

## Questions & Answers

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

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

**Q : For the three business that face ongoing challenges to improve profitability, what was the loss amount in the second quarter and what are estimates for the third quarter and the fourth quarter? Explain how much each of the businesses is expected to improve in the second half from the first half, in the order of amount of improvement.**

**A :** The loss for the total of the three businesses was 2.7 billion yen in first quarter and 2.6 billion yen in second quarter, so 5.3 billion yen for the total of the first half. The businesses other than the three businesses in the electronic device and component segment posted profit of 0.6 billion yen in first quarter, 0.8 billion yen in second quarter, thus 1.4 billion yen for the total of the first half. As a result, total loss of the electronic devices and component segment was 2.1 billion yen in first quarter, 1.8 billion yen in second quarter, so 3.9 billion yen for the total of the first half.

In the second half, the three businesses are forecast to record a loss of 1.8 billion yen in third quarter, 1.3 billion yen in fourth quarter, so a loss of 3.1 billion yen in the total of the second half. For the other businesses, we forecast profit of 0.8 billion yen in third quarter and 0.9 billion yen in fourth quarter, so 1.7 billion yen for the total of the second half. As a result, for the total of electronic device and component segment, we forecast a loss of 1.0 billion in third quarter, 0.4 billion yen in fourth quarter, so a loss of 1.4 billion yen for the total of the second half. For the full year, the three businesses are forecast to post a loss of 8.4 billion yen, the other businesses are forecast to post a profit of 3.1 billion yen, and thus the total of the electronic device and component segment is forecast to post a loss of 5.3 billion yen.

(Billions of yen)

	Q1	Q2	H1	Q3	Q4	H2	Full year
3 businesses	-2.7	-2.6	-5.3	-1.8	-1.3	-3.1	-8.4
Sum except for 3 businesses	+0.6	+0.8	+1.4	+0.8	+0.9	+1.7	+3.1
Electronic devices and components business total	-2.1	-1.8	-3.9	-1	-0.4	-1.4	-5.3

Of the three businesses, the HDD spindle motor business posted the least amount of loss in the second quarter. The loss from the HDD spindle motor business halved in second quarter from first quarter and we expect the loss to improve to almost zero in the second half. The second largest improvement in the second half is expected at Minebea-Matsushita Motor joint venture.

There was no improvement by the keyboard business as cost reduction was not sufficient to offset adverse effects of steep rise in plastic resin material costs.

For the first half, of the three businesses, HDD spindle motor posted the least amount of loss, the next was Minebea-Matsushita Motor joint venture, then keyboard. We forecast similar situation in the second half.

**Q : The HDD spindle motor business made an improvement after a launch of a new policy — to improve profitability while maintaining the same level of volume. What is the next measure to achieve an adequate level of profit. The gap between Minebea and a competitor is widening. The FDB motors for 2.5-inch that are not sintered metal type do not seem to be sufficient to narrow the gap. What are measures, including product roadmaps, into the future?**

A : Because of our small market share, the gap between us and our competitor is difficult to narrow down just with FDB motors for 2.5-inch. In the area of 3.5-inch, staying competitive in the market of low-price-range-products is not easy, but because our product quality receives high assessment from customers, we will compete with regards to quality. We are confident we can make profit in the area of high-priced-products. As for volume, we do not plan to continue with monthly volume of 4.5 million to 5.0 million next fiscal year. We plan to increase production level to around 6 million by securing a certain level of share in the spindle motor market, which is growing along with HDDs. During these processes, we plan to establish fundamentally FDB technologies.

**Q : You said profit can be generated from high-priced-models in the current environment with relatively stable sales prices. Have you assumed price will decline next fiscal year?**

A : We have assumed some price decline. However, if prices fell more than forecast, we are confident we can generate profit by increasing monthly volume from 4.5-5 million to 6 million.

**Q : For the keyboards, what are criteria used in decision making? You mentioned that you are working on cost reduction in the area of parts processing and logistics. What criteria do you set for the profit margin?**

A : The condition required for the business to be continued is to generate profit. For the keyboard business, we could not foresee the current situation. By verifying, in a short time, to what level can the sales prices be raised, to what level can the raw material prices be lowered and to what level manufacturing cost can be reduced, we intend to consider the direction the business should take.

**Q : What do you plan to do with the joint venture structure of the keyboard business with Huan Hsin Group. Personally, I think Minebea should take more initiative and run the operating independently.**

A : I intend to make decisions after considering various phases and situations.

**Q : What do you intend to do if the improvement does not make progress as planned? You said you will review the business from all angles. How much time is needed to make decisions?**

A : For the keyboard business, about half a year should be sufficient to make decisions.

**Q : Are criteria and conditions the same for the businesses other than the keyboards?**

A : Criteria for HDD spindle motor and Minebea-Matsushita Motor joint venture businesses are different from those for the keyboards. Because we have motor businesses beside Minebea-Matsushita Motor joint venture, there are synergetic effects for the overall motor business. There are also motors that use large volume of ball bearings. Therefore, we do not make judgments with same criteria as the keyboard business.

**Q : How did profit and loss for the keyboard business and Minebea-Matsushita Motor joint venture change from first quarter to second quarter? What are forecasts for 3 quarter and fourth quarter?**

A : In second quarter, the loss from the keyboard business was flat compared to first quarter, while performance of Minebea-Matsushita Motor joint venture worsened. The latter was due to a decline in productivity while structural reform was still ongoing. From now on, we will verify outcome of the structural reform. We believe we can make a large improvement in the second half, now that the structural reform is over.

**Q : What degree of impact do you expect from the structural reform at Minebea-Matsushita Motor joint venture?**

A : We forecast 2.2 billion yen in improvement for the three businesses from a loss of 5.3 billion yen in the first half to a loss of 3.1 billion yen in the second half. For each of the three businesses, we look for similar amount of improvement.

**Q : The profit level for the businesses other than the three businesses does not seem to be increasing as you explained that the total profit was 0.6 billion yen in first quarter, 0.8 billion yen in second quarter, 0.8 billion yen in third quarter and 0.9 billion yen in fourth quarter. What were the results and what are forecast for the full year, and at what level is the operating income? Please also explain the new product that was developed with a cooperation of Nichia Corporation and announced recently?**

A : We were initially forecasting 15 billion yen in sales for the full year but we now expect 16 billion yen. Moreover, we were originally expecting operating income margin of high single digit but we now expect the margin to exceed 10% significantly for the full year.

The new backlight product announced in a press release on October, 18 has been introduced to our customers and we began mass production in October. Lighting devices generally experience a decline in demand in third quarter, however, we expect the new product launch will offset the fall in demand.

**Q : Why was there no improvement in the amount of losses for the keyboard business, despite an increase in sales in second quarter from first quarter?**

A : Increase in plastic resin material costs from first quarter to second quarter and completion of production transfer from Thailand to Shanghai in September delayed productivity improvement, and thus cost reduction was not sufficient. In the second half, we believe cost reduction is possible through efficiency improvement.

**Q : Compared to keyboard production, which is integrated in Shanghai, and HDD spindle motor production, which is integrated at Bang pa-in, manufacturing locations of Minebea-Matsushita Motor joint venture seem to be dispersed at Shanghai, Bang pa-in, Lop Buri and Malaysia. Has structural reform been really completed?**

A : The first stage of the structural reform has been completed but I do not consider all the structural reform is completed. By first verifying outcome of this first stage of the structural reform, we can make decisions for the future.

**Q : With the shift of keyboard production from China to Thailand, you mentioned before that subcontractors had to be trained. Is it possible to train in a short term?**

A : There are high quality subcontractors in China. However, although basic, one example is that there are some language barriers because we are running the operation which was brought from Thailand. Unlike motors, competitors of the keyboard business are also experiencing effects of steep appreciation in raw material costs. Therefore, I believe the situation will settle down once the issues of the high raw material costs are solved.

**Q : I understand that the strategy for the ball bearing was to limit further expansion of customer base and volume growth. What strategy do you have in order to increase profitability in the second half?**

A : For the ball bearing business, we are not considering to increase sales and profit while limiting volume growth. There may be a situation when volume growth temporary stops due to shuffling of models as required by customers' business. We will continue to promote expansion of the ball bearing business. Demand for pivot assemblies and fan motors are brisk in the second half. Because we sell our ball bearings to our pivot assembly and fan motor competitors, our business is tight to the extent that production is running below order levels.