

FOR IMMEDIATE RELEASE

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**Announcement Regarding the Disclosure of the Third-Party Committee’s Investigation
Report and Our Company’s Response**

As announced in our “Notice Regarding Receipt of the Third-Party Committee’s Investigation Report” dated February 27, 2026, we received the Third-Party Committee’s Investigation Report on February 27, 2026. Today, having completed our review of the necessary partial non-disclosure procedures to protect the trade secrets of Nidec Group and our business partners as well as personal privacy and other confidential information, we hereby disclose the Third-Party Committee’s Investigation Report (summary) as attached.

In addition, as announced in our “Important Notice Regarding Annual Securities Reports, etc.” dated September 26, 2025, and in parallel with the investigation conducted by the Third-Party Committee, we have been conducting investigations involving external experts as part of our internal investigation into trade transaction issues and customs issues relating to NIDEC FIR INTERNATIONAL S.R.L. (“FIR”) and other matters. We hereby provide an update on the status of these internal investigations.

We hereby announce that, in light of the Third-Party Committee’s Investigation Report and related findings, we have reported to and obtained approval from the Board of Directors and the Audit and Supervisory Committee at their meetings held today regarding personnel measures and future initiatives aimed at the revitalization of Nidec, as set forth below.

The Third-Party Committee's investigation is ongoing, and we will continue to cooperate fully with it. We will promptly disclose the final investigation report from the Third-Party Committee upon receipt.

Today, at 5:30 p.m., the Third-Party Committee will hold a press conference, followed by our Company's press conference at 8:00 p.m., regarding the disclosure of the Third-Party Committee's Investigation Report and our response.

In light of the contents of the Third-Party Committee's Investigation Report and the reports of other internal investigations, the Company is currently reexamining and revising its improvement plan. After revising the Improvement Plan and Status Report, we will steadily implement the improvement plan and submit a Written Confirmation of Internal Management System to the Tokyo Stock Exchange, Inc.

We sincerely and deeply apologize to our shareholders, investors, and all other stakeholders for the significant inconvenience and concern this matter has caused.

1. Publication of the Third-Party Committee's Investigation Report

Please refer to the attached Third-Party Committee's Investigation Report (summary).

2. Impact on Corrections to Past Fiscal Years' Financial Statements

The impact on the Company's consolidated net assets as of the end of the first quarter of fiscal year 2025, as provisionally calculated by the Third-Party Committee, is approximately negative JPY 139.7 billion. The impact by fiscal year is expected to be described in the final investigation report. In addition, the impact disclosed in the final investigation report may differ from the above amount if the figures are refined or if new matters are identified through further investigative procedures.

In connection with the corrections to past fiscal years' financial statements, there is a possibility that additional impairment losses on goodwill and fixed assets may need to be recognized, in addition to the impact amount based on the Third-Party Committee's findings, as derivative impacts of downward revisions to past fiscal years' profits and losses based on the findings of the Third-Party Committee. As the Third-Party Committee's investigation has not yet been completed, it is currently difficult to determine the amount of any additional impairment losses that may need to be recognized or the timing of such recognition. However, the total amount of goodwill and fixed assets that may be subject to impairment review is expected to be approximately JPY 250 billion, primarily in connection with the automotive business.

In addition, depreciation and tax expenses and other related items for each fiscal year may change as a result.

Including these derivative matters, we will determine the impact on prior consolidated financial statements and financial statements, complete the necessary accounting procedures, and proceed as expeditiously as possible with the filing of amended securities reports for past fiscal years and the securities report for the fiscal year ending March 31, 2026.

3. Preliminary Figures for the Third Quarter of the Fiscal Year Ending March 2026 (April 1, 2025 to December 31, 2025)

The Company has not disclosed its consolidated financial results for the third quarter of the fiscal year ending March 2026 [IFRS]; however, the preliminary consolidated figures under IFRS for the third quarter of the fiscal year ending March 2026 at this time are as follows:

(1) Net Sales

(Unit: JPY 100 million)

	Current Q1	Current Q2	Current Q3	Cumulative Total
FY2024	6,482	6,456	6,522	19,460
FY2025	6,380	6,643	6,777	19,800
Change (%)	(1.6%)	2.9%	3.9%	1.7%

(2) Cash and Cash Equivalents and Interest-Bearing Debt

(Unit: JPY 100 million)

	End of Previous Q4	End of Current Q1	End of Current Q2	End of Current Q3
Cash and Cash Equivalents	2,462	2,406	3,445	8,900
Interest-Bearing Debt	6,360	6,602	7,120	12,000
Net Interest-Bearing Debt	3,898	4,196	3,676	3,100

As the investigation by the Third-Party Committee and other internal investigations are ongoing, their impacts are not reflected in the above preliminary figures. We will promptly proceed with the necessary accounting closing procedures once the investigation by the Third-Party Committee and other internal investigations have been completed.

4. Internal Investigations

(1) Internal Investigation Regarding FIR and Other Issues

As announced in the “Notice Regarding Disclosure of the Improvement Plan and the Status Report” dated January 28, 2026, FIR filed a voluntary disclosure with U.S. Customs and Border Protection to disclose certain errors related to country of origin declarations on certain imported products, paid approximately USD 6.8 million (approximately JPY 1.05 billion) in unpaid tariffs from the prior five years, and received notification from U.S. Customs and Border Protection on December 2, 2025 that the review of the voluntary disclosure had been accepted and closed.

In addition, we engaged external experts to investigate whether similar trade compliance matters occurred outside of FIR. An error in the country-of-origin labeling for one product item was discovered in exports to the United States from our Mexican subsidiary. In response, we conducted a statistical sampling survey covering all export transactions to the United States from each of our bases over the past five years. As a result, it was determined that certain errors were made in U.S. import entries related to tariff classification, country of origin declarations, claims under trade preference agreements, and import valuation. Based on the internal review, we preliminarily believe that these errors are likely unintentional and we are continuing to investigate their causes to implement corrective measures to address the issues identified in the course of the investigation. Further, the total estimated additional customs duties payable are expected to be up to USD 148.2 million (approximately JPY 23.0 billion), although this amount may also change depending on the results of the further detailed examination. We will reflect these amounts appropriately in our financial results as separate correction items, distinct from the prior-year financial statement revisions based on the Third-Party Committee’s findings.

(2) Internal Investigation Regarding Nidec Elesys Corporation

The internal investigation found that Nidec Elesys Corporation (currently the Inverter Business Division of Nidec Corporation’s Automotive Motor & Electronic Control Business Unit) allegedly declared, in prior-period export transactions to China, customs values for the gratuitous transactions of its used products at amounts lower than the appropriate values without legitimate justification. Accordingly, as part of our internal investigation, we are conducting an inquiry involving external experts and other parties.

At present, although the investigation is ongoing, it has been confirmed that, with respect to certain test components, there is a high likelihood that the customs declared values were set without a reasonable basis. In addition, instances were identified in which the declared customs values had been adjusted arbitrarily.

These matters are primarily attributed to insufficient knowledge regarding customs clearance practices in the responsible departments and deficiencies in the process for calculating declared

customs values. For the issues identified to date, we will implement corrective measures, including strengthening employee knowledge through training on customs clearance practices, standardizing the process for calculating declared customs values, establishing clear rules, and building a framework to monitor proper implementation and operation of those processes and rules. Furthermore, we will take appropriate action against employees who arbitrarily adjusted declared customs values.

Although the financial impact of additional customs duties and related charges remain under review, at this time, we consider the impact on our consolidated financial results to be limited.

(3) Internal Investigation Regarding a Swiss Consolidated Subsidiary

The investigation revealed that the Company's consolidated subsidiary in Switzerland may have conducted export transactions without obtaining the necessary registrations and that appropriate responses were not taken. Accordingly, as part of our internal investigation, we are conducting an inquiry involving external experts.

At present, although the investigation is ongoing, it has been confirmed that certain products (with transaction amounts of up to approximately EUR 23,600 (approximately JPY 4.3 million) in the aggregate) were exported from Switzerland without obtaining the required export licenses. There is no evidence indicating that these transactions were conducted intentionally. For the issues identified to date, we will reduce operational risk by providing employees with training on applicable laws and regulations and will implement corrective measures, including a review of business processes.

The Company's consolidated subsidiary in Switzerland has completed a voluntary disclosure to the Swiss authorities. Although there remains a risk that fines or other penalties may be imposed, in light of the transaction amounts involved, we currently consider the impact on our consolidated financial results to be limited.

(4) Internal Investigation Regarding a Chinese Consolidated Subsidiary

A whistleblower report indicated that a Chinese consolidated subsidiary of the Company may have intentionally underreported withholding income taxes in the consolidated fiscal years, including past fiscal years. Accordingly, an inquiry involving external experts was conducted as part of our internal investigation and has now been completed.

As a result of the investigation, it was confirmed that an employee (in a managerial position) had intentionally underreported withholding income tax. The unpaid individual income tax relating to the underreporting has been paid in full. During the course of the investigation, provisions

recorded without clear justification were also identified. Going forward, we will review the management structure that relied on the discretion of specific managers and implement corrective measures, including the introduction of a personnel rotation system to eliminate overreliance on particular individuals.

We consider the impact of these matters on our consolidated financial statements to be limited.

5. Personnel Measures in Response to the Third-Party Committee’s Investigation Report

(1) Resignation of Directors and Officers

As stated in the Third-Party Committee’s Investigation Report, it has been determined that numerous instances of accounting misconduct were carried out over a prolonged period at multiple locations. We sincerely and deeply apologize for this matter. In response, Member of the Board of Directors and Chairman, Mr. Hiroshi Kobe; Executive Vice President (Executive General Manager of the Small Platform Motor & Solutions Business Unit and in charge of managing the Group Companies Performance Management Department), Mr. Yoshihisa Kitao; Senior Vice President (Chief Financial Officer), Mr. Akinobu Samura; and Executive Consultant (Executive General Manager of the Machinery and Automation Business Unit), Mr. Tatsuya Nishimoto will all resign from their positions effective today. In addition, First Senior Vice President (Executive General Manager of the Appliance and Automotive Division), Mr. Valter Taranzano was suspended from his duties effective March 2, 2026.

Moving forward, we will implement any further necessary personnel measures based on the findings of the Third-Party Committee’s investigation.

(2) Voluntary Return of Compensation by Directors and Executive Officers

Certain Directors and Executive Officers have offered to forgo a portion of their compensation, and the Company has accepted these offers. Accordingly, compensation will be reduced as follows beginning in March 2026:

Representative Director and President CEO	100% of monthly base compensation (until submission of the Written Confirmation of Internal Management System) The Written Confirmation of Internal Management System is scheduled to be submitted by the end of October 2026.
First Senior Vice Presidents	50% of monthly base compensation (for four months)
Senior Vice Presidents	
Vice Presidents	
Members of the Board of Directors (Audit and Supervisory Committee Members)	30% of monthly base compensation (for four months)

Outside Members of the Board of Directors	
Outside Members of the Board of Directors (Audit and Supervisory Committee Members)	

(3) Establishment of a Responsibility Investigation Committee

The Company will promptly establish a Responsibility Investigation Committee to investigate and examine, with respect to current and former Directors and Executive Officers, whether they bear any legal liability, including whether they breached their duties in the execution of their responsibilities, based on the facts identified in the Third-Party Committee's Investigation Report.

Further details regarding the establishment and scope of the Responsibility Investigation Committee will be promptly disclosed once determined.

6. Future Initiatives Toward the Revitalization of Nidec

The Company takes the Third-Party Committee's Investigation Report very seriously and, as described in the Appendix, will transition to a new personnel structure effective March 3 and April 1. Under this personnel change, we will broadly appoint talented and promising personnel from our domestic and overseas group companies to bring diversity of thought and fresh perspectives. With this new team, we will launch a renewed Nidec and strive to restore trust. In addition, as recommended in the Third-Party Committee's Investigation Report, we will review the composition of the Board of Directors and incorporate those diverse perspectives to enhance the quality of our governance, including by inviting individuals with corporate management experience and accounting expertise. Through these efforts, we will build a more transparent and dynamic management foundation.

Under the new structure, the Company will, going forward, reexamine and revise its improvement plan in light of the Third-Party Committee's Investigation Report and other internal investigation findings. After updating the Improvement Plan and Status Report, we will steadily implement the measures and submit a Written Confirmation of Internal Management System to the Tokyo Stock Exchange, Inc.

(Appendix)

Notice Regarding Personnel Changes

Nidec Corporation has resolved to implement the personnel changes as detailed below, effective March 3, 2026, and April 1, 2026.

1. Personnel Changes(Effective March 3, 2026, and April 1, 2026.)

Name	Previous Title	New Title (Effective March 3, 2026)	New Title (Effective April 1, 2026.)
Mitsuya Kishida	Representative Director and President Chief Executive Officer, <u>Chief Strategy Officer,</u> <u>Executive General Manager of Automotive Motor & Electronic Control Business Unit.</u>	Representative Director and President Chief Executive Officer	Representative Director and President Chief Executive Officer
Hiroshi Kobe	Member of the Board of Directors and Chairman	—	—
Yoshihisa Kitao	Executive Vice President Executive General Manager of Small Platform Motor & Solutions Business Unit, In charge of managing Group Companies Performance Management Department,	—	—
Michael Briggs	First Senior Vice President Executive General Manager of Motion & Energy Business Unit, President of NIDEC Motor Corporation	First Senior Vice President <u>Chairman of Motion & Energy Business Unit,</u> <u>Acting Executive General Manager of Appliance and Automotive Division.</u> President of NIDEC Motor Corporation	First Senior Vice President Chairman of Motion & Energy Business Unit, <u>Executive General Manager of Appliance and Automotive Division.</u> President of NIDEC Motor Corporation
Valter Taranzano	First Senior Vice President Executive General Manager of Appliance and Automotive Division	He was suspended from his duties effective March 2, 2026.	
Akinobu Samura	Senior Vice President Chief Financial Officer In charge of supervising Finance Department In charge of managing Investor Relations Department, Corporate Management Department, Accounting and Tax Department	—	—
Toru Takahashi	Senior Vice President <u>Chief Performance Officer,</u> Chief Marketing Officer, General Manager of Global Business Promotion & Marketing Division and General Manager of Sales and Marketing Strategy Department	Senior Vice President Chief Marketing Officer, General Manager of Global Business Promotion & Marketing Division and General Manager of Sales and Marketing Strategy Department	— (Effective March 31, 2026.)
Tatsuya Nishimoto	Executive Consultant Executive General Manager of Machinery and Automation Business Unit	—	—
Kazuo Nakagawa	Vice President Deputy Chief Financial Officer, In charge of managing Finance Department	Vice President <u>Acting Chief Financial Officer,</u> In charge of managing Finance, <u>Investor Relations Department,</u> <u>Corporate Management Department, Accounting and Tax Department</u>	Vice President Acting Chief Financial Officer, In charge of managing Finance, Investor Relations Department, Corporate Management Department, Accounting and Tax Department

(Appendix)

Name	Previous Title	New Title (Effective March 3, 2026)	New Title (Effective April 1, 2026.)
Masayuki Minai	Vice President Chief Compliance Officer, Chief Human Resource Officer, In charge of managing Special Investigation Support Office, Culture Transformation Lab, Secretarial Office, Corporate Administration & Internal Audit Department, General Affairs & Sustainability Promotion Department, Human Resources Department, Chairman of Compliance Committee, Chairman of Risk Management Committee	Vice President Chief Compliance Officer, Chief Human Resource Officer, In charge of managing Special Investigation Support Office, <u>Group Companies Performance Management Department,</u> Culture Transformation Lab, Secretarial Office, Corporate Administration & Internal Audit Department, General Affairs & Sustainability Promotion Department, Human Resources Department, Chairman of Compliance Committee, Chairman of Risk Management Committee	<u>Senior Vice President</u> Chief Compliance Officer, Chief Human Resource Officer, In charge of managing Special Investigation Support Office, Group Companies Performance Management Department, Culture Transformation Lab, Secretarial Office, Corporate Administration & Internal Audit Department, General Affairs & Sustainability Promotion Department, Human Resources Department, Chairman of Compliance Committee, Chairman of Risk Management Committee
Masahiro Miura	Vice President Status President of Nidec Techno Motor Corporation	Vice President Status <u>Deputy General Manager of Appliance and Automotive Division,</u> President of Nidec Techno Motor Corporation	<u>Vice President</u> Deputy General Manager of Appliance and Automotive Division, President of Nidec Techno Motor Corporation
Kentaro Fujino	Division General Manager, Business Strategy and Sales Division, Automotive Motor & Electronic Control Organic Business Unit, Appliance and Automotive Division, Deputy Executive General Manager, Traction Business Group, Automotive Motor & Electronic Control Business Unit	<u>Deputy Chief Marketing Officer,</u> Division General Manager, Business Strategy and Sales Division, Automotive Motor & Electronic Control Organic Business Unit, Appliance and Automotive Division, Deputy Executive General Manager, Traction Business Group, Automotive Motor & Electronic Control Business Unit	<u>Vice President</u> <u>Chief Marketing Officer,</u> <u>General Manager of Global Business Promotion & Marketing Division and</u> <u>General Manager of Sales and Marketing Strategy Department,</u> Division General Manager, Business Strategy and Sales Division, Automotive Motor & Electronic Control Organic Business Unit, Appliance and Automotive Division, Deputy Executive General Manager, Traction Business Group, Automotive Motor & Electronic Control Business Unit
Feng Jing	Chairman and President of Nidec Automotive Motor (Zhejiang)Corporation, Deputy Executive General Manager, Traction Business Group and Inverter Business Group, Automotive Motor & Electronic Control Business Unit	<u>Deputy Chief Supply Chain Officer,</u> Chairman and President of Nidec Automotive Motor (Zhejiang)Corporation, Deputy Executive General Manager, Traction Business Group and Inverter Business Group, Automotive Motor & Electronic Control Business Unit	<u>Vice President</u> Deputy Chief Supply Chain Officer, Chairman and President of Nidec Automotive Motor (Zhejiang)Corporation, Deputy Executive General Manager, Traction Business Group and Inverter Business Group, Automotive Motor & Electronic Control Business Unit
Ryo Kuribayashi	Chief Quality Officer, General Manager of Global Quality Management Division	Chief Quality Officer, General Manager of Global Quality Management Division	<u>Vice President</u> Chief Quality Officer, General Manager of Global Quality Management Division

(Appendix)

Name	Previous Title	New Title (Effective March 3, 2026)	New Title (Effective April 1, 2026.)
Yuji Tanaka	Vice President Deputy Executive General Manager of Small Platform Motor & Solutions Business Unit and General Manager of Product Development Division 2	Vice President <u>Executive General Manager of Small Platform Motor & Solutions Business Unit</u> and General Manager of Product Development Division 2	<u>Senior Vice President</u> Executive General Manager of Small Platform Motor & Solutions Business Unit and General Manager of Product Development Division 2
Kenji Ito	General Manager of Sales Division, Small Platform Motor & Solutions Business Unit,	<u>Deputy Executive General Manager of Small Platform Motor & Solutions Business Unit</u> and General Manager of Sales Division	Deputy Executive General Manager of Small Platform Motor & Solutions Business Unit and General Manager of Sales Division
Katsuhiro Wada	President of Nidec Mobility Corporation	<u>Executive General Manager of Automotive Motor & Electronic Control Business Unit,</u> President of Nidec Mobility Corporation	<u>Senior Vice President</u> Executive General Manager of Automotive Motor & Electronic Control Business Unit, President of Nidec Mobility Corporation
Guilherme Almeida	Executive General Manager of Organic Business Unit, Appliance and Automotive Motor & Electronic Control Automotive Division Organic Business Unit	<u>Deputy Executive General Manager of Appliance and Automotive Division</u> and Executive General Manager of Organic Business Unit	<u>Vice President</u> Deputy Executive General Manager of Appliance and Automotive Division and Executive General Manager of Organic Business Unit
Dominique Llonch	President of Energy Platform, Motion & Energy Business Unit	<u>Executive General Manager of Motion & Energy Business Unit and</u> President of Energy Platform	<u>Vice President</u> Executive General Manager of Motion & Energy Business Unit and President of Energy Platform
Alessandro Batisti	Chief Executive Officer of PAMA S.p.A. (Chief Executive Officer)	<u>Co-Chief Executive Officer of Machinery and Automation Business Unit,</u> Chief Executive Officer of PAMA S.p.A. (Chief Executive Officer)	<u>Vice President</u> Co-Chief Executive Officer of Machinery and Automation Business Unit, Chief Executive Officer of PAMA S.p.A. (Chief Executive Officer)
Haruhiko Niitani	President of Nidec Machine Tool Corporation and, Nidec OKK Corporation (Chief Executive Officer)	<u>Co-Chief Executive Officer of Machinery and Automation Business Unit,</u> President of Nidec Machine Tool Corporation and, Nidec OKK Corporation (Chief Executive Officer)	<u>Vice President</u> Co-Chief Executive Officer of Machinery and Automation Business Unit, President of Nidec Machine Tool Corporation and, Nidec OKK Corporation (Chief Executive Officer)

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February 27, 2026

To Nidec Corporation:

Summary of Investigation Report

Third-Party Committee

Chairperson: Kaku Hirao

Member: Toraki Inoue

Member: Makoto Shirai

1. Overview of the Investigation

Upon entrustment by Nidec Corporation (“Nidec”), the Committee has been conducting an investigation into alleged improper accounting at the Nidec Group since September 3, 2025. The investigation is still ongoing.

The Committee members were selected in accordance with the Guidelines for Third-Party Committees in Cases of Corporate Misconduct established by the Japan Federation of Bar Associations. Furthermore, the Committee has been conducting its investigation in accordance with those Guidelines.

The Committee conducted its investigation through examination of relevant documents, interview investigations, forensic investigations, and other means. The Committee also administered questionnaire surveys to officers and employees and established a special hotline for them. A total of 319 persons (including former officers and employees) were interviewed, and 536 interviews were conducted. In addition, 113 persons (including former officers and employees) were subject to forensic investigations.

The fiscal years covered by the Committee’s investigation were from fiscal 2020 to the first quarter of fiscal 2025, but the Committee’s investigations were also conducted for earlier periods when it was deemed necessary to analyze causes and so on.

2. Overview of Nidec

Nidec is a *kabushiki kaisha* (stock corporation) established in 1973 by Shigenobu Nagamori

(“**Mr. Nagamori**”). Since its founding, the company’s business domains have expanded rapidly. One of the drivers of that growth was M&A, and starting with the acquisition of the axial fan division of a U.S. company in 1984, Nidec steadily acquired companies that possessed technologies and so on that it did not have. Through this series of M&A, Nidec grew from a small precision motor business into a comprehensive motor manufacturer that operates in the automotive products business, the appliance, commercial, and industrial motors business, and the machine tool business. Nidec’s core business has changed since the company was established. In its early years, the company’s rapid growth was supported by its hard disk drive (HDD) motor business, but thereafter, in conjunction with changes in the market environment, its automotive products business and its appliance, commercial, and industrial motors business have been expected to become next-generation pillars that will support Nidec.

In addition to Nidec, the Nidec Group comprises a total of 354 subsidiaries and affiliates (as of the end of September 2025). Nidec adopted a business unit system in April 2012, and as of the end of September 2025, the company had five business units: the Small Platform Motor & Solutions Business Unit; the Automotive Motor & Electronic Control Business Unit; the Appliance Automotive Division; the Motion & Energy Business Unit; and the Machinery & Automation Business Unit. Furthermore, in addition to these business units, Nidec established a separate management unit called the Group Company Business, and 14 domestic subsidiaries and one foreign subsidiary of Nidec and their affiliated companies are subject to management by the Nidec Group Companies Performance Management Department.

3. Facts Revealed as a Result of the Investigation

(1) Overview of Improper Accounting Revealed as a Result of the Investigation

The Committee’s investigation is still ongoing, but in the investigation thus far, the Committee has identified a large number of instances of improper accounting across various operating bases of the Nidec Group.

The identified improper accounting involves a wide range of instances, including the following: an instance where loss on valuation of inventory was not recorded by falsely recognizing asset values in raw materials and products with extremely low future usage and sales prospects and no asset value; an instance where impairment was avoided by including projects with low probability of realization in sales plans used as assumptions for fixed asset impairment tests; an instance where labor costs, for which it was not appropriate to include in fixed assets as incidental expenses, were recorded as fixed assets and expensed through depreciation, thereby deferring the timing of expense recognition; an instance where, in the course of preparing Nidec’s consolidated financial statements, provisions related

to return of government grants and so on, recorded in the non-consolidated financial statements of subsidiaries were improperly reversed in the consolidated financial statements; an instance where grants, which due to their nature, should not be recognized as revenue, were falsely represented and recognized as revenue; and an instance where provisions for allowance for doubtful accounts of bad debts were not appropriately recorded.

The negative impact on net assets in the consolidated financial statements as of the end of the first quarter of fiscal year 2025, resulting from misconduct and errors discovered up to the time of submission of this report as a result of the investigation by the Committee, amounts to approximately 139.7 billion yen.

(2) Methods of Setting and Managing Performance Targets

All instances of improper accounting identified through the Committee's investigation were acts of misconduct carried out against a backdrop of excessive pressure to meet performance targets, particularly operating profit targets.

Under Mr. Nagamori's forceful leadership, the belief that "losses are unacceptable" became thoroughly entrenched within the Nidec Group over many years,¹ and achieving performance targets had come to be seen as imperative. For many years, the Nidec Group's performance targets were set by Mr. Nagamori in a top-down manner and allocated to individual business units and subsidiaries; but the targets were determined from the perspective of the level of growth expected by investors, and they were beyond the actual capabilities of the business units and subsidiaries. In addition, Mr. Nagamori applied considerable pressure on executive officers in the Nidec headquarters who were responsible for the business units and subsidiaries as well as the CFOs to achieve the performance targets.

The pressure imposed on Nidec headquarters executive officers directly led to pressure to achieve performance targets being put on management executives in the business units and subsidiaries. Among the examples identified by the Committee, there were instances where, when performance targets were not achieved, Nidec headquarters executive officers held multiple meetings spanning consecutive days, blamed subsidiary management executives for not meeting the operating profit targets, and repeatedly made unreasonable demands, instructing management executives to generate operating profit even if they had to work through the night. This was not the exception even after the end of the fiscal period, and if preliminary operating profit figures were worse than expected, instructions were issued to increase the figures before the accounting closing date. Mr. Nagamori also

¹ It should be noted that for many years, an operating profit margin of less than 10% was considered to be a "loss" in Nidec.

directly applied pressure on business unit and subsidiary executives on a daily basis.

In this way, amidst this imposition of intense performance pressure, there were many business units and subsidiaries that attempted to meet their performance targets using accounting procedures, for example, by early recognition of sales, avoiding loss on valuation of inventory and impairment of fixed assets, changing asset valuation methods, and capitalizing costs, etc.²

The CFOs and accounting departments of business units and subsidiaries came up with reasons to justify these accounting procedures, explained those reasons to the accounting auditor,³ and obtained approval, but among these instances, there are examples where the explanations provided to the accounting auditor differed from the facts or where inconvenient facts were intentionally omitted from those explanations.

Needless to say, there is a certain degree of latitude in how accounting procedures are applied, exemplified by asset valuation methods and determination of fixed asset impairment, and not all such accounting procedures are impermissible under accounting standards. However, the Committee's investigation determined that in some instances, accounting procedures that deviated from the scope of permissible procedures were implemented.

Furthermore, there were also instances where the Nidec headquarters CFO or accounting department took the lead in improper accounting in order to achieve the Nidec Group's consolidated performance targets. The backdrop to this was the fact that the Nidec headquarters CFO and accounting department were in effect held responsible for achieving performance targets, and in cases where those performance targets were not achieved, they would be subjected to severe criticism by Mr. Nagamori.

(3) “Legacy Liabilities” and Efforts to Eliminate Them

The trigger that led the Committee to be established was the discovery, through an earlier internal investigation, of materials that could be interpreted as indicating that assets with questionable asset value had accumulated at various Nidec Group sites, and for which Nidec's management may have been arbitrarily determining the timing of disposition of those assets. “Assets with questionable asset

² It should be noted that many people cited, as one of the causes of the large-scale asset impairments arising, the fact that high performance targets were set in accordance with instructions from Mr. Nagamori, that substantial capital investments were made to secure sales and operating profit commensurate with those targets, and that when expectations were not met, business units and subsidiaries were left with large amounts of non-performing assets.

³ Kyoto Audit Corporation (the firm name was changed to PricewaterhouseCoopers Kyoto (PwC Kyoto) in 2016) served as Nidec's accounting auditor for many years, but on December 1, 2023, PwC Kyoto merged with PricewaterhouseCoopers Aarata LLC to become PricewaterhouseCoopers Japan LLC (“**PwC Japan**”). In this report, “**PwC Kyoto**” refers to both Kyoto Audit Corporation and PwC Kyoto. When discussing matters that apply to both PwC Kyoto and PwC Japan, the term “accounting auditor” is used.

value” refers to assets that arose from the avoidance of asset impairment and similar measures implemented to achieve performance targets and the accumulation of those assets. Such assets were referred to as “legacy liabilities” and by other such terms within Nidec. Starting around the end of 2016, an initiative named the “Asset Revitalization Project” was launched under the leadership of the Internal Audit Department to gather information regarding “legacy liabilities” based on reports from each Nidec Group company, and to dispose of assets requiring impairment or other similar treatment. The status of disposition of legacy liabilities was periodically reported to management executives, including Mr. Nagamori (it should be noted that, where large amounts of “legacy liabilities” were disposed of, external announcements were made, stating, for example, that “structural reform expenses” had been recorded in preparation for future business development).

However, the company required that the disposition of “legacy liabilities” be carried out through “self-funding”; in other words, performance targets were strictly required to be achieved by covering the losses incurred by disposing of legacy liabilities with revenue. For business units and subsidiaries, the disposition of “legacy liabilities” meant a deterioration of their own operating profit and loss, and under circumstances where the achievement of performance targets was rigorously demanded, there were limits to the comprehensive identification of “legacy liabilities” through self-reporting and their immediate disposition. As a result, the disposition of “legacy liabilities” did not proceed as anticipated, and even as dispositions advanced, new “legacy liabilities” were being created. Under these circumstances, the Internal Audit Department terminated the initiative of the Asset Revitalization Project during fiscal 2022.

(4) Structural Reforms in the Fourth Quarter of Fiscal 2022

In place of that project, disposition of “legacy liabilities” was to be carried out under the designation of “structural reforms” in the fourth quarter of fiscal 2022, led by the recently appointed new CFO of Nidec’s headquarters. When undertaking this initiative, the Nidec headquarters CFO believed that in order to encourage business units and subsidiaries to honestly report their “legacy liabilities,” it was necessary to omit the expenses needed for the disposition of “legacy liabilities” from the assessment of performance of business units and subsidiaries. The Nidec headquarters CFO reported this to Mr. Nagamori and obtained his approval. As a result, more than 160 billion yen in total in “legacy liabilities” was reported to Nidec’s headquarters from business units and subsidiaries, but when the Nidec headquarters CFO obtained approval from Mr. Nagamori to implement structural reforms, the Nidec headquarters CFO specified a policy of not allowing operating profit for the full fiscal year 2022 to fall below 100 billion yen and obtained his approval based on that. In addition, Mr. Nagamori instructed that a V-shaped recovery in business performance should be achieved in fiscal 2023. To achieve this, the Nidec headquarters CFO decided to preferentially dispose of those “legacy liabilities”

reported by business units and subsidiaries that were most in need of disposition and those that would contribute to such a V-shaped recovery and to have individual business units and subsidiaries carry out “disposition in a planned manner” of their other “legacy liabilities” in fiscal 2023 and later (in principle, such “disposition in a planned manner” was to be carried out through “self-funding”). As a result, a total of approximately 56.6 billion yen in “legacy liabilities” was disposed of in the fourth quarter of fiscal 2022.

In this manner, the structural reforms implemented in the fourth quarter of fiscal 2022 were implemented on the premise that operating profit for the full fiscal year would not fall below 100 billion yen. As a result, many of the “legacy liabilities” reported by business units and subsidiaries were not subject to the structural reforms. Among the improper accounting identified through the Committee’s investigation were those in which items were reported as “legacy liabilities” at the time of the structural reforms but were not subject to disposition at an appropriate time due to their having been allocated to items subject to “disposition in a planned manner” by individual business units and subsidiaries through “self-funding.”

(5) Status in Fiscal 2023 and Thereafter

Disposition of the “legacy liabilities” that were designated for “disposition in a planned manner” did not proceed as planned, as the expenses necessary for their disposition were incorporated into the performance of business units and subsidiaries.

In the fourth quarter of fiscal 2023, in conjunction with the transformation of some businesses, a loss of 59.8 billion yen was recorded as structural reform expenses. In the fourth quarter of fiscal 2024, structural reforms were again planned in a manner that would not incorporate the expenses necessary for the disposition of “legacy liabilities” into the assessment of performance of business units and subsidiaries, and although Representative Director and President Mitsuya Kishida (“**Mr. Kishida**”) repeatedly explained the need for this to Mr. Nagamori, Mr. Nagamori rejected this on the grounds that it was imperative to achieve the operating profit targets. As a result, a situation arose in which “legacy liabilities” that should have been disposed of in the fourth quarter of fiscal 2024 were not disposed of. (Mr. Kishida was not aware of this.)

(6) Accounting Audits by the Internal Audit Department and Special Audits Ordered by Mr. Nagamori

It is not uncommon for the weakness of internal audit divisions to be pointed out as a characteristic of companies that engage in misconduct; however, from the perspective of acting as a check on improper accounting, this characterization does not readily apply to Nidec’s Internal Audit

Department. In the 1990s, Mr. Nagamori came across an instance of improper accounting by a subsidiary and, sensing a need to conduct audits focused on accounting, increased the number of personnel by hiring CPAs from outside the company, among other measures, and established an accounting audit unit within the Internal Audit Department. Establishing a unit dedicated to accounting audits within the Internal Audit Department is not a characteristic commonly seen in many other companies. The Internal Audit Department conducts accounting audits at about 60 sites annually, and if suspicions of improper accounting arise due to internal whistleblowing reports or otherwise, the department conducts special investigations.

In addition, Mr. Nagamori appointed an employee of a subsidiary who was highly regarded for his auditing capabilities to the Nidec headquarters Internal Audit Department and had him conduct investigations on a special assignment basis. The subject matters of the investigations included improper accounting and embezzlement by officers and employees, and if Mr. Nagamori received a written allegation reporting improper accounting, embezzlement, or the like, he ordered that an investigation be conducted, and after the relevant employee formulated an investigation plan, a focused investigation targeting the sites and so on involved in the accounting issue was conducted.

These investigations, referred to as “special audits,” were conducted from around 2011 to around June 2020, but the details of the special audits were not shared with the Internal Audit Department or PwC Kyoto, and reports were submitted only to Mr. Nagamori and a limited number of management executives. If the relevant employee identified any improper accounting, such employee would, in principle, immediately instruct that it be corrected; but in instances of improper accounting involving large amounts, rather than immediately correcting the matter, such employee sometimes adopted a considered approach to avoid any significant decrease in operating profit by subsidiaries that were under pressure to achieve their performance targets, such as instructing them to address the problem in a planned manner over multiple fiscal years.⁴ Mr. Nagamori was made aware, through reports from such employee, that there were instances in which improper accounting that should have been immediately rectified was instead addressed in a planned manner, and he accepted this.

(7) Responses to Instances of Improper Accounting

Unlike the special audits, which were conducted in secret, in cases such as when internal whistleblowing reports of improper accounting were made, the Internal Audit Department conducted

⁴ Although no objective evidence has been confirmed, there were executives of subsidiaries who stated that they were instructed to deal with improper conduct through inappropriate means, such as: “We were instructed to make it appear that fictitious inventory had been moved to another location so that PwC Kyoto and the Internal Audit Department would not become aware of it, and then to obtain a certificate of disposal by slipping the fictitious items in with items that had actually been disposed of.”

“legitimate” special investigations. Each fiscal year, there were multiple instances of improper accounting within the Nidec Group, and on each such occasion, the Internal Audit Department conducted a special investigation, but the financial closing schedule was not delayed and these instances of improper accounting were not publicly announced. A former executive officer who was responsible for the Internal Audit Department stated that “Mr. Nagamori insisted on announcing the financial results earlier than any other company. Delaying the financial closing schedule is something that is unthinkable for Nidec, and it was clear that this would anger Mr. Nagamori, so action was taken with the highest priority on meeting the financial closing schedule,” and so on.

(8) Responses to Instances of Improper Accounting Discovered in the Second Half of Fiscal 2018

In the second half of fiscal 2018, a report to the audit firm in charge of auditing U.S. sites triggered suspicions that management executives in the Nidec headquarters had instructed the CFOs of the U.S. sites to engage in improper accounting procedures. An outside law firm conducted an investigation and discovered multiple instances of improper accounting. In addition, the results of a forensic investigation conducted during the course of that investigation identified multiple emails and documents that suggested similar improper accounting had been conducted at various Nidec Group sites not limited to the U.S. sites. These emails and documents were shared with PwC Kyoto, and the Internal Audit Department was to confirm the facts.

The emails and documents referenced above included some that were related to the “legacy liabilities” identified through the “Asset Revitalization Project,” and the Nidec headquarters CFO and Accounting Department General Manager provided an explanation about the “Asset Revitalization Project” to PwC Kyoto. The draft list of “legacy liabilities” prepared by the Internal Audit Department and provided to PwC Kyoto at the time of that explanation indicated that various Nidec sites were carrying these “legacy liabilities” and that the total amount of “legacy liabilities” that the Internal Audit Department considered to need immediate treatment under accounting standards at the time had reached approximately 6.3 billion yen as of the third quarter of fiscal 2018. In addition, the draft list also stated that a considerable number of the “legacy liabilities” could not be ruled out as having arisen from intentional misconduct.

Furthermore, the results of the forensic investigation referenced above discovered the report of a special audit regarding the “legacy liabilities” of a certain subsidiary, which was also shared with PwC Kyoto.

Ultimately, as a result of a fact-finding conducted with respect to the emails and other documents discovered through the above forensic investigation, seven instances were determined to have involved inappropriate accounting treatment, and the total amount of the impact was estimated to be 1.066

billion yen. However, corrective measures were implemented for all of these acts of inappropriate accounting treatment by the end of fiscal 2018, and it was determined that all matters that required accounting treatment had been addressed. The financial results were announced on schedule, and PwC Kyoto issued an audit report with an unqualified opinion regarding the full-year financial results for fiscal 2018. In addition, among the “legacy liabilities” identified through the “Asset Revitalization Project,” all of the assets believed to require immediate treatment were addressed by the fourth quarter of fiscal 2018. As stated above, the situation suggested that numerous “legacy liabilities” were included that could not be ruled out as having arisen from intentional misconduct, but later, Nidec did not confirm whether the “legacy liabilities” included in the above draft list and determined as “intentional” were caused by intentional misconduct. Furthermore, Nidec did not provide any particular explanation to PwC Kyoto regarding the positioning and actual circumstances of the special audits.

(9) Responses to Instances of Improper Accounting Discovered in Fiscal 2019 and Later

Instances of improper accounting were subsequently and repeatedly discovered in the Nidec Group, and on each such occasion, the Internal Audit Department conducted a special investigation. The Internal Audit Department believed that the cause of these instances of improper accounting was excessive performance pressure imposed by the Nidec headquarters, but it deliberately avoided challenging Mr. Nagamori’s management style of setting high performance targets and demanding that they be achieved.

For example, there was an instance where, during an interview conducted by the Internal Audit Department, a management executive of a domestic subsidiary mentioned the existence of intense performance pressure from Nidec headquarters executive officers as a factor that led to the misconduct, but the Internal Audit Department deleted the relevant portion from the interview minutes and did not mention in its investigation report the performance pressure imposed by the headquarters executive officers. Personnel involved in the Internal Audit Department made statements such as, “I thought that if we were to carelessly raise an issue involving an executive officer ‘who was liked by’ Mr. Nagamori, we would be the ones who suffered the repercussions” and “I felt that making an issue of the conduct of this executive officer would be negating Mr. Nagamori’s management style, and it would be difficult to directly indicate it as a problem.”⁵

It should be noted that the minutes of the interviews in which intense pressure from Nidec headquarters executive officers was reported were shared with PwC Kyoto. The PwC Kyoto

⁵ It should be noted that some personnel involved in the legal and compliance department also were aware, through their responses to internal whistleblowing reports and the like, of the existence of the issue of excessive performance pressure at Nidec; however, they avoided turning it into an issue for similar reasons.

engagement partner added the comment “this seems to suggest that inappropriate and excessive pressure from NCJ [Note: Nidec headquarters] may be a fundamental cause of the occurrence of improper treatment of sales and other data, but it is acceptable to you to leave this description as is?” to the relevant portions of the minutes. As a result of the investigation by the Committee, the minutes of the interviews finalized by the Internal Audit Department based on the comments of the PwC Kyoto engagement partner were also found. However, from these minutes, the statements indicating that the intense pressure to achieve the performance targets was imposed by Nidec headquarters executive officers, as stated above, were deleted. In addition, with regard to the statement “I understood that the accounting treatment needed to be performed within the fiscal year, but a profit commitment had been made, so the only option was to eliminate the improper accounting treatment while addressing the issue in a planned manner within the fiscal year,” in the minutes of an interview of a subsidiary president, the PwC Kyoto engagement partner modified the minutes of the interviews of the subsidiary management executives by commenting that “this refers to a profit commitment, but if this were a compulsory order from NCJ, it could be taken as pressure and could be seen as a causal factor, so further confirmation (in addition to the interviews) from personnel involved in NCJ may be necessary” and revising the statement by inserting the phrase “planned by the president” immediately before the phrase “profit commitment.” In an internal email, an Internal Audit Department employee wrote, “All of the corrections were made to statements that could be interpreted as coercive involvement by NCJ and were made to prevent any misunderstanding, and I believe that these are well-considered and appropriate corrections,” and the revisions were accepted.

When the Committee inquired with PwC Japan regarding the circumstances under which the engagement partner revised or added comments to the minutes of the interviews, PwC Japan replied as follows, stating that these were "matters confirmed by PwC Japan within the limited timeframe available following the Committee's inquiry in February 2026":

Regarding the investigation, it had been explained in advance during daily conference calls with NCJ Executive Director XX and Department General Manager XX that the acts in question had been taken to meet targets set by NSRV [Note: Nidec Servo Corporation (currently Nidec Advanced Motor Corporation)] itself, but the interview minutes contained parts that appeared to differ from or be inconsistent with what was discussed in those conference calls. Thus, considering the time constraints at the time, the aforementioned series of facts were confirmed by directly revising the minutes of interviews to quickly confirm this discrepancy in understanding.

Furthermore, prior to confirmation of the facts of the content of the aforementioned minutes, the engagement partner conveyed to the auditors by email regarding the need for digital forensics in order to confirm that there had been absolutely no inappropriate or

excessive pressure from NCJ headquarters, nor any setting of overly high targets.

(10) Information Sharing concerning Instances of Improper Accounting with the Audit and Supervisory Committee (Board of Auditors)

The results of the special investigation were reported to the Audit and Supervisory Committee (the Board of Auditors before the transition to a company with an Audit and Supervisory Committee), but it was not reported that the background to the misconduct was the existence of performance pressure imposed by Nidec headquarters. All of the outside Audit and Supervisory Committee members interviewed by the Committee made statements such as “I was not aware that instances of improper accounting were repeatedly occurring due to pressure from the headquarters” and “I did not get any sense that something was wrong regarding the continued occurrence of improper accounting.”

On the other hand, the full-time Audit and Supervisory Committee members were engaged in daily exchanges of information with the Audit Division, and one of them believed that in the background to the repeated discovery of improper accounting at various sites was the circumstance that performance targets were set too high from the outset and that achieving those performance targets was considered to be non-negotiable within Nidec. However, such full-time Audit and Supervisory Committee member stated, “Setting high targets and making every possible effort to achieve them was the management style of the founder Mr. Nagamori, and I thought it would be difficult to directly call that into question.”

(11) Participation by and Awareness of Nidec Management in Improper Accounting

No facts have been discovered indicating that Mr. Nagamori instructed or directed the improper accounting that has been revealed at this time. Mr. Nagamori was aware, through reports from the employees who conducted special audits, that there were instances where improper accounting that should have been corrected immediately was handled in a planned manner, and he accepted this. This is equivalent to delaying the rectification of improper accounting and itself is considered to be improper accounting. Therefore, the conclusion that Mr. Nagamori condoned some improper accounting cannot be avoided.

In addition, all of the improper accounting uncovered through the Committee’s investigation was caused by excessive performance pressure. The origin of that performance pressure was Mr. Nagamori. Mr. Nagamori was well aware of this (the fact that Mr. Nagamori created a unit dedicated to conducting accounting audits within the Internal Audit Department indicates his awareness of the risks), and in fact, improper accounting within the Nidec Group due to this performance pressure was repeatedly discovered. Despite this, Mr. Nagamori continued to demand

that excessively high performance targets be met. Furthermore, in fiscal 2024, Mr. Kishida and others repeatedly recommended that structural reforms be implemented by excluding the expenses necessary to deal with “legacy liabilities” from the performance evaluations of business units and subsidiaries, but Mr. Nagamori rejected this recommendation, and as a result, “legacy liabilities” that should have been dealt with were left unaddressed.

In light of the above, it must be said that Mr. Nagamori should bear the greatest responsibility for the instances of improper accounting discovered at this time.

No facts were discovered indicating that Mr. Kishida instructed, directed or condoned the improper accounting discovered at this time. On the contrary, in fiscal 2024, Mr. Kishida can be considered to have made reasonable efforts to rehabilitate Nidec’s financial status by repeatedly recommending that structural reforms be implemented by excluding the expenses necessary to deal with “legacy liabilities” from the performance evaluations of business units and subsidiaries to Mr. Nagamori. However, even though Mr. Nagamori had the final decision-making authority, and because structural reforms in the manner described above were not implemented, instances of improper accounting occurred. Given that dealing with “legacy liabilities” was an important management issue for Nidec, the Committee believes that Mr. Kishida should have personally examined the details of those “legacy liabilities” and, if there were any “legacy liabilities” that required disposition, he should have recommended moving forward with such disposition, even if such action was contrary to Mr. Nagamori’s intentions.

Mr. Hiroshi Kobe (“**Mr. Kobe**”) was a founding member of Nidec, who had long been in charge of sales and had never been in charge of accounting operations, and no fact was found that Mr. Kobe instructed or directed the improper accounting discovered this time. In addition, no evidence was found to establish that Mr. Kobe specifically recognized the improper accounting and condoned it. However, it is reasonable to conclude that Mr. Kobe, having received reports from the employee engaged in the special audits, was at least generally aware of and condoned the fact that the improper accounting, which would ordinarily require immediate correction, was being handled in a planned manner, although not as frequently or in as much detail as Mr. Nagamori.

No facts were discovered indicating that Mr. Hiroyuki Yoshimoto and Mr. Jun Seki, both of whom were once considered to be Mr. Nagamori’s successors and served as representative director and president, ever instructed, directed or condoned the improper accounting discovered at this time.

(12) Outside Officers

As stated above, the Internal Audit Department provided a summary explanation of the instances of improper accounting that were discovered to the outside directors and outside corporate auditors who are members of the Audit and Supervisory Committee, but the Internal Audit Department’s reports did

not touch on the fundamental causes of the misconduct, and none of the outside officers interviewed by the Committee were aware that the presence of the excessive performance pressure within Nidec was the cause of the misconduct.

In addition, in the interviews conducted by the Committee, the outside officers uniformly stated that they were aware that ambitious performance targets were set at Nidec as a reflection of Mr. Nagamori's management philosophy and that strong calls were made to achieve those targets, but nobody was aware that those targets were unrealistic. In addition, the issue of "legacy liabilities" was not shared with outside officers. Among the outside officers interviewed by the Committee, none was aware that Nidec had long had a "legacy liabilities" issue or that efforts to resolve it had been undertaken under the guise of the "Asset Revitalization Project" and structural reforms.

4. Analysis of Causes

(1) Excessive Performance Pressure (the Collapse of Mr. Nagamori's Management Philosophy)

The cause of the improper accounting discovered in this instance that should be listed first is excessive pressure to perform. This performance pressure stems from unrealistic targets being set from the start, followed by extremely intense pressure to achieve them. This pressure originated with Mr. Nagamori and, through Nidec's management executives, became intense pressure on the executives of its business units and subsidiaries, ultimately leading to the improper accounting.

Nidec had established an atypical organizational structure, uncommon among many other companies, under which a department dedicated solely to accounting audits is established within the Internal Audit Department. Compared to other firms, Nidec could be considered a company where "opportunities" to commit improper accounting were suppressed. It must be stated that within Nidec, there existed "pressure (motivation)" that far outweighed this deterrent function.

(2) Absolute Authority of Mr. Nagamori

Nidec is regarded as "Mr. Nagamori's company," and all authority was concentrated in his hands. In particular, it can be said that the authority over personnel decisions regarding management executives of the Nidec Group created the cause of the improper accounting, as the Nidec Group's management executives, at times, imposed extremely harsh pressure on subordinates to achieve performance targets.

Efforts have been made intermittently to resolve Nidec's long-standing "legacy liabilities" issue.

None of these initiatives was thoroughly conducted, and no fundamental countermeasures were implemented. Consequently, “legacy liabilities” have persisted. The fundamental cause lies in the pressure on management executives to achieve the performance targets demanded by Mr. Nagamori. Underlying this pressure was Mr. Nagamori’s absolute authority, including his control over personnel decisions.

(3) Failure of the Check Function

A. Accounting Departments

Accounting departments of business units and subsidiaries were involved in a significant number of improper accounting instances discovered by the investigation conducted by the Committee. Improper accounting in which the accounting department of Nidec headquarters was involved was also discovered. The background to the accounting departments—which should serve as a second line of defense—themselves becoming involved in improper accounting lies in an unreasonable situation where the CFOs and the accounting departments bear responsibility for achieving performance targets. When an external law firm previously investigated the improper accounting instances, it recommended establishing a direct reporting structure from the accounting departments of business units and subsidiaries to the accounting department of Nidec headquarters. However, this recommendation has not been implemented.

In addition, the accounting department of Nidec headquarters failed to understand the legacy liabilities in the Nidec Group, which itself reflects the weaknesses in its cross-functional oversight role as the headquarters.

B. Internal Audit Department

The Internal Audit Department recognized that the fundamental cause of repeated improper accounting within the Nidec Group lay in the performance pressure originating from Nidec headquarters under Mr. Nagamori. However, it deliberately avoided deeply examining this issue. Investigations by the Internal Audit Department were primarily conducted with the priority of not delaying the financial closing schedule. Consequently, investigations into discovered improper accounting instances were also conducted with the financial closing schedule as the overriding priority. Moreover, they avoided conducting in-depth investigations that would have expanded the scope of the investigation.

It must be said that the Internal Audit Department failed to function as a check against the fundamental problem Nidec had.

C. Audit and Supervisory Committee (Board of Auditors)

Some full-time Audit and Supervisory Committee members (auditors), who routinely worked in close proximity to the Internal Audit Department, understood that the fundamental cause of the improper accounting lay in the intense performance pressure originating from Nidec headquarters under Mr. Nagamori. One full-time Audit and Supervisory Committee member stated, “Setting high targets and striving to achieve them is the very essence of founder Nagamori’s management style, and we felt it was difficult to directly question that approach.” It must be said that those Audit and Supervisory Committee members (auditors) did not function as a check.

While outside Audit and Supervisory Committee members (auditors) were occasionally briefed on specific instances of improper accounting, these explanations were superficial. The fundamental causes recognized by the full-time Audit and Supervisory Committee members (auditors) were not shared with them.

In addition, the issue of “legacy liabilities” at Nidec was not shared, and the significance of the initiatives to resolve it was not shared either.

Thus, information regarding Nidec’s fundamental problem was not shared with the outside Audit and Supervisory Committee members (auditors), leaving them unable to develop an awareness of the problem.

On the other hand, the fact that improper accounting occurred repeatedly at various operating bases every year can only be described as an abnormal situation, yet no outside officer seemed to have doubts about it. Nidec’s outside Audit and Supervisory Committee members (auditors) were former government officials, academics, and lawyers with high ability and knowledge. The Committee had no objection whatsoever to their qualifications. However, we cannot help but wonder whether individuals with different perspectives and experiences might have interpreted the situation differently.

(4) Dishonesty toward the Accounting Auditor is Equivalent to Dishonesty toward Investors and the Market

In the course of the investigation by the Committee, it was observed throughout that Nidec’s officers and employees provided inaccurate and misleading information to the accounting auditor in an attempt to elicit favorable opinions.

In addition, numerous pieces of evidence were discovered indicating that Nidec’s officers and employees perceived PwC Kyoto as “easy to persuade” and “easy to manipulate.”

The misconduct revealed at this time is varied, but not a few of the instances are extensions of so-

called “aggressive” accounting practices. PwC Kyoto was seen as “easy to persuade” and “easy to manipulate,” and consequently, the possibility that PwC Kyoto did not function as an effective check on aggressive accounting practices cannot be ruled out. Moreover, among the improper accounting discovered at this time, there were cases where Nidec’s officers and employees engaged in dishonest conduct, such as providing false explanations to PwC Kyoto and concealing necessary documentary evidence. This conduct is not necessarily unrelated to the perception that PwC Kyoto was “easy to manipulate.”

However, it goes without saying that obtaining the approval of the accounting auditor does not legitimize improper accounting. Even if the approval of the accounting auditor was obtained, Nidec remains solely responsible for any improper accounting.

In this regard, it must be said that Nidec’s officers and employees were not fully aware that Nidec itself is accountable for its financial results.

5. Recommendations

Nidec established the Nidec Rehabilitation Committee chaired by the Representative Director and President to analyze causes and to formulate remedial measures to prevent recurrence. The Committee believes that the remedial measures implemented have been generally effective at preventing the type of improper accounting that was discovered at this time, but also that there are some additional points that should be kept in mind.

The Committee makes the below recommendations for those areas not covered by the Nidec remedial measures.

(1) Breaking Away from Being “Mr. Nagamori’s Company”

From its foundation to the present, Nidec has been regarded as “Mr. Nagamori’s company.” It is no exaggeration to say that Mr. Nagamori’s management philosophy permeated throughout the entire Group and that all business operations were conducted in accordance with that management philosophy. In fact, given that the fundamental cause of the series of improper accounting incidents uncovered at this time was the failure of Mr. Nagamori’s management style and of checks to restrain Mr. Nagamori, the Committee believes that for the future rehabilitation of Nidec, it will be crucial for Nidec to break away from being “Mr. Nagamori’s company,” in other words, to move away from Mr. Nagamori’s influence.

With respect to this point, it may be argued that in order to eliminate Mr. Nagamori’s influence as a shareholder, Mr. Nagamori should be required to dispose of his shares or that the exercise of his rights should be restricted under some type of agreement, but these are matters that will require a

determination and decision by Mr. Nagamori himself and cannot be controlled by Nidec's initiative alone. The Committee believes that it would not be appropriate to raise these matters as measures that should be implemented by Nidec to prevent recurrence. It may appear, outwardly, that these measures are drastic responses necessary to remove Nidec from Mr. Nagamori's influence, but they may actually be merely symptomatic and superficial solutions given that corporate actions must consider the interests of multiple stakeholders.

What Nidec needs is to establish structures that can prevent the distortion of proper business execution through the influence of certain stakeholders including Mr. Nagamori.

(2) Reinforcement of the Functions of Outside Directors

The key regarding this point is the company's outside directors. This is because in cases where management comes under the influence of certain stakeholders and attempts to distort proper business execution, the most powerful opposing force is not the internal supervisory and check functions under the command of management, but the outside directors, who have legally-backed authority.

There is, however, an "easier said than done" aspect to this. It is no easy task to clearly see the problems that the company is facing simply by attending monthly Board of Directors meetings and occasionally participating in internal meetings as an observer, and even if the outside directors are aware of the company's problems, it is not easy for them to raise those issues with the Board of Directors and face management, who are more familiar with the business operations, on an equal footing. This is even truer when the issue is a matter that concerns the very fundamentals of the conduct of business by the company, such as the way in which Nidec pursues its performance targets.

In light of the above, even if experienced managers and accounting experts are appointed as outside directors and their diversity is ensured, it cannot be denied that asking the outside directors to "supervise and evaluate management without bias and on a fair and objective, case-by-case basis" may be somewhat unreasonable. To enable the outside directors to perform functions as the system originally intended, it is necessary to improve the quality of information provided to the outside directors, to provide the support the outside directors need to perform activities, and to establish systems that allow the outside directors, particularly those who also serve as Audit and Supervisory Committee members, to collaborate with internal and external supervisory and check functions.

Regarding the quality of information, it is precisely the issues that management, as well as the departments that perform supervisory and check functions, consider to be true problems and are struggling to address that the outside directors need to be informed about. The outside directors have legally-backed authority that is sufficient to save the company in the event of a crisis, and the officers and employees of Nidec, including senior management, must be aware that conveying information about the challenges and issues that the company is confronting to the outside directors will ultimately

lead to saving the company at the time of a crisis.

In terms of necessary support, while appointment of dedicated staff is not necessarily required, it is necessary to have a personnel structure that can provide timely support whenever needed by the outside directors. In addition, it is believed that it would be advisable to create a framework that allows the outside directors themselves to seek opinions from experts such as attorneys when necessary. Furthermore, outside directors have powerful legal authority, but there are not a few instances where the reality is different. Given that outside directors are human, it is inevitable that they will hesitate to raise issues on a fair and objective, case-by-case basis that may arise in their minds due to deference to and consideration for management. As Nidec has cited in relation to the remedial measures implemented at this time, it is believed that it will be essential to create opportunities for those with responsibility for audit functions to gather and honestly exchange their thoughts regarding their concerns. Even if the Audit and Supervisory Committee alone or the Internal Audit Department alone is reluctant to “pull the chestnuts out of the fire,” it is thought that if a framework can be established in which all three parties, including the accounting auditor, can share their thoughts on issues and address them through collaborative measures, it will be possible to respond to issues on a fair and objective, case-by-case basis. In this sense, it seems appropriate for Audit and Supervisory Committee members and the Internal Audit Department to have an awareness of making use of one another by mutually conveying their understanding of issues with audit functions and receiving their support to achieve resolutions.

(3) Engrained Good Faith toward Investors and the Market

During the process of the Committee’s investigation, the Committee observed that Nidec officers and employees provided inaccurate and misleading information to the accounting auditor in an attempt to elicit favorable opinions. As mentioned in the section on analysis of causes, it is necessary to understand that improperly obtaining approval from the accounting auditor and disclosing inaccurate financial information is not only deceitful conduct directed toward the accounting auditors, it is also an act of deception toward investors and the market. The current cause of Nidec losing the confidence of investors and the market is simply the inability to see Nidec’s true character and capabilities. Nidec showing its true character to investors and the market fairly and squarely is precisely the first step toward restoring its reputation. It goes without saying that senior management must express a clear commitment and resolve toward doing this, and this must be thoroughly instilled among the Nidec Group’s CFOs and accounting departments.

(4) Conclusion

The Committee believes that the recent series of instances of improper accounting itself does not raise doubts about Nidec's capabilities as a manufacturer. The current issue is a matter of accounting caused by excessive prioritization of achieving numerical targets presented to the market. It can be said that in the background were issues that went to the very core of Nidec's management. However, Nidec's strength as a manufacturing enterprise undeniably exists. This may not exactly be the dream that Mr. Nagamori had envisioned, but the Committee believes that if Nidec can demonstrate its true capabilities as a manufacturing enterprise to the market, trust from the market is certain to be restored.

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