MTP Presentation – Speech Talking Points

Opening remarks

Thank you for joining us today for the announcement of our fiscal year 2019 financial results and revised business transformation plan.

Although the government has lifted the state emergency here in Japan, we are holding this session via live webcast in order to prevent the spread of COVID-19 coronavirus.

Around the world, COVID-19 has taken many lives. We would like to express our heartfelt sympathy to all the bereaved families and loved ones. In addition, we would like to express our sincere gratitude to all those working on the medical frontlines.

At Nissan, the safety of our communities, stakeholders and employees is always our highest priority, and we continue to implement proactive action. We continue to follow guidelines set by governments and organizations around the world, carrying out initiatives such as work-at-home programs and temporary business shutdowns. In order to be of further assistance to the efforts to stop the spread, at various locations around the world we are making face shields and medical gowns, and providing vehicles.

COVID-19 has deeply impacted financial activities, with this impact also being felt in the automotive industry. Nissan also has its own issues that have combined with these external factors and worsened our financial results.

Today, following the presentation of our FY2019 financial results I would also like to talk about our business recovery initiatives.

FY2019 Sales Performance

Turning to the sales results, in fiscal year 2019, global total industry volume – or TIV – fell 6.9% to 85.73 million units due to the slowdown in the China market and stagnation of global markets as a result of the outbreak from the COVID-19 pandemic in the 4th quarter.

Nissan's sales decreased 10.6% to 4.930 million units given the significant slow down in TIV in the 4th quarter, as well as the decrease in sales primarily in North America and Europe in the first 3 quarters.

The company's sales outperformed the market in China but market share decreased in other regions. Despite the decrease in sales, our global market share at 5.8% was in line with our projections we announced last February.

FY2019 headline financial results

These are the headline financial results for fiscal year 2019 based on the equity accounting method for our joint venture in China.

Consolidated net revenues declined to 9.879 trillion yen resulting in an operating loss of 40.5 billion yen and net loss of 671.2 billion yen. These results reflect the decrease in sales volume as explained earlier. Net loss also includes costs associated with restructuring and impairments of 603.0 billion yen, as we focus on restructuring measures to improve the company's profitability.

Excluding these items, net loss for the fiscal year was 68.2 billion yen.

While free cash flow for the automotive business deteriorated to a negative 641.0 billion yen, Nissan continues to maintain healthy levels of cash in the automotive business and we ended the period with an automotive net cash position of 1.065 trillion yen, despite the crisis and resulting decline in performance.

FY2019 financial performance

The next slide is the income statement for the fiscal year.

FY2019 financial performance – operating profit variance analysis vs Feb outlook

The variance in operating profit against the outlook announced in February, is primarily due to the impact of COVID-19, including the negative impact on volume/mix by 70 billion yen, decrease in parts sales by 20 billion yen, and booking of provisions for the sales finance business by 30 billion yen.

FY2019 financial performance - operating profit variance analysis vs FY18

Regarding the operating profit variance compared to FY2018, as explained in previous quarters, external factors including foreign exchange fluctuations, regulatory compliance expenses and product enrichment costs, and rising commodity prices continue to pressure the automotive industry.

The decrease in sales volume continues to weigh on our profit as we suffer from an aging product portfolio and limited profit contribution from our efforts to normalize sales. R&D and manufacturing expenses increased 55.9 billion yen for the year mainly due to investments for the future.

FY2019 financial performance – restructuring charges and impairment

In FY2019, we incurred restructuring charges and impairments in business assets of 603.0 billion yen, as we transform the business to improve profitability and achieve sustainable growth. Regarding impairment of business assets, we booked a loss of 522 billion yen due to excess production capacity based on future volume projections. This impairment is expected to generate a reduction in depreciation expense of approximately 70 billion yen in fiscal year 2020.

With regard to restructuring charges, we booked provisions for expected expenditures in relation to restructuring items that the company decided on in FY2019. I will explain the details of the restructuring measures later in the presentation.

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Liquidity status

Now I would like to comment on the liquidity required to run the business.

Although the situation surrounding COVID-19 is improving, we expect it will take more time until this pandemic ends, along with the full recovery of the economy. We remain focused on our liquidity position. Nissan continues to have healthy levels of cash for the automotive business and we have sufficient funding available to meet our cash needs during this crisis. At year-end, cash on hand for the automotive business totaled 1.495 trillion yen, and automotive net cash was 1.065 trillion yen. In addition, the company continues to have access to approximately 1.3 trillion yen in credit lines, which remain unused. Furthermore, in response to the COVID-19 pandemic, we raised an additional 712.6 billion yen in funding this April and May.

Led by top management, Nissan also launched cash management and profitability improvement programs including adjusting production plans to reflect market and supply situations timely, inventory control, expense reductions, and optimization of capital expenditures and new model launches to the extent it does not inhibit future growth. We will continue to implement additional measures as required based on market conditions.

FY2020 outlook

For fiscal year 2020, we currently estimate global TIV to decline by approximately 15% to 20% from the prior year due to the COVID-19 pandemic. However, uncertainty remains. While we continue to evaluate the impact of the pandemic on our business and operations, given this uncertainty, it is difficult to reasonably forecast an outlook for fiscal year 2020 at this time. We will issue the FY20 forecast as soon as we are able to reasonably calculate an outlook for the fiscal year.

That concludes the fiscal year 2019 financial results. It is my privilege to have the opportunity to introduce to you our revised plan.

FY20-23 Plan

When this company announced the Nissan Power 88 mid-term plan exactly nine years ago, the plan was based on expectations of growing demand, as well as a need for increased production capacity outside Japan, with a focus on emerging markets. In line with this, we pursued a strategy of expansion.

Although we sowed the seeds of the plan, we were not able to grow them effectively. As a result, Nissan was unable to harvest. In addition, due to the massive investments made around the world, Nissan wasn’t able to launch new products in key markets, particularly Japan.

About two years ago, we started shifting away from this expansion strategy. However, we have been left with a situation where we have global production capacity of around 7 million units but annual sales of around 5 million units. To continue our business and generate a profit under these conditions has been extremely difficult.

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For Nissan to overcome this situation, we must admit our mistakes and correct course. We must resolve the issue of redundant assets from which we do not expect sufficient returns.

We must therefore prioritize and focus by allocating resources to core markets and core segments.

These are very difficult decisions. But these steps need to be taken decisively and without compromise.

Therefore, the key focus of our plan is to:
- Ensure steady growth instead of pursuing excessive sales expansion
- Concentrate on core competencies while enhancing the quality of our business, alongside financial discipline, a focus on net revenue per unit and profitability
- Restore a culture defined by “Nissan-ness” for the new era

By focusing on these areas, we aim to build a business foundation by the end of fiscal year 2023 that is robust enough to compete effectively for the next decade. (NISSAN NEXT)

This is our mission.

A New Roadmap for Sustainable Growth

Nissan will focus on two key areas. The first is rationalizing the businesses. In this area, we are reorganizing operations from which we do not expect sufficient returns, and we are reducing excess production capacity.

Specifically, we are:
- Optimizing our production capacity
- Rationalizing our global product line-up
- And, through our efforts to optimize other expenses, we will significantly reduce fixed costs.

The second area is prioritization and focus. Here, with robust management, we will make ample investments to deliver a solid recovery and steady growth in the identified core areas.

Essential to support these two reforms will be an emphasis on quality and customer needs, and, of course, our valued suppliers and dealers.

The Framework for better efficiency

Let me now provide more details on how we are going to enhance efficiency.

Reducing Production Capacity

The reductions we are making in production represent a 20% cut globally in the 7.2-million-unit capacity that we had in FY2018. We will move to a 5.4-million-unit production footprint under normal production shifts.

In addition, in certain markets we plan to improve production efficiency by consolidating models.

We will close our production plant in Indonesia, making Thailand our production base in ASEAN.

In Western Europe, we will maintain production of core models at our UK plant in Sunderland and improve efficiency. We considered various measures for the Barcelona Plant, and although a very difficult decision, we intend to close the plant and we will begin discussions and preparations.

At our North American production plants, we are consolidating models by segment and platform to improve efficiency.

These initiatives, combined with further rationalization, will enable us to maintain a global plant utilization rate above 80%, making our operations significantly more profitable than in the past.

In times of increased demand, we aim to have the flexibility to increase capacity to close to 6 million units annually.

As we right-size our production capacity, we are also investing in intelligent plants that will enable reforms in working styles and flexible production. Nissan is also adapting its production practices to changing business needs, through methods such as reducing raw material and other costs.

Streamlining Product Portfolio

On the product side, we are streamlining our portfolio down to core models. By the end of fiscal year 2023, we will discontinue older cars and trucks as well as models unique to a single region, and withdrawing the Datsun brand in Russia, reduce the number of models in our portfolio from 69 to less than 55.

This represents a reduction of approximately 20% from FY2018 levels and will enhance our product competitiveness.

To do this, we will focus on model segments with global appeal that have demonstrated competitive strength. Those include:

- The C/D segment
- Electric vehicles
- Sports cars

We will be introducing advanced technologies into these segments, developing products with greater value and competitiveness. Also, we will lower the average age of models, bringing it to four years or less.

Outside these focus segments, we will work with our Alliance partners Renault and Mitsubishi Motors to share their assets, including products and technologies.

improving cost base

We are reducing fixed costs and other expenses by 15% to adjust them to the size of the business. We are reducing fixed costs by approximately 300 billion yen, and will work to maintain that cost base going forward.

What we are reducing is excess facilities and products from which we expect low future return, while for the areas in which we will focus we will continue to robustly invest for steady growth.

Prioritize & Focus Overall Strategy

Now, let's look at our work to prioritize and focus in three areas: markets, products and technology.

Prioritizing Core Markets

Let's look at our approach to markets.

Nissan will focus on Japan, China and North America including Mexico as our core markets where we will concentrate resources and ensure healthy business operations.

In South America, ASEAN and Europe, we will maximize the use of Alliance assets, while developing businesses at an appropriate size as these markets grow. In these regions and also the Middle East, we will concentrate our management resources on markets where Nissan has growth potential.

We will withdraw from Korea, where we see limited opportunities, and we will reduce the size of our operations in some ASEAN markets.

In line with the new business footprint, we will revise our management structure in the region to increase efficiency.

Although we are unable to provide details at this point in time, Nissan will systematically right-size operations or exit some other markets as we prioritize and focus.

Reaffirming home market: Japan

Japan is Nissan's home market, and we are refocusing accordingly. We have a strong foundation here.

Since 1999, Nissan prioritized activities outside Japan, which created gaps in Japan in new model and technology launches, and disappointed our loyal customers.

We will not offer products just to showcase technologies. Instead, we are enriching our product offerings by packaging advanced technologies of practical value that are accessible to a greater number of customers. Our EV and driver support technologies in particular have been well received by a lot of customers in Japan for their practicality and new value.

By the end of fiscal year 2023, we will expand our electrified line-up, launching two more electric vehicles and four more e-POWER vehicles, resulting in an electrification ratio of 60% of our sales.

In Japan, more than 90% of our customers appreciate our e-POWER and ProPILOT technologies. By focusing on our electrification and autonomous driving technologies, we aim to build greater brand value and regain market share.

Sustaining momentum: China

In China, we will continue our healthy business operations. However, we do see challenges, including the impact of the COVID-19 coronavirus pandemic, as well as slowing market growth and more stringent environmental regulations.

China is the world's largest auto market, where we have established a strong presence. We will continue to follow our plan of ensuring steady growth, without using incentives to secure volume and market share.

Our assessment is that people in China are optimistic about further growth and prosperity. They also embrace new technologies, including IT and EVs. So Nissan expects to continue enjoying steady growth due to our strengths in advanced technologies.

As part of our Nissan Intelligent Mobility strategy, in addition to having seven EVs in our lineup of, we will launch our e-POWER technology in core products.

Connectivity will be key. We will further increase the uptake from 75% today to close to 90% by the end of fiscal year 2023, resulting in 6 million connected vehicles in operation. This will not only increase customer convenience, but it will also help us develop better products and services thanks to the data we can obtain from these connected cars.

Rebuilding Quality of Business: U.S.

In the U.S., over the past two years Nissan has shifted its focus from fleet sales to pure retail and has been working to normalize sales. Although we are making efforts to improve net revenue per unit and to control incentives, it is taking significantly more time than initially expected. We are discovering the difficulty of restoring a brand that has been damaged.

We are now rationalizing further, including reducing fixed costs in line with the actual speed of recovery and the revision of the product plan.

As I have stated before, we expect to see true recovery in the U.S. after we focus on sales normalization and start introducing new technologies and products, thereby gradually improving our performance.

On top of the results we are starting to see from the launch of the new Sentra last year, this year we will launch the new Rogue, which will be a key driver. We also have a series of enhancements planned for our SUVs and pickups. These include a new Pathfinder, a new QX60 and a new Frontier truck.

Throughout this process, we will also reengage and closely support our dealers and suppliers to improve our business model.

Leverage the Alliance: Europe

Europe remains an important region for Nissan, with a long history and important assets. At this time, Europe's automotive industry is in a period of transition. There is tougher competition and more stringent regulations, particularly in the environmental area, which is a challenge for us.

For us to continue our business in this tough market, we must enhance the measures we have been taking. To do this, as announced yesterday by the Alliance, we will be pursuing the leader-follower format to utilize the supply of some vehicles and technologies, while focusing on crossover SUVs.

As part of our electrification drive, we will be adding an all-electric SUV to the line-up and expanding our e-POWER offerings—all aimed to maintain market share.

Continue investments for the future / more use of the Alliance

In Latin America we have significant brand strength. In markets that have potential for future growth, we will continue to invest in an appropriately sized business and for the future.

At the same time, we will leverage Alliance assets, and while maintaining our product line-up, we plan to improve the efficiency of our investments and to develop the business as a pillar for the future of our company.

Maintaining product momentum

Earlier, I talked about rationalizing our product portfolio and concentrating our resources on core models. We are starting with at least 12 vehicles in the next 18 months, including Infiniti models.

Here's a glimpse of what's coming within this calendar year.

In mid-June, we will be introducing an all-new version of the Rogue, Nissan's best-selling vehicle in the U.S.

Also in June, we will be introducing the Kicks to Japan - a nameplate that's been successful around the world due to its youthful styling and practical technology. It will feature a full e-POWER drivetrain, further strengthening our best-selling e-POWER lineup that includes the Note and the Serena. The Kicks will further enhance our presence in this market.

In July, we will reveal the production model of our EV crossover called Ariya, shown as a concept at the 2019 Tokyo Motor Show. The Ariya has cutting-edge styling inside and out, high-technology content including ProPILOT 2.0, a choice of powertrains, and much more. We expect the Ariya to play a key role as a brand driver and the face of Nissan for the new era.

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Ramping-up Electrification

In the Ariya, the technology highlight is the fusion of electrification and advanced driver support technology, which links to future autonomous driving.

Global sales of the LEAF, which we launched in 2010 as the world's first mass-production 100% EV, have exceeded 470,000 units. By the end of fiscal year 2023, we are on track to launch more than eight 100% EVs.

Another pillar of our electrification strategy is e-POWER, of which cumulative sales have surpassed 390,000 units. We plan to expand our e-POWER offerings globally into the B and C segments.

By the end of fiscal year 2023, we forecast electrified vehicles to account for 60% of our sales in Japan, 23% in China and 50% in Europe, resulting in sales of more than 1 million units.

Expanding Autonomous Drive Vehicle line-up

Nissan is also a leader in autonomous driving in terms of its practicality and product application, with an established track record.

The Nissan Skyline is equipped with ProPILOT 2.0, which is the world's first advanced driver support system with a hands-off function.

As of March this year, we have sold more than 660,000 vehicles equipped with our ProPILOT and assisted driving features. Our autonomous drive system will be introduced in more than 20 models in 20 markets by the end of FY2023.

We are forecasting more than 1.5 million ProPILOT-equipped vehicle sales per year by the end of FY2023.

The know-how we accumulate from markets around the word will be the link to future autonomous driving technologies.

Towards sustainable society

Over the last few months, people all around the world have been forced to undergo changes to their lives. At Nissan, this has again brought home to us that our long-term mission is to enrich people's lives through mobility and to bring vitality to society.

For the next 10 years, the key drivers will be electric vehicles—with which we have been ahead of the market—and driver support technologies. For new technologies to bring vitality to society, we will need to do what hasn't been done before.

Last year, soon after the powerful Typhoon Faxai hit Japan and cut power for many residents, we sent dozens of Nissan LEAF vehicles to help provide electricity.

And in Yokohama we have been carrying out "Easy Ride" field tests for three years, which represent our efforts in the area of new mobility based on autonomous drive technologies.

With the fusion of our electric vehicles and autonomous drive initiatives, we believe we can create a society in which all have freedom of mobility.

Laying a pathway to sustainable growth

That is the outline of our plan to achieve steady performance recovery through prioritization and focus. By implementing all of these actions, and under certain economic and market conditions, Nissan aims to complete its strategy in the following two years and return automotive free cash flow to a healthy level.

By the end of FY2023, we aim for our global market share to reach 6% and our core operating margin to increase to 5%, based on the equity method accounting basis, which includes the proportionate share of our Chinese joint venture.

We are resolved to take all the steps necessary, without any compromise, to rebuild a solid foundation that enables Nissan to effectively compete for the next decade.

To finish, let me share some thoughts with you.

Let me reemphasize: I will make every effort to return Nissan to a growth path.

Since I became CEO last December, I have been sending the message, both inside and outside the company, that Nissan has much greater potential than what we see today. Nissan has great assets and qualities, including talented employees, global business experience, persistence and tenacity to accomplish, and we have learned from past mistakes.

We must admit failures and take corrective actions. Top management must be first to break an inward-looking culture, and regain the trust of our customers, dealers, and business partners. This will not happen by merely revising our code of conduct or processes.

So, I am committed to doing everything necessary to drive everyone in this organization to change Nissan for a consistent outcome.

This concludes my presentation. Thank you.

Closing comments from CEO following Q&A session

Thank you very much for the questions, for the tough and frank ones, too. I will keep these in mind as I continue to fulfill my duties with a strong sense of responsibility.

Our pathway to recovery will not be a smooth one. But Nissan is blessed with extremely talented employees. We are working together to overcome the crisis.

What I want to see is for Nissan to retain its "Nissan-ness". I believe that Nissan is about people-focus and pursuing technologies and services relevant to customers.

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Nissan's electrification initiatives are not only for a better environment. Our technologies and products must offer driving pleasure. This is demonstrated by the new driving experience of e-POWER and the soon to be revealed Ariya, a car that offers an amazing driving experience.

Our autonomous driving technology is also designed to assist customers around the world.

Nissan is constantly delivering new values to customers. To do this, we will continue to take on challenges and make breakthroughs. This is Nissan's DNA.

The COVID-19 pandemic has brought significant changes to all our lifestyles, and the auto industry is at a major turning point. Even in this challenging environment, Nissan intends to remain people-focused, to deliver technologies for all people, and to continue addressing challenges as only Nissan can.

We thank you in advance for your ongoing support.