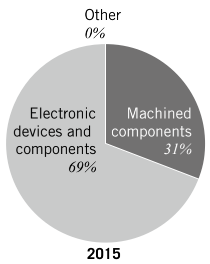
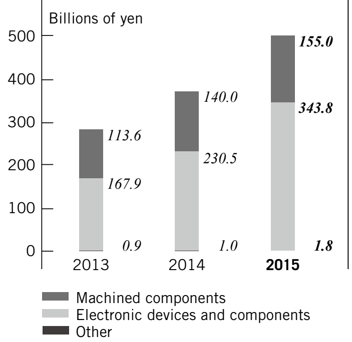
Financial Review

Results of Operations

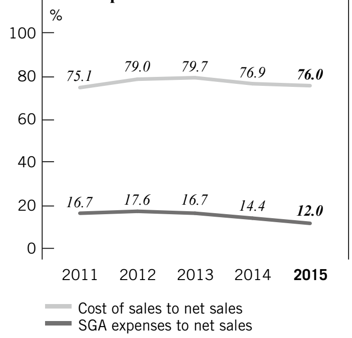
Ratio of Net Sales by Segment



Net Sales by Segment



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



Net Sales

The Japanese economy saw corporate earnings increase during the fiscal year under review as government economic initiatives and the Bank of Japan's monetary easing coupled with the weakening yen in the foreign exchange market all fueled financial performance. Consumer spending also steadily grew thanks to high stock prices and the improved job market. Driven by improved employment and growing consumer spending on top of increased capital expenditures that went hand in hand with higher corporate earnings, the U.S. economy continued on its gradual recovery track. In Europe, the economy managed to steadily inch forward in the shadow of the Greek sovereign debt crisis, Ukrainian political crisis, and declining crude oil prices. ASEAN countries enjoyed moderate economic recoveries while China saw its economic growth rate decline in the face of an assortment of major problems.

Working against this backdrop, the Minebea Group has been focusing on cutting costs, creating high value-added products, developing new technologies, and enhancing its marketing approach to further boost profitability. As a result, net sales soared by 129,133 million yen (34.8%) year on year to total 500,676 million yen, reaching 500 billion yen for the first time ever.

Cost of Sales

Cost of sales was up by ¥94,817 million (33.2%) from the previous fiscal year to total ¥380,585 million in the year under review. Cost of sales as a percentage of net sales dropped by 0.9 percentage points year on year to reach 76.0%. This is due to our existing products' rising sales volumes which were buoyed by the global economic recovery, increased sales of new products, as well as the positive effect of boosted production, which all drove costs down.

SGA Expenses

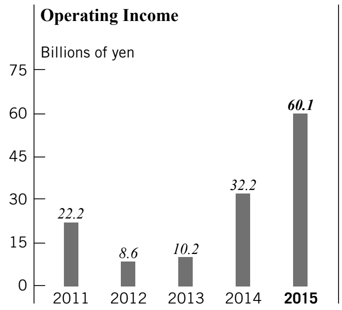
SGA expenses increased by ¥6,414 million (12.0%) from the previous year to total ¥59,990 million in the year under review. SGA expenses as a percentage of net sales dropped by 2.4 percentage points from the previous year to hit 12.0% in the year under review thanks to increased sales and cost cuts.

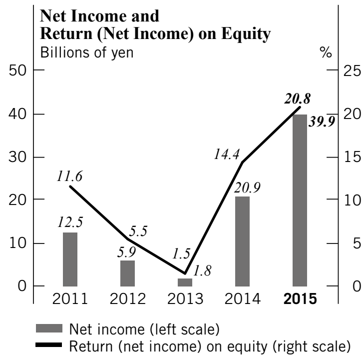
Cost of Sales and SGA Expenses

Millions of yen

Years ended March 31	**2015**	2014	2013	2012	2011
Net sales	**¥500,676**	¥371,543	¥282,409	¥251,358	¥269,139
Cost of sales	**380,585**	285,768	225,114	198,506	202,145
Cost of sales to net sales	**76.0%**	76.9%	79.7%	79.0%	75.1%
Gross profit	**120,091**	85,775	57,295	52,852	66,994
SGA expenses	**59,990**	53,576	47,126	44,253	44,831
SGA expenses to net sales	**12.0%**	14.4%	16.7%	17.6%	16.7%

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





Operating Income

Operating income rose a whopping ¥27,902 million (86.7%) above what it was last year to total ¥60,101 million. The factors behind this jump include a sharp increase in net sales as well as the positive effect of the weak yen against the U.S. dollar and weak Asian currencies. The operating margin rose 3.3 percentage points year on year to reach 12.0%. 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 ¥8,328 million, which was ¥2,940 million higher than the previous fiscal year. This drop mainly includes a loss totaling ¥3,115 million due to the partial settlement of retirement benefit plan at our consolidated subsidiary in the U.S., losses related to Anti-Monopoly Acts totaling ¥2,137 million, a loss on sales of investments in subsidiaries (Hansen Corporation) totaling ¥1,261 million, a loss of ¥1,111 million resulting from restructuring expenses of personnel reduction at our consolidated subsidiary in the U.S. and streamlining the small-sized motor business.

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 by ¥24,962 million (93.1%) year on year to total ¥51,773 million.

Income Taxes

Income taxes increased by ¥5,858 million from the previous year to total ¥12,292 million. Income taxes included current income taxes (i.e. corporate, inhabitant, and business taxes) totaling ¥11,977 million and deferred income taxes of ¥315 million. The effective income tax rate dropped to 23.7% from 24.0% in the previous fiscal year. This decline was due to the better performance we enjoyed once again in the year under review for our operations outside Japan, where tax rates are lower, and a decline in the statutory income tax rate in Japan.

Minority Interests (Losses)

Losses attributable to minority interests were down ¥95 million from the previous year to total ¥406 million for the fiscal year under review.

Net Income

As a consequence of the aforementioned factors, net income jumped ¥19,009 million year on year to reach a record high of ¥39,887 million. Basic net income per share was ¥106.73. That's a ¥50.79 increase over the ¥55.94 for the previous fiscal year.

Income

Millions of yen

Years ended March 31	**2015**	2014	2013	2012	2011
Operating income	**¥60,101**	¥32,199	¥10,169	¥8,599	¥22,163
Operating margin	**12.0%**	8.7%	3.6%	3.4%	8.2%
Net balance of other income (expenses)	**(8,328)**	(5,388)	(5,287)	(3,048)	(3,507)
Net income	**39,887**	20,878	1,804	5,922	12,465
Net income to net sales	**8.0%**	5.6%	0.6%	2.4%	4.6%
Net income per share (yen):					
Basic	**106.73**	55.94	4.83	15.63	32.61
Diluted	**101.32**	53.14	4.65	15.54	—
Return (net income) on equity	**20.8%**	14.4%	1.5%	5.5%	11.6%
Return on total assets	**9.2%**	5.6%	0.5%	2.0%	4.4%

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 December 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

Capital investments totaled ¥37,557 million for the year under review. This amount includes ¥5,732 million for the machined components segment, ¥16,427 million for the electronic devices and components segment, ¥7,042 million for the other segment, and ¥8,356 million for unallocated corporate capital investments.

Investments in the machined components segment were mainly for bearing manufacturing equipment in Thailand. Investments in the electronic devices and components segment focused on manufacturing equipment used in Thailand, Cambodia, and China to produce LED backlights for LCDs and components. Investments in the other segment were primarily for equipment used to produce high-precision 3D molded thin glass in Japan.

The capital investment total includes ¥2,577 million in intangible fixed assets and a ¥147 million increase in assets associated with new finance lease agreements.

Our plan for the next fiscal year calls for ¥32.2 billion in capital investments.

Dividends

Our basic dividend policy gives priority to enhancing equity efficiency and improving returns to our shareholders. Dividends reflect performance in light of the overall business environment and are determined with an eye to maintaining a stable and continuous distribution of profits.

Pursuant to the above policy, our dividend for the year under review is 12 yen per share, which includes an interim dividend of 6 yen per share. The resulting consolidated-basis dividend payout ratio for the year under review is 11.2%.

We intend to use our retained earnings to expand globally. At the same time we will focus on getting even more cost-competitive as we strengthen our technology and manufacturing development platform. This will enable us to meet customer needs and adapt to any changes in the market that may occur.

Our policy was to distribute dividends from surplus two times a year in the form of an interim dividend to be decided by the Board of Directors and a year-end dividend to be decided by the shareholders' annual general meeting. However, on June 26, 2015, amendments to the Articles of Incorporation were resolved at the 69th Ordinary General Meeting of Shareholders allowing the Board of Directors to decide on distribution of surplus, in addition to the shareholders' annual general meeting.

Free Cash Flow

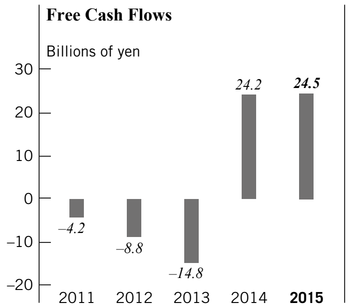
Free cash flows (calculated by adding net cash flows from operating activities and net cash flows from investing activities) totaled ¥24,537 million. That's an increase of ¥321 million from the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities were up by 21.7% from the previous fiscal year to total ¥59,863 million. Inflows mainly consisted of income before income taxes and minority interests totaling ¥51,773 million, depreciation and amortization costs totaling ¥28,776 million, and a ¥23,979 million increase in notes and accounts payable–trade. Outflows included a ¥24,322 million increase in notes and accounts receivable–trade and a ¥18,431 million increase in inventories.

Cash Flows from Investing Activities

Net cash used in investment activities rose by 41.5% year on year to total ¥35,326 million. This mainly included an outflow of ¥34,979 million in payments for purchases of tangible fixed assets, an outflow of ¥2,577 million in payments for purchases of intangible fixed assets, as well as an outflow of ¥2,571 million for the payments for acquisition of shares in subsidiaries.

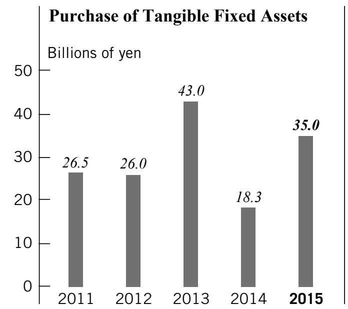


Cash Flows from Financing Activities

Net cash used in financing activities fell by 22.2% year on year to total ¥19,627 million. Major cash outflows included ¥15,758 million for the repayment of short- and long-term loans (net) as well as ¥4,109 million for the payment of dividends.

Cash and Cash Equivalents

The balance of cash and cash equivalents at the end of the fiscal year under review totaled ¥36,138 million. That's up ¥7,107 million from what it was at the end of the previous fiscal year.



Free Cash Flows

Millions of yen

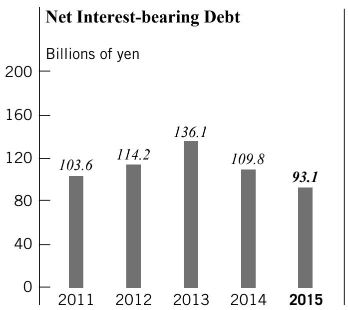
Years ended March 31	**2015**	2014	2013	2012	2011
Net cash provided by operating activities	**¥59,863**	¥49,173	¥22,990	¥20,233	¥24,439
Net cash used in investing activities	**(35,326)**	(24,957)	(37,813)	(29,018)	(28,631)
Portion of above used in purchase of tangible fixed assets	**(34,979)**	(18,343)	(42,963)	(25,961)	(26,517)
Free cash flows	**24,537**	24,216	(14,823)	(8,785)	(4,192)

Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review amounted to ¥490,043 million. That's 28.5%, or ¥108,765 million, more than what they amounted to at the end of the previous fiscal year. That figure includes a ¥43,290 million increase due to foreign currency fluctuations.

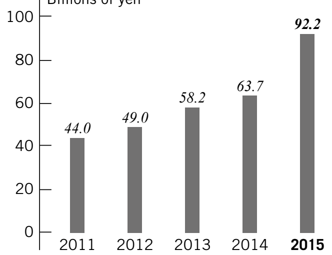
Net assets totaled ¥233,679 million and shareholders' equity totaled ¥226,138 million, resulting in a shareholders' equity ratio of 46.1%, up 4.7 points from the previous year.

Net interest-bearing debt (total debt minus cash and cash equivalents and time deposits) fell ¥16,647 million (15.2%) below what it was at the end of the previous fiscal year to total ¥93,135 million. The net debt-to-equity ratio was down by 0.3 points from the end of the previous fiscal year to 0.4 times.



Inventories

Billions of yen



Assets

Cash and cash equivalents climbed ¥7,107 million above the previous year-end's total to reach ¥36,138 million. Time deposits decreased by ¥495 million from what they were at the end of the previous fiscal year to total ¥9,190 million. Notes and accounts receivable–trade were up by ¥36,179 million, to ¥110,519 million, due to an increase in net sales as well as the effect of foreign currency fluctuations. Inventories increased by ¥28,510 million from the previous year-end to total ¥92,162 million due to the increased production and the effects of foreign currency fluctuations. Deferred tax assets (short-term) fell by ¥567 million from the previous year-end to hit ¥3,632 million. Other current assets amounted to ¥10,441 million, up ¥3,587 million from the end of the previous fiscal year.

As a result of the above-mentioned performance, total current assets rose by ¥75,547 million (39.8%) over the previous year-end total to reach ¥265,185 million.

Tangible fixed assets rose by ¥25,698 million (15.4%) from the previous fiscal year-end total to reach ¥192,598 million. Purchases of tangible fixed assets for the year under review totaled ¥34,979 million while depreciation and amortization costs amounted to ¥28,776 million.

Intangible fixed assets increased by ¥6,622 million (119.7%) from the previous year-end to total ¥12,152 million due mainly to acquisition of Sartorius Mechatronics T&H GmbH.

Investments and other assets were up by ¥911 million (4.8%) from the previous year-end to total ¥20,084 million. Factors behind this uptick include a ¥700 million increase in deferred tax assets (long-term) and a ¥371 million increase in other assets.

Consequently, total fixed assets came to ¥224,834 million, a ¥33,231 million (17.3%) jump over what they amounted to at the end of the previous year.

Liabilities

Notes and accounts payable–trade came to ¥59,906 million, up ¥30,008 million over the previous fiscal year-end's total, due to the increased production. Short-term debt dipped ¥2,137 million from the end of the previous fiscal year to reach ¥46,657 million while the current portion of long-term debt increased by ¥4,850 million to total ¥20,100 million. Income tax payable increased by ¥5,031 million to total ¥8,220 million. Accrued expenses and other current liabilities increased by ¥6,396 to total ¥21,987 million. As a result of the factors above, total current liabilities rose by ¥46,683 million (38.6%) from the previous year-end to reach ¥167,620 million.

Long-term debt dropped by ¥12,748 million from the previous year-end to total ¥71,706 million. Net defined benefit liability rose ¥4,125 million to total ¥12,975 million. Consequently, total fixed liabilities were down by ¥8,134 million (8.4%) from the previous year-end to hit ¥88,744 million.

Net Assets

Total net assets were up by ¥70,216 million (43.0%) from the previous year-end to total ¥233,679 million. This increase was due to a ¥35,541 million jump in retained earnings and a ¥31,221 million increase in foreign currency translation adjustments compared to the end of the previous fiscal year. Minority interests in subsidiaries were up by ¥1,930 million from what they were at the end of the previous fiscal year to total ¥7,413 million.

Financial Position

Millions of yen

As of March 31	**2015**	2014	2013	2012	2011
Total assets	**¥490,043**	¥381,278	¥362,805	¥306,772	¥291,092
Cash and cash equivalents	**36,138**	29,031	28,223	23,366	27,622
Time deposits	**9,190**	9,685	6,041	4,964	1,969
Total current assets	**265,185**	189,638	170,977	157,787	144,178
Inventories	**92,162**	63,652	58,234	49,025	43,998
Total current liabilities	**167,620**	120,937	128,484	115,713	116,863
Working capital	**97,565**	68,701	42,493	42,074	27,315
Interest-bearing debt	**138,463**	148,498	170,412	142,544	133,213
Net interest-bearing debt	**93,135**	109,782	136,148	114,214	103,622
Total net assets	**233,679**	163,463	137,858	109,777	109,967
Equity ratio	**46.1%**	41.4%	36.2%	35.7%	37.1%
Debt-to-equity ratio (times)	**0.6**	0.9	1.2	1.3	1.2
Net debt-to-equity ratio (times)	**0.4**	0.7	1.0	1.0	0.9
Net assets per share (yen)	**604.83**	422.62	351.65	288.74	282.03