

Consolidated Balance Sheets

As of March 31, 2008 and 2007

Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Current Assets:			
Cash and cash equivalents (Note 2-c)	¥ 23,281	¥ 21,731	\$ 232,375
Notes and accounts receivable (Note 2-d):			
Trade	64,835	71,883	647,127
Other	866	1,440	8,643
	65,701	73,323	655,770
Allowance for doubtful receivables (Note 2-d)	(202)	(249)	(2,021)
Total notes and accounts receivable	65,499	73,074	653,749
Inventories (Note 2-e)	42,401	45,904	423,205
Deferred tax assets (Note 6)	8,498	7,056	84,820
Prepaid expenses and other current assets	8,438	8,294	84,216
Total current assets	148,117	156,059	1,478,365
Tangible Fixed Assets (Notes 2-f and 5):			
Land	14,467	15,528	144,401
Buildings and structures	102,404	112,534	1,022,100
Machinery and transportation equipment	282,299	311,703	2,817,635
Construction in progress	2,236	1,772	22,315
	401,406	441,537	4,006,451
Accumulated depreciation	(250,797)	(270,473)	(2,503,216)
Net tangible fixed assets	150,609	171,064	1,503,235
Intangible Fixed Assets:			
Goodwill (Note 2-j)	6,921	8,794	69,076
Other	2,926	3,180	29,205
Net intangible fixed assets	9,847	11,974	98,281
Investments and Other Assets:			
Investments in affiliates (Note 2-g)	156	143	1,563
Investments in securities (Note 2-g)	6,503	11,176	64,903
Long-term loans receivable	38	54	377
Deferred tax assets (Note 6)	1,977	990	19,734
Other (Note 2-h)	3,285	3,284	32,790
	11,959	15,647	119,367
Allowance for doubtful receivables (Note 2-d)	(3)	(0)	(33)
Net investments and other assets	11,956	15,647	119,334
Deferred Charges	15	40	153
Total Assets	¥ 320,544	¥ 354,784	\$ 3,199,368

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

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Current Liabilities:			
Short-term loans payable (Note 4)	¥ 50,352	¥ 57,639	\$ 502,572
Current portion of long-term debt (Note 4)	15,000	14,122	149,716
Notes and accounts payable:			
Trade	24,055	27,744	240,091
Other	9,648	10,423	96,299
Total notes and accounts payable	33,703	38,167	336,390
Income taxes payable (Note 6)	3,517	4,419	35,104
Accrued expenses and other current liabilities	15,749	16,808	157,188
Total current liabilities	118,321	131,155	1,180,970
Long-Term Liabilities:			
Long-term debt (Note 4)	67,500	78,500	673,720
Others (Note 2-h)	2,993	2,571	29,871
Total long-term liabilities	70,493	81,071	703,591
Total liabilities	188,814	212,226	1,884,561
Net Assets (Note 10):			
Shareholders' equity:			
Common stock			
Authorized: 1,000,000,000 shares			
Issued: March 31, 2008—399,167,695 shares			
March 31, 2007—399,167,695 shares	68,259	68,259	681,294
Capital surplus	94,757	94,757	945,773
Earnings surplus	28,168	15,855	281,156
Treasury stock	(97)	(80)	(970)
Total shareholders' equity	191,087	178,791	1,907,253
Revaluation/Translation differences:			
Differences on revaluation of other marketable securities	1,756	3,295	17,525
Deferred hedge gains or losses	(0)	—	(2)
Foreign currency translation adjustments	(62,268)	(39,732)	(621,504)
Total revaluation/translation differences	(60,512)	(36,437)	(603,981)
Minority interests in consolidated subsidiaries	1,155	204	11,535
Total net assets	131,730	142,558	1,314,807
Total Liabilities and Net Assets	¥320,544	¥354,784	\$3,199,368

Consolidated Statements of Income

Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2008	2007	2006	2008
Net Sales	¥334,431	¥331,022	¥318,446	\$3,337,970
Cost of Sales (Note 9)	253,710	257,644	249,935	2,532,286
Gross profit	80,721	73,378	68,511	805,684
Selling, General and Administrative Expenses (Notes 2-j and 9)	49,959	47,113	49,242	498,644
Operating income	30,762	26,265	19,269	307,040
Other Income (Expenses):				
Interest income	688	544	258	6,865
Equity income of affiliates	14	—	5	143
Equity loss of affiliates	—	(5)	—	—
Interest expense	(4,402)	(5,224)	(4,771)	(43,937)
Gains on sales of investment securities and investment securities in affiliates	—	0	191	—
Foreign currency exchange losses (Note 2-b)	(474)	(680)	(345)	(4,731)
Losses on sales and disposals of tangible fixed assets	(713)	(1,688)	(870)	(7,119)
Losses on liquidation of subsidiaries and affiliates	(999)	(56)	(86)	(9,967)
Gains on the reversal of preemptive rights	—	—	447	—
Reversal of loss on after-care of products	—	572	—	—
Reversal of allowance for business restructuring losses	202	—	—	2,014
Impairment loss	(72)	(74)	(967)	(718)
Business restructuring loss	—	(40)	(3,475)	—
Settlement loss	—	(808)	—	—
Compensation payments	—	(70)	—	—
Retirement benefit expenses for overseas subsidiaries	(116)	—	—	(1,158)
Other, net	364	787	(36)	3,632
	(5,508)	(6,742)	(9,649)	(54,976)
Income before Income Taxes and Minority Interests	25,254	19,523	9,620	252,064
Income Taxes (Note 6):				
Current	8,497	6,249	5,567	84,809
Deferred (benefit)	(591)	813	1,574	(5,902)
	7,906	7,062	7,141	78,907
Minority Interests	1,045	(401)	(1,778)	10,433
Net Income	¥ 16,303	¥ 12,862	¥ 4,257	\$ 162,724
		Yen		U.S. dollars (Note 3)
Per Share Data (Note 11):				
Net income (basic)	¥40.86	¥32.23	¥10.67	\$0.41
Cash dividends applicable to the year	10.00	10.00	7.00	0.10

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, 2008, 2007 and 2006

	Shareholders' Equity					Revaluation/Translation Differences				Millions of yen
	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

	Shareholders' Equity					Revaluation/Translation Differences				Millions of yen
	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

	Shareholders' Equity					Revaluation/Translation Differences				Millions of yen	
	Common Stock	Capital Stock	Earnings Surplus	Treasury Stock	Total Shareholders' Equity	Differences on Revaluation of Other Marketable Securities	Deferred Hedge Gains or Losses	Foreign Currency Translation Adjustments	Total Revaluation/ Translation Differences	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance at March 31, 2007	¥68,259	¥94,757	¥15,855	¥(80)	¥178,791	¥ 3,295	¥—	¥(39,732)	¥(36,437)	¥ 204	¥142,558
Changes:											
Cash dividend from retained earnings	—	—	(3,990)	—	(3,990)	—	—	—	—	—	(3,990)
Net income	—	—	16,303	—	16,303	—	—	—	—	—	16,303
Purchase of own shares	—	—	—	(18)	(18)	—	—	—	—	—	(18)
Sales of own shares	—	0	—	1	1	—	—	—	—	—	1
Changes (net) in non-shareholders' equity items	—	—	—	—	—	(1,539)	(0)	(22,536)	(24,075)	951	(23,124)
Total changes	—	0	12,313	(17)	12,296	(1,539)	(0)	(22,536)	(24,075)	951	(10,828)
Balance at March 31, 2008	¥68,259	¥94,757	¥28,168	¥(97)	¥191,087	¥ 1,756	¥(0)	¥(62,268)	¥(60,512)	¥1,155	¥131,730

	Shareholders' Equity					Revaluation/Translation Differences				Thousands of U.S. dollars (Note 3)	
	Common Stock	Capital Stock	Earnings Surplus	Treasury Stock	Total Shareholders' Equity	Differences on Revaluation of Other Marketable Securities	Deferred Hedge Gains or Losses	Foreign Currency Translation Adjustments	Total Revaluation/ Translation Differences	Minority Interests in Consolidated Subsidiaries	Total Net Assets
Balance at March 31, 2007	\$681,294	\$945,772	\$158,256	\$(795)	\$1,784,527	\$ 32,887	\$—	\$(396,574)	\$(363,687)	\$ 2,041	\$1,422,881
Changes:											
Cash dividend from retained earnings	—	—	(39,824)	—	(39,824)	—	—	—	—	—	(39,824)
Net income	—	—	162,724	—	162,724	—	—	—	—	—	162,724
Purchase of own shares	—	—	—	(180)	(180)	—	—	—	—	—	(180)
Sales of own shares	—	1	—	5	6	—	—	—	—	—	6
Changes (net) in non-shareholders' equity items	—	—	—	—	—	(15,362)	(2)	(224,930)	(240,294)	9,494	(230,800)
Total changes	—	1	122,900	(175)	122,726	(15,362)	(2)	(224,930)	(240,294)	9,494	(108,074)
Balance at March 31, 2008	\$681,294	\$945,773	\$281,156	\$(970)	\$1,907,253	\$ 17,525	\$(2)	\$(621,504)	\$(603,981)	\$11,535	\$1,314,807

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

Consolidated Statements of Cash Flows

Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2008	2007	2006	2008
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	¥ 25,254	¥ 19,523	¥ 9,620	\$ 252,064
Depreciation and amortization	26,443	24,648	23,972	263,927
Impairment loss	72	74	967	718
Amortization of goodwill	1,059	1,079	1,073	10,571
Interest and dividend income	(796)	(610)	(330)	(7,941)
Interest expense	4,402	5,224	4,771	43,937
Losses on sales and disposals of tangible fixed assets	531	1,505	455	5,300
Gains on the reversal of preemptive rights	—	—	(447)	—
Decrease (increase) in notes and accounts receivable	939	(3,674)	(110)	9,373
Decrease (increase) in inventories	(1,545)	6,403	2,082	(15,417)
(Decrease) increase in notes and accounts payable	(1,304)	(1,629)	(1,215)	(13,018)
(Decrease) increase in allowances for business restructuring losses	(264)	(2,650)	3,286	(2,639)
Settlement loss	—	808	—	—
Loss on liquidation of affiliates	999	56	—	9,967
Decrease in warranty reserve	—	(577)	—	—
Other	5,015	(3,001)	(6,760)	50,064
Subtotal	60,805	47,179	37,364	606,906
Interest and dividends received	796	611	330	7,944
Interest paid	(4,438)	(5,252)	(4,844)	(44,293)
Income taxes paid	(9,462)	(4,636)	(4,613)	(94,443)
Payment for settlement	(808)	—	—	(8,065)
Net cash provided by operating activities	46,893	37,902	28,237	468,049
Cash Flows from Investing Activities:				
Purchase of tangible fixed assets	(24,888)	(16,969)	(21,897)	(248,409)
Proceeds from sales of tangible fixed assets	2,037	5,188	3,047	20,330
Purchase of intangible fixed assets	(663)	(697)	(311)	(6,623)
Payments for purchase of shares in subsidiaries	—	—	(342)	—
Long-term loans provided	(22)	(32)	(18)	(219)
Other, net	75	(2,670)	401	750
Net cash used in investing activities	(23,461)	(15,180)	(19,120)	(234,171)
Cash Flows from Financing Activities:				
Repayment of short-term and long-term debt	(16,597)	(22,876)	(4,567)	(165,652)
Cash dividends paid	(3,990)	(2,793)	(2,793)	(39,828)
Cash dividends paid to minority shareholders	—	—	(14)	—
Other, net	(17)	(14)	(6)	(173)
Net cash used in financing activities	(20,604)	(25,683)	(7,380)	(205,653)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,278)	307	889	(12,752)
Net (decrease) increase in cash and cash equivalents	1,550	(2,654)	2,626	15,473
Cash and Cash Equivalents at Beginning of Year	21,731	24,385	21,759	216,902
Cash and Cash Equivalents at End of Year	¥ 23,281	¥ 21,731	¥ 24,385	\$ 232,375

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 Financial Instruments 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 42 affiliated companies, including 41 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, 2008 and 2007, 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, 2008 and 2007, comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
Merchandise and finished goods	¥19,936	¥22,408	\$198,988
Work in process	11,073	11,808	110,519
Raw materials	8,233	8,096	82,170
Supplies	3,159	3,592	31,528
	¥42,401	¥45,904	\$423,205

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.

(Change of depreciation method)

From the current consolidated accounting period, regarding the fixed assets purchased on or after April 1, 2007, the Company calculates depreciation and amortization expenses pursuant to the depreciation method provided in the revised Corporation Tax Law.

This resulted in a decrease of ¥201 million in operating income, ordinary income and income before income taxes and minority interests, respectively.

(Additional information)

Of tangible fixed assets acquired on or before March 31, 2007, regarding those whose depreciation was completed up to their depreciable amounts, the Company depreciates their remaining book values equally over 5 years from the current consolidated accounting period.

This resulted in a decrease of ¥231 million in operating income, ordinary income and income before income taxes and minority interests, respectively.

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, 2008 and 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.

Owing to a change in holding purpose, effective from the year ended March 31, 2008, debt securities held to maturity by the Company's consolidated overseas subsidiaries have been reclassified as other marketable securities with market value. The impact of this change is negligible.

Other Marketable Securities with Market Value

	<i>Millions of yen</i>					
	2008			2007		
	<i>Acquisition cost</i>	<i>Reported amount in balance sheet</i>	<i>Difference</i>	<i>Acquisition cost</i>	<i>Reported amount in balance sheet</i>	<i>Difference</i>
Securities whose reported amounts in balance sheet exceed acquisition cost						
Stock	¥5,373	¥7,537	¥2,164	¥3,081	¥8,482	¥5,401
Securities whose reported amounts in balance sheet do not exceed acquisition cost						
Stock	3	2	(1)	—	—	—
Total	¥5,376	¥7,539	¥2,163	¥3,081	¥8,482	¥5,401

	<i>Thousands of U.S. dollars (Note 3)</i>					
	2008					
	<i>Acquisition cost</i>	<i>Reported amount in balance sheet</i>	<i>Difference</i>	<i>Acquisition cost</i>	<i>Reported amount in balance sheet</i>	<i>Difference</i>
Securities whose reported amounts in balance sheet exceed acquisition cost						
Stock				\$53,634	\$75,228	\$21,594
Securities whose reported amounts in balance sheet do not exceed acquisition cost						
Stock				31	28	(3)
Total				\$53,665	\$75,256	\$21,591

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, 2008 and 2007, calculated on the basis of accrued retirement benefit obligations and prepaid pension costs as of March 31, 2008 and 2007.

Prepaid pension costs for the fiscal years ended March 31, 2008 and 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, 2008 and 2007, are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
Projected Benefit Obligations			
Projected benefit obligations	¥(30,210)	¥(30,125)	\$ (301,530)
Plan assets at fair value	25,985	29,525	259,357
Unfunded projected benefit obligations	(4,225)	(600)	(42,173)
Unrecognized prior service cost	8	987	84
Unrecognized actuarial (gains) losses	4,221	(565)	42,129
Net amount recognized on consolidated balance sheets	4	(178)	40
Prepaid pension cost	1,711	1,483	17,081
Accrued retirement benefits	¥ (1,707)	¥ (1,661)	\$ (17,041)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
Net Retirement Benefit Costs			
Services cost	¥ 1,279	¥ 2,269	\$ 12,766
Interest cost	1,266	1,159	12,638
Expected return on plan assets	(1,403)	(1,343)	(14,001)
Amortization of prior service cost	2	2	21
Amortization of actuarial (gains) losses	(311)	(62)	(3,106)
Retirement benefit costs	¥ 833	¥ 2,025	\$ 8,318

Other than the above retirement benefit costs, we post ¥116 million in retirement benefit costs for overseas subsidiaries in other expenses.

Assumption Used for Calculation	2008	2007
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 for the Company and its consolidated subsidiaries is amortized, amounting to ¥1,059 million in fiscal 2008 and ¥1,079 million in fiscal 2007, on a straight-line basis over a period ranging from 5 to 40 years in accordance with accounting procedures in their respective countries of domicile.

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 ¥100.19=US\$1, the approximate rate of exchange on March 31, 2008. 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. 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 2.20% and 2.35% for the years ended March 31, 2008 and 2007, respectively.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
Notes payable to banks	¥50,352	¥57,639	\$502,572
Total	¥50,352	¥57,639	\$502,572

The aggregate annual maturities of long-term debt outstanding as of March 31, 2008, are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars (Note 3)</i>
2009	¥15,000	\$149,716
2010	18,000	179,659
2011	12,000	119,772
2012	21,500	214,592
2013 and thereafter	16,000	159,697
	¥82,500	\$823,436

Long-term debt as of March 31, 2008 and 2007, consists of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
3.0% unsecured bonds payable in Japanese yen due 2008	¥15,000	¥15,000	\$149,716
1.39% unsecured bonds payable in Japanese yen due 2010	10,000	10,000	99,810
1.26% unsecured bonds payable in Japanese yen due 2011	10,000	10,000	99,810
1.7% unsecured bonds payable in Japanese yen due 2012	1,500	1,500	14,972
0.85% to 2.05% loans from banks, other	46,000	56,122	459,128
	82,500	92,622	823,436
Less current portion	15,000	14,122	149,716
	¥67,500	¥78,500	\$673,720

5. Losses on Impairment of Fixed Assets

The groups of assets for which the Company recognized impairment losses for the years ended March 31, 2008 and 2007, are as follows:

Losses on impairment

Use	Location	Type of assets	Millions of yen		Thousands of U.S. dollars (Note 3)
			2008	2007	2008
Idle assets	4 facilities, which are the former Kyoto Plant, former Ibaraki Plant, former Ichinoseki Plant and former Kanegasaki Plant and fixtures (Hachiman City, Kyoto Prefecture and others)	Buildings and structures	¥—	¥42	\$ —
		Machinery and transportation equipment	—	6	—
		Tools, furniture and fixtures	—	0	—
		Land	72	26	718
		Total	¥72	¥74	\$718

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 (land and others) for which impairment losses were recognized for the years ended March 31, 2008 and 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 mainly based on the real estate valuation standards.

6. 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 2008 and 2007.

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 tax exempt 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 ¥8,614 million and ¥6,262 million as of March 31, 2008 and 2007, respectively, are included in the accompanying consolidated balance sheets and are composed of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
Deferred Tax Assets			
Excess of allowed limit chargeable to the bonus payment reserve	¥ 872	¥ 793	\$ 8,704
Loss on revaluation of investment securities	1,374	1,619	13,712
Excess of allowed limit chargeable to the allowance for doubtful accounts	4,054	2,332	40,464
Unrealized gains on sales of inventories	1,449	1,729	14,459
Excess of allowed limit chargeable to the depreciation	1,058	783	10,564
Deficit carried forward	1,630	1,257	16,274
Foreign tax credit carried forward	352	557	3,513
Impairment loss	128	361	1,276
Others	1,806	1,468	18,024
Subtotal	12,723	10,899	126,990
Valuation allowance	(1,611)	(746)	(16,078)
Total deferred tax assets	¥11,112	¥10,153	\$110,912

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
Deferred Tax Liabilities			
Depreciation allowed to overseas subsidiaries	¥1,346	¥1,544	\$13,440
Differences on revaluation of other marketable securities	138	2,106	1,377
Others	1,014	241	10,122
Total deferred tax liabilities	2,498	3,891	24,939
Net deferred tax assets	¥8,614	¥6,262	\$85,973

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
Current assets—Deferred tax assets	¥ 8,498	¥ 7,056	\$ 84,820
Non-current assets—Deferred tax assets	1,977	990	19,734
Current liabilities—Deferred tax liabilities	(1,330)	(1,206)	(13,281)
Non-current liabilities—Deferred tax liabilities	(531)	(578)	(5,300)
Net deferred tax assets	¥ 8,614	¥ 6,262	\$ 85,973

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, 2008 and 2007, is shown below:

	2008	2007
Statutory tax rate in Japan	39.0%	39.0%
Adjustments:		
Amortization of goodwill	1.2	2.1
Difference of rates applied to overseas subsidiaries	(12.9)	(13.2)
Valuation allowance for operating losses of consolidated subsidiaries	(4.3)	5.7
Effect of dividend income eliminated for consolidation	8.3	2.8
Other	(0.0)	(0.2)
Effective income tax rate	31.3%	36.2%

7. 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

	<i>Millions of yen</i>					
	2008			2007		
	<i>Acquisition cost</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>	<i>Acquisition cost</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>
Machinery and transportation equipment	¥1,595	¥ 618	¥ 977	¥1,439	¥ 742	¥ 697
Tools, furniture and fixtures	2,225	1,201	1,024	2,388	1,313	1,075
Software	21	10	11	33	12	21
Total	¥3,841	¥1,829	¥2,012	¥3,860	¥2,067	¥1,793

Thousands of U.S. dollars (Note 3)

	2008		
	<i>Acquisition cost</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>
	Machinery and transportation equipment	\$15,923	\$ 6,174
Tools, furniture and fixtures	22,206	11,984	10,222
Software	214	103	111
Total	\$38,343	\$18,261	\$20,082

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
	Due within one year	¥ 889	¥ 896
Due after one year	1,123	897	11,206
Total	¥2,012	¥1,793	\$20,082

Note: Because the outstanding future lease payments payable at the balance sheet date are 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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2008	2007	2008
	Actual lease payments	¥1,144	¥1,080
Depreciation	1,144	1,080	11,426

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.

8. Derivatives

1. Content of transactions

The Minebea Group uses forward exchange contract transactions as well as interest rate 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 rate 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 rate 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

The Company adopts the allocation method to account for the forward exchange contracts for foreign currency-denominated receivables and payables, and the deferred hedge method to account for the forward exchange contracts for foreign currency-denominated anticipated transactions. The Company also adopts the special method to account for the interest rate swaps, which meet the requirements of special accounting.

(2) Hedging Vehicles and Hedged Items

(Hedging Vehicles)

Forward exchange contracts

Interest rate swaps

(Hedged Items)

Monetary receivables and payables in foreign currency

Anticipated transaction in foreign currencies

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, in principle, 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 rate 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 rate 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.

9. 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 manufacturing costs.

Research and development expenses for the years ended March 31, 2008 and 2007, amounted to ¥9,950 million and ¥9,000 million, respectively.

10. Shareholders' Equity

The Corporation Law of Japan requires that an amount equivalent to 10% of cash dividends must be appropriated as a legal reserve or as additional paid-in capital upon the payment of said cash dividends until the aggregate of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Corporation Law, the legal reserve and additional paid-in capital may be reversed without restriction on amount.

The Corporation Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings may be transferred among the accounts under certain conditions by resolution of the ordinary general meeting of shareholders.

11. 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, 2008 and 2007, is as follows:

	<i>Thousands of shares</i>	
	<u>2008</u>	<u>2007</u>
Basic	399,013	399,037
Diluted	—	—

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

12. Litigation

As of March 31, 2008, there are no material claims outstanding or threatened against the Company or its consolidated subsidiaries.

13. Contingent Liabilities

The Company and its consolidated subsidiaries had no contingent liabilities as of March 31, 2008.

14. 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, 2008 and 2007, and for the years then ended are outlined as follows:

Business Segments

Year ended March 31, 2008	<i>Millions of yen</i>				
	<i>Machined Components</i>	<i>Electronic Devices and Components</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
Sales to external customers	¥144,034	¥190,397	¥334,431	¥ —	¥334,431
Internal sales	10,062	5,414	15,476	(15,476)	—
Total sales	154,096	195,811	349,907	(15,476)	334,431
Operating expenses	126,346	192,799	319,145	(15,476)	303,669
Operating income	27,750	3,012	30,762	—	30,762
Assets	189,149	192,202	381,351	(60,807)	320,544
Depreciation and amortization	13,635	12,808	26,443	—	26,443
Impairment loss	31	41	72	—	72
Capital expenditure	12,292	13,259	25,551	—	25,551

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2008	<i>Thousands of U.S. dollars (Note 3)</i>				
	<i>Machined Components</i>	<i>Electronic Devices and Components</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
Sales to external customers	\$1,437,612	\$1,900,358	\$3,337,970	\$ —	\$3,337,970
Internal sales	100,429	54,039	154,468	(154,468)	—
Total sales	1,538,041	1,954,397	3,492,438	(154,468)	3,337,970
Operating expenses	1,261,065	1,924,333	3,185,398	(154,468)	3,030,930
Operating income	276,976	30,064	307,040	—	307,040
Assets	1,887,909	1,918,373	3,806,282	(606,914)	3,199,368
Depreciation and amortization	136,093	127,834	263,927	—	263,927
Impairment loss	308	410	718	—	718
Capital expenditure	122,686	132,346	255,032	—	255,032

Millions of yen

Year ended March 31, 2007	<i>Millions of yen</i>				
	<i>Machined Components</i>	<i>Electronic Devices and Components</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
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

The geographic segments of the Company and its consolidated subsidiaries as of March 31, 2008 and 2007, and for the years then ended are outlined as follows:

Geographic Segments

<i>Millions of yen</i>							
<i>Year ended March 31, 2008</i>	<i>Japan</i>	<i>Asia (excluding Japan)</i>	<i>North America</i>	<i>Europe</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
Sales to external customers	¥ 75,378	¥170,474	¥53,585	¥34,994	¥334,431	¥ —	¥334,431
Internal sales	163,898	169,604	2,034	1,210	336,746	(336,746)	—
Total sales	239,276	340,078	55,619	36,204	671,177	(336,746)	334,431
Operating expenses	230,180	324,505	51,143	34,587	640,415	(336,746)	303,669
Operating income	9,096	15,573	4,476	1,617	30,762	—	30,762
Assets	127,492	231,262	30,543	22,143	411,440	(90,896)	320,544

<i>Thousands of U.S. dollars (Note 3)</i>							
<i>Year ended March 31, 2008</i>	<i>Japan</i>	<i>Asia (excluding Japan)</i>	<i>North America</i>	<i>Europe</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
Sales to external customers	\$ 752,355	\$1,701,508	\$534,832	\$349,275	\$3,337,970	\$ —	\$3,337,970
Internal sales	1,635,875	1,692,825	20,299	12,078	3,361,077	(3,361,077)	—
Total sales	2,388,230	3,394,333	555,131	361,353	6,699,047	(3,361,077)	3,337,970
Operating expenses	2,297,435	3,238,896	510,462	345,214	6,392,007	(3,361,077)	3,030,930
Operating income	90,795	155,437	44,669	16,139	307,040	—	307,040
Assets	1,272,507	2,308,238	304,854	221,005	4,106,604	(907,236)	3,199,368

<i>Millions of yen</i>							
<i>Year ended March 31, 2007</i>	<i>Japan</i>	<i>Asia (excluding Japan)</i>	<i>North America</i>	<i>Europe</i>	<i>Total before Eliminations</i>	<i>Eliminations or Corporate</i>	<i>Total</i>
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

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007, are summarized as follows:

Overseas Sales

	<i>Millions of yen</i>			
<i>Year ended March 31, 2008</i>	<i>To Asia (excluding Japan)</i>	<i>To North and South America</i>	<i>To Europe</i>	<i>Total</i>
Overseas sales	¥174,483	¥43,139	¥39,421	¥257,043
Consolidated net sales				¥334,431
Overseas sales as a percentage of consolidated net sales	52.2%	12.9%	11.8%	76.9%

	<i>Thousands of U.S. dollars (Note 3)</i>			
<i>Year ended March 31, 2008</i>	<i>To Asia (excluding Japan)</i>	<i>To North and South America</i>	<i>To Europe</i>	<i>Total</i>
Overseas sales	\$1,741,527	\$430,572	\$393,460	\$2,565,559
Consolidated net sales				\$3,337,970
Overseas sales as a percentage of consolidated net sales	52.2%	12.9%	11.8%	76.9%

	<i>Millions of yen</i>			
<i>Year ended March 31, 2007</i>	<i>To Asia (excluding Japan)</i>	<i>To North and South America</i>	<i>To Europe</i>	<i>Total</i>
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%

15. Subsequent Events

Until March 31, 2008, the Company and certain of its consolidated domestic subsidiaries had maintained the tax-qualified pension plan. However, with effect from April 1, 2008, the Company and the subsidiaries have abolished the tax-qualified pension plan, and transferred to the defined contribution pension plan and the defined benefit pension plan.

Accordingly, we will apply the Accounting for Transfer between Retirement Benefit Plans (Accounting Standards Board of Japan Implementation Guidance No. 1), and account for the closure of the retirement benefits transferred to the defined contribution pension plan.

The impact of the change in plans on consolidated income before income taxes and minority interests in the year ending March 31, 2009, is estimated at ¥374 million.