Consolidated Balance Sheets

As of March 31, 2006 and 2005

Assets	Millions of yen 2006	2005	Thousands of U.S. dollars (Note 3) 2006
Current Assets:			
Cash and cash equivalents (Note 2-c)	¥ 24,385	¥ 21,759	$ 207,591
Notes and accounts receivable (Notes 2-d and 4):			
Trade	66,362	62,610	564,928
Other	2,920	4,074	24,859
	69,282	66,684	589,787
Allowance for doubtful receivables (Note 2-d)	(285)	(287)	(2,429)
Total notes and accounts receivable	68,997	66,397	587,358
Inventories (Note 2-e)	48,914	46,963	416,403
Deferred tax assets (Note 7)	3,402	5,124	28,969
Prepaid expenses and other current assets	7,866	7,052	66,946
Total current assets	153,564	147,295	1,307,267
Tangible Fixed Assets (Note 2-f, 2-g and 6)**:**			
Land	14,755	15,086	125,610
Buildings and structures	104,435	97,223	889,040
Machinery and transportation equipment	283,727	253,102	2,415,314
Construction in progress	1,517	1,228	12,917
	404,434	366,639	3,442,881
Accumulated depreciation	(238,675)	(210,118)	(2,031,803)
Net tangible fixed assets	165,759	156,521	1,411,078
Intangible Fixed Assets:			
Consolidation adjustments (Note 2-k)	9,794	10,353	83,376
Other	3,383	3,760	28,803
	13,177	14,113	112,179
Investments and Other Assets:			
Investments in affiliates (Notes 2-h and 4)	148	147	1,261
Investments in securities (Note 2-h)	10,816	6,162	92,069
Long-term loans receivable	46	35	393
Deferred tax assets (Note 7)	4,552	6,017	38,754
Other	1,773	1,871	15,091
	17,335	14,232	147,568
Allowance for doubtful receivables (Note 2-d)	(55)	(57)	(469)
Net investments and other assets	17,280	14,175	147,099
Deferred Charges	82	113	694
Total Assets	¥ 349,862	¥ 332,217	$ 2,978,317

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

Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	Millions of yen 2006	2005	Thousands of U.S. dollars (Note 3) 2006
Current Liabilities:			
Short-term loans payable (Note 5)	¥ 80,656	¥ 81,256	$ 686,612
Current portion of long-term debt (Note 5)	11,116	5,856	94,624
Notes and accounts payable (Note 4):			
Trade	26,683	25,901	227,151
Other	9,926	9,399	84,499
Total notes and accounts payable	36,609	35,300	311,650
Income taxes payable (Note 7)	3,045	2,344	25,922
Accrued expenses and other current liabilities	19,460	16,693	165,662
Total current liabilities	150,886	141,449	1,284,470
Long-Term Liabilities:			
Long-term debt (Note 5)	79,500	85,341	676,769
Other (Note 2-i)	1,267	804	10,786
Total long-term liabilities	80,767	86,145	687,555
Minority Interests in Consolidated Subsidiaries	632	2,535	5,375
Shareholders' Equity (Note 11):			
Common stock			
Authorized 1,000,000,000 shares			
Issued:			
March 31, 2006—399,167,695 shares			
March 31, 2005—399,167,695 shares	68,259	68,259	581,075
Capital reserve	94,757	94,757	806,645
Retained earnings	6,983	5,519	59,450
Differences on revaluation of other marketable securities	4,428	1,575	37,700
Foreign currency translation adjustments	(56,784)	(67,966)	(483,395)
	117,643	102,144	1,001,475
Treasury stock	(66)	(56)	(558)
Total shareholders' equity	117,577	102,088	1,000,917
Contingent Liabilities (Notes 13 and 14)			
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	¥349,862	¥332,217	$2,978,317

Consolidated Statements of Income

Years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2006	2005	2004	2006
Net Sales (Note 4)	¥318,446	¥294,422	¥268,574	$2,710,874
Cost of Sales (Notes 4 and 10)	249,935	232,019	203,261	2,127,645
Gross profit	68,511	62,403	65,313	583,229
Selling, General and Administrative Expenses (Notes 2-k and 10)	49,242	48,320	47,209	419,195
Operating income	19,269	14,083	18,104	164,034
Other Income (Expenses):				
Interest income	258	145	111	2,203
Equity in income of unconsolidated subsidiaries and affiliates	5	13	3	48
Prior year's adjustment of losses on liquidation of subsidiaries and affiliates	—	—	325	—
Reversal of reserve for liquidation of switching power supplies and related businesses	—	—	441	—
Interest expense	(4,771)	(3,361)	(3,213)	(40,616)
Gains on sales of investment securities and investment securities in affiliates	191	—	882	1,632
Losses on devaluation of investment securities	—	(619)	—	—
Foreign currency exchange losses (Note 2-b)	(345)	(755)	(771)	(2,944)
Losses on sales and disposals of tangible fixed assets	(870)	(1,019)	(747)	(7,410)
Losses on liquidation of subsidiaries and affiliates	(86)	(270)	—	(739)
Gains on the reversal of preemptive rights	447	—	—	3,811
Impairment loss	(967)	—	—	(8,236)
Business restructuring loss	(3,475)	—	—	(29,584)
Other, net	(36)	(439)	(2,177)	(298)
	(9,649)	(6,305)	(5,146)	(82,133)
Income before Income Taxes and Minority Interests	9,620	7,778	12,958	81,901
Income Taxes (Note 7):				
Current	5,567	5,943	4,412	47,395
Deferred (benefit)	1,574	(430)	2,798	13,400
	7,141	5,513	7,210	60,795
Minority Interests (Losses)	1,778	3,316	271	15,137
Net Income	¥ 4,257	¥ 5,581	¥ 6,019	$ 36,243

	Yen			U.S. dollars (Note 3)
Per Share Data (Note 12):				
Net income (loss):				
Basic	¥10.67	¥13.93	¥15.08	$0.09
Diluted	—	13.27	14.51	—
Cash dividends applicable to the year	7.00	7.00	7.00	0.06

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

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2006, 2005 and 2004

Millions of yen

	Number of Shares of Common Stock	*Common Stock*	*Capital Reserve*	*Retained Earnings (Note 10)*	*Differences on Revaluation of Other Marketable Securities*	*Foreign Currency Translation Adjustments*	*Treasury Stock*
Balance at March 31, 2003	399,167,695	¥68,259	¥94,757	¥ (454)	¥ (37)	¥(64,274)	¥(38)
Net income	—	—	—	6,019	—	—	—
Cash dividends	—	—	—	(2,794)	—	—	—
Other	—	—	—	(16)	1,684	(9,231)	(9)
Balance at March 31, 2004	399,167,695	68,259	94,757	2,755	1,647	(73,505)	(47)
Net income	—	—	—	5,581	—	—	—
Cash dividends	—	—	—	(2,793)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(24)	—	—	—
Other	—	—	—	(0)	(72)	5,539	(9)
Balance at March 31, 2005	**399,167,695**	**68,259**	**94,757**	**5,519**	**1,575**	**(67,966)**	**(56)**
Net income	—	—	—	**4,257**	—	—	—
Cash dividends	—	—	—	**(2,793)**	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—
Other	—	—	—	**(0)**	**2,853**	**11,182**	**(10)**
Balance at March 31, 2006	**399,167,695**	**¥68,259**	**¥94,757**	**¥ 6,983**	**¥ 4,428**	**¥(56,784)**	**¥(66)**

Thousands of U.S. dollars (Note 3)

	Number of Shares of Common Stock	*Common Stock*	*Capital Reserve*	*Retained Earnings (Note 10)*	*Differences on Revaluation of Other Marketable Securities*	*Foreign Currency Translation Adjustments*	*Treasury Stock*
Balance at March 31, 2005	**399,167,695**	**$581,075**	**$806,645**	**$ 46,988**	**$13,409**	**$(578,581)**	**$(477)**
Net income	—	—	—	**36,243**	—	—	—
Cash dividends	—	—	—	**(23,780)**	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	—	—	—
Other	—	—	—	**(1)**	**24,291**	**95,186**	**(81)**
Balance at March 31, 2006	**399,167,695**	**$581,075**	**$806,645**	**$ 59,450**	**$37,700**	**$(483,395)**	**$(558)**

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

Consolidated Statements of Cash Flows

Years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2006	2005	2004	**2006**
Cash Flows from Operating Activities:				
Income before income taxes and minority interests	**¥ 9,620**	¥ 7,778	¥ 12,958	**$ 81,901**
Depreciation and amortization	**23,972**	22,462	21,705	**204,078**
Impairment loss	**967**	—	—	**8,236**
Amortization of consolidation adjustments	**1,073**	1,083	1,023	**9,137**
Interest and dividend income	**(330)**	(182)	(138)	**(2,815)**
Interest expense	**4,771**	3,361	3,213	**40,616**
Losses on sales and disposals of tangible fixed assets	**455**	718	664	**3,872**
Gains on the reversal of preemptive rights	**(447)**	—	—	**(3,811)**
Increase in notes and accounts receivable	**(110)**	(1,020)	(7,734)	**(938)**
(Increase) decrease in inventories	**2,082**	(1,597)	(1,883)	**17,731**
Increase (decrease) in notes and accounts payable	**(1,215)**	1,283	(386)	**(10,351)**
Increase in allowances for business restructuring losses	**3,286**	—	—	**27,975**
Other	**(6,760)**	1,256	(678)	**(57,553)**
Subtotal	**37,364**	35,142	28,744	**318,078**
Interest and dividends received	**330**	183	176	**2,816**
Interest paid	**(4,844)**	(3,388)	(3,197)	**(41,240)**
Income taxes paid	**(4,613)**	(4,351)	(4,009)	**(39,270)**
Net cash provided by operating activities	**28,237**	27,586	21,714	**240,384**
Cash Flows from Investing Activities:				
Purchase of tangible fixed assets	**(21,897)**	(23,060)	(18,825)	**(186,410)**
Proceeds from sales of tangible fixed assets	**3,047**	2,173	2,372	**25,945**
Purchase of intangible fixed assets	**(311)**	(3,059)	—	**(2,648)**
Payments for purchase of shares in subsidiaries	**(342)**	—	—	**(2,919)**
Net proceeds from acquisition of shares in subsidiaries	**—**	71	—	**—**
Proceeds from sales of shares in subsidiaries	**—**	—	385	**—**
Long-term loans receivable	**(18)**	(67)	(156)	**(154)**
Other, net	**401**	153	1,292	**3,417**
Net cash used in investing activities	**(19,120)**	(23,789)	(14,932)	**(162,769)**
Cash Flows from Financing Activities:				
Proceeds from (repayment of) long-term debt	**(4,567)**	(5,909)	6,368	**(38,873)**
Cash dividends paid	**(2,793)**	(2,793)	(2,794)	**(23,780)**
Cash dividends paid to minority shareholders	**(14)**	(16)	(27)	**(123)**
Other, net	**(6)**	(54)	844	**(51)**
Net cash provided by (used in) financing activities	**(7,380)**	(8,772)	4,391	**(62,827)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**889**	358	(570)	**7,568**
Net increase (decrease) in cash and cash equivalents	**2,626**	(4,617)	10,603	**22,356**
Cash and Cash Equivalents at Beginning of Year	**21,759**	24,780	14,177	**185,235**
Increase in Cash and Cash Equivalents Due to Establishment of a Joint Venture	**—**	1,596	—	**—**
Cash and Cash Equivalents at End of Year	**¥ 24,385**	¥ 21,759	¥ 24,780	**$ 207,591**

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

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Minebea Co., Ltd. (the "Company"), and its consolidated domestic and overseas subsidiaries are stated in Japanese yen, the accounts of which are maintained in accordance with the accounting principles generally accepted in the respective countries and audited by independent auditors in those countries.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Ministry of Finance in Japan as required by the Securities and Exchange Law of Japan, in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. For the purpose of this annual report, certain reclassifications have been made and additional information provided to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 44 affiliated companies, including 43 consolidated subsidiaries and 1 nonconsolidated affiliate. All significant intercompany balances, intercompany transactions and unrealized profits have been eliminated in consolidation.

b) Translation of foreign currencies

Monetary assets and liabilities denominated in overseas currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for certain accounts that were hedged by forward exchange contracts. Translation differences arising from the translation of the financial statements denominated in overseas currencies are recorded as minority interests in consolidated subsidiaries and foreign currency translation adjustments in shareholders' equity.

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

Balance sheet items	At the rates of exchange prevailing at the balance sheet date
Statement of income items	At the average rate of exchange during the fiscal year

c) Cash equivalents

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

d) Allowance for doubtful receivables

Allowance for doubtful receivables of the Company and its consolidated domestic subsidiaries is provided for normal receivables based on the historical write-off rate and uncollectible receivables on a specific identification basis. Allowance for doubtful receivables of consolidated overseas subsidiaries is generally provided for estimated uncollectible receivables.

Allowance for doubtful receivables provided for consolidated subsidiary receivables is eliminated for consolidation purposes. Allowance for doubtful receivables as of March 31, 2006 and 2005, were sufficient to cover the estimated uncollectible receivables.

e) Inventories

Inventories of the Company and its consolidated domestic subsidiaries are stated primarily at cost, being determined by the moving average method, and those of its consolidated overseas subsidiaries are stated at the lower of cost or market, being determined by the first-in, first-out method or the moving average method.

Inventories as of March 31, 2006 and 2005, comprised the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2005	2006
Merchandise and finished goods	¥24,320	¥25,096	$207,039
Work in process	10,937	9,920	93,103
Raw materials	9,830	8,486	83,680
Supplies	3,827	3,461	32,581
	¥48,914	¥46,963	$416,403

f) Tangible fixed assets

Tangible fixed assets is stated at cost. Depreciation of the Company and its consolidated domestic subsidiaries is computed by the declining balance method based upon the estimated useful lives of the assets, whereas depreciation of consolidated overseas subsidiaries is computed primarily by the straight-line method based upon the estimated useful lives of the assets. Maintenance and normal repair expenses are charged against income as incurred, while significant renewals and improvements are capitalized.

g) Impairment of fixed assets

From the year ended March 31, 2006, the Company has adopted a new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the Financial Accounting Standard Implementation Guidance No. 6, "Implementation Guidance on Accounting Standards for Impairment of Fixed Assets" (issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result, income before income taxes and minority interests declined by ¥967 million.

In addition, for balance sheet presentation purposes, the accumulated impairment amount is directly deducted from the cost of the respective assets.

h) Investments in securities

Investments in securities consist of equity securities of listed and unlisted companies. Securities held by the Company or its domestic subsidiaries with quoted market values are stated at the closing quoted value price on March 31, 2006. Resulting valuation gains and losses are included, after the application of tax effect accounting, in shareholders' equity in the consolidated balance sheets. Those securities with no quoted market value are stated at cost by the moving average method.

	Millions of yen						Thousands of U.S. dollars (Note 3)		
	2006			2005			2006		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Equity securities	¥3,080	¥10,340	¥7,260	¥3,105	¥5,687	¥2,582	$26,226	$88,029	$61,803

The aggregate acquisition cost and market value of securities held by the Company and its consolidated domestic subsidiaries as of March 31, 2006, are as follows:

	Millions of yen
Aggregate acquisition cost:	
Current assets	¥ —
Noncurrent assets	3,080
	¥ 3,080
Aggregate market value:	
Current assets	¥ —
Noncurrent assets	10,340
	¥10,340

i) Accounting for retirement benefits

With effect from April 1, 2000, the Company and its consolidated domestic subsidiaries have adopted the accounting standards for retirement benefits. To provide for the payment of retirement benefits to employees, the Company makes provisions based on the projected benefit obligations and the estimated plan assets as of March 31, 2006.

Actuarial gains and losses are amortized using the straight-line method over the average remaining service period of employees (5 years), from the period subsequent to the period in which they are incurred.

(Accounting Change for Retirement Benefits)

From the year ended March 31, 2006, the Company adopted "Partial Amendment of Accounting Standard for Retirement Benefits" (Accounting Standard No. 3, issued March 16, 2005) and "Implementation Guidance for Partial Amendment of Accounting Standard for Retirement Benefits" (Implementation Guidance No. 7, issued March 16, 2005). The impact of adoption on the Company's net income was immaterial.

Certain of the Company's overseas subsidiaries have employee defined-benefit pension plans. To provide for the payment of retirement benefits to employees, these companies make provisions based on the projected benefit obligations and estimated plan assets as of March 31, 2006.

Unrecognized prior service cost is amortized using the straight-line method over a period of 10 years.

Actuarial gains and losses are amortized using the straight-line method over a period of 10 years, from the period subsequent to the period in which they are incurred.

Retirement benefit plans

Projected benefit obligations, net retirement benefit costs and assumptions used for calculation for the years ended March 31, 2006 and 2005, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
Projected Benefit Obligations	**2006**	2005	**2006**
Projected benefit obligations	**¥(26,874)**	¥(23,030)	**$(228,779)**
Plan assets at fair value	**24,878**	19,638	**211,783**
Unfunded projected benefit obligations	**(1,996)**	(3,392)	**(16,996)**
Unrecognized prior service cost	**411**	15	**3,504**
Unrecognized actuarial losses	**1,019**	3,076	**8,672**
Net amount recognized on consolidated balance sheets	**(566)**	(301)	**(4,820)**
Prepaid pension cost	**75**	5	**639**
Accrued retirement benefits	**¥ (641)**	¥ (306)	**$ (5,459)**

	Millions of yen		Thousands of U.S. dollars (Note 3)
Net Retirement Benefit Costs	**2006**	2005	**2006**
Services cost	**¥ 1,489**	¥1,059	**$12,674**
Interest cost	**985**	885	**8,388**
Expected return on plan assets	**(1,025)**	(869)	**(8,731)**
Amortization of transitional obligations	**—**	609	**—**
Amortization of prior service cost	**2**	2	**20**
Amortization of actuarial losses	**440**	450	**3,748**
Retirement benefit costs	**¥ 1,891**	¥2,136	**$16,099**

Assumption Used for Calculation	**2006**	2005
Discount rate	**mainly 2.5%**	mainly 2.5%
Expected rate of return on plan assets	**mainly 2.5%**	mainly 2.5%
Allocation of estimated amount of all retirement benefits to be paid at future retirement dates	Equally to each service year using the estimated number of total service years	Equally to each service year using the estimated number of total service years

j) Leases
Non-cancelable lease transactions of the Company are accounted for by the operating lease accounting method regardless of whether such leases are classified as operating or finance leases, except that lease agreements which stipulate the transfer of ownership of the leased property to the lessee are accounted for as finance leases.

k) Consolidation adjustments
Excess of cost over net assets acquired for business acquisitions is amortized, amounting to ¥1,073 million in fiscal 2006 and ¥1,083 million in fiscal 2005, on a straight-line basis over a period ranging from 5 to 40 years.

l) Reclassifications
Certain reclassifications of previous years' figures have been made to conform with the current year's classification.

3. Translation into U.S. Dollars

The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have also been translated into U.S. dollar amounts at the rate of ¥117.47=US$1, the approximate rate of exchange on March 31, 2006. 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, 2006 and 2005, and for the years then ended, is as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
Financial Position	**2006**	2005	**2006**
Assets:			
Current assets	**¥366**	¥316	**$3,113**
Other assets, including tangible fixed assets	**456**	506	**3,887**
	¥822	¥822	**$7,000**
Liabilities and shareholders' equity:			
Current liabilities	**¥ 59**	¥ 59	**$ 501**
Noncurrent liabilities	**221**	240	**1,886**
Shareholders' equity	**542**	523	**4,613**
	¥822	¥822	**$7,000**

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
Results of Operations	**2006**	2005	**2006**
Net sales	**¥431**	¥453	**$3,674**
Cost and expenses	**411**	415	**3,504**
Net income	**¥ 20**	¥ 38	**$ 170**

Summarized below are the significant transactions of the Company and its consolidated subsidiaries with affiliates for the years ended March 31, 2006 and 2005, and the related account balances as of March 31, 2006 and 2005:

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2006	2005	**2006**
Transactions:			
Sales	**¥—**	¥248	**$—**
Purchases	**—**	—	**—**
Account balances:			
Notes and accounts receivable	**—**	—	**—**
Notes and accounts payable	**0**	0	**6**

5. Short-Term Loans Payable and Long-Term Debt

Short-term loans payable consists of notes payable to banks, principally due in 30 to 180 days. The average annual interest rates for short-term loans payable are 1.92% and 1.24% for the years ended March 31, 2006 and 2005, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2005	2006
Notes payable to banks	¥80,656	¥81,256	$686,612
Total	¥80,656	¥81,256	$686,612

The aggregate annual maturities of long-term debt outstanding as of March 31, 2006, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
2007	¥11,116	$ 94,624
2008	12,000	102,154
2009	15,000	127,692
2010	18,000	153,231
2011 and thereafter	34,500	293,692
	¥90,616	$771,393

Long-term debt as of March 31, 2006 and 2005, consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2005	2006
3.0% unsecured bonds payable in Japanese yen due 2008	¥15,000	¥15,000	$127,692
0.655% unsecured bonds payable in Japanese yen due 2007	3,000	3,000	25,538
1.39% unsecured bonds payable in Japanese yen due 2010	10,000	10,000	85,128
1.26% unsecured bonds payable in Japanese yen due 2011	10,000	10,000	85,128
1.70% unsecured bonds payable in Japanese yen due 2012	1,500	—	12,769
1.55% unsecured bonds with warrants payable in Japanese yen due 2005	—	4,000	—
0.57% to 7.78% loans from banks, other	51,116	49,197	435,138
	90,616	91,197	771,393
Less current portion	11,116	5,856	94,624
	¥79,500	¥85,341	$676,769

6. Losses on Impairment of Fixed Assets

The groups of assets for which the Company recognized impairment losses for the year ended March 31, 2006, are as follows:

Losses on impairment

Use	Location	Type of assets	Millions of yen
Idle assets	5 facilities, which are the former Kyoto Plant, former Ibaraki Plant, former Ichinoseki Plant, former Kanegasaki Plant and former Hokuriku Branch Office of Kanemori Co., Ltd. (Kyoto Prefecture and others)	Building	¥132
		Land	834
		Total	¥967

Note: Impairment loss on land of ¥834 million was figured out after considering unrealized profit of ¥675 million eliminated for consolidation purposes.

The method to group the assets
Assets are grouped largely by each minimal works that will bear independent cash flow in each business segment.

The reason for impairment losses having been recognized
The fixed assets (building and land) for which impairment losses were recognized for the year ended March 31, 2006, are currently idle assets and are not expected to be utilized effectively. In addition, the land price dropped significantly.

The method to calculate the recoverable amounts
The recoverable amounts were measured by the net sales value, which is based on the real estate valuation standards.

7. Income Taxes

The Company and its consolidated domestic subsidiaries are subject to a number of different taxes based on income which, in the aggregate, resulted in an effective statutory rate of 39% for fiscal 2006 and 2005.

The income taxes of consolidated overseas subsidiaries are generally levied at lower rates than those currently applied in Japan. In addition, consolidated subsidiaries in Thailand are granted a status by the Promotion of Investment Act, whereby earnings derived from the manufacture or sale of qualifying products are fully exempt from Thai income tax for a period of three to eight years.

The income tax effect is recognized for temporary differences resulting from elimination of intercompany profit and certain adjustments made in the accompanying consolidated financial statements.

Deferred income taxes of ¥6,568 million and ¥10,064 million as of March 31, 2006 and 2005, respectively, are included in the accompanying consolidated balance sheets as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
Deferred Tax Assets	**2006**	2005	**2006**
Accrued bonuses to employees in excess of tax limit	**¥ 714**	¥ 639	**$ 6,076**
Loss on devaluation of investment securities	**1,620**	1,698	**13,789**
Allowance for doubtful receivables in excess of tax limit	**2,562**	2,429	**21,808**
Unrealized gains on sales of inventories	**1,676**	1,822	**14,269**
Operating losses carried forward	**1,807**	2,823	**15,384**
Foreign tax credit carried forward	**602**	1,360	**5,125**
Impairment loss	**377**	—	**3,208**
Other	**2,061**	1,377	**17,553**
Subtotal	**11,419**	12,148	**97,212**
Valuation allowance	**(633)**	—	**(5,387)**
Total deferred tax assets	**¥10,786**	¥12,148	**$91,825**

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
Deferred Tax Liabilities	**2006**	2005	**2006**
Depreciation of overseas subsidiaries	**¥1,201**	¥ 897	**$10,225**
Differences on revaluation of other marketable securities	**2,831**	1,007	**24,103**
Other	**186**	180	**1,584**
Total deferred tax liabilities	**4,218**	2,084	**35,912**
Net deferred tax assets	**¥6,568**	¥10,064	**$55,913**

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2005	2006
Current assets—Deferred tax assets	¥ 3,402	¥ 5,124	$28,969
Noncurrent assets—Deferred tax assets	4,552	6,017	38,754
Current liabilities—Deferred tax liabilities	(1,146)	(823)	(9,759)
Noncurrent liabilities—Deferred tax liabilities	(240)	(254)	(2,051)
Net deferred tax assets	¥ 6,568	¥10,064	$55,913

The reconciliation of the statutory tax rate in Japan and the effective tax rates appearing in the consolidated statements of income for the years ended March 31, 2006 and 2005, is shown below:

	2006	2005
Statutory tax rate in Japan	39.0%	39.0%
Adjustments:		
Amortization of consolidation adjustments	4.6	5.2
Difference of rates applied to overseas subsidiaries	(36.2)	(45.5)
Valuation allowance for operating losses of consolidated subsidiaries	42.4	21.3
Effect of dividend income eliminated for consolidation	31.2	50.2
Valuation allowance	(6.6)	—
Other	(0.2)	0.6
Effective income tax rate	74.2%	70.8%

8. Leases

Pro forma information for finance leases, except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee, is as follows:

Acquisition Cost, Accumulated Depreciation and Net Book Value of Leased Assets

	Millions of yen					
	2006			2005		
	Acquisition cost	*Accumulated depreciation*	*Net book value*	*Acquisition cost*	*Accumulated depreciation*	*Net book value*
Machinery and transportation equipment	¥1,272	¥ 605	¥ 667	¥1,269	¥ 585	¥ 684
Tools and other equipment	2,465	1,246	1,219	2,736	1,476	1,260
Software	36	20	16	42	31	11
	¥3,773	¥1,871	¥1,902	¥4,047	¥2,092	¥1,955

	Thousands of U.S. dollars (Note 3)		
	2006		
	Acquisition cost	*Accumulated depreciation*	*Net book value*
Machinery and transportation equipment	$10,834	$ 5,153	$ 5,681
Tools and other equipment	20,983	10,607	10,376
Software	303	168	135
	$32,120	$15,928	$16,192

Note: Because the outstanding future lease payments at the balance sheet date are not material as compared with the year-end balance of tangible assets, the interest portion is included in the pro forma amounts of acquisition cost.

Outstanding Future Lease Payments Payable

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 3) 2006
Due within one year	¥ 909	¥ 892	$ 7,741
Due after one year	993	1,063	8,451
	¥1,902	¥1,955	$16,192

Note: Because the outstanding future lease payments payable at the balance sheet date is not material as compared with the year-end balance of tangible fixed assets, the interest portion is included in the pro forma amounts of outstanding future lease payments payable.

Actual Lease Payments and Depreciation Expense

	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 3) 2006
Actual lease payments	¥1,070	¥1,209	$9,114
Depreciation	1,070	1,209	9,114

Depreciation of leased assets is computed on the straight-line method over the lease term with no residual value.

9. Derivatives

The Company and its consolidated subsidiaries have entered into forward exchange contracts on foreign currency-denominated receivables and payables related to actual and future import and export transactions to hedge certain risks related to fluctuations in foreign currency exchange rates. In principal, forward exchange contracts are carried at contract rate in the consolidated balance sheets, while the difference between the current rate and contract rate is amortized over the contract period. However, the Company and its consolidated subsidiaries adhere to a policy of maintaining the outstanding balance of these instruments within
the amounts of hedged foreign currency-denominated receivables and payables.

The execution of derivative transactions is controlled by the Finance Department. It is the policy of the Company and its consolidated subsidiaries to utilize forward exchange contracts solely for the purpose of hedging foreign currency position-related risks.

In line with internal risk management policies, the Company and its consolidated subsidiaries cover receivables and payables denominated in foreign currencies with forward exchange contracts denominated in the same currency, in the same amount and executed on the same execution day. Accordingly, the hedging relationships between the derivative financial instrument and the hedged item are highly effective in offsetting changes in currency exchange rates.

There are no derivative financial instruments for which hedge accounting is not applied as of March 31, 2006 and 2005.

10. Research and Development Expenses

Research and development expenses incurred by the Company and its consolidated subsidiaries are included in selling, general and administrative expenses and cost of sales.

Research and development expenses for the years ended March 31, 2006 and 2005, amounted to ¥9,048 million and ¥10,012 million, respectively.

11. Shareholders' Equity

The Commercial Code of Japan 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 the total of such reserve and the additional paid-in capital account equals 25% of the common stock. The legal reserve may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to the common stock account by resolution of the Board of Directors. Additional paid-in capital and the legal reserve may also be drawn down up to an amount that equals 25% of the common stock. In line with consolidated accounting procedures in Japan, additional paid-in capital is included in capital reserve and the legal reserve is included in retained earnings.

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 resolution of the general shareholders' meeting. The accompanying consolidated financial statements reflect appropriations approved or to be approved by shareholders subsequent to the fiscal years ended March 31, 2006 and 2005.

12. Per Share Data

Dividends per share shown in the consolidated statements of income have been presented on an accrual basis and include, in each fiscal year, dividends approved or to be approved after the fiscal year-end but applicable to the fiscal year.

Basic net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share is computed using the weighted average number of shares of common stock during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds. In calculating diluted net income per share, net income is adjusted by interest expense, net of income taxes, on the convertible bonds when such bonds are dilutive.

The number of shares used in calculating net income per share for the years ended March 31, 2006 and 2005, is as follows:

	Thousands of shares	
	2006	2005
Basic	**399,052**	399,074
Diluted	**—**	426,934

13. Litigation

As of March 31, 2006, there are no material claims outstanding or threatened against the Company or its consolidated subsidiaries.

14. Contingent Liabilities

The Company and its consolidated subsidiaries had no contingent liabilities as of March 31, 2006.

15. Segment Information

The Company and its consolidated subsidiaries are engaged in two business segments: machined components, which includes bearings and bearing-related products, notably ball bearings, rod-end and spherical bearings and pivot assemblies, as well as other machined components, such as fasteners, and special machined components; and electronic devices and components, encompassing rotary components and other electronic devices and components, primarily PC keyboards and speakers.

The business segments of the Company and its consolidated subsidiaries as of March 31, 2006 and 2005, and for the years then ended are outlined as follows:

Business Segments

Millions of yen

Year ended March 31, 2006	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	¥129,595	¥188,851	¥318,446	¥ —	¥318,446
Internal sales	3,803	2,371	6,174	(6,174)	—
Total sales	133,398	191,222	324,620	(6,174)	318,446
Operating expenses	108,842	196,509	305,351	(6,174)	299,177
Operating income (loss)	24,556	(5,287)	19,269	—	19,269
Assets	205,437	218,790	424,227	(74,365)	349,862
Depreciation and amortization	11,437	12,535	23,972	—	23,972
Impairment loss	388	579	967	—	967
Capital expenditure	12,279	9,929	22,208	—	22,208

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2006	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	$1,103,219	$1,607,655	$2,710,874	$ —	$2,710,874
Internal sales	32,375	20,188	52,563	(52,563)	—
Total sales	1,135,594	1,627,843	2,763,437	(52,563)	2,710,874
Operating expenses	926,552	1,672,851	2,599,403	(52,563)	2,546,840
Operating income (loss)	209,042	(45,008)	164,034	—	164,034
Assets	1,748,847	1,862,526	3,611,373	(633,056)	2,978,317
Depreciation and amortization	97,365	106,713	204,078	—	204,078
Impairment loss	3,307	4,929	8,236	—	8,236
Capital expenditure	104,530	84,528	189,058	—	189,058

Millions of yen

Year ended March 31, 2005	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	¥116,105	¥178,317	¥294,422	¥ —	¥294,422
Internal sales	2,194	390	2,584	(2,584)	—
Total sales	118,299	178,707	297,006	(2,584)	294,422
Operating expenses	96,727	186,196	282,923	(2,584)	280,339
Operating income (loss)	21,572	(7,489)	14,083	—	14,083
Assets	194,180	214,142	408,322	(76,105)	332,217
Depreciation and amortization	10,401	12,061	22,462	—	22,462
Capital expenditure	11,400	22,757	34,157	—	34,157

The geographic segments of the Company and its consolidataed subsidiaries as of March 31, 2006 and 2005, and for the years then ended are outlined as follows:

Geographic Segments

Millions of yen

Year ended March 31, 2006	*Japan*	*Asia (excluding Japan)*	*North America*	*Europe*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	¥ 77,856	¥155,423	¥59,468	¥25,699	¥318,446	¥ —	¥318,446
Internal sales	166,627	162,507	1,599	1,969	332,702	(332,702)	—
Total sales	244,483	317,930	61,067	27,668	651,148	(332,702)	318,446
Operating expenses	242,561	305,087	58,179	26,052	631,879	(332,702)	299,177
Operating income	1,922	12,843	2,888	1,616	19,269	—	19,269
Assets	161,968	247,186	36,864	19,618	465,636	(115,774)	349,862

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2006	*Japan*	*Asia (excluding Japan)*	*North America*	*Europe*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	$ 662,778	$1,323,090	$506,238	$218,768	$2,710,874	$ —	$2,710,874
Internal sales	1,418,466	1,383,388	13,617	16,760	2,832,231	(2,832,231)	—
Total sales	2,081,244	2,706,478	519,855	235,528	5,543,105	(2,832,231)	2,710,874
Operating expenses	2,064,878	2,597,152	495,269	221,772	5,379,071	(2,832,231)	2,546,840
Operating income	16,366	109,326	24,586	13,756	164,034	—	164,034
Assets	1,378,807	2,104,251	313,816	167,001	3,963,875	(985,558)	2,978,317

Millions of yen

Year ended March 31, 2005	*Japan*	*Asia (excluding Japan)*	*North America*	*Europe*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	¥ 76,660	¥137,424	¥52,390	¥27,948	¥294,422	¥ —	¥294,422
Internal sales	162,763	155,448	1,423	1,025	320,659	(320,659)	—
Total sales	239,423	292,872	53,813	28,973	615,081	(320,659)	294,422
Operating expenses	236,671	287,002	49,303	28,022	600,998	(320,659)	280,339
Operating income	2,752	5,870	4,510	951	14,083	—	14,083
Assets	169,239	223,995	32,442	20,300	445,976	(113,759)	332,217

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2006 and 2005, are summarized as follows:

Overseas Sales

Millions of yen

Year ended March 31, 2006	*To Asia (excluding Japan)*	*To North and South America*	*To Europe*	*Total*
Overseas sales	¥159,781	¥47,256	¥31,833	¥238,870
Consolidated net sales				¥318,446
Overseas sales as a percentage of consolidated net sales	50.2%	14.8%	10.0%	75.0%

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2006	*To Asia (excluding Japan)*	*To North and South America*	*To Europe*	*Total*
Overseas sales	$1,360,188	$402,277	$270,991	$2,033,456
Consolidated net sales				$2,710,874
Overseas sales as a percentage of consolidated net sales	50.2%	14.8%	10.0%	75.0%

Millions of yen

Year ended March 31, 2005	*To Asia (excluding Japan)*	*To North and South America*	*To Europe*	*Total*
Overseas sales	¥140,229	¥46,013	¥29,505	¥215,747
Consolidated net sales				¥294,422
Overseas sales as a percentage of consolidated net sales	47.6%	15.7%	10.0%	73.3%

16. Subsequent Event

There were no significant events subsequent to the year ended March 31, 2006.