1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of Minebea Co., Ltd. (the "Company"), and its consolidated domestic and foreign subsidiaries are stated in Japanese yen. The accounts of the Company and its consolidated domestic and foreign subsidiaries are maintained in accordance with the accounting principles generally accepted in the respective countries and audited by independent auditors in those countries. The Company has made necessary adjustments to its consolidated accounting process regarding foreign subsidiaries in accordance with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, issued on May 17, 2006), effective from the year ended March 31, 2009.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Ministry of Finance in Japan as required by the Financial Instruments and Exchange Act of Japan, in accordance with accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards. For the purpose of this annual report, certain reclassifications have been made and additional information provided to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 70 affiliated companies (68 consolidated subsidiaries, 2 equity method affiliates). All significant intercompany balances, intercompany transactions and unrealized profits have been eliminated in consolidation. The Company also has 7 non-consolidated subsidiaries.

During the year ended March 31, 2016, two consolidated subsidiaries were established, additional shares of one consolidated subsidiary was acquired, one non-consolidated subsidiary was included in the scope of consolidation and two consolidated subsidiaries were liquidated.

Non-consolidated subsidiaries are excluded from the scope of consolidation, as their operations are small, and their total assets, net sales, net income (amount equivalent to shares) and retained earnings (amount equivalent to the consolidated financial statements. shares), etc. have no significant impact on the consolidated financial statements.

For some consolidated subsidiaries whose fiscal year ends on December 31, provisional financial statements as of the Company's balance sheet date are prepared and used. However, for certain consolidated subsidiaries, financial statements as of the subsidiaries' balance sheet date are used. In this case, necessary adjustments are made for significant transactions between the subsidiary's balance sheet date and the Company's balance sheet date.

b) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for those which are hedged by forward exchange contracts. Translation differences arising from the translation of the financial statements denominated in foreign currencies are recorded as non-controlling interests in consolidated subsidiaries and foreign currency translation adjustments in net assets.

Financial statement items of consolidated foreign subsidiaries are translated into Japanese yen as follows:

Balance sheet items	At the rates of exchange prevailing at the balance sheet date
Statement of income items	At the average rate of exchange during the fiscal year

c) Cash equivalents

All highly liquid investments with an original maturity of 3 months or less are considered to be "cash equivalents."

d) Allowance for doubtful receivables

An allowance for doubtful receivables of the Company and its consolidated domestic subsidiaries is provided for normal receivables based on the historical write-off rate and for uncollectible receivables on a specific identification basis. An allowance for doubtful receivables of consolidated foreign subsidiaries is provided for estimated uncollectible receivables.

An allowance for doubtful receivables provided for consolidated subsidiaries' intercompany receivables is eliminated for consolidation purposes.

e) Inventories

Inventories of the Company and its consolidated domestic subsidiaries are stated at cost, as determined primarily by the moving average method, with balance sheet inventory amounts calculated using lowered book values and reflecting a potential decline in profitability.

Inventories of the Company's consolidated foreign subsidiaries are measured at the lower of cost or market. Cost is determined primarily by the moving average method.

Inventories as of March 31, 2016 and 2015, comprised the following:

Inventories

	Millions of yen	
	2016	2015
Merchandise and finished goods	**¥ 49,399**	¥46,998
Work in process	**29,874**	22,620
Raw materials	**18,799**	17,381
Supplies	**4,939**	5,163
	¥103,011	¥92,162

f) Tangible fixed assets

Tangible fixed assets are measured at acquisition cost. Depreciation of the Company and its consolidated domestic subsidiaries is computed primarily by the declining-balance method based upon the estimated useful lives of the assets. For the depreciation of buildings, however, the straight-line method is adopted. The estimated useful lives of fixed assets are predominantly 2 to 50 years for buildings and structures, 2 to 15 years for machinery and transportation equipment and 2 to 20 years for tools, furniture and fixtures.

In contrast, depreciation of consolidated foreign subsidiaries is computed primarily by the straight-line method based upon the estimated useful lives of the assets. The declining-balance method is adopted for certain machinery and equipment used for the manufacture of LED backlights for LCDs.

Maintenance and normal repair expenses are charged against income when incurred, while significant renewals and improvements are capitalized.

(Change in accounting policy which is difficult to distinguish from the change in accounting estimates)

The Company and its consolidated domestic subsidiaries adopted the declining balance method primarily for the depreciation method of buildings; however the straight-line method is adopted from the year ended March 31, 2016.

Having reviewed the depreciation method on recent occasions such as acquisition of the Headquarters building, and construction of the Matsuida Plant as well as the Kashiwazaki Plant, the Company concluded that such buildings are to be used stably for a long-period of time, irrespective of the profitability and operational situation of the facilities so that the benefits of utilization shall be realized in proportion to the lapse of time, therefore the straight-line method better reflects the current economic situation of the Company.

Due to the change, depreciation decreased, while operating income and income before income taxes increased ¥353 million, respectively, in the year ended March 31, 2016.

(Change in accounting estimates)

After a comprehensive review seeking to better reflect the product life cycle of certain machinery used for manufacturing LED backlights for LCDs products, certain consolidated subsidiaries changed their useful lives from 5 to 10 years to 2 years from the year ended March 31, 2015.

This resulted in an increase in depreciation and decrease of ¥2,013 million in operating income and income before income taxes, respectively, in the year ended March 31, 2015.

g) Investment securities

Investment securities mainly consist of equity securities of listed and unlisted companies and government and corporate bonds. Available-for-sale securities held by the Company and its domestic and foreign consolidated subsidiaries with readily determinable fair value are measured at the closing quoted market price on March 31, 2016 and 2015. Resulting valuation gains and loss are included, net of deferred taxes, in net assets in the consolidated balance sheets.The costs for securities sold is calculated using the moving average method. Those securities for which fair value is not readily determinable are measured at cost, as determined by the moving average method.

Available-for-sale securities

Millions of yen

	2016			2015		
	Reported amount in balance sheet	*Acquisition cost*	*Difference*	*Reported amount in balance sheet*	*Acquisition cost*	*Difference*
Securities for which reported amounts in the balance sheet exceed acquisition cost						
Equity securities	**¥3,002**	**¥2,344**	**¥658**	¥4,381	¥2,343	¥2,038
Bonds	**4,375**	**4,354**	**21**	4,457	4,439	18
Other	**—**	**—**	**—**	34	33	1
Securities for which reported amounts in the balance sheet do not exceed acquisition cost						
Equity securities	**2**	**3**	**(1)**	2	3	(1)
Other	**23**	**31**	**(8)**	26	33	(7)
Total	**¥7,402**	**¥6,732**	**¥670**	¥8,900	¥6,851	¥2,049

Unlisted equity securities are not included in the above, as they do not have quoted market prices, therefore it is extremely difficult to measure their fair value. The amount of unlisted equity securities as of March 31, 2016 and 2015 are ¥1,302 million and ¥1,302 million, respectively.

Available-for-sale securities sold during each fiscal year

Millions of yen

	2016			2015			2014		
	Amount of sale	*Gain on sale*	*Loss on sale*	*Amount of sale*	*Gain on sale*	*Loss on sale*	*Amount of sale*	*Gain on sale*	*Loss on sale*
Equity securities	**¥ 38**	**¥—**	**¥—**	¥1,069	¥—	¥—	¥ 162	¥54	¥—
Bonds	**1,438**	**—**	**—**	102	—	—	—	—	—
Other	**277**	**—**	**—**	767	—	—	1,095	—	—
Total	**¥1,753**	**¥—**	**¥—**	¥1,938	¥—	¥—	¥1,257	¥54	¥—

Notes: 1. Amount of sale in equity securities for the year ended March 31, 2015 include redemption of preferred shares of ¥1,000 million.

2. Amount of sale in bonds for years ended March 31, 2016 and 2015, include redemption due to maturity of ¥1,438 million, and ¥102 million, respectively.

h) Accounting for retirement benefits

To provide for the payment of retirement benefit to employees, the Company and its consolidated domestic subsidiaries sponsor funded and unfunded defined benefit pension plans and defined contribution pension plans.

Defined benefit pension plans (funded) provide lump-sum payments or annuity based on salary and length of service.

Certain consolidated foreign subsidiaries sponsor funed and unfunded defined benefit pension plans or defined contribution pension plans.

In the years ended March 31, 2016 and 2015, the benefit formula basis is used to attribute expected retirement benefits to each period.

In the year ended March 31, 2014, the straight-line basis is used by the Company and consolidated domestic subsidiaries, and the benefit formula is used by consolidated foreign subsidiaries to attribute expected retirement benefits to each period.

Past service costs are amortized using the straight-line method over a period of 10 years.

Actuarial gains and losses are amortized using the straight-line method over a period of 5 years, from the period subsequent to the period in which they are incurred.

Unrecognized actuarial gains and losses and unrecognized past service costs are recognized as remeasurements of defined benefit plans in total accumulated other comprehensive income within the net assets, after adjusting for tax effects.

(Change of accounting policy)
From the year ended March 31, 2015, the Company adopted the provisions set forth in paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, revised on March 26, 2015). Accordingly, the method used to calculate retirement benefit obligations and service costs has been revised, and the method to attribute expected retirement benefits to each period has been changed from the straight-line basis to the benefit formula basis. Additionally the method for determining the discount rate has been changed from a single discount rate based on the average number of years approximating the residual terms of all employees, to multiple discount rates based on the expected benefit payments attributed to periods of service of relevant employees.

In accordance with the transitional accounting as stipulated in paragraph 37 of the "Accounting Standard for Retirement Benefits," the effect of the changes in accounting policies arising from the revision of liabilities for retirement benefits and service costs is recognized as retained earnings at the beginning of the year ended March 31, 2015.

As a result of these adjustments, net defined benefit liability increased by ¥369 million, and retained earnings decreased by ¥237 million at the beginning of the year ended March 31, 2015. The effect of these adjustments on operating income and income before income taxes for the year ended March 31, 2015 is immaterial.

Net assets per share declined by ¥0.64. Impact on net income per share and diluted net income per share is immaterial.

Defined benefit plans

The movements of projected benefit obligations and plan assets for the years ended March 31, 2016, 2015 and 2014, and the reconciliation of year-end balance and net defined benefit liability as of March 31, 2016, 2015 and 2014, are as follows:

			Millions of yen
Movement of Projected Benefit Obligations	**2016**	2015	2014
Projected benefit obligations at the beginning of the year	**¥44,836**	¥43,596	¥40,853
Cumulative effects of changes in accounting policies	**—**	369	—
Restated balance at the beginning of the year	**44,836**	43,965	40,853
Service cost	**1,624**	1,517	1,397
Interest cost	**933**	1,384	1,243
Actuarial loss (gain)	**737**	4,421	(764)
Benefits paid	**(1,379)**	(943)	(1,242)
Past service cost (benefit)	**(3)**	(7)	(15)
(Partial) settlement	**(3,699)**	(9,338)	—
Acquisition	**—**	1,213	—
Foreign currency translation adjustments	**(1,928)**	2,799	2,399
Others	**(306)**	(175)	(275)
Projected benefit obligations at the end of the year	**¥40,815**	¥44,836	¥43,596

			Millions of yen
Movement of Plan Assets	**2016**	2015	2014
Plan assets at the beginning of the year	**¥31,861**	¥34,746	¥28,752
Expected return on plan assets	**900**	1,483	1,209
Actuarial gain (loss)	**(1,167)**	1,596	1,135
Contributions paid by the employer	**1,874**	2,593	3,204
Benefits paid	**(1,164)**	(858)	(1,119)
(Partial) settlement	**(3,699)**	(9,338)	—
Foreign currency translation adjustments	**(730)**	1,794	1,776
Others	**(307)**	(155)	(211)
Plan assets at the end of the year	**¥27,568**	¥31,861	¥34,746

Net Defined Benefit Liability	**2016**	2015	2014
			Millions of yen
Funded projected benefit obligations	**¥32,548**	¥36,271	¥37,736
Plan assets	**(27,568)**	(31,861)	(34,746)
	4,980	4,410	2,990
Unfunded projected benefit obligations	**8,267**	8,565	5,860
Total net liability in the consolidated balance sheet	**13,247**	12,975	8,850
Net defined benefit liability	**13,247**	12,975	8,850
Total net liability in the consolidated balance sheet	**¥13,247**	¥12,975	¥ 8,850

The components of retirement benefit costs for the years ended March 31, 2016, 2015 and 2014 are as follows:

Retirement Benefit Costs	**2016**	2015	2014
			Millions of yen
Service cost	**¥1,624**	¥1,517	¥1,397
Interest cost	**933**	1,384	1,243
Expected return on assets	**(900)**	(1,483)	(1,209)
Amortization of actuarial losses	**1,018**	672	1,433
Amortization of past service costs	**328**	324	340
	3,003	2,414	3,204
Loss on settlement of retirement benefit plan	**1,465**	3,115	—
Retirement benefit costs related to defined benefit plans	**¥4,468**	¥5,529	¥3,204

In the years ended March 31, 2016 and 2015, settlement losses for settlement of a retirement benefit plan of consolidated subsidiaries in the U.S. were recognized.

The components of remeasurements of defined benefit plans for the years ended March 31, 2016 and 2015, (before tax) are as follows:

Remeasurements of Defined Benefit Plans	**2016**	2015
		Millions of yen
Past service cost	**¥ 331**	¥ 331
Actuarial (loss) gain	**(886)**	(2,153)
Loss on settlement of retirement benefit plan	**1,465**	3,115
Foreign currrency translation adjustments	**11**	(558)
Total	**¥ 921**	¥ 735

The components of remeasurements of defined benefit plans as of March 31, 2016, 2015 and 2014, (before tax) are as follows:

Remeasurements of Defined Benefit Plans	**2016**	2015	2014
			Millions of yen
Unrecognized past service cost	**¥ (662)**	¥ (993)	¥(1,324)
Unrecognized actuarial (loss) gain	**(2,848)**	(3,438)	(3,842)
Total	**¥(3,510)**	¥(4,431)	¥(5,166)

The breakdown of plan assets by major categories as of March 31, 2016, 2015 and 2014, are as follows:

Breakdown of Plan Assets	**2016**	2015	2014
Bonds	**47%**	44%	44%
Equity securities	**18**	22	27
Pooled funds	**17**	18	15
Assets insurance (General account)	**10**	8	7
Cash and cash equivalents	**1**	1	1
Other	**7**	7	6
Total	**100%**	100%	100%

In determining the expected long-term rate of return on plan assets, the Company considers the current and projected asset allocations, as well as the current and expected long-term rate of return from various of the plan assets.

Assumptions used for calculation for the years ended March 31, 2016, 2015 and 2014, are as follows:

Assumptions Used for Calculation

	2016	2015	2014
Discount rate	**mainly 0.3%–5.5%**	mainly 0.9%–5.5%	mainly 1.1%–4.4%
Expected long-term rate of return on plan assets	**mainly 2.0%–6.5%**	mainly 2.0%–6.5%	mainly 2.0%–6.8%

Defined contribution plans

The amount of contribution to the defined contribution pension plans of the Company and its consolidated subsidiaries for the years end March 31, 2016, 2015 and 2014 were ¥1,176 million, ¥1,289 million, and ¥1,146 million, respectively.

i) Leases

Non-cancellable finance lease transactions, except for those that stipulate the transfer of ownership of leased property to the lessee, are depreciated using the straight-line method, whereby the lease term is the useful life of the asset and the residual value is zero.

j) Hedge accounting

Method of hedge accounting

The Company adopts the deferred hedge method. The Company also adopts the special method to account for the interest rate swaps, which meet the requirements of special accounting.

Hedging vehicles and hedged items

(Hedging vehicles)
- Forward exchange contracts
- Interest rate swaps

(Hedged items)
- Anticipated transaction in foreign currencies
- Interest rates on borrowings

Hedge policy

Under the guidance of its Corporate Finance Department, the Company enters into forward exchange contracts to hedge risks related to foreign exchange fluctuations arising from export and import transactions. The Company also enters into interest rate swaps to hedge fluctuation risks related to interest rates on borrowings.

Method of assessing hedge effectiveness

Regarding forward exchange contracts, in principle, the Company conforms critical terms of such contracts to those of foreign currency-denominated anticipated transaction upon closing of forward exchange contracts in accordance with the risk management policy, and confirms that exchange rate and other fluctuations can be offset at the inception of hedging and continuously thereafter.

Also, regarding interest rate swaps, the Company assesses hedge effectiveness based upon the fulfillment of the requirements for special accounting.

(Change in accounting policy)

The Company has previously adopted the allocation method to account for the forward exchange contracts for foreign currency-denominated receivables and payables. Following the change in the hedge policy, etc. adopted by the Company, the accounting method of hedge transactions has been changed to the general accounting method, aiming at more accurate presentation of the status of foreign currency-denominated receivables and payables as well as derivatives transactions.

This change has an insignificant effect on the financial results of the past accounting periods, and as such, no restatements have been made for the past accounting periods.

In addition, the effect of the change on the profit and loss for the year ended March 31, 2016 is insignificant.

k) Goodwill

Excess of the purchase price over net assets acquired in business acquisitions for the Company and its consolidated subsidiaries is amortized on a straight-line basis over a period of 10 years. Amortization for the years ended March 31, 2016, 2015 and 2014, were ¥970 million, ¥582 million and ¥618 million, respectively.

In the year ended March 31, 2014, other expenses included amortization of goodwill of ¥300 million, resulting from the revaluation of investments in Daiichi Seimitsu Sangyo Co., Ltd., a consolidated subsidiary of the Company.

l) Adoption of accounting standard for business combinations, etc.

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013) and others have been applied effective from the year ended March 31, 2016. As a result, any change resulting from the Company's ownership interests in its subsidiary when the Company retains control over the subsidiary is accounted for as capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. For any business combinations on or after the beginning of the year ended March 31, 2016, subsequent measurement of the provisional amount recognized based on the purchase price allocation due to the completion of accounting for the business combination are reflected in the consolidated financial statements for the fiscal year to which the date of that business combination occurs. In addition, the presentation method of net income was amended as well as "minority interests" to "non-controlling interests." To reflect these changes in presentation, adjustments have been made to the consolidated financial statements for the previous years presented herein.

In the consolidated statements of cash flows for the current fiscal year, cash flows from acquisition related costs of investments in subsidiaries resulting in change in scope of consolidation are included in cash flows from operating activities.

The aforementioned accounting standards are adopted as of April 1, 2015 and thereafter, according to the transitional treatment provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Consolidated Accounting Standard and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

As a result, operating income and income before income taxes for the year ended March 31, 2016 decreased ¥304 million, respectively.

In addition, net income per share and diluted net income per share for the year ended March 31, 2016 decreased ¥0.81 and ¥0.77, respectively.

m) Reclassifications

Certain reclassifications of previous years' figures have been made to conform with the current year's classification.

3. Additional Information

a) Investigations by Korean, U.S. and Singaporean competition authorities

As it has been reported earlier, some of our consolidated subsidiaries have been investigated by Korean, U.S., and Singapore competition authorities for the alleged infringement of competition laws in the respective countries related to the trading of small-sized ball bearing products, etc.

In Korea, the Korea Fair Trade Commission (KFTC) issued an order for corrective action to the Company and its Korean subsidiary in November 2014 for violating the Monopoly Regulation and Fair Trade Act (a competition law) in connection with the trading of small-sized ball bearings in Korea. KFTC imposed a surcharge amounting to 4,912 million won (¥527 million) on the Company, and the Company has fully paid the surcharge in the year ended March 31, 2016.

In relation to the order issued by KFTC, the Seoul Central District Prosecutor's Office brought a charge as of September 11, 2015 against the two companies concerning the violation of the Korea Fair Trade Law (competition law). The Seoul Central District Court issued the ruling on October 30, 2015 that the Company and its Korean subsidiary were sentenced to a fine of 100 million won (¥10 million) and a fine of 70 million won (¥7 million), respectively. The amount of fines has been paid in full.

In the U. S., the Company reached an agreement in February 2015 with the U.S. Department of Justice and pleaded guilty to violating U.S. antitrust laws concerning the sale of certain small-sized ball bearing products. The fine had totalled $13.5 million (¥1,610 million), and as a result, the Company has paid the said amount in full in the year ended March 31, 2016.

A class action suit in relation to the investigations of these cases has been brought in Canada against the Company and its subsidiaries.

However, the Company can neither reasonably project the amount of said losses arising from surcharges, etc. depending on the outcome of the lawsuit mentioned above at this time nor predict whether they will affect the Company's operating performance or financial position.

Please refer to note "23. Subsequent Events" in regards to the investigations made by competition authority in Singapore against the Company and its subsidiary.

b) Execution of business integration agreement and share exchange agreement in connection with business integration of the Company and MITSUMI ELECTRIC CO., LTD.

The Company concluded an agreement for business integration (the "Business Integration") and an agreement for share exchange (the "Share Exchange") with MITSUMI ELECTRIC CO., LTD. ("MITSUMI," the Company and MITSUMI hereinafter collectively the "Two Companies") based the resolution of the Meeting of the Board of Directors of the Company held on March 30, 2016.

Purpose of the Business Integration

Through the Business Integration, the Two Companies will aim to become a genuine solutions company by realizing synergies of integration described below, and will further improve their corporate value as an electro mechanics solutions company.

(i) Growth and evolution of business portfolio
(ii) Enhancement of cost competitiveness and capacity to generate cash flow by optimizing manufacturing structure and bases
(iii) Enhancement of development capabilities and provision of solutions

Method of the Business Integration

Share exchange with the Company becoming as the wholly-owning parent company and MITSUMI as the wholly-owned subsidiary

Outline of the Share Exchange

(i) Schedule of the Share Exchange

Execution of the Business Integration agreement and the Share Exchange agreement (Two Companies)	March 30, 2016
Extraordinary general meeting of shareholders to approve the Share Exchange agreement (MITSUMI)	December 27, 2016 (planned)
Effective date of the Share Exchange	March 17, 2017 (planned)

The above schedule is currently anticipated. If there is any change to the schedule due to filings with the Fair Trade Commission or other relevant Japanese or foreign authorities, obtaining of permits and approvals, or other reasons during the course of procedures and discussions over the Business Integration, the Two Companies will announce such change promptly. The Share Exchange is a short-form share exchange for the Company and is expected to be conducted without obtaining the approval of shareholders of The Company at its general meeting of shareholders.

(ii) Details of allotment in the Share Exchange

	The Company	MITSUMI
The share exchange ratio for the Share Exchange	1	0.59
Number of shares to be delivered in the Share Exchange	Common stock of the Company: 47,913,630 shares (planned)	

Notes: 1. Share allotment ratio
0.59 shares of common stock of the Company will be allotted and delivered for each share of MITSUMI common stock.
2. Number of shares to be delivered through the Share Exchange
Common stock of the Company: 47,913,630 shares (planned)
The above number of shares of common stock has been calculated based on the total number of issued and outstanding shares (87,498,119 shares) of common stock and the number of treasury stock (6,288,575 shares) of MITSUMI as of December 31, 2015.
The shares to be delivered will comprise treasury stock held by The Company and newly issued shares.

(iii) Treatment of bonds with stock acquisition rights in connection with the Share Exchange

With respect to the stock acquisition rights accompanying the Euro-Yen Denominated Convertible Bonds with Stock Acquisition Rights due 2022 issued by MITSUMI, the Company will allot and deliver to the holders of such stock acquisition rights the stock acquisition rights of the Company to replace the stock acquisition rights of MITSUMI according to the terms of the stock acquisition rights and the share exchange ratio, and the Company will assume and succeed to all of MITSUMI's obligations under the bonds with stock acquisition rights.

Basis for the share exchange ratio for the Share Exchange

In the calculation of the share exchange ratio, the Company appointed Nomura Securities Co., Ltd. ("Nomura Securities") as a third-party calculation institution and Mori Hamada & Matsumoto as a legal advisor, and MITSUMI appointed Daiwa Securities Co., Ltd. ("Daiwa Securities") as a third-party calculation institution and Anderson Mōri & Tomotsune as a legal advisor.

Nomura Securities conducted an analysis using an average market price analysis, a comparable company analysis and the discount cash flow analysis (the "DCF Analysis") with regard to the Company and using an average market price analysis and the DCF Analysis with regard to MITSUMI, and calculated the share exchange ratio, comprehensively taking into account results of the analysis.

Daiwa Securities conducted an analysis using a market price analysis, a comparable company analysis and the DCF Analysis with regard to the both companies, and calculated the share exchange ratio, comprehensively taking into account results of the analysis.

The share exchange ratio was determined through discussions between the parties and by reference to the results of calculation and the legal advice of their legal advisors.

4. Short-Term and Long-Term Debt

Short-term debt consists of short-term loans from banks, principally due in 30 to 180 days. The weighted average interest rates of short-term loans as of March 31, 2016 and 2015 are 0.72% and 0.85%, respectively.

Short-term debt as of March 31, 2016 and 2015, consists of the following:

	Millions of yen	
	2016	2015
Short-term loans	**¥66,166**	¥46,657
Total	**¥66,166**	¥46,657

Long-term debt as of March 31, 2016 and 2015, consists of the following:

	Millions of yen	
	2016	2015
0.68% unsecured bonds payable in Japanese yen due December 2016	**¥10,000**	¥10,000
0.60% convertible bond-type unsecured bonds payable in Japanese yen with stock acquisition rights due February 2017	**7,700**	7,700
Loans from banks, etc. Years ended March 31 2016—0.41% to 6.00% 2015—0.42% to 6.00%	**53,245**	74,106
Lease obligations	**110**	377
	71,055	92,183
Less: current portion	**31,244**	20,272
	¥39,811	¥71,911

The aggregate annual maturities of long-term debt outstanding as of March 31, 2016, are as follows:

	Millions of yen
2017	**¥31,244**
2018	**14,807**
2019	**20,294**
2020	**4,531**
2021 and thereafter	**179**
	¥71,055

Pledged assets and liabilities

Assets pledged as collateral as of March 31, 2016 and 2015 are as follows:

	Millions of yen	
	2016	2015
Buildings and structures	**¥661**	¥696

The above assets are pledged for the following liabilities as of March 31, 2016 and 2015:

	Millions of yen	
	2016	2015
Current portion of long-term debt	**¥134**	¥ —
Long-term debt	**716**	850

5. Insurance income

In the year ended March 31, 2016, insurance payments received totaling ¥2,803 million, carried by the insurance policies that cover the damages and costs including lost earnings caused by the large-scale floods which occurred in Thailand in October 2011, and insurance payments money received totaling ¥534 million, due to the determination of the insurance amount paid to cover the damages and losses associated with the factory explosion at our consolidated subsidiary in the U.S. in February 2014, were recognized.

6. Impairment of Fixed Assets

The asset groups for which the Company and its consolidated subsidiaries recognized impairment losses for the years ended March 31, 2016, 2015 and 2014, are as follows:

Overview of asset groups for which impairment losses were recognized

			Millions of yen		
Use	*Business/location*	*Type of assets*	**2016**	2015	2014
Idle assets	2 facilities, which are former Ichinoseki Plant and former Kanegasaki Plant (Ichinoseki City, Iwate Prefecture and others)	Land	**¥ 6**	¥ 11	¥ 12
		Total	**6**	11	12
Welfare assets	Company houses and dormitories (Ota Ward, Tokyo)	Buildings and structures	**—**	67	—
		Tools, furniture and fixtures	**—**	0	—
		Total	**—**	67	—
Operational assets	Fan motor business (Shanghai, China and others)	Machinery and transportation equipment	**—**	—	964
		Total	**—**	—	964
	Inverter business (Lopburi, Thailand)	Buildings and structures	**—**	—	0
		Machinery and transportation equipment	**—**	—	93
		Tools, furniture and fixtures	**—**	—	0
		Total	**—**	—	93
	Small-sized motor business (South Korea and others)	Machinery and transportation equipment	**—**	—	32
		Tools, furniture and fixtures	**—**	—	5
		Software	**15**	31	—
		Total	**15**	31	37
	Speaker business (Taiwan and others)	Buildings and structures	**—**	—	1
		Software	**—**	—	1
		Total	**—**	—	2
Total			**¥21**	¥109	¥1,108

Asset grouping method

Asset are generally grouped at the lowest level that generates independent cash flows, based on the business segmentation.

Reason for impairment loses having been recognized

The idle assets (land) for which impairment losses were recognized for the years ended March 31, 2016, 2015 and 2014 do not have an effective utilization plan, and their land prices dropped significantly.

In the year ended March 31, 2015, impairment losses were recognized for welfare assets (buildings and structures, tools, furniture and fixtures) as it was desided to rebuild the building.

Regarding operational assets (buildings and structures, machinery and equipment, and tools, furniture and fixtures, and software), impairment losses were recognized, as they were no longer expected to be used, or their future cash flows were below book values of the asset groups, due to decreases in profit-ability, downsizing of business, or decrease in utilization resulting from deterioration in business environment, etc., and reduced to their recoverable amount based on value in use.

In the year ended March 31, 2016, ¥15 million (for the small motor business) was included in “Business restructuring losses.”

In the year ended March 31, 2015, ¥31 million (for the small motor business) was included in “Business restructuring losses.”

In the year ended March 31, 2014, ¥132 million (of which ¥93 million for the inverter business, ¥37 million for the small motor business and ¥2 million for the speaker business) was included in “Business restructuring losses.”

Calculation method of recoverable amounts

Idle assets are measured at net realizable value, based on posted land price or real estate appraisal standards.

The entire book value of the welfare assets are recorded as an impairment loss since it was decided to demolish the existing facilities.

Operational assets are measured at value in use, and the future cash flows of fan motor business for the year ended March 31, 2014 were discounted by 14.0%. The entire book value was recorded as impairment losses for other businesses since it is no expected to use the assets in the future, or as no positive future cash flows were expected.

7. Losses on disaster

In the year ended March 31, 2014, fixed costs during the low operation period of ¥220 million, and losses on disposal of inventories of ¥328 million due to the factory explosion at a consolidated subsidiary in the U.S. were recognized.

8. Business restructuring losses

In the year ended March 31, 2016, losses of ¥264 million incurred by the personnel reduction in the consolidated subsidiaries in the U.S., losses of ¥205 million incurred by the rationalization of small-sized motor business, and other losses totaling ¥46 million were recognized.

In the year ended March 31, 2015, losses of ¥603 million incurred by the personnel reduction in the consolidated subsidiaries in the U.S., losses of ¥496 million incurred by the rationalization of small-sized motor business, and other losses totaling ¥12 million were recognized.

In the year ended March 31, 2014, losses of ¥215 million related to the withdrawal from the inverter business, losses of ¥174 million related to the personnel reduction at the consolidated subsidiary in the U.S., losses of ¥158 million related to the withdrawal from the membrane business, and other losses of ¥203 million were recognized.

9. Income Taxes

The Company and its consolidated domestic subsidiaries are subject to a number of different taxes based on income which, in the aggregate, resulted in an effective statutory rate of 33.1% for the year ended March 31, 2016, 35.6% for the year ended March 31, 2015, and 38.0% for the year ended March 31, 2014.

The income taxes of consolidated foreign subsidiaries are generally levied at lower rates than those currently applied in Japan. In addition, consolidated subsidiaries in Thailand are granted a tax exempt status by the Promotion of Investment Act, whereby earnings derived from the manufacture or sale of qualifying products are fully exempt from Thai income tax for a period of 3 to 8 years.

The income tax effect is recognized for temporary differences resulting from elimination of intercompany profit and certain adjustments made in the accompanying consolidated financial statements.

Net deferred tax assets of ¥10,763 million and ¥8,686 million as of March 31, 2016 and 2015, respectively, are included in the accompanying consolidated balance sheets and are composed of the following:

	Millions of yen	
Deferred Tax Assets	**2016**	2015
Excess of allowed limit chargeable to accrued bonuses	**¥ 1,261**	¥ 1,413
Net defined benefit liability	**2,626**	2,596
Loss on revaluation of investment securities	**495**	550
Unrealized gains on sales of inventories	**1,198**	1,170
Unrealized gains on sales of fixed assets	**442**	470
Excess of allowed limit chargeable to depreciation	**3,838**	3,270
Impairment losses	**126**	147
Tax loss carryforwards	**4,365**	5,530
Research credit carryforwards	**1,000**	689
Other	**3,774**	3,048
Subtotal	**19,125**	18,883
Valuation allowance	**(5,704)**	(6,839)
Total deferred tax assets	**¥13,421**	¥12,044

	Millions of yen	
Deferred Tax Liabilities	**2016**	2015
Depreciation allowed to foreign subsidiaries	**¥ 1,134**	¥1,319
Differences on revaluation of available-for-sale securities	**52**	384
Reserve for reduction entry	**991**	1,046
Other	**481**	609
Total deferred tax liabilities	**2,658**	3,358
Net deferred tax assets	**¥10,763**	¥8,686

Net deferred tax assets are included in the accompanying consolidated balance sheets as follows:

	Millions of yen	
	2016	2015
Current assets—Deferred tax assets	**¥ 4,016**	¥3,632
Fixed assets—Deferred tax assets	**7,644**	6,666
Current liabilities—Other	**(5)**	(7)
Long-term liabilities—Other	**(892)**	(1,605)
Net deferred tax assets	**¥10,763**	¥8,686

The reconciliation of the statutory tax rate in Japan and the effective tax rates appearing in the consolidated statements of income for the years ended March 31, 2016, 2015 and 2014, is shown below:

	2016	2015	2014
Statutory tax rate in Japan	**33.1%**	35.6%	38.0%
Adjustments:			
Amortization of goodwill	**0.7**	0.4	1.3
Difference of tax rates applied to foreign subsidiaries	**(9.6)**	(13.2)	(16.2)
Foreign tax credit carryforwards	**—**	—	3.7
Valuation allowance	**(2.4)**	(1.3)	(3.5)
Effect of dividend income eliminated for consolidation	**2.9**	3.6	6.0
Dividend income and other items not included for tax purposes	**(2.8)**	(3.5)	(5.8)
Entertainment cost and other items not deducted for tax purposes	**0.3**	0.3	0.5
Adjustments in year-end deferred tax assets due to tax rate changes	**0.3**	0.2	0.8
Differences in tax rates on special income tax for reconstruction	**—**	—	0.5
Compensation adjustments from mutual consultation	**0.7**	—	—
Loss related to Anti-Monopoly Act	**—**	1.5	—
Other	**(1.1)**	0.1	(1.3)
Effective income tax rate	**22.1%**	23.7%	24.0%

Adjustment of deferred tax assets and deferred tax liabilities due to the change of corporate tax rate

"The Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) were enacted by the Diet on March 29, 2016, resulting in a reduction of the rates for income taxes used to calculate deferred tax assets and liabilities from the year beginning on or after April 1, 2016. With this revision, the effective statutory tax rate is changed from the previous rate of 33.1% or 32.3% to 30.9% for temporary differences expected to be reversed in the year beginning on April 1, 2016 and 2017, and to 30.6% for temporary difference expected to be reversed in the year beginning on April 1, 2018.

Consequently, the amount of deferred tax assets (net of deferred tax liabilities) as of March 31, 2016 has decreased by ¥159 million, while income taxes-deferred and difference on revaluation of available-for-sale securities have increased by ¥156 million and ¥2 million, respectively.

"The Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and "The Act on Partial Revision of the Local Tax Act, etc."(Act No. 2 of 2015) were promulgated on March 31, 2015, resulting in a reduction of the rates for income taxes used to calculate deferred tax assets and liabilities from the year beginning on or after April 1, 2015. With this revision, the effective statutory tax rate is changed from the previous rate of 35.6% to 33.1% for temporary differences expected to be reversed in the year beginning on April 1, 2015 and to 32.3% for temporary difference expected to be reversed in the year beginning on April 1, 2016.

Consequently, the amount of deferred tax assets (net of deferred tax liabilities) as of March 31,2015 has decreased by ¥123 million, while income taxes-deferred has increased by the same amount.

10. Leases

Outstanding future lease payments for non-cancellable operating leases as of March 31, 2016 and 2015, are as follows:

	Millions of yen	
	2016	2015
Due within 1 year	**¥ 951**	¥ 687
Due after 1 year	**5,873**	5,467
Total	**¥6,824**	¥6,154

11. Financial Instruments

a) Qualitative information on financial instruments

Financial instrument policies

The Company procures necessary funds (mainly through bank loans and issuance of bonds) based on the capital investment plan. Temporary surplus funds are managed in highly liquid financial assets and short-term operating funds are procured through bank loans. Derivatives are utilized to avoid the risks mentioned below, and speculative trading is not undertaken.

Details of financial instruments and its risks

Notes and accounts receivable, which are trade receivables, are exposed to the credit risk of clients. On the other hand, trade receivables in foreign currencies produced in foreign business operations are subject to the risk of exchange rate fluctuations, although they are basically hedged using forward exchange contracts, other than those within the balance of the foreign currency trade accounts payable.

Securities and investment securities are bonds and equity securities of companies with business relations, and are categorized as available-for-sale securities. These securities are exposed to the risk of market price fluctuations. Long-term loans receivable are generally provided to clients.

Notes and accounts payable, which are trade payables, are mainly due within 6 months. Foreign currency trade accounts payable are exposed to the risk of exchange rate fluctuations, but are hedged using forward exchange contacts, other than those within the balance of the foreign currency trade accounts receivable.

Borrowings, bonds, and lease obligations related to finance lease transactions primarily serve the purpose of financing for capital investment, and the redemption date is up to 5 years from the balance sheet date. A part of these are exposed to the risk of interest rate fluctuations, but are hedged by derivative transactions (interest rate swap transactions).

The convertible bond-type bonds with stock acquisition rights were issued to procure investment funds for M&A activities, and their redemption date is February 20, 2017.

Derivative transactions are forward exchange contracts executed for the purpose of hedging exchange rate fluctuation risk associated with trade receivables and payables in foreign currencies, interest rate swaps executed for the purpose of hedging interest rate fluctuation risk associated with bank loans, and copper price swaps to hedge price fluctuation risks for sale and purchase contracts of raw materials. With respect to hedging vehicles and hedged items, hedge policy and method of assessing hedge effectiveness; please refer to note “2. Summary of Significant Accounting Policies j) Hedge accounting.”

Risk management for financial instruments

• Management of credit risks (risks of clients’ failure to perform contracted obligations)
The Sales Division & Administration Department of the Company periodically monitors the status of major clients regarding trade receivables based on the Company’s credit management policies. It also reviews payment due dates and outstanding amounts per client each month, as well as revises credit ratings and credit limits every year for early detection and reduction of uncollectible receivables due to deteriorated financial conditions, etc. Similar management procedures are conducted at consolidated subsidiaries per the Company’s credit management policies.

As for bonds categorized as available-for-sale securities according to the fund management policy, these are U.S. Treasury securities held and corporate bonds held by the Korean subsidiary. The credit risks for U.S. Treasury securities are not considered significant and the value of the corporate bonds, etc. held by the Korean subsidiary is minor.

Derivative transactions are deemed to have only a remote credit risk since the Company limits such transactions to be only with counterparties it considers to be highly rated and reliable financial institutions.

• Management of market risks (e.g. fluctuation risks in exchange rates and interest rates.)
In principle, the Company uses forward exchange contracts to hedge against fluctuation risks in foreign currency exchange rates by month and by currency for trade receivables and payables in foreign currencies. The Company also enters into forward exchange contracts for foreign currency-denominated receivables and payables that are certain to arise from anticipated export transactions. The company enters into interest rate wrap transactions to reduce risks of interest rate fluctuations from the repayment of its borrowings and bonds.

For securities and investment securities, fair values and the financial condition of issuing entities (client firms) are periodically reviewed.

Based on the approval of authorized personnel, the relevant department executes and manages derivative transactions according to the marketability risk management policies that specify transaction authorizations and transaction amount limits. The monthly transaction results are reported to the Company's executive officer in charge of Finance and Compliance Promotion Division.

Consolidated subsidiaries are also managed pursuant to the Company's market risk management policies.

• Management of liquidity risks in financing (risks of failure to pay by payment due date)
The Company manages liquidity risks through the maintenance of short-term liquidity. The relevant departments of the Company create and update cash flow plans as necessary based on reports from each department. Similar management is also implemented at consolidated subsidiaries.

Supplemental information on fair values of financial instruments
The fair values of financial instruments are based on market prices, and when market prices are not available, reasonably calculated amounts. Fluctuating factors are incorporated upon calculation of such amounts, therefore the amounts may vary when different assumptions are applied. The contracted amounts for derivative transactions mentioned in note "12. Derivatives" do not, in themselves, represent the market risks for the derivative transactions.

b) Fair values of financial instruments
The reported amounts in the consolidated balance sheet, fair values and their differences as of March 31, 2016 and 2015 are as follows, which does not contain items whose fair value was extremely difficult to measure.

Millions of yen

	2016			2015		
	Reported amount in balance sheet	*Fair value*	*Difference*	*Reported amount in balance sheet*	*Fair value*	*Difference*
Cash and cash equivalents	**¥ 29,142**	**¥ 29,142**	**¥ —**	¥ 36,138	¥ 36,138	¥ —
Time deposits	**10,453**	**10,453**	**—**	9,190	9,190	—
Notes and accounts receivable—trade	**92,275**	**92,275**	**—**	110,519	110,519	—
Securities and investment securities	**8,507**	**8,477**	**(30)**	10,042	9,997	(45)
Long-term loans receivable	**241**	**235**	**(6)**	330	326	(4)
Total assets	**¥140,618**	**¥140,582**	**¥ (36)**	¥166,219	¥166,170	¥ (49)
Notes and accounts payable—trade	**35,807**	**35,807**	**—**	59,906	59,906	—
Short-term debt	**66,166**	**66,166**	**—**	46,657	46,657	—
Current portion of long-term debt	**31,179**	**31,347**	**168**	20,100	20,263	163
Long-term debt	**39,766**	**40,234**	**468**	71,706	72,104	398
Total liabilities	**¥172,918**	**¥173,554**	**¥636**	¥198,369	¥198,930	¥561
Derivative transactions*	**¥ 304**	**¥ 304**	**¥ —**	¥ 256	¥ 256	¥ —

* Net receivables and payables derived from derivative transactions are offset.

Calculation of fair values of financial instruments and matters related to securities and derivative transactions are as follows.

Assets

• Cash and cash equivalents • Time deposits • Notes and accounts receivable—trade

Book values are applied since these items are settled in a short period of time and their book values approximate fair values.

• Securities and investment securities

Fair values for equity securities are based on market prices while fair values for bonds are based on market prices or prices provided by financial institutions. Please refer to note "2. Summary of Significant Accounting Policies g) Investment securities" for the details of securities by each holding purpose.

• Long-term loans receivable

The sum of the principal and interest are discounted using the rate assumed when similar loan is provided. Book values are applied for immaterial loans.

Liabilities

• Notes and accounts payable—trade • Short-term debt

Book values are applied since these items are settled in a short period of time and their book values approximate fair values.

• Current portion of long-term debt • Long-term debt

As for loans payable, book values are applied for those with floating interest rates since they are settled in a short period of time and their book values approximate fair values. For those with fixed interest rates, the sum of the principal and interest are discounted using the rate assumed when a similar borrowing is made.

As for bonds payable and convertible-bond-type bonds payable with stock acquisition rights with market prices are based on such market prices, and for those with no market prices, the sum of the principal and interest are discounted using the rate assumed when a similar issuance is made.

Derivative transactions

Please refer to note "12. Derivatives."

Financial instruments whose fair value is deemed extremely difficult to measure

	Millions of yen	
	2016	2015
	Reported amount in balance sheet	*Reported amount in balance sheet*
Unlisted stocks	**¥1,302**	¥1,302
Investments in subsidiaries	**406**	409
Investments in affiliates	**6**	579
Investments in capital of subsidiaries	**85**	85
Total	**¥1,799**	¥2,375

The above items are not included in "Securities and investment securities" as they do not have market prices and are deemed extremely difficult to measure their fair value.

Expected redemption amounts for monetary receivables and securities with maturities

	Millions of yen			
	2016			
	Within 1 year	*Over 1 year Within 5 years*	*Over 5 years Within 10 years*	*Over 10 years*
Cash and cash equivalents	**¥ 29,142**	**¥ —**	**¥—**	**¥—**
Time deposits	**10,453**	**—**	**—**	**—**
Notes and accounts receivable–trade	**92,275**	**—**	**—**	**—**
Securities and investment securities				
Available-for-sale securities with maturities	**1,545**	**2,853**	**—**	**—**
Long-term loans receivable	**—**	**178**	**63**	**—**
Total	**¥133,415**	**¥3,031**	**¥63**	**¥—**

				Millions of yen
	2015			
	Within 1 year	*Over 1 year Within 5 years*	*Over 5 years Within 10 years*	*Over 10 years*
Cash and cash equivalents	¥ 36,138	¥ —	¥—	¥—
Time deposits	9,190	—	—	—
Notes and accounts receivable–trade	110,519	—	—	—
Securities and investment securities				
Available-for-sale securities with maturities	1,487	3,030	—	—
Long-term loans receivable	—	216	114	—
Total	¥157,334	¥3,246	¥114	¥—

Expected repayment and redemption for debt

Please refer to note "4. Short-Term and Long-Term Debt."

12. Derivatives

Derivative transactions which hedge accounting is not applied as of March 31, 2016 and 2015, are as follows:

Currency related

Off market trading

				Millions of yen
	2016			
Type of transactions	*Contracted amount*	*Contracted amount exceeding 1 year*	*Fair value*	*Valuation gains and losses*
Forward exchange transaction				
Sell				
U.S. dollars	**¥46,801**	**¥—**	**¥272**	**¥272**
Euro	**3,972**	**—**	**(81)**	**(81)**
Sterling pounds	**59**	**—**	**(0)**	**(0)**
Japanese yen	**1,107**	**—**	**(17)**	**(17)**
Forward exchange transaction				
Buy				
U.S. dollars	**13,427**	**—**	**(226)**	**(226)**
Euro	**30**	**—**	**0**	**0**
Sterling pounds	**1**	**—**	**(0)**	**(0)**
Singapore dollars	**1,115**	**—**	**35**	**35**
Thai baht	**0**	**—**	**0**	**0**
Swiss fran	**1**	**—**	**(0)**	**(0)**
Chinese yuan	**69**	**—**	**(0)**	**(0)**
Japanese yen	**12,627**	**—**	**(6)**	**(6)**

Off market trading

				Millions of yen
	2015			
Type of transactions	*Contracted amount*	*Contracted amount exceeding 1 year*	*Fair value*	*Valuation gains and losses*
Forward exchange transaction				
Sell				
U.S. dollars	¥18,188	¥—	¥265	¥265
Euro	2,394	—	42	42
Japanese yen	1,420	—	8	8
Forward exchange transaction				
Buy				
Chinese yuan	380	—	0	0

Note: Calculation of fair values

Fair values are calculated based on the prices provided by financial institutions.

Instruments related

Off market trading

Type of transactions	Contracted amount	Contracted amount exceeding 1 year	Fair value	Valuation gains and losses
	Millions of yen			
	2016			
Swap transaction of copper prices				
Floating/fixed rate cash flow	**¥171**	**¥—**	**¥(5)**	**¥(5)**

Off market trading

Type of transactions	Contracted amount	Contracted amount exceeding 1 year	Fair value	Valuation gains and losses
	Millions of yen			
	2015			
Swap transaction of copper prices				
Floating/fixed rate cash flow	¥305	¥—	¥(1)	¥(1)

Note: Calculation of fair values
Fair values are calculated based on the prices provided by financial institutions.

Derivative transactions for which hedge accounting is applied as of March 31, 2016 and 2015, are as follows:

Currency related

Deferred hedge accounting

Type of transactions	Major hedged items	Contracted amount	Contracted amount exceeding 1 year	Fair value
		Millions of yen		
		2016		
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts receivable–trade)			
Sell				
U.S. dollars		**¥27,112**	**¥8,110**	**¥339**
Euro		**1,729**	**—**	**(7)**
Japanese yen		**265**	**—**	**(0)**
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts payable–trade)			
Buy				
U.S. dollars		**866**	**—**	**0**
Sterling pounds		**36**	**—**	**0**
Japanese yen		**143**	**—**	**(0)**

Deferred hedge accounting

Type of transactions	Major hedged items	Contracted amount	Contracted amount exceeding 1 year	Fair value
		Millions of yen		
		2015		
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts receivable–trade)			
Sell				
U.S. dollars		¥8,434	¥—	¥(1)
Euro		791	—	(1)
Japanese yen		35	—	(0)
Forward exchange transaction	Anticipated transactions in foreign currencies (Accounts payable–trade)			
Buy				
U.S. dollars		1,305	—	0
Euro		4	—	0
Singapore dollars		165	—	(0)
Japanese yen		1,216	—	(0)

Allocation method of forward exchange contracts

Millions of yen

Type of transactions	*Major hedged items*	2015 *Contracted amount*	*Contracted amount exceeding 1 year*	*Fair value*
Forward exchange transaction	Short-term loans receivable			
Sell				
U.S. dollars		¥9,525	¥—	¥ (60)
Forward exchange transaction	Accounts receivable–trade			
Sell				
U.S. dollars		8,267	—	(104)
Euro		558	—	4
Sterling pounds		18	—	0
Forward exchange transaction	Accounts payable–trade			
Buy				
U.S. dollars		6,194	—	48

General accounting method

Millions of yen

Type of transactions	*Major hedged items*	2015 *Contracted amount*	*Contracted amount exceeding 1 year*	*Fair value*
Forward exchange transaction	Short-term loans receivable			
Sell				
Euro		¥ 251	¥—	¥ 1
Forward exchange transaction	Short-term loans payable			
Buy				
U.S. dollars		6,967	—	(39)
Japanese yen		13,746	—	(217)
Forward exchange transaction	Accounts receivable–trade			
Sell				
U.S. dollars		19,695	—	50
Euro		3,343	—	159
Sterling pounds		62	—	1
Japanese yen		861	—	18
Forward exchange transaction	Accounts payable–trade			
Buy				
U.S. dollars		5,826	—	(11)
Euro		106	—	(1)
Sterling pounds		14	—	0
Singapore dollars		1,041	—	(12)
Hong Kong dollars		108	—	(0)
Chinese yuan		35	—	(0)
Thai baht		0	—	0
Swiss franc		0	—	0
Japanese yen		1,212	—	(5)

Note: Calculation of fair values

Fair values are calculated based on the prices provided by financial institutions.

Fair values of derivatives to which the allocation method of forward exchange contracts are applied are included in the fair values of short-term loans receivable, short-term loans payable, accounts receivable–trade, accounts payable–trade and others as they are accounted for as a single unit with their hedging vehicles.

Interest rate related

Special accounting for interest rate swaps

		Millions of yen		
		2016		
Type of transactions	*Major hedged items*	*Contracted amount*	*Contracted amount exceeding 1 year*	*Fair value*
Interest rate swap transaction Floating/fixed rate cash flow	Long-term loans payable	**¥34,250**	**¥27,850**	**¥(437)**

Special accounting for interest rate swaps

		Millions of yen		
		2015		
Type of transactions	*Major hedged items*	*Contracted amount*	*Contracted amount exceeding 1 year*	*Fair value*
Interest rate swap transaction Floating/fixed rate cash flow	Long-term loans payable	¥52,850	¥34,250	¥(415)

Note: Calculation of fair values
Fair values are calculated based on the prices provided by financial institutions.
Fair values of derivatives to which special accounting for interest rate swaps are applied are included in the fair values of long-term loans payable as they are accounted for as a single unit with their hedging vehicles.

13. Research and Development Expenses

Research and development expenses incurred by the Company and its consolidated subsidiaries are included in selling, general and administrative expenses and manufacturing costs.

Research and development expenses for the years ended March 31, 2016, 2015 and 2014, amounted to ¥9,681 million, ¥8,973 million and ¥8,561 million, respectively.

14. Shareholders' Equity

The Companies Act of Japan requires that an amount equivalent to 10% of cash dividends be appropriated as a legal reserve or as additional paid-in capital upon the payment of said cash dividends until the aggregate of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the legal reserve and additional paid-in capital may be reversed without restriction on amount.

The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings may be transferred among the accounts under certain conditions by resolution of the ordinary general meeting of shareholders.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Companies Act.

Dividends are not accrued in the consolidated financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained.

As of March 31, 2016, retained earnings included year-end dividends of ¥3,744 million or ¥10 per share, which was approved at the ordinary general meeting of shareholders held on June 29, 2016.

15. Stock Options, etc.

a) Amounts expensed and account related to stock options

The amounts expensed and account related to stock options for the years ended March 31, 2016, 2015 and 2014, are as follows:

	Millions of yen		
	2016	2015	2014
Selling, general and administrative expenses (Share-based compensation expenses)	**¥8**	¥31	¥9

b) Contents, scale and changes in stock options

Contents of the stock options

	1st Stock Acquisition Rights Issued by Minebea Co., Ltd. in 2012
Classification and number of people to which stock acquisition rights were granted	Eight directors of the Company
Number of stock options by type of stock (Note)	47,000 shares of common stock
Grant date	July 17, 2012
Vesting conditions	No vesting conditions have been prescribed.
Service period	—
Exercise period	From July 18, 2012 to July 16, 2042

Note: Numbers indicated are converted into number of shares.

	2nd Stock Acquisition Rights Issued by Minebea Co., Ltd. in 2013
Classification and number of people to which stock acquisition rights were granted	Seven directors of the Company
Number of stock options by type of stock (Note)	42,000 shares of common stock
Grant date	July 16, 2013
Vesting conditions	No vesting conditions have been prescribed.
Service period	—
Exercise period	From July 17, 2013 to July 15, 2043

Note: Numbers indicated are converted into number of shares.

	3rd Stock Acquisition Rights Issued by Minebea Co., Ltd. in 2014
Classification and number of people to which stock acquisition rights were granted	Seven directors of the Company
Number of stock options by type of stock (Note)	25,200 shares of common stock
Grant date	July 18, 2014
Vesting conditions	No vesting conditions have been prescribed.
Service period	—
Exercise period	From July 19, 2014 to July 17, 2044

Note: Numbers indicated are converted into number of shares.

Scale and changes in stock options

Stock options outstanding during the year ended March 31, 2016 are covered, and the number of stock options are converted into number of shares.

①Number of stock option

	1st Stock Acquisition Rights Issued by Minebea Co., Ltd. in 2012	2nd Stock Acquisition Rights Issued by Minebea Co., Ltd. in 2013	3rd Stock Acquisition Rights Issued by Minebea Co., Ltd. in 2014
Before vesting (shares)			
At the end of previous year	—	—	**—**
Granted	—	—	**—**
Lapsed	—	—	**—**
Vested	—	—	**—**
Not vested	—	—	**—**
Vested (shares)			
At the end of previous year	25,000	35,000	**21,000**
Vested	—	—	**—**
Exercised	—	—	**—**
Lapsed	—	—	**—**
Not exercised	25,000	35,000	**21,000**

②Unit price information

	1st Stock Acquisition Rights Issued by Minebea Co., Ltd. in 2012	2nd Stock Acquisition Rights Issued by Minebea Co., Ltd. in 2013	3rd Stock Acquisition Rights Issued by Minebea Co., Ltd. in 2014
Exercise price (yen)	1	1	**1**
Average stock price at the time of exercise (yen)	—	—	**—**
Fair value as of the grant date (yen)	251	366	**1,173**

c) Method of estimating the number of vested stock options

As it is difficult to reasonably estimate the number of stock options forfeited in the future, the Company adopts the method that reflects the actual number of forfeitures.

16. Other Comprehensive Income

The amounts of reclassification adjustments and related tax effects included in other comprehensive income for the years ended March 31, 2016, 2015 and 2014, are as follows:

	Millions of yen		
	2016	2015	2014
Differences on revaluation of available-for-sale securities:			
Incurred in the current year	**¥ (1,380)**	¥ 740	¥ 161
Reclassification adjustment	**—**	—	(54)
Amount before tax effect adjustment	**(1,380)**	740	107
Amount of tax effect	**332**	(225)	(42)
Differences on revaluation of available-for-sale securities	**(1,048)**	515	65
Deferred gains or losses on hedges:			
Incurred in the current year	**285**	(9)	(22)
Reclassification adjustment	**53**	15	21
Amount before tax effect adjustment	**338**	6	(1)
Amount of tax effect	**(53)**	(1)	0
Deferred gains or losses on hedges	**285**	5	(1)
Foreign currency translation adjustments:			
Incurred in the current year	**(26,760)**	30,588	9,954
Reclassification adjustment	**(87)**	1,046	—
Amount before tax effect adjustment	**(26,847)**	31,634	9,954
Amount of tax effect	**143**	265	387
Foreign currency translation adjustments	**(26,704)**	31,899	10,341
Unfunded retirement benefit obligations of foreign subsidiaries:			
Incurred in the current year	**—**	—	1,455
Reclassification adjustment	**—**	—	—
Amount before tax effect adjustment	**—**	—	1,455
Amount of tax effect	**—**	—	(415)
Unfunded retirement benefit obligations of foreign subsidiaries	**—**	—	1,040
Remeasurements of defined benefit plans:			
Incurred in the current year	**(1,890)**	(3,376)	—
Reclassification adjustment	**2,811**	4,111	—
Amount before tax effect adjustment	**921**	735	—
Amount of tax effect	**(319)**	(211)	—
Remeasurements of defined benefit plans	**602**	524	—
Shares of other comprehensive income of associates accounted for using equity method:			
Incurred in the current year	**(159)**	105	152
Reclassification adjustment	**22**	(149)	—
Shares of other comprehensive income of associates accounted for using equity method	**(137)**	(44)	152
Total other comprehensive income	**¥(27,002)**	¥32,899	¥11,597

17. Per Share Data

Dividends per share shown in the consolidated statements of income have been presented on an accrual basis and include, in each fiscal year, dividends approved after the fiscal year-end but applicable to the fiscal year.

Basic net income per share is based on the weighted average number of shares of common stock outstanding during each fiscal year.

Diluted net income per share is calculated based on the weighted average number of shares of common stocks outstanding reflecting the increase in number of shares outstanding assuming that all the outstanding convertible bond-type bonds payable with stock acquisition rights and stock acquisition rights that have dilutive effects on net income per share are converted into common stock. When calculating diluted net income per share, net income is adjusted by the bond interest after deducting corporate income taxes.

The number of shares used in calculating net income per share for the years ended March 31, 2016, 2015 and 2014, is as follows:

	Thousands of shares		
	2016	2015	2014
Basic	**374,106**	373,727	373,226
Diluted	**394,344**	393,972	393,448

18. Cash Flow Information

In the year ended March 31, 2015, Sartorius Mechatronics T&H GmbH and its 16 consolidated subsidiaries were included in the scope of consolidation. The composition of assets and liabilities at acquisition, and the relation between acquisition cost and payments for/proceeds from acquisition are as follows:

	Millions of yen
	2015
Current assets	¥7,420
Fixed assets	1,647
Goodwill	4,016
Current liabilities	(6,817)
Long-term liabilities	(1,308)
Non-controlling interests	(462)
Acquisition cost of Sartorius Mechatronics T&H GmbH	4,496
Cash and cash equivalents of Sartorius Mechatronics T&H GmbH	2,299
Less: payments for acquisition of Sartorius Mechatronics T&H GmbH	¥2,197

In the year ended March 31, 2015, Hansen Corporation was excluded from the scope of consolidation. The composition of assets and liabilities at sales, and the relation between sales value and proceeds from acquisition are as follows:

	Millions of yen
	2015
Current assets	¥1,325
Fixed assets	488
Current liabilities	(319)
Long-term liabilities	—
Foreign currency translation adjustments	1,046
Losses on sales of investments in subsidiaries and affiliates	(1,261)
Sales value of Hansen Corporation	1,279
Cash and cash equivalents of Hansen Corporation	17
Less: proceeds from sales of Hansen Corporation	¥1,262

In the year ended March 31, 2014, CEROBEAR GmbH was included in the scope of consolidation. The composition of assets and liabilities at acquisition, and the relation between acquisition cost and payments for/proceeds from acquisition are as follows:

	Millions of yen
	2014
Current assets	¥ 825
Fixed assets	1,575
Goodwill	396
Current liabilities	(424)
Long-term liabilities	(464)
Acquisition cost of CEROBEAR GmbH	1,908
Cash and cash equivalents of CEROBEAR GmbH	20
Less: payments for acquisition of CEROBEAR GmbH	¥1,888

19. Litigation

As of March 31, 2016, NMB-Minebea Thai Ltd., our consolidated subsidiary company located in Thailand, received (1) a revised assessment of income tax liability in the amount of 502 million baht on August 25, 2008; (2) another revised assessment of income tax liability in the amount of 125 million baht on August 25, 2010; (3) a third revised assessment of income tax liability in the amount of 101 million baht on August 11 and 22, 2011; (4) a fourth revised assessment of income tax liability in the amount of 71 million baht on July 2, August 8 and 17, 2012; (5) a fifth revised assessment of income tax liability in the amount of 366 million baht on April 5, 2013; (6) a sixth revised assessment of income tax liability in the amount of 14 million baht on August 26, 2013 from the Revenue Department of the Kingdom of Thailand. The company has not accepted these revised assessments, believing them to be unjust and without legal grounds, and regarding item (1), (2), (3) and (4), following the petition to the Revenue Department, the Company took the cases to the Tax Court of Thailand on August 25, 2009 for the case (1) and on November 16, 2015 for the cases (2), (3) and (4). Regarding items (5) and (6), the Company has petitioned the Revenue Department for redress.

Regarding item (1), the Company has won the case as a result of the decision at the Tax Court of the Kingdom of Thailand on October 13, 2010, but the Revenue Department disagreed with this decision and appealed the case to the Supreme Court on December 9, 2010.

Payment of these amounts was made in subrogation on (1) September 22, 2008, (2) September 23, 2010, (3) August 16, 2011, (4) August 23, 2012, (5) April 26, 2013 and (6) September 16, 2013, respectively, using a surety bond from a bank with which the Company does business.

Please refer to note “23. Subsequent Events” regarding the progress of situation after March 31, 2016.

20. Contingent Liabilities

Other than mentioned in note “19. Litigation,” the Company and its consolidated subsidiaries had no material contingent liabilities as of March 31, 2016 and March 31, 2015.

21. Business Combination, etc.

Divestitures

The Company entered into the share transfer agreement with ElectroCraft, Inc. as of June 30, 2014, to transfer all the shares held by the Company in its consolidated subsidiary, Hansen Corporation, to ElectroCraft, Inc. and concluded the transfer.

1. Outline of the divestiture

(1) Name of the company to be divested and its business activities

ElectroCraft, Inc.

(2) Outline of the business to be transferred

Manufacture and sales of small-sized motors

(3) Major reasons for the divestiture

Hansen Corporation (“Hansen”), with its production base located in Indiana, the U.S., exclusively focuses on manufacture and sales of motors and became a Minebea Group company in 1977.

Hansen’s major product line includes permanent magnet synchronous motors primarily used in residential air conditioning system, etc. Even though a constant demand for synchronous motors going forward is anticipated, due to the fact that the demand for synchronous motors has shifted from the U.S. to Europe in recent years and that the motor itself is a motor of an old structure so that the Company do not expect desirable synergetic effects to be generated with its product lines. As such, the Company have decided to transfer the business to ElectroCraft, Inc., one of the global leaders in the manufacture of fractional-horsepower motors for use in motion control solutions, with its head office located in the U.S. as well.

(4) Effective date of the divestiture

June 30, 2014

Hansen’s business performances from April 1, 2014 through June 30, 2014 (the end of the first quarter) have been included it the consolidated financial statements.

(5) Legal structure of the divestiture
Method of legally transferring the business
By way of the share transfer agreement
The number of shares to be transferred
100 shares
Transfer cost of shares
¥1,279 million ($12,619 thousand)

2. Outline of the accounting method to be implemented
(1) The amount of transfer gains and losses
Loss on sales of investments in subsidiaries and affiliates
¥1,261 million

(2) Book values of assets and liabilities of the transferred business and their details

	Millions of yen
Current assets	¥1,325
Fixed assets	488
Total assets	¥1,813
Current liabilities	¥ 319
Long-term liabilities	—
Total liabilities	¥ 319

3. Reportable segment in which the divested business was included
Electronic devices and components segment

4. Approximate estimates of profits and losses related to the divested business included in the consolidated statements of income in the year ended March 31, 2015.

	Millions of yen
Net sales	¥757
Operating income	27

Business Combination through Acquisitions

Business combination through acquisitions in the year ended March 31, 2015, are as follows:

1. Outline of the business combination
(1) Name of the acquired company and its business activities
Name of the acquired company: Sartorius Mechatronics T&H GmbH
Business activities: Manufacturing tank and hopper, industrial scales, inspection equipment
Providing modifications and adjustments, repair, and process optimization services

(2) Major reasons for the business combination
With production facilities in Germany, India and China, advanced measurement technologies and highly reliable detection technologies within the high growth potential industrial measurement instruments market, Sartorius Mechatronics T&H GmbH (Sartorius' Industrial Technologies Division, hereinafter "Sartorius MTH") is a manufacturer of industrial measuring instruments and process inspection equipment which includes product lines from load cell, industrial scale, and process instrument to detection device etc., as well as an aftermarket business providing modifications and adjustments, repair, and process optimization services worldwide.
The Company has decided to acquire Sartorius MTH through acquisition of shares with the intention of combining its own leading industrial strengths in the automobile, consumer electronics, healthcare and industrial products with Sartorius MTH's leading position in the food, beverage, chemical and pharmaceutical industries, thereby increasing its product line-up significantly and being able to develop the combined companies into a more efficient business across the globe.

(3) Effective date of the business combination
February 6, 2015

(4) Legal form of business combination
Stock acquisition with cash considerations

(5) Name of the company subsequent to the business combination
Sartorius Mechatronics T&H GmbH

(6) Percentage of voting rights acquired

Percentage of voting rights immediately before the stock acquisition	—%
Percentage of voting rights to be acquired on the effective date of the business combination	51.0%
Percentage of voting rights subsequent to the stock acquisition	51.0%

(7) Primary basis for determining the acquirer
Due to the fact that the Company has acquired 51.0% of the voting rights of the acquired company through stock acquisition with cash considerations.

2. Period of business performances of the acquired company to be included in the consolidated financial statements
Fiscal year end of the acquired company is December 31. Since the effective date of the business combination is February 6, 2015, none of the business performance of the acquired company is included in the consolidated financial statements for the year ended March 31, 2015.

3. Acquisition cost of the acquired company and its details

	Millions of yen
Consideration for the acquisition	
Purchase price of shares (cash)	¥4,196
Cost directly related to the acquisition	
Advisory cost, etc.	300
Acquisition cost	¥4,496

4. Amount of goodwill, source, amortization method and period
(1) Amount of goodwill
¥4,016 million

(2) Source of goodwill
Primarily due to Sartorius MTH's product development capability and sales and marketing ability as well as the expected excess earning power resulting therefrom.

(3) Method and period of amortization
Goodwill is equally amortized over a period of 10 years.

5. Amount of assets and liabilities received at the effective date of business combination and its details

	Millions of yen
Current assets	¥ 7,420
Fixed assets	1,647
Goodwill	4,016
Total assets	¥13,083
Current liabilities	¥ 6,817
Long-term liabilities	1,308
Total liabilities	¥ 8,125

6. Allocation of acquisition costs
The evaluation of the identifiable assets and liabilities and the calculation of their fair values associated with the acquisition on the effective date of the business combination have not been determined as of March 31, 2015 and the allocation of the acquisition costs has not been concluded. Therefore, the Company has provisionally accounted for based on available reasonable information for the year ended March. 31, 2015.

However, the Company has completed the allocation of the acquisition related costs during the year ended March 31, 2016.

There are no material changes relating to the completion of the allocation of acquisition related costs for the year ended March 31, 2016.

7. Pro-forma information of effects on the consolidated statement of income assuming the business combination had been completed at the beginning of the year ended March 31, 2015, and the calculation method

	Millions of yen
Net sales	¥14,411
Operating income	886
Income before income taxes	761

(Method for calculating pro-forma information)
The pro-forma information of effects on the consolidated statement of income was calculated as differences between net sales and income assuming the business combination had been completed as of the beginning of the year ended March 31, 2015, and net sales and income included in the consolidated statement of income. Pro-forma information is unaudited.

Business combination through acquisitions in the year ended March 31, 2014, are as follows:

1. Outline of the business combination
   (1) Name of the acquired company and its business activities
   Name of the acquired company: CEROBEAR GmbH ("CEROBEAR")
   Business activities: Manufacture and sales of ceramic bearings and hybrid bearing for use in the aerospace industries, medical equipment, semiconductor manufacturing equipment and machine tools, etc.

   (2) Major reasons for the business combination
   A renowned world leader in the design, manufacturing and marketing of ceramic bearings incorporating highly advanced ceramic material technology and hybrid bearings employing high performance steel materials, CEROBEAR has gained a wealth of experience during the more than two decades it has been in business. CEROBEAR manufactures and markets special ceramic bearings and hybrid bearings in a host of sizes ranging from internal diameters of 5 mm to external diameters of 420 mm. Boasting outstanding high-speed, low-friction, and advanced anti-corrosive performance these bearings have what it takes to excel under the toughest circumstances such as high temperatures and arid conditions. They can be found in everything from applications for the U.S., and European aerospace industries, medical equipment, semiconductor manufacturing equipment, machine tools, as well as food and beverage packaging devices to motorsport vehicles.
   Like CEROBEAR, New Hampshire Ball Bearings, Inc., a consolidated subsidiary in the U.S., has a unique advantage in supplying bearing products to the aerospace and medical industries while the European subsidiary, myonic GmbH, enjoys a competitive edge in providing special bearings used in dental and medical equipment as well as the aerospace industry. Once CEROBEAR's innovative ceramic technologies are put to work on the production line, the Company will be able to create new products targeted to the aerospace industry and broaden its product line-up. The Company is forging ahead with further development of its signature miniature and small-sized bearing as well as bearings designed especially for the aerospace industry with an eye to supplying products that will provide customers with the perfect solution while sharpening the Company's competitive edge.
   Since booming market demand is expected to fuel the growth of the U.S. and European aerospace industries, the Company decided to execute the business combination in order to enhance profitability as sales of the Company's aerospace products rise.

   (3) Effective date of the business combination
   July 1, 2013

   (4) Legal structure of the business combination
   Stock acquisition with cash consideration

   (5) Name of the company subsequent to the business combination
   CEROBEAR GmbH

(6) Percentage of voting rights acquired

Percentage of voting rights immediately before the stock acquisition	—%
Percentage of voting rights to be acquired on the effective date of the business combination	100.0%
Percentage of voting rights subsequent to the stock acquisition	100.0%

(7) Primary basis for determining the acquirer
Due to the fact that the consolidated subsidiary, New Hampshire Ball Bearings, Inc. has acquired all of the voting rights of the acquired company through stock acquisition with cash considerations.

2. Period of result of operations of the acquired company to be included in the consolidated financial statements
The result of operations from July 1, 2013 through March 31, 2014 have been included in the consolidated financial statements.

3. Acquisition cost of the acquired company and its details

	Millions of yen
Consideration for the acquisition	
Purchase price of shares (cash)	¥1,908
Acquisition cost	¥1,908

4. Amount of goodwill, source, amortization method and period
(1) Amount of goodwill
¥396 million

(2) Source of goodwill
Primarily due to the excess earning power to be expected on account of the development capability of CEROBEAR.

(3) Method and period of amortization
Goodwill is equally amortized over a period of 10 years.

5. Amount of assets and liabilities received at the effective date of business combination and its details

	Millions of yen
Current assets	¥ 825
Fixed assets	1,575
Goodwill	396
Total assets	¥2,796
Current liabilities	¥ 424
Long-term liabilities	464
Total liabilities	¥ 888

6. Pro-forma information of effects on the consolidated statement of income assuming the business combination had been completed at the beginning of the year ended March 31, 2014, and the calculation method

	Millions of yen
Net sales	¥478
Operating income	29
Income before income taxes	30

(Method for calculating pro-forma information)
The pro-forma information of effects on the consolidated statement of income was calculated as differences between net sales and income assuming the business combination had been completed as of the beginning of the year ended March 31, 2014, and net sales and income included in the consolidated statement of income. Pro-forma information is unaudited.

Transaction under common control, etc.

1. Outline of transactions, including details on the combining company and its lines of business, the business combination date, the legal form of business combination, the trade name of the combined company, and the purpose of the transactions

(1) Combining company
Minebea Motor Manufacturing Corporation

(2) Lines of business activities
Development, manufacturing, and sales of small motors for electrical appliances and information communication devices, and applied equipment and components

(3) Business combination date
April 2, 2013

(4) Legal form of business combination
Minebea Motor Manufacturing Corporation was dissolved in an absorption-type merger in which the Company became a surviving company.

(5) Name of the company
Minebea Co., Ltd.

(6) Outline of transactions including the purpose of transactions
Minebea Motor Manufacturing Corporation was founded as a joint venture between the Company and Panasonic Corporation ("Panasonic") in the information motor business in April 2004, with 60% equity held by the Company and 40% equity held by Panasonic. When the joint venture terminated in February 2013, Minebea Motor Manufacturing Corporation became a wholly-owned subsidiary of the Company. The Company effected the absorption-type merger with a view to improving the efficient allocation of management resources and enhancing business efficiency in order to establish more robust management bases and further expanding businesses.

As the absorption-type merge was carried out for a wholly owned subsidiary of the Company, no new shares were issued and no common stock was added.

The size of the combining business as of March 31, 2013 is as follows.

	Millions of yen
Net sales	¥50,181
Net loss	(2,733)
Capital stock	11,500
Net assets	347
Total assets	13,183

2. Outline of accounting treatment
The Company accounted for the transaction as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on December 26, 2008) and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestures" (ASBJ Guidance No. 10, revised on December 26, 2008).

22. Segment Information, etc.

a) Segment information

Outline of reportable segments

The Company's reportable segments are components for which separate financial information is available and subject to periodic reviews in order for the Company's Board of Directors to determine the distribution of management resources and evaluate performance.

The Company establishes business divisions by product in key business centers, therein Machined Component Manufacturing Headquarters supervises the production of machined components, while Electronic Device and Component Manufacturing Headquarters oversees the manufacture of small-sized motors, electronic devices and components and optical products, etc. Each of such manufacturing headquarters formulates comprehensive domestic and overseas strategies regarding products in order to deploy its business activities. Therefore, the Company identifies two reportable segments consisting of "Machined components segment" and "Electronic devices and components segment."

Our core products in the "Machined components business" are mechanical parts, such as ball bearings, rod-end bearings, pivot assemblies of HDDs, fasteners for automobile and aircraft, etc. The "Electronic devices and components business" includes electronic devices and components (LED backlights for LCDs and measuring components, etc.) and a wide variety of motors such as spindle motors for HDDs, stepping motors, DC motors, fan motors, and precision motors as well as special components.

From the year ended March 31, 2016, the Company has made some organizational changes, including incorporating its in-house manufacturing division into the Electronic devices and components manufacturing headquarters. Due to these changes, the segment information has also been changed.

For the segment information for the year ended March 31, 2015 and 2014, the Company has disclosed such information based on the reportable segments subsequent to the organizational changes mentioned above.

Basis of calculation for amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting method for the reportable segments is basically the same as those in note "2. Summary of Significant Accounting Policies."

Income of each reportable segment is based on operating income (before amortization of goodwill). Internal sales are calculated based on distribution prices determined by comprehensive judgment considering market prices, manufacturing costs and other factors.

(Change in accounting policy which is difficult to distinguish from the change in accounting estimates)

The Company and consolidated domestic subsidiaries adopted the declining balance method primarily for the depreciation method of buildings; however, the Company has adopted the straight-line method from the year ended March 31, 2016.

Having reviewed the depreciation method on recent occasions such as acquisition of the Headquarters building, and construction of the Matsuida Plant as well as the Kashiwazaki Plant the Company concluded that such buildings are to be used stably for a long-period of time, irrespective of the profitability and operational situation of the facilities so that the benefits of utilization shall be realized in proportion to the lapse of time, therefore the straight-line method better reflects the current economic situation of the Company.

Due to this change, depreciation and amortization costs for the year ended March 31, 2016 decreased, while the segment income for "Machined components," that for "Electronic devices and components" and that for "Adjustment (corporate)" segment rose ¥29 million, ¥101 million, and ¥222 million, respectively.

(Change in accounting estimates)

After a comprehensive review seeking to better reflect the product life cycle of certain machinery used for manufacturing LED backlights for LCDs products, certain consolidated subsidiaries changed their useful lives from 5 to 10 years to 2 years from the year ended March 31, 2015.

This resulted in an increase in depreciation and decrease of ¥2,013 million in segment income of "Electronic devices and components" segment.

Information on amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

Information related to the reportable segments of the Company and its consolidated subsidiaries as of March 31, 2016, 2015 and 2014, and for the years then ended are as follows:

Millions of yen

	Reportable segments						
Year ended March 31, 2016	*Machined components*	*Electronic devices and components*	*Total*	*Other*	*Total*	*Adjustments*	*Consolidated financial statement amounts*
Sales to external customers	¥163,811	¥445,467	¥609,278	¥ 536	¥609,814	¥ —	¥609,814
Internal sales	4,409	4,319	8,728	1,252	9,980	(9,980)	—
Total sales	168,220	449,786	618,006	1,788	619,794	(9,980)	609,814
Segment income (loss)	40,855	22,336	63,191	(125)	63,066	(11,628)	51,438
Segment assets	105,255	189,748	295,003	2,167	297,170	162,258	459,428
Other items							
Depreciation and amortization	9,296	20,807	30,103	335	30,438	4,350	34,788
Increase in tangible and intangible fixed assets	7,735	29,012	36,747	178	36,925	6,953	43,878

Millions of yen

Year ended March 31, 2015	*Reportable segments* Machined components	Electronic devices and components	Total	*Other*	*Total*	*Adjustments*	*Consolidated financial statement amounts*
Sales to external customers	¥155,785	¥344,725	¥500,510	¥166	¥500,676	¥ —	¥500,676
Internal sales	3,929	5,089	9,018	1,275	10,293	(10,293)	—
Total sales	159,714	349,814	509,528	1,441	510,969	(10,293)	500,676
Segment income (loss)	39,723	30,748	70,471	(29)	70,442	(10,341)	60,101
Segment assets	120,228	190,913	311,141	4,088	315,229	174,814	490,043
Other items							
Depreciation and amortization	9,622	15,154	24,776	76	24,852	3,924	28,776
Increase in tangible and intangible fixed assets	7,499	19,215	26,714	2,487	29,201	8,356	37,557

Millions of yen

Year ended March 31, 2014	*Reportable segments* Machined components	Electronic devices and components	Total	*Other*	*Total*	*Adjustments*	*Consolidated financial statement amounts*
Sales to external customers	¥140,033	¥231,333	¥371,366	¥177	¥371,543	¥ —	¥371,543
Internal sales	3,635	3,764	7,399	656	8,055	(8,055)	—
Total sales	143,668	235,097	378,765	833	379,598	(8,055)	371,543
Segment income	33,551	10,621	44,172	140	44,312	(12,113)	32,199
Segment assets	99,300	126,305	225,605	545	226,150	155,128	381,278
Other items							
Depreciation and amortization	9,378	9,941	19,319	61	19,380	4,360	23,740
Increase in tangible and intangible fixed assets	3,867	10,011	13,878	29	13,907	6,772	20,679

Notes: 1. 1.The classification of "Other" is the business segment, which is not included in the reportable segments, and its products are mainly machine made in-house.

2. The contents of the adjustments are as follows:
   (i) Adjustments to segment income or loss are amortization of goodwill (–¥970 million for the year ended March 31, 2016, –¥582 million for the year ended March 31, 2015, –¥618 million for the year ended March 31, 2014), and corporate expenses such as general & administrative expenses and research and development expenses that do not belong to the reportable segments (–¥10,658 million for the year ended March 31, 2016, –¥9,759 million for the year ended March 31, 2015, –¥11,495 million for the year ended March 31 2014).
   (ii) Adjustments to segment assets are unamortized goodwill (¥5,721 million as of March 31, 2016, ¥6,539 million as of March 31, 2015, ¥2,999 million as of March 31, 2014), and assets related to administrative divisions that do not belong to the reportable segments (¥156,537 million as of March 31, 2016, ¥168,275 million as of March 31, 2015, ¥152,129 million as of March 31, 2014).
   (iii) The primary adjustment to depreciation and amortization is depreciation and amortization of equipment related to administrative divisions that do not belong to the reportable segments.
   (iv) The primary adjustment to increase in tangible and intangible fixed assets is capital investments in equipment related to administrative divisions that do not belong to the reportable segments.

3. Segment income (loss) is reconciled to operating income in consolidated financial statements.

b) Related information

Information by geographical area

Millions of yen

Year ended March 31, 2016	China	Japan	Thailand	Europe	U.S.A.	Others	Total
Net sales	**¥184,074**	**¥80,079**	**¥58,241**	**¥61,626**	**¥157,248**	**¥68,546**	**¥609,814**

Millions of yen

Year ended March 31, 2015	China	Japan	Thailand	Europe	U.S.A.	Others	Total
Net sales	¥164,641	¥108,040	¥70,735	¥47,222	¥42,528	¥67,510	¥500,676

Millions of yen

Year ended March 31, 2014	China	Japan	Thailand	Europe	U.S.A.	Others	Total
Net sales	¥119,829	¥69,798	¥48,048	¥40,258	¥37,014	¥56,596	¥371,543

Millions of yen

As of March 31, 2016	Thailand	Japan	China	Others	Total
Tangible fixed assets	**¥88,140**	**¥43,153**	**¥15,779**	**¥30,921**	**¥177,993**

Millions of yen

As of March 31, 2015	Thailand	Japan	China	Others	Total
Tangible fixed assets	¥100,029	¥42,399	¥18,932	¥31,238	¥192,598

Millions of yen

As of March 31, 2014	Thailand	Japan	China	Others	Total
Tangible fixed assets	¥83,768	¥40,090	¥16,095	¥26,947	¥166,900

Information by major customer

Year ended March 31, 2016 — *Millions of yen*

Customer	Net sales	Related reportable segment
Apple Group	**¥108,324**	Electronic devices and components

Year ended March 31, 2015 — *Millions of yen*

Customer	Net sales	Related reportable segment
Japan Display Group	¥63,098	Electronic devices and components

c) Information related to impairment losses of fixed assets by reportable segments

Millions of yen

	Reportable segments					
Year ended March 31, 2016	Machined components	Electronic devices and components	Total	Other	Corporate	Total
Impairment losses	**¥—**	**¥15**	**¥15**	**¥—**	**¥6**	**¥21**

Millions of yen

	Reportable segments					
Year ended March 31, 2015	Machined components	Electronic devices and components	Total	Other	Corporate	Total
Impairment losses	¥—	¥31	¥31	¥—	¥78	¥109

Millions of yen

	Reportable segments					
Year ended March 31, 2014	Machined components	Electronic devices and components	Total	Other	Corporate	Total
Impairment losses	¥—	¥1,096	¥1,096	¥—	¥12	¥1,108

23. Subsequent Events

a) Investigations by Singaporean competition authorities

Full cooperation has been made upon investigations made by competition authorities in Singapore against the Company and its subsidiary. The Company received a notice dated as of May 4, 2016 from the Singaporean competition authorities that the investigations had been completed. There shall be no impact expected on the consolidated earnings.

b) Litigation

Regarding the legal case (1) described in note "19. Litigation," the Supreme Court of the Kingdom of Thailand handed down a decision on the case, on May 16, 2016, by dismissing the claims made by NMB-Minebea Thai Ltd.

Based on this court decision, the Company is expected to pay 502 million baht for the payment of corporate tax, as well as approximately 150 million baht of corporate tax payment with regard to the cases of (2) and later.

c) Announcement of Purchase of the Convertible Bonds with Stock Acquisition Rights

The Board of Directors of the Company has resolved on June 14, 2016, to purchase all of Minebea Co., Ltd. Series I Unsecured Subordinated Convertible Bonds with Stock Acquisition Rights, the total amount of which is ¥7,700 million, from the Development Bank of Japan Inc. ("DBJ").

(1) Name of the Bonds:
Minebea Co., Ltd. Series I Unsecured Subordinated Convertible Bonds with Stock Acquisition Rights

(2) Date of Purchase:
June 17, 2016

(3) The Principal Amount of the Bonds:
¥7,700 million

(4) Total Amount of Purchase:
¥13,896 million

If the Company cancels the Bonds with Stock Acquisition Rights, there will be a loss from cancellation in the amount of ¥6,196 million (the difference between the purchase price and the principal amount). The cancellation of the bonds is not determined yet.