MESSAGE FROM THE CFO

Joseph G. Peter
Chief Financial Officer

Nissan delivered another solid year of improvement in FY16 (12 month period to March 31, 2017). For the year, Nissan generated operating profit of 742.2 billion yen on net revenues of 11.72 trillion yen (under the equity accounting basis for our joint venture in China). These results were delivered despite challenging foreign exchange conditions and slowing unit sales in some regions, particularly in emerging markets.

While the reported results for Revenue and Operating Profit are below the prior year's actuals, the shortfall is completely explained by the substantial negative year-over-year FX impacts, which were not offset entirely by solidly improved underlying operational performance driven by the combination of growing unit sales and continued efficiencies on the cost side of the business.

Specifically on the sales front, our global unit sales grew 3.7% reaching 5.63 million units, up from 5.42 million in the previous year and establishing a new all-time record. Our performance reflected particularly healthy unit sales in the second half of the fiscal year, when we sold more than 3 million units. Of the key markets in which we operate, Nissan saw solid growth in North America, and especially the US where unit sales rose 4.2% to 1.58 million units, equivalent to a market share of 9%. We saw healthy growth in Europe, excluding Russia, as unit sales rose by 7.2% to 683,000 vehicles. And in China, where our results are measured on a calendar year basis, unit sales increased 8.4% to more than 1.35 million units, representing a market share of 5%. Encouragingly, we also saw signs of improvement in Japan in the second half of the fiscal year, where we increased our market share in registered cars to 14%. Growth in these areas helped offset volatile conditions in emerging markets.

We also maintained our intense focus on driving cost efficiency through our entire value chain. For FY16, these improvements coupled with our sales growth lifted our year-over-year operating profit by 230.8 billion yen – or 29.1% - to 1.024 trillion yen. This, however, was not enough to entirely offset the foreign exchange effects on our business, which had negative impact of 281.9 billion yen.

Net Income for the year set a new record: rising 26.7% to 663.5 billion yen. This was partly driven by the gain we realized from the sale of Nissan's interests in Calsonic Kansei during the fiscal year. Nissan also generated automotive free cash flow of 677.1 billion yen and continued to strengthen the balance sheet, ending the year with a net cash position of 1.64 trillion yen for our automotive business.

On a management pro-forma basis which includes the proportional consolidation of our Chinese joint venture – consistent with the methodology used in developing the Nissan Power 88 Mid-term Plan objectives – FY16 operating profit reached 882.4 billion yen on revenues of 12.84 trillion yen. Looking at FY16 results on a constant currency basis – i.e., removing the year-over-year adverse impact of foreign exchange changes – operating profit would have risen to 1.19 trillion yen resulting in an Operating Profit margin of 8.3% – this would have met the margin target under the Nissan Power 88 plan.

For the current FY17 fiscal year, we expect another year of steady growth with Nissan unit sales projected to rise by 3.6% to 5.83 million units. While we anticipate rising sales in all regions, our growth will be primarily driven by China, North America and Japan. Overall, we expect Nissan to achieve a global market share of 6.2%.

At the financial level, we are forecasting net revenues of 11.8 trillion yen for the 12 months ending March 31, 2018. Operating profit is projected to reach 685 billion yen – representing a margin of 5.8% – after taking into account continued currency headwinds and increased investments in new technologies, research and product development. Net income is expected to reach 535 billion yen.

Based on our outlook of continued solid profitability and free cash flow generation, Nissan is maintaining a progressive dividend policy and we are forecasting a 5 yen increase in the FY17 full-year dividend to 53 yen per share. This represents a 10.4% increase on the fiscal 2016 dividend. At this forecast level, the annual dividend will have more than doubled since the start of our Nissan Power 88 mid-term plan six years ago. Furthermore, we completed the buyback of 300 million shares in fiscal 2016. This combined with our dividend growth reflects our continued policy of delivering attractive returns for our shareholders.

In summary, Nissan has emerged at the end of the Power 88 mid-term plan as a stronger and more profitable company than when we started. Our products, technologies, operating efficiency and financial discipline position us well to continue to profitably grow the company and to provide attractive shareholder returns as we meet the challenges ahead.

Joseph G. Peter
Chief Financial Officer