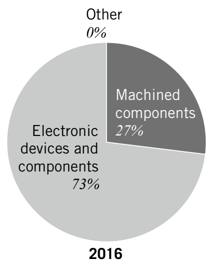
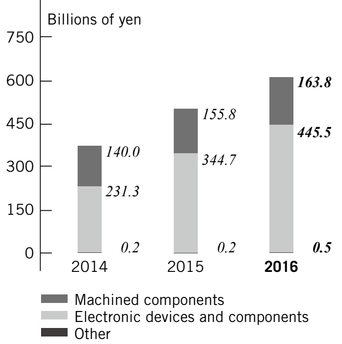
Financial Review

Results of Operations

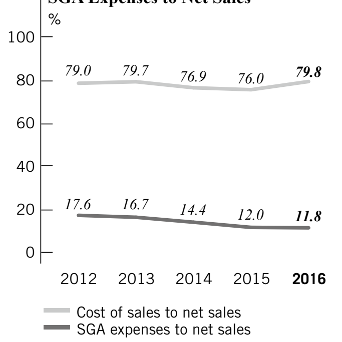
Ratio of Net Sales by Segment



Net Sales by Segment



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



Net Sales

The weak yen, high share prices, and low oil prices were initially expected to fuel Japan's economy during the year under review. However, consumer spending, capital expenditures, and exports remained stagnant from spring to summer, and slowdown in China and other emerging economies, falling resource prices, and a rising yen during the second half of the year have casted a dark shadow over the economy. The U.S. economy continued to grow mainly in the household sector due to the robust performance of the service industry and a better job market. Despite declining exports to non-EU countries, local consumption kept the European economy moving forward on a moderate upward trend. Excess production capacity and slowing investment in real estate development in China has gradually unveiled a picture of economic uncertainty in Asia. Although ASEAN countries, whose economies rely largely on China, did not see exports to China grow, they enjoyed moderate economic recoveries due partly to public investments, measures to stimulate consumption, and other initiatives.

Working against this backdrop, Minebea Group has been concentrating on cutting costs, creating high-value-added products, developing new technologies, and enhancing its marketing approach to improve profitability even further.

As a result, net sales increased by ¥109,138 million (21.8%) year on year to total ¥609,814 million, reaching ¥600 billion for the first time ever.

Cost of Sales

Cost of sales was up by ¥106,086 million (27.9%) from the previous fiscal year to total ¥486,671 million in the year under review due to an increase in externally purchased parts, mainly in LED backlights for LCDs. Cost of sales as a percentage of net sales increased by 3.8 percentage points year on year to reach 79.8%.

SGA Expenses

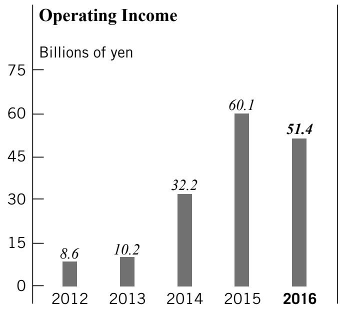
SGA expenses increased by ¥11,715 million (19.5%) from the previous fiscal year to total ¥71,705 million in the year under review due to increased sales and the effect of consolidating Sartorius Mechatronics T&H Group. SGA expenses as a percentage of net sales dropped by 0.2 percentage points from the previous year to hit 11.8% in the year under review.

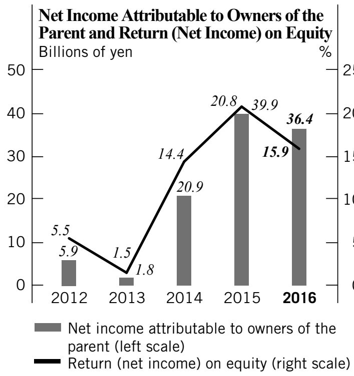
Cost of Sales and SGA Expenses

Millions of yen

Years ended March 31	**2016**	2015	2014	2013	2012
Net sales	**¥609,814**	¥500,676	¥371,543	¥282,409	¥251,358
Cost of sales	**486,671**	380,585	285,768	225,114	198,506
Cost of sales to net sales	**79.8%**	76.0%	76.9%	79.7%	79.0%
Gross profit	**123,143**	120,091	85,775	57,295	52,852
SGA expenses	**71,705**	59,990	53,576	47,126	44,253
SGA expenses to net sales	**11.8%**	12.0%	14.4%	16.7%	17.6%

*Segment classification has changed from the fiscal year ended March 31, 2016, due to organizational changes.





Operating Income

Operating income decreased by ¥8,663 million (14.4%) compared to the previous fiscal year to ¥51,438 million. The factors behind this decline include a drop in shipments of LED backlights for LCDs, which were affected by the reduced production of customers in the smart phone market. The operating margin fell 3.6 percentage points year on year to 8.4%. 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 ¥4,475 million, which was ¥3,853 million lower than in the previous fiscal year. The main items recorded were ¥3,337 million from the receipt of insurance benefits mainly related to the great flooding that occurred in Thailand in 2011, exchanges losses of ¥3,113 million, and a loss of ¥1,465 million due to the settlement of retirement benefit plan at our consolidated subsidiary in the U.S.

Income before Income Taxes

All of the above-mentioned factors brought income before income taxes for the year under review to decrease by ¥4,810 million (9.3%) year on year to total ¥46,963 million.

Income Taxes

Income taxes decreased by ¥1,927 million from the previous year to total ¥10,365 million. Income taxes included current income taxes (i.e. corporate, inhabitant, and business taxes) totaling ¥12,757 million and deferred income taxes (benefit) of ¥2,392 million. The effective income tax rate dropped to 22.1% from 23.7% in the previous fiscal year. This decline was due to the reduction of the statutory income tax rate in Japan.

Net Income Attributable to Owners of Parent

As a consequence of the aforementioned factors, net income attributable to owners of parent fell ¥3,501 million year on year to ¥36,386 million. Basic net income per share was ¥97.26, a ¥9.47 decrease from the ¥106.73 for the previous fiscal year.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests increased by ¥618 million from the previous fiscal year to ¥212 million.

Income

Millions of yen

Years ended March 31	**2016**	2015	2014	2013	2012
Operating income	**¥51,438**	¥60,101	¥32,199	¥10,169	¥8,599
Operating margin	**8.4%**	12.0%	8.7%	3.6%	3.4%
Net balance of other income (expenses)	**(4,475)**	(8,328)	(5,388)	(5,287)	(3,048)
Net income attributable to owners of the parent	**36,386**	39,887	20,878	1,804	5,922
Net income to net sales	**6.0%**	8.0%	5.6%	0.6%	2.4%
Net income per share (yen):					
Basic	**97.26**	106.73	55.94	4.83	15.63
Diluted	**92.35**	101.32	53.14	4.65	15.54
Return (net income) on equity	**15.9%**	20.8%	14.4%	1.5%	5.5%
Return on total assets	**7.7%**	9.2%	5.6%	0.5%	2.0%

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.

Debt Ratings

As of December 2015	*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 ¥43,878 million for the year under review. This amount includes ¥7,735 million for the machined components segment, ¥29,012 million for the electronic devices and components segment, ¥178 million for the other segment, and ¥6,953 million for unallocated corporate capital investments.

Investments in the machined components segment were mainly for bearing-related equipment and mechanical parts-related equipment in Thailand. Investments in the electronic devices and components segment focused on equipment in Thailand related to LED backlights for LCDs and components. Investments in the corporate were primarily for factory expansion in Cambodia.

The capital investment includes ¥2,311 million in intangible fixed assets and a ¥62 million increase in assets associated with new finance lease agreements.

For the next fiscal year we plan to spend ¥29.2 billion on 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 20 yen per share, which includes an interim dividend of 10 yen per share. The resulting consolidated basis dividend payout ratio for the year under review is 20.6%.

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 manufacturingdevelopment platform. This will enable us to meet customer needs and adapt to any changes in the market that may occur.

Our policy is to distribute dividends from the surplus twice a year in the form of an interim dividend and a year-end dividend. We have established provisions in the Articles of Incorporation allowing the Board of Directors to decide on the distribution of the surplus based on the provisions of Article 459(1) of the Companies Act.

Free Cash Flow

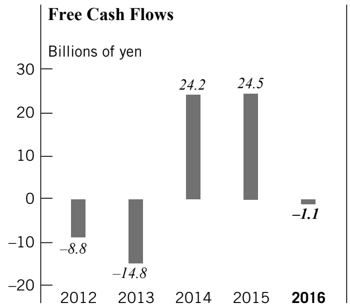
Free cash flows (calculated by adding net cash flows from operating activities and net cash flows from investing activities) totaled an outflow of ¥1,060 million. That is an decrease of ¥25,597 million from the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities were drop by 27.2% from the previous fiscal year to ¥43,582 million. Inflows mainly consisted of income before income taxes totaling ¥46,963 million, depreciation and amortization costs totaling ¥34,788 million, and ¥11,176 million decrease in notes and accounts payable–trade. Outflows included ¥21,119 million increase in inventories, ¥19,019 million decrease in notes and accounts receivable–trade, and income taxes paid amounting to ¥15,764 million.

Cash Flows from Investing Activities

Net cash used in investment activities rose by 26.4% year on year to ¥44,642 million. This mainly included an outflow of ¥40,136 million in payments for purchases of tangible fixed assets, as well as an outflow of ¥2,244 million in payments for purchases of intangible fixed assets.

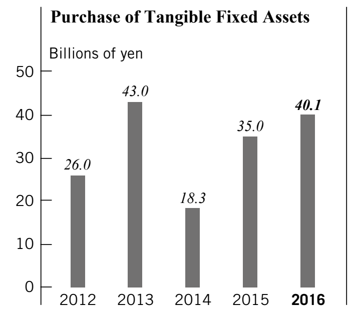


Cash Flows from Financing Activities

Net cash used in financing activities fell by 78.6% year on year to ¥4,200 million. Major cash outflows included ¥5,984 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 ¥29,142 million. That is a decrease by ¥6,996 million compared to the end of the previous fiscal year.



Free Cash Flows

Millions of yen

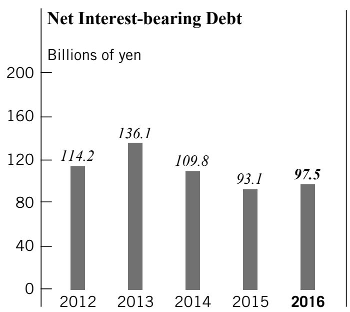
Years ended March 31	**2016**	2015	2014	2013	2012
Net cash provided by operating activities	**¥43,582**	¥59,863	¥49,173	¥22,990	¥20,233
Net cash used in investing activities	**(44,642)**	(35,326)	(24,957)	(37,813)	(29,018)
Thereof used in purchase of tangible fixed assets	**(40,136)**	(34,979)	(18,343)	(42,963)	(25,961)
Free cash flows	**(1,060)**	24,537	24,216	(14,823)	(8,785)

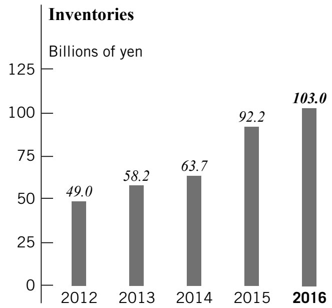
Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review amounted to ¥459,428 million, which is 6.2%, or ¥30,615 million less than at the end of the previous fiscal year. This includes a ¥41,832 million decrease due to foreign currency fluctuations.

Net assets totaled ¥237,973 million and shareholders' equity totaled ¥230,785 million, resulting in a shareholders' equity ratio of 50.2%, up 4.1 points from the previous fiscal year.

Net interest-bearing debt (total debt minus cash and cash equivalents and time deposits) rose ¥4,381 million (4.7%) compared to the end of the previous fiscal year to total ¥97,516 million. The net debt-to-equity ratio was the same as the end of the previous fiscal year at 0.4 times.





Assets

Cash and cash equivalents fell ¥6,996 million below the previous year-end's total to reach ¥29,142 million. Time deposits increased by ¥1,263 million from the end of the previous fiscal year to total ¥10,453 million. Notes and accounts receivable–trade were down by ¥18,244 million compared to the end of previous fiscal year to ¥92,275 million due to a decrease in net sales during the 4th quarter and other factors. Inventories increased by ¥10,849 million from the previous year-end to ¥103,011 million, mainly from LED backlights for LCDs. Deferred tax assets (short-term) rose by ¥384 million from the previous year-end to hit ¥4,016 million. Other current assets amounted to ¥8,328 million, down ¥2,113 million from the end of the previous fiscal year.

As a result of the above-mentioned performance, total current assets fell by ¥15,365 million (5.8%) over the previous year-end total to total ¥249,820 million.

Tangible fixed assets fell by ¥14,605 million (7.6%) from the previous fiscal year-end to ¥177,993 million. Purchases of tangible fixed assets for the year under review ¥40,136 million while depreciation and amortization costs amounted to ¥34,788 million.

Intangible fixed assets increased by ¥753 million (6.2%) from the previous year-end to ¥12,905 million.

Investments and other assets were down by ¥1,383 million (6.9%) from the previous year-end to ¥18,701 million. Factors behind this downturn include a ¥1,556 million decrease in investment securities while on the other hand, there was an increase of ¥978 million in deferred tax assets (long-term), etc.

Consequently, total fixed assets amounted to ¥209,599 million, ¥15,235 million (6.8%) decrease from the end of the previous year.

Liabilities

Notes and accounts payable–trade came to ¥35,807 million, ¥24,099 million below the previous fiscal year-end's total, mainly due to fewer purchases. Short-term debt increased ¥19,509 million from the end of the previous fiscal year to reach ¥66,166 million and the current portion of long-term debt increased by ¥11,079 million to ¥31,179 million. Income taxes payable decreased by ¥2,835 million to ¥5,385 million. Accrued expenses and other current liabilities decreased by ¥4,220 million to total ¥17,767 million. As a result of the factors above, total current liabilities declined ¥2,196 million (1.3%) from the previous year-end to ¥165,424 million.

Long-term debt dropped by ¥31,940 million from the previous year-end to total ¥39,766 million. Consequently, total fixed liabilities were down by ¥32,714 million (36.9%) from the previous year-end to ¥56,030 million.

Net Assets

Total net assets at year-end went up by ¥4,294 million (1.8%) from the previous year-end to ¥237,973 million. This increase was due to a ¥30,402 million jump in retained earnings while the foreign currency translation adjustments decreased by ¥26,245 million. Non-controlling interests decreased by ¥355 million from the end of the previous fiscal year to ¥7,058 million.

Financial Position

Millions of yen

As of March 31	**2016**	2015	2014	2013	2012
Total assets	**¥459,428**	¥490,043	¥381,278	¥362,805	¥306,772
Cash and cash equivalents	**29,142**	36,138	29,031	28,223	23,366
Time deposits	**10,453**	9,190	9,685	6,041	4,964
Total current assets	**249,820**	265,185	189,638	170,977	157,787
Inventories	**103,011**	92,162	63,652	58,234	49,025
Total current liabilities	**165,424**	167,620	120,937	128,484	115,713
Working capital	**84,396**	97,565	68,701	42,493	42,074
Interest-bearing debt	**137,111**	138,463	148,498	170,412	142,544
Net interest-bearing debt	**97,516**	93,135	109,782	136,148	114,214
Total net assets	**237,973**	233,679	163,463	137,858	109,777
Equity ratio	**50.2%**	46.1%	41.4%	36.2%	35.7%
Debt-to-equity ratio (times)	**0.6**	0.6	0.9	1.2	1.3
Net debt-to-equity ratio (times)	**0.4**	0.4	0.7	1.0	1.0
Net assets per share (yen)	**616.43**	604.83	422.62	351.65	288.74