the "electronic and optical components" category. As of March 31, 2012, we discontinued our lens actuator, or LAC, business, which had previously been included in the "other small precision brushless DC motors" product category. As of the same date, we also discontinued our tape drive and disk drive mechanism, or PGN, business, and our compact digital camera lens unit, CLU, business, both of which had previously been included in the "electronic and optical components" product category. The operating results of the SME, SLU, LAC, PGN and CLU businesses and exit costs with related taxes were recorded as "net loss on discontinued operations" in our audited consolidated statements of income in accordance with ASC 205-20 "Presentation of Financial Statements-Discontinued Operations" (formerly SFAS No.144, "Accounting for the impairment or disposal of Long-Lived Assets"). All prior period SME, SLU, LAC, PGN and CLU amounts in the above table, except for the balance sheet data, have also been so reclassified as to enable comparisons between the relevant amounts for the fiscal years ended March 31, 2011 through 2015.

(2) We implemented a two-for-one stock split of our common stock effective April 1, 2014. The number of shares outstanding and per share amounts have been adjusted to reflect the effect of the stock split.
(3) U.S. dollar amounts for dividends are translated from the respective Japanese yen amounts for convenience at the exchange rate as of the end of each period.

Fluctuations in exchange rates between the Japanese yen and the U.S. dollar and other currencies will affect the U.S. dollar and other currency equivalents of the yen price of our shares and ADSs and the U.S. dollar amounts received on conversion of cash dividends. Fluctuations in foreign currency exchange rates also affect our results of operations and shareholders' equity. See "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Introduction—Effects of Foreign Currency Fluctuations."

The following table presents the noon buying rates for Japanese yen per $1.00 in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York for and as of the end of each period indicated.

	High	Low	Average[1]	Period-end
Year ended March 31,				
2011	¥ 94.68	¥ 78.74	¥ 85.00	¥ 82.76
2012	85.26	75.72	78.82	82.41
2013	96.16	77.41	83.26	94.16
2014	105.25	92.96	100.46	102.98
2015	121.50	101.26	109.75	119.96
2014				
December	¥ 121.38	¥ 117.28	¥ 119.32	¥ 119.85
2015				
January	¥ 120.20	¥ 116.78	¥ 118.25	¥ 117.44
February	120.38	117.33	118.76	119.72
March	121.50	119.01	120.39	119.96
April	120.36	118.80	119.51	119.86
May	124.18	119.09	120.80	123.98

Note:
(1) The average exchange rate for each yearly period represents the average of the exchange rates on the last day of each month during the period, and the average exchange rate for each monthly period represents the average of the daily exchange rates during the period.

As of June 5, 2015, the noon buying rate was ¥125.58 per $1.00.

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

If any of the risks described below actually occurs, our business, financial condition or results of operations could be adversely affected.

Economic downturns may lead to reduced demand for our products.

Demand for our products may be adversely affected by unexpected economic trends in the countries or regions in which our products, and the end-products in which they are used, are sold. In particular, our products are often used in end-products that are subject to discretionary spending, such as personal computers, consumer electronic goods and automobiles, and thus a decline in general consumption levels could adversely affect our sales. Similarly, capital investment levels in the manufacturing sector can be particularly sensitive to economic trends, and a decline in capital investment could adversely affect sales of our products that are used in industrial applications. For example, our results of operations for the fiscal year ended March 31, 2013 were adversely affected by the deterioration in the global economic environment due to the credit and financial crises in Europe as well as weakened consumer spending. Our results of operations and financial condition may be materially and adversely affected by negative economic trends in future periods.

We are subject to risks associated with the expansion of our business portfolio into new business areas.

While our business has traditionally been centered on motors and their derivative products, equipment and components used in the information technology sector, we are currently endeavoring to expand our business portfolio in other business areas from the viewpoint of risk diversification and future growth. However, there can be no assurance that we will be able to secure the necessary information, business resources, customer relationships, business expertise and brand recognition in a timely manner. For example, the success of our acquisition and investment activities which is a key factor in our ability to succeed in our business portfolio expansion is constantly subject to uncertainty. In addition, the automotive, appliance, commercial and industrial product markets in which we are endeavoring to expand are subject to various risks such as those stemming from vast supply chains that increase the risk of manufacturing disruptions and labor problems of third parties having an adverse effect on our business and increased compliance costs related to more stringent environmental and safety regulations. Furthermore, our overall operating margin could be adversely affected if, in the course of our business portfolio expansion, our product mix changes in a manner that increases the proportion of sales related to less profitable products and businesses.

Because of our dependence on the information storage and communication industry, our business may be adversely affected by a decline in the market.

While we are endeavoring to expand our business portfolio into new business areas, a substantial portion of our net sales continues to depend on sales of products used in information storage and communication equipment and peripherals, including small precision motors. In particular, the hard disk drive, or HDD, market is particularly important to us, and declines in demand and price of HDDs may have a material adverse effect on our results of operations and financial condition due to a decline in our sales of spindle motors for use in HDDs. In recent years, demand for HDDs has been declining due to a gradual shift in demand to solid state drives, or SSDs, which has advantages in terms of data access speeds, and although SSDs are still more expensive on a bit-by-bit basis, SSD price levels have been declining steadily. To the extent the information technology industry shifts further from the usage of HDDs to SSDs or other forms of storage devices, demand for HDDs could decline further. This could occur if, for example, demand for products such as tablet computers and smartphones, which have functions that are similar to personal computers, or PCs, further replaces demand for PCs that utilize HDDs. In addition, if the price of SSDs declines to a level that makes SSDs more competitive compared to HDDs, demand for HDDs would decline significantly, and our sales of spindle motors for use in HDDs would be materially and adversely affected. Furthermore, we rely on our major customers for spindle motors for use in HDDs for a higher percentage of our net sales compared to our other customers, and a significant decline in orders from such customers could have a materially adverse effect on our business, results of operations and financial condition.

We face aggressive competition both in the markets where we supply our main products and in the markets into which we are attempting to expand our business, which could have a material adverse effect on our business and results of operations.

We generally face aggressive competition in the markets in which we conduct business. In the HDD market, where we supply our main products, we are under constant pricing pressure as the market is characterized by declining selling prices over the life of a product. In the markets in which we are attempting to expand our market share, including the automotive, appliance, commercial and industrial product markets, we compete with competitors that may have larger financial, research and development, manufacturing, sales, marketing and service capabilities and sources of support than we do, and that may also have more established market recognition and long-standing customer relationships. In emerging markets, including those for electric and hybrid vehicle control systems, we also face severe competition with other new market entrants as they seek to expand their market share.

To maintain our competitiveness in the markets where we supply our main products and to enhance our competitiveness in the markets into which we are attempting to expand our business, we believe that we should maintain, or may need to increase, our substantial level of investment in research and development, expand our production, sales and marketing capabilities, enhance services and support, timely develop new products, and further improve our existing products. We will also need to continue our cost reduction efforts in order to maintain our profitability.

Our competitiveness may decline and/or our profitability may be adversely affected if:

- any of our markets develops faster than our expectations due to rapidly increasing demand or otherwise, causing our market share to decline relative to our competitors that are able to better meet increasing demand or otherwise cope with developing markets;
- our cost reduction efforts are insufficient to offset declines in market price levels or increases in raw material costs;
- our competitors’ competitive efforts result in technological innovations, improved manufacturing efficiencies or enhanced research and developmental capabilities, rendering our products and technologies obsolete or uncompetitive;
- mergers or consolidations among our competitors result in a relative decline in our competitive position; or
- we are unable to obtain financial, technological, human or other resources necessary to maintain or enhance our investments.

If our research and development activities are not successful, our business and results of operations could be materially and adversely affected.

We engage in continuous research and development activities, including those related to basic technologies, new products, product improvements and manufacturing processes. The markets for our products are characterized by continual and fast-paced technological development, and our customers’ requirements regarding the performance of our products are expected to continue to heighten. In such markets, our success will depend upon our ability to continue to develop superior technologies, products and processes in a timely manner in order to meet our customers’ needs effectively. If third parties succeed in developing new technologies, products or processes that are more attractive to our customers than ours due to our inability to accurately anticipate the direction of the market, our inability to conduct research and development in an effective or timely manner or otherwise, our products could be rendered obsolete or the competitiveness of our products could decline. Anticipating such shifts accurately and developing appropriate technologies, products and processes in a timely manner present a significant challenge. Determining the direction of our research activities related to basic technologies is particularly difficult, and the risk of our being unable to recoup the costs related to such activities can be significant. If we are unsuccessful in our research and development activities, our business and results of operations could be materially and adversely affected.

In addition, our customers generally require us to provide customized products that meet specific performance requirements within a set delivery timetable. Our customers are increasingly demanding that we provide them with more complex products on a shorter timetable. Any future failure to design, manufacture and deliver customized products that meet customer requirements could damage our relationship with the customer, harm our reputation and negatively affect our market share, as well as impede the business development of these new products and the expansion of the products’ markets. Furthermore, if a customer fails to successfully commercialize or sell products that incorporate in them any customized product in which we invested significant resources to develop, we may be unable to recoup the relevant development costs. As a result, our business and results of operations could be materially and adversely affected.

If any defect is discovered in our products, or if any of the end-products in which our products are incorporated malfunctions, our reputation and results of operations may suffer by lost sales or costs associated with recalls, legal proceedings or management distraction.

We manufacture complex, state-of-the-art motors and other electronic products and, as a result, are exposed to potential warranty and product liability claims arising from alleged or actual defects in our products in the normal course of business. In particular, widespread malfunction of any end-product in which our products are incorporated may lead to consumer dissatisfaction, recalls and lawsuits. In the automotive, appliance, commercial and industrial motors and other parts markets, where we seek to expand our business, strict safety standards are imposed by applicable regulations and demanded by the public, as malfunctioning vehicles, equipment or machinery could result in serious property damage, personal injuries and even death. If such malfunction is caused by or attributed or alleged to be attributed to defects in our products, our brand image could be damaged, we may be subject to adverse regulatory action and significant legal claims or drawn into disputes with our customers, and our results of operations may be adversely affected by lost sales or costs associated with recalls. In addition, significant financial and human resources may be incurred, and management’s attention may be diverted, if we are required to defend ourselves against legal claims.

We generally maintain insurance against product liability claims, but our insurance coverage may not be adequate for any potential liability ultimately incurred. In addition, insurance could become unavailable in the future on terms acceptable to us. A successful claim that exceeds our available insurance coverage or a significant product recall could have a material adverse impact on our financial condition and results of operations.

If raw materials or components for our products are not available in quantities or at prices that we expect, our production could be significantly harmed.

We rely on third party suppliers for raw materials, such as aluminum and rare earth materials, and components, such as connectors, electric circuits, magnets and other unit assemblies, used in our manufacturing processes. Our production capacity will be limited if one or more of these materials or components become unavailable or available only in reduced quantities or at increased prices. Financial or operational disruptions or slowdowns suffered by our principal suppliers or shippers may negatively affect the availability of raw materials or components. Governmental actions that add conditions to the use of raw materials or components or impose additional disclosure or other regulatory compliance requirements relating to such materials or components may also affect their availability. For example, regulatory developments imposing due diligence and disclosure requirements regarding the use of “conflict” minerals mined from the Democratic Republic of Congo and adjoining countries may limit the pool of suppliers that can provide us with materials and components that do not contain any such materials or may result in reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins of the minerals used in our products. In addition, the availability of components may be adversely affected by a supplier’s decision to cease to manufacture or allocate adequate resources to develop products that we require.

If the sources or availability of materials or components necessary for our products become limited, we may have to devote significant resources to secure alternative suppliers or shippers, find substitutes for such materials or components, or develop designs and technologies that reduce or eliminate the need for such materials or components. If our sources of materials and supplies are unavailable for a significant period of time without any such substitute, design or technology, our results of operations will be adversely affected.

We rely to a large extent on production and sales in developing countries which may become politically or economically unstable and face risks resulting from unanticipated developments in those countries.

We manufacture and sell a large percentage of our products in developing countries such as China, Thailand, the Philippines, Vietnam, Malaysia, Mexico and Indonesia in order to take advantage of more competitive production and sales costs and to develop new markets for our products. We also seek to expand our operations into other developing markets, including India and Brazil, where we have little or no prior experience. These countries and markets are still in the process of developing their economic, social and other infrastructures and are susceptible to various uncertainties. The political, social and economic situations of these countries may not continue to provide an environment in which we can continue to manufacture our products cost-efficiently in proximity to our customers. The governmental authorities of those countries may impose regulations or restrictions that would make it difficult, impractical or impossible, whether economically, legally or otherwise, for us to conduct our business there.

Furthermore, business activities overseas expose us to the following various risks related to foreign business transactions, and these risks may adversely affect our business, results of operations and financial condition:

- economic slowdown or downturn in the relevant industries in foreign markets;
- international currency fluctuations;
- general strikes or other disruptions in working conditions;
- labor shortages and labor cost increases, especially in China and Thailand;
- political instability;
- changes in trade restrictions and tariffs;
- difficulties associated with staffing and managing international operations;
- generally longer receivables collection periods;
- unexpected changes in or imposition of new legislative or regulatory requirements;
- relatively limited protection for intellectual property rights in some countries;
- potentially adverse taxes;

- cultural and trade differences;
- additional cost of products exported overseas, including tariffs, shipping costs, and other duties and impositions, which may make our products less price competitive, and
- significant time and capital required for expanding overseas businesses before achieving a return on capital.

Our quarterly results of operations do not necessarily indicate a trend of our future results of operations.

We have experienced, and expect to continue to experience, fluctuations in sales and results of operations from one quarter to the next. As a result, we believe that quarter-to-quarter comparisons of our results of operations are not necessarily meaningful, and that such comparisons cannot be relied upon as indicators of future performance. Our results of operations may be subject to significant quarterly fluctuations as a result of the various factors, including:

- fluctuations in product demand as a result of the cyclical and seasonal nature of the markets in which our products are sold and used, including the information storage and communication, appliance, commercial and industrial products markets;
- translation effect of exchange rate fluctuations on the results of our overseas subsidiaries and monetary assets and liabilities denominated in foreign currencies;
- the availability and extent of utilization of our manufacturing capacity;
- changes in our product, customer or competitor mix, which can occur on short notice;
- cancellation or rescheduling of significant orders, which can occur on short notice;
- deferrals of customer orders for our new products; and
- component and raw material costs and availability, particularly with respect to those obtained from sole or limited sources, which can occur on short notice.

Because our production and inventory are planned in advance of anticipated customer demand, if actual demand is significantly different from our projections, we may suffer losses or lose market share.

We typically plan our production and inventory levels based on customers' advance orders, commitments or forecasts, as well as our internal assessment and forecasts of customer demand, which are highly unpredictable and can fluctuate substantially, especially if competition becomes more intense or the demand is reduced due to seasonality or other factors. In order to secure sufficient production scale and productivity, we may make capital investments in advance of anticipated customer demand. For example, we plan to make additional capital investments to expand our manufacturing capabilities particularly in emerging economic regions. If our manufacturing capabilities are under-utilized due to lower demand for our products, unavailability of raw materials or components, or for any other reason, such under-utilization could result in a decline in our profit margins due to our operating expenses being relatively fixed as well as impairment losses or could otherwise have a material adverse impact on our results of operations and financial condition. On the other hand, if we underestimate our customers' needs and fail to make the necessary capital investments, we may lose market share due to our inability to meet customers' demands.

In addition, in anticipation of long lead times to obtain inventory and materials from our suppliers, we may also from time to time order materials in advance of anticipated customer demand. This advance investment and ordering may result in excess inventory levels, resulting in unanticipated inventory write-downs if expected orders fail to materialize. As of March 31, 2015, our inventory, including both products and materials, was ¥171.0 billion.

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In addition, our operating expenses are relatively fixed, and we thus have limited ability to reduce expenses quickly in response to any revenue shortfalls resulting from a decrease in demand. Consequently, our results of operations will be harmed if our revenues do not meet our revenue projections.

Our growth has been based in part on acquisitions of, or investments in, other companies, and our future growth could be adversely affected if we make acquisitions or investments that fail to achieve their intended benefits or if we are unable to find suitable acquisition or investment targets.

We have achieved much of our growth by acquiring and otherwise investing in other companies that have provided us with complementary technologies, product lines, marketing and sales networks, and customer base. The continued success of our acquisition and investment activities constitutes a key factor in achieving our current business strategy. To the extent that we are unable to make successful acquisitions or investments, we may not be able to continue to expand our product range, marketing or sales networks or customer base, and our growth rates could be adversely affected.

Critical to the success of our acquisitions is the ordered and efficient integration of acquired businesses into our organization, which has in the past required, and may continue to require, significant resources. Our acquisitions may not generate the operational and financial returns we expect. The success of our future acquisitions will depend upon factors such as:

- our ability to manufacture and sell the products of the businesses acquired and to integrate the technologies of the acquired businesses with our own to develop new products;
- continued demand for such products by our customers;
- our ability to integrate the acquired businesses' operations, products and personnel;
- our ability to retain key personnel of the acquired businesses;
- our ability to extend our financial and management controls as well as our reporting and compliance systems and procedures to acquired businesses;
- accuracy of financial and legal due diligence; and
- our ability to identify possible liabilities that could negatively affect our business, operations or reputation during the due diligence process.

Our new and additional investments in other companies are subject to other uncertainties that may have a material adverse impact on our business. For example, the fair value of our investments in other companies may be impaired if their business results deteriorate or as a result of a decline in the fair value of their securities that is other than temporary. Changes in economic policies of local governments, laws and regulations, and accounting rules applicable to companies in which we invest may also have a significant adverse effect on our financial results. In addition, in cases where we have a non-controlling interest in an investee, we typically cannot control the operations and the assets of the investee or make major decisions without the consent of other shareholders or participants, or at all, unless we acquire a controlling interest by increasing our shareholding interest.

Failure to succeed in acquisitions or investments, or an inability to find suitable acquisition or investment targets, could have a material adverse effect on our business, results of operations and financial condition.

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Our growth places significant burdens on our management and operational and financial resources.

Our future success depends to a large extent on our ability to integrate and manage our group of companies as we seek to continue expanding our business and operations organically or through acquisitions of or investments in businesses in accordance with our growth strategy. However, our growth has placed, and is expected to continue to place, significant burdens on our management and operational and financial resources. As we pursue our growth strategy, we may face increasing burdens on management and our resources and, as a result, fail to timely and appropriately enhance our group-wide administrative, operational, information technology, and financial and compliance management systems. Any such failure may have a material adverse impact on our business, results of operations and financial condition.

We rely on our founder, Chairman of the Board, President and CEO, Mr. Shigenobu Nagamori, the loss of whom could have a material adverse effect on our business.

Our continued success will depend to a significant extent on the efforts and abilities of our founder and current Chairman of the Board, President and CEO, Mr. Shigenobu Nagamori. Mr. Nagamori is actively engaged in our management and determines our strategic direction, especially with regard to acquisition activities. While we are in the process of establishing a management structure designed to reduce our dependence on Mr. Nagamori, his sudden departure or reduced attention to us could have a material adverse effect on our business, financial condition and results of operations.

For our business to continue effectively, we will need to attract and retain qualified personnel.

Our business depends on the continued employment of our senior management, engineers and other technical personnel, many of whom would be extremely difficult to replace. To maintain our current market position and support future growth, we will need to hire, train, integrate and retain significant numbers of additional highly skilled managerial, engineering, manufacturing, sales, marketing, support and administrative personnel. Competition worldwide for such personnel is intense, and we and our affiliates may be unable to attract and retain such additional personnel.

We rely on monthly financial data from operating segments that are not prepared on a U.S. GAAP basis and are not comparable between segments, which potentially reduces the usefulness of this data to us in making management decisions.

We assess our performance and make operating decisions based on financial information received from the 12 operating segments and others that we report in our consolidated financial statements, including Nidec Corporation, Nidec Electronics (Thailand), Nidec (Zhejiang), Nidec Singapore, Nidec (H.K.), Nidec Philippines, Nidec Sankyo, Nidec Copal, Nidec Copal Electronics, Nidec Techno Motor, Nidec Motor, and Nidec Motors & Actuators. This segmental information is prepared in accordance with the accounting principles in each segment’s respective country of domicile. For example, Nidec Corporation’s operating profit or loss is determined using Japanese GAAP while Nidec Singapore Pte. Ltd. applies Singaporean accounting principles. Therefore, our segment 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.

In addition, year-end closing adjustments and other items are not included in segment totals. These aspects of our segment data could make it more difficult for us to evaluate the relative performance of individual segments and our overall operations in a timely manner, as compared with segment data compiled on a uniform U.S. GAAP basis.

We are subject to various laws and regulations, and our failure to comply may harm our business.

We conduct our business subject to ongoing regulation and associated regulatory compliance risks, including the effects of changes in laws, regulations, policies, voluntary codes of practice, accounting standards and interpretations in Japan and other countries in which we conduct our business. As we expand the range of our products and the geographical scope of our business, we will be exposed to risks that are unique to particular industries, markets or jurisdictions. Our compliance risk management systems and programs may not be fully effective in preventing all violations of laws, regulations and rules.

Our business activities are subject to a wide range of environmental laws and regulations in Japan, Asia, the Americas, Europe and other areas. These laws and regulations include those relating to discharge of chemicals into the air and water, management, treatment and disposal of hazardous substances and wastes, product recycling, prevention of global warming and the obligation to investigate and remediate soil and groundwater contamination. Many of our operations require environmental permits, the terms of which may impose limits on our manufacturing activities and require the incurrence of costs to achieve compliance and which may be subject to modification, renewal and revocation by the issuing authorities. We may be held responsible for payments or other sanctions for noncompliance with, or otherwise pursuant to, applicable environmental laws, regulations and permits, in which case our reputation as well as our results of operations could be adversely affected. Moreover, if these laws, regulations and permits become more stringent in the future, the amount of capital expenditures and other expenses which may be required to complete remedial actions and to continue to comply with applicable environmental laws, regulations and permits could increase and be significant, which would materially and adversely affect our business, financial condition and results of operations.

Our business activities are also subject to various other governmental regulations, both local and international, including antitrust, anti-bribery, anti-terrorism, intellectual property, consumer protection, taxation, export regulations, tariffs, foreign trade and exchange controls. Because a significant portion of our sales are derived from small precision motor sales and because we have a leading market share globally for small precision motors, any regulatory development or measure that affects sales or manufacturing of small precision motors in particular could reduce our sales or otherwise negatively affect our business. In addition, as our common stock is listed on the Tokyo Stock Exchange and American Depositary Shares representing shares of our common stock are listed on the New York Stock Exchange, we must also comply with applicable securities laws and regulations, accounting standards and stock exchange rules. Compliance with these and other applicable laws, regulations, standards and rules could require significant financial, human and other resources. Moreover, as we expand our operations into new products and geographical markets, we may be required to further enhance our compliance policies and procedures. Our failure or inability to comply fully with applicable laws, regulations, standards and rules could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorization to operate, adversely affecting our business and results of operations.

In addition, future developments or changes in laws, regulations, rules, policies, voluntary codes of practice, accounting standards, fiscal or other policies and their effects are unpredictable and beyond our control. Such developments and changes may require additional financial, administrative and human resources or a significant adjustment to our business operations.

We may experience difficulties implementing effective internal controls over financial reporting.

As a public company, it is essential for us to have effective internal controls, corporate compliance functions and accounting systems to manage our assets and operations. Moreover, under the U.S. Sarbanes-Oxley Act of 2002, which applies by reason of our status as a company subject to the reporting obligations under the U.S. Securities Exchange Act of 1934, we are required to establish internal control over our financial reporting, and our management is required to assess the effectiveness of our internal control over financial reporting and disclose whether such internal control is effective. Our independent registered public accounting firm must also conduct an audit on the effectiveness of our internal control over financial reporting. We are also subject to regulations on internal control over financial reporting under Japanese law.

Designing and implementing an effective system of internal controls capable of monitoring and managing our business and operations requires significant management, human and other resources. Once we identify any significant deficiencies or material weaknesses in our internal control systems, we may require additional resources and incur additional costs to remediate such deficiencies or weaknesses.

Furthermore, if management determines that our internal control over financial reporting is not effective for any period, we may be unable to timely file reports required under the Japanese Financial Instruments and Exchange Law or the U.S. Securities and Exchange Act of 1934, and our market perception could be negatively affected. Depending on the severity of, and causes and other factors relating to, a material weakness in internal control over financial reporting, we could be subject to liabilities or sanctions, including enforcement action by the SEC for violations of the U.S. securities laws and by the Japanese Financial Services Agency for violations of the Financial Instruments and Exchange Law and other applicable laws and regulations. In addition, we could be restricted in our ability to access U.S., Japanese and other markets for capital raising.

We are subject to risks related to intellectual property rights.

Our business is dependent on our ability to protect the proprietary rights to our technologies and products and other intellectual property, which we seek to protect through patent, trade secret, trademark, copyright and other legal protection afforded to intellectual property rights as well as contractual provisions and our internal information control system. Despite these efforts, we face the following risks:

- we could incur substantial costs in defending against claims of infringement of the intellectual property of others, and such claims could result in damage awards against us, orders to pay for the use of previously unrecognized third-party intellectual property or injunctions preventing us from continuing aspects of our business, which could in turn have a material adverse effect on our business, financial condition and results of operations;
- our protective measures may not be adequate to protect our proprietary rights;
- other parties, including competitors with substantially greater resources, may independently develop or otherwise acquire equivalent or superior technology, and we may be required to pay royalties to license the intellectual property of those parties;
- patents may not be issued pursuant to our current or future patent applications, and patents issued pursuant to such applications, or any patents we own or have licenses to use, may be invalidated, circumvented or challenged;
- the rights granted under any such patents may not provide competitive advantages to us or adequately safeguard and maintain our technology;
- we could incur substantial costs in seeking enforcement of our patents against infringement or the unauthorized use of our trade secrets, proprietary know-how or other intellectual property by others; and
- the laws of foreign countries in which our products are manufactured and sold may not protect our products and intellectual property rights to the same extent as the laws of Japan and the United States, and such laws may not be enforced in an effective manner.

For information relating to our intellectual properties disputes, see “Item 4.B. Information on the Company—Business Overview—Legal Proceedings.”

Leaks of confidential information may adversely affect our business.

In the normal course of business, we possess personal and other confidential information on our customers, other companies and other third parties with whom we do business as well as our own confidential information and personal information of our employees. Although we have security measures in place to protect such information, we may be subject to liability or regulatory action if any of such information is leaked due to human or technical error, unauthorized access, other illegal conduct or otherwise. Failure to protect confidential information could also lead to a loss of our competitive advantage and customer and market confidence in us, adversely affecting our business, financial condition and results of operations.

In addition, there is a risk that our confidential information may be leaked due to human or technical error or illegal conduct by a third party or other causes that are beyond our control. In such cases, including where our competitive advantage is lost because of the leak, our business, financial condition or results of operations may be adversely affected.

Losses relating to our pension plans and a decline in returns on our plan assets may negatively affect our results of operations and financial condition.

We have defined benefit pension plans covering employees who meet eligibility requirements. We may incur losses if the fair value of our pension plans’ assets declines, if the rate of return on our pension assets declines, or if there is a change in the actuarial assumptions on which the calculations of the projected benefit obligations are based. We may also experience unrecognized service costs in the future due to amendments to existing pension plans. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded pension obligations and the resulting annual amortization expense. In addition, the assumptions used in the computation of future pension expenses may not remain constant.

If our goodwill and long-lived assets become impaired, we may be required to record impairment charges, which would adversely affect our financial results.

We have significant goodwill and long-lived assets, including plants, property and equipment. As of March 31, 2015, we had ¥172.4 billion of goodwill and ¥339.0 billion of plants, property and equipment. In connection with any acquisition we make in the future, we may record additional goodwill depending on the terms of the acquisition. In accordance with U.S. GAAP, we review goodwill for impairment annually and goodwill and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill is tested by initially estimating fair value and then comparing it against the carrying amount. If the carrying amount of a reporting unit exceeds its estimated fair value, we are required to record an impairment loss. In addition, if long-lived assets do not generate sufficient cash flows, impairment losses will also need to be recognized. Any significant amount of such impairment losses will adversely affect our results of operations and financial condition.

Our results of operations will be negatively affected if we are required to reduce our deferred tax assets.

As part of the process of preparing our consolidated financial statements in accordance with U.S. GAAP, we must 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. In the event of a deterioration in market conditions or results of operations in which we determine that there is additional uncertainty regarding realization of all or part of our net deferred tax assets, the resulting adjustment to our deferred tax assets would decrease our income during the period in which such determination is made.

Because our sales to overseas customers are denominated predominantly in U.S. dollars and other foreign currencies, we are exposed to exchange rate risks that could harm our results of operations and shareholders' equity.

Sales to customers outside Japan accounted for 77.8%, 81.9% and 82.1% of our consolidated net sales during the fiscal years ended March 31, 2013, 2014 and 2015, respectively. A significant portion of our overseas sales is denominated in currencies other than the Japanese yen, primarily the U.S. dollar, Euro, the Chinese yuan and Thai baht. As a result, the appreciation of the Japanese yen against the U.S. dollar, Euro and other currencies will generally have a negative effect on our sales, operating income and net income. In order to mitigate against this risk, in recent years we have been attempting to offset a portion of our foreign currency revenue by matching the currency of revenue with the currency of expense. For example, if revenue for a particular product is in U.S. dollars, we attempt to purchase the supplies and resources used to produce that product in U.S. dollars. Nevertheless, we remain exposed to the effects of foreign exchange fluctuations. We may also experience volatility in our shareholders' equity as a result of foreign currency exchange rate fluctuations when the results of operations of subsidiaries operating in currencies other than the yen are consolidated into our financial statements, which are reported in Japanese yen.

Interest rate fluctuations may adversely affect our financial condition.

We have long-term receivables and debt, with fixed and variable rates, and we enter into interest rate swaps and other contracts in order to stabilize the fair values and cash flows of those receivables and debts. We enter into interest rate swaps and other contracts to reduce our market risk exposure from changes in interest rates. To the extent that their effects are not hedged, we are exposed to interest rate fluctuation risks which may affect our operational costs, interest expenses, interest income and the value of our financial assets and liabilities.

If our access to liquidity and capital is restricted, our business could be harmed.

We rely to a large extent on debt and equity financing to finance our operations, capital expenditures and acquisitions of other companies. If, due to changes in financial market conditions or other factors, financial institutions reduce, terminate or otherwise modify the amounts or terms of their lending or credit lines to us, and if we are unable to find alternative financing sources on equally or more favorable terms, our business may be materially adversely affected. In addition, if there is a significant downgrade of our credit ratings by one or more credit rating agencies as a result of any deterioration of our financial condition or if investor demand significantly decreases due to economic downturns or otherwise, we may not be able to access funds when we need them on acceptable terms, our access to capital markets may become more restricted, or the cost of financing our operations through indebtedness may significantly increase. This could adversely affect our results of operations and financial condition.

Natural disasters, public health issues, armed hostilities, terrorism, cyber security breaches and other causes over which we have little or no control could harm our business.

Natural disasters, including earthquakes and floods, fires, the spread of infectious diseases and other public health issues, armed hostilities, terrorism and other incidents, whether in Japan or any other country in which we, our suppliers or customers operate, could cause damage or disruption to us, our suppliers or customers, or could create political or economic instability, any of which could harm our business. For example, natural disasters could adversely affect our operations by damaging industrial and other infrastructures, causing power outages, rendering our employees unable to work, reducing customer demand or disrupting our suppliers' operations. If any such disaster occurs in any region in which any of our major customers or production or development bases are concentrated, such as Thailand or China, or in Japan where our headquarters and key research and development facilities are located, the adverse effect on our results of operations and financial condition could be particularly pronounced. Our network and information systems are important for normal operations, but such systems are vulnerable to shutdowns caused by unforeseen events such as power outages or natural disasters or terrorism, hardware or software defects, or computer viruses and computer hacking. Any such events, over which we have little or no control, could cause a decrease in demand for our products or services, make it difficult or impossible for us to deliver products, for our suppliers to deliver components or for our customers to manufacture products, require large expenditures to repair or replace our facilities, or create delays and inefficiencies in our supply chain.

We maintain third-party insurance coverage for various types of property, casualty and other risks. The types and amounts of insurance that we obtain vary from time to time and from location to location, depending on availability and cost and our decisions as to risk retention. Our insurance policies are subject to deductibles, policy limits and exclusions that result in our retention of a level of risk on a self-insured basis. While we believe our insurance coverage is comparable to the coverage maintained by similar companies in our industry, losses not covered by insurance could be significant, adversely affecting our financial condition and results of operations.

Large shareholders may sell their shares of our common stock at any time, and such sale may cause our stock price to decline, even if our business is doing well.

As of March 31, 2015, there were 294,098,780 outstanding shares of our common stock (excluding treasury stock), of which 42,066,256 shares, or 14.3%, of the outstanding shares are beneficially owned by our Chairman of the Board, President and CEO, Mr. Shigenobu Nagamori. These shares and, generally, the shares owned by other shareholders can be sold on the Tokyo Stock Exchange and otherwise in Japan at any time. Additional sales of a substantial amount of our common stock in the public market by a large shareholder, or the perception that such sales may occur, could cause the market price of our common stock to decline. This could also impair our ability to raise additional capital through the issuance or sale of our securities. Also, in the future, we may issue or sell securities to raise cash for additional capital expenditures, working capital, research and development or acquisitions. We may also pay for interests in additional subsidiaries or affiliated companies by using common stock. We may also issue securities convertible into our common stock. Any of these events may dilute your ownership interest in us and have an adverse impact on the price of our common stock.

Japan's unit share system imposes restrictions in holdings of our common stock that do not constitute whole units.

Our Articles of Incorporation provide that 100 shares of our stock constitute one "unit." The Company Law of Japan