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URL: <http://www.minebea.co.jp/english/>

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## Eleven-Year Summary

	2012	2011	2010	2009
<b>Statement of Income • Statement of Comprehensive Income Data:</b>				
Net sales:	¥251,358	¥269,139	¥228,446	¥256,163
Machined components	107,038	107,841	99,291	—
Percentage of net sales	43%	40%	44%	—
Rotary components	91,364	101,139	74,185	—
Percentage of net sales	36%	38%	32%	—
Electronic devices and components	37,887	40,502	35,780	—
Percentage of net sales	15%	15%	16%	—
Other	15,069	19,657	19,190	—
Percentage of net sales	6%	7%	8%	—
Former segment				
Machined components	—	—	—	115,872
Percentage of net sales	—	—	—	45%
Electronic devices and components	—	—	—	140,291
Percentage of net sales	—	—	—	55%
Consumer business and others	—	—	—	—
Percentage of net sales	—	—	—	—
Gross profit	¥52,852	¥ 66,994	¥ 53,160	¥ 59,025
Percentage of net sales	21.0%	24.9%	23.3%	23.0%
Operating income	8,599	22,163	12,059	13,406
Percentage of net sales	3.4%	8.2%	5.3%	5.2%
Net income (loss)	5,922	12,465	6,662	2,441
Percentage of net sales	2.4%	4.6%	2.9%	1.0%
Comprehensive income	4,046	4,009	6,255	—
Percentage of net sales	1.6%	1.5%	2.7%	—
<b>Balance Sheet Data:</b>				
Total assets	¥306,772	¥291,092	¥277,967	¥285,396
Total current assets	157,787	144,178	130,004	121,699
Total current liabilities	115,713	116,863	102,961	112,312
Short-term debt and current portion of long-term debt	68,607	76,370	64,755	80,990
Long-term debt	73,937	56,843	58,645	56,900
Working capital	42,074	27,315	27,043	9,387
Total net assets	109,777	109,967	108,381	106,762
Equity ratio	35.7%	37.1%	38.5%	37.1%
<b>Per Share Data:</b>				
Net income (loss):				
Basic	¥ 15.63	¥ 32.61	¥ 17.20	¥ 6.18
Diluted	15.54	—	—	—
Net assets	288.74	282.03	279.87	271.93
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
<b>Other Data:</b>				
Return (net income) on equity	5.5%	11.6%	6.3%	2.1%
Return on total assets	2.0%	4.4%	2.4%	0.8%
Interest expense	¥ 2,321	¥ 1,833	¥ 1,898	¥ 2,646
Net cash provided by operating activities	20,233	24,439	30,408	37,064
Net cash used in investing activities	(29,018)	(28,631)	(12,733)	(24,554)
Free cash flow	(8,785)	(4,192)	17,675	12,510
Purchase of tangible fixed assets	25,961	26,517	10,495	18,429
Depreciation and amortization	20,920	22,127	22,492	25,027
Number of employees	51,406	53,827	49,091	48,443

Notes: 1. Effective from fiscal 2011, the Company has applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information.” Figures before fiscal 2009 are based on former segments.

2. Effective from fiscal 2011, the Company has applied the “Accounting Standard for Presentation of Comprehensive Income.”

3. Effective from fiscal 2007, the Company has applied the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” and the “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet.” Accordingly, “shareholders’ equity” and “return on shareholders’ equity” have been restated as “net assets” and “return (net income) on equity,” respectively. Also, figures after fiscal 2006 include minority interests in net assets.

4. In fiscal 2006, the Company restructured its PC keyboard business. As a consequence, the Company posted a business restructuring loss of ¥3,475 million in other expenses. The Company also recorded an impairment loss of ¥967 million in other expenses resulting from the adoption of impairment accounting for fixed assets.

Millions of yen							Thousands of U.S. dollars (Note 7)
2008	2007	2006	2005	2004	2003	2002	2012
¥334,431	¥331,022	¥318,446	¥294,422	¥268,574	¥272,202	¥279,344	<b>\$3,058,256</b>
—	—	—	—	—	—	—	<b>1,302,322</b>
—	—	—	—	—	—	—	<b>1,111,616</b>
—	—	—	—	—	—	—	<b>460,975</b>
—	—	—	—	—	—	—	<b>183,343</b>
—	—	—	—	—	—	—	
144,034	137,662	129,595	116,105	111,693	118,118	122,025	—
43%	42%	41%	39%	42%	43%	44%	—
190,397	193,360	188,851	178,317	156,881	154,084	156,303	—
57%	58%	59%	61%	58%	57%	56%	—
—	—	—	—	—	—	1,016	—
—	—	—	—	—	—	0%	—
¥ 80,721	¥ 73,378	¥ 68,511	¥ 62,403	¥ 65,313	¥ 68,702	¥ 73,283	<b>\$ 643,052</b>
24.1%	22.2%	21.5%	21.2%	24.3%	25.2%	26.2%	
30,762	26,265	19,269	14,083	18,104	19,352	21,972	<b>104,624</b>
9.2%	8.0%	6.0%	4.8%	6.7%	7.1%	7.9%	
16,303	12,862	4,257	5,581	6,019	(2,434)	5,298	<b>72,065</b>
4.9%	3.9%	1.3%	1.9%	2.2%	(0.9)%	1.9%	
—	—	—	—	—	—	—	<b>49,238</b>
—	—	—	—	—	—	—	
¥320,544	¥354,784	¥349,862	¥332,217	¥314,915	¥320,069	¥350,037	<b>\$3,732,484</b>
148,117	156,059	153,564	147,295	138,953	127,447	131,548	<b>1,919,784</b>
118,321	131,155	150,886	141,449	167,626	134,459	156,908	<b>1,407,881</b>
65,352	71,761	91,772	87,112	119,643	81,262	103,461	<b>834,732</b>
67,500	78,500	79,500	85,341	51,842	85,862	79,212	<b>899,586</b>
29,796	24,905	2,678	5,846	(28,673)	(7,012)	(25,360)	<b>511,903</b>
131,730	142,558	118,209	102,088	93,866	98,213	112,732	<b>1,335,655</b>
40.7%	40.1%	33.6%	30.7%	29.8%	30.7%	32.2%	
							U.S. dollars (Note 7)
							Yen
¥ 40.86	¥ 32.23	¥ 10.67	¥ 13.93	¥ 15.08	¥ (6.10)	¥ 13.27	<b>\$0.19</b>
—	—	—	13.27	14.51	(4.85)	12.60	<b>0.19</b>
327.25	356.75	294.65	255.82	235.21	246.08	282.42	<b>3.51</b>
10.00	10.00	7.00	7.00	7.00	7.00	7.00	<b>0.09</b>
399,167,695	399,167,695	399,167,695	399,167,695	399,167,695	399,167,695	399,167,695	
							Thousands of U.S. dollars (Note 7)
							Millions of yen
11.9%	9.9%	3.9%	5.7%	6.3%	(2.3)%	5.0%	
4.8%	3.7%	1.2%	1.7%	1.9%	(0.8)%	1.5%	
¥ 4,402	¥ 5,224	¥ 4,771	¥ 3,361	¥ 3,213	¥ 4,765	¥ 5,673	<b>\$ 28,238</b>
46,893	37,902	28,237	27,586	21,714	32,279	34,017	<b>246,177</b>
(23,461)	(15,180)	(19,120)	(23,789)	(14,932)	(16,233)	(24,346)	<b>(353,070)</b>
23,432	22,722	9,117	3,797	6,782	16,046	9,671	<b>(106,893)</b>
24,888	16,969	21,897	23,060	18,825	16,382	26,245	<b>315,870</b>
27,502	25,727	25,045	23,545	22,728	24,015	25,577	<b>254,546</b>
50,549	49,563	47,526	48,473	43,839	43,002	43,729	

5. From fiscal 2005, the Company 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.

6. In fiscal 2003, significant declines in the prices of stocks listed on major markets resulted in the impairment of shares in financial institutions and losses on devaluation of investment securities amounted to ¥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 posted ¥1,206 million in environmental remediation expenses incurred by its U.S. subsidiaries.

7. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥82.19=US\$1, the approximate rate of exchange on March 31, 2012.

## Outline

**Outline of Operations** Minebea's operations are divided into the following segments: The machined components segment makes miniature and small-sized ball bearings, rod-end and spherical bearings, as well as fasteners and pivot assemblies. The segment accounted for 42.6% of consolidated net sales for the current fiscal year. The rotary components segment focusing on small precision motors, like spindle motors for hard disk drives (HDDs) and fan motors, represented 36.3% of consolidated net sales. The electronic devices and components segment, which accounted for 15.1% of consolidated net sales, encompasses light-emitting diode (LED) backlights for liquid crystal displays (LCDs) and other lighting devices, as well as inverters and measuring components. Our other segment, producing PC keyboards, speakers and special devices, generated 6.0% of consolidated net sales.

Minebea's product development efforts are centered in Japan, Germany, Thailand and the United States. Our manufacturing network encompasses bases in Japan, Thailand, China, the United States, Singapore, Malaysia, Cambodia, Germany, the Czech Republic and the United Kingdom. Our largest manufacturing base, in Thailand, accounted for 51.9% of total consolidated production in the current fiscal year, while our manufacturing base in China accounted for 21.2%. Combined production at all our bases in Asia (excluding Japan) represented 78.5% of total annual production while manufacturing outside of Japan accounted for 91.1% of total yearly output.

We supply products to a number of key markets. Notable among these markets are the PC and peripheral equipment, office automation and telecommunications equipment, automotive, aerospace and household electrical appliances sectors, which respectively accounted for 28.4%, 20.9%, 11.0%, 9.4% and 7.3% of our consolidated net sales. Many of our customers, who are manufacturers of these products, are expanding their production bases beyond Japan, Europe, and the Americas. This expansion has been directed particularly toward China and other parts of Asia which explains why sales were highest in China (including Hong Kong), accounting for 24.4% of consolidated net sales. Our second-largest geographic market is Japan, which accounted for 23.5% of consolidated net sales. The third largest, Thailand, accounted for 13.4%. Remaining sales came from the United States, Europe, and other areas.

While we had established business headquarters for each product category and managed the business using both a vertical organization called "Business Headquarters/Business Unit" that combines the manufacturing divisions and marketing divisions by business unit, and a horizontal organization called "Division" that indirectly supports the activities of business headquarters/business units based on their own functions. On May 21, 2012, we changed the above organizational structure. After the change, we also changed the name of each business headquarters to manufacturing headquarters, and newly established Global Motor Business Headquarters. We also reorganized the business administrative functions into three divisions. As a result, Minebea is now composed of five manufacturing headquarters and one business headquarters to which 16 business units belong, with four supporting divisions and three administrative divisions. The marketing functions the previous "Business Headquarters/Business Unit" was responsible for were transferred to Sales Division, which enables us to do both manufacturing activities and marketing activities in parallel for the purpose of flexibly responding to a quick change of the market as well as strategically promote the business with mobility. Global Motor Business Headquarters are responsible for conducting motor businesses outside of Japan that includes "Moatech Business Unit" which was newly established when we acquired shares of Moatech in May 2012, and expanding business synergy. In administrative divisions, we seek more efficient business operation through the restructuring.

**Outline of Strategy** We aim to bring profitability and corporate value to new heights by leveraging our vertically integrated manufacturing system that takes advantage of ultra-precision machining technologies, large-scale volume production systems overseas, and a well-developed R&D system. These systems, which we have established worldwide, will keep us ahead of the competition in manufacturing and technological excellence.

In addition, for the purpose of diversifying the procurement of equipment and materials, we seek to establish a new supply chain system, respond to a quick change of demand and supply, and improve the capital efficiency. The path to the top, as well as sustainable growth, lies in the utilization of our group's collective vertical and horizontal strengths, increasing corporate values through M&As and alliances, developing new products, improving existing products, and constantly improving our production technologies, etc.

1. In ball bearings, we will create and expand new demands by strengthening production capacity of miniature ball bearings that have much potential for growth and developing new products. We will also focus on production and sales for emerging market and further expand high profitable business by responding to a quickly changing business environment.
2. We will increase pivot assembly and ball bearing production in order to keep pace with the growing demand from HDD-related markets.
3. In the HDD spindle motor business, we will strive for earnings improvement by responding to market demands, developing new products, and at the same time, implementing increased production and cost reductions.
4. For the purpose of further enhancing the aircraft parts of which demand is expected to increase, we will prepare a global business strategy and also improve the basic technical capability of existing rod-end bearings. We will also continue deploying our business in the area of mechanical parts for aircrafts using our highly sophisticated processing technology.
5. In the LED backlight business, we will increase the products for smart phones and tablet PCs and expand the business in the automobile market, aiming at more sales and stable profits.
6. We will build our operations in the area of precision small motors into a second pillar of our operations after bearings and bearing-related products. Additionally, we will transfer the function of small motor assembling (such as micro actuators and DC brush motors) to Cambodia plant that was constructed in 2011 to increase the production and reduce production cost for higher profitability.
7. We will increase the ratio of high-value-added products and expand the product line-up to serve a broader market.
8. We will strengthen our ability to provide flexible prices and ability to satisfy the requirements of our customers by always considering the re-organization of our business portfolios and demonstrating across-the-board management resources covering manufacturing, sales and marketing, engineering and development.
9. We will harness the combined technological strengths in electronic devices and components as well as machined components to cultivate new markets such as a medical one and increase sales as we develop new hybrid products.
10. We will strive for improved results by aggressively undertaking thorough and full-scale cost reduction initiatives as well as furthering the strengthening of our business structure.
11. We will continue to keep an eye out for optimal production locations in order to minimize regional risks and be ready to expand production to multiple locations.
12. We will actively improve the corporate value through M&A and alliance.  
(For the purpose of conducting this strategy, we entered into a capital and business alliance agreement for joint investment with the Development Bank of Japan on February 2, 2012.)

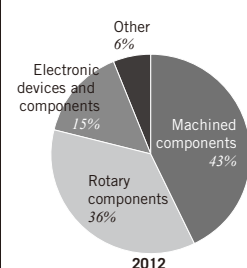
## Financial Data by Segments

Years ended March 31	<i>Millions of yen</i>				
	2012	2011	2010	2009	2008
<b>Sales by reportable segments</b>					
Machined components	¥107,038	¥107,841	¥ 99,291	¥ —	¥ —
Rotary components	91,364	101,139	74,185	—	—
Electronic devices and components	37,887	40,502	35,780	—	—
Reportable segments total	¥236,289	249,482	209,256	—	—
Other	15,069	19,657	19,190	—	—
Total	¥251,358	269,139	228,446	—	—
Adjustment	—	—	—	—	—
Consolidated financial statements amount	¥251,358	¥269,139	¥228,446	¥ —	¥ —
<b>Income (loss) by reportable segments</b>					
Machined components	¥ 25,611	¥ 28,088	¥ 20,634	¥ —	¥ —
Rotary components	(4,119)	(225)	(1,827)	—	—
Electronic devices and components	(959)	4,160	5,385	—	—
Reportable segments total	¥ 20,533	32,023	24,192	—	—
Other	(339)	498	(685)	—	—
Total	¥ 20,194	32,521	23,507	—	—
Adjustment	(11,595)	(10,358)	(11,448)	—	—
Consolidated financial statements amount	¥ 8,599	¥ 22,163	¥ 12,059	¥ —	¥ —
<b>Assets by reportable segments</b>					
Machined components	¥ 82,614	¥ 77,796	¥ 79,507	¥ —	¥ —
Rotary components	70,753	72,374	64,488	—	—
Electronic devices and components	22,491	18,280	14,898	—	—
Reportable segments total	¥175,858	168,450	158,893	—	—
Other	10,065	10,857	19,911	—	—
Total	¥185,923	179,307	178,804	—	—
Adjustment	120,849	111,785	99,163	—	—
Consolidated financial statements amount	¥306,772	¥291,092	¥277,967	¥ —	¥ —
<b>Depreciation and amortization by reportable segments</b>					
Machined components	¥ 7,520	¥ 8,098	¥ 8,017	¥ —	¥ —
Rotary components	6,824	7,895	7,887	—	—
Electronic devices and components	1,163	979	953	—	—
Reportable segments total	¥ 15,507	16,972	16,857	—	—
Other	1,101	1,291	1,472	—	—
Total	¥ 16,608	18,263	18,329	—	—
Adjustment	2,980	2,543	2,811	—	—
Consolidated financial statements amount	¥ 19,588	¥ 20,806	¥ 21,140	¥ —	¥ —
<b>Increase in tangible and intangible fixed assets by reportable segments</b>					
Machined components	¥ 8,501	¥ 10,783	¥ 4,122	¥ —	¥ —
Rotary components	7,462	9,490	3,516	—	—
Electronic devices and components	2,647	1,515	592	—	—
Reportable segments total	¥ 18,610	21,788	8,230	—	—
Other	471	825	460	—	—
Total	¥ 19,081	22,613	8,690	—	—
Adjustment	8,225	4,722	2,391	—	—
Consolidated financial statements amount	¥ 27,306	¥ 27,335	¥ 11,081	¥ —	¥ —

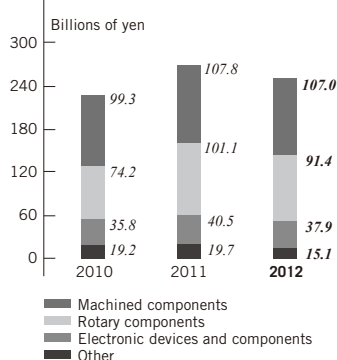
Note: Effective from fiscal 2011, the Company has applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information.” Accordingly, figures before fiscal 2009 are not disclosed, as they cannot be compared to.

Results of Operations

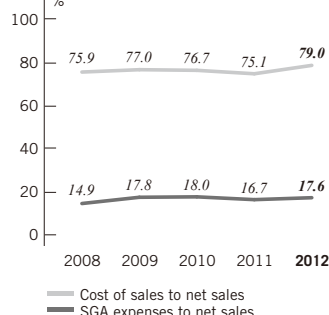
Ratio of Net Sales by Segment



Net Sales by Segment



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



Net Sales

Although the Japanese economy in the current fiscal year plummeted significantly affected by the Great East Japan Earthquake and the subsequent nuclear power plant accident, it has recovered sharply by last summer. After that, export was down due to slowdown of European economy caused by the public debt crisis in Europe and the yen's appreciation against other currencies, which led to almost zero growth although we saw a recovery sign of domestic demand. In the U.S., it has taken a long period of time to adjust the demand-supply balance of the real estate market that is the largest structural problem in the U.S. However, we can now see a recovery of labor market that supports a gradual economic growth in conjunction with improving personal consumption and capital investment. In Europe, personal consumption and capital investment by private companies decreased affected by expanding public debt problem. Rigid austerity measures taken by each country negatively contributed. In Asia, although Thailand suffered from the damage caused by the large scale flood, Chinese economy expanded mainly supported by the domestic demand and other Asian countries also enjoyed a moderate recovery. However, in the second half of the year, the slowdown of economy in Europe was clearer and the speed of recovery slowed down.

Against this backdrop, the Minebea Group has been actively working to cut costs, create high-value-added products, develop new technologies, and enhance its marketing approach in order to further increase profitability. The large scale flood in Thailand that occurred when we finally managed to settle serious large negative impact on our production and sales by the Great East Japan Earthquake damaged two production sites among five. Fortunately, our major three sites were not damaged by the flood. Although we have recovered sharply from the negative effect of the large scale flood month by month, sales were down 6.6%, or ¥17,781 million to ¥251,358 million from the previous fiscal year due to the damage on production and sales as well as the yen's appreciation.

Cost of Sales

Cost of sales declined 1.8%, or ¥3,639 million from the previous fiscal year to ¥198,506 million. Production decreased as sales declined due to the Great East Japan Earthquake, the large scale flood in Thailand and the yen's appreciation. Ratio to the total sales was up by 3.9 percentage points on year on year basis to 79.0% due to the decline in sales and increase in material cost such as rare earth material prices.

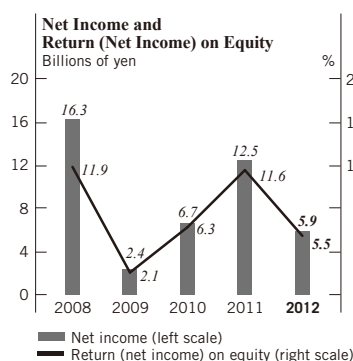
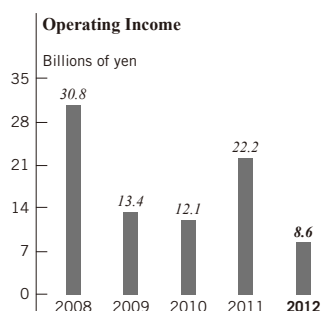
SGA Expenses

In the current fiscal year, SGA expenses amounted to ¥44,253 million, down 1.3%, or ¥578 million year on year. SGA expenses as a percentage of net sales increased by 0.9 percentage points, to 17.6%. SGA expenses were down from the previous fiscal year thanks to our efforts for thorough cost reduction in response to the decrease of production and sales.

Cost of Sales and SGA Expenses

	<i>Millions of yen</i>				
<i>Years ended March 31</i>	2012	2011	2010	2009	2008
Net sales	¥251,358	¥269,139	¥228,446	¥256,163	¥334,431
Cost of sales	198,506	202,145	175,286	197,138	253,710
Cost of sales to net sales	79.0%	75.1%	76.7%	77.0%	75.9%
Gross profit	52,852	66,994	53,160	59,025	80,721
SGA expenses	44,253	44,831	41,101	45,619	49,959
SGA expenses to net sales	17.6%	16.7%	18.0%	17.8%	14.9%

\*Segment classification has changed from the fiscal year ended March 31, 2011, due to the revision of accounting standards.



### Operating Income

Operating income was down 61.2%, or ¥13,564 million, year on year to total ¥8,599 million. Operating income was significantly down, due to sales decline caused by the Great East Japan Earthquake, the large scale flood in Thailand, and the effect of yen's appreciation and the rise of material prices including rare earth. The operating margin declined 4.8 percentage points to 3.4%. For more information see: "Segment Information."

### Other Income (Expenses)

The net balance of other income and expenses (net amounts of non-operating profit/loss and extraordinary profit/loss) amounted to loss, of ¥3,048 million, which was ¥459 million less than the previous fiscal year. Major contributors were part of insurance claim received due to the flood in Thailand of ¥9,614 million, loss due to the natural disaster of ¥7,844 million, interest paid of ¥2,321 million, business restructuring loss due to the shrinkage of keyboards business of ¥1,603 million yen, evaluation loss of securities for investment purpose of ¥831 million, and impairment loss of 291 million.

### Income before Income Taxes and Minority Interests

Net income before income taxes and minority interests for the current fiscal year totaled ¥5,551 million, a large decrease by 70.2%, or ¥13,105 million.

### Income Taxes

Income taxes decreased ¥4,286 million year on year to total ¥1,258 million. Income taxes included current income taxes (i.e. corporate, inhabitant and business taxes) totaling ¥2,621 million and deferred income taxes (benefit) of ¥1,363 million. When we look at the effective income tax rate, as we enjoyed the special exemption on the insurance claim received due to the flood in Thailand and we recorded the deferred tax asset following the downsizing of keyboard business, it declined to 22.7% from 29.7% in the previous fiscal year.

### Minority Interests (Losses)

Minority interests (losses) amounted to ¥1,629 million, down ¥2,276 million from the previous fiscal year. This was primarily attributable to the deteriorated earnings performance of the Minebea Motor Manufacturing Corporation joint venture.

### Net income

As a consequence of the aforementioned factors, net income decreased 52.5%, or ¥6,543 million to ¥5,922 million, compared to the previous fiscal year. Basic net income per share was ¥15.63, down ¥16.98 from ¥32.61 in the previous fiscal year.

### Income

Years ended March 31	Millions of yen				
	2012	2011	2010	2009	2008
Operating income	¥8,599	¥22,163	¥12,059	¥13,406	¥30,762
Operating margin	3.4%	8.2%	5.3%	5.2%	9.2%
Net balance of other income (expenses)	(3,048)	(3,507)	(2,798)	(6,572)	(5,508)
Net income	5,922	12,465	6,662	2,441	16,303
Net income to net sales	2.4%	4.6%	2.9%	1.0%	4.9%
Net income per share (Yen):					
Basic	15.63	32.61	17.20	6.18	40.86
Diluted	15.54	—	—	—	—
Return (net income) on equity	5.5%	11.6%	6.3%	2.1%	11.9%
Return on total assets	2.0%	4.4%	2.4%	0.8%	4.8%

## Financial Condition

### Financial Policy and Liquidity

In the various businesses the Minebea Group operates, product and technological development is accelerating as global competition intensifies. We must continually look ahead as we sow the seeds of development with capital investments that will enable us to stay ahead of the pack as we reap a wide range of innovative solutions designed to answer our customers' needs. Maintaining a sound financial position and a high degree of flexibility in our financing activities will enable us to engage in these dynamic corporate activities and facilitate the strengthening of our technological development capabilities.

The Group sets the "Enhancement of Financial Condition" as one of the major management policies and targets in a mid-term basis to maintain the net interest-bearing debts at the level of ¥100 billion (¥114,214 million as of the end of the current fiscal year). For the capital investments, while we actively make an investment for business expansion in areas that have growth potential, we will reduce the total net assets, limit the capital investments, and reduce the debts supported by an effective investment plan and efficient use of assets.

Seeking to ensure financing agility, we obtained ratings for short-term debt up to a maximum of ¥10 billion. As we work to create a stronger, more stable structure for fund procurement, we are striving to maintain solid relationships with key financial institutions in Japan as well as overseas. We have taken significant steps to manage liquidity risks, including signing agreements to set up commitment lines of ¥10 billion.

#### Debt Ratings

*As of May 2012*

	<i>Long-term debt</i>	<i>Short-term debt</i>
Japan Credit Rating Agency, Ltd.	A	J-1
Japan Rating and Investment Information, Inc.	A-	a-1

### Capital Investment

We continually strive to make effective investments in light of changes in demand while proactively expanding our investments into growing business sectors. Capital investments totaled ¥27,306 million, down 0.1%, or ¥29 million, from the previous fiscal year. The breakdown of capital investment includes ¥8,501 million for the machined components segment, ¥7,462 million for the rotary components segment, ¥2,647 million for the electronic devices and components segment, ¥471 million for the other segment, and ¥8,225 million for corporate.

Investments in the machined components segment were designed to boost production capacity and streamline production facilities for bearings and other products in Thailand. We also invested in pivot assembly production facilities to increase production capacity. Investments in the rotary components segment included the investment for recovery of HDD spindle motors production in Thailand that was damaged by the flood as well as production equipment for information motors in Cambodia, China and other areas. Investments in the electronic devices and components segment focused on manufacturing equipment used to produce LED backlights and component production facilities in Thailand and China.

Capital investments included purchases of intangible fixed assets (¥383 million) and assets acquired through new finance leases (¥348 million).

As we intend to make investments for production expansion in the growth areas in addition to the investments for recovery from the flood on a full-fledged basis from the next fiscal year, the total investment amount is planned at ¥36 billion.

### Dividends

Our basic dividend policy gives priority to enhancing equity efficiency and improving returns to our shareholders, with dividends reflecting performance in light of the overall business environment, while maintaining a stable and continuous distribution of profits.

We have decided to use surplus earnings to pay cash dividends twice a year, once mid-year and again at the end of the fiscal year.

The year-end dividend is determined by way of a proposal that is voted on at the ordinary general meeting of shareholders, while the interim dividend is set by the Board of Directors.

Cash dividends for the current fiscal year were declared at ¥7.00 per share, including an interim dividend of ¥3.00 per share. As a result, the consolidated payout ratio for the current fiscal year was 44.8%.

We will make effective use of retained earnings to invest in initiatives designed to respond to changes in our operating environment, increase cost competitiveness as well as reinforce our technological and product development capabilities with an eye to responding to market needs.

## Free Cash Flow

Free cash flow (calculated by adding net cash flows from operating activities and net cash flows from investing activities) totaled an outflow of ¥8,785 million, a decrease of ¥4,593 million, from the previous fiscal year.

### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥20,233 million, down 17.2%, or ¥4,206 million, from the previous fiscal year. This result was mainly due to the fact that increase of inventories was ¥5,539 million (outflow was down by ¥4,468 million from the previous fiscal year), increase of trade receivable was ¥3,651 million (outflow was down by ¥3,490 million from the previous fiscal year), and increase of trade payables was ¥4,929 million (inflow was up by ¥2,022 million from the previous fiscal year), although income before income taxes and minority interests was ¥5,551 million (inflow was significantly down by ¥13,105 million from the previous fiscal year).

### Cash Flows from Investing Activities

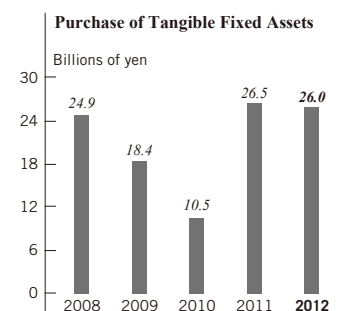
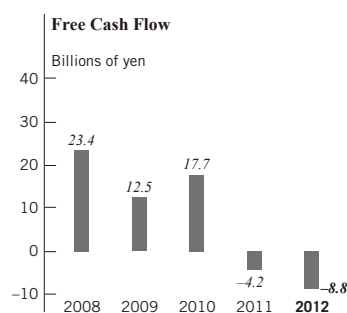
Net cash used in investment activities increased 1.4%, or ¥387 million, to total ¥29,018 million. Although transfers to time deposits were ¥7,677 million, up ¥3,924 million from the previous fiscal year, proceeds from withdrawal from time deposits were ¥4,870 million, up ¥1,555 million from the previous fiscal year and payments for purchase of tangible fixed assets were ¥25,961 million, down by ¥556 million from the previous fiscal year. Furthermore, payments for acquisition of shares in subsidiaries were ¥85 million, down ¥1,243 million from the previous fiscal year.

### Cash Flows from Financing Activities

Net cash provided by financing activities amounted to ¥4,761 million, down 40.4%, or ¥3,223 million from the previous fiscal year. This was due to the fact that net increase in short-term and long-term debt was down ¥1,436 million from the previous fiscal year to ¥9,377 million, and the payments for the purchase of treasury stocks increased ¥1,988 million from the previous fiscal year to ¥2,011 million.

### Cash and Cash Equivalents

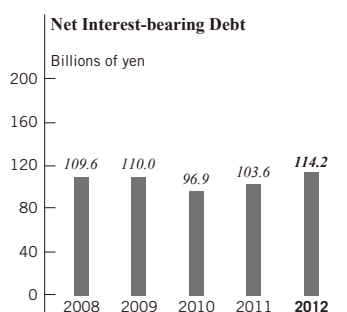
The balance of cash and cash equivalents at the end of current fiscal year was ¥23,366 million, a net decrease of ¥4,256 million, resulting from outflow of free cash flow exceeding net cash provided by financing activities.



### Free Cash Flow

Years ended March 31	Millions of yen				
	2012	2011	2010	2009	2008
Net cash provided by operating activities	¥20,233	¥24,439	¥30,408	¥37,064	¥46,893
Net cash used in investing activities	(29,018)	(28,631)	(12,733)	(24,554)	(23,461)
Portion of above used in purchase of tangible fixed assets	(25,961)	(26,517)	(10,495)	(18,429)	(24,888)
Free cash flow	(8,785)	(4,192)	17,675	12,510	23,432

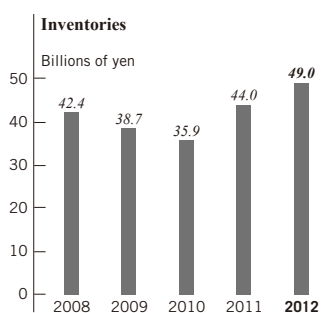
## Assets, Liabilities and Net Assets



Total assets at the end of the current fiscal year amounted to ¥306,772 million, up 5.4%, or ¥15,680 million, from the end of the previous fiscal year. The main reasons were the increase of buildings and structures due to the plant facility expansion in Thailand and Cambodia, rise of other accounts receivable resulting from the insurance receivable from the large scale flood in Thailand, and increase of inventories due to the recovery of production and sales after the flood.

Net assets were ¥109,777 million while equity totaled ¥109,393 million. This led to an equity ratio drop of 1.4 percentage points year on year, falling to 35.7%.

Net interest-bearing debt (total debt minus cash and cash equivalents and time deposits) increased 10.2%, or ¥10,592 million, to total ¥114,214 million. The net debt-to-equity ratio rose to 1.0 times.



### Assets

Cash and cash equivalents decreased ¥4,256 million, to ¥23,366 million, compared to the end of the previous fiscal year. Notes and accounts receivable—trade were up ¥2,774 million, to ¥58,795 million, reflecting the recovery of sales in the fourth quarter. Notes and accounts receivable—other were up ¥3,972 million, to ¥6,145 million due to the insurance receivable relating to the large scale flood in Thailand. Inventories increased ¥5,027 million year on year to total ¥49,025 million due to additions to inventories necessary to fill increasing orders.

As a result, total current assets increased by 9.4%, or ¥13,610 million, to ¥157,787 million.

Total tangible fixed assets amounted to ¥127,039 million, up 2.4%, or ¥2,943 million. Purchase of tangible fixed assets for the current fiscal year totaled ¥25,961 million, while depreciation and amortization amounted to ¥19,588 million.

Total intangible fixed assets totaled ¥5,479 million, down 26.3%, or ¥1,951 million.

Investments and other assets increased 6.6% or 1,014 million, to ¥16,402 million from the end of the previous fiscal year, as deferred tax assets (long-term) increased ¥567 million.

Consequently, total fixed assets amounted to ¥148,920 million, an increase of 1.4%, or ¥2,006 million.

### Liabilities

Notes and accounts payable—trade were ¥23,336 million, an increase of ¥4,705 million compared to the end of the previous fiscal year, due to increase of purchase led by increased production after the large scale flood in Thailand. Short-term debt increased by ¥1,211 million to ¥53,449 million. Current portion of long-term debt was down ¥8,974 million to ¥15,158 million, as repayment of loans payable of ¥12,632 million and redemption of bonds payable of ¥11,500 million occurred, although borrowings of ¥15,158 million were transferred from long-term liabilities. Owing to such factors, total current liabilities amounted to ¥115,713 million, down 1.0%, or ¥1,150 million.

Long-term debt increased by ¥17,094 million to ¥73,937 million, from the end of the previous fiscal year due to the issuance of bonds payable of ¥10,000 million and convertible bond-type bonds payable with stock acquisition rights of ¥7,700 million. Owing to such factors, total long-term liabilities amounted to ¥81,282 million, up 26.5%, or ¥17,020 million from the end of the previous fiscal year.

### Net Assets

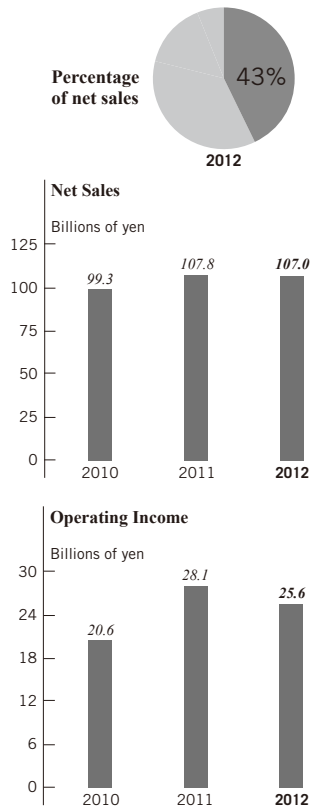
Net assets totaled ¥109,777 million, down 0.2%, or ¥190 million from the end of the previous fiscal year, as treasury stocks increased ¥1,502 million and the translation losses of assets held by overseas affiliate companies by ¥757 million, despite the increase in retained earnings by ¥3,254 million. Minority interests in consolidated subsidiaries decreased by 81.3%, or ¥1,665 million, to ¥384 million.

### Financial Position

As of March 31	Millions of yen				
	2012	2011	2010	2009	2008
Total assets	<b>¥306,772</b>	¥291,092	¥277,967	¥285,396	¥320,544
Cash and cash equivalents	<b>23,366</b>	27,622	24,855	27,895	23,281
Time deposits	<b>4,964</b>	1,969	1,652	—	—
Total current assets	<b>157,787</b>	144,178	130,004	121,699	148,117
Inventories	<b>49,025</b>	43,998	35,912	38,737	42,401
Total current liabilities	<b>115,713</b>	116,863	102,961	112,312	118,321
Working capital	<b>42,074</b>	27,315	27,043	9,387	29,796
Interest-bearing debt	<b>142,544</b>	133,213	123,400	137,890	132,852
Net interest-bearing debt	<b>114,214</b>	103,622	96,893	109,995	109,571
Total net assets	<b>109,777</b>	109,967	108,381	106,762	131,730
Equity ratio	<b>35.7%</b>	37.1%	38.5%	37.1%	40.7%
Debt-to-equity ratio (Times)	<b>1.3</b>	1.2	1.1	1.3	1.0
Net debt-to-equity ratio (Times)	<b>1.0</b>	0.9	0.9	1.0	0.8
Net assets per share (Yen)	<b>288.74</b>	282.03	279.87	271.93	327.25

## Segment Information

### Machined Components



Net sales in the machined components segment decreased ¥803 million, or 0.7%, year on year to total ¥107,038 million in the current fiscal year. Operating income declined 8.8%, or ¥2,477 million, year on year to ¥25,611 million. The operating margin, calculated using sales to external customers, was down 2.1 percentage points year on year at 23.9%. The operating ratio of plants mainly manufacturing bearings and pivot assemblies declined temporarily. Because some employees could not come to the plant for work due to the effect of large scale flood in Thailand and our supply chain was damaged by such disorder. As a result, we suffered decline of both sales and profit, in addition to the effect of yen's appreciation.

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

Principal Products	Principal Applications	Global Market Share*
Miniature and small-sized ball bearings	Small motors, household electrical appliances, information and telecommunications equipment, automobiles, industrial machinery	60%
Rod-end and spherical bearings	Aircraft	50%
Fasteners	Aircraft, automobiles	—
Pivot assemblies	HDDs	80%

\*Global market shares are based on units shipped, except for rod-end and spherical bearings, which is based on sales value. Minebea estimates market shares using information it collects on its own and through independent market research firms.

### Business Activities and Ongoing Efforts

Sales of miniature and small-sized ball bearings (our mainstay products) as well as rod-end and spherical bearings and pivot assemblies were lifted by an improvement of market condition. For pivot assemblies, although we suffered from the disorder of supply chain related to the HDD industry that was caused by the large scale flood in Thailand, our competitors were also damaged that led to the increase of our market share, resulting to the achievement of historical high shipment in volume. When we look at our mainstay products, although sales volume generally increased, net sales was down due to the yen's appreciation.

We continued to lower manufacturing costs in the ball bearings business via streamlining as well as initiatives designed to improve production yield. Our commitment to get back to the basics of manufacturing resulted in a real improvement in business performance as we looked for ways to bolster the development of basic technologies. For the future, we will enhance our supply capacity of ball bearings for pivot assemblies in a new plant in Thailand that was constructed in October 2011. We will also strive to respond to a growing demand from emerging countries through the sales expansion to the automobile, information and telecommunication equipment industries as well as more production of medium sized and low-priced products for emerging market.

For rod-end fastener business, we are ready to increase our production capacity based on four major production sites in Japan, the United States, the United Kingdom and Thailand, and also increase sales in the growing aircraft market.

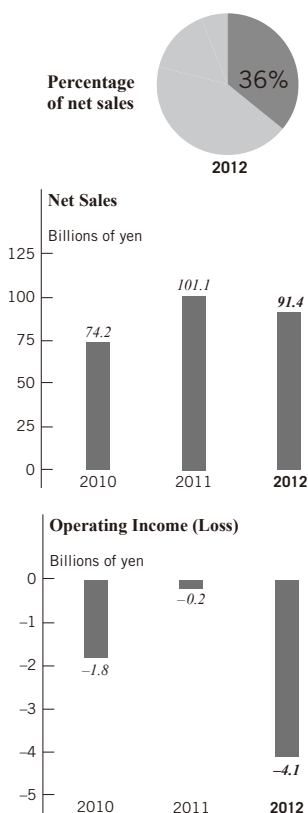
A number of measures have been implemented to increase pivot assembly production and lower the cost of sales by improving yield. We will seek to enhance our production capacity and increase sales following the expansion of supply capacity of ball bearings for pivot assemblies, maintaining our high market share.

### Major Products

Ball bearings	Rod-end bearings	Spherical bearings	Roller bearings	Bushings	Pivot assemblies
Mechanical assemblies	Aerospace fasteners	Automotive fasteners			

\*Segment classification has changed from the fiscal year ended March 31, 2011, due to the revision of accounting standards.

## Rotary Components



Consolidated net sales in the current fiscal year fell 9.7%, or ¥9,775 million, to ¥91,364 million. Operating losses totaled ¥4,119 million, ¥3,894 million more than the previous fiscal year. The operating margin, calculated using sales to external customers, deteriorated 4.3 percentage points to hit -4.5%.

Adjustment due to the Great East Japan Earthquake finished in the second quarter and sales increased as demand recovered. However, production at the plants for HDD spindle motor parts were significantly down due to the large scale flood in Thailand. In addition, our information motors and other precision motors also suffered from the disorder of supply chain and the production adjustment at our customers side, resulting in a decrease in sales. In the profit/loss side, operating loss widened, as a significant decrease of production due to the large scale flood in Thailand and surging raw material prices such as magnet negatively affected.

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

Principal Products	Principal Applications	Global Market Share*
Information motors (fan motors, stepping motors, brush DC motors, vibration motors, DC brushless motors)	PCs and servers, information and telecommunications equipment, household electrical appliances, cellular phones, automobiles, industrial machinery, office automation equipment	2-70%, depending on products
HDD spindle motors	HDDs	—
Precision motors	Automobiles	—
Micro-actuators	Digital still cameras, automobiles	—

\*Global market shares are based on units shipped. Minebea estimates market shares using information it collects on its own and through independent market research firms.

### Business Activities and Ongoing Efforts

Sales of HDD spindle motors declined compared with the previous fiscal year, as production at the plant in Thailand was down due to the large scale flood, and the disorder of supply chain led to the adjustment of production in the whole industry. However, sales started increasing in the fourth quarter thanks to the market recovery. The information motors business was also affected by the large scale flood in Thailand and the subsequent disorder of supply chain. As a result, sales were significantly down, as its manufacturing remained in a severe condition even in the fourth quarter.

In the information motors business, we will focus on the exploitation of new markets and the development of new products. We will also seek the optimal production location for each product and restructure the production places as one of the measures for reducing the production costs and boosting up production efficiency. In December 2011, our new plant in Cambodia started its operation. Assembling process of micro-actuators, brush DC motors and others will be transferred to the new plant step by step for the purpose of enhancing our competitiveness in the cost side. We will actively use production and sales functions of Moatech Co., Ltd. which will join our Group from the next fiscal year.

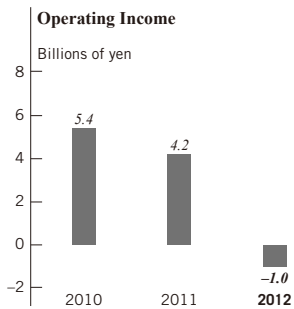
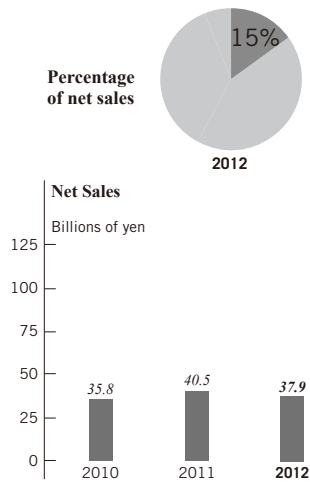
Production of HDD spindle motors has been recovering from the plant damage caused by the large scale flood in Thailand. We will make efforts to turn around this business and establish a stable and profitable system by improving the production efficiency, conducting the cost reduction and maintaining the high-value-added product portfolio. We will pursue a system that can generate profits in the rotary components business through the measures mentioned above.

### Major Products

Fan motors Permanent magnet (PM)-type stepping motors Hybrid-type stepping motors Brush DC motors  
Vibration motors Brushless DC motors HDD spindle motors Precision motors

\*Segment classification has changed from the fiscal year ended March 31, 2011, due to the revision of accounting standards.

## Electronic Devices and Components



Consolidated net sales in the current fiscal year fell 6.5%, or ¥2,615 million, to ¥37,887 million. Operating income fell ¥5,119 million, to a loss of ¥959 million. The operating margin, calculated using sales to external customers, was -2.5%, down 12.8 percentage points from the previous fiscal year. The LED backlights business experienced lower production efficiency due to delay of material procurement caused by the Great East Japan Earthquake and the large scale flood in Thailand, and a subsequent sharp rise of production level to recover such delay. In addition, the performance was well below the initial business plan due to the delay of production at new plant in Suzhou, China. In the measuring components, both sales and operating income were down compared with the previous fiscal year, as sales for automobiles decreased and yen's appreciation negatively impacted.

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

Principal Products	Principal Applications	Global Market Share*
LED backlights	Cellular phones, automobiles, digital cameras, portable digital information terminals	17%
Measuring components	Industrial machinery, automobiles	—

\*Global market shares are based on units shipped. Minebea estimates market shares using information it collects on its own and through independent market research firms.

### Business Activities and Ongoing Efforts

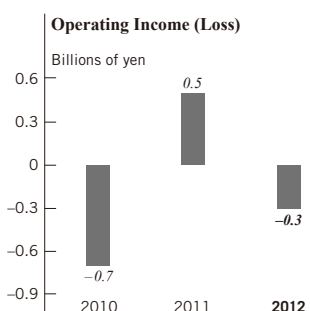
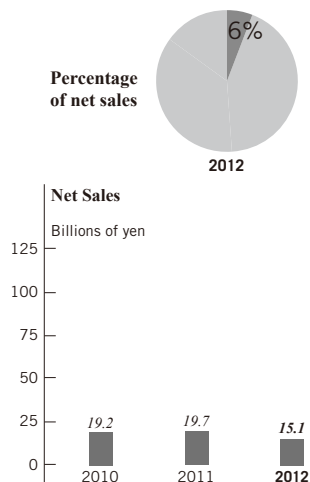
Production of LED backlights faced difficulties in the procurement of some materials due to the Great East Japan Earthquake and the large scale flood in Thailand. In addition, shipment of products for tablet-type PC delayed at the new plant in Suzhou, China. As a result performance was well below the initial business plan. In the measuring components, sales for automobiles decreased due to natural disasters as well as negative effect of yen's appreciation.

In the electronic device business, as the production of new products at Thailand plant of which production capacity was expanded and at a new Suzhou plant will start on a full-fledged basis, we expect a large increase of sales and profit in the coming fiscal year. In the measuring components business, we strive to expand sales for the automobile market as well as develop new products and explore a new market.

### Major Products

LED backlights    Backlight inverters    LED drivers    Measuring components    Hybrid components

## Other



Consolidated net sales in the current fiscal year fell 23.3%, or ¥4,588 million, to ¥15,069 million. Operating income fell ¥837 million, to a loss of ¥339 million. The operating margin declined 4.7 percentage point, to -2.2%.

### Business Activities and Ongoing Efforts

In the PC keyboards, against the background of sluggish market, rising price of plastic materials, and strong appreciation of yen, we withdrew the manufacturing and sales of finished keyboards as well as reformed the business structure to focus on the manufacturing of parts. As a result, sales remarkably decreased. Sales of special devices and speakers remained almost unchanged from the previous fiscal year.

The special device business is expected to develop steadily. The performance of the keyboard business is likely to improve thanks to the positive effect of structural reform.

### Major Products

PC keyboards    Speakers    Special devices

\*Segment classification has changed from the fiscal year ended March 31, 2011, due to the revision of accounting standards.

## Research and Development

### Research and Development

Minebea manufactures and sells a wide range of products around the world. These include ball bearings, precision machinery components that incorporate ball bearings, aircraft components such as rod-end bearings and high-end fasteners, as well as electronic components used in state-of-the-art electronics equipment. Minebea and Minebea Group companies work closely together on R&D in each of these areas.

The Minebea Group is also dedicated to the development of hybrid component products that integrate the basic technologies that go into making its machined components, rotary components, electronic devices, and other components.

Minebea has development bases in Japan (Karuizawa Plant and Hamamatsu Plant), Thailand, China, the United States, and Europe. These bases leverage their individual expertise and supplement each other to speed up the development of new products in new business opportunities. Our facilities in Karuizawa, Thailand and China have all been ISO17025 certified and are moving the entire Minebea Group forward in analyzing and reducing emissions of hazardous substances targeted by environmental regulations, including those banned by the European Union's Restriction of Hazardous Substances (RoHS) directive.

The total amount of R&D expenses in the Group were ¥7,490 million. Among them, ¥1,527 million was for basic research at material science laboratories in Thailand and China, such as basic materials analysis, and other research that cannot be allocated to individual segments.

R&D activities for each segment in the current fiscal year include:

#### Machined Components

R&D in this segment remained geared toward our mainstay bearing products (i.e. ball and rod-end bearings) with a focus on developing basic tribological technologies for materials and lubricants, etc., as well as on oil fill, electrochemical machining (ECM), diamond-like carbon (DLC) and other processes. We are working with a keen eye to responding to the needs of manufacturers in emerging areas of the IT, home electrical appliances, automobiles and aerospace industries. Reliability engineering aimed at minimizing particle generation, extending product life, enhancing/reducing electro conductivity, etc. as well as applied engineering are at the heart of our work in this area.

In the miniature ball bearing that is the essence of precision processing technology, we have made efforts to produce smaller products. Pivot assembly that is one of the applications of miniature ball bearings has contributed to the magnificent expansion of HDD recording capacity.

Recent progress in the area of aerospace industry bearings includes the development and approval of tie-rod mechanical assemblies, trunnion bearings for main landing gear and a wide range of bearings that will go into flight control systems for new models released by U.S. and European aircraft manufacturers. These R&D successes are built on the same technology used in our rod-end bearings.

R&D expenses in this segment totaled ¥1,061 million.

#### Rotary Components

Our mainstay motor products in this segment include information motors (fan motors, stepping motors, brushless DC motors, vibration motors, and brush DC motors) and HDD spindle motors. We are working to enhance our various core analysis technologies, control technologies and materials technologies. Our aim is to be the first to launch a range of state-of-the-art products that respond to growing customer requirements for compact, highly efficient (low energy consumption), quiet, and reliable components designed for various types of motors and applications.

R&D work on magnetic application products harnesses our expertise in materials technology, core technologies and product-related technologies. Ongoing work in this area continues to yield such outstanding products as rare earth bond magnets and heat-resistant magnets for use in high-performance motors. As a countermeasure against the rising price of rare earth, we have developed magnet that can remarkably reduce the use of the expensive rare earth.

The majority of HDDs now use perpendicular magnetic recording to achieve higher recording densities, and thus ensuring the cleanliness of components has become a crucial consideration. That's why we have put so much effort into developing clean manufacturing technologies that ensure a high level of cleanliness in our mainstay HDD-related products, including our bearing units, spindle motors and base plates.

R&D expenses in this segment totaled ¥3,427 million.

#### Electronic Devices and Components

Progress in the area of display-related products includes the development of a new high-brightness, high-efficiency LED (light emitting diode) backlight for LCDs targeting the cellular phone, smart phone, tablet PC, handheld game console, and digital camera markets.

After developing a plastic molding technology capable of accommodating larger, thinner optical devices and increasingly fine optical patterns we have one more development to add to our list of outstanding technological achievements that includes ultra precision machining, mold production and molding technologies.

This development gives us the technological foundation needed to expand into the area of LED backlights for notebook and desktop PC monitors, for which LCDs have become the preferred type of display, and we are now proposing high-brightness, high-efficiency, and thin products. We also developed a thin lenses for LED lights using our optical technology fostered in the development of backlight products. The thin lens has larger transparency compared with the existing products and can save more energy.

Advances in electronics-related products includes state-of-the-art LED backlight driver circuits for large-sized LCD TVs and driver circuits for LED lighting applications.

Our shift from analog to digital control circuits will significantly reduce the number of parts used as well as improve control precision, enabling us to reduce engineering lead time.

R&D expenses in this segment totaled ¥906 million.

#### Other

The main products in the other segment are PC keyboards, speakers and special devices.

R&D expenses in this segment totaled ¥569 million.

## Outlook for the Next Fiscal Year and Risk Management

### Outlook for the Next Fiscal Year (Fiscal Year Ending March 2013)

(as of May 2012)

Although there is concern about sluggish European economy and further appreciation of yen, we forecast that the Japanese economy will recover supported by the demand from the recovery activities of the Great East Japan Earthquake and increasing personal consumption. The U.S. economy will also be in a moderate growth path thanks to the improvement of employment and steady personal consumption. On the other hand, the European economy is expected to be sluggish due to the declining capital investments and personal consumption caused by the public debt crisis. In Asia, although we expect that export will be down affected by the sluggish European economy, it is likely that significant fall down will be avoided, as domestic demand in China remains stable.

Following the economic recovery, the business environment surrounding us is also expected to become positive. As a result, we forecast sales of ¥312,000 million, operating income of ¥23,300 million, and net income of ¥12,500 million.

Outlook by segment for the full year is as follows:

#### Machined Components

For the ball bearings that are our mainstay products, the full operation of our new plant in Thailand (Bang Pa-in) will increase the supply capacity of pivot assemblies that is now in shortage. We also plan to expand sales in the automobile, information and telecommunication equipment industries and also participate in a new market. At the same time, we will increase production and sales of pivot assemblies in line with the expansion of supply capacity of ball bearings. For rod-end bearings, as our four production base system consisting of Japan, the United States, the United Kingdom, and Thailand is ready for production increase after the start of operation of new plant in Thailand (Lop Buri), we will expand sales in the aircraft market that has a great growth potential.

#### Rotary Components

In the information motors business, we finally overcome the damage of large scale flood in Thailand and will see a better business environment. For the purpose of improving the performance, we will focus on the exploitation of new market and the development of new products. Additionally, as one of our activities for reducing material costs and improving production efficiency, we will review and seek the most optimal production location for each product and restructure the production sites such as transferring the production

capacity to the new plant in Cambodia that started operation at the end of the previous year. We will actively use production and sales functions of Moatech Co., Ltd. which will join our Group from the new fiscal year. For HDD spindle motors, as we are recovering from the plant damage by the large scale flood in Thailand, we will make efforts to further improve the production efficiency and reduce material costs to achieve further profitability improvement. We will pursue a system that can generate profits in the rotary components business through the measures mentioned above.

#### Electronic Devices and Components

For LED backlights which are our mainstay products, as we have started the full production of new products at the plant in Thailand of which production capacity has already been expanded and at Suzhou plant in China, we expect that sales and profit will increase. In the measuring components business, we will see favorable sales especially in the automobile market.

#### Other

The special device business is expected to develop steadily. The performance of the keyboard business is likely to improve thanks to the positive effect of structural reform.

### Risk Management

Minebea recognizes a variety of risks and uncertainties that have the potential to affect its operating results and/or financial position. Future risks mentioned in this document are those recognized by the Minebea Group as of the end of the current fiscal year.

#### 1. 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. Our operating results and financial position are vulnerable to these fluctuations.

#### 2. Foreign exchange risk

A significant portion of our consolidated net sales and production are 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.

#### 3. Research and development risk

While we focus on R&D to introduce a constant stream of new, high-quality products, we are subject to the risk that significant R&D expenditures may not be rewarded with successes, as there are no guarantees that R&D efforts will come to fruition.

#### 4. Legal risk

The Legal Department is responsible for managing risk related to lawsuits and other legal actions brought against Minebea Group operations in Japan and/or overseas. 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.

#### 5. Risk related to price negotiations

We continue to face intense competition from lower-priced products made overseas. 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.

#### 6. Risk related to raw materials and logistics costs

We purchase a variety of materials from external suppliers and strive to ensure optimal purchase 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 in the future.

#### 7. Latent risk related to operations overseas

The Minebea Group's manufacturing activities are conducted primarily in Thailand, China, and Singapore and other foreign countries. While considerable time has passed since we established our operations in most of these countries, overseas operations are always subject to the following risks (any of which could have a negative impact on our operating results and/or financial position): (a) unexpected changes to laws or regulations, (b) difficulty in attracting and securing qualified human resources, (c) acts of terrorism or war, or other acts that may disrupt social order.

#### 8. Risk related to natural disaster, etc.

If business sites of the Minebea Group and our trading partners suffer from the natural disaster such as earthquake and flood, the nuclear power plant accident, and a new-type infectious disease, production and sales activities of the Group could be seriously impaired.

#### 9. Risk related to compliance/internal control

As the Minebea Group has deployed various businesses around the world, it is subject to various laws, regulations, and rules of each country. Although the Group has established and managed necessary and proper internal control systems for the purpose of complying with laws and regulations as well as maintaining the adequacy of financial reporting, such efforts cannot guarantee the perfect achievement of the purpose. Therefore, there is possibility that breach of laws and regulations may occur in the future. If laws, regulations, or interpretation of laws and regulations by the competent authority change, we may be unable to comply with such laws and regulations, or have to incur additional costs.

#### 10. Risk related to unpaid retirement payment and pension costs

Although the Minebea Group has recorded the funded status of pension funds (i.e. difference between the retirement benefit obligation and the fair value of pension assets) on its consolidated balance sheet, the fair value of pension assets may decrease due to deteriorated return on pension fund, or the pension cost may increase due to the increase of retirement benefit obligation following the change of preconditions such as the discount rate.

#### 11. Risk related to environmental issues

The Minebea Group is subject to various environmental laws and regulations around the world. Although the Group has paid keen attention on such laws and regulations when conducting the business, the Group may suffer losses if environmental pollution occurs or the possibility of pollution is found.

#### 12. Risk related to M&A • alliance

The Minebea Group has actively conducted M&A and alliance. When conducting M&A or alliance, it is possible that M&A may not generate a positive effect as we originally expected, or an alliance partner and the Group could not reach an agreement on the strategy or other points and fail to maintain the alliance relationship. If we provide a financial support to an alliance partner due to their deterioration of financial condition or other reasons, such support may impair our performance and/or financial position.

#### 13. Risk related to quality issues

Products provided by the Minebea Group have used in various industries, especially in the areas that require high accuracy (such as automobiles, medical devices, and finished goods that are fatal to human lives). The Group has recognized its social responsibility and established a high quality assurance system. However, if our product has a serious defect that causes a material accident, suspension of production in our customer's site, or recall, we may have to pay a large amount of expenditures and our reputation may be seriously damaged, which may lead to a large negative impact on our performance and/or financial position.

#### 14. Risk related to information management

The Minebea Group may obtain a lot of important information and personal information through the business activities. The Group has established an information security policy to prevent the leakage of information to the outside of the company as well as unauthorized use of such information. However, it is possible that unexpected event may result in the information leakage. If such event happens, we may incur a large amount of costs to respond to it and also suffer from the deterioration of social credibility.

## Consolidated Balance Sheets

As of March 31, 2012 and 2011

Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
<b>Current Assets:</b>			
Cash and cash equivalents	¥ 23,366	¥ 27,622	\$ 284,291
Time deposits	4,964	1,969	60,402
Notes and accounts receivable:			
Trade	58,795	56,021	715,350
Other	6,145	2,173	74,767
	64,940	58,194	790,117
Allowance for doubtful receivables	(129)	(148)	(1,577)
Total notes and accounts receivable	64,811	58,046	788,540
Inventories (Note 2-e)	49,025	43,998	596,485
Deferred tax assets (Note 8)	4,374	3,779	53,230
Prepaid expenses and other current assets (Note 2-g)	11,247	8,764	136,836
Total current assets	157,787	144,178	1,919,784
<b>Tangible Fixed Assets (Notes 2-i and 5):</b>			
Land	13,236	13,139	161,046
Buildings and structures	101,408	93,767	1,233,819
Machinery and transportation equipment	231,887	230,986	2,821,360
Tools, furniture and fixtures	43,206	43,025	525,685
Leased assets	1,619	1,695	19,704
Construction in progress	6,514	4,854	79,257
	397,870	387,466	4,840,871
Accumulated depreciation	(270,831)	(263,370)	(3,295,187)
Total tangible fixed assets	127,039	124,096	1,545,684
<b>Intangible Fixed Assets:</b>			
Goodwill (Note 2-k)	4,223	5,555	51,376
Other	1,256	1,875	15,287
Total intangible fixed assets	5,479	7,430	66,663
<b>Investments and Other Assets:</b>			
Investments in non-consolidated subsidiaries	1,413	1,328	17,193
Investment securities (Note 2-g)	6,637	6,675	80,753
Long-term loans receivable	20	20	238
Deferred tax assets (Note 8)	5,846	5,279	71,132
Other (Note 2-h)	2,499	2,100	30,401
	16,415	15,402	199,717
Allowance for doubtful receivables	(13)	(14)	(159)
Total investments and other assets	16,402	15,388	199,558
<b>Deferred Charges</b>	65	—	795
<b>Total Assets</b>	<b>¥306,772</b>	<b>¥291,092</b>	<b>\$3,732,484</b>

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

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
<b>Current Liabilities:</b>			
Short-term debt (Note 4)	¥ 53,449	¥ 52,238	\$ 650,310
Current portion of long-term debt (Note 4)	15,158	24,132	184,422
Notes and accounts payable:			
Trade	23,336	18,631	283,929
Other	6,381	4,644	77,643
Total notes and accounts payable	29,717	23,275	361,572
Income taxes payable (Note 8)	791	2,116	9,627
Lease obligations (Note 4)	280	365	3,409
Accrued expenses and other current liabilities (Note 8)	16,318	14,737	198,541
Total current liabilities	115,713	116,863	1,407,881
<b>Long-term Liabilities:</b>			
Long-term debt (Note 4)	73,937	56,843	899,586
Lease obligations (Note 4)	442	404	5,381
Other (Notes 2-h and 8)	6,903	7,015	83,981
Total long-term liabilities	81,282	64,262	988,948
Total liabilities	196,995	181,125	2,396,829
<b>Contingent Liabilities</b> (Note 17)			
<b>Net Assets</b> (Note 13):			
Shareholders' equity:			
Common stock			
Authorized: 1,000,000,000 shares			
Issued: March 31, 2012—399,167,695 shares			
March 31, 2011—399,167,695 shares	68,259	68,259	830,501
Capital surplus	94,757	94,823	1,152,898
Retained earnings	41,790	38,536	508,459
Treasury stock	(7,783)	(6,281)	(94,691)
Total shareholders' equity	197,023	195,337	2,397,167
Accumulated other comprehensive income:			
Differences on revaluation of available-for-sale securities	90	(497)	1,089
Deferred gains or losses on hedges	(6)	0	(62)
Foreign currency translation adjustments	(85,396)	(84,639)	(1,039,004)
Unfunded retirement benefit obligation of foreign subsidiaries	(2,318)	(2,283)	(28,209)
Total accumulated other comprehensive income	(87,630)	(87,419)	(1,066,186)
Minority interests in consolidated subsidiaries	384	2,049	4,674
Total net assets	109,777	109,967	1,335,655
<b>Total Liabilities and Net Assets</b>	<b>¥306,772</b>	<b>¥291,092</b>	<b>\$3,732,484</b>

## Consolidated Statements of Income

Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2012	2011	2010	2012
<b>Net Sales</b>	<b>¥251,358</b>	¥269,139	¥228,446	<b>\$3,058,256</b>
<b>Cost of Sales</b> (Note 12)	<b>198,506</b>	202,145	175,286	<b>2,415,204</b>
Gross profit	<b>52,852</b>	66,994	53,160	<b>643,052</b>
<b>Selling, General and Administrative Expenses</b> (Notes 2-k and 12)	<b>44,253</b>	44,831	41,101	<b>538,428</b>
Operating income	<b>8,599</b>	22,163	12,059	<b>104,624</b>
<b>Other Income (Expenses):</b>				
Interest income	447	230	206	5,436
Equity in net income (loss) of affiliate	—	4	(8)	—
Interest expenses	(2,321)	(1,833)	(1,898)	(28,238)
Foreign currency exchange losses	(20)	(286)	(217)	(245)
Gains (losses) on sales and disposals of fixed assets	112	(337)	(212)	1,358
Gains on sales of investment securities (Note 2-g)	28	—	32	348
Losses on revaluation of investment securities (Note 2-g)	(831)	—	—	(10,107)
Losses on sales of investments in subsidiaries and affiliates (Note 2-g)	—	(38)	—	—
Losses on liquidation of subsidiaries and affiliates	—	—	(159)	—
Reversal of provision for business restructuring losses	—	20	—	—
Reversal of warranty reserve	—	48	—	—
Insurance income	9,614	—	—	116,973
Impairment losses (Note 5)	(291)	(554)	(31)	(3,539)
Losses on disaster (Note 6)	(7,844)	—	—	(95,442)
Product warranty losses	(91)	(246)	(511)	(1,107)
Provision for environmental remediation expenses	(42)	(204)	—	(513)
Business restructuring losses (Note 7)	(1,603)	(106)	(75)	(19,501)
Spoilage expenses	—	(291)	—	—
Other, net	(206)	86	75	(2,501)
	<b>(3,048)</b>	<b>(3,507)</b>	<b>(2,798)</b>	<b>(37,078)</b>
<b>Income before Income Taxes and Minority Interests</b>	<b>5,551</b>	18,656	9,261	<b>67,546</b>
<b>Income Taxes</b> (Note 8):				
Current (including enterprise tax)	2,621	4,580	4,051	31,887
Income tax refund	—	—	(1,912)	—
Deferred	(1,363)	964	110	(16,580)
	<b>1,258</b>	5,544	2,249	<b>15,307</b>
<b>Income before Minority Interests</b>	<b>4,293</b>	13,112	7,012	<b>52,239</b>
<b>Minority Interests</b>	<b>(1,629)</b>	647	350	<b>(19,826)</b>
<b>Net Income</b>	<b>¥ 5,922</b>	¥ 12,465	¥ 6,662	<b>\$ 72,065</b>

U.S. dollars  
(Note 3)

### Per Share Data (Note 15):

	Yen			U.S. dollars (Note 3)
Net income:				
Basic	¥15.63	¥32.61	¥17.20	\$0.19
Diluted	15.54	—	—	0.19
Cash dividends applicable to the year	7.00	7.00	7.00	0.09

## Consolidated Statements of Comprehensive Income

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
<b>Income before Minority Interests</b>	<b>¥4,293</b>	¥13,112	<b>\$52,239</b>
<b>Other Comprehensive Income</b> (Note 14):			
Difference on revaluation of available-for-sale securities	587	(589)	7,143
Deferred gains or losses on hedges	(6)	(7)	(69)
Foreign currency translation adjustments	(793)	(8,913)	(9,644)
Unfunded retirement benefit obligation of foreign subsidiaries	(35)	406	(431)
Total other comprehensive income	(247)	(9,103)	(3,001)
<b>Total Comprehensive Income</b>	<b>¥4,046</b>	¥ 4,009	<b>\$49,238</b>
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	5,711	3,445	69,497
Comprehensive income attributable to minority interests	(1,665)	564	(20,259)

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

# Consolidated Statements of Changes in Net Assets

Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2012	2011	2010	2012
<b>Shareholders' Equity</b>				
Common stock				
Balance at beginning of current fiscal year	¥ 68,259	¥ 68,259	¥ 68,259	\$ 830,501
Changes during current fiscal year	—	—	—	—
Total changes during current fiscal year	—	—	—	—
Balance at end of current fiscal year	68,259	68,259	68,259	830,501
Capital surplus				
Balance at beginning of current fiscal year	94,823	94,768	94,757	1,153,707
Changes during current fiscal year				
Disposal of treasury stocks	(69)	55	11	(852)
Transfer of loss on disposal of treasury stocks	3	—	—	43
Total changes during current fiscal year	(66)	55	11	(809)
Balance at end of current fiscal year	94,757	94,823	94,768	1,152,898
Retained earnings				
Balance at beginning of current fiscal year	38,536	26,149	20,819	468,863
Reclassification of unfunded retirement benefit obligation of foreign subsidiaries	—	2,689	—	—
Changes during current fiscal year				
Increase associated with change in the consolidated subsidiaries' settlement date	—	—	53	—
Cash dividend from retained earnings	(2,665)	(2,674)	(1,945)	(32,426)
Changes in companies accounted for under the equity method	—	(93)	—	—
Net income	5,922	12,465	6,662	72,065
Increase due to decrease in unfunded retirement benefit obligation of foreign subsidiaries	—	—	560	—
Transfer of loss on disposal of treasury stocks	(3)	—	—	(43)
Total changes during current fiscal year	3,254	9,698	5,330	39,596
Balance at end of current fiscal year	41,790	38,536	26,149	508,459
Treasury stock				
Balance at beginning of current fiscal year	(6,281)	(6,571)	(3,256)	(76,416)
Changes during current fiscal year				
Changes in companies accounted for under the equity method	—	3	—	—
Purchase of treasury stocks	(2,011)	(23)	(3,390)	(24,474)
Disposal of treasury stocks	509	310	75	6,199
Total changes during current fiscal year	(1,502)	290	(3,315)	(18,275)
Balance at end of current fiscal year	(7,783)	(6,281)	(6,571)	(94,691)
Total shareholders' equity				
Balance at beginning of current fiscal year	195,337	182,605	180,579	2,376,655
Reclassification of unfunded retirement benefit obligation of foreign subsidiaries	—	2,689	—	—
Changes during current fiscal year				
Increase associated with change in the consolidated subsidiaries' settlement date	—	—	53	—
Cash dividend from retained earnings	(2,665)	(2,674)	(1,945)	(32,426)
Changes in companies accounted for under the equity method	—	(90)	—	—
Net income	5,922	12,465	6,662	72,065
Increase due to decrease in unfunded retirement benefit obligation of foreign subsidiaries	—	—	560	—
Purchase of treasury stocks	(2,011)	(23)	(3,390)	(24,474)
Disposal of treasury stocks	440	365	86	5,347
Transfer of loss on disposal of treasury stocks	—	—	—	—
Total changes during current fiscal year	1,686	10,043	2,026	20,512
Balance at end of current fiscal year	197,023	195,337	182,605	2,397,167
<b>Accumulated Other Comprehensive Income</b>				
Differences on revaluation of available-for-sale securities				
Balance at beginning of current fiscal year	(497)	92	(189)	(6,054)
Changes during current fiscal year				
Changes (net) in non-shareholders' equity items	587	(589)	281	7,143
Total changes during current fiscal year	587	(589)	281	7,143
Balance at end of current fiscal year	90	(497)	92	1,089
Deferred gains or losses on hedges				
Balance at beginning of current fiscal year	0	7	2	7
Changes during current fiscal year				
Changes (net) in non-shareholders' equity items	(6)	(7)	5	(69)
Total changes during current fiscal year	(6)	(7)	5	(69)
Balance at end of current fiscal year	(6)	0	7	(62)
Foreign currency translation adjustments				
Balance at beginning of current fiscal year	(84,639)	(75,808)	(74,616)	(1,029,793)
Changes during current fiscal year				
Changes (net) in non-shareholders' equity items	(757)	(8,831)	(1,192)	(9,211)
Total changes during current fiscal year	(757)	(8,831)	(1,192)	(9,211)
Balance at end of current fiscal year	(85,396)	(84,639)	(75,808)	(1,039,004)
Unfunded retirement benefit obligation of foreign subsidiaries				
Balance at beginning of current fiscal year	(2,283)	—	—	(27,778)
Reclassification of unfunded retirement benefit obligation of foreign subsidiaries	—	(2,689)	—	—
Changes during current fiscal year				
Changes (net) in non-shareholders' equity items	(35)	406	—	(431)
Total changes during current fiscal year	(35)	406	—	(431)
Balance at end of current fiscal year	(2,318)	(2,283)	—	(28,209)
Total accumulated other comprehensive income				
Balance at beginning of current fiscal year	(87,419)	(75,709)	(74,803)	(1,063,618)
Reclassification of unfunded retirement benefit obligation of foreign subsidiaries	—	(2,689)	—	—
Changes during current fiscal year				
Changes (net) in non-shareholders' equity items	(211)	(9,021)	(906)	(2,568)
Total changes during current fiscal year	(211)	(9,021)	(906)	(2,568)
Balance at end of current fiscal year	(87,630)	(87,419)	(75,709)	(1,066,186)
<b>Minority Interests in Consolidated Subsidiaries</b>				
Balance at beginning of current fiscal year	2,049	1,485	986	24,933
Changes during current fiscal year				
Changes in non-shareholders' equity items (net)	(1,665)	564	499	(20,259)
Total changes during current fiscal year	(1,665)	564	499	(20,259)
Balance at end of current fiscal year	384	2,049	1,485	4,674
<b>Total Net Assets</b>				
Balance at beginning of current fiscal year	109,967	108,381	106,762	1,337,970
Reclassification of unfunded retirement benefit obligation of foreign subsidiaries	—	—	—	—
Changes during current fiscal year				
Increase associated with change in the consolidated subsidiaries' settlement date	—	—	53	—
Cash dividend from retained earnings	(2,665)	(2,674)	(1,945)	(32,426)
Changes in companies accounted for under the equity method	—	(90)	—	—
Net income	5,922	12,465	6,662	72,065
Increase due to decrease in unfunded retirement benefit obligation of foreign subsidiaries	—	—	560	—
Purchase of treasury stocks	(2,011)	(23)	(3,390)	(24,474)
Disposal of treasury stocks	440	365	86	5,347
Transfer of loss on disposal of treasury stocks	—	—	—	—
Changes in non-shareholders' equity items (net)	(1,876)	(8,457)	(407)	(22,827)
Total changes during current fiscal year	(190)	1,586	1,619	(2,315)
Balance at end of current fiscal year	¥109,777	¥109,967	¥108,381	\$1,335,655

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

## Consolidated Statements of Cash Flows

Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2012	2011	2010	2012
<b>Cash Flows from Operating Activities:</b>				
Income before income taxes and minority interests	¥ 5,551	¥18,656	¥ 9,261	\$ 67,546
Depreciation and amortization	19,588	20,806	21,140	238,334
Impairment losses (Note 5)	775	554	31	9,429
Amortization of goodwill (Note 2-k)	1,332	1,321	1,352	16,212
Losses on disaster (Note 6)	2,239	—	—	27,246
Insurance income	(9,614)	—	—	(116,973)
Interest and dividend income	(605)	(388)	(304)	(7,362)
Interest expense	2,321	1,833	1,898	28,238
(Gains) losses on sales and disposals of fixed assets	(112)	337	212	(1,358)
Gains on sales of investment securities (Note 2-g)	(28)	—	(32)	(348)
Losses on revaluation of investment securities (Note 2-g)	831	—	—	10,107
Losses on sales of investments in subsidiaries and affiliates	—	38	—	—
Losses on liquidation of subsidiaries and affiliates	—	—	159	—
Increase in notes and accounts receivable—trade	(3,651)	(7,141)	(9,574)	(44,426)
(Increase) decrease in inventories	(5,539)	(10,207)	2,286	(67,386)
Increase in notes and accounts payable—trade	4,929	2,907	6,571	59,968
Increase (decrease) in warranty reserve	(20)	(256)	280	(249)
Decrease in provision for business restructuring losses	(14)	(5)	(824)	(170)
Other	1,489	1,040	1,209	18,115
Subtotal	19,472	29,495	33,665	236,923
Proceeds from insurance income	5,336	—	—	64,920
Interest and dividends received	605	388	305	7,362
Interest paid	(2,321)	(1,859)	(1,892)	(28,239)
Income taxes paid	(3,960)	(4,197)	(2,545)	(48,181)
Income tax refund	1,101	612	875	13,392
Net cash provided by operating activities	20,233	24,439	30,408	246,177
<b>Cash Flows from Investing Activities:</b>				
Transfers to time deposits	(7,677)	(3,753)	(2,780)	(93,405)
Proceeds from withdrawal from time deposits	4,870	3,315	1,139	59,255
Payments for purchase of tangible fixed assets	(25,961)	(26,517)	(10,495)	(315,870)
Proceeds from sales of tangible fixed assets	510	953	683	6,209
Payments for purchase of intangible fixed assets	(383)	(343)	(323)	(4,654)
Payments for acquisition of shares in subsidiaries	(85)	(1,328)	—	(1,029)
Proceeds from sales of investments in affiliate	—	18	—	—
Payments for loans provided	(732)	(199)	(23)	(8,906)
Proceeds from collection of loans	684	92	18	8,307
Other	(244)	(869)	(952)	(2,977)
Net cash used in investing activities	(29,018)	(28,631)	(12,733)	(353,070)
<b>Cash Flows from Financing Activities:</b>				
Net increase (decrease) in short-term debt	1,328	1,583	(6,873)	16,166
Proceeds from increase in long-term debt	32,630	23,600	14,920	397,015
Repayment of decrease in long-term debt	(24,581)	(14,370)	(22,175)	(299,069)
Cash dividends paid	(2,665)	(2,674)	(1,945)	(32,426)
Payments for purchase of treasury stock	(2,011)	(23)	(3,390)	(24,474)
Proceeds from disposal of treasury stock	440	365	86	5,347
Repayment of lease obligations	(380)	(497)	(741)	(4,621)
Net cash provided by (used in) financing activities	4,761	7,984	(20,118)	57,938
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(232)</b>	<b>(1,025)</b>	<b>(513)</b>	<b>(2,824)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(4,256)</b>	<b>2,767</b>	<b>(2,956)</b>	<b>(51,779)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>27,622</b>	<b>24,855</b>	<b>27,895</b>	<b>336,070</b>
<b>Decrease Associated with Change in the Consolidated Subsidiaries' Settlement Date</b>	<b>—</b>	<b>—</b>	<b>(84)</b>	<b>—</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥23,366</b>	<b>¥27,622</b>	<b>¥24,855</b>	<b>\$284,291</b>

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 the Company and its consolidated domestic and overseas subsidiaries are maintained in accordance with the accounting principles generally accepted in the respective countries and audited by independent auditors in those countries. The Company has made necessary adjustments to its consolidated accounting process regarding overseas subsidiaries in accordance with 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.

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 Act of Japan, in accordance with accounting principles generally accepted in Japan, which are different in certain respects 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 (40 consolidated subsidiaries). All significant intercompany balances, intercompany transactions and unrealized profits have been eliminated in consolidation. The Company also has 4 non-consolidated subsidiaries.

One non-consolidated subsidiary was established during the year ended March 31, 2012. Non-consolidated subsidiaries are excluded from the scope of consolidation, as their operations are small, and their total assets, net sales, net income (amount equivalent to shares) and retained earnings (amount equivalent to shares), etc. have no significant impact to the consolidated financial statements.

For some consolidated subsidiaries whose fiscal year ends on December 31, provisional financial statements as of the Company’s balance sheet date are prepared and used.

**b) Translation of foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for those which are 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 3 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 are stated at cost, as determined primarily by the moving average method, with balance sheet inventory amounts calculated using lowered book values and reflecting a potential decline in profitability. Inventories of the Company's consolidated overseas subsidiaries are stated at lower of cost or market as determined primarily by the moving average method.

Inventories as of March 31, 2012 and 2011, comprised the following:

#### Inventories

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2012	2011	2012
Merchandise and finished goods	¥21,221	¥20,883	\$258,202
Work in process	14,624	11,985	177,928
Raw materials	9,648	7,548	117,381
Supplies	3,532	3,582	42,974
	<b>¥49,025</b>	<b>¥43,998</b>	<b>\$596,485</b>

#### 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 to 50 years for buildings and structures, 2 to 15 years for machinery and transportation equipment and 2 to 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 incurred, while significant renewals and improvements are capitalized.

#### g) Investment securities

Investment securities consist of equity securities of listed and unlisted companies and government bonds. Available-for-sale securities held by the Company and its domestic and overseas consolidated subsidiaries with fair value are stated at the closing quoted market price on March 31, 2012 and 2011. 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 for which fair value is not readily determinable are stated at cost, as determined by the moving average method.

#### Available-for-sale securities

	<i>Millions of yen</i>					
	2012			2011		
	<i>Reported amount in balance sheet</i>	<i>Acquisition cost</i>	<i>Difference</i>	<i>Reported amount in balance sheet</i>	<i>Acquisition cost</i>	<i>Difference</i>
Securities whose reported amounts in balance sheet exceed acquisition cost						
Equity securities	¥1,642	¥1,507	¥135	¥ 698	¥ 583	¥ 115
Bonds	2,579	2,567	12	2,422	2,411	11
Securities whose reported amounts in balance sheet do not exceed acquisition cost						
Equity securities	902	943	(41)	1,849	2,467	(618)
Bonds	—	—	—	—	—	—
Total	<b>¥5,123</b>	<b>¥5,017</b>	<b>¥106</b>	<b>¥4,969</b>	<b>¥5,461</b>	<b>¥(492)</b>

<i>Thousands of U.S. dollars (Note 3)</i>			
<b>2012</b>			
	<i>Reported amount in balance sheet</i>	<i>Acquisition cost</i>	<i>Difference</i>
Securities whose reported amounts in balance sheet exceed acquisition cost			
Equity securities	\$19,974	\$18,333	\$1,641
Bonds	31,384	31,230	154
Securities whose reported amounts in balance sheet do not exceed acquisition cost			
Equity securities	10,976	11,475	(499)
Bonds	—	—	—
<b>Total</b>	<b>\$62,334</b>	<b>\$61,038</b>	<b>\$1,296</b>

Unlisted equity securities are not included in the above, as they do not have quoted market prices, therefore it is extremely difficult to measure their fair value. The amount of unlisted equity securities as of March 31, 2012 and 2011 are ¥2,302 million (\$28,004 thousand) and ¥2,534 million, respectively.

#### Available-for-sale securities sold during each fiscal year

	<i>Millions of yen</i>								
	<b>2012</b>			2011			2010		
	<i>Amount of sale</i>	<i>Gain on sale</i>	<i>Loss on sale</i>	<i>Amount of sale</i>	<i>Gain on sale</i>	<i>Loss on sale</i>	<i>Amount of sale</i>	<i>Gain on sale</i>	<i>Loss on sale</i>
Equity securities	¥31	¥28	¥—	¥—	¥—	¥—	¥65	¥32	¥—

<i>Thousands of U.S. dollars (Note 3)</i>			
<b>2012</b>			
	<i>Amount of sale</i>	<i>Gain on sale</i>	<i>Loss on sale</i>
Equity securities	\$380	\$348	\$—

#### Impaired securities

In the year ended March 31, 2012, the Company recorded ¥831 million (\$10,107 thousand) for impairment in securities (¥831 million (\$10,107 thousand) of available-for-sale securities).

Regarding impairment, the Company records impairment for all securities with fair value as of the year-end that have declined by 50% or more compared to their acquisition cost. For securities with fair value as of the year-end that have declined between 31% and 50%, the Company considers their recoverability for each securities and records impairment for amounts deemed necessary.

#### 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, provisions have been made based on the projected benefit obligations and the estimated plan assets as of March 31, 2012 and 2011, calculated on the basis of accrued retirement benefit obligations and prepaid pension costs as of March 31, 2012 and 2011.

Prepaid pension costs and accrued retirement benefits as of March 31, 2012 and 2011, are included under "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.

Actuarial gains and losses of consolidated overseas subsidiaries 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.

(Change of accounting policy)

In the year ended March 31, 2010, the Company adopted the “Partial Amendments to “Accounting Standards for Retirement Benefits” (Part 3)” (ASBJ Statement No. 19, issued on July 31, 2008).

There was no effect from this change on profits and losses for the year ended March 31, 2010.

#### Retirement benefit plans

Projected benefit obligations and the components thereof as of March 31, 2012 and 2011, are as follows:

Projected Benefit Obligations	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2011	2012
Projected benefit obligations	¥(36,148)	¥(33,844)	\$(439,813)
Plan assets at fair value	26,887	24,304	327,127
Unfunded projected benefit obligations	(9,261)	(9,540)	(112,686)
Unrecognized prior service costs	1,985	2,316	24,156
Unrecognized actuarial losses	3,766	3,728	45,824
Net amount recognized on consolidated balance sheets	(3,510)	(3,496)	(42,706)
Prepaid pension costs	1,157	784	14,075
Accrued retirement benefits	¥ (4,667)	¥ (4,280)	\$ (56,781)

The components of retirement benefit costs for the years ended March 31, 2012, 2011 and 2010, are as follows:

Retirement Benefit Costs	Millions of yen			Thousands of U.S. dollars (Note 3)
	2012	2011	2010	2012
Service cost	¥1,371	¥1,329	¥1,372	\$16,675
Interest cost	1,195	1,187	1,207	14,546
Expected return on plan assets	(989)	(884)	(833)	(12,034)
Amortization of prior service costs	332	325	333	4,038
Amortization of actuarial losses	1,479	1,225	1,392	17,994
Retirement benefit costs	3,388	3,182	3,471	41,219
Contributions to defined contribution pension plans	187	168	159	2,278
Total	¥3,575	¥3,350	¥3,630	\$43,497

Assumptions used for calculation for the years ended March 31, 2012, 2011 and 2010, are as follows:

Assumptions Used for Calculation	2012	2011	2010
Discount rate	mainly 2.0%	mainly 2.0%	mainly 2.0%
Expected rate of return on plan assets	mainly 2.0%	mainly 2.0%	mainly 2.0%
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

Non-cancellable finance lease transactions except for those that stipulate the transfer of ownership of leased property to the lessee are depreciated using the straight-line method, whereby the lease term is the useful life of the asset and the residual value is zero.

#### j) Hedge accounting

##### Method of hedge accounting

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

### **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

### **Hedge policy**

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

### **Method of assessing hedge effectiveness**

Regarding forward exchange contracts, in principle, the Company allocates them to monetary receivables and payables with the 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 criteria for special accounting.

### **k) Goodwill and negative goodwill**

Excess of cost over net assets acquired for business acquisitions for the Company and its consolidated subsidiaries is amortized on a straight-line basis over a period ranging from 5 to 10 years. Amortization for the years ended March 31, 2012, 2011 and 2010, were ¥1,332 million (\$16,212 thousand), ¥1,321 million and ¥1,352 million, respectively.

### **l) Accounting standard for asset retirement obligations**

In the year ended March 31, 2011, the Company has applied the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008).

There was no effect from this change on profits and losses for the year ended March 31, 2011.

### **m) Accounting standard for business combinations and others**

In the year ended March 31, 2011, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, revised on December 26, 2008).

Due to the application, assets and liabilities of consolidated subsidiaries at acquisition, which previously were partially measured at fair value, are fully measured at fair value from the year ended March 31, 2011.

There was no effect from this change on the consolidated financial statements for the year ended March 31, 2011.

### **n) Accounting standard for presentation of comprehensive income**

In the year ended March 31, 2011, the Company has applied the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued on June 30, 2010).

Due to the application, unfunded retirement benefit obligations of foreign subsidiaries incurred in previous years, amounting to -¥2,689 million, was reclassified from “Retained earnings” to “Unfunded retirement benefit obligation of foreign subsidiaries” in the year ended March 31, 2011.

Comprehensive income for the year ended March 31, 2010, is as follows:

	<i>Millions of yen</i>
	2010
<b>Income before Minority Interests</b>	¥ 7,012
<b>Other Comprehensive Income:</b>	
Difference on revaluation of available-for-sale securities	281
Deferred gains or losses on hedges	5
Foreign currency translation adjustments	(1,043)
Total other comprehensive income	(757)
<b>Total Comprehensive Income</b>	<u>¥ 6,255</u>
Comprehensive income attributable to:	
Comprehensive income attributable to owners of the parent	5,756
Comprehensive income attributable to minority interests	499

**o) Accounting standard for accounting changes and error corrections**

For the accounting changes and error corrections after April 1, 2011, the Company has applied the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009).

**p) 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 ¥82.19=US\$1, the approximate rate of exchange on March 31, 2012. 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 and Long-Term Debt**

Short-term debt consists of short-term loans from banks, principally due in 30 to 180 days. The weighted average rates of short-term loans as of March 31, 2012 and 2011 are 1.09% and 1.12%, respectively.

Short-term debt as of March 31, 2012 and 2011, consists of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2012	2011	2012
Short-term loans	¥53,449	¥52,238	\$650,310
Total	<u>¥53,449</u>	<u>¥52,238</u>	<u>\$650,310</u>

Long-term debt as of March 31, 2012 and 2011, consists of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2012	2011	2012
1.26% unsecured bonds payable in Japanese yen due December 2011	¥ —	¥10,000	\$ —
1.70% unsecured bonds payable in Japanese yen due March 2012	—	1,500	—
0.68% unsecured bonds payable in Japanese yen due December 2016	10,000	—	121,669
0.60% convertible bond-type unsecured bonds payable in Japanese yen with stock acquisition rights due February 2017	7,700	—	93,685
Loans from banks, etc.			
Years ended March 31			
2012—0.46% to 1.95%	71,395	69,475	868,654
2011—0.93% to 1.95%	722	769	8,790
Lease obligations	<u>89,817</u>	<u>81,744</u>	<u>1,092,798</u>
	<u>15,438</u>	<u>24,497</u>	<u>187,831</u>
Less: current portion	<u>¥74,379</u>	<u>¥57,247</u>	<u>\$ 904,967</u>

The aggregate annual maturities of long-term debt outstanding as of March 31, 2012, are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars (Note 3)</i>
2013	¥15,438	\$187,831
2014	19,431	236,412
2015	14,628	177,985
2016	17,581	213,910
2017 and thereafter	22,739	276,660
	<u>¥89,817</u>	<u>\$1,092,798</u>

## 5. Impairment of Fixed Assets

The asset groups for which the Company and its consolidated subsidiaries recognized impairment losses for the years ended March 31, 2012, 2011 and 2010, are as follows:

### Overview of asset groups for which impairment losses were recognized

<i>Use</i>	<i>Business/location</i>	<i>Type of assets</i>	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 3)</i>
			2012	2011	2010	2012
Idle assets	3 facilities, which are former Kyoto Plant, former Ichinoseki Plant and former Kanegasaki Plant (Yawata City, Kyoto Prefecture and others)	Buildings and structures	¥ —	¥ 54	¥ 7	\$ —
		Land	14	4	24	168
		Total	14	58	31	168
Sold assets	Former Kyoto Plant (Yawata City, Kyoto Prefecture)	Land	—	248	—	—
		Total	—	248	—	—
Operational assets	Keyboard business (Shanghai, China)	Buildings and structures	2	—	—	23
		Machinery and transportation equipment	255	—	—	3,098
		Tools, furniture and fixtures	20	—	—	250
		Total	277	—	—	3,371
	Vibration motor business (Zhuhai, China and others)	Buildings and structures	2	—	—	21
		Machinery and transportation equipment	166	175	—	2,027
		Tools, furniture and fixtures	62	73	—	756
		Total	230	248	—	2,804
	In-house raw material production business (Ayutthaya, Thailand)	Buildings and structures	12	—	—	150
		Machinery and transportation equipment	237	—	—	2,884
		Tools, furniture and fixtures	5	—	—	52
		Total	254	—	—	3,086
Total		¥775	¥554	¥31	\$9,429	

#### Asset grouping method

Assets are generally grouped by the lowest level that generates independent cash flow, based on the business segmentation.

#### Reason for impairment losses having been recognized

The idle assets (buildings and structures and land) for which impairment losses were recognized for the years ended March 31, 2012, 2011 and 2010, do not have an effective utilization plan, and their land prices dropped significantly.

Impairment losses were recognized for sold assets (land), as their recoverable amounts were below book values.

Regarding operational assets (buildings and structures, machinery and equipment, and tools, furniture and fixtures), impairment losses were recognized, as their future cash flows were below book values of the asset group, due to downsizing of business, deterioration in profitability, or partial closure, and reduced to their recoverable amount based on net realizable value or value of use.

In the year ended March 31, 2012, ¥484 million (\$5,890 thousand) (of which ¥230 million (\$2,804 million) in vibration motor business and ¥253 million (\$3,086 thousand) in in-house raw material production business) was included in “Business restructuring losses.”

#### **Calculation method of recoverable amounts**

Idle assets and sold assets are measured by net realizable value, mainly based on real estate appraisal standards or by sales prices.

Certain operational assets are measured by net realizable value, based on appraisal value by a third party. Other operational assets are measured by value of use, and calculated by discounting the future cash flows by 12.0% for the year ended March 31, 2011. All of the book value is recorded as impairment losses for the year ended March 31, 2012, as no positive future cash flow was expected.

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#### **6. Losses on disaster**

In the year ended March 31, 2012, the Company recorded fixed costs during the low operation period caused by the large scale flood in Thailand of ¥2,969 million (\$36,123 thousand), losses on disposal of fixed assets of ¥2,239 million (\$27,246 thousand), losses on disposal of inventories of ¥418 million (\$5,088 thousand), and costs for disaster measures of ¥2,218 million (\$26,985 thousand).

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#### **7. Business restructuring losses**

In the year ended March 31, 2012, the Company recorded the loss related to the downsizing of keyboard business of ¥893 million (\$10,870 thousand), loss related to the deterioration of profitability in vibration motor business of ¥427 million (\$5,194 thousand), and loss related to the partial closure of raw material in-house production business of ¥283 million (\$3,437 thousand).

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#### **8. 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, 2012, 2011 and 2010.

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 ¥9,578 million (\$116,533 thousand) and ¥8,222 million as of March 31, 2012 and 2011, respectively, are included in the accompanying consolidated balance sheets and are composed of the following:

<b>Deferred Tax Assets</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2012	2011	2012
Excess of allowed limit chargeable to accrued bonuses	¥ 965	¥ 1,044	\$ 11,741
Excess of allowed limit chargeable to accrued retirement benefits	1,013	1,333	12,327
Loss on revaluation of investment securities	618	351	7,516
Unrealized gains on sales of inventories	811	914	9,870
Unrealized gains on sales of fixed assets	616	671	7,499
Excess of allowed limit chargeable to depreciation	1,305	1,368	15,881
Impairment losses	187	190	2,276
Tax losses carryforwards	11,183	5,885	136,062
Foreign tax credit carryforwards	741	745	9,016
Other	1,791	1,757	21,783
Subtotal	19,230	14,258	233,971
Valuation allowance	(8,399)	(4,727)	(102,187)
Total deferred tax assets	¥10,831	¥ 9,531	\$ 131,784

<b>Deferred Tax Liabilities</b>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2012	2011	2012
Depreciation allowed to overseas subsidiaries	¥ 569	¥ 737	\$ 6,919
Differences on revaluation of available-for-sale securities	18	7	217
Prepaid pension costs	435	318	5,289
Others	231	247	2,826
Total deferred tax liabilities	1,253	1,309	15,251
Net deferred tax assets	¥9,578	¥8,222	\$116,533

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2012	2011	2012
Current assets—Deferred tax assets	¥4,374	¥3,779	\$53,230
Fixed assets—Deferred tax assets	5,846	5,279	71,132
Current liabilities—Other	(4)	(9)	(56)
Long-term liabilities—Other	(638)	(827)	(7,773)
Net deferred tax assets	¥9,578	¥8,222	\$116,533

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, 2012, 2011 and 2010, is shown below:

	2012	2011	2010
Statutory tax rate in Japan	39.0%	39.0%	39.0%
Adjustments:			
Amortization of goodwill	9.4	2.8	5.7
Difference of tax rates applied to overseas subsidiaries	(48.7)	(9.9)	(18.1)
Valuation allowance	(0.6)	(9.9)	3.7
Effect of dividend income eliminated for consolidation	21.9	3.9	29.1
Dividend income and other items not included for tax purposes	(21.0)	(3.8)	(22.7)
Entertainment cost and other items not deducted for tax purposes	1.3	0.3	—
Withholding income taxes	12.8	6.9	5.8
Income tax refund	—	—	(20.6)
Adjustments in year-end deferred tax assets due to tax rate changes	7.7	—	—
Other	0.9	0.4	2.4
Effective income tax rate	22.7%	29.7%	24.3%

**Adjustment of deferred tax assets and deferred tax liabilities due to the change of corporate tax rate**

“The Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated on December 2, 2011. As a result, the corporate tax rate will be lowered and a reconstruction corporate tax will be imposed from the fiscal year beginning on or after April 1, 2012. Accordingly, the statutory tax rate, which is used to calculate deferred tax assets and deferred tax liabilities, will be reduced from the current 39.0–40.7% to 37.20–38.01% for temporary differences which are expected to reverse during the year beginning April 1, 2012 and the year beginning April 1, 2014, and 34.83–35.64% for temporary differences which are expected to reverse in or after the year beginning April 1, 2015.

The changes in the tax rate resulted in a decrease of the amount of deferred tax assets (after deducting deferred tax liabilities) at the end of the current fiscal year by ¥130 million (\$1,582 thousand), while increasing income taxes-deferred and differences on revaluation of available-for-sale securities by ¥131 million (\$1,594 thousand) and ¥1 million (\$12 thousand), respectively.

On October 11, 2011, Thailand Cabinet approved to reduce the corporate tax rate from 30% to 23% in the year 2012, and to 20% in the year 2013. Accordingly, statutory tax rate of consolidated subsidiaries in Thailand, which is used to calculate deferred tax assets and deferred tax liabilities, will be reduced from the current 30% to 23% for temporary differences which are expected to reverse during the year beginning April 1, 2012, and 20% for temporary differences which are expected to reverse in or after the year beginning April 1, 2013. The changes in the tax rate resulted in a decrease of the amount of deferred tax assets (after deducting deferred tax liabilities) at the end of the current fiscal year by ¥295 million (\$3,588 thousand), while increasing income taxes-deferred by the same amount.

**9. Leases**

Outstanding future lease payments for non-cancellable operating leases as of March 31, 2012 and 2011, are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2012	2011	2012
Due within 1 year	¥ 573	¥ 717	\$ 6,967
Due after 1 year	1,530	1,981	18,621
Total	<u>¥2,103</u>	<u>¥2,698</u>	<u>\$25,588</u>

**10. Financial Instruments****a) Qualitative information on financial instruments****Financial instrument policies**

The Company procures necessary funds (mainly through bank loans and issuance of bonds) based on the capital investment plan. Temporary surplus funds are managed in highly liquid financial assets and short-term operating funds are procured through bank loans. Derivatives are utilized to avoid the risks mentioned below, and speculative trading is not undertaken.

**Details of financial instruments and its risks**

Notes and accounts receivable, which are trade receivables, are exposed to credit risk deriving from clients. On the other hand, trade receivables in foreign currency produced in overseas business operations are subject to the risk of exchange rate fluctuations, although basically, are hedged using forward exchange contracts, other than those within the balance of the foreign currency trade accounts payable.

Securities and investment securities are bonds and equity securities of companies with business relations, and are categorized as available-for-sale securities. These securities are exposed to the risk of market price fluctuation. Long-term loans receivable are also provided to employees.

Notes and accounts payable, which are trade payables, are mostly due within 6 months. Foreign currency trade accounts payable are exposed to the risk of exchange rate fluctuations, but are hedged using forward exchange contracts, other than those within the balance of the foreign currency trade accounts receivable.

Borrowings, bonds, and lease obligations concerned with finance lease transactions primarily serve the purpose of financing for capital investment, and the redemption date is up to 6 years from the balance sheet date. A part of these are exposed to the risk of interest rate fluctuations, but are hedged by derivative transactions (interest rate swap transactions).

The convertible bond-type bonds with stock acquisition rights were issued to procure investment funds for M&A activities, and their redemption date is February 20, 2017.

Derivative transactions include the forward exchange contract transactions that are intended to hedge against the fluctuation risks for trade receivables and payables in foreign currency and the interest rate swap transactions that are intended to hedge the fluctuation risks in the interest rates of its borrowings.

#### **Risk management for financial instruments**

- Management of credit risks (risks of clients' failure to perform contracted obligations)  
The Sales Division & Administration Department of the Company periodically monitors the status of major clients regarding trade receivables based on the Company's credit management policies. It also reviews payment due dates and outstanding amount per client each month, as well as revising credit ratings and credit limits every year for early detection and reduction of uncollectible receivables due to deteriorated financial conditions, etc. Similar management procedures are conducted at consolidated subsidiaries per the Company's credit management policies.

As for bonds categorized as available-for-sale securities, according to the fund management policy, the Company only handles U.S. Treasury securities and thus the credit risks are not significant.

Derivative transactions are deemed to have only a remote credit risk since the Company limits such transactions to only highly rated and reliable financial institutions.

- Management of market risks (fluctuation risks in exchange rates and interest rates, etc.)  
In principle, the Company uses forward exchange contracts to hedge against fluctuation risks in foreign currency exchange rates by month and by currency for trade receivables and payables in foreign currency. The Company also adopts forward exchange contracts for foreign currency-denominated receivables and payables that are certain to arise from anticipated export transactions. The Company makes interest rate swap transactions to reduce risks of interest rate fluctuations from the repayment of its borrowings and bonds.

For securities and investment securities, fair values and the financial conditions of issuing entities (client firms) are periodically reviewed.

Based on the approval of authorized personnel, the relevant department executes and manages derivative transactions according to the marketability risk management policies that specify transaction authorizations and transaction amount limits. The monthly transaction results are reported to the Company's executive officer in charge of finance.

Consolidated subsidiaries are also managed pursuant to the Company's marketability risk management policies.

- Management of liquidity risks in financing (risks of failure to pay by payment due date)  
The Company manages liquidity risks through the maintenance of short-term liquidity. The relevant departments of the Company create and update cash flow plans as necessary based on reports from each department. Similar management is also implemented at consolidated subsidiaries.

#### **Supplemental information on fair values of financial instruments**

The fair values of financial instruments include both the amount based on market price, and when the market price is not available, a reasonably calculated amount. Fluctuating factors are incorporated upon calculation of such amount, therefore the amount may vary when different assumptions are applied. The contracted amount for derivative transactions mentioned in note "11. Derivatives" does not in themselves represent the market risks for the derivative transactions.

## b) Fair values of financial instruments

The reported amounts in the consolidated balance sheet, fair values and their differences as of March 31, 2012 and 2011 are as follows, which does not contain items whose fair value was extremely difficult to measure.

	<i>Millions of yen</i>					
	2012			2011		
	<i>Reported amount in balance sheet</i>	<i>Fair value</i>	<i>Difference</i>	<i>Reported amount in balance sheet</i>	<i>Fair value</i>	<i>Difference</i>
Cash and cash equivalents	¥ 23,366	¥ 23,366	¥ —	¥ 27,622	¥ 27,622	¥ —
Time deposits	4,964	4,964	—	1,969	1,969	—
Notes and accounts receivable—trade	58,795	58,795	—	56,021	56,021	—
Securities and investment securities	5,123	5,123	—	4,969	4,969	—
Long-term loans receivable	20	20	—	20	20	—
Total assets	¥ 92,268	¥ 92,268	¥ —	¥ 90,601	¥ 90,601	¥ —
Notes and accounts payable—trade	23,336	23,336	—	18,631	18,631	—
Short-term debt	53,449	53,449	—	52,238	52,238	—
Current portion of long-term debt	15,158	15,327	169	24,132	24,348	216
Long-term debt	73,937	74,609	672	56,843	57,477	634
Total liabilities	¥165,880	¥166,721	¥841	¥151,844	¥152,694	¥850
Derivative transactions*	¥ 11	¥ 11	¥ —	¥ (3)	¥ (3)	¥ —

*Thousands of U.S. dollars (Note 3)*

	2012		
	<i>Reported amount in balance sheet</i>	<i>Fair value</i>	<i>Difference</i>
	Cash and cash equivalents	\$ 284,291	\$ 284,291
Time deposits	60,402	60,402	—
Notes and accounts receivable—trade	715,350	715,350	—
Securities and investment securities	62,334	62,334	—
Long-term loans receivable	238	238	—
Total assets	\$1,122,615	\$1,122,615	\$ —
Notes and accounts payable—trade	283,929	283,929	—
Short-term debt	650,310	650,310	—
Current portion of long-term debt	184,422	186,480	2,058
Long-term debt	899,586	907,758	8,172
Total liabilities	\$2,018,247	\$2,028,477	\$10,230
Derivative transactions*	\$ 129	\$ 129	\$ —

\* Net receivables and payables deriving from derivative transactions are offset.

Calculation of fair value of financial instruments and matters related to securities and derivative transactions are as follows.

### Assets

• Cash and cash equivalents • Time deposits • Notes and accounts receivable—trade  
Book values are applied since these items are settled in a short period of time and their book values approximate fair values.

• Securities and investment securities

Fair values for equity securities are based on market prices while fair values for bonds are based on market prices or prices provided by financial institutions. Please refer to note “2. Summary of Significant Accounting Policies g) Investment securities” for the details of securities by each holding purpose.

• Long-term loans receivable

The Company’s long-term loans receivable are limited to housing loans for employees, and book values are applied since the amount is insignificant.

### Liabilities

- Notes and accounts payable—trade • Short-term debt

Book values are applied since these items are settled in a short period of time and their book values approximate fair values.

- Current portion of long-term debt • Long-term debt

As for loans payable, book values are applied for those with floating interest rates since they are settled in a short period of time and their book values approximate fair values. For those with fixed interest rates, the sum of the principal and interest are discounted using the rate assumed when a similar borrowing is made.

As for bonds payable and convertible-bond-type bonds payable with stock acquisition rights, those with market prices are based on such market prices, and for those with no market prices, the sum of the principal and interest are discounted using the rate assumed when a similar issuance is made.

### Derivative transactions

Please refer to note “11. Derivatives.”

### Financial instruments whose fair value is deemed extremely difficult to measure

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2012	2011	2012
	<i>Reported amount in balance sheet</i>	<i>Reported amount in balance sheet</i>	<i>Reported amount in balance sheet</i>
Unlisted stocks	¥2,302	¥2,534	\$28,004
Investments in subsidiaries	1,328	1,328	16,164
Investments in capital of subsidiaries	85	—	1,029
<b>Total</b>	<b>¥3,715</b>	<b>¥3,862</b>	<b>\$45,197</b>

The above items are not included in “Securities and investment securities” as they do not have market prices and are deemed extremely difficult to measure their fair value.

### Expected redemption amounts for monetary receivables and securities with maturity

	<i>Millions of yen</i>			
	2012			
	<i>Within 1 year</i>	<i>Over 1 year Within 5 year</i>	<i>Over 5 year Within 10 year</i>	<i>Over 10 year</i>
Cash and cash equivalents	¥23,366	¥ —	¥—	¥—
Time deposits	4,964	—	—	—
Notes and accounts receivable—trade	58,795	—	—	—
Securities and investment securities				
Available-for-sale securities with maturity (U.S. Treasury securities)	788	1,791	—	—
Long-term loans receivable	—	17	3	—
<b>Total</b>	<b>¥87,913</b>	<b>¥1,808</b>	<b>¥ 3</b>	<b>¥—</b>

	<i>Millions of yen</i>			
	2011			
	<i>Within 1 year</i>	<i>Over 1 year Within 5 year</i>	<i>Over 5 year Within 10 year</i>	<i>Over 10 year</i>
Cash and cash equivalents	¥27,622	¥ —	¥—	¥—
Time deposits	1,969	—	—	—
Notes and accounts receivable—trade	56,021	—	—	—
Securities and investment securities				
Available-for-sale securities with maturity (U.S. Treasury securities)	828	1,593	—	—
Long-term loans receivable	—	14	6	—
<b>Total</b>	<b>¥86,440</b>	<b>¥1,607</b>	<b>¥ 6</b>	<b>¥—</b>

Thousands of U.S. dollars (Note 3)

	2012			
	Within 1 year	Over 1 year Within 5 year	Over 5 year Within 10 year	Over 10 year
	Cash and cash equivalents	\$ 284,291	\$ —	\$—
Time deposits	60,402	—	—	—
Notes and accounts receivable—trade	715,350	—	—	—
Securities and investment securities				
Available-for-sale securities with maturity (U.S. Treasury securities)	9,585	21,799	—	—
Long-term loans receivable	—	203	34	—
<b>Total</b>	<b>\$1,069,628</b>	<b>\$22,002</b>	<b>\$34</b>	<b>\$—</b>

#### Expected repayment and redemption for loans payable and bonds

Please refer to note “4. Short-Term and Long-Term Debt.”

## 11. Derivatives

Derivative transactions which hedge accounting are applied as of March 31, 2012 and 2011, are as follows:

#### Currency related

		Millions of yen		
Allocation method of forward exchange contracts		2012		
Type of transactions	Major hedged items	Contracted amount	Contracted amount exceeding 1 year	Fair value
Forward exchange transaction	Short-term loans payable			
Buy				
U.S. dollars		¥ 5,015	¥—	¥ 21
Japanese yen		27,100	—	(1,320)
Forward exchange transaction	Accounts receivable—trade			
Sell				
U.S. dollars		12,256	—	(171)
Euro		2,679	—	(37)
Sterling pounds		73	—	(5)
Japanese yen		600	—	21
Forward exchange transaction	Accounts payable—trade			
Buy				
U.S. dollars		2,189	—	16
Euro		67	—	1
Japanese yen		1,383	—	(6)

		Millions of yen		
Allocation method of forward exchange contracts		2011		
Type of transactions	Major hedged items	Contracted amount	Contracted amount exceeding 1 year	Fair value
Forward exchange transaction	Short-term loans payable			
Buy				
U.S. dollars		¥ 3,868	¥—	¥ (24)
Japanese yen		23,341	—	(389)
Forward exchange transaction	Accounts receivable—trade			
Sell				
U.S. dollars		12,919	—	68
Euro		2,889	—	(92)
Sterling pounds		90	—	(4)
Japanese yen		377	—	11
Forward exchange transaction	Accounts payable—trade			
Buy				
U.S. dollars		1,443	—	(0)
Swiss franc		4	—	(0)
Japanese yen		905	—	(26)

		<i>Thousands of U.S. dollars (Note 3)</i>		
		<b>2012</b>		
<i>Type of transactions</i>	<i>Major hedged items</i>	<i>Contracted amount</i>	<i>Contracted amount exceeding 1 year</i>	<i>Fair value</i>
Forward exchange transaction	Short-term loans payable			
Buy				
U.S. dollars		\$ 61,011	\$—	\$ 252
Japanese yen		329,725	—	(16,055)
Forward exchange transaction	Accounts receivable–trade			
Sell				
U.S. dollars		149,112	—	(2,075)
Euro		32,594	—	(452)
Sterling pounds		884	—	(57)
Japanese yen		7,298	—	255
Forward exchange transaction	Accounts payable–trade			
Buy				
U.S. dollars		26,635	—	200
Euro		820	—	12
Japanese yen		16,827	—	(72)

		<i>Millions of yen</i>		
		<b>2012</b>		
<i>Type of transactions</i>	<i>Major hedged items</i>	<i>Contracted amount</i>	<i>Contracted amount exceeding 1 year</i>	<i>Fair value</i>
Forward exchange transaction	Accounts receivable–trade			
Sell				
U.S. dollars		¥1,976	¥—	¥ 0
Euro		534	—	(1)
Sterling pounds		22	—	(0)
Japanese yen		419	—	16
Forward exchange transaction	Accounts payable–trade			
Buy				
U.S. dollars		610	—	6
Euro		6	—	(0)
Sterling pounds		2	—	0
Singapore dollars		605	—	(1)
Thai bahts		0	—	(0)
Swiss franc		1	—	(0)
Japanese yen		160	—	(2)

		<i>Millions of yen</i>		
		<b>2011</b>		
<i>Type of transactions</i>	<i>Major hedged items</i>	<i>Contracted amount</i>	<i>Contracted amount exceeding 1 year</i>	<i>Fair value</i>
Forward exchange transaction	Accounts receivable–trade			
Sell				
U.S. dollars		¥2,464	¥—	¥12
Euro		700	—	(19)
Sterling pounds		20	—	0
Japanese yen		506	—	6
Forward exchange transaction	Accounts payable–trade			
Buy				
U.S. dollars		842	—	(8)
Euro		29	—	(0)
Singapore dollars		593	—	7
Thai bahts		0	—	(0)
Swiss franc		1	—	0
Japanese yen		150	—	(2)

General accounting method		Thousands of U.S. dollars (Note 3)		
		2012		
Type of transactions	Major hedged items	Contracted amount	Contracted amount exceeding 1 year	Fair value
Forward exchange transaction	Accounts receivable–trade			
Sell				
U.S. dollars		\$24,038	\$—	\$ 4
Euro		6,502	—	(15)
Sterling pounds		266	—	(3)
Japanese yen		5,101	—	195
Forward exchange transaction	Accounts payable–trade			
Buy				
U.S. dollars		7,425	—	70
Euro		72	—	(0)
Sterling pounds		25	—	0
Singapore dollars		7,364	—	(7)
Thai bahts		2	—	(0)
Swiss franc		12	—	(0)
Japanese yen		1,950	—	(29)
		<i>Millions of yen</i>		
Deferred hedge accounting		2012		
Type of transactions	Major hedged items	Contracted amount	Contracted amount exceeding 1 year	Fair value
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts receivable–trade)			
Sell				
U.S. dollars		¥6,414	¥—	¥(8)
Euro		954	—	(0)
Sterling pounds		33	—	(0)
Japanese yen		221	—	(0)
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts payable–trade)			
Buy				
U.S. dollars		859	—	1
Euro		45	—	(0)
Sterling pounds		3	—	(0)
Singapore dollars		267	—	(1)
Hong Kong dollars		76	—	0
Chinese yuan		44	—	0
Japanese yen		1,693	—	1
		<i>Millions of yen</i>		
Deferred hedge accounting		2011		
Type of transactions	Major hedged items	Contracted amount	Contracted amount exceeding 1 year	Fair value
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts receivable–trade)			
Sell				
U.S. dollars		¥6,732	¥—	¥ 2
Euro		944	—	(0)
Sterling pounds		33	—	0
Japanese yen		192	—	(0)
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts payable–trade)			
Buy				
U.S. dollars		598	—	0
Singapore dollars		475	—	(0)
Hong Kong dollars		54	—	(0)
Japanese yen		621	—	(1)

		<i>Thousands of U.S. dollars (Note 3)</i>		
		<b>2012</b>		
<i>Type of transactions</i>	<i>Major hedged items</i>	<i>Contracted amount</i>	<i>Contracted amount exceeding 1 year</i>	<i>Fair value</i>
Deferred hedge accounting				
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts receivable–trade)			
Sell				
U.S. dollars		\$78,041	\$—	\$(95)
Euro		11,610	—	(6)
Sterling pounds		399	—	(0)
Japanese yen		2,690	—	(6)
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts payable–trade)			
Buy				
U.S. dollars		10,446	—	17
Euro		551	—	(1)
Sterling pounds		32	—	(0)
Singapore dollars		3,247	—	(14)
Hong Kong dollars		920	—	1
Chinese yuan		533	—	6
Japanese yen		20,597	—	12

Note: Calculation of fair values

Fair values are calculated based on the prices provided by financial institutions.

Fair values of derivatives to which the allocation method of forward exchange contracts are applied are included in the fair values of short-term loans payable, accounts receivable–trade, accounts payable–trade and others as they are accounted for as a single unit with their hedging vehicles.

#### Interest rate related

		<i>Millions of yen</i>		
		<b>2012</b>		
<i>Type of transactions</i>	<i>Major hedged items</i>	<i>Contracted amount</i>	<i>Contracted amount exceeding 1 year</i>	<i>Fair value</i>
Special accounting for interest rate swaps				
Interest rate swap transaction	Long-term loans payable			
Floating/fixed rate cash flow		¥58,131	¥47,763	¥(610)

		<i>Millions of yen</i>		
		<b>2011</b>		
<i>Type of transactions</i>	<i>Major hedged items</i>	<i>Contracted amount</i>	<i>Contracted amount exceeding 1 year</i>	<i>Fair value</i>
Special accounting for interest rate swaps				
Interest rate swap transaction	Long-term loans payable			
Floating/fixed rate cash flow		¥52,499	¥44,131	¥(654)

		<i>Thousands of U.S. dollars (Note 3)</i>		
		<b>2012</b>		
<i>Type of transactions</i>	<i>Major hedged items</i>	<i>Contracted amount</i>	<i>Contracted amount exceeding 1 year</i>	<i>Fair value</i>
Special accounting for interest rate swaps				
Interest rate swap transaction	Long-term loans payable			
Floating/fixed rate cash flow		\$707,276	\$581,129	\$(7,424)

Note: Calculation of fair values

Fair values are calculated based on the prices provided by financial institutions.

Fair values of derivatives to which special accounting for interest rate swaps are applied are included in the fair values of long-term loans payable as they are accounted for as a single unit with their hedging vehicles.

#### 12. 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, 2012, 2011 and 2010, amounted to ¥7,490 million (\$91,135 thousand), ¥7,895 million and ¥8,410 million, respectively.

### 13. Shareholders' Equity

The Companies Act 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 Companies Act, the legal reserve and additional paid-in capital may be reversed without restriction on amount.

The Companies Act 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 Companies Act.

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, 2012, retained earnings included year-end dividends of ¥1,515 million (\$18,438 thousand), or ¥4.00 (\$0.05) per share, which was approved at the ordinary general meeting of shareholders held on June 28, 2012.

### 14. Other Comprehensive Income

The amount of reclassification adjustment and tax effect relating to other comprehensive income for the year ended March 31, 2012, are as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars (Note 3)</i>
	<b>2012</b>	<b>2012</b>
Differences on revaluation of available-for-sale securities:		
Incurred in the current year	¥ (2)	\$ (30)
Reclassification adjustment	<u>600</u>	<u>7,308</u>
Amount before tax effect adjustment	598	7,278
Amount of tax effect	<u>(11)</u>	<u>(135)</u>
Differences on revaluation of available-for-sale securities	587	7,143
Deferred gains or losses on hedges:		
Incurred in the current year	(4)	(48)
Reclassification adjustment	<u>(4)</u>	<u>(48)</u>
Amount before tax effect adjustment	(8)	(96)
Amount of tax effect	<u>2</u>	<u>27</u>
Deferred gains or losses on hedges	(6)	(69)
Foreign currency translation adjustments:		
Incurred in the current year	<u>(793)</u>	<u>(9,644)</u>
Unfunded retirement benefit obligation of foreign subsidiaries:		
Incurred in the current year	<u>(54)</u>	<u>(663)</u>
Amount before tax effect adjustment	(54)	(663)
Amount of tax effect	<u>19</u>	<u>232</u>
Unfunded retirement benefit obligation of foreign subsidiaries	(35)	(431)
Total other comprehensive income	<u>¥(247)</u>	<u>\$(3,001)</u>

### 15. 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 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 fiscal year.

Diluted net income per share is calculated based on the weighted average number of shares of common stocks outstanding reflecting the increase of number of shares on the assumption that all the outstanding convertible bond-type bonds payable with stock acquisition rights that have dilutive effect against the net income per share are converted into common stocks. When calculating diluted net income per share, net income is adjusted by the bond interest after deducting corporate tax.

The number of shares used in calculating net income per share for the years ended March 31, 2012, 2011 and 2010, is as follows:

	<i>Thousands of shares</i>		
	<b>2012</b>	2011	2010
Basic	<b>379,014</b>	382,319	387,296
Diluted	<b>381,272</b>	—	—

## 16. Litigation

As of March 31, 2012, NMB-Minebea Thai Ltd., consolidated subsidiary in Thailand, received (1) a revised assessment of income tax liability in the amount of 502 million baht on August 25, 2008, (2) a revised assessment of income tax liability in the amount of 125 million baht on August 25, 2010, and (3) a revised assessment of income tax liability in the total amount of 101 million baht on August 11 and 22, 2011 from the Revenue Department of Thailand. The Company has not accepted these revised assessments, believing them to be unjust and without legal grounds, and took the case to the Tax Court of Thailand on August 25, 2009 following the petition for case (1), and petitioned the Revenues Department for redress for cases (2) and (3).

Regarding case (1), the Company substantially won the case as a result of the decision by the Tax Court of Thailand on October 13, 2010, however the Revenue Department was dissatisfied with this decision and appealed the case to the Supreme Court on December 9, 2010.

On (1) September 22, 2008, (2) September 23, 2010, and (3) August 16, 2011, the assessments were paid in subrogation using a surety bond from a bank with which the Company does business.

## 17. Contingent Liabilities

As of March 31, 2012 and 2011, the Company guarantees bank loans of the following non-consolidated subsidiaries:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2012	2011	2012
Daiichi Seimitsu Sangyo Co., Ltd.	¥—	¥30	\$—

## 18. Segment Information, etc.

### a) Segment information (Additional information)

In the year ended March 31, 2011, the Company has applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, revised on March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on March 21, 2008).

### Outline of reportable segments

The Company’s reportable segments are components for which separated financial information is available and subject to periodical reviews in order for the Company’s Board of Directors to determine the distribution of management resources and evaluate performance.

The Company establishes business units by product in key business locations, and each of the business unit formulates comprehensive domestic and overseas strategies of their products and deploy its business activities.

Thus, the Company consists of segments by product, base on business units, and the “Machined components segment”, “Rotary components segment” and “Electronic devices and components segment” are determined to be the reportable segments.

Our core products in the machined components segment are mechanical parts, such as ball bearings, rod-end bearings, pivot assemblies for HDDs as well as fasteners for automobile and aircraft. The rotary components segment includes a wide variety of motors, such as information motors (fan motors, stepping motors, brushless DC motors, vibration motors and brush DC motors) and HDD spindle motors. The electronic devices and components segment consists of LCD backlights, inverters and measuring components.

### Basis of calculation for amounts of net sales, profit or loss, assets, liabilities and other items by reportable segments

The accounting method for the reported operating segments is basically the same as those in note “2. Summary of Significant Accounting Policies.”

Income of reportable segment is based on operating income (before amortization of goodwill). Internal sales are calculated based on distribution prices determined by comprehensive judgment considering market prices, manufacturing costs and other factors.

### Information on amounts of net sales, profit or loss, assets, liabilities and other items by reportable segments

Informations related to the reportable segments of the Company and its consolidated subsidiaries as of March 31, 2012, 2011 and 2010, and for the years then ended are as follows:

*Millions of yen*

<i>Year ended March 31, 2012</i>	<i>Reportable segments</i>					<i>Total</i>	<i>Other</i>	<i>Total</i>	<i>Adjustment</i>	<i>Consolidated financial statements amount</i>
	<i>Machined components</i>	<i>Rotary components</i>	<i>Electronic devices and components</i>	<i>Total</i>	<i>Other</i>					
Sales to external customers	¥107,038	¥91,364	¥37,887	¥236,289	¥15,069	¥251,358	¥	—	¥251,358	
Internal sales	2,684	1,280	2,339	6,303	5,653	11,956	(11,956)	—	—	
<b>Total sales</b>	<b>109,722</b>	<b>92,644</b>	<b>40,226</b>	<b>242,592</b>	<b>20,722</b>	<b>263,314</b>	<b>(11,956)</b>	<b>—</b>	<b>251,358</b>	
Segment income (loss)	25,611	(4,119)	(959)	20,533	(339)	20,194	(11,595)	8,599	8,599	
Segment assets	82,614	70,753	22,491	175,858	10,065	185,923	120,849	306,772	306,772	
Other items										
Depreciation and amortization	7,520	6,824	1,163	15,507	1,101	16,608	2,980	19,588	19,588	
Increase in tangible and intangible fixed assets	8,501	7,462	2,647	18,610	471	19,081	8,225	27,306	27,306	

*Millions of yen*

<i>Year ended March 31, 2011</i>	<i>Reportable segments</i>					<i>Total</i>	<i>Other</i>	<i>Total</i>	<i>Adjustment</i>	<i>Consolidated financial statements amount</i>
	<i>Machined components</i>	<i>Rotary components</i>	<i>Electronic devices and components</i>	<i>Total</i>	<i>Other</i>					
Sales to external customers	¥107,841	¥101,139	¥40,502	¥249,482	¥19,657	¥269,139	¥	—	¥269,139	
Internal sales	2,888	1,623	1,885	6,396	5,678	12,074	(12,074)	—	—	
<b>Total sales</b>	<b>110,729</b>	<b>102,762</b>	<b>42,387</b>	<b>255,878</b>	<b>25,335</b>	<b>281,213</b>	<b>(12,074)</b>	<b>—</b>	<b>269,139</b>	
Segment income (loss)	28,088	(225)	4,160	32,023	498	32,521	(10,358)	22,163	22,163	
Segment assets	77,796	72,374	18,280	168,450	10,857	179,307	111,785	291,092	291,092	
Other items										
Depreciation and amortization	8,098	7,895	979	16,972	1,291	18,263	2,543	20,806	20,806	
Increase in tangible and intangible fixed assets	10,783	9,490	1,515	21,788	825	22,613	4,722	27,335	27,335	

*Millions of yen*

<i>Year ended March 31, 2010</i>	<i>Reportable segments</i>					<i>Total</i>	<i>Other</i>	<i>Total</i>	<i>Adjustment</i>	<i>Consolidated financial statements amount</i>
	<i>Machined components</i>	<i>Rotary components</i>	<i>Electronic devices and components</i>	<i>Total</i>	<i>Other</i>					
Sales to external customers	¥99,291	¥74,185	¥35,780	¥209,256	¥19,190	¥228,446	¥	—	¥228,446	
Internal sales	2,351	1,814	1,153	5,318	4,385	9,703	(9,703)	—	—	
<b>Total sales</b>	<b>101,642</b>	<b>75,999</b>	<b>36,933</b>	<b>214,574</b>	<b>23,575</b>	<b>238,149</b>	<b>(9,703)</b>	<b>—</b>	<b>228,446</b>	
Segment income (loss)	20,634	(1,827)	5,385	24,192	(685)	23,507	(11,448)	12,059	12,059	
Segment assets	79,507	64,488	14,898	158,893	19,911	178,804	99,163	277,967	277,967	
Other items										
Depreciation and amortization	8,017	7,887	953	16,857	1,472	18,329	2,811	21,140	21,140	
Increase in tangible and intangible fixed assets	4,122	3,516	592	8,230	460	8,690	2,391	11,081	11,081	

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2012	Reportable segments					Other	Total	Adjustment	Consolidated financial statements amount
	Machined components	Rotary components	Electronic devices and components	Total					
Sales to external customers	\$1,302,322	\$1,111,616	\$460,975	\$2,874,913	\$183,343	\$3,058,256	\$ —	\$3,058,256	
Internal sales	32,657	15,580	28,451	76,688	68,782	145,470	(145,470)	—	
Total sales	1,334,979	1,127,196	489,426	2,951,601	252,125	3,203,726	(145,470)	3,058,256	
Segment income (loss)	311,613	(50,112)	(11,668)	249,833	(4,124)	245,709	(141,085)	104,624	
Segment assets	1,005,160	860,844	273,652	2,139,656	122,457	2,262,113	1,470,371	3,732,484	
Other items									
Depreciation and amortization	91,500	83,033	14,145	188,678	13,393	202,071	36,263	238,334	
Increase in tangible and intangible fixed assets	103,431	90,800	32,206	226,437	5,722	232,159	100,076	332,235	

Notes: 1. The classification "Other" is the operating segment which is not included in the reportable segments. Its products are mainly PC keyboards, speakers and defense related products.

2. The content of the adjustment is as follows:

(i) The major portion of adjustment to segment income or loss is amortization of goodwill (¥1,332 million (−\$16,212 thousand) for the year ended March 31, 2012, ¥1,321 million for the year ended March 31, 2011, ¥1,352 million for the year ended March 31, 2010), and corporate expenses such as general & administrative expenses and research and development expenses that do not belong to the reportable segments (¥10,221 million (−\$124,365 thousand) for the year ended March 31, 2012, ¥8,921 million for the year ended March 31, 2011, ¥9,656 million for the year ended March 31, 2010).

(ii) Adjustment to segment assets is unamortized goodwill (¥4,223 million (\$51,376 thousand) as of March 31, 2012, ¥5,555 million as of March 31, 2011, ¥7,001 million as of March 31, 2010), and assets related to administrative divisions that do not belong to the reportable segments (¥116,626 million (\$1,418,995 thousand) as of March 31, 2012, ¥106,230 million as of March 31, 2011, ¥92,162 million as of March 31, 2010).

(iii) The major portion of adjustment to depreciation and amortization is depreciation and amortization of equipment related to administrative divisions that do not belong to the reportable segments.

(iv) The major portion of adjustment to increase in tangible and intangible fixed assets is capital investments in equipment related to administrative divisions that do not belong to the reportable segments.

3. Segment income (loss) is reconciliated to for operating income in the consolidated financial statements.

## b) Related information Information by geographical area

Year ended March 31, 2012	Millions of yen						
	China	Japan	Thailand	Europe	U.S.A.	Others	Total
Net sales	¥61,308	¥58,994	¥33,546	¥26,500	¥24,849	¥46,161	¥251,358

Year ended March 31, 2011	Millions of yen						
	China	Japan	Thailand	Europe	U.S.A.	Others	Total
Net sales	¥71,543	¥63,308	¥36,470	¥26,296	¥26,225	¥45,297	¥269,139

Year ended March 31, 2012	Thousands of U.S. dollars (Note 3)						
	China	Japan	Thailand	Europe	U.S.A.	Others	Total
Net sales	\$745,925	\$717,776	\$408,156	\$322,421	\$302,333	\$561,645	\$3,058,256

As of March 31, 2012	Millions of yen				
	Thailand	Japan	China	Others	Total
Tangible fixed assets	¥68,219	¥24,501	¥16,352	¥17,967	¥127,039

As of March 31, 2011	Millions of yen				
	Thailand	Japan	China	Others	Total
Tangible fixed assets	¥65,914	¥24,882	¥17,210	¥16,090	¥124,096

As of March 31, 2012	Thousands of U.S. dollars (Note 3)				
	Thailand	Japan	China	Others	Total
Tangible fixed assets	\$830,016	\$298,099	\$198,952	\$218,617	\$1,545,684

**c) Information related to impairment losses of fixed assets by reportable segments**

Millions of yen

Year ended	Reportable segments			Total	Other	Corporate	Total
	Machined components	Rotary components	Electronic devices and components				
March 31, 2012	¥—	¥230	¥—	¥230	¥531	¥14	¥775

Millions of yen

Year ended	Reportable segments			Total	Other	Corporate	Total
	Machined components	Rotary components	Electronic devices and components				
March 31, 2011	¥—	¥248	¥—	¥248	¥—	¥306	¥554

Thousands of U.S. dollars (Note 3)

Year ended	Reportable segments			Total	Other	Corporate	Total
	Machined components	Rotary components	Electronic devices and components				
March 31, 2012	\$—	\$2,804	\$—	\$2,804	\$6,457	\$168	\$9,429

**19. Subsequent Events**

**a) Liquidation of subsidiary**

On May 10, 2012, the Company resolved at the board of directors meeting, to liquidate Sheng Ding Pte. Ltd., a 100% owned subsidiary of the Company.

Sheng Ding Pte. Ltd., as the Company's Singapore subsidiary, has owned 39.39% of shares in Shanghai Shun Ding Technologies Ltd. However, as a result of downsizing of the keyboard business, the Company has judged that its role as a Singapore subsidiary has finished, and resolved the liquidation.

(1) Outline of Sheng Ding Pte. Ltd.

1. Representative director: Yasuyuki Sugawara
2. Location of head office: Singapore
3. Date of establishment: August 21, 2002
4. Capital: \$52,250 thousand
5. No. of employees: 0 (As of March 31, 2012)
6. Shareholder: Minebea Co., Ltd. 100%
7. Business: Holding company of Shanghai Shun Ding Technologies Ltd. (The Company's Chinese subsidiary)

(2) Timing of the Liquidation

Sheng Ding Pte. Ltd. will be liquidated as soon as the required procedures for this liquidation are completed.

**b) Reintroduction of "Trust-type Employee Shareholding Incentive Plan (E-Ship®)"**

On May 10, 2012, the Company resolved at the board of directors meeting, to re-introduce the "Trust-type Employee Shareholding Incentive Plan" (the "Plan") for the purpose of giving an incentive for enhancement of corporate value on a mid- and long-term basis as well as strengthening the welfare of the employees.

The Company previously introduced the Plan on November 2009, and the Plan expired on April 5, 2012. The Company has decided to reintroduce the Plan after comprehensive consideration regarding actual performance during the term of the Plan and other factors.

(Purpose and Outline of the Reintroduction)

The Plan is an incentive plan, in which all employees of the Company group who are members of the "Minebea Employee Stock Holding Partnership" ("Stock Holding Partnership") (a Company group employee who is a member of the Stock Holding Partnership is hereinafter referred to as an "Employee") may participate. In the Plan, the "Minebea Employee Stock Holding Partnership Exclusive Trust Account" ("Trust"), which is to be established for the purpose of securing the Company shares for the Stock Holding Partnership to effect purchases, will borrow money from banks for a considerable number of Company shares that are expected to be acquired by the Stock Holding Partnership during approximately the next five years, and acquire Company shares in a number equal to such borrowings from the market at the time the Plan is reintroduced. Subsequently, the Trust is to continuously transfer the Company shares to the Stock Holding Partnership in accordance with certain plans (conditions and methods) and terminate, e.g. if all of the Company shares belonging to the trust assets of the Trust are transferred. If any capital gains, such as gains on sale of the Company shares, accumulate within the Trust by the time of its termination, and if any money remains within the Trust after repaying all the debts such as borrowings to be borne by the Trust, then such money is to be distributed as residual assets to those Employees that fulfill the requirements for eligible beneficiaries.

Additionally, as the Company grants the guarantee to the Trust on the borrowings for purchasing the Company's shares, if the Trust has an accumulated loss on stock sale due to the stock price decline, and the Trust has remaining debt of which amount is equivalent to the loss on stock sale at the end of the trust, the Company will repay such debt pursuant to the guarantee agreement.

The maximum amount used for purchasing the Company's shares by the Trust is ¥2,170 million (\$26,402 thousand).

**c) Introduction of stock-based compensation stock options (stock acquisition rights) for directors**

On May 10, 2012, the Company resolved at the board of directors meeting, to propose a resolution for determination of stock-based compensation stock option as directors' (excluding outside directors) compensation, at its 66th ordinary general meeting of shareholders held on June 28, 2012. Grant of the stock-based compensation stock option to the directors (excluding outside directors) was resolved pursuant to Article 361 of the Companies Act, and the subscription requirement was resolved at the board of directors meeting held on the same day.

The details of the stock-based compensation stock options are as follows:

Resolution date	June 28, 2012
Classification and number of people which stock acquisition rights were granted	Eight directors of the Company
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock
Number of shares	Maximum number of shares shall be 47,000 shares. Total number of stock acquisition rights to be issued shall be 470, and the number of shares to be issued upon exercise of each stock acquisition right ("number of allotted shares") shall be 100 shares. <sup>Note 1</sup>
Amount to be paid at the time of exercise of stock acquisition rights	¥1 per share
Exercise period of stock acquisition rights	30 years from the subsequent day of the allotment of stock acquisition rights.
Exercise conditions of stock acquisition rights	(1) The stock acquisition right may be only exercised on a lump-sum basis between the subsequent day of the expiration of position as director and 10th day (or the next business day of the 10th day if the 10th day is a holiday) from such day. (2) In case a person who has been granted stock acquisition rights ceases to exist, only one heir of such stock acquisition rights (the "right successor") may succeed the stock acquisition rights. Notwithstanding the above (1), the right successor may exercise such rights in a single transaction within six months from the next day upon which the inheritee was dead. If the right successor is dead, the heir of such right successor cannot succeed the stock acquisition right. (3) The stock acquisition rights cannot partly be exercised. (4) If the stock acquisition right holder gives up the stock acquisition rights, such stock acquisition rights cannot be exercised.
Matters relating to the transfer of stock acquisition rights	Approval at the board of directors meeting is required to obtain the stock acquisition right by transfer.
Matters relating to the substitute payment	—
Matters relating to the distribution of stock acquisition rights following the reorganization	<sup>Note 2</sup>

Notes: 1. In case the Company conducts a share split or a consolidation of shares after the date of the allotment of stock acquisition rights (the "allotment date"), the number of allotted shares will be adjusted according to the formula below.

Number of allotted shares after adjustment = Number of allotted shares before adjustment x Ratio of share split or consolidation of shares

In addition, in the case that the Company is subject to a merger, a company split, a share exchange or an allotment of shares without contribution after the allotment date, or if there is any other instance in which the adjustment of the number of allotted shares is necessary, the Company shall appropriately adjust it to a necessary and reasonable extent. Odd-lot less than one share that is generated as a result of the above adjustment shall be disregarded.

2. In case that the Company conducts the merger (limited to the case where the Company extinguishes as a result of the merger), the absorption-type split or the incorporation-type split (limited to the case where the Company becomes a split company, respectively), or the exchange or transfer of equity interest (limited to the case where the Company becomes a 100% subsidiary, respectively) (hereinafter collectively referred to as the "reorganization"), the Company shall, in each case, deliver the stock acquisition rights of stock companies stipulated in (a) to (e) of Article 236 (1) (viii) of the Companies Act (hereinafter collectively referred to as the "restructured company") pursuant to the issuance guidelines of stock acquisition rights to the stock acquisition right holders who still have the stock acquisition rights (hereinafter referred to as the "residual stock acquisition rights") immediately before the day when the reorganization becomes effective (the day when absorption and merger is effective, the day when a new company is established as a result of merger for the creation of a new company, the day when the split-up of a company with separated assets transferable to a new entity established through the split-up is effective, the day when a new corporation is established as a result of demerger for the creation of a new company, the exchange of equity interest is effective, and the day when a parent company is established as a result of the transfer of equity interest; the same shall apply hereinafter). In such case, the residual stock acquisition rights shall extinguish; provided, however, it is limited to the case where it is stipulated that the stock acquisition rights of the restructured company is delivered pursuant to the issuance guidelines of the stock acquisition rights stipulated in the absorption and merger agreement, the agreement on merger for the creation of a new company, the agreement on split-up of a company with separated assets transferable to a new entity established through the split-up, the agreement on demerger for the creation of a new company, the exchange of equity interest agreement, or the equity interest transfer plan.

#### d) Acquisition of shares of Moatech in Korea

The Company has acquired the majority of outstanding shares (50.8%) of Moatech Co., Ltd. ("Moatech") from Moatech and its major shareholders on May 31, 2012 with a view toward expanding its small-sized precision motor business, which is one of its major product lines, as well as strengthening the competitiveness of such business in the global market.

- (1) Name of the counterparty of share acquisition  
Moatech and its principal shareholders
- (2) Name, business profile, and size of Moatech
  1. Name Moatech Co., Ltd.
  2. Principal business Small-sized precision motors for use in the IT devices, automobiles, office equipments, home electronic appliances and cameras
  3. Capital KRW7.2 billion (¥520 million\*) (Year ended December 31, 2011)  
\*Exchange Rate: KRW1.00 = ¥0.0717
- (3) Timing of share acquisition  
May 31, 2012
- (4) The number of shares acquired, acquisition cost, and the holding ratio after the acquisition
  1. The number of shares acquired 7,287,238 shares
  2. Acquisition cost KRW59.5 billion
  3. Holding ratio after the acquisition 50.8% (the largest shareholder)



# Internal Control Report

## 1. Framework of Internal Control Over Financial Reporting

The management of Minebea Co., Ltd., is responsible for the design and operation of the internal control over financial reporting (“ICOFR”) that is performed by Minebea Co., Ltd. as well as that performed by its consolidated subsidiaries (collectively “Minebea Group”). Therefore, in accordance with the report “On the Revision of the Standards and Practice Standards for Management Assessments and Audit Concerning Internal Control Over Financial Reporting (Council Opinions)” (revised by the Business Accounting Council on March 30, 2011), management ensures that processes include basic internal control elements and are designed and operated appropriately in compliance with the basic framework of internal control, and also that the information contained in financial reports prepared by the Minebea Group is both appropriate and reliable.

However, internal control may not function effectively in cases where errors in judgment are made, there is carelessness or when a group of employees conspire to thwart said control. Furthermore, internal control may not apply in the event of unforeseeable changes to internal or external environments or for irregular transactions. For these reasons internal control over financial reporting is not absolutely effective in achieving its purposes and may not always be able to prevent or discover material misstatements contained in financial reports.

## 2. Assessment Scope, Timing and Procedures

### Basis of Presenting Internal Control Report

The report on ICOFR of the consolidated financial statements of Minebea Co., Ltd. (“Internal Control Report”) is prepared on the basis of generally accepted assessment standards of internal control over financial reporting in Japan (“Assessment Standards”) and is compiled from the Internal Control Report prepared by Minebea Co., Ltd. as required by the Financial Instruments and Exchange Act of Japan (“Act”).

The Assessment Standards require management to assess the ICOFR, which consists of the internal control over the consolidated/parent-only financial statements included in the Annual Securities Report filed under the Act and the internal control over disclosure information and others included in the Annual Securities Report that materially affects the reliability of the financial statements.

The scope of management’s assessment of ICOFR in this annual report is different from the scope required by the Assessment Standards. Management assessment of ICOFR for this annual report covers the ICOFR with respect to the accompanying consolidated financial statements only. In addition, as explained in Note 1 on the basis of presenting financial statement, the accompanying consolidated financial statements are reclassified and additional information are provided from the consolidated financial statements prepared for the purpose of the Act. The process of making reclassifications and the addition of certain information is for the convenience of readers outside Japan. Management voluntarily includes the process in its assessment of ICOFR, even though it is outside the scope of the Assessment Standards.

### Scope of Assessment

The reference date for the assessment of ICOFR was March 31, 2012, the end of the current fiscal year, and the assessment of the Minebea Group was carried out based on the Assessment Standards.

The basic assessment procedures consisted of providing relevant personnel with questionnaire sheets and checklists after analyzing and understanding the details of both internal control with a significant impact on all consolidated financial reporting (“entity-level internal control”) and internal control over accounting and financial reporting process; collecting their replies; making further inquiries to relevant personnel based on the answers to the questionnaires and checklists; inspecting relevant documents and verifying related records; and then selecting internal control incorporated into process in order to be performed simultaneously with the implementation of said process (“process-level internal control”) to be assessed based on those results.

In order to assess the effectiveness of the process-level internal control described above, the details of the processes subject to assessment were first examined for the purpose of proper understanding and analysis. Key controls that were considered to have significant influence to the reliability of financial reporting were then identified and the design and operation statuses of those key controls were assessed accordingly.

For the scope of evaluation for ICOFR, assessment was carried out on entity-level internal control and internal control over accounting and financial reporting process which have a significant effect on the Minebea Group’s consolidated financial reporting and for which it was considered appropriate to carry out assessment of design and operation status from a entity-level standpoint. This assessment was carried out at all of our business locations excluding 3 consolidated subsidiaries which were determined quantitatively and qualitatively insignificant.

For the scope of assessment for process-level internal control, 10 of our business locations were identified as significant business locations by using the accumulated data of each companies prior to consolidation elimination of the previous fiscal year and setting “total assets”, “net assets”, “sales” and “income before income taxes and minority interests” as selection indicators which showed that these 10 business locations made up approximately 70% or greater of the above accumulated data for the selection indicators. Then, processes which affect sales, accounts receivables and inventories, which are the accounts closely associated with Minebea Group’s business objectives, were assessed for these 10 business locations.

In addition, by considering the impact to the consolidated financial reporting, other significant processes were also included in the assessment.

## 3. Results of Assessment

Management concluded that as of March 31, 2012, ICOFR of the Minebea Group was effective.

## 4. Supplementary Information

Not applicable.

## 5. Other

Not applicable.



Yoshihisa Kainuma  
Representative Director, President and Chief Executive Officer  
June 28, 2012



## **Independent Auditor's Report**

To the Board of Directors of  
Minebea Co., Ltd.:

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Minebea Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, the consolidated statements of income and the consolidated statements of comprehensive income for the years ended March 31, 2012 and 2011, the consolidated statements of income for the year ended March 31, 2010, and the consolidated statements of changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2012, and the notes to consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Minebea Co., Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for each of the years in the three-year period ended March 31, 2012, in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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.



### **Report on the Internal Control Report**

We also have audited the accompanying report on internal control over financial reporting of the consolidated financial statements of Minebea Co., Ltd. as at March 31, 2012 (“Internal Control Report”).

### **Management’s Responsibility for the Internal Control Report**

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the Internal Control Report in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Internal Control Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the assessment of internal control over financial reporting in the Internal Control Report. The procedures selected depend on the auditor’s judgement, including significance of effect on the reliability of financial reporting. Also, an internal control audit includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management, and the overall Internal Control Report presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Internal Control Report, in which Minebea Co., Ltd. states that internal control over financial reporting was effective as at March 31, 2012, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

KPMG AZSA LLC

July 12, 2012  
Tokyo, Japan