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 Financial Instruments 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 40 affiliated companies, including 39 consolidated subsidiaries and 1 equity-method affiliate. All significant intercompany balances, intercompany transactions and unrealized profits have been eliminated in consolidation.

In the year ended March 31, 2009, the scope of consolidation changed with the Company's acquisition of shares in 6 companies, which became consolidated subsidiaries. Owing to the merger of existing subsidiaries, the Company also deconsolidated 7 subsidiaries, the entire assets and liabilities of which were transferred to a newly established company. Separately, the Company liquidated 2 subsidiaries.

The Company has adopted two methods to consolidate the results of those subsidiaries that have a fiscal year-end of December 31. For certain subsidiaries, preliminary financial statements are prepared as of the Company's balance sheet date, while for others financial statements as of the subsidiary's balance sheet date are used, with necessary adjustments made to account for significant transactions between the subsidiary's balance sheet date and the Company's balance sheet date.

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 foreign currencies are recorded as minority interests in consolidated subsidiaries and foreign currency translation adjustments in net assets.

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 for 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.

e) Inventories

Inventories of the Company and its consolidated domestic subsidiaries as of March 31, 2008, are stated at cost, as determined mainly by the moving average method. Inventories of the Company and its consolidated domestic subsidiaries as of March 31, 2009, are stated at cost, as determined mainly by the moving average method, with balance sheet inventory amounts calculated using lowered book values, reflecting a potential decline in profitability. Inventories of the Company's consolidated overseas subsidiaries are stated at the lower of cost or market as determined by the first-in, first-out method or the moving average method.

(Change of accounting policy)
To date, inventories held for ordinary sales have been calculated at cost by mainly using the moving average method. However, owing to the application of the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan (ASBJ) Statement No. 9, issued on July 5, 2006), from the year ended March 31, 2009, inventories are calculated at cost by mainly using the moving average method, with balance sheet inventory items calculated using lowered book values.

This resulted in a decrease of ¥228 million ($2,331 thousand) in operating income and income before income taxes and minority interests, respectively.

Inventories as of March 31, 2009 and 2008, comprised the following:

Inventories

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2009	2008	**2009**
Merchandise and finished goods	**¥16,840**	¥19,936	**$171,438**
Work in process	**11,506**	11,073	**117,136**
Raw materials	**7,246**	8,233	**73,761**
Supplies	**3,145**	3,159	**32,016**
	¥38,737	¥42,401	**$394,351**

f) Tangible fixed assets
Tangible fixed assets are stated at acquisition 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. The estimated useful lives of fixed assets are predominantly 2–50 years for buildings and structures, 2–15 years for machinery and transportation equipment and 2–20 years for tools, furniture and fixtures. In contrast, 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.

(Change of accounting policy)
Effective from the year ended March 31, 2008, regarding the fixed assets purchased on or after April 1, 2007, the Company calculates depreciation expenses pursuant to the depreciation method provided in the revised Corporation Tax Law.

This resulted in a decrease of ¥201 million in operating income and income before income taxes and minority interests, respectively.

(Additional information)
Effective from the year ended March 31, 2008, of tangible fixed assets acquired on or before March 31, 2007, regarding those whose depreciation was completed up to their depreciable amounts, the Company depreciates their remaining book values equally over 5 years. This resulted in a decrease of ¥231 million in operating income and income before income taxes and minority interests, respectively.

In the year ended March 31, 2009, the Company reassessed the useful lives of its machinery and equipment concurrent with a review of depreciation methods implemented as a result of revisions to tax legislation in year 2008. As a consequence, the useful lives of certain machinery and equipment are different effective from the year ended March 31, 2009. This resulted in a decrease of ¥32 million ($335 thousand) in operating income and income before income taxes and minority interests, respectively.

g) Investments in securities
Investments in securities consist of equity securities of listed and unlisted companies and government bonds. Available-for-sale securities held by the Company or its domestic or overseas consolidated subsidiaries with fair value are stated at the closing quoted market price on March 31, 2009. Resulting valuation gains and losses are included, after the application of tax effect accounting, in net assets in the consolidated balance sheets. The cost of securities sold is calculated using the moving average method. Those securities with no fair value are stated at cost, as determined by the moving average method.

Owing to a change in holding purpose, effective from the year ended March 31, 2008, debt securities held by the Company's consolidated overseas subsidiaries classified as held-to-maturity securities have been reclassified as available-for-sale securities. The effect of this change is insignificant.

Available-for-Sale Securities with Fair Value

Millions of yen

	2009			2008		
	Acquisition cost	*Reported amount in balance sheet*	*Difference*	*Acquisition cost*	*Reported amount in balance sheet*	*Difference*
Securities whose reported amounts in balance sheet exceed acquisition cost						
Equity securities	¥ —	¥ —	¥ —	¥3,078	¥5,172	¥2,094
Bonds	2,504	2,543	39	2,295	2,365	70
Securities whose reported amounts in balance sheet do not exceed acquisition cost						
Equity securities	3,082	2,889	(193)	3	2	(1)
Bonds	—	—	—	—	—	—
Total	¥5,586	¥5,432	¥(154)	¥5,376	¥7,539	¥2,163

Thousands of U.S. dollars (Note 3)

	2009		
	Acquisition cost	*Reported amount in balance sheet*	*Difference*
Securities whose reported amounts in balance sheet exceed acquisition cost			
Equity securities	$ —	$ —	$ —
Bonds	25,488	25,890	402
Securities whose reported amounts in balance sheet do not exceed acquisition cost			
Equity securities	31,375	29,413	(1,962)
Bonds	—	—	—
Total	$56,863	$55,303	$(1,560)

Available-for-Sale Securities Sold During the Fiscal Year

Millions of yen

	2009			2008			2007		
	Amount of sale	*Gain on sale*	*Loss on sale*	*Amount of sale*	*Gain on sale*	*Loss on sale*	*Amount of sale*	*Gain on sale*	*Loss on sale*
Available-for-sale securities sold	¥—	¥—	¥—	¥—	¥—	¥—	¥1	¥0	¥—

Thousands of U.S. dollars (Note 3)

	2009		
	Amount of sale	*Gain on sale*	*Loss on sale*
Available-for-sale securities sold	$—	$—	$—

Available-for-Sale Securities with No Fair Value

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2009	2008	2009
	Reported amount in balance sheet	*Reported amount in balance sheet*	*Reported amount in balance sheet*
Available-for-sale securities			
Unlisted equity securities	¥1,531	¥474	$15,591

h) Accounting for retirement benefits

Effective 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 has made provisions based on the projected benefit obligations and the estimated plan assets as of March 31, 2009 and 2008, calculated on the basis of accrued retirement benefit obligations and prepaid pension costs as of March 31, 2009 and 2008.

Prepaid pension costs and accrued retirement benefits as of March 31, 2009 and 2008, are included in “Other” in “Investments and Other Assets” and “Other” in “Long-Term Liabilities”, respectively.

Prior service costs are 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 5 years, from the period subsequent to the period in which they are incurred.

Unrecognized prior service costs of consolidated overseas subsidiaries are amortized using the straight-line method over a period of 10 years.

Actuarial gains and losses of consolidated overseas subsidiaries 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.

(Additional information)
Effective April 1, 2008, the Company and certain consolidated domestics subsidiaries abolished the tax-qualified pension plan it had previously employed and switched to a defined contribution pension plan and a defined benefit pension plan. Accordingly, the Company has applied the Guidance for Accounting for the Transfer between Retirement Benefit Plans (ASBJ Guidance No. 1, issued January 31, 2002).

Unrecognized prior service costs resulting from this change are amortized using the straight-line method over a period of 10 years.

Retirement benefit plans

Projected benefit obligations and the components thereof as of March 31, 2009 and 2008, are as follows:

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
Projected Benefit Obligations	**2009**	2008	**2009**
Projected benefit obligations	**¥(29,725)**	¥(30,210)	**$(302,609)**
Plan assets at fair value	**17,741**	25,985	**180,604**
Unfunded projected benefit obligations	**(11,984)**	(4,225)	**(122,005)**
Unrecognized prior service cost	**2,978**	8	**30,317**
Unrecognized actuarial losses	**4,758**	4,221	**48,440**
Net amount recognized on consolidated balance sheets	**(4,248)**	4	**(43,248)**
Prepaid pension cost	**873**	1,711	**8,888**
Accrued retirement benefits	**¥ (5,121)**	¥ (1,707)	**$ (52,136)**

Net retirement benefit costs used for calculation for the years ended March 31, 2009, 2008 and 2007, are as follows:

	Millions of yen			*Thousands of U.S. dollars (Note 3)*
Net Retirement Benefit Costs	**2009**	2008	2007	**2009**
Service cost	**¥ 1,433**	¥ 1,279	¥ 2,269	**$ 14,588**
Interest cost	**1,187**	1,266	1,159	**12,091**
Expected return on plan assets	**(1,050)**	(1,403)	(1,343)	**(10,694)**
Amortization of prior service cost	**332**	2	2	**3,387**
Amortization of actuarial losses (gains)	**281**	(311)	(62)	**2,860**
Retirement benefit costs	**¥ 2,183**	¥ 833	¥ 2,025	**$ 22,232**
Loss on transition of retirement benefit plan	**375**	—	—	**3,814**
Special severance payments	**985**	165	304	**10,022**
Contributions to defined contribution pension plans	**143**	—	—	**1,452**
Total	**¥ 3,686**	998	2,329	**$ 37,520**

Other than the above retirement benefit costs, in the year ended March 31, 2008, we posted ¥116 million in retirement benefit costs for overseas subsidiaries in other expenses.

Assumptions used for calculation for the years ended March 31, 2009, 2008 and 2007, are as follows:

Assumptions Used for Calculation	**2009**	2008	2007
Discount rate	**mainly 2.0%**	mainly 2.5%	mainly 2.5%
Expected rate of return on plan assets	**mainly 2.5%**	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	Equally to each service year using the estimated number of total service years

i) Leases
In the year ended March 31, 2008, non-cancelable lease transactions were accounted for by the operating lease accounting method, except for those finance leases that stipulate the transfer of ownership of the leased property to the lessee, which are accounted for as finance leases. In the year ended March 31, 2009, such leases are depreciated using the straight-line method, whereby the lease term is the depreciable life of the asset and the salvage value is zero.

(Change of accounting policy)
To date, the Company has accounted for finance leases, except those that stipulate the transfer of ownership of the leased property to the lessee, using the same accounting method as for rental agreements. In the year ended March 31, 2009, however, the Company adopted the same accounting method as for ordinary sales transactions, in line with the Accounting Standard for Lease Transactions (ASBJ Statement No. 13, issued on June 17, 1993, and revised on March 30, 2007), and the Guidance on Accounting Standards for Lease Transactions (ASBJ Guidance No. 16, issued on January 18, 1994, Accounting System Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007).
The effect of this change was insignificant.

j) Goodwill and negative goodwill
Excess of cost over net assets acquired for business acquisitions for the Company and its consolidated subsidiaries is amortized, amounting to ¥1,059 million and ¥1,079 million for the years ended March 31, 2008 and 2007, respectively, on a straight-line basis over a period ranging from 5 to 40 years in accordance with accounting procedures in their respective countries of domicile. For the year ended March 31, 2009 the amount was ¥1,039 million ($10,578 thousand), which is amortized on a straight-line basis over a period ranging from 5 to 10 years.

k) Current accounting for overseas subsidiaries
The Company has made necessary adjustments to its consolidated accounting process to accommodate the application of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force (PITF) No. 18, issued on May 17, 2006), effective from the year ended March 31, 2009.
This resulted in an increase of ¥217 million ($2,211 thousand) in operating income and income before income taxes and minority interests, respectively.

l) Change in classification
To date, income from scrap sales has been included primarily in other income, as the amount incurred was minor. However, the materiality of the incurred amount has increased recently. With improvement of management system, accurate segmentation has become possible, and the Company changed its treatment of income from scrap sales from the year ended March 31, 2009, deducting it from cost of sales rather than including it in other income.
This resulted in a decrease of ¥223 million ($2,272 thousand) in cost of sales and other income, respectively, and corresponding increases in gross profit and operating income, but had no impact on income before income taxes and minority interests.

m) 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 ¥98.23=US$1, the approximate rate of exchange on March 31, 2009. 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. 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 1.69% and 2.20% for the years ended March 31, 2009 and 2008, respectively.

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2009	2008	**2009**
Notes payable to banks	**¥58,890**	¥50,352	**$599,513**
Total	**¥58,890**	¥50,352	**$599,513**

Long-term debt as of March 31, 2009 and 2008, consists of the following:

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009
3.00% unsecured bonds payable in Japanese yen due 2008	¥ —	¥15,000	$ —
1.39% unsecured bonds payable in Japanese yen due 2010	10,000	10,000	101,802
1.26% unsecured bonds payable in Japanese yen due 2011	10,000	10,000	101,802
1.70% unsecured bonds payable in Japanese yen due 2012	1,500	1,500	15,270
0.85% to 2.05% loans from banks, other	57,500	46,000	585,361
Lease obligations	1,988	—	20,244
	80,988	82,500	824,479
Less current portion	22,958	15,000	233,716
	¥58,030	¥67,500	$590,763

The aggregate annual maturities of long-term debt outstanding as of March 31, 2009, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
2010	¥22,958	$233,716
2011	13,425	136,664
2012	22,862	232,744
2013	13,422	136,643
2014 and thereafter	8,321	84,712
	¥80,988	$824,479

5. Losses on Impairment of Fixed Assets

The asset groups for which the Company recognized impairment losses for the years ended March 31, 2009, 2008 and 2007, are as follows:

Losses on impairment

Use	*Location*	*Type of assets*	Millions of yen 2009	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (Note 3) 2009
Idle assets	5 facilities, which are a plant in Malaysia, former Kyoto Plant, former Ichinoseki Plant, former Ibaraki Plant and former Kanegasaki Plant (Hachiman City, Kyoto Prefecture and others)	Buildings and structures	¥—	¥—	¥42	$ —
		Machinery and transportation equipment	19	—	6	193
		Tools, furniture and fixtures	—	—	—	—
		Land	4	72	26	41
		Total	¥23	¥72	¥74	$234

Method to group the assets

Assets are grouped largely by each minimal works that will bear independent cash flow in each business segment.

Reason for impairment losses having been recognized

The fixed assets (machinery and transportation equipment, land and others) for which impairment losses were recognized for the years ended March 31, 2009, 2008 and 2007, are currently idle assets and are not expected to be utilized effectively. In addition, the land price dropped significantly.

Method to calculate the recoverable amounts

The recoverable amounts were measured by the net realizable value, which is mainly based on the real estate valuation standards. Assets that cannot be sold or diverted to other usage are valued at zero.

6. Income Taxes

The Company and its consolidated domestic subsidiaries are subject to a number of different taxes based on income which, in the aggregate, resulted in an effective statutory rate of 39.0% for the years ended March 31, 2009, 2008 and 2007.

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 tax exempt 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 3 to 8 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.

Net deferred tax assets of ¥10,009 million ($101,889 thousand) and ¥8,614 million as of March 31, 2009 and 2008, respectively, are included in the accompanying consolidated balance sheets and are composed of the following:

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
Deferred Tax Assets	2009	2008	2009
Excess of allowed limit chargeable to accrued bonuses	¥ 860	¥ 872	$ 8,751
Excess of allowed limit chargeable to reserve for retirement benefits	1,772	454	18,040
Loss on revaluation of investment securities	363	1,374	3,695
Excess of allowed limit chargeable to allowance for doubtful accounts	—	4,054	—
Unrealized gains on sales of inventories	755	1,449	7,683
Unrealized gains on sales of fixed assets	928	—	9,447
Excess of allowed limit chargeable to depreciation	1,246	1,058	12,690
Impairment loss	129	128	1,312
Tax losses carried forward	3,343	1,630	34,035
Foreign tax credit carried forward	1,086	352	11,056
Others	1,733	1,352	17,645
Subtotal	12,215	12,723	124,354
Valuation allowance	(690)	(1,611)	(7,022)
Total deferred tax assets	¥11,525	¥11,112	$117,332

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
Deferred Tax Liabilities	2009	2008	2009
Depreciation allowed to overseas subsidiaries	¥ 1,077	¥1,346	$ 10,966
Differences on revaluation of available-for-sale securities	27	138	274
Prepaid pension costs	333	667	3,396
Others	79	347	807
Total deferred tax liabilities	1,516	2,498	15,443
Net deferred tax assets	¥10,009	¥8,614	$101,889

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

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2009	2008	2009
Current assets—Deferred tax assets	¥ 3,144	¥ 8,498	$ 32,002
Non-current assets—Deferred tax assets	7,979	1,977	81,228
Current liabilities—Others	(16)	(1,330)	(165)
Non-current liabilities—Others	(1,098)	(531)	(11,176)
Net deferred tax assets	¥10,009	¥ 8,614	$101,889

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, 2009, 2008 and 2007, is shown below:

	2009	2008	2007
Statutory tax rate in Japan	39.0%	39.0%	39.0%
Adjustments:			
Amortization of goodwill	5.9	1.2	2.1
Difference of rates applied to overseas subsidiaries	(8.9)	(12.9)	(13.2)
Valuation allowance for operating losses of consolidated subsidiaries	—	(4.3)	5.7
Effect of dividend income eliminated for consolidation	57.4	8.3	2.8
Changes in tax rates	(16.7)	—	—
Prior year’s income taxes	(15.0)	—	—
Other	0.1	0.0	(0.2)
Effective income tax rate	61.8%	31.3%	36.2%

7. Leases

Pro forma information for finance leases, except 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

	2008		
	Acquisition cost	*Accumulated depreciation*	*Net book value*
Machinery and transportation equipment	¥1,595	¥ 618	¥ 977
Tools, furniture and fixtures	2,225	1,201	1,024
Software	21	10	11
Total	¥3,841	¥1,829	¥2,012

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

Millions of yen

	2008
Due within 1 year	¥ 889
Due after 1 year	1,123
Total	¥2,012

Note: Because the outstanding future lease payments payable at the balance sheet date are 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

	2008	2007
Actual lease payments	¥1,144	¥1,080
Depreciation	1,144	1,080

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

No impairment losses have been allocated to leased assets.

8. Derivatives

1. Content of transactions

The Minebea Group uses forward exchange contract transactions as well as interest rate swap transactions.

2. Transaction policy

The Minebea Group uses forward exchange contracts within the balance of its foreign currency receivable and payables, including the amounts that are ensured to arise in the future. The Group also uses interest rate swaps within the principal of its borrowings. The management of these transactions is guided by the Financial Department of the Company, and no speculative transactions are made.

3. Purpose of the use of transactions

The Minebea Group makes transactions of forward exchange contracts to hedge the fluctuation risks in foreign currency exchange rates related to export and import transactions, etc. The Group also makes interest rate swap transactions to hedge the fluctuation risks in the interest rates of its borrowings.

The Minebea Group makes derivative transactions, and by using the transactions, adopts hedge accounting.

(1) Method of Hedge Accounting

The Company adopts the allocation method to account for the forward exchange contracts for foreign currency-denominated receivables and payables, and the deferred hedge method to account for the forward exchange contracts for foreign currency-denominated anticipated transactions. The Company also adopts the special method to account for the interest rate swaps, which meet the requirements of special accounting.

(2) Hedging Vehicles and Hedged Items

(Hedging Vehicles)

Forward exchange contracts

Interest rate swaps

(Hedged Items)
Monetary receivables and payables in foreign currency
Anticipated transaction in foreign currencies
Interest rates on borrowings

(3) Hedge Policy
Under the guidance of its Finance Department, the Company makes forward exchange contracts to hedge risks in foreign exchange fluctuations arising from export and import transactions, and from lending in foreign currency. The Company also makes interest rate swaps to hedge fluctuation risks in interest rates on borrowings.

(4) Method of Assessing Hedge Effectiveness
Regarding forward exchange contracts, in principle, the Company allocates them to monetary receivables and payables with same maturities and same amounts in foreign currency at closing of forward exchange contracts in accordance with the risk management policy. This completely ensures correlations reflecting subsequent exchange rate fluctuations. The Company assesses hedge effectiveness based upon such correlations. Also, regarding interest rate swaps, the Company assesses hedge effectiveness based upon the fulfillment of the accounting requirements for special treatment.

4. Content of risks associated with transactions
Forward exchange and interest rate swap contracts have fluctuation risks in foreign exchange rates and interest rates, respectively.

The Minebea Group limits forward exchange contracts and interest rate swaps to the purpose of hedging those risks, and believes that there are almost no market risks.

The Minebea Group makes such transactions with highly rated and reliable financial institutions. Accordingly, it believes that there are almost no risks of the contracts not being fulfilled.

5. Risk management structure for transactions
Forward exchange contracts are executed and managed by the finance department of each company within the limit as mentioned in item 2. These transactions are periodically reported to the Finance Department of the Company, and are monitored by the Department.

Interest rate swap transactions are executed and managed by the Finance Department of the Company within the limit as mentioned in item 2. However, including details of such borrowing transactions, these transactions are pre-approved by the Board of Directors or the executive officer in charge of finance of the Company, depending upon the amounts of transactions.

9. 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 manufacturing costs.

Research and development expenses for the years ended March 31, 2009, 2008 and 2007, amounted to ¥9,458 million ($96,284 thousand), ¥9,950 million and ¥9,000 million, respectively.

10. Shareholders' Equity

The Corporation Law of Japan requires that an amount equivalent to 10% of cash dividends must be appropriated as a legal reserve or as additional paid-in capital upon the payment of said cash dividends until the aggregate of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Corporation Law, the legal reserve and additional paid-in capital may be reversed without restriction on amount.

The Corporation Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings may be transferred among the accounts under certain conditions by resolution of the ordinary general meeting of shareholders.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Corporation Law.

Dividends are not accrued in the consolidated financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

As of March 31, 2009, retained earnings included year-end dividends of ¥777 million ($7,920 thousand), or ¥2.00 ($0.02) per share, which was approved at the ordinary general meeting of shareholders held on June 26, 2009.

11. 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, 2009, 2008 and 2007, is as follows:

	Thousands of shares		
	2009	2008	2007
Basic	394,853	399,013	399,037
Diluted	—	—	—

Note: There are no shares of common stock with dilutive effects.

12. Cash Flow Information

In the year ended March 31, 2009, newly acquired subsidiaries NMB Mechatronics Co., Ltd. and myonic Holding GmbH and their four consolidated subsidiaries (NMB Mechatronics (Thailand) Co., Ltd., myonic GmbH, myonic Limited and myonic s.r.o.), were included in the Company's consolidated accounts. The composition of assets and liabilities at time of acquisition of, and payments for purchase of shares in these new consolidated subsidiaries is as follows:

NMB Mechatronics Co., Ltd.

	Millions of yen	*Thousands of U.S. dollars (Note 3)*
Current assets	¥ 3,025	$ 30,796
Fixed assets	657	6,695
Goodwill	2,335	23,770
Current liabilities	(3,101)	(31,571)
Long-term liabilities	(20)	(205)
Acquisition cost	2,896	29,485
Cash and cash equivalents	991	10,093
Payments for purchase of shares in subsidiaries	¥ 1,905	$ 19,392

myonic Holding GmbH

	Millions of yen	*Thousands of U.S. dollars (Note 3)*
Current assets	¥ 2,022	$ 20,585
Fixed assets	1,433	14,593
Goodwill	3,718	37,852
Current liabilities	(1,419)	(14,449)
Long-term liabilities	(69)	(701)
Acquisition cost	5,685	57,880
Cash and cash equivalents	325	3,312
Payments for purchase of shares in subsidiaries	¥ 5,360	$ 54,568

13. Litigation

There were no material claims outstanding or threatened against the Company or its consolidated subsidiaries as of March 31, 2008.

As of March 31, 2009, Thailand-based consolidated subsidiary NMB-Minebea Thai Ltd. was in receipt of a revised assessment of income tax liability in the amount of 502 million baht from the Revenue Department of the Kingdom of Thailand. The Company refuses to accept this revised assessment, believing it to be unjust and without legal grounds, and has petitioned the Revenue Department for redress.

On September 22, 2008, payment of this amount was made in subrogation using a surety bond from a bank with which the Company does business.

14. Contingent Liabilities

The Company and its consolidated subsidiaries had no material contingent liabilities as of March 31, 2009 or as of March 31, 2008.

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, 2009, 2008 and 2007, and for the years then ended are as follows:

Business Segments

Millions of yen

Year ended March 31, 2009	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	¥115,872	¥140,291	¥256,163	¥ —	¥256,163
Internal sales	1,318	383	1,701	(1,701)	—
Total sales	117,190	140,674	257,864	(1,701)	256,163
Operating expenses	99,721	144,737	244,458	(1,701)	242,757
Operating income (loss)	17,469	(4,063)	13,406	—	13,406
Assets	162,194	154,893	317,087	(31,691)	285,396
Depreciation and amortization	11,636	12,352	23,988	—	23,988
Impairment loss	2	21	23	—	23
Capital expenditure	10,320	9,866	20,186	—	20,186

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2009	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	$1,179,597	$1,428,196	$2,607,793	$ —	$2,607,793
Internal sales	13,422	3,901	17,323	(17,323)	—
Total sales	1,193,019	1,432,097	2,625,116	(17,323)	2,607,793
Operating expenses	1,015,184	1,473,453	2,488,637	(17,323)	2,471,314
Operating income (loss)	177,835	(41,356)	136,479	—	136,479
Assets	1,651,171	1,576,841	3,228,012	(322,619)	2,905,393
Depreciation and amortization	118,451	125,749	244,200	—	244,200
Impairment loss	18	216	234	—	234
Capital expenditure	105,056	100,440	205,496	—	205,496

Millions of yen

Year ended March 31, 2008	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	¥144,034	¥190,397	¥334,431	¥ —	¥334,431
Internal sales	10,062	5,414	15,476	(15,476)	—
Total sales	154,096	195,811	349,907	(15,476)	334,431
Operating expenses	126,346	192,799	319,145	(15,476)	303,669
Operating income	27,750	3,012	30,762	—	30,762
Assets	189,149	192,202	381,351	(60,807)	320,544
Depreciation and amortization	13,635	12,808	26,443	—	26,443
Impairment loss	31	41	72	—	72
Capital expenditure	12,292	13,259	25,551	—	25,551

Millions of yen

Year ended March 31, 2007	*Machined Components*	*Electronic Devices and Components*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	¥137,662	¥193,360	¥331,022	¥ —	¥331,022
Internal sales	7,213	4,135	11,348	(11,348)	—
Total sales	144,875	197,495	342,370	(11,348)	331,022
Operating expenses	118,680	197,425	316,105	(11,348)	304,757
Operating income	26,195	70	26,265	—	26,265
Assets	216,595	224,048	440,643	(85,859)	354,784
Depreciation and amortization	12,507	12,141	24,648	—	24,648
Impairment loss	31	43	74	—	74
Capital expenditure	8,423	9,243	17,666	—	17,666

The geographic segments of the Company and its consolidataed subsidiaries as of March 31, 2009, 2008 and 2007, and for the years then ended are outlined as follows:

Geographic Segments

Millions of yen

Year ended March 31, 2009	*Japan*	*Asia (excluding Japan)*	*North, America*	*Europe*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	**¥ 59,154**	**¥129,243**	**¥39,687**	**¥28,079**	**¥256,163**	**¥ —**	**¥256,163**
Internal sales	**127,868**	**119,406**	**2,038**	**1,105**	**250,417**	**(250,417)**	**—**
Total sales	**187,022**	**248,649**	**41,725**	**29,184**	**506,580**	**(250,417)**	**256,163**
Operating expenses	**185,761**	**240,401**	**38,892**	**28,120**	**493,174**	**(250,417)**	**242,757**
Operating income	**1,261**	**8,248**	**2,833**	**1,064**	**13,406**	**—**	**13,406**
Assets	**112,111**	**180,024**	**27,880**	**21,123**	**341,138**	**(55,742)**	**285,396**

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2009	*Japan*	*Asia (excluding Japan)*	*North, America*	*Europe*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	**$ 602,201**	**$1,315,720**	**$404,023**	**$285,849**	**$2,607,793**	**$ —**	**$2,607,793**
Internal sales	**1,301,720**	**1,215,578**	**20,745**	**11,254**	**2,549,297**	**(2,549,297)**	**—**
Total sales	**1,903,921**	**2,531,298**	**424,768**	**297,103**	**5,157,090**	**(2,549,297)**	**2,607,793**
Operating expenses	**1,891,082**	**2,447,331**	**395,926**	**286,272**	**5,020,611**	**(2,549,297)**	**2,471,314**
Operating income	**12,839**	**83,967**	**28,842**	**10,831**	**136,479**	**—**	**136,479**
Assets	**1,141,311**	**1,832,680**	**283,822**	**215,040**	**3,472,853**	**(567,460)**	**2,905,393**

Millions of yen

Year ended March 31, 2008	*Japan*	*Asia (excluding Japan)*	*North, America*	*Europe*	*Total before Eliminations*	*Eliminations or Corporate*	*Total*
Sales to external customers	¥ 75,378	¥170,474	¥53,585	¥34,994	¥334,431	¥ —	¥334,431
Internal sales	163,898	169,604	2,034	1,210	336,746	(336,746)	—
Total sales	239,276	340,078	55,619	36,204	671,177	(336,746)	334,431
Operating expenses	230,180	324,505	51,143	34,587	640,415	(336,746)	303,669
Operating income	9,096	15,573	4,476	1,617	30,762	—	30,762
Assets	127,492	231,262	30,543	22,143	411,440	(90,896)	320,544

Year ended March 31, 2007	Japan	Asia (excluding Japan)	North, America	Europe	Total before Eliminations	Eliminations or Corporate	Total
							Millions of yen
Sales to external customers	¥ 83,265	¥162,330	¥56,110	¥29,317	¥331,022	¥ —	¥331,022
Internal sales	163,915	165,062	1,751	1,081	331,809	(331,809)	—
Total sales	247,180	327,392	57,861	30,398	662,831	(331,809)	331,022
Operating expenses	237,410	316,093	54,131	28,932	636,566	(331,809)	304,757
Operating income	9,770	11,299	3,730	1,466	26,265	—	26,265
Assets	162,335	258,046	35,692	21,326	477,399	(122,615)	354,784

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2009, 2008 and 2007, are summarized as follows:

Overseas Sales

Year ended March 31, 2009	To Asia (excluding Japan)	To North, Central and South America	To Europe	Total
				Millions of yen
Overseas sales	**¥130,952**	**¥33,629**	**¥30,515**	**¥195,096**
Consolidated net sales				**¥256,163**
Overseas sales as a percentage of consolidated net sales	**51.2%**	**13.1%**	**11.9%**	**76.2%**

Year ended March 31, 2009	To Asia (excluding Japan)	To North, Central and South America	To Europe	Total
				Thousands of U.S. dollars (Note 3)
Overseas sales	**$1,333,118**	**$342,353**	**$310,646**	**$1,986,117**
Consolidated net sales				**$2,607,793**
Overseas sales as a percentage of consolidated net sales	**51.2%**	**13.1%**	**11.9%**	**76.2%**

Year ended March 31, 2008	To Asia (excluding Japan)	To North, Central and South America	To Europe	Total
				Millions of yen
Overseas sales	¥174,483	¥43,139	¥39,421	¥257,043
Consolidated net sales				¥334,431
Overseas sales as a percentage of consolidated net sales	52.2%	12.9%	11.8%	76.9%

Year ended March 31, 2007	To Asia (excluding Japan)	To North, Central and South America	To Europe	Total
				Millions of yen
Overseas sales	¥166,256	¥44,927	¥35,120	¥246,303
Consolidated net sales				¥331,022
Overseas sales as a percentage of consolidated net sales	50.2%	13.6%	10.6%	74.4%

16. Subsequent Events

There were no significant events subsequent to March 31, 2009.