Consolidated Balance Sheets

As of March 31, 2007 and 2006

Assets	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Current Assets:			
Cash and cash equivalents (Note 2-c)	¥ 21,731	¥ 24,385	$ 184,086
Notes and accounts receivable (Notes 2-d and 4):			
Trade	71,883	66,362	608,921
Other	1,440	2,920	12,200
	73,323	69,282	621,121
Allowance for doubtful receivables (Note 2-d)	(249)	(285)	(2,114)
Total notes and accounts receivable	73,074	68,997	619,007
Inventories (Note 2-e)	45,904	48,914	388,855
Deferred tax assets (Note 7)	7,056	3,402	59,779
Prepaid expenses and other current assets	8,294	7,866	70,253
Total current assets	156,059	153,564	1,321,980
Tangible Fixed Assets (Note 2-f and 6):			
Land	15,528	14,755	131,543
Buildings and structures	112,534	104,435	953,272
Machinery and transportation equipment	311,703	283,727	2,640,432
Construction in progress	1,772	1,517	15,010
	441,537	404,434	3,740,257
Accumulated depreciation	(270,473)	(238,675)	(2,291,179)
Net tangible fixed assets	171,064	165,759	1,449,078
Intangible Fixed Assets:			
Goodwill (Note 2-j)	8,794	9,794	74,495
Other	3,180	3,383	26,936
	11,974	13,177	101,431
Investments and Other Assets:			
Investments in affiliates (Notes 2-g and 4)	143	148	1,207
Investments in securities (Note 2-g)	11,176	10,816	94,675
Long-term loans receivable	54	46	465
Deferred tax assets (Note 7)	990	4,552	8,390
Other (Note 2-h)	3,284	1,773	27,812
	15,647	17,335	132,549
Allowance for doubtful receivables (Note 2-d)	(0)	(55)	(4)
Net investments and other assets	15,647	17,280	132,545
Deferred Charges	40	82	341
Total Assets	¥ 354,784	¥ 349,862	$ 3,005,375

The accompanying notes to consolidated financial statements are an integral part of these statements.

Liabilities and Net Assets	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Current Liabilities:			
Short-term loans payable (Note 5)	¥ 57,639	¥ 80,656	$ 488,265
Current portion of long-term debt (Note 5)	14,122	11,116	119,624
Notes and accounts payable (Note 4):			
Trade	27,744	26,683	235,016
Other	10,423	9,926	88,296
Total notes and accounts payable	38,167	36,609	323,312
Income taxes payable (Note 7)	4,419	3,045	37,430
Accrued expenses and other current liabilities	16,808	19,460	142,379
Total current liabilities	131,155	150,886	1,111,010
Long-Term Liabilities:			
Long-term debt (Note 5)	78,500	79,500	664,972
Others (Note 2-h)	2,571	1,267	21,783
Total long-term liabilities	81,071	80,767	686,755
Contingent Liabilities (Notes 13 and 14)			
Total liabilities	212,226	231,653	1,797,765
Net Assets (Note 11):			
Shareholders' equity:			
Common stock			
Authorized: 1,000,000,000 shares			
Issued: March 31, 2007—399,167,695 shares			
March 31, 2006—399,167,695 shares	68,259	68,259	578,220
Capital surplus	94,757	94,757	802,684
Earnings surplus	15,855	6,983	134,313
Treasury stock	(80)	(66)	(675)
Total shareholders' equity	178,791	169,933	1,514,542
Revaluation/Translation differences:			
Differences on revaluation of other marketable securities	3,295	4,428	27,911
Foreign currency translation adjustments	(39,732)	(56,784)	(336,575)
Total revaluation/translation differences	(36,437)	(52,356)	(308,664)
Minority interests in consolidated subsidiaries	204	632	1,732
Total net assets	142,558	118,209	1,207,610
Total Liabilities and Net Assets	¥354,784	¥349,862	$3,005,375

Consolidated Statements of Income

Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2007	2006	2005	2007
Net Sales (Note 4)	¥331,022	¥318,446	¥294,422	$2,804,084
Cost of Sales (Notes 4 and 10)	257,644	249,935	232,019	2,182,495
Gross profit	73,378	68,511	62,403	621,589
Selling, General and Administrative Expenses (Notes 2-j and 10)	47,113	49,242	48,320	399,097
Operating income	26,265	19,269	14,083	222,492
Other Income (Expenses):				
Interest income	544	258	145	4,613
Equity income of affiliates	—	5	13	—
Equity loss of affiliates	(5)	—	—	(43)
Interest expense	(5,224)	(4,771)	(3,361)	(44,258)
Gains on sales of investment securities and investment securities in affiliates	0	191	—	8
Losses on devaluation of investment securities	—	—	(619)	—
Foreign currency exchange losses (Note 2-b)	(680)	(345)	(755)	(5,758)
Losses on sales and disposals of tangible fixed assets	(1,688)	(870)	(1,019)	(14,299)
Losses on liquidation of subsidiaries and affiliates	(56)	(86)	(270)	(475)
Gains on the reversal of preemptive rights	—	447	—	—
Reversal of loss on after-care of products	572	—	—	4,852
Impairment loss	(74)	(967)	—	(634)
Business restructuring loss	(40)	(3,475)	—	(345)
Settlement loss	(808)	—	—	(6,845)
Compensation payments	(70)	—	—	(593)
Other, net	787	(36)	(439)	6,670
	(6,742)	(9,649)	(6,305)	(57,107)
Income before Income Taxes and Minority Interests	19,523	9,620	7,778	165,385
Income Taxes (Note 7)**:**				
Current	6,249	5,567	5,943	52,935
Deferred (benefit)	813	1,574	(430)	6,892
	7,062	7,141	5,513	59,827
Minority Interests	401	1,778	3,316	3,399
Net Income	¥ 12,862	¥ 4,257	¥ 5,581	$ 108,957

	Yen			U.S. dollars (Note 3)
Per Share Data (Note 12)**:**				
Net income:				
Basic	¥32.23	¥10.67	¥13.93	$0.27
Diluted	—	—	13.27	—
Cash dividends applicable to the year	10.00	7.00	7.00	0.08

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2007, 2006 and 2005

Millions of yen

	Shareholders' Equity					Revaluation/Translation Differences				
	Common Stock	Capital Surplus	Earnings Surplus	Treasury Stock	Total Shareholders' Equity	Differences on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Total Revaluation/ Translation Differences	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance at March 31, 2004	¥68,259	¥94,757	¥ 2,755	¥(47)	¥165,724	¥1,648	¥(73,506)	¥(71,858)	¥ 679	¥ 94,545
Changes:										
Cash dividend from retained earnings	—	—	(2,793)	—	(2,793)	—	—	—	—	(2,793)
Net income	—	—	5,581	—	5,581	—	—	—	—	5,581
Purchase of own shares	—	—	—	(12)	(12)	—	—	—	—	(12)
Sales of own shares	—	—	(0)	3	3	—	—	—	—	3
Bonuses to directors	—	—	(24)	—	(24)	—	—	—	—	(24)
Changes (net) in non-shareholders' equity items	—	—	—	—	—	(73)	5,541	5,468	1,855	7,323
Total changes	—	—	2,764	(9)	2,755	(73)	5,541	5,468	1,855	10,078
Balance at March 31, 2005	¥68,259	¥94,757	¥ 5,519	¥(56)	¥168,479	¥1,575	¥(67,965)	¥(66,390)	¥2,534	¥104,623

Millions of yen

	Shareholders' Equity					Revaluation/Translation Differences				
	Common Stock	Capital Surplus	Earnings Surplus	Treasury Stock	Total Shareholders' Equity	Differences on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Total Revaluation/ Translation Differences	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance at March 31, 2005	¥68,259	¥94,757	¥ 5,519	¥(56)	¥168,479	¥1,575	¥(67,965)	¥(66,390)	¥ 2,534	¥104,623
Changes:										
Cash dividend from retained earnings	—	—	(2,793)	—	(2,793)	—	—	—	—	(2,793)
Net income	—	—	4,257	—	4,257	—	—	—	—	4,257
Purchase of own shares	—	—	—	(11)	(11)	—	—	—	—	(11)
Sales of own shares	—	—	(0)	1	1	—	—	—	—	1
Changes (net) in non-shareholders' equity items	—	—	—	—	—	2,853	11,181	14,034	(1,902)	12,132
Total changes	—	—	1,464	(10)	1,454	2,853	11,181	14,034	(1,902)	13,586
Balance at March 31, 2006	¥68,259	¥94,757	¥ 6,983	¥(66)	¥169,933	¥ 4,428	¥(56,784)	¥(52,356)	¥ 632	¥118,209

Millions of yen

	Shareholders' Equity					Revaluation/Translation Differences				
	Common Stock	Capital Surplus	Earnings Surplus	Treasury Stock	Total Shareholders' Equity	Differences on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Total Revaluation/ Translation Differences	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance at March 31, 2006	**¥68,259**	**¥94,757**	**¥ 6,983**	**¥(66)**	**¥169,933**	**¥ 4,428**	**¥(56,784)**	**¥(52,356)**	**¥ 632**	**¥118,209**
Changes:										
Cash dividend from retained earnings	—	—	**(3,990)**	—	**(3,990)**	—	—	—	—	**(3,990)**
Net income	—	—	**12,862**	—	**12,862**	—	—	—	—	**12,862**
Purchase of own shares	—	—	—	**(15)**	**(15)**	—	—	—	—	**(15)**
Sales of own shares	—	**0**	—	**1**	**1**	—	—	—	—	**1**
Changes (net) in non-shareholders' equity items	—	—	—	—	—	**(1,133)**	**17,052**	**15,919**	**(428)**	**15,491**
Total changes	—	**0**	**8,872**	**(14)**	**8,858**	**(1,133)**	**17,052**	**15,919**	**(428)**	**24,349**
Balance at March 31, 2007	**¥68,259**	**¥94,757**	**¥15,855**	**¥(80)**	**¥178,791**	**¥ 3,295**	**¥(39,732)**	**¥(36,437)**	**¥ 204**	**¥142,558**

Thousands of U.S. dollars (Note 3)

	Shareholders' Equity					Revaluation/Translation Differences				
	Common Stock	Capital Stock	Earnings Surplus	Treasury Stock	Total Shareholders' Equity	Differences on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Total Revaluation/ Translation Differences	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance at March 31, 2006	**$578,220**	**$802,682**	**$ 59,158**	**$(555)**	**$1,439,505**	**$37,514**	**$(481,020)**	**$(443,506)**	**$ 5,349**	**$1,001,348**
Changes:										
Cash dividend from retained earnings	—	—	**(33,802)**	—	**(33,802)**	—	—	—	—	**(33,802)**
Net income	—	—	**108,957**	—	**108,957**	—	—	—	—	**108,957**
Purchase of own shares	—	—	—	**(129)**	**(129)**	—	—	—	—	**(129)**
Sales of own shares	—	**2**	—	**9**	**11**	—	—	—	—	**11**
Changes (net) in non-shareholders' equity items	—	—	—	—	—	**(9,603)**	**144,445**	**134,842**	**(3,617)**	**131,225**
Total changes	—	**2**	**75,155**	**(120)**	**75,037**	**(9,603)**	**144,445**	**134,842**	**(3,617)**	**206,262**
Balance at March 31, 2007	**$578,220**	**$802,684**	**$134,313**	**$(675)**	**$1,514,542**	**$27,911**	**$(336,575)**	**$(308,664)**	**$ 1,732**	**$1,207,610**

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2007	2006	2005	2007
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 19,523	¥ 9,620	¥ 7,778	$ 165,385
Depreciation and amortization	24,648	23,972	22,462	208,794
Impairment loss	74	967	—	634
Amortization of goodwill	1,079	1,073	1,083	9,140
Interest and dividend income	(610)	(330)	(182)	(5,174)
Interest expense	5,224	4,771	3,361	44,258
Losses on sales and disposals of tangible fixed assets	1,505	455	718	12,744
Gains on the reversal of preemptive rights	—	(447)	—	—
Increase in notes and accounts receivable	(3,674)	(110)	(1,020)	(31,121)
Decrease (increase) in inventories	6,403	2,082	(1,597)	54,241
(Decrease) increase in notes and accounts payable	(1,629)	(1,215)	1,283	(13,804)
(Decrease) increase in allowances for business restructuring losses	(2,650)	3,286	—	(22,445)
Settlement loss	808	—	—	6,845
Decrease in warranty reserve	(577)	—	—	(4,891)
Other	(2,945)	(6,760)	1,256	(24,954)
Subtotal	47,179	37,364	35,142	399,652
Interest and dividends received	611	330	183	5,173
Interest paid	(5,252)	(4,844)	(3,388)	(44,487)
Income taxes paid	(4,636)	(4,613)	(4,351)	(39,268)
Net cash provided by operating activities	37,902	28,237	27,586	321,070
Cash Flows from Investing Activities:				
Purchase of tangible fixed assets	(16,969)	(21,897)	(23,060)	(143,748)
Proceeds from sales of tangible fixed assets	5,188	3,047	2,173	43,945
Purchase of intangible fixed assets	(697)	(311)	(3,059)	(5,905)
Payments for purchase of shares in subsidiaries	—	(342)	—	—
Net proceeds from acquisition of shares in subsidiaries	—	—	71	—
Long-term loans provided	(32)	(18)	(67)	(269)
Other, net	(2,670)	401	153	(22,614)
Net cash used in investing activities	(15,180)	(19,120)	(23,789)	(128,591)
Cash Flows from Financing Activities:				
Repayment of short-term and long-term debt	(22,876)	(4,567)	(5,909)	(193,786)
Cash dividends paid	(2,793)	(2,793)	(2,793)	(23,663)
Cash dividends paid to minority shareholders	—	(14)	(16)	—
Other, net	(14)	(6)	(54)	(118)
Net cash used in financing activities	(25,683)	(7,380)	(8,772)	(217,567)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	307	889	358	2,603
Net (decrease) increase in cash and cash equivalents	(2,654)	2,626	(4,617)	(22,485)
Cash and Cash Equivalents at Beginning of Year	24,385	21,759	24,780	206,571
Increase in Cash and Cash Equivalents Due to Establishment of a Joint Venture	—	—	1,596	—
Cash and Cash Equivalents at End of Year	¥ 21,731	¥ 24,385	¥ 21,759	$ 184,086

The accompanying notes to consolidated financial statements are an integral part of these statements.

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Minebea Co., Ltd. (the "Company"), and its consolidated domestic and overseas subsidiaries are stated in Japanese yen, the accounts of which are maintained in accordance with the accounting principles generally accepted in the respective countries and audited by independent auditors in those countries.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Ministry of Finance in Japan as required by the Securities and Exchange Law of Japan, in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. For the purpose of this annual report, certain reclassifications have been made and additional information provided to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 43 affiliated companies, including 42 consolidated subsidiaries and 1 nonconsolidated affiliate. All significant intercompany balances, intercompany transactions and unrealized profits have been eliminated in consolidation.

b) Translation of foreign currencies

Monetary assets and liabilities denominated in overseas currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for certain accounts that were hedged by forward exchange contracts. Translation differences arising from the translation of the financial statements denominated in foreign currencies are recorded as minority interests in consolidated subsidiaries and foreign currency translation adjustments in net assets.

Financial statement items of consolidated overseas subsidiaries are translated into Japanese yen as follows:

Balance sheet items	At the rates of exchange prevailing at the balance sheet date
Statement of income items	At the average rate of exchange during the fiscal year

c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be "cash equivalents."

d) Allowance for doubtful receivables

Allowance for doubtful receivables of the Company and its consolidated domestic subsidiaries is provided for normal receivables based on the historical write-off rate and for uncollectible receivables on a specific identification basis. Allowance for doubtful receivables of consolidated overseas subsidiaries is generally provided for estimated uncollectible receivables.

Allowance for doubtful receivables provided for consolidated subsidiary receivables is eliminated for consolidation purposes. Allowance for doubtful receivables as of March 31, 2007 and 2006, were sufficient to cover the estimated uncollectible receivables.

e) Inventories

Inventories of the Company and its consolidated domestic subsidiaries are stated primarily at cost, being determined by the moving average method, and those of its consolidated overseas subsidiaries are stated at the lower of cost or market, being determined by the first-in, first-out method or the moving average method.

Inventories as of March 31, 2007 and 2006, comprised the following:

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2007	2006	**2007**
Merchandise and finished goods	**¥22,408**	¥24,320	**$189,820**
Work in process	**11,808**	10,937	**100,022**
Raw materials	**8,096**	9,830	**68,587**
Supplies	**3,592**	3,827	**30,426**
	¥45,904	¥48,914	**$388,855**

f) Tangible fixed assets

Tangible fixed assets is stated at cost. Depreciation of the Company and its consolidated domestic subsidiaries is computed by the declining balance method based upon the estimated useful lives of the assets, whereas depreciation of consolidated overseas subsidiaries is computed primarily by the straight-line method based upon the estimated useful lives of the assets. Maintenance and normal repair expenses are charged against income as incurred, while significant renewals and improvements are capitalized.

g) Investments in securities

Investments in securities consist of equity securities of listed and unlisted companies and government bonds. Other securities held by the Company or its domestic subsidiaries with quoted market values are stated at the closing quoted value price on March 31, 2007. Resulting valuation gains and losses are included, after the application of tax effect accounting, in net assets in the consolidated balance sheets. Those securities with no quoted market value are stated at cost by the moving average method.

Debt securities held to maturity by the Company's consolidated overseas subsidiaries are stated at cost by the amortized cost method (straight-line method).

Other Marketable Securities with Market Value

Millions of yen

	2007			2006		
	Acquisition cost	*Reported amount in balance sheet*	*Difference*	*Acquisition cost*	*Reported amount in balance sheet*	*Difference*
Securities whose reported amounts in balance sheet exceed acquisition cost						
Stock	¥3,081	¥8,482	¥5,401	¥3,080	¥10,340	¥7,260
Securities whose reported amounts in balance sheet do not exceed acquisition cost						
Stock	—	—	—	—	—	—
Total	¥3,081	¥8,482	¥5,401	¥3,080	¥10,340	¥7,260

Thousands of U.S. dollars (Note 3)

	2007		
	Acquisition cost	*Reported amount in balance sheet*	*Difference*
Securities whose reported amounts in balance sheet exceed acquisition cost			
Stock	$26,101	$71,857	$45,756
Securities whose reported amounts in balance sheet do not exceed acquisition cost			
Stock	—	—	—
Total	$26,101	$71,857	$45,756

Debt Securities Held to Maturity with Market Value

Millions of yen

	2007			2006		
	Reported amount in balance sheet	*Market value*	*Difference*	*Reported amount in balance sheet*	*Market value*	*Difference*
Securities whose market values are in excess of their reported balance sheet amounts						
Government bonds, municipal bonds, etc.	¥2,628	¥2,628	¥0	¥—	¥—	¥—
Securities whose market values are not in excess of their reported balance sheet amounts						
Government bonds, municipal bonds, etc.	—	—	—	—	—	—
Total	¥2,628	¥2,628	¥0	¥—	¥—	¥—

Thousands of U.S. dollars (Note 3)

	2007		
	Reported amount in balance sheet	*Market value*	*Difference*
Securities whose market values are in excess of their reported balance sheet amounts			
Government bonds, municipal bonds, etc.	$22,262	$22,268	$6
Securities whose market values are not in excess of their reported balance sheet amounts			
Government bonds, municipal bonds, etc.	—	—	—
Total	$22,262	$22,268	$6

h) Accounting for retirement benefits

With effect from April 1, 2000, the Company and its consolidated domestic subsidiaries have adopted the accounting standards for retirement benefits. To provide for the payment of retirement benefits to employees, the Company has made provisions based on the projected benefit obligations and the estimated plan assets as of March 31, 2007, calculated on the basis of accrued retirement benefit obligations and prepaid pension costs as of March 31, 2007.

Prepaid pension costs for the fiscal year ended March 31, 2007, are included in "Other" in "Investments and Other Assets."

Actuarial gains and losses are amortized using the straight-line method over the average remaining service period of employees (5 years), from the period subsequent to the period in which they are incurred.

Unrecognized prior service costs of consolidated overseas subsidiaries are amortized using the straight-line method over a period of 10 years.

Actuarial gains and losses of consolidated overseas subsidiaries are amortized using the straight-line method over a period of 10 years, from the period subsequent to the period in which they are incurred.

Retirement benefit plans

Projected benefit obligations, net retirement benefit costs and assumptions used for calculation for the years ended March 31, 2007 and 2006, are as follows:

Projected Benefit Obligations	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Projected benefit obligations	¥(30,125)	¥(26,874)	$(255,193)
Plan assets at fair value	29,525	24,878	250,107
Unfunded projected benefit obligations	(600)	(1,996)	(5,086)
Unrecognized prior service cost	987	411	8,362
Unrecognized actuarial (gains) losses	(565)	1,019	(4,786)
Net amount recognized on consolidated balance sheets	(178)	(566)	(1,510)
Prepaid pension cost	1,483	75	12,568
Accrued retirement benefits	¥ (1,661)	¥ (641)	$ (14,078)

Net Retirement Benefit Costs	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Services cost	¥ 2,269	¥ 1,489	$ 19,227
Interest cost	1,159	985	9,821
Expected return on plan assets	(1,343)	(1,025)	(11,385)
Amortization of prior service cost	2	2	20
Amortization of actuarial (gains) losses	(62)	440	(528)
Retirement benefit costs	¥ 2,025	¥ 1,891	$ 17,155

Assumption Used for Calculation	2007	2006
Discount rate	mainly 2.5%	mainly 2.5%
Expected rate of return on plan assets	mainly 2.5%	mainly 2.5%
Allocation of estimated amount of all retirement benefits to be paid at future retirement dates	Equally to each service year using the estimated number of total service years	Equally to each service year using the estimated number of total service years

i) Leases

Non-cancelable lease transactions of the Company are accounted for by the operating lease accounting method regardless of whether such leases are classified as operating or finance leases, except that lease agreements which stipulate the transfer of ownership of the leased property to the lessee are accounted for as finance leases.

j) Goodwill and negative goodwill

Excess of cost over net assets acquired for business acquisitions is amortized, amounting to ¥1,079 million in fiscal 2007 and ¥1,073 million in fiscal 2006, on a straight-line basis over a period ranging from 5 to 40 years.

k) Reclassifications

Certain reclassifications of previous years' figures have been made to conform with the current year's classification.

3. Translation into U.S. Dollars

The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have also been translated into U.S. dollar amounts at the rate of ¥118.05=US$1, the approximate rate of exchange on March 31, 2007. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars.

4. Investments in Affiliates

Summarized financial information for all affiliates as of March 31, 2007 and 2006, and for the years then ended, is as follows:

Financial Position	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Assets:			
Current assets	¥320	¥366	$2,716
Other assets, including tangible fixed assets	473	456	4,005
	¥793	¥822	$6,721
Liabilities and shareholders' equity:			
Current liabilities	¥ 68	¥ 59	$ 576
Non-current liabilities	203	221	1,720
Net assets	522	542	4,425
	¥793	¥822	$6,721

Results of Operations	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Net sales	¥391	¥431	$3,313
Cost and expenses	409	411	3,466
Net income	¥ (18)	¥ 20	$ (153)

Summarized below are the significant transactions of the Company and its consolidated subsidiaries with affiliates for the years ended March 31, 2007 and 2006, and the related account balances as of March 31, 2007 and 2006:

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Transactions:			
Sales	¥—	¥—	$—
Purchases	—	—	—
Account balances:			
Notes and accounts receivable	—	—	—
Notes and accounts payable	1	0	11

5. Short-Term Loans Payable and Long-Term Debt

Short-term loans payable consists of notes payable to banks, principally due in 30 to 180 days. The average annual interest rates for short-term loans payable are 2.35% and 1.92% for the years ended March 31, 2007 and 2006, respectively.

	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Notes payable to banks	¥57,639	¥80,656	$488,265
Total	¥57,639	¥80,656	$488,265

The aggregate annual maturities of long-term debt outstanding as of March 31, 2007, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
2008	¥14,122	$119,624
2009	15,000	127,065
2010	18,000	152,478
2011	12,000	101,652
2012 and thereafter	33,500	283,778
	¥92,622	$784,597

Long-term debt as of March 31, 2007 and 2006, consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
3.0% unsecured bonds payable in Japanese yen due 2008	¥15,000	¥15,000	$127,065
0.655% unsecured bonds payable in Japanese yen due 2007	—	3,000	—
1.39% unsecured bonds payable in Japanese yen due 2010	10,000	10,000	84,710
1.26% unsecured bonds payable in Japanese yen due 2011	10,000	10,000	84,710
1.7% unsecured bonds payable in Japanese yen due 2012	1,500	1,500	12,706
0.66% to 2.05% loans from banks, other	56,122	51,116	475,406
	92,622	90,616	784,597
Less current portion	14,122	11,116	119,624
	¥78,500	¥79,500	$664,973

6. Losses on Impairment of Fixed Assets

The groups of assets for which the Company recognized impairment losses for the year ended March 31, 2007, are as follows:

Losses on impairment

			Millions of yen		Thousands of U.S. dollars (Note 3)
Use	*Location*	*Type of assets*	2007	2006	2007
Idle assets	4 facilities, which are the former Kyoto Plant, former Ibaraki Plant, former Ichinoseki Plant and former Saku Plant (Hachiman City, Kyoto Prefecture and others)	Buildings and structures	¥42	¥132	$355
		Machinery and transportation equipment	6	—	53
		Tools, furniture and fixtures	0	—	3
		Land	26	834	223
		Total	¥74	¥967	$634

The method to group the assets

Assets are grouped largely by each minimal works that will bear independent cash flow in each business segment.

The reason for impairment losses having been recognized

The fixed assets (buildings, structures and land, etc.) for which impairment losses were recognized for the year ended March 31, 2007, are currently idle assets and are not expected to be utilized effectively. In addition, the land price dropped significantly.

The method to calculate the recoverable amounts
The recoverable amounts were measured by the net sales value, which is based on the real estate valuation standards.

7. Income Taxes

The Company and its consolidated domestic subsidiaries are subject to a number of different taxes based on income which, in the aggregate, resulted in an effective statutory rate of 39% for fiscal 2007 and 2006.

The income taxes of consolidated overseas subsidiaries are generally levied at lower rates than those currently applied in Japan. In addition, consolidated subsidiaries in Thailand are granted a status by the Promotion of Investment Act, whereby earnings derived from the manufacture or sale of qualifying products are fully exempt from Thai income tax for a period of three to eight years.

The income tax effect is recognized for temporary differences resulting from elimination of intercompany profit and certain adjustments made in the accompanying consolidated financial statements.

Net deferred tax assets of ¥6,262 million and ¥6,568 million as of March 31, 2007 and 2006, respectively, are included in the accompanying consolidated balance sheets as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
Deferred Tax Assets	2007	2006	2007
Excess of allowed limit chargeable to the bonus payment reserve	¥ 793	¥ 714	$ 6,719
Loss on revaluation of investment securities	1,619	1,620	13,712
Excess of allowed limit chargeable to the allowance for doubtful accounts	2,332	2,562	19,754
Unrealized gains on sales of inventories	1,729	1,676	14,646
Excess of allowed limit chargeable to the depreciation	783	—	6,634
Deficit carried forward	1,257	1,807	10,647
Foreign tax credit carried forward	557	602	4,718
Impairment loss	361	377	3,056
Others	1,468	2,061	12,441
Subtotal	10,899	11,419	92,327
Valuation allowance	(746)	(633)	(6,318)
Total deferred tax assets	¥10,153	¥10,786	$86,009

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
Deferred Tax Liabilities	2007	2006	2007
Depreciation allowed to overseas subsidiaries	¥1,544	¥1,201	$13,078
Differences on revaluation of other marketable securities	2,106	2,831	17,841
Others	241	186	2,042
Total deferred tax liabilities	3,891	4,218	32,961
Net deferred tax assets	¥6,262	¥6,568	$53,048

Net deferred tax assets are included in the accompanying consolidated balance sheets as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2007	2006	2007
Current assets—Deferred tax assets	¥ 7,056	¥ 3,402	$ 59,779
Non-current assets—Deferred tax assets	990	4,552	8,390
Current liabilities—Deferred tax liabilities	(1,206)	(1,146)	(10,223)
Non-current liabilities—Deferred tax liabilities	(578)	(240)	(4,898)
Net deferred tax assets	¥ 6,262	¥ 6,568	$ 53,048

The reconciliation of the statutory tax rate in Japan and the effective tax rates appearing in the consolidated statements of income for the years ended March 31, 2007 and 2006, is shown below:

	2007	2006
Statutory tax rate in Japan	39.0%	39.0%
Adjustments:		
Amortization of goodwill	2.1	4.6
Difference of rates applied to overseas subsidiaries	(13.2)	(36.2)
Valuation allowance for operating losses of consolidated subsidiaries	5.7	42.4
Effect of dividend income eliminated for consolidation	2.8	31.2
Valuation allowance	—	(6.6)
Other	(0.2)	(0.2)
Effective income tax rate	36.2%	74.2%

8. Leases

Pro forma information for finance leases, except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee, is as follows:

Acquisition Cost, Accumulated Depreciation and Net Book Value of Leased Assets

Millions of yen

	2007			2006		
	Acquisition cost	*Accumulated depreciation*	*Net book value*	*Acquisition cost*	*Accumulated depreciation*	*Net book value*
Machinery and transportation equipment	¥1,439	¥ 742	¥ 697	¥1,272	¥ 605	¥ 667
Tools, furniture and fixtures	2,388	1,313	1,075	2,465	1,246	1,219
Software	33	12	21	36	20	16
	¥3,860	¥2,067	¥1,793	¥3,773	¥1,871	¥1,902

Thousands of U.S. dollars (Note 3)

	2007		
	Acquisition cost	*Accumulated depreciation*	*Net book value*
Machinery and transportation equipment	$12,194	$ 6,287	$ 5,907
Tools, furniture and fixtures	20,225	11,124	9,101
Software	282	102	180
	$32,701	$17,513	$15,188

Note: Because the outstanding future lease payments at the balance sheet date are not material as compared with the year-end balance of tangible assets, the interest portion is included in the pro forma amounts of acquisition cost.

Outstanding Future Lease Payments Payable

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2007	2006	2007
Due within one year	¥ 896	¥ 909	$ 7,590
Due after one year	897	993	7,598
	¥1,793	¥1,902	$15,188

Note: Because the outstanding future lease payments payable at the balance sheet date is not material as compared with the year-end balance of tangible fixed assets, the interest portion is included in the pro forma amounts of outstanding future lease payments payable.

Actual Lease Payments and Depreciation Expense

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	2007
Actual lease payments	¥1,080	¥1,070	$9,149
Depreciation	1,080	1,070	9,149

Depreciation of leased assets is computed on the straight-line method over the lease term with no residual value.

No impairment losses have been allocated to lease assets.

9. Derivatives

1. Content of transactions

The Minebea Group uses forward exchange contract transactions as well as interest swap transactions.

2. Transaction policy

The Minebea Group uses forward exchange contracts within the balance of its foreign currency receivable and payables, including the amounts that are ensured to arise in the future. The Group also uses interest swaps within the principal of its borrowings. The management of these transactions is guided by the Financial Department of the Company, and no speculative transactions are made.

3. Purpose of the use of transactions

The Minebea Group makes transactions of forward exchange contracts to hedge the fluctuation risks in foreign currency exchange rates related to export and import transactions, etc. The Group also makes interest swap transactions to hedge the fluctuation risks in the interest rates of its borrowings.

The Minebea Group makes derivative transactions, and by using the transactions, adopts hedge accounting.

(1) Method of Hedge Accounting

Regarding monetary receivables and payables in foreign currency for which forward exchange contracts are made, the Company accounts for them on the allocation method. Also, regarding interest rate swaps, the Company accounts for them using special treatment, because they meet the accounting requirements for special treatment.

(2) Hedging Vehicles and Hedged Items

(Hedging Vehicles)

Forward exchange contracts

Interest rate swaps

(Hedged Items)

Monetary receivables and payables in foreign currency

Interest rates on borrowings

(3) Hedge Policy

Under the guidance of its Finance Department, the Company makes forward exchange contracts to hedge risks in foreign exchange fluctuations arising from export and import transactions, and from lending in foreign currency. The Company also makes interest rate swaps to hedge fluctuation risks in interest rates on borrowings.

(4) Method of Assessing Hedge Effectiveness

Regarding forward exchange contracts, the Company allocates them to monetary receivables and payables with same maturities and same amounts in foreign currency at closing of forward exchange contracts in accordance with the risk management policy. This completely ensures correlations reflecting subsequent exchange rate fluctuations. The Company assesses hedge effectiveness based upon such correlations. Also, regarding interest rate swaps, the Company assesses hedge effectiveness based upon the fulfillment of the accounting requirements for special treatment.

4. Content of risks associated with transactions

Forward exchange and interest swap contracts have fluctuation risks in foreign exchange rates and interest rates, respectively.

The Minebea Group limits forward exchange contracts and interest swaps to the purpose of hedging those risks, and believes that there are almost no market risks.

The Minebea Group makes such transactions with highly rated and reliable financial institutions. Accordingly, it believes that there are almost no risks of the contracts not being fulfilled.

5. Risk management structure for transactions

Forward exchange contracts are executed and managed by the finance department of each company within the limit as mentioned in item 2. These transactions are periodically reported to the Finance Department of Company, and are monitored by the Dept.

Interest swap transactions are executed and managed by the Finance Department of the Hedge Office within the limit as mentioned in item 2. However, including details of such borrowing transactions, these transactions are pre-approved by the Board of Directors or the executive officer in charge of finance of the Company, depending upon the amounts of transactions.

10. Research and Development Expenses

Research and development expenses incurred by the Company and its consolidated subsidiaries are included in selling, general and administrative expenses and cost of sales.

Research and development expenses for the years ended March 31, 2007 and 2006, amounted to ¥9,000 million and ¥9,048 million, respectively.

11. Shareholders' Equity

The Corporation Law of Japan provides that an amount equivalent to at least 10% of appropriation of retained earnings paid with respect to each financial period be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock. The legal reserve may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to the common stock account by resolution of the Board of Directors. Additional paid-in capital and the legal reserve may also be drawn down up to an amount that equals 25% of the common stock. In line with consolidated accounting procedures in Japan, additional paid-in capital is included in capital surplus and the legal reserve is included in earnings surplus.

Appropriation of retained earnings with respect to cash dividends is subject to the resolution of the general shareholders' meeting and the accompanying consolidated financial statements reflect such resolutions.

(Change of accounting treatment)

Since the current consolidated accounting period, the Company has applied the Accounting Standards for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan (ASBJ) Statement No. 5 issued on December 9, 2005). It has also applied the Implementation Guidance for the Accounting Standards for Presentation of Net Assets in the Balance Sheet (ASBJ Implementation Guidance No. 8 issued on December 9, 2005).

Net assets in the consolidated balance sheet at March 31, 2007 and 2006 are presented in accordance with provisions of the new Regulations Concerning Consolidated Financial Statements after revision.

12. Per Share Data

Dividends per share shown in the consolidated statements of income have been presented on an accrual basis and include, in each fiscal year, dividends approved or to be approved after the fiscal year-end but applicable to the fiscal year.

Basic net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share is computed using the weighted average number of shares of common stock during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds. In calculating diluted net income per share, net income is adjusted by interest expense, net of income taxes, on the convertible bonds when such bonds are dilutive.

The number of shares used in calculating net income per share for the years ended March 31, 2007 and 2006, is as follows:

	Thousands of shares	
	2007	2006
Basic	399,037	399,052
Diluted	—	—

Note: There is no dilutive potential of shares of common stock.

13. Litigation

As of March 31, 2007, there are no material claims outstanding or threatened against the Company or its consolidated subsidiaries.

14. Contingent Liabilities

The Company and its consolidated subsidiaries had no contingent liabilities as of March 31, 2007.

15. Segment Information

The Company and its consolidated subsidiaries are engaged in two business segments: machined components, which includes bearings and bearing-related products, notably ball bearings, rod-end and spherical bearings and pivot assemblies, as well as other machined components, such as fasteners, and special machined components; and electronic devices and components, encompassing rotary components and other electronic devices and components, primarily PC keyboards and speakers.

The business segments of the Company and its consolidated subsidiaries as of March 31, 2007 and 2006, and for the years then ended are outlined as follows:

Business Segments

Year ended March 31, 2007	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total* (*Millions of yen*)
Sales to external customers	¥137,662	¥193,360	¥331,022	¥ —	¥331,022
Internal sales	7,213	4,135	11,348	(11,348)	—
Total sales	144,875	197,495	342,370	(11,348)	331,022
Operating expenses	118,680	197,425	316,105	(11,348)	304,757
Operating income	26,195	70	26,265	—	26,265
Assets	216,595	224,048	440,643	(85,859)	354,784
Depreciation and amortization	12,507	12,141	24,648	—	24,648
Impairment loss	31	43	74	—	74
Capital expenditure	8,423	9,243	17,666	—	17,666

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2007	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	**$1,166,135**	**$1,637,949**	**$2,804,084**	**$ —**	**$2,804,084**
Internal sales	**61,097**	**35,032**	**96,129**	**(96,129)**	**—**
Total sales	**1,227,232**	**1,672,981**	**2,900,213**	**(96,129)**	**2,804,084**
Operating expenses	**1,005,332**	**1,672,389**	**2,677,721**	**(96,129)**	**2,581,592**
Operating income	**221,900**	**592**	**222,492**	**—**	**222,492**
Assets	**1,834,775**	**1,897,908**	**3,732,683**	**(727,308)**	**3,005,375**
Depreciation and amortization	**105,949**	**102,845**	**208,794**	**—**	**208,794**
Impairment loss	**262**	**372**	**634**	**—**	**634**
Capital expenditure	**71,349**	**78,303**	**149,652**	**—**	**149,652**

Millions of yen

Year ended March 31, 2006	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	¥129,595	¥188,851	¥318,446	¥ —	¥318,446
Internal sales	3,803	2,371	6,174	(6,174)	—
Total sales	133,398	191,222	324,620	(6,174)	318,446
Operating expenses	108,842	196,509	305,351	(6,174)	299,177
Operating income (loss)	24,556	(5,287)	19,269	—	19,269
Assets	205,437	218,790	424,227	(74,365)	349,862
Depreciation and amortization	11,437	12,535	23,972	—	23,972
Impairment loss	388	579	967	—	967
Capital expenditure	12,279	9,929	22,208	—	22,208

The geographic segments of the Company and its consolidataed subsidiaries as of March 31, 2007 and 2006, and for the years then ended are outlined as follows:

Geographic Segments

Millions of yen

Year ended March 31, 2007	*Japan*	*Asia (excluding Japan)*	*North America*	*Europe*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	**¥ 83,265**	**¥162,330**	**¥56,110**	**¥29,317**	**¥331,022**	**¥ —**	**¥331,022**
Internal sales	**163,915**	**165,062**	**1,751**	**1,081**	**331,809**	**(331,809)**	**—**
Total sales	**247,180**	**327,392**	**57,861**	**30,398**	**662,831**	**(331,809)**	**331,022**
Operating expenses	**237,410**	**316,093**	**54,131**	**28,932**	**636,566**	**(331,809)**	**304,757**
Operating income	**9,770**	**11,299**	**3,730**	**1,466**	**26,265**	**—**	**26,265**
Assets	**162,335**	**258,046**	**35,692**	**21,326**	**477,399**	**(122,615)**	**354,784**

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2007	*Japan*	*Asia (excluding Japan)*	*North America*	*Europe*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	**$ 705,333**	**$1,375,100**	**$475,304**	**$248,347**	**$2,804,084**	**$ —**	**$2,804,084**
Internal sales	**1,388,519**	**1,398,241**	**14,829**	**9,157**	**2,810,746**	**(2,810,746)**	**—**
Total sales	**2,093,852**	**2,773,341**	**490,133**	**257,504**	**5,614,830**	**(2,810,746)**	**2,804,084**
Operating expenses	**2,011,093**	**2,677,622**	**458,536**	**245,087**	**5,392,338**	**(2,810,746)**	**2,581,592**
Operating income	**82,759**	**95,719**	**31,597**	**12,417**	**222,492**	**—**	**222,492**
Assets	**1,375,140**	**2,185,901**	**302,350**	**180,649**	**4,044,040**	**(1,038,665)**	**3,005,375**

Year ended March 31, 2006	Japan	Asia (excluding Japan)	North America	Europe	Total before Eliminations	Eliminations or Corporate	Total
							Millions of yen
Sales to external customers	¥ 77,856	¥155,423	¥59,468	¥25,699	¥318,446	¥ —	¥318,446
Internal sales	166,627	162,507	1,599	1,969	332,702	(332,702)	—
Total sales	244,483	317,930	61,067	27,668	651,148	(332,702)	318,446
Operating expenses	242,561	305,087	58,179	26,052	631,879	(332,702)	299,177
Operating income	1,922	12,843	2,888	1,616	19,269	—	19,269
Assets	161,968	247,186	36,864	19,618	465,636	(115,774)	349,862

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006, are summarized as follows:

Overseas Sales

Year ended March 31, 2007	*To Asia (excluding Japan)*	*To North and South America*	*To Europe*	*Total*
				Millions of yen
Overseas sales	**¥166,256**	**¥44,927**	**¥35,120**	**¥246,303**
Consolidated net sales				**¥331,022**
Overseas sales as a percentage of consolidated net sales	**50.2%**	**13.6%**	**10.6%**	**74.4%**

Year ended March 31, 2007	*To Asia (excluding Japan)*	*To North and South America*	*To Europe*	*Total*
				Thousands of U.S. dollars (Note 3)
Overseas sales	**$1,408,355**	**$380,580**	**$297,498**	**$2,086,433**
Consolidated net sales				**$2,804,084**
Overseas sales as a percentage of consolidated net sales	**50.2%**	**13.6%**	**10.6%**	**74.4%**

Year ended March 31, 2006	*To Asia (excluding Japan)*	*To North and South America*	*To Europe*	*Total*
				Millions of yen
Overseas sales	¥159,781	¥47,256	¥31,833	¥238,870
Consolidated net sales				¥318,446
Overseas sales as a percentage of consolidated net sales	50.2%	14.8%	10.0%	75.0%

16. Subsequent Events

There were no significant events subsequent to March 31, 2007.