

# Corporate Governance

NISSAN SHATAI CO., LTD.

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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 (Updated)

We have clarified the management's responsibility to provide explanations and are carrying out proper and timely disclosure of information to shareholders and other stakeholders. Furthermore, to continually enhance corporate value, we are ensuring proper execution of business operations by establishing internal control systems, and further enhancing our corporate governance.

### **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.

**Principle 5-2 – Establishing and Disclosing Business Strategies and Business Plans**  
(Action to Implement Management that is Conscious of Cost of Capital and Stock Price(Under Consideration))

Accurately identify the cost of capital of Nissan Shatai and consider earnings plans and capital policies, etc. for improvement of our return on capital and market valuation.

[Disclosure based on principles of the Corporate Governance Code \(Updated\)](#)

**Principle 1-4 – Investments other than for pure investment purposes**

Although Nissan Shatai holds no listed stocks as investments other than for pure investment purposes, 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.

Furthermore, when exercising voting rights pertaining to cross-shareholdings, Nissan Shatai judges whether to support or oppose a proposal in light of the purpose of holding the stocks and after sufficiently considering the management policies and strategies of the company.

**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**

Vibrant utilization of people with a wide range of values makes it possible to leverage corporate capabilities to the fullest extent and maintain sustainable growth. Nissan Shatai and Nissan Shatai Kyushu have advocated “promoting diversity” as an important item in our Medium-term Management Plan since fiscal 2015. With a basic policy of “being a company where all workers can fully utilize their skills,” we continuously implement actions to deliver even better results by supporting a healthy lifestyle for all employees, not only those involved in childcare and nursing care.

In the 2023-2027 Medium-term Management Plan, we broaden the scope to “diversity, equity, and inclusion” and intend to put effort into activities that advance fairness and acceptability, not only diversity. In addition to “the active participation of women” and “assisting in realization of childcare and nursing care along with work,” we aim to build a corporate culture that is comfortable for all employees with greater acceptance of diversity values and views, including age, nationality.

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

- Promoting active participation of women

Nissan Shatai and Nissan Shatai Kyushu are earnestly developing a culture and designing systems on behalf of promoting active participation of women. We seek to expand the percentage of women in new university graduate hires and improve the work environment to facilitate continuation of a career. We also encourage cultivation based on a career plan with the goal of promoting selection in managerial jobs. Roughly 5% of managers were women as of end-March 2023, and we are working to promote empowerment of more women with a goal of 10% in the future.

In the 2023-2027 Medium-term Management Plan, we intend to formulate and implement an initiative plan for acquisition of “Eruboshi” certification. Additionally, we will strengthen corporate PR for a wider segment among new university graduates and activities that lead to employment aimed at bolstering career hires and selection of an even wide range of human resources.

Item	Initiative content	Fiscal 2022 goals	Fiscal 2022 results
Female manager ratio	Implement career discussions	4.7% (nine people)	4.2% (eight people)
Paternity leave usage ratio	Implement briefing by managers and supervisors Raise awareness of the program via the internal newsletter	—	52.4%
Paid holiday usage ratio	Provide monthly result updates to the manager and implement usage promotions	Average 14 days company-wide	Average 17.5 days company-wide

- Utilization of diverse human resources

Nissan Shatai Group does not set specific numerical goals for managerial positions given to foreign employees and mid-career employees but instead appoints managers based on the concept of “making assignments and appointments of the right person for the right job in accordance with personal capabilities and characteristics,” rather than relying on hiring categories or attributes.

In hiring people with disabilities, Nissan Shatai Group advocates maintaining employment at a level above the legally required percentage and actively implementing hiring activities. Besides hiring new university graduates, it participates in company introductions sponsored by Hello Work and hires a few mid-career people annually. Since fiscal 2021, it launched the Sunshine team that prepares the workplace environment and is contributing to development of a pleasant workplace.

Items	Initiative content	Fiscal 2022 goal	Fiscal 2022 result
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Percentage of employees with disabilities (consolidated)	Hire new graduate and mid-career hiring “Sunshine” launch	2.50%	2.66%
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**(iii) Human Resources Development Policy and Implementation Status**

- Human Resource Development

Nissan Shatai Group arranges training operations for individuals to attend classes in accordance with their growth. These training activities range from basic knowledge needed in the work world to cultivation of management human resources with broad understanding.

Furthermore, with the aim of fostering a culture of constant improvement, Nissan Shatai Group strongly promotes improvements in product and work process quality via QC circle activities in skilled workplaces and also conducts activities that visualize and resolve issues and Quality Function Deployment (QFD) activities that utilize a quality function deployment methodology in administrative and technology workplaces. It puts efforts into skill education to enhance work efficiency in which employees prepare their own program utilizing management and facilitation capabilities required for managerial positions and digital tools.

The personnel evaluation system promotes employee and company growth by basing compensation on employee performance and contributions. Furthermore, the internal awards program that recognizes employee efforts and results aims to boost enthusiasm and motivation.

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

- Reinforcement of systems and preparation of the environment

In addition to existing flex work, Short working hours system, and promotion of using annual paid holidays, we introduced family support leave that can be applied to childcare, nursing care, and other situations, and teleworking system, and we are also reinforcing systems that support the joint realization of work and childcare/nursing care. We are also promoting the use of assistance equipment that lightens the load of picking up heavy items and automation to facilitate the engagement of women in skilled workplaces.

We are reinforcing the environment to enable the continuation of careers and realization of performance through childbirth and childcare and continuously implementing education to foster an internal culture that makes it easy for men to participate in childcare too. In April 2019, we opened a preschool within the company called “Kids’ Caravan” and created an environment where it is easy to work during the childcare period.

Thanks to these initiatives, we bolstered our systems for childcare and nursing care compared to when we started and significantly enhanced employees’ understanding of diversity.

(Results of an internal questionnaire on childcare and nursing care programs)

Fiscal 2018 questionnaire	Fiscal 2022 questionnaire
Understanding and affirmative response rate 59%	Understanding and affirmative response rate 76%

- Platinum Kurumin

Nissan Shatai was the first company with 300 or more employees in Hiratsuka to receive certification based on Article 13 of the Act on Advancement of Measures to Support Raising Next-Generation Children, which is commonly known as “Kurumin” certification, in May 2017. Additionally, since July 2020, we continuously acquired “Platinum Kurumin” certification available to “Kurumin” certified companies that conduct even more advanced initiatives.

- Health management

With a corporate policy that “Only people with sound mind and body are able to work with vigor, peace of mind, and integrity,” Nissan Shatai and Nissan Shatai Kyushu arrange operations with industrial physicians, public health nurses, medical nurses, counselors, and others, and cooperate with external specialty agencies, and address health maintenance and enhancement activities as organizational capabilities.

Nissan Shatai Group provides health guidance based on health diagnosis results and conducts food seminars and other events at preventing lifestyle diseases. It also conducts mental health measures such as workplace improvement activities for high stress workplaces based on stress check results and seminars. These data-based efforts have successfully clarified issues and supported activities to prevent mental and physical difficulties ahead of time. It implements the PDCA cycle annually for these activities to review results and intends to deepen and continue activities. Thanks to these efforts, it received certification as a “Health and Productivity Management Organization – White 500” from METI and the Nippon Kenko Kaigi since 2019.

- Employee engagement

Nissan Shatai Group implements workplace improvement activities that address workplace issues and requests. It has prioritized items from the many requests regarding heat-related measures, toilets, changing rooms, welfare buildings, common areas, and dormitories for single people and proceeded with improvements. It intends to continue efforts through close communication with employees and confirmation of requests. Furthermore, Nissan Shatai Group prepares and distributes a pamphlet that covers company topics, connections to SDGs, contributions to local society, awards received at external events, and other results that reflect employee efforts and are a source of pride. It plans to continue preparing the pamphlet to encourage feelings of happiness and pride regarding work at the group by enabling all employees to share and understand these company initiatives.

### **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**

Nissan Shatai and Nissan Shatai Kyushu approach the environment, society, employees, and respect for human rights as management issues from the standpoint of sustainability, and one of the pillars of our 2023-2027 Medium-term Management Plan advocates establishment of a “sustainable corporate foundation.” The “sustainable corporate foundation” mainly involves promotion of initiatives aimed at realizing carbon neutrality in 2050 and also company climate in which anyone can work with motivation and peace of mind.

<Governance>

We report initiatives related to sustainability to the Board of Directors at appropriate times.

<Risk management>

We establish a Risk Management Committee with the Director & President as the Committee Chair to promote risk management, discover and identify matters that interfere with business continuity and risks that threaten stakeholder safety and reassurance, and review and implement necessary measures. These processes aim to prevent risks ahead of time and minimize damages and prevent reoccurrence if they occur. We identify and assess risks based on the frequency of occurrence and scale of damages and manage serious risks via the Risk Management Committee.

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

##### **[Human Capital]**

Employees are the source of our corporate growth and advancements. Nissan Shatai Group hence sees employees as “human resources and assets” rather than “personnel.” We believe the employees working at our company are the most vital assets and strive to cultivate and educate human resources with the aim of being a company that can co-exist with society, the environment, and nature.

Nissan Shatai Group discusses important points related to human capital in a meeting comprised of the President and Senior Vice Presidents and reaches decisions on proposals that should be submitted to the Executive Committee. We set KPI related to diversity, active participation of women, long-hour labor, and leave usage, confirm progress, and report to the Board of Directors as appropriate. Regarding risk and responses related to impact of resource shortages on work, the Risk Management Committee discusses these topics and reports the results to the Board of Directors.

##### **[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 an urgent necessity. Amidst this environment, we have set "Evolution and deepening of uniqueness" as one of the important issues for the 2023-2027

medium-term management plan, and we will continue to explore innovation, efficiency and flexibility through technologies and ideas brimming with uniqueness. Furthermore, we will tackle the “Creation of appealing products” and aim to meet the diversifying needs of our customers in a timely manner and create products and value which excite our customers. 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.

**(iii) TCFD or equivalent frameworks**

In environment-related initiatives, based on recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), we intend to build governance and risk management that address climate change and review risks and opportunities as well as responses in accordance with the climate change scenario. We plan to advance responses recognized risks and opportunities and promote initiatives to realize a “sustainable corporate foundation.”

<Governance>

We formed an Environment Committee and are promoting organizational activities to reduce the environmental burden by formulating environment-related policies, targets, and goals, confirming progress with the environmental management plans of each department, and discussing revisions to the environment management system. The Director & Senior Vice President, who is responsible for the overall supervision of environment-related activities, chairs the Environment Committee and periodically reports content from the Environment Committee at the Executive Committee chaired by the Director & President. The Director & Senior Vice President reports discussions and decision items from the Environment Committee at the Board of Directors.

<Strategies, risks and opportunities>

For our review of climate change risks and opportunities that affect business, we envisioned a society based on the IEA’s 4°C and 2°C scenarios and the IPCC’s 1.5°C special report. The following table presents recognized risks and opportunities. We also intend to cautiously review impact on the company’s financial conditions.

Category		Risks and opportunities
Risks	Policy and legal regulations	Impact of technology development and production costs to comply with even stricter car fuel economy and emission regulations
		Increase in energy costs due to deployment and expansion of a carbon tax
	Market change	Decline in new vehicle sales volume due to change in consumer sentiment such as increased use of public transportation, bicycles, and mobility services
	Price upturn	Upturn in raw material prices accompanying increase in demand related environmental responses
	Abnormal weather	Plant disaster accompanying abnormal weather related to hotter temperatures (suspended operations, restoration investments, etc.)



		Severing of the supply chain by abnormal weather related to hotter temperatures
Opportunities		Increase in demand driven by development of CASE-related products
		Reduction of energy costs through expansion of investments in energy-saving measures

IEA: International Energy Agency

IPCC: Intergovernmental Panel on Climate Change

CASE: Connected, Autonomous, Shared & Services, Electric

<Responses to risks and opportunities>

In the 2023-2027 Medium-term Management Plan, Nissan Shatai Group intends to implement the following activities aimed at minimizing recognized climate change risks and maximizing opportunities.

■ Realization of technology that improves the global environment via carbon neutrality and responds to customer needs

◇ Rigorous utilization of existing technology items

- Promotion of LEDs for all lighting, renewals to energy-saving facilities, further visualization of energy consumption, and promotion of eco-friendly offices

◇ Deployment of clean energy

- Deployment of solar power and other renewable energy

◇ Development of technologies needed for responses to CASE and other trends

◇ Realization of quality that exceeds customer expectations

◇ Response to legal and social requirements

■ Preparation for disasters and a business continuity plan (BCP)

◇ Preparation for serious disasters

◇ Response to parts supply issues

<Risk management>

Nissan Shatai Group intends to review issues and responses and proceed with actions in addressing risks related to climate change by operating the Risk Management Committee, Environment Committee, and Environment Management System.

<Indicators and goals>

Nissan Shatai Group set the following 2030 goals premised on attaining carbon neutrality in 2050.

Reduction rate for CO<sub>2</sub> emissions per unit produced at Nissan Shatai and Nissan Shatai Kyushu (compared to fiscal 2019)

- Nissan Shatai 10% reduction
- Nissan Shatai Kyushu 24% reduction

The following table presents GHG emissions in Scope 1 and 2 at Nissan Shatai and Nissan Shatai Kyushu.

■ Fiscal 2022 GHG total emissions(corporate carbon footprint) Unit: t-CO<sub>2</sub>

Scope 1 : 17,013

Scope 2	: 29,527
Scope 1 + 2	: 46,540
Nissan Shatai Co., Ltd.	: 20,915
Nissan Shatai Kyushu Co., Ltd.	: 25,625

\*Nissan Shatai's covered locations: Head Office and Shonan Plant, Techno Center, and Hadano Office

#### (iv) Respect for human rights

- Human rights philosophy

Nissan Shatai and Nissan Shatai Kyushu considers the strict adherence to corporate rules and applicable laws and practices fundamental to its business activity. The human rights of all stakeholders must be respected and all Nissan Shatai and Nissan Shatai Kyushu employees must act while upholding the highest ethical standards. We do not condone discrimination on the basis of race, nationality, gender, religion, disability, age, place of origin, gender identity, sexual orientation or any other characteristic nor infringement on human rights in the supply chain, such as forced labor and child labor.

- Initiatives related to human rights

Nissan Shatai and Nissan Shatai Kyushu conduct initiatives related to human rights based on the following code of conduct and guidelines to ensure respect for the human rights of all stakeholders as a member of the Nissan Group.

- Global Code of Conduct

[https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/HUMANRIGHTS/PDF/NISSAN\\_GCC\\_E\\_2308.pdf](https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/HUMANRIGHTS/PDF/NISSAN_GCC_E_2308.pdf)

- Corporate Social Responsibility Guidelines for Suppliers

[https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/HUMANRIGHTS/PDF/CSR\\_Guidelines\\_Suppliers\\_e.pdf](https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/HUMANRIGHTS/PDF/CSR_Guidelines_Suppliers_e.pdf)

#### **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 - 2. Functions Including Business Execution, Audit, Supervision, Appointments, and Remuneration Determination (Outline of Current Corporate Governance Systems)" of the Nissan Shatai Corporate Governance Report.

#### **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.

#### **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 FY2022 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) Composition, operation, and discussions of the Board of Directors
  - (2) Monitoring functions of the Board of Directors
  - (3) Training for Directors and Statutory Auditors
  - (4) Operation and discussions of the voluntary committees

##### 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. The overview is as follows.

- 1) There is no problem with the composition and operation of the Board of Directors.
- 2) The Board of Directors has established sufficient deliberation time and is endeavoring to realize appropriate decision-making and management supervision.
- 3) All the members of the Board of Directors, including Outside Directors and Outside Statutory Auditors, possessing a wide range of experience and expertise state opinions and advice based on their respective experiences and perspectives, and fulfill the roles that they should fulfill.

### 3. Opinions and issues to enhance effectiveness

In FY2022, the Board of Directors ensured sufficient deliberation time and worked to improve the quality and vitality of its discussions.

In discussions concerning evaluations by all of the Directors and all of the Statutory Auditors, the following opinions were presented with the objective of further increasing effectiveness. We will continue to work on improving these points and will also aim to enhance the discussions in the Board of Directors.

- 1) Further examinations concerning management strategies and management plans in consideration of the cost of capital and the return on capital
- 2) In addition to the forum of the Board of Directors, enhancement of information sharing and discussions among Directors and Statutory Auditors in other forums as well
- 3) Enhancement of supervision of the risk management and operational status of the Nissan Shatai Group overall
- 4) Further enhancement of deliberations concerning important transactions and examination of the appropriateness of the items for deliberation
- 5) Thorough implementation of timely and appropriate reporting of information concerning risk incidents to the Statutory Auditors

### **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**

#### (i) 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.

(ii) Status of implementation of dialogue with shareholders, etc.

The status of implementation of dialogue with shareholders, etc. is published on the Nissan Shatai website.

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

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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### 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	16,670,700	12.31%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,058,100	3.00%
Nissan Shatai Supplier Stock Ownership Plan	2,461,200	1.82%
ECM MF	2,182,800	1.61%
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	1,182,900	0.87%
Japan Custody Bank, Ltd. (Trust Account)	977,500	0.72%
JP MORGAN CHASE BANK 385781	792,283	0.58%
FCP SEXTANT ATOUR DU MONDE	700,000	0.52%

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 September 30, 2023.  
Nissan Shatai holds 21,786,830 shares of treasury stock, but has been excluded from the above list of major shareholders.

(Note: All shares of treasury stock were cancelled on December 8, 2023.)

In its Large Shareholding Report (Change Report) made available for public inspection on December 27, 2021, Effissimo Capital Management Pte. Ltd. listed the shares below as being held as of December 21, 2021. However, Nissan Shatai is unable to confirm the number of beneficially owned shares as of September 30, 2023. Accordingly, Effissimo Capital Management is not included in the above list of major shareholders.

The contents of the Large Shareholding Report (Change Report) are as follows.

Name: Effissimo Capital Management Pte. Ltd.

Number of shares held: 40,199,300

The Holding Ratio of Share Certificates, etc.: 25.57%

### 3. Corporate Attributes

Stock exchange listing (Updated)	Standard 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**

Nissan Motor Co., Ltd., the parent company, holds 50.0% of voting rights in Nissan Shatai. Since 98.0% (Consolidated) and 99.8% (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
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### 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)

Name	Affiliation	Relationship to company*										
		a	b	c	d	e	f	g	h	i	j	k
Yasuyuki Ohira	From another company											
Hideaki Shinada	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)

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)
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. 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.
Hideaki Shinada	○	Mr. Hideaki Shinada was Representative Director and President of Ajinomoto AGF, Inc.	Mr. Shinada has many years of experience in food division in another industry, and

		There are no capital ties and business relations between Nissan Shatai and this company.	served as the global business manager and 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.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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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 Regarding the roles of the committees and the policy on independence regarding the composition of the committees, please refer to the content described in [II. Management Organization for Operational Decision-Making, Execution, and Supervision, and Other Corporate Governance Structures] → [2. Functions Including Business Execution, Audit, Supervision, Appointments, and Remuneration Determination (Outline of Current Corporate Governance Systems)].

## 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 quarterly and 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
Tomonori Ito	From another company										△			
Nobutaka Kanaji	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 off, 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)
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	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.

		companies where Mr. Ito was employed.	
Nobutaka Kanaji	○	Mr. Kanaji was Representative Director and President of T-Gaia Corporation. There are no capital ties and business relations between Nissan Shatai and this company.	Mr. Kanaji has many years of experience in information and communication field in another industry, and supervised various departments such as each sales department and corporate department. 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.

### Independent Directors and Independent Statutory Auditors

Number of independent directors and independent statutory auditors	Four
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#### 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
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#### 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	
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#### Supplementary explanation

## Directors' Remuneration

Disclosure (of individual directors' remuneration)	Individual directors' remuneration is not disclosed.
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### 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
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### 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 March 22, 2022, the Board of Directors approved a resolution concerning partial amendment of 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 contributions 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 (secretarial and director support) regularly collaborates with outside directors, and the Secretariat (statutory auditor support) 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
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## Other Matters

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

Nissan Shatai has a 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.

The Board of Directors resolves the material business activities in Nissan Shatai such as the basic policies concerning management and matters concerning the General Shareholders Meeting, directors, finance, stocks, human resources and the organization, etc. and the matters stipulated in the applicable laws and the Articles of Incorporation in accordance with the rules of the Board of Directors and their bylaws. Furthermore, it monitors the activities of the directors and executive officers by receiving reports about the status of the business activities, including production, financial status, etc.

There are six directors, including two who are outside directors and independent directors as stipulated by Tokyo Stock Exchange, Inc. As a rule the Board of Directors meets monthly and in addition ad-hoc meetings are also held whenever necessary. Eighteen meetings were held in the current fiscal year. The status of attendance by individual directors is as follows.

- Haruhiko Yoshimura (President) : 18 times/18 times (100%)
- Shin Kotaki (Director) : 18 times/18 times (100%)
- Masayuki Yabe (Director) : 18 times/18 times (100%)
- Takuya Nakamura (Director) : 18 times/18 times (100%)
- Masayuki Imai (Outside Director) : 18 times/18 times (100%)
- Yasuyuki Ohira (Outside Director) : 14 times/14 times (100%)
- Seiichiro Ichikawa (Outside Director) : 4 times/4 times (100%)

\* Yasuyuki Ohira attended all of the meetings held after he became an outside director on June 23, 2022.

\*\* Seiichiro Ichikawa attended all of the meetings held before he resigned on June 23, 2022.



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 purpose of the Nominations and Remuneration Committee is to increase the transparency and objectivity of the procedure used for decisions concerning nominations of director and statutory auditor candidates and remuneration for directors. Therefore, the committee discusses the following items concerning nominations and remuneration in response to requests from the Board of Directors or the President for advice and submits its 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

Of the three members of this committee, the majority (two members) are independent outside directors, and the Committee Chair is an independent outside director. Furthermore, an independent outside statutory auditor attends the committee as an observer.

This committee meets based on an annual schedule and in addition ad-hoc meetings are also held whenever necessary. Four meetings were held in the current fiscal year. The status of attendance by individual committee members is as follows.

- Masayuki Imai (Outside Director) : 4 times/4 times (100%)
- Yasuyuki Ohira (Outside Director) : 2 times/2 times (100%)
- Haruhiko Yoshimura (President) : 4 times/4 times (100%)
- Seiichiro Ichikawa (Outside Director) : 2 times/2 times (100%)

\* Yasuyuki Ohira attended all of the meetings held after he became an outside director on June 23, 2022.

\*\*Seiichiro Ichikawa attended all of the meetings held before he resigned on June 23, 2022.

#### 2) Business Monitoring Committee

The Business Monitoring Committee discusses significant transactions with related parties and submits its advice to the Board of Directors.

The purpose of this committee is to increase the transparency and objectivity of the procedure used for decisions concerning significant transactions between Nissan Shatai and related parties. Therefore, in order to prevent these transactions from harming Nissan Shatai and the interests of its shareholders, the committee deliberates on significant transactions with related parties in response to requests from the Board of Directors and the President for advice, and submits its advice to the Board of Directors. The members of this committee consist of two independent outside directors and two independent outside statutory auditors, and the Committee Chair is an independent outside director. Furthermore, a statutory auditor (Full-time) attends the committee as an observer.

This committee meets once a quarter and in addition ad-hoc meetings are also held whenever necessary. Eight meetings were held in the current fiscal year. The status of attendance by individual committee members is as follows.

- Masayuki Imai (Outside Director) : 8 times/8 times (100%)
- Yasuyuki Ohira (Outside Director) : 6 times/6 times (100%)
- Izumi Inoue (Outside Statutory Auditor) : 8 times/8 times (100%)
- Tomonori Ito (Outside Statutory Auditor) : 7 times/8 times (88%)
- Seiichiro Ichikawa (Outside Director) : 2 times/2 times (100%)

\* Yasuyuki Ohira attended all of the meetings held after he became an outside director on June 23, 2022.

\*\* Seiichiro Ichikawa attended all of the meetings held before he resigned on June 23, 2022.

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

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(Updated)

	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. 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	The IR sites contain all IR information related to our company, including the following sections: IR News, Message from President, Medium-term	

	<p>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>  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).  Facebook:  <a href="https://www.facebook.com/NissanShataiJP">https://www.facebook.com/NissanShataiJP</a>  Twitter:  <a href="https://twitter.com/Nissan_ShataiJP">https://twitter.com/Nissan_ShataiJP</a></p>	
<p>Establishment of units (or position) responsible for IR</p>	<p>Units responsible for IR: Legal &amp; Communications Department.</p>	

### 3. Respect for Stakeholder Views

	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</p>

	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.
Formulation of policies about the provision of information to stakeholders	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.
Other	Sustainability information is posted on the website, and an RSS service has been set up for the Website to enhance convenience for readers. Japanese: <a href="https://www.nissan-shatai.co.jp/ENVIRONMENT/TOPPAGE/index.html">https://www.nissan-shatai.co.jp/ENVIRONMENT/TOPPAGE/index.html</a> English: <a href="https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/index.html">https://www.nissan-shatai.co.jp/EN/ENVIRONMENT/index.html</a>

#### **IV. Internal Control Systems**

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

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 Department 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 discovering and identifying 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, the Secretariat has been staffed with managers and other employees to assist the statutory auditors in their duties, and they perform their 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**

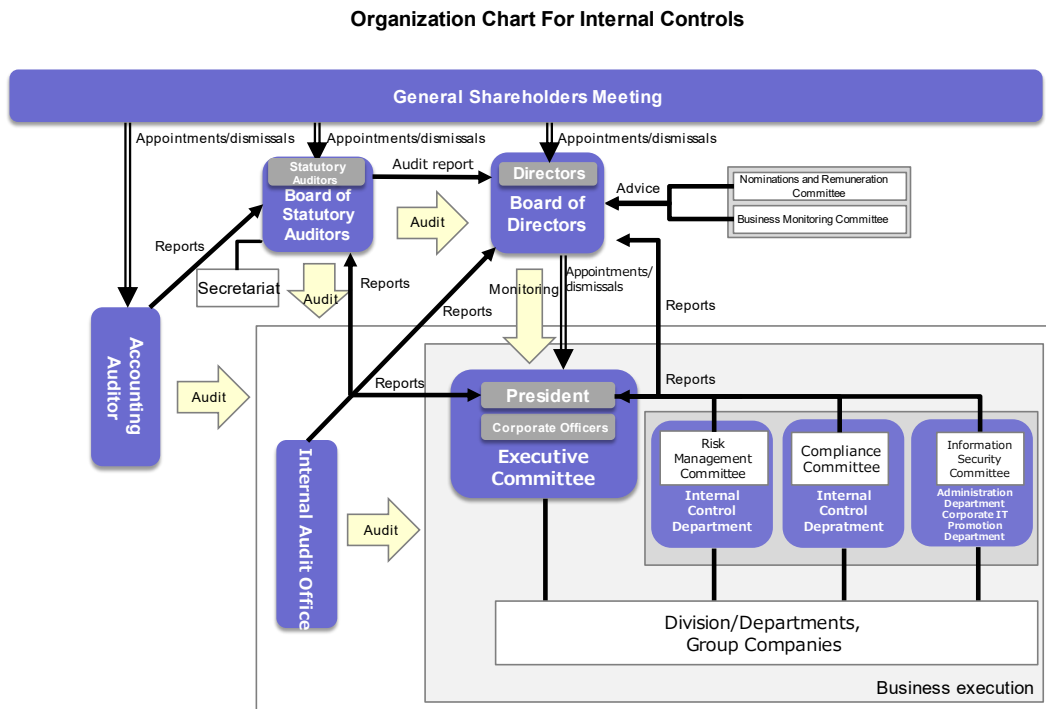
Takeover defense measures introduced	No
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■ Supplementary explanation

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

### Organization Chart For Internal Controls

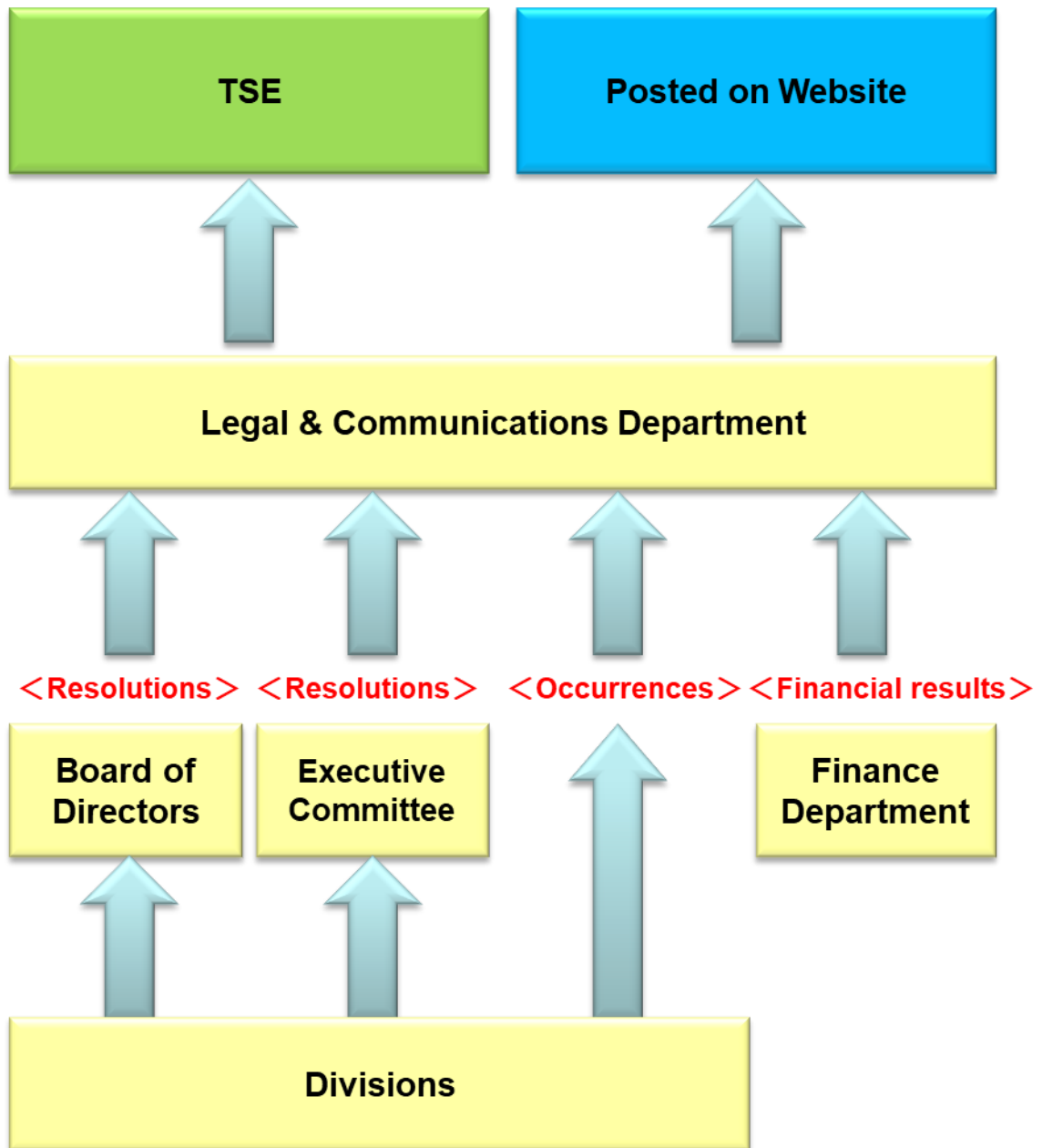


### Timely Disclosure System Overview

Corporate information is passed to the Legal & Communications 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 Legal & Communications Department.
- (2) Information on occurrences  
Communicated to the Legal & Communications Department by each division within Nissan Shatai.
- (3) Information on financial results  
Communicated to the Legal & Communications 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
<b>Haruhiko Yoshimura</b>	Director and President	●	●	●	●			●	●
<b>Shin Kotaki</b>	Director and Senior Vice President	●	●	●		●	●	●	●
<b>Masayuki Yabe</b>	Director and Senior Vice President	●	●	●				●	●
<b>Takuya Nakamura</b>	Director and Senior Vice President	●	●		●			●	●
<b>Yasuyuki Ohira</b>	Director (Independent, Outside)	●		●	●		●	●	
<b>Hideaki Shinada</b>	Director (Independent, Outside)	●		●	●			●	●
<b>Kiyoshi Aoji</b>	Statutory Auditor (Full-time)	●	●	●	●		●	●	
<b>Tomonori Ito</b>	Statutory Auditor (Independent, Outside)	●		●	●	●	●		
<b>Nobutaka Kanaji</b>	Statutory Auditor (Independent, Outside)	●	●	●	●				●