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President
Nissan Financial Services

Providing Profit and Supporting Sales

“Sales finance is a core business in the auto world. Automotive financing supports car sales and provides additional income, which translates into increased profit for the Group. All Nissan finance companies operate under strict risk management control policies and must balance the drive for profit with active sales support.

In Japan, about fifty percent of customers use cash when buying a car. Corporate sales account for another 20 percent of the total, while the remaining 30 percent of customers use automotive financing. Therefore, we focus on capturing that 30 percent market, in addition to penetrating the cash customer segment. Nissan Financial Services, or NFS, has the highest level of market penetration in Japan, and our centralized customer center gives us a clear advantage over other finance companies.

A sales finance company is exposed to various forms of risk. One risk is interest rate fluctuation. NFS mitigates this risk by matching interest as much as possible. Almost seventy percent of our portfolio is on a match-funding basis. Another risk is credit risk. Fortunately, our portfolio is improving. The economy is getting better, and we've had success with a low-interest, 2.9 percent APR program. Because this is a competitive rate, it has attracted customers with good credit ratings who otherwise would have opted for bank financing.

We have also improved our scoring system for credit analysis. We have a new system that can automatically process 60 percent of all credit applications. Turnaround time for the credit decision used to take three to four hours, but with continuous improvement of our system it takes just 14 minutes. If the dealer submits the data online, turnaround is reduced to four minutes. This has really increased customer satisfaction. In addition, having a centralized system ensures that our credit standards are consistently applied.

The above improvements have reduced our loss ratio to below 0.3 percent. More importantly, 95 percent of applicants are approved for financing. The challenge is to reduce the loss ratio and rejection rate at the same time. We want to support sales by providing financing, and keep the loss ratio low.

In the past, NFS depended on the parent company for funding. Since Nissan and NFS had their financial ratings upgraded, we issued our first public bond in September 2003. We have also issued commercial paper and diversified our funding sources. As a result, our reliance on the parent company for funding has been reduced to almost zero.

Sales finance became actively involved in sales support during NISSAN 180. We have always been a source of profit, but now we are aiming to enhance the value chain as well. We have the largest number of business lines of any finance company, including credit loans, corporate and private leasing, car rentals, credit cards, insurance, maintenance and much more. Because we have more touch points with the customer, we have a great opportunity to easily cross-sell our products. Nissan is allocating more resources to light commercial vehicles, which is a perfect platform for us as well. And two years ago we created a fleet division with Nissan that provides both vehicles and a full range of services including total outsourcing of fleet management.

The Alliance with Renault has played a central role in our development over the past few years.