Overview

Outline of Operations

Minebea's operations are divided into the following segments. The machined components segment (accounting for 26.9% 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 73.0% 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 0.1% of net sales) focuses on machine made 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 58.7% of our consolidated-basis output in the year under review while China, which is our next biggest manufacturing base, accounted for 16.3%. Asian locations outside of Japan accounted for 85.5% of our production, and manufacturing at all overseas locations accounted for 95.2% of total output.

The key outlets for our products include the markets for office automation and telecommunication equipment (41.2% of net sales in the year under review), PCs and peripherals (18.0%), automotive products (11.1%), aerospace products (7.5%) and household electrical appliances (6.6%).

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 30.2% of net sales in the year under review, were the highest. Our second-largest geographic market is the United States, which accounted for 25.8% of net sales. The third largest, Japan, accounted for 13.1% with the remainder of sales coming from Europe, Thailand, 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 EMS (Electro Mechanics Solutions) 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 have developed our new "Five Arrows" strategies, described in the following, which will guide us with a view to moving ahead with the aforementioned initiatives specifically and further boosting our bottom line:

1. Sell 180 million ball bearings externally per month on average.
   Bearing sales have steadily grown and the monthly external sales volume has reached 165 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™" 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, our consolidated subsidiary, to move forward with our smart city, new LED lighting SALIOT (Smart Adjustable Light for the Internet Of Things), and other businesses.
4. Take sales of measuring components and related products to 50 billion yen.
   We have raised the annual sales target 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 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

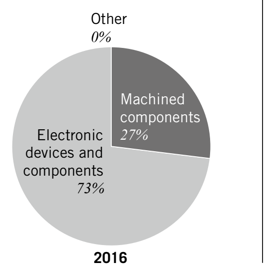
Years ended March 31	**2016**	2015	2014	2013	2012
					Millions of yen
Sales by reportable segment					
Machined components	**¥163,811**	¥155,785	¥140,033	¥ —	¥ —
Electronic devices and components	**445,467**	344,725	231,333	—	—
Reportable segments Total	**¥609,278**	¥500,510	¥371,366	¥ —	¥ —
Other	**536**	166	177	—	—
Total	**¥609,814**	¥500,676	¥371,543	¥ —	¥ —
Adjustment	**—**	—	—	—	—
Consolidated financial statements amount	**¥609,814**	¥500,676	¥371,543	¥ —	¥ —
Income (loss) by reportable segment					
Machined components	**¥ 40,855**	¥ 39,723	¥ 33,551	¥ —	¥ —
Electronic devices and components	**22,336**	30,748	10,621	—	—
Reportable segments Total	**¥ 63,191**	¥ 70,471	¥ 44,172	¥ —	¥ —
Other	**(125)**	(29)	140	—	—
Total	**¥ 63,066**	¥ 70,442	¥ 44,312	¥ —	¥ —
Adjustment	**(11,628)**	(10,341)	(12,113)	—	—
Consolidated financial statements amount	**¥ 51,438**	¥ 60,101	¥ 32,199	¥ —	¥ —
Assets by reportable segment					
Machined components	**¥105,255**	¥120,228	¥ 99,300	¥ —	¥ —
Electronic devices and components	**189,748**	190,913	126,305	—	—
Reportable segments Total	**¥295,003**	¥311,141	¥225,605	¥ —	¥ —
Other	**2,167**	4,088	545	—	—
Total	**¥297,170**	¥315,229	¥226,150	¥ —	¥ —
Adjustment	**162,258**	174,814	155,128	—	—
Consolidated financial statements amount	**¥459,428**	¥490,043	¥381,278	¥ —	¥ —
Depreciation and amortization by reportable segment					
Machined components	**¥ 9,296**	¥ 9,622	¥ 9,378	¥ —	¥ —
Electronic devices and components	**20,807**	15,154	9,941	—	—
Reportable segments Total	**¥ 30,103**	¥ 24,776	¥ 19,319	¥ —	¥ —
Other	**335**	76	61	—	—
Total	**¥ 30,438**	¥ 24,852	¥ 19,380	¥ —	¥ —
Adjustment	**4,350**	3,924	4,360	—	—
Consolidated financial statements amount	**¥ 34,788**	¥ 28,776	¥ 23,740	¥ —	¥ —
Increase in tangible and intangible fixed assets by reportable segment					
Machined components	**¥ 7,735**	¥ 7,499	¥ 3,867	¥ —	¥ —
Electronic devices and components	**29,012**	19,215	10,011	—	—
Reportable segments Total	**¥ 36,747**	¥ 26,714	¥ 13,878	¥ —	¥ —
Other	**178**	2,487	29	—	—
Total	**¥ 36,925**	¥ 29,201	¥ 13,907	¥ —	¥ —
Adjustment	**6,953**	8,356	6,772	—	—
Consolidated financial statements amount	**¥ 43,878**	¥ 37,557	¥ 20,679	¥ —	¥ —

Note: Effective from fiscal 2016, the Company has made some organizational changes, including incorporating its in-house manufacturing division into the Electronic Device and Component Manufacturing Headquarters. Due to these changes, the figures of fiscal 2015 and 2014 have been changed retrospectively.
However, for the segment information before fiscal 2013, the Company has not disclosed the information as it is practically difficult to retrospectively extract the necessary financial date.

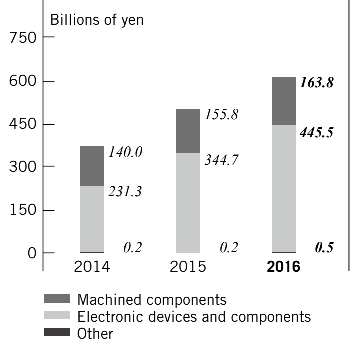
Financial Review

Results of Operations

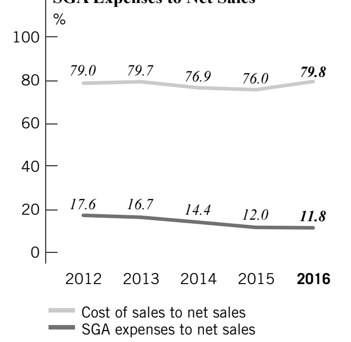
Ratio of Net Sales by Segment



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

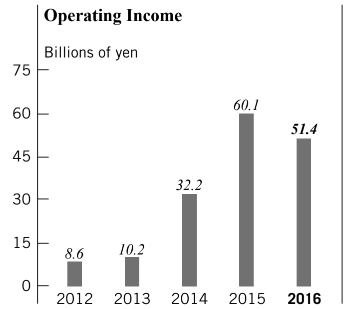
SGA expenses increased by ¥11,715 million (19.5%) from the previous fiscal year to total ¥71,705 million in the year under review due to increased sales and the effect of consolidating Sartorius Mechatronics T&H Group. SGA expenses as a percentage of net sales dropped by 0.2 percentage points from the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

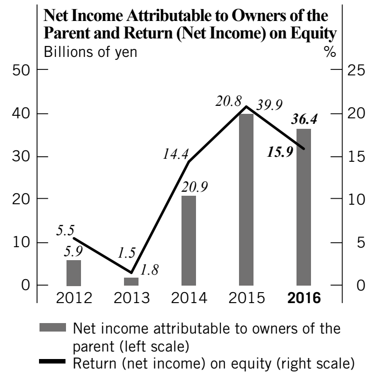
Cost of Sales and SGA Expenses

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

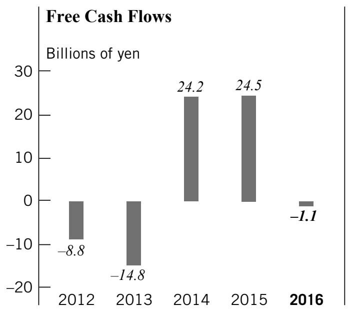
Free cash flows (calculated by adding net cash flows from operating activities and net cash flows from investing activities) totaled an outflow of ¥1,060 million. That is an decrease of ¥25,597 million from the previous fiscal year.

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.

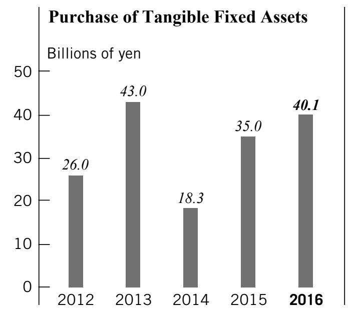


Cash Flows from Financing Activities

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

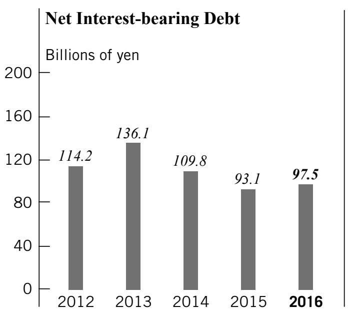
Years ended March 31	**2016**	2015	2014	2013	2012
Net cash provided by operating activities	**¥43,582**	¥59,863	¥49,173	¥22,990	¥20,233
Net cash used in investing activities	**(44,642)**	(35,326)	(24,957)	(37,813)	(29,018)
Thereof used in purchase of tangible fixed assets	**(40,136)**	(34,979)	(18,343)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

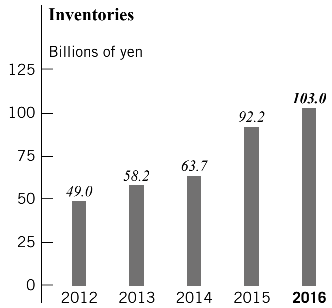
Assets, Liabilities and Net Assets

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

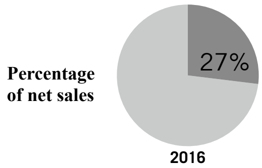
Total net assets at year-end went up by ¥4,294 million (1.8%) from the previous year-end to ¥237,973 million. This increase was due to a ¥30,402 million jump in retained earnings while the foreign currency translation adjustments decreased by ¥26,245 million. Non-controlling interests decreased by ¥355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

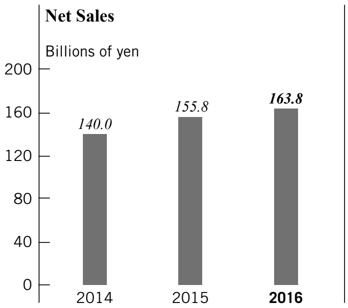
Financial Position

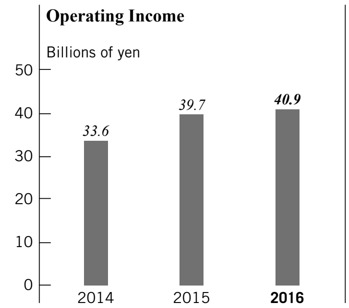
Millions of yen

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

Machined Components







Net sales in the machined components segment increased by ¥8,026 million (5.2%) year on year to ¥163,811 million. Operating income rose by ¥1,132 million (2.9%) year on year to reach ¥40,855 million, and operating margin was 24.9%, down 0.6 percentage points year on year.

Demand for our anchor product line, miniature and small-sized ball bearings, remained upbeat across a wide range of markets, mainly on high-grade consumer goods including automobiles and fan motors, with external sales volumes at a monthly average of 155 million units, up 7% year on year. Profits also increased.

Sales of rod-end bearings and spherical bearings increased, but profits remained largely unchanged as civil aircraft production was stable.

Sales of pivot assemblies went down, affected by the contraction of the HDD market, but improvements in production efficiency advanced and operating profit increased.

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	approximately 60%
Rod-end and spherical bearings	Aircraft	approximately 50%
Fasteners	Aircraft, automobiles	—
Pivot assemblies	Hard disk drives	approximately 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 received active demand for mechanical parts related to aircraft. Along with increasing parts production capabilities significantly in Japan and Thailand, we will strengthen cooperation with manufacturing and sales bases on a global basis. We will also leverage the strengths of CEROBEAR, which we acquired in July 2013, to enhance research and development of ceramic bearing aircraft parts.

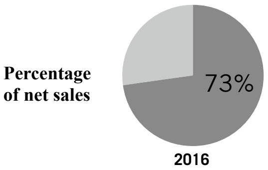
In the pivot assembly business, we have been implementing ongoing cost cutting measures such as improving yields. It is forecast that the stagnation of PC demand and the contraction of the HDD market will continue, but as we utilize the synergy created by our significant market share for pivot assemblies and miniature ball bearings, our major component parts, 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.

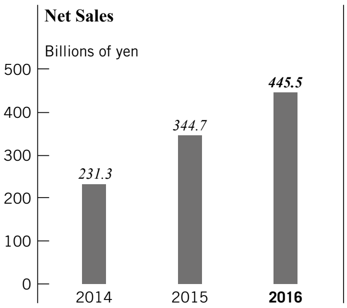
Major Products

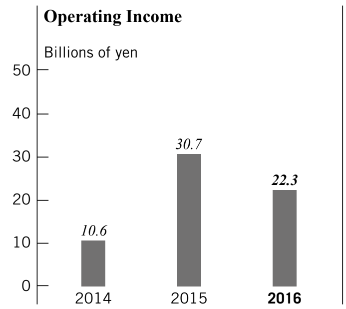
Ball bearings Rod-end bearings Spherical bearings Roller bearings Bushings Pivot assemblies
Mechanical assemblies Aerospace fasteners Automotive fasteners

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

Electronic Devices and Components







In the year under review, net sales significantly increased ¥100,742 million (29.2%) from the previous year to ¥445,467 million. Operating income fell ¥8,412 million (27.4%) year on year to ¥22,336 million, while operating margin also fell 3.9 percentage points year on year to 5.0%.

The LED backlight business enjoyed revenue growth thanks largely to rising unit selling prices on the back of increased external purchases of parts for existing customers' new smartphone models. However, profits decreased, partly because of lower shipments affected by customers' declining production in the smartphone market.

The profitability of the motor business improved due 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.

In addition to the effects of the acquisition of Sartorius Mechatronics T&H Group, sales of measuring components rose steadily for 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	approximately 25%
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	approximately 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 seeing consumer intentions turn towards high-end smartphones so we are promoting positive sales and the input of new products, notably the ultra-thin, highly efficient LED backlights needed to produce high-definition, lightweight smartphones with large battery capacity. The investment to significantly beef up production capacity at our Thai and Cambodian facilities has already been completed and we aim to generate overwhelming production capacity and productivity. 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, SALIOT, a new type of LED lighting device, and outdoor LED lights for tunnels, 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.

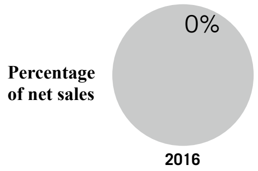
We will implement a business strategy for measuring components that spotlights their sensor function over their use as mere gauges to expand into new markets including medicine and nursing care along with areas related to robotics as well as bridges and other infrastructure. In addition to that we will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

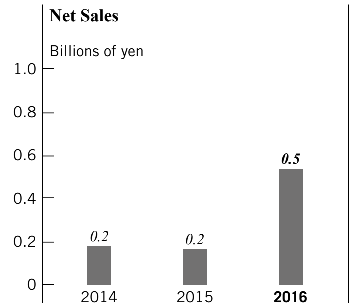
Major Products

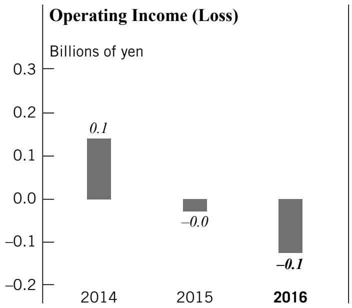
LED backlights   EMS (Electro Mechanics Solutions)   Stepping motors   Brushless DC motors
Brush DC motors   Fan motors   HDD spindle motors   Precision motors   Measuring components

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

Other







Net sales for the year under review increased by ¥370 million (222.5%) year on year to ¥536 million. The segment showed an operating loss of ¥125 million, adding up to a year-on-year loss of ¥96 million.

Major Products

Machine made in-house

Adjustments

In addition to the above figures, ¥11,628 million in corporate expenses, etc. not belonging to any particular segment is shown as adjustments. Adjustments for the previous fiscal year amounted to ¥10,341 million.

*Segment classification has changed from the fiscal year ended March 31, 2016, 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, lighting equipment, strain gauges and the load cells and sensors that use them, as well as EMS (Electro Mechanics Solutions) 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 create 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 EMS 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 ¥9,681 million. This amount includes ¥880 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 (Mineron™), etc. (*registered in Japan). 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 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, 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 ¥1,885 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, brush DC motors, fan motors as well as precision 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.

We are developing wirelessly controlled LED lighting devices for smart buildings and smart cities that incorporate the wireless technology of PARADOX ENGINEERING SA, our consolidated subsidiary. Rolling out the results of this development, we are using the Joint Crediting Mechanism for the reduction of greenhouse gases, to promote the installation of highly efficient, wirelessly controlled LED street lighting in Cambodia.

In the LED lighting business, we have developed and started marketing of SALIOT, which can manage and control a light distribution angle and brightness both horizontally and vertically with ease by smartphone or tablet, utilizing our motor and wireless technology.

We launched a joint research project by using measuring components applying strain gages in collaboration with Chiba University Graduate School of Medicine, Chiba University Hospital and IBM Japan, Ltd. having its sights set on the development of biological information monitoring system. Based on this joint research project, we plan to develop and commercialize such products within a year.

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 ¥6,176 million.

Other

Our other segment mainly includes machine made in-house.

R&D expenses in this segment totaled ¥740 million.

Outlook for Fiscal Year Ending March 2017 and Risk Factors

Outlook for the Fiscal Year Ending March 2017

(as of May 2016)

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

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

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

Outlook by segment for the full year is as follows:

Machined Components

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

Electronic Devices and Components

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

Other businesses

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

Risk Factors

The Minebea Group recognizes a variety of risks and uncertainties that have the potential to affect its operating results and/or financial position. Future risks mentioned in this document are those recognized by the Minebea Group as of the end of the current fiscal year.

1. Market risk

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

2. Foreign exchange risk

Since a significant portion of our consolidated net sales and production occur outside Japan, our business is vulnerable to risks associated with fluctuations in foreign currency exchange rates. We have entered into various currency exchange contracts and other derivatives transactions to hedge these risks, but fluctuations in foreign currency exchange rates may affect our operating results and/or financial position over the long term.

3. R&D risk

While we focus on R&D to introduce a constant stream of new, high-quality products, we may not reap a financial reward from our R&D investments. There are no guarantees that our R&D efforts will come to fruition.

4. Legal risk

The Legal Department is responsible for managing risk related to lawsuits and other legal actions brought in relation to Minebea Group operations in Japan and/or overseas. We are subject to the risk that lawsuits or other actions with the potential to affect our operating results and/or financial position may be brought against us in the future.

5. Risk related to price negotiations

We continue to face intense competition from lower-priced products made overseas. We are subject to the risk that we will be unable to maintain or increase our market share should market needs shift to low-priced products.

6. Risk related to raw materials and logistics costs

We purchase a variety of materials from external suppliers. While we work with an eye to maintaining optimal inventory volumes along with access to a steady supply of materials at stable prices, rising material prices could affect our operating results and/or financial position.

7. Latent risk related to operations overseas

The Minebea Group's manufacturing activities are conducted primarily in Thailand, China, Singapore and Cambodia. While we have been operating in these countries for quite some time, overseas operations are always subject to the following risks (any of which could have a negative impact on our operating results and/or financial position):

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

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

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

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

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

12. Environmental risk

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

13. Risk related to M&As and alliances

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

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

14. Quality risk

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

15. Information management risk

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