

## Questions & Answers

### (Results presentation for the first quarter of fiscal year ended March 31, 2006)

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

**Q : The total operating loss of the three unprofitable three businesses was 2.7 billion yen in first quarter , an increase of 0.5 billion yen in loss from the previous quarter. Explain recent situations of the three businesses and outlook for second quarter onward. Are they in line with forecasts from the beginning of the fiscal year?**

A : The keyboard business accounts for most of the increase in loss. There was no change in loss amount at Minebea-Matsushita Motor joint venture (MMMC). Loss at spindle motor business increased slightly due to a fall in sales. We expect increased production in second quarter will help improve profitability compared to first quarter. We do not expect large improvement at MMMC as structural reform will be underway until September. For spindle motor business, because sales of ROF has not yet begun, we do not expect large improvement until the next fiscal year or later, thus we forecast no change in performance in the second quarter. However, as we are implementing various measures to cut costs, significant cost reduction should be achieved even if the volume remains at the current level.

**Q : What were first quarter sales volume and second quarter estimate for spindle motors, pivot assemblies, keyboards, fan motors and ball bearings?**

A : Production and sales volume of ball bearings exceeded 180 million in June and production volume averaged 180 million per month in first quarter. We forecast around 175 million in second quarter as the quarter will be affected by summer holiday.

Production and sales volume of pivot assemblies was 20 million per month on average in first quarter. We expect a 10% increase in second quarter.

Average monthly sales volume of keyboards in first quarter was 2.2 ~ 2.3 million in first quarter and is expected to be 2.3 ~ 2.4 million in second quarter.

Sales volume of spindle motors was 4.4 million per month in first quarter. Based on current order inflow, we expect 4.0 ~ 4.2 million per month in second quarter.

Fan motor business is robust. Sales volume in first quarter was around 8.5 million per month.

We expect a further increase in second quarter.

**Q : Earnings growth of machined components segment appears to be at a standstill for the last several quarters despite strong demand for bearings for commercial aircraft and good orders for pivot assemblies. I conclude that earnings of ball bearings are not improving. Explain the reasons behind the recent performance of the machined components segment.**

A : Operating income of machined components segment was 5.1 billion yen in the first quarter, same as 5.1 billion yen in fourth quarter of the last fiscal year. Operating income of ball bearings increased. Increased production volume led to lower costs but this was partially offset by unrealized profit. Sales and profit of rod-end bearings increased significantly on the back of strong aircraft market. On the other hand, profit declined for high margin fasteners for aircraft in first quarter, following seasonal peak in sales in fourth quarter of the last fiscal year. Defense-related special components business was also affected by lower sales after the seasonal peak at the fiscal year end. Earnings of pivot assemblies did not improve as expected because lack of improvement in earnings of pivot assemblies for 1.8" or small - caused by low production yield - more than offset strong performance by pivot assemblies for 3.5" and 2.5" HDDs.

**Q : Was improvement in operating income of ball bearings caused by sales increase or margin increase? Why did operating margin of machined components segment decline compared to first quarter of the last fiscal year?**

A : Compared to first quarter of the last fiscal year, average sales price was slightly lower. Because amount of decline in sales price exceeded that in production cost, profit fell compared to a year ago. However, we expect fourth quarter of the last fiscal year to be the bottom, with progress of cost reduction in the first half. Meanwhile, sales and earnings of rod-end bearings for aircraft are steadily growing.

**Q : What is the price trend for ball bearings?**

A : We do not foresee a large price drop in the current stable market if we manage product mix. We can promote further cost reduction now that we have built a production system with monthly capacity of 180 million.

**Q : Did the price of external sales of ball bearings fall compared to fourth quarter of the last fiscal year?**

A : Average sales price remained flat. Volume increase led to 4% increase in sales value from 4 quarter. When production at full capacity of 180 million stabilizes, cost reduction should result in higher profit.

**Q : Automated assembly lines are probably used to increase production capacity. Will production yield and productivity rise for small sized pivot assemblies by using automated assembly lines?**

A : We are implementing more automation. Higher accuracy compared to manual operation leads to better yield, productivity and reduced costs.

**Q : When automated assembly lines are introduced, I understand that pilot lines are produced at Karuizawa Plant, quality is checked, then mass production lines are set at Thai plants. Is the process same for pivot assembly lines that are being introduced now.**

A : The process is the same.

**Q : What is production volume of backlights of lighting device business? There was a comment in the presentation that sales should increase from autumn onward. What volume is expected for third quarter and beyond?**

A : Average monthly production volume in first quarter was 4.5 million. We expect an increase to around 6 million in second quarter. Although there are uncertainties, we currently forecast monthly production of 7 ~ 8 million in the second half.