The big name inside the big names

Nidec

Annual Report 2002

Contents

Nidec Company Profile

Four young engineers established Nidec in July 1973 in Japan’s ancient capital of Kyoto. A shared core belief in passion, enthusiasm and tenacity has inspired its dramatic growth over the past thirty years. Nidec is an aggressively energetic company dedicated to global leadership in motion and drive technology—in every sense, a company with drive.

Nidec commands a leading share of the global market for hard disk drive (HDD) spindle motors. Besides its wide range of HDD motors, Nidec manufactures other small precision brushless DC motors, fan motors, and mid-size motors for automotive power steering systems and other applications. Nidec has also expanded into various electronic component and equipment sectors, building this business largely through acquisition. Today, Nidec ranks first or high across all its chosen segments to prove its technical superiority and high cost competitiveness on a global scale.

In September 2001, Nidec became the 15th Japanese company to list on the New York Stock Exchange. Worldwide operations have always been a key aspect of Nidec’s vision. The NYSE listing constituted a significant step forward, and Nidec continues to make steady progress down its chosen path toward globalization.

Amid a fast-changing environment that demands rapid technological and corporate innovation, Nidec’s motto, “Do it now, do it without fail, do it until completed” exhorts employees to thrive on challenges. Fueled by independent determination, flexible thinking and bold commitment to action, Nidec continues to be dedicated to global leadership in its core competence of “turning & moving” products.

Special Note Regarding Forward-looking Statements

This annual report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our business, our industry and capital markets around the world. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "plan" or similar words. These statements discuss future expectations, identify strategies, contain projections of results of operations or of our financial condition, or state other forward-looking information. Known and unknown risks, uncertainties and other factors could cause the actual results to differ materially from those contained in any forward-looking statement. We cannot promise that our expectations expressed in these forward-looking statements will turn out to be correct. Our actual results could be materially different from and worse than our expectations as a result of certain factors, including, but not limited to (i) our ability to design, develop, mass produce and win acceptance of our products, particularly those that use the new fluid dynamic bearing motor technology, which are offered in highly competitive markets characterized by continual new product introductions and rapid technological development, (ii) general economic conditions in the computer, information technology and related product markets, particularly levels of consumer spending, (iii) exchange rate fluctuations, particularly between the Japanese yen and the U.S. dollar and other currencies in which we make significant sales or in which our assets and liabilities are denominated, (iv) our ability to acquire and successfully integrate companies with complementary technologies and product lines, and (v) adverse changes in laws, regulations or economic policies in any of the countries where we have manufacturing operations, especially China.

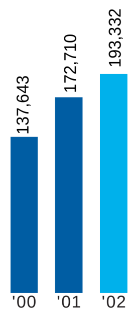
The big name inside today's technology and tomorrow's innovations

Financial Highlights

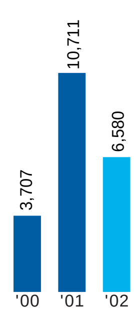
Nidec Corporation and Consolidated Subsidiaries

For the years ended March 31,	Yen in millions (Except number of shares outstanding) 2000	2001	2002	U.S. dollars in thousands 2002
Income statement data:				
Net sales	¥137,643	¥172,710	¥193,332	$1,450,897
Cost of products sold	109,936	144,594	159,442	1,196,563
Selling, general and administrative expenses	9,675	12,810	17,691	132,766
Operating income	13,590	10,063	10,472	78,589
Income before provision for income taxes (1)	7,058	15,138	11,477	86,131
Net income	3,707	10,711	6,580	49,381
Balance sheet data (period end):				
Total assets	¥158,045	¥216,999	¥257,911	$1,935,542
Short-term borrowings	14,179	43,937	58,395	438,236
Current portion of long-term debt	2,846	3,839	15,365	115,310
Long-term debt	29,518	30,888	21,360	160,300
Total shareholders' equity	66,389	78,575	85,475	641,464
Common stock	26,358	26,455	26,469	198,642
Number of shares outstanding	31,721,969	63,549,008	63,563,653	63,563,653
Per share data:		Yen		U.S. dollars
Net income per share—basic (2)	¥58.59	¥168.72	¥103.53	$0.78
Net income per share—diluted (2)	55.57	159.92	98.85	0.74
Cash dividends per share	15.00	15.00	27.50	0.21

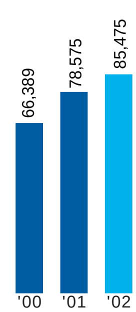
Notes: (1) Under U.S. GAAP, income before provision for income taxes does not include equity in net income/losses of affiliated companies.
(2) All per share amounts have been restated to reflect the retroactive effect of the 2 for 1 stock split that took effect on May 19, 2000.
(3) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥133.25 = U.S.$1.00, the approximate exchange rate in Japan on March 29, 2002.



Net Sales (¥ millions)



Net Income (¥ millions)



Total Shareholders' Equity (¥ millions)

Get Prepared for the Next Big Jump Forward

In last year's annual report, I expressed my hopes for our future growth as follows: "With the implementation of sufficient measures to ensure our future growth, and the strengthening of basic business foundations, we are ready to leap even higher in the coming years." My overall impression of the year ended March 2002 (fiscal 2001) is that it was an extremely significant one in terms of the steps that we took to prepare ourselves to "leap even higher." Although business environment proved harsh, we made good progress.

Operating Results

At the operating level, sales revenues and earnings both increased. Consolidated net sales surged 11.9% year on year to ¥193,332 million ($1,451 million), while operating income increased 4.1% to ¥10,472 million ($79 million). At the net income level, non-operating expense items had a negative impact. Such items included foreign currency transaction losses of ¥1,010 million ($7.6 million) and a valuation loss related to derivative financial instruments of ¥3,347 million ($25 million). As a result, we posted net income for the year of ¥6,580 million ($49 million), a decrease of ¥4,131 million ($31 million), or 38.6%, relative to the previous year.

Yet the year was not simply a matter of striving to achieve figures. I believe the fiscal year ended March 2002 deserves special attention as a benchmark for our future growth. To explain this point, I will analyze some of the actions that underpinned our performance. In this section of the report, I review the year from two crucial viewpoints—budding strategic effects and continuous pursuit of profitability. For a more detailed analysis of the results, please refer to the section entitled "Operating and Financial Review and Prospects" (pp. 18-41).

A Strategy Bearing Fruit

The year began under the cloud of an economic slowdown in the United States. The ensuing recession in America punctured the myth of eternal growth in the IT and computer industries, and also delivered a major setback to the Japanese high-tech electronic equipment and component manufacturing sectors. The terrorist attacks on America served to push the global economy toward recession.

Our core business proved to be ahead of the main economic cycle. Sales of our mainstay products, HDD spindle motors and other brushless DC motors, had already been slowing in the second half of the previous year as demand for PCs eased in America and other major markets, leading manufacturers to implement inventory adjustments. Conditions continued to deteriorate in the first half of the fiscal year ended March 2002. Growth in sales and profits from our major new product line, fluid dynamic bearing (FDB) spindle motors, was initially sluggish as R&D and other start-up support costs continued to hamper efforts to make mass-produced units cost competitive. In the second half, however, HDD spindle motors, brushless DC motors and other precision motors staged a swift recovery, notching up our best ever six-month figure for sales and shipment volumes. As for FDB motors, we were able to expand production steadily, easing the heavy burden of R&D and prior investments. We have made considerable progress on this front. Overall, our sales of motors recovered extremely quickly, increasing the share of total sales attributable to motors from 85.2% to 92.4%.

The resilience of our motor business to poor economic conditions proved strong across several sectors. First, our development of FDB motor technology and its steady growth as a business underline our position as the leading global supplier of HDD motors. FDB motors now account for over 30% of our total HDD motor sales. Shipment volumes increased dramatically during the year, rising from under 1.6 million units in the first quarter to around 12 million units in the fourth. Second, in the field of information device, demand for DC motors not used in HDD applications recovered at a dramatic pace in the second half of the year (the industry is our main source of business for these products). Fan motors also posted consistently strong sales. Shipment volumes

A thriving business environment produces positive effects throughout the Company as a whole.

of motors for high-performance optical disk drives, such as CD-read/write, and DVD drives, rose over 40% year on year. Third, we began supplying mass-produced motors for automotive power steering systems, which boosted sales of mid-size motors considerably (although the burden of start-up development costs precluded any contribution to earnings from such products).

Since its founding, Nidec has always been a company highly specialized in and dedicated to the development of motion and drive technology. Yet we have also focused on extending our line-up of motors and other "turning and moving" products across many market segments—from the micro motors used in computers and office equipment to the mid-size motors used in industrial and automotive applications, as well as home appliances. The sheer diversity of our range of motors supported growth in sales and earnings this year. At the same time, our FDB motor technology began to demonstrate its technical superiority in the marketplace. Thus, it was a year in which our broad-based product excellence and our drive to pioneer and establish new fields—both key elements in our overall business strategy—generated significant results.

Steadily Improving Profitability

While the motor segments advanced, recording higher sales and profits, the other part of our business—machinery, power supplies, and other types of equipment and components—struggled in comparison. We have developed this business largely through acquisition, and it is mainly concentrated in Nidec Group consolidated subsidiaries. Sales of power supplies and machinery fell 43.8% in the fiscal year ended March 2002, while sales of other products dropped 41.9%. The main reason for this substantial performance setback was a slump in demand across most industrial sectors, especially semiconductors, as capital investment fell precipitately. We took several measures in response to this drop-off in demand.

First, we quit the power supplies business in Japan as both sales and earnings plunged. In September 2001, we wound down operations at Nidec Potrans Corporation, a consolidated subsidiary manufacturing power supplies, and sold the business to a third party. This exit eliminated an unprofitable part of Nidec Group operations and freed up resources to invest in other businesses with higher growth potential.

Second, we established various enterprises in China to manufacture motors, components and other products. In addition to Nidec (Zhejiang) Corporation, a wholly-owned subsidiary, we have also established Nidec System Engineering (Zhejiang) Corporation. This is a joint venture between the parent company and five Nidec Group companies. Both companies are based in the Zhejiang Pinghu Economic Development Zone, in the city of Pinghu in Zhejiang Province, China. The products they manufacture supply demand linked closely to capital investment in various industrial sectors. Although this business has been focused to date mostly on Japan, the United States and Europe, the growth in the Chinese market in recent years and its emergence as a cost-competitive manufacturing base have led us to invest in the country, as part of a program to boost local manufacturing capabilities in markets outside Japan. Since the business is not that large, we made the investment in conjunction with consolidated subsidiaries to spread the financial risk. The venture also involves extensive collaboration in capital procurement, purchasing and personnel development, thus offering a route to build sales and earnings through increased synergy.

In addition to these specific initiatives, we also continued to focus efforts on maintaining profitability within our consolidated operations as the slump in demand applied considerable downward pressure to sales. Besides cost-reduction programs to cut fixed and variable costs, we continued to shift manufacturing operations offshore. I am confident that these moves during the current cyclical downturn to create a more profitable cost structure will translate into a remarkable rise in earnings once demand revives.

> Our long-term goal remains to be a company that generates high earnings from a large sales base and that delivers superior shareholder value.

Three-Faceted Strategic Drive

Our long-term goal remains to be a company that generates high earnings from a large sales base and that delivers superior shareholder value. To maximize such value, we have pursued a fundamental twin-track strategy of (1) concentrating on building a dominant global position in precision drive technology, primarily motors and other “turning and moving” products, while (2) expanding consolidated operations through acquisition.

Based on analysis of market trends, we continually re-examine our actions from a variety of perspectives to ensure our business development is constantly driving us toward the attainment of this goal. In the short-term—by which I mean over the next few years—I perceive three major strategic objectives whose achievement will set the stage for Nidec’s significantly accelerated earnings growth over the longer term. These are as follows:

1. Full-scale mass production of FDB motors: as we expand the market and drive down unit costs, this revolution in precision drive technology will help raise earnings.
2. High-volume supply contracts for mid-size motors with automotive applications: as we demonstrate the technical superiority of our products, we aim to build sales and earnings in the mid-size motor segment of our business.
3. Establishment and expansion of manufacturing bases in China to supply major customers as they shift production: in line with our “made-in-market” operating philosophy of producing locally, we aim to expand and streamline production of motors, machinery and other Nidec Group products in China to supply the fast-growing local market.

We are taking concerted action on all of these three fronts. The Feature section of this report discusses what we are doing in more detail (see pp. 6-11).

Poised for Faster Growth

Our view is that the global economic recovery will be gradual and patchy at best. On the motors side of our business, we believe the market is in the midst of a major technological transition. Market growth should be high as applications expand for FDB motor technology. I believe this is an excellent opportunity for us to seize more market share based on our technical innovation, and thereby achieve higher levels of growth.

Swift global development forms the other key aspect of our prospective growth. We are making substantial progress in servicing markets worldwide and developing the Nidec Group business globally. Our challenge is to build our consolidated operations through Group management systems based on global standards of excellence, through improved financial accounting—also based on the highest standards—and through greater disclosure. On September 27, 2001, we took a significant step in the process of the globalization of Nidec when we successfully listed on the New York Stock Exchange.

Our commitment is to deliver superior shareholder value over the long term through an unswerving focus on high levels of sales growth and strong earnings. This goal will not change, and we remain totally dedicated to our commitment. At the same time, we have to adapt constantly to rapidly changing markets as we work to achieve our goal. We continue to seek the understanding and support of our shareholders as we move forward.

July 2002
Shigenobu Nagamori
President, CEO & Representative Director

03 key areas of strategic emphasis

01 Profiting from a New Revolution

02 Growing Presence in Cars

03 Expansion into China

Profiting from a New Revolution

Nidec has claimed a dominant share of the world market for hard disk drive (HDD) spindle motors by virtue of superior technological and production expertise developed over more than two decades. Nidec is now leading a major generational shift in this market through the introduction of motors that incorporate fluid dynamic bearings (FDB). FDB motors surround the rotating shaft in the HDD with oil, permitting higher speeds, greater rotational precision, and reduced noise levels compared to conventional spindle motors, which employ a mechanical connection using ball bearings (BB). Moreover, BB motors have now reached the limits of technical and functional performance in terms of HDD memory capacity and noise reduction. The shift to FDB motor technology thus appears inevitable. Amid fierce competition among manufacturers of HDDs and related products, the successful shift to FDB motors has become a key determinant of future growth.

FDB motors fall into three principal categories—2.5-inch HDD models used in laptop PCs, 3.5-inch HDD models used in desktop PCs, and 3.5-inch models for server applications. Owing to their smaller size and thinner dimensions, the 2.5-inch HDD models for laptop PCs demand highly advanced production capabilities in terms of machining and component assembly. It is in this segment, where the adoption of FDB is in the highest demand, that Nidec has established an early competitive lead and begun supplying customers in volume. During the fiscal year ended March 2002, Nidec commanded almost 100% of the global market to supply FDB motors for 2.5-inch HDDs used in laptop PCs. In the other two major segments of the FDB motor market, Nidec has commenced mass-production of models based on designs developed by Seagate, a leading customer and renowned HDD manufacturer. Nidec retains almost exclusive supplier status in the high-end server segment. In the market for 3.5-inch HDD models for desktop PCs, Nidec has worked with Seagate to establish a mass-production supply chain, and is now seeing other HDD manufacturers accelerate their shift toward FDB motors. Nidec has also developed, tested and commenced mass-production of new FDB motor models based on proprietary designs. The Company expects strong growth in FDB motor production to drive higher sales in the fiscal year ending March 2003 and beyond.

Average FDB motor monthly production levels reached 4 million units in the January–March 2002 quarter, and Nidec expects this figure to soar to 10 million units by the end of calendar 2002 as demand rises. The Company's FDB motor production is concentrated in Thailand and the Philippines. Productivity improvements with FDB motor production have been extremely successful, to the point where production line yields for FDB already surpass those for conventional BB models. Nidec plans to expand FDB motor production capacity at new facilities in Singapore and in China, where the Company has established a wholly-owned subsidiary, Nidec (Zhejiang) Corporation, based in the city of Pinghu. These moves will help Nidec respond to a growing demand while boosting profit margins.

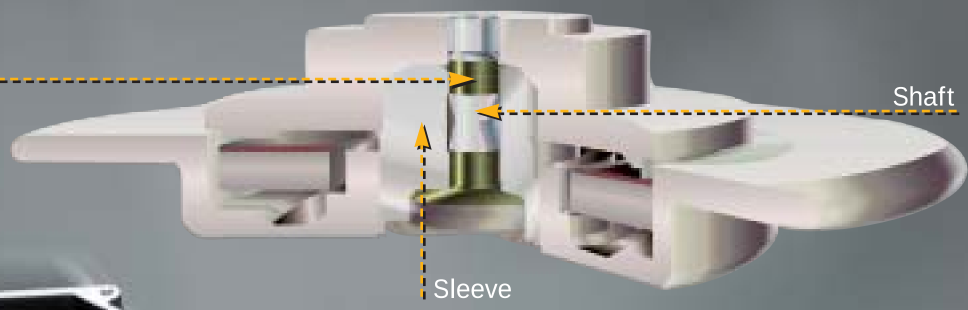
Another emerging trend in the HDD motor market is a move toward smaller disk drives for desktop PCs, from 3.5-inch to 2.5-inch models. This is being driven by the need to provide PCs with smaller desktop footprints, and by a recognition that 2.5-inch HDD models may prove themselves efficient enough to satisfy the functional specification requirements of desktop PCs. Nidec expects to leverage its strengths in this market segment once demand begins to grow—another leap is anticipated for the latter half of 2003.

Nidec is enhancing the efficiency of technology year on year

FDB Motor

Oil Lubricant

Applied over the surface of a shaft, the oil pressure increases as the shaft rotation gains speed—eventually leaving the shaft floating inside the sleeve to give rotation stability.



Growing Presence in Cars

To date, Nidec has generated the bulk of its sales growth on the back of rising demand for HDD spindle motors and other types of precision motors. Throughout the 1990s, the spread of high-performance office equipment and computers generated increasing demand for HDD motors, optical drive motors, fan motors and related equipment. In recent years, the increased incorporation of microchips and networking capabilities in consumer electronics and multimedia products has opened up new applications for Nidec products. Still and all, Nidec realizes that strong growth over the longer term necessitates the development of novel ranges of innovative products for new customers in new market segments. A second major pillar of sales growth is essential.

Nidec has targeted the automotive market for mid-size brushless DC motors as a principal source of new growth. Brushless DC motor technology capitalizes on the many technical advances that the Company has already made with small DC and other precision motors. In the automotive segment, the most promising current application for Nidec's mid-size brushless DC motors is in power steering systems.

Although power steering itself is commonplace, its features are steadily undergoing a transition. Conventional power steering systems use a hydraulic pump driven by the vehicle's engine to provide the required assistance for the driver. The biggest disadvantage of this type of system is that the pump works continuously, wasting power. Fuel consumption can be improved around 2% by switching the power source from the engine to a high-efficiency, mid-size motor that activates when and only to the extent needed. Some manufacturers are even developing technology in which DC motors completely replace the role currently played by hydraulics. Energy-saving and environmental considerations are expected to drive growth in demand for DC motors in power steering units. Nidec has already begun supplying two European car manufacturers with a motor that will appear in two separate models. This contributed to a large increase in sales in the mid-size motor segment in the fiscal year ended March 2002.

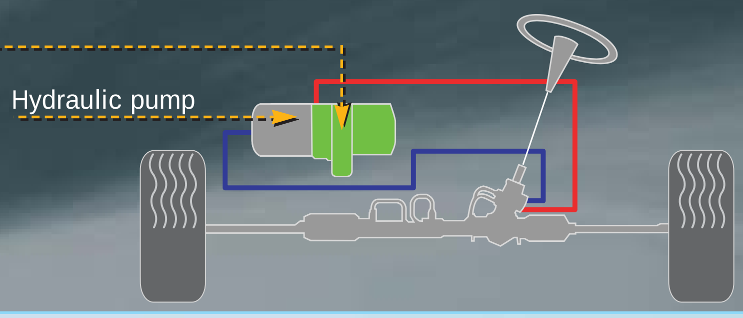
Lengthy development cycles within the car industry spanning up to 5–7 years imply a long time lag before mass-production can begin. Since the automotive motor business at Nidec only began to post sales in the fiscal year ended March 2002, it remains at an early stage of development during which R&D-related costs frequently outweigh increases in sales. Nidec projects that it will be able to absorb invested development costs in product sales from the fiscal year ending March 2004 onwards. Since the car industry represents a more stable source of potential product demand over the long term, Nidec expects automotive mid-size motors to provide a different kind of profit source from precision and micro motors. The development of this new business therefore promises to generate the additional benefit of strengthening and diversifying the Company's earnings base.

Production and related technical support for automotive mid-size motors at Nidec is concentrated at a Chinese subsidiary, Nidec Shibaura (Zhejiang) Corporation, and the Shiga Technical Center located in Japan. Nidec plans to increase manufacturing capacity at the Chinese facility from its current level of 100,000 units per month through the installation of additional production lines. Besides power steering units, brushless DC motors have other potential applications in suspension and braking systems. Combined with the huge untapped demand provided by the global automobile market, Nidec is confident that this sector will evolve into a major earnings driver. Nidec continues to invest resources in the area, seeking out new orders and developing products for various manufacturers.

Nidec has targeted the automotive market for mid-size brushless DC motors as a principal source of new growth.

Mid-size brushless DC motors for automobiles

In conventional power steering systems, a hydraulic pump relies on a gasoline-driven engine for its source of power supply. Nidec presents a new alternative to the role an engine has long played.



Expansion into China

A perpetually rapid pace of change in today's industrial markets means that suppliers such as Nidec increasingly need to be located close to customers so that products constantly reflect the customer's requirements and marketplace demand trends. Nidec's "made in market" operating philosophy, which is based on production in local markets to supply customers based in the same region, aims to establish a strong trust-based relationship with customers, and thereby encourage a steady stream of orders. Nidec's customers all operate in global markets, and possess networks of manufacturing bases around the world, primarily concentrated in East and Southeast Asia. Naturally, Nidec has developed its business by following its customers and establishing local production bases in the same areas.

Over the time frame of the next few decades, the dual importance of the fast-growing Chinese market as both a production center and a source of consumer demand cannot be exaggerated. Nidec's major customers, HDD manufacturers, have been prominent investors in Chinese manufacturing bases. As they have sought to develop business in China, Nidec has built its own base for the production of HDD spindle motors with the establishment of wholly-owned subsidiary Nidec (Zhejiang) Corporation.

Separately, Nidec has also established Nidec (Dongguan) Ltd. as a new production base in China to supply growing demand for brushless DC motors used in office equipment and optical disk drives, such as CD-read/write, and DVD drives. Shipments of such Nidec products grew over 30% year on year in the fiscal year ended March 2002. Nidec has two major manufacturing facilities for these product lines—Nidec (Dalian) Limited, based in Dalian, China, and Nidec Copal Philippines Corporation—whose aggregate monthly production output exceeds 7 million units. With the establishment of the new manufacturing subsidiary in Dongguan, Nidec plans to expedite the doubling of its consolidated monthly production capacity in this area, to 15 million units.

The establishment of these various manufacturing facilities extends Nidec's presence in China to cover the north, center and south of the country. Within these three regions, Nidec has bases around Dalian (Liaoning Province), the city of Pinghu (Zhejiang Province, in the environs of Shanghai), and in Dongguan (Guangdong Province). In particular, the company has established its own industrial cluster of Nidec Group subsidiaries in the Zhejiang Pinghu Economic Development Zone, comprising Nidec (Zhejiang) Corporation, Nidec Shibaura (Zhejiang) Corporation, Nidec Copal (Zhejiang) Ltd., and Nidec System Engineering (Zhejiang) Corporation, a joint venture between the parent company and five Nidec Group companies. Collaboration between the various subsidiaries promises to generate operational synergy in this cluster, particularly in the establishment of a motor product supply system, the supply of components and molds, and the integrated use of personnel and facility resources.

Nidec's major customers, HDD manufacturers, have been prominent investors in Chinese manufacturing bases.

- Nidec (Dalian) Limited
- Nidec (Zhejiang) Corporation
- Nidec Shibaura (Zhejiang) Corporation
- Nidec Copal (Zhejiang) Co., Ltd.
- Nidec System Engineering (Zhejiang) Corporation
- Nidec (H.K.) Co., Ltd., Shenzhen Factory
- Nidec Johnson Electric (Hong Kong) Ltd.
- Nidec (Dongguan) Limited

Nidec (Dongguan) Limited

Nidec (Zhejiang) Corporation

Nidec System Engineering (Zhejiang) Corporation

Product Showcase

Hard disk drive (HDD) spindle motors

From personal computers, servers and workstations to digital home appliances and car navigation systems, Nidec's HDD spindle motors now operate everywhere in daily life. Nidec is ready to accommodate every customer need with its full-range motor lineup (1.0-3.5 inch), and continue to create technological innovation to meet fast-changing market demands as the world's leading manufacturer of HDD spindle motors.

Fluid dynamic bearings (FDB) for HDD spindle motors
Fluid dynamic bearings by Nidec are full of state-of-the-art expertise, rapidly replacing conventional ball bearings used in HDD spindle motors. Superior in capacity, rotational speed and precision, noiselessness and impact-resistance, Nidec's FDB technology is increasingly expected to showcase various future applications of HDDs.

Product Showcase

Other small precision brushless DC motors

Demands for high-end personal computer peripherals, such as CD-read/write and DVD drives are steadily on the rise. Another noteworthy trend is the growing market for digital home appliances. DVD recorders, for instance, attract attention as one of the key market drivers. Nidec's small precision brushless DC motors are entering these markets at a fast pace.

Mid-size brushless DC motors for automobiles

The concept of "electrical operation under CPU control" is fast redrawing today's automobile designs. The trend is assumed to generate a hike in demand for motors to activate various internal systems of automobiles, such as power steering systems, brakes, suspensions, and so forth. Nidec has made a head start in supplying mid-size brushless DC motors in response to these needs, and continues to study every possible future application through constant R&D activities.

Brushless DC fans

Nidec is rapidly expanding applications for brushless DC fans, most notably into the area of micro processor units and home video game consoles. Other new applications include seat fans for automobiles, projectors and DVD recorders. The more sophisticated equipment becomes, the greater the need for upgraded cooling systems grows. Nidec confidently presents its brushless DC fans to satisfy such needs.

Product Showcase

Mid-size brushless DC motors for home appliances and industrial equipment

Calls for low consumption, high efficiency, enhanced noise-lessness and controllability are mounting in the area of home appliances and industrial equipment. Nidec answers such market voice with its mid-size brushless DC motors, satisfactory in terms of both quality and quantity.

Others; Pivot assemblies

Nidec produces pivot assemblies that support and control the arm of the read/write head in HDDs. These pivot assemblies have earned a high degree of acceptance due to quick develop-ment cycle, product quality and innovative solutions for improved rigidity and vibration absorption.

Financial Section

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A. Operating Results

You should read the following discussion of our financial condition and results of operations together with our audited U.S. GAAP consolidated financial statements and information included in this annual report. The following discussion and analysis is based on U.S. GAAP financial information and contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth in the "Special Note Regarding Forward-looking Statements" on the inside cover of this annual report.

Overview

Market Environment for Hard Disk Drive Spindle Motors

During the year ended March 31, 2002, based on our expectation that the market for hard disk drive spindle motors would undergo a fundamental shift from the conventional ball bearing technology to the fluid dynamic bearing technology, we began high volume production of fluid dynamic bearing hard disk drive spindle motors. We believe that the fluid dynamic bearing spindle motor technology has become accepted among hard disk drive manufacturers, especially for their 2.5-inch hard disk drives. We have seen several of the Japanese manufacturers, which dominate the market for 2.5-inch hard disk drives, begin shifting from using conventional ball bearings to using fluid dynamic bearings in their motors. Based on available information, we believe that a majority of the 2.5-inch hard disk drives that are manufactured today now incorporate fluid dynamic bearings.

During the latter half of the year ended March 31, 2001, the U.S. economy began to slow, and this led to reduced demand for personal computers. The reduced demand for personal computers continued into the year ended March 31, 2002. According to International Data Corporation's estimate, worldwide personal computer shipments fell approximately 14% during the three-month period from July to September 2001 compared to the same three months a year earlier. This was the first year-on-year decline since 1986. As a result of these market conditions, the prices of our hard disk drive spindle motors, especially those for 2.5-inch hard disk drives, came under downward pressure. Our average hard disk drive spindle motor selling price fell by approximately 7% during the year ended March 31, 2001. It nominally increased by approximately 1% during the year ended March 31, 2002, but this reflected the premiums on the prices of our newly introduced fluid dynamic bearing hard disk drive spindle motors. If those premiums had not been included, our average hard disk drive spindle motor selling price would have decreased.

We experienced reduced demand for spindle motors used in 2.5-inch hard disk drives in recent periods. Demand for spindle motors used in 3.5-inch hard disk drives did not decrease substantially, in part because one of our competitors stopped producing this type of spindle motors recently and also because there was an undersupply of these spindle motors. Demand for our hard disk drive motors remained weak until the end of September 2001. Thereafter, however, demand for our hard disk drive motors began to increase toward the end of calendar year 2001, in line with the usual seasonal increase in demand for personal computers. During the first three months of calendar year 2002, demand for our hard disk drive motors continued to be strong, primarily because of substantially increased demand by manufacturers of new consumer electronics and home entertainment applications during that period. We were able to increase our market share with respect to hard disk drive motors for use in those non-personal computer products.

Also, recently we have seen an increasing number of our customers establish their hard disk drive production centers in China and other countries, as they have been attracted by these countries' low production cost environment. We believe that the migration of our customers' production facilities to those countries, especially China, will continue for the next several years.

We have been responding to the trends described above by taking the following steps:

* We are expanding manufacturing and assembly operations in China and other low-cost production locations, such as Thailand and the Philippines.
* We are seeking to increase mass production of fluid dynamic bearing hard disk drive spindle motors for 3.5-inch hard disk drives.
* We are expanding the percentage of components we produce in-house.

We believe that, by taking these steps, we can achieve cost savings that will outweigh lower average unit prices. We also believe that we will be able to increase total revenue in future years as demand increases for fluid dynamic bearing spindle motors in new non-computer markets.

Market Environment for Other Small Precision Brushless DC Motors

Most of our revenues from sales of other small precision brushless DC motors are derived from sales to manufacturers of CD-ROM, CD-read/write and DVD drives. We believe that the market for CD-ROM drives is reaching maturity. At the same time, the markets for CD-read/write drives and DVD drives are growing, in part by replacing CD-ROM drives. Also, a recent decline in demand for computers has been putting downward pressure on the pricing for those drives that are used in them. Accordingly, some of our small precision brushless DC motors, particularly those for use in CD-ROM drives have been under downward pricing pressure, while the demand for others, particularly those for use in CD-read/write drives and DVD drives in non-computer products, has been growing. We expect to become more competitive in these markets as our production costs decline as a result of standardizing our product lines.

Market Environment for Brushless DC Fans

Sales of our brushless DC fans are primarily affected by the general market demand for the products which incorporate them. Our brushless DC fans are used in computers, computer peripherals, game consoles, photocopy machines, projectors and household appliances such as rice cookers. We are also selling brushless DC fans which are used to cool automobile seats. Until the end of September 2001, the substantial downturn in the computer market had had a negative effect on the market for brushless DC fans, although, for us, the impact of this had been declining as the proportion of brushless DC fans we sell for use in computers had been declining. The main offsetting factor had been increasing sales of brushless DC fans for use in recently introduced next-generation game consoles. From October to December 2001, demand for personal computers increased, reflecting the usual seasonal pattern, and demand for fans for use in personal computers which also increased. During the first three months of calendar year 2002, this trend continued. Moreover, recently we have seen strong demand for fans for household electric appliances, in line with strong demand of such products as microwave ovens, rice cooker, warm water toilet seats and refrigerators.

Market Environment for Mid-size Motors

Recently, demand for power steering systems that incorporate mid-size brushless DC motors, which help conserve energy, has been increasing, and an increasing number of power steering system manufacturers have shifted to producing this type of power steering systems, away from the conventional type that uses belts. We believe, however, that it will still take some time before the acceptance of power steering systems that use mid-size brushless DC motors reaches a sufficiently high level to enable us to start mass production of these motors because, in this market, evaluation of samples that must take place prior to the introduction of a new product takes a comparatively long period of time. Also, in recent years there has been increased demand for household appliance products, such as air conditioners which use mid-size motors.

Effects of Our Recent Acquisitions Activities on Our Financial Statements

We have sought growth by investing in or acquiring companies with motor, drive and other related products and technologies. Depending on circumstances, we acquire a majority interest or a substantial minority interest in the target company. Our approach has been to identify underperforming companies with advanced products and technologies. In recent years, we have acquired substantial interests in a number of major companies, several of which were already public companies in Japan.

In connection with our acquisition of majority ownership of consolidated subsidiaries, we had an aggregate amount of goodwill of ¥3,611 million as of March 31, 2002. This goodwill was originally scheduled to be amortized over a period of five years. In accordance with Statement of Financial Standards No.142, “Goodwill and Other Intangible Assets,” which is discussed in “Recent Accounting Pronouncements” below, amortization of goodwill ceased beginning on April 1, 2002. Goodwill is now to be tested for impairment at least annually. Major acquisitions of consolidated subsidiaries over the last three fiscal years include:

* our acquisition of 71.0% of the common stock of Nidec Nemicon Corporation in October 1999;
* our acquisition of 67.0% of the common stock of Nidec Power Motor Corporation in March 2000; and
* our additional acquisition in September 2000 of 60.0% of the common stock of Nidec Shibaura Corporation, making it a wholly-owned subsidiary.

We spent an aggregate of ¥1.3 billion on these three transactions. Assuming that these and three other acquisition transactions during the period had occurred as of April 1, 1999, on an unaudited pro forma basis our net sales would have been ¥171,308 million for the year ended March 31, 2000 and ¥183,255 million for the year ended March 31, 2001, and our net income would have been ¥961 million for the year ended March 31, 2000 and ¥10,324 million for the year ended March 31, 2001.

Also, in February 2002 we made an additional acquisition of approximately 1.1% of the common stock of Nidec-Shimpo Corporation, which made it a majority-owned subsidiary. As a result of this acquisition, Nidec-Read Corporation, Nidec Tosok Corporation and some other affiliated companies also became our majority-owned subsidiaries. Also assuming that this acquisition transaction had occurred as of April 1, 2000, on an unaudited pro forma basis our net sales would have been ¥213,670 million for the year ended March 31, 2001 and ¥227,860 million for the year ended March 31, 2002, and our net income would have been ¥11,203 million for the year ended March 31, 2001 and ¥6,878 million for the year ended March 31, 2002.

During the year ended March 31, 2002, we invested an aggregate of ¥1,819 million in shares of affiliates accounted for by the equity method. We own, directly or indirectly, 50% or less of the shares of nine affiliates. On a combined basis, our affiliates had aggregate net revenues of ¥130,643 million, gross profit of ¥21,855 million and net income of ¥3,319 million for the year ended March 31, 2002, as compared to net revenues of ¥136,109 million, gross profit of ¥24,405 million and net income of ¥6,401 million for the year ended March 31, 2001. The decline in net revenues, gross profit and net income for the year ended March 31, 2002 is primarily due to worsened economic conditions in Japan, particularly a decline in capital investment for the year ended March 31, 2002 and reduced consumer spending. We had equity in net loss of affiliated companies in the amount of ¥2,417 million for the year ended March 31, 2002 and equity in net income in our affiliated companies in the amount of ¥89 million for the year ended March 31, 2001. This was mainly due to the effect of a decrease in the proportionate shares of net income of affiliated companies and increase in amortization of goodwill arising from our additional investments in equity-method affiliated companies. Excluding the amortization of goodwill, our share of net income of our affiliates for the year ended March 31, 2002 would have been ¥1,331 million, compared with ¥2,402 million for the year ended March 31, 2001. The amortization of goodwill increased by ¥1,435 million from ¥2,313 million for the year ended March 31, 2001 to ¥3,748 million for the year ended March 31, 2002. Results varied widely between companies.

Even though their results are not consolidated with ours in the financial statements included in this annual report, we view cooperation with our affiliates, especially those which also produce precision motors, as an integral part of our growth strategy. It is possible that we may increase our equity ownership in one or more of these affiliates to over 50% in the future fiscal years, which would result in their consolidation.

Effects of Foreign Currency Fluctuations

A significant portion of our business is conducted in currencies other than yen—most significantly, U.S. dollars. Our business is thus sensitive to fluctuations in foreign currency exchange rates, especially the yen-U.S. dollar exchange rate. Our consolidated financial statements are subject to both translation risk and transaction risk. Translation risk is the risk that our consolidated financial statements for a particular period or for a particular date are affected by changes in the prevailing exchange rates of the currencies in those countries in which we conduct business against the Japanese yen. The translation effect, even if it is substantial, is a reporting consideration and does not reflect our underlying results of operations.

Transaction risk arises when the currency structure of our costs and liabilities deviates from the currency structure of our sales proceeds and assets. A substantial portion of our overseas sales are made in U.S. dollars. While sales denominated in U.S. dollars are, to a significant extent, offset by U.S. dollar denominated costs, which currently represent in excess of 60% of our total costs, we generally have had a significant net long U.S. dollar position. With respect to costs not denominated in U.S. dollars, we believe that we have been able to reduce the level of transaction risk to the extent that our overseas subsidiaries incur costs in currencies that generally follow the U.S. dollar. Transaction risk remains for products sold in U.S. dollars to the extent that we must purchase parts for our products from Japan, the costs for which are denominated in yen.

Changes in the fair values of our foreign exchange forward contracts and changes in option prices under our foreign currency option agreements are recognized as gains or losses on derivative instruments in our consolidated statement of income. For a more detailed discussion of these instruments, you should read Note 20 to our consolidated financial statements included in this annual report.

Trends for the Year Ending March 31, 2003

While our results of operations for the current fiscal year, ending March 31, 2003, remain subject to a number of uncertainties, we believe that the downturn in the computer and other markets in which we operate, declining capital investments, particularly in the information technology industry, and reduced consumer spending will continue through the current fiscal year and will have an adverse effect on our net sales. Expenditures and pre-production costs associated with the launch and expansion of fluid dynamic bearing motor production will continue to have a negative impact on income. However, we expect that increased production of fluid dynamic bearing motors will lower our production costs to levels that should contribute to profitability.

Notwithstanding the current economic and market trends, we believe that our target markets have high growth potential in the medium to long term. We believe that new uses for hard disk drives are emerging in applications such as cable and satellite set-top boxes, digital video recorders, MP3 players and gaming consoles. We believe that our fluid dynamic bearing motors will meet the need for more reliable and quieter working motors capable of operating disks with greater storage capacity. In addition, we are continuing our investment in research and development and are working to maintain and improve our relationships with customers to strengthen our competitive position.

The foregoing statements regarding the year ending March 31, 2003 are forward-looking statements based on our assumptions and beliefs as to economic and market conditions, our performance under those conditions and other factors are subject to the qualifications set forth in the “Special Note Regarding Forward-looking Statements.” Our actual results of operations could vary significantly from those described above, as a result of factors such as:

* a decline in the demand for computer hard disk drives and related information technology products that incorporate our motors, or a longer than expected delay in the recovery of such demand;
* a downward movement in the pricing of our motors due to efforts by competing manufacturers to reduce excess inventory or to gain market share;
* a general decline in the global economy, particularly levels of consumer spending and capital investment;
* our ability to mass produce and win market acceptance of our products, particularly those that use new fluid dynamic bearing motor technology;
* the appreciation of the Japanese yen against the U.S. dollar and other currencies in which we make significant sales or in which our assets and liabilities are denominated; and
* other factors as set forth in the “Special Note Regarding Forward-looking Statements” of this annual report.

In addition to the above, unanticipated events and circumstances could affect our results of operations.

Results of Operations

The following table sets forth selected information relating to our income and expense items for each of the three years in the period ended March 31, 2000, 2001 and 2002:

	Year ended March 31,			
	2000	2001	2002	2002
	(Yen in millions and U.S. dollars in thousands)			
Net sales	¥ 137,643	¥ 172,710	¥ 193,332	$ 1,450,897
Cost and expenses:				
Cost of products sold	109,936	144,594	159,442	1,196,563
Selling, general and administrative	9,675	12,810	17,691	132,766
Research and development expenses	4,442	5,243	5,727	42,979
Total	124,053	162,647	182,860	1,372,308
Operating income	13,590	10,063	10,472	78,589
Other income (expenses):				
Interest and dividend income	867	855	572	4,293
Interest expense	(742)	(1,338)	(1,167)	(8,758)
Foreign exchange gain (loss), net	(3,158)	3,117	2,107	15,812
Gain (loss) on derivative instrument, net	(3,282)	3,355	8	60
Gain (loss) on marketable securities, net	37	(2,900)	(1,400)	(10,507)
Gain from issuance of securities by affiliated companies	—	449	—	—
Gain from sales of investments in affiliated companies	—	1,861	11	83
Other, net	(254)	(324)	874	6,559
Total	(6,532)	5,075	1,005	7,542
Income before provision for income taxes	7,058	15,138	11,477	86,131
Provision for income taxes	(1,710)	(4,609)	(2,162)	(16,225)
Income before minority interest and equity in earnings of affiliated companies	5,348	10,529	9,315	69,906
Minority interest in income (loss) consolidated subsidiaries	202	(93)	318	2,386
Equity in net (income)/losses of affiliated companies	1,439	(89)	2,417	18,139
Net income	¥ 3,707	¥ 10,711	¥ 6,580	$ 49,381

Results of Operations–Year Ended March 31, 2002 Compared to Year Ended March 31, 2001

Net Sales

Our net sales increased 11.9% from ¥172,710 million for the year ended March 31, 2001 to ¥193,332 million for the year ended March 31, 2002. This increase was due mainly to an increase in net sales of small precision motors. In addition, net sales of Nidec Shibaura Corporation, in which we increased our ownership interest and which became a consolidated subsidiary in September 2000 was fully included in our net sales for the year ended March 31, 2002. The gross profit ratio increased from 16.3% for the year ended March 31, 2001 to 17.5% for the year ended March 31, 2002 mainly due to the effect of mass production of fluid dynamic bearing motors and an increase in sales of products with higher margins by our Thai subsidiary.

Net sales of our hard disk drive spindle motors increased 16.3% from ¥80,614 million for the year ended March 31, 2001 to ¥93,748 million for the year ended March 31, 2002 mainly due to the depreciation of the yen and an increase in sales of fluid dynamic bearing motors. Net sales from hard disk drive spindle motors accounted for 46.7% of total net sales for the year ended March 31, 2001 and 48.5% of total net sales for the year ended March 31, 2002.

Net sales of other small precision brushless DC motors increased 21.0% from ¥17,901 million for the year ended March 31, 2001 to ¥21,657 million for the year ended March 31, 2002. This increase resulted from increased sales of DC motors used in DVD drives and CD-read/write drives. Net sales from other small precision brushless DC motors accounted for 10.4% of total net sales for the year ended March 31, 2001 and 11.2% of total net sales for the year ended March 31, 2002.

Net sales of small precision brushed DC motors decreased 23.7% from ¥3,327 million for the year ended March 31, 2001 to ¥2,539 million for the year ended March 31, 2002. This was due to the fact that we no longer consolidated the results of Nidec Copal Philippines Corporation and Nidec Copal (Vietnam) Co., Ltd. due to a reduction in our ownership interest in these two companies. Net sales of these companies for the year ended March 31, 2001 was ¥1,672 million.

Net sales of our brushless DC fans increased 16.3% from ¥21,083 million for the year ended March 31, 2001 to ¥24,523 million for the year ended March 31, 2002. This was primarily due to growth in sales of fans for cooling micro processor units and recently introduced home video game consoles. Net sales from brushless DC fans accounted for 12.2% of total net sales for the year ended March 31, 2001 and 12.7% of total net sales for the year ended March 31, 2002.

Most of the 49.9% increase in net sales of mid-size motors, from ¥24,183 million for the year ended March 31, 2001 to ¥36,252 million for the year ended March 31, 2002, came from Nidec Shibaura Corporation, a newly consolidated subsidiary. Excluding the contribution from Nidec Shibaura Corporation, sales of mid-size motors grew by approximately 12.9%. This growth is mainly due to increased sales of motors for automobile power steering systems. Net sales from mid-size motors accounted for 14.0% of our total net sales for the year ended March 31, 2001 and 18.8% of total net sales for the year ended March 31, 2002.

Net sales of machinery and power supplies decreased 43.8% from ¥13,690 million for the year ended March 31, 2001 to ¥7,693 million for the year ended March 31, 2002. Sales to domestic and overseas customers have declined across the board, primarily due to a decrease in sales of press machinery, which were high for the year ended March 31, 2001 due to high capital investment by customers such as semiconductor and cellular phone manufacturers. Demand for press machinery has fallen as a result of reductions in capital investment by those same customers.

Net sales of other products decreased 41.9% from ¥11,912 million for the year ended March 31, 2001 to ¥6,920 million for the year ended March 31, 2002. Most of this decrease is due to the fact that we no longer consolidate the results of Nidec Copal Philippines Corporation. Net sales of this company for the year ended March 31, 2001 amounted to ¥5,822 million.

Cost of Products Sold

Our cost of products sold increased 10.3% from ¥144,594 million for the year ended March 31, 2001 to ¥159,442 million for the year ended March 31, 2002. This increase in absolute terms was mainly due to increased depreciation of tangible fixed assets related to the expansion of our fluid dynamic bearing production capacity during the year ended March 31, 2002. As a percentage of net sales, cost of sales decreased from 83.7% to 82.5%. This decrease was primarily due to increased efficiencies of scale realized by increased mass production of fluid dynamic bearing motors.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses increased 38.1% from ¥12,810 million for the year ended March 31, 2001 to ¥17,691 million for the year ended March 31, 2002. In addition to the increase in line with the sales increase, this increase was mainly due to the addition of a consolidated subsidiary, Nidec Shibaura Corporation, from September 30, 2001, and the loss on disposal of property, plant and equipment mainly related to the restructuring of Nidec Electronics Corporation for the year ended March 31, 2002. As a percentage of net sales, selling, general and administrative expenses increased from 7.4% to 9.2%.

Research and Development Expenses

Our research and development expenses increased from ¥5,243 million for the year ended March 31, 2001 to ¥5,727 million for the year ended March 31, 2002 as a result of increasing our research and development efforts on the fluid dynamic bearing technology and mid-size motors for automobile steering systems and electric household appliances. As a percentage of net sales, research and development expenses remained the same at 3.0% for both years.

Operating Income

As a result of the foregoing factors, particularly the lower costs of producing fluid dynamic bearing motors relative to net sales, our operating income increased 4.1% from ¥10,063 million for the year ended March 31, 2001 to ¥10,472 million for the year ended March 31, 2002. As a percentage of net sales, operating income decreased from 5.8% to 5.4%. Our aim is to increase operating income as a percentage of net sales in future periods through realizing efficiencies of scale in the production of fluid dynamic bearing motors.

Other Income (Expenses)

We earned other income in the amount of ¥5,075 million for the year ended March 31, 2001 and other income in the amount of ¥1,005 million for the year ended March 31, 2002.

Interest and dividend income decreased from ¥855 million for the year ended March 31, 2001 to ¥572 million for the year ended March 31, 2002. Interest expense also decreased from ¥1,338 million for the year ended March 31, 2001 to ¥1,167 million for the year ended March 31, 2002.

For the year ended March 31, 2001, we recorded a net foreign exchange gain in the amount of ¥3,117 million, of which ¥2,638 million was recorded at Nidec. For the year ended March 31, 2002, we recorded a net foreign exchange gain in the amount of ¥2,107 million, of which ¥1,146 million was recorded at Nidec and ¥365 million at Nidec Electronics (Thailand) Co., Ltd.. The gain at the level of Nidec reflected the depreciation of the yen against the U.S. dollar as this increased the yen value of its net foreign currency-denominated assets. The foreign exchange gain (loss), net represents the difference between the value of monetary assets and liabilities which are originated at current exchange rates when purchase or sale occurs and their value at the prevailing exchange rate when they are settled or translated at year-end.

For the year ended March 31, 2001, we incurred a net gain on derivative instruments in the amount of ¥3,355 million while we had a net gain on derivative instruments in the amount of only ¥8 million for the year ended March 31, 2002. The gain during the year ended March 31, 2001 arose primarily from complex currency option agreements which were automatically terminated in January 2001. We did not designate or account for any derivative instruments as hedges. Changes in the fair values of all derivative instruments are charged to income.

For the year ended March 31, 2002, we had losses on sales of marketable securities in the amount of ¥7 million and other-than-temporary losses on marketable securities in the amount of ¥1,393 million. The other-than-temporary losses arose mainly from our holdings of equity securities in the Japanese banking sector and were calculated based on the market prices at the year end. Losses are classified as other-than-temporary when declines in the fair value of a individual security have been more than 20% below its carrying amount for six months. At March 31, 2002, gross unrealized losses of ¥729 million were classified as temporary losses in equity. This was partially offset by unrealized gains of ¥283 million. It is uncertain whether these losses will become other-than-temporary or whether any further deterioration in fair value will occur since it depends largely on the performance of the Japanese stock market.

For the year ended March 31, 2002, we had no gain from issuance of securities by affiliated companies and a gain from sales of investments in affiliated companies in the amount of ¥11 million. For the year ended March 31, 2001, we realized a gain from issuance of securities by affiliated companies in the amount of ¥449 million and a gain from sales of investments in affiliated companies in the amount of ¥1,861 million. One of our affiliates, Nidec-Read Corporation, went public in Japan in August 2000. We recognized a valuation gain in the amount of ¥446 million with respect to the Nidec-Read shares we held prior to that initial public. We also sold some of our Nidec-Read shares in that offering, and realized a gain of ¥1,845 million on the sale. As a result of this issuance and sales, our direct shareholding in Nidec-Read Corporation declined from 35.8% to 18.9%.

On January 18, 2002, Nidec received approximately ¥1,689 million from the settlement of a dispute with HSBC USA Inc. and Republic Securities, which is an affiliate of HSBC USA Inc. and previously served as custodian for the Princeton Global Management Inc.. This dispute arose out of the fact that, on September 30, 1999, Princeton Global Management Inc. defaulted on the note. The settlement gain of ¥1,689 million is included in "Other, net" in the consolidated statement of income for the year ended March 31, 2002. In addition, we expect to receive approximately $1.5 million from the receiver of Princeton Global Management Inc., currently in liquidation, as our share of its net residual assets. The amount to be paid by the receiver, however, is subject to change depending on the final size of the net residual assets of Princeton Global Management Inc..

Income before Provision for Income Taxes

As a result of the foregoing, our income before income taxes decreased 24.2% from ¥15,138 million for the year ended March 31, 2001 to ¥11,477 million for the year ended March 31, 2002.

Provision for Income Taxes

The provision for income taxes declined from ¥4,609 million for the year ended March 31, 2001 to ¥2,162 million for the year ended March 31, 2002. This was in line with the decrease in income before provision for income taxes though our estimated effective tax rate decreased from 30.4% for the year ended March 31, 2001 to 18.8% in the year ended March 31, 2002. It was mainly due to the effect of an increase in tax benefit in foreign subsidiaries.

Deferred tax assets are recognized on operating loss carryforwards for tax purposes since these losses may reduce future taxable income. However, a valuation allowance is established against those deferred tax assets that are not expected to be realized because sufficient taxable income is not expected to be generated before those loss carryforwards expire. We have recognized a valuation allowance for deferred tax assets principally relating to operating loss carryforwards of newly consolidated subsidiaries, which are located in Japan.

Minority Interest in Income (Loss) of Consolidated Subsidiaries

The ¥318 million shown on our statement of income for the year ended March 31, 2002 reflects the income of our consolidated subsidiaries attributable to the minority interests. The ¥93 million shown on our statement of income for the year ended March 31, 2001 reflects the reversal of losses of our consolidated subsidiaries attributable to the minority interests.

Equity in Net (Income) / Losses of Affiliated Companies

We had equity in net loss of affiliated companies in the amount of ¥2,417 million for the year ended March 31, 2002 and equity in net income in our affiliated companies in the amount of ¥89 million for the year ended March 31, 2001. This was mainly due to the effect of a decrease in the proportionate shares of net income of affiliated companies and increase in amortization of goodwill arising from our additional investments in equity-method affiliated companies. Excluding the amortization of goodwill, our share of net income of our affiliates for the year ended March 31, 2002 would have been ¥1,331 million, compared with ¥2,402 million for the year ended March 31, 2001. The amortization of goodwill increased by ¥1,435 million from ¥2,313 million for the year ended March 31, 2001 to ¥3,748 million for the year ended March 31, 2002. Our current policy is to amortize over five years the excess of our carrying amount over our share of equity in our affiliates.

As discussed in “Recent Accounting Pronouncements” below, accounting for goodwill has been changed by the adoption of new accounting standards beginning on April 1, 2002. As a result, goodwill will no longer be amortized. Summarized financial information for our affiliated companies is included in Note 10 to our consolidated financial statements included in this annual report.

Net Income

As a result of the foregoing, our net income decreased 38.6% from ¥10,711 million for the year ended March 31, 2001, to ¥6,580 million for the year ended March 31, 2002.

Results of Operations–Year ended March 31, 2001 Compared to Year ended March 31, 2000

Net Sales

Our net sales increased 25.5% from ¥137,643 million for the year ended March 31, 2000 to ¥172,710 million for the year ended March 31, 2001. Approximately 89% of this increase was due to the addition of eight consolidated subsidiaries during the year ended March 31, 2001. The remaining approximately 11% of the increase in our net sales was due to the increased sales by Nidec and the subsidiaries that were consolidated prior to the year ended March 31, 2001.

Net sales of our hard disk drive spindle motors decreased 2.2% from ¥82,423 million for the year ended March 31, 2000 to ¥80,614 million for the year ended March 31, 2001. The primary reason for this decline was the fact that average selling prices fell by approximately 7%. Net sales from hard disk drive spindle motors accounted for 59.8% of total net sales for the year ended March 31, 2000 and 46.7% for the year ended March 31, 2001. Net sales of other small precision brushless DC motors increased 2.7% from ¥17,437 million for the year ended March 31, 2000 to ¥17,901 million for the year ended March 31, 2001. This was due to increases during the second and third quarters, which were offset by decreases in the first and fourth quarters, reflecting the upturn and downturn in the computer market. Net sales from other small precision motors accounted for 12.7% of our total net sales for the year ended March 31, 2000 and 10.4% for the year ended March 31, 2001.

Net sales of our brushless DC fans increased 5.5% from ¥19,985 million for the year ended March 31, 2000 to ¥21,083 million for the year ended March 31, 2001. This was due to increased sales of fans for micro processor units and home video game consoles despite the negative effect resulting from the appreciation of the yen against the U.S. dollar. Net sales from brushless DC fans accounted for 14.5% of our total net sales for the year ended March 31, 2000 and 12.2% for the year ended March 31, 2001.

Most of the increase in net sales of mid-size motors, from ¥696 million for the year ended March 31, 2000 to ¥24,183 million for the year ended March 31, 2001, came from Nidec Power Motor Corporation and Nidec Shibaura Corporation, which are two newly consolidated subsidiaries. Our mid-size motors consist primarily of DC motors. We also produce some alternating current, or AC, motors. Nidec Power Motor Corporation, which manufactures mid-size motors for industrial equipment and home electrical appliances, contributed roughly 49% of this increase, while Nidec Shibaura Corporation, which manufactures mid-size motors for household appliances and power industrial equipment, contributed roughly 41%. Net sales from mid-size motors accounted for less than 1.0% of our total net sales for the year ended March 31, 2000 and 14.0% for the year ended March 31, 2001.

Most of the increase in net sales of machinery and power supplies, from ¥12,507 million for the year ended March 31, 2000 to ¥13,690 million for the year ended March 31, 2001, came from increased sales of high-speed automatic press machinery by Nidec-Kyori Corporation, one of our consolidated subsidiaries. Sales of press machinery were high in the year ended March 31, 2001 due to high capital investment by customers such as semiconductor and cellular phone manufacturers, but we believe they will be lower in the current fiscal year ended March 31, 2002 due to reductions in capital investment by those same customers.

Net sales of other products increased from ¥3,830 million for the year ended March 31, 2000 to ¥11,912 million for the year ended March 31, 2001. Most of this increase came from sales of components of electronic, information and optical equipment, and precision motors by Nidec Copal Philippines Corporation, and optical notary encoders, proximity sensors and other electronic equipment by Nidec Nemicon Corporation.

Cost of Products Sold

Our cost of products sold increased 31.5% from ¥109,936 million for the year ended March 31, 2000 to ¥144,594 million for the year ended March 31, 2001. Much of the increase in absolute terms was attributable to our newly consolidated subsidiaries. As a percentage of net sales, cost of sales increased from 79.9% to 83.7%. The increase is primarily due to the higher production costs of fluid dynamic bearing motors.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses increased 32.4% from ¥9,675 million for the year ended March 31, 2000 to ¥12,810 million for the year ended March 31, 2001. Much of the increase in absolute terms was attributable to our newly consolidated subsidiaries. As a percentage of net sales, selling, general and administrative expenses remained relatively stable, moving from 7.0% to 7.4% of net sales.

Research and Development Expenses

Our research and development expenses increased from ¥4,442 million for the year ended March 31, 2000 to ¥5,243 million for the year ended March 31, 2001. During the year ended March 31, 2001, we increased our research and development efforts on fluid dynamic bearing technology and mid-size motors for automobile steering systems and household appliances.

Operating Income

As a result of the foregoing, our operating income decreased 26.0% from ¥13,590 million for the year ended March 31, 2000 to ¥10,063 million for the year ended March 31, 2001. As a percentage of net sales, operating income decreased from 9.9% to 5.8%.

Other Income (Expenses)

We incurred other expenses in the amount of ¥6,532 million for the year ended March 31, 2000 while we had other income in the amount of ¥5,075 million for the year ended March 31, 2001.

Interest and dividend income remained relatively stable, amounting to ¥867 million for the year ended March 31, 2000 and ¥855 million for the year ended March 31, 2001. Interest expense increased 80.3% from ¥742 million for the year ended March 31, 2000 to ¥1,338 million for the year ended March 31, 2001. During the year ended March 31, 2001, our short-term borrowings from banks increased for the purpose of financing the acquisition of additional investments in other companies as part of our acquisition strategy.

For the year ended March 31, 2000, we recorded a foreign exchange loss in the amount of ¥3,158 million, of which ¥2,095 million occurred at the level of Nidec and ¥863 million occurred at the level of Nidec Philippines Corporation, our Philippines subsidiary. The loss at the level of Nidec was principally due to the appreciation of the yen against the U.S. dollar as this eroded the yen value of Nidec's net foreign currency denominated assets. The loss at the level of Nidec Philippines Corporation was principally due to the strengthening of the yen against the Philippine peso as Nidec Philippines Corporation had a net yen-denominated monetary liability position. For the year ended March 31, 2001, we recorded a net foreign exchange gain in the amount of ¥3,117 million, of which ¥2,638 million arose at the level of Nidec. The gain at the level of Nidec reflected the depreciation of the yen against the U.S. dollar as this increased the yen value of its net foreign currency denominated assets. The foreign exchange gain (loss), net represents the differences between the value of monetary assets and liabilities which are originated at current exchange rates when a purchase or sale occurs and their value at the prevailing exchange rate when they are settled or translated at year-end.

For the year ended March 31, 2000, we incurred a net loss on derivative instruments, in the amount of ¥3,282 million while we had a net gain on derivative instruments, in the amount of ¥3,355 million for the year ended March 31, 2001. We did not designate or account for any derivative instruments as hedges. Changes in the fair values of all derivative instruments are recorded in income. Losses were recognized for the year ended March 31, 2000, in the amount of ¥3,327 million, for complex foreign currency option agreements that we first entered into in May of 1999. These contracts contained features whereby the options will automatically appear, or knock-in, creating an obligation to buy at an agreed price, or terminate, or knock-out, relieving the seller of any further obligation to the buyer, if the spot exchange rate reaches a certain price during the life of the options. At March 31, 2000, the prevailing exchange rate was ¥106.15 per $1 as compared to the strike price of ¥106.00 per $1. The loss represented the fair value of our obligations under the option agreements as estimated based on broker quotes. However, they subsequently expired during the year ended March 31, 2001 with no payment obligation on our part, resulting in a gain to us in the amount of ¥3,327 million. The contracts were automatically terminated in January of 2001 because the yen to U.S. dollar exchange rate hit a knock-out condition in the option of ¥119.50 per $1. The foreign currency option agreements represented long U.S. dollar positions that would have provided protection against exposures arising under certain anticipated future U.S. dollar purchase transactions. Due to our underlying net U.S. dollar receivable position, these options increased our overall economic exposure to the U.S. dollar. Detailed analysis of our derivatives are included in Note 20 to our consolidated financial statements included in this annual report.

For the year ended March 31, 2000, we realized gains on sales of marketable securities in the amount of ¥2,201 million, but this was largely offset by losses on devaluation of marketable securities in the amount of ¥2,164 million. Most of these losses related to those we incurred in connection with a ¥2,000 million note we purchased from Princeton Global Management Inc. in April 1999. In September 1999, that company defaulted on its obligation to repay the note upon its maturity.

For the year ended March 31, 2001, we realized a gain from issuance of securities by affiliated companies in the amount of ¥449 million, and a gain from sales of investments in affiliated companies in the amount of ¥1,861 million. See "Results of Operations–Year Ended March 31, 2002 Compared to Year ended March 31, 2001" for the discussion of these items. For the year ended March 31, 2000, we had no gain from issuances of securities by affiliated companies or from sales of investments in affiliated companies.

Income before Provision for Income Taxes

As a result of the foregoing, our income before income taxes increased 114.5% from ¥7,058 million for the year ended March 31, 2000 to ¥15,138 million for the year ended March 31, 2001.

Provision for Income Taxes

Provision for income taxes increased 169.5% from ¥1,710 million for the year ended March 31, 2000 to ¥4,609 million for the year ended March 31, 2001. Our effective tax rate was 24.2% for the year ended March 31, 2000 and 30.4% for the year ended March 31, 2001. This was principally due to the performance improvement at Nidec and our domestic subsidiaries that have higher tax rates than our foreign subsidiaries.

See "Results of Operations–Year Ended March 31, 2002 Compared to Year ended March 31, 2001" for the discussion of deferred tax assets and valuation allowances that are recognized in our financial statements.

Minority Interest in Income (Loss) of Consolidated Subsidiaries

We added additional consolidated subsidiaries with minority interests during the year ended March 31, 2001. Because some of our newly consolidated subsidiaries were loss-making, the ¥93 million shown on our income statement reflects the reversal of losses at our consolidated subsidiaries attributable to the minority interests. For the year ended March 31, 2000, minority interest in the earnings of our consolidated subsidiaries was ¥202 million.

Equity in Net (Income)/Losses of Affiliated Companies

We had equity in net income of affiliated companies in the amount of ¥89 million for the year ended March 31, 2001 and equity in net loss in our affiliated companies in the amount of ¥1,439 million for the year ended March 31, 2000. This was mainly due to improvements in the performance of equity method affiliates, although partially offset by the effect of increased amortization and adjustments arising from additional investment in equity-method affiliated companies. Excluding the amortization of goodwill, our share of net income of our affiliates for the year ended March 31, 2001 would have been ¥2,402 million, compared with ¥18 million for the year ended March 31, 2000. Our current policy is to amortize over five years the excess of our carrying amount over our share of equity in our affiliates. As discussed in "Recent Accounting Pronouncements" below, accounting for goodwill was changed by the adoption of new accounting standards beginning April 1, 2002. As a result, goodwill will no longer be amortized. Summarized financial information for our affiliated companies is included in Note 10 to our consolidated financial statements included in this annual report.

Net Income

As a result of the foregoing, our net income increased 189.0% from ¥3,707 million for the year ended March 31, 2000 to ¥10,711 million for the year ended March 31, 2001.

Segment Information

Based on the applicable criteria set forth in Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," we have six reportable operating segments on which we report in our consolidated financial statements. These reportable operating segments are legal entities. One of them is Nidec Corporation, and the others are five of Nidec's consolidated subsidiaries: Nidec Singapore Pte. Ltd., Nidec Electronics (Thailand) Co., Ltd., Nidec Philippines Corporation, Nidec America Corporation and Nidec Power Motor Corporation.

We evaluate our financial performance based on segmental profit and loss, which consists of sales and operating revenues less operating expenses. Segmental profit or loss is determined using the accounting principles in the segment's country of domicile. Nidec and Nidec Power Motor apply Japanese GAAP, Nidec Singapore Corporation applies Singaporean accounting principles, Nidec Electronics (Thailand) applies Thai accounting principles, Nidec Philippines Corporation applies Philippine accounting principles, and Nidec America Corporation applies U.S. GAAP. Therefore our segmental data has not been prepared under U.S. GAAP on a basis that is consistent with our consolidated financial statements or on any other single basis that is consistent between segments. While there are several differences between U.S. GAAP and the underlying accounting principles used by the operating segments other than Nidec America Corporation, the principal differences that affect segmental operating profit or loss are accounting for pension and severance costs, directors' bonuses, and leases. We believe that the monthly segmental information is available on a timely basis and that it is sufficiently accurate at the segment profit and loss level for us to manage our business.

The first of the following two tables shows revenues from external customers and other operating segments by reportable operating segment for the year ended March 31, 2000, 2001 and 2002. The second table shows operating profit or loss by reportable operating segment for the year ended March 31, 2000, 2001 and 2002:

	Year ended March 31,			
	2000	2001	2002	2002
	(Yen in millions and U.S. dollars in thousands)			
Nidec				
External revenues	¥ 44,468	¥ 49,721	¥ 63,205	$ 474,334
Intrasegment revenues	53,650	49,884	61,679	462,882
Sub total	98,118	99,605	124,884	937,216
Nidec Singapore				
External revenues	40,545	36,621	48,115	361,088
Intrasegment revenues	56	3,474	3,254	24,420
Sub total	40,601	40,095	51,369	385,508
Nidec Electronics (Thailand)				
External revenues	16,773	15,154	14,787	110,972
Intrasegment revenues	16,948	19,876	23,109	173,426
Sub total	33,721	35,030	37,896	284,398
Nidec Philippines				
External revenues	6,455	7,481	5,220	39,174
Intrasegment revenues	13,138	17,516	19,816	148,713
Sub total	19,593	24,997	25,036	187,887
Nidec America				
External revenues	10,751	9,998	7,487	56,188
Intrasegment revenues	1,204	968	539	4,045
Sub total	11,955	10,966	8,026	60,233
Nidec Power Motor				
External revenues	—	11,446	9,345	70,131
Intrasegment revenues	—	1	31	233
Sub total	—	11,447	9,376	70,364
All Others				
External revenues	18,864	39,774	44,157	331,385
Intrasegment revenues	41,019	41,222	67,918	509,703
Sub total	59,883	80,996	112,075	841,088
Total				
External revenues	137,856	170,195	192,316	1,443,272
Intrasegment revenues	126,015	132,941	176,346	1,323,422
Adjustments (*)	(213)	2,515	1,016	7,625
Intrasegment elimination	(126,015)	(132,941)	(176,346)	(1,323,422)
Consolidated total (net sales)	¥ 137,643	¥ 172,710	¥ 193,332	$ 1,450,897

(*) See Note 24 to the consolidated financial statements included in this annual report.

	Year ended March 31,							
	2000		2001		2002		2002	
	(Yen in millions and U.S. dollars in thousands)							
Segment profit or loss:								
Nidec	¥	4,302	¥	867	¥	4,101	$	30,777
Nidec Singapore		1,018		1,447		1,963		14,732
Nidec Electronics (Thailand)		4,784		3,952		1,578		11,842
Nidec Philippines		2,252		2,899		2,485		18,649
Nidec America		535		254		(680)		(5,103)
Nidec Power Motor		—		(124)		187		1,403
All Others		1,590		2,454		5,345		40,113
Total		14,481		11,749		14,979		112,413
Adjustments (*)		(891)		(1,686)		(4,507)		(33,824)
Consolidated total	¥	13,590	¥	10,063	¥	10,472	$	78,589

(*) See Note 24 to the consolidated financial statements included in this annual report.

Net sales of Nidec increased 25.4% from ¥99,605 million for the year ended March 31, 2001 to ¥124,884 million for the year ended March 31, 2002. This increase resulted primarily from the effect of the depreciation of the yen on our sales denominated in other currencies and increased sales of hard disk drive spindle motors, mid-size motors and cooling fans for computer processors and home video game consoles. Operating profit of Nidec improved by 373.0% from ¥867 million for the year ended March 31, 2001 to ¥4,101 million for the year ended March 31, 2002, mainly due to the sales increase and the depreciation of the yen.

The increase of net sales from ¥98,118 million for the year ended March 31, 2000 to ¥99,605 million for the year ended March 31, 2001 resulted from an increase in sales to external customers. Net sales to external customers of Nidec increased 11.8% from ¥44,468 million for the year ended March 31, 2000 to ¥49,721 million for the year ended March 31, 2001, mainly due to the transfer of sales transactions with major customers from Nidec Singapore Corporation with effect from the beginning of the year ended March 31, 2001. Although aggregate segment sales increased, operating profit of Nidec decreased 79.8% from ¥4,302 million for the year ended March 31, 2000 to ¥867 million for the year ended March 31, 2001, mainly due to the higher cost of mid-size DC motors and fluid dynamic bearing motors which were launched in October 2000. Increases in costs were attributable to increased research development expenditures and the pre-production costs associated with the product launch. These costs were expensed when incurred. Other factors impacting the segment result included decreases in the average price per unit, the appreciation of the yen, and an increase in the volume of sales activity.

Net sales of Nidec Singapore Corporation increased 28.1% from ¥40,095 million for the year ended March 31, 2001 to ¥51,369 million for the year ended March 31, 2002. One of the major reasons for this increase in sales was the depreciation of the yen and another reason was the increased sales of fluid dynamic bearing motors to main customers. As a result, operating profit of Nidec Singapore Corporation increased 35.7% from ¥1,447 million for the year ended March 31, 2001 to ¥1,963 million for the year ended March 31, 2002.

Net sales of Nidec Singapore Corporation decreased 1.2% from ¥40,601 million for the year ended March 31, 2000 to ¥40,095 million for the year ended March 31, 2001, mainly due to the transfer of sales transactions with major customers to Nidec with effect from the beginning of the year ended March 31, 2001. Although sales declined, the change in the mix of sales from products purchased from Nidec to products that Nidec Singapore Corporation had manufactured resulted in increased sales of higher margin products. Operating profit of Nidec Singapore Corporation therefore increased 42.1% from ¥1,018 million for the year ended March 31, 2000 to ¥1,447 million for the year ended March 31, 2001.

Net sales of Nidec Electronics (Thailand) Co., Ltd. increased 8.2% from ¥35,030 million for the year ended March 31, 2001 to ¥37,896 million for the year ended March 31, 2002 due to the increase of fluid dynamic bearing motors to main customers. Operating profit fell 60.1% from ¥3,952 million for the year ended March 31, 2001 to ¥1,578 million for the year ended March 31, 2002. The main factors for the decrease in operating profit were increased sales of lower margin products. Another significant reason for this decline in operating profit is that Nidec Electronics (Thailand) Co., Ltd. bears the vast majority of our expenditures and pre-production costs associated with the launch of fluid dynamic bearing motors.

Net sales of Nidec Electronics (Thailand) Co., Ltd. increased 3.9% from ¥33,721 million for the year ended March 31, 2000 to ¥35,030 million for the year ended March 31, 2001. Operating profit fell 17.4% from ¥4,784 million for the year ended March 31, 2000 to ¥3,952 million for the year ended March 31, 2001. The weakening of the Thai baht against the yen was responsible for ¥414 million, or 49.8%, of this decline in operating profit. The other main reason behind the decline in operating profit was that reductions in manufacturing costs did not keep pace with reductions in sales prices.

Net sales of Nidec Philippines Corporation increased 0.2% from ¥24,997 million for the year ended March 31, 2001 to ¥25,036 million for the year ended March 31, 2002. A change in the mix of sales has resulted in increased sales of lower margin products. As a result, operating profit of Nidec Philippines Corporation decreased 14.3% from ¥2,899 million for the year ended March 31, 2001 to ¥2,485 million for the year ended March 31, 2002.

Net sales of Nidec Philippines Corporation increased 27.6% from ¥19,593 million for the year ended March 31, 2000 to ¥24,997 million for the year ended March 31, 2001, mainly due to increased sales of higher margin products. Operating profit of Nidec Philippines Corporation also increased 28.7% from ¥2,252 million for the year ended March 31, 2000 to ¥2,899 million for the year ended March 31, 2001, mainly due to the same reason.

Net sales of Nidec America Corporation decreased 26.8% from ¥10,966 million for the year ended March 31, 2001 to ¥8,026 million for the year ended March 31, 2002, mainly due to the economic downturn in the United States. In particular, sales of telecommunication and network related products decreased significantly. After recording operating profit of ¥254 million for the year ended March 31, 2001, Nidec America Corporation had a loss of ¥680 million for the year ended March 31, 2002. This decline in profits was mainly due to decreased sales of high-margin power supply products and from reduced sales of fans.

Net sales of Nidec America Corporation decreased 8.3% from ¥11,955 million for the year ended March 31, 2000 to ¥10,966 million for the year ended March 31, 2001, mainly due to an economic downturn in the telecommunication industry. Operating profit of Nidec America Corporation also decreased 52.5% from ¥535 million for the year ended March 31, 2000 to ¥254 million for the year ended March 31, 2001, mainly due to decreased sales of our high-margin power supply products.

Nidec acquired 67% of the common stock of Nidec Power Motor Corporation in March 2000, and Nidec Power Motor Corporation became a reportable operating segment as of April 1, 2000 and has since undergone restructuring. Net sales of Nidec Power Motor Corporation decreased 18.1% from ¥11,447 million for the year ended March 31, 2001 to ¥9,376 million for the year ended March 31, 2002. However, due to the aggressive cost reduction activity, operating profit turned from a loss of ¥124 million for the year ended March 31, 2001 to the profit of ¥187 million for the year ended March 31, 2002.

Within the All Others segment, net sales increased 38.4% from ¥80,996 million for the year ended March 31, 2001 to ¥112,075 million for the year ended March 31, 2002. Operating profit also increased 117.8% from ¥2,454 million for the year ended March 31, 2001 to ¥5,345 million for the year ended March 31, 2002. In February 2002, Nidec acquired over 50% ownership in Nidec-Shimpo Corporation, Nidec-Read Corporation, Nidec Tosok Corporation and certain other affiliated companies, and these companies were consolidated from their respective acquisition dates. The sales and operating profit of the companies were ¥2,886 million and ¥252 million, respectively and included in All Others segment.

Net sales of the All Others segment increased 35.3% from ¥59,883 million for the year ended March 31, 2000 to ¥80,996 million for the year ended March 31, 2001. Operating profit also increased 54.3% from ¥1,590 million to ¥2,454 million. In each case, these increases in net sales and operating profit result primarily from the addition of Nidec Shibaura Corporation as a consolidated subsidiary. Within the All Others segment, our subsidiary in China, Nidec (Dalian) Ltd., recorded a loss on the disposal of fixed assets amounting to ¥547 million for the year ended March 31, 2000. Following the transfer of the production function for spindle motors from China to another operating segment, we conducted a review of fixed assets. The review identified idle equipment that was subsequently scrapped. The loss was classified in operating expenses.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations to be accounted for using the purchase method of accounting and is effective for all business combinations initiated after June 30, 2001. SFAS 142 requires goodwill to be tested for impairment under certain circumstances, and written off when impaired, rather than being amortized as previous standards required. SFAS 142 is effective for us beginning April 1, 2002. The adoption of SFAS 141 did not have a material effect on our operating results or financial condition. We are currently assessing the impact of SFAS 142 on our operating results and financial condition.

In June 2001, the FASB issued SFAS 143 "Accounting for Asset Retirement Obligations." We are required to adopt SFAS 143 effective for us on April 1, 2003. SFAS 143 requires full recognition of asset retirement obligations on the balance sheet from the point in time at which a legal obligation exists. The obligation is required to be measured at fair value. The carrying value of the asset or assets to which the retirement obligation relates would be increased by an amount equal to the liability recognized. This amount would then be included in the depreciable base of the asset and charged to income over its life as depreciation. We are currently in the process of evaluating the impact that SFAS 143 will have on our consolidated financial statements.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and provides new rules on asset impairment and a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of SFAS 121, the new rules significantly change the criteria that would have to be met to classify an asset as held-for-sale. The new rules also supersede the provisions of APB Opinion 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," with regard to reporting the effects of a disposal of a segment of a business and require expected future operating losses from discontinued operations to be displayed in discontinued operations in the period(s) in which the losses are incurred. SFAS 144 is effective for us on April 1, 2002. Although we have not yet fully assessed the impact of SFAS 144 on our operating results and financial condition, we believe that the impact will not be material.

Application of Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results may differ from these estimates, judgments and assumptions.

An accounting estimate in our financial statements is a critical accounting estimate if it requires us to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and either different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. We have identified the following critical accounting policies with respect to our financial presentation.

Inventories

Our inventories, which consist primarily of finished products such as hard disk drive spindle motors, are stated at the lower of cost or market value. Cost is determined principally using the weighted average cost method. These products are exposed to frequent innovation, the introduction of new products to the market, and short product life cycles due to rapid technological advances and model changes. We periodically assess the market value of our inventory, based on sales trends and forecasts and technological changes and write off inventories with no movement for one year or when it is apparent that there is no possibility of future sales or usage. We did not record significant inventory write-offs during the years ended March 31, 2001 or 2002. We may have to recognize large amounts of inventory write-downs as a result of an unexpected decline in market conditions, changes in demand or changes in our product line.

Other-than-temporary losses on marketable securities

We review the market value of our marketable securities at the end of each fiscal quarter. Our marketable securities consist of available for sale securities and investments in listed affiliated companies. Other-than-temporary losses on individual marketable securities are charged to income in the period as incurred. Losses on available for sale securities are classified as other-than-temporary based on the length of time and the extent to which the fair value has been less than the carrying amount. We account for our investments in our affiliated companies using equity method. We have two listed affiliated companies with quoted market values. When the carrying amount of the equity-method investment exceeds their quoted market value at the end of each period, we write down such investment to the market value if the decline in fair value below the carrying amount is considered other-than-temporary. In determining if a decline in fair value of equity-method investment is other-than-temporary, we take into consideration the length of time and the extent to which the fair value has been less than the carrying amount, the financial condition and estimated future profitability of the affiliated company.

We believe that the accounting estimate related to investment impairment is a critical accounting estimate because:

* it is highly susceptible to change from period to period because it requires our management to make assumptions about future financial condition and cash flows of investees; and
* the impact that recognizing an impairment would have on the total assets reported on our balance sheet as well as our operating income would be material.

For the year ended March 31, 2001 and 2002, the estimated fair value of our marketable securities was ¥6,676 million and ¥5,857 million, respectively. We recorded loss on marketable securities in the amount of ¥2,900 million and ¥1,400 million for the years ended March 31, 2001 and 2002, respectively.

Allowance for doubtful accounts

We maintain a general allowance for doubtful accounts based on the historical rate of credit losses experienced. We additionally provide allowances for specific customer accounts deemed uncollectible. Management assesses the need for specific allowances based on changes in the customers' financial condition and length of time the account has remained overdue. As our customer base is highly concentrated, the nonfulfillment or delay in payment caused by even one of our major customers may require us to record a large amount of additional allowance. For the year ended March 31, 2002, sales to our six largest customers represented approximately 49% of our net sales. Our accounts receivable are likewise concentrated. At March 31, 2002, six customers represented ¥18.5 billion, or 40%, of our gross accounts receivable. In addition, during economic downturns, certain of our customers may have difficulty with their cash flows.

Although we believe that we can make reliable estimates for doubtful accounts, customer concentrations as well as overall economic conditions, may affect our ability to accurately estimate the allowance for doubtful accounts. Our allowance for doubtful accounts amounted to ¥397 million at March 31, 2001 and ¥378 million at March 31, 2002. Our trade notes and accounts receivable balance was ¥14,159 million, net of allowance for doubtful accounts, as at March 31, 2002.

Deferred tax assets

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. As at March 31, 2002, we had deferred tax assets in the amount of ¥8,140 million. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in our income statement.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We have recorded a valuation allowance of ¥4,319 million as of March 31, 2002, due to uncertainties related to our ability to utilize some of our deferred tax assets, primarily consisting of certain net operating losses carried forward for tax purposes incurred by our subsidiaries. Our determination to record valuation allowances is based on a history of unprofitable periods by the subsidiaries and their estimated future profitability. In the event that actual results differ from these estimates or we adjust these estimates in future periods we may need to establish an additional valuation allowance which could have an adverse effect on our financial position and results of operations.

Property, plant and equipment

Long-lived assets, consisting primarily of property, plant and equipment, comprise approximately 33% of our total assets as at March 31, 2002. We carefully monitor the appropriateness of the estimated useful lives of these assets. Whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable, we review the respective assets for impairment. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows. We review idle assets for possible impairment based on their condition or based on the probability of future use. Changes in technology, market demand, our planned product mix or in our intended use of these assets may cause the estimated period of use or the value of these assets to change. In addition, changes in general industry conditions such as increased competition could cause the value of certain of these assets to change. Estimates and assumptions used in both estimating the useful life and evaluating potential impairment issues require a significant amount of judgment. As such, our judgment as to the recoverability of capitalized amounts and the amount of any impairment will be significantly impacted by such factors.

Goodwill

Acquisitions

In recent years, we have made a number of significant business acquisitions, which have been accounted for using the purchase method of accounting. The purchase method requires that the net assets, tangible and identifiable intangible assets less liabilities, of the acquired company be recorded at fair value, with the difference between the cost of an acquired company and the fair value of the acquired net assets recorded as goodwill. Application of the purchase method requires our management to make complex judgments about the allocation of the purchase price to that of the fair value of the net assets we acquire and estimation of the related useful lives.

Valuation of Goodwill

We assess the impairment of acquired goodwill and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

* significant underperformance relative to expected historical or projected future operating results;
* significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
* significant negative industry or economic trends;
* significant decline in the stock price of the acquired entity for a sustained period; and
* market capitalization of the acquired entity relative to its net book value.

When we determine that the carrying value of goodwill and intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. Goodwill amounted to ¥3,611 million as of March 31, 2002.

As of April 1, 2002, Statement of Financial Accounting Standards, or SFAS, No.142 entitled, “Goodwill and Other Intangible Assets” became effective. See “Recent Accounting Pronouncements” above. As a result, we will cease to amortize ¥3,611 million of goodwill on a straight-line basis over its estimated useful life. We had recorded ¥775 million of amortization on these amounts for the year ended March 31, 2002 and would have recorded approximately ¥967 million of amortization for the year ending March 31, 2003. In lieu of amortization, we are required to perform an initial impairment review of our goodwill at the transition and an annual impairment review thereafter. We are currently in the process of completing our initial review.

In accordance with SFAS No.142, we will also cease to amortize ¥9,087 million of the portion of the difference between the cost of an investment and the amount of underlying equity in net assets of an equity method investee that is recognized as goodwill. We had recorded ¥3,748 million of amortization on the equity method goodwill for the year ended March 31, 2002 and would have recorded approximately ¥2,590 million of amortization for the year ending March 31, 2003. As for equity method goodwill, we will continue to review equity method investments for impairment in accordance with Accounting Principles Boards Opinion No.18 instead of impairment tests under SFAS No.142.

Pension plans

We account for our defined benefit pension plans in accordance with SFAS 87, “Employer’s Accounting for Pensions.” For periodic pension calculation, we are required to assume some components, which include expected return on plan assets, discount rate, rate of increase in compensation levels and average remaining years of service. We use long-term historical actual return information and estimated future long-term investment returns by reference to external sources to develop our expected rate of return on plan assets. The discount rate is assumed based on the rates available on high-quality fixed-income debt instruments with the same period to maturity as the estimated period to maturity of the pension benefit. We assume rate of increase in compensation levels and average remaining years of service based on our historical data. Changes in these assumptions will have impact on our net periodic pension cost. For example, a significant assumption used in determining our accrued pension and severance costs is the expected weighted-average rate of return on plan assets. For the years ended March 31, 2001 and 2002, we assumed weighted-average expected rate of return on plan assets of 3.5-4.5% and 1.0-3.0%, respectively. On average, our actual return on plan assets over the long-term has been 1.2%. A 0.5% decrease in our weighted-average expected rate of return on plan assets would decrease operating income by approximately ¥22 million.

B. Liquidity and Capital Resources

Liquidity and Capital Resources

Our principal needs for cash are: payments for the purchase of parts and raw materials; payments for the purchase of equipment for our production facilities; selling, general and administrative expenses such as research and development expenses; payments for the purchase of shares of companies targeted under our acquisitions strategy; employees' salaries, wages and other payroll cost; repayment of short-term debt; payments of dividends to our shareholders; and taxes.

We fund our growth primarily with funds generated from operations, proceeds from issuances of unsecured bonds, including convertible bonds, and borrowings from banks. We believe that these funding sources, as well as future sources of external funding, will be sufficient to meet our capital requirements for the current fiscal year. In the event that we lose any main customers or their demand for our products significantly drops, we might face a cash shortage resulting from a decrease in funds generated from operations. Although we do not anticipate such events, even if they were to occur, we believe that we could obtain sufficient cash because we maintain good relationships with banks who have provide us with unused lines of credit that amounted to ¥42,007 million as of March 31, 2002.

Total assets increased by ¥40,912 million, or 18.9%, to ¥257,911 million as of March 31, 2002 as compared to March 31, 2001. The increase was primarily attributable to newly consolidated subsidiaries such as Nidec-Shimpo Corporation, Nidec-Read Corporation, Nidec Tosok Corporation and certain other affiliated companies.

Total liabilities increased by ¥26,696 million or 19.6% to ¥163,248 million as of March 31, 2002. The increase was primarily attributable to newly consolidated subsidiaries described above and an increase of short-term borrowing mainly for capital expenditures related to fluid dynamic bearing motors.

Working capital, defined as current assets less current liabilities, decreased by ¥10,556 million, or 262.5%, to negative ¥6,534 million as of March 31, 2002 as compared to March 31, 2001. The decrease primarily resulted from an increase in short-term borrowing primarily for capital expenditures related to fluid dynamic bearing motors and the transfer of convertible bonds of ¥9,820 million due within one year from long-term debt to current portion of long-term debt. However, the convertible price of the bonds is lower than the current market price, and we currently expect that most of the current-portion of convertible bonds will be converted into shares. Also, we maintain sufficient unused lines of credit. Accordingly, we do not anticipate that we will experience difficulty meeting cash requirements despite having negative working capital.

Our receivable turnover ratio was 3.2 at March 31, 2002, compared to 3.5 at March 31, 2001. Receivable turnover ratio is calculated by dividing net sales for the year ended March 31 by the year-end trade notes and accounts receivable balance. Our inventory turnover ratio was 8.1 at March 31, 2002, compared to 7.4 at March 31, 2001. This is due to our successful efforts to reduce inventory levels. Such efforts offset the additions of inventories from newly consolidated subsidiaries. Substantially all of our finished inventory as of March 31, 2002 consists of products manufactured for specific customers' orders, which we believe they are obligated to accept on delivery. We have generally been able to reduce production levels to enable us to move excess inventory and avoid write-offs. Inventory write-downs incurred to date principally relate to lower of cost and market assessments. Such write-downs were not significant for the year ended March 31, 2002. The amounts of any such write-downs are included in cost of sales. The inventory turnover ratio is calculated by dividing cost of products sold for the year ended March 31 by the year-end inventory balance.

In addition to cash and cash equivalents, which amounted to ¥38,495 million as of March 31, 2002, our sources of liquidity include bank borrowings. As of March 31, 2002, we had short-term borrowings in the amount of ¥58,395 million and long-term debt, exclusive of the current portion, in the amount of ¥21,360 million. We maintain good business relationships with several major Japanese banks. As of March 31, 2002, we had unused lines of credit from these banks in the amount of ¥42,007 million. Under these lines of credit, we can obtain short-term financing at prevailing interest rates for periods not in excess of 360 days.

Contractual Obligations and Commercial Commitments

The following tables represent our contractual obligations and other commercial commitments as of March 31, 2002.

(Yen in millions)

Contractual Obligations	Payments Due by Period Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term Debt	¥ 36,725	¥ 15,365	¥ 10,334	¥ 10,286	¥ 740
Capital Lease Obligations	2,940	817	1,011	397	715
Operating Leases	1,270	338	296	77	559
Other Long-term Obligations	9,007	6,730	2,277	—	—
Total Contractual Cash Obligations	¥ 49,942	¥ 23,250	¥ 13,918	¥ 10,760	¥ 2,014

(U.S. dollars in thousands)

Contractual Obligations	Payments Due by Period Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long-term Debt	$ 275,610	$ 115,310	$ 77,554	$ 77,193	$ 5,553
Capital Lease Obligations	22,064	6,132	7,587	2,979	5,366
Operating Leases	9,531	2,537	2,221	578	4,195
Other Long-term Obligations	67,595	50,507	17,088	—	—
Total Contractual Cash Obligations	$ 374,800	$ 174,485	$ 104,450	$ 80,751	$ 15,114

(Yen in millions)

Other Commercial Commitments	Total Amounts Committed	Amount of Commitment Expiration Per Period Less than 1 year	1 – 3 years	4 – 5 years	Over 5 years
Guarantees	¥ 37	¥ 2	¥ 5	¥ 5	¥ 25
Total Commercial Commitments	¥ 37	¥ 2	¥ 5	¥ 5	¥ 25

(U.S. dollars in thousands)

Other Commercial Commitments	Total Amounts Committed	Amount of Commitment Expiration Per Period Less than 1 year	1 – 3 years	4 – 5 years	Over 5 years
Guarantees	$ 278	$ 15	$ 38	$ 38	$ 187
Total Commercial Commitments	$ 278	$ 15	$ 38	$ 38	$ 187

Cash Flows

Net cash provided by operating activities was ¥21,263 million for the year ended March 31, 2002, compared with ¥9,807 million for the year ended March 31, 2001. Despite lower net income, the increase in net cash provided by operating activities during the year ended March 31, 2002 as compared with the previous year was principally due to the decrease of ¥3,917 million in inventories against the increase of ¥4,754 million in inventories for the previous period. Equity in net loss at affiliated companies of ¥2,417million and a deferred income tax benefit of ¥2,957million did not impact cash flow for the year ended March 31, 2002. Increases in notes and accounts receivables of ¥2,050 million in the year ended March 31, 2002 and ¥3,514 million in the year ended March 31, 2001 negatively affected cash flow from operating activities in both periods.

Net cash provided by operating activities was ¥9,807 million for the year ended March 31, 2001, compared with ¥12,844 million for the year ended March 31, 2000. Despite higher net income, the decrease in net cash provided by operating activities during the year ended March 31, 2001 as compared with the previous year was principally due to the increase of ¥4,754 million in inventories and the decrease of ¥1,320 million in notes and accounts payable, which more than offset the increase of ¥1,325 million in accrued income taxes. The gain on derivative instruments of ¥3,355 million and the gain from sales of investments in affiliated companies of ¥1,861 million did not impact cash flow for the year ended March 31, 2001. Increases in notes and accounts receivables of ¥3,514 million in the year ended March 31, 2001 and ¥2,544 million in the year ended March 31, 2000 negatively affected cash flow from operating activities in both periods.

Net cash used in investing activities was ¥15,669 million for the year ended March 31, 2002, compared with ¥33,322 million for the year ended March 31, 2001. Investments in and advances to affiliated companies decreased to ¥1,819 million for the year ended March 31, 2002 from ¥25,131 million for the previous year. Our total expenditures for property, plant and equipment were ¥19,270 million for the year ended March 31, 2002, compared with ¥9,822 million for the year ended March 31, 2001. For the year ended March 31, 2001 and 2002, we focused on investments in the facilities equipment mainly for our production of fluid dynamic bearing motors.

Net cash used in investing activities was ¥33,322 million for the year ended March 31, 2001, compared with ¥6,814 million for the year ended March 31, 2000. The main reason for this increase was the acquisition of equity interests in affiliated companies during the year ended March 31, 2001. Investments in and advances to affiliated companies increased to ¥25,131 million for the year ended March 31, 2001 from ¥2,445 million for the previous year. Our total expenditures for property, plant and equipment were ¥9,822 million for the year ended March 31, 2001, compared with ¥10,624 million for the year ended March 31, 2000. For the year ended March 31, 2000, we invested mainly in land and buildings to expand our production capacity, while for the year ended March 31, 2001, we focused on investments in production facilities equipment.

Net cash provided by financing activities was ¥1,536 million for the year ended March 31, 2002, while net cash provided by financing activities was ¥19,531 million for the year ended March 31, 2001. Our short-term borrowings were ¥4,105 million for the year ended March 31, 2002, compared with ¥19,067 million for the year ended March 31, 2001. The payment of our dividend increased from ¥951 million for the year ended March 31, 2001 to ¥1,748 million for the year ended March 31, 2002. At the same time, repayment of long-term debt increased from ¥2,784 million for the year ended March 31, 2001 to ¥3,279 million for the year ended March 31, 2002.

Net cash provided by financing activities was ¥19,531 million for the year ended March 31, 2001, while net cash used by financing activities was ¥1,209 million for the year ended March 31, 2000. We increased short-term borrowings by ¥19,067 million for the year ended March 31, 2001 in connection with our acquisitions. Proceeds from issuance of long-term debt amounted to ¥3,290 million for the year ended March 31, 2001 compared with ¥241 million for the previous year. At the same time, repayment of long-term debt increased from ¥342 million for the year ended March 31, 2000 to ¥2,784 million for the year ended March 31, 2001.

Our capital commitments as of March 31, 2002, principally consisted of commitments to purchase property, plant and equipment. Commitments outstanding for the purchase of property, plant and equipment and other assets decreased from approximately ¥11,931 million at March 31, 2001 to approximately ¥9,007 million at March 31, 2002. The decrease mainly consists of the reduction of the investments in the facilities equipment compared to the previous year. See Note 23 to our consolidated financial statements included in this annual report. We expect to make capital expenditures in addition to those for which we have outstanding commitments. We expect to finance these commitments from net cash provided by operating activities, other internal sources of liquidity, or external sources of capital.

Annual maturities on long-term debt during the next five years are as follows:

Year ending March 31,	(Yen in millions)	(U.S. dollars in thousands)
2003	¥ 15,365	$ 115,310
2004	9,056	67,963
2005	1,278	9,591
2006	10,095	75,760
2007	191	1,433
2008 and thereafter	740	5,553

Transactions with Related and Certain Other Parties (East Pacific Funding)

In September 1999, Nidec agreed to guarantee a debt facility for the East Pacific Funding Corporation, a special purpose entity, totaling ¥1,200 million. The East Pacific Funding Corporation purchased land and buildings from Nidec Tosok Corporation as part of a sale-leaseback arrangement. The debt facility matures in September 2002. The transaction was accounted for by us as a financing arrangement, with the sale proceeds recorded as a liability and the land and buildings recorded as assets. Nidec Tosok Corporation is depreciating the assets over their useful lives.

C. Research and Development, Patents and Licenses, etc.

An important requirement for success in the highly competitive markets we serve is the ability to supply products that consistently embody leading edge technology and quality. Given that the competition has been intensifying, one of the major recent aims of our research and development activities has been to reduce the cost of design, without affecting the quality of our products. We employ approximately 493 people, most of whom are located in Japan, the U.S. and Singapore, who are dedicated to research and development. Our position as the leading supplier of hard disk drive spindle motors to the major hard disk drive manufacturers provides us with access to the most current information in the industry, which we immediately incorporate into our research and development activities. As a result, we can quickly develop products that match the precise needs of each customer.

Based on precision engineering expertise gained from our history of making motors, we have concentrated our research and development activities on drive motor technologies. However, we are conducting research in many areas, including the basic technologies of spindle motors for all types of information equipment, as well as technologies for the next generation of motors such as fluid dynamic bearing technology, which we have been developing for the past several years. In recent years, we have diversified our research, which was heavily concentrated on small motor technology in the field of spindle motors, to motor and drive technology in fields such as household appliances, automobiles and industrial machinery. By doing so, we have been able to develop and market new products through our integrated sales design and production system.

Recently, our principal research and development activities have been as follows:

* the development of fluid dynamic bearing spindle motors;
* the development and improvement of basic motor characteristics for example, in order to achieve a higher transfer rate of memory written on the disks, higher rotation speeds are required of spindle motors. As a result, spindle motors which were formerly required to generate 5,400 rotations per minute are now required to generate 7,200 to 10,000 rotations per minute. These higher speeds can, however, produce more vibration. Such vibration, as well as the higher density of disks, can disrupt the read-write function of hard disk drives. Accordingly, precise rotation becomes more important and we are therefore conducting research and development with a view to improving the precision of rotation;
* the improvement of analysis and material technologies, including by (1) improving technologies for investigating the impact of spindle motors on hard disks, (2) improving the cleanliness of materials and of manufacturing technology and (3) research into the development of uses of new materials for spindle motors;
* the development of spindle motors for 1.0-inch disks for use in digital still cameras and potentially in cellular phones, car navigation systems and digital video cameras; and
* the development and improvement of spindle motors for DVDs.

The core of our research and development activities is our Central Laboratory, located at our headquarters in Kyoto. In addition to basic and applied research focused on long-term perspectives, the Central Laboratory supports the development of products that incorporate the latest technology. Market requirements are becoming more demanding. To respond to them reliably and promptly, we have established research and development bases in various countries and regions. We operate technical centers in Shiga, Nagano and Tottori Prefectures in Japan, as well as in the United States and Singapore. These operations carry out research and development relating not only to new product development, but also to the improvement of quality and production technology for existing products. Our technical center in Tottori also cooperates with Tottori University on joint research projects, and based on positive results from this experience, we have decided to explore the possibility of establishing cooperative research initiatives with several other Japanese universities. We also opened a small research and development office in Taiwan in October 2001 which focuses on fan development.

Utilizing state-of-the-art testing, inspection and measurement equipment, we are increasing our understanding and use of various basic technologies—not only precision motor machining technology, but also in fields such as mechanical and materials engineering, and applied chemistry. Accurate and prompt inspection, analysis and measurement performed using state-of-the-art equipment is an integral element of our product and process development. The manufacture of precision motors requires absolute precision, measurement and analysis at the level of mere hundredths of a micron. Each material must be analyzed at the molecular level in order to prevent contamination, dust and gases, which are generated by adhesives and other materials and which can infiltrate the minute gap between the disk surface and the head. Using the latest equipment, our Research and Development Department promptly and accurately conducts rigorous inspection, measurement and analysis, and utilizes the results to improve product design and process capabilities.

Similarly, we respond promptly to challenges such as noise reduction, using cutting-edge equipment and our own methods. Today, noise reduction is a significant issue in the computer and consumer electronics fields. In order to address this issue, we have constructed acoustic test rooms, consisting of reverberation and sound anechoic chambers, conforming to international standards, where we conduct tests, measurement and analysis.

We incurred research and development expenses of ¥4,442 million for the year ended March 31, 2000 and ¥5,243 million for the year ended March 31, 2001 and ¥5,727 million for the year ended March 31, 2002. Much of our research and development is conducted by our domestic subsidiaries which are then reimbursed for costs incurred. We also cooperate with our affiliates to conduct significant research and development. We anticipate spending approximately ¥6,000 million on research and development in the year ending March 31, 2003. We believe that our expenditures on research and development are sufficient to maintain a competitive position within the spindle motor manufacturing industry.

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

At March 31, 2002 and 2001

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Current assets:			
Cash and cash equivalents	¥ 30,204	¥ 38,495	$ 288,893
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥397 million in 2001 and ¥378 million ($2,837 thousand) in 2002:			
Notes	13,685	14,159	106,259
Accounts	35,807	46,253	347,115
Inventories	19,509	19,601	147,099
Prepaid expenses and other current assets	4,329	6,174	46,334
Total current assets	103,534	124,682	935,700
Marketable securities and other securities investments	6,962	6,383	47,902
Investments in and advances to affiliated companies	41,292	29,776	223,460
	48,254	36,159	271,362
Property, plant and equipment:			
Land	13,481	17,348	130,191
Buildings	29,255	39,728	298,146
Machinery and equipment	53,599	80,560	604,578
Construction in progress	4,161	5,827	43,730
	100,496	143,463	1,076,645
Less—Accumulated depreciation	(41,940)	(58,047)	(435,625)
	58,556	85,416	641,020
Other non-current assets	6,655	11,654	87,460
Total assets	¥ 216,999	¥ 257,911	$ 1,935,542

The accompanying notes are an integral part of these statements.

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Current liabilities:			
Short-term borrowings	¥ 43,937	¥ 58,395	$ 438,236
Current portion of long-term debt	3,839	15,365	115,310
Trade notes and accounts payable	42,286	44,973	337,508
Other current liabilities	9,450	12,483	93,681
Total current liabilities	99,512	131,216	984,735
Long-term liabilities:			
Long-term debt	30,888	21,360	160,300
Accrued pension and severance costs	5,569	9,496	71,265
Other long-term liabilities	583	1,176	8,825
Total long-term liabilities	37,040	32,032	240,390
Minority interest in consolidated subsidiaries	1,872	9,188	68,953
Commitments and contingencies (Note 23)			
Shareholders' equity:			
Common stock authorized: 240,000,000 shares in 2001 and 2002; issued and outstanding: 63,549,008 shares in 2001 and 63,563,653 shares in 2002	26,455	26,469	198,642
Additional paid-in capital	25,787	25,801	193,629
Retained earnings	29,467	34,299	257,403
Accumulated other comprehensive loss	(3,134)	(1,085)	(8,143)
Treasury stock, at cost: 7 shares in 2001 and 1,172 shares in 2002	(0)	(9)	(67)
Total shareholders' equity	78,575	85,475	641,464
Total liabilities and shareholders' equity	¥ 216,999	¥ 257,911	$ 1,935,542

The accompanying notes are an integral part of these statements.

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2002, 2001 and 2000

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Net sales	¥ 137,643	¥ 172,710	¥ 193,332	$ 1,450,897
Operating expenses:				
Cost of products sold	109,936	144,594	159,442	1,196,563
Selling, general and administrative expenses	9,675	12,810	17,691	132,766
Research and development expenses	4,442	5,243	5,727	42,979
	124,053	162,647	182,860	1,372,308
Operating income	13,590	10,063	10,472	78,589
Other income (expense):				
Interest and dividend income	867	855	572	4,293
Interest expense	(742)	(1,338)	(1,167)	(8,758)
Foreign exchange gain (loss), net	(3,158)	3,117	2,107	15,812
Gain (loss) on derivative instruments, net	(3,282)	3,355	8	60
Gain (loss) on marketable securities, net	37	(2,900)	(1,400)	(10,507)
Gain from issuance of securities by affiliated companies	—	449	—	—
Gain from sales of investments in affiliated companies	—	1,861	11	83
Other, net	(254)	(324)	874	6,559
	(6,532)	5,075	1,005	7,542
Income before provision for income taxes	7,058	15,138	11,477	86,131
Provision for income taxes	(1,710)	(4,609)	(2,162)	(16,225)
Income before minority interest and equity in earnings of affiliated companies	5,348	10,529	9,315	69,906
Minority interest in income (loss) of consolidated subsidiaries	202	(93)	318	2,386
Equity in net (income)/losses of affiliated companies	1,439	(89)	2,417	18,139
Net income	¥ 3,707	¥ 10,711	¥ 6,580	$ 49,381

	Yen			U.S. dollars
Per share data:				
Net income – basic	¥ 58.59	¥ 168.72	¥ 103.53	$ 0.78
– diluted	¥ 55.57	¥ 159.92	¥ 98.85	$ 0.74
Cash dividends	¥ 15.00	¥ 15.00	¥ 27.50	$ 0.21

The accompanying notes are an integral part of these statements.

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

Years ended March 31, 2001 and 2000

	Yen in millions						
	Common stock						
	Shares	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total
Balance at March 31, 1999	31,512,977	¥25,539	¥24,863	¥16,947	¥(2,563)	¥ (12)	¥64,774
Comprehensive income:							
Net income				3,707			3,707
Other comprehensive income (loss) —							
Foreign currency translation adjustments					(2,635)		(2,635)
Unrealized gains (losses) on securities, net of reclassification adjustment					(134)		(134)
Minimum pension liability adjustment					(30)		(30)
Total comprehensive income							908
Dividends paid				(947)			(947)
Conversion of convertible debt	190,027	786	786				1,572
Exercise of stock purchase warrants	18,965	33	39				72
Purchase of treasury stock						(173)	(173)
Reissuance of treasury stock						183	183
Balance at March 31, 2000	31,721,969	¥26,358	¥25,688	¥19,707	¥(5,362)	¥ (2)	¥66,389
Comprehensive income:							
Net income				10,711			10,711
Other comprehensive income (loss) —							
Foreign currency translation adjustments					1,485		1,485
Unrealized gains (losses) on securities, net of reclassification adjustment					744		744
Minimum pension liability adjustment					(1)		(1)
Total comprehensive income							12,939
Dividends paid				(951)			(951)
Conversion of convertible debt	87,533	82	82				164
Exercise of stock purchase warrants	17,537	15	17				32
Purchase of treasury stock						(36)	(36)
Reissuance of treasury stock						38	38
Stock split	31,721,969						
Balance at March 31, 2001	63,549,008	¥26,455	¥25,787	¥29,467	¥(3,134)	¥ (0)	¥78,575

The accompanying notes are an integral part of these statements.

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

Year ended March 31, 2002

	Yen in millions						
	Common stock				Accumulated other		
	Shares	Amount	Additional paid-in capital	Retained earnings	comprehensive income (loss)	Treasury stock, at cost	Total
Balance at March 31, 2001	63,549,008	¥26,455	¥25,787	¥29,467	¥(3,134)	¥(0)	¥78,575
Comprehensive income:							
Net income				6,580			6,580
Other comprehensive income (loss) —							
Foreign currency translation adjustments					2,456		2,456
Unrealized gains (losses) on securities, net of reclassification adjustment					(428)		(428)
Minimum pension liability adjustment					21		21
Total comprehensive income							8,629
Dividends paid				(1,748)			(1,748)
Conversion of convertible debt	14,645	14	14				28
Purchase of treasury stock						(14)	(14)
Reissuance of treasury stock						5	5
Balance at March 31, 2002	63,563,653	¥26,469	¥25,801	¥34,299	¥(1,085)	¥(9)	¥85,475

	U.S. dollars in thousands					
				Accumulated other		
	Common stock	Additional paid-in capital	Retained earnings	comprehensive income (loss)	Treasury stock, at cost	Total
Balance at March 31, 2001	$198,537	$193,524	$221,140	$(23,520)	$ (0)	$589,681
Comprehensive income:						
Net income			49,381			49,381
Other comprehensive income (loss) —						
Foreign currency translation adjustments				18,432		18,432
Unrealized gains (losses) on securities, net of reclassification adjustment				(3,212)		(3,212)
Minimum pension liability adjustment				157		157
Total comprehensive income						64,758
Dividends paid			(13,118)			(13,118)
Conversion of convertible debt	105	105				210
Purchase of treasury stock					(105)	(105)
Reissuance of treasury stock					38	38
Balance at March 31, 2002	$198,642	$193,629	$257,403	$ (8,143)	$ (67)	$641,464

The accompanying notes are an integral part of these statements.

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2002, 2001 and 2000

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Cash flows from operating activities:				
Net income	¥ 3,707	¥ 10,711	¥ 6,580	$ 49,381
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	5,399	7,616	9,088	68,203
Amortization	188	473	1,589	11,925
(Gain) loss on sales of marketable securities	(2,201)	10	7	53
Loss on devaluation of marketable securities	2,164	2,890	1,393	10,454
Loss on sales and disposal of property, plant and equipment	788	201	2,422	18,176
Deferred income taxes	(39)	1,323	(2,957)	(22,191)
Minority interest in income (loss) of consolidated subsidiaries	202	(93)	318	2,386
Equity in net (income) losses of affiliated companies	1,439	(89)	2,417	18,139
Loss (gain) on derivative instruments, net	3,282	(3,355)	(8)	(60)
Gain from issuance of securities by affiliated companies	—	(449)	—	—
Gain from sale of investments in affiliated companies	—	(1,861)	(11)	(83)
Changes in operating assets and liabilities:				
Increase in notes and accounts receivable	(2,544)	(3,514)	(2,050)	(15,385)
Decrease (increase) in inventories	2,531	(4,754)	3,917	29,396
Increase (decrease) in notes and accounts payable	1,218	(1,320)	(2,566)	(19,257)
Increase (decrease) in accrued income taxes	(3,989)	1,325	1,351	10,139
Other	699	693	(227)	(1,704)
Net cash provided by operating activities	12,844	9,807	21,263	159,572
Cash flows from investing activities:				
Additions to property, plant and equipment	(10,624)	(9,822)	(19,270)	(144,615)
Proceeds from sales of property, plant and equipment	4,012	420	2,124	15,940
Purchases of marketable securities	(2,803)	(865)	(219)	(1,644)
Proceeds from sales of marketable securities	5,441	171	237	1,779
Investments in and advances to affiliated companies	(2,445)	(25,131)	(1,819)	(13,651)
Proceeds from sales of investment in affiliated companies	—	2,135	192	1,441
(Payments) proceeds for additional investments in subsidiaries, net of cash acquired	(281)	661	2,962	22,229
Other	(114)	(891)	124	930
Net cash used in investing activities	¥ (6,814)	¥ (33,322)	¥ (15,669)	$ (117,591)

The accompanying notes are an integral part of these statements.

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2002, 2001 and 2000

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Cash flows from financing activities:				
(Decrease) increase in short-term borrowings	¥ (245)	¥ 19,067	¥ 4,105	$ 30,807
Proceeds from issuance of long-term debt	241	3,290	3,393	25,463
Repayments of long-term debt	(342)	(2,784)	(3,279)	(24,608)
Dividends paid	(947)	(951)	(1,748)	(13,118)
Other	84	909	(935)	(7,017)
Net cash (used in) provided by financing activities	(1,209)	19,531	1,536	11,527
Effect of exchange rate changes on cash and cash equivalents	(1,709)	1,556	1,161	8,713
Net increase (decrease) in cash and cash equivalents	3,112	(2,428)	8,291	62,221
Cash and cash equivalents at beginning of year	29,520	32,632	30,204	226,672
Cash and cash equivalents at end of year	¥ 32,632	¥ 30,204	¥ 38,495	$ 288,893

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations:

NIDEC Corporation (the "Company") and its subsidiaries (collectively "NIDEC") are primarily engaged in the design, development, manufacturing and marketing of i) small precision motors, which include spindle motors for computer hard disk drives, motors for CD-ROM and DVD players, small precision fans and, vibration motors for mobile phones; ii) mid-size motors, which are used in various household appliances, automobiles and industrial equipment; iii) machinery and power supplies, which includes power transmission equipment, board testers, semi-conductor manufacturing supplies, substrate inspection equipment and measuring equipment; and iv) other products, which include auto parts, pivot assemblies, encoders and other services. Manufacturing operations are located primarily in Asia (China, Taiwan, Singapore, Thailand, Malaysia and the Philippines), and the Company has sales subsidiaries in Asia, North America and Europe.

The main customers for spindle motors are manufacturers of hard disk drives. NIDEC also sells its products to the manufacturers of various automation equipment, home electrical appliances, home video game consoles, and telecommunication and audio-visual equipment.

2. Summary of significant accounting policies:

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Estimates –

The preparation of NIDEC's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates include allowance for doubtful accounts, depreciation and amortization of long-lived assets, deferred tax asset valuation allowance and pension liabilities. Actual results could differ from those estimates

Basis of consolidation and accounting for investments in affiliated and joint venture companies —

The consolidated financial statements include the accounts of the Company and those of its majority-owned subsidiary companies. All significant intercompany transactions and accounts have been eliminated. Companies over which NIDEC exercises significant influence, but which it does not control, are classified as affiliated companies and accounted for using the equity method. The Company's investments in joint venture companies are also accounted for using the equity method. The joint venture is comprised of two separate entities, Nidec Johnson Electric (Hong Kong) Limited and Nidec Johnson Electric Corporation. NIDEC owns 49% of Nidec Johnson Electric (Hong Kong) Limited and 51% of Nidec Johnson Electric Corporation, which is not considered to be controlled by NIDEC as the minority shareholder has significant participating rights. Consolidated net income includes NIDEC's equity in current earnings (losses) of such companies, after elimination of unrealized intercompany profits.

A subsidiary or an affiliated company may issue shares to third parties in a public offering or upon the conversion of convertible debt to common shares at amounts per share that are in excess of or less than NIDEC's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in interest are recorded in income for the year when the change in interest transaction occurs.

Translation of foreign currencies —

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the year end exchange rates and all income and expense accounts are translated at exchange rates that approximate those prevailing at the time of the transactions. The resulting translation adjustments are included as a component of accumulated other comprehensive income in shareholders' equity.

Assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates and the resulting transaction gains or losses are taken into income.

Cash and cash equivalents —

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

Inventories —

Inventories are stated at the lower of cost or market. Cost is determined principally on the average cost basis. Cost includes the cost of materials, labor and applied factory overhead. Projects in progress, which mainly relate to production of factory automation equipment based on contracts with customers, are stated at the lower of cost or estimated realizable value, cost being determined as the accumulated production cost.

Marketable securities —
Marketable securities consist of equity securities that are listed on recognized stock exchanges. Equity securities designated as available-for-sale are carried at fair value with changes in unrealized gains or losses included as a component of accumulated other comprehensive income in shareholders' equity, net of applicable taxes. Realized gains and losses are determined on the average cost method and are reflected in the statement of income. Other than temporary declines in market value of individual securities classified as available-for-sale are charged to income in the period the loss occurs.

Derivative financial instruments —
NIDEC employs derivative financial instruments, including foreign currency options, interest rate swap, interest rate cap agreements and foreign exchange forward contracts to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. Derivative contracts are marked to market and changes in value, both increases and decreases, are recognized directly in the consolidated statement of income. No derivatives are designated as hedges or accounted for as hedges.

Property, plant and equipment —
Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized; minor replacements, maintenance and repairs are charged to current operations. Depreciation of property, plant and equipment is mainly computed on the declining-balance method to reflect the accelerated basis on which machinery is replaced earlier due to short product cycles and rapid technology changes by the Company, its Japanese subsidiaries and its Thai manufacturing subsidiary, which mainly produce high-end spindle motors for hard disk drives and are usually the first to commence production of new products, and on the straight-line method for foreign subsidiary companies (except for the Thai manufacturing subsidiary) at rates based on the estimated useful lives of the assets. Estimated useful lives are 7 years for prefabricated warehouses, and range from 10 to 20 years for most spindle motor factories, from 15 to 40 years for factories to produce other products, 50 years for the head office and sales offices, from 3 to 18 years for leasehold improvement, and from 2 to 13 years for machinery and equipment.

Depreciation expense amounted to ¥5,399 million, ¥7,616 million, and ¥9,088 million ($68,203 thousand) for the years ended March 31, 2000, 2001 and 2002, respectively.

Goodwill —
Goodwill represents the excess of purchase price and related costs over the fair value of net assets of acquired businesses. Goodwill is amortized on a straight-line basis mainly over 5 years. Goodwill acquired in business combinations initiated after June 30, 2001 is not amortized but tested for impairment under certain circumstances, and written off when impaired.

Long-lived assets —
NIDEC reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated as the excess of the assets carrying value over its fair value.

Revenue recognition —
NIDEC recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable. For motors and power supplies, these criteria are generally met at the time product is delivered to the customers' site. Revenue for machinery and equipment sales is recognized upon receipt of final customer acceptance. At the time related revenue is recognized, NIDEC makes provisions for estimated product returns.

Advertising costs —
Advertising and sales promotion costs are expensed as incurred. Advertising costs were ¥47 million, ¥81 million, and ¥70 million ($525 thousand) for the years ended March 31, 2000, 2001 and 2002, respectively.

Income taxes —
The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Net income per share —
Basic net income per common share is calculated by dividing net income by the weighted-average number of shares outstanding during the reported period. The calculation of diluted net income per common share is similar to the calculation of basic net income per share, except that the weighted-average number of shares outstanding includes the additional dilution from potential common stock equivalents such as convertible bonds and warrants. All per share amounts have been restated to reflect the retroactive effect of stock splits.

Other comprehensive income —
Other comprehensive income refers to revenues, expenses, gains and losses that are included in comprehensive income, but are excluded from net income as these amounts are recorded directly as an adjustment to shareholders' equity. NIDEC's other comprehensive income is primarily comprised of unrealized gains/losses on marketable securities designated as available-for-sale, foreign currency translation adjustments and adjustments to recognize additional minimum liabilities associated with NIDEC's defined benefit pension plans.

Recent pronouncements —
In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations to be accounted for using the purchase method of accounting and is effective for all business combinations initiated after June 30, 2001. SFAS 142 requires goodwill to be tested for impairment under certain circumstances, and written off when impaired, rather than being amortized as previous standards required. SFAS 142 is effective for NIDEC beginning April 1, 2002. The adoption of SFAS 141 did not have a material effect on NIDEC's operating results or financial condition. NIDEC is currently assessing the impact of SFAS 142 on its operating results and financial condition.

In June 2001, the FASB issued SFAS 143 "Accounting for Asset Retirement Obligations." NIDEC is required to adopt SFAS 143 effective for NIDEC on April 1, 2003. SFAS 143 requires full recognition of asset retirement obligations on the balance sheet from the point in time at which a legal obligation exists. The obligation is required to be measured at fair value. The carrying value of the asset or assets to which the retirement obligation relates would be increased by an amount equal to the liability recognized. This amount would then be included in the depreciable base of the asset and charged to income over its life as depreciation. NIDEC is currently in the process of evaluating the impact that SFAS 143 will have on its consolidated financial statements.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and provides new rules on asset impairment and a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of SFAS 121, the new rules significantly change the criteria that would have to be met to classify an asset as held-for-sale. The new rules also supersede the provisions of APB Opinion 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," with regard to reporting the effects of a disposal of a segment of a business and require expected future operating losses from discontinued operations to be displayed in discontinued operations in the period (s) in which the losses are incurred. SFAS 144 is effective for NIDEC on April 1, 2002. Although NIDEC has not yet fully assessed the impact of SFAS 144 on NIDEC's operating results and financial condition, NIDEC believes that the impact will not be material.

3. U.S. dollar amounts:
U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the convenience of the reader and are unaudited. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars. For this purpose, the rate of ¥133.25 = U.S. $1, the approximate current exchange rate at March 31, 2002, was used for the translation of the accompanying consolidated financial results of NIDEC as of and for the year ended March 31, 2002.

4. Acquisitions and dispositions:
In October 1999, NIDEC acquired 71.0% of the stock of the Nidec Nemicon Corporation (formerly Nemicon Corporation), which designs, develops, manufactures and services rotary encoders, proximity sensors and other instruments. In March 2000, NIDEC acquired 67.0% of stock of Nidec Power Motor Corporation (formerly Y-E Drive Corporation), which designs, develops, manufactures and services mid-size motors for industrial equipment, home electronics and mid-size motor-based equipment. These acquisitions have been accounted for as purchase transactions.

In September 2000, NIDEC acquired additional ownership (60.0%) in Nidec Shibaura Corporation (formerly Shibaura Nidec Corporation), which designs, develops, manufactures and markets mid-size motors for home electronics and vehicles, mid-size motor-based equipment, electronic tools and water supply pumps. As a result of this acquisition, Nidec Shibaura Corporation became a wholly owned subsidiary of NIDEC. NIDEC previously accounted for this investment using the equity method of accounting and the step-up is accounted for as a purchase transaction. In addition, NIDEC acquired additional ownership in certain other affiliated companies.

The following represents the unaudited pro forma results of operations of NIDEC for the year ended March 31, 2000 and 2001, as if the acquisition in these companies had occurred on April 1, 1999. The unaudited pro forma results of operations reflect certain pro forma adjustments primarily related to goodwill amortization. The unaudited pro forma results of operations are presented for comparative purposes only and are not necessarily indicative of the results of operations that may occur in the future or that would have occurred had the acquisitions been in effect on the dates indicated.

	Yen in millions		U.S. dollars in thousands
	For the year ended March 31 (Unaudited)		For the year ended March 31 (Unaudited)
	2000	2001	2001
Pro forma net sales	¥ 171,308	¥ 183,255	$ 1,375,272
Pro forma net income	961	10,324	77,478
	Yen		U.S. dollars
Pro forma net income per common share			
— basic	¥ 15.19	¥ 162.63	$ 1.22
— diluted	14.74	154.17	1.16

From April 2001, Nidec Copal Philippines Corporation (“NCPC”) and Nidec Copal (Vietnam) Co., Ltd. (“NCVC”) were no longer consolidated due to the sale of shares of NCPC to Nidec Copal Corporation (“NCPL”) and a capital increase by NCVC which was largely funded by NCPL. As a result of these transactions, NCPC and NCVC became consolidated subsidiaries of NCPL, which is accounted for using the equity method by NIDEC.

In February 2002, NIDEC acquired additional ownership of 1.05% in Nidec-Shimpo Corporation (“NSCJ”), which manufactures and markets power transmission equipment, factory automation systems, measuring equipment and ceramic art equipment and NSCJ became NIDEC’s 50.7% owned subsidiary. As a result of this acquisition, NIDEC increased its ownership of Nidec-Read Corporation (“NRCJ”), a subsidiary of NSCJ, which manufactures and markets various board testers and NRCJ also became NIDEC’s 60.4% owned subsidiary. NIDEC also increased its ownership of Nidec Tosok Corporation (“NTSC”), which manufactures and markets automotive parts, semiconductor equipment, high precision motors, measuring equipment and other products and NTSC also became NIDEC’s 51.0% owned subsidiary. NIDEC previously accounted for those investments using the equity method of accounting and these step-up acquisitions are accounted for in accordance with SFAS 141. As a result of these acquisitions, NIDEC increased its ownerships in certain other affiliated companies accounted for by the equity-method. The results of operations of the acquired businesses are included in the accompanying financial statements from their respective dates of acquisition. In addition, NIDEC made other step-up acquisitions in NSCJ and other affiliated companies other than discussed above. Those step-up acquisitions during the year amounted to ¥630 million in the aggregate.

The following represents the unaudited pro forma results of operations of NIDEC for the year ended March 31, 2001 and 2002, as if the acquisition in these companies had occurred on April 1, 2000. The unaudited pro forma results of operations are presented for comparative purposes only and are not necessarily indicative of the results of operations that may occur in the future or that would have occurred had the acquisitions been in effect on the dates indicated.

	Yen in millions For the year ended march 31 (Unaudited)		U.S. dollars in thousands For the year ended March 31 (Unaudited)
	2001	2002	2002
Pro forma net sales	¥ 213,670	¥ 227,860	$ 1,710,019
Pro forma net income	11,203	6,878	51,617
	Yen		U.S. dollars
Pro forma net income per common share			
— basic	¥ 176.47	¥ 108.22	$ 0.81
— diluted	167.24	103.28	0.78

The allocation of the aggregate cost of the acquisitions to the assets acquired and liabilities assumed is as follows:

	Yen in millions March 31			U.S. dollars in thousands March 31
	2000	2001	2002	2002
Cash and cash equivalents	¥ 464	¥ 1,261	¥ 3,592	$ 26,957
Accounts receivable	3,927	8,903	8,825	66,229
Inventories	942	2,910	4,675	35,084
Other current assets	203	755	1,789	13,426
Property, plant and equipment	3,861	5,777	18,987	142,491
Other non-current assets	1,183	2,628	2,910	21,839
Fair value of assets acquired	10,580	22,234	40,778	306,026
Short-term borrowings and current portion of long-term debt	(4,026)	(9,301)	(10,930)	(82,026)
Accounts payable	(2,355)	(6,433)	(4,795)	(35,985)
Other current liabilities	(206)	(1,567)	(2,265)	(16,998)
Long-term debt	(2,140)	(3,140)	(296)	(2,222)
Other non-current liabilities	(701)	(3,785)	(4,019)	(30,161)
Fair value of liabilities assumed	(9,428)	(24,226)	(22,305)	(167,392)
Minority interest	(301)	(1,105)	(8,038)	(60,323)
Goodwill	(106)	3,311	1,635	12,270
Investments in affiliated companies, net of accumulated losses of an affiliated company in excess of investment	—	386	(11,440)	(85,853)
Purchase price	745	600	630	4,728
Cash acquired	(464)	(1,261)	(3,592)	(26,957)
Net cash paid (acquired)	¥ 281	¥ (661)	¥ (2,962)	$ (22,229)

5. Supplemental cash flow information:

Cash payments for income taxes were ¥5,903 million, ¥1,932 million and ¥3,732 million ($28,008 thousand) for the years ended March 2000, 2001 and 2002, respectively. Interest payments during the years ended March 2000, 2001 and 2002 were ¥750 million, ¥1,303 million and ¥1,118 million ($8,390 thousand), respectively.

Capital lease obligations of ¥481 million, ¥345 million and ¥949 million ($7,122 thousand) were incurred for the years ended March 31, 2000, 2001 and 2002, respectively.

Conversions of convertible debt into common stock were ¥1,572 million, ¥164 million and ¥28 million ($210 thousand) for the years ended March 31, 2000, 2001 and 2002, respectively.

6. Allowance for doubtful accounts:

An analysis of activity within the allowance for doubtful accounts relating to trade notes and accounts receivable and notes receivable for the years ended March 31, 2000, 2001 and 2002 is as follows:

	Yen in millions			U.S. dollars in thousands
	March 31			March 31
	2000	2001	2002	2002
Allowance for doubtful accounts at beginning of year	¥ 368	¥ 319	¥ 397	$ 2,979
Provision for doubtful accounts	238	368	67	503
Collection	(111)	(20)	(2)	(15)
Write-offs	(158)	(320)	(53)	(397)
Write-backs	—	—	(69)	(518)
Translation adjustment and other	(18)	50	38	285
Allowance for doubtful accounts at end of year	¥ 319	¥ 397	¥ 378	$ 2,837

7. Inventories:

Inventories consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Finished goods	¥ 8,553	¥ 9,222	$ 69,208
Raw materials	5,972	4,748	35,632
Work in process	2,900	4,458	33,456
Project in progress	1,608	705	5,291
Supplies and other	476	468	3,512
	¥ 19,509	¥ 19,601	$ 147,099

8. Prepaid expenses and other current assets:

Prepaid expenses and other current assets as of March 31, 2001 and 2002 consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Other receivable	¥ 2,509	¥ 2,006	$ 15,054
Deferred tax assets	563	2,054	15,415
Other	1,257	2,114	15,865
	¥ 4,329	¥ 6,174	$ 46,334

"Other" primarily consists of short-term loans receivable, prepaid expenses and other.

9. Marketable securities and other securities investments:

Marketable securities and other securities investments include debt and equity securities for which the aggregate fair value, gross unrealized gains and losses and cost are as follows:

	Yen in millions			
	March 31, 2001			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Equity securities	¥ 6,731	¥ 243	¥ 298	¥ 6,676
Securities not practicable to fair value				
Equity securities	¥ 286			

	Yen in millions			
	March 31, 2002			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	¥ 40	¥ 0	¥ 1	¥ 39
Equity securities	6,263	283	728	5,818
Total	¥ 6,303	¥ 283	¥ 729	¥ 5,857
Securities not practicable to fair value				
Equity securities	¥ 526			

	U.S. dollars in thousands			
	March 31, 2002			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	$ 300	$ 0	$ 8	$ 292
Equity securities	47,002	2,125	5,462	43,665
Total	$ 47,302	$ 2,125	$ 5,470	$ 43,957
Securities not practicable to fair value				
Equity securities	$ 3,945			

At March 31, 2002, the contractual maturities of available-for-sale securities are summarized as follows:

	Yen in millions		U.S. dollars in thousands	
	March 31, 2002		March 31, 2002	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥ 4	¥ 4	$ 30	$ 30
Due after 1 year to 5 years	31	30	233	227
Due after 5 years	5	5	37	35
	¥ 40	¥ 39	$ 300	$ 292

During the year ended March 31, 2000, 2001 and 2002, the net unrealized gain on available-for-sale securities included as a component of accumulated other comprehensive income, net of applicable taxes, decreased by ¥134 million, increased by ¥744 million and decreased by ¥428 million ($3,212 thousand), respectively.

Proceeds from sales of available-for-sale securities were ¥5,441 million, ¥171 million and ¥237 million ($1,779 thousand) for the years ended March 31, 2000, 2001 and 2002, respectively. On those sales, gross realized gains were ¥2,222 million, ¥15 million and ¥8 million ($60 thousand) and gross realized losses were ¥21 million, ¥25 million and ¥14 million ($105 thousand), respectively.

On April 2, 1999, NIDEC purchased for ¥2,000 million a note issued by Princeton Global Management Inc. The face amount of the note was ¥2,000 million and it was due to mature on September 29, 1999. On September 30, 1999, the Princeton Global Management Inc. defaulted on its obligation with respect to the note. NIDEC recognized a devaluation loss of ¥2,000 million as a realized loss on marketable securities in the consolidated statement of income for the year ended March 31, 2000.

On January 18, 2002, NIDEC received approximately ¥1,689 million ($12,675 thousand) from the settlement of a dispute with HSBC USA Inc. and Republic Securities, which is an affiliate of HSBC USA Inc. and previously served as custodian for the Princeton Global Management Inc.. This dispute arose out of the fact that, on September 30, 1999, Princeton Global Management Inc. defaulted on the note. The settlement gain of ¥1,689 million ($12,675 thousand) is included in “Other, net” in the consolidated statement of income for the year ended March 31, 2002. In addition, NIDEC expects to receive approximately $1.5 million from the receiver of Princeton Global Management Inc., currently in liquidation, as NIDEC’s share of its net residual assets. The amount to be paid by the receiver, however, is subject to change depending on the final size of the net residual assets of Princeton Global Management Inc.

NIDEC holds long-term investment securities that are classified as “marketable securities and other securities investments.” These securities were issued by various non-public companies. These securities are recorded at cost, as their fair values are not readily determinable. NIDEC’s management employs a systematic methodology to assess the recoverability of such investments by reviewing the financial position of the underlying companies and the prevailing market conditions in which these companies operate to determine if NIDEC’s investment in each individual company is impaired and whether the impairment is other-than-temporary. If any impairment is determined to be other-than-temporary, the cost of the investment is written-down by the impaired amount and the amount is recognized currently as a realized loss.

10. Investments in and transactions with affiliated companies

Summarized financial information for affiliated companies accounted for using the equity method, which is presented based on accounting principles generally accepted in the United States of America, is shown below:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Current assets	¥ 88,243	¥ 45,644	$ 342,544
Non-current assets	64,829	33,560	251,858
Total assets	¥ 153,072	¥ 79,204	$ 594,402
Current liabilities	¥ 64,273	¥ 20,700	$ 155,347
Long-term liabilities	25,453	16,557	124,255
Minority interest	3,921	1,628	12,218
Shareholders’ equity	59,425	40,319	302,582
Total liabilities, minority interest and shareholders’ equity	¥ 153,072	¥ 79,204	$ 594,402
NIDEC’s share of shareholders’ equity	¥ 25,583	¥ 17,610	$ 132,158
NIDEC’s investment in equity-method affiliates	¥ 39,572	¥ 28,084	$ 210,762
Number of affiliated companies at end of period	12	9	

For the year ended March 31, 2001, NIDEC acquired additional ownership in equity method affiliates with an aggregate acquisition cost of ¥24,067 million. NIDEC disposed of investments with a carrying amount of ¥242 million for a net gain of ¥1,861 million and received dividends of ¥346 million. In addition, NIDEC’s carrying amount of investments i) increased by ¥2,402 million for its share of affiliate net income; ii) decreased by ¥2,313 million for adjustments and amortization over five years of the excess of NIDEC’s carrying amount over its share of affiliate equity; iii) increased by ¥449 million as a result of issuances of securities by affiliates to third parties; and iv) decreased by ¥106 million as a result of changes in the affiliates’ other comprehensive income.

For the year ended March 31, 2002, NIDEC acquired additional ownership in Nidec-Shimpo Corporation, Nidec-Read Corporation, Nidec Tosok Corporation and certain other affiliated companies accounted for by the equity method. NIDEC’s ownership interests in these companies increased to over 50% and NIDEC’s consolidated financial statements include the accounts of these majority-owned subsidiaries from the acquisition dates.

As a result, NIDEC's carrying amount of investment in equity method affiliates decreased by ¥11,773 million ($88,353 thousand).

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Net revenues	¥ 140,676	¥ 136,109	¥ 130,643	$ 980,435
Gross profit	¥ 26,604	¥ 24,405	¥ 21,855	$ 164,015
Net income	¥ 264	¥ 6,401	¥ 3,319	$ 24,908
NIDEC's share of net income	¥ 18	¥ 2,402	¥ 1,331	$ 9,989
Amortization/adjustments	(1,457)	(2,313)	(3,748)	(28,128)
Equity income (loss)	¥ (1,439)	¥ 89	¥ (2,417)	$ (18,139)

As of March 31, 2001, entities comprising a significant portion of NIDEC's investment in affiliated companies include Nidec Copal Corporation (42.85%), Nidec Copal Electronics Corporation (40.08%) and Nidec Tosok Corporation (49.18%), Nidec-Shimpo Corporation (47.46%) and Nidec-Read Corporation (18.97%).

As of March 31, 2002, entities comprising a significant portion of NIDEC's investment in affiliated companies include Nidec Copal Corporation (46.65%) and Nidec Copal Electronics Corporation (40.81%). Amortization/adjustments increased due to the increase in amortization of goodwill of additional investments in equity method affiliates acquired for the year ended March 31, 2001. The significant decrease in carrying amount of investment in equity method affiliates due to newly consolidated subsidiaries did not decrease amortization/adjustments substantially because the transactions were made in February 2002.

Certain affiliated companies accounted for using the equity method with carrying amounts of ¥38,113 million (5 companies) and ¥ 26,203 million ($196,645 thousand) (2 companies) at March 31, 2001 and 2002, respectively, were quoted on various established stock markets at an aggregate market capitalization of ¥50,291 million and ¥36,973 million ($277,471 thousand), respectively.

Account balances and transactions with affiliated companies are presented below:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Trade notes and accounts receivable	¥ 2,141	¥ 1,894	$ 14,214
Trade notes and accounts payable	2,058	667	5,006

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Sales of products	¥ 345	¥ 1,798	¥ 2,745	$ 20,600
Purchases of goods	4,800	4,693	8,262	62,004

Dividends from affiliated companies accounted for by the equity method for the years ended March 31, 2000, 2001 and 2002 were ¥168 million, ¥346 million and ¥583million ($4,375 thousand), respectively.

In August 1999, Nidec Copal Corporation issued unsecured 1.56% bonds, due 2003, to the Company with detachable warrants. As of March 31, 2001 and 2002, the Company holds the ex-warrant bonds at cost in the amount of ¥495 million and ¥497 million ($3,730 thousand), respectively, included in "Investments in and advances to affiliated companies" in the consolidated balance sheets.

In September 1999, Nidec Tosok Corporation issued unsecured 1.37% bonds, due 2003, to the Company with detachable warrants. As of March 31, 2001, the Company holds ex-warrant bonds in the amount of ¥296 million, included at cost in "Investments in and advances to affiliated companies" in the consolidated balance sheets.

Loans receivable from affiliated companies accounted for by the equity method was ¥929 million and ¥1,195 million ($8,968 thousand) as of March 31, 2001 and 2002, respectively.

In September 2000, the Company entered into a management agreement with each of Nidec Copal Corporation and Nidec Copal Electronics Corporation, which are two of NIDEC's equity method affiliates. Under these management agreements, Nidec Copal

Corporation and Nidec Copal Electronics Corporation agreed that they would not enter into material transactions or take material actions without first consulting with the Company and obtaining prior approval. The matters subject to the Company's prior approval include: election and dismissal of directors and corporate auditors; compensation to be paid to directors and corporate auditors; adoption or revision of important internal regulations; acquisition or disposition of material assets; adoption of basic policies with respect to the company's business plan; compensation of employees; adoption of basic policies with respect to the company's financing plan; and matters relating to the company's trademarks. Under these agreements, the two affiliates are also obligated to make periodic reports to the Company on matters such as their transactions with financial institutions, management personnel matters, and their annual, semi-annual and monthly statements of accounts. The Company has the right to send its observers to these companies' monthly management meetings. These agreements do not have an express termination provision. In addition, NIDEC's voting interest approximated 43% and 47% in Nidec Copal Corporation and 40% and 41% in Nidec Copal Electronics Corporation at March 31, 2001 and 2002, respectively. NIDEC's voting interests and the management agreements provide the Company with significant influence over Nidec Copal Corporation and Nidec Copal Electronics Corporation but do not provide the Company with legal majority control over matters that are put to their respective shareholder groups or Boards of Directors.

11. Other non-current assets:

Other non-current assets as of March 31, 2001 and 2002 consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Goodwill	¥ 3,012	¥ 3,611	$ 27,099
Deferred tax assets	1,749	6,086	45,674
Other	1,894	1,957	14,687
	¥ 6,655	¥ 11,654	$ 87,460

"Other" primarily consists of long-term prepaid expenses and other.

12. Short-term borrowings and long-term debt:

Short-term borrowings at March 31, 2001 and 2002 consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Loans, principally from banks with average interest at March 31, 2001 of 2.531% per annum and at March 31, 2002 of 1.358% per annum, respectively	¥ 43,937	¥ 58,395	$ 438,236

At March 31, 2002, NIDEC had unused lines of credit amounting to ¥42,007 million ($315,250 thousand) with banks. Under these programs, NIDEC is authorized to obtain short-term financing at prevailing interest rates for periods not in excess of 360 days.

Long-term debt at March 31, 2001 and 2002 comprises the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Secured loans, representing obligations principally to banks and insurance companies, due 2001 to 2009 in 2001 and 2002 to 2006 in 2002 with interest ranging from 1.28% to 3.65% per annum in 2001 and from 1.90% to 3.65% per annum in 2002	¥ 2,559	¥ 2,851	$ 21,396
Unsecured loans, representing principally to banks, due 2001 to 2032 in 2001 and 2002 to 2021 in 2002 with interest ranging from 0.98% to 6.23% per annum in 2001 and from 0.00% to 4.7 % per annum in 2002	5,603	6,778	50,866
Unsecured 1.0% convertible bonds, due 2003, convertible currently at ¥1,862.10 ($14) for one common share, redeemable before due date	372	345	2,589
Unsecured 0.8% convertible bonds, due 2006, convertible currently at ¥6,842 ($51) for one common share, redeemable before due date	9,280	9,280	69,644
Unsecured 0.5% convertible bonds due 2004, convertible currently at ¥6,842 ($51) for one common share, redeemable before due date	4,700	4,699	35,265
Unsecured 0.125% convertible bonds due 2003, convertible currently at ¥6,842 ($51) for one common share, redeemable before due date	9,820	9,820	73,696
Unsecured 0.6% convertible bonds, due 2003, convertible currently at ¥881.80 ($7) for one common share of Nidec Tosok Corporation, redeemable before due date	—	12	90
Long-term capital lease obligations, due 2001 to 2015 in 2001 and due 2003 to 2015 in 2002, with interest ranging from 1.625% to 16.0% per annum in 2001 and from 1.6% to 16.0% per annum in 2002	2,393	2,940	22,064
	34,727	36,725	275,610
Less—Current portion due within one year	(3,839)	(15,365)	(115,310)
	¥ 30,888	¥ 21,360	$ 160,300

The aggregate amounts of annual maturities of long-term debt during the next five years are as follows:

Year ending March 31	Yen in millions	U.S. dollars in thousands
2003	¥ 15,365	$ 115,310
2004	9,056	67,963
2005	1,278	9,591
2006	10,095	75,760
2007	191	1,433
2008 and thereafter	740	5,553

At March 31, 2002, property, plant and equipment, and securities with book value of ¥1,430 million ($10,732 thousand) and ¥1,658 million ($12,443 thousand), respectively, were mortgaged as collateral for borrowings from banks. Standard agreements with certain banks in Japan include provisions that collateral (including sums on deposit with such banks) or guarantors will be furnished upon the banks' request and that any collateral furnished, pursuant to such agreements or otherwise, will be applicable to all present or future indebtedness to such banks.

13. *Other current liabilities:*

Other current liabilities as of March 31, 2001 and 2002 consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Accrued expenses	¥ 3,967	¥ 5,507	$ 41,328
Income taxes payable	2,380	3,842	28,833
Other	3,103	3,134	23,520
	¥ 9,450	¥ 12,483	$ 93,681

"Other" primarily consists of payable for property, plant and equipment, and other.

14. *Pension and severance plans:*

The Company and subsidiaries in Japan sponsor pension and retirement plans, which entitle employees, under most circumstances, to lump-sum indemnities or pension payments based on current rates of pay and length of service. Under normal circumstances, the minimum payment prior to retirement age is an amount based on voluntary retirement. Employees receive additional benefits upon involuntary retirement, including retirement at the mandatory retirement age. With respect to directors' resignations, lump-sum severance indemnities are calculated by using a similar formula and are subject to approval of the shareholders.

Employees in Japan are members of contributory funded defined benefit pension plans, which are pursuant to the Japanese Welfare Pension Insurance Law. The contributory pension plans cover a portion of the governmental welfare pension program, under which the contributions are made by the companies and their employees, and an additional portion representing the noncontributory pension plans. The pension benefits are determined based on years of service and the compensation amounts as stipulated in the aforementioned regulations, and are payable, at the option of the retiring employee, as a monthly pension payment or as a lump-sum payment. The contributions to the plans are funded with several financial institutions in accordance with applicable laws and regulations.

NIDEC adopted Statement of Financial Accounting Standards No. 87, "Employer's Accounting for Pensions" on April 1, 1999, due to the initial preparation of financial information in accordance with accounting principles generally accepted in the United States and the unavailability of actuarial data for previous periods. Upon adoption, the resulting transition obligation of ¥1,374 million is being amortized from April 1, 1989 over a period of 15 years. The amortization of the transition obligation for the period from April 1, 1989 to March 31, 1999 of ¥918 million has been recorded as an adjustment to beginning shareholders' equity at April 1, 1999.

Information regarding NIDEC's employees' defined benefit plans is as follows:

	Yen in millions March 31 2001	Yen in millions March 31 2002	U.S. dollars in thousands March 31 2002
Change in benefit obligation:			
Benefit obligation at the beginning of year	¥ 5,477	¥ 8,845	$ 66,379
Service cost	676	550	4,128
Interest cost	202	244	1,831
Plan participants' contributions	95	94	705
Actuarial loss	(150)	779	5,846
Past service cost	—	(836)	(6,274)
Acquisition and other	2,817	3,889	29,186
Foreign currency exchange rate changes	6	3	23
Benefits paid	(278)	(544)	(4,083)
	8,845	13,024	97,741
Change in plan assets:			
Fair value of plan assets at the beginning of year	3,022	3,638	27,302
Actual return on plan assets	(254)	(21)	(158)
Employer contribution	259	393	2,949
Acquisition and other	696	416	3,122
Plan participants' contributions	95	94	706
Foreign currency exchange rate changes	—	2	15
Benefits paid	(180)	(199)	(1,493)
Fair value of plan assets at the end of year	3,638	4,323	32,443
Funded status	5,207	8,701	65,298
Unrecognized actuarial loss	194	(757)	(5,681)
Unrecognized net transition obligation	(274)	(183)	(1,373)
Unrecognized prior service cost	—	815	6,116
	¥ 5,127	¥ 8,576	$ 64,360
Amounts included in the consolidated balance sheets are comprised of:			
Accrued pension and severance costs	¥ 5,345	¥ 8,576	$ 64,360
(Other non-current assets)	(218)	—	—
Net amounts recognized	¥ 5,127	¥ 8,576	$ 64,360

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Weighted-average assumptions:				
Discount rate	3.0%	3.0%	2.0-2.7%	
Expected return on plan assets	4.5%	3.5-4.5%	1.0-3.0%	
Rate of compensation increase	2.8%	2.8%	1.5-3.9%	
Components of net periodic (benefit) cost:				
Service cost	¥ 519	¥ 676	¥ 550	$ 4,128
Interest cost	147	202	244	1,831
Expected return on plan assets	(122)	(142)	(145)	(1,089)
Amortization of unrecognized net actuarial loss	—	(3)	—	—
Amortization of net transition obligation	91	91	91	683
Amortization of unrecognized prior service cost	—	16	(22)	(165)
Net periodic pension cost	¥ 635	¥ 840	¥ 718	$ 5,388

The Company and its Japanese subsidiaries represent substantially all of the pension obligation at March 31, 2000, 2001 and 2002. The weighted-average assumptions used for the discount rate and expected rate of return on plan assets used to determine the pension obligation for the Company and the Japanese subsidiaries were 3.0% and 4.5% for the year ended March 31, 2000, 3.0% and 3.5% to 4.5% for the year ended March 31, 2001 and 2.0% to 2.7% and 1.0% to 3.0% for the year ended March 31, 2002, respectively.

Unrecognized prior service cost and unrecognized actuarial gain and loss are amortized using the straight-line method over the average remaining service period of active employees.

15. Shareholders' equity:

On May 19, 2000, the Company completed a two-for-one stock split. The number of shares issued was 31,721,969 shares. There was no increase in the common stock account because the new shares were distributed from the portion of previously issued shares accounted for as excess of par value in the common stock account in accordance with the Japanese Commercial Code. All per share amounts have been restated to reflect the retroactive effect of the stock split.

Conversions of convertible debt into common stock are accounted for in accordance with the provisions of the Japanese Commercial Code by crediting approximately one-half of the conversion proceeds to the common stock account and the remainder to the additional paid-in capital account.

The Japanese Commercial Code provides that an amount equal to at least 10% of annual cash dividends and other distributions from retained earnings (including bonuses to Directors and Corporate Auditors) and an amount equal to 10% of interim dividends paid by the Company and its Japanese subsidiaries must be appropriated as a legal reserve. Before amendments to the Japanese Commercial Code that took effect on October 1, 2001, no further appropriation was required when the legal reserve reached 25% of stated capital. This reserve was not available for dividends under the Japanese Commercial Code but could be used to reduce a deficit or could be transferred to stated capital. Certain foreign subsidiaries were also required to appropriate their earnings to legal reserves under the laws of the respective countries. Legal reserves included in retained earnings as of March 31, 2000 and 2001 were ¥918 million and ¥1,060 million, respectively.

Due to the amendments to the Japanese Commercial Code that took effect on October 1, 2001, the appropriation of the legal reserve is now required until the sum of the legal reserve and the additional paid-in capital equals 25% of stated capital. As was the case prior to the amendments, the portion of the legal reserve and the additional paid-in capital not exceeding 25% of stated capital is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital. However, the portion of the legal reserve and the additional paid-in capital exceeding 25% of stated capital is available for dividends subject to approval at the shareholders' ordinary general meeting. The additional paid-in capital currently exceeds 25% of stated capital and the legal reserve is available for dividends except with respect to certain foreign subsidiaries that are required to appropriate their earnings to legal reserves and are unavailable for dividends under the laws of the respective countries. Legal reserve included in retained earnings for such foreign subsidiaries as of March 31, 2002 was ¥503 million ($3,775 thousand).

The amounts of unrestricted consolidated retained earnings pursuant to accounting principles generally accepted in Japan were ¥24,603 million, ¥33,479 million and ¥38,631 million ($289,913 thousand) as of March 31, 2000, 2001 and 2002, respectively.

In accordance with customary practice in Japan, the appropriations are not accrued in financial statements for the period to which they relate, but are recorded in the subsequent accounting period after shareholders' approval has been obtained. Retained earnings at March 31, 2002 includes amounts representing final cash dividends of ¥636 million ($4,773 thousand), ¥10.0 ($0.1) per share, which will be approved at the shareholders' meeting held on June 26, 2002.

Retained earnings at March 31, 2000, 2001 and 2002 includes ¥4,606 million, ¥5,991 million and ¥1,385 million ($10,394 thousand) relating to equity in undistributed earnings of companies accounted for by the equity method.

Detailed components of accumulated other comprehensive income at March 31, 2000, 2001 and 2002 and the related changes, net of taxes, for the years ended March 31, 2000, 2001 and 2002 consist of the following:

	Yen in millions			
	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Minimum pension liability adjustments	Accumulated other comprehensive income (loss)
Balance at March 31, 1999	¥ (2,707)	¥ 144	¥ —	¥ (2,563)
Other comprehensive income (loss)	(2,635)	(134)	(30)	(2,799)
Balance at March 31, 2000	(5,342)	10	(30)	(5,362)
Other comprehensive income (loss)	1,485	744	(1)	2,228
Balance at March 31, 2001	(3,857)	754	(31)	(3,134)
Other comprehensive income (loss)	2,456	(428)	21	2,049
Balance at March 31, 2002	¥ (1,401)	¥ 326	¥ (10)	¥ (1,085)

	U.S. dollars in thousands			
	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Minimum pension liability adjustments	Accumulated other comprehensive income (loss)
Balance at March 31, 2001	$ (28,946)	$ 5,658	$ (232)	$ (23,520)
Other comprehensive income (loss)	18,432	(3,212)	157	15,377
Balance at March 31, 2002	$ (10,514)	$ 2,446	$ (75)	$ (8,143)

The minimum pension liability adjustment shown in the above table relates to a single affiliated company.

Tax effects allocated to each component of other comprehensive income for the years ended March 31, 2000, 2001 and 2002 are as follows:

	Yen in millions		
	Pre-tax amount	Tax expense	Net-of-tax amount
For the year ended March 31, 2000:			
Foreign currency translation adjustments	¥ (2,688)	¥ 53	¥ (2,635)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	1,907	(801)	1,106
Less: reclassification adjustment for (gains) losses included in net income	(2,037)	797	(1,240)
Minimum pension liability adjustment	(51)	21	(30)
Other comprehensive income (loss)	¥ (2,869)	¥ 70	¥ (2,799)
For the year ended March 31, 2001:			
Foreign currency translation adjustments	¥ 1,600	¥ (115)	¥ 1,485
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(1,498)	629	(869)
Less: reclassification adjustment primarily for other than temporary losses included in net income	2,900	(1,287)	1,613
Minimum pension liability adjustment	(2)	1	(1)
Other comprehensive income (loss)	¥ 3,000	¥ (772)	¥ 2,228
For the year ended March 31, 2002:			
Foreign currency translation adjustments	¥ 2,494	¥ (38)	¥ 2,456
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(1,959)	823	(1,136)
Less: reclassification adjustment primarily for other than temporary losses included in net income	1,400	(692)	708
Minimum pension liability adjustment	37	(16)	21
Other comprehensive income (loss)	¥ 1,972	¥ 77	¥ 2,049

	U.S. dollars in thousands		
	Pre-tax amount	Tax expense	Net-of-tax amount
For the year ended March 31, 2002:			
Foreign currency translation adjustments	$ 18,717	$ (285)	$ 18,432
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(14,702)	6,176	(8,526)
Less: reclassification adjustment primarily for other than temporary losses included in net income	10,507	(5,193)	5,314
Minimum pension liability adjustment	277	(120)	157
Other comprehensive income (loss)	$ 14,799	$ 578	$ 15,377

16. Stock-based compensation:

In May 1996, the Company offered a stock-based compensation plan as an incentive plan for directors and selected employees, using bonds with detachable warrants. The warrants generally vest up to two months from the time of grant, and are generally exercisable during August 1996 through June 2000. As of March 31, 2001 and thereafter, there were no warrants outstanding and exercisable under the stock-based compensation plan.

A summary of the exercise rights of the detachable warrants is as follows:

		Exercise price			
Issued on	Exercisable during	Yen	U.S. dollars	Number of shares per warrant	Status of exercise
June 5, 1996	August 1, 1996 through June 2, 2000	¥1,738.20	$13.0	287 shares of common stock of the Company	586 warrants exercised; 14 warrants expired, No warrants outstanding

Nidec Tosok Corporation and Nidec-Shimpo Corporation have a stock-based compensation plan as incentive plan for directors and selected employees, using bonds with detachable warrants.

Upon issuance of unsecured bonds with detachable warrants, each company has purchased all of the detachable warrants and distributed them to the directors and selected employees of each company. By exercising a warrant, directors and selected employees can purchase the common stock of each company, the number of which is calculated as ¥500,000 divided by the exercise price. The warrants generally vest ratably over a period of nine months, and are generally exercisable up to four years from the date of grant.

A summary of the exercise rights of the detachable warrants of Nidec Tosok Corporation is as follows:

		Exercise price			
Issued on	Exercisable during	Yen	U.S. dollars	Number of shares per warrant	Status of exercise
September 13, 1999	June 1, 2000 through September 9, 2003	¥1,042.60	$7.8	479 shares of common stock of Nidec Tosok Corporation	No warrants exercised; No warrants expired, 600 warrants outstanding

A summary of the exercise rights of the detachable warrants of Nidec-Shimpo Corporation is as follows:

		Exercise price			
Issued on	Exercisable during	Yen	U.S. dollars	Number of shares per warrant	Status of exercise
September 8, 1999	June 1, 2000 through August 29, 2003	¥1,434.70	$10.8	348 shares of common stock of Nidec-Shimpo Corporation	No warrants exercised; No warrants expired, 480 warrants outstanding

17. Gain from issuance and sales of investments in affiliated companies:

Nidec-Read Corporation, an affiliate which designs, develops, manufactures and markets PCB testing systems, LCD and PDP testing systems and automatic measurement/control systems, completed an initial public offering and issued one million shares of common stock to third parties at a price of ¥2,800 per share on August 4, 2000. For the year ended March 31, 2001, NIDEC recognized a pretax gain of ¥446 million because the price exceeded NIDEC's carrying value per share. Deferred taxes have been provided on the gain. In connection with the offering of shares by Nidec-Read Corporation, on August 4, 2000, NIDEC sold 822,000 shares and recognized a pretax gain of ¥1,845 million.

18. Income taxes:

The components of income before income taxes comprise the following:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Income before income taxes:				
The Company and domestic subsidiaries	¥ (61)	¥ 5,477	¥ 2,920	$ 21,913
Foreign subsidiaries	7,119	9,661	8,557	64,218
	¥ 7,058	¥ 15,138	¥ 11,477	$ 86,131

The provision for income taxes consists of the following:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Current income tax expense:				
The Company and domestic subsidiaries	¥ 782	¥ 2,799	¥ 4,975	$ 37,335
Foreign subsidiaries	967	487	144	1,081
Total current	1,749	3,286	5,119	38,416
Deferred income tax expense (benefit):				
The Company and domestic subsidiaries	(77)	1,304	¥ (2,840)	(21,313)
Foreign subsidiaries	38	19	(117)	(878)
Total deferred	(39)	1,323	(2,957)	(22,191)
Total provision	¥ 1,710	¥ 4,609	¥ 2,162	$ 16,225

The high effective tax rates of the Company and domestic subsidiaries are mainly due to net increase in valuation allowance, amortization of goodwill and tax on undistributed earnings.

NIDEC is subject to a number of different income taxes, which, in the aggregate, indicate a statutory rate in Japan of approximately 42.0% in 2000, 2001 and 2002. Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows:

	For the year ended March 31		
	2000	2001	2002
Statutory tax rate	42.0%	42.0%	42.0%
Increase (reduction) in taxes resulting from:			
Tax benefit in foreign subsidiaries	(28.7)	(22.8)	(32.8)
Tax on undistributed earnings	8.5	7.2	5.0
Other	2.4	4.0	4.6
Effective income tax rate	24.2%	30.4%	18.8%

Tax benefit in foreign subsidiaries primarily relates to income sourced from foreign subsidiaries in Thailand, Singapore and the Philippines. In Thailand, NIDEC received privileges under the promotional certificates issued in November 1990, November 1992, April 1995, August 1997, May 1999 and July 1999. Under these privileges, NIDEC received an exemption from corporate income tax for a period of three to seven years from the date of commencement of certain revenue-generating activities identified by the promotional certificate. In Singapore, NIDEC has been granted pioneer status for a period of ten years, commencing in April 1996. The pioneer status exempts NIDEC from income tax. In the Philippines, NIDEC received certain tax incentives in March 1997, which included an income tax holiday for six years.

The significant components of deferred tax assets and liabilities are as follows:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Deferred tax assets:			
Inventories	¥ 553	¥ 1,056	$ 7,925
Marketable securities	543	1,592	11,948
Property, plant and equipment	1,412	3,521	26,424
Accrued bonus	295	520	3,902
Accrued enterprise tax	356	437	3,280
Pension and severance plans	1,976	3,689	27,685
Operating loss carryforwards for tax purposes	2,683	2,848	21,373
Foreign tax credit	492	843	6,326
Other	348	1,202	9,021
Gross deferred tax assets	8,658	15,708	117,884
Less—Valuation allowance	(3,929)	(4,319)	(32,413)
Net deferred tax assets	4,729	11,389	85,471
Deferred tax liabilities:			
Basis difference of acquired assets	(424)	(1,475)	(11,070)
Debt issuance cost	(203)	—	—
Undistributed earnings not permanently reinvested	(1,337)	(1,461)	(10,964)
Difference between financial and tax basis of investment in subsidiary	(708)	(805)	(6,041)
Other	(268)	(446)	(3,347)
Gross deferred tax liabilities	(2,940)	(4,187)	(31,422)
Net deferred tax assets	¥ 1,789	¥ 7,202	$ 54,049

Operating loss carryforwards for tax purposes of consolidated subsidiaries at March 31, 2002 amounted to approximately ¥6,957 million ($52,210 thousand) and are available as an offset against future taxable income of such subsidiaries. These carryforwards expire in year 2003 to 2007.

The valuation allowance mainly relates to deferred tax assets of consolidated subsidiaries with operating loss carryforwards for tax purposes that are not expected to be realized. The net changes in the total valuation allowance for deferred tax assets for the years ended March 31, 2000, 2001 and 2002 consist of the following:

	Yen in millions			U.S. dollars in thousands
	March 31			March 31
	2000	2001	2002	2002
Valuation allowance at the beginning of year	¥ (463)	¥ (1,349)	¥ (3,929)	$ (29,486)
Additions	(23)	(358)	(307)	(2,304)
Deductions	—	33	134	1,006
Impact of acquisition of companies	(863)	(2,255)	(217)	(1,629)
Valuation allowance at the end of year	¥ (1,349)	¥ (3,929)	¥ (4,319)	$ (32,413)

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Yen in millions March 31 2001	Yen in millions March 31 2002	U.S. dollars in thousands March 31 2002
Deferred tax assets:			
Prepaid expenses and other current assets	¥ 563	¥ 2,054	$ 15,415
Other non-current assets	1,749	6,086	45,674
Deferred tax liabilities:			
Other current liabilities	(201)	(13)	(98)
Other long-term liabilities	(322)	(925)	(6,942)
Net deferred tax assets	¥ 1,789	¥ 7,202	$ 54,049

Management of NIDEC intends to reinvest certain undistributed earnings of their foreign subsidiaries for an indefinite period of time. As a result, no provision for income taxes has been made on undistributed earnings of these subsidiaries, which are not expected to be remitted in the foreseeable future, aggregating ¥10,678 million ($80,135 thousand) as of March 31, 2002. NIDEC estimates an additional tax provision of ¥2,157 million ($16,188 thousand) would be required at such time if the full amount of these accumulated earnings became subject to Japanese taxes.

19. Reconciliation of the differences between basic and diluted net income per share:

Basic and diluted earnings per share as well as the number of shares in the following table retroactively reflect the effect of the two-for-one stock split that became effective on May 19, 2000.

Reconciliation of the differences between basic and diluted income per share for the years ended March 31, 2000, 2001 and 2002 is as follows:

	Yen in millions	Thousands of shares	Yen	U.S. dollars
	Net income	Weighed-average shares	Net income per share	Net income per share
For the year ended March 31, 2000:				
Basic net income per share				
Net income available to common shareholders	¥ 3,707	63,266	¥ 58.59	
Effect of dilutive securities				
Warrants	2	39		
Convertible bonds	29	3,960		
Diluted net income per share				
Net income for computation	¥ 3,738	67,265	¥ 55.57	
For the year ended March 31, 2001:				
Basic net income per share				
Net income available to common shareholders	¥ 10,711	63,484	¥ 168.72	
Effect of dilutive securities				
Convertible bonds	41	3,746		
Diluted net income per share				
Net income for computation	¥ 10,752	67,230	¥ 159.92	
For the year ended March 31, 2002:				
Basic net income per share				
Net income available to common shareholders	¥ 6,580	63,555	¥ 103.53	$ 0.78
Effect of dilutive securities				
Convertible bonds	65	3,673		
Diluted net income per share				
Net income for computation	¥ 6,645	67,228	¥ 98.85	$ 0.74

Warrants for stock options were excluded from the computation of diluted net income per share for the year ended March 31, 2001 due to their antidilutive effect.

20. Financial instruments:

NIDEC manages the exposure of its financial assets and liabilities to interest rate and foreign exchange rate movements through the use of derivative financial instruments which include foreign exchange forward contracts, foreign currency option agreements, interest rate swap agreements and interest rate cap agreements. These financial instruments are executed with creditworthy financial institutions, and substantially all foreign currency contracts are denominated in U.S. dollars. Financial instruments involve, to varying degrees, market risk as instruments are subject to price fluctuations and elements of credit risk in the event that the counterparty should default. In the unlikely event the counterparties fail to meet the contractual terms of a foreign currency or an interest rate instrument, NIDEC's risk is limited to the fair value of the instrument. Although NIDEC may be exposed to losses in the event of non-performance by counterparties on financial instruments, it does not anticipate significant losses due to the nature of its counterparties. Counterparties to NIDEC's financial instruments represent, in general, international financial institutions. Additionally, NIDEC does not have a significant exposure to any individual counterparty. Based on the creditworthiness of these financial institutions, NIDEC believes that the overall credit risk related to its financial instruments is insignificant.

The estimated fair values of NIDEC's financial instruments are summarized as follows:

	Yen in millions	
	March 31, 2001	
	Carrying amount	Estimated fair value
Asset (Liability)		
Cash and cash equivalents	¥ 30,204	¥ 30,204
Short-term investments	49	49
Marketable securities	6,676	6,676
Long-term loan receivable	108	116
Short-term borrowings	(43,937)	(43,937)
Long-term debt including the current portion and excluding capital lease obligation	(32,334)	(36,582)
Foreign exchange forward contracts	8	8
Interest rate swap agreements	(17)	(17)
Interest cap agreements	0	0

	Yen in millions		U.S. dollars in thousands	
	March 31, 2002		March 31, 2002	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Asset (Liability)				
Cash and cash equivalents	¥ 38,495	¥ 38,495	$ 288,893	$ 288,893
Short-term investments	75	75	563	563
Short-term loan receivable	1,200	1,200	9,006	9,006
Marketable securities	5,857	5,857	43,957	43,957
Long-term loan receivable	183	189	1,373	1,418
Short-term borrowings	(58,395)	(58,395)	(438,236)	(438,236)
Long-term debt including the current portion and excluding capital lease obligation	(33,785)	(42,344)	(253,546)	(317,779)
Foreign exchange forward contracts	(8)	(8)	(60)	(60)
Interest cap agreements	0	0	0	0

The following are explanatory notes relating to the financial instruments.

Cash and cash equivalents, short-term investments and short-term loans receivable: In the normal course of business, substantially all cash and cash equivalents, time deposits and short-term loans receivable are highly liquid and are carried at amounts that approximate fair value.

Marketable securities: The fair value of marketable securities was based on quoted market prices.

Long-term loans: The fair value of long-term loans was estimated by discounting expected future cash flows.

Short-term borrowings: The fair value of short-term borrowings was estimated based on the discounted present value of future cash flows using NIDEC's current incremental borrowing rates for similar liabilities as the discount rate. The fair value of short-term borrowings is therefore approximately the same as the carrying amount.

Long-term debt: The fair value of bonds issued by NIDEC was estimated based on their market price which was influenced by, and corresponded to stock price. The fair value of long-term bank loans (including the current portion and excluding capital lease obligation) was estimated based on the discounted amounts of future cash flows using NIDEC's current incremental borrowing rates for similar liabilities.

Derivative financial instruments

Foreign currency option agreements are zero-cost option agreements which consist of purchased call options, purchased put options and written put options to exchange Japanese yen for U.S. dollars with knock-in and knock-out provisions. The knock-in rate is the rate of ¥96.80 against the U.S. dollar and the knock-out rate is the rate of ¥119.50 against the U.S. dollar. Changes in fair values are calculated based on the Black-Scholes model and are recognized as "Gain (loss) on derivative instruments, net" in the consolidated statement of income. Losses from foreign currency option agreements were ¥3,327 million for the year ended March 31, 2000 and gains from foreign currency option agreements were ¥3,327 million for the year ended March 31, 2001. At March 31, 2000, the aggregate notional amounts of foreign currency options were ¥30,784 million. In January 2001, all those agreements were terminated since the exchange rate hit the knock-out condition. No such agreements exist at March 31, 2001 and 2002.

Changes in the estimated fair value of foreign exchange forward contracts, determined by reference to the discounted present value of net cash flows, are recognized as "Gain (loss) on derivative instruments, net" in the consolidated statement of income. Gains from foreign exchange forward contracts were ¥8 million for the year ended March 31, 2001 and losses from foreign exchange forward contracts were ¥8 million ($60 thousand) for the year ended March 31, 2002. The contracted amounts outstanding at March 31, 2001 and 2002 were ¥120 million and ¥483 million ($3,625 thousand), respectively.

Interest rate swap and cap agreements, which mature from 2001 to 2003, were designed to reduce NIDEC's exposure to losses resulting from adverse fluctuations in cash flows due to changes in interest rates on underlying debt instruments. Changes in the fair value of interest swap agreements, which are estimated based on the discounted amounts of net future cash flows, are recognized as "Gain (loss) on derivative instruments, net" in the consolidated statement of income. Gains from interest swap agreements were ¥52 million, ¥34 million and ¥16 million ($120 thousand) for the year ended March 31, 2000, 2001 and 2002, respectively. At March 31, 2001, the aggregate notional amounts of the interest rate swap agreements were ¥1,000 million pay fixed. Those agreements matured at November 29, 2001. No such agreements exist at March 31, 2002. Interest rate cap agreements require the writer to pay the purchaser at specified future dates the amounts, if any, by which a specified market interest rate exceeds the fixed cap rate, applied to a notional amount. The premiums paid for interest rate cap agreements purchased are included in "Prepaid expenses and other current assets" and "Other non-current assets" in the accompanying consolidated balance sheets. Difference between premium paid and fair value of these contracts and subsequent changes in fair values of option prices, which are calculated based on the Black-Scholes model, are recognized as "Gain (loss) on derivative instruments, net" in the consolidated statements of income. Losses from interest cap agreements were ¥7 million, ¥14 million and ¥0 million ($0 thousand) for the year ended March 31, 2000, 2001 and 2002, respectively. At March 31, 2001 and 2002, the notional amounts of interest rate cap agreements were ¥3,000 million and ¥3,000 million ($22,514 thousand), respectively.

21. Related party transactions:

As of March 31, 2002, the president of the Company and a business entity indirectly owned by the president of the Company held 8.9% and 7.3% of the outstanding shares of the Company, respectively. During the year ended March 31, 2000, the Company sold marketable securities to the president and the business entity for ¥2,794 million in the aggregate and recorded a gain on sale of ¥1,317 million. During the year ended March 31, 2001, the Company bought marketable securities from the president for ¥140 million. The sales prices were consistent with third party bids. There were no significant related party transactions other than described in Note 10 for the year ended March 31, 2002.

22. Lease commitments:

NIDEC leases certain assets under capital lease and operating lease arrangements. An analysis of leased assets under capital leases is as follows:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31
	2001	2002	2002
Machinery and equipment	¥ 3,433	¥ 4,833	$ 36,270
Other leased assets	511	502	3,767
Less—Accumulated amortization	(2,287)	(3,369)	(25,283)
	¥ 1,657	¥ 1,966	$ 14,754

Amortization expenses under capital leases for the years ended March 31, 2000, 2001 and 2002 were ¥373 million, ¥868 million and ¥709 million ($5,321 thousand), respectively.

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2002 are as follows:

Year ending March 31:	Yen in millions	U.S. dollars in thousands
2003	¥ 895	$ 6,717
2004	671	5,036
2005	441	3,310
2006	258	1,936
2007	198	1,486
2008 and thereafter	758	5,688
Total minimum lease payments	3,221	24,173
Less—Amount representing interest	(281)	(2,109)
Present value of net minimum lease payments	2,940	22,064
Less—Current obligations	(817)	(6,132)
Long-term capital lease obligations	¥ 2,123	$ 15,932

Rental expenses under operating leases for the years ended March 31, 2000, 2001 and 2002 were ¥275 million, ¥419 million and ¥473 million ($3,550 thousand), respectively.

The minimum rental payments required under operating leases relating primarily to land, buildings and equipment having initial or remaining non-cancelable lease terms in excess of one year at March 31, 2002 are as follows:

Year ending March 31:	Yen in millions	U.S. dollars in thousands
2003	¥ 338	$ 2,537
2004	201	1,508
2005	95	713
2006	55	413
2007	22	165
2008 and thereafter	559	4,195
Total minimum future rentals	¥ 1,270	$ 9,531

NIDEC is a lessor in operating leases for which a portion of the land, office and manufacturing facilities is leased over various terms. Rental revenue under operating leases for the years ended March 31, 2000, 2001 and 2002 was ¥95 million, ¥81 million and ¥41 million ($308 thousand), respectively.

The future minimum lease payments to be received under operating leases that have remaining non-cancelable term at March 31, 2002 are as follows:

Year ending March 31:	Yen in millions	U.S. dollars in thousands
2003	¥ 20	$ 150
2004	26	195
2005	28	210
2006	29	218
2007	29	218
2008 and thereafter	7	52
Total minimum future rentals	¥ 139	$ 1,043

In September 1999, the Company agreed to guarantee a debt facility for the East Pacific Funding Corporation, a special purpose entity, totaling ¥1,200 million. The East Pacific Funding Corporation purchased land and buildings from Nidec Tosok Corporation as part of a sale-leaseback arrangement. The debt facility matures in September 2002. The transaction was accounted for by NIDEC as a financing arrangement, with the sale proceeds recorded as a liability and the land and buildings recorded as assets. Nidec Tosok Corporation is depreciating the assets over their useful lives.

23. Other commitments and contingencies, concentrations and factors that may affect future operations:

Commitments —

Commitments outstanding at March 31, 2002 for the purchase of property, plant and equipment and other assets approximated ¥9,007 million ($67,595 thousand).

Contingencies —

Contingent liabilities for guarantees given in the ordinary course of business amounted to approximately ¥37 million ($278 thousand) at March 31, 2002. These contingent liabilities primarily relate to the Companies' guarantee of affiliated companies' borrowings from banks.

The Company and its U.S. subsidiary, Nidec America Corporation (collectively, the "Companies"), were sued in 1991 in the U.S. District Court, District of Connecticut, by Comair Rotron, Inc. ("Rotron"), an action in which Rotron claims that fans manufactured or distributed by the Companies infringe upon two of Rotron's patents. The case was tried by jury in Hartford, Connecticut, from April 1 through April 22, 2002. The jury returned a verdict finding that one category of the Companies' fans infringed upon one of the 12 claims made by Rotron related to one of its patents. The fans found to be infringing are those produced on magnetizing fixtures of Nidec America Corporation. The jury found no infringement by fans manufactured on fixtures of the Company, and it found no infringement by the Companies upon Rotron's patent covering the apparatus and method by which fans are made. The jury's verdict rejected the Companies' defense of patent invalidity. It is not possible at this stage to determine the outcome of this matter or the amount of damages, if any, that may result. The Companies will defend themselves vigorously on the grounds of non-infringement, invalidity, and inequitable conduct.

The Company received notice from Matsushita Electric Corporation ("Matsushita") claiming that small precision brushless DC motors manufactured by the Company infringe one of Matsushita's patents relating to neodymium magnets and have not been able to resolve this matter through negotiation. Accordingly, the Company filed a motion with the Japanese Patent Office on November 16, 2001 seeking a declaratory judgment that the patent is invalid on several grounds, the primary one being that the invention is obvious in view of prior art. It is likely that Matsushita will counter by filing a patent infringement action against the Company in district court. If the Japanese Patent Office were to conclude that the patent is valid and the Company were to lose on appeal in subsequent judicial proceedings, it is possible that the Company's small precision brushless DC motors will be found to infringe the patent. In that event, Matsushita could demand damages for past infringement as well as a reasonable royalty for a license to continue manufacturing small precision brushless DC motors under the patent, all of which could have an adverse effect on NIDEC's financial condition and results of operations. However, the Company does not believe that Matsushita's claim is meritorious and, if a suit is filed, the Company will defend itself vigorously on the ground of non-infringement, invalidity of the patent and inequitable conduct.

NIDEC is subject to other legal proceedings and claims that arise in the ordinary course of business. While it is not possible to predict the ultimate outcome of the matters discussed above, in the opinion of NIDEC's management, the amount of any ultimate liability with respect to these actions will not materially affect NIDEC's business, consolidated financial statements or results of operations.

Concentration of risk —
Revenue from spindle motors sold to manufacturers of computer hard disk drives, account for 88%, 71% and 74% of total revenue for the years ended March 31, 2000, 2001 and 2002, respectively. The volatility of the market for disk drives and for NIDEC's product could affect NIDEC's future operating results and cause actual results to vary materially from historical results. As is typical on the disk drive industry, NIDEC must utilize leading edge components for its new generation of products, which are supplied to a limited number of customers. Sales to NIDEC's six largest customers represented approximately 59%, 49% and 49% of consolidated net sales for the years ended March 31, 2000, 2001 and 2002, respectively. Sales to NIDEC's largest customer were approximately 17%, 13% and 16% of consolidated net sales for the years ended March 31, 2000, 2001 and 2002, respectively. Accounts receivable are financial instruments that expose NIDEC to a concentration of credit risk. At March 31, 2001, the customers with the six highest outstanding accounts receivable balances totaled ¥16,702 million or 46% of the gross accounts receivable, compared to ¥18,458 million ($138,522 thousand), or 40% of gross accounts receivable, at March 31, 2002. If any one or group of these customer's receivable balances should be deemed uncollectable, it would have a materially adverse effect on NIDEC's results of operations and financial condition.

24. Segment information:

(1) Enterprise-wide information:

Product information —

The following table provides product information for the years ended March 31, 2000, 2001 and 2002:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Net sales:				
Small precision motors				
Hard disk drive spindle motors	¥ 82,423	¥ 80,614	¥ 93,748	$ 703,550
Other small precision brushless DC motors	17,437	17,901	21,657	162,529
Small precision brushed DC motors	765	3,327	2,539	19,054
Brushless DC fans	19,985	21,083	24,523	184,038
Sub-total	120,610	122,925	142,467	1,069,171
Mid-size motors	696	24,183	36,252	272,060
Machinery and power supplies	12,507	13,690	7,693	57,734
Others	3,830	11,912	6,920	51,932
Consolidated total	¥ 137,643	¥ 172,710	¥ 193,332	$ 1,450,897

The "Hard disk drive spindle motors" group of products consists of ball bearing hard disk drive spindle motors, including those for 3.5-inch, 2.5-inch, 1.8-inch and 1.0-inch hard disk drives. It also includes fluid dynamic bearing hard disk drive spindle motors for 3.5-inch, 2.5-inch and 1.8-inch hard disk drives for the year ended March 31, 2002.

The "Other small precision brushless DC motors" group of products consists of brushless motors for many types of products, including CD-ROM and CD-read/write drives, DVD players, high-capacity floppy disk drives, copiers, printers and fax machines.

The "Small precision brushed DC motors" group of products consists of brushed DC motors for many types of products, including DVD players, CD-ROM and home video game consoles.

The "Brushless DC fans" group of products consists of brushless fans, which are used in many types of products, including computers and game machines for the purpose of lowering the temperature of central processing units in these products.

The "Mid-size motors" group of products consists of motors for automobiles, motors for industrial use, motors for home appliances and servomotors for OA equipment.

The "Machinery and power supplies" group of products consists of semiconductor production equipment (e.g., die bonders, board testers), high-speed press machines, measuring machines, power transmission equipment, FA systems and power supplies.

"Others" consists of auto parts, pivot assemblies, encoders and other services.

Geographic information —

Revenue from external customers, which are attributed to countries based on the location of the parent company or the subsidiaries that transacted with the external customer for the years ended March 31, 2000, 2001 and 2002, and long-lived assets for the years ended March 31, 2001 and 2002 are as follows:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Sales and operating revenue:				
Japan	¥ 49,456	¥ 80,504	¥ 97,602	$ 732,473
U.S.A.	10,751	9,998	7,487	56,188
Singapore	40,545	36,558	48,114	361,081
Thailand	16,773	15,160	17,112	128,420
The Philippines	6,455	13,305	5,220	39,174
Other	13,663	17,185	17,797	133,561
Consolidated total	¥ 137,643	¥ 172,710	¥ 193,332	$ 1,450,897

	Yen in millions		U.S. dollars in thousands
	For the year ended March 31		For the year ended March 31
	2001	2002	2002
Long-lived assets:			
Japan	¥ 29,893	¥ 36,814	$ 276,277
U.S.A.	1,098	1,278	9,591
Singapore	1,897	1,417	10,634
Thailand	8,155	18,133	136,083
The Philippines	9,282	12,632	94,799
Other	8,231	15,142	113,636
Consolidated total	¥ 58,556	¥ 85,416	$ 641,020

(2) Operating segment information:

The operating segments reported below are defined as components of an enterprise for which separate financial information is available and regularly reviewed by NIDEC's chief operating decision maker. NIDEC's chief operating decision maker utilizes various measurements to assess segment performance and allocate resources to segments.

NIDEC has six reportable segments, NCJ, NCS, NET, NCF, NCA and NPMC, which have been identified based on differences in legal entities with responsible managers.

The NCJ segment comprises NIDEC Corporation in Japan, which primarily produces and sells hard disk drive motors and DC motors.

The NCS segment comprises Nidec Singapore Pte. Ltd., a subsidiary in Singapore, which primarily produces and sells hard disk drive motors and pivot assemblies.

The NET segment comprises Nidec Electronics (Thailand) Co., Ltd., a subsidiary in Thailand, which primarily produces and sells hard disk drive motors.

The NCF segment comprises Nidec Philippines Corporation, a subsidiary in the Philippines, which primarily produces and sells hard disk drive motors.

The NCA segment comprises Nidec America Corporation, a subsidiary in U.S.A., which primarily produces and sells power supplies and fans.

The NPMC segment comprises Nidec Power Motor Corporation, a subsidiary in Japan, which primarily produces and sells AC motors. NPMC was acquired in March 2000 and has been a new reportable segment since April 1, 2000.

The All Others segment comprises subsidiaries that are operating segments but not designated as reportable segments due to materiality.

NIDEC evaluates performance based on segmental profit and loss, which consists of sales and operating revenues less operating expenses. Segmental profit or loss is determined using the accounting principles in the segment's country of domicile. NCJ and

NPMC's operating profit or loss is determined using Japanese GAAP, NCS applies Singaporean accounting principles, NET applies Thai accounting principles, NCF applies Philippine accounting principles and NCA applies U.S. GAAP. Therefore our segmental data has not been prepared under U.S. GAAP on a basis that is consistent with the consolidated financial statements or on any other single basis that is consistent between segments. While there are several differences between U.S. GAAP and the underlying accounting bases used by management, the principal differences that affect segmental operating profit or loss are accounting for pension and severance costs, directors' bonuses and leases. Management believes that the monthly segmental information is available on a timely basis and that it is sufficiently accurate at the segment profit and loss level for management's purposes.

The following tables show revenues from external customers and other financial information by operating segment for the years ended March 31, 2000, 2001 and 2002:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Revenues from external customers:				
NCJ	¥ 44,468	¥ 49,721	¥ 63,205	$ 474,334
NCS	40,545	36,621	48,115	361,088
NET	16,773	15,154	14,787	110,972
NCF	6,455	7,481	5,220	39,174
NCA	10,751	9,998	7,487	56,188
NPMC	—	11,446	9,345	70,131
All Others	18,864	39,774	44,157	331,385
Total	137,856	170,195	192,316	1,443,272
US GAAP adjustments*1	—	2,653	1,066	8,000
Others	(213)	(138)	(50)	(375)
Consolidated total	¥ 137,643	¥ 172,710	¥ 193,332	$ 1,450,897

*1 Recognition of sales to affiliates that are consolidated under Japanese GAAP but equity accounted under U.S. GAAP.

NIDEC had sales to one customer of ¥14,128 million, ¥22,987 million and ¥31,809 million ($238,717 thousand) within the NCJ, NCS and NCA segments for the years ended March 31, 2000, 2001 and 2002, respectively, and to another customer of ¥22,932 million and ¥18,784 million within the NCJ, NCA and "All Others" segments for the years ended March 31, 2000 and 2001, respectively, and to a third customer of ¥17,640 million within the NET, NCF and "All Others" segments for the year ended March 31, 2000, that exceeded 10% of NIDEC's net sales.

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Revenue from other operating segments:				
NCJ	¥ 53,650	¥ 49,884	¥ 61,679	$ 462,882
NCS	56	3,474	3,254	24,420
NET	16,948	19,876	23,109	173,426
NCF	13,138	17,516	19,816	148,713
NCA	1,204	968	539	4,045
NPMC	—	1	31	233
All Others	41,019	41,222	67,918	509,703
Total	126,015	132,941	176,346	1,323,422
Intersegment elimination	(126,015)	(132,941)	(176,346)	(1,323,422)
Consolidated total	¥ 0	¥ 0	¥ 0	$ 0

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Segment profit or loss:				
NCJ	¥ 4,302	¥ 867	¥ 4,101	$ 30,777
NCS	1,018	1,447	1,963	14,732
NET	4,784	3,952	1,578	11,842
NCF	2,252	2,899	2,485	18,649
NCA	535	254	(680)	(5,103)
NPMC	—	(124)	187	1,403
All Others	1,590	2,454	5,345	40,113
Total	14,481	11,749	14,979	112,413
Main components of US GAAP adjustments:				
Pension and severance costs	(220)	(351)	(46)	(345)
Lease	(7)	(97)	50	375
Directors' bonus	(63)	(68)	(70)	(526)
Consolidation adjustments mainly related to elimination of intersegment profits	85	(1,018)	(1,725)	(12,945)
Reclassification *1	(766)	(183)	(3,190)	(23,940)
Others *2	80	31	474	3,557
	¥ 13,590	¥ 10,063	¥ 10,472	$ 78,589

*1 Loss on disposal of fixed assets and some other items are reclassified from other expenses and included in operating expenses.
*2 Others include other US GAAP adjustments such as amortization of goodwill, depreciation of fixed assets, and provision for compensated absence.

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Interest revenue:				
NCJ	¥ 576	¥ 740	¥ 279	$ 2,094
NCS	152	117	132	991
NET	61	38	6	45
NCF	40	75	48	360
NCA	1	1	1	8
NPMC	—	28	21	157
All Others	60	81	56	420
Total	890	1,080	543	4,075
Intersegment elimination	(129)	(277)	(18)	(135)
Consolidated total	¥ 761	¥ 803	¥ 525	$ 3,940

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Interest expense:				
NCJ	¥ 418	¥ 923	¥ 617	$ 4,630
NCS	—	—	—	—
NET	48	9	65	488
NCF	167	176	125	938
NCA	45	44	27	203
NPMC	—	87	56	420
All Others	186	343	322	2,417
Total	864	1,582	1,212	9,096
Intersegment elimination	(122)	(244)	(45)	(338)
Consolidated total	¥ 742	¥ 1,338	¥ 1,167	$ 8,758

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Depreciation*1:				
NCJ	¥ 1,533	¥ 1,689	¥ 1,669	$ 12,525
NCS	517	592	627	4,705
NET	1,122	1,268	1,790	13,433
NCF	803	946	1,349	10,124
NCA	195	181	193	1,449
NPMC	—	279	63	473
All Others*2	1,241	1,911	3,087	23,167
Total	5,411	6,866	8,778	65,876
US GAAP adjustments*3	372	868	708	5,313
Reconciliation	(384)	(118)	(398)	(2,986)
Consolidated total	¥ 5,399	¥ 7,616	¥ 9,088	$ 68,203

*1 Amortization expense is not included in the measure of segment profit or loss reviewed by the chief operating decision maker.
*2 All Others segment includes Nidec (Dalian) Ltd., a subsidiary in China with significant depreciable plant and equipment.
*3 Leased properties are not capitalized in the operating segment but are capitalized under U.S. GAAP.

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31
	2000	2001	2002	2002
Income tax expenses or benefit:				
NCJ	¥ 1,034	¥ 2,656	¥ 1,816	$ 13,628
NCS	58	106	28	210
NET	474	131	(82)	(615)
NCF	10	7	12	90
NCA	179	91	(294)	(2,206)
NPMC	—	7	(88)	(660)
All Others	146	579	952	7,144
Total	1,901	3,577	2,344	17,591
Consolidation adjustments	(191)	1,032	(182)	(1,366)
Consolidated total	¥ 1,710	¥ 4,609	¥ 2,162	$ 16,225

	Yen in millions		U.S. dollars in thousands
	For the year ended March 31		For the year ended March 31
	2001	2002	2002
Segment assets:			
NCJ	¥ 154,325	¥ 165,253	$ 1,240,173
NCS	17,297	21,559	161,794
NET	14,665	21,949	164,720
NCF	14,849	17,348	130,191
NCA	4,655	4,093	30,717
NPMC	11,826	6,582	49,396
All Others	61,598	122,864	922,056
Total	¥ 279,215	¥ 359,648	$ 2,699,047
US GAAP adjustments:			
Lease	1,653	1,966	14,754
Property, plant and equipment	(874)	(2,284)	(17,141)
Deferred tax assets	1,361	2,942	22,079
Others	409	783	5,876
Sub-total	2,549	3,407	25,568
Elimination of intersegment assets	(63,258)	(103,688)	(778,146)
Goodwill	3,074	3,611	27,099
To adjust affiliate from cost to equity method*1	(4,015)	(5,259)	(39,467)
Others	(566)	192	1,441
Consolidated total	¥ 216,999	¥ 257,911	$ 1,935,542

*1 The costs of investments in equity method investees were included in the segments and the adjustments under the equity method were included in the reconciliation.

	Yen in millions				U.S. dollars in thousands	
	For the year ended March 31				For the year ended March 31	
	2001		2002		2002	
Expenditure for segment assets:						
NCJ	¥	511	¥	534	$	4,007
NCS		129		20		150
NET		1,991		5,506		41,321
NCF		2,760		3,596		26,987
NCA		152		113		848
NPMC		192		180		1,351
All Others		2,540		7,367		55,287
Total		8,275		17,316		129,951
Reconciliation*1		1,547		1,954		14,664
Consolidated total	¥	9,822	¥	19,270	$	144,615

*1 The amounts of expenditure for segment assets were on an accrual basis while the amounts of consolidated total were on a cash basis.

NIDEC did not have significant non-cash items other than depreciation in reported profit. Equity in earnings of affiliates were not allocated to the segments in the financial information report available and are not regularly reviewed by NIDEC's chief operating decision maker. Intersegment sales were made at prices that approximate current market value.

25. Subsequent events:

Subsequent to March 31, 2002, the Company's Board of Directors declared a cash dividend of ¥636 million ($4,773 thousand) payable on June 27, 2002 to stockholders of record on March 31, 2002.

On May 7, 2002, the Company's Board of Directors decided to grant stock options to directors, corporate auditors and certain employees. Under the plan, the number of shares to be issued upon exercise of the options is limited to a maximum of 300,000 shares, the options are exercisable under certain conditions for the period between July 1, 2004 and June 30, 2007 inclusive, and the exercise prices are determined as the higher of the average market price of the Company's common stock for a calendar month prior to the date of the grant multiplied by 1.05 or the closing price on the date of the grant.

On May 7, 2002, the Company's Board of Directors decided to grant the Company the right to purchase its common stock up to 1,000,000 shares at the amount of ¥10,000 million ($75,047 thousand) or less.

These three decisions are subject to approval by the stockholders at the annual general meeting of shareholders to be held on June 26, 2002.

26. Quarterly Financial Data for the year ended March 31, 2002 (Unaudited):

	Yen in millions				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	¥ 42,779	¥ 43,980	¥ 50,384	¥ 56,189	¥ 193,332
Operating expenses:					
Cost of products sold	36,634	36,095	40,997	45,716	159,442
Selling, general and administrative expenses	3,495	3,827	3,927	6,442	17,691
Research and development expenses	1,216	1,687	1,397	1,427	5,727
	41,345	41,609	46,321	53,585	182,860
Operating income	1,434	2,371	4,063	2,604	10,472
Other income (expense):					
Interest and dividend income	198	147	105	122	572
Interest expense	(353)	(309)	(280)	(225)	(1,167)
Foreign exchange gain (loss), net	(32)	(581)	2,133	587	2,107
Gain (loss) on derivative instruments, net	7	(1)	10	(8)	8
Gain (loss) on marketable securities, net	(40)	45	(1,346)	(59)	(1,400)
Gain (loss) from sales of investments in affiliated companies	(10)	7	15	(1)	11
Other, net	(7)	(389)	(245)	1,515	874
	(237)	(1,081)	392	1,931	1,005
Income before provision for income taxes	1,197	1,290	4,455	4,535	11,477
Provision for income (losses) taxes	(351)	(472)	(1,183)	(156)	(2,162)
Income before minority interest and equity in earnings of affiliated companies	846	818	3,272	4,379	9,315
Minority interest in income (losses) of consolidated subsidiaries	99	(38)	(20)	277	318
Equity in net losses of affiliated companies	628	524	644	621	2,417
Net income	¥ 119	¥ 332	¥ 2,648	¥ 3,481	¥ 6,580

	Yen				
Per share data:					
Net income — basic	¥ 1.89	¥ 5.21	¥ 41.66	¥ 54.77	¥ 103.53
— diluted	¥ 1.87	¥ 5.11	¥ 39.63	¥ 52.02	¥ 98.85
Cash dividends	¥ 12.50	¥ 0.00	¥ 15.00	¥ 0.00	¥ 27.50

Earnings-per-share amounts for each quarter are computed independently. As a result, their sum may not equal the total year earnings-per-share amounts.

	U.S. dollars in thousands				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$ 321,043	$ 330,056	$ 378,117	$ 421,681	$ 1,450,897
Operating expenses:					
Cost of products sold	274,927	270,882	307,670	343,084	1,196,563
Selling, general and administrative expenses	26,229	28,720	29,471	48,346	132,766
Research and development expenses	9,126	12,660	10,484	10,709	42,979
	310,282	312,262	347,625	402,139	1,372,308
Operating income	10,761	17,794	30,492	19,542	78,589
Other income (expense):					
Interest and dividend income	1,486	1,103	788	916	4,293
Interest expense	(2,649)	(2,319)	(2,101)	(1,689)	(8,758)
Foreign exchange gain (loss), net	(241)	(4,360)	16,007	4,406	15,812
Gain (loss) on derivative instruments, net	53	(8)	75	(60)	60
Gain (loss) on marketable securities, net	(300)	338	(10,101)	(444)	(10,507)
Gain (loss) from sales of investments in affiliated companies	(75)	52	113	(7)	83
Other, net	(53)	(2,919)	(1,839)	11,370	6,559
	(1,779)	(8,113)	2,942	14,492	7,542
Income before provision for income taxes	8,982	9,681	33,434	34,034	86,131
Provision for income taxes	(2,634)	(3,542)	(8,878)	(1,171)	(16,225)
Income before minority interest and equity in earnings of affiliated companies	6,348	6,139	24,556	32,863	69,906
Minority interest in income (losses) of consolidated subsidiaries	743	(285)	(150)	2,078	2,386
Equity in net losses of affiliated companies	4,713	3,932	4,833	4,661	18,139
Net income	$ 892	$ 2,492	$ 19,873	$ 26,124	$ 49,381
	U.S. dollars				
Per share data:					
Net income — basic	$ 0.01	$ 0.04	$ 0.31	$ 0.41	$ 0.78
— diluted	$ 0.01	$ 0.04	$ 0.30	$ 0.39	$ 0.74
Cash dividends	$ 0.10	$ 0.00	$ 0.11	$ 0.00	$ 0.21

Earnings-per-share amounts for each quarter are computed independently. As a result, their sum may not equal the total year earnings-per-share amounts.

REPORT OF INDEPENDENT ACCOUNTANTS

To the shareholders and
The Board of Directors of
Nihon Densan Kabushiki kaisha
("NIDEC Corporation")

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of NIDEC Corporation and its consolidated subsidiaries at March 31, 2001 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers
Kyoto, Japan

June 10, 2002

BOARD OF DIRECTORS (As of June 26, 2002)

President, CEO &
Representative Director
Shigenobu Nagamori

Executive Vice President,
COO & Director
Hiroshi Kobe

Executive Vice President,
CFO, CAO & Director
Yasunobu Toriyama

Senior Managing Directors
Yuzo Suzuki
Kenji Sawamura
Yasuo Hamaguchi

Managing Directors
Kensuke Tanabe
Yoshiharu Kinugawa
Seiji Hashimoto
Tetsuji Arita
Kouichi Yamamoto

Directors
Seizaburo Kawaguchi
Toshihiro Kimura
Norio Nomura
Seiichi Hattori
Tetsuo Inoue

Corporate Auditors
Teruo Mori
Yohichi Ichikawa
Shoji Tamura
Mahito Kamei

CORPORATE DATA (As of March 31, 2002)

Name: Nidec Corporation (Brand name: Nidec)

Head Office: 10 Tsutsumisoto-cho, Nishikyogoku, Ukyo-ku,
Kyoto 615-0854, Japan
TEL: (075)-316-1771
FAX: (075)-316-1781
URL: http://www.nidec.co.jp

Established: July 23, 1973

Paid-in Capital: ¥26,468,760,039

Number of Shares: Issued–63,563,653 shares

Number of Shareholders: 11,830

Trading Unit: 100 Shares

Stock Listings: Tokyo, Osaka, New York

Transfer Agent for Common Stock:
The Sumitomo Trust and Banking Company, Limited
5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-0041, Japan

Depositary and Transfer Agent for American Depositary Receipts (ADRs):
JPMorgan Chase Bank
270 Park Avenue, New York, New York 10017-2070, U.S.A.
TEL: (212) 270-6000

Principal Shareholders

	Name	Number of Shares (thousands)	Percentage of shares in issue (%)
1	Shigenobu Nagamori	5,682	8.94
2	The Mitsubishi Trust and Banking Corporation	5,573	8.77
3	S•N Kohsan Ltd.	4,653	7.32
4	Japan Trustee Service Bank, Ltd.	3,524	5.55
5	Dai-Ichi Life Insurance Company	3,189	5.02
6	The Kyoto Bank, Ltd.	2,856	4.49
7	UFJ Trust Bank Limited	2,337	3.68
8	Mitsui Asset Trust and Banking Company, Limited	2,260	3.56
9	Nippon Life Insurance Company	2,094	3.29
10	Meiji Life Insurance Company	1,716	2.70

Common Stock Price Range (Osaka Securities Exchange):

Years ended March 31,	2001		2002	
	High	Low	High	Low
First Quarter	¥ 10,050	¥ 7,000	¥ 8,030	¥ 5,190
Second Quarter	10,450	7,510	6,700	3,600
Third Quarter	9,050	4,990	7,770	3,950
Fourth Quarter	6,140	4,810	9,490	7,050

Principal Subsidiaries and Affiliates (*Consolidated)
Nidec America Corporation *
Nidec Electronics GmbH *
Nidec Electronics (Thailand) Co., Ltd. *
Nidec Precision (Thailand) Co., Ltd. *
Nidec Hi-Tech Motor (Thailand) Co., Ltd. *
Nidec (Dalian) Limited *
Nidec Taiwan Corporation *
Nidec Singapore Pte. Ltd. *
P.T. Nidec Indonesia *
Nidec (H.K.) Co., Ltd. *
Nidec Philippines Corporation *
Nidec Precision Philippines Corporation *
Nidec Korea Corporation *
Nidec Copal Corporation
Nidec Tosok Corporation *
Nidec Copal Electronics Corporation
Nidec-Shimpo Corporation *
Nidec-Read Corporation *
Nidec Shibaura Corporation *
Nidec Nemicon Corporation *
Nidec Power Motor Corporation*
Nidec-Kyori Corporation *
Nidec Machinery Corporation *
Nidec Johnson Electric Corporation
Nidec Total Service Corporation *
Nidec Copal (Vietnam) Co., Ltd.
Nidec Johnson Electric (Hong Kong) Ltd.
Nidec Tosok (Vietnam) Co., Ltd. *
Nidec Copal Philippines Corporation
Nidec Shibaura (Zhejiang) Corporation *
Nidec Shibaura Electronics (Thailand) Co., Ltd. *
Nidec Copal (Malaysia) Sdn. Bhd.

NJ
LISTED
NYSE
Symbol: NJ

NIDEC CORPORATION

Printed in Japan