

Overview

Outline of Operations MinebeaMitsumi's operations are divided into the following segments: the machined components segment (accounting for 24.5% of net sales in the year under review) primarily manufactures miniature and small-sized ball bearings, rod-end and spherical bearings, as well as fasteners and pivot assemblies. The electronic devices and components segment (accounting for 69.1% of net sales) primarily makes light-emitting diode (LED) backlights for LCDs, spindle motors for hard disk drives (HDDs), stepping motors, brushless DC motors, brush DC motors, fan motors, and other types of motors, as well as sensing devices. The MITSUMI business segment (accounting for 6.3% of net sales) primarily makes camera actuators for smartphones, mechanical parts, connectors, switches, power supply components, antennas, tuners and semi-conductor devices. The other segment (accounting for 0.1% of net sales) focuses on machines made in-house.

On January 27, 2017, we conducted a business integration and share exchange with MITSUMI ELECTRIC CO., LTD., consolidating MITSUMI ELECTRIC CO., LTD. from the date of the business integration, and newly disclosing MITSUMI business as our reportable segments.

Product development takes place mainly in Japan, Germany, Thailand and the United States. Manufacturing takes place mainly in Japan, Thailand, China, the United States, Singapore, Malaysia, Cambodia, the Philippines, Germany, the Czech Republic, and the United Kingdom. Thailand, where our largest manufacturing base is located at, accounted for 59.2% of our consolidated-basis output in the year under review while China, where our next biggest manufacturing base is located at, accounted for 17.4%. Asian locations outside of Japan accounted for 86.8% of our production, and manufacturing at all overseas locations accounted for 95.7% of total output.

The key outlets for our products include the markets for office automation and telecommunication equipment (40.5% of net sales in the year under review), PCs and peripherals (15.6%), automotive products (12.7%), aerospace products (7.3%) and household electrical appliances (6.7%). Many of our customers, who are manufacturers of these products, are expanding their production bases beyond Japan, Europe, and the Americas. This expansion has been directed particularly toward China and other parts of Asia, which explains why sales in China (including Hong Kong), accounted for 32.5% of net sales in the year under review, were the highest. Our second-largest geographic market is the United States, which accounted for 27.4% of net sales. The third largest, Japan, accounted for 14.6% of net sales, and remaining net sales coming from Europe, Thailand, and other countries.

Outline of Strategy We will thoroughly review productivity to boost the profitability of our existing lines. We will also expand our EMS (Electro Mechanics Solutions) business which is driven by MITSUMI ELECTRIC CO., LTD. and our group's combined technological strengths in electronic devices and components as well as machined components. We will leverage the combined wealth of experience we have gained in manufacturing, sales, engineering and development to provide flexible prices and meet the needs of our customers. We will actively work on improving our profitability and increasing corporate value via M&As and alliances. At the same time, we will focus on establishing large-scale overseas mass production facilities as well as global R&D capabilities in light of regional risk assessment findings, while aiming to achieve either net sales of ¥1 trillion or operating income of ¥100 billion by the fiscal year ending March 2021.

We have developed the following policy to guide us in concrete terms as we move ahead with the aforementioned initiatives:

1. We will work to restructure our business portfolio by categorizing products and businesses into core, sub-core and non-core businesses.
 - (i) Our core businesses are defined as businesses and products which have absolute permanence, much like the "rice" of industry, in which our group can particularly demonstrate its competitiveness and secure competitive advantage, and these are positioned as the key pillars of our future growth strategy. More specifically, bearings, motors, sensors, connectors/switches, power supply components, wireless/communications/software, and analog semi-conductors are positioned as MinebeaMitsumi's "Seven Spears". We will actively invest management resources such as people, money and goods into these core businesses.
 - (ii) Our sub-core businesses are businesses and products which are not permanent but from which significant profits can be anticipated, such as smartphones, games, and HDD products. In these business areas, we will work to thoroughly improve productivity and develop new components in order to enhance our competitiveness, while taking measures to prepare for the eventual shrinking of the market.
 - (iii) Non-core businesses will be targets for bold choice and selection.
2. In addition to existing businesses, we will accelerate the development and commercialization of the "+IoT business" as high value-added solutions that combine products and technologies held by MITSUMI ELECTRIC CO., LTD.

More specifically, we will develop and provide new solutions such as Smart Cities, bed sensors, and sensory devices (haptics) by combining input equipment (such as strain gages, MEMS sensors, camera modules, antennas, etc.) with conversion and control equipment (such as wireless, switching power supply components, battery protection ICs, power supply ICs, driver circuits, inverter circuits, etc.), and our output equipment (such as bearings, lighting equipment, LED backlights, sensory devices, actuators, motors, etc.).

Financial Data by Segment

Years ended March 31	<i>Millions of yen</i>				
	2017	2016	2015	2014	2013
Sales by reportable segment					
Machined components	¥156,310	¥163,811	¥155,785	¥140,033	¥ —
Electronic devices and components	441,615	445,467	344,725	231,333	—
MITSUMI business	40,343	—	—	—	—
Reportable segments Total	¥638,268	¥609,278	¥500,510	¥371,366	¥ —
Other	659	536	166	177	—
Total	¥638,927	¥609,814	¥500,676	¥371,543	¥ —
Adjustment	—	—	—	—	—
Consolidated financial statements amount	¥638,927	¥609,814	¥500,676	¥371,543	¥ —
Income (loss) by reportable segment					
Machined components	¥ 39,147	¥ 40,855	¥ 39,723	¥ 33,551	¥ —
Electronic devices and components	21,898	22,336	30,748	10,621	—
MITSUMI business	2,315	—	—	—	—
Reportable segments Total	¥ 63,360	¥ 63,191	¥ 70,471	¥ 44,172	¥ —
Other	(121)	(125)	(29)	140	—
Total	¥ 63,239	¥ 63,066	¥ 70,442	¥ 44,312	¥ —
Adjustment	(14,224)	(11,628)	(10,341)	(12,113)	—
Consolidated financial statements amount	¥ 49,015	¥ 51,438	¥ 60,101	¥ 32,199	¥ —
Assets by reportable segment					
Machined components	¥106,116	¥105,255	¥120,228	¥ 99,300	¥ —
Electronic devices and components	181,944	189,748	190,913	126,305	—
MITSUMI business	168,648	—	—	—	—
Reportable segments Total	¥456,708	¥295,003	¥311,141	¥225,605	¥ —
Other	3,168	2,167	4,088	545	—
Total	¥459,876	¥297,170	¥315,229	¥226,150	¥ —
Adjustment	183,436	162,258	174,814	155,128	—
Consolidated financial statements amount	¥643,312	¥459,428	¥490,043	¥381,278	¥ —
Depreciation and amortization by reportable segment					
Machined components	¥ 7,991	¥ 9,296	¥ 9,622	¥ 9,378	¥ —
Electronic devices and components	15,639	20,807	15,154	9,941	—
MITSUMI business	475	—	—	—	—
Reportable segments Total	¥ 24,105	¥ 30,103	¥ 24,776	¥ 19,319	¥ —
Other	207	335	76	61	—
Total	¥ 24,312	¥ 30,438	¥ 24,852	¥ 19,380	¥ —
Adjustment	3,853	4,350	3,924	4,360	—
Consolidated financial statements amount	¥ 28,165	¥ 34,788	¥ 28,776	¥ 23,740	¥ —
Increase in tangible and intangible fixed assets by reportable segment					
Machined components	¥ 5,870	¥ 7,735	¥ 7,499	¥ 3,867	¥ —
Electronic devices and components	16,846	29,012	19,215	10,011	—
MITSUMI business	2,945	—	—	—	—
Reportable segments Total	¥ 25,661	¥ 36,747	¥ 26,714	¥ 13,878	¥ —
Other	171	178	2,487	29	—
Total	¥ 25,832	¥ 36,925	¥ 29,201	¥ 13,907	¥ —
Adjustment	6,016	6,953	8,356	6,772	—
Consolidated financial statements amount	¥ 31,848	¥ 43,878	¥ 37,557	¥ 20,679	¥ —

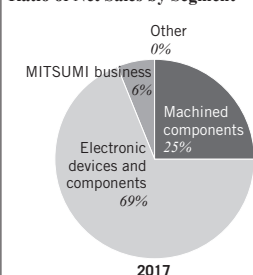
Notes: 1. Effective from fiscal 2017, "MITSUMI business" is disclosed as a new reportable segment following the acquisition of MITSUMI ELECTRIC CO., LTD.

2. Effective from fiscal 2016, the Company has made some organizational changes, including incorporating its in-house manufacturing division into the Electronic Device and Component Manufacturing Headquarters. Due to these changes, the figures of fiscal 2015 and 2014 have been changed retrospectively.

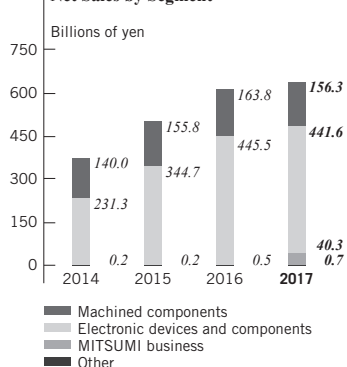
However, for the segment information of fiscal 2013, the Company has not disclosed the information as it is practically difficult to retrospectively extract the necessary financial data.

Results of Operations

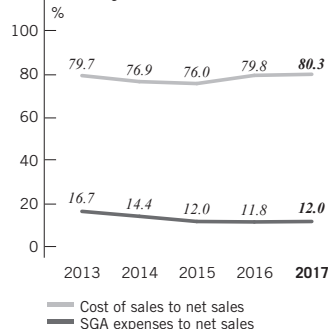
Ratio of Net Sales by Segment



Net Sales by Segment



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



Net Sales

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%.

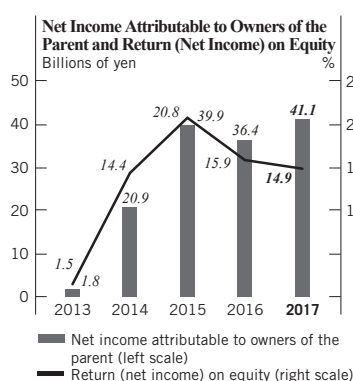
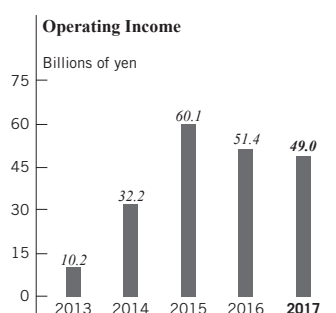
SGA Expenses

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

Years ended March 31	Millions of yen				
	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

Years ended March 31	Millions of yen				
	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

	<i>Long-term debt</i>	<i>Short-term debt</i>
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

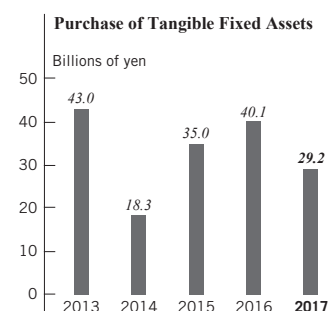
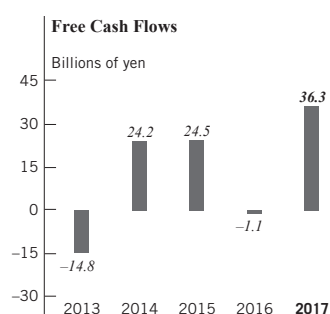
Net cash used in investment activities rose by 4.8% year on year to ¥46,800 million. This mainly included an outflow of ¥29,217 million in payments for purchases of tangible fixed assets, as well as an outflow of ¥13,896 million in payments for purchases of securities.

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

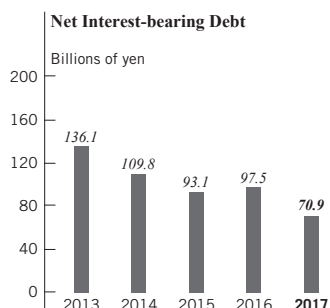
The balance of cash and cash equivalents at the end of the fiscal year under review totaled ¥78,832 million. This is an increase of ¥49,690 million compared to the end of the previous fiscal year, including an increase of ¥32,470 million in cash and cash equivalents from consolidation of MITSUMI ELECTRIC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



Free Cash Flows

Years ended March 31	Millions of yen				
	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)

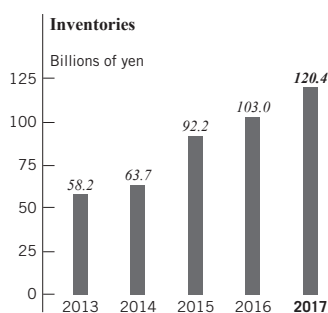
Assets, Liabilities and Net Assets



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

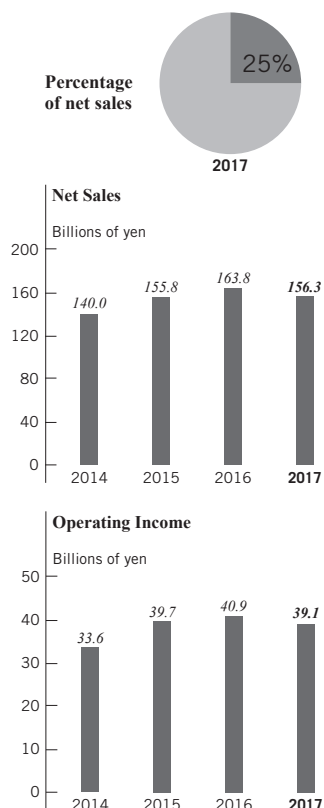
Total net assets at year-end went up by ¥88,245 million (37.1%) from the previous year-end to ¥326,218 million, mainly due to the increased capital surplus by ¥48,446 million due to share exchange with MITSUMI ELECTRIC CO., LTD. etc., and increased retained earnings by ¥34,778 million. Non-controlling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

Financial Position

	<i>Millions of yen</i>				
<i>As of March 31</i>	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

Segment Information

Machined Components



Net sales in the machined components segment decreased by ¥7,501 million (4.6%) year on year to ¥156,310 million. Operating income fell by ¥1,708 million (4.2%) year on year to ¥39,147 million, and operating margin was 25.0%, up 0.1 percentage points year on year.

Demand for our anchor product line, miniature and small-sized ball bearings, remained upbeat across a wide range of markets, mainly on high-grade consumer goods including automobiles and fan motors, with external sales volumes at a monthly average of 171 million units, up 10% year on year, however, net sales decreased as a result of the negative impact of the strong yen.

In rod-end bearings and spherical bearings, although civil aircraft production was stable, net sales decreased as a result of the negative impact of the strong yen.

We increased our sales volume of pivot assemblies and advanced our group's share to over 80% despite the continuing contraction of the HDD market, however, net sales decreased as a result of the negative impact of the strong yen.

Principal Products and Applications and MinebeaMitsumi's Global Market Share

<i>Our product lines & principal products</i>	<i>Principal markets</i>	<i>Global market share (Note)</i>
Miniature and small-sized ball bearings	Small motors, automobiles, household electrical appliances, information and telecommunications equipment, industrial machinery	approximately 60%
Rod-end and spherical bearings	Aircraft	approximately 50%
Fasteners	Aircraft	—
Pivot assemblies	HDDs	approximately 80%

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

Future Initiatives

We will continue our efforts to reduce costs in the ball bearings business by improving yields and streamlining production. While we see the strengthening of operations as a return to our manufacturing roots, we will also focus on reinforcing basic technological development. In terms of the future, in light of the tight production regime due to continuing strong demand, we will actively expand sales after increasing our production capacity by implementing measures to improve productivity at an early date.

The rod-end fastener business received active demand for mechanical parts related to aircrafts. Along with increasing parts production capabilities in Japan and Thailand significantly, we will improve productivity and enhance profitability on a global basis. We will also leverage the strengths of CEROBEAR, which we acquired in July 2013, to enhance research and development of ceramic bearing aircraft parts.

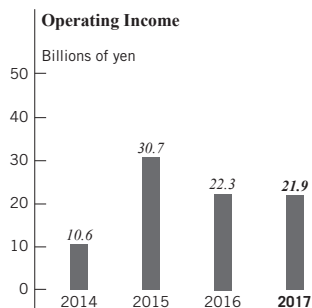
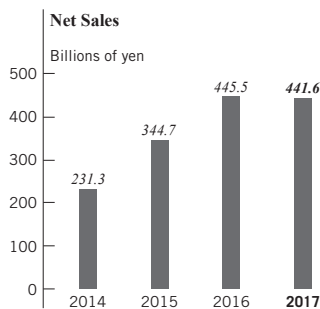
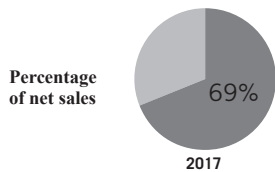
In the pivot assembly business, we have been implementing ongoing cost cutting measures such as improving yields. Although it is forecasted that the contraction of the HDD market will continue in the long-term, we will be focusing on using our high-quality and low-cost products to improve our market share with an eye to maintaining a healthy bottom line.

Major Products

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

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

Electronic Devices and Components



In the year under review, net sales decreased by ¥3,852 million (0.9%) from the previous year to ¥441,615 million. Operating income fell by ¥438 million (2.0%) year on year to ¥21,898 million, while operating margin was 5.0%, unchanged from the previous year.

In the LED backlight business, although launch of production of new smartphone models for existing customers was delayed and was slightly slow, it was completed without any major problems, and production and sales continued at the usual seasonal levels even after we passed the peak of demand. However, net sales decreased due to the negative impact of the strong yen.

The sales volume of the motor business improved due to growing demand in the automobile market although net sales decreased due to the negative impact of the strong yen.

In sensing devices, in addition to strong demand from existing projects, as a result of the change in fiscal year end of our subsidiary, Sartorius Mechatronics T&H (currently Minebea Intec GmbH), we consolidated 15 months to adjust for the elimination of lag period, which led to increase in net sales.

Principal Products and Applications and MinebeaMitsumi's Global Market Share

<i>Our product lines & principal products</i>	<i>Principal markets</i>	<i>Global market share (Note)</i>
LED backlights	Middle-range and high-end smartphones, automobiles, digital cameras, tablet PCs	approximately 25%
Motors (stepping motors, HDD spindle motors, brushless DC motors, brush DC motors, fan motors, precision motors)	PCs and servers, HDDs, information and telecommunications equipment, household electrical appliances, automobiles, industrial machinery, office automation equipment	approximately 2–70%, depending on the product
Sensing devices	Industrial machinery, automobiles, PCs	—

(Note) Global market share figures are based on volume. MinebeaMitsumi estimates market shares using information it collects on its own and through independent market research firms.

Future Initiatives

The LED backlight business is reaching maturity in the technologically fast-developing smartphone market. Meanwhile, the investment to significantly beef up production capacity at our Thai and Cambodian facilities has already been completed and most of the depreciation of production equipment has been already completed. As for the future, although decrease in sales volume to our major customers is anticipated in the smartphone market, we are aiming to increase our share in the Chinese market. In addition, we will work to expand sales of high-quality products to the automobile market. Furthermore, we are currently developing new products that integrate our basic technologies such as light guide plates and wireless communications. These new products include smart city LED streetlights being used in Cambodia, SALIOT, a new type of LED lighting device, and outdoor LED lights for tunnels, and more, and we plan to develop and boost sales in these in the future.

The motor business will continue to focus on cost reduction and reorganization with an eye to driving profitability up, and with assistance from the completion of our plant in Slovakia planned for early 2018, we will work to increase sales in motors to the automobile market.

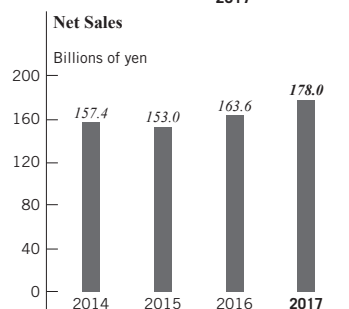
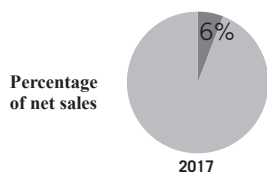
In sensing devices, we are deploying to new fields such as the healthcare and nursing care-related market, robotics, and infrastructure such as bridges, and we will focus on maximizing the synergy created by the acquisition of Minebea Intec GmbH, as well as expanding our business in IoT critical components in combination with MITSUMI ELECTRIC CO., LTD.'s MEMS sensor technology.

Major Products

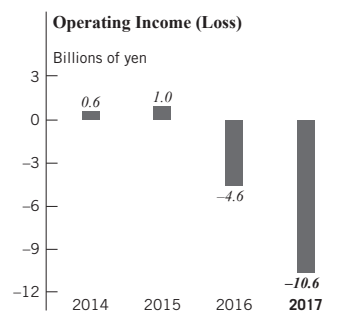
LED backlights	Stepping motors	Brushless DC motors	Brush DC motors	Fan motors
HDD spindle motors	Precision motors	Sensing devices		

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

MITSUMI Business



Notes: 1. Years 2014, 2015 and 2016 are results of the former MITSUMI ELECTRIC prior to the acquisition.
2. Year 2017 is a pro forma figure assuming the consolidation with MITSUMI ELECTRIC had been completed at the beginning of the year.



Notes: 1. Years 2014, 2015 and 2016 are results of the former MITSUMI ELECTRIC prior to the acquisition.
2. Year 2017 is a pro forma figure assuming the consolidation with MITSUMI ELECTRIC had been completed at the beginning of the year.

In the year under review which include results from January 27, 2017, net sales were ¥40,343 million, operating income was ¥2,315 million, while operating margin was 5.7%. On a pro forma basis which assumes the consolidation with MITSUMI ELECTRIC CO., LTD. had been completed at the beginning of the year under review, net sales in the year under review would have been ¥177,969 million, and operating loss would have been ¥10,558 million. However, operating profit would have been ¥1,778 million excluding losses of ¥12,336 million for devaluation of inventories, essentially meaning the year under review would have shown increases in income and profit.

Based on the Business Support Agreement concluded in August 2016, we advanced support services to improve productivity and reduce logistics and materials costs at MITSUMI ELECTRIC CO., LTD. In addition, demand for smartphone camera actuators has been strong in North America and the China area, and in response to the launch of shipment of new game devices in mechanical parts, both net sales and profit have increased.

Principal Products and Applications and MinebeaMitsumi's Global Market Share

Our product lines & principal products	Principal markets	Global market share (Note)
Camera actuators (OIS, VCM)	High-end smartphones	—
Mechanical parts	Games devices, information and telecommunications equipment, household electrical appliances/healthcare	approximately 5–30%, depending on the product
Connectors, switches, coils, power supply components, antennas, tuners, semi-conductor devices	Automobiles, smartphones, information and telecommunications equipment, household electrical appliances/healthcare	—

(Note) Global market share figures are based on volume. MinebeaMitsumi estimates market shares using information it collects on its own and through independent market research firms.

Future Initiatives

In camera actuators, we expect to see an expanded market scale in response to future expansion of high-end smartphones, and our group will actively work to expand sales by improving productivity and expanding our customer base.

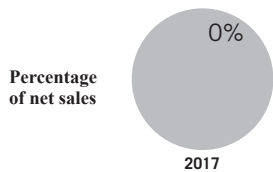
In mechanical parts, we have received active demand for new game devices from our major customers and we will work on improving profitability.

For others such as connectors, switches, power supply components, antennas, tuners, and semi-conductor devices, we will continue to improve productivity and profitability.

Major Products

Camera actuators (OIS, VCM)	Mechanical Parts	Connectors	Switches	Coils
Power supply components	Antennas	Tuners	Semi-conductor devices	

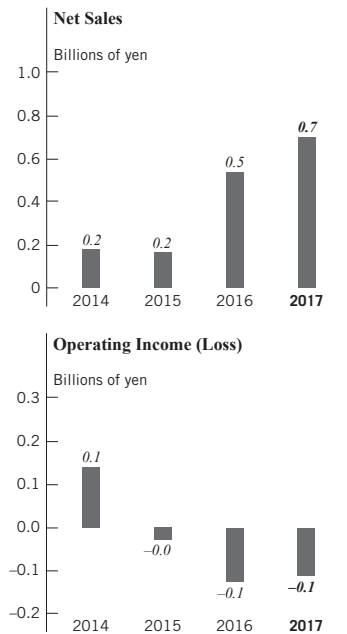
Other



Net sales for the year under review increased by ¥123 million (22.8%) year on year to ¥659 million. The segment showed an operating loss of ¥121 million, improving on the previous year by ¥4 million.

Major Products

Machines made in-house



Adjustments

In addition to the above figures, ¥14,224 million in corporate expenses, etc. not belonging to any particular segment is shown as adjustments. Adjustments for the previous fiscal year amounted to ¥11,628 million.

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

Research and Development

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

The Tokyo Research & Development Center, which was set up at our Tokyo Head Office in 2013, takes full advantage of its prime location in Tokyo, a dynamic hub for human resources and information. Work is currently underway at the Center to develop EMS products for medical and in-vehicle applications. Our facilities in Karuizawa and Hamamatsu, as well as the Material Science Laboratories in Thailand and China have implemented an ISO 17025-compliant management system and are moving the entire MinebeaMitsumi Group forward in analyzing emissions of hazardous substances targeted by environmental regulations, including those banned by the European Union's Restriction of Hazardous Substances (RoHS) directive as well as conducting product certification tests for electronic components.

On January 27, 2017, we realized our business integration with MITSUMI ELECTRIC CO., LTD. and embarked on a new start to our research and development activities by focusing on synergy and mutually leveraging our strengths in creating products. In other words, by combining MITSUMI ELECTRIC CO., LTD.'s input, conversion and control devices and MinebeaMitsumi's output devices, we aim to pursue the development of Electro Mechanics Solutions (EMS) and high value-added solutions and to create enhance devices that look to future developments in IoT, and aiming to enter the smart, in-vehicle, and industrial/robotics fields with these products and solutions.

During the year under review, our group-wide R&D expenses totaled ¥12,347 million. This amount includes ¥813 million in basic research expenses that cannot be allocated to any particular segment, such as analysis conducted at our Materials Science Laboratories in Thailand and China.

Here is an overview of the R&D activities conducted by each segment during the year under review.

Machined Components

R&D in this segment remained geared toward our mainstay bearing products (i.e. ball bearings, rod-end bearings, etc.) with a focus on developing basic tribological technologies for materials and lubricants, as well as ultra-low wear self-lubricating liners (Mineron™), etc. (Mineron™ is a MINEBEA MITSUMI Inc. registered trademark in Japan).

We are working with a keen eye aimed at responding to the needs of manufacturers in emerging areas of the IT, home electrical appliances, automobile, aerospace, and medical equipment industries. Reliability engineering focused on minimizing particle generation, increasing heat resistance, extending product life, enhancing electroconductivity, etc. as well as applied engineering are at the heart of our work in this area.

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

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

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

In 2013, we acquired all shares in CEROBEAR GmbH, a German company boasting more than 20 years of experience in the design, manufacturing and marketing of ceramic bearings and hybrid bearings employing high performance steel materials. CEROBEAR's technological capability combined with myonic GmbH's technological edge in providing special bearings used in dental and medical equipment as well as the aerospace industry enables us to develop new products for the aerospace industry that are expected to be in great demand while maximizing synergy between the two companies.

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

R&D expenses in this segment totaled ¥1,738 million.

Electronic Devices and Components

Motors, one of the principal product lines of the electronic devices and components business, includes HDD spindle motors, stepping motors, DC motors, air movers (fan motors) as well as precision motors. We are currently working to enhance basic technological capabilities, including various simulation, analysis, control, and material technologies as well as product development capability, so that we can be the first in the market to supply advanced products meeting customer needs for smaller, more efficient (energy-saving), quiet, and reliable products required for a wide range of applications.

We are also harnessing our expertise in materials and manufacturing technology to develop magnetic products. Ongoing work in this area continues to yield such outstanding products as rare earth bond magnets and heat-resistant magnets for use in high-performance motors.

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

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

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

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

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

In the sensing device business, we launched a joint research project by using measuring components applying strain gages in collaboration with Chiba University Graduate School of Medicine and Chiba University Hospital with its sights set on the development of a biological information monitoring system, and we plan to develop and commercialize such products for the healthcare and nursing care markets.

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

R&D expenses in this segment totaled ¥7,230 million.

mitsumi Business

R&D in MITSUMI business consists of development of high-accuracy image stabilization mechanisms for camera actuator for smartphones, ultra-thin actuators, modules and semiconductors related to lithium-ion rechargeable battery, various sensors, haptic technology, as well as researching into elements of Micro Electro Mechanical Systems (MEMS) and developing peripheral components, etc.

R&D expenses in this segment totaled ¥1,735 million.

Other

Our other segment mainly includes machines made in-house.

R&D expenses in this segment totaled ¥831 million.

Outlook for Fiscal Year Ending March 2018 and Risk Factors

Outlook for the Fiscal Year Ending March 2018

(as of May 2017)

The Japanese economy is showing a moderate turnaround due to steady domestic and overseas demand, and improvements in corporate profits, etc. although concerns over foreign exchange remain due to heightening global geopolitical risk. The U.S. economy is expected to remain firm with the employment and income environment steadily improving, although there is growing concern about the new administration's ability to implement policies. Solid economic growth driven by internal demand is expected to continue in the European economy, but Brexit negotiations, elections in France and Germany, and subsequent political movements are cause for substantial uncertainty. The Chinese economy is expected to remain firm due to factors such as the expansion of infrastructure investment, although there are concerns about trade negotiations with the U.S.

Under such circumstances, sales are projected to total ¥750,000 million, operating income at ¥56,000 million and income attributable to owners of the parent at ¥41,500 million.

Outlook by segment for the full year is as follows:

Machined Components

We will continue to work on boosting performance of the ball bearing business, our anchor business line, by aggressively expanding sales targeting the automobile, information and telecommunications equipment industries, etc. while significantly improving productivity as demand picks up across the globe. Furthermore, we will also boost productivity in the rod-end bearing business by fundamentally revising production methods, and also work to boost sales in the aircraft market expected to grow in small and medium aircraft.

Electronic Devices and Components

We are continuing to supply high value-added LED backlights for LCDs featuring ultra-thin light guide plates to the smartphone market, and will increase sales of products for automobiles, which is a market that is expected to grow. Working with an eye to enhancing the performance of our stepping motor business, we will zero in on enhancing quality and cutting costs as we work to increase sales of high value-added products for automobiles, servers, and other applications.

MITSUMI Business

As greater functionality is brought to smartphone-related products such as camera actuators and switches, we will maintain and improve quality while increasing productivity in an effort to further increase sales. In automotive products such as antennas, communication modules and connectors, we will expand our lineup in addition to establishing a global production and supply system in an effort to improve performance. In addition, we will create substantial synergies utilizing the scale of our group as a whole such as expanding sales, reducing material and logistics costs, and development of new products to be more competitive.

Other

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

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

1. Market risk

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

2. Foreign exchange risk

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

3. R&D risk

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

4. Legal risk

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

5. Risk related to price negotiations

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

6. Risk related to raw materials and logistics costs

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

7. Latent risk related to operations overseas

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

- (a) Unexpected changes to laws or regulations
- (b) Difficulty in attracting and securing qualified human resources
- (c) Acts of terrorism or war, or other occurrences that could disrupt social order.

8. Risk related to natural and other disasters

If an earthquake, flood, or other natural disaster, as well as nuclear plant accident, or outbreak of a new type of infectious disease were to affect the operational bases of the MinebeaMitsumi Group or its suppliers, it could have a significant impact on our production and sales activities.

9. Risk related to compliance and internal controls

We engage in a wide range of businesses all around the world and are subject to the laws and regulations that are in effect in each region. We have established and operate appropriate internal control systems needed to achieve our objectives. While these systems provide reasonable assurance that the methods used to prepare our financial statements are appropriate and in compliance with relevant laws, they cannot provide an absolute guarantee that all our objectives will be met. They are also not a guarantee that all potential risks we may face in the future, including legal violations, will be avoided. Changes in laws and regulations, including the interpretation or enforcement thereof, may make compliance more complex and could even incur higher costs related to compliance.

10. Losses related to competition laws

As previously disclosed, certain consolidated subsidiaries have been investigated by competition authorities for the alleged infringement of competition laws related to the trading of small-sized ball bearing products, etc.

The investigations have been completed, however, a class action suit was filed in Canada against MinebeaMitsumi and its subsidiaries in relation to these investigations.

Depending on the outcome of the above-mentioned lawsuit, we may incur losses from compensation for damages. However, we can neither reasonably project the amount of said losses at this time nor predict whether they will affect our operating performance or financial position.

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

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

12. Environmental risk

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

13. Risk related to M&As and alliances

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

14. Quality risk

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

15. Information management risk

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