

1. BUSINESS PERFORMANCE

1) FY2007 Business Performance

① NISSAN Value-Up Update

In the Nissan Value-Up business plan, the company made three key commitments:

1. Top level operating profit margin among global automakers in FY05 to FY07.
2. 4.2 million sales in FY08.
3. 20% average return on invested capital over the plan.

Under Nissan Value-Up, the company is pursuing four major breakthroughs:

1. Establish Infiniti as a globally recognized luxury brand.
2. Build a global presence in Light Commercial Vehicles.
3. Develop new supply sources in Leading Competitive Countries for parts, machinery & equipment, vendor tooling and services.
4. Expand geographic presence in emerging markets by establishing new localized production facilities, distribution channels and sales financing companies.

Fiscal year 2006 did not boost results towards achieving the objectives of Nissan Value-Up. However, the commitments are still within the potential of the company and Nissan remains focused on delivering them completely. As such, fiscal year 2006 was neutralized and the company has extended the delivery period of the Nissan Value-Up commitments by one year. The next business plan will be announced in April 2008.

② Fiscal Year 2007 First Half Business Performance

For the first six months of fiscal year 2007, Nissan's global sales increased 6.3% from the previous year to 1,816,000 units, despite total industry volume declining in Japan, the U.S. and Europe. Around the world, the company introduced 7 all-new models in the first half and executed over 15 product-launch events in various regions.

In Japan, total industry volume declined 8.1%, with minicars decreasing 6.8 % and registered vehicles decreasing 8.8%. Nissan's sales decreased 5% to 332,000 units, with minicars increasing 13.2% and registered vehicles decreasing 8.7%. Consequently, the company's market share increased 0.5 points to 13.4%. Nissan's all-new Dualis crossover, with sales of 15,000 units, and the new-generation X-Trail, with a 38% increase in sales of 13,000 units, contributed to this result.

In the U.S., total industry volume decreased 2.4%. In contrast, Nissan's sales increased 5.4% to 534,000 units, with an increase in market share of 0.5% to 6.3%.

In the Nissan Division, first-half sales in the U.S. rose 5.5%. Two key products launched in fiscal year 2006 continued to make progress. Sales for the Versa were 45,000 units in the first half and market share in this segment increased to 17.9%. The new Altima increased 27.9% to 144,000 units, compared to its predecessor from last year. Furthermore, Altima sales were augmented by demand for the first-ever coupe version that went on sale in May.

In the first half, U.S. Infiniti sales increased 5.1% from the previous period to surpass 61,000 units. Sales of the new G35 Sedan increased 52% to 26,000 units.

In Europe, total industry volume dropped 0.9% to 10.9 million units. In contrast, Nissan's sales totaled 304,000 units, which was an increase of 10.5% from the prior year. Growth in Russia continued to offset declining sales in Western Europe. Nissan's first-half sales in Russia doubled from last year to 67,000 units.

The new UK-built Qashqai crossover accounted for 20% of European sales volume. In Russia, Ukraine and countries in Northeast Europe, the back-order for Qashqai is nearly six months. To meet this strong demand, the company will increase capacity at the Sunderland plant by 20% to 185,000 units per year. The all-new X-Trail also contributed to the product offensive in Europe with initial sales of 12,900 units. Following its launch last year in Russia, Infiniti has captured 7.3% of a luxury market that has grown by 70%.

In the General Overseas Markets, including Mexico and Canada, sales increased 13.1% to 646,000 units. Strong sales in the following markets offset declines in Mexico and Taiwan. Sales in China increased 25.2% to 225,000 units. Sales were driven by the introduction of the Livina and continued demand for the Tiida. The launch of the Grand Livina in Indonesia resulted in sales of 11,000 units. Sales in the Middle East totaled 89,000 units, which was an increase of 21.3% from last year.

For the first half of fiscal year 2007, consolidated net revenues increased 11.7% to 5 trillion 64.5 billion yen. This was primarily due to growth in global sales volume and a favorable exchange rate. Operating profit increased 5.3% to 367.1 billion yen. The operating profit margin for the first half was 7.2%.

In fiscal year 2006, in an effort to increase transparency and consistency, the company changed consolidation methods and harmonized calendar-year results for overseas subsidiaries such as Europe and Mexico with fiscal-year results for Nissan Motor Co., Ltd. This is consistent with auto industry standards.

In comparison to last year's consolidated operating profit restated by excluding the impact of harmonization in fiscal year end, the variance was due to several factors as following:

- Foreign exchange rate movements resulted in a positive contribution of 48.6 billion yen. This was mainly due to favorable movements in the U.S. dollar. The U.S. dollar rate averaged 119.4 yen compared to 115.4 yen the previous year. The euro moved to 162.3 yen from 146.1 yen.
- Raw material and energy costs increased by 30.1 billion yen.
- Price, volume and mix had a negative impact of 30.8 billion yen.
- Selling expenses had a negative impact of 200 million yen.
- Purchasing-cost reductions generated a positive contribution of 77.9 billion yen.
- Product enrichment, including regulatory costs, had a negative impact of 34.1 billion yen.
- The company spent an additional 2.7 billion yen on R&D.
- Manufacturing and logistics expenses increased by 11.4 billion yen.
- Warranty expenses decreased by 9.8 billion yen.
- General, administrative and other expenses increased by 7.8 billion yen.

(Note: Restatement for harmonization in fiscal year end to last year's profit was applied only to the variance analyses above.)

By region, operating profits in Japan amounted to 121.2 billion yen, compared to last year's 133.7 billion yen. Operating profit in the U.S. and Canada was 131.0 billion yen, versus 121.1 billion yen in fiscal year 2006. Europe's operating profit was 39.8 billion yen compared to 26.8 billion yen in the prior year. General Overseas Markets, including Mexico, contributed 73.3 billion yen to operating profit, which increased from 58.8 billion yen in fiscal year 2006.

Inter-regional eliminations resulted in a positive 1.8 billion yen, versus a positive 8.2 billion yen in the first half of last year.

Net non-operating items totaled a negative 6.8 billion yen, mainly due to foreign exchange losses. This yields an ordinary profit of 360.3 billion yen, compared to last year's 360.9 billion yen.

Net extraordinary items totaled a negative 19.7 billion yen, which deteriorated from last year's negative 5.2 billion yen. The main differences are due to a one-time gain from selling Nissan Diesel shares to Volvo last year and provisions taken in this first half for early-retirement programs at Calsonic Kansei and Nissan Shatai.

Income before taxes totaled 340.6 billion yen. Taxes amounted to 122.3 billion yen, which increased from 68.4 billion yen in fiscal year 2006. The consolidated effective tax rate for the period was 35.9%, which was higher than the 19.2% rate in fiscal year 2006. The tax rate for last year was exceptionally low due to tax incentives for the move of the U.S. headquarters to Nashville and deductions for losses incurred in the domestic dealer restructuring.

Minority interests, profits from fully consolidated companies that the company does not own 100% including Calsonic Kansei, Aichi Kikai and Nissan Shatai, totaled 5.9 billion yen.

For the first half of fiscal year 2007, net income was 212.4 billion yen, compared to 274.2 billion yen in the previous year.

③ Fiscal Year 2007 Financial Forecast

Considering the risks and opportunities for fiscal year 2007, the most significant risks continue to be high incentive levels worldwide, mix and grade deterioration, high commodity prices and high energy prices. In addition, continued weakness in the U.S. market is anticipated. For Nissan, the major opportunity is to flawlessly deliver the strong products in the company's pipeline. At this point in the product cycle, the company is much better equipped to gain ground in the face of these headwinds.

In addition, Nissan expects to benefit from further growth in the General Overseas Markets and expansion in the Infiniti and light commercial vehicle businesses. Furthermore, the company will enhance its utilization of low-cost sourcing from leading competitive countries.

Given these risks and opportunities, the company is maintaining the full-year forecast of 800 billion yen in operating profit and net income of 480 billion yen.

2) Financial Position

Balance Sheets

Assets

Current assets have increased by 0.9% to 6,552.4 billion yen compared to March 31, 2007. This is mainly due to increase of inventories and notes & accounts receivable by 139.6 billion and 86.6 billion yen, respectively, offset by decrease in finance receivables by 152.6 billion yen.

Fixed assets have increased by 0.8% to 5,957.5 billion yen compared to March 31, 2007.

As a result, total assets have increased by 0.9% to 12,509.9 billion yen compared to March 31, 2007.

Liabilities

Current liabilities have decreased by 1.5% to 5,489.5 billion yen compared to March 31, 2007. This is mainly due to decrease in other current liabilities by 113.6 billion yen.

Long-term liabilities have increased by 1.2% to 2,985.0 billion yen compared to March 31, 2007. This is mainly due to increase of bonds and debentures and deferred tax liabilities by 85.5 billion and 30.9 billion yen, respectively, offset by decrease in long-term borrowings by 89.7 billion yen.

As a result, total liabilities have decreased by 0.6% to 8,474.5 billion yen compared to March 31, 2007.

Net Assets

Net assets have increased by 4.1% to 4,035.4 billion yen compared to March 31, 2007. This is mainly due to net income of 212.4 billion yen, offset by 69.9 billion yen of dividends paid.

Cash Flows

Even though cash inflow as a result of operating activities has increased and cash outflow as a result of investing activities has decreased, cash and cash equivalents at the end of 1st half of FY2007 decreased by 6.0 billion yen or 1.4% to 437.1 billion yen due to increase in cash outflow as a result of financing activities.

Operating Activities

Cash inflow as a result of operating activities has increased by 35.9 billion yen from 482.1 billion yen in 1st half of FY2006 to 518.0 billion yen in 1st half of FY2007. It was mainly due to the decrease in trade payables although the cash generated by sales finance receivables was decreased.

Investing Activities

Cash outflow as a result of investing activities has decreased by 108.2 billion yen from 564.0 billion yen in 1st half of FY2006 to 455.8 billion yen in 1st half of FY2007. This is mainly due to the decrease in purchases of leased vehicles.

Financing Activities

Cash outflow as a result of financing activities has increased by 208.6 billion yen from cash inflow of 105.2 billion yen in 1st half of FY2006 to cash outflow of 103.4 billion yen in 1st half of FY2007. This is mainly due to decrease in short-term borrowings.

Trend of ratios related to Cash Flow are as below;

	FY2004	FY2005	FY2006	FY2007 1st half
Leverage Ratio (%)	25.0	26.9	28.6	29.6
Leverage Ratio at fair value (%)	45.5	49.9	41.9	37.6
Debt to CF Ratio (Year)	10.7	6.4	4.9	4.9
Interest Coverage Ratio	5.2	7.4	7.3	6.4

(Notes) Leverage Ratio :

Net assets excluding share subscription rights and minority interests / Total assets

Leverage Ratio at fair value :

Fair value of issued and outstanding stocks / Total assets

Debt to CF Ratio :

Interest bearing debt / Operating cash flow

Interest Coverage Ratio :

Operating cash flow / Interest paid

*All ratios are calculated based on Consolidated Financial Statements.

*Fair value of issued and outstanding stocks is calculated at Price of stock at fiscal year end × Number of stock issued and outstanding (excluding Treasury stock).

*Operating cash flow is the amount stated on Consolidated Statement of Cash Flows and it is a result of operating activities. Interest bearing debt is debt stated in Consolidated Balance Sheets that interest should be paid for. Interest paid is the amount stated on Consolidated Statement of Cash Flows.

*Operating cash flow is doubled to be annualized for calculation of Debt to CF Ratio (Year) at 1st half.

3) Dividend Policy

At the general shareholders meeting held on June 23, 2004, Nissan announced its Nissan Value-Up three-year dividend policy for the periods from fiscal year 2005 to fiscal year 2007. The company proposed a long-term dividend policy, in order to allow more visibility and improve transparency in the ways Nissan rewards its shareholders. The company believes that a long-term dividend policy reduces uncertainty for investors, who may already own or are considering acquiring Nissan stock.

The company proposed the following future dividend amount, as its commitment, at 29 yen per share for fiscal year 2005, 34 yen per share for fiscal year 2006 and 40 yen per share for fiscal year 2007. These amounts were set by the estimated free cash flows during the “Nissan Value-Up” period and to maintain competitiveness in the automotive industry.

Based on this direction, the company plans to pay the stated dividend of 40 yen per share for fiscal year 2007 with 20 yen per share to be paid for the first half of fiscal year 2007. This would be an increase of 3 yen per share from the first half of previous year.

2. Description of Nissan group

Disclosure of Description of Nissan group is omitted since no significant changes in the group and segmentation have occurred for the 1st half of fiscal year 2007.