

## BUSINESS AND OTHER RISKS

**With regard to disclosure in the Business Overview, Financial Information and other parts of this Securities Report, the salient items which may affect the decisions of our investors can be grouped under the following risk factors.**

**Any future forecasts included in the following descriptions are based on the estimates or judgment of Nissan as of June 25, 2007.**

### (1) Economic Factors

The demand for products manufactured by the Group is affected by the economic conditions in each country or market in which they are offered for sale. The Group conducts its operations all over the world and, in particular, in the major markets of North America, Europe and the Global Overseas Market, to say nothing of Japan. While the Group strives to develop a comprehensive and integrated projection of the global economic outlook, any greater-than-anticipated downturn in one of these markets may have a significant effect on the Group's financial position and results of operations.

### (2) Risks Involved in International Activities and Overseas Expansion

The Group's manufacturing and marketing activities outside Japan are conducted in the United States, Europe, and general overseas regions. The Group forecasts and evaluates a wide variety of risks inherent in doing business in such overseas markets including the following factors, each of which may entail a greater-than-anticipated level of risk, thereby causing significant effects on the Group's financial position and results of operations:

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

### (3) Research and Development

The Group's technology must be useful, pragmatic and easy to use. The Group 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.

### (4) Product Defects

The Group places a high priority on safety and does its best to enhance safety from the standpoint of research and development, manufacturing and sales. Although the Group 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 the Group were to implement significant recalls in volume and amount for the benefit of customers' safety, the Group would incur significant additional expenses which could adversely affect its financial position and results of operations.

### (5) Fluctuation in Foreign Currency Exchange Rates

The Group's Japanese operations export vehicles to various countries around the world. In general, the appreciation of the yen against other currencies adversely affects the Group's financial results of operations and, on the contrary, the depreciation of the yen against other currencies favorably affects the Group's financial results of

operations. Any sharp appreciation of the currencies of countries where the Group manufactures vehicles against the yen could lead to increases in both procurement and production costs which would adversely affect the Group's competitiveness.

### (6) Derivatives

The Group utilizes derivative transactions for the purpose of hedging its exposure to risks such as fluctuations in the foreign exchange rates of its receivables and payables denominated in foreign currencies, the interest rates of interest-bearing debt and fluctuations in commodity prices. While the Group can hedge against these risks by using derivatives transactions, the Group, by so doing, may miss the potential gains which could result from seizing the market opportunities to profit from such fluctuation in exchange rates and interest rates. In addition, the Group manages its exposure to credit risk by limiting its counterparties to financial institutions with high credit ratings. However, a default by any one of these counterparties could have an adverse effect on the Group's financial position and operating results.

### (7) Lawsuits and Claims

With respect to various lawsuits and claims which the Group encounters, the possibility exists that the position defended by the Group 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 the Group's financial position and operating results.

### (8) 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 the Group expects these regulations to become increasingly stringent. In order to ensure compliance, it may be necessary for the Group to make significant ongoing investments in these areas which would have an impact on its financial position and results of operations.

### (9) Intellectual Property Rights

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

Although the Company has established Intellectual Property Rights Management Department since April 2004 for protecting intellectual property rights in specific areas, strengthening activities to protect Nissan's intellectual property rights, and abstracting new intellectual property rights and has been performing various activities to protect and create Nissan Brand, cases may arise where the Group finds itself unable to prohibit others from infringing on its intellectual property rights.

### (10) Natural Disasters

The Group'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. The

Group 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, the Group has been strengthening its manufacturing facilities with anti-seismic reinforcement. However, if a severe earthquake were to hit one of the Group's key facilities causing a halt in production, this would adversely affect the Group's financial position and results of operations.

**(11) Sales Financing Business Risk**

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

**(12) Counterparty Credit Risk**

The Group does business with a variety of counterparties and manages its counterparty credit risk by conducting a comprehensive annual assessment of its customers' financial condition based on their financial information. Nonetheless, any significant default by a counterparty would adversely affect the Group's financial position and results of operations.

**(13) Employee Retirement Benefit Expenses and Obligations**

The amounts of retirement benefit obligation and related expenses of the Group are calculated using various actuarial assumptions including the discount rate applied, the projected rate of return on plan assets, and so forth. If the Group'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.

**(14) Purchase of Raw Materials and Parts**

The Group purchases raw materials and parts from many suppliers. Market conditions that the Group can't control and whether or not the suppliers can procure raw materials and parts continuously may adversely affect the Group's financial position and results of operations.