

Nidec



ANNUAL REPORT 2006

NIDEC CORPORATION

Driving



Everything

that Spins and Moves

PROFILE

Thirty-three years ago, four young engineers in Japan's ancient capital of Kyoto established Nidec on a hot July day in 1973. From that time forward, shared passion, enthusiasm and tenacity have been spinning up dramatic growth into new industries and markets around the world. Nidec is an aggressively energetic company that thrives on pioneering advancements and is totally dedicated to global leadership in a broad range of motor-driven technology—in every sense, a company with drive.

Nidec holds a 70% share of the world hard disk drive (HDD) spindle motor market, based on our pioneering leadership in HDD miniaturization technologies. And, in fields beyond HDDs, the potential market for Nidec precision brushless DC motors is expanding yearly into new business sectors and applications such as fan motors, mid-size motors for automotive systems and applications in office and household equipment.

Nidec has also expanded into various electronic component and equipment sectors, building this business largely through acquisition. Today, Nidec ranks top or near the top across all its chosen segments—proof of its technical superiority and high-cost competitiveness on a global scale.

As one of only a handful of Japanese companies to be NYSE-listed and to maintain a dedicated IR representative office in the United States and London, Nidec continues to make steady progress down its chosen path toward acquisition of global scale through world-leading technology and focused management.

In a world 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 challenge. Relying on flexible thinking and bold commitment to action, Nidec is steadily pursuing global leadership in its core competence of "everything that spins and moves."

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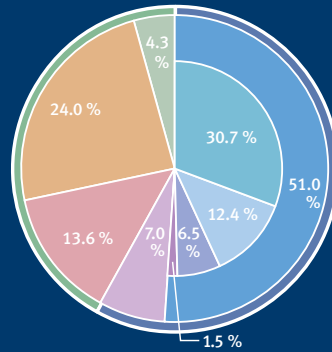
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Disclaimer:

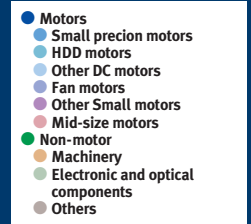
This annual report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our business, our industry and capital markets around the world. These forward-looking statements are subject to various risks and uncertainties. Generally, 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.

MAJOR PRODUCTS

More than ever—and in more fields than ever, our core technologies help companies compete on the leading edge of product innovation and customer satisfaction.



NET SALES



HDD motors

Spindle motors for 1", 1.8", 2.5" and 3.5" hard disk drives



Mid-size motors

Brushless DC motors for automobiles, home electronic appliances and industrial equipment



Other DC motors

Brushless DC motors for optical disc drives and office automation equipment. Stepping motors and other brushless DC motors



Machinery

Industrial robots, die bonders, circuit board testers, high-speed pressing machines, chip mounters, measuring machines, power transmission equipment, factory automation systems, card readers



Fan motors

For computer cooling units, game machine consoles, PC/communication devices, home appliances and automobiles



Electronic and optical components

Camera shutters, camera lens units, encoders, switches, trimmer potentiometers, motor-driven actuator units, optical pickup units, processing, precision plastic molded products



Other small motors

Vibration motors, brush motors



Others

Auto parts, pivot assemblies, logistics, services, musical products, etc.

KEEPING THE WORLD SPINNING

IT IS POSSIBLE THAT YOU YOURSELF USE A NIDEC PRODUCT EVERYDAY WITHOUT REALIZING IT. NIDEC COMMANDS A LEADING SHARE OF THE GLOBAL MARKET FOR HARD DISK DRIVE (HDD) SPINDLE MOTORS, THE CRITICAL COMPONENTS THAT KEEP HARD DRIVES SPINNING AND MAKE MEMORY STORAGE AND RETRIEVAL POSSIBLE.

Nidec led the original revolution that helped miniaturize HDDs, and today its fluid dynamic bearing (FDB) technology is powering another revolution as HDDs become small enough to fit in portable audio devices, such as music players, cameras and cell phones.

Besides its wide range of HDD motors, Nidec manufactures other small precision brushless DC motors, fan motors, and mid-size motors for automotive systems and other applications. The potential market for brushless DC motors is large and growing fast, as the digital revolution brings electronics and computing power to every conceivable appliance. In the constant search for higher efficiency and greener operation in everything from cars to home appliances, our brushless DC motors are spinning up satisfying solutions in more ways every day.





Keeping the World Spinning



Amusement



Office



CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen (Except number of shares outstanding)					Thousands of U.S. dollars ⁽³⁾	
	2002	2003	2004	2005	2006	2006	
Income statement data:							
Net sales	¥ 193,332	¥ 231,836	¥ 277,497	¥ 485,861	¥ 536,858	\$ 4,570,171	
Cost of products sold	159,442	187,306	218,189	370,938	413,012	3,515,893	
Selling, general and administrative expenses	17,691	21,302	28,542	35,340	41,188	350,626	
Operating income	10,472	16,404	22,015	53,665	53,426	454,805	
Income before provision for income taxes (1)	11,477	10,911	19,639	57,290	64,378	548,038	
Net income	6,580	10,680	16,089	33,455	40,949	348,591	
Balance sheet data (period end):							
Total assets	¥ 257,911	¥ 257,932	¥ 443,886	¥ 484,173	565,970	4,817,996	
Short-term borrowings	58,395	64,597	86,636	28,478	43,621	371,337	
Current portion of long-term debt	15,365	8,951	2,653	8,493	4,647	39,559	
Long-term debt	21,360	16,388	45,025	37,833	32,134	273,551	
Total shareholders' equity	85,475	88,557	110,046	207,040	263,659	2,244,479	
Common stock	26,469	26,485	28,995	61,180	65,649	558,858	
Number of shares outstanding	63,563,653	63,574,729	65,017,898	71,252,463	144,661,292	144,661,292	
Per share data:							
	Yen					U.S. dollars	
Net income per share—basic (2)	¥ 51.76	¥ 84.01	¥ 125.57	¥ 239.87	¥ 285.47	\$ 2.43	
Net income per share—diluted (2)	49.42	79.91	120.76	228.29	275.05	2.34	
Cash dividends paid per share (2)(4)	13.75	10.00	15.00	17.50	25.00	0.21	
Cash dividends declared per share (2)(4)	12.50	12.50	15.00	22.50	32.50		
Return on Equity (ROE)(%)	8.0	12.3	16.2	21.1	17.4		

Notes:

(1) Under U.S. GAAP, income before provision for income taxes does not include equity in net income/losses of affiliated companies.

(2) Net income per share and dividends for the fiscal years ended March 31, 2002, 2003 and 2004 retroactively reflect the effect of the two-for-one stock split effective in November 2005.

(3) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117.47 = U.S.\$1.00, the approximate exchange rate in Japan on March 31, 2006.

(4) "Cash dividends paid per share" reflects dividend payments received during the fiscal year, as per U.S. GAAP. "Cash dividends declared per share" reflects dividends announced during, and applicable to, the fiscal year, as per Japanese GAAP.

Amount per share of common stock: one ADR (American Depositary Receipt) represents one-fourth of one share of common stock, reflecting the four-for-one ratio change that took effect as of January 2004.

PERFORMANCE SUMMARY

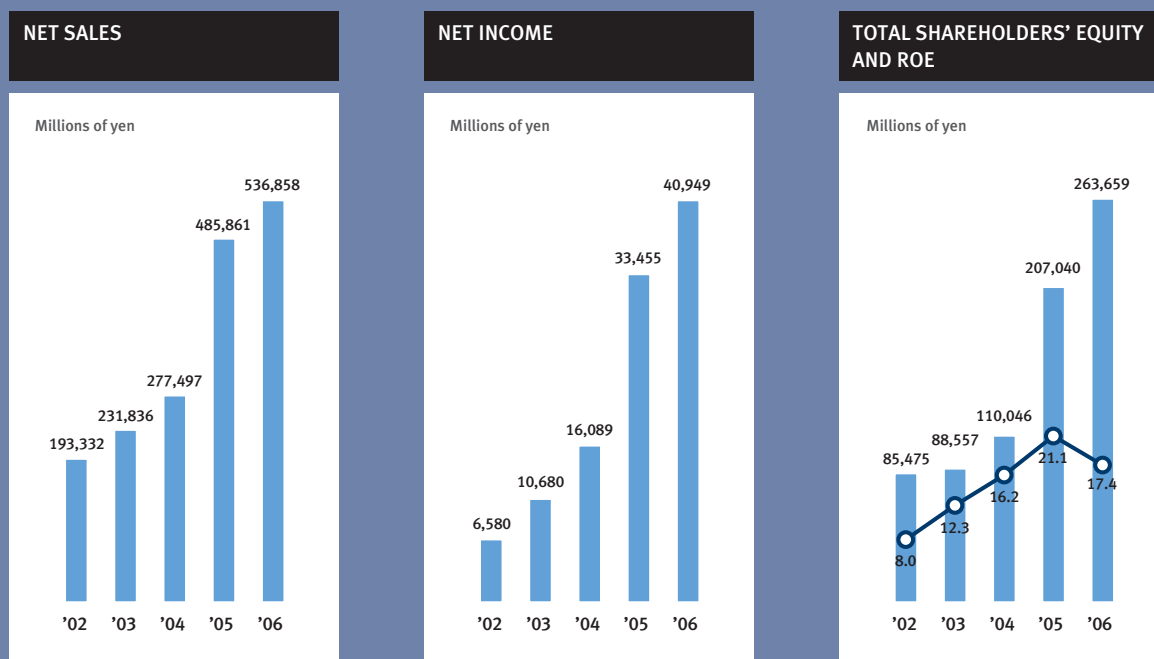
Consolidated net sales rose 10.5% year on year, driven by a 38% increase in sales of HDD motors.

Consolidated operating income slipped 0.4% due to sluggish subsidiaries' businesses.

Consolidated net income rose 22.4% to an all-time record, mainly benefiting from Yen's depreciation.

Earnings per share were the highest on record, up 19% to ¥550.10 on a pre-split adjusted basis.
(EPS of ¥275.05 on a post-split basis.)

Return on equity 17.4%.



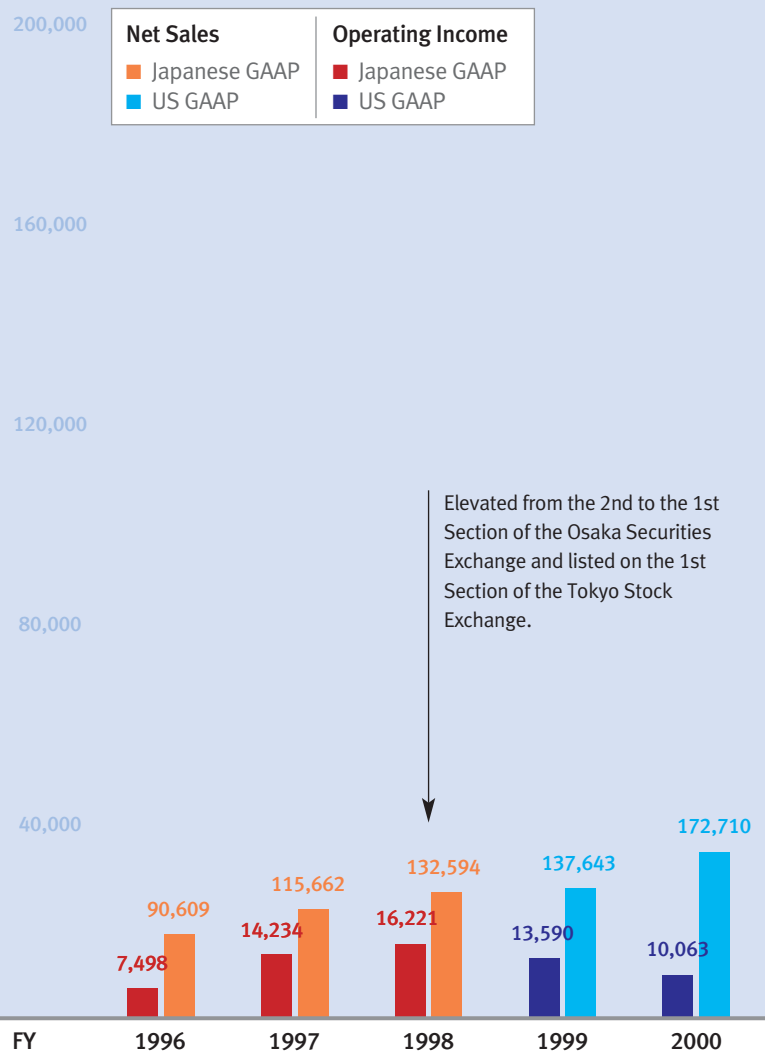
ROADMAP FOR STEADY GROWTH

NIDEC'S PRIMARY TARGET IS TO ACHIEVE CONSOLIDATED SALES OF ¥1 TRILLION BY FISCAL 2010. WE WILL CONTINUE TO FOCUS OUR EFFORTS ON THE CORE MOTOR BUSINESS, LEVERAGING OUR CUTTING-EDGE TECHNOLOGY TO CREATE NEW MARKETS AND NEW PRODUCTS, WHILE EXPANDING THE EXISTING PRODUCT LINEUP RANGING FROM MICRO MOTORS TO MID-SIZE MOTORS FOR HOME APPLIANCES, INDUSTRIAL USE AND AUTOMOBILES.

Meanwhile, M&A activity continues to be an essential means for us to enrich technological resources and also to complement internal growth towards fiscal 2010. In this view, we established an M&A strategy unit in June 2006, which consists of financial professionals equipped with strong investment banking credentials and international corporate acquisition expertise.

For corporate growth in the true sense of the word, we place as much value on long-term profitability as on scale expansion, eying a 15% operating profit margin (operating profit as a percentage of sales) in fiscal 2008.

Operating Income
(¥ million)



POLITICAL AND ECONOMIC ENVIRONMENT

1997: Asian currency crisis

1998: Russian currency crisis

2000: Dot-com bubble bursts

MARKET PC/CE MARKET

1995: Windows95 released

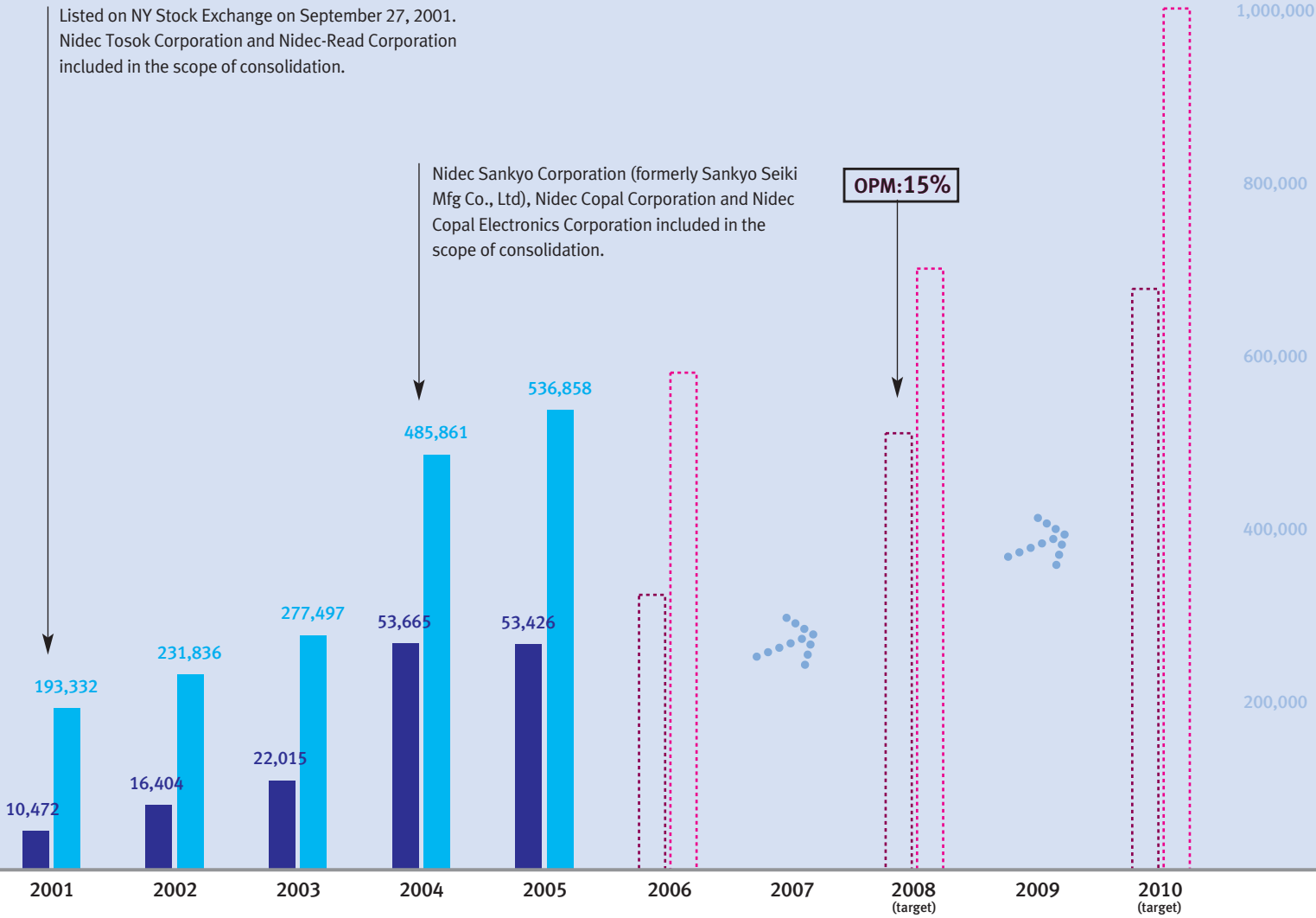
1996: HDD world shipments exceed 100 million units

1999: PC world shipments exceed 100 million units

2000: DVD-drive-equipped game machines brought to market

**Net Sales:
¥1 trillion**

Net Sales
(¥ million)



Listed on NY Stock Exchange on September 27, 2001.
Nidec Tosok Corporation and Nidec-Read Corporation included in the scope of consolidation.

Nidec Sankyo Corporation (formerly Sankyo Seiki Mfg Co., Ltd), Nidec Copal Corporation and Nidec Copal Electronics Corporation included in the scope of consolidation.

OPM: 15%

2001: Sep. 11 terrorist attacks upon the U.S.
Enron Corp going bankrupt

2002: WorldCom Inc. going bankrupt

2003: The Second Gulf War
Raw material prices start rising

→ BRICs economic expansion

2002: HDD world shipments exceed 200 million units

2004: HDD world shipments exceed 300 million units

2005: Cell phone world shipments exceed 800 million units
PC world shipments exceed 200 million units

ON TRACK TOWARD BECOMING A “SOCIALLY INDISPENSABLE” ENTERPRISE

IN 1973, NIDEC CORPORATION CAME INTO BEING AS A NON-FAMILY, INDEPENDENT COMPANY WITH EYES SET ON THE GLOBAL STAGE. THE GOAL WE PURSUE IS ONE AND ONLY—TO MAXIMIZE OUR SOCIAL VALUE BY ATTAINING THE WORLD’S NO.1 POSITION IN THE FIELD OF MOTOR-CENTRIC DRIVE TECHNOLOGY.



Shigenobu Nagamori
Chairman of the Board,
President and CEO

2005 OVERVIEW

For the year ended March 31, 2006 (fiscal 2005), we are able to report record sales for the twelfth consecutive year and the highest net income in our history. Overall global demand moved upward during the year on IT/digital markets. These were strong in newly growing BRIC countries mainly led by China and relatively firm in the major industrialized nations. Brisk demand for HDD motors, benefiting from the buoyant world market, drove our consolidated performance to its high level. Still, fiscal 2005 presented a mixed picture. On the flip side of the advances in the core small motor business, the electronic and optical component businesses slowed largely due to shorter prod-

uct cycles that put a strain on the development and production activities of our major consolidated subsidiaries.

As a result, consolidated net sales showed an increase of 10.5% to ¥536.9 billion compared with the previous fiscal year, while operating income was essentially even with the previous fiscal year at ¥53.4 billion (a decrease of 0.4%). Consolidated net income rose ¥7.5 billion, or 22.4%, to ¥40.9 billion over the previous fiscal year.

BUSINESS SEGMENT PERFORMANCE

Net sales of Small Precision Motors increased 23% to ¥273.8 billion over the previous fiscal year on growth of nearly 38% in HDD motor shipments driven by

robust demand for notebook PCs and consumer electronics. Operating income of this business segment increased approximately 37% over the previous fiscal year as profitability improved due to a broadened product portfolio and sales mix further towards high-value added motors for HDDs and optical disc drives used in notebook PCs.

Net sales of Mid-size Motors increased 6.2% to ¥38 billion over the previous fiscal year. About half of this increase derived from expanded sales of electric power steering motors. Meanwhile, a steep hike in cost of raw materials, particularly steel, together with increased expenses for transferring production to China, resulted in an operating loss of approximately ¥1.9 billion.

Net sales of Machinery declined 4.8% to ¥73.2 billion over the previous fiscal year. During the term, we experienced a sharp downturn in sales of laboratory systems, with Nidec Copal's major customer, Agfa Photo GmbH, going insolvent. In the meantime, we faced a decline in demand for Nidec Tosok's semiconductor manufacturing equipment. As a result of the stated sales decrease and write-offs associated with the bankruptcy of Agfa Photo GmbH, operating income of Machinery declined 7.5% to ¥11.1 billion over the previous fiscal year. Nidec Sankyo's LCD (liquid crystal display) transfer robots and card readers marked healthy growth both in sales and profit.

Net sales of Electronic and Optical Components leveled out at a 0.3% increase over the previous fiscal year. Operating income decreased 22% to ¥9.7 billion. The reasons for the profit decline were threefold: Nidec Copal's delayed launch of new plastic lens

units, soft demand for Nidec Copal Electronics' actuators, and Nidec Sankyo's low-yielding optical pickup unit business.

Net sales of Other products increased approximately 5% to ¥23.3 billion over the previous fiscal year on steady demand for Nidec's pivot assemblies business and Nidec Tosok's automobile parts business. However, operating income decreased by ¥0.6 billion to ¥2.1 billion due to an increased development cost for new-generation automobile electromagnetic valves and impacts from material price hikes.

LOOKING BACK ON OUR PROGRESS OF THE PAST DECADE

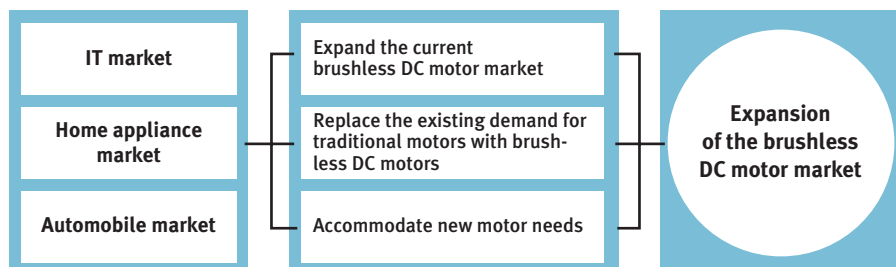
Seeking always to become the global leader in what we do, we have expanded business since inception, most notably, over the past ten years.

Subsequent to the 1998 listing on the First Section of the Tokyo Stock

Exchange, in September 2001, we gained a toehold in the world's largest capital market by listing on the New York Stock Exchange. 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 over the last three years.

During these three years, we brought about a substantial change to our scale of operation by taking a stake in our then-competitor, Sankyo Seiki Mfg. Co., Ltd., now Nidec Sankyo Corporation. Our greatest challenge in consolidating the debt-ridden company was to mitigate its impact on our productivity. We addressed this challenge with a focus on improving profit at our core, small precision motor business and bringing Sankyo Seiki back to profitability in the shortest possible time. A year later, we saw Sankyo Seiki hit the highest annual operating income in its history.

EXPANSION OF THE BRUSHLESS DC MOTOR MARKET



With a business focus on the development and manufacturing of motors, or in broader terms, "everything that spins and moves," we have grown to be the world's largest manufacturer of brushless DC motors claiming dominant market share in many different fields. Toward the fulfillment of our FY2010 sales target of one trillion yen, our strategies revolve around a vigorous expansion of the brushless DC motor market and forward-looking M&A.

A MESSAGE TO OUR SHAREHOLDERS



TOWARD FISCAL YEAR 2010

The competitive environment surrounding the IT/digital device market is increasingly harsh. Competition has extended beyond the traditional market boundaries and begun to assume a cross-industrial rivalry that requires companies to depart from the existing strategic paradigm.

We have observed that one major indication of a "global company" is an ability to constantly generate ¥1 trillion in annual sales even in the most difficult circumstances. With this in mind, we will pursue a five-phased approach over the next five years: reinforcement of the core business, development of a future pillar of business, strengthening of manufacturing power, competitive R&D, and M&A that contributes to achieve them all.

DOING WHAT IT TAKES TO BE "SOCIALY INDISPENSABLE"

Our urgent challenge is to become a "socially indispensable" entity that rewards all stakeholders in substantial and meaningful ways. For shareholders and investors, that means consistent profit return; for customers, high-quality and affordable products; for employees, a rewarding work experience and steady income; and for the communities that host our operations, cultural and economic enrichment. All this presupposes a strong contribution to environmental sustainability. 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. I feel fortunate to head a company that possesses both the will and the means to turn these aspirations into realities.

A handwritten signature in black ink, reading "S. Nagamori".

July 2006

Shigenobu Nagamori

Chairman of the Board, President and CEO

Management Target:

Net Sales ¥1 Trillion

- REINFORCING OUR CORE BUSINESS
- NURTURING THE NEXT CORE BUSINESS
- ENHANCING PRODUCTION CAPABILITIES
- STRENGTHENING R&D ACTIVITIES
- EXTENDING OUR M&A STRATEGY



BUSINESS REINFORCEMENT

BUSINESS EXTENSION: 1

REINFORCING OUR CORE BUSINESS

GROWTH OF THE HDD MARKET

The spread of broadband Internet and digital broadcast services in recent years have significantly increased demand for data storage both in business and leisure.

Today's HDD industry appears to be gearing up for a long-term demand for increased drive capacities as audio and visual data require many multiples of the storage capacity needed to store text data. We consider the industry's pursuit of higher storage densities will continue in all HDD form factors, leveraging the perpendicular recording technology in which data bits are oriented vertically on

the disc platter (perpendicular to the disc surface), rather than flat to the surface as with existing longitudinal recording.

As the world's leading manufacturer of HDD motors, we consider our ability to constantly fulfill our supplier's responsibility, both in quality and in quantity, is of growing importance for stable development of the HDD market. We have maintained market leadership in this field through a ceaseless quest for excellence in spindle motor technology, motor miniaturization know-how, supply capacity and cost competitiveness in ways that effectively advance the performance and applicability of HDD for our downstream customers.

the FDB unit using sintered-alloy metal increases our competitive advantage in this field. It reduces processing steps and cuts production lead time and costs. Sintered-alloy-metal FDB motors are increasingly recognized among major HDD manufacturers for its practicality and are fast coming into use for PCs and various consumer electronics.

PRODUCTION ENHANCEMENT

To meet the growing demand, we are strengthening our production activities in Asian/Southeast Asian countries, such as China, Thailand, Singapore and the Philippines, where our customers' manufacturing bases are predominantly situated. The latest developments include the construction of two additional factories in Thailand, which are due to start operation within the year. We estimate our aggregate production capacity, including these new factories, will have increased approximately 40% year on year by the end of 2006. Also, as part of our efforts to improve productivity, we are manufactur-



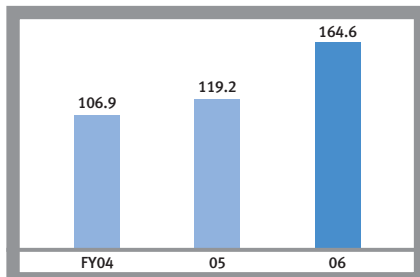
Our fluid dynamic bearing (FDB) spindle motors offer better shock resistance and increased rotational accuracy due to reduced friction.

TECHNOLOGICAL LEADERSHIP

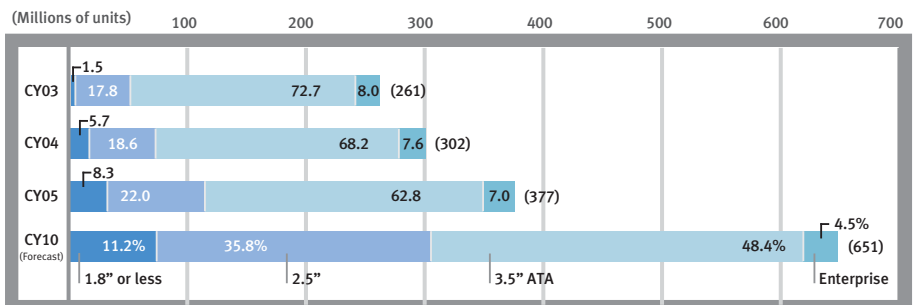
Our fluid dynamic bearing (FDB) motors, which perfectly meet the demand for faster rotational speed, enhanced precision and quieter operation, quickly gained the recognition of the HDD manufacturers and have almost entirely replaced traditional ball-bearing motors as the mainstream HDD motor today. Constructing

SALES OF HDD MOTORS

■ Sales (Billions of yen)



HDD MARKET BY PLATFORM



Source: TSR (Dated May 2006)

ing more and more of the components and peripheral parts of HDD motors in house.

EXPANSION INTO BROADER ELECTRONICS MARKET

We also seek to increase our presence in the broader market for small precision motors by leveraging our technological and manufacturing prowess related to brushless DC motors. These non-HDD-oriented brushless DC motors mainly activate optical disk drives, office equipment, and cooling fans for varying purposes. The following are our recent progress in these market segments.

OPTICAL DISK DRIVE MARKET

Particularly in Japan, a gradual transition to the next-generation DVD formats referred to as Blu-ray Disc and HD DVD is

underway in step with the popularization of high-definition digital broadcast. As the dominant supplier of brushless DC motors for high-end optical disk drives, we eye the emerging market for new revenue opportunities. In the meantime, we have also been extending a reach into the low-end Asian markets, making extensive use of our technological, scale advantages already established in the high-end field.

OFFICE EQUIPMENT MARKET

In recent years, our product portfolio has grown to include new brushless DC motor lineups closely directed toward meeting replacement demand for office equipment applications. With their technological advantages intact, our new brushless DC motor lines are designed to conform to the most commonly used motor dimen-

sions and therefore fit in virtually all applications currently filled by brush/AC motors, making it easy for customers to upgrade. Nidec and Nidec Copal Electronics have jointly made full-scale sales initiatives to promote the use of the new lines.

COOLING FAN MARKET

In the cooling-fan business, we are seeing our product mix shifting toward high-value-added lines, including those in use for micro processing units. With a particular focus on further productivity enhancement, we have taken measures to streamline production, including a review of manufacturing locations.

BUSINESS EXTENSION: 2

NURTURING THE NEXT CORE BUSINESS

PENETRATION INTO THE AUTOMOTIVE MOTOR MARKET

With emphasis on enhancing the driving safety, fuel efficiency and environmental friendliness of automobiles, the automobile industry is gradually moving toward highly-sophisticated, electronically-controlled automobile drive systems which technically require a greater number of electric motors than the existing mechanically-controlled systems. We position the automotive motor market as a major source of our future growth and have

been proactively investing research and development resources in this area. Automotive applications using our brushless DC motors on a commercial basis presently include electric power steering system, car seat fans and fuel cell cooling fans. We foresee our products expanding into a wider range of riding and handling systems, such as electrically activated suspension and brakes, and even into core drive systems of gas-electric hybrid cars.



NIDEC AUTOMOBILE MOTOR (ZHEJIANG) CORPORATION, established in February 2006, has launched full production in the "Pinghu Economic Development Zone" Zhejiang, China, as the spearhead for the Group's automotive motor business.

ENHANCING PRODUCTION CAPABILITIES



Nidec Production Network in Asia

China:

Nidec (Zhejiang) Corp.
Nidec (Dalian) Limited
Nidec (Dongguan) Limited
Nidec Sankyo (Zhejiang) Corp.
Nidec Copal (Zhejiang) Co., Ltd.
Nidec Copal Electronics (Zhejiang) Co., Ltd.
Nidec Shibaura (Zhejiang) Corp.
Nidec-Shimpo (Zhejiang) Corp.
Nidec Power Motor (Zhejiang) Co., Ltd.
Nidec System Engineering (Zhejiang) Corp.
Nidec Steel Products (Zhejiang) Corp.
NTN-Nidec (Zhejiang) Corp., etc.
Nidec Automobile Motor (Zhejiang)

Thailand:

Nidec Electronics (Thailand) Co., Ltd.
Nidec Hi-Tech Motor (Thailand) Co., Ltd.
Nidec Precision (Thailand) Co., Ltd., etc.
NTN-Nidec (Thailand) Co., Ltd.

Thailand:

Nidec Electronics (Thailand) Co., Ltd.
Nidec Hi-Tech Motor (Thailand) Co., Ltd.
Nidec Precision (Thailand) Co., Ltd., etc.

The Philippines:

Nidec Philippines Corp.
Nidec Precision Philippines Corp.
Nidec Subic Philippines Corp., etc.

Vietnam:

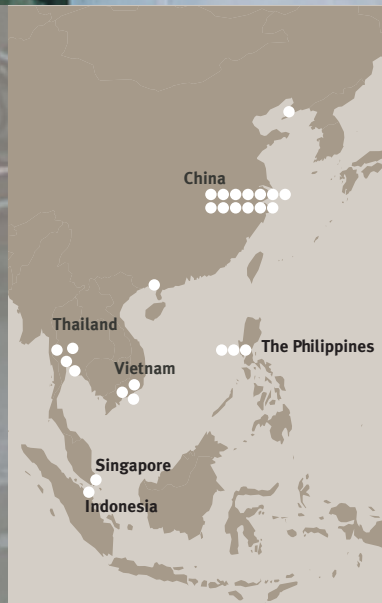
Nidec Copal (Vietnam) Co., Ltd.
Nidec Tosok (Vietnam) Co., Ltd.
Nidec Vietnam Corporation

Indonesia:

P.T. Nidec Indonesia

Singapore:

Nidec Singapore Pte. Ltd.



▶ Nidec's global production network extends to countries throughout Asia



NTN-NIDEC (THAILAND) CO. LTD., the second joint venture with NTN Corporation, following NTN-Nidec (Zhejiang) Corporation in China, undertakes the production of a fluid dynamic bearing unit, the core part of the HDD motor.



NIDEC ELECTRONICS (THAILAND) CO., LTD. is moving into the final stage of construction of its fourth Thailand factory. Located in Rangsit, the new factory is set to be the world's largest base for HDD motor manufacturing. Production is scheduled to begin in October 2006.

CONSTANTLY LOWERING MANUFACTURING COSTS TO ENHANCE PRICE COMPETITIVENESS AND PROFITABILITY.

Mitigating the impact of market fluctuations on the company performance is an essential part of managerial efforts. To achieve this, we constantly work on productivity improvements, primarily through reasonable reductions in manufacturing cost. Specific measures include shifting production to lower-cost, tax-advantaged overseas locations (particularly those in immediate proximity to our customers' manufacturing bases for transport efficiency), producing more components in-house, and achieving overall quantitative increase in the way that generates merit of scale.

INCREASING PRODUCTION CAPABILITIES IN ALL KEY REGIONAL MARKETS

We seek to develop our competitive advantage by increasing our manufacturing presence in the world's key geographical market areas: Asia, North America and Europe. The Asian region, as illustrated by the rapid rise of the Chinese and Indian economies, is assuming greater prominence today not only as global manufacturing centers, but also as huge consumer markets of enormous growth potential.

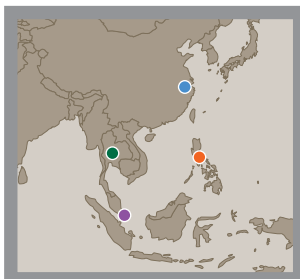
Building upon advances thus far made in the Southeast Asian countries, we have established and strengthened our manufacturing, logistical and sales capabilities in China over the past few years in step

with our customers' production shift to the country. In the Pinghu Economic Development Zone in Zhejiang, we have thirteen companies in operation on a group-wide basis today. To help maintain an optimal balance in overseas production, we are now looking at Vietnam's Saigon High-tech Park (SHTP) for future capacity increases .



NIDEC VIETNAM CORPORATION, established within Vietnam's "Saigon High-tech Park" in October 2005, has begun full-scale operation as the center of the Group's fan motor production.

ENHANCEMENT OF HDD MOTOR PRODUCTION



Nidec Electronics (Thailand)

- Ayutthaya Factory
- Bangkadi Factory
- Rojana Factory
- Rangsit factory

Nidec Hi-Tech Motor

- Nidec Precision(Thailand)** - Expanded
- NTN-Nidec(Thailand)** - Newly Established

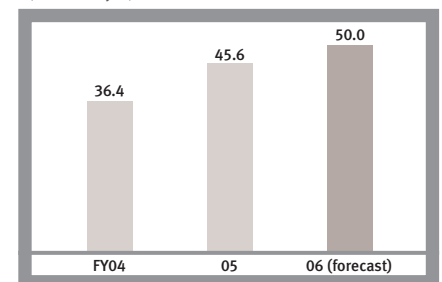
Nidec(Zhejiang)

NTN-Nidec(Zhejiang)

- Nidec Philippines** - Expanded
- Nidec Subic Philippines** - Expanded
- Nidec Precision Philippines** - Expanded
- Nidec Singapore**

CAPITAL EXPENDITURE

(Billions of yen)



SPECIAL FEATURE:2

STRENGTHENING R&D ACTIVITIES

GLOBAL

NORTH CALIFORNIA OFFICE/R&D CENTER



LONGMONT R&D CENTER



NIDEC SINGAPORE PET. LTD. TECHNICAL CENTER



NIDEC TAIWAN CORPORATION TECHNICAL CENTER



CENTRAL TECHNICAL LABORATORY

JAPAN



NIDEC MOTOR ENGINEERING RESEARCH LABORATORY



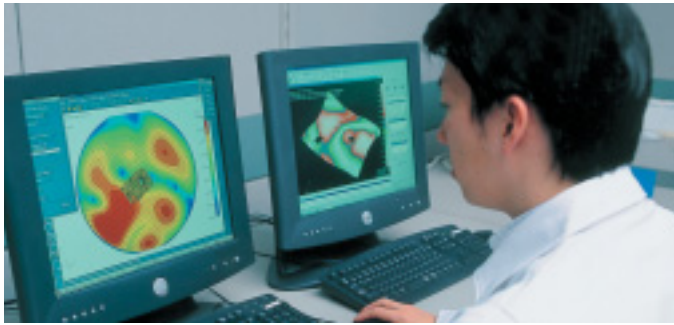
SHIGA TECHNICAL CENTER



NAGANO TECHNICAL CENTER



TOTTORI TECHNICAL CENTER



Acoustic and vibration computer analyses are some of the high-level tests employed to assure high performance and product consistency.

INCREASING OUR VALUE THROUGH THE DEVELOPMENT OF NEXT-GENERATION TECHNOLOGIES

Our main product segments, require a high degree of integration of mechanical engineering, electronics, tribology, chemistry, fluid dynamics and materials engineering, among others. The R&D division of Nidec has accumulated core technologies in each of these fields through basic research, while at the same time engaging in development and commercialization of breakthrough solutions for its customers' leading-edge products.

To increase our value to customers as a partner in the development of their next-generation products, Nidec is reinforcing those research and development activities that help it respond to fast-changing market needs. We are focusing on enhancing collective efforts on a group-wide basis to create new technology and new products.

Taking the lead in these efforts since May 2003 is the Central Technical Laboratory in the newly built headquarters building in Kyoto. It consolidates procurement and integrates research, development and design toward development of new products and mass production technologies, prototype testing and inspection,

start-up support as well as quality assurance. The Central Technical Laboratory is a comprehensive, highly efficient R&D stronghold possessing an uninterrupted, seamless two-way process flow from product research to mass-production system engineering. Its core areas of research are advanced-technology development, core-technology research, materials research and chemical analysis. It also is responsible for design and development of HDD spindle motors and operational support of spindle motor manufacturing.

The convergence of the Company's technical expertise under a group-wide R&D effort also means that we are refining and enhancing the independent R&D frameworks of respective group companies as their researchers are freed up to tackle research specifically tied to their core competitiveness.

Around the Central Technical Laboratory now orbit three specialist research centers, each free to concentrate on efficiency and speed improvements in their specialized fields of R&D activity. The Nagano Technical Center works on developing and manufacturing HDD spindle motors and offering technological support to Nidec's manufacturing bases overseas. The Shiga Technical Center devel-

ops small brushless DC motors and automotive-application motors. The Tottori Technical Center focuses on fan motors.

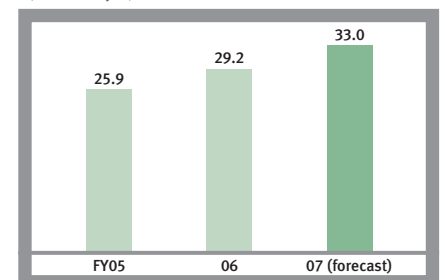
Furthermore, in April 2005, we established Nidec Motor Engineering Research Laboratory at Nidec's facilities in Tokyo. It is headed by the world's top authority on electric motor technology. He is supported by a top-quality team of veteran researchers. The Motor Engineering and Research Laboratory conducts and extends the world's most advanced basic research on next-generation motor technologies. Breakthroughs in power efficiency and new materials will lead to new applications in consumer and industrial electronics fields.



Acoustical testing in an anechoic room captures the precise sound signature of a product and helps us identify and reduce noise.

R&D EXPENDITURE

(Billions of yen)



SPECIAL FEATURE:3

EXTENDING OUR M&A STRATEGY



MERGERS AND ACQUISITIONS TO INCREASE TECHNOLOGICAL STRENGTH AND BROADEN OUR PRODUCT PORTFOLIO

To win and maintain market leadership in an expanding range of business areas, it is increasingly important for us to shorten the research and development cycle so as to bring new products to market with ever-increasing speed and consistency. For this reason, we have made corporate acquisition one of the essential elements to our business growth strategy. Acquisitions strengthen product development capabilities and bring us timely access to peripheral manufacturing technologies and know-how we deem essential for the group's business expansion.

Since 1995, Nidec's capital participation has extended to 23 companies, and many of them have possessed the highest levels of R&D and manufacturing technology with-

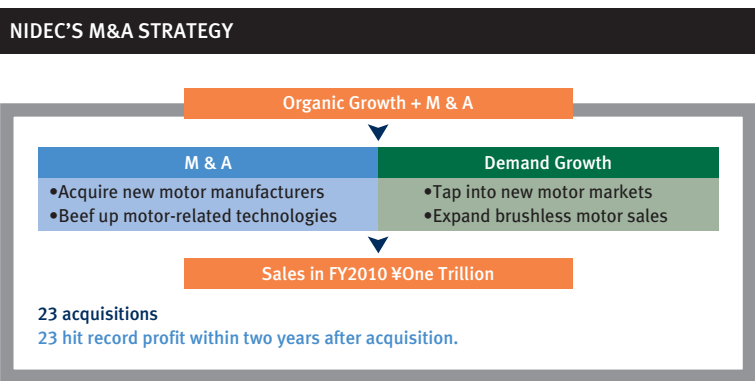
in their industries. Whenever such leading-edge technology is applied to other areas of our operations, it contributes immensely toward raising the overall industrial prowess of Nidec as a group.

Our basic approach to M&A is to form a long-term vision and from that, sketch out a "specification list" of target industries and technologies. Next we research the best companies in each field in terms of their compatibilities and potential contribution. Then we wait until M&A is the best solution going forward for both parties involved, but because we have already done our homework, when opportunity knocks, we are ready.

From a strategic perspective, we consider that further steps toward a more integrated product development environment will require technologies relating to semiconductor manufacturing systems and electronic control units. Extending our

strategic perspective even longer-term, acquiring a solid foothold in the market for large motors, which is still dominated by conventional brush/AC technology, is also a strategic option that is very much in line with the opportunities we see for brushless DC motors in the replacement market.

To underpin the future of our corporate acquisition efforts, we have recruited experts from the outside the Company and established a think tank specializing in mergers and acquisitions in June 2006 (Corporate Strategy Office). These experts have detailed corporate acquisition experience at home and abroad, and their presence as an in-house unit is expected to greatly facilitate our ability to approach companies under a much wider range of circumstances and the efficiency with which we pursue them—not to mention the improved due diligence we will be able to apply prior to any new proposal.



CORPORATE STRATEGY OFFICE, Nidec's in-house M&A strategy unit established in June 2006, addresses corporate acquisitions through investigations of a broader international scope.

NIDEC'S CORPORATE GOVERNANCE PRACTICE

Significant Differences in Corporate Governance Practices

Companies listed on the New York Stock Exchange (the "NYSE") must comply with certain listing standards regarding corporate governance ("NYSE Corporate Governance"). Listed companies that are foreign private issuers, such as Nidec Corporation (the "Company"), however, are permitted to follow home country practices in lieu of NYSE Corporate Governance. The Company's corporate governance practices, which comply with Japanese laws, regulations and stock exchange rules, and NYSE Corporate Governance followed by U.S. listed companies have the following significant differences.

1. Directors

The Company Law (Law No.86, 2005) of Japan with respect to auditing, etc. of Joint Stock Corporations does not require Japanese companies with boards of corporate auditors, such as the Company, to have any independent (in the meaning given by the NYSE listing standards) or outside (in the meaning given by the Company Law) directors on their boards of directors.

2. Committees

Under the Company Law, the Company has elected to structure its corporate governance system as a company with a board of corporate auditors, which has a statutory duty to monitor, review and report on the administration of the affairs as well as accounts of the Company. The Company, consistent with other Japanese companies with boards of corporate auditors, but unlike under NYSE Corporate Governance, does not have specified committees, including those that are responsible for director nomination, corporate governance and executive compensation.

Pursuant to the Company Law, the Company's board of directors nominates and submits a proposal for election of directors for shareholder approval. The shareholders elect directors by a simple majority of votes at the Company's general meeting of shareholders. The Company Law requires that the total amount of remuneration to be paid to all directors and the total amount of remuneration to be paid to all corporate auditors must be determined by a resolution of the general meeting of shareholders, unless their remuneration is provided for in the Articles of Incorporation.

The distribution of remuneration among directors is broadly delegated to the board of

directors and distribution of remuneration among corporate auditors is determined by consultation among the corporate auditors.

3. Audit Committee

The Company avails itself of paragraph (c)(3) of Rule 10A-3 of the U.S. Securities Exchange Act of 1934 as amended, which provides a general exemption from the audit committee requirements to a foreign private issuer with a board of corporate auditors, subject to certain requirements which continue to be applicable under Rule 10A-3.

Consistent with the requirements of the Company Law, the Company elects its corporate auditors by a resolution at a general meeting of shareholders. The Company currently has five corporate auditors, which exceeds the minimum of three corporate auditors required by the Company Law.

Unlike NYSE Corporate Governance, the Company Law, among others, does not require corporate auditors to have expertise in accounting or other special knowledge and experience. Under the Company Law, the board of corporate auditors may determine the auditing policies, method of investigating the conditions of the business and the assets of a company, and may resolve other matters concerning the execution of the corporate auditor's duties, prepare corporate auditors' reports and give consent to proposals of the nomination of corporate auditors and accounting auditors. Corporate auditors may not at the same time be directors, executive officers, managers or employees of the Company or any of its subsidiaries.

Unlike NYSE Corporate Governance, the Company Law requires at least half of the corporate auditors must be persons who have not been directors, executive officers, managers or employees of the company or any of its subsidiaries at any time prior to such corporate auditors' election ("Outside Auditors"). The Company currently has four Outside Auditors."

4. Corporate Governance Guidelines

Unlike NYSE Corporate Governance Rules, under the Securities and Exchange Law and Stock Exchange Rules of Japan, the Company is not required to disclose corporate governance guidelines. However, the Company is required to disclose policies and the present status of its

corporate governance under the Securities and Exchange Law of Japan in respect of timely disclosure.

5. Code of Business Conduct and Ethics

Unlike NYSE Corporate Governance Rules, under the Company Law, the Securities and Exchange Law and Stock Exchange Rules of Japan, the Company is not required to disclose a code of business conduct and ethics for directors, officers and employees. However, the Company maintains and discloses a "Nidec Code of Ethics" which the Company believes is consistent with the code of ethics described under Section 406 of the U.S. Sarbanes-Oxley Act of 2002.

6. Shareholder Approval of Equity-Compensation Plans

Unlike NYSE Corporate Governance Rules, in which material revisions to equity-compensation plans of the listed companies are subject to shareholder approval, pursuant to the Company Law, if the Company desires to adopt an equity-compensation plan in which stock acquisition rights are granted on specially favorable terms to the plan's recipients, then the Company must obtain shareholder approval by a "special resolution" of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required.

BOARD OF DIRECTORS

(AS OF JUNE 22, 2006)

Chairman of the Board, President & CEO

Shigenobu Nagamori

Executive Vice President & COO

Hiroshi Kobe

Executive Vice President & CFO

Yasunobu Toriyama

Executive Vice President

Kenji Sawamura

Jyuntaro Fujii

Senior Managing Directors

Yasuo Hamaguchi

Managing Directors

Seizaburo Kawaguchi

Tadaaki Hamada

Directors

Seiichi Hattori

Tetsuo Inoue

Satoru Kaji

Takashi Iwata

Akira Kagata

Kiyoyoshi Takegami

Toru Kodaki

Auditors

Hideo Asahina

Tadayoshi Sano

Tsutomu Katsuyama

Shiro Kuniya

Yoshiro Kitano

CORPORATE DATA

(As of March 31, 2006)

Head Office:

338 Tonoshiro-cho, Kuze, Minami-ku, Kyoto 601-8205, Japan

Tel: +81-75-935-6140

Fax: +81-75-935-6141

E-mail: ir@nidec.co.jp

U R L : <http://www.nidec.co.jp/english>

IR Representative Office in New York:

1040 Avenue of the Americas, Suite 2412

New York, New York 10018

Tel: +1-212-703-7988

Fax: +1-212-703-7989

Mobile: +1-646-335-5193

E-mail: masahiro.nagayasu@nidec.com

IR Representative Office in London:

90 Long Acre, Covent Garden, London WC2E 9RZ, UK

Tel: 44(0)870-351-7388

Fax: 44(0)870-351-7389

E-mail: SHUSAKU_DAIJO@notes.nidec.co.jp

Established:

July 23, 1973

Paid-in Capital:

¥65,648,785,886

Number of Shares:

144,661,292 (stock split 2 for 1)

Number of Shareholders:

21,567

ADR Ratio:

1 ordinary share of the common stock = 4 ADRs

Stock Listings:

Tokyo, Osaka, New York

Transfer Agent for Common Stock:

The Sumitomo Trust and Banking Company, Limited

5-33, Kitahara 4-chome, Chuo-ku, Osaka 540-0041 Japan

Depository and Transfer Agent for American Depository Receipts (ADRs):

JPMorgan Chase Bank

270 Park Avenue, New York, New York 10017-2070 U.S.A.

Tel: +1-212-270-6000

Principal Shareholders:

Name	Number of Stocks (in thousands)	Holding Ratio (%)
1. The Master Trust Bank of Japan, Ltd.	12,581	8.71
2. Shigenobu Nagamori	11,946	8.27
3. Japan Trustee Services Bank, Ltd.	10,876	7.53
4. SN Kosan Ltd.	8,867	6.14
5. State Street Bank & Trust Company	7,314	5.06
6. The Bank of Kyoto, Ltd.	5,808	4.02
7. The Dai-ichi Mutual Life Insurance Company	4,621	3.20
8. Nippon Life Insurance Company	4,137	2.86
9. Trust & Custody Services Bank, Ltd.	3,835	2.65
10. Meiji Yasuda Life Insurance Company	3,366	2.33

PRINCIPAL GROUP COMPANIES

New Consolidated Companies:

Nidec Automobile Motor (Zhejiang) Corporation

Nidec Vietnam Corporation

NTN-Nidec (Thailand) Co.Ltd.

Domestic Companies:

Nidec Sankyo Corporation

Nidec Copal Corporation

Nidec Tosok Corporation

Nidec Copal Electronics Corporation

Nidec-Read Corporation

Nidec Shibaura Corporation

Nidec-Shimpo Corporation

Nidec-Kyori Corporation

Nidec Logistics Corporation

Nidec Nemicon Corporation

Nidec Power Motor Corporation

Nidec Machinery Corporation

Nidec Pigeon Corporation

Nidec Total Service Corporation

Nidec Nissin Corporation

Overseas Companies:

Nidec America Corporation

Nidec Electronics GmbH

Nidec Electronics (Thailand) Co.,Ltd

Nidec (Zhejiang) Corporation

Nidec (Dalian) Limited

Nidec (Dongguan) Limited

Nidec Taiwan Corporation

Nidec Singapore Pte.Ltd.

P.T.Nidec Indonesia

Nidec (H.K.) Co.,Ltd

Nidec Philippines Corporation

Nidec Subic Philippines Corporation

Nidec Korea Corporation

Nidec (Shanghai) International Trading Co.,Ltd

Nidec Copal (Vietnam) Co.,Ltd.

Nidec Power Motor (Zhejiang) Corporation

Nidec Tosok (Vietnam) Co.,Ltd.

Nidec Copal Philippines Corporation

Nidec System Engineering (Zhejiang) Corporation

Nidec Shibaura (Zhejiang) Co.,Ltd.

Nidec Total Service (Zhejiang) Corporation

Nidec Machinery (Thailand) Co.,Ltd

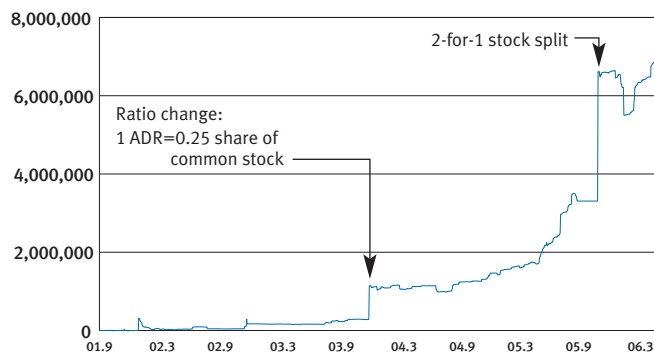
Nidec Copal (Malaysia) Sdn.Bhd.

NTN-Nidec (Zhejiang) Corporation

ADR Price (US\$ per ADR—adjusted) :



ADRs Outstanding:



The above line chart retroactively reflects the effect of a four-for-one ratio change effective January 2004, by which one ADR represents one-fourth of one share of common stock, and the effect of a two-for-one split effective November 2005.