



Nidec



unsung power
singing results

ANNUAL REPORT 2004

revolving motors evolving company

NIDEC CORPORATE 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 that thrives on pioneering change and is totally dedicated to global leadership in comprehensive drive technology—in every sense, a company with drive.

Many people 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 driving another revolution as HDDs become small enough to fit in portable audio devices.

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. 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. 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.

Following the consolidation of three major subsidiaries, Nidec has expanded its scope of consolidation reported under the U.S. GAAP standards from the year ended March 2004. 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, 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 "everything that spins and moves."

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.

NIDEC'S CORPORATE GOVERNANCE PRACTICE

For an explanation as to the significant differences between the New York Stock Exchange's corporate governance standards and Nidec's corporate governance practices, please visit us on the internet at <http://www.nidec.co.jp/english/news/update.html>

FINANCIAL HIGHLIGHTS

Nidec Corporation and Consolidated Subsidiaries

For the years ended March 31,	Yen in millions (Except number of shares outstanding)			U.S. dollars in thousands
	2002	2003	2004	2004
Income statement data:				
Net sales	¥ 193,332	¥ 231,836	¥ 277,497	\$ 2,625,575
Cost of products sold	159,442	187,306	218,189	2,064,424
Selling, general and administrative expenses	17,691	21,302	28,542	270,054
Operating income	10,472	16,404	22,015	208,298
Income before provision for income taxes (1)	11,477	10,911	19,639	185,817
Net income	6,580	10,680	16,089	152,228
Balance sheet data (period end):				
Total assets	¥ 257,911	¥ 257,932	¥ 443,886	\$ 4,199,886
Short-term borrowings	58,395	64,597	86,636	819,718
Current portion of long-term debt	15,365	8,951	2,653	25,102
Long-term debt	21,360	16,388	45,025	426,010
Total shareholders' equity	85,475	88,557	110,046	1,041,215
Common stock	26,469	26,485	28,995	274,340
Number of shares outstanding	63,563,653	63,574,729	65,017,898	65,017,898
Per share data:				
	Yen			U.S. dollars
Net income per share—basic (2)	¥ 103.53	¥ 168.01	¥ 251.14	\$ 2.38
Net income per share—diluted (2)	98.85	159.82	241.53	2.29
Cash dividends per share	27.50	20.00	30.00	0.28

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 ¥105.69 = U.S.\$1.00, the approximate exchange rate in Japan on March 31, 2004.

Net sales (¥ million)

2004	277,497
2003	231,836
2002	193,332

Net income (¥ million)

2004	16,089
2003	10,680
2002	6,580

Total shareholders' equity (¥ million)

2004	110,046
2003	88,557
2002	85,475

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MESSAGE TO SHAREHOLDERS

An Unchanging Spirit of **Constant Change**

The year ended March 31, 2004 was particularly significant for Nidec for two reasons. First, we set new records for sales and profits. Second, we laid the foundations for higher future growth through aggressive capital investment and M&A programs, amid an intensely competitive environment.



Record Sales and Profits

Consolidated net sales advanced 19.7% year-on-year to ¥277,497 million (\$2,626 million), despite a negative impact on sales due to the appreciation of the yen during the year. Operating income surged 34.2% to ¥22,015 million (\$208 million). Both figures set new records for Nidec.

Looking at profit performance by product category, the profitability of our hard disk drive (HDD) spindle motors increased substantially as the market rapidly adopted our proprietary fluid dynamic bearing (FDB) motor technology. We are particularly strong in the high-value-added segment of the market for HDD motors of less than 2.5 inches, which are used in products such as laptop PCs, car navigation systems and portable audio players—all areas experiencing booming demand. Volume expansion due to higher demand in these areas led growth. We also notched up large increases in sales of motors for optical disk drives used in DVD players and other digital appliances, which generated gains in earnings from mass-production economies of scale. Another major achievement was a surge in operating earnings gained in the field of midsize DC motors used in home appliances, automobile power steering systems and industrial equipment.

Elsewhere, our superior technology translated into higher sales and orders across a wide range of products, including digital camera shutters, electronic components, automotive components and other assorted devices and equipment.

The strong earnings growth marked for the term also derives from significant cost reductions achieved as a result of a continued shift in production capacity to bases in mainland Asia.

Consolidated net income increased by more than ¥5.0 billion (\$48 million) to ¥16,089 million (\$152 million). Partially offsetting these gains, our move to turn Sankyo Seiki Mfg. Co., Ltd. into a consolidated subsidiary resulted in a loss on equity-method earnings.

I believe that these results reflect a synergistic combination of outstanding products and highly efficient global production expertise, both of which are due to technical superiority cultivated over many years of dedicated R&D efforts.

A Stronger Base for Future Growth

Today's supremely competitive markets demand high-quality products at low cost based on constant technological innovation. We have continued to take action to ensure the Nidec Group is ready to confront these market challenges. In May 2003 we opened our new headquarters building in Kyoto. Housing the new Central Technical Laboratory, which brings together numerous development functions, the building is both a celebration of Nidec's past (2003 marked our 30th anniversary) and a symbol of Nidec's future. It represents our unswerving commitment to stay one step ahead in product development amid rapid technological evolution.

We also moved to strengthen the Nidec Group in terms of the products and technologies we use to supply market needs through the consolidation of three subsidiaries: Nidec Copal Corporation, Nidec Copal Electronics Corporation and Sankyo Seiki Mfg. Co., Ltd. Separately, as various Nidec Group firms that were the subject of previous acquisitions moved out of the reconstruction phase and onto a fresh expansion track, we effected reshuffles of top management from April 2003 onward at a number of the main listed Nidec Group companies. The dial has now been reset to growth.

On the production side, we invested aggressively in response to rising demand to increase capacity at facilities both in Japan and overseas. We undertook capital investments in higher production capacity at Nidec (Zhejiang) Corporation, and Nidec Subic Philippines Corporation, for HDD motors, while also upgrading production capabilities for DC motors at Nidec (Dalian) Limited and for midsize motors at facilities in Pinghu, China. We aim to expand China-based production of other products as well, including various types of devices and equipment, to boost our cost competitiveness in such areas.

These moves have significantly bolstered the capabilities of the Nidec Group, creating a base for strong growth going forward. The expanded organization keeps us on course to achieve our medium-term goal for 2010 of consolidated net sales of ¥1 trillion with a minimum operating profit margin of 10%.

Business Prospects and Strategy

The Nidec Group is firmly on an expansion track, but we cannot afford to rest on our laurels. It is imperative that we take steps urgently to boost growth potential further. Our efforts fall under three strategic themes: increasing profitability; strengthening technical development capabilities; and further developing our management systems based on global standards. Below I outline ongoing initiatives in these three areas.

Increasing Profitability

We remain clearly committed toward expansion of our overseas and in-house production capabilities in all our businesses, particularly small precision motors. Specific ongoing programs include expansion of full-scale production of midsize motors, equipment and electronic components at various manufacturing facilities in China. We are also steadily increasing production of automotive components in Vietnam. We plan to continue investing in increased capacity overseas to cater to buoyant demand while ensuring that our set-up delivers consistent supply stability.

We executed organizational reforms and a management reshuffle at Sankyo Seiki Mfg. Co., Ltd., which became a consolidated subsidiary in the year ended March 2004. Other priorities include moves to boost production capabilities and to strengthen its sales and technical development systems. We believe these reforms will generate rapid improvement in profitability. The target is to set a new record for earnings at Sankyo Seiki Mfg. Co., Ltd. within the next two years.

Recognizing the need for highly effective and efficient distribution capabilities within the newly expanded Nidec Group, we converted Sankyo Logistics Co., Ltd. into a wholly owned subsidiary, renaming it Nidec Logistics Corporation. Going forward, we expect increased use of joint distribution projects in overseas markets, notably China, to help reduce costs further, thereby contributing to higher profitability.

Strengthening Technical Development Capabilities

The recently completed Head Office and Central Technical Laboratory substantially fortifies Nidec Group R&D by concentrating functions on one site. HDD motor development operations that were part of Sankyo Seiki Mfg. Co., Ltd. have been amalgamated with the Nagano Technical Center. We continue to upgrade the technical development capabilities and systems of Nidec Group firms so that we can better serve the rapidly changing needs of the market with new products and technologies. R&D literally creates our future.

Developing Management Systems Based on Global Standards

In May 2003, we established the Compliance Office and the Risk Management Office. Over the rest of the year, we established our central investor relations (IR) function as a separate department and opened a dedicated IR representative office in New York (December 3, 2003) to provide better disclosure for U.S.-based shareholders and investors. The creation of a Disclosure Control Committee and other frameworks further strengthened our internal controls. In April 2004, we followed up these initiatives with the establishment of the Internal Audit & Management Advisory Department, whose mission is to review and implement reforms to the overall internal control systems of the Nidec Group so that we can upgrade consolidated management and audit functions while maintaining high levels of both efficiency and regulatory compliance.

From the year ended March 2004, our consolidated financial statements in accordance with U.S. GAAP have begun to reflect the financial results of Nidec Copal, Nidec Copal Electronics and Sankyo Seiki Mfg. Co., Ltd.

Onto the Next Mountain

We celebrated three decades in business in July 2003. In the 30 years since we founded Nidec in 1973, we have overcome many challenges and the company has grown into a global enterprise spanning 110 group companies. I would like to take this opportunity to offer my sincere appreciation to all our shareholders and business partners whose support has been invaluable in helping us come this far. In recognition of reaching this historic milestone, we declared a special commemorative dividend of ¥2.50 to make the interim dividend total ¥15 per share, celebrating our 30th anniversary. In light of our financial performance we also raised the year-end dividend by ¥2.50 to ¥15.00 per share. Combined with the interim dividend of ¥15, this brought total dividends for the year to ¥30.00 (\$0.28) per share.

I attribute the rapid growth that Nidec has achieved to three key factors: world-class technical prowess developed over many years; a clinically efficient approach to business expansion based on M&A (one that is not typically Japanese); and management methods whose application has helped to turn around many acquired businesses quickly. But more important than all of these has been our resolute determination to make Nidec the dominant global force in comprehensive drive technology by virtue of technical prowess. Our collective will has propelled us to the No. 1 position worldwide in products that spin and move. We have consistently striven to be the first to develop the technology and products to capture new markets, and we now find ourselves in a relatively strong position. But the key has always been to be faster than anyone else to move on to the next technology and the next market. Ours is an unchanging spirit of constant change. So we cannot afford to pause for long before taking on the next challenge. But the change associated with the development of new products and technology, and the internal reforms that it entails, is as inevitable as it is desirable.

Our major medium-term goal remains to achieve consolidated net sales of ¥1 trillion (\$9.5 billion) by 2010. I still firmly believe this figure is attainable. The next objective for Nidec is to accelerate growth further. I ask our shareholders for their continued support as we start climbing toward the next peak.



July 2004
Shigenobu Nagamori
Chairman of the Board, President and CEO

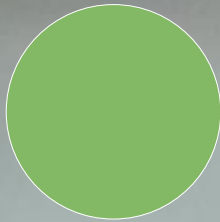


NIDEC AND ITS PRODUCTS:
infinite revolutions

Nidec continues to achieve strong earnings growth amid rapidly changing market conditions. This achievement demands the development and launch of a constant stream of original technology to drive the ongoing industrial revolution, together with the application of products to new market applications. Another vital key to success is a flexible production system capable of supplying products in a timely fashion without missing any fresh opportunities to meet newly created market needs. Nidec continues to step hard on the accelerator in the twin pursuits of reacting with sensitivity to existing market demands and taking up the challenge of creating new markets.



PCs are now an integral part of everyday life. With recent innovations, they are becoming progressively smaller, thinner and lighter, but with greater memory and hard disk capacity. Nidec creates pioneering technologies that contribute to these advancements.



Spindle Motors for
Hard Disk Drives (HDD)

Increasingly miniaturized hard disk drives (HDDs) continue to gain in terms of storage capacity as demand for super-compact memory devices rises for portable equipment such as notebook PCs, palm-size digital music players and mobile phones. Nidec read this trend in advance and now dominates the expanding market for the state-of-the-art spindle motors used in the latest small HDDs.

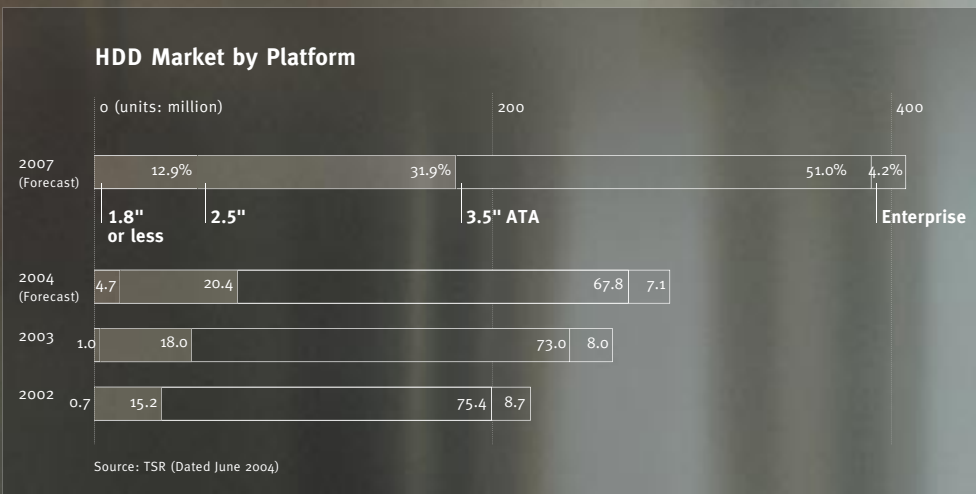
Spindle motors lie at the heart of HDDs. The level of technology involved in their production is on a par with that used for the latest semiconductors. With emerging product segments such as notebook PCs and car navigation systems supporting rapid growth in global HDD demand, a shift is underway from 3.5-inch HDDs used in desktop PCs toward 2.5-inch and 1.8-inch HDDs. Demand surge is most notable in the 1.0-inch HDD segment. The well-received introduction of brand new, smaller-than-ever digital music players has brought 1.0-inch HDDs rapidly under the spotlight, demonstrating their tremendous market potential. The future applications are expected to meet a broad spectrum of demands ranging from IT and entertainment, to communications and robotics. At the same time as this inter-segment shift in demand is reducing the size of the motors required, the core mechanism at the heart of the spindle motor is also undergoing its own revolution toward fluid dynamic bearing (FDB) technology. These markets demand highly advanced levels of technical expertise.

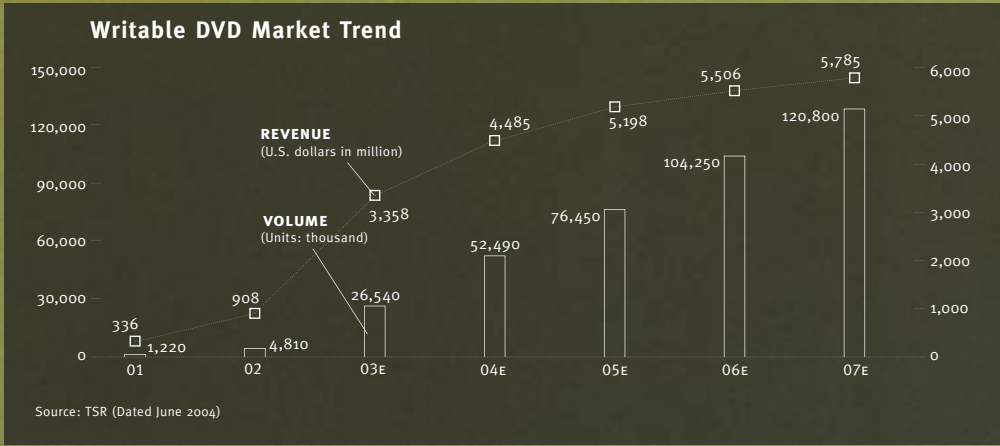
Nidec's technological development programs have stayed one step ahead of market trends, as a result, Nidec enjoys the leading share of many market segments—along with high profitability. Nidec commands a share of the global market for

2.5-inch HDD spindle motors of approximately 85%. In the year ended March 2004, shipment volumes grew by almost 50% on a year-on-year basis. In the 1.0-inch segment, Nidec retains a monopoly by virtue of being the only supplier. Nidec is expanding production capacity to respond to rapidly rising demand for all these miniature HDD motors.

Nidec is also the pioneer in FDB spindle motors, which are now starting to drive the growth of the overall market. In place of the ball bearings used inside conventional HDD spindle motors, FDB motors employ lubricating oil in the space between the shaft and the sleeve around it. This oil supports greater rotational precision and stability by applying increasing pressure as the shaft rotation speed rises. Besides a greater ability to withstand shock compared with the use of ball bearings, this design also minimizes shaft vibration. Increased speed and precision allow HDDs to operate with greater stability and boost memory capacity. Moreover, use of a fluid dynamic bearing translates into other benefits such as quieter operation and extra potential for miniaturization. In the year ended March 2004, shipments of FDB motors increased to represent approximately 77% of all HDD spindle motors. Nidec expects this ratio to rise to over 90% in the year ending March 2005.

Nidec continues to expand production capacity in Asia as customers expand operations in the region. To reinforce its leading position in the market, Nidec is focusing on introducing new products to segments with the highest growth potential while continuing to reduce costs to raise profitability.





DVDs, TVs with hard disks and compact audio players are a source of enjoyment and delight in many people’s lives. Escalating demand for optical disk drives and hard disk drives for these new digital appliances has driven market expansion for our brushless DC motors, which are essential to the smooth running of these disks. When they spin, people smile.



Small brushless DC motors for PC peripheral and multimedia devices



Spindle Motors for Hard Disk Drives (HDD)



Electronic appliances have entered the digital age. DVD players contain optical disk drives, while even TVs are now being fitted with internal HDDs. As this trend accelerates, Nidec is adapting its range of small brushless DC motors to these new applications.

Demand for small brushless DC motors is spreading from HDDs into a multitude of consumer electronic appliance segments, including CD-ROM drives, DVD players, video game equipment and car navigation systems. As markets for these new applications grow, customers continue to demand new motors that are lighter, faster and that consume less power. Reduced costs are another must. Nidec is responding by raising the speed of technical innovation to develop products that meet all these requirements as quickly as possible.

Similar trends are occurring with office automation (OA) equipment such as copiers, printers and fax machines as the market shifts toward digitization giving birth to color-capable and networked models. In this area, customers want brushless DC motors to be more controllable than ever, as small and

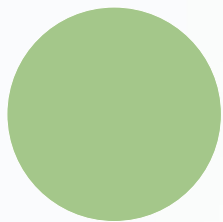
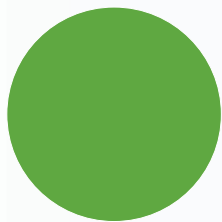
quiet as possible. Other requirements include high stability, low power consumption and short warm-up times. As elsewhere, the demand for continual improvements in performance is relentless. Nidec has risen to the challenge and commercialized new technology to solve these issues, and has received plaudits from all sides for the results.

In the year ended March 2004, Nidec recorded excellent growth in shipments of motors for optical disk drive and OA equipment applications. Volume growth reached 46% on a year-on-year basis, even surpassing the figure of 35% posted in the previous year (as well as HDD spindle motor sector growth).

Nidec retains a constant focus on developing new technology and products in this key sector. At the same time, completion of a manufacturing facility in Dongguan, China and the ongoing construction of a second factory in Dalian are boosting production capacity significantly. Nidec is ready to meet the needs of the market as rapid expansion continues.



The modern day home is full of electric appliances. Our brushless DC motors used inside reduce noise levels and electric consumption, thereby helping you economize in your household budget.



Mid-size Brushless DC Motors



Raising the energy efficiency of common household appliances is one way of reducing consumption of limited energy resources. Nidec's brushless DC motor technology has a potentially valuable role to play in this area, too.

Household appliances provide another example of a relatively mature sector that offers Nidec valuable growth opportunities. In this case, the new demands of increased energy efficiency are driven by environmental concerns as manufacturers seek to make their products more eco-friendly. Nidec's midsize brushless DC motors possess relevant characteristics such as quiet, energy-efficient operation and long life. This gives them potential applications in a wide range of household appliances, including air conditioners, dishwashers fans and refrigerators. These motors could also be used to power the pumps used in devices such as under-floor heating and water heaters. AC motors have been the conventional choice to date

in these applications. Nidec is working to stimulate a shift in demand toward brushless DC motors.

Interest in more energy-efficient devices is also increasing in various industrial sectors. Due to superior energy efficiency and simple operational control, brushless DC motors offer a fresh and promising alternative in the drive components of a variety of industrial devices ranging from underwater pumps to automatic doors and conveyor belts.

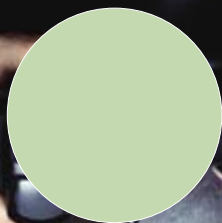
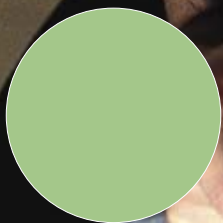
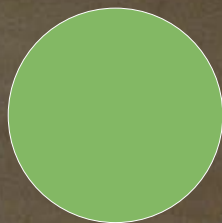
Nidec's shipment volumes of brushless DC motors for such applications are rising steadily, and the profit contribution to the Nidec Group is also becoming significant. Nidec manufactures these high-performance motors in Japan, China and Thailand. By upgrading capacity and raising the degree of specialization of these facilities, Nidec aims to expand its presence in this area further while catering to evolving market requirements.



Fans are for heat dispersion. Nidec's fan motors are at work in your digital appliances, even your kids' TV games. They cool down the game machine so your kids have a great time.



Fan Motors





Heat dispersion has become a major issue in the design of many electric appliances as electronic circuitry increases in complexity and performance. Applications for brushless DC fans made by Nidec are expanding beyond the core market in computers to encompass household appliances, cars, video game equipment and flat panel TVs.

Brushless DC fans help to quickly dissipate the heat generated internally in electronic devices and cool the devices down to avoid any deterioration in performance or damage. Over the past few years, besides computers and OA equipment, motorized fans have become more common in general household appliances as the latter products have incorporated increasing amounts of high-performance electronic circuitry.

Makers based in Japan, the United States, Europe and Taiwan are leading global demand growth for brushless DC fans. Equipment manufacturers demand fans with a high degree of technical accomplishment. Required characteristics include high output, subdued noise and vibration levels, high reliability and low cost. Nidec is responding to these needs with an original high-performance bearing system to replace conventional ball bearings, called NBR (Nidec Bearing Revolution). The NBR design concept, which is based around a sleeve bearing structure, reduces noise and vibration while extending the operating life of the device.

In the year ended March 2004, although demand in the video game segment peaked, shipment volumes of brushless DC fans for other applications continued to expand steadily. Nidec is developing and introducing new technologies in this area to boost the noise-reduction, reliability and other performance characteristics of these products to stimulate fresh demand and target new markets. Nidec is also raising production capacity at manufacturing bases located in Japan, China, Taiwan, the United States and Vietnam to cater to rising global demand.

Cars are fun to drive, but they must also be safe. To achieve this, the number of motors at work in any given car has been steadily increasing. Contemporary life means more cars and more motors—our market is perpetually expanding.



Mid-size Brushless
DC Motors



Cars are the quintessential “moving” product. Increased use of electronic control systems is producing rapid growth in demand for small motors used in various automotive applications. One upscale car currently contains around 80–100 motors; the number is estimated to increase in multiples powering all manner of devices—another major field of opportunity for Nidec’s small brushless DC motors.

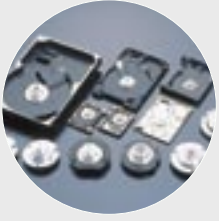
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Although cars are generally considered a mature industry, exploding demand in China confirms there is still considerable growth potential in developing markets. Besides working to improve safety and make models more comfortable, carmakers also face market demands for better fuel economy and lower exhaust emissions, which is leading to increased use of fully electronic drive systems. Taking a cue from the forthcoming boost in battery capacity to the tune of more than three times the current levels, the shift from the traditional method leveraging mechanical linkage toward pervasive electronic control is creating new demand for motors in novel areas. Collectively called by-wire systems, the new-generation control mechanism covers braking and suspension systems. The higher safety demands of these drive systems imply a need for motors with impeccable control characteristics. Attention has turned to brushless DC motors, an area where Nidec is dominant.

Brushless DC motors boast a number of advantages that make them ideal for use in automotive applications: energy-efficient, quiet and high-control operation; superior longevity; high power-to-weight ratios; and low generation of any electromagnetic interference that could disrupt the electronics. Nidec is currently the only company in the world that can mass-produce brushless DC motors in the quantities necessary to supply automotive sector volumes. Nidec has already begun supplying motors for use in hydraulic power steering systems, and is now expanding its lineup to include products for completely electronic power steering systems. Another promising segment that Nidec has already entered is that of motors used to power fuel cell pack cooling units.

The market for motors with automotive applications harbors huge potential for Nidec. Recognizing this, Nidec has been engaged in R&D in this area for some time. To develop the automotive applications sector into a second major source of earnings growth in addition to HDD spindle motors, Nidec continues to develop innovative technologies for the area. Nidec is also upgrading and expanding production capacity through the development of a dedicated facility located in Pinghu (Zhejiang Province, China).

SMALL SIZE
BRUSHLESS
DC MOTORS



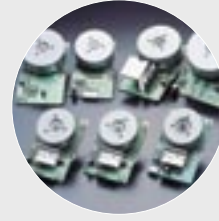
Spindle motors for hard disk drives (HDD) and pivot assemblies

HDDs are increasingly becoming applied to information products like servers, notebook PCs, MP3 players, and car navigation systems. Thanks to our spindle motors with FDBs (fluid dynamic bearings), important specifications for HDDs are possible— such as superb shock resistance and rotational accuracy with virtually no noise.



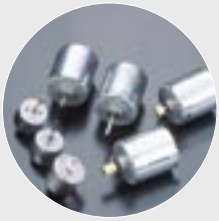
Small brushless DC motors for PC peripheral and multimedia devices

Nidec's precision motors are widely used in storage devices such as CD-ROMs, DVDs and high-capacity floppy disks, as well as PC peripherals including laser printers. To keep pace with technological advances, brushless DC motors must be increasingly lighter, faster, more energy-efficient and more cost-effective. Nidec employs a product development system that facilitates rapid product deployment and accelerates technological reforms to satisfy user needs.



Small brushless DC motors for office equipment

Along with advancements in copiers, printers and facsimiles, the need to connect such OA equipment via a fast, efficient network requires that the small-sized brushless DC motors that these products use are small, quiet, stable, energy-efficient and have a fast startup. Nidec has gained an excellent reputation among users in terms of providing leading-edge motors for OA equipment to meet the crucial demands of today's office environment.



Small brushless DC motors (standard type)

CMC(Compact Motor Concept) models have been developed as the general-purpose lines of small brushless DC motors. Today's most familiar industry standard, commonly known as the brush motor, is currently faced with technological limitations in meeting growing calls for enhanced noiselessness and longer operation life. The brushless DC motor is an innovative solution to these new challenges. Price differences – the largest obstacle to the popularization of brushless DC motors despite their superb technological advantages – has been dramatically reduced over the years as the price for attached electric circuits steadily goes down. Nidec brushless motors are poised to explore into various high-end markets that normally set high quality criteria for durability, credibility and performance levels.



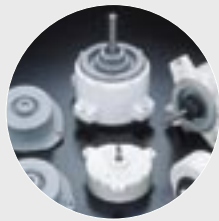
Fan motors

Today, this electronic equipment includes not only computers and office equipment, but also the increasingly functional home appliances that use electronic components. This means fan motors literally everywhere. Nidec is working to meet the needs of worldwide customers by making its fan motors more reliable, functional, and quieter, while at the same time expanding its manufacturing network with bases in Japan, China, Taiwan, the US, and Vietnam.



Mid-size brushless DC motors for automobiles

Automobile electronics systems are getting more and more sophisticated as the market demands cars that are safe, comfortable, full-efficient, and non-polluting. This is spurring rapid growth in the market for electric motors for cars. Nidec supplies automobile manufactures with mid-size brushless DC motors for like power assisted steering, air conditioner blower and other systems. Over the years, we have steadily increased our market share with products that are long-lasting, powerful, highly responsive, and quiet.



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

Air conditioners, refrigerators, ventilation fans, and many other home appliances have fans that are driven by energy-efficient, quiet, and long-lasting mid-size brushless DC motors. These motors also power the pumps for home equipment such as floor-heating systems and water heaters. Nidec manufactures these high-performance motors at bases in Japan, China, and Thailand.



Mid-size brushless DC motors for industrial equipment

Industrial equipment in general—pumps, automatic doors and conveyors and likes—have traditionally been powered by AC motors. However, as today's trend toward energy conservation accelerates, the industrial eye is increasingly turning to more energy-efficient and highly controllable alternatives—the performance requirements Nidec brushless DC motors fully meet. Nidec accommodates every customer need by offering a variety of custom-design brushless DC motor lines with power ranging from 10 to 3,700 watts.

MID-SIZE
BRUSHLESS
DC MOTORS

Financial Section

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Operating and Financial Review and Prospects.

A. Operating Results.

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements and information included in this annual report. This discussion and analysis 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 under Item 3.D and elsewhere in this annual report.

Overview

Market Environment for Hard Disk Drive Spindle Motors

We sell hard disk drive spindle motors, our main products that constituted 38.5% of our total sales for the year ended March 31, 2004, to major hard disk drive manufacturers.

During the year ended March 31, 2004 the fluid dynamic bearing technology for hard disk drive spindle motors had prevailed swiftly in the market. Almost 85% of our production of hard disk drive spindle motors were fluid dynamic bearing motors as of the year ended March 31, 2004, compared to 65% as of the year ended March 31, 2003. We believe that almost all, with a few exception, hard disk drive manufacturers in the world would be shifting from conventional ball bearings motors to fluid dynamic bearings motors.

During the latter half of the year ended March 31, 2001, the U.S. economy began to slow, and this led to a reduced demand for PCs. The reduced demand for PCs continued into the year ended March 31, 2002. According to International Data Corporation's estimate, worldwide PC shipments, including PC servers increased by 11.7% for the calendar year 2003 from the calendar year 2002 and is estimated to have increased by 13.5% for the calendar year 2004. Our average sales price of hard disk drive spindle motors fell by approximately 1% during the year ended March 31, 2002 and increased by approximately 8% during the year ended March 31, 2003 reflecting the premiums on the prices of our newly introduced fluid dynamic bearing hard disk drive spindle motors. Our average sales price of hard disk drive spindle motors fell again by approximately 9% during the year ended March 31, 2004, despite the increase in the shipments of our hard disk drive spindle motors by 21%. This, we believe, reflects the strong demand for our hard disk drive motors, especially from manufacturers of new consumer electronics and home entertainment applications.

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. This, we believe, reflects the strong

demand for our hard disk drive motors, especially from manufacturers of new consumer electronics and home entertainment applications.

Market Environment for Other Small Precision Brushless DC Motors

Most of our revenues from sales of other small precision brushless DC motors, that accounted for 12.3% of our total net sales for the year ended March 31, 2004, are derived from sales to manufacturers of CD-ROM, CD-R/W and DVD drives. We believe that the market for CD-ROM drives is reaching maturity. At the same time, the markets for CD-R/W drives and DVD drives are growing, in part by replacing CD-ROM drives. Also, a recent slow-down 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-R/W 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

We sell our brushless DC fans, that accounted for 9.4% of our total net sales for the year ended March 31, 2004, to various manufacturers of 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. Sales of brushless DC fans are primarily affected by the general market demand for the products which incorporate them. The demand for brushless DC fans used for game consoles remarkably increased recently. However, during the first three months of the calendar year 2003, such demand dropped substantially, which had a negative effect on the market for brushless DC fans. Despite significant decreases in sales of brushless DC Fans for game machine consoles for the year ended March 31, 2004 mainly due to a peak-out in the global demand for game machines, we have seen strong demand for fans for household electric appliances, in line with strong demand of such products as microwave ovens, rice cookers, warm water toilet seats and refrigerators.

Market Environment for Mid-size Motors

We sell mid-size motors, that accounted for approximately 11.7% of our total net sales for the year ended March 31, 2004, to home electric appliances, industrial machines automobile power steering system manufacturers. 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 for engine driven. We believe, however, that it will still take some time before the acceptance of power steering systems that use mid-size brushless 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 including air conditioners and dish washers that use mid-size motors.

Effects of Our Recent Acquisitions Activities on Our Financial Statements

As discussed under Item 4.A of this annual report, 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” (“SFAS No. 142”), 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.

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.

We acquired additional ownership in Nidec Copal Corporation, Nidec Copal Electronics Corporation and Sankyo Seiki Mfg. Co., Ltd. accounted for by the equity method in January and February, 2004. Our ownership interests in these companies increased to over 50% and our consolidated financial statements include the accounts of these majority-owned subsidiaries from the acquisition dates. As a result, our carrying amount of investment in equity method affiliates decreased by ¥25,366 million.

During the year ended March 31, 2004 our affiliates treated by the equity method contributed in total net sales of ¥156,818 million and 86,258 million, gross profit on sales of ¥22,291 million and ¥15,785 million and net income of ¥ 5,091 million and ¥3,225 million for the year ended March 31, 2004 and 2003, respectively, to our consolidated results. Earnings from equity method investment in affiliated companies totaled ¥2,522 million and ¥1,466 million for the year ended March 31, 2004 and 2003, respectively. The increase in net sales, gross profit on sales, net income and earnings from equity method investment in affiliated companies for the year ended March 31, 2004 was primarily due to Sankyo Seiki Mfg. Co., Ltd., which became an affiliate in October 2003 through the purchase of 40% of its share and became consolidated in February 2004, and an increase in net income of Nidec Copal Electronics Corporation and Nidec Copal Corporation, which were affiliated companies until they became consolidated in January and February 2004, respectively.

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 21 to our consolidated financial statements included in this annual report.

Trends for the Year Ending March 31, 2005

The year ending March 31, 2005 bears many uncertainties. The industrial world is paying close attention to the results of the U.S. presidential election and subsequent changes in the nation's currently upbeat economy, as well as to China's handling of exchange fluctuations and raw-material supply deficiency. It can hardly be predictable exactly how these issues could affect today's world's economy.

The Japanese economy, in the meantime, seems ready to emerge from its years of economic standstill and move toward a sound and sustainable recovery. Technological race for innovative products in the recent wave of digitalization and nano technology created a series of superb application technologies and market needs, signaling the coming of an expansion phase in global demand.

Against the background of today's harsh and rapidly changing business environment, we have set out for a new growth through broadening our range of motor business and associated drive technologies by the acquisition of Sankyo Seiki Mfg. Co., Ltd. as a powerful asset to us.

We consider the core motor business will remain on sound growth track, driven by anticipated expansions in digital opportunity. Meanwhile, the components and machinery businesses conducted by the group companies are expected to demonstrate fundamental strength for further growth.

Target

Nidec's primary target is to reach group sales of ¥1 trillion by 2010. Efforts undertaken to achieve this target include measures such as aggressive M&A strategies that underpin the rapid growth of Nidec. Nidec has the firm belief that growth must generate high profitability, and is now working to achieve a 15% return on equity. To accomplish such objective on a consolidated basis, Nidec realizes that its core business must attain a higher profitability. An expansion into new business and the development of new products are another key factors to the future growth.

The foregoing statements regarding the year ending March 31, 2005 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" under Item 3.D of this annual report. 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 discussed under Item 3.D 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, 2004.

	Year ended March 31,			
	2002	2003	2004	2004
(Yen in millions and U.S. dollars in thousands)				
Net sales.....	¥193,332	¥231,836	¥277,497	\$2,625,575
Cost and expenses:				
Cost of products sold.....	159,442	187,306	218,189	2,064,424
Selling, general and administrative expenses.....	17,691	21,302	28,542	270,054
Research and development expenses.....	5,727	6,824	8,751	82,799
	<u>182,860</u>	<u>215,432</u>	<u>255,482</u>	<u>2,417,277</u>
Operating income.....	10,472	16,404	22,015	208,298
Other income (expenses):				
Interest and dividend income.....	572	364	362	3,425
Interest expense.....	(1,167)	(890)	(862)	(8,156)
Foreign exchange gain (loss), net.....	2,107	(3,511)	(3,149)	(29,795)
Gain (loss) from derivative instrument, net.....	8	23	(5)	(47)
(Loss) gain on marketable securities, net..	(1,400)	(1,583)	816	7,720
Gain from issuance of securities by affiliated companies.....	-	39	-	-
Gain (loss) from sales of investments in affiliated companies.....	11	(4)	45	426
Other, net.....	874	69	417	3,946
	<u>1,005</u>	<u>(5,493)</u>	<u>(2,376)</u>	<u>(22,481)</u>
Income before provision for income taxes....	11,477	10,911	19,639	185,817
Provision for income taxes.....	(2,162)	(1,053)	(5,424)	(51,320)
Income before minority interest and equity in earnings of affiliated companies.....	9,315	9,858	14,215	134,497
Minority interest in income (loss) of consolidated subsidiaries.....	318	644	648	6,131
Equity in net (income) / losses of affiliated companies.....	2,417	(1,466)	(2,522)	(23,862)
Net income.....	<u>¥6,580</u>	<u>¥10,680</u>	<u>¥16,089</u>	<u>\$152,228</u>

Results of Operations – Year Ended March 31, 2004 Compared to Year Ended March 31, 2003

Net Sales

Our net sales increased ¥45,661 million, or 19.7%, from ¥231,836 million for the year ended March 31, 2003 to ¥277,497 million for the year ended March 31, 2004. This increase was mainly due to the addition of newly consolidated subsidiaries. Net sales of Nidec Copal Corporation, Nidec Copal Electronics Corporation, Sankyo Seiki Mfg. Co., Ltd. and certain other affiliated companies newly consolidated in January and February 2004 by increasing our ownership interest, were included in our net sales for only February and March 2004. The net sales of these newly consolidated subsidiaries for February and March 2004 were ¥29,723 million. Therefore, excluding the contribution from these newly consolidated subsidiaries, net sales

increased ¥15,938 million, or 6.9%, from ¥231,836 million for the year ended March 31, 2003 to ¥247,774 million for the year ended March 31, 2004 due primarily to an increase in sales of hard disc drives spindle motors, other small precision brushless DC motors and machinery. The gross profit ratio increased from 19.2% for the year ended March 31, 2003 to 21.4% for the year ended March 31, 2004.

Net sales of our hard disk drives spindle motors increased ¥9,202 million, or 9.4%, from ¥97,717 million for the year ended March 31, 2003 to ¥106,919 million for the year ended March 31, 2004. The increase was primarily due to a 20.8% increase in unit shipments which was partially offset by a modest decline in unit prices and the yen's appreciation. A notable factor during this term was the over 70% increase in unit shipments of spindle motors for 2.5-inch, 1.8-inch and other smaller hard disk drives. Net sales from hard disk drives spindle motors accounted for 42.1% of total net sales for the year ended March 31, 2003 and 38.5% of total net sales for the year ended March 31, 2004. Net sales of fluid dynamic bearing motors accounted for 56.3% of total net sales of hard disk drives spindle motors for the year ended March 31, 2003 and 77.0% of total net sales for the year ended March 31, 2004. This was due primarily to a sharp increase in demand for fluid dynamic bearing motors which have been rapidly replacing demand for conventional ball bearing motors. As conventional ball bearing motors have come up against technological limitations in fulfilling market needs, this increase in net sales of fluid dynamic bearing motors was mainly due to a successful shift to mass production at our overseas factories.

Net sales of other small precision brushless DC motors increased ¥8,555 million, or 33.4%, from ¥25,583 million for the year ended March 31, 2003 to ¥34,138 million for the year ended March 31, 2004. This increase resulted from the growth of brushless DC motors mainly used for DVD drives, CD-R drives and CD-R/W drives. In particular, sales volume of these motors increased by approximately 46.0% compared to the year ended March 31, 2003. Net sales of other small precision brushless DC motors accounted for 11.0% of total net sales for the year ended March 31, 2003 and 12.3% of total net sales for the year ended March 31, 2004.

Net sales of small precision brush DC motors increased ¥2,092 million, or 63.8%, from ¥3,280 million for the year ended March 31, 2003 to ¥5,372 million for the year ended March 31, 2004. This increase of 2,032 million was due primarily to the addition of net sales from two newly consolidated companies, Nidec Copal Corporation and Sankyo Seiki Mfg. Co., Ltd.. Excluding the contribution from these new companies, net sales increased ¥60 million, or 1.8%, to ¥3,340 million. Net sales of small precision brush DC motors accounted for 1.4% of total net sales for the year ended March 31, 2003 and 1.9% of total net sales for the year ended March 31, 2004.

Net sales of our brushless DC fans decreased ¥1,348 million, or 4.9%, from ¥27,395 million for the year ended March 31, 2003 to ¥26,047 million for the year ended March 31, 2004. This was primarily due to a decrease in the unit sales price and declining sales volume due to a slowdown in demand that has lingered since the latter half of the previous fiscal year. The combination of sluggish demand and increasingly fierce market competition has brought down unit sales price. Net sales of brushless DC fans accounted for 11.8% of total net sales for the year ended March 31, 2003 and 9.4% of total net sales for the year ended March 31, 2004.

Net sales of mid-size motors decreased ¥4,905 million, or 13.1%, from ¥37,479 million for the year ended March 31, 2003 to ¥32,574 million for the year ended March 31, 2004. During this period, we discontinued our prior practice of selling some mid-size motors together with electronic control units purchased from a third party supplier for use in hydraulic power steering systems and began selling these mid-size motors separately. As a consequence, both our sales and cost of sales declined in respect to the amounts related to the electronic control units. Net sales of mid-size motors accounted for 16.2% of our total net sales for the year ended March 31, 2003 and 11.7% of total net sales for the year ended March 31, 2004.

Net sales of machinery increased ¥8,685 million, or 38.5%, from ¥22,555 million for the year ended March 31, 2003 to ¥31,240 million for the year ended March 31, 2004. This increase of ¥4,069 million was due primarily to the addition of net sales from two newly consolidated companies, Nidec Copal Corporation and Sankyo Seiki Mfg. Co., Ltd. Excluding the contribution from two newly consolidated subsidiaries, net sales increased ¥4,616 million, or 20.5%, from ¥22,555 million for the year ended March 31, 2003 to ¥27,171 million for the year ended March 31, 2004. This increase was primarily due to increases in unit shipments of precision presses manufactured by Nidec-Kyori Corporation, gear reducers manufactured by Nidec-Shimpo Corporation and die bonders, factory automation components, manufactured by Nidec Tosok Corporation. Net sales of machinery accounted for 9.7% of our total net sales for the year ended March 31, 2003 and 11.3% of total net sales for the year ended March 31, 2004.

Net sales of other products increased ¥23,380 million, or 131.1%, from ¥17,827 million for the year ended March 31, 2003 to ¥41,207 million for the year ended March 31, 2004. This increase of ¥20,450 million was due primarily to the addition of net sales from three newly consolidated companies, Nidec Copal Electronics Corporation, Nidec Copal Corporation and Sankyo Seiki Mfg. Co., Ltd. Excluding the contribution from these newly consolidated subsidiaries, net sales increased ¥2,930 million, or 16.4%, to ¥20,757 million for the year ended March 31, 2004. During this period, sales of automobile components manufactured by Nidec Tosok Corporation and encoders manufactured by Nidec Nemicon Corporation increased. Net sales of other products accounted for 7.7% of total net sales for the year ended March 31, 2003 and 14.8% of total net sales for the year ended March 31, 2004.

Cost of Products Sold

Our cost of products sold increased ¥30,883 million, or 16.5%, from ¥187,306 million for the year ended March 31, 2003 to ¥218,189 million for the year ended March 31, 2004. Much of the increase in absolute terms was attributable to our newly consolidated forty-nine subsidiaries. They are Sankyo Seiki Mfg. Co., Ltd., Nidec-Copal Corporation, Nidec-Copal Electronics Corporation and others, in which we increased our ownership interest and which became consolidated subsidiaries in January and February 2004. Excluding the contribution from these newly consolidated subsidiaries, cost of products sold increased ¥7,420 million, or 4.0%, from ¥187,306 million for the year ended March 31, 2003 to ¥194,726 million for the year ended March 31, 2004 due primarily to the increase in line with the sales increase.

As a percentage of net sales, cost of sales decreased from 80.8% to 78.6%. This decrease was primarily due to increased efficiencies of scale through an expansion in the production of fluid dynamic bearing motors mainly undertaken by factories in Southeast Asia.

Selling, General and Administrative Expenses

Our Selling, General and Administrative expenses increased ¥7,240 million, or 34.0%, from ¥21,302 million for the year ended March 31, 2003 to ¥28,542 million for the year ended March 31, 2004. This increase was mainly due to additional expenses of our newly consolidated subsidiaries, in particular, expenses for restructuring of factories at Sankyo Seiki Mfg. Co., Ltd. in March. As a percentage of net sales, selling, general and administrative expenses increased from 9.2% for the year ended March 31, 2003 to 10.3% for the year ended March 31, 2004.

Excluding the additional expenses from these newly consolidated subsidiaries, selling, general and administrative expenses increased ¥149 million, or 0.7%, to ¥21,451 million. This increase was due primarily to an increase in personnel expenses by ¥410 million at Nidec from ¥4,577 million for the year ended March 31, 2003 to ¥4,987 million for the year ended March 31, 2004, reflecting an expansion of workforce and an increase in depreciation costs of tangible fixed assets by ¥243 million at Nidec from ¥276 million for the year ended March 31, 2003 to ¥519 million for the year ended March 31, 2004, reflecting the establishment of a new headquarters building. The increase was partly offset by U.S. \$8 million payment to Rotron under a settlement agreement recorded as Selling, General and Administrative expense in the previous year. On March

28, 2003, Nidec and Nidec America Corporation entered into the settlement agreement with Rotron terminating the pending litigation and exchanging reciprocal intellectual property rights and privileges whereby each side covenants not to sue the other under existing patents as applied to existing products. Under the settlement agreement, we paid to Rotron U.S. \$8 million.

Research and Development Expenses

Our research and development expenses increased ¥1,927 million, or 28.2%, from ¥6,824 million for the year ended March 31, 2003 to ¥8,751 million for the year ended March 31, 2004. This increase was mainly due to the additional expenses of our newly consolidated subsidiaries. Excluding the additional expenses of these newly consolidated subsidiaries, research and development expenses increased ¥844 million, or 12.4%, from ¥6,824 million for the year ended March 31, 2003 to ¥7,668 million for the year ended March 31, 2004. This increase was mainly due to an increase in our research and development efforts with respect to fluid dynamic bearing motors and mid-size motors for automobile steering systems. As a percentage of net sales, research and development expenses increased from 2.9% to 3.2%. Excluding the impact from these newly consolidated subsidiaries, as a percentage of net sales, research and development expenses increased from 2.9% to 3.1%.

Operating Income

As a result of the foregoing factors, our operating income increased ¥5,611 million, or 34.2%, from ¥16,404 million for the year ended March 31, 2003 to ¥22,015 million for the year ended March 31, 2004. As a percentage of net sales, operating income increased from 7.1% to 7.9%.

Other Income (Expenses)

We had other expenses in the amount of ¥2,376 million for the year ended March 31, 2004 while we incurred other expenses in the amount of ¥5,493 million for the year ended March 31, 2003.

Foreign exchange losses decreased ¥362 million from ¥3,511 million for the year ended March 31, 2003 to ¥3,149 million for the year ended March 31, 2004.

A strategic approach taken to reduce the risks arising from exchange-rate fluctuations mitigated the impact of a simultaneous increase in the average balance of our foreign currency denominated assets and Yen's value against relevant foreign currencies.

Yen's exchange rates against the U.S dollar as of March 31, 2003 and March 31, 2004 were 120.20 yen and 105.69 yen, respectively.

For the year ended March 31, 2003, we had losses on sales of marketable securities in the amount of ¥22 million and other-than-temporary losses on marketable securities in the amount of ¥1,561 million. The other-than temporary losses arose mainly from our holdings of equity securities in the Japanese banking sector and were calculated based on market prices at year-end. Losses are recognized, as other-than-temporary, when declines in the fair value of an individual security have been more than 20% below the carrying amount for six months. For the year ended March 31, 2004, we had gains on sales of marketable securities in the amount of ¥818 million and other-than-temporary losses on marketable securities in the amount of ¥2 million. The increases in the value of marketable securities derived mainly from a sharp recovery in the domestic stock market as compared to the previous fiscal year.

For our other income, net for the year ended March 31, 2004 was ¥417 million, while for our other income, net for the year ended March 31, 2003 was ¥69 million. This was mainly because Nidec Tosok Corporation abolished the tax qualified pension plan on March 31, 2003 and adopted the defined contribution pension plan from April 1, 2003 instead. As a result, Nidec Tosok Corporation gained ¥459 million for the year ended March 31, 2004.

Income before Provision for Income Taxes

As a result of the foregoing, our income before income taxes increased ¥8,728 million, or 80.0%, from ¥10,911 million for the year ended March 31, 2003 to ¥19,639 million for the year ended March 31, 2004.

Provision for Income Taxes

Our provision for income taxes totaled approximately 5 times from ¥1,053 million for the year ended March 31, 2003 to ¥5,424 million for the year ended March 31, 2004. This was because our effective tax rate increased from 9.7% for the year ended March 31, 2003 to 27.6% for the year ended March 31, 2004.

(*) See Note 18 to the consolidated financial statements included in this annual report.

Minority Interest in Income (Loss) of Consolidated Subsidiaries

For the year ended March 31, 2004, minority interest in income of consolidated subsidiaries was ¥648 million as compared to ¥644 million for the year ended March 31, 2003.

Equity in Net (Income)/Losses of Affiliated Companies

We had equity in net income of affiliated companies in the amount of ¥2,522 million for the year ended March 31, 2004 and equity in net income in our affiliated companies in the amount of ¥1,466 million for the year ended March 31, 2003. This increase was mainly due to an increase in net income of Nidec Copal Corporation and Nidec Copal Electronics Corporation, which were affiliated companies until they became consolidated in January and February 2004.

Net Income

As a result of the foregoing, our net income increased ¥5,409 million, or 50.6%, from ¥10,680 million for the year ended March 31, 2003 to ¥16,089 million for the year ended March 31, 2004.

Results of Operations – Year Ended March 31, 2003 Compared to Year Ended March 31, 2002

Net Sales

Our net sales increased ¥38,504 million, or 19.9%, from ¥193,332 million for the year ended March 31, 2002 to ¥231,836 million for the year ended March 31, 2003. This increase was mainly due to the addition of newly consolidated subsidiaries. Net sales of Nidec Tosok Corporation, Nidec-Shimpo Corporation and certain other affiliated companies newly consolidated in February 2002 by increasing our ownership interest, were included in our net sales for only one month for the year ended March 31, 2002 but net sales of these subsidiaries for the entire year ended March 31, 2003 were included in our net sales. The net sales of these newly consolidated subsidiaries for the year ended March 31, 2003 were ¥42,301 million, which consisted of ¥29,179 million to external customers and ¥13,122 million to group companies. Therefore, excluding the contribution from these newly consolidated subsidiaries, net sales increased ¥9,325 million, or 4.9%, from ¥190,715 million for the year ended March 31, 2002 to ¥200,040 million for the year ended March 31, 2003 due primarily to an increase in sales of other small precision brushless DC motors and brushless DC fans. The gross profit ratio increased from 17.5% for the year ended March 31, 2002 to 19.2% for the year ended March 31, 2003 mainly due to the higher gross profit ratio of our newly consolidated subsidiaries.

Net sales of our hard disk drive spindle motors increased ¥3,969 million, or 4.2%, from ¥93,748 million for the year ended March 31, 2002 to ¥97,717 million for the year ended March 31, 2003 mainly due to an increased demand for hard disk spindle motors in non-PC areas, such as DVD recorders and car navigation systems, despite the drop in unit prices. Net sales from hard disk drive spindle motors accounted for 48.5% of total net sales for the year ended March 31, 2002 and 42.1% of total net sales for the year ended March 31, 2003.

Net sales of other small precision brushless DC motors increased ¥3,926 million, or 18.1%, from ¥21,657 million for the year ended March 31, 2002 to ¥25,583 million for the year ended March 31, 2003. This increase resulted from the growth of brushless DC motors mainly used for DVD drives, CD-R drives and CD-R/W drives. Net sales from other small precision brushless DC motors accounted for 11.2% of total net sales for the year ended March 31, 2002 and 11.0% of total net sales for the year ended March 31, 2003.

Net sales of small precision brush DC motors increased ¥741 million, or 29.2%, from ¥2,539 million for the year ended March 31, 2002 to ¥3,280 million for the year ended March 31, 2003. This was primarily due to an increase in sales of vibration motors used in mobile phones.

Net sales of our brushless DC fans increased ¥2,872 million, or 11.7%, from ¥24,523 million for the year ended March 31, 2002 to ¥27,395 million for the year ended March 31, 2003. This was primarily due to increased demand for fan motors used in microprocessor cooling units and home video game consoles during the first half of the year. Net sales from brushless DC fans accounted for 12.7% of total net sales for the year ended March 31, 2002 and 11.8% of total net sales for the year ended March 31, 2003.

Net sales of mid-size motors increased ¥1,227 million, or 3.4%, from ¥36,252 million for the year ended March 31, 2002 to ¥37,479 million for the year ended March 31, 2003. This increase was primarily due to an increase in sales of motors for automobile power steering systems, while sales of motors for home electric appliances and industrial machines decreased mainly due to a sluggish market. Net sales from mid-size motors accounted for 18.8% of our total net sales for the year ended March 31, 2002 and 16.2% of total net sales for the year ended March 31, 2003.

Net sales of machinery and power supplies increased ¥14,862 million, or 193.2%, from ¥7,693 million for the year ended March 31, 2002 to ¥22,555 million for the year ended March 31, 2003. For the year ended March 31, 2003, ¥16,238 million of additional net sales were contributed by two newly consolidated subsidiaries, Nidec Tosok Corporation and Nidec-Shimpo Corporation. Excluding the contribution from these

newly consolidated subsidiaries, net sales decreased ¥1,376 million, or 22.0%, from ¥6,252 million for the year ended March 31, 2002 to ¥4,876 million for the year ended March 31, 2003. The primary reason for this decline was our withdrawal from the power supplies business both in Japan and in the United States.

Net sales of other products increased ¥10,907 million, or 157.6%, from ¥6,920 million for the year ended March 31, 2002 to ¥17,827 million for the year ended March 31, 2003. This increase was due to the addition of ¥12,230 million of net sales of automobile parts by Nidec Tosok Corporation. Excluding the contribution from Nidec Tosok Corporation, net sales decreased ¥1,323 million, or 22.9%, from ¥5,774 million for the year ended March 31, 2002 to ¥4,451 million for the year ended March 31, 2003. This was mainly due to the decline of ¥2,286 million in sales of pivot assemblies produced at Nidec Singapore Pte. Ltd.

Cost of Products Sold

Our cost of products sold increased 17.5% from ¥159,442 million for the year ended March 31, 2002 to ¥187,306 million for the year ended March 31, 2003. Much of the increase in absolute terms was attributable to our newly consolidated subsidiaries, Nidec Tosok Corporation, Nidec-Shimpo Corporation and nine other newly consolidated subsidiaries, and increased depreciation of tangible fixed assets related to the expansion of our fluid dynamic bearing production capacity for the year ended March 31, 2003. Excluding the contribution from these newly consolidated subsidiaries, cost of products sold increased ¥2,696 million, or 1.7%, from ¥159,422 million for the year ended March 31, 2002 to ¥160,301 million for the year ended March 31, 2003. As a percentage of net sales, cost of sales decreased from 82.5% to 80.8%. This decrease was primarily due to increased efficiencies of scale realized by increased mass production of fluid dynamic bearing motors and lower cost of products relative to net sales of these newly consolidated subsidiaries.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses increased 20.4% from ¥17,691 million for the year ended March 31, 2002 to ¥21,302 million for the year ended March 31, 2003. In addition to the increase in line with the sales increase, this increase was mainly due to the additional expenses of the newly consolidated subsidiaries. Excluding the additional expenses from these newly consolidated subsidiaries, selling, general and administrative expenses increased ¥180 million, or 1.1%, to ¥17,322 million.

Nidec and its U.S. subsidiary, Nidec America Corporation, were sued in 1991 in the U.S. District Court in Connecticut by Rotron, an action in which Rotron claimed that fans manufactured or distributed by Nidec and Nidec America Corporation infringed upon two of Rotron's patents. On March 28, 2003, Nidec and Nidec America Corporation entered into a settlement agreement with Rotron terminating the pending litigation between the companies and exchanging reciprocal intellectual property rights and privileges whereby each side covenants not to sue the other under existing patents as applied to existing products. Under the settlement agreement, Nidec America Corporation paid Rotron \$8 million, which has been recorded in "Other Current Liabilities" in our consolidated balance sheet and in "Selling, General and Administrative Expenses" in our consolidated statements of income. Our decision to enter in the settlement agreement was based on our business judgement that it was the best choice for us to avoid jury's verdict that one category of our products infringed Rotron's patent and to obtain prospective protection against future claims by Rotron by executing the settlement agreement.

Excluding the impact from these newly consolidated subsidiaries, salaries increased by ¥409 million at Nidec from ¥1,979 million for the year ended March 31, 2002 to ¥2,388 million for the year ended March 31, 2003. Moreover, officers' salaries increased by ¥106 million at Nidec from ¥302 million for the year ended March 31, 2002 to ¥408 million for the year ended March 31, 2003.

We changed the manner in which we account for goodwill in light of the adoption of new accounting standards, SFAS No. 142, which became effective for us on April 1, 2002. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized, as previous standards required, but

are tested for impairment annually. As a result, we ceased to amortize ¥3,658 million of goodwill on a straight-line basis over its estimated useful life and did not recognize ¥968 million of goodwill amortization expense for the year ended March 31, 2003 that would have been recognized if the previous standards had been in effect. As a result of our impairment test, we did not recognize impairments for the year ended March 31, 2003.

As a percentage of net sales, selling, general and administrative expenses were the same 9.2% both for the year ended March 31, 2002 and for the year ended March 31, 2003.

Research and Development Expenses

Our research and development expenses increased 19.1% from ¥5,727 million for the year ended March 31, 2002 to ¥6,824 million for the year ended March 31, 2003. This increase was mainly due to the additional expenses of our newly consolidated subsidiaries. Excluding the additional expenses of these newly consolidated subsidiaries, research and development expenses decreased ¥103 million, or 1.8%, from ¥5,729 million for the year ended March 31, 2002 to ¥5,624 million for the year ended March 31, 2003. This was mainly due to a decrease of expenditures for fluid dynamic bearing motors. As a percentage of net sales, research and development expenses decreased from 3.0% to 2.9%.

Operating Income

As a result of the foregoing factors, our operating income increased 56.6% from ¥10,472 million for the year ended March 31, 2002 to ¥16,404 million for the year ended March 31, 2003. As a percentage of net sales, operating income increased from 5.4% to 7.1%.

Other Income (Expenses)

We had other income in the amount of ¥1,005 million for the year ended March 31, 2002 while we incurred other expenses in the amount of ¥5,493 million for the year ended March 31, 2003.

Interest and dividend income decreased from ¥572 million for the year ended March 31, 2002 to ¥364 million for the year ended March 31, 2003. This decrease was mainly due to the decreased average balance of foreign currency deposits and lower interest rates. Interest expense decreased from ¥1,167 million for the year ended March 31, 2002 to ¥890 million for the year ended March 31, 2003. This decrease was mainly due to the decreased average balance of our long-term debt during the period.

For the year ended March 31, 2003, we recorded a net foreign exchange loss in the amount of ¥3,511 million, of which ¥2,118 million was recorded at Nidec and ¥622 million at Nidec Philippines Corporation. The loss at Nidec was principally due to the appreciation of the yen against the U.S. dollar, which eroded the yen value of its net foreign currency denominated assets. The loss at Nidec Philippines Corporation was principally due to the appreciation of the yen against the Philippine peso, which eroded Nidec Philippines Corporation's net yen-denominated borrowings.

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.

For the year ended March 31, 2003, we had losses on sales of marketable securities in the amount of ¥22 million and other-than-temporary losses on marketable securities in the amount of ¥1,561 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 recognized as other-than-temporary when declines in the fair value of an individual security have been more than 20% below its carrying amount for six months. At March 31, 2003, gross unrealized losses of ¥487 million were recognized as temporary losses in equity. This was partially offset by unrealized gains of ¥113 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.

Our other, net for the year ended March 31, 2003 was ¥69 million, while our other, net for the year ended March 31, 2002 was ¥874 million due primarily to the settlement gain from Princeton Global Management Inc. for the year ended March 31, 2002.

Income before Provision for Income Taxes

As a result of the foregoing, our income before income taxes decreased 4.9% from ¥11,477 million for the year ended March 31, 2002 to ¥10,911 million for the year ended March 31, 2003.

Provision for Income Taxes

The provision for income taxes declined 51.3% from ¥2,162 million for the year ended March 31, 2002 to ¥1,053 million for the year ended March 31, 2003. This was because our effective tax rate decreased from 18.8% for the year ended March 31, 2002 to 9.7% in the year ended March 31, 2003 as an adjustment for prior year's tax accruals related to the reversal of deferred tax liabilities on loss on write-downs of investment securities.

Minority Interest in Income (Loss) of Consolidated Subsidiaries

For the year ended March 31, 2003, minority interest in income of consolidated subsidiaries was ¥644 million as compared with ¥318 million for the year ended March 31, 2002. This increase was mainly due to the addition of our newly consolidated subsidiaries.

Equity in Net (Income)/Losses of Affiliated Companies

We had equity in net income of affiliated companies in the amount of ¥1,466 million for the year ended March 31, 2003 and equity in net loss in our affiliated companies in the amount of ¥2,417 million for the year ended March 31, 2002. The reason for this change was that we changed the manner in which we account for goodwill in light of the adoption of SFAS No. 142, which became effective on April 1, 2002.

We ceased to amortize ¥9,228 million of the portion of the difference between the cost of our investment and the amount of underlying equity in net assets of our affiliated companies that is recognized as goodwill. For the year ended March 31, 2003, we did not recognize ¥2,591 million of amortization on the goodwill associated with our affiliated companies. We continue to review equity method investments for impairment in accordance with the guidance in Accounting Principles Boards Opinion No. 18. For the year ended March 31, 2003, there were no impairments recorded for our affiliated companies.

Summarized financial information for our affiliated companies is included in Note 11 to our consolidated financial statements included in this annual report.

Net Income

As a result of the foregoing, our net income increased 62.3% from ¥6,580 million for the year ended March 31, 2002 to ¥10,680 million for the year ended March 31, 2003.

Segment Information

Based on the applicable criteria set forth in the Statement of Financial Accounting Standards No. 131, “Disclosures about Segments of an Enterprise and Related Information” (“SFAS No. 131”), we have thirteen 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, while the others are Nidec’s 12 consolidated subsidiaries: Nidec Singapore Pte. Ltd., Nidec Electronics (Thailand) Co., Ltd., Nidec Philippines Corporation, Nidec America Corporation, Nidec Power Motor Corporation, Nidec (Dalian) Limited, Nidec Shibaura Corporation, Nidec Tosok Corporation, Nidec Taiwan Corporation, Nidec Copal Corporation, Nidec Copal Electronics Corporation and Sankyo Seiki Mfg. Co., Ltd. For the information required by SFAS No. 131, see Note 25 to our consolidated financial statements included in this annual report.

Nidec Taiwan Corporation, Nidec Copal Corporation, Nidec Copal Electronics Corporation and Sankyo Seiki Mfg. Co., Ltd. are newly reportable segments for the year ended March 31, 2004. Segment information for the years ended March 31, 2002 and 2003 has been restated to conform to the current presentation.

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, Nidec Power Motor Corporation, Nidec Shibaura Corporation, Nidec Tosok Corporation, Nidec Copal Corporation, Nidec Copal Electronics Corporation and Sankyo Seiki Mfg. Co., Ltd. apply Japanese GAAP, Nidec Singapore Pte. Ltd. applies Singaporean accounting principles, Nidec Electronics (Thailand) Co., Ltd. applies Thai accounting principles, Nidec Philippines Corporation applies Philippine accounting principles, Nidec America Corporation applies U.S. GAAP, Nidec (Dalian) Limited applies Chinese accounting principles and Nidec Taiwan Corporation applies Taiwanese accounting principles. 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 years ended March 31, 2002, 2003 and 2004. The second table shows operating profit or loss by reportable operating segment for the years ended March 31, 2002, 2003 and 2004:

	Year ended March 31,			
	2002	2003	2004	2004
(Yen in millions and U.S. dollars in thousands)				
Nidec				
External revenues	¥63,205	¥65,248	¥60,316	\$570,688
Intrasegments revenues.....	61,679	63,916	58,320	551,802
Sub total	124,884	129,164	118,636	1,122,490
Nidec Singapore				
External revenues	48,115	46,708	36,668	346,939
Intrasegments revenues.....	3,254	3,851	3,081	29,151
Sub total	51,369	50,559	39,749	376,090
Nidec Electronics (Thailand)				
External revenues	14,787	20,484	33,003	312,262

	Year ended March 31,			
	2002	2003	2004	2004
	(Yen in millions and U.S. dollars in thousands)			
Intrasegments revenues.....	23,109	21,256	17,794	168,361
Sub total	37,896	41,740	50,797	480,623
Nidec Philippines				
External revenues	5,220	3,602	1,511	14,297
Intrasegments revenues.....	19,816	18,838	22,117	209,263
Sub total	25,036	22,440	23,628	223,560
Nidec America				
External revenues	7,487	6,075	3,564	33,721
Intrasegments revenues.....	539	1,398	1,430	13,530
Sub total	8,026	7,473	4,994	47,251
Nidec Power Motor				
External revenues	9,345	9,116	7,986	75,561
Intrasegments revenues.....	31	93	147	1,391
Sub total	9,376	9,209	8,133	76,952
Nidec (Dalian)				
External revenues	17	48	112	1,060
Intrasegments revenues.....	24,070	27,523	31,270	295,865
Sub total	24,087	27,571	31,382	296,925
Nidec Shibaura				
External revenues	16,192	15,138	15,767	149,181
Intrasegments revenues.....	2,479	2,966	4,429	41,906
Sub total	18,671	18,104	20,196	191,087
Nidec Tosok				
External revenues	1,615	18,933	21,211	200,691
Intrasegments revenues.....	139	565	666	6,301
Sub total	1,754	19,498	21,877	206,992
Nidec Taiwan				
External revenues	3,661	8,921	12,492	118,195
Intrasegments revenues.....	1,470	1,625	1,113	10,531
Sub total	5,131	10,546	13,605	128,726
Nidec Copal				
External revenues	-	-	9,146	86,536
Intrasegments revenues.....	-	-	1,384	13,095
Sub total	-	-	10,530	99,631
Nidec Copal Electronics				
External revenues	-	-	2,854	27,003
Intrasegments revenues.....	-	-	372	3,520
Sub total	-	-	3,226	30,523
Sankyo Seiki				
External revenues	-	-	7,779	73,602
Intrasegments revenues.....	-	-	3,641	34,450
Sub total	-	-	11,420	108,052
All Others				
External revenues	22,672	37,157	67,121	635,074
Intrasegments revenues.....	39,760	54,846	66,133	625,726
Sub total	62,432	92,003	133,254	1,260,800
Total				
External revenues	192,316	231,430	279,530	2,644,810

	Year ended March 31,			
	2002	2003	2004	2004
	(Yen in millions and U.S. dollars in thousands)			
Intrasegments revenues.....	176,346	196,877	211,897	2,004,892
Adjustments (*).....	1,016	406	(2,033)	(19,235)
Intrasegment elimination.....	(176,346)	(196,877)	(211,897)	(2,004,892)
Consolidated total (net sales).....	¥193,332	¥231,836	¥277,497	\$2,625,575

(*) See Note 25 to the consolidated financial statements included in this annual report.

	Year ended March 31,			
	2002	2003	2004	2004
	(Yen in millions and U.S. dollars in thousands)			
Segment profit or loss:				
Nidec.....	¥4,101	¥3,521	¥1,483	\$14,032
Nidec Singapore.....	1,963	2,020	2,489	23,550
Nidec Electronics (Thailand).....	1,578	3,179	8,590	81,275
Nidec Philippines.....	2,485	1,212	1,422	13,454
Nidec America.....	(680)	165	279	2,640
Nidec Power Motor.....	187	488	251	2,375
Nidec (Dalian).....	1,778	3,001	2,486	23,522
Nidec Shibaura.....	279	(134)	801	7,579
Nidec Tosok.....	90	689	1,450	13,719
Nidec Taiwan.....	219	343	362	3,425
Nidec Copal.....	-	-	586	5,544
Nidec Copal Electronics.....	-	-	307	2,905
Sankyo Seiki.....	-	-	(2,581)	(24,420)
All Others.....	2,979	4,107	7,344	69,486
Total.....	14,979	18,591	25,269	239,086
Adjustments (*).....	(4,507)	(2,187)	(3,254)	(30,788)
Consolidated total.....	¥10,472	¥16,404	¥22,015	\$208,298

(*) See Note 25 to the consolidated financial statements included in this annual report.

Net sales of Nidec decreased 8.2% from ¥129,164 million for the year ended March 31, 2003 to ¥118,636 million for the year ended March 31, 2004. This decrease resulted primarily from a decrease in sales of hard disk drives spindle motors due to a change in sales methods for some overseas customers. Sales to some overseas customers that were previously made through Nidec are now made through direct transactions between our overseas subsidiaries and customers. Operating profit of Nidec decreased 57.9% from ¥3,521 million for the year ended March 31, 2003 to ¥1,483 million for the year ended March 31, 2004 reflecting the decrease in sales of hard disk drives spindle motors and an increase in research and development expenses.

Net sales of Nidec increased 3.4% from ¥124,884 million for the year ended March 31, 2002 to ¥129,164 million for the year ended March 31, 2003. This increase resulted from increased sales of small precision brushless DC motors used for DVD, CD-R and CD-R/W drives and mid-size motors for automobile power steering systems. Operating profit of Nidec decreased 14.1% from ¥4,101 million for the year ended March 31, 2002 to ¥3,521 million for the year ended March 31, 2003 due to increased selling, general and administrative expenses such as personnel, freight and packing expenses despite increased gross profit.

Net sales of Nidec Singapore Pte. Ltd. decreased 21.4% from ¥50,559 million for the year ended March 31, 2003 to ¥39,749 million for the year ended March 31, 2004 due to a delay of our response to a change in product specification of fluid dynamic bearing motors by a main customer. However, operating

profit of Nidec Singapore Pte. Ltd. increased 23.2% from ¥2,020 million for the year ended March 31, 2003 to ¥2,489 million for the year ended March 31, 2004 due primarily to an increase in sales from the profitable manufacturing division by 13.5% and a decrease in sales from the trading division which has lower margins 25.5%. A decrease in sales from low margin division is not necessarily a reason for an increase in profit.

Net sales of Nidec Singapore Pte. Ltd. decreased 1.6% from ¥51,369 million for the year ended March 31, 2002 to ¥50,559 million for the year ended March 31, 2003 due primarily to the appreciation of the yen by approximately 2.5%, offset by an increase in sales denominated in U.S. dollars by 1.0%. Operating profit of Nidec Singapore Pte. Ltd. increased 2.9% from ¥1,963 million for the year ended March 31, 2002 to ¥2,020 million for the year ended March 31, 2003 mainly due to improvement in production efficiency in small precision ball bearing motors.

Net sales of Nidec Electronics (Thailand) Co., Ltd. increased 21.7% from ¥41,740 million for the year ended March 31, 2003 to ¥50,797 million for the year ended March 31, 2004 due to an increase in sales of fluid dynamic bearing motors to main customers. Operating profit increased 170.2% from ¥3,179 million for the year ended March 31, 2003 to ¥8,590 million for the year ended March 31, 2004 due primarily to the increase in sales and improvements in cost efficiency in mass production.

Net sales of Nidec Electronics (Thailand) Co., Ltd. increased 10.1% from ¥37,896 million for the year ended March 31, 2002 to ¥41,740 million for the year ended March 31, 2003 due to an increase in sales of fluid dynamic bearing motors to main customers. Operating profit increased 101.5% from ¥1,578 million for the year ended March 31, 2002 to ¥3,179 million for the year ended March 31, 2003 due primarily to a successful shift to mass production of fluid dynamic bearing motors from conventional ball bearing motors.

Net sales of Nidec Philippines Corporation increased 5.3% from ¥22,440 million for the year ended March 31, 2003 to ¥23,628 million for the year ended March 31, 2004 due to a successful shift to fluid dynamic bearing motors from ball bearing motors. Operating profit of Nidec Philippines Corporation increased 17.3% from ¥1,212 million for the year ended March 31, 2003 to ¥1,422 million for the year ended March 31, 2004 due to the increase in sales and an improvement in production efficiency of parts for fluid dynamic bearing motors.

Net sales of Nidec Philippines Corporation decreased 10.4% from ¥25,036 million for the year ended March 31, 2002 to ¥22,440 million for the year ended March 31, 2003 due to the decreased sales of ball bearing motors despite a rapid shift of production from ball bearing motors to fluid dynamic bearing motors. Operating profit of Nidec Philippines Corporation fell 51.2% from ¥2,485 million for the year ended March 31, 2002 to ¥1,212 million for the year ended March 31, 2003 due to decreased sales of ball bearing motors and increased depreciation of capital investment for the production of fluid dynamic bearing motors.

Net sales of Nidec America Corporation decreased 33.2% from ¥7,473 million for the year ended March 31, 2003 to ¥4,994 million for the year ended March 31, 2004 mainly due to a decrease in sales of fan motors used in microprocessor cooling units by a change in sales routes. Sales to a main customer that were previously made through Nidec America Corporation are now made directly from Japan. However, operating profit of Nidec America Corporation increased 69.1% from ¥165 million for the year ended March 31, 2003 to ¥279 million for the year ended March 31, 2004. This was mainly due to a decrease in selling, general and administrative expenses by the withdrawal from the unprofitable power supplies business.

Net sales of Nidec America Corporation decreased 6.9% from ¥8,026 million for the year ended March 31, 2002 to ¥7,473 million for the year ended March 31, 2003 due to decreased sales of fan motors and the withdrawal from the power supplies business. Although Nidec America Corporation recorded an operating loss of ¥680 million for the year ended March 31, 2002, it had operating profit of ¥165 million for the year ended March 31, 2003. This was mainly due to increased domestic manufacturing of high-margin fan products despite decreased sales of low-margin imported fan motors and the withdrawal from the unprofitable power supplies business.

Net sales of Nidec Power Motor Corporation decreased 11.7% from ¥9,209 million for the year ended March 31, 2003 to ¥8,133 million for the year ended March 31, 2004 due to sluggish demand for AC motors across industries and a price war as a result of severe competition. Operating profit of Nidec Power Motor Corporation decreased 48.6% from ¥488 million for the year ended March 31, 2003 to ¥251 million for the year ended March 31, 2004 due to the decrease in sales and an increase in personnel expenses.

Net sales of Nidec Power Motor Corporation decreased 1.8% from ¥9,376 million for the year ended March 31, 2002 to ¥9,209 million for the year ended March 31, 2003 due to sluggish demand for AC motors across industries. However, operating profit of Nidec Power Motor Corporation increased 161.0% from ¥187 million for the year ended March 31, 2002 to ¥488 million for the year ended March 31, 2003 due to the shift of production to China and domestic cost reduction activities.

Net sales of Nidec (Dailian) Limited increased 13.8% from ¥27,571 million for the year ended March 31, 2003 to ¥31,382 million for the year ended March 31, 2004 due to an increase in customer demand for DC motors for notebook-type PCs. However, operating profit decreased 17.2% from ¥3,001 million for the year ended March 31, 2003 to ¥2,486 million for the year ended March 31, 2004. The major reason for this decrease in operating profit came from a delay in cost improvements and a drop in sales prices.

Net sales of Nidec (Dailian) Limited increased 14.5% from ¥24,087 million for the year ended March 31, 2002 to ¥27,571 million for the year ended March 31, 2003 due to an increase in customer demand for DC motors. Operating profit increased 68.8% from ¥1,778 million for the year ended March 31, 2002 to ¥3,001 million for the year ended March 31, 2003. The major reason for this increase in operating profit came from the improvement in cost efficiency by increasing production of profitable DC motors for notebook-type PCs.

Net sales of Nidec Shibaura Corporation increased 11.6% from ¥18,104 million for the year ended March 31, 2003 to ¥20,196 million for the year ended March 31, 2004 due to an increase in sales of machines. Although Nidec Shibaura Corporation recorded an operating loss of ¥134 million for the year ended March 31, 2003, it had operating profit of ¥801 million for the year ended March 31, 2004 mainly due to a decrease in the write-off of obsolete inventory.

Net sales of Nidec Shibaura Corporation decreased 3.0% from ¥18,671 million for the year ended March 31, 2002 to ¥18,104 million for the year ended March 31, 2003 due to the curtailment of the electric tools business. After recording operating profit of ¥279 million for the year ended March 31, 2002, Nidec Shibaura Corporation had a loss of ¥134 million for the year ended March 31, 2003. This decline in profits was mainly due to the write-off of obsolete inventory.

Net sales of Nidec Tosok Corporation increased 12.2% from ¥19,498 million for the year ended March 31, 2003 to ¥21,877 million for the year ended March 31, 2004 due to an increase in sales of automobile parts and instruments for testing. Operating profit increased 110.4% from ¥689 million for the year ended March 31, 2003 to ¥1,450 million for the year ended March 31, 2004 due primarily to an increase in sales and production shift to overseas countries.

Net sales and operating profit of Nidec Tosok Corporation were ¥1,754 million and ¥90 million for the year ended March 31, 2002 and ¥19,498 million and ¥689 million for the year ended March 31, 2003, respectively. Nidec Tosok Corporation has been consolidated since February 2002.

Net sales of Nidec Taiwan Corporation increased 29.0% from ¥10,546 million for the year ended March 31, 2003 to ¥13,605 million for the year ended March 31, 2004 due to an increase in customer demand for DC fans and DC motors. However, operating profit increased only 5.5% from ¥343 million for the year ended March 31, 2003 to ¥362 million for the year ended March 31, 2004 due to a drop in unit price of DC fans.

Net sales and operating profit of Nidec Copal Corporation were ¥10,530 million and ¥586 million for the year ended March 31, 2004. Nidec Copal Corporation has been consolidated since February 2004.

Net sales and operating profit of Nidec Copal Electronics Corporation were ¥3,226 million and ¥307 million for the year ended March 31, 2004. Nidec Copal Electronics Corporation has been consolidated since January 2004.

Net sales and an operating loss of Sankyo Seiki Mfg. Co., Ltd. were ¥11,420 million and ¥2,581 million for the year ended March 31, 2004. Sankyo Seiki Mfg. Co., Ltd. has been consolidated since February 2004. It recorded significant loss due to the expenses for restructuring of factories in March 2004.

Within the All Others segment, net sales increased 44.8% from ¥92,003 million for the year ended March 31, 2003 to ¥133,254 million for the year ended March 31, 2004. Operating profit also increased 78.8% from ¥4,107 million for the year ended March 31, 2003 to ¥7,344 million for the year ended March 31, 2004. The net sales and operating profits of our newly consolidated subsidiaries other than Nidec Copal Corporation, Nidec Copal Electronics Corporation and Sankyo Seiki Mfg. Co., Ltd. were ¥24,781 million and ¥413 million for the year ended March 31, 2004, respectively, and were included in the All Others segment. Excluding the contribution from these newly consolidated subsidiaries, net sales and operating profit increased ¥16,470 million and ¥2,824 million, respectively, mainly due to the expansion and improvement of profitability in Nidec (Dongguan) Corporation and Nidec Shibaura (Zhejiang) Co., Ltd.

Within the All Others segment, net sales increased 47.4% from ¥62,432 million for the year ended March 31, 2002 to ¥92,003 million for the year ended March 31, 2003. Operating profit also increased 37.9% from ¥2,979 million for the year ended March 31, 2002 to ¥4,107 million for the year ended March 31, 2003. 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 net sales and operating profit of these companies other than Nidec Tosok Corporation were ¥1,132 million and ¥162 million for the year ended March 31, 2002 and ¥24,977 million and ¥2,242 million for the year ended March 31, 2003, respectively, and were included in the All Others segment. Excluding the contribution from these newly consolidated subsidiaries, net sales increased ¥5,726 million mainly due to increased sales in Nidec Hi-Tech Motor (Thailand), and operating profit decreased ¥1,076 million mainly due to decreased profit in Nidec Machinery Corporation and a loss at Nidec (Zhejiang) Corporation.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (the “FASB”) issued SFAS No. 143, “Accounting for Asset Retirement Obligations”. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement shall be effective for fiscal years beginning after June 15, 2002. The adoption of FAS No. 143 did not have a material impact on our results of operations and financial position.

In November 2002, the FASB issued EITF Issue No. 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables”. EITF Issue No. 00-21 provides guidance on when and how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No.00-21 applied to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Adoption of this standard did not have a material impact on its results of operations and financial position.

In January 2003, the FASB issued FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.” FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 are effective for us on July 1, 2003. We have completed its evaluation of the impact of FIN 46 and has not identified any variable interest entities which would require consolidation as a result of implementing the new standard.

In December 2003, the FASB issued revised FIN No. 46 (“FIN No. 46R”), which replaces FIN No. 46. FIN No. 46R retains many of the basic concepts introduced in FIN No. 46; however, it also introduces a new scope exception for certain types of entities that qualify as a “business” as defined in FIN No. 46R, revises the method of calculating expected losses and residual returns for determination of a primary beneficiary, and includes new guidance for assessing variable interests. The adoption of FIN No. 46R did not have an impact on our results of operations and financial position or impact the way we had previously accounted for VIEs.

In April 2003, the FASB issued SFAS No.149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities”. This statement amends and clarifies financial accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. We are currently evaluating the impact of adopting this new pronouncement. The adoption of SFAS No.149 did not have an impact on our results of operations and financial position.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”. SFAS No. 150 establishes standards for how certain financial instruments with characteristics of both liabilities and equity shall be classified and measured. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No.150 did not have a significant impact on our results of operations and financial position.

In November 2003, the Emerging Issues Task Force reached consensus on paragraph 18 of Issue No.03-01 (“EITF 03-01”), “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.” EITF 03-01 requires that certain quantitative and qualitative disclosures should be required for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No.115. “Accounting for Certain Investments in Debt and Equity Securities” and SFAS No.124,”Accounting for Certain Investments Held by Not-for-Profit Organizations” that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. We adopted EITF 03-01 in March 2004. However, it did not have a material impact on our results of operations and financial position.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), “Employers’ Disclosures about Pensions and Other Postretirement Benefits”. The standard requires that companies provide additional disclosures about the types of plan assets, investment strategy, plan obligations, cash flows and components of periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. In accordance with the transition provisions of the new FAS No. 132, Note 15, pension and severance plans has been expanded to include the new disclosures requirements as of and for the year ended March 31, 2004.

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 and the market value is mainly based on net realizable value less direct sales costs. 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, 2003 or 2004. 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 subsidiaries. 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. 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 the 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 company. The fair value of marketable securities is based on quoted market prices. Our management employs a systematic methodology to assess the recoverability of such investments by reviewing the financial position of underlying companies and prevailing market conditions in which these companies operate to determine if our investment in each of these companies is impaired and whether the impairment is other-than-temporary.

We believe that the accounting estimate related to investment impairment is a critical accounting policy 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.

As of March 31, 2003 and 2004, the estimated fair value of our marketable securities was ¥4,569 million and ¥17,839 million, respectively. We recorded loss on marketable securities in the amount of ¥1,583 million and gain in the amount of ¥816 million for the years ended March 31, 2003 and 2004, 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 significant additional allowance. For the year ended March 31, 2004, sales to our six largest customers represented approximately 40% of our net sales. Our accounts receivable are likewise concentrated. At March 31, 2004, six customers represented ¥23.6 billion, or 24%, of our gross accounts receivable. In addition, during economic downturns, certain number 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 ¥465 million as of March 31, 2003 and ¥623 million as of March 31, 2004. Our trade notes and accounts receivable balance was ¥113,940 million, net of allowance for doubtful accounts, as of March 31, 2004.

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 requires us to estimate 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 resulted in deferred tax assets and liabilities, which were included within our consolidated balance sheet. As of March 31, 2004 we had deferred tax assets in the amount of ¥14,061 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 ¥20,765 million as of March 31, 2004, 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.

Impairment of Long-lived Assets

Long-lived assets, consisting primarily of property, plant and equipment, comprised approximately 30% of our total assets as of March 31, 2004. 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 a certain amount 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.

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. The determination of fair value of assets and liabilities are primarily based on factors such as independent appraisers' cash flow analysis and quoted market prices, if available.

Valuation of Goodwill

We assess the impairment of acquired goodwill 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 other 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 determined by our management to be commensurate with the risk inherent in our current business model. Changes in the projected discounted cash flow could negatively affect the valuations. Goodwill amounted to ¥28,078 million as of March 31, 2004.

Pension Plans

We account for our defined benefit pension plans in accordance with Statement of Financial Accounting Standards No. 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 a rate of increase in compensation levels and average remaining years of service based on our historical data. Changes in these assumptions will have an impact on our net periodic pension cost. For example, a significant assumption used in determining our accrued pension and severance costs are the expected weighted-average rate of return on plan assets.

The following table shows the sensitivity to a change in the expected return on plan assets, provided that holding all other assumptions constant, for Japanese pension plans as of March 31, 2004.

Change in assumption	Yen in millions	
	Pre-tax pension expense	Equity (Net of tax)
50 basis point increase/decrease in expected return on plan assets	-/+ 41	+/- 24

B. 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 new shares, 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. The uses of funds raised are capital expenditure, investment in and financing of affiliated companies and repayments of borrowing from banks. We will implement additional funding programs as the need arises to further strengthen our capital base, and thus enhance the balance between borrowings and equity capital. Part of the fund raised going forward will be reserved and utilized for future M&A operations.

During fiscal 2003, we issued Euro convertible bonds of ¥30 billion. We used the proceeds for the issuance of our shares to shareholders of Sankyo Seiki, the purchase of Sankyo Seiki's shares and the issuance of our shares to shareholders of Nidec Copal Corporation. We intend to obtain significant amount of cash through offerings of securities upon necessity in the future.

We actively seek to implement group financing schemes within Nidec Group in order to improve our cash efficiencies on a consolidated basis and reduce capital costs. For example, our subsidiaries actively repay loans with higher interest rates from banks and we extends loans with lower interest rates to these subsidiaries. We work to reduce finance costs on a consolidated basis by thoroughly reviewing and managing the group's finance costs and allocating surplus cash effectively within the group through balancing cash flows and investment activities including mergers and acquisitions.

Total assets increased by ¥185,954 million from ¥257,932 million for the year ended March 31, 2003 to ¥443,886 million for the year ended March 31, 2004. Total assets of newly consolidated subsidiaries such as Nidec Copal Corporation, Nidec Copal Electronics Corporation, Sankyo Seiki Mfg. Co., Ltd. and certain other companies were ¥199,131 million. Excluding the contribution from these newly consolidated subsidiaries, total assets decreased by ¥13,177 million to ¥244,755 million for the year ended March 31, 2004. This is due to a reduction of investments in and advances to affiliates because these three companies became more than 50% owned subsidiaries despite the increase in property, plant and equipment

Total liabilities increased by ¥124,442 million to ¥284,709 million as of March 31, 2004. Total liabilities of newly consolidated subsidiaries described above were ¥87,652 million. Excluding the liabilities of these newly consolidated subsidiaries, total liabilities increased by ¥36,790 million from ¥160,267 million for the year ended March 31, 2003 to ¥197,057 million for the year ended March 31, 2004. The main reason was due to proceeds from issuance of yen denominated zero coupon convertible bonds. In addition, short-term borrowings and long-term debt increased.

Working capital, defined as current assets less current liabilities, increased by ¥51,483 million to ¥39,621 million as of March 31, 2004 as compared to March 31, 2003. Working capital of newly consolidated subsidiaries described above was ¥61,137 million. Excluding the contribution from these newly consolidated subsidiaries, working capital decreased from negative ¥11,862 million to negative ¥21,516 million. This was due primarily to the increase in short-term borrowings because we funded a great portion of our operations through short-term borrowings from banks that offer relatively lower interest rates than long-term debt.

The 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. Excluding the contribution from these newly

consolidated subsidiaries, our receivable turnover ratio was 4.0 for the year ended March 31, 2004, compared to 3.9 for the year ended March 31, 2003. The inventory turnover ratio is calculated by dividing cost of products sold for the year ended March 31 by the year-end inventory balance. Excluding the contribution from these newly consolidated subsidiaries, our inventory turnover ratio was 9.1 for the year ended March 31, 2004, compared to 11.0 for the year ended March 31, 2003. We had been trying to reduce production levels to enable us to move excess inventory and avoid write-offs but did not reach satisfactory results during this term.

Total shareholder's equity increased by ¥21,489 million, or 24.3%, from ¥88,557 million for the year ended March 31, 2003 to ¥110,046 million for the year ended March 31, 2004. This increase was mainly due to increases in retained earnings of ¥14,179 million and 582,990 new shares issued upon shares exchange with Nidec-Shimpo Corporation of ¥3,495 million. The ratio of stockholders' equity to total assets decreased from 34.3% as of March 31, 2003 to 24.8% as of March 31, 2004 mainly due to increases in yen denominated zero coupon convertible bonds, short-term borrowings and minority interest in consolidated subsidiaries.

Contractual Obligations and Commercial Commitments

The following tables represent our contractual obligations and other commercial commitments as of March 31, 2004.

(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	¥47,678	¥2,653	¥12,377	¥32,485	¥163
Capital Lease Obligations	3,147	1,003	1,087	1,000	57
Operating Leases	734	127	104	52	451
Purchase Commitments for Fixed Assets	5,948	5,948	-	-	-
Total Contractual Cash Obligations	¥57,507	¥9,731	¥13,568	¥33,537	¥671

(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	\$451,111	\$25,102	\$117,106	\$307,361	\$1,542
Capital Lease Obligations	29,776	9,490	10,285	9,462	539
Operating Leases	6,945	1,202	984	492	4,267
Purchase Commitments for Fixed Assets	56,278	56,278	-	-	-
Total Contractual Cash Obligations	\$544,110	\$92,072	\$128,375	\$317,315	\$6,348

(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	¥750	¥18	¥100	¥99	¥533
Total Commercial Commitments	¥750	¥18	¥100	¥99	¥533

(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	\$7,096	\$170	\$946	\$937	\$5,043
Total Commercial Commitments....	\$7,096	\$170	\$946	\$937	\$5,043

Cash Flows

Net cash provided by operating activities increased ¥7,122 million from ¥24,288 million for the year ended March 31, 2003 to ¥31,410 million for the year ended March 31, 2004 mainly due to increases in net income of ¥5,409 million and depreciation of ¥1,411 million. Depreciation increased mainly due to continuous investments in machinery and equipment for production of fluid dynamic bearing motors. Other non-cash P/L items or increase/decrease of current assets and liabilities did not significantly affect the total.

Net cash provided by operating activities was ¥24,288 million for the year ended March 31, 2003, compared with ¥21,263 million for the year ended March 31, 2002. Besides higher net income, the increase was principally due to an increase in depreciation and notes and accounts payable despite an increase in equity in net income of affiliated companies and accrued income taxes. Depreciation increased mainly due to investments in machinery and equipment for production of fluid dynamic bearing motors. An increase in notes and accounts receivables of ¥1,004 million in the year ended March 31, 2003 and ¥2,050 million in the year ended March 31, 2002 negatively affected cash flow from operating activities in both periods.

Net cash used in investing activities decreased ¥2,046 million from ¥23,179 million for the year ended March 31, 2003 to ¥21,133 million for the year ended March 31, 2004. This decrease was mainly due to increases in acquisition of consolidated subsidiaries, net of cash acquired, of ¥16,435 million and investments in and advances to affiliated companies of ¥14,114 million by acquiring stake in newly consolidated subsidiaries after adding investments to affiliated companies. We focused consistently on investments in facilities equipment mainly for our production of fluid dynamic bearing motors. The additions to property, plant and equipment for the years ended March 31, 2003 and 2004 were ¥21,715 million and ¥22,631 million, respectively.

Net cash used in investing activities was ¥23,179 million for the year ended March 31, 2003, compared with ¥15,669 million for the year ended March 31, 2002. This increase was mainly due to an increase in our total expenditures for property, plant and equipment. For the years ended March 31, 2002 and 2003, we focused consistently on investments in facilities equipment mainly for our production of fluid dynamic bearing motors. Besides payments for additional investments in subsidiaries, net of cash acquired was ¥672 million for the year ended March 31, 2003 compared with proceeds for additional investments in subsidiaries in the amount of ¥2,962 million for the year ended March 31, 2002.

As a result of these factors, our net cash flow (the difference between cash provided by operating activities and cash used in investing activities) increased ¥9,168 million from ¥1,109 million for the year ended March 31, 2003 to ¥10,277 million for the year ended March 31, 2004.

Net cash provided by financing activities was ¥32,494 million for the year ended March 31, 2004, while net cash used in financing activities was ¥4,163 million for the year ended March 31, 2003. This increase in net cash provided by financing activities of ¥36,657 million came from proceeds from issuance of yen denominated zero coupon convertible bonds with stock acquisition rights of ¥30,873 million and a decrease in repayments of long-term debts of ¥8,498 million. The face value of such zero coupon convertible bonds was ¥30,000 million and the issue price was 103.00% of the face value. Concerning stock acquisition rights, the conversion price per share is ¥13,905 and the number of shares issuable upon conversion of bonds at the initial conversion price is 2,222,222.

Net cash used in financing activities was ¥4,163 million for the year ended March 31, 2003, while net cash provided by financing activities was ¥1,536 million for the year ended March 31, 2002. This was mainly due to the net repayment of long-term debt in the amount of ¥10,745 million for the year ended March 31, 2003, compared with an increase of ¥114 million for the year ended March 31, 2002. On the contrary, an increase in short-term borrowings was ¥8,844 million for the year ended March 31, 2003 and ¥4,105 million for the year ended March 31, 2002.

As a result of the foregoing factors and the effect of exchange rate changes, our total outstanding balance of cash and cash equivalents increased ¥40,353 million from ¥33,039 million as of March 31, 2003 to ¥73,392 million as of March 31, 2004.

Our capital commitments as of March 31, 2004 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 ¥6,159 million on March 31, 2003 to approximately ¥5,948 million on March 31, 2004, and from approximately ¥9,007 million on March 31, 2002 to approximately ¥6,159 million on March 31, 2003, respectively. Each decrease is due mainly to a reduction in investments in facilities equipment compared to the previous year. See Note 20 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.

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

Year ending March 31,	(Yen in millions)	(U.S. dollars in thousands)
2005	¥2,653	\$25,102
2006	11,233	106,282
2007	1,142	10,805
2008	1,249	11,818
2009	31,236	295,544
2010 and thereafter	165	1,561

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 aims of our research and development activities in recent years has been to reduce the cost of design, without affecting the quality of our products. Nidec employs approximately 1,655 people, who are engaged in research and development mainly in Japan as well as in the United States and Singapore as of March 31, 2004. 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 new types of motors such as fluid dynamic bearing technology, which we have been developing for the past several years.

We are diversifying our research and development activities, which have been heavily concentrated on small motor technology in the field of spindle motors, to motor and drive technology in new fields. For example, through Nidec Shibaura Corporation and Nidec Tosok Corporation, we focus on the research and development of motors for home electric appliances and motors for automobile parts. Also, through Nidec-Shimpo Corporation, our subsidiary specializing in power transmission drives and variable speed drives, we have been focusing on the research and development of geared motors for color copiers. By doing so, we have been able to develop and market new products through our integrated sales design and production system.

In January and February 2004, Nidec Copal, Nidec Copal Electronics and Sankyo Seiki became our subsidiaries. Nidec Copal holds overwhelming market share in shutters for digital cameras and has been carrying out development of shutters and lens units. It has developed vibration motors for mobile phones and laboratory systems equipment among industrial equipment related products of the Company. Nidec Copal Electronics has developed ultra-precision fixed resistors for its circuit parts business and coreless type polygon laser scanners for its actuator business. It has also promoted development of sensors for its pressure sensor business, mainly for the semiconductor equipment industry. Sankyo Seiki has developed intelligent mechanism products, which have merged fine mechatronics and software, coupled with development of ultra-precision processing technology. These include research and development of each of the following fields of multimedia equipment, information accessory equipment such as computers, industrial equipment, home electronics and housing equipment.

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

- the development of fluid dynamic bearing spindle motors, including the technology for installing fluid dynamic bearing spindle motors in hard disk drive smaller than 1.8 inches and fluid dynamic bearing spindle motors using sintered alloy metal;
- 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 smaller than a 1 inch disc, used for digital still cameras, selected mobile phones, car navigation systems and digital video cameras
- the development and improvement of spindle motors for DVDs;
- the development and improvement of DC fan motors with a high airflow capacity that effectively help disperse heat inside end products including computers, game machines and audio-visual equipments;
- the development of new lines of small brushless DC motors, including those used for home electric appliances and automobile parts;
- the development of new lines of spin finishing machines, high performance electric micrometers and two-channel digital air micrometers;
- the development of gear reducers, including additional lines of gear reducers tailored for the American and Asian markets;
- Series production of shutters, IC card printers and patch units of related products by Nidec Copal;
- Development of ultra precision fixed resistors, coreless type polygon laser scanners and sensors mainly for the semiconductor equipment industry by Nidec Copal Electronics; and
- Development of stepping motors for downsizing of the digital camera market, development products and accessory equipment, applying card reader technology, liquid crystal substrate robots, energy saving models of core actuators corresponding to the needs of customers by Sankyo Seiki.

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 most notably in Kyoto, and also in Shiga, Nagano and Tottori Prefectures in Japan. 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.

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 are 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.

In addition to its motor business, Nidec Copal operates technology development centers in Itabashi, Tokyo and Koriyama, Fukushima Prefecture. Nidec Copal Electronics has technology development centers in Irima, Saitama Prefecture, Tajiri, Miyagi Prefecture and Sano, Tochigi Prefecture. Sankyo Seiki operates its technology development centers in Shimosuwa, Komagane and Chino in Nagano Prefecture and Itabashi, Tokyo.

We incurred research and development expenses of ¥5,727 million for the year ended March 31, 2002, ¥6,824 million for the year ended March 31, 2003 and ¥8,751 million for the year ended March 31, 2004. 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 ¥15,000 million on research and development in the year ending March 31, 2005 due to an increase of consolidated subsidiaries such as Nidec Copal Corporation, Nidec Copal Electronics Corporation, Sankyo Seiki Mfg. Co., Ltd.. We believe that our research and development expenses are sufficient for sustaining our competitiveness in the motor industry and other industries.

D. Trend Information.

The information required by this item is set forth in Item 5.A of this annual report.

E. Off-Balance Sheet Arrangements.

Contingent liabilities for guarantees given in the ordinary course of business amounted to approximately ¥750 million (\$7,096 thousand) at March 31, 2004. These contingent liabilities primarily relate to the Companies' guarantee of affiliated companies' borrowings from banks. On April 2002, Nidec's consolidated subsidiary, Nidec Tosok Corporation, agreed to guarantee for Okaya Seiken Corporation, subcontractor of Nidec Tosok Corporation, totaling ¥309 million (\$2,924 thousand) in order to provide funds for Okaya's manufacturing facilities in Vietnam.

Besides NIDEC has guaranteed approximately ¥441 million (\$4,173 thousand) of bank loan of employees for their housing costs. If an employee defaults on his/her loan payments, NIDEC is required to perform under the guarantee. The undiscounted maximum amount of NIDEC's obligation to make future payments in the event of defaults is approximately ¥441 million (\$4,173 thousand).

F. Tabular Disclosure of Contractual Obligations.

The following tables represent our contractual obligations and other commercial commitments as of March 31, 2004.

(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	¥47,678	¥2,653	¥12,377	¥32,485	¥163
Capital Lease Obligations	3,147	1,003	1,087	1,000	57
Operating Leases.....	734	127	104	52	451
Purchase Commitments for Fixed Assets	5,948	5,948	-	-	-

Total Contractual Cash Obligations	¥57,507	¥9,731	¥13,568	¥33,537	¥671
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(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	\$451,111	\$25,102	\$117,106	\$307,361	\$1,542
Capital Lease Obligations	29,776	9,490	10,285	9,462	539
Operating Leases.....	6,945	1,202	984	492	4,267
Purchase Commitments for Fixed Assets	56,278	56,278	-	-	-
Total Contractual Cash Obligations	\$544,110	\$92,072	\$128,375	\$317,315	\$6,348

NIDEC CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS

	<u>Yen in millions</u>		<u>U.S. dollars</u>
	<u>March 31</u>		<u>in thousands</u>
	<u>2003</u>	<u>2004</u>	<u>March 31,</u> <u>2004</u>
Current assets:			
Cash and cash equivalents	¥33,039	¥73,392	\$694,408
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥465 million in 2003 and ¥623 million (\$5,895 thousand) in 2004:			
Notes	8,708	17,431	164,926
Accounts	50,780	96,509	913,133
Inventories	17,036	45,245	428,092
Prepaid expenses and other current assets	11,750	13,838	130,929
Total current assets	<u>121,313</u>	<u>246,415</u>	<u>2,331,488</u>
Marketable securities and other securities investments	5,324	19,892	188,211
Investments in and advances to affiliates	29,051	2,259	21,374
	<u>34,375</u>	<u>22,151</u>	<u>209,585</u>
Property, plant and equipment:			
Land	18,490	30,532	288,883
Buildings	47,220	73,860	698,836
Machinery and equipment	83,624	163,401	1,546,040
Construction in progress	2,425	7,411	70,120
	151,759	275,204	2,603,879
Less - Accumulated depreciation	(61,050)	(142,792)	(1,351,046)
	<u>90,709</u>	<u>132,412</u>	<u>1,252,833</u>
Goodwill	3,658	28,078	265,664
Other non-current assets	7,877	14,830	140,316
Total assets	<u>¥257,932</u>	<u>¥443,886</u>	<u>\$4,199,886</u>

The accompanying notes are an integral part of these financial statements.

NIDEC CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>Yen in millions</u>		<u>U.S. dollars</u>
	<u>March 31</u>		<u>in thousands</u>
	<u>2003</u>	<u>2004</u>	<u>March 31,</u> <u>2004</u>
Current liabilities:			
Short-term borrowings	¥64,597	¥86,636	\$819,718
Current portion of long-term debt	8,951	2,653	25,102
Trade notes and accounts payable	49,276	93,418	883,887
Other current liabilities	10,351	24,087	227,902
Total current liabilities	<u>133,175</u>	<u>206,794</u>	<u>1,956,609</u>
Long-term liabilities:			
Long-term debt	16,388	45,025	426,010
Accrued pension and severance costs	10,357	29,836	282,297
Other long-term liabilities	347	3,054	28,896
Total long-term liabilities	<u>27,092</u>	<u>77,915</u>	<u>737,203</u>
Minority interest in consolidated subsidiaries	9,108	49,131	464,859
Commitments and contingencies (Note 24)			
Shareholders' equity:			
Common stock authorized: 240,000,000 shares in 2003 and 2004; issued and outstanding: 63,574,729 shares in 2003 and 65,017,898 shares in 2004	26,485	28,995	274,340
Additional paid-in capital	25,817	31,822	301,088
Retained earnings	43,708	57,887	547,706
Accumulated other comprehensive loss	(7,387)	(8,535)	(80,755)
Foreign currency translation adjustments	(5,690)	(11,475)	(108,572)
Unrealized gains on securities	225	2,972	28,120
Minimum pension liability adjustment	(1,922)	(32)	(303)
Treasury stock, at cost: 8,648 shares in 2003 and 14,360 shares in 2004	(66)	(123)	(1,164)
Total shareholders' equity	<u>88,557</u>	<u>110,046</u>	<u>1,041,215</u>
Total liabilities and shareholders' equity	<u>¥257,932</u>	<u>¥443,886</u>	<u>\$4,199,886</u>

The accompanying notes are an integral part of these financial statements.

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

Yen in millions

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehen- sive income (loss)	Treasury stock, at cost	Total
	Shares	Amount					
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
Comprehensive income:							
Net income				10,680			10,680
Other comprehensive income (loss):							
Foreign currency translation adjustments.....					(4,289)		(4,289)
Unrealized gains (losses) on securities, net of reclassification adjustment..					(101)		(101)
Minimum pension liability adjustment					(1,912)		(1,912)
Total comprehensive income							4,378
Dividends paid				(1,271)			(1,271)
Conversion of convertible debt.....	11,076	16	16				32
Purchase of treasury stock						(57)	(57)
Reissuance of treasury stock.....							-
Balance at March 31, 2003	63,574,729	¥26,485	¥25,817	¥43,708	¥(7,387)	¥(66)	¥88,557

The accompanying notes are an integral part of these financial statements.

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

Yen in millions

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total
	Shares	Amount					
Balance at March 31, 2003.....	63,574,729	¥26,485	¥25,817	¥43,708	¥(7,387)	¥(66)	¥88,557
Comprehensive income:							
Net income				16,089			16,089
Other comprehensive income (loss):							
Foreign currency translation adjustments					(5,785)		(5,785)
Unrealized gains (losses) on securities, net of reclassification adjustment ..					2,747		2,747
Minimum pension liability adjustment.....					1,890		1,890
Total comprehensive income.....							14,941
Dividends paid				(1,910)			(1,910)
Conversion of convertible debt	860,179	2,510	2,510				5,020
New shares issued upon shares exchange	582,990		3,495				3,495
Purchase of treasury stock.....						(57)	(57)
Reissuance of treasury stock							-
Balance at March 31, 2004.....	<u>65,017,898</u>	<u>¥28,995</u>	<u>¥31,822</u>	<u>¥57,887</u>	<u>¥(8,535)</u>	<u>¥(123)</u>	<u>¥110,046</u>

U.S. dollars in thousands

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total
	Shares	Amount					
Balance at March 31, 2003	\$250,591	\$244,271	\$413,550	\$413,550	\$(69,892)	\$(625)	\$837,895
Comprehensive income:							
Net income				152,228			152,228
Other comprehensive income (loss):							
Foreign currency translation adjustments					(54,736)		(54,736)
Unrealized gains (losses) on securities, net of reclassification adjustment...					25,991		25,991
Minimum pension liability adjustment					17,882		17,882
Total comprehensive income							141,365
Dividends paid				(18,072)			(18,072)
Conversion of convertible debt.....	23,749	23,749	23,749				47,498
New shares issued upon shares exchange ..			33,068				33,068
Purchase of treasury stock						(539)	(539)
Reissuance of treasury stock.....							
Balance at March 31, 2004	<u>\$274,340</u>	<u>\$301,088</u>	<u>\$547,706</u>	<u>\$547,706</u>	<u>\$(80,755)</u>	<u>\$(1,164)</u>	<u>\$1,041,215</u>

The accompanying notes are an integral part of these financial statements.

NIDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Yen in millions</u>			<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>			<u>For the year ended March 31,</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Cash flows from operating activities:				
Net income	¥6,580	¥10,680	¥16,089	\$152,228
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	9,088	12,862	14,273	135,046
Amortization	1,589	353	217	2,053
Loss (gain) on sales of marketable securities	7	22	(816)	(7,720)
Loss on devaluation of marketable securities	1,393	1,561	-	-
Loss on sales and disposal of property, plant and equipment	2,422	896	819	7,749
Deferred income taxes	(2,957)	(1,351)	460	4,352
Minority interest in income (loss) of consolidated subsidiaries	318	644	648	6,131
Equity in net losses (income) of affiliated companies	2,417	(1,466)	(2,522)	(23,862)
(Gain) loss from derivative instruments, net	(8)	(23)	5	47
Gain from issuance of securities by affiliated companies ..	-	(39)	-	-
(Gain) loss from sale of investments in affiliated companies	(11)	4	(45)	(426)
Foreign currency adjustments	(148)	2,200	3,566	33,740
Changes in operating assets and liabilities:				
Increase in notes and accounts receivable	(2,050)	(1,004)	(3,559)	(33,674)
Decrease (increase) in inventories	3,917	1,714	(5,959)	(56,382)
(Decrease) increase in notes and accounts payable	(2,566)	3,677	5,699	53,922
Increase (decrease) in accrued income taxes	1,351	(3,436)	876	8,288
Other	(79)	(3,006)	1,659	15,696
Net cash provided by operating activities	<u>¥21,263</u>	<u>¥24,288</u>	<u>¥31,410</u>	<u>\$297,188</u>

The accompanying notes are an integral part of these financial statements.

NIDEC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Yen in millions</u>			<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>			<u>For the year ended March 31,</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Cash flows from investing activities:				
Additions to property, plant and equipment.....	¥(19,270)	¥(21,715)	¥(22,631)	\$(214,126)
Proceeds from sales of property, plant and equipment	2,124	501	893	8,449
Purchases of marketable securities	(219)	(55)	(2,176)	(20,589)
Proceeds from sales of marketable securities	237	97	1,780	16,842
Investments in and advances to affiliates.....	(1,819)	(693)	(14,807)	(140,098)
Proceeds from sales of investments in affiliated companies	192	-	955	9,036
Acquisitions of consolidated subsidiaries, net of cash acquired	2,962	-	16,435	155,502
Payments for additional investments in subsidiaries	-	(672)	(1,057)	(10,001)
Other	124	(642)	(525)	(4,967)
Net cash used in investing activities	<u>(15,669)</u>	<u>(23,179)</u>	<u>(21,133)</u>	<u>(199,952)</u>
Cash flows from financing activities:				
Increase in short-term borrowings	4,105	8,844	11,204	\$106,008
Proceeds from issuance of long-term debt.....	3,393	5,527	0	0
Repayments of long-term debt.....	(3,279)	(16,272)	(7,774)	(73,555)
Proceeds from issuance of corporate bonds.....	-	-	30,873	292,109
Dividends paid	(1,748)	(1,271)	(1,910)	(18,072)
Other	(935)	(991)	101	956
Net cash provided by (used in) financing activities	<u>1,536</u>	<u>(4,163)</u>	<u>32,494</u>	<u>307,446</u>
Effect of exchange rate changes on cash and cash equivalents	1,161	(2,402)	(2,418)	(22,877)
Net increase (decrease) in cash and cash equivalents	8,291	(5,456)	40,353	381,805
Cash and cash equivalents at beginning of year	30,204	38,495	33,039	312,603
Cash and cash equivalents at end of year	<u>¥38,495</u>	<u>¥33,039</u>	<u>¥73,392</u>	<u>\$694,408</u>

The accompanying notes are an integral part of these financial statements.

NIDEC CORPORATION
NOTES TO 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 drives, small precision fans and vibration motors for mobile phones; ii) mid-size motors, which are used in various electric household appliances, automobiles and industrial equipment; iii) machinery, which includes power supplies, power transmission equipment, board testers, semi-conductor manufacturing supplies, substrate inspection equipment, measuring equipment; automated teller machines, factory automation systems, precision parts and dies; and iv) other products, which include auto parts, pivot assemblies, encoders, optical pick-up units, shutters, optical units, lenses, sensors, backlights for liquid crystal displays, trimmer potentiometers, switches, pressure sensors, rotary encoders, polygon laser scanners 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, electric household 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, valuation allowance for deferred tax asset and pension liabilities. Actual results could differ from those estimates.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Basis of consolidation and accounting for investments in affiliated 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. 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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 7 to 60 years for factories to produce other products, 50 years for the head office and sales offices, from 3 to 22 years for leasehold improvement, and from 2 to 13 years for machinery and equipment.

Depreciation expense amounted to ¥9,088 million, ¥12,862 million, and ¥14,273 million (\$135,046 thousand) for the years ended March 31, 2002, 2003, and 2004, respectively.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Goodwill -

Goodwill represents the excess of purchase price and related costs over the fair value of net assets of acquired businesses. Under Statement of Financial Accounting Standards (“SFAS”) 142 “Goodwill and Other Intangible Assets”, goodwill acquired in business combinations is not amortized but tested annually for impairment. If, between annual tests, an event, which would reduce the fair value below its carrying amount, occurs, we would recognize an impairment.

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. Long-lived assets that are to be disposed of other than by sale are considered to be held and used until the disposal. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying value or fair value less costs to sell. Reductions in carrying value are recognized in the period in which long-lived assets are classified as held for sale.

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. Motors 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 the 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 ¥70 million, ¥139 million, and ¥149million (\$1,410 thousand) for the years ended March 31, 2002, 2003 and 2004, 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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 and 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.

Stock-based compensation

NIDEC uses the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations, for the accounting of its stock-based compensation plans. No stock-based compensation cost was recognized on the date of grant, as the current market price of the underlying stock was equal to the exercise price.

NIDEC follows the disclosure-only provisions of SFAS No. 148 - "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123" and has elected to apply APB No. 25 in accounting for its stock-based compensation plans. No compensation expense is recognized on the grant date, since at that date, the option price equals the market price of the underlying common stock. See Note 17 for a summary of the pro forma effects on reported net income and net income per share for the year ended March 31, 2004 based on the fair value of options and shares granted as prescribed by SFAS No. 148.

Reclassification

Certain reclassifications of previously reported amounts have been made to the consolidated balance sheets as of March 31, 2003 and the consolidated statements of cash flows for the years ended March 31, 2002 and 2003 to conform to the current year presentation. Such reclassifications have no effect on cash flows.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Newly adopted accounting standards

In June 2001, the Financial Accounting Standards Board (the “FASB”) issued SFAS No. 143, “Accounting for Asset Retirement Obligations”. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement shall be effective for fiscal years beginning after June 15, 2002. The adoption of FAS No. 143 did not have a material impact on NIDEC’s results of operations and financial position.

In November 2002, the FASB issued EITF Issue No. 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables”. EITF Issue No. 00-21 provides guidance on when and how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provisions of EITF Issue No.00-21 applied to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Adoption of this standard did not have a material impact on its results of operations and financial position.

In January 2003, the FASB issued FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.” FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 are effective for NIDEC on July 1, 2003. NIDEC has completed its evaluation of the impact of FIN 46 and has not identified any variable interest entities which would require consolidation as a result of implementing the new standard.

In December 2003, the FASB issued revised FIN No. 46 (“FIN No. 46R”), which replaces FIN No. 46. Fin No. 46R retains many of the basic concepts introduced in FIN No. 46; however, it also introduces a new scope exception for certain types of entities that qualify as a “business” as defined in FIN No. 46R, revises the method of calculating expected losses and residual returns for determination of a primary beneficiary, and includes new guidance for assessing variable interests. The adoption of FIN No. 46R did not have an impact on NIDEC’s results of operations and financial position or impact the way NIDEC had previously accounted for variable interest entities.

In April 2003, the FASB issued SFAS No.149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities”. This statement amends and clarifies financial accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. NIDEC is currently evaluating the impact of adopting this new pronouncement. The adoption of SFAS No.149 did not have an impact on NIDEC’s results of operations and financial position.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity”. SFAS No. 150 establishes standards for how certain financial instruments with characteristics of both liabilities and equity shall be classified and measured. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a significant impact on NIDEC’s results of operations and financial position.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), “Employers’ Disclosures about Pensions and Other Postretirement Benefits”. The standards requires that companies provide additional disclosures about the types of plan assets, investment strategy, plan obligations, cash flows and components of periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. In accordance with the transition provisions of the new FAS No. 132, Note 15, Pension and severance plans, has been expanded to include the new disclosures requirements as of and for the year ended March 31, 2004.

In November 2003, the Emerging Issues Task Force reached consensus on paragraph 18 of Issue No.03-01 (“EITF 03-01”), “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.” EITF 03-01 requires that certain quantitative and qualitative disclosures should be required for debt and marketable equity securities classified as available-for-sale or held-to-maturity under SFAS No.115. “Accounting for Certain Investments in Debt and Equity Securities” and SFAS No.124, “Accounting for Certain Investments Held by Not-for-Profit Organizations” that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. NIDEC adopted the disclosure provision of EITF 03-01 in March 2004. However, it did not have a material impact on the disclosures in NIDEC’s Condensed Consolidated Financial Statements.

3. U.S. dollar amounts:

U.S. dollar amounts presented in the consolidated financial statements and the 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 ¥105.69 = U.S. \$1, the approximate current exchange rate at March 31, 2004, was used for the presentation of the U.S. dollar amounts in the accompanying consolidated financial statements of NIDEC as of and for the year ended March 31, 2004.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Acquisitions and dispositions:

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.

NIDEC made no significant business acquisitions or disposals for the year ended March 31, 2003.

On October 1, 2003, NIDEC issued 582,990 shares of its common stock in exchange for common stock of Nidec Shimpo Corporation (“NSCJ”), making NSCJ a wholly owned subsidiary of NIDEC. The share were issued to NSCJ’s shareholders of record as of September 30, 2003, in an amount equal to 0.060 shares per share of NSCJ’s common stock. However, no shares were allotted to the shares of NSCJ’s common stock already held by NIDEC. The number of shares of NSCJ’s common stock transferred to NIDEC through the share exchange amounted to 9,716,516 shares. The number was reached by subtracting 10,284,000 shares of NSCJ’s common stock held by NIDEC from 20,000,516 total outstanding shares of NSCJ’s common stock.

In January 2004, NIDEC acquired additional ownership of 7.36 % in Nidec Copal Electronics Corporation (“NCEL”), which manufactures and markets trimmer potentiometers, switches, pressure sensors, rotary encoders, motors, polygon laser scanners and fans that incorporate new mechatronics technologies and NCEL became NIDEC’s 51.3 % owned subsidiary.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In February 2004, NIDEC also increased its ownership of 4.23 % in Nidec Copal Corporation (“NCPL”), which manufactures and markets optical and electronic products, such as shutters, optical units and lenses, small precision motors, sensors, backlights for liquid crystal displays, and precision parts and dies and NCPL also became NIDEC’s 51.0% owned subsidiary.

Furthermore, in February 2004, NIDEC acquired 51.0 % of the stock of Sankyo Seiki Mfg. Co., Ltd. (“SNKC”). SNKC develops, manufactures and sells products relating to micro motors, optical pick-up units, automated teller machines, home appliances, factory automation systems and others. As a member of the NIDEC Group, SNKC will pursue synergies with the Company and its subsidiaries in various areas. SNKC 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 NCEL, NCPL, SNKC and other affiliated companies other than those discussed above. Those step-up acquisitions during the year amounted to ¥32,132 million (\$304,021 thousand) in aggregate.

The following represents the unaudited pro forma results of operations of NIDEC for the year ended March 31, 2003 and 2004, as if the acquisition in these companies had occurred on April 1, 2003. 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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		U.S. dollars
	For the year ended		in thousands
	March 31		For the year
	(Unaudited)		ended
	2003	2004	March 31,
			2004
			(Unaudited)
Pro forma net sales	¥402,131	¥494,196	\$4,675,901
Pro forma net income	5,828	1,406	13,303
	Yen		U.S. dollars
Pro forma net income per common share			
- basic	¥91.68	¥21.95	\$0.21
- diluted	87.64	21.79	0.21

The assets acquired and liabilities assumed on consolidation are as follows:

	Yen in	Yen in	Yen in	U.S. dollars
	millions	millions	millions	in thousands
	March 31	March 31	March 31	March 31,
	2002	2003	2004	2004
Cash and cash equivalents.....	¥3,592	-	¥48,567	\$459,523
Accounts receivable	8,825	-	53,188	503,245
Inventories.....	4,675	-	23,983	226,918
Other current assets	1,789	-	5,304	50,185
Property, plant and equipment.....	18,987	-	40,541	383,584
Other non-current assets.....	2,910	-	19,449	184,020
Fair value of assets acquired	40,778	-	191,032	1,807,475
Short-term borrowings and current portion of long-term debt.....	(10,930)	-	(12,652)	(119,708)
Accounts payable	(4,795)	-	(38,168)	(361,132)
Other current liabilities.....	(2,265)	-	(15,783)	(149,333)
Long-term debt.....	(296)	-	(3,154)	(29,842)
Other non-current liabilities	(4,019)	-	(25,141)	(237,875)
Fair value of liabilities assumed.....	(22,305)	-	(94,898)	(897,890)
Minority interest.....	(8,038)	-	(42,855)	(405,478)
Goodwill.....	1,635	-	23,312	220,569
Investments in affiliated companies, net of accumulated losses of an affiliated company in excess of investment	(11,440)	-	(44,459)	(420,655)
Purchase price	630	-	32,132	304,021
Cash acquired	(3,592)	-	(48,567)	(459,523)
Net cash paid (acquired).....	¥(2,962)	-	¥(16,435)	\$(155,502)

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. Goodwill and other intangible assets

Goodwill represents the excess of purchase price and related costs over the fair value of net assets of acquired businesses. On April 1, 2002, NIDEC adopted SFAS No. 142 “Goodwill and Other Intangible Assets”. Under SFAS No. 142, goodwill acquired in business combinations is not amortized but tested annually for impairment. If, between annual tests, an event, which would reduce the fair value below its carrying amount, occurs, NIDEC would recognize an impairment.

NIDEC have completed the annual impairment test for existing goodwill as required by SFAS No. 142. NIDEC have determined that the fair value of each reporting unit which includes goodwill is in excess of its carrying amount. Accordingly, no impairment loss was recorded for goodwill.

The carrying amounts of goodwill by operating segment as of March 31, 2004 are as follows. Operating segment information is described at note No.24 (2).

	<u>Yen in millions</u>	<u>U.S dollars in thousands</u>
NCJ.....	¥25,560	\$241,839
NCF.....	1,576	14,912
NCPL.....	312	2,952
NSBC.....	248	2,346
NTSC.....	156	1,476
NCEL.....	78	738
SNKC.....	67	634
Other.....	81	767
	<u>¥28,078</u>	<u>\$265,664</u>

The changes in the carrying amount of goodwill for the year ended March 31, 2004 are as follows:

	<u>Yen in millions</u>	<u>U.S dollars in thousands</u>
Balance as of April 1, 2003.....	¥3,658	\$34,611
Acquired during the year.....	24,420	231,053
Balance as of March 31, 2004.....	<u>¥28,078</u>	<u>\$265,664</u>

The carrying amount of goodwill by operating segment as of March 31, 2003 was ¥3,567 million for the NCJ segment. The amount of goodwill acquired during the year ended March 31, 2004 was ¥21,993 million (\$208,090 thousand). As a result of the sales, it was ¥25,560 million (\$241,839 thousand) for the NCJ segment.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. Supplemental cash flow information:

Cash payments for income taxes were ¥3,732 million, ¥5,840 million and ¥4,088 million (\$38,679 thousand) for the years ended March 2002, 2003 and 2004, respectively. Interest payments during the years ended March 2002, 2003 and 2004 were ¥1,118 million, ¥1,112 million and ¥856 million (\$8,099 thousand), respectively.

Capital lease obligations of ¥949 million, ¥1,202 million and ¥550 million (\$5,203 thousand) were incurred for the years ended March 31, 2002, 2003 and 2004, respectively.

Conversions of convertible debt into common stock were ¥28 million, ¥32 million and ¥5,020 million (\$47,498 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

7. 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, 2002, 2003 and 2004 is as follows:

	Yen in millions			U.S. dollars
	March 31			in thousands
	2002	2003	2004	March 31, 2004
Allowance for doubtful accounts at beginning of year.....	¥397	¥378	¥465	\$4,400
Provision for doubtful accounts.....	67	381	226	2,138
Collection	(2)	(1)	(40)	(378)
Write-offs.....	(53)	(5)	(27)	(255)
Write-backs.....	(69)	(265)	(255)	(2,413)
Acquisition and other	24	-	294	2,782
Translation adjustment and other.....	14	(23)	(40)	(379)
Allowance for doubtful accounts at end of year	<u>¥378</u>	<u>¥465</u>	<u>¥623</u>	<u>\$5,895</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. Inventories:

Inventories consist of the following:

	Yen in millions		U.S. dollars
	March 31		in thousands
	2003	2004	March 31, 2004
Finished goods.....	¥7,077	¥15,850	\$149,967
Raw materials.....	4,528	10,267	97,143
Work in process.....	4,336	15,016	142,076
Project in progress.....	699	886	8,383
Supplies and other.....	396	3,226	30,523
	<u>¥17,036</u>	<u>¥45,245</u>	<u>\$428,092</u>

9. Prepaid expenses and other current assets:

Prepaid expenses and other current assets as of March 31, 2003 and 2004 consist of the following:

	Yen in millions		U.S. dollars
	March 31		in thousands
	2003	2004	March 31, 2004
Other receivable.....	¥6,353	¥6,199	\$58,652
Deferred tax assets.....	3,133	2,973	28,129
Other.....	2,264	4,666	44,148
	<u>¥11,750</u>	<u>¥13,838</u>	<u>\$130,929</u>

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

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. Marketable securities and other securities investments:

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

	Yen in millions			
	March 31, 2003			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	¥36	¥0	¥1	¥35
Equity securities	4,907	113	486	4,534
Total.....	<u>¥4,943</u>	<u>¥113</u>	<u>¥487</u>	<u>¥4,569</u>
Securities not practicable to fair value				
Equity securities	<u>¥755</u>			

	Yen in millions			
	March 31, 2004			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	¥83	¥0	¥5	¥78
Equity securities	8,450	9,473	162	17,761
Total.....	<u>¥8,533</u>	<u>¥9,473</u>	<u>¥167</u>	<u>¥17,839</u>
Securities not practicable to fair value				
Equity securities	<u>¥2,053</u>			

	U.S. dollars in thousands			
	March 31, 2004			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	\$785	\$0	\$47	\$738
Equity securities	79,951	89,630	1,533	168,048
Total.....	<u>\$80,736</u>	<u>\$89,630</u>	<u>\$1,580</u>	<u>\$168,786</u>
Securities not practicable to fair value				
Equity securities	<u>\$19,425</u>			

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At March 31, 2004, the contractual maturities of available-for-sale debt securities are summarized as follows:

	<u>Yen in millions</u>		<u>U.S. dollars in thousands</u>	
	<u>March 31, 2004</u>		<u>March 31, 2004</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Due within 1 year	¥78	¥73	\$738	\$691
Due after 1 year to 5 years.....	5	5	47	47
Due after 5 years.....	-	-	-	-
	<u>¥83</u>	<u>¥78</u>	<u>\$785</u>	<u>\$738</u>

During the year ended March 31, 2002, 2003 and 2004, the net unrealized gain on available-for-sale securities included as a component of accumulated other comprehensive income, net of applicable taxes, decreased by ¥428 million, decreased by ¥101 million and increased by ¥2,747 million (\$25,991 thousand), respectively.

Proceeds from sales of available-for-sale securities were ¥237 million, ¥97 million and ¥1,780 million (\$16,842 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively. On those sales, gross realized gains were ¥8 million, ¥0 million and ¥778 million (\$7,361 thousand) and gross realized losses were ¥14 million, ¥23 million and ¥2 million (\$19 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 income statement for the year ended March 31, 2000.

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 income statement for the year ended March 31, 2002. In addition, the Company expects to receive approximately \$1.5 million from the receiver of Princeton Global Management Inc., currently in liquidation, as the Company’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 CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

The following table presents the gross unrealized losses on, and fair value of, our investment securities, aggregated by investment category and length of time that individual investment securities have been in a continuous unrealized loss position, at March 31, 2004.

	Yen in millions		Yen in millions	
	Less than 12 months		12 months or more	
	Fair value	Unrealized loss	Fair value	Unrealized loss
Debt securities	-	-	¥50	¥(5)
Equity securities	¥658	¥(35)	495	(127)
Total	¥658	¥(35)	¥545	¥(132)

	U.S. dollars in thousands		U.S. dollars in thousands	
	Less than 12 months		12 months or more	
	Fair value	Unrealized loss	Fair value	Unrealized loss
Debt securities	-	-	\$473	\$(47)
Equity securities	\$6,226	\$(331)	4,684	(1,202)
Total	\$6,226	\$(331)	\$5,157	\$(1,249)

NIDEC presumes a decline in value of investment securities is other-than-temporary if the fair value is 20% or more below the original cost for an extended period of time. The presumption of an other-than-temporary impairment may be overcome if there is evidence to support that the decline is temporary in nature due to the existence of other factors which overcome the duration or magnitude of the decline. On the other hand, there may be cases where impairment losses are recognized when specific factors indicate the decline in the fair value is other-than-temporary.

As of March 31, 2004, NIDEC determined that the decline in value for investment securities with unrealized losses shown in the above table is other-than-temporary in nature.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. 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		
	2003	2004	March 31, 2004
Current assets.....	¥52,801	¥5,375	\$50,856
Non-current assets	32,767	6,502	61,520
Total assets.....	<u>¥85,568</u>	<u>¥11,877</u>	<u>\$112,376</u>
Current liabilities	¥26,159	¥5,114	\$48,387
Long-term liabilities	19,550	1,637	15,489
Minority interest	1,545	-	-
Shareholders' equity	<u>38,314</u>	<u>5,126</u>	<u>48,500</u>
Total liabilities, minority interest and shareholders' equity	<u>¥85,568</u>	<u>¥11,877</u>	<u>\$112,376</u>
NIDEC's share of shareholders' equity.....	<u>¥17,155</u>	<u>¥1,301</u>	<u>\$12,310</u>
NIDEC's investment in equity-method affiliates.....	<u>¥27,482</u>	<u>¥2,116</u>	<u>\$20,021</u>
Number of affiliated companies at end of period	<u>10</u>	<u>7</u>	

For the year ended March 31, 2004, NIDEC acquired additional ownership in Nidec Copal Corporation ("NCPL"), Nidec Copal Electronics Corporation ("NCEL") 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 ¥25,366 million (\$240,004 thousand).

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31, 2004
	2002	2003	2004	2004
Net revenues	¥130,643	¥86,258	¥156,818	\$1,483,754
Gross profit.....	¥21,855	¥15,785	¥22,291	\$210,909
Net income.....	¥3,319	¥3,225	¥5,069	\$47,961
NIDEC's share of net income	¥1,331	¥1,472	¥2,308	\$21,837
Amortization/ adjustments.....	(3,748)	(6)	214	\$2,025
Equity income (loss)	<u>¥(2,417)</u>	<u>¥1,466</u>	<u>¥2,522</u>	<u>\$23,862</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of March 31, 2002, entities comprising a significant portion of NIDEC's investment in affiliated companies include NCPL (46.65%) and NCEL (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.

As of March 31, 2003, entities comprising a significant portion of NIDEC's investment in affiliated companies include NCPL (46.77%) and NCEL (43.94%). Amortization/adjustments decreased because new accounting standards SFAS 142 was adopted and impairment was not recognized in the current period.

As of March 31, 2004, entities comprising a significant portion of NIDEC's investment in affiliated companies include NTN-Nidec (Zhejiang) Corporation (40.00%) and Nidec Development Philippines Corporation (39.99%). The significant decrease in carrying amount of the investment in equity method affiliates is due to NCPL and NCEL becoming consolidated subsidiaries.

Certain affiliated companies accounted for using the equity method with carrying amounts of ¥25,381 million (2 companies; NCPL and NCEL) as of March 31, 2003 and ¥226 million (\$2,138 thousand) (1 company; Seijin-Sankyo Control Devices Co., Ltd.) as of March 31, 2004, were quoted on various established stock markets at an aggregate market capitalization of ¥56,442 million and ¥374million (\$3,539 thousand), respectively.

NCPL and NCEL have become consolidated subsidiaries since NIDEC acquired additional ownership in NCEL and NCPL on January 2004 and February 2004, respectively.

Seijin-Sankyo Control Devices Co., Ltd. has become an affiliated company accounted for using the equity method. This was because Sankyo Seiki Mfg. Co., Ltd has become consolidated subsidiary on February 2004.

Net revenue, gross profit, net income and other incomes, described above table, increased mainly due to these incomes of Sankyo Seiki Mfg. Co., Ltd. and its subsidiaries until February 2004 when these companies became NIDEC's consolidated subsidiaries.

Account balances and transactions with affiliated companies are presented below:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2003	2004	2004
Trade notes and accounts receivable	¥1,247	¥167	\$1,580
Trade notes and accounts payable	325	-	-

Account balances decreased rapidly. This was mainly due to exclusion of the account balances of NCPL, NCEL and their subsidiaries, which became NIDEC's consolidated subsidiaries on January 2004 and February 2004, respectively.

NIDEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>Yen in millions</u>			<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>			<u>For the year ended March 31,</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Sales of products.....	¥2,745	¥714	¥1,166	\$11,032
Purchases of goods	8,262	1,975	661	6,254

Sales of products according to transactions with affiliated companies increased mainly due to sales of Sankyo Ryutsu Kogyo Co., Ltd., which was NIDEC's consolidated subsidiaries, transacted with Sankyo Seiki Mfg. Co., Ltd. and its subsidiaries, which were NIDEC's affiliated companies accounted for using the equity method until February 2004.

At the same time, purchases of goods according to transactions with affiliated companies decreased. Because Nidec Corporation shifted the supplier from Nidec Copal Philippines Corporation, which was NIDEC's affiliated company until February 2004, to Nidec (Dongguan) Corporation, which was NIDEC's consolidated subsidiary for the year ended March 31, 2004.

Dividends from affiliated companies accounted for by the equity method for the years ended March 31, 2002, 2003 and 2004 were ¥583 million, ¥499 million and ¥515 million (\$4,873 thousand), respectively.

In August 1999, NCPL issued unsecured 1.56% bonds, to the Company with detachable warrants. As of March 31, 2003, the Company holds the ex-warrant bonds at cost in the amount of ¥499 million, included in "Investments in and advances to affiliated companies" in the consolidated balance sheets. The bonds reached maturity date on August 2003.

Loans receivable from affiliated companies accounted for by the equity method was ¥1,070 million and ¥143 million (\$1,353 thousand) as of March 31, 2003 and 2004, respectively.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Other non-current assets:

Other non-current assets as of March 31, 2003 and 2004 consist of the following:

	<u>Yen in millions</u>		<u>U.S. dollars</u>
	<u>March 31</u>		<u>in thousands</u>
	<u>2003</u>	<u>2004</u>	<u>March 31,</u>
			<u>2004</u>
Deferred tax assets	6,099	11,088	104,911
Other	1,778	3,742	35,405
	<u>¥7,877</u>	<u>¥14,830</u>	<u>\$140,316</u>

“Other” primarily consists of other investments and other assets.

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

Short-term borrowings as of March 31, 2003 and 2004 consist of the following:

	<u>Yen in millions</u>		<u>U.S. dollars</u>
	<u>March 31</u>		<u>in thousands</u>
	<u>2003</u>	<u>2004</u>	<u>March 31,</u>
			<u>2004</u>
Loans, principally from banks with average interest at March 31, 2003 of 0.914% per annum and at March 31, 2004 of 0.671% per annum, respectively.....	<u>¥64,597</u>	<u>¥86,636</u>	<u>\$819,718</u>

At March 31, 2004, NIDEC had unused lines of credit amounting to ¥73,841 million (\$698,656 thousand) with banks. Under these programs, NIDEC is authorized to obtain short-term financing at prevailing interest rates.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Long-term debt at March 31, 2003 and 2004 comprises the following:

	Yen in millions		U.S. dollars
	March 31		in thousands
	2003	2004	March 31, 2004
Secured loans, representing obligations principally to banks, due 2004 to 2005 in 2003 and 2005 to 2006 in 2004 with interest ranging from 3.25% to 3.65% per annum in 2003 and from 2.125% to 3.25% per annum in 2004	¥950	¥544	\$5,147
Unsecured loans, representing principally to banks, due 2004 to 2021 in 2003 and 2004 to 2026 in 2004 with interest ranging from 0.00% to 4.70% per annum in 2003 and from 0.00% to 6.80% per annum in 2004	7,502	3,895	36,853
Unsecured 1.0% convertible bonds, due 2003, was convertible at ¥1,862.10 (\$18) for one common share, redeemable before due date.....	329	—	—
Unsecured 0.8% convertible bonds, due 2006, convertible currently at ¥6,842 (\$65) for one common share, redeemable before due date.....	9,279	9,274	87,747
Unsecured 0.5% convertible bonds, due 2004, was convertible at ¥6,842 (\$65) for one common share, redeemable before due date.....	4,698	—	—
Zero coupon 0.0% convertible bonds, due 2008, convertible currently at ¥13,905 (\$132) for one common share, redeemable before due date *1.....	—	30,818	291,589
Long-term capital lease obligations, due 2004 to 2014 in 2003 and due 2005 to 2016 in 2004, with interest ranging from 0.7% to 6.0% per annum in 2003 and from 0.7% to 6.0% per annum in 2004	2,581	3,147	29,776
	25,329	47,678	451,112
Less - Current portion due within one year.....	(8,951)	(2,653)	(25,102)
	<u>¥16,388</u>	<u>¥45,025</u>	<u>\$426,010</u>

*1 The yen denominated zero coupon convertible bonds with stock acquisition rights due 2008, which are listed at London Stock Exchange, were issued on October 17, 2003, and are redeemable at 100% of face value on October 17, 2008 (maturity date). The face value of the bonds was ¥30,000 million (\$283,849 thousand) and the issue price was 103.00% of the face value. Concerning stock acquisition rights, the conversion price per share is ¥13,905 (\$132) and the number of convertible shares is 2,222,222.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

<u>Year ending March 31</u>	<u>Yen in millions</u>	<u>U.S. dollars in thousands</u>
2005	¥2,653	\$25,102
2006	11,233	106,282
2007	1,142	10,805
2008	1,249	11,818
2009	31,236	295,544
2010 and thereafter	165	1,561

At March 31, 2004, securities with book value of ¥2,736 million (\$25,887 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.

14. Other current liabilities:

Other current liabilities as of March 31, 2003 and 2004 consist of the following:

	<u>Yen in millions</u>		<u>U.S. dollars in thousands</u>
	<u>March 31</u>		<u>March 31,</u>
	<u>2003</u>	<u>2004</u>	<u>2004</u>
Accrued expenses	¥7,001	¥12,096	\$114,448
Income taxes payable	869	3,790	35,859
Other	2,481	8,201	77,595
	<u>¥10,351</u>	<u>¥24,087</u>	<u>\$227,902</u>

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

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. 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.

The Company and Nidec Copal Corporation obtained approval to transfer the obligation for benefits related to future employee service to Japanese Government on January 26, 2004 and on April 15, 2003, respectively. The obligation related to a portion of the governmental welfare pension program established under the Japanese Welfare Pension Insurance Law. The Company and Nidec Copal Corporation are also in process of transferring the obligation for past services, but have not received approval. When approval is received and the plan assets are transferred in amount sufficient to settle the transferred obligations, the plans will be accounted for as settled with gain or loss recognition under EITF Issue No. 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities". EITF Issue No. 03-2 provides guidance on when and how to account for arrangements that involve the separation and transfer of the substitutional portion to the government.

NIDEC adopted SFAS 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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NIDEC uses a December 31 measurement date for its pension plans. Information regarding NIDEC's employees' defined benefit plans is as follows:

	Yen in millions		U.S. dollars
	March 31		in thousands
	2003	2004	March 31, 2004
Change in benefit obligation:			
Benefit obligation at beginning of year.....	¥13,024	¥14,331	\$135,595
Service cost.....	649	676	6,396
Interest cost.....	307	211	1,997
Plan participants' contributions.....	93	102	965
Actuarial loss.....	1,360	(801)	(7,579)
Past service cost.....	-	-	-
Acquisition and other.....	-	31,473	297,786
Curtailed/Settlement.....	-	(1,960)	(18,545)
Foreign currency exchange rate changes.....	(10)	(15)	(142)
Benefits paid.....	(1,092)	(1,046)	(9,897)
	<u>14,331</u>	<u>42,971</u>	<u>406,576</u>
Change in plan assets:			
Fair value of plan assets at beginning of year.....	4,323	4,137	39,143
Actual return on plan assets.....	(290)	236	2,233
Employer contribution.....	627	419	3,964
Acquisition and other.....	-	10,149	96,026
Curtailed/Settlement.....	-	(135)	(1,277)
Plan participants' contributions.....	93	102	965
Foreign currency exchange rate changes.....	(4)	-	-
Benefits paid.....	(612)	(434)	(4,106)
Fair value of plan assets at end of year.....	<u>4,137</u>	<u>14,474</u>	<u>136,948</u>
Funded status.....	10,194	28,497	269,628
Unrecognized actuarial loss.....	(2,523)	(1,351)	(12,783)
Unrecognized net transition obligation.....	(78)	-	-
Unrecognized prior service cost.....	752	690	6,529
	<u>¥8,345</u>	<u>¥27,836</u>	<u>\$263,374</u>
Amounts included in the consolidated balance sheets are comprised of:			
Accrued pension and severance costs.....	¥9,426	¥27,914	\$264,112
Accumulated other comprehensive income.....	(1,081)	(78)	(738)
Net amounts recognized.....	<u>¥8,345</u>	<u>¥27,836</u>	<u>\$263,374</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Accumulated benefit obligations and corresponding plan assets at the end of the year are as follows:

	Yen in millions		U.S. dollars
	March 31		in thousands
	2003	2004	March 31, 2004
Accumulated benefit obligations.....	¥12,242	¥39,435	\$373,120
Fair value of plan assets	3,927	14,239	134,724

Weighted-average assumptions used to determine benefit obligations as of March 31, 2002, 2003 and 2004 are as follows:

	March 31		
	2002	2003	2004
Discount rate	2.0-2.7%	1.0-2.0%	1.0-2.3%
Rate of compensation increase	1.5-3.9%	1.5-3.9%	0.0-6.2%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2002, 2003 and 2004 are as follows:

	For the year ended March 31		
	2002	2003	2004
Discount rate	3.0%	2.0-2.7%	1.0-2.0%
Expected return on plan assets	3.5-4.5%	1.0-3.0%	1.0-2.0%
Rate of compensation increase	2.8%	1.5-3.9%	1.5-3.9%

	Yen in million			U.S. dollars
	For the year ended March 31			in thousands
	2002	2003	2004	For the year ended March 31 2004
Components of net periodic (benefit) cost:				
Service cost	¥550	¥649	¥850	\$8,043
Interest cost	244	307	323	3,056
Expected return on plan assets	(145)	(109)	(132)	(1,249)
Amortization of unrecognized net actuarial loss ..	-	8	182	1,722
Amortization of net transition obligation	91	91	208	1,968
Amortization of unrecognized prior service cost .	(22)	(62)	(93)	(880)
(Gains) losses on curtailments and settlements	-	-	(459)	(4,343)
Net periodic pension cost	<u>¥718</u>	<u>¥884</u>	<u>¥879</u>	<u>\$8,317</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

The weighted-average asset allocations of our pension plans are as follows:

Assets Category	Asset allocation of pension plans			Expected return on plan assets
	Actual (%)		Target (%)	
	March 31 2003	March 31 2004	March 31 2005	
Equity securities	30	21	20	9.3
Debt securities	17	5	5	1.0
Property, plant and equipment	-	-	-	-
Others	53	74	75	0.8
Total	100	100	100	2.5

Our benefit plan committee establishes investment policies and strategies and regularly monitors the performance of the plan's funds. Our current investment policy with respect to pension assets is to keep them at a stable condition by increasing low-risk portfolio to 75% of total assets rather than high-risk securities.

NIDEC expects to contribute approximately ¥778 million (\$7,361 thousand) to its defined benefit plans for the year ending March 31, 2005.

Certain subsidiaries have a number of defined contribution plans. Total amounts of cost recognized for certain subsidiaries' contribution to the plans were ¥0, ¥0 and ¥92 million (\$870 thousand) for the year ended March 31, 2002, 2003 and 2004, respectively.

NIDEC contributed ¥237 million (\$2,242 thousand) to its defined contribution plans for the year ended March 31, 2004 and expects to contribute approximately ¥583 million (\$5,516 thousand) for the year ending March 31, 2005.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. 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 reserve included in retained earnings as of March 31, 2001 was ¥1,060 million.

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 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 reserves included in retained earnings for such foreign subsidiaries as of March 31, 2003 and 2004 were ¥679 million and ¥774 million (\$7,323 thousand), respectively.

The amounts of unrestricted consolidated retained earnings pursuant to accounting principles generally accepted in Japan were ¥38,631 million, ¥43,603 million and ¥52,865 million (\$500,189 thousand) as of March 31, 2002, 2003 and 2004, respectively.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2004 includes amounts representing final cash dividends of ¥975 million (\$9,225 thousand), ¥15.0 (\$0.1) per share, which will be approved at the shareholders' meeting held on June 23, 2004.

Retained earnings include ¥1,385 million and ¥2,332 million relating to equity in undistributed earnings as of March 31, 2002 and 2003 respectively but as of March 31, 2004, reflect ¥431 million (\$4,078 thousand) of accumulated deficit of the companies accounted for by the equity method.

Detailed components of accumulated other comprehensive income at March 31, 2002, 2003 and 2004 and the related changes, net of taxes, for the years ended March 31, 2002, 2003 and 2004 consist of the following:

	Yen in millions			
	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Minimum pension liability adjustment	Accumulated other comprehensive income (loss)
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)
Other comprehensive income (loss) ..	(4,289)	(101)	(1,912)	(6,302)
Balance at March 31, 2003	(5,690)	225	(1,922)	(7,387)
Other comprehensive income (loss) ..	(5,785)	2,747	1,890	(1,148)
Balance at March 31, 2004	¥(11,475)	¥2,972	¥(32)	¥(8,535)

	U.S. dollars in thousands			
	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Minimum pension liability adjustment	Accumulated other comprehensive income (loss)
Balance at March 31, 2003	\$(53,836)	\$2,129	\$(18,185)	\$(69,892)
Other comprehensive income (loss) ..	(54,736)	25,991	17,882	(10,863)
Balance at March 31, 2004	\$(108,572)	\$28,120	\$(303)	\$(80,755)

The minimum pension liability adjustment shown in the above table relates to four consolidated subsidiaries.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Tax effects allocated to each component of other comprehensive income for the years ended March 31, 2002, 2003 and 2004 are as follows:

	Yen in millions		
	Pre-tax amount	Tax expense	Net-of-tax amount
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).....	<u>¥1,972</u>	<u>¥77</u>	<u>¥2,049</u>
For the year ended March 31, 2003:			
Foreign currency translation adjustments.....	¥(4,175)	¥(114)	¥(4,289)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(1,762)	740	(1,022)
Less: reclassification adjustment primarily for other than temporary losses included in net income.....	1,583	(662)	921
Minimum pension liability adjustment.....	(3,528)	1,616	(1,912)
Other comprehensive income (loss).....	<u>¥(7,882)</u>	<u>¥1,580</u>	<u>¥(6,302)</u>
For the year ended March 31, 2004:			
Foreign currency translation adjustments.....	¥(5,769)	¥(16)	¥(5,785)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	5,410	(2,218)	3,192
Less: reclassification adjustment primarily for other than temporary losses included in net income.....	(765)	320	(445)
Minimum pension liability adjustment.....	3,202	(1,312)	1,890
Other comprehensive income (loss).....	<u>¥2,078</u>	<u>¥(3,226)</u>	<u>¥(1,148)</u>
	U.S. dollars in thousands		
	Pre-tax amount	Tax expense	Net-of-tax amount
For the year ended March 31, 2004:			
Foreign currency translation adjustments.....	\$(54,584)	\$(152)	\$(54,736)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period....	51,187	(20,986)	30,201
Less: reclassification adjustment primarily for other than temporary losses included in net income	(7,238)	3,028	(4,210)
Minimum pension liability adjustment.....	30,296	(12,414)	17,882
Other comprehensive income (loss).....	<u>\$19,661</u>	<u>\$(30,524)</u>	<u>\$(10,863)</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. Stock-based compensation:

On May 14, 2003, the Company's shareholders approved a stock option plan. Under the plan, executives and certain employees receive options. The number of shares to be issued upon exercise of the options is limited to 296,700 shares of the Company's common stock. Each option entitles the holder to purchase 100 shares of the Company's common stock. The options vest and become exercisable for the period from July 1, 2004 to June 30, 2007. The exercise price was determined as ¥7,350 (\$69.54) per share of common stock. Options were granted with an exercise price equal to the closing price of the Company's shares traded on the Osaka Securities Exchange on the grant date.

	Number of options	Exercise price (per shares)	
Granted	2,967	¥7,350	\$69.54
Exercised	0	7,350	69.54
Canceled	105	7,350	69.54
For the twelve-month period ended March 31, 2004	<u>2,862</u>	7,350	69.54
Contractual life 4 years	2,862	¥7,350	\$69.54
Exercisable options: For the twelve-month period ended March 31, 2004	2,862	¥7,350	\$69.54

The Company uses the intrinsic value based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations, for the accounting of its stock-based compensation plans. No stock-based compensation cost was recognized on the date of grant, as the current market price of the underlying stock was equal to the exercise price.

The fair value of option was ¥3,499 (\$33.11) per share. The fair value as of the date of grant was estimated using a Black-Scholes option-pricing model with the following assumptions:

	For the twelve-month period ended March 31, 2004
Risk-free interest rate	0.14%
Expected volatility	64.00%
Expected dividend yield	0.34%
Expected lives	<u>4.13 years</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table illustrates the effect of the stock options granted on May 14, 2003 on net income and net income per share over their vesting period for the twelve-month period ended March 31, 2004, if the fair value based method had been applied to.

	Yen in millions (except for per share data)	U.S. dollars in thousands (except for per share data)
	For the twelve-month period ended March 31, 2004	For the twelve-month period ended March 31, 2004
Net income, as reported	¥16,089	\$152,228
Deduct:		
Stock-based employee compensation cost	(680)	(6,434)
Pro forma net income	<u>¥15,409</u>	<u>\$145,794</u>
Net income per share:		
Basic-as reported	¥251.14	\$2.38
Basic-pro forma	¥240.52	\$2.28
Diluted-as reported	¥241.53	\$2.29
Diluted-pro forma	<u>¥231.35</u>	<u>\$2.19</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. Income taxes:

The components of income before income taxes comprise the following:

	<u>Yen in millions</u>			<u>U.S. dollars</u> <u>in thousands</u>
	<u>For the year ended</u>			<u>For the year</u>
	<u>March 31</u>			<u>Ended</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>March 31,</u> <u>2004</u>
Income before income taxes:				
The Company and domestic subsidiaries ...	¥2,920	¥2,069	¥2,069	\$19,576
Foreign subsidiaries	8,557	8,842	17,570	166,241
	<u>¥11,477</u>	<u>¥10,911</u>	<u>¥19,639</u>	<u>\$185,817</u>

The provision for income taxes consists of the following:

	<u>Yen in millions</u>			<u>U.S. dollars</u> <u>in thousands</u>
	<u>For the year ended</u>			<u>For the year</u>
	<u>March 31</u>			<u>Ended</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>March 31,</u> <u>2004</u>
Current income tax expense:				
The Company and domestic subsidiaries ...	¥4,975	¥1,629	¥3,490	\$33,021
Foreign subsidiaries	144	775	1,474	13,947
Total current.....	<u>5,119</u>	<u>2,404</u>	<u>4,964</u>	<u>46,968</u>
Deferred income tax expense (benefit):				
The Company and domestic subsidiaries ...	(2,840)	(1,082)	321	3,037
Foreign subsidiaries	(117)	(269)	139	1,315
Total deferred	<u>(2,957)</u>	<u>(1,351)</u>	<u>460</u>	<u>4,352</u>
Total provision	<u>¥2,162</u>	<u>¥1,053</u>	<u>¥5,424</u>	<u>\$51,320</u>

The high effective tax rates of the Company and domestic subsidiaries are mainly due to a net increase in valuation allowance.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 2002, 2003 and 2004. Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows:

	For the year ended March 31		
	2002	2003	2004
Statutory tax rate	42.0%	42.0%	42.0%
Increase (reduction) in taxes resulting from:			
Tax benefit in foreign subsidiaries.....	(32.8)	(32.2)	(28.2)
Tax on undistributed earnings	5.0	4.5	5.0
Valuation allowance	1.5	(6.5)	8.8
Other.....	3.1	1.9	0.0
Effective income tax rate.....	18.8%	9.7%	27.6%

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 April 1995, August 1997, May 1999, July 1999, October 1999 and August 2000. 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. In March 2003 the income tax holiday was extended for one year.

“Valuation allowance” for the year ended March 31, 2004 was higher compared to “Valuation allowance” for the year ended March 31, 2003. This was mainly due to an increase in the operating loss carryforwards for tax purposes in Sankyo after the date of acquisition.

On March 31, 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies, effective April 2004. As a result, the normal statutory corporate income tax rate in Japan will be decreased from 42% to approximately 41% from April 2004. Our tax rates used for the current and non-current deferred assets and liabilities at the previous year were 42% and 40%, respectively. This year we changed both of the rates to 41%. The amounts affected by the rate change were a decrease of ¥43 million (\$407 thousand) at the net current deferred tax assets and an increase of ¥115 million (\$1,088 thousand) at the net non-current deferred tax assets

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	<u>Yen in millions</u>		<u>U.S. dollars</u>
	<u>March 31</u>		<u>in thousands</u>
	<u>2003</u>	<u>2004</u>	<u>March 31,</u> <u>2004</u>
Deferred tax assets:			
Inventories.....	¥566	¥2,882	\$27,269
Marketable securities	635	-	-
Property, plant and equipment.....	3,545	4,458	42,180
Accrued bonus	653	1,905	18,024
Accrued enterprise tax	(6)	352	3,331
Pension and severance plans	3,778	12,361	116,955
Operating loss carryforwards for tax purposes	345	13,951	131,999
Foreign tax credit	1,953	2,806	26,549
Other	3,090	(4,344)	(41,101)
Gross deferred tax assets	14,559	34,371	325,206
Less - Valuation allowance.....	(3,607)	(20,765)	(196,471)
Net deferred tax assets	10,952	13,606	128,735
Deferred tax liabilities:			
Basis difference of acquired assets	(1,500)	(2,929)	(27,713)
Undistributed earnings not permanently reinvested...	(1,476)	(2,185)	(20,674)
Marketable securities	-	(2,453)	(23,209)
Other	1,087	6,258	59,211
Gross deferred tax liabilities	(1,889)	(1,309)	(12,385)
Net deferred tax assets	¥9,063	¥12,297	\$116,350

Operating loss carryforwards for tax purposes of consolidated subsidiaries on March 31, 2004 amounted to approximately ¥40,410 million (\$382,345 thousand) and are available as an offset against future taxable income of such subsidiaries.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2002, 2003 and 2004 consist of the following:

	<u>Yen in millions</u>			<u>U.S. dollars</u>
	<u>March 31</u>			<u>in thousands</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>March 31,</u> <u>2004</u>
Valuation allowance at beginning of year ...	¥(3,929)	¥(4,319)	¥(3,607)	\$(34,128)
Additions.....	(307)	-	(1,726)	(16,331)
Deductions	134	712	-	-
Impact of acquisition of companies	(217)	-	(15,432)	(146,012)
Valuation allowance at end of year	<u>¥(4,319)</u>	<u>¥(3,607)</u>	<u>¥(20,765)</u>	<u>\$(196,471)</u>

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

	<u>Yen in millions</u>		<u>U.S. dollars</u>
	<u>March 31</u>		<u>in thousands</u>
	<u>2003</u>	<u>2004</u>	<u>March 31,</u> <u>2004</u>
Deferred tax assets:			
Prepaid expenses and other current assets	¥3,133	¥2,973	\$28,130
Other non-current assets	6,099	11,088	104,911
Deferred tax liabilities:			
Other current liabilities	(2)	(86)	(814)
Other long-term liabilities.....	(167)	(1,223)	(11,572)
Net deferred tax assets	<u>¥9,063</u>	<u>¥12,752</u>	<u>\$120,655</u>

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 ¥32,513 million (\$307,626 thousand) as of March 31, 2004. NIDEC estimates an additional tax provision of ¥7,335 million (\$69,401 thousand) would be required at such time if the full amount of these accumulated earnings became subject to Japanese taxes.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2002, 2003, and 2004 is as follows:

	<u>Yen in millions</u>	<u>Thousands of shares</u>	<u>Yen</u>	<u>U.S. dollars</u>
	<u>Net income</u>	<u>Weighted- average shares</u>	<u>Net income per share</u>	<u>Net income per share</u>
For the year ended March 31, 2002:				
Basic net income per share				
Net income available to common shareholders	¥6,580	63,555	<u>¥103.53</u>	
Effect of dilutive securities				
Convertible bonds.....	<u>65</u>	<u>3,673</u>		
Diluted net income per share				
Net income for computation.....	<u>¥6,645</u>	<u>67,228</u>	<u>¥98.85</u>	
For the year ended March 31, 2003:				
Basic net income per share				
Net income available to common shareholders	¥10,680	63,565	<u>¥168.01</u>	
Effect of dilutive securities				
Convertible bonds.....	<u>64</u>	<u>3,658</u>		
Diluted net income per share				
Net income for computation.....	<u>¥10,744</u>	<u>67,223</u>	<u>¥159.82</u>	
For the year ended March 31, 2004:				
Basic net income per share				
Net income available to common shareholders	¥16,089	64,063	<u>¥251.14</u>	<u>\$2.38</u>
Effect of dilutive securities				
Convertible bonds	<u>50</u>	<u>2,755</u>		
Diluted net income per share				
Net income for computation.....	<u>¥16,139</u>	<u>66,818</u>	<u>¥241.53</u>	<u>\$2.29</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2003	
	Carrying amount	Estimated fair value
Asset (Liability)		
Cash and cash equivalents	¥33,039	¥33,039
Short-term investments.....	74	74
Short-term loan receivable	1,075	1,075
Marketable securities.....	4,569	4,569
Long-term loan receivable.....	271	275
Short-term borrowings	(64,597)	(64,597)
Long-term debt including the current portion and excluding capital lease obligation ..	(22,758)	(25,477)
Foreign exchange forward contracts	14	14

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions		U.S. dollars in thousands	
	March 31, 2004		March 31, 2004	
	Carrying Amount	Estimated fair value	Carrying amount	Estimated fair value
Asset (Liability)				
Cash and cash equivalents	¥73,392	¥73,392	\$694,408	\$694,408
Short-term investments.....	959	959	9,073	9,073
Short-term loan receivable	185	185	1,750	1,750
Marketable securities.....	17,839	17,839	168,786	168,786
Long-term loan receivable.....	463	475	4,381	4,494
Short-term borrowings.....	(86,636)	(86,636)	(819,718)	(819,718)
Long-term debt including the current portion and excluding capital lease obligation.....	(44,531)	(53,043)	(421,336)	(501,874)
Foreign exchange forward contracts	84	84	795	795
Interest rate swap agreements.....	(54)	(54)	(511)	(511)
Interest rate cap agreements	(34)	(34)	(322)	(322)

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 loan: 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.

NIDEC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Derivative financial instruments

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. Losses from foreign exchange forward contracts were ¥8 million for the year ended March 31, 2002, Gains from foreign exchange forward contracts were ¥23 million for the year ended March 31, 2003, and losses from foreign exchange forward contracts were ¥5 million (\$47 thousand) for the year ended March 31, 2004. The contracted amounts outstanding on March 31, 2003 and 2004 were ¥2,344 million and ¥6,318 million (\$59,779 thousand), respectively.

Interest rate swap and cap agreements, which mature from 2002 to 2004, 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 rate 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 income statement. Gains from interest rate swap agreements were ¥16 million for the year ended March 31, 2002, and losses from interest rate swap agreements were ¥2 million (\$19 thousand) for the year ended March 31, 2004. On March 31, 2004, the aggregate notional amounts of the interest rate swap agreements were ¥2,200 million (\$20,816 thousand) pay fixed. No such agreements existed on March 31, 2003.

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. Differences between the premium paid and fair value of these contracts and subsequent changes in fair values of option prices, which are calculated based on Black-Scholes model, are recognized as "Gain (loss) on derivative instruments, net" in the income statement. Losses from interest rate cap agreements were ¥0 million for the year ended March 31, 2002, and gains from interest rate cap agreements were ¥1 million (\$9 thousand) for the year ended March 31, 2004. On March 31, 2004, the notional amounts of interest rate cap agreement were ¥2,500 million (\$23,654 thousand). No such agreements existed on March 31, 2003.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

21. Related party transactions:

As of March 31, 2004, the president of the Company and a business entity indirectly owned by the president of the Company held 9.2% and 6.8% of the outstanding shares of the Company, respectively. There were no significant related party transactions other than described in Note 11 for the year ended March 31, 2004.

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:

<i>Class of property</i>	<u>Yen in millions</u>		<u>U.S. dollars</u>
	<u>March 31</u>		<u>in thousands</u>
	<u>2003</u>	<u>2004</u>	<u>March 31,</u> <u>2004</u>
Machinery and equipment	¥3,824	¥6,266	\$59,287
Other leased assets	323	433	4,097
Less - Accumulated amortization	(2,450)	(4,746)	(44,905)
	<u>¥1,697</u>	<u>¥1,953</u>	<u>\$18,479</u>

Amortization expenses under capital leases for the years ended March 31, 2002, 2003 and 2004 were ¥709 million, ¥694 million and ¥1,182 million (\$11,184 thousand), respectively.

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2004 are as follows:

	<u>Yen in</u> <u>Millions</u>	<u>U.S. dollars</u> <u>in thousands</u>
<u>Year ending March 31:</u>		
2005	¥1,092	\$10,332
2006	723	6,841
2007	482	4,561
2008	635	6,008
2009	411	3,889
2010 and thereafter	63	596
Total minimum lease payments	3,406	32,227
Less – Amount representing interest	(259)	(2,451)
Present value of net minimum lease payments	3,147	29,776
Less – Current obligations	(1,003)	(9,490)
Long-term capital lease obligations	<u>¥2,144</u>	<u>\$20,286</u>

Rental expenses under operating leases for the years ended March 31, 2002, 2003 and 2004 were ¥473 million, ¥272 million and ¥330 million (\$3,122 thousand), respectively.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2004 are as follows:

	Yen in millions	U.S. dollars in thousands
<u>Year ending March 31:</u>		
2005	¥127	\$1,202
2006	57	539
2007	47	445
2008	34	322
2009	18	170
2010 and thereafter	451	4,267
Total minimum future rentals.....	¥734	\$6,945

NIDEC is a lessor in operating leases for which a portion of the land, office and manufacturing facilities is leased over various terms. Rental revenues under operating leases for the years ended March 31, 2002, 2003 and 2004 were ¥41 million, ¥30 million and ¥24 million (\$227 thousand), respectively.

The future minimum lease payments to be received under operating leases that have remaining non-cancelable term at March 31, 2004 are as follows:

	Yen in millions	U.S. dollars in thousands
<u>Year ending March 31:</u>		
2005	¥16	\$152
2006	17	161
2007	17	161
2008	5	47
2009	3	28
2010 and thereafter	3	28
Total minimum future rentals.....	¥61	\$577

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 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.

In September 2002, Nidec was released from the guarantee of the debt facility for the East Pacific Funding Corporation totaling ¥1,200 million since Nidec bought the beneficial right of land and buildings from the East Pacific Funding Corporation. Thereafter Nidec lends the land and buildings to Nidec Tosok Corporation and is depreciating the land and buildings over their useful lives.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Commitments -

Commitments outstanding at March 31, 2004 for the purchase of property, plant and equipment and other assets approximated ¥5,948 million (\$56,278 thousand).

Contingencies -

Contingent liabilities for guarantees given in the ordinary course of business amounted to approximately ¥750 million (\$7,096 thousand) at March 31, 2004. These contingent liabilities primarily relate to the Companies' guarantee of affiliated companies' borrowings from banks. On April 2002, Nidec's consolidated subsidiary, Nidec Tosok Corporation, agreed to guarantee for Okaya Seiken Corporation, subcontractor of Nidec Tosok Corporation, totaling ¥309 million (\$2,924 thousand) in order to provide funds for Okaya's manufacturing facilities in Vietnam.

Besides NIDEC has guaranteed approximately ¥441 million (\$4,173 thousand) of bank loan of employees for their housing costs. If an employee defaults on his/her loan payments, NIDEC is required to perform under the guarantee. The undiscounted maximum amount of NIDEC's obligation to make future payments in the event of defaults is approximately ¥441 million (\$4,173 thousand).

The Company received notice from Matsushita Electric Industrial Co., Ltd. ("Matsushita") claiming that small precision brushless DC motors manufactured by the Company infringe one of Matsushita's patents relating to neodymium magnets and 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.

On June 25, 2003, the Japanese Patent Office judged that the patent was invalid, and on August 16, 2003, Matsushita filed a suit with the Tokyo High Court against the Company contesting the Japanese Patent Office's judgement. On December 22, 2003, the Tokyo High Court handed down a judgement in favor of the Company and affirmed the Japanese Patent Office's judgement that the patent was invalid. On January 9, 2004, Matsushita did not make an appeal against the judgement of the court. Therefore the judgement of the court and the invalidity of the patent of Matsushita were settled.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Concentration of risk -

Revenue from spindle motors sold to manufacturers of computer hard disk drives, account for 74%, 66%, and 62% of total revenue for the years ended March 31, 2002, 2003, and 2004, 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 49%, 41%, and 40% of consolidated net sales for the years ended March 31, 2002, 2003, and 2004, respectively. Sales to NIDEC's largest customer were approximately 16%, 16%, and 14% of consolidated net sales for the years ended March 31, 2002, 2003 and 2004, respectively. Accounts receivable are financial instruments that expose NIDEC to a concentration of credit risk. At March 31, 2003, the six largest customers with the outstanding accounts receivable balances totaled ¥19,718 million, or 39% of the gross accounts receivable, compared to ¥23,625 million (\$223,531 thousand), or 24% of the gross accounts receivable, at March 31, 2004. 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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

24. Segment information:

(1) Enterprise-wide information:

Product information –

The following table provides product information for the years ended March 31, 2002, 2003 and 2004:

	<u>Yen in millions</u>			<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>			<u>For the year ended March 31, 2004</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	
Net sales:				
Small precision motors:				
Hard disk drives spindle motors.....	¥93,748	¥97,717	¥106,919	\$1,011,628
Other small precision brushless DC motors	21,657	25,583	34,138	323,001
Small precision brush DC motors	2,539	3,280	5,372	50,828
Brushless DC fans	24,523	27,395	26,047	246,447
Sub-total	142,467	153,975	172,476	1,631,904
Mid-size motors	36,252	37,479	32,574	308,203
Machinery	7,693	22,555	31,240	295,582
Others.....	6,920	17,827	41,207	389,886
Consolidated total	<u>¥193,332</u>	<u>¥231,836</u>	<u>¥277,497</u>	<u>\$2,625,575</u>

The “Hard disk drives spindle motors” group of products consists of ball bearing hard disk drives 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 drives spindle motors for 3.5-inch, 2.5-inch and 1.8-inch hard disk drives for the years ended March 31, 2002, 2003 and 2004.

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 brush DC motors” group of products consists of brush 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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

“Others” consists of automobile parts, optical parts, electronic parts, pivot assemblies, other components 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, 2002, 2003 and 2004, and long-lived assets for the years ended March 31, 2003 and 2004 are as follows:

	<u>Yen in millions</u>			<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>			<u>For the year ended March 31,</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Sales and operating revenue:				
Japan.....	¥97,602	¥126,904	¥149,392	\$1,413,492
U.S.A.	7,487	7,006	5,378	50,885
Singapore.....	48,114	46,706	39,056	369,534
Thailand.....	17,112	23,333	36,610	346,390
The Philippines.....	5,220	3,607	2,230	21,099
Other.....	17,797	24,280	44,831	424,175
Consolidated total	<u>¥193,332</u>	<u>¥231,836</u>	<u>¥277,497</u>	<u>\$2,625,575</u>

	<u>Yen in millions</u>		<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>		<u>For the year ended March 31,</u>
	<u>2003</u>	<u>2004</u>	<u>2004</u>
Long-lived assets:			
Japan.....	¥42,033	¥70,519	\$667,225
U.S.A.	931	796	7,531
Singapore.....	1,617	522	4,939
Thailand.....	16,903	16,927	160,157
The Philippines.....	11,313	15,079	142,672
Other.....	17,912	28,569	270,310
Consolidated total	<u>¥90,709</u>	<u>¥132,412</u>	<u>\$1,252,834</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(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.

NCT, NCPL, NCEL and SNKC were identified as reportable segments in the current period. Segment information for the years ended March 31, 2002 and 2003 have been restated to conform to the current presentation.

NIDEC has thirteen reportable segments, NCJ, NCS, NET, NCF, NCA, NPMC, NCD, NSBC, NTSC, NCT, NCPL, NCEL and SNKC 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 fans.

The NPMC segment comprises Nidec Power Motor Corporation, a subsidiary in Japan, which primarily produces and sells AC motors.

The NCD segment comprises Nidec (Dalian) Limited, a subsidiary in China, which primarily produces and sells DC motors and fans.

The NSBC segment comprises Nidec Shibaura Corporation, a subsidiary in Japan, which primarily produces and sells mid-size motors.

The NTSC segment comprises Nidec Tosok Corporation, a subsidiary in Japan, which primarily produces and sells automobile parts and machinery.

The NCT segment comprises Nidec Taiwan Corporation, a subsidiary in Taiwan, which primarily sells DC motors and fans.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The NCPL segment comprises Nidec Copal Corporation, a subsidiary in Japan, which primarily produces and sells optical and electronic parts. NCPL was acquired in February 2004 and has been a new reportable segment.

The NCEL segment comprises Nidec Copal Electronics Corporation, a subsidiary in Japan, which primarily produces and sells electronic parts. NCEL was acquired in January 2004 and has been a new reportable segment.

The SNKC segment comprises Sankyo Seiki Mfg. Co., Ltd., a subsidiary in Japan, which primarily produces and sells micro motors and optical and electronic parts. SNKC was acquired in February 2004 and has been a new reportable segment.

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, NPMC, NSBC, NTSC, NCPL, NCEL, SNKC'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, NCA applies U.S. GAAP, NCD applies Chinese accounting principles and NCT applies Taiwanese accounting principles. 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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables show revenues from external customers and other financial information by operating segment for the years ended March 31, 2002, 2003 and 2004:

	<u>Yen in millions</u>			<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>			<u>For the year ended March 31,</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Revenues from external customers:				
NCJ	¥63,205	¥65,248	¥60,316	\$570,688
NCS	48,115	46,708	36,668	346,939
NET	14,787	20,484	33,003	312,262
NCF	5,220	3,602	1,511	14,296
NCA	7,487	6,075	3,564	33,721
NPMC	9,345	9,116	7,986	75,561
NCD	17	48	112	1,060
NSBC	16,192	15,138	15,767	149,182
NTSC	1,615	18,933	21,211	200,691
NCT	3,661	8,921	12,492	118,195
NCPL	-	-	9,146	86,536
NCEL	-	-	2,854	27,003
SNKC	-	-	7,779	73,602
All Others	22,672	37,157	67,121	635,074
Total	192,316	231,430	279,530	2,644,810
US GAAP adjustments *1	1,066	517	(2,485)	(23,512)
Others	(50)	(111)	452	4,277
Consolidated total	<u>¥193,332</u>	<u>¥231,836</u>	<u>¥277,497</u>	<u>\$2,625,575</u>

*1 US GAAP adjustments mainly related to the differences of revenue recognition between shipment and delivery bases. And the sales to affiliates that are consolidated under Japanese GAAP but equity accounted under U.S. GAAP.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NIDEC had sales to one customer of ¥31,809 million, ¥36,240 million and ¥38,909 million (\$368,142 thousand) within the NCJ, NCS, NCA and “All Others” segments for the years ended March 31, 2002, 2003 and 2004, respectively, and to another customer of ¥30,664 million within the NCJ, NCS, NET, SNKC and “All Others” segments for the years ended March 31, 2004 that exceeded 10% of NIDEC’s net sales.

	<u>Yen in millions</u>			<u>U.S. dollars</u>
	<u>For the year ended</u>			<u>in thousands</u>
	<u>March 31</u>			<u>For the year</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>ended</u>
				<u>March 31,</u>
				<u>2004</u>
Revenue from other operating segments:				
NCJ	¥61,679	¥63,916	¥58,320	\$551,802
NCS	3,254	3,851	3,081	29,151
NET	23,109	21,256	17,794	168,360
NCF	19,816	18,838	22,117	209,263
NCA	539	1,398	1,430	13,530
NPMC	31	93	147	1,391
NCD	24,070	27,523	31,270	295,865
NSBC	2,479	2,966	4,429	41,906
NTSC	139	565	666	6,302
NCT	1,470	1,625	1,113	10,531
NCPL	-	-	1,384	13,095
NCEL	-	-	372	3,520
SNKC	-	-	3,641	34,450
All Others	39,760	54,846	66,133	625,726
Total	<u>176,346</u>	<u>196,877</u>	<u>211,897</u>	<u>2,004,892</u>
Intersegment elimination	<u>(176,346)</u>	<u>(196,877)</u>	<u>(211,897)</u>	<u>(2,004,892)</u>
Consolidated total	<u>¥0</u>	<u>¥0</u>	<u>¥0</u>	<u>\$0</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>Yen in millions</u>			<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>			<u>For the year ended March 31, 2004</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	
Segment profit or loss:				
NCJ	¥4,101	¥3,521	¥1,483	\$14,032
NCS	1,963	2,020	2,489	23,550
NET	1,578	3,179	8,590	81,275
NCF	2,485	1,212	1,422	13,454
NCA.....	(680)	165	279	2,640
NPMC.....	187	488	251	2,375
NCD.....	1,778	3,001	2,486	23,522
NSBC.....	279	(134)	801	7,579
NTSC.....	90	689	1,450	13,719
NCT	219	343	362	3,425
NCPL.....	-	-	586	5,544
NCEL.....	-	-	307	2,905
SNKC	-	-	(2,581)	(24,420)
All Others	2,979	4,107	7,344	69,486
Total.....	<u>14,979</u>	<u>18,591</u>	<u>25,269</u>	<u>239,086</u>
Main components of US GAAP adjustments:				
Pension and severance costs	(46)	253	341	3,226
Lease	50	115	54	511
Directors' bonus	(70)	(112)	(150)	(1,419)
Consolidation adjustments mainly related to elimination of intersegment profits	(1,725)	(156)	(754)	(7,134)
Reclassification *1	(3,190)	(2,306)	(3,039)	(28,754)
Others *2.....	474	19	294	2,782
	<u>¥10,472</u>	<u>¥16,404</u>	<u>¥22,015</u>	<u>\$208,298</u>

*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 U.S. GAAP adjustments such as the differences of revenue recognition between shipment and delivery bases, depreciation of fixed assets and provision for compensated absence.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2002	2003	2004	2004
Interest revenue:				
NCJ.....	¥279	¥143	¥120	\$1,135
NCS.....	132	102	54	511
NET.....	6	2	16	151
NCF.....	48	32	23	218
NCA.....	1	0	0	0
NPMC.....	21	4	4	38
NCD.....	0	4	8	76
NSBC.....	5	0	9	85
NTSC.....	0	4	1	9
NCT.....	4	4	4	38
NCPL.....	-	-	1	9
NCEL.....	-	-	0	0
SNKC.....	-	-	8	76
All Others.....	47	43	102	966
Total.....	543	338	350	3,312
Intersegment elimination.....	(18)	(37)	(81)	(767)
Consolidated total.....	¥525	¥301	¥269	\$2,545

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2002	2003	2004	2004
Interest expense:				
NCJ.....	¥617	¥311	¥310	\$2,933
NCS.....	-	0	0	0
NET.....	65	114	25	237
NCF.....	125	120	103	975
NCA.....	27	8	19	180
NPMC.....	56	29	22	208
NCD.....	56	13	7	66
NSBC.....	63	58	94	889
NTSC.....	2	17	13	123
NCT.....	0	0	0	0
NCPL.....	-	-	0	0
NCEL.....	-	-	1	9
SNKC.....	-	-	45	426
All Others.....	201	237	234	2,214
Total.....	1,212	907	873	8,260
Intersegment elimination.....	(45)	(17)	(11)	(104)
Consolidated total.....	¥1,167	¥890	¥862	\$8,156

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2002	2003	2004	2004
Depreciation:				
NCJ	¥1,669	¥1,295	¥1,777	\$16,813
NCS	627	590	736	6,964
NET	1,790	2,803	2,622	24,808
NCF	1,349	1,734	1,876	17,750
NCA	193	138	83	785
NPMC	63	26	25	237
NCD	599	1,050	1,103	10,436
NSBC	175	117	89	842
NTSC	26	677	526	4,977
NCT	13	17	12	114
NCPL	-	-	308	2,914
NCEL	-	-	151	1,429
SNKC	-	-	96	908
All Others	2,274	3,974	4,533	42,890
Total	8,778	12,421	13,937	131,867
U.S. GAAP adjustments*1	708	694	923	8,733
Reconciliation	(398)	(253)	(587)	(5,554)
Consolidated total	¥9,088	¥12,862	¥14,273	\$135,046

*1 Leased properties are not capitalized in the operating segment but are capitalized under U.S. GAAP.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>Yen in millions</u>			<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>			<u>For the year ended March 31,</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Income tax expenses or benefit:				
NCJ	¥1,816	¥1,323	¥2,399	\$22,698
NCS	28	85	45	426
NET	(82)	(174)	571	5,402
NCF	12	17	9	85
NCA	(294)	(283)	129	1,220
NPMC	(88)	(224)	17	161
NCD	0	226	151	1,429
NSBC	22	198	121	1,145
NTSC	(52)	38	556	5,261
NCT	59	89	97	918
NCPL	-	-	274	2,592
NCEL	-	-	123	1,164
SNKC	-	-	(17)	(161)
All Others	923	1,205	1,481	14,013
Total	2,344	2,500	5,956	56,353
Consolidation adjustments	(182)	(1,447)	(532)	(5,033)
Consolidated total	<u>¥2,162</u>	<u>¥1,053</u>	<u>¥5,424</u>	<u>\$51,320</u>

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>Yen in millions</u>		<u>U.S. dollars in thousands</u>
	<u>For the year ended March 31</u>		<u>For the year ended March 31,</u>
	<u>2003</u>	<u>2004</u>	<u>2004</u>
Segment assets:			
NCJ	¥168,872	¥216,865	\$2,051,897
NCS	19,016	16,969	160,554
NET	21,875	26,458	250,336
NCF	15,345	15,371	145,435
NCA	3,125	2,270	21,478
NPMC	7,001	7,798	73,782
NCD	11,980	12,496	118,233
NSBC	15,970	20,078	189,971
NTSC	17,847	22,040	208,534
NCT	4,225	4,535	42,908
NCPL	-	52,286	494,711
NCEL	-	21,758	205,866
SNKC	-	77,256	730,968
All Others	76,817	165,066	1,561,794
Total	<u>¥362,073</u>	<u>661,246</u>	<u>6,256,467</u>
U.S. GAAP adjustments:			
Lease	1,696	1,906	18,034
Property, plant and equipment	(2,114)	(2,195)	(20,768)
Deferred tax assets	2,508	7,235	68,455
Marketable securities	617	1,343	12,707
Others	56	1,026	9,707
Sub-total	<u>2,763</u>	<u>9,315</u>	<u>88,135</u>
Elimination of intersegment assets, net of taxes	(107,642)	(263,345)	(2,491,674)
Valuation differences	3,639	6,750	63,866
Goodwill	3,658	28,078	265,664
To adjust affiliate from cost to equity method *1	(6,121)	(541)	(5,119)
Others	(438)	2,383	22,547
Consolidated total	<u>¥257,932</u>	<u>¥443,886</u>	<u>\$4,199,886</u>

*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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>Yen in millions</u>		<u>U.S. dollars</u> <u>in thousands</u>
	<u>For the year ended</u> <u>March 31</u>		<u>For the year</u> <u>ended</u> <u>March 31,</u>
	<u>2003</u>	<u>2004</u>	<u>2004</u>
Expenditure for segment assets:			
NCJ	¥100	¥5,593	\$52,919
NCS.....	1,527	46	435
NET.....	4,399	2,338	22,121
NCF.....	1,981	3,975	37,610
NCA.....	50	28	265
NPMC.....	0	56	530
NCD.....	638	1,268	11,998
NSBC.....	419	37	350
NTSC.....	908	901	8,525
NCT.....	28	0	0
NCPL.....	-	356	3,368
NCEL.....	-	189	1,788
SNKC.....	-	180	1,703
All Others.....	6,449	7,800	73,801
Total.....	<u>16,499</u>	<u>22,767</u>	<u>215,413</u>
Reconciliation *1	5,216	(136)	(1,287)
Consolidated total	<u>¥21,715</u>	<u>¥22,631</u>	<u>\$214,126</u>

*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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

25. Subsequent events:

Subsequent to March 31, 2004, the Company's Board of Directors declared a cash dividend of ¥975 million (\$9,225 thousand) payable on June 24, 2004 to stockholders of record on March 31, 2004. This decision is subject to approval by the shareholders at the annual general meeting of shareholders to be held on June 23, 2004.

The Company has determined issuance of new shares and secondary offering of existing shares, which were approved at a meeting of board of the directors held on May 28, 2004. The issuance consist of offering of newly issued shares, secondary offering of the shares (over-allotments) and issuance of new shares by allocation to a third party. The approximate net amount of funds to be raised by this public offering of new shares and third party capital increase is expected to be a maximum of ¥61,222 million and the Company expects to use ¥2,649 million for capital expenditure, ¥38,351 million for investment in and financing of affiliated companies, and the remainder to repay borrowings. Further, our related companies expect to use these funds for capital expenditure. These shares are not offered or sold in the United States.

On May 1, 2004, NIDEC's consolidated subsidiary, Nissin Kohki Co., Ltd. adopted defined benefit pension plans pursuant to the Japanese Welfare Pension Insurance Law.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

26. Quarterly Financial Data for the year ended March 31, 2004: (Unaudited)

	Yen in millions				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales.....	¥55,930	¥63,110	¥64,281	¥94,176	¥277,497
Operating expenses:					
Cost of products sold.....	43,529	49,754	50,812	74,094	218,189
Selling, general and administrative expenses.....	4,907	5,898	4,700	13,037	28,542
Research and development expenses.....	2,333	1,294	2,123	3,001	8,751
	<u>50,769</u>	<u>56,946</u>	<u>57,635</u>	<u>90,132</u>	<u>255,482</u>
Operating income.....	5,161	6,164	6,646	4,044	22,015
Other income (expense):					
Interest and dividend income.....	68	56	52	186	362
Interest expense.....	(203)	(210)	(173)	(276)	(862)
Foreign exchange gain (loss), net.....	51	(1,728)	(1,135)	(337)	(3,149)
Gain (loss) from derivative instruments, net.....	-	(54)	54	(5)	(5)
Gain on marketable securities, net.....	-	6	-	810	816
Gain from sales of investments in affiliated companies.....	-	-	-	45	45
Other, net.....	318	(60)	214	(55)	417
	<u>234</u>	<u>(1,990)</u>	<u>(988)</u>	<u>368</u>	<u>(2,376)</u>
Income before provision for income taxes.....	5,395	4,174	5,658	4,412	19,639
Provision for income taxes.....	(1,090)	(757)	(1,792)	(1,785)	(5,424)
Income before minority interest and equity in earnings of affiliated companies.....	4,305	3,417	3,866	2,627	14,215
Minority interest in income (losses) of consolidated subsidiaries.....	304	269	408	(333)	648
Equity in net (income)/losses of affiliated companies.....	(580)	(674)	416	(1,684)	(2,522)
Net income.....	<u>¥4,581</u>	<u>¥3,822</u>	<u>¥3,042</u>	<u>¥4,644</u>	<u>¥16,089</u>
	Yen				
Per share data:					
Net income - basic.....	<u>¥72.05</u>	<u>¥60.03</u>	<u>¥47.29</u>	<u>¥71.80</u>	<u>¥251.14</u>
- diluted.....	<u>¥69.86</u>	<u>¥58.24</u>	<u>¥44.80</u>	<u>¥67.69</u>	<u>¥241.53</u>
Cash dividends.....	<u>¥15.00</u>	<u>¥0.00</u>	<u>¥15.00</u>	<u>¥0.00</u>	<u>¥30.00</u>

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.

NIDEC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	U.S. dollars in thousands				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	\$529,189	\$597,124	\$608,203	\$891,059	\$2,625,575
Operating expenses:					
Cost of products sold	411,856	470,754	480,764	701,050	2,064,424
Selling, general and administrative expenses	46,428	55,805	44,470	123,351	270,054
Research and development expenses	22,074	12,243	20,087	28,395	82,799
	<u>480,358</u>	<u>538,802</u>	<u>545,321</u>	<u>852,796</u>	<u>2,417,277</u>
Operating income	<u>48,831</u>	<u>58,322</u>	<u>62,882</u>	<u>38,263</u>	<u>208,298</u>
Other income (expense):					
Interest and dividend income	643	530	492	1760	3,425
Interest expense	(1,921)	(1,987)	(1,637)	(2,611)	(8,156)
Foreign exchange gain (loss), net.....	483	(16,350)	(10,739)	(3,189)	(29,795)
Gain (loss) from derivative instruments, net	-	(511)	511	(47)	(47)
Gain on marketable securities, net	-	57	-	7,663	7,720
Gain from sales of investments in affiliated companies	-	-	-	426	426
Other, net	3,009	(568)	2,025	(520)	3,946
	<u>2,214</u>	<u>(18,829)</u>	<u>(9,348)</u>	<u>3,482</u>	<u>(22,481)</u>
Income before provision for income taxes	51,045	39,493	53,534	41,745	185,817
Provision for income taxes	(10,313)	(7,163)	(16,955)	(16,889)	(51,320)
Income before minority interest and equity in earnings of affiliated companies.....	40,732	32,330	36,579	24,856	134,497
Minority interest in income (losses) of consolidated subsidiaries.....	2,876	2,545	3,861	(3,151)	6,131
Equity in net (income)/losses of affiliated companies.....	(5,488)	(6,377)	3,936	(15,933)	(23,862)
Net income	<u>\$43,344</u>	<u>\$36,162</u>	<u>\$28,782</u>	<u>\$43,940</u>	<u>\$152,228</u>
	U.S. dollars				
Per share data:					
Net income - basic	<u>\$0.68</u>	<u>\$0.57</u>	<u>\$0.45</u>	<u>\$0.68</u>	<u>\$2.38</u>
- diluted	<u>\$0.66</u>	<u>\$0.55</u>	<u>\$0.42</u>	<u>\$0.64</u>	<u>\$2.29</u>
Cash dividends	<u>\$0.14</u>	<u>\$0.00</u>	<u>\$0.14</u>	<u>\$0.00</u>	<u>\$0.28</u>

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 Registered Public Accounting Firm

To the Shareholders and
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, 2003 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards 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 our opinion.

As discussed in notes 2 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets in the year ended March 31, 2003.



ChuoAoyama PricewaterhouseCoopers
Kyoto, Japan
June 28, 2004

**Chairman of the Board,
President & CEO**
Shigenobu Nagamori

Executive Vice President & COO
Hiroshi Kobe

Executive Vice President & CFO
Yasunobu Toriyama

Senior Managing Directors
Kenji Sawamura
Yasuo Hamaguchi

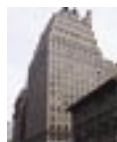
Managing Directors
Yoshiharu Kinugawa
Seizaburo Kawaguchi

Directors
Toshihiro Kimura
Seiichi Hattori
Tetsuo Inoue
Satoru Kaji
Tadaaki Hamada
Takashi Iwata
Kiyoyoshi Takegami

Corporate Auditors
Hideo Asahina
Tadayoshi Sano
Yoichi Ichikawa
Tsutomu Katsuyama

Head Office:
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Established:
July 23, 1973

Paid-in Capital:
¥28,994,861,862

Number of Shares:
Issued and Outstanding—65,017,898

Number of Shareholders:
9,395

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 Depositary 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 Japan Trustee Services Bank, Ltd.	7,344	11.32
2 The Master Trust Bank of Japan, Ltd.	6,528	10.06
3 Shigenobu Nagamori	5,971	9.20
4 SN Kohsan Ltd.	4,433	6.83
5 The Bank of Kyoto, Ltd.	2,904	4.47
6 The Dai-ichi Mutual Life Insurance Company	2,544	3.92
7 Trust & Custody Services Bank, Ltd.	2,258	3.48
8 Nippon Life Insurance Company	1,852	2.85
9 Meiji Yasuda Life Insurance Company	1,721	2.65
10 The Bank of Tokyo-Mitsubishi, Ltd.	1,507	2.32
Total	37,062	57.10
Whole Issued Stocks	65,017	100.00

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 Total Service Corporation
Nidec Copal (Vietnam) Co., Ltd.
Nidec Tosok (Vietnam) Co., Ltd.
Nidec Copal Philippines Corporation
Nidec Shibaura (Zhejiang) Co., Ltd.
Nidec Shibaura Electronics (Thailand) Co., Ltd.
Nidec Copal (Malaysia) Sdn. Bhd.
Nidec System Engineering (Zhejiang) Corporation
Nidec (Zhejiang) Corporation
Nidec (Dongguan) Corporation
Nidec (Shanghai) International Trading Co., Ltd.
NTN-Nidec (Zhejiang) Corporation
Nidec Logistics Corporation
Sankyo Seiki Mfg. Co., Ltd.
Nissin Kohki Co., Ltd.
Tokyo Pigeon Co., Ltd.



Symbol: NJ



Common Stock Price Range (Osaka Securities Exchange):

Years ended March 31,	2003		2004	
	High	Low	High	Low
First Quarter	¥ 9,880	¥ 7,920	¥ 8,350	¥ 5,440
Second Quarter	9,070	5,960	9,790	7,850
Third Quarter	8,200	5,200	11,600	9,110
Fourth Quarter	7,590	6,200	11,450	9,760



NIDEC CORPORATION