

Business and Other Risks

Information on risks involved in business operations has been disclosed in the Yukashoken-Hokokusho for the year ended March 31, 2010, as follows. Any future forecasts included in the following descriptions are based on the estimates or judgment of Nissan as of June 30, 2010.

1. Rapid changes in the global economy and economic climate

(1) Economic factors

The demand for products and services provided by the Group is strongly affected by the economic conditions in each country or market in which they are offered for sale. Although the Group strives to predict change in economic climate and demands precisely and to take necessary measures in the major markets like Japan, the Americas, Europe and Asia, in case of greater-than-anticipated downturn such as global economic crisis it could have a significant effect on the Group's financial position and business performance.

(2) Situation regarding resources and energy

The demand for products and services provided by the Group largely varies depending on rapid changes in the situation surrounding various resources and energy as represented by the hike of crude oil prices. Any greater-than-anticipated fluctuations in such resources or the energy situation could have a significant effect on the Group's financial position and results of operations due to a deterioration in operating performance and/or opportunity loss.

2. Rapid changes and moves in the automotive market

The automobile industry is currently experiencing intensified market competition worldwide. To win given such intense competition, the Group maximizes its efforts in all aspects of technology development, product development and marketing strategy to timely provide products that address customer needs.

Nevertheless, the failure to timely address customer needs or improper responses to environmental and/or market changes could have a significant effect on the Group's financial position and business performance.

For example, any specific issues related to resources, energy or environment could cause a sharp decline in demand or an unbalanced preference for certain products. Moreover, demand might decrease or change due to the progress of negative factors such as a decline in population, the aging society and a dwindling birthrate in a mature market, whereas demand might considerably increase in emerging markets. These changes or trends might generate favorable results for the Group with a rise in business opportunities but could result in an adverse effect on the Group's financial position and results of operations due to an excessive dependency on certain products and/or regions unless appropriate forward-looking steps are undertaken.

3. Risks related to the financial market

(1) Fluctuation in foreign currency exchange rates

The Group's products, finished cars, are produced in 18 countries and regions, and are sold in more than 160 countries. Along with the extended production and sales activities, the Group's procurement activities for raw materials, parts/components and services are conducted in many countries.

As the consolidated financial statements of the Group are calculated and presented in Japanese yen, the appreciation of the yen against other currencies adversely affects the Group's financial results of operations, in general. In contrast, the depreciation of the yen against other currencies favorably affects the Group's financial results of operations. Any sharp appreciation of the currencies of countries where the Group manufactures vehicles against the yen could lead to increases in both procurement and production costs that would adversely affect the Group's competitiveness.

(2) Hedging of currency and interest rate risks

The rise in market interest rates and/or in the cost of capital procurement due to the Company's decreased rating by credit rating agencies could have a significant effect on the Group's financial position and business performance.

The Group may utilize derivative transactions for the purpose of hedging its exposure to risks such as fluctuations in the foreign exchange rates of its receivables and payables denominated in foreign currencies, the interest rates of interest-bearing debt and fluctuations in commodity prices. Although the Group can hedge against these risks by using derivatives transactions, the Group might miss potential gains that could result from seizing the market opportunities to profit from such fluctuation in exchange rates and interest rates. In addition, the Group manages its exposure to credit risk by limiting its counterparties to financial institutions with high credit ratings. However, a default by any one of these counterparties could have an adverse effect on the Group's financial position and business performance.

(3) Liquidity risk

The Company endeavors to raise funds from appropriate sources with measures such as an accumulation of net cash, the conclusion of loan commitment agreements and the diversification of funding sources and geographies for fund-raising by formulating relevant internal rules so that the Group can ensure an appropriate level of liquidity even if any environmental change beyond expectations occurs in the financial market. However, this factor could entail a greater-than-anticipated level of risk that might hinder the smooth execution of the initially planned financing, thereby having a significant effect on the Group's financial position and business performance.

(4) Sales financing business risk

Sales financing is an integral part of the Group's business. The Global Sales Financing Business Unit was established at the Company. This dedicated internal department provides strong support to automotive sales while maintaining high profitability and a sound and stable financial condition through strict risk management policies. However, sales financing companies inevitably have high exposure to interest-rate risk, residual value risk and credit risk. Accordingly, these risk factors could entail a greater-than-anticipated level of risk, which could adversely affect the Group's financial position and business performance.

(5) Counterparty credit risk

The Group does business with a variety of local counterparties including suppliers and sales companies in different regions around the world. The Group manages its own counterparty credit risk by conducting a comprehensive annual assessment of suppliers' financial condition based on their financial information. Nonetheless, should unprecedented conditions such as bankruptcies be triggered by a global economic crisis, the resulting production interruption and/or troubles in any other production activity at the procurement side and any significant default by a counterparty at the sales side would adversely affect the Group's financial position and business performance.

(6) Employee retirement benefit expenses and obligations

The amounts of retirement benefit obligation and related expenses of the Group, which are provided for retirement benefits of employees of the Group companies, are calculated using various actuarial assumptions including the discount rate applied, the projected rate of return on plan assets and other factors. If the Group's actual results differ from those assumptions or if any of the assumptions change, the resulting effects will be accumulated and recognized systematically over future periods. The cumulative effect could adversely affect the recognition of expenses and liabilities recorded in future periods.

4. Risks related to business strategies and maintenance of competitive edge

(1) Risks involved in international activities and overseas expansion

The Group's products, finished cars, are produced in 18 countries and regions, and are sold in more than 160 countries. The Group studies the extension of its global manufacturing and marketing activities in other countries and regions. The Group forecasts and sufficiently evaluates a wide variety of risks inherent in conducting business in overseas markets including the factors noted below. Nevertheless, each of these factors could entail a greater-than-anticipated level of risk at any place in our overseas presence without achieving the planned rate of capacity utilization and/or profitability, which could have significant effects on the Group's financial position and business performance.

- Unfavorable political or economic factors
- Legal or regulatory changes
- Changes in corporate income tax, customs duties and/or other tax system
- Labor disputes including strikes
- Difficulties in recruiting and retaining talented human resources
- Social turmoil due to terrorism, war, coup, epidemic disease or other destabilizing factors

(2) Research and development

The Group's technology must be useful, pragmatic and user friendly. To this end, the Group anticipates the nature and scope of the market demand and then prioritizes and invests in the development of new technologies. However, any sudden and greater-than-anticipated changes in its business environment or in customer preferences could impact negatively on customer acceptance of these new technologies, which could have a significant effect on the Group's business performance.

(3) Collaboration with other corporations

The Group may collaborate with other corporations that have excellent technologies to effectively acquire higher competitiveness within the short term. However, the anticipated results might not be achieved depending on the market environment of the business field concerned and/or changes in technological trends, which could adversely affect the Group's business performance.

(4) Quality of products and services

To provide products and services of superior quality, the Group endeavors to ensure and enhance maximum quality through detailed management systems from the standpoint of research and development, manufacturing and services. However, the adoption of new technology to propose higher added value might cause unexpected quality issues after sales of a product start even if it has been repeatedly tested prior to its launch with maximum care. Although the Group has insurance policies to assure the source of funding product liability claims, this does not necessarily mean that all damages are fully covered. If the Group were to implement significant recalls in volume and amount for the benefit of customers' safety, the Group would incur significant additional expenses that could adversely affect its financial position and business performance.

(5) Environmental and safety-related restrictions and corporate social responsibility (CSR)

The automobile industry worldwide is influenced by a broad spectrum of regulations governing the emission levels of exhaust fumes, fuel economy guidelines, noise level limitations, recycling-related restrictions and safety standards. These regulations have become increasingly stringent. Indeed, compliance with such regulations is obvious to industrial corporations, and it is becoming common to comply with autonomous guidelines and stricter objectives are required in an increasing number of fields as part of CSR. The burden of ongoing development and investments has been increasing to ensure and/or maintain an advantageous position against competitors. As a consequence, a further rise in these costs could have an impact on the Group's financial position and business performance.

(6) Critical lawsuits and claims

It is possible that the Group could encounter claims or lawsuits with counterparties and/or third parties in the course of conducting business. With respect to various lawsuits and claims that the Company and the Group might encounter, the possibility exists that the Company's opinions will not be accepted and that the outcome may be significantly different from that anticipated. As a result, any such judgment verdict or settlement could adversely affect the Group's financial position and business performance.

(7) Intellectual property rights

The Group owns a wide variety of proprietary technologies and has the expertise to differentiate the Group's products, making them unique from those of its competitors. These assets have proven their value in the growth of the Group's business and will continue to be of value in the future. The Group strives to protect its intellectual property assets. However, in certain markets, the Group may encounter difficulty in fully protecting the proprietary rights to its own technologies.

The Company established the Intellectual Property Rights Management Department to protect intellectual property rights in such markets, strengthen activities to protect Nissan's intellectual property rights, accumulate new intellectual property rights and perform various activities to protect and create the brands. However, cases may arise where the Group finds itself unable to prohibit others from abusing or infringing on its intellectual property rights by imitating and manufacturing similar vehicles.

(8) Recruitment and retaining of talented human resources

The Company considers human resources to be the most important corporate assets. The Company therefore focuses its efforts on enhancing the development of human resources and implementing fairer and more transparent performance evaluation systems. However, industrial competition to secure talented people is intense. Should appropriate recruitment and/or retaining of such desirable human resources not go according to plan, such an unsuccessful personnel development strategy could adversely affect and reduce the competitiveness of the Group on a long-term basis.

(9) Compliance and reputation

The Group always takes appropriate preventive measures and conducts regular audits with regard to compliance of laws and regulations including necessary information security measures for the protection of personal and confidential information. Furthermore, the Group has strived to streamline the relevant systems to rapidly cope with any possible detection of compliance-related incidents to prevent their adverse effects on trust in and/or the reputation of the Company. Nevertheless, in view of increasing expectations relative to CSR in contemporary society, delayed, insufficient and/or improper responses to compliance-related issues could adversely affect the confidence and/or reputation of the Group, thereby adversely affecting the Group's results of operations through, for example, a possible decline in sales resulting from a damaged reputation.

5. Continuation of business

(1) Large-scale natural disasters

The Group's corporate headquarters and many of its manufacturing facilities are located in Japan, where the statistically proven probability of earthquakes is higher than in many other countries. The Group has developed risk management guidelines relating to earthquake damage, and has organized a global task force (headed by the COO) to direct disaster prevention and recovery activities. In addition, the Group has been strengthening its manufacturing facilities with antiseismic reinforcement. However, if a severe earthquake were to hit one of the Group's key facilities causing a halt in production, this would adversely affect the Group's financial position and results of operations.

The Group addresses preventive measures and the improvement of emergency response systems to prepare for risks other than earthquakes, including fires, typhoons and epidemics of new types of influenza. Nevertheless, if any of these risk factors occurs or spreads on an unprecedented scale, such risk could adversely affect the Group's financial position and business performance.

(2) Purchase of raw materials and parts

The Group purchases raw materials, parts/components and services from many suppliers by reason of its business structure. In recent years, the use of rare metals, of which production volume is extremely small and production mines are limited to several restricted areas of a few countries, has been increasing, in association with the implementation of new technologies. The unpredictable fluctuation of market conditions resulting from a drastic change in the supply-demand balance or a radical change in the political situation of a production country could entail a greater-than-anticipated level of risk in the stable procurement of necessary raw materials, parts/components or services on an ongoing basis, which could adversely affect the Group's financial position and business performance.

(3) Dependency on specific suppliers

If procurement of higher technology or higher quality is pursued at more competitive pricing, actual orders might sometimes concentrate on only one or a small limited number of suppliers. In such cases, a possible suspension of supply due to any unforeseen accident or any other reason could lead to the forced suspension of the Nissan Group's production plants, thereby adversely affecting the Group's financial position and business performance.

(4) Computer information system

Almost all the Group's business activities are supported by computerized information systems. As information systems have become increasingly complicated and sophisticated, the Group takes a variety of measures to ensure security and improve their reliability. However, any possible shutdown of overall systems due to the occurrence of any greater-than-anticipated disaster or by the intrusion of a wrongful computer virus would make it difficult for the Company to continue operations, thereby adversely affecting the Group's financial position and business performance.

Third-Party Evaluation

A company's sustainability report should go beyond simply providing information on its undertakings in the area of corporate social responsibility. It should also be a means of expressing the company's commitment to realizing its corporate vision. It is from this perspective that I offer my evaluation of Nissan's Sustainability Report.

Positive aspects of the report

Nissan is to be commended for clearly stating the goals it aims to achieve, for the emphasis it places on making CSR concepts a part of its management, and for pursuing CSR activities worldwide. In his interview, CEO Carlos Ghosn notes that "CSR is foremost in the minds of the leaders of the company." Nissan's decision to reorganize its management of CSR issues has sent a clear signal throughout the company and to external observers, and is a demonstration of its leaders' commitment in this area.

Nissan is pursuing CSR-related measures by defining eight key areas of focus based on its overall CSR policy. Within each of these areas it sets goals and carries out activities to achieve them. With its CSR scorecard, a tool for managing progress in each area, the company tracks and evaluates its own actions, posting them for review alongside its targets for the next fiscal year and its long-term vision. It is clear that Nissan is successfully adhering to the PDCA (plan, do, check and act) cycle in taking a coherent approach to all its CSR areas.

This report contains messages from the "owners" of each key area of focus. These provide fascinating insight into the direction Nissan takes in its efforts, as well as the aspirations of its employees for the future.

With respect to environmental issues, Nissan is not just developing and manufacturing zero-emission vehicles. It is also working together with national and local governments, as well as with other firms, to create the infrastructure needed to promote wider use of these vehicles. In the area of safety, the report is noteworthy for its presentation of Nissan's "triple-layered approach" that addresses vehicles, individuals and society, as well as its development of technologies aimed at the realization of "collision-free cars."

In the "employees" section of this report, Nissan makes the clear case that it positions diversity as a key business strategy and as a direct contributing factor to the company's competitiveness. The various activities undertaken in this connection are characteristic of Nissan.

Finally, the message from the chief of Nissan's Global Disaster Control Headquarters and the accompanying information on what the entire Nissan Group has done to respond swiftly to the Great East Japan Earthquake—both its relief activities in the stricken regions and its efforts to get affected production sites back online—were impressive examples of the company's CSR approach.

Issues to address in future editions

In order to further promote CSR activities in all eight areas of focus on a global scale, Nissan will need all its employees—the people who actually carry out these activities—to share an understanding of the company's vision and CSR direction. It will not be easy to ensure that this information reaches every single one of these workers, who number 150,000 on a consolidated worldwide basis. While Nissan works on educational activities in this area, it will need also to carry out regular checks to gauge how deeply and broadly its CSR consciousness is penetrating the organization. Ideally, reports on the progress made in this area will be paired with more extensive coverage of the faces and views of Nissan's employees all around the world.

In regions other than Japan, Nissan will need to carry out activities attuned to the conditions in each area—an approach that will benefit the company in terms of risk management as well. Ideally, this report will contain information on the issues faced and measures implemented in these countries and regions. In particular, I hope to see reporting on activities in China, where Nissan sold more than 1 million units in fiscal 2010, making it the company's largest market in the world.



One Akiyama

President
Integrex Inc.

With respect to the environment, the company is to be commended for implementing its Nissan Green Program 2010 according to plan. At the same time, it is to be hoped that Nissan will put together a concrete plan to cover the next five or 10 years and continue its environmental activities on an ongoing basis.

Looking toward the future

The Great East Japan Earthquake that struck on March 11 this year has given even more importance to the ties between corporations and society and to companies as social actors. It is now vital that companies come together with other entities in society—individuals, communities and other companies—pooling their abilities and working alongside one another. I believe this is the very essence of *ichien yugo*, a concept proposed by the Japanese philosopher Ninomiya Sontoku (1787–1856), who stated: “It is only when all beings work together as one that they can achieve true results.”

The rapid global growth of the automobile society brings with it serious issues in terms of energy and the environment. We are now at a historic juncture when we must achieve a state of *ichien yugo* among nature, people and corporations.

It is my hope that Nissan, as a company with the vision of Enriching People's Lives, will do everything it can to enrich the lives of the people of tomorrow's society.

Nissan and Socially Responsible Investment

Today investors are paying more attention than ever to the concept of socially responsible investment (SRI), evaluating corporations from environmental and social perspectives in addition to financial fundamentals. Nissan is proud to be listed as part of the FTSE4Good Index Series, Morningstar SRI index, DJSI Asia/Pacific and Global 100 (as of June 2011).



FTSE4Good



Dow Jones Sustainability Indexes
Member 2010/11



モーニングスター 社会的責任投資株価値指数
Morningstar Socially Responsible Investment Index



FTSE4Good Index Series

This SRI index is managed by the FTSE Group, an independent company co-owned by the Financial Times and the London Stock Exchange.

Dow Jones Sustainability Asia/Pacific Index

Dow Jones Sustainability Indexes, the world's first global SRI tracking tools, were developed by Dow Jones & Co., Inc. and Sustainable Asset Management. The DJSI Asia/Pacific is a new index launched in January 2009, monitoring leading companies in the Asia-Pacific region.

Morningstar SRI

The MS-SRI (Morningstar Socially Responsible Investment Index) is managed by financial information services firm Morningstar Japan K.K.

Global 100

Conducted since 2005 by the Canadian publisher Corporate Knights Inc., Global 100 is a corporate evaluation scheme focusing on sustainability. The survey reviews some 3,500 major firms in various industries, selecting 100 of them as the "most sustainable corporations in the world" based on their environmental, social and governance initiatives.

Scope of the Report

The focus of this report is on introducing Nissan's global policies and our approach to and activities toward sustainable development. Where we are describing regional efforts, we refer to the specific region name in the text; when no specific region is identified, the descriptions of Nissan's activities and practices pertain to Nissan Motor Co., Ltd. in Japan.

Period Covered

The report covers fiscal 2010 (April 2010–March 2011); content that describes efforts before or after this time period is indicated in the respective section.

Third-Party Certificates

No globally accepted method for third-party certification of sustainability reports has yet been established. Considering this situation, in which a review would not necessarily lead to the intended assurance of credibility, we have decided not to seek third-party certification.

Referenced Reporting Guidelines

This report uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2002 version and G3) and the Environmental Reporting Guidelines (2003 version) of Japan's Ministry of the Environment as references. We also report on a number of other actions that are not covered by the guidelines.

Forward-Looking Statements

This Sustainability Report contains forward-looking statements on Nissan's future plans and targets and related operating investment, product planning and production targets. Please note that there can be no assurance that these targets and plans will actually be achieved. Achieving them will depend on many factors, including not only Nissan's activities and development, but also the dynamics of the automobile industry worldwide, the global economy and changes in the global environment.

Mistakes and Typographical Errors

All errors discovered after the report is published will be corrected and displayed at the URL below.
<http://www.nissan-global.com/EN/COMPANY/CSR/>

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