

Letter from the President and CEO



The first year of NISSAN 180 is now history.

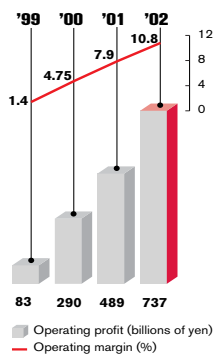
The results are a matter of public record. Record-setting revenues, an industry-leading operating margin, the total elimination of net automotive debt at constant accounting standards—these results are significant, certainly, but their achievement is even greater when viewed in the context of Nissan's revival process.

Considering the state of affairs in 1999, before the Alliance with Renault, Nissan's financial performance over the past four years is nothing short of remarkable.

Sales revenues have grown by ¥1 trillion. Aside from recognizing the string of attractive new products that have supported that achievement, it is important to note that our sales have grown in extremely difficult market and economic conditions. In the United States, particularly, the market was artificially fueled by the combination of high cash discounts and zero percent financing. We have continued to resist that approach. Our strategy continues to be based more on optimizing profitability than maximizing volumes.

Another key indicator of performance—operating profit—reflects a nine-fold increase, and Nissan's operating margin now leads the industry at 10.8 percent. I have said on many occasions that profit gives you important information about your operations. The *lack* of profit is like a fever. When your business is not profitable, that's a serious signal that something is wrong. Either the products are not right, or marketing is inefficient, or the cost base is too high—*something* is wrong. If you ignore a fever, you can get very sick. If you ignore unprofitability, the situation can only worsen. So Nissan's return to significant profitability is a healthy signal. Our profits tell us that we are doing some things *right*.

Consolidated Operating Profit/Margin



Nissan's return to significant profitability is a healthy signal; our profits tell us that we are doing some things *right*.

Our consolidated net income of ¥495 billion also reflects a return to normalcy. After years of low or negative tax rates resulting from prior-year losses, Nissan is returning to a more standard level of tax payments.



The year 2003 will be the first year of normal tax treatment in Japan. Focusing on total profitability allows us to pay our shareholders competitive dividends, which is a reasonable expectation. It is also gratifying to realize that Nissan's share price more than doubled since the start of the Nissan Revival Plan in April 2000, even as the Nikkei stock index has slid 50 percent. Our three-year dividend policy expresses our confidence in Nissan's future performance and provides for the tripling of the dividend by the end of NISSAN 180—from ¥8 per share for fiscal year 2001 to ¥24 per share for fiscal year 2004.

Finally, another important measure of progress is debt reduction. Before the Alliance, Nissan's net automotive debt was at the level of ¥2.1 trillion. Today, at constant accounting standards, the debt is gone, and, more importantly, debt elimination will no longer be a constraint that must be taken into account as we manage our business. We are free to make investment decisions only on their merit, using return on invested capital as a guiding criterion.

The power of people

As I review the striking progress Nissan has made over the past few years, I cannot help but be aware of one more important fact: A major factor in Nissan's revival has been our *people*.

The same people who were worried and frustrated by the state of our business throughout the 1990s have joined together with great motivation and determination to reshape Nissan's fate. Each one is to be commended for making contributions, both great and small. The teamwork and performance that put Nissan back on course includes our extended team as well—our supplier partners, our dealers and our shareholders.

With great faith in our ability to make changes and to create a bold new direction for our future, we are reviving a proud company. The power of transformation has come from within. The talents and experience of 125,000 employees around the world are the brainpower and muscle behind Nissan's revival. In the lives of the men and women who make up Nissan's diverse, global workforce, you can sense the atmosphere of change in our offices, our plants and our showrooms. Pride is growing. Mindsets and behaviors have changed. The revival is real.



Opening ceremony of the Canton plant, Mississippi, May 27, 2003

What is next?

How will we follow the record-setting performance of fiscal year 2002?

With more performance and the added stretch of *growth*.

With our financial position on solid ground, Nissan is now in a position to take advantage of opportunities in new markets, in new product segments and in new technologies.

In the coming year, we will enter China with a 50-50 partnership with DongFeng, one of the country's three largest truck and car manufacturers. Our joint venture, Dongfeng Motor Company, has great potential, and we are optimistic about the opportunities we see with this large, well-established manufacturer in one of the world's fastest-growing markets.

In North America, we are breaking new ground as we enter the high-volume, high-profit full-size vehicle segments that have been the stronghold of American manufacturers. From our new plant in Canton, Mississippi, our full-size trucks and sport utility vehicles will generate incremental sales in segments where Nissan has never had a presence before. Those new products will not only support our ambitious sales objective, but, by expanding our North American product lineup, they will also draw a spotlight on the Nissan brand.

On a broader scale, Nissan continues to make steady and substantial investments in product and technology developments for the future. Innovation is the lifeblood of any company's future. At Nissan, our commitment is to provide the necessary resources to assure our long-term competitiveness.



Signing agreement creating Dongfeng Motor Company, September 19, 2002



Titan King Cab, the first full-size pickup made at the Canton plant

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The first year of NISSAN 180 may be over, but our revival is not yet complete.

We are tempering our enthusiasm for the future with the keen awareness that the global automotive industry is a demanding environment. We are continuing to work on costs, quality, sales and marketing efficiency, distribution efficiency, and all the fundamentals that are essential to our business. We refuse to be slowed by complacency. We intend to keep our momentum building.



Founded in 1933,
Nissan celebrates its 70th
anniversary in 2003

Even though we have achieved two of our three NISSAN 180 commitments in the first year—those of achieving an 8 percent operating margin and zero debt—the commitment to sell an additional one million units will require our total focus. It's true that 16 all-new models will support our sales objectives during the remainder of NISSAN 180, but the sales goal is high. Our ability to design, produce and sell attractive models will be tested to the extreme. Our responsibility will be to manage our business so that Nissan will continue to move forward, achieving *all* of NISSAN 180 while remaining the industry's most profitable global automaker.

In this, our 70th anniversary year, we are grateful for the advances we have made and the rich heritage of the Nissan name. Even as we make changes and stretch ourselves to deliver our full potential, some things will never change. We will continue to honor our commitment to being a good corporate citizen. Our obligation to protect the environment and use resources wisely. Our passion to create specific, attractive products for Nissan customers. Our promise to be transparent with all of our stakeholders. Our determination to create value and enrich people's lives.

We remain confident that Nissan's best years lie ahead. Thank you for your ongoing support of our efforts.



Opening ceremony for Yokohama Plant
Guest Hall and Engine Museum, March 25,
2003

Carlos Ghosn
President and Chief Executive Officer