

Outline

Outline of Operations

Minebea'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, accounted for 39% of consolidated net sales in fiscal 2005. 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 and LED backlight assemblies for small LCDs, represented 61% of consolidated net sales in fiscal 2005.

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 47% of total consolidated production in fiscal 2005, while combined production at all of our bases in Asia (excluding Japan) represented 80% of total production. Production outside of Japan accounted for 90% of total production.

We supply products to a number of key markets. Notable among these are the PC and peripheral equipment, OA and telecommunications equipment, household electrical appliances, automotive and aerospace markets, which accounted for 38%, 16%, 10%, 10% and 9%, respectively, of fiscal 2005 consolidated net sales. Reflecting the increasing shift by our customers in Japan, Europe and North and South America to production in China and other parts of Asia, sales to Asia (excluding Japan) represented 48% of consolidated net sales. Our second-largest geographic market is Japan, which currently accounts for 27% of consolidated net sales. Remaining sales are to the United States and Europe. (For more detailed information on our operations and products, please refer to the section beginning on page 53.)

Principal Strategy

The principle task facing us at present is to accelerate efforts to improve profitability. Accordingly, we have set three priority tasks:

- take decisive actions to implement structural reforms
- reinforce R&D
- manage the Company with a clear vision.

To these ends, we introduced a new management structure based on product-specific business units and five headquarters responsible for, respectively, manufacturing, sales, engineering, operations and administration. Under this new structure, manufacturing and sales groups are assigned and report directly to each business unit, while the establishment of headquarters charged with providing support for business units ensures the organization runs smoothly and effectively. This new structure was officially adopted on July 1, 2005. Going forward, we will reorganize our R&D structure to facilitate efficient, forward-looking R&D. Through these efforts, we will reinforce our competitive edge, improve our operating results and expand our businesses.