

Rating Action: Moody's assigns A3 issuer rating to Nidec Corporation; outlook stable

Global Credit Research - 31 Jan 2018

Tokyo, January 31, 2018 -- Moody's Japan K. K. has assigned an issuer rating of A3 to Nidec Corporation.

The rating outlook is stable.

RATINGS RATIONALE

Nidec's A3 rating reflects its well-diversified electric motor business portfolio, with a substantial market presence, enhanced by the company's core motor technology, which helps it to generate stable cash flow.

The rating is also supported by Nidec's strong financial profile, as measured by the company's adjusted debt/EBITDA of 1.9x for the 12 months ended September 2017.

On the other hand, the rating also considers Nidec's acquisitive nature and management succession risk, given the critical role played by its founder and CEO Shigenobu Nagamori. These factors are mitigated by the company's successful track record of creating synergies with acquired companies and its well-developed management structure.

"We expect Nidec's business diversification will help it generate stable cash flow, mitigating volatility in any one end-market," says Takashi Akimoto, a Moody's Assistant Vice President and Analyst.

Nidec's product portfolio is well diversified with a wide range of product applications, centered around the company's core motor technology.

Nidec has achieved this business and geographic diversification through strategic acquisitions as well as organic growth. The company's revenue sources are becoming more balanced among small precision motor, automotive motor, and appliance, commercial and industrial motors (ACIM) segments.

"Nidec's strong market position as the world's leading motor supplier, along with its expertise in motor technology, enhance the company's profitability," adds Akimoto.

The company's financial policy focuses on growing operating cash flow and maintaining solid financial metrics. Its financial leverage -- as measured by adjusted debt/EBITDA -- has remained around 2x over the past three years.

Although Nidec plans to increase its capital spending to fund its business growth and for acquisitions, Moody's expects it will maintain its financial leverage around the current level, supported by steadily growing cash flow.

Nidec has completed various acquisitions in the past, and may undertake further acquisitions for its future growth. While the company's acquisitive nature raises some integration and financial risks, it has a track record of disciplined acquisitions and their successful integration.

Mr. Nagamori, the founder, chairman, president and CEO of Nidec, strongly influences the company's strategic direction. The central role he has played in the company's development presents key man risk, raising uncertainty over his succession.

Nevertheless, Moody's believes that Nidec has a well-established management team of highly experienced senior executives to lead the firm through the succession. While an eventual change in leadership is inevitable, Moody's assumes that the company will maintain creditor-supportive policies.

The stable outlook reflects Moody's expectation that Nidec will continue to generate stable cash flow from its diversified product portfolio while maintaining solid financial leverage, even after taking into account potential investments and acquisitions for future growth.

Upward ratings pressure could emerge if the company meaningfully improves its profitability and financial

leverage, with its EBITA margin above 15% and adjusted debt/EBITDA below 1.5x on a sustained basis.

Downward ratings pressure could emerge if Nidec's profit weakens or if debt-funded M&A activity or share repurchases raise its leverage, with its EBITA margin below 9% and adjusted debt/EBITDA above 2.5x on a sustained basis.

The principal methodology used in this rating was Global Manufacturing Companies (Japanese) published in August 2017. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

Nidec Corporation, incorporated in 1973 and headquartered in Kyoto, Japan, is the world's leading manufacturer of electric motors.

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