

# NIDEC'S CORPORATE GOVERNANCE PRACTICE

## Significant Differences in Corporate Governance Practices

Companies listed on the New York Stock Exchange (the "NYSE") must comply with certain listing standards regarding corporate governance ("NYSE Corporate Governance"). Listed companies that are foreign private issuers, such as Nidec Corporation (the "Company"), however, are permitted to follow home country practices in lieu of NYSE Corporate Governance. The Company's corporate governance practices, which comply with Japanese laws, regulations and stock exchange rules, and NYSE Corporate Governance followed by U.S. listed companies have the following significant differences.

### 1. Directors

The Company Law (Law No.86, 2005) of Japan with respect to auditing, etc. of Joint Stock Corporations does not require Japanese companies with boards of corporate auditors, such as the Company, to have any independent (in the meaning given by the NYSE listing standards) or outside (in the meaning given by the Company Law) directors on their boards of directors.

### 2. Committees

Under the Company Law, the Company has elected to structure its corporate governance system as a company with a board of corporate auditors, which has a statutory duty to monitor, review and report on the administration of the affairs as well as accounts of the Company. The Company, consistent with other Japanese companies with boards of corporate auditors, but unlike under NYSE Corporate Governance, does not have specified committees, including those that are responsible for director nomination, corporate governance and executive compensation.

Pursuant to the Company Law, the Company's board of directors nominates and submits a proposal for election of directors for shareholder approval. The shareholders elect directors by a simple majority of votes at the Company's general meeting of shareholders. The Company Law requires that the total amount of remuneration to be paid to all directors and the total amount of remuneration to be paid to all corporate auditors must be determined by a resolution of the general meeting of shareholders, unless their remuneration is provided for in the Articles of Incorporation.

The distribution of remuneration among directors is broadly delegated to the board of

directors and distribution of remuneration among corporate auditors is determined by consultation among the corporate auditors.

### 3. Audit Committee

The Company avails itself of paragraph (c)(3) of Rule 10A-3 of the U.S. Securities Exchange Act of 1934 as amended, which provides a general exemption from the audit committee requirements to a foreign private issuer with a board of corporate auditors, subject to certain requirements which continue to be applicable under Rule 10A-3.

Consistent with the requirements of the Company Law, the Company elects its corporate auditors by a resolution at a general meeting of shareholders. The Company currently has five corporate auditors, which exceeds the minimum of three corporate auditors required by the Company Law.

Unlike NYSE Corporate Governance, the Company Law, among others, does not require corporate auditors to have expertise in accounting or other special knowledge and experience. Under the Company Law, the board of corporate auditors may determine the auditing policies, method of investigating the conditions of the business and the assets of a company, and may resolve other matters concerning the execution of the corporate auditor's duties, prepare corporate auditors' reports and give consent to proposals of the nomination of corporate auditors and accounting auditors. Corporate auditors may not at the same time be directors, executive officers, managers or employees of the Company or any of its subsidiaries.

Unlike NYSE Corporate Governance, the Company Law requires at least half of the corporate auditors must be persons who have not been directors, executive officers, managers or employees of the company or any of its subsidiaries at any time prior to such corporate auditors' election ("Outside Auditors"). The Company currently has four Outside Auditors."

### 4. Corporate Governance Guidelines

Unlike NYSE Corporate Governance Rules, under the Securities and Exchange Law and Stock Exchange Rules of Japan, the Company is not required to disclose corporate governance guidelines. However, the Company is required to disclose policies and the present status of its

corporate governance under the Securities and Exchange Law of Japan in respect of timely disclosure.

### 5. Code of Business Conduct and Ethics

Unlike NYSE Corporate Governance Rules, under the Company Law, the Securities and Exchange Law and Stock Exchange Rules of Japan, the Company is not required to disclose a code of business conduct and ethics for directors, officers and employees. However, the Company maintains and discloses a "Nidec Code of Ethics" which the Company believes is consistent with the code of ethics described under Section 406 of the U.S. Sarbanes-Oxley Act of 2002.

### 6. Shareholder Approval of Equity-Compensation Plans

Unlike NYSE Corporate Governance Rules, in which material revisions to equity-compensation plans of the listed companies are subject to shareholder approval, pursuant to the Company Law, if the Company desires to adopt an equity-compensation plan in which stock acquisition rights are granted on specially favorable terms to the plan's recipients, then the Company must obtain shareholder approval by a "special resolution" of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required.