FISCAL YEAR 2004 FINANCIAL REVIEW

NISSAN REPORTED A RECORD YEAR IN TERMS OF REVENUES, OPERATING INCOME, NET INCOME, SALES AND PRODUCTION VOLUME IN FISCAL 2004. NISSAN ACHIEVED TWO OF ITS THREE COMMITMENTS FOR NISSAN 180: AN 8 PERCENT OPERATING PROFIT MARGIN AND ZERO NET AUTOMOTIVE DEBT. THE REMAINING COMMITMENT IS THE ACHIEVEMENT OF ONE MILLION ADDITIONAL UNIT SALES. AT MID-YEAR 2005, GLOBAL SALES AT 1,809,000 UNITS WERE SLIGHTLY AHEAD OF THE COMMITMENT TO REACH 3,597,000 UNITS BY THE END OF SEPTEMBER 2005.

Net Sales

Consolidated net sales came to ¥8,576.3 billion, up 15.4 percent from last year. A higher volume and mix had a positive impact of ¥707.0 billion. Movements in foreign exchange rates produced a negative impact of ¥173.0 billion. Changes in the scope of consolidation, including Dongfeng Motor and Yulon Nissan Motor, raised revenues by ¥432.0 billion.

Operating Income

Consolidated operating profit improved by 4.4 percent from last year to a record ¥861.2 billion. This resulted in an operating profit margin of 10.0 percent. Operating profit was affected by the following factors:

- The effect of foreign exchange rates produced a ¥78 billion negative impact for the full year. The depreciation of the U.S. dollar against the yen resulted in a negative impact of ¥74 billion, with an additional ¥13 billion from other currencies. The appreciation of the euro resulted in a positive impact of ¥9 billion.
- The change in the scope of consolidation produced a positive impact of ¥31 billion. This was primarily from the consolidation of Dongfeng Motor and Yulon Nissan Motor.
- The impact of the higher volume and mix contributed ¥284 billion. This was mainly driven by an increase in U.S. sales volume.
- Selling expenses increased by ¥114 billion, also mainly due to the increase of sales in the U.S.
- The improvement in purchasing costs amounted to ¥131 billion.
- Product enrichment and the cost of regulations had a negative impact of ¥92 billion.
- An additional ¥44 billion was allocated to R&D to reinforce product and technology development.
- Cost reductions from manufacturing efficiencies were offset by costs associated with expanding the Canton plant's capacity, which resulted in a ¥15 billion increase in manufacturing and logistics expenses.
- Warranty costs increased by ¥41 billion, partly due to greater volume.
- General, administrative and other expenses increased by ¥25.7 billion.

By region, operating profits in Japan came to ¥341.1 billion, a decrease of 3.2 percent compared to last year. This was mainly due to unfavorable exchange rate fluctuations and an increase in R&D expenses, which reached a record level.

Due to higher volumes, profitability in the U.S. and Canada increased 7.9 percent from last year and totaled ¥379.7 billion.

Operating profit in Europe was ¥56 billion, an increase of 13.8 percent compared to last year, owing to a better mix and higher contributions from Russia.

In General Overseas Markets, including Mexico, operating profits came to ¥84.8 billion, an increase of 28.5 percent compared to last year. This was primarily due to the consolidation of Dongfeng Motor and Yulon Nissan Motor.

Inter-regional eliminations were negative ¥0.4 billion.