. Production outside of Japan accounted for 90% of total production.

We supply products to a number of key markets. Notable among these are the PC and peripheral equipment, OA and telecommunications equipment, household electrical appliances, automotive and aerospace markets, which accounted for 38%, 16%, 10%, 10% and 9%, respectively, of fiscal 2005 consolidated net sales. Reflecting the increasing shift by our customers in Japan, Europe and North and South America to production in China and other parts of Asia, sales to Asia (excluding Japan) represented 48% of consolidated net sales. Our second-largest geographic market is Japan, which currently accounts for 27% of consolidated net sales. Remaining sales are to the United States and Europe. (For more detailed information on our operations and products, please refer to the section beginning on page 53.)

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### Principal Strategy

The principle task facing us at present is to accelerate efforts to improve profitability. Accordingly, we have set three priority tasks:

- take decisive actions to implement structural reforms
- reinforce R&D
- manage the Company with a clear vision.

To these ends, we introduced a new management structure based on product-specific business units and five headquarters responsible for, respectively, manufacturing, sales, engineering, operations and administration. Under this new structure, manufacturing and sales groups are assigned and report directly to each business unit, while the establishment of headquarters charged with providing support for business units ensures the organization runs smoothly and effectively. This new structure was officially adopted on July 1, 2005. Going forward, we will reorganize our R&D structure to facilitate efficient, forward-looking R&D. Through these efforts, we will reinforce our competitive edge, improve our operating results and expand our businesses.

## Segment Information

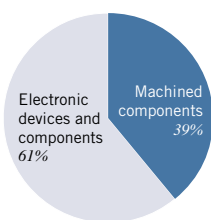
	<i>Millions of yen</i>				
<i>Years ended March 31</i>	2005	2004	2003	2002	2001
<b>Net Sales to External Customers by Business Segment</b>					
Machined components	¥ 116,105	¥ 111,693	¥118,118	¥ 122,025	¥ 124,461
Electronic devices and components	178,317	156,881	154,084	156,303	151,910
Consumer business and others	—	—	—	1,016	10,674
<b>Total</b>	<b>¥ 294,422</b>	<b>¥ 268,574</b>	<b>¥272,202</b>	<b>¥ 279,344</b>	<b>¥ 287,045</b>
<b>Operating Income (Loss) by Business Segment</b>					
Machined components	¥ 21,572	¥ 19,505	¥ 18,520	¥ 22,135	¥ 23,906
Electronic devices and components	(7,489)	(1,401)	832	(163)	8,259
Consumer business and others	—	—	—	(0)	812
<b>Total</b>	<b>¥ 14,083</b>	<b>¥ 18,104</b>	<b>¥ 19,352</b>	<b>¥ 21,972</b>	<b>¥ 32,977</b>
<b>Assets by Business Segment</b>					
Machined components	¥ 194,180	¥ 189,741	¥191,793	¥ 205,920	¥ 200,457
Electronic devices and components	214,142	196,918	204,489	231,806	255,789
Consumer business and others	—	—	—	745	3,711
Eliminations	(76,105)	(71,744)	(76,213)	(88,434)	(112,992)
<b>Total</b>	<b>¥ 332,217</b>	<b>¥ 314,915</b>	<b>¥320,069</b>	<b>¥ 350,037</b>	<b>¥ 346,965</b>
<b>Depreciation and Amortization by Business Segment</b>					
Machined components	¥ 10,401	¥ 10,811	¥ 10,378	¥ 9,489	¥ 10,842
Electronic devices and components	12,061	10,894	12,448	14,891	11,240
Consumer business and others	—	—	—	5	68
<b>Total</b>	<b>¥ 22,462</b>	<b>¥ 21,705</b>	<b>¥ 22,826</b>	<b>¥ 24,385</b>	<b>¥ 22,150</b>
<b>Capital Expenditure by Business Segment</b>					
Machined components	¥ 11,400	¥ 4,168	¥ 4,750	¥ 7,963	¥ 19,464
Electronic devices and components	22,757	14,929	11,853	18,485	21,010
Consumer business and others	—	—	—	5	185
<b>Total</b>	<b>¥ 34,157</b>	<b>¥ 19,097</b>	<b>¥ 16,603</b>	<b>¥ 26,453</b>	<b>¥ 40,659</b>
<b>Sales to External Customers by Geographic Segment</b>					
Japan	¥ 76,660	¥ 68,760	¥ 72,755	¥ 83,705	¥ 111,643
Asia (excluding Japan)	137,424	121,072	107,789	95,884	82,437
North and South America	52,390	48,726	58,998	63,569	58,192
Europe	27,948	30,016	32,660	36,186	34,773
<b>Total</b>	<b>¥ 294,422</b>	<b>¥ 268,574</b>	<b>¥272,202</b>	<b>¥ 279,344</b>	<b>¥ 287,045</b>
<b>Operating Income by Geographic Segment</b>					
Japan	¥ 2,752	¥ 4,883	¥ 3,133	¥ 767	¥ 11,806
Asia (excluding Japan)	5,870	10,763	12,418	17,387	17,362
North and South America	4,510	2,084	1,859	1,968	1,327
Europe	951	374	1,942	1,850	2,482
<b>Total</b>	<b>¥ 14,083</b>	<b>¥ 18,104</b>	<b>¥ 19,352</b>	<b>¥ 21,972</b>	<b>¥ 32,977</b>
<b>Assets by Geographic Segment</b>					
Japan	¥ 169,239	¥ 166,277	¥175,917	¥ 195,305	¥ 212,827
Asia (excluding Japan)	223,995	201,194	185,397	201,541	183,118
North and South America	32,442	29,173	37,064	38,088	38,821
Europe	20,300	20,075	20,528	25,194	25,191
Eliminations	(113,759)	(101,804)	(98,837)	(110,091)	(112,992)
<b>Total</b>	<b>¥ 332,217</b>	<b>¥ 314,915</b>	<b>¥320,069</b>	<b>¥ 350,037</b>	<b>¥ 346,965</b>

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

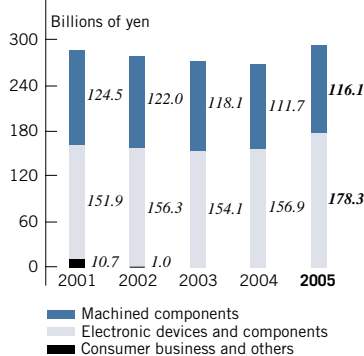


Net Sales by Business Segment

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%.

Net Sales by Business Segment



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.

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 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.

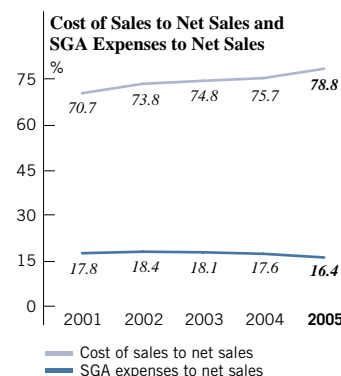
## Cost of Sales and Selling, General and Administrative (SGA) Expenses

### 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

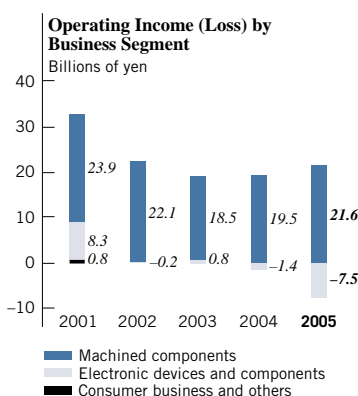
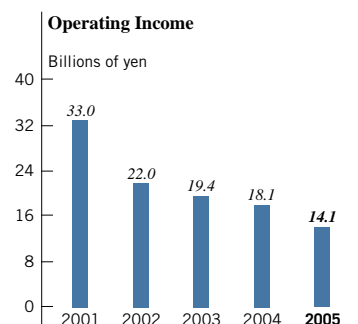
SGA expenses increased 2.4%, or ¥1,111 million, to ¥48,320 million, equivalent to 16.4% of net sales, down 1.2 percentage points. Despite an increase in expenses related to the establishment of Minebea–Matsushita Motor, Companywide efforts to reduce expenses reduced SGA expenses as a percentage of net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



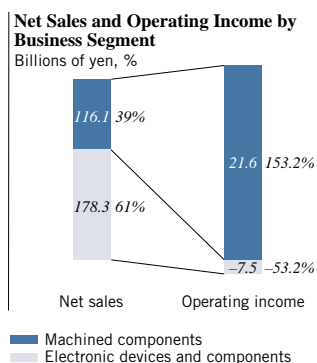
### Costs of Sales and SGA Expenses

Years ended March 31	Millions of yen				
	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



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.

## 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

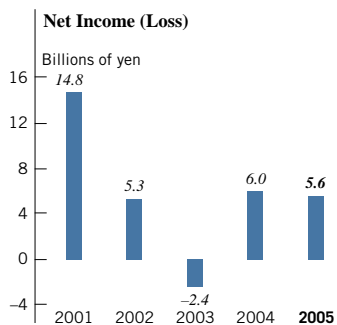
Operating income in the Machined Components segment advanced 10.6%, or ¥2,067 million, to ¥21,572 million. The segment's operating margin, calculated using sales to external customers, rose 1.1 percentage points, to 18.6%. Despite the negative impact of declining unit prices, segment operating income 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.

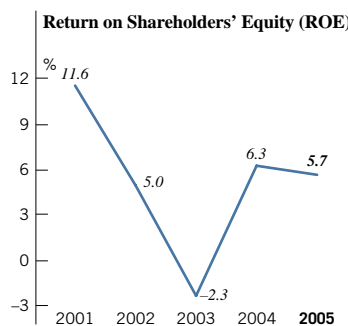


### Net Income

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

Years ended March 31	Millions of yen				
	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

<i>As of June 2005</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

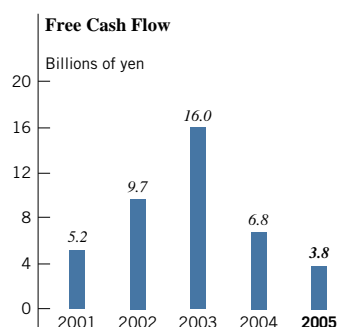
### Purchase of Tangible Fixed Assets

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

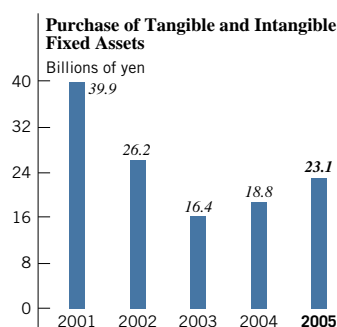
Net cash used in investing activities increased ¥8,857 million, to ¥23,789 million. This change was primarily attributable to a ¥4,235 increase in cash applied to purchase of tangible fixed assets, to ¥23,060 million.

### 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

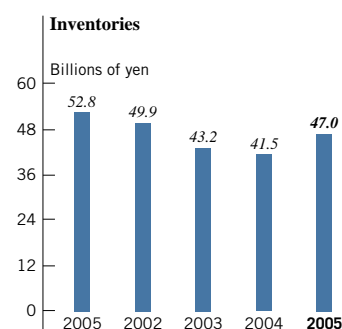
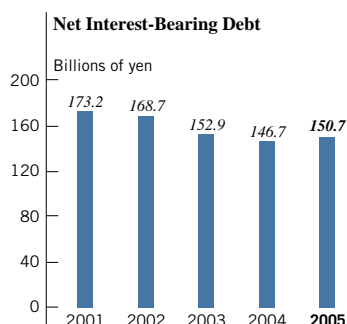
Years ended March 31	Millions of yen				
	2005	2004	2003	2002	2001
Net cash provided by operating activities	¥ 27,586	¥ 21,714	¥ 32,279	¥ 34,017	¥ 38,332
Net cash used in investing activities					
Portion of above used in purchase of tangible fixed assets	(23,789)	(14,932)	(16,233)	(24,346)	(33,099)
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



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.

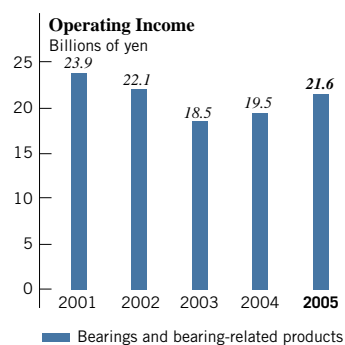
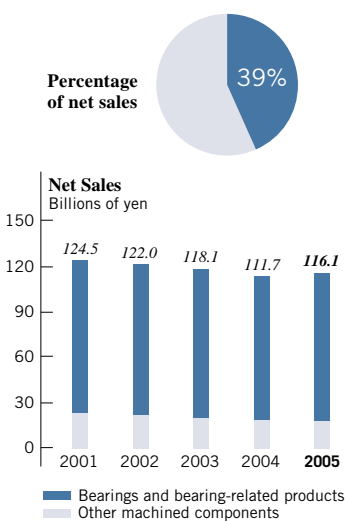
### Financial Position

As of March 31	Millions of yen				
	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

## Segment Results

### Performance by Business Segment

#### Machined Components



The Machined Components segment, which accounted for 39% of consolidated net sales in fiscal 2005, encompasses bearings, namely ball bearings, 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 appliances, information and telecommunications equipment, automobiles	No. 1 (global market share: approx. 60%)
Rod-end and spherical bearings	Aircraft	No. 1 (global market share: approx. 50%)
Pivot assemblies	HDDs	No. 1 (global market share: approx. 65%)
<b>Other machined components</b>		
Special machined components, fasteners	Aircraft, automobiles, industrial machinery	

\*Global market shares and global rankings are in terms of units shipped. Market shares are Minebea estimates based on information collected by the Company and by market research firms.

#### Highlights of Fiscal 2005

- Sales of all core segment products rose. Brisk sales of mainstay products and a decline in costs supported increases in operating income and the operating margin.
- We continued to implement a program of measures aimed at increasing monthly global production and sales of miniature and small-sized ball bearings to 180 million pieces, as well as promoted efforts to expand segment sales and lower costs.
- Shipments of pivot assemblies for small HDDs rose sharply.
- Efforts to respond to the launch of new aircraft models enabled us to cultivate orders for rod-end and spherical bearings in new areas of the aerospace market.

#### Business Environment

- Global economic conditions remained comparatively firm.
- The increasingly broad acceptance of digital household electrical appliances supported expansion of the market for HDDs.
- Demand from private-sector aerospace firms picked up in the second half.
- Prices for steel materials were high.

#### Issues and Strategies

- In addition to continuing to pursue our policy of business expansion in the area of miniature and small-sized ball bearings, we will seek to establish production in locations that are most appropriate from a marketing perspective.
- We will step up efforts to lower costs for pivot assemblies.

#### Results in Fiscal 2005

Net sales in the Machined Components segment rose 4.0%, or ¥4,412 million, to ¥116,105 million. Operating income advanced 10.6%, or ¥2,067 million, to ¥21,572 million, equivalent to 18.6% of segment sales, up 1.1 percentage points from fiscal 2004.

## Principal Products

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### ● 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

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## Bearings and Bearing-Related Products

Sales of bearings and bearing-related products amounted to ¥98,218 million, an increase of 3.8%, or ¥3,614 million.

### Ball Bearings

We continued to implement a program of measures aimed at increasing monthly global production and sales of miniature and small-sized 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. Against a backdrop of rising demand, shipments rose nearly 10%, including bearings for internal use. This and comparatively stable unit prices pushed sales of ball bearings above the fiscal 2004 level. Efforts to slash costs throughout the period supported strong increases in operating income and the operating margin.

Global demand for ball bearings is expected to continue growing at a rate of 10% or more annually for the foreseeable future. The market is forecast to expand rapidly, spurred by rising demand for household electrical appliances made in China, while the rising popularity of digital household appliances and the increasingly high performance of information and telecommunications equipment, household electrical appliances and automobiles, among others is expected to create new demand. Increased demand is also expected to provoke intensified competition.

In fiscal 2006, we will endeavor to continue to pursue a policy of business expansion that aims to ensure a balance between volume and profitability. In addition, we will seek to establish production in locations that are the most appropriate from a marketing perspective.

### Rod-End and Spherical Bearings

A recovery in the market for rod-end bearings from the aerospace industry in the second half supported a dramatic upturn in sales. We also made progress in our effort to cultivate orders for use in new aircraft models. In fiscal 2006, we will expand production capacity, thereby positioning us to respond to increased demand.

### Pivot Assemblies

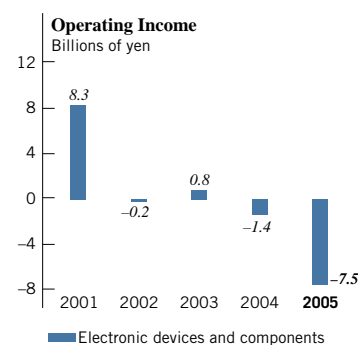
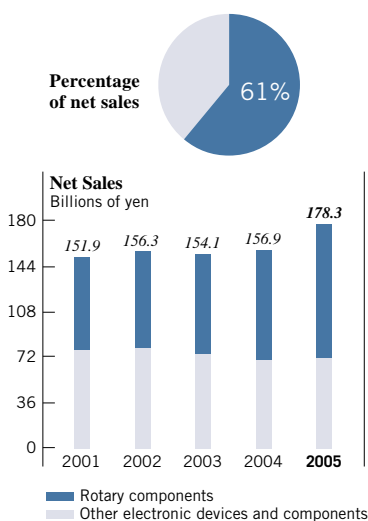
Efforts to capitalize on rising demand from manufacturers of small HDDs of 1.8 inches or less by launching compatible small pivot assemblies and enhancing our cost competitiveness supported increases in sales and income. In fiscal 2006, we will endeavor to enhance profitability by increasing our production capacity for small pivot assemblies and their principal components, that is ultrasmall ball bearings, and adding an automated assembly line, thereby further improving our ability to respond to demand.

### Other Machined Components

Sales of other machined components rose 4.7%, or ¥798 million, to ¥17,887 million. This increase reflected higher sales of special machined components.

## Electronic Devices and Components

The Electronic Devices and Components segment, which represented 61% of consolidated net sales in fiscal 2005, comprises rotary components, primarily HDD spindle motors and the information motors business of joint venture Minebea–Matsushita Motor, and other electronic devices and components, including PC keyboards, lighting devices and speakers.



### 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 15% and 20%)
Information motors of joint venture Minebea–Matsushita Motor	PCs, OA equipment, other information and telecommunications equipment, game machines, household electrical appliances	No. 2 (global market share: between 15% and 20%)
<b>Other electronic devices and components</b>		
PC keyboards	PCs	No. 2 (global market share: between 15% and 20%)
Lighting devices for LCDs	Cellular phones, digital cameras	(global market share: between 5% and 10%)
Speakers	PCs, household electrical appliances, automobiles	—

\*Global market shares and global rankings are in terms of units shipped. Market shares are Minebea estimates based on information collected by the Company and by market research firms.

### Highlights of Fiscal 2005

- Sales increased, reflecting the establishment of joint venture Minebea–Matsushita Motor, increased intake of orders for PC keyboards and the expansion of our business in the area of LED backlight assemblies for LCDs.
- The segment's operating loss worsened as a consequence of poor income results in its three businesses: HDD spindle motors, Minebea–Matsushita Motor and PC keyboards

### Business Environment

- The PC market expanded.
- Demand for small HDDs rose sharply.
- Digital household electrical appliances began to penetrate the market.

### Issues and Strategies

- Take steps to improve profits in the HDD spindle motors, Minebea–Matsushita Motor and PC keyboards business.
- Expand display peripheral components business.

### Results in Fiscal 2005

Net sales in the Electronic Devices and Components segment rose 13.7%, or ¥21,436 million, to ¥178,317 million. The segment's operating loss worsened, increasing ¥6,088 million, to ¥7,489 million, giving the segment a negative operating margin of 4.2%, down 3.3 percentage points.

## Principal Products

### ● Rotary Components

- HDD spindle motors
- Fan motors
- Hybrid-type stepping motors
- PM-type stepping motors
- Brush DC motors
- Vibration motors
- Brushless DC motors
- VR resolvers

### ● Other Electronic Devices and Components

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

### Rotary Components

Sales of rotary components advanced 23.1%, or ¥20,009 million, to ¥106,750 million.

#### HDD Spindle Motors

Results in the HDD spindle motors business declined substantially in fiscal 2005. We introduced and began sample shipments of highly cost-competitive new fluid dynamic bearing spindle motors early in the period, but did not succeed in commencing mass production and shipment. As a consequence, our share of the global market for spindle motors for 3.5-inch HDDs—which currently account for the bulk of our HDD spindle motor sales—fell. Despite rapidly rising demand for spindle motors for 2.5-inch HDDs or small HDDs of 1.8 inches or less, we have yet to introduce fluid dynamic bearing spindle motors for this market. Owing to an unfavorable product mix and falling shipments, sales of HDD spindle motors in fiscal 2005 declined. With sales insufficient to cover fixed costs, the category's operating loss deepened. In fiscal 2006, our priority will be to implement stringent measures aimed at reducing costs for all components and production processes.

#### Minebea–Matsushita Motor

Joint venture Minebea–Matsushita Motor, the product range of which encompasses information motors, that is, fan, stepping, brush DC and vibration motors, began operations on April 1, 2004. Owing to falling unit prices and a decline in demand for products transferred to the new company, as well as an increase in overall costs, the company's results in its first year in operation fell considerably short of initial expectations. We responded promptly by launching a program of structural reform measures early in the second half of the period. These included promoting the shift of manufacturing of these motors to Minebea–Matsushita Motor, revamping the functions of the company's manufacturing facilities, reviewing systems for production of key parts and subcontracting, and implementing extensive rationalization measures aimed primarily at increasing productivity. We also reviewed royalty arrangements with MEI and related payment schemes. In fiscal 2006, we will complete structural reforms aimed at integrating the relevant manufacturing activities of the two joint venture partners and will shift our focus to efforts aimed at reinforcing cost competitiveness and realizing originally envisioned product development and sales synergies.

### Other Electronic Devices and Components

Sales of other electronic devices and components rose 2.0%, or ¥1,425 million, to ¥71,566 million.

#### PC Keyboards

Efforts to secure new customers contributed to record-high sales of PC keyboards in fiscal 2005. Since the startup of subsidiary Shanghai Shunding Technologies Ltd. in August 2003, we have gradually shifted PC keyboard production from Thailand to China. In the period under review, an increase in costs related to this shift, a delay in the establishment of an effective manufacturing system at the Chinese company and rising prices for resin, the key raw material for plastics, further swelled this business' operating loss. As of the end of fiscal 2005, we had almost completed the shift of production of keyboards for desktop PCs, and in fiscal 2006 will shift production of keyboards for notebook PCs. The early completion of this move will eliminate the duplication of fixed costs. We will also review costs, including those for raw materials, in an effort to improve profitability.

#### Lighting Devices

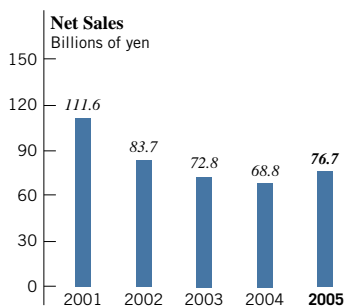
This category focuses on LED backlight assemblies for LCDs. Despite a demand adjustment in the cellular phone market in the second half, our focus on the timely development of high-value-added products supported increases in our customer base and the number of cellular phone models using our LED backlight assemblies. In fiscal 2006, we will endeavor to further expand this business by introducing high-brightness LED backlight assemblies, as well as medium-sized LED backlight assemblies, which are expected to see application in automobiles in the future.

#### Speakers

This category registered firm gains in the period under review, led by higher sales to manufacturers of audio equipment and PCs. In fiscal 2006, we expect demand from audio equipment manufacturers to decline, resulting in a decline in income.

## Performance by Geographic Segment

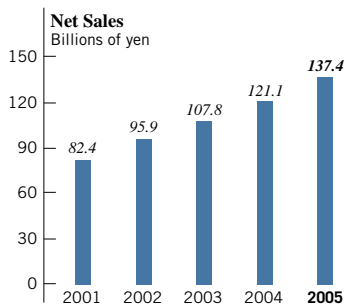
### Japan



Owing to the establishment of Minebea–Matsushita Motor, resulting in the addition of information motors, including vibration and brush DC motors, sales to external customers in Japan in fiscal 2005 increased 11.5%, or ¥7,900 million, to ¥76,660 million. Owing to an increase in operating expenses, however, operating income declined 43.6%, or ¥2,131 million, to ¥2,752 million.



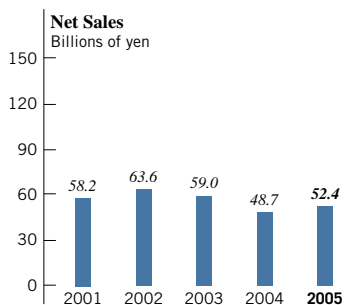
### Asia (Excluding Japan)



A crucial manufacturing base for manufacturers in Japan, Europe and North and South America, Asia is a particularly important market for Minebea. Despite inventory adjustments in HDD-related industries, a recovery in demand from the information and telecommunications industry and firm demand from the household electrical appliances industry supported steady sales in the period under review. In contrast, income was hampered, reflecting declining production levels for HDD spindle motors, which prompted an increase in the fixed cost burden, as well as expenses associated with structural reforms in the information equipment motors business and the shift of our PC keyboard production base. As a consequence, sales to external customers in Asia rose 13.5%, or ¥16,352 million, to ¥137,424 million, while operating income fell 45.5%, or ¥4,893 million, to ¥5,870 million.



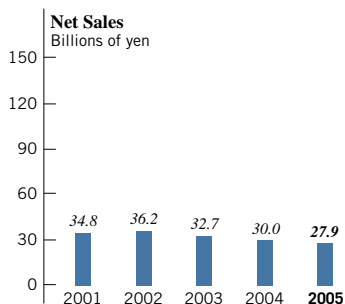
### North and South America



Despite a steady shift toward production in Asia by key customers in the information and telecommunications industry, sales of PC keyboards and other electronic devices and components were firm. We also saw firm demand for and sales of ball bearings manufactured in the United States, as well as for rod-end and spherical bearings to the aerospace industry. Owing to these and other factors, sales to external customers in this region advanced 7.5%, or ¥3,664 million, to ¥52,390 million, and operating income climbed 116.4%, or ¥2,426 million, to ¥4,510 million.



### Europe



Moderate economic growth in Europe supported firm sales of ball bearings, rod-end and spherical bearings and other products. Due to flagging sales of PC keyboards and other electronics devices, however, sales to external customers decreased 6.9%, or ¥2,068 million, to ¥27,948 million, although operating income jumped 154.3%, or ¥577 million, to ¥951 million.



Note: Net sales figures represent sales to external customers.

### Outlook for Fiscal 2006

Despite concerns regarding rising prices for crude oil and steel materials, steady growth in the global economy is expected to persist in fiscal 2006. Accordingly, the market for information and telecommunications equipment—notably PCs, digital household electrical appliances, OA equipment and cellular phones—is likely to continue expanding. However, we also expect competition in Asia, particularly in China, to further intensify. In this environment, we will endeavor to increase results by focusing on efforts aimed at achieving our priority objective of restoring the profitability of loss-making businesses in our Electronic Devices and Components segment. In the Machined Components segment, we will strive to reinforce competitiveness and expand our business, particularly in the area of ball bearings. In fiscal 2006, we forecast consolidated net sales to remain level with fiscal 2005 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. As of June 29, 2005, the date of Minebea's Japanese-language *yuka shoken hokokusho*, the filing of which is required of all publicly traded companies under Japan's Securities and Exchange Law, Minebea recognized the following risks.

#### 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. Accordingly, our operating results and financial position are vulnerable to sudden fluctuations in demand and changes in our customers' product requirements.

#### Foreign Exchange Risk

A significant portion of our consolidated net sales are in markets outside of Japan. Our business is thus vulnerable to risks associated with fluctuations in foreign currency exchange rates. We have entered into various currency exchange contracts and other derivatives transactions to hedge these risks, but fluctuations in foreign currency exchange rates may affect our operating results and/or financial position over the long term.

#### R&D Risk

With the aim of introducing a constant stream of new, high-quality products, we conduct extensive R&D. Nonetheless, no guarantee 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.

#### Litigation Risk

The Legal Department is responsible for managing risk related to lawsuits and other legal actions brought against our operations in Japan and/or overseas. 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

We continue to face intense competition from lower-priced products manufactured in other countries and regions. Accordingly, 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

We purchase a variety of materials from external suppliers. While we strive to ensure optimal 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.

#### Latent Risk Related to Operations Overseas

The Minebea Group's manufacturing activities are conducted primarily in Thailand, China 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 a number of risks that may have a negative impact on our operating results and/or financial position. These include 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.