

(Translation)

(Attached Documents)

Business Report
(April 1, 2002 through March 31, 2003)

I. Overview of Operations

1. Operating Performance

During the period under review, exports recovered temporarily at the beginning of the year as inventory adjustment finished throughout the IT-related industry. However, with capital investment and consumer spending remaining low, domestic demand continued to be sluggish and Japanese economy as a whole remained sluggish.

The U.S. economy temporarily showed a recovery trend at the beginning of the year with the completion of the IT-related inventory cutback and pickup in consumer spending. However, its conditions grew gradually severe, owing to such factors as plummeting stock prices triggered by depressed performance of hi-tech companies and by public distrust in corporate accounting and unstable Iraqi situation.

The European economy, in the meantime, remained sluggish with a lagging growth in consumer spending, although exports picked up temporarily owing to the completion of the IT-related inventory adjustment.

With increased exports and recovery of domestic demand such as consumer spending, the Asian economies remained relatively strong.

Demand from the information & telecommunications equipment industry – the major customer base of our mainstay products – recovered temporarily as inventory adjustment finished throughout the industry; however, it turned out low again in and after June 2002.

In this business climate, we redoubled our efforts to enhance productivity and efficiency of our sales activities and to further improve product quality and to develop high value-added products; however, net sales stood at 162,952 million yen, down 12,266 million yen (-7.0%) year on year. Due to the decline of the import price of the goods imported from the foreign subsidiaries, operating income totaled 5,018 million yen and ordinary income amounted to 11,062 million yen, up 3,169 million yen (171.5%) and 1,029 million yen (10.3%), respectively, compared with the previous fiscal year.

As extraordinary losses, we posted losses of 4,945 million yen on revaluation of investment securities arising from sharp declines in the prices of financial sector stock and other holdings; and losses of 2,280 million yen on revaluation of subsidiaries' stocks, such as losses in Minebea Electronics Co., Ltd., a wholly-owned subsidiary, owing to the withdrawal from the business of switching power supplies and related businesses and losses arising from the closure of a Malaysian speaker manufacturing subsidiary. Additionally, we recorded income tax adjustment of 1,168 million yen owing to tax effect accounting. This resulted in net income of 1,227 million yen, down 3,124 million yen (-71.8%) compared with the previous fiscal year.

Performance by product segment is as follows:

Bearings

Bearings make up our core business. Major customer bases of ball bearings are makers of information & telecommunications equipment including personal computers (PCs) and makers of household electrical appliances such as VCRs and air conditioners.

Sales of ball bearings to household electrical appliance makers and to the automobile industry were firm, and those to the information & telecommunications equipment industry were relatively strong owing to our vigorous sales expansion effort, even though demand from this industry remained low.

As a result, net sales were 33,859 million yen, a small decline of 0.9% from the previous year.

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Electronic Devices and Components

This product segment accounts for 62% of the Company's total sales. Amid the stagnant market for IT-related equipment, we terminated production and sale of floppy disk drives (FDDs) at the end of November last year. This resulted in a sharp decrease in sales of electronic devices, while sales of fan motors and keyboards were firm despite fierce competition.

Net sales amounted to 101,923 million yen, down 4.1% compared with the previous year.

Machinery Components

Sales of fasteners, sold mainly in the domestic market, continued to be weak. Sales of mechanical assembly components to the information & telecommunications equipment industry decreased considerably, chiefly because of the effect of production shift by many of our customers to their overseas subsidiaries to cope with growing deflationary pressure.

As a consequence, net sales decreased 14.3% year on year to 9,592 million yen.

Special Machinery Components and Others

Sales of special machinery components, supplied primarily to the Japanese Self-Defense Agency, remained weak owing mainly to the reduced budget for the Agency. Sales of other machinery components, which are mainly production machinery and dies supplied to our subsidiaries, declined as investment in production equipment decreased from the previous fiscal year.

As a consequence, net sales decreased 25.6% year on year to 17,578 million yen.

2. Capital Expenditure and Financing

Capital expenditure during the period under review totaled 2,345 million yen, mainly spent in enhancing and streamlining production equipment at the Karuizawa Manufacturing Unit, the Fujisawa Manufacturing Unit and the Omori Manufacturing Unit. These investments were funded out of cash on hand.

3. Outlook for the Future and Tasks to be accomplished

For the next consolidated fiscal year, we expect the Japanese economy will remain stagnant for some more time, owing mainly to continuation of severe employment and income situations and low consumer spending, though a decreasing trend of capital investment has almost bottomed out. However, in the second half of the next fiscal year, we expect overseas economy will recover and exports will increase, thereby putting the Japanese economy on a track to slow recovery.

In the U.S. economy, the pace of recovery is beginning to slacken, and how the aftermath of the Iraqi War will affect the economy seems uncertain. Despite these negative factors, we expect that owing to tax reduction, consumer spending will pick up and capital investment will recover in the second half of the next fiscal year, thereby putting the U.S. economy back on a track to growth.

The European economy will continue to show a decelerating trend for some time; however, it will recover slowly in the second half of the next fiscal year and thereafter, owing to a pickup in exports.

We initially predicted that the Asian economies, though relatively strong, would decelerate temporarily in the first half because of slowdown in overseas economies but would recover in the second half of the next fiscal year. However, given unstable factors created by the recent spread of SARS, business outlook remains uncertain in this region.

In this business climate, we will strive to steadily accomplish the following tasks in order to improve profitability and corporate value with the aim of becoming the world's strongest comprehensive supplier of precision components.

- 1) We will further expand our operations in the area of bearings and bearing-related products.
- 2) We will build our operations in the area of precision small motors, such as spindle motors for HDD (including fluid dynamic bearings) and fan motors, and other rotary components to the scale similar to our bearing operations.

(Translation)

- 3) We will increase the ratio of high-value-added products in all of our product categories and will expand product portfolio to meet diversifying market needs.

Additionally, we will implement an Executive Officer System as well as the structure change of the Board of Directors to cope with the increasingly severe business environment and inter-corporate competition in an appropriate and timely manner. Specifically, we will reduce the maximum number of Members of the Board of Directors, so that the Board of Directors will be able to fully perform its basic management policymaking and decision-making functions and business execution supervisory functions.

Under the new management structure, Executive Officers, empowered by President and Chief Executive Officer will be in charge of business execution and will assist President and Chief Executive Officer in accordance with the Company's basic management policies determined by the Board of Directors.

We look forward to the continued support and encouragement of our shareholders.

(Translation)

4. Records of Business Performance and Changes in Financial Position

(Unit: millions of yen unless otherwise noted)

	Fiscal year 2000 (4/99 – 3/00)	Fiscal year 2001 (4/00 – 3/01)	Fiscal year 2002 (4/01 – 3/02)	Fiscal year 2003 (4/02 – 3/03)
Net Sales	183,576	197,675	175,218	162,952
Ordinary income	11,062	12,127	10,033	11,062
Net income (or loss)	(19,597)	3,947	4,351	1,227
Net income (or loss) per share (yen)	(49.18)	9.89	10.90	3.08
Total assets	381,930	380,800	376,880	362,682
Shareholders' equity	180,344	180,559	181,222	181,240

Notes: 1. Starting from the Fiscal year 2003 (April 1, 2002 to March 31, 2003), the Accounting Standard for Annual Net Income Per Share (Corporate Accounting Standard No.2 specified by the Corporate Accounting Standard Commission, September 25, 2002) and the Accounting Standard Application Guideline for Annual Net Income Per Share (Corporate Accounting Standard Application Guideline No.4 specified by the Corporate Accounting Standard Commission, September 25, 2002) are applied to the calculation of net income (or loss) per share. As to net income (or loss) per share in the 57th term, we have found no difference between the amount calculated by the new method and the amount calculated as in the past.

2. Amounts less than one million yen are omitted.

3. Net income (or loss) per share is calculated on the basis of the average number of issued shares during the relevant fiscal year.

Net income or loss per share was calculated by including treasury stocks up to fiscal year 2001/3 but is calculated by excluding treasury stocks from fiscal year 2002/3.

II. Overview of the Company (as of March 31, 2003)

1. Main business lines

Classification	Products
Bearings	Miniature ball bearings, small-sized ball bearings, rod-end and spherical bearings, etc.
Electronics devices and components	Small precision motors, fan motors, strain gauges, transducers, keyboards, speakers, transformers, switching power supplies, hybrid integrated circuits, hard and soft ferrites, inductors, etc.
Machinery components	Automotive and aerospace fasteners, tape guides, pivot assemblies, and gears
Special machinery and others	Aerospace and defense-related equipment, dies, machinery, jigs and tools, etc.

2. Overview of Shares

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|--|----------------------|
| (1) Total number of shares authorized: | 1,000,000,000 shares |
| (2) Number of shares issued: | 399,167,695 shares |
| (3) Number of shareholders: | 23,188 persons |

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(4) Major shareholders:

Name of shareholders	Investment in the company		Our investment in the shareholder	
	Number of shares (thousands)	Voting rights ratio (%)	Number of shares (thousands)	Voting rights ratio (%)
The Master Trust Bank of Japan., Ltd.(Trust account)	24,315	6.11	-	-
Keiaisha Co., Ltd.	20,000	5.02	1,183	10.62
Japan Trustee Service Bank, Ltd. (Trust account)	19,843	4.98	-	-
Euroclear Bank SA/NV	13,477	3.38	-	-
Shinsei Bank, Ltd.	12,501	3.14	-	-
The Sumitomo Trust Banking Co., Ltd.	12,349	3.10	2,100	0.14
Takahashi Industrial and Economic Research Foundation	12,347	3.10	-	-
J.P. Morgan Trust Bank Ltd. (Non-taxable account)	10,086	2.53	-	-
Sumitomo Mitsui Banking Corporation	10,000	2.51	1	0.02
State Street Bank and Trust Co.	9,098	2.29	-	-

Note: On April 15, 2003 (though the reporting obligation arose on March 31, 2003), J.P. Morgan investment Management Inc. and four other joint holders, jointly represented by Anderson Mori Law Firm, filed a report concerning a change of substantial shareholding with the Director, Kanto Finance Bureau of the Finance Ministry of Japanese Government. However, these new shareholders are not included in the above table of our major shareholders, because the Company is not in a position to confirm the final number of our shares beneficially owned by them as of the end of this fiscal year (March 31, 2003).

Meanwhile, the said report can be outlined as follows:

Name of substantial shareholders: J.P. Morgan Investment Management Inc. and four other joint holders

Number of shares held: 33,910 thousand shares

Shareholding ratio: 8.49%

(Number of shares held and shareholding ratio include number of latent shares held.)

3. Acquisition, disposal, etc. and holding of treasury shares

(1) Treasury stocks as at the end of the previous fiscal year

Common stock: 8,574 shares

(2) Treasury stocks acquired

Acquisition due to purchase of shares falling short of a full unit of shares

Common stock: 58,279 shares

Total acquisition price: 31,419 thousand yen

(3) Treasury stocks disposed of

Common stock: None

Total disposal price: None

(4) Treasury stocks as at the end of this fiscal year

Common stock: 66,853 shares

(Translation)

4. Employees

Classification	Number of employees	Increase (decrease) from the end of the previous year	Average age	Average of working years
Male	2,044	(20)	39.7	16.3
Female	468	(30)	32.2	10.6
Total or average	2,512	(50)	38.3	15.2

5. Major lenders

Lenders	Outstanding borrowing (millions of yen)	Shares held by lender	
		Number of shares (thousands)	Voting rights ratio (%)
The Sumitomo Trust & Banking Co., Ltd.	9,400	12,349	3.10
Sumitomo Mitsui Banking Corporation	9,200	10,000	2.51
The Bank of Tokyo-Mitsubishi, Ltd.	9,200	8,047	2.02
UFJ Bank Limited	7,000	4,101	1.03
Mizuho Corporate Bank, Ltd.	6,500	3,220	0.81

6. Principal consolidation

(1) Principal subsidiaries

Name	Paid-in capital	Voting rights ratio	Main business lines
Minebea Technologies Pte. Ltd.	7,000 thousand Singapore dollars	100.0% (100.0%)	Sales of bearings, electronics devices and others
Pelmec Thai Ltd.	1,100,000 thousand Thai bahts	100.0%	Manufacture and sales of bearings
Minebea Thai Ltd.	8,381,818 thousand Thai bahts	100.0%	Manufacture and sales of keyboards, motors and others
Minebea Electronics (Thailand) Co., Ltd.	1,563,545 thousand Thai bahts	100.0% (27.7%)	Manufacture and sales of electronic devices and components
Power Electronics of Minebea Co., Ltd.	1,610,000 thousand Thai bahts	100.0% (13.9%)	Manufacture and sales of electronics devices and components
NMB (USA) Inc.	311,093 thousand US dollars	100.0%	Holding company
NMB Technologies Corporation	6,800 thousand US dollars	100.0% (100.0%)	Sales of bearings, electronics devices and others
New Hampshire Ball Bearings, Inc.	94,000 thousand US dollars	100.0% (100.0%)	Manufacture and sales of bearings
NMB-Minebea UK Ltd.	43,700 thousand Stg £	100.0%	Manufacture and sales of bearings

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Minebea Electronics & Hi-Tech Components (Shanghai) Ltd.	190,060 thousand US dollars	100.0%	Manufacture and sales of bearings and electronics devices
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Note. 1. The parenthesized figures of the voting-right ratio in the above table respectively show the ratio of indirect ownership.

2. As NMB-Minebea UK Ltd., which was renamed on March 31, 2003 from Rose Bearings Ltd. has increased its importance, the firm has been listed as our principal subsidiary from this fiscal year.

(2) Progress in consolidation

In August 2002, the Company and Huan Hsin Holdings Ltd. (a Singaporean corporation established a joint venture company named Sheng Ding Pte. Ltd. (in which the Company shares 60% in the ownership). And the joint venture company founded Shanghai Shun Ding Technologies Ltd. (in which the Company shares 60% indirectly in the ownership) in People's Republic of China in November 2002., which plans to manufacture keyboards for personal computers.

Besides, the Company established three sales companies in People's Republic of China. They are Minebea (Hong Kong) Ltd. (100% owned by the Company) set up in August 2002; Minebea (Shenzen) Ltd. (100% owned by the Company) and Minebea Trading (Shanghai) Ltd. set up in September 2002.

(3) Results of consolidation

The number of consolidated subsidiaries is 52, and the number of affiliates, to which the equity method for consolidation is applied, is 2.

Consolidated sales and consolidated net loss for this fiscal year were 272,202 million yen and 2,434 million yen, respectively.

7. Major offices and plants

Name	Location
Head Office / Karuizawa Manufacturing Unit	Nagano Prefecture
Tokyo Head Office	Tokyo
Hamamatsu Manufacturing Unit	Shizuoka Prefecture
Fujisawa Manufacturing Unit	Kanagawa Prefecture
Omori Manufacturing Unit	Tokyo
Matsuida Factory	Gunma Prefecture
Saku Factory	Nagano Prefecture

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8. Directors and Corporate Auditors

Title	Name	Responsibilities or principal occupation (as of March 31, 2003)
President and Representative Director	Tsugio Yamamoto	
Senior Managing Director	Masahito Saigusa	Member of Tokyo Office Administration Executive Council; in charge of Administration in General; Chairman of the Business Reform Committee
Senior Managing Director	Yoshihisa Kainuma	Member of Tokyo Office Administration Executive Council; in charge of Personnel & General Affairs, Logistics and Procurement; Member of Business Reform Committee
Senior Managing Director	Takayuki Yamagishi	General Manager of 2nd Manufacturing Headquarters; General Manager of Hamamatsu Manufacturing Unit; in charge of R&D Headquarters; Member of Business Reform Committee
Senior Managing Director	Rikuro Obara	General Manager of 1st Manufacturing Headquarters; General Manager of Karuizawa Manufacturing Unit; in charge of R&D Headquarters; Member of Business Reform Committee
Senior Managing Director	Ryusuke Mizukami	Member of Tokyo Office Administration Executive Council; in charge of Corporate Planning, Business Administration and Information Systems, Environment Management and R&D Headquarters; Member of Business Reform Committee
Senior Managing Director	Kenji Senoue	Member of Tokyo Office Administration Executive Council; in charge of Strategy Planning; Member of Business Reform Committee
Senior Managing Director	Tosei Takenaka	In charge of Asian Region Operations
Managing Director	Koichi Dosho	In charge of Sales Headquarters, European & American Regional Sales Headquarters, European Region Operations and R&D Headquarters; Member of Business Reform Committee
Managing Director	Takashi Yamaguchi	Member of Tokyo Office Administration Executive Council; in charge of Finance; Member of Business Reform Committee
Managing Director	Tomihiro Maruta	General Manager of Fujisawa Manufacturing Unit
Director	Sadao Sawamura	General Manager of Information Systems Department; Secretary of Business Reform Committee
Director	Akihiro Hirao	General Manager of Omori Manufacturing Unit; in charge of Engineering Management; General Manager of Engineering Management Office
Director	Sadahiko Oki	In charge of Accounting; General Manager of Accounting Department; General Manager of Internal Auditing Office

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Title	Name	Responsibilities or principal occupation (as of March 31, 2003)
Director	Takuya Naka	In charge of Legal Affairs; General Manager of Legal Department; General Manager of Patent Administration Office
Director	Yukio Shimizu	Deputy General Manager of Sales Headquarters; in charge of Japan & Asian Regional Sales; General Manager of Japan & Asian Regional Sales Headquarters
Director	Masayoshi Yamanaka	In charge of North & South American Region Operations
Director	Shunji Mase	General Manager of Personnel & General Affairs Department; Secretary of Tokyo Office Administration Executive Council; Secretary of Business Reform Committee
Director	Hiroharu Katogi	In charge of Business Administration; Secretary of Business Reform Committee
Director	Susumu Fujisawa	In charge of China Operations
Director	Masamitsu Osada	General Manager of Mechatronics Division
Director	Akio Okamiya	General Manager of Karuizawa Manufacturing Unit R&D Center; General Manager of Karuizawa Manufacturing Unit Chemical Integration Laboratory
Director	Atsushi Matsuoka	President and Representative Director, Keiaisha Co., Ltd.
Director	Chanchai Leetavorn	Chairman, Asia Credit Plc.
Director	Tomeshiro Takeuchi	Senior Managing Director, Keiaisha Co., Ltd.
Corporate Auditor (Standing)	Shinichi Mori	
Corporate Auditor (Standing)	Yoshinori Amano	
Corporate Auditor	Mitsuo Ichikawa	Senior Managing Director, Keiaisha Co., Ltd.
Corporate Auditor	Toshiro Uchida	Certified Public Tax Accountant

- Notes: 1 Messrs. Atsushi Matsuoka and Chanchai Leetavorn are the independent Directors as are provided in Article 188 paragraph 2 item (7)-2 of Commercial Code.
- 2 Messrs. Mitsuo Ichikawa and Toshiro Uchida are external Corporate Auditors as required under paragraph 1 of Article 18 of the Law For Special Exceptions to the Commercial Code concerning Audit etc., of Corporations.

(Translation)

Balance Sheet
(as of March 31, 2003)

(Unit: millions of yen)

Assets	
Item	Amount
Current Assets	128,363
Cash and cash equivalents	7,487
Notes receivable	2,249
Accounts receivable – trade	36,680
Purchased goods	4,510
Finished goods	1,278
Raw materials	2,122
Work in process	2,410
Supplies	170
Prepaid expenses	380
Short-term loans receivable from subsidiaries	60,202
Accounts receivable – other	5,568
Deferred tax assets	4,231
Others	1,172
Allowance for doubtful receivables	(100)
Fixed Assets	234,305
Tangible fixed assets	32,073
Buildings	11,607
Structures	661
Machinery and equipment	6,314
Vehicles	15
Tools, furniture and fixtures	2,255
Land	11,067
Construction in progress	150
Intangible fixed assets	841
Leasehold rights and other intangibles	841
Investments and other assets	201,391
Investments in securities	3,730
Investment securities in subsidiaries	155,357
Investments in partnerships	0
Investments in partnerships with subsidiaries	27,733
Long-term loans receivable	11
Long-term loans receivable from subsidiaries	8,567
Long-term deferred tax assets	7,983
Others	1,982
Allowance for doubtful receivables	(3,975)
Deferred Assets	13
Bond issuance expenses	13
Total Assets	362,682

Note: Amounts less than one million yen are omitted.

(Translation)

(Unit: millions of yen)

Liabilities	
Item	Amount
Current Liabilities	100,327
Notes payable	2,998
Accounts payable – trade	23,817
Short-term loans payable	52,033
Commercial paper	3,000
Current portion of long-term loans payable	500
Current portion of bonds	10,000
Accounts payable – other	4,193
Accrued income taxes	71
Accrued expenses	816
Accrued bonuses	1,943
Notes payable for equipment	100
Others	853
Long-term Liabilities	81,114
Bonds	28,000
Convertible bonds	27,080
Bonds with warrant	4,000
Long-term loans payable	22,000
Allowance for retirement benefits	34
Total Liabilities	181,442
Shareholders' Equity	
Common stock	68,258
Additional paid-in capital	94,756
Capital reserve	94,756
Retained earnings	18,299
Earned surplus	2,085
Voluntary reserve	11,500
General reserve	11,500
Unappropriated retained earnings	4,714
[Current net income]	[1,227]
Difference on revaluation of the marketable securities	(36)
Treasury stock	(37)
Total Shareholders' Equity	181,240
Total Liabilities and Shareholders' Equity	362,682

Note: Amounts less than one million yen are omitted.

(Translation)

Profit and Loss Statement
(From April 1, 2002 through March 31, 2003)

(Unit: millions of yen)

		Item	Amount	
Ordinary Income and Expenses	Operating income and expenses	Operating income		162,952
		Net Sales	162,952	
		Operating expenses		157,934
		Cost of sales	136,897	
		Selling, general and administrative expenses	21,036	
		Operating income		5,018
	Other income and expenses	Other income		9,420
		Interest income	969	
		Dividends received	7,786	
		Rent income on fixed assets	504	
Others		159		
Other expenses			3,375	
Interest and discount charges		1,392		
Interest on bonds		1,252		
	Foreign currency exchange loss	294		
	Others	436		
	Ordinary income		11,062	
Extraordinary Income and Loss	Extraordinary income		450	
	Gain on sales of fixed assets	123		
	Gain on sales of investments in securities	3		
	Liquidation dividend from subsidiary company	205		
	Reversal of allowance for doubtful receivables	118		
	Extraordinary loss		8,117	
	Loss on sales of fixed assets	117		
	Loss on sales of investments in securities	4,945		
	Loss on revaluation of investments securities in subsidiaries	2,280		
	Loss on liquidation of affiliated companies	256		
Loss for after-care of products	23			
Retirement benefit expense	494			
Income before Income Taxes			3,395	
Income taxes (including enterprise tax)			999	
Adjustment of income taxes			1,168	
Total income taxes			2,167	
Net Income			1,227	
Retained earnings brought forward from the previous year			3,486	
Unappropriated retained earnings at end of year			4,714	

Note: Amounts less than one million yen are omitted.

(Translation)

Notes to the Balance Sheet and Profit and Loss Statement

1. Significant Accounting Policies

(1) Standards and method of valuation of securities

Shares in subsidiaries and affiliates: Stated at cost as determined by the moving average method.

Other securities:

Securities with market value: Stated at market value based on the market price, etc. as of the fiscal year-end (the evaluation balances are calculated by the total direct capitalization method and the cost of sales is calculated by the moving average method).

Securities without market value: Stated at cost as determined by the moving average method.

(2) Standards and method of valuation of inventories

Purchased goods: Stated at cost as determined by the moving average method.

Finished goods: Stated at cost as determined by the moving average method.

Raw materials: Stated at cost as determined by the moving average method in respect of materials for bearings, fasteners, measuring equipment, motors and special machinery equipment.

Work in process: Stated at cost as determined by the moving average method in respect of bearings, fasteners and motors.
Stated at cost as determined respectively in respect of measuring equipment, special motors and special machinery equipment.

Supplies: Stated at cost as determined by the moving average method in respect of expendables for manufacturing bearings, fasteners, measuring equipment, motors and special machinery equipment.

(3) Method of depreciation of fixed assets

Tangible fixed assets: Declining balance method. The useful life and the residual value reported here are calculated according to the standards equivalent with those specified for in the corporate tax law. However, a depreciable asset of small value (the acquisition value of which is 100,000 yen or more but less than 200,000 yen) is depreciated equally each year over three years.

Intangible fixed assets: Straight line method. The useful life reported here are calculated according to the standards equivalent with those specified for in the corporate tax law. However, for software (used by the company), the straight line method on the basis of the estimated usable period (5 years) established within the Company is used.

(4) Method of accounting of deferred assets

Bond issuance expense: Amortized equally each year over three years pursuant to the Commercial Code.

Other items are charged to expense as incurred.

(5) Standards of accounting of allowances

Allowance for doubtful receivables:

To provide against loss on bad debts, the estimated uncollectible amounts are shown, with respect to receivables in general, based on the actual uncollectibility ratios and, with respect to specific doubtful receivables, through individual consideration of collectibility.

Accrued bonuses: To provide against payment of bonuses to employees, accrued bonuses are shown based on the anticipated amounts of payment.

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Allowance for retirement benefits:

To provide against payment of retirement allowance to employees, the amount that is recognized to have accrued at the fiscal year-end is shown on the basis of the estimated amounts of the retirement allowance liabilities and pension funds as of the fiscal year-end.

With respect to the difference at the time of the change of the accounting principles (2,474 million yen), the amount obtained by five-year proration is shown as “retirement benefit expense” in Extraordinary Loss.

The difference resulting from mathematical calculations is recorded as expense on a straight-line basis for a certain period (five years) starting from the year following the year in which such difference arose.

(6) Standards of conversion of accounts receivable or payable in a foreign currency into yen amounts

Accounts receivable and accounts payable in a foreign currency are converted into yen amounts at spot exchange rates at the fiscal year-end. Conversion loss or income is recorded as expense or income, respectively.

(7) Method of accounting of important lease transactions

Financial lease transactions other than those in which the ownership of a leased asset is considered to be transferred to the lessee, is accounted for in the same manner as ordinary lease transactions.

(8) Method of important hedging accounting

Accounts receivable and accounts payable in a foreign currency hedged by foreign exchange contracts, etc., are treated with hedging designation.

Foreign exchange contracts are utilized by the Finance Department for hedging foreign exchange risks involving import and export transactions.

When a foreign exchange contract is entered into, it is allocated to a particular transaction in the same amount of the foreign currency and due on the same date in accordance with the risk management policy. Therefore, we believe that the correlation with subsequent changes in the exchange rates is completely ensured.

(9) Accounting on Treasury Stocks, Breakdown of Legal Reserve, etc.

The accounting for this fiscal year has been applied with the *Accounting Standard for Treasury Stocks and Breakdown of Legal Reserve, etc.* (Business Accounting Standard No. 1 set forth by the Business Accounting Standard Commission, February 21, 2002). The change has caused no effect to our profit and loss, however.

(10) Description Method of Balance Sheets etc.

The accounting for this fiscal year has been calculated on the basis of *Article 3 of the Supplementary Provision of the Commercial Code Enforcement Regulations* (set forth by Ordinance No. 22 of the Ministry of Justice, March 29, 2002). Accordingly, Shareholders' Equity comprises common stock, additional paid-in capital, retained earnings, and other items.

As a result, the capital reserve is described as the details of additional paid-in capital, while the earned surplus, voluntary reserve, and unappropriated retained earnings being described as the details of retained earnings.

(11) Per-share Information

Starting from the Fiscal year 2003 (April 1, 2002 to March 31, 2003), the Accounting Standard for Annual Net Income Per Share (Corporate Accounting Standard No.2 specified by the Corporate Accounting Standard Commission, September 25, 2002) and the Accounting Standard Application Guideline for Annual Net Income Per Share (Corporate Accounting Standard Application Guideline No.4 specified by the Corporate Accounting Standard Commission, September 25, 2002) are applied to the calculation of net income (or loss) per share. As to net income (or loss) per share in the 57th term, we have found no difference between the amount calculated by the new method and the amount calculated as in the past.

(12) Other Important Items for Preparation of Financial Statements

Consumption tax and other related taxes are excluded from revenue and purchase of the Company.

(Translation)

2. Receivables from and payable to subsidiaries

Short-term receivables: 25,657 million yen
(excluding short-term loan receivable from subsidiaries)
Short-term payable: 19,943 million yen

3. Accumulated depreciation of tangible fixed assets 48,849 million yen

4. In addition to the fixed assets listed in the Balance Sheet, the Company uses computers, etc. on lease.

5. Important assets and liabilities in foreign currencies

Accounts receivable-trade: 12,558 million yen
(Primarily composed of: 91,421 thousand US dollars, 11,728 thousand Euros)

Investment securities in subsidiaries: 154,321 million yen
(Primarily composed of: 310,246 thousand US dollars, 87,000 thousand Singapore dollars,
15,738,296 thousand Thai bahts, 43,700 thousand Sterling pounds,
40,000 thousand Hong Kong dollars)

Investments in partnerships with subsidiaries: 27,733 million yen
(Composed of: 191,060 thousand US dollars, 30,102 thousand Euros)

Accounts payable-trade: 11,497 million yen
(Primarily composed of: 84,601 thousand US dollars, 10,150 thousand Euros)

6. Guarantees 37,369 million yen

7. Outstanding balance and exercise price of the subscription warrants are as follows:

4th Series Unsecured Bonds with Warrants
Outstanding amount: 4,000 million yen
Exercise price: 1,350 yen

8. Net income per share 3.08 yen

As you see from the statements of income, our net income amounts to 1,227 million yen, on the one hand. On the other, the net income applicable for calculation of per-share net income involving common stock also amounts to 1,227 million yen. And the number of common stocks used to figure the per-share net income amounts to 399,131 thousand shares on the average during this fiscal year.

9. Sales to subsidiaries 92,231 million yen

10. Purchase from subsidiaries 116,178 million yen

11. Amount of non-operating transactions with subsidiaries
15,432 million yen

12. Total amount of research and development expenses

The research and development expenses included in the general administrative expenses and the manufacturing cost for this period under review were 8,677 million yen.

(Translation)

13. Tax effect accounting

(1) Breakdown by cause of the deferred tax assets and the long-term deferred tax assets:

Excess over the maximum tax-deductible amount of accrued bonuses	631 million yen
Excess over the maximum tax-deductible amount of accrued retirement allowance	18
Evaluation loss on investment securities	2,210
Evaluation loss on shares in subsidiaries	1,096
Loss on the liquidation of affiliates	239
Excess over the maximum tax-deductible amount of allowance for doubtful receivables	1,593
Loss carried forward	6,291
Difference on revaluation of the marketable securities	24
Others	<u>166</u>
Total deferred tax assets	<u>12,214</u>

(2) Breakdown by cause of the difference between the applicable legal effective tax rate and the actual rate of corporate income tax, etc. after tax effect accounting:

Legal effective tax rate	40.0%
(Adjustment)	
Non-tax deductible item such as entertainment expense	2.1
Taxation on per capita basis of inhabitant tax, etc.	1.4
Withholding taxes, etc.	18.8
Difference adjusted from corporate income tax return	(5.0)
Difference from amended legal effective tax rate	6.0
Others	<u>0.6</u>
Actual rate of corporate income tax, etc. after tax effect accounting	<u>63.9</u>

(3) Adjustment of deferred tax assets due to changes in rate of corporate tax etc.

The legal effective tax rate applied for calculation of deferred tax assets was 40.0% for the previous fiscal year. For this fiscal year, the rate is 40.0% for liquidity and 39.0% for fixed, respectively. In result, the deferred tax assets have decreased by 204 million yen, while the adjustment of the corporate income tax etc. reported as an expense for this fiscal year has increased by the same amount.

14. Retirement allowance accounting

(1) Retirement allowance plan adopted by the company

The company has fully adopted a qualified retirement pension plan to provide against retirement payments to employees.

(2) Substance of retirement benefit liabilities

Retirement benefit liabilities and their breakdown:

(a) Retirement benefit liabilities	8,953 million yen
(b) Pension assets	6,304
(c) Balance (a - b)	2,649
(d) Untreated amount of the difference at the time of the change of the accounting principle	989
(e) Unrecognized difference of mathematical calculations	1,805
(f) Balance (c - d - e)	(145)
(g) Prepaid pension expenses	145
(h) Allowance for retirement benefit (f - g)	(Note)

Note: On the Balance Sheet, a 34 million yen excess over the retirement benefit reserve resulting from the transition to the qualified pension plan in the previous years is included in the "Allowance for retirement benefit".

(Translation)

Breakdown of expense for retirement benefit:

Service expense	503 million yen
Interest expense	252
Expected investment income	180
Difference treated as expense at the time of the change of the accounting principle	494
Difference of mathematical calculations treated as expense	254

(3) Calculation basis for retirement benefit liabilities

Discount rate	3.0%
Expected investment income rate	3.0%
Method of periodic allocation of expected retirement benefit amounts	Periodic fixed standard
Number of years required for the treatment of the difference of mathematical calculations	5 years (From the following period, it is charged to expense by the straight-line method.)
Number of years required for the treatment of the difference resulting from the accounting change	5 years (A prorated amount is recorded as extraordinary loss.)

(Translation)

Proposed Appropriation of Unappropriated Retained Earnings

(Unit: yen)

Item	Amount
I. Unappropriated retained earnings	4,714,423,973
II. The above amount is appropriated as follows: Dividends (7 yen per share)	2,793,705,894
III. Retained earnings carried forward to the next period	1,920,718,079

(Translation)

Certified Copy of the Report of the Auditors

AUDIT REPORT OF THE INDEPENDENT AUDITORS

May 7, 2003

To: The Board of Directors
Minebea Co., Ltd.

Shin Nihon & Co.

Chikara Kanzawa (seal)
Representative Partner and Partner in Charge,
Certified Public Accountant

Hiroshi Saito (seal)
Representative Partner and Partner in Charge,
Certified Public Accountant

Kiyokazu Tashiro (seal)
Representative Partner and Partner in Charge,
Certified Public Accountant

We have examined the Balance Sheet, the Profit and Loss Statement, the Business Report (limited only to the part relating to accounting), the Proposed Appropriation of Unappropriated Retained Earnings and the supplementary statements (limited only to the part relating to accounting) of MINEBEA CO., LTD. for the 57th fiscal year from April 1, 2002 to March 31, 2003, pursuant to Article 2 of the Law for Special Exceptions to the Commercial Code Concerning Audit etc., of Corporations. The part relating to accounting of the Business Report and the supplementary statements which have been audited is the portion based on the accounting books and records of the matters set out therein. It is the management of the Company that bears the responsibility of compilation of these financial statements and their supplementary details, while our responsibility being to express an opinion on the financial statements and their supplementary details from an independent standpoint.

Our examination was made in accordance with generally accepted auditing standards in Japan and, accordingly, we performed such auditing procedures as we considered necessary in the circumstances. These auditing standards require us to gain a reasonable assurance whether or not these financial statements and their supplementary details are free of material misstatement. The auditing is conducted on a test basis, while including our examination of descriptions in the financial statements and their supplementary details as an entirety that includes the accounting policies and their application methods adopted by the corporate management, as well as our assessment of the estimation that was made by the management. As a result of our audit conducted in these ways, we believe that we have obtained a reasonable basis for our opinions. The auditing procedures included auditing procedures of certain subsidiaries that we considered to be necessary.

As a result of the audit, we are of the opinion that:

- (1) The Balance Sheet and the Profit and Loss Statement fairly present the financial position of the Company and the results of its operations in conformity with laws and ordinances and the Article of Incorporation of the Company;
- (2) The Business Report (limited only to the part related to accounting) properly describes the situation of the Company in accordance with laws and ordinances and the Articles of Incorporation of the Company;
- (3) The Proposed Appropriation of Unappropriated Retained Earnings is in conformity with laws and ordinances and the Articles of Incorporation of the Company; and
- (4) There is no matter to be pointed out concerning the supplementary statements (limited only to the part related to accounting) according to the Commercial Code.

Neither our firm nor any of the partners in charge has any interest in the Company as required to be disclosed herein under the provisions of the Certified Public Accountant Law.

(Translation)

Certified Copy of the Report of the Board of Corporate Auditors

AUDIT REPORT

May 14, 2003

To: Mr. Tsugio Yamamoto
President and Representative Director
Minebea Co., Ltd.

Board of Corporate Auditors of Minebea Co., Ltd.

Shinichi Mori (seal)
Corporate Auditor (Standing)

Yoshinori Amano (seal)
Corporate Auditor (Standing)

Mitsuo Ichikawa (seal)
Corporate Auditor

Toshiro Uchida (seal)
Corporate Auditor

We, the Board of Corporate Auditors, have prepared this Audit Report by mutual consultation among ourselves following the report presented by each of the Corporate Auditors on their auditing method and the results of such audit with respect to performance of duties by the Directors during the 57th fiscal period from April 1, 2002 to March 31, 2003, and our report is hereby made as follows:

1. Overview of the audit method by the Corporate Auditors

Each Corporate Auditor attended meetings of the Board of Directors and other important meetings, received reports from Directors and others about business activities, reviewed documents for important decisions, etc., investigated the condition of business activities and assets of the Company at its head office and principal business offices and, when necessary, asked for business reports from subsidiaries, in accordance with the auditing policy and allocation of responsibilities, etc., as stipulated by the Board of Corporate Auditors.

In addition, we received reports and explanations from the independent auditors of the Company, and reviewed the financial statements and supplementary statements.

In addition to the above auditing methods, we, when necessary, asked for reports from Directors and others and closely examined the transactions in connection with Directors' competing transactions, transactions involving conflict of interests between Directors and the Company, granting of benefits by the Company for free, unusual transactions with subsidiaries or shareholders, and purchases and disposals of treasury stocks, and other matters.

2. Results of Audit

- (1) We certify that the auditing method of Shin Nihon & Co. and the results of their audit are proper and correct.
- (2) We certify that the Business Report fairly presents the situation of the Company in conformity with laws and ordinances and the Articles of Incorporation.
- (3) We find no matter to be pointed out with respect to the Proposed Appropriation of Unappropriated Retained Earnings in light of the condition of the company's assets and other circumstances.
- (4) The supplementary statements fairly present the matters to be described, and we find no matter to be pointed out about them.
- (5) We find no unfair act or material fact in violation of laws and ordinances or the Articles of Incorporation with respect to the performance of duties by the Directors.

Further, we find no violation of duties by Directors with respect to their competing transactions, transactions involving conflict of interests between Directors and the Company, granting of benefits by the Company for free, unusual transactions with subsidiaries or shareholders, and purchases and disposals of treasury shares, and other matters.

Note: Corporate Auditors Mitsuo Ichikawa and Toshiro Uchida are external corporate auditors as stipulated in Section 1 of Article 18 of the Law For Special Exceptions to the Commercial Code Concerning to Audit etc., of Corporations.

(Translation)

(For reference)

The consolidated financial statements for this fiscal year are as follows:

Consolidated Balance Sheet
(as of March 31, 2003)

(Unit: millions of yen)

Assets	
Item	Amount
Current Assets	127,447
Cash and cash equivalents	14,177
Notes and accounts receivable	54,085
Inventories	43,204
Deferred tax assets	8,593
Others	7,856
Allowance for doubtful receivables	(469)
Fixed Assets	192,608
Tangible fixed assets	162,960
Building and structure	97,395
Machinery and transportation equipment	191,394
Tools, furniture and fixtures	47,497
Land	16,710
Construction in progress	438
Accumulated depreciation	(190,476)
Intangible fixed assets	13,749
Consolidation adjustments	12,837
Others	912
Investments and other assets	15,898
Investment in securities	3,982
Long-term loans receivable	188
Deferred tax assets	9,494
Others	2,715
Allowance for doubtful receivables	(483)
Deferred Assets	13
Total Assets	320,069

Note: Amounts less than one million yen are omitted.

(Translation)

(Unit: millions of yen)

Liabilities	
Item	Amount
Current Liabilities	134,459
Notes and accounts payable	24,025
Short-term loans payable	67,475
Commercial paper	3,000
Current portion of long-term loans payable	787
Current portion of bonds	10,000
Accrued income taxes	2,662
Accrued bonuses	3,358
Reserve for loss on liquidation of the business of switching supplies, inductors and transformers, etc.	3,144
Reserve for environmental preservation expenses	1,206
Others	18,799
Long-term Liabilities	87,128
Bonds	28,000
Convertible bonds	27,080
Bonds with warrant	4,000
Long-term loans payable	26,782
Allowance for retirement benefit	229
Others	1,036
Total Liabilities	221,587
Minority Interest in Consolidated Subsidiaries	269
Shareholders' Equity	
Common stock	68,258
Additional paid-in capital	94,756
Retained earnings	(454)
Difference on revaluation of other marketable securities	(37)
Foreign currency translation adjustments	(64,274)
Treasury stock	(37)
Total Shareholders' Equity	98,212
Total Liabilities, Minority Interest in Consolidated Subsidiaries and Shareholders' Equity	320,069

Note: Amounts less than one million yen are omitted.

(Translation)

Consolidated Profit and Loss Statement
(From April 1, 2002 through March 31, 2003)

(Unit: millions of yen)

Item	Amount	
Net Sales		272,202
Cost of Sales		203,500
Gross Profit		68,702
Selling, General and Administrative Expenses		49,350
Operating Income		19,352
Other Income		
Interest income	243	
Dividends income	48	
Equity income of affiliates	10	
Others	923	1,226
Other Expense		
Interest expenses	4,765	
Foreign currency exchange loss	506	
Others	1,886	7,158
Ordinary Income		13,420
Extraordinary Income		
Gain on sales of fixed assets	34	
Gain on sales of investment in securities	3	37
Extraordinarily Loss		
Loss on sales of fixed assets	110	
Loss on disposal of fixed assets	602	
Loss on revaluation of investments securities	4,945	
Loss on liquidation of affiliates	1,843	
Loss on liquidation of the business of switching supplies, inductors and transformers, etc.	3,144	
Loss for after-care of products	482	
Environment preservation expense	1,206	
Retirement benefit expense	626	12,961
Income before Income Taxes		495
Income taxes (including enterprise tax)	4,276	
Adjustment of income taxes	(1,369)	2,906
Minority interest in earnings of consolidated subsidiaries		23
Net Loss		2,434

Note: Amounts less than one million yen are omitted.