

## Outline

### Outline of Operations

Minebea's operations are divided into two business segments: Machined Components and Electronic Devices and Components. The Machined Components segment focuses on mini-ature and small-sized ball bearings, rod-end and spherical bearings, and pivot assemblies. In fiscal 2006, this segment accounted for 40.7% of consolidated net sales. The Electronic Devices and Components segment encompasses precision small motors, notably HDD spindle motors and fan motors; PC keyboards and other electronic devices; lighting devices, including LED backlight assemblies; and measuring components. This segment represented 59.3% of consolidated net sales in fiscal 2006.

Our product development efforts are centered in Japan, Germany, Thailand and the United States. The Engineering Headquarters is charged with basic technology and product development with a medium- to long-term perspective. Technology development divisions affiliated with business units emphasize development of commercially viable products. Cooperation among these divisions facilitates the supplementing and sharing of technologies, thereby contributing to effective product development. Our manufacturing network encompasses bases in Thailand, China, Singapore, Malaysia, Japan and the United States. Our largest manufacturing base, in Thailand, accounted for 48.4% of total consolidated production in fiscal 2006, while our manufacturing base in China accounted for 22.8%. Combined production at all our bases in Asia (excluding Japan) represented 80.8% of total production. Production outside of Japan accounted for 91.0% of total production.

We supply products to a number of key markets. Notable among these are the PC and peripheral equipment, OA and telecommunications equipment, household electrical appliances, and automotive and aerospace markets, which accounted for 38.2%, 14.9%, 9.4%, 9.6% and 9.4%, respectively, of fiscal 2006 consolidated net sales. Reflecting the steady shift by customers in Japan, Europe, and North and South America to production in China and other parts of Asia, sales to Asia (excluding Japan) represented 50.2% of consolidated net sales. Our second-largest geographic market is Japan, which currently accounts for 25.0% of consolidated net sales. Remaining sales are to North America and Europe.

With the aim of ensuring our organization runs smoothly and effectively, we have established an operating structure comprising 14 business units and five headquarters that report directly to the president and CEO. Under this structure, manufacturing and sales groups are assigned and report directly to each business unit. The function-based headquarters are charged with providing support for business units.

### Principal Strategy

Our principal objective is to evolve and grow, winning the competition with manufacturing excellence and technological competency. We believe that the key to achieving this objective is to accelerate efforts to improve profitability. Accordingly, we will continue to address three priority tasks: take decisive actions to implement structural reforms, reinforce R&D and manage the Company with a clear vision.

To these ends, in fiscal 2006 we:

- implemented organizational reforms, namely, the introduction of a business unit system and the establishment of headquarters.
- shifted our policy from volume to quality, and our focus from sales to profits.
- reinforced R&D by assigning management of R&D efforts to the Engineering Headquarters and creating a department dedicated to basic technology development.
- implemented measures to restore the profitability of loss-making businesses and strengthen growth businesses.

Thanks to organizational reforms, we have made progress in eliminating organizational barriers and promoting the more effective use of Group resources. This has enabled individual businesses to align their growth tracks. We clarified our shift in policy toward quality, rather than volume, a move that marks a return to the basics of manufacturing and the concept of workmanship. With the aim of reinforcing R&D, we laid a new foundation for future R&D activities under the direction of the Engineering Headquarters. We have also placed a priority on strengthening core technologies, which are essential to the development of new products and businesses, as well as next-generation products, and are striving to develop new businesses through the integration of multiple core technologies.

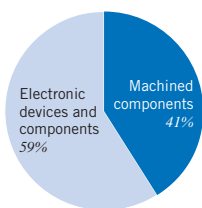
Recognizing the restoration of profitability to loss-making businesses as our foremost concern, we took steps during the period under review to shrink losses in these businesses and to build a stronger foundation for growth businesses. We are currently moving toward bringing loss-making businesses out of the red and achieving the expansion of growth businesses in fiscal 2007. These steps emphasize returning to the basics of manufacturing, reinforcing manufacturing technologies and technological development capabilities, creating new products and entering new markets. We expect these efforts to support growth and expansion in fiscal 2008 and beyond.

## Segment Information

Years ended March 31	<i>Millions of yen</i>				
	2006	2005	2004	2003	2002
<b>Net Sales to External Customers by Business Segment</b>					
Machined components	¥ 129,595	¥ 116,105	¥ 111,693	¥118,118	¥ 122,025
Electronic devices and components	188,851	178,317	156,881	154,084	156,303
Consumer business and others	—	—	—	—	1,016
Total	¥ 318,446	¥ 294,422	¥ 268,574	¥272,202	¥ 279,344
<b>Operating Income (Loss) by Business Segment</b>					
Machined components	¥ 24,556	¥ 21,572	¥ 19,505	¥ 18,520	¥ 22,135
Electronic devices and components	(5,287)	(7,489)	(1,401)	832	(163)
Consumer business and others	—	—	—	—	(0)
Total	¥ 19,269	¥ 14,083	¥ 18,104	¥ 19,352	¥ 21,972
<b>Assets by Business Segment</b>					
Machined components	¥ 205,437	¥ 194,180	¥ 189,741	¥191,793	¥ 205,920
Electronic devices and components	218,790	214,142	196,918	204,489	231,806
Consumer business and others	—	—	—	—	745
Eliminations	(74,365)	(76,105)	(71,744)	(76,213)	(88,434)
Total	¥ 349,862	¥ 332,217	¥ 314,915	¥320,069	¥ 350,037
<b>Depreciation and Amortization by Business Segment</b>					
Machined components	¥ 11,437	¥ 10,401	¥ 10,811	¥ 10,378	¥ 9,489
Electronic devices and components	12,535	12,061	10,894	12,448	14,891
Consumer business and others	—	—	—	—	5
Total	¥ 23,972	¥ 22,462	¥ 21,705	¥ 22,826	¥ 24,385
<b>Impairment Loss by Business Segment</b>					
Machined components	¥ 388	¥ —	¥ —	¥ —	¥ —
Electronic devices and components	579	—	—	—	—
Consumer business and others	—	—	—	—	—
Total	¥ 967	¥ —	¥ —	¥ —	¥ —
<b>Capital Expenditure by Business Segment</b>					
Machined components	¥ 12,279	¥ 11,400	¥ 4,168	¥ 4,750	¥ 7,963
Electronic devices and components	9,929	22,757	14,929	11,853	18,485
Consumer business and others	—	—	—	—	5
Total	¥ 22,208	¥ 34,157	¥ 19,097	¥ 16,603	¥ 26,453
<b>Sales to External Customers by Geographic Segment</b>					
Japan	¥ 77,856	¥ 76,660	¥ 68,760	¥ 72,755	¥ 83,705
Asia (excluding Japan)	155,423	137,424	121,072	107,789	95,884
North and South America	59,468	52,390	48,726	58,998	63,569
Europe	25,699	27,948	30,016	32,660	36,186
Total	¥ 318,446	¥ 294,422	¥ 268,574	¥272,202	¥ 279,344
<b>Operating Income by Geographic Segment</b>					
Japan	¥ 1,922	¥ 2,752	¥ 4,883	¥ 3,133	¥ 767
Asia (excluding Japan)	12,843	5,870	10,763	12,418	17,387
North and South America	2,888	4,510	2,084	1,859	1,968
Europe	1,616	951	374	1,942	1,850
Total	¥ 19,269	¥ 14,083	¥ 18,104	¥ 19,352	¥ 21,972
<b>Assets by Geographic Segment</b>					
Japan	¥ 161,968	¥ 169,239	¥ 166,277	¥175,917	¥ 195,305
Asia (excluding Japan)	247,186	223,995	201,194	185,397	201,541
North and South America	36,864	32,442	29,173	37,064	38,088
Europe	19,618	20,300	20,075	20,528	25,194
Eliminations	(115,774)	(113,759)	(101,804)	(98,837)	(110,091)
Total	¥ 349,862	¥ 332,217	¥ 314,915	¥320,069	¥ 350,037

Results of Operations

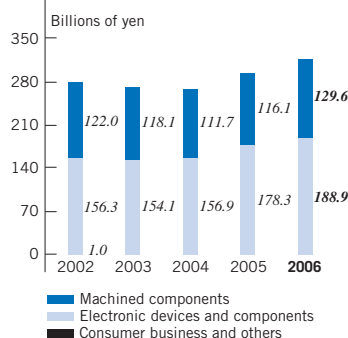
Net Sales by Business Segment



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.

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

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.

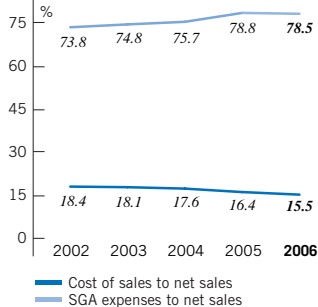
SGA Expenses

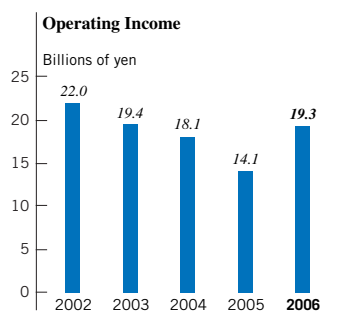
SGA expenses rose 1.9%, or ¥922 million, to ¥49,242 million, equivalent to 15.5% of net sales, down 0.9 percentage point. This result reflected the positive impact of efforts to reduce logistics, selling and administrative expenses, as well as an increase in expenses at overseas subsidiaries of approximately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

Cost of Sales and SGA Expenses

Years ended March 31	Millions of yen				
	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%

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



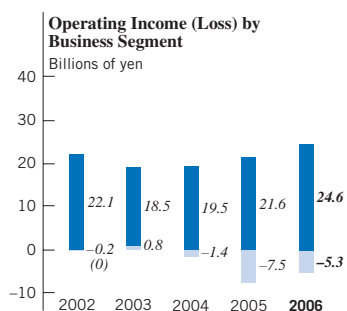


### Operating Income

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

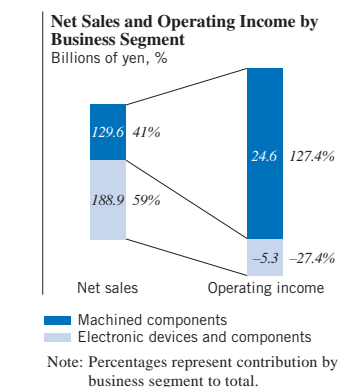
Income taxes rose ¥1,628 million, to ¥7,141 million, comprising current income taxes, that is, corporate, residential and business taxes, of ¥5,567 million, and an adjustment of ¥1,574 million. A higher tax rate was attributable to certain loss-making subsidiaries overseas, as a result of dividend income 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.

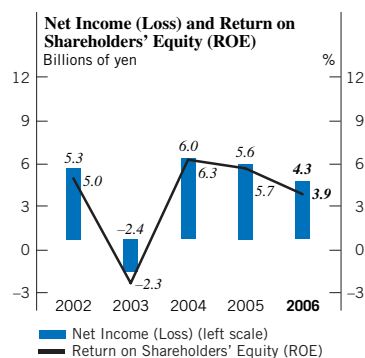
### Net Income

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

Years ended March 31	Millions of yen				
	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

<i>As of June 2006</i>	<i>Long-term debt</i>	<i>Short-term debt</i>
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

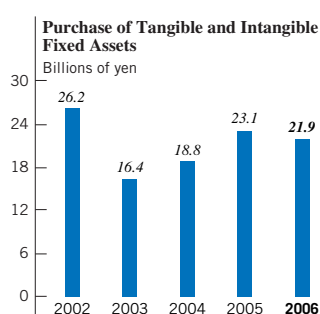
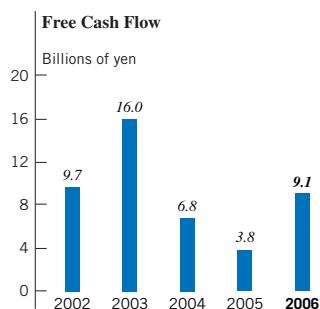
We are committed to building a corporate structure that is able to withstand fluctuations in our operating environment. Accordingly, we recognize the importance of reinforcing our financial potency and increasing internal reserves while at the same time maintaining stable dividend payments to shareholders. 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

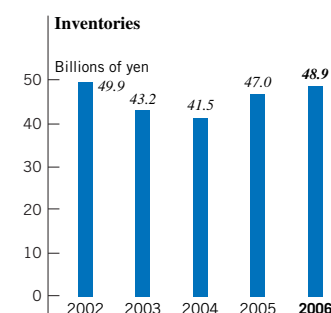
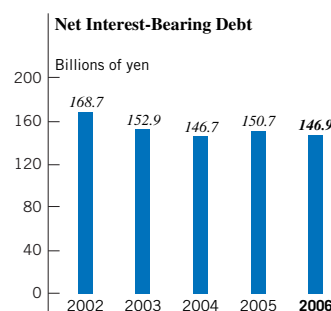
Operating, investing and financing activities in fiscal 2006 resulted in a net increase in cash and cash equivalents of ¥2,626 million, to ¥24,385 million, as free cash flow exceeded net cash used in financing activities.

### Free Cash Flow

Years ended March 31	Millions of yen				
	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.

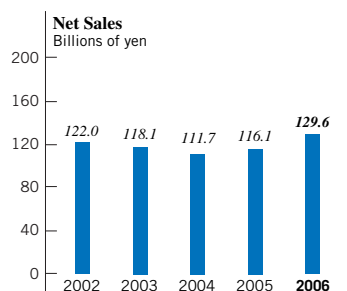
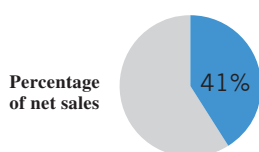
### Financial Position

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

## Segment Results

### Performance by Business Segment

#### Machined Components



#### Principal Products

##### ● Bearings and

##### Bearing-Related Products

- Miniature ball bearings
- Small-sized ball bearings
- Integrated-shaft ball bearings
- Rod-end bearings
- Spherical bearings
- Roller bearings
- Sleeve bearings
- Pivot assemblies
- Tape guides

##### ● Other Machined Components

- Aerospace/automotive fasteners
- Special machined components
- Magnetic clutches and brakes

Net sales in the Machined Components segment rose 11.6%, or ¥13,490 million, to ¥129,595 million. Operating income advanced 13.8%, or ¥2,984 million, to ¥24,556 million. The segment's operating margin, calculated using sales to external customers, edged up 0.3 percentage point, to ¥18.9%.

Sales of principal segment products expanded, reflecting brisk demand and stable sales prices. We continued to register strong sales in our mainstay miniature and small-sized ball bearings business, owing to increased sales to manufacturers of information and telecommunications equipment and automobiles. Sales of pivot assemblies rose appreciably, supported by rising demand for use in HDDs for PCs and digital home electronics products and product price adjustments, while successful efforts to improve operating efficiency also boosted operating income. Sales of rod-end and spherical bearings rose sharply, supported by soaring demand from the aerospace industry, Minebea's principal customer industry.

#### Principal Products and Applications and Minebea's Global Market Share

Principal Products	Principal Applications	Global Market Share*
Bearings and bearing-related products		
Miniature and small-sized ball bearings	Small motors, household electrical appliances, information and telecommunications equipment, automobiles	60%
Rod-end and spherical bearings	Aircraft	50%
Pivot assemblies	HDDs	70%
Other machined components		
Special machined components, fasteners	Aircraft, automobiles, industrial machinery	—

\*Global market shares are in terms of units shipped, except the market share for rod-end and spherical bearings, which is in terms of sales value. Market shares are Minebea estimates based on information collected by the Company and by market research firms.

#### Ongoing Efforts

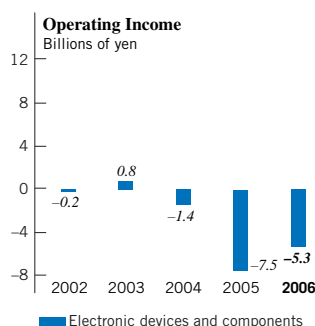
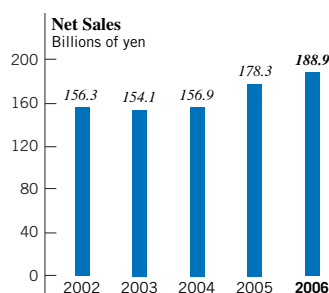
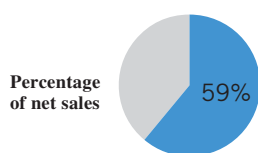
In the area of ball bearings, we are responding to the expansion of the market for miniature ball bearings—a consequence of rising demand for use in pivot assemblies and digital products—by increasing production capacity. We are also continuing to lower manufacturing costs through efforts to improve yield and rationalize operations. In line with the theme of returning to the basics of manufacturing, we are striving to reinforce this business. We have also created a department dedicated to basic technology development.

In response to double-digit growth in demand for rod-end and spherical bearings from aircraft manufacturers, we are expanding production capacity at our plants in Japan (Karuzawa), the United States and the United Kingdom. At the same time, we are stepping up front-end production in Thailand with the aim of establishing a low-cost structure and further enhancing capacity. We are also devoting efforts to the development of new models to meet the requirements of customers producing new aircraft models.

With double-digit growth in the market for pivot assemblies for use in HDDs expected to continue, our ongoing objective is to maintain our approximately 70% global market share. To this end, we are taking steps to lower manufacturing costs by increasing production capacity, shifting parts production in-house, increasing yields and standardizing designs.



## Electronic Devices and Components



Net sales in the Electronic Devices and Components segment increased 5.9%, or ¥10,534 million, to ¥188,851 million, while the segment's operating loss shrank ¥2,202 million, to ¥5,287 million, giving the segment a negative operating margin, calculated using sales to external customers, of 2.8%, up 1.4 percentage points.

During the period, we shifted our focus from sales to profitability in certain businesses. Nonetheless, a favorable operating environment and the positive impact of yen depreciation boosted segment sales. Of particular note, in the lighting devices business, sharp increases in sales and income were recorded for mainstay LED backlight assemblies for LCDs owing to expansion of the cellular phone market and an increase in the number of models using Minebea units. In the HDD spindle motors business, sales edged up, reflecting a shift in focus since July 2005, whereby we have sought to maintain constant production and sales levels as well as reduce manufacturing costs. In the second half of the period, this business's operating loss was all but eliminated, thanks to a new push to boost operating efficiency that included strengthening cooperation with related groups within Minebea and efficiency-enhancing measures at all stages of the production process. Results in the information motors business continued to improve, reflecting a reorganization of manufacturing facilities and other restructuring efforts.

### Principal Products and Applications and Minebea's Global Market Share

Principal Products	Principal Applications	Global Market Share*
<b>Rotary components</b>		
HDD spindle motors	HDDs	15%
Information motors (fan motors, stepping motors, brush DC motors, vibration motors)	PCs and servers, information and telecommunications equipment, household electrical appliances, cellular phones, bicycles, industrial machinery	5%–20%, depending on product
<b>Other electronic devices and components</b>		
PC keyboards	PCs	15%
Lighting devices for LCDs	Cellular phones, digital cameras, portable digital information terminals	10%
Speakers	Audio equipment, PCs, automobiles	—
Measuring instruments	Industrial machinery	—

\*Global market shares are in terms of units shipped, except the market share for rod-end and spherical bearings, which is in terms of sales value. Market shares are Minebea estimates based on information collected by the Company and by market research firms.

### Principal Products

#### ● Rotary Components

- HDD spindle motors
- Fan motors
- Hybrid-type stepping motors
- PM-type stepping motors
- Brush DC motors
- Vibration motors
- VR resolvers

#### ● Other Electronic Devices and Components

- PC keyboards
- Speakers
- Electronic devices
  - MOD drive subassemblies
  - Lighting devices for LCDs
  - Magnetic heads for FDDs
  - Backlight inverters
- Measuring components
  - Strain gages
  - Load cells

### Ongoing efforts

In the HDD spindle motors business, we are endeavoring to reinforce organizational cooperation among groups involved in assembly, parts production and manufacturing. As well, we are taking steps to reduce costs, notably shifting to internal production of parts previously produced by outside suppliers, increasing yields and improving assembly processes. In fiscal 2007, we will endeavor to establish a stable profit structure by further reducing manufacturing costs. We will also step up sales of spindle motors for 2.5-inch HDDs, as well as promote the development of new products.

We are currently revamping the reorganization of our information motors business. Our aim is to create a low-cost manufacturing structure by integrating and closing manufacturing facilities, and reconsidering our use of outside suppliers. We are also working to improve the precision of order confirmation and the efficiency of product development to enhance our product mix, with the aim of restoring profitability in fiscal 2007.

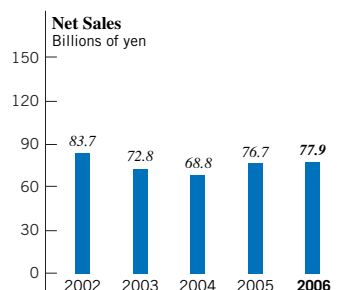
In the PC keyboards business, we decided in fiscal 2006 to focus our allocation of resources on the development of high-value-added models. Accordingly, we intend to establish a structure that takes advantage of our technological and manufacturing prowess and to achieve an improvement in profits by the end of fiscal 2007. In the period under review, we recorded a ¥3,475 million business restructuring loss, a consequence of efforts to lower fixed costs, namely, the restructuring of manufacturing, sales and technological groups and the elimination of facilities.

In lighting devices, we are continuing to expand sales of our new high-luminance, ultrathin LED backlight assemblies, announced in October 2005. Customers are demanding ever-higher levels of precision, and Minebea has emerged as the first choice for LED backlight assemblies for use in cellular phones compatible with one segment broadcasting ("one seg")—a new type of digital terrestrial broadcasting for mobile phones and car navigation equipment. We are also actively encouraging orders for medium-sized LED backlights. With sales of LCD TV inverters continuing to expand, we are promoting the commercialization of low-priced models.

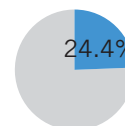
## Performance by Geographic Segment

### Japan

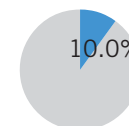
Net sales to external customers in Japan rose 1.6%, or ¥1,196 million, to ¥77,856 million. Nonetheless, operating income fell 30.2%, or ¥830 million, to ¥1,922 million.



Percentage of net sales

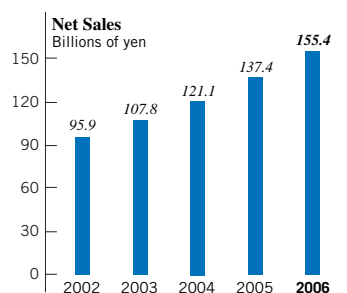


Percentage of operating income

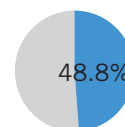


### Asia (Excluding Japan)

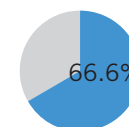
Asia includes the high-growth Greater China region, an important manufacturing base for many manufacturers in Japan, Europe, the Americas and elsewhere. Net sales in the region were firm, particularly in Greater China, owing to expanded demand from the information and telecommunications equipment industry and steady demand from the household electrical appliances industry. Efforts to improve profitability, including price increases and cost reductions for pivot assemblies and other mechanical parts, as well as cost reductions for HDD spindle motors, began to yield results. As a consequence, net sales to external customers in Asia rose 13.1%, or ¥17,999 million, to ¥155,423 million, while operating income soared 118.8%, or ¥6,973 million, to ¥12,843 million.



Percentage of net sales

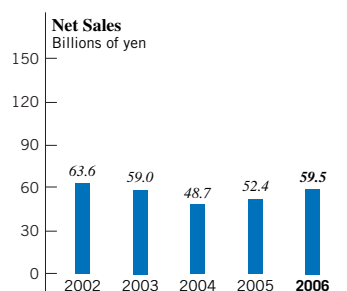


Percentage of operating income

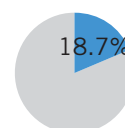


### North America

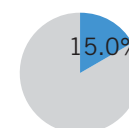
Despite a steady shift toward production in Asia by key customers in the information and telecommunications equipment industry, sales of PC keyboards and other electronic devices and components were firm in North America. We also saw firm demand for and sales of ball bearings manufactured in the United States, as well as for rod-end and spherical bearings to the aerospace industry. Owing to such factors, sales to external customers in the region rose 13.5%, or ¥7,078 million, to ¥59,468 million. Despite sales gains, operating income declined 36.0%, or ¥1,622 million, to ¥2,888 million.



Percentage of net sales

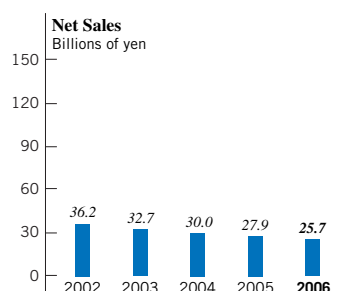


Percentage of operating income

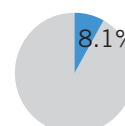


### Europe

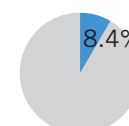
Moderate economic growth in Europe supported firm sales of ball bearings, rod-end and spherical bearings, and other products. Owing to the shift of PC keyboard production and sales for U.S. customers to North America, however, sales to external customers in Europe declined 8.0%, or ¥2,249 million, to ¥25,699 million, although operating income climbed 70.0%, or ¥665 million, to ¥1,616 million.



Percentage of net sales



Percentage of operating income



Note: Net sales figures represent sales to external customers.

Minebea manufactures and sells a wide range of products around the world. These include ball bearings and other precision components that apply its expertise in ball bearings; aircraft components, notably rod-end and spherical bearings and high-end fasteners; and electronic components used in information and telecommunications equipment. Minebea and the companies of the Minebea Group also cooperate closely to conduct R&D in each of these fields.

Minebea has established six R&D bases, two in Japan (Karuizawa and Hamamatsu plants) and one each in Thailand, Singapore, China, the United States and Europe.

In fiscal 2006, R&D costs for the Minebea Group amounted to ¥9,048 million. This included ¥212 million allocated to basic research in Thailand, Singapore and China, including basic materials analysis and other research that cannot be apportioned to individual businesses.

R&D activities in each of our business segments in fiscal 2006 were as follows.

### **Machined Components**

Efforts in the ball bearings business focused on product development, as well as on efforts designed to reinforce competitiveness and facilitate the steady, ongoing expansion of business. During the period, we established a Basic Bearings Technology Department within the Engineering Headquarters, with the aim of facilitating cross-business efforts to develop basic bearings technologies with a medium- to long-term perspective. R&D achievements included the development of a special grease for ball bearings used in copiers, printers and other information equipment that boasts four times the electroconductivity of existing greases. In line with our commitment to environmental protection, we also developed a small penetration grease and a high-precision machining technology especially for ball bearings used in high-efficiency, power-smart household electrical appliances. This achievement led to the development of a new ball bearing with lower torque than bearings previously available. In the area of bearings for use in aircraft, we completed development of a low-torque lever pinion bearing especially for the wing strut of the main passenger planes produced by European aerospace manufacturers and proceeded with development of a roller bearing for the next-generation of passenger planes to be offered by North American aerospace manufacturers.

In March 2006, our R&D center in Thailand was recognized by the Thai Ministry of Industry for its work in analyzing hazardous chemical substances, including lead, cadmium, mercury and hexavalent chromium. The same month, our R&D center in Shanghai was recognized by the government of China for its analysis work. Such acknowledgments assist our efforts to provide reliable analysis data to customers, as well as help us to reinforce management of chemical substances that could negatively affect the environment at our principal manufacturing bases.

R&D costs in the Machined Components segment in fiscal 2006 amounted to ¥1,828 million.

### **Electronic Devices and Components**

In mainstay rotary components, we focused on the development of fan motors, stepping motors, PM-type stepping motors, HDD spindle motors and other products, as well established a Motor Technology Department within the Engineering Headquarters with the aim of facilitating cross-business efforts to develop basic motor technologies with a medium- to long-term perspective. For some years, we have been conducting research aimed at improving control technologies for specialty motors with the aim of increasing performance efficiency. We have also applied these technologies to develop VR resolvers and sensorless drive motors.

In other electronic devices and components, efforts in magnetic application and display-related products focused on R&D in the areas of materials technology, core technologies and product-related technologies. Magnetic application products include rare earth bond magnets for various types of motors and transformers for inverters, while display-related products include backlight assemblies for LEDs used in mobile devices and car navigation systems, inverter circuits for cold-cathode tubes used in LCD TVs, and high-pressure mercury lamp ignition circuits and optical units for projectors. By integrating and applying materials, core and product technologies developed through such research efforts, we have also developed a high-performance color wheel, an optical component for projectors, which was commercialized in early 2006.

We are also promoting the development of LCD backlight assemblies for next-generation mobile devices, optical components for projectors, and LED modules and other optical components for flat panel displays, by combining our noted ultraprecision machining, mold production and molding technologies with CAD/CAE engineering, optical engineering, thin film-formation and photolithographic technologies. In addition, we are combining analog circuit and thermal engineering technologies to develop such products as inverters for cold-cathode tubes used in next-generation LCD TVs, as well as xenon lamp inverters and next-generation, high-pressure mercury lamp circuits.

In fiscal 2006, R&D costs in the Electronic Devices and Components segment amounted to ¥7,008 million.

### Outlook for Fiscal 2007

The global economy is expected to remain firm in fiscal 2007, although concerns remain regarding further increases in prices for crude oil and raw materials, fluctuating foreign currency exchange rates against the Japanese yen and other Asian currencies, domestic interest rate hikes and intensifying competition both in Japan and overseas. The market for electronic components is expected to move toward a correction. In contrast, the markets for information and telecommunications equipment and home electrical appliances are expected to continue growing, while demand from the automobile and aerospace industries is expected to expand. In this environment, we will focus on expansion by investing intensively in growth businesses and implementing measures aimed at reinforcing our operating foundation. In light of these circumstances, as of the end of fiscal 2006 we forecast consolidated net sales of ¥310,000 million, operating income of ¥25,000 million and net income of ¥10,000 million in fiscal 2007.

### Risk Management

Minebea recognizes a variety of risks and uncertainties that have the potential to affect its operating results and/or financial position. As of June 29, 2006, the date of Minebea's Japanese-language *yuka shoken hokokusho*, the filing of which is required of all publicly traded companies under Japan's Securities and Exchange Law, Minebea recognized the following risks.

#### Market Risk

Principal markets for Minebea products, including those for PCs and peripheral equipment, information and telecommunications equipment and household electrical appliances, are intensely competitive and subject to significant fluctuations in demand. Accordingly, our operating results and financial position are vulnerable to sudden fluctuations in demand and changes in our customers' product requirements.

#### Foreign Exchange Risk

A significant portion of our consolidated net sales are in markets outside of Japan. Our business is thus vulnerable to risks associated with fluctuations in foreign currency exchange rates. We have entered into various currency exchange contracts and other derivatives transactions to hedge these risks, but fluctuations in foreign currency exchange rates may affect our operating results and/or financial position over the long term.

#### R&D Risk

With the aim of introducing a constant stream of new, high-quality products, we conduct extensive R&D. Nonetheless, there is no guarantee that R&D efforts will come to fruition. Accordingly, we are subject to the risk that significant R&D expenditures may not be rewarded with successful products.

#### Litigation Risk

The Legal Department is responsible for managing risk related to lawsuits and other legal actions brought against our operations in Japan and/or overseas. However, we are subject to the risk that lawsuits or other actions with the potential to affect our operating results and/or financial position may be brought against us in the future.

#### Risk Related to Price Negotiations

We continue to face intense competition from lower-priced products manufactured in other countries and regions. Accordingly, we are subject to the risk that we will be unable to maintain or increase our share should market needs shift to low-quality, low-priced products.

#### Risk Related to Raw Materials and Logistics Costs

We purchase a variety of materials from external suppliers. While we strive to ensure optimal inventory volumes for such materials and access to stable supplies of materials with stable prices. However, we are subject to the risk that rising prices for such materials may affect our operating results and/or financial position.

#### Latent Risk Related to Operations Overseas

The Minebea Group's manufacturing activities are conducted primarily in Thailand, China and Singapore. While considerable time has passed since we established operations in these countries, and while we continue to promote the integration of these operations, our operations overseas are subject to a number of risks that may have a negative impact on our operating results and/or financial position. These include unexpected changes to laws or regulations, difficulty in attracting and securing appropriate human resources, and acts of terrorism or war, or other acts that may cause social disruption.