

# FY2020 Consolidated Financial Results (Japanese Accounting Standards)



May 11, 2021

Company name : Nissan Motor Co., Ltd. <Tokyo Stock Exchange in Japan>  
 Code no : 7201 (URL <https://www.nissan-global.com/EN/IR/>)  
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 Scheduled date of the general meeting of shareholders : To be determined Scheduled date of filing Yukashoken-Houkokusho : To be determined  
 Scheduled date of payment of cash dividends : —  
 The additional materials of the Financial Results for FY2020 : Yes  
 The briefing session of the Financial Results for FY2020 : Yes

(Amounts less than one million yen are rounded)

## 1. Consolidated Financial Results for FY2020 (April 1, 2020 through March 31, 2021)

### <1> Consolidated operating results

(Percent indications show percentage of changes from corresponding figures for the previous period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020	7,862,572	(20.4)	(150,651)	—	(221,230)	—	(448,697)	—
FY2019	9,878,866	(14.6)	(40,469)	—	44,049	(91.9)	(671,216)	—

Note: Comprehensive income : (41,928) million yen for FY2020, —% : (1,084,147) million yen for FY2019, —%

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
	yen	yen	%	%	%
FY2020	(114.67)	—	(11.2)	(1.3)	(1.9)
FY2019	(171.54)	—	(14.3)	0.2	(0.4)

Reference: Equity in earnings (losses) of affiliates : (55,861) million yen for FY2020, 86,547 million yen for FY2019

### <2> Consolidated financial position

	Total assets	Net assets	Net assets as a percentage of total assets	Net assets per share
	Millions of yen	Millions of yen	%	yen
FY2020	16,452,068	4,339,826	24.0	1,007.80
FY2019	16,976,709	4,424,773	23.9	1,038.95

Reference: Net assets excluding share subscription rights and non-controlling interests: 3,944,593 million yen as of March 31, 2021, 4,064,289 million yen as of March 31, 2020

### <3> Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2020	1,322,789	(369,121)	(639,692)	2,034,026
FY2019	1,185,854	(708,687)	(155,494)	1,642,981

## 2. Dividends

	Annual cash dividends per share					Total cash dividends (Annual)	Payout ratio (Consolidated)	Cash dividends as a percentage of net assets (Consolidated)
	at 1st quarter end	at 2nd quarter end	at 3rd quarter end	at fiscal year end	Total			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2019	—	10.00	—	0.00	10.00	39,132	—	0.8
FY2020	—	0.00	—	0.00	0.00	0	—	—
FY2021 forecast	—	—	—	—	—	—	—	—

Note: FY2021 dividends forecast has not yet been determined.

## 3. Forecast of consolidated operating results for FY2021 (April 1, 2021 through March 31, 2022)

(Percent indications show percentage of changes from corresponding figures for the previous period.)

	Net sales		Operating income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY2021	9,100,000	15.7	0	—	(60,000)	—	(15.33)

Note: Forecast of consolidated operating results for FY2021 1st half is not prepared.

**※ Notes**

<1> Significant changes in scope of consolidated subsidiaries: None

In : - ( Company Name : ) Out : - (Company Name : )

<2> Changes in accounting policies, accounting estimation change and restatement

<2>-1 Changes in accounting policies due to the revision of the accounting standards: Applicable

<2>-2 Changes in accounting policies except for those in <2>-1: Applicable

<2>-3 Changes due to accounting estimation change: None

<2>-4 Restatement: None

Note: See attached page14 "3. CONSOLIDATED FINANCIAL STATEMENTS (5) Notes to Consolidated Financial Statements - Changes in accounting policies".

<3> Number of shares issued (common stock)

<3>-1 Number of shares issued at the fiscal year end (including treasury stocks)

<3>-2 Number of treasury stocks at the fiscal year end

<3>-3 The average number of shares issued during the fiscal year

FY2020	4,220,715,112 shares	FY2019	4,220,715,112 shares
FY2020	306,650,569 shares	FY2019	308,801,374 shares
FY2020	3,912,895,437 shares	FY2019	3,912,975,326 shares

**(Reference) Non-Consolidated Financial Results****Results of FY2020 (April 1, 2020 through March 31, 2021)**

1. Results of non-consolidated operations for the year ended March 31, 2021

(Percent indications show percentage of changes from corresponding figures for the previous period.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020	2,489,676	(21.2)	(263,729)	—	99,034	272.7	(72,629)	—
FY2019	3,157,540	(13.4)	(130,060)	—	26,571	(90.2)	(342,745)	—

	Net income per share - basic
	yen
FY2020	(17.32)
FY2019	(81.76)

**※ This Financial Results report is out of scope of Financial Audit by certified public accountants or an audit firm**

**※ Explanation regarding the appropriate use of forecasts of business results**

The financial forecast is based on judgments and estimates that have been made on the basis of currently available information.

By nature, such financial forecast is subject to uncertainty and risk. Therefore, you are advised that the final results might be significantly different from the aforementioned forecast due to changes in economic environments related to our business, market trends and exchange rate, etc.

For other remarks, please refer to "Other Information" on page 22.

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## 1. BUSINESS PERFORMANCE AND FINANCIAL POSITION

### **(1) Fiscal Year 2020 Business Performance**

In fiscal year 2020, the global industry volume decreased by 10.2% to 76.98 million units. The main reason of this decrease was due to the impact of COVID-19 globally, which led to a decline in demands particularly in the first quarter. The Nissan Group (the "Group")'s global sales amounted to 4,052,000 units, a 17.8% decrease from the prior fiscal year due to COVID-19 impact. As a result, the Group's market share decreased by 0.5 points to 5.3% from the prior fiscal year.

In Japan, TIV decreased by 7.6% to 4.66 million units. The Group's sales volume decreased by 10.6% to 478,000 units and the Group's market share decreased by 0.3 points to 10.3% from the prior fiscal year.

In China, TIV decreased by 3.6% to 23.43 million units. The Group's sales volume decreased by 5.8% to 1,457,000 units and the Group's market share decreased by 0.2 points to 6.2% from the prior fiscal year.

In North America, including Mexico and Canada, TIV decreased by 11.1% to 17.48 million units. The Group's sales volume in North America decreased by 25.1% to 1,213,000 units from the prior fiscal year.

In the United States of America, TIV decreased by 9.5% to 14.98 million units. The Group's sales volume decreased by 25.1% to 927,000 units and the Group's market share decreased by 1.3 points to 6.2% from the prior fiscal year.

In Europe, TIV decreased by 16.2% to 16.02 million units. The Group's sales volume in Europe, excluding Russia, decreased by 24.1% to 328,000 units. Also, sales volume in Russia decreased by 28.1% to 64,000 units from the prior fiscal year.

In other markets, the Group's sales volume decreased by 27.5% to 513,000 units. Sales volume in Asia and Oceania decreased by 29.6% to 193,000 units, sales volume in Latin America decreased by 31.5% to 141,000 units, sales volume in Middle East decreased by 19.2% to 117,000 units and sales volume in Africa decreased by 25.3% to 62,000 units from the prior fiscal year.

Net sales in fiscal year 2020 decreased by ¥2,016.3 billion (20.4%) to ¥7,862.6 billion from the prior fiscal year. As a result, operating loss totaled ¥150.7 billion, which deteriorated by ¥110.2 billion from the prior fiscal year. This was mainly due to a decrease in sales volume caused by the impact of COVID-19 and exchange rate fluctuations, despite improvements in the quality of sales and reductions in fixed costs.

Net non-operating loss of ¥70.5 billion was recorded, deteriorated by ¥155.0 billion from the prior fiscal year. This result was primarily due to the change from equity in earnings of affiliates to equity in losses of affiliates. Ordinary loss of ¥221.2 billion was recorded, deteriorated by ¥265.2 billion from the prior fiscal year. Net special losses of ¥118.1 billion were recorded, improved by ¥498.9 billion from the prior fiscal year. Loss before income taxes of ¥339.3 billion was recorded, improved by ¥233.7 billion from the prior fiscal year. Net loss attributable to owners of parent of ¥448.7 billion was recorded, improved by ¥222.5 billion from the prior fiscal year.

For fiscal year 2020, automotive free cash flow was ¥391.0 billion negative. However, the Group continues to maintain healthy levels of cash in the automotive business and ended the period with an automotive net cash position of ¥636.0 billion.

## **(2) Fiscal Year 2020 Financial Position**

### **■ Assets**

Current assets have decreased by 3.1% to ¥10,349.7 billion compared to March 31, 2020. This was mainly due to decreases in sales finance receivables of ¥525.5 billion and merchandise and finished goods of ¥234.4 billion despite an increase in cash on hand and in banks of ¥489.3 billion.

Fixed assets have decreased by 3.3% to ¥6,095.2 billion compared to March 31, 2020. This was mainly due to a decrease in machinery, equipment and vehicles, net of ¥231.7 billion.

As a result, total assets have decreased by 3.1% to ¥16,452.1 billion compared to March 31, 2020.

### **■ Liabilities**

Current liabilities have decreased by 16.6% to ¥6,726.4 billion compared to March 31, 2020. This was mainly due to decreases in commercial papers of ¥719.3 billion, short-term borrowings of ¥323.4 billion and current portion of bonds of ¥250.6 billion.

Long-term liabilities have increased by 20.0% to ¥5,385.9 billion compared to March 31, 2020. This was mainly attributable to an increase in bonds of ¥1,003.7 billion despite a decrease in net defined benefit liability of ¥196.5 billion.

As a result, total liabilities have decreased by 3.5% to ¥12,112.2 billion compared to March 31, 2020.

### **■ Net Assets**

Net assets have decreased by 1.9% to ¥4,339.8 billion compared to ¥4,424.8 billion as of March 31, 2020. This was mainly due to a decrease in retained earnings of ¥495.1 billion despite increases in remeasurements of defined benefit plans of ¥149.3 billion, translation adjustments of ¥140.0 billion and unrealized holding gain and loss on securities of ¥78.3 billion.

## **(3) Fiscal Year 2020 Cash Flows**

Cash and cash equivalents at the end of fiscal year 2020 increased by ¥391.0 billion or 23.8% to ¥2,034.0 billion, due to a decrease in outflows from investing activities and an increase in inflows from operating activities, despite an increase in cash outflows from financing activities.

### **■ Operating Activities**

Cash and cash equivalents provided by operating activities amounted to ¥1,322.8 billion in fiscal year 2020, an increase of ¥136.9 billion from ¥1,185.9 billion provided in the prior fiscal year. This was mainly due to a shift from an increase to a decrease in inventories and a shift from a decrease to an increase in trade notes and accounts payable, despite a shift from a decrease to an increase in trade notes and accounts receivable.

### **■ Investing Activities**

Cash and cash equivalents used in investing activities amounted to ¥369.1 billion in fiscal year 2020, a decrease of ¥339.6 billion from ¥708.7 billion used in the prior fiscal year. This was mainly attributable to a decrease in net payment (net difference between the payment for purchase and the proceeds from sales) of leased vehicles and in purchase of fixed assets.

### **■ Financing Activities**

Cash and cash equivalents used in financing activities amounted to ¥639.7 billion in fiscal year 2020, an increase of ¥484.2 billion from the outflows of ¥155.5 billion in the prior fiscal year. This was mainly due to a shift from an increase to a decrease in net short-term borrowings, and an increase in repayments of long-term borrowings and redemption of bonds, despite an increase in proceeds from long-term borrowings and issuance of bonds.

#### **(4) Fiscal Year 2021 Financial Forecast**

For fiscal year 2021, Nissan anticipates retail volume will rise by 8.6% to 4.4 million units. On the other hand, there is continued business risk due to semiconductor supply shortage and raw material price hike in this fiscal year. Based on these risks, decrease in profit due to the negative foreign exchange movement, increase in costs for environmental regulations and products enhancement, and increase in profit due to improvement in revenue and monozukuri, and others, we anticipate net revenues increasing by 15.7% to ¥9.1 trillion, operating income is forecast at zero, improved by ¥150.7 billion from the prior fiscal year, and net loss attributable to owners of parent is expected to be ¥60.0 billion, improved by ¥388.7 billion from the prior fiscal year, for the year ending March 31, 2022.

Foreign exchange rate assumptions are ¥105.0 to the dollar and ¥120.8 to the euro for fiscal year 2021.

## **2. BASIC RATIONALE ON SELECTION OF ACCOUNTING STANDARDS**

We are currently in the process of studying the adoption of International Financial Reporting Standards (IFRS) for the purpose of disclosure of financial information.

### 3. CONSOLIDATED FINANCIAL STATEMENTS

#### (1) Consolidated Balance Sheet

(in millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	1,382,471	1,871,794
Trade notes and accounts receivable	356,156	518,451
Sales finance receivables	6,739,336	6,213,797
Securities	260,510	162,232
Merchandise and finished goods	881,940	647,583
Work in process	67,865	66,171
Raw materials and supplies	390,618	425,817
Other	739,307	624,347
Allowance for doubtful accounts	(142,264)	(180,533)
Total current assets	10,675,939	10,349,659
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	582,716	590,016
Machinery, equipment and vehicles, net	2,936,316	2,704,640
Land	589,064	589,613
Construction in progress	227,165	228,101
Other, net	183,589	266,184
Total property, plant and equipment	4,518,850	4,378,554
Intangible fixed assets	114,932	121,221
Investments and other assets		
Investment securities	1,177,184	1,129,007
Long-term loans receivable	13,658	11,572
Net defined benefit assets	10,397	29,840
Deferred tax assets	228,012	162,298
Other	241,622	266,457
Allowance for doubtful accounts	(3,885)	(3,764)
Total investments and other assets	1,666,988	1,595,410
Total fixed assets	6,300,770	6,095,185
Deferred assets		
Bond issuance costs	—	7,224
Total deferred assets	—	7,224
Total assets	16,976,709	16,452,068

	(in millions of yen)	
	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	1,357,047	1,501,972
Short-term borrowings	1,339,949	1,016,504
Current portion of long-term borrowings	1,826,904	1,721,797
Commercial papers	726,017	6,749
Current portion of bonds	765,532	514,893
Lease obligations	35,572	43,542
Accrued expenses	1,031,284	1,034,305
Accrued warranty costs	104,297	101,624
Other	878,644	784,996
Total current liabilities	8,065,246	6,726,382
Long-term liabilities		
Bonds	1,042,954	2,046,620
Long-term borrowings	2,098,558	2,173,677
Lease obligations	72,494	75,450
Deferred tax liabilities	243,428	264,301
Accrued warranty costs	108,751	102,303
Net defined benefit liability	454,068	257,521
Other	466,437	465,988
Total long-term liabilities	4,486,690	5,385,860
Total liabilities	12,551,936	12,112,242
<b>Net assets</b>		
Shareholders' equity		
Common stock	605,814	605,814
Capital surplus	818,056	817,071
Retained earnings	4,125,043	3,629,938
Treasury stock	(139,262)	(139,259)
Total shareholders' equity	5,409,651	4,913,564
Accumulated other comprehensive income		
Unrealized holding gain and loss on securities	(16,420)	61,902
Unrealized gain and loss from hedging instruments	(20,352)	(10,639)
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	(35,632)	(36,498)
Translation adjustments	(1,046,160)	(906,200)
Remeasurements of defined benefit plans	(226,798)	(77,536)
Total accumulated other comprehensive income	(1,345,362)	(968,971)
Non-controlling interests	360,484	395,233
Total net assets	4,424,773	4,339,826
<b>Total liabilities and net assets</b>	<b>16,976,709</b>	<b>16,452,068</b>



## (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

### Consolidated statement of income

	(in millions of yen)	
	FY2019	FY2020
	(From April 1, 2019 To March 31, 2020)	(From April 1, 2020 To March 31, 2021)
Net sales	9,878,866	7,862,572
Cost of sales	8,442,905	6,811,747
Gross profit	1,435,961	1,050,825
Selling, general and administrative expenses		
Advertising expenses	280,801	232,534
Service costs	66,509	113,863
Provision for warranty costs	122,991	94,797
Other selling expenses	220,981	101,764
Salaries and wages	387,757	365,551
Retirement benefit expenses	21,438	17,773
Supplies	2,348	1,548
Depreciation and amortization	63,465	54,161
Provision for doubtful accounts	109,659	33,234
Amortization of goodwill	1,681	1,058
Other	198,800	185,193
Total selling, general and administrative expenses	1,476,430	1,201,476
Operating loss	(40,469)	(150,651)
Non-operating income		
Interest income	21,263	13,109
Dividends income	7,287	3,097
Equity in earnings of affiliates	86,547	—
Derivative gain	59,757	—
Exchange gain	—	42,428
Miscellaneous income	9,970	22,846
Total non-operating income	184,824	81,480
Non-operating expenses		
Interest expense	10,874	36,483
Equity in losses of affiliates	—	55,861
Derivative loss	—	34,158
Exchange loss	63,244	—
Miscellaneous expenses	26,188	25,557
Total non-operating expenses	100,306	152,059
Ordinary income (loss)	44,049	(221,230)

	(in millions of yen)	
	FY2019	FY2020
	(From April 1, 2019 To March 31, 2020)	(From April 1, 2020 To March 31, 2021)
<b>Special gains</b>		
Gain on sales of fixed assets	11,246	19,032
Compensation income	32,813	—
Subsidy income and others	—	6,924
Other	8,303	980
<b>Total special gains</b>	<b>52,362</b>	<b>26,936</b>
<b>Special losses</b>		
Loss on sales of fixed assets	6,026	2,195
Loss on disposal of fixed assets	17,914	13,892
Impairment loss	540,642	9,109
Compensation for suppliers and others	63,992	1,161
Special addition to retirement benefits	15,422	57,466
Loss on shutdowns and others due to COVID-19	13,894	43,499
Other	11,543	17,718
<b>Total special losses</b>	<b>669,433</b>	<b>145,040</b>
Loss before income taxes	(573,022)	(339,334)
Income taxes-current	64,487	76,671
Income taxes-deferred	28,669	15,924
<b>Total income taxes</b>	<b>93,156</b>	<b>92,595</b>
Net loss	(666,178)	(431,929)
Net income attributable to non-controlling interests	5,038	16,768
Net loss attributable to owners of parent	(671,216)	(448,697)

Consolidated statement of comprehensive income

	(in millions of yen)	
	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)
Net loss	(666,178)	(431,929)
Other comprehensive income		
Unrealized holding gain and loss on securities	(43,401)	81,335
Unrealized gain and loss from hedging instruments	(24,671)	9,752
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	(5,470)	(1,309)
Translation adjustments	(239,385)	152,515
Remeasurements of defined benefit plans	(64,492)	149,925
The amount for equity method company portion	(40,550)	(2,217)
Total other comprehensive income	(417,969)	390,001
Comprehensive income	(1,084,147)	(41,928)
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	(1,076,234)	(72,306)
Comprehensive income attributable to non-controlling interests	(7,913)	30,378

### (3) Consolidated Statement of Changes in Net Assets

FY 2019 (From April 1, 2019 To March 31, 2020)

(in millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain and loss on securities	Unrealized gain and loss from hedging instruments
Balance at the beginning of current period	605,814	814,682	4,961,980	(139,457)	6,243,019	30,004	4,762
Cumulative effects of changes in accounting policies			(14,353)		(14,353)		
Restated balance	605,814	814,682	4,947,627	(139,457)	6,228,666	30,004	4,762
Changes of items during the period							
Cash dividends paid			(150,652)		(150,652)		
Net loss attributable to owners of parent			(671,216)		(671,216)		
Purchase of treasury stock				(2)	(2)		
Disposal of treasury stock		5		197	202		
Changes in the scope of consolidation			(108)		(108)		
Changes in the scope of equity method			(608)		(608)		
Changes in interests by purchase of subsidiaries' shares		(2)			(2)		
Changes in interests by sales of subsidiaries' shares		3,620			3,620		
Changes in affiliated companies' interests in its subsidiaries		(249)			(249)		
Net changes of items other than those in shareholders' equity						(46,424)	(25,114)
Total changes of items during the period		3,374	(822,584)	195	(819,015)	(46,424)	(25,114)
Balance at the end of current period	605,814	818,056	4,125,043	(139,262)	5,409,651	(16,420)	(20,352)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	(30,882)	(790,131)	(154,097)	(940,344)	320,835	5,623,510
Cumulative effects of changes in accounting policies					(79)	(14,432)
Restated balance	(30,882)	(790,131)	(154,097)	(940,344)	320,756	5,609,078
Changes of items during the period						
Cash dividends paid						(150,652)
Net loss attributable to owners of parent						(671,216)
Purchase of treasury stock						(2)
Disposal of treasury stock						202
Changes in the scope of consolidation						(108)
Changes in the scope of equity method						(608)
Changes in interests by purchase of subsidiaries' shares						(2)
Changes in interests by sales of subsidiaries' shares						3,620
Changes in affiliated companies' interests in its subsidiaries						(249)
Net changes of items other than those in shareholders' equity	(4,750)	(256,029)	(72,701)	(405,018)	39,728	(365,290)
Total changes of items during the period	(4,750)	(256,029)	(72,701)	(405,018)	39,728	(1,184,305)
Balance at the end of current period	(35,632)	(1,046,160)	(226,798)	(1,345,362)	360,484	4,424,773

FY 2020 (From April 1, 2020 To March 31, 2021)

(in millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain and loss on securities	Unrealized gain and loss from hedging instruments
Balance at the beginning of current period	605,814	818,056	4,125,043	(139,262)	5,409,651	(16,420)	(20,352)
Cumulative effects of changes in accounting policies			(46,844)		(46,844)		
Restated balance	605,814	818,056	4,078,199	(139,262)	5,362,807	(16,420)	(20,352)
Changes of items during the period							
Net loss attributable to owners of parent			(448,697)		(448,697)		
Purchase of treasury stock				(494)	(494)		
Disposal of treasury stock				497	497		
Changes in the scope of consolidation			198		198		
Changes in the scope of equity method			238		238		
Changes in interests by purchase of subsidiaries' shares		(964)			(964)		
Changes in affiliated companies' interests in its subsidiaries		(21)			(21)		
Net changes of items other than those in shareholders' equity						78,322	9,713
Total changes of items during the period		(985)	(448,261)	3	(449,243)	78,322	9,713
Balance at the end of current period	605,814	817,071	3,629,938	(139,259)	4,913,564	61,902	(10,639)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	(35,632)	(1,046,160)	(226,798)	(1,345,362)	360,484	4,424,773
Cumulative effects of changes in accounting policies						(46,844)
Restated balance	(35,632)	(1,046,160)	(226,798)	(1,345,362)	360,484	4,377,929
Changes of items during the period						
Net loss attributable to owners of parent						(448,697)
Purchase of treasury stock						(494)
Disposal of treasury stock						497
Changes in the scope of consolidation						198
Changes in the scope of equity method						238
Changes in interests by purchase of subsidiaries' shares						(964)
Changes in affiliated companies' interests in its subsidiaries						(21)
Net changes of items other than those in shareholders' equity	(866)	139,960	149,262	376,391	34,749	411,140
Total changes of items during the period	(866)	139,960	149,262	376,391	34,749	(38,103)
Balance at the end of current period	(36,498)	(906,200)	(77,536)	(968,971)	395,233	4,339,826

**(4) Consolidated Statement of Cash Flows**

	(in millions of yen)	
	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)
<b>Cash flows from operating activities</b>		
Loss before income taxes	(573,022)	(339,334)
Depreciation and amortization (for fixed assets excluding leased vehicles)	384,116	258,414
Depreciation and amortization (for long term prepaid expenses)	43,311	53,130
Depreciation and amortization (for leased vehicles)	438,488	397,162
Impairment loss	540,642	9,109
Increase (decrease) in allowance for doubtful receivables	21,110	(33,408)
Provision for residual value risk of leased vehicles (net changes)	39,775	(20,517)
Interest and dividends income	(28,550)	(16,206)
Interest expense	200,816	181,392
Equity in losses (earnings) of affiliates	(86,547)	55,861
Loss (gain) on sales of fixed assets	(5,220)	(16,837)
Loss on disposal of fixed assets	17,914	13,892
Decrease (increase) in trade notes and accounts receivable	141,882	(139,212)
Decrease (increase) in sales finance receivables	667,270	773,543
Decrease (increase) in inventories	(118,578)	282,862
Increase (decrease) in trade notes and accounts payable	(255,686)	23,257
Other	(104,581)	(50,638)
Subtotal	1,323,140	1,432,470
Interest and dividends received	29,195	19,828
Proceeds from dividends income from affiliates accounted for by equity method	173,796	99,300
Interest paid	(204,120)	(180,315)
Income taxes paid	(136,157)	(48,494)
Net cash provided by (used in) operating activities	1,185,854	1,322,789
<b>Cash flows from investing activities</b>		
Net decrease (increase) in short-term investments	874	269
Purchase of fixed assets	(464,219)	(362,377)
Proceeds from sales of fixed assets	49,242	49,536
Purchase of leased vehicles	(1,114,850)	(819,928)
Proceeds from sales of leased vehicles	743,759	710,622
Payments of long-term loans receivable	(607)	(112)
Collection of long-term loans receivable	735	796
Purchase of investment securities	(11,776)	(778)
Proceeds from sales of investment securities	2,648	2,951
Purchase of shares of subsidiaries' resulting in changes in the scope of consolidation	(933)	—
Proceeds from sales of subsidiaries' shares resulting in changes in the scope of consolidation	1,746	8,988
Net decrease (increase) in restricted cash	85,579	40,804
Other	(885)	108
Net cash provided by (used in) investing activities	(708,687)	(369,121)

	(in millions of yen)	
	FY2019	FY2020
	(From April 1, 2019 To March 31, 2020)	(From April 1, 2020 To March 31, 2021)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	509,217	(1,055,807)
Proceeds from long-term borrowings	1,655,629	2,071,366
Proceeds from issuance of bonds	160,124	1,433,806
Repayments of long-term borrowings	(1,718,635)	(2,254,174)
Redemption of bonds	(571,399)	(772,585)
Proceeds from share issuance to non-controlling shareholders	9,560	2,877
Purchase of treasury stock	(2)	—
Repayments of lease obligations	(37,261)	(49,191)
Cash dividends paid	(150,652)	—
Cash dividends paid to non-controlling interests	(17,086)	(15,020)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(964)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	5,011	—
Net cash provided by (used in) financing activities	(155,494)	(639,692)
Effects of exchange rate changes on cash and cash equivalents	(43,954)	76,934
Increase (decrease) in cash and cash equivalents	277,719	390,910
Cash and cash equivalents at beginning of the period	1,359,058	1,642,981
Increase due to inclusion in consolidation	6,204	135
Cash and cash equivalents at end of the period	1,642,981	2,034,026

## (5) Notes to Consolidated Financial Statements

(Notes to events and conditions which indicate there could be substantial doubt about going concern assumption)

None

(Basis of consolidated financial statements)

Number of Consolidated Subsidiaries and Companies Accounted for by the Equity Method

(1) Consolidated subsidiaries: 210 companies (Domestic 75, Overseas 135)

(2) Companies Accounted for by the Equity Method

Unconsolidated subsidiaries: 11 companies (Domestic 6, Overseas 5)

Affiliates: 33 companies (Domestic 18, Overseas 15)

(3) Change in the Scope of Consolidation and Equity Method

Number of companies newly included in the scope of consolidation; 15 companies

Number of companies excluded from the scope of consolidation; 2 companies

Number of companies newly accounted for by the equity method; 1 company

Number of companies ceased to be accounted for by the equity method; 6 companies

The increases in the number of consolidated subsidiaries were mainly due to reexamination of the scope of the consolidated companies and companies to which the equity method is applied to strengthen governance and other decreases were mainly due to sale of their shares.

(Changes in accounting policies)

1) Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 326, "*Financial Instruments—Credit Losses*"

At foreign subsidiaries and affiliates that apply US GAAP, Financial Accounting Standards Board (FASB) ASC No. 326, "*Financial Instruments—Credit Losses*" has been adopted from the beginning of the fiscal year ended March 31, 2021.

With this adoption, the method for measurement of financial instruments was reviewed and impairment losses were recognized on financial assets using the current expected credit loss model.

In adopting the accounting standard, in accordance with the transitional treatment, the cumulative effect of adoption of the standard was recognized on the date of the start of adoption, and was added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2021.

As a result, for the effects of this revision based on the requirement of the standard as transition disclosures, the balance at the beginning of the fiscal year ended March 31, 2021 of allowance for doubtful accounts (included in current assets) increased by ¥62,965 million (decrease of current assets), and deferred tax liabilities (included in long-term liabilities) and retained earnings decreased by ¥16,121 million and ¥46,844 million, respectively.

2) Accounting treatment of bond issuance costs

The Group issued bonds in the second quarter of the fiscal year ended March 31, 2021 with the purpose of securing medium- to long-term funding in order to flexibly respond to COVID-19 and other changes in the internal and external environment.

As a result, from the second quarter of the fiscal year ended March 31, 2021, bond issuance costs associated with the bonds issued by the Company and its domestic subsidiaries, which had been previously fully charged to expenses when incurred, are amortized using the effective interest method over the term of redemption. This is because bond issuance costs are financing costs in nature like bond interest, and that the effective interest method of amortization applied in international accounting standards will more appropriately reflect the Group's current financing activities in the Consolidated Financial Statements.

Due to this change, ordinary loss and loss before income taxes for the fiscal year ended March 31, 2021 each decreased by ¥7,224 million. This change in the accounting policy is not applied retrospectively as there is no material effect on the Consolidated Financial Statements for past periods.



(Additional information)

Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and some of its domestic subsidiaries have been adopted “*Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System*” (PITF No. 39, March 31, 2020) and deferred tax assets and liabilities are based on tax law provisions in place prior to the revision prescribing transition from the consolidated taxation system to the group tax sharing system (Act No. 8 of 2020).

(Segments of an enterprise and related information)

【Segment information】

1. General information about reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decision about resource allocation and to assess their performance.

Businesses of the Group are segmented into Automobile and Sales financing based on feature of products and services. The Automobile business includes manufacturing and sales of vehicles and parts. The Sales financing business provides sales finance service and leasing to support sales activities of the above business.

2. Calculation method of net sales and profits or losses by reportable segments

In principle, the accounting method for the reportable segments is the same as basis of preparation for the consolidated financial statements.

The segment profits are based on operating income. Inter-segment sales are based on the price in arms-lengths transaction.

3. Net sales and profits or losses by reportable segments

The Year Ended March 31, 2020 (From April 1, 2019 To March 31, 2020)

(in millions of yen)

	Reportable segments			Elimination of inter-segment transactions	The year ended March 31, 2020
	Automobile	Sales financing	Total		
Net sales					
Sales to third parties	8,766,016	1,112,850	9,878,866	—	9,878,866
Inter-segment sales or transfers	149,894	50,427	200,321	(200,321)	—
Total	8,915,910	1,163,277	10,079,187	(200,321)	9,878,866
Segment profits (losses)	(264,182)	210,530	(53,652)	13,183	(40,469)

The Year Ended March 31, 2021 (From April 1, 2020 To March 31, 2021)

(in millions of yen)

	Reportable segments			Elimination of inter-segment transactions	The year ended March 31, 2021
	Automobile	Sales financing	Total		
Net sales					
Sales to third parties	6,883,088	979,484	7,862,572	—	7,862,572
Inter-segment sales or transfers	105,940	40,540	146,480	(146,480)	—
Total	6,989,028	1,020,024	8,009,052	(146,480)	7,862,572
Segment profits (losses)	(437,021)	267,880	(169,141)	18,490	(150,651)

**[Consolidated Financial Statements by Business Segments]**

\*Regarding summarized consolidated statement of income and summarized consolidated statement of cash flows for the prior fiscal year, the Sales financing segment consists of NISSAN FINANCIAL SERVICES CO. , LTD. (Japan), Nissan Motor Acceptance Corporation (U.S.A.), NR FINANCE MEXICO, S.A. de C.V. (Mexico), Dongfeng Nissan Auto Finance Co., Ltd. (China), other 10 companies and the sales finance operations of Nissan Canada, Inc. (Canada).

\*Regarding summarized consolidated statement of income and summarized consolidated statement of cash flows for the current fiscal year, the Sales financing segment consists of NISSAN FINANCIAL SERVICES CO. , LTD. (Japan), Nissan Motor Acceptance Corporation (U.S.A.), NR FINANCE MEXICO, S.A. de C.V. (Mexico), Dongfeng Nissan Auto Finance Co., Ltd. (China), other 11 companies and the sales finance operations of Nissan Canada, Inc. (Canada).

\*The financial data on the Automobile & Eliminations represent the differences between the consolidated figures and those for the Sales financing segment.

**1) Summarized consolidated statement of income by business segments**

(in millions of yen)

	Automobile & Eliminations		Sales financing		Consolidated total	
	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)
<b>Net sales</b>	8,715,589	6,842,548	1,163,277	1,020,024	9,878,866	7,862,572
Cost of sales	7,671,103	6,155,814	771,802	655,933	8,442,905	6,811,747
<b>Gross profit</b>	1,044,486	686,734	391,475	364,091	1,435,961	1,050,825
Operating income as a percentage of net sales	(2.9%)	(6.1%)	18.1%	26.3%	(0.4%)	(1.9%)
<b>Operating income (loss)</b>	(250,999)	(418,531)	210,530	267,880	(40,469)	(150,651)
Financial income / expenses, net	17,697	(20,603)	(21)	326	17,676	(20,277)
Other non-operating income and expenses, net	68,450	(52,445)	(1,608)	2,143	66,842	(50,302)
<b>Ordinary income (loss)</b>	(164,852)	(491,579)	208,901	270,349	44,049	(221,230)
<b>Income (loss) before income taxes</b>	(776,081)	(614,720)	203,059	275,386	(573,022)	(339,334)
<b>Net income (loss) attributable to owners of parent</b>	(815,709)	(636,943)	144,493	188,246	(671,216)	(448,697)

2) Summarized consolidated statement of cash flows by business segments

(in millions of yen)

	Automobile & Eliminations		Sales Financing		Consolidated total	
	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)
<b>Cash flows from operating activities</b>	(212,474)	(76,490)	1,398,328	1,399,279	1,185,854	1,322,789
<b>Cash flows from investing activities</b>	(428,541)	(314,530)	(280,146)	(54,591)	(708,687)	(369,121)
<b>(Free Cash flow)</b>	(641,015)	(391,020)	1,118,182	1,344,688	477,167	953,668
<b>Cash flows from financing activities</b>	847,555	733,152	(1,003,049)	(1,372,844)	(155,494)	(639,692)
Effects of exchange rate changes on cash and cash equivalents	(27,774)	59,385	(16,180)	17,549	(43,954)	76,934
Increase (decrease) in cash and cash equivalents	178,766	401,517	98,953	(10,607)	277,719	390,910
Cash and cash equivalents at beginning of the period	1,309,580	1,494,550	49,478	148,431	1,359,058	1,642,981
Increase due to inclusion in consolidation	6,204	67	—	68	6,204	135
<b>Cash and cash equivalents at end of the period</b>	1,494,550	1,896,134	148,431	137,892	1,642,981	2,034,026

[Net sales and profits or losses by region]

The Year Ended March 31, 2020 (From April 1, 2019 To March 31, 2020)

(in millions of yen)

	Japan	North America	Europe	Asia	Other overseas countries	Total	Eliminations	Consolidated
Net sales								
(1) Sales to third parties	2,143,357	4,713,660	1,283,945	890,274	847,630	9,878,866	—	9,878,866
(2) Inter-segment sales	1,841,139	426,895	195,009	464,557	36,280	2,963,880	(2,963,880)	—
Total	3,984,496	5,140,555	1,478,954	1,354,831	883,910	12,842,746	(2,963,880)	9,878,866
Operating income (loss)	(51,671)	(15,937)	(29,040)	39,097	(3,965)	(61,516)	21,047	(40,469)

Notes: 1. Regions represent the location of the Company and its group companies.

2. Areas are segmented based on their geographical proximity and their mutual operational relationship.

3. Major countries and areas which belong to segments other than Japan are as follows:

- (1) North America : The United States of America, Canada, and Mexico
- (2) Europe : France, The United Kingdom, Spain, Russia, and other European countries
- (3) Asia : China, Thailand, India, and other Asian countries
- (4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico

The Year Ended March 31, 2021 (From April 1, 2020 To March 31, 2021)

(in millions of yen)

	Japan	North America	Europe	Asia	Other overseas countries	Total	Eliminations	Consolidated
Net sales								
(1) Sales to third parties	1,881,589	3,685,479	921,479	763,852	610,173	7,862,572	—	7,862,572
(2) Inter-segment sales	1,326,418	289,719	173,663	392,747	13,747	2,196,294	(2,196,294)	—
Total	3,208,007	3,975,198	1,095,142	1,156,599	623,920	10,058,866	(2,196,294)	7,862,572
Operating income (loss)	(203,131)	46,338	(30,683)	23,180	1,533	(162,763)	12,112	(150,651)

Notes: 1. Regions represent the location of the Company and its group companies.

2. Areas are segmented based on their geographical proximity and their mutual operational relationship.

3. Major countries and areas which belong to segments other than Japan are as follows:

- (1) North America : The United States of America, Canada, and Mexico
- (2) Europe : France, The United Kingdom, Spain, Russia, and other European countries
- (3) Asia : China, Thailand, India, and other Asian countries
- (4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico

**【Related information】**

[Information about net sales by geographical area]

The Year Ended March 31, 2020 (From April 1, 2019 To March 31, 2020)

(in millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,727,634	4,612,528	3,786,604	1,429,733	1,101,675	1,007,296	9,878,866

- Notes: 1. Regions represent customers' location.  
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.  
3. Major countries and areas which belong to segments other than Japan are as follows:
- (1) North America : The United States of America, Canada, and Mexico
  - (2) Europe : France, The United Kingdom, Spain, Russia, and other European countries
  - (3) Asia : China, Thailand, India, and other Asian countries
  - (4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico, etc.

The Year Ended March 31, 2021 (From April 1, 2020 To March 31, 2021)

(in millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,571,624	3,608,509	2,969,154	1,029,274	951,736	701,429	7,862,572

- Notes: 1. Regions represent customers' location.  
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.  
3. Major countries and areas which belong to segments other than Japan are as follows:
- (1) North America : The United States of America, Canada, and Mexico
  - (2) Europe : France, The United Kingdom, Spain, Russia, and other European countries
  - (3) Asia : China, Thailand, India, and other Asian countries
  - (4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico, etc.

(Amounts per share)

(Yen)

	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)
Net assets per share	1,038.95	1,007.80
Basic net loss per share	(171.54)	(114.67)
Diluted earnings per share	—	—

Notes: The basis for calculation of the basic net loss per share and the diluted earnings per share is as follows.

	FY2019 (From April 1, 2019 To March 31, 2020)	FY2020 (From April 1, 2020 To March 31, 2021)
Basic net loss per share:		
Net loss attributable to owners of parent (Millions of yen)	(671,216)	(448,697)
Net loss attributable to owners of parent relating to common stock (Millions of yen)	(671,216)	(448,697)
Average number of shares of common stock during the fiscal year (Thousands of shares)	3,912,975	3,912,895
Diluted earnings per share:		
Increase in shares of common stock (Thousands of shares)	—	—
(Exercise of share subscription rights (Thousands of shares))	—	—

(Significant subsequent events)

The Company decided to sell all of the shares in Daimler AG held by the Company on May 5, 2021 and executed the sale at ¥150.8 billion. The proceeds from the sale will allow Nissan to further strengthen and enhance its business competitiveness, including investments to promote electrification. As a result, ¥76,094 million of the gain on sale of investment securities is expected to be recorded as extraordinary income in the first quarter of the fiscal year ending March 2022.

## 4. Other Information

The former Representative Directors of the Company were indicted on suspicion of violating the Financial Instruments and Exchange Act (charged with submitting false Securities Reports) and a former Representative Director and Chairman was additionally indicted on suspicion of violating the Companies Act (charged with aggravated breach of trust). In conjunction with these indictments, the Company itself was indicted on suspicion of violating the Financial Instruments and Exchange Act. The Company took this situation very seriously and formed a Special Committee for Improving Governance (SCIG) consisting of several independent third parties and independent Outside Directors of the Company. On March 27, 2019, Nissan's board of directors received a report from the SCIG that summarizes the committee's proposals for governance improvements and recommends a framework for the best governance as a foundation for Nissan business operations in the future. The Company has made the transition to a three statutory committee format.

On September 9, 2019, the board of directors of the Company received a report from the Audit Committee on the internal investigation into misconduct led by the Company's former chairman and others. As stated in the timely disclosure released on September 9, 2019 "Nissan board receives report on misconduct led by former chairman and others", the report confirmed specific instances of misconduct. Among these instances, Ghosn's personal use of the company's assets and improper payments of financial "incentives" to Nissan distributors instructed by Ghosn are as follows. Since September 9, 2019, there have been no changes made to the following contents at the time of submission of this report. In the future, if significant progress occurs in the following contents, we will disclose in accordance with relevant laws and regulations.

### A) Ghosn's personal use of the company's assets

The report confirms that Ghosn used the company's assets for personal benefit, including:

- purchase of residences for exclusive personal use in Beirut and Rio de Janeiro using roughly 27 million U.S. dollars in investment funds from Zi-A Capital, a Nissan subsidiary established under the guise of investing in promising technology start-ups, and further misuse of other company funds to purchase or rent additional residences for personal use;
- payment of sums totaling more than 750,000 U.S. dollars to Ghosn's sister on the basis of a fictitious consulting contract, starting in 2003 and extending for over 10 years with no evidence of any services having been rendered;
- personal use of the corporate jets by Ghosn and members of his family;
- improper use of expenses toward family vacations and gifts of a personal nature;
- instruction of donations totaling more than 2 million U.S. dollars of company funds to universities in Ghosn's ancestral home country of Lebanon with no legitimate business purpose;
- transfer to Nissan in 2008 of foreign exchange swap contracts bearing unrealized losses of roughly 1.85 billion yen, based on a deceptive explanation to the Company's board regarding the nature of the transaction (in 2009, the swap contracts were secretly transferred back to a company related to Ghosn after being flagged as improper by Japan's financial authorities);
- improper payments totaling roughly 7.8 million Euros to Ghosn from a joint venture established by Nissan and MITSUBISHI MOTORS CORPORATION, paid from April 2018 onward under the pretext of a salary and an employment contract with the joint venture, despite the fact that no contract had been approved by the joint venture's board of directors.

### B) Improper payments of financial "incentives" to Nissan distributors instructed by Ghosn

Ghosn instructed a Nissan subsidiary to make payments totaling 14.7 million U.S. dollars to a distributor managed by an acquaintance outside Japan who had previously offered him personal financial support (a fact Ghosn withheld from Nissan's board of directors and the relevant departments within the company). Payments were made under the pretext of covering expenses for special business projects and were approved through Nissan's CEO Reserve, an emergency budget over which only Ghosn and a selected few direct subordinates had approval authority.

Ghosn also instructed a Nissan subsidiary to make payments totaling 32 million U.S. dollars to a distributor outside Japan, an employee of which transferred tens of millions of dollars to Ghosn and a company related to Ghosn (a fact Ghosn withheld from Nissan's board of directors and the relevant departments within the company). Payments were made under the pretext of granting financial incentives to the distributor in question and were approved through the CEO Reserve.

The Company has filed a provisional disposition order in the British Virgin Islands against Ghosn and related parties for a luxury yacht and has filed a lawsuit based on the order seeking damages, etc. Also, on February 12, 2020, the Company has filed a lawsuit against Carlos Ghosn in Japan, seeking recovery of damages. Going forward, the Company will continue to take necessary measures based on the findings of the Company's internal investigation, including legal action to claim damages, in order to account for the responsibility of the former chairman and others.



The Company has received a written notice of commencement of trial procedures dated December 13, 2019, from the Commissioner of the FSA. In response to this written notice, on December 23, 2019, the Company has submitted a written answer not disputing the alleged facts and the amount of the administrative monetary penalty. After that, the Company has received the administrative monetary penalty payment order, dated February 27, 2020, of 2,424,895,000 yen from the Commissioner of the FSA. In accordance with the administrative monetary penalty payment order and payment notice, the Company has made the penalty payment of 1,406,250,000 yen, which became due.

In December 2019, new management has been established, whose members have been selected by the Nomination Committee. As demonstrated by the establishment of new management, strengthening of the supervisory function of internal audit, and so on, the Company is working on various countermeasures to prevent recurrence.

The Company continues its efforts to improve its governance, including ongoing implementation of the improvement measures stated in the Improvement Measures Status Report submitted to Tokyo Stock Exchange on January 16, 2020, as well as reviewing necessary improvements from time to time going forward. The Company also continues to reform its corporate culture, renew corporate ethics, disclose corporate information appropriately and enhance compliance-focused management.