

Outline

Outline of Operations Minebea Group comprises four business segments.

The machined components segment (40.2% of net sales in the year under review) primarily manufactures miniature and small-sized ball bearings, rod-end and spherical bearings, as well as fasteners and pivot assemblies. The rotary components segment (36.1% of net sales) focuses mainly on small precision motors, such as spindle motors for hard disk drives (HDDs) and fan motors. The electronic devices and components segment (20.3% of net sales) primarily makes light-emitting diode (LED) backlights for liquid crystal displays (LCDs) and other lighting devices, as well as inverters and measuring components. The other segment (3.4% of net sales) mainly produces speakers and special devices.

Product development takes place mainly in Japan, Germany, Thailand and the United States. Manufacturing takes place mainly in Japan, Thailand, China, the United States, Singapore, Malaysia, Cambodia, Germany, the Czech Republic and the United Kingdom. Thailand, which is our largest manufacturing base, accounted for 50.6% of our consolidated-basis output in the year under review, while China, which is our next biggest manufacturing base, accounted for 24.7%. Asian locations outside of Japan accounted for 80.3% of our production, and manufacturing at all overseas locations accounted for 91.9% of total output.

The key markets for our products are PCs and peripherals (29.1% of net sales in the year under review), office automation and telecommunications equipment (20.0%), automotive (11.1%), aerospace (9.5%) and household electrical appliances (7.2%). Many manufacturers of these products—our customers—are moving outside of Japan, Europe, and the Americas to expand their manufacturing capacity in Asia, especially in China. As a result, China (including Hong Kong), accounted for 29.0% of consolidated net sales in the year under review, followed by Japan (20.1%), Thailand (12.9%), and then Europe and the United States.

On April 1, 2013 we carried out an internal reorganization. We reorganized the Machined Component Manufacturing HQ, Rotary Component Manufacturing HQ, Electronic Device & Component Manufacturing HQ, HDD Motor Manufacturing HQ, Special Device Manufacturing HQ, and Global Motor Business HQ into two manufacturing headquarters, the “Machined Component Manufacturing HQ” and the “Electronic Device & Component Manufacturing HQ”. The objective of the reorganization is to improve business efficiency and speed.

Outline of Strategy We aim to lift profitability and boost enterprise value by leveraging our “vertically integrated manufacturing system” that takes advantage of “ultra-precision machining technologies”, and by globally expanding our “large-scale overseas volume production systems” and “well-developed R&D system” in order to stay “ahead of the competition in manufacturing and technological excellence”.

We are also building a new supply chain in order to diversify procurement so that we can cope with significant fluctuations in supply and demand and improve capital efficiency. The growth drivers that will allow us to accomplish this and achieve sustainable growth are “new product development”, the “improvement of existing products”, and the “relentless improvement of manufacturing technology”, as well as our “ability to leverage our vertically and horizontally integrated strengths” and our ability to “increase enterprise value through M&A and alliances”.

1. In ball bearings, we will generate and expand new demand by strengthening our production capacity in miniature ball bearings, an area with strong growth potential, and by developing new products. Along with focusing on manufacturing and sales efforts directed at emerging markets, we will also work to expand profitable businesses so that we can cope with a rapidly changing business environment.
2. We will build a flexible manufacturing platform for pivot assemblies so that we can address decreased demand in the HDD-related market.
3. We will work to improve results in the HDD spindle motor business by continuing to develop new products, while reducing costs, so that we can address market demand.
4. Demand for aircraft parts is expected to expand, so in order to further bolster this area, we will improve our basic technological capabilities in existing rod-end bearings while at the same time formulating a global business strategy. We will also keep moving into aircraft mechanical parts that take advantage of our highly advanced processing technology.
5. We will seek to increase and stabilize sales and profits in the LED backlight business, by boosting the output of products used in smartphones and tablet PCs and by expanding sales in the automobile market.
6. We will further expand our business in precision small motors, including fan motors, and develop this area into a pillar of our business alongside bearing-related products. We also aim to boost profitability by increasing output and reducing costs as we expand operations at our Cambodia plant.
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 work to increase sales by developing new “electro-mechanics solutions” by merging electronic device technologies and machined component technologies in order to tap new markets such as medical equipment.
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. In order to minimize geographic risk we will constantly review our optimal manufacturing locations and we will also prepare ourselves to accommodate multi-region manufacturing.
12. We will actively seek to enhance enterprise value through M&A and alliance.

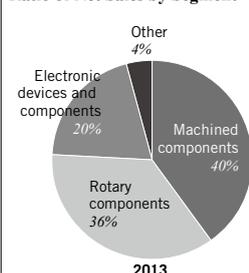
Financial Data by Segments

	<i>Millions of yen</i>				
<i>Years ended March 31</i>	2013	2012	2011	2010	2009
Sales by reportable segments					
Machined components	¥113,573	¥107,038	¥107,841	¥ 99,291	¥ —
Rotary components	101,920	91,364	101,139	74,185	—
Electronic devices and components	57,190	37,887	40,502	35,780	—
Reportable segments total	¥272,683	¥236,289	249,482	209,256	—
Other	9,726	15,069	19,657	19,190	—
Total	¥282,409	¥251,358	269,139	228,446	—
Adjustment	—	—	—	—	—
Consolidated financial statements amount	¥282,409	¥251,358	¥269,139	¥228,446	¥ —
Income (loss) by reportable segments					
Machined components	¥ 25,459	¥ 25,611	¥ 28,088	¥ 20,634	¥ —
Rotary components	(4,369)	(4,119)	(225)	(1,827)	—
Electronic devices and components	1,531	(959)	4,160	5,385	—
Reportable segments total	¥ 22,621	¥ 20,533	32,023	24,192	—
Other	231	(339)	498	(685)	—
Total	¥ 22,852	¥ 20,194	32,521	23,507	—
Adjustment	(12,683)	(11,595)	(10,358)	(11,448)	—
Consolidated financial statements amount	¥ 10,169	¥ 8,599	¥ 22,163	¥ 12,059	¥ —
Assets by reportable segments					
Machined components	¥ 97,632	¥ 82,614	¥ 77,796	¥ 79,507	¥ —
Rotary components	87,502	70,753	72,374	64,488	—
Electronic devices and components	26,953	22,491	18,280	14,898	—
Reportable segments total	¥212,087	¥175,858	168,450	158,893	—
Other	9,778	10,065	10,857	19,911	—
Total	¥221,865	¥185,923	179,307	178,804	—
Adjustment	140,940	120,849	111,785	99,163	—
Consolidated financial statements amount	¥362,805	¥306,772	¥291,092	¥277,967	¥ —
Depreciation and amortization by reportable segments					
Machined components	¥ 8,020	¥ 7,520	¥ 8,098	¥ 8,017	¥ —
Rotary components	6,867	6,824	7,895	7,887	—
Electronic devices and components	1,751	1,163	979	953	—
Reportable segments total	¥ 16,638	¥ 15,507	16,972	16,857	—
Other	879	1,101	1,291	1,472	—
Total	¥ 17,517	¥ 16,608	18,263	18,329	—
Adjustment	3,283	2,980	2,543	2,811	—
Consolidated financial statements amount	¥ 20,800	¥ 19,588	¥ 20,806	¥ 21,140	¥ —
Increase in tangible and intangible fixed assets by reportable segments					
Machined components	¥ 9,100	¥ 8,501	¥ 10,783	¥ 4,122	¥ —
Rotary components	11,974	7,462	9,490	3,516	—
Electronic devices and components	2,262	2,647	1,515	592	—
Reportable segments total	¥ 23,336	¥ 18,610	21,788	8,230	—
Other	763	471	825	460	—
Total	¥ 24,099	¥ 19,081	22,613	8,690	—
Adjustment	19,588	8,225	4,722	2,391	—
Consolidated financial statements amount	¥ 43,687	¥ 27,306	¥ 27,335	¥ 11,081	¥ —

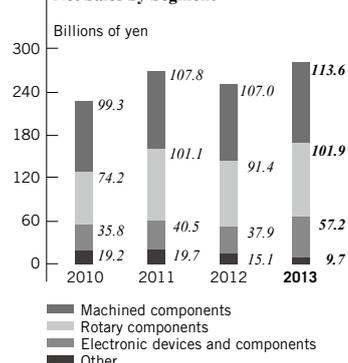
Note: Effective from fiscal 2011, the Company applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information.” Accordingly, figures of fiscal 2009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

Results of Operations

Ratio of Net Sales by Segment



Net Sales by Segment



Net Sales

In the year under review, the Japanese economy continued to face challenges. Although domestic demand remained firm owing to the demand arising from reconstruction in the wake of the Great East Japan Earthquake, exports declined and capital investment fell sharply due to the effects of a slowing global economy, a rising yen, and increasingly strained relations between Japan and China. Even so, entering the fourth quarter there were signs of improvement in the economy as a result of the emergency economic stimulus package that was pushed by the Liberal Democratic Party of Japan (LDP) government that came into power at the end of last year and the alleviation of the strong yen. In the United States, consumer spending remained firm and the housing market continued to improve, but the unemployment rate has been slow to improve. Europe remained mired in a slump. The German economy remained firm even as the sovereign debt crisis dragged on, but the unemployment rate worsened and economic recovery was delayed elsewhere in the euro-zone, causing the gap among countries to widen. In Asia, Chinese growth slowed and India also weakened due to the decrease in exports that resulted from the European economic slump as well as stagnating domestic demand; however, the ASEAN countries remained on solid footing thanks mainly to domestic demand.

In this business climate, in order to further enhance profitability, Minebea focused its efforts on rigorous cost-cutting, higher valued-added products, the development of new technologies, and marketing initiatives. As a result, net sales increased ¥31,051 million (12.4%) from the previous year to ¥282,409 million.

Cost of Sales

In the year under review, cost of sales increased ¥26,608 million (13.4%) from the previous year to ¥225,114 million. The cost of sales to net sales ratio rose 0.7 points from the previous year to 79.7% due to decline in output which was caused by sales volume decline and inventory adjustment due to the effects of the global economic slowdown and a deteriorating HDD market starting in the second quarter.

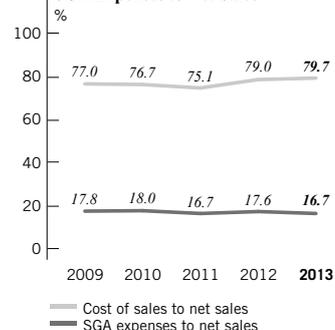
SGA Expenses

SGA expenses increased ¥2,873 million (6.5%) from the previous year to ¥47,126 million in the year under review. The SGA expense ratio decreased 0.9 points from the previous year to 16.7%. The primary factors of the increase in SGA expenses were the inclusion of the figures from newly acquired MOATECH CO., LTD. starting in the second quarter of the fiscal year, the expenses associated with the relocation of the Tokyo headquarters, and the effects of the weaker yen.

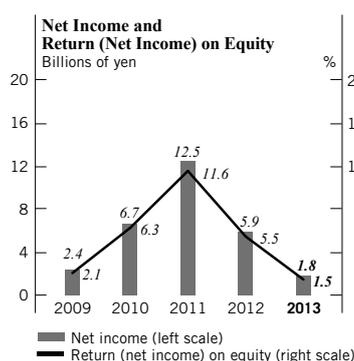
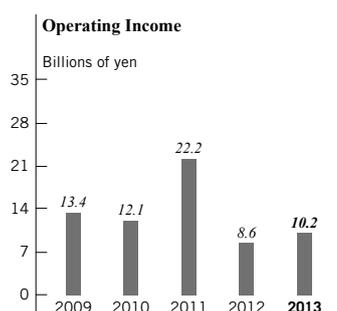
Cost of Sales and SGA Expenses

Years ended March 31	Millions of yen				
	2013	2012	2011	2010	2009
Net sales	¥282,409	¥251,358	¥269,139	¥228,446	¥256,163
Cost of sales	225,114	198,506	202,145	175,286	197,138
Cost of sales to net sales	79.7%	79.0%	75.1%	76.7%	77.0%
Gross profit	57,295	52,852	66,994	53,160	59,025
SGA expenses	47,126	44,253	44,831	41,101	45,619
SGA expenses to net sales	16.7%	17.6%	16.7%	18.0%	17.8%

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



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



Operating Income

Operating income increased ¥1,570 million (18.3%) from the previous year to ¥10,169 million. Although the weaker yen and stronger currencies in other Asian countries had an effect on operating income, it grew as sales rebounded. Operating margin rose 0.2 points to 3.6%. See “Segment Information” for details.

Other Income (Expenses)

The net balance of other income and expenses (the net of non-operating profit (loss) and extraordinary profit (loss)) was a loss of ¥5,287 million, ¥2,239 million larger than the previous year. We recorded other income of ¥4,304 million on the gain on sale of the Omori Plant and ¥2,572 million in partial insurance claim payments associated with the widespread flooding in Thailand. We also recorded other expenses of ¥4,905 million on the restructuring and associated impairment charges of the rotary components segment, interest expenses of ¥2,651 million, ¥1,642 million in expenses associated with the partial settlement of a defined benefit pension plan at U.S. subsidiaries, and ¥955 million on the restructuring and the associated provision for doubtful receivables of the speaker business.

Income before Income Taxes and Minority Interests

As a result of the above, net income before income taxes and minority interests decreased ¥669 million (12.1%) from the previous year to ¥4,882 million.

Income Taxes

Income taxes increased ¥2,392 million from the previous year to ¥3,650 million. Income taxes included current income taxes (i.e. corporate, inhabitant and business taxes) totaling ¥4,058 million and deferred income taxes (benefit) of ¥408 million. The effective tax rate increased from 22.7% in the previous year to 74.8%. This is attributable to the fact that the previous year included special factors that served to depress taxes, such as a special exemption on the insurance claim payments received due to the flooding in Thailand and recognition of deferred tax assets associated with the downsizing of the keyboard business, and the fact that in the year under review earnings at various group companies deteriorated due to measures such as the restructuring of the rotary components segment.

Minority Interests (Losses)

Minority interests (losses) totaled ¥572 million, ¥1,057 million smaller than the previous year mainly due to the improved profitability of the Minebea Motor Manufacturing Corporation joint venture.

Net income

As a result of the above, net income decreased ¥4,118 million (69.5%) from the previous year to ¥1,804 million. Basic net income per share was ¥4.83, down ¥10.80 from ¥15.63 in the previous year.

Income

	<i>Millions of yen</i>				
<i>Years ended March 31</i>	2013	2012	2011	2010	2009
Operating income	¥10,169	¥8,599	¥22,163	¥12,059	¥13,406
Operating margin	3.6%	3.4%	8.2%	5.3%	5.2%
Net balance of other income (expenses)	(5,287)	(3,048)	(3,507)	(2,798)	(6,572)
Net income	1,804	5,922	12,465	6,662	2,441
Net income to net sales	0.6%	2.4%	4.6%	2.9%	1.0%
Net income per share (Yen):					
Basic	4.83	15.63	32.61	17.20	6.18
Diluted	4.65	15.54	—	—	—
Return (net income) on equity	1.5%	5.5%	11.6%	6.3%	2.1%
Return on total assets	0.5%	2.0%	4.4%	2.4%	0.8%

Financial Condition

Financial Policy and Liquidity

Products and technologies are being developed faster and faster in the various areas in which Minebea Group operates, and the global competition among companies is intensifying. In this environment, we must make the upfront investments needed to develop new products that meet our customers' needs and to develop the products that keep us one step ahead of the market, while also ensuring that we have the sort of flexibility in capital spending that will allow us to immediately cope with changes in demand. We are endeavoring to maintain and strengthen our financial position and agility in financing so that we can support this kind of dynamic corporate activity and forge ahead on "strengthening our technological development capabilities".

We have made "strengthening our financial position" one of our key management policies and our medium-term objective is to keep net interest-bearing debts to the ¥100 billion level (¥136,148 million at the end of the year under review). With respect to capital spending, we intend to proactively expand investments in growth businesses while at the same time rigorously ensuring the efficient deployment of assets by use of an effective investment plan, allowing us to shrink total assets, control capital spending, and reduce liabilities.

Furthermore, in order to ensure our flexibility in financing, we have obtained a rating for up to ¥10 billion in short-term debt from a ratings institution. In order to maintain and reinforce the stability of our financing base, we have maintained good relationships with financial institutions inside and outside of Japan, while at the same time we are building a framework to manage liquidity risk that includes our entering into an agreement for commitment lines of ¥10 billion.

Debt Ratings

As of May 2013

	<i>Long-term debt</i>	<i>Short-term debt</i>
Japan Credit Rating Agency Ltd. (JCR)	A	J-1
Rating and Investment Information Center Inc. (R&I)	A-	a-1

Capital Investment

With respect to capital investment, we endeavor to proactively expand our investments in growth businesses while at the same time making efficient investments that allow us to address changes in demand. In the year under review capital investments totaled ¥43,687 million, comprising ¥9,100 million for the machined components segment, ¥11,974 million for the rotary components segment, ¥2,262 million for the electronic devices and components segment, ¥763 million for the other segment, and ¥19,588 million for unallocated corporate capital investments.

Investments in the machined components segment mainly consisted of investments to boost output and streamline facilities for bearings and HDD pivot assemblies in Thailand. Investments in the rotary components segment mainly consisted of equipment for making HDD spindle motors in Thailand and equipment for making information motors in Cambodia and China. In the electronic devices and components segment, we invested mainly in equipment for manufacturing LED backlights and components in Thailand and China. The unallocated corporate capital investments were mainly related to the acquisition of our Tokyo headquarters building.

The figure of capital investments includes ¥893 million in intangible fixed assets and a ¥143 million increase in assets associated with new finance lease agreements.

Our plan for the next fiscal year calls for ¥20.9 billion in capital investments.

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.

Our policy is to distribute dividends from surplus two times each year in the form of an interim dividend and a year-end dividend.

The body that determines the year-end dividend from surplus is the annual general meeting of shareholders, while the interim dividend is determined by the Board of Directors.

Pursuant to the above policy, our dividend for the year under review is 7 yen per share, which includes an interim dividend of 3 yen per share. The resulting consolidated-basis dividend payout ratio for the year under review is 144.9%.

We intend to use our retained earnings to expand globally, while at the same time becoming even more cost-competitive and reinforcing our technology and manufacturing development platform so that we can address market needs, thereby allowing us to accommodate anticipated changes in our business environment.

Free Cash Flow

In the year under review, we recorded negative free cash flow (defined as the aggregate of cash flows from operating activities and cash flows from investing activities) of ¥14,823 million, a decrease of ¥6,038 million from the previous year.

Cash Flows from Operating Activities

We generated cash flows from operating activities of ¥22,990 million, up ¥2,757 million (13.6%) from the previous year. Inflows consisted mainly of the ¥4,882 million in income before income taxes and minority interests and ¥20,800 million in depreciation & amortization, while outflows consisted mainly of a ¥6,499 million decrease in trade payables and a ¥4,399 million gain on sales and disposals of fixed assets.

Cash Flows from Investing Activities

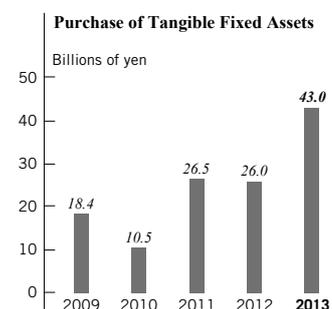
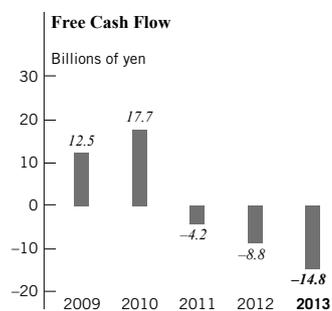
Cash flows from investing activities totaled outflow of ¥37,813 million, up ¥8,795 million (30.3%) from the previous year. Inflows consisted mainly of ¥5,845 million in proceeds from sales of tangible fixed assets. Outflows consisted mainly of ¥42,963 million in payments for purchase of tangible fixed assets.

Cash Flows from Financing Activities

Cash flows from financing activities amounted to inflow of ¥17,409 million, an increase of ¥12,648 million (265.7%) from the previous year. Inflows consisted mainly of a net increase of ¥22,036 million in short- and long-term borrowing, while outflows consisted mainly of ¥2,634 million for the payments of cash dividends and ¥2,156 million for the payments for purchase of treasury stock.

Cash and Cash Equivalents

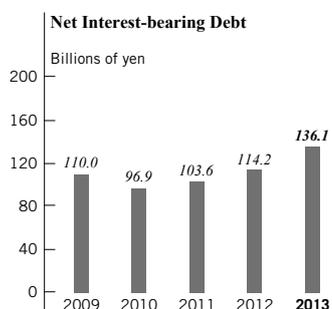
Because free cash flow outlays were less than the inflows from financing activities, cash and cash equivalents increased ¥4,857 million from the previous year to ¥28,223 million at the end of the year under review.



Free Cash Flow

Years ended March 31	Millions of yen				
	2013	2012	2011	2010	2009
Net cash provided by operating activities	¥22,990	¥20,233	¥24,439	¥30,408	¥37,064
Net cash used in investing activities	(37,813)	(29,018)	(28,631)	(12,733)	(24,554)
Portion of above used in purchase of tangible fixed assets	(42,963)	(25,961)	(26,517)	(10,495)	(18,429)
Free cash flow	(14,823)	(8,785)	(4,192)	17,675	12,510

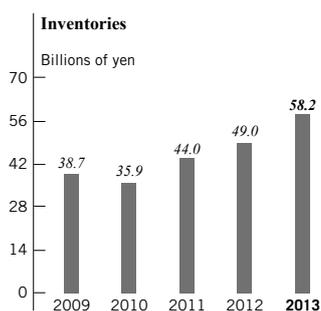
Assets, Liabilities and Net Assets



Total assets increased ¥56,033 million (18.3%) from the previous year-end to ¥362,805 million at the end of the year under review. This is mainly from the effect of foreign exchange rates, and increases in fixed assets associated with capital investment in the rotary components segment and machined components segment and the purchase of a new Tokyo headquarters building.

Net assets totaled ¥137,858 million and shareholders' equity totaled ¥131,327 million, resulting in a shareholders' equity ratio of 36.2%, up 0.5 points from the previous year.

Net interest-bearing debt (defined as total debt after subtracting cash and cash equivalents and time deposits) increased ¥21,934 million (19.2%) from the previous year to ¥136,148 million. The net debt-to-equity ratio was 1.0x, unchanged from the previous year-end.



Assets

Cash and cash equivalents increased ¥4,857 million from the previous year-end to ¥28,223 million. Notes and accounts receivable—trade increased ¥3,851 million from the previous year-end to ¥62,646 million due to the effects of foreign exchange rates. Notes and receivables—other decreased ¥4,349 million to ¥1,796 million due to the receipt of insurance claim payments associated with the widespread flooding in Thailand. Inventories increased ¥9,209 million from the previous year-end to ¥58,234 million due to the effects of foreign exchange rates.

As a result of the above, total current assets increased ¥13,190 million (8.4%) from the previous year-end to ¥170,977 million.

Tangible fixed assets increased ¥43,724 million (34.4%) from the previous year-end to ¥170,763 million due to the capital investment in the rotary components segment and machined components segment, and the purchase of a new Tokyo headquarters building. In the year under review, purchases of tangible fixed assets totaled ¥42,963 million and depreciation & amortization totaled ¥20,800 million.

Intangible fixed assets decreased ¥611 million (11.2%) from the previous year-end to ¥4,868 million.

Investments and other assets decreased ¥256 million (1.6%) from the previous year-end to ¥16,146 million.

As a result of the above, total fixed assets increased ¥42,857 million (28.8%) from the previous year-end to ¥191,777 million.

Liabilities

Notes and accounts payable—trade decreased ¥2,938 million from the previous year-end to ¥20,398 million. Short-term debt increased ¥12,517 million from the previous year-end to ¥65,966 million. The current portion of long-term debt increased ¥4,079 million to ¥19,237 million. As a result of the above, total current liabilities increased ¥12,771 million (11.0%) from the previous year-end to ¥128,484 million.

Long-term debt increased ¥11,272 million from the previous year-end to ¥85,209 million, and total long-term liabilities increased ¥15,181 million (18.7%) from the previous year-end to ¥96,463 million.

Net Assets

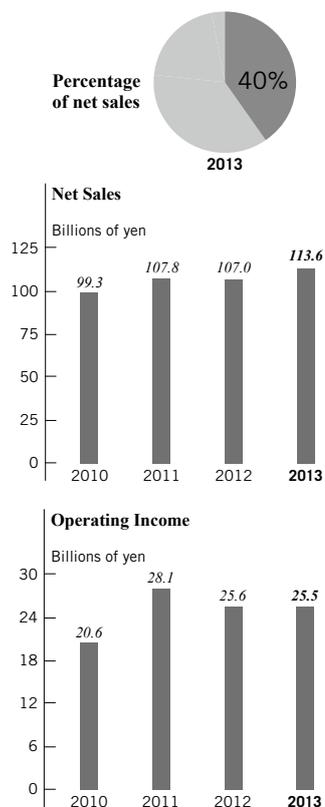
Total net assets increased ¥28,081 million (25.6%) from the previous year-end to ¥137,858 million mainly due to a ¥23,753 million increase associated with the foreign currency translation of assets in overseas subsidiaries. Minority interests in subsidiaries increased ¥6,095 million from the previous year-end to ¥6,479 million, mainly due to the inclusion of Moatech Co., Ltd. within the scope of consolidation.

Financial Position

	<i>Millions of yen</i>				
<i>As of March 31</i>	2013	2012	2011	2010	2009
Total assets	¥362,805	¥306,772	¥291,092	¥277,967	¥285,396
Cash and cash equivalents	28,223	23,366	27,622	24,855	27,895
Time deposits	6,041	4,964	1,969	1,652	—
Total current assets	170,977	157,787	144,178	130,004	121,699
Inventories	58,234	49,025	43,998	35,912	38,737
Total current liabilities	128,484	115,713	116,863	102,961	112,312
Working capital	42,493	42,074	27,315	27,043	9,387
Interest-bearing debt	170,412	142,544	133,213	123,400	137,890
Net interest-bearing debt	136,148	114,214	103,622	96,893	109,995
Total net assets	137,858	109,777	109,967	108,381	106,762
Equity ratio	36.2%	35.7%	37.1%	38.5%	37.1%
Debt-to-equity ratio (Times)	1.2	1.3	1.2	1.1	1.3
Net debt-to-equity ratio (Times)	1.0	1.0	0.9	0.9	1.0
Net assets per share (Yen)	351.65	288.74	282.03	279.87	271.93

Segment Information

Machined Components



In the year under review, net sales in the machined components segment increased ¥6,535 million (6.1%) from the previous year to ¥113,573 million. Operating income decreased ¥152 million (0.6%) from the previous year to ¥25,459 million, while operating margin, calculated using sales to external customers, narrowed by 1.5 points from the previous year to 22.4%. Output and sales remained firm in the first quarter, but we adjusted output beginning in the second quarter due to the effects of the slowing global economy and a worsening HDD market. Net sales increased due to the weaker yen, but profits declined slightly due to the higher manufacturing costs that resulted from lower output.

Principal Products, Markets, and Minebea's Global Market Share

<i>Our product lines & principal products</i>	<i>Principal markets</i>	<i>Global market share*</i>
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	Hard disk drives	70%

*Global market share is based on volume, except for the figure for rod-end and spherical bearings, which is based on sales value. Minebea estimates market share based on information that we collect ourselves and information from independent market research firms.

Business Activities and Ongoing Efforts

Beginning in the second quarter onwards, sales volume for our mainstay miniature/small-sized ball bearings declined compared to the previous year due to the effects of the slowing global economy and a worsening HDD market. Net sales increased due to the weaker yen but manufacturing costs increased as a result of production adjustments aimed at reducing inventory, and as a result profit decreased. Both our sales and profits from rod-end and spherical bearings increased from the previous year thanks to stronger demand for aircraft applications.

We are continuing our efforts to reduce costs in the ball bearings business by improving yields and streamlining production. While strengthening operations based on the idea of returning to basics in manufacturing, we are also working to strengthen our basic technology development areas. Going forward, we will use the production capacity at our newly completed (2011) plant in order to expand sales to the automobile industry and the information and telecommunications equipment industry and to capture new demand through the production of low-cost, mass-produced ball bearings for emerging countries and medium-sized ball bearings.

In the rod-end fastener business, we will pursue overall cost reductions by expanding output capacity for semifinished products by expansion of our Thai plant in 2012, making us able to better withstand exchange rate fluctuations.

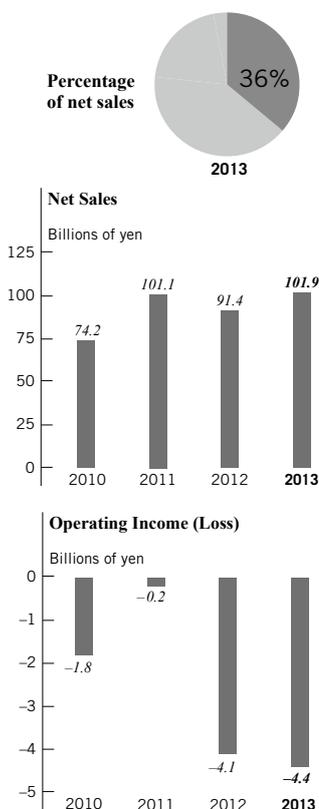
In the pivot assembly business, we have been continuously working to lower costs and increase production through measures such as increasing yields. While leveraging synergies of our significant market share in pivot assemblies and miniature ball bearings to maintain a sizeable market share in higher valued-added products such as 7mm and 5mm products, we are also seeking to expand earnings.

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



In the year under review, net sales increased ¥10,556 million (11.6%) from the previous year to ¥101,920 million. The segment reported an operating loss of ¥4,369 million, ¥250 million wider than the previous year. Operating margin improved by 0.2 points to -4.3%.

HDD spindle motors continued their steady recovery from the wide-spread flooding in Thailand. Although we adjusted output beginning in June 2012, sales volume increased thanks to our growing market share in high-end products. Earnings from information motors have been slow to recover amid a global economic slowdown, increasingly strained relations between Japan and China, and surging currencies in Thailand and China, where we have manufacturing bases.

Principal Products, Markets, and Minebea's Global Market Share

<i>Our product lines & principal products</i>	<i>Principal markets</i>	<i>Global market share*</i>
Information motors (fan motors, stepping motors, brush DC motors, vibration motors, DC brushless motors)	PCs and servers, information and telecommunications equipment, household electrical appliances, mobile phones, automobiles, industrial machinery, office automation equipment	2-70%, depending on products
HDD spindle motors	Hard disk drives	—
Precision motors	Automobiles	—
Micro-actuators	Digital still cameras, automobiles	—

*Global market share is based on volume. Minebea estimates market share based on information that we collect ourselves and information from independent market research firms.

Business Activities and Ongoing Efforts

Demand for HDD spindle motors remained weak even after the HDD market production adjustments that took place beginning in June 2012. After the widespread flooding in Thailand, production capacity was fully restored in December, and we have put in place a framework enabling steady supply of product that meets demand, including orders from overseas. At the same time, our products for the server market and other high-end products are highly regarded by customers and sales in these areas are rising.

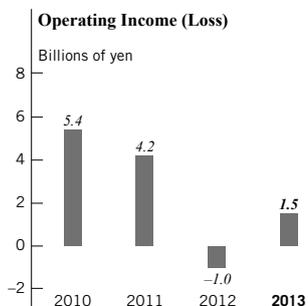
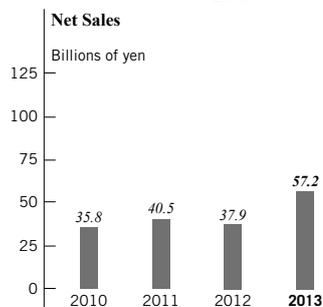
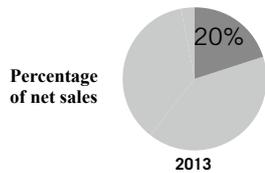
In the information motors business, the markets for smartphones and tablet PCs are rapidly expanding but this is negatively affecting demand for products like notebook PCs, hard disk drives, printers, copiers, and compact digital still cameras. As a result, we have embarked on a reorganization of our motors business. We are working to lower the breakeven point by: 1) dissolving a joint venture with Panasonic, converting the company into a wholly owned subsidiary which we then absorbed; 2) withdrawing from the vibration motors business; 3) reducing labor costs by transferring production of micro-actuators and brush DC motors to the Cambodia plant; 4) combining the micro-actuator business unit with the stepping motors business unit; and 5) reducing future fixed costs by reducing production capacity for items such as HDD spindle motors. By taking these measures we aim to stem the losses in the rotary components segment.

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



In the year under review, net sales jumped ¥19,303 million (50.9%) from the previous year to ¥57,190 million. Operating income increased ¥2,490 million from the previous year to ¥1,531 million. Operating margin improved by 5.2 points to 2.7%.

Our output and sales of LED backlights fluctuated sharply during the year, but earnings for the full year showed substantial improvement. Measuring components were affected by the fourth quarter surge in the currencies of Thailand and China (where we have manufacturing bases), but business results for the full year remained firm due to a rebound in sales to the automobile market.

Principal Products, Markets, and Minebea's Global Market Share

Our product lines & principal products	Principal markets	Global market share*
LED backlights	Mobile phones, automobiles, digital cameras, portable digital information terminals	20%
Measuring components	Industrial machinery, automobiles	—

*Global market share is based on volume. Minebea estimates market share based on information that we collect ourselves and information from independent market research firms.

Business Activities and Ongoing Efforts

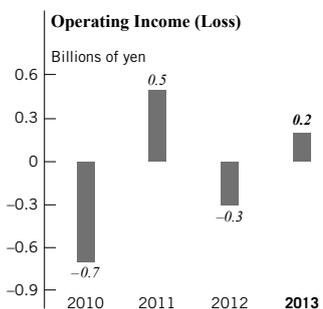
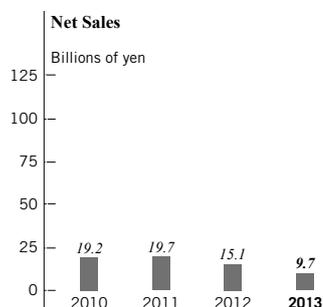
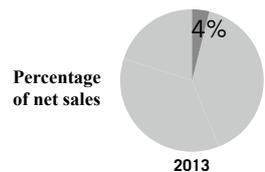
Output and sales of LED backlights rose sharply starting in the second quarter, resulting in a substantial increase in profits. However, production and sales fell back sharply in the fourth quarter due to the effects of a temporary—but sudden and significant—production adjustment on the customer side. Compared to the previous year, business results for the full year improved substantially. Sales of measuring components for the automobile industry rebounded and business results remained firm.

Because the demand for LED backlights fluctuates suddenly and substantially, in parallel with working to keep existing customers, we are also working to minimize the risk of fluctuations in demand and aggressively expand sales by introducing new products and fostering new customers, thereby greatly increasing both sales and profits. In measuring components, we are working to develop new products and grow our sales of products for the automobile market. In addition to industrial machinery, we are actively working to tap new markets, such as automobiles, for measuring components. Going forward, we will be seeking to develop other new markets such as the medical and nursing care market, and modularization and systemization with products such as motors that incorporate sensors as a key device.

Major Products

LED backlights Backlight inverters LED drivers Measuring components Hybrid components

Other



In the year under review, net sales decreased ¥5,343 million (35.5%) from the previous year to ¥9,726 million. Operating income increased ¥570 million from the previous year to ¥231 million. Operating margin improved by 4.6 points to 2.4%.

Business Activities and Ongoing Efforts

Speaker results continued to be severely affected by poor sales, but profits from special devices rose compared to the previous year. Sales fell significantly due to our withdrawal from the keyboard business, but profits improved.

Major Products

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 such as HDD spindle motors. 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.

In the year under review, our group-wide research and development expenses totaled ¥7,743 million. This amount includes ¥1,782 million in basic research expenses that cannot be allocated to any particular segment, such as business support and analysis conducted at materials science labs in Thailand and China.

What follows is an overview of the R&D activities conducted in each segment during the year under review.

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 appliance, automobile and aerospace industries. Reliability engineering aimed at minimizing particle generation, resisting high temperature, 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 is one of the applications of miniature ball bearings. We have developed new pivot assembly products for growing segments of the HDD market such as slimmer 2.5 inch HDDs (7mm/5mm height) and ones for servers.

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.

For the automobile industry we have developed high-heat-resistant ball bearing units for turbochargers jointly with myonic, our consolidated subsidiaries. Turbochargers allow engines to be downsized and fuel efficiency to be improved while maintaining engine power by using exhaust gas to supercharge the engine, and the market for these devices is expected to triple to 60 million units by 2020. By combining our own excellent precision machining technology with myonic's powerful technology development capabilities, we have developed a high value-added high-heat-resistant ball bearing unit for turbochargers.

R&D expenses in this segment totaled ¥1,154 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. In the year under review we developed a hybrid stepping motor that replaces expensive rare earth magnets with inexpensive ferrite magnets but maintains the characteristics of rare earth magnets.

In HDD spindle motors, we have developed motors with a new structure that is optimal for high-end applications where a high level of reliability is required such as the enterprise and nearline devices mainly used in data centers, and we have expanded the market share in this area. Finally, we have developed ultra-slim motors in anticipation of the market shift in 2.5-inch hard disk drives from a 9.5mm height to 7mm or even 5mm.

R&D expenses in this segment totaled ¥3,200 million.

Electronic Devices and Components

In the area of display-related products, we are developing ultra-thin LED backlight units for smartphones that are becoming larger and thinner. In addition to the ultra-precision machining technologies and mold-design technologies that define the Minebea group, we are also improving our injection molding technology for transparent resin allowing fine optical patterns to be swiftly and precisely transferred to LED backlight guide plates. Using this, we have developed ultra-thin guide plates for the world's thinnest (less than 0.3mm) 5-inch wide class smartphones. We are also using the optical technologies that we developed in backlight products to develop lighting modules that combine an LED lighting circuit with a thin lens for LED lighting. These lighting modules are thinner and use less electricity than conventional products because they operate more efficiently.

In electronics-related products, we are developing LED backlight driver circuits, which is a growing market. Shifting from conventional analog to digital control circuits will help shorten design lead times by significantly reducing the number of parts and allowing a higher level of control.

R&D expenses in this segment totaled ¥1,196 million.

Other

Our other segment mainly includes speakers and special devices.

R&D expenses in this segment totaled ¥411 million.

Outlook for the Fiscal Year Ending March 2014 and Risk Factors

Outlook for the Fiscal Year Ending March 2014 (as of May 2013)

Although the European economy is in a slump and there is still uncertainty about the global economy, the Japanese economy is expected to continue to improve due to a rebound in exports fueled by the weaker yen and the boost provided by emergency economic stimulus measures. The U.S. economy is also expected to continue to improve as automobile and home purchases turn upwards now that households have made progress on adjusting their levels of debt and as employment grows due to improved corporate earnings. On the other hand, the European economy is expected to recover at a sluggish pace as the austerity measures put in place to deal with debt woes remain in place. In Asia, the Chinese economy is expected to improve due to the effects of economic stimulus measures, but there is still pressure to make adjustments to the excess capacity, so the recovery is expected to be modest. Meanwhile, other Asian countries are expected to show generally strong growth.

Although surging currencies in Thailand and China—where our main bases of production are located—will have an effect, we nonetheless expect the business climate to take a turn for the better due to rebounding economies in Japan, the U.S. and Asia (but not Europe). Owing to the business restructuring undertaken during the year under review, we are projecting net sales of ¥320,000 million, operating income of ¥16,000 million, and net income of ¥8,500 million.

What follows are our full year projections for each segment.

Machined Components

In our mainstay ball bearings, sales of bearings for use in pivot assemblies are expected to decline due to decreasing demand in the HDD market. Nonetheless, overall demand is expected to grow due to the global economic recovery, and this should lead to improved business results due to our aggressive efforts to expand sales to the automobile industry and the information and telecommunications equipment industry, as well as our entry into new markets. Additionally, our German subsidiary, myonic, has expanded production capacity with the opening of a new plant and, as a result, we expect increased sales in the area of high-precision bearings. We are also aiming to expand sales of rod-end bearings to the growing aircraft market by developing new products and by expanding our production global platform, with facilities in Japan, the United States, the United Kingdom and Thailand.

Rotary Components

We expect to see improved business results in information motors. In addition to our withdrawal from the coreless vibration motor business during the year under review and other business restructuring efforts, we are focusing our efforts on tapping new markets and developing new products, along with reducing the cost of materials and pursuing manufacturing efficiencies. We

also expect to see improved results in micro-actuators since we completed the transfer of production from subcontractors in China to our Cambodia plant and we are reducing costs. We are working to improve the performance of our HDD spindle motors by expanding sales of higher valued-added products and due to benefits from our business restructuring measures. We are aiming for significant improvement in the rotary components segment as a whole due to the above measures.

Electronic Devices and Components

We expect to see a substantial increase in both sales and profits from our mainstay LED backlights. Because demand for LED backlights fluctuates suddenly and substantially we are working to minimize the risk of fluctuations in demand and aggressively expand sales by introducing new products and cultivating new customers. In measuring components, we are working to develop new products and grow our sales of products for the automobile market.

Other

We are improving productivity in special devices by transferring some equipment to our Fujisawa Plant before the scheduled December completion of our new plant that is under construction adjacent to our existing Matsuida Plant.

Risk Factors

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 Minebea Group as of the end of the fiscal year under review.

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 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 & 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.

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. Natural disaster risk

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

9. Risk related to compliance/internal control

As Minebea Group has deployed various businesses around the world, we are 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. 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 accrued retirement benefits and pension costs

Because Minebea Group has several defined benefit pension plans, the fair value of the pension assets may decrease due to deteriorated returns on pension assets, or the pension cost may increase due to an increase of retirement benefit obligation resulting from a change of preconditions such as the discount rate.

11. Risk related to environmental issues

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

12. Risk related to M&A activities or alliances

Minebea Group has actively conducted M&A and alliance activities. When conducting M&A or alliance activities, it is possible that M&A may not generate a positive effect as we originally expected, or an alliance partner and the Group might not reach an agreement on the strategy or other points and fail to maintain the alliance relationship. If we provide 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 Minebea Group are used in various industries, especially in the areas that require high accuracy (such as automobiles, medical devices, and finished goods that are potentially 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

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