

Fiscal 2008 Financial Performance

Net sales

Refer to ■ chart 05

Net revenues decreased 22.1 percent, to ¥8,437.0 billion. Regarding this decline, 11 percent was due to volume and mix, 9 percent to foreign exchange, and 2 percent to accounting changes.

Operating profit

Refer to ■ chart 06, 08

Operating profit totaled a negative ¥137.9 billion, which was a decrease of ¥928.7 billion from ¥790.8 billion in fiscal 2007. The variance in operating profit was due to the following factors:

- Purchasing cost reduction generated a positive contribution of ¥134.6 billion
- Decreased manufacturing expenses were a positive ¥8.2 billion
- A decrease in warranty expenses resulted in a positive contribution of ¥5.6 billion
- Volume and mix, including sales price increases, produced a negative impact of ¥525.2 billion, which was due to the decrease in global sales volume and the mix deterioration in Japan and the U.S.
- The ¥223.0 billion negative impact from foreign exchange was mainly from the U.S. dollar and the Russian ruble
- The increase in raw material and energy costs, including steel, oil and other commodities, was a negative ¥134.2 billion. Although the market price of commodities declined at the end of fiscal 2008, there is a time lag before the positive benefits affect the P&L.
- The negative impact from the increase in provision for residual risk on leased vehicles in North America had a negative impact of ¥91.8 billion. Compared to initial projections, used-car prices for the lease portfolio are still down. Even though there were positive trends in the U.S. in February and March 2009, the company is still cautious about whether or not this trend will continue in fiscal 2009. Based on internal assessment, the company increased this provision in the fourth quarter.
- Profit from the sales finance division deteriorated by ¥40.2 billion, primarily because of higher credit loss provisions
- Product enrichment, including regulatory costs, lowered profits by ¥13.8 billion

- Selling expenses had a ¥9.3 billion negative impact
- Higher R&D expenses created a negative impact of ¥8.7 billion
- Scope of consolidation changes had a negative impact of ¥4.3 billion
- The negative impact from others, including affiliated companies such as domestic dealers and Calsonic Kansei, was ¥26.6 billion

Net income

Refer to ■ chart 07

Net non-operating expenses increased by ¥10.4 billion to ¥34.8 billion from ¥24.4 billion in fiscal 2007. Despite foreign exchange gains, which improved by ¥34.0 billion to ¥5.0 billion from last year's losses of ¥29.0 billion, the negative impact came from the decreased equity in earnings of affiliates by ¥38.6 billion and increased net financial cost by ¥3.2 billion to ¥11.1 billion from last year's ¥7.9 billion.

Net extraordinary losses totaled ¥46.1 billion, a decrease of ¥47.7 billion from the previous year's gain of ¥1.6 billion. This negative variance came from the decreased extraordinary gain by ¥26.0 billion primarily because of the decreased gain on sale of fixed assets, and increased extraordinary losses by ¥21.7 billion due mainly to impairment losses and special additions to retirement benefits at overseas subsidiaries.

Taxes totaled ¥36.9 billion, a decrease of ¥225.8 billion from fiscal 2007. Minority interests had a positive contribution of ¥22.0 billion in fiscal 2008.

Net losses totaled ¥233.7 billion, a decrease of ¥716.0 billion from fiscal 2007.

Financial Position

Balance sheet

In fiscal 2008, Nissan's total assets decreased 14.2 percent to ¥10,239.5 billion. Current assets decreased 16.1 percent to ¥5,279.4 billion. The main reasons were a decrease in finance receivables of ¥524.2 billion and trade notes and accounts receivable of ¥259.2 billion. Fixed assets decreased to ¥4,960.2 billion, representing a 12.1 percent decline. The main reason was a decrease in machinery, equipment and vehicles of ¥368.1 billion.

Current liabilities decreased 23.9 percent to ¥3,988.7 billion. This is mainly due to the decrease in trade notes and accounts payable of ¥497.5 billion. Total long-term



liabilities increased 16.8 percent to ¥3,324.8 billion, primarily because of a ¥649.1 billion increase in long-term borrowing.

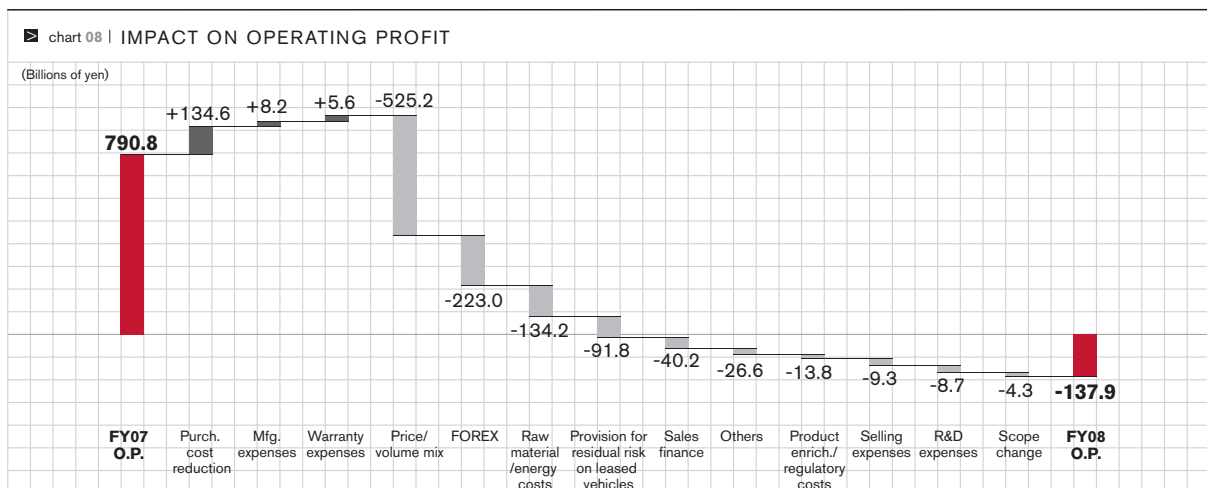
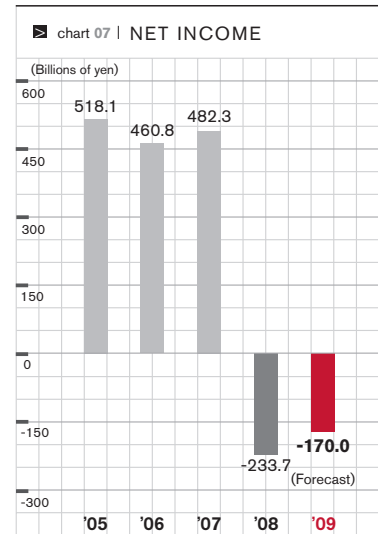
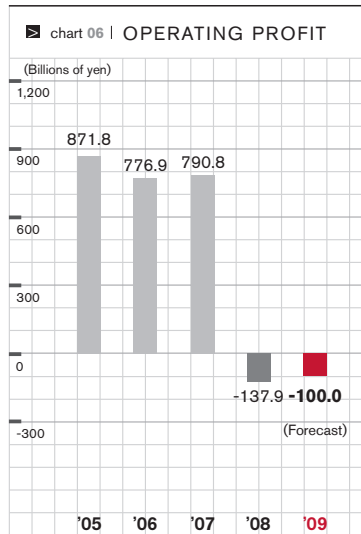
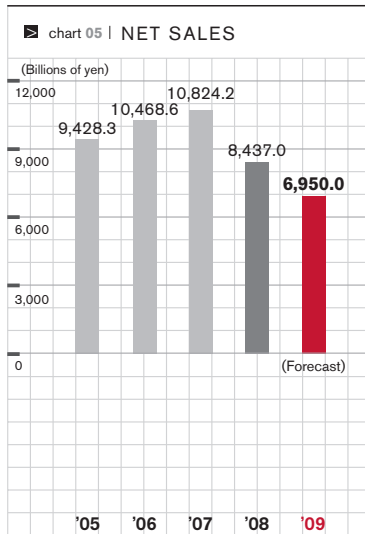
Net assets decreased 24.0 percent to ¥2,926.1 billion, compared to ¥3,849.4 billion in fiscal 2007. This was mainly due to ¥233.7 billion in net losses and a ¥464.3 billion change in foreign currency translation adjustments.

Free cash flow and net debt (auto business)

In the fourth quarter of fiscal 2008, there was a significant improvement in free cash flow of ¥363.5 billion. This was due mainly to the improvement in working capital by the reduction in inventory. At the end of the third quarter, net automotive debt totaled ¥783.5 billion. The company's ability to generate free cash in the fourth quarter led to

a halving of its net debt position to ¥387.9 billion.

On a full-year basis, free cash flow deteriorated primarily because of a smaller net cash inflow from P&L items of ¥356.6 billion, as well as a negative impact on working capital. Accounts payable decreased by ¥479.7 billion due to dramatic production cuts. This was partially offset by a reduction in receivables. Total accounts payable and receivable resulted in a negative ¥286.2 billion. Due to tight production control, total inventory was reduced by ¥88.3 billion. Including other factors, such as tax payments, total cash flow for operating activities was positive by ¥39.9 billion. After ¥291.6 billion in investing activities, which included ¥376.6 billion in capital expenditures, the total net of free cash flow was negative by ¥251.7 billion.



Credit rating

Refer to  chart 09

R&I downgraded Nissan's long-term credit rating from A to A- with a stable outlook on January 27, 2009. S&P downgraded Nissan's long-term credit rating from BBB+ to BBB with a stable outlook on February 23, 2009. Moody's downgraded Nissan's rating from A3 to Baa2 with a stable outlook on February 25, 2009. (All ratings, as of March 31, 2009)

Sales finance

In conjunction with the decrease in retail sales, total financial assets of the sales finance segment decreased by 13.1 percent to ¥4,638.9 billion from ¥5,338.0 billion in fiscal 2007. The sales finance segment generated ¥33.2 billion in operating profits.

The deterioration of the economy put pressure on credit losses and led the company to make conservative provisions. Credit quality control remains one of the company's priorities. Despite this, the company maintained the level of penetration for loans and leases at around 45 percent on a global basis, while providing support to the sales division.

Investment policy

Refer to  chart 10

Capital expenditures totaled ¥383.6 billion, which was 4.5 percent of net revenue. The company elected to postpone, reduce or cancel specific capital investments until there is better visibility regarding the duration of the economic crisis. However, 50 percent of total investments will be dedicated to new vehicles in fiscal 2009 in order to maintain Nissan's future competitiveness.

R&D expenditures totaled ¥455.5 billion. These funds were used to develop new technologies and products. The company's strength is the extensive collaborative and development structure they enjoy with Renault's R&D team through the Alliance.

Dividend

Refer to  chart 11

An attractive dividend policy continues to be one of the most important policies for management. And adherence to a globally competitive dividend standard is key to its shareholder relations.

The previously proposed dividend plan had been based on a forecast for the period of fiscal 2008 through fiscal 2010, which was part of the NISSAN GT 2012 medium-term business plan. However, in response to the current environment, the company suspended the dividend plan. The company will revisit the dividend policy once

conditions improve and free cash flow returns to a positive level. The company remains committed to its R&D activities, as they are indispensable for the development of future technology, which in turn supports and ensures long-term growth.

The company paid ¥11 per share as an interim dividend in fiscal 2008. However, the company decided not to pay a year-end dividend to its shareholders, due to the decline in profitability and negative free cash flow. As a result, the full-year dividend is ¥11 per share.

Fiscal 2009 Outlook

In fiscal 2009, risks involve foreign exchange, distressed suppliers, raw material price rebounds and further deterioration in TIV. Nissan considers that opportunities lie in exchange rates and in the hard synergies they will develop with its Alliance partner, Renault.

In light of the outlook for fiscal 2009, the company filed its forecast with the Tokyo Stock Exchange. Assumptions included retail unit sales of 3,080,000 units, which is a decrease of 9.7 percent from the prior year, and foreign-exchange rates of ¥95 to the dollar and ¥125 to the euro.

- Net revenues are expected to be ¥6,950 billion
- Operating losses are expected to be ¥100 billion
- Net losses are expected to be ¥170 billion
- R&D expenses will amount to ¥400 billion
- Capital expenditures are expected to be ¥350 billion

The evolution in operating profit, compared to the fiscal 2008 results, is mainly linked to four key factors:

- Foreign exchange, which is expected to be a negative ¥170 billion
- Deterioration in volume and mix is estimated to have a negative impact of ¥200 billion
- Purchasing cost reduction, combined with the decrease in raw material prices from last year, is expected to be a positive ¥150 billion
- Others, mainly driven by fixed cost reductions, are expected to be a positive ¥257.9 billion

The company strives to achieve a positive free cash flow based on the assumptions above. The company believes that this is an achievable target, as they will continue with their efforts to improve working capital and control capital expenditures.

(All figures for fiscal 2009 are forecasts, as of May 12, 2009)



chart 09 | CORPORATE RATINGS

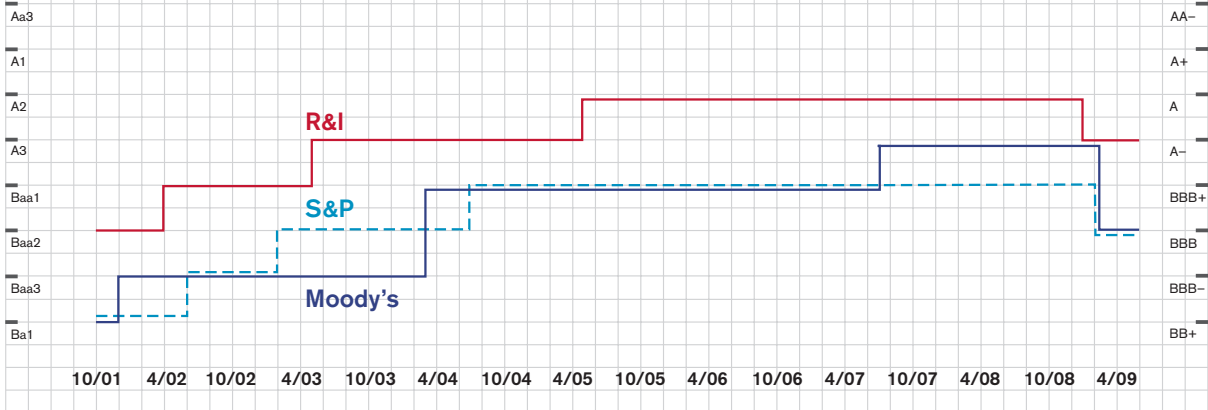


chart 10 | R&D EXPENDITURES

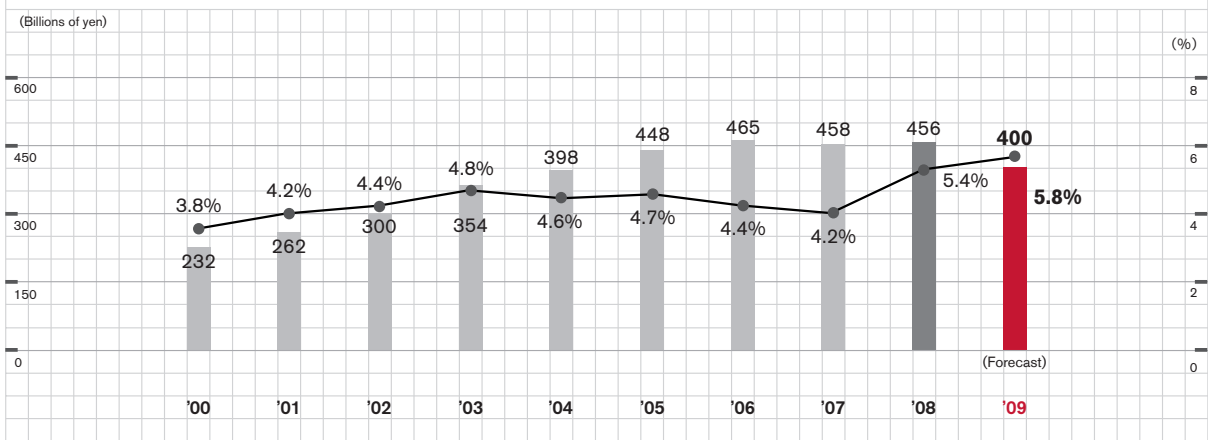


chart 11 | DIVIDEND

