

## LETTER FROM THE PRESIDENT AND CEO



A public company has two key responsibilities to its shareholders: transparency and value creation.

At Nissan, transparency is essential to our business. Especially in uncertain times, it builds trust between a company and its shareholders. And we believe transparency is the best way to encourage long-term investment in our company.

But transparency is not yet universal. Nissan is still one of the few large corporations that publicly disclose future business plans, performance indicators, commitments and future dividends. We trust that these measures give shareholders a clear view of our company's future direction.

From the start of the Nissan Revival Plan (NRP) in 1999, we have created value by focusing on key value drivers—particularly sales growth, operating profit margin, and return on invested capital.

By the end of fiscal 2001 we exceeded our NRP commitments by returning Nissan to profit one year ahead of schedule, halving the company's debt and over-delivering on our commitment to achieve a 4.5 percent operating profit margin.

Following NRP, we launched a three-year business plan called NISSAN 180. By the end of the plan in fiscal 2004, we committed to achieve the following:

- An increase in global sales of 1 million units, compared to the start of the plan. We are confident of meeting this final commitment by the end of the measurement period in September 2005.
- An 8 percent operating profit margin. For every year of the NISSAN 180 plan our operating margin has been at or above 10 percent topping the performance of all global automakers.
- Zero net automotive debt. We now have more than ¥200 billion in net cash under the new and more demanding accounting standards.

### Review of 2004

Nissan lived up to its challenges in fiscal 2004, despite a very challenging year in the global industry, full of risks both anticipated and unexpected.

Consolidated net revenues reached ¥8 trillion 576.3 billion, up 15.4 percent from last year. Consolidated operating profit improved by 4.4 percent to a record ¥861.2 billion. As a percentage of net revenue, our operating profit margin came to 10 percent, which remains at the top level among global automakers. And our net income reached ¥512.3 billion, or ¥125.16 per share, compared to ¥122.02 per share for the previous fiscal year.

### NISSAN Value-Up

The Nissan revival story is now complete. Our next three-year business plan, 'NISSAN Value-Up,' is focused, as its name suggests, on delivering sustainable long-term value to all our stakeholders. As such, it is evolutionary not revolutionary.

As with our previous business plans, NISSAN Value-Up establishes three core commitments. They are ambitious, and will require us to stretch our capabilities. But they are realistic.

**Profit:** Nissan will maintain the top level of operating profit margin among global automakers for each of the three years of the plan. Operating profit remains at the center of our management system, as it is the most accurate measure of business performance.

**Volume:** Nissan will achieve global sales of 4.2 million units in fiscal 2008—an increase of 812,000 units over fiscal 2004.

**ROIC:** Nissan will achieve a 20 percent or higher return on invested capital on average over the course of the plan, excluding cash on hand.

To meet this commitment, over the NISSAN Value-Up period we will launch 28 new products, including 10 models that are highly innovative in their concept and benefits.

Our investment in advanced technology continues. From fiscal 2002 to 2005 we have increased spending on research and development by 50 percent. Over the next three years we will invest a further 5 percent of net sales annually, creating new and exciting technologies to benefit our customers.

During NISSAN Value-Up we will pursue several key business opportunities:

- Our Infiniti luxury brand will extend its reach into new markets such as China and Russia and continue to establish its credibility as a Tier-1 luxury player.
- We will develop our Light Commercial Vehicle business into a fully competitive global operation through new market and product entries.
- We will take a more efficient global sourcing approach to maximize our opportunities and minimize our overall costs as we grow. Our engineering, production and purchasing functions will continue their acceleration towards being fully integrated global operations.
- We will continue to invest in new and emerging markets, including China, India and Russia.

NISSAN Value-Up also delivers increased value for our shareholders through a clear and well-defined dividend strategy. By the end of the plan period, we will pay an annual dividend of no less than ¥40 per share, a 66 percent increase over fiscal 2004.

### Share price performance

What should investors expect from Nissan's share price?

Over the long-term, share prices reflect fundamentals. But in the short-term share prices are driven by performance against expectations.

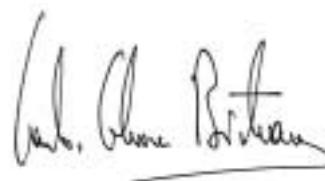
In Nissan's case, recent share price trends signal market expectations that greater uncertainty will result in lower growth. So our challenge is to both manage those expectations and to exceed them. This supports our belief in a high level of disclosure and transparency.

Our business plans and commitments, and our ability to communicate our strategy clearly, are the most effective means to convey transparency. But we recognize that financial announcements alone are no longer sufficient communication for the markets. We need to provide more forward-looking information and to avoid surprises that create uncertainty for shareholders and investors.

We intend to serve the professional investment community better in fiscal 2005. We will also extend our welcome to individual investors—whose numbers grew by 51,323 in fiscal 2004, increasing our list to 193,000 shareholders.

That growing interest in Nissan was apparent in the turnout of more than 1,800 people at our June 21 shareholders' meeting in Yokohama. Questions from the shareholders were many and varied, but it was encouraging to hear in each one a passionate commitment to Nissan.

This year, and in the future, I hope we merit such support from all our shareholders as we create lasting value in a transparent way.



Carlos Ghosn  
President and Chief Executive Officer