

# Nidec Corporation

## Third Quarter Fiscal 2018 Results

Three and Nine Months Ended December 31, 2018

<IFRS>



January 23, 2019



## Disclaimer Regarding Forward-looking Statements

These presentation materials and the related discussions contain forward-looking statements including expectations, estimates, projections, plans and strategies. Such forward-looking statements are based on management's targets, assumptions and beliefs in light of the information currently available. Certain risks, uncertainties and other factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such risks and uncertainties include, but are not limited to, changes in customer circumstances and demand, exchange rate fluctuations, and the Nidec Group's ability to design, develop, mass produce and win acceptance of its products and to acquire and successfully integrate companies with complementary technologies and product lines. Please see other disclosure documents filed or published by the Nidec Group companies, including the Japanese securities report, for additional information regarding such risks and uncertainties. Nidec undertakes no obligation to update the forward-looking statements unless required by law.

The first slide features vapor chambers manufactured by Taiwan-based CCI in which Nidec acquired 48% interest in November 2018. Advances in the 5th generation mobile communications systems "5G" and AI technology are expected to further improve the performance of various ICT devices such as smartphones and servers. Because higher processing speed/volume means more heat generated, cooling of the equipment becomes a major issue.

## Consolidated Profit/Loss

| Millions of Yen, except for<br>EPS and FX rates | Q3/FY2017<br>(Apr-Dec) | Q3/FY2018<br>(Apr-Dec) | Change | FY2018<br>Forecast |
|---|------------------------|------------------------|--------|--------------------|
| Net sales                                       | 1,105,921              | 1,154,306              | +4.4%  | 1,450,000          |
| Operating profit                                | 126,160                | 129,367                | +2.5%  | 145,000            |
| <i>Operating profit ratio</i>                   | <i>11.4%</i>           | <i>11.2%</i>           | -      | <i>10.0%</i>       |
| Profit before<br>income taxes                   | 118,756                | 131,298                | +10.6% | 140,000            |
| Profit attributable to<br>owners of the parent  | 93,984                 | 103,214                | +9.8%  | 112,000            |
| EPS (Yen)                                       | 317.43                 | 349.90                 | +10.2% | 379.91             |
| FX rate (Yen/US\$)                              |                        |                        |        |                    |
| Average:  | 111.70                 | 111.14                 | -0.5%  | 100.00             |
| Term end:                                       | 113.00                 | 111.00                 | -1.8%  | (Assumed for Q4)   |

Note: Based on the current forecast of sales volume, every one yen appreciation or depreciation against the U.S. dollar and the euro for FY2018 is estimated to have an annualized impact of 9.0 billion yen and 1.7 billion yen on net sales, respectively, and 1.1 billion yen and 0.4 billion yen on operating profit, respectively.

This slide includes forward-looking statements. See Disclaimer on Page 2.

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## Summary of Q3/FY2018

- The worsening of the business environment became evident in November and lingered through the rest of the quarter led to a downward revision to FY2018 full-year forecast due to larger-than-expected plunge in customer demand and significant inventory adjustments.
- Nine months net sales, operating profit, profit before income taxes and profit attributable to owners of the parent increased to **record highs**.
- Nidec's profitability enhancement program focused on purchase costs reduction is underway on a group-wide basis to **achieve the revised FY2018 targets**.

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# Downward Revision to FY2018 Forecast

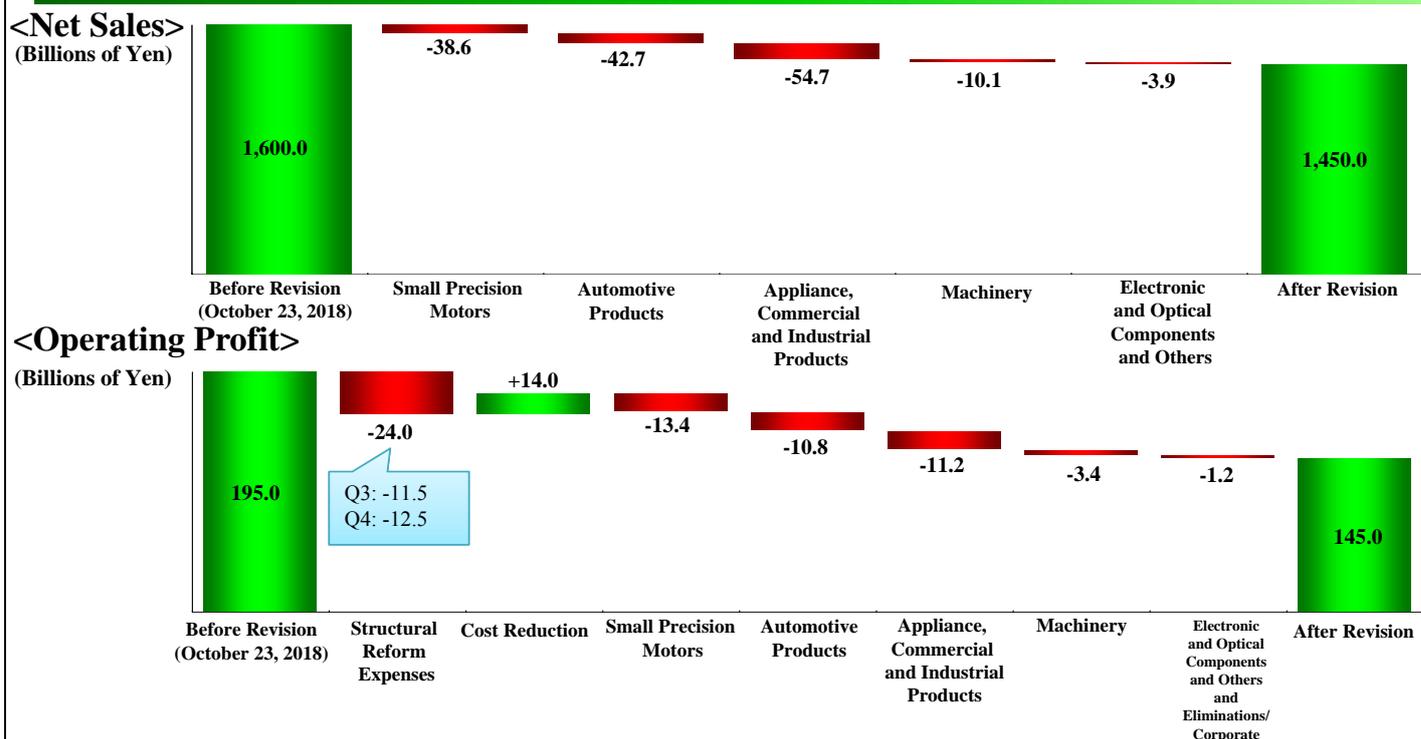
## <Prior forecasts>

| Millions of Yen, except for percentages, EPS, and FX rates | April 24, 2018 | October 23, 2018            |
|--|----------------|-----------------------------|
| Net sales  | 1,575,000      | 1,600,000                   |
| Operating profit   | 190,000        | 195,000                     |
| Operating profit ratio                                     | 12.1%          | 12.2%                       |
| Profit before income taxes                                 | 185,000        | 187,500                     |
| Profit attributable to owners of the parent                | 145,000        | 147,000                     |
| EPS (Yen)  | 489.93         | 498.63                      |
| FX Rate (Yen/US\$)   | 100            | 100 (Assumed for Q3 onward) |

|   | ①                                   | ②  | ① - ②                               |
|---|-------------------------------------|--|-------------------------------------|
|   | Revised forecast (January 17, 2019) | Q3/FY2018 (Accumulated from Apr. to Dec. 2018) | Q4/FY2018 (Jan-Mar 2019) (Forecast) |
| Net sales                                   | 1,450,000                           | 1,154,306                                      | 295,694                             |
| Operating profit                            | 145,000                             | 129,367  | 15,633                              |
| Operating profit ratio                      | 10.0%                               | 11.2%  | 5.3%                                |
| Profit before income taxes                  | 140,000                             | 131,298  | 8,702                               |
| Profit attributable to owners of the parent | 112,000                             | 103,214  | 8,786                               |
| EPS (Yen)                                   | 379.91                              | 349.90   | 30.01                               |
| FX Rate (Yen/US\$)                          | 100 (Assumed for Q4)                | 111.14 (Actual average)                        | 100 (Assumed for Q4)                |

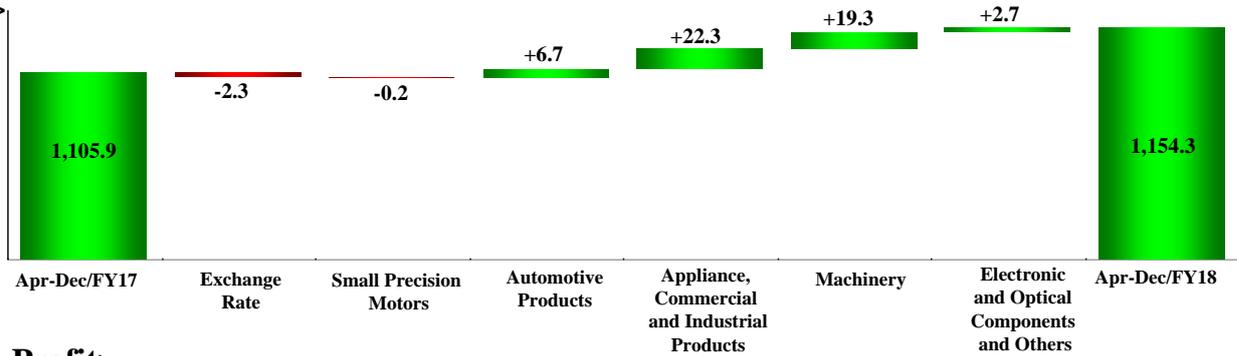
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# FY2018 Forecast (Before and After the Revision)

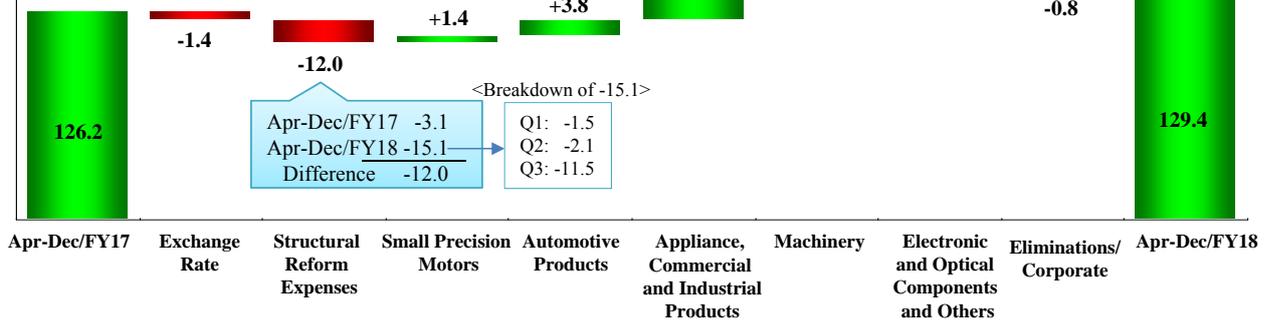


## Year-on-Year Changes (Nine Months Ended Dec. 2018)

### <Net Sales> (Billions of Yen)

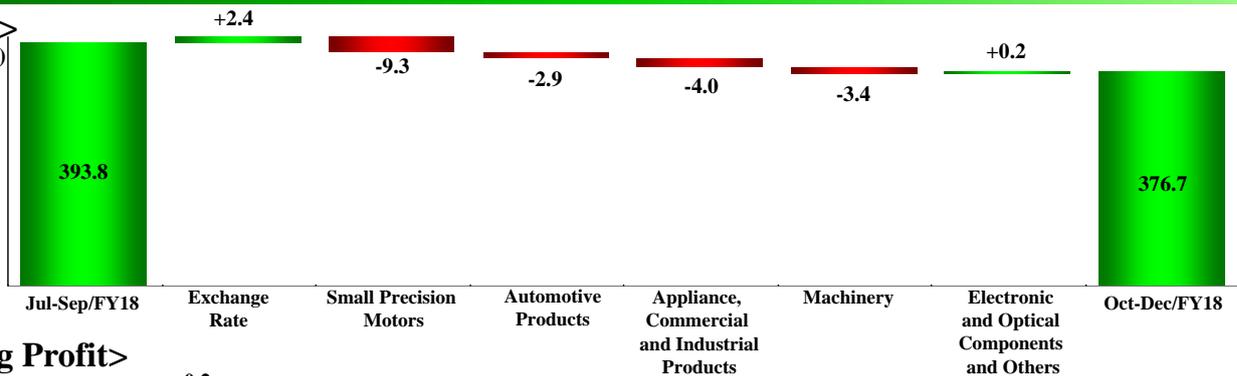


### <Operating Profit> (Billions of Yen)

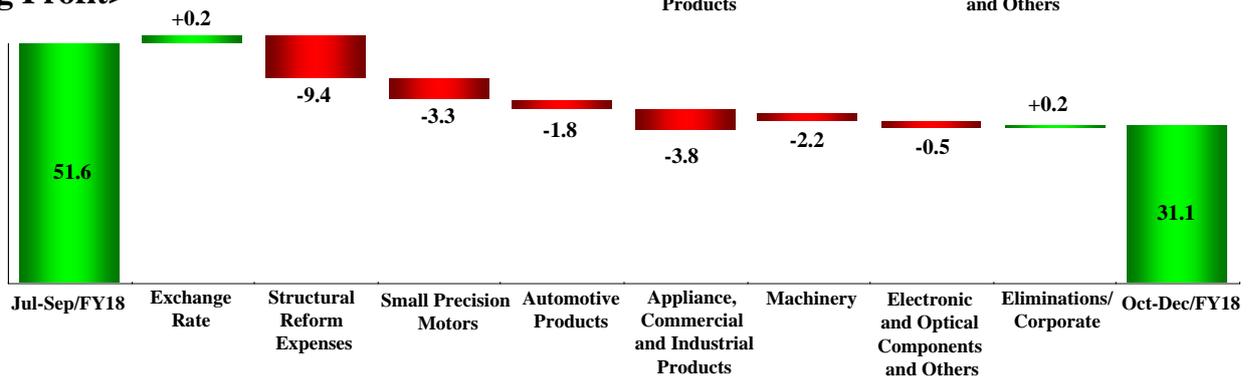


## Quarter-on-Quarter Changes (Three Months Ended Dec. 2018)

### <Net Sales> (Billions of Yen)



### <Operating Profit> (Billions of Yen)



# HDD Market Short-Term Trend

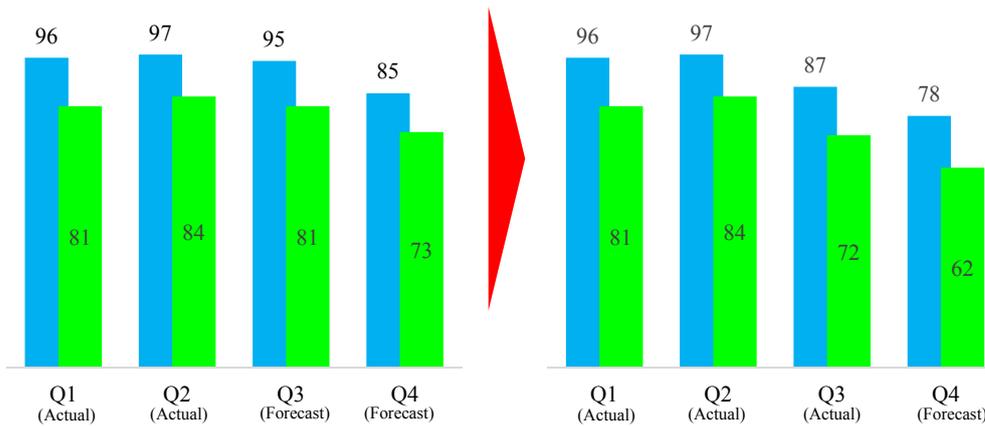


(Millions of Units)

Previous FY2018 Forecast  
(October 24, 2018)

Revised FY2018 Forecast  
(January 23, 2019)

## HDD shipment forecast revised downward



(Millions of Units)

| FY2018 Annual forecast | Previous forecast | Revised forecast |
|------------------------|-------------------|------------------|
| HDD shipments          | 373               | 358              |
| Nidec motor shipments  | 319               | 299              |

Nidec's estimates based on various sources.

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# *Mid-Term Strategic Goal*

## *Vision2020*

This section includes forward-looking statements. See Disclaimer on Page 2.

Biggest innovative waves Nidec has ever seen are coming in different areas  
-automobiles, robots, home appliances and drones-

**Automotive electrification, EV and PHEV**

- From internal combustion engine to electric motor
- Once-in-a-century technological revolution



**Expansion of robot applications**

- Collaborative robots advance into food, logistics and service industries.
- Rapid market growth



**Next-gen technologies stemming from 5G communications**

Hardware innovation coming with data rates 100 times faster

**Data explosion**



**Home appliances driven by brushless DC motors**

- Cordless and high functionality
- Innovative evolution of home appliances



**Manpower-saving in agriculture & logistics**

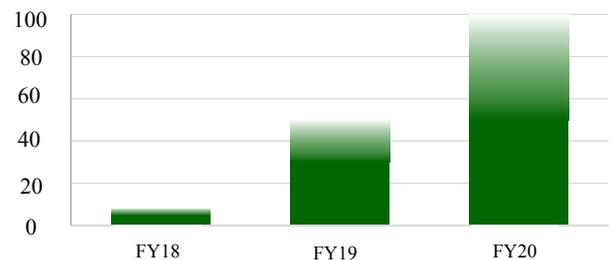
- Serious labor constraints
- Industry 4.0



■ Mass-Production of Pop-Up Camera Mechanism

| Pop-up camera mechanism         | Pop-up model | Slide-up model |
|---------------------------------|--------------|----------------|
| Appearance image                |              |                |
| Nidec's integrated module parts |              |                |

(Billions of Yen) ■ Pop-up camera mechanism market size



■ Global smartphone market



Cameras are built in the body instead of on the surface of the smartphone to fully utilize the display.  
The cameras come out only when they are used.

# TOB: Completion of Acquisition of a 48% Interest in Taiwan-Based CCI



## Thermal solution expanding beyond the realm of communications and IT

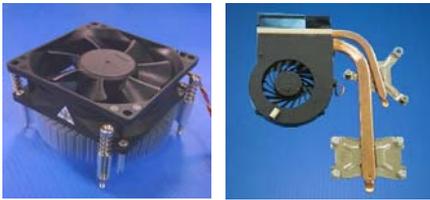
### Communications and IT

Entering thermal module market

● Fan



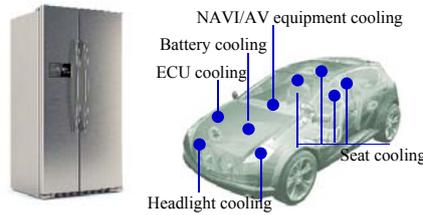
- Heatsink
- Heatpipe
- Vapor chamber



### Automobiles and home appliances

Applying thermal solutions to auto and home appliances market

- Automobiles:  
EV, ADAS and Connected Cars will boost ECU demand → Cooling solution demand
- Home appliances:  
Propose air and water cooling module



### Drones and robots

Heat disposal solutions for next-generation small and high-performance motors

- Drones and robots:  
Demand for compact, high-performance and high-torque density motors is expected to grow → Solutions for motor heat disposal



# Nidec's E-Axle Traction Motor System Used in Mass-Produced Cars



## GAC NE selected Nidec's E-Axle to run its latest EV brand Aion S

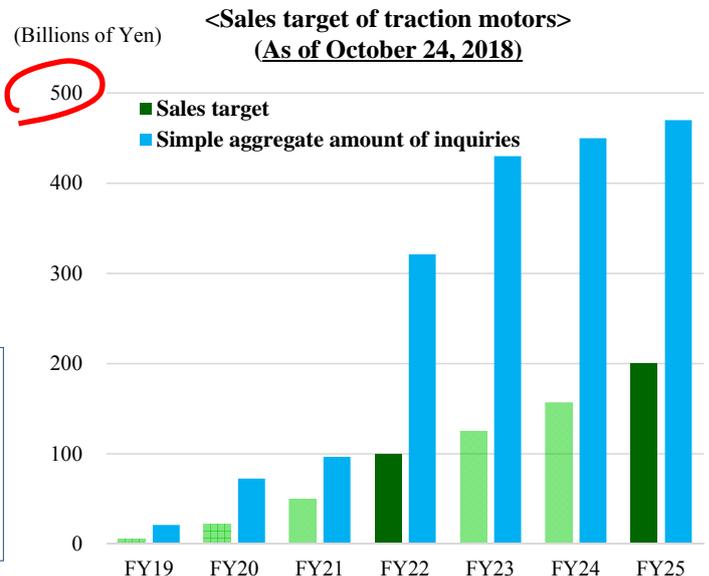


GAC NE's Super e-car Aion S



Nidec's E-Axle

- Compact and light-weight system achieved by integrating motor, inverter and gear
- Weighing only 87 kg with maximum power output of 150 kW, and maximum torque output of 3,900 Nm. (internal combustion engine with an equivalent power output would weigh around 160 kg)



(These sales targets do not include those of Nidec PSA emotors, the joint venture with Groupe PSA.)

This slide includes forward-looking statements. See Disclaimer on Page 2.

**Evolving homebase — Group’s expertise to converge into a unified whole**



The site location is between Nidec’s current headquarters building (Minami-ku, Kyoto) and the east side of JR Mukomachi station (Muko city).

**<General information>**

Address: Morimoto-cho, Muko city, Kyoto  
 Site area: Approximately 60,000 m<sup>2</sup>  
 Building area: Approximately 154,700 m<sup>2</sup>  
 Intended use of buildings:  
 One building as the second head office (15 floors)  
 Three buildings for production research  
 (Building A: 6 floors)  
 (Building B: 8 floors)  
 (Building C: 9 floors)  
 Expected investment: Approximately 200 billion yen  
 (for land, buildings, equipment, etc.)

**<Construction period (plan)>**

Phase 1: slated for completion in March 2022  
 (Building A and Building C partially)  
 Phase 2: 2025 to 2026 (Building B and the rest of Building C)  
 Phase 3: 2030 (Second head office)  
 (\*construction work planned based on the business needs)

**<Staffing plan>**

Along with its growth, Nidec plans to relocate certain functions and Nidec-Read’s head office to this site, and construct Nidec-Shimpo’s new research & development, as part of the phase one construction. Nidec aims to have 5,000 employees at this site.



**Nidec IR Contacts**

|       |                       |  |
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# *Performance Trends & Product Group Overview*

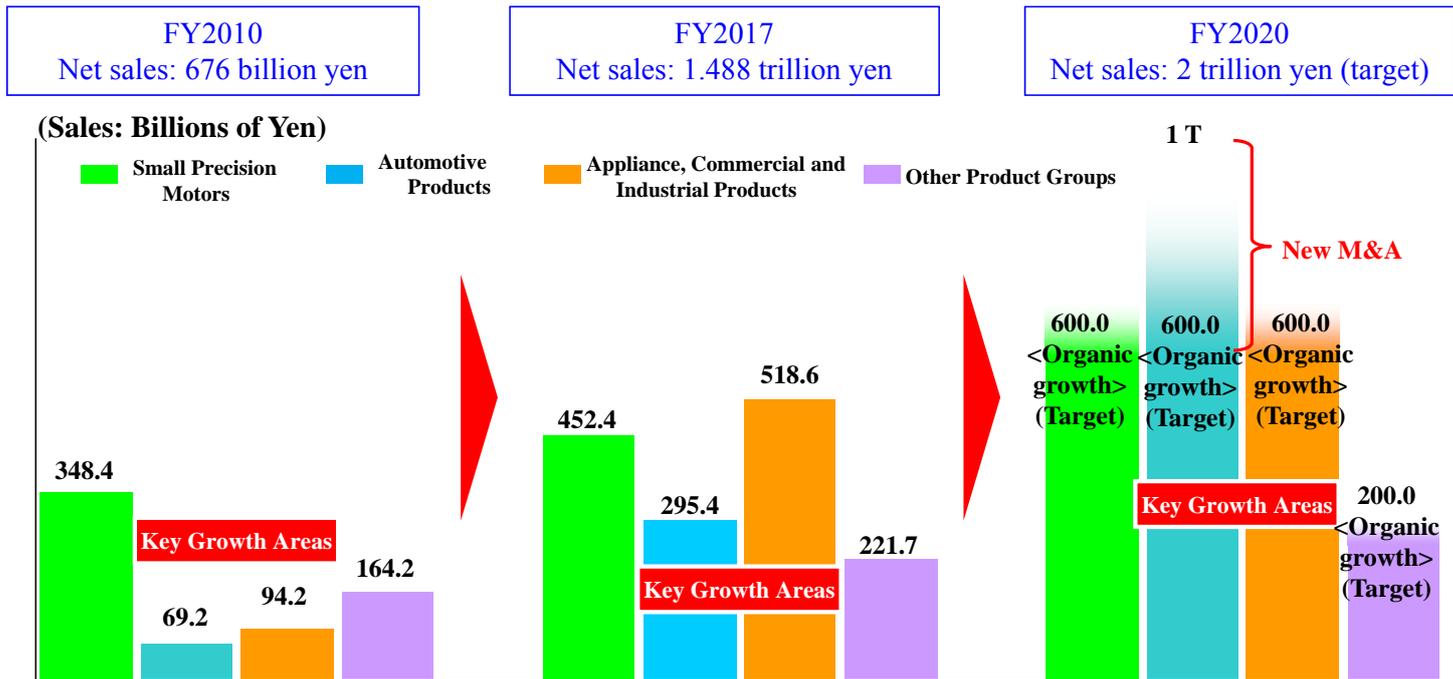
■ **Vision2020: Mid-Term Strategic Goal**



## **Continuous pursuit of profit & strong growth**

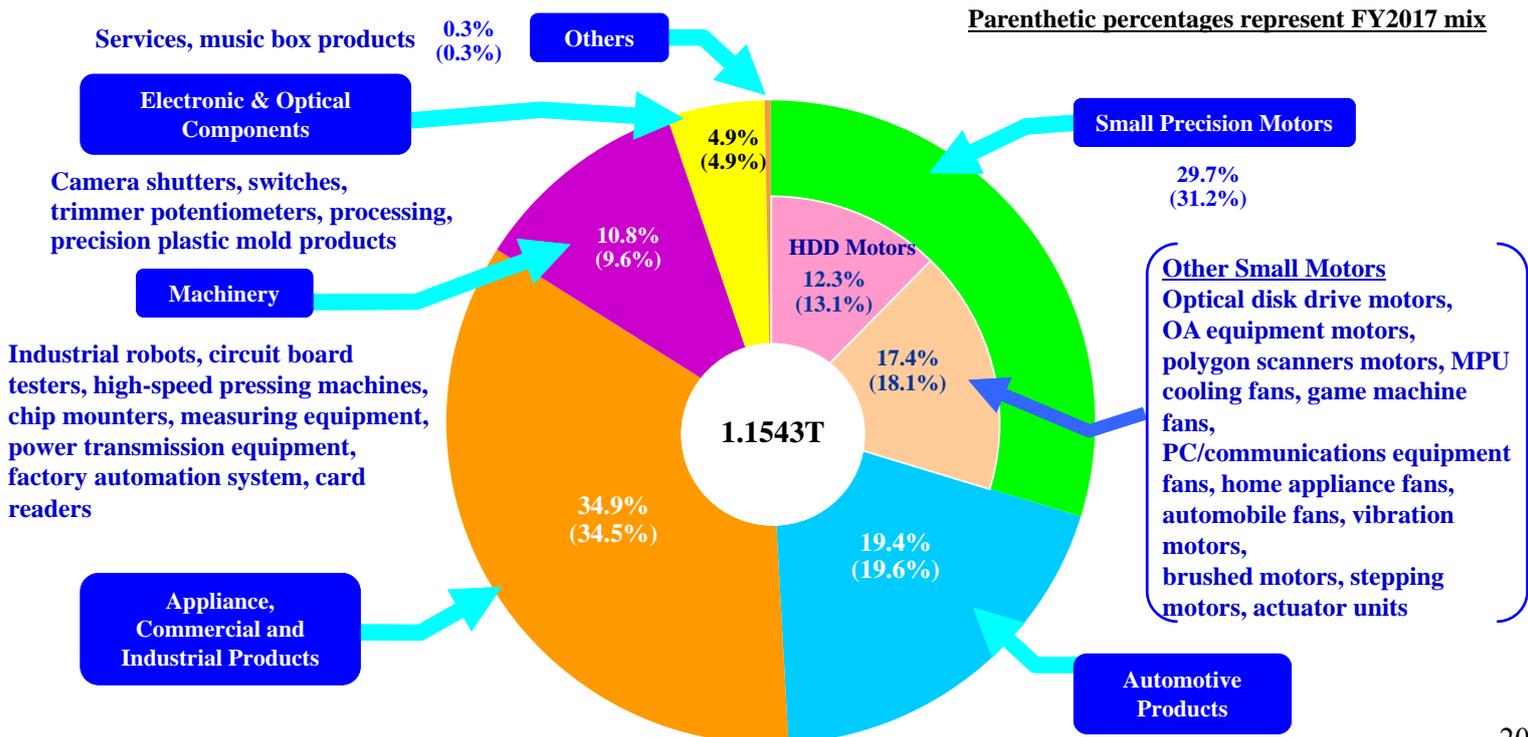
- 1. Target for consolidated net sales: 2 trillion yen  
(including sales attributable to new M&A  
of approx. 500 billion yen)**
- 2. Sales target for automotive: 700 billion to 1 trillion yen**
- 3. Target for consolidated operating profit ratio: 15%**
- 4. Target for ROE: 18%  
(Assuming shareholders' equity ratio of 60%)**
- 5. Five regional HQ management units**

# Three 600 Billion Yen Businesses Are Key to Achieving 2 Trillion Yen Net Sales

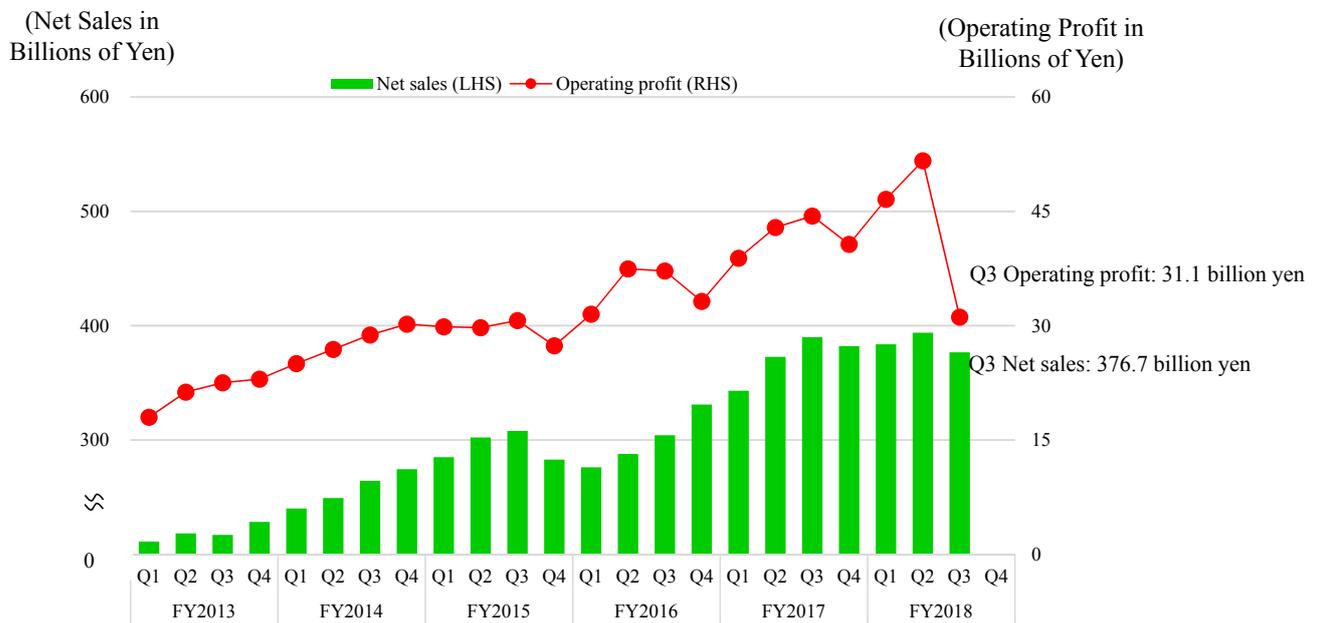


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# Sales by Product Group (Apr-Dec FY2018)

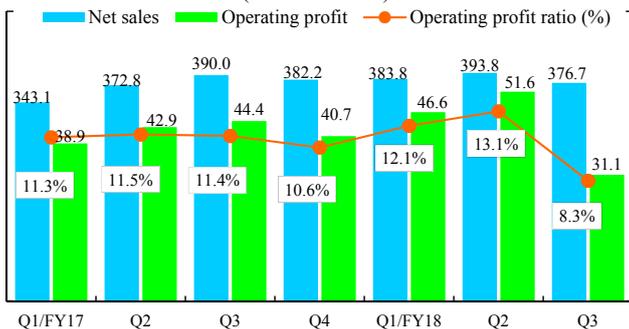


# Consolidated Quarterly Net Sales and Operating Profit

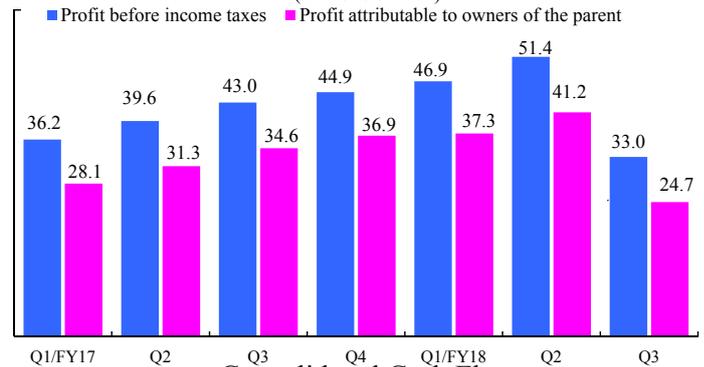


# Financial Highlights

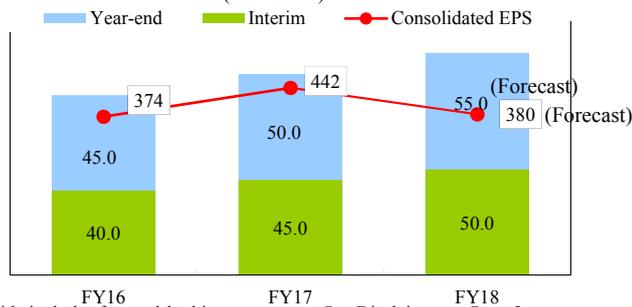
<Consolidated Net Sales and Operating Profit>  
(Billions of Yen)



<Profit Before Income Taxes and Profit Attributable to Owners of the Parent>  
(Billions of Yen)

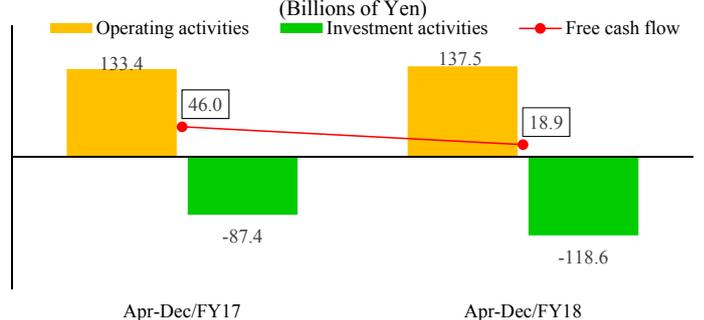


<Dividends and EPS>  
(Yen/share)



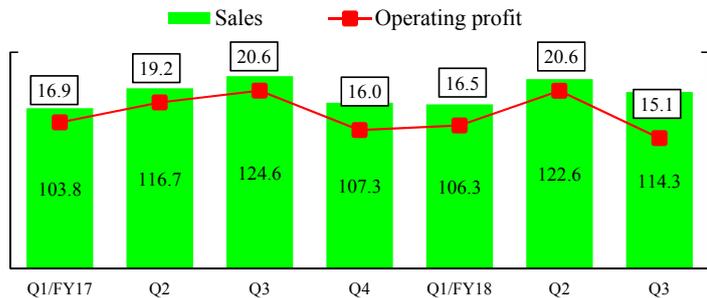
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<Consolidated Cash Flow>  
(Billions of Yen)

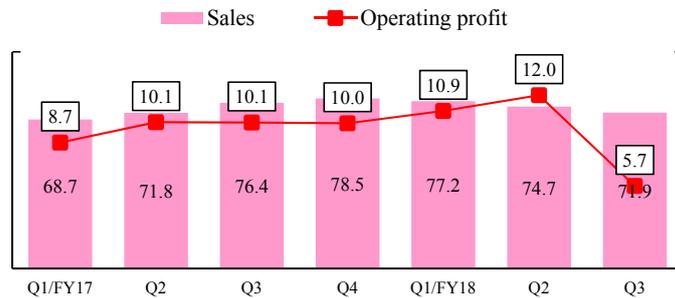


# Product Group Overview

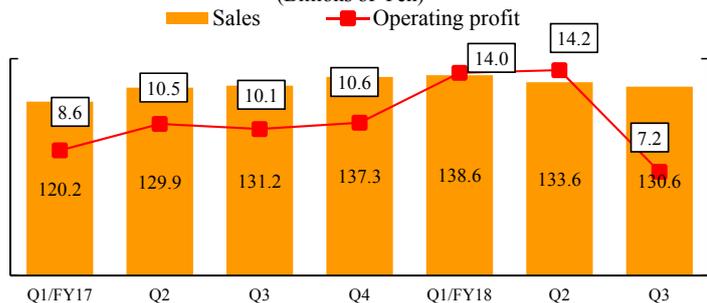
<Small Precision Motors>  
(Billions of Yen)



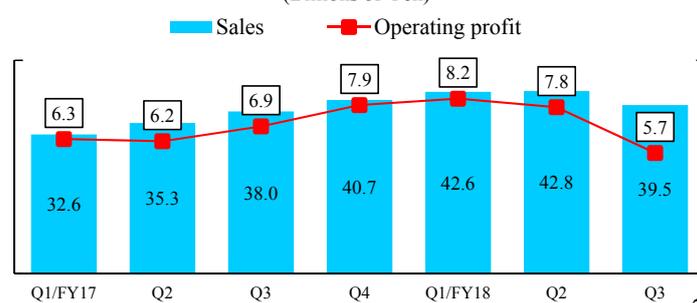
<Automotive Products>  
(Billions of Yen)



<Appliance, Commercial and Industrial Products >  
(Billions of Yen)

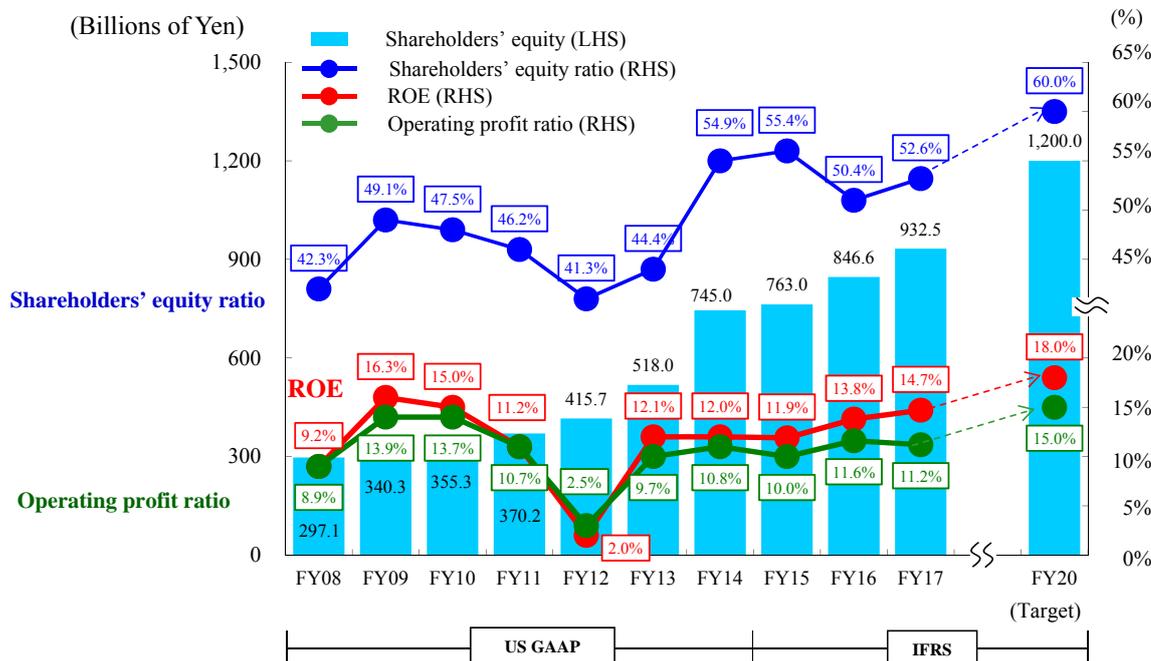


<Machinery>  
(Billions of Yen)



## Vision2020: Pursuing Both Strong Growth with Profit and Financial Soundness

Targeting operating profit ratio of 15% and ROE of 18% while sustaining and improving financial soundness



**The three elements for ROE improvement**

- Net profit on sales
- Total asset turnover
- Financial leverage

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