

## **99th Ordinary General Shareholders Meeting: Notice of Convocation**

Date and Time: Thursday, June 23, 2022, at 10:00 a.m.

Venue: Head Office Main Building, Nissan Shatai Co., Ltd.  
2-1 Tsutsumicho, Hiratsuka, Kanagawa



**NISSAN SHATAI CO., LTD.**

Code no.: 7222  
June 2, 2022

2-1 Tsutsumicho, Hiratsuka, Kanagawa  
**NISSAN SHATAI CO., LTD.**  
Haruhiko Yoshimura , President

Dear shareholders:

### **99th Ordinary General Shareholders Meeting: Notice of Convocation**

Notice is hereby given that the 99th Ordinary General Shareholders Meeting of the Company (the “Meeting”) will be held as described below. You are cordially invited to attend the Meeting.

For the safety of shareholders during the pandemic, shareholders are asked to study the following Reference Materials for General Shareholders Meeting and submit votes as much as possible in writing or electronically (Internet, etc.) no later than 5:30 p.m. on June 22, 2022 (Wednesday).

Yours sincerely,

#### **Particulars**

1. Date and Time  
Thursday, June 23, 2022, at 10:00 a.m.
2. Venue  
Head Office Main Building  
Nissan Shatai Co., Ltd.  
2-1 Tsutsumicho, Hiratsuka, Kanagawa

In order to prevent the spread of the COVID-19, the spacing between seats will be expanded. Therefore, the number of seats available for the General Shareholders Meeting will be much less compared to the usual year. Shareholders are requested to be aware that there is a possibility you will not be able to attend the meeting because capacity will be limited.

Thank you in advance for your understanding.

### 3. Agenda Items

Matters to be reported:

1. 99th fiscal Business Report (April 1, 2021 to March 31, 2022), Consolidated Financial Statements, and Audit Reports by Accounting Auditor and the Board of Statutory Auditors
2. 99th fiscal Financial Statements (April 1, 2021 to March 31, 2022)

Matters to be resolved:

Company proposals (Proposals 1, 2, 3, 4 and 5)

Proposal 1: Appropriation of Surplus

Proposal 2: Partial revision of the Articles of Incorporation

Proposal 3: Election of one Director

Proposal 4: Election of one Statutory Auditor

Proposal 5: Election of one Substitute Statutory Auditor

Shareholder proposals (Proposals 6, 7, 8, 9 and 10)

Proposal 6: Partial revision of the Articles of Incorporation

(preventing appointment of former employees of Nissan Motor Corporation)

Proposal 7: Partial revision of the Articles of Incorporation

(preventing provision of funds as deposited funds or loans to Nissan Motor Corporation)

Proposal 8: Partial revision of the Articles of Incorporation

(disclosure of personal compensation for directors who have the right to represent)

Proposal 9: Partial revision of the Articles of Incorporation

(disclosure of cost of capital)

Proposal 10: Share buybacks

#### 4. Information concerning voting at the general shareholders meeting

- (1) If voting forms are returned without any votes entered for any proposals, the shareholder will be counted as having voted yes on all company proposals and no on all shareholder proposals.
- (2) The proposals are explained in the following section titled “Reference Materials for General Shareholders Meeting.” The Nissan Shatai Board of Directors opposes the shareholder proposals (proposals 6 to 10). These proposals and the Board of Directors’ opinions concerning these proposals are written on pages 16 to 25.
- (3) If a shareholder uses the Internet, etc. to vote more than once, the last votes by the Internet, etc. received will be counted.
- (4) If a shareholder submits votes by using both the voting form and the Internet, etc., irrespective of the time the votes were received, the votes received using the Internet, etc. will be counted.

#### Requests to shareholders

Nissan Shatai may revise the COVID-19 preventive measures explained above depending on the growth in the number of infections, government announcements and other events. Please check for the latest information on the Nissan Shatai website (<https://www.nissan-shatai.co.jp/EN/IR/NEWS/>).

- Shareholders who attend the meeting are asked to wear a mask.
  - Alcohol-based hand sanitizers for shareholders will be placed near the reception desk.
  - The temperature of shareholders will be checked at the entrance to the meeting.
  - Shareholders who have an elevated temperature and are not feeling well will not be allowed to enter the meeting room and will be asked to leave.
  - All Nissan Shatai personnel at the general shareholders meeting will wear masks and will participate in the operation of this meeting only after a confirmation of their current health, including their temperature.
  - To facilitate the efficient operation of this general shareholders meeting, shareholders are asked to look at the information in this notice of convocation prior to the meeting.
- When attending the Meeting in person, please present the enclosed voting form at reception.
  - If any revisions are made to the Reference Materials for General Shareholders Meeting, the Business Report, or the Consolidated or Nonconsolidated Financial Statements, amended versions will be posted on the corporate website:  
<http://www.nissan-shatai.co.jp/EN/IR/NEWS/>

## Reference Materials for General Shareholders Meeting

### Proposal and Matters for Reference

#### Proposal 1: Appropriation of Surplus

Taking into account business performance in this fiscal year and the Company policy of paying stable dividends on an ongoing basis, it is proposed to pay a year-end dividend as detailed below.

Including the interim dividend already paid, this will result in a total dividend for this fiscal year of 13 yen per share, the same as in the previous fiscal year.

#### Details of Year-End Dividend

- (1) Distribution of year-end dividend to shareholders and total amount:
  - 6.5 yen per share of common stock in the Company
  - Total amount: 880,444,084 yen
- (2) Effective date of distribution of surplus:
  - June 24, 2022

## **Proposal 2: Partial revision of the Articles of Incorporation**

### 1. Reason for the amendments

Amendments specified in the Supplementary Rule Article 1 proviso to the Act for Partial Amendment of Companies Act (Act No. 70 of 2019) will become effective on September 1, 2022. The following amendments to the Articles of Incorporation are proposed because the amendments to the Companies Act will permit the electronic distribution of reference materials for general shareholders meetings.

- (1) Companies are required to establish a provision in the Articles of Incorporation that allows for the electronic distribution of the information in reference documents for general shareholders meetings. Consequently, Article 16 (Measures, etc. for Providing Information in Electronic Format) Paragraph 1 will be added.
- (2) Companies are allowed to limit the scope of information from among the items in the reference materials for general shareholders meetings distributed electronically, as allowed by laws and regulations, in the written materials distributed to shareholders who request paper documents. Consequently, Article 16 (Measures, etc. for Providing Information in Electronic Format) Paragraph 2 will be added.
- (3) The current Article 16 (Deemed provision of reference material for general shareholders meetings, etc., through disclosure by Internet) will be deleted because it is no longer needed due to the start of the electronic distribution system for shareholders meeting materials.
- (4) Supplementary rules concerning the date of effectiveness of this new article and deletion will be established. These rules will be deleted on the day stipulated in Supplementary Rule Article 1 3).

2. Explanation of changes  
The changes are as follows.

(Underlining indicates the change).

Current Articles of Incorporation	Proposed Amendments
<p><u>(Deemed provision of reference material for general shareholders meetings, etc., through disclosure by Internet)</u> <u>Article 16</u> <u>When convening general shareholders meetings, the Company may be deemed to have provided its shareholders with information relating to matters to be stated or presented in reference material for general shareholders meetings, business reports, financial statements, and consolidated financial statements by using the Internet to disclose the said information in accordance with the provisions of Ministry of Justice ordinances.</u></p>	
<p>(New addition)</p>	<p><u>(Measures, etc. for Providing Information in Electronic Format)</u> <u>Article 16</u> <u>1. When the Company convenes a general shareholders meeting, it shall take measures for providing information that constitutes the content of reference materials for the general shareholders meeting, etc. in electronic format.</u> <u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p>
<p>(New addition)</p>	<p><u>(Supplementary rule)</u> <u>(Transitional measure concerning the electronic distribution of general shareholders meeting materials)</u></p>
<p>(New addition)</p>	<p><u>Article 1</u> <u>1. The deletion of the current Article 16 (Deemed provision of reference material for general shareholders meetings, etc., through disclosure by Internet) of the Articles of Incorporation and addition of the new Article 16 (Measures, etc. for Providing Information in Electronic Format) will become effective on September 1, 2022.</u></p>

	<p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 16 (Internet Disclosure and Deemed Provision of Reference Materials for General Shareholders Meeting, etc.) shall remain effective regarding any general shareholders meetings held on a date within six months from September 1, 2022.</u></p> <p><u>3. These supplementary rules shall be deleted on the later of six months after September 1, 2022 or three months after the general shareholders meeting in the preceding paragraph.</u></p>
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### Proposal 3: Election of one Director

Seiichiro Ichikawa is resigning as a director at the close of this General Meeting. Therefore, shareholders are asked to elect one substitute director to take his place.

In accordance with Article 22, Paragraph 2 of the Articles of Incorporation, the term of office of the director elected at this shareholders meeting will end at the same time as the terms of the current directors.

Candidate for a director is as follows:

Name (Date of Birth)	Brief Personal Record, Positions, Responsibilities, and Important Positions at Other Companies	Number of Shares of the Company Owned
<p>Yasuyuki Ohira (March 25, 1961)</p> <p>Male</p> <p>New candidate/ Outside director/ Independent director</p>	<p>Apr 1984: Joined Sapporo Breweries Ltd. (Currently Sapporo Holdings Ltd.)</p> <p>Mar 2006: Director of Engineering Department of Sapporo Breweries Limited</p> <p>Mar 2011: Operating Officer and Director of Chiba Brewery of Sapporo Breweries Limited</p> <p>Sep 2012: Director (Member of the Board) and Operating Officer, Director of Corporate Planning Department of Sapporo Breweries Limited</p> <p>Mar 2014: Director (Member of the Board) and Operating Officer of Sapporo Breweries Limited</p> <p>Mar 2016: Director (Member of the Board), Managing Executive Officer, Director of Research and Development Headquarters of POKKA SAPPORO Food &amp; Beverage Ltd.</p> <p>Mar 2017: Director (Member of the Board) and Managing Executive Officer of POKKA SAPPORO Food &amp; Beverage Ltd.</p> <p>Mar 2019: Director (Member of the Board), Director of Research and Development Division of Sapporo Holdings Ltd.</p> <p>Mar 2020: Director (Member of the Board) of Sapporo Holdings Ltd.</p>	<p>0 share</p>

	Mar 2022: Advisor of Sapporo Holdings Ltd. (Current Position)	
<p>Reason for selection as an outside director candidate and expected roles</p> <p>Mr. Ohira has many years of experience in engineering division of an operating company in another industry, and also served as the head of production engineering division and research and development division. From these backgrounds, he has abundant experience and a broad insight into overall management. Mr. Ohira is a candidate for election as an outside director based on the judgment that he can perform the roles of making decisions about important items concerning management and for the oversight of how business operations are conducted. If Mr. Ohira is elected at the shareholders meeting as proposed, Nissan Shatai plans to have him serve as a member of the Nominations and Remuneration Committee and the Business Monitoring Committee. He will be an objective and neutral participant in these committees, which discuss candidates for election as officers, remuneration of officers and significant transactions.</p>		
<p>Notes:</p> <ol style="list-style-type: none"> <li>1. There is no special interest between Nissan Shatai and Mr. Ohira</li> <li>2. Ohira is a candidate for an outside director post.</li> <li>3. If shareholders approve the election of Mr. Ohira, he will continue to be an independent director as stipulated by Tokyo Stock Exchange, Inc.</li> <li>4. If Mr. Ohira elected a substitute statutory auditor at the shareholders meeting as proposed and subsequently becomes a director, the Company plans to conclude a limited liability contract with Mr. Ohira that limits his liability regarding Nissan Shatai to a certain level.</li> </ol> <p>The main terms of this contract are as follows.</p> <ol style="list-style-type: none"> <li>(1) If directors (excluding directors who are executives of the Company) become liable for damages to the Company due to neglect of their duties, the liability will be limited to the minimum amount of liability stipulated in Article 425, Paragraph 1 of the Companies Act.</li> <li>(2) The liability limit in the preceding paragraph will apply only in cases where the director (excluding directors who are executives of the Company) concerned acted in good faith and there was no gross negligence concerning the duties liable for damages.</li> </ol> <ol style="list-style-type: none"> <li>5. In accordance with Article 430-3, Paragraph 1 of the Companies Act, Nissan Shatai has purchased officer liability limitation insurance that limits the liability of Mr. Ohira. If Mr. Ohira is elected at the shareholders meeting as proposed, he will be covered by this policy. A summary of the terms of this policy is on page 36 of this report. Furthermore, Nissan Shatai plans to renew this policy during Mr. Ohira's term of office.</li> </ol>		

#### Proposal 4: Election of one Statutory Auditor

Toshikatsu Hamaji is resigning as a statutory auditor at the close of this General Shareholders Meeting. Therefore, shareholders are asked to elect one statutory auditor to take his place. In accordance with Article 34, Paragraph 2 of the Articles of Incorporation, the term of office of the statutory auditor elected at this General Shareholders Meeting will end at the same time as the terms of the current directors. The Board of Statutory Auditors has agreed to this proposal.

#### Candidate for a statutory auditor is as follows:

<p>Kiyoshi Aoji (Mar24, 1960)</p> <p>Male</p> <p>New candidate</p>	<p>Apr 1982: Joined Nissan Shatai Co., Ltd.</p> <p>Apr 2005: General Manager, Corporate Management Department V-up NS Promotion Office, Nissan Shatai Co., Ltd.</p> <p>Apr 2008: General Manager, Vehicle Evaluation and Test Dept., Nissan Shatai Co., Ltd.</p> <p>Apr 2010: General Manager, Vehicle Component Development Dept., Nissan Shatai Co., Ltd.</p> <p>Apr 2011: General Manager, Administration Dept., Nissan Shatai Co., Ltd.</p> <p>Apr 2013: Senior General Manager, Nissan Shatai Co., Ltd.</p> <p>Apr 2015: President, Auto Works Kyoto Co., Ltd. (Current Position)</p> <p>Important positions at other companies:</p> <p>Statutory Auditor, Nissan Shatai Kyushu Co., Ltd.</p> <p>Statutory Auditor, Auto Works Kyoto Co., Ltd. (Both scheduled to be submitted to the general shareholders meeting will be held in June 2022)</p>	<p>3,700 shares</p>
<p>Reason for selection as a director candidate</p> <p>Mr. Aoji has many years of experience in the development and administrative operations of Nissan Shatai and also served as the president of a Nissan Shatai group company. As a result, he has extensive experience and knowledge concerning the automobile industry and corporate management. Mr. Aoji is a candidate for election as a statutory auditor based on the judgment that he has the necessary skills for overseeing the performance of the directors.</p>		

Notes:

1. There is no special interest between Nissan Shatai and Mr. Aoji
2. Mr. Aoji is director and president of Auto Works Kyoto Co., Ltd., a subsidiary of Nissan Shatai, and plans to resign from this position on June 22, 2022.
3. If Mr. Aoji is elected as statutory auditor at the general shareholders meeting as proposed and subsequently becomes a statutory auditor, the Company plans to conclude a limited liability contract with Mr. Aoji that limits his liability regarding Nissan Shatai to a certain level.

The main terms of this contract are as follows.

- (1) If a statutory auditors become liable for damages to the Company due to neglect of their duties, the liability will be limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.
  - (2) The liability limit in the preceding paragraph will apply only in cases where the statutory auditor concerned acted in good faith and there was no gross negligence concerning the duties liable for damages.
4. In accordance with Article 430-3, Paragraph 1 of the Companies Act, Nissan Shatai has purchased officer liability limitation insurance that limits the liability of Mr. Aoji. If Mr. Aoji is elected at the general shareholders meeting as proposed, he will continue to be covered by this policy. A summary of the terms of this policy is on page 36 of this report. Nissan Shatai plans to renew this policy during Mr. Aoji's term of office.

## Reference

Directors and statutory auditors as well as composition of advisory committees for the Board of Directors after appointments

The planned composition of the Nominations and Remuneration Committee and the Business Monitoring Committee is as follows if shareholders approve proposals 3 and 4 with no revisions.

Name	Positions at Nissan Shatai	Outside director	Independent director	Nominations and Remuneration Committee	Business Monitoring Committee
Haruhiko Yoshimura	President			●	
Shin Kotaki	Director				
Masayuki Yabe	Director				
Takuya Nakamura	Director				
Masayuki Imai	Director	●	●	●	●
Yasuyuki Ohira	Director	●	●	●	●
Kiyoshi Aoji	Statutory Auditor				
Izumi Inoue	Statutory Auditor	●	●		●
Tomonori Ito	Statutory Auditor	●	●		●

## Roles of the committees

### 1) Nominations and Remuneration Committee

In response to requests from the Board of Directors or the President for advice, the members of this committee discuss the following items concerning nominations and remuneration and submit their advice to the Board of Directors

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

### 2) Business Monitoring Committee

In response to requests from the Board of Directors or the President for advice, the members of this committee discuss significant transactions with related parties and submit their advice to the Board of Directors.

## Skill matrix of directors and statutory auditors after appointments

If shareholders approve proposals 3 and 4 with no revisions, the skill matrix for major professional skills and experience of Nissan Shatai's directors and statutory auditors will be as follows.

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

## Proposal 5: Election of One Substitute Statutory Auditor

To be prepared in the event that the number of statutory auditors falls below the number designated by laws and regulations, the Company proposes to elect one substitute statutory auditor.

This substitute statutory auditor will become a statutory auditor only if the number of statutory auditors falls below the legally designated number and the term of office will be the remainder of the term of office of the statutory auditor who is replaced.

The Board of Statutory Auditors has agreed to this proposal.

Candidate for a substitute statutory auditor is as follows:

Name (Date of Birth)	Brief Personal Record, Positions, Responsibilities, and Important Positions at Other Companies	Number of Shares of the Company Owned
<p>Kazuhiro Okada (December 29, 1961)</p> <p>Male</p> <p>Reappointment /Outside Statutory Auditor/ Independent statutory auditor</p>	<p>Apr 1986: Joined The Bank of Yokohama, Ltd.</p> <p>Sep 2005: General Manager, Omori Branch, The Bank of Yokohama, Ltd.</p> <p>Apr 2007: General Manager, Jiyugaoka Branch, The Bank of Yokohama, Ltd.</p> <p>Apr 2009: General Manager, Credit Dept., The Bank of Yokohama, Ltd.</p> <p>Feb 2010: General Manager, Noborito Branch, The Bank of Yokohama, Ltd.</p> <p>May 2012: General Manager, Chigasaki Branch, The Bank of Yokohama, Ltd.</p> <p>Apr 2013: Executive Officer, The Bank of Yokohama Ltd.</p> <p>Apr 2015: Managing Executive Officer, The Bank of Yokohama Ltd.</p> <p>Jun 2018: Director and Managing Executive Officer, The Bank of Yokohama Ltd.</p> <p>Apr 2021: Director, The Bank of Yokohama Ltd. (Current position)</p> <p>Jun 2021: Substitute Statutory Auditor, Nissan Shatai Co., Ltd. (Current position)</p> <p>Jun 2021: Part-time Statutory Auditor, JUST AUTOMOBILE LEASING CO.,LTD. (Current position)</p>	<p>0 share</p>

	<p>Jun 2021: Senior Managing Director, TOCAD ENERGY CO.,LTD. (Current position)</p> <p>Jul 2021: Outside Director, Daisei every24 Co.,Ltd. (Current Position)</p> <p>Important positions at other companies: outside Senior Managing Director,, TOCAD ENERGY CO.,LTD.</p>	
<p>Reason for selection as a substitute statutory auditor candidate</p> <p>Due to his long career at a financial institution, Mr. Okada has considerable experience and knowledge concerning finance and accounting as well as corporate management. As Mr. Okada is well suited to perform auditing operations if the number of auditors at Nissan Shatai falls below the number required by laws and regulations, he is a candidate for election as a substitute statutory auditor.</p>		
<p>Notes:</p> <ol style="list-style-type: none"> <li>1, There is no special interest between Nissan Shatai and Mr. Okada</li> <li>2. Mr. Okada is a candidate for a substitute outside statutory auditor post.</li> <li>3. If Mr. Okada is elected a substitute statutory auditor at the general shareholders meeting as proposed and subsequently becomes a statutory auditor, he will be an independent statutory auditor as stipulated by Tokyo Stock Exchange, Inc.</li> <li>4. If Mr. Okada elected a substitute statutory auditor at the general shareholders meeting as proposed and subsequently becomes a statutory auditor, the Company plans to conclude a limited liability contract with Mr. Okada that limits his liability regarding Nissan Shatai to a certain level. The main terms of this contract are as follows. <ol style="list-style-type: none"> <li>(1) If a statutory auditor become liable for damages to the Company due to neglect of their duties, the liability will be limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.</li> <li>(2) The limit of liability in the above paragraph will apply only in cases where the statutory auditor concerned acted in good faith and there was no gross negligence concerning the duties liable for damages.</li> </ol> </li> <li>5. In accordance with Article 430-3, Paragraph 1 of the Companies Act, Nissan Shatai has purchased officer liability limitation insurance that limits the liability of Mr. Okada. A summary of the terms of this policy is on page 27 of this report. If Mr. Okada is elected at the general shareholders meeting as proposed, he will continue to be covered by this policy. Furthermore, Nissan Shatai plans to renew this policy during Mr. Okada's term of office.</li> </ol>		



## Shareholder proposals (Proposals 6, 7, 8, 9 and 10)

Proposals from 6 to 10 have been submitted by a shareholder. Resolution content and proposal reason are relevant points from the Shareholder Proposal Document submitted by the Proposing Shareholder in the original form (proposal reasons are summaries of content submitted by the Proposing Shareholder).

### **Proposal 6: Partial revision of the Articles of Incorporation (preventing appointment of former employees of Nissan Motor Corporation)**

#### (1) Summary of the Proposal

The resolution seeks to add the following clause to Nissan Shatai (hereinafter “Company”)’s Articles of Incorporation.

(Underlining indicates the change).

Current Articles of Incorporation	Proposed Amendments
(New addition)	<u>(Preventing appointment of former employees of Nissan Motor Corporation)</u> <u>Article 21, Item 2: The Company may not submit a person with work experience as a director or employee for five years or longer at Nissan Motor Corporation or one of its subsidiaries or affiliated companies (hereinafter, Nissan Motor, etc.) as a director candidate in the Company proposal.</u>

#### (2) Reason for the proposal (summary)

The Company is a listed subsidiary of Nissan Motor (Nissan) and obtains almost all of its sales from Nissan. Top executives are normally from Nissan and three current internal directors, including President Haruhiko Yoshimura, are from Nissan. The Company has not presented any management goals that contribute to minority shareholder interest, such as ROE, and is only focused on Nissan. Nissan’s intent also appears to decisively affect capital allocation.

As of the end of December 2021, the Company is consigning management to Nissan’s group fund management firm of roughly 53.5 billion yen as deposited funds and about 70.2 billion yen as long-term loans as part of the cash management system (CMS). This is comparable to “milk supply” to the parent company that have weak earnings and its group companies.

The Company does not have any interest-bearing debt, and its capital ratio is about 83%. Due to fund management that ignores minority shareholders, the Company’s stock price trades at a negative enterprise value. If a party acquired the Company without a premium, it would obtain the Company’s business for free and also receive roughly 52.9 billion yen in change as the difference between the consigned fund management and market capitalization.

While the Company selected the Prime Market in the Tokyo Stock Exchange’s new market categories adopted from April 2022, it is questionable whether the Company is even qualified as a listed company because its management ignores conflict of interest between the top shareholder and minority shareholders and it is evaluated very poorly by the stock with negative enterprise value. The Company clearly should be pursuing efficient capital allocation,

and its representative director and other directors from the parent company that is requesting “milk supply” are not suitable choices.

The Company has not disclosed the content of Nissan’s nominating rights or reasons for appointment of people from Nissan. Meanwhile, the Tokyo Stock Exchange’s Corporate Governance Code, Stewardship Code, and METI’s “Practical Guidelines for Corporate Governance Systems” call for listed company with a controlling shareholder to establish and operate a governance system that protects the interests of minority shareholders.

Nissan Shatai’s Board of Directors’ opinion

Nissan Shatai’s Board of Directors’ opposes the subject resolution for the following reasons.

Reasons for opposing

Director candidates should undergo a review from diverse perspectives, including personal capabilities, experience, and knowledge, as the basis for a decision. At Nissan Shatai, the Board of Directors selects director candidates with consideration of examination and report by the Nomination and Remuneration Committee, which assures transparent and objective selection process. The Nomination and Remuneration Committee consists of three members, including two independent outside directors, and the Committee Chair is an independent outside director. The selection process ensures transparency and objectivity.

Nissan Shatai passed a resolution regarding nominations of director candidates with the following policy at the Board of Directors meeting held on February 21, 2020, and in accordance with the policy, the Board of Directors selects director candidates using a process that incorporates examinations and report of the Nomination and Remuneration Committee.

- 1) A Director candidate shall be someone with deep understanding of our business and operating environment and, as leader of organization, capable and experienced in adequately and with speed implementing decisions taken by the Board of Directors as a leader of the organization.
- 2) A Representative Director candidate shall be someone who has many years of experience and extensive knowledge related to full range of Nissan Shatai’s business and has superior decision-making capabilities and strong leadership.

Directors, regardless of whether they previously worked at Nissan Motor, are aware of their responsibility and strive to enhance enterprise value and shareholders’ value as Nissan Shatai directors. Since director candidates, regardless of their previous careers, should undergo a review from diverse perspectives by the Nomination and Remuneration Committee and Board of Directors as the basis for a decision, it is inappropriate to stipulate a uniform ban on people who previously worked at Nissan Motor as director candidates at Nissan Shatai in the Articles of Incorporation that define the fundamental principles of the company.

Based on these reasons, Nissan Shatai’s Board of Directors’ opposes the subject resolution.

**Proposal 7: Partial revision of the Articles of Incorporation  
(preventing provision of funds as deposited funds or loans to Nissan Motor Corporation)**

(1) Summary of the Proposal

The resolution seeks to add the following Chapter and Article to the Company’s Articles of Incorporation.

(Underlining indicates the change)

Current Articles of Incorporation	Proposed Amendments
(New addition)	<p><u>Chapter 7 Preventing provision of funds as deposited funds or loans to the controlling shareholder</u></p> <p><u>Preventing provision of funds as deposited funds or loans to the controlling shareholder)</u></p> <p><u>Article 44: The Company may not provide funds as deposited funds or loans to Nissan Motor Corporation or its subsidiaries or affiliate companies.</u></p>

(2) Reason for the proposal (summary)

The total value of the Company’s consigned fund management to Nissan’s group fund management firm reached about 123.6 billion yen, or 1.75x its market capitalization as of April 15. The Company received about 700 million in interest income in FY3/21. Dividing by roughly 124.3 billion yen, the average value of the consigned fund management balance at end-March 2021 and end-March 2020, this comes to less than 0.6% and is significantly below the Company’s capital cost as explained below.

As a result, the Company’s P/B ratio is 0.4x, the lowest level since 2000 when the IT bubble collapsed, and has taken hold well below 1x, which indicates dissolution value. The Company’s executive team is letting it sit at such a low stock price level that the Company would pay change to an acquirer as mentioned above.

Past comments have pointed out that the Company’s CMS is a transaction that might be harming the interests of minority shareholders in a subsidiary (20th Meeting of the Corporate Law Subcommittee (held on May 16, 2012) Proceedings (comments by Chair Maki Saito), Pages 42 and 46-47). Materials from METI’s 13th Corporate Governance System Research Group (meeting on January 21, 2019) meeting similarly cites CMS as an example of a “specific case of possible conflict of interest at a listed subsidiary” (Material 4: Secretariat Explanatory Materials, Page 30).

The “Interim Review Related to the Format of Minority Shareholder Protection at a Listed Company with a Controlling Shareholder or Shareholder with Effective Control” by the research group on the format of minority shareholder protection at a subordinate listed company released by the Tokyo Stock Exchange (hereinafter, Interim Review) mentions the importance of adequate information disclosure regarding loans and deposited funds via CMS with the potential to harm the interests of minority shareholders in a subsidiary on Page 8 (note 14) “There was mention of the importance of adequate information disclosure by a listed company regarding transactions that could involve a different understanding of

significance between a controlling shareholder and listed company with a controlling shareholder and investors, such as loans and deposited funds via a cash management system of the controlling shareholder's corporate group.”

Nissan Shatai's Board of Directors' opinion

Nissan Shatai's Board of Directors' opposes the subject resolution for the following reasons.

Reasons for opposing

Nissan Shatai believes that reinforcement of corporate operations to improve earnings and provision of stable, continuous shareholder return are important management issues. It hence continues to conduct business investments aimed at sustainable growth and bolstering its competitiveness, including development of new vehicles, facility maintenance and updates, improvement of productivity, and environmental and safety measures. While specific investment plans and amounts that extend over the longer term cannot be disclosed because this is related to future product plans, it anticipates more extensive investments than previously from the current fiscal year.

Furthermore, considering the need to be prepared for unforeseen situations, such as impact on production activities by natural disasters and pandemics along the lines of COVID-19, Nissan Shatai must maintain sound financial standing and have sufficient surplus funds that can be flexibly utilized.

Regarding use of Cash Management System ("CMS"), Nissan Shatai independently and actively selected this program because it is the most suitable measure as it not only has advantages versus other financial products, such as the ability to safely and reliably obtain yield, but also offers settlement convenience and accommodates above-mentioned fund demand.

Additionally, Nissan Shatai has established the Business Monitoring Committee that consists of four members who are all independent executives (two independent outside directors, two independent outside statutory auditors) and employs a framework in which the Business Monitoring Committee reviews the content of transactions and the Board of Directors decides in light of examinations and report of the Committee in order to prevent damage to Nissan Shatai's enterprise value and minority shareholder interests related to important transactions with Nissan Motor, such as CMS. Nissan Shatai intends to continue steadfast study of the most suitable utilization and management of surplus funds.

Regarding management of surplus funds, this is an individual decision matter related to business execution, and it is inappropriate to remove specific formats in the Articles of Incorporation that define the fundamental principles of the company.

Based on these reasons, Nissan Shatai's Board of Directors' opposes the subject resolution.

**Proposal 8: Partial revision of the Articles of Incorporation  
(disclosure of personal compensation for directors who have the right to represent)**

(1) Summary of the Proposal

The resolution seeks to add the following Chapter and Article to the Company’s Articles of Incorporation.

(Underlining indicates the change)

Current Articles of Incorporation	Proposed Amendments
(New addition)	<p style="text-align: center;"><u>(Director Remuneration, etc.)</u></p> <p><u>Article 26 (abbreviated)</u></p> <p><u>② The Company shall individually disclose the remuneration amount, content, and decision method for remuneration of directors who have the right to represent annually in the Business Report and Securities Report.</u></p>

(2) Reason for the proposal (summary)

According to the Company’s Corporate Governance Report issued on December 23, 2021, directors’ remuneration consists of two types of remuneration – (1) Annual base salary that is fixed and based on each Director’s roles and responsibilities and (2) performance-linked remuneration that is determined in accordance with the achievement of major Nissan Shatai performance targets and the performance of each Director.

Performance-linked remuneration is determined through calculation of a ratio that multiplies the payment ratio that is established for each title of directors who are corporate officers by the degree to which each individual’s targets concerning financial indicators and other performance were achieved and application of the ratio to the base salary in the applicable fiscal year. However, the specific “ratio” values are not disclosed.

Financial indicators used for remuneration linked to results of operations are consolidated operating income, consolidated free cash flows and other items, which are major indicators for “the preservation of a sound foundation for business operations in the future”.

Furthermore, these indicators are consistent with the current medium-term management plan and are reexamined as needed to reflect changes in the business climate. The values themselves and the way in which they are reviewed, however, is a black box.

The Corporate Governance Code stipulates “The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately.” (June 2021 Revised Version, Supplemental Rule 4.2.1). The Company’s remuneration program for directors does not appear to utilize equity remuneration, and there is a high likelihood that it does not offer incentives to realize minority shareholder interests.

Since the Company’s enterprise value has taken hold at a negative level since 2021 due to the preservation of capital allocation that ignores minority shareholders, the content of incentives in remuneration for the Representative Director and President, who is a symbolic presence of

the practice of “former employees of Nissan Motor Corporation” responsible for the problem, is very important from the standpoint of realizing minority shareholder interests.

Nissan Shatai’s Board of Directors’ opinion

Nissan Shatai’s Board of Directors’ opposes the subject resolution for the following reasons.

Reasons for opposing

Remuneration for Nissan Shatai’s Directors, including the Representative Director, consists of two types of monetary remuneration within the upper limits approved by the ordinary shareholders meeting – (1) annual base salary that is fixed and based on each Director’s roles and responsibilities and (2) performance-linked remuneration that is determined in accordance with the achievement of major Nissan Shatai performance targets and the performance of each Director. The annual base salary reflects the roles, responsibilities, Nissan Shatai’s income results, personal results, and other aspects. The performance-linked remuneration takes into account Nissan Shatai’s consolidated operating profit, free cash flow, and other results indicators. Regarding the Representative Director’s performance-linked remuneration, Nissan Shatai discloses that it is determined by multiplying 40% of the base salary by an attainment ratio for consolidated operating profit, free cash flow, and other results indicators.

Decisions regarding the remuneration decision policy and remuneration of Directors involve the Nominations and Remuneration Committee’s examination of the original proposal, by which a transparent and objective process is secured. Furthermore, Nissan Shatai discloses the total value of remuneration, and number of people in the category by Directors, Statutory Auditors, and Outside Directors and Outside Statutory Auditors in the Business Report and securities report.

Nissan Shatai’s Directors, regardless of their previous companies or experiences, bear responsibility to conduct management for the benefit of Nissan Shatai and its shareholders. They are sufficiently aware of this duty in daily management activities.

It is inappropriate to put a stipulation requiring individual disclosure of remuneration value, content, and the decision method just for the Representative Director’s remuneration in the Articles of Incorporation that define the fundamental principles of the company.

Based on these reasons, Nissan Shatai’s Board of Directors’ opposes the subject resolution.

**Proposal 9: Partial revision of the Articles of Incorporation  
(disclosure of cost of capital)**

(1) Summary of the Proposal

The resolution seeks to add the following Chapter and Article to the Company's Articles of Incorporation.

(Underlining indicates the change)

Current Articles of Incorporation	Proposed Amendments
(New addition)	<p data-bbox="808 499 1406 579"><u>Chapter 8 Disclosure of shareholders' equity cost</u></p> <p data-bbox="808 617 1406 653"><u>(Disclosure of shareholders' equity cost)</u></p> <p data-bbox="808 659 1406 886"><u>Article 45: The Company shall disclose in the Corporate Governance Report submitted to the Tokyo Stock Exchange the calculation method and amount of shareholders' equity cost which the Company ascertains within one month prior to the date of submission of the Corporate Governance Report.</u></p>

(2) Reason for the proposal (summary)

As mentioned above, the Company's stock price is sharply below the 1x P/B level that corresponds to dissolution value putting it at a very low assessment with negative enterprise value. This is happening because ROE is not at the level requested by investors, or in other words, is not attaining capital cost from the shareholder perspective (shareholders' equity cost). The cause is absence of capital allocation, and shareholders' equity cost is an effective measure.

"Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans" of the Tokyo Stock Exchange's Corporate Governance Code stipulates "When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets."

The Company hence should present shareholders' equity cost as a "target for profitability and capital efficiency" and "provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing the business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve the target." By doing this, the Company can foster active dialogue between the Company and shareholders and pursue improvement of low valuation of its shares in the market.

Nissan Shatai's Board of Directors' opinion

Nissan Shatai's Board of Directors' opposes the subject resolution for the following reasons.

Reasons for opposing

Nissan Shatai aims to grow sales and earnings and improve enterprise value over the longer term through business investments in development of new products and production.

While Nissan Shatai acknowledges that capital cost is an important indicator for business decisions, it is also aware that this is not determined unequivocally because of diverse approaches based on certain assumptions in selecting figures used as the basis of the calculation, and it hence does not disclose a specific value.

It is inappropriate to stipulate the content of the subject Shareholder Proposal in the Articles of Incorporation that define the fundamental principles of a company.

Based on these reasons, Nissan Shatai's Board of Directors' opposes the subject resolution.



## **Proposal 10: Share buybacks**

### **(1) Summary of the Proposal**

Based on provisions in Article 156, Paragraph 1 of the Companies Act, the Company shall purchase up to 15,183,700 shares or 7,925,890,000 yen of its own ordinary shares within one year of completion of the subject General Shareholders Meeting (though the upper limit shall be the total amount of allowable purchase value under the Companies Act if the “the Distributable Amount” defined by Article 461 of the Companies Act is less than the subject amount).

### **(2) Reason for the proposal (summary)**

The Company has not disclosed its capital allocation policy, and it is unclear whether it is capable of converting to management that generates return in excess of capital cost. Considering the risk of continued erosion of enterprise value through rising capital cost from further expansion of shareholders’ equity due to retention of massive consigned fund management at Nissan’s group fund management company and the absence of a capital allocation policy, action on shareholder return to halt the adverse cycle of continued worsening of the Company’s capital efficiency would help protect minority shareholders.

Rectification of surplus capital is a pressing issue for the Company’s capital allocation. Shareholders’ equity cost presented on Bloomberg information terminals used by many institutional investors is 13.7% as of April 15, the latest reading. Meanwhile, the Company’s average ROE in the past 10 years is just in the 3% range, and the Company’s shareholders’ value and enterprise value have been steadily eroded.

The Company’s shareholders’ equity ratio is at an all-time high. It is not possible to rectify inefficient capital allocation in which ROE is lower than shareholders’ equity cost while preserving excess capital and above-mentioned low-return managed assets. Therefore, the Company’s P/B ratio is likely to continue at less than 1x unless the percentage of gross shareholder return value from dividend payments and share buybacks to market capitalization reaches at least the 13.7% shareholders’ equity cost.

The Company expect to pay a dividend of 13 yen per share in March 2022 with total value as 2.5% of the Company’s market capitalization as of April 15. The Company hence needs to conduct a share buyback that amounts to 11.2% of market capitalization in order to lift the percentage of gross shareholder return to market capital to the 13.7% shareholders’ equity cost. Meanwhile, as mentioned above, the Company has more than enough funds to implement share buybacks because the amount of money in consigned management to Nissan Group Finance that does not contribute to the Company’s core business equals 1.75x its market capitalization. As indicated in (1) above, this point proposes purchase of the Company’s ordinary shares using cash up to 15,183,700 shares or 7,925,890,000 yen that corresponds to 11.2% of market capitalization.

Nissan Shatai’s Board of Directors’ opinion

Nissan Shatai’s Board of Directors’ opposes the subject resolution for the following reasons.

#### Reasons for opposing

Nissan Shatai believes that reinforcement of corporate operations to improve earnings and provision of stable, continuous shareholder return are important management issues and has adopted a basic policy for shareholder return of continuous payment of a stable dividend. Based upon this basic policy, as preparation for massive investments in new product development and production set-up and as readiness for unforeseen situations, such as impact on production activities by natural disasters and pandemics, Nissan Shatai must have sufficient surplus funds that can be flexibly utilized and has decided that it is not appropriate to use a large amount of funds on share buybacks at all once from a near-term perspective. While it acknowledges that share buybacks are an option in shareholder return measures, Nissan Shatai also believes that it needs to give balanced consideration to all stakeholders. Furthermore, share buybacks should be decided and executed timely in light of the stock price trend, earnings and financial situation, future business environment, and the presence or not of undisclosed important facts. Nissan Shatai thinks the rushed promise on buying its own shares and use of a large amount of funds on share buybacks at all once from a near-term perspective in the subject proposal might lead to a situation that damages the interests of shareholders and is inappropriate. Nissan Shatai already has a stipulation in the Articles of Incorporation that enables it to purchase its own shares based on a resolution by the Board of Directors. The Board of Directors intends to continue to review the most appropriate shareholder return measures in light of the company's situation. Based on these reasons, Nissan Shatai's Board of Directors' opposes the subject resolution.

(Attached Documents)

## Business Report

(From April 1, 2021 to March 31, 2022)

### 1. Current State of Corporate Group

#### (1) Operations and results

In the fiscal year that ended in March 2022, the Japanese economy continued to recover. However, there was a risk of an economic downturn throughout the year because of an increase in COVID-19 cases due to the coronavirus variant, shortages of semiconductors and other parts, and other issues.

In the automobile industry, although there was a recovery in demand for new cars, production was limited by the pandemic, the shortage of semiconductors and other problems. Furthermore, the Ukraine crisis has created uncertainty and prices of raw materials are increasing rapidly. This extremely uncertain environment for the Nissan Shatai Group is likely to continue.

In this environment, the volume of orders from Nissan Motor Co., Ltd. was affected by production reductions caused by the semiconductor shortage and other reasons. As a result, the number of vehicles sold decreased 15.4% year-on-year to 113,775 units. Sales decreased 147.5 billion yen to 215.3 billion yen because of the decline in production volume and the 110.1 billion yen reduction in sales caused by the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) to component parts supplied by Nissan Motor and other transactions.

Due to the lower production volume, there was an operating loss of 3.5 billion yen, down 4.0 billion yen from the operating income in the previous fiscal year, an ordinary loss of 2.5 billion yen, down 4.5 billion yen from the prior year profit, and a loss attributable to owners of parent of 2.2 billion yen, down 4.1 billion yen from the prior year profit.

#### Sales Breakdown

Category	Volume (Units)	Amount (Million yen)	Year-on-year change (%)
Passenger vehicles	56,826	137,305	—
Commercial vehicles	49,090	48,022	—
Microbuses	7,859	9,522	—
Vehicle parts, etc.	—	20,507	—
Total	113,775	215,359	—

Note:

Nissan Shatai has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of FY2021.

The Accounting Standard for Revenue Recognition has been accounted for in the

consolidated financial results for the fiscal year ending in March 2022. The year-on-year increase/decrease of net sales is not presented as the application of the Accounting Standard for Revenue Recognition will have significant effect on net sales.

## (2) Funding activities

There were no funding activities to be reported during the fiscal year under review.

## (3) Capital expenditures

Capital expenditures during the fiscal year under review totalled approximately 8.0 billion yen. This was for the improvement of product attractiveness through the new products and minor changes of existing products, as well as for the enhancement of plant and equipment by such means as the rationalization of manufacturing facilities, the improvement of welfare facilities, and environmental improvements.

## (4) Issues and outlook for the year ahead

In fiscal 2017, Nissan Shatai started a Medium-Term Management Plan covering fiscal years 2017 to 2022. The plan's fundamental direction is building a powerful and long-lasting foundation for success by focusing on LCV and frame-vehicle technological expertise to supply vehicles with outstanding quality and appeal to customers. This plan has three major goals: (1) Produce highly appealing vehicles to increase production and sales; (2) Operate plants with the best quality that can earn the trust of customers; and (3) Establish global technology bases for LCV and frame-vehicle manufacturing. In the fiscal year that ended in March 2022, Nissan Shatai started producing the Patrol Nismo with new exterior styling and LCVs such as the AD, NV200 Vanette and Caravan with a revised power train for higher fuel efficiency and lower emissions. There were also minor changes to these vehicles for upgrades involving advanced safety systems and items for greater comfort.

Automobile demand began to recover from the COVID-19 pandemic downturn, there was a large reduction in production caused by shortages of semiconductors and other parts. Although the supply of these parts is recovering, the business climate remains uncertain because of increasing geopolitical tensions worldwide. In this challenging business climate, Nissan Shatai continued its manufacturing activities in order to meet market needs as much as possible while taking actions to reduce vulnerability to risk factors and return operations to normal.

Regarding the final vehicle inspection issue that was discovered in 2017, all countermeasures for preventing a reoccurrence of this problem are in the implementation phase. Once every year, we hold a compliance day when assembly lines are stopped and there are other measures to prevent this type of problem and strengthen compliance activities.

The fiscal year ending in March 2023 will be the final year of the Medium-Term Management Plan that began with the fiscal year that ended in March 2018. During this final year, we will continue to take full advantage of the integrated manufacturing infrastructure extending from development to production that is our greatest strength in order to establish manufacturing operations that can adapt with flexibility to market trends. There will also be measures to

build a stronger foundation centered on workforce diversity that can support all operations and to reinforce measures for compliance with laws and regulations. By taking these actions, we are determined to earn even greater confidence among customers, shareholders, business partners, communities, employees and all other stakeholders. In response to increasing social demands involving the SDGs and ESG, we will reinforce corporate governance and create the next medium-term management plan with the goal of more growth of corporate value.

#### (5) Financial performance highlights

Item	Fiscal term	96th Fiscal term (Ended March 31, 2019)	97th Fiscal term (Ended March 31, 2020)	98th Fiscal term (Ended March 31, 2021)	99th Fiscal term (Ended March 31, 2022)
Net sales	(Million yen)	602,882	498,831	362,869	215,359
Ordinary income (loss)	(Million yen)	8,174	9,802	1,973	(2,541)
Profit (loss) attributable to owners of parent	(Million yen)	5,585	5,827	1,917	(2,217)
Earnings (loss) per share	(Yen)	41.23	43.02	14.16	(16.37)
Total assets	(Million yen)	268,514	264,709	261,052	231,233
Net assets	(Million yen)	166,025	168,792	175,176	172,190
Book value per share	(Yen)	1,225.70	1,246.13	1,293.27	1,271.22

Notes:

- Earnings (loss) per share is calculated on the basis of the average number of shares outstanding during each fiscal term, after deduction of treasury stock.
- Nissan Shatai has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) etc. effective from the beginning of the fiscal year that ended in March 2022 and the consolidated financial statements for this fiscal year incorporate this standard etc.

#### (6) Principal parent company and subsidiaries

##### a) Parent company

Nissan Shatai's parent company Nissan Motor Co., Ltd. holds 67,726 thousands shares (50.0% of all voting rights) of the total number of Nissan Shatai's shares outstanding, and accounts for 97.5% of Nissan Shatai's net sales.

##### b) Transactions with the parent company

- Points considered to prevent detrimental effects to Nissan Shatai's interest as a result of these transactions and reason for judgement by the Board of Directors if these transactions are detrimental to Nissan Shatai's interest or not

Transactions with the parent company are carried out according to the Master Production Service Agreement and transaction prices for automobile to the parent company are determined by negotiations that take into account the total cost of manufacturing.

In addition, the details of the negotiations are deliberated by the Business Monitoring Committee, which consists of independent outside directors and independent outside statutory auditors, reported to the Board of Directors, and confirmed by the Board of Directors.

- 2) Opinion concerning transactions with the parent company in the event that the decision of the Board of Directors differs from the opinion of the outside director

Not applicable.

c) Principal subsidiaries

Company name	Capital (Million yen)	Share of voting rights (%)	Main business
Nissan Shatai Kyushu Co., Ltd.	10	100	Vehicle manufacture
Nissan Shatai Manufacturing Co., Ltd.	432	100	Pressing and assembly of auto parts, molding and assembly of resin products
Nissan Shatai Engineering Co., Ltd.	40	100	Machinery maintenance and servicing, equipment installation, logistics
Auto Works Kyoto Co., Ltd.	480	100	Vehicle manufacture, vehicle conversion
Nissan Shatai Computer Service Co., Ltd.	100	100	System and program development
Pro Staff Co., Ltd.	90	100	Temporary staff placement

Note: Shares of voting rights include those held indirectly.

(7) Principal business operations The Nissan Shatai Group's principal business is the manufacture and sale of motor vehicles and auto parts, other business activities including servicing related to the aforesaid.

Its principal products are as follows:

Category	Product names
Passenger vehicles	NV200 Vanette, Caravan, Elgrand, Patrol (Y61/Y62), Armada, Infiniti QX80
Commercial vehicles	AD, NV200 Vanette, Caravan, Patrol Pickup,
Microbuses	Caravan
Vehicle parts, etc.	Vehicle parts, other items and vehicle conversion

(8) Principal offices, facilities, and plants

a) Nissan Shatai

Office / facility / plant	Location
Head Office Kyushu Office	Hiratsuka, Kanagawa Prefecture Kanda-machi, Miyako-gun, Fukuoka Prefecture
Development Division	Hiratsuka, Kanagawa Prefecture
Hadano Office	Hadano, Kanagawa Prefecture
Tochigi Office	Kaminokawa-machi, Kawachi-gun, Tochigi Prefecture
Production Division	Hiratsuka, Kanagawa Prefecture
Shonan Plant	Hiratsuka, Kanagawa Prefecture
Quality Assurance Kyushu, Quality Administration Group	Kanda-machi, Miyako-gun, Fukuoka Prefecture

b) Subsidiaries

Nissan Shatai Kyushu Co., Ltd.	Head Office and plant: Kanda-machi, Miyako-gun, Fukuoka Prefecture
Nissan Shatai Manufacturing Co., Ltd.	Head Office and Plant: Hiratsuka, Kanagawa Prefecture
Nissan Shatai Engineering Co., Ltd.	Head Office: Hiratsuka, Kanagawa Prefecture Plants: Hiratsuka, Kanagawa Prefecture; Kanda-machi, Miyako-gun, Fukuoka Prefecture
Auto Works Kyoto Co., Ltd.	Head Office: Uji, Kyoto Prefecture Plants: Uji, Kyoto Prefecture; Hiratsuka, Kanagawa Prefecture; Kanda-machi, Miyako-gun, Fukuoka Prefecture

(9) Employee information

a) Group employees

Number of employees	Decrease from end of previous fiscal year
4,016	(58)

b) Nissan Shatai employees

Number of employees	Decrease from end of previous fiscal year
1,730	(38)

## 2. Share Data

- (1) Total number of shares authorized to be issued 400,000,000
- (2) Total number of shares issued 157,239,691  
(including 21,786,755 shares of treasury stock)
- (3) Number of shareholders at fiscal year-end 4,911
- (4) Ten largest shareholders

Name	Number of shares (Thousands)	Ratio of issued shares (%)
Nissan Motor Co., Ltd.	67,726	50.0
MLI for Segregated PB Client	21,000	15.5
Goldman Sachs International	16,573	12.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,360	3.2
Nissan Shatai Supplier Stock Ownership Plan	2,592	1.9
ECM MF	2,182	1.6
Custody Bank of Japan, Ltd. (Trust Account)	1,058	0.8
JP Morgan Chase Bank 385781	737	0.5
State Street Bank West Client-Treaty 505234	733	0.5
DFA Intl Small Cap Value Portfolio	536	0.4

Note: Nissan Shatai holds 21,786,755 shares of treasury stock, but has been excluded from the above list of ten largest shareholders. The ratios of issued shares have been calculated after excluding treasury stock.



### 3. Directors and Statutory Auditors

(1) List of directors and statutory auditors (at March 31, 2022)

Title	Name	Responsibilities	Important positions at other companies
President*	Haruhiko Yoshimura	Internal Audit Office, General Manager Corporate Quality Assurance Div.	President, Nissan Shatai Kyushu Co. Ltd.
Director	Shin Kotaki	Overall supervision of General & Administration Div.; Internal Control Office, Secretariat; Administration Dept.	
Director	Masayuki Yabe	Overall supervision of Research and Development Div.; Project Engineering Center	
Director	Takuya Nakamura	Overall supervision of Production Div.; Safety and Environment Administration Dept., Quality Administration Dept., Production Administration Dept.	
Director (Outside)	Seiichiro Ichikawa		Outside Director (Audit and Supervisory Committee Member) of the Company, SWCC SHOWA HOLDINGS CO., LTD.
Director (Outside)	Masayuki Imai		Director and Senior Vice President, Kanagawa Chuo Kotsu Co., Ltd.
Statutory Auditor	Toshikatsu Hamaji	Full-time	Statutory Auditor, Nissan Shatai Kyushu Co., Ltd., Statutory Auditor, Auto Works Kyoto Co., Ltd.
Statutory Auditor (Outside)	Izumi Inoue		Chief Executive Officer, Japan Risk Solution Co., Ltd.

Statutory Auditor (Outside)	Tomonori Ito		Director, Kanagawa Association of Corporate Executives Statutory Auditor, JATCO Ltd.
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Notes:

1. \* indicates a representative director.
2. Mr. Ichikawa and Mr. Imai are outside directors.
3. Mr. Inoue and Mr. Ito are outside statutory auditors.
4. Mr. Ichikawa, Mr. Imai, Mr. Inoue and Mr. Ito are independent directors or statutory auditor as stipulated by Tokyo Stock Exchange, Inc.
5. Mr. Ito, who is a statutory auditor, has considerable knowledge concerning finance and accounting due to many years of experience at financial institutions.
6. Mr. Yabe and Mr. Nakamura were newly elected as director at the 98<sup>th</sup> General Meeting that was held on June 24, 2021.
7. Mr. Ikeda resigned as statutory auditor at the end of 98<sup>th</sup> General Meeting that was held on June 24, 2021.
8. Mr. Ito was newly elected as a statutory auditor at the 98<sup>th</sup> General Meeting that was held on June 24, 2021.
9. There are no capital ties and business relations between Nissan Shatai and SWCC SHOWA HOLDINGS CO., LTD.
10. There are no capital ties between Nissan Shatai and Kanagawa Chuo Kotsu Co., Ltd. Nissan Shatai uses Kanagawa Chuo Kotsu's bus, taxi and hotel services as a general customer. Sales of Kanagawa Kotsu to Nissan Shatai were insignificant (less than 1% of annual consolidated sales) in FY2021. Nissan Shatai recorded no sales to this company.
11. There are no capital ties and business relations between Nissan Shatai and Japan Risk Solution Co., Ltd.
12. There are no capital ties and business relations between Nissan Shatai and Kanagawa Association of Corporate Executives.
13. JATCO Ltd is a subsidiary of Nissan Motor Co., Ltd., Nissan Shatai's parent company.

(2) Remuneration of directors and statutory auditors

1) Total amount of remuneration of directors and statutory auditors

Office	Total amount of remuneration (Thousand yen)	Total amount of remuneration (Thousand yen)			No. of persons
		Base salary	Remuneration linked to results of operations, etc.	Non-monetary Remuneration, etc.	
Directors	102,214	82,891	19,323	—	6
Statutory Auditors	36,924	36,924	—	—	4
Total	139,138	119,815	19,323	—	10

Notes:

1. This table includes one statutory auditor who resigned at the end of the 98th General Meeting that was held on June 24, 2021.
2. The remuneration paid to two outside directors and three outside statutory auditors during the fiscal year under review totaled 36,516 thousand yen.
3. Remuneration linked to results of operations, etc. is the amount of this remuneration for FY2020 that was confirmed in June 2021. Remuneration linked to results of operations, etc. for FY2021 had not been confirmed when this publication was prepared. Consequently, the remuneration linked to results of operations for FY2021 is not included in the table shown above.
4. Outside directors and outside statutory auditors of Nissan Shatai received aggregate remuneration of 10,004 thousand yen for duties performed as directors or statutory auditors at Nissan Motor or a subsidiary of Nissan Motor.

2) 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.

Major performance indicators and results of operations in FY2021 for remuneration linked to results of operations, etc.

Performance indicators	Target (Billion yen)	Actual (Billion yen)	Achievement rate (%)
Operating income	78.0	(35.3)	—
Free cash flow	39.9	(711.4)	—

Note: This table shows the major targets for results of operations and actual results of operations that have been confirmed concerning FY2021 remuneration linked to results of operations, etc. As there are other indicators for which results of operations had not been confirmed when this publication was prepared, FY2021 performance-based remuneration, etc. has not yet been confirmed.

3) Shareholders meeting resolutions concerning remuneration, etc. of directors and statutory auditors

At the 59th General Meeting that was held on June 30, 1982, shareholders approved resolutions to limit total monthly remuneration to 30 million yen for directors and 5 million yen for statutory auditors. At the end of this meeting, there were 15 directors and 2 statutory auditors.

4) Method for determining remuneration for individual directors

1. Policy and method for determining remuneration for individual directors

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

2. Summary of the remuneration policy

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

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

3. Reason for the Board of Directors' judgment that FY2021 remuneration for individual directors is consistent with the remuneration determination policy.  
The Board of Directors has concluded that FY2021 remuneration for individual directors is consistent with the remuneration determination policy because the method used to determine this remuneration and the content of this remuneration are consistent with the policy and because the Nominations and Remuneration Committee confirmed compliance with the policy.
- 5) Delegation by the Board of Directors of authority for determination of remuneration for individual directors  
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.

(3) Outline of limited liability contract

Under Article 423, Paragraph 1 of the Companies Act, the Company has concluded limited liability contracts with outside directors and statutory auditors, with limits as prescribed in Article 425, Paragraph 1 of the Companies Act.

(4) Summary of terms of liability insurance policies for executives and other

Nissan Shatai has purchased liability insurance policies as stipulated in Article 430, Paragraph 3-1 of the Companies Act for directors, statutory auditors, executive officers and important employees (including individuals who were at a Nissan Shatai group company during the applicable fiscal year) of Nissan Shatai and the subsidiaries listed in "1-(6)-c Principal subsidiaries." Nissan Shatai pays all premiums for these policies. These policies provide payments for losses incurred by an insured individual who has been required to pay damages due to an activity (including neglect) associated with the individual's job. These policies are purchased every year.

This liability insurance does not cover payments resulting from actions by Nissan Shatai demanding the payment of damages and does not cover losses caused by a criminal act or intentionally illegal activity of an insured individual. These exemptions are provided for the purpose of ensuring that liability insurance does not have a detrimental effect on the proper performance of duties by individuals who are insured.

(5) Matters related to outside directors and outside statutory auditors

- 1) Outside directors and outside statutory auditors' material concurrent employments and relationships between the Company and the Company's concurrent counterparties  
As stated in "(1) List of directors and statutory auditors"

2) Principal activities in the term under review

Category	Name	Summary of attendance, participation and expected roles
Director	Seiichiro Ichikawa	Mr. Ichikawa attended all 19 meetings of the Board of Directors during the fiscal year (excluding meetings for written resolutions). He adequately performed the role required of an outside director with activities including stating many opinions that used his many years of management experience in a different industry and his knowledge of corporate governance. In addition, he attended all 7 meetings during the fiscal year of the Nominations and Remuneration Committee and the Business Monitoring Committee, and was chairman of both committees, which are voluntary advisory committees for the Board of Directors. Mr. Ichikawa used his independent and objective perspective to play a central role in the oversight function concerning the selection of director and statutory auditor candidates, the determination of remuneration for directors, and the determination of terms for business transactions with Nissan Motor.
Director	Masayuki Imai	Mr. Imai attended all 19 meetings of the Board of Directors during the fiscal year (excluding meetings for written resolutions). He adequately performed the role required of an outside director with activities including stating many opinions that used his knowledge of corporate finance and accounting acquired at a company in a different industry. In addition, he attended all 7 meetings during the fiscal year of the Nominations and Remuneration Committee and the Business Monitoring Committee as a member of these committee, which are voluntary advisory committees for the Board of Directors. Mr. Imai used his independent and objective perspective to perform the oversight function concerning the selection of director and statutory auditor candidates, the determination of remuneration for directors, and

		the determination of terms for business transactions with Nissan Motor.
Statutory Auditor	Izumi Inoue	<p>Mr. Inoue attended all 19 meetings of the Board of Directors (excluding meetings for written resolutions) and all 15 meetings of the Board of Statutory Auditors during the fiscal year. He provided advice from an independent perspective by using his experience as a manager in the non-life insurance and other industries and particularly his knowledge concerning business risk management and corporate governance. He adequately performed the role required of an outside statutory auditor.</p> <p>In addition, he attended all 4 meetings during the fiscal year of the Business Monitoring Committee as a member of this committee, which is a voluntary advisory committee for the Board of Directors. At this committee, he performed the functions of an outside statutory auditor by making statements from an independent and objective perspective concerning the determination of terms for business transactions with Nissan Motor.</p>
Statutory Auditor	Tomonori Ito	<p>Following his election on June 24, 2021 as an outside statutory auditor, Mr. Ito has attended 15 meetings of the Board of Directors (excluding meetings for written resolutions) and all 11 meetings of the Board of Statutory Auditors during the fiscal year. He performed the role required of an outside statutory auditor by using his many years of financial institution management experience and extensive knowledge of finance and accounting to provide advice.</p> <p>In addition, following his election, Mr. Ito attended 3 meetings of the Business Monitoring Committee as a member of this committee, which is a voluntary advisory committee for the Board of Directors. At this committee, he performed the functions of an outside statutory auditor by making statements from an independent and objective perspective concerning the determination of terms for business transactions with Nissan Motor.</p>

#### 4. Accounting Auditor

(1) Name of accounting auditor

Ernst & Young ShinNihon LLC

(2) Amount of remuneration, etc., of accounting auditor for the fiscal year under review

- a) Amount of remuneration as accounting auditor for the fiscal year under review:  
36 million yen
- b) Total amount of monetary or other property benefits to be paid by Nissan Shatai or its subsidiaries: 42 million yen

Note: In the audit agreement between Nissan Shatai and the accounting auditor, there is no demarcation of the remuneration for audits based on the Companies Act and the remuneration for audits based on the Financial Instruments and Exchange Act, and since in essence it is not possible to demarcate them, the amount in a) above represents the combined sum of the two.

(3) Policy regarding decisions on the dismissal or non-reappointment of the Accounting Auditor

When accounting auditors are recognized as meeting the conditions of Article 340, Paragraph 1 of the Companies Act, the accounting auditors are dismissed by the Board of Statutory Auditors with the concurrence of all statutory auditors.

Further, if in addition it is adjudged that there are obstacles to execution of proper audits by the accounting auditors from the standpoints of independence and professionalism, the decision may be made by the Board of Statutory Auditors to dismiss or deny reappointment, and based on a Board of Directors resolution the relevant proposal is presented by the Board of Directors to the General Shareholders Meeting.

(4) Reason that Board of Statutory Auditors consent for remuneration, etc. for the accounting auditor

The Board of Statutory Auditors used documents and reports obtained as needed from associated Company departments and the accounting auditor to perform an examination of the auditing plan, the services provided in the previous fiscal year, the basis for calculating estimated remuneration and other items concerning the accounting auditor. This examination resulted in the decision that the remuneration, etc. for the accounting auditor was suitable and consent was given as stated in Article 399, Paragraph 1 of the Companies Act.



## **5. Outline of the contents of the resolution on the establishment of a system to ensure the appropriateness of business**

### **(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.

Nissan Shatai and its group companies are resolute in its opposition to anti-social 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 their instructions. Directors and employees shall not, directly or indirectly, engage in dishonest or criminal conduct such as fraud or blackmail in the course of their business activities. If they encounter such situation, they shall act resolutely against it and they quickly report such matter to their superiors and relevant divisions, and follow their instructions.

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 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.

## 6. Overview of Operations of Internal Control System

This section presents an overview of the status of the operations in the 99th fiscal term of the systems to ensure appropriate business conduct (hereinafter “Internal Control System”) of Nissan Shatai and its group companies. The Internal Control Office confirms the status and operations of the Internal Control System on a regular basis and submits reports to the Board of Directors.

### (1) Compliance

Nissan Shatai maintains a code of conduct for directors and employees that complies with the parent company code of conduct. The Compliance Committee was established as a body to oversee matters pertaining to compliance and meetings are convened regularly (12 times in the current fiscal year). In order to improve compliance in Nissan Shatai and its group companies, the Compliance Committee has developed and implemented action plans, including provision of regular compliance education for employees of Nissan Shatai and its group companies. Furthermore, group companies of Nissan Shatai also hold similar committee meetings regularly and engage in activities to improve compliance. The discovery of the final vehicle inspection issue showed that there is a need to expand compliance activities throughout the Nissan Shatai Group. A comprehensive inspection of compliance programs was performed and continued in fiscal 2020. The suitable functioning of all systems that have been established has been confirmed. Nissan Shatai and its group companies have an internal reporting system for submitting reports to the Nissan Shatai Human Resources Dept. or to a designated third party. Furthermore, the Code of Conduct states that individuals who submit reports will be protected and this provision is strictly enforced.

### (2) Risk management

The Risk Management Committee was established as a body to oversee matters pertaining to risk and meetings are convened regularly (3 times in the current fiscal year). The Risk Management Committee has specified major risks concerning Nissan Shatai and its group companies and implemented activities to prevent the occurrence and minimize the impact of risk. Furthermore, group companies of Nissan Shatai also hold similar committee meetings regularly and engage in risk management activities.

In fiscal 2021, activities were performed to confirm that business operations are conducted properly in compliance with the standards thoroughly established.

The Information Security Committee was established to oversee matters pertaining to information security and meetings are held regularly (12 times in the current fiscal year). The committee creates and implements action plans that include activities such as regular education programs about the Information Security Policy at Nissan Shatai and its group companies, the strict handling of information according to its classification, and periodic self-assessments. Furthermore, group companies of Nissan Shatai also hold similar committee meetings regularly and engage in activities to improve information security. The Environmental Committee, Quality Committee, and Safety Council were established as bodies to oversee matters pertaining to environment, quality and safety, respectively, and meetings have been convened regularly, in which the status of progress on risk

management promotion activities was reviewed. Furthermore, group companies of Nissan Shatai also hold similar committee meetings regularly and engage in related activities.

(3) Execution of duties by Directors

With the objective of strengthening the monitoring functions of the Board of Directors and incorporating an external perspective on management, two outside directors are elected. In the current fiscal year the Board of Directors met 19 times, where important company matters were reported, deliberated and decided. In addition, there was one written resolution in accordance with Article 370 of the Companies Act.

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. This committee met 3 times during the fiscal year. Nissan Shatai also established 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. This committee held 4 meetings during the fiscal year. In the current fiscal year the Executive Committee met weekly in principle, and engaged in discussions on specific individual management-related matters arising from the conduction of business.

To ensure the efficient execution of the duties of the Directors, reviews of the Delegation of Authority and Responsibilities of Each Department were conducted and necessary revisions were implemented. In addition, similar revisions were made as necessary at Nissan Shatai group companies.

(4) Execution of duties by Statutory Auditors

Nissan Shatai has two outside statutory auditors for the purposes of strengthening the auditing function of the Board of Statutory Auditors and incorporating an external perspective in audits. During the fiscal year that ended in March 2022, this board held 15 meetings where the statutory auditors discussed the performance of the directors, the reliability of financial reports and other subjects.

The statutory auditors, including outside statutory auditors, audit the performance of the directors and confirm the existence and implementation of internal control systems by participating in meetings of the Board of Directors, Corporate Officers meetings and other important meetings, periodically sharing opinions with the directors, and periodically receiving reports from the accounting auditor, Internal Control Office and Internal Audit Office.

The Auditor's Office was established as a body to assist in the duties of the Statutory Auditors, and in order to ensure independence from Directors, personnel matters such as the appointment and dismissal and appraisal of manager in the Auditor's Office are implemented with the consent of the Board of Statutory Auditors.

(5) Internal audit

Based on the Internal Audit Plan, an internal audit of the entire operations of Nissan Shatai and its group companies was conducted.

**Consolidated Balance Sheet (As of March 31, 2022)**

			(Million yen)
<b>Assets</b>	<b>231,233</b>	<b>Liabilities</b>	<b>59,042</b>
<b>Current assets</b>	<b>110,705</b>	<b>Current liabilities</b>	<b>54,810</b>
Cash on hand and in banks	405	Trade notes and accounts payable	31,104
Notes and accounts receivable - trade, and contract assets	51,409	Electronically recorded obligations-operating	7,242
Work in process	867	Lease obligations	2,898
Raw materials and supplies	3,316	Accounts payable-other	1,224
Accounts receivable-other	1,430	Accrued expenses	8,165
Deposits paid	52,463	Income taxes payable	126
Other	812	Deposits received	279
<b>Fixed assets</b>	<b>120,527</b>	Deposits received from employees	2,819
<b>Property, plant and equipment</b>	<b>45,651</b>	Accrued warranty costs	198
Buildings and structures	10,586	Other	751
Machinery, equipment and vehicles	12,334	<b>Long-term liabilities</b>	<b>4,232</b>
Tools, furniture and fixtures	5,736	Lease obligations	1,159
Land	14,228	Accrued warranty costs	185
Construction in progress	2,763	Net defined benefit liabilities	1,289
<b>Intangible fixed assets</b>	<b>848</b>	Asset retirement obligations	1,123
<b>Investments and other assets</b>	<b>74,028</b>	Other	474
Investment securities	324	<b>Net assets</b>	<b>172,190</b>
Long-term loans receivable	70,094	<b>Shareholders' equity</b>	<b>167,303</b>
Long-term prepaid expenses	16	Common stock	7,904
Deferred tax assets	3,245	Capital surplus	8,517
Other	348	Retained earnings	173,517
		Treasury stock	(22,635)
		<b>Accumulated other comprehensive income</b>	<b>4,886</b>
		Remeasurements of defined benefit plans	4,886
<b>Total assets</b>	<b>231,233</b>	<b>Total liabilities and net assets</b>	<b>231,233</b>



### Consolidated Statement of Income (From April 1, 2021 to March 31, 2022)

	(Million yen)
Net sales	<b>215,359</b>
Cost of sales	212,146
Gross profit	3,213
Selling, general and administrative expenses	6,752
<b>Operating loss</b>	<b>3,538</b>
Non-operating income	
Interest income and dividends income	343
Subsidies for employment adjustment	323
Other	537
Total non-operating income	1,203
Non-operating expenses	
Interest expense	50
Other	156
Total non-operating expenses	207
<b>Ordinary loss</b>	<b>2,541</b>
Special gains	
Gain on sales of fixed assets	1
Total special gains	1
Special losses	
Loss on retirement of fixed assets	510
Other	40
Total special losses	550
<b>Loss before income taxes</b>	<b>3,091</b>
Income taxes-current	50
Income taxes-deferred	(924)
Total income taxes	(873)
Net loss	2,217
<b>Loss attributable to owners of parent</b>	<b>2,217</b>

**Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2021 to March 31, 2022)**

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	7,904	8,517	177,564	(22,635)	171,351
Cumulative effects of changes in accounting policies			(68)		(68)
Restated balance	7,904	8,517	177,495	(22,635)	171,282
Changes of items during the period					
Cash dividends paid			(1,760)		(1,760)
Profit attributable to owners of parent			(2,217)		(2,217)
Purchase of treasury stock				(0)	(0)
Net changes of items other than those in shareholders' equity					
Total changes of items during the period	-	-	(3,978)	(0)	(3,978)
Balance at the end of current period	7,904	8,517	173,517	(22,635)	167,303

(Million yen)

	Accumulated other comprehensive income	Total net assets
	Remeasurements of defined benefit plans	
Balance at the beginning of current period	3,825	175,176
Cumulative effects of changes in accounting policies		(68)
Restated balance	3,825	175,108
Changes of items during the period		
Cash dividends paid		(1,760)
Profit attributable to owners of parent		(2,217)
Purchase of treasury stock		(0)
Net changes of items other than those in shareholders' equity	1,060	1,060
Total changes of items during the period	1,060	(2,917)
Balance at the end of current period	4,886	172,190

## Notes to Consolidated Financial Statements

### 1. Basis of Consolidated Financial Statements

#### (1) Scope of consolidation

Consolidated subsidiaries: 6

Nissan Shatai Kyushu Co., Ltd., Nissan Shatai Manufacturing Co., Ltd., Nissan Shatai Engineering Co., Ltd., Auto Works Kyoto Co., Ltd., Nissan Shatai Computer Service Co., Ltd., Pro Staff Co., Ltd.

#### (2) Significant Accounting Policies

##### 1) Valuation methods for assets

- Securities

Other securities

Non-marketable stocks and others

Cost calculated by the moving average method

- Inventories

Work in process, raw materials and supplies

Primarily stated at cost determined by the first-in and first-out method (cost of inventories is written-down when their carrying amounts become unrecoverable).

##### 2) Depreciation

- Property, plant and equipment (excluding leased assets)

Primarily the straight-line method using the estimated life as the useful life and an effective residual value for the residual value

- Intangible fixed assets (excluding leased assets)

Straight-line method, but software for internal use is depreciated using the straight-line method over a 5-year period, which is the time that software can be used internally.

- Leased assets

Straight-line method using the estimated life as the useful life and an effective residual value for the residual value

- Long-term prepaid expenses

Depreciated in equal installments

##### 3) Basis for reserves and allowances

- Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

- Accrued warranty costs

Accrued warranty costs are provided to cover the cost of all complaints about products anticipated to be incurred during the period based on past experience.

##### 4) Standard for recognition of revenue and expenses

For revenue in major businesses from contracts between Nissan Shatai and its consolidated subsidiaries and their customers, the primary performance obligations and normal time when these obligations are fulfilled (normal time for revenue recognition) are as follows.

i. Revenue from the sale of products

For revenue from the manufacture of vehicles and automotive parts by Nissan Shatai and its consolidated subsidiaries, the fulfillment of performance obligations is recognized primarily when products are delivered to customers, resulting in the transfer of the control of these products to customers. Payment for the fulfillment of performance obligations is generally received within four months of the fulfillment of these obligations in accordance with separately specified payment terms and there is no significant financing component. For transactions where the supplier is obligated to buy back products that were sold (chargeable subcontracting), in cases where Nissan Shatai and its consolidated subsidiaries are purchasers, net revenue is recognized because Nissan Shatai and its consolidated subsidiaries do not have control of the supplied products. Basic contracts for outsourcing manufacturing with customers concerning the sale of automobiles and automotive parts include a product quality assurance obligation provision. This obligation requires a warranty that products will comply with the specifications in the contract with the customer. As a result, accrued warranty costs for expenses associated with this guarantee are recognized.

ii. Subcontracting revenue

For performance obligations for subcontracting activities involving automobiles and system development services that require a specific length of time for fulfillment, Nissan Shatai and its consolidated subsidiaries recognize revenue over this period based on estimates of the degree of progress with fulfilling the obligation. In cases where it is not possible to determine a reasonable estimate of this progress and expenses for the project are expected to be recovered, revenue is recognized by using the cost recovery method. Payments for these transactions are generally received based on progress with fulfilling the obligation, such as by using contractual milestones. The payment is usually received within two months of completion of the fulfillment of the obligation and also there is no significant financing component.

5) Accounting for retirement benefits

- Method for calculating the retirement benefit obligation

For calculating the retirement benefit obligation, the benefit formula basis has been adopted for attributing projected benefits to periods.

- Actuarial gains and losses and past service cost

Actuarial gain and loss are amortized in the year following the year in which actuarial gain and loss are recognized by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees (Principally 12 to 15 years).

Past service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees (15 years).

6) Adoption of consolidated taxation system

Beginning with the fiscal year ending in March 2023, Nissan Shatai and its consolidated subsidiaries will shift from the consolidated taxation system to the

group tax sharing system. Regarding the shift to the group tax sharing system that was established by the Income Tax Act (Act No. 8 of 2020) and single tax system items revised in association with this act, for the transition to the group tax sharing system that was newly established by the Act for Partial Amendments to the Income Tax Act (Act No. 8 of 2020) and for items involving the non-consolidated taxation system that were reexamined in conjunction with this transition, pursuant to Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39, March 31, 2020), Nissan Shatai and its consolidated subsidiaries are not applying the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018). Consequently, the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the Income Tax Act before these amendments.

From the beginning of the fiscal year ending in March 2023, Nissan Shatai plans to use the provisions of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021) for income tax and local income taxes, tax effect accounting, and disclosures in cases where the group tax sharing system is used.

## **2. Note concerning change in accounting policy**

### **(Application of Accounting Standard for Revenue Recognition)**

Nissan Shatai has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year that ended in March 2022. Based on this standard, payments expected to be received in exchange for products and services promised by Nissan Shatai are recognized as revenue when these products and services are transferred to customers.

As a result, for transactions where the supplier is obligated to buy back products that were sold (chargeable subcontracting), in cases where Nissan Shatai and its consolidated subsidiaries are the suppliers, instead of removing these products from inventories when they are sold as in prior years, these products will now continue to be recognized as inventories. In addition, when Nissan Shatai and its consolidated subsidiaries receive products under the chargeable subcontracting scheme, these products will no longer be recognized as inventories when they are received. Furthermore, in prior years, the sales and cost of sales of products to suppliers included the value of products received from the supplier. Due to the new revenue recognition standard, net revenue will now be recognized instead because Nissan Shatai and its consolidated subsidiaries does not have control of the products purchased from the supplier due to the supplier's repurchase obligation.

In prior years, the percentage-of-completion method was used for the recognition of revenue for construction subcontracting in cases where the degree of progress can be accurately determined. The completed-contract method was used for other construction projects. For performance obligations that are fulfilled over a specified period, this method has been changed to estimating the progress with fulfilling the obligation and using that estimate to recognize revenue during that period. In cases where it is not possible to determine a reasonable estimate of this progress and expenses for the project are expected to be recovered, revenue is recognized by using the cost recovery method.

For the application of the revenue recognition standard, the transitional treatment in the proviso to paragraph 84 of this standard is used. As a result, the cumulative effect of retroactively applying this standard to prior fiscal years, if this retroactive application is done, is added to or subtracted from retained earnings at the beginning of the fiscal year that ended in March 2022 and the new standard is applied from the beginning of this fiscal year. The “trade notes and accounts receivable” item in current assets in the balance sheet for the prior fiscal year has been changed to “trade notes and accounts receivable and contract assets” beginning with the fiscal year that ended in March 2022.

As a result, compared with before the application of the new revenue standard, the revenue recognition standard changed items in the consolidated balance sheet for the fiscal year that ended in March 2022 as follows: 12,098 million yen decrease in notes and accounts receivable and contract assets; 1,934 million yen decrease in work in process; 697 million yen increase in raw materials and supplies; 1,288 million yen decrease in accounts receivable; and 14,782 million yen decrease in notes and accounts payable. In the consolidated income statement for the fiscal year, the new standard reduced sales by 110,114 million yen, the cost of sales by 110,277 million yen, and the operating loss, ordinary loss and loss before income taxes by 162 million yen each.

Due to the incorporation of the cumulative effect of the application of the revenue recognition standard in net assets at the beginning of the fiscal year, retained earnings at the beginning of the fiscal year in the consolidated statement of changes in net assets decreased 68 million yen.

#### **(Application of Accounting Standard for Fair Value Measurement)**

Nissan Shatai has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 30, July 4, 2019) from the beginning of the fiscal year that ended in March 2022. Based on paragraph 19 of this standard and the transitional treatment in article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting methods specified by the Accounting Standard for Fair Value will be applied into the future. This change has no effect on the consolidated statement of income. Furthermore, in “8. Note concerning financial instruments,” Nissan Shatai has decided include a note on the fair values of financial instruments grouped into different levels.

### **3. Note concerning change in presentation method**

(Consolidated Balance Sheet)

“Long-term loans receivable” were included in “other” in the investments and other assets section of the consolidated balance sheet in prior fiscal years but is a separate item beginning with the consolidated balance sheet for the fiscal year ended March 2022 due to an increase in its monetary importance.

The long-term loans receivable for the previous fiscal year is 0 yen.

### **4. Note concerning accounting estimates**

(1) Impairment of fixed assets

- 1) Amount in consolidated statement of income for the fiscal year ended March 2022 :  
Property, plant and equipment: 45,651 million yen  
Intangible fixed assets: 848 million yen

2) Other information useful for enabling users of the consolidated statement of income understand accounting estimates

i. Calculation method for amounts in the consolidated statement of income for the fiscal year ended March 2022

The Nissan Shatai uses business segments (motor vehicles, equipment maintenance, information processing, temporary staffing) for grouping assets. For assets expected to be disposed of because there is no plan for use in the future and idle assets, decisions about the need for impairment are made for assets individually.

In the fiscal year ended March 2022, although the number of vehicles sold during the fiscal year decreased because of the semiconductor shortage and other reasons, the decision was made that there are no indications of a need for asset impairment because, as of the end of March 2022, earnings are expected to be stable in the following fiscal year and afterward and there are no other events that are a reason for impairment.

ii. Major assumptions used for calculating figures in the consolidated statement of income for the fiscal year ended March 2022

Decisions about indications of the need for impairment and the determination of the amount that can be recovered are based on estimated future cash flows based on certain assumptions.

The COVID-19 pandemic is one of the risk factors that may have a significant effect on the consolidated financial statements. There is still uncertainty about how much these infections will spread and when this pandemic will end. In the motor vehicles business segment, production was limited by shortages of semiconductors and other parts in the second half of the fiscal year that ended in March 2022.

Although the severity of these shortages was declining as of the end of March 2022, the outlook remains unclear. Due to this situation, the assumption for the number of vehicles sold, which has a significant effect on the uncertainty of estimates of future cash flows, is based on the premise that the COVID-19 pandemic and shortages of semiconductors and other parts will affect the number of vehicles sold for certain length of time.

iii. Effects on consolidated financial statements for the fiscal year ending March 2023

Regarding potential risk factors and uncertainties, there may be a need for an impairment loss due to a reduction in future cash flows and the amount of assets that can be recovered due to unforeseeable events such as but not limited to a change in the policy of parent company Nissan Motor concerning its sales strategy and production system, an extended impact of the COVID-19 pandemic on markets, and restrictions on manufacturing activities caused by shortages of semiconductors and other parts. An impairment loss may have a significant effect on the consolidated financial statements in the fiscal year ending March 2023.

(2) Recoverability of deferred tax assets

1) Total deferred tax assets in the consolidated financial statements for the fiscal year ended March 2022: 3,245 million yen

2) Other information to better enable users of the consolidated financial statements to understand accounting estimates

i. Calculation method for amounts in the consolidated financial statements for the



fiscal year ended March 2022

Deferred tax assets are recognized by using reasonable estimates of the timing and amounts of taxable income in the future based on business plans.

Nissan Shatai, which accounts for a significant share of deferred tax assets, represents 2,412 million yen of the deferred tax assets in the consolidated financial statements for the fiscal year ended March 2022. Nissan Shatai believes that all future deductible temporary differences that can be scheduled and tax loss carryforward, in comparison with estimated future taxable income, can be used.

- ii. Major assumptions used for calculating amounts in the consolidated financial statements for the fiscal year ended March 2022

Deferred tax assets at the end of March 2022 are calculated by using certain assumptions concerning the timing and amounts of future taxable income.

The COVID-19 pandemic is one of the risk factors that may have a significant effect on the consolidated financial statements. There is still uncertainty about how much these infections will spread and when this pandemic will end. In the motor vehicles business segment, production was limited by shortages of semiconductors and other parts in the second half of the fiscal year that ended in March 2022.

Although the severity of these shortages was declining as of the end of March 2022, the outlook remains unclear. Due to this situation, the assumption for the number of vehicles sold, which has a significant effect on the uncertainty of estimates of future cash flows, is based on the premise that the COVID-19 pandemic and shortages of semiconductors and other parts will affect the number of vehicles sold for certain length of time.

Deferred tax assets include no future deductible temporary differences that cannot be scheduled for which the timing of the elimination of these differences is uncertain.

- iii. Effects on the consolidated financial statements for the fiscal year ending in March 2023

Estimates of future taxable income calculated by using the figures determined in item ii sufficiently exceed the amount of future deductible temporary differences and tax deductible losses brought forward based on amounts that can be scheduled. However, risk factors and uncertainties include but not limited to a change in the policy of parent company Nissan Motor concerning its sales strategy and production system, an extended impact of the COVID-19 pandemic on markets, and restrictions on manufacturing activities caused by shortages of semiconductors and other parts. If unforeseeable events significantly reduce the number of vehicles produced, the timing and amounts of actual taxable income may differ from estimates because of a decline in profitability. This may have a significant effect on the amount of deferred tax assets recognized in the consolidated financial statements in the following fiscal years.

As a result, although the primary assumptions in item ii are based on premises using the best possible estimates, there may be a difference between estimates and future results of operations because of an increase in the severity of the COVID-19 pandemic, change in the economy or other events.

## 5. Notes to consolidated balance sheet

- (1) Receivables and contract assets from contracts with customers are included in notes and accounts receivable and contract assets. Contract liabilities are included in other current liabilities. The amounts of receivables, contract assets and contract liabilities associated with contracts with customers are in “8. Note concerning revenue recognition (3) Information for understanding the amount of revenue in the fiscal years ended March 2022 and following fiscal years.”
- (2) Accumulated depreciation of property, plant and equipment: 226,732 million yen
- (3) Contingent liabilities  
As guarantor of employees' housing loans from banks and others:  
685 million yen

## 6. Notes to consolidated statement of income

In sales, revenue from contracts with customers and from other sources are not shown separately. Revenue from contracts with customers is in “9. Note concerning revenue recognition (1) Separate information about income from contracts with customers.”

## 7. Notes to consolidated statement of changes in net assets

- (1) Shares issued and outstanding (as of March 31, 2021)  
Common stock: 157,239 thousand shares
- (2) Dividend from retained earnings
  - 1) Cash dividends paid

Resolution	Type of shares	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Shareholders Meeting on June 24, 2021	Common stock	880	6.50	March 31, 2021	June 25, 2021
Meeting of the Board of Directors on November 9, 2021	Common stock	880	6.50	September 30, 2021	December 1, 2021
Total	-	1,760	-	-	-

- 2) Dividend with a record date in the fiscal year ended March 31, 2022 and a payment date after the end of the fiscal year  
Nissan Shatai plans to submit the following resolution for approval at the 99<sup>th</sup> Ordinary General Shareholders Meeting to be held on June 23, 2022
  - Total dividend payments: 880 million yen
  - Source of dividends: Retained earnings
  - Dividend per share: 6.50 yen
  - Record date: March 31, 2022
  - Effective date: June 24, 2022

## 8. Notes to financial instruments

### (1) Overview of financial instruments

The Nissan Shatai Group places cash only in short-term deposits, etc. Internal resources are used to fund working capital and capital expenditures; no funds are procured from external sources for these requirements.

For notes and accounts receivable, financial information is received from counterparties for the purpose of managing credit risk. Deposits paid are funds placed with Nissan Group finance companies for the purpose of earning a return on a temporary surplus of cash.

Investment securities are stocks of companies that are not listed.

Long-term loans receivable are cash loans to Nissan finance companies for the purpose of using surplus funds.

Notes and accounts payable and electronically recorded debt, which are obligations involving business operations, are all due within one year. In addition, lease obligations associated with finance leases are mainly the balance due to suppliers for metal dies.

Notes and accounts receivable, which are receivables associated with business operations, are vulnerable to credit risk involving customers.

### (2) Fair value of financial instruments

The following table indicates the carrying value in the consolidated balance sheet, the fair value and the unrealized gain (loss) as of March 31, 2022.

	Carrying value* <sup>1</sup> (million yen)	Estimated fair value* <sup>1</sup> (million yen)	Unrealized gain (loss) (million yen)
Long-term loans receivable	70,094	69,011	1,082
Lease obligations (Current liabilities)	(2,898)	(2,884)	(13)
Lease obligations (Long-term liabilities)	(1,159)	(1,126)	(32)

\* <sup>1</sup>Liabilities are in parentheses.

\* <sup>2</sup> Cash on hand and in banks, notes and accounts receivable - trade, and contract assets, deposits paid, trade notes and accounts payable, electronically recorded obligations-operating, and accrued expenses are all items that are either cash or that will be settled within a short time. These items are omitted because their book values are very similar to their fair values.

\*<sup>3</sup> Non-listed stocks (324 million yen in the consolidated balance sheet) are not included in this table because these stocks do not have market prices.

### (3) Item concerning fair values of financial instruments grouped into different levels

Fair values of financial instruments are grouped into the following three levels that are based on the observability and importance of input used to calculate fair values.

Level 1 fair value: Of the inputs used for calculating observable fair values, fair values calculated by using market prices for assets and liabilities used for the calculation of fair values determined by markets with a high trading volume,

Level 2 fair value: Of the inputs used for calculating observable fair values, fair values calculated by using fair value calculation inputs other than the inputs used in level 1

Level 3 fair value: Fair values calculated by using inputs for calculating fair values that are not observable

When more than one input that has a significant impact on the calculation of fair value is used, the fair value is classified by using the input with the lowest level of priority for determining fair value.

- 1) Financial instruments shown at fair value on the consolidated balance sheet:  
Not applicable
- 2) Financial instruments other than those shown at fair value on the consolidated balance sheet:

	Level 1 (million yen)	Level 2 (million yen)	Level 3 (million yen)	Total (million yen)
Long-term loans receivable	—	68,920	90	69,011
Lease obligations	—	(4,011)	—	(4,011)

\* Liabilities are in parentheses.

Note: Explanation of valuation methods used to calculate fair value and inputs used to calculate fair value

#### Long-term loans receivable

Fair values of long-term loans receivable are categorized as level 2 when, for each category of these loans based on their length and on their credit risk rating used for credit management, present values of future cash flows are calculated by using an interest rate obtained by adding a credit spread to a suitable interest rate indicator such as the yield on Japanese government bonds. New loans receivable with similar future cash flows are categorized as level 3 when the expected interest rate is used for determining the present value of future cash flows.

#### Lease obligations

Fair values of lease obligations are categorized as level 2. Fair value is calculated by using the total of principal and interest and the current value method using a discount rate that has been adjusted to reflect the remaining time and credit risk of individual leases.

## 9. Note concerning revenue recognition

### (1) Separate information about income from contracts with customers

	Motor vehicles (million yen)	Others <sup>Note 1</sup> (million yen)	Total (million yen)
Passenger vehicles	137,305	—	137,305
Commercial vehicles	48,022	—	48,022
Microbuses	9,522	—	9,522
Vehicle parts, etc.	14,498	6,009	20,507
Sales to external customers	209,350	6,009	215,359

Note 1. Others is a business segment that is not included in the reportable segments. Activities include the equipment maintenance, information processing and temporary staffing businesses.

2. When the revenue of Nissan Shatai and its consolidated subsidiaries is divided by region, Japan is the only source of revenue.
3. Revenue shown here for product and service categories is sales to external customers after eliminating intersegment sales and transfers.
4. Sales to external customers are derived from revenue from contracts with customers.

### (2) Information for understanding revenue from contracts with customers

This information is omitted because it is the same as the information in “1. Notes to Consolidated Financial Statements (2) Significant Accounting Policies 4) Standard for recognition of revenue and expenses.”

### (3) Information for understanding revenue in the fiscal year that ended in March 2022 and following fiscal years

#### 1) Contract assets and contract liabilities

Balances of receivables, contract assets and contract liabilities from contracts with customers are as follows.

	Beginning of fiscal year ended March 2022 (million yen)	End of fiscal year ended March 2022 (million yen)
Receivables from contracts with customers	61,236	49,291
Contract assets	2,090	2,118

On the consolidated balance sheet, receivables and contract assets resulting from contracts with customers are included in “Notes and accounts receivable and contract assets.” The amount of contract liabilities at Nissan Shatai and its consolidated subsidiaries is negligible.

Contract assets are primarily the portion of payments due for outsourced automotive development activities for which invoices have not been issued and are primarily related to the rights of Nissan Shatai and its consolidated subsidiaries.

There were no significant changes in contract assets during the fiscal year that ended in March 2022. In addition, during this fiscal year, there was no significant revenue recognized due to the fulfillment (or partial fulfillment) in prior fiscal years of

performance obligations. There were no significant contract liabilities at Nissan Shatai or its consolidated subsidiaries.

2) Transaction prices allocated to residual performance obligations

At Nissan Shatai and its consolidated subsidiaries, the note about the allocation of transaction prices to residual performance obligations does not include contracts where the contract period is initially expected to be not more than one year to simplify business processes. The total amount of transaction prices allocated to residual performance obligations and expected period for the recognition of revenue are as follows.

	Fiscal year ended March 2022 (million yen)
Up to one year	2,372
More than one year to two years	1,017
More than two years to three years	305
Total	3,696

**10. Notes to per share information**

- (1) Net assets per share: 1,271.22 yen
- (2) Net income per share: 16.37yen

**11. Notes to significant subsequent events**

Not applicable

**12. Other**

Amounts less than one million yen are rounded down.

**Nonconsolidated Balance Sheet (As of March 31, 2022)**

			(Million yen)
<b>Assets</b>	<b>262,193</b>	<b>Liabilities</b>	<b>103,494</b>
<b>Current assets</b>	<b>143,211</b>	<b>Current liabilities</b>	<b>94,543</b>
Cash on hand and in banks	21	Trade notes payable	71
Accounts receivable - trade, and contract assets	48,614	Electronically recorded obligations-operating	7,242
Work in process	188	Trade accounts payable	66,853
Raw materials and supplies	533	Short-term borrowings payable to subsidiaries and affiliates	6,575
Short-term loans receivable from subsidiaries and associates	2,822	Lease obligations	2,926
Accounts receivable-other	37,772	Accounts payable-other	1,448
Deposits paid	52,463	Accrued expenses	5,751
Other	794	Income taxes payable	89
<b>Fixed assets</b>	<b>118,982</b>	Deposits received	143
<b>Property, plant and equipment</b>	<b>43,751</b>	Deposits received from employees	2,819
Buildings	9,255	Accrued warranty costs	39
Structures	821	Other	582
Machinery and equipment	11,877	<b>Long-term liabilities</b>	<b>8,951</b>
Vehicles	208	Lease obligations	1,171
Tools, furniture and fixtures	5,691	Accrued warranty costs	74
Land	13,141	Accrued retirement benefits	6,152
Construction in progress	2,756	Asset retirement obligations	1,097
<b>Intangible fixed assets</b>	<b>879</b>	Other	454
Software	864		
Other	14	<b>Net assets</b>	<b>158,699</b>
<b>Investments and other assets</b>	<b>74,350</b>	<b>Shareholders' equity</b>	<b>158,699</b>
Investment securities	323	<b>Common stock</b>	<b>7,904</b>
Investments in subsidiaries and affiliates	1,282	<b>Capital surplus</b>	<b>8,517</b>
Long-term loans receivable	70,093	Legal capital surplus	8,317
Deferred tax assets	2,412	Other capital surplus	200
Other	238	<b>Retained earnings</b>	<b>164,912</b>
		Legal reserve	1,976
		Other retained earnings	162,936
		Reserve for reduction entry of replaced property	2,993
		Reserve for reduction entry	25
		General reserve	22,848
		Retained earnings brought forward	137,069
		<b>Treasury stock</b>	<b>(22,635)</b>
<b>Total assets</b>	<b>262,193</b>	<b>Total liabilities and net assets</b>	<b>262,193</b>

### Nonconsolidated Statement of Income (From April 1, 2021 to March 31, 2022)

	(Million yen)
Net sales	207,233
Cost of sales	201,557
Gross profit	5,675
Selling, general and administrative expenses	5,245
<b>Operating income</b>	<b>429</b>
Non-operating income	
Interest income and dividend income	344
Rent income on fixed assets	339
Other	296
Total non-operating income	979
Non-operating expenses	
Interest expense	59
Rent expenses on fixed assets	266
Other	17
Total non-operating expenses	343
<b>Ordinary income</b>	<b>1,066</b>
Special losses	
Loss on retirement of fixed assets	423
Other	40
Total special losses	463
<b>Loss before income taxes</b>	<b>603</b>
Income taxes-current	(9)
Income taxes-deferred	179
Total income taxes	169
<b>Net income</b>	<b>433</b>



**Nonconsolidated Statement of Changes in Net Assets**  
**(From April 1, 2021 to March 31, 2022)**

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus		Retained earnings	
		Legal capital surplus	Other capital surplus	Legal reserve	Other retained earnings
					Reserve for reduction entry of replaced property
Balance at the beginning of current period	7,904	8,317	200	1,976	3,031
Cumulative effects of changes in accounting policies					
Restated balance	7,904	8,317	200	1,976	3,031
Changes of items during the period					
Reversal of reserve for reduction entry of replaced properties					(38)
Reversal of reserve for reduction entry					
Cash dividends paid					
Net income					
Purchase of treasury stock					
Total changes of items during the period	-	-	-	-	(38)
Balance at the end of current period	7,904	8,317	200	1,976	2,993

(Million yen)

	Shareholders' equity						Total net assets
	Retained earnings			Treasury stock	Total shareholders' equity		
	Other retained earnings						
	Reserve for reduction entry	General reserve	Retained earnings brought forward				
Balance at the beginning of current period	26	22,848	138,426	(22,635)	160,095	160,095	
Cumulative effects of changes in accounting policies			(68)		(68)	(68)	
Restated balance	26	22,848	138,357	(22,635)	160,026	160,026	
Changes of items during the period							
Reversal of reserve for reduction entry of replaced properties			38		-	-	
Reversal of reserve for reduction entry	(0)		0		-	-	
Cash dividends paid			(1,760)		(1,760)	(1,760)	
Net income			433		433	433	
Purchase of treasury stock				(0)	(0)	(0)	
Total changes of items during the period	(0)	-	(1,288)	(0)	(1,327)	(1,327)	
Balance at the end of current period	25	22,848	137,069	(22,635)	158,699	158,699	

## Notes to Nonconsolidated Financial Statements

### 1. Significant Accounting Policies

- (1) Valuation method for assets
  - 1) Securities

Equity securities issued by subsidiaries: Cost calculated by the moving average method

Other securities

Non-marketable stock and others: Cost calculated by the moving average method
  - 2) Inventories

Work in process, raw materials and supplies: Primarily stated at cost determined by the first-in and first-out method (cost of inventories is written-down when their carrying amounts become unrecoverable).
- (2) Depreciation
  - 1) Property, plant and equipment (excluding leased assets)

Straight-line method using the estimated life as the useful life and an effective residual value for the residual value
  - 2) Intangible fixed assets (excluding leased assets)

Straight-line method, but software for internal use is depreciated using the straight-line method over a 5-year period, which is the time that software can be used internally.
  - 3) Leased assets

Straight-line method using the estimated life as the useful life and an effective residual value for the residual value
- (3) Basis for reserves and allowances
  - 1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.
  - 2) Accrued warranty costs

Accrued warranty costs are provided to cover the cost of all complaints about products anticipated to be incurred during the period based on past experience.
  - 3) Accrued retirement benefits

Accrued retirement benefits or prepaid pension costs are recorded at an amount calculated based on the retirement benefit obligation and the fair value of pension plan assets at the end of current fiscal year.

    - Method for calculating the retirement benefit obligation

For calculating the retirement benefit obligation, the benefit formula basis has been adopted for attributing projected benefits to periods.
    - Actuarial gains and losses and past service cost

Actuarial gain and loss are amortized in the year following the year in which actuarial gain and loss are recognized by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees (12 to 15 years).

Past service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees (15 years).

4) Standard for recognition of revenue and expenses

For revenue in major businesses from contracts between Nissan Shatai and its customers, the primary performance obligations and normal time when these obligations are fulfilled (normal time for revenue recognition) are as follows.

i. Revenue from the sale of products

For revenue from the manufacture of vehicles and automotive parts by Nissan Shatai, the fulfillment of performance obligations is recognized primarily when products are delivered to customers, resulting in the transfer of the control of these products to customers. Payment for the fulfillment of performance obligations is generally received within four months of the fulfillment of these obligations in accordance with separately specified payment terms and there is no significant financing component. For transactions where the supplier is obligated to buy back products that were sold (chargeable subcontracting), in cases where Nissan Shatai and its consolidated subsidiaries are purchasers, net revenue is recognized because Nissan do not have control of the supplied products.

Basic contracts for outsourcing manufacturing with customers concerning the sale of automobiles and automotive parts include a product quality assurance obligation provision. This obligation requires a warranty that products will comply with the specifications in the contract with the customer. As a result, accrued warranty costs for expenses associated with this guarantee are recognized.

ii. Subcontracting revenue

For performance obligations for subcontracting activities involving automobiles services that require a specific length of time for fulfillment, Nissan Shatai recognize revenue over this period based on estimates of the degree of progress with fulfilling the obligation. In cases where it is not possible to determine a reasonable estimate of this progress and expenses for the project are expected to be recovered, revenue is recognized by using the cost recovery method.

Payments for these transactions are generally received based on progress with fulfilling the obligation, such as by using contractual milestones. The payment is usually received within two months of completion of the fulfillment of the obligation and also there is no significant financing component.

5) Accounting for retirement benefits

The accounting method used for unrecognized actuarial gains and losses and unrecognized past service cost is not the same as the accounting method used for these items in the consolidated financial statements.

6) Adoption of consolidated taxation system

Beginning with the fiscal year ending in March 2023, Nissan Shatai will shift from the consolidated taxation system to the group tax sharing system.

Regarding the shift to the group tax sharing system that was established by the Income Tax Act (Act No. 8 of 2020) and single tax system items revised in association with this act, For the transition to the group tax sharing system that was newly established by the Act for Partial Amendments to the Income Tax Act

(Act No. 8 of 2020) and for items involving the non-consolidated taxation system that were reexamined in conjunction with this transition, pursuant to Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39, March 31, 2020), Nissan Shatai and its consolidated subsidiaries are not applying the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018). Consequently, the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the Income Tax Act before these amendments.

From the beginning of the fiscal year ending in March 2023, Nissan Shatai plans to use the provisions of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021) for income tax and local income taxes, tax effect accounting, and disclosures in cases where the group tax sharing system is used.

## **2. Note concerning change in accounting policy**

### **(Application of Accounting Standard for Revenue Recognition)**

Nissan Shatai has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year that ended in March 2022. Based on this standard, payments expected to be received in exchange for products and services promised by Nissan Shatai are recognized as revenue when these products and services are transferred to customers.

As a result, for transactions where the supplier is obligated to buy back products that were sold (chargeable subcontracting), when Nissan Shatai receive products under the chargeable subcontracting scheme, these products will no longer be recognized as inventories when they are received. Furthermore, in prior years, the sales and cost of sales of products to suppliers included the value of products received from the supplier. Due to the new revenue recognition standard, net revenue will now be recognized instead because Nissan Shatai do not have control of the products purchased from the supplier due to the supplier's repurchase obligation.

In prior years, the percentage-of-completion method was used for the recognition of revenue for construction subcontracting in cases where the degree of progress can be accurately determined. The completed-contract method was used for other construction projects. For performance obligations that are fulfilled over a specified period, this method has been changed to estimating the progress with fulfilling the obligation and using that estimate to recognize revenue during that period. In cases where it is not possible to determine a reasonable estimate of this progress and expenses for the project are expected to be recovered, revenue is recognized by using the cost recovery method.

For the application of the revenue recognition standard, the transitional treatment in the proviso to paragraph 84 of this standard is used. As a result, the cumulative effect of retroactively applying this standard to prior fiscal years, if this retroactive application is done, is added to or subtracted from retained earnings at the beginning of the fiscal year that ended in March 2022 and the new standard is applied from the beginning of this fiscal year.

The “trade notes and accounts receivable” item in current assets in the balance sheet for the prior fiscal year has been changed to “trade notes and accounts receivable and contract assets” beginning with the fiscal year that ended in March 2022.

As a result, compared with before the application of the new revenue standard, the revenue recognition standard changed items in the non-consolidated balance sheet for the fiscal year that ended in March 2022 as follows: 12,686 million yen decrease in notes and accounts receivable and contract assets; 1,787 million yen decrease in work in process; 149 million yen decrease in raw materials and supplies; and 14,782 million yen decrease in accounts payable. In the non-consolidated income statement for the fiscal year, the new standard reduced sales by 110,382 million yen, the cost of sales by 110,544 million yen, and the operating income, ordinary income and income before income taxes by 162 million yen each. Due to the incorporation of the cumulative effect of the application of the revenue recognition standard in net assets at the beginning of the fiscal year, retained earnings at the beginning of the fiscal year in the consolidated statement of changes in net assets decreased 68 million yen.

### **(Application of Accounting Standard for Fair Value Measurement)**

Nissan Shatai has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 30, July 4, 2019) from the beginning of the fiscal year that ended in March 2022. Based on paragraph 19 of this standard and the transitional treatment in article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting methods specified by the Accounting Standard for Fair Value will be applied into the future. This change has no effect on the consolidated statement of income.

### **3. Note concerning accounting estimates**

The following is a list of items based on accounting estimates that are included in the nonconsolidated financial statements for the fiscal year that ended on March 31, 2021 and that may have a significant effect on the nonconsolidated financial statements for the following fiscal year.

- (1) Impairment of fixed assets
  - 1) Amount in nonconsolidated statement of income for the fiscal year ended March 2022  
Property, plant and equipment: 43,751 million yen  
Intangible fixed assets: 879 million yen
  - 2) Information concerning the reasons for this estimate  
Information concerning the reasons for this estimate is the same as the information provided in “Notes to Consolidated Financial Statements, 4. Note concerning accounting estimates.”
  
- (2) Recoverability of deferred tax assets
  - 1) Amount in nonconsolidated statement of income for the fiscal year ended March 2022: 2,412 million yen
  - 2) Information concerning the reasons for this estimate  
Information concerning the reasons for this estimate is the same as the information provided in “Notes to Consolidated Financial Statements, 4. Note concerning accounting estimates.”

#### 4. Notes to nonconsolidated balance sheet

- (1) Accumulated depreciation of property, plant and equipment: 200,520 million yen
- (2) Contingent liabilities  
As guarantor of employees' housing loans from banks and others: 685 million yen
- (3) Monetary receivables from and payables to subsidiaries and affiliates  
Short-term monetary receivables: 84,594 million yen  
Long-term monetary receivables: 188 million yen  
Short-term monetary payables: 42,340 million yen  
Long-term monetary payables: 12 million yen

#### 5. Notes to nonconsolidated statement of income

- (1) Transactions with subsidiaries and affiliates  
Sales: 206,965 million yen  
Purchase: 255,081 million yen  
Transactions other than operating transactions: 1,206 million yen

#### 6. Notes to nonconsolidated statement of changes in net assets

- Treasury stock (as of March 31, 2022)  
Common stock: 21,786 thousand shares

#### 7, Note to deferred tax assets and liabilities

Major components of deferred tax assets and deferred tax liabilities

	(Million yen)
Deferred tax assets	
Accrued bonuses	506
Warranty costs	331
Securities valuation losses	284
Excess depreciation	266
Allowance for retirement benefits	1,848
Asset retirement obligations	328
Tax loss carryforward	289
Loss on valuation of inventories	245
Other	291
Sub-total	4,393
Valuation allowance	(682)
Total	3,710
Deferred tax liabilities	
Reserve for reduction of replacement cost of specified properties	(1,285)
Other	(12)
Total	(1,298)
Net deferred assets	2,412

## 8. Note to related party transactions

### (1) Parent company and major corporate shareholders

Category	Name	Address	Capital	Activities	Voting rights held by the parent company		Relationship				
							Shared directors, etc.		Business relation		
Parent company	Nissan Motor Co., Ltd.	Kanagawa-ku, Yokohama, Kanagawa	(Million yen)	Manufacture and sale of automobiles and others	Direct	50.0	Transferred	3	Nissan Shatai purchases engine and other components from Nissan Motor and sells automobiles to Nissan Motor.		
			605,813							Indirect	0.0
			Description of transactions								
		Business transactions		Sale of automobiles, etc.	(Million yen)	206,953	Accounts receivable - trade, and contract assets	(Million yen)	48,919		

Terms and conditions of transactions and policies on deciding terms and conditions  
Prices of automobiles sold to Nissan Motor are determined by negotiations while taking into account the total cost. The Nissan Shatai board of directors confirms the progress and contents of these negotiations.

### (2) Subsidiaries

Category	Name	Address	Capital	Activities	Voting rights held by Nissan Shatai		Relationship							
							Shared directors, etc.		Business relation					
Subsidiary	Nissan Shatai Kyushu Co., Ltd.	Miyako-gun, Fukuoka	(Million yen)	Manufacture of automobile chassis	Direct	100.0	Concurrent	5	Sale of parts and purchase of chassis					
			10							Description of transactions		Amount	Item	FY-end balance
										Business transactions	Sale of parts, etc.	(Million yen)	Accounts receivable - other	Payables
	Purchase of parts	220,880	33,046											
		Non-business transactions		Group financing loans receivable and payable	(Million yen)	3,239		(Million yen)	2,822					

Terms and conditions of transactions and policies on deciding terms and conditions

- 1) For prices of parts purchased from subsidiaries, Nissan Shatai submits a requested price based on the market price and, after negotiations, a price is determined that is the same as for ordinary transactions.
- 2) For loans payable and receivable, a reasonable interest rate is determined based.
- 3) Figures for group financing loans receivable and payable are the differences from the end of the previous fiscal year.



(3) Other companies with affiliations

Category	Name	Address	Capital	Activities	Voting rights held by Nissan Shatai	Relationship	
						Shared directors, etc.	Business relation
Subsidiary of parent company	Nissan Group Finance Co., Ltd.	Nishi-ku, Yokohama, Kanagawa	(Million yen) 90	Finance business	(%) -	(Persons) -	Manages funds of the Nissan Shatai Group
		Description of transactions		Amount	Item	FY-end balance	
		Fund management	(Million yen) (2,923)	Deposits paid Long-term loans	(Million yen) 52,463 70,000		
Interest income	303	receivable Accounts receivable- other	48				

Terms and conditions of transactions and policies on deciding terms and conditions.

- 1) For terms for the management of funds, Nissan Group Finance submits terms (interest rate and other items) and the final terms are determined after taking into account ordinary short-term market interest rates.
- 2) Figures for fund management are the differences from the end of the previous fiscal year.

**9. Note concerning revenue recognition**

Information for understanding revenue from contracts with customers is the same as the information in “Notes to Consolidated Financial Statements 8. Note concerning revenue recognition.”

**10. Notes to amounts per share**

- (1) Net assets per share: 1,171.62 yen
- (2) Net income per share: 3.20 yen

**11. Notes to significant subsequent events**

Not applicable.

**12. Other**

Amounts less than one million yen are rounded down.

## Copy of Independent Auditors' Report on Consolidated Financial Statements

### Report of Independent Auditors

May 13, 2022

The Board of Directors  
Nissan Shatai Co., Ltd.

Ernst & Young ShinNihon LLC  
Designated and Engagement Partner  
Certified Public Accountant      Mika Nezu  
Designated and Engagement Partner  
Certified Public Accountant      Masanori Enomoto

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to consolidated financial statements of Nissan Shatai Co., Ltd applicable to the 99th fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position and results of operations of the Nissan Shatai Group, which consisted of Nissan Shatai and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2022 in conformity with accounting principles generally accepted in Japan.

#### *Basis for this opinion*

We performed this audit in conformity with auditing standards generally accepted in Japan. Our responsibility concerning the audit standards is prescribed in "Responsibilities of Auditors for Audits of Consolidated Financial Statements." We are independent of Nissan Shatai and its consolidated subsidiaries in accordance with rules in Japan concerning business ethics. In addition, we fulfilled other ethical responsibilities in our role as an auditor. We believe that we received sufficient and suitable audit evidence for the basis of our opinion.

#### *Other information*

Other information is in the business report and related supplementary information. Management is responsible for the preparation and disclosure of other information. The statutory auditors and Board of Statutory Auditors are responsible for establishing a reporting process for other information and supervising the performance of the directors concerning the use of this process. Other information is not included in our auditing opinion concerning the consolidated financial statements. Our responsibility concerning the audit of the consolidated financial statements is to read over the other information and determine if there are any significant discrepancies between this information and the consolidated financial statements or knowledge acquired by us during the auditing process. In addition, we look for indications of any significant errors in other information other than the significant discrepancies. If we conclude that there are no significant errors in other information, based on our auditing activities, we are required to report this conclusion. There are no items that we should report concerning other information.

#### *Responsibility of Management, Statutory Auditors and the Board of Statutory Auditors for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes the design and operation of internal controls that management determines necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

whether due to fraud or error.

When preparing the consolidated financial statements, management must determine if it is appropriate to prepare the statements based on the going concern assumption. Management has a responsibility to disclose information regarding this assumption if there is a need for this disclosure based on accounting principles generally accepted in Japan.

The statutory auditors and Board of Statutory Auditors are responsible for supervising the performance of the directors regarding the design and operation of the financial reporting process.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion in the audit report, from an independent standpoint, on the consolidated financial statements based on our audit. This opinion is based on a reasonable assurance about if the consolidated financial statements are free from material misstatements, whether due to fraud or error. Misstatements can occur due to fraud or error. We judge these misstatements to be material if they, either singularly or collectively, can be reasonably expected to influence decisions by users of the consolidated financial statements.

For this audit, we used an audit process in conformity with auditing standards generally accepted in Japan. We used this process to make judgments as business ethics professionals and to perform the following tasks while retaining professional skepticism.

- We identify and evaluate the risk of material misstatements due to fraud or errors and create proposals for audit procedures to deal with the risk of material misstatements and implement those procedures. The procedures selected and implemented depend on the auditor's judgment. Furthermore, we obtain sufficient and appropriate audit evidence for use as the basis of our opinion.

- The purpose of the audit of the consolidated financial statements is not to express an opinion about the effectiveness of internal controls. For making these risk assessments, we consider internal controls relevant to the audit in order to design audit procedures that are appropriate for current circumstances.

- We evaluate the suitability of accounting policies used by management and how those policies are applied. We also evaluate the rationality of accounting estimates made by management as well as the validity of the associated notes.

- We reached conclusions about whether it is appropriate for management to prepare the consolidated financial statements based on the going concern assumption and whether there are any material uncertainties regarding events or conditions that create significant doubt about the going concern assumption. If we believed there were material uncertainties about the going concern assumption, we would ask management in the audit report to include a precautionary statement in the notes to the consolidated financial statements. If the inclusion of this note about the material uncertainty would not be appropriate, we would be obligated to submit a modified opinion. Our conclusions are based on audit evidence obtained by the date of the audit report. Future events or conditions may prevent the company from remaining a going concern.

- We evaluated whether the presentation and notes of the consolidated financial statements conform with accounting principles generally accepted in Japan and whether the presentation, composition and contents of the consolidated financial statements, including the associated notes, and the transactions and accounting activities that are the basis for the consolidated financial statements are presented properly.

- We obtain sufficient and appropriate audit evidence concerning the financial information of Nissan Shatai and its consolidated subsidiaries in order to form an opinion concerning the consolidated financial statements. We are responsible for instructions, supervision and execution of audits of the consolidated financial statements. Our responsibility is to submit an audit opinion of our own.

We report to the statutory auditors and the Board of Statutory Auditors the scope of the audit we have planned, when the audits will be performed, significant items discovered during audits, including significant problems involving internal controls that were identified during an audit, and other items required by the audit standards.

We report to the statutory auditors and the Board of Statutory Auditors that we are complying with rules concerning business ethics in Japan regarding our independence. If there are any items that could reasonably have an effect on our independence or any safeguards for eliminating or reducing obstacles concerning our independence, we report this information as well to the statutory auditors and the Board of Statutory Auditors.

*Conflicts of Interest*

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act

## Copy of Independent Auditors' Report on Financial Statements

### Report of Independent Auditors

May 13, 2022

The Board of Directors  
Nissan Shatai Co., Ltd.

Ernst & Young ShinNihon LLC  
Designated and Engagement Partner  
Certified Public Accountant  
Designated and Engagement Partner  
Certified Public Accountant

Mika Nezu  
Masanori Enomoto

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to financial statements and the related supplementary schedules of Nissan Shatai Co., Ltd. applicable to the 99th fiscal year from April 1, 2021 through March 31, 2022

In our opinion, these financial statements present fairly, in all material respects, the financial position and results of operations of the Nissan Shatai applicable to the fiscal year ended March 31, 2022 in conformity with accounting principles generally accepted in Japan.

#### *Basis for this opinion*

We performed this audit in conformity with auditing standards generally accepted in Japan. Our responsibility concerning the audit standards is prescribed in "Responsibilities of Auditors for Audits of the Financial Statements." We are independent of Nissan Shatai in accordance with rules in Japan concerning business ethics. In addition, we fulfilled other ethical responsibilities in our role as an auditor. We believe that we received sufficient and suitable audit evidence for the basis of our opinion.

#### *Other information*

Other information is in the business report and related supplementary information. Management is responsible for the preparation and disclosure of other information. The statutory auditors and Board of Statutory Auditors are responsible for establishing a reporting process for other information and supervising the performance of the directors concerning the use of this process. Other information is not included in our auditing opinion concerning the consolidated financial statements. Our responsibility concerning the audit of the nonconsolidated financial statements is to read over the other information and determine if there are any significant discrepancies between this information and the nonconsolidated financial statements or knowledge acquired by us during the auditing process. In addition, we look for indications of any significant errors in other information other than the significant discrepancies.

If we conclude that there are no significant errors in other information, based on our auditing activities, we are required to report this conclusion.

There are no items that we should report concerning other information.

#### *Responsibility of Management, Statutory Auditors and the Board of Statutory Auditors for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes the design and operation of internal controls that management determines are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

When preparing the financial statements, management must determine if it is appropriate to prepare the statements based on the going concern assumption. Management has a responsibility to disclose information regarding this assumption if there is a need for this disclosure based on accounting principles generally accepted in Japan.

The statutory auditors and Board of Statutory Auditors are responsible for supervising the performance of the directors regarding the design and operation of the financial reporting process.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion in the audit report, from an independent standpoint, on the financial statements based on our audit. This opinion is based on a reasonable assurance about if the financial statements are free from material misstatements, whether due to fraud or error. Misstatements can occur due to fraud or error. We judge these misstatements to be material if they, either singularly or collectively, can be reasonably expected to influence decisions by users of the financial statements.

For this audit, we used an audit process in conformity with auditing standards generally accepted in Japan. We used this process to make judgments as business ethics professionals and to perform the following tasks while retaining professional skepticism.

- We identify and evaluate the risk of material misstatements due to fraud or errors and create proposals for audit procedures to deal with the risk of material misstatements and implement those procedures. The procedures selected and implemented depend on the auditor's judgment. Furthermore, we obtain sufficient and appropriate audit evidence for use as the basis of our opinion.

- The purpose of the audit of the financial statements is not to express an opinion about the effectiveness of internal controls. For making these risk assessments, we consider internal controls relevant to the audit in order to design audit procedures that are appropriate for current circumstances.

- We evaluate the suitability of accounting policies used by management and how those policies are applied. We also evaluate the rationality of accounting estimates made by management as well as the validity of the associated notes.

- We reached conclusions about whether it is appropriate for management to prepare the financial statements based on the going concern assumption and whether there are any material uncertainties regarding events or conditions that create significant doubt about the going concern assumption. If we believed there were material uncertainties about the going concern assumption, we would ask management in the audit report to include a precautionary statement in the notes to the financial statements. If the inclusion of this note about the material uncertainty would not be appropriate, we would be obligated to submit a modified opinion. Our conclusions are based on audit evidence obtained by the date of the audit report. Future events or conditions may prevent the company from remaining a going concern.

- We evaluated whether the presentation and notes of the financial statements conform with accounting principles generally accepted in Japan and whether the presentation, composition and contents of the financial statements, including the associated notes, and the transactions and accounting activities that are the basis for the financial statements are presented properly.

We report to the statutory auditors and the Board of Statutory Auditors the scope of the audit we have planned, when the audits will be performed, significant items discovered during audits, including significant problems involving internal controls that were identified during an audit, and other items required by the audit standards.

We report to the statutory auditors and the Board of Statutory Auditors that we are complying with rules concerning business ethics in Japan regarding our independence. If there are any items that could reasonably have an effect on our independence or any safeguards for eliminating or reducing obstacles concerning our independence, we report this information as well to the statutory auditors and the Board of Statutory Auditors.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## Copy of Audit Report of Board of Statutory Auditors

### Audit Report

Regarding the performance of duties by directors for the 99th business year beginning April 1, 2021, and ending March 31, 2022, the Board of Statutory Auditors hereby submits its audit report, which has been prepared through discussions based on the audit reports prepared by the respective statutory auditors, as follows:

#### 1. Methods and Contents of Audit by the Statutory Auditors and the Board of Statutory Auditors

- 1) The Board of Statutory Auditors determined, among other things, the auditing policies and plan, the division of responsibilities and other matters for the fiscal year that ended on March 31, 2021. The board received reports from individual statutory auditors concerning the performance of audits and results. In addition, the board received reports from directors, employees and the independent auditors concerning the performance of their duties and, when necessary, asked them to provide explanations.
- 2) In accordance with the statutory auditors' auditing standards specified by the Board of Statutory Auditors, and in conformity with the auditing policies and plan and the division of responsibilities for the fiscal year that ended on March 31, 2021, the statutory auditors communicated effectively, including through online channels, with the directors, employees in the internal audit division and other relevant employees for the purposes of collecting information and maintaining a proper auditing environment. The statutory auditors also used the following methods to conduct audits.
  - (i) To examine business operations and assets of the head office and other major business sites, the statutory auditors attended meetings of the Board of Directors and other important meetings; received reports from the directors and relevant employees regarding the performance of their duties; asked them to provide explanations when necessary; and examined important decision documents and associated information. For subsidiaries, the statutory auditors communicated effectively with directors, statutory auditors and other individuals at subsidiaries and exchanged information with these individuals. When necessary, the statutory auditors received business reports from subsidiaries.
  - (ii) The statutory auditors expressed an opinion concerning the framework needed to ensure that the performance of duties by the directors, as listed in the business report, comply with laws, regulations and the Articles of Incorporation. This opinion also covered resolutions by the Board of Directors and the establishment of frameworks (internal control system) based on these resolutions concerning the maintenance of systems prescribed in Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Companies Act to ensure that the Nissan Shatai Group (Nissan Shatai Co., Ltd. and its subsidiaries) operates properly. For this purpose, statutory auditors regularly received regular reports from directors, employees and others regarding the status and implementation of these systems and asked them to provide explanations when necessary.
  - (iii) The statutory auditors used the status of the Board of Directors and other meetings to examine the precautionary items of Companies Act Ordinance of Enforcement Article 118 5-a that are listed in the business report as well as the judgments and reasons for item 5-b of this article.
  - (iv) The statutory auditors monitored and verified whether the independent auditors were maintaining their independence and properly performing audits; received reports from the independent auditors about the performance of their duties and asked them for explanations when necessary. The statutory auditors also received a notice from the independent auditors confirming the establishment of a "system to ensure proper performance of duties" (items stipulated in all paragraphs of Article 131 of Corporate Accounting Rules) in accordance with Standards on Quality Control for Audit (October



28, 2015, Business Accounting Deliberation Council) and other relevant standards.

By using these methods, the statutory auditors examined the business report and supplementary schedules, the nonconsolidated financial statements (nonconsolidated balance sheet, income statement, statement of changes in net assets and notes to these statements) and supplementary schedules, and the consolidated financial statements (consolidated balance sheet, income statement, statement of changes in net assets and notes to consolidated financial statements).

## 2. Audit results

- 1) Audit results concerning business reports, etc.
  - (i) In our opinion, the business reports and supplementary schedules fairly represent the condition of Nissan Shatai in accordance with the related laws and regulations and the Articles of Incorporation.
  - (ii) With regard to the performance of duties by the directors, we found no evidence of wrongful actions or material violations of related laws and regulations or the Articles of Incorporation.
  - (iii) We acknowledge that the resolutions of the Board of Directors regarding the internal control system are appropriate. We found no matters requiring attention concerning the execution of duties by the directors regarding the internal control system.
  - (iv) For business report information about parent company, etc. transactions, there were no items requiring attention concerning precautions to prevent negative effects on Nissan Shatai's interests from these transactions or concerning judgments by the Board of Directors, and reasons for those judgments, about whether or not these transactions had a negative effect on Nissan Shatai's interests.
- 2) Results of audits of nonconsolidated financial statements and supplementary schedules  
In our opinion, the auditing methods and results of the independent auditors, Ernst & Young ShinNihon LLC, are fair and reasonable.
- 3) Audit results concerning consolidated financial statements  
In our opinion, the auditing methods and results of the independent auditors, Ernst & Young ShinNihon LLC, are fair and reasonable.

May 19, 2022

The Board of Statutory Auditors                      Nissan Shatai Co., Ltd.

Full-time Statutory Auditor  
Statutory Auditor (Outside Statutory Auditor)  
Statutory Auditor (Outside Statutory Auditor)

Toshikatsu Hamaji  
Izumi Inoue  
Tomonori Ito

## Memorandum to Shareholders

<b>Fiscal year</b>		From April 1 to March 31 of the following year
<b>Ordinary general shareholders meeting</b>		June of each year
	<b>Ordinary general shareholders meeting</b>	March 31 each year
<b>Record Date</b>	<b>Year-end dividends</b>	March 31 each year.
	<b>Interim dividends</b>	September 30 each year.
<b>Administrator of shareholder register and special account</b>		Sumitomo Mitsui Trust Bank, Limited
<b>Administrator of shareholder register management office</b>		Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
<b>Postal address (Telephone inquiries)</b>		Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063
Internet home page URL		<a href="https://www.smtb.jp/tools/english/">https://www.smtb.jp/tools/english/</a>

### Notices

*Change of address, request for purchase of shares fewer than one unit and other procedures*

Shareholders who have an account at a securities company should ask the securities company to perform the procedure. Sumitomo Mitsui Trust Bank, Limited is unable to perform these procedures if shares are held in a securities company account. Shareholders who do not have a securities company account should contact Sumitomo Mitsui Trust Bank by using the above telephone number. Information about performing shareholder procedures and answers to frequently asked questions are available on the Sumitomo Mitsui Trust Bank frequently asked questions website.

*Payment of unpaid dividends*

Please contact Sumitomo Mitsui Trust Bank, Limited, the administrator of the shareholder register.

Trade name	<i>Nissan Shatai Kabushikikaisha</i>
English version of name	Nissan Shatai Co., Ltd.

## Principal Products

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**ARMADA**



**PATROL Y62**



**Infiniti QX80**



**CARAVAN**



**ELGRAND**



**AD**



**NV200  
VANETTE**



**PATROL Y61**



**PATROL PICKUP**

# Direction for the Meeting

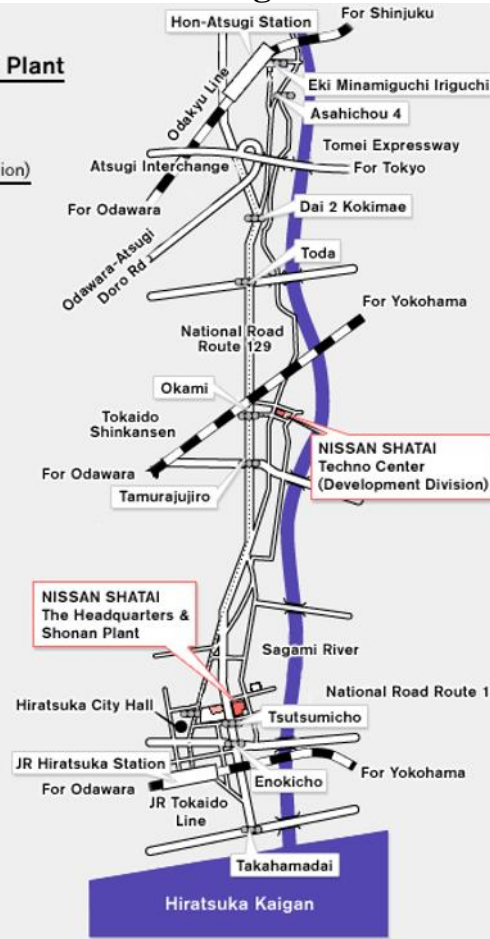
## NISSAN SHATAI

### The Headquarters & Shonan Plant

2-1, Tsutsumicho, Hiratsuka,  
Kanagawa, 254-8610

### Techno Center (Development Division)

2909, Okami, Hiratsuka,  
Kanagawa, 254-0012



### The Headquarters & Shonan Plant

#### Public transportation:

JR Hiratsuka Station (JR Tokaido Line)  $\xrightarrow[\text{about 30 min.}]{\text{on foot}}$  NISSAN SHATAI The Headquarters & Shonan Plant

JR Hiratsuka Station (JR Tokaido Line)  $\xrightarrow[\text{about 5 min.}]{\text{Kanachu Bus for Hiratsuka Eki Kitaguchi Iki Junkan}}$  Kogyo Danchi Iriguchi Bus Stop  $\xrightarrow[\text{about 1 min.}]{\text{on foot}}$  NISSAN SHATAI The Headquarters & Shonan Plant

#### By car:

About 30 min. from Tomei Expressway "Atsugi Interchange".

### Techno Center

#### Public transportation:

JR Hiratsuka Station (JR Tokaido Line)  $\xrightarrow[\text{about 25 min.}]{\text{Kanachu Bus for Hon-Atsugi Minamiguchi}}$  Yanaginouchi Bus stop  $\xrightarrow[\text{about 2 min.}]{\text{on foot}}$  Techno Center

Hon-Atsugi Station (Odakyu Line)  $\xrightarrow[\text{about 25 min.}]{\text{Kanachu Bus for Hiratsuka Kitaguchi}}$  Yanaginouchi Bus stop  $\xrightarrow[\text{about 2 min.}]{\text{on foot}}$  Techno Center

#### By car:

About 10min. from Tomei Expressway "Atsugi Interchange".

**NISSAN SHATAI CO., LTD.**