

CORPORATE GOVERNANCE

Basic corporate governance policy

Corporate governance is an important responsibility of management, and its most important role is to clarify the duties and responsibilities of the members of Nissan's management team. At Nissan, clear management objectives and policies are published for the benefit of the shareholders and investors, and achievements and results are announced early and with as much transparency as possible. The enhancement of corporate governance by full and fair disclosure is the responsibility of management.

(1) The Company's organization and systems for internal control

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Nissan adopts a corporate auditor system. As the Company's governing body under applicable laws, the Board of Directors is established to make decisions on important business operations, as well as for the supervision of the execution of duties by the respective directors. Corporate auditors conduct audit of the execution of directors' functional duties. The number of directors is reduced in the pursuit of more efficient and flexible management, and the authority for business execution is clearly delegated wherever possible to corporate officers and employees. Furthermore, the Executive Committee deliberates important corporate matters.

The Board of Directors consists of nine members, of which one is external director. The Board of Directors holds general meetings as well as extraordinary meetings, as necessary, to discuss and decide significant business matters.

The Board of Corporate Auditors is composed of three external corporate auditors and one corporate auditor. Three of the four corporate auditors are full-time auditors. Each auditor attends the Board of Directors all the time and conducts audit of Directors' overall business execution in accordance with the annual audit plan determined by the Board of Corporate Auditors.

The Company focuses on highly transparent management internally and externally, and aims to conduct consistent and efficient management to firmly achieve its specific commitments. Under this basic policy, the Company's Board of Directors resolved a "System to ensure proper and appropriate corporate operations" at the Board meeting held on May 17, 2006 in accordance with the Corporation Law and the Corporation Law Enforcement Regulations. The Board of Directors shall consistently monitor the system and the status of execution of the policies under its responsibility and also amend or improve issues, if required.

② Status of internal audit and corporate audit

In Japan, the Domestic Internal Audit Office, which is independent from other sections and comprises 14 staff, conducts internal audits of NML's and its domestic consolidated subsidiaries' operations, under the President's direct control. With respect to foreign subsidiaries, an effective, efficient and global internal audit is conducted by the internal audit departments established in the management companies in each region, all of which are controlled by the Chief Internal Audit Officer (CIAO).

Corporate auditors perform audit of execution of entire business operations. Their procedures include, but not limited to, inter-

viewing with the Directors with regard to business conduct and attending the Board of Directors' meetings and other significant meetings. The Board of Corporate Auditors tries to enhance audit efficiency by sharing information among each corporate auditors. The corporate auditors also periodically receive the report of audit plans and the results of audit from internal audit departments. The corporate auditors also exchange their insight with the Internal Audit Office to facilitate their own audit. In addition, they also receive the report from independent auditors and determine its adequacy.

③ Financial statement audit

The Company appoints Ernst & Young ShinNihon as its independent auditors. The certified public accountants engaged in the financial statement audits are as follows:

The name of Certified Public Accountants engaged in the financial statement audit

Designated and Engagement Partner	Kazuo Suzuki*
Designated and Engagement Partner	Yasunobu Furukawa
Designated and Engagement Partner	Yoji Murohashi
Designated and Engagement Partner	Takeshi Hori

* Kazuo Suzuki has been continuously engaged in the audit of the Company's financial statements for 17 years. Ernst & Young ShinNihon has voluntarily introduced a rotation system for engagement partners prior to the enforcement of the regulations under the Certified Public Accountant Law and implementation of the rules for the voluntary regulations of the Japanese Institute of Certified Public Accountants. Although Kazuo Suzuki was scheduled to be replaced as of the end of the fiscal year ending March 31, 2007, in accordance with the rotation policy implemented by Ernst & Young ShinNihon, the replacement occurred a year earlier, at the end of the fiscal year ended March 31, 2006, because of a revision to the Ernst & Young ShinNihon policy.

The member of assistants who engaged in the financial statements audit is composed of 15 Certified Public Accountants, 25 junior accountants, and 6 others, including system specialists, etc.

④ Relationships between the external directors and external corporate auditors and NML

Shemaya Levy, the Company's external director, had served as Senior Vice President of Renault from March 2002 to March 2004, and Renault held 44.3% of the shares of the Company's common stock as of March 31, 2006.

Shinji Ichijima and Keiji Imamura, the Company's external corporate auditors, retired from the corporate auditor's position at the conclusion of the 107th Ordinary General Meeting of Shareholders held on June 27, 2006, and Takeo Otsubo and Toshiyuki Nakamura have been newly appointed by the resolution at the said meeting.

Takeo Otsubo, the Company's external corporate auditor, had served as Director of the Environmental Restoration and Conservation Agency until June 2006. There was no particular business relationship between the Environmental Restoration and Conservation Agency and the Company during the fiscal year under review.

Toshiyuki Nakamura, the Company's external corporate auditor, had served as Representative Director and COO of The Bank of Yokohama, Ltd. until June 2006. There is no particular business

relationship between The Bank of Yokohama and the Company during the current fiscal year.

Haruo Murakami, the Company's external corporate auditor, currently serves as Part-time Counselor of Japan Telecom after retiring as chairman of the Executive Committee of Japan Telecom in June 2006. Japan Telecom provided the Company with various services and facilities such as network maintenance and telephone lines during the fiscal year under review.

(2) Status of risk management system

The Company defines the risk as "factors which interrupt the achievement of business objects," and tries to identify and evaluate such risk as soon as possible and to take necessary measures against the risk so that the Company can minimize the probabilities that risk arises and damages caused by the risk.

Risk management system

The Company has been evaluating risk of the Company and the Group from various points of view and has been considering the appropriate control system and methodology. A risk management team established in the Financial Department has worked with several global sections since 2004, sorted out the business risks, and prioritized them based on the probabilities, impacts, and relevant control level. Directors in charge were appointed and they have been taking concrete measures against the risks for which actions are required.

Furthermore, since April 2004, the Company has established Intellectual Property Rights Management Department for the purpose of protecting intellectual property rights in specific areas, strengthening activities to protect Nissan's intellectual property rights, and abstracting new intellectual property rights. And the department has been performing various activities to protect and create Nissan Brand.

Since the fiscal year beginning April 1, 2005, the scope of risk management has been expanded to address risks which are more strategic or those relate to business processes in addition to the original hazard risks. Functions or Departments, which operate risk control, report the status through the normal reporting lines and EC (Executive Committee) directly monitors the risk that must be controlled on corporate level.

Compliance of corporate ethics and compliance system

In 2001, the Company established "Nissan Global Code of Conduct" and distributed it to employees of domestic and foreign Group companies. Moreover, the Company established "Nissan Code of Conduct (Japanese Edition) ~Our Promises~" in 2004 and publicized it, which should be applied to employees of domestic Group companies. This has been gradually implemented by the Group companies.

The Company emphasizes education of employees based on the idea that written conduct code must be understood by all employees and reflected to their actions. All employees must take learning programs by E-learning or VTR, and sign confirmations regarding code of conduct after finishing the programs. The confir-

mations have already been received from almost every employee, and compliance of corporate ethics has been penetrated into the Nissan Group.

Furthermore, the Global Compliance Committee was established in order to review the status of compliance with the code of conduct and ensure that the code is fully complied. Managing Director in charge of Human Resource is appointed as Global Compliance Officer (GCO) and the chairman of regional compliance committees established in each area such as Japan, North America, Europe and Global Overseas Market. Those committees promote the improvement of code of conduct, resolution of issues and enlightenment activities. The "Easy Voice System," which was deployed in 2002 as a system that employees can freely communicate their opinions and demands to the companies, can acquaint violation of compliance and behaviors possibly resulting in violation and also contribute to improve business operations and to develop corporate culture emphasizing to comply corporate ethics.

(3) Compensation paid to directors and corporate auditors

Compensation paid to Nissan's directors consists of a fixed amount of remuneration in cash and shares appreciation rights as resolved at the 104th shareholders' meeting held on June 19, 2003. The cash remuneration is limited to a maximum of ¥2.6 billion per annum as resolved at the 106th shareholders' meeting held on June 21, 2005 and the amount to be paid to each director determined based on the business results and reflecting the firm's global competitiveness.

On the other hand, the shares appreciation rights are given as motivation to the directors to stimulate continuous business development and an increase in the profitability of the Group. This incentive is linked to Nissan's medium- or long-term business results and is limited to the equivalent of 6 million shares of the Company's common stock per annum.

The remuneration paid to the corporate auditors is limited to a yearly amount of ¥120 million as resolved at the 106th shareholders' meeting held on June 21, 2005. This compensation is designed to promote stable and transparent auditing.

For the current fiscal year, the aggregate amount disbursed to the directors and corporate auditors was ¥2,527 million to eleven directors and ¥86 million to six corporate auditors. In addition, ¥390 million was paid through an appropriation of retained earnings as compensation to four directors, ¥624 million as retirement allowances to two directors and ¥88 million to two corporate auditors. In addition, shares appreciation rights equivalent to 4.8 million shares were granted to seven directors.

(4) Remuneration to independent auditors

Remuneration paid to the independent auditors is summarized as follows:

- Remuneration for services stipulated by the Certified Public Accountant Law, Article 2, Paragraph 1 (Law No. 103, 1948) for the current fiscal year: ¥510 million
- Remuneration for other services for the current fiscal year: ¥14 million