

Outline

Outline of Operations

Minebea's operations are divided into two business segments: Machined Components and Electronic Devices and Components. The Machined Components segment focuses on miniature and small-sized ball bearings, rod-end and spherical bearings, and pivot assemblies. In fiscal 2006, this segment accounted for 40.7% of consolidated net sales. The Electronic Devices and Components segment encompasses precision small motors, notably HDD spindle motors and fan motors; PC keyboards and other electronic devices; lighting devices, including LED backlight assemblies; and measuring components. This segment represented 59.3% of consolidated net sales in fiscal 2006.

Our product development efforts are centered in Japan, Germany, Thailand and the United States. The Engineering Headquarters is charged with basic technology and product development with a medium- to long-term perspective. Technology development divisions affiliated with business units emphasize development of commercially viable products. Cooperation among these divisions facilitates the supplementing and sharing of technologies, thereby contributing to effective product development. Our manufacturing network encompasses bases in Thailand, China, Singapore, Malaysia, Japan and the United States. Our largest manufacturing base, in Thailand, accounted for 48.4% of total consolidated production in fiscal 2006, while our manufacturing base in China accounted for 22.8%. Combined production at all our bases in Asia (excluding Japan) represented 80.8% of total production. Production outside of Japan accounted for 91.0% 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, and automotive and aerospace markets, which accounted for 38.2%, 14.9%, 9.4%, 9.6% and 9.4%, respectively, of fiscal 2006 consolidated net sales. Reflecting the steady shift by customers in Japan, Europe, and North and South America to production in China and other parts of Asia, sales to Asia (excluding Japan) represented 50.2% of consolidated net sales. Our second-largest geographic market is Japan, which currently accounts for 25.0% of consolidated net sales. Remaining sales are to North America and Europe.

With the aim of ensuring our organization runs smoothly and effectively, we have established an operating structure comprising 14 business units and five headquarters that report directly to the president and CEO. Under this structure, manufacturing and sales groups are assigned and report directly to each business unit. The function-based headquarters are charged with providing support for business units.

Principal Strategy

Our principal objective is to evolve and grow, winning the competition with manufacturing excellence and technological competency. We believe that the key to achieving this objective is to accelerate efforts to improve profitability. Accordingly, we will continue to address three priority tasks: take decisive actions to implement structural reforms, reinforce R&D and manage the Company with a clear vision.

To these ends, in fiscal 2006 we:

- implemented organizational reforms, namely, the introduction of a business unit system and the establishment of headquarters.
- shifted our policy from volume to quality, and our focus from sales to profits.
- reinforced R&D by assigning management of R&D efforts to the Engineering Headquarters and creating a department dedicated to basic technology development.
- implemented measures to restore the profitability of loss-making businesses and strengthen growth businesses.

Thanks to organizational reforms, we have made progress in eliminating organizational barriers and promoting the more effective use of Group resources. This has enabled individual businesses to align their growth tracks. We clarified our shift in policy toward quality, rather than volume, a move that marks a return to the basics of manufacturing and the concept of workmanship. With the aim of reinforcing R&D, we laid a new foundation for future R&D activities under the direction of the Engineering Headquarters. We have also placed a priority on strengthening core technologies, which are essential to the development of new products and businesses, as well as next-generation products, and are striving to develop new businesses through the integration of multiple core technologies.

Recognizing the restoration of profitability to loss-making businesses as our foremost concern, we took steps during the period under review to shrink losses in these businesses and to build a stronger foundation for growth businesses. We are currently moving toward bringing loss-making businesses out of the red and achieving the expansion of growth businesses in fiscal 2007. These steps emphasize returning to the basics of manufacturing, reinforcing manufacturing technologies and technological development capabilities, creating new products and entering new markets. We expect these efforts to support growth and expansion in fiscal 2008 and beyond.