

Outlook for Fiscal Year Ending March 2017 and Risk Factors

Outlook for the Fiscal Year Ending March 2017 (as of May 2016)

While demand is expected to remain strong across the globe, concerns over monetary and fiscal policies as well as quick appreciation of the yen may put a damper on the Japanese economy. Fueled by consumer spending, the U.S. economy will continue to gradually rebound. In Europe, although domestic demand is expected to keep the economy moving forward on a moderate upward trajectory, the economic outlook is clouded by the surging influx of refugees, Britain's exit issue from the EU, and other problems as well. The Asian economy meanwhile is expected to lose steam due in part to China's slowing growth rate.

Working against this backdrop, the Minebea Group expects to see booming sales of ball bearings, motors, etc. Based on conservative estimates as well as in light of recent economic conditions and exchange rates, sales are projected to total ¥560,000 million, operating income ¥45,000 million, and net income attributable to owners of the parent company ¥31,000 million.

Note that the effect of the integration of Minebea and MITSUMI ELECTRIC CO., LTD. is not factored into the above forecast figures.

Outlook by segment for the full year is as follows:

Machined Components

We will continue to work on boosting performance of the ball bearing business, our anchor business line, by aggressively expanding sales and launching new products targeting the automobile, information and telecommunications equipment industries, etc. while branching out into new markets as demand picks up across the globe. At the same time our German subsidiary, myonic GmbH, will increase sales of higher value-added special bearings. We will also boost production and efficiency in the rod-end bearing business while sharpening our competitive edge in terms of turnaround time and cost with an eye to boosting sales in the growing aircraft market.

Electronic Devices and Components

We are focusing on beefing up our capability to supply high value-added LED backlights for LCDs featuring ultra-thin light guide plates to the smartphone

market. On top of that we will make aggressive efforts to expand sales and launch new products, which are expected to keep sales and profits at the current level or take them higher. We will also work on developing new lines of measuring components that leverage their sensor function while driving sales up in the automobile market. Working with an eye to enhancing the performance of our stepping motor and HDD spindle motor businesses, we will zero in on enhancing quality and cutting costs as we work to increase sales of high value-added products for automobile, server, and other applications.

Other businesses

We will concentrate on enhancing the accuracy of machine made in-house in order to improve production efficiency for the departments that produce finished products and bring quality to new heights.

Risk Factors

The Minebea Group 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

The principal markets for Minebea products, including those for PCs and peripheral equipment, information and telecommunications equipment and household electrical appliances, are intensely competitive both in and outside of the country and are subject to significant fluctuations in demand. Our operating results and financial position are vulnerable to these fluctuations.

2. Foreign exchange risk

Since a significant portion of our consolidated net sales and production occur outside Japan, our business is 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. R&D risk

While we focus on R&D to introduce a constant stream of new, high-quality products, we may not reap a financial reward from our R&D investments. There are no guarantees that our 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 in relation to 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 market share should market needs shift to low-priced products.

6. Risk related to raw materials and logistics costs

We purchase a variety of materials from external suppliers. While we work with an eye to maintaining optimal inventory volumes along with access to a steady supply of materials at stable prices, rising material prices could 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, Singapore and Cambodia. While we have been operating in these countries for quite some time, 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):

- Unexpected changes to laws or regulations
- Difficulty in attracting and securing qualified human resources
- Acts of terrorism or war, or other occurrences that could disrupt social order.

8. Risk related to natural and other disasters

If an earthquake, flood, or other natural disaster, as well as nuclear plant accident, or outbreak of a new type of infectious disease were to affect the operational bases of the Minebea Group or its suppliers, it could have a significant impact on our production and sales activities.

9. Risk related to compliance and internal controls

We engage in a wide range of businesses all around the world and are subject to the laws and regulations that are in effect in each region. We have established and operate appropriate internal control systems needed to achieve our objectives. While these systems provide reasonable assurance that the methods used to prepare our financial statements are appropriate and in compliance with relevant laws, they cannot provide an absolute guarantee that all our objectives will be met. They are also not a guarantee that all potential risks we may face in the future, including legal violations, will be avoided. Changes in laws and regulations, including the interpretation or enforcement thereof, may make compliance more complex and could even incur higher costs related to compliance.

10. Losses related to Anti-Monopoly Acts

In November 2014, the Korea Fair Trade Commission (KFTC) issued an order for corrective action to Minebea and its Korean subsidiary for violating the Monopoly Regulation and Fair Trade Act (an Anti-Monopoly Act) in relation to the trading of

small-sized ball bearings in Korea. Minebea was fined a total of 4,912 million won (¥527 million) and paid the full amount in the current fiscal year. In relation to the handling by the KTFC, Minebea and its Korean subsidiary were charged with violating the Monopoly Regulation and Fair Trade Act by the Seoul Central District Public Prosecutors Office on September 11, 2015. On October 30, 2015, judgment was handed down in the Seoul Central District Court against Minebea and its Korean subsidiary, and we were fined the sums of 100 million won (¥10 million) and 70 million won (¥7 million) respectively. We have paid the full amounts of these fines. In February 2015, Minebea made an agreement with the U.S. Department of Justice to plead guilty to violating U.S. antitrust laws concerning the sale of certain small-sized ball bearing products and pay fines totaling \$13.5 million (¥1,610 million). We paid the full amount in the current fiscal year.

A class action suit in relation to the investigations of these cases has been brought in Canada against Minebea and its subsidiary. Depending on the outcome of the above-mentioned lawsuits and investigations, we may incur losses from fines, etc. However, we can neither reasonably estimate the amount of said losses at this time nor determine whether they will affect our operating results or financial position, etc.

Please refer to note "23. Subsequent Events" with regard to investigations by competition authorities in Singapore into Minebea and some of its subsidiaries.

11. Risk related to accrued post-retirement benefit and pension costs

Although the Minebea Group maintains multiple defined benefit pension plans, the fair value of pension assets may decrease due to a low rate of return on a pension fund, or pension costs may increase due to an increase in the pension obligation and a decline in the funded status following a change in preconditions such as the discount rate.

12. Environmental risk

Our business is subject to various environmental laws and regulations that are in effect in the regions where we operate. Although we pay due attention to ensuring compliance with all such laws and regulations, we could be subject to losses in the event that an incident involving environmental contamination were to occur or in the event that the possibility of such an incident were to arise.

13. Risk related to M&As and alliances

While we are continually seeking M&A and alliance opportunities, M&As and alliances may not produce the results initially expected or an alliance may not be maintained due to a conflict of interest with respect to strategies, etc. We may provide an alliance partner with financial support if its financial health deteriorates or for other reasons which in turn could adversely affect our business performance and financial condition.

It should be noted that the management integration with Mitsumi Electric Co., Ltd. that has already been announced is conditional on obtaining the approval of a General Meeting of Shareholders of Mitsumi Electric Co., Ltd. and of related regulatory authorities in Japan and overseas, including the Japan Fair Trade Commission. It is possible that this management integration will not be implemented due to the state of fulfillment of these conditions, or that the timing of implementation will be delayed beyond the scheduled date of March 17, 2017.

14. Quality risk

Our products are used across a wide range of industries, especially for applications that require a high degree of precision (including end products that could affect human health and safety such as automobiles, aircraft, medical devices, etc.). We recognize the social responsibility we bear and have a system in place to ensure our products are of the highest quality. However, if any of our products were found to be defective and resulted in a serious accident, the suspension of our customers' manufacturing operations, or a product recall, we could incur significant expenses, or lose public confidence, any of which could result in a material adverse effect on our operating results and financial status.

15. Information management risk

Through the course of our business operations, we obtain large amounts of important information, including personal information. While we maintain information security policies that prevent the undesired disclosure as well as unintended use of information, a security breach could occur due to unforeseen circumstances. Addressing such an incident could incur huge losses and expose us to the risk of losing public confidence.