Translation

Improvement Measures Status Report

January 16, 2020

President & CEO Koichiro Miyahara
Tokyo Stock Exchange, Inc.

Representative executive officer, president and CEO Makoto Uchida
Nissan Motor Corporation

Regarding the Improvement Measures Report submitted on June 27, 2019, I hereby submit the improvement measures status report describing the implementation and operation status of the improvement measures, pursuant to the provisions of Paragraph 1, Article 503 of the Securities Listing Regulations.

I. BACKGROUND 3

1. Details of the correction of the Internal Controls Reports from the past fiscal year 3

2. Structure and Scope of the Investigation by the Company 4
(1) Objectives 4
(2) Advisors 5
(3) Work Performed 5
(4) Scope of Investigation 5

3. Special Committee for Improving Governance. 7

4. Contents of the Relevant Matters and involvement status of related parties 7
(1) Consideration of director compensation and cash payment after retirement to Mr. Ghosn 7
(2) Private use of company funds and expenses by Mr. Ghosn 9
(3) RNBV Joint Audit Principal Findings 9
(4) Spending using the CEO Reserve 10
(5) Director compensation for Mr. Kelly 11
(6) Overpayment of compensation to Hiroto Saikawa and other directors and corporate officers by manipulating the exercise date of the stock appreciation rights 11

II. IMPROVEMENT MEASURES 12

1. Analysis of causes 12
(1) Concentration of authority in one Director (in particular with respect to human affairs and compensation) 12
(2) Making certain administration departments opaque 12
(3) Partial failure of the supervisory function of the Board of Directors 13
(4) Partial failure of the monitoring/audit functions of other organizations within the company 13
(5) Partial failure of the checks and balances functions of each internal department 13

2. Improvement Measures to Prevent Recurrence 14
(1) The removal of the two representative directors who committed misconducts from their positions 14
(2) The abolishment of the authority of representative directors to determine other director compensation allocation 15
(3) The prohibition of receipt of compensation from any subsidiary or affiliate, except after approval by the Board of Directors of the Company 15
(4) The abolishment of the CEO Reserve 15
(5) Conducting pre-meetings to have active discussions at the Board of Directors meeting 16
(6) Enhanced code of conduct training for directors and corporate officers 16
(7) Enhancement of the management system for appropriate accounting process related to director compensation that includes reconciliation between accounting records and director compensation details 19
(8) Enhancement of the management system for appropriate disclosure of director compensation including the additional disclosure of profit from the exercise of SAR (stock appreciation right) as director compensation 19
(9) Development of the process for communication from the Board of Directors and Executive Committee to the Finance department of proposals related to the establishment of a new company 21
(10) Strengthening of the structure and function of the Board of Directors 23
(11) Transition to a company with three statutory committees 25
(12) Strengthening of supervisory function of internal audit 29
(13) Reestablishment of corporate ethics 30
(14) Reassessment of the function and authority granted to the internal departments 31
(15) Enhancement of the whistleblower system 31

3. Improvement Measures Implementation Schedule 33

4. Evaluation of Listed Companies of Implementation and Operation Status of Improvement Measures....34

I. BACKGROUND

1. Details of the correction of the Internal Controls Reports from the past fiscal year

On May 14, 2019, Nissan Motor Co., Ltd. (the "Company" or "Nissan") filed (i) correction reports of the prior disclosures of its director compensation in its Annual Securities Reports for FY2005 to FY2017 and (ii) correction reports for the Internal Control Reports for FY2009 to FY2017 with the Kanto Local Financial Bureau. On the Same day, the Company disclosed its full-year financial results of FY2018 that includes accounting adjustment related to this matter (as defined below).

Regarding director compensation for Mr. Carlos Ghosn, the former representative director and chairman of the Company (hereinafter "Mr. Ghosn"), set out below in the "Difference" column of the chart below are the amounts under-disclosed in Nissan's Annual Securities Reports submitted for the fiscal years after the fiscal year ending March 31, 2010, when the listed companies became obliged to disclose the total amount of consolidated compensation in the cases where it is 100 million yen or more.

(Million yen)

Fiscal Year	Item	Before correction (A)	After correction (B)	Difference (B-A)
FY 2009	Total compensation for Mr. Ghosn	891	1,439	548
FY 2010	Total compensation for Mr. Ghosn	982	1,777	795
FY 2011	Total compensation for Mr. Ghosn	987	1,894	907
FY 2012	Total compensation for Mr. Ghosn	988	2,025	1,037
FY 2013	Total compensation for Mr. Ghosn	995	2,313	1,318
FY 2014	Total compensation for Mr. Ghosn	1,035	2,213	1,178
FY 2015	Total compensation for Mr. Ghosn	1,071	2,894	1,823
FY 2016	Total compensation for Mr. Ghosn	1,098	3,740	2,642
FY 2017	Total compensation for Mr. Ghosn	735	2,869	2,134

In response to a whistleblower report to the Company's Statutory Auditor around the spring of 2018, the Company has conducted an internal investigation of the following significant misconducts (collectively, the "Misconducts") directed by Mr. Ghosn:

As for the internal investigation, the statutory auditor who had received a whistleblower report took the lead with support from the then head of the CEO office. They relied on external advisors including Latham & Watkins LLP (hereinafter "L&W") and conducted a preliminary investigation first. As described below, the Global Compliance office later took the lead in October of that year and conducted a full-scale internal investigation. Regarding the full-scale internal investigation, in order to ensure the independence of the investigation, we retained multiple external advisors such as law firms and accounting offices. In addition, within the Company, the then Global Compliance Officer took the lead and supervised such investigation. She exercised control over an investigation team in charge of the internal investigation. She directly received instruction from the then Representative Director and President, Hiroto Saikawa ("Mr. Saikawa" or the "then CEO Saikawa") and was independent from those who were involved in the investigated conduct. The then

Global Compliance Officer was under the control of the then head of the CEO office until April 2019, but he did not direct or supervise L&W concerning the investigation, and his role in the internal investigation was to provide information as a witness and to provide other assistance to those conducting the investigation. The Company believes that as a result of these steps, there was no problem with the independence of the internal investigation.

(i) the Misconduct of recording compensation amounts in the annual securities report that were less than actual, in order to reduce the amount of his compensation to be disclosed, over many years;

(ii) the Misconducts of expending our company's investment capital for his personal use, under false pretenses;

(iii) other Misconducts, such as expending our company's expenses for personal use.

The primary root cause of Mr. Ghosn's Misconducts was the concentration of authority in Mr. Ghosn, including those regarding human affairs and compensation issues. Mr. Ghosn made opaque certain administrative departments that would have been able to discover management misconducts by concentrating authority in such departments in a few particular persons including its former Representative Director, Greg Kelly, ("Mr. Kelly"), and thereby created a situation in which it was difficult to detect Mr. Ghosn's demands for his personal gain. As a result, the checks and balances function of certain administrative departments did not necessarily function effectively with respect to the problem concerning Mr. Ghosn's demands for his personal gain.

Based on such evaluation, the Company has concluded that there was a material weakness in company-level internal controls and filed its correction reports as set forth in above (ii).

2. Structure and Scope of the Investigation by the Company

The Company has designed and implemented a thorough and comprehensive response to the discovery of (a) the Misconducts by Mr. Ghosn, Mr. Kelly and individuals who may have acted in concert with them and (b) other matters which may affect the accuracy of the Company's disclosure of director and statutory auditor compensation (collectively, the "Relevant Matters"). The Company have investigated all material compliance matters that have come to the attention of Nissan's Global Compliance Office and completed all internal investigations in September 2019. An overview of the structure, procedures and scope of the Company's response and investigation is described below.

(1) Objectives

The internal investigation was directed by Nissan's then Global Compliance Officer ("GCO") who was authorized to conduct the investigation by the then CEO Saikawa, with the assistance of the Global General Counsel, who is in charge of legal affairs. The purpose of the investigation has included the following objectives, among other things:

(a) Investigating the alleged wrongdoing to understand the facts and impact on the Company;

(b) Investigating a wide range of executive compensation issues pertaining to Mr. Ghosn, Mr. Kelly and other current and former Nissan directors and statutory auditors;

(c) Investigating related accounting matters that may require any necessary accounting adjustments; and

(d) Investigating whether there was any misconduct in connection with the exercise of SARs (stock appreciation rights) (this was an additional investigation following the report of some weekly magazine in June 2019).

(2) Advisors

The Company has retained a team of advisors to assist it in its response plan, including several reputable law firms, and accounting and forensic professionals.

As for the law firms, we retained L&W as the main firm in charge of the investigation. The firm had provided Nissan with advice regarding legal matters including director compensation in the past, however, we retained L&W considering the facts that (i) we could not engage a law firm completely unrelated to Nissan due to the extremely high confidentiality required for the investigation of Mr. Ghosn's misconduct, (ii) L&W had some background information, as they had already provided Nissan with advice on various points regarding director compensation, (iii) the misconduct was related to overseas transactions and documents in foreign languages, and (iv) L&W has considerable experience in investigations similar to this. In addition, to ensure the independence of the investigation, we had L&W investigate under the supervision of the then Global Compliance Officer and we took the steps of disclosing to all relevant parties (including the Board of Directors, the Board of Statutory Auditors, Nissan's accounting auditor and the Special Committee for Improving Governance (Please refer to I.3. below)) the fact that L&W had provided Nissan with advice in the past and obtained their acquiescence.

(3) Work Performed

The work performed has been extensive. Nissan estimates that the investigations and related work streams have resulted in the following. The period subject to the investigations was the period from April 2009 to November 2018 (provided that earlier periods are included with respect to a certain specific issues[1]):

(a) Approximately 9 million documents collected and over 245,000 documents reviewed;

(b) More than 70 witnesses interviewed; and

(c) Over 10,000 hours of financial analysis.

No interview with either Mr. Ghosn or Mr. Kelly has been conducted. We do not plan to conduct interviews with either Mr. Ghosn or Mr. Kelly hereafter because: they and the Company are the co-defendants in a criminal trial concerning the disclosure of director compensation and it would not be appropriate for the Company to attempt to contact Mr. Ghosn or Mr. Kelly; the Company does not expect to be able to obtain the sincere cooperation of Mr. Ghosn or Mr. Kelly with the investigations, as the Company would not deny the charges but these persons plan to deny; and the Company would be able to find that the Misconducts were conducted from evidence even before having interviews with these persons.

(4) Scope of Investigation

(a) Compensation Investigation

Nissan conducted a wide range of investigation regarding executive compensation issues pertaining to Mr.

[1] Shifting of foreign currency swaps with Shinsei Bank (Please refer to I.4.(2) below) commenced in 2008 and payments to Mr. Ghosn's older sister (Please refer to I.4.(2) below) commenced in 2003. Periods prior to 2009 were subject to the investigations with respect to these issues.

Ghosn, Mr. Kelly and other current and former Nissan directors and statutory auditors, and regarding various incidents of unauthorized payments and benefits for Mr. Ghosn resulting from acts that constitute misappropriation and undue enrichment. The internal investigation has been relying on the investigations conducted by the Global Compliance Office of the Company, and it has also relied on external legal counsel to oversee the collection, review and analysis of custodial documents for persons of interest and identifying and interviewing key witnesses. Nissan has additionally engaged external advisors to assist with accounting and forensic analysis on compensation issues. Nissan has received periodic reports prepared by its advisors consolidating and synthesizing the findings of various aspects of the compensation investigation. As mentioned in above "1. Contents of Correction Reports for the Internal Control Reports", Nissan's board of directors approved its correction reports of the Annual Securities Reports after consideration of the results of the investigation conducted by external legal counsel (the "Compensation Investigation Results").

In addition, thereafter, additional investigations were conducted as to whether there was any misconduct in connection with exercise of SARs (stock appreciation rights), following the report of some weekly magazine in June 2019. As a result, it was identified in September 2019 that compensation paid to Mr. Ghosn, Mr. Kelly, other two directors (including Mr. Saikawa) and five corporate officers, etc. for the exercise of SAR (stock appreciation right) were unjustly inflated. The corrected amounts of director compensation disclosed in the correction reports dated May 14, 2019 were prepared by reconciling corrected amounts with actual records of individual payments and, at the time of the filing of said correction reports, we were not able to realize that such unjust overpayment of compensation had been made because whether (1) the amounts of compensation calculated based on the stock price of the date falsely stated as the exercise date and (2) such actual records of individual payments were consistent had not been verified. Through recent additional investigations, we have confirmed that inflated amounts were also disclosed in said correction reports. As for the six persons other than Mr. Ghosn, Mr. Kelly and Mr. Saikawa, we considered it inappropriate to disclose the names of such persons and only disclosed the number of such persons, mainly because (1) no exercise of such persons' SARs falls under the scope of information required to be disclosed as officers' compensation in the Annual Securities Report, (2) overpayment was made without such persons' knowledge of misconduct and also (3) the amount received by some of such persons was extremely small.

(b) Other Potential Violations of Company Policy (Internal Rules) and Law

Apart from the compensation investigation, Nissan is separately investigating other potential violations of company policy (Internal Rules) and law, misappropriation of company assets for the benefit of Mr. Ghosn, as well as potential conflict of interest transactions between Nissan and associates of Mr. Ghosn. In addition to the Global compliance Office, Nissan has relied on external advisors for this investigation. The then GCO has periodically issued to Nissan's board of directors interim reports summarizing other potential violations of company policy (Internal Rules) and law identified during the course of the internal investigation.

(c) Joint Investigation of RNBV

Nissan and Renault S.A. ("Renault") jointly retained external legal and financial advisors and conducted audit to Renault-Nissan B.V. ("RNBV"), a Dutch corporation jointly owned by Nissan and Renault (the "Joint Audit"). The scope of the Joint Audit encompasses a comprehensive audit of RNBV's governance, controls, compliance and accounts. In April 2019, external advisors provided their interim findings regarding the Joint Audit to Nissan's board of directors and reported additional findings in May. On July 11, 2019, Nissan received from the financial advisors a report on the final findings of the Joint Audit. These findings are as set forth in "I.4. Contents of the Relevant Matters and involvement of related parties" below.

(d) Internal Investigation of NMBV

Nissan and Mitsubishi Motors Corporation ("MMC") delegated an investigation to external legal counsel and jointly investigated Nissan-Mitsubishi, B.V. ("NMBV"), a Dutch company jointly owned by Nissan and MMC. The findings which reported from the external legal counsel to Nissan are included in the Compensation Investigation Results.

(e) Other Related Legal Work.

Nissan has retained several law firms to perform legal work for issues arising from the Relevant Matters. Information obtained by these counsel has been shared with and used by Nissan internal and external experts working on the Relevant Matters, including those working on the investigations listed above.

3. Special Committee for Improving Governance.

At its December 17, 2018 meeting, the Nissan board of directors formed a Special Committee for Improving Governance ("SCIG") for the following purposes:

(a) To ascertain the root causes behind Nissan's governance issues which led to the misstatements in Nissan's financial reports, including the Annual Securities Reports;

(b) To provide recommendations for the improvement of Nissan's governance commencing with Nissan's approval process for determining director compensation; and

(c) To provide recommendations for Nissan to create a healthy state of governance as a foundation for sustainable business as a world-leading company.

The SCIG is comprised of four independent third parties (which include the two committee Co-Chairs) as well as three Nissan independent outside directors. The SCIG presented its findings in the Special Committee for Improving Governance Report (the "Special Committee Report") publicly issued on March 27, 2019.

4. Contents of the Relevant Matters and involvement status of related parties

Based on the Special Committee Report and the results of the above-mentioned internal investigations, the Company believes that the contents of the Relevant Matters and the involvement status of related parties are as follows. Please note that—because some of the facts laid out in "2.(4)(a) Compensation investigation" and all of the facts laid out in "2.(4)(c) Joint Investigation of RNBV" from the results of the above-mentioned internal investigations were discovered after the public announcement of the Special Committee Report—the Special Committee Report does not contain the disclosure included in "(3) RNBV Joint Audit Principal Findings" and "(6) Overpayment of compensation to Hiroto Saikawa and other directors and corporate officers by manipulating the exercise date of the stock appreciation rights" below, the disclosure concerning the overpayment of compensation by manipulating the date of exercise of SARs from the disclosure included in "(1) Consideration of director compensation and cash payment after retirement to Mr. Ghosn" below or the disclosure concerning the overpayment of compensation by falsifying that SARs had been granted out of the descriptions included in "(5) Director compensation for Mr. Kelly" below.

(1) Consideration of director compensation and cash payment after retirement to Mr. Ghosn

- Mr. Ghosn was delegated by the resolution of Nissan's Board of Directors to determine the compensations of the Directors and top line managements (including Executive Vice Presidents, Senior Vice Presidents, Corporate Vice Presidents, and Vice Presidents etc.), including determination of his own compensation.

- Mr. Ghosn substantially determined the amounts of compensations for individual Directors and top line managements all on his own. The secretariat function of Nissan ("Secretariat") was in charge of paying individual compensations which he determined, and no information on the amounts of individual Directors' and top line managements' compensations was shared with other departments.
- In 2009, Mr. Kelly became an SVP (Senior Vice President) representing the Office of the CEO, Alliance CEO Office, Legal Department, Secretariat and Global Human Resources. He was known as one of Mr. Ghosn's most reliable surroundings in Nissan and had the right to determine the compensation and human affairs for almost all staff except the top line managements, and with contracts and other legal matters being within his purview he was in the position of the highest level of responsibility. Also, Mr. Kelly served as the liaison officer of the management side toward Statutory Auditors. When Mr. Kelly received questions or requests from the Statutory Auditors, Internal Audit Office, Accounting Department etc., he limited the response to the minimum and refused any further questions and pursuits by explaining that it was determined by the CEO.
- As set forth in Exhibit 1 (The Company Organization Chart as of April 2009), Mr. Ghosn concentrated the authority of so-called administrative departments in Mr. Kelly at the top and a few particular persons. This led to a structure to retain certain information within a few limited persons and not to disclose it to other departments.
- In order to reduce the disclosed amount of his director compensations, Mr. Ghosn avoided disclosing some part of director compensations which he had granted to himself (the "Postponed Compensations") by, among other things, deferring the time of their payment after his retirement. As a result, Mr. Ghosn's total disclosed amount of compensation had been underreported from the fiscal year ended March 2010 to the fiscal year ended March 2018.
- From the fiscal year ended March 2010, a few particular persons including Mr. Kelly had had various discussions on how to pay the Postponed Compensations without disclosing. In addition, payment of Mr. Ghosn's compensation after his retirement was studied as one of the payment method for the amount equivalent to the Postponed Compensations, or as a separate compensation after his retirement. There are documents remaining which were created in relation to the above discussions, some of which have affixed the signatures of Mr. Ghosn.
- Regarding the post retirement treatment of Mr. Ghosn, Mr. Ghosn, through Mr. Kelly as the person responsible for Global Human Resources and Legal, obtained documents signed by then CEO Saikawa.
- Documents were falsified in order to increase the amount paid to Mr. Ghosn as the final payment of retirement allowance for directors approved by the general meeting of shareholders in 2007.
- Documents were falsified and the details of compensations were manipulated in order to circumvent the disclosure of stock-price-linked incentive compensation.
- Regarding the compensation received by Mr. Ghosn by exercising SARs (stock appreciation rights), the date of such exercise was manipulated and the amount of compensation was calculated based on a higher stock price than that of the previous day of the actual exercise day. As a result, approximately JPY140 million more in total, than the amount that should have resulted from by using the calculation formula approved by the resolution of the shareholders meeting, was paid as compensation.
- Mr. Ghosn obtained compensation etc. from NMBV without going through the prescribed appropriate procedure.
- Mr. Ghosn did not relinquish any decision-making authority regarding Nissan's human affairs and compensation even after retiring as CEO in 2017 and thereby continued holding significant authority as de-facto CEO during the period until Mr. Ghosn was arrested on the charge of violation of the Financial Instruments and Exchange Act on November 19, 2018 or until Nissan's Board of Directors revoked the delegation of the authority to determine compensation on December 17, 2018.

(2) Private use of company funds and expenses by Mr. Ghosn

- In 2010, Nissan's Executive Committee approved establishment of Zi-A Capital B.V., a wholly-owned subsidiary in Holland ("ZiA") for investment purposes as proposed by Mr. Kelly. ZiA was an unconsolidated subsidiary. By utilizing ZiA, residences in Rio de Janeiro and Beirut were purchased for Mr. Ghosn and the renovation costs for them were paid as well. The total cost of these purchases and renovations is over US$ 22 million. In addition to Mr. Kelly, the then heads of the CEO office and the Secretary office were involved in these activities.
- Nissan paid advisory fees to Mr. Ghosn's older sister for a long time. The total amount paid is over US$750,000. No one in Nissan, except a few particular persons, was aware of this fact. There found no deliverables offered as consideration for these advisory fees.
- Mr. Ghosn used Nissan's corporate jet airplane and charter jet airplanes for the private uses of himself and his family. The estimated incremental cost for this private use is US$6.1 million, including US$4.4 million paid by Nissan. Nissan is not aware of a fact that there was a participant at Nissan in this matter.
- Mr. Ghosn had involved the then head of Secretariat and caused Nissan to take on his foreign currency swap transactions with Shinsei Bank, Limited. Although Nissan suffered actual loss, the amount of actual loss was paid to Nissan by Mr. Ghosn. The detail of these transactions was not disclosed to the Board of Directors.

(3) RNBV Joint Audit Principal Findings

- RNBV's board of directors consisted of officers and employees dispatched by Nissan and Renault (including Mr. Ghosn, Mr. Kelly, Mr. Saikawa and the then head of CEO office; the terms of office differed from person to person). RNBV's board of directors exercised, as a mere formality, the minimal control required under Dutch laws over the company's operations, such as formal approval for RNBV corporate actions and formal approval of decisions made by the Alliance Board, including the approval of RNBV's budgets and financial statements; accordingly, RNBV's governance was not functioning effectively. As RNBV was owned 50% each by Nissan and Renault and was considered immaterial, RNBV was not treated as a consolidated/equity method affiliate by either Nissan or Renault and it was outside of both companies' audit procedures. Given the secrecy of Mr. Ghosn, as RNBV's President, none of RNBV's employees (except for the then head of the Nissan's Secretary office, who was, as a practical matter, in charge of almost all payment processes for costs and expenses, and RNBV's Controller), who concurrently worked at Nissan's local subsidiary in the Netherlands or at the head office in Tokyo, understood the whole picture of the cost structure of RNBV due to the segregation of their responsibilities.

  As stated above, the reasons why the RNBV's governance was undermined and did not function effectively were that, among others, (1) RNBV was not monitored by either Nissan's or Renault's internal auditing and other internal management departments, as it was not included in either Nissan's or Renault's consolidated financial statements, (2) none of the directors dispatched by Nissan and Renault showed any interest in the internal management of RNBV as they considered RNBV to be existing in name only as a mere platform for the discussions on the Alliance, in addition to the segregation of the employees' responsibilities, and also (3) Mr. Ghosn, as the President, had the budgets and financial statements approved by the Board of Directors without disclosing the details thereof, taking the position that secrecy was important.
- At least €3.9 million in RNBV expenditures appear to be personal expenses of Mr. Ghosn and

unrelated to RNBV's corporate purposes, including expenditures related to a party at the Palace of Versailles, the invitation/entertainment of guests at the Carnival in Rio de Janeiro as well as the Cannes Film Festival, dinners at Marmottan Museum, gifts purchased at Cartier in Paris and attorney's fees for a law firm in Lebanon, a country where Nissan conducted little or none of its business.

- In addition, approximately €2.37 million in donations made by RNBV between 2009 and 2018 appear to be made on behalf of Mr. Ghosn. Such donations were made to 10 institutions in total (including mainly schools and other educational institutions), of which 9 institutions were schools and non-profit-making organizations in Lebanon, a country where Nissan conducted little or none of its business, and most of them were made in the name of Mr. Ghosn. Therefore, it is highly likely that such donations were unrelated to RNBV's business.
- Mr. Ghosn used corporate aircraft for purposes that were highly likely unrelated to Alliance business, judging from the destinations of the flights as well as the fact that he was accompanied by his family, etc. The market value of these personal flights was a minimum of €3.1 million; the incremental cost of the flights to RNBV was at least €5.1 million.
- In 2016, Mr. Kelly received $200,000 from RNBV as a consulting fee based on the agreement signed on behalf of RNBV by the then head of the Nissan's Secretary office, who concurrently served as an employee of RNBV, but no consulting services were provided to RNBV. RNBV also paid director's fees of €600,000 between 2013 and 2017 to one director, a senior executive with Renault. None of RNBV's officers, other than such person, received compensation for their service as directors in addition to compensation they were separately paid by Nissan or Renault. Further, it was quite unusual considering that the director compensation paid to such director was resolved at the Governance, Management and Compensation Committee, which was newly established in March 2013 and held only once at the time of such establishment and has never been held thereafter, and no plausible explanations were made as to the reasonableness of said compensation.
- As for the payment of RNBV's costs and expenses including donations, the then head of Nissan's Secretary office, as an employee of RNBV to whom the procedures for payment was comprehensively delegated by the Board of Directors, with a ceiling of €2,000,000 in and after 2011, arranged for such payment as a routine practice in accordance with Mr. Ghosn's instructions.

(4) Spending using the CEO Reserve

- A budget item called "CEO Reserve" which enabled expenditures outside of the framework of the budget of each department was established around 2009, for the management of Nissan's budget. With the involvement of sales representatives in the Middle East, this CEO Reserve had been utilized for the spending on so-called "CEO matters" in a way which was not easy to detect by other departments. CEO Reserve had the premise of having been already approved by the CEO, after which disbursement procedures according to the prescribed method would be conducted by each department. There was a problem with the ability to control spending and therefore, it was practically difficult to raise questions on the properness of disbursement, although some of the departments were involved in disbursement procedures.
- Ghosn instructed a Nissan subsidiary to make payments totaling 14.7 million U.S. dollars to a company managed by an acquaintance outside Japan who had previously offered him personal financial support (a fact Ghosn withheld from Nissan's board of directors and the relevant departments within the company). Payments were made under the pretext of covering expenses for special business projects and were approved through Nissan's CEO Reserve. Ghosn also instructed a Nissan subsidiary to make payments totaling 32 million U.S. dollars to a dealer outside Japan, a related party of which transferred tens of millions of dollars to

Ghosn and/or a company related to Ghosn (a fact Ghosn withheld from Nissan's board of directors and the relevant departments within the company). Payments were made under the pretext of granting financial incentives to the dealer in question and were approved through the CEO Reserve.

(5) Director compensation for Mr. Kelly

The amount of director compensation of Mr. Kelly from Nissan for each year from the fiscal year ended March 2013 to the fiscal year ended March 2018 had exceeded JPY 100 million. However, with the involvement of Mr. Ghosn and the then head of Secretary office. Mr. Kelly did not disclose his compensation by using several methods. The amount under-disclosed in these fiscal years is 626 million yen in total.

In 2017, Kelly falsified documents to make it appear as if he had in fact been granted stock appreciation rights in 2008, rather than equity warrants. Kelly then exercised these falsified stock appreciation rights and processed them accordingly, and furthermore did so at a price based on a date prior to the actual date that should have been used (i.e., the day immediately preceding the specified exercise date). By doing so, Kelly improperly received 7.17 million yen.

(6) Overpayment of compensation to Hiroto Saikawa and other directors and corporate officers by manipulating the exercise date of the stock appreciation rights

The additional investigation into stock appreciation rights discovered overpayment of compensation to some directors (including Hiroto Saikawa) and corporate officers caused by manipulating the exercise date by the Secretary office.

Saikawa exercised his stock appreciation rights in 2013 and an improper increase of roughly 96.5 million yen before tax (47.44 million yen after tax) was paid, which was yielded by the exercise date manipulation by the Secretary office.

Likewise, other than Saikawa, it was discovered that overpayment caused by the exercise date manipulation was made to one director and five corporate officers, etc. The total amount of the improperly increased amount for such six persons was 57.72 million yen before tax.

Evidence confirmed that such manipulation was conducted according to the suggestion of Mr. Kelly as well as the then head of the Secretary office, as to the payment to Mr. Saikawa, and the manipulation of the payments to other directors and corporate officers, etc. was suggested and conducted by the Secretary office, not by the one director or the five corporate officers, etc. However, as the actions of such seven persons in having the Secretary office exercise their stock appreciation rights were deemed to be violations of internal rules, the internal punishment of four persons (except three persons—Mr. Saikawa and one other person, who were each a director at the time of receipt, and one person who had left the company) out of such seven persons were determined by the Corporate Action Committee, which was established in September 2019 to evaluate the internal punishment of employees at the level of corporate officer and higher (excluding directors) (hereinafter the "CAC"; which consisted of CEO, COO and the director in charge of human resources & Secretary office) pursuant to internal rules (Please refer to II.2.(1) below). With respect to Mr. Saikawa and the one person, who were each a director at the time of receipt, it was concluded at the meeting of the Audit Committee held in September that, after an examination of the need for pursuing the liability of such persons with respect to the issues concerning the stock appreciation rights, in light of a violation of the duty of care of a good manager that they owed as directors: (i) they violated internal rules, although they conducted no specific illegal act because neither of them had realized the overpayment suggested by Mr. Kelly and the Secretary office and also because the above-mentioned overpayments were caused as a result of the exercise date manipulation conducted by third parties; and therefore, (ii) Mr. Saikawa should be asked to voluntarily return the overpaid amount and, in addition, liability issues, including moral obligations on his part, should be discussed by the Board of Directors; and (iii) we should ask the one person who used to be a director to voluntarily return the overpaid amount but it would be appropriate to not pursue the liability of such person because he had already left the company. The foregoing was reported to, and recommendations regarding pursuing liability provided to, the Board of Directors at a meeting of the Board of Directors held that same month. At such meeting, the Board of Directors accepted said recommendations and discussed the liability issues, including moral obligations on the part of Mr. Saikawa, following the discovery of the issues concerning the stock appreciation rights. As a result, Mr. Saikawa agreed, although he has no legal liability, to return the overpaid amount because the payment violated company rules and resigned from the position of representative executive officer, president and CEO after such meeting to take responsibility for causing confusion due to this matter. Further, although we have asked the relevant six persons, other than one person who had left the company, to return the overpaid amounts, such amounts have not yet been returned for the reason that it takes time for us to make necessary confirmation as we have no precedent of such process. It is expected that such amounts will be returned by March 2020.

II. IMPROVEMENT MEASURES

1. Analysis of causes

Based on the Special Committee Report, the Company believes that the primary root cause of the Misconduct was the concentration of all authority in Mr. Ghosn, including those regarding human affairs and compensation issues. Mr. Ghosn made the certain administrative departments which would be able to discover management misconduct opaque by concentrating authority in such departments in a few particular persons including Mr. Kelly, and thereby created a situation in which it would be difficult to detect Mr. Ghosn's demands for his personal gain. As a result, the checks and balances function of certain administrative departments did not necessarily function effectively with respect to the problem concerning Mr. Ghosn's demands for his personal gain. Below are details of our root cause analysis. Please note that also we consider the root cause of the Misconduct found by the internal investigations conducted after the issuance of the Special Committee Report to be the same.

(1) Concentration of authority in one Director (in particular with respect to human affairs and compensation)

In the context of his contributions to the reconstruction of Nissan, personality cult of Mr. Ghosn developed and then a tendency to regard his activities as an impenetrable territory was established in Nissan. The tendency was further strengthened after Mr. Ghosn started to concurrently act as the top of the major shareholder. With such circumstances in the background, Mr. Ghosn realized the concentration of authority in himself by substantially gaining authority regarding human affairs and compensation issues. With regard to the authority on compensation, specifically, Renault, as a major shareholder holding 43.4% of the Company's share, had substantial authority to decide the upper limit of the total amount of compensation for the Company's directors. Based on the resolution of the Board of Directors, Nissan had given Mr. Ghosn, who also served as Renault's head, the authority to determine the individual amounts of director's compensation, including the determination of Mr. Ghosn's own compensation. As a result, the authority to decide both the total amount of Directors compensation and individual allocation belonged to Mr. Ghosn.

(2) Making certain administration departments opaque

Mr. Ghosn concentrated on the positions as the responsible persons in the Human Resources Division, Office of the CEO, Secretariat, Legal Department and Internal Audit Office to Mr. Kelly, the then head of the CEO office and the then head of Secretary office and limited the persons who would be involved in his compensation and his personal use of the company's funds and expenses to those responsible persons and some employees in the Secretary office. When the responsible persons were questioned by Statutory Auditors or Accounting Department regarding the issues with payment of compensation and the personal use of funds and expenses, they refused to provide detailed explanations, such as by simply responding that it was a “CEO matter”. In this way Mr. Ghosn succeeded in making certain administrative departments opaque. Through these responsible persons and departments, Mr. Ghosn’s compensations and other issues are discussed and his personal use of the company’s funds and expenses, as well as the manipulation of the exercise date of the stock appreciation rights by the Secretary office which caused the overpayment of compensation to Mr. Saikawa and others, were implemented. Accordingly, Mr. Ghosn was able to prevent Statutory Auditors and other departments (such as the Accounting Department) from learning about the Misconduct.

(3) Partial failure of the supervisory function of the Board of Directors

Mr. Ghosn requested the Board of Directors to complete its meetings as quickly as possible, thereby creating an atmosphere where it was not possible to ask questions about or give opinions on the agenda at the meetings. Further, Mr. Ghosn did not disclose the necessary facts with respect to the transactions for his personal gain requiring approval at a meeting of the Board of Directors as a conflict of interest transaction. As Mr. Ghosn hid the facts, the Directors who attended meetings of the Board of Directors were not able to detect the unnaturalness proposals made at such meetings of the Board of Directors and the Statutory Auditors were also unable to rectify such situations at meetings of the Board of Directors.

(4) Partial failure of the monitoring/audit functions of other organizations within the company

Under the Companies Act it is expected that the abuse of a director’s authority will be prevented from happening not only through supervision by the Board of Directors but also through the monitoring/audit by other organizations within a company. However, with respect to the Misconduct, for example, in light of the fact that the level of monitor/audit of non-consolidated subsidiaries and non-equity method affiliates was less than that of consolidated subsidiaries, ZiA/NMBV and RNBV, which were treated as a non-consolidated subsidiary/non-equity method affiliates, respectively, were used. Further, although the Statutory Auditors had doubts about the state of ZiA, they were not able to discover the realities of the situation due to the existence of departments that were made opaque by Mr. Ghosn and a few particular persons including Mr. Kelly.

(5) Partial failure of the checks and balances functions of each internal department

Besides the Secretariat and the Office of the CEO which were deeply involved in the compensation payments and private use of funds by Mr. Ghosn, other departments such as the Legal Department, Internal Audit Office and Accounting Department had at least some degree of opportunity to see some part of such payments to and private use of funds by Mr. Ghosn, as well as the manipulation of the exercise date of the stock appreciation rights which caused the overpayment of compensation to Mr. Saikawa and others. However, these other departments were not able to detect the problems since the information needed to make the right decision was hidden. Even when the Legal Department or Internal Audit Office detected a problem, they could not pursue it further because Mr. Ghosn had concentrated on the responsible persons of such departments to Mr. Kelly, the then head of the CEO office and the then head of Secretary office and had thereby created an appearance that the responsible persons of such departments accepted the requests. On the other hand, even when the Accounting Department detected a problem, it could not pursue it further since information was hidden by Mr. Ghosn and a few particular persons including Mr. Kelly, even though the Accounting Department was not under the control of Mr. Kelly or other similar ones.

2. Improvement Measures to Prevent Recurrence

Based on the above mentioned causal analysis, the Company has taken the following improvement measures. Until June 2019, progress of improvement was managed in the form of a periodic report by the Corporate Management office to the independent outside directors, and since the transition to a company with three statutory committees on June 25, 2019, it has been managed in the form of a periodic report at the meeting of the Board of Directors of which independent outside directors have the majority. Also, the Company has set up a web page to provide information regarding the Company's corporate governance within the corporate website (https://www.nissan-global.com/JP/COMPANY/PROFILE/CORPORATEGOVERNANCE/).

Thereafter, we announced the details of our efforts for reforming the corporate governance on Nissan's corporate website at the end of September and mid-October 2019 through the "Sustainability Report" and "Annual Report." In specific, the report contains the background to the reform of the corporate governance system, the structure and roles of the board of directors and committees as a company with three statutory committees, introduction of each director, messages from Mr. Kimura, Chair of the Board of Directors, and Mr. Toyoda, the lead Independent Outside Director.

Going forward, we intend to commit ourselves to aim to further improve transparency of information, and to create and publish on our website such contents that are easily understandable for more stakeholders.

(1) The removal of the two representative directors who committed misconducts from their positions

Improvement Measures set forth in the Improvement Measures Report

Regarding Mr. Ghosn, as a result of internal investigation, the Company has confirmed misconducts led by himself and removed him from his representative director and Chairman position, based on the resolution of the Board of Directors meeting held on November 22, 2018. The Company also removed him from his director position based on the resolution of the shareholders meeting held on April 8, 2019.

Regarding Mr. Kelly, as a result of internal investigation, the Company has decided that he was a mastermind of this incident together with Mr. Ghosn and removed him from his representative director position, based on the resolution of the Board of Directors meeting held on November 22, 2018. The Company also removed him from his director position based on the resolution of the Board of Directors meeting held on April 8, 2019.

These are the measures corresponding to the individual causes mentioned in 1 above.

Implementation/Operation Status

The aforesaid "Improvement Measures set forth in the Improvement Measures Report" have been implemented at the time of submission of the Improvement Measures Report.

In addition, after conducting additional internal investigations, the punishment for those who were involved in misconduct other than Mr. Ghosn and Mr. Kelly was determined by the CAC meeting held on January 13, 2020. Because a wide variety of Misconducts had been committed over a long period of time, many people were involved and the Misconducts were committed not only in Japan but also in foreign countries, the Company set priorities on the subjects of the investigations, given that it would take a substantial amount of time even to determine the facts which would be required to be determined in order to decide on punishment. As a priority, the CAC has determined the punishment of three persons who had held posts at the level of department head or higher and who are currently in a position to have a strong influence on the governance of the Company.

The punishment of other related persons will be determined in turn as soon as the preparations therefor have been completed.

(2) The abolishment of the authority of representative directors to determine other director compensation allocation

Improvement Measures set forth in the Improvement Measures Report

In response to Mr. Ghosn and Mr. Kelly's gross misconducts, the Company abolished the authority of Chairman of the Board to determine the other director compensation allocation on December 17, 2018. Since then, until when the Company made a transition to a company with three statutory committees on June 25, 2019, the director compensation allocation was determined at the Board of Directors meeting, following the discussion among the Independent Outside Directors Committee each time.

These are the measures corresponding to the causes mentioned in 1 (1), (2) and (3) above.

(3) The prohibition of receipt of compensation from any subsidiary or affiliate, except after approval by the Board of Directors of the Company

Improvement Measures set forth in the Improvement Measures Report

The Company prohibited the directors and statutory auditors from receiving compensation from any subsidiary or affiliate (regardless of whether or not it is consolidated or non-consolidated) of Nissan, except after full disclosure of its details to and approval by the Board of Directors on December 17, 2018. The details and timing of implementation are yet to be determined but the Company will consider details of control over the subsidiary's expenses (for example, to establish a system to prevent expenses through the use of a subsidiary).

These are the measures corresponding to the causes mentioned in 1 (1), (2) and (3) above.

Implementation/Operation Status

The aforesaid "Improvement Measures set forth in the Improvement Measures Report" have been implemented at the time of submission of the Improvement Measures Report with regard to the prohibition of receipt of compensation from any subsidiary or affiliate without first obtaining approval by the Board of Directors of the Company.

As for the details of said control, Nissan has completed, by the time of the submission of this Report, a survey as to the status of concurrent post at the subsidiaries as to the directors, statutory auditors and corporate officers of the Company who were in the office during this fiscal year, as well as whether or not any compensation was paid by the relevant subsidiaries to such directors, etc. The survey did not identify any payment of compensation lacking legitimate reasons.

Based on the results of such survey, the management of said control for FY 2020 and the following fiscal years will be determined.

(4) The abolishment of the CEO Reserve

Improvement Measures set forth in the Improvement Measures Report

The Company abolished the CEO Reserve on March 20, 2019. In the course of budget setting, CVP in charge of finance and CFO, the Global Controllers who are in charge of the budget control over the entire group have confirmed that the CEO Reserve does not exist any longer. The payment application procedure does not exist in the current decision-making process and such application cannot be made.

These are the measures corresponding to the causes mentioned in 1 (1), (2) and (5) above.

Implementation/Operation Status

The aforesaid "Improvement Measures set forth in the Improvement Measures Report" have been implemented at the time of submission of the Improvement Measures Report.

(5) Conducting pre-meetings to have active discussions at the Board of Directors meeting

Improvement Measures set forth in the Improvement Measures Report

The Company has been conducting pre-meetings before the commencement of the Board of Directors meeting in order to deepen each attendee's understanding of the agendas and to encourage substantive discussion since February 2019. At the Board of Directors meeting, adequate time is allowed for the explainers and persons in charge to respond to questions or opinions from the board members in attendance. After the closing of the Board of Directors meeting, an opportunity to follow up is provided as appropriate, with the aim of the mutual confirmation of understanding, detailed information sharing, etc. among each directors in attendance.

These are the measures corresponding to the causes mentioned in 1 (3) above.

Implementation/Operation Status

The Company has been conducting pre-meetings before the commencement of the Board of Directors meeting in order to deepen each attendee's understanding of the agenda and to encourage substantive discussion since February 2019. At the Board of Directors meeting, adequate time is allowed for the explainers and persons in charge to respond to questions or opinions from the board members in attendance. After the closing of the Board of Directors meeting, an opportunity to follow up is provided as appropriate, with the aim of the mutual confirmation of understanding, detailed information sharing, etc. among each directors in attendance. At the Board of Directors meeting, in addition to scheduling extra 15 to 30 minutes as spare time, time was allocated according to the agenda. As a general rule, if any requests are made, or any matters that need to be checked are raised during preliminary explanations (pre-meetings) made prior to the Board of Directors meeting, or at a meeting of Board of Directors or the meeting of the outside directors only ("Outside Directors Meetings"), they will be shared by email from the Board of Directors office to all directors, with subsequent follow-up in the form of information-sharing and reporting.

(6) Enhanced code of conduct training for directors and corporate officers

Improvement Measures set forth in the Improvement Measures Report

The Company provided training intended for all the directors and corporate officers regarding the Global Code of Conduct, which the Company had adopted in the past, in February 2019. The Global Compliance office performed monitoring of participation status of such training. In April 2019 it reported the participation status in the Internal Control Committee's meeting of which CEO takes the chair. Details of the discussion at the Internal Control Committee meeting were reported at the Board of Directors meeting held in May 2019. By June 2019, all the directors and corporate officers have undergone this training (except for one corporate officer of the alliance with Renault as some arrangements are being made).

The Company will continuously provide directors and corporate officers with trainings on various compliance concerns (such as decision making process (hereinafter the "DOA"), bribery and personal information protection) including the Global Code of Conduct, in order to enhance awareness of the compliance and governance as the listed company executives, on approximately a monthly basis. The Global Compliance office performs periodic monitoring, at least twice a year, to confirm that the directors and corporate officers actually undergo trainings and, if they find any directors and corporate officers who have not undergone trainings, they would encourage their attendance by reporting it at the Internal Control Committee meeting (scheduled to be held twice a year) and the Board of Directors meeting.

Also for the employees other than the executives, the Company will continuously provide trainings on various compliance concerns (such as the DOA, bribery and personal information protection) including the Global Code of Conduct and the Global Compliance office will perform monitoring of participation status (at least twice a year) in order to promote compliance and compliance of the governance. Also, for the relevant departments including the Secretary office that manages compensation, trainings will be provided to ensure (i) the proper understanding of structure and disclosure requirements of director compensation and (ii) the prohibition of manipulation of compensation or falsification of relevant documents, on approximately a monthly basis.

These are the measures corresponding to the causes mentioned in 1 (3), (4) and (5) above.

Implementation/Operation Status

① Implementation of Compliance Trainings

Trainings were conducted for directors, executive officers and corporate officers as follows:

Implementation Period	Description	Department	Target
June 5, 2019 to June 20, 2019	Explanation of the Companies Act	Legal Department	9 Directors
August 2	Same as above	Same as above	Executive officers and corporate officers
November 6	Environment management Protection of personal information Import/export compliance Anti-bribery DOA Code of conduct (group seminar)	Compliance office (materials prepared from contents of training conducted by respective departments/divisions*)	8 Directors
November 8	Same as above	Same as above	1 director
November 22	Same as above	Same as above	40 executive officers and corporate officers in total (including 2 fellows)
Early December 2019 to January 2020	Information security (e-learning)	Corporate Advisory office (Information Security)	10 directors 49 executive officers and corporate officers

			in total (including 2 fellows)
From February 2020	FY 2019 Global Code of Conduct (e-learning)	Global Compliance office	49 executive officers and corporate officers (including 2 fellows)

* Relevant departments: Environment & Facilities Engineering department, Human Resource department, Treasury department, Legal office

The status of participation at compliance trainings for directors and the plan with respect to participation therefor were reported at the Internal Control Committee meeting for the first half of 2019 held on November 18, 2019. We will promote participation of directors, executive officers and corporate officers in the training sessions targeted at them, by holding training when they come together. Furthermore, for absentees on an individual basis, we intend to make arrangements for alternative dates or provide follow-up by sharing materials, for example.

A report on the entire FY 2019 is expected to be made at the Internal Control Committee meeting for the first quarter of FY 2020.

Considering that lively discussion among the Secretary office and other relevant departments handling compensation would be effective, the following training sessions were held in the form of study groups as follows:

Date	Description	Participating departments and no. of attendees
July 26	"Explanation of the Current Decision-Making Process of Director Compensation and Organization of Points Requiring Improvements" "Examination and Discussion of the Design Approach of the New Director Compensation Decision-Making Process"	Departments: Secretary office, Finance department, Treasury department, Internal Audit department No. of attendees: 18 persons
August 7	"Sharing of the Points of Concern Raised by the Relevant Departments on the Design Approach and the Current Process for the New Director Compensation Decision-Making Process" "Examination and Discussion of Issues Related to the New Design Approach on Director Compensation, and Actions to be Taken Going Forward"	Departments: Secretary office, Finance department, Treasury department, Internal Audit department, HR department No. of attendees: 21 persons
August 26	"Examination and Discussion of the Role of the Secretary office in the Designing of a New System and Handling of Confidential Information"	Departments: Secretary office, Finance department, HR department No. of attendees: 8 persons
August 30	"Examination and Discussion of Role of the Relevant Departments in the Designing of a New System and Accounts Associated with Director Compensation"	Departments: Secretary office, Finance department, Treasury department No. of attendees: 8 persons

	"Examination and Discussion of the Timing of Introduction of the New Decision-Making Process of Director Compensation"	

Based on the results of the aforesaid discussions, although we improved the deficiencies of the processes involved in the calculation and the verification process of compensation, we conducted additional investigations within 2019, after having a detailed understanding of the whole process, in order to further refine the control systems to be more effective and efficient. Considering the results of such additional investigations, we will hold review meetings by the HR department on a periodic basis and monitor the progress of improvement, aiming at solving the issues by the end of this fiscal year (scheduled).

(7) Enhancement of the management system for appropriate accounting process related to director compensation that includes reconciliation between accounting records and director compensation details

Improvement Measures set forth in the Improvement Measures Report

At the Company, regarding director compensation, detailed information of each director compensation prepared and managed by the Secretary office was not circulated to the Finance department, the accounting journal and payment slip prepared by the Secretary office with voucher that only shows the total amount were circulated, then the approval was given and payment was made in the past. Therefore, in order to enhance the accounting process system and disclosure management system, for the preparation of the FY 2018 annual securities reports, detailed information of director compensation prepared by the Secretary office was shared with the Finance department and the Finance department addressed the enhancement of the management system that would reconcile and verify accounting records and payment information, etc. related to each director and started the operation in the course of the FY 2018 account settlement. From now on, the Finance department will confirm the appropriateness of payment of all director compensation. These are the measures corresponding to the causes mentioned in 1 (2) and (5) above.

Implementation/Operation Status

The "Improvement Measures set forth in the Improvement Measures Report" have been implemented at the time of submission of the Improvement Measures Report with regard to disclosure of director compensation in the FY 2018 annual securities reports.

In order to confirm the appropriateness of payments to all directors, in FY 2019 the Finance department is reconciling and verifying on a quarterly basis the salary slips, journalizing entries and payment evidence related to monthly compensation and variable bonuses of each director.

In preparing the FY 2018 annual securities reports, disclosure on director compensation is expected to be made upon confirmation that the detailed information prepared by the Secretary office for each of the directors are consistent with the information verified on a quarterly basis by the Finance department.

(8) Enhancement of the management system for appropriate disclosure of director compensation including the additional disclosure of profit from the exercise of SAR (stock appreciation right) as director compensation

Improvement Measures set forth in the Improvement Measures Report

Regarding the determination of the conditions for exercise, after deciding the issue date, total number to be issued, exercise price and exercise period of SAR granted for the business year at the Board of Directors meeting in April every year, the Company used to leave who and how many to be granted to Mr. Ghosn. The Company is considering deciding such at the Compensation Committee meeting in the future. In order to enhance the disclosure management system regarding director compensation in relation to SAR, for the preparation of the FY 2018 annual securities reports, the detailed information of SAR prepared by the Secretary office was shared with the Finance department and the Finance department addressed the enhancement of the management system that would reconcile and verify accounting records, payment information, etc. related to each director compensation and started the operation in the course of the FY 2018 account settlement.

As for the management of the exercise status, since the Company has been using the external management system, procedure to cross check such system data and the detailed information prepared by the Secretary office have been added to the above mentioned reconciliation and verification process by the Finance department.

These are the measures corresponding to the causes mentioned in 1 (2) and (5) above.

Implementation/Operation Status

The "Improvement Measures set forth in the Improvement Measures Report" have been implemented at the time of submission of the Improvement Measures Report with regard to disclosure of profit from the exercise of SAR as director compensation in the FY 2018 annual securities reports.

In FY2009, with regard to SAR exercised within the fiscal year, in order to confirm the appropriateness of payment at the time of exercise of SAR for all directors, the Finance department is reconciling and verifying on a quarterly basis the detailed information prepared by the Secretary office for each of the directors individually, including letters granting SAR, with the journalizing entries and payment evidence. As for the management of the exercise status of SAR, since the Company has been using the external management system, procedure to check such system data against the exercise application forms and the detailed information prepared by the Secretary office have been added to the above mentioned reconciliation and verification process by the Finance department. In the past, the Secretary office has been making entries on behalf of a number of directors as exceptional cases at the time of exercise of SAR; however, such entries were abolished as of September 9, 2019, in light of the facts found as set out in "4.(6) Overpayment of compensation to Hiroto Saikawa and other directors and corporate officers by manipulating the exercise date of the stock appreciation rights" above. Currently, all procedures on exercise are made using the external system only by the relevant person by him or herself, except for the case where there is any unavoidable reason, such as the inaccessibility of the external system due to the Internet environment, etc.

In preparing the FY 2019 annual securities reports, disclosure on director compensation is expected to be made upon confirmation that the detailed information prepared by the Secretary office for each of the directors individually are consistent with the information verified on a quarterly basis by the Finance department.

At the meeting of the Compensation Committee held on September 9, 2019, it was decided that grants of SAR would be abolished from FY 2020. Provided, however, that this decision is to abolish the grants to be made from the following fiscal year and the rights that have been granted will remain effective.

(9) Development of the process for communication from the Board of Directors and Executive Committee to the Finance department of proposals related to the establishment of a new company

Improvement Measures set forth in the Improvement Measures Report

The Company has had the Company Establishment Committee which determines whether or not to include a subsidiary in the range of consolidation within the Finance department, however, obligation to provide information to the Company Establishment Committee on the occasion of the establishment of a company has not been officially institutionalized. Therefore, in April 2019, in order to prevent the establishment of an affiliate of the Company for an inappropriate purpose, and to collect and prepare appropriate consolidated financial information, the Company clarified the system that would make the communication route to the Company Establishment Committee explicit and enable the Company Establishment Committee to obtain detailed relevant reference material from the proponent and the decision maker of the establishment of a new company and such through the Executive Committee administrative office without fail. With such system, the Company has made it possible for the Company Establishment Committee to make appropriate decisions upon more adequate consideration than before.

Furthermore, on May 21, 2019, the Company widely notified the relevant departments that would be the proponent of certain matters such as the establishment of a company that they should go through verification procedure by the Finance department when making decisions regarding such matters in the DOA. The aim of this scheme is to have the Finance department be involved in the decision making of the establishment of a company and such without fail and comprehensively obtain relevant information so that the department can perform a checking function over the proponent department. The Company aims to achieve the revision of the DOA to officially incorporate such verification procedure by the Finance department within the second quarter of FY 2019.

The details and timing of implementation are yet to be determined but the Company will reexamine the business status of non-consolidated subsidiaries, relation with the Company's major business management, etc., decide each affiliate's positioning in the future management and then discuss the direction of appropriate audit and monitoring.

These are the measures corresponding to the causes mentioned in 1 (4) and (5) above.

The Company plans to dissolve ZiA and has come to an agreement with Renault on making RNBV an inactive company.

Implementation/Operation Status

① Verification procedure by the Finance department

From April 2019, the structure set forth in the "Improvement Measures set forth in the Improvement Measures Report" is being put into operation in the form of the Corporate Governance Support department, which is in charge of administrative matters of the Executive Committee, providing information related to deals that include establishment of a subsidiary to the person in charge at the Company Establishment Committee.

In May 2019, the Company widely notified the relevant departments that would be the proponent of certain matters such as the establishment of a company that they should go through verification procedure by the Finance department when making decisions regarding such matters in the DOA. The aim of this scheme is to have the Finance department be also involved, through the subsidiary's director in charge of finance, in the decision making of the establishment of a new company and such by the respective regional management committee (which was established, based on separate regions, as an organization stretching across the group companies) without fail and comprehensively obtain relevant information so that the Nissan head office Finance department can perform a checking function over the proponent department.

The Finance department is working on amending the DOA on establishment of a company by coordinating with the relevant departments. We are aiming at making the following improvements through such amendment:

- The Finance Department will always validate matters related to establishment of a company; and
- The Company will aim at clarification by integrating multiple DOAs that relate to establishment of a company.

A draft amendment of the DOA that officially factors in such verification procedure by the Finance Department was prepared and reviewed in 3rd quarter FY2019 by the CVP in charge of finance. Following such review, additional edits and enhancements were requested. These will be completed in time for review and validation by the DOA Committee during 4th quarter in FY2019. The DOA Committee examines and authorizes the creation, revision, and deletion of DOAs. It will then be submitted for approval by the Executive Committee. Additionally, in 2nd quarter FY 2019, the Company required subsidiaries to reconfirm whether they had any subsidiary or affiliate information that had not been previously reported to the Finance department Head Office. This comprehensive survey was for all entities where Nissan has an ownership stake greater than 15%. The conclusion was there are no unreported entities for these companies.

② Appropriate audit and monitoring of unconsolidated subsidiaries

The finance department will continue to organize information that is collected in the normal course of its work, and confirm what additional information is required for reexamination of the range of the consolidated companies. The Company has started the re-verification of the business and financial status of its unconsolidated subsidiaries and affiliates as of FY2018 end in order to examine changes to consolidation or the equity method. The Company has decided to seek to place them under even stronger control and governance by making necessary changes. Such procedures are expected to be completely implemented by March 2021. A new policy implemented in FY2019 that removed materiality considerations when determining the appropriate accounting in line with standard consolidation accounting method going forward. For the reduced number of unconsolidated subsidiaries or affiliates after the changes above, the Company has decided that if the company determines to keep holding, the finance department would propose to the BOD by March 2020 end to delegate the responsibility of supervising each of the unconsolidated subsidiaries and affiliates to an appropriate corporate officer or the chair of the management committee.

As explained above, the Audit Committee members will receive reports on the progress of the handling of subsidiaries as appropriate from the Finance and other relevant departments or from the accounting auditors, etc.

The required accounting and independent audits for Zi-A and its 4 subsidiaries for past years are currently in progress. We plan to wind-down Zi-A and its subsidiaries once the associated assets are disposed and the appropriate closure processes can be executed. We also plan to consolidate Zi-A and its subsidiaries activities into the Nissan consolidated financial statements (until dissolution), once the prior accounting is verified and current accounting is completed.

Neither NMBV nor RNBV is currently carrying out any specific activity. It has been decided respectively with MMC (as for NMBV) and Renault (as for RNBV) that these entities should no longer carry out specific activities. And in accordance with the decision made in March 2019 by Renault, NML and MMC to establish the Alliance Operating Board, neither NMBV nor RNBV currently has a governance function or role in the Alliance.

(10) Strengthening of the structure and function of the Board of Directors

<u>Improvement Measures set forth in the Improvement Measures Report</u>

In response to the proposals in the report of the Special Committee, the Company has established the following structure based on the resolution of the Annual General Meeting of Shareholders and the Board of Directors meeting held on June 25, 2019, in light of the strengthening of the structure and function of the Board of Directors:

① The Company has decided that the majority of the directors shall be independent outside directors.

② The Company has decided to have 11 directors. This is the size deemed appropriate by the Tentative Nomination and Compensation Advisory Committee (a meeting structure consists of the outside directors of the Company at that time, established on March 29, 2019), as the appropriate size which would allow active discussion and prompt decision making, based on the proposals from the Special Committee for Improving Governance that says approximately 11 members would be desirable for the time being.

③ The Company has chosen outside directors in accordance with the opinion of the Tentative Nomination and Compensation Advisory Committee and with consideration for diversity including nationalities and genders.

④ The Company has stipulated in the Board of Directors rules that the Chairman of the Board shall be designated from among the outside directors who fulfil the independence criteria separately defined by the Company.

⑤ The authority of Chairman defined in the Company's internal rules at that time were; (i) the chairperson of the shareholders meeting, (ii) Convener of the Board of Directors and (iii) the Chairman of the Board. As measures for avoiding the overconcentration of authority, the Company has abolished the rules regarding the position of "Chairman" and made (i) the authority of representative executive officer, president and CEO, and (ii) and (iii) the authority of the Chairman of the Board (selected from among the outside directors).

⑥ The Company has decided to periodically hold a meeting of the outside directors only. The Company will designate a lead independent outside director from among the independent outside directors and the lead independent outside director will chair the above mentioned meetings. The lead independent outside director shall not concurrently serve as the Chairman of the Board.

⑦ Under the instruction of the Board of Directors, the Company plans to establish the Board of Directors office to conduct activities required for the supervision of the executive officers and activities required for the appropriate operation of the meetings of the Board of Directors, Nomination Committee, Compensation Committee and Audit Committee as well as Outside Directors Meetings. Evaluation of human resources and the chair of the Board of Directors office (except for the Audit Committee administrative office) needs to be discussed with the independent outside directors selected upon discussion among the independent outside directors and its appropriateness needs to be confirmed, and there is a system where evaluation of the Board of Directors office staff cannot be determined only by the intention of the executive officers. However, evaluation of staff who support the Audit Committee shall be discussed among the Audit Committee members and personnel relocation and disciplinary actions shall require agreement of the Audit Committee.

⑧ It has been decided that the Board of Directors would evaluate the effectiveness of the Board of Directors based on the self-assessment every year and evaluate the effectiveness of the Board of Directors by using a third party evaluation institution once every 3 years. Furthermore, the Audit Committee will perform an appropriate audit on the effectiveness of the Board of Directors' supervisory function.

⑨ The Company plans to establish the guidelines for resolving the directors' conflict of interest and clarify the definition of conflict of interest and the specific procedure for the resolution of conflict of interest.

These are the measures corresponding to the causes mentioned in 1 (1) and (3) above.

Implementation/Operation Status

Items ① to ③ and ⑤ of the aforesaid "Improvement Measures set forth in the Improvement Measures Report" have been implemented at the time of submission of the Improvement Measures Report. The other items have been implemented and operated as follows pursuant to the structures and plans set forth in the Improvement Measures Report.

With regard to Item ④, Mr. Yasushi Kimura was chosen from among the independent outside directors as the Chairman of the Board at the Board of Directors meeting held on June 25, 2019.

With regard to Item ⑥, Outside Directors Meetings were held respectively on July 25, October 8 and November 12, 2019. Going forward, meetings are scheduled to be held on a periodic basis.

With regard to Item ⑦, the Board of Directors office was newly created as of June 15, 2019. As for the evaluation of the head of the Board of Directors office, the process employed by the management side shall be followed in principle. The final evaluation is scheduled to be determined after confirmation with the directors in May 2020, when the evaluation is required to be performed. The evaluation for FY2019 is scheduled to be performed from late March 2020, when the evaluation is required to be performed.

With regard to Item ⑧, as preparation of the report of the Board of Directors for the first quarter of FY 2020, formulate indices for the evaluation of effectiveness of the Board of Directors based on the self-assessment, and from the fourth quarter of FY 2019 to the first quarter of FY 2020, conduct effectiveness evaluation of the Board of Directors in collaboration with KPMG Consulting Co., Ltd., a third party institution, with the evaluation results and improvement proposals to be reported at the aforesaid Board of Directors meeting for the for the first quarter of FY 2020. Please note that the outline of the results of the evaluation of the effectiveness of the Board of Directors will be disclosed in the Company's Corporate Governance Report to be submitted hereafter.

With regard to Item ⑨, guidelines for resolving the directors' conflict of interest were proposed at the Board of Directors meeting held in July 2019. After finalizing the guidelines for resolving the directors' conflict of interest providing for the organization for resolving the directors' conflict of interest and the procedures for solving conflict of interest taking the comments made by the directors into consideration, such guidelines were put in place in October 2019.

Please note that the Company has had officers who assumed the post of advisor (sodan-yaku) or consultant (komon) after retirement from their offices as directors and who have been mainly in charge of public relations and attendance at external seminars. However, for reasons including because none of these officers are involved in daily operations or the exercise of business judgement or attend management meetings, there are no concerns that they unjustifiably exercise influence on the current management and they would have had no impact on the function of the Board of Directors. Please note that, at the Board of Directors meeting held on January 14, 2020, we determined to, as a general rule, abolish such use of the posts of advisor and consultant going forward.

(11) Transition to a company with three statutory committees

<u>Improvement Measures set forth in the Improvement Measures Report</u>

Based on the proposals in the Special Committee's report, the Company has made a transition to a company with three statutory committees and put the following system in place on June 25, 2019. Please refer to Exhibit 3 for the members of each committee.

① It has been decided that the majority of the Nomination Committee members shall be independent outside directors.

② It has been decided that the chair of the Nomination Committee shall be an independent outside director.

③ It has been decided that the Nomination Committee shall consist of 5 or more directors.

④ It has been decided that the Nomination Committee shall have the authority to decide not only the details of the agenda of the General Meeting of Shareholders regarding the assignment and dismissal of the directors but also the authority to decide the details of the agenda of the Board of Directors meeting regarding the assignment and dismissal of the representative executive officers and the authority to establish and change the succession plan of the executive officer, president and CEO and shall reexamine such at least once a year.

⑤ The Nomination Committee aims to periodically change the members of the Board of Directors.

⑥ The members of the Nomination Committee are prohibited to attend the discussion and resolution of their own reappointment at the Nomination Committee meeting.

⑦ It has been decided that all the members of the Compensation Committee shall be independent outside directors.

⑧ It has been decided that the Compensation Committee consists of 3 or more directors.

⑨ The Compensation Committee has the authority to determine the amount of compensation for individual directors and representative executive officers.

⑩ Considering the possibility of conflict of interest, the Company's representative executive officers cannot serve concurrently as a director, executive officer, or any other executive or employee of any principal shareholder, or Mitsubishi Motors Corporation, another party of the alliance, or their subsidiary or affiliate. If the person is serving as such executive or employee at the time they takes office as the Company's representative executive officer, measures to solve the concurrency shall be taken promptly.

⑪ Each director has access to reference material and data regarding the management meeting structure such as the Executive Committee, within the range of business necessity in order to appropriately supervise the business execution organizations.

⑫ It has been decided that the Company shall provide opportunities for the executive officers to periodically report on the execution status directly to the Board of Directors and for the directors to do the same in a timely manner when required.

⑬ It has been decided that the majority of Audit Committee members shall be independent outside directors.

⑭ It has been decided that the chair of the Audit Committee shall be an independent outside director.

⑮ It has been decided that the Audit Committee shall consist of 5 or more members.

⑯ It has been decided that the following elements shall be considered when selecting the members of the Audit Committee:

- At least one member of the Audit Committee shall be a director who can effectively collect necessary information within the Company.
- At least one member of the Audit Committee shall be a director who has experience and knowledge of international auditing. Furthermore, it would be desirable if such person has experience working as finance professional such as auditor and accountant.

⑰ Considering the conflict of interest against minority shareholders and such, it has been decided that if any member has a conflict of interest regarding any agenda of the Audit Committee meeting, such member shall not be involved in the discussion of such agenda.

⑱ It has been decided that the chair of the Audit Committee shall spend considerable amount of time auditing in order to lead the discussion about audit and to play a leading role in the cooperation with internal auditors and Nissan's accounting auditor.

⑲ The statutory auditors have been cooperating with Nissan's accounting auditor but there was a limit due to the existence of departments that turned into a black box. Using the Company's transition to a company with three statutory committees on June 25, 2019 as an opportunity, the Company has established a policy where the Audit Committee shall cooperate with the Internal Audit team and audit corporation and make efforts to enhance effectiveness of three-pillar audit (audit by the Audit Committee, internal audit and accounting audit) in order to improve the degree of cooperation. To be specific, the Company plans to incorporate the following activities for the strengthening of cooperation among 3 parties into the annual activities plan; (i) to have accounting auditors report to the Audit Committee every quarter, and the Audit Committee and the Audit Committee administrative office share the concerns pointed out and consider the response, and (ii) to have internal auditors report to the Audit Committee, etc. once every two month or more frequently. From the first quarter of FY 2019, the Internal Audit team has been submitting the list of internal audit reports issued every quarter, as a part of the strengthening of the cooperation with the Nissan's accounting auditor, and makes the audit reports deemed necessary for financial statement audit available. The Internal Audit team will share the concerns pointed out by the accounting auditors and consider the response. Internal departments that receive information including the concerns pointed out by the accounting auditors will consider sharing such information and the response status regarding that with the Audit Committee and the Audit Committee administrative office.

⑳ The Company has established a policy to place required number of staff in the Audit Committee administrative office and have them perform their duties under the instruction of the Audit Committee members so that the Audit Committee, of which the independent outside directors have the majority, can conduct an audit efficiently and effectively.

㉑ The Audit Committee shall be the whistleblowing destination when involvement of the management such as an executive officer is suspected. Response to such whistleblowing shall be made upon establishing a structure where the relevant executive officers, etc. cannot know the whistle blower or the details of whistleblowing.

These are the measures corresponding to the causes mentioned in 1 (1), (3) and (4) above.

Implementation/Operation Status

Items ① to ③, ⑤ to ⑪, ⑬ to ⑰, and ⑲ to ㉑ of the aforesaid "Improvement Measures set forth in the Improvement Measures Report" have been implemented at the time of submission of the Improvement Measures Report. The other items have been implemented and operated as follows pursuant to the structures and plans set forth in the Improvement Measures Report.

With regard to Item ④, although a proposal on CEO candidates was prepared by the 2nd Nomination Committee held in July 2019 and each of the following Nomination Committees, Mr. Saikawa resigned from his office as representative executive officer and CEO at the Board of Directors meeting held on September 9, 2019 in response to a request for the resignation from such office, taking into account the facts found as set out in "4.(6) Overpayment of compensation to Hiroto Saikawa and other directors and corporate officers by manipulating the exercise date of the stock appreciation rights" above, as well as other various circumstances including in terms of the market's trust in the Company and from the perspective of providing leadership to employees, after discussing relevant matters as an issue of governance rather than focusing on illegality. Following his resignation, the schedule for appointment was accelerated based on the decisions made at such meeting that the replacement would be appointed hopefully by the end of October 2019, and a new CEO and representative executive officer was selected at the Board of Directors meeting held on October 8, 2019. During January to March 2020, we plan to establish a CEO succession plan, including the measures for personnel development.

With regard to Item ⑩, under the Company's new representative executive officer system that took effect on December 1, 2019, the Company's representative executive officers cannot serve concurrently as a director, executive officer, or any other executive or employee of Renault, Mitsubishi Motors Corporation, or their subsidiary or affiliate.

With regard to Item ⑪, the Executive Committee administrative office has been briefing the agenda in advance to the chair of the Audit Committee, who among the directors not participating in the Executive Committee is, by virtue of being a full-time director, most familiar with the business of the Company. The EC administrative office has also been providing the chair with Executive Committee materials and individual explanations as needed. The system also allows the chair of the Audit Committee to share the foregoing with other directors who are not participating in the Executive Committee as needed.

With regard to Item ⑫, the system was implemented as a report on the execution status in which the executive officers gave a report on business execution, current state of the business, review of the first quarter, and outlook of the second quarter at the Board of Directors meetings held in July, September and October 2019. The executive status reports are scheduled to be given at least once every three months going forward.

With regard to Item ⑱, the chair of the Audit Committee is engaging in the audit of numerous matters, by holding periodic meetings with the management, monitoring internal controls, and performing audits at offices in Japan and around the world. The particulars of the audits were reported at the Board of Directors meeting held on October 8, 2019, and we plan such reports to be made as appropriate going forward.

The following were implemented with regard to Item ⑲:

- Quarterly meetings between the Audit Committee and the Nissan's accounting auditor, and periodic meetings between the Audit Committee and the Global Internal Audit office were factored into the FY 2019 Audit Committee Annual Plan for FY 2019.

- At the Audit Committee meeting held in July, the Nissan's accounting auditor reported on the audit plan and the first quarter review. In November 2019, a report of the second quarter review was given to the appointed Audit Committee member, and in December 2019, the Audit Committee received a report on significant findings and other matters from the Nissan's accounting auditor.
- At the Audit Committee meeting held in July 2019, the Audit Committee approved the Internal Audit team's annual plan, budget and personnel plan. At the Audit Committee meeting held in October 2019, the Audit Committee received a report on internal audit work from the Global Internal Audit office. The Audit Committee received a report on internal audit work from the Global Internal Audit office also in December 2019.
- In July 2019, a meeting was held for the Global Internal Audit office to exchange information with the Nissan's accounting auditor, at which time their respective audit plans were discussed.
- In preparation of the audits to be conducted in the United States and Europe by the Audit Committee members, the Nissan's accounting auditor held advance briefings in July and September of 2019. Also, meetings with local audit corporations were held at the time of the aforesaid overseas audits. The Company's local Internal Audit team members also participated in the aforesaid overseas audits. The Audit Committee administrative office provided a feedback of the results of the audits conducted in the United States and Europe to the Global Internal Audit team and the accounting auditors. The Internal Audit office conducted a follow-up audit with respect to the United States and Europe.
- The Accounting Control Tower (ACT) is an internal control process that comprehensively handles significant audit findings (including management letters, J-SOX, and internal audit). It has proactively encompassed the following activities throughout FY 2019:
    - A system has been implemented where Internal Control team members inside the Global Control Process Planning department (GCPP) work with the Regional Persons in charge of finance and accounting to address significant audit, accounting, and internal control findings.
    - Together, with the Regional Financial Management group and the Consolidated Accounting group, GCPP holds periodic meetings quarterly with the Regional Persons in charge of finance and accounting. These meetings include deep discussions on current issues, progress of action plans, learning from issues in other regions, guidance to prevent issue reoccurrence.
    - ACT Executive Steering Committee meetings are also held quarterly with EY group auditors, Nissan Internal Audit, and other Finance and Accounting Leadership. The CVP in charge of Accounting Control is the Chairperson of these meetings. Matters are discussed based on submitted progress reports with the Regional Persons in charge of finance and accounting. Reviews and updates provided in these meetings functions as a key control. Issues are discussed in great detail and comprehensively with the key members of finance and accounting departments, contributing to improvement actions.

  After the ACT Executive Steering Committee meetings for the third quarter of the current fiscal year were held, a report was presented in December 2019 to the Audit Committee Chair. This meeting focused on feedback, overall improvements, important issues, progress, and trends that were discussed at the ACT Executive Steering Committee meetings. Going forward, this will become a regular process and ACT activity status will be presented quarterly to the Audit Committee Chair, and to the Audit Committee if required, just after the ACT Executive Steering Committee meetings.

The Company will continue to strengthen the cooperation in the three-pillar audit.

(12) Strengthening of supervisory function of internal audit

The Company has taken one step further than the proposals in the Special Committee's report and put the following system for the Internal Audit team to "always" report to the Audit committee in place for the purpose of improving the independence of the Internal Audit team on June 25, 2019. The Special Committee for Improving Governance had recommended that the reporting line should be solely to the Audit Committee in case where "potential misconduct of the top management is detected" but the Company has put this system in place in order to further improve the independence of the Internal Audit team.

Improvement Measures set forth in the Improvement Measures Report

To be specific, the system would be as follows:

① The Audit Committee shall manage the Internal Audit team and give the Internal Audit team instructions regarding audit.

② The Audit Committee shall audit the performance of the directors, executive officers and corporate officers, and the Internal Audit team shall mainly audit the employees' performance (work process).

③ The Internal Audit team shall gain approval from the Audit Committee regarding the basic policy, fiscal year planning, budget and manpower planning of internal audit and continuously report duties execution status, findings, etc. to the Audit Committee.

④ Personnel and evaluation of the Internal Audit team shall require approval from the Audit Committee.

These are the measures corresponding to the causes mentioned in 1 (1), (2) and (5) above.

Implementation/Operation Status

Under the system described above, the following measures were taken:

- With regard to Item ①, the Audit Committee members visited and conducted audits at offices located in the United States in July 2019, and at offices located in Europe in October 2019, and gave a feedback of the results to the Global Internal Audit office. Based on the foregoing, we examined follow-ups to be made by the Internal Audit teams of the respective offices, and such follow-ups were then conducted. In addition to the above, the Internal Audit team conducted follow-up audits at other offices on matters chosen by the Global Internal Audit office, taking into consideration the feedbacks from the audits already conducted by the Audit Committee members by the end of FY 2019.
- With regard to Item ②, at the Audit Committee meeting held in July 2019, the Internal Audit team reported on the contents of the audit plan on the audit of work process to be conducted by the Internal Audit team, and received approval of the contents. The Internal Audit team executed the work process audit for FY 2019 in accordance with such audit plan.
- With regard to Item ③, in July 2019, the annual plan, budget and personnel plan of the Internal Audit team was reported and approved. The Global Internal Audit office reported on, and received approval of, the status of the Internal Audit team's work (progress of audits, findings of significant facts, and amendment of the basic policy) at the meeting of the Audit Committee held in October 2019.
- With regard to Item ④, following the resignation of the predecessor Global Compliance Officer and Chief Internal Audit Officer, Michelle Baron, who has experience in internal audit, compliance, finance and human resources, assumed the position of Chief Internal Audit Officer in November 2019. This appointment has been approved by the Audit Committee. In November 2019, Yasunori Mano, who has experience as the head of the global risk &

compliance office and served as the Japan Compliance Officer, assumed the position of acting Global Compliance Officer as well.

(13) Reestablishment of corporate ethics

<u>Improvement Measures set forth in the Improvement Measures Report</u>

Based on the proposals in the Special Committee's report, the Company is taking or plans to take the following measures to reestablish the corporate ethics as a manufacturing company:

First of all, the Company has stipulated, as a part of the business foundation in the new medium-term management plan, that it would "evolve and strengthen the Nissan Way – CFT (Cross Function Team) and ensure high-level ethics, transparency and compliance while using V-up as the foundation of the management tool". The Nissan Way is the Company's guidelines for action consisting of 5 mental attitudes and 5 actions. CFT means cross functional team. V-up is a problem solving tool shared among Nissan Group and Global. The Company will finalize the revised version of the guidelines for action corresponding to the "evolution and strengthening of the Nissan Way" by the end of the first half of FY 2019 and will consider the specific measures to familiarize all the employees with them.

In addition, the Company has become aware afresh of the fact that the compliance is absolute and prevails any element including cost, and plans to revise the Company's mission statement (mission as a company) to include the above mentioned points by the end of the first half of FY 2019 so that we can continue to be a company trusted by the customers.

These are the measures corresponding to the causes mentioned in 1 (1), (2) and (5) above.

<u>Implementation/Operation Status</u>

In June 2019, the revised version of Nissan Way was approved by the Executive Committee completing the adoption of the revised Code of Conduct. In September 2019, the Executive Committee held a workshop for its members, deepening their understanding of the Code of Conduct and sharing among the members an image of what specific conducts are expected from employees. As set forth in the Implementation/Operation Status as to (11) ④ above, under the leadership of Mr. Makoto Uchida, who was appointed as the new CEO on December 1, 2019, the Company will hold a workshop organized by all corporate officers on January 23, 2020. Starting with this event, the Company will proceed with steps to make such standards applicable to employees and familiarize all employees with such standards. Rather than just developing written standards, the Company intends to provide opportunities, through workshops, to have discussions regarding the pursuit of the Nissan Way, so that all global employees will think deeply about the standards and incorporate them into their actions.

The Mission Statement was amended in June 2019 as well, in a way as to highlight the Company's mission of becoming a trusted company by fulfilling its social responsibility and thoroughly adhering to legal compliance standards. Together with the aforesaid revised version of Nissan Way, we will proceed with steps to make such standards applicable to employees and familiarize all employees with such standards.

(14) Reassessment of the function and authority granted to the internal departments

Improvement Measures set forth in the Improvement Measures Report

Based on the proposals in the Special Committee's report, the Company has undergone a reorganization as follows on April 1, 2019. Please see the "After the Change" of the Company's organization chart in Exhibit 2 for the organization structure after the change.

① The CEO office: The CEO office function has been dismantled, CEO Reserve's management function has been abolished, and necessary function such as the operation of the management meetings has been transferred to a new department (the Corporate Management office). This office's reporting line has been determined to be VP in charge of corporate governance. VP in charge of corporate governance was appointed on May 16, 2019.

② The Secretary office: It has been decided that the Secretary office would report to SVP in charge of human resources.

③ The Global Control Process Planning group of the Finance department: It has been decided that the Global Control Process Planning group of Finance department would inspect the DOA operation status of expenses incurred in the Corporate Management office and Secretary office. The Company has decided to ensure stricter compliance of the DOA application through reconfirmation of internal training material regarding the operation of the DOA, so that if any expenses that cannot be appropriately comprehended in accordance with the existing DOA is found during such inspection, such expense would be appropriately located in the DOA. Also, by having the DOA verifier confirm the evidence during verification, the Company will maintain the situation where the DOA is appropriately operated regarding all the expenses and the evidence concerning approval is secured.

These are the measures corresponding to the causes mentioned in 1 (1), (2) and (5) above.

Implementation/Operation Status

Items ① and ② of the aforesaid "Improvement Measures set forth in the Improvement Measures Report" have been implemented at the time of submission of the Improvement Measures Report.

With regard to Item ③, as a measure to replace or supplement the foregoing, we implemented internal training educational measures (e-learning) on DOA operation and ensured that they are strictly observed in order for the ODA to be appropriately operated also for expenses incurred in the Corporate Management office and Secretary office.

(15) Enhancement of the whistleblower system

Improvement Measures set forth in the Improvement Measures Report

The Company's whistleblowing system can be accessed only by the limited resources in the Compliance office and its confidentiality of information as a system is secured. In the past, report details and investigation results were reported to the corporate officers in charge of compliance. The Company has become aware afresh of the risk of receiving external criticism, regarding the matters in which such corporate officers and other corporate officers are suspected to be involved, that the independence of the ultimate investigation response is impeded as they are handled within the executive structure.

Therefore, on June 25, 2019, the Company has established a structure, for the matters in which the management including corporate officers are suspected to be involved, where the Compliance office that

receives whistleblowing report shall directly report only to the Audit Committee and the investigation response would be taken under their instruction, independent from the executives. To be specific, the whistleblower would be the Global Compliance Officer. Whether or not it is a matter to which such structure should be applied would be determined by the Global Compliance Officer based on whether or not it is a matter in which the Head Office's executive officers and the chair of the management committee (the chair of the meeting structure regionally established as an organization across the group companies) are suspected to be involved. As for the details of how to cooperate with the Audit Committee, the Company plans to discuss with the Audit Committee and start operation. These are the measures corresponding to the causes mentioned in 1 (1), (2) and (5) above.

Implementation/Operation Status

The standards and formats to be used in reports from the Global Compliance Office to the Audit Committee (members) were determined and reported at the Audit Committee meeting held in July 2019. The Global Compliance Office has made an explanation on the main contents of the whistleblower complaint and the response thereto to the Audit Committee or the chair of the Audit Committee according to said standards and formats. More specifically, opportunities to make periodic reports to the chair of the Audit Committee were provided; one case regarding the concerns about the corporate officers' conflict of interest (with respect to which no conflict of interest was found) was reported in July 2019, one case regarding fraud at receiving compensation by an officer of an associated company (with respect to which fraudulent receipt of unprescribed one-off payment by some directors was found) was reported in October 2019, and one case regarding fraud conducted by corporate officers as to expenses (with respect to which improper payment of private travel expense, etc. was found) and one case suspected to be a case of conflict of interest (with respect to which a violation of disclosure obligations to the Company under internal rules was found) were reported in December 2019.

Whistleblower complaints other than those in which involvement of CVP or other management is suspected are also being handled (including investigation of the contents) by the Global Compliance office.

3. Improvement Measures Implementation Schedule

→ Consideration and preparation of the measures ⇒ Commencement of the implementation and operation, and continuous improvement

Improvement measures		2018		2019											
		November	December	January	February	March	April	May	June	July	August	September	October	November	December
1) The removal of the two representative directors who committed misconducts from their positions		→	→	→	→	→	⇒								
2) The abolishment of the authority of representative directors to determine other director compensation allocation		→	⇒												
3) The prohibition of receipt of compensation from any subsidiary or affiliate, except after approval by the Board of Directors of the Company	The prohibition of receipt of compensation from any subsidiary or affiliate, except after approval	→	⇒												
	Control over expenses on the subsidiaries' side							→	→	→	→	→	→	→	⇒
4) The abolishment of the CEO Reserve					→	⇒									
5) Conducting pre-meetings to enable active discussions at the Board of Directors meeting				→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒
6) Enhanced code of conduct training for directors and corporate officers	Provision of various trainings including code of conduct education			→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒
	Holding of the Internal Control Committee meeting (including the reporting of participation status)					→	⇒							⇒	
7) Enhancement of the management system for appropriate accounting process related to director compensation that includes reconciliation between accounting records and director compensation details				→	→	⇒									
8) Enhancement of the management system for appropriate disclosure of director compensation including the additional disclosure of profit from the exercise of SAR (stock appreciation right) as director compensation				→	→	⇒						⇒			
9) Development of the process for communication from the Board of Directors and Executive Committee to the Finance department of proposals related to the establishment of a new company	Clarification of the communication route to the Company Establishment Committee					→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒
	Reexamination of the business status of non-consolidated subsidiaries, relation								→	→	→	→	→	→	⇒

	with the Company's major business, etc.														
10) Strengthening of the structure and function of the Board of Directors	①～⑧			→	→	→	→	→	⇒						
	⑨			→	→	→	→	→	→	⇒					
11) Transition to a company with three statutory committees	Except for the following			→	→	→	→	→	⇒						
	Cooperation between the internal departments and the Audit Committee			→	→	→	→	→	→	→	→	→	→	→	⇒
12) Strengthening of supervisory function of internal audit				→	→	→	→	→	→	→	→	→	⇒		
13) Reestablishment of corporate ethics	Finalization and familiarization of the guidelines for action corresponding to the "evolution and strengthening of the Nissan Way"					→	→	→	→	→	→	→	→	→	⇒
	Revision of the Company's mission statement (mission as a company)					→	→	→	→	→	→	→	→	→	⇒
14) Reassessment of the function and authority granted to the internal departments	The abolishment of the CEO office					→	⇒								
	Change of the Secretary office's reporting line					→	⇒								
	Inspection of the DOA operation status by the Finance department and other: internal training on DOA operation (e-learning)					→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒
15) Enhancement of the whistleblower system						→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒

4. Evaluation of Listed Companies of Implementation and Operation Status of Improvement Measures

The Company will be fully committed to accurate disclosure of the Company's information and internal controls for financial reporting. The Company takes extremely seriously the situation that misstatements have been made regarding its director compensation. Promptly after it found the misconduct of Messrs. Ghosn and Kelly the Company has taken remediation measures, including discharge of Messrs. Ghosn and Kelly as Representative Directors, discontinuation of delegation of determination of individual amounts of director compensation to Mr. Ghosn, prohibiting directors from receiving compensation from affiliates without board approval, elimination of the CEO Reserve, adoption of new compensation disclosure policies and providing directors and corporate officers thorough training on the Company's codes of conduct. In addition, the Company transited to the Three Statutory-committee System as of June 25, 2019 and developed a governance system based on the recommendation by the Special Committee Report. Under such governance system, the selection of the new representative executive officer, president and CEO was discussed at the Nomination Committee chaired by an independent outside director and resolved at the special meeting of the Board of Directors held on October 8, 2019. As for the appointment of a director, the agenda regarding such appointment proposed by the Nomination Committee was reported to the Board of Directors on November 12, 2019. Such agenda is scheduled to be presented to the Extraordinary General Meeting of Shareholders to be held in February 2020.

Compensation for directors and corporate officers was determined by the Compensation Committee, which consists only of independent outside directors.

The Audit Committee chaired by independent outside directors has conducted various types of audits as stated in this report.

Under the new corporate governance system, Nissan will continue its efforts to improve its governance, including ongoing implementation of the improvement measures that have been planned as well as reviewing necessary improvements from time to time going forward.

End

Exhibit 1

The Company Organization Chart (as of April 2009)

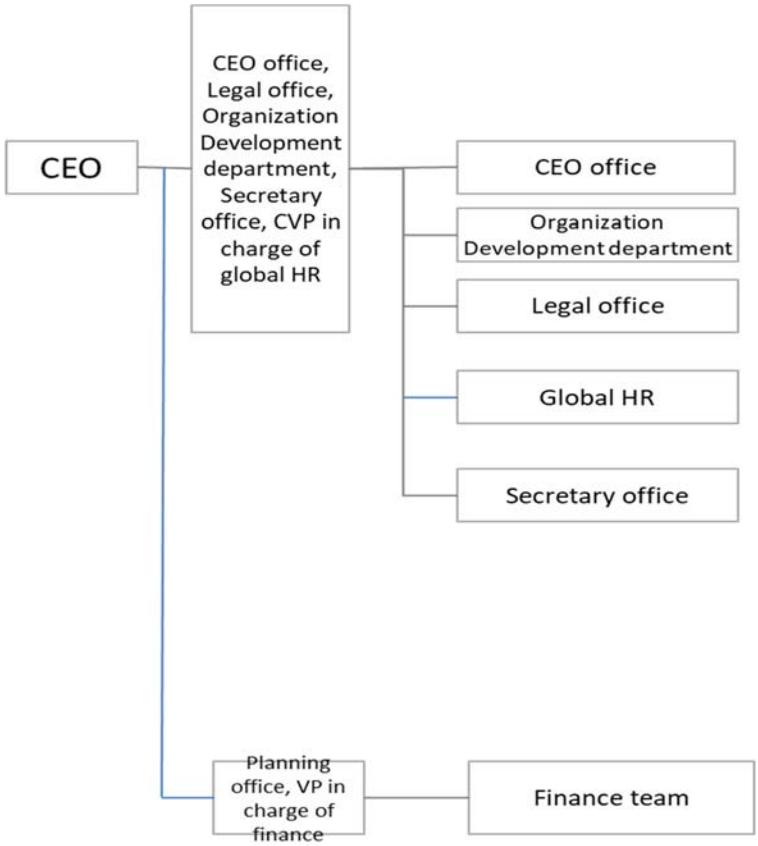

Exhibit 2

The Company Organization Chart (as of April 2019)

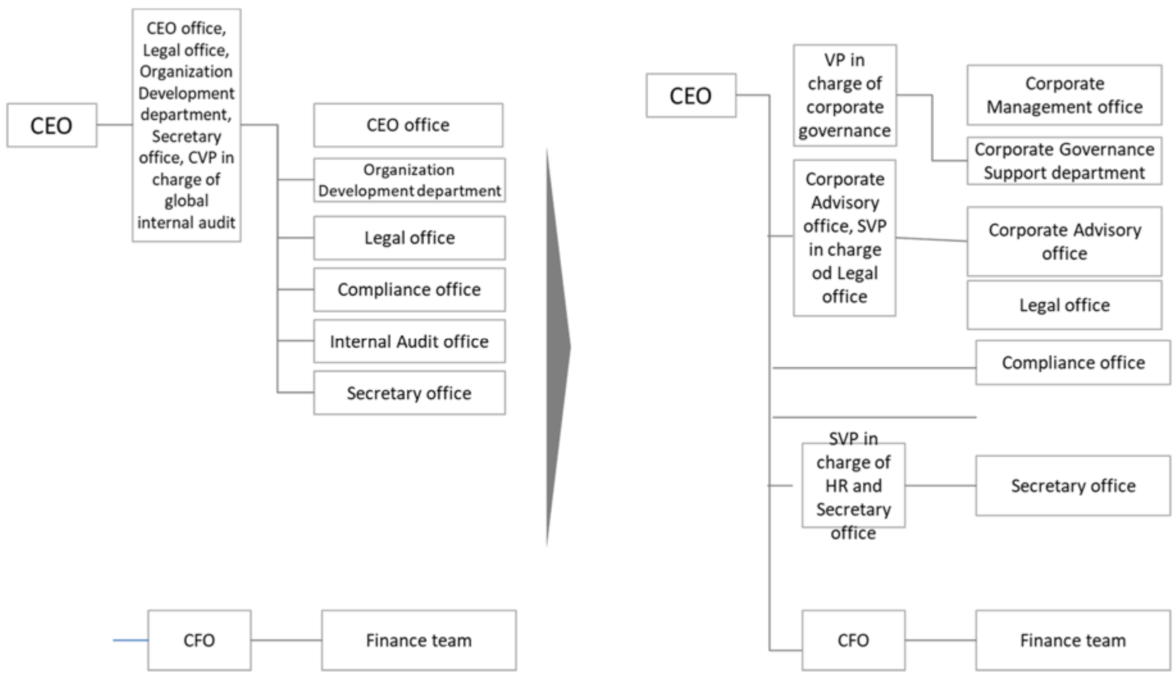

Exhibit 3

Nomination Committee members

Name	Current position
Masakazu Toyoda (chair)	Independent outside director, Nissan Motor Co., Ltd.
Keiko Ihara	Independent outside director, Nissan Motor Co., Ltd.
Andrew House	Executive mentor, Merryck & Co., Ltd.
Yasushi Kimura	Advisor, JXTG Holdings, Inc.
Motoo Nagai	Full-time statutory auditor, Nissan Motor Co., Ltd.
Jean-Dominique Senard	Director, Nissan Motor Co., Ltd.; Chairman, Groupe Renault

Compensation Committee members

Name	Current position
Keiko Ihara (chair)	Independent outside director, Nissan Motor Co., Ltd.
Bernard Delmas	Senior advisor, Michelin Group
Motoo Nagai	Full-time statutory auditor, Nissan Motor Co., Ltd.
Jenifer Rogers	General counsel Asia, Asurion Japan Holdings G.K.

Audit Committee members

Name	Current position
Motoo Nagai (chair)	Full-time statutory auditor, Nissan Motor Co., Ltd.
Masakazu Toyoda	Independent outside director, Nissan Motor Co., Ltd.
Yasushi Kimura	Advisor, JXTG Holdings, Inc.
Jenifer Rogers	General counsel Asia, Asurion Japan Holdings G.K.
Thierry Bolloré	CEO, Groupe Renault