

**The 57<sup>th</sup> Ordinary General Meeting of Shareholders  
Supplementary Explanation**

**1. Medium-Term Management Policies**

In May 2000, we launched a three-year management plan, aiming for high growth and high profitability.

However, taking into consideration changes in the world economy and other factors-arising mainly from the collapse of the information technology bubble and the Sept. 11 terrorist attacks on the U.S.-we reviewed the management plan twice.

The business plans for the fiscal years ending March 2004 and March 2005, which were released at the announcement of financial statements for the fiscal year ended March 2003, have been prepared based on the results of these two reviews.

We set the following three basic policies, as the three pillars of management, when we formulated the three-year management plan. These policies have not changed.

The first pillar is to increase production in the area of highly profitable bearings and bearing-related products.

The second pillar is to build our operations for high-precision small motors and other rotary components to a scale similar to our operations for bearings and bearing-related products.

The third pillar is to increase the ratio of high-value-added products in all product categories and to diversify product lineup in order to meet a broader range of market needs.

Minebea's principal competitive advantages are: ultra-precision machining technologies; mass production technologies; and a unique vertically integrated manufacturing system. We make efforts to accomplish the three pillars of management by making the best possible use of these two technologies and system.

With regard to miniature and small-size ball bearings in particular, we are developing, modifying and introducing facilities and equipment in order to increase the current monthly production capacity of 150 million pieces to 180 million pieces by the end of December 2003. We plan to achieve this production increase with a reduced number of work forces. Total investments will be one-sixth of past investments. We have no plans to expand the current factory space.

Under the new three-year management plan, we have established four important management directions, which are reinforcement of research and development, effective strategy for China operations, reorganization of sales structure, and restructuring of unprofitable businesses. These directions have seen steady progress: the creation of our Engineering Headquarters and Manufacturing Headquarters; the start of keyboard production in Shanghai; the establishment

of sales subsidiaries in Hong Kong, Shenzhen and Shanghai; withdrawal from the businesses of switching power supplies and related-products; and other achievements.

## **2. Manufacturing Activities in Thailand**

It is 21 years since Minebea began manufacturing activities in 1982 in Ayutthaya, which lies 75 km to the north of Bangkok.

We presently operate a group of factories in four areas in Thailand and employ approximately 30,000 people. These factories account for about 60% of the Minebea Group's total output and comprise the Group's largest mass production base.

While we decided to transfer keyboard production from Thailand to Shanghai, production of HDD spindle motors with fluid dynamic bearings, miniature and small-size ball bearings, pivot assemblies, lighting devices for LCDs and other mainstay products has continued to expand as Minebea's primary production base.

## **3. Manufacturing Activities in Shanghai**

In 1994, Minebea established its first Chinese subsidiary in the suburbs of Shanghai and started production of miniature and small-size ball bearings, and fan motors.

Since then, production of these products has increased smoothly to the current level of output at about 24 million pieces of miniature and small-size ball bearings per month and 6 million units of fan motors per month. We are implementing plans to raise their production to 40 million pieces and 10 million units, respectively.

At our second Xicen plant, we produce fan motors and measuring instruments, such as strain gauges and load cells.

In addition, Minebea set up a new company with Singapore's Huan Hsin group in Shanghai last year to manufacture keyboards in China. We are pushing forward with construction work on its new plant in an effort to start production in August 2003.

Operations in China account for approximately 13% of total group output and form the second largest production base of the Minebea Group following Thailand.

As of the end of March 2003, the total capital of our operation in China amounts to 22.4 billion yen, total investment in fixed assets, such as machinery and plant buildings, reaches 51.7 billion yen, the total number of employees is approximately 5,000, and net sales for the 57th Business Term are 27.9 billion yen.

We intend to expand our product lineup and production scale in a timely manner, while keeping a careful eye on market trends in China and the other parts of the world.

#### **4. Repayment of Interest-Bearing Debt, Including Bonds, etc.**

Debt reduction is one of our highest priority tasks. Since April 1997, Minebea and its group of companies have joined forces to reduce interest-bearing debt. As a result, the balance of the Minebea Group's interest-bearing debt dropped to 167.1 billion yen at the end of the 57th Business Term from 363.6 billion yen at the end of March 1997.

The net balance of the Group's interest-bearing debt after deduction of cash and cash equivalents fell 56% to 152.9 billion yen at the end of the 57th Business Term from 351.3 billion at the end of March 1997, thereby significantly improving our financial position.

In the 57th Business Term, the net amount of the Group's interest-bearing debt decreased 15.8 billion yen compared with the previous term.

We are going to continue our constant effort toward further reduction of our interest-bearing debt.

#### **5. Consolidated Statement of Income**

We attach, for your reference, consolidated balance sheet and consolidated statement of income on pages 35 and 36 of the Business Report. I would like to brief you on the consolidated statement of income.

Net sales decreased to 272.202 billion yen, down 7.141 billion yen from the previous term.

Operating income fell to 19.352 billion yen, down 2.62 billion yen from the preceding term.

Ordinary income declined to 13.42 billion yen, down 2.575 billion yen from the preceding period.

During the 57th Business Term, we registered the following extraordinary losses:

1. Owing to significant declines in the prices of primarily bank stocks whose term-end prices fell far below their book values resulting in the impairment of shares, losses on revaluation of investment securities totaled 4.945 billion yen.
2. Considering it difficult for us to expand the switching power supplies business and to make improvements in its performance, we decided to withdraw from the business and posted a loss of 3.144 billion yen in loss on liquidation of businesses.
3. To resolve a soil pollution problem that occurred at a U.S. subsidiary, we registered 1.206 billion yen in environmental improvement expenses.
4. We showed a total of 1.843 billion yen in loss on liquidation of affiliated companies with regard to the following subsidiaries that we have decided to liquidate or sell-U.K subsidiaries NMB (U.K.) Ltd. and Minebea Electronics (UK) Ltd.; Dutch subsidiary Minebea Europe Finance B.V.; Malaysian subsidiary Kuen Dar (M) Sdn. Bhd.; and U.S. subsidiary IMC Magnetics Corp.

With regard to income taxes, we posted 4.276 billion yen in income taxes (including enterprise tax). In addition, we also registered minus 1.369 billion yen in adjustment of income taxes as a consequence of applying tax effect accounting.

As a consequence, we reported a net loss of 2.434 billion yen-down 7.732 billion yen from the net income of 5.298 billion yen we posted in the preceding term.

## **6. Outlook for Fluid Dynamic Bearings (FDBs)**

The FDBs business, which started at our Thai plant in March 2000 with the introduction of technologies from Seagate Technologies of the U.S., has been expanding well.

Monthly production of HDD spindle motors has now expanded to 6 million units, of which approximately 90% are accounted for by HDD spindle motors with FDBs.

We are currently producing only FDB spindle motors for 3.5-inch HDDs. Despite this, our market share for FDB spindle motors for 3.5-inch HDD for desktop PCs is close to 50%.

In the fiscal year ending March 2004, we intend to move into the market of FDB spindle motors for 2.5-inch HDDs, and will take full advantage of the technical capabilities we have amassed for those for 3.5-inch HDDs to gain a large market share.

With regard to consignment production of the FDB motors and parts for 2.5-inch HDDs for Matsushita Electric Industrial Co., Ltd.'s Motor Company designed under its last year's agreement with us, we are smoothly expanding supply of their parts.

## **7. Automobile Market**

Products included in our automobile-related products are bearings, such as ball bearings and rod-end bearings, fasteners, motors and sensors. We aim to achieve sales of slightly above 20 billion yen in this product category for the current term.

These product categories best suit the application of our motor development capabilities that is centered at German subsidiary Precision-Motors-Deutsche-Minebea-GmbH (PMDM); the development and engineering technologies that our Karuizawa and Omori plants have long amassed through the production of resolvers and other components for aerospace and defense equipment; and our ultra-precision machining technology and mass-production technology that are the sources of Minebea's competitive strength. The automotive industry is just the right market for Minebea.

With regard to rotary components for automobiles, we are now mass-producing motors for electric power steering systems, and stepping motors for dashboards and optoaxial headlight adjustment. In addition, we will start producing motors for vehicle distance sensors, torque sensors and micro clutches for door control in the current term.

With more demand for automotive safety, comfort and energy saving, we expect the variety of small precision rotary components used to increase along with quantity.

## **8. Reform of the Board of Directors and Introduction of Executive Officer System**

Amid drastic changes in management and market circumstances at a global level, we need to further enhance business activity transparency. At the same time, we also need to improve management speed and strategies, and to actively use young resources. To this end, as part of our corporate governance reform, we intend to cut the number of directors and to introduce an executive officer system.

We also intend to define the role of directors responsible for management supervision and that of executive officers in charge of business execution. In addition, we intend to animate the board of directors as our highest resolution body that makes key strategic decisions, thereby speeding up business execution.

## **9. Introduction of EVA Management System**

In April 2003, Minebea introduced the EVA management system and adopted EVA, that is, Economic Value Added, as the management index for the Minebea Group.

As our basic business policy, we have been advocating five principles focusing on making contributions to employees, customers, shareholders, local communities and global society. Under the EVA management system, we aim to give satisfying returns to all of our stakeholders.

We also aim to make strategic decisions on such issues as selective focusing of business resources and appropriate allocation of management resources from the EVA-creating viewpoint. By doing so, we are committed to enhancing our corporate values.

The schedule for the implementation of the EVA management system is as follows:

- 1) Setting and measuring EVA for assessment of management on a consolidated basis-to begin in April 2003
- 2) Assessing capital investment plans based on EVA-to start in April 2003
- 3) Setting and measuring EVA by manufacturing or sales unit-to begin in October 2003
- 4) Setting and measuring EVA by product to apply to assessment-to begin in April 2004