



Financial Review

Minebea Co., Ltd.

**Tsugio Yamamoto
President and
Representative Director
May 18, 2001**

Consolidated Results for the Fiscal Year ended March 31, 2001

(Millions of Yen)

	<u>Forecasts announced on Feb. 22</u>	<u>Actual</u>
Net Sales	287,000	287,045
Operating Income	34,000	32,977
Ordinary Income	25,000	24,726
Net Income	15,000	14,826

**Also in line with the First Year Target of
Our Three-year Management Plan**

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Results in the fiscal year ended March 2001 were adversely affected by a decline in the worldwide PC demand in the second half of the fiscal year and the foreign exchange fluctuations. However, Minebea's results came largely in line with projections we released on February 22 this year.

Results also accomplished first year's target in our three-year management plan.

Three Basic Management Directions to Become A High-growth, Highly Profitable Company

Three basic management directions

1. To increase production of most profitable mainstay ball bearings and bearing-related product
2. To expand small motors and other rotary components business to a scale similar to bearing operation
3. To raise the weight of high-value-added products in main product categories



Minebea's Basis of Strength
「Ultra precision Machining Technologies」
「Mass Production Technologies」

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Our three-year management plan outlines three basic management directions that will guide our efforts to build Minebea to be a high-growth, highly profitable company.

First, we aim to expand production capacity of most profitable mainstay bearings and bearing-related products.

Second, we aim to grow the precision small motors and other rotary components business to a scale similar to our bearing operation.

Third, we aim to raise the weight of high-value-added products in main product categories.

Realization of these three goals is hinged upon on our basis of strength, "ultra-precision machining technologies" and "mass production technologies".

Our ability to achieve solid results last year, despite dramatic changes in the operating environment and the impact of foreign exchange fluctuations, is evidence that the three basic management directions are progressively bearing fruit.

Outline of Restructuring Measures Implemented During Last Year

- **Decided to withdraw from the wheel business and to close Kyoto Plant**
- **Reorganized subsidiaries**
- **Dissolved our exclusive sales agent agreement with KeiaishaNMB**
- **Sold Actus Corporation to a third party**

To promote implementation of these three directions, various restructuring measures were implemented during last fiscal year.

First, withdrawal from the wheel business and closure of our Kyoto Plant, which manufacture steel wheels for construction machinery and snow tires, have been decided. Our decision is based on our conviction that the market for steel wheels is unlikely to grow much in the future. As a result, a loss on liquidation of subsidiaries and affiliates of 2.762 billion was incurred.

Second, subsidiaries were reorganised. As part of a strategy to reorganise speaker business, we shifted a part of speaker box production to Malaysia from Taiwan. We also closed Minebea Onkyo's transformer plant in Ichinoseki, Iwate Prefecture, and integrated the operation to the Kofu plant in Yamanashi Prefecture. Other related moves included a decision to liquidate three overseas subsidiaries and a domestic subsidiary.

Related to these measures, a loss on liquidation of subsidiaries and affiliates of 1.943 billion was recorded.

Third, we dissolved our exclusive sales agent agreement with Keiaisha NMB, which to date had handled all domestic sales of Minebea products. This decision was prompted with an aim to improve the efficiency of domestic marketing and sales activities by integrating manufacturing and sales operations. This resulted in payment of cancellation fee for the termination of the agreement of 1.2 billion.

Fourth, we transferred our holding in subsidiary Actus Corporation to a third party with a profit of 5.2 billion, facilitating our withdrawal from a furniture business that is completely unrelated to our core business.

Outlook for the Fiscal Year ending March 31, 2002(1)

(Billions of Yen)

Net Sales	300
Operating Income	33
Ordinary Income	25
Net Income	15

We are looking for a slight increase in sales and profit from last year and forecasting sales of 300 billion, operating profit of 33 billion, recurring profit of 25 billion and net profit of 15 billion.

Outlook for the Fiscal Year ending March 31, 2002(2)

(Billions of Yen)

	Three-year plan			<u>Year to Mar 02</u>
	<u>Year to Mar 01</u>	<u>Year to Mar 02</u>	<u>Year to Mar 03</u>	<u>Forecast</u>
Net Sales	290	332	337	300
Operating Income	33	39	47	33
Ordinary Income	24	32	42	25
Net Income	15	20	27	15

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Three-year financial goals announced last year are as shown in the table.

Our current forecasts for this fiscal year are below the goals contained in the plan for the current period we had set in the three-year plan, and are actually largely in line with the goals for the last year.

There are several key reasons.

Outlook for the Fiscal Year ending March 31, 2002(3)

- ◆ **Uncertainty in domestic and worldwide economic environment and the information technology industry has led us to be cautious in predicting sales and profitability of PC and related product business.**
- ◆ **Our switching power supplies business is not expected to break even until the next fiscal year (year ending March 2003) or later.**
- ◆ **We anticipate sales and operating profit of speakers and fasteners business to fall significantly below initial expectations.**
- ◆ **Sale of Actus lowers net sales by ¥13.3 billion and operating income by ¥800 million this fiscal year**

First, uncertainty in domestic and worldwide economic environment and the information technology industry has led us to be cautious in predicting sales and profitability of PC and related product business.

Second, we no longer expect our switching power supplies business to break even until the next fiscal year (year to Mar 2003) or later, contrary to our initial projection that this would happen in the current fiscal year.

Third, we now anticipate sales and operating profit of speakers and fasteners operations will fall significantly below initial expectations.

Finally, sale of Actus lowers net sales by 13.3 billion and operating income by 800 million this fiscal year.

As a consequence, we expect the second year of the plan to be essentially a repeat of the first in terms of sales and profit performance. I would like to reiterate, however, my firm belief that promoting the plan's three basic management directions this year will lead to realization of this year's target and contribute to further growth for Minebea next year and beyond.

This Year's Restructuring Plans

- **Switching power supplies**
 - **Scaling back and integration of development and manufacturing operations in North America, and development division in Europe**
- **Fasteners**
 - **Fundamental restructuring of personnel and organizational structure**
 - **Review of product line-up**
- **Speakers**
 - **Transfer of all of manufacturing operations from Taiwan to Malaysia**
 - **Shifting our focus to high-end models**

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We will continue to focus on concentrated and selective cultivation of our core manufacturing operations.

The first of these involves scaling back and integrating our switching power supplies development and manufacturing operations in North America and development divisions in Europe.

In North America, subsidiary Power Systems, Inc. (PSI), in Connecticut, develops high-voltage switching power supplies for copiers and medical equipment, which are manufactured by subsidiary Minebea Electronics Mexico S.A. de C.V. (MEM) in Nogales, Mexico. In recent years, however, low business turnover at principal customers have resulted in production delays and a sharp drop in our orders for these switching power supplies.

As a consequence, we decided to integrate PSI's switching power supplies development operations into the switching power supplies development division of subsidiary NMB Technologies Corporation in Chatsworth, California, and to close down MEM.

As a result, a loss on liquidation of subsidiaries and affiliates of 580mn is estimated, however this was already expensed as an allowance last year.

In Europe, we currently have two subsidiaries engaged in switching power supplies development: Minebea (U.K.) Ltd., in Renfrewshire, Scotland, and NMB Minebea GmbH, at its PE Development Centre in Augsburg, Germany. To improve the efficiency of development, we have narrowed the focus of these companies to high-margin products, and we plan to scale back development at the U.K. facility.

We will, however, maintain or expand development at the German facility, which focuses on specialized switching power supplies, such as those used in telephone switching equipment. We expect fees associated with this restructuring in Europe to be negligible.

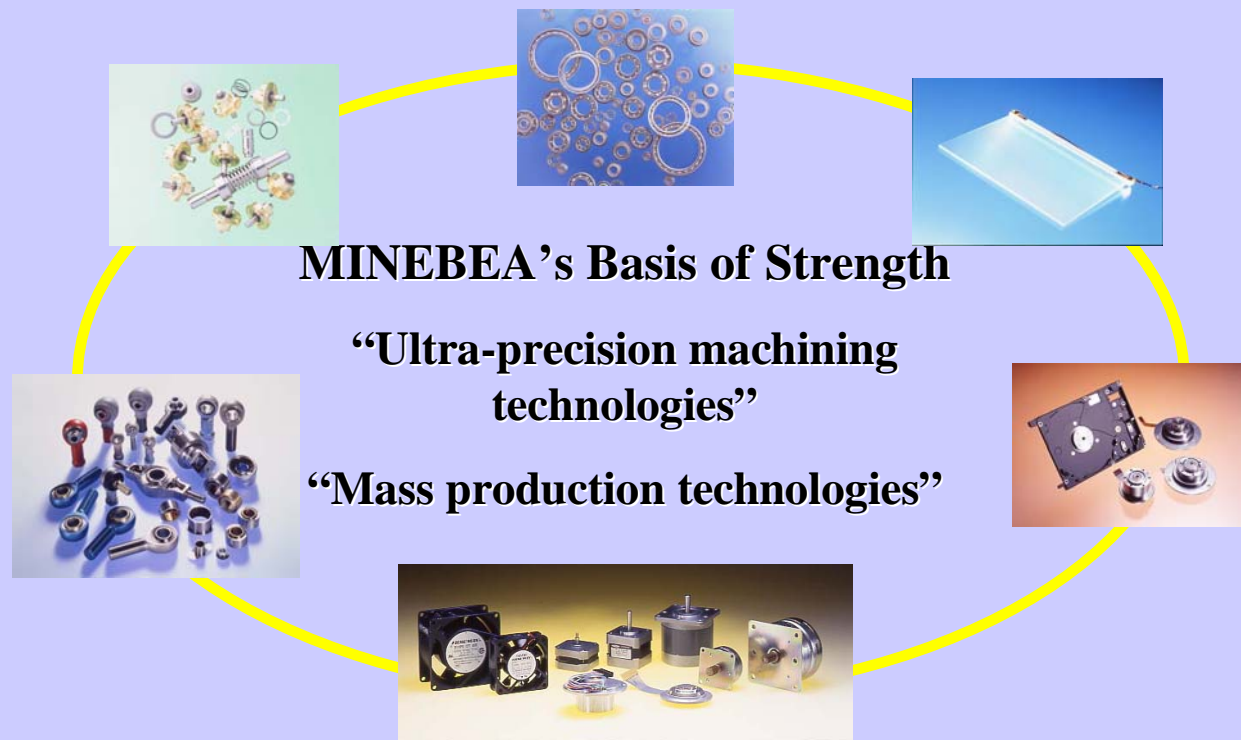
Owing to these steps, we now expect our switching power supplies business to break even next fiscal year.

The second restructuring effort currently underway involves our fastener business.

Owing to a delay in our response to changing market conditions, we posted a loss in this category last fiscal year. During the period, we implemented fundamental restructuring of personnel and organizational structure, as well as a review of our product line-up. As a consequence, while we are forecasting a loss in this category again in the current period, we expect a return to profitability in the next fiscal year.

Our third restructuring is of our speaker operation. During last fiscal year, we shifted a portion of our speaker box manufacturing operation from Taiwan to Malaysia, a major center for global audio equipment producers. In the current period, we will shift all the speaker box assembly operation from Taiwan to Malaysia. At the same time, we will review our product line-up and aim to restore our speaker operations to profitability by shifting our focus to high-end models.

Product Strategies



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MINEBEA NMB

Minebea's basis of strength is its "ultra-precision machining technologies" and "mass production technologies".

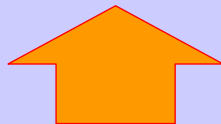
Our ultra-precision machining technologies and mass-production technologies are exploited most fully in bearing and bearing-related products and in precision motor and rotary component product segment. I would like now to give you a brief summary of our projections for these two key segments.

Spindle Motor

Mainstay models for this year

- For 2.5-inch 20GB/platter HDDs
- For 3.5-inch HDDs for servers and high-end desktop PCs
- Fluid Dynamic Bearing spindle motors for Seagate Technology
- New models for 1.8-inch HDDs

Dec. 2001
Production target 5mn unit



Worldwide HDD shipments growth estimates

<u>2001</u>	<u>2002</u>	<u>2003</u>
218million(+16%)	260million(+19%)	319million(+23%)

Source: Pixie Pinnacle Corporation



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Rotary components, especially spindle motors for hard disk drives are rather more a product of high-precision mechanical processing rather than electronic products and take direct advantage of Minebea's strength, or precision machining technology.

In the current period, our spindle motor operations will focus on motors for 20-gigabit per platter 2.5-inch HDDs and 3.5-inch HDDs for servers and high-end desktop PCs, and fluid dynamic bearing spindle motors for Seagate Technology. We will also augment our line-up gradually, beginning with a new 1.8-inch model scheduled for launch in the second half of this fiscal year.

As many of you are aware, total shipments of HDDs worldwide are estimated to have reached 188 million units in calendar year 2000. This is expected to climb 16% in calendar 2001, to 218 million units, another 19% in 2002, to 260 million units, and a further 23% in 2003, to 319 million units.

Judging from the number of customers seeking to increase the volume of outstanding orders and recent trading, we believe market demand of 218 million units in 2001 is highly probable. We also expect to achieve our monthly production target for spindle motors for HDDs of five million toward the end of this year.

The key to this will be raising monthly production of fluid dynamic bearing spindle motors to the projected level of 1 to 1.5 million and our fluid dynamic bearing and fluid dynamic bearing motor project is progressing more or less in line with the plan.

Shipments of HDDs is expected to soar particularly in 2003. This forecast assumes a sharp increase in demand for 3.5-inch HDDs for usage in Avs, 2.5-inch HDDs for handheld PCs, B5-sized PCs and for automotive use, and 1.8-inch HDDs.

Rotary Components for Automotive Use



1. Trend in the automotive industry

- Low energy consumption
- Safety
- Comfort

Increasing demand for high-performance motors and sensors



2. Minebea's rotary components for automotive use



- (1) Steady progress in business with European automakers
- (2) Business with major domestic manufactures in sight
- (3) Several new products are in development, including motors for ABS and motors for electric brakes

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MINEBEA NMB

We believe the automotive industry has reached maturity and annual demand is unlikely to grow much beyond the current 50 million units. Nonetheless, demand continues to increase for improvement in energy consumption, safety, comfort and other features. Accordingly, demand is also rising for related products, such as high-performance motors and sensors for advanced control systems.

The automotive sector thus offers outstanding potential for us to maximize our motor development capabilities, which are centered at German subsidiary Precision Motors Deutsche Minebea GmbH(PMDM); the development and engineering expertise we have accumulated as a manufacturer of resolvers and other components for aerospace and defense equipment; and, of course, our ultra-precision machining technologies and mass-production technologies.

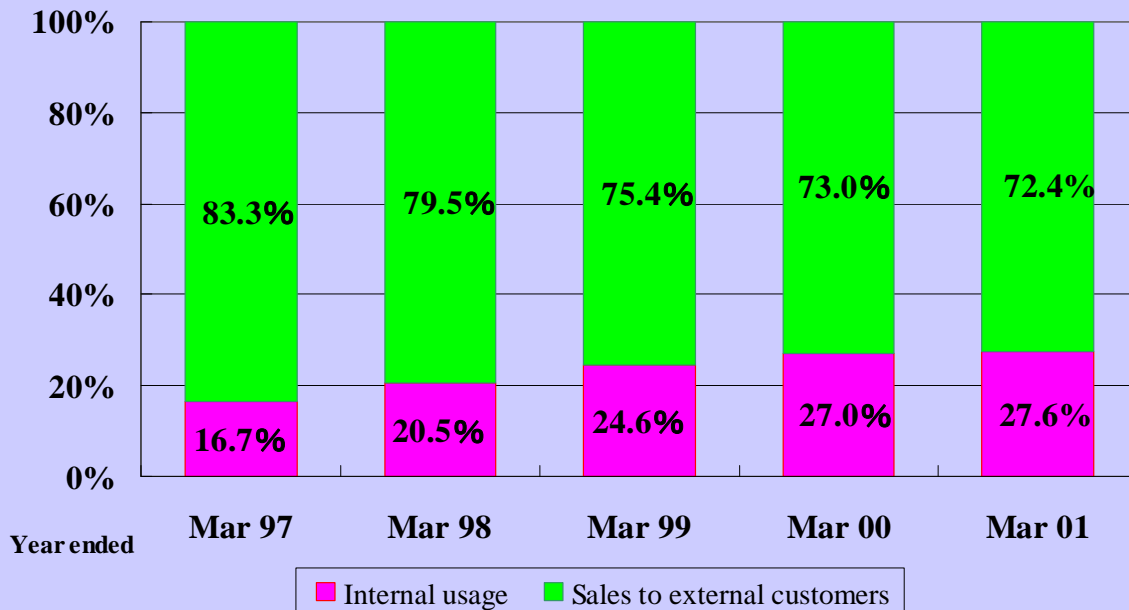
We already supply motors for electrical power steering systems, dashboard units and headlight actuators, to leading European automakers. We also expect to begin supplying major domestic manufacturers with a number of products.

In November 2000, we began sample shipments of V/R resolver with R/D converters. Domestic, USA and European automakers have expressed strong interest in these units, and we expect to begin supplying commercial models in the second half of the current period or the first half of next fiscal year.

Moreover, we have other products such as ABS motors and power brake motors in development phase, and hope to launch them in stages.

Bearings (1)

Internal usage ratio of Ball bearings



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MINEBEA NMB

As of December 2000, we had established global monthly ball bearing production capacity of 150 million, in line with initial plan. In March of this year, actual production had caught up to capacity.

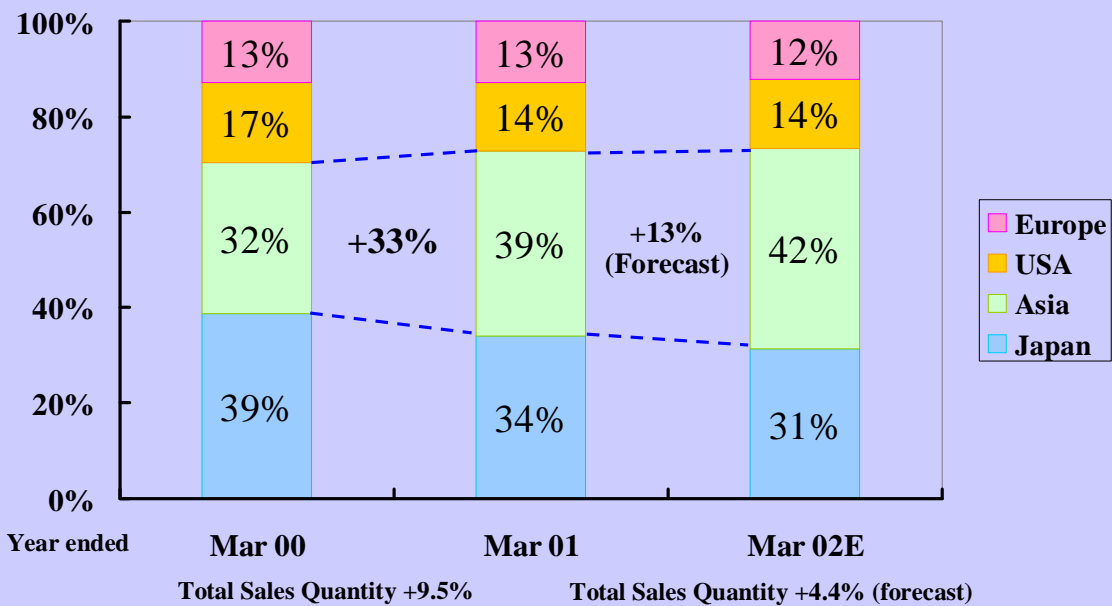
Of last year's ball bearing sales, internal usage was 27.6% of total volume and the remaining 72.4% was for external sales.

Our ball bearings are used for internal production of pivot assemblies, fan motors, spindle motors and stepping motors. Last year, we increased production of ball bearings in line with higher demand for pivot assemblies and fan motors.

This year, we expect internal usage volume to continue to rise with expected increase in production volume of rotary components, including spindle motors.

Bearings (2)

Ball Bearings Sales by Region



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MINEBEA NMB

Last year, external sales of ball bearings increased 9.5% yoy.

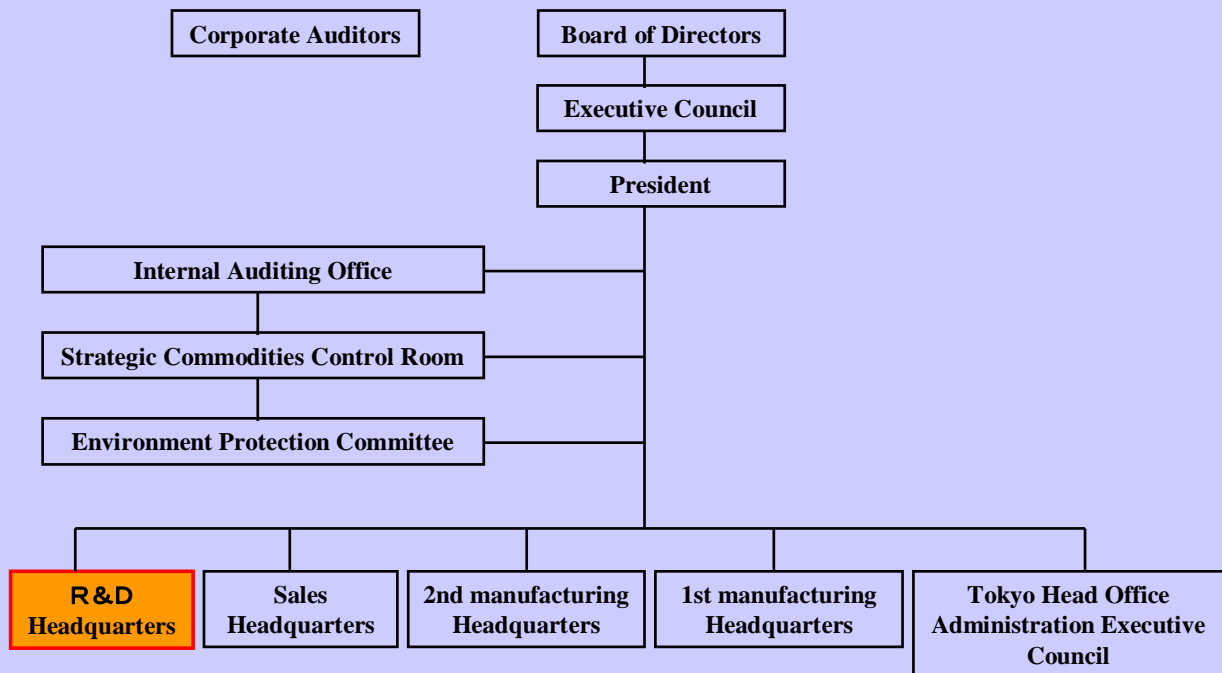
Sales increase in Asia region, which saw a 33% yoy increase during the last fiscal year, has contributed to the overall performance.

As for pricing, we have not witnessed any decline.

Ball bearings are essential components for a wide range of equipment, from household electronics to automobiles and ATMs to machine tools. Therefore, our dependence on the PC market is not disproportionately high.

We expect demand for PCs worldwide to grow by between 5% and 8% yoy this year, based on an expectation for a strong recovery from July. Accordingly, we expect higher orders for ball bearings from PC related industry, as well as from Chinese household electronics sector and domestic automotive industry, and anticipate operating at full capacity by the end of the current period.

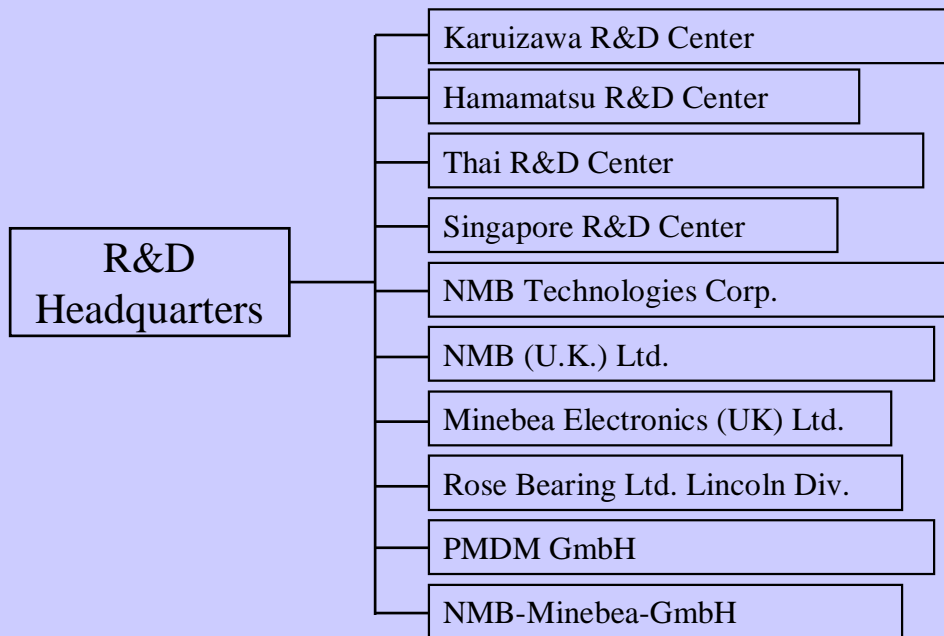
New R&D Headquarters (1)



To date, our research and product development activities have been the responsibility of individual divisions and subsidiaries.

We established a body that would pay the cost of R&D projects important to the profitability of the Group, so that R&D expenses would be separated out from budget of individual divisions and subsidiaries, in order to promote such R&D projects in a timely and effective manner.

New R&D Headquarters (2)

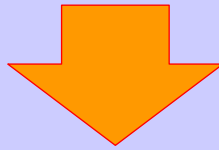


We are confident that this will enable divisions and subsidiaries to focus on the tasks at hand without being sidetracked by short-term profit-and-loss concerns, and facilitate the development of high-growth, highly profitable new products that will benefit the entire Minebea Group.



Summary

- **Continue to implement and execute restructuring plans**
- **Accomplish the three management directions by enhancing our “ultra-precision machining technologies” and “mass-production technologies”**



High-growth, highly profitable company

We will continue to focus on restructuring our operations and enhancing our "ultra-precision machining technologies" and "mass-production technologies" in line with the three basic management directions that will guide our efforts to build Minebea into a high-growth, highly profitable company.