

November 18, 2005

Minebea Co., Ltd

Questions & Answers (CEO Meeting)

The summary of CEO Meeting which was held on November 18, 2005.
Some parts have been added and modified for a clearer understanding.

< Progress in third quarter >

In October, profitable businesses such as ball bearings and rod-end & spherical bearings performed relatively well, achieving sales close to the record high. Pivot assemblies business made a progress in improving profitability helped by record high sales. Of the three businesses that face a challenge in profitability improvement, HDD spindle motor business made some progress in further cost reduction. There were some improvement in the keyboard business, where SST operation is now settling down following the almost completion of production shift from Thailand to Shanghai, China. For MMMC(Minebea-Matsushita Motor joint venture), we are verifying results of completion of structural reform in September, which was conducted mainly at the locations in Zhuhai of China, Penang of Malaysia and Singapore.

< Management, organization >

Q : What were issues in the past? As a new President, how did you change the organization?

A : The organization had become rigid. There were barriers between manufacturing and sales divisions which had different reporting lines. There were businesses with problems stemming from lack of communication between organizations. The first change I implemented after taking up the new post was changing the company's organization into one with better communication throughout. With introduction of Business Unit organization, organizations were unified, and with introduction of Headquarters we set up organizations that support Business Units across the company.

Q : How did you select the management team and executives?

A : I placed greatest importance on selecting personnel with leadership for the positions of Head and Deputy Head of Business Units. Even if he lacks engineering background, support can be provided by Manufacturing Headquarters and Engineering Headquarters.

Q : The previous management had star players. How did the management change?

A : When the leader is overwhelming, subordinates tend to be too reliant on the leader. Now, the all the executives and managers have higher awareness and working under the same goal to maximize profit.

Q : Does the new President place more emphasis on top down approach to management rather than council system?

A : The new President could be described as a President with top down approach to management but this is in order to reduce time for decision making. There are now more communication and more debates horizontally and vertically throughout the company including at the management level.

Q : Will you change evaluation system for executives and employees?

A : We plan to make changes following the introduction of Business Units. We plan to change personnel review system from next year for executives and key employees including Heads of Business Units.

< Profitability improvement >

Q : Other than pivot assemblies and HDD spindle motors, in which businesses do you expect to make an improvement?

A : We expect to make an improvement in stepping motor business and fan motor business of MMMC.

Q : What did you precisely do to lower breakeven level of HDD spindle motors? Positive outcome became evident at an early stage. When did you launch improvement measures and when did you start to see an improvement?

A : In manufacturing of spindle motors, delicate adjustment is needed between parts production and assembly teams. However, because there were lack of close communication, there were many unusable parts leading to lower yields. In order to conquer this problem, we change the business organization into one that promotes smooth communication, and engineers of Manufacturing Headquarters became mediators and sought improvement measures. As for the timing, after becoming the President on June 29th, I assembled all members from manufacturing, quality assurance to sales related to the HDD spindle motor business to the Thai plant in early July and we spent two days debating and considering measures. Because there were issues such as the one I explained as an example, we started to see positive outcome of the measures as early as August.

Q : Development of FDB motors is quite behind. It seems sintered metal type motor to be the mainstream type in the future, especially in 3.5-inch area. This may lead to decline in sales prices. What are your countermeasures? Is there not a need for Minebea to develop uniquely designed motors in order to turn the business profitable?

A : It is true that our current 2.5-inch type is not sufficient to turn the table. We cannot compete against competitors if we lose on every aspect, however we believe there are ways for the second or third player to run businesses. HDD spindle motor business appears to have come close to reach breakeven and we will continue to work on profitability with the greatest priority. We will

consider the next move by going back to basics as we work to improve the business in the short term.

FDB is one kind of bearing and we need to have as one of bearings businesses. We will review motors cut from stainless steel, sintered metal type and various products. We will continue with development of HMF, a joint product with Hitachi Powdered Metal Co., Ltd., for sintered metal type.

Q : What will be the second stage of structural reform at MMMC? It seems profitability turnaround is difficult for DC brush motor and vibration motor businesses.

A : We are currently considering what additional measures are needed. We are not yet certain and we need to verify when DC brush motor and vibration motor businesses can turn profitable.

Q : Is it not profitability turnaround of the keyboard business difficult?

A : We will make a judgment whether the business can be turned around.

< Business portfolio >

Q : What are your thoughts about business portfolio? How do you see long term development of the three businesses?

A : We need to reduce losses by lowering costs for the three businesses. We plan to consider future steps as we proceed with short term measures.

Q : What are your criteria when determining whether the business should be continued?

A : A business must generate profit. Other than that, we need to consider synergetic effects with other businesses and the business's engineering background. What are core technologies of the business? There are times when a completely different business emerges from those core technologies.

Q : What are your thoughts about technologies and synergetic effects of the three businesses?

A : We do not judge motors and keyboards with same criteria. There are many motors using ball bearings and there are technologies in common. The core technologies of motors are, other than mechanical technologies, magnetic circuit technologies, magnets, materials. The core technologies of ball bearings, which are used in many motors, are mechanical technologies and tribology. Because motor business expands into wide area, we need to judge whether we have synergies in all areas. There is less synergetic effect for keyboards with other products, but one of the keys is whether the drive circuit technology can be shared with other electronics businesses. We also have wireless technologies. Plastic mold for parts is also one of our basic technologies. We plan to verify synergetic effects and compatibility with other technologies.

Q : Should you not reinforce mechanical businesses, which generate profit? Recent company's profit improvement owes to growth in profit of machined component business.

A : We are placing most emphasis on ball bearing and application businesses, which are growing businesses. We are currently investing in new equipment to increase production of ball bearings in response to expansion in demand for pivot assemblies and fan motors. For rod-end & spherical bearings for aircraft applications, we are receiving orders that exceed our production capacity. We are beginning full-scale production of front-end processing of rod-end bearings at Lop Buri plant in Thailand. We are also expanding bearing production in the US. Sales of pivot assemblies are growing on the back of growth of HDDs and we will require monthly production of 30 million units next year.

Q : Speed required by electronics component business is different from machined component business. There are also some competitive competitors in electronics segment. Are organization set up and personnel sufficient?

A : Some of our electronics businesses is used to speed and are flexible. All of our businesses including ball bearings are related to electronics technologies. For this reason, we have to have electronics business as one of our businesses.

Q : Vertically integrated manufacturing system has been a basic policy for Minebea. Is this suitable for all products other than bearings?

A : End products have become varied, product development period and product life cycle have become shorter and operating environment has become more global. In this environment, we do not consider to procure everything in-house. We use outsourcing with necessary investment, costs, quality and delivery in consideration. This policy applies to all products other than ball bearings. For example, we are currently increasing outsourcing for plastic mold components and pressed parts.

< R&D, new businesses >

Q : R&D organization seems insufficient. Is planning for new business sufficient?

A : Backlight business is an example of a successful case. R&D of backlights was conducted from five years ago by R&D team at Hamamatsu with basic technologies in optical technologies and mold technologies. Now, we conduct development looking two years or more ahead at the R&D Center, while development of next generation model is done by engineering team of business units. As for the new products we announced in October, we conducted R&D in LEDs with cooperation of Nichia Corporation. Businesses currently carrying problems do not conduct R&D with future plans ahead. Unsuccessful businesses sense market direction when told by customers. In motor business, we fell behind.

In the new organization, the five Headquarters are responsible to make plans for new businesses. Each of the Headquarters considers the company's visions and necessary resources and actions to

realize goals. Because we are currently focusing on short term improvement, we have not started to draw up future plans for the company, however, this will be decided at Senior Executive Officer Council in the future

Q : With R&D of motors dispersed to outside Japan, such as Germany, are there not any problems? Given competitors are spending vast amount on R&D, is Minebea's spending enough?

A : For HDD spindle motors, we integrated R&D previously conducted in Germany and at Karuizawa, to Germany. In Karuizawa, we have a small team in charge of Japan based customers. For stepping motors, we have R&D for hybrid type in Karuizawa and PM type in Hamamatsu. Because markets for fan motors are different by region, we focus on blowers and communication application in Europe, server and CPU applications in US, PC and home electrical appliances applications in Japan. Because of a multiple number of locations, inefficiency does occur, however, we need to minimize such hindrance and develop products close to customers and respond to different needs.

Q : How is the business for motors for automotive?

A : Automotive motors are important into the future and we need to have this as a business as long as we run a motor business. In the past, we manufactured EPS motors. Now, we have cross coil motors for dashboards, light adjustment motors, micro clutch, resolvers, DC brush motors for audio devices for automotive and others. We believe there are opportunities for us including in the area of motors that directly transmit motion and we are continuing with R&D in Germany.

Q : What are new business plans?

A : Currently, we are focusing on profitability improvement and we are not considering set up of new business.

Q : In order to improve return on investment and increase value added, should the backlight business be just mainly guide plates?

A : There are already some backlight products we ship without LEDs assembled. However, we believe we need to conduct R&D for the entire system including LEDs because of the relation between guide plates and LEDs. In some occasions we need to develop LED itself in cooperation with LED manufacturers. This is as exhibited in our new product announced in our press release in October.

< Ball bearing business >

Q : To what level the margin for ball bearing business can be lifted. Do you plan to expand market share or expand business into larger-sized market?

A : Margin of ball bearings is heavily affected by sales prices. Recent sales pricing has been steady but steep decline was seen in the past two years. Prices are somewhat dependent on our strategy

from here on but if we go after market share, we may push down market prices and that is not our intention. Cost reduction is forever theme for a manufacturing company. Not only by volume expansion but also by yield improvement and other methods, we intend to cut costs. As for expanding our business into larger-sized market, we have no plan as such at this moment, because necessary production equipment are different and there exist competitive competitors.

Q : Are there rooms to cut costs?

Not only limiting to ball bearings business, beside cost reduction at production lines, there are many areas to cut costs, such as logistics and raw material costs.

< Headquarters >

Q : One of responsibilities of Operations Headquarters is procurement. How is this changing?

A : For example, one issue that existed before was because material procurement was part of manufacturing operation, there were some areas where organization was not adequate to make company-wide efforts. From now on, all procurement by Minebea Group is under control of Operation Headquarters. In logistics, as another example, we built a zero-inventory system for backlights. Though product characteristics are different, we aim to build an efficient logistics system for ball bearings also.

< Financials >

Q : There has been no reduction in interest bearing debts. Inventory level also seems high.

A : In order to lower debt level, we firstly need to improve profitability in short term. Change in logistics will be the key to reduce inventory. We are also trying to change our attitudes to think large amount of inventory is necessary, or costs will be lowered if we produce more.

Q : Tax management is needed.

A : Because of amortization of deferred tax assets at Minebea Co., Ltd., we do not receive indirect tax deduction on dividends from overseas subsidiaries. Moreover, there are several loss-making subsidiaries. We plan to lower the tax rate to below 40% in two to three years time.