03

Revolution from inside

Annual Report 2003

NIDEC CORPORATION PROFILE

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

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

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

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

Contents

FINANCIAL HIGHLIGHTS

Nidec Corporation and Consolidated Subsidiaries

	Yen in millions (Except number of shares outstanding)			U.S. dollars in thousands
For the years ended March 31,	2001	2002	**2003**	**2003**
Income statement data:				
Net sales	¥ 172,710	¥ 193,332	**¥ 231,836**	**$ 1,928,752**
Cost of products sold	144,594	159,442	**187,306**	**1,558,286**
Selling, general and administrative expenses	12,810	17,691	**21,302**	**177,221**
Operating income	10,063	10,472	**16,404**	**136,473**
Income before provision for income taxes (1)	15,138	11,477	**10,911**	**90,774**
Net income	10,711	6,580	**10,680**	**88,852**
Balance sheet data (period end):				
Total assets	¥ 216,999	¥ 257,911	**¥ 257,932**	**$ 2,145,857**
Short-term borrowings	43,937	58,395	**64,597**	**537,413**
Current portion of long-term debt	3,839	15,365	**8,951**	**74,467**
Long-term debt	30,888	21,360	**16,388**	**136,339**
Total shareholders' equity	78,575	85,475	**88,557**	**736,747**
Common stock	26,455	26,469	**26,485**	**220,341**
Number of shares outstanding	63,549,008	63,563,653	**63,574,729**	**63,574,729**

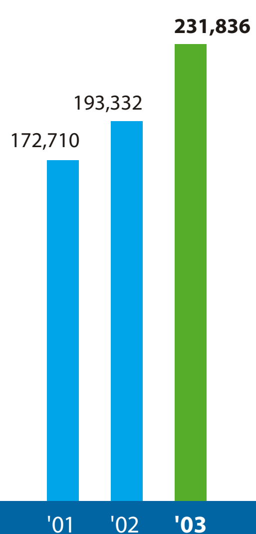
Per share data:	Yen			U.S. dollars
Net income per share—basic (2)	¥ 168.72	¥ 103.53	**¥ 168.01**	**$ 1.40**
Net income per share—diluted (2)	159.92	98.85	**159.82**	**1.33**
Cash dividends per share	15.00	27.50	**20.00**	**0.16**

Notes:

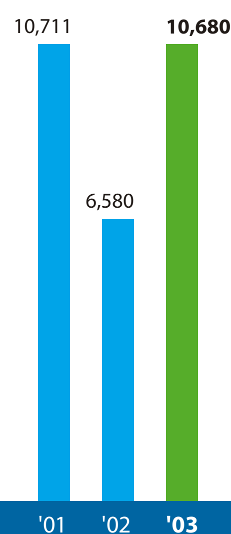
(1) Under U.S. GAAP, income before provision for income taxes does not include equity in net income/losses of affiliated companies.

(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.

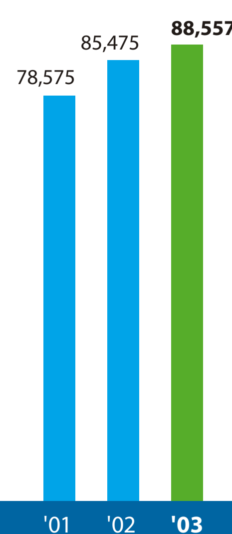
(3) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.20 = U.S.$1.00, the approximate exchange rate in Japan on March 31, 2003.



Net sales (¥ million)



Net income (¥ million)



Total shareholders' equity (¥ million)

Revolution from inside

Shigenobu Nagamori

President, CEO & Representative Director

This was a year when we improved profits and also positioned ourselves for strong future growth in earnings. These solid results were achieved in the face of a global economic downturn that pervaded every part of the IT and computing industries.

Operating Results

We posted significantly better results in the year ended March 31, 2003. Consolidated net sales advanced 19.9% over the previous year to ¥231,836 million ($1,928 million), while operating income climbed 56.6% to ¥16,404 million ($136 million). Net income increased 62.3% to ¥10,680 million ($88 million). These solid results were achieved in the face of a global economic downturn that pervaded every part of the IT and computing industries that count as our main customers. Moreover, demand for consumer goods and capital investment both failed to stage any meaningful recovery during the year.

The year-on-year increase in net sales amounted to ¥38,504 million ($320 million). The majority of this figure was attributable to sales contributions from newly consolidated affiliates of various subsidiaries, principally Nidec Tosok Corporation and Nidec-Shimpo Corporation. Excluding these contributions, the growth in sales generated by the same operating base was 4.9%, to ¥200,040 million ($1,664 million). We thus generated substantial organic sales growth, besides gains through a broader scope of consolidation.

We improved our operating margin, from 5.4% to 7.1%, and generated an increase in operating income of ¥5,932 million ($49 million). Two main factors caused this improvement in profitability. First, we made significant gains in profitability with our hard disk drive (HDD) motors. In particular, we were able to generate large cost reductions with fluid dynamic bearing (FDB) motors as these products entered full-scale mass-production. Second, a strong recovery in profits at Nidec Shibaura Corporation and other consolidated subsidiaries contributed to an increase in operating income at the Nidec Group level. Nidec Copal Corporation, an equity-method affiliate, provided another notable success story with positive implications for future performance gains.

Overall, this was a year when we improved profits and also positioned ourselves for strong future growth in earnings. For a more detailed analysis of the results, please refer to the section entitled “Operating and Financial Review and Prospects” (after page 18).

Thirty Years of Growth

In July 2003 we celebrated the 30th anniversary of Nidec’s establishment. We marked this occasion with the construction of a new head office building in Kyoto, which also houses R&D functions. We began using this building in May 2003. When we originally founded the company, we numbered just four. Over the 30 intervening years, Nidec has grown to comprise a group containing 37 consolidated subsidiaries and 10 equity-method affiliates.

I see three critical factors that have helped us record this strong growth. All three are important assets that I believe will continue to guide our future development. First, we have invested only in those areas that maximize returns from our base of proprietary technology. At the same time, we have consistently targeted global markets. Second, we have been quite un-Japanese in our focus on building the business through M&A. Firms we have acquired in the past now play a major role in Nidec’s overall business. We have consistently been extremely thorough in instituting management reforms at these firms after taking a significant stake in them, so that they rapidly improve profitability. Third, we have always developed our manufacturing base from a global perspective, locating plants close to customers wherever possible so that we can provide timely supplies of product. A major part of our manufacturing base is now located in China and Southeast Asia.

More Years of Growth Ahead

We are not interested in standing still, even for a single minute: we are a growth company, intensely committed to massive expansion in sales and profits. Our goal for 2010 is to achieve a minimum operating margin of 10% on consolidated net sales of ¥1 trillion. I firmly believe these numbers are achievable, and I am highly committed to aggressive development of our business to achieve them. I divide our business strategy into short-term and long-term components, which I discuss below.

Short-Term Growth

Our immediate short-term objective is to reinforce the gains in earnings from existing operations. The results for the year ended March 2003 show that our profits are on an upward trend. I think this trend will accelerate over the next few years for two reasons.

First, our new cutting-edge FDB motors enjoy an overwhelming advantage in the global market for HDD spindle motors, where our greatest strength resides. It is no exaggeration to say that we are the only manufacturer of FDB motors that counts. The shift in HDD spindle motors from conventional ball-bearing technology to FDB is now progressing fast. I estimate that, by the end of March 2004, over 80% of the market will have shifted over to FDB.

We expect to generate greater profits from FDB spindle motors because they add much greater value than their predecessors. We are compounding the gain by situating some FDB spindle motor production in China, where lower costs can increase our margins as we realize economies of scale from mass-production. By the end of March 2004, we should have all aspects of FDB spindle motor production in China fully operational.

Hence, our first short-term goal is to realize the increased profits that will flow from the market switchover to FDB technology, combined with mass-production gains. In addition, we are keen to expand further our dominance of the global spindle motor market, where our current share is over 65%. The goal is not to seek market share gains at the expense of profits.

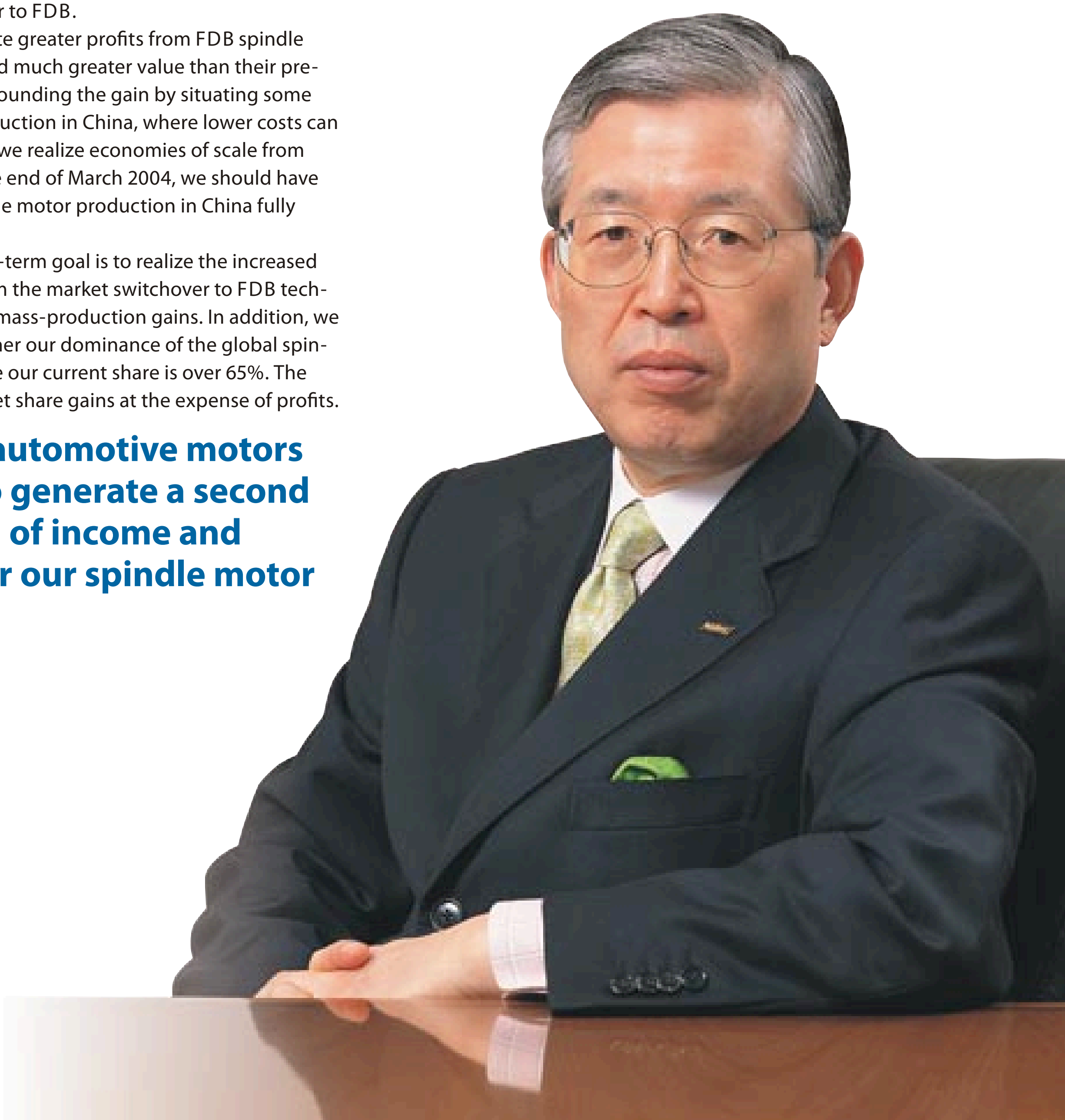
“I expect our automotive motors operations to generate a second major stream of income and earnings after our spindle motor business.”

Instead, we plan to increase earnings and returns on investment steadily.

The second reason why I believe that profits will accelerate in the near term concerns Nidec’s group companies. We are now seeing a remarkable recovery in profits at many of our consolidated subsidiaries and affiliates belonging to various parts industries. I believe this will be another strong driver of growth in consolidated operating income in the short term.

Long-Term Growth

Expanding areas of business is an essential prerequisite for us to achieve the ambitious goal of ¥1 trillion in sales. In practice, this means developing new applications for the technologies in which we are already world leaders. In fact, our single greatest area of technical superiority is in brushless DC motors. Our



success in HDD spindle motors represents just one application of this core technology. Following the initial application, the business has evolved on its own as the revolution in IT and computing has progressed, culminating in our ongoing move into FDB spindle motors. Today, hard disks powered by Nidec spindle motors are employed in a range of applications beyond the PC, including video game consoles, DVD recorders and car navigation systems. Soon they will even be found inside mobile phones.

Other markets for our brushless motors are also expanding rapidly, particularly in the home appliance sector. There is huge latent demand for these motors, not least due to replacement demand generated by the latest models. We are still only at the start of this particular path of expansion.

Out of all these numerous possibilities for strong potential growth, the most promising is the automotive sector. After years of dedication to R&D activities, we have successfully placed the auto-related motor business on a steady commercial path. I expect our automotive motor business to generate a second major stream of income and earnings after our spindle motor business. Our expansion into new product applications is discussed in more detail in the feature section of this report.

Looking ahead to the end of the decade, I project that our sales breakdown in the year ending March 2011 will reflect this evolutionary move into new applications. I see 30% of our sales being derived from small precision motors for IT applications, another 30% from automotive motors, and 30% from small- and mid-size motors for home appliances, with other components generating the remaining 10%.

Business Prospects

The questions for us to ask are what these various markets need and where the trends are leading us. I believe that, with a sound understanding of such trends and an ability to orient ourselves naturally to “go with the flow” of these markets, we can continue to generate stable profits, even under current poor economic conditions. Although the IT sector is one that has suffered most from the global downturn, closer inspection reveals several areas within the IT sector that are experiencing relatively strong growth. By assessing the demand characteristics of each market and targeting our operations only on growth areas, we can continue to expand and suffer minimal negative effects due to the economic malaise. We have our eyes firmly fixed on those areas where demand will expand. We have the confidence that we can succeed in the general business direction that we have chosen. We will continue to carve out a powerful growth trajectory in the growth markets that we have targeted, notably small precision and automotive motors.

The ability to cope with sudden events that breed instability and uncertainty is also becoming increasingly important. Dealing with the SARS outbreak, which affected the whole world, was an urgent issue for firms like Nidec that are expanding within China and Southeast Asia. We have always endeavored to spread our mass-production network across countries. Besides China, we have several manufacturing bases in Southeast Asia. Together, this network is capable of responding to emergency situations, as exemplified by the recent outbreak of SARS. The flexibility of our network allows us to be prepared for every possible turn of events that could affect our production activities overseas in any adverse manner.

“Our first short-term goal is to realize the increased profits that will flow from the market switchover to FDB technology, combined with mass-production gains.”

The headlong march of technology will not cease while there are people around to push the envelope of development. The technology of the innards of common electronic items, not to mention cars, computers and IT equipment, is certain to keep on evolving. With our broad portfolio of “turning and moving” products, our job at Nidec is to keep pace with, or stay one step ahead of, the technical revolution that is going on inside all these products—a revolution that will add value to the lifestyles of everyone. We are global leaders of this “revolution from inside.” I sincerely ask all our shareholders for their continued support and understanding as we push forward.

July 2003

Shigenobu Nagamori
President, CEO & Representative Director

We are more than meets the eye

1 OFTEN UNSEEN, NEVER UNNOTICED

2 TECHNOLOGICAL VISIONARIES

3 COMMITTED TO ASIA

In terms of size, a Nidec spindle motor might be easy to confuse with a small coin. Most of us have probably never seen one of these tiny, plate-like objects, but the chances are that we use one of them every day. These are the motors that keep the hard disks of our PCs spinning. Nidec supplies over 65% of the total global demand for spindle motors that are fitted into hard disks. And, into each part of every spindle motor, we incorporate the most advanced technology.

Why are Nidec spindle motors held in such high regard? The answer lies in our brushless DC motor technology, which is the subject of this feature section. Compared with earlier models, our latest spindle motors possess a number of advantages that promise to bring improved benefits to your lifestyle. Today, Nidec "turning and moving" products are being applied to an ever diversifying range of everyday uses. Our ambition is to expand this market for Nidec products to every possible application, so that they become an integral part of lifestyle-enhancing products used by everyone. In doing so, we aim to become the world's leading provider of precision drive technology.

Adding value to a lifestyle near you

Our “turning and moving” products are everywhere, even if you cannot see them. Even static electric appliances contain many motors to help them function. Over the coming decades, Nidec products are set to be adopted in more and more types of home and office equipment, as key components of an entire cross-section of society.

While Nidec products dominate the market for motors that power the hard disks inside personal computers, hard disks are not just found inside PCs. Applications are growing rapidly, in DVD recorders, car navigation systems, and entertainment items such as video game consoles. As the name “IT appliances” suggests, hard disks are evolving into integral components of new generations of home appliances. Recording TV programs onto the internal hard-disk memory of a television is not a distant prospect.

Nidec brushless DC motors are whirring quietly inside many common home appliances used everyday. Selection criteria for such appliances obviously include design and functional performance, but lower running costs, silent operation and long life may also play a part in the decision. Brushless DC motors add considerable value to such products due to their silent, energy-efficient performance and longevity. Such benefits explain why our motors can now be found in many electric appliances such as air conditioners and refrigerators, and even water heaters and under-floor heating. Besides these three benefits, DC brushless motors confer additional advantages inside office equipment such as copiers and printers: flexible enough to be incorporated into a miniaturized set-up, they also boast stable operation and short start-up times.

Cars provide another area of huge potential for Nidec products. In each vehicle, besides the engine, somewhere between 70 and 100 motors typically power a huge variety of gadgets. Electrically operated windows, sun roofs, seats and wing mirrors are just a few examples. Brushless DC motors are also increasingly being used in power steering systems, which in the past have relied on a hydraulic pump continuously driven by the engine. Here, brushless DC motors provide superior control, allowing them to function only when needed. This translates into substantial energy savings and better fuel economy, particularly when the engine is idling. Nidec continues to develop its range of motors to facilitate the shift toward fully electrically operated power steering and braking systems, as well as other automotive applications. Cars are generally considered a mature industry, but there are many sectors where revolution is still occurring. Global annual car production is currently about 60 million units. A complement of 70–100 motors per vehicle implies a potential demand for motors in the region of 5 billion units per year. Compared to Nidec’s current volume output of about 400 million units, this market alone has huge potential.

The march toward technically ever more advanced functions with precision equipment creates fresh opportunities for solutions to new kinds of performance issues. One example is the extra heat that is generated by the massively integrated chips used in the latest electronic components. Nidec brushless DC fans help to distribute the heat generated, cooling the circuitry down. Demand for them is growing as the use of high-powered chips proliferates.

Again, the automotive sector is one where the increasing use of electronic devices is boosting demand for our products. In this sector, the problem is not so much heat generation as the electromagnetic interference between electronic devices, which can lead to errors in operation if left unchecked. Here, the source of the problem is the motor itself. Nidec brushless DC motors have a decisive advantage over other types of motors because such interference can be eliminated entirely. All these potential applications provide good reasons why we are confident that automotive demand for our motors is set to climb.

5 billion

Potential demand
for motors
in car manufacturing

"This means,
Nidec products are
virtually ubiquitous.
While imperceptible
from the outside,
our products are constantly
and quietly evolving
on the inside."

Spindle motors for DVD drives
Cooling-fan motors for computers
Internal hard disk drive spindle motors
Optical drive spindle motors
Motors for vacuum cleaners

DC motors for washing machines
Power-steering motors for cars

Air circulation DC motors for refrigerators
Air compression motors

2

We are always looking one generation ahead

Markets for Nidec products are steadily expanding beyond our traditional realm of HDD spindle motors. We are confident about growth prospects in these new markets because there is a clear need in many sectors for the particular benefits that only brushless DC motor technology can deliver. We were the first to successfully commercialize mass-production technology for these motors, and today, proudly boast the position as the world's largest mass-manufacturer of brushless DC motors.

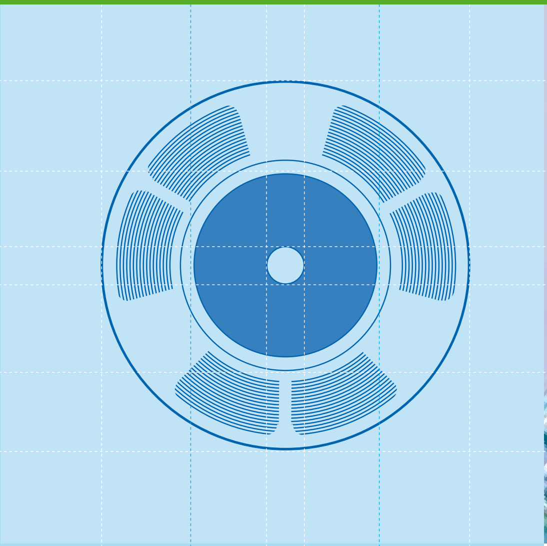
The benefits of brushless DC motors derive from their design. Essentially, these are DC motors in which all the mechanical parts have been replaced with electronic elements. The lack of any contact parts confers a number of benefits, the most significant being the elimination of noise (from either mechanical or electrical sources). The absence of friction also makes high-speed revolution possible, combined with greater longevity. Such qualities make the brushless DC motor an ideal candidate for many applications in cars, home appliances and office equipment.

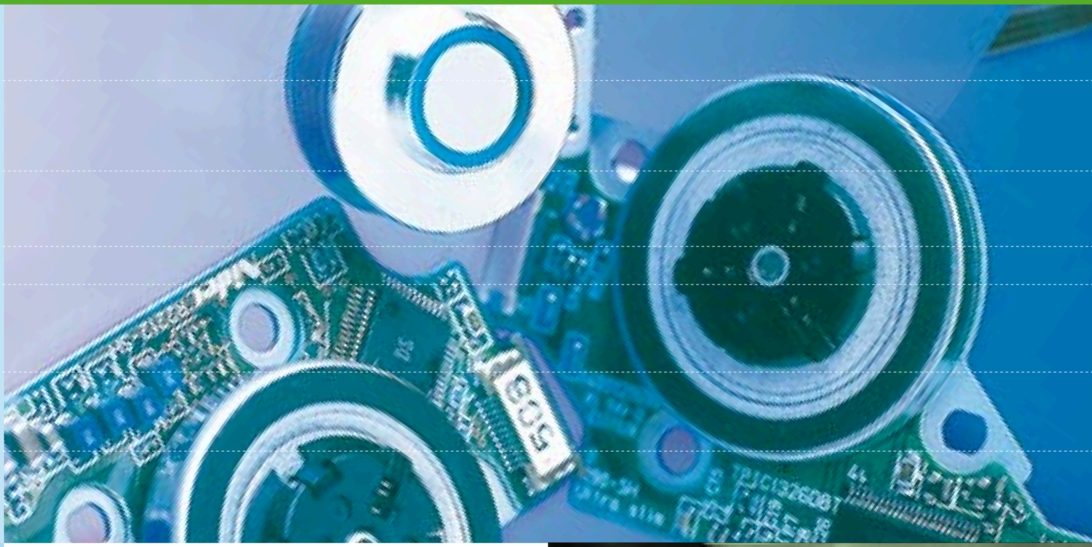
Our brushless DC motor technology originally evolved with our development of the HDD spindle motor. Back in 1979, hard disk drives required driving belts to revolve. Nidec was the first company to replace this arrangement with a commercialized brushless DC motor assembly that drove the hard disk spindle directly. In due course, the advantages of this new HDD spindle motor technology spawned the development of the compact hard disks that we take for granted today.

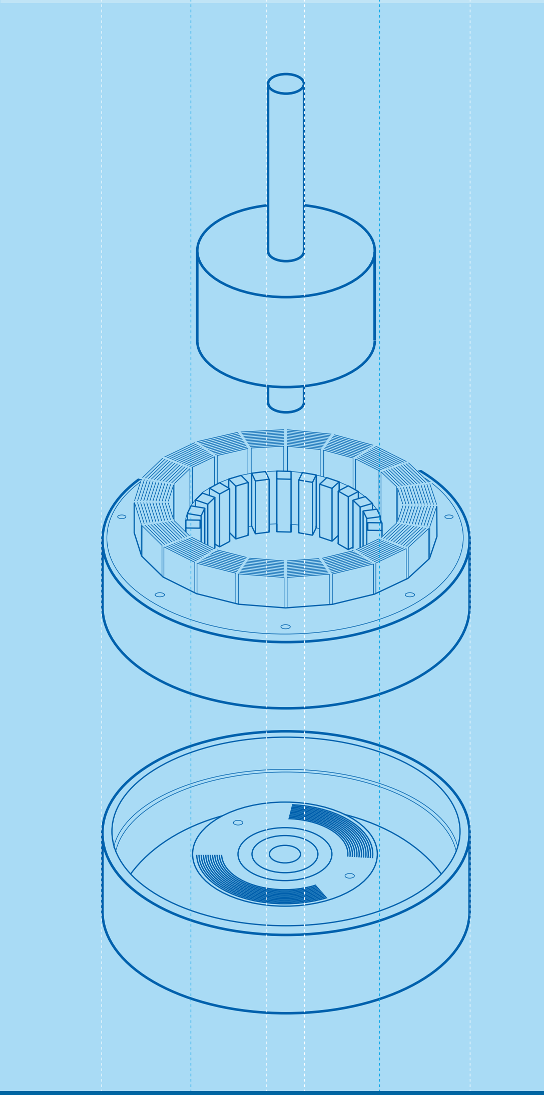
The technical revolution at Nidec did not stop there. We have since commercialized fluid dynamic bearing (FDB) technology, another technical breakthrough that replaces the ball bearings used inside conventional HDD spindle motors. FDB motors employ lubricating oil in the space between the shaft and the sleeve around it. The oil supports greater rotational precision and stability by applying increasing pressure as the shaft rotation speed rises. Besides a greater ability to withstand shock, this design minimizes shaft vibration. Increased speed and precision allow HDDs to operate more stably and boosts memory capacity. In addition, the lack of contact between the shaft and sleeve reduces noise levels, making these hard drives even quieter. We also expect customers to benefit from the increased longevity of these new HDD motors. The introduction of FDB motors will help to solidify our already powerful grip on the global spindle motor market, and we expect to increase market share steadily.

At Nidec, we have been working hard to be the first to commercialize technologies that enable our products to leap ahead a generation in performance. Equally important has been our ability to supply these products worldwide at competitive prices. To do so, we have developed cutting-edge production technology, allied with a global manufacturing network. As well as advanced dies and processing technology, we have developed all our production line technology in-house to give us a flexible system that can rapidly adjust to changes in desired specifications. Quality control has to be of the highest order, particularly with motors used in car steering and braking systems, since failure in any of these components could endanger human lives. We set stringent quality standards for our manufacturing plants to be literally second-to-none in production technology. Our maximum acceptable defect ratio target is one in a million, or 0.0001%.

The technical excellence of Nidec products is built on a backbone of sheer effort, plus a strong desire for pre-eminence. We strive to find synergies within the Nidec Group so that we can be the first to develop and commercialize new technologies and products, while also seeking to maintain a competitive edge in mass-production technologies. Our overall technical vision and drive remain centered on the motors of ultra-competitiveness.

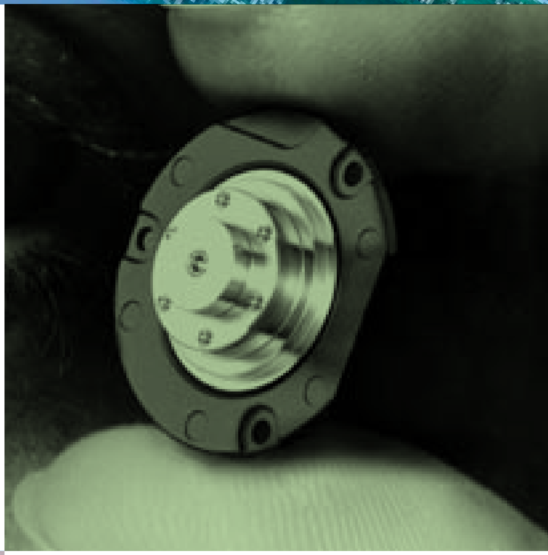






0.0001%

Our target
acceptable defect ratio
for automotive motors



"What we make
is not just small,
but durable,
fast and accurate.
That is why
Nidec is pioneering
the future."

3 Building a long-term presence in the region

Nidec's home base is in Kyoto, from where we conduct business with a global perspective. The questions for us are where our customers are located, and how quickly they need products supplied to their production lines. We design our production systems to guarantee our customers a stable supply. Our unswerving aim is to supply technically superior products more quickly than anybody else—a philosophy that has resulted in our production network being centered in Asia.

The reason we are in Asia is that most of our customers have shifted production to the region, or are in the process of moving capacity. We need to be close to our customers so that we are the first to discuss their needs with them directly, feeding this information back into our own development programs. We also need to site our production close to our customers so that we are the first to confirm that products satisfy requirements.

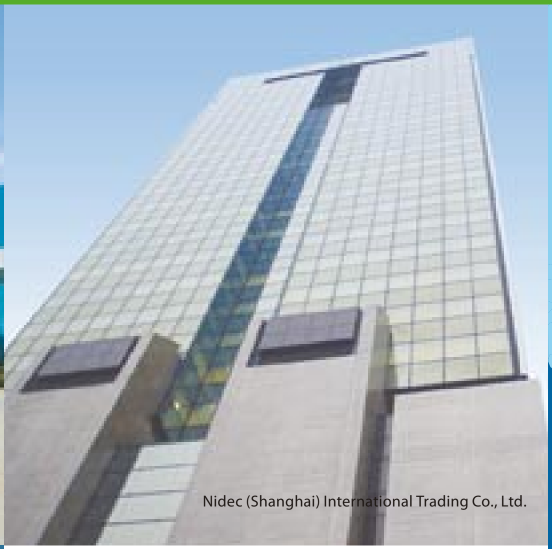
As of mid-2003, Nidec has nine production facilities located in China, all of which are managed by Nidec Group companies. Across the rest of Asia, we have five plants located in Thailand, two in the Philippines, and one each in Singapore and Indonesia. One notable site is in the Zhejiang Pinghu Economic Development Zone, in the environs of Shanghai, China. Covering a million square meters, this site will house production bases for eleven Nidec Group companies (seven have already commenced operation at the site). These plants will provide us with an integrated production capability to supply the rapid growth in demand within the Chinese market.

Our production bases in Japan are mainly technical development centers that also house R&D functions. These sites are responsible for the design, development and testing of new products in each area. They also constitute a network of "mother factories," where we build production line technologies. Linked to our overseas facilities through close communication channels, they support our regional manufacturing network in Asia.

Construction of a manufacturing supply chain network spanning Asia has given us the flexibility to respond to strict customer requirements. First, the ability to freely shift production between sites facilitates the supply of products closely geared to each customer's need according to an optimized delivery schedule. Second, multiple sites across different countries, each capable of manufacturing an adequate range of products, mitigate risks localized to particular regions. Of recent notes, our intra-Asian contingency plan has successfully averted any significant problems possibly arising from the recent SARS epidemic.

A combination of flexible production and strong technical capabilities underpins our commitment to be the best in quality and the swiftest in delivery as the world's leading manufacturer of brushless DC motors—crucial attributes that have built and maintained the faith which our customers place in Nidec Group products.

Nidec System Engineering (Zhejiang) Co., Ltd.



Nidec (Shanghai) International Trading Co., Ltd.

600 mil.

Our annual
production capabilities
global-wide.

Nidec Production Network in Asia

China:
Nidec (Zhejiang) Corp.
Nidec System Engineering (Zhejiang) Co., Ltd.
NTN-Nidec (Zhejiang) Corp.
Nidec Shibaura (Zhejiang) Co., Ltd.
Nidec Total Service (Zhejiang) Corp.
Nidec Copal (Zhejiang) Corp.
Nidec Copal Electronics (Zhejiang) Co., Ltd.
Nidec (Dongguan) Corp.
Nidec (Dalian) Limited

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

The Philippines:
Nidec Philippines Corp.
Nidec Precision Philippines Corp.

Indonesia:
P.T. Nidec Indonesia

Singapore:
Nidec Singapore Pte. Ltd.

"One out of
Nidec's five products
are manufactured
in China,
and that number continues
to grow with
increased investment."

Dalian
Nidec (Dalian) Limited

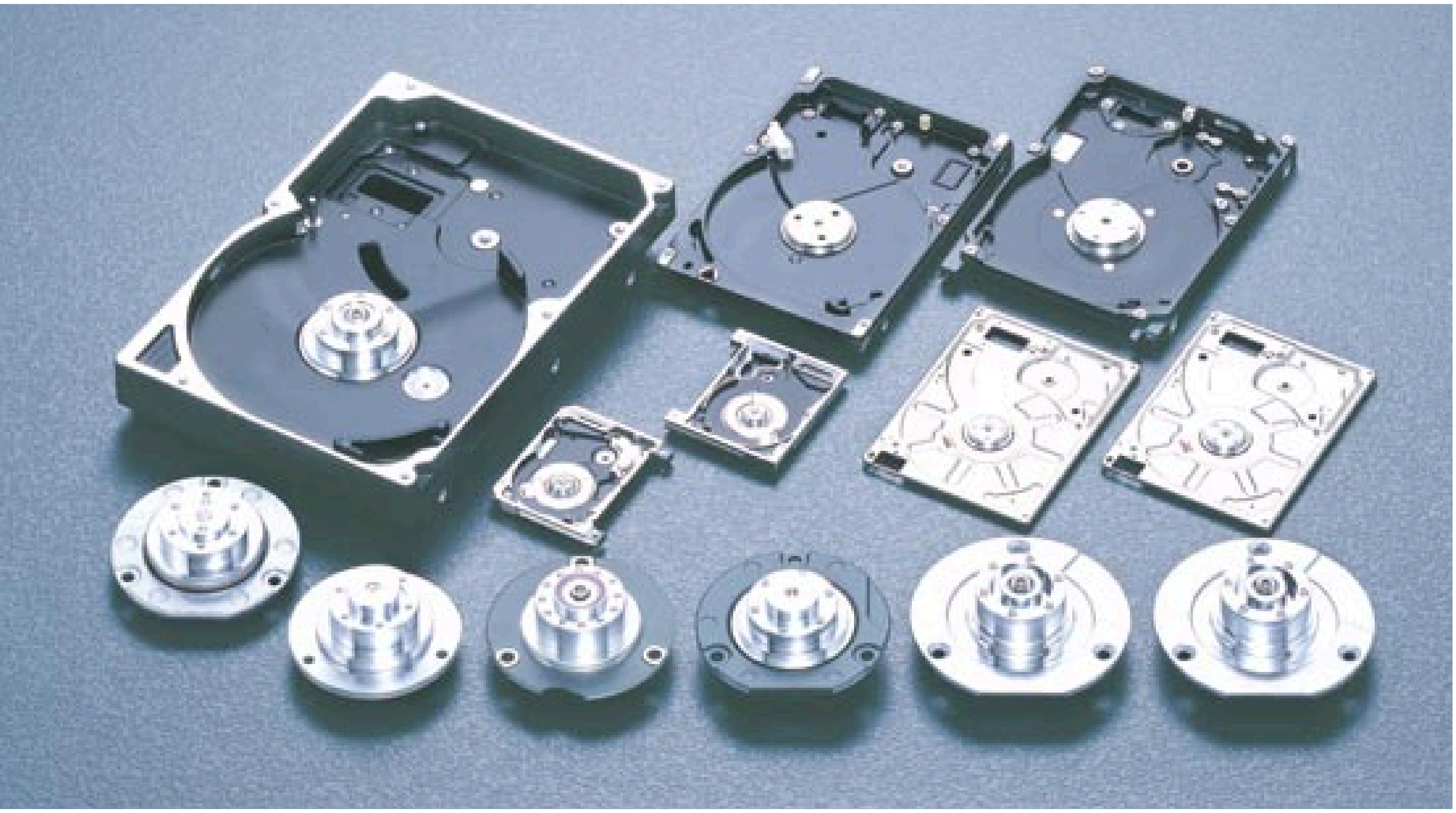
Shanghai
Nidec (Zhejiang) Corp.
Nidec Shibaura (Zhejiang) Co., Ltd.
Nidec Copal (Zhejiang) Corp.
Nidec System Engineering (Zhejiang) Co., Ltd.

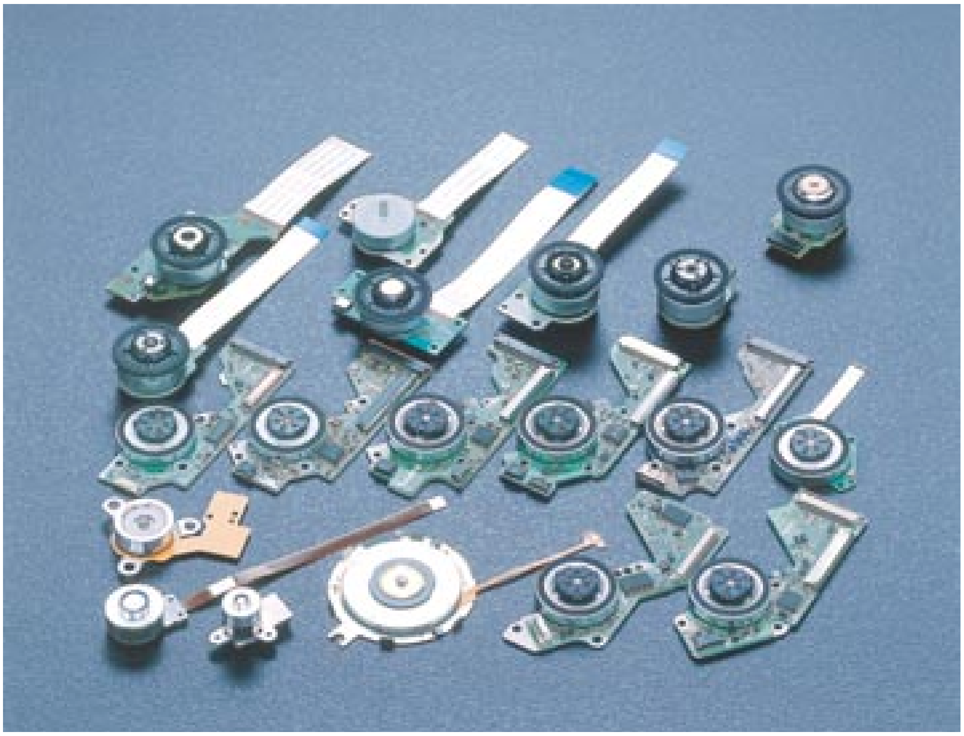
Hong Kong
Nidec (H.K.) Co., Ltd.
Nidec Johnson Electric (H.K.) Ltd.
Nidec (Dongguan) Corp.

Product Showcase

Spindle motors for hard disk drives (HDD)

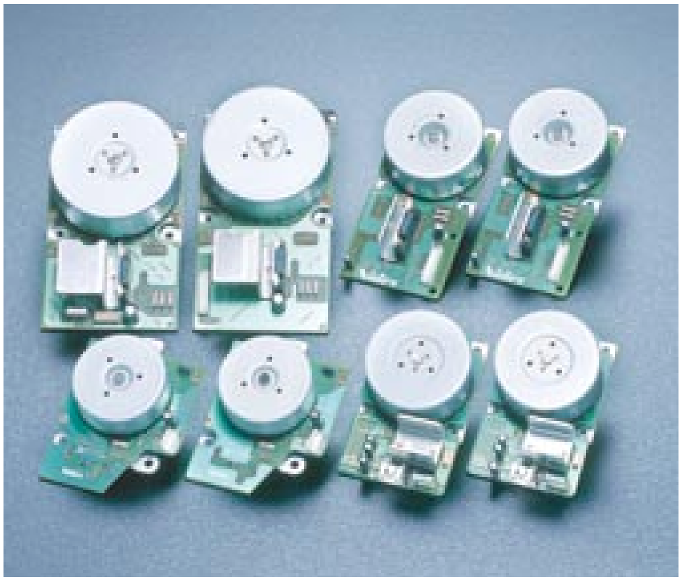
HDDs are increasingly being applied to information products such as servers, notebook PCs and car navigation systems. Nidec's spindle motors with fluid dynamic bearings (FDBs) enable crucial specifications for HDDs, including superb shock resistance and rotational accuracy with near-zero noise emission.





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.

Mid-size brushless DC motors for automobiles

Automobile electronic systems are becoming ever more sophisticated in line with market demands for fuel-efficient, low-emission vehicles that are also safe and comfortable. This is in turn spurring rapid growth in the automotive electric motor market. Nidec supplies automobile manufacturers with mid-size brushless DC motors for power steering and other systems. We will continue to gain market share by providing products that are durable, powerful, highly responsive and quiet, while positioning automotive electric motors as a key strategic area building off of our development capabilities.

Mid-size brushless DC motors for home appliances

In addition to air conditioners, refrigerators, ventilation fans and many other home appliances, pumps for residential equipment such as floor-heating systems and water equipment, have fans powered by energy-efficient, quiet and durable mid-size brushless DC motors. Nidec manufactures these high-performance motors in Japan, China and Thailand.

Mid-size brushless DC motors for industrial equipment

Given a strong demand for energy-efficient products in the industrial equipment industry, a large variety of brushless DC motors, with their high efficiency and ease of control, are at work in the drive section of industrial equipment such as pumps, automatic doors and conveyors. Nidec's diverse product lineup offers power ranging from 10W to 3,700W to cover any and every user need.

Fan motors

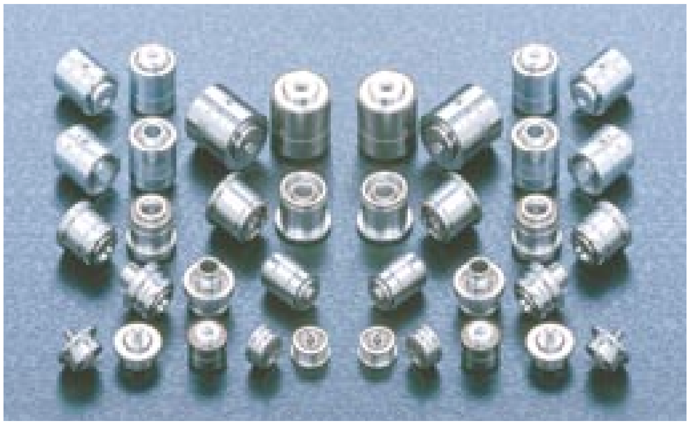
Fan motors prevent breakdowns or malfunction by quickly dispersing heat and cooling the inside of electronic equipment. With the advent of not only computers and OA equipment but also home appliances that use electronic components, fan motors have become indispensable. Together with producing fan motors that are reliable, functional and quiet, Nidec is also shoring up its manufacturing and sales bases in Japan, China, Taiwan, the U.S. and Vietnam.

Small AC motors

Operated via a commercial power supply, AC motors are used in a variety of fields, including industrial machinery, housing facilities and home appliances. We produce motors suited to specific customer needs from design through to mass production. Our AC motors not only deliver maximum power but also ensure lower running cost and safety. Nidec's efficient and flexible production system enables diversified, small- and medium-lot production geared toward ensuring speedy delivery.

Brush DC motors

Nidec and Hong Kong-based Johnson Electric Holdings Limited established Nidec Johnson Electric (Hong Kong) Ltd. as a joint venture company to respond to the brush DC motor needs of the rapidly expanding audio-visual and computer peripheral industries. This company will leverage Nidec's marketing prowess and Johnson Electric's mass production capabilities in developing products that offer greater reliability and cost performance.



Pivot assemblies

As the key component of an HDD, a spindle motor requires a level of manufacturing technology on par with that of semiconductors. As the leading global manufacturer of HDD spindle motors, Nidec is continuously making new inroads in applying the latest technology to meet market demand for high-capacity, low-noise, shock resistant spindles. In Singapore, we develop and manufacture and supply ultra-high-precision pivot assemblies used in HDDs, which are trusted by HDD manufacturers for their high quality exemplified by superb rigidity and vibration absorption.

Financial Section

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

During the year ended March 31, 2003 the market for hard disk drive spindle motors had undergone a significant shift from the conventional ball bearing technology to the fluid dynamic bearing technology. Almost 56% of our production of hard disk drive spindle motors were fluid dynamic bearing motors for the year ended March 31, 2003, compared to 29% for the year ended March 31, 2002. We believe that almost all, with a few exception, hard disk drive manufacturers in the world began 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, fell approximately 4.2% during the calendar year 2001 compared to the calendar year 2000. This was the first decline since 1986. Such shipments increased, however, by 1.5% for the calendar year 2002 from the calendar year 2001 and is estimated to have increased by 8.3% for the calendar year 2003. Our average sales price of hard disk drive spindle motors fell by approximately 7% during the year ended March 31, 2001 and increased by approximately 1% during the year ended March 31, 2002, 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 8% during the year ended March 31, 2003, despite the increase in the shipments of our hard disk drive spindle motors by 14%. This, we believe, reflects the strong demand for our hard disk drive motors, especially from manufacturers of new consumer electronics and home entertainment applications. We were able to increase our market share of hard disk drive motors for use in non-PC products including DVD recorders and car navigation systems.

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

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

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

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

Market Environment for Other Small Precision Brushless DC Motors

Most of our revenues from sales of other small precision brushless DC motors are derived from sales to manufacturers of CD-ROM, CD-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

Sales of our brushless DC fans are primarily affected by the general market demand for the products which incorporate them. Our brushless DC fans are used in computers, computer peripherals, game consoles, photocopy machines, projectors and household appliances such as rice cookers. We are also selling brushless DC fans which are used to cool automobile seats. 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. We also 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

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. Major acquisitions of consolidated subsidiaries over the last three fiscal years include our additional acquisition in September 2000 of 60.0% of the common stock of Nidec Shibaura Corporation, making it a wholly-owned subsidiary.

We spent approximately ¥600 million on the transaction. Assuming that this acquisition transactions during the period had occurred as of April 1, 2000, on an unaudited pro forma basis our net sales would have been ¥183,255 million for the year ended March 31, 2001, and our net income would have been ¥10,324 million for the year ended March 31, 2001.

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

During the year ended March 31, 2003, we invested an aggregate of ¥693 million in shares of affiliates accounted for by the equity method. We own, directly or indirectly, 50% or less of the shares of ten affiliates. On a combined basis, our affiliates had aggregate net revenues of ¥86,258 million, gross profit of ¥15,785 million and net income of ¥3,225 million for the year ended March 31, 2003, as compared to net revenues of ¥130,643 million, gross profit of ¥21,855 million and net income of ¥3,319 million for the year ended March 31, 2002. The decline in net revenues, gross profit and net income for the year ended March 31, 2003 is primarily due to the fact that we excluded Nidec-Shimpo Corporation, Nidec-Read Corporation, Nidec Tosok Corporation and certain other affiliated companies, which became newly consolidated subsidiaries in February 2002. 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 of our affiliated companies in the amount of ¥2,417 million for the year ended March 31, 2002. This was mainly due to the fact that we ceased to amortize goodwill by the adoption of SFAS No. 142, which became effective on April 1, 2002. Excluding the amortization of goodwill, our share of net income of our affiliates for the year ended March 31, 2002 would have been ¥1,331 million. Results varied widely between companies. The business lines and results of our major affiliates are described in "Major Affiliates" under Item 4.C of this annual report.

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

Effects of Foreign Currency Fluctuations

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

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

Changes in the fair values of our foreign exchange forward contracts and changes in option prices under our foreign currency option agreements are recognized as gains or losses on derivative instruments in our consolidated statement of income. For a more detailed discussion of these instruments, you should read Note 21 to our consolidated financial statements included in this annual report.

Trends for the Year Ending March 31, 2004

The fiscal year ending March 31, 2004 started with no clear sign of economic recovery under unforeseeable political climates, leaving the trend for future demands unpredictable. In the meantime, intensified competitions for cutting-edge technologies have led to the improvement of practical applications of technologies and an increasing demand for new products. We, as a worldwide leader for motor technology, are poised to push for new growth defying today's turbulent business environment. We have been focusing on the mass-production of fluid dynamic bearing motors, which is as an epoch-making technical innovation. We are prepared to launch a full-fledged fluid dynamic bearing business on a greater scale. While upgrading its technical edge, we continue to improve cost competitiveness and profitability. In other business fields, we remain stable in parts businesses markets of various kinds, while our machinery business remains stagnated. One of our main objectives for the year ending March 31, 2004 is to have profitability growth across our business areas.

The foregoing statements regarding the year ending March 31, 2004 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, 2003.

	Year ended March 31,			
	2001	2002	**2003**	**2003**
	(Yen in millions and U.S. dollars in thousands)			
Net sales	¥ 172,710	¥ 193,332	**¥ 231,836**	**$1,928,752**
Cost and expenses:				
Cost of products sold	144,594	159,442	**187,306**	**1,558,286**
Selling, general and administrative expenses	12,810	17,691	**21,302**	**177,221**
Research and development expenses	5,243	5,727	**6,824**	**56,772**
	162,647	182,860	**215,432**	**1,792,279**
Operating income	10,063	10,472	**16,404**	**136,473**
Other income (expenses):				
Interest and dividend income	855	572	**364**	**3,028**
Interest expense	(1,338)	(1,167)	**(890)**	**(7,404)**
Foreign exchange gain (loss), net	3,117	2,107	**(3,511)**	**(29,209)**
Gain from derivative instrument, net	3,355	8	**23**	**191**
Loss on marketable securities, net	(2,900)	(1,400)	**(1,583)**	**(13,170)**
Gain from issuance of securities by affiliated companies	449	—	**39**	**324**
Gain (loss) from sales of investments in affiliated companies	1,861	11	**(4)**	**(33)**
Other, net	(324)	874	**69**	**574**
	5,075	1,005	**(5,493)**	**(45,699)**
Income before provision for income taxes	15,138	11,477	**10,911**	**90,774**
Provision for income taxes	(4,609)	(2,162)	**(1,053)**	**(8,760)**
Income before minority interest and equity in earnings of affiliated companies	10,529	9,315	**9,858**	**82,014**
Minority interest in income (loss) of consolidated subsidiaries	(93)	318	**644**	**5,358**
Equity in net (income) / losses of affiliated companies	(89)	2,417	**(1,466)**	**(12,196)**
Net income	¥ 10,711	¥ 6,580	**¥ 10,680**	**$ 88,852**

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 burushless 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 brush 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 brushed 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

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, our Philippine subsidiary. 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.

Results of Operations — Year ended March 31, 2002 Compared to Year ended March 31, 2001

Net Sales

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

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

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

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

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

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

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

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

Cost of Products Sold

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

Selling, General and Administrative Expenses

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

Research and Development Expenses

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

Operating Income

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

Other Income (Expenses)

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

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

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

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

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

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

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

Income before Provision for Income Taxes

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

Provision for Income Taxes

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

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

Minority Interest in Income (Loss) of Consolidated Subsidiaries

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

Equity in Net (Income)/Losses of Affiliated Companies

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

Net Income

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

Segment Information

Based on the applicable criteria set forth in Statement of Financial Accounting Standards No. 131, “Disclosures about Segments of an Enterprise and Related Information” (“SFAS No. 131”), we have nine reportable operating segments on which we report in our consolidated financial statements. These reportable operating segments are legal entities. One of them is Nidec Corporation, and the others are eight of Nidec’s 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 and Nidec Tosok Corporation. Information on each of these consolidated subsidiaries is set forth in the table under “Acquisition Strategy, Subsidiaries and Major Affiliates-Our Acquisition Strategy.” For the information required by SFAS No. 131, see Note 25 to our consolidated financial statements included in this annual report.

Nidec (Dalian) Limited, Nidec Shibaura Corporation and Nidec Tosok Corporation are newly reportable segments for the year ended March 31, 2003. Segment information for the years ended March 31, 2001 and 2002 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 and Nidec Tosok Corporation 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, and Nidec (Dalian) Limited applies Chinese 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, 2001, 2002 and 2003. The second table shows operating profit or loss by reportable operating segment for the years ended March 31, 2001, 2002 and 2003:

	Year ended March 31,			
	2001	2002	**2003**	**2003**
	(Yen in millions and U.S. dollars in thousands)			
Nidec				
External revenues	¥ 49,721	¥ 63,205	**¥ 65,248**	**$ 542,829**
Intrasegments revenues	49,884	61,679	**63,916**	**531,747**
Sub total	99,605	124,884	**129,164**	**1,074,576**
Nidec Singapore				
External revenues	36,621	48,115	**46,708**	**388,586**
Intrasegments revenues	3,474	3,254	**3,851**	**32,038**
Sub total	40,095	51,369	**50,559**	**420,624**
Nidec Electronics (Thailand)				
External revenues	15,154	14,787	**20,484**	**170,416**
Intrasegments revenues	19,876	23,109	**21,256**	**176,839**
Sub total	35,030	37,896	**41,740**	**347,255**
Nidec Philippines				
External revenues	7,481	5,220	**3,602**	**29,967**
Intrasegments revenues	17,516	19,816	**18,838**	**156,722**
Sub total	24,997	25,036	**22,440**	**186,689**
Nidec America				
External revenues	9,998	7,487	**6,075**	**50,541**
Intrasegments revenues	968	539	**1,398**	**11,631**
Sub total	10,966	8,026	**7,473**	**62,172**
Nidec Power Motor				
External revenues	11,446	9,345	**9,116**	**75,840**
Intrasegments revenues	1	31	**93**	**774**
Sub total	11,447	9,376	**9,209**	**76,614**
Nidec (Dalian)				
External revenues	0	17	**48**	**399**
Intrasegments revenues	18,083	24,070	**27,523**	**228,977**
Sub total	18,083	24,087	**27,571**	**229,376**

Nidec Shibaura				
External revenues	10,310	16,192	**15,138**	**125,940**
Intrasegments revenues	1,342	2,479	**2,966**	**24,675**
Sub total	11,652	18,671	**18,104**	**150,615**
Nidec Tosok				
External revenues	—	1,615	**18,933**	**157,512**
Intrasegments revenues	—	139	**565**	**4,700**
Sub total	—	1,754	**19,498**	**162,212**
All Others				
External revenues	29,464	26,333	**46,078**	**383,344**
Intrasegments revenues	21,797	41,230	**56,471**	**469,809**
Sub total	51,261	67,563	**102,549**	**853,153**
Total				
External revenues	170,195	192,316	**231,430**	**1,925,374**
Intrasegments revenues	132,941	176,346	**196,877**	**1,637,912**
Adjustments (*)	2,515	1,016	**406**	**3,378**
Intrasegment elimination	(132,941)	(176,346)	**(196,877)**	**(1,637,912)**
Consolidated total (net sales)	¥ 172,710	¥ 193,332	**¥ 231,836**	**$1,928,752**

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

	Year ended March 31,			
	2001	2002	**2003**	**2003**
	(Yen in millions and U.S. dollars in thousands)			
Segment profit or loss:				
Nidec	¥ 867	¥ 4,101	**¥ 3,521**	**$ 29,293**
Nidec Singapore	1,447	1,963	**2,020**	**16,805**
Nidec Electronics (Thailand)	3,952	1,578	**3,179**	**26,447**
Nidec Philippines	2,899	2,485	**1,212**	**10,083**
Nidec America	254	(680)	**165**	**1,373**
Nidec Power Motor	(124)	187	**488**	**4,060**
Nidec (Dalian)	369	1,778	**3,001**	**24,967**
Nidec Shibaura	422	279	**(134)**	**(1,115)**
Nidec Tosok	—	90	**689**	**5,732**
All Others	1,663	3,198	**4,450**	**37,022**
Total	11,749	14,979	**18,591**	**154,667**
Adjustments (*)	(1,686)	(4,507)	**(2,187)**	**(18,194)**
Consolidated total	¥ 10,063	¥ 10,472	**¥ 16,404**	**$ 136,473**

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

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

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 the increase in sales denominated in U.S. dollar 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 the improvement of production efficiency in small precision ball bearing motors.

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

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

Net sales of Nidec 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 the decreased sales of ball bearing motors and increased depreciation of capital investment for the production of fluid dynamic bearing motors.

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

Net sales of Nidec 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 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 an unprofitable power supplies business.

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

Net sales of Nidec 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 for 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 Power Motor Corporation decreased 18.1% from ¥11,447 million for the year ended March 31, 2001 to ¥9,376 million for the year ended March 31, 2002. However, due to the aggressive cost reduction activity, operating profit turned from a loss of ¥124 million for the year ended March 31, 2001 to the profit of ¥187 million for the year ended March 31, 2002.

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 (Dailian) Limited increased 33.2% from ¥18,083 million for the year ended March 31, 2001 to ¥24,087 million for the year ended March 31, 2002 due to increased sales of fan motors and DC motors. Operating profit increased 381.8% from ¥369 million for the year ended March 31, 2001 to ¥1,778 million for the year ended March 31, 2002 due to the improvement in cost efficiency by increasing production of fan motors and DC motors.

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 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 and operating profit of Nidec Shibaura Corporation were ¥11,652 million and ¥422 million for the year ended March 31, 2001. Nidec Shibaura Corporation has been consolidated since October 1, 2001.

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.

Within the All Others segment, net sales increased 51.8% from ¥67,563 million for the year ended March 31, 2002 to ¥102,549 million for the year ended March 31, 2003. Operating profit also increased 39.1% from ¥3,198 million for the year ended March 31, 2002 to ¥4,450 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 included in the All Others segment. Excluding the contribution from these newly consolidated subsidiaries, net sales increased ¥11,141 million mainly due to the increased sales in Nidec Taiwan Corporation and Nidec Hi-Tech Motor (Thailand), and operating profit decreased ¥828 million mainly due to the decreased profit in Nidec Machinery Corporation and a loss of Nidec (Zheijiang) Corporation.

Within the All Others segment, net sales increased 31.8% from ¥51,261 million for the year ended March 31, 2001 to ¥67,563 million for the year ended March 31, 2002. Operating profit also increased 92.3% from ¥1,663 million for the year ended March 31, 2001 to ¥3,198 million for the year ended March 31, 2002. In February 2002, Nidec acquired over 50% ownership in Nidec-Shimpo Corporation, Nidec-Read Corporation, Nidec Tosok Corporation and eight other affiliated companies, and these companies were consolidated from their respective acquisition dates. The net sales and operating profit of the companies other than Nidec Tosok Corporation were ¥1,132 million and ¥162 million, respectively, and are included in the All Others segment. Excluding the contribution from these newly consolidated subsidiaries, net sales increased ¥15,170 million mainly due to the increase in sales of Nidec Shibaura (Zeijiang) Corporation and Nidec Machinery Corporation, and operating profit increased ¥1,373 million mainly due to the increased profit in Nidec Machinery Corporation.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). 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 is not expected to have a material impact on our results of operations and financial position.

In April 2002, the FASB issued Statement of Financial Accounting Standards 145, “Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections” (“SFAS No. 145”), effective for fiscal years beginning or transactions occurring after May 15, 2002. This statement rescinds certain authoritative pronouncements and amends, clarifies or describes the applicability of others. The adoption of SFAS No. 145 did not have a material impact on our results of operations and financial position, and cash flows.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (“SFAS No. 146”), which requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement nullifies Emerging Issues Task Force Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring),” which required that a liability for an exit cost be recognized upon the entity’s commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on our results of operations and financial position, and cash flows.

In November 2002, the FASB issued FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” (“FIN 45”). FIN 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under the guarantee. FIN 45 also requires additional disclosures by the guarantor in its interim and annual financial statements about the obligations associated with the guarantee. The recognition provisions of FIN 45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for our year-end disclosure as of March 31, 2003. The adoption of FIN 45 did not have a material effect on our results of operations, financial position, and cash flows.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123” (“SFAS No. 123”). SFAS No. 148 amends SFAS No. 123, “Accounting for Stock-Based Compensation” to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The adoption of SFAS No. 148 is expected to impact only disclosures for the fiscal year ending March 31, 2003, not our results of operations, financial position and cash flows as we continue to apply the provisions of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees”, in accounting for stock options granted to employees.

In January 2003, the FASB issued FASB Interpretation No. 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51” (“FIN 46”). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if 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 our evaluation of the impact of FIN 46 and have not identified any variable interest entities which would require consolidation as a result of implementing this new standard.

In November 2002, the FASB issued EITF Issue No. 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables”. EITF Issue No. 00-21 provides a 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 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We do not expect the adoption of this standard to have a material impact on our results of operations and financial position.

In April 2003, the FASB issued Statement of Financial Accounting Standards 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 Statement of Financial Accounting Standards No. 133. We are currently evaluating the impact of adopting this new pronouncement.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” (“SFAS No. 150”). 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. We are currently evaluating the impact of adopting this new pronouncement.

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, 2002 or 2003. We may have to recognize large amounts of inventory write-downs as a result of an unexpected decline in market conditions, changes in demand or changes in our product line.

Other-than-temporary Losses on Marketable Securities

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

For the year ended March 31, 2002 and 2003, the estimated fair value of our marketable securities was ¥5,857 million and ¥4,569 million, respectively. We recorded loss on marketable securities in the amount of ¥1,400 million and ¥1,583 million for the years ended March 31, 2002 and 2003, respectively.

Allowance for Doubtful Accounts

We maintain a general allowance for doubtful accounts based on the historical rate of credit losses experienced. We additionally provide allowances for specific customer accounts deemed uncollectible. Management assesses the need for specific allowances based on changes in the customers' financial condition and length of time the account has remained overdue. As our customer base is highly concentrated, the nonfulfillment or delay in payment caused by even one of our major customers may require us to record a large amount of additional allowance. For the year ended March 31, 2003, sales to our six largest customers represented approximately 41% of our net sales. Our accounts receivable are likewise concentrated. At March 31, 2003, six customers represented ¥19.7 billion, or 39 %, of our gross accounts receivable. In addition, during economic downturns, certain of our customers may have difficulty with their cash flows.

Although we believe that we can make reliable estimates for doubtful accounts, customer concentrations as well as overall economic conditions may affect our ability to accurately estimate the allowance for doubtful accounts. Our allowance for doubtful accounts amounted to ¥378 million at March 31, 2002 and ¥465 million at March 31, 2003. Our trade notes and accounts receivable balance was ¥8,708 million, net of allowance for doubtful accounts, as at March 31, 2003.

Deferred Tax Assets

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. As at March 31, 2003 we had deferred tax assets in the amount of ¥9,232 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 ¥1,842 million as of March 31, 2003, 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 35% of our total assets as at March 31, 2003. We carefully monitor the appropriateness of the estimated useful lives of these assets. Whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable, we review the respective assets for impairment. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows. We review idle assets for possible impairment based on their condition or based on the probability of future use. Changes in technology, market demand, our planned product mix or in our intended use of these assets may cause the estimated period of use or the value of these assets to change. In addition, changes in general industry conditions such as increased competition could cause the value of certain of these assets to change. Estimates and assumptions used in both estimating the useful life and evaluating potential impairment issues require a significant amount of judgment. As such, our judgment as to the recoverability of capitalized amounts and the amount of any impairment will be significantly impacted by such factors.

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 ¥3,658 million as of March 31, 2003.

Also, we ceased to amortize ¥9,228 million of the portion of the difference between the cost of an investment and the amount of underlying equity in net assets of an affiliated company 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 the affiliated company. As for equity method goodwill, under the guidelines of SFAS No. 142, we will continue to review equity method investments for impairment in accordance with the guidance in Accounting Principles Boards Opinion No. 18 as required by SFAS No. 142.

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 rate of increase in compensation levels and average remaining years of service based on our historical data. Changes in these assumptions will have impact on our net periodic pension cost. For example, a significant assumption used in determining our accrued pension and severance costs are the expected weighted-average rate of return on plan assets. For the years ended March 31, 2002 and 2003, we assumed weighted-average expected rate of return on plan assets of 1.0-3.0% and 1.0-2.0%, respectively. 0.5% decrease in our weighted-average expected rate of return on plan assets would decrease net income by approximately ¥25 million.

B. Liquidity and Capital Resources.

Liquidity and Capital Resources

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

We fund our growth primarily with funds generated from operations, proceeds from issuances of unsecured bonds, including convertible bonds, and borrowings from banks. We believe that these funding sources, as well as future sources of external funding, will be sufficient to meet our capital requirements for the current fiscal year. In the event that we lose any main customers or their demand for our products significantly drops, we might face a cash shortage resulting from a decrease in funds generated from operations. Although we do not anticipate such events, even if they were to occur, we believe that we could obtain sufficient cash through available unused lines of credit totaling ¥40,333 million as of March 31, 2003.

Total assets increased by ¥21 million from ¥257,911 million for the year ended March 31, 2002 to ¥257,932 million for the year ended March 31, 2003. The additions of property, plant and equipment such as facilities for fluid dynamic bearing motors and others offset a decrease in cash and cash equivalents due to an increase in the amount of net repayments of long-term debt and payments of dividends.

Total liabilities decreased by ¥2,981 million or 1.8% to ¥160,267 million as of March 31, 2003. Despite the increase of ¥8,844 million in short-term borrowings and ¥3,677 million in notes and accounts payable, the decrease was due mainly to net repayment of ¥10,745 million in long-term debt used primarily for our capital investment and a decrease of ¥3,436 million in accrued income taxes payable.

Working capital, defined as current assets less current liabilities, decreased by ¥5,328 million to negative ¥11,862 million as of March 31, 2003 as compared to March 31, 2002. This was due primarily to the fact that we funded a greater portion of our operations through short-term borrowings from banks that offer relatively lower interest rates than long-term debt. Besides we maintain sufficient unused lines of credit. Accordingly, we do not anticipate that we will experience difficulty meeting cash requirements despite having negative working capital.

Our receivable turnover ratio was 3.9 at March 31, 2003, compared to 3.2 at March 31, 2002. Receivable turnover ratio is calculated by dividing net sales for the year ended March 31 by the year-end trade notes and accounts receivable balance. Our inventory turnover ratio was 11.0 at March 31, 2003, compared to 8.1 at March 31, 2002. This was due to our successful efforts to reduce inventory levels. Substantially all of our finished inventory as of March 31, 2003 consists of products manufactured for specific customers' orders, which we believe they are obligated to accept on delivery. We have generally been able to reduce production levels to enable us to move excess inventory and avoid write-offs. Inventory write-downs incurred to date principally relate to lower of cost and market assessments. Such write-downs were not significant for the year ended March 31, 2003. The amounts of any such write-downs are included in cost of sales. The inventory turnover ratio is calculated by dividing cost of products sold for the year ended March 31 by the year-end inventory balance.

In addition to cash and cash equivalents, which amounted to ¥33,039 million as of March 31, 2003, our sources of liquidity include bank borrowings. We maintain good business relationships with several major Japanese banks. As of March 31, 2003, we had short-term borrowings outstanding in the amount of ¥64,597 million and long-term debt, exclusive of the current portion, in the amount of ¥16,388 million.

Contractual Obligations and Commercial Commitments

The following tables represent our contractual obligations and other commercial commitments as of March 31, 2003.

(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	¥ 25,339	¥ 8,951	¥ 13,981	¥ 1,953	¥ 454
Capital Lease Obligations	2,581	659	760	740	422
Operating Leases	934	192	175	51	516
Purchase Commitments for Fixed Assets	6,159	4,236	1,923	—	—
Total Contractual Cash Obligations	¥ 35,013	¥ 14,038	¥ 16,839	¥ 2,744	¥ 1,392

(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	$ 210,806	$ 74,467	$ 116,314	$ 16,248	$ 3,777
Capital Lease Obligations	21,473	5,483	6,323	6,156	3,511
Operating Leases	7,770	1,597	1,456	424	4,293
Purchase Commitments for Fixed Assets	51,240	35,241	15,999	—	—
Total Contractual Cash Obligations	$ 291,289	$ 116,788	$ 140,092	$ 22,828	$ 11,581

(Yen in millions)

Other Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1–3 years	4–5 years	Over 5 years
Guarantees	¥ 150	¥ 3	¥ 34	¥ 34	¥ 79
Total Commercial Commitments	¥ 150	¥ 3	¥ 34	¥ 34	¥ 79

(U.S. dollars in thousands)

Other Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1–3 years	4–5 years	Over 5 years
Guarantees	$ 1,248	$ 25	$ 283	$ 283	$ 657
Total Commercial Commitments	$ 1,248	$ 25	$ 283	$ 283	$ 657

Cash Flows

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

Net cash 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 year ended March 31, 2002 and 2003, we focused continuously on investments in the 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.

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

Net cash used in 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.

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

Our capital commitments as of March 31, 2003 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 ¥9,007 million at March 31, 2002 to approximately ¥6,159 million at March 31, 2003, and from approximately ¥11,931 million at March 31, 2001 to approximately ¥9,007 million at March 31, 2002, respectively. Each decrease is due mainly to the reduction of the investments in the facilities equipment compared to the previous year. See Note 24 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:

	(Yen in millions)	(U.S. dollars in thousands)
Year ending March 31,		
2004	¥ 8,951	$ 74,467
2005	3,142	26,140
2006	10,839	90,174
2007	842	7,005
2008	1,111	9,243
2009 and thereafter	454	3,777

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. We employ approximately 576 people, most of whom are located in Japan, the United States and Singapore, who are dedicated to research and development. Our position as the leading supplier of hard disk drive spindle motors to the major hard disk drive manufacturers provides us with access to the most current information in the industry, which we immediately incorporate into our research and development activities. As a result, we can quickly develop products that match the precise needs of each customer.

Based on precision engineering expertise gained from our history of making motors, we have concentrated our research and development activities on drive motor technologies. However, we are conducting research in many areas, including the basic technologies of spindle motors for all types of information equipment, as well as technologies for 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.

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 for 1-inch disks for use in digital still cameras and potentially in cellular 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; and
- the development of gear reducers, including additional lines of gear reducers tailored for the American and Asian markets.

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

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

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

We incurred research and development expenses of ¥5,243 million for the year ended March 31, 2001, ¥5,727 million for the year ended March 31, 2002 and ¥6,824 million for the year ended March 31, 2003. 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 ¥8,000 million on research and development in the year ending March 31, 2004. We believe that our expenditures on research and development are sufficient to maintain a competitive position within the spindle motor manufacturing industry.

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

At March 31, 2003 and 2002

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 38,495	**¥ 33,039**	**$ 274,867**
Trade notes and accounts receivable, net of allowance for doubtful accounts of ¥378 million in 2002 and ¥465 million ($3,869 thousand) in 2003:			
Notes	14,159	**8,708**	**72,446**
Accounts	46,253	**50,780**	**422,463**
Inventories	19,601	**17,036**	**141,730**
Prepaid expenses and other current assets	6,174	**11,750**	**97,754**
Total current assets	124,682	**121,313**	**1,009,260**
Marketable securities and other securities investments	6,383	**5,324**	**44,293**
Investments in and advances to affiliated companies	29,776	**29,051**	**241,689**
	36,159	**34,375**	**285,982**
Property, plant and equipment:			
Land	17,348	**18,490**	**153,827**
Buildings	39,728	**47,220**	**392,845**
Machinery and equipment	80,560	**83,624**	**695,707**
Construction in progress	5,827	**2,425**	**20,175**
	143,463	**151,759**	**1,262,554**
Less—Accumulated depreciation	(58,047)	**(61,050)**	**(507,904)**
	85,416	**90,709**	**754,650**
Other non-current assets	11,654	**11,535**	**95,965**
Total assets	¥ 257,911	**¥ 257,932**	**$2,145,857**

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

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	¥ 58,395	**¥ 64,597**	**$ 537,413**
Current portion of long-term debt	15,365	**8,951**	**74,467**
Trade notes and accounts payable	44,973	**49,276**	**409,950**
Other current liabilities	12,483	**10,351**	**86,115**
Total current liabilities	131,216	**133,175**	**1,107,945**
Long-term liabilities:			
Long-term debt	21,360	**16,388**	**136,339**
Accrued pension and severance costs	9,496	**10,357**	**86,165**
Other long-term liabilities	1,176	**347**	**2,887**
Total long-term liabilities	32,032	**27,092**	**225,391**
Minority interest in consolidated subsidiaries	9,188	**9,108**	**75,774**
Commitments and contingencies (Note 24)			
Shareholders' equity:			
Common stock authorized: 240,000,000 shares in 2002 and 2003; issued and outstanding: 63,563,653 shares in 2002 and 63,574,729 shares in 2003	26,469	**26,485**	**220,341**
Additional paid-in capital	25,801	**25,817**	**214,784**
Retained earnings	34,299	**43,708**	**363,627**
Accumulated other comprehensive loss	(1,085)	**(7,387)**	**(61,456)**
Treasury stock, at cost: 1,172 shares in 2002 and 8,648 shares in 2003	(9)	**(66)**	**(549)**
Total shareholders' equity	85,475	**88,557**	**736,747**
Total liabilities and shareholders' equity	¥ 257,911	**¥ 257,932**	**$2,145,857**

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

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2003, 2002 and 2001

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Net sales	¥ 172,710	¥ 193,332	**¥ 231,836**	**$1,928,752**
Operating expenses:				
Cost of products sold	144,594	159,442	**187,306**	**1,558,286**
Selling, general and administrative expenses	12,810	17,691	**21,302**	**177,221**
Research and development expenses	5,243	5,727	**6,824**	**56,772**
	162,647	182,860	**215,432**	**1,792,279**
Operating income	10,063	10,472	**16,404**	**136,473**
Other income (expense):				
Interest and dividend income	855	572	**364**	**3,028**
Interest expense	(1,338)	(1,167)	**(890)**	**(7,404)**
Foreign exchange gain (loss), net	3,117	2,107	**(3,511)**	**(29,209)**
Gain from derivative instruments, net	3,355	8	**23**	**191**
Loss on marketable securities, net	(2,900)	(1,400)	**(1,583)**	**(13,170)**
Gain from issuance of securities by affiliated companies	449	—	**39**	**324**
Gain (loss) from sales of investments in affiliated companies	1,861	11	**(4)**	**(33)**
Other, net	(324)	874	**69**	**574**
	5,075	1,005	**(5,493)**	**(45,699)**
Income before provision for income taxes	15,138	11,477	**10,911**	**90,774**
Provision for income taxes	(4,609)	(2,162)	**(1,053)**	**(8,760)**
Income before minority interest and equity in earnings of affiliated companies	10,529	9,315	**9,858**	**82,014**
Minority interest in income (loss) of consolidated subsidiaries	(93)	318	**644**	**5,358**
Equity in net (income) / losses of affiliated companies	(89)	2,417	**(1,466)**	**(12,196)**
Net income	¥ 10,711	¥ 6,580	**¥ 10,680**	**$ 88,852**

	Yen			U.S. dollars
Per share data:				
Net income—basic	¥ 168.72	¥ 103.53	**¥ 168.01**	**$ 1.40**
—diluted	¥ 159.92	¥ 98.85	**¥ 159.82**	**$ 1.33**
Cash dividends	¥ 15.00	¥ 27.50	**¥ 20.00**	**$ 0.16**

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

Nidec Corporation and Consolidated Subsidiaries

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

Years ended March 31, 2002 and 2001

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

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

Nidec Corporation and Consolidated Subsidiaries

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

Year ended March 31, 2003

	Yen in millions						
	Common stock						
	Shares	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total
Balance at March 31, 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**

	U.S. dollars in thousands					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total
Balance at March 31, 2002	$220,208	$214,651	$285,349	$ (9,027)	$ (75)	$711,106
Comprehensive income:						
Net income			88,852			88,852
Other comprehensive income (loss):						
Foreign currency translation adjustments				(35,682)		(35,682)
Unrealized gains (losses) on securities, net of reclassification adjustment				(840)		(840)
Minimum pension liability adjustment				(15,907)		(15,907)
Total comprehensive income						36,423
Dividends paid			(10,574)			(10,574)
Conversion of convertible debt	133	133				266
Purchase of treasury stock					(474)	(474)
Reissuance of treasury stock						—
Balance at March 31, 2003	**$220,341**	**$214,784**	**$363,627**	**$(61,456)**	**$(549)**	**$736,747**

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

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2003, 2002 and 2001

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Cash flows from operating activities:				
Net income	¥ 10,711	¥ 6,580	**¥ 10,680**	**$ 88,852**
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	7,616	9,088	**12,862**	**107,005**
Amortization	473	1,589	**353**	**2,937**
Loss on sales of marketable securities	10	7	**22**	**183**
Loss on devaluation of marketable securities	2,890	1,393	**1,561**	**12,987**
Loss on sales and disposal of property, plant and equipment	201	2,422	**896**	**7,454**
Deferred income taxes	1,323	(2,957)	**(1,351)**	**(11,240)**
Minority interest in income (loss) of consolidated subsidiaries	(93)	318	**644**	**5,358**
Equity in net (income) losses of affiliated companies	(89)	2,417	**(1,466)**	**(12,196)**
Gain from derivative instruments, net	(3,355)	(8)	**(23)**	**(191)**
Gain from issuance of securities by affiliated companies	(449)	—	**(39)**	**(324)**
(Gain) loss on sale of investments in affiliated companies	(1,861)	(11)	**4**	**33**
Changes in operating assets and liabilities:				
Increase in notes and accounts receivable	(3,514)	(2,050)	**(1,004)**	**(8,353)**
(Increase) decrease in inventories	(4,754)	3,917	**1,714**	**14,260**
Increase (decrease) in notes and accounts payable	(1,320)	(2,566)	**3,677**	**30,591**
Increase (decrease) in accrued income taxes	1,325	1,351	**(3,436)**	**(28,586)**
Other	693	(227)	**(806)**	**(6,706)**
Net cash provided by operating activities	9,807	21,263	**24,288**	**202,064**
Cash flows from investing activities:				
Additions to property, plant and equipment	(9,822)	(19,270)	**(21,715)**	**(180,657)**
Proceeds from sales of property, plant and equipment	420	2,124	**501**	**4,168**
Purchases of marketable securities	(865)	(219)	**(55)**	**(458)**
Proceeds from sales of marketable securities	171	237	**97**	**807**
Investments in and advances to affiliated companies	(25,131)	(1,819)	**(693)**	**(5,765)**
Proceeds from sales of investments in affiliated companies	2,135	192	**—**	**—**
Proceeds (payments) for additional investments in subsidiaries, net of cash acquired	661	2,962	**(672)**	**(5,591)**
Other	(891)	124	**(642)**	**(5,341)**
Net cash used in investing activities	¥ (33,322)	¥ (15,669)	**¥ (23,179)**	**$ (192,837)**

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

Nidec Corporation and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2003, 2002 and 2001

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Cash flows from financing activities:				
Increase in short-term borrowings	¥ 19,067	¥ 4,105	**¥ 8,844**	**$ 73,577**
Proceeds from issuance of long-term debt	3,290	3,393	**5,527**	**45,982**
Repayments of long-term debt	(2,784)	(3,279)	**(16,272)**	**(135,374)**
Dividends paid	(951)	(1,748)	**(1,271)**	**(10,574)**
Other	909	(935)	**(991)**	**(8,245)**
Net cash provided by (used in) financing activities	19,531	1,536	**(4,163)**	**(34,634)**
Effect of exchange rate changes on cash and cash equivalents	1,556	1,161	**(2,402)**	**(19,983)**
Net increase (decrease) in cash and cash equivalents	(2,428)	8,291	**(5,456)**	**(45,391)**
Cash and cash equivalents at beginning of year	32,632	30,204	**38,495**	**320,258**
Cash and cash equivalents at end of year	¥ 30,204	¥ 38,495	**¥ 33,039**	**$ 274,867**

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

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 and power supplies, which includes power transmission equipment, board testers, semi-conductor manufacturing supplies, substrate inspection equipment and measuring equipment; and iv) other products, which include auto parts, pivot assemblies, encoders and other services. Manufacturing operations are located primarily in Asia (China, Taiwan, Singapore, Thailand, Malaysia and the Philippines), and the Company has sales subsidiaries in Asia, North America and Europe.

The main customers for spindle motors are manufacturers of hard disk drives. NIDEC also sells its products to the manufacturers of various automation equipment, 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.

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

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

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

Translation of foreign currencies

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

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

Cash and cash equivalents

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

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

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

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

Property, plant and equipment
Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized; minor replacements, maintenance and repairs are charged to current operations. Depreciation of property, plant and equipment is mainly computed on the declining-balance method to reflect the accelerated basis on which machinery is replaced earlier due to short product cycles and rapid technology changes by the Company, its Japanese subsidiaries and its Thai manufacturing subsidiary, which mainly produce high-end spindle motors for hard disk drives and are usually the first to commence production of new products, and on the straight-line method for foreign subsidiary companies (except for the Thai manufacturing subsidiary) at rates based on the estimated useful lives of the assets. Estimated useful lives are 7 years for prefabricated warehouses, and range from 10 to 20 years for most spindle motor factories, from 7 to 41 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 ¥7,616 million, ¥9,088 million, and ¥12,862 million ($107,005 thousand) for the years ended March 31, 2001, 2002, and 2003, respectively.

Goodwill
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 Statement of Financial Accounting Standards ("SFAS") 142 "Goodwill and Other Intangible Assets". Under SFAS 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, we would recognize an impairment. Prior to the adoption of SFAS 142, goodwill recognized in acquisitions was amortized on a straight line basis, mostly over 5years.

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. For motors and power supplies, these criteria are generally met at the time product is delivered to the customers' site. Revenue for machinery and equipment sales is recognized upon receipt of final customer acceptance. At the time 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 ¥81 million, ¥70 million, and ¥139 million ($1,156 thousand) for the years ended March 31, 2001, 2002 and 2003, respectively.

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

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

Other comprehensive income
Other comprehensive income refers to revenues, expenses, gains and losses that are included in comprehensive income, but are excluded from net income as these amounts are recorded directly as an adjustment to shareholders' equity. NIDEC's other comprehensive income is primarily comprised of unrealized gains 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.

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 is not expected to have a material impact on NIDEC's results of operations and financial position.

In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"), effective for fiscal years beginning or transactions occurring after May 15, 2002. This statement rescinds certain authoritative pronouncements and amends, clarifies or describes the applicability of others. The adoption of SFAS No. 145 did not have a material impact on NIDEC's results of operations and financial position, and cash flows.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," which required that a liability for an exit cost be recognized upon the entity's commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on NIDEC's results of operations and financial position, and cash flows.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under the guarantee. FIN 45 also requires additional disclosures by the guarantor in its interim and annual financial statements about the obligations associated with the guarantee. The recognition provisions of FIN 45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for NIDEC's year-end disclosure as of March 31, 2003. The adoption of FIN 45 did not have a material effect on NIDEC's results of operations, financial position, and cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The adoption of SFAS No. 148 is expected to impact only the disclosures for the fiscal year ending March 31, 2003, not NIDEC's results of operations, financial position, and cash flows, as we continue to apply the provisions of Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees”, in accounting for stock options granted to employees.

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 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 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. NIDEC does not expect the adoption of this standard to have a material impact on its results of operations and financial position.

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.

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. NIDEC is currently evaluating the impact of adopting this statement.

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 ¥120.20 = U.S. $1, the approximate current exchange rate at March 31, 2003, 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, 2003.

4. Acquisitions and dispositions:

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

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

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

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

	Yen in millions	
	For the year ended March 31, (Unaidited)	
	2001	2002
Pro forma net sales	¥ 213,670	¥ 227,860
Pro forma net income	11,203	6,878
	Yen	
Pro forma net income per common share		
—basic	¥ 176.47	¥ 108.22
—diluted	167.24	103.28

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

	Yen in millions	
	For the year ended March 31	
	2001	2002
Cash and cash equivalents	¥ 1,261	¥ 3,592
Accounts receivable	8,903	8,825
Inventories	2,910	4,675
Other current assets	755	1,789
Property, plant and equipment	5,777	18,987
Other non-current assets	2,628	2,910
Fair value of assets acquired	22,234	40,778
Short-term borrowings and current portion of long- term debt	(9,301)	(10,930)
Accounts payable	(6,433)	(4,795)
Other current liabilities	(1,567)	(2,265)
Long-term debt	(3,140)	(296)
Other non-current liabilities	(3,785)	(4,019)
Fair value of liabilities assumed	(24,226)	(22,305)
Minority interest	(1,105)	(8,038)
Goodwill	3,311	1,635
Investments in affiliated companies, net of accumulated losses of an affiliated company in excess of investment	386	(11,440)
Purchase price	600	630
Cash acquired	(1,261)	(3,592)
Net cash acquired	¥ (661)	¥ (2,962)

5. Goodwill and other intangible assets

NIDEC adopted SFAS No. 142, "Goodwill and Other Intangible Assets", as of April 1, 2002. In accordance with SFAS No. 142, we ceased to amortize ¥3,658 million ($30,433 thousand) of goodwill on a straight-line basis over its estimated useful life. As a result of the adoption of SFAS No. 142, for the year ended March 31, 2003, we did not recognize ¥968 million ($8,053 thousand) of goodwill amortization expense that would have been recognized if the previous standards had been in effect.

Also, we ceased to amortize ¥9,228 million ($76,772 thousand) of the portion of the difference between the cost of an investment and the amount of underlying equity in net assets of an equity method investee that is recognized as goodwill. For the year ended March 31, 2003, we did not recognize ¥2,591 million ($21,556 thousand) of amortization on the equity method goodwill. As for equity method goodwill, under the guidelines of SFAS No. 142, we will continue to review equity method investments for impairment in accordance with Accounting Principles Boards Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock".

We have completed the transitional impairment test as of April 1, 2002 and performed additional interim goodwill impairment test for certain goodwill for existing goodwill as required by SFAS No. 142. We 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 as a result of the adoption of SFAS No. 142.

The changes in the carrying amount of goodwill for the year ended March 31, 2003 are as follows:

	Yen in millions	U.S. dollars in thousands
Balance as of April 1, 2002	¥ 3,611	$ 30,042
Goodwill acquired during year	47	391
Balance as of March 31, 2003	¥ 3,658	$ 30,433

The carrying amounts of goodwill by operating segment as of April 1, 2002 were ¥3,520 million for the NCJ segment and ¥91 million for the NET segment. The amount of goodwill acquired during the year ended March 31, 2003 was ¥47million ($391 thousand) for the NCJ segment. ¥91 million ($757 thousand) of goodwill was transferred to the NSBC segment from the NET segment due to the sales of shares of Nidec Shibaura Electronics (Thailand) Co., Ltd. As a result of the sales, the carrying amounts of goodwill by operating segment as of March 31, 2003 were ¥3,567 million ($29,676 thousand) for the NCJ segment, and ¥91 million ($757 thousand) for the NSBC segment.

Actual results of operation for the year ended March 31, 2003 and pro forma results of operation for the year ended March 31, 2001 and 2002 if we had applied non-amortized provisions of SFAS No. 142 in those periods were as follows:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Reported net income	¥ 10,711	¥ 6,580	**¥ 10,680**	**$ 88,852**
Add back:				
Goodwill amortization	591	775	—	—
Equity method goodwill amortization	2,600	3,748	—	—
Adjusted net income	¥ 13,902	¥ 11,103	**¥ 10,680**	**$ 88,852**
Per share data:				
Reported basic EPS	¥ 168.72	¥ 103.53	**¥ 168.01**	**$ 1.40**
Add back:				
Goodwill amortization	9.32	12.18	—	—
Equity method goodwill amortization	40.96	58.97	—	—
Adjusted basic EPS	¥ 219.00	¥ 174.68	**¥ 168.01**	**$ 1.40**
Reported diluted EPS	¥ 159.92	¥98.85	**¥ 159.82**	**$ 1.33**
Add back:				
Goodwill amortization	8.80	11.52	—	—
Equity method goodwill amortization	38.68	55.74	—	—
Adjusted diluted EPS	¥ 207.40	¥ 166.11	**¥ 159.82**	**$ 1.33**

6. Supplemental cash flow information:

Cash payments for income taxes were ¥1,932 million, ¥3,732 million and ¥5,840 million ($48,586 thousand) for the years ended March 2001, 2002 and 2003, respectively. Interest payments during the years ended March 2001, 2002 and 2003 were ¥1,303 million, ¥1,118 million and ¥1,112 million ($9,251 thousand), respectively.

Capital lease obligations of ¥345 million, ¥949 million and ¥1,202 million ($10,000 thousand) were incurred for the years ended March 31, 2001, 2002 and 2003, respectively.

Conversions of convertible debt into common stock were ¥164 million, ¥28 million and ¥32 million ($266 thousand) for the years ended March 31, 2001, 2002 and 2003, 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, 2001, 2002 and 2003 is as follows:

	Yen in millions			U.S. dollars in thousands
	March 31			March 31,
	2001	2002	**2003**	**2003**
Allowance for doubtful accounts at beginning of year	¥ 319	¥ 397	**¥ 378**	**$ 3,145**
Provision for doubtful accounts	368	67	**381**	**3,170**
Collection	(20)	(2)	**(1)**	**(8)**
Write-offs	(320)	(53)	**(5)**	**(42)**
Write-backs	—	(69)	**(265)**	**(2,205)**
Translation adjustment and other	50	38	**(23)**	**(191)**
Allowance for doubtful accounts at end of year	¥ 397	¥ 378	**¥ 465**	**$ 3,869**

8. Inventories:

Inventories consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Finished goods	¥ 9,222	**¥ 7,077**	**$ 58,877**
Raw materials	4,748	**4,528**	**37,671**
Work in process	4,458	**4,336**	**36,073**
Project in progress	705	**699**	**5,815**
Supplies and other	468	**396**	**3,294**
	¥ 19,601	**¥ 17,036**	**$ 141,730**

9. Prepaid expenses and other current assets:

Prepaid expenses and other current assets as of March 31, 2002 and 2003 consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Other receivable	¥ 2,006	**¥ 6,353**	**$ 52,854**
Deferred tax assets	2,054	**3,133**	**26,065**
Other	2,114	**2,264**	**18,835**
	¥ 6,174	**¥ 11,750**	**$ 97,754**

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

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

	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	**¥ 4,943**	**¥ 113**	**¥ 487**	**¥ 4,569**
Securities not practicable to fair value				
Equity securities	**¥ 755**			

	U.S. dollars in thousands			
	March 31, 2003			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	**$ 299**	**$ 0**	**$ 8**	**$ 291**
Equity securities	**40,824**	**940**	**4,043**	**37,721**
Total	**$ 41,123**	**$ 940**	**$ 4,051**	**$ 38,012**
Securities not practicable to fair value				
Equity securities	**$ 6,281**			

At March 31, 2003, the contractual maturities of available-for-sale debt securities are summarized as follows:

	Yen in millions		U.S. dollars in thousands	
	March 31, 2003		**March 31, 2003**	
	Cost	Fair value	Cost	Fair value
Due within 1 year	**¥ 11**	**¥ 10**	**$ 91**	**$ 83**
Due after 1 year to 5 years	**20**	**20**	**166**	**166**
Due after 5 years	**5**	**5**	**42**	**42**
	¥ 36	**¥ 35**	**$ 299**	**$ 291**

During the year ended March 31, 2001, 2002 and 2003, the net unrealized gain on available-for-sale securities included as a component of accumulated other comprehensive income, net of applicable taxes, increased by ¥744 million, decreased by ¥428 million and decreased by ¥101 million ($840 thousand), respectively.

Proceeds from sales of available-for-sale securities were ¥171 million, ¥237 million and ¥97 million ($807 thousand) for the years ended March 31, 2001, 2002 and 2003, respectively. On those sales, gross realized gains were ¥15 million, ¥8 million and ¥0 million ($4 thousand) and gross realized losses were ¥25 million, ¥14 million and ¥23 million ($191 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 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.

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		March 31,
	2002	**2003**	**2003**
Current assets	¥ 45,644	**¥ 52,801**	**$ 439,276**
Non-current assets	33,560	**32,767**	**272,604**
Total assets	¥ 79,204	**¥ 85,568**	**$ 711,880**
Current liabilities	¥ 20,700	**¥ 26,159**	**$ 217,629**
Long-term liabilities	16,557	**19,550**	**162,646**
Minority interest	1,628	**1,545**	**12,853**
Shareholders' equity	40,319	**38,314**	**318,752**
Total liabilities, minority interest and shareholders' equity	¥ 79,204	**¥ 85,568**	**$ 711,880**
NIDEC's share of shareholders' equity	¥ 17,610	**¥ 17,155**	**$ 142,720**
NIDEC's investment in equity-method affiliates	¥ 28,084	**¥ 27,482**	**$ 228,636**
Number of affiliated companies at end of period	9	**10**	

For the year ended March 31, 2002, NIDEC acquired additional ownership in Nidec-Shimpo Corporation, Nidec-Read Corporation, Nidec Tosok Corporation and certain other affiliated companies accounted for by the equity method. NIDEC's ownership interests in these companies increased to over 50% and NIDEC's consolidated financial statements include the accounts of these majority-owned subsidiaries from the acquisition dates. As a result, NIDEC's carrying amount of investment in equity method affiliates decreased by ¥11,773 million.

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Net revenues	¥ 136,109	¥ 130,643	**¥ 86,258**	**$ 717,621**
Gross profit	¥ 24,405	¥ 21,855	**¥ 15,785**	**$ 131,323**
Net income	¥ 6,401	¥ 3,319	**¥ 3,225**	**$ 26,830**
NIDEC's share of net income	¥ 2,402	¥ 1,331	**¥ 1,472**	**$ 12,246**
Amortization/ adjustments	(2,313)	(3,748)	**(6)**	**(50)**
Equity income (loss)	¥ 89	¥ (2,417	**¥ 1,466**	**$ 12,196**

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

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

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

Nidec Copal Corporation and Nidec Copal Electronics accounted for using the equity method with carrying amounts of ¥26,203 million and ¥25,381 million ($211,156 thousand) at March 31, 2002 and 2003, respectively, were quoted on various established stock markets at an aggregate market capitalization of ¥36,973 million and ¥56,442 million ($469,567 thousand), respectively.

Account balances and transactions with affiliated companies are presented below:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Trade notes and accounts receivable	¥ 1,894	**¥ 1,247**	**$ 10,374**
Trade notes and accounts payable	667	**325**	**2,704**

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Sales of products	¥ 1,798	¥ 2,745	**¥ 714**	**$ 5,940**
Purchases of goods	4,693	8,262	**1,975**	**16,431**

Dividends from affiliated companies accounted for by the equity method for the years ended March 31, 2001, 2002 and 2003 were ¥346 million, ¥583 million and ¥499 million ($4,151 thousand), respectively.

In August 1999, Nidec Copal Corporation issued unsecured 1.56% bonds, due August 2003, to the Company with detachable warrants. As of March 31, 2002 and 2003, the Company holds the ex-warrant bonds at cost in the amount of ¥497 million and ¥499 million ($4,151 thousand), respectively, included in "Investments in and advances to affiliated companies" in the consolidated balance sheets.

Loans receivable from affiliated companies accounted for by the equity method was ¥1,195 million and ¥1,070 million ($8,902 thousand) as of March 31, 2002 and 2003, respectively.

In September 2000, the Company entered into a management agreement with each of Nidec Copal Corporation and Nidec Copal Electronics Corporation, which are two of NIDEC's equity method affiliates. Under these management agreements, Nidec Copal Corporation and Nidec Copal Electronics Corporation agreed that they would not enter into material transactions or take material actions without first consulting with the Company and obtaining prior approval. The matters subject to the Company's prior approval include: election and dismissal of directors and corporate auditors; compensation to be paid to directors and corporate auditors; adoption or revision of important internal regulations; acquisition or disposition of material assets; adoption of basic policies with respect to the company's business plan; compensation of employees; adoption of basic policies with respect to the company's financing plan; and matters relating to the company's trademarks. Under these agreements, the two affiliates are also obligated to make periodic reports to the Company on matters such as their transactions with financial institutions, management personnel matters, and their annual, semi-annual and monthly statements of accounts. The Company has the right to send its observers to these companies' monthly management meetings. These agreements do not have an express termination provision. In addition, NIDEC's voting interest approximated 47% and 47% in Nidec Copal Corporation and 41% and 44 % in Nidec Copal Electronics Corporation at March 31, 2002 and 2003, respectively. NIDEC's voting interests and the management agreements provide the Company with significant influence over Nidec Copal Corporation and Nidec Copal Electronics Corporation but do not provide the Company with legal majority control over matters that are put to their respective shareholder groups or Boards of Directors.

12. Other non-current assets:

Other non-current assets as of March 31, 2002 and 2003 consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Goodwill	¥ 3,611	¥ **3,658**	$ **30,433**
Deferred tax assets	6,086	**6,099**	**50,740**
Other	1,957	**1,778**	**14,792**
	¥ 11,654	¥ **11,535**	$ **95,965**

"Other" primarily consists of other investments and other assets.

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

Short-term borrowings at March 31, 2002 and 2003 consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Loans, principally from banks with average interest at March 31, 2002 of 1.358% per annum and at March 31, 2003 of 0.914% per annum, respectively	¥ 58,395	¥ **64,597**	$ **537,413**

At March 31, 2003, NIDEC had unused lines of credit amounting to ¥40,333 million ($335,549 thousand) with banks. Under these programs, NIDEC is authorized to obtain short-term financing at prevailing interest rates.

Long-term debt at March 31, 2002 and 2003 comprises the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Secured loans, representing obligations principally to banks and insurance companies, due 2003 to 2006 in 2002 and 2004 to 2005 in 2003 with interest ranging from 1.90% to 3.65% per annum in 2002 and from 3.25% to 3.65% per annum in 2003	¥ 2,851	**¥ 950**	**$ 7,903**
Unsecured loans, representing principally to banks, due 2003 to 2021 in 2002 and 2004 to 2021 in 2003 with interest ranging from 0.00% to 4.70% per annum in 2002 and from 0.00% to 4.70% per annum in 2003	6,778	**7,502**	**62,412**
Unsecured 1.0% convertible bonds, due 2003, convertible currently at ¥1,862.10 ($15) for one common share, redeemable before due date	345	**329**	**2,737**
Unsecured 0.8% convertible bonds, due 2006, convertible currently at ¥6,842 ($57) for one common share, redeemable before due date	9,280	**9,279**	**77,196**
Unsecured 0.5% convertible bonds, due 2004, convertible currently at ¥6,842 ($57) for one common share, redeemable before due date	4,699	**4,698**	**39,085**
Unsecured 0.125% convertible bonds, due 2003, was convertible at ¥6,842 ($57) for one common share, redeemable before due date	9,820	**—**	**—**
Unsecured 0.6% convertible bonds, due 2003, was convertible at ¥881.80 ($7) for one common share of Nidec Tosok Corporation, redeemable before due date	12	**—**	**—**
Long-term capital lease obligations, due 2003 to 2015 in 2002 and due 2004 to 2014 in 2003, with interest ranging from 1.6% to 16.0% per annum in 2002 and from 0.7% to 6.0% per annum in 2003	2,940	**2,581**	**21,473**
	36,725	**25,339**	**210,806**
Less—Current portion due within one year	(15,365)	**(8,951)**	**(74,467)**
	¥ 21,360	**¥ 16,388**	**$ 136,339**

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

	Yen in millions	U.S. dollars in thousands
Year ending March 31		
2004	¥ 8,951	$ 74,467
2005	3,142	26,140
2006	10,839	90,174
2007	842	7,005
2008	1,111	9,243
2009 and thereafter	454	3,777

At March 31, 2003, property, plant and equipment, and securities with book value of ¥59 million ($491 thousand) and ¥1,352 million ($11,248 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, 2002 and 2003 consist of the following:

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Accrued expenses	¥ 5,507	**¥ 7,001**	**$ 58,245**
Income taxes payable	3,842	**869**	**7,230**
Other	3,134	**2,481**	**20,640**
	¥ 12,483	**¥ 10,351**	**$ 86,115**

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

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.

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.

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

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 8,845	¥ **13,024**	$ **108,353**
Service cost	550	**649**	**5,399**
Interest cost	244	**307**	**2,554**
Plan participants' contributions	94	**93**	**774**
Actuarial loss	779	**1,360**	**11,314**
Past service cost	(836)	**—**	**—**
Acquisition and other	3,889	**—**	**—**
Foreign currency exchange rate changes	3	**(10)**	**(83)**
Benefits paid	(544)	**(1,092)**	**(9,085)**
	13,024	**14,331**	**119,226**
Change in plan assets:			
Fair value of plan assets at beginning of year	3,638	**4,323**	**35,965**
Actual return on plan assets	(21)	**(290)**	**(2,413)**
Employer contribution	393	**627**	**5,216**
Acquisition and other	416	**—**	**—**
Plan participants' contributions	94	**93**	**774**
Foreign currency exchange rate changes	2	**(4)**	**(33)**
Benefits paid	(199)	**(612)**	**(5,092)**
Fair value of plan assets at end of year	4,323	**4,137**	**34,417**
Funded status	8,701	**10,194**	**84,809**
Unrecognized actuarial loss	(757)	**(2,523)**	**(20,990)**
Unrecognized net transition obligation	(183)	**(78)**	**(649)**
Unrecognized prior service cost	815	**752**	**6,256**
	¥ 8,576	¥ **8,345**	$ **69,426**
Amounts included in the consolidated balance sheets are comprised of:			
Accrued pension and severance costs	¥ 8,576	¥ **9,426**	$ **78,419**
Accumulated other comprehensive income	—	**(1,081)**	**(8,993)**
Net amounts recognized	¥ 8,576	¥ **8,345**	$ **69,426**

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Weighted-average assumptions:				
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%**	
Components of net periodic (benefit) cost:				
Service cost	¥ 676	¥ 550	**¥ 649**	**$ 5,399**
Interest cost	202	244	**307**	**2,554**
Expected return on plan assets	(142)	(145)	**(109)**	**(907)**
Amortization of unrecognized net actuarial loss	(3)	—	**8**	**67**
Amortization of net transition obligation	91	91	**91**	**757**
Amortization of unrecognized prior service cost	16	(22)	**(62)**	**(516)**
Net periodic pension cost	¥ 840	¥ 718	**¥ 884**	**$ 7,354**

The Company and its Japanese subsidiaries represent substantially all of the pension obligation at March 31, 2001, 2002 and 2003. The weighted-average assumptions used for the discount rate and expected rate of return on plan assets used to determine the pension obligation for the Company and the Japanese subsidiaries were 3.0% and 3.5% to 4.5% for the year ended March 31, 2001, 2.0% to 2.7% and 1.0% to 3.0% for the year ended March 31, 2002, and 1.0% to 2.0% and 1.0% to 2.0% for the year ended March 31, 2003, respectively.

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

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, 2002 and 2003 were ¥503 million and ¥679 million ($5,649 thousand), respectively.

The amounts of unrestricted consolidated retained earnings pursuant to accounting principles generally accepted in Japan were ¥33,479 million, ¥38,631 million and ¥43,603 million ($362,754 thousand) as of March 31, 2001, 2002 and 2003, respectively.

In accordance with customary practice in Japan, the appropriations are not accrued in financial statements for the period to which they relate, but are recorded in the subsequent accounting period after shareholders' approval has been obtained. Retained earnings at March 31, 2003 includes amounts representing final cash dividends of ¥953 million ($7,928 thousand), ¥15.0 ($0.1) per share, which will be approved at the shareholders' meeting held on June 25, 2003.

Retained earnings at March 31, 2001, 2002 and 2003 includes ¥5,991 million, ¥1,385 million and ¥2,332 million ($19,401 thousand) relating to equity in undistributed earnings of companies accounted for by the equity method.

Detailed components of accumulated other comprehensive income at March 31, 2001, 2002 and 2003 and the related changes, net of taxes, for the years ended March 31, 2001, 2002 and 2003 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, 2000	¥ (5,342)	¥ 10	¥ (30)	¥ (5,362)
Other comprehensive income (loss)	1,485	744	(1)	2,228
Balance at March 31, 2001	(3,857)	754	(31)	(3,134)
Other comprehensive income (loss)	2,456	(428)	21	2,049
Balance at March 31, 2002	(1,401)	326	(10)	(1,085)
Other comprehensive income (loss)	(4,289)	(101)	(1,912)	(6,302)
Balance at March 31, 2003	¥ (5,690)	¥ 225	¥ (1,922)	¥ (7,387)

	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, 2002	$ (11,656)	$ 2,712	$ (83)	$ (9,027)
Other comprehensive income (loss)	(35,682)	(840)	(15,907)	(52,429)
Balance at March 31, 2003	$ (47,338)	$ 1,872	$ (15,990)	$ (61,456)

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

Tax effects allocated to each component of other comprehensive income for the years ended March 31, 2001, 2002 and 2003 are as follows:

	Yen in millions		
	Pre-tax amount	Tax expense	Net-of-tax amount
For the year ended March 31, 2001:			
Foreign currency translation adjustments	¥ 1,600	¥ (115)	¥ 1,485
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(1,498)	629	(869)
Less: reclassification adjustment primarily for other than temporary losses included in net income	2,900	(1,287)	1,613
Minimum pension liability adjustment	(2)	1	(1)
Other comprehensive income (loss)	¥ 3,000	¥ (772)	¥ 2,228
For the year ended March 31, 2002:			
Foreign currency translation adjustments	¥2,494	¥(38)	¥ 2,456
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	(1,959)	823	(1,136)
Less: reclassification adjustment primarily for other than temporary losses included in net income	1,400	(692)	708
Minimum pension liability adjustment	37	(16)	21
Other comprehensive income (loss)	¥ 1,972	¥ 77	¥ 2,049
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)	**¥ (7,882)**	**¥ 1,580**	**¥ (6,302)**

	U.S. dollars in thousands		
	Pre-tax amount	Tax expense	Net-of-tax amount
For the year ended March 31, 2003:			
Foreign currency translation adjustments	**$ (34,734)**	**$ (948)**	**$ (35,682)**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	**(14,659)**	**6,157**	**(8,502)**
Less: reclassification adjustment primarily for other than temporary losses included in net income	**13,170**	**(5,508)**	**7,662**
Minimum pension liability adjustment	**(29,351)**	**13,444**	**(15,907)**
Other comprehensive income (loss)	**$ (65,574)**	**$ 13,145**	**$ (52,429)**

17. Stock-based compensation:

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

Upon issuance of unsecured bonds with detachable warrants, each company has purchased all of the detachable warrants and distributed them to the directors and selected employees of each company. By exercising a warrant, directors and selected employees can purchase the common stock of each company, the number of which is calculated as ¥500,000 divided by the exercise price. The warrants generally vest ratably over a period of 9 months, and are generally exercisable up to 4 years from the date of grant.

The following tables summarize the information on the stock option plans for the year ended March 31, 2003

Nidec Tosok Corporation

	Number of options (shares)	Exercise price	
Balance-March 31, 2002	600 (287,400)	¥1,042.60	
Granted	0 (0)	¥1,042.60	$8.67
Exercised	0 (0)	1,042.60	8.67
Canceled	0 (0)	1,042.60	8.67
Balance-March 31, 2003	600 (287,400)	1,042.60	8.67
Contractual life 0.44 years	600 (287,400)	¥1042.60	$8.67
Exercisable options(shares):			
March 31, 2003	600 (287,400)	¥1042.60	$8.67

Nidec-Shimpo Corporation

	Number of options (shares)	Exercise price	
Balance-March 31, 2002	480 (167,040)	¥1,434.70	
Granted	0 (0)	¥1,434.70	$11.94
Exercised	0 (0)	1,434.70	11.94
Canceled	0 (0)	1,434.70	11.94
Balance-March 31, 2003	480 (167,040)	1,434.70	11.94
Contractual life 0.44 years	480 (167,040)	¥1,434.70	$11.94
Exercisable options(shares):			
March 31, 2003	480 (167,040)	¥1,434.70	$11.94

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

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

19. Income taxes:

The components of income before income taxes comprise the following:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Income before income taxes:				
The Company and domestic subsidiaries	¥ 5,477	¥ 2,920	**¥ 2,069**	**$ 17,213**
Foreign subsidiaries	9,661	8,557	**8,842**	**73,561**
	¥ 15,138	¥ 11,477	**¥ 10,911**	**$ 90,774**

The provision for income taxes consists of the following:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Current income tax expense:				
The Company and domestic subsidiaries	¥ 2,799	¥ 4,975	**¥ 1,629**	**$ 13,552**
Foreign subsidiaries	487	144	**775**	**6,448**
Total current	3,286	5,119	**2,404**	**20,000**
Deferred income tax expense (benefit):				
The Company and domestic subsidiaries	1,304	(2,840)	**(1,082)**	**(9,002)**
Foreign subsidiaries	19	(117)	**(269)**	**(2,238)**
Total deferred	1,323	(2,957)	**(1,351)**	**(11,240)**
Total provision	¥ 4,609	¥ 2,162	**¥ 1,053**	**$ 8,760**

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

NIDEC is subject to a number of different income taxes, which, in the aggregate, indicate a statutory rate in Japan of approximately 42.0% in 2001, 2002 and 2003. Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows:

	For the year ended March 31		
	2001	2002	**2003**
Statutory tax rate	42.0%	42.0%	**42.0%**
Increase (reduction) in taxes resulting from:			
Tax benefit in foreign subsidiaries	(22.8)	(32.8)	**(32.2)**
Tax on undistributed earnings	7.2	5.0	**4.5**
Other	4.0	4.6	**(4.6)**
Effective income tax rate	30.4%	18.8%	**9.7%**

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

"Other" for the year ended March 31, 2003 was lower compared to "Other" for the year ended March 31, 2002. This was mainly due to adjustments for prior year's tax accruals related to reversal of deferred tax liabilities on loss on write-downs of investment securities.

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.

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

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Deferred tax assets:			
Inventories	¥ 1,056	¥ **566**	$ **4,709**
Marketable securities	1,592	**635**	**5,283**
Property, plant and equipment	3,521	**3,545**	**29,493**
Accrued bonus	520	**653**	**5,433**
Accrued enterprise tax	437	**(6)**	**(50)**
Pension and severance plans	3,689	**3,778**	**31,431**
Operating loss carryforwards for tax purposes	2,848	**345**	**2,870**
Foreign tax credit	843	**1,953**	**16,248**
Other	1,202	**1,325**	**11,023**
Gross deferred tax assets	15,708	**12,794**	**106,440**
Less—Valuation allowance	(4,319)	**(1,842)**	**(15,325)**
Net deferred tax assets	11,389	**10,952**	**91,115**
Deferred tax liabilities:			
Basis difference of acquired assets	(1,475)	**(1,500)**	**(12,479)**
Debt issuance cost	—	**—**	**—**
Undistributed earnings not permanently reinvested	(1,461)	**(1,476)**	**(12,280)**
Difference between financial and tax basis of investment in subsidiary	(805)	**—**	**—**
Other	(446)	**1,087**	**9,043**
Gross deferred tax liabilities	(4,187)	**(1,889)**	**(15,716)**
Net deferred tax assets	¥ 7,202	¥ **9,063**	$ **75,399**

Operating loss carryforwards for tax purposes of consolidated subsidiaries at March 31, 2003 amounted to approximately ¥4,641 million ($38,611 thousand) and are available as an offset against future taxable income of such subsidiaries. These carryforwards expire in year 2004 to 2009.

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, 2001, 2002 and 2003 consist of the following:

	Yen in millions			U.S. dollars in thousands
	March 31			March 31,
	2001	2002	**2003**	**2003**
Valuation allowance at beginning of year	¥ (1,349)	¥ (3,929)	¥ **(4,319)**	$ **(35,932)**
Additions	(358,	(307,	**—**	**—**
Deductions	33	134	**2,477**	**20,607**
Impact of acquisition of companies	(2,255)	(217)	**—**	**—**
Valuation allowance at end of year	¥ (3,929)	¥ (4,319)	¥ **(1,842)**	$ **(15,325)**

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

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
	2002	**2003**	**2003**
Deferred tax assets:			
Prepaid expenses and other current assets	¥ 2,054	**¥ 3,133**	**$ 26,065**
Other non-current assets	6,086	**6,099**	**50,740**
Deferred tax liabilities:			
Other current liabilities	(13)	**(2)**	**(17)**
Other long-term liabilities	(925)	**(167)**	**(1,389)**
Net deferred tax assets	¥ 7,202	**¥ 9,063**	**$ 75,399**

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 ¥16,113 million ($134,052 thousand) as of March 31, 2003. NIDEC estimates an additional tax provision of ¥4,159 million ($34,601 thousand) would be required at such time if the full amount of these accumulated earnings became subject to Japanese taxes.

20. 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, 2001, 2002, and 2003 is as follows:

	Yen in millions	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	Net income per share	Net income per share
For the year ended March 31, 2001:				
Basic net income per share				
Net income available to common shareholders	¥ 10,711	63,484	¥ 168.72	
Effect of dilutive securities				
Convertible bonds	41	3,746		
Diluted net income per share				
Net income for computation	¥ 10,752	67,230	¥ 159.92	
For the year ended March 31, 2002:				
Basic net income per share				
Net income available to common shareholders	¥ 6,580	63,555	¥ 103.53	
Effect of dilutive securities				
Convertible bonds	65	3,673		
Diluted net income per share				
Net income for computation	¥ 6,645	67,228	¥ 98.85	
For the year ended March 31, 2003:				
Basic net income per share				
Net income available to common shareholders	**¥ 10,680**	**63,565**	**¥ 168.01**	**$ 1.40**
Effect of dilutive securities				
Convertible bonds	**64**	**3,658**		
Diluted net income per share				
Net income for computation	**¥ 10,744**	**67,223**	**¥ 159.82**	**$ 1.33**

21. 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, 2002	
	Carrying amount	Estimated fair value
Asset (Liability)		
Cash and cash equivalents	¥ 38,495	¥ 38,495
Short-term investments	75	75
Short-term loan receivable	1,200	1,200
Marketable securities	5,857	5,857
Long-term loan receivable	183	189
Short-term borrowings	(58,395)	(58,395)
Long-term debt including the current portion and excluding capital lease obligation	(33,785)	(42,344)
Foreign exchange forward contracts	(8)	(8)
Interest cap agreements	0	0

	Yen in millions		U.S. dollars in thousands	
	March 31, 2003		**March 31, 2003**	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Asset (Liability)				
Cash and cash equivalents	**¥ 33,039**	**¥ 33,039**	**$ 274,867**	**$ 274,867**
Short-term investments	**74**	**74**	**616**	**616**
Short-term loan receivable	**1,075**	**1,075**	**8,943**	**8,943**
Marketable securities	**4,569**	**4,569**	**38,012**	**38,012**
Long-term loan receivable	**271**	**275**	**2,255**	**2,288**
Short-term borrowings	**(64,597)**	**(64,597)**	**(537,413)**	**(537,413)**
Long-term debt including the current portion and excluding capital lease obligation	**(22,758)**	**(25,477)**	**(189,333)**	**(211,955)**
Foreign exchange forward contracts	**14**	**14**	**116**	**116**

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.

Derivative financial instruments

Foreign currency option agreements are zero-cost option agreements which consist of purchased call options, purchased put options and written put options to exchange Japanese yen for U.S. dollars with knock-in and knock-out provisions. The knock-in rate is the rate of ¥96.80 against the U.S. dollar and the knock-out rate is the rate of ¥119.50 against the U.S. dollar. Changes in fair values are calculated based on the Black-Scholes model and are recognized as "Gain (loss) on derivative instruments, net" in the consolidated statement of income. Gains from foreign currency option agreements were ¥3,327 million for the year ended March 31, 2001. In January 2001, all those agreements were terminated since the exchange rate hit the knock-out condition. No such agreements exist at March 31, 2002 and 2003.

Changes in the estimated fair value of foreign exchange forward contracts, determined by reference to the discounted present value of net cash flows, are recognized as "Gain (loss) on derivative instruments, net" in the consolidated statement of income. Gains from foreign exchange forward contracts were ¥8 million for the year ended March 31, 2001, losses from foreign exchange forward contracts were ¥8 million for the year ended March 31, 2002, and gains from foreign exchange forward contracts were ¥23 million ($191 thousand) for the year ended March 31, 2003. The contracted amounts outstanding at March 31, 2002 and 2003 were ¥483 million and ¥2,344 million ($19,501 thousand), respectively.

Interest rate swap and cap agreements, which mature from 2001 to 2003, were designed to reduce NIDEC's exposure to losses resulting from adverse fluctuations in cash flows due to changes in interest rates on underlying debt instruments. Those interest rate swap and cap agreements matured at March 18, 2003. No such agreements exist at March 31, 2003.

22. Related party transactions:

As of March 31, 2003, the president of the Company and a business entity indirectly owned by the president of the Company held 8.9 % and 7.3 % of the outstanding shares of the Company, respectively. During the year ended March 31, 2001, the Company bought marketable securities from the president for ¥140 million. The sales prices were consistent with third party bids. There were no significant related party transactions other than described in Note 11 for the year ended March 31, 2003.

23. Lease commitments:

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

	Yen in millions		U.S. dollars in thousands
	March 31		March 31,
Class of property	2002	**2003**	**2003**
Machinery and equipment	¥ 4,833	**¥ 3,824**	**$ 31,814**
Other leased assets	502	**323**	**2,687**
Less—Accumulated amortization	(3,369)	**(2,450)**	**(20,383)**
	¥ 1,966	**¥ 1,697**	**$ 14,118**

Amortization expenses under capital leases for the years ended March 31, 2001, 2002 and 2003 were ¥868 million, ¥709 million and ¥ 694 million ($5,774 thousand), respectively.

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2003 are as follows:

Year ending March 31:	Yen in millions	U.S. dollars in thousands
2004	¥ 716	$ 5,957
2005	503	4,185
2006	333	2,770
2007	260	2,163
2008	522	4,343
2009 and thereafter	475	3,952
Total minimum lease payments	2,809	23,370
Less—Amount representing interest	(228)	(1,897)
Present value of net minimum lease payments	2,581	21,473
Less—Current obligations	(659)	(5,483)
Long-term capital lease obligations	¥ 1,922	$ 15,990

Rental expenses under operating leases for the years ended March 31, 2001, 2002 and 2003 were ¥419 million, ¥473 million and ¥272 million ($2,263 thousand), respectively.

The minimum rental payments required under operating leases relating primarily to land, buildings and equipment having initial or remaining non-cancelable lease terms in excess of one year at March 31, 2003 are as follows:

Year ending March 31:	Yen in millions	U.S. dollars in thousands
2004	¥ 192	$ 1,597
2005	122	1,015
2006	53	441
2007	33	274
2008	18	150
2009 and thereafter	516	4,293
Total minimum future rentals	¥ 934	$ 7,770

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, 2001, 2002 and 2003 were ¥81 million, ¥41 million and ¥30 million ($250 thousand), respectively.

The future minimum lease payments to be received under operating leases that have remaining non-cancelable term at March 31, 2003 are as follows:

Year ending March 31:	Yen in millions	U.S. dollars in thousands
2004	¥ 31	$ 258
2005	24	200
2006	24	200
2007	20	166
2008	6	50
2009 and thereafter	6	50
Total minimum future rentals	¥ 111	$ 924

In September1999, 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.

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

Commitments –

Commitments outstanding at March 31, 2003 for the purchase of property, plant and equipment and other assets approximated ¥6,159 million ($51,240 thousand).

Contingencies –

Contingent liabilities for guarantees given in the ordinary course of business amounted to approximately ¥150 million ($1,248 thousand) at March 31, 2003. 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, subconstractor of Nidec Tosok Corporation, totaling ¥120 million ($998 thousand) in order to provide funds for Okaya's manufacturing facilities in Vietnam.

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

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

Concentration of risk –

Revenue from spindle motors sold to manufacturers of computer hard disk drives, account for 71%, 74%, and 66% of total revenue for the years ended March 31, 2001, 2002, and 2003, 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%, 49%, and 41% of consolidated net sales for the years ended March 31, 2001, 2002, and 2003, respectively. Sales to NIDEC's largest customer were approximately 13%, 16%, and 16% of consolidated net sales for the years ended March 31, 2001, 2002 and 2003, respectively. Accounts receivable are financial instruments that expose NIDEC to a concentration of credit risk. At March 31, 2002, the customers with the six highest outstanding accounts receivable balances totaled ¥18,458 million, or 40% of the gross accounts receivable, compared to ¥19,718 million ($164,043 thousand), or 39% of gross accounts receivable, at March 31, 2003. 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.

25. Segment information:

(1) Enterprise-wide information:

Product information –

The following table provides product information for the years ended March 31, 2001, 2002 and 2003:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Net sales:				
Small precision motors:				
Hard disk drive spindle motors	¥ 80,614	¥ 93,748	**¥ 97,717**	**$ 812,953**
Other small precision brushless DC motors	17,901	21,657	**25,583**	**212,837**
Small precision brush DC motors	3,327	2,539	**3,280**	**27,288**
Brushless DC fans	21,083	24,523	**27,395**	**227,912**
Sub-total	122,925	142,467	**153,975**	**1,280,990**
Mid-size motors	24,183	36,252	**37,479**	**311,805**
Machinery and power supplies	13,690	7,693	**22,555**	**187,646**
Others	11,912	6,920	**17,827**	**148,311**
Consolidated total	¥ 172,710	¥ 193,332	**¥ 231,836**	**$1,928,752**

The “Hard disk drive spindle motors” group of products consists of ball bearing hard disk drive spindle motors, including those for 3.5-inch, 2.5-inch, 1.8-inch and 1.0-inch hard disk drives. It also includes fluid dynamic bearing hard disk drive spindle motors for 3.5-inch, 2.5-inch and 1.8-inch hard disk drives for the years ended March 31, 2002 and 2003.

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.

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

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

Geographic information

Revenue from external customers, which are attributed to countries based on the location of the parent company or the subsidiaries that transacted with the external customer for the years ended March 31, 2001, 2002 and 2003, and long-lived assets for the years ended March 31, 2002 and 2003 are as follows:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Sales and operating revenue:				
Japan	¥ 80,504	¥ 97,602	**¥ 126,904**	**$1,055,774**
U.S.A.	9,998	7,487	**7,006**	**58,286**
Singapore	36,558	48,114	**46,706**	**388,569**
Thailand	15,160	17,112	**23,333**	**194,118**
The Philippines	13,305	5,220	**3,607**	**30,008**
Other	17,185	17,797	**24,280**	**201,997**
Consolidated total	¥ 172,710	¥ 193,332	**¥ 231,836**	**$1,928,752**

	Yen in millions		U.S. dollars in thousands
	For the year ended March 31		For the year ended March 31,
	2002	**2003**	**2003**
Long-lived assets:			
Japan	¥ 36,814	**¥ 42,033**	**$ 349,692**
U.S.A.	1,278	**931**	**7,745**
Singapore	1,417	**1,617**	**13,453**
Thailand	18,133	**16,903**	**140,624**
The Philippines	12,632	**11,313**	**94,118**
Other	15,142	**17,912**	**149,018**
Consolidated total	¥ 85,416	**¥ 90,709**	**$ 754,650**

(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.

NCD, NSBC and NTSC were identified as reportable segments in the current period. Segment information for the years ended March 31, 2001 and 2002 has been restated to conform to the current presentation.

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

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

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

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

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

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

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

The 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 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 and NTSC'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 and NCD applies Chinese 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.

The following tables show revenues from external customers and other financial information by operating segment for the years ended March 31, 2001, 2002 and 2003:

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Revenues from external customers:				
NCJ	¥ 49,721	¥ 63,205	**¥ 65,248**	**$ 542,829**
NCS	36,621	48,115	**46,708**	**388,586**
NET	15,154	14,787	**20,484**	**170,416**
NCF	7,481	5,220	**3,602**	**29,967**
NCA	9,998	7,487	**6,075**	**50,541**
NPMC	11,446	9,345	**9,116**	**75,840**
NCD	0	17	**48**	**399**
NSBC	10,310	16,192	**15,138**	**125,940**
NTSC	—	1,615	**18,933**	**157,512**
All Others	29,464	26,333	**46,078**	**383,344**
Total	170,195	192,316	**231,430**	**1,925,374**
US GAAP adjustments *1	2,653	1,066	**517**	**4,301**
Others	(138)	(50)	**(111)**	**(923)**
Consolidated total	¥ 172,710	¥ 193,332	**¥ 231,836**	**$1,928,752**

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

NIDEC had sales to one customer of ¥22,987 million, ¥31,809 million and ¥36,240 million ($301,498 thousand) within the NCJ, NCS and NCA segments for the years ended March 31, 2001, 2002 and 2003, respectively, and to another customer of ¥18,784 million within the NCJ, NCA and "All Others" segments for the years ended March 31, 2001 that exceeded 10% of NIDEC's net sales.

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Revenue from other operating segments:				
NCJ	¥ 49,884	¥ 61,679	**¥ 63,916**	**$ 531,747**
NCS	3,474	3,254	**3,851**	**32,038**
NET	19,876	23,109	**21,256**	**176,839**
NCF	17,516	19,816	**18,838**	**156,722**
NCA	968	539	**1,398**	**11,631**
NPMC	1	31	**93**	**774**
NCD	18,083	24,070	**27,523**	**228,977**
NSBC	1,342	2,479	**2,966**	**24,675**
NTSC	—	139	**565**	**4,700**
All Others	21,797	41,230	**56,471**	**469,809**
Total	132,941	176,346	**196,877**	**1,637,912**
Intersegment elimination	(132,941)	(176,346)	**(196,877)**	**(1,637,912)**
Consolidated total	¥ 0	¥ 0	**¥ 0**	**$ 0**

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Segment profit or loss:				
NCJ	¥ 867	¥ 4,101	**¥ 3,521**	**$ 29,293**
NCS	1,447	1,963	**2,020**	**16,805**
NET	3,952	1,578	**3,179**	**26,447**
NCF	2,899	2,485	**1,212**	**10,083**
NCA	254	(680)	**165**	**1,373**
NPMC	(124)	187	**488**	**4,060**
NCD	369	1,778	**3,001**	**24,967**
NSBC	422	279	**(134)**	**(1,115)**
NTSC	—	90	**689**	**5,732**
All Others	1,663	3,198	**4,450**	**37,022**
Total	11,749	14,979	**18,591**	**154,667**
Main components of US GAAP adjustments:				
Pension and severance costs	(351)	(46)	**253**	**2,105**
Lease	(97)	50	**115**	**957**
Directors' bonus	(68)	(70)	**(112)**	**(932)**
Consolidation adjustments mainly related to elimination of intersegment profits	(1,018)	(1,725)	**(156)**	**(1,298)**
Reclassification *1	(183)	(3,190)	**(2,306)**	**(19,184)**
Others *2	31	474	**19**	**158**
	¥ 10,063	¥ 10,472	**¥ 16,404**	**$ 136,473**

*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 depreciation of fixed assets and provision for compensated absence.

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Interest revenue:				
NCJ	¥ 740	¥ 279	**¥ 143**	**$ 1,190**
NCS	117	132	**102**	**849**
NET	38	6	**2**	**17**
NCF	75	48	**32**	**266**
NCA	1	1	**0**	**0**
NPMC	28	21	**4**	**33**
NCD	7	0	**4**	**33**
NSBC	6	5	**0**	**0**
NTSC	—	0	**4**	**33**
All Others	68	51	**47**	**391**
Total	1,080	543	**338**	**2,812**
Intersegment elimination	(277)	(18)	**(37)**	**(308)**
Consolidated total	¥ 803	¥ 525	**¥ 301**	**$ 2,504**

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Interest expense:				
NCJ	¥ 923	¥ 617	**¥ 311**	**$ 2,587**
NCS	—	—	**0**	**0**
NET	9	65	**114**	**948**
NCF	176	125	**120**	**998**
NCA	44	27	**8**	**67**
NPMC	87	56	**29**	**241**
NCD	96	56	**13**	**108**
NSBC	94	63	**58**	**483**
NTSC	—	2	**17**	**141**
All Others	153	201	**237**	**1,972**
Total	1,582	1,212	**907**	**7,545**
Intersegment elimination	(244)	(45)	**(17)**	**(141)**
Consolidated total	¥ 1,338	¥ 1,167	**¥ 890**	**$ 7,404**

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Depreciation*1:				
NCJ	¥ 1,689	¥ 1,669	**¥ 1,295**	**$ 10,774**
NCS	592	627	**590**	**4,909**
NET	1,268	1,790	**2,803**	**23,319**
NCF	946	1,349	**1,734**	**14,426**
NCA	181	193	**138**	**1,148**
NPMC	279	63	**26**	**216**
NCD	531	599	**1,050**	**8,736**
NSBC	307	175	**117**	**973**
NTSC	—	26	**677**	**5,632**
All Others	1,073	2,287	**3,991**	**33,203**
Total	6,866	8,778	**12,421**	**103,336**
U.S. GAAP adjustments*2	868	708	**694**	**5,774**
Reconciliation	(118)	(398)	**(253)**	**(2,105)**
Consolidated total	¥ 7,616	¥ 9,088	**¥ 12,862**	**$ 107,005**

*1 Amortization expense is not included in the measure of segment profit or loss reviewed by the chief operating decision maker.
*2 Leased properties are not capitalized in the operating segment but are capitalized under U.S. GAAP.

	Yen in millions			U.S. dollars in thousands
	For the year ended March 31			For the year ended March 31,
	2001	2002	**2003**	**2003**
Income tax expenses or benefit:				
NCJ	¥ 2,656	¥ 1,816	**¥ 1,323**	**$ 11,007**
NCS	106	28	**85**	**707**
NET	131	(82)	**(174)**	**(1,447)**
NCF	7	12	**17**	**141**
NCA	91	(294)	**(283)**	**(2,354)**
NPMC	7	(88)	**(224)**	**(1,864)**
NCD	0	0	**226**	**1,880**
NSBC	1	22	**198**	**1,647**
NTSC	—	(52)	**38**	**316**
All Others	578	982	**1,294**	**10,765**
Total	3,577	2,344	**2,500**	**20,798**
Consolidation adjustments	1,032	(182)	**(1,447)**	**(12,038)**
Consolidated total	¥ 4,609	¥ 2,162	**¥ 1,053**	**$ 8,760**

	Yen in millions		U.S. dollars in thousands
	For the year ended March 31		For the year ended March 31,
	2002	**2003**	**2003**
Segment assets:			
NCJ	¥ 165,253	**¥ 168,872**	**$1,404,925**
NCS	21,559	**19,016**	**158,203**
NET	21,949	**21,875**	**181,988**
NCF	17,348	**15,345**	**127,662**
NCA	4,093	**3,125**	**25,998**
NPMC	6,582	**7,001**	**58,245**
NCD	12,197	**11,980**	**99,667**
NSBC	15,566	**15,970**	**132,862**
NTSC	17,653	**17,847**	**148,478**
All Others	77,448	**81,042**	**674,226**
Total	¥ 359,648	**¥ 362,073**	**$3,012,254**
U.S. GAAP adjustments:			
Lease	1,966	**1,696**	**14,110**
Property, plant and equipment	(2,284)	**(2,114)**	**(17,587)**
Deferred tax assets	2,942	**2,508**	**20,865**
Others	783	**673**	**5,599**
Sub-total	3,407	**2,763**	**22,987**
Elimination of intersegment assets	(103,688)	**(105,374)**	**(876,656)**
Goodwill	3,611	**3,658**	**30,433**
To adjust affiliate from cost to equity method *1	(5,259)	**(6,121)**	**(50,923)**
Others	192	**933**	**7,762**
Consolidated total	¥ 257,911	**¥ 257,932**	**$2,145,857**

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

	Yen in millions		U.S. dollars in thousands
	For the year ended March 31		For the year ended March 31,
	2002	**2003**	**2003**
Expenditure for segment assets:			
NCJ	¥ 534	**¥ 100**	**$ 832**
NCS	20	**1,527**	**12,704**
NET	5,506	**4,399**	**36,597**
NCF	3,596	**1,981**	**16,481**
NCA	113	**50**	**416**
NPMC	180	**0**	**0**
NCD	536	**638**	**5,308**
NSBC	311	**419**	**3,486**
NTSC	10	**908**	**7,554**
All Others	6,510	**6,477**	**53,885**
Total	17,316	**16,499**	**137,263**
Reconciliation *1	1,954	**5,216**	**43,394**
Consolidated total	¥ 19,270	**¥ 21,715**	**$ 180,657**

*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.

26. Subsequent events

Subsequent to March 31, 2003, the Company's Board of Directors declared a cash dividend of ¥953 million ($7,928 thousand) payable on June 26, 2003 to stockholders of record on March 31, 2003.

On May 14, 2003, the Company's Board of Directors decided to grant stock options to directors, corporate auditors and certain employees. Under the plan, the number of shares to be issued upon exercise of the options is limited to 298,500 shares of the Company's common stock, the options are exercisable under certain conditions for the period between July 1, 2004 and June 30, 2007 inclusive. The exercise prices are determined as ¥7,350 ($61) per share of common stock . On May 14, 2003, the Company's Board of Directors decided to grant the Company the right to purchase its common stock up to 1,000,000 shares at the amount of ¥10,000 million ($83,195 thousand) or less.

These three decisions are subject to approval by the shareholders at the annual general meeting of shareholders to be held on June 25, 2003.

On April 1, 2003, Nidec's consolidated subsidiary, Nidec Tosok Corporation adopted defined benefit pension plans pursuant to the Japanese Welfare Pension Insurance Law. As a result, NIDEC estimates approximately ¥107 million ($890 thousand) gain for the year ended March 31, 2004. Actual result may differ from these estimates.

In March 2003, the FASB issued 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. On April 15, 2003, an affiliated company, Nidec Copal Corporation decided to exempt the obligation for benefits related to future employee service which cover a portion of the governmental welfare pension program, which are pursuant to the Japanese Welfare Pension Insurance Law. NIDEC estimates the amount of the impact at approximately ¥669 million ($5,566 thousand) gain for the year ended March 31, 2004. Actual result may differ from these estimates.

27. Quarterly Financial Data for the year ended March 31, 2003: (Unaudited)

	Yen in millions				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	¥ 58,819	¥ 56,517	¥ 59,430	¥ 57,070	¥ 231,836
Operating expenses:					
Cost of products sold	47,486	46,235	47,950	45,635	187,306
Selling, general and administrative expenses	4,870	5,167	4,673	6,592	21,302
Research and development expenses	1,726	1,639	1,694	1,765	6,824
	54,082	53,041	54,317	53,992	215,432
Operating income	4,737	3,476	5,113	3,078	16,404
Other income (expense):					
Interest and dividend income	131	78	80	75	364
Interest expense	(267)	(231)	(220)	(172)	(890)
Foreign exchange gain (loss), net	(3,434)	357	(510)	76	(3,511)
Loss on marketable securities, net	(38)	(18)	(560)	(967)	(1,583)
Other, net	297	173	(170)	(173)	127
	(3,311)	359	(1,380)	(1,161)	(5,493)
Income before provision for income taxes	1,426	3,835	3,733	1,917	10,911
Provision for income (losses) taxes	(226)	(298)	(1,187)	658	(1,053)
Income before minority interest and equity in earnings of affiliated companies	1,200	3,537	2,546	2,575	9,858
Minority interest in income of consolidated subsidiaries	37	288	224	95	644
Equity in net losses of affiliated companies	(214)	(386)	(411)	(455)	(1,466)
Net income	¥ 1,377	¥ 3,635	¥ 2,733	¥ 2,935	¥ 10,680
	Yen				
Per share data:					
Net income—basic	¥ 21.67	¥ 57.18	¥ 42.99	¥ 46.18	¥ 168.01
—diluted	¥ 20.73	¥ 54.29	¥ 40.89	¥ 43.90	¥ 159.82
Cash dividends	¥ 10.00	¥ 0.00	¥ 10.00	¥ 0.00	¥ 20.00

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

	U.S. dollars in thousands				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$ 489,343	$ 470,191	$ 494,426	$ 474,792	$1,928,752
Operating expenses:					
Cost of products sold	395,058	384,651	398,919	379,658	1,558,286
Selling, general and administrative expenses	40,516	42,987	38,877	54,841	177,221
Research and development expenses	14,360	13,635	14,093	14,684	56,772
	449,934	441,273	451,889	449,183	1,792,279
Operating income	39,409	28,918	42,537	25,609	136,473
Other income (expense):					
Interest and dividend income	1,090	649	666	623	3,028
Interest expense	(2,221)	(1,922)	(1,830)	(1,431)	(7,404)
Foreign exchange gain (loss), net	(28,569)	2,970	(4,243)	633	(29,209)
Loss on marketable securities, net	(316)	(150)	(4,659)	(8,045)	(13,170)
Other, net	2,471	1,440	(1,414)	(1,441)	1,056
	(27,545)	2,987	(11,480)	(9,661)	(45,699)
Income before provision for income taxes	11,864	31,905	31,057	15,948	90,774
Provision for income (losses) taxes	(1,880)	(2,479)	(9,875)	5,474	(8,760)
Income before minority interest and equity in earnings of affiliated companies	9,984	29,426	21,182	21,422	82,014
Minority interest in income of consolidated subsidiaries	308	2,396	1,864	790	5,358
Equity in net losses of affiliated companies	(1,780)	(3,211)	(3,419)	(3,786)	(12,196)
Net income	$ 11,456	$ 30,241	$ 22,737	$ 24,418	$ 88,852

	U.S. dollars				
Per share data:					
Net income—basic	$ 0.18	$ 0.48	$ 0.36	$ 0.38	$ 1.40
—diluted	$ 0.17	$ 0.45	$ 0.34	$ 0.37	$ 1.33
Cash dividends	$ 0.08	$ 0.00	$ 0.08	$ 0.00	$ 0.16

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 AUDITORS

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 2002, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Kyoto, Japan

June 25, 2003

BOARD OF DIRECTORS
(As of June 26, 2003)

President, CEO & Representative Director
Shigenobu Nagamori

Executive Vice President, COO & Director
Hiroshi Kobe

Executive Vice President, CFO, CAO & Director
Yasunobu Toriyama

Senior Managing Directors
Kenji Sawamura
Yasuo Hamaguchi

Managing Directors
Kensuke Tanabe
Yoshiharu Kinugawa
Seiji Hashimoto

Directors
Seizaburo Kawaguchi
Toshihiro Kimura
Norio Nomura
Seiichi Hattori
Tetsuo Inoue
Satoru Kaji

Corporate Auditors
Hideo Asahina
Yoichi Ichikawa
Tadayoshi Sano
Tsutomu Katsuyama

CORPORATE DATA
(As of March 31, 2003)

Head Office:
338 Tonoshiro-cho, kuze, Minami-ku, Kyoto 601-8205, Japan
Tel: +81-(075)-935-6140
Fax: +81-(075)-935-6141
E-mail: ir@nidec.co.jp
URL: http://www.nidec.co.jp

Established:
July 23, 1973

Paid-in Capital:
¥26,485,265,547

Number of Shares:
Issued—63,574,729

Number of Shareholders:
12,398

Trading Unit:
100 Shares

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

Depositary and Transfer Agent for American Depositary Receipts (ADRs):
JPMorgan Chase Bank
270 Park Avenue, New York, New York 10017-2070 U.S.A.
Tel: +1-(212)-270-6000

NJ LISTED NYSE

PRINCIPAL SUBSIDIARIES AND AFFILIATES
(*Consolidated)

Nidec America Corporation *
Nidec Electronics GmbH *
Nidec Electronics (Thailand) Co., Ltd. *
Nidec Precision (Thailand) Co., Ltd. *
Nidec Hi-Tech Motor (Thailand) Co., Ltd. *
Nidec (Dalian) Limited *
Nidec Taiwan Corporation *
Nidec Singapore Pte. Ltd. *
P.T. Nidec Indonesia *
Nidec (H.K.) Co., Ltd. *
Nidec Philippines Corporation *
Nidec Precision Philippines Corporation *
Nidec Korea Corporation *
Nidec Copal Corporation
Nidec Tosok Corporation *
Nidec Copal Electronics Corporation
Nidec-Shimpo Corporation *
Nidec-Read Corporation *
Nidec Shibaura Corporation *
Nidec Nemicon Corporation *
Nidec Power Motor Corporation *
Nidec-Kyori Corporation *
Nidec Machinery Corporation *
Nidec Johnson Electric Corporation
Nidec Total Service Corporation *
Nidec Copal (Vietnam) Co., Ltd.
Nidec Johnson Electric (Hong Kong) Ltd.
Nidec Tosk (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) Co., Ltd. *
Nidec (Zhejiang) Corpoation *
Nidec (Dongguan) Corpoation *
Nidec (New Territories) Co.,Ltd. *
Nidec (Shanghai) International Trading Co., Ltd. *
NTN-Nidec (Zhejiang) Corporation

Principal Shareholders:

	Name	Number of shares held (thousands)	Percentage of total shares issued (%)
1	Shigenobu Nagamori	5,682	8.95
2	The Master Trust Bank of Japan, Ltd.	5,508	8.67
3	Japan Trustee Service Bank, Ltd.	5,288	8.33
4	S-N Kohsan Ltd.	4,653	7.33
5	The Bank of Kyoto, Ltd.	2,856	4.50
6	Mitsui Asset Trust and Banking Company, Limited	2,620	4.13
7	The Dai-Ichi Mutual Life Insurance Company	2,620	4.13
8	Trust & Custody Services Bank, Japan	2,244	3.53
9	Nippon Life Insurance Company	2,062	3.25
10	UFJ Trust Bank Limited	1,810	2.85

Common Stock Price Range (Osaka Securities Exchange)**:**

Years ended March 31,	2002		2003	
	High	Low	**High**	**Low**
First Quarter	¥ 8,030	¥ 5,190	**¥ 9,880**	**¥ 7,920**
Second Quarter	6,700	3,600	**9,070**	**5,960**
Third Quarter	7,770	3,950	**8,200**	**5,200**
Fourth Quarter	9,490	7,050	**7,590**	**6,200**

PRINTED WITH SOY INK

NIDEC CORPORATION

Printed in Japan