NISSAN
MOTOR CORPORATION

Analyst Session for FY2022 Financial Results

Q&A

Date/Time : May 11, 2023, 18 :30-19 :30

Speakers :

Makoto Uchida	Representative Executive Officer, President & CEO
Ashwani Gupta	Representative Executive Officer, COO
Stephen Ma	Executive Officer, CFO
Rakesh Kochhar	Senior Vice President, Finance Department, Global Sales Finance Business Unit

Questions and Answers

Question 1:
How likely is it to achieve the FY2023 forecast of 520 billion yen in operating income and 4.1 million units in production?

Answer 1:
Uchida: Regarding the profit outlook, we have been developing business plans from both the top-down and bottom-up approaches, and have been steadily achieving them since we became the management team. Although the semiconductor supply situation remains challenging, we have been working on our relationships with suppliers, contracts, and purchasing methods, and we believe that our forecast of 4.1 million units in production is at a reasonable level of certainty. As long as we can supply the products, we can achieve the sales volume outlook, as our products are well accepted by customers.
We will need to watch closely the competitive environment and the sales price trends in China where the business environment continues to be challenging, but we have factored these concerns into our figures.

Gupta: Considering the supply outlook and the fact that production in April and May is on schedule, we are confident of achieving a quarterly production level of about 1 million units and an annual production of 4.1 million units. Although there are risks regarding the sales in China, demand remains high in the U.S., Europe, Japan, the Middle East, and Latin America, and we expect global sales demand to be around 4.6 to 4.7 million units.

Question 2:
What are the risks and opportunities for the FY2023 outlook? With incentives increasing throughout the industry, will you be able to implement a disciplined pricing strategy throughout the year?

Answer 2:
Ma: Opportunities include the yen's depreciation against the U.S. dollar to 130 yen or more and a further decline in raw material prices, which peaked out last year and are now on a downward trend. Sales will basically depend on production volume. There is more demand than production, and we still have a back order in most of our core markets.
On the risk side, cost increases due to inflation are a concern. Wage inflation and other factors that are known at this point have already been factored into the FY2023 forecast.

We recognize that the biggest risk is the Chinese market, which is changing drastically and the impact on profitability is uncertain. However, even though the competitive environment in the Chinese market is changing with the increase of local brands and continuous introductions of new energy vehicles, the demand for new energy vehicles accounts for only 30-40% of the total, and the remaining 60-70% is for ICE vehicles, in which we are still very strong. We will continue to closely monitor the Chinese market.

As for incentives, we have already factored into our outlook that they will rise in major markets. So far, all manufacturers are using incentives frugally, and we are not seeing a big flood of incentives yet.

Question 3:
Please elaborate on any specific ideas at this stage for future financial strategies.

Answer 3:
Uchida: In the next three years following Nissan NEXT, we need to deliver new services and products either on our own or in partnering up with other companies in an increasingly fragmented market, while maintaining operating profit of 5% level. We will work to lower the cost of electric vehicles, yet the bar for improving profitability will be high unless the volume reaches a certain level. Thus, we will provide value to customers through other products and services to generate revenue and profit. We will create a plan that shows a return on future business while maintaining the positive operating income and free cash flow of the automotive business, which has finally turned profitable.

Question 4:
Could you explain the impact of downgrade of S&P's rating and what are your plan for the future?

Answer 4:
Ma: The downgrade was the result of S&P's very conservative view of the auto industry as a whole and its outlook that the supply in the market will not recover much, as well as their view that

Nissan’s recovery is slower compared to their expectations. However, the outlook on the rating is "stable" and we will continue discussions to return the rating to investment grade. We have also received a new investment grade rating from Fitch Rating, and while the downgrade by S&P will impact our funding costs, we do not expect the impact on our FY23 results to be significant. We are also told that if the Company's earnings recover as S&P expects, they will reconsider Nissan’s rating in a short period of time.

Question 5:
Please explain the progress on the development of materials for all-solid-state batteries (ASSB)?

Answer 5:
Uchida: Introduction of a pilot plant for all-solid-state batteries is scheduled in 2024, and we have placed an order for the equipment. This should give you an idea of the progress of development. The development of materials, the maintenance of high energy density, and the technology to make the batteries practical size, etc., are in sight to a certain extent. There are still some challenges to be addressed, yet we are making good progress.

Question 6
What is the background of the deterioration in free cash flow of China JV proportionate basis? Also, please explain why the profits in China have not fallen as much as the revenue.

Answer 6
Ma: Free cash flow for China was negatively impacted by the lockdown in Shanghai in spring 2022 and by the spread of COVID-19 throughout China from October to December 2022. The working capital turned negative due to an increase in inventory caused by the production shutdown and a decrease in accounts payable due to continued payments to suppliers, but other factors were under control. In FY2023, working capital is expected to recover as sales volume returns.

The reason the profit remained mostly flat from the previous fiscal year was due to the one-time gain from the sale of the LCV business, and the minor impact of the change in accounting standards in China.

Question 7
Have there been any changes in the business environment for sales finance in the U.S. market due to the bankruptcies of regional banks? Is there any possibility that NMAC's penetration will increase due to banks’ reluctance to lend.

Answer 7
Kochhar: Our balance sheet is very solid, not only in the automotive business but also in the sales finance business. 38% of our sales finance assets are self-financed through equity or internal group financing. This gives lenders a lot of comfort and allows the Company to raise funds without any problems in all markets, including the U.S. market.

In addition, there is no reluctance to lend to individual customers in the U.S., not limited to NMAC. Individual customers can obtain financing from NMAC as well as from other lenders, including banks, and we believe that this situation will not change.

Question 8:
FY2023 operating profit forecast is very solid, but net income is low in comparison. Please explain what you have projected for non-operating income, including equity in earnings of affiliates, and extraordinary items.

Answer 8:
Ma: As for the equity-method companies, the forecast for Mitsubishi is based on the company's announced plan, for Renault on the consensus, and for other companies on our internal plans. In addition, we have already booked impairment losses as part of our business restructuring several years ago and do not expect to incur large-scale expenses in FY2023, such as those associated with its withdrawal from Russia.