

Information on the Notice of the 46th Regular General Meeting of Shareholders

Notes to the consolidated financial statements
Notes to the non-consolidated financial statements

Nidec Corporation

Of the documents to be provided to our shareholders with this notice, “Notes to the consolidated financial statements” and “Notes to the non-consolidated financial statements” are deemed to have been provided to our shareholders by posting on Nidec Corporation’s website (<http://www.nidec.com/en-global/>) in accordance with applicable laws and regulations and Article 15 of Nidec Corporation’s Articles of Incorporation. These notes are parts of the consolidated and non-consolidated statements audited by the Audit & Supervisory Board and Accounting Auditors during their process of making audit reports.

Notes to the consolidated financial statements

The amounts in the statements are rounded to the nearest one million yen.

I. Significant accounting policies for preparation of consolidated financial statements

1. Standard for preparation of consolidated financial statements

Consolidated financial statements of the Company and its subsidiaries (“Nidec”), based on Paragraph 1, Article 120 of the Company Calculation Rules, are prepared in accordance with International Financial Reporting Standards (“IFRS”). However, in compliance with the provisions of the second sentence of the same paragraph, disclosure of some items required under IFRS is omitted.

2. Scope of consolidation

Number of consolidated subsidiaries	322
Names of major consolidated subsidiaries	Nidec Electronics (Thailand) Co., Ltd., Nidec Singapore Pte. Ltd., Nidec (H.K.) Co., Ltd., Nidec Sankyo Corporation, Nidec Copal Corporation, Nidec Techno Motor Corporation, Nidec Motor Corporation, and Nidec Motors & Actuators (Germany) GmbH

3. Application of equity method

Number of affiliated companies accounted for under the equity method	4
Name of the company accounted for under the equity method	Nidec Development Philippines Corporation and three other companies

4. Matters concerning accounting policies

(1) Valuation criteria and valuation methods for important assets

1) Financial instruments

(i) Initial recognition

Financial assets are recognized when Nidec becomes a party to the contractual provisions of the instrument (the acquisition date). However, trade and other receivables are recognized at the date of occurrence. For financial liabilities, debt instruments issued by Nidec are recognized at the issuance date and other financial liabilities are recognized when Nidec becomes a party to the contractual provisions of the instrument (the transaction date).

Financial assets and financial liabilities are measured at fair value at initial recognition. Transaction costs directly attributable to the acquisition of financial assets and the issuance of financial liabilities are, at initial recognition, added to the fair value of financial assets or deducted from the fair value of financial liabilities, excluding financial assets measured at fair value through profit or loss (“FVTPL financial assets”) and financial liabilities measured at FVTPL (“FVTPL financial liabilities”). Nidec currently does not hold non-derivative FVTPL financial liabilities. Transaction costs directly attributable to the acquisition of FVTPL financial assets are recognized in profit or loss.

(ii) Non-derivative financial assets

Nidec categorizes non-derivative financial assets at initial recognition into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (“FVTOCI financial assets”) and FVTPL financial assets.

Financial assets measured at amortized costs

Financial assets are subsequently measured at amortized cost in cases where the following criteria are met:

- When the financial assets are held to collect the contractual cash flows of the financial assets in Nidec’s business model.
- When the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVTOCI financial assets

(a) FVTOCI debt financial assets

Financial assets are categorized as debt financial assets measured at fair value through other comprehensive income in cases where the following criteria are met:

- When the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- When the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in fair value related to FVTOCI debt financial assets are recognized as other comprehensive income until the financial assets are derecognized, excluding impairment gains or impairment losses and foreign exchange differences. When the financial assets are derecognized, other comprehensive income recognized in the past is transferred to profit or loss.

(b) FVTOCI equity financial assets

Nidec may choose (irrevocably) to recognize changes in fair value of equity financial assets held for purposes other than trading in other comprehensive income at initial recognition.

FVTOCI equity financial assets are measured at fair value after initial recognition. The changes are recognized in other comprehensive income, and immediately transferred from other components of equity to retained earnings, and subsequently never transferred to profit or loss. However, dividend income from FVTOCI equity financial assets is recognized in profit or loss as part of financial income.

FVTPL financial assets

Financial assets that do not meet the criteria of the category to measure at amortized cost as above, excluding FVTOCI financial assets, are categorized as FVTPL financial assets. Equity financial assets are categorized as FVTPL financial assets, excluding the cases when Nidec chooses to

(irrevocably) recognize changes in fair value in other comprehensive income at initial recognition. FVTPL financial assets are measured at fair value after initial recognition, and the changes are recognized in profit or loss.

(iii) Impairment of financial assets measured at amortized cost

For financial assets measured at amortized cost, valuation loss allowance for expected credit losses is assessed and recognized at the end of each fiscal year.

When the credit risk of such financial instruments has increased significantly at the end of the fiscal year after initial recognition, the reserve for doubtful accounts for such financial instruments is measured at an amount equal to expected lifetime losses considering all reasonable and supportable information including forecasts. Such information specifically incorporates the following indicators.

- External credit rating (to the extent available)
- Actual or expected adverse changes in business, financial, or economic conditions that are predicted to cause a significant change to the borrower's capacity to repay its financial obligations
- Significant increases in credit risk associated with other financial products held by the same borrower

On the other hand, when the credit risk has not increased significantly since initial recognition, the reserve for doubtful account for such financial instruments is measured at an amount equal to the expected credit losses for 12 months.

However, for trade receivables, valuation loss allowance is always measured at an amount equal to expected lifetime losses regardless of the above.

Amounts of expected credit losses or reversals are recognized in net profit or loss as impairment loss or reversals of impairment losses.

(iv) Derecognition of non-derivative financial assets

Nidec derecognizes financial assets when the contractual rights to the cash flows from the financial assets are expired or when the contractual rights to receive the cash flows from the financial assets are transferred in transactions to transfer substantially all risks and benefits related to holding such financial assets. Equity created by Nidec or continuously held by Nidec regarding the transferred financial assets is recognized as separate assets/liabilities.

(v) Subsequent measurement and derecognition of non-derivative financial liabilities

Nidec holds trade and other payables and other financial liabilities as non-derivative financial liabilities, and they are measured at amortized cost using the effective interest method after initial recognition.

Such financial liabilities are derecognized when the obligations are performed or when the obligations are discharged, cancelled or expired.

(vi) Derivatives and hedge accounting

To manage risks caused by the fluctuation of currency exchange rates, interest rates, and commodity prices, Nidec uses derivatives such as forward exchange contracts, interest rate swaps, currency swaps, or commodities futures contracts. Nidec does not hold derivatives for trading.

Derivative transactions are initially recognized at fair value, and related transaction costs are recognized in profit or loss as incurred. After initial recognition, they are measured at fair value, and their changes are basically recognized in profit or loss for the fiscal year. However, hedge accounting may be applied when the hedge is recognized as effective subject to objective judgment of the extent to which changes in the cash flows of the hedged item are offset by changes in the cash flows of the hedging instruments.

At the time of initially designating a derivative as a hedge, the relationship between the hedging instruments and the hedged item related to the hedging transaction, the purpose of managing the risks, the strategy for executing the hedging transaction, the method of assessing the effectiveness of the hedging relationship, and the method of measuring the effectiveness and non-effectiveness are wholly documented. To be specific, hedges are determined as effective when all the following criteria are met:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not significantly dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as the ratio arising from the amount of the hedged item that the entity is actually hedging and the amount of hedging instruments the entity is actually using to hedge that amount on the hedged item.

Assessments are made for the effectiveness of the derivatives used for hedging transactions in offsetting changes in the cash flows of the hedged items at the inception and for the duration of the hedge. Hedge accounting will be discontinued in anticipation of a future when the hedge is judged to be ineffective or to have become ineffective.

Cash flow hedges are accounted for as follows:

If derivatives are designated as hedging instruments to hedge fluctuations in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction that could potentially affect a recognized asset/liability or profit for the year, the portion of hedge effectiveness of the change in fair value of the derivative is included in other components of equity as “cash flow hedges.” The portion of hedge ineffectiveness of the change in fair value of the derivative is immediately recognized in profit or loss.

The balance of cash flow hedges is deducted from other comprehensive income in the consolidated statement of income for the same period as the period during which the cash flow of the hedged item affects profit for the year, and transferred to profit for the year as the same item as the hedging instruments. However, if the forecast transaction as the hedged item causes recognition of non-financial assets (such as inventories, and property, plant, and equipment) or liabilities, the gain or loss that was previously deferred in equity is transferred and included in the measured amount of

such assets or liabilities.

When the criteria of hedge accounting are not met, if hedging instruments are expired, sold, terminated or exercised, or when hedge designation is cancelled, application of hedging accounting is discontinued prospectively. When hedge accounting is discontinued, the balance of the cash flow hedge that was already recognized in other comprehensive income is continued to be recorded until forecast transactions affect profit for the year. If the forecast transactions are no longer expected to occur, the balance of the cash flow hedge is immediately recognized in profit or loss.

2) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis. Cost of projects in progress, which mainly relate to production of factory automation equipment based on contracts with customers, are determined by using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable completion cost and selling expense.

3) Valuation criteria, valuation methods and depreciation or amortization method for property, plant, and equipment and goodwill and intangible assets

(i) Property, plant, and equipment

Property, plant and equipment are measured by using the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of items of property, plant and equipment includes costs directly attributable to the acquisition, the initial estimate of costs of dismantling and removing the items and restoring the site on which they are located, and the borrowing cost that meets the criteria for capitalization.

Costs incurred after initial recognition are recognized as an asset, either by including the amount in the carrying amount of the acquired asset or recognizing the amount as a separate asset, only when it is probable that future economic benefits associated with the costs will flow to Nidec and the amount can be reliably measured. All other costs of repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Assets held under finance leases are depreciated over the estimated useful lives if there is reasonable certainty that Nidec will obtain ownership by the end of lease terms. However, if not, they are depreciated over the shorter of their estimated useful lives or lease terms.

The useful lives, residual values, and depreciation methods of property, plant and equipment are reviewed at the end of the period. Any changes are regarded as a change in accounting estimate and recognized prospectively.

(ii) Goodwill and intangible assets

Goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized, but

allocated to cash-generating units, based on the allocation of expected benefits from business combination, and tested for impairment annually or whenever there is an indication of impairment. Impairment losses of goodwill are recognized on the consolidated statements of income and cannot be reversed.

Intangible assets

Intangible assets are measured by using the cost model and are stated at cost less accumulated amortization and impairment losses.

Intangible assets acquired separately are measured at cost upon initial recognition, and those acquired by business combination are recognized separately from goodwill at fair value at acquisition date if these intangible assets meet the definition of intangible assets, are identifiable, and are able to be measured reliably at fair value.

Research expenditure, which is defined as investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized as an expense as incurred. Costs incurred on development projects are recognized as intangible assets when the following conditions are met: the costs incurred can be measured reliably, the assets are technologically feasible to be industrialized, the assets are estimated to provide economic benefit to Nidec, and Nidec has intention and ample resources to complete the development and utilize and/or commercialize the assets. Other development expenditure is recognized as an expense as incurred. Major intangible assets that have a definite useful life are amortized by a straight-line method based on estimated useful lives.

The useful lives and amortization method of intangible assets with finite useful lives are reviewed at the end of the period. Any changes are regarded as a change in accounting estimate and recognized prospectively.

For intangible assets with finite useful life, an impairment test is carried out when there is an indication that the unit may be impaired. Intangible assets with indefinite useful life or which are not available for use are not amortized, and impairment test is carried out on an annual basis (January 1) or at time when there is an indication that the unit may be impaired, or situation is changed.

4) Impairment of non-financial assets

At the end of each reporting period, Nidec assesses each of its assets to see whether there is an indication that it may be impaired. If there is an indication that an asset may be impaired or an annual impairment test is required, then the asset's recoverable amount is estimated. For goodwill, intangible assets having indefinite useful life, and intangible assets not yet available for use, an impairment test is carried out annually or whenever there is an indication of impairment.

When it is not possible to estimate the recoverable amount of an individual asset, Nidec estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying

amount of the asset or the cash-generating unit is reduced to its recoverable amount, and the reduction is recognized as an impairment loss.

In measuring the value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Nidec assesses whether there is any indication that an impairment loss recognized in prior years for all non-financial assets other than goodwill may no longer exist or may have decreased in such case that there are any changes in assumptions used for the determination of the recoverable amount. If such indication exists, the recoverable amount of the asset or the cash-generating unit is estimated. If the recoverable amount of the asset or the cash-generating unit is greater than its carrying amount, a reversal of an impairment loss is recognized, to the extent the increased carrying amount does not exceed the lower of the recoverable amount and the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized in previous years.

5) Provisions

Provisions are recognized when Nidec has present legal or constructive obligations as a result of past events, it is probable that the settlement of the obligations will be required, and reliable estimates of the obligations can be made.

The detail of the major provision is as follows:

Provision for product warranties

Nidec provides warranties for specific products and services over an extended period. A provision for product warranties is calculated based on historical claims levels. The majority of the warranty costs is estimated to be incurred in the subsequent year.

6) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits such as wages, salaries, social security contributions and other non monetary benefits are not discounted and recognized as an expense when an employee has rendered service to Nidec.

Nidec recognizes the cost of bonus payments estimated in accordance with its bonus plan as a liability when Nidec has a present legal or constructive obligation to make such payments as a result of past services provided by employees and a reliable estimate of the obligation can be made.

(ii) Retirement benefits

Retirement benefits of Nidec include defined benefits and defined contribution plans.

Net defined benefit assets or liabilities are calculated as the present value of the defined benefit obligation less the fair value of plan assets and they are recognized in the consolidated statement of financial position as assets or liabilities. The defined benefit obligation is calculated by using the projected unit credit method. The present value of the defined benefit obligation is calculated by the expected future payments using discount rate. The discount rate is determined by reference

to market yield on high-quality corporate bonds having maturity terms consistent with the estimated term of the related pension obligations.

Service cost and net interest expense (income) on the net defined benefit liabilities (assets) are recognized in profit or loss.

Actuarial gains and losses, the return on plan assets, excluding amounts included in net interest, and any change in the effect of the asset ceiling, are recognized as incurred in other comprehensive income under “remeasurements of defined benefit plans,” and transferred therefrom to retained earnings immediately.

Contributions paid for defined contribution plans are expensed in the period in which the employees provide the related service.

7) Revenue recognition

NIDEC recognizes revenues based on the following five-step approach.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligation in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to each performance obligation in the contract.

Step 5: An entity recognizes revenue when a performance obligation is satisfied.

(i) Sales of goods

NIDEC manufactures and sells small precision motors, automotive products, certain appliance, commercial and industrial products, certain machinery, and electronic and optical components. In selling such goods, NIDEC deems its performance obligations to be satisfied upon completion of delivery of the goods, the point at which the customer acquires control of the goods. NIDEC accordingly recognizes revenue from sales of goods at the time of the goods delivery.

(ii) Construction contracts

Additionally, for certain appliance, commercial and industrial products and certain machinery, NIDEC transfers control of a good or service over time and therefore, satisfies a performance obligation and recognizes revenue over time. NIDEC is able to reasonably measure progress toward complete satisfaction of its performance obligations. Accordingly, NIDEC recognizes revenue from sales of certain appliance, commercial and industrial products and certain machinery based on the degree of progress toward complete satisfaction of its performance obligations as of the end of the reporting period.

8) Foreign currency translation

(i) Functional currency

Each entity in Nidec group determines its own functional currencies and transactions of each entity are measured in its own functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates

prevailing at the date of the transactions or an exchange rate which approximates the prevailing rates. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies using closing rates are recognized in the consolidated statements of income, except for those deferred in equity as effective cash flow hedges.

(iii) Foreign operations

With regard to the financial statements of foreign subsidiaries and associates, assets and liabilities are translated into Japanese yen by using the exchange rates prevailing at the closing date. Income and expenses are translated into Japanese yen at the average exchange rates prevailing during the fiscal period. Exchange differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. When Nidec disposes a foreign operation and loses control or significant influence of the foreign operation, the cumulative exchange differences related to the operation are recognized in the consolidated statements of income as part of the gain or loss on disposal.

9) Accounting of consumption tax, etc.

The tax-exclusion method is used to account for consumption tax, etc.

(2) Change in accounting policies

(Revenue Recognition)

NIDEC has adopted the following standard from the year ended March 31, 2019.

IFRS	Summary of new standard and amendment
IFRS15	Revenue from Contracts with Customers Revised accounting standard for revenue recognition

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

In applying IFRS 15, NIDEC adopts the methods where cumulative effect is applied retrospectively to contracts that have not been completed as of the initial application date (April 1, 2018) and the cumulative effect is recognized as an adjustment to the opening balance of retained earnings, as permitted as a transition method (modified retrospective approach).

As a result of the adoption of IFRS 15, revenues are recognized based on the following five-step approach. This will result in the following main change in accounting policies and impact on consolidated financial statements.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligation in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to each performance obligation in the contract.

Step 5: An entity recognizes revenue when a performance obligation is satisfied.

(i) Sales of goods

NIDEC manufactures and sells small precision motors, automotive products, certain appliance, commercial and industrial products, certain machinery, and electronic and optical components. In selling such goods, NIDEC deems its performance obligations to be satisfied upon completion of delivery of the goods, the point at which the customer acquires control of the goods. NIDEC accordingly recognizes revenue from sales of goods at the time of the goods delivery.

(ii) Construction contracts

Additionally, for certain appliance, commercial and industrial products and certain machinery, NIDEC transfers control of a good or service over time and therefore, satisfies a performance obligation and recognizes revenue over time. NIDEC is able to reasonably measure progress toward complete satisfaction of its performance obligations. Accordingly, NIDEC recognizes revenue from sales of certain appliance, commercial and industrial products and certain machinery based on the degree of progress toward complete satisfaction of its performance obligations as of the end of the reporting period.

Of costs incurred in fulfilling contracts with customers, NIDEC recognizes costs as assets when those costs are not within the scope of another accounting standard, are directly related to a contract or an anticipated contract that NIDEC can specifically identify, are expected to be recovered, and generate or enhance resources of NIDEC that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

As a result of the adoption of IFRS 15, compared with reported figures under the standard NIDEC applied previously, at the beginning of the year ended March 31, 2019, inventories decreased by ¥72 million and other non-current assets, deferred tax liabilities and retained earnings increased by ¥350 million, ¥79 million and ¥199 million, respectively. The impact of this change on income for the year ended March 31, 2019 is immaterial.

(Government grants)

In this fiscal year, NIDEC changed the accounting policy for government grants, which were previously presented in “Other current liabilities” and “Other non-current liabilities”, to offset corresponding “Property, plant and equipment” in accordance with the nature of each grant. This is to clarify the assets and to provide more relevant information regarding classification of assets and liabilities because there are no unfulfilled conditions or other contingencies attaching the grants.

As a result of this change applied retrospectively, “Property, plant and equipment”, “Other current liabilities” and “Other non-current liabilities” decreased by ¥810 million, ¥55 million and ¥755 million, respectively, in the Consolidated Statement of Financial Position for the year ended March 31, 2018. This change did not have an effect on the operating profit.

II. Notes to the consolidated statement of financial position

1. Expected credit loss allowance

Current assets	3,013 million yen
Non-current assets	446 million yen

2. Liability obligation

Contract bond, etc.	8,044 million yen
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3. Assets provided for collateral and liability related to collateral

(1) Assets provided for collateral

Securities	500 million yen
Notes receivable	106 million yen
Land	330 million yen
Machinery and equipment	1,529 million yen

(2) Collateral-related liability

Short term borrowings	83 million yen
Long term debt due within one year	211 million yen
Long term debt	346 million yen

4. Accumulated depreciation and accumulated impairment losses for property, plant and equipment

486,286 million yen

III. Notes to the consolidated statement of changes in equity

1. Class and number of issued stocks as of the end of the consolidated fiscal year

Ordinary share 298,142,234 shares

2. Distribution of surplus

(1) Dividends paid

(Resolution date)	Class of shares	Total amount of dividends (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
May 28, 2018 Board of directors	Ordinary shares	14,798	50	March 31, 2018	June 4, 2018
October 23, 2018 Board of directors	Ordinary shares	14,719	50	September 30, 2018	December 3, 2018

(Note) In the above table, total dividends resolved at the board of directors on October 23, 2018 included dividends of ¥4 million paid to the treasury shares held by the BIP Trust and the ESOP Trust.

(2) Dividends whose record dates are within the fiscal year under review, but the effective dates of whose distribution will be next consolidated fiscal year

(Expected resolution)	Class of shares	Total amount of dividends (Yen in millions)	Dividend resource	Dividend per share (Yen)	Record date	Effective date
May 24, 2019 Board of directors	Ordinary shares	16,191	Retained earnings	55	March 31, 2019	June 3, 2019

(Note) In the above table, total dividends included dividends of ¥4 million paid to the treasury shares held by the BIP Trust and the ESOP Trust.

IV. Notes to financial instruments

1. Matters on the circumstance concerning financial instruments

Nidec limits its fund operations to short-term savings, etc., and raises its funds by loan from banks and other financial institutions and by issuing corporate bonds. With respect to credit risks concerning trade receivables, we try to identify early and alleviate concerns caused by the deterioration, etc. of financial and other conditions. Securities primarily comprise stocks; with regard to listed stocks, we review their fair values on a quarterly basis. Borrowings are largely used for working capital, capital investment as well as M&A activities. We engage in derivative transactions in part of our business to manage risks associated with the fluctuation of interest rates, exchange rates and commodity prices.

(1) Credit risk

Nidec defines default on trade receivables as customer's failure to discharge its obligation'. Therefore, regarding the trade receivables, Nidec is regularly monitoring the financial position of main clients by checking payment terms and credit balance for each client according to the credits management policies to ensure early identification and mitigation of the potential bad debt associated with deterioration of their financial position. No significant concentration of credit risk is present in a particular customer. Nidec's maximum exposure to credit risks is the carrying amount of financial instruments less impairment losses in the Consolidated Financial Statements.

(2) Liquidity risk

Nidec relies on borrowings from financial institutions and capital raising from direct financing markets to finance our operations and capital expenditures. 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, 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.

Nidec timely checks the liquidity and debt condition, and develops a financing plan against the liquidity risk. Furthermore, the board of directors approves the credit line for flexible financing based on the plan.

(3) Market risk

1) Foreign exchange risk management

A significant portion of Nidec overseas sales is denominated in currencies other than Japanese yen, primarily the U.S. dollar, Euro, Chinese Yuan and Thai baht. Nidec is exposed to foreign exchange risks arising from the appreciation of the Japanese yen against each currency. The appreciation of the Japanese yen against each currency would have negative effects on Nidec's sales, operating profit and profit for the period. Furthermore, foreign exchange fluctuation affects the consolidation of foreign subsidiaries.

To mitigate the foreign exchange risks, Nidec controls the amount of financial assets and liabilities of

each currency and uses a natural hedge such as a currency marry. For some cases, Nidec uses derivatives such as foreign exchange forward contracts and other contracts to reduce the impact of exchange rate fluctuations.

2) Interest rate risk management

As Nidec has no significant interest-bearing assets, Nidec's income and operating cash flows are substantially independent of changes in market interest rates.

Nidec has interest-bearing debts and enters into interest rate swaps and other contracts in order to manage the risks of the interest rate fluctuation and changes in cash flows of those debts. In addition, we monitor the interest-rate fluctuation timely. As a result, interest rate sensitivity analysis is omitted because payment of interest does not have material impacts on Nidec.

3) Stock price fluctuation risk management

For shares that Nidec holds, we timely check their stock price and financial condition of the issuers and grasp profit or loss from valuation. In addition, we review the shareholding continuously, taking into consideration the relationship with the issuers.

2. Matters on the fair values of financial instruments

The carrying amounts and fair values of financial instruments as of the end of the fiscal year 2018 are as follows:

		(Yen in millions)
	Carrying amount	Fair value
Assets and liabilities		
Cash and cash equivalents	242,267	242,267
Short term investments	96	96
Long term investments	27	27
Short term loans receivable	36	36
Securities and other investment securities		
FVTOCI equity financial assets	17,794	17,794
FVTOCI debt financial assets	150	150
Financial assets measured at amortized cost	500	502
Long term loans receivable	143	138
Short term borrowings	(17,394)	(17,394)
Long term debt (including the current portion and excluding the finance lease obligations and corporate bonds)	(116,902)	(117,194)
Corporate bonds (including the current portion)	(237,345)	(238,151)
Derivatives	2,278	2,278

The method to estimate the fair value of financial instruments is as follows:

(1) Cash and cash equivalents, short term investments, short term loans receivable and short term borrowings

In the normal course of business, substantially all cash and cash equivalents, short term investments (time deposits), short term loans receivable and short term borrowings are highly liquid and are carried at amounts that approximate their fair values.

(2) Long term investments

Long term investments are mainly trust funding which is contributed for the performance-linked share-based compensation plan. The fair value of long term investments is estimated by discounting expected future cash flows to their present values.

(3) Securities and other investment securities

Securities and other investment securities are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions. Additionally, the fair value of non-marketable securities is calculated by discounted cash flow method, etc.

(4) Long term loans receivable

The fair value of long term loans receivable is estimated by discounting expected future cash flows to their present values.

(5) Long term debt

The fair value of long term debt (including the current portion and excluding the finance lease obligations and corporate bonds) is estimated based on the present value of future repayment amounts by discounting at Nidec's expected incremental borrowing rates for similar liabilities.

(6) Corporate bonds

The fair value of bonds issued by Nidec (including the current portion) is estimated based on the quoted market price for the Nidec's bonds in markets that are not active.

(7) Derivatives

Derivatives are financial instruments such as commodities futures contracts, foreign exchange forward contracts, interest rate swap agreements and currency swap agreements. Commodity futures contracts are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions. Additionally, exchange contracts, interest rate swap agreements, currency swap agreements, etc. are valued using quotes obtained from counterparties or third parties.

The fair values of "trade and other receivables" and "trade and other payables" approximate their carrying amounts because of the short maturity of these instruments. Therefore, the table described above excludes these financial instruments.

V. Notes to per-share information

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|--|--------------|
| 1. Equity per share attributable to owners of the parent. | 3,389.91 yen |
| 2. Earnings per share attributable to owners of the parent-basic | 375.83 yen |

(Note) For calculating equity per share attributable to owners of the parent and earnings per share attributable to owners of the parent-basic, shares of the Company held by the BIP Trust and the ESOP Trust are treated as treasury stock, and accordingly, the number of such shares are deducted from the total number of the Company's shares issued as of the end of each fiscal year and the number of weighted average shares.

VI. Notes to business combinations

NIDEC adopts the provisions of IFRS 3 "Business Combinations." During the three months ended June 30, 2018, NIDEC completed its valuation of the assets acquired and the liabilities assumed upon the acquisition in the previous fiscal year of Secop Holding GmbH (currently, Nidec Global Appliance Compressors GmbH), Secop s.r.o. (currently, Nidec Global Appliance Slovakia s.r.o.), Secop Compressors (Tianjin) Co., Ltd. (currently, Nidec Compressors (Tianjin) Co., Ltd.) and Secop Inc. (currently, Nidec Global Appliance USA Inc.) and LGB Elettropompe S. r. l. In addition, during the three months ended September 30, 2018, NIDEC completed its valuation of the assets acquired and the liabilities assumed upon the acquisition in the previous fiscal year of SV Probe Pte. Ltd. As a result, the revision of the initially allocated amounts of acquisition price was reflected at the beginning of the year ended March 31, 2019. Of the assets acquired and the liabilities assumed upon the acquisitions of companies in the year ended March 31, 2019, the assets and liabilities which are currently under evaluation have been recorded on NIDEC's consolidated statements of financial position based on provisional management estimation as of March 31, 2019.

VII. Notes to important subsequent events

1. A share purchase agreement of OMRON Automotive Electronics Co. Ltd. and the other agreements

NIDEC has agreed to acquire the share of OMRON Automotive Electronics Co. Ltd. ("OMRON Automotive Electronics") and some foreign subsidiaries which OMRON Corporation ("OMRON") owns, and the

automotive electronic components business (the “Transaction”). For this purpose, NIDEC entered into a share purchase agreement and other agreements with OMRON on April 16, 2019.

1. Purpose	OMRON Automotive Electronics manufactures and sells automotive electronics components and systems. Through the Transaction, NIDEC will be able to create new module and system products by combining NIDEC group's motors, pumps, gears, etc. with OMRON Automotive Electronics' products including ECUs and other electronics products. Furthermore, OMRON Automotive Electronics, which has strengths in laser radar and driver monitoring systems, and Nidec Elesys will cooperate to provide a wide variety of sensor products which support autonomous driving technologies.
2. Acquisition method and schedule	NIDEC utilizes its cash on hand and debt finance for funding. Closing of the Transaction is to be completed by the end of October 2019. (The schedule is subject to defer based on approvals from antitrust authorities.)
3. Purchase price	Approximately JPY100,000 million. Total consideration of the Transaction includes the consideration for Share Acquisition, acquisition of the target foreign subsidiaries and acquisition of the target overseas businesses. The acquisition price would be finalized subject to the condition described in the share purchase agreement including the financials.

2. Sale of the Compressor Business to ESSVP IV

On April 12, 2019, NIDEC’s Board of Directors has resolved that Nidec Europe B.V. and Nidec Americas Holding Corporation which are NIDEC’s subsidiaries, will sell NIDEC’s entire compressor business (“Secop”), to ESSVP IV L.P., ESSVP IV (Structured) L.P., and Silenos GmbH & Co. KG (collectively “ESSVP IV”), advised by Orlando Management AG (the “Transaction”). For this purpose, NIDEC entered into a share purchase agreement and other agreements.

1. Purpose	NIDEC is actively moving forward with the development of new growth platforms with particular emphasis on appliance, commercial and industrial motors and solutions. As Secop develops, manufactures and sells products of compressors for consumer and commercial type refrigerators, from the acquisition of Secop in 2017, our appliance motor business in Global Appliance Division has expanded further into the refrigeration market. Whereas the Transaction is made following NIDEC’s commitment to the European Commission to sell certain of its compressor business lines to a suitable purchaser as condition for the European Commission’s approval of NIDEC’s acquisition of Embraco from Whirlpool Corporation, which was obtained on April 12, 2019.
2. The purchaser	ESSVP IV
3. Schedule for the Transaction	The specific schedule is not yet determined

Notes to the non-consolidated financial statements

The amounts in the statements are rounded to the nearest one million yen.

I. Important accounting policy

1. Valuation criteria and valuation methods for assets

(1) Valuation criteria and valuation methods for securities

(i) Stocks of subsidiaries and affiliated companies Cost method by the moving average method

(ii) Other securities

- Securities with actual values

Market value method based on the market price, etc., on the balance sheet date

(Valuation differences are all reported as a component of shareholders' equity, and the cost of products sold is calculated by the moving average method.)

- Securities without actual values

Cost method by the moving average method

(2) Valuation bases and methods of derivatives, etc. Derivatives are stated at their actual values.

(3) Valuation bases and methods of inventory assets Cost method based on the moving average method

(Balance sheet values are calculated by the book value devaluation method based on the decline of profitability.)

2. Depreciation method for fixed assets

(1) Property, plant and equipment (except for lease assets)

The straight-line method

The useful lives of main buildings, machinery and equipment are 3 to 50 years for buildings, and 2 to 9 years for machinery and equipment.

(2) Intangible fixed assets (except for lease assets)

Intangible fixed assets (except for lease assets) are stated based on the straight-line method. However, software for the Company's own use is stated based on the straight-line method considering its usable period (usually five years).

(3) Lease assets

Lease assets are stated based on the straight-line method, where their lease periods are the number of their useful lives, and their residual values are zero.

3. Reserve allocation standards

(1) Reserve for doubtful accounts

To prepare for loss by credits becoming bad, the collectability of general credits is deliberated based on their credit loss ratio, and that of specific credits such as credits feared to become bad is deliberated for each of such credits, before the credits' collectability is allocated.

(2) Reserve for employee bonuses

To prepare for the provision of bonuses to employees, the reserve for employee bonuses is allocated based on the estimated amount to be paid.

(3) Retirement reserve

The amount believed to be generated as of the end of the fiscal year is allocated based on the expected amounts of retirement benefits and pension assets at the end of the same year in order to prepare for the provision of employee bonuses.

For actuarial gaps, based on the straight-line method for a certain number of years (5 years) within the number of average remaining working hours of employees at the beginning of each fiscal year, proportionally divided amounts are handled as costs from the next fiscal year after such amounts are generated.

With regards to past service liabilities, proportionally divided amounts are handled as costs based on a certain number of years (5 years) within the number of average remaining working hours for employees at the time of occurrence.

4. Other important matters for making financial statements

(1) Deferred assets

Deferred assets are all processed as costs at payment.

(2) Base to convert foreign-currency-denominated assets and liabilities into the Japanese yen

Foreign-currency-denominated receivables and payables are converted into the Japanese yen based on the actual currency exchange rate as of the end of the closing date, and translation adjustments are processed as profit or loss.

(3) Accounting of consumption tax, etc.

The tax-exclusion method is used to consumption tax, etc.

(4) Adoption of the consolidated taxation system

The consolidated taxation system is used.

II. Notes to changes in presentation

(Non-consolidated balance sheet)

1. Changes associated with the application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”

From this fiscal year, NIDEC has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018, hereinafter referred to as “Partial Amendments to

Accounting Standard for Tax Effect Accounting"). Deferred tax assets are presented under Investments and other assets and deferred tax liabilities are presented under Noncurrent liabilities.

III. Notes to Non-Consolidated Balance Sheet

1. Monetary claims and liabilities to consolidated subsidiaries

Short-term monetary claims:	112,217 million yen
Long-term monetary claims:	54,571 million yen
Short-term monetary liabilities:	136,540 million yen
Long-term monetary liabilities:	70 million yen

2. Accumulated amount of depreciation of property, plant and equipment: 24,300 million yen

3. Adoption of the Land Revaluation Law

Based on the Law concerning Revaluation of Land (promulgated on March 31, 1998, Law No. 34) and the Law to Partially Modify the Law concerning Revaluation of Land (revised on March 31, 1999), the land for business use was revaluated, and revaluation excess is allocated in the "Net assets" section.

Revaluation method stipulated in Paragraph 3, Article 3 of the Law

The land was revaluated after reasonable adjustment was made on the price calculated based on the method decided and announced by the Director of the National Tax Administration Agency to calculate the land price which is the basis of the calculation for the taxation standard for the land price tax stipulated in Article 16 of the Land Price Tax Law (1991, Law No. 69) in Article 2-4 of the Order for Enforcement of Law on Revaluation of Land (promulgated on March 31, 1998, Ordinance No. 119).

Date of revaluation: March 31, 2000

The gap between the total current value of the land for commercial use that was revaluated in accordance with Article 10 of the Law as of the end of the fiscal year and the total book value of the land for commercial use after revaluation: 2,683 million yen

4. The pension assets in the employee pension trust that were offset with the reserve for employees' retirement benefits or added to the prepaid pension expenses: 916 million yen

5. Loan commitment

The Company concluded basic, CMS (cash management system)-related agreements, etc. with its 18 subsidiaries, and decided a loan limit. The amounts of unexecuted loan as of the end of the fiscal year based on these agreements are as follows:

Total of loan limits:	85,539 million yen
Executed loans outstanding:	47,572 million yen
Balance on unexecuted loans outstanding:	37,967 million yen

6. Contingent obligation

The Company provides the following subsidiaries with guarantee for borrowed indebtedness, etc.:

Nidec India Private Limited	268 million yen
Nidec Global Appliance Compressors GmbH	8,041 million yen
Nidec Global Appliance Slovakia s.r.o.	522 million yen
NIDEC GPM HUNGARY LLC	722 million yen
Nidec Elevator (Qingdao) Co. Ltd.	15 million yen

IV. Notes to Non-Consolidated Statement of Income

Business transactions with consolidated subsidiaries

Sales	191,046 million yen
Cost of products purchased	160,971 million yen
Selling, general and administrative expenses	15,441 million yen
Other transactions	52,931 million yen

V. Notes to changes to the statement of shareholders' equity

Class and number of treasury stocks

Class of share	Number of shares at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Number of shares at the end of the fiscal year
Ordinary share	2,182,209	1,666,103	—	3,848,312

- Notes:
1. The increase of 1,666,103 shares in the number of treasury stocks of ordinary share consists of 1,581,900 shares acquired pursuant to the resolution of the Board of Directors, 2,703 shares due to the repurchase of shares less than one unit, and 81,500 shares of the shares of the Company held by the BIP trust and the ESOP trust.
 2. The number of shares at the end of the fiscal year ended March 31, 2019 includes 81,500 shares of the Company held by the BIP trust and the ESOP trust.

VI. Notes to the tax effect accounting

Major reasons for deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets	
Disallowed provisions for bad debts	267 million yen
Disallowed provisions for bonuses	677 million yen
Write-down of inventories	142 million yen
Disallowed accrued expenses	308 million yen
Accrued retirement benefit to directors	0 million yen
Disallowed depreciation	363 million yen
Valuation loss on investment securities	4 million yen
Impairment loss of subsidiary stocks and investments	4,022 million yen
Foreign tax credit	4,526 million yen
Loss carried forward	638 million yen
Other	156 million yen
Subtotal deferred tax assets	11,103 million yen
Valuation allowance	(9,271) million yen
Total deferred tax assets	1,832 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	1,355 million yen
Prepaid pension cost	293 million yen
Total deferred tax liabilities	1,648 million yen
Deferred tax assets, net	184 million yen

VII. Notes to related party transactions

1. Directors and main individual shareholders, etc.

Category	Company name	Voting ratio (possessing/ being possessed)	Relationship	Detail of transaction	Transaction amount (Yen in millions)	Account title	Balance at the end of fiscal years (Yen in millions)
Company or organization in which directors or their close relatives own the majority of voting rights.	(Note) 1. Nagamori Foundation	Being possessed: Direct: 0.3%	Consignment of indirect operations	(Note) 2. Consignment fee income	12	Other accounts receivable	0
Company or organization in which directors or their close relatives own the majority of voting rights.	(Note) 3. Green Kosan LLC	The Company's Representative Director and Chairman Shigenobu Nagamori directly possesses 100.0%. Being possessed: Direct: 0.0%	Use of flight operation services	(Note) 4. Payment of flight operation service charges	92	-	-
Company or organization in which directors or their close relatives own the majority of voting rights.	(Note) 5.6. Kyoto Gakuen Educational Foundation	The Company's Representative Director and Chairman Shigenobu Nagamori assumes the position of Chairman of the Board of Trustees Being possessed: Direct: 0.0%	Consignment of indirect operations Secondment agreement	(Note) 2. Consignment fee income (Note) 7. Receipt of salary as a secondee	9 32	Other accounts receivable	4

- (Notes)
1. The Company's Representative Director and Chairman Shigenobu Nagamori concurrently serves as representative director of this foundation.
 2. The amount of consignment fee income was determined based on a consignment agreement concluded following negotiations between the Company and the foundation.
 3. The Company's Representative Director and Chairman Shigenobu Nagamori concurrently serves as representative employee of this company.
 4. Transaction terms are determined in the same conditions applied under general transactions in consideration of market price.

5. The Company's Representative Director and Chairman Shigenobu Nagamori concurrently serves as Chairman of the Board of Trustees, Kyoto Gakuen Educational Foundation.
6. Kyoto Gakuen Educational Foundation changed its name to Nagamori Gakuen Educational Foundation effective as of April 1, 2019.
7. Salary received as a secondee is determined based on the secondment agreement concluded upon mutual consultation.

2. Subsidiaries, etc.

Category	Company name	Voting ratio (possessing/ being possessed)	Relationship	Detail of transaction	Transaction amount (Yen in millions)	Account title	Balance at the end of fiscal year (Yen in millions)
Subsidiary	Nidec Electronics (Thailand) Co., Ltd.	Direct: 99.9%	Borrowing funds Director dispatched to the subsidiary	Borrowing funds	17,614	Short term borrowings	38,862
Subsidiary	Nidec Singapore Pte. Ltd.	Direct: 100.0%	Sales of the Company's products Director dispatched to the subsidiary	Sales of motors	44,662	Trade receivable	8,966
Subsidiary	Nidec (H.K.) Co., Ltd	Direct: 100.0%	Sales of the Company's products Director dispatched to the subsidiary	Sales of motors	64,474	Trade receivable	7,014
Subsidiary	Nidec Techno Motor Corporation	Direct: 100.0%	Loaning funds Director dispatched to the subsidiary	CMS transaction (Recovery)	701	Short term loans receivable from subsidiaries and affiliates	13,295
Subsidiary	Nidec Motors & Actuators (Germany) GmbH	Direct: 100.0%	Sales of the Company's products Director dispatched to the subsidiary	Sales of motors	35,304	Trade receivable	13,951

Category	Company name	Voting ratio (possessing/ being possessed)	Relationship	Detail of transaction	Transaction amount (Yen in millions)	Account title	Balance at the end of fiscal year (Yen in millions)
Subsidiary	Nidec Automobile Motor (Zhejiang) Corporation	Direct: 76.9% Indirect: 23.1%	Purchase of the products of Nidec Automobile Motor (Zhejiang) Corporation Director dispatched to the subsidiary	Purchase of motors	22,292	Accounts payable	5,689
Subsidiary	Nidec Philippines Corporation	Direct: 99.9%	Purchase of the products of Nidec Philippines Corporation Director dispatched to the subsidiary	Purchase of motors	23,996	Accounts payable	6,213
Subsidiary	Nidec Copal Electronics Corporation	Direct: 100.0%	Receiving Deposits Director dispatched to the subsidiary	CMS transaction (Borrowing)	965	Deposits received	10,730
Subsidiary	Nidec Vietnam Corporation	Direct: 100.0%	Purchase of the products of Nidec Vietnam Corporation Director dispatched to the subsidiary	Purchase of motors	18,447	Accounts payable	10,138
Subsidiary	Nidec Seimitsu Motor Technology (Dongguan) Co., Ltd.	Indirect: 100.0%	Purchase of the products of Nidec Seimitsu Motor Technology (Dongguan) Co., Ltd.	Purchase of motors	46,215	Accounts payable	4,044
Subsidiary	Nidec Americas Holdings Corporation	Direct: 100.0%	Borrowing funds Director dispatched to the subsidiary	Repaying funds CMS transaction (Borrowing)	16,304 16,289	Short term borrowings	16,289

Category	Company name	Voting ratio (possessing/ being possessed)	Relationship	Detail of transaction	Transaction amount (Yen in millions)	Account title	Balance at the end of fiscal year (Yen in millions)
Subsidiary	Nidec Europe B.V.	Direct: 100.0%	Loaning funds Director dispatched to the subsidiary	Loaning funds CMS transaction (Recovery)	16,293	Short term loans receivable from subsidiaries and affiliates	20,962
					15,775	Long term loans receivable from subsidiaries and affiliates	45,838
Subsidiary	Nidec Management Shanghai Corporation	Direct: 100.0%	Borrowing funds Director dispatched to the subsidiary	Repaying funds CMS transaction (Borrowing)	10,571 12,076	Short term borrowings	12,076

- (Notes) 1. The consumption tax is not included in the “Transaction amount” section, but it is included in the “Balance at the end of term” section.
2. Terms and conditions of transaction and policy to determine them, etc.: The above terms and conditions of transaction for each company are based on the Company’s purchase and sales management policy, which equally apply to other suppliers.
3. The lending and borrowing interests to the above companies were reasonably decided based on the contract that considers the interest rate at the market.
4. The Company is using a cash management system (CMS), and, to express the Company’s CMS transactions clearly, the amounts from business transactions described herein are on the net basis.

VIII. Notes to per-share information

- | | |
|-------------------------|--------------|
| 1. Net assets per share | 1,052.92 yen |
| 2. Net income per share | 164.23 yen |

(Note) For calculating net assets per share and net income per share, shares of the Company held by the BIP trust and the ESOP trust are treated as treasury stock, and accordingly, the number of such shares are deducted from the total number of the Company’s shares issued as of the end of each fiscal year and the average total number of the Company’s shares issued during each fiscal year.

IX. Notes to important subsequent events

1. A share purchase agreement of OMRON Automotive Electronics Co. Ltd. and the other agreements
 NIDEC has agreed to acquire the share of OMRON Automotive Electronics Co. Ltd. (“OMRON Automotive Electronics”) and some foreign subsidiaries which OMRON Corporation (“OMRON”) owns, and the automotive electronic components business (the “Transaction”). For this purpose, NIDEC entered into a share purchase agreement and other agreements with OMRON on April 16, 2019.

1. Purpose	OMRON Automotive Electronics manufactures and sells automotive electronics components and systems. Through the Transaction, NIDEC will be able to create new module and system products by combining NIDEC group's motors, pumps, gears, etc. with OMRON Automotive Electronics' products including ECUs and other electronics products. Furthermore, OMRON Automotive Electronics, which has strengths in laser radar and driver monitoring systems, and Nidec Elesys will cooperate to provide a wide variety of sensor products which support autonomous driving technologies.
2. Acquisition method and schedule	NIDEC utilizes its cash on hand and debt finance for funding. Closing of the Transaction is to be completed by the end of October 2019. (The schedule is subject to defer based on approvals from antitrust authorities.)
3. Purchase price	Approximately JPY100,000 million Total consideration of the Transaction includes the consideration for Share Acquisition, acquisition of the target foreign subsidiaries and acquisition of the target overseas businesses. The acquisition price would be finalized subject to the condition described in the share purchase agreement including the financials.