Overview

Outline of Operations

Minebea's operations are divided into the following segments. The machined components segment (accounting for 31.0% 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 68.7% of net sales) primarily makes light-emitting diode (LED) backlights for liquid crystal displays (LCDs), spindle motors for hard disk drives (HDDs), stepping motors, brushless DC motors, brush DC motors, fan motors, and other types of motors, 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 61.1% of our consolidated-basis output in the year under review while China, which is our next biggest manufacturing base, accounted for 20.2%. Asian locations outside of Japan accounted for 85.3% of our production, and manufacturing at all overseas locations accounted for 94.1% of total output.

The key outlets for our products include the markets for office automation and telecommunications equipment (33.9% of net sales in the year under review), PCs and peripherals (20.3%), automotive products (11.7%), household electrical appliances (8.7%), and aerospace products (8.5%). 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 in China (including Hong Kong), accounting for 32.9% of consolidated net sales in the year under review, were the highest. Our second-largest geographic market is Japan, which accounted for 21.6% of consolidated net sales. The third largest, Thailand, accounted for 14.1% with the remainder of sales coming from Europe, the United States, and elsewhere.

Outline of Strategy

We will work to boost the profitability of our existing lines while developing new high-value-added products. That includes leveraging the wealth of experience we have gained in manufacturing, sales, engineering and development as well as the 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.

We announced the introduction of our "Five Arrows" strategies which we have been working to implement with an aim to making substantial headway on these initiatives and boost our bottom line. Since we already hit or are sure to soon hit some of the targets set under the strategy, we have developed a new "Five Arrows" strategies that will guide us through the fiscal year ending March 2018.

1. Sell 180 million ball bearings externally per month on average.
   Bearing sales have steadily grown and the monthly external sales volume has reached 150 million units. We will cultivate new demand in existing product markets and develop new applications to achieve monthly external sales of 180 million units on average.
2. Develop and boost sales of new "Electro Mechanics Solutions®" (*registered in Japan) to take the EMS business to new heights.
   While we have already achieved higher-than-projected EMS sales, we will work to establish the technological capability needed to make EMS more complex and sophisticated with an eye to developing and boosting sales of new products.
3. Establish a business foundation for lighting devices and parts.
   We will combine our optical and ultra-precision machining technologies with the wireless communication technology of PARADOX ENGINEERING SA, with which we have recently formed a capital alliance, to move forward with our smart city, smart adjustable LED lights (SALL), and other businesses.
4. Take sales of measuring components and related products to 50 billion yen.
   We have raised the annual sales target from 20 billion yen to 50 billion yen as a result of the acquisition of the Sartorius Mechatronics T&H GmbH.
5. Take aircraft components sales to 70 billion yen.
   We will leverage our global presence and maximize synergy with our new subsidiary, CEROBEAR GmbH, to tap new demand in the commercial aircraft market and supply components for new aircraft models with an aim to bringing rod-end bearing and other aircraft component sales to 70 billion yen.

Financial Data by Segment

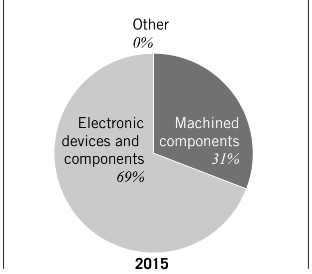
Years ended March 31	**2015**	2014	2013	2012	2011
					Millions of yen
Sales by reportable segment					
Machined components	**¥154,986**	¥140,033	¥113,573	¥ —	¥ —
Electronic devices and components	**343,842**	230,514	167,911	—	—
Reportable segments total	**¥498,828**	¥370,547	¥281,484	¥ —	¥ —
Other	**1,848**	996	925	—	—
Total	**¥500,676**	¥371,543	¥282,409	¥ —	¥ —
Adjustment	**—**	—	—	—	—
Consolidated financial statements amount	**¥500,676**	¥371,543	¥282,409	¥ —	¥ —
Income (loss) by reportable segment					
Machined components	**¥ 39,713**	¥ 33,551	¥ 25,459	¥ —	¥ —
Electronic devices and components	**29,721**	9,582	(2,452)	—	—
Reportable segments total	**¥ 69,434**	¥ 43,133	¥ 23,007	¥ —	¥ —
Other	**859**	866	167	—	—
Total	**¥ 70,293**	¥ 43,999	¥ 23,174	¥ —	¥ —
Adjustment	**(10,192)**	(11,800)	(13,005)	—	—
Consolidated financial statements amount	**¥ 60,101**	¥ 32,199	¥ 10,169	¥ —	¥ —
Assets by reportable segment					
Machined components	**¥116,482**	¥ 99,300	¥ 97,632	¥ —	¥ —
Electronic devices and components	**179,176**	118,118	106,008	—	—
Reportable segments total	**¥295,658**	¥217,418	¥203,640	¥ —	¥ —
Other	**18,245**	8,081	8,556	—	—
Total	**¥313,903**	¥225,499	¥212,196	¥ —	¥ —
Adjustment	**176,140**	155,779	150,609	—	—
Consolidated financial statements amount	**¥490,043**	¥381,278	¥362,805	¥ —	¥ —
Depreciation and amortization by reportable segment					
Machined components	**¥ 9,520**	¥ 9,378	¥ 8,020	¥ —	¥ —
Electronic devices and components	**13,159**	8,070	7,468	—	—
Reportable segments total	**¥ 22,679**	¥ 17,448	¥ 15,488	¥ —	¥ —
Other	**2,173**	2,090	1,910	—	—
Total	**¥ 24,852**	¥ 19,538	¥ 17,398	¥ —	¥ —
Adjustment	**3,924**	4,202	3,402	—	—
Consolidated financial statements amount	**¥ 28,776**	¥ 23,740	¥ 20,800	¥ —	¥ —
Increase in tangible and intangible fixed assets by reportable segment					
Machined components	**¥ 5,732**	¥ 3,867	¥ 9,100	¥ —	¥ —
Electronic devices and components	**16,427**	8,646	13,580	—	—
Reportable segments total	**¥ 22,159**	¥ 12,513	¥ 22,680	¥ —	¥ —
Other	**7,042**	1,393	1,272	—	—
Total	**¥ 29,201**	¥ 13,906	¥ 23,952	¥ —	¥ —
Adjustment	**8,356**	6,773	19,735	—	—
Consolidated financial statements amount	**¥ 37,557**	¥ 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.

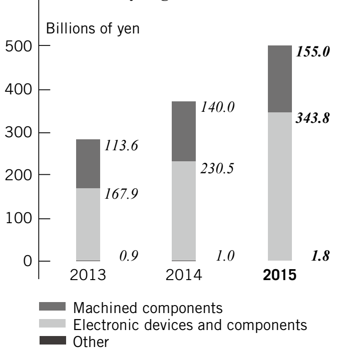
Financial Review

Results of Operations

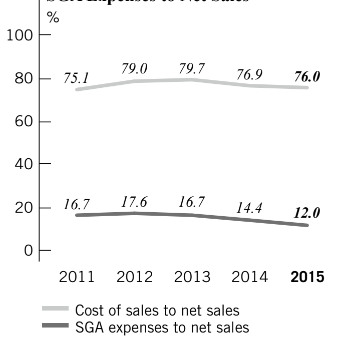
Ratio of Net Sales by Segment



Net Sales by Segment



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



Net Sales

The Japanese economy 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

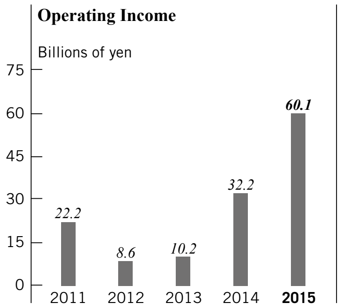
SGA expenses increased by ¥6,414 million (12.0%) from the previous year to total ¥59,990 million in the year under review. SGA expenses as a percentage of net sales dropped by 2.4 percentage points from the previous year to hit 12.0% in the year under review thanks to increased sales and cost cuts.

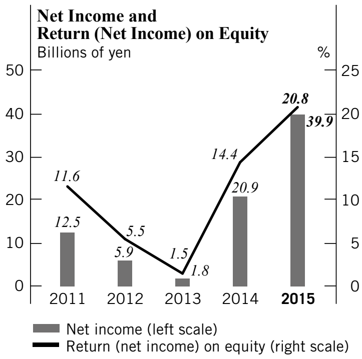
Cost of Sales and SGA Expenses

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

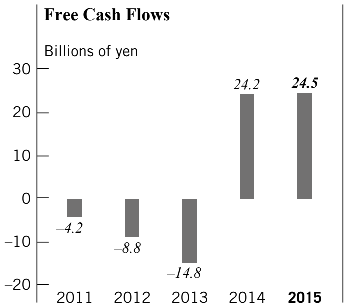
Net cash used in investment activities rose by 41.5% year on year to total ¥35,326 million. This mainly included an outflow of ¥34,979 million in payments for purchases of tangible fixed assets, an outflow of ¥2,577 million in payments for purchases of intangible fixed assets, as well as an outflow of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

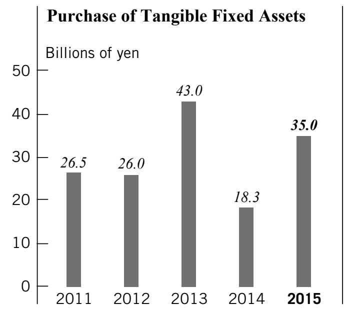
Cash Flows from Financing Activities

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

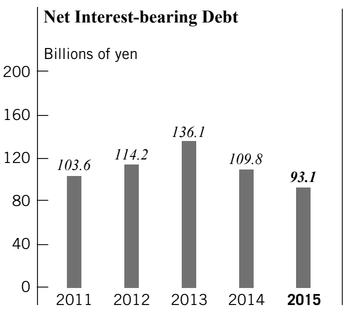
Years ended March 31	**2015**	2014	2013	2012	2011
Net cash provided by operating activities	**¥59,863**	¥49,173	¥22,990	¥20,233	¥24,439
Net cash used in investing activities	**(35,326)**	(24,957)	(37,813)	(29,018)	(28,631)
Portion of above used in purchase of tangible fixed assets	**(34,979)**	(18,343)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

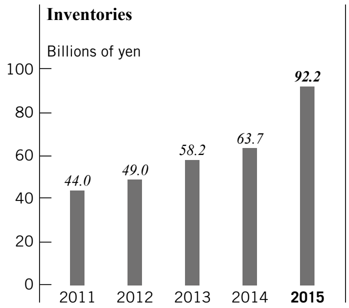
Assets, Liabilities and Net Assets

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.





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

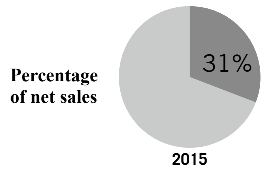
Total net assets were up by ¥70,216 million (43.0%) from the previous year-end to total ¥233,679 million. This increase was due to a ¥35,541 million jump in retained earnings and a ¥31,221 million increase in foreign currency translation adjustments compared to the end of the previous fiscal year. Minority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

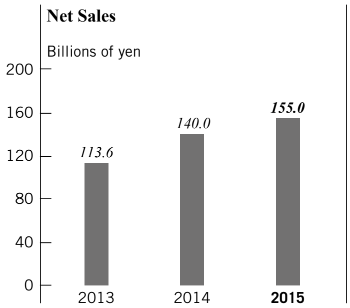
Financial Position

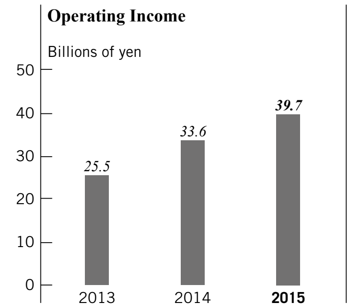
Millions of yen

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

Machined Components







Net sales in the machined components segment were up by ¥14,953 million (10.7%) year on year to total ¥154,986 million. Operating income rose by ¥6,162 million (18.4%) year on year to reach ¥39,713 million, and the operating margin was 25.6%, up 1.6 percentage points year on year. The increase in sales which was fueled by the global economic recovery, our higher capacity utilization that brought unit manufacturing costs down, and the positive impact of exchange rates all drove sales and profits way up.

Demand for our anchor product line, miniature and small-sized ball bearings, remained upbeat across a wide range of markets. Sales to the automobile, office automation equipment, household electrical appliance markets and more drove the average monthly external sales volume up by 6% year on year to total 145 million units. Looking at profitability, we see that the profit margin improved thanks to the increased capacity utilization along with lower U.S. dollar-denominated manufacturing costs due to the depreciation of Asian currencies. This, as well as growing sales brought profits up.

Soaring demand in the civil aviation market where airline companies looked to replace their aging fleets with newer aircraft models fueled orders for rod-end and spherical bearings. That development along with the positive effect of the weak yen boosted sales and profits.

Sales of pivot assemblies remained relatively steady thanks to growing demand in the HDD market, our primary market, with the exception of PC applications. These developments coupled with our huge market share set the stage for excellent profit growth.

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	70%

*Global market share figures are based on volume, with the exception of the figure for rod-end and spherical bearings, which is based on sales value. Minebea estimates market shares using information it collects on its own and through independent market research firms.

Future Initiatives

We are continuing our efforts to reduce costs in the ball bearings business by improving yields and streamlining production. While we see the strengthening of operations as a return to our manufacturing roots, we are also focusing on reinforcing basic technological development. As we move forward, we will work to expand sales in order to quickly achieve the monthly average external sales volume target of 180 million units outlined in the first arrow of our new Five Arrows strategy we announced in May 2015.

The rod-end fastener business will zero in on overall cost reduction by boosting production capacity for parts in Thailand while enhancing cooperation among marketing operations in the U.K., U.S. and Japan. We will also leverage the strengths of CEROBEAR, which we acquired in July 2013, to enhance research and development of ceramic bearing aircraft parts.

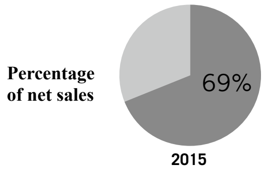
In the pivot assembly business, we have been implementing ongoing cost cutting measures such as improving yields. As we capitalize on the synergy created by our significant market share for pivot assemblies and miniature ball bearings, we will stay competitive in the market for high-value-added products used for servers, etc. with an eye to maintaining a healthy bottom line.

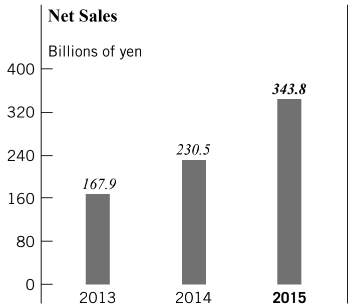
Major Products

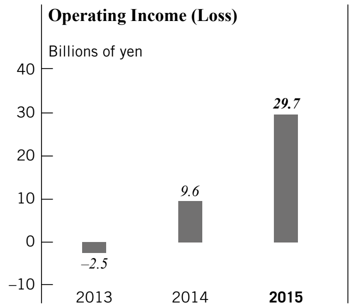
Ball bearings Rod-end bearings Spherical bearings Roller bearings Bushings Pivot assemblies Mechanical assemblies Aerospace fasteners Automotive fasteners

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

Electronic Devices and Components







In the year under review, net sales jumped ¥113,328 million (49.2%) from the previous year to total ¥343,842 million. We also saw a huge increase in operating income, which jumped ¥20,139 million (210.2%) year on year to reach ¥29,721 million, while the operating margin rose 4.4 percentage points year on year to hit 8.6%.

The LED backlight business enjoyed growing sales of our technologically unparalleled ultra-thin LED backlights for our existing customers' new smartphone models. Our customer base for ultra-thin LED backlights also expanded to include Chinese smartphone manufacturers who are seeing sales climb. These factors combined led to increases in both sales and profits.

The profitability of the motor business improved thanks to growing demand in the automobile market which drove sales up and also as a result of the measures we have implemented so far to reduce fixed costs.

Sales of measuring components steadily rose for test equipment and automotive applications, leading to increases in both sales and profits.

Principal Products and Applications and Minebea's Global Market Share

Our product lines & principal products	*Principal markets*	*Global market share**
LED backlights	Middle-range and high-end smartphones, mobile phones, automobiles, digital cameras, portable digital information terminals	40% (middle-range and high-end smartphones)
Motors (stepping motors, HDD spindle motors, brushless DC motors, brush DC motors, fan motors, precision motors)	PCs and servers, HDDs, information and telecommunications equipment, household electrical appliances, automobiles, industrial machinery, office automation equipment	2-70%, depending on the product
Measuring components	Industrial machinery, automobiles, PCs	—

*Global market share figures are based on volume. Minebea estimates market shares using information it collects on its own and through independent market research firms.

Future Initiatives

The LED backlight business is expected to grow even faster than the growing smartphone market. Demand for Minebea products has been increasing as more and more products, including high-end as well as middle-range models, employ the ultra-thin, highly efficient LED backlights needed to produce high-definition, lightweight smartphones with a large battery capacity. Now that we have beefed up production capacity at our Thai and Cambodian facilities, we expect to generate significant gains in both sales and profits for the fiscal year ending March 2016. We are currently working on developing new products that integrate our basic technologies like light guide plates and wireless communications. These new products include smart city LED streetlights being used in Cambodia, outdoor LED lights for tunnels, smart adjustable LED lights (SALL), and more. We will work to expand sales of lighting device-related products as outlined in the third arrow of our new Five Arrows strategy.

The motor business will continue to focus on cost reduction and reorganization with an eye to driving profitability up.

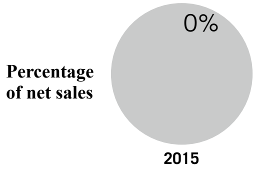
We will implement a business strategy for measuring components that spotlights their sensor function over their use as mere gauges to expand into new markets including medicine and nursing care along with areas related to robotics as well as bridges and other infrastructure. In addition to that we will focus on maximizing the synergy created by the acquisition of Sartorius Mechatronics T&H GmbH, which we brought into the fold with an eye to bringing annual sales up to ¥50 billion.

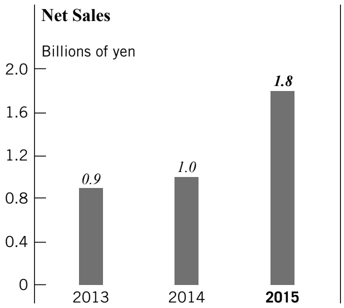
Major Products

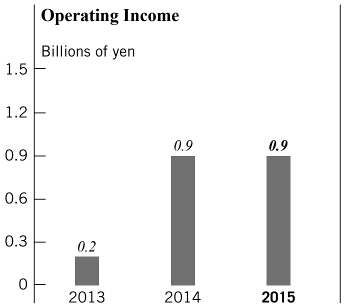
LED backlights   Hybrid components   Stepping motors   Brushless DC motors   Brush DC motors
Fan motors   HDD spindle motors   Precision motors   Measuring components

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

Other







Net sales for the year under review increased by ¥852 million (85.5%) year on year to total ¥1,848 million. Operating income declined by ¥7 million from the previous year's total to hit ¥859 million while the operating margin dropped by 40.4 percentage points year on year to reach 46.5%.

Major Products

Dies	In-house produced parts

Adjustments

In addition to the above figures, ¥10,192 million in corporate expenses, etc. not belonging to any particular segment is shown as adjustments. Adjustments for the previous fiscal year amounted to ¥11,800 million.

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

Research and Development

The Minebea Group manufactures and sells precision machinery components like ball bearings and components incorporating ball bearings, aircraft parts, like rod-end bearings and high-end fasteners, as well as motors and pivot products employed in state-of-the-art hard disk drives (HDDs). Minebea's lines of products also include various types of electronic components such as motors used in electronic devices, LED backlights, as well as hybrid components and products that integrate all of these basic technologies. Minebea has research and development facilities at its Tokyo Head Office, its Karuizawa, Hamamatsu, Fujisawa, Matsuida, and Yonago Plants as well as in the United States, Europe, Thailand, and China. These bases leverage their individual areas of expertise while working with each other to speed up the development of new products and forge new business opportunities.

The Tokyo Research & Development Center, which was set up at our Tokyo Head Office in 2013, takes full advantage of its prime location in Tokyo, a dynamic hub for human resources and information. Work is currently underway at the Center to develop hybrid products for medical and in-vehicle applications.

Our facilities in Karuizawa and Hamamatsu, as well as the Material Science Laboratories in Thailand and China have implemented an ISO 17025-compliant management system 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.

During the year under review, our group-wide R&D expenses totaled ¥8,973 million. This amount includes ¥1,127 million in basic research expenses that cannot be allocated to any particular segment, such as analysis conducted at our Materials Science Laboratories in Thailand and China.

Here is an overview of the R&D activities conducted by 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, etc.) with a focus on developing basic tribological technologies for materials and lubricants, as well as ultra-low wear self-lubricating liners, etc. We are working with a keen eye aimed at responding to the needs of manufacturers in emerging areas of the IT, home electrical appliances, automobile, aerospace, and medical equipment industries. Reliability engineering focused on 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.

The miniature ball bearings that are so essential to precision machining technology can be found hard at work in HDD pivot assemblies. As a leading manufacturer in this area, we are developing new products for a wide range of applications in the HDD market's growing data center server, nearline, and mobile device segments, as well as highly reliable grease for pivot assemblies.

Recent progress in the area of aircraft bearings includes the development and approval of mechanical assemblies, trunnion bearings for main landing gear, and a wide range of bearings that will go into flight control systems for new models to be launched by U.S. and European aircraft manufacturers. These R&D successes incorporate the same technology found in our rod-end bearings.

Our overseas consolidated subsidiary, myonic GmbH, developed high-heat-resistant ball bearing units for automobile engine turbochargers. Used to boost the output of engines that are made smaller to meet environmental regulations, turbochargers have been garnering a lot of attention in recent years. Applications have expanded to include not only general vehicles but also eco-friendly cars.

In 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 and hybrid bearings employing high performance steel materials. CEROBEAR'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 are expected to be in great demand while maximizing synergy between the two companies.

In addition to everything noted above, we launched the Wavy Nozzle. This new product now sold in the machine tool market is a coolant sprayer born from improvements we made to our own manufacturing operations.

R&D expenses in this segment totaled ¥1,635 million.

Electronic Devices and Components

Motors, one of the principal product lines of the electronic devices and components business, includes stepping motors, HDD spindle motors, brushless DC motors, fan motors as well as brush DC motors. We are currently working to enhance 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 meeting customer needs for smaller, more efficient (energy-saving), quiet, and reliable products required for a wide range of applications.

We are also harnessing our expertise in materials and manufacturing technology to develop magnetic products. 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.

Our HDD spindle motors, featuring Minebea's proprietary fluid bearing design, have been carefully engineered for data center applications where high reliability is a must.

Work in the area of optical products, includes the development of our ultra-thin LED backlight units for mobile devices that are making larger and thinner smartphones possible.

In addition to Minebea's signature ultra-precision machining and precision mold technologies, we are also improving the technology for injection molding of transparent resin that allows fine optical patterns to be quickly and precisely transferred to LED backlight guide plates. Using this technology, we have developed ultra-thin guide plates for 5-inch class smartphones. Measuring less than 0.3 mm in thickness, these guide plates are the thinnest in the industry. On the manufacturing end, we have introduced an automated LED backlight assembly machine, appearance tester, and more, all employing our own technologies that have given us a leg up in mass production. We are also putting the optical technologies that we developed for LED backlight products to work in developing LED lighting products that combine LED lighting circuits with thin LED lighting lenses. Thinner and more efficient than conventional products, these LED lighting products are extremely energy efficient. We are working to develop technologies to make them even more efficient.

In April 2014, we launched a joint lighting equipment venture with Iwasaki Electric Co., Ltd., a leading player in the outdoor lighting market, and Koizumi Lighting Technology Corp., a top manufacturer of indoor lighting fixtures. The joint venture is focusing on developing wirelessly controlled LED lighting devices for smart buildings and smart cities that incorporates the wireless technology of Paradox Engineering SA, in which we acquired a stake the same year. We are also working on R&D that applies this wireless technology to our measuring components to communicate information between sensors and displays.

In July 2014 we acquired a stake in Japan 3D Devices Co., Ltd., a subsidiary of Okamoto Glass Co., Ltd. and a maker of concave mirrors (reflectors) for automotive head-up displays and other high precision 3D molded thin glasses. The acquisition has enabled us to step up our efforts to develop basic and applied head-up display technologies.

R&D expenses in this segment totaled ¥5,734 million.

Other

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

R&D expenses in this segment totaled ¥477 million.

Outlook for Fiscal Year Ending March 2016 and Risk Factors

Outlook for the Fiscal Year Ending March 2016

(as of May 2015)

The Japanese economy is expected to remain healthy as higher employment figures and better wages fuel domestic demand. The U.S. economy will continue on its gradual upward trajectory thanks to robust consumer spending despite the signs of a slowdown in corporate earnings due to the strong dollar, etc. While the European economy is expected to slowly pick up steam, it will take some more time to solve the problems it's facing, like the Greek financial crisis and Ukrainian political crisis. In Asia, strong domestic demand is likely to fuel modest economic growth despite China's slowing growth rate. Meanwhile, other Asian countries are generally expected to exhibit moderate economic growth.

Working against this backdrop, the Minebea Group expects to see booming sales of LED backlights for LCDs business along with steady sales of ball bearings, motors, etc. Based on conservative estimates, sales are projected to total 650,000 million yen, operating income 67,000 million yen, and net income attributable to owners of parent 48,000 million yen.

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, etc. for the mid-range to high-end smartphone market. Additionally we will make aggressive efforts to expand sales and launch new products, which are expected to 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. Working with an eye to enhancing the performance of our information 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

We will concentrate 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

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):

(a) Unexpected changes to laws or regulations
(b) Difficulty in attracting and securing qualified human resources
(c) 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 yen). The KFTC also announced that it would press criminal charges against Minebea and its Korean subsidiary for violating the Monopoly Regulation and Fair Trade Act. 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 a fine totaling 13.5 million U.S. dollars (1,610 million yen).

A class action suit in relation to the investigations of these cases has been brought against Minebea in Canada. Minebea and some of its subsidiaries are also cooperating with competition authorities in Singapore in investigations there. There has been no significant progress during this fiscal year.

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.

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.

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.