

Outline

Outline of Operations

Minebea Group's operations are divided into the following business segments. The machined components segment (accounting for 37.7% 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 62.0% of net sales) primarily makes light-emitting diode (LED) backlights for liquid crystal displays (LCDs), spindle motors for hard disk drives (HDDs), information motors such as stepping motors, brushless DC motors, brush DC motors, fan motors, etc., as well as measuring components. The other segment (accounting for 0.3% of net sales) focuses on dies and parts produced in-house.

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, which is our largest manufacturing base, accounted for 56.3% of our consolidated-basis output in the year under review while China, which is our next biggest manufacturing base, accounted for 20.4%. Asian locations outside of Japan accounted for 81.4% of total production, and manufacturing at all overseas locations accounted for 92.8% of total output.

The key markets for our products are PCs and peripherals (accounting for 25.0% of net sales in the year under review), office automation and telecommunications equipment (24.1%), automotive (12.6%), aerospace (8.8%) and household electrical appliances (7.2%). 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 were highest in China (including Hong Kong), accounting for 32.3% of consolidated net sales. Our second largest geographic market is Japan, which accounted for 18.8% of consolidated net sales. The third largest, Thailand, accounted for 12.9%. Remaining sales came from Europe, the United States, and other areas.

On April 1, 2013 we carried out an internal reorganization with an eye to improving business efficiency and speed. As a result of the reorganization, our operations were restructured into two manufacturing headquarters: the "Machined Component Manufacturing HQ" and the "Electronic Device & Component Manufacturing HQ." Beginning in the fiscal year ended March 2014, we changed the segment classifications due to the reorganization.

Outline of Strategy

We aim to boost the profitability of our existing lines while developing new high-value-added products. That includes leveraging our vast manufacturing, sales, engineering and development network, and commitment to restructuring our business portfolio, encompassing the hybrid component business that is driven by our combined technological strengths in electronic devices and components as well as machined components, in order to provide flexible prices and meet the needs of our customers. We will actively work on restructuring our business portfolio 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 R&D capabilities in light of regional risk assessment findings.

In order to make substantial progress in these areas and further improve our financial performance, we have announced and are working on the "Five Arrows" strategy outlined below.

1. Increase external sales of ball bearings to an average of 150 million units per month at the earliest date.
2. Develop new EMS (Electro Mechanics Solutions®) (*registered in Japan) products and components by embracing TRDC (Tokyo Research & Development Center) motor technologies and accelerate the sales of EMS products.
3. Establish new business opportunities in connection with lighting device products including street lights and their components developed by the Electric Device Division and its Technology Development Department, and enter the "Smart Building and Smart City" related products and components market.
4. Based upon the Measuring Components Business Units's strategy, which recognizes measuring components as sensors, increase the sales of measuring components related products to around ¥20 billion at an early stage.
5. Increase the sales of aircraft components business such as rod-end bearings centering New Hampshire Ball Bearings, Inc. by taking advantage of its global presence in the industry, thereby striving to achieve substantial improvement in sales and profitability through maximizing synergetic effects.