

# MINEBEA

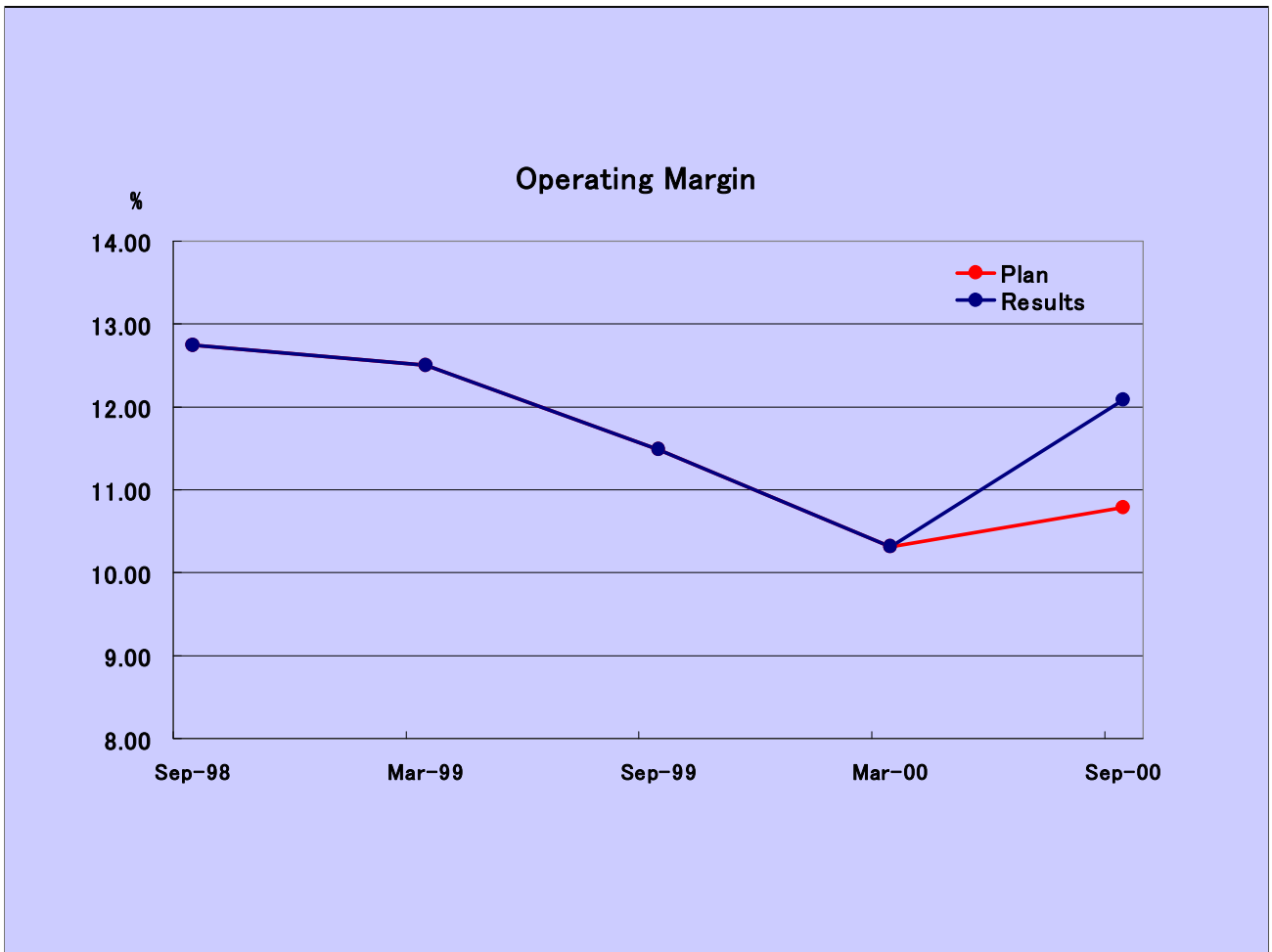
## Financial Review

**Tsugio Yamamoto**  
**President and**  
**Representative Director**  
**November 10, 2000**

**FY 2000 Half Year  
Consolidated Financial Highlights  
Plan and Result**

	¥millions /\$thousands (\$1=¥106.84)		
	Plan	Result	Achievement
<b>Net Sales</b>	¥139,000 (\$1,301,011 )	¥142,124 (\$1,330,251 )	2.25%
<b>Operating Income</b>	¥15,000 (\$140,397 )	¥17,177 (\$160,773 )	14.51%
<b>Ordinary Income</b>	¥10,000 (\$93,598 )	¥12,987 (\$121,556 )	29.87%
<b>Net Income</b>	¥6,000 (\$56,159 )	¥7,084 (\$66,305 )	18.07%

Minebea's performance for the first half of the fiscal year ended on September 30, 2000 is shown above. Net sales exceeded the projection by 2.25%, while operating income topped the projection by 14.51%, ordinary income soared 29.87% above the projection, and net income rose as high as 18.07% above the target.



The ratio of operating income to net sales improved by 1.2% to 12.1% compared with 10.9% in the preceding year.

## Performance By Product Category

Millions of Yen

		Sep-99	→	Sep-00
<b>Machinery Components</b>	Net Sales	64,515	→	60,953
	Operating Margin	*17.2%	→	19.7%
<b>Electronic Devices and Components</b>	Net Sales	73,324	→	75,472
	Operating Margin	*5.6%	→	6.2%
<b>Consumer and Others</b>	Net Sales	5,325	→	5,699
	Operating Margin	*7.5%	→	9.3%
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<b>Total</b>	Net Sales	143,164	→	142,124
	Operating Margin	*10.9%	→	12.1%

\* Result in Fiscal Year Ended 31 March 2000

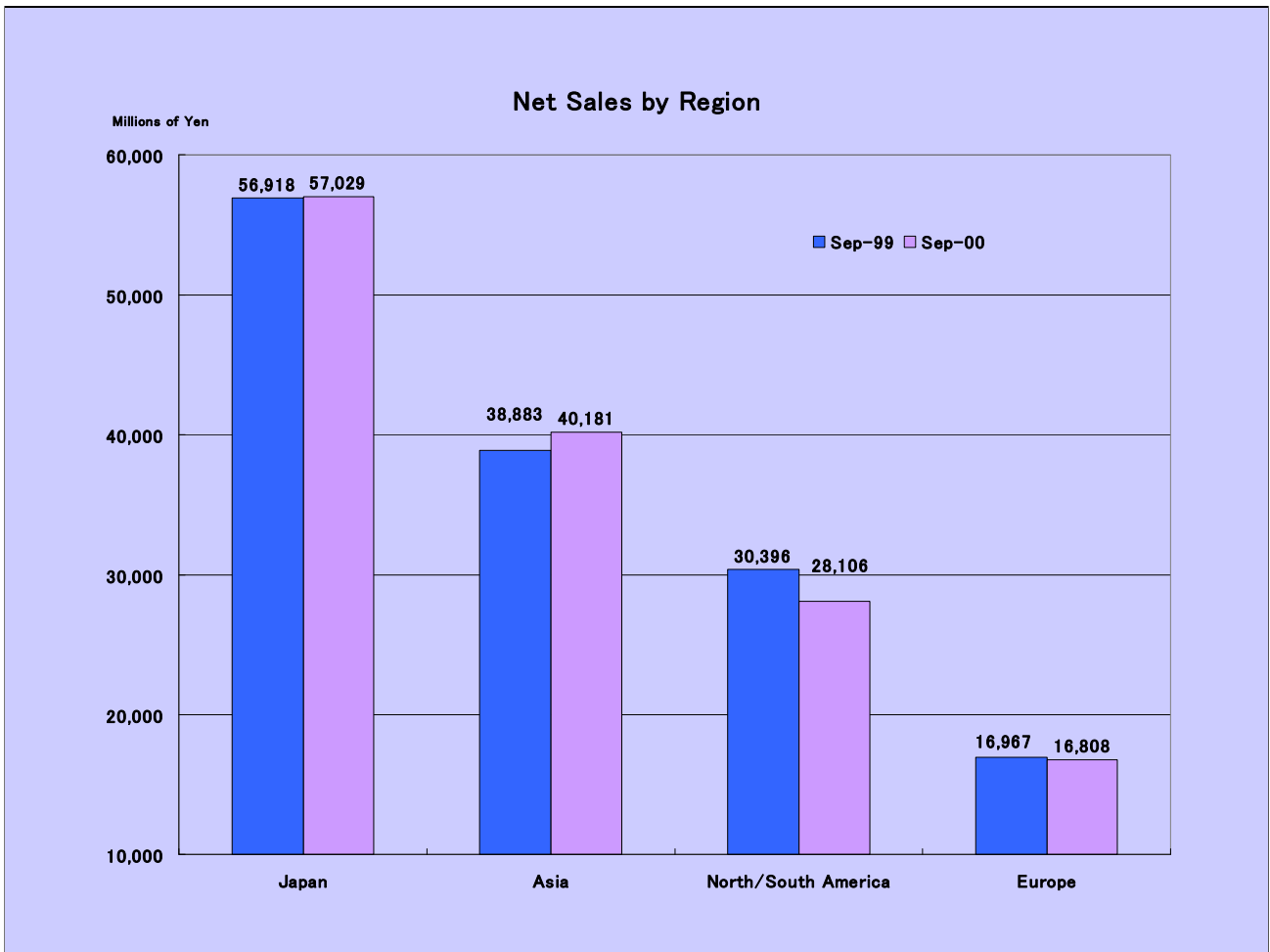
### <Machinery Components>

Net sales decreased by 3.562 billion Yen compared with the same period of the previous year. This is mainly because the high value of the yen decreased overseas net sales when converted into Japanese currency. Increased production of bearings favorably affected operating income, and the ratio of operating income to net sales rose 2.5% to 19.7% over the average ratio of operating income to net sales recorded in the preceding year.

### <Electronic Devices and Components>

Net sales, though negatively affected by the appreciation of the yen, increased by 2.148 billion Yen compared with the same period of the previous year. In addition, the ratio of operating income to net sales improved 0.6% over the average ratio of operating income to net sales during the preceding year

The reasons for the improved ratio of operating income to net sales for electronic devices and components are that the Spindle Motor Division has turned profitable since June, that the profit ratio of electronic devices such as FDD heads improved, and that we have managed to maintain the average unit selling prices of such products as keyboards and speakers.



#### <Southeast Asia>

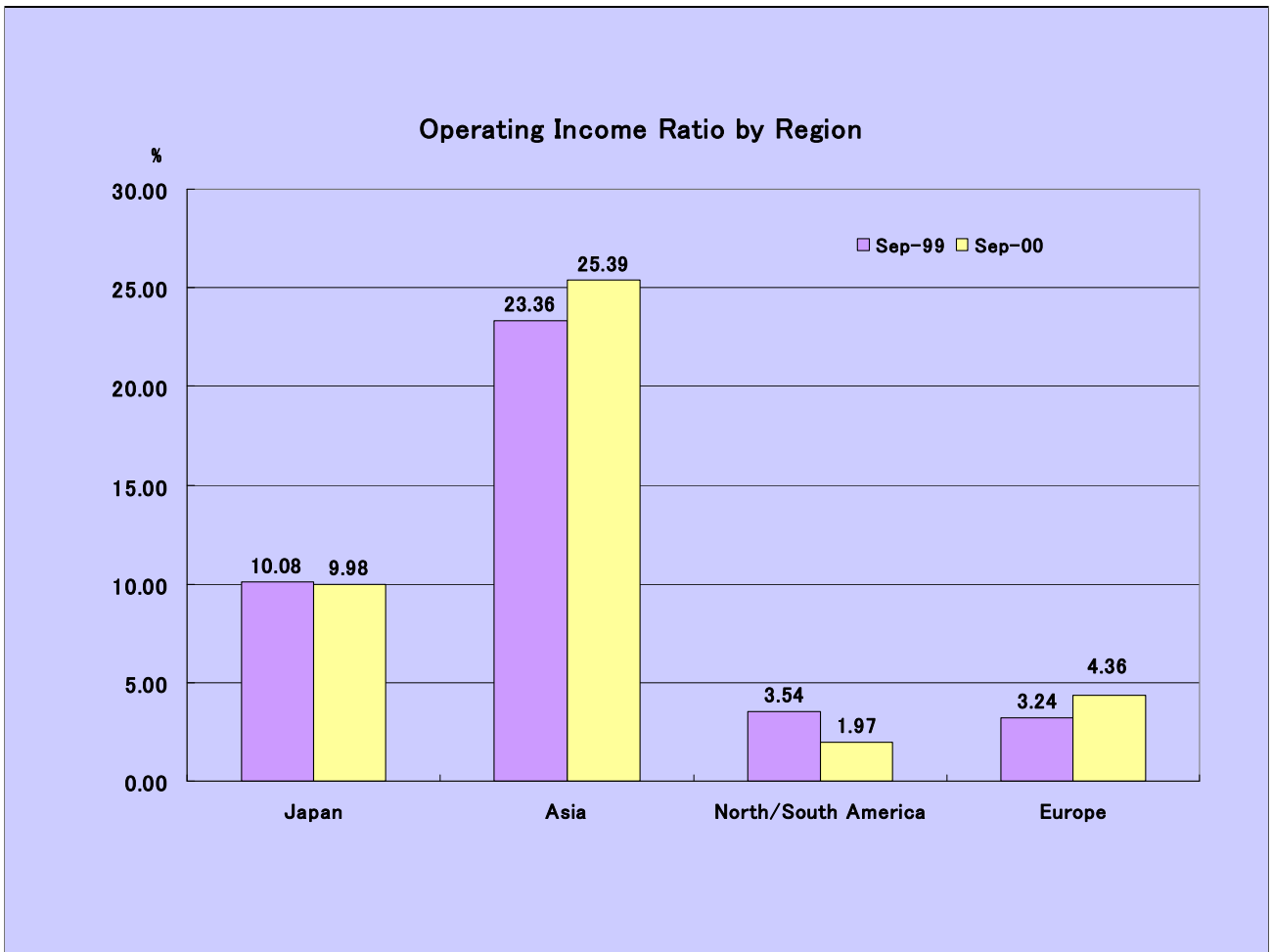
Net sales in this region went up by 1.298 billion Yen from the level in the corresponding period of the previous year. Also, the ratio of operating income to net sales rose more than 2% from the level posted in the same period of the preceding year.

We anticipate production shift by our customers to Southeast Asia will continue in the future. Since we have the largest production base in the center of the Southeast Asian market including Thailand, our competitive edge will be enhanced in proportion to an increase of sales in this region

#### <Japan>

Because many of Minebea's customers in Japan shifted their production to overseas, sales in Japan from these customers declined. However, through sales efforts Minebea achieved increased net sales in Japan compared with the same period of the preceding year.

The ratio of operating income to net sales in Japan during the first half of the current fiscal year was below 10% at 9.98%. Minebea's ratio of operating income to net sales is somewhere around 10% in Japan.



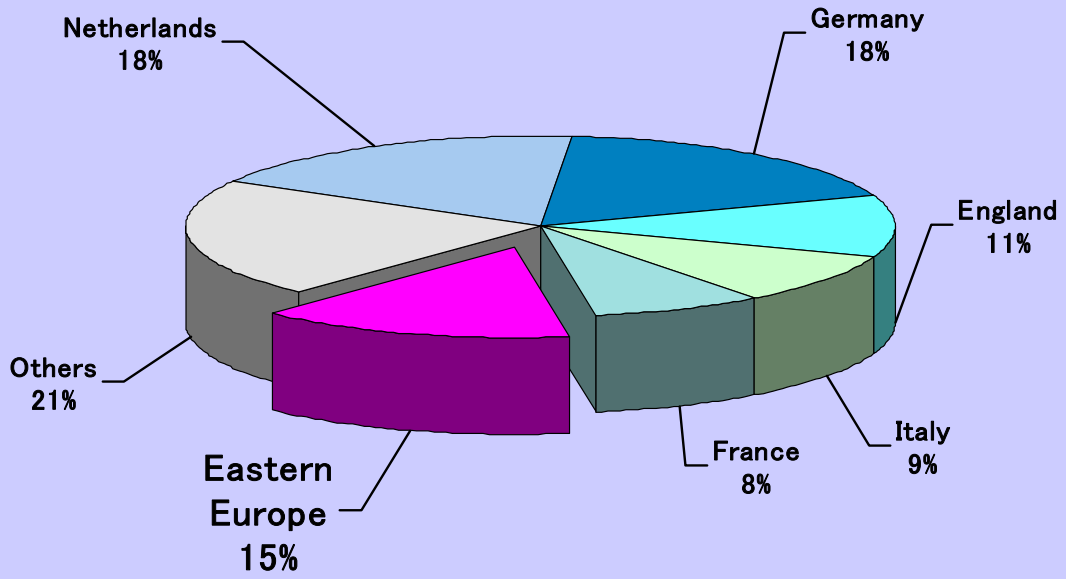
**<United States>**

Net sales declined by about 2.2 billion Yen from the level during the same period of the preceding year, and the ratio of operating income to net sales came down to about 2%. This is mainly attributable to the low demand from the aerospace industry and the high value of the yen that decreased the amount of net sales when converted into yen. Demand from the aerospace industry is gradually picking up since August this year.

**<Europe>**

Affected by the appreciation of the yen, net sales decreased by 0.159 billion Yen from the level in the corresponding period of the preceding year. However, net sales in the local currency increased. Our business is growing especially in Eastern Europe. The latest data show that sales in Eastern Europe account for about 15% of the total sales in Europe.

## Sales Share of Europe - Results of Sep-00 -



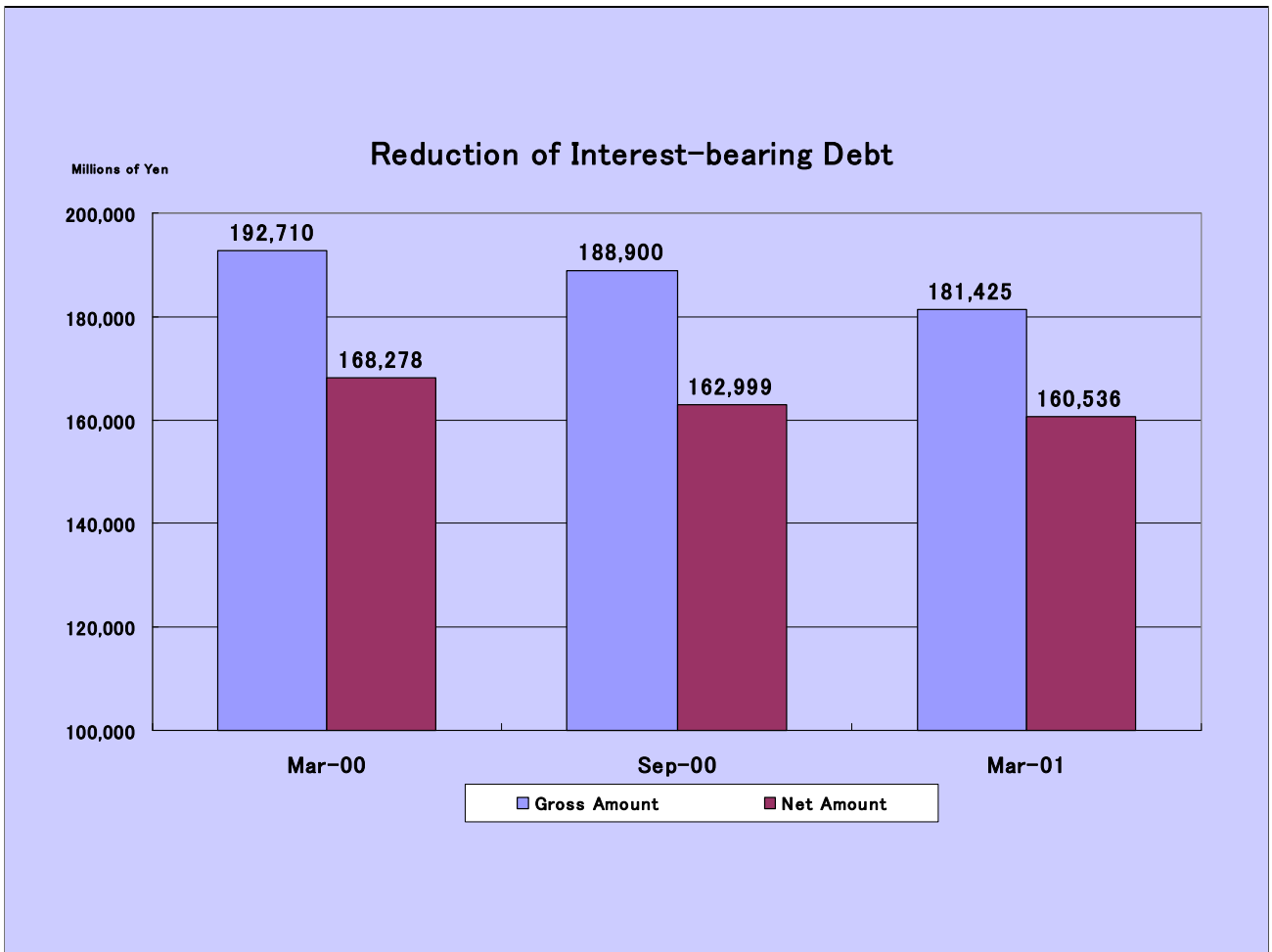
**FY 2000  
Consolidated Financial Highlights**

¥ millions/\$thousands  
(\$1=¥106.84)

	1st Half (Result)	2nd Half (Plan)	Revised Plan	Original Plan
<b>Net Sales</b>	142,124 (\$1,330,250 )	151,000 (\$1,413,328 )	293,124 (\$2,743,579 )	290,000 (\$2,714,339 )
<b>Operating Income</b>	17,177 (\$160,773 )	18,000 (\$168,476 )	35,177 (\$329,249 )	33,000 (\$308,873 )
<b>Ordinary Income</b>	12,987 (\$121,556 )	14,000 (\$131,037 )	26,987 (\$252,593 )	24,000 (\$224,635 )
<b>Net Income</b>	7,084 (\$66,305 )	8,000 (\$74,878 )	15,084 (\$141,183 )	15,000 (\$140,397 )

Minebea was able to achieve the first-half results well above its projections. However, for the second-half projections, the Company presently sees no need for upward adjustments and will maintain the figures as originally planned.

Net income, however, is projected to be less by 1.0 billion Yen than what was announced at the presentation of the business results for the previous business term. This is because Minebea estimates an expense of about 1.0 billion Yen in connection with the termination of its exclusive distributorship agreement with Keiaisha NMB Co., Ltd. effective the end of December 2000 that was made public on June 30, 2000.



During the first half of the current year, increased production of bearings and other products raised inventories by about 5.0 Yen billion over the level at the end of the preceding term. In addition, capital investment was implemented much earlier than planned. Despite these factors, Minebea was able to reduce the net balance of its interest-bearing debt to 162.999 billion Yen at the end of this September, down 5.279 billion Yen from the level at the end of the previous year.

## Outline of Incentive Warrant

**Purpose :**

**To raise the sense of commitment of middle management members to achieve the three-year management plan.**

**Grantees : About 980 directors and middle management members worldwide.**

**Exercise Price : ¥ 1,350**

**Exercise Period : May 20, 2004 ~ September 30, 2000**

**Number of shares issued by exercise of warrants :**

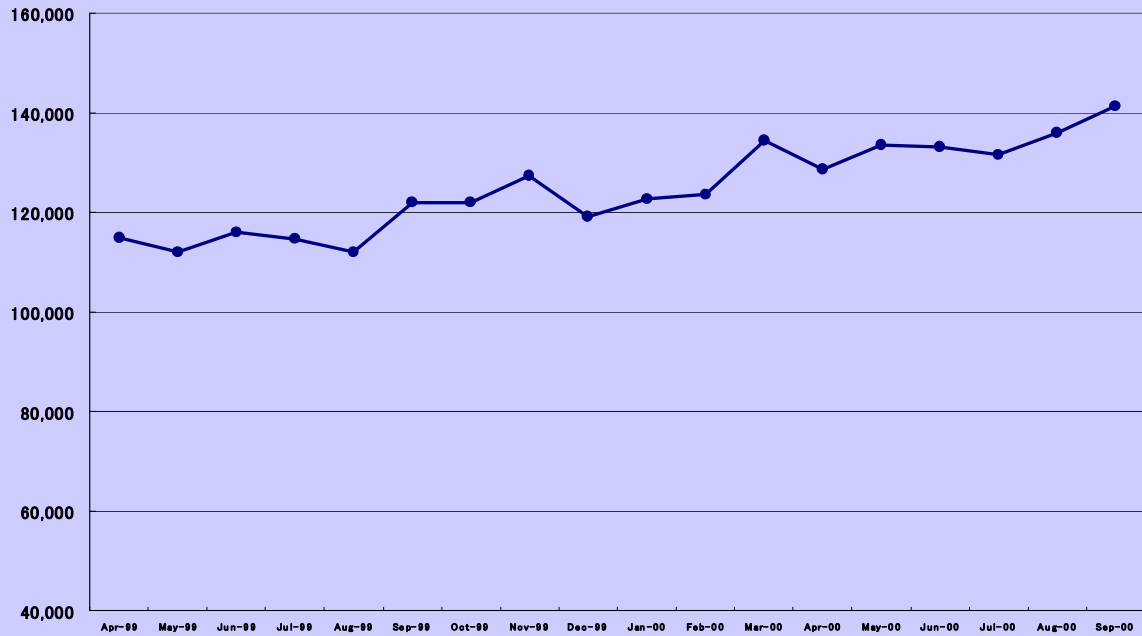
**2,960 thousand shares (0.7% of issued**

Minebea introduced an incentive system based on stock option plan on November 1, 2000.

Minebea has decided to grant stock options to its assistant section managers and those members in higher positions as well as officers and directors, and also to selected officers and directors and certain executive members of Minebea's overseas subsidiaries. The total number of optionees is expected to be about 980. Minebea has thus shaped a wide-ranging stock option plan. This is because Minebea considers it indispensable to raise the sense of commitment of all these middle management members in order to endeavor toward the fulfillment of the three-year management plan on an across-the-board basis.

## Production Quantity of Ball Bearing

Sales Quantity: thousand pcs



### <Bearings>

In the three-year plan, production for the current year is projected to be 0.133 billion pieces per month on the average. With our plan to increase production capacity to 0.15 billion pieces per month within this year, we projected more production in the second half. However, the first-half results show that Minebea has already achieved the monthly average production of 0.135 billion pieces.

Equipment installation being in progress as scheduled in accordance with the planned increase of production to 0.15 billion pieces per month, Minebea thinks that the total production throughout the current year will be well over 1.6 billion pieces.

## Fan Motor

### Production Quantity

5~ 6 million per month ⇒ 10 million per month

### Construction of a New Plant

Construction of a New Plant in Shanghai will be completed in July 2001. This new plant is mainly for production of fan motors and partially for ball bearing parts such as rubber seals.

(Total investment amount will be 4.8 billion yen)

### New Applications

- Chip-cooling fans with heat sinks
- Large-sized fans and fan trays for  
telecommunications equipment

#### <Fan Motors>

Demand is presently soaring for chip-cooling fans with heat sinks and large fans and fan trays for telecommunications equipment. As a result, monthly production of fan motors has far exceeded 5-million units level.

Minebea has decided to construct a new facility next to its fan motor production facility in Shanghai. The new building is scheduled for completion in July 2001. The new facility will house equipment for increased production of fan motors. Also, the Company will move the production lines for bearing rubber seals and for jigs & tools from other facilities to the new building, and will make additional investments in these production lines. The total investment amount will be about 4.8 billion Yen. This means Minebea will advance the timing of capital investment that is scheduled for the next business year and the year after next under the three-year plan.

When the new facility comes into operation, Minebea's fan motor production capacity will increase to 10 million units per month.

## HDD Spindle Motor

### Spindle Motor for 2.5-inch HDD

- Orders for 2.5-inch HDD spindle motors have been received from all of 4 major HDD manufacturers.

### Production Quantity

- Monthly production quantity will reach to 3.5 million units in Dec-00.

### Profit & Loss Situation

- HDD spindle motor business has gone into the black since Jun-00.

### Fluid Dynamic Bearing (FDB) and HDD Spindle Motor with FDB

- Mass production will start in Nov~Dec-00 as scheduled.

#### <HDD Spindle Motors>

With regard to spindle motors for 2.5-inch HDDs, we have secured orders from four leading 2.5-inch HDD manufacturers. All these motors use RO bearings. As a result, Minebea's overall spindle motor production is expected to reach 3.5 million units per month at the end of this year.

In terms of profit and loss, this product division has turned profitable since June this year. This is one of the factors that contributed to the improved ratio of operating income to net sales for electronic devices and components.

Preparations for mass-production of HDD spindle motors with fluid dynamic bearings are progressing smoothly. We expect to be able to launch mass-production of this product within November as originally planned, or in December at the latest.

## Rotary Components for Automotive Use - Movement -

### VR Resolver with R/D Converters

- Tie up with Analog Devices, Inc., a world leading American R/D converter manufacturer.
- Shipment of samples will start in Nov-00.

### DC Brushless Motor for Electric Power Steering System

Delphi Automotive System announced on Sep. 29, 2000 that its EPS system with our DC brushless motor would be loaded on Volkswagen LUPO.

#### <Rotary Components for Automotive Applications>

Here are two topics to introduce to you with regard to this product category.

One is about Minebea's business tie-up with Analog Devices, Inc. concerning RD converters for VR resolvers.

To control motors requires sensing the rotation angle and the revolutions per minute of the motor shaft. Among many types of rotation angle/r.p.m. sensors is a VR resolver with RD converter.

A VR resolver with RD converter is presently expensive. Through the tie-up with Analog Devices, Inc., we aim to mass-produce this type of sensors at a lower cost and offer them at an affordable price. Target applications of this sensors include motors for electric power steering systems, which are already in production at Minebea's manufacturing facilities in Thailand, engine motors for hybrid vehicles and electric vehicles, and also motors for horizontally adjusting the optical axis of a vehicle's headlights. Automobile manufacturers and automotive component makers both at home and abroad are showing a keen interest.

The other is that electric power steering systems using Minebea-made motors will be at work on Volkswagen vehicles.

Electric power steering systems with Minebea-made motors have to date been used in the Fiat Punto. On September 29, 2000, Delphi Automotive Systems announced that Volkswagen decided to use these power steering systems in its Lupo.

Thinking about Minebea's well-timed move in anticipation of potential demand in the future such as launching VR resolvers with RD converters, and an achievement that enables Minebea to get a head start on its competitors such as production of motors for electric power steering systems that has been used in a mass-produced vehicle, these aggressive and timely strategic moves will no doubt contribute considerably to the Company's future growth in the automotive rotary component market.

Minebea's strategies for rotary components for automotive applications are as follows:

## Rotary Components for Automotive Use - Strategy -

1. To produce small rotary components only.
2. To produce all components in foreign countries, mainly in Thailand.
3. Proposal-oriented sales.  
(Focus on high-value-added products)

1) To aim at the manufacture of small rotary components such as brushless DC motor and VR resolver with RD converter where Minebea can make the most use of its own know-how and technologies.

2) To manufacture all of its products overseas including primarily Thailand in order to add higher price competitiveness.

3) To adopt proposal-oriented sales strategy and concentrate on high-value-added products with regard to motors for automotive applications and VR resolvers with RD converters.

### **Conclusion**

Minebea has had a very promising start in the business results for the first six months of the three-year plan. Given the accomplished first-half operating income of 17 billion Yen, Minebea would see no major difficulty in achieving the target operating income for the second half at ¥18 billion.

In the second half of the current business term, Minebea intends to do the groundwork for accomplishing management targets for the next year and to implement measures for further strengthening Minebea's financial position.