NISSAN
MOTOR CORPORATION

Analyst Session for FY25 Financial Results

Q&A

Date/Time : May 13, 2026, 19:00-20:00

Speakers :

Ivan Espinosa, Representative Executive Officer, President & CEO

George Leondis, Executive Officer, CFO

Questions and Answers

Question 1:
To what extent are the impacts of the Middle East situation, as well as fixed and variable cost reductions, incorporated in the FY2026 outlook? In addition, what are the key risks and opportunities associated with the ¥200 billion operating profit target?

Answer1:
Espinosa

Regarding the impact of the Middle East situation, we have factored in an estimated impact of approximately 19,000 units and ¥15 billion in the first half of FY2026.

To mitigate these impacts, we have secured alternative vehicle shipping routes, which were already utilized in FY2025. As a result, the overall impact on FY2026 is expected to remain limited. We believe there is potential to reduce the impact further below the current assumption by continuing to utilize these alternative routes. In addition, we are redirecting vehicles originally intended for the Middle East to other markets. For example, models such as Patrol and QX80 produced at the Kyushu plant can be sold in markets such as North America without major specification changes.

Regarding fixed costs, we have already achieved approximately ¥200 billion of our ¥250 billion reduction target for FY2026 and will continue efforts to reach the full target, with potential for further improvements.

As for variable costs, we achieved ¥55 billion in reductions in FY2025 through cross-functional initiatives. The benefits of measures such as reduced use of precious metals and optimized material consumption are expected to materialize from the second half of FY2026, in line with model-year changes and design updates.

Leondis
If crude oil prices rise due to geopolitical developments in the Middle East, this could have broader macroeconomic implications, making the scale of the impact difficult to predict. We recognize this as a key risk.

On the other hand, we assume an exchange rate of ¥150 per USD for the full year, and depending on market conditions, foreign exchange could provide upside potential.

Additionally, depending on the outcome of legal proceedings regarding tariffs in the United States, there is a possibility of receiving tariff refunds, which could contribute positively to both earnings and cash flow.

Question 2

Given the competitive environment, your FY2026 plan assumes both volume growth and positive price effects. Could you provide more details on the drivers of sales performance?

Answer2:

Espinosa

In China, while sales were weak in the first half of FY2025, volumes increased by approximately 4.5% year-on-year in the second half. In the first quarter of FY2026, we achieved over 7% year-on-year growth, supported by new energy vehicle launches and market-specific strategies.

In Japan, marketing activities have been effective, and dealer traffic has recovered to slightly above FY2024 levels. However, conversion rates have not yet fully recovered. To address this, we will continue to focus on rebuilding customer trust and increasing test-drive opportunities to better communicate product value.

In North America, we expect retail sales volume in FY2026 to remain broadly flat year-on-year. However, underlying retail demand is improving. We are shifting away from less profitable fleet sales toward retail sales, which offer higher repeat purchase rates and lower selling costs. In addition, financial services utilization by retail customers is expected to contribute to future profitability.

In Europe, while FY2025 was challenging due to weak demand and increasing competition from Chinese OEMs, FY2026 is expected to benefit from the full-year contribution of new models, including the third-generation e-POWER Qashqai and the Micra EV.

Through steady execution of our initiatives, we believe that achieving global sales volume at the FY2024 level of 3.34 million units remains attainable.

Question 3

Despite a reduction in production capacity to 2.5 million units and an expected improvement in utilization rates, operating margin in FY2026 is projected to remain at 1.5%. Could you explain the background and longer-term improvement measures?

Answer３

Espinosa

We have set a target to reduce production capacity by 1 million units outside China. By consolidating six out of seven plants within FY2026, we expect utilization rates to improve to approximately 80%. The remaining Oppama plant is planned for consolidation in the following year, which is expected to further improve utilization rates from FY2027 onward.

Question 4

Could you elaborate on the factors driving the gap between operating profit of ¥200 billion and net income of ¥20 billion in FY2026, and provide your outlook for net income and dividends beyond FY2027?

Answer 4

Leondis

Our fundamental approach is to ensure that net income remains positive in FY2026 and that losses do not continue.

The primary driver of the gap between operating profit and net income is increased financing costs, reflecting the full-year impact of bond issuances conducted in mid-2025.

In addition, we have incorporated approximately ¥70 billion in potential project costs related to Re:Nissan, providing a prudent buffer. While no large-scale restructuring is currently planned, certain costs—such as production line integration at the Sunderland plant—are included.

Regarding free cash flow, we expect improvement year-on-year in FY2026, although achieving positive free cash flow is not currently assumed. Excluding tariff impacts, however, we expect to reach positive territory.

Our dividend policy requires achieving a net cash position of at least ¥1 trillion, as well as positive operating profit, net income, and free cash flow. As such, no dividend is planned for FY2025, and we are not in a position to propose dividends for FY2026 at this stage.

However, we remain committed to returning value to shareholders once these conditions are met.

Question 5

Could you elaborate on the sales performance and market reception of third-generation e-POWER vehicles in Europe during FY2025? In addition, what is your outlook for future sales?

Answer 5

Espinosa

Feedback on third-generation e-POWER has been broadly positive, not only in Europe but also from test drive events conducted for media in Japan and the United States. In addition to improved fuel efficiency, the vehicles have been highly evaluated for their quietness and refined driving experience.

While there were temporary constraints in supply during FY2025, these issues have now been resolved, and a stable supply system has been established.

Based on this, we expect third-generation e-POWER to gain solid acceptance in the European market going forward. In addition, we are confident that the Rogue equipped with third-generation e-POWER, scheduled for launch in North America this summer, will generate strong demand.

Question 6
Does the estimated ¥85 billion impact from raw material costs fully incorporate the effects of rising prices?

Answer 6
Leondis
We have incorporated the impact of rising raw material prices due to geopolitical risks, including the situation in the Middle East, into our FY2026 outlook to the best extent possible. Specifically, we have reflected recent spot price trends over the past two months for key materials such as aluminum, crude oil, copper, and precious metals.

However, if the situation in the Middle East becomes prolonged, there could be additional upward pressure on raw material prices. The duration of these developments and their impact on commodity prices will be key factors to monitor going forward, particularly over the next several months and into the second half of the fiscal year.

On the other hand, from an overall profitability perspective, there is potential upside from factors such as possible tariff refunds in the United States, depending on legal outcomes. In addition, we are implementing measures to mitigate cost increases, including optimizing parts sourcing and considering price adjustments where appropriate. These initiatives are expected to help absorb a portion of the cost increases.

Question 7
Is the FY2026 operating profit target of ¥200 billion conservative? In addition, could you elaborate on the expected earnings profile between the first and second half of the fiscal year?

Answer 7
Espinosa
In FY2025, given the high level of uncertainty, including tariff-related factors, we provided guidance on a quarterly basis. Many of our peers also refrained from providing full-year guidance at the first-half stage under similar conditions.

For FY2026, the visibility of the business environment has improved, and we believe that the ¥200 billion operating profit target is achievable with a reasonable degree of confidence.

Leondis
Our full-year outlook assumes a gradual improvement in performance on a quarterly basis. In particular, we expect a stronger contribution in the second half, driven by new model launches. In addition, the benefits of ongoing variable cost reduction initiatives will increasingly materialize as they are applied to new models. As a result, we expect a more pronounced improvement in profitability in the second half, supported by both product-driven and cost-driven factors.

Question 8
Given the current U.S. market environment, it may be challenging to increase sales volume while reducing incentives. What strategies will you implement to drive volume growth?

Answer 8
Espinosa
Incentives in the U.S. have increased recently, primarily due to two factors.

First, the delayed introduction of hybrid models required the use of incentives to maintain demand. However, in FY2026, we plan to launch e-POWER models in our key product, the Rogue, which is expected to allow us to reduce incentive levels.

Second, we have been optimizing our dealer incentive program, “Nissan One,” which links incentives to dealer performance. Since last year, dealer engagement has improved, contributing to stronger sales performance, particularly in retail sales. Going forward, we will further refine the program, including its reward structure, to enhance efficiency.

Leondis
In addition, we will continue to implement disciplined sales policies in line with market conditions, optimizing costs while appropriately managing pricing actions to improve profitability.

From a strategic perspective, we are focusing on maximizing profit per unit by prioritizing higher-margin models and higher-grade variants. We are also actively promoting locally produced vehicles, which are less affected by tariffs.

At the same time, we are reducing less profitable fleet sales and shifting toward retail sales to optimize overall profitability. We are also strengthening value capture within the Group through financing and aftersales services.

Furthermore, we aim to maintain and enhance profitability by executing model-year transitions as planned and controlling inventory levels.

From a mix perspective, the recent temporary slowdown in EV demand has increased the relative share of higher-margin models, which is expected to support profitability.

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