

Analyst Session for FY25 H1 Financial Results

Q&A

Date/Time : November 6, 2025, 19:00-20:00

Speakers :

Ivan Espinosa, Representative Executive Officer, President & CEO

Jeremie Papin, Executive Officer, CFO

Questions and Answers

Question 1:

Could you please specify the expected reduction in variable and fixed costs for this fiscal year and the next?

Answer1:

Papin

Regarding variable costs, the most significant savings are expected in FY2026. We plan to implement the ideas we've developed so far during this period, applying them directly to our vehicle production. The impact of these variable cost reductions on our profit and loss statement will become evident starting in FY2026. As for fixed costs, we believe there is potential for reductions beyond our initial estimates, possibly exceeding our original expectations.

Question 2:

In your earlier remarks, you indicated that a successful structural reform could lead to cost savings of 500 billion yen. Could you please estimate how much additional savings might be achieved beyond that, and explain the reasons behind the potential for greater-than-expected reductions?

Answer 2:

Papin

First and foremost, our goal is to achieve the 500 billion yen in cost savings. While we haven't yet reached a point where we can confidently declare that this target has been fully met, we have a solid list of action items that are building momentum and gaining traction.

Question 3:

Please provide your outlook for free cash flow and the net cash position of the automotive business at the end of March 2026.

Answer 3:

Papin

Regarding free cash flow, we recorded approximately a negative 600 billion yen in the first half of FY2025. Our goal is to turn this around and achieve positive free cash flow in the second half of the year.

As for the net cash position, we expect it to exceed 1 trillion yen by the end of FY2025. Please note that during the year-end holiday period, factories typically shut down, which results in lower cash flow in the third quarter. Usually, cash flow tends to strengthen in the fourth quarter.

Question 4:

Could you please explain the measures you are taking to minimize the impact of the 275 billion yen in tariffs?

Answer 4:

Papin

Initially, we adjusted our shipments to the U.S. that are affected by the tariffs. For example, we halted shipments from Mexico to the U.S. and from the U.S. to Canada. As a result, unfortunately, our sales volume compared to the previous year declined. In addition, we are promoting the sale of models made in the U.S., such as the Rogue, Pathfinder, Frontier, and Murano, which have improved their market share on a cumulative basis.

Another key measure is local production of parts and optimizing import flows. Fortunately, the Rogue is produced at two plants—Smyrna (US) and Kyushu (Japan)—allowing us to adjust production as needed. Moreover, since some of the tariff exposure also exists with our suppliers, we are working to mitigate that as well. Through these actions, we aim to reduce the overall tariff exposure over time.

Question 5:

Does the impact of the tariffs include the refunds of tariffs capped at 3.75% of the MSRP?

Answer 5:

Papin

We have included the impact of the tariff refunds starting from the second quarter, and we will continue to account for this throughout the full year.

Question 6:

It seems that the impact of tariffs from the first half to the second half remains relatively

unchanged. Since the tariff rate has decreased since September, why does it appear that there is no impact from this reduction? Could you please provide details?

Answer 6:

Papin

In the first half, the impact of tariffs was approximately 150 billion yen. Our estimate for the second half is around 125 billion yen. Although the tariff rate for Japan was revised downward, in the second half, some of this cost burden is now reflected in our supplier payments. These costs were not accounted for in the first half but will be included in the second half. As a result, the overall tariff impact in the second half is only expected to improve by about 25 billion yen.

Question 7:

It appears that the manufacturing costs and other items have been revised upward compared to the previous plan. Could you explain the main reasons behind these changes?

Answer 7:

Papin

Looking at the details, the increase in manufacturing costs is primarily due to the accelerated consolidation of our Mexico plant in the second half. Specifically, we are discontinuing production at the CIVAC and Argentine plants and consolidating operations into the Aguascalientes plant. This is being done earlier than initially planned to secure returns for the upcoming fiscal year. However, this also incurs costs such as equipment relocation. Additionally, we reduced production volumes to better align with dealer inventory levels, adjusting manufacturing more quickly to retail sales trends.

Regarding R&D expenses, we are expecting cost reductions without changing the output, so the increase in R&D costs reflects a conservative outlook on savings.

Finally, some other costs, such as approximately 40 billion yen related to procurement that were included in the initial figures, have now been separated out. There are also some cost reduction effects that are still being categorized, which may lead to further adjustments.

Question 8:

Could you explain the background for including a supply risk of 25 billion yen in your full-year outlook?

Answer 8:

Papin

The supply risk primarily stems from two issues: a fire at an aluminum production facility and China's export ban on certain semiconductor materials. These disruptions have already begun to impact our factories in the U.S. and Japan. We are actively implementing measures to minimize factory downtime. Recently, there was news that China's semiconductor export restrictions will be eased, and we are currently waiting for reports from our suppliers confirming that semiconductor supply has resumed, which should help mitigate the risk.

Question 9:

In Europe, there are models equipped with the third-generation e-POWER in the Qashqai. Could you share any feedback from the market or dealers?

Answer 9:

Espinoza

The response to the Qashqai has been very positive. The Qashqai was awarded the "Hybrid of the Year" at the UK Motor Awards, and European automotive federation tests have recognized it as having top-class fuel efficiency within its segment.

We will also introduce the same technology to the American-market Rogue next year. In terms of performance, the third-generation e-POWER system has improved fuel economy, drivability, and overall driving experience. Additionally, the overall cost competitiveness has increased compared to the previous e-POWER model. We expect the benefits of this next-generation e-POWER to be seen from the second half in Europe, and we believe it will also have a positive impact in North America next fiscal year.

Question 10:

Regarding the U.S. business, could you share your target levels for fleet and inventory? Currently, both the number of units and days of inventory are higher than those of other Japanese automakers. How do you plan to adjust these levels?

Answer 10:

Papin

First, fleet contracts are typically based on model-year agreements. For FY2024, the business performed well due to supply shortages at the time, which limited production and resulted in higher profitability from fleet sales. However, looking at the FY2025 contract terms, it's clear that this situation no longer applies. Therefore, we plan to reduce the fleet mix accordingly. We expect the fleet ratio to decline over the course of the year, aligning with industry averages within each segment.

At the same time, we are managing dealer inventory levels carefully. Currently, dealer inventories are maintained close to industry averages. Notably, for our fastest-growing models, such as the Pathfinder, inventory days are actually below the industry average.

Question 11:

Have inventory levels normalized in the first half, or will inventory adjustments continue into the second half?

Answer 11:

Papin

Compared to the same period last year, global inventory has been reduced by approximately 90,000 units. Additionally, inventory levels have decreased compared to the first quarter, reflecting active inventory management. We are adjusting production accordingly to prevent inventories from rising again.

Question 12:

Sales in Japan have declined significantly. Besides new model launches, what other measures are being taken to improve sales?

Answer 12:

Espinoza

Since July, we have strengthened communication efforts, increased marketing resources, and enhanced collaborations with dealer partners. As a result, dealer customer traffic has improved, and we are attracting both existing Nissan users and new customers.

Since the Japan Mobility Show, positive social media conversations have increased fifteenfold, and overall sentiment has improved by about 25%. These indicators suggest that our performance will continue to improve.

Furthermore, the new Rook received 15,000 orders within six weeks of launch. We also plan to introduce multiple new models—including the LEAF, Kicks, Elgrand, and Skyline—to further boost sales.

End