

**The 55<sup>th</sup> Ordinary General Meeting of Shareholders**  
**Briefing on the present situation in Minebea and its key subsidiaries,**  
**on its management strategy, and on outlook for the future**

**1. Medium-term Management Policies**

In May 2000, Minebea launched a three-year management plan that aims for high growth and high profitability.

We have set the following three basic directions, as the three pillars of management, to guide our operating activities in order to achieve our goal.

Three Pillars of Management

1. To expand our production capacity for highly profitable mainstay bearings and bearing-related products.
2. To build our operations for high-precision small motors and other rotary components until they are similar in scale to our operations for bearings and bearing-related products.
3. To increase the ratio of high-value-added products in core product categories.

These three pillars are erected on the basis of ultra-precision machining technology and mass-production technology, both of which are typical of Minebea's operations and the sources of its competitiveness.

**2. Manufacturing activities in Thailand**

It is 19 years since Minebea began manufacturing activities in 1982 in Ayutthaya, which lies 75 km to the north of Bangkok.

We presently operate a group of factories in four areas in Thailand and employ about 32,000 people. Total investment in fixed assets such as machinery and buildings amounts to about 150,000 million yen when calculated on the basis of an exchange rate of 2.77 yen to the baht at the end of March 2001. These factories feature the most advanced manufacturing equipment and the environmental protection facilities. They account for about 60% of total group output and comprise the largest mass-production base of the Minebea Group.

In order to expand our operations in Thailand as Minebea's primary manufacturing center, we completed in March 2001 a factory with the floor space of about 25,000 square meters that is

designed exclusively for production of fluid dynamic bearings and HDD spindle motors. In addition, we bought land adjacent to the Bang Pa-in Plant in October 2000 to double its ground area to 830,000 square meters.

We are planning to further expand our Thai operations in the future.

### **3. Manufacturing activities in Shanghai**

Minebea considers its China operations of primary importance as the cornerstone of the Minebea Group's further growth in the 21st century.

In 1994, Minebea established its first Chinese subsidiary in the suburbs of Shanghai and started production of miniature ball bearings and fan motors.

Since then, production of these products has increased smoothly to the current level of output at about 20 million pieces of ball bearings per month and about 5 million pieces of fan motors per month.

A new factory with the floor space of about 18,000 square meters is now under construction on the premises of the Xicen Plant. The new factory, scheduled for completion in August 2001, will produce fan motors and measuring instruments such as strain gauges and load cells.

With the planned completion of the new factory, shop floor space of the new factory and the existing one combined will be large enough for a monthly output of 10 million pieces of fan motors.

Operations in China account for a little over 11% of total group output and form the second largest production base of the Minebea Group following Thailand.

Minebea has three subsidiaries in Shanghai. Total capital of the three subsidiaries amounts to 19,300 million yen, total investment in fixed assets reaches 47,500 million yen, total net sales for the first half stands at 24,900 million yen, and total number of employees is about 4,300 as of the end of May 2001.

Incidentally, in the calendar year 2000, these subsidiaries ranked eighth among the best export companies in Shanghai and received a commendation from the City of Shanghai.

China is presently said to have a population of about 1,300 million. As the standard of living improves in China, demand is growing for products that use Minebea-made components, such as

PCs, VCRs, air conditioners, and cleaners. At the same time, local manufacturing plants for these products are increasing in number, thereby sharply boosting demand for Minebea-made components.

Minebea launched production in China in the belief that demand for Minebea products in China would develop remarkably in the future. As we expected, our products have now found a growing market in China.

We intend to expand our product line and production scale in a timely manner, while keeping a careful eye on market trends in China and the other parts of the world.

#### **4. Repayment of Interest-bearing Debt**

Debt reduction is one of our highest priority tasks. Since April 1997, Minebea and its group of companies have joined forces to reduce interest-bearing debt.

As a result, the net balance of our interest-bearing debt after deduction of cash and cash equivalents dropped to 173,200 million yen at the end of the current term from 351,300 million yen at the end of March 1997, thereby significantly improving our financial position.

In the current term, the net amount of our interest-bearing debt showed an increase over the previous term for the first time in four years since fiscal 1997. This is attributable to the depreciation of the yen as well as to disposal of cash and cash equivalents to pay for the large capital investment.

Owing to a decrease in interest-bearing debt of overseas subsidiaries, the balance of liabilities for guaranties held by Minebea alone declined 12,400 million yen to 47,400 million yen at the end of the current term from 59,800 million yen in the previous term.

We are going to continue our constant effort toward further reduction of our interest-bearing debt.

#### **5. Consolidated Statements of Income**

Starting from the current term, we attach, for your reference, consolidated balance sheets and consolidated statements of income on pages 24 to 26 of the Business Report. I would like to brief you on the consolidated statements of income.

Net sales increased to 287,045 million yen, up 0.8% or 2,288 million yen over the previous term. Largely because the ratio of costs to sales dropped 0.7% to 70.7% from the previous period,

operating income rose to 32,977 million, an increase of 1,908 million yen or up 6.1% over the preceding term.

Ordinary income increased to 24,726 million yen, up 3,204 million yen or 14.8% over the preceding period.

Let us look at extraordinary income and losses. During the current term, we continued our efforts to enhance corporate value and took the following measures:

1. On February 23, 2001, Minebea sold Actus Corporation, an import furniture-retailing subsidiary, to TRS Co., Ltd. As a result, extraordinary income of 5,215 million yen was recorded as gains from sales of investment securities in subsidiaries.
2. Minebea decided to withdraw from automobile wheel business and to close the Kyoto Manufacturing Unit at the end of December 2001. As a result, extraordinary losses of 2,762 million yen were recorded as losses from liquidation of wheel business.
3. 1,943 million yen was recorded as losses from liquidation of subsidiaries and affiliates. This mainly includes foreign currency translation adjustments to be dealt with on a consolidated basis with regard to losses from liquidation and evaluation of Minebea Onkyo Co., Ltd. and Hwan Chong Enterprise Co., Ltd. that were recorded by Minebea on a non-consolidated basis.

A total amount of 4,160 million yen was recorded as income taxes (including enterprise tax). In addition, owing to tax effective accounting that has been applied since the previous fiscal year, adjustment of income taxes of 3,296 million yen was recorded.

As a result, net income remarkably improved compared with the previous period and amounted to 14,826 million yen.

## **6. Outlook for Fluid Dynamic Bearings**

On February 29, 2000, Minebea concluded a cross-license agreement; a know-how license agreement; and a supply agreement with Seagate Technology, Inc. of the U.S., the world's largest supplier of hard disc drives (HDDs) and related components, with regard to fluid dynamic bearings and HDD spindle motors with fluid dynamic bearings. This marks Minebea's entry into fluid dynamic bearing business.

We presently mass-produce at our facilities in Thailand several types of spindle motors with fluid dynamic bearings including those for 3.5-inch HDDs. All of these spindle motors are supplied to Seagate. The agreements we concluded with Seagate allow us to supply HDD spindle motors that use fluid dynamic bearings to customers other than Seagate in and after November 2001.

Our production capacity for fluid dynamic bearing spindle motors is presently 0.5 million pieces per month. We intend to expand our production according to how demand grows and to bring output of this product up to 1.0 million to 1.5 million pieces per month by the end of this year.

Minebea's total investment in fluid dynamic bearing business as of the end of March 2001 is 5,000 million yen, out of which 2,000 million yen is for machinery and equipment and 3,000 million yen for buildings.

## **7. Automobile Market**

The automobile industry is now a mature industry. At any time in the future, we are unlikely to see a sharp increase in unit sales exceeding the current level of 50 million units per year. However, automobile users today demand higher levels of energy efficiency, safety and comfort, which is stimulating a rapid increase in demand for sensors, such as resolvers, and high-performance motors to facilitate greater levels of sophistication.

These product categories best suit the application of our motor development capabilities that is centered at German subsidiary Precision-Motors-Deutsche-Minebea-GmbH (PMDM); the development and engineering technologies that Minebea has long amassed through the production of resolvers and other components for aerospace and defense equipment; and our ultra-precision machining technology and mass-production technology that are the sources of Minebea's competitiveness. The automotive industry is just the right market for Minebea.

We already supply motors for electric power steering systems, motors for speedometers and odometers, and headlight optical-axis regulating motors to leading European automakers. Domestic carmakers are also showing considerable interest in these motors.

In November 2000, we began sample shipments of resolvers - a kind of rotation angle sensors - fitted with resolver-to-digital (RD) converters. Leading automakers in Japan, Europe, and the U.S. have expressed strong interest in these units. We expect to start delivery of this product in the second half of the current period or in the first half of the next term.

In addition, we are working to develop new products including motors for antilock brake systems (ABSs) and electric brake systems, and we plan to put these new products on the market as soon as ready.