# CONSOLIDATED BALANCE SHEETS

*As of March 31, 2000 and 1999*

| Assets | Millions of yen 2000 | Millions of yen 1999 | Thousands of U.S. dollars (Note 3) 2000 |
|---|---|---|---|
| **Current Assets:** | | | |
| Cash and cash equivalents (Note 2-c) | ¥ 24,432 | ¥ 50,187 | $ 230,165 |
| Marketable securities (Notes 2-h and 5) | 8,942 | 10,059 | 84,239 |
| Notes and accounts receivable (Notes 2-d, 2-e and 4): | | | |
| Trade | 56,747 | 66,982 | 534,592 |
| Finance receivables | — | 21,323 | — |
| Other | 3,055 | 1,957 | 28,780 |
| | 59,802 | 90,262 | 563,372 |
| Allowance for doubtful receivables (Note 2-e) | (785) | (1,213) | (7,395) |
| Net notes and accounts receivable | 59,017 | 89,049 | 555,977 |
| Inventories (Note 2-f) | 46,839 | 53,816 | 441,253 |
| Deferred tax assets (Note 6) | 6,718 | 2,768 | 63,288 |
| Prepaid expenses and other current assets | 7,710 | 13,947 | 72,633 |
| Total current assets | 153,658 | 219,826 | 1,447,555 |
| **Property, Plant and Equipment** (Notes 2-g and 5): | | | |
| Land | 11,105 | 11,739 | 104,616 |
| Buildings and structures | 82,426 | 88,077 | 776,505 |
| Machinery and/or transportation equipment | 203,997 | 219,325 | 1,921,780 |
| Construction in progress | 3,892 | 2,110 | 36,665 |
| | 301,420 | 321,251 | 2,839,566 |
| Accumulated depreciation | (158,862) | (160,543) | (1,496,580) |
| Net property, plant and equipment | 142,558 | 160,708 | 1,342,986 |
| **Investments and Other Assets:** | | | |
| Excess of cost over net assets acquired (Note 2-j) | 15,990 | 19,627 | 150,636 |
| Investments in affiliates (Notes 2-a and 4) | 188 | 183 | 1,771 |
| Investments in securities (Note 2-h) | 1,148 | 1,163 | 10,815 |
| Long-term loans receivable | 1,245 | 86 | 11,729 |
| Deferred tax assets (Note 6) | 15,481 | — | 145,841 |
| Foreign currency translation adjustments (Note 2-b) | 69,942 | 64,152 | 658,898 |
| Other (Notes 2-e) | 5,079 | 10,158 | 47,847 |
| | 109,073 | 95,369 | 1,027,537 |
| Allowance for doubtful receivables (Note 2-e) | (1,295) | (2,543) | (12,200) |
| Net investments and other assets | 107,778 | 92,826 | 1,015,337 |
| **Total Assets** | ¥ 403,994 | ¥ 473,360 | $ 3,805,878 |

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

| Liabilities and Shareholders' Equity | Millions of yen 2000 | 1999 | Thousands of U.S. dollars (Note 3) 2000 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Short-term loans payable (Note 5) | ¥ 63,787 | ¥135,184 | $ 600,914 |
| Current portion of long-term debt (Note 5) | 4,235 | 7,644 | 39,896 |
| Notes and accounts payable (Note 4): | | | |
| Trade | 31,249 | 27,694 | 294,385 |
| Other | 7,871 | 7,945 | 74,150 |
| Total notes and accounts payable | 39,120 | 35,639 | 368,535 |
| Income taxes payable (Note 6) | 3,160 | 4,210 | 29,769 |
| Accrued expenses and other current liabilities | 13,783 | 14,394 | 129,845 |
| Total current liabilities | 124,085 | 197,071 | 1,168,959 |
| **Long-term Liabilities:** | | | |
| Long-term debt (Note 5) | 124,690 | 128,223 | 1,174,658 |
| Other (Note 2-i) | 501 | 1,927 | 4,720 |
| Total long-term liabilities | 125,191 | 130,150 | 1,179,378 |
| **Minority Interests in Consolidated Subsidiaries** | 361 | 434 | 3,401 |
| **Shareholders' Equity** (Note 7): | | | |
| Common stock, par value ¥50 per share— | | | |
| Authorized 1,000,000,000 shares | | | |
| Issued: | | | |
| March 31, 2000—399,150,527 shares | | | |
| March 31, 1999—397,787,828 shares | 68,251 | 67,664 | 642,968 |
| Capital reserve | 94,749 | 94,162 | 892,595 |
| Accumulated deficit | 8,641 | 16,120 | 81,404 |
| | 154,359 | 145,706 | 1,454,159 |
| Treasury stock | (2) | (1) | (19) |
| Total shareholders' equity | 154,357 | 145,705 | 1,454,140 |
| **Contingent Liabilities** (Notes 9 and 10) | | | |
| **Total Liabilities and Shareholders' Equity** | ¥403,994 | ¥473,360 | $3,805,878 |

## CONSOLIDATED STATEMENTS OF INCOME

*Years ended March 31, 2000, 1999 and 1998*

| | Millions of yen | | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 |
| **Net Sales** (Note 4) | ¥284,757 | ¥305,324 | ¥326,094 | $2,682,591 |
| **Cost of Sales** (Note 4) | 203,223 | 215,163 | 219,008 | 1,914,489 |
| Gross profit | 81,534 | 90,161 | 107,086 | 768,102 |
| **Selling, General and Administrative Expenses** (Notes 2-j and 6) | 50,465 | 51,615 | 48,275 | 475,412 |
| Operating income | 31,069 | 38,546 | 58,811 | 292,690 |
| **Other Income (Expenses):** | | | | |
| Interest income | 927 | 691 | 818 | 8,733 |
| Equity in income (losses) of nonconsolidated subsidiaries and affiliates (Note 2-a) | 6 | 14 | (167) | 56 |
| Interest expense | (7,897) | (12,231) | (16,593) | (74,395) |
| Losses on sales of marketable securities, investment securities and investment securities in affiliates | — | (1,720) | (664) | — |
| Gains (losses) on revaluation of marketable and investment securities | 573 | (1,256) | (4,577) | 5,398 |
| Foreign currency exchange losses (Note 2-b) | (1,710) | (860) | (6,186) | (16,109) |
| Losses on disposals of inventories | (1,864) | (1,468) | — | (17,560) |
| Losses on disposals of real estate for resale | — | (104) | (751) | — |
| Losses on sales and disposals of property, plant and equipment | (324) | (316) | (2,130) | (3,052) |
| Losses on liquidation of subsidiaries and affiliates | (25,782) | — | — | (242,883) |
| Other, net (Note 2-j) | (1,610) | (2,861) | (5,626) | (15,167) |
| | (37,681) | (20,111) | (35,876) | (354,979) |
| **Income (Loss) before Income Taxes** | (6,612) | 18,435 | 22,935 | (62,289) |
| **Income Taxes** (Note 6): | | | | |
| Current | 2,242 | 4,656 | 4,538 | 21,121 |
| Deferred (benefit) | (6,276) | 1,690 | 909 | (59,124) |
| | (4,034) | 6,346 | 5,447 | (38,003) |
| **Minority Interests in Earnings of Consolidated Subsidiaries** | 99 | 582 | 2,344 | 933 |
| **Net Income (Loss)** | ¥ (2,677) | ¥ 11,507 | ¥ 15,144 | $ (25,219) |

| | Yen | | | U.S. dollars (Note 3) |
|---|---|---|---|---|
| **Per Share Data** (Note 8): | | | | |
| Net income (loss): | | | | |
| Primary | ¥(6.72) | ¥28.94 | ¥38.42 | $(0.06) |
| Fully diluted | (5.39) | 26.32 | 34.85 | (0.05) |
| Cash dividends applicable to the year | 7.00 | 7.00 | 7.00 | 0.07 |

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

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

*Years ended March 31, 2000, 1999 and 1998*

| | | Millions of yen | | | | |
|---|---|---|---|---|---|---|
| | Number of Shares of Common Stock | Common Stock | Capital Reserve | Legal Reserve (Note 7) | Retained Earnings (Deficit) (Note 7) | Treasury Stock |
| **Balance at March 31, 1997** | 390,076,018 | ¥64,207 | ¥90,705 | ¥ 933 | ¥(32,013) | ¥(1) |
| Net income | — | — | — | — | 15,144 | — |
| Cash dividends | — | — | — | — | (2,775) | — |
| Bonuses to directors and corporate auditors | — | — | — | — | (99) | — |
| Transfer to legal reserve | — | — | — | 290 | (290) | — |
| Common stock issued on conversion of convertible bonds | 6,394,455 | 2,897 | 2,897 | — | — | — |
| Other | — | — | — | — | (53) | 1 |
| **Balance at March 31, 1998** | 396,470,473 | 67,104 | 93,602 | 1,223 | (20,086) | — |
| Net income | — | — | — | — | 11,507 | — |
| Cash dividends | — | — | — | — | (2,784) | — |
| Bonuses to directors and corporate auditors | — | — | — | — | (91) | — |
| Transfer to legal reserve | — | — | — | 290 | (290) | — |
| Common stock issued on conversion of convertible bonds | 1,317,355 | 560 | 560 | — | — | — |
| Other | — | — | — | (1,513) | (4,376) | (1) |
| **Balance at March 31, 1999** | **397,787,828** | **67,664** | **94,162** | **—** | **(16,120)** | **(1)** |
| Net income (loss) | **—** | **—** | **—** | **—** | **(2,677)** | **—** |
| Cash dividends | **—** | **—** | **—** | **—** | **(2,794)** | **—** |
| Bonuses to directors and corporate auditors | **—** | **—** | **—** | **—** | **—** | **—** |
| Transfer to legal reserve | **—** | **—** | **—** | **280** | **(280)** | **—** |
| Common stock issued on conversion of convertible bonds | **1,362,699** | **587** | **587** | **—** | **—** | **—** |
| Prior year tax effect adjustment | **—** | **—** | **—** | **—** | **12,950** | **—** |
| Other | **—** | **—** | **—** | **(280)** | **280** | **(1)** |
| **Balance at March 31, 2000** | **399,150,527** | **¥ 68,251** | **¥ 94,749** | **¥ —** | **¥ (8,641)** | **¥ (2)** |

| | | Thousands of U.S. dollars (Note 3) | | | | |
|---|---|---|---|---|---|---|
| | Number of Shares of Common Stock | Common Stock | Capital Reserve | Legal Reserve (Note 7) | Retained Earnings (Deficit) (Note 7) | Treasury Stock |
| **Balance at March 31, 1999** | **397,787,828** | **$637,438** | **$887,065** | **$ —** | **$(151,861)** | **$ (9)** |
| Net income (loss) | **—** | **—** | **—** | **—** | **(25,219)** | **—** |
| Cash dividends | **—** | **—** | **—** | **—** | **(26,321)** | **—** |
| Bonuses to directors and corporate auditors | **—** | **—** | **—** | **—** | **—** | **—** |
| Transfer to legal reserve | **—** | **—** | **—** | **2,638** | **(2,638)** | **—** |
| Common stock issued on conversion of convertible bonds | **1,362,699** | **5,530** | **5,530** | **—** | **—** | **—** |
| Prior year tax effect adjustment | **—** | **—** | **—** | **—** | **121,997** | **—** |
| Other | **—** | **—** | **—** | **(2,638)** | **2,638** | **(10)** |
| **Balance at March 31, 2000** | **399,150,527** | **$642,968** | **$892,595** | **$ —** | **$ (81,404)** | **$(19)** |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*Years ended March 31, 2000, 1999 and 1998*

| | Millions of yen | | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|---|
| | **2000** | 1999 | 1998 | **2000** |
| **Cash Flows from Operating Activities:** | | | | |
| Net income (loss) | **¥ (2,677)** | ¥ 11,507 | ¥ 15,144 | **$ (25,219)** |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | **25,026** | 28,034 | 29,616 | **235,761** |
| (Income) losses on revaluation of marketable and investment securities | **(573)** | 1,256 | 4,577 | **(5,398)** |
| Losses on disposals of inventories and real estate for resale | **1,864** | 1,572 | 751 | **17,560** |
| Losses on sales and disposals of property, plant and equipment | **135** | 316 | 2,130 | **1,272** |
| Losses on liquidation of subsidiaries and affiliates | **25,782** | — | — | **242,883** |
| Equity in (income) losses of nonconsolidated subsidiaries and affiliates | **(6)** | (14) | 167 | **(56)** |
| Allowance for doubtful receivables | **(154)** | (183) | — | **(1,451)** |
| Deferred income taxes (benefit) | **(6,276)** | 1,690 | 909 | **(59,124)** |
| Decrease in notes and accounts receivable | **8,918** | 19,170 | 16,571 | **84,013** |
| Decrease in inventories | **5,112** | 13,253 | 15,219 | **48,158** |
| (Increase) decrease in prepaid expenses and other current assets | **2,685** | 3,190 | (467) | **25,294** |
| Increase (decrease) in notes and accounts payable | **3,481** | (14,208) | (1,104) | **32,793** |
| Increase (decrease) in income taxes payable | **(1,044)** | 549 | (1,108) | **(9,835)** |
| Increase (decrease) in accrued expenses and other current liabilities | **(509)** | (1,428) | 1,375 | **(4,795)** |
| Increase (decrease) in minority interests in consolidated subsidiaries | **(72)** | (3,964) | 98 | **(678)** |
| Total adjustments | **64,369** | 49,233 | 68,734 | **606,397** |
| Net cash provided by operating activities | **61,692** | 60,740 | 83,878 | **581,178** |
| **Cash Flows from Investing Activities:** | | | | |
| Marketable securities | **1,690** | 2,389 | 8,202 | **15,921** |
| Proceeds from sales of property, plant and equipment | **113** | 211 | 60 | **1,065** |
| Expenditure for purchase of property, plant and equipment | **(19,504)** | (20,563) | (23,688) | **(183,740)** |
| Investments in and advances to nonconsolidated subsidiaries and affiliates | **—** | — | 239 | **—** |
| Long-term loans receivable | **—** | 93 | (87) | **—** |
| Investments in securities | **(2)** | 88 | 703 | **(19)** |
| Proceeds from sales of subsidiary | **5,147** | — | — | **48,488** |
| (Increase) decrease in other assets | **2,053** | 528 | (19,174) | **19,340** |
| Net cash used in investing activities | **(10,503)** | (17,254) | (33,745) | **(98,945)** |
| **Cash Flows from Financing Activities:** | | | | |
| Proceeds from issuance of bonds | **—** | 25,000 | 10,000 | **—** |
| Proceeds from common stock issued on conversion of convertible bonds | **1,174** | 1,120 | 5,794 | **11,060** |
| Decrease in short-term loans payable | **(71,397)** | (33,851) | (71,701) | **(672,605)** |
| Cash dividends and bonuses to directors and corporate auditors | **(2,794)** | (2,876) | (2,874) | **(26,321)** |
| Increase (decrease) in long-term debt | **(5,768)** | 5,912 | (18,003) | **(54,338)** |
| Conversion of convertible bonds | **(1,174)** | (1,120) | (5,794) | **(11,060)** |
| Redemption of bonds | **—** | — | (3,000) | **—** |
| Increase (decrease) in other liabilities | **(1,280)** | (1,050) | 215 | **(12,059)** |
| Net cash used in financing activities | **(81,239)** | (6,865) | (85,363) | **(765,323)** |
| **Effect of Exchange Rate Changes** | **4,295** | 9,426 | 27,021 | **40,462** |
| Net increase (decrease) in cash and cash equivalents | **(25,755)** | 46,047 | (8,209) | **(242,628)** |
| **Cash and Cash Equivalents at Beginning of Year** | **50,187** | 4,140 | 12,349 | **472,793** |
| **Cash and Cash Equivalents at End of Year** | **¥ 24,432** | ¥ 50,187 | ¥ 4,140 | **$ 230,165** |

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of MINEBEA CO., LTD., a Japanese corporation (the "Company"), and its consolidated domestic and foreign subsidiaries, are stated in Japanese yen. The accounts of the Company and its consolidated domestic and foreign subsidiaries are maintained in accordance with generally accepted accounting principles in the respective countries and are audited by independent auditors in those countries.

The accompanying consolidated financial statements have been prepared 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 and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. For the purpose of this annual report, certain reclassifications have been made and additional information is provided in order to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

The consolidated statements of cash flows have been prepared for the purpose of this annual report.

## 2. Summary of Significant Accounting Policies

***a) Principles of consolidation***

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant inter-company balances, inter-company transactions and unrealized profits have been eliminated in consolidation.

In fiscal 1999, the Company implemented revisions to the Securities and Exchange Law of Japan relating to the classification of consolidated subsidiaries and the application of the equity method which went into effect in fiscal 2000. As a result, beginning in fiscal 1999, all of the Company's subsidiaries have been included in the consolidated financial statements, while 20% to 50% owned affiliates have been accounted for by the equity method.

***b) Translation of foreign currencies***

Current monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date, except for certain accounts which were hedged by forward exchange contracts. Long-term monetary assets and liabilities denominated in foreign currencies are translated at historical rates. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing at the time of transactions. The resulting exchange losses and gains are charged or credited to income.

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

| | |
|---|---|
| Balance sheet items | Translated at the rates of exchange prevailing at the balance sheet date |
| Statement of income items | Translated at the average rate of exchange during the fiscal period |

***c) Cash equivalents***

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

***d) Finance receivables***
Installment finance receivables and installment sales contracts receivables due after one year are included in current assets in accordance with recognized trade practices. Based on its collection and return experience on installment finance receivables and installment sales contracts receivables, the Company has provided an allowance for possible losses by charges against income as incurred.

***e) Allowance for doubtful receivables***
Allowance for doubtful receivables of the Company and its domestic subsidiaries is computed on the basis of the maximum amount deductible under Japanese tax laws. Such allowance of consolidated foreign subsidiaries is generally provided for in the amount required for known uncollectible receivables.

Allowance for doubtful receivables applicable to consolidated subsidiary receivables is eliminated on consolidation. The balances of the allowance as of March 31, 2000 and March 31, 1999, were sufficient to cover the estimated uncollectible receivables.

***f) Inventories***
Inventories of the Company and its consolidated domestic subsidiaries are stated primarily at the moving average cost or weighted average cost and those of its consolidated foreign subsidiaries are stated at the lower of first-in, first-out cost or market, or at the lower of average cost or market.

Inventories as of March 31, 2000 and 1999, comprised the following:

| | *Millions of yen* | | *Thousands of U.S. dollars (Note 3)* |
|---|---|---|---|
| | **2000** | 1999 | **2000** |
| Merchandise and finished goods | **¥21,285** | ¥25,094 | **$200,518** |
| Work in process | **12,438** | 14,614 | **117,174** |
| Raw materials | **9,642** | 9,981 | **90,834** |
| Supplies | **3,474** | 4,127 | **32,727** |
| | **¥46,839** | ¥53,816 | **$441,253** |

***g) Property, plant and equipment***
Property, plant and equipment is stated at cost. Depreciation of plant and equipment of the Company and its consolidated domestic subsidiaries is computed on the declining balance method based upon the estimated useful lives of the assets in accordance with Japanese tax laws, whereas depreciation of plant and equipment of consolidated foreign subsidiaries is computed primarily on the straight-line method based upon the estimated lives of the assets. Maintenance and normal repair expenses are charged against income as incurred, while major renewals and improvements are capitalized.

***h) Marketable securities and investments in securities***
Marketable securities and investments in securities consist of equity securities of listed and unlisted companies and interest-bearing bonds. Marketable securities and listed investment securities held by the Company and its consolidated domestic subsidiaries are stated at the lower of cost or market, cost being determined by the moving average method. Other securities are stated at cost, as determined by the moving average method and those held by its consolidated foreign subsidiaries are stated at the lower of cost or market, cost being determined by the moving average method.

The aggregate cost and market value of marketable equity securities held by the Company and its consolidated domestic subsidiaries as of March 31, 2000, were as follows:

| | *Millions of yen* |
|---|---|
| Aggregate cost: | |
| Current | ¥8,942 |
| Noncurrent | — |
| | ¥8,942 |
| Aggregate market value: | |
| Current | ¥9,735 |
| Noncurrent | — |
| | ¥9,735 |

***i) Pension and retirement allowance plans***

The Company and certain consolidated domestic subsidiaries previously had funded noncontributory pension plans and unfunded retirement allowance plans covering substantially all employees. However, as of April 1, 1998, the Company switched to a funded noncontributory pension plan only. Under the funded pension plans, qualified employees are entitled to receive pension payments or a lump-sum payment at the time of termination of their employment. Under the unfunded plans, used by certain consolidated domestic subsidiaries only, these companies accrue liabilities equal to approximately 40% of the amount payable, if employees voluntarily terminated their employment as of the balance sheet date, less the amount which would be paid from the pension fund.

The liabilities so accrued are included in other long-term liabilities in the accompanying consolidated balance sheets.

Certain consolidated subsidiaries in the United States of America have funded retirement allowance plans for their employees under which these employees are entitled to receive a lump-sum payment or pension payments.

Amounts of pension payments and retirement allowance are generally determined on the basis of length of service and current basic salary at the time of termination of service.

The total amount charged by the Company and its consolidated subsidiaries to income as incurred under the above plans was ¥1,148 million and ¥989 million in fiscal 2000 and 1999, respectively.

***j) Excess of cost over net assets acquired***
Excess of cost over net assets acquired for business acquisitions was amortized, amounting to ¥2,866 million in fiscal 2000 and ¥2,772 million in fiscal 1999, respectively, on a straight-line basis over a period ranging from five to 40 years.

In accordance with revisions in fiscal 1999 to the Securities and Exchange Law of Japan relating to the preparation of consolidated financial statements, consolidated adjustment account depreciation charges (for the period), which were previously included in other, net, in the other income (expenses) category, are now included in selling, general and administrative expenses.

***k) Reclassifications***
Certain amounts in the prior years' financial statements have been reclassified to conform with the 2000 presentation.

## 3. Translation into United States Dollars

The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have also been translated into United States dollars at the rate of ¥106.15=US$1, the approximate exchange rate on March 31, 2000. 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 United States dollars.

## 4. Investments in Affiliates

Summarized financial information for all affiliates as of March 31, 2000 and 1999, and for the years then ended, was as follows:

| | *Millions of yen* | | *Thousands of U.S. dollars (Note 3)* |
|---|---|---|---|
| **Financial Position** | **2000** | 1999 | **2000** |
| Assets: | | | |
| Current assets | **¥686** | ¥778 | **$6,462** |
| Other assets, including property, plant and equipment | **175** | 200 | **1,649** |
| | **¥861** | ¥978 | **$8,111** |
| Liabilities and shareholders' equity: | | | |
| Current liabilities | **¥280** | ¥403 | **$2,638** |
| Long-term liabilities | **26** | 30 | **245** |
| Shareholders' equity | **555** | 545 | **5,228** |
| | **¥861** | ¥978 | **$8,111** |

| | *Millions of yen* | | *Thousands of U.S. dollars (Note 3)* |
|---|---|---|---|
| **Operations** | **2000** | 1999 | **2000** |
| Net sales | **¥1,303** | ¥1,487 | **$12,275** |
| Cost and expenses | **1,290** | 1,446 | **12,153** |
| Net income | **¥ 13** | ¥ 41 | **$ 122** |

Summarized below are the significant transactions of the Company and its consolidated subsidiaries with affiliates for the years ended March 31, 2000 and 1999, and the related account balances as of March 31, 2000 and 1999:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|---|---|---|
| | **2000** | 1999 | **2000** |
| Transactions: | | | |
| Sales | **¥—** | ¥— | **$ —** |
| Purchases | **12** | 31 | **113** |
| Account balances: | | | |
| Notes and accounts receivable | **—** | — | **—** |
| Notes and accounts payable | **—** | 12 | **—** |

## 5. Short-term Loans and Long-term Debt

Short-term loans outstanding consist of notes payable to banks, principally due in 30 to 180 days, and commercial paper. The average annual interest rates for short-term loans were 4.4% and 5.6% for the years ended March 31, 2000 and 1999, respectively.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2000, are as follows:

| | Millions of yen | Thousands of U.S. dollars (Note 3) |
|---|---|---|
| 2001 | **¥ 4,235** | **$ 39,896** |
| 2002 | **11,267** | **106,142** |
| 2003 | **44,369** | **417,984** |
| 2004 | **11,334** | **106,773** |
| 2005 and thereafter | **57,720** | **543,759** |

As of March 31, 2000, the following assets were pledged as collateral against short-term bank loans of ¥6,199 million and long-term debt of ¥3,099 million:

| | Millions of yen | Thousands of U.S. dollars (Note 3) |
|---|---|---|
| Marketable securities | **¥ 2,549** | **$ 24,013** |
| Property, plant and equipment | **10,228** | **96,354** |
| | **¥12,777** | **$120,367** |

The following is a summary of terms of conversion and redemption of convertible bonds:

| | *Conversion price per share of common stock as of March 31, 2000* | *Exchange rate applicable upon conversion* | *Redemption at the option of the Company* |
|---|---|---|---|
| 0.8% unsecured convertible bonds payable in Japanese yen due 2003 | ¥852.00 | — | On or after April 1, 2000, at 102% to 100% of principal amount |
| 0.65% unsecured convertible bonds payable in Japanese yen due 2005 | ¥972.00 | — | On or after April 1, 2001, at 103% to 100% of principal amount |

Note: These conversion prices are subject to adjustments in certain events such as stock dividends, free share distributions, and combinations or reclassifications of the common stock. If all the outstanding bonds were converted as of March 31, 2000, 44,101,430 shares of common stock would have been issued.

Long-term debt as of March 31, 2000 and 1999, consisted of the following:

| | *Millions of yen* | | *Thousands of U.S. dollars (Note 3)* |
|---|---|---|---|
| | **2000** | 1999 | **2000** |
| 0.8% unsecured convertible bonds payable in Japanese yen due 2003 | **¥ 13,835** | ¥ 14,911 | **$ 130,334** |
| 0.65% unsecured convertible bonds payable in Japanese yen due 2005 | **27,083** | 27,180 | **255,139** |
| 2.0% unsecured bonds payable in Japanese yen due 2003 | **10,000** | 10,000 | **94,206** |
| 2.85% unsecured bonds payable in Japanese yen due 2005 | **10,000** | 10,000 | **94,206** |
| 3.0% unsecured bonds payable in Japanese yen due 2008 | **15,000** | 15,000 | **141,310** |
| 1.8% to 12.5% loans from banks, other | **53,007** | 58,776 | **499,359** |
| | **128,925** | 135,867 | **1,214,554** |
| Less current portion | **4,235** | 7,644 | **39,896** |
| | **¥124,690** | ¥128,223 | **$1,174,658** |

## 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 indicate an effective statutory rate of 40% and 47% for fiscal 2000 and 1999.

The income taxes of the consolidated foreign 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.

Also, a consolidated subsidiary in China is granted a status by the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, whereby earnings are fully exempt from China income tax for two years starting from the first profit-making year and are subject to 12% income tax rate for the following three years and after that subject to 24% income tax rate.

In accordance with revisions in fiscal 1999 to the Securities and Exchange Law of Japan relating to the preparation of consolidated financial statements, the corporate enterprise tax, which was previously included in selling, general and administrative expenses, is now included in income taxes.

Provision (credit) has been made for deferred (prepaid) income taxes attributable to timing differences between recognition of income and expenses for financial reporting purposes for the Company's foreign subsidiaries. The income tax effect of these differences is not recognized for the Company and its domestic subsidiaries. However, in fiscal 2000, the Company and consolidated domestic subsidiaries recognized the timing difference because of the adoption of tax effect accounting in Japan. This income tax effect is recognized for timing differences resulting from elimination of inter-company profit and certain adjustments made in the accompanying consolidated financial statements.

The aggregate deferred (prepaid) income taxes of ¥22,199 million and ¥2,768 million as of March 31, 2000 and 1999, respectively, are included in deferred tax assets of current assets and investments and other assets in the accompanying consolidated balance sheets.

## 7. Shareholders' Equity

The Japanese Commercial Code 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 such reserve equals 25% of the common stock. The legal reserve may be used to reduce a deficit or transferred to the common stock account through suitable shareholders' and/or directors' action, but is not available for dividend payment.

Appropriation of retained earnings with respect to cash dividends, bonuses to directors and corporate auditors and transfer to the legal reserve are subject to the approval of the general shareholders' meeting. The accompanying consolidated financial statements reflect appropriations approved by shareholders subsequent to the fiscal years ended March 31, 2000 and 1999, respectively.

In accordance with revisions in fiscal 1999 to the Securities and Exchange Law of Japan relating to the preparation of consolidated financial statements, the legal reserve, which was previously listed separately, is now included in accumulated deficit.

## 8. 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.

Primary net income per share is based on the weighted average number of shares of common stock outstanding during the respective years.

Fully diluted net income per share is computed using the weighted average number of shares of common stock outstanding increased by the number of shares that would result from the conversion of all outstanding convertible bonds, the conversion of which would have a dilutive effect on net income per share. In calculating fully diluted net income per share, net income is adjusted, net of income taxes, by interest expense 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, 2000 and 1999, was as follows:

| | *Thousands of shares* | |
|---|---|---|
| | **2000** | 1999 |
| Primary | **398,469** | 397,651 |
| Fully diluted | **443,251** | 443,251 |

## 9. Litigation

As of March 31, 2000, there are no material claims outstanding or threatened against the Company or its consolidated subsidiaries.

## 10. Contingent Liabilities

The Company and its consolidated subsidiaries had no contingent liabilities as of March 31, 2000.

## 11. Industry Information

In fiscal 2000, ended March 31, 2000, Minebea reclassified its operations into three industry categories: machinery components, which includes bearings and bearing-related products, notably ball bearings, rod-end and spherical bearings and pivot assemblies, as well as other machinery components, such as fasteners, wheels and defense-related special parts; electronic devices and components, encompassing rotary components and other electronic devices and components, primarily PC keyboards, speakers, FDD subassemblies and switching power supplies; and consumer and others, comprising the import and sale of furniture and interior-related products.

The following table presents certain information regarding the Company's performance by industry category at March 31, 2000, and for the year then ended:

**Performance by Industry Category in Fiscal 2000**

*Millions of yen*

| *Year ended March 31, 2000* | *Machinery Components* | *Electronic Devices and Components* | *Consumer and Others* | *Total before Eliminations* | *Eliminations* | *Total* |
|---|---|---|---|---|---|---|
| Sales to external customers | **¥127,734** | **¥146,133** | **¥10,890** | **¥284,757** | **¥ —** | **¥284,757** |
| Internal sourcing | **6,940** | **—** | **—** | **6,940** | **(6,940)** | **—** |
| Total sales | **134,674** | **146,133** | **10,890** | **291,697** | **(6,940)** | **284,757** |
| Operating expenses | **112,678** | **137,879** | **10,071** | **260,628** | **(6,940)** | **253,688** |
| Operating income | **21,996** | **8,254** | **819** | **31,069** | **—** | **31,069** |
| Assets | **183,111** | **234,558** | **8,022** | **425,691** | **(21,697)** | **403,994** |
| Depreciation and amortization | **10,031** | **11,911** | **83** | **22,025** | **—** | **22,025** |
| Investment | **8,813** | **10,571** | **228** | **19,612** | **—** | **19,612** |

Note: Assets of the Company and its subsidiaries in the Eliminations column totaled ¥69,942 million, resulting from foreign currency translation adjustments.

The following tables present certain information regarding the Company's performance by region at March 31, 2000 and 1999, and for the years then ended:

**Performance by Region in Fiscal 2000**

*Millions of yen*

| *Year ended March 31, 2000* | *Japan* | *Asia (excluding Japan)* | *North, Central and South America* | *Europe* | *Total before Eliminations* | *Eliminations* | *Total* |
|---|---|---|---|---|---|---|---|
| Sales to external customers | **¥117,141** | **¥ 74,067** | **¥58,253** | **¥35,296** | **¥284,757** | **¥ —** | **¥284,757** |
| Internal sourcing | **77,697** | **107,033** | **1,533** | **3,926** | **190,189** | **(190,189)** | **—** |
| Total sales | **194,838** | **181,100** | **59,786** | **39,222** | **474,946** | **(190,189)** | **284,757** |
| Operating expenses | **182,955** | **165,927** | **57,057** | **37,938** | **443,877** | **(190,189)** | **253,688** |
| Operating income | **11,883** | **15,173** | **2,729** | **1,284** | **31,069** | **—** | **31,069** |
| Assets | **182,130** | **168,406** | **41,265** | **33,851** | **425,652** | **(21,658)** | **403,994** |

Notes: 1. Assets of the Company and its subsidiaries in the Eliminations column totaled ¥69,942 million, resulting from foreign currency translation adjustments.

2. In fiscal 2000, the Company applied tax effect accounting overall. Compared with using the same method as that of fiscal 1999, the change has increased "Assets" by ¥19,724 million in "Japan" and by ¥152 million in "Asia (excluding Japan)".

**Performance by Region in Fiscal 1999**

*Millions of yen*

| *Year ended March 31, 1999* | *Japan* | *Asia (excluding Japan)* | *North, Central and South America* | *Europe* | *Total before Eliminations* | *Eliminations* | *Total* |
|---|---|---|---|---|---|---|---|
| Sales to external customers | ¥121,123 | ¥ 77,038 | ¥65,806 | ¥41,357 | ¥305,324 | ¥ — | ¥305,324 |
| Internal sourcing | 88,054 | 119,541 | 2,239 | 2,157 | 211,991 | (211,991) | — |
| Total sales | 209,177 | 196,579 | 68,045 | 43,514 | 517,315 | (211,991) | 305,324 |
| Operating expenses | 192,987 | 179,557 | 64,895 | 41,330 | 478,769 | (211,991) | 266,778 |
| Operating income | 16,190 | 17,022 | 3,150 | 2,184 | 38,546 | — | 38,546 |
| Assets | 244,831 | 155,029 | 45,611 | 30,738 | 476,209 | (2,849) | 473,360 |

Note: Assets of the Company and its subsidiaries in the Eliminations column totaled ¥64,152 million, resulting from foreign currency translation adjustments.

The following tables present certain information regarding the Company's overseas sales for the years ended March 31, 2000 and 1999:

**Overseas Sales in Fiscal 2000**

*Millions of yen*

| *Year ended March 31, 2000* | *To Asia (excluding Japan)* | *To North, Central and South America* | *To Europe* | *Total* |
|---|---|---|---|---|
| Overseas sales | **¥82,445** | **¥58,148** | **¥35,326** | **¥175,919** |
| Total sales | | | | **¥284,757** |
| Percentage of total sales | **29.0%** | **20.4%** | **12.4%** | **61.8%** |

**Overseas Sales in Fiscal 1999**

*Millions of yen*

| *Year ended March 31, 1999* | *To Asia (excluding Japan)* | *To North, Central and South America* | *To Europe* | *Total* |
|---|---|---|---|---|
| Overseas sales | ¥81,425 | ¥65,722 | ¥41,546 | ¥188,693 |
| Total sales | | | | ¥305,324 |
| Percentage of total sales | 26.7% | 21.5% | 13.6% | 61.8% |