



FOR IMMEDIATE RELEASE

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Announcement Regarding Material Weakness About Nidec's Internal Control Over Its Financial Reporting

Nidec Corporation (TSE: 6594; OTC US: NJDCY) (the "Company") announces today that it has identified a material weakness in its internal control report for the fiscal year ended March 31, 2023 audited by our auditor that the Company submitted to the Kanto Local Finance Bureau in accordance with Article 24-4-4(1) of the Financial Instruments and Exchange Act. Accordingly, pursuant to Article 24-4-5(1) of the Act, the Company stated, in the amendment report for its internal control report for the same fiscal term that it submitted to the Kanto Local Finance Bureau, that the Company's internal control over financial reporting is not effective, as described below.

1. Details of the material weakness

It became clear that, at Nidec Drive Technology, a consolidated subsidiary of the Company, the wrong data was identified for part of the adjustment, such as sales accompanied by transactions between consolidated subsidiaries of the Company's business group in its consolidated account closing procedure, resulting in sales recorded in an inflated manner. As it became necessary to cancel the sales amount recorded in an inflated manner, the Company came to the conclusion that it should correct the financial results of the fiscal year ended March 31, 2023. The Company's rules on internal control over its account closing and financial reporting processes are that journals prepared by their issuers must be approved by someone with approval authority. Nonetheless, this error occurred because of insufficient communications among concerned organizations, which led to an insufficient understanding of the proper and comprehensive information that is necessary when identifying cases that require adjustments, and also to an insufficient system to monitor book closing. As a result, the Company was unable to discover this material misrepresentation. This is how the Company decided that this error is a material weakness in the internal control over its account closing and financial reporting processes.

2. Reasons as to why corrections could not be made by the end of the consolidated fiscal year

Corrections could not be made by the end of the consolidated fiscal year because the aforementioned fact became evident after the final day of the consolidated fiscal year ended March 31, 2023.

3. Correction policy for the material weakness

The Company sufficiently understands the importance of internal control over financial reporting. Therefore, to correct the material weakness, the Nidec Group will promptly design and implement recurrence prevention measures such as a multiple viewpoints-based verification of the book-closing process and having the person with approval authority introduce a stricter approval procedure, to secure the reliability of its financial reporting. Specifically, the Company will:

- (1) Thoroughly review consolidated closing entries included in documents disclosed in past fiscal years and in corrected consolidated financial statements, to identify other related issues, and to better process and present accounts;
- (2) Update the Company's policy on its consolidated account closing procedure, enhance the system to understand the proper and comprehensive information when identifying adjustment-requiring cases that are related to transactions between consolidated subsidiaries, and hold lectures focused on the verification of consolidated book closing and on the approval process by those with approval authority; and
- (3) Enhance the comprehensive monitoring function of the Company's and its subsidiaries' accounting and financial managers over the consolidated account closing procedure, and enhance the reviewing and approval procedures on the coordination of transactions between consolidated subsidiaries in account closing and financial reporting processes.

4. Impact of the material weakness on the Company's consolidated financial statements

All the necessary corrections attributed to the aforementioned material weakness are reflected in the Company's consolidated financial statements.

5. Audit opinions in the consolidated financial statements' audit report
They are unqualified opinions.

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