November 14, 2003
Minebea Co., Ltd

Questions & Answers
(Results presentation for the first half of fiscal year ended March 31, 2004)

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

Q : Why did the operating income of the machined components segment decline from first quarter to second quarter?

A : Income of ball bearings expanded. However, income of rod-end & spherical bearings fell due to weak demand from aircraft industry. Less sales for fasteners for aircraft applications and defense-related special parts were also factors. There was also some effect of summer vacation.

Q : Why did operating income of electronic devices and components segment increase from the first quarter to the second quarter?

A : Positive factors were improvement of profitability of spindle motors, generation of steady level of income by fan motors and stepping motors, and considerable improvement of profitability of lighting devices.

Q : What products are expected to contribute to higher income in the second half?

A : We forecast income of the machined components segment to increase on the back of expanded sales and production of ball bearings. Profitability of pivot assemblies is also expected to improve, led by strong growth in shipments in the second half. Sales and income of rod-end & spherical bearings and fasteners for aircraft should also trend upward along with demand.

In electronic devices and components segment, we expect higher production and shipments to lead to improved profitability for spindle motors and lighting devices. Fan motors and stepping motors should maintain steady level of income.

Q : Does the full year capex plan of 21 billion yen reflect a revision from the original plan?

A : The original plan was 27.5 billion yen. In the supplementary information released with the brief report, full year capex plan is stated as 24.5 billion yen, however, we revised down further to 21 billion yen during today's explanation. Capex for ball bearings operation is expected to be cut considerably. In addition, investment required for capacity expansion at all product divisions are forecast to be less than original plan as a result of review of efficiency.

Q : Is it correct that depreciation of 24.5 billion yen is against capex of 24.5 billion yen, and therefore, this is to be revised down too?

A : That is correct.

Q : Based on an assumption that profit margin of ball bearings made a large improvement, profit of other products within machined components segment looks to be down considerably. Especially, what is the background for the large decline in prices of pivot assemblies?

A : Shipment volume of pivot assemblies increased more than 10% from the first quarter to the second quarter, however, price fall caused a large decline in profit. We are currently working to improve profitability at an early date. This process is taking time because conversion of equipment and machine is carried out while operating at full capacity. At the same time, increased output of ball bearings for pivot assemblies should contribute significantly to reduction of cost of ball bearings.

Q : Is the better than expected sales of lighting devices in the first half due to new customers?

A : It is as a result of increased number of customers. Our products are receiving higher recognition for its superiority than we had originally expected.

Q : Why was the second half operating income of electronic devices and components segment set at 1.2 billion yen, given the expected improvement in profitability of spindle motors and an increase in sales of lighting devices?

A : We believe spindle motor business will continue to remain a tough business. Therefore, we have not assumed large improvement in profitability for this business.

Q : Does this assume increased R&D costs for 2.5-inch and 1.8-inch, or falling prices?

A : We have assumed both.

Q : Can the joint venture of motor operation with Matsushita Electric Industrial Co., Ltd. generate profit from the first term? Would there be any impact on Minebea's sales and income next fiscal year?

A : We should probably answer after the final agreement in December. We are not expecting the joint venture to have any negative impact from the beginning. On the other, we do not expect large positive impact in the first or the second year, as not all factories concerned will be integrated immediately. There should be some positive results from the second year. The main area of focus after the integration is synergetic effect, which is expected from the year one.

Q : Nidec has commented that there might be a possibility that relating to Sakyo Seiki's patents, Minebea cannot sell spindle motors to HDD manufacturers other than Seagate Technology LLC. What is the company's thought on this?

A : We have received a warning letter from Sankyo Seiki stating that our spindle motor products infringe on Sakyo Seiki's patents. Currently, we are investigating details. We have been developing spindle motors at PMDM in Germany with careful considerations for patent issues. We cannot say at this time how much impact can be expected.

Q : What are reasons for the expected increase in spindle motor shipments in the second half?

A : We expect increase in shipments of ball bearing type spindle motors for 1.8-inch HDDs. Number of customers is also expected to increase.

Q : Is FDB motor also expected to increase?

A : We are currently working to begin mass production of FDB motors for 2.5-inch, such as our own design products, by middle of next year.

Q : What are reasons behind reduction in capex by 6.5 billion yen to 21 billion yen? What is the new estimate for depreciation given the revision to capex?

A : Capex required for machinery and equipment of ball bearings is now expected to be less than half of the original estimate of 5 billion yen. For pivot assemblies, original capex plan was made assuming large increase in production, however, only half the amount should be necessary through shorter cycle time and further progress in production efficiency.

As for depreciation, the final revised figure is yet to be calculated. However, if capex is reduced by about 0.5 billion yen, depreciation would be reduced by 0.05 billion yen assuming depreciation rate of 10% over 10 years, which is equivalent to 0.25 billion yen for the half term.

Q : Within ball bearings, are sales for office automation equipment declining?

A : We do not feel that sales for office automation application are falling.

Q : Is reduction in SG&A temporary, or is the same level expected in the second half?

A : The reason for the large reduction in SG&A in the second quarter was as a result of integration of sales and marketing subsidiaries and development subsidiaries in Europe, and reduction in personnel expenses as a result of voluntary retirement program. We expect positive effects to be reflected in earnings in the third quarter and the fourth quarter.

Q : Is the positive effect from reorganization of manufacturing headquarters becoming more evident?

A : For example, in the area of production of mold and plastic injection molding process, productivity is improving at Lopburi Plant just as at Bangpa-in Plant by implementing through cost cutting measures (just as in ball bearing division). Cost is also falling. We expect clearer positive effects from next fiscal year.

Q : What is the company's stance in formulating this year's plan, given that the second half earnings plan was unchanged?

A : We expect selling price to fall even though productivity improvement is leading to lower costs. We left the full year forecast unchanged on this assumption.

Q : What is the background for deterioration of COGS ratio in the second quarter from the first quarter? What is the assumption for COGS rate in the second half? What is the estimate for SG&A in the second half?

A : Gross margin for ball bearings improved, however, stagnant sales for aircraft application and higher proportion of electronics devices and component, which is lower margin compared to machined components segment, led to lower gross margin. In second half, we forecast COGS ratio to be lower than 75% through improvement of profitability for both machined components segment and electronic devices and components segment.

We expect SG&A in the second half to be mid-level of the first quarter and the second quarter.

Q : The assumption for FX in the second half has been changed. Is the second half volume better than originally expected? What is the proportion of US$ denominated sales?

A : In the second half, we forecast volume to increase for ball bearings and pivot assemblies, as well as spindle motors, fan motors and stepping motors. Of sales, 50% is US$ denominated, 33% is yen, 4% is Asian currencies and 12% is in Euro.