# Corporate Governance

NISSAN SHATAI CO., LTD.

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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

**Supplementary Principle 1-2-4 – Use of electronic voting platform for shareholders**
At this time, we have no plans for establishing a platform for electronic voting by shareholders. We will continue to study necessity of the use of this platform while taking into consideration the composition of shareholders and other items. Meanwhile, we will send convocation notice for a general shareholders meeting earlier and post the notice on our website in Japanese and English earlier in order to give shareholders more time to determine how to vote on proposals.

**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 requests the Nominations and Remuneration Committee for advice and makes a decision based on discussions taking account of the advice of the Nominations and Remuneration Committee.

**Supplementary 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

**Principle 1-4 – Cross-shareholdings**
Nissan Shatai holds no listed stocks as cross-shareholdings.

**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. Upon requests from the Board of Directors for advice, the Business Monitoring Committee, which consists of outside directors and 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.

**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 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 item 3-1 (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 item 3-1 (iv).

**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 4-11-1 – Views concerning appropriate balance of knowledge, experience, skills, diversity and size of the Board of Directors; policies and procedures for nominating directors**

According to the policies explained in "3-1 (iv) Policies and procedures for the Board of Directors to appointment/ dismissal senior management and to nominate director and statutory auditor candidates"

**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 analysis and evaluation of the effectiveness of the FY2019 Board of Directors and is announces an overview of these results.

1. Method and process of evaluation

The Board of Directors distributed a questionnaire to all Directors and Statutory Auditors. The responses from these individuals were first examined and discussed by all Directors and Statutory Auditors. We used questions prepared by a third-party organization. Studies were conducted based on the analysis performed by this organization and the issues it identified. Next, responses were discussed and evaluated only by Outside Directors and Outside Statutory Auditors. Finally, all Directors and Statutory Auditors performed an analysis and self-evaluation of the effectiveness of the Board of Directors and confirmed actions for 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) Relationships with stakeholders
(5) Training for Directors

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

The Board of Directors has been making improvements recognizing the importance of corporate governance and effectiveness of the Board of Directors in achieving sustained growth. In May 2019, Nissan Shatai established a Governance Study Committee with four members, all of whom are either an Outside Directors or Outside Statutory Auditor for the purpose of studying the most suitable corporate governance structure for Nissan Shatai and important issues concerning this structure.

The Governance Study Committee concluded that it is appropriate for Nissan Shatai to utilize voluntary committees and there is no reason to change its corporate governance system from a Company with a Board of Statutory Auditors to a Company with a Nominating Committee, etc., or a Company with an Auditing Committee.

Based on the studies performed by the Governance Study Committee, Nissan Shatai established two committees at its Board of Directors meeting held on January 28, 2020 for the purpose of further upgrading and strengthening corporate governance without changing its corporate governance system of a Company with a Board of Statutory Auditors.

1) A Nominations and Remuneration Committee: For the purpose of increasing the transparency and objectivity of the procedure used for decisions concerning nominations of director and statutory auditor candidates and remuneration for directors.

2) A Business Monitoring Committee: for the purpose of increasing the transparency and objectivity of the procedure used for decisions concerning significant transactions between Nissan Shatai and a related party in order to prevent these transactions from harming Nissan Shatai and the interests of its shareholders.

Nissan Shatai will operate to these committees effectively. Also, based on the results of this evaluation of the Board of Directors' effectiveness, Nissan Shatai will improve how the Board of Directors operates in order to further increase its effectiveness.

(Information concerning improper final vehicle inspections)

In 2017 and 2018, improper procedures involving final vehicle inspection issue at the vehicle assembly plants of Nissan Shatai and group companies were discovered. Nissan Shatai asked external professionals to perform an investigation to determine the cause of this issue and preventive measures. Based on the results of this investigation, Nissan Shatai formulated preventive measures and has been implementing these measures for two-and-a-half years. The Board of Directors periodically and timely received reports about the preventive measures and their progress and the directors discussed these reports. A progress quarterly report concerning these measures has been announced on the Nissan Shatai website beginning with the report in November 2017 and all 93 items of the preventive measures have been implemented in April 2020. Nissan Shatai will continue to implement the preventive measures as stipulated under the oversight of the Board of Directors.

**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 the designated corporate officer upon consultation with the company president, 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 Client General Omni Non Collateral Non Treaty-PB | 21,000,000 | 15.50% |
| GOLDMAN SACHS INTERNATIONAL | 16,544,274 | 12.21% |
| Nissan Shatai Supplier Stock Ownership Plan | 2,690,100 | 1.99% |
| ECM MF | 2,182,800 | 1.61% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,985,700 | 1.47% |
| Japan Custody Bank, Ltd. (Trust Account) | 948,200 | 0.70% |
| STATE STREET BANK WEST CLIENT – TREATY 505234 | 751,400 | 0.55% |

| | | |
|---|---|---|
| JP MORGAN CHASE BANK 385151 | 739,408 | 0.55% |
| JPMBL RE UBS AG LONDON BRANCH COLL EQUITY | 561,500 | 0.41% |

| | |
|---|---|
| Controlling shareholders (other than parent company) | — |
| Parent company | Nissan Motor Co., Ltd. (Listed on Tokyo Stock Exchange, code no. 7201) |

Supplementary explanation

Information about major shareholders is as of March 31, 2021.
Nissan Shatai holds 21,786,639 shares of treasury stock, but has been excluded from the above list of major shareholders.

## 3. Corporate Attributes

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|---|---|
| Stock exchange listing | Tokyo Stock Exchange First Section |
| 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 (Updated)

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. Upon to requests from the Board of Directors for advice, the Business Monitoring Committee, which consists of outside directors and 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. In addition, two independent outside director and one 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 98.3% (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. Upon requests from the Board of Directors for advice, the Business Monitoring Committee, which consists of outside directors and 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)

| Name | Affiliation | Relationship to company* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Seiichiro Ichikawa | From another company | | | | | | | | | | | |
| Masayuki Imai<br>Seiichiro Ichikawa | 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 crossdirectorships/ 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) |
|---|---|---|---|
| Seichiro Ichikawa | ○ | Mr. Seiichiro Ichikawa was a senior managing director of Sapporo Breweries Ltd. There are no capital ties and business relations between Nissan Shatai and this company. | Mr. Ichikawa has abundant and broad insight into corporate management and corporate governance from many years of experience in a different industry. 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. |
| Masayuki Imai | ○ | Mr. Masayuki Imai is a director and executive officer of Kanagawa Chuo Kotsu Co.,Ltd. There are no capital ties 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 |

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|---|---|---|---|
| | | 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 FY2019. Nissan Shatai recorded no sales to this company. | 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. |

| | |
|---|---|
| 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

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 in response to requests from the Board of Directors for advice.

(1) Policies and procedures for the nomination or termination of a representative director and for nominations of candidates for directors and statutory auditors

(2) Proposals for the election or termination of directors and statutory auditors to be submitted at shareholders meetings

(3) Succession plan for the president (Chief Executive Officer)

(4) Policy for determining remuneration and other benefits for directors

(5) Specific amounts of remuneration and other benefits for each individual Director

(6) Other matters concerning the preceding above-listed items as required by the Board of Directors

## Statutory Auditors

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|---|---|
| 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 | One |

Relationship to company (1)

| Name | Affiliation | Relationship to company* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Tetsunobu Ikeda | From another company | | | | △ | | | | | | △ | | | |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Izumi Inoue | 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 crossdirectorships/ 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) |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Tetsunobu Ikeda | | - | Mr. Ikeda has abundant and broad insight into corporate management and finances from many years of experience in financial institution. |
| Izumi Inoue | ○ | 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 FY2019 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. | 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. |

**Independent Directors and Independent Statutory Auditors**

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|---|---|
| Number of independent directors and independent statutory auditors | Three |

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

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|---|---|
| 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

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## Directors' Remuneration

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|---|---|
| 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.

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

Disclosure of policies for deciding remuneration amount or calculation method (Updated)

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 remunerationfor 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 |
|---|---|---|---|---|---|
| Shohei Kimura | Chairman | Engaged in outside activities such as Chairman of the Japan Auto-Body Industries Association Inc. | Full time / Paid | June 24, 2020 | June, 2021 |

| | |
|---|---|
| Total Number of Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company | 1 |

▌Other Matters
A term of office has been established for the Chairman.
The Chairman is not involved in the Company's execution of business or decision ma king.
The appointment of the Chairman was approved by resolution at the Board of Directo rs meeting.

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

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.
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, one of whom is 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 others' 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 one independent statutory auditors to supervise work from an objective and neutral standpoints. Nissan Shatai established a Nominations and Remuneration Committee for the purpose of increasing the transparency and objectivity of the procedure used for decisions concerning nominations of director and statutory auditor candidates and remuneration for directors. Nissan Shatai also established a Business Monitoring Committee for the purpose of increasing the transparency and objectivity of the procedure used for decisions concerning material transactions between Nissan Shatai and a related party. 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. |
| Other | Business reports with many slides, product exhibitions and explanations and other activities |

### 2. Investor Relations Activities

| | Supplementary explanation | Explanation by representative |
|---|---|---|
| Preparation and publication of disclosure policy | 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.<br><br>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 | |

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| | disclosed is always accurate, and disseminates it in a timely, appropriate, and fair manner.<br>Information about our IR information disclosure policy is available on Nissan Shatai IR site.<br>Japanese: https://www.nissan-shatai.co.jp/IR/GOVERNANCE/POLICY/index.html<br>English: https://www.nissan-shatai.co.jp/EN/IR/GOVERNANCE/POLICY/index.html | |
| 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 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.<br>Japanese: https://www.nissan-shatai.co.jp/IR/TOPPAGE/index.html<br>English: https://www.nissan-shatai.co.jp/EN/IR/index.html<br>IR website for smartphones and tablets is also available that contains IR News, Financial Results and other IR information.<br>Japanese: http://www.nissan-shatai.co.jp/index.html<br>English: http://www.nissan-shatai.co.jp/EN/index.html<br>In addition, Nissan Shatai provides information through SNS (Facebook and Twitter).<br>Facebook: https://www.facebook.com/NissanShataiJP<br>Twitter: https://twitter.com/Nissan_ShataiJP | |

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| Establishment of units (or position) responsible for IR | Units responsible for IR: Administration Department. | |

## 3. Respect for Stakeholder Views

| | Supplementary explanation |
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| Environmental conservation initiatives, corporate social responsibility (CSR) activities, etc. | 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. 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 | Based on a dedication to diversity, Nissan Shatai has a training program that incorporates career plans in order to increase the number of female managers. There are currentlya female general manager and managers at Nissan Shatai. In addition, there are activities for increasing the percentage of women hired when new graduates are recruitedand 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” in May 2017. This was the first case as a company with more than 300 employees in Hiratsuka. It was also re-certified in December 2019. Furthermore, Nissan Shatai was certified the “Platinum |

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| | Kurumin" certification in July 2020. The "Platinum Kurumin" is certified to companies with the "Kurumin" certification that have conducted a higher standard of initiatives.<br>Nissan Shatai will continue to promote diversity activities and strive to make more comfortable working environment as one of the priority issues of Medium-Term Management Plan.<br>Nissan Shatai was recognized as a White 500 Company in consecutively 2019 and 2020 Certified Health and Productivity Management Organization Recognition Program promoted jointly by Japan's Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.<br>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.<br>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 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 |

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| | 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.<br>We implement a PDCA cycle every year to check the effectiveness of these measures and make improvements.<br>We are dedicated to a corporate culture that enables our employees to realize their full potential. To accomplish this goal, we willcontinue 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. |

# 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 to establish the following internal control systems (i.e., systems to ensure that the work of Nissan Shatai is properly carried out).

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 regularly communicates with the police and the external organizations it belongs to 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 it belongs to, 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 |

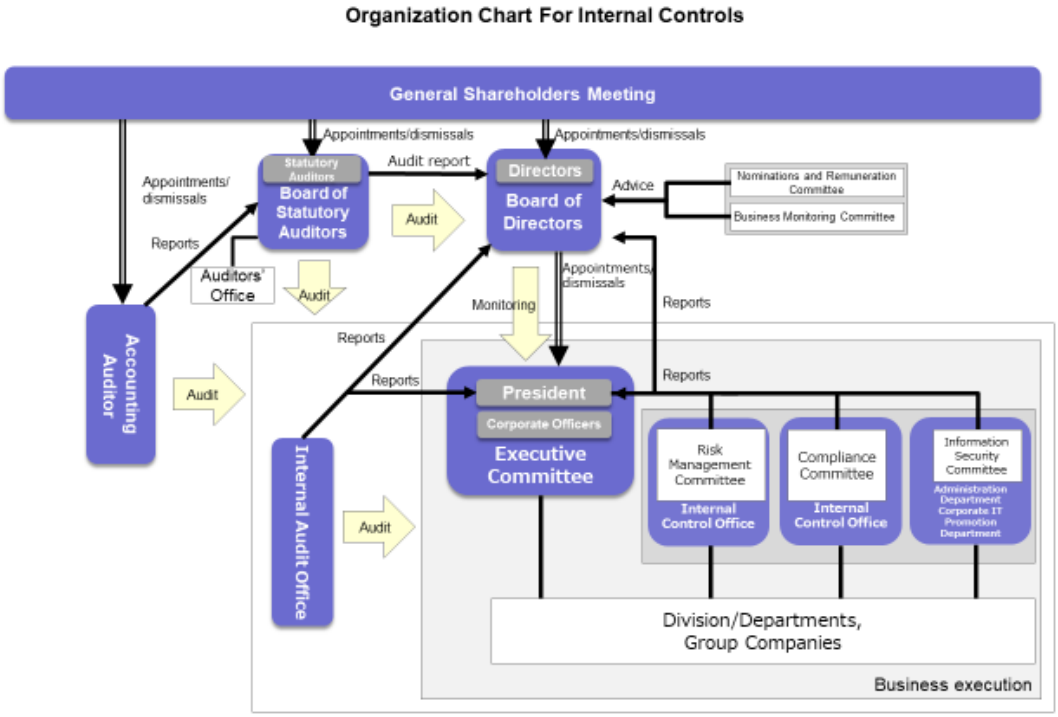
Supplementary explanation

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### 2. Other Matters Related to Corporate Governance Systems

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## 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

