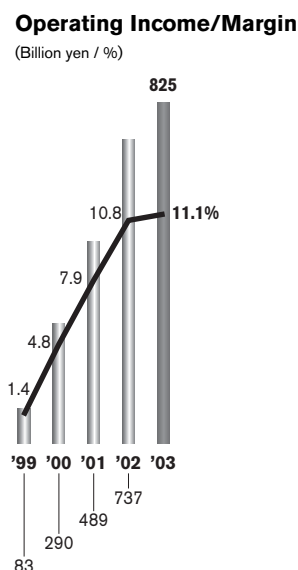
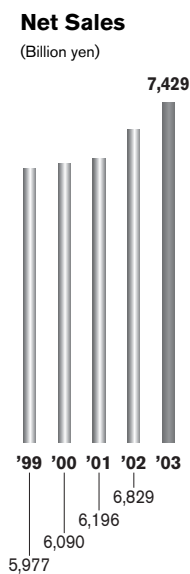


## FINANCIAL REVIEW

**FOR FISCAL YEAR 2003, NISSAN REPORTED RECORD EARNINGS, AND AN OPERATING PROFIT MARGIN THAT CONTINUES TO LEAD THE GLOBAL AUTOMOTIVE INDUSTRY. DESPITE THE FACT THAT MANY ANTICIPATED RISKS MATERIALIZED DURING THE PAST YEAR, THE CONSISTENT EXECUTION OF NISSAN 180 ENABLED THE COMPANY TO REALIZE MANY FORESEEN OPPORTUNITIES.**



### FISCAL YEAR 2003 BUSINESS PERFORMANCE

Global sales came to 3,057,000 units, which exceeded the forecast of 3,040,000 units. This represents an increase of 10.4% over fiscal year 2002 and the first time in 13 years that Nissan sold more than 3 million vehicles. Ten all-new models launched in fiscal year 2003, together with 12 new models in 2002, contributed to the growth.

Two major business developments were achieved in fiscal year 2003. In the United States, Nissan did something no other automaker has ever tried before. A brand-new plant in a new state, with new employees, with five all-new products launched on time within eight months—the Canton, Mississippi Plant now stands as a benchmark for auto manufacturing startup achievement. In China, Dongfeng Motor Co., Ltd., started operations. This significant investment in China's third-largest car and truck manufacturer will grow Nissan's business in both the rapidly expanding passenger car and truck markets.

### NET SALES

Consolidated net revenues came to ¥7.429 trillion, up 8.8% from the prior year, mainly due to higher volume and mix. Movements in foreign exchange rates produced a negative impact of ¥111.6

billion. Previously announced changes in lease accounting reduced revenues by ¥18 billion, while changes in the scope of consolidation reduced revenues by ¥23 billion.

### OPERATING INCOME

Consolidated operating profit improved by 11.9% to a record ¥825 billion—a level 10 times greater than the operating profit reported just four years earlier. As a percentage of net revenue, operating profit margin came to 11.1%, remaining at the top level among global automakers.

The major factors for the variance between the ¥737.2 billion consolidated operating profit from fiscal year 2002 and ¥825 billion in fiscal year 2003 include the following:

- The effect of foreign exchange rates produced a ¥48 billion negative impact for the full year. The average value of the dollar dropped ¥8.8 to ¥113.2, yielding a negative impact of ¥101 billion. The euro rose ¥13 to ¥131.2, producing a positive impact of ¥29 billion. Other currencies made a positive contribution of ¥24 billion.
- The change in lease accounting added ¥20 billion while the change in the scope of consolidation produced a minor negative impact of ¥4 billion.
- For the first time, the impact of higher volumes and mix was the biggest positive factor in Nissan's profit increase,

contributing ¥185 billion.

- The increase in selling expenses by ¥72 billion.
- The improvement in purchasing costs amounted to ¥183 billion.
- Product enrichment and cost of regulations had a negative impact of ¥83 billion.
- An additional ¥54 billion was spent in R&D to further reinforce product and technology development.
- Manufacturing and logistics costs had a negative impact of ¥12 billion, including the costs associated with the startup of the Canton Plant.
- General and administrative and other expenses increased by ¥27.3 billion.

By region, operating profits in Japan came to ¥352.5 billion, compared to ¥390.6 billion in the previous year. The drop is primarily the result of higher R&D expenses, the negative impact of foreign exchange rates on export sales, and a decrease in mix in the domestic market. Profitability in the United States and Canada came to ¥351.8 billion compared to ¥242.0 billion in fiscal year 2002. This significant increase is due to improvements in both volume and mix.

Europe's operating profit level more than doubled, to ¥49.2 billion from ¥21.9 billion. The rise is due to the increase in volume and favorable exchange rates. In General Overseas Markets, operating profits came to ¥66 billion compared to ¥77.6 billion. The decrease is due to lower profits in Mexico as a result of the decline in Sentra exports to the United States. Inter-regional eliminations came to ¥5.4 billion.

### NET INCOME

Net non-operating expenses totaled ¥15.2 billion—¥12 billion less than in fiscal year 2002. As planned, the return of the substitute portion of the pension plan to the government decreased expenses by ¥10 billion. Financial costs decreased by ¥800 million to ¥15.7 billion despite the announced incorporation on the balance sheet of ¥133.7 billion in leases.

Ordinary profit came to ¥809.7 billion, up from ¥710.1 billion in fiscal year 2002. Net extraordinary losses grew by ¥57.7 billion, mainly due to the fact that last year's numbers included a one-time gain of ¥56.3 billion from the sale of the Murayama Plant.

Income before taxes came to ¥736.5 billion. Taxes came to ¥219 billion for an effective consolidated tax rate of 29.7% as the company continues to optimize its global net tax rate. Minority interests amounted to ¥13.8 billion.

Net income reached ¥503.7 billion, resulting in the best net result in the company's history.

## FINANCIAL POSITION

### ASSETS

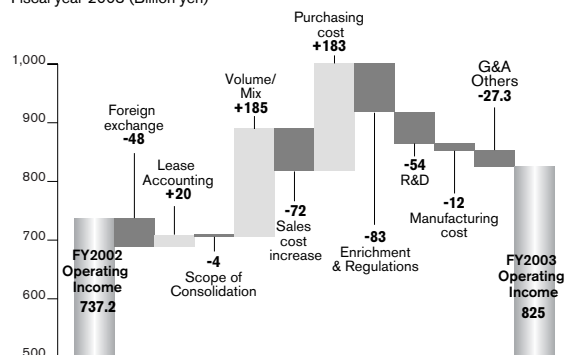
Total consolidated assets increased by 6.9% to ¥7.8599 trillion in fiscal year 2003, compared to ¥7.3492 trillion at the end of fiscal year 2002.

Current assets increased by 1.8% or ¥66.9 billion during fiscal year 2003 to ¥3.767 trillion. Sales finance receivables increased by ¥306.2 billion, while cash and account receivables decreased through more efficient working capital management.

Fixed assets increased by 12.2% to ¥4.0913 trillion from ¥3.647 trillion. Property, plant and equipment increased by ¥213.9 billion, including the investment in the new Canton, Mississippi plant.

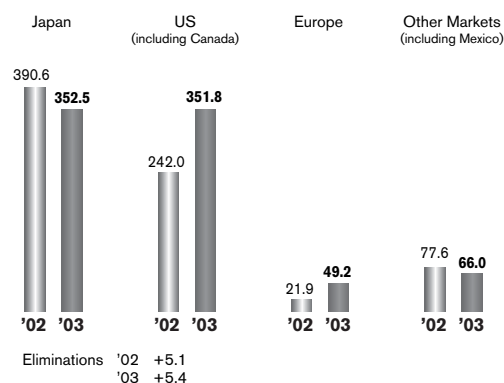
### Impacts on Operating Profit

Fiscal year 2003 (Billion yen)



### Operating Income by Region

Fiscal years 2002-2003 (Billion yen)



Capital expenditures increased to ¥427.3 billion, representing 5.8% of net revenue. Depreciation was ¥213.9 billion. Investment security increased by ¥933.3 billion, including the investment in Dongfeng Motor Co., Ltd.

### SHAREHOLDERS' EQUITY

Total shareholder equity increased from ¥1.8083 trillion to ¥2.024 trillion in fiscal year 2002, due to higher profitability.

Consolidated shareholder equity strengthened during the fiscal year, representing 27% of total revenues and 26% of total assets.

### DIVIDEND

At the shareholder meeting on June 23, 2004, the company proposed increasing its dividend to ¥19 per share in 2003, from ¥14 in 2002. Nissan's three-year dividend plan is to increase dividend per share to ¥24 in 2004. By the end of Nissan's next three-year business plan NISSAN Value-up in March 2008, Nissan plants to pay an annual dividend of no less than ¥40 per share, more than double the ¥19 per share level that was approved for fiscal year 2003.

### INVESTMENT POLICY

Capital expenditures increased ¥49 billion to ¥427 billion, representing 5.8% of net revenue. This is the third year in a row with a double-digit increase in capital expenditures.

R&D expenditures increased by ¥54 billion to ¥354.3 billion. The increase went to fund new technologies and product development, including increased expenses for hybrid and fuel cell vehicles.

### DEBT

The objective of eliminating net automotive debt was achieved at the end of fiscal year 2002—two years before the end of the NISSAN 180 plan—at constant accounting standards. After returning the off-balance sheet investment in the new Canton Plant and liabilities for financial leases, net automotive debt dropped from ¥268.3 billion to ¥13.6 billion.

Despite higher expenditures for capital expenditures and R&D to prepare for the future and significant financial investments in its China operations, among others, Nissan eliminated more than ¥250 billion in automotive debt.

Nissan has been upgraded by rating agencies and is now in the investment grade category.

### CASH FLOW

Consolidated cash generated from operating activities accounted to ¥797.4 billion during fiscal year 2003. The higher profits from operations and improved working capital requirements contributed to the cash flow. This cash was mainly used for investments for future growth.

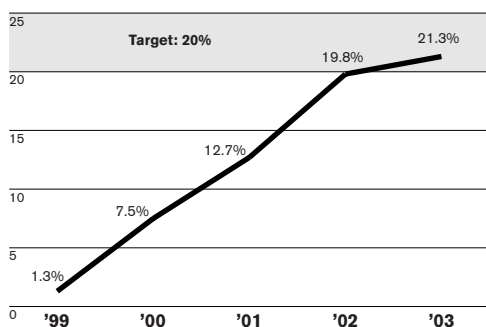
### RETURN ON INVESTED CAPITAL (ROIC)

Nissan's investments are made within the strict guidelines of its automotive operating return on invested capital (ROIC). Based on its ROIC guidelines, Nissan exceeded a 20% return on invested capital, reaching a record 21.3% for fiscal year 2003.

The ratio of working capital to net revenue has improved, dropping to 3.6% from 5.8% in 2002, through tighter control of accounts payable, receivables and inventory.

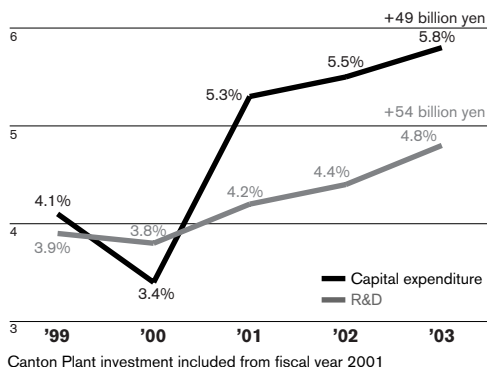
### Return on Invested Capital (Auto)

Fiscal years 1999-2003 (% to net sales)



### Investment in our Future

Fiscal years 1999-2003 (% of net revenue)



Canton Plant investment included from fiscal year 2001

## Business and Other Risks

Due to changes in government regulations, information on risks involved in business operations has been disclosed in the Yukashoken-Houkokusho for the year ended March 31, 2004 as follows:

### Economic Factors

The demand for automobiles is affected by the economic condition in each country or market in which they are offered for sale. Nissan conducts its operations all over the world and, in particular, in the major markets of North America, Europe, and Asia, to say nothing of Japan. Nissan strives to develop a comprehensive and integrated projection of the global economic outlook; however, a greater-than-anticipated downturn in any one of these markets may have a significant effect on Nissan's results of operations.

### International Activities and Overseas Expansion

The Nissan Group's manufacturing and marketing activities outside Japan are conducted in the United States, in Europe, and in the developing and emerging markets of Asia. Nissan forecasts and evaluates a wide variety of risks inherent in doing business in such overseas markets, including the following factors, each of which entails a greater-than-anticipated level of risk:

- Unfavorable political or economic factors
- Legal or regulatory changes
- Potentially adverse tax consequences
- Labor disputes including strikes
- Difficulties in recruiting and retaining personnel
- Social, political or economic turmoil due to terrorism, war, or other destabilizing factors.

### Research and Development

Nissan's technology must be "real world"—useful, pragmatic and easy to use. Nissan anticipates the nature and scope of the market demand, and then prioritizes and invests in new technologies. Nonetheless, any sudden and greater-than-anticipated changes in its business environment or in customer preferences may impact negatively on customer satisfaction with these new technologies.

### Product Defects

Nissan places a high priority on safety and does its best to enhance safety from the standpoint of research and development, manufacturing and sales. Although Nissan takes out insurance policies to cover product liability, this does not necessarily mean that all potential defects and the related liabilities are fully covered. If Nissan were to implement strict product recalls for its customers, Nissan would incur significant expenses which could adversely affect its results of operations.

### Fluctuation in Foreign Currency Exchange Rates

Nissan's Japanese operations export vehicles to various countries around the world. In general, the appreciation of the yen against other currencies adversely affects Nissan's financial results of operations and vice versa. Nissan produces products and procures parts and materials in its overseas markets. However, any sharp appreciation of the currency of those countries against the yen could lead to an increase in production and procurement costs, which would adversely affect Nissan's financial results of operations.

### Derivatives

Nissan utilizes derivatives transactions for the purpose of hedging its exposure to fluctuation in foreign exchange rates, interest rates and commodity prices. While Nissan can hedge against these, Nissan potentially misses the gains which might result from market opportunities to profit from such fluctuation in exchange rates and interest rates.

In addition, Nissan manages its exposure to credit risk by limiting its counterparties to major international banks and well-established

financial institutions which meet its credit guidelines. However, a default by any one of these counterparties could have an adverse effect on Nissan.

### Lawsuits and Claims

With respect to various lawsuits and claims which Nissan encounters, the possibility exists that the position defended by Nissan will not be accepted and that the outcome may be significantly different from that anticipated. As a result, any such verdict or settlement could adversely affect Nissan's financial results.

### Government Regulations

The automobile industry worldwide is influenced by a broad spectrum of regulations governing the emission levels of exhaust fumes, fuel economy guidelines, noise level limitations and safety standards, and Nissan expects these regulations to become increasingly stringent. In order to ensure compliance, it may be necessary for Nissan to make significant ongoing investments in these areas which would have an impact on Nissan's results of operations.

### Intellectual Property Rights

Nissan owns a wide variety of proprietary technologies and has the expertise to differentiate Nissan's products making them unique from those of its competitors. These assets have proven their value in the growth of Nissan's business and will, no doubt, continue to be of value in the future. Nissan strives to protect its intellectual property assets; however, in certain markets, Nissan may encounter difficulty in fully protecting the proprietary rights to its own technologies. Cases may arise where Nissan finds itself unable to prohibit others from infringing on its intellectual property rights.

### Natural Disasters

Nissan's corporate headquarters and many of its manufacturing facilities are located in Japan, where the statistically proven probability of earthquakes is higher than in many other countries. Nissan has developed risk management guidelines relating to earthquake damage and the CEO has organized a global task force to direct disaster prevention and recovery activities. In addition, Nissan has begun to strengthen its manufacturing facilities with anti-seismic reinforcement. However, if a severe earthquake were to hit one of Nissan's key facilities causing a halt in production, this would adversely affect the results of operations.

### Sales Financing Business Risk

Sales financing is an integral part of Nissan's core business, providing strong support to its automotive sales while contributing to the profitability and to the sound and stable financial condition of the Group. However, the sales financing companies, despite Nissan's strict risk management policies, have a high exposure to interest-rate risk, residual value risk, and credit risk, any one of which may adversely affect Nissan's results of operations.

### Counterparty Credit Risk

Nissan does business with a variety of counterparties and manages its counterparty credit risk by doing a comprehensive annual assessment of its counterparties' financial condition based on strictly reinforced credit guidelines. Nonetheless, any significant default by a counterparty would adversely affect Nissan's results of operations.

### Employee Retirement Benefit Expenses and Obligations

Nissan is obliged to pay retirement benefits to eligible employees upon retirement, the amount of which varies according to the assumptions used in the relevant actuarial calculations. These assumptions include the discount rates applied, future levels of compensation, the projected rate of return on pension plan assets, retirement rates and mortality rates, and so forth. If Nissan's actual results differ from those assumptions or if the assumptions are changed, the resulting effects will be accumulated and recognized systematically over future periods. The cumulative effect could adversely impact the recognition of expenses and liabilities recorded in future periods.