

# FINANCIAL RESULTS OF NISSAN MOTOR CO.,LTD

<FOR THE FISCAL YEAR ENDING MARCH 31, 2004>

## 3.CORPORATE GOVERNANCE

### TABLE OF CONTENTS

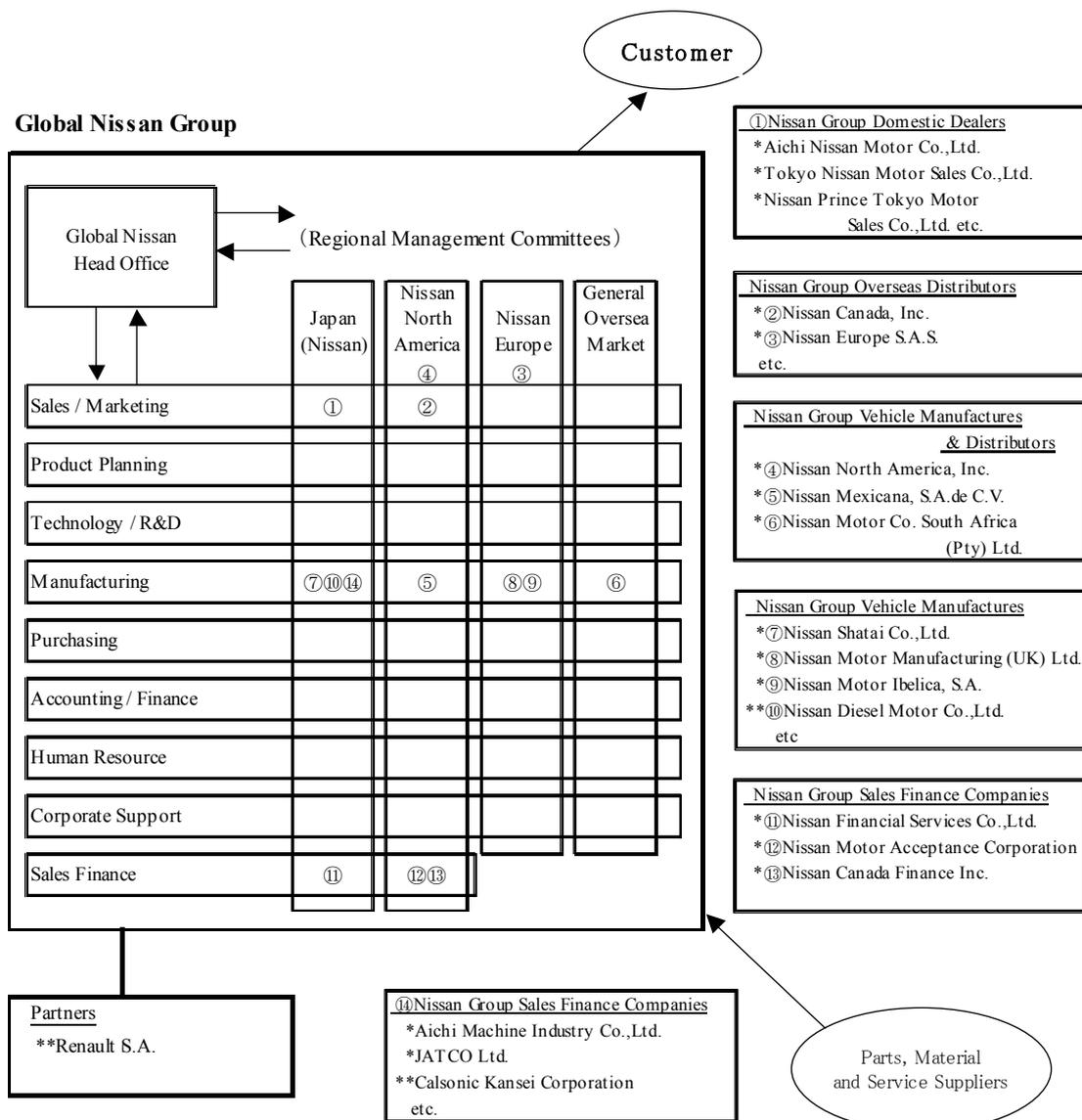
CONSOLIDATED	Page
1.THE GENERAL SITUATION OF THE CORPORATE GROUP	1
3.CORPORATE GOVERNANCE	2
2.NISSAN 180	3
4.FISCAL YEAR 2003 BUSINESS PERFORMANCE	3 - 7
5.FISCAL YEAR 2004 FINANCIAL FORECAST	7
6.CONSOLIDATED FINANCIAL STATEMENTS	
6-1 Consolidated Statements of income	8
6-2 Consolidated Balance Sheets	9
6-3 Consolidated Statements of Retained Earnings	10
6-4 Consolidated Statements of Cash Flows	11
6-5 Basis of Consolidated Financial Statements	12-15
6-6 Notes to consolidated Financial Statements	
1 Contingent Liabilities	16
2 Research and Development costs included in cost of sales and general and administrative expenses	16
3 Cash flows	16
4 Securities	17-18
5 Segment Information	19-23
6 Production and sales	24
7 Footnotes to be disclosed	24
NON-CONSOLIDATED	
2.NON-CONSOLIDATED FINANCIAL RESULTS	25-26
1.PRODUCTS AND SALES	27
2.NON-CONSOLIDATED FINANCIAL STATEMENTS	
2-1 Non-consolidated Statements of income	28
2-2 Non-consolidated Balance Sheets	29-30
2-3 Significant accounting policies	31
2-4 Notes to non-consolidated Financial Statements	32-33
2-5 Proposal for Appropriation of Retained Earnings	34
3.DIRECTORS AND STATUTORY AUDITORS CHANGES	34

Please note that the year "2003," as used throughout this report ,refers to the fiscal year starting April 1,2003 and ending March 31,2004 .

# 1. Description of Nissan group

The Nissan group consists of Nissan Motor Co., Ltd. (the "Company"), subsidiaries, affiliates, and other associated companies. Its main business includes sales and production of vehicles, forklifts, marine products and related parts. And also the Nissan group provides various services accompanying its main business, such as logistics and sales finance. The Company established Global Nissan (GNX) as a global headquarters function which is to focus on utilizing regional activities by 4 Regional Management Committees and cross regional functions like R&D, Purchasing, Manufacturing, etc., and Global Nissan Group is composed of this matrix.

The corporate group structure is as follows:



\* Consolidated Subsidiaries  
\*\* Companies accounted for by equity method

• There are other associated companies; \*Nissan Trading Co., Ltd., \*Nissan Real Estate Development Co., Ltd..  
• Our subsidiaries listed on domestic stock exchange markets are follows.  
Nissan Shatai Co., Ltd.---Tokyo Aichi Machine Industry Co., Ltd.---Tokyo, Nagoya

## **2. Basic Policy regarding Corporate Governance and its Implementation Status**

Corporate governance is an important responsibility of management.

The most important point regarding the corporate governance is to make clear the responsibility of management. At Nissan, clear management objectives and policy are published for shareholders and investors, and its achievement status and results are disclosed early and with as much transparency as possible.

This will make clear the responsibility of management, and will contribute to the enhancement of corporate governance.

Nissan has also adopted various system reforms. To be specific, the number of members on the board of directors was reduced from nine to seven after the shareholders' meeting in June 2003 to improve management efficiency.

The audit function has been strengthened by adopting three outside corporate auditors. At the shareholders' meeting in June of this year, it is planned to increase the number of the corporate auditors from four to five, three of whom will still be outside corporate auditors. Japan Internal Audit Office has been established to conduct internal audits of operations on a regular basis.

In addition, the Chief Internal Audit Officer conducts global audits.

Three-way auditing has been adopted through this combination of corporate auditors, auditing firms and internal audit functions.

Further, Nissan has established "Nissan Global Code of Conduct" and "Global Compliance Committee" to strengthen the function of compliance with laws and ethics and to avoid illegal and unethical conduct within the global Nissan group.

### **3. NISSAN 180 Update**

Through its three-year business plan, NISSAN 180, Nissan has established a position among the world's most profitable automakers.

By implementing NISSAN 180, the company aims: to grow sales by 1 million additional units by the end of fiscal year 2004, measured between October 2004 and September 2005 and compared to fiscal year 2001; to achieve an 8% operating profit margin; and to reduce net automotive debt to zero at constant accounting standards. During fiscal year 2002, the company exceeded its operating profit margin and debt commitments; only the sales commitment remains.

In fiscal year 2003, the second year of NISSAN 180:

- Nissan sold 3,057,000 units worldwide, an increase of 287,000 units, or 10.4%, compared to fiscal year 2002.
- Operating profit reached 824.9 billion yen, yielding an operating profit margin of 11.1%.
- Auto return on invested capital reached 21.3%.

### **4. Fiscal year 2003 business performance**

Overall, Nissan sold 3,057,000 vehicles worldwide in fiscal year 2003, marking the first time in 13 years that Nissan sold more than 3 million vehicles. Nissan launched 10 all-new models worldwide, representing 23 regional product launches. Sales increased in all regions.

In Japan, Nissan sold 837,000 units, a 2.6% increase, in a flat market. The March and the Cube contributed to the increase, ranking among the top 10 best-sellers every month. Nissan's market share increased 0.3%, to 14.2%, including minicars.

In the United States, Nissan sales increased 17.9% to 856,000 units in a market that grew by 1%.

In the U.S. market, Nissan sells products in two channels: Nissan and Infiniti.

The Nissan Division grew by 16.1% with a richer mix. High-margin trucks rose 34.1%, driven by the Murano and the products from the company's new plant in Canton, Mississippi. Car sales increased by 6.5%, led by sales of the Altima and the new Maxima.

The luxury Infiniti Division had its best year ever, up 29.4%, to 124,000 units. Infiniti benefited from increased sales of the G35 sedan and coupe as well as the FX35 and FX45. The first full-sized Infiniti sport utility vehicle, the QX56, was launched successfully in February.

Nissan's U.S. market share for the full year came to 5.1%, up from 4.4%. The pace of growth accelerated in the last quarter of the fiscal year, with Nissan's share reaching 6.1% compared to 4.7% in the last quarter of 2002. Nissan continued to pursue its disciplined strategy to keep incentive levels low to avoid jeopardizing brand power for the sake of short-term market share gains.

In Europe, sales increased 14.4%, to 542,000 units. The Nissan Micra, with sales of 175,000 units in its first full year, was a primary contributor. The total also included growing sales of 4x4s, such as the X-TRAIL and Pick-up.

In General Overseas Markets, including Mexico and Canada, sales increased 9% to 822,000 units. The X-TRAIL was an important contributor, particularly in Australia, where sales were up 23.1%. In China, the new, locally produced Sunny helped to increase sales 30.4%, to 101,000 units.

Consolidated net revenues came to 7.429 trillion yen, up 8.8% from last year, mainly due to higher volume and mix. Movements in foreign exchange rates produced a negative impact of 111.6 billion yen. Previously announced changes in lease accounting reduced revenues by 18 billion yen, and changes in the scope of consolidation reduced revenues by 23 billion yen.

billion yen, and changes in the scope of consolidation reduced revenues by 23 billion yen.

Consolidated operating profit improved by 11.9% to a record 824.9 billion yen. As a percentage of net revenue, Nissan's operating profit margin reached 11.1%, keeping the company at the top level among global automakers.

Analyzing the variance between the operating profit in fiscal years 2002 and 2003, several factors are considered:

- The effect of foreign exchange rates produced a 48 billion yen negative impact for the full year.

The average value of the dollar dropped 8.8 yen to 113.2 yen, yielding a negative impact of 101 billion yen.

The euro rose 13 yen to 131.2 yen, producing a positive impact of 29 billion yen.

Other currencies made a positive contribution of 24 billion yen.

- The change in lease accounting added 20 billion yen while the change in the scope of consolidation produced a minor negative impact of 4 billion yen.

- The impact of higher volumes and mix contributed 185 billion yen.

- Selling expenses increased by 72 billion yen.

- The improvement in purchasing costs amounted to 183 billion yen.

- Product enrichment and the cost of regulations had a negative impact of 83 billion yen.

- Nissan spent an additional 54 billion yen in R&D to further reinforce product and technology development.

- Manufacturing and logistics costs had a negative impact of 12 billion yen, including the costs associated with the startup of the Canton Plant.

- General and administrative and other expenses increased by 27.3 billion yen.

Non-operating loss decreased from 27.1 billion yen in fiscal year 2002 to 15.2 billion yen in fiscal year 2003. Net financial cost decreased from 16.5 billion yen in fiscal year 2002 to 15.7 billion

year 2003. Net financial cost decreased from 16.5 billion yen in fiscal year 2002 to 15.7 billion yen in fiscal year 2003 due to the company's decrease in net automotive debt. As a result, consolidated

ordinary profit came to 809.7 billion yen, increasing from 710.1 billion yen in 2002.

Net extraordinary losses increased from 15.5 billion yen in fiscal year 2002 to 73.2 billion yen in fiscal year 2003. The increase was mainly due to last year's inclusion of a one-time gain of 56.3 billion yen from the sale of Nissan's Murayama Plant.

Income before taxes came to 736.5 billion yen. Taxes came to 219 billion yen for an effective consolidated tax rate of 29.7%.

Minority interests amounted to 13.8 billion yen compared to 700 million yen in fiscal year 2002 due to the increase in profits of companies that are fully consolidated but not fully owned.

Consolidated net income reached 503.7 billion yen, an increase of 1.7%, or 6.8% net margin in fiscal year 2003, compared to 495.2 billion yen in fiscal year 2002.

In the retail finance business segment, net sales came to 366 billion yen from 395.9 billion yen in fiscal year 2002. The decrease was a result of foreign exchange impact and the changes in lease accounting. Operating income came to 64.8 billion yen, up 8.2% from last year. Net income was increased by 4.9% to 38.3 billion yen compared to fiscal year 2002.

As disclosed last year, the inclusion of our Canton Plant and lease liabilities increased net automotive indebtedness to a total of 268.3 billion yen. In fiscal year 2003, cash from operations totaled 1.042 trillion yen, a 245 billion yen improvement over the prior year.

Investing activities totaled 428 billion yen, including 52.7 billion yen of Nissan's investment int.

Investing activities totaled 428 billion yen, including 52.7 billion yen of Nissan's investment into Dongfeng. The balance of the payment, amounting to 61.5 billion yen, will occur in the first quarter of fiscal year 2004.

Finance activities totaled 232.8 billion yen. The total includes 92.3 billion yen for the purchase of treasury stock, 74.6 billion yen for the payment of dividends and 65.9 billion yen for the repayment of maturing debts and lease obligations.

Foreign exchange rates produced a negative impact of 126.9 billion yen to cash flow.

As a result, net automotive debt at new accounting standards totaled 13.6 billion yen at the close of fiscal year 2003.

Nissan exceeded its targeted 20% return on invested capital, reaching 21.3% for fiscal year 2003.

##### **5. Fiscal year 2004 financial forecast**

Nissan operates in the context of a changing world, with risks and opportunities. Risks include adverse foreign exchange rate fluctuations and rising commodity prices and interest rates. The company's greatest opportunities lie in the accelerated implementation of all its action plans during the final year of NISSAN 180.

Based on its outlook for fiscal year 2004, Nissan forecasts full-year consolidated net sales to reach 8.176 trillion yen, a 10.1% increase from fiscal year 2003. Operating profit is expected to be 860 billion yen, up 4.3% from fiscal year 2003, giving an operating profit margin of 10.5%. Ordinary profit is expected to reach 846 billion yen. Net income is forecasted to be 510 billion yen. Capital expenditures are expected to be 480 billion yen. Auto return on invested capital is expected to remain above 20%.

## 5. CONSOLIDATED FINANCIAL STATEMENTS

### 1) Consolidated Statements of Income

(FY2003 and FY2002)

[in millions of Yen, ( ) indicates loss or minus]

The following information has been prepared in accordance with accounting principles and practices generally accepted in Japan.

	FY2003	FY2002	Change	
			Amount	%
<b>NET SALES</b>	<b>7,429,219</b>	<b>6,828,588</b>	<b>600,631</b>	<b>8.8 %</b>
COST OF SALES	5,310,172	4,872,324	437,848	
Gross profit	2,119,047	1,956,264	162,783	8.3 %
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,294,192	1,219,034	75,158	
	11.1%	10.8%	0.3%	
<b>Operating income</b>	<b>824,855</b>	<b>737,230</b>	<b>87,625</b>	<b>11.9 %</b>
NON-OPERATING INCOME	57,277	60,770	(3,493)	
Interest and dividend income	11,591	8,520	3,071	
Equity in earnings of unconsolidated subsidiaries & affiliates	11,623	11,395	228	
Other non-operating income	34,063	40,855	(6,792)	
NON-OPERATING EXPENSES	72,440	87,931	(15,491)	
Interest expense	27,290	25,060	2,230	
Amortization of net retirement benefit obligation at transition	13,936	23,923	(9,987)	
Other non-operating expenses	31,214	38,948	(7,734)	
	10.9%	10.4%	0.5%	
<b>Ordinary income</b>	<b>809,692</b>	<b>710,069</b>	<b>99,623</b>	<b>14.0 %</b>
EXTRAORDINARY GAINS	32,200	89,243	(57,043)	
EXTRAORDINARY LOSSES	105,395	104,688	707	
	9.9%	10.2%	(0.3%)	
<b>Income before income taxes and minority interests</b>	<b>736,497</b>	<b>694,624</b>	<b>41,873</b>	<b>6.0 %</b>
INCOME TAXES	137,745	113,185	24,560	
INCOME TAXES DEFERRED	81,295	85,513	(4,218)	
MINORITY INTERESTS	13,790	761	13,029	
	6.8%	7.3%	(0.5%)	
<b>NET INCOME</b>	<b>503,667</b>	<b>495,165</b>	<b>8,502</b>	<b>1.7 %</b>

## 2) Consolidated Balance Sheets

as of Mar 31, 2004 and Mar 31, 2003

[ in millions of Yen, ( ) indicates loss or minus]

The following information has been prepared in accordance with accounting principles and practices generally accepted in Japan.

	as of Mar 31, 2004	as of Mar 31, 2003	Change
<b>[ASSETS]</b>			
<b>CURRENT ASSETS</b>	<b>3,766,963</b>	<b>3,700,057</b>	<b>66,906</b>
Cash on hand and in banks	191,742	268,433	(76,691)
Notes & accounts receivable	462,716	501,127	(38,411)
Finance receivables	2,203,174	1,896,953	306,221
Marketable securities	3,126	1,420	1,706
Inventories	542,792	543,608	(816)
Deferred tax assets	169,759	176,571	(6,812)
Other current assets	193,654	311,945	(118,291)
<b>FIXED ASSETS</b>	<b>4,091,299</b>	<b>3,646,989</b>	<b>444,310</b>
Property, plant and equipment	3,203,252	2,989,334	213,918
Intangible assets	71,786	42,000	29,786
Investment securities	360,344	267,046	93,298
Long-term loans receivable	17,419	14,099	3,320
Deferred tax assets	162,184	191,262	(29,078)
Other fixed assets	276,314	143,248	133,066
<b>DEFERRED ASSET</b>	<b>1,594</b>	<b>2,137</b>	<b>(543)</b>
<b>TOTAL ASSETS</b>	<b>7,859,856</b>	<b>7,349,183</b>	<b>510,673</b>
<b>[LIABILITIES]</b>			
<b>CURRENT LIABILITIES</b>	<b>3,102,481</b>	<b>2,921,818</b>	<b>180,663</b>
Notes & accounts payable	768,201	656,411	111,790
Short-term borrowings	1,360,798	1,315,222	45,576
Deferred tax liabilities	2,545	6	2,539
Accrued warranty costs	45,550	—	45,550
Lease obligation	50,464	—	50,464
Other current liabilities	874,923	950,179	(75,256)
<b>LONG-TERM LIABILITIES</b>	<b>2,629,596</b>	<b>2,530,610</b>	<b>98,986</b>
Bonds and debentures	542,824	778,160	(235,336)
Long-term borrowings	1,067,790	825,086	242,704
Deferred tax liabilities	291,991	262,459	29,532
Accrued warranty costs	107,047	154,582	(47,535)
Accrued retirement benefits	442,266	433,266	9,000
Lease obligation	84,179	—	84,179
Other long-term liabilities	93,499	77,057	16,442
<b>TOTAL LIABILITIES</b>	<b>5,732,077</b>	<b>5,452,428</b>	<b>279,649</b>
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES</b>	<b>103,785</b>	<b>88,451</b>	<b>15,334</b>
<b>[SHAREHOLDERS' EQUITY]</b>			
<b>COMMON STOCK</b>	<b>605,814</b>	<b>605,814</b>	<b>0</b>
<b>CAPITAL SURPLUS</b>	<b>804,470</b>	<b>804,470</b>	<b>0</b>
<b>RETAINED EARNINGS</b>	<b>1,286,299</b>	<b>878,655</b>	<b>407,644</b>
<b>UNREALIZED HOLDING GAIN ON SECURITIES</b>	<b>4,392</b>	<b>1,831</b>	<b>2,561</b>
<b>TRANSLATION ADJUSTMENTS</b>	<b>(431,744)</b>	<b>(320,276)</b>	<b>(111,468)</b>
<b>TREASURY STOCK</b>	<b>(245,237)</b>	<b>(162,190)</b>	<b>(83,047)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,023,994</b>	<b>1,808,304</b>	<b>215,690</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS &amp; SHAREHOLDERS' EQUITY</b>	<b>7,859,856</b>	<b>7,349,183</b>	<b>510,673</b>

Note. The amount of short-term borrowings includes current maturities of long-term borrowings, bonds and debentures, and commercial paper.

### **3) Consolidated Statements of Retained Earnings**

(FY2003 and FY2002)

[in millions of Yen, ( ) indicates loss or minus]

The following information has been prepared in accordance with accounting principles and practices generally accepted in Japan.

	FY2003	FY2002	Change
<b>(Capital surplus)</b>			
<b>Capital surplus at beginning of period</b>	<b>804,470</b>	<b>803,212</b>	<b>1,258</b>
<b>Increase</b>	<b>-</b>	<b>1,258</b>	<b>(1,258)</b>
Increase due to conversion of convertible bonds	-	1,258	(1,258)
<b>Capital surplus at end of period</b>	<b>804,470</b>	<b>804,470</b>	<b>0</b>
<b>(Retained earnings)</b>			
<b>Retained earnings at beginning of period</b>	<b>878,655</b>	<b>430,751</b>	<b>447,904</b>
<b>Increase</b>	<b>513,353</b>	<b>509,741</b>	<b>3,612</b>
Net income	503,667	495,165	8,502
Increase due to inclusion in consolidation	226	-	226
Increase due to exclusion from equity method consolidation	-	112	(112)
Adjustment for revaluation of the accounts of the consolidated subsidiary based on general price level accounting	9,460	14,464	(5,004)
<b>Decrease</b>	<b>105,709</b>	<b>61,837</b>	<b>43,872</b>
Cash dividends paid	74,594	50,800	23,794
Bonuses to directors and statutory auditors	410	407	3
Decrease due to exclusion from equity method consolidation	4,402	7,966	(3,564)
Recognition of unfunded retirement benefit obligation of subsidiaries in UK	18,132	-	18,132
Loss on disposal of treasury stock	8,171	2,664	5,507
<b>Retained earnings at end of period</b>	<b>1,286,299</b>	<b>878,655</b>	<b>407,644</b>

## **4) Consolidated Statements of Cash Flows**

(FY2003 and FY2002)

[in millions of Yen, ( ) indicates out flows]

The following information has been prepared in accordance with accounting principles and practices generally accepted in Japan.

	FY2003	FY2002
<b>Operating activities</b>		
Income before income taxes and minority interests	736,497	694,624
Depreciation and amortization (fixed assets excluding leased vehicles)	314,900	204,210
Amortization (long-term prepaid expenses)	11,783	8,545
Depreciation (leased vehicles)	134,354	158,370
Provision for doubtful receivables	3,732	(503)
Unrealized loss on investments	323	769
Interest and dividend income	(11,591)	(8,520)
Interest expense	63,423	80,255
Gain on sales of property, plant and equipment	(4,163)	(58,796)
Loss on disposal of property, plant and equipment	24,823	15,587
Loss (gain) on sales of investment securities	7,113	(4,324)
Decrease in trade receivables	24,539	44,989
Increase in sales finance receivables	(463,110)	(327,357)
Increase in inventories	(28,220)	(28,404)
Increase in trade payables	68,879	36,877
Amortization of net retirement benefit obligation at transition	13,936	23,923
Retirement benefit expenses	67,262	100,629
Retirement benefits paid	(80,650)	(86,917)
Business restructuring costs paid	-	(4,644)
Other	45,934	(77,897)
Sub-total	929,764	771,416
Interest and dividends received	10,699	8,238
Interest paid	(65,231)	(80,902)
Income taxes paid	(77,815)	(123,374)
Total	797,417	575,378
<b>Investing activities</b>		
(Increase) decrease in short-term investments	(710)	789
Purchases of fixed assets	(428,387)	(377,929)
Proceeds from sales of property, plant and equipment	53,932	98,699
Purchases of leased vehicles	(476,613)	(483,704)
Proceeds from sales of leased vehicles	191,105	259,075
Collection of long-term loans receivable	4,766	13,097
Long-term loans made	(3,741)	(11,343)
Purchases of investment securities	(119,372)	(32,053)
Proceeds from sales of investment securities	40,330	45,263
Proceeds from sales of subsidiaries' shares resulting in changes in the scope of consolidation	192	8,395
Additional acquisition of shares of consolidated subsidiaries	(2,531)	(692)
Other	(15,097)	(34,971)
Total	(756,126)	(515,374)
<b>Financing activities</b>		
Decrease in short-term borrowings	(137,575)	(54,310)
Increase in long-term borrowings	847,393	534,053
Increase in bonds and debentures	150,000	85,000
Repayment or redemption of long-term debt	(720,694)	(524,115)
Purchases of treasury stock	(101,957)	(58,383)
Proceeds from sales of treasury stock	9,744	5,670
Repayment of lease obligation	(84,742)	(9,879)
Cash dividends paid	(74,594)	(50,800)
Other	(1,315)	-
Total	(113,740)	(72,764)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(2,604)	654
<b>Decrease in cash and cash equivalents</b>	(75,053)	(12,106)
<b>Cash and cash equivalent at beginning of the period</b>	269,817	279,653
<b>Increase due to inclusion in consolidation</b>	310	2,297
<b>Decrease due to exclusion from consolidation</b>	(910)	(27)
<b>Cash and cash equivalent at end of the period</b>	194,164	269,817

## **5) Basis of Annual Consolidated Financial Statements**

### **1. Number of Consolidated Subsidiaries and Companies Accounted for by the Equity Method**

(1) Consolidated subsidiaries ; 186 companies ( Domestic 100, Overseas 86)

Domestic Car Dealers, Parts Distributors

Aichi Nissan Motor Co., Ltd., Tokyo Nissan Motor Co., Ltd.  
Nissan Prince Tokyo Motor Sales Co., Ltd.  
Nissan Chuo Parts Sales Co., Ltd.  
and 84 other companies

Domestic Vehicles and Parts Manufacturers

Nissan Shatai Co.,Ltd., Aichi Machine Industry Co., Ltd., JATCO Ltd.  
and another company

significant transactions from January 1 to March 30.

Domestic Logistics & Services Companies

Nissan Trading Co., Ltd., Nissan Financial Service Co., Ltd., Autech Japan, Inc.  
and 5 other companies

Overseas subsidiaries

Nissan North America, Inc., Nissan Europe S.A.S.  
Nissan Motor Manufacturing (UK) Ltd.  
Nissan Mexicana, S.A. de C.V. and 82 other companies

Unconsolidated Subsidiaries ; 174 companies (Domestic 138, Overseas 36)

These 174 companies are excluded from consolidation because the effect of not consolidating them was immaterial to the Company's consolidated financial statements.

(2) Companies Accounted for by the Equity Method

Unconsolidated subsidiaries; 34 companies (Domestic 28, Overseas 6)

Affiliates; 27 companies (Domestic 19, Overseas 8)

Domestic Nissan Diesel Motor Co., Ltd., Calsonic Kansei Corporation,  
and 45 other companies

Overseas Renault S.A.,Yulon Nissan Motor Co., Ltd., Siam Nissan Automobile Co., Ltd.  
& four other Siam group companies and 7 other companies

The 140 unconsolidated subsidiaries and 30 affiliates other than the above 247 companies were not accounted for by the equity method because the effect of not adopting the equity method to them was immaterial to the Company's consolidated net income and retained earnings.

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

The change in the scope of consolidation compared with fiscal year 2002 was summarized as follows:

Newly included in the scope of consolidation; 6 subsidiaries (Nissan Design Europe Limited.,  
P.T. Nissan Motor Distributor Indonesia, NR F Mexico, S.A. De C.V. and 3 other company)

Excluded from the scope of consolidation ; 54 subsidiaries (Diamondmatic Co.,Ltd., Nissan Koe Co., Ltd.,  
Hyogo Nissan Motor Co., Ltd.. and 51 other companies )

Number of companies newly accounted for by the equity method; 26 (Nissan Koe Co., Ltd.,  
Yulon Nissan Motor Co., Ltd., Dongfeng Motor Co., Ltd.  
and 23 other companies)

Number of companies ceased to be accounted for by the equity method of accounting; 5 (Ohi Seisakusho Co., Ltd.,  
Hashimoto Forming Industry Co., Ltd., Yulon Motor Co., Ltd.,and 2 other companies)

Effective April 1, 2003, Nissan Koe Co., Ltd., and 22 other companies were excluded from consolidation and were newly accounted for by the equity method to reflect the change in the Company's controls and decision making process over its domestic subsidiaries and affiliates because their impact on the consolidated financial statements was immaterial.

The other increase in the number of consolidated subsidiaries and companies accounted for by the equity method were primarily attributable to those newly established or became material to the consolidated financial statements, and the other decrease were mainly due to sales or liquidations.

## 2. Fiscal Period of Consolidated Subsidiaries

1) The end of FY2003 for the following consolidated subsidiaries is different from that of the Company (March 31)

December 31 : Nissan Europe S.A.S. Nissan Mexicana, S.A. de C.V.,  
Nissan Motor Company South Africa (Proprietary) Limited, and 48 other overseas subsidiaries

2) With respect to the above 51 companies, the necessary adjustments were made in consolidation to reflect any significant transactions from January 1 to March 31.

## 3. Significant Accounting Policies

1) Valuation methods for assets

1. Securities

Held-to-maturity debt securities ..... Held-to maturity debt securities are stated at amortized cost.

Other securities

Marketable securities ..... Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in shareholders' equity.  
Cost of securities sold is calculated by the moving average method.

Non-marketable securities . Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

2. Derivative transactions

Derivative financial instruments are stated at fair value except for forward foreign exchange contracts entered in order to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contract rates in the consolidated balance sheet.

3. Inventories

Inventories are carried at the lower of cost or market, cost being determined by the first-in, first-out method.

2) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated principally by straight-line method based on the estimated useful lives and economic residual value determined by the Company.

3) Basis for reserves and allowances

### Allowance for doubtful accounts

Allowance for doubtful accounts is provided for possible bad debt at the amount estimated based on past bad debts experience for normal receivables plus uncollectible amounts determined by reference to the collectibility of individual accounts for doubtful receivables.

### Accrued warranty costs

Accrued warranty costs are provided to cover the cost of all services anticipated to be incurred during the entire warranty period in accordance with the warranty contracts and based on past experience.

### Accrued retirement benefits

Accrued retirement benefits are provided principally at an amount calculated based on the estimated amount incurred at the end of the period, which is, in turn, calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the end of the current fiscal year.

The net retirement benefit obligation at transition is primarily being amortized over a period of 15 years by the straight-line method.

Prior service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees.

#### 4) Lease transactions

Noncancelable lease transactions are classified as operating or finance leases and accounted for accordingly.

#### 5) Hedge accounting

##### Hedge accounting

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. When forward foreign exchange contracts and other derivative transactions are entered into in order to hedge receivables and payables denominated in foreign currencies, such receivables and payables are recorded at the contract rates.

##### Hedging instruments and hedged items

Hedging instruments - Derivative transactions

Hedged items - Hedged items are subject to the risk of loss as a result of market fluctuation and such changes are not reflected in their valuation.

##### Hedging policy

It is the Company's policy that all transactions denominated in foreign currencies are to be hedged.

##### Assessment of hedge effectiveness

Hedge effectiveness is determined by comparing the cumulative changes in cash flows or fair values from the hedging instruments with those from the hedged items.

##### Risk management policy with respect to hedge accounting

The Company manages its derivative transactions in accordance with its internal "Policies and Procedures for Risk Management."

#### 6) Consumption Tax

Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.

#### 7) Accounting policies adopted by foreign consolidated subsidiaries

The financial statements of the Company's subsidiaries in Mexico and other countries have been prepared based on general price-level accounting. The related revaluation adjustments made to reflect the effect of inflation in Mexico and other countries are charged or credited to operations and directly reflected in retained earnings in the accompanying consolidated financial statements.

### 4. Cash and cash equivalents

Cash and cash equivalents in consolidated statements of cash flows includes cash, deposits which can be withdrawn on demand and highly liquid short-term investments exposed to insignificant risk of changes in value with a maturity of three months or less when purchased.

### 5. Accounting changes

#### 1) Valuation method for inventories

Until the year ended March 31, 2003, finished goods, work in process and purchased parts included in raw materials were stated at the lower of cost or market, cost being determined by the average method and raw materials except for purchased parts and supplies were stated at the lower of cost or market, cost being determined by the last-in, first-out method. Effective April 1, 2003, the Company and certain consolidated subsidiaries changed their method of accounting for all inventories to state them at the lower of cost or market, cost being determined by the first-in, first-out method. This change was made in order to establish a sound financial position by reflecting changes in purchase prices in the valuation of inventories considering the fact that the reduction of purchasing costs has made progress and that such trend is anticipated to continue as well as to achieve a better matching of revenue and expenses and an appropriate cost management by applying an inventory valuation method which reflects the actual inventory movements. The effect of this change was immaterial.

#### 2) Accounting for accrued retirement benefits of Nissan Motor Manufacturing (UK) Ltd.

Effective January 1, 2003, Nissan Motor Manufacturing (UK) Ltd., a consolidated subsidiary, has early adopted a new accounting standard for retirement benefits in the United Kingdom. The effect of this change was to increase retirement benefit expenses by 2,178 million yen, and to decrease operating income by 1,686 million yen and ordinary income and income before income taxes and minority interests by 2,178 million yen for the year ended March 31, 2004 as compared with the corresponding amounts under the previous method. Retained earnings also decreased by 18,132 million yen since the net retirement benefit obligation at transition and actuarial loss were directly charged to retained earnings for the year ended March 31, 2004. The effect of this change on segment information is explained in the applicable notes to the segment information.

### 3)Lease transactions

Until the year ended March 31, 2003, noncancelable lease transactions of the Company and its domestic consolidated subsidiaries were accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. Effective April 1, 2003, the Company and its domestic consolidated subsidiaries changed their method of accounting for finance leases accounted for as operating leases to accounting for them as finance leases instead of operating leases.

This change was made in order to achieve a better matching of revenue and expenses through calculating manufacturing costs more accurately and to establish a better presentation of its financial position by reflecting lease transactions more appropriately on its consolidated financial statements, considering the increasing materiality of lease transactions as well as from an international point of view. The effect of this change in method of accounting was to decrease sales, cost of sales and selling, general and administrative expenses by 17,943 million yen and 38,910 million yen and 624 million yen, respectively, and to increase operating income by 21,591 million yen and ordinary income and income before income taxes and minority interests by 17,659 million yen for the year ended March 31, 2004 as compared with the corresponding amounts under the previous method. In addition, trade and sales finance receivables, tangible fixed assets and lease obligation increased by 70,670 million yen, 66,514 million yen and 120,061 million yen, respectively, as of March 31, 2004 as compared with the corresponding amounts under the previous method. The effect of this change on segment information is explained in the applicable notes to the segment information.

## **6) Notes to Consolidated Financial Statements**

### **1.Contingent Liabilities**

At March 31, 2004, the Company and its consolidated subsidiaries had the following contingent liabilities:

	(Millions of yen)
1)As guarantor of employees' housing loans from banks and others (204,443 for employees, 44,920 for others)	249,363
2)Commitments to provide guarantees of indebtedness of unconsolidated subsidiaries and affiliates at the request of lending banks	2,962
3)Letters of awareness to financial institutions to whom trade receivables were sold	42,862
4)The outstanding balance of installment receivables sold with recourse	27,714

### **2.Research and Development costs included in cost of sales and general and administrative expenses**

(Millions of yen)  
354,321

### **3.Cash Flows**

Cash and cash equivalents at the end of fiscal year 2003 are reconciled to the accounts reported in the consolidated balance sheet as follows:

(as of Mar. 31 2004)	(Millions of yen)
Cash on hand and in banks	191,742
Time deposits with maturities of more than three months	(704)
Cash equivalents included in marketable securities (*)	3,126
Cash and cash equivalents	194,164

\* This represents short-term highly liquid investments readily convertible into cash held by foreign subsidiaries.

## 4. Securities

as of Mar 31, 2004

[in millions of Yen, ( ) indicates loss or minus]

### (1) Marketable held-to-maturity debt securities

millions of yen

	Carrying value	Estimated fair value	Unrealized Gain ( loss)
Securities whose fair value exceeds their carrying value:			
Sub-total	0	0	0
Securities whose carrying value exceeds their fair value:			
(1) Corporate bonds	249	249	0
Sub-total	249	249	0
Grand-total	249	249	0

### (2) Marketable other securities

millions of yen

	Acquisition cost	Carrying value	Unrealized Gain ( loss)
Securities whose carrying value exceeds their acquisition cost:			
(1) Stocks	1,042	7,934	6,892
(2) Bonds			
National & local government bonds	19	20	1
Sub-total	1,061	7,954	6,893
Securities whose acquisition cost exceeds their carrying value:			
(1) Stocks	2,486	1,939	(547)
Sub-total	2,486	1,939	(547)
Grand-total	3,547	9,893	6,346

### (3) Other securities which were sold during FY2003

millions of yen

Proceeds	Gross gain	Gross loss
4,048	1,500	(32)

### (4) Details and book value of securities whose fair value is not available

#### (1) Other Securities

Unlisted domestic stocks (excluding those traded on the over-the-counter market)	6,762 millions of yen
Unlisted foreign stocks	1,110

### (5) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities:

millions of yen

	Within one year	1year to 5year	5year to 10year	Over 10year
Bonds				
National & local government bonds	20	0	0	0
Corporate bonds	106	90	53	0
Total	126	90	53	0

as of Mar 31, 2003

[in millions of Yen, ( ) indicates loss or minus]

(1) Marketable held-to-maturity debt securities

millions of yen

	Carrying value	Estimated fair value	Unrealized Gain ( loss)
Securities whose fair value exceeds their carrying value:			
(1) National & local government bonds	60	61	1
(2) Corporate bonds	313	336	23
Sub-total	373	397	24
Securities whose carrying value exceeds their fair value:			
(1) Other bonds	3,068	3,068	0
Sub-total	3,068	3,068	0
Grand-total	3,441	3,465	24

(2) Marketable other securities

millions of yen

	Acquisition cost	Carrying value	Unrealized Gain ( loss)
Securities whose carrying value exceeds their acquisition cost:			
(1) Stocks	1,243	4,492	3,249
(2) Bonds			
National & local government bonds	19	20	1
Other bonds	8,976	9,779	803
Sub-total	10,238	14,291	4,053
Securities whose acquisition cost exceeds their carrying value:			
(1) Stocks	3,544	2,883	(661)
(2) Bonds			
Corporate bonds	100	82	(18)
Sub-total	3,644	2,965	(679)
Grand-total	13,882	17,256	3,374

(3) Other securities which were sold during FY2002

millions of yen

Proceeds	Gross gain	Gross loss
12,770	3,446	(3,167)

(4) Details and book value of securities whose fair value is not available

(1) Held-to-maturity debt securities

Unlisted domestic bonds 5,000 millions of yen

(2) Other Securities

Unlisted domestic stocks 7,441 millions of yen

(excluding those traded on the over-the-counter market)

Unlisted foreign stocks 2,311

(5) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities:

millions of yen

	Within one year	1year to 5year	5year to 10year	Over 10year
Bonds				
National & local government bonds	60	20	0	0
Corporate bonds	5,090	245	0	60
Others	3,068	0	0	105
Total	8,218	265	0	165

## 5. SEGMENT INFORMATION

for the fiscal years ended March 31, 2004 and 2003

[in millions of Yen, ( ) indicates minus]

### 1. BUSINESS SEGMENT INFORMATION

#### (1) Fiscal year 2003

4/1/03 - 3/31/04	Automobile	Sales Financing	Total	Eliminations	Consolidated
<b>I. NET SALES</b>					
(1) Sales to third parties	7,072,982	356,237	7,429,219	—	7,429,219
(2) Inter-group sales and transfers	22,916	9,752	32,668	(32,668)	0
<b>TOTAL</b>	<b>7,095,898</b>	<b>365,989</b>	<b>7,461,887</b>	<b>(32,668)</b>	<b>7,429,219</b>
<b>OPERATING EXPENSES</b>	<b>6,340,631</b>	<b>301,179</b>	<b>6,641,810</b>	<b>(37,446)</b>	<b>6,604,364</b>
<b>OPERATING INCOME</b>	<b>755,267</b>	<b>64,810</b>	<b>820,077</b>	<b>4,778</b>	<b>824,855</b>
<b>II. TOTAL ASSETS, DEPRECIATION EXPENSE AND CAPITAL EXPENDITURE</b>					
<b>TOTAL ASSETS</b>	<b>5,847,139</b>	<b>3,479,171</b>	<b>9,326,310</b>	<b>(1,466,454)</b>	<b>7,859,856</b>
<b>DEPRECIATION EXPENSE</b>	<b>313,289</b>	<b>147,748</b>	<b>461,037</b>	<b>—</b>	<b>461,037</b>
<b>CAPITAL EXPENDITURE</b>	<b>441,384</b>	<b>463,616</b>	<b>905,000</b>	<b>—</b>	<b>905,000</b>

#### (2) Fiscal year 2002

4/1/02 - 3/31/03	Automobile	Sales Financing	Total	Eliminations	Consolidated
<b>I. NET SALES</b>					
(1) Sales to third parties	6,444,460	384,128	6,828,588	—	6,828,588
(2) Intergroup sales and transfers	42,775	11,740	54,515	(54,515)	0
<b>TOTAL</b>	<b>6,487,235</b>	<b>395,868</b>	<b>6,883,103</b>	<b>(54,515)</b>	<b>6,828,588</b>
<b>OPERATING EXPENSES</b>	<b>5,818,023</b>	<b>335,986</b>	<b>6,154,009</b>	<b>(62,651)</b>	<b>6,091,358</b>
<b>OPERATING INCOME</b>	<b>669,212</b>	<b>59,882</b>	<b>729,094</b>	<b>8,136</b>	<b>737,230</b>
<b>II. TOTAL ASSETS, DEPRECIATION EXPENSE AND CAPITAL EXPENDITURE</b>					
<b>TOTAL ASSETS</b>	<b>5,607,323</b>	<b>3,103,889</b>	<b>8,711,212</b>	<b>(1,362,029)</b>	<b>7,349,183</b>
<b>DEPRECIATION EXPENSE</b>	<b>213,569</b>	<b>157,556</b>	<b>371,125</b>	<b>—</b>	<b>371,125</b>
<b>CAPITAL EXPENDITURE</b>	<b>410,003</b>	<b>451,630</b>	<b>861,633</b>	<b>—</b>	<b>861,633</b>

Note: 1. Businesses are segmented based on their proximity in terms of types, nature and markets of their products.

2. Major products and services included in each segment for fiscal year ended March 31, 2004 are;

(1) Automobile : Passenger cars, Light trucks and buses, Forklift, Parts for production, etc.

(2) Sales Financing : Credit, Lease, etc.

3. Accounting changes

(1) Accounting for accrued retirement benefits of Nissan Motor Manufacturing (UK) Ltd.

As explained in "5. Accounting changes (2)," effective April 1, 2003, Nissan Motor Manufacturing (UK) Ltd., a consolidated subsidiary, has early adopted a new accounting standard for retirement benefits in the United Kingdom.

The effect of this change was to decrease operating income for "Automobile" by 1,686 million yen for the year ended March 31, 2004 as compared with the corresponding amount under the previous method.

(2) Lease transactions

As explained in "5. Accounting changes (3)," until the year ended March 31, 2003, noncancelable lease transactions of the Company and its domestic consolidated subsidiaries were accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. Effective April 1, 2003, the Company and its domestic consolidated subsidiaries changed their method of accounting for finance leases accounted for as operating leases to accounting for them as finance leases instead of operating leases.

This change was made in order to achieve a better matching of revenue and expenses through calculating manufacturing costs more accurately and to establish a better presentation of its financial position by reflecting lease transactions more appropriately on its consolidated financial statements, considering the increasing materiality of lease transactions as well as from an international point of view.

The effect of this change was to decrease sales and operating expenses for "Automobile" by 237 million yen and 21,805 million yen, respectively, to increase operating income, total assets, depreciation expense and capital expenditure for "Automobile" by 21,568 million yen, 136,522 million yen, 46,986 million yen and 55,581 million yen, and to decrease sales and operating expenses and capital expenditure for "Sales Financing" by 33,351 million yen, 33,374 million yen and 29,716 million yen, respectively, and to increase operating income, total assets and depreciation expense for "Sales Financing" by 23 million yen, 662 million yen and 292 million yen, and to increase Sales and operating expense for "Elimination" by 15,645 million yen for the year ended March 31, 2004 as compared with corresponding amounts under previous method.

## 2.Consolidated Financial Statements by Business Segment

\* The sales financing segment consists of Nissan Financial Services Co., Ltd. (Japan), Nissan Motor Acceptance Corporation (USA), Nissan Canada Finance Inc. (Canada), NR F Mexico, S.A. De C.V. (Mexico), NR Wholesale Mexico, S.A. De C.V. (Mexico), ESARA, S.A. de C.V. (Mexico).

\* The financial data on the automobile and eliminations segment represents the difference between the consolidated figures and those for the sales financing segment.

### 1). Balance sheets by business segment

(millions of Yen)

	Consolidated total								
	Automobile & eliminations			Sales Financing			as of 3/31/04	as of 3/31/03	Change
	as of 3/31/04	as of 3/31/03	Change	as of 3/31/04	as of 3/31/03	Change			
<b>Current assets</b>	1,257,550	1,454,090	(196,540)	2,509,413	2,245,967	263,446	3,766,963	3,700,057	66,906
Cash on hand and in banks	187,328	261,747	(74,419)	4,414	6,686	(2,272)	191,742	268,433	(76,691)
Notes & accounts receivable	462,612	494,028	(31,416)	104	7,099	(6,995)	462,716	501,127	(38,411)
Sales finance receivables	(199,177)	(199,331)	154	2,402,351	2,096,284	306,067	2,203,174	1,896,953	306,221
Marketable securities	3,126	1,420	1,706	-	-	-	3,126	1,420	1,706
Inventories	536,172	526,062	10,110	6,620	17,546	(10,926)	542,792	543,608	(816)
Other current assets	267,489	370,164	(102,675)	95,924	118,352	(22,428)	363,413	488,516	(125,103)
<b>Fixed assets</b>	3,121,541	2,789,044	332,497	969,758	857,945	111,813	4,091,299	3,646,989	444,310
Property, plant and equipment	2,425,940	2,223,124	202,816	777,312	766,210	11,102	3,203,252	2,989,334	213,918
Investment securities	356,925	256,515	100,410	3,419	10,531	(7,112)	360,344	267,046	93,298
Other fixed assets	338,676	309,405	29,271	189,027	81,204	107,823	527,703	390,609	137,094
<b>Deferred assets</b>	1,594	2,137	(543)	-	-	-	1,594	2,137	(543)
<b>Total assets</b>	4,380,685	4,245,271	135,414	3,479,171	3,103,912	375,259	7,859,856	7,349,183	510,673
<b>Current liabilities</b>	1,037,208	831,915	205,293	2,065,273	2,089,903	(24,630)	3,102,481	2,921,818	180,663
Notes & accounts payable	742,386	646,306	96,080	25,815	10,105	15,710	768,201	656,411	111,790
Short-term borrowings *1	(615,844)	(653,588)	37,744	1,976,642	1,968,810	7,832	1,360,798	1,315,222	45,576
Leasing obligation	50,067	-	50,067	397	-	397	50,464	-	50,464
Other current liabilities	860,599	839,197	21,402	62,419	110,988	(48,569)	923,018	950,185	(27,167)
<b>Long-term liabilities</b>	1,513,054	1,796,767	(283,713)	1,116,542	733,843	382,699	2,629,596	2,530,610	98,986
Bonds and debentures	508,864	772,220	(263,356)	33,960	5,940	28,020	542,824	778,160	(235,336)
Long-term borrowings	177,054	252,466	(75,412)	890,736	572,620	318,116	1,067,790	825,086	242,704
Leasing obligation	83,597	-	83,597	582	-	582	84,179	-	84,179
Other long-term liabilities	743,539	772,081	(28,542)	191,264	155,283	35,981	934,803	927,364	7,439
<b>Total liabilities</b>	2,550,262	2,628,682	(78,420)	3,181,815	2,823,746	358,069	5,732,077	5,452,428	279,649
<b>Minority interests</b>	103,785	88,451	15,334	-	-	-	103,785	88,451	15,334
<b>Common stock</b>	520,692	523,707	(3,015)	85,122	82,107	3,015	605,814	605,814	-
Capital surplus	774,403	774,403	-	30,067	30,067	-	804,470	804,470	-
Retained earnings and unrealized holding gain on securities	1,100,414	732,307	368,107	190,277	148,179	42,098	1,290,691	880,486	410,205
Translation adjustments	(423,634)	(340,089)	(83,545)	(8,110)	19,813	(27,923)	(431,744)	(320,276)	(111,468)
Treasury stock	(245,237)	(162,190)	(83,047)	-	-	-	(245,237)	(162,190)	(83,047)
<b>Total shareholders' equity</b>	1,726,638	1,528,138	198,500	297,356	280,166	17,190	2,023,994	1,808,304	215,690
<b>Total liabilities, minority interests and shareholders' equity</b>	4,380,685	4,245,271	135,414	3,479,171	3,103,912	375,259	7,859,856	7,349,183	510,673

Note: 1. Sales finance receivables of Automobile & eliminations represent the amount eliminated for intercompany transactions related to the transfer of wholesale finance to Sales Financing Business.

2. Borrowings of Automobile & eliminations represent the amount after deducting the amount of internal loan receivables from Sales Financing Business.  
(03/3 1,073,935 million yen, 04/3 1,096,792 million yen)

### ( Interest bearing debt by business segment )

(millions of Yen)

	Consolidated total								
	Automobile & eliminations			Sales Financing			as of 3/31/04	as of 3/31/03	Change
	as of 3/31/04	as of 3/31/03	Change	as of 3/31/04	as of 3/31/03	Change			
Short-term borrowings from Third Parties	480,948	420,041	60,907	879,850	895,181	(15,331)	1,360,798	1,315,222	45,576
Internal Loans to Sales Financing	(1,096,792)	(1,073,629)	(23,163)	1,096,792	1,073,629	23,163	-	-	-
Short-term borrowings (Booked on B/S)	(615,844)	(653,588)	37,744	1,976,642	1,968,810	7,832	1,360,798	1,315,222	45,576
Bonds and debentures	508,864	772,220	(263,356)	33,960	5,940	28,020	542,824	778,160	(235,336)
Long-term borrowings from Third Parties	177,054	252,772	(75,718)	890,736	572,314	318,422	1,067,790	825,086	242,704
Internal Loans to Sales Financing	-	(306)	306	-	306	(306)	-	-	-
Long-term borrowings (Booked on B/S)	177,054	252,466	(75,412)	890,736	572,620	318,116	1,067,790	825,086	242,704
Lease obligation	133,664	-	133,664	979	-	979	134,643	-	134,643
<b>Total interest bearing debt</b>	203,738	371,098	(167,360)	2,902,317	2,547,370	354,947	3,106,055	2,918,468	187,587
Cash on hand	190,135	263,146	(73,011)	4,029	6,671	(2,642)	194,164	269,817	(75,653)
<b>Net interest bearing debt</b>	13,603	107,952	(94,349)	2,898,288	2,540,699	357,589	2,911,891	2,648,651	263,240
Debt for Canton Plant included	95,800	116,554	(20,754)	-	-	-	95,800	116,554	(20,754)
Debt for Lease obligation included	133,664	-	133,664	979	-	979	134,643	-	134,643
<b>Net interest bearing debt (except for those related to Canton Plant)</b>	(215,861)	(8,602)	(207,259)	2,897,309	2,540,699	356,610	2,681,448	2,532,097	149,351

## 2). Statements of income by business segment

(millions of Yen)

	Consolidated total								
	Automobile & eliminations			Sales Financing			Consolidated total		
	4/1/03 - 3/31/04	4/1/02 - 3/31/03	Change	4/1/03 - 3/31/04	4/1/02 - 3/31/03	Change	4/1/03 - 3/31/04	4/1/02 - 3/31/03	Change
<b>Net sales</b>	7,063,230	6,432,720	630,510	365,989	395,868	(29,879)	7,429,219	6,828,588	600,631
Cost of sales	5,098,056	4,617,368	480,688	212,116	254,956	(42,840)	5,310,172	4,872,324	437,848
<b>Gross profit</b>	1,965,174	1,815,352	149,822	153,873	140,912	12,961	2,119,047	1,956,264	162,783
Operating profit as a percentage of net sales	10.8%	10.5%	0.3%	17.7%	15.1%	2.6%	11.1%	10.8%	0.3%
<b>Operating profit</b>	760,045	677,348	82,697	64,810	59,882	4,928	824,855	737,230	87,625
Net financial cost	(15,669)	(16,543)	874	(30)	3	(33)	(15,699)	(16,540)	841
Others	2,089	(10,460)	12,549	(1,553)	(161)	(1,392)	536	(10,621)	11,157
<b>Ordinary profit</b>	746,465	650,345	96,120	63,227	59,724	3,503	809,692	710,069	99,623
<b>Income before income taxes and minority interests</b>	671,513	634,818	36,695	64,984	59,806	5,178	736,497	694,624	41,873
<b>Net income</b>	465,329	458,611	6,718	38,338	36,554	1,784	503,667	495,165	8,502

Net financial cost

Total	(15,669)	(16,543)	874	(30)	3	(33)	(15,699)	(16,540)	841
Interest on Lease obligation	(4,603)	-	(4,603)	(20)	-	(20)	(4,623)	-	(4,623)
Elimination	(5,322)	(5,677)	355	-	-	-	(5,322)	(5,677)	355
Net financial cost by segment	(5,744)	(10,866)	5,122	(10)	3	(13)	(5,754)	(10,863)	5,109

## 3). Statements of cash flows by business segment

(millions of Yen)

	FY03						FY02		
	Consolidated total						Consolidated total		
	Automobile & eliminations	Sales Financing		Automobile & eliminations	Sales Financing				
<b>Operating activities</b>									
Income before income taxes and minority interests	671,513	64,984	736,497	634,818	59,806	694,624			
Depreciation and amortization	313,146	147,891	461,037	213,569	157,556	371,125			
(Increase) decrease in sales finance receivables	(154)	(462,956)	(463,110)	64,057	(391,414)	(327,357)			
Others	57,936	5,057	62,993	(115,097)	(47,917)	(163,014)			
Total	1,042,441	(245,024)	797,417	797,347	(221,969)	575,378			
<b>Investing activities</b>									
Proceeds from sales of investment securities	40,488	34	40,522	39,816	13,842	53,658			
Proceeds from sales of property, plant and equipment	53,827	105	53,932	94,828	3,871	98,699			
Purchases of fixed assets	(422,326)	(6,061)	(428,387)	(376,429)	(1,500)	(377,929)			
Purchases of leased vehicles	(19,295)	(457,318)	(476,613)	(33,522)	(450,182)	(483,704)			
Proceeds from sales of leased vehicles	20,857	170,248	191,105	15,644	243,431	259,075			
Others	(101,534)	(35,151)	(136,685)	(46,720)	(18,453)	(65,173)			
Total	(427,983)	(328,143)	(756,126)	(306,383)	(208,991)	(515,374)			
<b>Financing activities</b>									
(Decrease) increase in short-term borrowings	(306,969)	169,394	(137,575)	(369,506)	315,196	(54,310)			
(Decrease) increase in long-term borrowings	(244,774)	371,473	126,699	(81,106)	91,044	9,938			
Increase in bonds and debentures	120,000	30,000	150,000	85,000	-	85,000			
Proceeds from sales of treasury stock	9,744	-	9,744	5,670	-	5,670			
Others	(262,775)	167	(262,608)	(144,062)	25,000	(119,062)			
Total	(684,774)	571,034	(113,740)	(504,004)	431,240	(72,764)			
Effect of exchange rate changes on cash and cash equivalents	(2,095)	(509)	(2,604)	1,174	(520)	654			
Decrease in cash and cash equivalents	(72,411)	(2,642)	(75,053)	(11,866)	(240)	(12,106)			
Cash and cash equivalents at beginning of period	263,146	6,671	269,817	272,742	6,911	279,653			
Increase due to inclusion in consolidation	310	-	310	2,297	-	2,297			
Decrease due to exclusion from consolidation	(910)	-	(910)	(27)	-	(27)			
<b>Cash and cash equivalents at end of period</b>	190,135	4,029	194,164	263,146	6,671	269,817			

### 3. GEOGRAPHICAL SEGMENT INFORMATION

for the fiscal years ended March 31, 2004 and 2003

[in millions of Yen, ( ) indicates minus]

4/1/03 - 3/31/04	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
I. NET SALES							
(1) Sales to third parties	2,559,806	3,278,966	1,164,032	426,415	7,429,219	—	7,429,219
(2) Inter-area sales and transfers	1,725,491	35,384	31,690	4,663	1,797,228	(1,797,228)	0
TOTAL	4,285,297	3,314,350	1,195,722	431,078	9,226,447	(1,797,228)	7,429,219
OPERATING EXPENSES	3,932,835	2,914,529	1,146,549	412,938	8,406,851	(1,802,487)	6,604,364
OPERATING INCOME	352,462	399,821	49,173	18,140	819,596	5,259	824,855
II. TOTAL ASSETS	4,805,718	3,664,382	607,926	219,109	9,297,135	(1,437,279)	7,859,856

4/1/02- 3/31/03	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
I. NET SALES							
(1) Sales to third parties	2,554,374	2,879,500	963,440	431,274	6,828,588	—	6,828,588
(2) Internal transactions	1,766,102	32,763	26,765	4,174	1,829,804	(1,829,804)	0
TOTAL	4,320,476	2,912,263	990,205	435,448	8,658,392	(1,829,804)	6,828,588
OPERATING EXPENSES	3,929,920	2,607,699	968,253	418,682	7,924,554	(1,833,196)	6,091,358
OPERATING INCOME	390,556	304,564	21,952	16,766	733,838	3,392	737,230
II. TOTAL ASSETS	4,881,842	3,463,261	502,028	140,849	8,987,980	(1,638,797)	7,349,183

Note: 1. Countries and areas are segmented based on their geographical proximity and their mutual operational relationship.

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

- (1) North America : U.S.A., Canada, Mexico
- (2) Europe : France, U.K., Spain and other European countries
- (3) Others : Asia, Oceania, the Middle and Near East, Central and South America excluding Mexico and South Africa

3. Accounting changes

(1) Accounting for accrued retirement benefits of Nissan Motor Manufacturing (UK) Ltd.

As explained in "5. Accounting changes (2)," effective April 1, 2003, Nissan Motor Manufacturing (UK) Ltd., a consolidated subsidiary, has early adopted a new accounting standard for retirement benefits in the United Kingdom. The effect of this change was to decrease operating income for "Europe" by 1,686 million yen for the year ended March 31, 2004 as compared with the corresponding amount under the previous method.

(2) Lease transactions

As explained in "5. Accounting changes (3)," until the year ended March 31, 2003, noncancelable lease transactions of the Company and its domestic consolidated subsidiaries were accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. Effective April 1, 2003, the Company and its domestic consolidated subsidiaries changed their method of accounting for finance leases accounted for as operating leases to accounting for them as finance leases instead of operating leases. This change was made in order to achieve a better matching of revenue and expenses through calculating manufacturing costs more accurately and to establish a better presentation of its financial position by reflecting lease transactions more appropriately on its consolidated financial statements, considering the increasing materiality of lease transactions as well as from an international point of view. The effect of this change was to decrease sales and operating expenses for "Japan" by 17,943 million yen and 39,534 million yen, respectively, and to increase operating income and total assets for "Japan" by 21,591 million yen and 137,184 million yen for the year ended March 31, 2004 as compared with the corresponding amount under the previous method.

## 4. OVERSEAS NET SALES

Overseas net sales and the related percentages of the sales to the total consolidated net sales are summarized as follows:

4/1/03 - 3/31/04		North America	Europe	Other foreign countries	Total
(1) Overseas net sales	[Millions of Yen]	3,222,497	1,201,035	773,248	5,196,780
(2) Consolidated net sales	[Millions of Yen]				7,429,219
(3) Overseas net sales as a percentage of consolidated net sales	[%]	43.4	16.2	10.4	70.0

4/1/02 - 3/31/03		North America	Europe	Other foreign countries	Total
(1) Overseas net sales	[Millions of Yen]	2,785,334	974,872	763,368	4,523,574
(2) Consolidated net sales	[Millions of Yen]				6,828,588
(3) Overseas net sales as a percentage of consolidated net sales	[%]	40.8	14.3	11.1	66.2

Note: 1. Overseas net sales include export sales of the company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries.

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

3. Areas which belong to segments other than Japan are as follows

(1) North America : USA, Canada, Mexico

(2) Europe : France, U.K., Spain, and other European countries

(3) Other foreign countries : Asia, Oceania, the Middle and Near East, Central and South America excluding Mexico and South Africa

## **6. Production and sales**

### 1) Consolidated production volume

(Units)

	FY03	FY02	Change	
			Units	%
Japan	1,475,063	1,444,314	30,749	2.1
U.S.A.	619,665	392,458	227,207	57.9
Mexico	308,322	340,658	( 32,336 )	( 9.5 )
U.K.	331,924	297,719	34,205	11.5
Spain	116,589	84,919	31,670	37.3
South Africa	28,925	25,629	3,296	12.9
Indonesia	2,921	905	2,016	222.8
Total	2,883,409	2,586,602	296,807	11.5

Note: Period of counting units

Japan, U.S.A April/2003-March/2004

Others January/2003-December/2003

### 2) Consolidated wholesale units by region

(Units)

	FY03	FY02	Change	
			Units	%
Japan	799,206	792,767	6,439	0.8
North America	1,204,882	1,040,684	164,198	15.8
Europe	548,693	458,222	90,471	19.7
Others	394,001	344,013	49,988	14.5
Total	2,946,782	2,635,686	311,096	11.8

Note: Period of counting units

Japan , North America ( except for Mexico )

April/2003-March/2004

North America ( Mexico only ) , Europe

January/2003-December/2003

## **7. Footnotes to be disclosed**

Following information is disclosed by EDINET.

Lease transactions

Fair value of derivative transactions

Following information is disclosed as additoinal disclosure material of Financial Results as soon as they are available.

Retirement benefit

Tax-effect accounting

Transactions with related parties

## FY2003 Non-Consolidated Financial Results

(Year ended March 31, 2004)

April 26, 2004

Company name : Nissan Motor Co.,Ltd  
 Stock exchanges on which the shares are listed : Tokyo Stock Exchanges in Japan  
 Code number : 7201  
 Location of the head office : Tokyo  
 URL : <http://www.nissan-global.com/JP/IR/>  
 Representative person : Carlos Ghosn, President  
 Contact person : Kohki Sone, General manager,  
 Global Communications and Investor Relations Department,  
 Communications Department  
 Tel. (03) 3543 - 5523

Approval date of FY2003 financial results by the Board of Directors : April 26, 2004  
 Provision for interim cash dividends : Provision exists.  
 Number of shares in unit share system : 100 shares  
 Date of the 105th ordinary general meeting of shareholders : June 23, 2004

### 1. Results of FY2003 (April 1, 2003 through March 31, 2004)

<1> Results of non-consolidated operations (Amounts less than one million yen are omitted.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2003	3,480,290	1.8	245,836	(22.2)	228,098	(22.2)
FY2002	3,419,068	13.2	316,059	30.5	293,073	48.1

	Net income		Net income per share - basic	Net income per share - diluted	Return on equity	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
	Millions of yen	%	Yen	Yen	%	%	%
FY2003	80,713	10.8	18.15	17.97	4.6	5.7	6.6
FY2002	72,869	(60.3)	16.09	15.98	4.0	7.4	8.6

Note 1: Average number of shares issued and outstanding in each period  
 FY03 4,425,325,758 shares  
 FY02 4,504,435,664 shares

Note 2: Change in accounting policies was made.

Note 3: Regarding net sales, operating income, ordinary income and net income, percent indications show percentage of changes from corresponding figures for the previous period.

### <2> Cash dividends

	Annual cash dividends per share			Total amount of annual cash dividends	Dividends payout ratio	Dividends as a percentage of net income
	Yen	Interim dividend	Final dividend			
FY2003	19.00	8.00	11.00	83,727	103.7	4.9
FY2002	14.00	4.00	10.00	62,688	86.0	3.5

**FY2003 Non-Consolidated Financial Results**  
(Year ended March 31, 2004)

<3> Non-consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity as a percentage of total assets	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2003	4,055,579	1,709,705	42.2	388.60
FY2002	3,933,993	1,798,716	45.7	402.65

Note 1: Number of shares issued and outstanding at the end of each period

FY03	4,398,598,686 shares
FY02	4,466,202,236 shares

Note 2: Number of treasury stock at the end of each period

FY03	122,116,426 shares
FY02	54,512,876 shares

**2. Non-consolidated forecast for FY2004 (April 1, 2004 through March 31, 2005)**

	Net sales	Ordinary income	Net income	Cash dividends per share		
				Interim dividend	Final dividend	
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen	Yen
FY2004 1st half	—	—	—	—	—	—
FY2004	—	—	—	—	—	24.00

Reference : Forecast of Net income per share (yen)      ———

## 1. Production and Sales

### VEHICLE PRODUCTION

(FY2003 and FY2002)

	FY2003	FY2002	Change (%)
(Units)			
Domestic	1,475,004	1,444,314	2.1%

### NON-CONSOLIDATED SALES BY PRODUCT LINE

(FY2003 and FY2002)

	FY2003	FY2002	Change (%)
<b>Vehicle whole sales (Units)</b>			
<b>Total vehicle whole sales</b>	<b>1,562,611</b>	<b>1,517,543</b>	<b>3.0%</b>
Domestic	843,446	823,800	2.4%
Export	719,165	693,743	3.7%
<b>Passenger vehicles</b>	<b>1,316,475</b>	<b>1,304,672</b>	<b>0.9%</b>
Domestic	722,605	727,717	(0.7%)
Export	593,870	576,955	2.9%
<b>Commercial vehicles</b>	<b>246,136</b>	<b>212,871</b>	<b>15.6%</b>
Domestic	120,841	96,083	25.8%
Export	125,295	116,788	7.3%
<b>Net sales (millions of yen)</b>			
<b>Total net sales</b>	<b>3,480,290</b>	<b>3,419,068</b>	<b>1.8%</b>
Domestic	1,498,420	1,496,152	0.2%
Export	1,981,869	1,922,915	3.1%
<b>Vehicles</b>	<b>2,615,017</b>	<b>2,645,561</b>	<b>(1.2%)</b>
Domestic	1,288,815	1,284,931	0.3%
Export	1,326,201	1,360,629	-2.5%
<b>Production parts and components for overseas production</b>	<b>376,940</b>	<b>306,529</b>	<b>23.0%</b>
Domestic	-	-	-
Export	376,940	306,529	23.0%
<b>Automotive parts</b>	<b>282,730</b>	<b>279,828</b>	<b>1.0%</b>
Domestic	193,508	194,296	(0.4%)
Export	89,222	85,532	4.3%
<b>Other automotive business</b>	<b>168,475</b>	<b>154,700</b>	<b>8.9%</b>
Domestic	471	2,678	(82.4%)
Export	168,003	152,021	10.5%
<b>Sub total of automotive business</b>	<b>3,443,163</b>	<b>3,386,620</b>	<b>1.7%</b>
Domestic	1,482,795	1,481,907	0.1%
Export	1,960,368	1,904,713	2.9%
<b>Forklifts equipment</b>	<b>37,126</b>	<b>32,447</b>	<b>14.4%</b>
Domestic	15,625	14,245	9.7%
Export	21,501	18,202	18.1%

Other automotive business consists of royalty income and equipment and tools for production.

## 2. Non-Consolidated Financial Statements

### 2-1) Non-Consolidated Statements of Income

FY2003 and 2002

[in millions of Yen, ( ) indicates loss or minus]

The following information has been prepared in accordance with accounting principles and practices generally accepted in Japan.

	FY2003	FY2002	Change
<b>[ORDINARY INCOME/LOSS]</b>			
<b>OPERATING REVENUE/EXPENSES</b>			
<b>OPERATING REVENUE</b>	100% <b>3,480,290</b>	100% <b>3,419,068</b>	<b>61,222</b>
Net sales	3,480,290	3,419,068	61,222
<b>OPERATING EXPENSES</b>	<b>3,234,453</b>	<b>3,103,009</b>	<b>131,444</b>
Cost of sales	2,749,983	2,683,120	66,862
Selling, general and administrative expenses	484,470	419,888	64,582
<b>OPERATING INCOME</b>	7.1 <b>245,836</b>	9.2% <b>316,059</b>	<b>(70,222)</b>
<b>NON-OPERATING INCOME/EXPENSES</b>			
<b>NON-OPERATING INCOME</b>	<b>19,937</b>	<b>25,938</b>	<b>(6,000)</b>
Interest and dividend income	7,144	10,888	(3,743)
Other non-operating income	12,792	15,049	(2,256)
<b>NON-OPERATING EXPENSES</b>	<b>37,675</b>	<b>48,923</b>	<b>(11,247)</b>
Interest expense	14,495	15,428	(933)
Amortization of net retirement benefit obligation at transition	8,871	18,218	(9,347)
Other non-operating expenses	14,309	15,276	(967)
<b>ORDINARY INCOME</b>	6.6% <b>228,098</b>	8.6% <b>293,073</b>	<b>(64,975)</b>
<b>[EXTRAORDINARY GAINS/LOSSES]</b>			
<b>EXTRAORDINARY GAINS</b>	<b>22,186</b>	<b>73,030</b>	<b>(50,844)</b>
Gains on sales of fixed assets	3,957	58,216	(54,259)
Gains on sales of investment securities	14,984	5,981	9,002
Other extraordinary gains	3,244	8,832	(5,587)
<b>EXTRAORDINARY LOSSES</b>	<b>57,403</b>	<b>236,690</b>	<b>(179,287)</b>
Loss on devaluation of investments and receivables	11,845	183,183	(171,337)
Loss on disposal of fixed assets	9,907	9,895	12
Loss on return of the substitutional portion of Welfare Pension Fund plan	0	30,945	(30,945)
Prior period adjustment	30,319	304	30,015
Other extraordinary losses	5,330	12,362	(7,032)
<b>INCOME BEFORE INCOME TAXES</b>	5.5% <b>192,881</b>	3.8% <b>129,413</b>	<b>63,467</b>
INCOME TAXES-CURRENT	85,078	11,707	73,370
INCOME TAXES-DEFERRED	27,090	44,837	(17,747)
<b>NET INCOME</b>	2.3% <b>80,713</b>	2.1% <b>72,869</b>	<b>7,844</b>
RETAINED EARNINGS BROUGHT FORWARD FROM PREVIOUS YEAR	248,770	267,452	(18,682)
LOSSES ON DISPOSAL OF TREASURY STOCK	8,170	2,664	5,506
INTERIM CASH DIVIDENDS	35,343	18,026	17,317
<b>UNAPPROPRIATED RETAINED EARNINGS</b>	<b>285,969</b>	<b>319,631</b>	<b>(33,661)</b>

## 2-2) Non-Consolidated Balance Sheets

As of March 31, 2004 and March 31, 2003

[in millions of Yen, ( ) indicates loss or minus]

The following information has been prepared in accordance with accounting principles and practices generally accepted in Japan.

	as of Mar 31,2004	as of Mar 31,2003	Change
<b>[ASSETS]</b>			
<b>CURRENT ASSETS</b>	<b>1,804,151</b>	<b>1,850,622</b>	<b>(46,470)</b>
Cash on hand and in banks	60,594	155,950	(95,355)
Trade notes receivable	0	42	(42)
Trade accounts receivable	363,437	277,415	86,021
Finished products	45,892	50,100	(4,207)
Work in process	20,634	22,882	(2,247)
Raw materials & supplies	27,360	26,444	915
Deferred tax assets	34,264	21,708	12,555
Short-term loans receivable	1,145,210	1,238,223	(93,013)
Other accounts receivable	65,033	78,841	(13,807)
Other current assets	73,663	19,110	54,553
Allowance for doubtful accounts	(31,940)	(40,098)	8,158
<b>FIXED ASSETS</b>	<b>2,247,835</b>	<b>2,078,727</b>	<b>169,107</b>
<b>Property, plant &amp; equipment</b>	<b>676,663</b>	<b>561,479</b>	<b>115,183</b>
Buildings	151,541	135,577	15,964
Structures	31,778	30,320	1,458
Machinery & equipment	184,036	169,420	14,616
Vehicles	15,203	8,723	6,480
Tools, furniture and fixtures	109,157	42,999	66,157
Land	145,836	147,701	(1,865)
Construction in progress	39,109	26,736	12,372
<b>Intangible assets</b>	<b>43,796</b>	<b>26,441</b>	<b>17,354</b>
Utility rights	133	146	(12)
Software	42,857	25,499	17,357
Other intangible assets	805	796	9
<b>Investments &amp; other assets</b>	<b>1,527,376</b>	<b>1,490,806</b>	<b>36,570</b>
Investment securities	158,914	78,080	80,834
Investments in subsidiaries	1,229,759	1,234,547	(4,787)
Long-term loans receivable	2,761	21,117	(18,355)
Long-term prepaid expenses	26,805	18,478	8,326
Deferred tax assets	108,765	149,895	(41,130)
Other investments	10,102	11,324	(1,221)
Allowance for doubtful accounts	(9,733)	(22,637)	12,904
<b>DEFERRED ASSETS</b>	<b>3,592</b>	<b>4,643</b>	<b>(1,050)</b>
Discounts on bonds	3,592	4,643	(1,050)
<b>TOTAL ASSETS</b>	<b>4,055,579</b>	<b>3,933,993</b>	<b>121,586</b>

	as of Mar 31,2004	as of Mar 31,2003	Change
<b>[LIABILITIES]</b>			
<b>CURRENT LIABILITIES</b>	<b>1,407,838</b>	<b>917,909</b>	<b>489,928</b>
Trade notes payable	270	1,100	(830)
Trade accounts payable	434,599	365,481	69,117
Short-term borrowings	93,845	0	93,845
Current portion of long-term borrowings	31,576	75,445	(43,869)
Commercial paper	38,000	132,000	(94,000)
Current maturities of bonds	363,800	80,000	283,800
Other accounts payable	47,114	30,089	17,024
Accrued expenses	191,830	159,688	32,141
Income taxes payable	73,117	67	73,050
Deposits received	4,432	3,709	722
Employees' saving deposits	60,047	60,530	(482)
Accrued warranty costs	23,699	—	23,699
Lease obligation	30,134	—	30,134
Other current liabilities	15,371	9,796	5,575
<b>LONG-TERM LIABILITIES</b>	<b>938,035</b>	<b>1,217,367</b>	<b>(279,331)</b>
Bonds	568,600	812,400	(243,800)
Long-term borrowings	58,142	89,718	(31,576)
Long-term deposits received	1,849	1,914	(65)
Accrued warranty costs	37,472	63,124	(25,651)
Accrued retirement benefits	245,320	250,210	(4,889)
Lease obligation	26,650	—	26,650
<b>TOTAL LIABILITIES</b>	<b>2,345,874</b>	<b>2,135,276</b>	<b>210,597</b>
<b>[SHAREHOLDERS' EQUITY]</b>			
<b>COMMON STOCK</b>	<b>605,813</b>	<b>605,813</b>	<b>0</b>
<b>CAPITAL SURPLUS</b>	<b>804,470</b>	<b>804,470</b>	<b>0</b>
Additional paid-in capital	804,470	804,470	0
<b>RETAINED EARNINGS</b>	<b>429,001</b>	<b>436,854</b>	<b>(7,852)</b>
Legal reserve	53,838	53,838	0
Voluntary reserve	89,192	63,383	25,809
Reserve for reduction of replacement cost of specified properties	84,027	56,955	27,071
Reserve for losses on overseas investments	4,609	5,593	(984)
Reserve for special depreciation	556	834	(277)
Unappropriated retained earnings	285,969	319,631	(33,661)
[Net income for the period]	[80,713]	[72,869]	[7,844]
<b>UNREALIZED HOLDING GAIN ON SECURITIES</b>	<b>3,707</b>	<b>1,533</b>	<b>2,173</b>
<b>TREASURY STOCK</b>	<b>(133,287)</b>	<b>(49,955)</b>	<b>(83,331)</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,709,705</b>	<b>1,798,716</b>	<b>(89,010)</b>

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	4,055,579	3,933,993	121,586
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## **2-3) Significant Accounting Policies**

### **1. Valuation methods for assets**

- (1) Valuation of inventories  
Inventories are carried at the lower of cost or market, cost being determined by the first-in, first-out method.
- (2) Valuation of securities
  - 1) Held-to-maturity debt securities are stated at amortized cost based on the straight-line method.
  - 2) Investments in stock of subsidiaries and affiliates are stated at cost determined by the moving average method.
  - 3) Other securities
    - Marketable securities ..... Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in shareholders' equity. Cost of securities sold is calculated by the moving average method.
    - Non-marketable securities . Non-marketable securities classified as other securities are carried at cost determined by the moving average method.
- (3) Accounting for derivative financial instruments  
Derivative financial instruments are stated at fair value except for forward foreign exchange contracts entered into in order to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contract rates in the non-consolidated balance sheet.

### **2. Depreciation of fixed assets**

- (1) Depreciation of property, plant and equipment is calculated by straight-line method based on the estimated useful lives and economic residual value determined by the Company.
- (2) Amortization of intangible assets is calculated by the straight-line method

### **3. Basis for Reserves and Allowances**

- (1) Allowance for doubtful accounts  
The allowance for doubtful accounts is provided for possible bad debt at the amount estimated based on the past bad debts experience for normal receivables plus uncollectible amounts determined by reference to the collectibility of individual accounts for doubtful receivables.
- (2) Accrued warranty costs  
Accrued warranty costs are provided to cover the cost of all services anticipated to be incurred during the entire warranty period in accordance with the warranty contracts and based on past experience.
- (3) Accrued retirement benefits  
Accrued retirement benefits are provided for the payment of retirement benefits at the amount calculated based on the retirement benefit obligation and the fair value of pension plan assets at the end of this fiscal year.  
The net retirement benefit obligation at transition is being amortized over a period of 15 years by the straight line method.  
Prior service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees.  
Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees.

### **4. Lease transactions**

Noncancelable lease transactions are classified as operating or finance leases and accounted for accordingly.

## 5. Significant hedge accounting method

### Hedge accounting

Deferral hedge accounting is adopted for derivatives which qualify as hedges, under which unrealized gain or loss is deferred. When forward foreign exchange contracts and other derivative transactions are entered into in order to hedge receivables and payables denominated in foreign currencies, such receivables and payables are recorded at the contract rates.

### Hedging instruments and hedged items

Hedging instruments - Derivative transactions

Hedged items - Hedged items are subject to the risk of loss as a result of market fluctuation and such changes are not reflected in their valuation.

### Hedging policy

It is the Company's policy that all transactions denominated in foreign currencies are to be hedged.

### Assessment of hedge effectiveness

Hedge effectiveness is determined by comparing the cumulative changes in cash flows or fair values from the hedging instruments with those from the hedged items.

### Risk management policy with respect to hedge accounting

The Company manages its derivative transactions in accordance with its internal "Policies and Procedures for Risk Management."

## 6. Consumption Tax

Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.

## 7. Change of accounting method

### (1) Valuation of inventories

Until the year ended March 31, 2003, finished goods, work in process and purchased parts included in raw materials were stated at the lower of cost or market, cost being determined by the average method and raw materials except for purchased parts and supplies were stated at the lower of cost or market, cost being determined by the last-in, first-out method. Effective April 1, 2003, the Company changed its method of accounting for all inventories to state them at the lower of cost or market, cost being determined by the first-in, first-out method. This change was made in order to establish a sound financial position by reflecting changes in purchase prices in the valuation of inventories considering the fact that the reduction of purchasing costs has made progress and that such trend is anticipated to continue as well as to achieve a better matching of revenue and expenses and an appropriate cost management by applying an inventory valuation method which reflects the actual inventory movements. The effect of this change was immaterial.

### (2) Lease transaction

Until the year ended March 31, 2003, noncancelable lease transactions were accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. Effective April 1, 2003, the Company changed its method of accounting for finance leases accounted for as operating leases to accounting for them as finance leases instead of operating leases. This change was made in order to achieve a better matching of revenue and expenses through calculating manufacturing costs more accurately and to establish a better presentation of its financial position by reflecting lease transactions more appropriately on its non-consolidated financial statements, considering the increasing materiality of lease transactions as well as from an international point of view. The effect of this change in method of accounting was to decrease cost of sales and selling, general and administrative expenses by 15,531 million yen and 403 million yen, respectively, to increase operating income by 15,934 million yen, to increase ordinary income and income before income taxes by 14,099 million yen for the FY2003 (April 1, 2003 through March 31, 2004) as compared with the corresponding amounts under the previous method. In addition, tangible fixed assets and lease obligation increased by 71,300 million yen and 56,785 million yen, respectively, as of March 31, 2004 as compared with the corresponding amounts under the previous method.

## 2-4) Notes to Non-Consolidated Financial Statements

1. Accumulated depreciation of property, plant and equipment amounted to yen 1,304,705 million
2. Assets pledged as collateral : Investment securities : Yen 10,968 million.
3. As endorser of documentary export bills discounted with banks: Yen 2,782 million
4. Guarantees and other items: ( ) refers to those relating to subsidiaries

Guarantees total yen 385,309 million ( yen 172,431 million),  
including a total of yen 187,286 million in employee's residence mortgages which is insured in full  
and yen 25,500 million mortgages with pledge.

And a total of yen 86,098 million in construction of Canton Plant is including.

Commitments to provide guarantees total yen 1,561 million .

Letters of awareness and others total yen 16,128 million ( yen 16,128 million)

Letters of awareness concerning transfers of receivables total yen 50,000 million ( yen 7,138 million)

The Company entered into Keepwell Agreements with certain subsidiaries to support their credibility.

Liabilities of such subsidiaries totaled yen 1,792,563 million

5. Fair value information on shares issued by subsidiaries and affiliates

	as of Mar. 31,2004			as of Mar. 31,2003		
	Book value	fair value	differences	Book value	fair value	differences
Subsidiaries	10,981	56,188	45,206	10,981	30,100	19,118
Affiliates	11,435	67,207	55,772	33,978	103,752	69,774
Total	22,417	123,396	100,978	44,960	133,853	88,893

6. Lease Transactions

Disclosed by EDINET.

7. Subsequent Events

On April 7, 2004, the Board of Directors of the Company has resolved to issue Shin-Kabu-Yoyaku-Ken on April 16, 2004, to employees of the Company as well as directors and employees of its subsidiaries as stock options without value in accordance with the Article 280-20 and 280-21 of the Commercial Code and the resolution of the 104th Annual General Meeting of Shareholders dated June 19, 2003.

The outlines of Shin-kabu-Yoyaku-Ken are as follows:

- 1) Name of Shin-Kabu-Yoyaku-Ken :

Nissan Motor Co., Ltd. 2nd Shin-Kabu-Yoyaku-Ken

- 2) Kind and number of shares to be issued upon exercise of Shin-Kabu-Yoyaku-Ken:

12,850,000 common shares of the Company:

- 3) Aggregate number of units of Shin-Kabu-Yoyaku-Ken to be issued:

128,500 units

- 4) Issue price of each Shin-Kabu-Yoyaku-Ken and Issue Date:

Each Shin-Kabu-Yoyaku-Ken is to be issued for no value.

The date of issuance of Shin-kabu-Yoyaku-Ken shall be April 16, 2004.

- 5) Amount to be paid upon exercise of each Shin-Kabu-Yoyaku-Ken :

¥120,200 per Shin-Kabu-Yoyaku-Ken

¥1,202 per share

- 6) The number of persons and allotted number of Shin-Kabu-Yoyaku-Ken subject to this placement shall be as follows:

Targeted person classification	Number of persons	Number of allotted Shin-Kabu-Yoyaku-Ken
Employees of the Company	597	109,600
Directors of 100% owned subsidiaries of the Company	67	13,100
Employees of 100% owned subsidiaries of the Company	4	600
Directors of subsidiaries of the Company	27	5,200
Total	695	128,500

## 2-5) Proposal for Appropriation of Retained earnings

	as of Mar. 31,2004	as of Mar. 31,2003
to this placement shall be as follows:	Millions of Yen	Millions of Yen
Unappropriated retained earnings	285,969	319,631
Reversal of reserve for reduction of replacement cost of specified properties	13,939	3,260
Reversal of reserve for losses on overseas investments	1,577	1,115
Reversal of reserve for special depreciation	249	307
Total	301,736	324,315
The proposed appropriations are as follows:		
	Millions of Yen	Millions of Yen
Cash dividends	48,384	44,662
	(11 yen per share)	(10 yen per share)
Bonuses to directors and corporate auditors	390	390
Provision for reserve for reduction of replacement cost of specified properties	1,849	30,332
Provision for reserve for losses on overseas investments	0	131
Provision for reserve for special depreciation	266	29
Retained earnings carried forward to next year	250,845	248,770

Note:

1. We payed 35,343,326,344 yen (8 yen per share) as interim dividends on December 9, 2003.
2. The provisions for and reversals of the reserves for reduction of replacement cost of specified properties, losses on overseas investments, and special depreciation are made in accordance with the Special Taxation Measures Law.

## 3. Directors and statutory auditors Change:

Regarding the directors and statutory auditors changes, Nissan Motor Co., Ltd. has already announced on March 24th.