



# Minebea

Minebea Co., Ltd.

ANNUAL REPORT 2005

Year Ended March 31, 2005



Miniature Ball Bearings Rod-End Bearings RO Bearings Full  
Dynamic Bearings Integrated-Shaft Ball Bearings Pivot Assemblies  
Journal Bearings Precision Machined Parts Hybrid-Type Stepping  
Motors HDD Spindle Motors HDD Spindle Motors with Fluid  
Dynamic Bearings PM-Type Stepping Motors Fan Motors  
PC Keyboards Lighting Devices for LCDs Speaker Boxes Miniature Ball Bearings  
Miniature Rod-End Bearings RO Bearings Fluid Dynamic Bearings  
Integrated-Shaft Ball Bearings Pivot Assemblies Journal Bearings  
Precision Machined Parts Hybrid-Type Stepping Motors  
Motors HDD Spindle Motors with Fluid Dynamic Bearings  
PM-Type Stepping Motors Fan Motors PC Keyboards Lighting  
Devices for LCDs Speaker Boxes Miniature Ball Bearings  
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Miniature Rod-End Bearings RO Bearings Full Dynamic Bearings  
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Parts Hybrid-Type Stepping Motors HDD Spindle Motors  
HDD Spindle Motors with Fluid Dynamic Bearings PM-Type  
Stepping Motors Fan Motors PC Keyboards Lighting Devices  
for LCDs Speaker Boxes





**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, 2005, the Minebea Group encompassed 48 subsidiaries and affiliates in 14 countries. The Group maintains 29 plants and 44 sales offices and employs a total of 48,473 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, 2005

### Machined Components

#### Principal Products

##### ● Bearings and

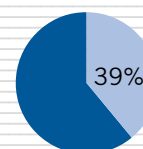
##### Bearing-Related Products

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

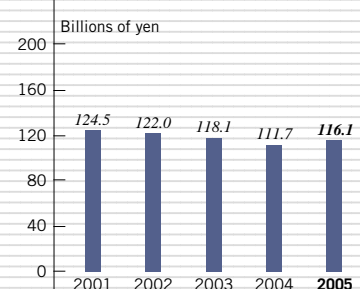
##### ● Other Machined Components

Aerospace/automotive fasteners  
Special machined components  
Magnetic clutches and brakes

Percentage  
of net sales



#### Net Sales of Machined Components



### Electronic Devices and Components

#### Principal Products

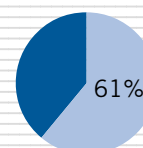
##### ● Rotary Components

Hard disc drive (HDD)  
spindle motors  
Fan motors  
Hybrid-type stepping motors  
Permanent magnet (PM)-type  
stepping motors  
Brush DC motors  
Vibration motors  
Brushless DC motors  
Variable reluctance (VR)  
resolvers

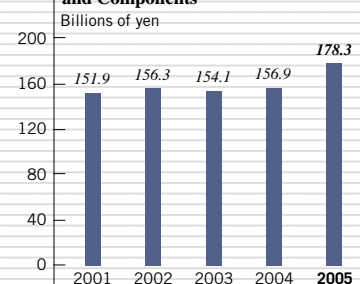
##### ● Other Electronic Devices and Components

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

Percentage  
of net sales



#### Net Sales of Electronic Devices and Components



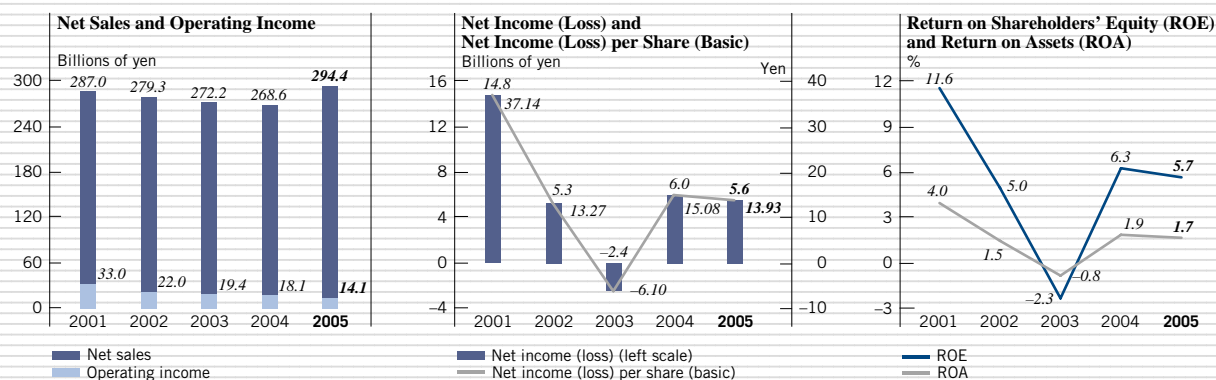
## Consolidated Financial Highlights

Years ended March 31

	Millions of yen		Percentage change	Thousands of U.S. dollars (Note)
	2005	2004	2005/2004	2005
Net sales	¥294,422	¥268,574	9.6%	\$2,741,620
Operating income	14,083	18,104	(22.2)	131,141
Net income	5,581	6,019	(7.3)	51,972
Total shareholders' equity	102,088	93,866	8.8	950,633
Total assets	332,217	314,915	5.5	3,093,558
Return on shareholders' equity	5.7%	6.3%		

	Yen		Percentage change	U.S. dollars (Note)
<b>Per Share Data:</b>				
Net income (basic)	¥ 13.93	¥ 15.08	(7.6)%	\$0.13
Shareholders' equity	255.82	235.21	8.8	2.38
Cash dividends applicable to the year	7.00	7.00	0.0	0.07

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥107.39=US\$1, the approximate rate of exchange on March 31, 2005.



## A Message to Our Shareholders



Takayuki Yamagishi  
Representative Director,  
President and Chief Executive Officer

This is my first opportunity to address shareholders in an annual report. I am Takayuki Yamagishi, and I was appointed president and chief executive officer in June 2005. In addition to providing a brief analysis of Minebea's performance in fiscal 2005, ended March 31, 2005, my message will focus on my management policy and the progress of our efforts to improve results in three persistently unprofitable key businesses, namely HDD spindle motors, PC keyboards and the information motors business of joint venture Minebea–Matsushita Motor Corporation.

### Results of Operations

In fiscal 2005, Minebea recorded consolidated net sales of ¥294.4 billion, an increase of 9.6%, or ¥25.8 billion, from fiscal 2004. Notwithstanding higher net sales, operating income declined 22.2%, or ¥4.0 billion, to ¥14.1 billion, and net income slipped 7.3%, or ¥438 million, to ¥5.6 billion.

Net sales gains reflected higher sales of bearings and bearing-related products and the addition of the sales of Matsushita Electric Industrial Co., Ltd. (MEI)'s motor

business, owing to the establishment of Minebea–Matsushita Motor. The decline in operating income occurred despite an increase in operating income in the Machined Components segment—owing to firm demand for bearings and bearing-related products—and reflected a fall in production and a deterioration in profitability in the HDD spindle motors business, expenses resulting from the shift of PC keyboard production to China from Thailand and the restructuring of our information motors business, which prompted a sharp increase in the operating loss in the Electronic Devices and Components segment.

### Management Policy

As president and chief executive officer of Minebea, I believe my principal responsibilities are to strengthen profitability and pull Minebea out of its current malaise, and to restore the Company to a position worthy of international respect. To these ends, we have set three priority tasks for the companies of the Minebea Group going forward:

#### Take decisive actions to implement structural reforms

- Reorganize manufacturing and sales divisions
- Build a cross-divisional manufacturing organization
- Strengthen cross-divisional functions

#### Reinforce R&D

- Strengthen ability to develop basic technologies
- Establish a structure that can integrate and reorganize technologies

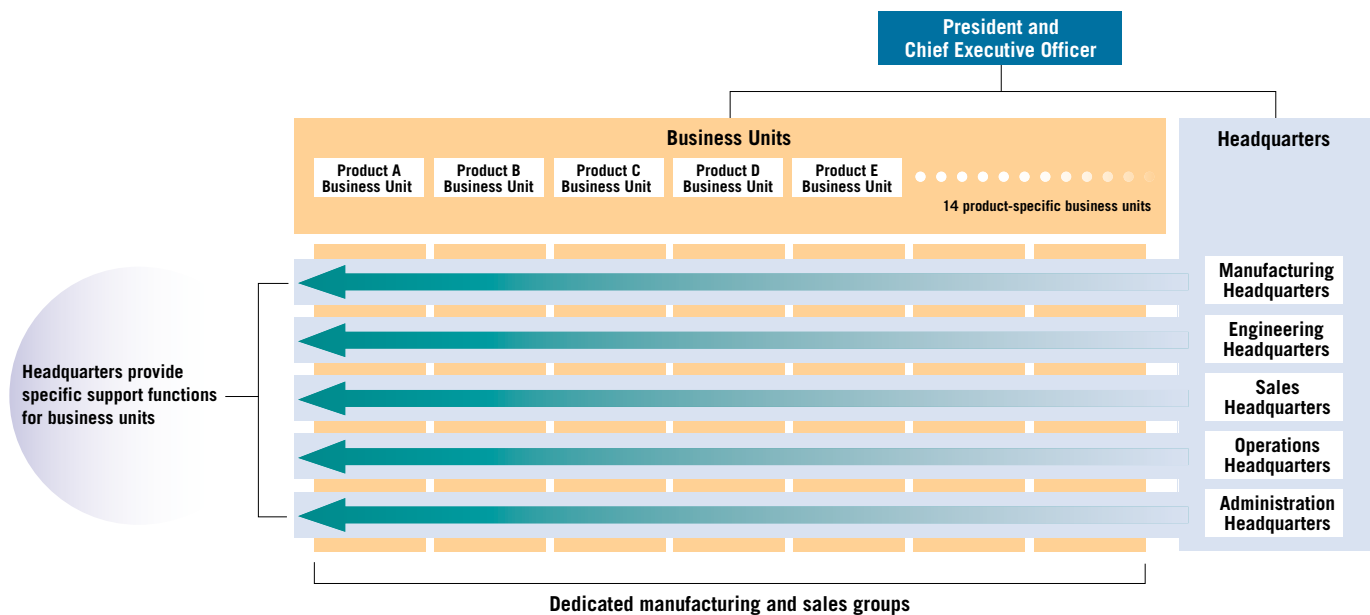
#### Manage the Company with a clear vision

- Reinforce manufacturing technologies that give Minebea an advantage in the marketplace
- Build a lineup of products that responds to market needs by maximizing cutting-edge technologies

Take decisive actions to implement structural reforms

Our first step was to implement sweeping reforms to our management structure. Our revamped management structure, which went into effect July 1, 2005, is depicted in the chart on the following page.

Our previous management structure consisted of manufacturing and sales headquarters, which oversaw a number of subordinate divisions. Our new, integrated management structure, however, features dedicated manufacturing and sales units for each of 14 newly established, product-specific business units, to which they report. These business units in turn report directly to the president. This sleek, product-based structure is designed to make individual business units accountable for the performance of their respective businesses. The new structure also features Manufacturing, Engineering, Sales, Operations and Administration headquarters, which provide support for the business units as well as report to the president.



Rather than direct supervision of the business units, the headquarters are charged with providing specific support functions, thereby assisting business units to effectively manage their respective businesses. One example of this concept in practice is the Master Engineers Team, established within the Manufacturing Headquarters. This team comprises veteran engineers with specific expertise in Minebea's specialized manufacturing technologies. These engineers make themselves available to business units that have need of their expertise, thereby assisting units to overcome challenging technological issues.

To use an obvious analogy, the vertical organization of the business units and the horizontal organization of the headquarters function like the warp and the weft of a piece of woven fabric. By ensuring a balanced warp-weft ratio, we will strive to clarify responsibility and authority and accelerate the making and implementation of decisions—two achievements we are confident will contribute to improved operating results.

#### Reinforce R&D

Minebea faces five key challenges in reinforcing its R&D:

- Although we boast a top-class technological development infrastructure, there is room for improvement when it comes to bringing together and making the most effective use of technologies.
- In the years since our establishment, we have created a considerable competitive advantage by developing proprietary manufacturing technologies and expanding early into Southeast Asia. In recent years, however, we are facing increasingly serious challenges to this advantage.
- Recognizing that there is a limit to our ability, using only proprietary technologies, to develop products that meet increasingly diverse market needs, we must focus on

integrating existing technologies, developing new technologies and amalgamating proprietary technologies with our proprietary technologies with technologies introduced from sources outside the Company.

- To respond to customer demands for ever-faster service, we must increase our roster of engineers.
- Minebea's core technologies are essential to every one of its products. These core technologies are supported by outstanding basic technologies. Accordingly, we must strengthen and increase both basic and core technologies.

None of these challenges is limited to a single business unit; responding effectively will demand a broad, Company-wide perspective. Accordingly, efforts will be spearheaded by the Engineering Headquarters. As I have already stated, this is the principal reason for establishing this and other headquarters as part of a horizontal support structure. The Engineering Headquarters will focus on a number of key measures. These include:

- creating a system for integrating technologies that are currently scattered throughout the Company
- establishing a team of engineers that function outside our new management structure and are charged with cross-unit development and design
- further advancing core technologies, notably ultra-precision machining technologies, which we consider our forte
- creating an internal organization that will enable us to amalgamate technologies and strengthen cooperation with outside organizations
- reinforcing our ability to identify and cultivate talented individuals, and to assign these individuals to the most appropriate positions
- improving our system for developing basic technologies.

Through the prompt implementation of these and other key measures, the Engineering Headquarters will strive to strengthen Minebea's technological capabilities, thereby accelerating the improvement of operating results.

Manage the Company with a clear vision

Our vision has always been for Minebea to be the world's leading manufacturer of high-precision components. To this end, we have set forth three strategies:

- Strengthen and expand our bearings and bearing-related products business
- Reinforce our rotary components business, which centers on HDD spindle motors, fan motors and other high-precision small motors, into the second pillar of our operations (the first being bearings and bearing-related products)
- Increase the weighting of high-value-added products in all product categories while at the same time broadening our product range to better serve a wider range of markets.

In the course of addressing the first two challenges—take decisive actions to implement structural reforms and reinforce R&D—we will review our objectives in terms of the kinds of products we should focus on, how we should manage our plants and how we should approach marketing. In doing so, we will further elaborate on our vision and these three strategies.

#### Measures to Improve Profitability of Three Loss-Making Businesses

The principal factor behind the deterioration of Minebea's operating results in the past year has been persistent, significant losses in our HDD spindle motor, PC keyboard and information motors (Minebea–Matsushita Motor) businesses. Improving the performances of these three businesses is obviously essential to improving the Company's performance. We have taken numerous steps to date and will redouble our efforts going forward by focusing on the following measures:

##### HDD spindle motors

- Set new cost benchmarks for products
- Step up cost-cutting efforts
- Production of components: Promote the deployment of proprietary ultraprecision machining throughout the company
- Assembly: Implement a thorough review of work processes with the aim of reducing personnel needed

##### PC keyboards

- Reinforce cost-cutting efforts (to be led by the Operations Headquarters' Procurement Team)
- Terminate production of PC keyboards in Thailand as soon as possible to eliminate duplication of costs
- Review order strategy for models containing a high percentage of high-priced materials

##### Minebea–Matsushita Motor

- Consolidate plants and integrate design standards to enhance efficiency
- Shift focus to quality, rather than volume

##### HDD spindle motors

In the past, we operated under the belief that volume would guarantee profit. Accordingly, our policy was to expand our market share by increasing orders. Going forward, however, we will shift away from increasing orders and focus instead on ensuring a production volume that ensures stable profitability.

Specifically, we will benchmark costs for profitable parts and apply our ultraprecision machining technologies to realize the same cost level for HDD spindle motors. HDD spindle motors will also be the first business to receive support from the Master Engineers Team.

In addition to cutting manufacturing costs, we will conduct a thorough review of workflows at the assembly stage, thereby enabling us to reduce our workforce.

##### PC keyboards

Materials procured from outside suppliers now make up a high percentage of the cost of Minebea's PC keyboards. Accordingly, it is crucial for us to lower costs for these materials as well as for parts produced in-house. To this end, we have established a Procurement Team within the Operations Headquarters. Like the Master Engineers Team in the Manufacturing Headquarters, the Procurement Team is composed of seasoned veterans. Having selected PC keyboards as the main business requiring its support, this team will focus on developing and implementing measures to lower the cost of procured materials.

Another issue has been a slight delay in completing the shift of our PC keyboard production to our plant in Shanghai from Thailand as the number of new models exceeded initial projections. We now expect to complete this shift by the end of the current calendar year.



Reviewing our order strategy for models containing a high percentage of materials procured from outside suppliers will focus on passing the high cost of plastic materials on to customers by reassessing product prices while at the same time actively soliciting orders that suit our cost structure.

#### Minebea–Matsushita Motor

With the aim of creating an efficient manufacturing system, we have implemented structural reforms centered on the consolidation of plants in Southeast Asia previously belonging to joint venture partner MEI. We expect to complete this effort in September 2005.

In addition to consolidating redundant plants, in the fan motor and stepping motor categories we will step up efforts to integrate design standards, thereby eliminating manufacturing and sales inefficiencies that have resulted from having both Minebea- and MEI-designed models in production.

Going forward, we will shift our focus to quality, rather than volume, for motors manufactured and sold by Minebea–Matsushita Motor. This parallels a similar shift in focus for motors manufactured and sold by Minebea.

#### Strategies for Principal Product Categories

Minebea has continuously built on its mainstay business—the manufacture and sales of high-precision ball bearings—to diversify and expand its operations. This has been facilitated by our ultraprecision machining and mass production technologies, which support our vertically integrated manufacturing system. As a consequence, in all our businesses—including those added to our portfolio over the past four decades through the application of core technologies—we have operated under the basic assumption that, regardless of the product, expanding manufacturing and sales volume leads to lower costs and thus to higher profits.

Unfortunately, this is not always the case. For some Minebea products, the nature of the product and/or the market means that small-lot manufacturing and sales are far more profitable.

With this in mind, we reviewed our entire product portfolio. As a result of this review, we have repositioned our products in three categories, as shown below.



For motors, PC keyboards, speakers and fasteners, we will shift our emphasis to profitability and away from increasing volume. We will set production limits and endeavor to create a manufacturing system that ensures stable profitability and will eventually allow the expansion of profit.

For rod-end and spherical bearings (and other bearings used in aircraft applications), display peripheral components (backlights, inverters and others), measuring components and pivot assemblies, efforts to achieve business expansion will continue to focus on increasing volume. We will not limit our efforts to increasing numbers, however, but will also work to strengthen existing technologies, launch newly developed products and introduce existing products into new markets.

In our core ultrahigh-precision ball bearings business, we have already shown that the manufacturing technologies and know-how we have accumulated over more than a half-century are more than sufficient to ensure profitability. Accordingly, we will continue to focus on enhancing profit by increasing volume.

As the new representative director, president and chief executive officer, I pledge to lead the management and employees of Minebea and the many other companies of the Minebea Group in maximizing their capabilities to revitalize Minebea, improve operating results and expand operations. In these and other efforts, I look forward to the continued support of our shareholders.

July 1, 2005

A handwritten signature in black ink, reading "T. Yamagishi". The signature is written in a cursive, flowing style.

Takayuki Yamagishi  
Representative Director,  
President and Chief Executive Officer

## Minebea's R&D and Intellectual Property Strategies

### Core Technologies and Businesses

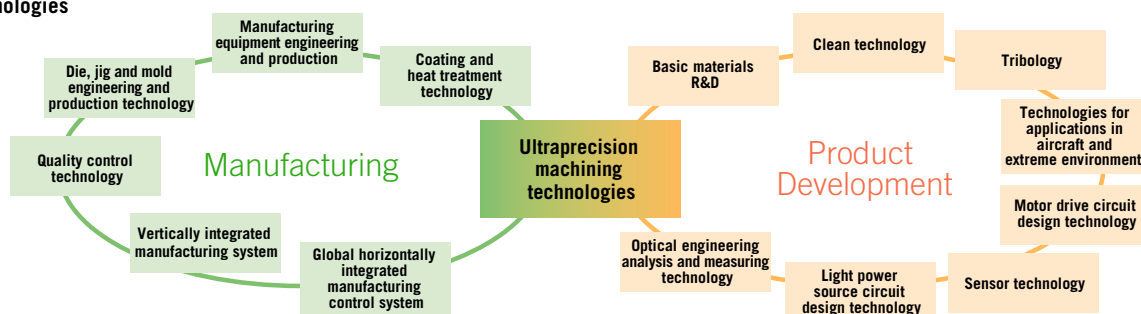
Minebea was established in 1951 as a specialized manufacturer of precision ball bearings for use in aircraft instruments. At that time, the market for ball bearings was still limited. In the following decades, however, the market expanded, spurred by the trend toward increasingly compact, high-performance video cassette recorders (VCRs) and other household electrical appliances, office automation (OA) equipment and PCs with high-precision ball bearings, and by our efforts to respond to emerging needs. The precision machining and other product development and manufacturing technologies accumulated over the past four decades are the core technologies of the Minebea Group today.

Since the 1960s, we have sought growth by establishing operations overseas and pursuing an aggressive expansion strategy, including several key merger and acquisition

(M&A) transactions. This has enabled us to amass additional core technologies, particularly in the motor and electronics fields, and build a diverse business portfolio that, in addition to ball bearings, includes precision small motors and electronic devices and components.

Minebea was one of the first Japanese companies to establish a manufacturing presence in Southeast Asia. In the process of setting up operations in the region, we perfected a unique, vertically integrated manufacturing system that gives Minebea a sharp competitive edge in terms of quality and cost. We achieved this by cultivating technologies needed to facilitate the in-house production of parts; the management of all production processes, from the production of parts through to assembly and testing; and the engineering, manufacture and maintenance of manufacturing equipment, jigs and tools. Today, this system continues to sustain our renowned manufacturing capabilities.

### Core Technologies



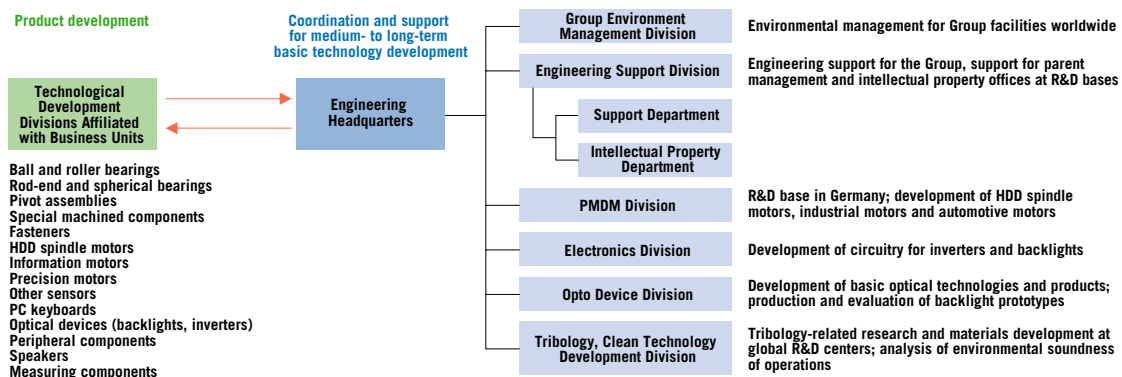
### Structural Support for R&D

One feature of our new management structure, which went into effect July 1, 2005, is the creation of the Engineering Headquarters. One of five headquarters, the Engineering Headquarters is charged with formulating R&D and intellectual property strategies for the entire Company and support for individual business units. The Engineering Headquarters is also positioned to provide cross-divisional support for individual business units. As stated in our new management policy, we have identified reinforcing R&D as a priority task, recognizing the crucial role it will play in future business expansion. A key goal of this new management structure is to strengthen our framework for developing basic technologies, an increasingly important consideration in this era of rapid technological advancement. By creating a system for redeveloping and redeploying human resources,

we will also seek to link various technologies together organically, enabling us to develop innovative products that anticipate future market demand. Such efforts will further reinforce our aforementioned core technologies.

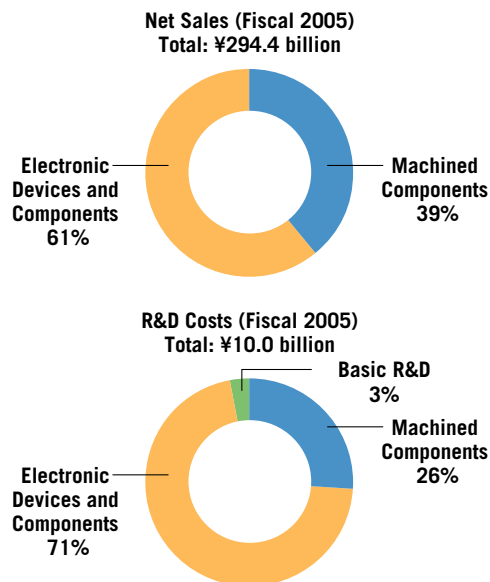
The Engineering Headquarters encompasses the following divisions: Group Environment Management; Engineering Support; PMDM; Electronics; Opto Device; and Tribology, Clean Technology Development, and is responsible for overall engineering support and basic technology development. The new management structure is designed to broaden interaction between the divisions and the R&D teams affiliated with individual business units, thereby facilitating dynamic, forward-looking R&D efforts in all businesses. (A chart showing the position of the Engineering Headquarters in the new management structure is shown on page 5.)

### Engineering Headquarters and Technology Development Divisions Affiliated with Business Units



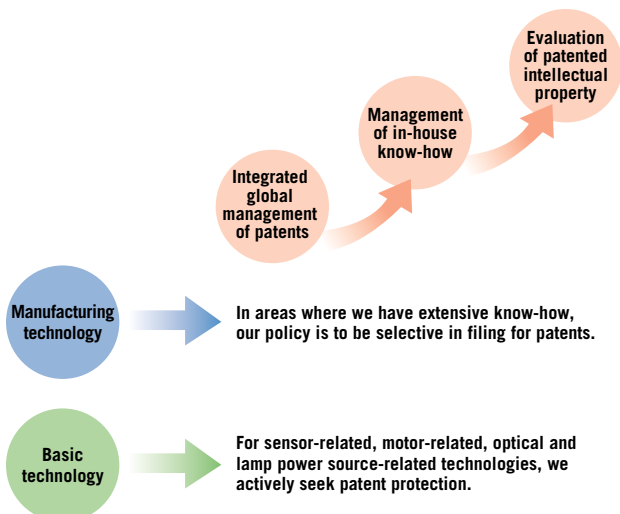
## R&D Costs

R&D costs in fiscal 2005 amounted to ¥10.0 billion. Of this total, 26% was allocated to R&D in the area of machined components, 71% to R&D for electronic devices and components and 3% to basic technological R&D. The heavy weighting in favor of electronic devices and components reflects the tremendous range of technologies required in this area.



## Intellectual Property Policy

Protecting intellectual property rights is a crucial aspect of the activities of any company. In 2003, Minebea established the Intellectual Property Department to coordinate patent applications on a Companywide basis. Since then, we have stepped up efforts to file for and obtain patent protection. We actively seek patents for technological achievements eligible for the exclusive rights guaranteed by patent protection. We do not, however, assert such rights by disclosing achievements in the public domain. In particular, we view manufacturing and production-related technological achievements as knowledge that must be kept in-house.



By centralizing the administration of intellectual property to ensure the efficient management of corporate assets and setting forth a clear intellectual property strategy, we are striving to build a patent portfolio that maximizes our patents and rights. Patents and other rights are the most important index of the value of a company's intellectual property. We are currently enhancing our system of evaluating intellectual property to emphasize quality rather than quantity, with the aim of more accurately assessing the efficiency of our intellectual property management activities.

Regarding remuneration for employee inventions, we have prepared new internal regulations that comply with the revised Article 35 of Japan's Patent Law, which assigns greater legal weight to agreements between employers and employees in determining such remuneration. In preparing these regulations, our priorities were to establish procedures that placed due emphasis on such agreements and to increase motivation for engineers and product development staff.

## Going Forward

The ultimate objective of R&D is to develop new products that will generate future profits. Currently, we are striving to reinforce our technological development capabilities to facilitate the development of new products and entry into new markets. These efforts focus on four key business areas: rod-end and spherical bearings, display peripheral components, measuring components and pivot assemblies.

### Example: Pivot Assemblies

Pivot assemblies are fitted into the base of actuators to position HDD magnetic heads. Accordingly, outstanding precision and torque specifications are essential. With demand expected to rise sharply for pivot assemblies for use in mobile digital devices, user requirements are expanding to include smaller sizes and greater durability. Combining our proprietary ultraprecision machining and other technologies, we have succeeded in commencing mass production of such pivot assemblies ahead of our competitors.



Pivot assembly for use in HDDs with a 0.85-inch diameter



#### Example: Display peripheral components

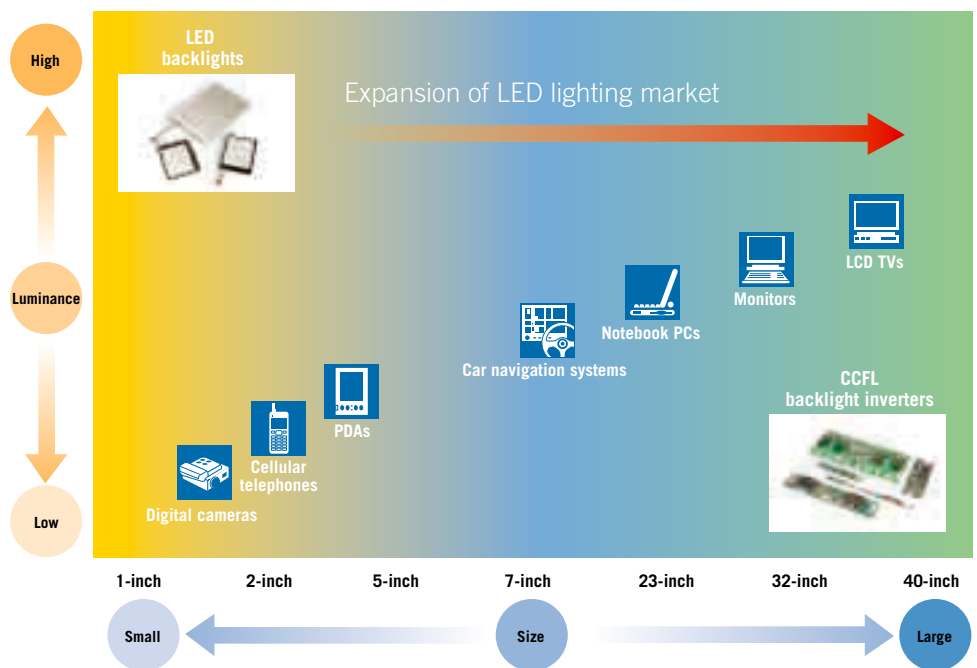
Minebea's increasingly broad range of display peripheral components includes backlights illuminated by white LEDs and inverters illuminated by cold cathode fluorescent lamps (CCFLs). Our backlights, which are used in small and medium-sized LEDs and deliver outstanding luminance and low power consumption, are a reflection of our optical engineering technologies, as well as our circuit design and ultraprecision machining technologies. Backlights are one area in which we are actively pursuing patent protection, and we have thus filed numerous applications in recent years.

In autumn 2005, we will begin mass production of a new high-luminance, high-efficiency LED backlight, which we are confident will reinforce our reputation as a leading manufacturer of high-precision backlights. Our new medium-sized LED backlight, introduced in 2004, targets the market for car navigation system displays, which is expected to begin using LEDs, rather than CCFLs, as their light source. We are proceeding with a view to manufacturers adopting these backlights for 2007-model cars. In the LCDs that use CCFLs, we are introducing next-generation inverters and expanding the scope of our inverter business.

#### Business Development Roadmap

	2003	2004	2005	2006	2007	2008
<b>Small LEDs</b>	Expand LED backlight business		Introduce high-intensity LED product; mass production begins in fall			
<b>Medium-sized LEDs</b>			Commence sales of medium-sized LED backlights	Launch medium-sized LED backlights for car navigation systems	Begin mass production of LED backlights for car navigation systems	
<b>Large LEDs</b>		Begin mass production and shipment of CCFL backlight inverters for TVs		Launch new product with next-generation circuit technology		

#### Display Market



## Corporate Governance

“For whom does the company exist?” In response to this question, we have set out a clear basic management policy which holds that customers, shareholders, government and local communities, and employees are all our stakeholders, and champions the concepts of “a company that the employees can be proud of,” “a company that is trusted by customers,” “delivering on stockholders’ expectations,” “a company that is welcomed by the community” and “contributing to international society.” As part of this basic concept, and in response to the need for highly strategic business judgments and timely action, we have changed the 25 member Board of Directors to a 10 member system as of June 27, 2003, to facilitate prompt and strategic decision making. At the same time, by introducing an executive officer system, we have delegated significant authority from the Board of Directors to executive officers, clearly divide the role of management/supervision functions from operational functions, heighten the organization’s agility and enhance its ability to respond promptly and effectively to market needs. Furthermore, we have introduced a bonus system for directors and officers that works in conjunction with consolidated business performance, and clarified our

performance-linked compensation system. In specific terms, important items are currently decided upon at a meeting comprised of 8 senior executive officers to facilitate swift decision making. Executive officers will bear responsibility and powers regarding business operations. Moreover, as part of our efforts to strengthen corporate governance, we have included 2 external Board members in the 10-strong Board of Directors.

The Board of Auditors is comprised of four members, of which two are external auditors. In addition to holding the Board of Auditors’ meetings and attending Board of Directors’ meetings, the auditors work in conjunction with the internal audit department to audit domestic offices, subsidiaries, and overseas subsidiaries, as well as audit the activities of directors.

Furthermore, the Company has always been conscious of working towards “more transparent management,” both in and outside the Company. We will continue to disclose appropriate information at the appropriate time to provide our stockholders and investors with information for investment value decisions, and continue our efforts to heighten management transparency.

### Five Basic Management Principles

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

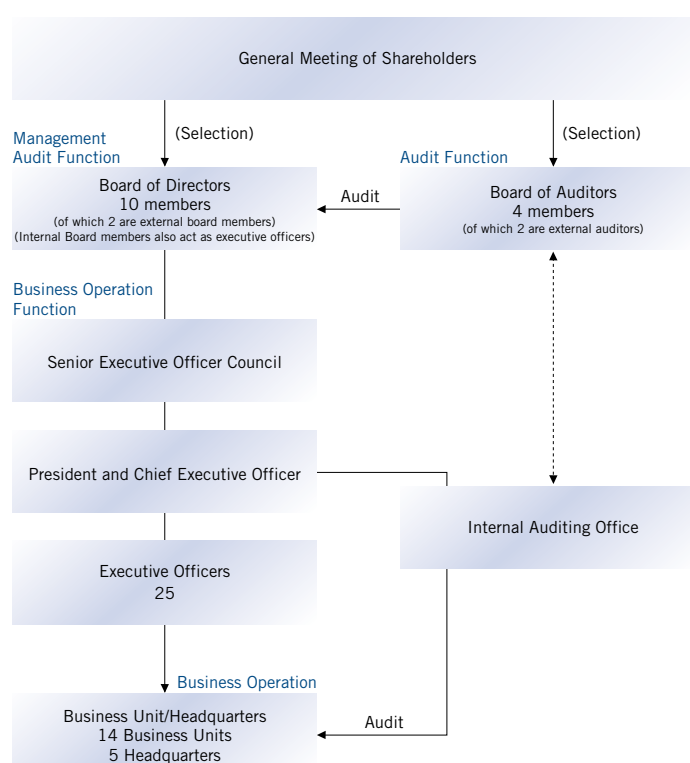
Reinforce our customers’ confidence in us

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



For more information on the Minebea Group's environmental activities, please refer to the *Minebea Group Environmental Report 2004*, which can be accessed at:

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

### 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.

### 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.

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

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

1996   4	Minebea Electronics & Hi-Tech Components (Shanghai) Ltd. establishes the Shanghai-Minebea Lake Dianshan-hu Environmental Protection Fund, aimed at protecting the quality of the water in Lake Dianshan-hu and the lake's surrounding environment, becoming the first foreign-capitalized company in Shanghai to establish an environmental protection fund. (As of July 2005, the fund was 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 the Lincoln Plant of U.K. subsidiary Rose Bearings Ltd. (the present NMB-Minebea UK Ltd.) 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., obtains 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	The Skegness Plant of Rose Bearings Ltd. (the present NMB-Minebea UK Ltd.) obtains ISO 14001 certification.
6	U.S. subsidiary New Hampshire Ball Bearings, Inc.'s Peterborough Plant obtains ISO 14001 certification.
11	The Inchinnan Keyboard Printing Plant of Rose Bearings Ltd. (the present NMB-Minebea UK Ltd.) 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 Japanese 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 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 Group plants.

### Local Industrial Support Program

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 games during the XIII Asian Games in Bangkok (ASIAD)



Letter of acknowledgement from the organizers of the 2005 Special Olympics World Winter Games

### Shanghai-Minebea Lake Dianshan-hu Environmental Protection Fund

In April 1996, Minebea Electronics & Hi-Tech Components (Shanghai) established the Shanghai-Minebea Lake Dianshan-hu Environmental Protection Fund with the aim of helping preserve the quality of the water in Lake Dianshan-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 Lake Dianshan-hu Environmental Protection Fund to Rmb11.0 million (approximately US\$1.3 million), from Rmb7.5 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 to be used 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.

### Aid to Victims of Indian Ocean Earthquake and Tsunami

Minebea sent aid to the victims of the December 26, 2004, earthquake off the north coast of Sumatra, Indonesia, and the subsequent tsunamis, which caused many deaths and vast destruction throughout the Indian Ocean region, comprising a cash contribution of ¥5.0 million to the Japanese Red Cross Society for victims throughout the region and a cash contribution of approximately 5.5 million baht (approximately ¥1.4 million)\* to Thailand, home to the Minebea Group's largest production base.

\*This contribution was composed entirely of donations from Minebea Group employees in Thailand.

### Donation to 2005 Special Olympics World Winter Games in Nagano, Japan

Minebea donated ¥5.0 million to the 2005 Special Olympics World Winter Games, which were held in Nagano, Japan, from February 26 through March 5, 2005. The Special Olympics aims to promote independence and participation in society for individuals with intellectual disabilities, as well as to enhance international exchange. Minebea's decision to make this donation reflects two factors: (a) its registered headquarters is in Nagano Prefecture, and (b) its core values include ensuring Minebea is welcome in local communities and contributing to global society.



Representatives of Minebea Group companies in Thailand present a check to Thaksin Shinawatra, Prime Minister of Thailand. From left to right: Vutichai Udomkarnjananan, director, NMB Thai Ltd.; Masayoshi Yamanaka, in charge of Asian Region Operations for the Minebea Group; and Prime Minister Thaksin Shinawatra



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## Eleven-Year Summary

	2005	2004	2003	2002
<b>Statement of Income Data:</b>				
Net sales:	¥294,422	¥268,574	¥272,202	¥279,344
Machined components	116,105	111,693	118,118	122,025
Percentage of net sales	39%	42%	43%	44%
Electronic devices and components	178,317	156,881	154,084	156,303
Percentage of net sales	61%	58%	57%	56%
Consumer business and others	—	—	—	1,016
Percentage of net sales	—	—	—	0%
Gross profit	¥ 62,403	¥ 65,313	¥ 68,702	¥ 73,283
Percentage of net sales	21.2%	24.3%	25.2%	26.2%
Operating income	14,083	18,104	19,352	21,972
Percentage of net sales	4.8%	6.7%	7.1%	7.9%
Net income (loss)	5,581	6,019	(2,434)	5,298
Percentage of net sales	1.9%	2.2%	(0.9)%	1.9%
<b>Balance Sheet Data:</b>				
Total assets	¥332,217	¥314,915	¥320,069	¥350,037
Total current assets	147,295	138,953	127,447	131,548
Total current liabilities	141,449	167,626	134,459	156,908
Short-term loans payable and current portion of long-term debt	87,112	119,643	81,262	103,461
Long-term debt	85,341	51,842	85,862	79,212
Working capital	5,846	(28,673)	(7,012)	(25,360)
Total shareholders' equity	102,088	93,866	98,213	112,732
Percentage of total assets	30.7%	29.8%	30.7%	32.2%
<b>Per Share Data:</b>				
Net income (loss):				
Basic	¥ 13.93	¥ 15.08	¥ (6.10)	¥ 13.27
Diluted	13.27	14.51	(4.85)	12.60
Shareholders' equity	255.82	235.21	246.08	282.42
Cash dividends	7.00	7.00	7.00	7.00
Number of shares outstanding	399,167,695	399,167,695	399,167,695	399,167,695
<b>Other Data:</b>				
Return on shareholders' equity	5.7%	6.3%	(2.3)%	5.0%
Return on total assets	1.7%	1.9%	(0.8)%	1.5%
Interest expense	¥ 3,361	¥ 3,213	¥ 4,765	¥ 5,673
Net cash provided by operating activities	27,586	21,714	32,279	34,017
Net cash used in investing activities	(23,789)	(14,932)	(16,233)	(23,346)
Free cash flow	3,797	6,782	16,046	9,671
Purchase of tangible fixed assets	23,060	18,825	16,382	26,245
Depreciation and amortization	23,545	22,728	24,015	25,577
Number of employees	48,473	43,839	43,002	43,729

Notes: 1. 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 fiscal years have been restated using this calculation.

2. 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.

3. 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.

Millions of yen							Thousands of U.S. dollars (Note 8)
2001	2000	1999	1998	1997	1996	1995	2005
¥287,045	¥284,757	¥305,324	¥326,094	¥302,886	¥260,537	¥239,133	\$2,741,620
124,461	127,734	136,807	142,007	136,147	122,540	113,795	1,081,156
43%	45%	45%	43%	45%	47%	48%	
151,910	146,133	157,603	180,875	165,118	136,519	115,216	1,660,464
53%	51%	52%	56%	54%	52%	48%	
10,674	10,890	10,914	3,212	1,621	1,478	10,122	—
4%	4%	3%	1%	1%	1%	4%	
¥ 84,117	¥ 81,534	¥ 90,161	¥107,086	¥ 86,487	¥ 75,152	¥ 63,866	\$ 581,089
29.3%	28.6%	29.5%	32.8%	28.6%	28.8%	26.7%	
32,977	31,069	38,546	58,811	41,901	34,788	27,283	131,141
11.5%	10.9%	12.6%	18.0%	13.8%	13.4%	11.4%	
14,826	(2,677)	11,507	15,144	8,862	7,354	2,570	51,972
5.2%	(0.9)%	3.7%	4.6%	2.9%	2.8%	1.1%	
¥346,965	¥403,994	¥473,360	¥492,210	¥563,220	¥556,787	¥529,959	\$3,093,558
137,106	153,658	219,826	213,194	264,368	291,143	287,762	1,371,597
127,290	124,085	197,071	246,114	322,966	336,106	308,740	1,317,159
66,531	68,022	142,828	178,228	254,243	251,983	249,712	811,171
118,629	124,690	128,223	96,882	109,365	97,129	99,208	794,680
9,816	29,573	22,755	(32,920)	(58,598)	(44,963)	(20,978)	54,438
100,574	154,357	145,705	141,843	123,831	116,753	113,276	950,633
29.0%	38.2%	30.8%	28.8%	22.0%	21.0%	21.4%	
Yen							U.S. dollars (Note 8)
¥ 37.14	¥ (6.72)	¥ 28.94	¥ 38.42	¥ 22.76	¥ 18.91	¥ 6.61	\$0.13
34.10	(5.39)	26.32	34.85	21.03	18.68	6.61	0.12
251.96	386.71	366.29	357.77	317.46	300.22	291.33	2.38
7.00	7.00	7.00	7.00	7.00	7.00	6.00	0.07
399,167,695	399,150,527	397,787,828	396,470,473	390,076,018	388,892,609	388,824,616	
Millions of yen							Thousands of U.S. dollars (Note 8)
11.6%	(1.8)%	8.0%	11.4%	7.4%	6.4%	2.3%	
4.0%	(0.6)%	2.4%	2.9%	1.6%	1.4%	0.4%	
¥ 7,553	¥ 7,897	¥12,231	¥16,593	¥19,109	¥17,525	¥17,903	\$ 31,300
38,332	60,289	60,740	83,878	29,546	26,230	52,951	256,884
(33,099)	(13,298)	(17,254)	(33,745)	(31,866)	(23,636)	84,696	(221,526)
5,233	46,991	43,486	50,133	2,320	2,594	137,647	35,358
39,877	19,504	20,563	23,688	50,931	37,434	22,895	214,732
23,682	25,026	28,034	29,616	29,277	22,319	18,634	219,258
45,193	42,399	40,482	38,733	37,096	35,978	29,790	

4. 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).
5. In fiscal 2000, the Company reclassified its operations into three business segments and revised figures in prior years.
6. Owing to a change in accounting standards, cash flows are shown in a new format in and after fiscal 2000.
7. 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.
8. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥107.39=US\$1, the approximate rate of exchange on March 31, 2005.

## Outline

### 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.)

### 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

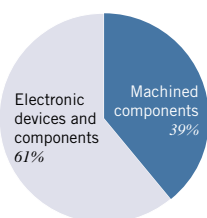
Years ended March 31	Millions of yen				
	2005	2004	2003	2002	2001
<b>Net Sales to External Customers by Business Segment</b>					
Machined components	¥ 116,105	¥ 111,693	¥118,118	¥ 122,025	¥ 124,461
Electronic devices and components	178,317	156,881	154,084	156,303	151,910
Consumer business and others	—	—	—	1,016	10,674
Total	¥ 294,422	¥ 268,574	¥272,202	¥ 279,344	¥ 287,045
<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
Total	¥ 14,083	¥ 18,104	¥ 19,352	¥ 21,972	¥ 32,977
<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)
Total	¥ 332,217	¥ 314,915	¥320,069	¥ 350,037	¥ 346,965
<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
Total	¥ 22,462	¥ 21,705	¥ 22,826	¥ 24,385	¥ 22,150
<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
Total	¥ 34,157	¥ 19,097	¥ 16,603	¥ 26,453	¥ 40,659
<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
Total	¥ 294,422	¥ 268,574	¥272,202	¥ 279,344	¥ 287,045
<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
Total	¥ 14,083	¥ 18,104	¥ 19,352	¥ 21,972	¥ 32,977
<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)
Total	¥ 332,217	¥ 314,915	¥320,069	¥ 350,037	¥ 346,965

## 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

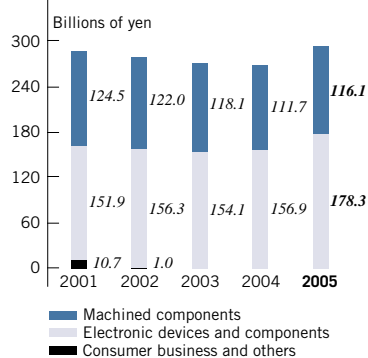
## Machined Components

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%.

## 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 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 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.

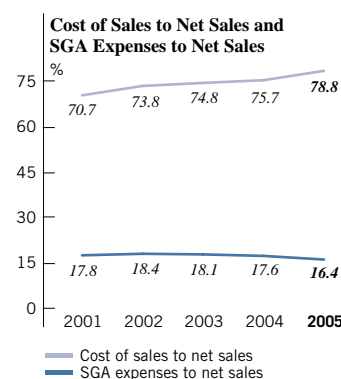
### Cost of Sales and Selling, General and Administrative (SGA) Expenses

#### 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

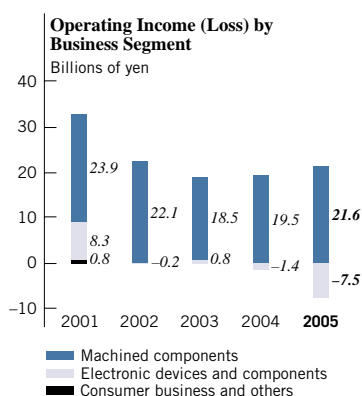
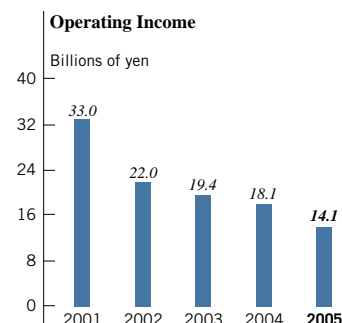
SGA expenses increased 2.4%, or ¥1,111 million, to ¥48,320 million, equivalent to 16.4% of net sales, down 1.2 percentage points. Despite an increase in expenses related to the establishment of Minebea–Matsushita Motor, Companywide efforts to reduce expenses reduced SGA expenses as a percentage of net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



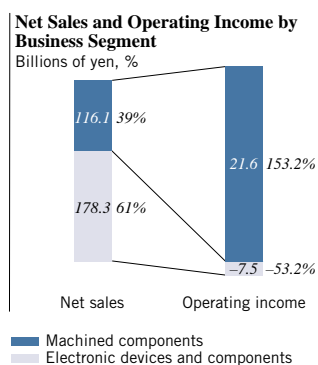
#### Costs of Sales and SGA Expenses

	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



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.

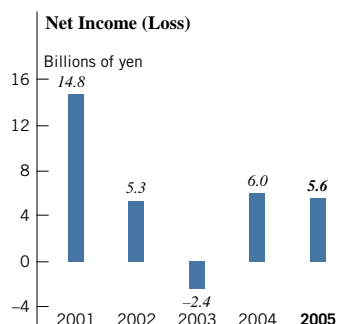
### Electronic Devices and Components

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.





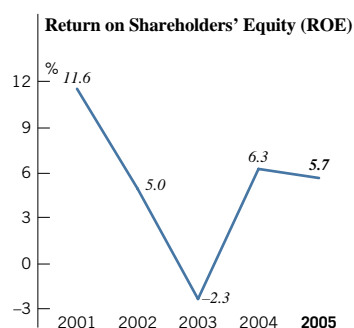
### Net Income

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



	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

<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

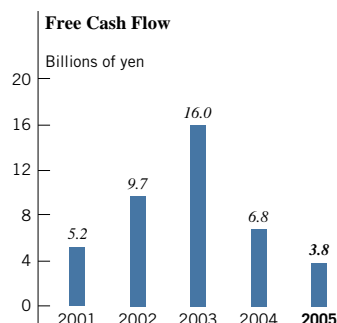
### Purchase of Tangible Fixed Assets

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

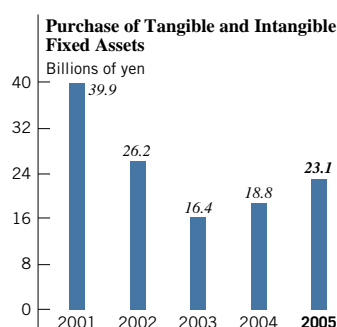
Net cash used in investing activities increased ¥8,857 million, to ¥23,789 million. This change was primarily attributable to a ¥4,235 increase in cash applied to purchase of tangible fixed assets, to ¥23,060 million.

### 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.



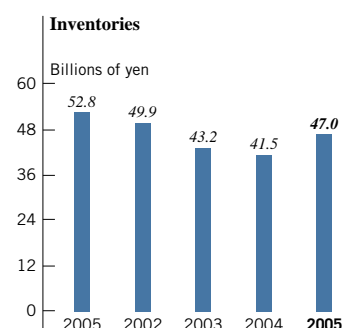
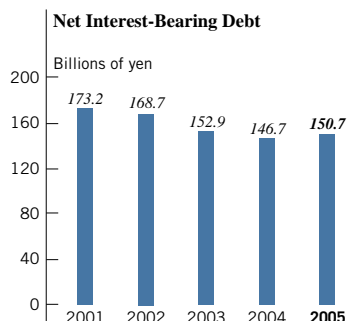
### Free Cash Flow

	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



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

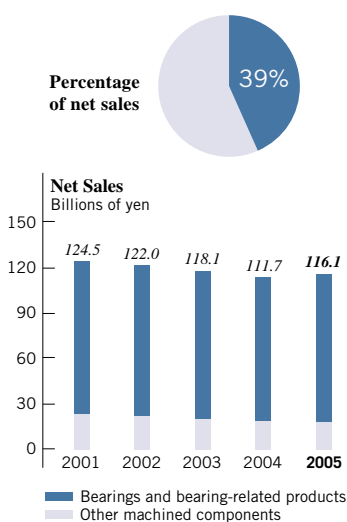
	Millions of yen				
As of March 31	2005	2004	2003	2002	2001
Total assets	¥332,217	¥314,915	¥320,069	¥350,037	¥346,965
Cash and cash equivalents at end of year	21,759	24,780	14,177	13,952	11,930
Total current assets	147,295	138,953	127,447	131,548	137,106
Inventories	46,963	41,534	43,204	49,887	52,764
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



## 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%)

#### Other machined components

Special machined components, fasteners	Aircraft, automobiles, industrial machinery
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\*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

### ● 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

## 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.

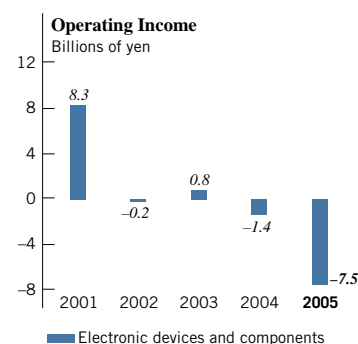
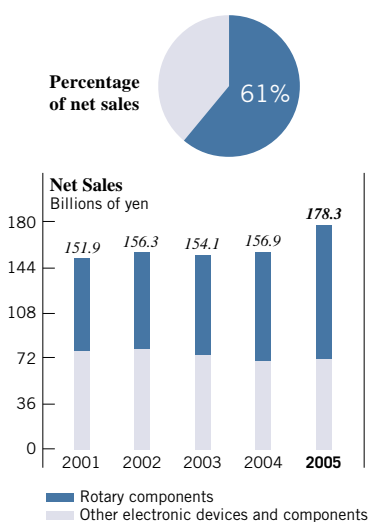
### Pivot Assemblies

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

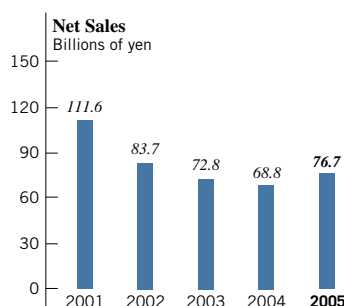
This category focuses on LED backlight assemblies for LCDs. Despite a demand adjustment in the cellular phone market in the second half, our focus on the timely development of high-value-added products supported increases in our customer base and the number of cellular phone models using our LED backlight 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

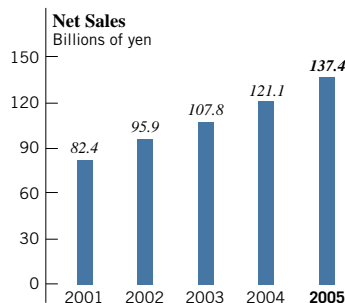
### Japan



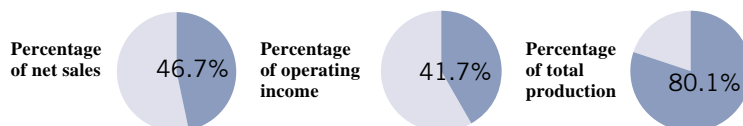
Owing to the establishment of Minebea–Matsushita Motor, resulting in the addition of information motors, including vibration and brush DC motors, sales to external customers in Japan in fiscal 2005 increased 11.5%, or ¥7,900 million, to ¥76,660 million. Owing to an increase in operating expenses, however,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



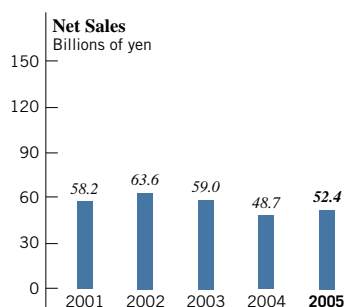
### Asia (Excluding Japan)



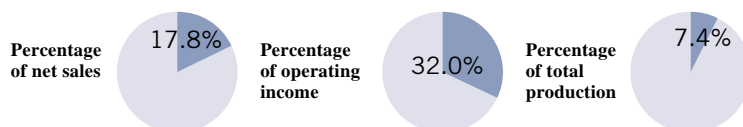
A crucial manufacturing base for manufacturers in Japan, Europe and North and South America, Asia is a particularly important market for Minebea. Despite inventory adjustments in HDD-related industries, a recovery in demand from the information and telecommunications industry and firm demand from the 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.



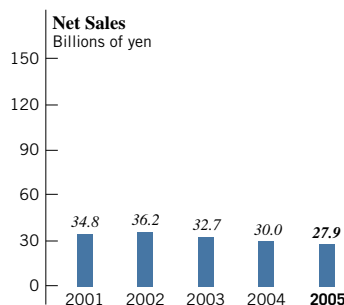
### North and South America



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 and Risk Management

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### 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.

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### 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.

## Consolidated Balance Sheets

As of March 31, 2005 and 2004

Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
<b>Current Assets:</b>			
Cash and cash equivalents (Note 2-c)	¥ 21,759	¥ 24,780	\$ 202,622
Notes and accounts receivable (Notes 2-d and 4):			
Trade	62,610	58,241	583,023
Other	4,074	1,602	37,935
	66,684	59,843	620,958
Allowance for doubtful receivables (Note 2-d)	(287)	(408)	(2,675)
Total notes and accounts receivable	66,397	59,435	618,283
Inventories (Note 2-e)	46,963	41,534	437,313
Deferred tax assets (Note 6)	5,124	6,554	47,712
Prepaid expenses and other current assets	7,052	6,650	65,667
Total current assets	147,295	138,953	1,371,597
<b>Tangible Fixed Assets (Note 2-f):</b>			
Land	15,086	16,135	140,480
Buildings and structures	97,223	92,881	905,323
Machinery and transportation equipment	253,102	226,576	2,356,852
Construction in progress	1,228	763	11,436
	366,639	336,355	3,414,091
Accumulated depreciation	(210,118)	(187,897)	(1,956,590)
Net tangible fixed assets	156,521	148,458	1,457,501
<b>Intangible Fixed Assets:</b>			
Consolidation adjustments (Note 2-i)	10,353	11,423	96,406
Other	3,760	980	35,014
	14,113	12,403	131,420
<b>Investments and Other Assets:</b>			
Investments in affiliates (Notes 2-g and 4)	147	219	1,372
Investments in securities (Note 2-g)	6,162	6,867	57,376
Long-term loans receivable	35	47	331
Deferred tax assets (Note 6)	6,017	6,167	56,025
Other	1,871	1,897	17,418
	14,232	15,197	132,522
Allowance for doubtful receivables (Note 2-d)	(57)	(142)	(530)
Net investments and other assets	14,175	15,055	131,992
<b>Deferred Charges</b>	113	46	1,048
<b>Total Assets</b>	<b>¥ 332,217</b>	<b>¥ 314,915</b>	<b>\$ 3,093,558</b>

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	2005	2004	2005
<b>Current Liabilities:</b>			
Short-term loans payable (Note 5)	¥ 81,256	¥ 76,195	\$ 756,645
Current portion of long-term debt (Note 5)	5,856	43,448	54,526
Notes and accounts payable (Note 4):			
Trade	25,901	22,777	241,188
Other	9,399	7,019	87,524
Total notes and accounts payable	35,300	29,796	328,712
Income taxes payable (Note 6)	2,344	2,639	21,830
Accrued expenses and other current liabilities	16,693	15,548	155,446
Total current liabilities	141,449	167,626	1,317,159
<b>Long-Term Liabilities:</b>			
Long-term debt (Note 5)	85,341	51,842	794,680
Other (Note 2-h)	804	902	7,487
Total long-term liabilities	86,145	52,744	802,167
<b>Minority Interests in Consolidated Subsidiaries</b>	2,535	679	23,599
<b>Shareholders' Equity (Note 10):</b>			
Common stock			
Authorized 1,000,000,000 shares			
Issued:			
March 31, 2005—399,167,695 shares			
March 31, 2004—399,167,695 shares	68,259	68,259	635,617
Capital reserve	94,757	94,757	882,360
Retained earnings	5,519	2,755	51,398
Differences on revaluation of other marketable securities	1,575	1,647	14,668
Foreign currency translation adjustments	(67,966)	(73,505)	(632,889)
	102,144	93,913	951,154
Treasury stock	(56)	(47)	(521)
Total shareholders' equity	102,088	93,866	950,633
<b>Contingent Liabilities (Notes 12 and 13)</b>			
<b>Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity</b>	<b>¥332,217</b>	<b>¥314,915</b>	<b>\$3,093,558</b>

# Consolidated Statements of Income

Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
<b>Net Sales</b> (Note 4)	<b>¥294,422</b>	<b>¥268,574</b>	<b>¥272,202</b>	<b>\$2,741,620</b>
<b>Cost of Sales</b> (Notes 4 and 9)	<b>232,019</b>	<b>203,261</b>	<b>203,500</b>	<b>2,160,531</b>
Gross profit	<b>62,403</b>	<b>65,313</b>	<b>68,702</b>	<b>581,089</b>
<b>Selling, General and Administrative Expenses</b> (Notes 2-i and 9)	<b>48,320</b>	<b>47,209</b>	<b>49,350</b>	<b>449,948</b>
Operating income	<b>14,083</b>	<b>18,104</b>	<b>19,352</b>	<b>131,141</b>
<b>Other Income (Expenses):</b>				
Interest income	<b>145</b>	<b>111</b>	<b>243</b>	<b>1,352</b>
Equity in income of unconsolidated subsidiaries and affiliates	<b>13</b>	<b>3</b>	<b>10</b>	<b>129</b>
Prior year's adjustment of losses on liquidation of subsidiaries and affiliates	<b>—</b>	<b>325</b>	<b>—</b>	<b>—</b>
Reversal of reserve for liquidation of switching power supplies and related businesses	<b>—</b>	<b>441</b>	<b>—</b>	<b>—</b>
Interest expense	<b>(3,361)</b>	<b>(3,213)</b>	<b>(4,765)</b>	<b>(31,300)</b>
Gains on sales of investment securities and investment securities in affiliates	<b>—</b>	<b>882</b>	<b>3</b>	<b>—</b>
Losses on devaluation of investment securities	<b>(619)</b>	<b>—</b>	<b>(4,945)</b>	<b>(5,770)</b>
Foreign currency exchange losses (Note 2-b)	<b>(755)</b>	<b>(771)</b>	<b>(506)</b>	<b>(7,032)</b>
Losses on sales and disposals of tangible fixed assets	<b>(1,019)</b>	<b>(747)</b>	<b>(712)</b>	<b>(9,494)</b>
Losses on liquidation of subsidiaries and affiliates	<b>(270)</b>	<b>—</b>	<b>(1,843)</b>	<b>(2,514)</b>
Losses on liquidation of switching power supplies and related businesses	<b>—</b>	<b>—</b>	<b>(3,144)</b>	<b>—</b>
Environment-related expenses incurred by U.S. subsidiaries	<b>—</b>	<b>—</b>	<b>(1,206)</b>	<b>—</b>
Other, net	<b>(439)</b>	<b>(2,177)</b>	<b>(1,992)</b>	<b>(4,080)</b>
	<b>(6,305)</b>	<b>(5,146)</b>	<b>(18,857)</b>	<b>(58,709)</b>
<b>Income before Income Taxes and Minority Interests</b>	<b>7,778</b>	<b>12,958</b>	<b>495</b>	<b>72,432</b>
<b>Income Taxes</b> (Note 6):				
Current	<b>5,943</b>	<b>4,412</b>	<b>4,276</b>	<b>55,344</b>
Deferred (benefit)	<b>(430)</b>	<b>2,798</b>	<b>(1,370)</b>	<b>(4,005)</b>
	<b>5,513</b>	<b>7,210</b>	<b>2,906</b>	<b>51,339</b>
<b>Minority Interests</b>	<b>(3,316)</b>	<b>(271)</b>	<b>23</b>	<b>(30,879)</b>
<b>Net Income (Loss)</b>	<b>¥ 5,581</b>	<b>¥ 6,019</b>	<b>¥ (2,434)</b>	<b>\$ 51,972</b>
			Yen	U.S. dollars (Note 3)
<b>Per Share Data</b> (Note 11):				
Net income (loss):				
Basic	<b>¥13.93</b>	<b>¥15.08</b>	<b>¥(6.10)</b>	<b>\$0.13</b>
Diluted	<b>13.27</b>	<b>14.51</b>	<b>(4.85)</b>	<b>0.12</b>
Cash dividends applicable to the year	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>	<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, 2005, 2004 and 2003

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, 2002</b>	399,167,695	¥68,259	¥94,757	¥ 4,774	¥(1,719)	¥(53,333)	¥ (6)
Net loss	—	—	—	(2,434)	—	—	—
Cash dividends	—	—	—	(2,794)	—	—	—
Other	—	—	—	—	1,682	(10,941)	(32)
<b>Balance at March 31, 2003</b>	399,167,695	68,259	94,757	(454)	(37)	(64,274)	(38)
Net income	—	—	—	6,019	—	—	—
Cash dividends	—	—	—	(2,794)	—	—	—
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>
Net income	—	—	—	5,581	—	—	—
Cash dividends	—	—	—	(2,793)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(24)	—	—	—
Other	—	—	—	(0)	(72)	5,539	(9)
<b>Balance at March 31, 2005</b>	<b>399,167,695</b>	<b>¥68,259</b>	<b>¥94,757</b>	<b>¥ 5,519</b>	<b>¥ 1,575</b>	<b>¥(67,966)</b>	<b>¥(56)</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, 2004</b>	<b>399,167,695</b>	<b>\$635,617</b>	<b>\$882,360</b>	<b>\$ 25,661</b>	<b>\$15,344</b>	<b>\$(684,476)</b>	<b>\$(435)</b>
Net income	—	—	—	51,972	—	—	—
Cash dividends	—	—	—	(26,012)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(219)	—	—	—
Other	—	—	—	(4)	(676)	51,587	(86)
<b>Balance at March 31, 2005</b>	<b>399,167,695</b>	<b>\$635,617</b>	<b>\$882,360</b>	<b>\$ 51,398</b>	<b>\$14,668</b>	<b>\$(632,889)</b>	<b>\$(521)</b>

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



## Consolidated Statements of Cash Flows

Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
<b>Cash Flows from Operating Activities:</b>				
Income before income taxes and minority interests	¥ 7,778	¥ 12,958	¥ 495	\$ 72,432
Depreciation and amortization	22,462	21,705	22,826	209,169
Amortization of consolidation adjustments	1,083	1,023	1,189	10,089
Interest and dividend income	(182)	(138)	(292)	(1,699)
Interest expense	3,361	3,213	4,765	31,300
Losses on sales and disposals of tangible fixed assets	718	664	678	6,686
Losses on liquidation of subsidiaries and affiliates	—	—	1,843	—
Increase in notes and accounts receivable	(1,020)	(7,734)	(4,070)	(9,504)
(Increase) decrease in inventories	(1,597)	(1,883)	3,972	(14,873)
Increase (decrease) in notes and accounts payable	1,283	(386)	(1,585)	11,951
Other	1,256	(678)	11,732	11,690
Total adjustments	35,142	28,744	41,553	327,241
Interest and dividends received	183	176	266	1,711
Interest paid	(3,388)	(3,197)	(5,087)	(31,550)
Income tax paid	(4,351)	(4,009)	(4,453)	(40,518)
Net cash provided by operating activities	27,586	21,714	32,279	256,884
<b>Cash Flows from Investing Activities:</b>				
Purchase of tangible fixed assets	(23,060)	(18,825)	(16,382)	(214,732)
Proceeds from sales of tangible fixed assets	2,173	2,372	662	20,236
Purchase of intangible fixed assets	(3,059)	—	—	(28,490)
Net proceeds from acquisition of shares in subsidiaries	71	—	—	667
Proceeds from sales of shares in subsidiaries	—	385	—	—
Increase (decrease) in loans receivable	(67)	(156)	78	(628)
Other, net	153	1,292	(591)	1,421
Net cash used in investing activities	(23,789)	(14,932)	(16,233)	(221,526)
<b>Cash Flows from Financing Activities:</b>				
Proceeds from (repayment of) long-term debt	(5,909)	6,368	(12,663)	(55,020)
Cash dividends paid	(2,793)	(2,794)	(2,794)	(26,013)
Cash dividends paid to minority shareholders	(16)	(27)	—	(158)
Other, net	(54)	844	(14)	(499)
Net cash provided by (used in) financing activities	(8,772)	4,391	(15,471)	(81,690)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	358	(570)	(350)	3,341
Net increase (decrease) in cash and cash equivalents	(4,617)	10,603	225	(42,991)
<b>Cash and Cash Equivalents at Beginning of Year</b>	24,780	14,177	13,952	230,749
<b>Increase in Cash and Cash Equivalents Due to Establishment of a Joint Venture</b>	1,596	—	—	14,864
<b>Cash and Cash Equivalents at End of Year</b>	¥ 21,759	¥ 24,780	¥ 14,177	\$ 202,622

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 48 affiliated companies, including 47 consolidated subsidiaries and one nonconsolidated affiliate. 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 provided for estimated uncollectible receivables.

Allowance for doubtful receivables provided for consolidated subsidiary receivables is eliminated for consolidation purposes. Allowance for doubtful receivables as of March 31, 2005 and 2004, 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, 2005 and 2004, comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2005	2004	2005
Merchandise and finished goods	<b>¥25,096</b>	¥22,320	<b>\$233,692</b>
Work in process	<b>9,920</b>	9,451	<b>92,375</b>
Raw materials	<b>8,486</b>	7,384	<b>79,019</b>
Supplies	<b>3,461</b>	2,379	<b>32,227</b>
	<b>¥46,963</b>	¥41,534	<b>\$437,313</b>

#### f) Tangible fixed assets

Tangible fixed assets is stated at cost. Depreciation 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 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 domestic subsidiaries with quoted market values are stated at the closing quoted value price on March 31, 2005. 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>		
	2005			2004			2005		
	<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>¥3,105</b>	<b>¥5,687</b>	<b>¥2,582</b>	¥3,071	¥5,772	¥2,701	<b>\$28,913</b>	<b>\$52,956</b>	<b>\$24,043</b>

The aggregate acquisition cost and market value of securities held by the Company and its consolidated domestic subsidiaries as of March 31, 2005, are as follows:

	<i>Millions of yen</i>
Aggregate acquisition cost:	
Current	¥ —
Noncurrent	<b>3,105</b>
	<b>¥3,105</b>
Aggregate market value:	
Current	¥ —
Noncurrent	<b>5,687</b>
	<b>¥5,687</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 provide for the payment of retirement benefits to employees, the Company makes provisions based on the projected benefit obligations and the estimated plan assets as of March 31, 2005. 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 in which they are incurred.

Certain of the Company's overseas subsidiaries have employee defined-benefit pension plans. To provide for the payment of retirement benefits to employees, these companies make provisions based on the projected benefit obligations and estimated plan assets as of March 31, 2005.

Unrecognized prior service cost is amortized using the straight-line method over a period of 10 years as cost.

Actuarial gains and losses are amortized using the straight-line method over a period of 10 years, from the period subsequent to the period in which they are incurred.

#### Retirement benefit plans

Projected benefit obligations, net retirement benefit costs and assumptions used for calculation for the years ended March 31, 2005 and 2004, are as follows:

Projected Benefit Obligations	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligations	¥(23,030)	¥(20,489)	\$(214,452)
Plan assets at fair value	19,638	15,978	182,866
Unfunded projected benefit obligations	(3,392)	(4,511)	(31,586)
Unrecognized transitional obligations	—	610	—
Unrecognized prior service cost	15	—	140
Unrecognized actuarial losses	3,076	3,348	28,643
Net amount recognized on consolidated balance sheets	(301)	(553)	(2,803)
Prepaid pension cost	5	—	47
Accrued retirement benefits	¥ (306)	¥ (553)	\$ (2,850)

Net Retirement Benefit Costs	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Services cost	¥1,059	¥1,081	\$ 9,861
Interest cost	885	666	8,241
Expected return on plan assets	(869)	(143)	(8,092)
Amortization of transitional obligations	609	610	5,671
Amortization of prior service cost	2	—	19
Amortization of actuarial losses	450	765	4,190
Retirement benefit costs	¥2,136	¥2,979	\$19,890

Assumption Used for Calculation	2005	2004
Discount rate	mainly 2.5%	mainly 2.5%
Expected rate of return on plan assets	mainly 2.5%	mainly 2.5%
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	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 ¥1,083 million in fiscal 2005 and ¥1,023 million in fiscal 2004, on a straight-line basis over a period ranging from five to 40 years.

#### j) Reclassifications

Certain reclassifications of previous years' figures have been made to conform with the current year's classification.

### 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 ¥107.39=US\$1, the approximate rate of exchange on March 31, 2005. 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, 2005 and 2004, and for the years then ended, is as follows:

Financial Position	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Assets:</b>			
Current assets	¥316	¥ 704	\$2,943
Other assets, including tangible fixed assets	506	512	4,714
	<u>¥822</u>	<u>¥1,216</u>	<u>\$7,657</u>
<b>Liabilities and shareholders' equity:</b>			
Current liabilities	¥ 59	¥ 306	\$ 548
Noncurrent liabilities	240	258	2,235
Shareholders' equity	523	652	4,874
	<u>¥822</u>	<u>¥1,216</u>	<u>\$7,657</u>
Results of Operations	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Net sales	¥453	¥1,207	\$4,225
Cost and expenses	415	1,201	3,864
Net income	<u>¥ 38</u>	<u>¥ 6</u>	<u>\$ 361</u>

Summarized below are the significant transactions of the Company and its consolidated subsidiaries with affiliates for the years ended March 31, 2005 and 2004, and the related account balances as of March 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Transactions:</b>			
Sales	¥248	¥276	\$2,315
Purchases	—	0	—
<b>Account balances:</b>			
Notes and accounts receivable	—	91	—
Notes and accounts payable	0	0	0

### 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 1.24% and 1.07% for the years ended March 31, 2005 and 2004, respectively. The rates for commercial paper were 0.01% on March 31, 2005, and 0.02% on March 31, 2004.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Notes payable to banks	¥81,256	¥72,195	\$756,645
Commercial paper	—	4,000	—
Total	<u>¥81,256</u>	<u>¥76,195</u>	<u>\$756,645</u>



The aggregate annual maturities of long-term debt outstanding as of March 31, 2005, are as follows:

	Millions of yen	Thousands of U.S. dollars
2006	¥ 5,856	\$ 54,526
2007	10,341	96,291
2008	—	—
2009	27,000	251,420
2010 and thereafter	48,000	446,969
	<u>¥91,197</u>	<u>\$849,206</u>

The following is a summary of terms of exercise of warrants:

	Exercise price for conversion per share of common stock as of March 31, 2005	Exchange rate applicable upon conversion	Exercise of warrants or redemption at the option by the Company
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 warrants were converted or exercised as of March 31, 2005, 3,291,879 shares of common stock would have been issued.

Long-term debt as of March 31, 2005 and 2004, consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
0.65% unsecured convertible bonds payable in Japanese yen due 2005	¥ —	¥27,080	\$ —
2.85% unsecured bonds payable in Japanese yen due 2005	—	10,000	—
3.0% unsecured bonds payable in Japanese yen due 2008	15,000	15,000	139,678
0.655% unsecured bonds payable in Japanese yen due 2007	3,000	3,000	27,935
1.39% unsecured bonds payable in Japanese yen due 2010	10,000	10,000	93,119
1.26% unsecured bonds payable in Japanese yen due 2011	10,000	—	93,119
1.55% unsecured bonds with warrants payable in Japanese yen due 2005	4,000	4,000	37,247
0.57% to 7.78% loans from banks, other	49,197	26,210	458,108
	<u>91,197</u>	<u>95,290</u>	<u>849,206</u>
Less current portion	5,856	43,448	54,526
	<u>¥85,341</u>	<u>¥51,842</u>	<u>\$794,680</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 2005 and 2004.

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.

The 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 ¥10,064 million and ¥11,853 million as of March 31, 2005 and 2004, respectively, are included in the accompanying consolidated balance sheets, as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2005	2004	2005
<b>Deferred Tax Assets</b>			
Accrued bonuses to employees in excess of tax limit	¥ 639	¥ 744	\$ 5,952
Accrued retirement benefits in excess of tax limit	—	93	—
Loss on devaluation of investment securities	1,698	1,519	15,809
Allowance for doubtful receivables in excess of tax limit	2,429	1,489	22,620
Unrealized gains on sales of inventories	1,822	2,046	16,964
Operating losses carried forward	2,823	5,406	26,289
Foreign tax credit carried forward	1,360	1,539	12,664
Other	1,377	939	12,817
Total deferred tax assets	<u>¥12,148</u>	<u>¥13,775</u>	<u>\$113,115</u>
	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2005	2004	2005
<b>Deferred Tax Liabilities</b>			
Depreciation of overseas subsidiaries	¥ 897	¥ 720	\$ 8,348
Differences on revaluation of other marketable securities	1,007	1,054	9,378
Other	180	148	1,676
Total deferred tax liabilities	<u>2,084</u>	<u>1,922</u>	<u>19,402</u>
Net deferred tax assets	<u>¥10,064</u>	<u>¥11,853</u>	<u>\$93,713</u>

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, 2005 and 2004, is shown below:

	2005	2004
Statutory tax rate in Japan	39.0%	39.0%
Adjustments:		
Amortization of consolidated adjustments	5.2	3.0
Difference of rates applied to overseas subsidiaries	(45.5)	(17.3)
Valuation allowance for operating losses of consolidated subsidiaries	21.3	—
Nontaxable dividend income	50.2	32.6
Other	0.6	(1.7)
Effective income tax rate	70.8%	55.6%

## 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

Millions of yen

	2005			2004		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	¥1,269	¥ 585	¥ 684	¥1,196	¥ 657	¥ 538
Machinery and equipment	2,736	1,476	1,260	3,079	1,721	1,358
Software	42	31	11	—	—	—
	¥4,047	¥2,092	¥1,955	¥4,275	¥2,378	¥1,896

Thousands of U.S. dollars

	2005		
	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	\$11,822	\$ 5,453	\$ 6,369
Machinery and equipment	25,482	13,747	11,735
Software	394	290	104
	\$37,698	\$19,490	\$18,208

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

**Outstanding Future Lease Payments Payable**

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2005	2004	2005
Due within one year	¥ 892	¥ 946	\$ 8,311
Due after one year	1,063	950	9,897
	<b>¥1,955</b>	<b>¥1,896</b>	<b>\$18,208</b>

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>
	2005	2004	2005
Actual lease payments	¥1,209	¥1,242	\$11,262
Depreciation	1,209	1,242	11,262

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 forward exchange contracts on foreign currency-denominated receivables and payables related to actual and future import and export transactions to hedge certain risks related to fluctuations in foreign currency exchange rates. In principal, forward exchange contracts are carried at contract rate 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 forward 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 receivables and payables denominated in foreign currencies with forward 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.

There are no derivative financial instruments for which hedge accounting is not applied as of March 31, 2005 and 2004.

**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, 2005 and 2004, amounted to ¥10,012 million and ¥9,639 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. Additional paid-in capital and the 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, additional paid-in capital is included in capital reserve and the legal reserve 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 or to be approved by shareholders subsequent to the fiscal years ended March 31, 2005 and 2004.

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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, by interest expense net of income taxes, 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, 2005 and 2004, is as follows:

	<i>Thousands of shares</i>	
	2005	2004
Basic	399,074	399,090
Diluted	426,934	426,950

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## 12. Litigation

As of March 31, 2005, 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, 2005.

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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 and speakers.

The business segments of the Company and its consolidated subsidiaries as of March 31, 2005 and 2004, and for the years then ended are outlined as follows:

### Business Segments

<i>Millions of yen</i>					
<i>Year ended March 31, 2005</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	¥116,105	¥178,317	¥294,422	¥ —	¥294,422
Internal sales	2,194	390	2,584	(2,584)	—
Total sales	118,299	178,707	297,006	(2,584)	294,422
Operating expenses	96,727	186,196	282,923	(2,584)	280,339
Operating income (loss)	21,572	(7,489)	14,083	—	14,083
Assets	194,180	214,142	408,322	(76,105)	332,217
Depreciation and amortization	10,401	12,061	22,462	—	22,462
Capital expenditure	11,400	22,757	34,157	—	34,157

<i>Thousands of U.S. dollars</i>					
<i>Year ended March 31, 2005</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	\$1,081,156	\$1,660,464	\$2,741,620	\$ —	\$2,741,620
Internal sales	20,434	3,630	24,064	(24,064)	—
Total sales	1,101,590	1,664,094	2,765,684	(24,064)	2,741,620
Operating expenses	900,710	1,733,833	2,634,543	(24,064)	2,610,479
Operating income (loss)	200,880	(69,739)	131,141	—	131,141
Assets	1,808,178	1,994,061	3,802,239	(708,681)	3,093,558
Depreciation and amortization	96,858	112,311	209,169	—	209,169
Capital expenditure	106,162	211,906	318,068	—	318,068

<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

The geographic segments of the Company and its consolidated subsidiaries as of March 31, 2005 and 2004, and for the years then ended are outlined as follows:

### Geographic Segments

<i>Millions of yen</i>							
<i>Year ended March 31, 2005</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	¥ 76,660	¥137,424	¥52,390	¥27,948	¥294,422	¥ —	¥294,422
Internal sales	162,763	155,448	1,423	1,025	320,659	(320,659)	—
Total sales	239,423	292,872	53,813	28,973	615,081	(320,659)	294,422
Operating expenses	236,671	287,002	49,303	28,022	600,998	(320,659)	280,339
Operating income	2,752	5,870	4,510	951	14,083	—	14,083
Assets	169,239	223,995	32,442	20,300	445,976	(113,759)	332,217



Thousands of U.S. dollars

Year ended March 31, 2005	Japan	Asia (excluding Japan)	North and South America	Europe	Total before Eliminations	Eliminations or Corporate	Total
Sales to external customers	\$ 713,853	\$1,279,673	\$487,847	\$260,247	\$2,741,620	\$ —	\$2,741,620
Internal sales	1,515,629	1,447,508	13,249	9,546	2,985,932	(2,985,932)	—
Total sales	2,229,482	2,727,181	501,096	269,793	5,727,552	(2,985,932)	2,741,620
Operating expenses	2,203,852	2,672,518	459,099	260,942	5,596,411	(2,985,932)	2,610,479
Operating income	25,630	54,663	41,997	8,851	131,141	—	131,141
Assets	1,575,933	2,085,814	302,095	189,039	4,152,881	(1,059,323)	3,093,558

Millions of yen

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	¥ 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

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004, are summarized as follows:

#### Overseas Sales

Millions of yen

Year ended March 31, 2005	To Asia (excluding Japan)	To North and South America	To Europe	Total
Overseas sales	¥140,229	¥46,013	¥29,505	¥215,747
Consolidated net sales				¥294,422
Overseas sales as a percentage of consolidated net sales	47.6%	15.7%	10.0%	73.3%

Thousands of U.S. dollars

Year ended March 31, 2005	To Asia (excluding Japan)	To North and South America	To Europe	Total
Overseas sales	\$1,305,797	\$428,466	\$274,749	\$2,009,012
Consolidated net sales				\$2,741,620
Overseas sales as a percentage of consolidated net sales	47.6%	15.7%	10.0%	73.3%

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%

#### 15. Subsequent Event

There were no significant events subsequent to the year ended March 31, 2005.

The Board of Directors  
Minebea Co., Ltd.

We have audited the accompanying consolidated balance sheets of Minebea Co., Ltd., and consolidated subsidiaries as of March 31, 2004 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2005, 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 consolidated subsidiaries at March 31, 2004 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, 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, 2005 are presented solely for convenience. Our audit also included the translation of 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.

June 29th, 2005

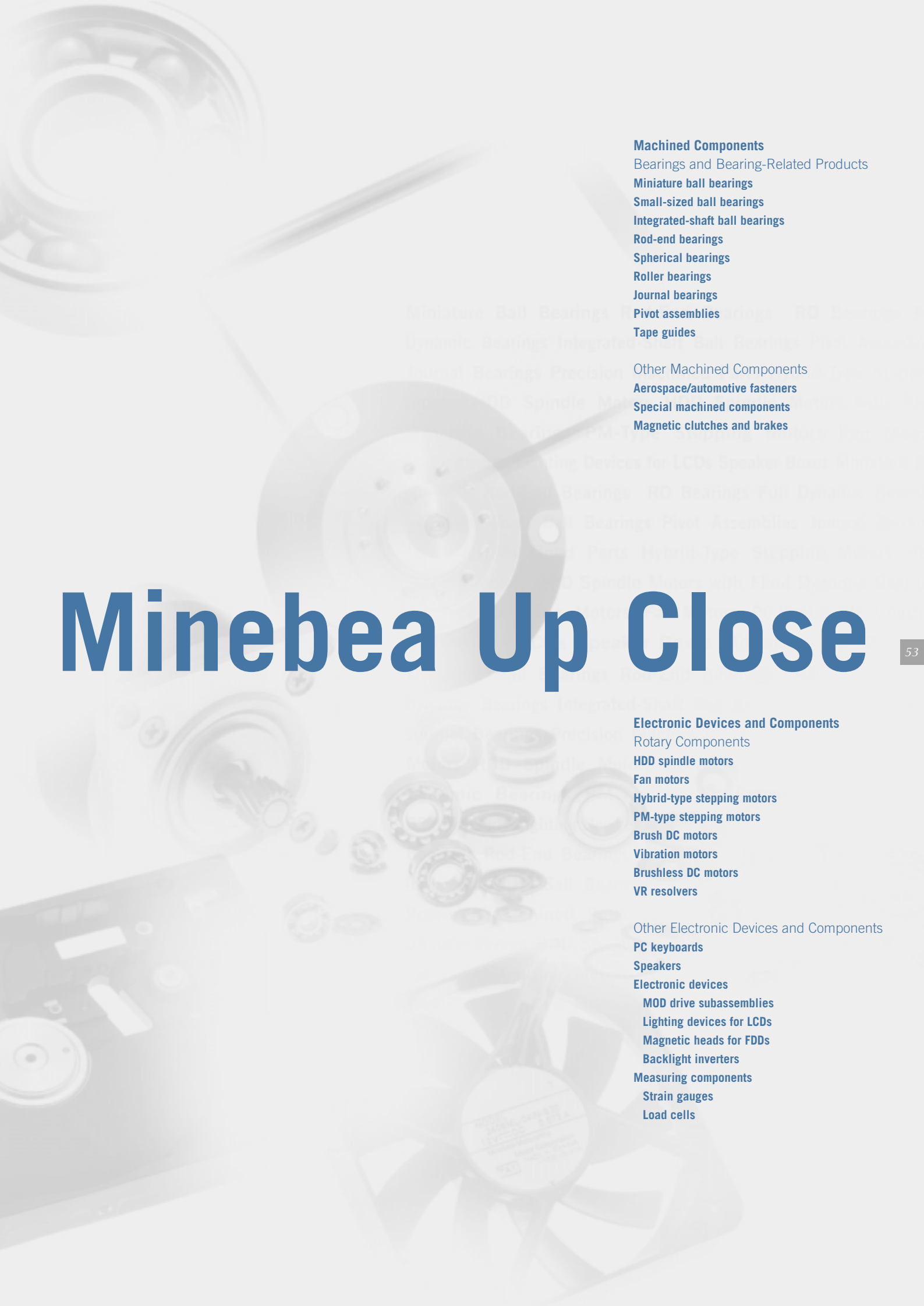
*Ernst & Young Shin Nihon*

## Principal Subsidiaries

Subsidiaries in Asia	Operations	Percentage of shares controlled by Minebea
<b>Japan</b>		
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.	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

Subsidiaries in North America	Operations	Percentage of shares controlled by Minebea
<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

Subsidiaries in Europe	Operations	Percentage of shares controlled by Minebea
<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**

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**

**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**

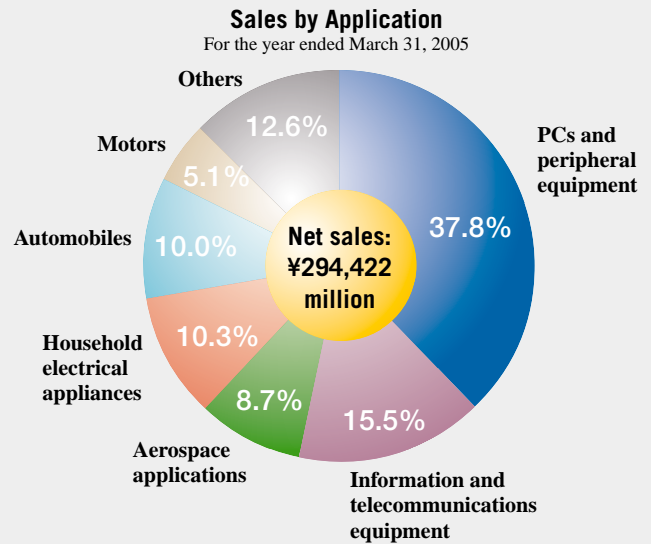
## Principal Products

### 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 fluid dynamic bearings, 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.

#### Fluid Dynamic Bearings



In an fluid dynamic bearing, 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 fluid dynamic bearings.

#### 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 for Aerospace Use



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**



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

**PM-Type Stepping Motors**



**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 key components are manufactured in-house. Minebea supplies keyboards on an original equipment manufacturer (OEM) basis to leading global PC manufacturers for use in desktop and notebook PCs.

**HDD Spindle Motors**



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.

**HDD Spindle Motors with Fluid Dynamic Bearings**



**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

#### Snap Rings

Snap rings are C-shaped steel rings used to affix metal shields to outer rings.



Pressing

#### Shields

Shields are fitted onto outer rings to prevent foreign matter and dirt from penetrating and lubricants from escaping. Materials commonly used to manufacture shields include metal, rubber and resin.



Pressing

#### Retainers

Retainers are used to separate the balls housed between the inner and outer rings and keep them in place within the raceway. Retainers are usually made of metal or resin.



Pressing

#### Inner Rings

The inner ring has a raceway on the outside in which the balls roll. Inner rings are made from chrome or stainless steel.



Cutting  
Heat treatment  
Grinding  
Super finishing

#### Balls

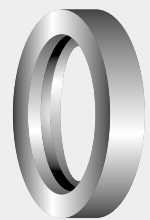
Balls—usually between five and 13, although the number varies depending on the type and size of bearing—are housed between the inner and outer rings. The most prevalent materials are chrome and stainless steel, with ceramics also popular.



Cold forging  
Polishing  
Super finishing

#### Outer Rings

The outer ring of a ball bearing has a raceway on the inside, in which the balls roll, and grooves on the top and bottom which hold protective shields. Outer rings are made from the same materials as inner rings.



Cutting  
Heat treatment  
Grinding  
Super finishing

#### 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

#### Thailand

NMB Thai Ltd.

#### Thailand



Pelmec Thai Ltd.

NMB Hi-Tech Bearings Ltd.

#### Singapore

Pelmec Industries (Pte.) Ltd.



#### Singapore

NMB Singapore Ltd.



Karuizawa Plant  
(Parent plant)



Production and maintenance of dies, jigs and tools



Production of pressed parts



Production of steel balls



Cutting



Heat treatment



Grinding and polishing



Assembly

Minebea Electronics & Hi-Tech Components (Shanghai) Ltd.

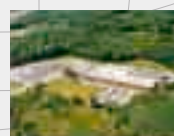


China

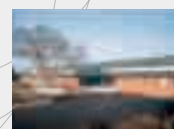
New Hampshire Ball Bearings, Inc.  
Chatsworth plant



United States



United States



NMB-Minebea UK Ltd.  
Skegness plant

United Kingdom

New Hampshire Ball Bearings, Inc.  
Peterborough plant

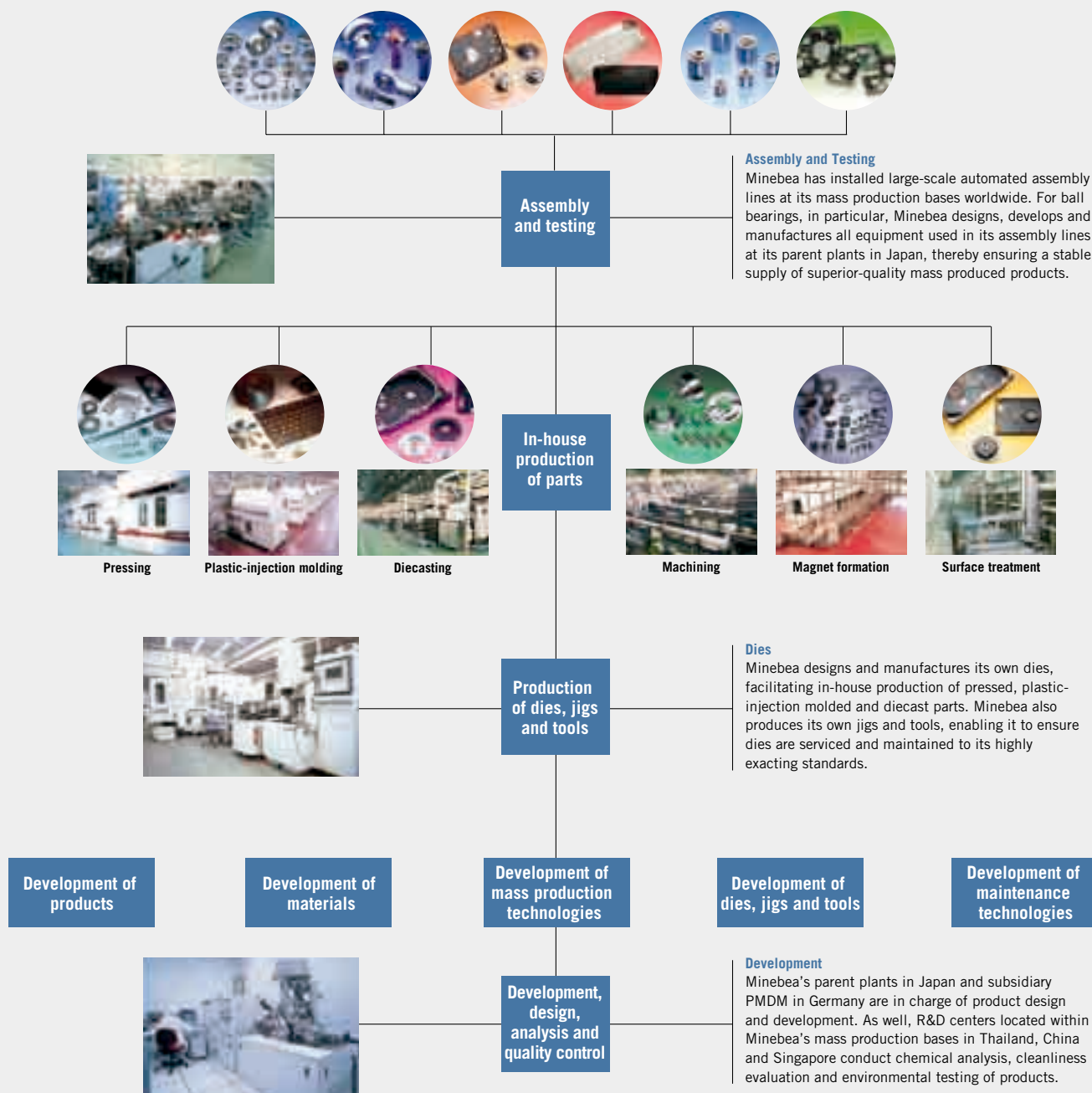
## Vertically Integrated Manufacturing System

### 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.



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### 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, China 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 Plant/Minebea–Matsushita Motor Corporation (Karuizawa Plant) (Japan)

Ball bearings, fluid dynamic bearings, 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 Plant/Minebea–Matsushita Motor Corporation (Hamamatsu Plant) (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)



#### Minebea–Matsushita Motor Corporation (Yonago Plant) (Japan)

DC brush motors, vibration motors

- Product development
- Engineering



### Development of Electronics Technologies and Related Products

#### NMB-Minebea GmbH Electronics Engineering Centre Europe (Germany)



### PC Keyboards

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

PC keyboards

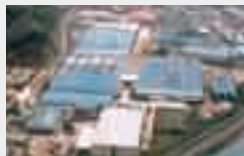
- Quality evaluation



#### Keyboard Business Unit (Japan)

PC keyboards

- Product development
- Engineering
- Quality evaluation



### Speakers

#### Speaker Business Unit (Japan)

Speakers

- Product development
- Engineering
- Quality evaluation



### Measuring Components

#### Measuring Components Business Unit (Japan)

Strain gauges, load cells and other measuring components

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



### Fasteners

#### Fujisawa Plant (Japan)

Fasteners

- Product development
- Engineering
- Quality evaluation



### Defense-Related Special Parts

#### Omori Plant (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 plant is established in Karuizawa, Nagano. Some operations are relocated to the Karuizawa Plant.
- 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 Plant), and an electromagnetic clutch manufacturer, Shin Chuo Kogyo Co., Ltd. (the present Omori Plant), 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 Pelme 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.).
- 1984 | 8 Two manufacturing subsidiaries, Minebea Thai Ltd. and Pelme Thai Ltd., are established in Thailand.
- 1985 | 3 The Company acquires New Hampshire Ball Bearings, Inc., a listed U.S. ball bearing manufacturer.

### 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 Plant. 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 Plant 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 mainstay 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.



- 1986 | 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 (the present city of Fukuroi), 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 | 12 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).
- 1994 | 4 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 Shunding Technologies Ltd. in China.
- 2002 | 9 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 brush DC motor businesses of the two parent companies.
- 2004 | 7 Subsidiary NMB-Minebea UK Ltd. establishes wholly owned subsidiary NMB Minebea Slovakia s.r.o. in the Slovak Republic and later shifts printing of Minebea's European-language PC keyboards to the new company.

## 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 50% of Group production.

### Minebea's Thai Operations

Net sales:	(Year ended March 31, 2005) ¥156,347 million
	(As of March 31, 2005)
Cumulative investment:	¥165,652 million
Total site space:	1,466,032 meters <sup>2</sup>
Total factory floor space:	372,519 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 Shunding Technologies Ltd., a PC keyboard manufacturing subsidiary of Shen Ding. Production at Shanghai Shunding Technologies commenced in August 2003. By the end of 2005, Minebea plans to shift PC keyboard manufacturing operations currently in Thailand to Shanghai Shunding Technologies.

### Minebea's China Operations

Net sales:	(Year ended March 31, 2005) ¥38,880 million
	(As of March 31, 2005)
Cumulative investment:	¥59,292 million

	Minebea Electronics & Hi-Tech Components (Shanghai) Ltd.	Shanghai Shunding 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



Takayuki Yamagishi

### Directors and Senior Managing Executive Officers



Yoshihisa Kainuma  
Chief of Operations Headquarters



Tosei Takenaka  
Head of Information Motor  
Business Unit  
Representative Director and  
President of Minebea-Matsushita  
Motor Corporation



Ryusuke Mizukami  
Chief of Engineering Headquarters  
Officer in Charge of Environmental  
Preservation



Koichi Dosho  
Chief of Sales Headquarters

### Directors and Managing Executive Officers



Hiroharu Katogi  
Chief of Administration Headquarters  
Head of Business Administration and  
of Information Systems Division



Eiichi Kobayashi  
Chief of Manufacturing Headquarters



Akihiro Hirao  
Deputy Chief of Engineering  
Headquarters  
Head of Defense-Related Special  
Parts Business Unit

### Standing Corporate Auditors

Shinichi Mori  
Yoshinori Amano

**Standing External Corporate Auditor**  
Tsukasa Oshima

**External Corporate Auditor**  
Isao Hiraide

### Managing Executive Officers

Yukio Shimizu  
Deputy Chief of Sales Headquarters

Susumu Fujisawa  
General Manager of Regional Affairs for China

Akio Okamiya  
Deputy Chief of Engineering Headquarters  
Head of Tribology, Clean Technology Development  
Division

Hiroyuki Yajima  
Head of Ball Bearing Business Unit

Sakae Yashiro  
Deputy Chief of Administration Headquarters  
Head of Finance Division and Accounting Division

Masayoshi Yamanaka  
General Manager of Regional Affairs for South East Asia

Shunji Mase  
Deputy Chief of Operations Headquarters  
Head of Personnel & General Affairs Division

Hiroataka Fujita  
Deputy Chief of Manufacturing Headquarters  
Head of Electronic Device Business Unit

### Executive Officers

Sadahiko Oki  
Head of Internal Auditing Office

Takuya Naka  
Head of Legal Division of Operations Headquarters

Motoyuki Niijima  
Head of Measuring Components Business Unit

Kunio Shimba  
Head of Spindle Motor Business Unit

Junichi Mochizuki  
Deputy Chief of Sales Headquarters  
Deputy Head of Ball Bearing Business Unit

Morihiro Iijima  
Deputy Chief of Operations Headquarters  
Head of Corporate Planning Division

Mamoru Kamigaki  
Head of Procurement Division of Operations  
Headquarters

Takashi Aiba  
Deputy Chief of Manufacturing Headquarters  
General Manager of Accounting Department of Karuizawa  
Plant, Accounting Division of Administration  
Headquarters

Daishiro Konomi  
General Manager of Regional Affairs for Europe

Tatsuo Matsuda  
Head of Domestic Sales Division of Sales Headquarters

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

### Independent Directors



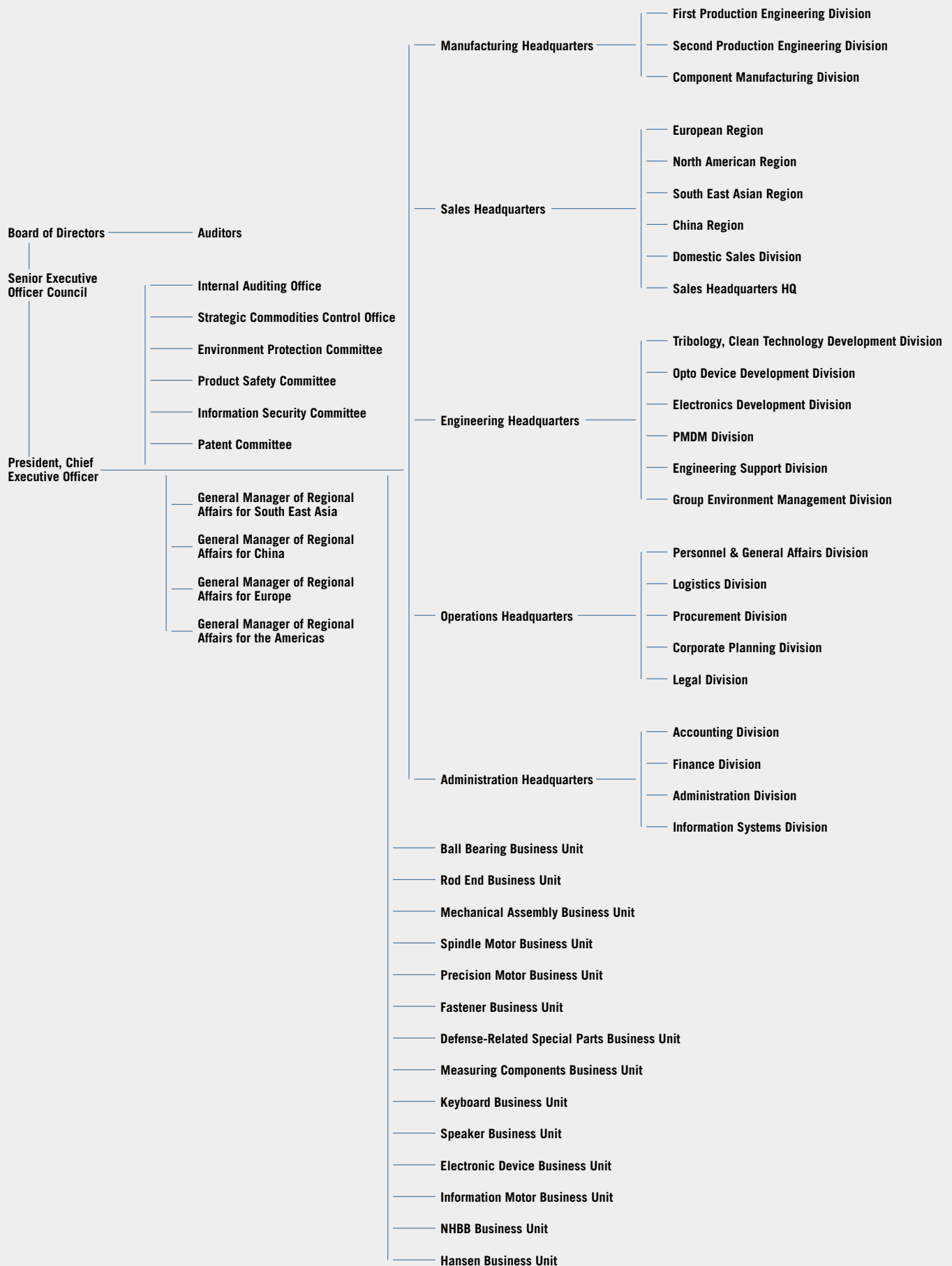
Chanchai Leetavorn  
Chairman, Asia Credit Plc.



Takashi Matsuoka  
Managing Director, Kelaisha Co., Ltd.

(As of July 28, 2005)

## Organization



(As of July 1, 2005)

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

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: [gyomu@minebea.co.jp](mailto:gyomu@minebea.co.jp)

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

Corporate Planning Department/  
Investor Relations Office

Tel: 81-3-5434-8643

Fax: 81-3-5434-8603

E-mail: [minebeair@minebea.co.jp](mailto:minebeair@minebea.co.jp)

Corporate Planning Department/  
Corporate Communications Office

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)



## Corporate Data

As of June 2005

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

#### Registered Headquarters

4106-73, Oaza Miyota,  
Miyota-machi, Kitasaku-gun,  
Nagano 389-0293, Japan  
Tel: 81-267-32-2200  
Fax: 81-267-31-1330

#### Established

July 16, 1951

### Investor Information

#### Common Stock (As of March 31, 2005)

Authorized: 1,000,000,000 shares  
Issued: 399,167,695 shares  
Capital: ¥68,258 million  
Shares per unit: 1,000

#### 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: 1-212-815-8161  
U.S. toll-free:  
888-269-2377  
(888-BNY-ADRS)  
URL: <http://www.adrbny.com/>

#### Independent Certified Public Accountants

Shin Nihon & Co.

#### Transfer Agent

The Sumitomo Trust and Banking  
Co., Ltd.  
Tel: 81-120-176-417

#### Independent Auditors

Ernst & Young ShinNihon

#### For further information please contact:

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

### Shareholders and Shares Issued (As of March 31, 2005)

Number of Shares Issued and Outstanding: 399,167,695

Number of Shareholders: 28,435

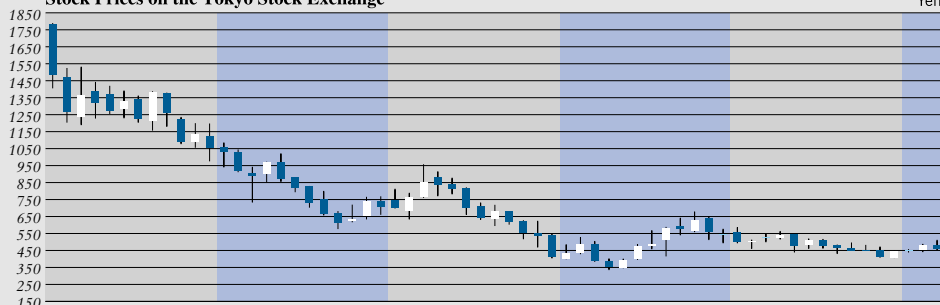
#### Classification by Ownership Shares

	Number of shares held	Percentage of shares outstanding	Number of shareholders	Percentage of shareholders
Japanese financial institutions	132,384,000	39.93%	163	0.57%
Overseas institutions	132,689,000	33.24	313	1.10
Individuals and others	71,944,000	18.02	27,657	1.38
Other Japanese corporations	35,152,000	8.81	392	96.95
	399,168,000	100.00%	28,435	100.00%

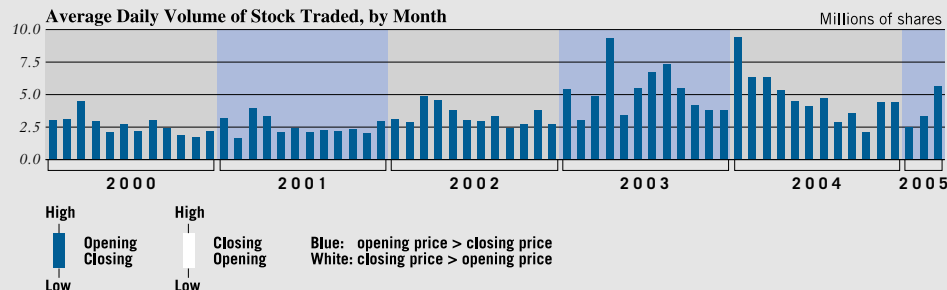
#### Top Ten Major Shareholders

	Number of shares held	Percentage of shares outstanding
Depository Nominees Inc.	28,987,322	7.26%
Japan Trustee Services Bank, Ltd. (Trust Account)	27,069,000	6.78
Keiaisha Co., Ltd.	18,000,000	4.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,032,000	4.27
Shinsei Bank, Ltd.	12,501,000	3.13
The Sumitomo Trust & Banking Co., Ltd.	12,349,000	3.09
Takahashi Industrial and Economic Research Foundation	12,347,330	3.09
Mellon Bank, N.A. as Agent for Its Client Mellon		
Omnibus US Pension	10,474,988	2.62
Sumitomo Mitsui Banking Corporation	10,000,475	2.51
Trust & Custody Services Bank, Ltd. (Pension Trust Account)	6,852,000	1.72

Stock Prices on the Tokyo Stock Exchange



Average Daily Volume of Stock Traded, by Month





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