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May 22, 2025

Company name: Nissan Tokyo Sales Holdings Co., Ltd.  
Representative: Akira Takebayashi, President and Representative Director  
(Securities code: 8291 TSE Standard Market)  
Contact: Akio Yoshida,  
Senior Manager, Public Relations and IR Department  
(Telephone: +81-3-5496-5234)

## **Notice Concerning the Opinions of the Company's Board of Directors on the Shareholder Proposals**

Nissan Tokyo Sales Holdings Co., Ltd. (the “Company”) hereby announces that it received a letter from a shareholder of the Company stating that the shareholder would present shareholder proposals (the “Shareholder Proposal(s)”) to the 113th Annual General Meeting of Shareholders scheduled for June 26, 2025, and that at a meeting of the Board of Directors held today, it resolved to oppose the Shareholder Proposals.

### **I. Details of Shareholder Proposals and Rationale**

#### **1. Proposing shareholder**

Mercury AFLNP V.C.I.C. Ltd

#### **2. Agenda Items**

- (1) Distribution of Surplus Funds
- (2) Partial Amendment to the Articles of Incorporation – Disclosure of Capital Cost and Related Party Transactions Based on Capital Cost
- (3) Partial Amendment to the Articles of Incorporation – Cancellation of Treasury Shares
- (4) Cancellation of Treasury Shares

#### **3. Proposal Details and Rationale**

As described in the Attachment “Details of Shareholder Proposals and Rationale”

Please note that the Attachment “Details of Shareholder Proposals and Rationale” states the relevant portions of the letter submitted by the proposing shareholder concerning the Shareholder Proposals exactly as written.

### **II. Opinion of the Board of Directors of the Company Regarding the Shareholder Proposals**

#### **1. “(1) Distribution of Surplus Funds”**

##### **(1) Opinion of the Board of Directors of the Company**

The Board of Directors of the Company is against this Shareholder Proposal.

##### **(2) Reason for opposition**

The Company believes that the return of profit to the shareholders is one of the most important matters of management and has the basic policy to pay stable dividends while considering internal reserves to maintain growth.

As announced in the Medium-term Business Plan (announced November 11, 2022), the Company believes in the importance of responding swiftly to changes in the surrounding environment for strengthening its profitability more than ever, and also enhancing sustainability centered on medium- to long-term growth capacity, safety, and the environment, and is pursuing three growth strategies to that end, namely “leader in electrification,” “safety and driver assistance technology,” and “mobility business.” As part of those efforts, in addition to ongoing investments, the Company is steadily pursuing investment strategies worth over 30 billion yen, funded from internal reserves, outpacing historical spending by a significant margin.

In fiscal 2024 (April 2024 – March 2025), amid moves in the share market to reexamine cross-shareholdings, the Company announced that it would divest approximately 13.90 million such shares in order to further strengthen its

corporate governance. In this share divestiture, with the aim of enabling the agile execution of capital policies in response to future changes in the management environment, as well as enhancing capital efficiency, the Company decided to use 7 million of the shares scheduled to be divested for the purchase of the Company's own shares, and it divested approximately 6.97 million shares.

Consequently, the Company implemented shareholder returns with a total return ratio of 103.8% to shareholders in fiscal 2024.

The intent of this Shareholder Proposal is to issue dividends equivalent to a DOE of 12%, but as mentioned above, the Company is steadily pursuing strategic investments worth over 30 billion yen with the intention of making effective use of the capital entrusted to the Company by its shareholders. The Company's dividend amount has been determined in light of the balance with these kinds of medium- to long-term growth investments.

This proposal fails to consider the need for investment strategies for the Company's sustainable growth, demanding only short-term shareholder returns. As such, the Company has determined that it does not align with capital utilization policies based on a perspective of balancing the Company's medium- to long-term growth with shareholder returns.

For the above reasons, the Board of Directors of the Company is against this Shareholder Proposal.

2. “(2) Partial Amendment to the Articles of Incorporation – Disclosure of Capital Cost and Related Party Transactions Based on Capital Cost”

(1) Opinion of the Board of Directors of the Company

The Board of Directors of the Company is against this Shareholder Proposal.

(2) Reason for opposition

At the Company, we practice management conscious of capital cost and share price, and we are currently analyzing the current situation and giving concrete consideration to what measures to take going forward. Further, we believe that it is inappropriate to include specific and individual matters of business execution, such as those described in the Shareholder Proposal, in the Articles of Incorporation, which provide the fundamental rules of the Company.

In addition, regarding acquisitions of land and buildings involving related parties, as disclosed in the annual securities report, such acquisitions are made by determining prices by negotiation upon consideration of market prices and undertaking the appropriate procedures in the Company. The kinds of opaque transactions referred to in the Shareholder Proposal do not exist.

We are proud that the Company's facilities play an important role in the car-related lifestyles of the local community. As a specific example, during the COVID-19 pandemic, when people were avoiding public transport, there was an increase in private car use. Our outlets remained open during that time, responding to customer needs such as car servicing and repairs. Given that we play these kinds of roles, we determined that, rather than lease agreements in which, as the lessee, we would bear the risk of having to vacate the property due to a change of owner of the land or building, our outlets could be operated in a more stable manner at locations that are strategically important to the Company's business if we purchased and owned the property, and made the decisions to purchase. In addition, we have only purchased those properties that we have judged would contribute to improving those outlets' profitability after comparing the respective economic feasibility of leasing and purchase. Moreover, while most of our facilities are leased properties, the ones that we own were acquired based on their importance and necessity, and we do not have plans to actively increase the number of owned properties at this time.

The shareholder proposed calls for the results of verification of expected return against cost of equity or weighted average cost of capital when deciding to engage in transactions that involve the acquisition of land or buildings; however, the Company's management judgments on individual transactions are not limited to the results of such verification. In addition, we believe that fully disclosing all information, including management judgments beyond such verifications of individual transactions, is not a favorable option from a management strategy perspective. We also believe that it is inappropriate to include such specific and individual matters of business execution in the Articles of Incorporation, which provide the fundamental rules of the Company.

For the above reasons, the Board of Directors of the Company is against this Shareholder Proposal.

3. “(3) Partial Amendment to the Articles of Incorporation – Cancellation of Treasury Shares”

(1) Opinion of the Board of Directors of the Company

The Board of Directors of the Company is against this Shareholder Proposal.

(2) Reason for opposition

Regarding the holding and cancellation of treasury shares, the Company believes that it is important to be able to utilize such stock flexibly for share-based remuneration or M&A activities as part of our capital policy, based on the Company's management policies and changes in the external environment. For this reason, the Company decides on such matters by resolution of the Board of Directors as permitted by the Companies Act.

Further, we believe that it is inappropriate to include such specific and individual matters of business execution in the Articles of Incorporation, which provide the fundamental rules of the Company.

For the above reasons, the Board of Directors of the Company is against this Shareholder Proposal.

4. "(4) Cancellation of Treasury Shares"

(1) Opinion of the Board of Directors of the Company

The Board of Directors of the Company is against this Shareholder Proposal.

(2) Reason for opposition

The Company's position on the holding and cancellation of treasury shares is as described in the opinion of the Board of Directors on "(3) Partial Amendment to the Articles of Incorporation – Cancellation of Treasury Shares."

Consequently, we believe that there is currently no need for the cancellation of treasury shares as sought in this Shareholder Proposal.

For the above reasons, the Board of Directors of the Company is against this Shareholder Proposal.

## Attachment “Details of Shareholder Proposals and Rationale”

The relevant portions of the letter submitted by the proposing shareholder concerning the Shareholder Proposals are presented here exactly as written.

### I. Agenda Items

1. Distribution of Surplus Funds
2. Partial Amendment to the Articles of Incorporation – Disclosure of Capital Cost and Related Party Transactions Based on Capital Cost
3. Partial Amendment to the Articles of Incorporation – Cancellation of Treasury Shares
4. Cancellation of Treasury Shares

### II. Proposal Details and Rationale

1. Distribution of Surplus Funds

[Details of the Proposal]

- (1) Type of Dividend Property

Cash

- (2) Matters Concerning Dividend Allocation and Total Amount

A dividend per ordinary share of 101 yen is proposed, from which the amount per share approved under the Company's proposal for the appropriation of surplus at the 113th Annual General Meeting (hereinafter referred to as the “Company's Proposed Appropriation of Profits”) shall be deducted.

If the amount calculated by rounding down 12/100 of the book value per share for the fiscal year ending March 2025 to the nearest yen, and then deducting 12 yen, differs from 101 yen, the figure of 101 yen at the beginning of the sentence shall be replaced with that calculated amount.

The total dividend amount shall be determined by multiplying the number of dividend-eligible shares as of the record date for the 113th Annual General Meeting.

- (3) Effective Date of Dividend Payment

The day following the 113th Annual General Meeting.

This proposal is submitted as an additional proposal, separate from but compatible with the Company's Proposed Appropriation of Profits for the same meeting.

[Rationale for the Proposal]

This proposal envisions a dividend equivalent to 12% of book value per share, corresponding to a Dividend on Equity (DOE) of 12%. DOE is a shareholder return indicator calculated by dividing the annual dividend per share by the book value per share. The proposing shareholder estimates the Company's cost of equity to be around 12%. Since an interim dividend of 12 yen per share was paid on 3 December 2024, this amount has been deducted from the DOE-based dividend calculation.

The current share price is well below a price-to-book ratio (PBR) of 1, indicating that the Company's return on equity (ROE) consistently falls short of its cost of equity. In light of this, securing a minimum return through shareholder returns and further improving business performance and capital efficiency is expected to raise shareholder value to at least 1x PBR.

2. Partial Amendment to the Articles of Incorporation – Disclosure of Capital Cost and Related Party Transactions Based on Capital Cost

[Details of the Proposal]

The following new chapter and article shall be added to the current Articles of Incorporation:

Chapter 8: Capital Cost-Conscious Management

Article 43 (Disclosure of Capital Cost and Related Party Transactions Based on Capital Cost)

The Company shall submit a corporate governance report to the Tokyo Stock Exchange (hereinafter “TSE”) between 10 and 8 weeks before the Annual General Meeting. This report must include the most recent evaluation of the current situation, policies and targets, initiatives, and implementation schedules in line with the TSE's request dated 31 March 2023 regarding “actions to realise management that is conscious of capital cost and share price”.

If the Company engages in transactions with related parties that involve the acquisition of land, buildings, or both—and such transactions are required to be disclosed in the annual securities report—directors who have no interest in the transaction must verify that the expected return exceeds the amount obtained by multiplying the transaction amount by either the cost of equity or the weighted average cost of capital, as stipulated in the preceding paragraph. If the Company decides to proceed with such a transaction, it shall, within two weeks of the decision, publicly disclose the result of the aforementioned verification via the Tokyo Stock Exchange's Timely Disclosure network (TDnet).

#### [Rationale for the Proposal]

This proposal aims to ensure that the Company properly recognises its capital cost at a realistic level and, on that basis, eliminates a lack of transparency in transactions with Nissan Motor Co., Ltd.

On 10 November 2023, the Company explained that its equity spread was positive and that its theoretical PBR exceeded 1. However, the actual PBR remains below 1, raising concerns that the Company is underestimating its capital cost.

Additionally, between the fiscal years ending March 2019 and March 2024, the Company acquired land and buildings worth approximately 7 billion yen from Nissan Network Holdings, a company 92% owned by Nissan Motor Co., Ltd. As a result, the balance of land assets on the Company's balance sheet now exceeds 27 billion yen. Such opaque transactions are a potential factor contributing to a higher capital cost and should be addressed accordingly.

### 3. Partial Amendment to the Articles of Incorporation – Cancellation of Treasury Shares

#### [Details of the Proposal]

The following underlined clause shall be added to Article 7 of the current Articles of Incorporation:

#### Article 7 (Acquisition and Cancellation of Treasury Shares)

The Company may, pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act, acquire its own shares through market transactions, by resolution of the Board of Directors.

2. The Company may cancel its own shares (including the decision regarding the class and number of shares to be cancelled), by ordinary resolution of the Annual General Meeting as stipulated in Article 309, Paragraph 1 of the Companies Act.

#### [Rationale for the Proposal]

As mentioned above, the current share price is significantly below 1x PBR. Using such undervalued treasury shares as consideration in acquisitions would severely dilute the value for existing shareholders and lead to a substantial loss of shareholder value. Therefore, in order to clearly demonstrate that the Company does not intend to use treasury shares for acquisitions under the current depressed market valuation, the immediate cancellation of up to 10% of treasury shares is requested.

### 4. Cancellation of Treasury Shares

#### [Details of the Proposal]

Subject to the approval of the agenda item "Partial Amendment to the Articles of Incorporation – Cancellation of Treasury Shares", all treasury shares held by the Company (excluding those held in trust with Custody Bank of Japan, Ltd. [Trust Account E] for the purpose of share-based remuneration) shall be cancelled.

#### [Rationale for the Proposal]

As stated in the rationale for the proposal "Partial Amendment to the Articles of Incorporation – Cancellation of Treasury Shares". For further details on this shareholder proposal, please refer to the website or QR code below:

#### Website URL

Improving Shareholder Value at Nissan Tokyo Sales Holdings (8291)

<https://shiftnissantokyo.com/en>

#### QR コード



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