

MESSAGE FROM THE CFO



Hiroshi Karube
Chief Financial Officer

Improving governance

Please allow me to express my sincere regret for any concerns that our governance issues may have caused you. Nissan has started anew under an enhanced corporate governance structure, following the adoption of a three-statutory-committee system and the appointment of a new board, of which the majority are independent outside directors from diverse backgrounds. To restore our shareholders' confidence, we must revive our business and increase corporate value through sustainable profitable growth.

As CFO, I'm committed to contributing to Nissan's revival by increasing its corporate value through robust internal controls, compliance with financial reporting standards and appropriate timely disclosures, while sharing your feedback with the Board of Directors and executive officers.

Fiscal year 2018 review

Fiscal year 2018 was challenging for Nissan. The consolidated operating profit of 318.2 billion yen was negatively impacted by declining sales and other external factors, including foreign exchange volatility, rising commodity prices and higher regulatory costs. Our sales increased mainly in Japan and China but decreased in the U.S. and Europe, due to an aging portfolio, efforts to normalize sales, and increasingly stringent environmental regulations. As a result, total sales fell 4.4% to 5.52 million vehicles.

Challenges and next steps

Nissan faces several challenges:

- The company took the first step to improve its corporate governance by adopting a three-statutory-committee system. We must ensure the new governance structure functions and develops into a more effective system.
- We must stem the decline in profitability and transform the company into an organization that's able to generate sufficient profit and free cash flow on a sustainable basis.
- We must ensure stable performance and solid shareholder returns.

Nissan is undertaking the New Nissan Transformation program, consisting of three pillars: governance transformation, organizational transformation and business transformation. As for business transformation, the company is focused on improving its operating profit margin to 6%-plus by fiscal year 2022, through the recovery of U.S. operations, operational and investment efficiency improvement, and steady growth through new models, new technologies and Nissan Intelligent Mobility.

Nissan is strictly managing costs, such as fixed costs and incentives. At the same time, we're increasing investment in R&D to hone our strength in technological excellence, including electrification and autonomous driving technologies, so that we can develop attractive products and adapt to the changing automotive landscape. The finance team is committed to supporting the organization's sustainable growth.

Financial strategy and shareholder return

Nissan's objective is to finance sufficiently our R&D efforts, capital investments and sales finance operations while maintaining optimal liquidity and a healthy balance sheet. We ended the year with a solid automotive net cash position of 1.6 trillion yen. Although free cash flow decreased due to lower profit and increased investment, we expect free cash flow to increase as profit improves.

Nissan intends to maintain a stable dividend, while considering various factors including the level of cash on hand, actual results, projected profits and free cash flow, and necessary investments for the future. For fiscal year 2019, we forecast a full-year dividend of 40 yen per share. Nissan is implementing the business transformation plan to revive its business as soon as possible, so that the company can deliver an attractive shareholder return.

ESG initiatives

Recently, Nissan's ESG (environmental, social, governance) initiatives are attracting attention. The company developed the Nissan Sustainability 2022 strategy in fiscal year 2018. Our chief sustainability officer is driving the implementation of this strategy.

In June 2019, Nissan expressed its support for the Task Force on Climate-Related Financial Disclosures. There are many challenges in disclosing our financial impact from climate change.

However, we aim to promote disclosures after internal analysis and discussions. In addition to traditional financial information, Nissan is taking on the new challenge of communicating nonfinancial information to our investors. We strive to promote a deeper understanding of the company's mid- and long-term efforts to increase corporate value.

We are implementing the new corporate governance structure and focusing on the recovery of our business in order to increase corporate value through sustainable profitable growth. Thank you for your ongoing support and patronage.



Hiroshi Karube
Chief Financial Officer