

Questions & Answers (New York Boston IR Meetings)

The following pages show main points from Q&A sessions at the IR meetings held in New York in July 2001 as well as frequent questions and their answers at one on one meetings with U.S. investors.

Q : Describe recent sales and production trend of ball bearings and motor products.

A : Monthly production of ball bearings is currently between 130 million pieces and 140 million pieces. Robust demand from Chinese manufacturers of home electrical appliances such as air conditioners is supporting the overall demand. In December last year, we raised monthly production capacity on a normal working day basis to 150 million pieces. Production of fan motors in April to June fell 20-30% of the last year's peak level due to severe demand condition, which was triggered by industry-wide inventory adjustment. However, shipments of fan motors for game consoles should begin from July and any turn around in PC market should increase fan motor demand even more. In accordance with this demand outlook, a new fan motor plant in China is currently being constructed, with an aim to double our fan motor production capacity.

Recent production trend of stepping motors is steady. Demand for printers is depressed, however, those for photo copiers and scanners are good.

Monthly production of spindle motors remained at 3 million units in April to June and is expected to increase to 3.5 million units in July to September. Spindle motors with Minebea's unique RO bearings have made a major technological advancement and have been recently selected by a major HDD manufacturer for their 20GB/platter 2.5 inch HDDs. Therefore, we are confident that our superior technology would enable us to achieve our planned production level even in the weak market condition. Production of FDB spindle motors is also steadily increasing. July production was 350,000 units and it is increasing steadily towards the year-end target of 1 to 1.5 million units. Moreover, our contract with Seagate Technology, which currently restrains us from selling our FDB products to any other HDD makers, allows us to begin to ship sample products to other HDD makers from November.

Q : What is sales breakdown by user industry?

A :

	Bearings *	Total company
PC- related (including printers)	18%	47%
Information and telecommunication equipment (including fax machines and copiers)	14%	9%
Home electrical appliances	17%	10%
Automobile	11%	7%
Aerospace	20%	8%
Others	20%	19%
Total	100%	100%

* Bearings is total of ball bearings and rod-end and spherical bearings sales

Q : Do you see any signs of recovery in PC demand?

A : The recovery of PC market seems to be delayed than we had originally expected. However, components tend to move ahead of PCs themselves, therefore we believe demand for our products should begin to recover ahead of the year-end PC sales.

Q : Minebea has assumed a 5-8% industry-wide PC shipments growth. Does the company still expect to achieve this year's earnings forecasts?

A : We have not changed our earnings forecasts for this fiscal year. April to June earnings were in line with forecasts and we do not believe it is necessary to change July to September earnings forecasts at this time. Obviously, the company's performance would be adversely affected by the weak PC demand and sluggish global economic environment. However, within sales of ball bearings, which are the most profitable products for us, PC-related sales (including printers) is 33%, in addition to the fact that sales to air conditioner industry is robust. Therefore, we believe negative impact on our earnings is relatively limited compared to other electronic companies. Further, our market share in HDD spindle motor is expanding. Our market share for fan motors is also expanding, thanks to an entry we have made into game business. Our ball bearings sales in China are also expanding. Overall, shipments of Minebea's products should increase even in the environment where market demand is weak. As for prices of main products, they have been steady. We believe this is a proof of success of our product strategies. We also have various strategies for products that are under strong pricing pressure. For example, we have developed low-cost duplex type of pivot assemblies, with which we can maintain the same level of margin.

Q : What is the company's current inventory level?

A : None of our product has accumulated inventory. Inventory of fan motors increased sharply as orders fell steeply at the end of last year, however, this has returned to a normal level. In general, it is not possible to carry inventory for motors and other electronic part products. As for ball bearings, however, we adopt strategic inventory policy. In other words, we have been increasing

inventory level intentionally for some of our standard series, which are expected to be shipped in large volume once demand starts to pick up again - lessons we have learnt from the past.

Q : Explain the new entry into game business.

A : Minebea is admittedly a late entrant into the game business, however, we have managed to capture orders for fan motors and switching power supplies. We are scheduled to ship fan motors for 2 customers. We also have high expectations for another order and in total our shipments of fan motors for game consoles should reach 1 million units per month by the end of this year. Switching power supplies have also been selected for use in by a game company. This business, in addition to the strategy to focus on high-end products such as servers, should contribute to earnings improvement of the switching power supplies division.

Q : Explain recent HDD market and price trend.

A : We believe HDD inventory adjustment is close to the end and there is a sign of bottoming out. In the long term we expect HDD market to grow at a double-digit rate per annum, supported by growth in non-PC applications such as servers and digital AVs. As for pricing, the decline, which we experienced at the time of rapid market expansion several years ago, is no longer evident. Nevertheless, we plan to make further efforts to cut costs while we strive to improve product performance and hence increase market share.

Q : We get an impression that competitors are leading in FDB motors while Minebea is focused just on ball bearings.

A : We position FDB as an important and strategic product by regarding it as another product of our extensive range of bearings. We also do not believe we are behind competitors according to recent market movement and production levels.

It is true that RO bearing motors have some advantages over FDB motors, as evident in the recent decision by a leading HDD maker to use our RO bearing motors for 20GB/platter 2.5-inch HDDs as well as higher trust for reliability. However, FDB is promising in a long term. In March this year, we completed a new plant for FDB and spindle motors (both FDB type and RO bearing type). The plant has a space to accommodate monthly production capacity of 6 million units. Our recent production volume of FDB motors is steadily rising; planned production in July is 350,000 units and in August 500,000 units. Our understanding is that this production level is not much different from those at competitors. Moreover, from November, we will be able to ship FDB products to HDD makers other than Seagate, and we have already received strong interest from many HDD makers. This is because our precision machining technology is a necessity and is a determinant of FDB's product quality and performance.

We believe that over the next two to three years, RO bearing motors and FDB motors will compete and complement each other in the spindle motor market. Moreover, in general, FDB

technology and production methodology are yet to reach the perfection. In collaboration with Seagate Technology, we are continuing to make improvement in designs, types of materials and production methods so that FDBs would really become the key to the performance of HDDs.

Because we have both RO bearings and FDBs, which both require ultra-precision machining technologies, we believe we could secure a superior position in the spindle motor market.

Q : If all of HDD spindle motors become FDB type, would there be any impact on Minebea's ball bearings business?

A : Earnings for spindle motors are likely to be lackluster this fiscal year due to heavy burden of fixed costs. However, we still expect to make positive profit because orders and production levels are steadily rising, processing technologies of ball bearings are fully utilized in production of FDB motors, and we are installing machinery and equipment in line with demand increase at the new plant. We aim at least a double-digit operating profit margin in the long term.

Q : If all of HDD spindle motors become FDB type, would there be any impact on Minebea's ball bearings business?

A : We believe impact would be insignificant. Of our total ball bearings, those used for HDDs are less than 10 million units per month (internal usage and external sales together), in other words, 8% of total ball bearings monthly production of 150 million units. Moreover, ball bearings market should enjoy further long-term expansion.

Q : What are the cost and price differences between ball bearing motors and FDB spindle motors?

A : As our FDB motor production is limited to several hundred thousands per month at present, production costs of FDBs significantly exceed costs of ball bearings. However, we expect FDB motor production costs to fall to the same level as the ball bearing motor when FDB motor production reaches 1 million units, and be more cost competitive when production volume reaches 2 to 3 million units a month. This is partly explained by the fact that an FDB motor has less number of processing stages and is made up of less number of parts compared to a ball bearing motor. Currently, a slight premium seems to be awarded for FDB motors, which are still regarded as a new market product, however this premium is likely to disappear and prices are likely to fall to the level appropriate for types and applications in the future.

Q : Are there any effects from the recent M&A and consolidation movement in the HDD industry?

A : There has been no significant impact. There are a limited number of spindle motor suppliers. HDD prices have not moved. Moreover, we have good relationship with all HDD manufacturers.

Q : The company has positioned motors for automotive use to be a long-term strategic product. Does the company have any profit target?

A : Likewise with other motor business, we target double-digit operating profit margin in the long term.

Q : Keyboard business is very price competitive and some competitors are suffering. What is Minebea's strength and strategy?

A : Minebea's keyboard is recognized for quality superior to competitors', as it takes advantage of our mold development and production ability. Dell, Microsoft, Logitech and IBM account for a large volume of our total keyboard sales and despite weak PC market in April to June, our keyboard shipments remained flat. We have also managed to maintain profitability by focusing on high-end products and keeping flat average price for the last three years. At the same time, we have various cost cut initiatives.