



Strategic Capital

株式会社 ストラテジックキャピタル

Background and Overview of the Shareholder Proposal to Nissan Motor Co., Ltd. (7201)

**Strategic Capital, Inc.
April 24, 2025**

Executive Summary

① Structural reform needed at Nissan Motor Co. Ltd. (“Nissan”)

- Nissan has a PBR of 0.2x and its credit rating has fallen to “junk” status.
- Operating profit margin and ROE are stagnant in absolute terms, and mired at the bottom of the industry
- In March 2024, Nissan, and in February 2025, Nissan’s subsidiaries, received recommendation against from the Japan Fair Trade Commission (J-FTC) after violations of laws and regulations were discovered.
- A fundamental structural reform, not *kaizen*, is required.

② Relationship between Nissan and its “listed affiliates” has been problematic from the start

- Nissan holds three listed companies (collectively “listed affiliates”) as either a listed subsidiary (Nissan Shatai Co., Ltd., “Nissan Shatai”) or an equity method affiliate (Mitsubishi Motors Corp and Nissan Tokyo Sales Holdings)
- Nissan Shatai, 98% dependent on Nissan for its sales is essentially a Nissan plant and does not meet the standards of a listed company in the first place.
- Nissan Shatai finances Nissan, has the auto industry's lowest profit margins and ignores the rights and interests of minority shareholders
- The capital and business relationship between Nissan and Nissan Shatai should be reviewed in the context of Nissan's structural reforms.

③ As a stumbling block to structural reforms, relationships with listed affiliates should be reviewed

- As long as the listed affiliates remain listed, Nissan's structural reforms must be implemented in a manner that does not create conflicts of interest with them.
- Relationships with listed affiliates that limit the scope and progress of structural reforms should be reviewed.



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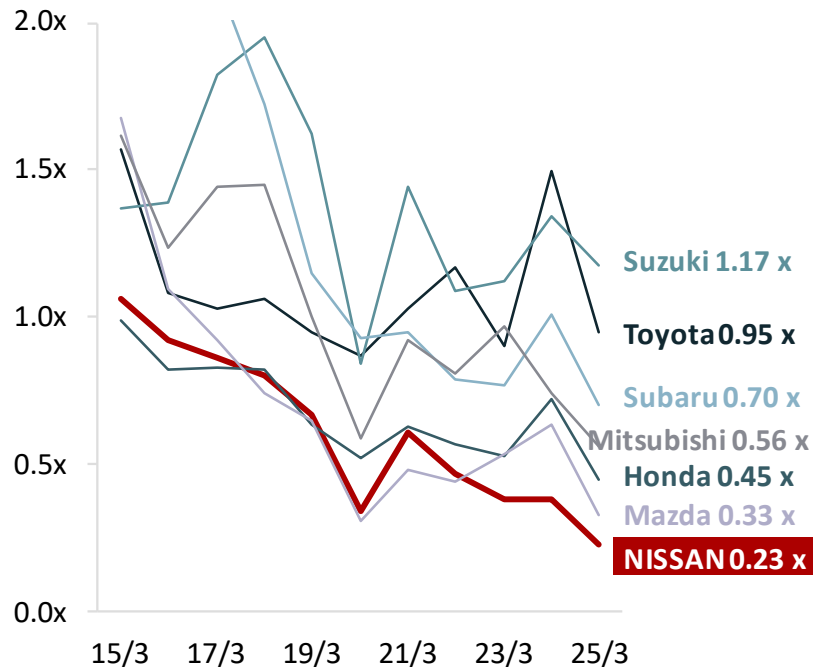


Reforms required by Nissan

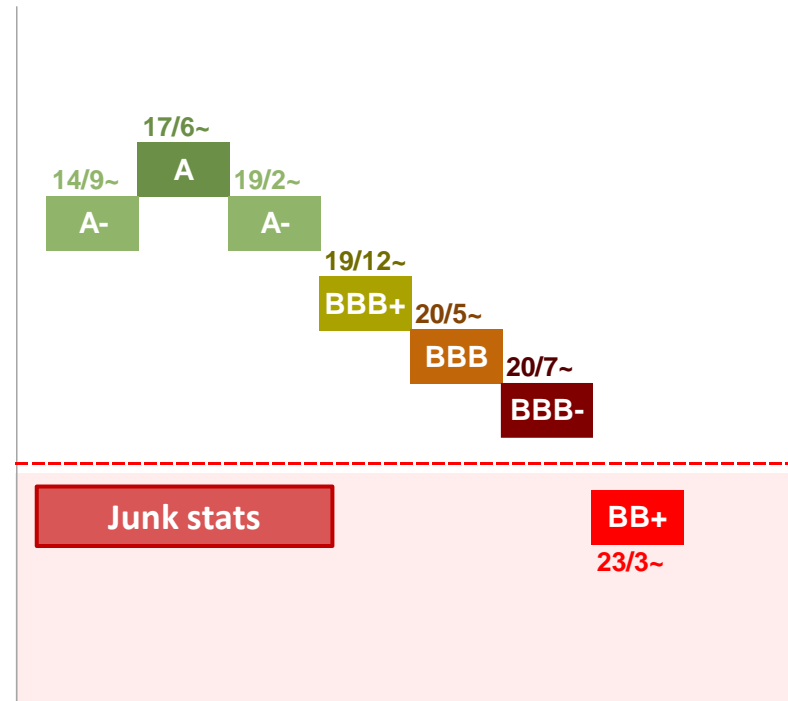
Nissan value is being abandoned

- Nissan's PBR has fallen to 0.23x over the last 10 years, the worst in the industry
- Credit ratings have declined to “junk” levels and structural reforms are urgently needed

PBR



Nissan's Credit Rating (S&P)

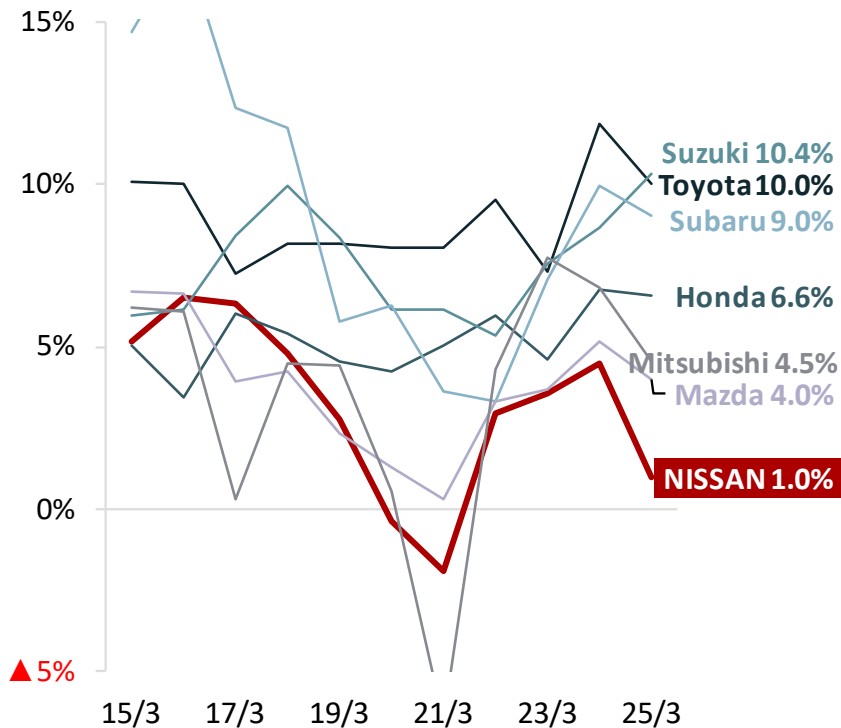


(Source: QUICK Workstation (Astra Manager) Suzuki (TSE 7269), Toyota (7203), Subaru (7270), Mitsubishi (7211), Honda (7267), Mazda(7261). Credit ratings are long-term local currency-denominated issuer ratings by S&P)

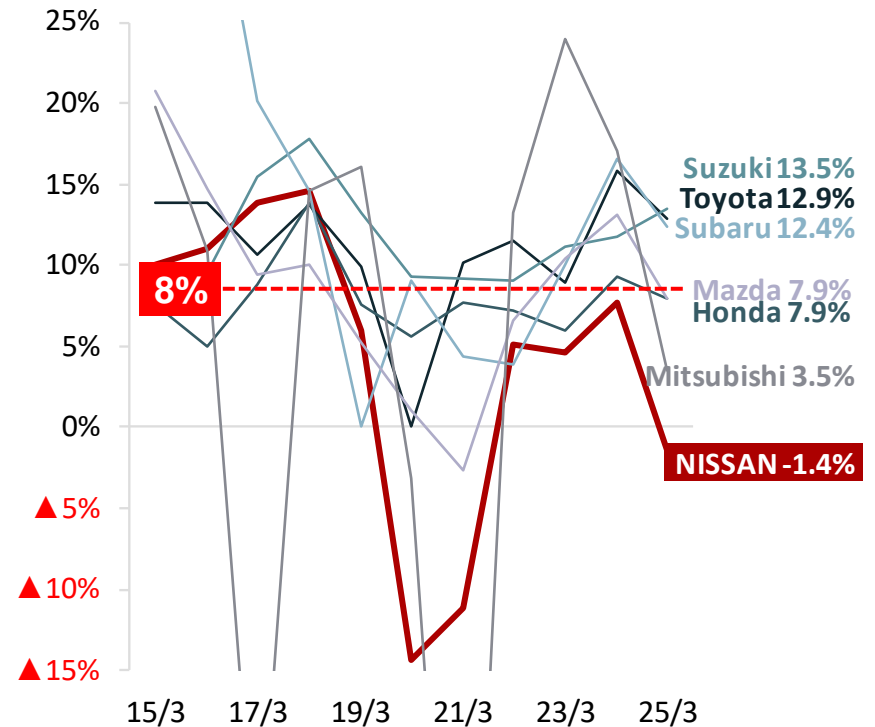
Nissan alone at the bottom

- Including FY24, OPM is expected to be the lowest for the 4th consecutive year
- ROE continues to be less than 8% (considered the minimum for publicly listed companies) and is undermining shareholder value.

Operating Profit Margin (OPM)



ROE



(Source : QUICK Workstation (Astra Manager) Estimate for FY2025/3 is based on the latest company forecast as of April 11, 2025)

Violation of laws and regulations by Nissan

- Recommendation against Nissan by the J-FTC in March 2024 for violating the Subcontract Act
- Demanded excessive cost cuts from business partners, but OPM still at the bottom of the list

Recommendation against Nissan (Summary)

日産自動車株式会社に対する勧告（概要）



(Source: Japan Fair Trade Commission. Please see the detail [here](#))

Repeated violations of laws and regulations by group companies

- After receiving the recommendation, conducted an external investigation into allegations of continued violations even after the recommendation, and in May 2024, announced that there were no violations but “confirmation with suppliers was required”.
- Despite that, in February 2025, the J-FTC issued a recommendation against consolidated subsidiary Aichi Machine Industry for violating the Act against Request for provision of unreasonable economic benefits of Subcontractor Proceeds until the end of 2024.

Aichi Machine Industry
(自動車用エンジン等の製造販売)
(親事業者)



公正取引委員会
Japan Fair Trade Commission

(下請事業者) 5名
(自動車用エンジン等の製造)
Subcontractor (5)

愛知機械工業株式会社に対する勧告 (概要) Recommendation against Aichi Machine Industry (Summary)

- **下請取引の内容 Details of Business**
 - 愛知機械工業(株)が製造を請け負う自動車用エンジン等の製造を委託
Outsources engine manufacturing to subcontractors
 - 自動車用エンジン等の製造を委託する際に、愛知機械工業(株)が所有する金型等を貸与
Lends dies etc. for outsourced engine manufacturing
- **違反行為の概要 (不当な経済上の利益の提供要請)**

愛知機械工業(株)は、金型等を用いて製造する自動車用エンジン等の製造を大量に発注する時期を終えた後、下請事業者5名に対し、合計415個の金型等を無償で保管させていた (注)。

(注) 愛知機械工業(株)は、金型等415個のうち261個を廃棄又は回収し、また、下請事業者に対し、協議を行い請求書を徴収した上で、無償で金型等を保管させていたことによる費用に相当する額(19,255,498円)を支払っている。

公正取引委員会 Recommendations by JFTC

- To confirm by resolution of the Board that Company will not make future requests for the provision of undue economic benefits*.
- Take necessary steps to improve internal systems such as providing training on the Act against Delay in Payment of Subcontractor Proceeds with special attention to management of dies etc.

(※) 不当な経済上の利益の提供要請

***Request for provision of unreasonable economic benefits**
Prohibits a main subcontracting customer from unreasonably harming the interests of a subcontractor by inducing the subcontractor to provide money, services or other economic benefits for its own sake such as making the subcontractor retain, free of charge, molds, etc., which it has loaned to the subcontractor, even though an order for parts to be manufactured using the molds, etc., has not been placed for an extended period of time.

Summary of Violations (Request for provision of unreasonable economic benefits)

Aichi forced 5 contractors store 415 dies and molds free of charge after a large orders for the manufacture of automobile engines was completed*

* After consultation and collection of invoices, Aichi disposed or recovered 261 of 415 molds and also paid the subcontractor an amount of JPY 19 million yen for having the molds stored free of charge.

(Source: Japan Fair Trade Commission)

Turnaround Initiatives

- In light of this critical situation, Nissan has embarked on fundamental structural reforms
- However, Nissan's conflicts of interest with minority shareholders of listed affiliates have been a hindrance to structural reforms

Turnaround Actions



Stabilize & Right-size business

Even at 3.5 million units annual sales, ensure sustainable profitability and cash generation for healthy future growth



Reinforce product / Ensure growth

Drive topline growth with enhanced product competitiveness and explore strategic partnerships

Restructure organization & management
and streamline processes

(Source: Nissan disclosures)



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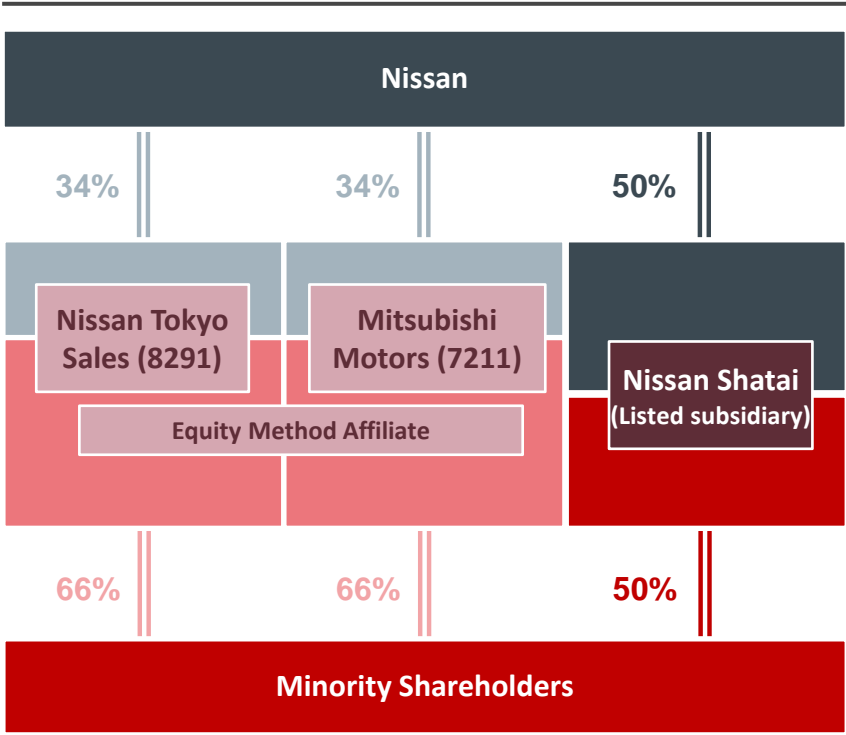


Status of Listed Affiliates

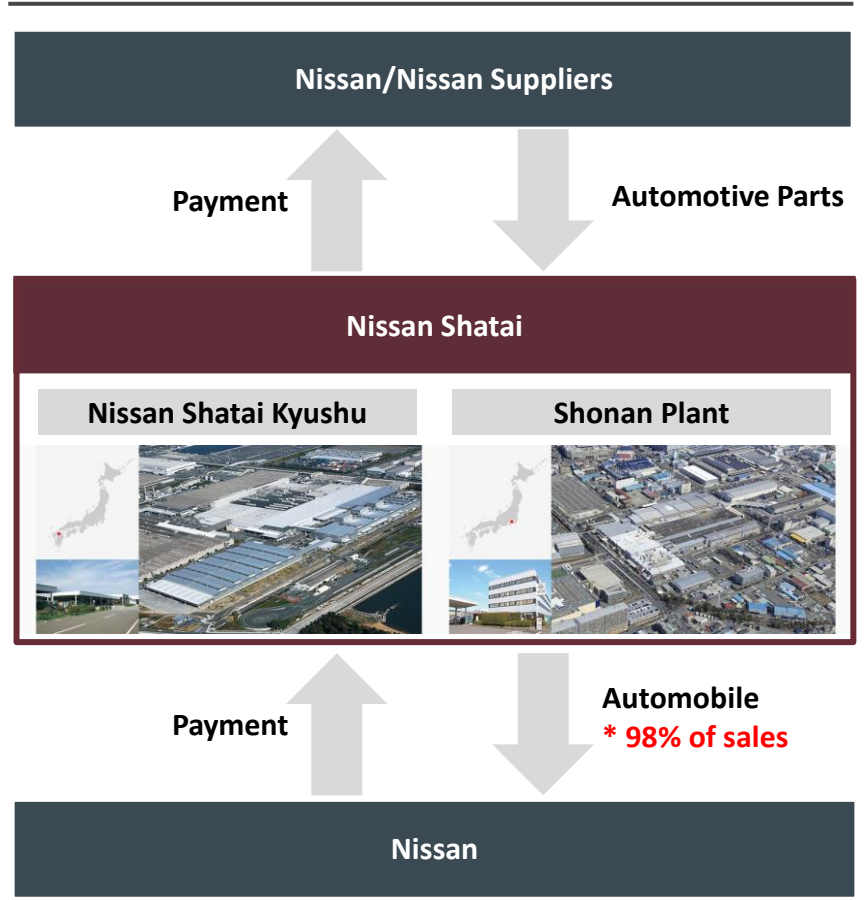
Listed affiliates of Nissan

- In addition to two listed equity method affiliates, Nissan has a listed subsidiary, Nissan Shatai
- Although listed, 98% of Nissan Shatai sales are to Nissan, and in reality, it is only an assembly plant for Nissan

Nissan and its listed affiliates



Nissan Shatai's Business



Nissan Shatai's Listing Lacks “Soundness of Corporate Management”

- Nissan Shatai relies on Nissan for 98% of its sales. It is only a "business unit" with no "independence“
- The “rights and interests of minority shareholders” are being violated, and “soundness of corporate management” is lacking
- Nissan Shatai would not be able to list under the current listing standards

III. Listing Examination – Soundness of Corporate Management

The examination based on this standard confirms whether the corporate group of the applicant company is conducting its business fairly and faithfully from the perspective of protecting the interests of shareholders.

Specifically, we will consider whether the soundness of corporate management meets the following criteria...

○When the applicant has a parent company, etc. (Note) (page 83)

Where an initial listing applicant has a parent company, etc...management activities of the corporate group of an initial listing applicant are recognized to have independence from such parent company, etc

Requirements of criterion and focus of examination

Where an applicant has a parent company, etc. (i.e., in the case of a “subsidiary listing”), the relationship is assumed to entail potential conflicts between the interests of the parent company, etc. and the minority interests of the applicant. In examining a “subsidiary listing” JPXR will therefore evaluate whether the applicant meet the following criteria in a to c below for the independence from the parent company, etc. because of the requirements that the rights and benefits of the minority interests of the applicant should not be impaired.

a. In light of the relationship between the business line of the corporate group of an initial listing applicant and that of the corporate group of the parent company, etc.... the state of business adjustment made by the corporate group of the parent company, etc. and its possibility and any other matters, an initial listing applicant is not recognized to be substantially a business division of such parent company, etc.

(Source: [2024 New Listing Guidebook - Standard Market \(English\)](#))

Resolutions that ignore the rights of minority shareholders

- Company proposals opposed by a majority of Nissan Shatai's minority shareholders passed due to Nissan's support, while shareholder proposals seeking to protect the rights and interests of minority shareholders continues to be rejected due to Nissan's opposition

Percentage of minority shareholders in favor of major proposals resolved at the AGM

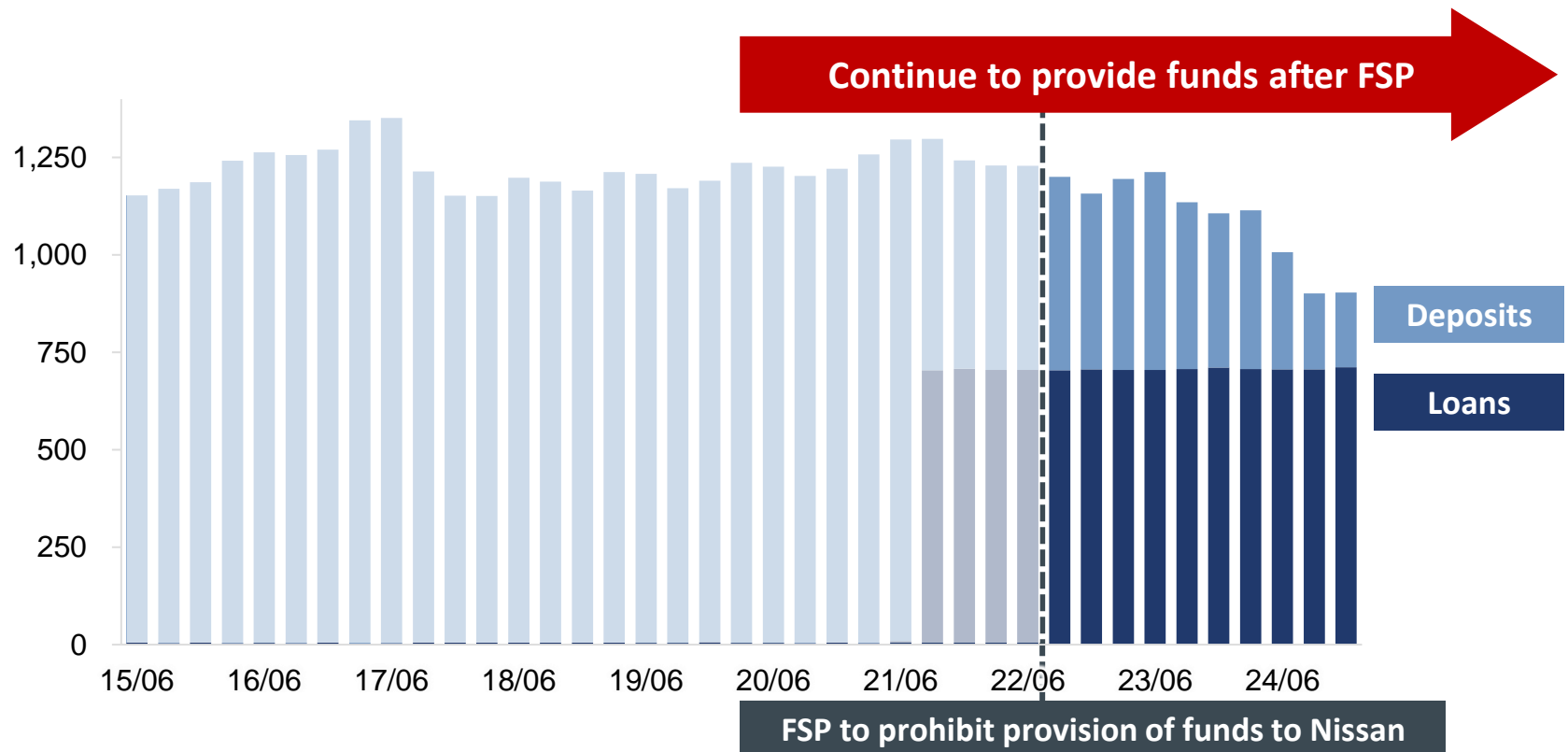
			'18	'19	'20	'21	'22	'23	'24			
Company's Proposal	Takashi Toyama	BoD Nissan Alumni							27%	Approved ✖Nissan supported		
	Haruhiko Yoshimura	BoD Nissan Alumni			36%	31%		17%				
	Kotaki Shin	BoD	99%	39%		35%		30%				
	Masayuki Yabe	BoD Nissan Alumni				36%		33%				
	Nakamura Takuya	BoD Nissan Alumni				36%		32%				
	Yasuyuki Ohira	Outside Director (Chairman of Nominations Committee)					33%	33%				
	Hideaki Shinada	Outside Director (A member of Nominations Committee)						32%				
	Shareholders' Proposal	Prohibition of funding for Nissan						72%				Rejected ✖Nissan opposed
		Establishment of a Minority Shareholder Protection Committee									73%	

(Source: Extraordinary Report)

Continuing the provision of funds without regard to the will of minority shareholders

- A shareholder proposal calling for a ban on financing Nissan was supported by 72% of minority shareholders
- However, as of the end of December 2024, JPY 90.3 B is still being lent to Nissan, whose credit rating has become speculative, and the will of Nissan Shatai's minority shareholders continues to be ignored.

Cash and equivalents, deposits/loans to Nissan (JPY100m)

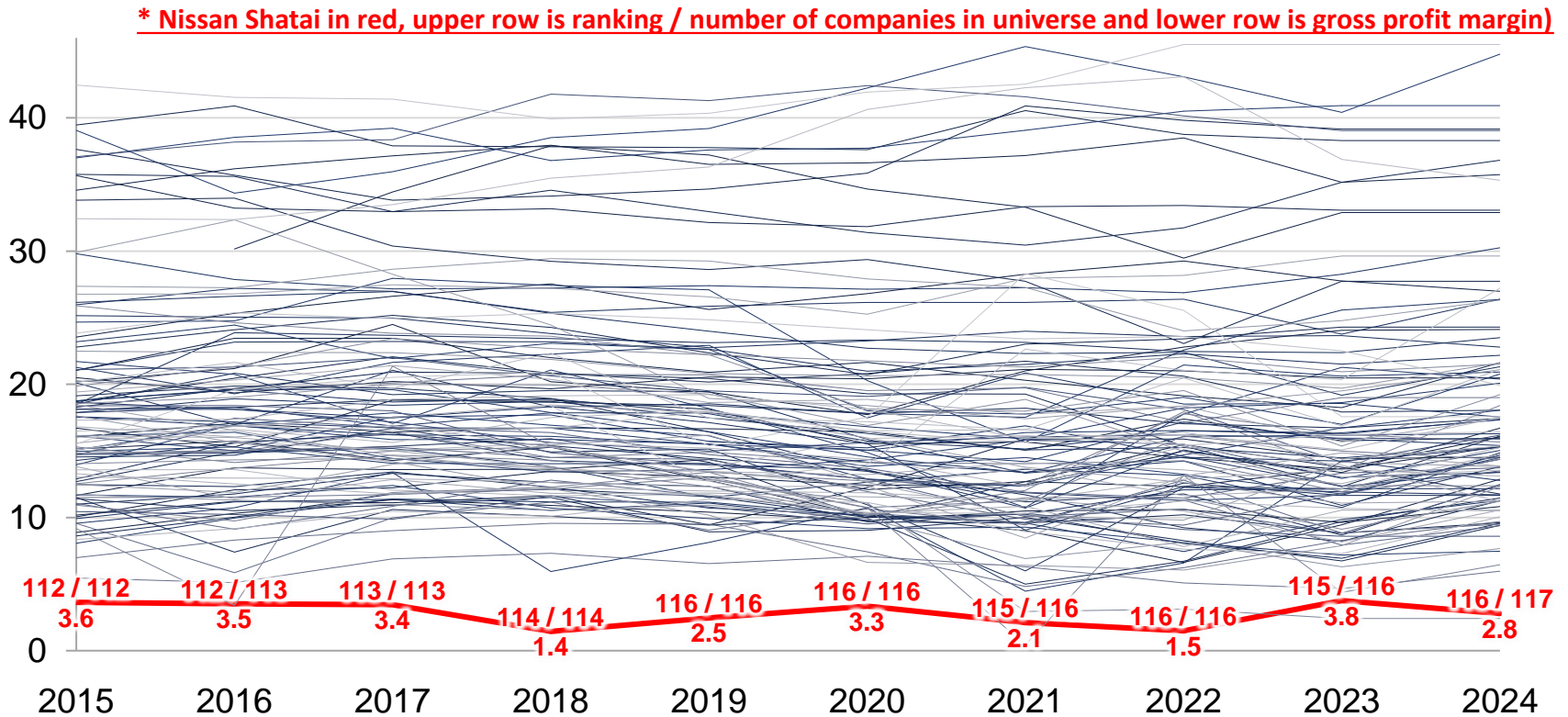


(Source: QUICK workstation (Astra Manager))

Lowest profit margins in the industry, ignoring the interests of minority shareholders

- For Nissan Shatai, gross profit margin means terms of trade with Nissan = 3% lowest in the industry
- The rights and interests of Nissan Shatai's minority shareholders has been violated. If Nissan Shatai is to continue being listed, the terms of the transaction must be revised regardless of Nissan's structural reforms.

Consolidated gross profit margin of automobiles and auto parts companies



(Source: QUICK workstation (Astra Manager))



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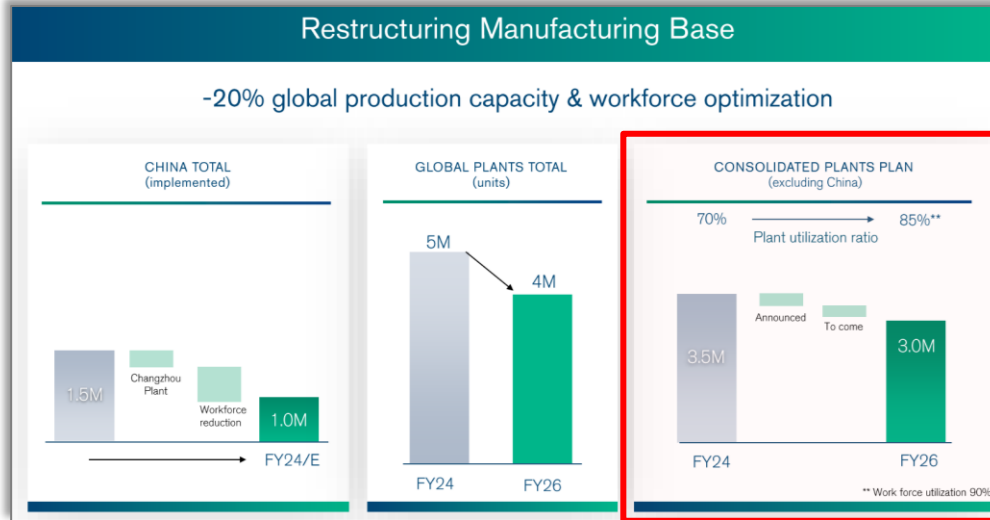


Listed affiliates have become a stumbling block

Stumbling block to restructuring production sites

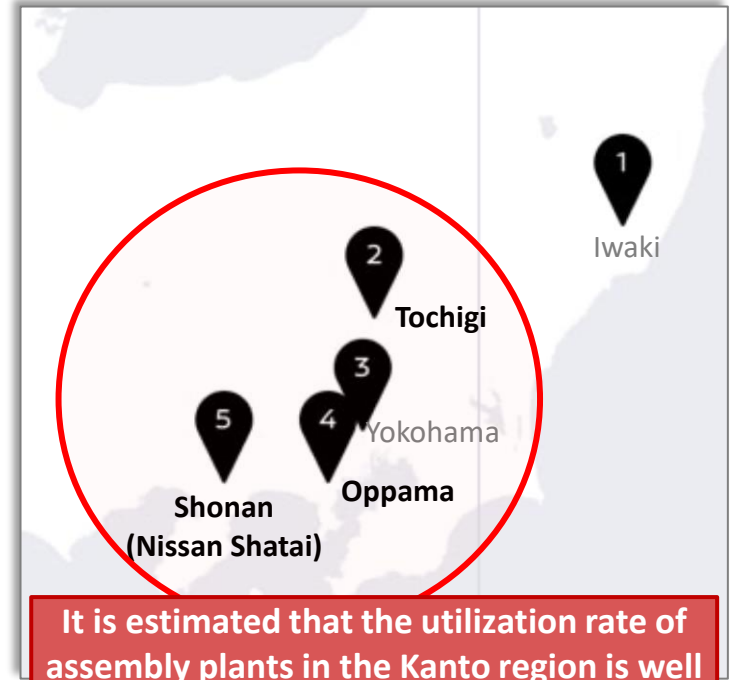
- Nissan has set utilization rate targets and plans to optimize production capacity, but Nissan and Nissan Shatai plants coexist in the Kanto region
- Therefore, Nissan may not be able to implement “optimization for Nissan,” but only halfway structural reforms, “optimization in consideration of minority shareholders of Nissan Shatai.

Nissan's Turnaround Plan



In the turnaround plan, the Company set a target of 85% for the plant utilization rate

Distribution of Nissan/Nissan Shatai plants



It is estimated that the utilization rate of assembly plants in the Kanto region is well below the target of 85%.

(Source: Excerpt from Nissan's website and financial results presentation. Utilization rate is estimated based on our survey)

Stumbling block to reduce SG&A and manufacturing costs

- Nissan has plans to reduce personnel/costs in the general administration division but having a “listed plant” called Nissan Shatai, means duplicating administration, as well costs from coordinating between Nissan Shatai and Nissan.
- When reducing manufacturing costs, Nissan has to proceed with caution so as not to sacrifice Nissan Shatai profits

SG&A Reduction

Target ~200B cost savings

KEY MEASURES	KEY ACTIONS
Reduce labor cost & expenses	<ul style="list-style-type: none"> ○ Reduce global indirect workforce by 2,500 <ul style="list-style-type: none"> • Streamline organization through position reduction • Enforce hiring reductions and accelerate VSP** ○ Realize unit labor cost reduction <ul style="list-style-type: none"> • Expand shared services center expertise by 1000 positions ○ Lower overall expenditures by 350B
FMI efficiency	<ul style="list-style-type: none"> ○ Prioritize all global and regional m strongest ROI ○ Transform planning and buying st costs

Ignoring unnecessary costs incurred by keeping Nissan Shatai listed.

Cost reductions must be made with consideration not to sacrifice Nissan Shatai's profits.

Restructuring Manufacturing Base

Target ~100B cost savings

KEY MEASURES	KEY ACTIONS
Right sizing / Reformation	<ul style="list-style-type: none"> ○ Vehicle & Powertrain plants: Reduce headcount by 5300 by FY25; additional 1200 by FY26 <ul style="list-style-type: none"> • 3 plant closures: Thailand #1 in FY25 Q1, two others in FY25 Q3 and FY26 • Shift changes: Smyrna #2, Canton #2 in FY25 • Realize 47B/year fixed cost savings; 40B/year variable cost savings
Engineering & operation efficiency	<ul style="list-style-type: none"> ○ Improve efficiency in launching new models ○ Reduce capital expenditures and costs associated with product introductions

TYPE OF ACTION	TYPE OF LABOR	FY25	FY26
Plant/Line optimization	In/Semi direct	1000	500
	Direct	2900	700
Shift change	In/Semi direct	350	0
	Direct	1050	0

(Source: Excerpt financial results presentation)



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Shareholder Proposal

Shareholder Proposal

① Consideration and disclosure of response policies for listed affiliates

- **At least once a year, examines whether holding, acquiring, or sale of shares held by Nissan and its listed affiliates will contribute to the enhancement of shareholder and corporate value of Nissan and its listed affiliates, and discloses the results of the examination**
- **Background**
 - Nissan needs structural reforms
 - On the other hand, the existence of listed affiliates are a stumbling block to structural reform
 - The significance of the listed affiliates should be re-examined from a flat perspective.

② Consideration and disclosure of response policies for listed affiliates in danger of delisting

- **If a listed affiliate is in danger of being delisted, immediate action should be taken regarding ①**
- **Background**
 - Nissan Shatai's tradable share ratio is extremely low due to Nissan's shareholding, and in March 2023 and March 2024 it was determined to be below the criteria required to maintain listing.
 - In the first place, the rights and interests of Nissan Shatai's minority shareholders have been damaged by Nissan and need to be corrected.
 - Considering the precarious situation of Nissan Shatai's minority shareholders, Nissan should promptly consider and disclose its policy regarding Nissan Shatai's shares it holds.

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