

## CONSOLIDATED BALANCE SHEETS

As of March 31, 2001 and 2000

Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2000	2001
<b>Current Assets:</b>			
Cash and cash equivalents (Note 2-c)	¥ 11,930	¥ 24,432	\$ 96,287
Marketable securities	—	8,942	—
Notes and accounts receivable (Notes 2-d and 4):			
Trade	55,277	56,747	446,142
Other	3,230	3,055	26,070
	<u>58,507</u>	<u>59,802</u>	<u>472,212</u>
Allowance for doubtful receivables (Note 2-d)	(734)	(785)	(5,924)
Total notes and accounts receivable	<u>57,773</u>	<u>59,017</u>	<u>466,288</u>
Inventories (Note 2-e)	52,764	46,839	425,860
Deferred tax assets (Note 6)	6,271	6,718	50,613
Prepaid expenses and other current assets	8,368	7,710	67,538
Total current assets	<u>137,106</u>	<u>153,658</u>	<u>1,106,586</u>
<b>Property, Plant and Equipment</b> (Notes 2-f and 5):			
Land	16,551	11,105	133,583
Buildings and structures	90,196	82,426	727,974
Machinery and/or transportation equipment	237,558	203,997	1,917,337
Construction in progress	3,727	3,892	30,081
	<u>348,032</u>	<u>301,420</u>	<u>2,808,975</u>
Accumulated depreciation	<u>(179,299)</u>	<u>(158,862)</u>	<u>(1,447,127)</u>
Net property, plant and equipment	<u>168,733</u>	<u>142,558</u>	<u>1,361,848</u>
<b>Investments and Other Assets:</b>			
Excess of cost over net assets acquired (Note 2-i)	15,344	15,990	123,842
Investments in affiliates (Notes 2-a and 4)	303	188	2,445
Investments in securities (Notes 2-g and 5)	8,574	1,148	69,201
Long-term loans receivable	252	1,245	2,034
Deferred tax assets (Note 6)	13,388	15,481	108,055
Foreign currency translation adjustments (Note 2-b)	—	69,942	—
Other (Note 2-d)	3,585	5,079	28,935
	<u>41,446</u>	<u>109,073</u>	<u>334,512</u>
Allowance for doubtful receivables (Note 2-d)	<u>(320)</u>	<u>(1,295)</u>	<u>(2,583)</u>
Net investments and other assets	<u>41,126</u>	<u>107,778</u>	<u>331,929</u>
<b>Total Assets</b>	<u>¥ 346,965</u>	<u>¥ 403,994</u>	<u>\$ 2,800,363</u>

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

Thousands of  
U.S. dollars  
(Note 3)

<b>Liabilities and Shareholders' Equity</b>	<i>Millions of yen</i>		<b>2001</b>
	<b>2001</b>	2000	
<b>Current Liabilities:</b>			
Short-term loans payable (Note 5)	¥ 62,724	¥ 63,787	\$ 506,247
Current portion of long-term debt (Note 5)	3,807	4,235	30,726
Notes and accounts payable (Note 4):			
Trade	29,170	31,249	235,432
Other	8,145	7,871	65,738
Total notes and accounts payable	37,315	39,120	301,170
Income taxes payable (Note 6)	3,985	3,160	32,163
Accrued expenses and other current liabilities	19,459	13,783	157,054
Total current liabilities	127,290	124,085	1,027,360
<b>Long-Term Liabilities:</b>			
Long-term debt (Note 5)	118,629	124,690	957,458
Other (Note 2-h)	350	501	2,825
Total long-term liabilities	118,979	125,191	960,283
<b>Minority Interests in Consolidated Subsidiaries</b>	122	361	985
<b>Shareholders' Equity</b> (Note 7):			
Common stock, par value ¥50 per share—			
Authorized 1,000,000,000 shares			
Issued:			
March 31, 2001—399,167,695 shares			
March 31, 2000—399,150,527 shares	68,259	68,251	550,920
Capital reserve	94,757	94,749	764,786
Retained earnings (deficit)	3,303	(8,641)	26,659
Difference on revaluation of other marketable securities	(953)	—	(7,692)
Foreign currency translation adjustments	(64,791)	—	(522,930)
Total shareholders' equity	100,575	154,359	811,743
Treasury stock	(1)	(2)	(8)
Total shareholders' equity	100,574	154,357	811,735
<b>Contingent Liabilities</b> (Notes 9 and 10)			
<b>Total Liabilities and Shareholders' Equity</b>	<b>¥346,965</b>	<b>¥403,994</b>	<b>\$2,800,363</b>

# CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2000	1999	2001
<b>Net Sales</b> (Note 4)	<b>¥287,045</b>	¥284,757	¥305,324	<b>\$2,316,747</b>
<b>Cost of Sales</b> (Note 4)	<b>202,928</b>	203,223	215,163	<b>1,637,837</b>
Gross profit	<b>84,117</b>	81,534	90,161	<b>678,910</b>
<b>Selling, General and Administrative Expenses</b> (Notes 2-i and 6)	<b>51,140</b>	50,465	51,615	<b>412,752</b>
Operating income	<b>32,977</b>	31,069	38,546	<b>266,158</b>
<b>Other Income (Expenses):</b>				
Interest income	<b>360</b>	927	691	<b>2,906</b>
Equity in income of nonconsolidated subsidiaries and affiliates (Note 2-a)	<b>4</b>	6	14	<b>32</b>
Interest expense	<b>(7,553)</b>	(7,897)	(12,231)	<b>(60,960)</b>
Gains (losses) on sales of marketable securities, investment securities and investment securities in affiliates	<b>5,215</b>	—	(1,720)	<b>42,090</b>
Gains (losses) on revaluation of marketable and investment securities	<b>—</b>	573	(1,256)	<b>—</b>
Foreign currency exchange losses (Note 2-b)	<b>(732)</b>	(1,710)	(860)	<b>(5,908)</b>
Losses on disposals of inventories	<b>(1,846)</b>	(1,864)	(1,468)	<b>(14,899)</b>
Losses on disposals of real estate for resale	<b>—</b>	—	(104)	<b>—</b>
Losses on sales and disposals of property, plant and equipment	<b>(340)</b>	(324)	(316)	<b>(2,744)</b>
Losses on liquidation of subsidiaries and affiliates	<b>(1,943)</b>	(25,782)	—	<b>(15,682)</b>
Other, net (Note 2-i)	<b>(3,755)</b>	(1,610)	(2,861)	<b>(30,307)</b>
	<b>(10,590)</b>	(37,681)	(20,111)	<b>(85,472)</b>
<b>Income (Loss) before Income Taxes</b>	<b>22,387</b>	(6,612)	18,435	<b>180,686</b>
<b>Income Taxes</b> (Note 6):				
Current	<b>4,160</b>	2,242	4,656	<b>33,575</b>
Deferred (benefit)	<b>3,296</b>	(6,276)	1,690	<b>26,602</b>
	<b>7,456</b>	(4,034)	6,346	<b>60,177</b>
<b>Minority Interests in Earnings of Consolidated Subsidiaries</b>	<b>105</b>	99	582	<b>848</b>
<b>Net Income (Loss)</b>	<b>¥ 14,826</b>	¥ (2,677)	¥ 11,507	<b>\$ 119,661</b>
		Yen		U.S. dollars (Note 3)
<b>Per Share Data</b> (Note 8):				
Net income (loss):				
Primary	<b>¥37.14</b>	¥(6.72)	¥28.94	<b>\$0.30</b>
Fully diluted	<b>34.10</b>	(5.39)	26.32	<b>0.28</b>
Cash dividends applicable to the year	<b>7.00</b>	7.00	7.00	<b>0.06</b>

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

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31, 2001, 2000 and 1999

Millions of yen

	Number of Shares of Common Stock	Common Stock	Capital Reserve	Legal Reserve (Note 7)	Retained Earnings (Deficit) (Note 7)	Difference on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Treasury Stock
<b>Balance at March 31, 1998</b>	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)
<b>Balance at March 31, 1999</b>	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)
<b>Balance at March 31, 2000</b>	<b>399,150,527</b>	<b>68,251</b>	<b>94,749</b>	<b>—</b>	<b>(8,641)</b>	<b>—</b>	<b>—</b>	<b>(2)</b>
Net income	—	—	—	—	14,826	—	—	—
Cash dividends	—	—	—	—	(2,794)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(122)	—	—	—
Transfer to legal reserve	—	—	—	292	(292)	—	—	—
Common stock issued on conversion of convertible bonds	17,168	8	8	—	—	—	—	—
Prior year tax effect adjustment	—	—	—	—	—	—	—	—
Other	—	—	—	(292)	326	(953)	(64,791)	1
<b>Balance at March 31, 2001</b>	<b>399,167,695</b>	<b>¥68,259</b>	<b>¥94,757</b>	<b>¥ —</b>	<b>¥ 3,303</b>	<b>¥(953)</b>	<b>¥(64,791)</b>	<b>¥ (1)</b>

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)	Difference on Revaluation of Other Marketable Securities	Foreign Currency Translation Adjustments	Treasury Stock
<b>Balance at March 31, 2000</b>	<b>399,150,527</b>	<b>\$550,856</b>	<b>\$764,722</b>	<b>\$ —</b>	<b>\$(69,742)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(16)</b>
Net income	—	—	—	—	119,661	—	—	—
Cash dividends	—	—	—	—	(22,550)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(985)	—	—	—
Transfer to legal reserve	—	—	—	2,357	(2,357)	—	—	—
Common stock issued on conversion of convertible bonds	17,168	64	64	—	—	—	—	—
Prior year tax effect adjustment	—	—	—	—	—	—	—	—
Other	—	—	—	(2,357)	2,632	(7,692)	(522,930)	8
<b>Balance at March 31, 2001</b>	<b>399,167,695</b>	<b>\$550,920</b>	<b>\$764,786</b>	<b>\$ —</b>	<b>\$ 26,659</b>	<b>\$(7,692)</b>	<b>\$(522,930)</b>	<b>\$ (8)</b>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2001	2000	2001	2001
<b>Cash Flows from Operating Activities:</b>				
Net income (loss)	¥ 14,826	¥ (2,677)	¥ 11,507	\$ 119,661
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	23,682	25,026	28,034	191,138
(Income) losses on revaluation of marketable and investment securities	—	(573)	1,256	—
Losses on disposals of inventories and real estate for resale	1,846	1,864	1,572	14,899
Losses on sales and disposals of property, plant and equipment	235	135	316	1,897
Gains on sales of investment securities in affiliates	(5,215)	—	—	(42,090)
Losses on liquidation of subsidiaries and affiliates	1,943	25,782	—	15,682
Equity in income of nonconsolidated subsidiaries and affiliates	(4)	(6)	(14)	(32)
Allowance for doubtful receivables	(1,081)	(154)	(183)	(8,725)
Deferred income taxes (benefit)	3,296	(6,276)	1,690	26,602
Decrease in notes and accounts receivable	814	8,918	19,170	6,570
(Increase) decrease in inventories	(6,825)	5,112	13,253	(55,085)
Decrease in prepaid expenses and other current assets	2,772	2,685	3,190	22,373
Increase (decrease) in notes and accounts payable	(4,199)	3,481	(14,208)	(33,890)
Increase (decrease) in income taxes payable	823	(1,044)	549	6,642
Increase (decrease) in accrued expenses and other current liabilities	5,665	(509)	(1,428)	45,722
Decrease in minority interests in consolidated subsidiaries	(237)	(72)	(3,964)	(1,913)
Total adjustments	23,515	64,369	49,233	189,790
Net cash provided by operating activities	38,341	61,692	60,740	309,451
<b>Cash Flows from Investing Activities:</b>				
Marketable securities	—	1,690	2,389	—
Proceeds from sales of property, plant and equipment	631	113	211	5,093
Expenditure for purchase of property, plant and equipment	(39,877)	(19,504)	(20,563)	(321,848)
Long-term loans receivable	994	—	93	8,023
Investments in securities	(806)	(2)	88	(6,505)
Proceeds from sales of subsidiary	5,215	5,147	—	42,090
Proceeds from transfer of goodwill	91	—	—	734
(Increase) decrease in other assets	(226)	2,053	528	(1,824)
Net cash used in investing activities	(33,978)	(10,503)	(17,254)	(274,237)
<b>Cash Flows from Financing Activities:</b>				
Proceeds from issuance of bonds	—	—	25,000	—
Proceeds from issuance of bonds with warrants	4,000	—	—	32,284
Proceeds from common stock issued on conversion of convertible bonds	15	1,174	1,120	121
Decrease in short-term loans payable	(63)	(71,397)	(33,851)	(509)
Cash dividends and bonuses to directors and corporate auditors	(2,916)	(2,794)	(2,876)	(23,535)
Increase (decrease) in long-term debt	(11,757)	(5,768)	5,912	(94,891)
Conversion of convertible bonds	—	(1,174)	(1,120)	—
Decrease in other liabilities	(113)	(1,280)	(1,050)	(912)
Net cash used in financing activities	(10,834)	(81,239)	(6,865)	(87,442)
<b>Effect of Exchange Rate Changes</b>	(6,031)	4,295	9,426	(48,676)
Net increase (decrease) in cash and cash equivalents	(12,502)	(25,755)	46,047	(100,904)
<b>Cash and Cash Equivalents at Beginning of Year</b>	24,432	50,187	4,140	197,191
<b>Cash and Cash Equivalents at End of Year</b>	¥ 11,930	¥ 24,432	¥ 50,187	\$ 96,287

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 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 generally accepted accounting principles in the respective countries and 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 provided to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan.

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

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## 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*

Monetary assets and liabilities denominated in overseas currencies are translated into yen at the exchange rates prevailing at the balance sheet date, except for certain accounts that were hedged by forward exchange contracts. The resulting exchange losses and gains are charged or credited to income.

Financial statement items of consolidated overseas 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) Allowance for doubtful receivables**

With respect to the Company and its consolidated domestic subsidiaries, an allowance for doubtful receivables is determined by adding the estimated uncollectible amounts to an amount calculated using a set provision rate. Such allowance of consolidated overseas 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 on the balances of the allowance as of March 31, 2001 and March 31, 2000, were sufficient to cover the estimated uncollectible receivables.

**e) 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 moving average cost or market.

Inventories as of March 31, 2001 and 2000, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Merchandise and finished goods	<b>¥24,739</b>	¥21,285	<b>\$199,669</b>
Work in process	<b>12,916</b>	12,438	<b>104,246</b>
Raw materials	<b>11,522</b>	9,642	<b>92,994</b>
Supplies	<b>3,587</b>	3,474	<b>28,951</b>
	<b>¥52,764</b>	¥46,839	<b>\$425,860</b>

**f) 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, 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.

**g) Investments in securities**

Investments in securities consist of equity securities of listed and unlisted companies. Securities held by the Company or its subsidiaries with quoted market values are stated at the lower of cost or market, based on the market closing price on March 31, 2001. Resulting valuation gains and losses are included, after the application of tax accounting, in shareholders' equity in the consolidated balance sheets. Those stocks with no quoted market value are stated at cost by the moving average method.

The aggregate cost and market value of securities with quoted market values held by the Company and its consolidated domestic subsidiaries as of March 31, 2001, were as follows:

		<i>Millions of yen</i>
<b>Aggregate cost:</b>		
Current	¥	—
Noncurrent		<u>8,978</u>
		<u>¥8,978</u>
<b>Aggregate market value:</b>		
Current	¥	—
Noncurrent		<u>7,390</u>
		<u>¥7,390</u>

***h) Retirement allowance plans***

On April 1, 2000, the Company and its consolidated subsidiaries adopted new accounting standards for retirement. To facilitate the payment of retirement benefits to employees, the Company makes provisions based on the estimated total benefit payments and pension plan assets as of March 31, 2001. The adoption of new accounting standards generated a shortfall in provisions of ¥3,222 million, which will be written off over five years and included as an extraordinary expense in other income (expenses).

To facilitate the payment of retirement benefits to employees, the Company's overseas subsidiaries make provisions based on the amount payable at the end of the term.

***i) Excess of cost over net assets acquired***

Excess of cost over net assets acquired for business acquisitions was amortized, amounting to ¥1,533 million in fiscal 2001 and ¥2,866 million in fiscal 2000, respectively, on a straight-line basis over a period ranging from five to 40 years.

***j) Reclassifications***

Certain amounts in the prior years' financial statements have been reclassified to conform with the fiscal 2001 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 U.S. dollars at the rate of ¥123.90=US\$1, the approximate exchange rate on March 31, 2001. 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, 2001 and 2000, and for the years then ended, was as follows:

<b>Financial Position</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2001</b>	2000	<b>2001</b>
Assets:			
Current assets	<b>¥1,678</b>	¥686	<b>\$13,543</b>
Other assets, including property, plant and equipment	<b>106</b>	175	<b>856</b>
	<b>¥1,784</b>	¥861	<b>\$14,399</b>
Liabilities and shareholders' equity:			
Current liabilities	<b>¥ 964</b>	¥280	<b>\$ 7,781</b>
Long-term liabilities	<b>20</b>	26	<b>161</b>
Shareholders' equity	<b>800</b>	555	<b>6,457</b>
	<b>¥1,784</b>	¥861	<b>\$14,399</b>
<b>Operations</b>			
Net sales	<b>¥1,632</b>	¥1,303	<b>\$13,172</b>
Cost and expenses	<b>1,618</b>	1,290	<b>13,059</b>
Net income	<b>¥ 14</b>	¥ 13	<b>\$ 113</b>

Summarized below are the significant transactions of the Company and its consolidated subsidiaries with affiliates for the years ended March 31, 2001 and 2000, and the related account balances as of March 31, 2001 and 2000:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2001</b>	2000	<b>2001</b>
Transactions:			
Sales	<b>¥329</b>	¥—	<b>\$2,655</b>
Purchases	<b>8</b>	12	<b>65</b>
Account balances:			
Notes and accounts receivable	<b>412</b>	—	<b>3,325</b>
Notes and accounts payable	<b>1</b>	—	<b>8</b>

## 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. The average annual interest rates for short-term loans were 3.5% and 4.4% for the years ended March 31, 2001 and 2000, respectively.

The aggregate annual maturities of long-term debt outstanding as of March 31, 2001, are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2002	<b>¥ 3,806</b>	<b>\$ 30,718</b>
2003	<b>41,469</b>	<b>334,697</b>
2004	<b>10,797</b>	<b>87,143</b>
2005	<b>46,066</b>	<b>371,800</b>
2006 and thereafter	<b>20,298</b>	<b>163,826</b>

As of March 31, 2001, the following assets were pledged as collateral against short-term bank loans of ¥5,250 million and long-term debt of ¥1,626 million:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Property, plant and equipment	<b>¥10,114</b>	<b>\$81,630</b>
Investments in securities	<b>2,000</b>	<b>16,142</b>
	<b>¥12,114</b>	<b>\$97,772</b>

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

	<i>Exercise or conversion price per share of common stock as of March 31, 2001</i>	<i>Exchange rate applicable upon conversion</i>	<i>Exercise of warrants or redemption at the option of the Company</i>
0.8% unsecured convertible bonds payable in Japanese yen due 2003	¥ 852.00	—	On or after April 1, 2001, 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, 2002, at 103% to 100% of principal amount
1.55% unsecured bonds with warrants payable in Japanese yen due 2005	¥1,350.00	—	Exercisable into common stock between December 1, 2000 and October 31, 2005

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, notes and warrants were converted or exercised as of March 31, 2001, 47,044,547 shares of common stock would have been issued.

Long-term debt as of March 31, 2001 and 2000, consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2001</b>	2000	<b>2001</b>
0.8% unsecured convertible bonds payable in Japanese yen due 2003	<b>¥ 13,823</b>	¥ 13,835	<b>\$111,566</b>
0.65% unsecured convertible bonds payable in Japanese yen due 2005	<b>27,080</b>	27,083	<b>218,564</b>
2.0% unsecured bonds payable in Japanese yen due 2003	<b>10,000</b>	10,000	<b>80,710</b>
2.85% unsecured bonds payable in Japanese yen due 2005	<b>10,000</b>	10,000	<b>80,710</b>
3.0% unsecured bonds payable in Japanese yen due 2008	<b>15,000</b>	15,000	<b>121,065</b>
1.55% unsecured bonds with warrants payable in Japanese yen due 2005	<b>4,000</b>	—	<b>32,284</b>
1.8% to 12.5% loans from banks, other	<b>42,533</b>	53,007	<b>343,285</b>
	<b>122,436</b>	128,925	<b>988,184</b>
Less current portion	<b>3,807</b>	4,235	<b>30,726</b>
	<b>¥118,629</b>	¥124,690	<b>\$957,458</b>

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## 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% for fiscal 2001 and 2000.

The income taxes of the 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.

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's income tax for two years starting from the first profit-making year and subject to 13.5% income tax rate for the following three years and after that subject to 27% income tax rate.

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 overseas 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 ¥19,659 million and ¥22,199 million as of March 31, 2001 and 2000, respectively, are included in deferred tax assets of current assets and investments and other assets in the accompanying consolidated balance sheets.

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## 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 be transferred to the common stock account through suitable shareholder and/or director action, but is not available for dividend payment. Owing to a change in consolidated accounting procedures in Japan, this reserve has been included in retained earnings (deficit) since fiscal 1999.

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, 2001 and 2000, respectively.

Owing to the application of accounting standards for financial instruments in Japan, valuation losses on marketable securities are now included in shareholders' equity. In addition, in accordance with revisions to procedures for preparing consolidated financial statements in Japan, foreign currency translation adjustments, previously included in assets, are now included in shareholders' equity.

## 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, 2001 and 2000, was as follows:

	<i>Thousands of shares</i>	
	<b>2001</b>	2000
Primary	<b>399,163</b>	398,469
Fully diluted	<b>443,251</b>	443,251

## 9. Litigation

As of March 31, 2001, 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, 2001.

## 11. Industry Information

Minebea classifies 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 special machinery components; 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 decor products.

The following table presents certain information regarding the Company's performance by industry category at March 31, 2001, and for the year then ended:

### Performance by Industry Category in Fiscal 2001

	<i>Millions of yen</i>					
<i>Year ended March 31, 2001</i>	<i>Machinery Components</i>	<i>Electronic Devices and Components</i>	<i>Consumer and Others</i>	<i>Total before Eliminations</i>	<i>Eliminations</i>	<i>Total</i>
Sales to external customers	<b>¥124,461</b>	<b>¥151,910</b>	<b>¥10,674</b>	<b>¥287,045</b>	<b>¥ —</b>	<b>¥287,045</b>
Internal sourcing	<b>9,045</b>	<b>—</b>	<b>—</b>	<b>9,045</b>	<b>(9,045)</b>	<b>—</b>
Total sales	<b>133,506</b>	<b>151,910</b>	<b>10,674</b>	<b>296,090</b>	<b>(9,045)</b>	<b>287,045</b>
Operating expenses	<b>109,600</b>	<b>143,651</b>	<b>9,862</b>	<b>263,113</b>	<b>(9,045)</b>	<b>254,068</b>
Operating income	<b>23,906</b>	<b>8,259</b>	<b>812</b>	<b>32,977</b>	<b>—</b>	<b>32,977</b>
Assets	<b>200,457</b>	<b>255,789</b>	<b>3,711</b>	<b>459,957</b>	<b>(112,992)</b>	<b>346,965</b>
Depreciation and amortization	<b>10,842</b>	<b>11,240</b>	<b>68</b>	<b>22,150</b>	<b>—</b>	<b>22,150</b>
Investment	<b>19,464</b>	<b>21,010</b>	<b>185</b>	<b>40,659</b>	<b>—</b>	<b>40,659</b>

The following tables present certain information regarding the Company's performance by region at March 31, 2001 and 2000, and for the years then ended:

#### Performance by Region in Fiscal 2001

*Millions of yen*

<i>Year ended March 31, 2001</i>	<i>Japan</i>	<i>Asia (excluding Japan)</i>	<i>North, Central and South America</i>	<i>Europe</i>	<i>Total before Eliminations</i>	<i>Eliminations</i>	<i>Total</i>
Sales to external customers	<b>¥111,643</b>	<b>¥ 82,437</b>	<b>¥58,192</b>	<b>¥34,773</b>	<b>¥287,045</b>	<b>¥ —</b>	<b>¥287,045</b>
Internal sourcing	<b>95,003</b>	<b>108,712</b>	<b>1,597</b>	<b>3,450</b>	<b>208,762</b>	<b>(208,762)</b>	<b>—</b>
Total sales	<b>206,646</b>	<b>191,149</b>	<b>59,789</b>	<b>38,223</b>	<b>495,807</b>	<b>(208,762)</b>	<b>287,045</b>
Operating expenses	<b>194,840</b>	<b>173,787</b>	<b>58,462</b>	<b>35,741</b>	<b>462,830</b>	<b>(208,762)</b>	<b>254,068</b>
Operating income	<b>11,806</b>	<b>17,362</b>	<b>1,327</b>	<b>2,482</b>	<b>32,977</b>	<b>—</b>	<b>32,977</b>
Assets	<b>212,827</b>	<b>183,118</b>	<b>38,821</b>	<b>25,191</b>	<b>459,957</b>	<b>(112,992)</b>	<b>346,965</b>

#### Performance by Region in Fiscal 2000

*Millions of yen*

<i>Year ended March 31, 2000</i>	<i>Japan</i>	<i>Asia (excluding Japan)</i>	<i>North, Central and South America</i>	<i>Europe</i>	<i>Total before Eliminations</i>	<i>Eliminations</i>	<i>Total</i>
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

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 overseas sales for the years ended March 31, 2001 and 2000:

#### Overseas Sales in Fiscal 2001

*Millions of yen*

<i>Year ended March 31, 2001</i>	<i>To Asia (excluding Japan)</i>	<i>To North, Central and South America</i>	<i>To Europe</i>	<i>Total</i>
Overseas sales	<b>¥84,687</b>	<b>¥58,203</b>	<b>¥34,564</b>	<b>¥177,454</b>
Total sales				<b>¥287,045</b>
Percentage of total sales	<b>29.5%</b>	<b>20.3%</b>	<b>12.0%</b>	<b>61.8%</b>

#### Overseas Sales in Fiscal 2000

*Millions of yen*

<i>Year ended March 31, 2000</i>	<i>To Asia (excluding Japan)</i>	<i>To North, Central and South America</i>	<i>To Europe</i>	<i>Total</i>
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%