Message from the CFO

Growing Yet Ready to Address Any Situation

Nissan wrapped up the first year of its mid-term business plan with solid performance across the board. The company is positioned well to continue pursuing the ambitious goals it set for itself in Nissan Power 88, and is looking forward to further growth in market share and profitability as the plan moves forward.

Joseph G. Peter Chief Financial Officer

What changes did Nissan implement in response to last year's disaster, and what did you learn?

Broadly speaking, we did not fundamentally shift our strategy, plans or business model as a result of last year's disasters. Frankly, our experience during these events validated our existing plans—for the most part, our responses were continuations of strategies, priorities and plans already in place.

In our localization strategy, for example, we have been working to better balance our manufacturing and sourcing footprint to our sales footprint since the start of the financial crisis in 2008. Our goals at that time were to reduce foreign currency volatility and cost. Today, we also see benefit in terms of reducing supply-chain risk arising from production interruptions. These strategies and initiatives are in various stages of implementation. In fiscal 2010, we began local production and sales of the V-platform global compact car in Thailand, India, China and Mexico, and in January 2011, we announced a plan to increase local production of fully built-up units from approximately 69% in 2010 to 85% by 2015 in the Americas. This includes production in Smyrna, Tennessee, of the new Infiniti JX and Nissan LEAF in 2012, as well as the production shift of the next-generation Rogue from Japan to Smyrna in 2013.

A second example relates to our focus on a strong balance sheet and sustained free cash flow generation. Our actions in recent years to prioritize free cash flow, eliminate automotive net debt and reduce reliance on short-term debt greatly helped us to handle last year's disasters. We now have a much stronger automotive balance sheet and liquidity position—we continue to benefit from this even today as we face renewed market volatility related to the euro-zone crisis.

Perhaps the key change we did make as a result of our experience during the disasters of 2011 was to modify our purchasing process to enhance business continuity plans at the parts level, particularly for critical components, and to mitigate certain supply concentration risks. These modifications, though, are more evolutionary *kaizen* changes rather than fundamental overhauls to our sourcing strategy.

How do you evaluate the first year of the mid-term plan?

The past year has certainly been challenging as we worked to overcome the impacts of the natural disasters in Japan and Thailand and the unrelenting strength of the yen. Notwithstanding the adverse environment, I think it is fair to say that Nissan had a solid start to Nissan Power 88, making progress in all of the key metrics of our business.

In fiscal 2011, Nissan's global sales reached 4,845,000 units, a 15.8% increase from fiscal 2010 and an all-time record. We achieved another record with full-year global market share of 6.4%, up 0.6 points year on year. Our positive sales performance continued to be geographically broad based as we enjoyed strong growth in many of the world markets.

Looking at the financial metrics, consolidated net revenues reached 9.4 trillion yen, up 7.2% from the previous year. Operating profit stood at 545.8 billion yen and our net income was 341.4 billion yen—both of these measures are above the fiscal 2010 levels despite the significant negative year-on-year impact of the strong yen. Additionally, we generated strong automotive free cash flow of 379.5 billion yen. As a result, we increased our automotive net cash position to 619.8 billion yen. These results are all the more striking when viewed in the context of the performance of the other significant Japanese automotive companies during the same timeframe.

What are the main areas of your focus to ensure success for the plan?

Primarily, I will continue to work with Nissan's leadership so that we can deliver exceptional results. Nissan Power 88 represents an opportunity to grow our business, both geographically and in terms of our products and technology. An important part of my job is making sure we have the capital for this growth, which requires investment in new products, factories, distribution networks and sales finance activities. In this regard, we will continue actions to sustain our free cash flow generation and to strengthen our balance sheet.

Additionally, I will work with the management team to drive the achievement of benchmark efficiency throughout our value chain. This involves close cooperation among Nissan's leadership and its teams to establish business models with clear objectives that will ensure that we meet our mid-term goals.

How do you balance growth in market share and operating margin?

From my perspective, our goals of 8% market share and 8% operating profit margin are not things to balance one against the other. When we pursue growth in sales volume or market share in the right way, our premise is that it will lead to improved profitability. At Nissan, we have a disciplined process in which investments are carefully scrutinized. We also have a robust business planning process in which we review our strategies and investments, as well as risks and opportunities, in the context of our changing business environment which allows us to identify parts of our plans that need increased focus and ways to improve them. In this way, we can react to changing business conditions in real time—a capability that has been successfully tested following the financial crisis touched off in 2008 and in the wake of the natural disasters of 2011.

What are your thoughts on shareholder value?

The strategies and objectives of our mid-term business plan are designed to significantly enhance shareholder value through business growth that drives higher revenue and profits as well as strong sustained free cash flow generation. In this way we will enhance enterprise value while at the same time maintaining a strong balance sheet and providing shareholders an attractive dividend.

Reflecting our confidence in the plan, and in spite of the current volatile and fragile global economic environment, in May this year (2012) we announced our intention to increase the fiscal 2012 dividend by 25% to 25 yen per share. Over the Nissan Power 88 period, we have targeted a minimum dividend payout ratio of 25% of net income, and we will continue to work to improve our credit rating and strengthen our balance sheet further. Under this policy and our current outlook for the Power 88 period, we project that the dividend per share will rise over the course of the mid-term plan.

Joseph G. Peter
Chief Financial Officer