NISSAN
MOTOR CORPORATION

Analyst Session for FY24 Q1 Financial Results

Q&A

Date/Time : July 25, 2025, 18 :30-19 :30

Speakers :

Makoto Uchida, Representative Executive Officer, President & CEO

Stephen Ma, Executive Officer, CFO

Jeremie Papin, Chairperson, Management Committee for Americas

Shohei Yamazaki, Chairperson, Management Committee for China

Rakesh Kochhar, Senior Vice President, Finance Department, Global Sales Finance Business Unit

Questions and Answers

Question 1:
In the earnings presentation on slide 19, it shows the profit buildup from the second quarter to the fourth quarter. Is the main driver of the profit expansion the introduction of new models? If so, it seems somewhat optimistic. Could you elaborate on the recovery strategy in the second half?

Answer 1:
Uchida:
First, the trend changed significantly from last year to this year. In the first half of last year, we generated considerable profit, but this year, we could not reduce the inventory to the expected levels. The main reason was that the transition between the model year 2023 and model year 2024 Rogue models did not go smoothly, which lead to an increase in inventory. Therefore, we plan to bring the inventory back to normal levels in the second and third quarters. Additionally, some production adjustments are being made. Consequently, after normalizing inventory in the first half, we will increase sales volumes and profit with the new models. The sales expenses were high in the first half, but they will gradually become linear towards the second half, leading to a recovery in profit.

Ma:
What we can expect from the second half performance is the launch of many premium models. For example, the Infiniti QX80 is the most expensive car in our product lineup. Additionally, the new Armada and the new Murano are also scheduled for release. The profit margins for these three models are exceptionally high. Additionally, there is the new Kicks. The new Kicks is a mass-market model, and, in terms of size, it serves as a successor to the discontinued Rogue Sport. In

the first quarter, we did not have the Rogue Sport in our lineup, which meant we were missing one model. We expect a large increase in sales volume with the new Kicks.

Question 2:
The operating profit variance analysis for the first quarter on slide 13 and the full-year analysis on slide 18 both show a negative 110 billion yen in Sales Performance. Does this mean that the negative amount in the first half can be offset in the second half?

Answer 2:
Ma:
Slide 18 shows the variance against the previous full-year outlook and the revised outlook. Compared to the previous outlook, we are expecting an increase in sales expenses of approximately 100 billion yen, most of which is due to incentives. This is to normalize inventory in the second and third quarters, and the fourth quarter remains unchanged from the initial assumptions. In other words, we expect an increase in sales expenses of approximately 100 billion yen year-on-year in the second and third quarters combined, but for the fourth quarter, the incentives will improve compared to the previous year.

Question 3:
Can the revised operating profit outlook be achieved from the positive effect of new model releases and additional 100 billion yen in sales expenses as shown in slide 18? Considering the U.S. sales environment, is there any change in policy of prioritizing quality of the sales?

Answer 3:
Uchida:
We have repeatedly emphasized our commitment to maintaining the quality of sales. For example, 90% of our sales incentives are through sales finance, promoting sales while preserving residual values. We have also been steadily increasing our affordable segment share with models such as Sentra and Kicks. Additionally, we will successfully transition the Rogue's new model year and increase the number of units. Given the market environment is becoming more challenging, we anticipate some impact from incentives in the second and third quarters, but our focus on capturing segment share remains unchanged.

Papin:
I am Jeremy Papin and responsible for the U.S. market. In the first quarter, strategically utilizing incentives and advertising expenses, we promoted sales of models such as Sentra, Altima, Kicks, Frontier, and Pathfinder to reduce inventory levels. In the second quarter, we will focus on promoting sales of Rogue using similar methods. Additionally, with production adjustments in place, the pressure of piling up dealer inventory will be somewhat alleviated.

The most anticipated effectiveness lies in the new model launches. The release of the high-profit margin Infiniti QX80 and the anticipated volume-contributing new Kicks are scheduled. The new Kicks, known for its all-wheel drive capability, is expected to perform well in snowy regions in the US and Canada. Furthermore, for the model year 2025 Rogue, we will launch the Rock Creek

Edition. The Rock Creek Edition has been successful with the Pathfinder, making a significant contribution to the model mix. These are the specific strategies for the second quarter and beyond.

Ma:
Although we are currently facing challenging circumstances, we understand the situation and believe that we can overcome it.

Firstly, the challenges arising from the delayed transition of the Rogue model year will be resolved within this year. Additionally, we will conduct the model year transition earlier than usual. The 2025 model year Infiniti QX80 will be launched next week, and we will accelerate the model year transition for Rogue and other models to ensure a smooth transition going forward.

Secondly, while sales expenses will increase, we are protecting residual value by utilizing interest subsidies rather than cash discounts. As a result, sales finance penetration is increasing.

Thirdly, production has already been adjusted. We also plan to introduce sales of new segment vehicles like the all-wheel drive new Kicks, and expect a net increase in units.

Question 4:
There have been reports on the situation in the Chinese market and measures to reduce fixed costs. Please share your thoughts on optimizing production capacity in China.

Answer 4:
Ma:
While we have not made any announcements regarding China's production capacity, we are currently working with our local partners to explore optimizing production capacity. Last year, we worked with our partners to reduce fixed costs.

Yamazaki:
I am Yamazaki, in charge of China. As the CFO mentioned, we continue to discuss production capacity optimization with our joint venture partners.

As announced at The Arc, we are planning to introduce new energy vehicles from next year and start exports of vehicles from China. We are determined to effectively utilize production capacity moving forward.

Question 5:
Retail sales in the European market have increased compared to the previous period, but the operating profit in Europe is in the red. Could you please explain the situation in Europe?

Answer 5:
Ma:
Regarding Europe, the first quarter of the previous year was around 7 billion yen, but it has now turned into an approximately negative 16 billion yen. Firstly, there were impacts from exchange

rate fluctuations, as well as from mix and incentives. Intense competition in countries like France and Germany has led many competitors to increase incentives. Therefore, we had no choice but to follow suit.

Question 6:

Regarding exchange rates, the yen is currently weakening, and with the current exchange rate assumptions, there may be a possibility of an additional downward revision in the outlook. Could you explain where the opportunities lie in the new outlook apart from exchange rates?

Answer 6:

Ma:

The current USD/JPY rate is 152 yen, and a 3-yen change is considered manageable within the expected range. For example, if the sales of new models exceed expectations, it would present an upside opportunity. Another opportunity lies in the revised outlook, where there was a net of 80 billion yen for exchange rates and raw material costs, which included a negative 10 billion yen for raw material costs. This incorporated the rise in aluminum prices, while other raw material costs have decreased. This could be an opportunity. As the growth of electric vehicles has recently plateaued, some material prices have fallen. In other areas, it depends on how well we can clear out our inventory.

Question 7:

Regarding inventory, in the presentation, it was mentioned that inventory in the US was almost flat between the end of March and the end of June. Is inventory increasing in regions outside the US? Please share how much overall inventory levels are planned to be reduced in the future.

Answer 7:

Uchida:

Regarding US inventory, due to various factors including challenges with the transition of old and new model year Rogues last year, dealer inventory, especially in the first quarter, had piled up more than expected. We will strategically reduce this inventory while also adjusting production from the second quarter onwards.

Ma:

Regional inventory in the first quarter shows that inventory in major regions for both dealers and manufacturers was at a level similar to the fourth quarter, with no significant increase. The increase was in other markets. In the fiscal year 2023, there was a supply shortage, and enough cars could not be supplied to minor markets. Inventory levels increased in other markets due to cars in transit by sea.

Question 8:
Regarding the dividend policy, what will happen to the planned dividend per share of 25 yen if it falls short due to changes in the business environment? Could you provide any numerical criteria, if available, for maintaining the dividend amount?

Answer 8:
Ma:
The conditions of the dividend policy have not changed. The basic policy for the dividend payment is that operating income and net profit for the period are positive, a healthy net cash position, and positive free cash flow.

If these requirements are not met, the dividend will not be paid. Currently, the full-year forecast shows operating income at 500 billion yen and net profit at 300 billion yen. Free cash flow is expected to be similar to the previous year. Despite increased research and development and capital expenditures, the net cash position will be maintained at a healthy level.

At present, the requirements for paying dividends are being met for the full year, but free cash flow for the first quarter was negative. By swiftly clearing out inventory, we aim to make free cash flow slightly positive in the second quarter.

Question 9:
NMAC's credit loss ratio seems to be increasing significantly, but the new outlook indicates that credit losses have not changed from the previous outlook. Is this increase within the expected range? Please provide an update on the current situation of the sales finance business.

Answer 9:
Kochhar:

I am Rakesh Kochhar, responsible for the sales finance business. Regarding NMAC's credit loss ratio, although there is an upward trend, this is due to the normalization of the market and was already factored into the initial performance forecast.

When defaults occur on sales finance receivables, we aim to recover the defaulted amount by repossessing the collateral vehicles and selling them as used cars. The decline in used car prices is also contributing to the increase in credit losses.

However, when compared to long-term trends from the past, the current credit losses remain at a low level. We aim to keep them lower than past long-term trends.

Question 10:
With the tightening ZEV regulations in the US from 2026 onwards, what is the strategic direction for the current electric powertrain strategy?

Answer 10:
Uchida:

Regarding electrification, as explained in the new management plan "The Arc," there is no change in the strategy to primarily advance in the North American market.

End