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Company Name	Nissan Motor Co., Ltd.
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Inquiry	IR Department (TEL 045-523-5523)

Nissan board receives report on misconduct led by former chairman and others

The Company has announced "Nissan board receives report on misconduct led by former chairman and others" as attached.

- END -

Nissan board receives report on misconduct led by former chairman and others

YOKOHAMA, Japan - Today, the board of directors of Nissan Motor Co., Ltd. (Nissan) received a report from the company's Audit Committee on the internal investigation into misconduct led by the company's former chairman and others. The investigation has been conducted jointly by Nissan and an external law firm since October 2018, and today's report confirmed specific instances of misconduct.

Given the nature of the report as an internal company document containing personal and highly sensitive information, and in order to avoid jeopardizing any forthcoming legal actions, Nissan can only disclose an overview (see appendix).

Going forward, Nissan will continue to take necessary measures based on the findings of the company's internal investigation, including legal action to claim damages, in order to account for the responsibility of the former chairman and others.

Appendix

1. Summary of main findings from internal investigation into executive misconduct

The company's Audit Committee officially recognizes the following instances of misconduct from the findings of the internal investigation

A) Violation of Nissan's disclosure obligations with regard to compensation of former Chairman and Representative Director Carlos Ghosn

From fiscal year 2009 through fiscal year 2017, Ghosn and former Representative Director Greg Kelly concealed a total of 9.078 billion yen in compensation payable to Ghosn. Certain sums were concealed under the guise of deferred post-retirement compensation and treated as if they were not in fact Ghosn's compensation as a director. These actions resulted in violation of Nissan's obligation to disclose compensation received by directors in the company's annual securities reports.

Additionally, the investigation discovered the concealment of roughly 2.271 billion yen worth of share appreciation rights for Ghosn. Whereas the number of exercisable share appreciation rights had been finalized and thus should have been disclosed as director compensation, documents were created giving the impression that the number of share appreciation rights had not been finalized in order to prevent disclosure. These actions resulted in violation of Nissan's executive compensation disclosure obligation.

Note: On May 14, 2019, Nissan issued numerous amendments to its past annual securities reports, correcting director compensation figures to reflect the amounts that should originally have been disclosed. Additionally, following the discovery of misconduct led by Ghosn, the company's board approved a resolution cancelling all remaining unexercised share appreciation rights granted to Ghosn in the past.

B) Misconduct related to amount of retirement allowance potentially payable to Ghosn following discontinuation of former executive retirement allowance system

Following approval by Nissan's shareholders at the company's annual general shareholder meeting in 2007, Nissan discontinued its former executive retirement allowance system. Following this change, the amount carried over as potentially payable to Ghosn upon retirement was improperly and deliberately increased by 2.4 billion yen.

Note: Following the discovery of misconduct led by Ghosn, the company's board approved a resolution cancelling Ghosn's carried-over retirement allowance.

C) Violation of Nissan's disclosure obligations with regard to Kelly's compensation

The report confirmed that Kelly used several techniques to avoid the disclosure requirements for directors earning over 100 million yen per year, despite receiving compensation in excess of that amount in each year from fiscal year 2012 through 2016.

Such techniques included:
- postponing the payment of part of his compensation;
- reporting part of his compensation for a given fiscal year as having been received in the previous year, prior to his appointment as a director (including deliberately overstating the number of share appreciation rights granted in fiscal year 2011, which was the fiscal year prior to his appointment as a director);
- not disclosing compensation received from an affiliate of Nissan outside Japan.

These actions resulted in violation of Nissan's executive compensation disclosure obligation.

Note: On May 14, 2019, Nissan issued numerous amendments to its past annual securities reports, correcting director compensation figures to reflect the amounts that should originally have been disclosed.

D) Ghosn's personal use of the company's assets

The report confirms that Ghosn used the company's assets for personal benefit, including:
- purchase of residences for exclusive personal use in Beirut and Rio de Janeiro using roughly 27 million U.S. dollars in investment funds from Zi-A Capital, a Nissan subsidiary established under the guise of investing in promising technology start-ups, and further misuse of other company funds to purchase or rent additional private residences;
- payment of sums totaling more than 750,000 U.S. dollars to Ghosn's sister on the basis of a fictitious consulting contract, starting in 2003 and extending for over 10 years with no evidence of any services having been rendered;
- personal use of the corporate jets by Ghosn and members of his family;
- improper use of expenses toward family vacations and gifts of a personal nature;
- instruction of donations totaling more than 2 million U.S. dollars of company funds to universities

in Ghosn’s ancestral home country of Lebanon with no legitimate business purpose;
- transfer to Nissan in 2008 of foreign exchange swap contracts bearing unrealized losses of roughly 1.85 billion yen, based on a deceptive explanation to the company’s board regarding the nature of the transaction (in 2009, the swap contracts were secretly transferred back to a company related to Ghosn after being flagged as improper by Japan’s financial authorities);
- improper payments totaling roughly 7.8 million Euros to Ghosn from a joint venture established by Nissan and Mitsubishi Motors, paid from April 2018 onward under the pretext of a salary and an employment contract with the joint venture, despite the fact that no contract had been approved by the joint venture’s board of directors.

E) Improper payments of financial “incentives” to Nissan dealers instructed by Ghosn

Ghosn instructed a Nissan subsidiary to make payments totaling 14.7 million U.S. dollars to a dealer 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, an emergency budget over which only Ghosn and a select few direct subordinates had approval authority.

Ghosn also instructed a Nissan subsidiary to make payments totaling 32 million U.S. dollars to a dealer outside Japan, an employee of which transferred tens of millions of dollars to Ghosn and 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.

2. Others

The following is an overview of confirmed details related to the mechanism by which amounts of compensation deriving from share appreciation rights were improperly overpaid on several occasions to the benefit of Ghosn, Kelly and other individuals.

- Under Nissan’s shareholder-approved process for awarding compensation in the form of share appreciation rights, the company’s directors and executive officers are entitled to receive compensation equal to the granted number of share appreciation rights multiplied by the difference between the share price at the time of granting and the share price on the day directly before the specified exercise date for the share appreciation rights.

- In 2013 and 2017, Ghosn's share appreciation rights were exercised at share prices from roughly two weeks prior to the day before their specified exercise date. This was done in order to take advantage of the higher share price on the date roughly two weeks prior to the actual date specified by the approved process, and as a result Ghosn received a total of roughly 140 million yen in excess of the amount that he should have received under the compensation calculation methods approved by shareholders. In 2013, the share price on the day directly before the specified exercise date was lower than the share price at the time of granting, and as a result Ghosn would not have been able to exercise his share appreciation rights profitably if he had done so under the approved process.

- In 2008, before becoming a representative director, Kelly was granted a number of equity warrants (allowing him to acquire shares from the company at the share price on the exercise date of the warrants). He was not granted share appreciation rights. In 2017, Kelly falsified documents to make it appear as if he had in fact been granted share appreciation rights in 2008, rather than equity warrants. Kelly then exercised these falsified share 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 directly before the specified exercise date). By doing so, Kelly improperly received 7 million yen.

- In 2013, current Nissan CEO Hiroto Saikawa (at the time a representative director and executive vice president), made a request to Kelly and others to explore ways to increase his executive compensation. Kelly and others did not directly meet the request, but did recalculate the amount of compensation receivable from Saikawa's share appreciation rights that had already been exercised for a fixed amount, and falsified documents to give the appearance that the share appreciation rights in question had in fact been exercised one week after the actual exercise date. The resulting difference in share prices on the two dates yielded an improper increase of roughly 47 million yen (after tax; gross: 96.5 million yen), which was paid to Saikawa.

<u>Note:</u> On May 14, 2019, Nissan issued numerous amendments to its past annual securities reports, correcting director compensation figures to reflect the amounts that should originally have been disclosed.

- Aside from the aforementioned instances, out of 2,000 other past cases of exercising of share appreciation rights, the investigation found that two former directors and four former or current executive officers received overpayments from share appreciation rights on one occasion each due to improper handling by Kelly and others in the manner detailed above.

In summary, the findings of the company's internal investigation indicate that Ghosn, using the methods detailed above, made arrangements to avoid disclosure by Nissan of compensation exceeding an estimated total of 20 billion yen. Part of this total has already been paid to Ghosn. Furthermore, the investigation determined that Ghosn directed, or intended to direct, a total of at least 15 billion yen in improper expenditures by Nissan under pretexts other than compensation. Combined, the sum of paid and unpaid amounts related to misconduct by Ghosn and Kelly is estimated at roughly 35 billion yen or more. This is a substantial amount, and Nissan fully intends to pursue all appropriate legal measures available, including seeking damages.

With the exception of Ghosn and Kelly, the audit committee is not planning to treat individuals benefiting from improper handling of compensation from share appreciation rights as responsible for misconduct. There is no reason to believe that any of these individuals were complicit in misconduct, since they were unaware of the improper methods used by Kelly and others to increase their compensation and they did not at any point direct or request that such methods be used.

Nissan takes a very serious view of the fact that the Secretariat, under Kelly's oversight at the time, was able to overpay compensation by deliberately mishandling execution dates for share appreciation rights, from a governance perspective. As stated within the fiscal year 2018 internal control report issued on June 27, 2019, Nissan has made numerous improvements to its control systems for appropriately calculating and disclosing executive compensation, and these new systems were confirmed and reflected in the company's financial results for fiscal year 2018.

The individuals who benefited from such overpayments are being asked to repay the overpaid amounts, regardless of their lack of awareness of the misconduct. The board has been notified by Saikawa and one former director that the sums in question will be returned. As regards the executive officers who benefited from overpayment, Nissan also intends to ensure appropriate redress.