

Questions & Answers
(Results Presentation for Fiscal Year Ended March 31, 2006)

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

Q : The keyboard business is to be continued focusing on high end models. When do you expect it to turn profitable? Are you assured that the business can generate stable profit, or is reaching breakeven your first step?

A : Breakeven is not our final goal. However, in reality, we need to set our goal to generate some profit for a start. We are running the keyboard business with our sight set on the market several years ahead when we expect products such as notebook type, keyboards with FeliCa function and 2.4 GHz wireless keyboards as I mentioned in the presentation.

Q : Do you expect the keyboard business to increase profit in the first or second year after reaching breakeven, or do you have a longer term horizon as you need the next generation products to fully take off before the business can generate profit.

A : I do not expect long before the start of the next generation products such as keyboards with various functions or desktop keyboards with notebook technologies applied. I expect the next generation products to be launched in one to two years, in other words the market to require such products in the near future.

Q : When do you expect the information motor business to turn profitable on a monthly basis? Explain further details regarding reduction of royalty payment.

A : We expect information motor business to generate profit in the second half and be in black for the full fiscal year. Royalty payment in the last fiscal year was over 1 billion yen. The amount will be significantly reduced to a very small amount this fiscal year and onward.

Q : Why is this fiscal year's operating income forecast for the machined component segment flat from last fiscal year?

A : Firstly, we see several uncertain factors. In addition, in pivot assembly business, volume is expected to increase but some price decline has been assumed. In ball bearing business we forecast a small increase in profit because internal usage by pivot assemblies is expected to increase. In rod-end bearing business, demand from commercial aircraft market is extremely strong but in military area development of aircraft is in-between cycles. Overall, we expect no decline in profit. We also expect fasteners for aircraft and defense-related special parts to generate less sales and profit this fiscal year.

Q : Is the operating income forecast for the machined component segment set conservative, assuming uncertain factors in the market?

A : We consider HDD market, one of our principal markets, volatile and is an uncertain factor. Our forecasts are what we assume we can achieve even in the situation the HDD market undershoots our expectation.

Q : Ball bearings, rod-end bearings and pivot assemblies are categorized as growth businesses. Yet, machined component business is expected no growth in profit this fiscal year. How do you consider the growth rate in three to five years?

A : This fiscal year's focus is on aligning strategy, business and technology in order to grow from next fiscal year. Active expansion will be sought from next fiscal year.

Q : How much will interest expenses improve this fiscal year?

A : Last fiscal year, yen depreciation and rising interest rates in Asia led to an 1.4 billion yen increase in interest expenses. We expect interest rates to continue to rise this fiscal year but if yen appreciation continues, payment may decrease due to effects on translation of overseas payment to Japanese yen. Reduction of interest bearing debt is an important theme this fiscal year. Our reduction plan of 17 billion yen is the minimum goal and we aim for net interest bearing debt of 130 billion yen or less.

Q : Explain in details how corporate tax rate will improve next fiscal year, fiscal year ending March 2008.

A : We look for two issues to be solved. Firstly, currently, loss making subsidiaries worsen tax rate on the consolidated basis. Secondly, the parent company currently receives dividends from overseas subsidiaries but indirect foreign tax exemption cannot be applied fully due to remaining deferred tax assets at Minebea. We expect tax rate of 40-45% from next fiscal year when the two issues to be solved.

Q : What are measures for vibration motors and DC brush motors to make them profitable during this fiscal year?

A : Production of DC brush motors will be consolidated to the plant in Malaysia. Previously subcontracted work at Malaysian plant has already been switched to in-house production. We will transfer production from China. Market of DC brush motors is wide. We are reviewing prices and orders for products with thin margins. Turnaround of production at Malaysia is in sight. With these two measures, we aim to generate profit.

For vibration motors, consolidation to plants in Indonesia and China is almost complete. With the production integrated, we will aim to lower production costs of parts. Moreover, we will maintain sales price this fiscal year.

Q : This fiscal year's sales plan for HDD spindle motors is no different from expected market growth rate. Is this because aggressive expansion in sales is not sought as reinforcement measures are still being implemented, including development of 2.5-inch motors?

A : Last fiscal year's turnaround of HDD spindle motor business is a result of measures to keep volume flat and seek profit. We are continuing our measures to achieve higher profit. We do not plan to lower prices by seeking higher market share.

Q : It appears further reduction in inventory is necessary. Do you have a target? What are reasons for reduction by 5.0 billion yen in fourth quarter compared to third quarter?

A : Reduction of large amount of inventory during fourth quarter owes to lower inventory of final products, work in progress and raw materials of ball bearings. For around six months, production volume of ball bearings was reduced in order to reduce inventory, leading to higher production costs and lower profit for machined component business in fourth quarter, but now production volume is brought back to the same level as the sales volume.

For this fiscal year, we plan for 1.7 billion yen or more reduction in inventory.

Q : What is sales volume of FDB motors? Has it increased compared to last fiscal year?

A : All of our HDD spindle motors are now FDB motors. Sales volume is 5.0 million per month, same level from a year ago.

Q : Are there effects of higher raw material prices such as steel? Are you raising product prices to offset the impact?

A : There is large impact of rise in raw material prices, especially in motor, keyboard, rod-end bearing businesses. Impact is small for ball bearings with outer diameter 5mm or less, as raw material costs make up small proportion of total costs. There are effects of rise in costs of steel, copper, aluminum and plastic. Prices of electromagnetic steel sheet and bearing steel have stabilized. We expect the current situation to continue this fiscal year.

Q : What are reasons that operating income of electronic devices and component will improve in the second half compared to the first half?

A : We expect all of HDD spindle motor, information motor and keyboard businesses to generate profit in the second half. We do not expect large profit contribution by lighting devices in fourth quarter due to seasonal volatility. Measuring component business is expected to generate stable profit this fiscal year.

Q : Rod-end bearing, pivot assembly and lighting device businesses are categorized as growth businesses, and at the same time, information motors, new products for keyboards, 2.5-inch motors for HDDs are also areas with various measures. Where do you see growth prospect and place importance?

A : Ball bearings, rod-end bearings, lighting devices and pivot assemblies are businesses with prospect for growth in absolute profit but businesses such as HDD spindle motors have outlook for high growth rate. I consider growth business as those with large absolute profit and sustainable high market share.

Q : Are you committing resources such as R&D and personnel to growth areas?

A : Through engineering and technology development activities within Business Units, we aim to create new market based on existing products, thus allocating resources based on sales and profit sizes. On the other hand, engineering and technology development activities at Engineering Headquarters determine areas of basic technology development for the company, thus we are committing more personnel resources in Engineering Headquarters.