

## Questions & Answers (Investor Conference Call)

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

**Q : Please tell us about reasons for the downward adjustment in operating income, in descending order of impact or by product segment.**

A : The primary reasons are related to electronic devices and components. With regard to ball bearings, production was almost in line with plan and shipments were somewhat lower than 140 million pieces; therefore income, though relatively steady, was a little below projection. Main reasons for the decline in income are that:

- unit price of spindle motors declined in the fourth quarter (as we had predicted at the presentation of the third quarter business results);
- sales of PC and HDD related products such as fan motors and pivot assemblies fell short of projections;
- loss from the switching power supply business increased; and
- profitability of electro devices, such as FDD heads and lighting devices, deteriorated.

**Q : Does your outlook for profitability of the spindle motor business to turn around in April to June quarter remain unchanged, or is it getting bleak?**

A : We initially estimated a monthly production in April to June quarter to be more than 6 million units, which would enable us to break even. However, we presently estimate production in April to June quarter to exceed 5 million units per month, but it is unlikely that 6-million-unit level will be exceeded. Having taken various measures to improve profitability, we will continue our all-out efforts to break even on this business.

**Q : In the fiscal year ending March 2004, you aim for more than 20 billion yen in operating income. What are contributing factors?**

A : They are:

- improvement in the switching power supply business worth about 800 million yen;
- turnaround of the spindle motor business;
- increase in income from the bearing business;
- improvement in profitability of lighting devices;
- improvement in profitability of electro devices; and
- further increase in income from fan motors and keyboards.

In the fiscal year ending March 2004, we estimate shipments as follows:

Ball bearings	: 1st quarter 150 million pieces per month full year 150 to 155 million pieces per month
Pivot assemblies	: 1st quarter 14.5 million units per month full year 15 million units per month
Spindle motors	: 1st quarter 5 million units per month full year 6 million units per month
Fan motors	: 1st quarter 6.5 million units per month full year 7.0 to 7.5 million units per month
Stepping motors	: 1st quarter 6 million units per month full year 7 million units per month
Keyboards	: 1st quarter 2 million units per month full year 2.0 to 2.5 million units per month

**Q : Did profit margin of machined components slightly exceed projection?**

A : It is almost in line with plan. We expect the product's profit margin to be at almost the same level in the third and the fourth quarters.

**Q : Could you give us supplementary explanation for the declined profitability in the electronic devices and components segment in the fourth quarter?**

A : The primary factor contributing to the decline in the fourth quarter profitability is a slow down in the PC-related market since mid-February. Unlike in the past, the market continued to be sluggish all through March. Demand for fan motors is a little late in returning to normal this year. Shipments of spindle motors also fell short of projections that we made at the time of the third quarter results announcement, although they exceeded the original plan for the second half. The fourth quarter performance in the electronic devices and components was affected by the delayed recovery in the PC-related market. We are not experiencing any decline in the market share of spindle motors and fan motors.

**Q : Your ball bearing shipments came short of the previous projection. Is this because shipments for internal sale were below projection?**

A : Shipments were below projection for both internal sale and sale to outside customers.

**Q : In the fiscal year ending March 2004, you aim for more than 20 billion yen in operating income despite plenty of positive factors. Do you have any negative factors?**

A : We have no negative factors. However, in the fiscal year ended March 2003, affected by fluctuations in business environment, we ended up with results falling short of projections. Given this fact, we would like to avoid having results for the current fiscal year below projections. We will announce definite figures next month.

**Q : You mentioned that business results in the fourth quarter were affected by price decline while shipments came short of target. However, sales reached projection. What are the products that exceeded sales targets?**

A : Sales of keyboards exceeded projection that was announced at the presentation of the interim business results. They exceeded 2 million units as against the projection of less than 2 million units in the fourth quarter. Also, sales of spindle motors exceeded the initial projection because shipments were set at a conservative level.

**Q : Please explain how the current price of spindle motors compare with the price shown in the projection?**

A : Compared with the third quarter, unit price declined in the fourth quarter. However, it was in line with the projection made at the time of the third quarter results announcement.

**Q : Please tell us about your confidence in, and your readiness and outlook for achieving projections in April to June quarter.**

A : For the first quarter of the current fiscal year, we estimate production and shipments of ball bearings at about 150 million pieces per month. Since the fan motor market becomes active for seasonal reasons this time of the year and shipments of air conditioners are steady, we consider it possible to achieve the first quarter targets.

For the full year, we aim at 150 million to 155 million pieces per month on the average. Needless to say, we will strive to bring production/shipments as close to 180 million pieces as possible as soon as we can; however, given the results in the previous fiscal year, we have set projections for the current fiscal year at a conservative level.

**Q : Please elaborate on environmental preservation expenses of 1.2 billion yen in the U.S. Do you see any possibility that expenses of similar nature will be incurred in other parts of the world?**

A : The environmental preservation expenses were posted as cleanup expenses for soil contamination at the facilities of our U.S. subsidiaries, IMC Magnetics Corp. (Phoenix, Arizona) and New Hampshire Ball Bearings, Inc. (Chatsworth, California).

The soil contamination occurred before our acquisition of these companies. After a longtime investigation into cause and effect of the ground pollution, the cause and decontamination method have been identified. Since putting off the cleanup operation will pose other problems, we have decided to start cleanup of the soil pollution and put aside all conceivable expenses. We presently foresee no more expenses of this nature to be incurred in the U.S. or other areas.