Outline

Outline of Operations

Minebea Group's operations are divided into the following business segments. The machined components segment (accounting for 37.7% 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 electronic devices and components segment (accounting for 62.0% of net sales) primarily makes light-emitting diode (LED) backlights for liquid crystal displays (LCDs), spindle motors for hard disk drives (HDDs), information motors such as stepping motors, brushless DC motors, brush DC motors, fan motors, etc., as well as measuring components. The other segment (accounting for 0.3% of net sales) focuses on dies and parts produced in-house.

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, the Philippines, Germany, the Czech Republic and the United Kingdom. Thailand, which is our largest manufacturing base, accounted for 56.3% of our consolidated-basis output in the year under review while China, which is our next biggest manufacturing base, accounted for 20.4%. Asian locations outside of Japan accounted for 81.4% of total production, and manufacturing at all overseas locations accounted for 92.8% of total output.

The key markets for our products are PCs and peripherals (accounting for 25.0% of net sales in the year under review), office automation and telecommunications equipment (24.1%), automotive (12.6%), aerospace (8.8%) and household electrical appliances (7.2%). 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 32.3% of consolidated net sales. Our second largest geographic market is Japan, which accounted for 18.8% of consolidated net sales. The third largest, Thailand, accounted for 12.9%. Remaining sales came from Europe, the United States, and other areas.

On April 1, 2013 we carried out an internal reorganization with an eye to improving business efficiency and speed. As a result of the reorganization, our operations were restructured into two manufacturing headquarters: the "Machined Component Manufacturing HQ" and the "Electronic Device & Component Manufacturing HQ." Beginning in the fiscal year ended March 2014, we changed the segment classifications due to the reorganization.

Outline of Strategy

We aim to boost the profitability of our existing lines while developing new high-value-added products. That includes leveraging our vast manufacturing, sales, engineering and development network, and commitment to restructuring our business portfolio, encompassing the hybrid component business that is driven by our combined technological strengths in electronic devices and components as well as machined components, in order to provide flexible prices and meet the needs of our customers. We will actively work on restructuring our business portfolio and increasing corporate value via M&As and alliances. At the same time we will focus on establishing large-scale overseas mass production facilities as well as R&D capabilities in light of regional risk assessment findings.

In order to make substantial progress in these areas and further improve our financial performance, we have announced and are working on the "Five Arrows" strategy outlined below.

1. Increase external sales of ball bearings to an average of 150 million units per month at the earliest date.
2. Develop new EMS (Electro Mechanics Solutions®) (*registered in Japan) products and components by embracing TRDC (Tokyo Research & Development Center) motor technologies and accelerate the sales of EMS products.
3. Establish new business opportunities in connection with lighting device products including street lights and their components developed by the Electric Device Division and its Technology Development Department, and enter the "Smart Building and Smart City" related products and components market.
4. Based upon the Measuring Components Business Units's strategy, which recognizes measuring components as sensors, increase the sales of measuring components related products to around ¥20 billion at an early stage.
5. Increase the sales of aircraft components business such as rod-end bearings centering New Hampshire Ball Bearings, Inc. by taking advantage of its global presence in the industry, thereby striving to achieve substantial improvement in sales and profitability through maximizing synergetic effects.

Financial Data by Segment

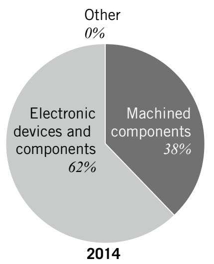
Years ended March 31	2014	2013	2012	2011	2010
					Millions of yen
Sales by reportable segment					
Machined components	**¥140,033**	¥113,573	¥ —	¥ —	¥ —
Electronic devices and components	**230,514**	167,911	—	—	—
Reportable segments total	**¥370,547**	¥281,484	¥ —	¥ —	¥ —
Other	**996**	925	—	—	—
Total	**¥371,543**	¥282,409	¥ —	¥ —	¥ —
Adjustment	**—**	—	—	—	—
Consolidated financial statements amount	**¥371,543**	¥282,409	¥ —	¥ —	¥ —
Income (loss) by reportable segment					
Machined components	**¥ 33,551**	¥ 25,459	¥ —	¥ —	¥ —
Electronic devices and components	**9,582**	(2,452)	—	—	—
Reportable segments total	**¥ 43,133**	¥ 23,007	¥ —	¥ —	¥ —
Other	**866**	167	—	—	—
Total	**¥ 43,999**	¥ 23,174	¥ —	¥ —	¥ —
Adjustment	**(11,800)**	(13,005)	—	—	—
Consolidated financial statements amount	**¥ 32,199**	¥ 10,169	¥ —	¥ —	¥ —
Assets by reportable segment					
Machined components	**¥ 99,300**	¥ 97,632	¥ —	¥ —	¥ —
Electronic devices and components	**118,118**	106,008	—	—	—
Reportable segments total	**¥217,418**	¥203,640	¥ —	¥ —	¥ —
Other	**8,081**	8,556	—	—	—
Total	**¥225,499**	¥212,196	¥ —	¥ —	¥ —
Adjustment	**155,779**	150,609	—	—	—
Consolidated financial statements amount	**¥381,278**	¥362,805	¥ —	¥ —	¥ —
Depreciation and amortization by reportable segment					
Machined components	**¥ 9,378**	¥ 8,020	¥ —	¥ —	¥ —
Electronic devices and components	**8,070**	7,468	—	—	—
Reportable segments total	**¥ 17,448**	¥ 15,488	¥ —	¥ —	¥ —
Other	**2,090**	1,910	—	—	—
Total	**¥ 19,538**	¥ 17,398	¥ —	¥ —	¥ —
Adjustment	**4,202**	3,402	—	—	—
Consolidated financial statements amount	**¥ 23,740**	¥ 20,800	¥ —	¥ —	¥ —
Increase in tangible and intangible fixed assets by reportable segment					
Machined components	**¥ 3,867**	¥ 9,100	¥ —	¥ —	¥ —
Electronic devices and components	**8,646**	13,580	—	—	—
Reportable segments total	**¥ 12,513**	¥ 22,680	¥ —	¥ —	¥ —
Other	**1,393**	1,272	—	—	—
Total	**¥ 13,906**	¥ 23,952	¥ —	¥ —	¥ —
Adjustment	**6,773**	19,735	—	—	—
Consolidated financial statements amount	**¥ 20,679**	¥ 43,687	¥ —	¥ —	¥ —

Note: Effective from fiscal 2014, due to organizational changes aimed at enhancing management efficiency and improving the speed of business judgment, the Company has changed its reportable segments to two segments including “Machined components business” and “Electronic devices and components business”, in place of three segments consisting of “Machined components business”, “Rotary components business” and “Electric devices and components business.” Accordingly, figures before fiscal 2012 are not disclosed, as they cannot be compared to.

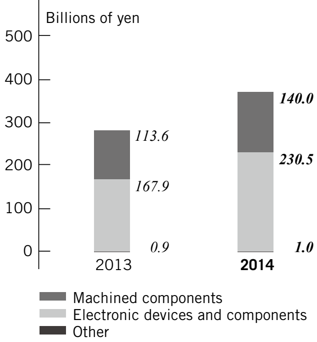
Financial Review

Results of Operations

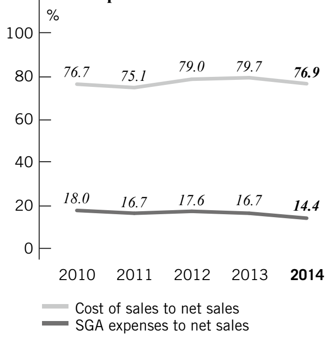
Ratio of Net Sales by Segment



Net Sales by Segment



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



Net Sales

The Japanese economy during the year under review remained upbeat as government initiatives and the Bank of Japan's monetary easing policy coupled with the weak yen in the foreign exchange market boosted corporate earnings, capital expenditures, and employment while consumer spending remained steady. In the U.S., the economy remained on a steady recovery track fueled by strong domestic demand while new construction picked up and unemployment improved due to its monetary easing policy. Despite the prolonged sovereign debt crisis and unemployment rates that remained high in Greece, Spain and other European countries, the economy in the Eurozone, especially Germany and the U.K., saw a gradual comeback. However, the Ukrainian political crisis that erupted in February 2014 has cast a dark shadow over the economic horizon. In Asia, although China lost momentum in the first quarter due to declining exports and investments, the economy gradually picked up steam again and exports increased during the rest of the fiscal year. While ASEAN economies were affected by weak currencies as well as low stock and bond prices during the second quarter, they eventually got back on track towards gradual recovery.

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 ¥89,134 million (31.6%) year on year to reach ¥371,543 million, hitting a record high.

Cost of Sales

Cost of sales was up ¥60,654 million (26.9%) from the previous fiscal year to total ¥285,768 million in the year under review. Cost of sales as a percentage of net sales dropped by 2.8 percentage points year on year to reach 76.9% due to our products' rising sales volumes which were buoyed by the global economic recovery as well as currency depreciation in Thailand, our primary production base.

SGA Expenses

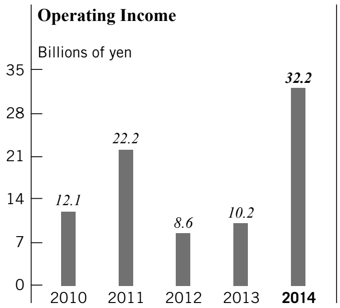
SGA expenses amounted to ¥53,576 million, up ¥6,450 million (13.7%) year on year. SGA expenses as a percentage of net sales dropped 2.3 percentage points to 14.4%.

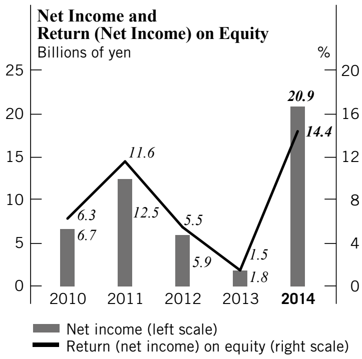
Cost of Sales and SGA Expenses

Millions of yen

Years ended March 31	**2014**	2013	2012	2011	2010
Net sales	**¥371,543**	¥282,409	¥251,358	¥269,139	¥228,446
Cost of sales	**285,768**	225,114	198,506	202,145	175,286
Cost of sales to net sales	**76.9%**	79.7%	79.0%	75.1%	76.7%
Gross profit	**85,775**	57,295	52,852	66,994	53,160
SGA expenses	**53,576**	47,126	44,253	44,831	41,101
SGA expenses to net sales	**14.4%**	16.7%	17.6%	16.7%	18.0%

*Segment classification has changed from the fiscal year ended March 31, 2014, due to organizational changes.





Operating Income

Operating income was up ¥22,030 million (216.6%) year on year to total ¥32,199 million. The factors behind this huge jump include the recovery in net sales as well as the positive effect of the weak yen and Thai baht. The operating margin rose 5.1 percentage points to 8.7%. 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 a loss of ¥5,388 million, which was ¥101 million higher than the previous fiscal year.

The exclusion of Hysonic from the scope of consolidation has resulted in gains on sales of investments in subsidiaries and affiliates totaling ¥1,230 million, and equity in net loss of affiliates totaling ¥777 million. We also posted a loss of ¥548 million associated with the explosion accident at NHBB’s Peterborough facility and related insurance income totaling ¥329 million. Other losses included an impairment loss of ¥964 million from our fan motor business as well as losses due to the restructuring of our inverter business and U.S. subsidiary, etc. which came to ¥750 million.

Income before Income Taxes and Minority Interests

All of the above-mentioned factors brought income before income taxes and minority interests for the year under review up ¥21,929 million (449.2%) year on year to total ¥26,811 million.

Income Taxes

Income taxes increased ¥2,784 million year on year to total ¥6,434 million. Income taxes included current income taxes (i.e. corporate, inhabitant and business taxes) totaling ¥4,609 million and deferred income taxes of ¥1,825 million. The effective income tax rate dropped to 24.0% from 74.8% in the previous fiscal year. This decline was due to the better performance we enjoyed during the year under review for our operations outside Japan, where tax rates are lower, compared to the previous fiscal year when the restructuring of our rotary components business segment brought our group companies’ bottom lines down.

Minority Interests (Losses)

Minority losses amounted to ¥501 million, ¥71 million smaller than the previous fiscal year.

Net Income

As a consequence of the aforementioned factors, net income jumped ¥19,074 million year on year to reach a record high of ¥20,878 million. Basic net income per share was ¥55.94, up ¥51.11 from ¥4.83 in the previous fiscal year.

Income

Millions of yen

Years ended March 31	**2014**	2013	2012	2011	2010
Operating income	**¥32,199**	¥10,169	¥8,599	¥22,163	¥12,059
Operating margin	**8.7%**	3.6%	3.4%	8.2%	5.3%
Net balance of other income (expenses)	**(5,388)**	(5,287)	(3,048)	(3,507)	(2,798)
Net income	**20,878**	1,804	5,922	12,465	6,662
Net income to net sales	**5.6%**	0.6%	2.4%	4.6%	2.9%
Net income per share (Yen):					
Basic	**55.94**	4.83	15.63	32.61	17.20
Diluted	**53.14**	4.65	15.54	—	—
Return (net income) on equity	**14.4%**	1.5%	5.5%	11.6%	6.3%
Return on total assets	**5.6%**	0.5%	2.0%	4.4%	2.4%

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 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. 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 2014	*Long-term debt*	*Short-term debt*
Japan Credit Rating Agency Ltd. (JCR)	A	J–1
Rating and Investment Information, 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. Capital investments made during the year under review totaled ¥20,679 million. This amount includes ¥3,867 million for the machined components segment, ¥8,646 million for the electronic devices and components segment, ¥1,393 million for the other segment, and ¥6,773 million for corporate.
Investments in the machined components segment were mainly made on equipment for manufacturing bearings and HDD pivot assemblies in Thailand. Investments in the electronic devices and components segment focused on spindle motor manufacturing equipment in Thailand, equipment for making LED backlights and related parts in Thailand, Cambodia and China, as well as manufacturing equipment for special devices in Japan (Matsuida Plant).

Capital investments included purchases of intangible fixed assets (¥860 million) and assets acquired through new finance lease agreements (¥307 million).

Our plan for the next fiscal year calls for ¥21.5 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 8 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 14.3%.

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 Flows

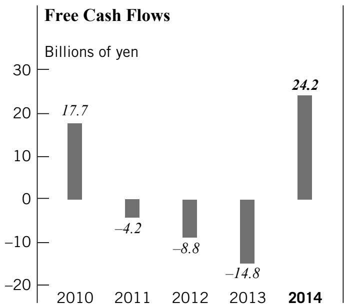
Free cash flows (calculated by adding net cash flows from operating activities and net cash flows from investing activities) totaled ¥24,216 million, an increase of ¥39,039 million from the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥49,173 million, up 113.9% from the previous fiscal year. Inflows mainly consisted of income before income taxes and minority interests totaling ¥26,811 million, depreciation and amortization costs totaling ¥23,740 million, as well as a ¥9,425 million increase in notes and accounts payable–trade. Outflows included a ¥8,039 million increase in notes and accounts receivable–trade and a ¥1,140 million increase in inventories.

Cash Flows from Investing Activities

Net cash used in investment activities decreased 34.0% year on year to total ¥24,957 million. This mainly included an outflow of ¥18,343 million for the payments for purchases of tangible fixed assets as well as an outflow of ¥1,888 million for the payments for acquisition of shares in subsidiaries.

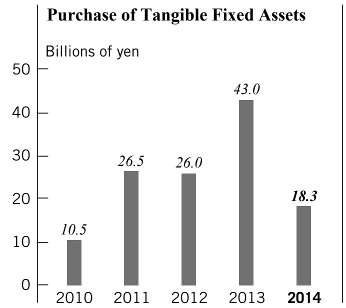


Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥25,233 million, which was ¥42,642 million higher than the previous fiscal year. Major cash outflows included ¥22,480 million for the repayment of short- and long-term loans (net) as well as ¥2,613 million for the payment of dividends.

Cash and Cash Equivalents

The balance of cash and cash equivalents in the year under review totaled ¥29,031 million, up ¥808 million year on year.



Free Cash Flows

Millions of yen

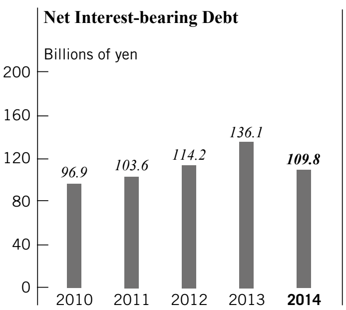
Years ended March 31	**2014**	2013	2012	2011	2010
Net cash provided by operating activities	**¥49,173**	¥22,990	¥20,233	¥24,439	¥30,408
Net cash used in investing activities	**(24,957)**	(37,813)	(29,018)	(28,631)	(12,733)
Portion of above used in purchase of tangible fixed assets	**(18,343)**	(42,963)	(25,961)	(26,517)	(10,495)
Free cash flows	**24,216**	(14,823)	(8,785)	(4,192)	17,675

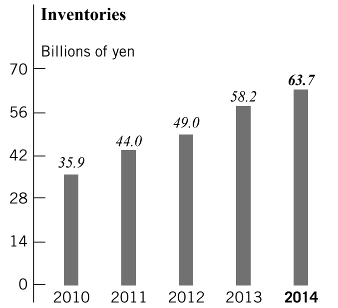
Assets, Liabilities and Net Assets

Total assets at the end of the year under review were up ¥18,473 million (5.1%) from the end of the previous fiscal year to total ¥381,278 million. The major factor behind this increase was a ¥17,473 million increase due to foreign currency fluctuations and increase in net sales.

Net assets came to ¥163,463 million while shareholders' equity totaled ¥157,863 million. This led to a 5.2 percentage point increase in equity ratio compared with the end of the previous fiscal year, bringing it up to 41.4%.

Net interest-bearing debt (total debt minus cash and cash equivalents and time deposits) decreased ¥26,366 million (19.4%) from the end of the previous fiscal year to total ¥109,782 million. The net debt-to-equity ratio was down 0.3 points from the end of the previous fiscal year to 0.7 times.





Assets

Cash and cash equivalents increased ¥808 million over the previous year-end's total to reach ¥29,031 million. Time deposits increased ¥3,644 million to reach ¥9,685 million. Notes and accounts receivable–trade were up ¥11,694 million, to ¥74,340 million due to the increase in net sales as well as the effect of foreign currency fluctuations. Inventories increased ¥5,418 million year on year to total ¥63,652 million due to the effect of foreign currency fluctuations. Deferred tax assets (short-term) declined by ¥1,450 million year on year to reach ¥4,199 million. Other current assets totaled ¥6,854 million, down ¥1,675 million from the end of the previous fiscal year.

As a result, total current assets increased by ¥18,661 million (10.9%) from the previous year-end to reach ¥189,638 million.

Tangible fixed assets amounted to ¥166,900 million, down ¥3,863 million (2.3%) compared to the end of the previous fiscal year. Purchases of tangible fixed assets for the year under review totaled ¥18,343 million, while depreciation and amortization amounted to ¥23,740 million.

Intangible fixed assets increased ¥662 million (13.6%) from the previous year-end to total ¥5,530 million.

Investments and other assets totaled ¥19,173 million, up ¥3,027 million (18.7%) from the previous year-end. Factors behind this increase included a ¥1,906 million increase in investments in non-consolidated subsidiaries and affiliates, a ¥1,199 million increase in investment securities and a ¥543 million increase in deferred tax assets (long-term), despite a ¥819 million decrease in other assets.

Consequently, total fixed assets amounted to ¥191,603 million, a decrease of ¥174 million (0.1%) from the previous year-end.

Liabilities

Notes and accounts payable–trade came to ¥29,898 million, an increase of ¥9,500 million compared to the previous fiscal year-end due to the increase in production. Short-term debt decreased ¥17,172 million from the end of the previous fiscal year to reach ¥48,794 million. The current portion of long-term debt fell by ¥3,987 million, to ¥15,250 million. Due to these factors, total current liabilities amounted to ¥120,937 million, down ¥7,547 million (5.9%).

Long-term debt dropped ¥755 million from the previous year-end to total ¥84,454 million. Total fixed liabilities were up ¥415 million (0.4%) from the previous year-end to reach ¥96,878 million.

Net Assets

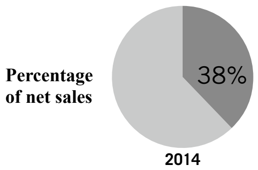
Total net assets increased by ¥25,605 million (18.6%) from the previous year-end to total ¥163,463 million. This increase was due to a ¥18,265 million increase in retained earnings and a ¥9,277 million increase in foreign currency translation adjustments compared to the end of the previous fiscal year. Minority interests in subsidiaries decreased ¥996 million from the end of the previous fiscal year to total ¥5,483 million.

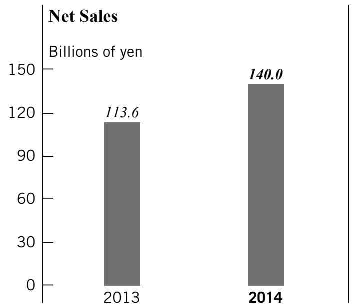
Financial Position

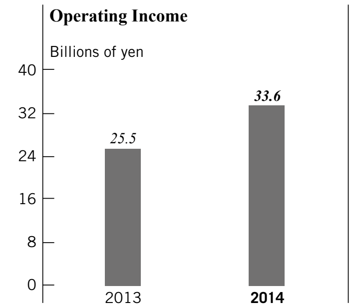
Millions of yen

As of March 31	**2014**	2013	2012	2011	2010
Total assets	**¥381,278**	¥362,805	¥306,772	¥291,092	¥277,967
Cash and cash equivalents	**29,031**	28,223	23,366	27,622	24,855
Time deposits	**9,685**	6,041	4,964	1,969	1,652
Total current assets	**189,638**	170,977	157,787	144,178	130,004
Inventories	**63,652**	58,234	49,025	43,998	35,912
Total current liabilities	**120,937**	128,484	115,713	116,863	102,961
Working capital	**68,701**	42,493	42,074	27,315	27,043
Interest-bearing debt	**148,498**	170,412	142,544	133,213	123,400
Net interest-bearing debt	**109,782**	136,148	114,214	103,622	96,893
Total net assets	**163,463**	137,858	109,777	109,967	108,381
Equity ratio	**41.4%**	36.2%	35.7%	37.1%	38.5%
Debt-to-equity ratio (Times)	**0.9**	1.2	1.3	1.2	1.1
Net debt-to-equity ratio (Times)	**0.7**	1.0	1.0	0.9	0.9
Net assets per share (Yen)	**422.62**	351.65	288.74	282.03	279.87

Machined Components







Net sales in the machined components segment totaled ¥140,033 million, up ¥26,460 million (23.3%) year on year. Operating income rose ¥8,092 million (31.8%) year on year to reach ¥33,551 million and the operating margin was 24.0%, up 1.6 percentage points year on year. We achieved substantial increases in sales and profits thanks to growing sales amid the global economic recovery and a higher operating rate that brought unit manufacturing costs down in addition to the positive effect of exchange rates.

Principal Products and Applications and Minebea's Global Market Share

Our product lines & principal products	*Principal markets*	*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	Hard disk drives	75%

*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

Demand for our anchor product line, miniature and small-sized ball bearings, grew in a wide range of markets including automobiles, office automation equipment, household electrical appliances, and more, driving external sales volumes up. Looking at profitability, we see that the profit margin improved thanks to lower manufacturing costs due to the increased operating rate and the depreciation of Asian currencies. This, as well as growing sales brought profits up. Increased orders for rod-end and spherical bearings fueled sales and profits thanks to soaring demand in the civil aviation market as airline companies replaced their aging fleets with newer aircraft models on top of the positive effect of the weak yen. The profit margin for pivot assemblies improved due to the stable HDD market, our primary market, progress with cost-cutting and steady production.

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 our roots in manufacturing, we are also working to strengthen our basic technology development areas. Looking ahead, we will work to expand sales in order to achieve the monthly average external sales volume target of 150 million units outlined in the first arrow of our "Five Arrows" strategy at the earliest date. We will also develop new products by leveraging the proprietary state-of-the-art ceramic bearing technology of CEROBEAR GmbH, which we acquired in July 2013. This will enable us to strengthen our operations targeting the aerospace industry.

The rod-end fastener business will focus on overall cost reduction by boosting production capacity for semifinished products in Thailand. We will also strive to create synergy among our production bases in Japan, the United States, the United Kingdom, and Thailand with an eye to enhancing profitability.

In the pivot assembly business, we have been continuously working to lower costs and increase production through measures such as increasing yields. We will work to maintain a healthy bottom line by leveraging the synergy created by our significant market share for pivot assemblies and miniature ball bearings.

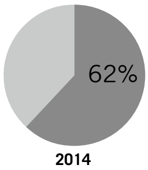
Major Products

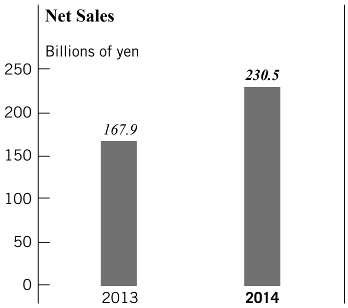
Ball bearings   Rod-end bearings   Spherical bearings   Roller bearings   Bushings   Pivot assemblies
Mechanical assemblies   Aerospace fasteners   Automotive fasteners

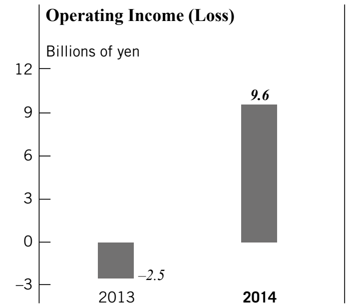
*Segment classification has changed from the fiscal year ended March 31, 2014, due to organizational changes.

Electronic Devices and Components

Percentage of net sales







In the year under review, net sales jumped ¥62,603 million (37.3%) from the previous year to total ¥230,514 million. Operating income came to ¥9,582 million, up ¥12,034 million year on year. The operating margin rose 5.7 percentage points year on year to hit 4.2%.

The LED backlight business enjoyed substantial year-on-year gains in both sales and profits. Growing demand in the smartphone market buoyed sales of our technologically unparalleled ultra-thin light guide plates for high-end product applications as our customer base and market share expanded. HDD spindle motors and information motors saw increases in sales while the structural reforms implemented last fiscal year boosted profitability. The information motor business' performance, in particular, steadily improved after it returned to profitability in the second quarter as a result of our efforts to enhance production efficiency as well as cost competitiveness by transferring manufacturing operations to our Cambodian plant on top of the growing demand driven by the global economic recovery. Performance of measuring components was also upbeat thanks to increasing sales to the automobile sector along with the recovery of demand for test equipment.

Principal Products and Applications 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	12%
	High-end smartphones	70%
Information motors (stepping motors, brushless DC motors, brush DC motors, fan motors)	PCs and servers, information and telecommunications equipment, household electrical appliances, automobiles, industrial machinery, office automation equipment	2–70%, depending on the product
HDD spindle motors	Hard disk drives	—
Precision motors	Automobiles	—
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

Sales of LED backlights grew quickly in the mobile phone and smartphone markets, which generate approximately 80% of total sales. In addition to increased share to major customers, efforts to expand our customer base in China and other markets paid off, resulting in a substantial jump in sales and profits. HDD spindle motors and information motors made significant headway in cutting costs as the structural reforms implemented last fiscal year began to pay off for both businesses. After returning to profitability in the second quarter, these businesses maintained the profitability and generated a profit throughout the year thanks to the global economic recovery, which drove sales up and improved performance. The measuring components business was also upbeat as sales of both test equipment and automotive products bounced back.

The LED backlight business saw a sharp increase in demand for the ultra-thin light guide plates we specialize in. In response to this growing demand, we are boosting the production capacity of our facilities in China, Cambodia, and Thailand. In April 2014, we launched MIK Smart Lighting Network, a joint venture with Iwasaki Electric Co., Ltd. and Koizumi Lighting Technology Corp., to develop lighting equipment for smart buildings and smart cities. We will establish a business foundation for lighting devices and parts (including street lights) developed by the Electronic Device Division's Engineering Development Department at an early stage in order to expand sales of lighting device-related products as outlined in the third arrow of our "Five Arrows" strategy. The information motor business will focus on reorganizing Moatech as well as our fan motor operations with an eye to driving profitability up.

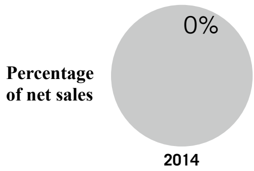
We will implement a business strategy for measuring components that spotlights their sensor function over their function as mere gauges to make inroads into new markets including medical and nursing care, robotics, bridges and other kinds of infrastructure markets with an eye to bringing annual sales up to ¥20 billion at an early stage.

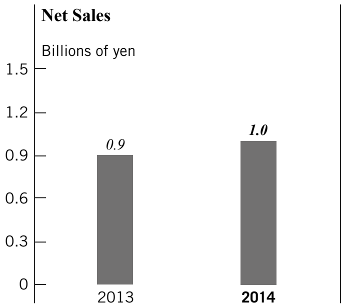
Major Products

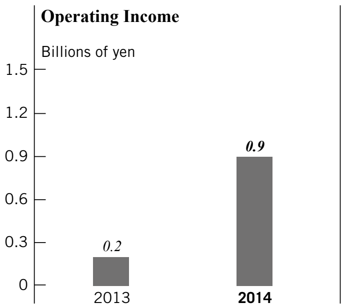
LED backlights   Hybrid components   Stepping motors   Brushless DC motors   Brush DC motors
Fan motors   HDD spindle motors   Precision motors   Measuring components

*Segment classification has changed from the fiscal year ended March 31, 2014, due to organizational changes.

Other







Net sales for the year under review in our other segment, increased ¥71 million (7.7%) year on year to reach ¥996 million. Operating income increased ¥699 million from the previous year to ¥866 million. The operating margin rose 68.8 percentage points year on year to hit 86.9%.

Major Products

Dies	In-house produced parts

Adjustments

Other than the above, ¥11,800 million of corporate expenses, etc. not belonging to any particular segment is shown as adjustments. Adjustments for the previous fiscal year amounted to ¥13,005 million.

*Segment classification has changed from the fiscal year ended March 31, 2014, due to organizational changes.

Research and Development

Research and Development

Minebea Group makes and sells precision machinery components like ball bearings and components incorporating ball bearings; aircraft parts such as rod-end bearings and high-end fasteners; motors and pivot products used in state-of-the-art hard disk drives, and various types of electronic components including motors used in electronic devices and LED backlights. Minebea and its group companies throughout the world work closely together on R&D in each of these areas.

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

Minebea has research and development facilities at its Tokyo Head Office, Karuizawa Plant, Hamamatsu Plant, Fujisawa Plant, and Yonago Plant as well as in the United States, Europe, Thailand and China. These bases leverage their individual expertise and work together to speed up the development of new products and pave the way to new business opportunities. The Tokyo Research & Development Center was set up at our Tokyo Head Office in April 2013. Taking full advantage of its prime location in Tokyo, a dynamic hub for human resources and information, the center is working to develop hybrid products for medical and automobile applications. Our facilities in Karuizawa, Hamamatsu, Thailand and China have all been ISO17025 certified and are moving the entire Minebea Group forward in analyzing emissions of hazardous substances targeted by environmental regulations, including those banned by the European Union's Restriction of Hazardous Substances (RoHS) directive as well as conducting product certification tests for electronic components.

In the year under review, our group-wide research and development expenses totaled ¥8,561 million. This amount includes ¥1,853 million in basic research expenses that cannot be allocated to any particular segment, such as 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 bearings, rod-end bearings, and fluid dynamic 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, automobile and aerospace industries. Reliability engineering aimed at minimizing particle generation, increasing heat resistance, extending product life, enhancing electroconductivity, etc. as well as applied engineering are at the heart of our work in this area.

We are also working to make the miniature ball bearings that are the essence of precision machining technology even smaller. HDD pivot assemblies are one of the main applications where these precision ball bearings are used. As a leading manufacturer, we are developing new products for a wide range of applications for the growing data center server and mobile device segments of the HDD market, including everything from large capacity 3.5 inch HDDs to slimmer 2.5 inch HDDs (7 mm/5 mm height).

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 auto industry we developed high-heat-resistant ball bearing units for turbochargers jointly with myonic GmbH, a foreign consolidated subsidiary. The market for turbochargers, which use exhaust gas to supercharge an engine and allow for smaller engines and greater fuel efficiency without compromising power, is expected to reach 60 million units by 2020.

In July 2013, we acquired all shares in CEROBEAR GmbH, a German company boasting more than 20 years of experience in the design, manufacturing and marketing of ceramic bearings as well as hybrid bearings employing high performance steel materials. CEROBEAR GmbH's technological capability, combined with myonic GmbH's technological edge in providing special bearings used in dental and medical equipment as well as the aerospace industry, enables us to develop new products for the aerospace industry that is expected to see booming demand in the near future.

R&D expenses in this segment totaled ¥1,538 million.

Electronic Devices and Components

Motors, one of the principal products of the electronic devices and components business, include information motors (stepping motors, brushless DC motors, brush DC motors, and fan motors) as well as HDD spindle motors. We are enhancing basic technological capabilities including various simulation, analysis, control, and material technologies as well as product development capability so that we can be the first in the market to supply advanced products that meet customer needs for smaller, more efficient (energy-saving), quiet and reliable products required for a wide range of 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. We developed a hybrid stepping motor that does not use expensive rare earth magnets but works just as well as those that do.

We improved the performance of our HDD spindle motors featuring Minebea's proprietary design, which are optimally engineered for data center applications where high reliability is a must. We also developed ultra-slim motors for mobile devices in anticipation of the market shift for 2.5-inch hard drives from a height of 9.5 mm to 7 mm or even 5 mm.

In the area of optical products, we are developing ultra-thin LED backlight units for mobile devices to support increasingly larger and thinner smartphones. In addition to the ultra-precision machining technologies and precision mold technologies that define the Minebea group, we are also improving our technology for injection molding transparent resin which allows fine optical patterns to be swiftly and precisely transferred to LED backlight guide plates. Using this technology, we have developed ultra-thin guide plates for the world's thinnest (less than 0.3 mm) 5-inch class smartphones. On the manufacturing side, we introduced an ultra-thin light guide plate molding machine, automated backlight assembly machine, appearance tester, etc., which gave us a competitive advantage in mass production. We are also using the optical technologies that we developed in backlights 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 energy 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. In February 2014, we signed a memorandum of understanding with Iwasaki Electric Co., Ltd., a leading player in the outdoor lighting market, and Koizumi Lighting Technology Corp., a leading manufacturer of indoor lighting fixtures, to establish a joint venture. The joint venture will focus on developing highly efficient wirelessly controlled lighting devices for smart buildings and smart cities by incorporating the wireless technology of Paradox Engineering SA, in which we acquired a stake in January 2014.

R&D expenses in this segment totaled ¥4,823 million.

Other

Our other segment mainly includes dies and parts produced in-house.

R&D expenses in this segment totaled ¥347 million.

Outlook for Fiscal Year Ending March 2015 and Risk Factors

Outlook for the Fiscal Year Ending March 2015

(as of May 2014)

The Japanese economy is expected to remain robust due to higher employment rates and better wages although the impact of the consumption tax increase remains a concern. The U.S. economy will also continue to gradually rebound as consumer spending increases despite signs of a slowdown in private sector housing investment. While the European economy is expected to move along the path to gradual recovery, it will take more time to solve bad debt and other structural problems as governments continue to tighten their belts in response to the sovereign debt crisis in Greece, Spain, etc. In Asia, strong domestic demand will fuel a moderate economic recovery despite the slowdown in the Chinese economy. Other countries in Asia should also see steady economic growth.

In light of this economic outlook, sales of our LED backlights, one of the Group's main products, are expected to surge while sales of ball bearings, motors, and other products are also projected to be up. Based on a conservative estimate of sales growth, we expect net sales to total ¥400,000 million, operating income ¥36,500 million, and net income ¥24,000 million.

What follows are our full year projections for each segment.

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 stepping up sales in the growing aircraft market.

Electronic Devices and Components

In the LED backlight business, we are working to enhance our capability to supply high-value-added products, including ultra-thin light guide plates for high-end smartphones. We expect our initiatives will expand the customer base as our aggressive marketing and new product launch strategies lead to substantial increases in sales and profits. We will also work on developing new lines of measuring components that leverage their sensor function while boosting sales in the automobile market. In information motors, we will continue to work on improving production efficiency as demand is driven up by the global economic recovery. We will also move on with transferring manufacturing operations to our Cambodian plant to cut costs even more. Since demand for HDD spindle motors is expected to remain flat in the PC market, we will continue to focus on marketing high-value-added products for server and other applications to boost profitability.

Other

We will focus on enhancing the accuracy of dies and parts produced in-house in order to improve production efficiency for the departments that produce finished products and bring quality to new heights.

Risk Factors

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 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 sudden declines in demand.

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 sharp fluctuations in the exchange rates of the currencies of the countries where we have manufacturing operations 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 increase or maintain our market 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

Minebea Group's manufacturing activities are conducted primarily in Thailand, China, Singapore, Cambodia, 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

Since Minebea Group operates around the world, it is subject to various laws, regulations, and rules of different countries. Although the Group has established and manages 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 this objective. Therefore, there is a 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 plan 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 assumptions 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, it may incur a large amount of costs and expose us to the risk of losing social credibility.