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	High	Low	Average	Period-end
Year ended March 31,				
1999	¥147.14	¥108.83	¥128.10	¥118.43
2000	124.45	101.53	110.02	102.73
2001	125.54	104.40	111.65	125.54
2002	134.77	115.89	125.05	132.70
2003	133.41	115.71	121.95	118.07
Calendar period				
January 2003	120.18	117.80	118.81	119.96
February 2003	121.30	117.14	119.34	118.22
March 2003	121.42	116.47	118.69	118.07
April 2003	120.55	118.25	119.90	119.07
May 2003	119.50	115.94	117.37	119.50
June 2003	119.87	117.46	118.33	119.87

The above 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. These translations do not imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

As of July 1, 2003, the noon buying rate was ¥119.45 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.

If the shift from conventional ball bearing technology to fluid dynamic bearing technology in the hard disk drive industry does not continue as rapidly as we now expect, we will suffer adverse financial consequences

Our primary customers are manufacturers of hard disk drives, and the largest portion of our revenues is generated by sales of spindle motors designed for the hard disk drive industry. We believe this industry is currently undergoing a major technological change from hard disk drives that use spindle motors with conventional ball bearings to hard disk drives that use spindle motors with fluid dynamic bearings. We believe that almost all the 2.5-inch hard disk drive market has shifted to fluid dynamic bearing technology and are expecting this trend to continue in the 3.5-inch and other hard disk drive markets. We have already made substantial investments in production facilities in anticipation of a fundamental shift from ball bearing technology to fluid dynamic bearing technology. However, there are several reasons why the shift from ball bearing hard disk drive spindle motors to fluid dynamic bearing hard disk drive spindle motors may not occur as rapidly as necessary to avoid adverse financial consequences to us, including:

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- The market for fluid dynamic bearing motors has only recently begun to emerge and is dependent on the future development of, and substantial demand for, data storage products that offer greater storage capacity. This demand for higher capacity data storage products may not develop as rapidly as we anticipate.
- Rapid changes and advancements in technology are common in this industry and it is possible that competitors could develop alternative technology or competing products, including alternative fluid dynamic bearing models, that could reduce the demand for our fluid dynamic bearing motors.

For these reasons, we may not achieve sales of fluid dynamic bearing motors in accordance with our expected targets.

Our customer base is highly concentrated, and our sales would suffer if one or more of our significant customers substantially reduce or cancel orders for our products

We are dependent on a limited number of large customers for a substantial portion of our net sales. For the year ended March 31, 2001, sales to our largest customer, Seagate, were approximately 13% of total net sales and for the year ended March 31, 2002, sales to our largest customer, Seagate, were approximately 16% of total net sales. For the year ended March 31, 2003, sales to our largest customer, Seagate, were approximately 16% of total net sales. Sales to our six largest customers represented approximately 49% of our net sales for the year ended March 31, 2001, approximately 49% for the year ended March 31, 2002 and approximately 41% for the year ended March 31, 2003. The number of hard disk drive manufacturers is limited and, historically, orders from a limited number of these manufacturers accounted for a substantial portion of our revenues. For example, over 10% of our net sales of our hard disk drive spindle motors account for two customers, one customer and one customer during the year ended March 31, 2001, 2002 and 2003, respectively.

On January 6, 2003, storage technology businesses of Hitachi Ltd. and IBM were combined and Hitachi Global Storage Technologies was founded. The new company is the third largest manufacturer of hard disk drives in the world. As a result of this development, our customer base will be more highly concentrated.

Our customer base is also highly concentrated in our other product markets such as brushless DC motors, fans, machinery and power supplies. Our accounts receivable are likewise concentrated. At March 31, 2001 six customers represented ¥16.7 billion, or 46%, of the gross accounts receivable. At March 31, 2002, six customers represented ¥18.5 billion, or 40%, of our gross accounts receivable. At March 31, 2003, six customers represented ¥19.7 billion, or 39%, of our gross accounts receivable. As a result of customer concentration, our net sales could be significantly impacted in the event of:

- a significant reduction, delay or cancellation of orders from one or more of our significant customers;
- a decision by one or more significant customers to select products manufactured by a competitor, or its own internally developed components, for inclusion in future product generations; or
- financial difficulties affecting one or more significant customers.

We expect that, for the foreseeable future, sales to a limited number of customers will continue to account for a high percentage of our net sales. If current customers do not continue to place orders, we may not be able to replace these orders with orders from new customers and this would significantly impact our business, operating results and financial condition. Such fluctuations could materially harm our business, financial condition and operating results.

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We depend on the computer industry, and our business is being adversely affected by a decline in the computer market during the current fiscal year

Our precision motor and fan products are components used primarily in computer systems. A substantial portion of our net sales depends on sales of computers and computer peripherals. Revenue from hard disk drive spindle motors accounted for 46.7% of our net sales for the year ended March 31, 2001, 48.5% for the year ended March 31, 2002 and 42.2% for the year ended March 31, 2003. Although we have been diversifying our products and entering into new markets, such as motors for use in household appliances, automobiles and home entertainment equipment, we expect to continue to derive a significant portion of our revenues from the sale of products for use in computers and computer peripherals. The markets for computers and computer peripherals are cyclical and have been characterized by:

- rapid technological change;
- frequent new product introductions and short product life cycles;
- significant price competition and price erosion;
- fluctuating inventory levels;
- alternating periods of over-capacity and capacity constraints due, in part, to cyclical and seasonal market patterns;
- variations in manufacturing costs and yields; and
- significant expenditures for capital equipment and product development.

The computer market has grown substantially in recent years but has experienced a significant downturn since December 2000, which is characterized by lower product demand and accelerated reduction of product prices. These conditions have prompted restructuring of operations by hardware manufacturers, including makers of hard disk drives. For example, during August 2001, it was reported that Fujitsu had decided to stop manufacturing hard disk drives for desktop computers to concentrate on the manufacturing of hard disk drives for servers and laptop computers. Our sales to Fujitsu, which represented 8.9% of our total net sales for the year ended March 31, 2001, 5.6% for the year ended March 31, 2002 and 3.7% for the year ended March 31, 2003, were comprised of various products including spindle motors for desktop computers, as well as spindle motors for use in non-desktop computers such as servers or notebook computers which Fujitsu reportedly continues to manufacture. The Fujitsu restructuring or similar moves by other manufacturers in the future could have a material negative impact on our results of operations if we are unable to increase spindle motor sales to other hard disk drive manufacturers or increase sales to Fujitsu of spindle motors for non-desktop use.

The rate of decline in average selling price accelerates when, as is currently the case in the hard disk drive industry, competitors lower prices to absorb excess capacity, liquidate excess inventories, restructure or attempt to gain market share. During an industry downturn, manufacturers may abruptly stop purchasing additional inventory from suppliers such as us. And because many of our customers have adopted just-in-time inventory management processes, we often maintain up to one month’s inventory at or near the customer’s production facility, a practice which may force us to absorb excess inventories when growth slows. Our inventory was ¥19.5 billion at March 31, 2001, ¥19.6 billion at March 31, 2002 and ¥17.0 billion at March 31, 2003. Maintaining inventory increases our capital requirements and costs, complicates our inventory management strategies and makes it more difficult to match manufacturing plans with customer demand, thereby increasing the risk of inventory obsolescence and price erosion during periods of reduced demand which could have a material adverse effect on our business, financial condition and results of operations.

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We are facing downward pricing pressure in our main product markets and this decline could reduce our revenues and gross margins

We expect downward pricing pressure in our main product markets to continue and perhaps even increase in the future. The hard disk drive industry, in particular, is characterized by rapidly declining average selling prices over the life of a product even for those products which are competitive and timely to-market. Our average selling price for hard disk drive spindle motors fell by approximately 7% during the year ended March 31, 2001, by 13% during the year ended March 31, 2002 and by 8% during the year ended March 31, 2003. In general, the average selling price for a given product in the hard disk drive market decreases over time as increases in the supply of competitive products and cost reductions occur and as technological advancements are achieved. There is also intense price competition among hard disk drive manufacturers and, as a result, our principal customers pressure us to lower the prices of our spindle motors. Falling prices reduce our margins, cause operating results to suffer and may make it difficult for us to maintain profitability. If we are not able to achieve such cost reductions, develop new customized products or increase our unit sales volume, our business, financial condition and results of operations could be materially and adversely impacted.

If our third party suppliers experience capacity constraints or production failures, our production could be significantly harmed

We rely on third party suppliers for some of the materials and equipment used in our manufacturing processes, including connectors, electric circuit unit assemblies and ball bearings. Even though we are decreasing our reliance on ball bearing suppliers as a result of the shift to fluid dynamic bearing spindle motors, our production capacity would nevertheless be limited if one or more of these materials were to become unavailable or available in reduced quantities or if we were unable to find alternative suppliers. If our source of materials and supplies were unavailable for a significant period of time, our operating results would be adversely affected.

We face aggressive competition both in the spindle motor market 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

Our major competitors in the area of hard disk drive spindle motors have increased their production capacity in recent periods, which has resulted in intensified competition and a reduction in prices. This trend of fierce competition and price erosion is likely to intensify as a result of the recent global slowdown in computer sales. Several spindle motor competitors are also active in the development and marketing of fluid dynamic bearing hard disk drive spindle motors. It is also possible that ball bearing or other subcomponent manufacturers will try to enter the spindle motor market. In the area of mid-size motors for automobiles and household appliances, some of our competitors have substantially greater financial, engineering, manufacturing, marketing, service and support resources than we do and may have substantially greater name recognition, manufacturing expertise and capability and longer standing customer relationships than we do. Other competitors, principally those based in Korea and Taiwan, are producing lower-cost brushless DC fans and motors that make it difficult for us to increase market share.

To remain competitive in our core business area of spindle motors and to increase our competitiveness in other motor markets in which we are attempting to expand our business, we believe that we must maintain a substantial investment in research and development and expand our manufacturing capability, marketing, sales efforts and customer service and support. We must also develop new products and enhance our existing products in a timely manner. We may not compete successfully in all or some of our markets in the future, and we may not have sufficient resources to continue to make such investments, or we may not make the technological advances necessary to maintain our competitive position so that our products will receive industry acceptance. We anticipate that we may have to adjust prices on many of our products to stay competitive and our profit margins may fall. In addition, technological changes, manufacturing efficiencies or development efforts by our competitors may render our products or technologies obsolete or uncompetitive. Our failure to maintain our competitive position could have a material adverse effect on our business and results of operations.

We may be unable to commercialize new product lines or deliver our customized products to satisfy specific customers' needs in a timely manner and in sufficient quantities, which could damage our reputation and future sales

Many of our customers work directly with component suppliers such as us to design and build customized products for specific needs. A significant portion of our contracts with these customers require us to provide customized products within a set delivery timetable. If we are unable to commercialize new product lines, we may not be able to meet our customers' product needs or timetables. Although we have not had such problems in the past, any future failure to meet significant customer requirements could damage our reputation and impede our ability to expand our business into these new products and markets.

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We could experience losses or damage to our reputation if any of the end-products in which our motors or other products are incorporated malfunction, causing damage to persons, property or data

Our small precision motors and other products are a key component in many consumer electronics devices, particularly data storage devices such as hard disk drives. Widespread malfunction of such devices could lead to consumer dissatisfaction, recalls and, potentially, lawsuits. If such problems are caused by or attributed to defects in our motors or their design, we might be drawn into disputes with our customers, our reputation could be damaged and our results of operations might be adversely affected by lost sales or costs associated with recalls or defending ourselves against legal claims.

Our operating results may fluctuate significantly because of a number of factors, many of which are beyond our control

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

- fluctuations in product demand as a result of the cyclical and seasonal nature of the industries in which our motor and drive technology products are sold and used, including the computer industry;

- translation effect of exchange rate fluctuations on the results of our overseas subsidiaries;
- the availability and extent of utilization of our manufacturing capacity;
- changes in our product or customer mix;
- entry of new competitors;
- cancellation or rescheduling of significant orders, which can occur on short notice;
- deferrals of customer orders in anticipation of new products or enhancements; and
- component and raw material costs and availability, particularly with respect to components obtained from sole or limited sources.

Since a large portion of our operating expenses, including equipment depreciation, rent, salaries, capital leases and interest payments are relatively fixed and difficult to reduce or adjust against any decrease in revenue as a result of fluctuations in product demand or otherwise might not be offset by a reduction in expenses and could have a material adverse effect on our business, financial condition and results of operations.

Our recent growth has been based in part on acquisitions, and our future growth could be adversely affected if we make acquisitions that turn out to be incompatible with our existing business or unsuccessful or if we are unable to find acquisition targets

We have achieved much of our growth by acquiring other companies that have provided us with complementary technologies and product lines. To the extent that we are unable to make successful acquisitions, we may not be able to expand our product range and our growth rates could be adversely affected. Critical to the success of our acquisitions is the ordered, efficient integration of acquired businesses into our organization, which has in the past required and may continue to require significant resources. There can be no assurance that our investments will generate the operational and financial returns we expect. The success of future acquisitions will depend upon factors such as:

- our ability to manufacture and sell the products of the businesses acquired;
- continued demand for these acquired products by our customers;
- our ability to integrate the acquired business’ operations, products and personnel;
- our ability to retain key personnel of the acquired businesses; and
- our ability to extend our financial and management controls and reporting systems and procedures to acquired businesses.

We may incur financial losses from an unprofitable joint venture with Johnson Electric

We have entered into a joint venture with Nidec Johnson Electric (Hong Kong) Limited which has not generated profits to date. The joint venture, Nidec Johnson, is comprised of two separate entities, Nidec Johnson Electric (Hong Kong) Limited and Nidec Johnson Electric Corporation. For the year ended March 31, 2001, Nidec Johnson Electric (Hong Kong) Limited recorded ¥400 million of net loss and Nidec Johnson Electric Corporation reported ¥33 million of net income. For the year ended March 31, 2002, Nidec Johnson Electric (Hong Kong) Limited recorded ¥ 514 million of net loss and Nidec Johnson Electric Corporation reported ¥12 million of net income. For the year ended March 31, 2003, Nidec Johnson Electric (Hong Kong) Limited recorded ¥189 million of net loss and Nidec Johnson Electric Corporation reported ¥34 million of net loss. This venture may neither achieve profitability nor be able to meet its anticipated working capital needs. If it fails to lower costs and expand sales and services, it will be unable to generate profits. If it fails to generate profits, we may incur financial losses as a result of funding obligations under our agreement with our joint venture partner or in terminating the joint venture agreement and discontinuing operations.

Our growth places strains on our managerial, operational and financial resources

Our future success depends on our ability to expand our organization in line with the growth of our business, including the integration of recently added affiliates within the Nidec group. However, our growth has placed, and is expected to continue to place, a significant strain on our managerial, operational and financial resources. Our recent acquisitions and any further growth by us or our subsidiaries or affiliates or an increase in the number of our strategic relationships will continue to increase this strain on our managerial, operational and financial resources. This strain may inhibit our ability to achieve the rapid execution necessary to successfully implement our business plan.

We could be harmed by litigation involving patents and other intellectual property rights

We have patent protection on certain aspects of our technology and also rely on trade secret, copyright and trademark laws, as well as contractual provisions to protect our proprietary rights. We face the following risks:

- we could incur substantial costs in defending us against claims of infringement of the intellectual property of others and such claims could, if they were to result in damage awards against us and in orders to pay for the use of previously unrecognized third-party intellectual property or in injunctions preventing us from continuing aspects of our business, 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 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 and proprietary know how 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 specific information relating to two intellectual property disputes that could have an adverse effect on our results of operations, see Item 4.B. “Business Overview—Legal Proceedings.”

Because our sales to overseas customers are denominated predominantly in U.S. dollars, we are exposed to exchange rate risks that could harm our results of operations

Sales to customers outside Japan accounted for 67.6% of our consolidated net sales during the year ended March 31, 2001, 68.8% during the year ended March 31, 2002 and 64.4% during the year ended March 31,2003. A significant portion of our overseas sales is denominated in currencies other than the Japanese yen, primarily the U.S. dollar. As a result, appreciation of the Japanese yen against the U.S. dollar will generally have a negative effect on our operating income and net income. In order to mitigate against this risk, in recent years we have attempted 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. We also enter into forward exchange contracts to hedge portions of our transactional exposure to fluctuations in the value of foreign currencies as compared to the Japanese yen. Nevertheless, we remain exposed to the effects of foreign exchange fluctuations.

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 nine operating segments that we report in our consolidated financial statements: Nidec Corporation, 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. 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 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. In addition, year-end closing adjustments and other items are not included in segmental 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 rely on production in developing countries which may become politically or economically unstable in the future and face risks including any negative impacts of Severe Acute Respiratory Syndromes, or SARS, from international operations

We produce and sell a large percentage of our products at locations in the following developing countries: China, Thailand, Malaysia, Indonesia, the Philippines and Vietnam. In particular, we are growing increasingly reliant on our production bases in China where we continue to move manufacturing operations in order to take advantage of more competitive production and supply costs. These countries 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 would be able to continue to manufacture our products cost-efficiently or at all. The governmental authorities of those areas 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. Dependence on overseas production, even in under-developing countries, and managing international operations expose us to a number of additional risks associated with foreign commerce, including the following:

- economic slowdown or downturn in the relevant industries in foreign markets;
- international currency fluctuations;
- general strikes or other disruptions in working conditions;
- political instability;
- trade restrictions or changes in tariffs;

- the 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; and

- potentially adverse taxes.
- negative impact of SARS

We may become subject to more stringent environmental regulations in the future

Our operations and manufacturing processes are subject to a wide range of environmental laws and regulations in Thailand, the Philippines, Singapore, Japan, the United States and other countries in which we have production facilities. These regulations may become more stringent over time. In such a case, the amount of capital expenditures and other expenses which might be required to complete remedial actions and to continue to comply with applicable environmental laws could be significant, which would increase our cost of production and materially and adversely affect our business, financial condition and results of operations.

We rely on our founder, 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 President and CEO, Mr. Shigenobu Nagamori. Mr. Nagamori is actively engaged in our management and determines our strategic direction, especially with regard to acquisition activity. While we are in the process of establishing a management structure designed to reduce our dependence on Mr. Nagamori, his sudden departure could have a material adverse effect on our operations, financial condition and operating results.

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, engineering 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 extremely intense, and there can be no assurance that we and our affiliates will be able to attract and retain such additional personnel.

A substantial number of our shares of common stock are eligible for future sale, and the sale of these shares may cause our stock price to decline, even if our business is doing well

As of March 31, 2003, there were 63,566,081 shares of our common stock issued and outstanding, including 11,637,842 shares beneficially owned by our President and CEO, Mr. Shigenobu Nagamori, representing 18.3% of the outstanding shares. These shares and, generally, the shares owned by other shareholders, can be disposed of on the Osaka Securities Exchange, the Tokyo Stock Exchange and otherwise in Japan. Additional sales of a substantial amount of our common stock in the public market, or the perception that 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 sale of our securities. Also, in the future, we may issue securities to raise cash for additional capital expenditures, working capital, research and development or acquisitions, and we may also pay for interests in additional subsidiary or affiliated companies by using cash, common stock or both. 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

Pursuant to the Commercial Code of Japan relating to joint stock corporations and certain related legislation, our Articles of Incorporation provide that 100 shares of our stock constitute one “unit.” The Commercial Code imposes significant restrictions and limitations on holdings of shares that constitute less than a whole unit. In general, holders of shares constituting less than a unit do not have the right to vote, institute derivative actions or examine our accounting books and records. The transferability of our shares constituting less than one unit is significantly limited. Under the unit share system, holders of shares constituting less than a unit have the right to require us to purchase their shares. However, holders of ADSs that represent other than multiples of whole units cannot withdraw the underlying shares representing less than one unit and, therefore, they will be unable to exercise the right to require us to purchase the underlying shares. As a result, holders of ADSs representing shares in lots of less than one unit may not have access to the Japanese markets to sell their shares through the withdrawal mechanism.

Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions

Our Articles of Incorporation, Regulations of the Board of Directors and the Japanese Commercial Code govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors’ and officers’ fiduciary duties and shareholders’ rights may be different from those that would apply if we were a non-Japanese company. Shareholders’ rights under Japanese law may not be as extensive as shareholders’ rights under the laws of other countries or jurisdictions within the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in another jurisdiction. In addition, Japanese courts may not be willing to enforce liabilities against us in actions brought in Japan which are based upon the securities laws of the United States or any U.S. state.

A holder of our ADSs will have fewer rights than a shareholder has and will have to act through the depositary to exercise those rights

The rights of the shareholders under Japanese law to take actions including voting their shares, receiving dividends and distributions, bringing derivative actions, examining the company's accounting books and records and exercising appraisal rights are available only to holders of record. Because the depositary, through its custodian agent, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying ADSs as instructed by the ADS holder and will pay to ADS holders the dividends and distributions collected from us. However as an ADS holder you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights in your capacity as ADS holder.

Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell your shares of our common stock at a particular price on any particular trading day, or at all

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

Foreign exchange fluctuations may affect the dollar value of our ADSs and dividends payable to holders of our ADSs

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the U.S. dollar.

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It may not be possible for investors to effect service of process within the United States upon us or our Directors or Corporate Auditors or to enforce against us or these persons judgements obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States

We are a limited liability, joint-stock corporation incorporated under the laws of Japan. Most of our Directors and Corporate Auditors reside in Japan. All or substantially all of our assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for investors to effect service of process within the United States upon us or these persons or to enforce against us or these persons judgment obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States. Our Japanese counsel, Tokyo Aoyama Aoki Law Office, has advised us that there is doubt as to the enforceability in Japan, in original actions for enforcement of judgments of United States courts, of liabilities predicated solely upon the federal securities laws of the United States.

Special Note Regarding Forward-looking Statements

This annual report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our business, our industry and capital markets around the world. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "plan" or similar words. These statements discuss future expectations, identify strategies, contain projections of results of operations or of our financial condition, or state other forward-looking information. Known and unknown risks, uncertainties and other factors could cause the actual results to differ materially from those contained in any forward-looking statement. We cannot promise that our expectations expressed in these forward-looking statements will turn out to be correct. Our actual results could be materially different from and worse than our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are set forth in "Risk Factors" and elsewhere in this annual report and include, but are not limited to:

- our ability to design, develop, mass produce and win acceptance of our products, particularly those that use the new fluid dynamic bearing motor technology, which are offered in highly competitive markets characterized by continual new product introductions and rapid technological development;
- general economic conditions in the computer, information technology and related product markets, particularly levels of consumer spending;
- exchange rate fluctuations, particularly between the Japanese yen and the U.S. dollar and other currencies in which we make significant sales or in which our assets and liabilities are denominated;
- our ability to acquire and successfully integrate companies with complementary technologies and product lines; and
- adverse changes in laws, regulations or economic policies in any of the countries where we have manufacturing operations, especially China.
- any negative impacts on our businesses from diseases spread widely in the countries where we have production plants such as SARS.