



Strategic Capital

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# Proposal for Nissan Shatai Co., Ltd (7222) to protect minority shareholders



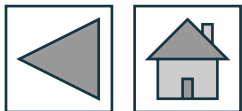


## Executive Summary

Strategic Capital, Inc.'s (SC) goal is to unlock enterprise and shareholder value through dialogue with the company management team and the exercise of shareholder rights.

SC and the funds managed by our company are shareholders of Nissan Shatai Co., Ltd. (“Nissan Shatai or the Company”), a company in which Nissan Motor Co., Ltd. (“Nissan”) holds 50% of the voting rights making Nissan and Nissan Shatai a so-called Parent-Child listing. In order to increase shareholder value, we have submitted the following proposal to Nissan Shatai by exercising our right to make a shareholder proposal

- i. **Establish a Minority Shareholder Protection Committee**





## Background of proposal

Establish a Minority Shareholders Protection Committee to protect the interests of Nissan Shatai shareholders other than Nissan, i.e., minority shareholders (“min. shareholders”).

The Minority Shareholders Protection Committee is expected to protect the interests of min. shareholders in Nissan Shatai by hearing the opinions of min. shareholders and making appropriate recommendations to the Board of Directors based on the hearings.





## What's New

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04.22.2024

Submitted Formal Shareholder Proposal to the Company





**Board lacks support**

Will of minority shareholders

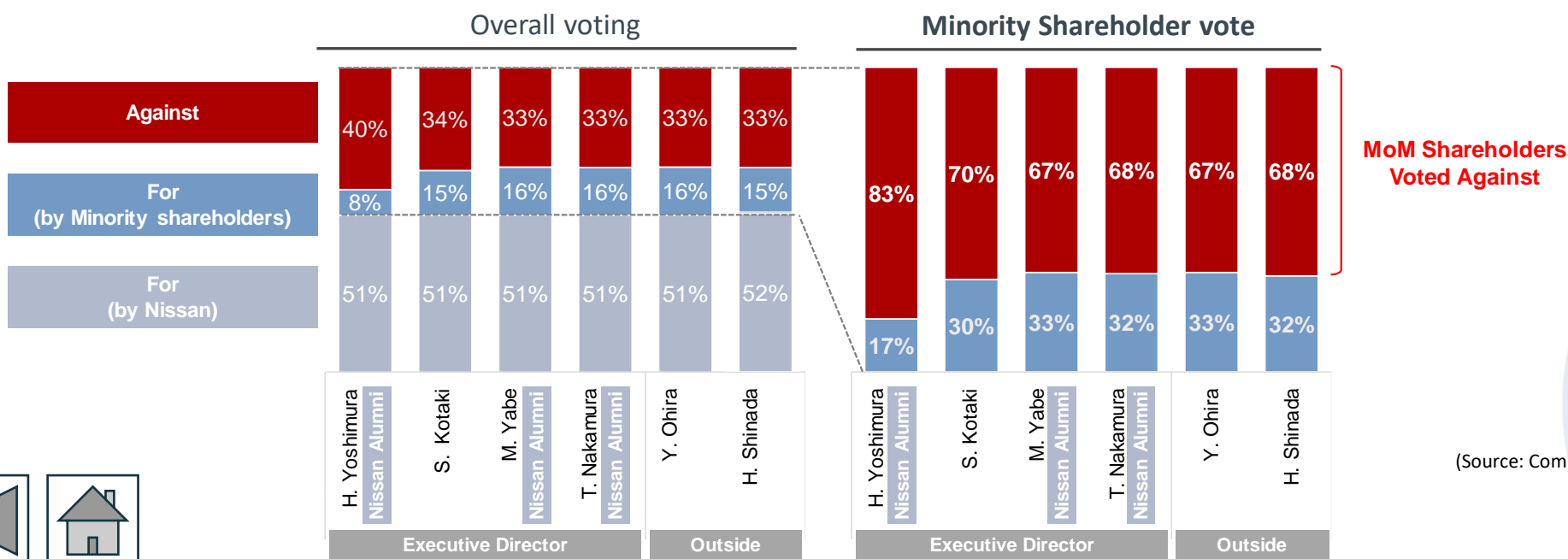
Minority shareholders "ignored"

## A Board lacks support from minority shareholders

The Board of Directors is not supported by the minority shareholder

At the 2023 AGM, the resolution was passed to elect six directors, including President Yoshimura, but all **were opposed by over 65% of min. shareholders. In particular 83% of min. shareholders opposed the election of President Yoshimura.**

### MoM shareholders opposed all director nominees at 2023 AGM



(Source: Compiled by SC from extraordinary report. Abstentions excluded)



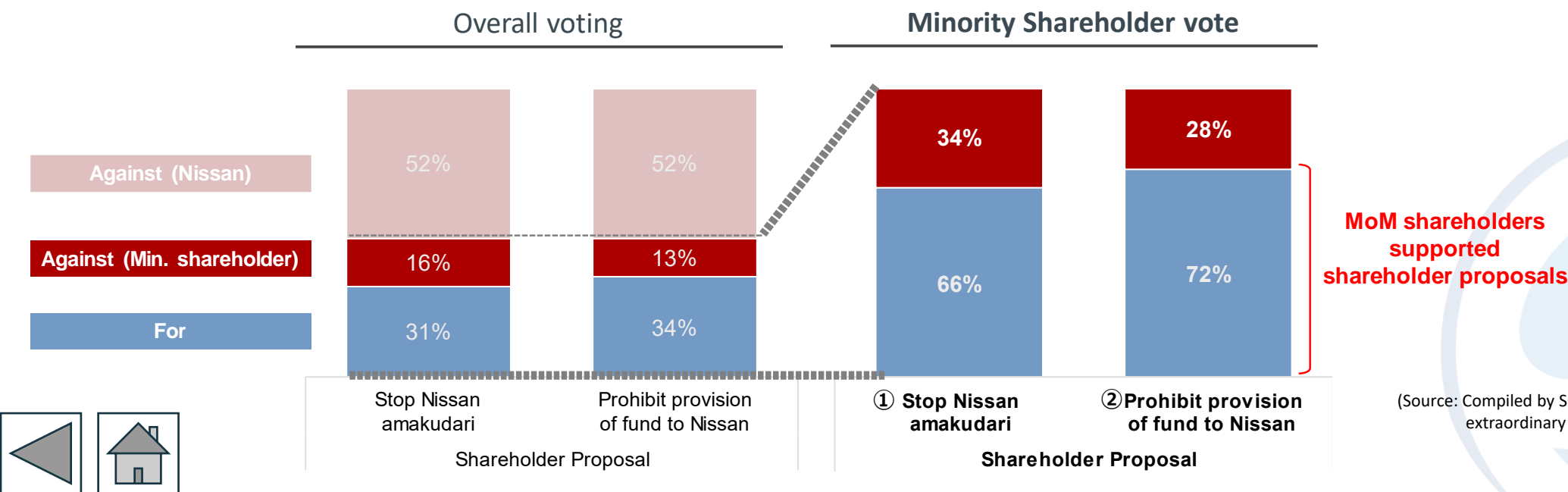


## The will of minority shareholders made clear

At the 2022 AGM **more than 60% of minority shareholders voted in favor of proposals** calling for a (1) stop to the *amakudari* from Nissan and (2) a prohibition on the provision of funds to Nissan.

The min. shareholder clearly expressed their opposition to specific matters related to relationship with parent, Nissan.

### MoM shareholders supported FSP at 2022 AGM



(Source: Compiled by SC from extraordinary report)





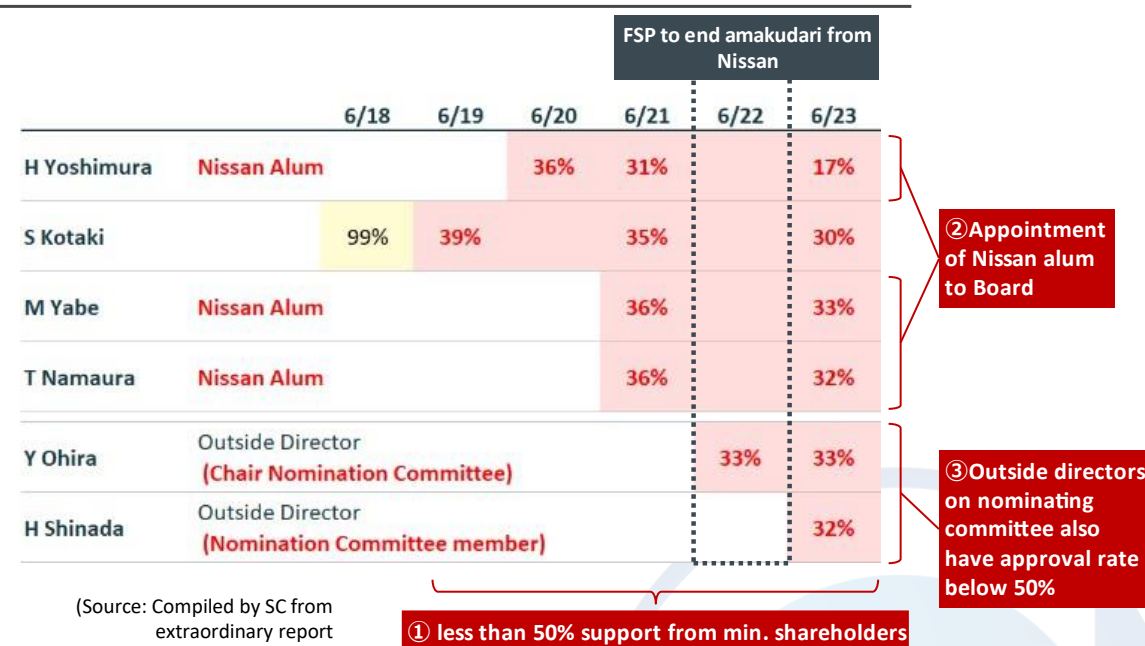
## Nissan Shatai management "ignores" minority shareholders

### Executive Appointments that "ignores" minority shareholders

Nissan Shatai's disregard for minority shareholders is evident from the appointments of directors.

- (i) At the 2023 AGM, election **support from min. shareholders for the current Directors was at best 33%. For President Yoshimura it was only 17%.** Furthermore, other than Hideaki Shinada (who is new), Directors continue to be elected even when support is less than 50%.
- (ii) Despite 60% of min. shareholders supporting a shareholder proposal to stop electing of directors from Nissan at the 2022 AGM, the **number candidates from Nissan was not reduced** for the 2023 AGM.
- (iii) The Nomination committee oversees the appointment of directors from a neutral standpoint. However, **even the outside directors the committee receive only 30% support of min. shareholders.**

Percent min. shareholders in favor of electing incumbent directors



In January 2020, a Nomination and Remuneration Committee was established "for the purpose of enhancing the transparency and objectivity of procedures related to decision-making on nominations and remuneration." However, the committee has not corrected a process that continues to ignore min. shareholders.

**We believe the Committee has selected candidates that fail to reflect the will of minority shareholders and does nothing to protect min. shareholder interests.**





## Nissan Shatai management "ignores" minority shareholders

### Deal with Nissan that "ignores" minority shareholders

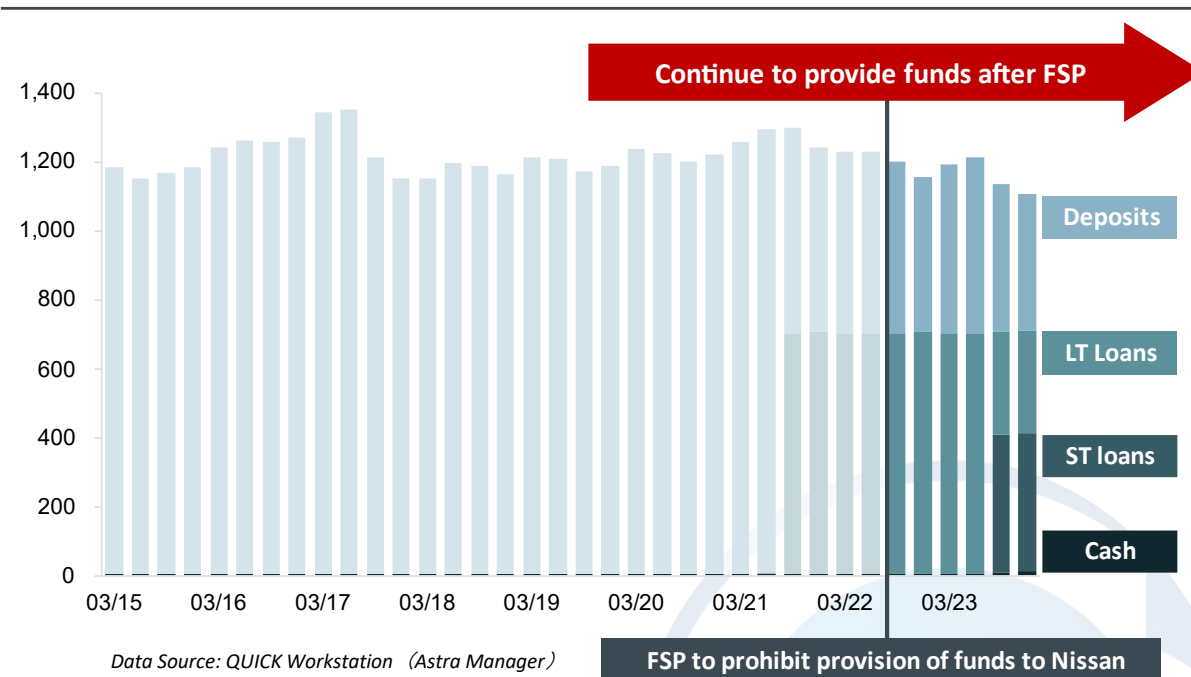
As of December 31, 2023, the Company has provided Nissan with JPY39.5B in deposits and JPY70B in loans. A total of JPY109.5B

At the 2022 AGM, 72% of minority shareholders voted in favor of a shareholder proposal calling for a prohibition on the provision of funds to Nissan. However, **Nissan Shatai completely ignored the opinion of 72% of minority shareholders and continues to provide funds to Nissan.**

In January 2020, a Business Monitoring Committee to ensure that "the common interests of Nissan Shatai and its shareholders are not harmed." However the funding transaction, which a vast majority of min. shareholders oppose, continues to this day. We do not believe that a Committee that does not recommend corrective action for a transaction that 72% of minority shareholders oppose is contributing to the protection of minority shareholders' interests.

**We do not believe that Nissan Shatai's Business Monitoring Committee, which continues to approve deposits to Nissan without regard to minority shareholders' wishes, is contributing in any way to protecting minority shareholders.**

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



Data Source: QUICK Workstation (Astra Manager)







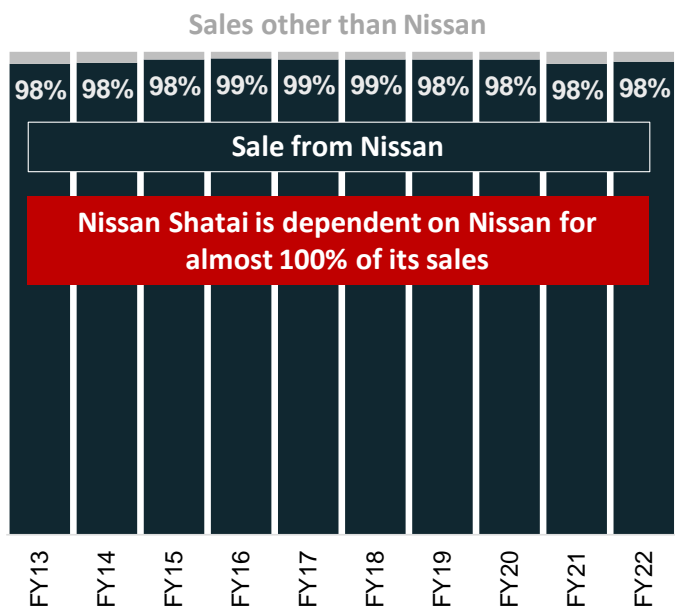
## Unprofitable transactions with Nissan

Nissan Shatai is dependent on Nissan for almost 100% of its sales. As a result, Nissan Shatai's operating profit margin is only around 2% and its ROE is far below the minimum level required of listed companies, (i.e., 8%).

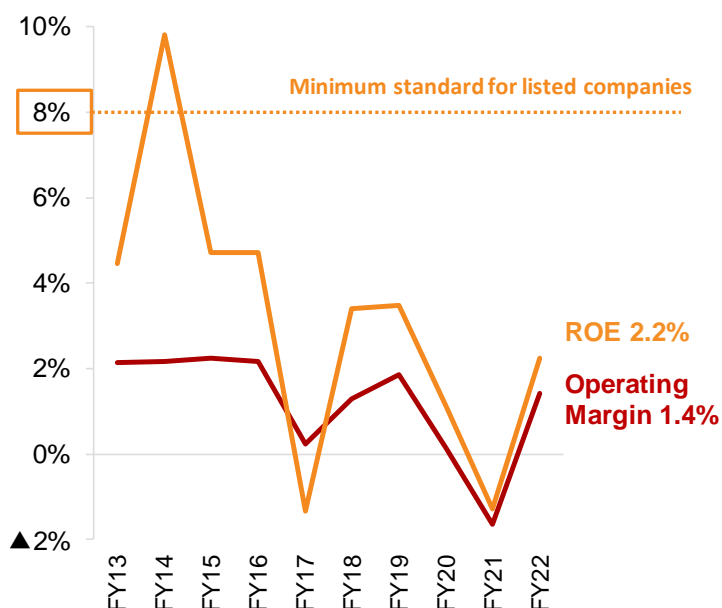
Not just Nissan Shatai, but any listed company that continues to engage in business with an expected ROE of only 2-4%, will damage shareholder value.

Transactions with Nissan have an operating margin under 2%, which is directly related to weak ROE

Breakdown of consolidated sales



Profitability



Data Source: QUICK Workstation (Astra Manager) , YUHO





## Valuation of Nissan Shatai

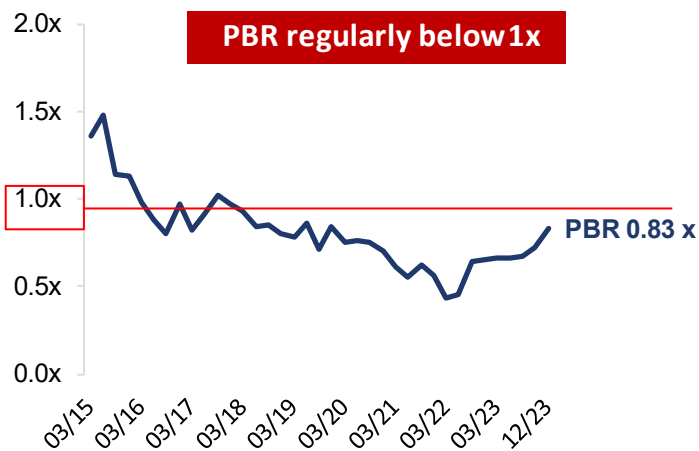
Naturally, reflecting the low ROE, **Nissan Shatai's stock price has languished below 1x PBR, its dissolution value, for a long time.**

The Company's market cap. Is JPY144B which is roughly equal to the JPY139.8B in claims against Nissan. Put another way, it would be more conducive to improving shareholder value if it ended the unfavorable transactions with Nissan and had the JPY 139.8B returned, sold its headquarters and other assets, and dissolved the company.

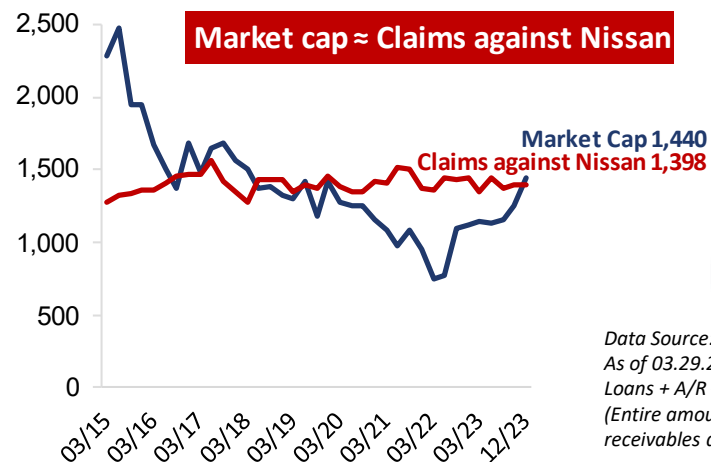
Most min. shareholders, including SC, do not wish to see Nissan Shatai dissolved. However, the current situation where the business interests are being abused by the parent company, Nissan, and the interests of min. shareholders are being unilaterally infringed upon, must be fixed.

**PBR below 1x, and the value of Nissan Shatai is about the value of claim against Nissan**

### PBR



### Market cap and assets held (JPY100m)



Data Source: QUICK Workstation (Astra Manager)  
As of 03.29.2024. Claims against Nissan = Deposits + Loans + A/R - A/P.  
(Entire amount of A/R and A/P is considered as receivables and payables to Nissan.)





## Protection of minority shareholders is required of listed companies

To put it simply, Nissan Shatai is dependent on a single company, Nissan, for almost 100% of its sales. It has no independence in its business activities, and under the current listing rules, it would be impossible for the Company to IPO. On top of that, the Company continues to manage its business with complete disregard for min.

We believe Nissan Shatai should not remain listed if it cannot fulfill its responsibilities as a listed company, such as protecting the rights and interests of minority shareholders.

**If they want to remain listed, the rights and interests of minority shareholders must be protected,**

**If minority shareholders cannot be protected, Nissan should make Nissan Shatai a wholly owned subsidiary,**

Nissan Shatai should choose one of these two options.

Nissan Shatai, which depends on Nissan for more than 95% of its consolidated sales, is not independent.

**2022 New Listing Guidebook - Standard Market, III. Listing Examination, 2. Soundness of Corporate Management**

**When the applicant has a parent company, etc. (Note)**

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.;**

**Min shareholders' opinions on exec. appointments and transactions with Nissan are completely ignored.**

Source: 2022 New Listing Guidebook - Standard Market (English), pages 81-82





## The Minority Shareholder Protection Committee

We propose the establishment of a Minority Shareholders Protection Committee, composed of outside directors, to protect the interests of minority shareholders.

Considering Nissan Shatai's executive appointments and deposits/loans made to Nissan, it is clear that both the Nomination and Remuneration Committee and Business Monitoring Committee have **failed to fulfill their primary role of protecting minority shareholders' interests.**

We strongly believe that reflecting the views of min. shareholders through the Minority Shareholders Protection Committee will improve corporate governance and contribute to enhancing shareholder value.

### Outline for Minority Shareholder Protection Committee

Establish a committee to conduct hearings with shareholders who have indicated acceptance of the Stewardship Code regarding the following matters and, if necessary, to make corrective recommendations to the Board

- ① Role and activities of the Minority Shareholders Protection Committee
- ② Transactions between the Company and the Nissan Group based on manufacturing consignment contracts
- ③ Deposit and lending of funds by the Company to the Nissan Group
- ④ Opinions of shareholders where a majority of the minority shareholders present at the meeting opposed a proposal made by the Company or supported a proposal made by a shareholder.
- ⑤ Company's response policy where there is a possibility that the Company's shares may violate the delisting criteria of the Tokyo Stock Exchange
- ⑥ Status of dialogues between the Company's officers and employees who are not members of the Minority Shareholders Protection Committee and the shareholders.





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Shareholder  
Proposal

Issues for minority  
shareholders

Damaged  
shareholder value

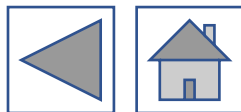
Minority shareholders  
& listed companies

Minority Shareholder  
Protection Committee

**Revision History**  
Disclaimer

## Revisions

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## Important Legal Disclaimer

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