



**ALAIN DASSAS**  
Chief Financial Officer

Some wonder why Nissan required a CFO after four years without one. Simply put, we are expanding in multiple markets, becoming a more global entity, and a CFO is there to ensure that the company possesses the resources to continue that growth. Having a CFO also lends the finance function a more visible profile, both internally and externally.

My background and experience have been strongly related to the automotive and finance industries. I covered the global car industry for a large New York bank before joining Renault's financial team. While serving as the finance services director at Renault, I worked on all of the company's M&A transactions, including Nissan, of course, but also Mack Trucks, Volvo, Dacia, Samsung, Avtovaz in Russia, and even the repurchase of the Benetton Formula One racing team. I have been involved with Nissan since discussions commenced with Renault in June of 1998, and I was a member of the Nissan Diesel board until 2004.

At Nissan, the CFO oversees the treasury functions, investor relations, tax and customs issues and the newly created Sales Finance Business Unit. We share the M&A function with corporate planning, buying, selling and restructuring companies and assets, including our internal affiliates. Our office also participates in the examination and evaluation of potential new partnerships in the global auto industry.

Operating profit, which has been a major Nissan objective for years, reflects how well we sell our cars, and how profitable we are. While certain shareholders and other external observers often focus on operating profit, this measure tells only part of the story. We believe free cash flow is a better gauge, because it encompasses every facet of the company. In addition to operating margin, free cash flow also shows how we manage our balance sheet: the efficiency of our investments, appropriate levels of inventory and accounts receivable, and so on. Our previous financial indicator—Return on Invested Capital (ROIC)—is still a valid measure. However, the explanation of ROIC can become overtly complex and technical at times. Cash, on the other hand, is an easy notion to understand.

Free cash flow is also an important external indicator that is closely monitored by investors, analysts and banks, as it measures our ability to pay our shareholders and debtholders. Nissan benefits from a strong balance sheet with a large equity base. Maintaining availability of cash is of the utmost importance when the automotive industry is facing so many risks: volatile raw material prices, steep declines and changes in demand and product mix in mature markets, adverse foreign exchange rate movements, and a rapid decline in the lending capacity of banks and financial markets.

Controlling costs is not enough to overcome the risk of raw material prices. We also need to adjust our retail prices upward, and this is what we did worldwide.

The second risk I had mentioned is equally powerful. With a wide range and mix of smaller SUVs and passenger cars, we are probably in a better position than European and U.S. manufacturers. To adapt to this new demand, we can rely on our manufacturing flexibility—a consistent strong point for Nissan. Despite our good product mix and a higher market share in many countries, the present worldwide downturn will put pressure on our sales volumes.

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We are countering foreign exchange rate fluctuations by manufacturing where we sell whenever possible, since the best way to hedge is to keep your costs in the same currency as your revenues. That also reduces logistics-related expenses and custom duties, which are very significant for an international company like Nissan. Developing our manufacturing facilities in Russia, China and India also serves the same purpose.

Sharing investments costs with our Alliance partner optimizes capital expenditures. Renault is investing in Morocco, for example, and we benefit. We are investing in Mexico, to Renault's benefit. Now, we are sharing capacity, engineering, and development on the Alliance ultra-low-cost car in a new country for both of us—India. This reduces capital expenditures, which makes both companies leaner and more efficient.

Investors putting their money into Nissan appreciate our dividend policy. As we announced, our 2008 dividend will be 42 yen per share. We are also taking care of our other stakeholders—customers, employees, and suppliers. Safeguarding the environment is another priority, and why we are focusing strongly on electric vehicles, sharing related investment and research and development costs with Renault.

The liquidity risk is probably the most dangerous one of all. Today, it's even more pronounced, and it can quickly become a factor that determines survival. To hedge this risk, we have external resources—including unused credit facilities from our major banks—and internal resources, represented by our cash flow generating capacity.

The major components of cash flow are operating profit, capital expenditures, and changes in working capital. With our fiscal 2008 operating capital under pressure, we have to rely on tight controls of our capital expenditures and limit our investment to key core projects. We also need to ensure that each component of working capital is under constant control and optimization. These components include accounts receivable, or what our customers owe us; accounts payable, what we owe to our suppliers; and every type of inventory, from new vehicles to used cars to parts and components. The present worldwide liquidity crisis makes the monitoring of our cash flow absolutely mandatory, because it is a clear imperative for our survival.



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