

Questions & Answers (May - June 2002)

Minebea Co., Ltd. held several IR meetings at home and abroad after the release of its financial results for fiscal year 2002, ended March 31, 2002. The following are frequently asked questions and the answers to the questions at the meetings.

Q : Would you please explain sales of your key products over the last few months?

A : The total sales volume of ball bearings for April, including the figure for internal use, was 145 million units. The sales volume for May also remained strong, at the same level as in April. These figures are both higher than the monthly average of 135 million units projected in the business plan for the current term. Regarding pivot assemblies, total sales volume for April increased considerably to 11.5 million units, compared with the previous term's monthly average of approximately 9 million units. This figure also exceeds the monthly average of 11 million units projected in the plan for the current term. The total sales volume of spindle motors for April was 4.8 million units, an increase of 40 percent from the previous term's monthly average. This figure is also higher than the target figures set for the beginning of the current term. Regarding fan motors, monthly sales volume has been strong at about 5 million units, a rise of 20 percent from the previous term's monthly average. In the stepping motors business, monthly sales volume has been 6.5 million units, slightly higher than the monthly average of the previous terms.

Q : Would you please explain the bearings sales and profits you have planned for the current term?

A : The plan for the current term shows that the monthly production and sales volume of ball bearings for the first half is 135 million units. During the second half of the previous term, the monthly sales volume was 120 million units, and the monthly production volume was slightly higher than 110 million units. Due to this, we have formulated a business plan incorporating possible increases in the sales and production volumes in the second half of the previous term. However, in addition to the increased figure for internal use being included in projected growth in the monthly sales volume of ball bearings, sales of bearings for aerospace use are expected to decrease. The plan shows that sales of bearing-related products may grow only a slim percentage in the first half of the current term. In the ball bearings operations, even if cost reductions are progressing with an upturn in the production volume, it takes one or two months for the profitability to improve, due to their work in process and inventories of complete products. Therefore, we expect that enhanced ball bearings production will have its full-fledged effect in the second half of the current term.

Regarding the unit prices of ball bearings, we have carefully assumed that they decrease at an

annual rate of approximately 5 percent. During the previous fiscal year, the average sales unit prices of bearings increased slightly on a yen basis due primarily to the weaker yen. We have carefully formulated the plan, although there are no accelerated drops in the unit prices at present.

However, as explained in the last Q&A, sales have been recovering ahead of the plan's levels. We expect that earnings will improve at a rate faster than initially assumed.

Q : Would you please explain results for the previous term and the outlook for the current term regarding earnings from the electronic devices and components business?

A : During last fiscal year, sales of spindle motors, PC keyboards, switching power supplies and speakers grew considerably. However, profits from the electronic components business fell, due to low profits from the reduced sales volume of fan and stepping motors caused by slow demand from the information and telecommunications equipment market, as well as a profit fall in the spindle motors and electronic devices business. On the other hand, profits from the keyboards business rose significantly, and in the power electronics operations, losses declined. In addition, most of the increased research and development expenditures of 1.5 billion yen were used for the electronic components business. These costs also caused to reduce the profits. In the current term, we expect that profits from the spindle motors business will improve in addition to large improvements in earnings from the fan motors business. We also expect that losses from the power electronics business will fall noticeably.

Q : What sales plan do you have for spindle motors in order to meet customers' needs?

A : Regarding spindle motors with fluid dynamic bearings (FDBs), we were initially supplying them only to Seagate Technology in pursuance of the terms of the contract with them. However, we commenced to supply this motor to other companies in April this year. In September, we expect that the monthly sales volume will reach about 2.5 million units. We also expect that the volume will increase to 3 or 3.5 million units in the second half of the current term. We are focussing on 3.5-inch HDD spindle motors to meet customers' needs.

For high-end 3.5-inch HDDs, there is still very strong demand for spindle motors incorporating RO bearings in the market. In the future, although, the market preference is expected to shift to spindle motors incorporating FDBs. In the future, until then, spindle motors with RO bearings will continue to be at the center of the market.

Over the last three years, we have increased our share of the spindle motors market by about 10 percentage points to 21 percent. We will expand sales of 3.5-inch HDD spindle motors with FDBs, which have a strong demand from customers. At the same time, we will further reinforce sales of spindle motors with discrete or RO bearings for high-end HDDs and some other applications. By doing so, we will expand the market share to 40 percent levels by the end of 2004

Q : Would you please explain the plan for five products key to your medium-term plan?

A : The plan for electronic components shows that sales are expected to increase between fiscal years 2001 and 2004. Of this increase, almost all are expected to come from sales of fan motors, spindle motors, motors and sensors for automobiles, and switching power supplies. In terms of increased earnings, about 80 percent are expected to come from the aforementioned four product categories.

In the fan motors business, we plan to achieve substantially expanded sales and also to further reduce costs by using advantages of scale as the world's leading manufacturer of this product. We also plan to lift the monthly sales volume of fan motors to 7.5 million units by the end of fiscal 2004, from 4.1 million units, the previous term's monthly average. In addition, fan trays and other products, high-end products, are expected to contribute to earnings in the current term.

In the spindle motors operations, we plan to increase monthly sales volume to 8.5 million units by the end of fiscal year 2004, from 3.5 million units, the previous term's monthly average. Among the aforementioned five principal products, including ball bearings, the expansion of earnings from the spindle motors business until the end of fiscal year 2004 is expected to become the largest.

The previous term's sales of motors and sensors for automobiles were about 2.5 billion yen. We plan to triple these sales by the end of fiscal year 2004. Their full contribution to earnings is expected to start in fiscal year 2005, the following year.

In the power electronics business, most of which is accounted for by switching power supplies, the previous term's sales were about 12.5 billion yen. The plan for the current term aims to achieve sales of 15 billion yen. We also aim to bring the business into the black on sales of 19 billion yen by reducing losses in the next fiscal year.

Q : Would you please explain Minebea's business in the People's Republic of China?

A : Minebea's principal products in the Chinese market are ball bearings and rotary components. Ball bearings are mostly used in air conditioners. They are also at work in cleaners and other products. We expect that demand from manufacturers of household electronic appliances, including cleaners and refrigerators, will expand in addition to continued demand from the air conditioners industry.

To meet growth in demand expected of the Chinese market, we plan to expand the monthly production of bearings in our Shanghai factory to 42 or 43 million units during the current term, from 25 million units, the current capacity. We also plan to carry out a thorough cost reduction to expand the Chinese business.

Q : What is your opinion about the future trend of demand for ball bearings as a whole?

A : The short-term outlook is uncertain, but we judge that the ultimate demand is recovering. We expect that sales of bearings will remain on an upward path until June.

The Chinese market is expanding rapidly. Ball bearings are used in motors not only for air conditioners but also for cleaners and refrigerators. We expect that the demand will develop along with improvements in the Chinese living standards.

Looking back on our business development history, the videotape recorder (VTR) market provided us with an opportunity to grow largely. Subsequently, in an age of disk drives, the demand not only from HDD customers but also from spindle motors manufacturers has been increasing. We expect that the demand from HDD manufacturers will continue to be expanding, particularly in applications other than PCs. We also expect that hitherto unused applications may be seen in the future. Actually, in the automobile industry, a control system incorporating fundamental changes has been developed. Hitherto unnecessary control motors and other products have come along on the market.

Q : What is your opinion about your ball bearings customers' current level of inventories?

A : We judge that our ball bearing customers' inventories have come down to levels deemed almost nothing. Therefore, we consider that the customers' re-stocking is one of the factors that have contributed to the current recovery of demand for ball bearings. As the demand is recovering in all applications, we expect that the current level of the demand will continue at least for some time.

Q : Would you please explain the percentage of sales by the industrial segment of your customers?

A : During the previous term, sales to the aerospace industry rose in amount and percentage:

Year ended March 31, 2002

	Bearings	All products
PCs and peripherals	7%	43%
OA and telecommunications equipment	8%	11%
Household electronic appliances	17%	10%
Automobiles	12%	7%
Aerospace	23%	10%
Motors	15%	5%
Others	18%	14%
Total	100%	100%

From this release, we have decided to add a new classification of motors to the aforementioned list. The reason is that the motors using our bearings have a wide application range and that it has been more difficult for us to compile such data.

Sales of bearings are the total sales of ball bearings and rod-end spherical bearings.

Q : At what percent do you expect the personal computer market to grow in the current term?

A : We expect that the personal computer market will grow at 3 or 4 percent this year.

Q : Would you please explain how changes in foreign exchange rates will affect your earnings?

A : Approximately 90 percent of total Group output is from our overseas plants. About 70 percent of total Group sales is also from our sales offices abroad. In addition, many different kinds of foreign currencies are used in purchasing and sales. Fluctuations in foreign exchange rates will have a very complicated impact on our earnings. During the previous term, the exchange rate changes increased net sales by 18.1 billion yen and operating income by 1.5 billion yen, respectively. From recent results, we judge that the currency movements have had only a marginal effect on operating income. This indicates that Asian currencies other than the yen have been floating with the U.S. dollar as a recent tendency.

At the formulation of the business plan for the current term, we used the exchange rate of 132 yen to the U.S. dollar, as it was the prevailing rate at the end of the previous term.

Q : Would you please explain the capital investment plan you have for the next few years?

A : In fiscal year 2002, we plan to make an investment in bearings rationalization capacity. In fiscal year 2003, we will invest in the construction and higher output capacity of components and die-casting facilities in order to lift FDB spindle motors production, in addition to increased bearings production capacity. In fiscal year 2004, we intend to spend on equipment and the construction of an assembly plant to meet the increased production of spindle motors.

Q : What plan do you have to use the free cash flows you will generate in the future?

A : We plan to generate an income stream of more than 60 billion yen in the next three years. Basically, we plan to use all of the funds to repay the borrowings outstanding.