Business Results
First Half of Fiscal Year ending March 31, 2004
Minebea Co., Ltd

Tsugio Yamamoto
Representative Director,
President and Chief Executive Officer
November 14, 2003
Consolidated results for the first half of fiscal year ending March 2004 were net sales of 133.7 billion yen, operating income of 9.4 billion yen, ordinary income of 7.5 billion yen and net income of 2.7 billion yen. Compared to the same period of last fiscal year, which included the first quarter when business was particularly strong, sales and earnings declined, except for net income, which exhibited growth of 7.2%. However, income exceeded target made at the beginning of the first half.

Consolidated Results for First Half of Fiscal Year ending March 31, 2004

<table>
<thead>
<tr>
<th>(Millions of Yen)</th>
<th>Year ended Mar. '03</th>
<th>Year ending Mar. '04</th>
<th>Change</th>
<th>First Half Original Forecast</th>
<th>vs. Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>137,249</td>
<td>134,953</td>
<td>133,741</td>
<td>-2.6%</td>
<td>136,000</td>
</tr>
<tr>
<td>Operating Income</td>
<td>10,176</td>
<td>9,176</td>
<td>9,467</td>
<td>-7.0%</td>
<td>8,800</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>7,667</td>
<td>5,753</td>
<td>7,558</td>
<td>-1.4%</td>
<td>6,300</td>
</tr>
<tr>
<td>Income before Income Taxes</td>
<td>6,817</td>
<td>-6,322</td>
<td>6,299</td>
<td>-7.6%</td>
<td>5,600</td>
</tr>
<tr>
<td>Net Income</td>
<td>2,543</td>
<td>-4,977</td>
<td>2,726</td>
<td>+7.2%</td>
<td>2,500</td>
</tr>
</tbody>
</table>

First Half Income Exceeded Plans
Sales and Income Increased in the Second Quarter

Business condition in the first quarter remained sluggish. However, PC and other information and telecommunications equipment industry gradually began to show a recovery, and in the second quarter, orders for PC and HDD related products, and products for office automation and home electronics applications increased considerably. Despite negative impact by decline in unit price and yen appreciation, sales and income followed recovery path. Moreover, in the second quarter, product divisions, where we have been implementing measures for improvement of profitability, showed positive results.
The First Half
Net Sales and Operating Income by Segment

<table>
<thead>
<tr>
<th>(Millions of Yen)</th>
<th>1H</th>
<th>2H</th>
<th>1H</th>
<th>yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Net Sales]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machined components business</td>
<td>60,309</td>
<td>57,808</td>
<td>55,665</td>
<td>-7.7%</td>
</tr>
<tr>
<td>Bearing-related products</td>
<td>50,058</td>
<td>47,880</td>
<td>47,128</td>
<td>-5.9%</td>
</tr>
<tr>
<td>Other machined components</td>
<td>10,251</td>
<td>9,929</td>
<td>8,538</td>
<td>-16.7%</td>
</tr>
<tr>
<td>Electronic devices and components business</td>
<td>76,940</td>
<td>77,144</td>
<td>78,076</td>
<td>+1.5%</td>
</tr>
<tr>
<td>Rotary components</td>
<td>38,933</td>
<td>40,255</td>
<td>43,642</td>
<td>+12.1%</td>
</tr>
<tr>
<td>Other electronic devices</td>
<td>38,005</td>
<td>36,892</td>
<td>34,435</td>
<td>-9.4%</td>
</tr>
<tr>
<td>Total Net Sales</td>
<td>137,249</td>
<td>134,953</td>
<td>133,741</td>
<td>-2.6%</td>
</tr>
<tr>
<td>[Operating Income]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machined components business</td>
<td>9,163</td>
<td>9,356</td>
<td>9,178</td>
<td>+0.2%</td>
</tr>
<tr>
<td>Electronic devices and components business</td>
<td>1,013</td>
<td>-181</td>
<td>289</td>
<td>-71.5%</td>
</tr>
<tr>
<td>Total Operating Income</td>
<td>10,176</td>
<td>9,176</td>
<td>9,467</td>
<td>-7.0%</td>
</tr>
</tbody>
</table>

The improvement in the operating income of electronic devices and components segment was as a result of more than expected turnaround by the spindle motor business on the back of strong sales and lighting device business generating profit from August.

In the machined components segment, rod-end & spherical and other bearings for aircraft applications, fasteners for aircraft applications and defense-related special machinery components exhibited weaker earnings than we had previously forecast.

Nevertheless, total operating income was 9.4 billion yen, 6 billion yen more than original plan of 8.8 billion yen.
This slide shows sales and income by segment on quarterly basis.
Sales of ball bearings, our mainstay product, in the first half was 33 billion yen, a 5% decline from the same period of the last fiscal year. Shipments of miniature and small-sized ball bearings increased, however unit price fell.

Sales of rod-end and spherical bearings declined 9% from a year ago to 6.1 billion yen. Demand for commercial aircraft continues to be sluggish.

Sales of pivot assemblies declined 5% from a year ago to 8 billion yen. Sales volume expanded considerably in the second quarter on the back of recovery of HDD market. However, unit price, which appeared to have stabilized in the first quarter, declined with slightly accelerated rate in the second quarter.

Sales of other machined components business declined 17% to 8.5 billion yen. This is attributable to decline in sales of fasteners for aircraft application and defense-related special machinery components, affected by stagnant demand, and sales decline at IMC Magnetics Corp., the business of which was sold at the end of July.
Sales of rotary components business expanded further in the first half. Sales increased 12% from the same period last fiscal year to 43.6 billion yen. Shipments of fan motors and HDD spindle motors reached a new high.

Sales of spindle motors increased 35% to 20.8 billion yen. We increased shipments of FDB motors for 3.5inch desktop HDDs owing to higher demand and strong business at our main customers.

Sales of fan motors increased 3% to 13.1 billion yen in the first half. Shipment volume is on an increasing trend, however, unit price fall and change in product mix, due to increased shipments for game applications, sales growth in the second quarter was limited.

First half sales of stepping motors declined 10% to 9.7 billion yen. Hybrid type remained at a stable level, however, PM type was affected by stagnant demand from ODD (optical disk drive) industry and overall price drop in the first quarter.
Sales of other electronic devices business were 34.4 billion yen in the first half, a decline of 3.6 billion yen from the same period of the last fiscal year. However, 2.5 billion yen of this decline was 1.7 billion yen in sales of FDD subassembly business, which was terminated during last fiscal year, and 0.8 billion yen in sales of switching power supplies and related businesses, which are scheduled to end this fiscal year.

First half sales of keyboards declined 16% to 11.4 billion yen. Second quarter sales increased helped by recovery in demand and end of inventory adjustment at our customers. However, accelerated price competition and loss in market share, which was attributable to delay in start of production at the new factory in China, caused sales to be below plan.

Sales of electronic devices division declined 18% to 7 billion yen but excluding decline in sales of FDD subassembly business, which was terminated during last fiscal year, sales of this division increased. The largest driver for the growth was lighting devices. The business got under way toward expansion as our high performance backlight received good recognition by customers and mass production for main mobile phone models began.
Operating income margin has been improving since 4Q of the previous fiscal year. Operating income margin is estimated to exceed 8% in the second half.

Total operating income margin has been on a recovery. The margin in the second quarter was 7.7%, an improvement from the fourth quarter of the last fiscal year when the margin was 5.5%. We plan to expand margin to more than 8% in the second half.
In the second quarter, sales of main products for PC, HDD, office automation equipment such as multi-function copiers grew compared to the first quarter. Sales growth of lighting devices for mobile phone application also lifted sales for office automation category.

On the other hand, the decline in sales for home electronics applications was due to seasonal decline in demand from air conditioner industry for ball bearings and lower sales of switching power supplies for air conditioners.

By region, sales in Asia region continued to grow. In the second quarter, sales in Greater China region continued to grow by more than 10%.

### Sales by user industry

<table>
<thead>
<tr>
<th></th>
<th>Automobile</th>
<th>Aerospace</th>
<th>Home electronics</th>
<th>Office automation</th>
<th>PC and PC related equipment</th>
<th>Motors</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Sales</td>
<td>7.6%</td>
<td>8.7%</td>
<td>9.8%</td>
<td>10.7%</td>
<td>45.7%</td>
<td>5.6%</td>
<td>12.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Change qoq</td>
<td>+3.4%</td>
<td>-12.4%</td>
<td>-19.8%</td>
<td>+32.1%</td>
<td>+6.3%</td>
<td>+8.5%</td>
<td>-9.3%</td>
<td>+1.1%</td>
</tr>
</tbody>
</table>

*Comparison to 1Q.

### Sales by region

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>Asia (ex-Japan)</th>
<th>North and South America</th>
<th>Europe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Sales</td>
<td>24.4%</td>
<td>47.0%</td>
<td>17.0%</td>
<td>11.6%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Change qoq</td>
<td>-0.2%</td>
<td>+4.0%</td>
<td>+0.5%</td>
<td>-5.9%</td>
<td>+1.1%</td>
</tr>
</tbody>
</table>

*Comparison to 1Q.
A significant reduction of SGA was achieved in the second quarter. We are working to reduce expenses of all categories.
Capex in the first half amounted to 9.9 billion yen. Main areas of investment were keyboard's new factory in China and capacity expansion of ball bearings and pivot assemblies. We expect the full year capex to be 21 billion yen, a large reduction from the original plan of 27.5 billion yen, as a result of successful outcome of productivity measures at all product divisions.
Interest-bearing debt, net of cash and equivalent, at the end of the first half amounted to 155.7 billion yen, an increase from the end of March. Increase in accounts receivables, due to expanding sales, and increase in inventory were the reasons. We expect to exceed the original reduction target of 4.5 billion yen for the full year, help by reduced capex plan.
We made several important achievement in the second quarter. On August 27, we agreed with Matsushita Electric Industrial Co., Ltd. to establish a new joint venture company for information equipment motors. We are currently working to reach final agreement by December. I would like to explain details after the final agreement in December.
Keyboard's new factory in China began operation at the end of August. Production in November should reach 300,000 units. We intend to accelerate the shift from Thailand to China and bring production in China to 1 million units per month in March next year and complete transfer in mid 2005.

Profitability of keyboard operation has been weak this fiscal year due to upfront costs at SST and loss of market share. We aim to enhance competitiveness through cost reduction and reinforcement of marketing and logistics in the area of mass produced models while we reinforce technological capabilities for high-end model, and thus create a strong operational base that can sustain profitability.
Lighting device business is getting under way toward expansion. The shift from front light to back light has come out as a success and now most of new business is for back light.

We, as a late entrant into the backlight market, promoted development of products with performance that is superior to competitors’ products. We launched in the market back light with the highest level of brightness in the second half of last fiscal year, and then dual side back light. We have recently started mass production of corner LED back light. Early next year we intend to bring thin-type back light to mass production.

We aim to continue to expand market share further by promoting development of back light that goes ahead of the market.
Our strength is optical design technologies, development and manufacture of light guide by utilizing mold technologies, and development, design and manufacture of assembled units by utilizing vertically integrated manufacturing system.

Sales of lighting devices reached 3.7 billion yen in the first half, a significant growth from previous level. Our back light was selected for several main stream models of mobile telephones. Sales for digital cameras and PDAs are continuing to grow.

In the second half some products will end before the start of the next generation models, however, we expect sales of 6 billion yen, making the full year sales to exceed the plan of 9 billion yen. Improvement of yield and productivity in the second quarter, as well as sales level that goes above the breakeven level, should enable the division to generate stable profitability.
Progress of Measures for the Current Fiscal Year

Six measures

1. Expand and further strengthen **Ball Bearing** business
2. Improve profitability of **HDD Spindle Motor** business
3. Improve profitability of **Pivot Assemblies**
4. Improve profitability of **Other Electronic Device Products**
5. Further expand **Fan Motor** business
6. Terminate **Switching Power Supplies and Related businesses**

In May, we announced six important measures for improvement of profitability.
Progress of Measures for the Current Fiscal Year

Ball Bearings

Miniature and small-sized ball bearings

- Further progress in reducing production costs in 2Q, offsetting decline in unit price.
- Promoted further expansion of sales of ball bearings and cost reduction, aimed at realizing monthly sales and production target of 180 million units.
- Internal shipments continue to increase in the second half. External shipments are also expected to increase.
- Because of further progress in productivity efficiency, expenditure for increasing production by 30 million units per month is expected to be far below 5 billion yen. Timing for expenditure to be determined by assessing sales outlook.

Demand for ball bearings is expected to recover in the third quarter. Our shipments, including internal sales, reached more than 160 million units in October, setting the record high. The new season for air conditioners has started early this year due to reduced inventory level in China after heatwave. Sales for fan motors is also very strong from September on the back of PC recovery.

We continue to promote expansion toward 180 million units of sales and production. We are expanding market share in every area. We expect to see positive effect as demand rises.

Unit price was almost flat in the second quarter compared to the first quarter, however, compared to the last year, price is down by about 6%, partly affected by yen appreciation. However, unit production cost is being reduced at a pace that exceeds the rate of price decline. We continue to promote further cost reduction.

Because of further progress in productivity efficiency, expenditure for increasing production by 30 million units per month is expected to be far below 5 billion yen. Timing for expenditure to be determined by assessing sales outlook.
HDD spindle motor business turned profitable in September as a result of volume expansion, yield improvement and reduction in production costs of parts. We aim to stabilize profitability by continuing to reduce costs at a pace that exceeds the rate of price decline.

We expect average monthly sales of 6 million units in the third quarter. Sales of motors for servers and 1.8 inch HDDs is expected to expand in addition to FDB motors.

As for 2.5 inch FDB motors, we are working from angles. We are continuing to work on development of our in-house designed 2.5 inch FDB motors.

We decided to build an extension at PMDM, a subsidiary for development of motors in Germany, starting in the third quarter. More space for life test and design, development and manufacturing of automated production lines and development of new products is required.
Progress of Measures for the Current Fiscal Year

Other Products

- **Pivot Assemblies**
  - Shipments (partly include internal sales) in 3Q is expected to increase 15% compared to 2Q and reach more than 17 million units per month. Seek to maximize synergetic effect with ball bearings.

- **Other Electronic Device Products**
  - Solid improvement in profitability of stepping motors and electronic device was confirmed in 2Q. Further progress in 3Q.
  - Steadily expand lighting devices business. Solid profitability since August.

- **Fan Motors**
  - Shipment for the PC and server applications is expected to increase in 3Q.

- **Switching Power Supplies and Related Businesses**
  - Proceeding toward the withdrawal by the end of current fiscal year. Plan to terminate production at the end of 3Q.

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Sales is expanding considerably for pivot assemblies on the back of robust demand for HDDs. Shipments in the third quarter is estimated to expand 15% from the second quarter and monthly average shipments should exceed 17 million units. We intend to expand sales by seeking synergetic effect with ball bearings.

Of other electronic devices and components, measures are making progress for stepping motors and electronic devices.

For fan motors, we expect to increase sales for PC and server applications.

For switching power supplies and related businesses we expect to end business by the end of the fiscal year.
Outlook for the Second Half

- Operating environment from October onward
  - Business confidence is improving
  - Brisk demand for PC related products.
  - Demand for HDD is expected to increase further
  - All products except for PC applications are expected to grow in demand in 4Q.

- Full year business outlook
  - Recovering demand is a positive factor.
  - However, FX fluctuation have negative impact.
    - Net sales
      - Forecast announced in May: 280 billion yen
      - New forecast: 275 billion yen.
    - Operating income
      - No revision to full year forecast of 21 billion yen.

Further cost reduction of ball bearings and improvement in profitability for spindle motors and lighting devices as well as better demand environment should work positively in the second half.

In the fourth quarter we expect some fall in demand for products that are closely linked to PCs, however, for ball bearings increased demand for air conditioners and home electrical appliances should offset the fall in demand for PCs, and for HDDs, we expect to expand our customer base.

Effect of FX volatility is 8 billion yen on second half sales and 0.3 billion yen on operating profit. For this reason we now expect full year sales at 275 billion yen, 5 billion yen less from the original forecast, and operating profit to remain unchanged.
## Forecast for Fiscal Year ending March 31, 2004

<table>
<thead>
<tr>
<th>(Millions of Yen)</th>
<th>Year ended Mar. '03</th>
<th>----- Year ending Mar. '04 -----</th>
<th>Change</th>
<th>Full year revised est.</th>
<th>Revised est.</th>
<th>Original forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full year</td>
<td>1H</td>
<td>2H revised est.</td>
<td>Full year revised est.</td>
<td>yoy</td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>272,202</td>
<td>133,741</td>
<td>141,259</td>
<td>275,000</td>
<td>+1.0%</td>
<td>280,000</td>
</tr>
<tr>
<td>Operating Income</td>
<td>19,352</td>
<td>9,467</td>
<td>11,533</td>
<td>21,000</td>
<td>+8.5%</td>
<td>21,000</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>13,420</td>
<td>7,558</td>
<td>9,442</td>
<td>17,000</td>
<td>+26.7%</td>
<td>17,000</td>
</tr>
<tr>
<td>Income before Income Taxes</td>
<td>495</td>
<td>6,299</td>
<td>9,701</td>
<td>16,000</td>
<td>32x</td>
<td>16,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>-2,434</td>
<td>2,726</td>
<td>5,774</td>
<td>8,500</td>
<td>-</td>
<td>8,500</td>
</tr>
</tbody>
</table>

November 14, 2003
## Forecast for Net Sales and Operating Income by Segment

### (Millions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>Year ended Mar. '03</th>
<th>Year ending Mar. '04</th>
<th>Change</th>
<th>Full year</th>
<th>Original forecast</th>
<th>vs. forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>2H</td>
<td>Full year</td>
<td>yoy</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>[Net Sales]</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machined components business</td>
<td>118,117</td>
<td>55,665</td>
<td>59,335</td>
<td>111,500</td>
<td>-2.6%</td>
<td>115,000</td>
</tr>
<tr>
<td>Bearing-related products</td>
<td>97,938</td>
<td>47,128</td>
<td>50,272</td>
<td>97,400</td>
<td>-0.5%</td>
<td>94,250</td>
</tr>
<tr>
<td>Other machined components</td>
<td>20,180</td>
<td>8,538</td>
<td>9,062</td>
<td>17,600</td>
<td>-12.8%</td>
<td>20,750</td>
</tr>
<tr>
<td>Total Net Sales</td>
<td>154,235</td>
<td>113,325</td>
<td>141,259</td>
<td>275,000</td>
<td>+3.8%</td>
<td>165,000</td>
</tr>
<tr>
<td><strong>[Operating Income]</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machined components business</td>
<td>18,519</td>
<td>9,178</td>
<td>10,322</td>
<td>19,500</td>
<td>+5.3%</td>
<td>19,600</td>
</tr>
<tr>
<td>Electronic devices and components business</td>
<td>832</td>
<td>289</td>
<td>1,211</td>
<td>1,500</td>
<td>+80.3%</td>
<td>1,400</td>
</tr>
<tr>
<td>Total Operating Income</td>
<td>19,352</td>
<td>9,467</td>
<td>11,533</td>
<td>21,000</td>
<td>+8.5%</td>
<td>21,000</td>
</tr>
</tbody>
</table>

*November 14, 2003*
Any statements in the presentation which are not an historical fact are future projections made based on certain assumptions and our management's judgment drawn from currently available information.

Please note that actual performance may vary significantly from any particular projection, due to various factors.

Factors affecting our actual performance include: (i) changes in economic indicators surrounding us or demand trends; (ii) fluctuation of foreign exchange rates or interest rates; and (iii) our ability to continue R&D, manufacturing and marketing in a timely manner in the electronics business sector, where technological innovations are rapid and new products are launched continuously. However, this is not a complete list of the factors affecting actual performance.