

(Translation)

(Attached Documents)

Business Report
(April 1, 2003, through March 31, 2004)

I. Overview of Operations

1. Operating Performance

During the current consolidated fiscal year, the Japanese economy recovered steadily, led by growing exports and business investment amid a continued pickup in the global economy, although public works spending and personal consumption were sluggish at the beginning of the year.

The U.S. economy generally remained brisk. In addition to increased corporate earnings and high growth in business investment supported by an encouraging business outlook, consumer spending was firm owing to a tax reduction.

The European economy recovered moderately with a pickup in investment. Although the Chinese economy began to overheat, other Asian economies continued to grow buoyed by strong personal consumption and increasing exports. In Thailand and in other countries in Southeast Asia, their economies grew supported by increased exports and investment.

Demand from manufacturers of information and telecommunications equipment such as personal computers, peripherals and office automation equipment—the major customer base of our mainstay products—grew smoothly as the global economy picked up. However, price competition grew ever more intense, keeping us in a severe market environment.

In this business climate, we expanded sales in all business categories, and at the same time redoubled our efforts to enhance productivity and the efficiency of our sales activities as well as to further improve product quality and to develop high-value-added products. During the period under review, domestic sales decreased owing largely to production shift to Asia by our customers, where as brisk sales to customers in China boosted exports considerably. Net sales grew 22,152 million yen, to 185,105 million yen, up 13.6% from a year earlier.

Operating income decreased 666 million yen, to 4,351 million yen, down 13.3% from a year earlier. Ordinary income rose to 13,343 million yen, up 20.6% or 2,280 million yen. Net income for the year under review jumped 84.7%, or 1,039 million yen, to 2,266 million yen. Net income was affected by extraordinary charges including 2,904 million yen for impairment accounting due to the operational reorganization of our sales subsidiary in Singapore; 5,580 million yen transferred as an allowance for bad debts at the Singapore sales subsidiary and others; and 916 million yen recorded as corporate tax adjustments according to local tax-effect accounting.

The business results of each product category were as follows:

Bearings

This product category represents the company's key business. The major customer base for ball bearings is makers of PCs and other information and telecommunications equipment and of home electrical appliances such as VCRs and air conditioners. Domestic demand remained strong and exports increased substantially. As a result, net sales were 45,659 million yen, an increase of 34.9% from the previous fiscal year.

Electronic Devices and Components

This product category represents 60% of the Company's sales. Although the domestic market was stagnant, sales to information- and telecommunications-equipment makers of our precision motors, fan motors, measuring instruments, audio speakers and keyboards stayed healthy despite intensifying market competition. Consequently, sales in this line grew 9.3% year over year to 111,355 million yen.

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Machinery Components

In this product category, exports of precision mechanical parts expanded significantly to makers of information and telecommunications equipment. Our industrial fastener division with its major customer base in Japan maintained steady results.

Sales in this product category surged 40.3% year on year to 13,461 million yen.

Special Machinery Components and Others

The special machinery segment mainly consists of equipment for Japan's Self-Defense Agency. With the budget for the Agency decreasing, sales stagnated. Others mainly consists of production machinery and dies manufactured by the Company for its subsidiaries. Sales of others decreased as capital expenditures to reinforce production facilities decreased compared with the previous fiscal year.

As a result, net sales were 14,630 million yen, a 16.8% decrease from the previous fiscal year.

2. Capital Expenditures and Financing

The Company had capital expenditures of 2,295 million yen, mainly to improve and streamline facilities at the Karuizawa, Fujisawa and Omori manufacturing units. The Company appropriated its own funds for this purpose.

3. Business Prospects and Tasks

In the next consolidated fiscal year, we expect the Japanese economy to stay on a steady recovery path.

With stable consumer prices, the U.S. economy is expected to accelerate its growth and lead the global economy, although some commodity prices such as materials prices are rising.

In Asia, there is some concern about overheated investment in China. However, the expansion of investment in China, including active infrastructure investment, is expected to lead the economic growth in this region. In this business climate, we will strive to accomplish the following tasks 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 to a scale similar to our bearing operations.
- 3) We will increase the ratio of high-value-added products in all of our product categories and will expand our product portfolio to meet diversifying market needs.

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

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4. Records of Business Performance and Changes in Financial Position

(Unit: millions of yen unless otherwise noted)

	Fiscal year 2001 (4/00–3/01)	Fiscal year 2002 (4/01–3/02)	Fiscal year 2003 (4/02–3/03)	Fiscal year 2004 (4/03–3/04)
Net sales	197,675	175,218	162,952	185,105
Ordinary income	12,127	10,033	11,062	13,343
Net income (or loss)	3,947	4,351	1,227	2,266
Net income (or loss) per share (yen)	9.89	10.90	3.08	5.68
Total assets	380,800	376,880	362,682	366,618
Shareholders' equity	180,559	181,222	181,240	182,389

- 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.
2. Amounts less than one million yen are omitted.
3. Financial statements for Fiscal year 2004 (April 1, 2003, to March 31, 2004) are indicated under the "Ministerial Ordinance for Partial Revision of the Commercial Code Enforcement Regulation (the Ministry of Justice Ordinance No. 7 dated February 28, 2003)." As a result, the "net income (or loss)" and the "net income (or loss) per-share" for Fiscal year 2003 and before are described as the "net income (or loss)" and the "net income (or loss) per-share" respectively.
4. 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 but has been calculated by excluding treasury stocks from fiscal year 2002.

II. Overview of the Company (as of March 31, 2004)

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, backlights, switching power supplies, hybrid integrated circuits, hard 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

- (1) Total number of shares authorized: 1,000,000,000 shares
- (2) Number of shares issued: 399,167,695 shares
- (3) Number of shareholders: 29,571 persons
- (4) Equity Warrant
 - 4th Series Domestic Unsecured Convertible Bonds (issued June 3, 1996):
 - Number of equity warrant: 27,080 units
 - Category and number of shares: 27,860,082 common stocks
 - Issuing price of equity warrant: no value
 - 4th Series Unsecured Bonds with Warrants (issued November 11, 2000):
 - Number of equity warrant: 12,790 units
 - Category and number of warranted shares: 2,875,000 common stocks
 - Issuing price of equity warrant: 35,000 yen per unit

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Note: The Bonds with Warrants and the Convertible Bonds are deemed to be Debentures with Rights to Subscribe for New Shares under Clause 2, Article 19, of the Reforming Law for the enforcement of the Partial Revision Law of the Commercial Code (Law No. 129 of 2001).

(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 (%)
Japan Trustee Service Bank, Ltd. (Trust account)	35,115	8.82	-	-
Keiaisha Co., Ltd.	20,000	5.02	1,183	10.62
The Master Trust Bank of Japan, Ltd. (Trust account)	18,477	4.64	-	-
Shinsei Bank, Ltd.	12,501	3.14	-	-
The Sumitomo Trust Banking Co., Ltd.	12,349	3.10	2,013	0.13
Takahashi Industrial and Economic Research Foundation	12,347	3.10	-	-
Depository Nominees Inc.	10,550	2.65	-	-
Sumitomo Mitsui Banking Corporation	10,000	2.51	1	0.02
The Bank of Tokyo-Mitsubishi, Ltd.	6,756	1.70	2	0.03
Mellon Bank Treaty Clients Omnibus	6,712	1.69	-	-

Notes: 1. On April 8, 2004 (though the reporting obligation arose on March 31, 2003), Morgan Stanley Japan Limited and nine other joint holders 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, 2004). Meanwhile, the said report can be outlined as follows:

Name of substantial shareholders: Morgan Stanley Japan Limited and nine other joint holders

Number of shares held: 23,334 thousand shares

Shareholding ratio: 5.83%

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

2. On April 15, 2004 (though the reporting obligation arose on March 31, 2004), J.P. Morgan Trust Bank Limited and three 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, 2004).

Meanwhile, the said report can be outlined as follows:

Name of substantial shareholders: J.P. Morgan Trust Bank Limited and three other joint holders

Number of shares held: 31,908 thousand shares

Shareholding ratio: 7.99%

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

(1) Treasury stock at the end of the previous fiscal year

Common stock: 66,853 shares

(2) Treasury stock acquired

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

Common stock: 19,488 shares

Total acquisition price: 10,115 thousand yen

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(3) Treasury stocks disposed of Common stock: 1,682 shares
Total disposal price: 931 thousand yen

(4) Treasury stock at the end of this fiscal year
Common stock: 84,659 shares

4. Employees

Classification	Number of employees	Increase (decrease) from the end of the previous year	Average age	Average of working years
Male	1,963	(81)	40.0	16.5
Female	427	(41)	32.9	11.2
Total or average	2,390	(122)	38.7	15.6

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.	9,700	12,349	3.10
Sumitomo Mitsui Banking Corporation	9,600	10,000	2.51
The Bank of Tokyo-Mitsubishi, Ltd.	9,600	6,756	1.70
UFJ Bank Limited	7,100	3,301	0.83
Mizuho Corporate Bank, Ltd.	6,800	3,220	0.81

6. Principal consolidation

(1) Principal subsidiaries

Name	Paid-in capital	Voting rights ratio	Main business lines
NMB Thai Ltd.	1,200,000 thousand Thai baht	100.0%	Manufacture and sales of bearings
Pelmec Thai Ltd.	1,100,000 thousand Thai baht	100.0%	Manufacture and sales of bearings
Minebea Thai Ltd.	8,381,818 thousand Thai baht	100.0%	Manufacture and sales of keyboards, motors and others
Power Electronics of Minebea Co., Ltd.	1,610,000 thousand Thai baht	100.0% (13.9%)	Manufacture and sales of electronic devices and components
NMB (USA) Inc.	311,093 thousand U.S. dollars	100.0%	Holding company
NMB Technologies Corporation	6,800 thousand U.S. dollars	100.0% (100.0%)	Sales of bearings, electronic devices and others
New Hampshire Ball Bearings, Inc.	94,000 thousand U.S. 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
Minebea Electronics & Hi-Tech Components (Shanghai) Ltd.	239,060 thousand U.S. dollars	100.0%	Manufacture and sales of bearings and electronics devices

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Minebea (Hong Kong) Ltd.	40,000 thousand HK dollars	100.0%	Sales of bearings and electronic devices
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- Notes: 1. Figures in parentheses for the voting rights ratio in the above table show the ratio of indirect ownership.
2. As NMB Thai Ltd. and Minebea (Hong Kong) Ltd. have increased their importance, both firms have been listed as principal subsidiaries from this fiscal year.

(2) Progress in consolidation

In August 2003, the Company and Matsushita Electric Industrial Co., Ltd. (hereinafter called “Matsushita”), signed a basic agreement to establish a joint venture in information equipment motors in four categories— fan motors, stepping motors, vibration motors and direct current (DC) brush motors. In December 2003, the Company and Matsushita signed a business integration agreement. On April 1, 2004, a new company, Minebea-Matsushita Motor Corporation, was established. The company will hold a 60% share and Matsushita a 40% share in the new company.

(3) Results of consolidation

The number of consolidated subsidiaries is 46, and the number of affiliates to which the equity method for consolidation is applied is 2.

Consolidated sales and consolidated net profit for the year under review were 268,574 million yen and 6,019 million yen, respectively.

7. Major offices and factories

Name	Location
Head Office/Karuizawa Factory	Nagano Prefecture
Tokyo Head Office	Tokyo
Hamamatsu Factory	Shizuoka Prefecture
Fujisawa Factory	Kanagawa Prefecture
Omori Factory	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, 2004)
Representative Director, President and Chief Executive Officer	Tsugio Yamamoto	
Director, Senior Managing Executive Officer	Yoshihisa Kainuma	Member of Tokyo Office Administration Executive Council; in charge of Personnel & General Affairs, Logistics and Procurement
Director, Senior Managing Executive Officer	Takayuki Yamagishi	General Manager of Engineering Headquarters
Director, Senior Managing Executive Officer	Rikuro Obara	General Manager of Manufacturing Headquarters; General Manager of Karuizawa Manufacturing Unit
Director, Senior Managing Executive Officer	Ryusuke Mizukami	Member of Tokyo Office Administration Executive Council; in charge of Corporate Planning, Information Systems and Environment Management
Director, Senior Managing Executive Officer	Kenji Senoue	Member of Tokyo Office Administration Executive Council; in charge of Strategy Planning
Director, Senior Managing Executive Officer	Tosei Takenaka	President and Representative Director, Minebea-Matsushita Motor Corporation
Director, Managing Executive Officer	Koichi Dosho	General Manager of Sales Headquarters, European & American Regional Sales Headquarters, European Region Operations
Director	Atsushi Matsuoka	President and Representative Director, Keiaisha Co., Ltd.
Director	Chanchai Leetavorn	Chairman, Asia Credit Plc.
Corporate Auditor (Standing)	Shinichi Mori	
Corporate Auditor (Standing)	Yoshinori Amano	
Corporate Auditor	Mitsuo Ichikawa	Senior Managing Director, Keiaisha Co., Ltd.
Corporate Auditor	Isao Hiraide	Certified Public Tax Accountant

- Notes: 1. Mr. Isao Hiraide was newly elected as Corporate Auditor at the 57th Ordinary General Meeting of Shareholders held on June 27, 2003.
2. Messrs. Masahito Saigusa, Senior Managing Director; Takashi Yamaguchi and Tomihiro Maruta, Managing Directors; Sadao Sawamura, Akihiro Hirao, Sadahiko Oki, Takuya Naka, Yukio Shimizu, Masayoshi Yamanaka, Shunji Mase, Hiroharu Katogi, Susumu Fujisawa, Masamitsu Osada, Akio Okamiya and Tomeshiro Takeuchi, Directors; and Toshiro Uchida, Corporate Auditor, retired at the conclusion of the 57th Ordinary General Meeting of Shareholders held on June 27, 2003.
3. Messrs. Atsushi Matsuoka and Chanchai Leetavorn are the independent Directors provided in Article 188, Paragraph 2, Item (7)-2, of the Commercial Code.
4. Messrs. Mitsuo Ichikawa and Isao Hiraide 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.

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Balance Sheet
(As of March 31, 2004)

(Unit: millions of yen)

Assets	
Item	Amount
Current Assets	126,841
Cash and cash equivalents	7,886
Notes receivable	5,104
Accounts receivable - trade	45,905
Purchased goods	2,781
Goods in transit	1,279
Finished goods	1,142
Raw materials	2,065
Work in process	2,546
Supplies	141
Prepaid expenses	380
Short-term loans receivable from affiliates	49,205
Accounts receivable - other	3,747
Temporary advance	7
Deferred tax assets	3,056
Others	1,621
Allowance for doubtful receivables	(33)
Fixed Assets	239,731
Tangible fixed assets	30,743
Buildings	10,767
Structures	609
Machinery and equipment	6,064
Vehicles	13
Tools, furniture and fixtures	2,029
Land	11,103
Construction in progress	155
Intangible fixed assets	841
Leasehold rights and other intangibles	841
Investments and other assets	208,146
Investments in securities	6,831
Investment securities in affiliates	160,437
Investments in partnerships	0
Investments in partnerships with affiliates	33,154
Long-term loans receivable	14
Long-term loans receivable from employees	10
Long-term loans receivable from affiliates	8,506
Reorganization claim in bankruptcy, and others	41
Long-term prepaid expenses	636
Deferred tax assets	7,164
Others	531
Allowance for doubtful receivables	(9,180)
Deferred Assets	45
Bond issuance expenses	45
Total Assets	366,618

Note: Amounts less than one million yen are omitted.

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(Unit: millions of yen)

Liabilities	
Item	Amount
Current Liabilities	132,895
Notes payable	3,437
Accounts payable—trade	26,095
Short-term loans payable	51,251
Commercial paper	4,000
Current portion of long-term loans payable	4,000
Current portion of bonds	10,000
Current portion of convertible bonds	27,080
Accounts payable—other	2,932
Accrued income taxes	69
Accrued expenses	1,003
Advances from customer	1
Deposits received	367
Deferred income	6
Accrued bonuses	1,853
Notes payable for equipment	169
Others	625
Long-Term Liabilities	51,334
Bonds	28,000
Bonds with warrants	4,000
Long-term loans payable	19,000
Allowance for retirement benefits	311
Allowance for retirement benefits to executive officers	22
Total Liabilities	184,229
Shareholders' Equity	
Common stock	68,258
Additional paid-in capital	94,756
Capital reserve	94,756
Retained earnings	17,772
Earned surplus	2,085
Voluntary reserve	11,500
General reserve	11,500
Unappropriated retained earnings	4,187
Difference on revaluation of other marketable securities	1,647
Treasury stock	(46)
Total Shareholders' Equity	182,389
Total Liabilities and Shareholders' Equity	366,618

Note: Amounts less than one million yen are omitted.

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Profit and Loss Statement
(From April 1, 2003, through March 31, 2004)

(Unit: millions of yen)

Item			Amount	
Ordinary Income and Expenses	Operating income and expenses	Operating income		185,105
		Net sales	185,105	
		Operating expenses		180,753
		Cost of sales	159,186	
		Selling, general and administrative expenses	21,567	
		Operating income		4,351
	Other income and expenses	Other income		11,440
		Interest income	872	
		Dividends received	9,853	
		Rent income on fixed assets	322	
Others		391		
Other expenses			2,448	
Interest and discount charges		622		
Interest on bonds		1,144		
Amortization on bond issue costs		26		
Foreign currency exchange loss	288			
	Others	366		
	Ordinary income		13,343	
Extraordinary Income and Loss	Extraordinary income			1,054
		Gain on sales of fixed assets	96	
		Gain on sales of investments in securities	881	
		Reversal of allowance for doubtful receivables	75	
	Extraordinary loss			10,157
		Loss on sales of fixed assets	118	
		Loss on sales of investments in securities in affiliates	2	
		Allowance for doubtful receivables	5,580	
		Loss on revaluation of investments securities in affiliates	2,904	
		Loss on liquidation of the business of switching power supplies, inductors and transformers, etc	209	
		Loss for after-care of products	110	
		Retirement benefit expense	493	
		Special severance payment	307	
	Retirement benefits to directors and corporate auditors	431		
Income before Income Taxes				4,240
Income taxes (including enterprise tax)				1,057
Adjustment of income taxes				916
Total income taxes				1,973
Net Income				2,266
Retained earnings brought forward from the previous year				1,920
Loss on disposal of treasury stock				0
Unappropriated retained earnings at end of year				4,187

Note: Amounts less than one million yen are omitted.

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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 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 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 is calculated according to the standards equivalent with those specified 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.

Long-term prepaid expenses:

Straight line method.

(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.

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

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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 the Extraordinary Loss.

The difference resulting from mathematical calculations is recorded as expense on a straight-line basis for a certain period (5 years) starting from the year following the year in which such difference arose.

Allowance for retirement benefits for Executive Officers:

To provide against payment of retirement allowances to Executive Officers, the amount that is recognized to be necessary at the end of the current fiscal year according to our internal regulations is shown.

(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 are 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) Other significant matters for preparation of the financial statements

Consumption taxes and other related taxes are excluded from revenues and purchases of the Company. For the current fiscal year, our accounting documents are prepared in accordance with the Commercial Code Enforcement Regulation (Ordinance No. 23, Ministry of Justice dated March 30, 2004). Our financial statements are documented according to Article 197, of said regulation, and the terms or forms of our balance sheet and profit/loss statement are based on the “Regulation for Terminology, Formation and Method of Preparation of Financial Statements, etc.” (Ordinance No. 59, Ministry of Finance, 1963).

2. Receivables from and payable to affiliates

Short-term receivables: (excluding short-term loan receivable from affiliates)	31,731 million yen
Short-term payables:	21,641 million yen

3. Accumulated depreciation of tangible fixed assets 49,711 million yen

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

5. Guarantees 29,149 million yen

6. 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

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7. Net assets is 1,647 million yen stipulated in Section 3 of Article 124 of the Implementing Regulations for the Commercial Code

8. Sales to affiliates 118,951 million yen

9. Purchase from affiliates 124,664 million yen

10. Amount of non-operating transactions with affiliates 17,824 million yen

11. 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 8,974 million yen.

12. Net income per share 5.68 yen
As you see from the statements of income, our net income amounts to 2,266 million yen. The net income applicable for the calculation of per-share net income involving common stock also amounts to 2,266 million yen. The number of common stocks used to figure the per-share net income amounts to 399,090 thousand shares on average during this fiscal year.

13. Tax effect accounting

(1) Breakdown by cause of the deferred tax assets and deferred tax liabilities;

(Deferred tax assets)	
Excess over the maximum tax-deductible amount of accrued bonuses	722 million yen
Excess over the maximum tax-deductible amount of accrued retirement allowance	65
Evaluation loss on investment securities	1,519
Evaluation loss on investment securities in affiliates	2,467
Excess over the maximum tax-deductible amount of allowance for doubtful receivables	3,575
Loss carried forward	951
Deduction of foreign corporation tax carried forward	1,539
Others	<u>436</u>
Total deferred tax assets	<u>11,274</u>
(Deferred tax liabilities)	
Evaluation difference on other investment securities	<u>1,054</u>
Total deferred tax liabilities	<u>1,054</u>
Net deferred tax assets	<u>10,220</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:

Statutory effective tax rate	39.0%
(Adjustment)	
Non-tax deductible item such as entertainment expense	1.6
Taxation on per capita basis of inhabitant tax, etc.	1.8
Deduction of foreign corporation tax carried forward	(12.5)
Tax from amended tax return	14.7
Difference from amended legal effective tax rate	2.5
Others	<u>(0.6)</u>
Actual rate of corporate income tax, etc., after tax-effect accounting	<u>46.5</u>

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

The statutory effective tax rate applied for calculation of deferred tax assets was 40.0% for liquidity for the previous fiscal year. For this fiscal year, the rate is 39.0%. As a result, the deferred tax assets have decreased by 105 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.

(Translation)

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	9,069 million yen
(b) Pension assets	7,635
(c) Balance (a – b)	1,434
(d) Untreated amount of the difference at the time of the change of the accounting principle	477
(e) Unrecognized difference of mathematical calculations	663
(f) Allowance for retirement benefit (c – d – e)	294 (Note)

Note: On the Balance Sheet, a 17 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."

Breakdown of expense for retirement benefit:

Service expense	507 million yen
Interest expense	269
Expected investment income	188
Difference treated as expense at the time of the change of the accounting principle	493
Difference of mathematical calculations treated as expense	433

(3) Calculation basis for retirement benefit liabilities

Discount rate	2.5%
Expected investment income rate	2.5%
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 an extraordinary loss.)

(Translation)

Proposed Appropriation of Unappropriated Retained Earnings

(Unit: yen)

Item	Amount
I. Unappropriated retained earnings	4,187,524,850
II. The above amount is appropriated as follows: Dividends (7 yen per share)	2,793,581,252
III. Retained earnings carried forward to the next period	1,393,943,598

(Translation)

Certified Copy of the Report of the Auditors

AUDIT REPORT OF THE INDEPENDENT AUDITORS

May 10, 2004

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 58th fiscal year from April 1, 2003, to March 31, 2004, pursuant to Paragraph 1 of 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 that 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 is 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 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 Articles 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 12, 2004

To: Mr. Tsugio Yamamoto
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

Isao Hiraide (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 58th fiscal period from April 1, 2003, to March 31, 2004, 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 stock, and other matters.

2. Results of Audit

- (1) We certify that the auditing method of Shin Nihon & Co. and the results of its 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.

Furthermore, 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 Isao Hiraide are external corporate auditors as stipulated in Paragraph 1 of Article 18 of the Law for Special Exceptions to the Commercial Code Concerning 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, 2004)

(Unit: millions of yen)

Assets	
Item	Amount
Current Assets	138,953
Cash and cash equivalents	24,780
Notes and accounts receivable	58,241
Inventories	41,534
Deferred tax assets	6,554
Others	8,251
Allowance for doubtful receivables	(408)
Fixed Assets	175,916
Tangible fixed assets	148,457
Buildings and structures	92,881
Machinery and transportation equipment	181,630
Tools, furniture and fixtures	44,945
Land	16,135
Construction in progress	763
Accumulated depreciation	(187,897)
Intangible fixed assets	12,403
Consolidation adjustments	11,423
Others	980
Investments and other assets	15,055
Investment in securities	7,086
Long-term loans receivable	46
Deferred tax assets	6,167
Others	1,897
Allowance for doubtful receivables	(142)
Deferred Assets	45
Total Assets	314,915

Note: Amounts less than one million yen are omitted.

(Translation)

(Unit: millions of yen)

Liabilities	
Item	Amount
Current Liabilities	167,626
Notes and accounts payable	22,777
Short-term loans payable	72,195
Commercial paper	4,000
Current portion of long-term loans payable	6,367
Current portion of bonds	10,000
Current portion of convertible bonds	27,080
Accrued income taxes	2,638
Accrued bonuses	3,208
Reserve for environmental preservation expenses	989
Others	18,368
Long-Term Liabilities	52,743
Bonds	28,000
Bonds with warrant	4,000
Long-term loans payable	19,842
Allowance for retirement benefits	594
Allowance for retirement benefits to executive officers	22
Others	284
Total Liabilities	220,370
Minority Interest in Consolidated Subsidiaries	678
Shareholders' Equity	
Common stock	68,258
Additional paid-in capital	94,756
Retained earnings	2,755
Difference on revaluation of other marketable securities	1,647
Foreign currency translation adjustments	(73,505)
Treasury stock	(46)
Total Shareholders' Equity	93,866
Total Liabilities, Minority Interest in Consolidated Subsidiaries and Shareholders' Equity	314,915

Note: Amounts less than one million yen are omitted.

(Translation)

Consolidated Profit and Loss Statement
(From April 1, 2003, through March 31, 2004)

(Unit: millions of yen)

Item	Amount	
Net Sales		268,574
Cost of Sales		203,260
Gross Profit		65,313
Selling, General and Administrative Expenses		47,208
Operating Income		18,104
Other Income		
Interest income	111	
Dividend income	26	
Equity income of affiliates	3	
Others	1,147	1,289
Other Expense		
Interest expenses	3,213	
Foreign currency exchange loss	771	
Others	1,609	5,594
Ordinary Income		13,800
Extraordinary Income		
Revised loss on liquidation of affiliates in the previous the fiscal year	325	
Gain on sales of fixed assets	83	
Gain on sales of investments securities in affiliates	881	
Reversal of allowance for loss on liquidation of the business of switching power supplies, inductors and transformers, etc	441	1,732
Extraordinarily Loss		
Loss on sales of fixed assets	105	
Loss on disposal of fixed assets	642	
Loss for after-care of products	476	
Retirement benefit expense	610	
Special severance payment	307	
Retirement benefits to directors and corporate auditors	431	2,573
Income before Income Taxes		12,958
Income taxes (including enterprise tax)	4,411	
Adjustment of income taxes	2,798	7,210
Minority interest in earnings of consolidated subsidiaries (loss)		(271)
Net Income		6,019

Note: Amounts less than one million yen are omitted.