Financial Section

Contents

Eleven-Year Summary

	2006	2005	2004	2003
Statement of Income Data:				
Net sales:	¥318,446	¥294,422	¥268,574	¥272,202
Machined components	129,595	116,105	111,693	118,118
Percentage of net sales	41%	39%	42%	43%
Electronic devices and components	188,851	178,317	156,881	154,084
Percentage of net sales	59%	61%	58%	57%
Consumer business and others	—	—	—	—
Percentage of net sales	—	—	—	—
Gross profit	¥ 68,511	¥ 62,403	¥ 65,313	¥ 68,702
Percentage of net sales	21.5%	21.2%	24.3%	25.2%
Operating income	19,269	14,083	18,104	19,352
Percentage of net sales	6.0%	4.8%	6.7%	7.1%
Net income (loss)	4,257	5,581	6,019	(2,434)
Percentage of net sales	1.3%	1.9%	2.2%	(0.9)%
Balance Sheet Data:				
Total assets	¥349,862	¥332,217	¥314,915	¥320,069
Total current assets	153,564	147,295	138,953	127,447
Total current liabilities	150,886	141,449	167,626	134,459
Short-term loans payable and current portion of long-term debt	91,772	87,112	119,643	81,262
Long-term debt	79,500	85,341	51,842	85,862
Working capital	2,678	5,846	(28,673)	(7,012)
Total shareholders' equity	117,577	102,088	93,866	98,213
Percentage of total assets	33.6%	30.7%	29.8%	30.7%
Per Share Data:				
Net income (loss):				
Basic	¥ 10.67	¥ 13.93	¥ 15.08	¥ (6.10)
Diluted	—	13.27	14.51	(4.85)
Shareholders' equity	294.65	255.82	235.21	246.08
Cash dividends	7.00	7.00	7.00	7.00
Number of shares outstanding	399,167,695	399,167,695	399,167,695	399,167,695
Other Data:				
Return on shareholders' equity	3.9%	5.7%	6.3%	(2.3)%
Return on total assets	1.2%	1.7%	1.9%	(0.8)%
Interest expense	¥ 4,771	¥ 3,361	¥ 3,213	¥ 4,765
Net cash provided by operating activities	28,237	27,586	21,714	32,279
Net cash used in investing activities	(19,120)	(23,789)	(14,932)	(16,233)
Free cash flow	9,117	3,797	6,782	16,046
Purchase of tangible fixed assets	21,897	23,060	18,825	16,382
Depreciation and amortization	25,045	23,545	22,728	24,015
Number of employees	47,526	48,473	43,839	43,002

Notes: 1. In fiscal 2006, Minebea restructured its PC keyboard business. As a consequence, the Company posted a ¥3,475 million restructuring loss. The Company also showed an extraordinary loss of ¥967 million resulting from the adoption of impairment accounting for fixed assets.
2. 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 fiscal years have been restated using this calculation.
3. In fiscal 2003, owing to significant declines in the prices of stocks listed on major markets, resulting in the impairment of shares in financial institutions, losses on devaluation of investment securities totaled ¥4,945 million. In line with projected losses resulting from its withdrawal from switching power supplies and related businesses, the Company posted losses on liquidation of switching power supplies and related businesses of ¥3,144 million. The Company also registered ¥1,206 million in environment-related expenses incurred by U.S. subsidiaries.

	2002	2001	2000	1999	1998	1997	1996	2006
							Millions of yen	*Thousands of U.S. dollars (Note 8)*
	¥279,344	¥287,045	¥284,757	¥305,324	¥326,094	¥302,886	¥260,537	**$2,710,874**
	122,025	124,461	127,734	136,807	142,007	136,147	122,540	**1,103,219**
	44%	43%	45%	45%	43%	45%	47%	
	156,303	151,910	146,133	157,603	180,875	165,118	136,519	**1,607,655**
	56%	53%	51%	52%	56%	54%	52%	
	1,016	10,674	10,890	10,914	3,212	1,621	1,478	**—**
	0%	4%	4%	3%	1%	1%	1%	
	¥ 73,283	¥ 84,117	¥ 81,534	¥ 90,161	¥107,086	¥ 86,487	¥ 75,152	**$ 583,229**
	26.2%	29.3%	28.6%	29.5%	32.8%	28.6%	28.8%	
	21,972	32,977	31,069	38,546	58,811	41,901	34,788	**164,034**
	7.9%	11.5%	10.9%	12.6%	18.0%	13.8%	13.4%	
	5,298	14,826	(2,677)	11,507	15,144	8,862	7,354	**36,243**
	1.9%	5.2%	(0.9)%	3.7%	4.6%	2.9%	2.8%	
	¥350,037	¥346,965	¥403,994	¥473,360	¥492,210	¥563,220	¥556,787	**$2,978,317**
	131,548	137,106	153,658	219,826	213,194	264,368	291,143	**1,307,267**
	156,908	127,290	124,085	197,071	246,114	322,966	336,106	**1,284,470**
	103,461	66,531	68,022	142,828	178,228	254,243	251,983	**781,236**
	79,212	118,629	124,690	128,223	96,882	109,365	97,129	**676,769**
	(25,360)	9,816	29,573	22,755	(32,920)	(58,598)	(44,963)	**22,796**
	112,732	100,574	154,357	145,705	141,843	123,831	116,753	**1,000,917**
	32.2%	29.0%	38.2%	30.8%	28.8%	22.0%	21.0%	
							Yen	*U.S. dollars (Note 8)*
	¥ 13.27	¥ 37.14	¥ (6.72)	¥ 28.94	¥ 38.42	¥ 22.76	¥ 18.91	**$0.09**
	12.60	34.10	(5.39)	26.32	34.85	21.03	18.68	**—**
	282.42	251.96	386.71	366.29	357.77	317.46	300.22	**2.51**
	7.00	7.00	7.00	7.00	7.00	7.00	7.00	**0.06**
	399,167,695	399,167,695	399,150,527	397,787,828	396,470,473	390,076,018	388,892,609	
							Millions of yen	*Thousands of U.S. dollars (Note 8)*
	5.0%	11.6%	(1.8)%	8.0%	11.4%	7.4%	6.4%	
	1.5%	4.0%	(0.6)%	2.4%	2.9%	1.6%	1.4%	
	¥ 5,673	¥ 7,553	¥ 7,897	¥ 12,231	¥ 16,593	¥ 19,109	¥ 17,525	**$ 40,616**
	34,017	38,332	60,289	60,740	83,878	29,546	26,230	**240,384**
	(24,346)	(33,099)	(13,298)	(17,254)	(33,745)	(31,866)	(23,636)	**(162,769)**
	9,671	5,233	46,991	43,486	50,133	2,320	2,594	**77,615**
	26,245	39,877	19,504	20,563	23,688	50,931	37,434	**186,410**
	25,577	23,682	25,026	28,034	29,616	29,277	22,319	**213,215**
	43,729	45,193	42,399	40,482	38,733	37,096	35,978	

4. In fiscal 2001, to concentrate resources in its best areas and improve financial strength, the Company transferred its shares in subsidiary Actus Corporation, posting an extraordinary gain of ¥5,215 million in gains on sales of investment securities in affiliates. The Company also showed an extraordinary loss of ¥2,762 million, in line with the projected loss on the withdrawal from the wheel business.
5. In fiscal 2000, to concentrate resources in its best areas and improve financial strength, the Company made decisions with regard to the transferral of its shares, etc., in Minebea Credit Co., Ltd., a wholly owned subsidiary; the liquidation of different affiliated companies; and other matters. As a result, the Company showed ¥25,782 million in extraordinary losses as losses on liquidation of subsidiaries and affiliates. The Company also applied tax effect accounting overall, which resulted in ¥6,276 million in deferred income taxes (benefit).
6. In fiscal 2000, the Company reclassified its operations into three business segments and revised figures in prior years.
7. Owing to a change in accounting standards, cash flows are shown in a new format in and after fiscal 2000.
8. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥117.47=US$1, the approximate rate of exchange on March 31, 2006.

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 miniature and small-sized ball bearings, rod-end and spherical bearings, and pivot assemblies. In fiscal 20006, 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.

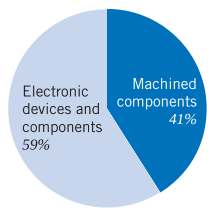
Recognizing the restoration of profitability to loss-making businesses as our foremost concern, we took steps during the period under review to shrink losses in these businesses and to build a stronger foundation for growth businesses. We are currently moving toward bringing loss-making businesses out 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

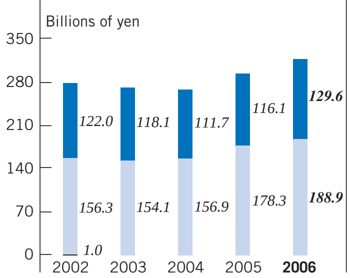
Years ended March 31	2006	2005	2004	2003	2002
					Millions of yen
Net Sales to External Customers by Business Segment					
Machined components	¥ 129,595	¥ 116,105	¥ 111,693	¥118,118	¥ 122,025
Electronic devices and components	188,851	178,317	156,881	154,084	156,303
Consumer business and others	—	—	—	—	1,016
Total	¥ 318,446	¥ 294,422	¥ 268,574	¥272,202	¥ 279,344
Operating Income (Loss) by Business Segment					
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
Assets by Business Segment					
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
Depreciation and Amortization by Business Segment					
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
Impairment Loss by Business Segment					
Machined components	¥ 388	¥ —	¥ —	¥ —	¥ —
Electronic devices and components	579	—	—	—	—
Consumer business and others	—	—	—	—	—
Total	¥ 967	¥ —	¥ —	¥ —	¥ —
Capital Expenditure by Business Segment					
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
Sales to External Customers by Geographic Segment					
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
Operating Income by Geographic Segment					
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
Assets by Geographic Segment					
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

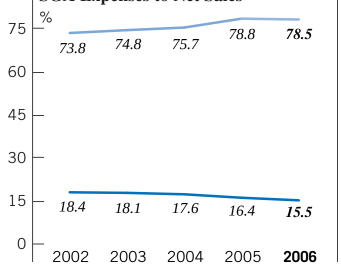


Net Sales by Business Segment



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.

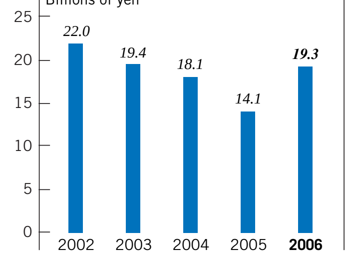
Cost of Sales and SGA Expenses

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%

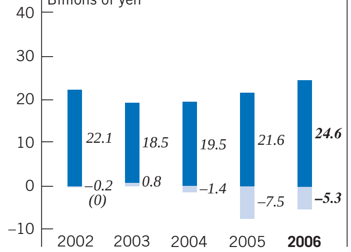
Operating Income

Billions of yen



Operating Income (Loss) by Business Segment

Billions of yen

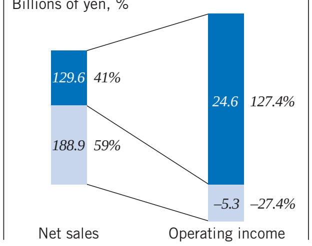


Machined components
Electronic devices and components
Consumer business and others

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

Net Sales and Operating Income by Business Segment

Billions of yen, %

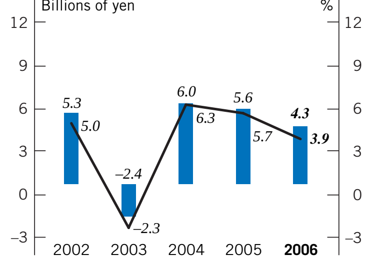


Machined components
Electronic devices and components

Note: Percentages represent contribution by business segment to total.

Net Income (Loss) and Return on Shareholders' Equity (ROE)

Billions of yen



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

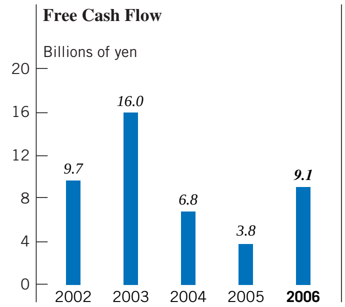
Free cash flow (calculated by subtracting net cash used in investing activities from net cash provided by operating activities) totaled ¥9,117 million, an increase of 140.1%, or ¥5,320 million, from fiscal 2005.

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.

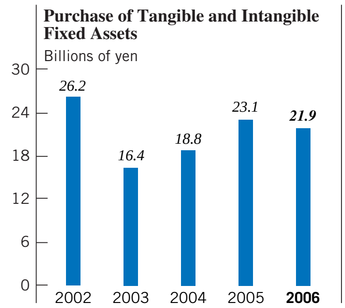


Cash Flows from Financing Activities

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.



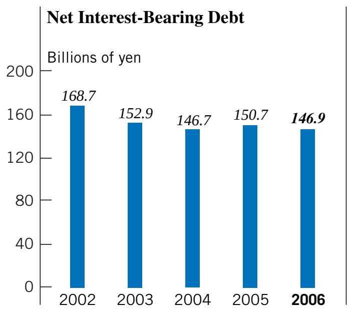
Free Cash Flow

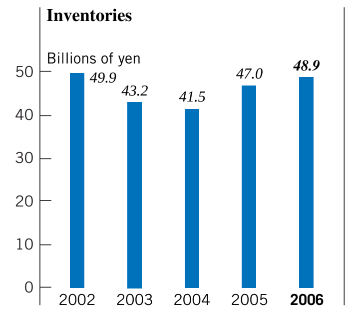
Millions of yen

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.

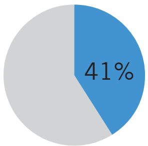
Financial Position

Millions of yen

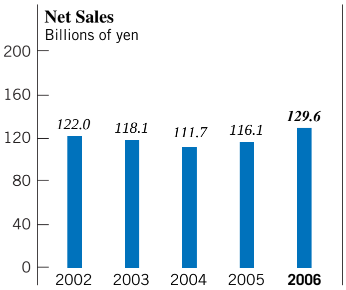
As of March 31	**2006**	2005	2004	2003	2002
Total assets	**¥349,862**	¥332,217	¥314,915	¥320,069	¥350,037
Cash and cash equivalents at end of year	**24,385**	21,759	24,780	14,177	13,952
Total current assets	**153,564**	147,295	138,953	127,447	131,548
Inventories	**48,914**	46,963	41,534	43,204	49,887
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

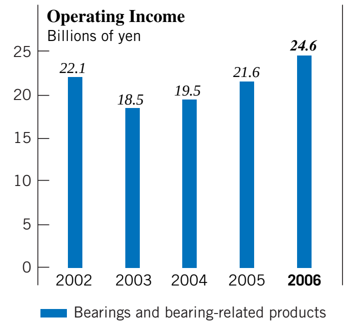
Performance by Business Segment

Machined Components



Percentage of net sales





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.

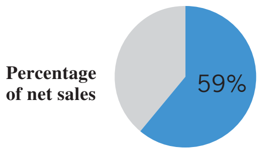
Ongoing Efforts

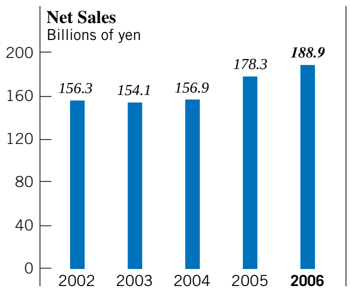
In the area of ball bearings, we are responding to the expansion of the market for miniature ball bearings—a consequence of rising demand for use in pivot assemblies and digital products—by increasing production capacity. We are also continuing to lower manufacturing costs through efforts to improve 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.

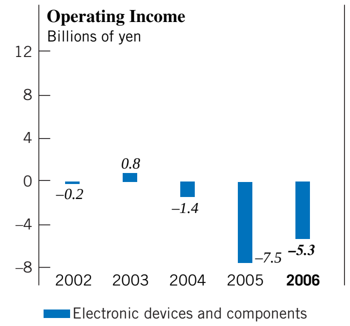
In response to double-digit growth in demand for rod-end and spherical bearings from aircraft manufacturers, we are expanding production capacity at our plants in Japan (Karuizawa), the United States and the United Kingdom. At the same time, we are stepping up front-end production in Thailand with the 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







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

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**
Rotary components		
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
Other electronic devices and components		
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.

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.

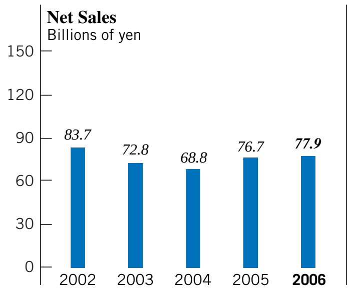
In the PC keyboards business, we decided in fiscal 2006 to focus our allocation of resources on the development of high-value-added models. Accordingly, we intend to establish a structure that takes advantage of our technological and manufacturing prowess and to achieve an improvement in profits by the 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.

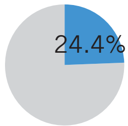
Performance by Geographic Segment

Japan

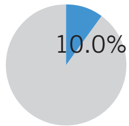
Net sales to external customers in Japan rose 1.6%, or ¥1,196 million, to ¥77,856 million. Nonetheless, operating income fell 30.2%, or ¥830 million, to ¥1,922 million.



Percentage of net sales

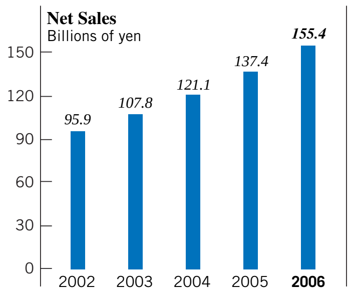


Percentage of operating income

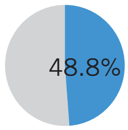


Asia (Excluding Japan)

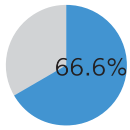
Asia includes the high-growth Greater China region, an important manufacturing base for many manufacturers in Japan, Europe, the Americas and elsewhere. Net sales in the region were firm, particularly in Greater China, owing to expanded demand from the information and telecommunications equipment industry 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

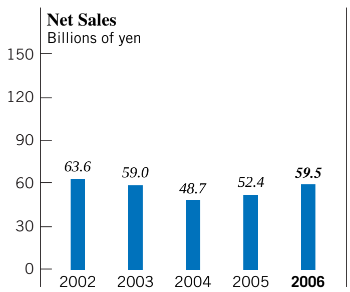


Percentage of operating income

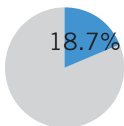


North America

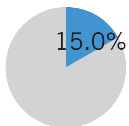
Despite a steady shift toward production in Asia by key customers in the information and telecommunications equipment industry, sales of PC keyboards and other electronic devices and components were firm in North America. We also saw firm demand for and sales of ball bearings manufactured in the United 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

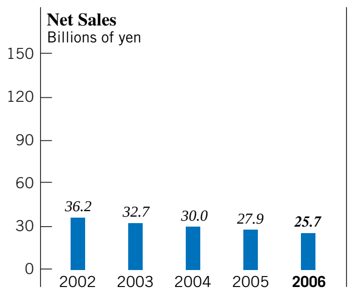


Percentage of operating income

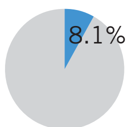


Europe

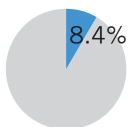
Moderate economic growth in Europe supported firm sales of ball bearings, rod-end and spherical bearings, and other products. Owing to the shift of PC keyboard production and sales for U.S. customers to North America, however, sales to external customers in Europe declined 8.0%, or ¥2,249 million, to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

Consolidated Balance Sheets

As of March 31, 2006 and 2005

Assets	Millions of yen 2006	Millions of yen 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		Thousands of U.S. dollars (Note 3)
	2006	2005	**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		Thousands of U.S. dollars (Note 3)
	2006	2005	**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.

ERNST & YOUNG SHINNIHON

Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

Tel : 03 3503 1100
Fax : 03 3503 1197

Report of Independent Auditors

The Board of Directors
Minebea Co., Ltd.

We have audited the accompanying consolidated balance sheets of Minebea Co., Ltd., and consolidated subsidiaries as of March 31, 2005 and 2006, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31,2006, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Minebea Co., Ltd., and consolidated subsidiaries at March 31, 2005 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006, in conformity with accounting principles generally accepted in Japan.

As described in Note 2-g to the consolidated financial statements, from the year ended March 31, 2006, Minebea Co., Ltd., and consolidated subsidiaries adopted the accounting standard for impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon

June 29, 2006