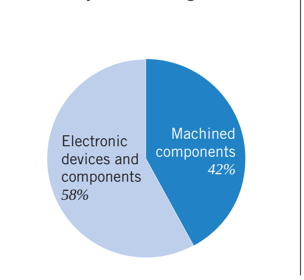
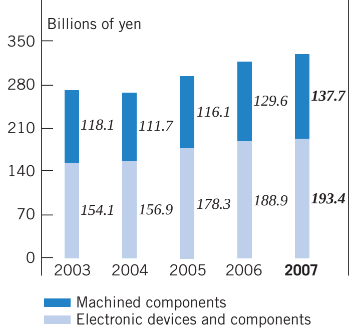
Financial Review

Results of Operations

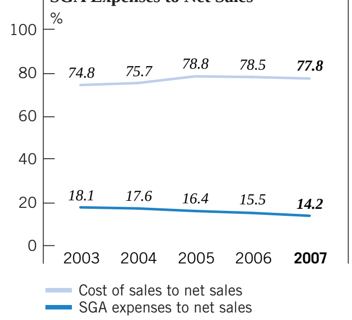
Net Sales by Business Segment



Net Sales by Business Segment



Cost of Sales to Net Sales and SGA Expenses to Net Sales



Net Sales

Consolidated net sales in fiscal 2007 rose 3.9%, or ¥12,576 million, to ¥331,022 million. During the period, the Japanese economy remained on a gentle upswing, supported by high corporate earnings, as well as by such factors as increased investment in plants and equipment and an improved employment situation. The U.S. economy continued to see stable growth, owing to robust personal consumption, while the overall European economy exhibited a favorable recovery. In China, economic growth remained high, reflecting increases in exports and investment in fixed assets. The economies of other Asian countries were generally solid. Demand remained firm in key customer industries, owing to the increasing popularity of information and telecommunications equipment, including PCs, and cellular telephones, particularly in counties classified as emerging economies, and digital home electronics products, including flat-screen televisions and DVD recorders, primarily in developed countries. Brisk conditions also persisted in the aircraft and automobile markets. In this environment, sales prices remained comparatively stable. This, together with expanded sales of existing products and the launch of attractive new products, contributed to the increase in consolidated net sales for the period. The impact of yen depreciation on overseas sales added approximately ¥13,200 million to net sales.

Cost of Sales

Cost of sales increased 3.1%, or ¥7,709 million, to ¥257,644 million. Cost of sales as a percentage of net sales edged down 0.7 percentage point, to 77.8%. Despite negative impact of yen depreciation and rising prices for steel, steel materials, rare metals and other raw materials, enhanced productivity prompted an improvement in cost of sales as a percentage of net sales.

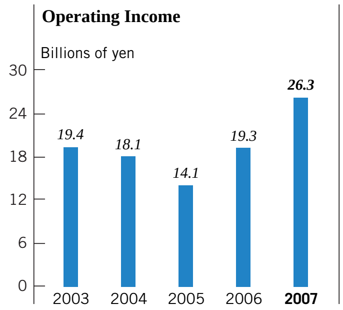
SGA Expenses

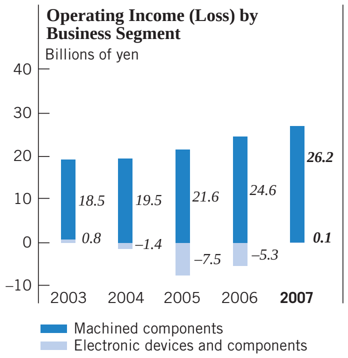
SGA expenses declined 4.3%, or ¥2,129 million, to ¥47,113 million. SGA expenses were equivalent to 14.2% of net sales, down 1.3 percentage points from fiscal 2006.

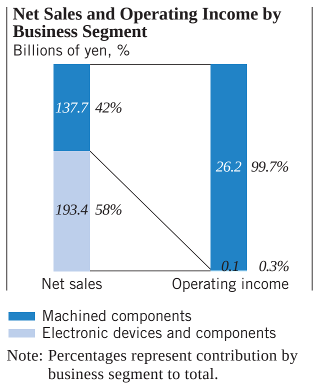
Cost of Sales and SGA Expenses

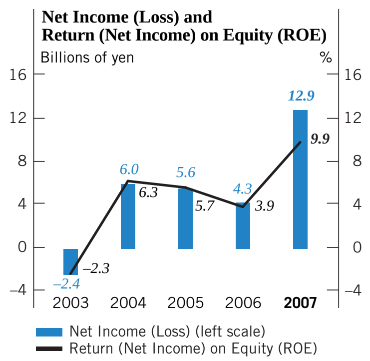
Millions of yen

Years ended March 31	**2007**	2006	2005	2004	2003
Net sales	**¥331,022**	¥318,446	¥294,422	¥268,574	¥272,202
Cost of sales	**257,644**	249,935	232,019	203,261	203,500
Cost of sales to net sales	**77.8%**	78.5%	78.8%	75.7%	74.8%
Gross profit	**73,378**	68,511	62,403	65,313	68,702
SGA expenses	**47,113**	49,242	48,320	47,209	49,350
SGA expenses to net sales	**14.2%**	15.5%	16.4%	17.6%	18.1%









Operating Income

Operating income advanced 36.3%, or ¥6,996 million, to ¥26,265 million. As a consequence, the operating margin rose 2.0 percentage points, to 8.0%. For more detailed information, refer to the section entitled "Performance by Business Segment," on page 35.

Other Income (Expenses)

The net balance of other income (expenses) was expenses, i.e., a loss, of ¥6,742 million, a decrease of ¥2,907 million. Despite efforts to reduce interest-bearing debt, interest expense rose ¥453 million, to ¥5,224 million, as a consequence of the impact of rising interest rates overseas. The overall decrease also reflected the absence of a ¥3,475 million business restructuring loss in the previous period related to the restructuring of our PC keyboards business.

Income before Income Taxes and Minority Interests

Owing to the factors described above, income before income taxes and minority interests climbed 102.9%, or ¥9,903 million, to ¥19,523 million.

Income Taxes

Income taxes edged down ¥79 million, to ¥7,062 million. This comprised current income taxes, that is, corporate, residential and business taxes, of ¥6,249 million, and an adjustment of ¥813 million. In fiscal 2006, losses posted by certain overseas subsidiaries and parent-company losses brought forward from the preceding period meant that dividend income received from overseas subsidiaries did not qualify for overseas tax credits, resulting in a higher effective tax rate. In fiscal 2007, the impact of such factors weakened significantly, as a consequence of which the effective tax rate normalized.

Minority Interests

Minority interests amounted to ¥401 million, down ¥1,377 million from fiscal 2006. This decline was primarily attributable to an improvement in the performance of joint venture Minebea–Matsushita Motor.

Net Income

As a consequence of the aforementioned factors, net income rose ¥8,605 million, to ¥12,862 million. Basic net income per share was ¥32.23, a significant increase from ¥10.67 in the previous period.

Income

Millions of yen

Years ended March 31	**2007**	2006	2005	2004	2003
Operating income	**¥26,265**	¥19,269	¥14,083	¥18,104	¥19,352
Operating margin	**8.0%**	6.0%	4.8%	6.7%	7.1%
Net balance of other income (expenses)	**(6,742)**	(9,649)	(6,305)	(5,146)	(18,857)
Net income (loss)	**12,862**	4,257	5,581	6,019	(2,434)
Net income (loss) to net sales	**3.9%**	1.3%	1.9%	2.2%	(0.9)%
Net income (loss) per share (Yen):					
Basic	**32.23**	10.67	13.93	15.08	(6.10)
Diluted	**—**	—	13.27	14.51	(4.85)
Return (net income) on equity	**9.9%**	3.9%	5.7%	6.3%	(2.3)%
Return on total assets	**3.7%**	1.2%	1.7%	1.9%	(0.8)%

Financial Condition

Financial Policy and Liquidity

The businesses of the Minebea Group continue to operate in an environment characterized by accelerating product and technological development and intensifying global competition. In such an environment, we recognize the importance of ensuring the flexibility necessary to allow advance investment, enabling us to develop products that satisfy diverse customer expectations, and capital investment, ensuring we can respond promptly to fluctuations in demand. We strive to facilitate dynamic investment activities and strengthen our technological development capabilities by maintaining a sound financial position and high degree of agility in our financing activities

Our debt ratings in fiscal 2007, shown in the table below, are indicative of the success of efforts to reinforce our financial position. We have set medium-term goals to reduce net interest-bearing debt (¥128,530 million at fiscal 2007 year-end) to below ¥100,000 million. Given the uncertain interest rate situation in Japan, we will promote efforts to expand income, shrink inventories and step up implementation of an effective investment program that focuses on the efficient use of assets to accelerate the reduction of interest-bearing debt. In terms of capital investment, we are promoting decisive investment in growth businesses and promoting stringent rationalization efforts and efficient investments in businesses that remain unprofitable.

To ensure the agility of our financing efforts, we filed for shelf registration of corporate bond issues in the amount of ¥50,000 million and obtained a rating for short-term debt up to a maximum of ¥10,000 million. Moreover, to create a stronger, more stable structure for fund procurement, we strive to maintain solid relationships with key financial institutions in Japan and overseas and have taken steps to manage liquidity risks, including signing agreements to set up commitment lines.

In Thailand, where our principal manufacturing base is located, on December 18, 2006, stringent controls were placed on short-term capital inflows with the aim of preventing speculative investment in and appreciation of the baht. Most of these controls were subsequently eased, however, and the impact on our operations was negligible.

Debt Ratings

As of May 2007	*Long-term debt*	*Short-term debt*
Moody’s Investors Service	Baa2	—
Japan Credit Rating Agency, Ltd.	A	J–1
Japan Rating and Investment Information, Inc.	BBB+	a–2

Purchase of Tangible Fixed Assets

Purchase of tangible fixed assets, or capital investment, in fiscal 2007 totaled ¥16,969 million, down ¥4,928 million from fiscal 2006. This amount included investments in the expansion and refurbishment of production facilities for ball bearings in Thailand, China and Singapore, and the expansion of production facilities for pivot assemblies in Thailand, as well as investments in facilities related to the production of electronic devices—notably HDD spindle motors and LED backlight assemblies—in Thailand and information motors in Thailand, China and Malaysia.

In fiscal 2008, we expect purchase of tangible fixed assets to be in the area of ¥27,500 million. We plan on making investments to, among others, build new plants overseas, expand and rationalize production facilities for ball bearings, expand production of aircraft components and rationalize production of HDD spindle motor production and molds.

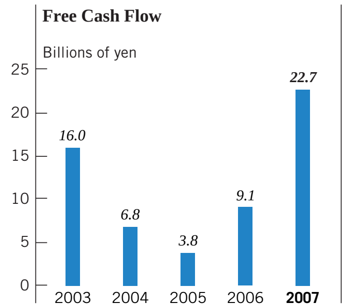
Dividend Policy

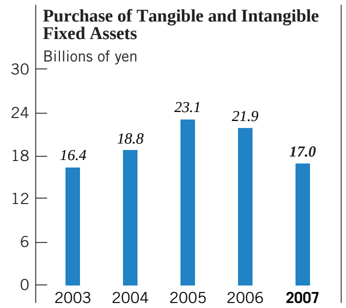
To date, our dividend policy has centered on appropriating profits to implement stable dividend payments to shareholders. Going forward, however, our primary emphasis will be raising capital efficiency and enhancing the distribution of profits to shareholders while giving comprehensive consideration to our operating environment. Accordingly, we will pursue a policy of ensuring a return on investment for shareholders that is in line with our operating results.

In line with our new policy, cash dividends for fiscal 2007 were declared at ¥10.00, an increase of ¥3.00. As a result, the payout ratio was 31.0%.

Free Cash Flow

Free cash flow (calculated by subtracting net cash used in investing activities from net cash provided by operating activities) totaled ¥22,722 million, an increase of 149.2%, or ¥13,605 million, from fiscal 2006.





Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥37,902 million, 34.2%, or ¥9,665 million, higher than in fiscal 2006. This change was primarily attributable to a ¥9,903 million increase in income before income taxes and minority interests, to ¥19,523 million, and a ¥6,403 million decrease in inventories, ¥4,321 million greater than in fiscal 2006. Depreciation and amortization totaled ¥24,648 million, up ¥676 million from the previous fiscal year.

Cash Flows from Investing Activities

Net cash used in investing activities decreased 20.6%, or ¥3,940 million, to ¥15,180 million. The principal factor contributing to this result was the application of ¥16,969 million for the purchase of tangible fixed assets, a decline of ¥4,928 million.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥25,683 million, an increase of 248.0%, or ¥18,303 million, from fiscal 2006. This change was primarily due to the application of ¥22,876 million to the repayment of long-term debt, up ¥18,309 million, and cash dividends paid of ¥2,793 million, essentially level with the previous period.

Cash and Cash Equivalents

Operating, investing and financing activities in fiscal 2007 resulted in a net decrease in cash and cash equivalents of ¥2,654 million, to ¥21,731 million, as net cash used in financing activities exceeded free cash flow.

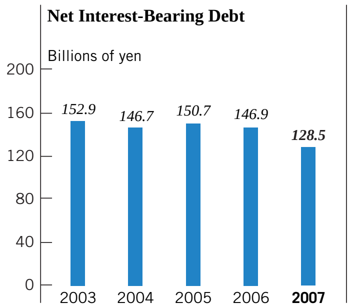
Free Cash Flow

Millions of yen

Years ended March 31	**2007**	2006	2005	2004	2003
Net cash provided by operating activities	**¥ 37,902**	¥ 28,237	¥ 27,586	¥ 21,714	¥ 32,279
Net cash used in investing activities Portion of above used in purchase of tangible fixed assets	**(15,180)**	(19,120)	(23,789)	(14,932)	(16,233)
Purchase of tangible fixed assets	**(16,969)**	(21,897)	(23,060)	(18,825)	(16,382)
Free cash flow	**22,722**	9,117	3,797	6,782	16,046

Note: Effective fiscal 2005, Minebea calculates free cash flow by subtracting net cash used in investing activities from net cash provided by operating activities. Figures for previous years have been restated using this calculation.

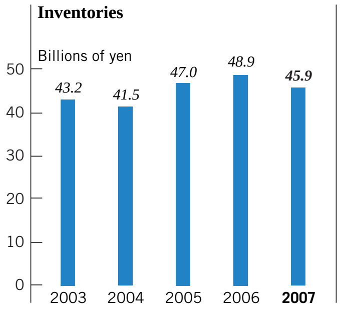
Assets, Liabilities and Net Assets



Total assets at the end of fiscal 2007 amounted to ¥354,784 million, an increase of 1.4%, or ¥4,922 million, from the fiscal 2006 year-end. The impact of yen depreciation on this total was approximately ¥26,000 million. Total net assets were ¥142,558 million. Net interest-bearing debt (total debt minus cash and cash equivalents) declined 12.5%, or ¥18,357 million, to ¥128,530 million. As a consequence, the net debt-to-equity ratio improved, to 0.9 times. The equity ratio was 40.1%, up 6.5 percentage points.

Assets

Cash and cash equivalents in fiscal 2007 declined ¥2,654 million, to ¥21,731 million, owing primarily to an increase in outlays aimed at reducing interest-bearing debt. Notes and accounts receivable—trade rose ¥5,521 million, to ¥71,883 million, including approximately ¥1,800 million attributable to yen depreciation. Despite the impact of yen depreciation, which added approximately ¥3,400 million, inventories fell ¥3,010 million, to ¥45,904 million, reflecting declines attributable to Companywide efforts to reduce inventories and the restructuring of our PC keyboard business. Deferred tax assets (short-term) amounted to ¥7,056 million, an increase of ¥3,654 million. As a consequence, total current assets rose 1.6%, or ¥2,495 million, to ¥156,059 million.



Net tangible fixed assets rose 3.2%, or ¥5,305 million, to ¥171,064 million. Purchase of tangible fixed assets (capital investment) totaled ¥16,969 million, while depreciation and amortization amounted to ¥24,648 million. Yen depreciation added approximately ¥19,500 million to this total. Intangible fixed assets totaled ¥11,974 million, a decline of 9.1%, or ¥1,203 million. Net investments and other assets were down 9.5%, or ¥1,633 million, to ¥15,647 million. Deferred charges declined ¥42 million, to ¥40 million.

Liabilities

Total notes and accounts payable rose ¥1,558 million, to ¥38,167 million. The impact of yen depreciation was approximately ¥2,700 million. Short-term loans payable fell ¥23,017 million, to ¥57,639 million. The current portion of long-term debt increased ¥3,006 million, to ¥14,122 million. Owing to such factors, total current liabilities declined 13.1%, or ¥19,731 million, to ¥131,155 million.

Long-term debt declined 1.3%, or ¥1,000 million, to ¥78,500 million. As a consequence, total long-term liabilities edged down 0.4%, or ¥304 million, to ¥81,071 million.

Net Assets

Total net assets at fiscal 2007 year-end were ¥142,558 million. Differences on revaluation of other marketable securities declined ¥1,133 million, while retained earnings climbed ¥8,872 million, and foreign currency translation adjustments declined ¥17,052 million. Minority interests in consolidated subsidiaries totaled ¥204 million, down 67.7%, or ¥428 million.

Financial Position

Millions of yen

As of March 31	**2007**	2006	2005	2004	2003
Total assets	**¥354,784**	¥349,862	¥332,217	¥314,915	¥320,069
Cash and cash equivalents at end of year	**21,731**	24,385	21,759	24,780	14,177
Total current assets	**156,059**	153,564	147,295	138,953	127,447
Inventories	**45,904**	48,914	46,963	41,534	43,204
Total current liabilities	**131,155**	150,886	141,449	167,626	134,459
Working capital	**24,905**	2,678	5,846	(28,673)	(7,012)
Interest-bearing debt	**150,261**	171,272	172,453	171,485	167,125
Net interest-bearing debt	**128,530**	146,887	150,694	146,706	152,947
Total net assets	**142,558**	118,209	102,088	93,866	98,213
Equity ratio	**40.1%**	33.6%	30.7%	29.8%	30.7%
Debt-to-equity ratio (Times)	**1.1**	1.5	1.7	1.8	1.7
Net debt-to-equity ratio (Times)	**0.9**	1.2	1.5	1.6	1.6
Net assets per share (Yen)	**356.75**	294.65	255.82	235.21	246.08

Note: Effective fiscal 2007, Minebea has applied the Accounting Standard for Presentation of Net Assets in the Balance Sheet and the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet. Accordingly, "shareholders' equity," "total shareholders' equity/total assets" and "shareholders' equity per share (yen)" have been restated as "net assets," "equity ratio" and "net assets per share (yen)," respectively. Also, fiscal 2007 and 2006 figures include minority interests in net assets.