

Questions & Answers

(Results presentation for the third quarter of fiscal year ended March 31, 2003)

Some parts have been added and modified for a clearer understanding.

Q : How does the second-half forecast for sales and income of primary products compare with projections at the end of the interim period?

A : In the ball bearing business, production, shipments and income are nearly in line with the interim projections. In the spindle motor business, both shipments and sales and income/loss exceeded projections in the third quarter. In the fourth quarter, however, we expect sales volume will increase, while we will be under harsh conditions in terms of income/loss. Sales of and income from keyboards considerably exceeded projections in the third quarter and are expected go well above the fourth quarter projections. In the fan motor business, sales in the third quarter achieved the target and income level remained high. In the fourth quarter, both sales and income are expected to turn out almost as planned. With a large increase in sales volume, pivot assemblies are expected to achieve sales volume and income as originally planned both in the third and the fourth quarters.

Q : What is your current outlook for business in the fourth quarter as compared with projections?

A : The PC-related market, a major customer base for our mainstay products, is subject to post-Christmas weakness, though limited this year. In Addition, demand in January to March quarter tends to fluctuate sharply. In this market climate, January sales of keyboards exceeded projection, though slightly lower than the third quarter level. Compared with the third quarter, the fan motor business is expected to be under tough conditions in the fourth quarter because of a decrease in shipments for game devices. Sales of ball bearings are going strong as planned and those of pivot assemblies are expected to remain at a high level.

We think the key to achieving targets both in the fourth quarter and in the second half will be to minimize declines in sales of fan motors and keyboards that substantially contributed to net income in the third quarter.

Q : Suppose market prices of spindle motors fall more than expected, would you give priority to your profitability, or to your sales plan of 6 million units per month?

A : We aim for sales volume of 6 million units per month, because profitability is expected to improve at this level. Moreover, we foresee no further declines in market prices.

With regard to pivot assemblies, we increased sales volume to secure a larger market share and experienced intense price competition. In the future, prices of this product are unlikely to be subject to substantial decline. Pivot assemblies will therefore contribute to improvement in profitability.

Q : What is your production capacity for ball bearing type and FDB type HDD spindle motors? Do you need capital investment to carry out your plan of expanding production capacity to 7.5 million units in December this year?

A : Production capacity for FDB type HDD motors is 4 million units per month and that for ball bearing type is 1 million units per month, totaling 5 million units per month. We are presently working to increase production capacity for FDB type motors to 5 million units per month. We have decided to raise this up to 7.5 million units in December this year in anticipation of sales increase in the future. In terms of factory space, such as a machinery floor, an assembly floor and a clean room, we can afford to expand monthly production to 10 million without constructing a new facility. We plan to increase machinery where appropriate, while monitoring sales of FDB type motors in the future.

Even though production of ball bearing type motors decreases, we should have no surplus machinery because we are a specialized maker of ball bearings. Also, other motor components, such as a hub, a flange and a shaft, are almost the same as those of FDB motors. What is important is to expand production equipment for FDB motors in a timely manner. We will be able to increase FDB motor production by just a limited expansion of production equipment.

Q : Do FDB motors to be supplied to Matsushita Motor Company increase in volume in the future?

A : At present, we supply to Matsushita Motor Company components such as hubs, flanges and base plates. Matsushita Motor Company has agreed that we eventually supply finished FDB motors. As Matsushita Motor Company is going to expand its market share, the volume of FDB motors that we supply should be in accordance with the company's growing market share.

Q : Is any of your products falling short of planned sales and income in the second half?

A : Power electronic components are falling short of planned sales and income both in the third and the fourth quarters. With an increasing trend toward downsizing, PM motors are also coming slightly short of planned.

Q : Is there any possibility that profitability of power electronic components will substantially improve?

A : Recently, our U.S. organizations presented specific proposals including users, product models, delivery time and selling prices, and we are going to focus on these product areas.

Also, in February, we are scheduled to have a meeting in Germany on power electronic components business. The U.S. members involved will also attend this meeting. We think we need to determine the direction of this business, including a decision whether to continue this business with focus on some specific product areas or to withdraw from the business completely. We intend to explain to you our final policy on this business at the results presentation for the end of the current fiscal year.

Q : How does reorganization of speaker and HDD manufacturing operations affect your sales and profit?

A : Losses on closure of our FDD manufacturing operations are only extraordinary losses amounting to slightly over 100 million yen. Although net sales will somewhat decline, we expect no substantial impact on ordinary income. Closure of speaker box manufacturing operations is estimated to cause extraordinary losses of about 270 million yen in the fourth quarter. However, the closure should have no serious impact on ordinary income.

Q : How do you foresee your order volume after Chinese New Year?

A : With our production bases in Southeast Asia and China, we will have fewer workdays because of Chinese New Year, and this will affect production. Sales activities being conducted worldwide, sales can be leveled off and we foresee no significant impact on sales.

Q : You estimate that in the fourth quarter, depreciation cost and research & development cost will increase about 3,000 million yen over the third quarter. Does this mean that in the fourth quarter, sales will level out, while operating income will increase 3,000 million yen?

A : We left the second half estimate of depreciation cost unchanged. However, the fourth quarter depreciation cost should be about the same as in the third quarter at 5,700 million yen, if the current exchange rate does not fluctuate sharply. We therefore do not expect to see an increase of about 3,000 million yen. Also, research & development cost is slightly below projection and is most likely to come below the planned level for the second half.

Q : Why is it that the third quarter sales of electronic devices increased slightly less than 4,000 million yen over the second quarter, whereas operating income, after deducting one-off cost for keyboard shipment in the second quarter, increased only about 200 million yen?

A : After deducting transportation cost for keyboard shipment in the second quarter amounting to 450 million yen, the increase in operating income from electronic devices and components segment in the third quarter is about 200 million yen. We consider an increase of 200 million yen to 300 million yen in electronic devices and components segment is a great improvement.