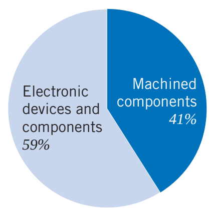
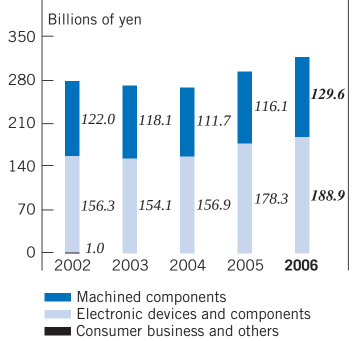
Financial Review

Results of Operations

Net Sales by Business Segment

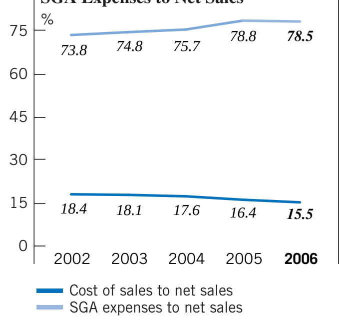


Net Sales by Business Segment



Note: Owing to the divestiture of a subsidiary, the Company withdrew from the Consumer Business and Others business segment effective from fiscal 2003.

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



Net Sales

Consolidated net sales in fiscal 2006 rose 8.2%, or ¥24,024 million, to ¥318,446 million. During the period, economic growth remained steady worldwide, as did demand in key customer industries, reflecting the increasing popularity of PCs and other information and telecommunications equipment—particularly in the fast-growing economies of the BRICs (Brazil, Russia, India and China) and Asia—as well as the expanding markets for digital household electrical appliances, notably flat-screen televisions and DVD recorders, and portable digital music players. Demand also benefited from a recovery in the aircraft market and a persistently strong automobile market. In this environment, comparatively stable unit prices, together with the launch of new products, expanded marketing activities and effective efforts to reduce costs, supported an increase in net sales. The impact of yen depreciation on overseas sales added approximately ¥11,900 million to net sales.

Cost of Sales

Cost of sales rose 7.7%, or ¥17,916 million, to ¥249,935 million. Cost of sales as a percentage of net sales edged down 0.3 percentage point, to 78.5%. Yen depreciation increased cost of sales approximately ¥9,900 million. High prices for steel and other raw materials had a negative effect on cost of sales, contributing to the improvement in cost of sales as a percentage of net sales.

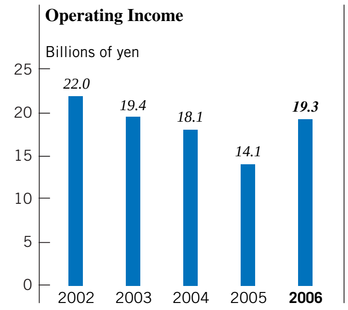
SGA Expenses

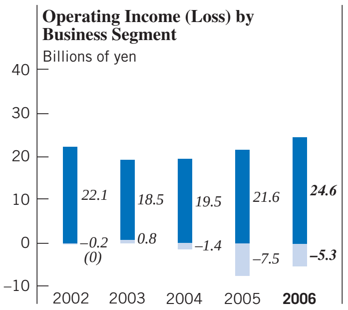
SGA expenses rose 1.9%, or ¥922 million, to ¥49,242 million, equivalent to 15.5% of net sales, down 0.9 percentage point. This result reflected the positive impact of efforts to reduce logistics, selling and administrative expenses, as well as an increase in expenses at overseas subsidiaries of approximately ¥1,300 million, owing to yen depreciation.

Cost of Sales and SGA Expenses

Millions of yen

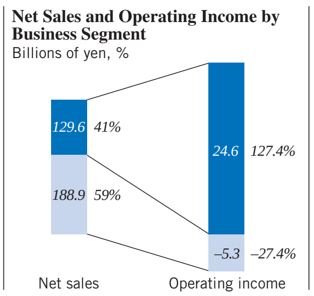
Years ended March 31	**2006**	2005	2004	2003	2002
Net sales	**¥318,446**	¥294,422	¥268,574	¥272,202	¥279,344
Cost of sales	**249,935**	232,019	203,261	203,500	206,061
Cost of sales to net sales	**78.5%**	78.8%	75.7%	74.8%	73.8%
Gross profit	**68,511**	62,403	65,313	68,702	73,283
SGA expenses	**49,242**	48,320	47,209	49,350	51,311
SGA expenses to net sales	**15.5%**	16.4%	17.6%	18.1%	18.4%





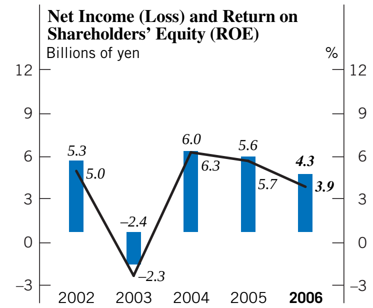
Machined components
Electronic devices and components
Consumer business and others

Note: Owing to the divestiture of a subsidiary, the Company withdrew from the Consumer Business and Others business segment effective from fiscal 2003.



Machined components
Electronic devices and components

Note: Percentages represent contribution by business segment to total.



Net Income (Loss) (left scale)
Return on Shareholders' Equity (ROE)

Operating Income

Operating income rose 36.8%, or ¥5,186 million, to ¥19,269 million. As a consequence, the operating margin increased 1.2 percentage points, to 6.0%. The depreciation of the yen added approximately ¥700 million to operating income.

Other Income (Expenses)

The net balance of other income (expenses) was a loss of ¥9,649 million, ¥3,344 million greater than in fiscal 2005. This was primarily attributable to a business restructuring loss of ¥3,475 million arising from our decision to restructure our PC keyboard business with the aim of establishing a business structure suitable for focusing on high-quality, high-end models. We also registered a ¥967 million impairment loss on idle assets, namely land and structures, and ¥4,771 million in interest expense, ¥1,410 million higher than in the previous fiscal year, owing to interest rates overseas.

Income before Income Taxes and Minority Interests

Owing to the factors described above, income before income taxes and minority interests rose 23.7%, or ¥1,842 million, to ¥9,620 million.

Income Taxes

Income taxes rose ¥1,628 million, to ¥7,141 million, comprising current income taxes, that is, corporate, residential and business taxes, of ¥5,567 million, and an adjustment of ¥1,574 million. A higher tax rate was attributable to certain loss-making subsidiaries overseas, as a result of dividend income received from overseas subsidiaries not qualifying for foreign tax credits.

Minority Interests

Minority interests amounted to a loss of ¥1,778 million, ¥1,538 million less than in fiscal 2005, owing to an improvement in the performance of joint venture Minebea–Matsushita Motor, among others.

Net Income

As a consequence of the aforementioned factors, net income declined ¥1,324 million, to ¥4,257 million. Basic net income per share was ¥10.67, down from ¥13.93 in the previous period.

Income

Millions of yen

Years ended March 31	**2006**	2005	2004	2003	2002
Operating income	**¥19,269**	¥14,083	¥18,104	¥19,352	¥21,972
Operating margin	**6.0%**	4.8%	6.7%	7.1%	7.9%
Net balance of other income (expenses)	**(9,649)**	(6,305)	(5,146)	(18,857)	(9,023)
Net income (loss)	**4,257**	5,581	6,019	(2,434)	5,298
Net income (loss) to net sales	**1.3%**	1.9%	2.2%	(0.9)%	1.9%
Net income (loss) per share (Yen):					
Basic	**10.67**	13.93	15.08	(6.10)	13.27
Diluted	**—**	13.27	14.51	(4.85)	12.60
Return on shareholders' equity	**3.9%**	5.7%	6.3%	(2.3)%	5.0%
Return on total assets	**1.2%**	1.7%	1.9%	(0.8)%	1.5%

Financial Condition

Financial Policy and Liquidity

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

Our debt ratings in fiscal 2006, shown in the table below, are indicative of the success of efforts to reinforce our financial position. We have set medium-term goals to lower our net debt-to-equity ratio (1.2 times at fiscal 2006 year-end) to 1.0 times, and reduce net interest-bearing debt (¥146,887 million at fiscal 2006 year-end) to below ¥100,000 million. Given the uncertain interest rate situation in Japan, we will endeavor to prevent an increase in our interest burden, as well as to facilitate the early achievement of these goals by expanding income, shrinking inventories and stepping up implementation of an effective investment program that focuses on the efficient use of assets to accelerate the reduction of interest-bearing debt. In terms of capital investment, we are promoting decisive investment in growth businesses and promoting stringent rationalization efforts and efficient investments in businesses that remain unprofitable.

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

Debt Ratings

As of June 2006	*Long-term debt*	*Short-term debt*
Moody’s Investors Service	Baa2	—
Japan Credit Rating Agency, Ltd.	A	J–1
Japan Rating and Investment Information, Inc.	BBB+	a–2

Purchase of Tangible Fixed Assets

Purchase of tangible fixed assets, or capital investment, in fiscal 2006 amounted to ¥21,897 million, a decrease of ¥1,163 million from fiscal 2005. During the period under review, we made forward-looking investments to refurbish existing facilities and molds, as well as to expand production facilities for pivot assemblies, rod-end and spherical bearings, and lighting devices. In fiscal 2007, we expect purchase of tangible fixed assets to remain in the area of ¥21,000 million. We plan on making investments to refurbish and rationalize production facilities for ball bearings, increase production of rod-end and spherical bearings, pivot assemblies and spindle motors, and to rationalize other facilities and molds.

Dividend Policy

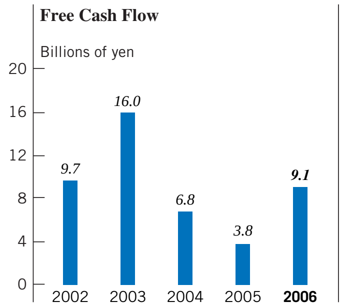
We are committed to building a corporate structure that is able to withstand fluctuations in our operating environment. Accordingly, we recognize the importance of reinforcing our financial potency and increasing internal reserves while at the same time maintaining stable dividend payments to shareholders. In fiscal 2006, cash dividends were maintained at ¥7.00 per share. We plan to maintain cash dividends for fiscal 2007 at the same level.

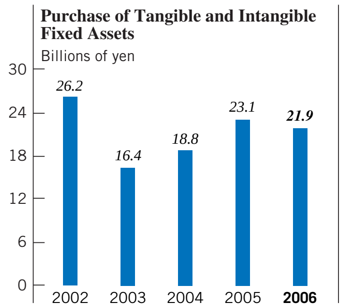
Free Cash Flows

Free cash flow (calculated by subtracting net cash used in investing activities from net cash provided by operating activities) totaled ¥9,117 million, an increase of 140.1%, or ¥5,320 million, from fiscal 2005.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥28,237 million, 2.4%, or ¥651 million, higher than in fiscal 2005. Factors contributing to this included a ¥1,842 million increase in income before income taxes and minority interests, to ¥9,620 million, and a ¥2,082 million decrease in inventories, compared with a ¥1,597 increase in the previous period, and depreciation and amortization of ¥23,972 million, up ¥1,510 million.





Cash Flows from Investing Activities

Net cash used in investing activities decreased 19.6%, or ¥4,669 million, to ¥19,120 million. This change primarily reflected the application of ¥21,897 million to the purchase of tangible fixed assets, an increase of ¥1,163 million.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥7,380 million, down 15.9%, or ¥1,392 million. This change was largely due to the application of ¥4,567 million to the repayment of long-term debt, up ¥1,342 million from fiscal 2005, and cash dividends paid of ¥2,793 million, essentially level with the previous period.

Cash and Cash Equivalents

Operating, investing and financing activities in fiscal 2006 resulted in a net increase in cash and cash equivalents of ¥2,626 million, to ¥24,385 million, as free cash flow exceeded net cash used in financing activities.

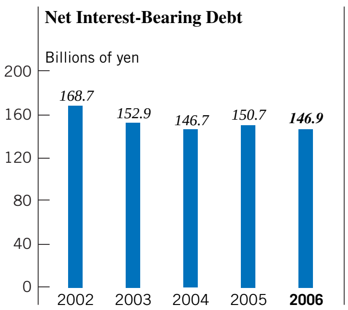
Free Cash Flow

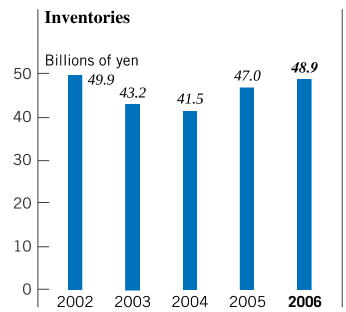
Millions of yen

Years ended March 31	**2006**	2005	2004	2003	2002
Net cash provided by operating activities	**¥ 28,237**	¥ 27,586	¥ 21,714	¥ 32,279	¥ 34,017
Net cash used in investing activities Portion of above used in purchase of tangible fixed assets	**(19,120)**	(23,789)	(14,932)	(16,233)	(24,346)
Purchase of tangible fixed assets	**(21,897)**	(23,060)	(18,825)	(16,382)	(26,245)
Free cash flow	**9,117**	3,797	6,782	16,046	9,671

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

Assets, Liabilities and Shareholders' Equity





Total assets at the end of fiscal 2006 amounted to ¥349,862 million, an increase of 5.3%, or ¥17,645 million, from the fiscal 2005 year-end. The impact of yen depreciation on this total was approximately ¥25,000 million. Total shareholders' equity was ¥117,577 million, up 15.2%, or ¥15,489 million. Net interest-bearing debt (total debt minus cash and cash equivalents) declined 2.5%, or ¥3,807 million, to ¥146,887 million. As a consequence, the net debt-to-equity ratio improved, to 1.2 times. Total shareholders' equity as a percentage total assets rose 2.9 percentage points, to 33.6%.

Assets

Cash and cash equivalents at end of year rose ¥2,626 million, to ¥24,385 million, owing primarily to an increase in cash generated during the period. Total notes and accounts receivable rose ¥2,600 million, to ¥68,997 million, including approximately ¥3,600 million attributable to yen depreciation. Inventories rose ¥1,951 million, to ¥48,914 million, as declines in inventories of works in process and finished products, including ball bearings and motors, were offset by yen depreciation, which added approximately ¥4,000 million. Deferred tax assets amounted to ¥3,402 million, a decline of ¥1,722 million. As a consequence, total current assets rose 4.3%, or ¥6,269 million, to ¥153,564 million.

Net tangible fixed assets increased 5.9%, or ¥9,238 million, to ¥165,759 million. Cash applied to the purchase of tangible fixed assets (capital investment) totaled ¥21,897 million, while depreciation and amortization amounted to ¥23,972 million. Impairment loss on idle assets, including land and structures, totaled ¥967 million. Yen depreciation added approximately ¥14,200 million to this total.

Intangible fixed assets totaled ¥13,177 million, a decline of 6.6%, or ¥936 million, owing primarily to the write-down of consolidation adjustments.

Net investments and other assets rose 21.9%, or ¥3,105 million, to ¥17,280 million, owing to a decline in deferred tax assets and an increase in investments in securities, due mainly to unrealized gains on securities held.

Deferred charges declined ¥31 million, to ¥82 million.

Liabilities

Total notes and accounts payable rose ¥1,309 million, to ¥36,609 million, with yen depreciation adding approximately ¥2,000 million. Short-term loans payable declined ¥600 million, to ¥80,656 million. The current portion of long-term debt increased ¥5,260 million, to ¥11,116 million, reflecting an increase in long-term loans coming due within one year. We also registered a business restructuring loss of ¥3,286 million, owing to the restructuring of our PC keyboard business. Owing to these factors, total current liabilities amounted to ¥150,886 million, up 6.7%, or ¥9,437 million.

Long-term debt declined 6.8%, or ¥5,841 million, to ¥79,500 million, owing primarily to the aforementioned increase in the current portion of long-term debt. As a consequence, total long-term liabilities declined 6.2%, or ¥5,378 million, to ¥80,767 million.

Minority Interests in Consolidated Subsidiaries

Minority interests in consolidated subsidiaries fell 75.1%, or ¥1,903 million, to ¥632 million, primarily reflecting losses posted by joint venture Minebea–Matsushita Motor. In March 2006, we dissolved our PC keyboard joint venture in China and made the company a wholly owned subsidiary.

Shareholders' Equity

Total shareholders' equity at fiscal 2006 year-end was ¥117,577 million, up 15.2%, or ¥15,489 million. This reflected a ¥1,464 million increase in retained earnings, a ¥2,853 million increase in differences on revaluation of other marketable securities and a ¥11,182 million decline in foreign currency translation adjustments.

Financial Position

Millions of yen

As of March 31	**2006**	2005	2004	2003	2002
Total assets	**¥349,862**	¥332,217	¥314,915	¥320,069	¥350,037
Cash and cash equivalents at end of year	**24,385**	21,759	24,780	14,177	13,952
Total current assets	**153,564**	147,295	138,953	127,447	131,548
Inventories	**48,914**	46,963	41,534	43,204	49,887
Total current liabilities	**150,886**	141,449	167,626	134,459	156,908
Working capital	**2,678**	5,846	(28,673)	(7,012)	(25,360)
Interest-bearing debt	**171,272**	172,453	171,485	167,125	182,673
Net interest-bearing debt	**146,887**	150,694	146,706	152,947	168,720
Total shareholders' equity	**117,577**	102,088	93,866	98,213	112,732
Total shareholders' equity/ Total assets	**33.6%**	30.7%	29.8%	30.7%	32.2%
Debt-to-equity ratio (Times)	**1.5**	1.7	1.8	1.7	1.6
Net debt-to-equity ratio (Times)	**1.2**	1.5	1.6	1.6	1.5
Shareholders' equity per share (Yen)	**294.65**	255.82	235.21	246.08	282.42