

55th Business Term

Business Report

For the term beginning April 1, 2000
and ending March 31, 2001

Business Report

Balance Sheet

Profit and Loss Statement

Appropriation of Unappropriated
Retained Earnings

Certified Copy of the Report of
the Independent Auditors

Certified Copy of the Report of
the Board of Corporate Auditors

MINEBEA CO., LTD.

Business Report

(April 1, 2000 through March 31, 2001)

I. Overview of Operations

1. Business Developments and Results

The Japanese economy during the period under review took off with a trend of modest recovery. While the recovery of personal consumption remained slow, corporate profitability improved and capital investments increased. However from the end of 2000, the economy had taken a down-turn, particularly affected by the sharp slowdown in the U.S. economy.

Overseas affected by the turn of the U.S. economy that had enjoyed a prolonged expansion phase, the economic growth of Asian countries also slowed down. The European economy, on the other hand continued to grow steadily.

The Company's main market, the information and telecommunication device sector, as a whole, expanded favorably until the beginning of the year 2001, when demand began to decline due to industry-wide inventory adjustment triggered by deterioration of the U.S. economy.

In these increasingly difficult operating environment, the Company implemented measures to further improve product quality, to develop and market high-value-added products, as well as to further raise production and sales efficiency.

As a result, the Company recorded total sales of 197,675 million yen, an increase of 14,099 million yen (7.7%) from the previous period. Operating income also increased by 1,396 million yen (12.9%) to 12,246 million yen, and ordinary income increased by 1,065 million yen (9.6%) to 12,127 million yen.

During the period under review, the Company continued its efforts to enhance corporate value and took the following measures:

- On February 23, 2001, the Company sold Actus Co., Ltd., import furniture retailer, to TRS Co.,Ltd. As a result, an extraordinary income of 5,215 million yen was recorded as a gain from sale of investment securities in subsidiaries.
- The Company decided to withdraw from wheel business and to close Kyoto Manufacturing Unit at the end of December, 2001. As a result, an extraordinary loss of 2,762 million yen was recorded as a loss from the liquidation of the wheel business.
- As part of restructuring of U.K. subsidiaries, the Company sold its shares in Minebea Electronics (UK) Ltd., a subsidiary, to Rose Bearings Ltd., another subsidiary. As a result, an extraordinary loss of 2,371 million yen was recorded as a loss from the sale of investment securities in subsidiaries.
- As part of the restructuring of speaker business, the Company downsized the manufacturing capacity at Hwan Chong Enterprise Co., Ltd., a Taiwan subsidiary, and transferred part of its production to a Malaysian subsidiary. In connection with this, financial instrument revaluation accounting was applied to the Company's

investment in Hwan Chong Enterprise Co., Ltd. and an evaluation loss was recorded. In accordance with the decision to liquidate Papst-Minebea-Disc-Motor (Thailand) and Minebea Thai Agro Co., Ltd., Thai subsidiaries, Minebea Investment Pte. Ltd., a Singapore subsidiary, and Minebea Geotechnology Co., Ltd., the Company recorded evaluation losses from its investments into these subsidiaries and liquidation losses. As a result, an extraordinary loss of 3,007 million yen was recorded as a loss from liquidation of affiliated companies' business.

- Effective on January 1, 2001, the Company terminated its exclusive distributorship agreement for Japan with Keiaisha NMB Co., Ltd. and started direct marketing. As a result, an extraordinary loss of 1,200 million yen was recorded as a termination payment for the discontinuation of the distributorship agreement.

On the other hand, owing to tax effective accounting from the previous period, adjustment of income taxes of 2,698 million yen was recorded. As a result, net income of 3,947 million yen was recorded for the period, an increase of 23,544 million yen from the previous period.

The business results of our respective product categories were as follows:

Bearings

Bearings comprise our core business. Ball bearings are sold mainly to the market of information and telecommunications equipment such as personal computers, as well as the market of household electronic appliances such as VTRs and air conditioners. Although industry-wide inventory correction imposed a negative effect in the second half of the fiscal year, demand from information and telecommunications equipment market were generally steady throughout the period. As a result, sales of bearings were 39,975 million yen, a small decline of 3.2% from the previous period.

Electronic Devices and Components

Electronic devices and components account for 56.3% of the Company's total sales. Within products for the information and telecommunications equipment market, sales of electronic devices decreased. However, sales of various small precision motors, fan motors and keyboards substantially increased in spite of intensified competition. As a result, overall sales of electronic devices and components increased by 2.4% from the previous period to 111,298 million yen.

Machinery Components and Transportation Equipment and Components

In respect of machinery components, sales of fasteners, whose users are mostly domestic, were stagnant. However, sales of mechanical assembly components for the information and telecommunications equipment market continued favorably. As a result, overall sales of machinery components remained level. In respect of transportation equipment and components, the business had been deteriorating as the

market size continued to shrink. Based on judgement that further market contraction is likely and that the business environment would therefore not recover, the Company decided to close Kyoto Manufacturing Unit as of the end of December, 2001. As a result, combined sales of machinery components and transportation equipment decreased by 9.7% from the previous period to 13,439 million yen.

Special Machinery Components and Others

Sales of special machinery components, primarily products supplied to Japan's Defense Agency, continued favorably in spite of the decreased budget of the Agency. Among our other products division, which consists mainly of production machinery and dies manufactured for use by our subsidiaries, export sales of production machinery and dies to our overseas manufacturing subsidiaries increased. As a result, overall sales were 32,963 million yen, an increase of 14,282 million yen or 76.4% from the previous period.

2. Current Status of Capital Expenditure and Financing

Capital expenditure during the period under review amounted to 7,487 million yen, mainly spent on enhancement and streamlining of production facilities at the Karuizawa, Fujisawa and Omori manufacturing units. These investments were funded entirely out of cash on hand.

3. Future Outlook and Related Issues

As for the Company's business environment, Japan's economy is expected to remain sluggish affected by weak export demand resulting from slow economic growth overseas, slow growth in corporate profit and delayed recovery of personal consumption., As for the economies outside Japan, modest recovery is expected from the second half of fiscal 2001, led by the situation in the U.S.

In the current business environment where main customers are transferring their production bases to Southeast Asian region, conditions for our sales activities are expected to continue to be severe. We are determined to endeavor to establish and reinforce a consistent management system from manufacturing to sales and to make vigorous efforts to achieve greater results by building a better cooperate structure of marketing, manufacturing and technology in each geographical region.

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

4. Records of business performance and changes in financial position

(Unit: million of yen unless otherwise noted)

Classification	52nd term from Apr. 97 to Mar. 98	53rd term from Apr. 98 to Mar. 99	54th term from Apr. 99 to Mar. 2000	55th term from Apr. 2000 to Mar. 2001
Sales	221,959	198,304	183,576	197,675
Ordinary income	16,631	18,065	11,062	12,127
Net income (or Net loss)	6,614	11,123	(19,597)	3,947
Net income (or Net loss) per share (in yen)	16.78	27.97	(49.18)	9.89
Total assets	384,836	408,844	381,930	380,800
Net assets	186,232	195,600	180,344	180,559

Notes: 1. Amounts are rounded down to the closer million yens.

2. Net income (or Net loss) per share is calculated based on the average number of shares outstanding during the fiscal year

II. Overview of the company

(as of March 31, 2001)

1. Main business lines

Classification	Main Products
Bearings	Miniature ball bearings, small-sized ball bearings, rod-end and spherical bearings
Electronic Devices and Components	Small precision motors, fan motors, strain gauges, transducers, keyboards, speakers, transformers, switching power supplies, hybrid integrated circuits, soft and hard ferrites, FDD subassemblies, inductors
Machinery Components and Transportation Equipment and Components	Automotive and aerospace fasteners, tape guides, pivot assemblies, gears, wheels for passenger cars, wheels for industrial vehicles
Special Machinery Equipment and Others	Aerospace and defense related parts and equipment, dies, machineries, jigs and tools

2. Share Overview

(1) Total number of shares authorized: 1,000,000,000 shares

(2) Number of shares issued: 399,167,695 shares

Notes: The number of shares outstanding increased 17,168 during the 55th Business Term due to the conversion of convertible bonds into equity.

(3) Number of shareholders: 20,968

(4) Major shareholders:

Name of shareholders	Amount of ownership in the company		Our investment in them	
	No. of shares (thousands)	Shareholding ratio (%)	No. of shares (thousands)	Shareholding ratio (%)
Keiaisha Co., Ltd.	20,000	5.01	1,183	10.03
Japan Trustee Services Bank, Ltd. (Trust account)	18,053	4.52	—	—
State Street Bank and Trust Co.	16,204	4.06	—	—
The Mitsubishi Trust & Banking Corporation (Trust account)	13,401	3.36	—	—
The Sumitomo Trust & Banking Co., Ltd.	12,530	3.14	2,101	0.13
Shinsei Bank, Ltd.	12,501	3.13	—	—
Takahashi Industrial and Economic Reserch Foundation	12,347	3.09	—	—
The Bank of Tokyo-Mitsubishi, Ltd.	9,020	2.26	2,705	0.06
The Chase Manhattan Bank N.A., London	8,073	2.02	—	—
The Sakura Bank, Ltd.	7,034	1.76	2,142	0.04

Notes: 1.The name of Keiaisha Co., Ltd. was changed from Keiaisha NMB Co., Ltd. on January 1, 2001.

2.The Sakura Bank, Ltd. merged with the Sumitomo Bank, Ltd and was renamed Sumitomo Mitsui Banking Corporation on April 1, 2001.

3. Employees

Classification	No. of employees	Increase (decrease) over the previous year	Average age	Average of working years
Male	2,171	(34)	38.8	15.4
Female	521	(15)	29.9	8.9
Total or average	2,692	(49)	37.0	14.2

4. Major sources of outstanding borrowing

Lenders	Outstanding borrowing (millions of yen)	Shares held by lenders	
		No. of shares (thousands)	Shareholding ratio (%)
The Sumitomo Trust & Banking Co., Ltd.	8,400	12,530	3.14
The Bank of Tokyo-Mitsubishi, Ltd.	8,200	9,020	2.26
The Sakura Bank, Ltd.	8,000	7,034	1.76
Sumitomo Life Insurance Company	4,500	2,661	0.67

5. Principal consolidation

(1) Principal subsidiaries

Name	Capital	Shareholding ratio	Main business lines
Minebea Technologies Pte. Ltd.	7,000 thousand Singapore dollars	100.0% (100.0%)	Sales of bearings, electronic devices and others
NMB Thai Ltd.	1,200,000 thousand Thai Bahts	100.0%	Sales and manufacturing of bearings
Minebea Thai Ltd.	8,381,818 thousand Thai Bahts	100.0%	Sales and manufacturing of keyboards, motors and others
Pelmech Thai Ltd.	1,100,000 thousand Thai Bahts	100.0%	Sales and manufacturing of bearings
Minebea Electronics (Thailand) Co., Ltd.	1,563,545 thousand Thai Bahts	100.0% (27.7%)	Sales and manufacturing of electronic devices and components
Power Electronics of Minebea Co., Ltd.	1,610,000 thousand Thai Bahts	100.0% (13.9%)	Sales and manufacturing of electronic devices and components
NMB (USA) Inc.	248,248 thousand US dollars	100.0%	Holding company
NMB Technologies Corporation	6,800 thousand US dollars	100.0% (100.0%)	Sales of bearings, electronic devices and others
New Hampshire Ball Bearings, Inc.	94,000 thousand US dollars	100.0% (100.0%)	Sales and manufacturing of bearings
Minebea Electronics & Hi-Tech Components (Shanghai) Ltd.	140,060 thousand US dollars	100.0%	Sales and manufacturing of bearings electronic devices and others

Note: Figures in parenthesis indicate indirect ownership ratio

(2) Developments in consolidation

The Company sold all shares (shareholding ratio: 100%) of ACTUS Co., Ltd., a consolidated subsidiary, to TRS Co., Ltd. on February 23, 2001. ACTUS ceased to be a consolidated subsidiary of the Company.

(3) Results of consolidation

The number of consolidated subsidiaries is 55, and the number of equity accounted affiliates is 3. Consolidated sales and consolidated net income for the 55th Business Term are 287,045 million yen and 14,826 million yen respectively.

6. Major plants and facilities

Name	Location
Head Office / Karuizawa Manufacturing Unit	Nagano pref.
Tokyo Head Office	Tokyo
Hamamatsu Manufacturing Unit	Shizuoka pref.
Fujisawa Manufacturing Unit	Kanagawa pref.
Omori Manufacturing Unit	Tokyo
Kyoto Manufacturing Unit	Kyoto pref.
Matsuida Factory	Gunma pref.
Saku Factory	Nagano pref.

7. Directors and Corporate Auditors

Position	Name	Responsibilities
President and Representative Director	Tsugio Yamamoto	
Senior Managing Director	Masahito Saigusa	In charge of Furniture Business
Senior Managing Director	Yoshihisa Kainuma	Member of Tokyo Office Administration Executive Council, in charge of Personnel & General Affairs Dept. and Logistic & Procurement Dept.
Senior Managing Director	Takayuki Yamagishi	General Manager of the 2nd Manufacturing Headquarters and Hamamatsu Manufacturing Unit
Senior Managing Director	Rikuro Obara	General Manager of the 1st Manufacturing Headquarters and Karuizawa Manufacturing Unit; General Manager of Bearings Manufacturing Div., Karuizawa Manufacturing Unit
Senior Managing Director	Ryusuke Mizukami	Member of Tokyo Office Administration Executive Council, in charge of Corporate Planning Headquarters, Business Administration Dept., and Information Systems Dept.; General Manager of Corporate Planning Dept. and Corporate Communications Office, and Environmental Preservation Supervisor

Position	Name	Responsibilities
Managing Director	Takashi Yamaguchi	Member of Tokyo Office Administration Executive Council, in charge of Finance Dept. and General Manager of Finance Dept.
Managing Director	Kenji Senoue	Member of Tokyo Office Administration Executive Council, in charge of Strategy Planning and General Manager of Strategy Planning
Managing Director	Tomihiko Maruta	General Manager of Fujisawa Manufacturing Unit
Managing Director	Koichi Doshō	General Manager of Sales Headquarters, General Manager of European & American Regional Sales Headquarters and in charge of European Region Operations
Director	Sadao Sawamura	General Manager of Information Systems Dept.
Director	Akihiro Hirao	General Manager of Omori Manufacturing Unit, in charge of Engineering Management Office and General Manager of Engineering Management Office
Director	Sadahiko Oki	In charge of Accounting Dept. and General Manager of Accounting Dept. and Internal Auditing Office
Director	Takuya Naka	In charge of Legal Dept. and General Manager of Legal Dept. and Patent Administration Office.
Director	Yukio Shimizu	Deputy General Manager of Sales Headquarters (in charge of Japan & Asian region) and General Manager of Japan & Asian Regional Sales Headquarters
Director	Masayoshi Yamanaka	In charge of North & South American Region Operations
Director	Shunji Mase	General Manager of Personnel & General Affairs Dept., Secretary of Tokyo Office Administration Executive Council
Director	Hiroharu Katogi	General Manager of Business Administration Dept.
Director	Masamitsu Osada	General Manager of the Mechatronics Division

Position	Name	Responsibilities
Director	Susumu Fujisawa	In charge of China Operations
Director	Atsushi Matsuoka	President and Representative Director of Keiaisha Co., Ltd.
Director	Chanchai Leetavorn	Chariman of Asia Credit Pcl.
Director	Tomeshiro Takeuchi	Senior Managing Director of Keiaisha Co., Ltd.
Corporate Auditor (Standing)	Shinichi Mori	
Corporate Auditor (Standing)	Yoshinori Amano	
Corporate Auditor	Mitsuo Ichikawa	Senior Managing Director of Keiaisha Co., Ltd.
Corporate Auditor	Toshiro Uchida	Certified Public Tax Accountant

- Notes:*
1. Mr. Yoshinori Amano was newly elected as Corporate Auditor (Standing) at the 54th Ordinary General Meeting of Shareholders held on June 29, 2000.
 2. Mr. Takeo Achiwa, Corporate Auditor, resigned upon the closing of the 54th Ordinary General Meeting of Shareholders held on June 29, 2000.
 3. Messrs. Mitsuo Ichikawa and Toshiro Uchida 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.
 4. The name of Keiaisha Co., Ltd. was changed from Keiaisha NMB Co., Ltd. on January 1, 2001.
 5. The name of Asia Credit Pcl. was changed from SG Asia Credit Pcl. on May 9, 2000.

Balance Sheet
(as of March 31, 2001)

(Unit: millions of yen)

Assets	
Items	Amount
Current Assets	144,822
Cash and cash equivalents	3,755
Notes receivable	3,571
Accounts receivable - trade	51,755
Purchased goods	5,003
Finished goods	1,924
Raw materials	2,084
Work in process	3,839
Supplies	184
Prepaid expenses	558
Short-term loans receivable from subsidiaries	60,149
Accounts receivable - other	2,953
Deferred tax assets	3,880
Other	5,595
Allowance for doubtful receivables	(436)
Fixed Assets	235,943
Tangible fixed assets	35,305
Buildings	12,798
Structures	662
Machinery and equipment	8,018
Vehicles	11
Tools, furniture and fixtures	2,531
Land	11,106
Construction in progress	176
Intangible fixed assets	835
Leasehold rights and other intangibles	835
Investments and others	199,801
Investments in securities	8,604
Investment securities in subsidiaries	149,285
Investments in partnerships	15
Investments in partnerships with subsidiaries	23,400
Long-term loans receivable	14
Long-term loans receivable from subsidiaries	6,831
Long-term deferred tax assets	13,217
Other	2,040
Allowance for doubtful receivables	(3,608)
Deferred assets	35
Bond issuance expenses	35
Total Assets	380,800

Note: Amounts are rounded down to the closer million yens.

(Unit: millions of yen)

Liabilities	
Items	Amount
Current Liabilities	87,545
Notes payable	6,510
Accounts payable—trade	31,782
Short-term loans payable	36,698
Current portion of long-term loans payable	1,506
Accounts payable—other	3,331
Accrued income taxes	56
Accrued expenses	1,560
Accrued bonuses	2,090
Allowance for loss on the liquidations of the automotive wheel business	2,762
Notes payable for equipment	212
Other	1,033
Long-term Liabilities	112,694
Bonds	35,000
Convertible bonds	40,903
Bonds with warrants	4,000
Long-term loans payable	32,700
Retirement allowance reserve	91
Total Liabilities	200,240
Shareholders' Equity	
Common Stock	68,258
Legal Reserves	96,549
Capital reserve	94,756
Earned surplus reserve	1,793
Retained earnings	16,704
Voluntary reserve	9,000
General reserve	9,000
Unappropriated Profit	7,704
{current net profit}	{3,947}
Difference on revaluation of other marketable securities	(952)
Total Shareholders' Equity	180,559
Total Liabilities and Shareholders' Equity	380,800

Profit and Loss Statement
(From April 1, 2000 through March 31, 2001)

(Unit: millions of yen)

		Items	Amount	
Ordinary income and expenses	Operating income and expenses	Operating income		197,675
		Sales	197,675	
		Operating expenses		185,429
		Cost of sales	170,450	
		Selling, general and administrative expenses	14,978	
		Operating income		12,246
	Other income and expenses	Other income		4,291
		Interest income	703	
		Dividends received	2,420	
		Rent income on fixed assets	741	
Other		425		
Other expenses			4,410	
Interest and discount charges		1,918		
	Interest on bonds	1,245		
	Foreign exchange loss	390		
	Others	855		
	Ordinary income		12,127	
Extraordinary income and loss	Extraordinary income		6,620	
	Gain on sales of fixed assets	91		
	Reversal of allowance for doubtful receivables	1,313		
	Gain on sales of stocks of subsidiaries	5,215		
	Extraordinary loss		11,841	
	Loss on disposal of inventories	1,806		
	Loss on sales of fixed assets	193		
	Loss on sales of stocks of affiliates	2,371		
	Loss on liquidation of the wheel business	2,762		
	Loss on liquidation of subsidiaries	3,007		
	Termination payment for discontinuation of the distributorship agreement	1,200		
Retirement allowances to directors and corporate auditors	5			
Expenses for retirement allowances	494			
Income before income taxes			6,905	
Income taxes			259	
Adjustment of income taxes			2,698	
Total income taxes			2,957	
Net income			3,947	
Retained earnings brought forward from the previous period			3,756	
Unappropriated profit at the end of the period			7,704	

Note: Amounts less than one million yen are omitted.

Notes to the Balance Sheet and Profit and Loss Statement

1. Significant Accounting Policies

(1) Securities

Stocks of subsidiaries and affiliates are stated at cost as determined by the moving average method.

Other securities: securities with a market value are stated at market value based on the market price as of the end of the period under review (evaluation balances are calculated by the total direct capitalization method and costs of sales are calculated by the moving average method); securities without a market value are stated at cost as determined by the moving average method.

(2) 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 for bearings, fasteners, measuring equipment, motors and special machinery equipment.

Stated at cost as determined by the weighted average cost method for wheels.

Work in process: Stated at cost as determined by the moving average method for bearings, fasteners, wheels and motors.

Stated at cost as determined respectively for measuring equipment, special motors and special machinery equipment.

Supplies: Stated at cost as determined by the moving average method for manufacturing bearings, fasteners, measuring equipment, motors and special machinery equipment.

Stated at cost as determined by the weighted average cost method for manufacturing wheels.

(3) Depreciation

Depreciation of tangible fixed assets is calculated in the accelerated method the declining balance method.

Note, however, that each depreciable asset of a small value (the acquisition value of which is 100,000 yen or more but less than 200,000 yen) is equally depreciated over three years.

Depreciation of Intangible fixed assets is made on the straight line method.

Note, however, that for software products (used by the Company), the straight line method on the basis of the estimated usable period (5 years) established within the Company is used.

- (4) Amortization of deferred assets
Bond issuance expenses are amortized over three years by an averaged amount each year based on the Commercial Code.
Other items are charged to expenses as incurred.
- (5) Allowances
Allowances for doubtful receivables:
The estimated uncollectible amounts are shown based on the actual uncollectibility ratios with respect to general receivables and through individual consideration of collectibility with respect to particularly doubtful receivables.
Accrued bonuses:
To provide for future payment of bonuses to employees, accrued bonuses are recorded based on the anticipated amount of payment.
Allowance for loss on liquidation of the wheel business:
As an allowance for the expected loss to be accrued in the next period in connection with the withdrawal from the wheel business, the amount reasonably expected in the period under review is shown. This is an allowance defined in Article 287-2 of the Commercial Code.
Retirement allowance reserve:
To provide for payment of retirement allowances to employees, the amount that is recognized to have accrued at the end of the period is shown on the basis of the estimated amounts of the retirement allowance liabilities and pension fund as of the end of the period.
With respect to the difference at the time of the change of accounting principles (2,474 million yen), the amount obtained by five-year proration is shown as “expenses for retirement allowances” in the Extraordinary Expenses.
The difference resulting from mathematical calculations will be recorded as expenses on a straight-line basis for a certain period (five years) from the next accounting period.
- (6) Standard for 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 on the last day of the period. Conversion loss or income is recorded as loss or income, respectively.
- (7) Accounting of important lease transactions
The accounting treatment for financial lease transactions other than those in which the ownership of a lease is considered to be transferred to the lessee, is in accordance with that for ordinary lease transactions.
- (8) Important hedging accounting
Accounts receivable and accounts payable in a foreign currency with exchange contracts, etc., are treated with hedging designation.

Exchange contracts are utilized by the Finance Department for hedging foreign exchange risks involving import and export transactions.

(9) Other significant accounting policies

(i) Consumption taxes and other related tax are excluded.

(ii) Notes matured as of the end of the period are settled on the relevant clearing day.

Because the last day of the period was a bank holiday, notes matured as of the end of the period are included in the following items:

Notes receivable	68 million yen
Other Current Assets (Notes receivables for non-trade items)	20 million yen
Notes payable	1,788 million yen
Notes payable for facilities	87 million yen

2. Change in the method of presentation

“Foreign exchange loss”, which was included in the “Others” item of “Other Expenses” of past Profit and Loss Statements up to the previous period, is indicated separately from the period under review.

“Foreign exchange loss” included in the aforesaid “Others” item for the previous period was 416 million yen.

3. Accounting of Retirement Allowances

The accounting standards for retirement allowances (“Opinion on the Creation of Accounting Standards for Retirement Allowances”, Financial Accounting Deliberation Council, June 16, 1998) have been adopted from the period under review. By this change, the expenses for retirement allowances have decreased by 176 million yen, and the ordinary income and the income before income taxes have increased by 670 million yen and 176 million yen, respectively, compared with the amounts obtained by the accounting standards used in the previous period. Reserve for retirement wages and accrued past service cost payable under the corporate pension plan are included in the retirement allowance reserve.

4. Accounting of Financial Instruments

The accounting standards for financial instruments (“Opinion on the Creation of Accounting Standards for Financial Instruments”, Financial Accounting Deliberation Council, January 22, 1999) have been adopted from the period under review. The method of evaluation of other securities and the standards for recording allowances for doubtful receivables have been changed. By this change, the ordinary income and the income before income taxes have increased by 1,805 million yen and 1,805 million yen, respectively, compared with the amounts obtained by the accounting standards used in the previous period.

With respect to the securities held at the beginning of the period, the purposes of holding are considered. Some of them are treated as “Other securities” and included in “Investments in securities” on the balance sheet. By this change, “Securities” in the Current Assets section has decreased by 8,942 million yen and “Investments in securities” has increased by 8,942 million yen, compared with the amounts obtained by the accounting standards used in the previous period.

5. Accounting Principles for Transactions in a Foreign Currency

The revised standards for accounting treatment of transactions in a foreign currency (“Opinion on the Revision of Standards for Accounting Treatment of Transactions in a Foreign Currency”, Financial Accounting Deliberation Council, October 22, 1999) have been adopted in the period under review. This change has not affected the accounting treatment for the period.

6. Receivables from and payable to subsidiaries

Short-term receivables	32,199 million yen
(excluding short-term loan receivables from subsidiaries)	
Short-term payable	25,950 million yen

7. Treasury stocks in the amount of 0.5 million yen are included in “other” of Current Assets.

8. Accumulated depreciation of tangible fixed assets

54,980 million yen

9. Apart from fixed assets in the Balance Sheet, the Company uses electronic computers and other items on lease.

10. Important assets and liabilities in foreign currencies

Accounts receivable-trade	14,854 million yen
Primarily consist of:	108,821 thousand US\$
	7,450 thousand D.M.
	6,781 thousand EUR

Investment securities in subsidiaries

	146,142 million yen
Primarily consist of:	248,630 thousand US\$
	91,234 thousand S\$
	14,738,296 thousand BT
	43,700 thousand STG.£
	18,854 thousand RM

Investments in partnerships with subsidiaries

	23,400	million	yen
Consist of:	154,910	thousand	US\$
	30,152	thousand	D.M.
	5,255	thousand	F.FR.
	16,139,000	thousand	LIT.
	12,201	thousand	D.GL.

Accounts payable-table

	16,569	million	yen
Primarily consist of:	123,539	thousand	US\$
	7,098	thousand	D.M.
	6,913	thousand	EUR

11. Pledged assets

Investments in Securities	2,000	million	yen
Tangible fixed assets	10,032	million	yen

12. Guarantees

47,424 million yen

13. Outstanding balance and exercise price of the subscription warrants

The 4th Series Unsecured Bonds with Warrants

Outstanding amount:	447	million	yen
Exercise price:	1,350		yen

14. Net income per share

9.89 yen

15. Amount of sales to subsidiaries

97,099 million yen

16. Amount of purchase from subsidiaries

130,263 million yen

17. Amount of non-operating transaction with subsidiaries

4,050 million yen

18. Total amount of research and development expenses

The research and development expenses included in the general administrative expenses and the manufacturing cost for the period under review were 5,003 million yen.

19. Tax Effect Accounting

- (1) Breakdown by causes of the deferred tax assets and the deferred tax liabilities

Excess over the maximum tax-deductible amount of accrued bonuses	418 million yen
Excess over the maximum tax-deductible amount of accrued retirement allowances	36
Loss on the liquidation of the wheel business	1,105
Loss on the liquidation of affiliates	4,849
Excess over the maximum tax-deductible amount of allowances for doubtful receivables	1,441
Loss carried forward	8,544
Difference on revaluation of the marketable securities	635
Others	<u>69</u>
Total deferred tax assets	<u>17,097</u>

- (2) If there is a significant difference between the applicable legal effective tax rate and the actual rate of corporate income tax, etc. after the tax effect accounting, breakdown by item of the causes for such difference:

Legal effective tax rate	40.0 %
(Adjustment)	
Non-tax deductible item such as entertainment expenses	1.1
Taxation on per capita basis of inhabitants tax, etc.	0.7
Others	<u>1.0</u>
Actual rate of corporate income tax, etc. after the tax effect accounting	<u>42.8</u>

20. Retirement Allowances

- (1) Retirement allowance plan adopted by the Company

The Company has adopted a qualified retirement pension plan to make preparations for retirement payments to employees.

- (2) Substance of retirement allowance liabilities

(i) Retirement allowance liabilities and their breakdown	
(a) Retirement allowance liabilities	7,989 million yen
(b) Pension assets	5,605
(c) Balance (a - b)	2,384
(d) Untreated amount of the difference at the time of the change of accounting principle	1,979
(e) Unrecognized difference of mathematical calculations	581
(f) Balance (c - d - e)	(176)
(g) Prepaid pension expenses	176
(h) Retirement allowance reserve (f - g)(Note)	

Note: On the Balance Sheet, a 91 million yen excess over the reserve for retirement wages resulting from the transition to the qualified pension plan in the previous period is included in the “Retirement allowance reserve”.

(ii) Breakdown of expenses for retirement allowances

Service expenses	478 million yen
Interest expenses	229
Expected investment profit	154
Difference treated as expenses at the time of the change of accounting principle	494

(3) Calculation basis for retirement allowance liabilities

Discount rate	3.0 %
Expected investment profit rate	3.0 %
Method of periodic allocation of expected retirement allowance amounts	Periodic fixed standard
Number of years required for the treatment of the differences of mathematical calculations	5 years (From the next period, expenses will be recorded by the straight-line method.)

Number of years required for the treatment of the differences resulting from the accounting change 5 years
(A prorated amount is recorded as an extraordinary loss.)

Appropriation of Unappropriated Retained Earnings

(Unit: yen)

Item	Amount	
I. Unappropriated retained earnings		7,704,388,283
II. The above amount is appropriated as follows:		
Earned surplus reserve	292,000,000	
Dividends {7 yen per share}	2,794,169,728	
Bonuses to directors and corporate auditors	122,400,000	
{Bonuses to corporate auditors}	{7,150,000}	
Voluntary reserve	1,000,000,000	
General reserve	1,000,000,000	4,208,569,728
III. Retained earnings carried forward to the next period		3,495,818,555

Certified Copy of the Report of the Independent Auditors

Report of the Independent Auditors

May 15, 2001

To: Mr. Tsugio Yamamoto, President and Representative
Director
Minebea Co., Ltd.

Century Ota Showa & Co.

Chikara Kanzawa
Representative Partner and Partner in Charge, Certified
Public Accountant

Hiroshi Saito
Representative Partner and Partner in Charge, Certified
Public Accountant

Kiyokazu Tashiro
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 55th fiscal period from April 1, 2000 to March 31, 2001 under the provisions of Article 2 of the Law For Special Exceptions to the Commercial Code Concerning Audit, etc., of Corporations. The part of the Business Report and the supplementary statements which are audited herein is only a part of the accounting entries.

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. Note, however, that these auditing procedures performed included an audit of the accounting procedures of certain subsidiaries that we considered to be necessary.

In our opinion.

- (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 the laws and ordinances and the Article 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 the laws and ordinances and the Articles of Incorporation of the Company.

**Certified Copy of the Report of the Independent Auditors
(continued)**

- (3) The Proposed Appropriation of Unappropriated Retained Earnings is in conformity with the 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 partners in charge has any interest in the Company as required to be disclosed herein under the provisions of the Certified Public Accountant Law.

Certified Copy of the Report of the Board of Corporate Auditors

Report of the Corporate Auditors

May 16, 2001

To: Mr.Tsugio Yamamoto, President and Representative
Director
Minebea Co., Ltd.

Board of Corporate Auditors, Minebea Co., Ltd.

Shinichi Mori
Corporate Auditor (Standing)

Yoshinori Amano
Corporate Auditor (Standing)

Mitsuo Ichikawa
Corporate Auditor

Toshiro Uchida
Corporate Auditor

We, each being the member of 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 auditing with respect to performance of duties by the Directors of the Company during the 55th fiscal period from April 1, 2000 to March 31, 2001, and our report is hereby made as follows.

1. Overview of the auditing method by the Corporate Auditors

Each of the Corporate Auditors attended the meetings of the Board of Directors and other important meetings of Company, received presentations from the Directors and others about business activities, received all important settled documents, conducted inspections on the business activities and the financial position of the Company at its head office and principal business offices, and asked for business reports from the subsidiaries as necessary, in accordance with the auditing policy and allocation of responsibilities, etc., as stipulated by the Board of Corporate Auditors.

In addition, we received the reports and explanations from the Independent Auditors of the Company, and reviewed the accounting documents and supplementary statements.

In accordance with the said auditing policy as well as by asking for reports by the Directors and others as necessary, we also have closely examined the Directors' involvement in business

Certified Copy of the Report of the Board of Corporate Auditors (continued)

activities competing with the Company, transactions between any Director and the Company, which may constitute a conflict of interest, free grant of profits by the Company, unusual transactions with subsidiaries or shareholders, and purchase and disposal, etc., of the treasury stock of the Company.

2. Auditing Results

- (1) We certify that the auditing method of Century Ota Showa & Co. and the results of such auditing are proper and correct:
- (2) We certify that the Business Report fairly presents the situation of the Company in conformity with the laws and ordinances and the Articles of Incorporation of the Company:
- (3) There is no matter to be pointed out with respect to the Proposed Appropriation of Unappropriated Retained Earnings in light of the financial position of the Company or in any other respect:
- (4) The supplementary statements fairly present the matters to be described, and there is no matter to be pointed out therein: and
- (5) There is no unfair act or material fact in violation of the laws and ordinances or the Articles of Incorporation of the Company with respect to the performance of duties by the Directors of the Company.

Further, there is no violation of duties by any Director with respect to his involvement in business activities competing with the Company, transactions between any Director and the Company which may constitute a conflict of interest, free grant of profits by the Company, unusual transactions with subsidiaries or shareholders, and purchase and disposal, etc., of the treasury stock of the Company.

Note: Corporate Auditors Mitsuo Ichikawa and Toshiro Uchida are external auditors as stipulated in Section 1 of Article 18 of the Law For Special Exceptions to the Commercial Code Concerning Audit, etc., of Corporations.

(Reference)

Consolidated financial statements for the current term are as follows:

Consolidated Balance Sheets
(as of March 31, 2001)

(Unit: millions of yen)

Assets	
Items	Amount
Current Assets	137,106
Cash and cash equivalents	11,930
Notes and accounts receivable	55,277
Inventories	52,764
Deferred tax assets	6,271
Others	11,598
Allowance for doubtful receivables	(734)
Fixed Assets	209,714
Tangible fixed assets	168,732
Building and structure	90,196
Machinery and transportation equipment	190,639
Tools, furniture and fixtures	46,918
Land	16,550
Construction in progress	3,726
Accumulated depreciation	(179,298)
Intangible fixed assets	16,225
Consolidation adjustments	15,344
Others	880
Investment and other assets	24,756
Investment in securities	8,877
Long-term loans receivable	251
Deferred tax assets	13,388
Others	2,558
Allowance for doubtful receivables	(319)
Deferred assets	144
Total Assets	346,965

(Unit: millions of yen)

Liabilities	
Items	Amount
Current Liabilities	127,290
Notes and accounts payable	29,170
Short-term loans payable	62,723
Current portion of long-term loans payable	3,806
Accrued income taxes	3,984
Accrued bonuses	3,501
Allowance for loss on the liquidation of the automotive wheel business	2,762
Others	21,341
Long-term Liabilities	118,978
Bonds	35,000
Convertible bonds	40,903
Bond with warrant	4,000
Long-term loans payable	38,726
Allowance for retirement benefit	232
Others	116
Total Liabilities	246,269
Minority Interest in Consolidated Subsidiaries	122
Shareholders' Equity	
Common stock	68,258
Capital reserve	94,756
Accumulated surplus	3,303
Difference on revaluation of other marketable securities	(952)
Foreign currency translation adjustments	(64,791)
Treasury stock	(0)
Total Shareholders' Equity	100,573
Total Liabilities and Shareholders' Equity	346,965

Consolidated Statements of Income
(From April 1, 2000 through March 31, 2001)

(Unit: millions of yen)

Items	Amount	
Ordinary income and expenses		
Operating income and expenses		
Operating income		287,045
Net sales	287,045	
Operating expenses		254,067
Cost of sales	202,928	
Selling, general and administrative expenses	51,139	
Operating income		32,977
Other income and expenses		
Other income		1,670
Interest income	359	
Dividends received	85	
Equity income of affiliates	4	
Others	1,220	
Other expenses		9,921
Interest expenses	7,553	
Foreign currency exchange loss	731	
Others	1,636	
Ordinary income		24,726
Extraordinary income and loss		
Extraordinary income		6,403
Gain on sales of fixed assets	105	
Reversal of allowance for doubtful receivables	1,081	
Gain on sales of investments securities in affiliates	5,215	
Extraordinary loss		8,742
Loss on disposal of inventories	1,846	
Loss on sales of fixed assets	164	
Loss on disposal of fixed assets	176	
Loss on the liquidation of the automotive wheel business	2,762	
Loss on liquidation of affiliates	1,943	
Cancellation fee for the termination of the exclusive distributorship agreement	1,200	
Retirement benefits to directors and corporate auditors	5	
Retirement benefits expense	644	
Income before income taxes		22,387
Current (including enterprise tax)		4,160
Adjustment income taxes		3,296
Total income taxes		7,456
Minority interest in earnings of consolidated subsidiaries		104
Net income		14,826

Memo for Shareholders

Transfer Agent

5-33, Kitahama 4-chome, Chuo-ku, Osaka
The Sumitomo Trust and Banking Co., Ltd.

Office for Share Handling Business

4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo
The Sumitomo Trust and Banking Co., Ltd.
Stock Transfer Agency Department

Attention for Delivery of Postal Matters and Inquiries by Telephone

1-10, Nikko-cho, Fuchu, Tokyo 183-8701
The Sumitomo Trust and Banking Co., Ltd.
Stock Transfer Agency Department
Telephone: Tokyo 042-351-2211
Osaka 06-6833-4700

Intermediary Office

The Sumitomo Trust and Banking Co., Ltd.
Head Office and each and every Branch in Japan

Transfer Fee

Free

Newspaper for Public Notice

The Nihon-Keizai Shinbun

Location of Offices and Factories

Head Office/Karuizawa Manufacturing Unit

4106-73 Oaza Miyota, Miyota-machi, Kitasaku-gun, Nagano 389-0293
Telephone: 0267-32-2200

Tokyo Head Office

ARCO Tower, 1-8-1, Shimo-Meguro, Meguro-ku, Tokyo 153-8662
Telephone: 03-5434-8611

Hamamatsu Manufacturing Unit

1743-1 Asana, Asaba-cho, Iwata-gun, Shizuoka 437-1193
Telephone: 0538-23-7001

Fujisawa Manufacturing Unit

1-1-1, Katase, Fujisawa, Kanagawa 251-8531
Telephone: 0466-23-2131

Omori Manufacturing Unit

4-18-18, Omori-Nishi, Ota-ku, Tokyo 143-8543
Telephone: 03-3765-1121

Kyoto Manufacturing Unit

55, Tozumitoshiro, Yawata, Kyoto 614-8585

Telephone: 075-971-1901

Matsuida Factory

55, Oaza Okunata, Matsuida-machi, Usui-gun, Gunma 379-0226

Telephone: 0273-93-3100

Saku Factory

1955 Aza Fudadera, Oaza Takano-cho, Saku-machi, Minami Saku-gun, Nagano 384-0613

Telephone: 0267-86-5400

MINEBEA CO., LTD.