

February 2, 2006

Minebea Co., Ltd

Questions & Answers
(Conference Call of Business Results
for the Third Quarter Fiscal Year Ending March 31, 2006)

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

Q : From the second quarter to the third quarter, operating income increased 0.9 billion yen for the machined components segment and 0.9 billion yen for the electronic devices and components segment. For each of the segment, rank contribution toward improvement by product. Similarly what is outlook for the fourth quarter when compared to the third quarter?

A : The machined component segment produced operating income of 7.0 billion yen, an improvement of 1.0 billion yen from the second quarter. Ball bearing business contributed the most, followed by pivot assembly business, and then rod end bearing business. Because the principal market for the rod end bearings is aircraft industry in the US and Europe, sales in December fell affected by year end holiday season.

Looking into the fourth quarter, sales of both ball bearings and pivot assemblies were robust in January. However, in February we anticipate ball bearing sales in China to decline slightly due to Chinese New Year holiday and less number of working days. Sales of rod end bearings are expected to increase in the fourth quarter compared to the third quarter. Overall, sales of the machined components segment are estimated to decline slightly in the fourth quarter.

In the electronic devices and components segment, operating loss of spindle motor business was reduced to almost zero. Minebea-Matsushita Motor joint venture and keyboard businesses made improvement as a result of structural reform and transfer of production. We expect further improvement in the fourth quarter.

Operating loss of the three unprofitable businesses was reduced to 1.6 billion yen in the third quarter from 2.6 billion yen in the second quarter. We aim for further improvement in the fourth quarter.

Other than the three businesses, sales of lighting devices plunged in December due to customers' production adjustment. We expect gradual improvement in February and March given recovery that was already evident in January.

Q : I understand at Minebea-Matsushita Motor joint venture, structural reform has led to reduction of fixed costs by 0.05 billion yen to 0.06 billion yen per month. Slide 7 of the presentation has a

comment "structural reorganization led to some improvement in Q3". What was the improvement that could lead to next stage for the business?

A : Outcome of structural reform is evident in the form of reduced fixed costs. We expect improvement in the fourth quarter for PM type stepping motor and fan motor businesses, in which our president is at the forefront to make improvement, including reinforcement of product development.

Q : When is information motor business expected to turn profitable?

A : Firstly we aim to increase profit of stepping motor and fan motor businesses to the extent that losses of DC brush motors and vibration motors can be offset. Then the following step is for all products to turn profitable. If we can make foundation for improvement in the fourth quarter we should see better outcome in the next fiscal year.

Q : Slide 7 states "in process of verifying profit improvement" for the keyboard business. Has there been any progress in terms of the comment made at the interim results meeting "considering every option"?

A : We are still in the midst of considering every possible option. There was marked improvement as the double fixed cost structure ended in the third quarter following the completion of transfer of production from Thailand to Shanghai in September. In the fourth quarter, we are working on improving operators' skill levels and production yield, among others.

Q : Will the speed of improvement in the fourth quarter be a gradual pace, similar to the third quarter?

A : Production and sales of keyboards tend to fall during January to March. To achieve better profitability, we need improvement to more than offset the higher fixed costs stemming from this lower volume.

Q : The policy for the HDD spindle motor business seems to be changing. Previous policy was to improve profitability while keeping volume at the same level. Does the intention to increase the volume by 1 million per month in the fourth quarter imply that the company is now at the stage of increasing sales given that certain amount of improvement has been achieved?

A : Our cautious stance toward volume increase remains the same. In the fourth quarter and the next fiscal year we will not excessively increase sales with aggressive pricing. The reason for the volume increase in the fourth quarter is request from customers.

Q : hat is the current status with regards to enhancement of product mix, namely the new 2.5-inch business and 3.5-inch ROF motor business?

A : Volume for 2.5-inch is steadily increasing but the business is still not significant in size with between 0.1 million to 0.5 million per month. We are not expecting a large increase in the near

term. ROF type for 3.5-inch has started but volume is still small. Almost all of HDD spindle motor business is still 3.5-inch conventional type.

Q : I understand that every possible business strategy is being considered for vibration motors and DC brush motors of Minebea-Matsushita Motor joint venture. Did a new direction become clear at the end of the third quarter?

A : In the structural reform that ended in September last year, we integrated overlapping businesses as the first step and then integrated facilities as the second step. Positive outcome from these actions is now evident. We are still considering the next step and we are not yet ready to announce details.

Q : How much of total sales did each of business make up?

A : Ball bearing constituted 21% of total sales, rod-end bearings 5%, pivot assemblies 8% and other machined components 7%. HDD spindle motors accounted for 11.5% of total sales, fan motors 9%, stepping motors 7.5%, vibration motors and DC brush motors 6%, keyboards 11%, electronic devices 7%, speakers 4% and measuring components 3%.

Q : Explain inventory, account receivables and interest-bearing debts, especially given that interest expenses may increase on the back of possible rise in interest rates?

A : By the end of March, we aim to reduce inventory level, which is currently too high. We target to reduce interest bearing debt (net of cash), which is now more than 150 billion yen, to below 150 billion yen and eventually less than 100 billion yen.

Q : The level of interest bearing debt has not changed over the last several quarters. Is there any explicit target or precise actions?

A : We are currently working to increase efficiency of delivery and to reduce lead time.

Q : SG&A in the third quarter was ¥12.2 billion. What were the reasons for the decline despite the increase in depreciation and R&D expenses? What is outlook for the fourth quarter?

A : Reduction was made in all areas of general expenses but particularly in logistics costs. We expect SG&A in the fourth quarter to be at the same level as the third quarter.

Q : Operating income of machined components segment is already high. Is there room for further improvement in the next fiscal year? If there are any, what is improvement by business in the order of amount of improvement?

A : As we are in the middle of formulating next fiscal year's plan, we cannot publicize details. There is room for improvement in ball bearing business. Rod-end bearing business should gain from higher production considering planned expansion by our customers. Pivot assembly business should produce improvement in margin amid 15-20% annual growth expected in HDD market.

Q : Pivot assembly business has made significant improvement in the last several quarters. Was there any contribution of the change in product mix following decline in volume for smaller sizes such as 1-inch?

A : There were some positive effects of lower volume for 0.85-inch and 1-inch. There is also a progress in production yield and quality. We are looking for further improvement by reduction of costs through raising production efficiency and by improvement of yield and production efficiency of ball bearings, which are critical components of pivot assemblies.

Q : Is there significant capex required to lift monthly production volume of ball bearings to 200 million? Or is higher production efficiency sufficient?

A : We plan 5 billion yen in capex, which will be allocated evenly this fiscal year and next fiscal year.

Q : I understand that sales price of pivot assembly improved in the third quarter. Will there be further improvement in the fourth quarter? Is price recovering for spindle motors also?

A : We are requesting customers for price review for pivot assemblies given the higher raw material prices. Our approach is not aggressive with regards to marketing of spindle motors. Stable demand is also helping the pricing situation.

Q : Sales of lighting devices declined in the third quarter due to production adjustment. How much improvement do you expect in the fourth quarter compared to the level in the second quarter? Or when will sales recover to the same level as the second quarter?

A : We expect the recovery path in the fourth quarter to be the mirror of the fall in the third quarter.

Q : Is there room for further expansion of sales and customer base for lighting devices in the next fiscal year?

A : Our advantages both in new products and quality give us room for expansion. We are making large sum of capital investment in Thailand for future business. Sales and production fell in December but we expect a recovery in the fourth quarter and next fiscal year.

Q : I understand actual shipment volume of pivot assembly in the first half was 23 million per month and planned shipments for the second half was 26 to 28 million per month. Was there profit improvement despite that the actual shipment in the third quarter was 22 million per month?

A : Profitability improved although volume in the third quarter was almost unchanged from the second quarter.

Q : It was explained that ball bearing business contributed most to the improvement of 0.9 billion yen in operating income of machined components segment and pivot assembly the next. Did margin improve more for pivot assembly?

A : Pivot assembly business achieved the largest improvement in terms of margin.

Q : Of the improvement by the pivot assembly business, did yield or product mix contribute more?

A : We cannot disclose details but all factors contributed.

Q : Of monthly production and shipment volume of 22 million of pivot assemblies in the third quarter, what is breakdown by size?

A : 55% was 3.5-inch and larger sizes, and 45% was 2.5-inch and small sizes.

Q : How is the business for the new slim back light launched in October? Has there been any effect of production adjustment?

A : There were some effects but the business is progressing steadily.

Q : Explain product development and launch of color wheel motors announced recently. What is outlook for sales? What are differentiating factors compared to competitors' products?

Q : We estimates sales of 0.2 billion yen this fiscal year and 1.5 yen to 2 billion yen in around two years time. The market is expected to expand at the rate of 15% per annum, although there are various estimates. We have been conducting R&D of color wheels for sometime. We made our announcement as we are now selling color wheels with motors as a combined unit.