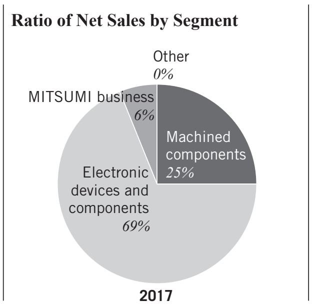
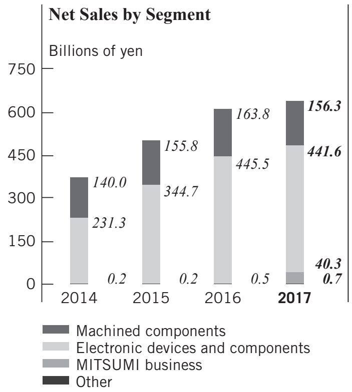
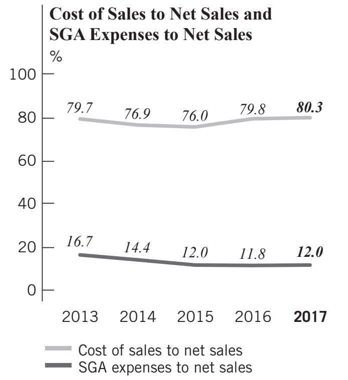
Financial Review

Results of Operations







Net Sales

During the fiscal year under review, although the Japanese economy showed a gradual recovery in consumer spending backed by an improvement in employment and income conditions and increasing signs of a recovery in corporate production and exports, there was a growing sense of uncertainty about the future in the second half of the fiscal year due to concerns about the direction of policy taken by the new U.S. administration. The U.S. economy continued to grow moderately amid a recovery in domestic and foreign demand and heightened expectations concerning fiscal spending and tax cuts put forward by the new administration. The European economy remained robust across the board centered on internal demand, although Brexit has cast a shadow of uncertainty. Meanwhile, the sense of uncertainty in Asia cannot be cast aside despite the expectation that the Chinese economy will recover from its slowdown with the support of public investments.

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

As a result, net sales increased by ¥29,113 million (4.8%) year on year to reach ¥638,927 million, a record high in net sales since the Company was founded.

Cost of Sales

Cost of sales was up by ¥26,407 million (5.4%) from the previous fiscal year to total ¥513,078 million in the year under review, due mainly to the consolidation of MITSUMI ELECTRIC CO., LTD. Cost of sales as a percentage of net sales increased by 0.5 percentage points year on year to reach 80.3%.

SGA Expenses

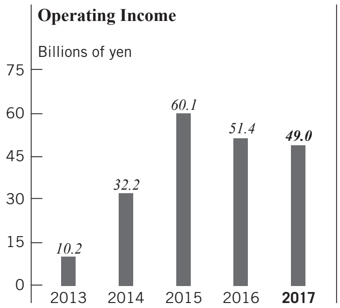
SGA expenses increased by ¥5,129 million (7.2%) from the previous fiscal year to total ¥76,834 million in the year under review, due mainly to the effect of consolidating MITSUMI ELECTRIC CO., LTD. and the increase in costs related to the business integration with MITSUMI ELECTRIC CO., LTD. SGA expenses as a percentage of net sales increased by 0.2 percentage points from the previous year to hit 12.0% in the year under review.

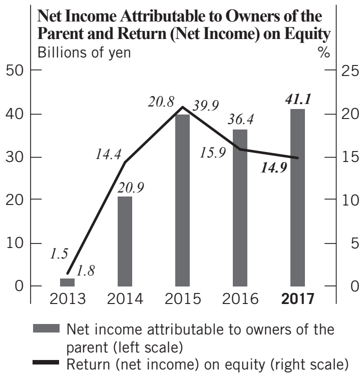
Cost of Sales and SGA Expenses

Millions of yen

Years ended March 31	**2017**	2016	2015	2014	2013
Net sales	**¥638,927**	¥609,814	¥500,676	¥371,543	¥282,409
Cost of sales	**513,078**	486,671	380,585	285,768	225,114
Cost of sales to net sales	**80.3%**	79.8%	76.0%	76.9%	79.7%
Gross profit	**125,849**	123,143	120,091	85,775	57,295
SGA expenses	**76,834**	71,705	59,990	53,576	47,126
SGA expenses to net sales	**12.0%**	11.8%	12.0%	14.4%	16.7%

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





Operating Income

Operating income decreased by ¥2,423 million (4.7%) compared to the previous fiscal year to ¥49,015 million. Despite the negative impact of the strong yen, the consolidation of MITSUMI ELECTRIC CO., LTD., as well as steady progress in the ball bearings and motors businesses had a positive effect. The operating margin fell 0.7 percentage points year on year to 7.7%.

For more information see "Segment Information."

Other Income (Expenses)

The net balance of other income and expenses (net amounts of non-operating profit/loss and extraordinary profit/loss) amounted to a loss of ¥542 million, which was ¥3,933 million lower than in the previous fiscal year. The main items recorded were a gain on bargain purchase amounting ¥14,620 million due to the share exchange with MITSUMI ELECTRIC CO., LTD., a loss of ¥6,196 million due to redemption of convertible bonds repurchased in June 2016 and impairment losses of ¥3,922 million mainly related to LED backlights for LCDs.

Income before Income Taxes

All of the above-mentioned factors brought income before income taxes for the year under review to increase by ¥1,510 million (3.2%) year on year to total ¥48,473 million.

Income Taxes

Income taxes decreased by ¥3,392 million from the previous year to total ¥6,973 million. Income taxes included current income taxes (including corporate, inhabitant, and business taxes) totaling ¥8,421 million, income taxes for prior periods of ¥1,350 million and deferred income taxes (benefit) of ¥2,798 million. This decline was due to the reduction of the corporate, inhabitant, and business taxes as a result of lower taxable income led by the redemption of convertible bonds. The effective income tax rate dropped to 14.4% from 22.1% in the previous fiscal year. This drop was due mainly to recognition of gain on bargain purchase.

Net Income Attributable to Owners of Parent

As a consequence of the aforementioned factors, net income attributable to owners of parent increased by ¥4,760 million year on year to ¥41,146 million. Basic net income per share was ¥107.33, a ¥10.07 increase from the ¥97.26 for the previous fiscal year.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests increased by ¥142 million from the previous fiscal year to ¥354 million.

Income

Millions of yen

Years ended March 31	**2017**	2016	2015	2014	2013
Operating income	**¥49,015**	¥51,438	¥60,101	¥32,199	¥10,169
Operating margin	**7.7%**	8.4%	12.0%	8.7%	3.6%
Net balance of other income (expenses)	**(542)**	(4,475)	(8,328)	(5,388)	(5,287)
Net income attributable to owners of the parent	**41,146**	36,386	39,887	20,878	1,804
Net income to net sales	**6.4%**	6.0%	8.0%	5.6%	0.6%
Net income per share (yen):					
Basic	**107.33**	97.26	106.73	55.94	4.83
Diluted	**105.64**	92.35	101.32	53.14	4.65
Return (net income) on equity	**14.9%**	15.9%	20.8%	14.4%	1.5%
Return on total assets	**7.5%**	7.7%	9.2%	5.6%	0.5%

Financial Condition

Financial Policy and Liquidity

Products and technologies are being developed faster and faster in the various areas in which MinebeaMitsumi Group operates, and global competition among companies is intensifying. In this environment, we must make the upfront investments needed to develop new products that meet our customers' needs and to develop the products that keep us one step ahead of the market, while also ensuring that we have the sort of flexibility in capital spending that will allow us to immediately cope with changes in demand. We are endeavoring to maintain and strengthen our financial position and agility in financing so that we can support this kind of dynamic corporate activity and forge ahead to "strengthen our technological development capabilities."

One of our key management policies is to "strengthen our financial position." With respect to capital spending, we intend to proactively expand investments in growth businesses while at the same time rigorously ensuring the efficient deployment of assets by use of an effective investment plan, allowing us to shrink total assets, control capital spending and reduce liabilities.

Furthermore, in order to ensure our flexibility in financing, we have obtained a rating for up to ¥10 billion in short-term debt from a ratings institution. In order to maintain and reinforce the stability of our financing base, we are maintaining good relationships with financial institutions inside and outside of Japan, while at the same time we are building a sound framework to manage liquidity risk.

Debt Ratings

As of December 2016	*Long-term debt*	*Short-term debt*
Japan Credit Rating Agency Ltd. (JCR)	A+	J–1
Rating and Investment Information, Inc. (R&I)	A–	a–1

Capital Investment

Capital investments totaled ¥31,848 million for the year under review. This amount includes ¥5,870 million for the machined components segment, ¥16,846 million for the electronic devices and components segment, ¥2,945 million for the MITSUMI business segment, ¥171 million for the other segment and ¥6,016 million for unallocated corporate capital investments.

Investments in the machined components segment were mainly for bearings-related equipment in Thailand and Cambodia and mechanical parts-related equipment in Japan. Investments in the electronic devices and components segment focused on equipment in Thailand related to LED backlights for LCDs and components. Investments in the MITSUMI business segment were mainly for optical device-related equipment in the Philippines. Investments in the corporate segment were primarily for factory expansion in Cambodia.

Capital investment includes ¥2,053 million in intangible fixed assets and ¥113 million increase in assets associated with new finance lease agreements.

For the next fiscal year we plan to spend ¥44.0 billion on capital investments.

Dividends

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

Pursuant to the above policy, our dividend for the year under review is ¥14 per share, which includes an interim dividend of ¥7 per share. The resulting consolidated basis dividend payout ratio for the year under review is 13.0%.

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

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

Free Cash Flow

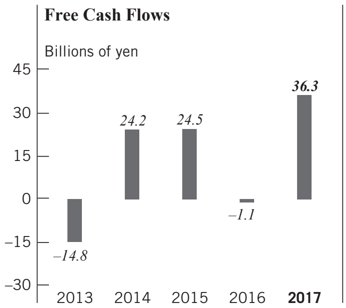
Free cash flows (calculated by adding net cash flows from operating activities and net cash flows from investing activities) totaled an inflow of ¥36,325 million. That is an increase of ¥37,385 million from the previous fiscal year.

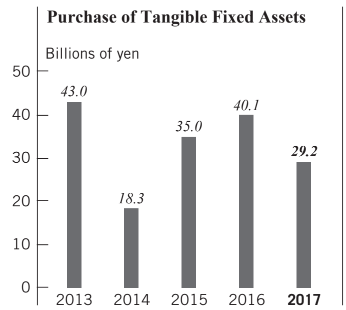
Cash Flows from Operating Activities

Net cash provided by operating activities increased by 90.7% from the previous fiscal year to ¥83,125 million. Inflows mainly consisted of income before income taxes totaling ¥48,473 million, depreciation and amortization expenses totaling ¥28,165 million, ¥25,848 million from decrease in inventories, and ¥6,196 loss on redemption of bonds. Outflows included ¥15,179 million from increase in notes and accounts payable–trade, ¥14,620 million in gain on bargain purchase and income taxes paid amounting to ¥12,488 million.

Cash Flows from Investing Activities

Net cash used in investment activities rose by 4.8% year on year to ¥46,800 million. This mainly included an outflow of ¥29,217 million in payments for purchases of tangible fixed assets, as well as an outflow of ¥13,896 million in payments for purchases of securities.





Cash Flows from Financing Activities

Net cash used in financing activities increased by 312.8% year on year to ¥17,339 million. Inflows mainly consisted of proceeds from long-term debt of ¥53,685 million. Major cash outflows included a net decrease of short-term debt of ¥39,470 million, repayment of long-term debt of ¥23,482 million, and ¥6,368 million for the payment of dividends.

Cash and Cash Equivalents

The balance of cash and cash equivalents at the end of the fiscal year under review totaled ¥78,832 million. This is an increase of ¥49,690 million compared to the end of the previous fiscal year, including an increase of ¥32,470 million in cash and cash equivalents from consolidation of MITSUMI ELECTRIC CO., LTD.

Free Cash Flows

Millions of yen

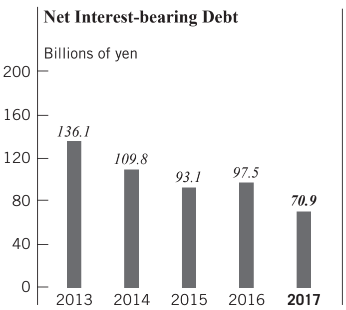
Years ended March 31	**2017**	2016	2015	2014	2013
Net cash provided by operating activities	**¥83,125**	¥43,582	¥59,863	¥49,173	¥22,990
Net cash used in investing activities	**(46,800)**	(44,642)	(35,326)	(24,957)	(37,813)
Portion of above used in purchase of tangible fixed assets	**(29,217)**	(40,136)	(34,979)	(18,343)	(42,963)
Free cash flows	**36,325**	(1,060)	24,537	24,216	(14,823)

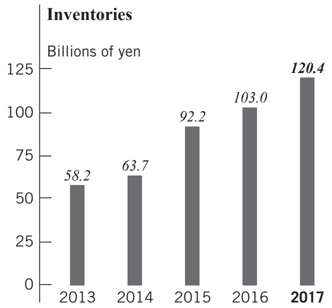
Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review amounted to ¥643,312 million, which is 40.0%, or ¥183,884 million more than at the end of the previous fiscal year. This includes an increase due to including MITSUMI ELECTRIC CO., LTD. in the scope of consolidation.

Net assets totaled ¥326,218 million and shareholders' equity totaled ¥321,364 million, resulting in a shareholders' equity ratio of 50.0%, down 0.2 points from the previous fiscal year.

Net interest-bearing debt (total debt minus cash and cash equivalents and time deposits) fell by ¥26,630 million (27.3%) compared to the end of the previous fiscal year to total ¥70,886 million. The net debt-to-equity ratio was down 0.2 points from the end of the previous fiscal year at 0.2 times.





Assets

Cash and cash equivalents increased by ¥49,690 million from the previous year-end total to reach ¥78,832 million, mainly due to the consolidation of MITSUMI ELECTRIC CO., LTD. Time deposits increased by ¥3,841 million from the end of the previous fiscal year to total ¥14,294 million. Notes and accounts receivable–trade increased by ¥78,916 million compared to the end of previous fiscal year to ¥171,191 million, mainly due to the consolidation of MITSUMI ELECTRIC CO., LTD. Inventories increased by ¥17,430 million from the previous year-end to ¥120,441 million, mainly due to the consolidation of MITSUMI ELECTRIC CO., LTD. Deferred tax assets (short-term) rose by ¥1,831 million from the previous year-end to hit ¥5,847 million. Other current assets amounted to ¥11,878 million, an increase of ¥3,550 million from the end of the previous fiscal year.

As a result of the above-mentioned performance, total current assets increased by ¥155,755 million (62.3%) over the previous year-end total to total ¥405,575 million.

Tangible fixed assets increased by ¥21,592 million (12.1%) from the previous fiscal year-end to ¥199,585 million. Purchases of tangible fixed assets for the year under review were ¥29,217 million while depreciation and amortization expenses amounted to ¥28,165 million.

Intangible fixed assets increased by ¥498 million (3.9%) from the previous year-end to ¥13,403 million.

Investments and other assets increased by ¥5,736 million (30.7%) from the previous year-end to ¥24,437 million. Factors behind this upturn include ¥1,271 million increase in investment securities, ¥1,605 million increase in deferred tax assets (long-term), etc., and increase of ¥4,263 million in other assets.

Consequently, total fixed assets amounted to ¥237,426 million, an increase of ¥27,829 million (13.3%) from the end of the previous year.

Liabilities

Notes and accounts payable–trade rose to ¥86,571 million, an increase of ¥50,764 million from the previous fiscal year-end total, mainly due to the consolidation of MITSUMI ELECTRIC CO., LTD. Notes and accounts payable–other increased by ¥4,307 million to ¥13,363 million. Short-term debt fell by ¥16,506 million from the end of the previous fiscal year to reach ¥49,660 million and the current portion of long-term debt fell by ¥13,262 million to ¥17,917 million. Income taxes payable decreased by ¥764 million to ¥4,621 million. Accrued expenses and other current liabilities increased by ¥10,160 million to total ¥27,927 million. As a result of the factors above, total current liabilities increased ¥34,703 million (21.0%) from the previous year-end to ¥200,128 million.

Long-term debt increased by ¥56,669 million from the previous year-end to total ¥96,435 million. Consequently, total fixed liabilities rose by ¥60,936 million (108.8%) from the previous year-end to ¥116,966 million.

Net Assets

Total net assets at year-end went up by ¥88,245 million (37.1%) from the previous year-end to ¥326,218 million, mainly due to the increased capital surplus by ¥48,446 million due to share exchange with MITSUMI ELECTRIC CO., LTD. etc., and increased retained earnings by ¥34,778 million. Non-controlling interests decreased by ¥2,234 million from the end of the previous fiscal year to ¥4,824 million.

Financial Position

Millions of yen

As of March 31	**2017**	2016	2015	2014	2013
Total assets	**¥643,312**	¥459,428	¥490,043	¥381,278	¥362,805
Cash and cash equivalents	**78,832**	29,142	36,138	29,031	28,223
Time deposits	**14,294**	10,453	9,190	9,685	6,041
Total current assets	**405,575**	249,820	265,185	189,638	170,977
Inventories	**120,441**	103,011	92,162	63,652	58,234
Total current liabilities	**200,128**	165,425	167,620	120,937	128,484
Working capital	**205,447**	84,395	97,565	68,701	42,493
Interest-bearing debt	**164,012**	137,111	138,463	148,498	170,412
Net interest-bearing debt	**70,886**	97,516	93,135	109,782	136,148
Total net assets	**326,218**	237,973	233,679	163,463	137,858
Equity ratio	**50.0%**	50.2%	46.1%	41.4%	36.2%
Debt-to-equity ratio (times)	**0.5**	0.6	0.6	0.9	1.2
Net debt-to-equity ratio (times)	**0.2**	0.4	0.4	0.7	1.0
Net assets per share (yen)	**759.15**	616.43	604.83	422.62	351.65