

# Corporate Governance

NISSAN SHATAI CO., LTD.

Date of last revision: June 23, 20221

Nissan Shatai Co., Ltd.

President: Haruhiko Yoshimura

Inquiries: Tel. +81-463-21-8001

Code No.: 7222

<https://www.nissan-shatai.co.jp>

Details of Nissan Shatai's corporate governance policies and procedures are set out below.

## I. Fundamental Corporate Governance Policies and Basic Information on Capital Structure, Corporate Attributes, and Other Matters

### 1. Fundamental Policies

To continually enhance corporate value, we believe it is vital for management to be clearly accountable, to disclose information to shareholders and other stakeholders in a timely and appropriate manner, and further, to maintain transparency and proper execution of business operations by establishing internal control systems. Nissan Shatai further enhances our corporate governance based on principles of the Corporate Governance Code.

### [Reasons for not taking actions in line with principles of the Corporate Governance Code \(Updated\)](#)

#### **Supplementary Principle 2-4-1 Ensuring diversity in the promotion, etc. of core human resources**

Regarding employees with a foreign nationality and mid-career hires, please refer to the content described in [[Disclosure based on principles of the Corporate Governance Code](#)] → [Supplementary Principle 2-4-1 Ensuring diversity in the promotion, etc. of core human resources] → “(ii) Voluntary and measurable goals and their status.”

#### **Supplementary Principle 4-1-3 – Succession plan for the Chief Executive Officer**

The policy for the appointment of the next Chief Executive Officer is to select an individual who has an extensive knowledge of the automobile industry and the ability to bring about change, translate words into actions, and other characteristics required of a manager. The Chief Executive Officer selects candidates and the Board of Directors makes a decision upon deliberation based on the discussions and advice of the Nominations and Remuneration Committee.

### **Principle 4-11 – Preconditions for Board of Directors and Board of Statutory Auditors effectiveness**

Nissan Shatai has six directors. Four directors are internal directors, who are individuals with specialized knowledge about their respective areas of responsibility, including experience with overseas operations, and experience of company management. Two directors are independent outside directors who have extensive knowledge and experience as senior executives outside the automobile industry. We believe that this composition is suitable with respect to achieving both the diversity and proper size of the Board of Directors. Nissan Shatai believes that measures concerning gender diversity should be further studied.

Disclosure based on principles of the Corporate Governance Code (Updated)

### **Principle 1-4 – Cross-shareholdings**

Although Nissan Shatai holds no listed stocks as cross-shareholdings, Nissan Shatai examines each individual stock considering management policies, management strategies, management plans and holding risks such as social conditions, in addition to the necessity of regional contributions and the status of transactions with the company. The President approves the appropriateness of continuing to hold those stocks and reports the decision to the Board of Directors.

### **Principle 1-7 – Related party transactions**

We use procedures prescribed in the Companies Act for transactions with one or more directors having a conflict of interests. Transactions of automobiles with the parent company are performed according to a manufacturing service agreement and the prices for automobile are determined by negotiations that take into account the total cost of manufacturing. The Business Monitoring Committee, which consists of independent outside directors and independent outside statutory auditors, discuss the process and contents of these negotiations and submit their advice to the Board of Directors. Nissan Shatai's Board of Directors confirms the process and contents of these negotiations taking account of the advice of the Business Monitoring Committee.

### **Supplementary Principle 2-4-1 – Ensuring diversity in the promotion, etc. of core human resources**

#### **(i) Policies**

Diversity is one of the core components of the new medium-term plan. Our primary goal is to help creating a society in which all workers can fully utilize their skills.

(<https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/RESOURCE/index.html>)

#### **(ii) Voluntary and measurable goals and their status**

Promotion of diversity in the operation of the business is important, so we are engaged in the deployment and promotion of the appropriate human resources in the appropriate positions based on the abilities and characteristics of the individuals, regardless of their sex, nationality, or hiring background, etc

Concerning the promotion of women to managerial positions at Nissan Shatai, we have set target indicators and are rolling out initiatives which include training. Currently, approximately 5% of all management positions are held by female managers, and in the future we will continue working on promoting women's active participation at Nissan

Shatai, with the goal of having 10% of managerial positions held by women. As such, we are engaged in female promotion activities, and are advancing recruiting activities with the goal of having women be 20% of our new graduate hires.

Regarding employees with a foreign nationality and mid-career hires, we have not set numerical targets for promotions to managerial positions, and we are promoting them to managerial positions based on the above view without relying on hiring categories or attributes.

### **(iii) Human Resources Development Policy and Implementation Status**

While pursuing growth in earnings, Nissan Shatai, as a member of the Nissan Group, trains and educates our workforce with the aim of being a company that can coexist harmoniously with society, nature, and the environment. This stance is not limited to employees who need time to provide childcare or nursing care. We want everyone at Nissan Shatai to lead healthy and happy lives, which also raises their productivity at work, and we are constantly taking many actions to accomplish this goal.

Additionally, based on the policies of diversity, we are working on career plan-based training in order to facilitate the promotion of female managers. Our ratio of hired new graduates who are female is increasing, and our working environment is being improved so that females' careers can be continued.

<https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/RESOURCE/index.html>

### **(iv) Company environment improvement policy and implementation status**

For many years, we have given employees the options of flexible working time or reduced working hours. We encourage people to use their vacation time. Furthermore, we grant time off for family needs, such as caring for infants or an elderly parent or for time needed for a wedding. We have started a program that allows people to work at home. This gives us more ways to enable employees to achieve the necessary balance between their work and family obligations. In order to enable women to play an active role in factories that until now have been operated primarily by male, we are also promoting the automation and adoption of assistive devices that reduce the burden of lifting heavy objects. In addition, we have a program, which has been upgraded, that enables women to continue advancing their careers even when time off is required for a pregnancy and childcare. Going one more step, we have a training program to foster a corporate culture that allows men to help with childcare, too. Additionally, our Health Declaration states that "we are dedicated to activities for supporting the physical and mental well-being of everyone at our companies to enable these people to do their jobs with vigor and a high level of motivation." In cooperation with external medical institutions, we are systematically conducting activities and to prevent lifestyle-related diseases and for mental health measures, etc. so as to prevent physical and mental disorders. We actively implement a PDCA cycle every year to check the effectiveness of these measures and make improvements.

<https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/RESOURCE/index.html>

### **Principle 2-6 – Roles of corporate pension funds as asset owners**

Nissan Shatai outsources the specific management of assets in the corporate pension funds to several asset management firms and the company's accounting section monitors the performance of these firms. There is a Corporate Pension Fund Operations Oversight Committee that includes labor union representation and managers at Nissan Shatai involved with human resources, labor relations, and finance and accounting. On a regular basis, this committee receives reports on the results of monitoring of asset

management performance, confirms suitability of the composition of assets, asset management performance and other matters, evaluates the asset management firms and performs other tasks on a regular basis. The objectives are to prevent conflicts of interest between pension funds beneficiaries and Nissan Shatai and to ensure the soundness of pension funds asset management. In addition, to ensure that this framework functions properly, people with the necessary experience and characteristics are assigned to these activities and there are training programs for these people.

### **Principle 3-1 – Full disclosure**

#### **(i) Company objectives (e.g., business principles), business strategies and business plans**

This information is in the Management Philosophy and Medium-term Management Plan section of the Nissan Shatai website.

<http://www.nissan-shatai.co.jp/EN/COMPANY/PHILOSOPHY/>

<http://www.nissan-shatai.co.jp/EN/IR/MANAGEMENT/PLAN/>

#### **(ii) Basic views and guidelines on corporate governance based on each of the principles of the Code**

This information is stated in “I. 1. Fundamental Policies” of the Nissan Shatai Corporate Governance Report and in “Initiatives to Comply with the Code” in the “For Investors” section of the Nissan Shatai website.

<http://www.nissan-shatai.co.jp/EN/IR/GOVERNANCE/CODE/index.html>

#### **(iii) Board policies and procedures in determining the remuneration of the senior management and directors**

The policy and procedure for determining remuneration for directors are explained in “II. 1 Directors’ Remuneration” in the Corporate Governance Report.

Just as for directors, remuneration for senior management is determined each year based on results of operations and the performance of each individual.

#### **(iv) Policies and procedures for the Board of Directors to appointment/dismissal senior management and to nominate director and statutory auditor candidates**

The most important roles of the Board of Directors are discussing and reaching decisions by objectively and multilaterally examining items submitted regarding practicality, suitability, risk and other items, based on an exchange of opinions from many viewpoints that use their experience, knowledge, specialized skills and other resources of directors and statutory auditors at meetings, and supervising and auditing in a suitable and timely manner the execution of these decisions. Suitable candidates for directors and statutory auditors are submitted at shareholders meetings based on the discussions and advice of the Nominations and Remuneration Committee in order to make it possible to perform these roles.

Individuals with deep understanding of our business and our operating environment and, as leaders of the organization, capable and experienced in adequately and with speed implementing decisions taken by the Board of Directors will be appointed. A senior management is terminated in the event that the behavior of an individual is improper or inappropriate for the leader of an organization or that an individual is determined to be unsuitable to serve as the leader of an organization.

**(v) Explanation of an appointment/dismissal or nomination when the Board of Directors, according to the policies explained in the preceding item (iv), appoints or dismisses a senior management or nominates a director or statutory auditor**

Director and statutory auditor candidates are nominated according to the policies described in "Principle 3-1 – Full disclosure" item (iv).

Explanations of specific nominations are provided in Reference Materials for General Shareholder Meeting.

Senior managements are appointed and dismissed according to the policies explained in "Principle 3-1 – Full disclosure" item (iv).

**Supplementary Principle 3-1-3 – Sustainability initiatives**

**(i) Sustainability initiatives**

As a trusted company, Nissan Shatai Group responding to provide unique and delivering attractive, high-quality vehicles and services to our customers in timely manner is the fundamental policy for the management of the Nissan Shatai Group. Our goal is the consistent creation of value by supplying outstanding vehicles and services as we constantly anticipate changes in society and our markets. Achieving this goal requires management that can identify changes in society and incorporate a diverse array of viewpoints. As one way to build a foundation for this type of management, we have a strong commitment to activities involving the environment, social and corporate governance.

For the environment, each and every Nissan Shatai employee fosters a mindset of valuing the environment. Additionally, in accordance with the environmental policies established by Nissan Shatai based on the "Nissan Green Program," we are working to develop environmental policies and systems to promote environmentally friendly initiatives and activities as well as to create vehicles that are friendly to people, society and nature.

As automotive manufacturers, Nissan Shatai and Nissan Shatai Kyushu require enormous amounts of energy for our production processes. Hence, we are positively engaging with the challenges of reducing the amount of energy we consume, of cutting our CO2 emissions, and of manufacturing vehicles in an environmentally friendly way. We actively interact with communities and conduct community welfare activities and volunteer activities such as disaster recovery, as well as learning support activities for elementary school students.

**Activities regarding the Environment, Social and Corporate Governance**

Corporate governance	Governance is the foundation of management. We will increase transparency, make the board of directors even more effective, and implement other improvements.
Global environment	As a manufacturer, we will continue to conduct programs to protect the environment and reduce our environmental impact.
Workplace environment	We will aim for more progress concerning workplace safety and health, work style reforms and workforce diversity.
In harmony with the local community	We are dedicated to being a responsible member of society and maintaining mutually beneficial relationships.

Values and activities like this at the Nissan Shatai Group are making a contribution to accomplishing the sustainable development goals.

(<https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/SUSTAINABILITY/index.html>)

**(ii) Investment in human capital and intellectual property, etc.**

### **[Human Capital]**

Nissan Shatai considers nurturing employees to be one of its important management strategies and actively develops human resources.

In order to develop the abilities and individuality of each and every employee, Nissan Shatai has a total education and training program that including employees from new recruits to managers. In addition to departmental education at their assigned workplace, we also provide a variety of education to employees according to their career, such as ability/skill development or management training. We support all aspects by implementing a detailed education program to improve the abilities and skills of each employee. Additionally, Nissan Shatai is fully equipped with a variety of welfare benefit programs and facilities so that each and every employee can make effective use of their off time. In addition to dormitories for single employees and company housing, we have also established the "Kids Charaban" in-house nursery school, and are working every day to create an environment that can realize the work styles of our employees, which matches their life stages.

<https://www.nissan-shatai.co.jp/RECRUIT/2014/CAREER/index.html>

### **[Intellectual Property]**

In the automobile industry, technological progress involving vehicle safety, environmental protection, convenience and other items is accelerating, and there is a strong demand for technological capabilities that can reliably respond to the next generation of vehicles. Additionally, many of our vehicles have a long life cycle, and we recognize that next-generation power trains and implementation of advanced technologies are urgent necessity. Amidst this environment, we have set "More Competitive Technologies and Skills" as one of the important issues for the 2017-2022 medium-term management plan, and we aim to establish a global technology base for LCV and frame-vehicle manufacturing. For this reason, we believe that it is essential to establish new technologies and new construction methods to solve problems such as the development of fundamental technologies for the future and responding to next-generation vehicles, and a technical committee has been established to encourage active proposals from within Nissan Shatai and to make necessary investments.

<https://www.nissan-shatai.co.jp/EN/IR/MANAGEMENT/PLAN/index.html>

### **(iii) TCFD or equivalent frameworks**

As a member of the Nissan Group, Nissan Shatai is working on environmental initiatives by formulating a greenhouse gas emissions reduction plan.

<https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/ENVIRONMENT/index.html>

### **Supplementary Principle 4-1-1 – Summary of scope of delegations to senior executive by the Board of Directors**

The Board of Directors makes decisions about items that must be made by the Board of Directors in accordance with laws and regulations and about important items concerning business operations as stipulated in the Board of Directors Rules. For other items, the internal regulations (delegation of authority) designate individuals with the authority to make decisions and specify the decision-making process. The goals are increasing transparency of the decision-making process and the efficiency of business operations.

### **Principle 4-9 – Independence standards and qualifications for independent outside directors**

Candidates for independent outside directors are nominated and submitted to a general shareholders' meeting after discussions and examinations based on requirements for outside directors of the Companies Act and standards for independent outside directors of the Tokyo Stock Exchange.

#### **Supplementary Principle 4-10-1 – Authority and role of the Nomination Committee and Remuneration Committee**

Same as explained in "II. Management Organization for Operational Decision-Making, Execution, and Supervision, and Other Corporate Governance Structures - 1. Organizational Structure, Operation, Etc. - Directors - Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee - Committee's Name, Composition, and Attributes of Chairperson - Supplementary Explanation" of the Nissan Shatai Corporate Governance Report.

(<https://www.nissan-shatai.co.jp/EN/IR/GOVERNANCE/STRUCTURE/index.html>)

#### **Supplementary Principle 4-11-1 – Ensuring the effectiveness of the Board of Directors**

Regarding the balance of knowledge, experience, and abilities of the Board of Directors as a whole, its diversity and scale, and policies and procedures regarding the appointment of directors, it is as explained in "Principle 3-1 Full disclosure - item (iv) Policies and procedures for the Board of Directors to appoint/dismiss senior management and to nominate director and statutory auditor candidates"

The skill matrix listing directors' knowledge, experience, and abilities is as shown in "V. Other Matters - 2. Other Matters Related to Corporate Governance Systems" of the Nissan Shatai Corporate Governance Report.

(<https://www.nissan-shatai.co.jp/EN/IR/MANAGEMENT/OFFICER/index.html>)

#### **Supplementary Principle 4-11-2 – Directors and statutory auditors who concurrently have outside positions**

Information about concurrent outside position as directors and statutory auditors is provided in the Business Report.

#### **Supplementary Principle 4-11-3 – Analysis and evaluation by the Board of Directors of the board's effectiveness**

The Board of Directors of Nissan Shatai has carried out an evaluation of the effectiveness of the FY2021 Board of Directors taking account of analyses by a third-party organization, and hereby announces an overview of these results.

##### **1. Method and process of evaluation**

The Board of Directors evaluated its effectiveness in the following method.

- The Board of Directors distributed a questionnaire prepared by a third-party organization to all Directors and Statutory Auditors, and they all answered it.
- Studies were conducted by this organization based on the answers, and Nissan Shatai received a report including the result of the studies.
- Firstly, based on the report, responses were discussed and evaluated by Outside Directors and Statutory Auditors.
- Then, all Directors and Statutory Auditors performed evaluations and discussions about the effectiveness of the Board of Directors, and confirmed actions for further improving board's effectiveness.

(Main items in the questionnaire)

- (1) Objectives and roles of the Board of Directors
- (2) Operation and effectiveness of the Board of Directors
- (3) Composition of the Board of Directors
- (4) Training for Directors and Statutory Auditors

## 2. Overview of the evaluation results

As a result of the evaluation, Nissan Shatai's Board of Directors confirms that the effectiveness of the Board of Directors is ensured.

An appropriate system including size, composition and operations is implemented to monitor decision making of significant management issues and business execution.

All the members, including Outside Directors and Outside Statutory Auditors, possess a wide range of experience and expertise. They have a sufficient understanding of their roles and duties, and they engage in active discussions and ensure an appropriate decision-making process. In conclusion, the Board of Directors is operated effectively.

## 3. Measures to enhance effectiveness

Nissan Shatai has established two committees, mainly consisting of Outside Directors and Outside Statutory Auditors, at its Board of Directors meeting for the purpose of further upgrading and strengthening corporate governance. The Board of Directors makes a decision upon deliberation based on the discussions and advice of these committees.

- 1) A Nominations and Remuneration Committee
  - Policies and procedures for the selection or termination of a representative director and for selections of director and statutory auditor candidates
  - Proposals at shareholders meetings for the election or termination of directors and statutory auditors
  - Policy for determining the remuneration of directors
- 2) A Business Monitoring Committee
  - The significant transactions with related parties.

In FY2021, Nissan Shatai particularly worked on the enhancement of communication between the internal directors and the outside directors and the statutory auditors and expanded the matters for deliberation in the Board of Directors.

Nissan Shatai's Board of Directors has confirmed that the effectiveness of the Board of Directors is ensured at the present time and it will enhance discussions based on the results of the present evaluation in order to further increase its effectiveness.

### **Supplementary Principle 4-14-2 – Training policy for directors and statutory auditors**

New directors and statutory auditors receive explanations of basic information about Nissan Shatai's business operations, management, financial strategy and other items. During their terms, these individuals also receive updated information as needed. In addition, internal and external seminars are held as needed to provide directors and statutory auditors with information about corporate governance, finance and accounting, laws and regulations, and other subjects as needed.

### **Principle 5-1 – Policy for constructive dialogue with shareholders**



We use the For Investors section of our website, general shareholders meetings and other channels to explain in a manner that is easy to understand our results of operations, business operations, management policies and other items. Proper shareholder dialogues are performed with the oversight of directors in charge upon consultation with the other directors and all relevant departments. In addition, shareholders' opinions and other information from shareholder dialogues are shared with the Board of Directors, Executive Committee and other organizational units as needed.

We manage insider information during shareholder dialogues properly in accordance with the Rule for Prevention and Management of Insider Trading, which is an internal regulation.

## 2. Capital Structure

Percentage of shares owned by foreign shareholders	30% or more
--	-------------

### Major Shareholders (Updated)

Name	No. of shares held	% of total shares held
Nissan Motor Co., Ltd.	67,726,898	50.00%
MLI for Segregated PB Client	21,000,000	15.50%
Goldman Sachs International	16,573,420	12.24%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,360,400	3.22%
Nissan Shatai Supplier Stock Ownership Plan	2,592,100	1.91%
ECM MF	2,182,800	1.61%
Japan Custody Bank, Ltd. (Trust Account)	1,058,700	0.78%
JP MORGAN CHASE BANK 385781	737,994	0.54%
STATE STREET BANK WEST CLIENT — TREATY 505234	733,400	0.54%
DFA INTL SMALL CAP VALUE PORTFOLIO	536,500	0.40%

Controlling shareholders (other than parent company)	—
--	---

Parent company	Nissan Motor Co., Ltd. (Listed on Tokyo Stock Exchange, code no. 7201)
----------------	---

### Supplementary explanation (Updated)

Information about major shareholders is as of March 31, 2022.

Nissan Shatai holds 21,786,755 shares of treasury stock, but has been excluded from the above list of major shareholders.

## 3. Corporate Attributes

Stock exchange listing (Updated)	Prime of Tokyo Stock Exchange
Fiscal year-end	March
Sector	Transportation equipment
Number of employees at latest fiscal year-end (consolidated)	1,000 or more
Consolidated net sales for latest fiscal year	Between 100 billion and less than 1 trillion yen
Number of consolidated subsidiaries at latest fiscal year-end	Fewer than 10

## 4. Guidelines for Measures to Protect Minority Shareholders When Dealing with Controlling Shareholders

Transactions of automobiles with the parent company are performed according to a manufacturing service agreement and the prices for automobile are determined by negotiations that take into account the total cost of manufacturing. The Business Monitoring Committee, which consists of independent outside directors and independent outside statutory auditors, discuss the process and contents of these negotiations and submit their advice to the Board of Directors. Nissan Shatai's Board of Directors confirms the process and contents of these negotiations taking account of the advice of Business Monitoring Committee. The Business Monitoring Committee is a special committee that, as required by Supplementary Principle 4-8-3 of the Corporate Governance Code, deliberates on and examines important transactions and acts in which there is a conflict of interests between the controlling shareholder and the minority shareholders.

In addition, two independent outside directors and two independent outside statutory auditors are appointed, which serves as an institutional guarantee for the protection of minority shareholders.

## 5. Other Special Circumstances That May Have Material Effects on Corporate Governance (Updated)

Nissan Motor Co., Ltd., the parent company, holds 50.01% of voting rights in Nissan Shatai. Since 97.5% (Consolidated) and 99.9 % (Non-Consolidated) of Nissan Shatai sales come from the parent company, its performance relies heavily on trends in vehicle sales by the parent company.

When formulating and implementing revenue, quality, and other plans for each fiscal year, Nissan Shatai takes into account the parent company's management policies. Transactions of automobiles with the parent company are performed according to a manufacturing service agreement and the prices for automobile are determined by negotiations that take into account the total cost of manufacturing. The Business Monitoring Committee, which consists of independent outside directors and independent outside statutory auditors, discuss the process and contents of these negotiations and submit their advice to the Board of Directors. Nissan Shatai's Board of Directors confirms the process and contents of these negotiations taking account of the advice of Business Monitoring Committee. While Nissan Shatai maintains close cooperative relationships with Nissan Motor and its group companies throughout our business activities, we also preserve a certain level of independence from the parent company.

## II. Management Organization for Operational Decision-Making, Execution, and Supervision, and Other Corporate Governance Structures

### 1. Organizational Structure, Operation, Etc.

Organizational form	Company with auditors
---------------------	-----------------------

### Directors

Number of directors specified in the Articles of Incorporation	No upper limit set
Term of office for directors specified in the Articles of Incorporation	Two years
Chairperson of the Board of Directors	President
Number of directors	Six
Outside directors appointed	Yes
Number of outside directors	Two
Number of outside directors designated as independent directors	Two

### Relationship to company (1) (Updated)

Name	Affiliation	Relationship to company*										
		a	b	c	d	e	f	g	h	i	j	k
Masayuki Imai	From another company								○			
Yasuyuki Ohira	From another company											

\* Selection criteria regarding relationship with the Company.

○ is used if the individual in question is applicable to each item, current or recent, while △ is used if he/she was applicable in the past.

● is used if a relative of the individual in question is applicable to each item, current or recent, while ▲ is used if he/she was applicable in the past.

- a. Person executing business of the listed company or its subsidiary
- b. Person executing business or non-executive director of the parent of the listed company
- c. Person executing business of a fellow subsidiary of the listed company
- d. Person/entity dealing with the listed company as its major business partner or the person executing its business
- e. Major business partner of the listed company or the person executing its business
- f. Consultant, accounting expert or legal expert gaining significant amount of money or properties from the listed company, apart from officer remuneration
- g. Major shareholder of the listed company (if such shareholder is a corporation, the person executing its business)
- h. Person executing business (himself or herself only) of a business partner of the listed company (applicable to none of d, e or f above)
- i. Person executing business (himself or herself only) of another company holding cross-directorships/ cross-auditorships with the listed company
- j. Person executing business (himself or herself only) of an entity to which the listed company provides donations
- k. Others

#### Relationship to company (2) (Updated)

Name	Independent director	Supplementary explanation of applicable items	Reason for being appointed as outside director (including reason for being designated as independent director if so designated)
Masayuki Imai	○	Mr. Masayuki Imai is a director , senior vice president of Kanagawa Chuo Kotsu Co.,Ltd. There are no capital ties between Nissan Shatai and this company. Nissan Shatai uses this company's bus, taxi and hotel services as a general customer. Sales of this company to Nissan Shatai were insignificant (less than 1% of annual consolidated sales) in FY2021. Nissan Shatai recorded no sales to this company. Mr. Imai is also the president of Oyama Kanko Dentetsu Co.,Ltd. There are no capital ties and business relations between Nissan Shatai and this company.	Mr. Imai has been involved with corporate finance and accounting in a different industry and has much knowledge of the department and a broad insight as an executive. He has also been designated as an independent director as stipulated by Tokyo Stock Exchange, Inc. because he fulfills the requirements for the position, and is judged to present no risk of a conflict of interest with general shareholders.

Yasuyuki Ohira	○	Mr. Yasuyuki Ohira is an advisor of Sapporo Holdings Ltd. There are no capital ties and business relations between Nissan Shatai and this company.	Mr. Ohira has many years of experience in engineering operations in another industry, and also served as the head of the production engineering division and research and development division, as well as the president of a group company. From these backgrounds, he has abundant and broad insight into overall management. He fulfills the requirements for an independent director and is judged to present no risk of a conflict of interest with general shareholders.
----------------	---	--	--

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
---	-------------

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nominations and Remuneration Committee	Nominations and Remuneration Committee
All Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	An outside director	An outside director

Supplementary Explanation (Updated)

Responsibility and roles of the committee
---

The committee discuss and submit advice to the Board of Directors concerning upon the following items concerning nominations, remuneration and other subjects.

- (1) Policies and procedures for the selection or termination of a representative director and for selection of for directors and statutory auditor candidates
- (2) Proposals at shareholders meetings for the election or termination of directors and statutory auditors
- (3) Succession plan for the president (Chief Executive Officer)
- (4) Policy for determining the remuneration of directors
- (5) Remuneration for individual directors
- (6) Other items as required by the Board of Directors concerning the preceding items

• Policy on independence regarding the composition of the committees

A majority of the committee will be independent outside directors, and the chairperson will be an independent outside director. In addition, an independent outside statutory auditors will attend meetings of the committees as observers.

### Statutory Auditors

Board of Statutory Auditors established	Yes
Number of statutory auditors specified in the Articles of Incorporation	No upper limit set
Number of statutory auditors	Three

Collaboration among statutory auditors, accounting auditor, and internal audit division

The accounting auditor reports to the statutory auditors on audit plans and results, and both parties exchange views in an effort to achieve efficient and effective audits. The statutory auditors and the Internal Audit Office collaborate and exchange information as required.

Outside statutory auditors appointed	Yes
Number of outside statutory auditors	Two
Number of outside statutory auditors designated as independent statutory auditors	Two

### Relationship to company (1)

Name	Affiliation	Relationship to company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Izumi Inoue	From another company										△			
Tomonori Ito	From another company										△			

\* Selection criteria regarding relationship with the Company.

○ is used if the individual in question is applicable to each item, current or recent, while △ is used if he/she was applicable in the past.

● is used if a relative of the individual in question is applicable to each item, current or recent, while ▲ is used if he/she was applicable in the past.

a. Person executing business of the listed company or its subsidiary

b. Non-executive director or accounting advisor of the listed company or its subsidiary

c. Person executing business or non-executive director of the parent of the listed company

d. Audit & supervisory board members of the parent of the listed company

e. Person executing business of a fellow subsidiary of the listed company

f. Person/entity dealing with the listed company as its major business partner or the person executing its business

g. Major business partner of the listed company or the person executing its business

h. Consultant, accounting expert or legal expert gaining significant amount of money or properties from the listed company, apart from officer remuneration

i. Major shareholder of the listed company (if such shareholder is a corporation, the person executing its business)

j. Person executing business (himself or herself only) of a business partner of the listed company (applicable to none of, g or h above)

k. Person executing business (himself or herself only) of another company holding cross-directorships/ cross-auditorships with the listed company

l. Person executing business (himself or herself only) of an entity to which the listed company provides donations

m. Others

### Relationship to company (2)

Name	Independent statutory auditor	Supplementary explanation of applicable items	Reason for being appointed as outside statutory auditor (including reason for being designated as independent statutory auditor if so designated)



<p>Izumi Inoue</p>	<p>○</p>	<p>Mr. Izumi Inoue was a director and managing executive officer of Sompo Japan Insurance Inc. (currently Sompo Japan Insurance Inc.). There are no capital ties between Nissan Shatai and this company. Nissan Shatai purchases insurance from this company, but premiums paid by Nissan Shatai to this company in FY2021 were insignificant (less than 1% of this company's annual ordinary income) and there were no sales to this company. Mr. Inoue was an employee of this company until September 2005, but his employment at this company ended many years ago (more than 10 years). In addition, there are no capital ties and business relations between Nissan Shatai and any other companies where Mr. Inoue was employed.</p>	<p>Mr. Inoue has abundant insight into corporate management, risk management relating to business activities and corporate governance from many years of experience in financial institution. He has also been designated as an independent statutory auditor as stipulated by Tokyo Stock Exchange, Inc. because he fulfills the requirements for the position, and is judged to present no risk of a conflict of interest with general shareholders.</p>
--------------------	----------	--	--

Tomonori Ito	○	Mr. Tomonori Ito was an executive officer of The Bank of Yokohama Ltd. There are no capital ties between Nissan Shatai and this bank. There are regular commercial banking transactions with this bank, such as deposits and other items, but no loans from this bank. In FY2021, fees and commissions paid to this bank by Nissan Shatai were insignificant (less than 1% of this bank's annual ordinary income) and there were no sales to this bank by Nissan Shatai. In addition, there are no capital ties and business relations between Nissan Shatai and any other companies where Mr. Ito was employed.	Mr. Ito has abundant and broad insight into corporate management and finances from many years of experience in financial institution and a different industry. He fulfills the requirements for an independent statutory auditor and is judged to present no risk of a conflict of interest with general shareholders.
--------------	---	--	--

### Independent Directors and Independent Statutory Auditors

Number of independent directors and independent statutory auditors	Four
--	------

#### Other matters related to independent directors and independent statutory auditors

All outside directors and outside statutory auditors who are eligible to be independent directors or independent statutory auditors have been so designated.

### Incentives

Measures granting incentives to directors	Introduction of performance-linked remuneration system
---	--

#### Supplementary explanation

Part of the remuneration of directors is linked to Nissan Shatai's results of operations and the performance of individual directors in order to clarify the

directors' accountability regarding their performance and responsibilities in each fiscal year.

Persons granted stock options	
-------------------------------	--

Supplementary explanation

—

## Directors' Remuneration

Disclosure (of individual directors' remuneration)	Individual directors' remuneration is not disclosed.
--	--

Supplementary explanation

The total amount of directors' remuneration is disclosed in the securities report and the business report.

Policies for deciding remuneration amount or calculation method	Yes
---	-----

Disclosure of policies for deciding remuneration amount or calculation method

Remuneration for Directors is paid within the ceiling amount approved at the general shareholders meeting and has two components: (1) Annual base salary that is fixed and based on each Director's roles and responsibilities and (2) performance-based remuneration that is determined in accordance with the achievement of major Nissan Shatai performance targets and the performance of each Director. Only Directors who are also Corporate Officers are eligible to receive performance-based remuneration. Outside Directors receive only annual base salary.

Statutory Auditors receive only annual base salary and the amount of this remuneration is determined by the Statutory Auditors.

Remuneration for Directors and Statutory Auditors is based on resolutions approved at the general shareholders meeting held on June 30, 1982. These resolutions limit total monthly remuneration to 30 million yen for Directors and 5 million yen for Statutory Auditors. At the end of this general shareholders meeting, Nissan Shatai had 15 Directors and 2 Statutory Auditors.

The Board of Directors has given Nissan Shatai President Haruhiko Yoshimura the authority to determine the base salary and remuneration linked to results of operations of individual directors. The reason is the judgment of directors that this delegation of authority is appropriate because, with the involvement of the Nominations and Remuneration Committee, the company president is able to evaluate the performance of the business units supervised by individual directors. The president prepares an initial proposal for remuneration and submits the

proposal to the Nominations and Remuneration Committee. The president then takes the results of the committee's discussions into consideration and makes final decisions concerning remuneration.

#### Method for determining remuneration for individual directors

##### 1. Policy and method for determining remuneration for individual directors

On February 23, 2021, the Board of Directors approved a resolution concerning the policy for determining remuneration for individual directors. Before this resolution was approved, the Nominations and Remuneration Committee discussed the proposed policy and submitted their findings to the Board of Directors.

##### 2. Summary of the remuneration policy

There are two components of remuneration, both monetary, for directors. One is a fixed base salary. The other is remuneration linked to results of operations that is determined in accordance with the achievement of major Nissan Shatai performance targets and the performance of each director. Outside directors receive only the base salary.

- The base salary is a fixed monthly payment that is determined by taking into consideration executive titles, duties, Nissan Shatai's results of operations, the accomplishments of each director and other factors.
- Remuneration linked to results of operations is monetary remuneration that reflects performance indicators for results of operations in each fiscal year. This remuneration is paid in addition to the monthly base salary.
- Remuneration linked to results of operations is determined by using companies in similar industries as benchmarks and establishing a standard ratio of the base salary for each executive title. These standard ratios are determined by the Board of Directors after taking into account the results of a discussion of this matter by the Nominations and Remuneration Committee.

##### Remuneration linked to results of operations

Remuneration linked to results of operations ratio is calculated by multiplying the payment ratio that is established for each title of directors who are also Nissan Shatai corporate officers (40% of FY base salary for the president and 30% for other directors) by the degree to which each individual's targets concerning financial indicators and other performance were achieved in the applicable fiscal year. Financial indicators used for remuneration linked to results of operations are major indicators for the preservation of a sound foundation for business operations for many more years and include consolidated operating income, consolidated free cash flows and other items. Furthermore, these indicators are consistent with the current medium-term management plan and are reexamined as needed to reflect changes in the business climate. To evaluate personal accomplishments, targets for quality and productivity improvements and other items are established that reflect each individual's duties. These items are selected in each fiscal year upon agreement by the president and each director who is also a corporate officer.

## Support Systems for Outside Directors and Outside Statutory Auditors

The Secretariat regularly collaborates with outside directors, and the Auditors' Office regularly collaborates with outside statutory auditors.

Directors receive documents associated with upcoming meetings of the Board of Directors prior to these meetings as well as preliminary explanations of agenda items as needed.

[Status of Persons Who Have Retired from a Position Such as Representative Director and President]

■Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

Name	Title/Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office

Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company	0
--	---

■Other Matters

## 2. Functions Including Business Execution, Audit, Supervision, Appointments, and Remuneration Determination (Outline of Current Corporate Governance Systems) (Updated)

Nissan Shatai has Board of Directors, which decides material business activities of Nissan Shatai and monitors the activities of individual directors. In addition, statutory auditors who comprise Board of Statutory Auditors audit the activities of the directors. Furthermore, Nissan Shatai's Board of Directors is relatively small, so it is structured with a transparent and logical system of delegation, by which the authority to perform business activities is properly delegated to corporate officers and other employees.

There are six directors, including two who is an outside and independent director as stipulated by Tokyo Stock Exchange, Inc. As a rule the Board of Directors meets monthly to make decisions on important business matters.

Nissan Shatai establish two committees at its Board of Directors. The majority of these committees' members are independent outside directors.

1) Nominations and Remuneration Committee

The members of this committee discuss the following items concerning nominations and remuneration and submit their advice to the Board of Directors

- (1) Policies and procedures for the selection or termination of a representative director and for selections of directors and statutory auditor candidates
- (2) Proposals at shareholders meetings for the election or termination of directors and statutory auditors
- (3) Succession plan for the president (chief executive officer)
- (4) Policy for determining the remuneration of directors
- (5) Remuneration for individual directors
- (6) Other items as required by the Board of Directors concerning the preceding items

2) Business Monitoring Committee

The members of this committee discuss significant transactions with related parties and submit their advice to the Board of Directors.

In addition, the Executive Committee consisting of corporate officers and other key managers meets once a week in principle to discuss specific management issues. There are three statutory auditors, including two outside statutory auditors, all of whom are an independent statutory auditor as stipulated by Tokyo Stock Exchange, Inc. Statutory auditors attend meetings of the Board of Directors, and audit the overall execution of work by the Board of Directors in accordance with audit policies the Board of Statutory Auditors determines.

### **3. Reasons for Adoption of Current Corporate Governance System**

(Updated)

Through robust discussion at Board of Directors meetings and other means, Nissan Shatai strives to achieve a situation where directors monitor each other's work. In order to ensure sound supervision of directors, the three statutory auditors, one of whom is an outside statutory auditor, audit directors' execution of work primarily by attending meetings of the Board of Directors and other key bodies, receiving business reports from directors, etc., and reviewing important documents. The audit function is further strengthened by appointing two independent statutory auditors to supervise work from an objective and neutral standpoint.

Nissan Shatai established a voluntary Nominations and Remuneration Committee and Business Monitoring Committee as advisory committees for the Board of Directors in January 28, 2020. The majority of these committee members are independent outside directors.

Each Committee discusses and submits their advice to the Board of Directors about policy for determining the remuneration of directors, remuneration for individual directors and significant transactions with related parties

The current system has been adopted to ensure sound business supervision through such measures.

### III. Measures Relating to Shareholders and Other Stakeholders

#### 1. Efforts to Invigorate General Shareholders Meetings and Facilitate the Exercise of Voting Rights

	Supplementary explanation
Early dispatch of convocation notice for a general shareholders meeting	Notice is dispatched three or more working days prior to legally designated date.
Avoidance of peak date when setting the date for a general shareholders meeting	Most common date for convening general shareholders meetings in Japan is avoided.
Notice of Convocation (Abstract) in English	The English version of the Notice of Ordinary General Shareholders Meeting is available on Nissan Shatai website as well as the Tokyo Stock Exchange website.

#### 2. Investor Relations Activities

	Supplementary explanation	Explanation by representative
Preparation and publication of disclosure policy	<p>Nissan Shatai's fundamental approach to investor relations (IR) activities is to maintain a high degree of transparency in communications on an ongoing basis. We aim to sustain high-quality communication that enables all our stakeholders—including securities analysts and a diverse range of individual investors in addition to institutional investors—to make appropriate and satisfactory investment decisions.</p> <p>In keeping with this approach, Nissan Shatai discloses information on matters such as operating performance and business activities in accordance with applicable laws and ordinances, the Tokyo Stock Exchange's Securities Listing Regulations, and other rules. Nissan Shatai ensures that corporate information thus disclosed is always accurate, and disseminates it in a timely, appropriate, and fair manner.</p>	

	<p>Information about our IR information disclosure policy is available on Nissan Shatai IR site.</p> <p>Japanese: <a href="https://www.nissan-shatai.co.jp/IR/GOVERNANCE/POLICY/index.html">https://www.nissan-shatai.co.jp/IR/GOVERNANCE/POLICY/index.html</a></p> <p>English: <a href="https://www.nissan-shatai.co.jp/EN/IR/GOVERNANCE/POLICY/index.html">https://www.nissan-shatai.co.jp/EN/IR/GOVERNANCE/POLICY/index.html</a></p>	
Posting of IR materials on corporate website	<p>The IR sites contain all IR information related to our company, including the following sections: IR News, Message from President, Medium-term Management Plan, Corporate Profile, Share Price, IR Calendar, Financial Results, various types of Financial Information, Corporate Governance, information about General Shareholders Meeting, history of dividends, Articles of Incorporation, and information for individual investors. Historical information has also been made available through the IR Library as far as possible, and an RSS service has been set up for the News section to enhance convenience for readers.</p> <p>Japanese: <a href="https://www.nissan-shatai.co.jp/IR/TOPPAGE/index.html">https://www.nissan-shatai.co.jp/IR/TOPPAGE/index.html</a></p> <p>English: <a href="https://www.nissan-shatai.co.jp/EN/IR/index.html">https://www.nissan-shatai.co.jp/EN/IR/index.html</a></p> <p>In addition, Nissan Shatai provides information through social media (Facebook and Twitter).</p> <p>Facebook: <a href="https://www.facebook.com/NissanShataiJP">https://www.facebook.com/NissanShataiJP</a></p> <p>Twitter: <a href="https://twitter.com/Nissan_ShataiJP">https://twitter.com/Nissan_ShataiJP</a></p>	
Establishment of units (or position) responsible for IR	Units responsible for IR: Administration Department.	

### 3. Respect for Stakeholder Views (Updated)



	Supplementary explanation
<p>Environmental conservation initiatives, corporate social responsibility (CSR) activities, etc.</p>	<p>The Environmental and CSR Report is posted on the website. Nissan Shatai conducts plant tours, mainly for students of nearby elementary schools include information associated with social studies lessons. There are also plant tours for parents and children during summer vacation and on holidays, and other times Business sites hold festivals for residents of neighboring communities. When a disaster occurs, Nissan Shatai engages in support activities such as relief donations which are useful in afflicted areas, recovery volunteering by employees dispatched to the local area, etc. Also, the roof of the head office building is designated as a tsunami evacuation site by the city of Hiratsuka.</p>
<p>Formulation of policies about the provision of information to stakeholders</p>	<p>Nissan Shatai attaches great importance to ensuring internal and external transparency with regard to our management activities, and put effort into making sure that information disclosure is carried out in an appropriate and timely manner for our stakeholders.</p>
<p>Other</p>	<p>Based on a dedication to diversity, Nissan Shatai is engaged in the deployment and promotion of the appropriate human resources in the appropriate positions based on the abilities and characteristics of the individuals, regardless of their sex, nationality, or hiring background, etc. It also has a training program that incorporates career plans in order to increase the number of female managers. There are currently female employees at the general manager level and manager level at Nissan Shatai. In addition, there are activities for increasing the percentage of women hired when new graduates are recruited and for improving the working environment to enable women to continue advancing their careers at Nissan Shatai. These efforts were highly regarded and Nissan Shatai acquired “Kurumin” certification, certification based on Article 13 of the Act on Advancement of Measures to</p>

Support Raising Next-Generation Children in May 2017. This was the first case as a company with more than 300 employees in Hiratsuka. Furthermore, Nissan Shatai was certified the “Platinum Kurumin” certification in July 2020 and is continuing this certification today. The “Platinum Kurumin” is certified to companies with the “Kurumin” certification that have conducted a higher standard of initiatives.

Nissan Shatai will continue to promote diversity activities and strive to make a more comfortable working environment as one of the priority issues of Medium-Term Management Plan.

Nissan Shatai has been recognized and honored as a White 500 Company continuously since 2019 in the Certified Health and Productivity Management Organization Recognition Program promoted jointly by Japan’s Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

The Certified Health and Productivity Management Outstanding Organizations Recognition Program is a system under which the Nippon Kenko Kaigi examines large enterprises, SMEs and other organizations engaging in initiatives for overcoming health-related challenges in communities or for promoting health-conscious activities led by the Nippon Kenko Kaigi, and recognizes outstanding enterprises engaging in efforts for health and productivity management. Nissan Shatai was recognized under the large enterprise category.

Under our corporate policy, we systematically implement activities to care and promote the health of employees and implement measures for pleasant and lively workplace environments and have industrial physicians, a public health nurse, medical nurses, counselors and others. We also utilize external medical institutions to provide health care services. Our employees have access to programs to prevent lifestyle diseases, deal with mental health issues and receive

	<p>other assistance for maintaining a sound mind and body. These include health guidance based on the results of medical examinations, food seminars, and sports events. Based on stress checks we also implement mental health measures and workplace environment improvement activities at workplaces with high stress levels. We also work toward clarifying issues based on data. We have also been implementing activities to prevent psychosomatic disorders.</p> <p>We implement a PDCA cycle every year to check the effectiveness of these measures and make improvements.</p> <p>We are dedicated to a corporate culture that enables our employees to realize their full potential. To accomplish this goal, we will continue to conduct programs for health maintenance and promotion and implement measures for pleasant and lively workplace environments that contribute to a high level of motivation.</p>
--	--

## **IV. Internal Control Systems**

### **1. Internal Control Systems: Basic Approach and Systems Established** (Updated)

Based on the provisions of the Companies Act and the Ordinance for Enforcement of the Companies Act, the Board of Directors has resolved the basic policies of the following internal control systems (i.e., systems to ensure that the work of Nissan Shatai is properly carried out) and is advancing the establishment of the internal control systems under these basic policies.

- 1) Systems to ensure that directors and employees comply with laws, ordinances, and the Articles of Incorporation in the execution of their duties

Recognizing the importance of directors and employees of Nissan Shatai acting with sound judgment as members of society, Nissan Shatai develops the Nissan Shatai Code of Conduct-Our Promise in the aim of ensuring legal compliance and proper execution of duties. In-house training and other courses promote dissemination of the Code of Conduct, and all directors and employees submit written oaths of compliance with the Code of Conduct. Furthermore, each Nissan Shatai group company develops own code of conduct based on Nissan Shatai's code and promote dissemination of their respective code. The Internal Control Office performs all activities involving

internal controls in order to ensure that these controls are used and to make improvements. The Internal Audit Office also conducts audits of Nissan Shatai and its group companies, primarily to check compliance with laws, ordinances, and the Articles of Incorporation.

Nissan Shatai and its group companies introduce hotline system(internal and external) so that employees of Nissan Shatai and its group companies can freely and directly submit opinions, questions or requests and provide information about suspected actions of none compliance, and such issues are promptly identified and rectified. If a matter that could contravene the Code of Conduct is reported, a solution is immediately discussed at meeting of the Nissan Shatai Compliance Committee or its group companies' Compliance Committees and implemented.

Furthermore, Nissan Shatai and its group companies strive to enhance internal control mechanisms to ensure the reliability of financial reporting in accordance with the Financial Instruments and Exchange Law together with its related rules and standards.

## 2) Systems for storage and management of information relating to the exercise of directors' duties

Nissan Shatai and its group companies' minutes of general shareholders meetings and of Board of Directors meetings, together with records of decisions made pursuant to the authority criteria and documentation on other decisions, are stored and managed in accordance with laws and internal regulations at Nissan Shatai and its group companies respectively. Directors, statutory auditors and some others have access to such documentation for the purpose of performing their business activities.

Nissan Shatai and its group companies implement Information Security Policy respectively to enhance proper and strict retention and management of information and to prevent improper use of information and unintended disclosure of such information. Furthermore, Nissan Shatai and its group companies have Information Security Committee respectively, which is engaged in overall management of information security and make decisions with respect to information security matters.

## 3) Risk management regulations and systems

Nissan Shatai and its group companies prevent the occurrence of risks that could hinder business continuity or threaten stakeholder safety or security and, if they occur, mitigate the magnitude of losses and prevent recurrence by sensing such risks as early as possible and implementing appropriate countermeasures.

The Risk Management Committee chaired by Nissan Shatai's president is responsible for the management of Nissan Shatai and its group companies'

risk, which implements necessary measures and monitor the progress of such measures.

Key risks for Nissan Shatai and its group companies include environmental, quality, and safety issues. Nissan Shatai regularly convenes meetings of specialist committees including Environmental Committee, Quality Committee, and Safety Council, and develops regulations, standards, manuals and other rules and conduct rigorous training programs in order to prevent the occurrence and, if they occur, mitigate the magnitude of losses and prevent recurrence.

#### 4) Systems to ensure efficient execution of duties by directors

Nissan Shatai has Board of Directors, which decides material business activities of Nissan Shatai and monitors the activities of individual directors. In addition, statutory auditors who comprise Board of Statutory Auditors audit the activities of the directors.

Nissan Shatai's Board of Directors is relatively small, so it is structured with a transparent and logical system of delegation, by which the authority to perform business activities is properly delegated to corporate officers and other employees.

The Executive Committee consisting of corporate officers and other key managers meets once a week in principle to discuss specific management issues.

Nissan Shatai enacts Responsibilities of Each Department for the purpose of defining the responsibilities of each department and enacts Delegation of Authority for the purpose of clarifying the deciders and decision making processes, and speeding up the execution of business activities. Likewise, its group companies enact objective and transparent Responsibilities of Each Department and Delegation of Authority. Nissan Shatai and its group companies periodically review those Responsibilities of Each Department and Delegation of Authority to assure prompt and efficient decision making.

Nissan Shatai ensures the efficient and effective management of its business by determining and sharing management policy and business direction in Nissan Shatai and its group companies through establishment of the mid-term management plan and the annual business plan.

#### 5) Systems to ensure proper conduct of work in the corporate group consisting of Nissan Shatai and its parent company and subsidiaries

[1] Systems to ensure efficient execution of duties by subsidiaries' directors and the like

To achieve consistency and efficiency in group management, Nissan Shatai holds regular meetings with the parent company and Nissan Shatai group

companies respectively and shares with management policies and other important information. Each department of Nissan Shatai enhances cooperation with corresponding function of the group companies and achieves consistency and efficiency in group management.

[2] Systems to ensure that directors and the like and employees comply with laws, ordinances, and the Articles of Incorporation in the execution of their duties

To ensure that directors and employees of Nissan Shatai group companies comply with laws, ordinances, and the Articles of Incorporation, Nissan Shatai implements the measures described in "(1) Systems to ensure that directors and employees comply with laws, ordinances, and the Articles of Incorporation in the execution of their duties". Nissan Shatai's code of conduct is made in compliance with the parent company's code of conduct and sets out consistent philosophies on matters such as compliance and information security. In addition, Nissan Shatai implements hot line system by which employees of Nissan Shatai group companies are able to submit information to its parent company.

When necessary, directors and employees of Nissan Shatai are appointed concurrently as directors or auditors in its group companies and supervise execution of duties and accounting practices on an ongoing basis.

Furthermore, statutory auditors of Nissan Shatai and its group companies periodically have Group Statutory Auditors Meeting for the purpose of ensuring effective auditing of group companies and share information and exchange opinions from the viewpoint of consolidated management.

[3] Risk management regulations and systems of the subsidiaries

To manage risk of Nissan Shatai group companies, Nissan Shatai implements the measures described in "(3) Risk management regulations and systems".

[4] Systems for reporting from directors and the like to the company about the execution of their duties

Nissan Shatai requests its group companies to report about important information of their duty executions.

6) Matters relating to employees appointed to assist Nissan Shatai's statutory auditors in their duties and the independence of such employees from directors, and systems to ensure the effectiveness of instruction by statutory auditors

To improve the effectiveness of audits by Nissan Shatai's statutory auditors and enable the statutory auditors to perform audits smoothly, Auditors Office has been established and staffed with managers and/or other employees and perform its duties under the instruction and supervision of statutory auditors.

To ensure the independence of the managers and other employees, their appointment, dismissal, appraisal, transfer to another department and disciplinary action require prior consent from the Board of Statutory Auditors.

7) Systems for reporting to Nissan Shatai's statutory auditors and systems to ensure that a person who reported to the statutory auditors is not unfairly treated because of making such report

[1] Systems for reporting to Nissan Shatai's statutory auditors from its directors and employees

When Nissan Shatai's directors or employees find any issues that had or may have a material impact on the management of Nissan Shatai or its group companies, and caused or may cause material violation of code of conduct, they promptly report such issues to the Nissan Shatai's statutory auditors. In addition, Nissan Shatai's directors and employees are required to make an ad-hoc report to the statutory auditors regarding the situation of business activities when so requested.

In accordance with annual audit plan, Nissan Shatai's statutory auditors attend meetings of the Board of Directors and representative of statutory auditors attends Executive Committee meetings to identify important decisions made by Nissan Shatai and its group companies and to ascertain the execution status of such decisions. Progress with implementation and issues under consideration are also reported to statutory auditors during regular business hearings of divisions. Moreover, the Internal Audit Office provides reports regularly about audit plan and audit result to the Board of Statutory Auditors.

[2] Systems for reporting to Nissan Shatai's statutory auditors from directors, statutory auditors, the like, and employees of subsidiaries or a person who received information from them

Directors and statutory auditors, other executives, and employees of Nissan Shatai group companies report promptly to directors and employees of Nissan Shatai when any issues that should be reported to Nissan Shatai's statutory auditors occur. And then directors and employees who are reported about such issues report them to Nissan Shatai's statutory auditors. In addition, directors and statutory auditors, other executives, and employees of Nissan Shatai group companies are required to make an ad-hoc report to Nissan Shatai's statutory auditors regarding the situation of business activities and any other issues when so requested.

[3] Systems to ensure to prevent disadvantageous treatment of those who made a report as stated in [1] and [2] above on the basis of making such report

Nissan Shatai prohibits disadvantageous treatment of those who made a report as stated in [1] and [2] above on the basis of making such report.

Nissan Shatai takes necessary measures to protect those who made such report and takes strict actions, including disciplinary actions, against directors and employees of Nissan Shatai and its group companies who gave disadvantageous treatment to those who made such report.

8) System for advance payment or settlement of expenses arising from the execution of the duties of Nissan Shatai's statutory auditors and the policy for settlement of expenses arising from the execution of their duties.

Nissan Shatai promptly processes advance payment or settlement of expenses and liabilities arising from the execution of their duties when statutory auditors so requests. In accordance with Companies Law, except when it is proven that the expenses and liabilities are unnecessary. Appropriate amount of budget for audit activities is secured.

9) Other systems to ensure effective audits by statutory auditors

At least 50% of the statutory auditors are outside statutory auditors. The statutory auditors hold meetings of the Board of Statutory Auditors and Statutory Auditors Meeting periodically in order to share tasks by exchanging information and opinions. Ad-hoc meetings are also held whenever necessary.

Nissan Shatai's statutory auditors and president periodically hold meetings to exchange information and views about the financial condition, tasks to be tackled and risks associated with Nissan Shatai's business activities. Statutory auditors receive periodic audit reports from the accounting auditor.

## **2. Elimination of Antisocial Forces: Basic Approach and Systems Established**

(1) Basic approach to elimination of antisocial forces

Nissan Shatai is resolute in its opposition to antisocial forces. In the event that directors or employees are approached in any way by members of antisocial groups, they quickly report the matter to their superiors and relevant divisions and follow instructions. If directors or employees directly or indirectly encounter dishonest or criminal conduct such as fraud or extortion in the course of their duties, or if they suspect such conduct, they resolutely refrain from involvement, quickly report the matter to their superiors and relevant divisions, and follow instructions.

(2) Establishment of systems aimed at elimination of antisocial forces



The “Nissan Shatai Code of Conduct—Our Promise” sets out Nissan Shatai’s determination to act in accordance with the basic approach outlined above. Other systems established are listed below.

- 1) Designation of supervisory division and appointment of manager responsible for preventing unreasonable demands

Nissan Shatai has designated a division in charge of supervising responses to antisocial forces and appointed a manager responsible for preventing unreasonable demands. Systems have been put in place to ensure that information on any unreasonable demands from antisocial forces to Nissan Shatai is immediately communicated to the division and the manager.

- 2) Collaboration with external specialists

Nissan Shatai communicates with the police and the external organizations that aim to defend companies against antisocial forces, and immediately seeks advice and guidance in the event of any demand from such forces.

- 3) Gathering and managing information on antisocial forces

Through collaboration with the police and the external organizations, Nissan Shatai gathers information on the latest trends and responses to antisocial forces, and uses this information to raise awareness within Nissan Shatai.

- 4) Response manual

Nissan Shatai has prepared a manual for responding to unreasonable demands, and acts in accordance with the manual in the event of any such demands.

- 5) Training

All employees receive training about compliance that includes dealing with antisocial forces and everyone signs a pledge to comply with compliance guidelines.

## **V. Other Matters**

### **1. Takeover Defense Measures**

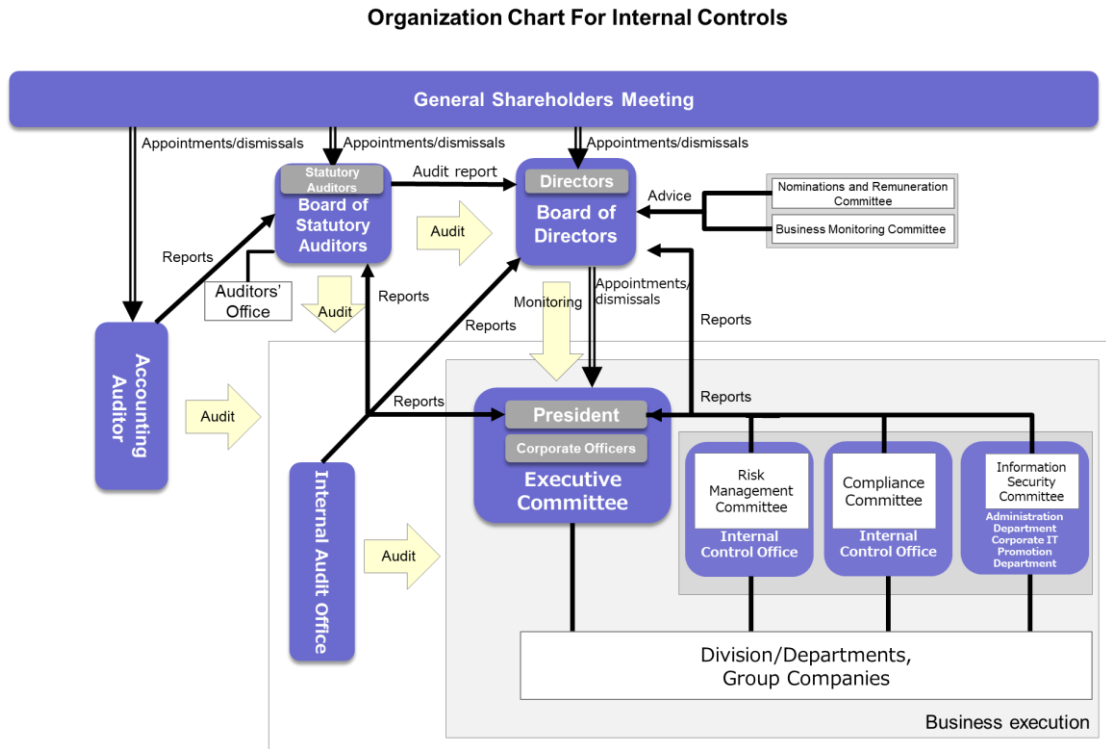
Takeover defense measures introduced	No
--------------------------------------	----

■ Supplementary explanation

—

## 2. Other Matters Related to Corporate Governance Systems (Updated)

### Organization Chart For Internal Controls



## **Timely Disclosure System Overview**

Corporate information is passed to the Administration Department, which is responsible for handling such information and decides whether timely disclosure is required. If disclosure is required, the information is communicated to the Tokyo Stock Exchange (TSE) via TDnet and posted on the Nissan Shatai website, etc.

### **(1) Information on resolutions**

Resolutions made by Nissan Shatai's decision-making bodies, the Board of Directors and the Executive Committee, are communicated to Administration Department.

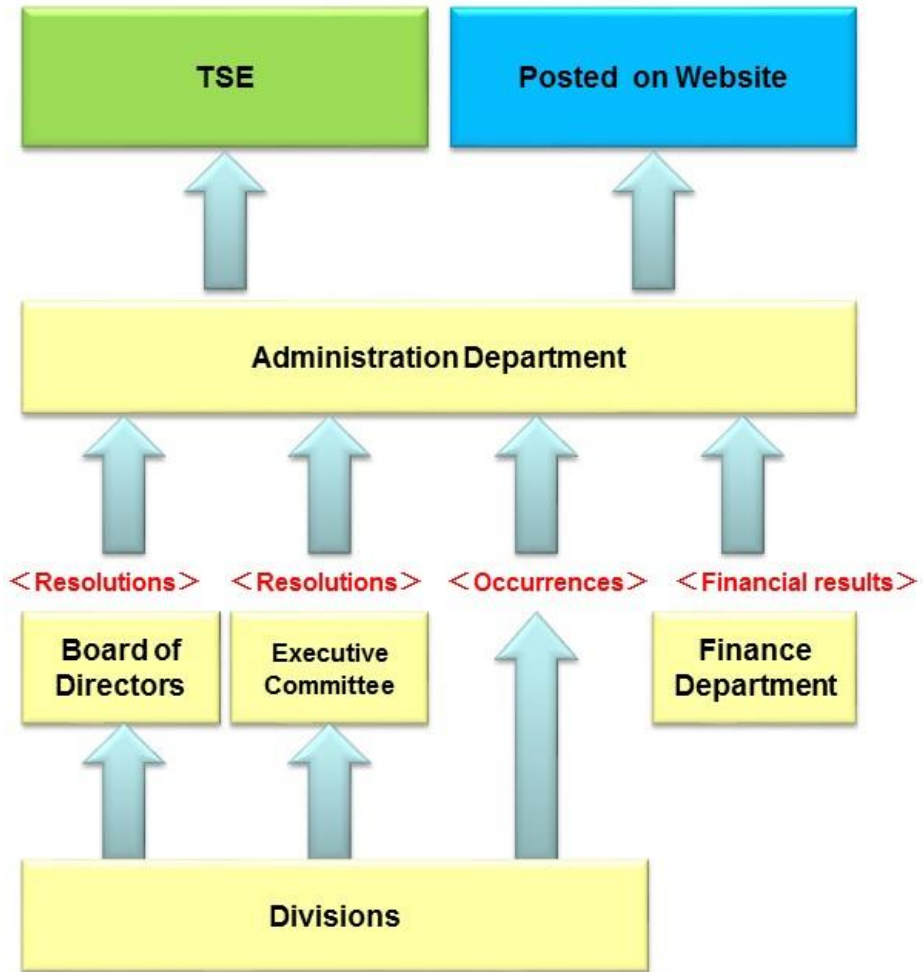
### **(2) Information on occurrences**

Communicated to the Administration Department by each division within Nissan Shatai.

### **(3) Information on financial results**

Communicated to the Administration Department by the Finance Department.

## Timely Disclosure System Overview



## Skill matrix of directors and statutory auditors after appointments

Name	Title	Primary Expertise / Experience							
		Corporate Management	Automotive Industry	Governance/ Internal Controls	Legal/ Risk Management	Finance/ Accounting	Human Resources	Manufacturing / Product Technology	Global
Haruhiko Yoshimura	Director and President	●	●	●	●			●	●
Shin Kotaki	Director and Senior Vice President	●	●	●		●	●	●	●
Masayuki Yabe	Director and Senior Vice President	●	●					●	●
Takuya Nakamura	Director and Senior Vice President	●	●		●			●	●
Masayuki Imai	Director (Independent, Outside)	●	●	●	●	●			
Yasuyuki Ohira	Director (Independent, Outside)	●		●	●		●	●	
Kiyoshi Aoji	Statutory Auditor (Full-time)	●	●	●	●		●	●	
Izumi Inoue	Statutory Auditor (Independent, Outside)	●	●	●	●		●		●
Tomonori Ito	Statutory Auditor (Independent, Outside)	●		●	●	●	●		