NISSAN
MOTOR CORPORATION

Analyst Session for FY24 Q3 Financial Results
Q&A

Date/Time : February 13, 2025, 19 :30-20 :30

Speakers :

Makoto Uchida, Representative Executive Officer, President & CEO

Jeremie Papin, Executive Officer, CFO

Guillaume Cartier, Chief Performance Officer, Chairperson, Management Committee for AMIEO

Toru Ihara, Chief HR Officer

Questions and Answers

Question 1:
The discussions regarding the management integration with Honda have been terminated. Can you explain the background behind this?

Answer 1:
Uchida
Since the signing of the MOU on December 23, we have had a strong desire to strengthen our company through integration with Honda. This sentiment remains unchanged. We were advancing with the concept of a holding company structure to leverage the strengths of both companies and create synergies. In this context, given our current situation and market capitalization, we anticipated from the outset that Honda would appoint the president of the integrated company and hold a majority of the board seats. We placed significant importance on Nissan maintaining its strengths while the integrated company grew stronger. However, during discussions, Honda proposed a 100% subsidiary model. After deliberation among the directors, we ultimately concluded that it would be challenging for Nissan to become a strong company under a 100% subsidiary structure.

Question 2:
What is the estimated total cost required to achieve the turnaround plan announced today?

Answer 2:
Papin
At this point, based on what was explained today, we anticipate that approximately 100 billion yen will be needed for restructuring costs, taking into account what we expect to finalize in the fourth quarter. If there are any updates to this figure, we will announce them promptly.

Question 3:
You mentioned that you will be conducting a strategic review. Specifically, what will be announced? Could you provide an idea of the timeline and the areas you feel are necessary?

Answer 3:
Uchida
First and foremost, we will advance further structural reforms to become a stronger company. We are currently considering which markets to remain in, the appropriate number of platforms, the selection of core products, and what support we can receive through alliances. Additionally, we will explore collaboration opportunities not just with automobile manufacturers but also with various partners from different sectors. For example, there may be potential to collaborate with partners from other industries in the mobility sector. Naturally, we expect offers for collaboration and various forms of partnership from many companies, and if they can contribute to strengthening our business, we will prioritize them accordingly as we move forward.

Question 4:
Regarding the Top Line Growth on page 30 of the financial results presentation, even though new models have been launched in the past, sales volumes have not recovered significantly. How do you expect the volumes to recover this time?

Answer 4:
Uchida
As we have already announced, we will start exporting vehicles produced in China from 2025. We are working to introduce competitively priced vehicles from China into markets where there is demand. In the Indian market, we are continuously collaborating with Renault, and we anticipate volume growth from that initiative.

Cartier
The chart on page 30 illustrates how Nissan plans to increase its sales volume (excluding China). We are particularly focused on the full model changes for older models. Our plan includes launching new versions of existing models to boost sales volume. The new vehicle models scheduled for release from India will contribute to an increase in sales volume. As we have already announced, we will invest in two SUVs for the Indian market.
We also plan to expand the market for some models. For instance, we are looking to introduce the Magnite, produced in India, to the Mexican market. Additionally, we are planning to launch the Rogue plug-in hybrid in the American market. Moreover, we will expand the sales of vehicles produced in China as a new business initiative.
We expect these efforts to yield an increase of 100,000 units in sales volume from fiscal year 2024 to 2025, and an additional increase of 200,000 units from fiscal year 2025 to 2026.

Question 5:
What measures are you considering regarding tariffs in the United States?

Answer 5:
Uchida
We exported approximately 330,000 units from Mexico in 2024. If a 25% tariff is implemented, it will inevitably have a significant impact on our profits, so we are currently working to establish an optimal backup system.

Question 6:
On page 11 of the financial results presentation, it seems that manufacturing costs and other items are significantly affecting the figures. Can you clarify if there are any one-time factors involved?

Answer 6:
Papin
We have revised our operating profit forecast down from 150 billion yen to 120 billion yen, a decrease of 30 billion yen. There are two main factors contributing to this change. One is that sales incentives, particularly in Europe and the United States, are expected to rise in the fourth quarter. The other factor is costs related to one-time legal cases (included in the "other's other" category).

Question 7:
Regarding page 19 of the financial results presentation, is it really possible to achieve a reduction of 200 billion yen by cutting 2,500 personnel from the general administration department and reducing advertising expenses? Could you explain this in more detail?

Answer 7:
Uchida
When we formulated The Arc, we had planned for general administrative expenses based on a sales target of 4.5 million units. In the context of our turnaround efforts, we are optimizing the personnel in the general administration department to align with the revised sales target, which results in a very significant total reduction of 200 billion yen.

Ihara
Of the 200 billion yen reduction, about half will come from cuts in personnel costs and expenses, while the rest will come from improving the efficiency of selling and advertising expenses.

NISSAN
MOTOR CORPORATION

Regarding the global reduction of 2,500 personnel in the general administration department, this includes locations with high labor cost rates. Additionally, while we had been hiring about 1,500 personnel globally in the general administration department, we are considering implementing staff reductions through hiring constraints and expanding early retirement programs.
To reduce labor costs, we will also outsource labor from countries with high labor costs to external vendors abroad.

Cartier
We already have a clear plan in place regarding Fixed Marketing Investment (FMI). We aim to enhance efficiency through AI-driven media buying, streamline production, and review costs with advertising agencies within this fiscal year.

Question 8:
Regarding product development, particularly in the area of Software-Defined Vehicles (SDV), there was an intention to collaborate with Honda. Has there been any change in the form of collaboration?

Answer 8:
Uchida
While the management integration with Honda has become difficult, we believe that in the areas we are currently collaborating on—such as SDV, EV, batteries, and e-axles—there are significant scale benefits to be gained, and we will continue our collaboration. Especially in North America and Japan, where we have similar lineups, we will pursue initiatives that can create a win-win situation for both parties. We will also strategically review other potential collaboration opportunities.

End