



The world dreams, Nidec answers

AS LONG AS THE WORLD CONTINUES TO DREAM,
NIDEC WILL BUILD NEW WAYS TO SPIN AND MOVE.
THIS IS WHY WE ARE TAKING OUR SUCCESS INTO
NEW MARKETS, WHERE OUR PROPRIETARY
ENERGY-SAVING AND PERFORMANCE ENHANCING
TECHNOLOGIES WILL PROVE THEIR VALUE IN
NON-HDD PRODUCTS, TOO.

Shigenobu Nagamori

Chairman of the Board,
President and CEO

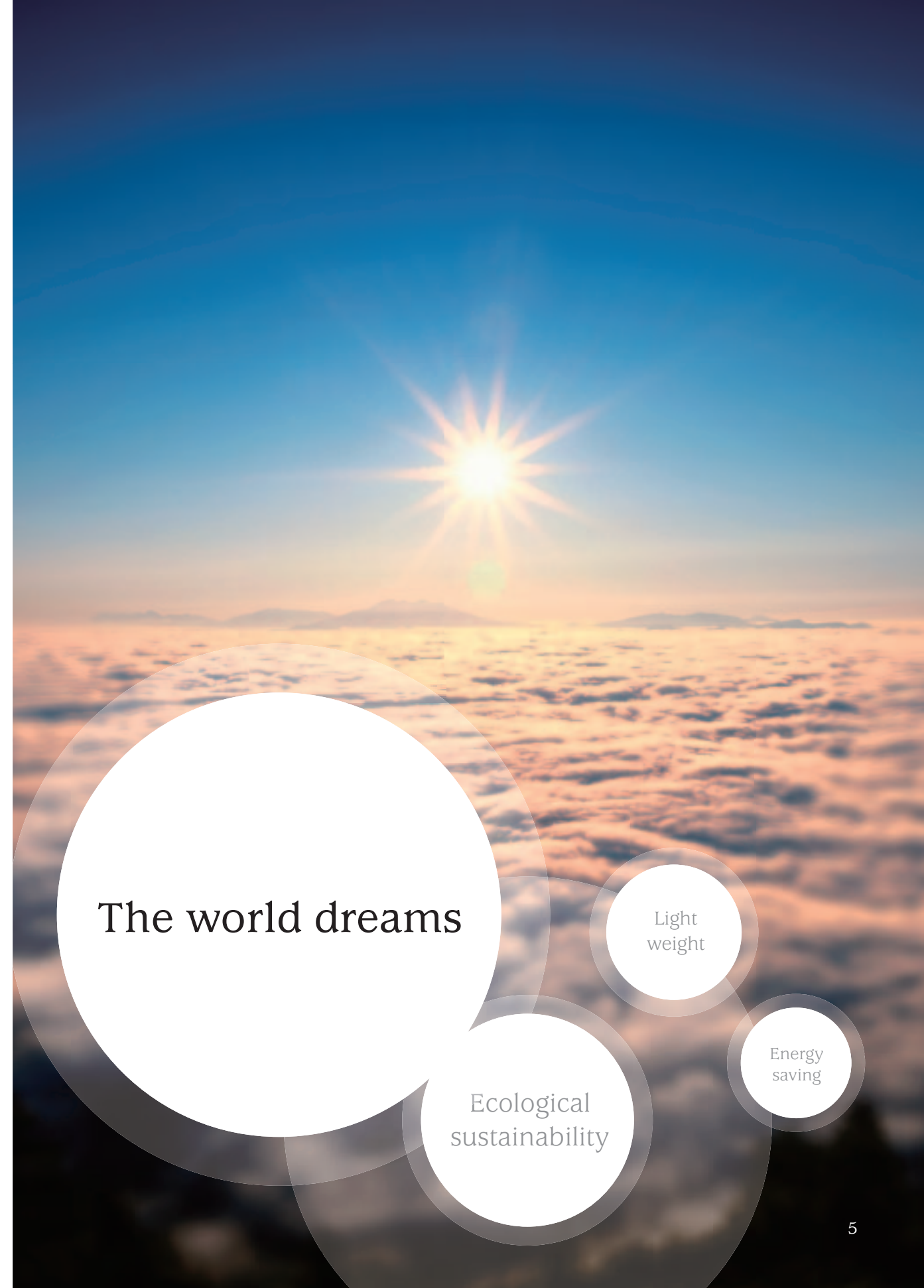
Founded by young and idealistic engineers in the early 1970s, Nidec has always tried to serve society while meeting its primary responsibilities to customers and shareholders, but now our focus has sharpened. Electric motors are indispensable consumers of electric energy, and our technologies can improve efficiency in the majority of applications. These facts open up vast new areas of demand for us wherever customers seek higher efficiency and lower impact on global warming. It is the same combination of idealism and practical engineering that we started out with. It carries us ever-closer to realizing a dream of becoming the world's number-one motor drive company.

Nidec is looking at both evolutionary and revolutionary change. We must continue to improve the eco-efficiency of our motors, while supporting major jumps in technology that propel us above and beyond the competition—such as products to support the replacement of the internal combustion engine by electric power sources. We are making encouraging progress, as this report shows.

THRIVING ON CHANGE

At Nidec we believe that corporate strength goes beyond deftly riding the swells and troughs of changing markets; it is often about making our own waves by taking risks. In the beginning, risk was all we had.

Nidec had a rocky start in 1973, with the world creeping closer to the jarring “oil shock.” For a newborn, no-name company like ours, chances seemed slim even to simply survive in the then shaky Japanese economic environment. Right after our birth, we found ourselves at a crossroads.



The world dreams

Light
weight

Ecological
sustainability

Energy
saving



People dream

Convenience

Converging capabilities

Portability

TO OUR SHAREHOLDERS

What broke the impasse was a decision to venture into the U.S. market—a watershed decision that changed the course of our future. Soon after, we entered the U.S. market with our proprietary motor, the world’s first brushless DC motor powering hard disk drives.

THE SECOND WAVE

From the mid-1980s, PCs started entering the home on a large scale. The PC infusion boosted personal data storage demand and dramatically expanded the market for hard disk drives (HDD) and optical disk drives (ODD). With its distinguishing properties, including higher controllability, greater power efficiency, quieter operation and longer life, Nidec’s brushless DC motor was soon embraced by major HDD/ODD makers, allowing Nidec to gain ground as the world’s largest disk drive motor manufacturer. In the meantime, we had already begun to enter broader application areas such as home appliances, industrial equipment, office equipment and automobiles. Proactive corporate acquisitions as a means to efficiently complement our existing motor technology became an increasingly important tool for speeding our growth as an independent motor manufacturer competing in the global market.

THE THIRD WAVE

Our focus on growth markets and management agility has also isolated us from the effects of major macroeconomic fluctuations. In the decade through 2000, the Japanese economy underwent two massive stock market crashes (otherwise known as the bursting of the “economic bubble”)—the first in 1991 (land bubble burst), and the second in 2000 (Internet bubble burst). As worried investors dumped Japanese shares across the board, Nidec’s share price nosedived in the chain reaction. However, although the macroeconomic environment remained dismal, Nidec did not deviate from its growth track. Continued briskness in personal storage market gave us a revenue tailwind, and a swift management decision to increase investment in technology paved the way for our subsequent business developments.

Since 2003, we have focused on the development of new markets, new products and new customers, and as a result, have seen our sales double. We have learned much about how best to apply our technical and management strengths in new areas and how to keep the parts and the whole in close tune with the markets. In the fiscal year just concluded, we applied all we learned to a fresh set of challenges.

These included the rapid integration of four strategic acquisitions that are helping us rapidly move our technologies into new markets. In mid-size motors, for example, we guided the full-scale start up of newly-acquired Nidec Motors & Actuators (NMA) and have begun using its considerable worldwide talents to expand the automotive motor segment.

DARING TO DREAM

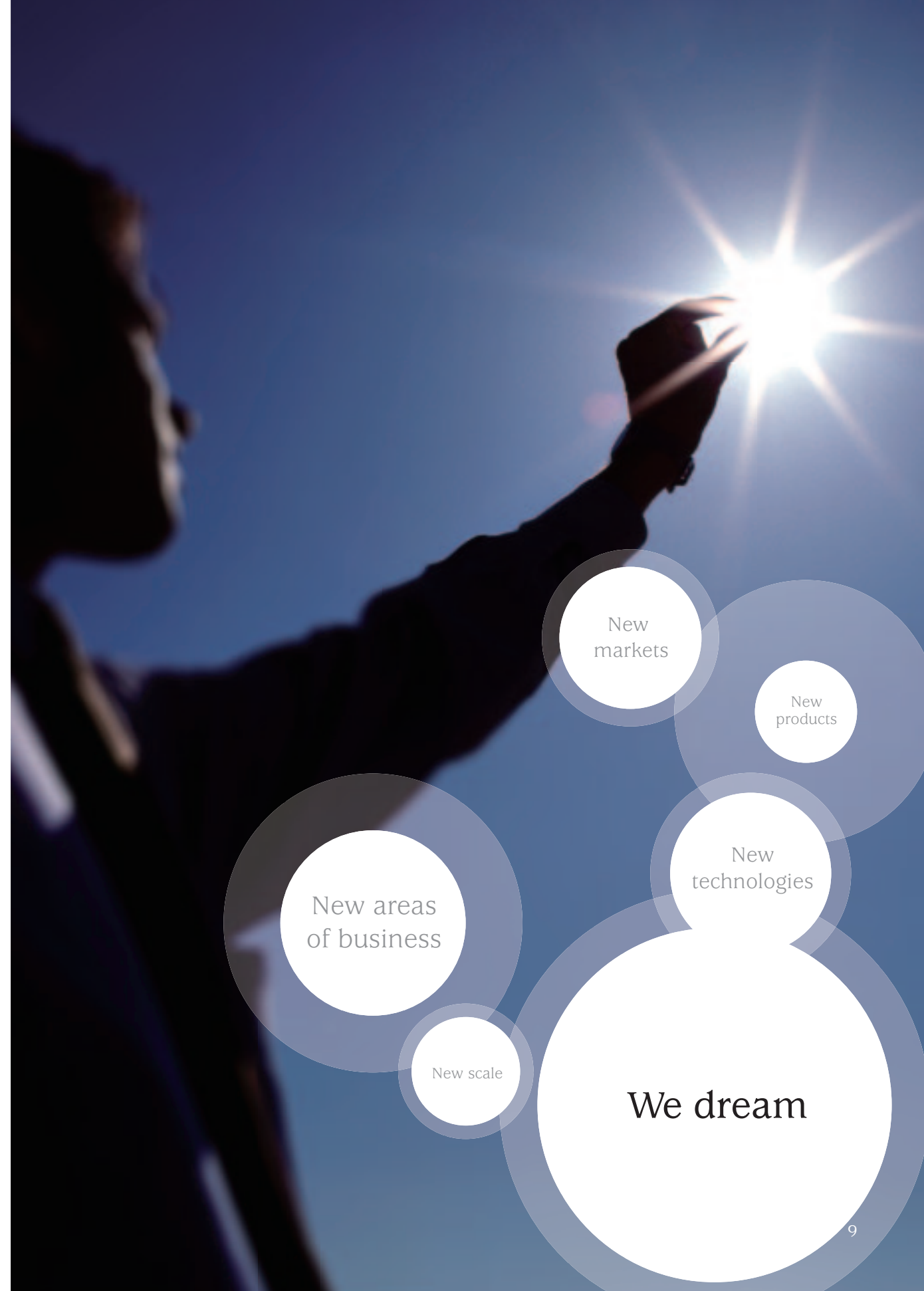
Today, we are going through another wave of change that has brought in cross-industry competitions and new growth opportunities primarily arising from environmental concerns. Diversified data storage needs have set off a cross-industry competition between HDD and flash memory. Nand flash, which is fast encroaching on the HDD's small-form-factor turf, has unleashed a torrent of speculation. Some wonder whether or not flash memory will gain the upper hand over HDD in the higher-capacity data storage market as well, and others argue merely "how soon." Both storage devices have their pros and cons. HDD costs far less than flash memory per gigabyte, holds more data and retains it much longer. On the other hand, flash memory is more rugged, power efficient, and, in general, can start up a PC faster than HDDs. Most experts concur that flash memory will not challenge the PC-directed HDD market on a commercially practical level at least in the next five years and that high-hybrid drives combining the best features of both formats will form a new market. Our view is that the two storage devices, while overlapping in the small-form-factor market, will continue on in their separate development paths as the overall data storage market expands and diversifies. We expect our HDD motor business to continue growing at an annual rate of 10–15%. However, in view of our already dominant market position on this front (market share: 75% or above), our focus must shift from scale expansion to profitability enhancement in the acceleration of new growth businesses.

Toward our 2008 profit target of ¥100 billion and 2010 sales target of ¥1,000 billion, the seeds of our future growth are taking firmer roots in the fields of automobiles, home appliances, office/industrial equipment, etc.— areas that are transitioning to environment-friendly product design. All manufacturing companies, whether voluntarily or under government mandate, are moving fast to comply with new requirements for environmental harmony. As I mentioned at the start of this letter, we are convinced that we can play a major role towards a cleaner environment by replacing old-style motors with highly energy-efficient brushless DC motors. We believe the technical features of brushless motors will shine more than ever before. We expect that these non-HDD-directed brushless motors will have surpassed HDD motors in sales by 2010, accounting for approximately 40–45% of the sales mix.

June 2007

Shigenobu Nagamori

Chairman of the Board, President and CEO



New areas
of business

New
markets

New
products

New
technologies

New scale

We dream