

Outline

Outline of Operations

Minebea's core competencies are its ultraprecision machining technologies, vertically integrated manufacturing system and mass production technologies. The Company's operations are divided into two business segments: Machined Components and Electronic Devices and Components. The Machined Components segment, which focuses on miniature and small-sized ball bearings ("ball bearings" in subsequent references), accounted for 42% of consolidated net sales in fiscal 2004. The Electronic Devices and Components segment, which encompasses HDD spindle motors, fan motors and other precision small motors, as well as other electronic devices and components, notably PC keyboards, represented 58% of consolidated net sales in fiscal 2004.

Our product development activities are centered in Japan, with additional R&D bases in Thailand, Germany and the United States, while our manufacturing network encompasses principal bases in Thailand and China, as well as smaller bases in Japan, Singapore, the United States and the United Kingdom. Our manufacturing base in Thailand accounted for 58% of total consolidated production, while combined production at all of our bases in Asia (excluding Japan) was responsible for 81% of total consolidated production.

We supply products to a number of key markets. Notable among these are the PC and peripheral equipment, information and telecommunications equipment, household electrical appliances and aerospace markets, which account for 44%, 11%, 10% and 9%, respectively, of consolidated net sales. Reflecting the increasing shift by our customers in these markets to production in China and other parts of Asia, sales to Asia (excluding Japan) now account for 45% of consolidated net sales. Our second-largest geographical market is Japan, which currently represents 26% of consolidated net sales, with remaining sales to North and South America and Europe. (For more detailed information on Minebea's results for fiscal 2004 by business and geographic segment, please refer to the section beginning on page 55.)

Principal Strategy

Our basic, ongoing strategy is to build a portfolio of products that befit our core competencies—our ultraprecision machining technologies, vertically integrated manufacturing system and mass production technologies—and selectively focus resources in ball bearings, precision small motors and other key businesses. We are also cultivating new core competencies with the aim of securing an unassailable competitive advantage. Notable among these is our product development capabilities.

To enhance the effectiveness of this core competencies strategy, we are implementing specific measures aimed at facilitating the expansion of key businesses. These include tightening our focus on businesses that meet the criteria of the strategy, implementing organizational changes that will enhance the strategy's effectiveness, substantially reinforcing our ability to execute the strategy's various elements and introducing clear standards for evaluating business performance.

Going forward, we will continue to address the following three priority tasks:

- further reinforce our mainstay bearings and bearing-related products,
- build our operations in the area of precision small motors and other rotary components into the second pillar of our operations after bearings and bearing-related products, and
- increase the ratio of high-value-added products in all product categories as well as diversify offerings to serve a broader market.