Nissan Shatai Co., Ltd.

Shareholders' Proposal for the 94th Annual Shareholders Meeting

Sponsoring Shareholder	Effissimo Capital Management Pte Ltd
Sponsoring Shareholder	Royal Bank of Canada Trust Company (Cayman) Limited as Trustee of ECM Master Fund
Proposal Date	April 21st, 2017

1 Summary of Proposal:

It is proposed that the year-end dividend for the 94th fiscal year (from April 1st, 2016 to March 31st, 2017) be 43.5 yen[1] per share of common stock, thus setting forth the dividend payout ratio to approximately 100 percent.

2 Reasons behind the Proposal:

The sponsoring shareholder has held shares of the Company for over a decade, and has engaged in repeated and continuous dialogue with management seeking further explanation as to the rationale behind the retention of excessive levels of surplus reserves. However, the management team has only provided abstract generalizations such as its potential need to fund future capital expenditures or as contingency funds in cases of unforeseen emergencies. Meanwhile, the surplus reserves balance has swelled almost consistently, from roughly 13.7 billion Japanese Yen (as of March 31st, 2006) to roughly 127.0 billion Japanese Yen (as of December 31st, 2016).

As further explained below, given (i) the Company's declining and stagnating return on equity, (ii) the already sufficient funds for capital expenditures, and (iii) the already ample contingency funds in cases of unforeseen emergencies, it is evident that the Company should not further increase surplus reserves. Fundamentally, surplus reserves are meant to be deployed effectively for the operations of a business, as such it is inevitable to dissent on the additional thoughtless accumulation of surplus reserves by the Company. In light of these circumstances, the shareholder has determined to propose a shareholder sponsored resolution to set forth the dividend payout ratio to approximately 100% at the ordinary general shareholders meeting for the Company's 94th fiscal year (from April 1st, 2016 to March 31st, 2017).

(i) Declining and Stagnating Return on Equity

The Company's surplus reserves balance amounted to approximately 127 billion yen as of December 31st, 2016. Almost the entirety of surplus reserves have been deposited with related parties of Nissan Motor Co., Ltd., the Company's parent company, as deposits earning interest (estimated as 0.3%) that falls well below the cost of equity (generally considered to be approximately 8%). The Company's return on equity has remained below 8% over a long period

[1] This figure is set with reference to the amount (43.85 yen) which is obtained by deducting the mid-year dividend per share (5.5 yen) of the fiscal year from the Company's estimated earnings per share (49.35 yen) of the fiscal year as guided in the 3rd quarter financial statements of this 94th fiscal year.
If the Company's Board of Directors' Proposal regarding year-end dividends for the 94th fiscal year is presented and approved, this proposed figure shall be 43.5 yen less the amount of the Company's Board of Directors' Proposal.

of time, largely due to its holding of such huge surplus reserves. If surplus reserves are further accumulated, it will further accelerate this decline in the Company's return on equity.

Separately, since the Company neither announces a quantitative mid-term business plan nor presents any capital efficiency targets, it is evident that the Company makes light of a crucial management metric, return on equity.

In summary, it is believed that the Company should not further increase surplus reserves.

(ii) Already Sufficient Funds for Capital Expenditures

The management team of the Company makes the case that the rationale for the huge surplus reserves is to fund future capital expenditures. However, they have not provided a specific plan for such substantial levels of capital expenditures.

Given that the Company's free cash flow (cash flow from operating activities less cash flow for investing activities) has been consistently positive for the previous ten years, the Company does not need to secure huge surplus reserves to fund capital expenditures.

Moreover, even if cash flows from operating activities are completely ignored, the Company's surplus reserves balance equates to its aggregate cash flows for investing activities over the previous 17 years, roughly 130.4 billion yen. In addition, cash flow for investing activities in a single fiscal year was the greatest in the fiscal year of 2009 since being listed on the stock exchange in 1961, but even that record figure was a mere 22.1 billion yen.

In summary, it is evident that the Company does not need to further increase surplus reserves to fund capital expenditures.

(iii) Already Ample Contingency Funds

The management team of the Company also makes the case that the rationale for the huge surplus reserves is for contingencies funds in cases of unforeseen emergencies.

However since being listed on the stock exchange in 1961, the Company has never reported an operating loss. Even emergencies such as financial crises and seismic activities that have occurred in the past have not had any significant adverse impact on its business.

In addition, the Company has no outstanding interest bearing debt, and the surplus reserves balance as of December 31st, 2016 accounted for approximately 85% of its recent market capitalization and approximately 45% of its total assets. This demonstrates that the Company's financial stability is well secured.

In summary, it is evident that the Company does not need to further increase surplus reserves to prepare for these risks.