

Strengthening Core Activities

Information storage demand for enterprise data backup, personal downloading of large video files and home recording of HD TV broadcasts assures us stable growth in the HDD motor market. With our market share at 75%, earnings growth will come from higher margins as we shift to leveraging scale merits.

STABLE GROWTH

Our HDD motor business will continue to advance in tandem with the growth of the HDD market. We believe our dominant market position will sufficiently serve to increase profitability of this business going forward, bringing earning stability that will fund our moves into new, high-growth fields.

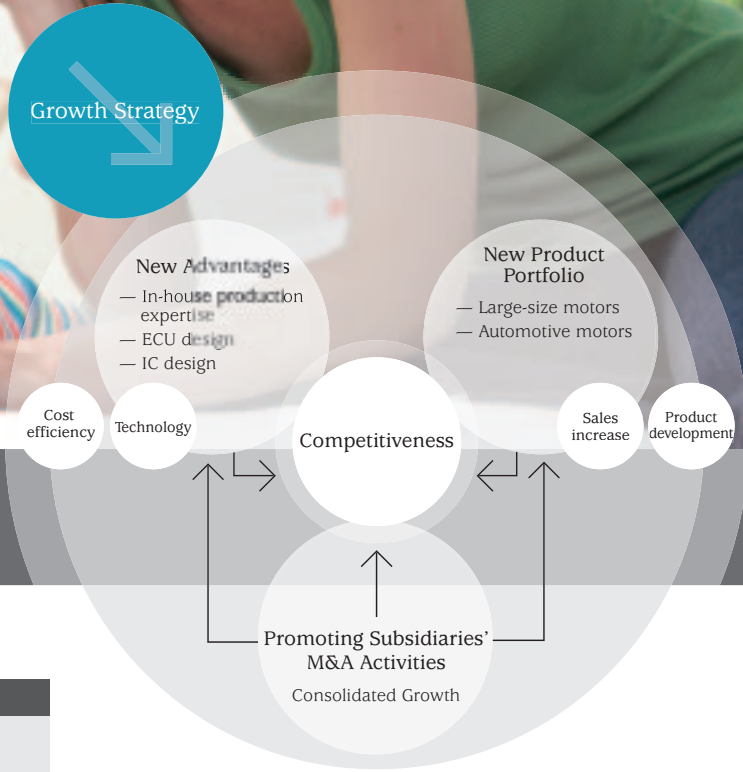
PROFIT ENHANCEMENT

To offset the impact of price declines, we are taking firm steps to increase margins by capturing more value through greater focus on in-house manufacturing of the components and peripheral parts of HDD motors—the move is driven by the acquisition of Brilliant Manufacturing that produces HDD base plates and establishment of a new component factory in Thailand.

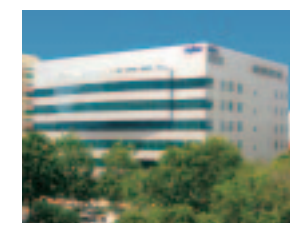
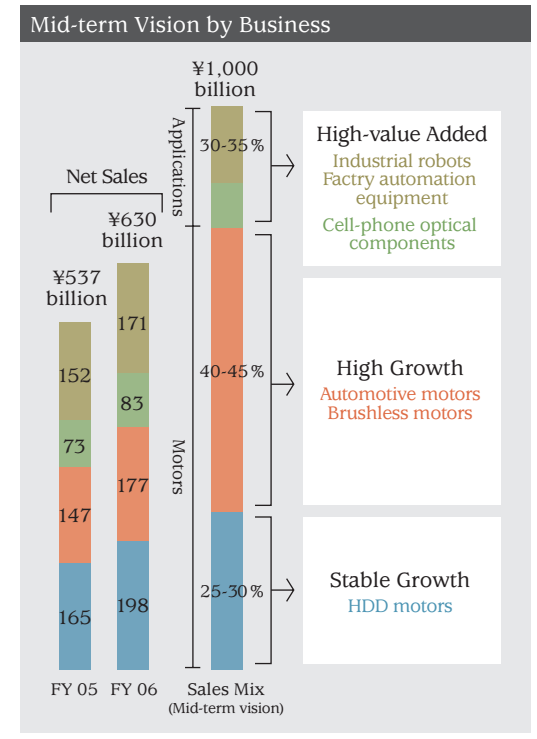
Meanwhile, our fluid dynamic bearing (FDB) motors using sintered-alloy metal, which reduces processing steps, production lead-time and costs, are beginning to enter the mainstream, constituting approximately half of our HDD motors shipped during FY2006. Development and production of the sintered-alloy FDB motors in a joint venture with NTN is in full swing in China and Thailand.

HDD COMPETITIVE WITH FLASH MEMORY DISKS

Citing a growing demand for data storage, Japan's industry research agency, Techno Systems Research Co., Ltd. (TSR) forecasts that the shipments of HDDs worldwide will grow constantly through and beyond 2010. Perpendicular recording technology increases HDD storage density, bringing higher performance to future HDD applications. NAND-flash memory is challenging HDDs at the extreme limits of portability, miniaturization and power consumption, e.g. portable audio players. However, NAND-flash is considered to be miles behind HDDs in price per gigabyte (currently an order of magnitude higher), read-write lifecycles and maximum capacity. Few expect flash memory disks to challenge the HDD market on a commercially practical basis in the foreseeable future, and the industry now looks to hybrid drives that combine the best features of both formats.



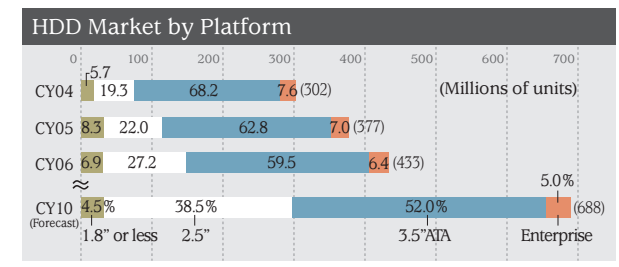
Core profitability is funding strategic acquisition of high-value and high-growth business to drive future growth



↑ Brilliant Manufacturing Limited Headquarters (Singapore)



↑ NTN-Nidec (Thailand) Co., Ltd.



Source: TSR (Dated May 2007)