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MOTOR CORPORATION

Analyst Session for FY24 Q2 Financial Results
Q&A

Date/Time : November 7, 2025, 18 :30-19 :30

Speakers :

Makoto Uchida, Representative Executive Officer, President & CEO

Stephen Ma, Executive Officer, CFO

Hideyuki Sakamoto, Executive Officer, Executive Vice President, Chief Monozukuri Officer

Jeremie Papin, Chairperson, Management Committee for Americas

Questions and Answers

Question 1:
You mentioned that you will reduce global production capacity by 20%. Could you please provide details on your current production capacity and the methods for achieving this reduction?

Answer 1:
Uchida
Currently, our global production capacity is approximately 5 million units. Even with this reduction, we aim to transform our operations to achieve sufficient profits, even if retail sales volume is at 3.5 million units. This does not mean we are changing the retail sales target for fiscal year 2026, as announced in "The Arc," from 4.5 million units to 3.5 million units. Rather, in an uncertain and opaque market, we are initiating measures to ensure profitability even at a sales level of 3.5 million units as the first step of our turnaround effort. Regarding the reduction of fixed costs, we need to review both the production department and general administrative expenses. Sakamoto will provide further details on our planned approach.

Sakamoto
Our current production capacity stands at approximately 5 million units, with about 1.5 million units in China and about 3.5 million units in other global markets. The operating rate is based on a production level of 3.2 million units, leading to a global average of 64% and an average of 72% to 73% outside of China. Methods to reduce operational production capacity by 20% include: first, slowing down line speed and changing shift patterns. This is the quickest method to see results and has already been incorporated into our plans. Second, in factories with multiple lines, we aim to enhance overall operations by consolidating older lines that require updating with relatively newer ones. Third, as we are already working on at the Tochigi Intelligent Factory, we will apply automation and advanced technology on the lines to reduce operational personnel. We have already started implementing these three measures this fiscal year. We expect to see results in the next year or two, and we will diligently work towards achieving the goals of our turnaround plan.

Question 2:
In "The Arc," there was a plan to increase sales volume through new vehicle launches. To secure sales of 3.5 million units, improving sales quality and brand strength is essential. How do you plan to address this?

Answer 2:
Uchida
While we have consistently improved sales quality through "Nissan NEXT," during the COVID-19 pandemic, car demand was exceptionally high, allowing us to sell vehicles without incentives. Now that supply and demand have normalized, sales competition in North America has intensified, and sales incentives have increased, our brand strength has not risen as much as we anticipated. We must continue to make further efforts. We are currently working with sales companies to enhance our brand power, aiming to sell products under the Nissan brand. Additionally, we are placing particular emphasis on enhancing customer experience in the United States. Jeremie Papin will provide further details on this matter.

Papin
In the U.S., we are conducting marketing activities centered on our products, believing that launching new models each quarter will enhance our brand strength. Particularly in the fourth quarter, all new models, including the QX80, Kicks, Armada, and Murano, are expected to constitute over 20% of sales. This initiative is expected to improve profitability and foster growth. We also anticipate contributing to brand recognition by accelerating the launch of our electric powertrains.

Question 3:
You mentioned that you aim to maintain the model launch plan announced in "The Arc" while reducing fixed and variable costs to ensure profitability even at a sales volume of 3.5 million units. Does this also include reducing operations at a regional level?

Answer 3:
Uchida
In "The Arc," we announced our retail sales target as 4.5 million units. Given the uncertainty in the market environment, we found it challenging to maintain this target, which is why we decided to transform our structure to ensure sufficient profits even with a sales forecast for FY24 of 3.4 million units and production at the level of 3.2 million units through the reduction of fixed and variable costs. We will reassess the timing for launching the 30 models announced in "The Arc," depending on market conditions.

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Question 4:
It seems that Nissan's delayed strategy adjustments have resulted in worsening performance before you were able to thoroughly review fixed costs. What type of management structure do you think is necessary to allow for plan adjustments in accordance with market conditions?

Answer 4:
Uchida
Our company has made multiple downward revisions, and I believe there are several areas we must reflect on. However, we are actively working on reducing fixed costs based on our revenue situation from the first quarter. Nonetheless, I believe our primary focus must be to improve "sales accuracy." To deliver results aligned with our forecasts, we must enhance the precision of our sales volume predictions, minimize fluctuations in our production plans, and implement stricter management measures.

Question 5:
CEO Uchida, you have a track record of implementing significant fixed cost reductions in 2019, but this time you are in a phase where both aims to increase retail sales and advance investments are increasing. Do you think it will be as easy to reduce fixed costs as last time? Also, what is the timeline for structural reform?

Answer 5:
Uchida
In this rapidly changing market environment, the objective of our turnaround plan is to rejuvenate our organizational structure. First, we will overhaul the executive structure that was not fully addressed in "Nissan NEXT" to accelerate decision-making while streamlining the organization to make it more robust. This transformation will also result in reductions in fixed costs. We plan to reduce variable costs by 100 billion yen on a model-by-model basis. These fixed and variable costs fall under our control, making them achievable. In addition to this we need to focus on improving and strengthening our sales and brand power.

Question 6
Please share the background behind accepting the stock buyback from Renault in September and the recent decision to sell shares in Mitsubishi Motors. Also, what will the relationship with both partners look like going forward?

Answer 6:
Uchida
I believe that our collaborations with Mitsubishi Motors are evolving. We have been discussing

appropriate ownership levels from a policy perspective for some time. This time, we decided to proceed with the sale to support Mitsubishi's business strategy. Regarding the shares held in trust by Renault, we will make decisions based on our cash position as needed.

Ma
Honestly, the offer from Renault was unexpected. However, given that our stock price was low, we opted to repurchase it. In the future, if Renault approaches us for a sale, we will make decisions based on the situation each time.

Question 7
It seems that the new vehicle effect is not necessarily being realized, especially in the U.S. How do you plan to improve new vehicle sales performance going forward?

Answer 7:
Ma
We have been working to enhance sales quality through "Nissan NEXT." However, due to production constraints during the pandemic, the timing of some new vehicle launches was delayed, limiting our production capacity and hindering the realization of the new vehicle effect. With the easing of production constraints and lessons learned from last year, we are transitioning to new model years earlier this fiscal year. We plan to launch a total of four new models as scheduled this period, aligning with market conditions.

Question 8:
If production capacity is reduced by 20%, what level of profit can we expect with sales of 3.5 million units?

Answer 8:
Uchida
Currently, our production capacity stands at approximately 1.5 million units in China and about 3.5 million units in other markets. The break-even point is approximately between 3.2 and 3.3 million units. In this context, our turnaround plan aims to create a structure capable of generating profits at the level of 3 million units, excluding China, by reducing production capacity by 20%. We will carefully assess which factories and countries will see production reductions. Initially, we will concentrate on fixed and variable costs we can control, and we will provide further details and updates on the turnaround plan separately.

Question 9:
What is the rationale behind interim dividend 0 yen? Will there be any changes to your return policy as a result of the turnaround plan?

Answer 9:
Ma
There are no changes to our dividend policy. The conditions for distributing dividends include positive operating income, net income, and free cash flow from our automotive business, along with maintaining a healthy net cash position. For this interim dividend, since free cash flow from the automotive business was negative 448.3 billion yen, the Board of Directors decided to declare a dividend of 0 yen. The year-end dividend remains uncertain at this time. If we achieve profits and positive automotive free cash flow as outlined in our projections, we will discuss the possibility of implementing dividends.

Question 10
Does the FY2023 operating profit plan of 150 billion yen include any one-off factors?

Answer 10:
Ma
The cost associated with suppliers due to the downward revision of the production volume plan announced at the beginning of the period is included. Additionally, due to market normalization, credit losses and remarketing profits have slightly declined. Regarding one-off factors, the cost of early retirement in America is classified as a special loss below OP in Q2.

Question 11:
You mentioned that you will reconsider the timing of product portfolio sales, but could you provide more details about the introduction of PHEV and e-POWER models in the U.S.?

Answer 11:
Ma
In "The Arc," we announced the introduction of e-POWER in the second half of 2026, but we are attempting to expedite this to the first half of 2026. For PHEV (plug-in hybrids), we plan to advance the launch of the Rogue PHEV to 2025. We are reassessing the priorities of our portfolio based on market needs.

Question 12:
What are your thoughts on the competitiveness of aging models and future strategies?

Answer 12:
Uchida
Aging models, which was an issue in "Nissan NEXT," have been refreshed, and we have reduced the average model age in the U.S., Europe, and Japan to approximately 4 years. In China, the average model age exceeds 4 years. In regions outside China, newly launched models such as the Kicks, QX80, and Patrol are exceeding sales expectations. In China, there is a necessity to produce new energy vehicles, which is why the average model age is longer. However, we announced our intention to introduce 4 new energy vehicle models in "The Arc," with the first model scheduled to launch in a few months.

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