Analyst Session for FY26 First Quarter Financial Results Q&A

Date/Time： August 3, 2026, 19:00-20:00

Speakers：

Ivan Espinosa, Representative Executive Officer, President & CEO

George Leondis, Executive Officer, CFO

Questions and Answers

Question 1:

Regarding the full-year operating profit guidance of JPY200 billion on page 13, it appears that one-off tariff benefits and forex are significant contributors. Excluding these factors, what are the key drivers supporting the guidance, how have assumptions changed from the initial outlook, and what upside do you expect from underlying business performance, particularly in the U.S. market?

Answer 1:

Espinosa

It may be helpful to refer to the Q1 year-on-year profit variance waterfall chart on page 9. Excluding the foreign exchange impact of JPY35 billion and one-time items of JPY32 billion, we saw an underlying year-on-year improvement of approximately JPY90 billion.

This improvement reflects the structural transformation of the company and progress in improving our cost structure. We continue to see contributions from our Monozukuri initiatives and sales performance, and we will continue driving improvements in both areas.

Leondis:

On foreign exchange, we have partial hedging in place, primarily covering vehicles exported from Japan and our aftersales business. As long as exchange rates remain around or above the assumptions in our forecast, foreign exchange could provide some support.

More importantly, we continue to identify opportunities that were not fully reflected in our initial outlook. For example, under current U.S. regulations, we are able to claim tariff rebates on the U.S.-content portion of vehicles imported from Mexico, including the Kicks and Sentra. While first quarter one-time adjustments include benefits from the previous year, we are also working to capture ongoing run-rate benefits that could continue to support earnings going forward.

In addition, we continue to pursue fixed-cost optimization and efficiencies in procured services, which provide further opportunities for improvement. We're not just relying on forex.

Regarding raw materials, based on our analysis of recent commodity and energy price trends, we estimate a potential risk of approximately JPY60 billion to JPY70 billion. We closely monitor market conditions and pricing actions across segments and regions.

For the Middle East, our current outlook assumes an impact of approximately 18,000 units and JPY20 billion for the first half of this fiscal year. While the demand environment remains resilient, particularly for higher-end vehicles, logistics costs have increased due to tighter shipping capacity. At the same time, some vehicles originally intended for the Middle East have been redirected to other markets, including the U.S., where demand remains strong.

Taken together, these factors suggest that there are several potential sources of improvement beyond foreign exchange, and we continue to evaluate opportunities to strengthen performance as the year progresses.

Question 2:
On page 27, the U.S. sales mix and incentive pricing appear to have made a significant positive contribution in the first quarter. What drove this performance, and is it sustainable going forward?

Answer 2:
Leondis
In the U.S., favorable volume and sales mix contributed to first-quarter performance, supported by a strategic focus on locally produced core models such as the Rogue, Pathfinder, and Frontier. Strong sales of imported models, including the Armada and Infiniti QX80, also contributed to results. Sales activities and marketing efforts were concentrated on these key models, while dealer programs were aligned to prioritize vehicles with lower tariff exposure. As a result, U.S. sales increased 9.6% year over year.

Pricing also made a positive contribution. A portion of the sales performance improvement shown on page 27 was driven by pricing actions in the U.S., along with benefits from incentive program improvements. Adjustments made during the second half of the previous fiscal year have improved the effectiveness of dealer incentives while helping to optimize costs, without negatively affecting dealer motivation or profitability.

Espinosa:

Looking ahead, Nissan plans to launch the Rogue e-POWER hybrid in the U.S. later this fiscal year. This is expected to further support sales performance and profitability. Demand for hybrid vehicles continues to grow in the U.S. market, and the introduction of the Rogue e-POWER will enable Nissan to better address this demand while reducing the need for customer retention incentives. As a result, the company expects a positive impact on both sales volume and incentive efficiency following the launch of the model.

Question 3:

On page 31, automotive free cash flow improved by more than JPY100 billion year on year after adjusting for one-time items. Could you explain these one-time items and the factors supporting your confidence in achieving positive automotive free cash flow for the full year?

Answer 3:

Leondis

Improving automotive free cash flow is one of our top management priorities, and we continue to target positive automotive free cash flow for the full year, excluding the impact of tariffs.

The reference to year-on-year improvement of more than JPY100 billion includes the adjustment for a 50B one-time asset sales recorded in the first quarter of last year. Reported automotive free cash flow in Q1 FY25 was negative JPY390 billion, including the mentioned JPY50 billion from asset sales in the United States. Excluding that benefit, automotive free cash flow would have been negative around JPY440 billion. In comparison, Q1 FY26 automotive free cash flow was negative JPY323 billion, with no comparable asset sales. On that basis, free cash flow improved by approximately JPY120 billion year on year.

We are also seeing improvements in the underlying quality of earnings and cash generation. Net cash inflow from profit-and-loss items was approximately JPY75 billion, compared with a loss of more than JPY100 billion in the prior year period.

Looking ahead, we expect automotive free cash flow to improve throughout the remainder of the year, supported by ongoing variable cost reductions, model-year changes, and increased sales volumes in the second half. New model launches in Japan and Europe, as well as the introduction of the Rogue e-POWER hybrid in the United States, are expected to contribute to both profitability and cash generation.

While the first quarter is typically the weakest period of the year for cash flow, we believe the improvements in profitability and business performance provide a foundation for stronger free cash flow in the remainder of the fiscal year.

Question 4:

What are your expectations for demand and sales performance in North America going forward? In addition, the new Rogue is an important model for Nissan, but some competitors have reported lower-than-expected margins on hybrid vehicles. Given that the Rogue e-POWER hybrid will initially be supplied from Japan, what are your expectations for its contribution in terms of volume, profitability, and overall business performance?

Answer 4:

Espinosa

Nissan remains encouraged by the performance of its vehicle portfolio in North America. However, given the continued uncertainty in the market environment, the company has adopted a prudent approach to its sales outlook. At the same time, management recognizes potential upside should current market conditions and sales trends continue. Upcoming model-year changes, together with ongoing pricing initiatives, are also expected to support business performance going forward.

The Rogue e-POWER hybrid is expected to contribute through both incremental sales volume and sustainable profitability. The company believes there is a meaningful customer segment in the U.S. market that prefers hybrid vehicles and is not fully addressed by Nissan's current product lineup. The introduction of the Rogue e-POWER is therefore expected to expand Nissan's addressable market and drive incremental demand.

From a profitability perspective, while hybrid vehicles may entail higher production costs than comparable ICE models, Nissan expects improved incentive efficiency following the launch. As a result, the company anticipates that the Rogue e-POWER will achieve margins comparable to those of the current Rogue. By combining incremental volume growth with healthy margins, the company expects the model to make a positive contribution to overall profitability.

End