€500,000,000 1.940% Senior Notes due 2023
€750,000,000 2.652% Senior Notes due 2026
€750,000,000 3.201% Senior Notes due 2028

Nissan Motor Co., Ltd., a joint stock corporation incorporated with limited liability under the laws of Japan, is offering €500,000,000 aggregate principal amount of 1.940% senior notes due 2023 (the "2023 notes"), €750,000,000 aggregate principal amount of 2.652% senior notes due 2026 (the "2026 notes") and €750,000,000 aggregate principal amount of 3.201% senior notes due 2028 (the "2028 notes" and, together with the 2023 notes and the 2026 notes, the "notes"). We will pay interest on the 2023 notes on September 15 of each year, beginning on September 15, 2021. There will therefore be a short first coupon for the 2023 notes. We will pay interest on the 2026 notes on March 17 of each year, beginning on March 17, 2021. There will therefore be a short first coupon for the 2026 notes. We will pay interest on the 2028 notes on September 17 of each year, beginning on September 17, 2021. The 2023 notes will mature on September 15, 2023, the 2026 notes will mature on March 17, 2026 and the 2028 notes will mature on September 17, 2028.

The notes will be our general unsecured senior obligations and will have the same rank in liquidation as all of our other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves. The notes will be issued only in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

We may redeem the notes, in whole or in part, at any time prior to maturity with respect to the 2023 notes, February 17, 2026 with respect to the 2026 notes and June 17, 2028 with respect to the 2028 notes, at the applicable make-whole prices determined in the manner described herein. We may also redeem the notes, in whole or in part, at any time on or after February 17, 2026 with respect to the 2026 notes and June 17, 2028 with respect to the 2028 notes, at a price equal to 100% of the respective principal amounts being redeemed plus accrued and unpaid interest to, but excluding, the date of redemption. See "Description of the Notes—Optional Redemption." In addition, we may, at our option, redeem a series of the notes in whole, but not in part, upon the occurrence of certain changes in Japanese tax law. See "Description of the Notes—Optional Tax Redemption." The notes will not otherwise be redeemable prior to the stated maturity and will not be subject to any sinking fund.

We have made an application to the Luxembourg Stock Exchange to list the notes on the official list of the Luxembourg Stock Exchange and for such notes to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market. The Luxembourg Stock Exchange's Euro MTF Market is not a regulated market for the purposes of Directive 2014/65/EU. This offering circular constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 16, 2019.

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 10 of this offering circular.

Price per note: **For the 2023 notes, 100.000% plus accrued interest, if any**
For the 2026 notes, 100.000% plus accrued interest, if any
For the 2028 notes, 100.000% plus accrued interest, if any

Interest on the notes will accrue from September 17, 2020

The notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "Securities Act"). The notes may not be offered or sold within the United States, except to qualified institutional buyers ("QIBs"), as defined in, and in reliance on, the exemption from registration provided by Rule 144A under the Securities Act, and in offshore transactions as defined in, and in reliance on, Regulation S under the Securities Act.

It is expected that delivery of the notes will be made through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), on or about September 17, 2020.

Concurrently with the offering of the notes, we are planning to offer U.S. dollar-denominated senior notes in a number of series (collectively, the "USD notes"). No USD notes are being offered hereby. The closing of the offering of the notes is not conditional upon the closing of the offering of the USD notes. See "Summary—The Offering—Concurrent USD Notes Offering."

Joint Bookrunners and Joint Lead Managers

Morgan Stanley **J.P. Morgan** **Citigroup** **Mizuho Securities**

BNP PARIBAS **BofA Securities** **HSBC** **SMBC NIKKO** **Société Générale Corporate & Investment Banking**

Offering Circular dated September 11, 2020.

No person has been authorized in connection with the offering to give any information or to make any representation not contained in this offering circular and, if given or made, such information or representation must not be relied upon as having been authorized by us, any initial purchaser or any affiliate of the initial purchasers. No action has been, or will be, taken to permit a public offering of the notes in any jurisdiction where action would be required for that purpose. Accordingly, the notes offered hereby may not be offered or sold, directly or indirectly, and this offering circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES COVERED BY THIS OFFERING CIRCULAR HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.

This offering circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire notes. Distribution of this offering circular to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. Each person receiving this offering circular acknowledges that (i) such person has not relied on any initial purchaser or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of such information or its investment decision and (ii) no person has been authorized to give any information or to make any representation concerning us or the notes offered by this offering circular other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or any initial purchaser.

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA"), and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"). The notes may not be offered or sold in Japan or to, or for the benefit of, any person resident in Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, the notes are not, as part of the initial distribution by the initial purchasers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient or to others for re-offering or resale, directly or indirectly, to, or for the benefit of, any person other than a Gross Recipient, except as specifically permitted under the Special Taxation Measures Act. A Gross Recipient for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (a "specially-related person"), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order"), relating to the Special Taxation Measures Act that will hold notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order. **BY SUBSCRIBING FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A GROSS RECIPIENT.**

Interest payments on the notes generally will be subject to Japanese withholding tax unless it is established that the notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person, or (ii) a Japanese financial institution designated in Article 3-2-2, Paragraph (29) of the Cabinet Order which complies with the requirement for tax exemption under Article 6, Paragraph (9) of the Special Taxation Measures Act or (iii) a public corporation, a financial institution or a financial instruments business operator, etc. described in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph.

Interest payments on the notes to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person will be subject to Japanese income tax.

The notes have not been and will not be registered under the Securities Act or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The notes are being offered:

- in the United States only to QIBs, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or
- outside the United States in offshore transactions as defined in, and in accordance with, Regulation S.

You are hereby notified that sellers of the notes may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the notes and the distribution of this offering circular, see "Transfer Restrictions" and "Plan of Distribution."

Each prospective purchaser who places an order for the notes consents to the disclosure by the initial purchasers to us of the prospective purchaser's identity, the details of such order and the actual amount of notes subscribed, if any.

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AVAILABLE INFORMATION

We have agreed, during any period that any of the notes are "restricted securities" (as defined in Rule 144 under the Securities Act) and we are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting requirements pursuant to Rule 12g3-2(b) under the Exchange Act, to furnish to holders or designated prospective purchasers of the notes, in each case upon request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

With respect to initial purchasers which are MiFID manufacturers, solely for the purposes of each such manufacturer's product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU, as amended ("MiFID II"); and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE CONCERNING THE EUROPEAN ECONOMIC AREA

PRIIPs Regulation / Prohibition of sales to retail investors in the EEA and the United Kingdom— The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014, as amended (the "PRIIPs Regulation"), for offering or selling the notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and, therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPs Regulation.

NOTICE CONCERNING THE UNITED KINGDOM

There are restrictions on the offer and sale of the notes in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000, as amended (the "FSMA"), with respect to anything done by any person in relation to the notes in, from or otherwise involving, the United Kingdom must be complied with. See "Plan of Distribution." This offering circular is for distribution outside the United Kingdom or in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order (all such persons together being referred to as "relevant persons"). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE CONCERNING SINGAPORE—SECTION 309B(1)(c) NOTIFICATION

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018) (the "CMP Regulations 2018"), we have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA) that the notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

ENFORCEMENT OF CIVIL LIABILITIES

Nissan Motor Co., Ltd. is a joint stock corporation incorporated with limited liability under the laws of Japan. Most of its directors and executive officers are non-residents of the United States. All or a substantial portion of the assets of Nissan Motor Co., Ltd. and the assets of such non-resident persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or those persons or to enforce court judgments predicated upon the civil liability provisions of the U.S. federal or state securities laws against us or those persons in the United States. We have been advised by our Japanese counsel, Mori Hamada & Matsumoto, that there is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgments of U.S. courts brought before Japanese courts, of civil liabilities predicated solely upon the U.S. federal or state securities laws.

STABILIZATION

IN CONNECTION WITH THE ISSUE AND OFFERING OF THE NOTES, MORGAN STANLEY & CO INTERNATIONAL PLC (THE "STABILIZATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT LEVELS HIGHER THAN THOSE WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILIZATION ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

FORWARD-LOOKING STATEMENTS

This offering circular contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements appear in a number of places in this offering circular and include statements regarding the intent, belief or current expectations of our management with respect to our business, results of operations and financial condition. In many cases, but not all, we use such words as "aim", "anticipate", "believe", "estimate", "expect", "forecast", "intend", "may", "outlook", "plan", "potential", "predict", "probability", "project", "risk", "seek", "should", "target", "will", "would" and similar expressions in relation to us or our management to identify forward-looking statements. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks and uncertainties include, without limitation:

- downturns in the Japanese and global economy;
- the spread of COVID-19;
- difficulties in implementing our business transformation plan;
- our inability to derive expected benefits from our business alliances;
- our significant investments in our equity method affiliates and other investment holdings;
- the effectiveness of the reforms we have made in response to past governance and compliance failures;
- our inability to respond to rapid change and intense competition in the global automotive industry;
- any failure to implement our new product portfolio strategy;
- any failure to maintain the quality of our products and services;
- our reliance on third-party suppliers for the provision of parts, components and raw materials;
- challenges associated with climate change and increasing environmental regulation;
- governmental regulations and actions in the automotive industry;

- the legal proceedings which we are a party to; and
- an inability to protect our intellectual property rights or to avoid infringement of those of third parties.

Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this offering circular to reflect future actual events or developments. The information contained in this offering circular, including without limitation the information included in "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business", identifies important factors that might cause the forward-looking statements not to be realized.

GLOSSARY

Certain automotive industry terms and other terms are used in this offering circular to describe our business and financial performance. Some of the terms used in this offering circular may not correspond to common industry definitions for such terms.

The following is a list of defined terms used in this offering circular:

Term	Description
Alliance	Founded in March 1999, the Alliance is a cross-cultural strategic alliance among Nissan, Renault S.A. ("Renault") and Mitsubishi Motors Corporation ("Mitsubishi Motors").
C-segment	Refers to the category of passenger vehicles known as "compact cars" in the United States or "small family cars" in Europe.
CMF	CMF is an abbreviation for "common module family," a modular architecture concept developed by the Alliance consisting of five groups of interchangeable, compatible modules: engine bay, cockpit, front underbody, rear underbody and electrical/electronic. A single module can be used for different platforms, covering different classes of vehicles, allowing a greater standardization of components between members of the Alliance. When referring to model categories, the following abbreviations may be used: CMF-A (for smaller vehicles); CMF-B (for subcompacts/superminis); CMF-C (for C-segment vehicles); CMF-D (for D-segment vehicles); CMF-EV (for EVs).
connected vehicle	A connected vehicle is a vehicle that can communicate bi-directionally with other systems outside of the vehicle, allowing the vehicle to share internet access, and hence data, with other devices both inside and outside the vehicle.
D-segment	Refers to the category of passenger vehicles known as "mid-size cars" or "intermediate cars" in the United States or "large family cars" in Europe.
e-POWER	e-POWER is our proprietary technology that offers the driving performance and benefits of an EV, yet eliminates the need for plug-in charging. e-POWER combines a fully electric motor drive with a petrol engine that charges the battery, providing instant, smooth acceleration and greater fuel efficiency.
ePT	ePT is an abbreviation for electric powertrain, also referred to as an e-Powertrain.
EV	EV means electric vehicle, which is a vehicle that utilizes only an electric motor and must be plugged in for charging. EVs are typically charged from conventional power outlets or dedicated charging stations.
hybrid vehicle	A hybrid vehicle is a vehicle that uses two or more distinct power sources to move the vehicle. The term most commonly refers to hybrid electric vehicles that combine an internal combustion engine and one or more electric motors.
Kei car	A Japanese vehicle category that refers to the smallest class of vehicles that can be driven legally on highways in Japan.
OEM	OEM means original equipment manufacturer. An OEM manufactures products or components that are purchased by another company and retailed under the purchasing company's brand name.
payload capacity	Refers to the maximum amount of weight a truck can carry.
PHEV	PHEV means plug-in hybrid electric vehicle, which is a vehicle that utilizes rechargeable batteries that can be restored to full charge by plugging into an external electric power source. A PHEV shares the characteristics of both a conventional hybrid electric vehicle, having

Term	Description
	both electric motors and an internal combustion engine, and of an EV, having the ability to plug into an external electric power source to charge.
PU	PU is an abbreviation for pickup or pickup truck, a category of truck that features a separate frame and cab, and an open box. PUs are typically light-duty trucks and are classified by their payload capacities.
SUV	SUV means sport utility vehicle, which is a passenger vehicle usually equipped with four-wheel drive for on- or off-road capabilities. Some SUV models combine the towing capacity of a pickup truck with the passenger space of a minivan.
T	T is the symbol for the ton, a unit of measure that is used to classify trucks by their payload capacity. A ton is typically equivalent to 2,000 pounds, although trucks often feature higher payload capacity than is indicated by their tonnage designation, due to a combination of factors that include frame weight, suspension strength, brake technology and engine technology. Therefore, a vehicle with a 1T classification will feature a payload capacity of at least 2,000 pounds.
TIV	Total Industry Volume, a commonly used measure in the automotive industry to refer to the total number of vehicles sold in a specified area for a particular period. Where used in this offering circular, TIV is calculated as the automotive market's aggregate retail sales volumes for the applicable period (other than our retail sales volume and the retail sales volume of the China JV) based on information publicly disclosed by Japan Automobile Manufacturers Association, Inc. for the Japan market and other corresponding authorities for other markets (including data published by financial institutions and other third parties), plus our retail sales volume for the applicable period, plus 100% of the retail sales volume of the China JV (which has a December 31 fiscal year end).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering circular, "we", "us", "our", "Nissan" and the "Nissan group" refer to Nissan Motor Co., Ltd. and its consolidated subsidiaries, or, as the context requires, Nissan Motor Co., Ltd. on a non-consolidated basis.

The financial data in this offering circular is presented in Japanese yen. In this offering circular, references to "euros" and "€" refer to the lawful currency of the European Union, references to "U.S. dollars", "dollars" and "$" refer to the lawful currency of the United States, references to "renminbi" refer to the lawful currency of the People's Republic of China and those to "yen" and "¥" refer to the lawful currency of Japan.

In this offering circular, amounts presented in millions or billions of yen or thousands or millions of dollars have been rounded to the nearest unit or tenth of a unit. All percentages have been rounded to the nearest percent or one-tenth of one percent, as the case may be. All other figures have been rounded to the nearest unit or one-tenth of a unit, as the case may be. Due to rounding and truncation, the total amounts presented in tables may not be equal to the sum of the individual figures shown.

Our financial statements are prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP, which differ in certain significant respects from accounting principles generally accepted in other countries, including the United States, as well as International Financial Reporting Standards, or IFRS.

Our audited consolidated financial statements as of and for the fiscal years ended March 31, 2018, 2019 and 2020 and our unaudited condensed quarterly consolidated financial statements as of June 30, 2020 and for the three-month periods ended June 30, 2019 and 2020 included elsewhere in this offering circular have been prepared in accordance with Japanese GAAP.

On June 9, 2003, we announced the establishment of Dongfeng Motor Co., Ltd. (the "China JV"), a joint venture with Dongfeng Motor Group in China. As of June 30, 2020, we held 50.0% of the voting rights of the China JV and, as a result, in accordance with Japanese GAAP, the China JV is one of our affiliates accounted for by the equity method and its results of operations are reflected only under equity in earnings of affiliates in our consolidated statement of income. The fiscal year end of the China JV is December 31 and therefore our financial statements for the fiscal year ended March 31 in the following year include the contribution of the China JV to equity in earnings of affiliates based on the China JV's financial results for the prior calendar year. In this offering circular, we present as supplemental information certain non-GAAP financial data and operating data prepared on a management basis that consolidates the financial results of the China JV in proportion to our 50.0% equity interest in the China JV. Such non-GAAP financial data and operating data include certain consolidation adjustments for intra-group transactions. See "Selected Financial and Other Data—Non-GAAP Measures and Operating Data Consolidating China JV."

Unless otherwise indicated, all financial information included in this offering circular is presented on a consolidated basis. Our fiscal year end is March 31 of each year.

INDUSTRY AND MARKET DATA

We make statements in this offering circular about the Japanese and global automotive industries and our competitive position therein. In addition, we include statistics relating to industry and general economic trends. We have made these statements on the basis of statistics and other information from third-party sources, such as governmental agencies, research institutes and industry or general publications that we believe are reliable. Although we have no reason to believe any of this information is inaccurate in any material respect, we have not independently verified and cannot assure the accuracy of the data provided by or derived from third-party sources.

SUMMARY

This summary highlights selected information contained elsewhere in this offering circular. You should read this summary together with the more detailed information, including “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “The Renault-Nissan-Mitsubishi Alliance”, “Business” and our financial statements and related notes appearing elsewhere in this offering circular.

Overview

We are a leading Japanese automobile manufacturer with worldwide operations, selling our vehicles under the Nissan, Infiniti and Datsun brands. In addition to the manufacturing and sale of our vehicles, we also provide financing services to our customers through our finance subsidiaries in Japan and in our various international markets. We sold over 3.3 million vehicles (on a wholesale basis) during the fiscal year ended March 31, 2020, including approximately 1.5 million vehicles in North America and over 500,000 vehicles in each of Europe and Japan. The China JV sold approximately 1.5 million vehicles (on a retail sales basis) during the year ended December 31, 2019. We had net sales of ¥9.9 trillion for the fiscal year ended March 31, 2020, including ¥4.7 trillion in North America, ¥2.1 trillion in Japan and ¥1.3 trillion in Europe.

We have two business segments, Automobiles and Sales Financing. Our Automobiles segment includes the design, manufacture, assembly and sale of passenger vehicles as well as vehicles designed for commercial use, such as vans and trucks. We offer a full line-up of vehicle types designed to address the various needs and tastes of our customers across countries and regions.

As of March 31, 2020, we sold our vehicles in more than 170 countries around the world. The primary markets for our automobiles are Japan, North America, China, Europe and Asia. During the fiscal year ended March 31, 2020, 15.4% of our automobile sales on a consolidated basis were in Japan, 44.8% were in North America, 15.6% were in Europe and 8.9% were in Asia. The remaining 15.3% of consolidated unit sales were in other markets.

Our Sales Financing segment consists primarily of providing financing to dealers and retail customers for the purchase or lease of our vehicles.

For the fiscal year ended March 31, 2020, we had net sales of ¥9,878,866 million, operating loss of ¥40,469 million and net loss attributable to owners of parent of ¥671,216 million. For the three-month period ended June 30, 2020, we had net sales of ¥1,174,194 million, operating loss of ¥153,926 million and net loss attributable to owners of parent of ¥285,589 million.

Our Strengths

We have a geographically diversified business portfolio with solid positioning across key markets.

We have established solid positioning across key automotive markets, with a particular focus on our core markets of Japan, China and North America.

We have a strong presence in our home market of Japan, in which we had a market share (calculated by dividing our retail sales volume by TIV for the applicable period) of 10.6% in terms of unit sales for the fiscal year ended March 31, 2020. In China, the largest automotive market in the world in terms of unit sales, we had a market share of 6.4% in terms of unit sales of the China JV (calculated based on 100% of the unit sales of the China JV) for the year ended December 31, 2019, and we are targeting further growth by strengthening our brand value by promoting Nissan Intelligent Mobility, our suite of integrated technology designed to increase safety, comfort, and control while driving. In the United States, the second largest automotive market in the world in terms of unit sales, we had a market share of 7.5% in terms of unit sales for the fiscal year ended March 31, 2020, and in Europe we had a market share of 2.8% for such period. Our presence across these key markets helps us mitigate the impact of a slowdown in one region and our solid positioning in those markets gives us a platform to maximize net sales and capture future growth.

We have a passion for craftsmanship and a rich history of offering aspirational vehicles to customers around the world.

We are an innovative automaker with a passion for craftsmanship, as demonstrated by our track record of developing and launching iconic car models, such as the *GT-R*, a premium sports car with outstanding high-performance specifications, and the *Fairlady Z*, a sports car with a long history, the first generation of which was introduced into the Japanese and U.S. markets in 1969. In each of our core markets, we offer an extensive lineup of cars for the mass market, which includes well-known and best-selling models such as the *Skyline* and *Note* in Japan, *Sylphy* in China, *Rogue* and *Altima* in North America, and *Qashqai* in Europe. Due to our skills and leadership in the automotive industry, several of our models have won industry and consumer awards. For example, our *Dayz* model was selected as "Car of the Year" for 2020 by the Automotive Researchers' and Journalists' Conference of Japan and the *Nissan LEAF* model was awarded the CES Best of Innovation award by the Consumer Technology Association in 2018.

We are a leader in automotive innovation and technology.

Our technological edge is one of the key strengths that enables us to provide attractive models to consumers. With advanced technologies becoming an increasingly important factor to compete in the industry, we believe that our innovative culture and our technological prowess have positioned us as one of the leaders in the industry. In particular, we are leading the industry with proprietary advanced technologies such as electrification technologies, including e-Powertrain, and advanced autonomous driving technologies. We have a proven track record in electrification technologies, with the introduction of the *Nissan LEAF* in 2010, which was followed by a series of EV and e-POWER model launches. As we continue to focus on innovation and technology, we introduced the *Ariya* in July 2020, which is the first car to feature our new logo. The *Ariya* is a 100% electric crossover SUV and our flagship EV model with powerful acceleration and smooth, quiet operation and advanced driver assistance and connectivity technology, with a planned launch for 2021. In the field of autonomous driving, we own industry-leading technologies, as demonstrated by our proprietary ProPILOT 2.0 system, the world's first driver assistance system with intelligent navigated highway driving with hands-off single-lane driving capabilities, for which the *Skyline* with ProPILOT 2.0 won the "2019-2020 Japan Car of the Year Innovation Award."

We are a member of the Renault-Nissan-Mitsubishi Alliance, a global automotive alliance.

We benefit from a stable, long-standing relationship with the members of the Renault-Nissan-Mitsubishi Alliance and we believe that our ability to leverage the Alliance is a competitive advantage compared to other automobile manufacturers. Since its formation with Renault in 1999, the Alliance has grown into a pragmatic, flexible business tool that can expand to accommodate new projects for its members worldwide, and our membership in the Alliance provides us with significant cost savings through a number of measures such as joint purchasing, commonizing platform and parts and sharing advanced technologies. Mitsubishi Motors joined the Alliance in 2016. In May 2020, the Alliance announced a new cooperation business model to support the competitiveness and profitability of its members. Based on this model, the Alliance members plan to build on existing Alliance benefits. Under a new leader-follower scheme, the Alliance members are cooperating in several areas to enhance efficiency and competitiveness in products and technologies. See "The Renault-Nissan-Mitsubishi Alliance."

Our sales financing and aftersales services businesses are sources of stable operating income.

In addition to our sales of new vehicles, our sales financing business, which we operate through our sales financing subsidiaries in our key markets, and our business of aftersales services to existing customers, have historically generated, and are expected to continue to generate, stable operating income. Despite the current uncertain economic environment caused by the COVID-19 pandemic, our sales financing business benefits from diversified funding sources and low credit loss ratios, and our rigid credit approval process helps us limit the impact of the pandemic on our business.

Our Strategies

Our business transformation plan will help us achieve sustainable growth.

In May 2020, we announced a four-year business transformation plan to achieve sustainable growth, financial stability and profitability by the end of the fiscal year ending March 31, 2024. As part of this transformation plan, we intend to transform our global operations by reducing unprofitable operations and excess production capacity and implementing structural reforms. Through the implementation of the plan, we aim to achieve an operating income margin of over 2% by the fiscal year ending March 31, 2022 and an operating income margin of over 5% by the fiscal year ending March 31, 2024 (on a management basis to consolidate the financial results of the China JV in proportion to our 50.0% equity interest in the China JV; see "Selected Financial and Other Data—Non-GAAP Measures—Financial and Operating Data Consolidating China JV"). From the end of the fiscal year ended March 31, 2020 to the end of the fiscal year ending March 31, 2024, we expect the global TIV to increase from 85.7 million units to 89.6 million units, and we aim to increase our global market share from 5.8% to 6.0%. In order to achieve our objectives under the business transformation plan, we intend to implement significant rationalization, focus on our core competencies and leverage the Alliance's new cooperation business model, as further described below.

Significant rationalization

We intend to take robust actions to rationalize our global operations through restructuring, reducing costs and improving efficiency. As part of the restructuring, we aim to reduce our consolidated production capacity by 20%, from the 7.2 million units under maximum capacity as of March 31, 2019 to 6.0 million units under maximum capacity and 5.4 million units under normal operation by March 31, 2024. The restructuring will include line reductions, closing our production plants in Indonesia and Barcelona and consolidating our production in North America to focus on our core models. We expect that these measures will help us maintain production utilization ratio above 80%. We also intend to streamline our product portfolio by reducing the number of models in our portfolio by 20% from 69 to 55 or fewer and reallocate resources to globally competitive models to shorten product lifecycle and manage portfolio age to be less than four years old from the current age of more than five years old. Our efforts will include the discontinuation of older models as well as certain models unique to single markets. We expect that, in addition to our fixed costs reduction efforts to date, these measures will contribute to an overall reduction in fixed costs of approximately ¥300 billion (which includes a targeted 15% reduction in general and administrative expenses) by the fiscal year ending March 31, 2021 compared to the fiscal year ended March 31, 2019.

Focus on core competencies

We plan to focus on our core markets, products and technologies.

Core markets

We plan to focus on our operations in our core markets of Japan, China and North America through targeted strategies for each of these markets, although we intend to leverage the assets of the Alliance to maintain our brand presence in Latin America, the ASEAN region and Europe:

- *Japan*. We plan to launch new models every year and maintain our position as one of the leaders in EVs by expanding our portfolio of EVs, in particular in the SUV and *Kei* ranges of vehicles, with the aim of increasing the proportion of electrified models (both e-POWER and EV models) in our portfolio from approximately 25% to approximately 60%.
- *China*. We will continue to strengthen our brand presence in China through the China JV by focusing on Nissan Intelligent Mobility to differentiate our products and we plan to expand the number of EVs that we offer from five models to seven models, increase the proportion of connected vehicles from approximately 75% as of March 31, 2020 to 90% by March 31, 2024 and focus on the growth of e-POWER models.
- *North America*. We intend to change our business model to increase the proportion of retail sales and decrease fleet sales while maintaining our market share. In the three-month period ended June 30, 2020, we successfully increased net revenue per unit as compared to the same period in the previous fiscal year, in part due to our initiative to reduce sales incentives. We also plan to enhance our lineup of SUVs and pickups while aiming for a younger portfolio age.

In addition, we plan to exit the South Korean market and cease operations of the *Datsun* brand in Russia and Indonesia. At the same time, we plan to focus on particular model segments, such as C-segment and D-segment vehicles, electric vehicles and sports cars.

Core products

Based on our track record of solid post-launch sales performance for models such as the *Kicks* (globally), the *Rogue* (in the United States), the *Nissan LEAF* (globally) and *INFINITI QX60* (in the United States), we intend to release several new models over an 18-month period by the end of 2021 to maintain product momentum in our flagship core models, including the *Kicks e-POWER* (released in June 2020), the *New Rogue* (expected to be released in 2020), the *Ariya* (expected to be released in 2021) and the *INFINITI QX55* (expected to be released in 2021). In total we expect to release 12 new models by the end of the 2021 calendar year.

Core competencies

Our global cumulative sales volume for EV models has grown steadily from approximately 58,000 units at the end of the fiscal year ended March 31, 2013 to approximately 521,000 units by the end of the fiscal year ended March 31, 2020, driven by the launches of the *Nissan LEAF* in December 2010, the *e-NV200* in October 2014 and the *Sylphy EV* in September 2018. We plan to continue to focus our efforts on electrification and autonomous driving technology. In particular, we will pursue an expansion of our sales of EV and e-POWER models in our core markets of Japan, China and North America, aiming at an increase of the electrification ratio and targeting sales of over one million units in the fiscal year ending March 31, 2024. We also believe that we are on track to introduce more models with autonomous driving technology in 20 markets, targeting sales of over 1.5 million units in the fiscal year ending March 31, 2024.

We will leverage the Alliance's new cooperation business model to achieve further growth.

Under the new cooperation business model announced by the Alliance in May 2020, we will leverage our leadership and geographic strengths to support our partners' business development and gain more benefits from the operational synergies delivered by the Alliance's common platform and shared technology utilization. We intend to benefit from the leader-follower scheme principles and reference region principles, the two pillars of the new cooperation business model. Under the leader-follower scheme, we and other Alliance members aim to decrease investment in models by 40% through further rationalization such as through increasing standardization from platforms to upper bodies. By implementing reference region principles, each Alliance member will focus on its core regions to serve as a reference for the other members, allowing the members to share each company's assets and maximize fixed cost sharing. Under the new cooperation model, the members intend to enhance each member's expertise and competitiveness in a rapidly changing automotive industry. For more information on the Alliance and the new cooperation business model, see "The Renault-Nissan-Mitsubishi Alliance."

Our disciplined financial strategy will support the execution of our business transformation plan.

In order to address the uncertainties raised by the COVID-19 pandemic, we have implemented financing plans in order to strengthen our financial position. As of June 30, 2020, our Automobiles segment had a net cash position of ¥235 billion, calculated by subtracting out debt (the sum of short-term borrowings, current portion of long-term borrowings, current portion of bonds, commercial papers, lease obligations, bonds and long-term borrowings) from cash and equivalents (cash on hand and in banks and cash equivalents included in securities). We believe that we have ample liquidity to meet our cash needs during the COVID-19 pandemic. As of June 30, 2020, we had liquidity of ¥3,386 billion, taking into account ¥832.6 billion in funds raised from financial institutions from April to June 2020 in response to the COVID-19 pandemic, consisting of an aggregate of ¥1,925 billion of unused committed credit facilities (an increase from ¥1,345 billion of unused committed credit facilities as of March 31, 2020) and cash on hand and in banks and cash equivalents included in securities of ¥1,461 billion. We believe that our disciplined financial strategy and prompt response to the COVID-19 pandemic to strengthen our liquidity will support the execution of our business transformation plan announced in May 2020.

We stand to benefit from our strengthened corporate governance structure.

In the wake of the misconduct by our former executive directors, we have radically reformed our corporate governance structure. We have transitioned to a governance structure with three statutory committees (nomination, compensation and audit committees) from a governance structure with statutory auditors. With an increase from three independent outside directors to seven, independent outside directors currently compose a majority of our board of directors, thereby reinforcing the supervision functions of our corporate governance system. With this new corporate governance structure and a new management team under the leadership of our President and CEO, Mr. Makoto Uchida, we believe we are well-equipped to successfully implement our business transformation plan.

The discussion above includes forward-looking statements based on various assumptions and beliefs, including but not limited to the assumptions set forth above as well as the non-occurrence of the various risks set forth in "Risk Factors—Risks Related to Our Business" and elsewhere in this offering circular. Many of these assumptions and beliefs relate to matters that are outside of our control, including factors affecting the business and economic environment. In addition, there can be no assurance as to our ability to implement our various strategic initiatives. As a result, we cannot and do not make any representation or assurance as to the achievability of our strategic objectives and goals or whether our underlying assumptions are appropriate. You should be aware that actual results may vary, potentially materially, from the above forward-looking statements. See "Forward-Looking Statements."

Company Information

Our principal executive office is located at 1-1, Takashima 1-chome, Nishi-ku, Yokohama-shi, Kanagawa, Japan, and our telephone number is +81-45-523-5523. Our corporate website is *https://www.nissan-global.com/*. The information on our website does not constitute a part of this offering circular.

Recent Developments: COVID-19 Pandemic

The global spread of COVID-19 beginning in late 2019 and the response to it have had adverse effects on our business, including manufacturing shutdowns, closures of distributors and suppliers, and a general decrease in demand for our automobiles. Despite ongoing government countermeasures in our major markets, we expect that the COVID-19 pandemic will continue to adversely affect our cash flows, financial condition and results of operations during the fiscal year ending March 31, 2021 and possibly beyond. See "Risk Factors—We have been, and expect to continue to be, adversely affected by the spread of COVID-19" and "Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview—Impact of the COVID-19 Pandemic and Outlook for the Fiscal Year Ending March 31, 2021."

THE OFFERING

Securities Offered	€500,000,000 aggregate principal amount of 1.940% senior notes due 2023; €750,000,000 aggregate principal amount of 2.652% senior notes due 2026; and €750,000,000 aggregate principal amount of 3.201% senior notes due 2028
Offering Price	For the 2023 notes: 100.000% plus accrued interest, if any For the 2026 notes: 100.000% plus accrued interest, if any For the 2028 notes: 100.000% plus accrued interest, if any
Maturity Date	The 2023 notes will mature on September 15, 2023 The 2026 notes will mature on March 17, 2026 The 2028 notes will mature on September 17, 2028
Status of the Notes/Ranking	Each series of the notes will be our direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of our other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves.
Minimum Denomination	Each series of the notes will be in denominations of €100,000 and integral multiples of €1,000 in excess thereof.
Payment of Principal and Interest on the Notes	The 2023 notes will bear interest at an annual rate of 1.940%, the 2026 notes will bear interest at an annual rate of 2.652% and the 2028 notes will bear interest at an annual rate of 3.201%. The 2023 notes will bear interest accruing from September 17, 2020, payable annually in arrears on September 15 of each year, with the first interest payment to be made on September 15, 2021. There will therefore be a short first coupon for the 2023 notes in respect of the period from (and including) September 17, 2020 to (but excluding) September 15, 2021. The 2026 notes will bear interest accruing from September 17, 2020, payable annually in arrears on March 17 of each year, with the first interest payment to be made on March 17, 2021. There will therefore be a short first coupon for the 2026 notes in respect of the period from (and including) September 17, 2020 to (but excluding) March 17, 2021. The 2028 notes will bear interest accruing from September 17, 2020, payable annually in arrears on September 17 of each year, with the first interest payment to be made on September 17, 2021. Interest on the notes will be computed on the basis of the actual number of days in the period for which interest is being calculated and the number of days from and including the last date on which interest was paid on the notes (or from September 17, 2020, if no interest has been paid on the notes) to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) (as defined in the rulebook of the International Capital Market Association). We will compute interest by rounding the resultant figure to the nearest sub-unit, half of any such sub-unit being rounded upwards. Interest on the notes will be calculated per €1,000 in principal amount of the notes. If any date for payment of principal or interest (or additional amounts, if any) falls on a day that is not a business day, then payment of principal or interest (or additional amounts, if any) need not be made on such date but may be made on the next succeeding

business day. Any payment made on such next succeeding business day in this situation shall have the same force and effect as if made on the original due date, and no additional interest shall accrue with respect to such payment for the period after such original due date. See "Description of the Notes—Principal and Maturity" and "Description of the Notes—Interest."

Additional Amounts .... All payments of principal and interest on the notes will be made without withholding or deduction for or on account of withholding taxes imposed by or within Japan, unless such withholding or deduction is required by law. If the payments are subject to Japanese withholding tax, we will pay such additional amounts (subject to certain exceptions) in respect of Japanese taxes as will result in the payment of amounts otherwise receivable absent any deduction or withholding on account of such Japanese taxes. See "Description of the Notes—Taxation and Additional Amounts."

References to principal or interest in respect of the notes shall be deemed to include any additional amounts which may be payable as set forth in the indenture.

Optional Redemption .... The notes of each series may be redeemed, at our option and sole discretion, in whole or in part, at any time prior to the maturity date in the case of the 2023 notes, February 17, 2026 (the "2026 par call date") in the case of the 2026 notes and June 17, 2028 (the "2028 par call date") in the case of the 2028 notes.

The redemption price for the notes of each series will be equal to the greater of:

(i) 100% of the principal amount of the notes being redeemed; or

(ii) the sum of the present values of the principal and the remaining scheduled payments of interest on the notes being redeemed (exclusive of interest accrued to the date of redemption) that would be due if such notes were (a) held to the maturity date in the case of the 2023 notes or (b) redeemed on the applicable par call date, in the case of the 2026 notes and the 2028 notes, in each case discounted to the date of redemption on an annual basis at the Comparable Government Bond Rate (as defined in "Description of the Notes—Optional Redemption") plus 45 basis points for the 2023 notes, plus 50 basis points for the 2026 notes and plus 50 basis points for the 2028 notes;

plus, in each case, accrued and unpaid interest on the principal amount of the notes being redeemed to, but excluding, the date of redemption.

The 2026 notes and the 2028 notes may also be redeemed, at our option and sole discretion, in whole or in part, at any time on or after the 2026 par call date in the case of the 2026 notes and the 2028 par call date in the case of the 2028 notes, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest on the principal amount of the notes being redeemed to, but excluding, the date of redemption. See "Description of the Notes—Optional Redemption."

Optional Tax Redemption .... Each series of the notes may be redeemed at any time, at our option, in whole, but not in part, and upon giving not less than 30 nor more than 60 days' notice of redemption to the holders (which notice shall be irrevocable) at a redemption price equal to 100% of the principal amount of the notes of such series together with interest accrued to (but excluding) the date fixed for redemption and any additional

	amounts thereon, if we have been or will be obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes. See "Description of the Notes—Optional Tax Redemption."
Use of Proceeds	We intend to use the net proceeds from the sale of the notes for general corporate purposes.
Global Notes	Each series of the notes will be initially represented by a global note in definitive, fully registered form without interest coupons. The global notes will be deposited upon issuance with, and registered in the name of a nominee of, a common depositary of Euroclear and Clearstream for the accounts of their respective account holders. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the notes represented by a global note will be Euroclear, Clearstream or a nominee thereof (or a successor of Euroclear, Clearstream or a nominee thereof), and voting and other consensual rights of holders of the notes will be exercisable by beneficial holders of the notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global notes may not be exchanged for definitive notes except in the limited circumstances described under "Description of the Notes—Book Entry, Delivery and Form—Exchange of Global Notes for Definitive Notes."
Security Numbers	The security numbers for the notes are: ***2023 notes:*** *For the notes sold under Regulation S:* *CUSIP No.: J57160 EA7* *ISIN: XS2228676735* *Common Code: 222867673* *For the notes sold under Rule 144A:* *CUSIP No.: 654744 AE1* *ISIN: XS2229089060* *Common Code: 222908906* ***2026 notes:*** *For the notes sold under Regulation S:* *CUSIP No.: J57160 EC3* *ISIN: XS2228683277* *Common Code: 222868327* *For the notes sold under Rule 144A:* *CUSIP No.: 654744 AG6* *ISIN: XS2229089490* *Common Code: 222908949* ***2028 notes:*** *For the notes sold under Regulation S:* *CUSIP No.: J57160 ED1* *ISIN: XS2228683350* *Common Code: 222868335*

	For the notes sold under Rule 144A: *CUSIP No.: 654744 AH4* *ISIN: XS2229089573* *Common Code: 222908957*
Governing Law	The indenture and the notes will be governed by and construed in accordance with the laws of the State of New York.
Rating	It is expected that the notes will be rated Baa3 by Moody's Japan K.K. ("Moody's") and BBB- by S&P Global Ratings Japan Inc. ("S&P"). A securities rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and Trading	We have made an application to the Luxembourg Stock Exchange to list the notes on the official list of the Luxembourg Stock Exchange and for such notes to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market.
Trustee	MUFG Union Bank, N.A.
Paying Agent, Transfer Agent and Notes Registrar	Mizuho Trust & Banking (Luxembourg) S.A.
Concurrent USD Notes Offering	Concurrently with the offering of the notes, we are planning to offer USD notes in the following series: $1,500,000,000 aggregate principal amount of senior notes due 2023; $1,500,000,000 aggregate principal amount of senior notes due 2025; $2,500,000,000 aggregate principal amount of senior notes due 2027; and $2,500,000,000 aggregate principal amount of senior notes due 2030. No USD notes are being offered hereby. The closing of the offering of the notes is not conditional upon the closing of the offering of the USD notes.

RISK FACTORS

Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. Our ability to make payments of principal or interest under the notes or the trading price of the notes could decline due to any of these risks, and you may lose all or part of your investment. This offering circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this offering circular. See "Forward-Looking Statements."

Risks Relating to Our Business

Downturns in the Japanese and global economy may adversely affect demand for our products.

We are a global automotive manufacturer, and the vehicles and related products and services that we sell are directly impacted by economic conditions and trends, particularly in our core markets of Japan, China and North America. Changes in business and market conditions, such as an economic slowdown, and consumer trends in these or other markets could adversely affect demand for our products and services, and therefore adversely affect our results of operations. Political uncertainty surrounding events such as ongoing trade tensions between the United States and China and the negotiations over the terms of the withdrawal of Great Britain from the European Union could also affect the markets in which we operate or in which our vehicles are sold. The TIV for the global automotive industry declined by 6.9% in the fiscal year ended March 31, 2020 compared to the prior year, including due to the impact of the ongoing COVID-19 pandemic, and we expect an even greater decline in the current fiscal year due mainly to the persisting adverse effects from the COVID-19 pandemic. The potential negative impact from the ongoing pandemic is discussed further in the following risk factor.

Our two largest markets by sales volume are North America and China (where we have invested in the China JV in which we owned a 50.0% equity interest as of June 30, 2020) and we have positioned them as core markets in our business transformation plan. Our North America retail volume of sales declined 14.3% year-on-year in the fiscal year ended March 31, 2020, exceeding our estimate of a 4.3% decline for the North American market overall. A continued or deepened downturn in the economy and business environment of North America or China, in particular, could have a material adverse impact on our overall results of operations.

We have been, and expect to continue to be, adversely affected by the spread of COVID-19.

The global spread of COVID-19 beginning in late 2019 and the response to it have adversely affected us in a number of ways. For example, in order to protect the health of employees and their families and to comply with government directives, we have reduced or temporarily suspended production of automobiles and components at many of our manufacturing facilities globally, resulting in little to no production in Europe and North America in April or May of 2020 as well as a significant decrease in production in Japan during the same period. The operations of the China JV, based in Wuhan, China, were also disrupted in the first quarter of the 2020 calendar year. The COVID-19 pandemic has also affected, and is expected to continue to affect, the marketing and distribution of our products, our dealers and distributors, as well as our third-party suppliers and business partners. In addition, the global spread of COVID-19 and related matters have adversely affected businesses in a wide variety of industries, as well as consumers, all of which has negatively impacted demand for automobiles and related financial services globally.

The aforementioned factors adversely affected our net sales and operating income for the fiscal year ended March 31, 2020, in particular during the fourth quarter, and the three-month period ended June 30, 2020 through a severe decrease in vehicle sales and increases in provisions relating to credit losses and residual value losses. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Results of Operations." On July 28, 2020, we announced that for the fiscal year ending March 31, 2021, we forecasted net sales of ¥7,800 billion, a decrease of 21.0% from the prior fiscal year, as well as an operating loss of ¥470 billion and a net loss attributable to owners of parent of ¥670 billion. Such forecasts are based on specific estimates, judgments and assumptions of our management, including prospective assumptions about the operating environment, macroeconomic conditions and the financial and operating conditions of our customers and counterparties as of the date on which such forecasts were made. In addition, the extent of the impact of the COVID-19 pandemic on our business and results of operations is difficult to predict and is subject to change based on the duration and severity of the COVID-19 pandemic, which remain highly uncertain. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview—Impact of the COVID-19 Pandemic and Outlook for the Fiscal Year Ending March 31, 2021."

In order to ensure sufficient liquidity in light of concerns over potential instability in global financial markets due to the COVID-19 pandemic, from April to June 2020 we entered into agreements with several financial institutions to borrow an aggregate amount of ¥832.6 billion. Any unexpected developments due to the pandemic could require us to seek additional liquidity. Any inability by us to secure sufficient liquidity for our operations would adversely affect our business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition and Liquidity—Liquidity and Capital Resources."

Following the spread of the H1N1 influenza strain in 2009, we developed a group pandemic response strategy and pursuant to it have implemented our business continuity plans in response to the COVID-19 pandemic. However the continuation of the pandemic or potential additional "waves" of infections on a large scale could continue to disrupt our manufacturing and marketing and distribution activities and continue to suppress global demand for vehicles. As a result, we expect the COVID-19 pandemic and its effects will continue to adversely affect our cash flows, financial condition and results of operations.

We suffered a net loss for the fiscal year ended March 31, 2020 and for the three-month period ended June 30, 2020 and may face difficulties in implementing our business transformation plan.

For the fiscal year ended March 31, 2020, we recorded a net loss attributable to owners of the parent of ¥671.2 billion, due in part to the incurrence of restructuring charges and impairment of business assets totaling ¥603.0 billion. For the three-month period ended June 30, 2020, we recorded a net loss attributable to owners of the parent of ¥285.6 billion. To address our operational challenges, in May 2020 we announced a business transformation plan to rationalize our operations and prioritize our resource allocation to core markets and segments in order to position us for future profitability. The plan outlines initiatives and goals for the four-year period ending March 31, 2024.

One of the primary pillars of our business transformation plan is to rationalize and restructure our global operations in order to reduce our production capacity by 20%. As noted in the paragraph above, for the fiscal year ended March 31, 2020, we recorded costs of ¥603.0 billion associated with restructuring measures to improve our profitability and impairments based on future volume projections, which included an impairment loss of ¥522.0 billion due to writing down the book value of machinery, equipment and vehicles and other business assets principally in our Automobiles segment and compensation for suppliers and others of ¥64.0 billion. In the near term, our restructuring measures may lead to significant additional restructuring charges, and we may be required to record additional impairment losses with respect to our fixed assets, and any such impairment losses and charges will adversely affect our results of operations and financial condition. For more information on our business transformation plan, see "Business—Our Strategies—Our business transformation plan will help us achieve sustainable growth."

Our ability to implement the initiatives and achieve the goals outlined in our business transformation plan depends on a number of factors, some of which are not under our control, such as:

- overall demand for automobiles globally, including in our core markets of Japan, China and North America;
- the impact of the COVID-19 pandemic and related effects;
- our ability to launch new vehicles to reduce the average age of our product portfolio and compete effectively with new and existing vehicles offered by our major competitors;
- our ability to achieve improved pricing in North America and reduce reliance on fleet sales and sales incentives;
- our ability to leverage our alliance with Renault and Mitsubishi Motors and the China JV effectively;
- our ability to close overseas factories including those in Spain and Indonesia in accordance with our plans;
- the impact of changes in technology and regulation of the automotive industry;
- our ability to realize the cost-reduction measures in our business transformation plan, such as our target of a 15% reduction in general and administrative expenses; and
- the impact of currency exchange rates and interest rates.

If we are unable to implement elements of our business transformation plan, including due to factors beyond our control, we may be unable to achieve our objectives.

We may not derive the expected benefits from our business alliances.

We work together with industry partners in order to develop new technologies and products and compete on a global scale. In particular, we are a member of the Alliance with Renault, which owned 43.7% of our outstanding common stock as of March 31, 2020 (based on the total number of outstanding shares), and Mitsubishi Motors, both of which are our equity method affiliates. As part of our efforts to deepen the Alliance and to complement our business transformation plan, in May 2020 we and the other Alliance members announced a new cooperation business model for the Alliance. Under the new model, we seek to pursue standardization across the Alliance and to adopt a leader-follower scheme under which a particular Alliance member will take the lead in specific product segments and technologies. In addition, individual Alliance members are to be the reference for the geographic regions where they have key strengths, acting as a gateway and support mechanism for partners' competitiveness. To the extent we are unable to coordinate with our Alliance partners to realize these objectives, however, it could have a material adverse effect on our competitive position and results of operations. For additional information on the Alliance, see "The Renault-Nissan-Mitsubishi Alliance."

Under our business transformation plan, we consider China as one of our core markets. Our operations in China are principally conducted through the China JV, which sold over 1.5 million vehicles (on a retail sales basis) in the year ended December 31, 2019. Because we share ownership and management of the China JV with Dongfeng Motor Group, we do not have sole control over it and it must be operated for the equal benefit of all co-owners, rather than for our exclusive benefit. Any change to our joint venture arrangements, difficulties in coordinating business strategy with our joint venture partner or deterioration in our relationship could have a material adverse effect on our financial condition and results of operations.

We have risks associated with our significant investments in our equity method affiliates and other investment holdings.

We hold significant investments in our equity method affiliates, including the China JV and the partners in our Alliance, Renault and Mitsubishi Motors, the results of operations of which are recorded under equity in earnings (losses) of affiliates under non-operating income on our consolidated statements of income. Equity in earnings of affiliates was ¥205.6 billion, ¥218.6 billion and ¥86.5 billion in the fiscal years ended March 31, 2018, 2019 and 2020, respectively, and ¥33.1 billion for the three-month period ended June 30, 2019. Due to the decrease in demand for automobiles caused by the COVID-19 pandemic and other factors, for the three-month period ended June 30, 2020, we recorded equity in losses of affiliates of ¥84.7 billion. To the extent that our equity method affiliates' financial results continue to deteriorate, our financial results will be negatively affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview—Impact of the COVID-19 Pandemic and Outlook for the Fiscal Year Ending March 31, 2021."

For strategic reasons and to maintain certain business relationships, as well as in the conduct of our cash management policy, we hold a variety of investment securities. Our holdings of investment securities other than current assets totaled ¥1,177,184 million as of March 31, 2020 and ¥1,076,526 million as of June 30, 2020, which included mainly unlisted foreign investment trusts and investments in securities of affiliates. The value of investments in our equity method affiliates is adjusted based on their operating results, and the carrying values will decline to the extent we record equity in loss of a particular affiliate. For other investment securities, fair value of publicly listed securities is based on the prices of such securities on the applicable public exchange, which is adjusted as of the end of each quarterly period. Accordingly, we are exposed to the risk of losses from fluctuations in the market value of such securities.

Reforms we have made in response to past governance and compliance failures may not be effective.

Following the occurrence of improper final vehicle inspection practices at our domestic manufacturing facilities in 2017, we commissioned a third-party review in order to prevent a re-occurrence of such compliance failures and to restore trust in our brand and reputation and implemented the resulting recommendations. Subsequently, over the course of 2018 and 2019, our former representative director and board chairman, Carlos Ghosn, and our former representative director, Greg Kelly, were charged with violating the FIEA for false disclosures in our annual securities report filed in Japan, and Carlos Ghosn was charged with violations of Japan's Companies Act. We were also charged with violations of the FIEA. In December 2019, we did not dispute the alleged facts and agreed to an administrative monetary penalty with Japan's Financial Services Agency of approximately ¥2.4 billion. In September 2019, we also paid a $15 million fine to settle civil fraud charges related to this matter brought by the United States Securities and Exchange Commission (the "SEC"). On February 12, 2020, we filed a lawsuit against Carlos Ghosn in Japan, seeking recovery of damages. See "Business—Legal Proceedings."

Recognizing the need to establish a more effective governance structure, we formed a Special Committee for Improving Governance in December 2018 composed of independent third-party experts and outside directors. Based upon the findings and recommendations of the special committee received in a report in March 2019, we implemented significant changes to our governance, including adopting a board structure with three statutory committees at the annual general meeting of shareholders in June 2019. For a description of our current corporate governance structure, see "Management." In June 2019, we reported on the special committee's findings and recommendations and our remedial actions in response thereto to the Tokyo Stock Exchange, and in January 2020, we submitted an additional report describing the status of implementation and operation of such remedial actions to the Tokyo Stock Exchange. Establishing an effective compliance culture, however, necessitates creating a shared understanding of the importance of compliance among all of our directors, management team members and employees. Without investing in training and education to build such understanding, we may face challenges in completely eliminating compliance failures. To the extent that we are unsuccessful in reforming our governance adequately and additional compliance failures occur or if we continue to receive negative media coverage despite the reforms we have implemented, our reputation and brand could be damaged, potentially resulting in reduced sales of our products and a material adverse effect on our financial condition and results of operations.

The global automotive industry is characterized by rapid change and intense competition, and we may not be able to respond effectively.

The global automotive industry is highly competitive and we face pressure to develop technologies and products to meet the evolving needs of consumers in a timely fashion. To the extent we are not able to do so, or fail to respond to changes in the operating environment or market preferences, our financial condition and results of operations could be adversely affected. For example, in some of our mature markets such as Japan demand is dropping due to factors such as a declining population and low birth rate, while in some developing markets there is potential for high increases in demand. As a result of this intense competition, many of our competitors are providing marketing incentives, reducing their prices or providing subsidized financing or leasing programs to their customers. In order to appeal to customers, we may be forced to offer similar incentives, which may negatively affect our profit margins. If we are unable to align our product offerings and business strategies with these shifts, our competitive position and results of operations could be adversely affected.

In recent periods, the introduction of self-driving technologies has become a competitive factor in the industry and there is intense competition to develop safe and reliable autonomous driving technologies in order to capture future market opportunities. Such development efforts require close monitoring of regulatory developments regarding self-driving technologies, close coordination with companies developing sensors, software and other technologies, and considerable investment. EVs are also an important developing technology in the automotive manufacturing industry. Our ability to continue to improve our EV technology and introduce models that appeal to customers will affect our competitiveness with other automobile manufacturers, and this may lead to increases in development costs, production costs and regulatory costs. There can be no assurance that we will compete effectively in developing such technologies or that the benefits we achieve will outweigh the impact of increased costs.

In addition, other developments in personal mobility, including car sharing, ride sharing and subscription schemes as well as autonomous-driving taxis and buses, could have a significant impact on the automotive industry's traditional business model of designing and manufacturing automobiles for individual customers. These developments could increase the importance and value of associated services and software to consumers in contrast to the underlying hardware. To the extent software becomes a differentiating factor, it could diminish the value of our knowhow as a designer and manufacturer of automotive hardware and increase the potential for competition from firms other than traditional automotive manufacturers. While we are striving to respond to such industry changes, if the industry and consumer demands change more quickly than we expect or evolve in ways we do not anticipate and we do not respond effectively, our competitive position may be adversely affected.

Our new product portfolio strategy may not succeed.

A major element of our business transformation plan is to reduce the overall number of vehicle models we offer and to launch new models to reduce the average age of our product portfolio, which we believe has been a competitive disadvantage in recent periods. In particular, we expect a significant portion of our new models to reflect our electrification strategy and "Nissan Intelligent Mobility" philosophy. Such models will include pure EVs as well as vehicles utilizing our e-POWER system, autonomous driving technology and advanced driver assistance system. See "Business—Our Strategies—Our business transformation plan will help us achieve sustainable growth." Meeting customer demand by introducing attractive new vehicle models and reducing the amount of time required for product development are important competitive factors for automotive manufacturers. In some of our development programs, we are also relying on the contributions and expertise of our Alliance partners. For example, each member of the Renault-Nissan-Mitsubishi Alliance is responsible for development of different key technologies, such as e-Powertrains and PHEV for C-segment and D-segment vehicles. See "The Renault-Nissan-Mitsubishi Alliance—New Cooperation Business Model." There is no assurance, however, that our new product strategy will adequately respond to changing customer preferences and demands with respect to quality, safety, reliability, environmental friendliness and other features in a timely manner. Additionally, our focus on EVs could reduce our ability to develop alternative types of vehicles or maintain the full range of models that existing customers may prefer. To the extent that our new product portfolio does not appeal to existing and potential customers, we face the risk that such customers may instead purchase vehicles from our competitors. Any inability to develop and offer products that meet customers' preferences and demands could result in a lower market share and reduced sales volumes and margins, and may adversely affect our financial condition and results of operations.

Our new product portfolio strategy is largely based on the philosophy that customers will increasingly prefer EVs or hybrid models due to increased customer awareness of global environmental issues, as well as concerns about the pricing and future availability of gasoline. Accordingly, changes in the price of oil and energy can have a material impact on demand for our vehicles and services. Increasing gasoline prices may support demand for fuel-efficient vehicles, but even greater increases could depress market demand overall. Conversely, if unexpected developments in world oil markets were to result in a prolonged period of depressed oil prices, customers may become less interested in purchasing EVs or hybrid models. In addition, government subsidies also affect customer demand for EVs and hybrid models, and to the extent that government subsidies become less available in the future, customer demand for EVs or hybrid models may not develop as expected. If factors such as changing gasoline prices, due to market fluctuations, taxation or other reasons, or reduced availability of government subsidies for EVs, impact market trends and consumer preferences in ways we do not anticipate, our product strategy may be misaligned with market needs, which may adversely affect our business, results of operations and financial condition.

Any failure to maintain the quality of our products and services could damage our reputation.

In the highly competitive automotive industry, it is vital to provide safe, high-quality products that meet customer preferences and demand. We invest in our development, production, sales and service functions in order to deliver a high level of customer satisfaction. If, however, problems arise that require product recalls, due to the increasing complexity of our products or otherwise, our reputation could be adversely affected. As self-driving technologies become more prevalent, it is also possible that manufacturers will bear an increased level of responsibility for vehicle safety. Product quality issues could lead to increased expenses associated with recalls, damage to our reputation, product liability claims and litigation, potentially adversely affecting our financial condition and results of operations. For example, beginning in 2008, automobile manufacturers recalled millions of vehicles due to defective airbag components produced by Takata Corporation, which has resulted in significant remedial costs, reputational harm as well as litigation for those manufacturers. We began to recall vehicles that were affected by these issues in 2010. These recalls have continued as other affected vehicles have been discovered, and Nissan issued an additional recall in March 2020. To the extent that we face additional recalls, whether related to airbags produced by Takata Corporation or other alleged defects, our business, financial condition and results of operations could be materially and adversely affected.

We rely on third-party suppliers for the provision of parts, components and raw materials.

We procure parts, components and raw materials from a large number of external suppliers located around the world. In connection with the introduction of new technologies, in some case such parts, components or raw materials may only be available from specific countries or regions and may require the use of rare earth elements for their manufacture. Our ability to continue to obtain supplies from third parties in a timely and cost-effective manner is subject to a number of factors, some of which are not within our control. For example, sudden changes in demand, natural disasters, pandemics or political disturbances or human rights issues in producing countries could affect our ability to source supplies in a timely manner. In early 2020, the COVID-19 pandemic caused many of our suppliers to temporarily suspend their operations, which resulted in delays in deliveries of parts, components and raw materials necessary for our production processes. If supply chains are disrupted again, whether as a result of the COVID-19 pandemic or otherwise, and we are unable to implement effective countermeasures, the cessation or delay of supplies could lead to production suspensions at our facilities and have an adverse effect on our financial condition and results of operations.

For some supplies, including for reasons such as quality or pricing, we may rely on a single supplier or a limited number of suppliers, whose replacement with another supplier may be difficult. Inability to obtain supplies from a single or limited source supplier may result in difficulty obtaining supplies and may restrict our own production. While we strive to secure second and third sources for components and materials where possible, there is no assurance adequate alternatives will be available in every case. A loss of any single or limited source supplier or inability to obtain supplies from suppliers in a timely and cost-effective manner could lead to increased costs or delays or suspensions in our production and deliveries, which could have an adverse effect on our financial condition and results of operations.

We face risks associated with our sales financing business.

Our sales financing business provides financial solutions to consumers, corporate customers and dealerships to support the sale and marketing of our vehicles. Engaging in this business exposes us to funding risks, credit risks and the risk of changes in residual values, which we manage in the course of our operations. Although we have financial models and underwriting processes to address these traditional risks, one-time, unpredictable changes in the macro-economy can subject our sales financing business to additional risk. For example, the COVID-19 pandemic resulted in significant increases in our allowance for doubtful receivables and provision for residual value risk of leased vehicles in the fiscal year ended March 31, 2020 and may result in additional losses in the future. Additionally, the financial services industry is highly competitive, and increased competition in automobile financing may lead to decreased margins. If we are unable to adequately respond to changes in market environment and competition in automobile financing, our sales financing operations may adversely affect our financial condition and results of operations.

We face challenges associated with climate change and increasing environmental regulation.

Under the framework of the Paris Agreement negotiated at the 2015 United Nations Climate Change Conference (COP 21), there is a global move to decrease emissions of carbon dioxide and other greenhouse gases which contribute to climate change and global warming and to aim for net zero emissions. Under our Nissan Green Program 2022 we have established global goals and are taking steps to reduce emissions in all areas of our business, including procurement, manufacturing and distributions. Emissions by the vehicles we produce are also significant, and in light of long-term goals of reducing automobile emissions, including in response to increasingly stringent emissions standards in markets such as China, Europe and the United States, we are increasing our EV and e-POWER vehicle models. We study various risk scenarios with respect to climate change. If societal response is inadequate, there could be increased pressure and more stringent regulation to adapt our business and operations to meet climate change prevention targets. Moving to a decarbonized economy could result in additional research and development and production costs for us, changes in market demand and impact to our reputation. We would also be exposed to the general risks associated with increasingly severe weather events and rises in sea level. Associated increases in costs or reductions in sales of vehicles could adversely affect our financial condition and results of operations.

We believe that we are in compliance with all applicable environmental laws and regulations and we strive to conserve water supplies, decrease carbon dioxide emissions, prevent water pollution and recycle waste. However, accidents or other incidents resulting in contamination of the environment could occur or changes in laws and regulations could arise which require us to incur significant capital expenditures to comply, including by recalling existing models of our vehicles or making significant changes to the manufacturing of our vehicles, or which restrict our production capacity, and such events could harm our reputation and have a negative impact on our results of operations and financial condition. See “Supervision and Regulation.”

The automotive industry is subject to various governmental regulations and actions.

The global automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. In particular, we are required to implement safety measures such as recalls for vehicles that do not or may not comply with applicable safety standards. Many governments also impose tariffs and other trade barriers, taxes and levies, or enact price or exchange controls. For example, with respect to the pending withdrawal of the United Kingdom from the European Union, the rules and regulations of the European Union continue to apply to the United Kingdom until December 31, 2020. To the extent that there is not an orderly transition in connection with the withdrawal at the end of this period, our operations in the United Kingdom, including our production facilities located there, may be affected. In North America, the United States-Mexico-Canada Agreement, the successor to the North American Free Trade Agreement, may affect our production activities in Mexico, especially with regard to changes in the ability of employees in Mexico to organize and bargain collectively. The United States-Mexico-Canada Agreement also contains provisions specifically applicable to passenger vehicles, light trucks and automobile parts, which may require that a certain portion of a vehicle be produced by high-wage labor. We incur significant costs in response to governmental regulations and actions, including costs relating to changes in global trade policies and regulations. Furthermore, new legislation or regulations or changes in existing legislation or regulations may also subject us to additional costs in the future. If we are required to incur significant costs to implement safety measures or to respond to laws, regulations and governmental actions, our financial condition and results of operations may be adversely affected.

In September 2017, we discovered non-conforming practices in the conduct of required final vehicle inspections at our manufacturing facilities in Japan. In March 2018, we received a business improvement instruction from Japan's Ministry of Land, Infrastructure, Transport and Tourism (the "MLIT") with respect to this issue. We were also required to pay a fine related to omitting certain interior lights shut-off tests. Subsequently, in July 2018, we discovered another non-conforming practice during a measurement test of exhaust gas and fuel cost conducted as part of final vehicle inspections and received a business improvement guidance from the MLIT with respect to this issue. See "Supervision and Regulation—Japanese Laws and Regulations in Connection with the Final Vehicle Inspection." The discovery of any other non-conforming practices could expose us to regulatory violations and actions, including improvement orders and fines, which could result in our incurring significant remedial costs, all of which could harm our reputation and have an adverse effect on our results of operations and financial condition.

We may be subject to various legal proceedings.

In the ordinary course of our operations, we may become a party to legal proceedings with business counterparties or other third parties. Such proceedings may include issues such as product liability or infringement of intellectual property claims or tax. We may also be subject to legal proceedings brought by our shareholders and governmental proceedings and investigations. A negative outcome in one or more such legal proceedings could adversely affect our financial condition and results of operations.

In December 2019, we agreed to an administrative monetary penalty with Japan's Financial Services Agency of approximately ¥2.4 billion in connection with violations of the FIEA by our former representative directors, and in September 2019 we paid a $15 million fine to settle civil fraud charges related to this matter brought by the SEC. We may also be required to pay damages as a result of shareholder litigation arising from these matters. On February 12, 2020, we filed a lawsuit against former representative director and board chairman Carlos Ghosn in Japan, seeking recovery of damages. For a further discussion of governmental regulations, see "Supervision and Regulation" and for legal proceedings, please see "Business—Legal Proceedings."

Our results of operations are affected by currency exchange rate fluctuations.

We operate globally and our results of operations are affected by fluctuations in exchange rates. The results of operation of our overseas subsidiaries are translated into Japanese yen for purposes of our consolidated financial statements, so a weakening yen may increase their contribution while a strengthening yen will have the opposite effect. To the extent that the currencies of the countries in which our major production facilities are located strengthen, that may also adversely affect the price competitiveness of our products. Although our overall policy is to localize production and to procure components and raw materials in local currencies in order to limit our exchange rate exposure, we are exposed to transaction risk to the extent that the amounts and proportions of various currencies in which our costs and liabilities are denominated differ from the amounts and proportions of various currencies in which our sales and assets are denominated. Although from time to time we may enter into forward foreign exchange contracts and swap agreements with regards to certain foreign currencies in which we do business to mitigate such risks, unexpected or sudden changes in exchange rates could have a material adverse effect on our financial condition or results of operations.

Our hedging measures with respect to interest rates, exchange rates and commodity prices may not be effective.

We are exposed to risks from increases in interest rates or commodity prices, as well as foreign exchange risks with respect to obligations denominated in foreign currencies. We use certain derivative financial instruments including foreign exchange forward contracts and interest rate swaps to limit these risks and commodity futures contracts to limit our exposure to fluctuations in commodity prices, but these hedging activities may not be as effective as we anticipate and, in any event, do not eliminate the risk of impact from long-term changes in interest rates, exchange rates or commodity prices, which may adversely affect our financial condition and results of operations.

A downturn in the financial markets could adversely affect our ability to raise capital.

If there is a downturn in the financial markets and our credit ratings are downgraded by major credit agencies due to liquidity concerns, the availability of capital from financial institutions and investors via the financial markets could be significantly reduced. As a result, there is a risk that we may not be able to raise capital under acceptable terms or at all. For example, Moody's downgraded the credit ratings for our long-term senior unsecured debt and short-term backed commercial paper in March 2020, S&P subsequently also downgraded our short-term and long-term credit ratings in July 2020, and many other automotive companies have been similarly downgraded by rating agencies due to the weakening of the automotive sector in the face of the continuing COVID-19 pandemic. While we constantly monitor and manage our capital resources and access to funding in order to maintain a prudent level of liquidity, if we were unable to raise necessary capital under acceptable terms on a timely basis, our financial condition and results of operations could be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition and Liquidity—Liquidity and Capital Resources."

We face counterparty risk in connection with third parties with which we conduct business.

In our global operations we conduct business with a variety of third parties, including financial institutions, distributors and suppliers. In particular, we purchase supplies, including parts, components and raw materials, from a number of external suppliers located around the world. We monitor the creditworthiness of such business counterparties, but if due to an economic downturn, factors related to the COVID-19 pandemic or other factors the financial condition of such counterparties worsened significantly, it could adversely affect our financial condition and results of operations.

Declines in our pension assets or revisions in actuarial assumptions could increase our pension obligations.

We may face losses relating to our pension plans from changes in the market value of plan assets, a decline in returns on our pension plan assets or changes in the assumptions and investment returns on which the calculation of projected pension benefit obligations is based.

We face risks associated with our international operations.

We produce vehicles in 18 different countries and sell them in over 170 markets. Going forward, we expect further geographical expansion in developing markets. Our business, results of operations and financial condition are therefore subject to risks involved in international business generally, including:

- difficulties in monitoring and coordinating operations in a large number and wide range of jurisdictions;
- the impact of the COVID-19 pandemic and related effects;
- risks related to foreign laws, regulations and policies, including capital and exchange controls;
- recent trade tensions, increased tariffs and retaliatory actions between the United States, China and Japan;
- differences in, or conflicts among, the taxation regimes in the different jurisdictions in which we operate and the impact of international tax issues, such as transfer pricing;
- varying standards and practices in the legal, regulatory and business cultures in which we operate;
- risks related to political instability and uncertain business environments;
- acts of terrorism, war, epidemics and other sources of social disruption;
- strikes, work stoppages or other labor disputes; and
- difficulties associated with recruiting and managing local personnel.

We may be adversely affected by large-scale disasters.

Our group is headquartered in Japan and considers risks relating to earthquakes, tsunami and flooding events as significant risks to our operations. We have established earthquake risk management policies and global disaster response framework, but in the event of serious damage from a greater than anticipated earthquake or other disaster, we may experience business suspension or interruption that could have a material adverse effect on our financial condition and results of operations. Similarly, in addition to the risk from earthquakes and tsunami, Japan has recently experienced an increase in severe weather events and large typhoons resulting in widespread flooding. Although we seek to implement preventative measures at our facilities, and also to enable batteries in our electric vehicles to be used as emergency batteries in the event of power outages, severe weather events and flooding could also have a material adverse effect on our financial condition and results of operations.

As a result of the Great East Japan Earthquake and related tsunami in 2011, the Kumamoto earthquake in 2016, torrential rain in western and southern Japan in July 2018 and in July 2020, and typhoons 15 and 19 in 2019, we realized the following risks:

- rotating power outages and long-term electricity shortages led to limitations on the operation of some of our manufacturing facilities;
- evacuation orders and no-entry zones caused by leakage of radioactive materials in Fukushima affected the operations of factories and suppliers in the relevant areas;
- contamination by radioactive materials restricted or delayed the supply of parts and materials, and rumors of contamination adversely affected public perceptions;
- the potential for much higher than previously anticipated tsunami as a result of a major earthquake in the fault zones of the Nankai Trough south of Honshu;
- the potential for significant damage to the production facilities of suppliers affected by liquefaction zones in Japan in the event of an earthquake; and
- the potential for widespread electricity outages due to landslides and other damage from typhoons and torrential rains.

While we are working to incorporate the lessons of these past events into our emergency response planning, there can be no assurance that we will be able to anticipate and address all of the associated risks and we still face potential adverse effects to our financial condition and results of operations from the occurrence of such disasters.

An inability to protect our intellectual property rights or to avoid infringement of those of third parties may harm our business.

Intellectual property rights and manufacturing knowhow are competitive factors because of the emphasis on innovation in the markets in which we operate. We rely on the technologies and know-how we have developed for our business, and we seek to protect such technologies and know-how through a combination of patents and other forms of intellectual property rights. However, there can be no assurance that we will always be successful in adequately protecting our technologies and know-how, including by securing patents or other intellectual property rights, and our ability to do so in some countries and regions may be limited.

We also take steps to operate without infringing upon the patents or other intellectual property rights of others. There can be no assurance that third parties will not assert infringement claims against us or that such claims will not be successful. Such infringement claims could result in payment of monetary damages, suspension of our operations involving the subject technologies, necessity to develop or acquire non-infringing technologies, a significant investment of time and effort on the part of our management, increased legal expenses, damage to our reputation and other costs which could negatively impact our results of operations.

Our operations rely on information technologies.

We depend on various information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, including sensitive data, and to manage or support all of our business processes and activities. We are in the process of implementing a global program to strengthen our cybersecurity, and our information technology networks and systems may be vulnerable to damage, disruptions or shutdowns due to unauthorized access or attacks by hackers, computer viruses, breaches due to unauthorized use, errors or malfeasance by employees and others who have or gain access to our systems, errors by third parties such as software development or cloud computing vendors, power shortages and outages, and utility failures or other catastrophic events like natural disasters. Such events, including cyberattacks, could materially disrupt business operations, disclose sensitive or personal data, and give rise to legal claims or proceedings, liability or regulatory penalties under applicable laws, which could have an adverse effect on our reputation and financial condition and results of operations.

We depend on our ability to recruit and retain talented employees.

Attracting a skilled global workforce and training and incentivizing our employees in order to achieve our business goals is a key factor in our ability to compete successfully and execute our strategic initiatives. In particular, in order to respond the rapid pace of technological change in our industry, we must hire and retain skilled employees with particular technical expertise. Our ability to operate our current businesses and to pursue technological innovation could be undermined by a failure to recruit or retain talented employees or the unexpected loss of experienced personnel. Moreover, we must appropriately manage the issues inherent in having a large number of employees in diverse cultural and geographic areas outside Japan. Any inability to attract or retain key employees, due to competitive factors or otherwise, could have an adverse effect on our competitive position.

Our insurance coverage may not be sufficient or the applicable premiums may increase.

We maintain insurance coverage in relation to a number of risks associated with our business activities that are subject to standard exclusions, such as willful misconduct. However, we may suffer losses or claimants may bring claims against us that exceed the type and scope of our existing insurance coverage. Significant losses could lead to higher insurance premium payments. In addition, there are certain risks for which we do not maintain coverage based on our cost-benefit analysis, and therefore we have no insurance coverage against the occurrence of these events. If we sustain damage for which there is no insurance coverage or insufficient insurance coverage, or if we have to pay higher insurance premiums or encounter restrictions on insurance coverage, this could materially adversely affect our business, financial condition or results of operations.

Our ability to control production costs could be affected by labor relations.

Although the employees at our manufacturing facilities in the United States are not represented by a union, most of our other manufacturing facilities (including those in Japan, Thailand, Mexico, Brazil, the United Kingdom, Spain, India and South Africa) are staffed by employees that are represented by unions and covered by collective bargaining agreements (our employees at our manufacturing facilities in China are represented by a labor union but are not covered by a collective bargaining agreement). Many of these collective bargaining agreements provide guaranteed wage and benefit levels throughout the contract term and some degree of income security, subject to certain conditions. As a practical matter, these agreements may restrict our ability to close plants and divest businesses, and future negotiations with unions may result in adverse impacts on our ability to control production costs. A substantial number of our employees are also represented by government councils and legislation or customs promoting retention of manufacturing or other employment in such regions may constrain as a practical matter our ability to sell or close manufacturing or other facilities or to otherwise adjust our labor costs. Additionally, government regulation or intergovernmental agreements may impact our ability to control production costs. For example, the United States-Mexico-Canada Agreement, the successor to the North American Free Trade Agreement, contains provisions specifically applicable to passenger vehicles, light trucks and automobile parts, which may require that a certain portion of a vehicle's content be produced by high-wage labor. To the extent that labor organizations, collective bargaining agreements or government regulations or legal frameworks prevent us from adjusting our labor costs when necessary and appropriate or in accordance with our business transformation plan, our business, results of operations and financial condition could be adversely affected.

Risks Relating to the Notes

The market for the notes offered by this offering circular may have limited liquidity.

Although we have made an application to the Luxembourg Stock Exchange to list the notes on the official list of the Luxembourg Stock Exchange and for such notes to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market, there can be no assurance that any liquid markets for the notes will ever develop or be maintained. The initial purchasers have advised us that they currently intend to make a market in the notes following the offering. However, the initial purchasers have no obligation to make a market in the notes and they may stop at any time. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the notes or the prices at which you will be able to sell your notes, if at all.

Future trading prices of the notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;

- the then-current ratings assigned to the notes;
- the market for similar securities; and
- general economic conditions.

Any trading markets that develop would be affected by many factors independent of and in addition to the foregoing, including the outstanding amount of the notes and the level, direction and volatility of market interest rates generally.

In addition, in the event that our obligations in connection with maintaining the listing of the notes on the Luxembourg Stock Exchange become unduly burdensome, we may be entitled to, and may decide to, delist the notes from the Luxembourg Stock Exchange and seek an alternate listing for the notes on another securities exchange.

The ratings of the notes are subjective in nature and could be lowered.

It is expected that the notes will be assigned with a rating of Baa3 by Moody's and BBB- by S&P. In addition, other rating agencies may assign credit ratings to the notes without solicitation from or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, and reflect only the subjective view of the relevant rating agency at the time the rating is issued. There is no assurance that any credit ratings issued will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the relevant rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could result in reclassification of the notes from investment grade, reduce the population of potential investors in the notes and adversely affect the price and liquidity of the notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

The notes are unsecured obligations.

The notes are unsecured obligations and repayment of the notes may be compromised if, among other things:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, then our assets may be insufficient to pay amounts due on the notes.

The indenture and the notes contain very limited restrictive covenants and provide no protection in the event of a change in control, and the notes will be effectively subordinated to the creditors of our subsidiaries.

The indenture and the notes do not contain any financial covenants or other restrictions on our ability to securitize our assets, pay dividends on our shares of common stock, incur unsecured indebtedness, issue new securities or repurchase our outstanding securities. In addition, there are only limited restrictions on our ability to pledge assets to secure other indebtedness or to sell or otherwise dispose of our assets. These or other actions by us could adversely affect our ability to pay amounts due on the notes. Furthermore, claims of the creditors of our subsidiaries will generally have priority with respect to the assets of such subsidiaries over the claims of holders of the notes. Accordingly, the notes will be effectively subordinated to the creditors of our subsidiaries. In addition, the indenture and the notes do not contain any covenants or other provisions that prevent a highly leveraged transaction or a change in control or require us to repurchase the notes in the event of a highly leveraged transaction or a change in control.

The notes are subject to transfer restrictions.

The notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption from the registration provided by Rule 144A of the Securities Act, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities

Act and in accordance with applicable state securities laws. In addition, subject to the conditions set forth herein and in the indenture, the notes may be transferred only if the principal amount of the notes transferred is at least €100,000. For further discussion of the transfer restrictions applicable to the notes, see "Transfer Restrictions."

We may redeem the notes prior to maturity.

We may redeem the notes of each series, in whole or in part, at our option prior to the maturity date at any time and from time to time. In the case of such discretionary optional redemption, if made after the par call date for the relevant series of notes, we will not be required to pay any premium or other make-whole payments on the notes being redeemed. Moreover, upon the occurrence of certain changes in tax law, we will be permitted to redeem the notes at par. See "Description of the Notes—Optional Redemption" and "Description of the Notes—Optional Tax Redemption." In the event we choose to redeem the notes, the holders of such notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes.

USE OF PROCEEDS

We expect that the aggregate net proceeds from the offering of the notes, after deducting the initial purchasers' fees and other estimated expenses related to the offering, will be approximately €1,987 million.

We intend to use the net proceeds from the sale of the notes for general corporate purposes.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our unaudited consolidated capitalization and indebtedness as of June 30, 2020 on an actual basis and on an adjusted basis to give effect to (i) the offering and sale of the notes and the concurrent offering of the USD notes, (ii) the issuance of bonds in a public offering in Japan in July 2020 and (ii) bank borrowings of ¥62 billion received in July 2020.

The information in the table below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this offering circular.

	As of June 30, 2020	
	Actual	**As adjusted**
	(in millions of yen)	
Short-term debt:		
Short-term borrowings	¥ 1,243,626	¥ 1,243,626
Current portion of long-term borrowings	1,779,092	1,779,092
Commercial papers	468,079	468,079
Current portion of bonds	642,961	642,961
Total short-term debt	4,133,758	4,133,758
Long-term debt:		
Bonds[1]	1,032,941	1,102,941
Long-term borrowings[2]	2,649,154	2,711,154
USD notes[3]	—	861,920
Notes offered hereby[4]	—	241,160
Total long-term debt	3,682,095	4,917,175
Total indebtedness	7,815,853	9,050,933
Equity:		
Common stock	605,814	605,814
Authorized—6,000,000,000 shares		
Issued—4,220,715,112 shares as of June 30, 2020		
Capital surplus	818,059	818,059
Retained earnings	3,792,600	3,792,600
Treasury stock	(139,746)	(139,746)
Total shareholders' equity	5,076,727	5,076,727
Accumulated other comprehensive income	(1,370,140)	(1,370,140)
Non-controlling interests	348,116	348,116
Total net assets	4,054,703	4,054,703
Total capitalization and indebtedness	¥11,870,556	¥13,105,636

Notes:

(1) On July 22, 2020, we issued ¥70,000 million of bonds in a public offering in Japan.

(2) In July 2020, we raised ¥62 billion via bank borrowings.

(3) Dollar amounts translated into yen have been translated at the rate of ¥107.74 = $1.00, the rate as of June 30, 2020.

(4) Euro amounts translated into yen have been translated at the rate of ¥120.58 = €1.00, the rate as of June 30, 2020.

Other than as described above, there has been no material change in our consolidated capitalization and indebtedness since June 30, 2020.

SELECTED FINANCIAL AND OTHER DATA

The following tables set forth our selected consolidated financial and other data. The data below should be read together with, and is qualified in its entirety by, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this offering circular. Our consolidated financial statements are prepared in accordance with Japanese GAAP, which differs in certain significant respects from accounting principles generally accepted in other countries, including U.S. GAAP and IFRS.

The selected consolidated financial information as of and for the fiscal years ended March 31, 2018, 2019 and 2020 presented below is derived from and should be read together with our audited consolidated financial statements as of and for the same periods included elsewhere in this offering circular. The selected consolidated financial information as of June 30, 2020 and for the three-month periods ended June 30, 2019 and 2020 presented below is derived from and should be read together with our unaudited condensed quarterly consolidated financial statements as of and for the same periods included elsewhere in this offering circular. The selected consolidated financial information as of and for the fiscal years ended March 31, 2016 and 2017 is derived from our consolidated financial statements as of and for the same periods, which are not included in this offering circular.

	For the fiscal year ended March 31,					For the three-month period ended June 30,	
	2016	2017	2018	2019	2020	2019	2020
	(in millions of yen)						
Selected Statement of Income Data:							
Net sales:							
Automobiles segment[(1)]	¥11,265,880	¥10,770,598	¥10,851,955	¥10,426,158	¥ 8,766,016	¥ 2,086,744	¥ 919,758
Sales Financing segment[(1)]	923,639	949,443	1,099,214	1,148,089	1,112,850	285,678	254,436
Total	12,189,519	11,720,041	11,951,169	11,574,247	9,878,866	2,372,422	1,174,194
Cost of sales	(9,796,998)	(9,422,551)	(9,814,001)	(9,670,402)	(8,442,905)	(2,035,401)	(1,075,574)
Gross profit	2,392,521	2,297,490	2,137,168	1,903,845	1,435,961	337,021	98,620
Selling, general and administrative expenses	(1,599,243)	(1,555,262)	(1,562,408)	(1,585,621)	(1,476,430)	(335,412)	(252,546)
Operating income (loss):							
Automobiles segment	540,014	534,749	335,574	65,997	(264,182)	(57,438)	(222,025)
Sales Financing segment	232,111	183,883	215,338	227,993	210,530	56,350	63,045
Adjustments[(2)]	21,153	23,596	23,848	24,234	13,183	2,697	5,054
Total	793,278	742,228	574,760	318,224	(40,469)	1,609	(153,926)
Non-operating income	204,366	227,795	249,338	311,186	184,824	48,068	37,295
Non-operating expenses	(135,372)	(105,290)	(73,796)	(82,912)	(100,306)	(14,349)	(115,649)
Ordinary income	862,272	864,733	750,302	546,498	44,049	35,328	(232,280)
Special gains	42,398	137,067	12,592	28,316	52,362	3,385	8,716
Special losses	(171,736)	(36,643)	(52,151)	(97,106)	(669,433)	(11,838)	(81,035)
Income (loss) before income taxes	732,934	965,157	710,743	477,708	(573,022)	26,875	(304,599)
Income taxes	(180,141)	(264,639)	52,914	(135,793)	(93,156)	(16,635)	20,303
Net income (loss)	552,793	700,518	763,657	341,915	(666,178)	10,240	(284,296)
Net income attributable to non-controlling interests	28,952	37,019	16,765	22,777	5,038	3,863	1,293
Net income (loss) attributable to owners of parent	¥ 523,841	¥ 663,499	¥ 746,892	¥ 319,138	¥ (671,216)	¥ 6,377	¥ (285,589)

Notes:

(1) Excluding intersegment transactions.

(2) Adjustments consists of an elimination amount for intersegment transactions.

	As of March 31, 2016	2017	2018	2019	2020	As of June 30, 2020
	(in millions of yen)					
Selected Balance Sheet Data:						
Current assets	¥10,747,573	¥11,462,549	¥11,530,393	¥11,613,105	¥10,675,939	¥ 9,757,237
Fixed assets:						
Property, plant and equipment	5,216,902	5,275,221	5,265,634	5,305,698	4,518,850	4,382,848
Intangible fixed assets	130,877	127,807	128,782	134,471	114,932	110,029
Investments and other assets	1,278,291	1,555,431	1,815,126	1,899,071	1,666,988	1,580,719
Total fixed assets	6,626,070	6,958,459	7,209,542	7,339,240	6,300,770	6,073,596
Total assets	17,373,643	18,421,008	18,739,935	18,952,345	16,976,709	15,830,833
Current liabilities	6,764,187	7,054,220	6,744,384	7,730,531	8,065,246	6,855,704
Long-term liabilities	5,468,711	6,199,652	6,293,841	5,598,304	4,486,690	4,920,426
Total liabilities	12,232,898	13,253,872	13,038,225	13,328,835	12,551,936	11,776,130
Shareholders' equity	5,413,516	5,631,717	6,203,479	6,243,019	5,409,651	5,076,727
Share subscription rights	502	391	84	—	—	—
Accumulated other comprehensive income	(692,251)	(769,870)	(805,767)	(940,344)	(1,345,362)	(1,370,140)
Non-controlling interests	418,978	304,898	303,914	320,835	360,484	348,116
Total net assets	5,140,745	5,167,136	5,701,710	5,623,510	4,424,773	4,054,703

	For the fiscal year ended March 31, 2016	2017	2018	2019	2020	For the three-month period ended June 30, 2019	2020
	(in millions of yen)						
Selected Statement of Cash Flows Data:							
Net cash provided by operating activities	¥ 927,013	¥ 1,335,473	¥ 1,071,250	¥ 1,450,888	¥1,185,854	¥ 275,780	¥ 20,539
Net cash used in investing activities	(1,229,280)	(1,377,626)	(1,147,719)	(1,133,547)	(708,687)	(139,330)	(206,085)
Net cash provided by (used in) financing activities	530,606	320,610	36,810	(127,140)	(155,494)	(266,815)	10,176

Other Data:

	For the fiscal year ended March 31, 2016	2017	2018	2019	2020	For the three-month period ended June 30, 2019	2020
	(in millions of yen)						
Free cash flow(1)	¥ (302,267)	¥ (42,153)	¥ (76,469)	¥ 317,341	¥ 477,167	¥ 136,450	¥(185,546)

Note:

(1) Free cash flow is calculated by subtracting net cash used in investing activities from net cash provided by operating activities.

	As of June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
	(in billions of yen)				
Net cash position (Automobiles segment)(1)	¥1,000.3	¥1,140.4	¥847.5	¥1,064.6	¥235.2

Note:

(1) Net cash position for our Automobiles segment is calculated by adding cash on hand and in banks and cash equivalents included in securities, and then subtracting short-term borrowings, current portion of long-term borrowings, current portion of bonds, commercial papers, lease obligations, bonds, long-term borrowings and intersegment adjustments.

Non-GAAP Measures

Financial and Operating Data Consolidating China JV

The table below presents certain non-GAAP financial data and operating data prepared on a management basis that consolidate the financial results of the China JV in proportion to our 50.0% equity interest therein. Although we hold a 50.0% equity interest in the China JV, we do not possess full control over its operations. We believe that this non-GAAP financial data and operating data provide useful information about our business as China is our largest market by vehicle sales volume (when including the results of the China JV) and is a core growth market for our business transformation plan. This non-GAAP financial data and operating data are not audited and should not be considered in isolation or construed as an alternative to our financial information presented in accordance with Japanese GAAP. Additionally, our definitions of the non-GAAP financial measures included herein may not be comparable to similarly titled measures of other companies in the automotive industry, which may define those or similarly titled measures differently, thereby diminishing their utility. Accordingly, investors should not place undue reliance on this non-GAAP financial data and operating data.

	As of and for the fiscal year ended March 31,					For the three-month period ended June 30,	
	2016	2017	2018	2019	2020	2019	2020
	(in millions of yen, except for percentages)						
Net sales (including China JV)	¥13,365,631	¥12,842,293	¥13,315,043	¥12,968,690	¥11,217,643	¥2,667,125	¥1,325,774
Operating income (loss) (including China JV)	935,485	882,433	742,429	493,195	116,684	40,083	(136,015)
Operating income (loss) margin(1)	7.0%	6.9%	5.6%	3.8%	1.0%	1.5%	(10.3)%

Note:
(1) Operating income (loss) margin is calculated by dividing operating income (loss) by net sales.

Net sales (including China JV)

We have presented net sales (including China JV) because it is a measure used by our management and board of directors to understand and evaluate our core operating performance and trends and to develop short- and long-term operational plans.

The following table provides a reconciliation of net sales (including China JV) to net sales for each of the periods indicated.

	For the fiscal year ended March 31,					For the three-month period ended June 30,	
	2016	2017	2018	2019	2020	2019	2020
	(in millions of yen)						
Reconciliation of net sales (including China JV) to net sales:							
Net sales	¥12,189,519	¥11,720,041	¥11,951,169	¥11,574,247	¥ 9,878,866	¥2,372,422	¥1,174,194
Add: Adjustment amount(1)	1,176,112	1,122,252	1,363,874	1,394,443	1,338,777	294,703	151,580
Net sales (including China JV)	¥13,365,631	¥12,842,293	¥13,315,043	¥12,968,690	¥11,217,643	¥2,667,125	¥1,325,774

Note:
(1) The adjustment amount represents our proportionate share of revenue of the China JV (after reflecting intercompany eliminations).

Operating income (loss) (including China JV)

We have presented operating income (loss) (including China JV) because it is a measure used by our management and board of directors to understand and evaluate our core operating performance and trends and to develop short- and long-term operational plans.

The following table provides a reconciliation of operating income (loss) (including China JV) to operating income (loss) for each of the periods indicated.

	For the fiscal year ended March 31,					For the three-month period ended June 30,	
	2016	2017	2018	2019	2020	2019	2020
	(in millions of yen)						
Reconciliation of operating income (loss) (including China JV) to operating income (loss):							
Operating income (loss)	¥793,278	¥742,228	¥574,760	¥318,224	¥(40,469)	¥ 1,609	¥(153,926)
Add: Adjustment amount[(1)]	142,207	140,205	167,669	174,971	157,153	38,474	17,911
Operating income (loss) (including China JV)	¥935,485	¥882,433	¥742,429	¥493,195	¥116,684	¥40,083	¥(136,015)

Note:

(1) The adjustment amount represents our proportionate share of operating income of the China JV (after reflecting intercompany eliminations).

Additional Segment Data

The following tables show certain additional data for our segments, including net sales, operating income (loss), ordinary income (loss), income (loss) before income taxes, net income (loss) and cash flows for the fiscal years ended March 31, 2018, 2019 and 2020 and for the three-month periods ended June 30, 2019 and 2020.

The financial data presented in such tables for "Automobiles and Eliminations" represents the difference between consolidated figures as shown in our financial statements for the relevant periods and figures we have calculated for the Sales Financing segment. Net sales for the Sales Financing segment include net sales that are attributable to intersegment sales or transfers, and operating income (loss), ordinary income (loss), income (loss) before income taxes and net income (loss) attributable to owners of parent are presented before elimination of intersegment transaction. As a result, the following financial data for "Automobiles and Eliminations" reflects all adjustments that are made in preparing our consolidated financial statements, including elimination of intersegment transactions, regardless of whether they were attributable to the Automobiles segment or the Sales Financing segment.

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(in millions of yen)				
Automobiles and Eliminations:					
Net sales	¥10,801,852	¥10,376,618	¥8,715,589	¥2,073,949	¥ 910,323
Operating income (loss)	359,422	90,231	(250,999)	(54,741)	(216,971)
Ordinary income (loss)	532,685	318,543	(164,852)	(20,718)	(296,426)
Income (loss) before income taxes	483,900	252,855	(776,081)	(28,619)	(368,460)
Net income (loss) attributable to owners of parent	320,789	163,650	(815,709)	(31,235)	(325,747)
Free cash flow[(1)]	407,019	191,142	(641,015)	(385,435)	(815,687)

Note:

(1) Free cash flow for "Automobiles and Eliminations" is calculated by subtracting net cash used in investing activities for "Automobiles and Eliminations" from net cash provided by (used in) operating activities for "Automobiles and Eliminations."

	As of and for the fiscal year ended March 31,			As of and for the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(in millions of yen)				
Sales Financing:					
Net sales	¥ 1,149,317	¥ 1,197,629	¥1,163,277	¥ 298,473	¥ 263,871
Operating income	215,338	227,993	210,530	56,350	63,045
Ordinary income	217,617	227,955	208,901	56,046	64,146
Income before income taxes	226,843	224,853	203,059	55,494	63,861
Net income attributable to owners of parent	426,103	155,488	144,493	37,612	40,158
Total assets	10,912,915	11,122,296	9,852,843	10,367,741	9,234,615

Automobiles and Eliminations

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(in millions of yen)				
Net cash flows provided by (used in) operating activities	¥ 757,159	¥ 646,842	¥ (212,474)	¥ (252,271)	¥ (711,198)
Net cash flows used in investing activities	(350,140)	(455,700)	(428,541)	(133,164)	(104,489)
Net cash flows provided by (used in) financing activities	(461,039)	13,031	847,555	267,534	599,560
Effect of change in exchange rates on cash and cash equivalents	4,666	(36,329)	(27,774)	(3,423)	(11,379)
Net increase (decrease) in cash and cash equivalents	(49,354)	167,844	178,766	(121,324)	(227,506)
Cash and cash equivalents at the beginning of the period	1,189,975	1,140,621	1,309,580	1,309,580	1,494,550
Increase due to inclusion in consolidation	—	1,115	6,204	6,051	—
Cash and cash equivalents at the end of the period	¥1,140,621	¥1,309,580	¥1,494,550	¥1,194,307	¥1,267,044

Sales Financing

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(in millions of yen)				
Net cash flows provided by operating activities	¥ 314,091	¥ 804,046	¥ 1,398,328	¥ 528,051	¥ 731,737
Net cash flows used in investing activities	(797,579)	(677,847)	(280,146)	(6,166)	(101,596)
Net cash flows provided by (used in) financing activities	497,849	(140,171)	(1,003,049)	(534,349)	(589,384)
Effect of change in exchange rates on cash and cash equivalents	(131)	(1,929)	(16,180)	29	4,502
Net increase (decrease) in cash and cash equivalents	14,230	(15,901)	98,953	(12,435)	45,259
Cash and cash equivalents at the beginning of the period	51,149	65,379	49,478	49,478	148,431
Cash and cash equivalents at the end of the period	¥ 65,379	¥ 49,478	¥ 148,431	¥ 37,043	¥ 193,690

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this offering circular. Our financial statements are prepared in accordance with Japanese GAAP, which differs in certain significant respects from accounting principles generally accepted in other countries, including U.S. GAAP and IFRS. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and are subject to the qualifications set forth under "Forward-Looking Statements". Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering circular. Unless otherwise noted, financial and operating data for Asia exclude the results of the China JV.

Overview

We are a leading Japanese automobile manufacturer with worldwide operations, selling our vehicles under the Nissan, Infiniti and Datsun brands. In addition to the manufacturing and sale of our vehicles, we also provide financing services to our customers through our finance subsidiaries in Japan and in our various international markets. We sold over 3.3 million vehicles (on a wholesale basis) during the fiscal year ended March 31, 2020, including approximately 1.5 million vehicles in North America and over 500,000 vehicles in each of Europe and Japan. The China JV sold approximately 1.5 million vehicles (on a retail sales basis) during the year ended December 31, 2019. We had net sales of ¥9.9 trillion for the fiscal year ended March 31, 2020, including ¥4.7 trillion in North America, ¥2.1 trillion in Japan and ¥1.3 trillion in Europe.

We have two business segments, Automobiles and Sales Financing. Our Automobiles segment includes the design, manufacture, assembly and sale of passenger vehicles as well as vehicles designed for commercial use, such as vans and trucks. We offer a full line-up of vehicle types designed to address the various needs and tastes of our customers across countries and regions.

As of March 31, 2020, we sold our vehicles in more than 170 countries around the world. The primary markets for our automobiles are Japan, North America, China, Europe and Asia. During the fiscal year ended March 31, 2020, 15.4% of our automobile sales on a consolidated basis were in Japan, 44.8% were in North America, 15.6% were in Europe and 8.9% were in Asia. The remaining 15.3% of consolidated unit sales were in other markets.

Our Sales Financing segment consists primarily of providing financing to dealers and retail customers for the purchase or lease of our vehicles.

For the fiscal year ended March 31, 2020, we had net sales of ¥9,878,866 million, operating loss of ¥40,469 million and net loss attributable to owners of parent of ¥671,216 million. For the three-month period ended June 30, 2020, we had net sales of ¥1,174,194 million, operating loss of ¥153,926 million and net loss attributable to owners of parent of ¥285,589 million.

Restructuring Charges and Impairment Loss Recorded in the Fiscal Year Ended March 31, 2020

One of the primary pillars of our business transformation plan is to rationalize and restructure our global operations in order to reduce our production capacity by 20%. For the fiscal year ended March 31, 2020, we recorded costs of ¥603.0 billion associated with restructuring measures to improve our profitability and impairments based on future volume projections, which included an impairment loss of ¥522.0 billion due to writing down the book value of machinery, equipment and vehicles and other business assets principally in our Automobiles segment and compensation for suppliers and others of ¥64.0 billion.

For information regarding our business transformation plan, including the restructuring of our global operations, see "Business—Our Strategies—Our business transformation plan will help us achieve sustainable growth."

Impact of the COVID-19 Pandemic and Outlook for the Fiscal Year Ending March 31, 2021

As noted under "—Restructuring Charges and Impairment Loss Recorded in the Fiscal Year Ended March 31, 2020" and further explained in "Business—Our Strategies—Our business transformation plan will help us achieve sustainable growth," we are in the process of implementing a broad restructuring of our global operations in order to address the underlying issues that have adversely affected our results of operations and contributed to decreasing global unit sales volumes in recent years. The global spread of COVID-19 beginning in late 2019 and the response to it have created additional challenges for our operations and have adversely affected our results of operations. In order to protect the health of employees and their families and to comply with government directives, we have reduced or temporarily suspended production of automobiles and components at our manufacturing facilities globally. The operations of the China JV were also disrupted in the first quarter of the 2020 calendar year. The COVID-19 pandemic has also affected, and is expected to continue to affect, the marketing and distribution of our products, our dealers and distributors, as well as our third-party suppliers and business partners. In addition, the global spread of COVID-19 and related matters have adversely affected businesses in a wide variety of industries, as well as consumers, all of which has negatively impacted demand for automobiles and related financial services globally.

The following table sets forth our monthly unit production across our primary operating regions for the first seven months of 2020 as well as the percentage decrease as compared to the same month in 2019, demonstrating the impact that the COVID-19 pandemic and other factors have had on our manufacturing operations:

	January		February		March		April		May		June		July	
	(in thousands of units, except for percentages)													
Japan	66	(9)%	52	(29)%	55	(29)%	22	(62)%	13	(79)%	25	(61)%	31	(59)%
China[(1)]	104	(25)%	8	(88)%	57	(59)%	123	(9)%	134	2%	152	32%	129	9%
North America	106	(20)%	113	(16)%	82	(37)%	0	(100)%	2	(98)%	61	(43)%	97	5%
Europe	32	(18)%	39	(10)%	20	(50)%	0	(100)%	0	(99)%	7	(78)%	22	(24)%

Note:
(1) Represents 100% of the unit production by the China JV.

The following table sets forth our monthly unit sales volume across our primary operating regions for the first seven months of 2020 as well as the percentage decrease as compared to the same month in 2019, demonstrating the adverse impact that the COVID-19 pandemic and other factors have had on our unit sales:

	January		February		March		April		May		June		July	
	(in thousands of units, except for percentages)													
Japan	42	(21)%	52	(14)%	59	(19)%	21	(39)%	22	(45)%	41	(21)%	40	(21)%
China[(1)]	118	(12)%	15	(80)%	73	(45)%	123	1%	130	7%	137	4%	121	12%
North America	108	(18)%	130	(11)%	101	(47)%	55	(56)%	80	(52)%	86	(46)%	99	(24)%
Europe	45	(0)%	42	(15)%	37	(51)%	6	(86)%	15	(67)%	34	(33)%	41	(5)%

Note:
(1) Represents 100% of the unit sales by the China JV.

As a result of our production suspensions and decreased customer demand, our net sales for the three-month period ended June 30, 2020 were ¥1,174,194 million, a decrease of 50.5% from the same period in the prior fiscal year, and we had an operating loss of ¥153,926 million compared to operating income of ¥1,609 million for the same period in the prior fiscal year.

Due to the continued negative impact of the COVID-19 pandemic on the global economy and demand for automobiles, we anticipate that the markets in which we operate will continue to be negatively affected. On July 28, 2020, we announced that for the fiscal year ending March 31, 2021, we are forecasting global TIV of 72.04 million units, a decrease of 16.0% from the prior fiscal year, and we expect that our global retail volume will be 4.125 million units, a decline of 16.3% from the prior fiscal year. As a result, for the fiscal year ending March 31, 2021, we forecast that our net sales will be ¥7,800 billion, a decrease of 21.0% from the prior fiscal year. We also forecast operating loss of ¥470 billion and net loss attributable to owners of parent of ¥670 billion for the fiscal year ending March 31, 2021. However, the extent of the impact of the COVID-19 pandemic on our business and results of operations is difficult to predict and is subject to change based on its duration and severity, which remain highly uncertain.

Our current forecast for our results of operations for the fiscal year ending March 31, 2021 and our expectations of the impact of the COVID-19 pandemic are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Such forward-looking statements are based on management's current views with respect to future events and are subject to risks, uncertainties and assumptions. The forward-looking statements are based on specific estimates, judgments and assumptions, including prospective assumptions about the operating environment, macroeconomic conditions and the financial and operating conditions of our customers and counterparties. Due to the significant risks and *uncertainties associated with these estimates, judgments and assumptions, as well as the continuously evolving nature of the COVID-19 pandemic, there can be no assurance that the actual impact of the COVID-19 pandemic on our business, financial condition or results of operations will be in line with our estimates or current expectations. We expressly disclaim any obligation or undertaking to release any update or revision to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.*

See "Forward-Looking Statements" and "Risk Factors" for a further discussion of risks and uncertainties, including risks specifically related to the impact of the COVID-19 pandemic on our business, financial condition and results of operations, and other factors that could cause actual results to differ materially because of those risks and uncertainties.

Financial Interests in Alliance Partners and Other Affiliates

We have significant investments in affiliates, including our Alliance partners and the China JV, from which we record equity in earnings (losses) of affiliates under non-operating income on our consolidated statement of income. Our primary affiliates accounted for by the equity method are as follows:

- We hold 50.0% of the voting rights in the China JV. As we do not possess full control over the operations of the China JV, it is not a consolidated subsidiary of ours. The results of operations of the China JV are recorded only under equity in earnings of affiliates in our consolidated statement of income and are not reflected in any other line items in our consolidated financial statements. The fiscal year end of the China JV is December 31 and therefore our financial statements for the fiscal year ended March 31 in the following year include the contribution of the China JV to equity in earnings of affiliates based on the China JV's financial results for the prior calendar year. See "Selected Financial and Other Data—Non-GAAP Measures and Operating Data Consolidating China JV."
- We hold a 15.3% equity interest (without voting rights) in Renault and 34.0% of the voting rights in Mitsubishi Motors, each of which is a primary partner in our Alliance. The fiscal year end of Renault is December 31 and therefore our financial statements for the fiscal year ended March 31 in the following year include the contribution of Renault to equity in earnings of affiliates based on Renault's financial results for the prior calendar year. See "The Renault-Nissan-Mitsubishi Alliance."

Equity in earnings of affiliates was ¥205.6 billion, ¥218.6 billion and ¥86.5 billion in the fiscal years ended March 31, 2018, 2019 and 2020, respectively, and ¥33.1 billion for the three-month period ended June 30, 2019. Due to the decrease in demand for automobiles caused by the COVID-19 pandemic and other factors, for the three-month period ended June 30, 2020, we recorded equity in losses of affiliates of ¥84.7 billion.

In addition to the negative impact on our net sales due to the COVID-19 pandemic as discussed under "—Impact of the COVID-19 Pandemic and Outlook for the Fiscal Year Ending March 31, 2021," our financial results are also negatively affected by the adverse impacts on the operations of our Alliance partners and China JV due to our substantial equity interests in these affiliates.

Financial results and earnings outlook of Renault and Mitsubishi Motors

According to results publicly announced by Renault on July 30, 2020, for the six-month period ended June 30, 2020, Renault reported revenues of €18,425 million, a 34.3% decrease from the same period in the prior year, and an operating loss of €1,203 million as compared to operating profit of €1,654 million in the same period in the prior year. Renault did not announce an earnings outlook for its fiscal year due to the uncertainty regarding the COVID-19 pandemic. According to results publicly announced by Mitsubishi Motors on July 27, 2020, Mitsubishi Motors reported net sales of ¥229,545 million for the three-month period ended June 30, 2020, a decrease of 57.2% from the same period in the prior year, and an operating loss of ¥53,341 million as compared to operating income of ¥3,857 million in the same period in the prior year. For the fiscal year ending March 31, 2021, Mitsubishi Motors forecasts that its net sales will be ¥1,480,000 million, a decrease of 34.8% from the prior fiscal year. Mitsubishi Motors also expects an operating loss of ¥140,000 million and net loss attributable to owners of parent of ¥360,000 million.

The information regarding the financial results and earnings outlooks of Renault and Mitsubishi Motors in the foregoing paragraph is derived from information included in their respective public disclosure *materials. Such information is included herein for reference purposes only and has not been altered. We have not independently verified such information and make no representation as to the accuracy of such information. Additionally, we have no obligation to update or announce any revisions to any such information released by Renault and Mitsubishi Motors.*

Factors Affecting our Results of Operations

Net Sales

Automobiles Segment

Net sales from our automobiles segment are derived from the sale of vehicles, parts and accessories. The amount of net sales is affected mainly by the global automotive market environment, which affects demand, and the competitiveness of our products compared with other companies' products. The global automotive market is highly competitive. Factors affecting demand for passenger vehicles in the global automotive market include general economic conditions, pricing and the cost of purchasing and operating automobiles, including the availability and cost of credit, which is affected by prevailing interest rates, and fuel as well as the availability of subsidies and other government incentives, including those based on environmental policies or economic incentives, in a given market. Our product mix in a given market can also affect demand, as customer tastes and needs can differ across regions.

The competitiveness of our products compared with other companies' products is influenced by many factors, including price, quality, design, reliability, safety, overall value, brand reputation, environmental impact and fuel efficiency. The timely introduction of new or modified vehicle models that are competitive with respect to these factors is important.

General economic conditions have a significant effect on customer demand. For example, the economic downturn that has resulted from the COVID-19 pandemic has had a material adverse impact on our net sales for the fiscal year ended March 31, 2020. After recording net sales of ¥11,574.2 billion in the fiscal year ended March 31, 2019, our net sales declined to ¥9,878.9 billion in the fiscal year ended March 31, 2020. This decrease was due to a decrease in sales volume primarily in North America and Europe during the nine-month period ended December 31, 2019 as well as the COVID-19 pandemic's negative impact on global macroeconomic conditions and a resulting general decrease in global customer demand during the three-month period ended March 31, 2020. TIV for the fiscal year ended March 31, 2020 declined by 6.9%, while our retail volume declined by 10.6% on a global basis during the same period.

Changes in laws, regulations and other governmental actions, such as those that relate to environmental matters, vehicle safety, fuel economy and economic stimulus, can increase the cost of vehicle production and, as a result, vehicle price. Many governments also regulate local content, impose tariffs and other trade barriers and enact price or exchange controls. Changes in these laws and regulations and other governmental actions could have an adverse effect on net sales due to a decline in demand as a result of increased pricing, withdrawals from regional markets and other factors. Even if net sales are not affected, profitability could decline if the competitive environment in automotive markets prevents us from increasing prices when our production costs increase as a result of governmental actions. With respect to the pending withdrawal of the United Kingdom from the European Union, the rules and regulations of the European Union continue to apply to the United Kingdom until December 31, 2020. To the extent that there is a disorderly transition in connection with the withdrawal, our operations in the United Kingdom, including our production facilities located there, may be negatively affected by the transition. In North America, the United States-Mexico-Canada Agreement, the successor to the North American Free Trade Agreement, may affect our production activities in Mexico, especially with regard to change in the ability of Mexican workers to organize and bargain collectively. The United States-Mexico-Canada Agreement also contains provisions specifically applicable to passenger vehicles, light trucks and automobile parts, which may require that a certain portion of a vehicle's content be produced by high-wage labor. See "Business—Government Regulation and Environmental Matters."

The following tables show our retail sales unit volume and wholesale unit volume by region for the periods indicated:

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(thousands of units sold, retail sales basis)				
Japan	584	596	534	126	84
North America(1)	2,091	1,897	1,620	452	222
Europe(2)	756	643	521	135	54
China(3)	1,520	1,564	1,547	344	207
Other	819	815	708	174	77
Total	5,770	5,516	4,930	1,231	643

Notes:

(1) Consists of the United States, Canada and Mexico.

(2) Includes Israel.

(3) Includes 100% of the retail unit sales volume of the China JV as well as our retail unit sales in China and Taiwan.

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(units sold, wholesale basis)				
Japan	564,264	575,230	514,490	123,765	76,925
North America(1)(2)	2,049,310	1,849,312	1,500,667	368,922	126,747
Europe	792,641	635,282	523,752	127,465	30,257
Asia(3)	386,637	341,196	299,728	75,289	18,972
Other	536,133	572,701	510,987	100,081	28,753
Total	4,328,985	3,973,721	3,349,624	795,522	281,654

Notes:

(1) Consists of the United States, Canada and Mexico.

(2) Includes units sold in the United States, consisting of 1,520,622, 1,406,510 and 1,137,598 units for the fiscal years ended March 31, 2018, 2019 and 2020, respectively, and 288,862 and 101,326 units for the three-month periods ended June 30, 2019 and 2020, respectively.

(3) Includes units sold in China (not including unit sales of the China JV) and Taiwan.

For additional details regarding the distribution of unit sales of our vehicles by geographic area for previous periods and regarding market share, see "Business—Our Business Operations—Automobiles Segment—Vehicles."

Sales Financing Segment

Almost all of the net sales of our sales financing segment are derived from the interest received on loans offered for the financing of our vehicles by our United States, Mexico, Canada, Japan, Australia and China financing subsidiaries. While our customers in markets other than the United States, Mexico, Canada, Japan, Australia and China are also able to finance their vehicle purchases, such financing is generally provided by third-party finance companies, and thus we are not subject to any credit risks related to such customers.

Net sales of our sales financing segment are principally affected by demand for our vehicles as well as competition for alternative sources of financing for our vehicles, including commercial banks. The primary appeal of our sales financing services is the integrated, one-stop nature and efficiency of allowing customers to quickly obtain financing and purchase their desired vehicle without additional procedures and paperwork. To the extent that our sales financing process is easy and quick for customers to complete, we believe that customers are more likely to use our sales financing services, even if certain competing financing services may offer better rates to customers.

Cost of Sales

Automobiles Segment

Cost of sales includes mainly material costs, parts purchasing costs, labor costs, depreciation and amortization of production equipment, certain research and development costs and certain quality related expenses. Selling, general and administrative expenses mainly include salaries and wages, advertising expenses and other selling expenses, service costs, provision for warranty costs, provision for doubtful accounts and depreciation and amortization of offices and related equipment.

We have been implementing various cost reduction measures in recent years, including reducing production capacity through line reductions and the closure of production plants. See "Business—Our Strategies—Our business transformation plan will help us achieve sustainable growth."

We record provision for warranty costs on our balance sheet for the expected cost of warranty claims at the time of sale of a vehicle, and incur a corresponding charge to cost of sales, based on estimates that rely on historical warranty claim experience. Actual warranty claims may be higher than these estimates, in which case we might incur an additional charge. Provision for warranty costs related to our vehicles were ¥122.8 billion, ¥123.0 billion and ¥14.1 billion for the fiscal years ended March 31, 2019 and 2020 and for the three-month period ended June 30, 2020, respectively.

We also record expenses for corrective actions mainly in connection with recalls of vehicles, which are recognized as accrued expenses on our balance sheet. In estimating expenses for corrective actions, the estimated accrual is calculated based on the number of applicable models of vehicles in the market, the expected implementation rates of corrective actions, the cost of corrective actions and other costs per unit. We monitor trends in corrective actions every quarter, and additional accrued expenses may be recorded or reversed if actual accruals differ from estimates.

Additionally, we apply various discounting and sales incentives in a manner we believe is efficient for us to maintain a certain level of sales volume while retaining an acceptable margin.

Research and development costs are components of both manufacturing costs and selling, general and administrative expenses, with the former being fundamental research and other early stage research and development activities while the latter includes expenses related to later stage development costs related to specific products. Research and development costs for the fiscal years ended March 31, 2018, 2019 and 2020 were ¥495.8 billion, ¥523.1 billion and ¥544.8 billion, respectively. Our research and development costs for the three-month period ended June 30, 2020 were ¥116.8 billion.

Sales Financing Segment

Expenses in the sales financing segment consist mainly of funding costs. Funding costs are affected by a number of factors which are not in our control, including prevailing interest rates and credit spreads.

Foreign Exchange Rates

Because of the international nature of our business, we are exposed to both translation and transaction risk stemming from currency exchange rate fluctuations. Translation risk is the risk relating to the consolidation of foreign currency denominated financial statements of overseas subsidiaries. Fluctuations in exchange rates affect the financial statements of overseas subsidiaries when translated into yen. Although such fluctuations could be substantial and significantly impact comparisons with prior periods and among various geographic markets, translation risk is a reporting consideration and does not reflect our underlying results of operations.

Transaction risk is the risk resulting from differences in the currency structure of our sales and costs. We are subject to transaction risk due mainly to fluctuations in the value of the U.S. dollar and euro. Additionally, we diversify our operations in order to mitigate transaction risk by maintaining multiple manufacturing facilities globally, with our primary production facilities located in Japan, the United States, Mexico and the United Kingdom. We also procure components and supplies on a global basis.

In general, decreases in the value of the U.S. dollar, euro and, to a lesser extent, renminbi against the yen have had a negative impact in the past on our results of operations and vice versa. We enter into forward exchange contracts and currency swaps to hedge some portions of our transactional risk with respect to the aforementioned currencies against the yen for specified periods. However, we remain exposed to the effects of foreign exchange fluctuations related to these and other currencies. As of March 31, 2020, we had forward foreign exchange contracts in place with respect to U.S. dollars, euro and the Philippine peso and swap agreements with respect to U.S. dollars, euros, Indian rupees, British pounds, Korean won, renminbi and the South African rand. As of March 31, 2020, the notional amounts under our swap agreements with respect to U.S. dollars, euros and renminbi were ¥378,060 million, ¥214,030 million and ¥125,897 million, respectively.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with Japanese GAAP, but some of our international subsidiaries prepare their non-consolidated financial statements in accordance with IFRS or U.S. GAAP, which can be consolidated under Japanese GAAP after giving effect to certain adjustments. The preparation of our consolidated financial statements requires our management to select and apply the accounting policies and to make certain estimates which affect the amounts of the assets, liabilities, sales and expenses reported in the consolidated financial statements and accompanying notes. Although our management believes that the estimates made reasonably reflect past experience as well as present circumstances, actual results could differ substantially because of the uncertainty inherent in such estimates.

The critical accounting policies described below are those that, in our management's opinion, could materially affect the estimates made in our consolidated financial statements.

Allowance for doubtful accounts

An allowance for doubtful accounts is provided to recognize bad debt losses on receivable amounts including sales finance receivables and automotive trade receivables based on an estimate of their collectability calculated based on past experience. When estimating the collectability of receivables, we evaluate the credit risk of customers and the value of assets pledged as collateral. In addition, if the credit risk of receivables changes due to changes in the external environment, such as the expectation of a significant deterioration in economic indicators, such as due to the impact of the COVID-19 pandemic, we will adjust the estimate to include these factors if necessary. For example, we may need to increase the allowance or incur bad debt losses if estimates based on past experience differ materially from market value forecasts, perceived individual credit risk, or a deterioration in the value of pledged collateral. Certain foreign subsidiaries and affiliates classify financial assets into stages according to their credit risk and recognize allowances for doubtful accounts based on financial asset impairment losses calculated using the expected credit loss model in accordance with IFRS 9. IFRS 9 requires a majority of assets to be measured as the present value of credit losses from default events projected within the next twelve months. However, if an asset experiences a significant increase in credit risk, the allowance is measured as the present value of credit losses expected over the entire life of the asset. From the beginning of the quarter ended June 30, 2020, due to a change in accounting policy, the allowance is measured as the present value of credit losses expected over the entire life of the asset at foreign subsidiaries and affiliates that apply U.S. GAAP. Therefore, allowances under IFRS and U.S. GAAP can increase based on the changes in assumptions that drive credit risk assessments, such as past experience, used car prices, and forecasts of macroeconomic factors, such as unemployment rates or inflation.

Impairment loss on fixed assets

After grouping fixed assets based on business segments (automobiles and sales financing) and regional classification, which are mutually complementary with each other, we determine whether there is any indication of impairment and then recognize and measure impairment losses. We estimate future cash flows and net realizable value in recognizing and measuring impairment losses, and discount rates in measuring impairment losses. The assumptions used to estimate future cash flows are based on our business plan, which is approved by our management considering historical market share conditions, profit margins, and third-party forecast data. Regional market growth rates, relevant market trends, and expected changes in the business environment are also considered. Net realizable value is calculated based on the real estate appraisal value and other publicly available information. The discount rate is calculated based on the weighted average cost of capital, taking into account country risk and other factors in each country. If market trends, operating conditions or business plans related to the asset group change and we revise our estimates of future cash flows, net realizable value or discount rates, then we may recognize or record new or additional impairment losses on fixed assets.

Provision for residual value risk of leased vehicles

Subsidiaries, primarily in North America, estimate provisions for the residual value risk of leased vehicles to cover losses that arise when proceeds from leased vehicles that have been returned fall below the net book values of these assets at lease-end. Such provisions for residual value risk of leased vehicles are recognized as a change in estimate and their ending book value is updated, leading to higher depreciation amounts. Assessment of updated vehicle residual values are based on many factors, including, but not limited to sales results for used cars, trends in returns of leased vehicles, new vehicle sales trends, supplies of used cars, customer preferences, marketing strategies, and general economic conditions. Leased vehicles may be impaired if impairment indicators exist and their recoverable amount is less than book value.

Deferred tax assets

In assessing the recoverability of deferred tax assets, future taxable income is reasonably estimated based on our business plan, which is approved by our management, for any future deductible temporary differences that remain after taking into account the reversal of future taxable temporary differences and feasible tax planning strategies. Additional tax expenses may be recognized when changes are made to estimated future taxable income following changes in the economic environment, such as market trends and exchange rate fluctuations, or changes in our business plans.

Provision for warranty costs

Provision for warranty costs is recorded to cover the cost of all services relating to sold products anticipated to be incurred. The amount of such costs is estimated in accordance with warranty contracts based on forecasts of cost incurring patterns within warranty periods in consideration of past experience against the total amount of costs incurred during the entire warranty period for each group of products that have similar cost characteristics. However, if the estimates of future warranty costs differ significantly from the pattern of actual costs incurred due to product defects or other variables, we could incur a loss on the provision of additional accrual for warranty costs.

Expenses for corrective actions, such as recalls

The amount of estimated expenses for corrective actions, such as recalls, is recognized as accrued expenses separately from accrued warranty costs when corrective actions based on notifications to government authorities are deemed to be necessary, expenditure on corrective actions is likely to be incurred, and the amount of such expenditure can be reasonably estimated. In estimating expenses, the estimated accrual is calculated based on the number of applicable models in the market, the expected implementation rates of corrective actions, the cost of corrective actions and other cost per unit. We check trends in corrective actions every quarter, and additional accrued expenses may be recorded or reversed if actual accruals differ from estimates.

Retirement benefit expenses

The amounts of our retirement benefit obligations and related expenses, which provides retirement benefits for our employees, are calculated using various actuarial assumptions including discount rates, retirement rates, and mortality rates, as well as the long-term expected rates of return on plan assets, and other factors. For foreign subsidiaries that apply IFRS, the same index as the actuarial discount rate is used as net interest and not the expected rate of return on plan assets. When our actual results differ from assumptions or when assumptions change, the resulting effects are accumulated and recognized ratably over future periods. This could cause additional expenses and liabilities to be recorded in future periods.

New Accounting Standards

For a list of new accounting standards, revised standards and new interpretations that had been issued but had not been adopted on the date on which our board of directors approved our consolidated financial statements, see Note 4 to our consolidated financial statements as of and for the fiscal year ended March 31, 2020 included elsewhere in this offering circular.

Results of Operations

The following table shows our consolidated statement of income data for the fiscal years ended March 31, 2018, 2019 and 2020 and the three-month periods ended June 30, 2019 and 2020.

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(in millions of yen)				
Net sales:					
Automobiles segment[(1)]	¥10,851,955	¥10,426,158	¥ 8,766,016	¥ 2,086,744	¥ 919,758
Sales Financing segment[(1)]	1,099,214	1,148,089	1,112,850	285,678	254,436
Total	11,951,169	11,574,247	9,878,866	2,372,422	1,174,194
Cost of sales	(9,814,001)	(9,670,402)	(8,442,905)	(2,035,401)	(1,075,574)
Gross profit	2,137,168	1,903,845	1,435,961	337,021	98,620
Selling, general and administrative expenses	(1,562,408)	(1,585,621)	(1,476,430)	(335,412)	(252,546)
Operating income (loss):					
Automobiles segment	335,574	65,997	(264,182)	(57,438)	(222,025)
Sales Financing segment	215,338	227,993	210,530	56,350	63,045
Adjustments[(2)]	23,848	24,234	13,183	2,697	5,054
Total	574,760	318,224	(40,469)	1,609	(153,926)
Non-operating income	249,338	311,186	184,824	48,068	37,295
Equity in earnings (losses) of affiliates	205,645	218,565	86,547	33,124	(84,655)
Non-operating expenses	(73,796)	(82,912)	(100,306)	(14,349)	(115,649)
Ordinary income (loss)	750,302	546,498	44,049	35,328	(232,280)
Special gains	12,592	28,316	52,362	3,385	8,716
Special losses	(52,151)	(97,106)	(669,433)	(11,838)	(81,035)
Income (loss) before income taxes	710,743	477,708	(573,022)	26,875	(304,599)
Income taxes	52,914	(135,793)	(93,156)	(16,635)	20,303
Net income (loss)	763,657	341,915	(666,178)	10,240	(284,296)
Net income attributable to non-controlling interests	16,765	22,777	5,038	3,863	1,293
Net income (loss) attributable to owners of parent	¥ 746,892	¥ 319,138	¥ (671,216)	¥ 6,377	¥ (285,589)

Notes:

(1) Excluding intersegment transactions.

(2) Adjustments consists of an elimination amount for intersegment transactions.

The following table shows a breakdown of net sales and operating income (loss) by geographic region for the fiscal years ended March 31, 2018, 2019 and 2020 and for the three-month periods ended June 30, 2019 and 2020.

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(in millions of yen)				
Net sales:					
Japan[(1)]	¥ 2,194,482	¥ 2,305,327	¥2,143,357	¥ 517,445	¥ 339,865
North America[(1)]	5,978,226	5,631,892	4,713,660	1,166,702	539,029
Europe[(1)]	1,784,063	1,576,267	1,283,945	303,858	93,491
Asia[(1)]	1,001,973	1,028,699	890,274	220,197	139,110
Other[(1)]	992,425	1,032,062	847,630	164,220	62,699
Total	¥11,951,169	¥11,574,247	¥9,878,866	¥2,372,422	¥1,174,194

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(in millions of yen)				
Operating income (loss):					
Japan	¥ 284,198	¥ 167,901	¥ (51,671)	¥ 18,069	¥ (123,301)
North America	200,047	72,063	(15,937)	688	(25,794)
Europe	14,331	(16,702)	(29,040)	(11,398)	(17,411)
Asia	53,572	71,092	39,097	10,646	7,786
Other	(13,980)	(5,425)	(3,965)	(5,120)	(4,720)
Total	538,168	288,929	(61,516)	12,885	(163,440)
Adjustments[2]	36,592	29,295	21,047	(11,276)	9,514
Total	¥ 574,760	¥ 318,224	¥ (40,469)	¥ 1,609	¥ (153,926)

Notes:
(1) Excluding intersegment transactions.
(2) Adjustments consists of an elimination amount for intersegment transactions.

The following tables show a breakdown of net sales and segment profits for the three-month periods ended June 30, 2020 and 2019, and a breakdown of net sales, segment profits, segment assets, depreciation and amortization expense, amortization of goodwill, impairment loss on fixed assets, interest expense (cost of sales), investment amounts to equity method companies and increase amounts of fixed assets and intangible fixed assets, by segment for the fiscal years ended March 31, 2020, 2019 and 2018.

	For the three-month period ended June 30, 2020				
	Automobiles Segment	Sales Financing Segment	Total	Elimination of inter-segment transactions	Consolidated
	(in millions of yen)				
Net sales:					
Sales to third parties	¥ 919,758	¥254,436	¥1,174,194	—	¥1,174,194
Inter-segment sales or transfers	24,838	9,435	34,273	¥(34,273)	—
Total	¥ 944,596	¥263,871	¥1,208,467	¥(34,273)	¥1,174,194
Segment profits (loss)	¥(222,025)	¥ 63,045	¥ (158,980)	¥ 5,054	¥ (153,926)

	For the three-month period ended June 30, 2019				
	Automobiles Segment	Sales Financing Segment	Total	Elimination of inter-segment transactions	Consolidated
	(in millions of yen)				
Net sales:					
Sales to third parties	¥2,086,744	¥285,678	¥2,372,422	—	¥2,372,422
Inter-segment sales or transfers	38,299	12,795	51,094	¥(51,094)	—
Total	¥2,125,043	¥298,473	¥2,423,516	¥(51,094)	¥2,372,422
Segment profits (loss)	¥ (57,438)	¥ 56,350	¥ (1,088)	¥ 2,697	¥ 1,609

	For the fiscal year ended March 31, 2020				
	Automobiles Segment	Sales Financing Segment	Total	Elimination of inter-segment transactions	Consolidated
	(in millions of yen)				
Net sales:					
Sales to third parties	¥8,766,016	¥1,112,850	¥ 9,878,866	—	¥ 9,878,866
Inter-segment sales or transfers	149,894	50,427	200,321	¥(200,321)	—
Total	¥8,915,910	¥1,163,277	¥10,079,187	¥(200,321)	¥ 9,878,866
Segment profits (loss)	¥ (264,182)	¥ 210,530	¥ (53,652)	¥ 13,183	¥ (40,469)
Segment assets	7,872,165	9,852,843	17,725,008	(748,299)	16,976,709
Other items:					
Depreciation and amortization expense	365,836	500,079	865,915	—	865,915
Amortization of goodwill	1,681	—	1,681	—	1,681
Impairment loss on fixed assets	540,642	—	540,642	—	540,642
Interest expense (cost of sales)	—	212,551	212,551	(22,609)	189,942
Investment amounts to equity method companies	1,035,363	14,486	1,049,849	—	1,049,849
Increase amounts of fixed assets and intangible fixed assets	484,063	1,082,408	1,566,471	—	1,566,471

	For the fiscal year ended March 31, 2019				
	Automobiles Segment	Sales Financing Segment	Total	Elimination of inter-segment transactions	Consolidated
			(in millions of yen)		
Net sales:					
Sales to third parties	¥10,426,158	¥ 1,148,089	¥11,574,247	—	¥11,574,247
Inter-segment sales or transfers	157,922	49,540	207,462	¥ (207,462)	—
Total	¥10,584,080	¥ 1,197,629	¥11,781,709	¥ (207,462)	¥11,574,247
Segment profits	¥ 65,997	¥ 227,993	¥ 293,990	¥ 24,234	¥ 318,224
Segment assets	9,008,213	11,122,296	20,130,509	(1,178,164)	18,952,345
Other items:					
Depreciation and amortization expense	373,738	525,803	899,541	—	899,541
Amortization of goodwill	1,118	—	1,118	—	1,118
Impairment loss on fixed assets	13,339	—	13,339	—	13,339
Interest expense (cost of sales)	—	231,837	231,837	(37,241)	194,596
Investment amounts to equity method companies	1,137,696	11,539	1,149,235	—	1,149,235
Increase amounts of fixed assets and intangible fixed assets	463,995	1,284,664	1,748,659	—	1,748,659

	For the fiscal year ended March 31, 2018				
	Automobiles Segment	Sales Financing Segment	Total	Elimination of inter-segment transactions	Consolidated
			(in millions of yen)		
Net sales:					
Sales to third parties	¥10,851,955	¥ 1,099,214	¥11,951,169	—	¥11,951,169
Inter-segment sales or transfers	175,908	50,103	226,011	¥ (226,011)	—
Total	¥11,027,863	¥ 1,149,317	¥12,177,180	¥ (226,011)	¥11,951,169
Segment profits	¥ 335,574	¥ 215,338	¥ 550,912	¥ 23,848	¥ 574,760
Segment assets	9,299,976	10,912,915	20,212,891	(1,472,956)	18,739,935
Other items:					
Depreciation and amortization expense	373,038	516,193	889,231	—	889,231
Amortization of goodwill	1,057	—	1,057	—	1,057
Impairment loss on fixed assets	16,166	—	16,166	—	16,166
Interest expense (cost of sales)	—	195,373	195,373	(39,837)	155,536
Investment amounts to equity method companies	1,048,774	11,256	1,060,030	—	1,060,030
Increase amounts of fixed assets and intangible fixed assets	410,139	1,377,306	1,787,445	—	1,787,445

Comparison of the Three-month Period Ended June 30, 2020 with the Three-month Period Ended June 30, 2019

Net sales

Net sales for the three-month period ended June 30, 2020 were ¥1,174,194 million, a decrease of ¥1,198,228 million, or 50.5%, compared to net sales of ¥2,372,422 million for the three-month period ended June 30, 2019.

Net sales by business segment

Automobiles Segment

Net sales of the Automobiles segment (excluding intersegment transactions) were ¥919,758 million for the three-month period ended June 30, 2020, a decrease of ¥1,166,986 million, or 55.9%, from ¥2,086,744 million for the same period in the prior fiscal year. This decrease was due mainly to the COVID-19 pandemic's negative impact on global macroeconomic conditions and a resulting general decrease in global customer demand during the three-month period ended June 30, 2020.

Sales Financing Segment

Net sales of the Sales Financing segment (excluding intersegment transactions) were ¥254,436 million for the three-month period ended June 30, 2020, a decrease of ¥31,242 million, or 10.9%, from ¥285,678 million for the same period in the prior fiscal year. This decrease was due mainly to a decrease in new financings and lease arrangements, primarily in the United States, as a result of the decrease in vehicle sales.

Cost of sales

Cost of sales for the three-month period ended June 30, 2020 was ¥1,075,574 million, a decrease of ¥959,827 million, or 47.2%, from cost of sales of ¥2,035,401 million for the three-month period ended June 30, 2019.

Gross profit

As a result of the foregoing, gross profit for the three-month period ended June 30, 2020 was ¥98,620 million, a decrease of ¥238,401 million, or 70.7%, from gross profit of ¥337,021 million for the three-month period ended June 30, 2019.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three-month period ended June 30, 2020 were ¥252,546 million, a decrease of ¥82,866 million, or 24.7%, from selling, general and administrative expenses of ¥335,412 million for the three-month period ended June 30, 2019.

The table below sets forth a breakdown of our selling, general and administrative expenses for the three-month periods ended June 30, 2019 and 2020:

	For the three-month period ended June 30,	
	2019	**2020**
	(in millions of yen)	
Selling, general and administrative expenses:		
Advertising expenses	¥ 72,531	¥ 31,104
Provision for warranty costs	27,619	14,094
Other selling expenses	41,980	40,113
Salaries and wages	91,026	90,681
Retirement benefit expenses	5,841	4,107
Provision for doubtful accounts	25,128	16,011
Other	71,287	56,436
Total	¥ 335,412	¥ 252,546

This decrease in selling, general and administrative expenses was due mainly to a decrease in advertising expenses of ¥41,427 million as a result of decreased advertising activities in light of the COVID-19 pandemic.

Operating income (loss)

As a result of the foregoing, we recorded an operating loss of ¥153,926 million for the three-month period ended June 30, 2020 compared to operating income of ¥1,609 million for the three-month period ended June 30, 2019.

Operating income (loss) by business segment

Automobiles Segment

Operating loss of the Automobiles segment (before elimination of intersegment transactions) was ¥222,025 million for the three-month period ended June 30, 2020, an increase of ¥164,587 million, or 286.5%, from operating loss of ¥57,438 million for the same period in the prior fiscal year. This increase in loss was due mainly to the large decrease in sales volume across our primary geographic regions.

Sales Financing Segment

Operating income of the Sales Financing segment (before elimination of intersegment transactions) was ¥63,045 million for the three-month period ended June 30, 2020, an increase of ¥6,695 million, or 11.9%, from ¥56,350 million for the same period in the prior fiscal year. This increase was due mainly to a decrease in expenses for the segment as a result of the decrease in financings, which offset the decrease in net sales.

Non-operating income

Non-operating income for the three-month period ended June 30, 2020 decreased from the same period in the prior fiscal year by ¥10,773 million, or 22.4%, to ¥37,295 million. This decrease resulted mainly from an absence of equity in earnings of affiliates for the three-month period ended June 30, 2020, compared to equity in earnings of affiliates of ¥33,124 million for the three-month period ended June 30, 2019, which was due mainly to a decrease in vehicle sales by the China JV and our Alliance partners during the same period as a result of the COVID-19 pandemic. See "—Overview—Financial Interests in Alliance Partners and Other Affiliates."

Non-operating expenses

Non-operating expenses for the three-month period ended June 30, 2020 increased from the same period in the prior fiscal year by ¥101,300 million to ¥115,649 million. This increase was due mainly to equity in losses of affiliates of ¥84,655 million for the three-month period ended June 30, 2020 caused by a decrease in vehicle sales by the China JV and deterioration in our Alliance partners' net income as a result of the COVID-19 pandemic as well as other factors.

Ordinary income (loss)

As a result of the foregoing, ordinary income (loss) for the three-month period ended June 30, 2020 changed from ordinary income of ¥35,328 million for the three-month period ended June 30, 2019 to ordinary loss of ¥232,280 million.

Special gains

Special gains for the three-month period ended June 30, 2020 increased by ¥5,331 million from ¥3,385 million for the same period in the prior fiscal year to ¥8,716 million due mainly to subsidy income and others of ¥6,153 million.

Special losses

Special losses for the three-month period ended June 30, 2020 increased by ¥69,197 million from ¥11,838 million for the same period in the prior fiscal year to ¥81,035 million. This increase was due to a special loss of ¥39,335 million recorded due to the shutdown of many of our manufacturing facilities as a result of the COVID-19 pandemic as well as an increase in special addition to retirement benefits of ¥34,698 million.

Income (loss) before income tax

As a result of the foregoing, we recorded loss before income tax of ¥304,599 million for the three-month period ended June 30, 2020 as compared to income before income tax of ¥26,875 million for the three-month period ended June 30, 2019.

Income taxes

For the three-month period ended June 30, 2020, we recorded an income tax benefit of ¥20,303 million compared to income taxes of ¥16,635 million for the same period in the prior fiscal year.

Net income (loss)

As a result of the foregoing, we recorded net loss of ¥284,296 million for the three-month period ended June 30, 2020 as compared to net income of ¥10,240 million for the three-month period ended June 30, 2019.

Comparison of the Fiscal Year Ended March 31, 2020 with the Fiscal Year Ended March 31, 2019

Net sales

Net sales for the fiscal year ended March 31, 2020 were ¥9,878,866 million, a decrease of ¥1,695,381 million, or 14.6%, compared to net sales of ¥11,574,247 million for the fiscal year ended March 31, 2019.

Net Sales by business segment

Automobiles Segment

Net sales of the Automobiles segment (excluding intersegment transactions) were ¥8,766,016 million for the fiscal year ended March 31, 2020, a decrease of ¥1,660,142 million, or 15.9%, from ¥10,426,158 million for the fiscal year ended March 31, 2019. This decrease was due to a decrease in sales volume primarily in North America and Europe during the nine-month period ended December 31, 2019 as well as the COVID-19 pandemic's negative impact on global macroeconomic conditions and a resulting general decrease in global customer demand during the three-month period ended March 31, 2020.

Sales Financing Segment

Net sales of the Sales Financing segment (excluding intersegment transactions) were ¥1,112,850 million for the fiscal year ended March 31, 2020, a decrease of ¥35,239 million, or 3.1%, from ¥1,148,089 million for the fiscal year ended March 31, 2019. This decrease was due mainly to a decrease in financings and lease arrangements, primarily in the United States, as a result of the decrease in vehicle sales.

Cost of sales

Cost of sales for the fiscal year ended March 31, 2020 was ¥8,442,905 million, a decrease of ¥1,227,497 million, or 12.7%, from cost of sales of ¥9,670,402 million for the fiscal year ended March 31, 2019.

Gross profit

As a result of the foregoing, gross profit for the fiscal year ended March 31, 2020 was ¥1,435,961 million, a decrease of ¥467,884 million, or 24.6%, from gross profit of ¥1,903,845 million for the fiscal year ended March 31, 2019.

Selling, general and administrative expenses

Selling, general and administrative expenses for the fiscal year ended March 31, 2020 were ¥1,476,430 million, a decrease of ¥109,191 million, or 6.9%, from selling, general and administrative expenses of ¥1,585,621 million for the fiscal year ended March 31, 2019.

The table below sets forth a breakdown of our selling, general and administrative expenses for the fiscal years ended March 31, 2019 and 2020:

	For the fiscal year ended March 31,	
	2019	2020
	(in millions of yen)	
Selling, general and administrative expenses:		
Advertising expenses	¥ 302,472	¥ 280,801
Service costs	146,851	66,509
Provision for warranty costs	122,818	122,991
Other selling expenses	221,536	220,981
Salaries and wages	409,222	387,757
Retirement benefit expenses	19,105	21,438
Supplies	2,780	2,348
Depreciation and amortization	55,685	63,465
Provision for doubtful accounts	82,356	109,659
Amortization of goodwill	1,118	1,681
Other	221,678	198,800
Total	¥ 1,585,621	¥ 1,476,430

This decrease in selling, general and administrative expenses was due mainly to a decrease in service costs to ¥66,509 million, a 54.7% decrease as compared to the previous fiscal year, as a result of costs related to a warranty extension program for certain vehicle transmission components in North America which we incurred in the fiscal year ended March 31, 2019 but did not incur in the fiscal year ended March 31, 2020, as well as the general decrease in sales volume across our primary geographic regions.

Operating income (loss)

As a result of the foregoing, operating loss for the fiscal year ended March 31, 2020 was ¥40,469 million, as compared to operating income of ¥318,224 million for the fiscal year ended March 31, 2019.

Operating income (loss) by business segment

Automobiles Segment

Operating loss of the Automobiles segment (before elimination of intersegment transactions) was ¥264,182 million for the fiscal year ended March 31, 2020, a deterioration of ¥330,179 million from operating income of ¥65,997 million for the fiscal year ended March 31, 2019. This decrease was due mainly to the decrease in sales volume across our primary geographic regions as well as the impact of currency translation, an increase in costs to address stricter environmental regulations in Europe and rising prices for raw materials.

Sales Financing Segment

Operating income of the Sales Financing segment (before elimination of intersegment transactions) was ¥210,530 million for the fiscal year ended March 31, 2020, a decrease of ¥17,463 million, or 7.7%, from ¥227,993 million for the fiscal year ended March 31, 2019. This decrease was due mainly to a decrease in financings and lease arrangements, primarily in the United States, as a result of the decrease in vehicle sales.

Non-operating income

Non-operating income for the fiscal year ended March 31, 2020 decreased from ¥311,186 million for the prior fiscal year, by ¥126,362 million, or 40.6%, to ¥184,824 million. This decrease resulted mainly from a decrease in equity in earnings of affiliates due to decreases in vehicle sales by our Alliance partners. See "—Overview—Financial Interests in Alliance Partners and Other Affiliates."

Non-operating expenses

Non-operating expenses for the fiscal year ended March 31, 2020 increased from ¥82,912 million for the prior fiscal year, by ¥17,394 million, or 21.0%, to ¥100,306 million. This increase was due mainly to an increase in exchange losses.

Ordinary income

As a result of the foregoing, ordinary income for the fiscal year ended March 31, 2020 decreased from ¥546,498 million for the prior fiscal year by ¥502,449 million, or 91.9%, to ¥44,049 million.

Special gains

Special gains for the fiscal year ended March 31, 2020 increased to ¥52,362 million from ¥28,316 million for the prior fiscal year. This increase was due mainly to compensation income of ¥32,813 million in the fiscal year ended March 31, 2020, which we did not record in the prior fiscal year.

Special losses

Special losses for the fiscal year ended March 31, 2020 increased to ¥669,433 million from ¥97,106 million for the prior fiscal year. This increase was due mainly to costs of ¥603.0 billion associated with restructuring measures to improve our profitability and impairments based on future volume projections, which included an impairment loss of ¥522.0 billion due to writing down the book value of machinery, equipment and vehicles and other business assets principally in our Automobiles segment and compensation for suppliers and others of ¥64.0 billion. See "—Overview—Restructuring Charges and Impairment Losses Recorded in the Fiscal Year Ended March 31, 2020."

Income (loss) before income tax

As a result of the foregoing, we recorded loss before income tax of ¥573,022 million for the fiscal year ended March 31, 2020, as compared to income before income tax of ¥477,708 million for the fiscal year ended March 31, 2019.

Income taxes

Income taxes for the fiscal year ended March 31, 2020 decreased to ¥93,156 million from ¥135,793 million for the prior fiscal year.

Net income (loss)

As a result of the foregoing, we recorded net loss of ¥666,178 million for the fiscal year ended March 31, 2020, as compared to net income of ¥341,915 million for the fiscal year ended March 31, 2019.

Comparison of the Fiscal Year Ended March 31, 2019 with the Fiscal Year Ended March 31, 2018

Net sales

Net sales for the fiscal year ended March 31, 2019 were ¥11,574,247 million, a decrease of ¥376,922 million, or 3.2%, compared to net sales of ¥11,951,169 million for the fiscal year period ended March 31, 2018.

Net sales by business segment

Automobiles Segment

Net sales of the Automobiles segment (excluding intersegment transactions) were ¥10,426,158 million for the fiscal year ended March 31, 2019, a decrease of ¥425,797 million, or 3.9%, from ¥10,851,955 million for the fiscal year ended March 31, 2018. This decrease was due mainly to a decrease in automobile sales in North America and Europe.

Sales Financing Segment

Net sales of the Sales Financing segment (excluding intersegment transactions) were ¥1,148,089 million for the fiscal year ended March 31, 2019, an increase of ¥48,875 million, or 4.4%, from ¥1,099,214 million for the fiscal year ended March 31, 2018. This increase was due mainly to an increase in vehicle financings in China.

Cost of sales

Cost of sales for the fiscal year ended March 31, 2019 was ¥9,670,402 million, a decrease of ¥143,599 million, or 1.5%, from cost of sales of ¥9,814,001 million for the fiscal year ended March 31, 2018.

Gross profit

As a result of the foregoing, gross profit for the fiscal year ended March 31, 2019 was ¥1,903,845 million, a decrease of ¥233,323 million, or 10.9%, from gross profit of ¥2,137,168 million for the fiscal year ended March 31, 2018.

Selling, general and administrative expenses

Selling, general and administrative expenses for the fiscal year ended March 31, 2019 were ¥1,585,621 million, an increase of ¥23,213 million, or 1.5%, from selling, general and administrative expenses of ¥1,562,408 million for the fiscal year ended March 31, 2018.

The table below sets forth a breakdown of our selling, general and administrative expenses for the fiscal years ended March 31, 2018 and 2019:

	For the fiscal year ended March 31,	
	2018	2019
	(in millions of yen)	
Selling, general and administrative expenses:		
Advertising expenses	¥ 304,328	¥ 302,472
Service costs	74,569	146,851
Provision for warranty costs	122,135	122,818
Other selling expenses	251,593	221,536
Salaries and wages	410,156	409,222
Retirement benefit expenses	17,883	19,105
Supplies	4,413	2,780
Depreciation and amortization	53,928	55,685
Provision for doubtful accounts	90,461	82,356
Amortization of goodwill	1,057	1,118
Other	231,885	221,678
Total	¥ 1,562,408	¥ 1,585,621

This increase in selling, general and administrative expenses was due primarily to an increase in service costs to ¥146,851 million, a 96.9% increase as compared to the previous fiscal year, as a result of costs related to a warranty extension program that are included in service costs for certain vehicle transmission components in North America.

Operating income (loss)

As a result of the foregoing, our operating income for the fiscal year ended March 31, 2019 was ¥318,224 million, a decrease of ¥256,536 million, or 44.6%, from ¥574,760 million for the fiscal year ended March 31, 2018. This decrease was due mainly to the decrease in sales volume across North America and Europe.

Operating income (loss) by business segment

Automobiles Segment

Operating income of the Automobiles segment (before elimination of intersegment transactions) was ¥65,997 million for the fiscal year ended March 31, 2019, a decrease of ¥269,577 million, or 80.3%, from ¥335,574 million for the fiscal year ended March 31, 2018. This decrease was due mainly to a decrease in the number of vehicles sold in North America and Europe as well as the impact of currency translation, an increase in raw materials cost and costs related to a warranty extension program for certain vehicle transmission components in North America.

Sales Financing Segment

Operating income of the Sales Financing segment (before elimination of intersegment transactions) was ¥227,993 million for the fiscal year ended March 31, 2019, an increase of ¥12,655 million, or 5.9%, from ¥215,338 million for the fiscal year ended March 31, 2018. This increase was due mainly to an increase in financings in China.

Non-operating income

Non-operating income for the fiscal year ended March 31, 2019 increased from ¥249,338 million for the prior fiscal year, by ¥61,848 million, or 24.8%, to ¥311,186 million. This increase resulted mainly from an increase in equity in earnings of affiliates. See "—Overview—Financial Interests in Alliance Partners and Other Affiliates."

Non-operating expenses

Non-operating expenses for the fiscal year ended March 31, 2019 increased from ¥73,796 million for the prior fiscal year, by ¥9,116 million, or 12.4%, to ¥82,912 million. This increase was due mainly to an increase in exchange losses.

Ordinary income

As a result of the foregoing, ordinary income for the fiscal year ended March 31, 2019 decreased from ¥750,302 million the prior fiscal year by ¥203,804 million, or 27.2%, to ¥546,498 million.

Special gains

Special gains for the fiscal year ended March 31, 2019 increased to ¥28,316 million from ¥12,592 million for the prior fiscal year. This increase was due mainly to gain on sales of business of ¥7,993 million as well as an increase in gain on sales of fixed assets to ¥17,712 million for the fiscal year ended March 31, 2019 compared to ¥10,408 million for the prior fiscal year.

Special losses

Special losses for the fiscal year ended March 31, 2019 increased to ¥97,106 million from ¥52,151 million for the prior fiscal year. This increase was due mainly to an increase in special addition to retirement benefits to ¥39,832 million for the fiscal year ended March 31, 2019 from ¥3,445 million for the prior fiscal year.

Income (loss) before income tax

As a result of the foregoing, we recorded income before income tax of ¥477,708 million for the fiscal year ended March 31, 2019, as compared to income before income tax of ¥710,743 million for the fiscal year ended March 31, 2018.

Income taxes

Income tax expenses for the fiscal year ended March 31, 2019 were ¥135,793 million, as compared to income tax refund of ¥52,914 million for the fiscal year ended March 31, 2018.

Net income (loss)

As a result of the foregoing, we recorded net income of ¥341,915 million for the fiscal year ended March 31, 2019, as compared to net income of ¥763,657 million for the fiscal year ended March 31, 2018.

Financial Condition and Liquidity

Total assets as of June 30, 2020 decreased to ¥15,830.8 billion from ¥16,976.7 billion as of March 31, 2020. This decrease was due mainly to decreases in sales finance receivables of ¥504.0 billion, merchandise and finished goods of ¥170.4 billion, machinery, equipment and vehicles, net of ¥135.0 billion and investment securities of ¥100.7 billion.

Total assets as of March 31, 2020 decreased to ¥16,976.7 billion from ¥18,952.3 billion as of March 31, 2019. This decrease was due mainly to decreases in sales finance receivables of ¥926.3 billion, machinery, equipment and vehicles, net of ¥500.1 billion, other, net within property, plant and equipment of ¥266.1 billion, investment securities of ¥161.7 billion and deferred tax assets of ¥98.7 billion.

Total assets as of March 31, 2019 increased to ¥18,952.3 billion from ¥18,739.9 billion as of March 31, 2018. This increase was due mainly to increases in cash on hand and in banks of ¥84.8 billion, securities of ¥68.3 billion, raw materials and supplies of ¥48.0 billion, other current assets of ¥169.7 billion and investment securities of ¥74.3 billion, which together offset a decrease in trade notes and accounts receivable of ¥227.7 billion.

Total liabilities as of June 30, 2020 decreased to ¥11,776.1 billion from ¥12,551.9 billion as of March 31, 2020. This decrease was due mainly to decreases in trade notes and accounts payable of ¥575.6 billion, commercial papers of ¥257.9 billion, current portion of bonds of ¥122.6 billion and short-term borrowings of ¥96.3 billion. These decreases were offset in part by an increase in long-term borrowings of ¥550.6 billion.

Total liabilities as of March 31, 2020 decreased to ¥12,551.9 billion from ¥13,328.8 billion as of March 31, 2019. This was due mainly to decreases in bonds of ¥648.9 billion, long-term borrowings of ¥440.6 billion, trade notes and accounts payable of ¥223.4 billion. These decreases were offset in part by an increase in short-term borrowings of ¥489.0 billion.

Total liabilities as of March 31, 2019 increased to ¥13,328.8 billion from ¥13,038.2 billion as of March 31, 2018. This was due mainly to increases in current portion of long-term borrowings of ¥478.1 billion, commercial papers of ¥294.6 billion, and current portion of bonds of ¥186.8 billion despite of decreases in long-term borrowings of ¥514.5 billion and bonds of ¥195.6 billion.

Consolidated Cash Flows

The following table shows our consolidated cash flow data for the fiscal years ended March 31, 2018, 2019 and 2020 and our unaudited consolidated cash flow data for the three-month periods ended June 30, 2019 and 2020:

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(in millions of yen)				
Net cash flows provided by operating activities	¥ 1,071,250	¥ 1,450,888	¥1,185,854	¥ 275,780	¥ 20,539
Net cash flows used in investing activities	(1,147,719)	(1,133,547)	(708,687)	(139,330)	(206,085)
Net cash flows provided by (used in) financing activities	36,810	(127,140)	(155,494)	(266,815)	10,176
Effect of change in exchange rates on cash and cash equivalents	4,535	(38,258)	(43,954)	(3,394)	(6,877)
Net increase (decrease) in cash and cash equivalents	(35,124)	151,943	277,719	(133,759)	(182,247)
Cash and cash equivalents at the beginning of the period	1,241,124	1,206,000	1,359,058	1,359,058	1,642,981
Increase due to inclusion in consolidation	—	1,115	6,204	6,051	—
Cash and cash equivalents at the end of the period	¥ 1,206,000	¥ 1,359,058	¥1,642,981	¥1,231,350	¥1,460,734

Comparison of the Three-month Period Ended June 30, 2020 with the Three-month Period Ended June 30, 2019

Cash and cash equivalents at the end of the three-month period ended June 30, 2020 was ¥1,460,734 million, an increase of ¥229,384 million from the end of the three-month period ended June 30, 2019. Cash flow conditions and their major factors for the three-month period ended June 30, 2020 are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities for the three-month period ended June 30, 2020 was ¥20,539 million, compared to net cash provided by operating activities of ¥275,780 million for the three-month period ended June 30, 2019. The decrease was mainly due to a loss before income taxes of ¥304,599 million for the three-month period ended June 30, 2020 as compared to income before income taxes of ¥26,875 million for the three-month period ended June 30, 2019 and a decrease in trade notes and accounts payable of ¥439,019 million, which were partially offset by a decrease in sales finance receivables of ¥209,846 million and a decrease in inventories of ¥147,018 million for the three-month period ended June 30, 2020 as compared to an increase in inventories of ¥139,634 million for the three-month period ended June 30, 2019.

Cash Flows from Investing Activities

Net cash used in investing activities for the three-month period ended June 30, 2020 was ¥206,085 million, an increase of ¥66,755 million, or 47.9%, as compared to the three-month period ended June 30, 2019. The increase was mainly due to a net increase in restricted cash of ¥94,121 million for the three-month period ended June 30, 2020 as compared to a net decrease in restricted cash of ¥111,052 million for the three-month period ended June 30, 2019, a ¥55,988 million decrease in proceeds from sales of leased vehicles, which were partially offset by a ¥164,999 million decrease in purchases of leased vehicles.

Cash Flows from Financing Activities

Net cash provided by financing activities for the three-month period ended June 30, 2020 was ¥10,176 million, compared to net cash used in financing activities of ¥266,815 million for the three-month period ended June 30, 2019. The change was due mainly to a ¥477,368 million increase in proceeds from long-term borrowings, which was partially offset by a net decrease in short-term borrowings of ¥347,267 million for the three-month period ended June 30, 2020 as compared to a net increase in short-term borrowings of ¥85,177 million for the three-month period ended June 30, 2019.

Comparison of the Fiscal Year Ended March 31, 2020 with the Fiscal Year Ended March 31, 2019

Cash and cash equivalents at the end of the fiscal year ended March 31, 2020 were ¥1,642,981 million, an increase of ¥283,923 million from the end of the prior fiscal year. Cash flow conditions and their major factors for the fiscal year ended March 31, 2020 are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities for the fiscal year ended March 31, 2020 was ¥1,185,854 million, a decrease of ¥265,034 million, or 18.3%, from ¥1,450,888 million for the prior fiscal year. The decrease was mainly due to a loss before income taxes of ¥573,022 million for the fiscal year ended March 31, 2020 as compared to income before income taxes of ¥477,708 million for the previous fiscal year and an increase in inventories of ¥118,578 million for the fiscal year ended March 31, 2020 as compared to a decrease in inventories of ¥13,098 million for the previous fiscal year, which were partially offset by the recording of an impairment loss of ¥540,642 million for the fiscal year ended March 31, 2020 and a decrease in sales finance receivables of ¥667,270 million for the fiscal year ended March 31, 2020.

Cash Flows from Investing Activities

Net cash used in investing activities for the fiscal year ended March 31, 2020 was ¥708,687 million, a decrease of ¥424,860 million, or 37.5%, from ¥1,133,547 million for the prior fiscal year. The decrease was mainly due to a decrease in purchases of leased vehicles of ¥183,852 million, an increase in proceeds from sales of leased vehicles of ¥77,384 million and a net decrease in restricted cash of ¥85,579 million for the fiscal year ended March 31, 2020 as compared to a net increase in restricted cash of ¥134,474 million for the previous fiscal year.

Cash Flows from Financing Activities

Net cash flows used in financing activities for the fiscal year ended March 31, 2020 was ¥155,494 million, an increase of ¥28,354 million, or 22.3%, from ¥127,140 million for the prior fiscal year, due mainly to an increase in repayments of long-term borrowings of ¥374,332 million and an increase in redemption of bonds of ¥155,340 million, which were partially offset by a net increase in short-term borrowings of ¥509,217 million for the fiscal year ended March 31, 2020 as compared to a net increase in short-term borrowings of ¥213,577 million for the previous fiscal year and an increase in proceeds from long-term borrowings of ¥342,335 million.

Comparison of the Fiscal Year Ended March 31, 2019 with the Fiscal Year Ended March 31, 2018

Cash and cash equivalents at the end of the fiscal year ended March 31, 2019 were ¥1,359,058 million, an increase of ¥153,058 million from the end of the prior fiscal year. Cash flow conditions and their major factors for the fiscal year ended March 31, 2019 are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities for the fiscal year ended March 31, 2019 was ¥1,450,888 million, an increase of ¥379,638 million, or 35.4%, from an inflow of ¥1,071,250 million for the prior fiscal year. The increase was mainly due to a decrease in trade notes and accounts receivable of

¥228,010 million for the fiscal year ended March 31, 2019 as compared to a decrease in trade notes and accounts receivable of ¥73,149 million for the previous fiscal year and a decrease in sales finance receivables of ¥87,606 million for the fiscal year ended March 31, 2019 as compared to an increase in sales finance receivables of ¥530,842 million for the previous fiscal year, which were partially offset by a decrease in trade notes and accounts payable of ¥43,721 million for the fiscal year ended March 31, 2019 as compared to an increase in trade notes and accounts payable of ¥108,330 million for the previous fiscal year.

Cash Flows from Investing Activities

Net cash used in investing activities for the fiscal year ended March 31, 2019 was ¥1,133,547 million, a decrease from ¥1,147,719 million for the prior fiscal year. The decrease was mainly due to proceeds from transfer of business of ¥46,176 million for the fiscal year ended March 31, 2019 as compared to no such proceeds in the previous fiscal year and a decrease in purchases of leased vehicles of ¥131,859 million, which were partially offset by an increase in purchase of fixed assets of ¥23,772 million and a net increase in restricted cash of ¥134,474 million for the fiscal year ended March 31, 2019 as compared to a net decrease in restricted cash of ¥9,124 million for the previous fiscal year.

Cash Flows from Financing Activities

Net cash used in financing activities for the fiscal year ended March 31, 2019 was ¥127,140 million as compared to an inflow of ¥36,810 million for the prior fiscal year. The change was mainly due to a decrease in proceeds from issuance of bonds of ¥494,134 million, which was partially offset by a net increase in short-term borrowings of ¥213,577 million for the fiscal year ended March 31, 2019 as compared to a net decrease in short-term borrowings of ¥147,508 million for the previous fiscal year.

Liquidity and Capital Resources

We undertake liquidity management to ensure sufficient cash to meet both normal and unanticipated funding needs. We invest our excess cash mainly in short-term deposits, money market funds and appropriate repurchase agreement transactions for the purpose of efficient cash management at appropriate risk. We also invest in equity and bond-related products as we deem appropriate. With regard to such investments with price fluctuation risk, a strict risk management policy is implemented, consisting of regular monitoring of mark-to-market and internal reporting.

Our financing sources are diversified, consisting of funds raised through bank loans, bond issues, asset-backed securities and commercial paper issues to reduce our exposure to liquidity risk. We also utilize derivative financial instruments based on our internal risk management processes mainly for the purposes of hedging exposure to adverse fluctuations in foreign currency exchange rates on receivables and payables denominated in foreign currencies, interest rates on interest-bearing debt and market prices on commodities, but we do not enter into such transactions for speculative purposes.

Our Sales Financing segment provides financial services to retail customers, such as auto loans and leases, and inventory financing and working capital loans to dealers of our automobiles. We have in place strict credit underwriting policies before loans are advanced to our customers and dealers.

In part due to the intense competitive environment in worldwide automotive markets in recent years, we announced a four-year business transformation plan in May 2020 to reform our global operations and restructure our production capacity. See "Business—Our Strategies—Our business transformation plan will help us achieve sustainable growth." In order to ensure sufficient liquidity as we undertake this business transformation and in light of concerns over potential instability in global financial markets due to the COVID-19 pandemic, from April to June 2020 we entered into agreements with several financial institutions to borrow an aggregate amount of ¥832.6 billion. The interest rates under these agreements were comparable to prevailing market rates at the time, and the tenors of the funding are, on average, approximately two years. These agreements do not require collateral and do not contain any material financial covenants. Additionally, on July 22, 2020, we issued ¥70 billion of bonds in a public offering in Japan. As of June 30, 2020, we had a global, multi-currency revolving $2.5 billion undrawn credit facility and a ¥250 billion undrawn committed credit facility.

As of June 30, 2020, Nissan Motor Acceptance Corporation had commercial paper backup facilities for up to $1.643 billion, $2.0 billion and $3.0 billion that expire in June 2021, June 2022 and June 2023, respectively, and asset-backed commercial paper facilities of $6.75 billion and $2.075 billion with a duration of one year and three years, respectively.

Cash requirements

We require cash on an ongoing basis to finance our regular operations in both of our business segments. Our cash outlays for operating expenses include principally manufacturing costs, interest expenses on our borrowings and general and administrative expenses, including salaries and wages, rent and other items. Income tax payments also require significant cash outlays. We also require cash to fund acquisitions and other strategic investments.

Each fiscal year, we make significant investments in research and development activities, capital expenditures and financing for our Sales Financing segment.

Research and development

We believe that our long-term success depends on our ability to offer vehicles with increasingly higher degrees of technological sophistication, including developments related to EV, autonomous driving and connected vehicles. In the fiscal years ended March 31, 2019 and 2020, we invested ¥523.1 billion and ¥544.7 billion, respectively, in research and development activities. For more information regarding our research and development activities, see "Business—Our Business Operations—Automobiles Segment—Research and Development."

Capital expenditures

In the fiscal years ended March 31, 2019 and 2020, we invested ¥509.9 billion and ¥509.2 billion in capital expenditures, respectively. During the fiscal year ending March 31, 2021, we expect to invest ¥440.0 billion in capital expenditures.

Debt service and repayments; other contractual obligations

As of March 31, 2020, our total borrowings (including bonds) were ¥7,907,980 million, details of which are provided below. The weighted average interest rates of our short-term borrowings and our long-term borrowings (excluding current portion) were 2.21% and 2.00%, respectively.

Schedule of borrowings

The table sets forth the amounts and applicable average interest rates for our borrowings as of March 31, 2020:

	As of March 31, 2020	
	Amount	**Average interest rate[1]**
	(in millions of yen and percentages)	
Short-term borrowings	¥ 736,998	2.21%
Nonrecourse short-term borrowings	602,951	2.37%
Current portion of long-term borrowings	876,413	1.89%
Current portion of nonrecourse long-term borrowings	950,491	2.45%
Commercial papers	726,017	0.98%
Current portion of lease obligations	35,572	1.50%
Long-term borrowings (excluding current portion)[2]	1,208,509	2.00%
Nonrecourse long-term borrowings (excluding current portion)	890,049	2.23%
Lease obligations (excluding current portion)	72,494	3.28%
Total	¥6,099,494	

Notes:

(1) The average interest rate represents the weighted-average rate applicable to the year-end balance.

(2) We raised ¥62 billion via bank borrowings in July 2020 and raised ¥832.6 billion in funds from financial institutions from April to June 2020.

Schedule of bonds

The following table shows the Nissan group's outstanding bonds as of March 31, 2020:

Issuer Name	Type	Maturity Date	Interest rate	As of March 31, 2020
				(in millions of yen)
Nissan Motor Co., Ltd.	53rd unsecured bonds	April 28, 2020	1.744%	¥ 20,000
Nissan Motor Co., Ltd.	58th unsecured bonds	March 19, 2024	0.779%	20,000
Nissan Motor Co., Ltd.	59th unsecured bonds	March 19, 2021	0.15%	80,000
Nissan Motor Co., Ltd.	60th unsecured bonds	March 20, 2023	0.22%	25,000
Nissan Motor Co., Ltd.	61st unsecured bonds	March 19, 2026	0.33%	20,000
Nissan Motor Co., Ltd.	62nd unsecured bonds	December 6, 2021	Euribor 3M+0.55	18,048
Nissan Financial Services Co., Ltd.	Corporate bonds	2020-2023	0.001-0.335%	315,000
Foreign subsidiaries	Corporate bonds	2020-2025	1.26-3.88%	924,919
Foreign subsidiaries	Corporate bonds	2020-2022	7.74-9.05%	34,915
Foreign subsidiaries	Corporate bonds	2020-2021	1.750-3.150%	141,710
Foreign subsidiaries	Corporate bonds	2021	3.00%	13,218
Foreign subsidiaries	Corporate bonds	2020-2022	3.58-4.95%	195,676
Total				¥ 1,808,486

Note:

(1) In July 2020, we issued an aggregate ¥70 billion of Japanese yen-denominated bonds, consisting of ¥29 billion aggregate principal amount of 1.000% senior notes due December 20, 2021 as the 63rd unsecured bonds, ¥30 billion aggregate principal amount of 1.400% senior notes due June 20, 2023 as the 64th unsecured bonds and ¥11 billion aggregate principal amount of 1.900% senior notes due June 20, 2025 as the 65th unsecured bonds.

Maturity schedule of financial liabilities

The tables below set forth the maturity schedules for our outstanding financial liabilities as of March 31, 2020:

	As of March 31, 2020					
	One year or less	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
	(in millions of yen)					
Short-term borrowings	¥1,339,949	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	726,017	—	—	—	—	—
Bonds	765,532	474,924	423,081	99,375	9,794	35,780
Long-term borrowings	1,826,904	1,332,534	428,086	195,065	118,044	24,829
Lease obligations	35,572	21,089	10,505	7,475	7,619	25,806
Total	¥4,693,974	¥1,828,547	¥861,672	¥301,915	¥135,457	¥86,415

Credit Ratings

Our long-term unsecured debt ratings from S&P, Moody's and Rating and Investment Information, Inc. ("R&I"), a Japanese credit rating agency, were BBB-, Baa3 and A, respectively, as of July 31, 2020, and S&P, Moody's and R&I have each given us a "negative" outlook due in part to the negative impact of the ongoing COVID-19 pandemic.

Credit ratings are not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal by the rating agencies at any time. As rating agencies may have different criteria in evaluating the risks associated with a company you should evaluate each rating independently of other ratings.

THE RENAULT-NISSAN-MITSUBISHI ALLIANCE

Overview

Founded in March 1999, our Alliance with Renault is a cross-cultural strategic alliance among major carmakers. Mitsubishi Motors joined the Alliance and became our equity method affiliate in 2016. The goal of the Alliance is to promote the growth and performance of its members. In the 2019 calendar year, the Alliance sold 9.8 million vehicles. The Alliance members offer vehicles under 10 brands: Nissan, Infiniti, Datsun, Venucia, Renault, Renault Samsung, Mitsubishi, Dacia, Lada and Alpine. The Alliance is a partnership that operates as a pragmatic, flexible business tool that can expand to accommodate new projects for its partners worldwide.

Beginning in April 2014, the Alliance took steps to combine four core business functions: engineering, manufacturing and supply chain management, purchasing and human resources. This convergence of core functions has allowed the Alliance to realize synergies and reduce operating costs. For example, with respect to engineering, the Alliance utilizes a common module family, a modular architectural system that separates a vehicle into five fundamental zones. By using this modular architecture system, the Alliance allows us to build a wider range of vehicles from a smaller pool of parts, and the Alliance maintains shared parts warehouses in Europe, Japan and Australia. With respect to purchasing, the Alliance Purchasing Organization is responsible for the Alliance's purchasing strategy and for selecting the suppliers of parts, services and equipment. Through this joint purchasing structure, the Alliance is able to increase purchasing power in the marketplace and take advantage of increased economies of scale.

In March 2019, the Alliance announced the creation of an Alliance operating board as the sole body overseeing the operations and governance in the Alliance. The Alliance operating board is composed of the Chairman of Renault, who acts as Chairman of the Alliance operating board, and the CEOs of Nissan, Renault and Mitsubishi Motors. The operating decisions taken by the Alliance operating board are consensus-based, furthering the Alliance's "win-win" approach.

In addition to the strategic alliance, Alliance members have also maintained certain capital connections. As of March 31, 2020, we held a 15.3% equity interest in Renault (which is without voting rights) and 34.0% of the outstanding common stock of Mitsubishi Motors, and Renault held 43.7% of our outstanding common stock (based on the total number of outstanding shares).

Alliance Ventures

In addition to increasing the efficiency of existing operations through synergies with our Alliance partners, the Alliance is also focused on future innovation and launched Alliance Ventures in January 2018. As of June 30, 2020, we and Renault each held a 40% equity interest of Alliance Ventures, while Mitsubishi Motors held the remaining 20% equity interest.

Alliance Ventures is a strategic venture capital fund operated by the Alliance to make strategic investments in key areas that we believe are important for the future of the automotive industry, such as mobility, autonomous driving, connected services, EV and energy. As of June 30, 2020, Alliance Ventures held investments in 12 portfolio companies.

New Cooperation Business Model

In May 2020, the Alliance announced a new cooperation business model to support the competitiveness and profitability of the member companies. Based on this model, the Alliance members plan to build on existing Alliance benefits in areas such as joint purchasing, by leveraging their respective leadership positions and geographic strengths to support their partners' business development.

Under the new cooperation business model, the leaders of the three members of the Alliance have endorsed the principles of the leader-follower scheme for vehicles, in which they will cooperate to:

- push the Alliance's standardization strategy further, from platforms to upper bodies;
- per product segment, focus on one mother vehicle (leader car) and sister vehicles engineered by the leading company, with the support of the followers' teams;

- ensure that leader and follower vehicles for each brand are produced using the most competitive setup, including grouping production where appropriate; and
- continue to build on product sharing in light commercial vehicles, where the leader-follower model is already applied.

The Alliance members also plan to extend the leader-follower scheme to new technologies, including autonomous driving, connected car technologies, e-Body and e-PowerTrain.

The leader-follower scheme is expected to deliver model investment reductions of up to 40% for vehicles fully under the scheme. Those benefits are expected to come in addition to conventional synergies that are already delivered today.

The Alliance also endorsed the principle of naming different parts of the world as "reference regions," with each company focusing on its core regions with the aim to be among the most competitive and to serve as a reference for the others to enhance their competitiveness. Under this part of the scheme, Nissan will be the reference for China, North America and Japan; Renault in Europe, Russia, South America and North Africa; and Mitsubishi Motors in ASEAN and Oceania. With each company becoming a reference company in its respective regions, there will be further opportunities to maximize fixed cost sharing and leverage each company's assets.

The Alliance members' product portfolio updates will follow the leader-follower scheme, and leader and follower vehicles will be produced using the most competitive setup. As a result, it is expected that nearly half of Alliance models will be developed and produced under the leader-follower scheme by 2025.

The leader-follower scheme will be extended from platforms and powertrains to certain vehicle classes and key technologies, with the following areas of focus:

With respect to vehicles:

- SUV renewal post-2025: for B-segment – Renault, in Europe; for C-segment – Nissan
- Latin America market: B-product platforms in Latin America will be rationalized, evolving from four variants to only one for both Renault and Nissan products, with production taking place in two plants each producing for both Renault and Nissan
- Southeast Asia and Japan: Alliance members will pursue opportunities such as the Kei car collaboration between Nissan and Mitsubishi Motors

With respect to key technologies:

- Autonomous driving: Nissan
- Connected-car technologies: Renault to lead initiatives relating to the Android platform, and in China, Nissan will lead development of connected-car technologies
- E-body, the core system of the electric-electronic architecture: Renault
- e-PowerTrain: ePT for CMF-A and CMF-B – Renault; ePT for CMF-EV– Nissan
- PHEV for C-segment and D-segment: Mitsubishi Motors

In terms of technology efficiency, the Alliance members will continue their capitalization of existing assets to ensure that each member company continues to share the costs and benefits of investment in platforms, powertrains and technologies. This sharing has proven its efficiency in powertrain and platform development and enabled the successful launch of a common module family platform, the CMF-B, for the Renault *Clio* and Nissan *Juke*, as well as the *Kei* car platform for the Nissan *Dayz* and Mitsubishi *eK Wagon*. Additional common module family platforms, the CMF-C/D and CMF-EV, will follow soon.

The new cooperation business model will enable its members to bring out the most of their expertise and competitiveness to reinforce the Alliance as a whole in a radically changing global automotive environment.

BUSINESS

Overview

We are a leading Japanese automobile manufacturer with worldwide operations, selling our vehicles under the Nissan, Infiniti and Datsun brands. In addition to the manufacturing and sale of our vehicles, we also provide financing services to our customers through our finance subsidiaries in Japan and in our various international markets. We sold over 3.3 million vehicles (on a wholesale basis) during the fiscal year ended March 31, 2020, including approximately 1.5 million vehicles in North America and over 500,000 vehicles in each of Europe and Japan. The China JV sold approximately 1.5 million vehicles (on a retail sales basis) during the year ended December 31, 2019. We had net sales of ¥9.9 trillion for the fiscal year ended March 31, 2020, including ¥4.7 trillion in North America, ¥2.1 trillion in Japan and ¥1.3 trillion in Europe.

We have two business segments, Automobiles and Sales Financing. Our Automobiles segment includes the design, manufacture, assembly and sale of passenger vehicles as well as vehicles designed for commercial use, such as vans and trucks. We offer a full line-up of vehicle types designed to address the various needs and tastes of our customers across countries and regions.

As of March 31, 2020, we sold our vehicles in more than 170 countries around the world. The primary markets for our automobiles are Japan, North America, China, Europe and Asia. During the fiscal year ended March 31, 2020, 15.4% of our automobile sales on a consolidated basis were in Japan, 44.8% were in North America, 15.6% were in Europe and 8.9% were in Asia. The remaining 15.3% of consolidated unit sales were in other markets.

Our Sales Financing segment consists primarily of providing financing to dealers and retail customers for the purchase or lease of our vehicles.

History

We were established in December 1933 under the name Jidosha Seizo Co., Ltd. Our original automobile manufacturing plant was completed in Yokohama, Japan in May 1934, and our name was changed to Nissan Motor Co., Ltd. in June 1934. Our stock was listed on the First Section of the Tokyo Stock Exchange in January 1951, and we began to export vehicles for sale in the United States in May 1958. In August 2009 we moved our global headquarters to Yokohama, Japan. Today, we have manufacturing plants located around the world, including Japan, the United States, Mexico, Brazil, the United Kingdom, China and India. In China, we have invested in the China JV (currently an affiliate accounted for by the equity method).

Our modern operating history has been significantly influenced by the alliances that we have formed with other major carmakers. In March 1999, we entered into the Alliance with Renault. In 2002, Renault increased its equity interest in our company to 44.4%, we acquired a 15.0% non-voting equity interest in Renault and we jointly established Renault-Nissan B.V., a management organization for the Alliance in which we and Renault each own a 50% equity interest as of June 30, 2020. In October 2016, we acquired a 34.0% equity interest in Mitsubishi Motors and Mitsubishi Motors joined the Alliance, resulting in the current Alliance. In March 2019, the Alliance created an alliance operating board to oversee the operations and governance of the Alliance.

The Alliance also has a strategic cooperative relationship with Daimler AG that we entered into in 2010, and Mitsubishi Motors joined the partnership in 2018. This partnership involves the joint development and sharing of vehicles and technologies, the minimization of production and environmental compliance costs as well as a cross-shareholding arrangement.

Our Strengths

We have a geographically diversified business portfolio with solid positioning across key markets.

We have established solid positioning across key automotive markets, with a particular focus on our core markets of Japan, China and North America.

We have a strong presence in our home market of Japan, in which we had a market share (calculated by dividing our retail sales volume by TIV for the applicable period) of 10.6% in terms of unit sales for the fiscal year ended March 31, 2020. In China, the largest automotive market in the world in terms of unit sales, we had a market share of 6.4% in terms of unit sales of the China JV (calculated based on 100% of the unit sales of the China JV) for the year ended December 31, 2019, and we are targeting further growth by strengthening our brand value by promoting Nissan Intelligent Mobility, our suite of integrated technology designed to increase safety, comfort, and control while driving. In the United States, the second largest automotive market in the world in terms of unit sales, we had a market share of 7.5% in terms of unit sales for the fiscal year ended March 31, 2020, and in Europe we had a market share of 2.8% for such period. Our presence across these key markets helps us mitigate the impact of a slowdown in one region and our solid positioning in those markets gives us a platform to maximize net sales and capture future growth.

We have a passion for craftsmanship and a rich history of offering aspirational vehicles to customers around the world.

We are an innovative automaker with a passion for craftsmanship, as demonstrated by our track record of developing and launching iconic car models, such as the *GT-R*, a premium sports car with outstanding high-performance specifications, and the *Fairlady Z*, a sports car with a long history, the first generation of which was introduced into the Japanese and U.S. markets in 1969. In each of our core markets, we offer an extensive lineup of cars for the mass market, which includes well-known and best-selling models such as the *Skyline* and *Note* in Japan, *Sylphy* in China, *Rogue* and *Altima* in North America, and *Qashqai* in Europe. Due to our skills and leadership in the automotive industry, several of our models have won industry and consumer awards. For example, our *Dayz* model was selected as "Car of the Year" for 2020 by the Automotive Researchers' and Journalists' Conference of Japan and the *Nissan LEAF* model was awarded the CES Best of Innovation award by the Consumer Technology Association in 2018.

We are a leader in automotive innovation and technology.

Our technological edge is one of the key strengths that enables us to provide attractive models to consumers. With advanced technologies becoming an increasingly important factor to compete in the industry, we believe that our innovative culture and our technological prowess have positioned us as one of the leaders in the industry. In particular, we are leading the industry with proprietary advanced technologies such as electrification technologies, including e-Powertrain, and advanced autonomous driving technologies. We have a proven track record in electrification technologies, with the introduction of the *Nissan LEAF* in 2010, which was followed by a series of EV and e-POWER model launches. As we continue to focus on innovation and technology, we introduced the *Ariya* in July 2020, which is the first car to feature our new logo. The *Ariya* is a 100% electric crossover SUV and our flagship EV model with powerful acceleration and smooth, quiet operation and advanced driver assistance and connectivity technology, with a planned launch for 2021. In the field of autonomous driving, we own industry-leading technologies, as demonstrated by our proprietary ProPILOT 2.0 system, the world's first driver assistance system with intelligent navigated highway driving with hands-off single-lane driving capabilities, for which the *Skyline* with ProPILOT 2.0 won the "2019-2020 Japan Car of the Year Innovation Award."

We are a member of the Renault-Nissan-Mitsubishi Alliance, a global automotive alliance.

We benefit from a stable, long-standing relationship with the members of the Renault-Nissan-Mitsubishi Alliance and we believe that our ability to leverage the Alliance is a competitive advantage compared to other automobile manufacturers. Since its formation with Renault in 1999, the Alliance has grown into a pragmatic, flexible business tool that can expand to accommodate new projects for its members worldwide, and our membership in the Alliance provides us with significant cost savings through a number of measures such as joint purchasing, commonizing platform and parts and sharing advanced technologies. Mitsubishi Motors joined the Alliance in 2016. In May 2020, the Alliance announced a new cooperation business model to support the competitiveness and profitability of its members. Based on this model, the Alliance members plan to build on existing Alliance benefits. Under a new leader-follower scheme, the Alliance members are cooperating in several areas to enhance efficiency and competitiveness in products and technologies. See "The Renault-Nissan-Mitsubishi Alliance."

Our sales financing and aftersales services businesses are sources of stable operating income.

In addition to our automobiles business, our sales financing business, which we operate through our sales financing subsidiaries in our key markets, and our business of aftersales services to existing customers, have historically generated, and are expected to continue to generate, stable operating income. Despite the current uncertain economic environment caused by the COVID-19 pandemic, our sales financing business benefits from diversified funding sources and low credit loss ratios, and our rigid credit approval process helps us limit the impact of the pandemic on our business.

Our Strategies

Our business transformation plan will help us achieve sustainable growth.

In May 2020, we announced a four-year business transformation plan to achieve sustainable growth, financial stability and profitability by the end of the fiscal year ending March 31, 2024. As part of this transformation plan, we intend to transform our global operations by reducing unprofitable operations and excess production capacity and implementing structural reforms. Through the implementation of the plan, we aim to achieve an operating income margin of over 2% by the fiscal year ending March 31, 2022 and an operating income margin of over 5% by the fiscal year ending March 31, 2024 (on a management basis to consolidate the financial results of the China JV in proportion to our 50.0% equity interest in the China JV; see "Selected Financial and Other Data—Non-GAAP Measures—Financial and Operating Data Consolidating China JV"). From the end of the fiscal year ended March 31, 2020 to the end of the fiscal year ending March 31, 2024, we expect the global TIV to increase from 85.7 million units to 89.6 million units, and we aim to increase our global market share from 5.8% to 6.0%. In order to achieve our objectives under the business transformation plan, we intend to implement significant rationalization, focus on our core competencies and leverage the Alliance's new cooperation business model, as further described below.

Significant rationalization

We intend to take robust actions to rationalize our global operations through restructuring, reducing costs and improving efficiency. As part of the restructuring, we aim to reduce our consolidated production capacity by 20%, from the 7.2 million units under maximum capacity as of March 31, 2019 to 6.0 million units under maximum capacity and 5.4 million units under normal operation by March 31, 2024. The restructuring will include line reductions, closing our production plants in Indonesia and Barcelona and consolidating our production in North America to focus on our core models. We expect that these measures will help us maintain production utilization ratio above 80%. We also intend to streamline our product portfolio by reducing the number of models in our portfolio by 20% from 69 to 55 or fewer and reallocate resources to globally competitive models to shorten product lifecycle and manage portfolio age to be less than four years old from the current age of more than five years old. Our efforts will include the discontinuation of older models as well as certain models unique to single markets. We expect that, in addition to our fixed costs reduction efforts to date, these measures will contribute to an overall reduction in fixed costs of approximately ¥300 billion (which includes a targeted 15% reduction in general and administrative expenses) by the fiscal year ending March 31, 2021 compared to the fiscal year ended March 31, 2019.

Focus on core competencies

We plan to focus on our core markets, products and technologies.

Core markets

We plan to focus on our operations in our core markets of Japan, China and North America through targeted strategies for each of these markets, although we intend to leverage the assets of the Alliance to maintain our brand presence in Latin America, the ASEAN region and Europe:

- *Japan*. We plan to launch new models every year and maintain our position as one of the leaders in EVs by expanding our portfolio of EVs, in particular in the SUV and *Kei* ranges of vehicles, with the aim of increasing the proportion of electrified models (both e-POWER and EV models) in our portfolio from approximately 25% to approximately 60% while aiming for a younger portfolio age.
- *China*. We will continue to strengthen our brand presence in China through the China JV by focusing on Nissan Intelligent Mobility to differentiate our products and we plan to expand the number of EVs that we offer from five models to seven models, increase the proportion of connected vehicles from approximately 75% as of March 31, 2020 to 90% by March 31, 2024 and focus on the growth of e-POWER models while aiming for a younger portfolio age.
- *North America*. We intend to change our business model to increase the proportion of retail sales and decrease fleet sales while maintaining our market share. In the three-month period ended June 30, 2020, we successfully increased net revenue per unit as compared to the same period in the previous fiscal year, in part due to our initiative to reduce sales incentives. We also plan to enhance our lineup of SUVs and pickups while aiming for a younger portfolio age.

In addition, we plan to exit the South Korean market and cease operations of the *Datsun* brand in Russia and Indonesia. At the same time, we plan to focus on particular model segments, such as C-segment and D-segment vehicles, electric vehicles and sports cars.

Core products

Based on our track record of solid post-launch sales performance for models such as the *Kicks* (globally), the *Rogue* (in the United States), the *Nissan LEAF* (globally) and *INFINITI QX60* (in the United States), we intend to release several new models over an 18-month period by the end of 2021 to maintain product momentum in our flagship core models, including the *Kicks e-POWER* (released in June 2020), the *New Rogue* (expected to be released in 2020), the *Ariya* (expected to be released in 2021) and the *INFINITI QX55* (expected to be released in 2021). In total we expect to release 12 new models by the end of the 2021 calendar year.

Core competencies

Our global cumulative sales volume for EV models has grown steadily from approximately 58,000 units at the end of the fiscal year ended March 31, 2013 to approximately 521,000 units by the end of the fiscal year ended March 31, 2020, driven by the launches of the *Nissan LEAF* in December 2010, the *e-NV200* in October 2014 and the Sylphy EV in September 2018. With respect to our e-POWER models, our global cumulative retail sales volume reached 384,000 as of March 31, 2020, driven by the launches of the *Note e-POWER* in November 2016 and the *Serena e-POWER* in March 2018. We plan to continue to focus our efforts on electrification and autonomous driving technology. In particular, we will pursue an expansion of our sales of EV and e-POWER models in our core markets of Japan, China and North America, aiming at an increase of the electrification ratio and targeting sales of over one million units in the fiscal year ending March 31, 2024. We also believe that we are on track to introduce more models with autonomous driving technology in 20 markets, targeting sales of over 1.5 million units in the fiscal year ending March 31, 2024.

We will leverage the Alliance's new cooperation business model to achieve further growth.

Under the new cooperation business model announced by the Alliance in May 2020, we will leverage our leadership and geographic strengths to support our partners' business development and gain more benefits from the operational synergies delivered by the Alliance's common platform and shared technology utilization. We intend to benefit from the leader-follower scheme principles and reference region principles, the two pillars of the new cooperation business model. Under the leader-follower scheme, we and other Alliance members aim to decrease investment in models by 40% through further rationalization such as through increasing standardization from platforms to upper bodies. By implementing reference region principles, each Alliance member will focus on its core regions to serve as a reference for the other members, allowing the members to share each company's assets and maximize fixed cost sharing. Under the new cooperation model, the members intend to enhance each member's expertise and competitiveness in a rapidly changing automotive industry. For more information on the Alliance and the new cooperation business model, see "The Renault-Nissan-Mitsubishi Alliance."

Our disciplined financial strategy will support the execution of our business transformation plan.

In order to address the uncertainties raised by the COVID-19 pandemic, we have implemented financing plans in order to strengthen our financial position. As of June 30, 2020, our Automobiles segment had a net cash position of ¥235 billion, calculated by subtracting out debt (the sum of short-term borrowings, current portion of long-term borrowings, current portion of bonds, commercial papers, lease obligations, bonds and long-term borrowings) from cash and equivalents (cash on hand and in banks and cash equivalents included in securities). We believe that we have ample liquidity to meet our cash needs during the COVID-19 pandemic. As of June 30, 2020, we had liquidity of ¥3,386 billion, taking into account ¥832.6 billion in funds raised from financial institutions from April to June 2020 in response to the COVID-19 pandemic, consisting of an aggregate of ¥1,925 billion of unused committed credit facilities (an increase from ¥1,345 billion of unused committed credit facilities as of March 31, 2020) and cash on hand and in banks and cash equivalents included in securities of ¥1,461 billion. We believe that our disciplined financial strategy and prompt response to the COVID-19 pandemic to strengthen our liquidity will support the execution of our business transformation plan announced in May 2020.

We stand to benefit from our strengthened corporate governance structure.

In the wake of the misconduct by our former executive directors, we have radically reformed our corporate governance structure. We have transitioned to a governance structure with three statutory committees (nomination, compensation and audit committees) from a governance structure with statutory auditors. With an increase from three independent outside directors to seven, independent outside directors currently compose a majority of our board of directors, thereby reinforcing the supervision functions of our corporate governance system. With this new corporate governance structure and a new management team under the leadership of our President and CEO, Mr. Makoto Uchida, we believe we are well-equipped to successfully implement our business transformation plan.

The discussion above includes forward-looking statements based on various assumptions and beliefs, including but not limited to the assumptions set forth above as well as the non-occurrence of the various risks set forth in "Risk Factors—Risks Related to Our Business" and elsewhere in this offering circular. Many of these assumptions and beliefs relate to matters that are outside of our control, including factors affecting the business and economic environment. In addition, there can be no assurance as to our ability to implement our various strategic initiatives. As a result, we cannot and do not make any representation or assurance as to the achievability of our strategic objectives and goals or whether our underlying assumptions are appropriate. You should be aware that actual results may vary, potentially materially, from the above forward-looking statements. See "Forward-Looking Statements."

Our Business Operations

Automobiles Segment

Overview

We develop, manufacture and sell passenger vehicles, including cars, trucks and SUVs. In the fiscal years ended March 31, 2019 and 2020, we sold approximately 4.0 million and 3.3 million vehicles (on a wholesale basis) for net sales of ¥10.4 trillion and ¥8.8 trillion, respectively. The China JV sold approximately 1.6 million and 1.5 million vehicles (on a retail sales basis) during the fiscal years ended March 31, 2019 and 2020, respectively.

Vehicles

As of March 31, 2020, we sold 69 models of vehicles, consisting of sedans, SUVs, trucks, vans and electric vehicles. As part of our business transformation plan, we intend to reduce the number of models in our portfolio to 55 or fewer by March 31, 2024. As part of this realignment, we plan to focus on particular model segments, such as C-segment and D-segment vehicles, electric vehicles and sports cars. During this refocusing period, we plan to incorporate more advanced technologies into our model segments and reduce the average age of our product portfolio to four years or less. For additional details, see "—Our Strategies—Our business transformation plan will help us achieve sustainable growth" above.

The following table sets forth a selection of our best-selling models by region:

Region	Model	Description
Japan	*Dayz / Roox*	*Kei* car
	Note e-POWER	Compact EV
	Serena e-POWER	Minivan (EV)
North America	*Rogue*	Mid-sized SUV
	Altima	Sedan
	Sentra	Sedan
Europe	*Qashqai*	Mid-sized SUV
	Juke	Compact SUV
	X-TRAIL	Mid-sized SUV
China	*Sylphy*	Sedan
	X-TRAIL	Mid-sized SUV
	Qashqai	Mid-sized SUV
	Teana / Altima	Sedan
Asia	*Navara*	Pickup truck
	Almera	Compact sedan
	Note	Compact hatchback
Other overseas countries	*Kicks*	Compact SUV (EV)
	Navara	Pickup truck

By the end of the 2021 calendar year, we expect to release 12 new models, including the *Kicks e-POWER* (released in June 2020), the *New Rogue* (expected to be released in 2020), the *Ariya* (expected to be released in 2021) and the *INFINITI QX55* (expected to be released in 2021). The *Kicks e-POWER* features an e-POWER electrified powertrain and ProPILOT driver assistance, has a sharp double V-motion grille, Nissan's distinctive floating-roof design and futuristic LED headlamps, and incorporates millimeter-wave radars to detect other vehicles. The *New Rogue / X-TRAIL* (called the *Rogue* in the United States) has advanced features such as ProPILOT with Navi-link, standard Nissan Safety Shield 360, wireless charging and wireless Apple Carplay. The *Ariya* features ProPILOT 2.0, a battery pack mounted in the floor and dual electric motors. The *INFINITI QX55* features the all-new nameplate for the *Infiniti* brand in the popular SUV category.

Technological Innovation

As part of our business transformation plan, we intend to streamline our model portfolio and reduce the average age of our portfolio to four years or less, in part by increasing our offerings of electric vehicles and vehicles using our e-POWER system as well as integrating other next-generation technologies. See "—Our Strategies—Our business transformation plan will help us achieve sustainable growth."

Electrification

We intend to maintain our position as an industry leader in the areas of EV and autonomous driving, increasing our market share in these areas of strength. We have offered EVs and e-POWER models to our customers for over a decade, beginning with the introduction of the *Nissan LEAF* in 2010. Our e-POWER models offer the driving performance and benefits of an EV, yet eliminate the need for plug-in charging. These models have been particularly popular in our home market of Japan, where customer satisfaction with our e-POWER and ProPILOT technologies is 90% according to a new car buyers survey (conducted by a third-party research company based on information provided by major Japanese OEMs). As a part of our efforts to strengthen our position in the Japan market specifically, we intend to launch new models on a yearly basis, with a particular focus on increasing our offerings of EVs within our *Kei* car model pipelines as well as our offerings of e-POWER models through our Note, Serena and Kicks model pipelines. In Europe, we intend to achieve a sustainable market share through the enhancement of electrification and a focus on crossovers and SUVs.

Nissan Intelligent Mobility

Intelligent Driving

Through our Nissan Intelligent Mobility philosophy, we intend to strengthen our brand presence in the area of advanced technologies. Specifically, we intend to make advancements in intelligent driving, intelligent power and intelligent integration.

With respect to intelligent driving, our focus has been on driver assistance technology. Our driver assistance technology includes autonomous driving technology, namely our ProPILOT system (called ProPILOT Assist in the United States). The ProPILOT system enables adaptive cruise control that can control a vehicle's speed, braking and steering. Using a front radar sensor and a front-facing camera located behind the rear-view mirror, ProPILOT technology helps drivers maintain a preset distance from cars in front and keep the vehicle centered during single-lane driving.

The next-generation ProPILOT 2.0 system features upgrades to ProPILOT, including hands-off single-lane driving. The hands-off feature is available on the condition that the driver remains attentive on the road ahead and is prepared to immediately take manual control of the steering wheel when conditions of the road, traffic and vehicle require it. The hands-off feature is not available in tunnels where a GPS signal cannot be established, on expressways that have two-way traffic, on winding roads, in tollgate areas or merging lanes. When entering a road section where hands-off driving is not available, the system will alert in advance so the driver can take manual control of vehicle steering. Other features of the ProPILOT 2.0 system include assistance with lane changes, highway driving, assistance with vehicle passing, integration with 3D high-definition map data, 360-degree sensing capabilities and an intelligent interface.

Our *Skyline* model, equipped with ProPILOT 2.0, received the "2019-2020 Japan Car of the Year Innovation Award," sponsored by the Japan Car of the Year Committee.

Intelligent Power

With respect to intelligent power, our efforts are focused on electrification. We aim to improve energy efficiency of lithium ion batteries and thermal efficiency of the e-POWER engine to 50%. Additionally, we will utilize accumulated data from existing connected cars, including our Nissan LEAF model, for future business development and marketing purposes. Furthermore, we aim to develop an eco-system around EV that connects EVs to other energy systems, such as home electricity systems, through our "Nissan Energy" solutions.

Intelligent Integration

With respect to intelligent integration, we aim to establish increased connectivity across our vehicles. Through our "NissanConnect" services, we aim to enable seamless in-vehicle information connectivity between third-party services, smartphone applications, in-vehicle information and entertainment systems as well as cloud services. Additionally, our technological advancement efforts also include development of our Human-Machine Interface, which integrates into the vehicle dashboard as a two-screen display that enables easier absorption of information through its horizontal format.

Markets and Sales

We generate sales from almost all of the major automobile markets worldwide and maintain a global network of sales subsidiaries, sales joint ventures and direct and third-party dealerships that sell our passenger vehicles in more than 170 countries as of March 31, 2020. The primary geographical regions where we conduct our business as of March 31, 2020 are as follows:

- Japan;
- North America, which consists of the United States, Canada and Mexico;
- Europe, which includes France, the United Kingdom, Spain and Russia, as our main markets;
- Asia, which includes China, Thailand and India as our main markets, with China operations conducted through the China JV; and
- Other overseas countries, which consists of Oceania, Middle East, South Africa and Central and South America excluding Mexico.

During the fiscal year ended March 31, 2020, 15.4% of our automobile sales on a consolidated basis were in Japan, 44.8% were in North America, 15.6% were in Europe and 8.9% were in Asia. The remaining 15.3% of consolidated unit sales were in other markets. The following table shows our consolidated sales volume (on a wholesale basis) by geographic area for the periods indicated:

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(units sold, wholesale basis)				
Japan	564,264	575,230	514,490	123,765	76,925
North America[(1)(2)]	2,049,310	1,849,312	1,500,667	368,922	126,747
Europe	792,641	635,282	523,752	127,465	30,257
Asia[(3)]	386,637	341,196	299,728	75,289	18,972
Other	536,133	572,701	510,987	100,081	28,753
Total	4,328,985	3,973,721	3,349,624	795,522	281,654

Notes:

(1) Consists of the United States, Canada and Mexico.

(2) Includes units sold in the United States, consisting of 1,520,622, 1,406,510 and 1,137,598 units for the fiscal years ended March 31, 2018, 2019 and 2020, respectively, and 288,862 and 101,326 for the three-month periods ended June 30, 2019 and 2020, respectively.

(3) Includes units sold in China (not including unit sales of the China JV) and Taiwan.

Japan

Japan accounted for approximately 15.4% of our total sales volume in the fiscal year ended March 31, 2020. We sold 514,490 vehicles in Japan in the fiscal year ended March 31, 2020, a 10.6% decrease from the previous fiscal year. This decrease in sales volume was due to strong competition across product categories, the impact of an increase in the consumption tax in Japan in October 2019, a decrease in demand due to the effects of typhoons in the third quarter of the fiscal year ended March 31, 2020 and a decrease in demand in the fourth quarter of the fiscal year ended March 31, 2020 as a result of the COVID-19 pandemic. We sold 76,925 vehicles in Japan during the three-month period ended June 30, 2020, a 37.8% decrease from the same period in the previous fiscal year. Popular models in Japan include the *Dayz,* the *Note e-POWER* and the *Serena e-POWER*.

North America

North America accounted for approximately 44.8% of our total sales volume in the fiscal year ended March 31, 2020. We sold 1,500,667 vehicles in North America in the fiscal year ended March 31, 2020, an 18.9% decrease from the previous fiscal year. This decrease in sales volume was due to strong competition and the aging of our vehicle lineup, a decrease in demand in the fourth quarter of the fiscal year ended March 31, 2020 due to the COVID-19 pandemic. We sold 126,747 vehicles in North America during the three-month period ended June 30, 2020, a 65.6% decrease from the same period in the previous fiscal year. Popular models in North America include the *Rogue*, the *Altima* and the *Sentra*.

Europe

Europe accounted for approximately 15.6% of our total sales volume in the fiscal year ended March 31, 2020. We sold 523,752 vehicles in Europe in the fiscal year ended March 31, 2020, a 17.6% decrease from the previous fiscal year. This decrease in sales volume was due to strong competition and a decrease in demand in the fourth quarter of the fiscal year ended March 31, 2020 due to the COVID-19 pandemic. We sold 30,257 vehicles in Europe during the three-month period ended June 30, 2020, a 76.3% decrease from the same period in the previous fiscal year. Popular models in Europe include the *Qashqai*, the *Micra* and the *X-TRAIL*.

Asia

Asia accounted for approximately 8.9% of our total sales volume in the fiscal year ended March 31, 2020. We sold 299,728 vehicles in Asia in the fiscal year ended March 31, 2020, a 12.2% decrease from the previous fiscal year. This decrease in sales volume was due to a decrease in demand in the fourth quarter of the fiscal year ended March 31, 2020 due to the COVID-19 pandemic. We sold 18,972 vehicles in Asia during the three-month period ended June 30, 2020, a 74.8% decrease from the same period in the previous fiscal year. Popular models in Asia include the Navara, the *Altima* and the *Note*.

China

The most important market for us in Asia is China, where we have invested in the China JV. The China JV sold approximately 1,547,000 vehicles in China (on a retail sales basis) in the fiscal year ended December 31, 2019, a 1.1% decrease from the previous year. This decrease in sales volume was due to strong competition in the Chinese market as a result of a decrease in China TIV of 8.6%. The China JV sold approximately 207,000 vehicles in China (on a retail sales basis) during the three-month period ended March 31, 2020, a 39.9% decrease from the same period in the previous fiscal year due to the COVID-19 pandemic. Popular models in China include the *Sylphy*, the *Teana*, the *X-TRAIL* and the *Qashqai*.

Other overseas countries

Other overseas countries accounted for approximately 15.3% of our total sales volume in the fiscal year ended March 31, 2020. We sold 510,987 vehicles in other overseas countries in the fiscal year ended March 31, 2020, a 10.8% decrease from the previous fiscal year. This decrease in sales volume was due to a decrease in demand in the fourth quarter of the fiscal year ended March 31, 2020 due to the COVID-19 pandemic, particularly with respect to the Middle East and Africa. We sold 28,753 vehicles in other overseas countries during the three-month period ended June 30, 2020, a 71.3% decrease from the same period in the previous fiscal year. Popular models in other overseas countries include the *Kicks* and the *Navara*.

Competition

The market share figures presented below are calculated by us as follows: first, TIV is computed by adding the retail sales volumes for each fiscal year from information publicly disclosed by Japan Automobile Manufacturers Association, Inc. (for the Japan market) or other comparable sources for the other markets and Nissan’s retail sales volume (including 100% sales volume of the China JV) for that fiscal year (or for the prior calendar year, for the China JV). Second, Nissan’s market share is computed by dividing Nissan’s retail sales volumes by the TIV.

Japan

Competition in the Japanese automotive market is intense. Our principal competitors in Japan are the other major Japanese automotive companies, which include Toyota Motor Corporation, Honda Motor Co., Ltd., Suzuki Motor Corporation and Mazda Motor Corporation. For the fiscal year ended March 31, 2020, our market share in Japan in terms of retail sales volume was 10.6%.

North America

Competition in North America, particularly the United States, which generates large sales volumes for the major global automobile manufacturers, is intense and has led to the offering of increasingly attractive sales incentives. Our principal competitors include the major U.S., European, Korean and Japanese automotive companies, such as General Motors Company, Ford Motor Company, Toyota Motor Corporation, Fiat Chrysler Automobiles N.V., Honda Motor Co., Ltd. and Hyundai Motor Company. For the fiscal year ended March 31, 2020, our market share in the United States in terms of retail sales volume was 7.5%.

Europe

While Western European markets are relatively mature, they generate high sales volumes and are subject to competitive pressures. Our principal competitors include the major European automotive companies, the Ford Motor Company, the major Korean automotive companies and the other major Japanese automotive companies. For the fiscal year ended March 31, 2020, our market share in Europe in terms of retail sales volume was 2.8%.

Asia

Asia is home to a particularly high number of emerging markets. With expectations for growth in such markets particularly high, global automobile manufacturers are putting significant resources into developing their businesses in these regions. Our principal competitors in Asia include Toyota Motor Corporation, Honda Motor Co., Ltd. and ISUZU MOTORS LIMITED.

China

The automotive market in China is a primary growth market. In China, where we have invested in the China JV, our principal competitors include major U.S., European, Korean and Japanese automotive companies, such as Volkswagen AG, Toyota Motor Corporation and Honda Motor Co., Ltd., as well as Chinese local companies such as Guangzhou Automobile Group Co., Ltd., SAIC Motor Corporation Limited and FAW Co., Ltd. For the fiscal year ended March 31, 2020, our market share in China (including 100% of the sales volume of the China JV) in terms of sales volume was 6.4%.

Production

We have seven manufacturing facilities in Japan, including five vehicle factories and two engine factories. Our primary overseas manufacturing facilities are in China, the United States, Mexico and the United Kingdom, and we have additional manufacturing facilities located in Spain, Russia, Thailand, Indonesia, Philippines, India, South Africa, Brazil, Argentina and Egypt. We have OEM facilities in France, Philippines, Taiwan, Malaysia, Nigeria and Myanmar.

The following table shows the number of vehicles produced in the countries listed for the periods indicated:

	For the fiscal year ended March 31,			For the three–month period ended June 30,	
	2018	2019	2020	2019	2020
			(units produced)		
Japan	985,541	900,781	757,692	181,305	59,611
United States	899,483	820,527	694,305	189,061	26,235
Mexico	787,876	734,304	611,025	156,513	36,430
United Kingdom	487,269	415,364	325,243	83,016	7,008
Spain	98,579	88,679	55,022	18,852	224
Russia	50,921	52,929	54,420	14,165	2,519
Thailand	133,937	166,849	137,160	37,868	6,232
Indonesia	19,134	8,746	3,114	888	—
Philippines	6,523	4,664	5,109	1,237	639
India	239,043	182,486	203,173	37,710	3,642
South Africa	32,733	36,981	31,601	9,592	—
Brazil	95,714	106,011	101,803	26,736	23
Argentina	—	6,773	10,815	2,178	389
Egypt	16,598	18,183	16,244	3,350	1,905
Total	3,853,351	3,543,277	3,006,726	762,471	144,857

For the fiscal year ended March 31, 2020, we produced a total of 3,006,726 vehicles, a decrease in production of 15.1% as compared to the previous fiscal year. This decrease was primarily driven by reduced production requirements following decreases in consolidated unit sales over the previous two fiscal years. Production at manufacturing facilities outside of Japan accounted for 2,249,034 vehicles, or 74.8% of our total production volume, for the fiscal year ended March 31, 2020.

For the fiscal year ended December 31, 2019, the China JV produced a total of 1,552,585 vehicles compared to 1,558,015 vehicles for the prior fiscal year, a decrease in production of 0.35%. For the three-month period ended March 31, 2020, the China JV produced a total of 168,514 vehicles compared to 342,457 vehicles for the same period in the prior year, a decrease in production of 50.8%.

As part of our business transformation plan announced in May 2020, we plan to close our production plants in Indonesia and Barcelona, Spain. Going forward, we plan to focus on particular model segments, such as compact and mid-size passenger vehicles, electric vehicles and sports cars. See "—Our Strategies—Our business transformation plan will help us achieve sustainable growth."

Supplies and Raw Materials

We purchase a wide variety of components and raw materials for use in the production of our vehicles from numerous suppliers in Japan and other countries around the world. Part of our raw materials consist of precious metals, of which production volume is extremely small and production mines are limited to a small number of countries or regions. We believe that we currently have adequate supplies or sources of availability of the raw materials necessary to meet our needs and strive to maintain multiple suppliers for important materials. We monitor the financial condition of our main suppliers to anticipate problems in our supply chain prior to their occurrence, and we select our suppliers on the basis of the quality and price of the products they manufacture.

In 2020, the COVID-19 pandemic has had an effect on our procurement processes of some parts, and future price movements for certain raw materials have been increasingly difficult to anticipate.

Sales Financing Segment

Our Sales Financing segment consists primarily of providing financing to dealers and retail customers for the purchase or lease of our vehicles. Our Sales Financing segment operates mostly in the United States, Mexico, Canada, Japan, Australia and China through our financing subsidiaries. As of June 30, 2020, the funding sources for our Sales Financing segment consisted of bank loans (32.1%), asset-backed securities (28.0%), bonds (17.8%), equity (15.6%) and commercial paper and other (6.5%).

The following tables sets forth the percentage penetration (which we calculate by dividing the aggregate amount of the retail loan and lease contracts financed by the applicable entity by the total financeable sales volume for the entity's area of operation) for each of our primary sales financing subsidiaries. For our Sales Financing segment as a whole, the penetration percentage was 44%, 43% and 46% for the fiscal years ended March 31, 2018, 2019 and 2020, respectively, and 45% and 48% for the three-month periods ended June 30, 2019 and 2020, respectively.

	Percentage of penetration					
	For the fiscal year ended March 31, 2018		For the fiscal year ended March 31, 2019		For the fiscal year ended March 31, 2020	
	Lease	Retail	Lease	Retail	Lease	Retail
Nissan Motor Acceptance Corporation (United States)	31%	32%	31%	27%	32%	25%
Nissan Financial Services Co., Ltd. (Japan)	4%	32%	5%	31%	5%	27%
Dongfeng Nissan Auto Finance Co., Ltd.(1) (China)	n/a	30%	n/a	33%	n/a	42%
Nissan Canada Inc.	34%	36%	36%	36%	36%	43%

Note:

(1) The percentages for Dongfeng Nissan Auto Finance Co., Ltd. represent the information for the twelve-month periods ended December 31, 2017, 2018 and 2019.

The following chart sets forth the net credit loss ratio (which we calculate by dividing net credit losses over retail and lease financial assets) for our primary sales financing subsidiaries for the periods indicated. For our Sales Financing segment as a whole, the net credit loss ratio was 0.88%, 0.96% and 0.93% for the fiscal years ended March 31, 2018, 2019 and 2020, respectively, and 1.04% and 0.79% for the three-month periods ended June 30, 2019 and 2020, respectively.

	For the fiscal year ended March 31,								
	2018			2019			2020		
	Lease	Retail	Total (%)	Lease	Retail	Total (%)	Lease	Retail	Total (%)
Nissan Motor Acceptance Corporation(1) (United States)	0.58	1.46	1.08	0.50	1.59	1.10	0.46	1.61	1.08
Nissan Financial Services Co., Ltd. (Japan)	0.02	0.09	0.08	0.03	0.08	0.07	0.03	0.08	0.07
Dongfeng Nissan Auto Finance Co., Ltd.(2) (China)	n/a	0.07	0.07	n/a	0.05	0.05	n/a	0.04	0.04
Nissan Canada Inc.	0.10	0.28	0.20	0.07	0.22	0.15	0.08	0.21	0.15
Total Net Credit Loss Ratio			0.88			0.96			0.93

Notes:

(1) Definition of net credit loss ratio for Nissan Motor Acceptance Corporation was changed from the fiscal year ended March 31, 2020 to exclude vehicle repossession charges, which we believe is in line with the majority of our competitors. Without this change, net credit loss ratio for the fiscal year ended March 31, 2020 would have been 0.49% for lease, 1.72% for retail, and 1.15% for total.

(2) The ratios for Dongfeng Nissan Auto Finance Co., Ltd. represent the ratios for the twelve-month periods ended December 31, 2017, 2018 and 2019.

The following table shows our operating income for certain of our primary subsidiaries in our Sales Financing segment:

	For the fiscal year ended March 31,			For the three-month period ended June 30,	
	2018	2019	2020	2019	2020
	(in billions of yen)				
Nissan Motor Acceptance Corporation (United States)	¥ 99.9	¥ 111.0	¥ 90.3	¥ 25.3	¥ 29.6
Nissan Financial Services Co., Ltd. (Japan)	30.9	33.4	34.5	10.1	8.6
Dongfeng Nissan Auto Finance Co., Ltd.(1) (China)	26.4	32.6	37.5	9.2	12.5
Nissan Canada Inc.	17.8	16.6	15.6	4.5	4.2

Note:

(1) The ratios for Dongfeng Nissan Auto Finance Co., Ltd. represent the operating income for the twelve-month periods ended December 31, 2017, 2018 and 2019 and the three-month periods ended March 31, 2019 and 2020.

Research and Development

In the fiscal years ended March 31, 2019 and 2020, we invested ¥523.1 billion and ¥544.8 billion, respectively, in research and development activities. As of March 31, 2019 we have 45 research and development sites in 16 countries.

Our primary research and development activities take place in Japan at the Nissan Technical Center located in Atsugi-shi, Kanagawa. Internationally, we have research centers in the United States, Mexico, the United Kingdom, Spain, China (through joint venture), Taiwan (through joint venture), Thailand and India that contribute to the design and development of new vehicle models. Our Nissan Research Center Silicon Valley office in the United States is focused on research into autonomous driving vehicles and information and communication technology development for new generations of connected vehicles.

In addition to our internal research and development activities, we conduct joint development through our Alliance with Renault and Mitsubishi Motors. In 2019, the Alliance established a research and development lab in Shanghai to conduct research and development focused on autonomous driving, connected vehicles and EV. In May 2020, the Alliance announced the leader-follower scheme whereby each Alliance partner takes the lead for development of certain key technologies. See “The Renault-Nissan-Mitsubishi Alliance.”

The below table sets forth our worldwide research and development facilities as of March 31, 2020:

Facility	Location	Principal Activity
Japan		
Nissan Technical Center	Kanagawa, Japan	Central entity of R&D
Nissan Shatai Co., Ltd.	Kanagawa, Japan	Vehicle development
NISSAN AUTOMOTIVE TECHNOLOGY CO., LTD.	Kanagawa, Japan	Vehicle development
Aichi Machine Industry Co., Ltd.	Aichi, Japan	Unit development
JATCO Ltd	Shizuoka, Japan	Unit development
Western countries		
Nissan North America, Inc.	Tennessee, U.S.A.	Design and development of several vehicle models
Nissan Mexicana, S.A. de C.V.	Mexico City, Mexico	Design and development of several vehicle models
Nissan Motor Manufacturing (UK) Ltd.	Tyne & Wear, U.K.	Design and development of several vehicle models
Nissan Motor Iberica, S.A.	Barcelona, Spain	Design and development of several vehicle models
Nissan Research Center Silicon Valley (NRC-SV)	Silicon Valley, U.S.A.	Research of autonomous driving vehicles and our state-of-the-art Information and Communication Technology (ICT) development
Asia		
Dongfeng Motor Co., Ltd.[(1)]	Guangzhou, China	Design and development of several vehicle models
Nissan (China) Investment Co., Ltd.	Beijing, China	Design and development of several vehicle models
Yulon Nissan Motor Co., Ltd.	Miaoli, China	Design and development of several vehicle models
Nissan Motor Asia Pacific Co., Ltd.	Samutprakarn, Thailand	Design and development of several vehicle models
Renault Nissan Technology and Business Centre India Private Limited	Chennai, India	Design and development of several vehicle models
Others		
Nissan Do Brasil Automóveis Ltda.	Rio de Janeiro, Brazil	Partial development of locally produced vehicles
Nissan South Africa (Pty) Ltd.	Rosslyn, South Africa	Partial development of locally produced vehicles

Note:

(1) We hold 50.0% of the voting rights in Dongfeng Motor Co., Ltd., our joint venture in China, which is an affiliate accounted for by the equity method.

Intellectual Property

We hold numerous Japanese and foreign trademarks, patents, design patents and utility model registrations. A utility model registration is a right granted under Japanese law with respect to inventions of less originality than those which qualify for patents. In general, the effective period for a utility model registration is shorter than that granted for a patent. We also have a number of applications pending for Japanese and foreign patents. While we consider all of our intellectual property to be important, we do not consider any one group of patents, trademarks or utility model registrations to be so important that their expiration or termination would materially affect our business.

Capital Expenditures

In the fiscal years ended March 31, 2019 and 2020, we invested ¥509.9 billion and ¥509.2 billion in capital expenditures, respectively. During the fiscal year ending March 31, 2021, we expect to invest ¥440.0 billion in capital expenditures, which is expected to be financed through cash on hand.

Environmental Initiatives

Under the framework of the Paris Agreement negotiated at the 2015 United Nations Climate Change Conference (COP 21), there is a global move to decrease emissions of carbon dioxide and other greenhouse gases that contribute to climate change and global warming and to aim for net zero emissions. We are aware of the environmental impact of our operations and take proactive measures to reduce their environmental impact by working to conserve energy, reduce carbon dioxide emissions, reduce waste, improve recycling programs and reduce pollution. Our environmental philosophy is to promote "a symbiosis of people, vehicles and nature."

Nissan Green Program 2022

Through our Nissan Green Program 2022, we have established global goals and are taking steps to reduce emissions in all areas of our business, including procurement, manufacturing and distributions. By March 31, 2017, we had achieved a carbon dioxide emissions reduction target of 30% as compared to emissions levels as of March 31, 2001. Going forward, we aim to achieve a carbon dioxide emissions reduction target of 40% by the end of the fiscal year ending March 31, 2023 (as compared to emissions levels as of March 31, 2001) and a carbon dioxide emissions reduction target of 90% by the end of the fiscal year ending March 31, 2051 (as compared to emissions levels as of March 31, 2001).

A key component of our Nissan Green Program 2022 is the further development and expansion of EV in order to reduce fuel consumption and carbon dioxide emissions. This includes the development of our EV ecosystem with "Nissan Energy" solutions, which focus on energy supply, energy sharing and energy storage. These solutions cover areas such as charging efficiency, connected electric vehicles, battery performance and the secondary-use of batteries. Additionally, we have introduced and expanded on our e-POWER system equipment, improved internal combustion engines, reduced car body weight, adopted driver assistance technology and made a demonstrated commitment to mobility services.

With respect to corporate governance, we address environmental issues through our global and regional environmental management committees which meet regularly to allow our executives to discuss the progress of action plans under the Nissan Green Program 2022 as well as emerging material risks and corporate opportunities that should be implemented in future plans.

Safety

Building upon our previous progress, we aim to continue to reduce the number of deaths resulting from accidents involving Nissan vehicles to a near-zero level. As of March 31, 2018, the number of fatalities involving Nissan vehicles was roughly a quarter of the total during the 1995 calendar year in Japan, the United States and the United Kingdom (according to the Institute for Traffic Accident Research and Data Analysis, the Fatality Analysis Reporting System and the STATUS19 data provided by the U.K. Department for Transport, respectively). We continue to promote and develop technology that protects people, and our efforts include the implementation of technology that prevents collisions or reduces damage from unpreventable collisions as well as the development of sophisticated autonomous driving technologies and advanced driver and educational initiatives.

Properties

We aim to mitigate production risk by maintaining multiple manufacturing facilities globally, with our primary production facilities located in Japan, the United States, Mexico and the United Kingdom. In the fiscal year ended March 31, 2020, 757,692 vehicles, 694,305 vehicles, 611,025 vehicles and 325,243 vehicles were manufactured in our facilities in Japan, the United States, Mexico and the United Kingdom, respectively, constituting approximately 25.2%, 23.1%, 20.3% and 10.8%, respectively, of all vehicles manufactured by us during such fiscal year.

The following tables provide information on our principal facilities as of March 31, 2020:

Nissan Motor Co., Ltd.

Location	Uses	Land Space (m^2)	Number of Employees (Persons)
Yokohama Plant	Automobile parts production facilities	505,434	2,282 (823)
Oppama Plant (including the Research Center)	Vehicle production facilities	1,844,577	2,619 (912)
Tochigi Plant	Vehicle production facilities and automobile parts production facilities	2,910,646	3,785 (1,232)
Kyushu Plant	Vehicle production facilities	2,355,196	94 (24)
Iwaki Plant	Automobile parts production facilities	205,489	533 (279)
Head Office departments and other	Research and development facilities	1,356,094	9,194 (899)

Note:

(1) "Number of Employees" indicates the number of full-time employees. The figures in parentheses represent the average number of part-time employees during the fiscal year ended March 31, 2020, and are not included in the number of full-time employees. The employee figures for each plant include those at adjoining facilities, warehouses and laboratories and the related full-time employees.

Major Subsidiaries

Subsidiary Name	Location	Uses	Land Space (m²)	Number of Employees (Persons)
JATCO Ltd.	Fuji-shi, Shizuoka, etc.	Automobile parts production facilities	1,023,808	4,747 (996)
Nissan Shatai Co., Ltd.	Hiratsuka-shi, Kanagawa, etc.	Vehicle production facilities	649,312	1,822 (278)
Aichi Machine Industry Co., Ltd.	Atsuta-ku, Nagoya-shi, Aichi, etc.	Automobile parts production facilities	396,654	1,448 (366)
Nissan Network Holdings Co., Ltd.	Yokohama-shi, Kanagawa, etc.	Facilities for automobile sales, etc.	3,245,843	41 (8)
Nissan North America, Inc.	Smyrna, Tennessee, Canton, Mississippi, USA, etc.	Production facilities for vehicles, parts and others	26,019,144	15,704 (5)
Nissan Mexicana, S.A. de C.V.	Morelos, Mexico, and Aguascalientes, Mexico	Production facilities for vehicles, parts and others	6,398,359	13,537 (546)
Nissan Motor Iberica, S.A.	Barcelona, Madrid, Spain, etc.	Production facilities for vehicles and parts	1,109,537	3,860 (112)
Nissan Motor Manufacturing (UK) Ltd.	Sunderland, Tyne & Wear, United Kingdom	Production facilities for vehicles and parts	2,861,491	5,992 (793)
Renault Nissan Automotive India Private Limited	Oragadam, Kanchipuram District, India	Production facilities for vehicles and parts	2,468,582	5,181 (0)
Nissan Motor (Thailand) Co., Ltd.	Bangsaothong, Samutpraken, Thailand	Production facilities for vehicles and parts	998,190	4,171 (28)
Nissan Manufacturing RUS LLC	Saint-Petersburg, Russia	Production facilities for vehicles and parts and others	1,650,603	2,044 (34)
Nissan Do Brasil Automóveis Ltda.	Resende, Rio de Janeiro, Brazil	Production facilities for vehicles and parts and others	2,738,167	2,325 (0)
PT. Nissan Motor Indonesia	Kota Bukit Indah, Purwakarta, Indonesia	Production facilities for vehicles and parts	233,327	850 (9)

Note:

(1) "Number of Employees" indicates the number of full-time employees. The figures in parentheses represent the average number of part-time employees during the fiscal year ended March 31, 2020, and are not included in the number of full-time employees.

In addition to the above facilities, we have a number of other smaller facilities located worldwide. We also own and lease sales and service offices, research and development facilities and employee housing in major cities worldwide.

Employees

The following table lists the number of employees of the Nissan group by region as of March 31, 2020:

	As of March 31, 2020
Japan	58,134
North America (including United States)	36,148
United States	17,212
Europe	14,824
Asia	21,023
Other overseas countries	6,005
Total	136,134

Most of our employees in Japan are affiliated with the NISSAN MOTOR WORKERS' UNION, for which the governing body is the ALL NISSAN AND GENERAL WORKERS UNIONS, and the Japanese Trade Union Confederation (RENGO) through the CONFEDERATION OF JAPAN AUTOMOBILE WORKERS' UNIONS. Our labor-management relations are stable, and the number of union members was 26,316 including those of Nissan Motor Kyushu Co., Ltd. as of March 31, 2020. At most domestic group companies, employees are affiliated with their respective trade unions on a company basis, and the governing body is the ALL NISSAN AND GENERAL WORKERS UNIONS. At foreign group companies, employees' rights to select their own trade unions are respected according to the relevant labor laws and labor environment in each country. We are not currently aware of material labor relations issues.

Legal Proceedings

The Nissan group is involved from time to time in claims, proceedings, and litigation in the ordinary course of our business. The outcomes of our legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to our operating results and cash flows for a particular period. In addition, for some matters for which a loss is probable or reasonably possible, an estimate of the amount of loss or range of loss is not possible and we may be unable to estimate the possible loss or range of losses that could potentially result from the application of nonmonetary remedies.

From time to time, we issue recalls and take other safety measures to address defects in our automobiles. We also have various other pending legal actions and claims, including without limitation personal injury and wrongful death lawsuits and claims in the United States, and we are subject to government investigations from time to time. With respect to the defective airbag components produced by Takata Corporation, several class action lawsuits, civil lawsuits and lawsuits by individual states in the United States have been filed against us. Claimants seek damages for economic losses, costs incurred, decline in the value of vehicles, and, in certain cases, personal injury as well as punitive damages. A majority of the class action lawsuits in the United States have been consolidated into a multi-district litigation. We and our subsidiary Nissan North America, Inc. have agreed to and have been granted final approval of a proposed settlement to resolve these pending United States class action lawsuits.

In December 2018, our former representative director and board chairman, Carlos Ghosn, and our former representative director, Greg Kelly, were charged by Japan's Financial Services Agency (the "FSA") with violating the FIEA for false disclosures in our annual securities report, and Carlos Ghosn was charged with violations of Japan's Companies Act. We, as a legal entity, were also charged with violations of the FIEA, and proceedings are ongoing. On September 9, 2019, we received a report from our Audit Committee detailing the results of an internal investigation into the alleged violations and misconduct of our former representative directors. The report concluded that Carlos Ghosn had used company assets for improper purposes, including, but not limited to, private purchases and gifts, donations of company funds for personal purposes, and payments to distributors under the pretext of business project expenses. In December 2019 we did not dispute the facts detailed by the FSA and agreed to an administrative monetary penalty. On February 27, 2020, we received an administrative monetary penalty payment order from the Commissioner of the FSA for an aggregate penalty of approximately ¥2.4 billion, which is due in installments. To date, we have made a penalty payment of approximately ¥1.4 billion and expect to make future payments until the full amount has been paid. On February 12, 2020, we filed a lawsuit against Carlos Ghosn in Japan, seeking recovery of damages. These matters also resulted in a tax audit by the Tokyo Regional Taxation Bureau, which concluded that we had misreported expenditures reflecting funds used by Carlos Ghosn for private use. We have submitted a revised tax report and made payments of additional taxes as well as a fine in response to this audit. We are subject to shareholder claims in connection with the foregoing.

In addition to the proceedings in Japan as described above, in September 2019, we were charged with violations of the anti-fraud provisions of the Securities Exchange Act of 1934, and we paid a $15 million fine to settle the civil fraud charges brought by the SEC. Our settlement with the SEC was made without admission or denial of the SEC's allegations and findings. In addition, Carlos Ghosn and Greg Kelly were respectively charged with violations of the anti-fraud provisions of United States' securities laws and with aiding and abetting Carlos Ghosn's and our violations. In connection with their own settlements with the SEC, Carlos Ghosn and Greg Kelly agreed to be permanently enjoined from violating or aiding and abetting violations of the anti-fraud provisions. Carlos Ghosn further agreed to a $1 million civil penalty and a 10-year ban on serving as an officer or director of a publicly traded U.S. company. Greg Kelly agreed to a $100,000 penalty, a five-year ban on serving as an officer or director of a publicly traded U.S. company and a five-year suspension from practicing or appearing before the SEC as an attorney.

MANAGEMENT

Corporate Governance

Following incidents regarding regulatory compliance in Japan, including nonconformities in our final vehicle inspection process in 2017 and violations of the FIEA and Japan's Companies Act in 2018 (see "Business—Legal Proceedings"), we formed a Special Committee for Improving Governance consisting of several independent third parties and independent outside directors. On March 27, 2019, the special committee delivered a report to our board of directors including proposals for governance improvements and a recommended framework. Based on the special committee's recommendations, we implemented significant changes to our governance, including adopting a board structure with three statutory committees at the annual general meeting of shareholders in June 2019. Our board of directors decides the basic direction of management by taking a variety of perspectives into account and plays the role of supervising the executive officers. The members of the board of directors are diverse in nationality and gender, and also have different expertise which as a whole we aim to facilitate lively discussions and swift decision-making. In order to create an environment where discussions in board meetings are led by independent outside directors, these directors constitute a majority of the board, with one of them serving as board chair. After February 2020, the board of directors consists of twelve directors, seven of whom are outside directors.

The Nomination Committee has the authority to determine the content of the general shareholders meeting agenda concerning the appointment and dismissal of directors and Representative Executive Officers. The Nomination Committee consists of six members, of which five members are outside directors.

The Compensation Committee has the authority to determine the policy on decisions on the content of the compensation, the contents of the compensation for individual directors and executive officers as well as the specific amount for each individual director and representative executive officer. The Compensation Committee consists of four members, all of which are outside directors.

The Audit Committee has the authority to audit the execution of duties by the directors and executive officers, as well as the effectiveness of supervisory functions of the board of directors. In addition, the Audit Committee receives reports from executive officers, corporate officers and employees on their business execution for the company and group companies, in accordance with the Audit Committee's annual audit plan and on an ad-hoc basis as necessary. The Audit Committee consists of five members, of which four members are outside directors.

In addition, we must appoint independent public accountants, who have the statutory duties of examining the financial statements to be submitted by the representative director to the general meetings of shareholders and reporting their opinions thereon to a representative director. Currently, our independent public accountants are Ernst & Young ShinNihon LLC.

Directors

The following tables provide information regarding the directors of Nissan Motor Co., Ltd. as of June 30, 2020:

Name	Director Type	Director Since	Committee Membership
Yasushi Kimura(1)	Independent Outside Director	June 2019	Nomination Committee Audit Committee
Jean-Dominique Senard	Director	April 2019	Nomination Committee
Masakazu Toyoda(1)	Independent Outside Director	June 2018	Nomination Committee (chair) Audit Committee
Keiko Ihara(1)	Independent Outside Director	June 2018	Compensation Committee (chair) Nomination Committee
Motoo Nagai(1)	Independent Outside Director	June 2019	Audit Committee (chair) Nomination Committee Compensation Committee
Bernard Delmas(1)	Independent Outside Director	June 2019	Compensation Committee
Andrew House(1)	Independent Outside Director	June 2019	Nomination Committee

Name	Director Type	Director Since	Committee Membership
Jenifer Rogers[(1)]	Independent Outside Director	June 2019	Compensation Committee Audit Committee
Pierre Fleuriot	Director	February 2020	Audit Committee
Makoto Uchida	Director	February 2020	—
Ashwani Gupta	Director	February 2020	—
Hideyuki Sakamoto	Director	February 2020	—

Note:

(1) Outside directors stipulated under Companies Act of Japan and independent directors stipulated under the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

Name (date of birth)	Current positions and principal outside positions	Business experience	
Yasushi Kimura (February 28, 1948)	Director and Chairman of the board of directors Outside Director of INPEX CORPORATION	June 2002	Director of Nippon Oil Corporation
		June 2007	Director, Senior Vice President of Nippon Oil Corporation
		Apr. 2010	Director of JX Holdings, Inc.
		July 2010	President of JX Nippon Oil & Energy Corporation
		May 2012	Chairman of Petroleum Association of Japan
		June 2012	Chairman of the Board of JX Holdings, Inc.,
			Chairman of the Board of JX Nippon Oil & Energy Corporation
		June 2014	Director of NIPPO Corporation
			Vice Chairman of Japan Business Federation
		Apr. 2017	Chairman of JXTG Holdings, Inc.
		June 2018	Senior Executive Advisor of JXTG Holdings, Inc.
		June 2019	Outside Director of the Company (Current)
			Senior Corporate Advisor of JXTG Holdings, Inc. (Current)
			Outside Director of INPEX CORPORATION (Current)
Jean-Dominique Senard (March 7, 1953)	Director and Vice-chairman of the board of directors Chairman of the Board of Directors of Renault	Oct. 1996	Chief Financial Officer of Pechiney and a member of its Group Executive Council
		Mar. 2005	Chief Financial Officer of Michelin and a member of the Michelin Group Executive Council
		May 2007	Managing Partner of the Michelin Group
		May 2011	Managing General Partner of the Michelin Group
		May 2012	Chief Executive Officer of the Michelin Group
		Jan. 2019	Chairman of the Board of Directors of Renault (Current)
		Apr. 2019	Director of the Company (Current)

Name (date of birth)	Current positions and principal outside positions	Business experience	
Masakazu Toyoda (June 28, 1949)	Lead Independent Outside Director	Aug. 2003	Director-General, Commerce and Information Policy Bureau of Ministry of Economy, Trade and Industry ("METI")
	Chairman & CEO of The Institute of Energy Economics, Japan	July 2006	Director General, Trade Policy Bureau of METI
		July 2007	Vice-Minister for International Affairs of METI
	Outside Statutory Auditor of Nitto Denko Corporation	Aug. 2008	Secretary General of the Cabinet Secretariat's Strategic Headquarters for Space Policy
		Nov. 2008	Special Advisor to the Cabinet
	Outside Director of CANON ELECTRONICS INC.	July 2010	Chairman & CEO of The Institute of Energy Economics, Japan (Current)
		June 2011	Outside Statutory Auditor of Nitto Denko Corporation (Current)
		Mar. 2015	Outside Director of CANON ELECTRONICS INC. (Current)
		June 2016	Outside Director (Audit and Supervisory Committee Member) of Murata Manufacturing Co., Ltd.
		June 2018	Outside Director of the Company (Current)
Keiko Ihara (July 4, 1973)	Director Outside Director of SOFT99 corporation	Jan. 2013	Fédération Internationale de l'Automobile (FIA) Asian representative for the Women in Motorsports Commission and female representative for the FIA Drivers Commission
		Apr. 2013	Special Guest Associate Professor at Keio University Graduate School of Media Design
		Apr. 2015	Member of Industrial Structure Council (Development Committee for 2020 and Beyond), Japan Ministry of Economy, Trade and Industry
		July 2015	Member of Japan House Advisory Board, Japan Ministry of Foreign Affairs
		Sep. 2015	Guest Associate Professor at Keio University Graduate School of Media Design
		June 2016	Outside Director of SOFT99 corporation (Current)
		June 2018	Outside Director of the Company (Current)
		Apr. 2020	Project Professor at Keio University Graduate School of Media Design (Current)
Motoo Nagai (March 4, 1954)	Director Outside Director of Organo Corporation Outside Director of Nisshin Seifun Group Inc.	June 2011	Deputy President (Executive Officer and Director) of Mizuho Trust & Banking Co., Ltd.
		Apr. 2014	Advisor of Mizuho Trust & Banking Co., Ltd.
		June 2014	Outside Statutory Auditor of the Company, Outside Statutory Auditor of Organo Corporation
		June 2015	Outside Director of Organo Corporation (Current) Outside Statutory Auditor of Nisshin Seifun Group Inc.
		June 2019	Outside Director of the Company (Current) Outside Director of Nisshin Seifun Group Inc. (Current).

Name (date of birth)	Current positions and principal outside positions		Business experience
Bernard Delmas (April 21, 1954)	Director	Sep. 1995	President of Michelin Research Asia
	Senior Advisor of Michelin Group	Sep. 2007	President and CEO of Nihon Michelin Tire Co. Ltd.
			President and CEO of Michelin Korea Tire Co.
		Oct. 2009	Vice President of Michelin Group
		June 2015	Outside Director of Ichikoh Industries, Ltd.
		Nov. 2015	Chairman of the Board of Nihon Michelin Tire Co., Ltd.
		Nov. 2016	Chairman of Nihon Michelin Tire Co., Ltd.
		Feb. 2018	Senior Advisor of Michelin Group (Current)
		June 2019	Outside Director of the Company (Current)
Andrew House (January 23, 1965)	Director	Oct. 2005	Group Executive and Chief Marketing Officer of Sony Corporation
		Sep. 2011	Group Executive, President and Global CEO of Sony Computer Entertainment
		Apr. 2016	EVP, President and Global CEO of Sony Interactive Entertainment
		Oct. 2017	EVP and Chairman of Sony Interactive Entertainment
		Apr. 2018	Strategic Advisor of Intelity (Current)
		Oct. 2018	Executive Mentor of Merryck & Co., Ltd. (Current)
		June 2019	Outside Director of the Company (Current)
Jenifer Rogers (June 22, 1963)	Director	Dec. 1990	Registered as Attorney at Law admitted in New York
	General Counsel Asia of Asurion Japan Holdings G.K.	Nov. 2012	General Counsel Asia of Asurion Japan Holdings G.K. (Current)
	Outside Director of Mitsui & Co., Ltd.	June 2015	Outside Director of Mitsui & Co., Ltd. (Current)
	Outside Director of Kawasaki Heavy Industries, Ltd.	June 2018	Outside Director of Kawasaki Heavy Industries, Ltd. (Current)
		June 2019	Outside Director of the Company (Current)
Pierre Fleuriot (Jan. 31, 1954)	Director	June 1981	Financial auditor of Inspecteur des finances
	Lead Independent Director of Renault	Sep. 1985	Advisor to the chairman and head of market research of the French market authority of Commission des Opérations de Bourse
		Jan. 1991	General Manager of the French market authority of Commission des Opérations de Bourse
		Sep. 1997	ABN AMRO France
		Nov. 2009	Chief Executive Officer of Credit Suisse France
		Apr. 2016	Chairman of PCF Conseil & Investissement (France) (Current)
		June 2018	Lead Independent Director of Renault (Current)
		Feb. 2020	Director of the Company (Current)

Name (date of birth)	Current positions and principal outside positions	Business experience	
Makoto Uchida (Jul. 20, 1966)	Representative Executive Officer, President and CEO, and Director	Apr. 2014	Program Director of the Company
		Nov. 2016	Corporate Vice President of the Company
		Apr. 2018	Senior Vice President of the Company, President of Dongfeng Motor Co., Ltd. ("DFL")
	Director of DFL	Dec. 2019	Representative Executive Officer, President and Chief Executive Officer of the Company (Current)
		Feb. 2020	Director of the Company (Current)
Ashwani Gupta (Sep. 15, 1970)	Representative Executive Officer, Chief Operating Officer / Chief Performance Officer, and Director	May 2011	Global Program Director of the Company
		Apr. 2014	VP of Renault
		Apr. 2017	Alliance SVP of Renault-Nissan
		Apr. 2018	Alliance SVP of Renault-Nissan-Mitsubishi
	Director of DFL	Apr. 2019	COO of MITSUBISHI MOTORS CORPORATION ("MMC")
		June 2019	Jun. 2019 Representative Executive Officer, COO of MMC
		Dec. 2019	Representative Executive Officer, Chief Operating Officer / Chief Performance Officer of the Company (Current)
		Feb. 2020	Director of the Company (Current)
Hideyuki Sakamoto (April 15, 1956)	Executive Officer, Executive Vice President and Director	Apr. 2008	Corporate Vice President of the Company
		Apr. 2012	Senior Vice President of the Company
		Apr. 2014	Executive Vice President of the Company
	Chairman of Aichi Machine Industry Co., Ltd.	June 2014	Director, Executive Vice President of the Company
	Chairman of JATCO Ltd.	Jan. 2018	Director, Executive Vice President of the Company
	Outside Director of MMC	Aug. 2018	Chairman of Aichi Machine Industry Co., Ltd. (Current)
		Sep. 2018	Chairman of JATCO Ltd. (Current)
		June 2019	Executive Officer, Executive Vice President of the Company (Current) Outside Director of MMC (Current)
		Feb. 2020	Director of the Company (Current)

Executive Officers

The names and titles of our executive officers as of June 30, 2020 are as follows:

Name	Title
Makoto Uchida	Representative executive officer, president and CEO
Ashwani Gupta	Representative executive officer, COO/CPO (chief performance officer)
Chiristian Vandenhende	Executive officer, CQO (chief quality officer) / vice-CPO
Stephen Ma	Executive officer, CFO
Hideyuki Sakamoto	Executive officer, EVP
Asako Hoshino	Executive officer, EVP
Kunio Nakaguro	Executive officer, EVP

Executive Compensation

The aggregate compensation, including bonuses, we paid to our directors, statutory auditors and executive officers, including outside directors and outside statutory auditors, as a group for fiscal year ended March 31, 2020 was ¥1,835 million.

The 120th ordinary general meeting of shareholders held on June 25, 2019 resolved to change our corporate governance structure to the three committees system. Our four statutory auditors, including the three outside statutory auditors, retired from their position of statutory auditor upon the conclusion of such annual shareholders meeting. The aggregate compensation, including bonuses, we paid to our statutory auditors for their services provided during their tenure from April 1, 2019 to June 25, 2019, as a group for fiscal year ended March 31, 2020 was ¥35 million.

Limitation on Liabilities of Directors

Our articles of incorporation provide, in accordance with Article 426 of the Companies Act of Japan, that the liabilities of our directors (including those retired from their offices) under Paragraph 1, Article 423 of the Companies Act may be exempted by a resolution of the board of directors to the extent permitted under the relevant laws and regulations. As of the date of this offering circular, our board of directors has not made any such resolutions. They also provide, in accordance with Article 427 of the Companies Act, that we may enter into an agreement with our outside directors in order to limit their liabilities for damages attributable to their act under Paragraph 1, Article 423 of the Companies Act; provided, however, that the limited amount under such agreement shall be the larger of the amount previously agreed and being five million yen or more, or the amount that the relevant laws and regulations prescribe. We have entered into agreements with each of our outside directors limiting the liability of such directors in accordance with Paragraph 1, Article 425 of the Companies Act and Article 113 and 114 of the Companies Act Enforcement Regulations.

Share Ownership

The following table shows the number of shares of our common stock owned by our directors as of March 31, 2020:

Directors	Number of shares owned
Yasushi Kimura	2,000
Jean-Dominique Senard	21,000
Masakazu Toyoda	3,000
Keiko Ihara	7,000
Motoo Nagai	14,000
Bernard Delmas	2,000
Andrew House	—
Jenifer Rogers	3,000
Pierre Fleuriot	—
Makoto Uchida	12,000
Ashwani Gupta	—
Hideyuki Sakamoto	45,000

Executive Officers (excluding those who concurrently assume offices of directors)	Number of shares owned
Chiristian Vandenhende	—
Stephen Ma	54,000
Asako Hoshino	51,000
Kunio Nakaguro	—

None of our directors or executive officers is the owner of more than one percent of the aggregate number of issued shares of our common stock, and no director or executive officer has voting rights with respect to our common stock that are different from those of any other holder of our common stock.

SUBSIDIARIES AND AFFILIATES

We conduct our business together with our subsidiaries and affiliates (being companies over which we have significant influence with respect to their finances, operations or businesses). As of March 31, 2020, we had 197 consolidated subsidiaries and 32 equity-method affiliates.

The following table presents information on our principal consolidated subsidiaries and equity-method affiliates as of June 30, 2020:

Principal Subsidiaries in Japan

Name	Principal business	Percentage of voting rights held by us: Percentage (%)	Percentage of voting rights held by us: Indirect holdings (%)
Nissan Shatai Co., Ltd.	Manufacture and sale of automobiles and parts	50.01	0.01
Nissan Motor Kyushu Co., Ltd.	Entrusted manufacture of automobiles and parts	100.00	—
Aichi Machine Industry Co., Ltd.	Manufacture and sale of automobile parts	100.00	—
JATCO Ltd	Manufacture and sale of automobile parts	74.96	—
Nissan Kohki Co., Ltd.	Manufacture and sale of automobile parts	97.73	—
Nissan Group Finance Co., Ltd.	Finance to group companies	100.00	100.00
Nissan Trading Co., Ltd.	Import, export and sale of automobiles, parts and other	100.00	—
Nissan Financial Services Co., Ltd.	Finance retail and wholesale of automobiles and automobile leases	100.00	—
Autech Japan, Inc.	Develop, manufacture and sale of limited edition automobiles	100.00	—
Nissan Network Holdings Co., Ltd.	Business management of the domestic sales network, as well as sale, purchase, lease and entrusted management of real estate	100.00	7.68
Nissan Finance Co., Ltd.	Finance to group companies	100.00	—
Kanagawa Nissan Motor Co., Ltd	Sale of automobiles and parts	100.00	100.00
Nissan Motor Sales Co., Ltd.	Sale of automobiles and parts	100.00	—
Nissan Parts Chuo Sales Co., Ltd.	Sale of parts for automobile repairs	84.05	37.81
Nissan Car Rental Solutions Co., Ltd.	Rental cars	100.00	100.00

Other domestic consolidated subsidiaries: 52 companies
Total domestic consolidated subsidiaries: 67 companies

Principal Subsidiaries Outside Japan

Name	Country	Principal business	Percentage of voting rights held by us: Percentage (%)	Percentage of voting rights held by us: Indirect holdings (%)
Dongfeng Nissan Auto Finance Co., Ltd.	China	Finance retail and wholesale automobiles and automobile leases	50.50	—
Nissan Automotive Europe S.A.S.	France	Holding company for European subsidiaries and pan-European operational support	100.00	48.00

Name	Country	Principal business	Percentage of voting rights held by us	
			Percentage	Indirect holdings
			(%)	(%)
Nissan International Holdings B.V.	The Netherlands	Holding company for subsidiaries	100.00	—
Nissan West Europe S.A.S.	France	Sale of automobiles and parts	100.00	100.00
Nissan Motor (GB) Ltd.	U.K.	Sale of automobiles and parts	100.00	100.00
Nissan Holding (UK) Ltd.	U.K.	Holding company for British subsidiaries	100.00	100.00
Nissan Italia S.R.L.	Italy	Sale of automobiles and parts	100.00	100.00
Nissan Motor Manufacturing (UK) Ltd.	U.K.	Manufacture, sale of automobiles and parts, vehicle development, technical survey, evaluation and certification in Europe	100.00	100.00
Nissan International SA	Switzerland	Manage sales and operate manufacturing in Europe	100.00	—
Nissan Motor Iberica, S.A.	Spain	Manufacture and sale of automobiles and parts	99.81	93.25
Nissan Iberia, SA	Spain	Sale of automobiles and parts	100.00	100.00
Nissan Manufacturing RUS LLC	Russia	Manufacture and sale of automobiles and parts	100.00	100.00
Nissan North America, Inc.	U.S.A.	Manage subsidiaries in North America and manufacture and sale of automobiles and parts	100.00	—
Nissan Motor Acceptance Corporation	U.S.A.	Finance retail and wholesale automobiles and automobile leases	100.00	100.00
Nissan Global Reinsurance Ltd.	Bermuda	Casualty insurance	100.00	100.00
Nissan Canada Inc.	Canada	Sale of automobiles and parts, finance retail and wholesale automobiles and automobile leases	100.00	9.09
Nissan Mexicana, S.A. de C.V.	Mexico	Manufacture and sale of automobiles and parts	100.00	100.00
Nissan Do Brasil Automóveis Ltda.	Brazil	Manufacture and sale of automobiles and parts	100.00	99.00
Nissan Motor Co. (Australia) Pty. Ltd.	Australia	Manufacture and sale of automobiles and parts	100.00	100.00
Nissan Motor Egypt S.A.E.	Egypt	Manufacture and sale of automobiles and parts	100.00	0.00
Nissan South Africa (Pty) Ltd.	South Africa	Manufacture and sale of automobiles and parts	100.00	100.00
Nissan New Zealand Ltd.	New Zealand	Sale of automobiles and parts	100.00	—
Nissan Middle East F.Z.E.	U.A.E.	Manage and operate business in Middle East and sale of automobiles and parts	100.00	—
Nissan Motor India Private Limited	India	Sale of automobiles and parts	100.00	100.00
Renault Nissan Automotive India Private Limited	India	Manufacture and sale of automobiles and parts	70.00	45.00
PT. Nissan Motor Indonesia	Indonesia	Manufacture and sale of automobiles and parts	75.00	—
Nissan Motor (Thailand) Co., Ltd.	Thailand	Manufacture and sale of automobiles and parts	75.00	75.00
Yulon Nissan Motor Co., Ltd.	China	Sale of automobiles and parts	40.00	—
Nissan (China) Investment Co., Ltd.	China	Manage business in China and sale of automobiles	100.00	—
Nissan Motor Asia Pacific Co., Ltd.	Thailand	Manage and operational support in ASEAN and sale of automobiles and parts	100.00	—
Nissan Chile SpA	Chile	Sale of automobiles and parts	100.00	—
Nissan Otomotiv Anonim Sirketi	Turkey	Sale of automobiles and parts	100.00	100.00
Nissan Argentina S.A.	Argentine	Manufacture and sale of automobiles and parts	100.00	98.00

Other foreign consolidated subsidiaries:	98 companies
Total foreign consolidated subsidiaries:	130 companies
Total consolidated subsidiaries:	197 companies

Affiliates accounted for by the equity-method			Percentage of voting rights held by us	
Name	Country	Principal business	Percentage	Indirect holdings
			(%)	(%)
Nissan Tokyo Sales Holdings Co., Ltd.	Japan	Sale of automobiles and parts	34.04	34.04
Renault S.A.[1]	France	Manufacture and sale of automobiles and parts	15.30	15.30
Dongfeng Motor Co., Ltd.	China	Manufacture and sale of automobiles and parts	50.00	50.00
MITSUBISHI MOTORS CORPORATION	Japan	Manufacture and sale of automobiles and parts	34.04	—

Other affiliates accounted for by the equity method: 28 companies
Total affiliates accounted for by the equity method: 32 companies

Note:
(1) Our 15.3% equity interest in Renault does not include voting rights.

SUPERVISION AND REGULATION

Reflecting the broad range of our business, we are subject to a number of Japanese, U.S. federal and state, and other foreign laws and regulations that affect Nissan and its group companies conducting business. These may involve automotive-related, financial services, intellectual property, competition, consumer protection and taxation laws and regulations. The following is a summary of the key Japanese, U.S. federal and state, and other foreign laws and regulations with which our operations are required to comply.

Japanese Laws and Regulations in Connection with the Final Vehicle Inspection

Under the vehicle type designation system of the Road Transport Vehicle Act, automobile sellers are required to receive vehicle type designation (the "Vehicle Type Designation") from the Minister of Land, Infrastructure, Transport and Tourism (the "Minister") for each vehicle model for sale and to self-inspect their vehicles for conformity with the applicable safety standards ("Final Vehicle Inspection") with regard to the structure, devices and performance of such vehicles.

Detailed standards and methods for Final Vehicle Inspection are set forth in the related public notices, notifications and implementing guidelines, which include the requirement that inspectors engaged in Final Vehicle Inspection be appointed beforehand from persons designated by the Minister as having the knowledge and skills required for the inspection. Automobile sellers must also conduct an exhaust emissions measurement test in the prescribed conditions if sample testing is used as the Final Vehicle Inspection.

Any entity seeking the Vehicle Type Designation must submit a notification of the method of the Final Vehicle Inspection at the time of the application, and any inspection conducted in a different method for Final Vehicle Inspection after receiving the Vehicle Type Designation violates the Road Transport Vehicle Act.

In such cases, the automobile seller may be ordered by the Minister to report on its business or take necessary measures to rectify the violation and, depending on the circumstances, the Vehicle Type Designation may be suspended until such necessary measures are taken. Violations may also be subject to administrative penalty.

Automotive Regulations

The automotive industry is subject to extensive government regulation. Chief among these are vehicle and engine requirements governing safety, emissions and fuel economy, and regulations on the environmental impacts of our manufacturing operations. As described below, regulations in Japan, the United States and other countries impose substantial testing, certification and verification requirements with respect to vehicle emissions, fuel economy, noise and safety, and with respect to the environmental aspect of the operations of our manufacturing plants and other facilities. We are also subject to substantial rules and regulations designed to protect the health and safety of our workforce. The costs of complying with these requirements can be significant, and violations with respect to these requirements can result in fines, penalties, vehicle recalls, cleanup costs, reconfiguration of our facilities and claims for personal injury or property damage.

Vehicle Emissions

Japanese standards

The Air Pollution Control Act, the Road Transport Vehicle Act and the Act Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides and Particulate Matter from Automobiles in Specified Areas regulate vehicle emissions in Japan. In recent years, in addition to the strengthened regulations on particulate matters emitted from gasoline-fueled vehicles, as can be seen from the adoption of the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) and the introduction of the Real Driving Emission (RDE), more stringent regulations have been decided to be introduced to match the European standards. To date, RDE is only applicable to light-duty diesel vehicles in Japan. Moreover, both the Noise Regulation Act and the Road Transport Vehicle Act provide for noise reduction standards on automobiles in Japan.

U.S. federal standards

The Clean Air Act directs the Environmental Protection Agency ("EPA") to establish and enforce air quality standards, including emission control standards on passenger vehicles, light-duty trucks and heavy-duty vehicles. Manufacturers are not permitted to sell vehicles in the United States that do not meet the standards. In April 2014, the EPA finalized new "Tier 3" tailpipe emission and evaporative emission standards for passenger vehicles, light-duty trucks, medium-duty passenger vehicles and some heavy-duty vehicles. Under the rule, tailpipe emission standards for volatile organic compounds, carbon monoxide, nitrogen oxides, and particulate matter, as well as standards for evaporative emissions and guaranteed useful life (which relates to a vehicle's ability to meet emission limits over time), would become increasingly stringent in phases from model years 2017 to 2025. The rule would bring federal emission standards for these pollutants in line with California's emission standards.

The new Tier 3 rule also required reductions in gasoline's sulfur content beginning in 2017.

California standards

Under the Clean Air Act, the State of California has been permitted to establish its own vehicle emission control standards if it receives a waiver from the EPA that allow the California standards to preempt less-stringent federal standards. The EPA granted such a preemption waiver to California in January 2013. The waiver provides a legal basis for California's mandate for zero-emission vehicles. Pursuant to the mandate, the California Air Resources Board ("CARB") requires that a specified percentage of a manufacturer's passenger vehicles and light-duty trucks sold in California be "zero-emission vehicles" (vehicles producing no emissions of regulated pollutants), as well as permits certain advanced technology vehicles such as PHEVs. Our *Nissan LEAF* model has been certified as a zero-emission vehicle.

In January 2012, the CARB adopted the Advanced Clean Cars ("ACC") program. The ACC program, developed in coordination with the EPA and the federal National Highway Traffic Safety Administration ("NHTSA"), includes Low-Emission Vehicle (LEV) regulations, known as the LEV III regulations, that reduce emissions of smog-causing pollutants (volatile organic compounds, carbon monoxide, nitrogen oxides and particulate matter) and greenhouse gases from cars and light-duty trucks for model years 2015 to 2025. The regulations also include standards for evaporative emissions and guaranteed useful life.

California has adopted On-Board Diagnostics (OBD) regulations. The OBD regulations, which makes the detection of emission control system malfunctions mandatory, are the most stringent regulations in the world in terms of subject parts and regulatory values.

Other states' standards

Thirteen states (Colorado, Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington) have adopted California's low-emission vehicle requirement, and ten of these have adopted California's zero-emission vehicle requirement. In September 2019, the Governors of Minnesota and New Mexico indicated that they planned to adopt California's low vehicle emissions, greenhouse gas emissions and zero-emission vehicle requirements as well.

Canadian standards

Canada has finalized vehicle greenhouse gas emission standards equivalent to the federal standards in the United States in October 2014, in response to the strengthening of the federal vehicle emission standards in the United States applicable to model years 2017 to 2025. Furthermore, certain Canadian provinces are currently considering enacting their own regulations. On December 13, 2017, the Ministry of Sustainable Development, Environment and the Fight against Climate Change of the Province of Quebec issued regulations on zero-emission vehicles including EVs, fuel cell vehicles and PHEVs. In July 2020, the premier of British Columbia issued final regulations concerning zero-emission vehicles (indicating the phase-in introduction starting from model year 2020). Canada also adopted a more stringent fuel rule, which is based on the fuel rule in the United States, that reduces refineries' annual average sulfur concentration of gasoline to 10mg/kg from 2017 with a new addition of credit system to secure compliance.

European standards

In 2007, the European Parliament adopted more stringent emission standards for passenger vehicles and light commercial vehicles. The effective date for phasing in these stricter standards for passenger vehicles was September 2014 for Euro 6. For light commercial vehicles, the effective date was September 2015 for Euro 6.

The primary focus of Euro 6 is to limit further emissions of diesel powered vehicles and bring them down to a level equivalent to gasoline powered vehicles. In addition, Euro 6 is being implemented in two stages, and beginning with the second stage (September 2017 for passenger vehicles and September 2018 for commercial vehicles), the EU is implementing the RDE regulations, which requires manufacturers to conduct on-road emissions tests using portable emissions testers. Since September 2017, manufacturers have been required to reduce the divergence between the regulatory limit tested in laboratory conditions and the values of RDE tests. The EU has also decided to implement the WLTP, which were introduced on September 1, 2017 and became mandatory for all new cars powered by an internal combustion engine in September 2019. The On-Board Diagnostics (OBD) regulations have also been tightened in terms of both subject parts and regulatory values. Effective January 1, 2020, the EU implemented an improved WLTP procedure that purports to eliminate test flexibilities and introduces on-board fuel and energy consumption monitoring devices.

Chinese standards

The next-generation emissions regulations for passenger vehicles, or Level 6 Emissions Regulations (China 6), were issued as GB18352.6-2016 at the end of 2016, pursuant to which tighter requirements will be implemented in two steps, depending on the regulated subjects and the implementation timing. Specifically, China 6a will apply to all models to be sold or registered in July 2020 and beyond, and China 6b will apply to all models to be sold or registered in July 2023 and beyond. China 6b will also introduce the RDE Regulations adopted under Euro 6. The On-Board Diagnostics (OBD) regulations have also been tightened in terms of both subject parts and regulatory values similarly to the U.S. OBD requirements. With respect to fuels in the market, the quality standards and the implementation from January 2019 for China 6 gasoline fuel and China 6 diesel fuel have been provided in GB17930-2016 and GB19147-2016 so as to keep up with the implementation timing of China 6 emissions regulations. Moreover, for areas where the air quality improvement is an urgent necessity, China 6 was implemented in the main cities in China starting from July 2019 ahead of the implementation throughout China, the scheduling of which (for a portion of the regulation) has been postponed from July 1, 2020 to January 1, 2021.

For heavy-duty diesel-powered commercial vehicles, pursuant to GB17691-2005, the China V Emissions Regulations were implemented in 2017, with new portable emission measurement system testing being implemented on October 1, 2017. With the establishment of GB17691-2018, which provides next-level China VI Emissions Regulations (China VI), it has been decided that China VIa will be implemented from July 2021 and China VIb from July 2023 (these regulations will apply to gas-fueled vehicles and public vehicles for urban areas earlier than those dates). For heavy-duty gasoline-powered commercial vehicles, pursuant to GB14762-2008, Level IV Emissions Regulations (China IV) apply to new models after July 2012. After the first day the regulation is implemented to a new model, all new models released during the following one-year period also become subject to the regulation. Tightening of the next-generation emissions regulations (China V and China VI) is currently considered for heavy-duty gasoline-powered commercial vehicles.

Standards of other countries and regions

In particular, in India, given the worsening air pollution, in December 2015, the Supreme Court banned the registration of diesel cars with engines that are two liters or larger in the National Capital Region, including the Delhi metropolitan area. In August 2016, the ban on registration was lifted on the condition that a deposit equal to 1% of the vehicle’s retail price is to be paid to the Environment Pollution Control Authority. Furthermore, the government accelerated the implementations of BS-6 (equivalent to Euro 6) to 2020. Moreover, Thailand has also decided to introduce regulations equivalent to Euro 5 and Euro 6.

Vehicle Fuel Economy

Japanese standards

The Act on Rationalizing Energy Use requires automobile manufacturers to improve their vehicles to meet specified fuel economy standards. Fuel economy standards are established according to the types of vehicles, and are required to be met by either fiscal 2010 (April 2010-March 2011), fiscal 2015 (April 2015-March 2016), fiscal 2020 (April 2020-March 2021), fiscal 2022 (April 2022-March 2023), fiscal 2025 (April 2025-March 2026) or fiscal 2030 (April 2030-March 2031). In terms of fuel economy measurements, the expected compulsory application of the Worldwide Harmonized Light Vehicles Test Cycles to all passenger vehicles has been postponed to 2021. In addition, for purposes of automobile manufacturers’ requirements, the Corporate Average Fuel Economy (“CAFE”) standards have been applied for passenger vehicles since fiscal 2020 and they are scheduled to be applied for light-duty vehicles by fiscal 2022.

U.S. standards

CAFE standards are regulated by the Department of Transportation's National Highway Traffic and Safety Administration (NHTSA). A manufacturer is subject to substantial civil penalties if, in any model year, its vehicles do not meet the CAFE standards. Manufacturers that exceed the CAFE standards earn credits determined by the difference between the average fuel economy performance of their vehicles and the CAFE standards. Credits earned for the five model years preceding the current model year, and credits projected to be earned for the next three model years, can be used to meet CAFE standards in a current model year.

In December 2011, the EPA and the NHTSA issued a joint proposed rule to further reduce greenhouse gas emissions and improve fuel economy for passenger vehicles, light-duty trucks and medium-duty passenger vehicles for model years 2017 through 2025. Pursuant to the rule, which was finalized in October 2012, these vehicles are required to meet an estimated combined average emission level of 163 grams of carbon dioxide per mile in model year 2025, equivalent to 54.5 miles per gallon if these requirements are met through improvements in fuel economy standards. At the same time, the NHTSA issued CAFE standards for passenger vehicles and light-duty trucks that would require manufacturers to meet an estimated combined average fuel economy level of 49.6 miles per gallon in model year 2025.

On August 24, 2018, however, the EPA and the NHTSA proposed the Safer Affordable Fuel Efficient ("SAFE") rule, which was meant to replace the rule enacted in 2012 with less stringent greenhouse gas emission standards and CAFE standards. On September 27, 2019, the EPA and the NHTSA issued Part 1 of the final SAFE rule, which is also referred to as the One National Program rule. The One National Program rule withdraws California's waiver to issue its own, more stringent greenhouse gas emission standards. The One National Program rule also calls into question the validity of California's zero emission vehicle mandate (and the other state laws adopting it.) On April 30, 2020, the EPA and NHTSA issued Part 2 of the final SAFE rule, which calls for a 1.5% annual increase in the stringency of greenhouse gas emissions and CAFE standards for cars and light trucks for model years 2021 through 2026, as opposed to the 5% annual increase called for in the prior rule enacted in 2012. The EPA and NHTSA project that average fuel economy for 2026 model year vehicles will be 40.4 miles per gallon, compared with 46.7 miles per gallon projected for 2025 model year vehicles under the previous rule enacted in 2012.

California has pledged, despite the SAFE rule, to maintain its more stringent greenhouse gas emission standards as well as its zero-emissions vehicle mandate. On November 15, 2019, California, 22 other states, the District of Columbia, and the cities of Los Angeles and New York filed suit in the U.S. Court of Appeals for the District of Columbia to challenge the revocation, pursuant to the One National Program rule, of California's waiver.

European standards

In February 2014, the European Parliament and the Council of the European Union reduced the average carbon dioxide emissions target for light commercial vehicles to 147 grams per kilometer beginning in 2020. In March 2014, the European Parliament and the Council reduced the average carbon dioxide emissions target for passenger vehicles to 95 grams per kilometer beginning in 2021. 95% of each manufacturer's new vehicles must comply with this new standard by 2020. Penalties apply to those manufacturers who fail to meet their targets, in amounts corresponding to the degree of shortfall. Manufacturers failing to meet their targets incur penalties of between €5 and €95 per each gram of carbon dioxide per kilometer shortfall for each non-compliant vehicle. Since 2019, such penalties are €95 from the first gram of exceedance onwards.

In April 2019, the European Parliament and the Council adopted new carbon dioxide standards for cars and light commercial vehicles for the period after 2025. Average emissions of the EU fleet of new cars and light commercial vehicles in 2025 must be 15% lower than in 2021, and by 2030, emissions must be reduced further to 37.5% and 31% of 2021 levels for cars and light commercial vehicles, respectively. Starting from 2021, the emissions targets will be tested using the WLTP procedures. From 2025, a crediting system will be introduced to relax a manufacturer's specific carbon dioxide emissions targets where the manufacturer produces numbers of "zero and low-emission vehicles" above specified benchmarks.

An EU directive on motor vehicle air conditioning units requires manufacturers to replace the refrigerants with that having a lower global warming impact for all newly registered vehicles starting in January 2017.

Chinese standards

Fuel consumption regulations are being implemented pursuant to the Chinese National Standards ("GB"), and the manufacture and sale of vehicle models not meeting these regulations are prohibited. For light-duty passenger vehicles, GB27999-2011 was issued. In these Level 3 Fuel Consumption Regulations for passenger cars, the regulation framework was substantially revised, such as the introduction of new regulations requiring automobile manufacturers to meet standards of corporate average fuel consumption across models in addition to existing regulations requiring each model to meet consumption standards. Furthermore, in order to achieve the national target for average fuel efficiency for 2020, the following more stringent fuel consumption regulations have been enacted and enforced. First, GB19578-2014, which has been enacted to strengthen regulations for each model, is being applied to new models after January 2016. Second, GB27999-2014, which has been enacted as Level 4 Fuel Consumption Regulations for passenger vehicles to strengthen corporate average regulations, has been in effect since 2016. In addition, Level 5 Fuel Consumption Regulations for passenger vehicles that were published at the end of 2019 represent more stringent next-generation fuel consumption regulations. For light-duty commercial vehicles, GB20997-2015 was enacted, which further applied Level 3 Fuel Consumption Regulations to all new vehicles from January 2018 and is currently being enforced.

With respect to large commercial vehicles, pursuant to GB30510-2014, Level 2 Fuel Consumption Regulations apply to new vehicles from July 2014 and are currently being enforced. In addition, in an effort to further strengthen fuel consumption regulations, GB30510-2018 was enacted, pursuant to which Level 3 Fuel Consumption Regulations were implemented from July 1, 2019.

Vehicle Safety

Japanese standards

Japan has been participating in the 1958 Agreement of the UN and has a number of technical standards that are harmonized with the UN Regulations.

In April 2020, the amended Road Transport Vehicle Act, under which automated driving vehicles are allowed to operate on public roads, and the safety standards for automated driving systems, which require, in addition to a certain level of performance of automated driving system, the installation of an event data recorder and cyber security measures against unauthorized access, became effective.

U.S. standards

In the U.S., in light of the Executive Order issued by President Trump on January 30, 2017, few safety standards providing new technical requirements have been issued. With respect to automated driving vehicles, the policy guidance Automated Driving System 2.0 issued by the U.S. Department of Transportation in September 2017 recommends the submission and publication of the Voluntary Safety Self-Assessment. Moreover, with respect to the operation of automated driving vehicles, California and many other states have adopted an approval system, so it must be compliant with regulations and systems that vary from state to state.

European standards

In December 2019, the EU issued the revised General Safety Regulation to tighten the requirements concerning safety and the protection of vehicle occupants and vulnerable road users. This revised General Safety Regulation will make certain vehicle safety equipment mandatory in stages starting 2022, including: advanced emergency braking, emergency lane keeping systems, driver drowsiness and attention warning, intelligent speed assistance, reversing detection systems, tire pressure monitoring systems, and data recorders in case of an accident ("event data recorders"). In relation to this, various UN Regulations are being developed, but it is provided that the equipment for which UN Regulations have not been developed, EU will establish its own technical standards.

Furthermore, a major overhaul of the EU-type approval framework for motor vehicles was issued in May 2018. The new regulation purports to raise the quality and independency of vehicle type-approval and testing, to increase checks of vehicles that are already on the EU market, and to strengthen European Commission oversight of the framework. It became mandatory for all new vehicle models as of September 1, 2020.

United Nations standards

The United Nations restructured the existing working parties and established the Working Party on Automated/Autonomous and Connected Vehicles (GRVA) that is dedicated to the development of regulations on automated driving. The GRVA is developing regulations covering functional safety requirements, new evaluation test method requirements, data recording for automated driving vehicles, cybersecurity, software updates and data recording in case of an accident. In June 2020, the United Nations adopted new regulations on cyber security, software updates and automated lane keeping system. The regulations require that measures be implemented to manage vehicle cyber risks, secure vehicles by design to mitigate risks along the value chain, detect and respond to security incidents across vehicle fleets, provide safe and secure software updates and ensure vehicle safety is not compromised. The regulations, which are expected to enter into force in January 2021, will apply to passenger cars, vans, trucks and buses.

Chinese standards

Vehicle safety regulations in China were in general established having regard to the UN regulations. However, China's own national technical standards on functions such as batteries, motors and the charging and remote surveillance of EVs have been made mandatory. Fuel-cell vehicles are subject to the supervising regulations on the safety of high pressure gas in addition to the vehicle type approval requirement. Moreover, in accordance with the Made in China 2025 policy, more than 100 standards for intelligent connected vehicles (ICV) are being developed (including automation, telecommunication and security).

Environmental Matters

Japanese standards

Our automotive operations in Japan are subject to substantial environmental regulation under laws such as the Air Pollution Control Act, the Water Pollution Prevention Act, the Noise Regulation Act and the Vibration Regulation Act. Under these laws, if a business entity establishes or alters any facility that is regulated by these laws, such business entity is required to give prior notice to regulators. Additionally, if a business entity discharges, uses or stores substances that are environmental burdens or causes noise or vibration from such facility, such business entity is required to comply with the applicable standards. We are also subject to local regulations, which in some cases impose more stringent obligations than the governmental requirements. Under the Waste Management and Public Cleansing Act, producers of industrial waste must dispose of industrial waste in the manner prescribed thereunder.

The Soil Contamination Countermeasures Act requires that land owners conduct contamination testing and submit a report at the time they cease to use hazardous substances, such as in connection with the sale of a former factory, or if there is a possibility of health hazards due to land contamination. If it is found that land contamination exceeds a certain level, the relevant prefectural authority designates the area as considered to be contaminated, orders the land owner to submit a plan for decontamination (such a plan must describe the measures to be taken in the area, the reasons therefor, and the deadline for implementing such measures, etc.), and has the land owner take such measures in accordance with such a plan. In addition, under the Act on Recycling, etc. of End-of-Life Vehicles, vehicle manufacturers are required to take back and recycle specified materials (automotive shredder residues, air bags and fluorocarbons) of end-of-life vehicles and the provisions concerning such obligations of vehicle manufacturers became effective in January 2005. We have coordinated with relevant parties to establish a vehicle take-back and recycle system for automotive shredder residues, air bags and fluorocarbons throughout Japan.

U.S. standards

Our assembly, manufacturing and other operations in the United States are subject to a wide range of environmental regulation under the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Pollution Prevention Act of 1990 and the Toxic Substances Control Act. We are also subject to a variety of state legislation that parallels, and in some cases imposes more stringent obligations than, federal requirements. These federal and state regulations impose severe restrictions on air- and water-borne discharges of pollution from our facilities, and stringent requirements governing the handling of hazardous materials at our facilities and the disposal of wastes from our operations.

Pursuant to the Clean Air Act, the EPA has promulgated National Ambient Air Quality Standards ("NAAQS") for six "criteria" pollutants, including for ozone and particulate matter. The Clean Air Act requires that the EPA review and possibly revise these NAAQS every five years. On December 14, 2012, the EPA made the annual health-based particulate matter NAAQS more stringent. On October 1, 2015, the EPA made the annual health-based and welfare-based ozone NAAQS more stringent.

European standards

In 2014, the EU adopted a regulation to reduce noise produced by cars, vans, buses, coaches and light and heavy trucks. Noise limit values must ultimately be lowered by four A-weighted decibels for vehicles other than trucks, and three A-weighted decibels for trucks. Compliance must be achieved in three steps over a ten to twelve year period.

DESCRIPTION OF THE NOTES

The following description of the notes is a summary of the detailed provisions of the notes and the Indenture (as defined below). It does not purport to be complete. This summary is subject to and is qualified in its entirety by reference to all the provisions of the notes and the Indenture, including the definitions of certain terms used therein. We urge you to read those documents in their entirety prior to making an investment decision because they, and not this description, define the rights of holders of the notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You may request copies of those documents upon written request from the corporate trust office of the trustee located at 1251 Avenue of the Americas, 19th Floor, New York, NY 10020, United States of America.

The notes will be issued pursuant to an indenture to be dated on or around September 17, 2020 between us, MUFG Union Bank, N.A., as trustee, and Mizuho Trust & Banking (Luxembourg) S.A., as Euro notes paying agent, transfer agent and registrar (the "Indenture").

General

The notes will be issued only in fully registered form without interest coupons in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The notes will be represented by one or more registered notes in global form without coupons and in certain circumstances may be represented by registered notes in definitive form.

The Indenture and the notes do not contain any financial covenants or restrictions on our ability to pay dividends on our common stock, incur additional indebtedness, including senior indebtedness (other than as set forth below under "—Negative Pledge"), or issue new securities or repurchase existing securities. In addition, there are only limited restrictions on our ability to pledge assets or secure other indebtedness. The Indenture and the notes do not contain any covenants or other provisions to afford more than limited protection to holders of the notes in the event of a highly leveraged transaction or a change in control of us.

The notes have not been and will not be registered with the SEC, and are being offered and sold by the initial purchasers or their affiliates outside the United States in offshore transactions in reliance on Regulation S and by the initial purchasers or their affiliates inside the United States to QIBs in reliance on Rule 144A. Accordingly, the Indenture is not required to be, and will not be, qualified under the U.S. Trust Indenture Act of 1939, as amended.

"Business Day" means, for the purpose of the Indenture and the notes, a day other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York, London or Tokyo on which the TARGET2 System is open.

Status of the Notes

The notes will be our direct, unsecured and unsubordinated general obligations and will have the same rank in liquidation as all of our other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves.

Claims of the creditors of our subsidiaries will generally have priority with respect to the properties or assets of such subsidiaries over the claims of our creditors, including holders of the notes. Accordingly, with respect to the properties or assets held by our subsidiaries, the notes will be effectively subordinated to creditors, including trade creditors, of our subsidiaries. The Indenture does not restrict the ability of our subsidiaries to incur indebtedness.

Principal and Maturity

The initial aggregate principal amount of the 2023 notes is €500,000,000, the initial aggregate principal amount of the 2026 notes is €750,000,000 and the initial aggregate principal amount of the 2028 notes is €750,000,000. The 2023 notes will mature on September 15, 2023, the 2026 notes will mature on March 17, 2026 and the 2028 notes will mature on September 17, 2028.

The notes of each series will be repaid at maturity at a price of 100% of the principal amount thereof. The notes will not be redeemable prior to maturity, except as set forth below under "—Optional Redemption" and "—Optional Tax Redemption," and will not be subject to any sinking fund.

Interest

Interest on the 2023 notes will accrue at the rate of 1.940% per annum, interest on the 2026 notes will accrue at the rate of 2.652% per annum and interest on the 2028 notes will accrue at the rate of 3.201% per annum.

We will pay interest on the 2023 notes annually in arrears on September 15 of each year (each an "interest payment date"), beginning on September 15, 2021. There will therefore be a short first coupon for the 2023 notes in respect of the period from (and including) September 17, 2020 to (but excluding) September 15, 2021. We will pay interest on the 2026 notes annually in arrears on March 17 of each year (each an interest payment date), beginning on March 17, 2021. There will therefore be a short first coupon for the 2026 notes in respect of the period from (and including) September 17, 2020 to (but excluding) March 17, 2021. We will pay interest on the 2028 notes annually in arrears on September 17 of each year (each an interest payment date), beginning on September 17, 2021. We will pay interest to the holders of record of the notes on the day falling one clearing system business day prior to such interest payment date, as applicable.

Interest on the notes will accrue from and including the date of original issuance or, if interest has already been paid, from and including the date it was most recently paid and will be paid to but excluding the relevant interest payment date. Interest on the notes will be computed on the basis of the actual number of days in the period for which interest is being calculated and the number of days from and including the last date on which interest was paid on the notes (or from September 17, 2020, if no interest has been paid on the notes) to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) (as defined in the rulebook of the International Capital Market Association). We will compute interest by rounding the resultant figure to the nearest sub-unit, half of any such sub-unit being rounded upwards. Interest on the notes will be calculated per €1,000 in principal amount of the notes.

If any date for payment of principal, premium (if any) or interest (or Additional Amounts (as defined below), if any) in respect of the notes falls on a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such next succeeding Business Day shall have the same force and effect as if made on the original due date, and no additional interest shall accrue with respect to such payment for the period after such original due date.

Issuance in Euros

Initial holders of the notes will be required to pay for the notes in euros, and principal, premium (if any) and interest payments and Additional Amounts, if any, in respect of the notes will be payable in euros.

If, on or after the date of this offering circular, the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or the euro is no longer used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. In such circumstances, the amount payable on any date in euros will be converted to U.S. dollars on the basis of the most recently available market exchange rate for euros, as determined by us in our sole discretion. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the Indenture or the notes. Neither the trustee nor the paying agent will be responsible for obtaining exchange rates, effecting conversions or otherwise handling redenominations.

Repurchase

We, or any subsidiary of ours, may at any time repurchase any or all of the notes in the open market or otherwise at any price. Subject to applicable law, neither we nor any subsidiary of ours shall have any obligation to offer to repurchase any notes held by any holder as a result of our or any subsidiary's repurchase or offer to repurchase notes held by any other holder in the open market or otherwise.

Any notes so repurchased by us or any subsidiary of ours shall be cancelled.

Optional Redemption

We have the option to redeem the notes of each series, in whole or in part, at any time prior to the maturity date in the case of the 2023 notes, February 17, 2026 (the date that is one month before maturity) (the

"2026 par call date") in the case of the 2026 notes and June 17, 2028 (the date that is three months before maturity) (the "2028 par call date") in the case of the 2028 notes, upon giving not less than 30 nor more than 60 days' prior notice of redemption to the trustee and the holders.

The redemption price for the series of notes to be redeemed will be equal to the greater of:

(i) 100% of the principal amount of the notes being redeemed; or

(ii) the make-whole price, which equals the sum of the present values of the principal and the remaining scheduled payments of interest on the notes being redeemed (exclusive of interest accrued to the date of redemption) that would be due if such notes were (a) held to the maturity date in the case of the 2023 notes or (b) redeemed on the applicable par call date in the case of the 2026 notes and the 2028 notes, in each case discounted to the date of redemption on an annual basis at the Comparable Government Bond Rate plus 45 basis points in the case of the 2023 notes, at the Comparable Government Bond Rate plus 50 basis points in the case of the 2026 notes and at the Comparable Government Bond Rate plus 50 basis points in the case of the 2028 notes;

plus, in each case, accrued and unpaid interest on the principal amount of the notes being redeemed up to, but excluding, the date of redemption.

We have the option to redeem the 2026 notes and the 2028 notes, in whole or in part, at any time on or after the 2026 par call date in the case of the 2026 notes and the 2028 par call date in the case of the 2028 notes, upon giving not less than 30 days nor more than 60 days' prior notice of redemption to the trustee and the holders, at a redemption price equal to 100% of the principal amount of the notes to be redeemed (plus accrued and unpaid interest on the principal amount of the notes being redeemed to, but excluding, the date of redemption).

If less than all of the notes of a series are to be redeemed, such notes shall be redeemed on a pro rata basis (or, in the case of notes represented by global notes, in accordance with the procedures of Euroclear and/or Clearstream), based on the then outstanding principal amount of each note, provided, however, that if any such pro-rated redemption would result in any notes having an authorized principal amount of less than the minimum authorized denomination, all such notes shall be redeemed in full prior to the redemption of any other notes of such series, except as may be provided in the form of note or in any supplemental indenture thereto. Unless the context otherwise requires, all provisions relating to the redemption of the notes shall relate, in the case of any note redeemed or to be redeemed only in part, to the portion of the principal amount of such note which has been or is to be redeemed.

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an Independent Investment Banker, a German government bond whose maturity is closest to the maturity of the notes to be redeemed (assuming for such purpose that such notes to be redeemed matured on their applicable par call date, for the 2026 notes and the 2028 notes), or if such Independent Investment Banker in its discretion determines that such similar bond is not in issue, such other German government bond as such Independent Investment Banker may, with the advice of three Primary Government Bond Dealers selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

"Comparable Government Bond Rate" means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third Business Day prior to the date fixed for redemption, would be equal to the gross redemption yield on such Business Day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such Business Day as determined by an Independent Investment Banker.

"Independent Investment Banker" means one of the Reference Government Bond Dealers appointed by us.

"Primary Government Bond Dealer" means a broker or dealer of, and/or market maker in, German government bonds.

"Reference Government Bond Dealer" means each of Morgan Stanley & Co. International plc, J.P. Morgan Securities plc, Citigroup Global Markets Limited and Mizuho International plc (or their respective affiliates that are Primary Government Bond Dealers) and their respective successors; provided, however, that if any of the foregoing ceases to be a Primary Government Bond Dealer, we shall substitute therefor another Primary Government Bond Dealer.

Optional Tax Redemption

Each series of the notes may be redeemed at any time, at our option and sole discretion, in whole, but not in part, and upon giving not less than 30 nor more than 60 days' prior notice of redemption to the trustee and the holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount of the notes of such series together with interest accrued to (but excluding) the date fixed for redemption and any Additional Amounts thereon, if we have been or will be obliged to pay any Additional Amounts with respect to such series as a result of (a) except as described in (b) immediately below, any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes or (b) in the case of any Succession Event (as defined below) where the successor entity is not organized under the laws of Japan, any change in, or amendment to, the laws or regulations of the non-Japanese jurisdiction of organization or tax residence of the successor entity or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided through the taking of reasonable measures available to us or the successor entity, as the case may be (an "Additional Amounts Event").

Prior to the publication of any notice of such redemption, we shall deliver to the trustee (i) a certificate signed by an authorized officer stating that the conditions precedent to our right to so redeem the notes have been fulfilled and (ii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders.

No notice of redemption for an Additional Amounts Event shall be given sooner than 90 days prior to the earliest date on which we (or the successor entity) would actually be obliged to pay such Additional Amounts on a payment with respect to the notes.

Merger, Consolidation, Sale or Disposition

The Indenture provides that we may not merge or consolidate into any other corporation, entity or person (if we are not the continuing entity), or sell, lease or dispose of our properties and assets substantially as an entirety (including by way of a corporate split (*kaisha bunkatsu*)), whether as a single transaction or a number of transactions, related or not, to any other corporation, entity or person unless:

- such successor is organized and validly existing as a corporation or other entity and assumes or succeeds to our obligations under all series of the notes and the Indenture (and, if such corporation or other entity is organized in a jurisdiction other than Japan, agrees to pay any Additional Amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of organization or tax residence of such corporation or other entity or any authority therein or thereof having power to tax, corresponding to the obligation (and related carve-outs) to pay Additional Amounts as described under "—Taxation and Additional Amounts" substituting such jurisdiction for references to "Japan"), and
- after giving effect thereto, no event of default with respect to the notes shall have occurred and be continuing (such permitted transaction, a "Succession Event").

Taxation and Additional Amounts

All payments of principal and interest in respect of the notes by us shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision of, or any authority in, or of, Japan having power to tax ("Japanese Taxes"), unless such withholding or deduction is required by law as interpreted and enforced by the relevant authority. In such event, we shall pay to the holder of each note such additional amounts (all such amounts being referred to herein as "Additional Amounts") as may be necessary so that the net amounts received by such holder after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such note in the absence of such withholding or deduction, provided, that no such Additional Amounts shall be payable in relation to any such withholding or deduction with respect to any payment on the notes:

(i) to or for the benefit of a holder or beneficial owner of a note who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Japanese Taxes in respect of such note by reason of its (A) having some present or former connection with Japan other than the mere holding of such note or (B) being a person having a special relationship with us as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act") and Article 3-2-2, Paragraphs (5) to (7) of the Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order") (a "specially-related person of ours");

(ii) to or for the benefit of a holder or beneficial owner of a note who would otherwise be exempt from any such withholding or deduction but (A) who fails to comply with any applicable requirement to provide certification, information, documents or other evidence concerning its nationality, residence, identity or connection with Japan, including any requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to us or the paying agent, as appropriate, or (B) whose Interest Recipient Information is not duly communicated through the Participant (as defined below) and the relevant international clearing organization to the paying agent;

(iii) to or for the benefit of a holder or beneficial owner of a note who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation who duly notifies (directly, or through the Participant or otherwise) the paying agent of its status as not being subject to Japanese Taxes to be withheld or deducted by us by reason of such individual resident of Japan or Japanese corporation receiving interest on the relevant note through a payment handling agent in Japan appointed by it);

(iv) if the note is presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder of the note would have been entitled to such Additional Amounts on presenting the same for payment on any date during such period of 30 days;

(v) to a holder of a note who is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any note, where Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the holder of such note; or

(vi) any combination of (i) through (v) above.

None of us, the trustee, any paying agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, commonly referred to as FATCA, any treaty, law, regulation or other official guidance implementing FATCA, or an intergovernmental agreement with respect thereto, or any agreement between us, the trustee, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

Where a note is held through a participant of an international clearing organization or a financial intermediary (each, a "Participant"), in order to receive payments free of withholding or deduction by us for, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a specially-related person of ours or (b) a Japanese financial institution (a "Designated Financial Institution") falling under certain categories prescribed by Article 6, Paragraph (9) of the Special Taxation Measures Act, and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Act"), all in accordance with the Act, such beneficial owner of the note must, at the time of entrusting a Participant with the custody of the relevant note, provide certain information prescribed by the Act to enable the Participant to establish that such beneficial owner of the note is exempted from the requirement for Japanese Taxes to be withheld or deducted (the "Interest Recipient Information"), and advise the Participant if the beneficial owner of the note ceases to be so exempted, including the case where the relevant beneficial owner of the note who is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of ours.

Where a note is not held by a Participant, in order to receive payments free of withholding or deduction by us for, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a specially-related person of ours or (b) a Designated Financial Institution, all in accordance with the Act, such beneficial owner of the note must, prior to each date on which it receives interest, submit to us or a paying agent, as appropriate, a written application for tax exemption (*hikazei tekiyo shinkokusho*) (a "Written Application for Tax Exemption") in the form obtainable from us or any paying agent, as appropriate, stating, among other things, the name and address (and, if applicable, the Japanese individual or corporation ID number) of such beneficial owner of the note, the title of the notes, the relevant interest payment date, the amount of interest payable and the fact that such beneficial owner of the note is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

As used herein, the "Relevant Date" means the date on which any payment in respect of a note first becomes due, except that, if the full amount of the moneys payable has not been duly received by the paying agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the notes in accordance with the Indenture.

By subscribing for the notes, an investor will be deemed to have represented that it is a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours; or (ii) a Designated Financial Institution. For more details regarding Japanese withholding tax, see "Taxation—Japanese Taxation."

We will make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. We will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, we will use reasonable efforts to obtain other evidence satisfactory to the paying agent, and the paying agent shall make such certified copies or other evidence available to the holders or the beneficial owners of the notes upon reasonable request to the paying agent.

The obligation to pay Additional Amounts shall not apply to (A) any estate, inheritance, gift, excise, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal or interest on the notes. Except as otherwise set forth in the notes and in the Indenture, we shall pay all stamp, court, excise or other documentary taxes, charges or similar levies which may be imposed by Japan, the United States or any respective political subdivision or any taxing authority thereof or therein, with respect to the execution of the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the notes.

References to principal or interest in respect of the notes shall be deemed to include any Additional Amounts due which may be payable as set forth in the notes and the Indenture.

Negative Pledge

So long as any of the notes remain outstanding, Nissan Motor Co., Ltd. will not create or permit to subsist any Lien (as defined below) on any of its property, assets or revenues, present or future, to secure, for the benefit of the holders of Public External Indebtedness (as defined below), payment of any sum owing in respect of any such Public External Indebtedness, any payment under any guarantee of any such Public External Indebtedness or any payment under any indemnity or other like obligation relating to any such Public External Indebtedness, unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with such Public External Indebtedness with a similar Lien on the same property, assets or revenues securing such Public External Indebtedness for so long as such Public External Indebtedness are secured by such Lien. Notwithstanding the foregoing, this restriction will not apply to Liens on money paid to or money or securities deposited by Nissan Motor Co., Ltd. with a fiscal agent, trustee or depository to pay, defease or discharge in full over time its obligations in respect of other Public External Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full).

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

"Public External Indebtedness" means bonds, debentures, notes or other similar investment securities of Nissan Motor Co., Ltd. or any other person evidencing indebtedness for borrowed moneys of, or any guarantees thereof, which (a) are either (i) by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen or (ii) denominated in Japanese yen and more than 50% of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorization of the issuer thereof; and (b) are capable of being or are intended to be, quoted, listed, ordinarily dealt in or traded on a stock exchange or over-the-counter or other securities market outside Japan.

Events of Default and Remedies

Holders of the notes of a series will have certain rights if an event of default occurs. References to an event of default mean any of the following:

(a) Nissan Motor Co., Ltd. defaults for more than 30 days in the payment of interest or Additional Amounts in respect of any of the notes of such series;

(b) Nissan Motor Co., Ltd. fails to pay principal of or premium, if any, on the notes of such series when that principal or premium, if any, is due and payable;

(c) Nissan Motor Co., Ltd. default in the performance or observance of any covenant, condition or provision contained in the notes of such series or in the Indenture for a period of 90 days after written notification requesting that Nissan Motor Co., Ltd. remedy such default shall first have been given to Nissan Motor Co., Ltd. (and to the trustee in the case of notice by the holders referred to below) by the trustee or holders of at least 25% in principal amount of the then outstanding notes of such series;

(d) Nissan Motor Co., Ltd. or any Principal Subsidiary (as defined below) becomes bound as a consequence of a default in respect of any indebtedness for borrowed moneys having a total principal amount then outstanding of at least $100,000,000 (or its equivalent in any other currency or currencies) contracted or incurred prematurely to repay the same, or Nissan Motor Co., Ltd. or any Principal Subsidiary has defaulted in the repayment of any such indebtedness contracted or incurred at the later of the maturity thereof or the expiration of any applicable grace period therefor, or Nissan Motor Co., Ltd. or any Principal Subsidiary has failed to pay when properly called upon to do so, and after the expiration of any applicable grace period, any guarantee contracted or incurred by Nissan Motor Co., Ltd. or any Principal Subsidiary of any such indebtedness in accordance with the terms of any such guarantee; provided, however, that, prior to any judgment, if any such default is cured under such indebtedness, or it is waived by the holders of such indebtedness, in each case as may be permitted under the terms of such indebtedness, then such event of default shall be deemed to have been thereupon cured or waived;

(e) A final and non-appealable order of a court of competent jurisdiction is made or an effective resolution of Nissan Motor Co., Ltd. is passed for its winding-up or dissolution except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes Nissan Motor Co., Ltd.'s entire obligations under the Indenture in relation to the notes;

(f) An encumbrancer shall have taken possession, or a trustee or receiver shall have been appointed, in bankruptcy, civil rehabilitation, reorganization or insolvency of Nissan Motor Co., Ltd., of all or substantially all of Nissan Motor Co., Ltd.'s assets and undertakings and such possession or appointment shall have continued undischarged and unstayed for a period of 60 days;

(g) Nissan Motor Co., Ltd. stops payment (within the meaning of the bankruptcy laws of Japan (or in the case of any Succession Event where the successor entity is not organized under the laws of Japan, the non-Japanese jurisdiction of the successor entity)) or (otherwise than for the purposes of such a consolidation, amalgamation, merger or reconstruction) ceases to carry on business or is unable to pay its debts generally as and when they fall due;

(h) A decree or order by any court having jurisdiction shall have been issued adjudging Nissan Motor Co., Ltd. bankrupt or insolvent, or approving a petition seeking with respect to Nissan Motor Co., Ltd.'s reorganization or liquidation under bankruptcy, civil rehabilitation, reorganization or insolvency laws of Japan (or in the case of any Succession Event where the successor entity is not organized under the laws of Japan, the non-Japanese jurisdiction of the successor entity), and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(i) Nissan Motor Co., Ltd. initiates or consents to proceedings relating to it under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan (or in the case of any Succession Event where the successor entity is not organized under the laws of Japan, the non-Japanese jurisdiction of the successor entity) or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, Nissan Motor Co., Ltd.'s creditors generally.

If an event of default with respect to the notes occurs and is continuing, then in every such case (other than an event of default specified (g) or (h) above) the trustee or the holders of not less than 25% in principal amount of the outstanding notes of each affected series may declare the principal amount of all the notes of such affected series to be due and payable immediately, by a notice in writing to Nissan Motor Co., Ltd. (and to the trustee if given by holders), and upon any such declaration such principal amount shall become immediately due and payable.

Notwithstanding the foregoing, in the case of an event of default arising under subsection (g) or (h) above, the principal of and interest on the outstanding notes will become immediately due and payable without further action or notice.

"Principal Subsidiary" means any subsidiary (i) whose revenue, as shown by the latest audited financial statements of such subsidiary, constitute at least 10% of the consolidated revenue of Nissan Motor Co., Ltd. and its consolidated subsidiaries as shown by its latest audited consolidated financial statements or (ii) whose gross assets, as shown by the latest audited financial statements of such subsidiary, constitute at least 10% of the gross assets of Nissan Motor Co., Ltd. and its consolidated subsidiaries as shown on its latest audited consolidated financial statements.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal, premium (if any) or interest (including, in each case, any Additional Amounts, if applicable) in respect of the notes of any series after the applicable due date specified in the notes of such series, no holder of any note of such series has any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless:

- such holder has previously given written notice to the trustee of a continuing event of default;
- the holders of not less than 25% in aggregate principal amount of the notes of such series shall have made written request to the trustee to institute proceedings in respect of such event of default in its own name as trustee;
- such holder or holders have offered to the trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;
- the trustee for 60 days after its receipt of such notice, request and offer of indemnity and/or security has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in aggregate principal amount of the notes of such series.

Discharge, Defeasance and Covenant Defeasance

We have the ability to eliminate most or all of our obligations on the notes of a series prior to maturity if we comply, among other conditions, with the following provisions:

Discharge of Indenture. We may discharge all of our obligations, other than as to transfers and exchanges, under the Indenture after we have:

(i) paid or caused to be paid the principal of and interest on all of the outstanding notes of such series in accordance with their terms;

(ii) delivered to the trustee for cancellation all of the outstanding notes of such series; or

(iii) irrevocably deposited with the trustee cash or U.S. government obligations in trust for the benefit of the holders of notes of such series issued under the Indenture that have either become due and payable, or are by their terms due and payable, or are scheduled for redemption, within one year, in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on those notes. However, the deposit of cash or U.S. government obligations for the benefit of holders of notes of such series that are due and payable, or are scheduled for redemption, within one year will discharge obligations under the Indenture relating only to the notes of such series.

Defeasance of the Notes at Any Time. We may also discharge all of our obligations, other than as to transfers and exchanges, under the notes of a series at any time ("Defeasance"). Alternatively, we may be released with respect to the notes of a series from the obligations imposed by the covenants described above in "—Negative Pledge" limiting the creation of security interests on assets, consolidations, mergers, asset sales and leases, and elect not to comply with those sections without creating an event of default ("Covenant Defeasance").

Defeasance or Covenant Defeasance may be effected with respect to the notes of each series only if, among other things:

(i) we irrevocably deposit with the trustee cash or U.S. government obligations, as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on the notes of such series; and

(ii) we deliver to the trustee an opinion of counsel of recognized standing to the effect that:

(a) the beneficial owners of such notes being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Defeasance or Covenant Defeasance; and

(b) the beneficial owners of such notes being defeased will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Defeasance or Covenant Defeasance had not occurred.

In the case of a Defeasance, the opinion must be based on a ruling of the U.S. Internal Revenue Service or a change in U.S. federal income tax law occurring after the issuance of the notes.

Further Issuances

We reserve the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes of a series offered hereby (other than the issue date, the issue price and, in some cases, the first interest payment date), which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes of the relevant series; provided, however, that if any additional notes are not fungible with the notes of the relevant series offered hereby for U.S. federal income tax purposes, such additional notes will be issued as a separate series under the Indenture and will have a separate CUSIP, ISIN, Common Code or similar identifying number from the notes of the relevant series offered hereby.

Indemnification of Judgment Currency

We will indemnify each holder of a note to the full extent permitted by applicable law against any loss incurred by the holder as a result of any judgment or order being given or made for any amount due under the notes and the judgment or order being expressed and paid in a currency, referred to as judgment currency, other than euros and as a result of any variation as between (a) the rate of exchange at which euros are converted into the judgment currency for the purpose of the judgment or order and (b) the spot rate of exchange in London at which the holder on the date that payment is made pursuant to the judgment or order is able to purchase euros with the amount of the judgment currency actually received by the holder.

Modification and Waiver

Modification and amendment of the notes of any series and the Indenture may be made by us and the trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding notes of each affected series; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding note affected thereby:

(i) change the maturity date of the principal or payment date of any interest or change any obligation of ours to pay any Additional Amounts;

(ii) reduce the principal amount of, or rate of interest on, any note;

(iii) affect the rights of holders of less than all the outstanding notes;

(iv) change the place of payment where, or the coin or currency in which, any note or interest thereon is payable; or

(v) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any note on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all notes of the affected series outstanding at the time, alter the respective percentages of outstanding notes necessary, pursuant to the Indenture, to modify the terms of the notes, waive past defaults or accelerate the payment of the principal amount of the notes.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the notes of a particular series, we and the trustee, at any time and from time to time, may enter into one or more supplemental indentures to the Indenture, in form reasonably satisfactory to the trustee, for any of the following purposes:

(i) to secure the notes, provided it does not breach the negative pledge described above under "—Negative Pledge";

(ii) to evidence the succession of another corporation, entity or person to us and the assumption by any such successor of our covenants in the Indenture and the notes;

(iii) to add to our covenants or to surrender any right or power in the Indenture conferred upon us for the benefit of the holders of the notes;

(iv) to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee;

(v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture or applicable laws, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the notes in any material respect;

(vi) to establish the forms or terms of any subsequent series of debt securities to be issued under the Indenture; or

(vii) to make any other change that does not adversely affect the interests of the holders of the notes in any material respect.

Paying and Transfer Agent and Notes Registrar

Mizuho Trust & Banking (Luxembourg) S.A., located in Luxembourg, will initially act as paying agent, transfer agent and registrar for the notes. We may change the paying agent, transfer agent or registrar without prior notice to the holders of the notes, and we or any of our subsidiaries may act as paying agent, transfer agent or registrar.

The Trustee

The trustee, MUFG Union Bank, N.A., is organized under the laws of the United States of America, with offices located in New York. The Indenture provides that during the existence of an event of default with respect to the notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an event of default with respect to the notes, the trustee need only perform the duties specifically set forth in the Indenture.

The Indenture does not contain limitations on the rights of the trustee under the Indenture, should it be or become a creditor of ours, to obtain payment of claims. The trustee is not precluded from engaging in other transactions with us.

The trustee will be under no obligation to exercise any rights or powers vested in it by the Indenture at the request or direction of any holder, unless such holders have offered to the trustee security and/or indemnity satisfactory to it against the costs, expenses (including the properly incurred fees and expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than $50,000,000 and shall be a bank or trust company organized and doing business under the laws of the United States or of the State of New York, in good standing and having an office in the Borough of Manhattan, The City of New York.

Repayment of Funds

Any money deposited by us with the trustee or a paying agent in trust for payment of principal of or interest and any Additional Amounts on any note which remains unclaimed for two years after such principal, interest or Additional Amounts have become due and payable and paid to the trustee shall, upon our written request, be repaid to us and all liability of the trustee or such paying agent with respect to such payments will cease, and to the extent permitted by law, the holder of that note shall thereafter look only to us for payment thereof.

Reporting Requirements

For as long as any notes are outstanding, we will promptly furnish to the trustee (for the benefit of the holders of the notes):

(i) (x) within three months after the end of each fiscal year, our consolidated balance sheets and consolidated statements of income, changes in net assets and cash flows in English and (y) within six months after the end of each fiscal year, an annual report in English including our consolidated balance sheets and consolidated statements of income, changes in net assets and cash flows prepared in accordance with Japanese GAAP and audited by independent auditors; and

(ii) as soon as practicable after the end of each interim period (other than the last interim period of a fiscal year), our interim consolidated balance sheets and consolidated statements of income and cash flows in English prepared in accordance with Japanese GAAP, *provided that* interim consolidated statements of cash flows will not be required if disclosure of interim consolidated statements of cash flows is not required for such corresponding interim period for companies listed on the main board of the Tokyo Stock Exchange pursuant to the listing rules or other regulations generally applicable to such companies.

To the extent any reports or other documents are published by us on our investor relations website for such reports or documents or any other publicly available electronic medium, such reports or other documents shall be deemed to have been furnished to the trustee and the holders of the notes.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The Indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

We have irrevocably submitted to the non-exclusive jurisdiction of the courts of any New York State or United States federal court sitting in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the Indenture or the notes. As long as any of the notes remain outstanding, we will at all times have an authorized agent with an office in the Borough of Manhattan, The City of New York upon whom process may be served in any action arising out of or relating to the Indenture or the notes. We have appointed Cogency Global Inc. with offices located at 122 East 42nd Street, 18th Floor, New York, New York 10168 as our initial agent for such purpose.

Book Entry, Delivery and Form

The notes will initially be issued to investors only in book-entry form. The notes sold in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully-registered global notes (the "Regulation S global notes"), and the notes sold in reliance on Rule 144A under the Securities Act will initially be in the form of one or more fully-registered global notes (the "Rule 144A global notes" and, together with the Regulation S global notes, the "global notes"). Each such global note will initially be deposited with Mizuho Trust & Banking (Luxembourg) S.A. (the "Common Depositary") and registered in the name of the Common Depositary or its nominee. We will not issue certificated securities to investors for the notes purchased, except in the limited circumstances described below.

The notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth in the notes and the Indenture and will bear a legend regarding the restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification (in the form provided in the Indenture).

Prior to the fortieth day after the later of the commencement of the offering and the date of the issuance of the notes, a beneficial interest in a Regulation S global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note only upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a QIB purchasing for its own account (or for the account of one or more QIBs over which account it exercises sole investment discretion) and (ii) has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions." After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend regarding such restrictions set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions on transfer set forth under "Transfer Restrictions" and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the Securities Act.

Any beneficial interest in one of the global notes that is transferred to an entity that takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other global note for as long as it remains such an interest.

Beneficial interests in the global notes will be represented, and transfers of such beneficial interest will be effected, through accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in Euroclear or Clearstream. Investors may hold beneficial interests in notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. The address of Euroclear is 1 Boulevard Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg. We have no responsibility for any aspect of the records kept by Euroclear or Clearstream or any of their direct or indirect participants. We also do not supervise these systems in any way.

Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be made only through, records maintained by Euroclear or Clearstream and their participants. When investors purchase notes through the Euroclear or Clearstream systems, the purchases must be made by or through a direct or indirect participant in the Euroclear or Clearstream system, as the case may be. The participant will receive credit for the notes that investors purchase on Euroclear's or Clearstream's records, and, upon its receipt of such credit, the investors will become the beneficial owner of those notes. Ownership interest will be recorded only on the records of the direct or indirect participant in Euroclear or Clearstream, as the case may be, through which investors purchase the notes and not on Euroclear's or Clearstream's records. Neither Euroclear nor Clearstream, as the case may be, will have any knowledge of the beneficial ownership of the notes. Euroclear's or Clearstream's records will show only the identity of the direct participants and the amount of the notes held by or through those direct participants. Investors will not receive a written confirmation of the purchase or sale or any periodic account statement directly from Euroclear or Clearstream. Investors should instead receive those documents from the direct or indirect participant in Euroclear or Clearstream through which investors purchase the notes. As a result, the direct or indirect participants are responsible for keeping accurate account of the holdings of their customers. The paying agent will wire payments on the notes to the Common Depositary as the holder of the global notes. The trustee, the paying agent and we will treat the Common Depositary or any successor nominee to the Common Depositary as the owner of the global notes for all purposes. Accordingly, the trustee, the paying agent and we will have no direct responsibility or liability to pay amounts due with respect to the global notes to the beneficial owners in the global notes. Any redemption or other notices with respect to the notes will be sent by us directly to Euroclear or Clearstream, which will, in turn, inform the direct participants (or the indirect participants), which will then contact the beneficial holder, all in accordance with the rules of Euroclear or Clearstream, as the case may be, and the internal procedures of the direct participant (or the indirect participant) through which beneficial interests in the notes are held. Euroclear or Clearstream will credit payments to the cash accounts of Euroclear participants or Clearstream customers in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Euroclear and Clearstream have established their procedures in order to facilitate transfers of the notes among participants of Euroclear and Clearstream. However, they are under no obligation to perform or continue to perform those procedures, and they may discontinue or change those procedures at any time. The registered holder of the notes will be Mizuho Trust & Banking (Luxembourg) S.A., as nominee of the Common Depositary.

Initial Settlement

Investors will follow the settlement procedures applicable to conventional eurobonds in registered form. It is intended that notes will be credited to the securities custody accounts of Euroclear and Clearstream holders on the settlement date on a delivery against payment basis. None of the notes may be held through, no trades of the notes will be settled through, and no payments with respect to the notes will be made through, The Depository Trust Company in the United States.

Secondary Market Trading

Any secondary market trading of book-entry interests in the notes will take place through participants in Euroclear and Clearstream in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional eurobonds in registered form.

It is important to establish at the time of trading of any notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the notes through Euroclear and Clearstream on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving Euroclear and Clearstream on the same business day as in the United States. U.S. investors who wish to transfer their interests in the notes, or to make or receive a payment or delivery of the notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels or Luxembourg, depending on whether Euroclear or Clearstream is used.

Euroclear and Clearstream

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries.

Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the "Cooperative"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law. These Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding securities through Euroclear participants

Under Belgian law, the Euroclear Operator is required to pass on the benefits of ownership in any interests in securities on deposit with it, such as dividends, voting rights and other entitlements, to any person credited with such interests in securities on its records.

Clearstream is a limited liability company organized under Luxembourg law. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the Luxembourg Commission de Surveillance du Secteur Financier. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream participant.

Limitations on Responsibilities

Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global note. The records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those notes are credited, which also may or may not be the beneficial owners of interests in a global note. Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

The information in this section concerning Euroclear and Clearstream has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

Exchange of Global Notes for Definitive Notes

No definitive notes will be issued in exchange for the global notes unless (i) the Common Depositary is at any time unwilling or unable to continue as a depositary for the global notes or has ceased to be qualified to act as such as required by the Indenture and a successor depositary is not appointed by us within 90 days or (ii) there shall have occurred and be continuing an event of default with respect to the notes. Definitive notes delivered in exchange for beneficial interests in any global note will be registered in such names, and issued in such approved denominations, as directed by the Common Depositary or the successor depositary, in accordance with its customary procedures, and will be issued without coupons.

The principal amount of the notes in definitive form will be payable by check, drawn on a bank in London, upon presentation and surrender of the notes at our offices or at the principal office of the trustee in London or at such other place or places in London as the trustee shall designate by notice to the holders of the notes. Interest on the notes in definitive form will be payable by check, drawn on a bank in London, mailed to the persons in whose names the notes, or one or more predecessor notes, are registered on each interest payment record date. Notwithstanding the foregoing, the person in whose name a note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in London designated by such person in a written notice received by the trustee (a) in the case of a payment of interest, no later than 15 calendar days prior to the interest payment date on which such payment is due and (b) in the case of payment of principal on the maturity date, no later than 15 calendar days prior to the maturity date, provided that in the case of such payment of principal, the note shall have been surrendered to the trustee for payment together with such notice.

Enforcement

For the purposes of enforcement of the provisions of the Indenture against the trustee, the persons named in a certificate of the holder of any global note in respect of which a global note is issued will be recognized as the beneficiaries of the Indenture, to the extent of the principal amounts of their interests in the notes set out in the certificate of the holder, as if they were themselves the holders of the notes in such principal amounts.

Clearance and Settlement

The notes have been accepted for clearance through Euroclear and Clearstream.

TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of notes by investors. Potential investors should consult their own tax advisers on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the notes, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

Japanese Taxation

The following is a general description of certain aspects of Japanese taxation applicable to the notes. It does not purport to be a comprehensive description of the tax aspects of the notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on current tax laws and regulations in Japan and current income tax treaties executed by Japan all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this offering circular are to be regarded as advice on the tax position of any beneficial owner of the notes or any person purchasing, selling or otherwise dealing in the notes or any tax implication arising from the purchase, sale or other dealings in respect of the notes.

The Notes

The notes do not fall under the concept of so called "taxable linked notes" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, being notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order.

Interest Payments on the Notes

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes, where the notes are issued by us outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

(1) Non-Resident Holders that are not Specially-Related Persons

If the recipient of interest on the notes is a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual non-resident of Japan or a non-Japanese corporation, or a non-resident holder, as described below, the Japanese tax consequences to such non-resident holder are significantly different depending upon whether such non-resident holder is a specially-related person. Most importantly, if such non-resident holder is a specially-related person, income tax at the rate of 15.315% of the amount of such interest will be withheld by us under Japanese tax law.

(a) If the recipient of interest on the notes is a non-resident holder that is not a specially-related person having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the notes is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:

(i) if the relevant notes are held through certain participants in an international clearing organization such as DTC, Euroclear and Clearstream or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder), or the Law in this Japanese taxation section, the requirement to provide, at the time of entrusting a "participant" within the meaning of each such participant or financial intermediary with the custody of the relevant notes, certain information, or the interest recipient information, prescribed by the Law to enable the participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the participant if such non-resident holder ceases to be so exempted (including the case where it became a specially-related person); and

(ii) if the relevant notes are not held through a participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*), or the written application for tax exemption, together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the interest recipient information is not duly communicated through a participant or to the relevant paying agent as required under the Law) will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest.

(b) If the recipient of interest on the notes is a non-resident holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315% withholding tax by us, if the recipient provides the interest recipient information or submits the written application for tax exemption as set out in paragraph (a) above. Failure to do so will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

(2) Resident Holders, and Non-Resident Holders that are Specially-Related Persons

Payments of interest on the notes to be made to a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual resident of Japan or a Japanese corporation, or a resident holder (except for (a) a designated financial institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act which has received interest through a payment handling agent in Japan as defined in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order), or to a non-resident holder that is a specially-related person will be subject to deduction in respect of Japanese income tax at the rate of 15.315%.

For an individual resident of Japan and an individual non-resident of Japan that is a specially-related person having a permanent establishment in Japan, interest on the notes in general constitutes taxable income, together with other interest, dividends and capital gains arising from certain specified notes and listed shares, and is subject to income taxation by reporting at the rate of 15.315%. Such interest income may be offset against capital losses arising from sale of certain specified notes or listed shares by filing a tax return. The withholding tax referred to above will in general be credited against their income tax liability reportable by their tax return. Alternatively, they may elect to finalize their income tax liability only by the withholding tax referred to above without filing a tax return.

For an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially related person having no permanent establishment in Japan, the Japanese taxation is finalized only by the withholding tax referred to above.

Under the Law, if a non-resident holder becomes a specially-related person, and if the notes are held through a participant, then such non-resident holder is required to notify the participant of such change in status by the immediately following interest payment date of the notes. As the status of such non-resident holder as a specially-related person for Japanese withholding tax purposes is determined based on the status as at the beginning of our fiscal year in which the relevant interest payment date falls, such non-resident holder should, by such notification, identify and advise the participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such non-resident holder as being a specially-related person.

The Japanese withholding tax imposed upon interest on the notes paid to a non-resident holder that is a specially-related person as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such non-resident holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale of notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the notes in connection with the issue of the notes, nor will such taxes will be payable by holders of the notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired notes from another individual as legatee, heir or donee.

U.S. Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the notes as of the date hereof. Except where noted, this summary deals only with notes that are held as capital assets by a U.S. holder (as defined below) who acquires the notes upon original issuance at their initial offering price.

A "U.S. holder" means a beneficial owner of the notes that is for U.S. federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings, judicial decisions and the income tax treaty between the United States and Japan (the "Treaty"), in each case as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxes and does not address the effects of the Medicare contribution tax on net investment income or non-U.S., state, local or other tax considerations that may be relevant to U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark to market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for U.S. federal income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of the notes whose "functional currency" is not the U.S. dollar;
- tax consequences attributable to persons being required to accelerate the recognition of any item of gross income with respect to the notes for U.S. federal income tax purposes as a result of such income being recognized on an applicable financial statement; or
- alternative minimum tax consequences, if any.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding the notes, you should consult your tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of the notes, as well as the consequences to you arising under other U.S. federal tax laws and the laws of any other taxing jurisdiction.

Payments of Interest

Interest on the notes will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your regular method of accounting for U.S. federal income tax purposes.

In addition to interest on the notes (which includes any Japanese tax withheld from the interest payments you receive), you will be required to include in income any additional amounts paid in respect of any such Japanese withholding tax. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). However, any Japanese withholding taxes on interest will not be eligible for a foreign tax credit to the extent that the taxes may be eliminated under Japanese law upon compliance with applicable certification requirements, or the interest is exempt from Japanese tax pursuant to the Treaty. Interest payments on the notes are generally exempt from Japanese withholding tax pursuant to the Treaty. Therefore, if you are eligible for the benefits of the Treaty, you generally will not be entitled to a foreign tax credit for any Japanese tax withheld. Subject to the discussion below of exchange gain or loss, any interest income (including any additional amounts) on a note generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

If you use the cash basis method of accounting for U.S. federal income tax purposes and receive a payment of interest in euros (including a payment attributable to accrued but unpaid interest upon the sale, exchange, retirement or other taxable disposition of a note), you will be required to include in income the U.S. dollar value of the amount received, determined by translating euros received at the spot rate for euros on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars on such date. You will not recognize foreign currency exchange gain or loss with respect to the receipt of such payment, but you may recognize foreign currency exchange gain or loss attributable to the actual disposition of the euros received.

If you use the accrual method of accounting for U.S. federal income tax purposes, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods (or portions thereof) during which such interest accrued. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period (or the last day of the taxable year if the accrual period straddles your taxable year), or
- the date the interest payment is received if such date is within five business days of the end of the accrual period.

The above election will apply to all debt obligations you hold and may not be changed without the consent of the Internal Revenue Service (the "IRS").

In addition, if you use the accrual method of accounting, upon receipt of an interest payment on a note in euros (including, upon the sale or other taxable disposition of a note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognize foreign currency exchange gain or loss (taxable as United States source ordinary income or loss) in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the euros received at the spot rate for euros on the date such payment is received) and the U.S. dollar value of the interest income you previously included in income with respect to such payment (as determined above).

Sale, Exchange, Retirement or other Taxable Disposition of Notes

Upon the sale, exchange, retirement or other taxable disposition of a note, you will generally recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the adjusted tax basis of the note. Your adjusted tax basis in a note will, in general, be your U.S. dollar cost for that note. If you purchase a note with euros, your U.S. dollar cost generally will be the U.S. dollar value of the euros paid for such note determined based on the spot rate at the time of such purchase.

If your note is sold, exchanged, retired or disposed of in a taxable transaction for an amount denominated in euros, then your amount realized generally will be the U.S. dollar value of the euros received for such note determined based on the spot rate on the date of such sale, exchange, retirement or other taxable disposition. If, however, you are a cash method or electing accrual method taxpayer and the notes are traded on an established securities market for U.S. federal income tax purposes, euros received will be translated into U.S. dollars at the spot rate on the settlement date of the sale, exchange, retirement or other taxable disposition. If an accrual method taxpayer makes this election, the election must be applied consistently by such taxpayer from year to year and cannot be revoked without the consent of the IRS. An accrual method taxpayer that does not make this election will recognize foreign currency exchange gain or loss (taxable as United States source ordinary income or loss) upon the sale, exchange, retirement or other taxable disposition of a note to the extent that the U.S. dollar value of the euros received (based on the spot rate on the settlement date) differs from the U.S. dollar value of the amount realized.

Subject to the foreign currency rules discussed below, any gain or loss on the sale, exchange, retirement or other taxable disposition of a note generally will be capital gain or loss and generally will be treated as United States source gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A portion of your gain or loss with respect to the principal amount of a note may be treated as foreign currency exchange gain or loss. Foreign currency exchange gain or loss will generally be treated as United States source ordinary income or loss. For these purposes, the principal amount of the note is your purchase price for the note calculated in euros on the date of purchase and the amount of foreign currency exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date the note is disposed of (or deemed disposed of) in a taxable transaction and (ii) the U.S. dollar value of the principal amount determined on the date you acquired the note (or, possibly, in the case of cash basis or electing accrual basis taxpayers, the settlement dates of such purchase and taxable disposition if the notes are treated as traded on an established securities market for U.S. federal income tax purposes). The amount of foreign currency exchange gain or loss (with respect to both principal and accrued interest) will be limited to the amount of overall gain or loss realized on the disposition of the note.

Foreign Currency Exchange Gain or Loss with Respect to Euros

Your tax basis in the euros received as interest on a note or on the sale, exchange, retirement or other taxable disposition of a note will be the U.S. dollar value thereof at the spot rate in effect on the date the euros are received. Any gain or loss recognized by you on a sale, exchange or other taxable disposition of the euros will generally be treated as United States source ordinary income or loss.

Reportable Transactions

Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a note or euros received in respect of a new note to the extent that such sale, exchange, retirement or other taxable disposition results in a foreign currency loss in excess of a threshold amount. You should consult with your own tax advisors to determine the tax return obligations, if any, with respect to an investment in the notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments we make to you and the proceeds from a sale, exchange, retirement or other disposition of a note paid to you, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS.

You should consult your tax advisor regarding these rules and any other reporting obligations that may apply to the ownership or disposition of a note, including requirements related to the holding of certain “specified foreign financial assets.”

BENEFIT PLAN INVESTOR CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the notes by (i) "employee benefit plans" within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") that are subject to Title I of ERISA, (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Laws"), and (iii) entities whose underlying assets are considered to include "plan assets" of any of the foregoing described in clauses (i) and (ii) (each of the foregoing described in clauses (i), (ii) and (iii) referred to herein as, a "Plan").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (a "Covered Plan"), and prohibit certain transactions involving the assets of a Covered Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Covered Plan or the management or disposition of the assets of such a Covered Plan, or who renders investment advice for a fee or other compensation to such a Covered Plan, is generally considered to be a fiduciary of the Covered Plan.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control, conflicts of interest and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws. A fiduciary of a Plan should consider the Plan's particular circumstances and all of the facts and circumstances of the investment, including, but not limited to, the matters discussed above under "Risk Factors," in determining whether an investment in the notes satisfies these requirements.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit Covered Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or disqualified persons, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Covered Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

The acquisition and/or holding of the notes by a Covered Plan with respect to which we, an initial purchaser or any of our or their respective affiliates are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions ("PTCEs") that may apply to the acquisition and holding of the notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Covered Plan involved in the transaction and provided further that the Covered Plan pays no more than, and receives no less than, adequate consideration in connection with the transaction. Each of the above-noted exemptions contains conditions and limitations on its application. Each fiduciary of a Covered Plan considering acquiring and/or holdings the notes in reliance on these or any other exemption should carefully review the exemption in consultation with its legal advisors to assure it is applicable. There can be no assurance that all of the conditions of any such exemptions will be satisfied with respect to transactions involving the notes.

Plans (including entities) that are (or whose assets constitute the assets of) governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in section 3(33) of ERISA) that have not made an election under section 410(d) of the Code and non-United States plans, may not be subject to the fiduciary responsibility provisions of Title I of ERISA or the prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code but may be subject to Similar Laws that include similar requirements. Fiduciaries of any such Plans should consult with their legal advisors regarding the potential consequences of an investment in the notes under any applicable Similar Laws before purchasing any notes.

Because of the foregoing, the notes should not be purchased or held by any person investing the assets of any Plan, unless such purchase and holding will not constitute or result in a non-exempt prohibited transaction under ERISA and the Code or a similar violation of any applicable Similar Laws.

Representation

By acceptance of the notes, each purchaser and subsequent transferee of the notes will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes constitutes assets of any Plan or (ii) the purchase and holding of the notes by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of, or with the assets of, any Plan, consult with their advisors regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the notes.

The sale of notes to a Plan is in no respect a representation or recommendation by us, the initial purchasers or any other person that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan or that such an investment is appropriate or advisable for Plans generally or any particular Plan.

Purchasers of the notes have the exclusive responsibility for ensuring that their purchase and holding of the notes complies with the fiduciary responsibility rules of ERISA and does not violate the prohibited transaction rules of ERISA or the Code or any applicable Similar Laws. Neither this discussion nor anything provided in this offering circular is or is intended to be investment advice directed at any potential Plan purchasers or at Plan purchasers generally and such purchasers of any notes (or beneficial interests therein) should consult and rely on their own counsel and advisers as to whether an investment in the notes is suitable for the Plan.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any reoffering, resale, pledge or transfer of the notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except as set forth below.

Rule 144A Notes

Each purchaser of the notes offered hereby in reliance on Rule 144A will be deemed to have represented and agreed as follows:

(1) It (A) is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, or a QIB, (B) is aware that the sale of the Notes to it is being made in reliance on Rule 144A, and (C) is acquiring the notes for its own account or for the account of a QIB, as the case may be.

(2) It understands that the notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except as permitted by the legend set forth in paragraph (3) below.

(3) It understands that the notes will bear a legend to the following effect, unless Nissan Motor Co., Ltd. determines otherwise in compliance with applicable law:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF AGREES FOR THE BENEFIT OF NISSAN MOTOR CO., LTD. (THE "COMPANY") THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) OR A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION (IF AVAILABLE), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

Regulation S Notes

Each purchaser of the notes offered hereby in reliance on Regulation S will be deemed to have represented and agreed as follows:

(1) It is acquiring such notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

(2) It understands that such notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (3) below.

(3) It understands that the notes will bear a legend to the following effect, unless Nissan determines otherwise in compliance with applicable law:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. NISSAN MOTOR CO., LTD. HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO."

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated September 11, 2020, or the purchase agreement, between us and the initial purchasers named below, for whom Morgan Stanley & Co. International plc, J.P. Morgan Securities plc, Citigroup Global Markets Limited and Mizuho International plc are acting as representatives, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the notes listed opposite their names below.

Initial purchasers	Principal amount of 2023 notes	Principal amount of 2026 notes	Principal amount of 2028 notes
Morgan Stanley & Co. International plc	€110,000,000	€165,000,000	€165,000,000
J.P. Morgan Securities plc	105,000,000	157,500,000	157,500,000
Citigroup Global Markets Limited	105,000,000	157,500,000	157,500,000
Mizuho International plc	105,000,000	157,500,000	157,500,000
BNP Paribas	15,000,000	22,500,000	22,500,000
Merrill Lynch International	15,000,000	22,500,000	22,500,000
HSBC Bank plc	15,000,000	22,500,000	22,500,000
SMBC Nikko Capital Markets Limited	15,000,000	22,500,000	22,500,000
Société Générale	15,000,000	22,500,000	22,500,000
Total	€500,000,000	€750,000,000	€750,000,000

The initial purchasers have advised us that they propose initially to offer each series of the notes at the offering prices listed on the cover page of this offering circular. After the initial offering, the offering prices, concessions or any other term of the offering may be changed. The initial purchasers have agreed to purchase each series of the notes from us at a purchase price that reflects a discount from the offering price, and the initial purchasers will retain the difference between such purchase price and offering price as compensation.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the notes subject to their acceptance of the notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and by the initial purchasers or affiliates of certain of the initial purchasers inside the United States to QIBs as defined in Rule 144A under the Securities Act.

No Sale of Similar Securities

We have agreed that, during a period beginning the date hereof and ending 30 days following the date hereof, we will not, without the prior written consent of the representatives of the initial purchasers, directly or indirectly, issue, sell, offer, contract or grant any option for the sale of, or otherwise transfer or dispose of, any other euro-denominated senior debt securities of ours with a maturity greater than one year or any securities that are convertible into, or exchangeable for, the notes or such other euro-denominated senior debt securities of ours.

Short Positions

In connection with this offering, the initial purchasers may purchase and sell the notes in the open market, subject to applicable laws and regulations. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, the initial purchasers have no obligation to engage in these transactions, and these transactions, once commenced, may be discontinued at any time.

New Issue of the Notes

The notes are a new issue of securities with no established trading market. In addition, the notes are subject to certain restrictions on resale and transfer as described under “Benefit Plan Investor Considerations” and “Transfer Restrictions.” The initial purchasers have advised us that they presently intend to make a market in the notes after completion of this offering. Such market-making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for any of the notes may not develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If such notes are traded, they may trade at a discount from the initial offering price, depending on the market for similar securities, our performance and other factors. See “Risk Factors—Risks Relating to the Notes—The market for the notes offered by this offering circular may have limited liquidity.”

Settlement

We expect that delivery of the notes will be made to investors on or about September 17, 2020, which will be the fourth London business day following the date of this offering circular (such settlement being referred to as “T+4”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+4, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the notes, or possession or distribution of this offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material relating to the notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The notes have not been registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The initial purchasers or U.S. affiliates of the initial purchasers may arrange for the sale of a portion of the notes in the United States exclusively to QIBs (as defined in Rule 144A) in reliance on the exemption from registration provided by Rule 144A under the Securities Act, and each United States purchaser of the notes is hereby notified that the offer and sale of the notes to it is being made in reliance upon such exemption. The offering of the notes outside the United States will be made in offshore transactions in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer is made otherwise than pursuant to Rule 144A under the Securities Act or another exemption from registration under the Securities Act.

Canada

The notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Japan

The notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. Each of the initial purchasers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any of the notes in Japan or to, or for the benefit of, any resident of Japan (which term as used in this item (i) means any person that is a resident of Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any notes as part of its distribution pursuant to the purchase agreement at any time, to, or for the benefit of, any person other than a beneficial owner that is (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours, (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order or (c) an individual resident of Japan or a Japanese corporation whose receipt of interest on the notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order.

Member States of the European Economic Area and the United Kingdom

The notes may not be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and, therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPs Regulation.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or the FSMA) in connection with the issue or sale of any notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to us, and all applicable provisions of the FSMA have been complied with and will be complied with in respect to anything done in relation to the notes in, from or otherwise involving the United Kingdom.

Hong Kong

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this offering circular, you should obtain independent professional advice.

The notes have not been, and will not be, offered or sold in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong, or the SFO, and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) no advertisement, invitation or document relating to the notes that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong has been or will be issued, or in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Switzerland

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in or into Switzerland within the meaning of the Swiss Financial Services Act ("FinSA"), except under the following exemptions under the FinSA:

(a) to any investor that qualifies as a professional client within the meaning of the FinSA;

(b) to fewer than 500 investors (other than professional clients within the meaning of the FinSA);

(c) in any other circumstances falling within article 36 of the FinSA;

provided, in each case, that no such offer of notes referred to in (a) through (c) above shall require the publication of a prospectus for offers of notes pursuant to the FinSA.

The notes will not be listed or admitted to trading on the SIX Swiss Exchange or on any other trading venue in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the offering, the notes or us constitutes a prospectus as such term is understood pursuant to the FinSA, and neither this offering circular nor any other offering or marketing material relating to the offering, the notes or us may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus in Switzerland pursuant to the FinSA.

Neither this offering circular nor any other offering or marketing material relating to the offering, the notes or us have been or will be filed with or approved by any Swiss regulatory authority. In particular, this offering circular will not be filed with, and the offer of the notes will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and investors in the notes will not benefit from protection or supervision by such authority..

Stamp Taxes and Other Charges

Purchasers of the notes offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the offering price on the cover page of this offering circular.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking and commercial banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses. In particular, Mizuho Bank, Ltd. is one of our principal bank lenders and is an affiliate of Mizuho International plc, an initial purchaser in respect of the offering of the notes.

In addition, in the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account (including purchasing the notes for their own account) and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

LISTING AND GENERAL INFORMATION

Clearing Systems

The notes have been accepted for clearance through Euroclear and Clearstream.

Listing

We have made an application to the Luxembourg Stock Exchange to list the notes on the official list of the Luxembourg Stock Exchange and for such notes to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market.

Copies of the following documents will, so long as any of the notes are listed on the Luxembourg Stock Exchange, be available, with English translations where appropriate, during usual business hours on any weekday (Saturdays and public holidays excepted) at our principal executive office, located at 1-1, Takashima 1-chome, Nishi-ku, Yokohama-shi, Kanagawa, Japan: (a) the Indenture, (b) our Articles of Incorporation and Regulations of the Board of Directors and (c) our audited annual consolidated financial statements as of March 31, 2019 and 2020 and for the years then ended, and as of March 31, 2018 and 2019 and for the years then ended, and our unaudited condensed quarterly consolidated financial statements as of June 30, 2020 and for the three-month periods ended June 30, 2019 and 2020.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes. The issue of the notes was duly authorized by Makoto Uchida, Representative Executive Officer, President, CEO and Director of the Company, on July 23, 2020.

Responsibility for Statements

We accept responsibility for the information contained in this offering circular. To the best of our knowledge, the information contained in this offering circular is in accordance with the facts and contains no omission likely to affect its import.

No Material Adverse Change

Except as disclosed in this offering circular, there has been no material adverse change in the financial position or prospects of us and our subsidiaries taken as a whole since March 31, 2020.

Notices

So long as the notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices to holders of the notes will also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu)* or in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort).*

Business Address

Our principal executive office and the business address for our directors is 1-1, Takashima 1-chome, Nishi-ku, Yokohama-shi, Kanagawa, Japan.

Date of Establishment

Our date of establishment was December 26, 1933.

Legal Entity Identifier

Our legal entity identifier number is 353800DRBDH1LUTNAY26.

LEGAL MATTERS

Certain Japanese legal matters will be passed upon for us by Mori Hamada & Matsumoto. The validity of the notes and certain U.S. legal matters will be passed upon for us by Simpson Thacher & Bartlett LLP and for the initial purchasers by Davis Polk & Wardwell LLP, in each case in respect of New York state and U.S. federal securities law.

INDEPENDENT AUDITORS

Our consolidated financial statements as of March 31, 2019 and 2020 and for the years then ended, and as of March 31, 2018 and 2019 and for the years then ended included in this offering circular have been audited by Ernst & Young ShinNihon LLC, an independent auditor, as stated in their reports appearing herein.

With respect to our unaudited condensed quarterly consolidated financial statements as of June 30, 2020 and for the three-month periods ended June 30, 2019 and 2020 included in this offering circular, Ernst & Young ShinNihon LLC has conducted a review in accordance with the review standards for quarterly financial statements generally accepted in Japan. However, as stated in their report appearing herein, they did not audit and they do not express an opinion on these unaudited condensed quarterly consolidated financial statements. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF NISSAN MOTOR CO., LTD.

Consolidated Financial Statements of Nissan Motor Co., Ltd. and its Subsidiaries

As of and for the fiscal years ended March 31, 2019 and 2020:

As of and for the fiscal years ended March 31, 2018 and 2019:

As of and for the three-month periods ended June 30, 2019 and 2020:

Independent Auditor's Report

The Board of Directors
Nissan Motor Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Nissan Motor Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and the basis of consolidated financial statements, other related notes and the consolidated supplemental schedules, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 3, 2020

/s/ Koki Ito

Koki Ito
Designated Engagement Partner
Certified Public Accountant

/s/ Takeshi Hori

Takeshi Hori
Designated Engagement Partner
Certified Public Accountant

/s/ Koji Fujima

Koji Fujima
Designated Engagement Partner
Certified Public Accountant

/s/ Masao Yamamoto

Masao Yamamoto
Designated Engagement Partner
Certified Public Accountant

1. Consolidated Financial Statements

(1) Consolidated financial statements

① Consolidated balance sheets

(Millions of yen)

		Prior fiscal year (As of March 31, 2019)		Current fiscal year (As of March 31, 2020)
Assets				
Current assets				
Cash on hand and in banks		1,219,588		1,382,471
Trade notes and accounts receivable		512,164		356,156
Sales finance receivables	※3, ※6	7,665,603	※3, ※6	6,739,336
Securities		139,470		260,510
Merchandise and finished goods		827,289		881,940
Work in process		64,386		67,865
Raw materials and supplies		366,248		390,618
Other	※6	945,449	※6	739,307
Allowance for doubtful accounts		(127,092)		(142,264)
Total current assets		11,613,105		10,675,939
Fixed assets				
Property, plant and equipment				
Buildings and structures, net		590,717		582,716
Machinery, equipment and vehicles, net	※2	3,436,437	※2	2,936,316
Land		595,776		589,064
Construction in progress		233,070		227,165
Other, net		449,698		183,589
Total property, plant and equipment	※1, ※3	5,305,698	※1, ※3	4,518,850
Intangible fixed assets	※4	134,471	※4	114,932
Investments and other assets				
Investment securities	※5	1,338,875	※5	1,177,184
Long-term loans receivable		13,983		13,658
Net defined benefit assets		8,499		10,397
Deferred tax assets		326,759		228,012
Other		213,313		241,622
Allowance for doubtful accounts		(2,358)		(3,885)
Total investments and other assets		1,899,071		1,666,988
Total fixed assets		7,339,240		6,300,770
Total assets		18,952,345		16,976,709

(Millions of yen)

		Prior fiscal year (As of March 31, 2019)		Current fiscal year (As of March 31, 2020)
Liabilities				
Current liabilities				
Trade notes and accounts payable		1,580,452		1,357,047
Short-term borrowings	※3	850,995	※3	1,339,949
Current portion of long-term borrowings	※3	1,630,771	※3	1,826,904
Commercial papers		697,549		726,017
Current portion of bonds		583,457		765,532
Lease obligations		19,846		35,572
Accrued expenses		1,183,888		1,031,284
Accrued warranty costs		116,492		104,297
Other		1,067,081		878,644
Total current liabilities		7,730,531		8,065,246
Long-term liabilities				
Bonds		1,691,844		1,042,954
Long-term borrowings	※3	2,539,186	※3	2,098,558
Lease obligations		16,038		72,494
Deferred tax liabilities		339,991		243,428
Accrued warranty costs		116,425		108,751
Net defined benefit liability		378,967		454,068
Other		515,853		466,437
Total long-term liabilities		5,598,304		4,486,690
Total liabilities		13,328,835		12,551,936
Net assets				
Shareholders' equity				
Common stock		605,814		605,814
Capital surplus		814,682		818,056
Retained earnings		4,961,980		4,125,043
Treasury stock		(139,457)		(139,262)
Total shareholders' equity		6,243,019		5,409,651
Accumulated other comprehensive income				
Unrealized holding gain and loss on securities		30,004		(16,420)
Unrealized gain and loss from hedging instruments		4,762		(20,352)
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting		(30,882)		(35,632)
Translation adjustments		(790,131)		(1,046,160)
Remeasurements of defined benefit plans		(154,097)		(226,798)
Total accumulated other comprehensive income		(940,344)		(1,345,362)
Non-controlling interests		320,835		360,484
Total net assets		5,623,510		4,424,773
Total liabilities and net assets		18,952,345		16,976,709

② Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

		Prior fiscal year (From April 1, 2018 To March 31, 2019)		Current fiscal year (From April 1, 2019 To March 31, 2020)
Net sales		11,574,247		9,878,866
Cost of sales	※1, ※2	9,670,402	※1, ※2	8,442,905
Gross profit		1,903,845		1,435,961
Selling, general and administrative expenses				
Advertising expenses		302,472		280,801
Service costs		146,851		66,509
Provision for warranty costs		122,818		122,991
Other selling expenses		221,536		220,981
Salaries and wages		409,222		387,757
Retirement benefit expenses		19,105		21,438
Supplies		2,780		2,348
Depreciation and amortization		55,685		63,465
Provision for doubtful accounts		82,356		109,659
Amortization of goodwill		1,118		1,681
Other		221,678		198,800
Total selling, general and administrative expenses	※1	1,585,621	※1	1,476,430
Operating income (loss)		318,224		(40,469)
Non-operating income				
Interest income		30,206		21,263
Dividends income		8,132		7,287
Equity in earnings of affiliates		218,565		86,547
Derivative gain		24,751		59,757
Miscellaneous income		29,532		9,970
Total non-operating income		311,186		184,824
Non-operating expenses				
Interest expense		13,478		10,874
Exchange loss		38,293		63,244
Credit liquidation costs		12,888		10,458
Miscellaneous expenses		18,253		15,730
Total non-operating expenses		82,912		100,306
Ordinary income		546,498		44,049

(Millions of yen)

		Prior fiscal year (From April 1, 2018 To March 31, 2019)		Current fiscal year (From April 1, 2019 To March 31, 2020)
Special gains				
Gain on sales of fixed assets	※3	17,712	※3	11,246
Compensation income		—		32,813
Other		10,604		8,303
Total special gains		28,316		52,362
Special losses				
Loss on sales of fixed assets	※4	2,960	※4	6,026
Loss on disposal of fixed assets		15,941		17,914
Impairment loss	※5	13,339	※5	540,642
Compensation for suppliers and others		16,998		63,992
Special addition to retirement benefits		39,832		15,422
Other		8,036		25,437
Total special losses		97,106		669,433
Income (loss) before income taxes		477,708		(573,022)
Income taxes-current		156,115		64,487
Income taxes-deferred		(20,322)		28,669
Total income taxes		135,793		93,156
Net income (loss)		341,915		(666,178)
Net income attributable to non-controlling interests		22,777		5,038
Net income (loss) attributable to owners of parent		319,138		(671,216)

Consolidated statements of comprehensive income

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Net income (loss)	341,915	(666,178)
Other comprehensive income		
Unrealized holding gain and loss on securities	(28,964)	(43,401)
Unrealized gain and loss from hedging instruments	(4,648)	(24,671)
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	(17,966)	(5,470)
Translation adjustments	(9,892)	(239,385)
Remeasurements of defined benefit plans	(19,676)	(64,492)
The amount for equity method company portion	(64,770)	(40,550)
Total other comprehensive income	※1 (145,916)	※1 (417,969)
Comprehensive income	195,999	(1,084,147)
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	177,385	(1,076,234)
Comprehensive income attributable to non-controlling interests	18,614	(7,913)

③ Consolidated statements of changes in net assets

Prior fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain and loss on securities	Unrealized gain and loss from hedging instruments
Balance at the beginning of current period	605,814	815,913	4,921,722	(139,970)	6,203,479	68,179	9,537
Cumulative effects of changes in accounting policies			(63,628)		(63,628)	(449)	
Restated balance	605,814	815,913	4,858,094	(139,970)	6,139,851	67,730	9,537
Changes of items during the period							
Cash dividends paid			(215,101)		(215,101)		
Net income attributable to owners of parent			319,138		319,138		
Purchase of treasury stock				(392)	(392)		
Disposal of treasury stock				905	905		
Change in subsidiaries' interests by purchase of its treasury stock		(1)			(1)		
Changes in the scope of consolidation			(151)		(151)		
Change in an affiliated company's interests in its subsidiary		(1,230)			(1,230)		
Net changes of items other than those in shareholders' equity						(37,726)	(4,775)
Total changes of items during the period		(1,231)	103,886	513	103,168	(37,726)	(4,775)
Balance at the end of current period	605,814	814,682	4,961,980	(139,457)	6,243,019	30,004	4,762

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	(13,945)	(733,571)	(135,967)	(805,767)	84	303,914	5,701,710
Cumulative effects of changes in accounting policies		7,625		7,176		(752)	(57,204)
Restated balance	(13,945)	(725,946)	(135,967)	(798,591)	84	303,162	5,644,506
Changes of items during the period							
Cash dividends paid							(215,101)
Net income attributable to owners of parent							319,138
Purchase of treasury stock							(392)
Disposal of treasury stock							905
Change in subsidiaries' interests by purchase of its treasury stock							(1)
Changes in the scope of consolidation							(151)
Change in an affiliated company's interests in its subsidiary							(1,230)
Net changes of items other than those in shareholders' equity	(16,937)	(64,185)	(18,130)	(141,753)	(84)	17,673	(124,164)
Total changes of items during the period	(16,937)	(64,185)	(18,130)	(141,753)	(84)	17,673	(20,996)
Balance at the end of current period	(30,882)	(790,131)	(154,097)	(940,344)	—	320,835	5,623,510

Current fiscal year (From April 1, 2019 To March 31, 2020)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain and loss on securities	Unrealized gain and loss from hedging instruments
Balance at the beginning of current period	605,814	814,682	4,961,980	(139,457)	6,243,019	30,004	4,762
Cumulative effects of changes in accounting policies			(14,353)		(14,353)		
Restated balance	605,814	814,682	4,947,627	(139,457)	6,228,666	30,004	4,762
Changes of items during the period							
Cash dividends paid			(150,652)		(150,652)		
Net loss attributable to owners of parent			(671,216)		(671,216)		
Purchase of treasury stock				(2)	(2)		
Disposal of treasury stock		5		197	202		
Changes in the scope of consolidation			(108)		(108)		
Changes in the scope of equity method			(608)		(608)		
Changes in interests by purchase of subsidiaries' shares		(2)			(2)		
Changes in interests by sales of subsidiaries' shares		3,620			3,620		
Change in an affiliated company's interests in its subsidiary		(249)			(249)		
Net changes of items other than those in shareholders' equity						(46,424)	(25,114)
Total changes of items during the period		3,374	(822,584)	195	(819,015)	(46,424)	(25,114)
Balance at the end of current period	605,814	818,056	4,125,043	(139,262)	5,409,651	(16,420)	(20,352)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	(30,882)	(790,131)	(154,097)	(940,344)	320,835	5,623,510
Cumulative effects of changes in accounting policies					(79)	(14,432)
Restated balance	(30,882)	(790,131)	(154,097)	(940,344)	320,756	5,609,078
Changes of items during the period						
Cash dividends paid						(150,652)
Net loss attributable to owners of parent						(671,216)
Purchase of treasury stock						(2)
Disposal of treasury stock						202
Changes in the scope of consolidation						(108)
Changes in the scope of equity method						(608)
Changes in interests by purchase of subsidiaries' shares						(2)
Changes in interests by sales of subsidiaries' shares						3,620
Change in an affiliated company's interests in its subsidiary						(249)
Net changes of items other than those in shareholders' equity	(4,750)	(256,029)	(72,701)	(405,018)	39,728	(365,290)
Total changes of items during the period	(4,750)	(256,029)	(72,701)	(405,018)	39,728	(1,184,305)
Balance at the end of current period	(35,632)	(1,046,160)	(226,798)	(1,345,362)	360,484	4,424,773

④ Consolidated statements of cash flows

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Cash flows from operating activities		
Income (loss) before income taxes	477,708	(573,022)
Depreciation and amortization (for fixed assets excluding leased vehicles)	385,737	384,116
Depreciation and amortization (for long term prepaid expenses)	33,954	43,311
Depreciation and amortization (for leased vehicles)	479,850	438,488
Impairment loss	13,339	540,642
Increase (decrease) in allowance for doubtful receivables	3,028	21,110
Provision for residual value risk of leased vehicles (net changes)	31,828	39,775
Interest and dividends income	(38,338)	(28,550)
Interest expense	208,074	200,816
Equity in losses (earnings) of affiliates	(218,565)	(86,547)
Loss (gain) on sales of fixed assets	(14,752)	(5,220)
Loss on disposal of fixed assets	15,941	17,914
Loss (gain) on sales of investment securities	(1,483)	(3,026)
Decrease (increase) in trade notes and accounts receivable	228,010	141,882
Decrease (increase) in sales finance receivables	87,606	667,270
Decrease (increase) in inventories	13,098	(118,578)
Increase (decrease) in trade notes and accounts payable	(43,721)	(255,686)
Retirement benefit expenses	27,545	30,049
Payments related to net defined benefit assets and liabilities	(26,644)	(29,162)
Other	(52,424)	(102,442)
Subtotal	1,609,791	1,323,140
Interest and dividends received	41,706	29,195
Proceeds from dividends income from affiliates accounted for by equity method	144,376	173,796
Interest paid	(202,757)	(204,120)
Income taxes paid	(142,228)	(136,157)
Net cash provided by operating activities	1,450,888	1,185,854
Cash flows from investing activities		
Net decrease (increase) in short-term investments	675	874
Purchase of fixed assets	(422,569)	(464,219)
Proceeds from sales of fixed assets	46,433	49,242
Purchase of leased vehicles	(1,298,702)	(1,114,850)
Proceeds from sales of leased vehicles	666,375	743,759
Payments of long-term loans receivable	(372)	(607)
Collection of long-term loans receivable	3,390	735
Purchase of investment securities	(31,328)	(11,776)
Proceeds from sales of investment securities	178	2,648
Purchase of shares of subsidiaries' resulting in changes in the scope of consolidation	—	(933)
Proceeds from sales of subsidiaries' shares resulting in changes in the scope of consolidation	440	1,746
Net decrease (increase) in restricted cash	(134,474)	85,579
Proceeds from transfer of business	46,176	—
Other	(9,769)	(885)
Net cash used in investing activities	(1,133,547)	(708,687)

(Millions of yen)

		Prior fiscal year (From April 1, 2018 To March 31, 2019)		Current fiscal year (From April 1, 2019 To March 31, 2020)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		213,577		509,217
Proceeds from long-term borrowings		1,313,294		1,655,629
Proceeds from issuance of bonds		363,868		160,124
Repayments of long-term borrowings		(1,344,303)		(1,718,635)
Redemption of bonds		(416,059)		(571,399)
Proceeds from share issuance to non-controlling shareholders		—		9,560
Purchase of treasury stock		(5)		(2)
Repayments of lease obligations		(27,044)		(37,261)
Cash dividends paid		(215,101)		(150,652)
Cash dividends paid to non-controlling interests		(15,354)		(17,086)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(13)		—
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		—		5,011
Net cash used in financing activities		(127,140)		(155,494)
Effects of exchange rate changes on cash and cash equivalents		(38,258)		(43,954)
Increase in cash and cash equivalents		151,943		277,719
Cash and cash equivalents at beginning of the period		1,206,000		1,359,058
Increase due to inclusion in consolidation		1,115		6,204
Cash and cash equivalents at end of the period	※1	1,359,058	※1	1,642,981

[Notes to Consolidated Financial Statements]

(Basis of consolidated financial statements)

The consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 28, 1976 "Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (hereinafter the "Regulations for Consolidated Financial Statements").

1. Scope of consolidation
   (1) Number of consolidated group companies: 197
   - Domestic companies: 67
   - Overseas companies: 130

   The names of principal consolidated group companies are omitted here because they are provided in "4. Information on subsidiaries and affiliates" under "1. Overview of the Company."

   Due to new establishment in the current fiscal year or other reasons, JATCO (Suzhou) Automatic Transmission Ltd. and eight other companies have been included in the scope of consolidation in the current fiscal year. Nissan Canada Financial Services Inc., which was a consolidated subsidiary in the prior fiscal year, has been excluded from the scope of consolidation in the current fiscal year due to the dissolution in line with a merger. Nissan Satio Toyama Co., Ltd. and two other companies which were consolidated subsidiaries in the prior fiscal year, have been excluded from the scope of consolidation in the current fiscal year due to the transfer of shares held by the Company.

   (2) Number of unconsolidated subsidiaries: 67
   - Domestic companies: 47
     NISSAN ARC, LTD and others
   - Overseas companies: 20
     JATCO Korea Engineering Corporation and others

   These unconsolidated subsidiaries are immaterial in terms of their total assets, sales, net income or loss, retained earnings and others, and do not have a significant effect on the consolidated financial statements. As a result, they have been excluded from consolidation.

2. Equity method
   (1) Number of companies accounted for by the equity method: 49
   - Unconsolidated subsidiaries: 17 (12 domestic and 5 overseas companies)
     NISSAN ARC, LTD and others
   - Affiliates: 32 (18 domestic and 14 overseas companies)
     Renault S.A., Dongfeng Motor Co., Ltd., MITSUBISHI MOTORS CORPORATION, NISSAN TOKYO SALES HOLDINGS CO., LTD. and others

   Due to new establishment in the current fiscal year or other reasons, Alliance Automotive Research & Development (Shanghai) Co., Ltd. and two other companies have become affiliates accounted for by the equity method in the current fiscal year. Due to the transfer of shares held by the Company or other reasons, Nissan Prince Kumamoto Hanbai Co., Ltd., which was an affiliate accounted for by the equity method in the prior fiscal year, and two other companies have been excluded from the scope of the equity method in the current fiscal year.

   (2) Number of companies not accounted for by the equity method: 60
   - Unconsolidated subsidiaries: 50
     Nissan Shatai Computer Service Co., Ltd. and others
   - Affiliates: 10
     Nissan Car Techno Yamaguchi Co., Ltd, and others

   These companies are not accounted for by the equity method, as their impact is not significant on the consolidated net income or loss, consolidated retained earnings and others.

   (3) No adjustments are made to the financial statements of the companies accounted for by the equity method even if their accounting period is different from that of the Company.

3. Accounting period of consolidated subsidiaries
   (1) The following consolidated group companies close their books of account at:
   December 31:
   Nissan Mexicana, S.A. De C. V.
   Nissan Exports De Mexico, S. de R.L. de C.V.
   NR FINANCE MEXICO, S.A. de C.V.

NR Finance Services, S.A. de C.V.
ANZEN Agente de Seguros, S.A. de C.V.
NISSAN DO BRASIL AUTOMOVEIS LTDA
Nissan Argentina S. A.
NISSAN ARGENTINA PLAN S.A. DE AHORRO PARA FINES DETERMINADOS
Nissan Chile SpA
Nissan Peru S.A.C.
APRITE (GB) LIMITED
Nissan Manufacturing RUS, Limited Liability Company
NISSAN MOTOR UKRAINE Limited Liability Company
Yulon Nissan Motor Co., Ltd.
NISSAN (CHINA) INVESTMENT CO., LTD.
Dongfeng Nissan Auto Finance Co., Ltd.
Dongfeng Nissan Financial Leasing Co., Ltd.
Wuhan Dongfeng Insurance Broker Co., Ltd.
Wuhan Dongfeng Xinda Economic Information Consulting Co., Ltd.
Nissan Shanghai Co., Ltd.
JATCO MEXICO S.A. DE C.V.
JATCO (Guangzhou) Automatic Transmission Ltd.
JATCO (Suzhou) Automatic Transmission Ltd.
Nissan Guangzhou Co., Ltd.
NISSAN TRADING CHINA CO., LTD
Nissan (Shanghai) Automotive Design Co., Ltd.
Alliance Mobility Company France

(2) Of these 27 companies, Nissan Mexicana, S.A. De C. V. and 17 other subsidiaries are consolidated by using their financial statements as of the parent fiscal year end which are prepared solely for consolidation purposes. Yulon Nissan Motor Co., Ltd. and eight other subsidiaries are consolidated by using their financial statements as of their respective fiscal year end, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

4. Significant accounting policies

(1) Valuation methods for assets

① Securities

Held-to-maturity securities:

Held-to maturity securities are stated at amortized cost.

Other securities:

Marketable securities:

Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in net assets. Costs of securities sold are calculated by the moving average method.

Non-marketable securities:

Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Investments in limited liability partnerships and similar investments, defined as securities by Article 2, Section 2 of the Financial Instruments and Exchange Law, are recognized at the net amount corresponding to the owning portion under the equity method based on the latest available financial statements of the partnerships.

② Derivative financial instruments

Derivative financial instruments are stated at fair value.

③ Inventories

Inventories are primarily stated at cost determined by the first-in and first-out method (cost of inventories is written-down when their carrying amounts become unrecoverable).

(2) Depreciation of property, plant and equipment

Depreciation of self-owned property, plant and equipment is calculated principally by the straight-line method based on the estimated useful lives and the estimated residual value determined by the Company.

Depreciation of leased assets (including right-of-use assets) is calculated by the straight-line method based on either the estimated useful lives or the lease terms and the estimated residual value determined by the Company.

(3) Basis for significant reserves

① Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty. Some foreign subsidiaries and affiliates have adopted IFRS 9, *"Financial Instruments"*, and recognized impairment losses on financial assets using the expected credit loss model.

② Accrued warranty costs

Accrued warranty costs are provided to cover the cost of all services anticipated to be incurred during the entire warranty period in accordance with the warranty contracts and based on past experience.

(4) Accounting for retirement benefits

For calculating the retirement benefit obligation, the benefit formula basis has been adopted for attributing projected benefits to periods.

Past service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees (principally 6 to 17 years).

Actuarial gain and loss are amortized in the year following the year in which actuarial gain and loss are recognized by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees (principally 8 to 26 years). Certain foreign consolidated subsidiaries have adopted the corridor approach for actuarial gain and loss, and amortize them over the average remaining years of services of the eligible employees or the average life expectancy of the eligible employees.

Actuarial gain and loss and past service cost that are yet to be recognized as gain or loss are recorded as remeasurements of defined benefit plans presented in accumulated other comprehensive income of the net assets section, after being adjusted for tax effects.

(5) Reporting of significant revenue and expenses

Reporting of revenue from finance lease transactions

Interest income is recognized over the fiscal years concerned.

(6) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are charged or credited to income.

Assets and liabilities of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and non-controlling interests in the net assets section.

(7) Hedge accounting method

① Hedge accounting method

Primarily, deferred hedge accounting is applied for derivative instruments.

Short-cut method, "Furiate-Shori," is applied for forward exchange contracts which are qualified for such treatment and related to the hedged items other than foreign currency denominated accounts receivables.

Special treatment, "Tokurei-Shori," is applied for interest rate swaps which are qualified for such treatment.

② Hedging instruments and hedged items

· Hedging instruments.....Derivative transactions

· Hedged items..... Mainly receivables and payables denominated in foreign currencies and others.

③ Hedging policy

Based on the internal risk management rules and authority regarding derivative transactions, expected risks such as fluctuations in foreign exchange and interest rate are hedged within certain extent.

④ Assessment of hedge effectiveness

The assessment of hedge effectiveness is omitted when the terms of hedged items are substantially same as those of hedging instruments.

(8) Amortization of goodwill

Goodwill is amortized over periods not exceeding 20 years determined based on their expected life. However, immaterial differences are recognized as gain or loss in the year of acquisition.
Negative goodwill in consolidated subsidiaries and in companies accounted for by the equity method which had occurred after April 1, 2010 has been recorded as gain in the year of acquisition.

(9) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(10) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(11) Adoption of consolidated taxation system

The Company and some of its subsidiaries have been adopted the consolidated taxation system.

(12) Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and some of its domestic subsidiaries have been adopted "*Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System*" (PITF No. 39, March 31, 2020) and deferred tax assets and liabilities are based on tax law provisions in place prior to the revision prescribing transition from the consolidated taxation system to the group tax sharing system (Act No. 8 of 2020).

(Changes in accounting policies)

(1) International Financial Reporting Standards (IFRS) 16, "*Leases*" and Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, "*Leases*"

At foreign subsidiaries and affiliates, IFRS 16, *"Leases"* (January 13, 2016) and ASU 2016-02 *"Leases"* (February 25, 2016) have been adopted from the beginning of the fiscal year ended March 31, 2020.
In line with this adoption, the Company generally recognizes all leases as a lessee as assets or liabilities on the consolidated balance sheet.
In adopting the accounting standards, in accordance with the transitional treatment, the Company recognizes the cumulative effect of initially applying the accounting standards at the date of initial application as an adjustment to the balance of retained earnings at the beginning of the fiscal year ended March 31, 2020.
As a result, mainly, the balance of property, plant and equipment, lease obligations included in current liabilities, and lease obligations included in long-term liabilities at the beginning of the fiscal year ended March 31, 2020 increased by ¥77,412 million, ¥12,319 million, and ¥72,158 million, respectively, while retained earnings and non-controlling interests included in net assets decreased by ¥3,864 million and ¥79 million, respectively. The effects of these revisions on the consolidated statements of income for the fiscal year ended March 31, 2020 are immaterial.
The effects on per share information are stated in the applicable section.

(2) International Financial Reporting Interpretations Committee (IFRIC) 23, *"Uncertainty over Income Tax Treatments"*

At some foreign subsidiaries and affiliates, IFRIC 23 *"Uncertainty over Income Tax Treatments"* (June 7, 2017) has been adopted from the beginning of the fiscal year ended March 31, 2020.
In line with this adoption, if the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Company reflects the effect of uncertainty in income taxes.
In adopting the accounting standard, in accordance with the transitional treatment, the Company recognizes

the cumulative effect of initially applying the accounting standards at the date of initial application as an adjustment to the balance of retained earnings at the beginning of the fiscal year ended March 31, 2020.
As a result, the balance of income tax payables at the beginning of the fiscal year ended March 31, 2020 increased by ¥12,682 million, the balances of retained earnings and deferred tax liabilities at the beginning of the fiscal year ended March 31, 2020 decreased by ¥10,489 million and ¥2,193 million, respectively. In addition, net loss attributable to owners of parent for the fiscal year ended March 31, 2020 decreased by ¥9,045 million.
The effects on per share information are stated in the applicable section.

(Accounting standards to be adopted)

1. Domestic subsidiaries and affiliates
   "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018) and *"Implementation Guidance on Accounting Standard for Revenue Recognition"* (ASBJ Guidance No. 30, March 30, 2018)
   ① Overview
   The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and published the "*Revenue from Contracts with Customers*" (IFRS 15 in the IASB and ASU 2014-09 in the FASB) in May 2014. Given that IFRS 15 will be applied from a fiscal year starting on or after January 1, 2018 and that ASU 2014-09 will be applied from a fiscal year starting after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published them in step with the Implementation Guidance.
   The basic policy of the ASBJ in setting accounting standards for revenue recognition is to incorporate the basic principles of IFRS 15 as a starting point, considering that comparability between financial statements is one benefit of consistency with this standard, and, to the extent that they do not impair comparability, adding alternative treatment for items requiring consideration due to conventional practices in Japan.
   ② Scheduled date of adoption
   To be applied from the fiscal year ending March 2022.
   ③ Effect of adoption
   The effect of adoption of the aforementioned standard and guidance on the Company's consolidated financial statements is under evaluation.
2. Foreign subsidiaries and affiliates
   FASB Accounting Standards Update (ASU) 2016-13, "*Measurement of Credit Losses on Financial Instruments*"
   ① Overview
   The aforementioned standard requires the recognition of impairment losses on financial assets using the expected credit loss model, instead of the incurred loss model that is currently in use.
   ② Scheduled date of adoption
   To be applied from the fiscal year ending March 2021.
   ③ Effect of adoption
   The effect of adoption of the aforementioned standards on the Company's consolidated financial statements is under evaluation.

(Changes in presentation)

1. Consolidated statements of income

   "Gain on sales of business," which was presented as a separate account under "Special gains" in the prior fiscal year, has been included in "Other" in the current fiscal year due to its decreased financial materiality.
   To reflect this change, ¥7,993 million of "Gain on sales of business" under "Special gains" in the prior fiscal year has been reclassified into "Other" in the consolidated statement of income for the prior fiscal year provided herein.

   "Expense for reorganization of sales business," which was presented as a separate account under "Special losses" in the prior fiscal year, has been included in "Other" in the current fiscal year due to its decreased financial materiality.

To reflect this change, ¥4,027 million of “Expense for reorganization of sales business” under “Special losses” in the prior fiscal year has been reclassified into “Other” in the consolidated statement of income for the prior fiscal year provided herein.

(Additional information)

The Group assumes that the impact of COVID-19 will continue for a period of time. For the fiscal year ending March 31, 2021, we currently estimate global TIV (Total Industry Volume) to decline by approximately 15 to 20% from the current fiscal year. The Group reflected the impact on our current accounting estimates including determination of the recoverability of deferred tax assets and recognition and measurement of impairment loss.
However, there are many uncertainties over the impact of COVID-19, which may have a material effect on the Group’s financial position and operating results for the fiscal year ending March 31, 2021.

(For consolidated balance sheets)

1 ※1 Accumulated depreciation of property, plant and equipment

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Accumulated depreciation of property, plant and equipment	5,485,136	5,491,791
(Accumulated depreciation of leased assets included)	77,397	110,517

2 ※2 “Machinery, equipment and vehicles, net” includes the following assets leased to others under lease agreements.

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Assets leased to others under lease agreements (lessor)	2,722,277	2,452,585

3 ※3 Assets pledged as collateral and liabilities secured by the collateral

(1) Assets pledged as collateral

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Sales finance receivables	2,649,505	2,506,933
	(2,649,505)	(2,501,458)
Property, plant and equipment	503,383	942,124
	(503,383)	(942,124)
Total	3,152,888	3,449,057

(2) Liabilities secured by the above collateral

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Short-term borrowings	403,968	606,470
	(403,968)	(602,951)
Long-term borrowings	1,970,852	1,840,540
(including the current portion)	(1,970,852)	(1,840,540)
Total	2,374,820	2,447,010

The above figures in parentheses represent the values of assets pledged as collateral and liabilities secured by the collateral that correspond to nonrecourse debts.

4 Guarantees and others

Prior fiscal year (As of March 31, 2019)

(1) Guarantees

Guarantees	Balance of liabilities guaranteed (Millions of yen)	Description of liabilities guaranteed
Employees	※27,688	Guarantees for employees’ housing loans and others
33 foreign dealers	449	Guarantees for loans and others
Total	28,137	

※ Allowance for doubtful accounts is provided for these loans mainly based on past experience.

(2) Commitments to provide guarantees

Guarantees	Balance of commitments to provide guarantees (Millions of yen)	Description of liabilities guaranteed
Hibikinada Development Co., Ltd.	38	Commitments to provide guarantees for loans

Current fiscal year (As of March 31, 2020)
(1) Guarantees

Guarantees	Balance of liabilities guaranteed (Millions of yen)	Description of liabilities guaranteed
Employees	※23,025	Guarantees for employees' housing loans and others
13 foreign dealers	269	Guarantees for loans and others
Total	23,294	

※ Allowance for doubtful accounts is provided for these loans mainly based on past experience.
(2) Commitments to provide guarantees

Guarantees	Balance of commitments to provide guarantees (Millions of yen)	Description of liabilities guaranteed
Hibikinada Development Co., Ltd.	26	Commitments to provide guarantees for loans

5 Contingent Liabilities

· Lawsuits related to Takata's airbag inflators
Mainly in the United States ("U.S.") and Canada various putative class action lawsuits, civil lawsuits and lawsuits by states related to Takata's airbag inflator have been filed against the Company, consolidated subsidiaries and other Original Equipment Manufacturers. The lawsuits allege that the subject airbag inflators did not function properly, and seek, among others, damages for economic losses, incurred costs, decline in the value of vehicles, and, in certain cases, personal injury as well as punitive damages. Most of the class action lawsuits in the U.S. were transferred to the U.S. District Court for the Southern District of Florida and consolidated into a multi-district litigation ("MDL"). The Company and Nissan North America, Inc. ("NNA") have agreed to a proposed settlement that would resolve the US class actions that are pending against them in the MDL, through a number of customer-focused programs. In September 2017, the court in the MDL granted preliminary approval to the proposed settlement. The total payment amount for the settlement will be $87.9 million to be paid over four years. In February 2018, the court in MDL granted final approval to the proposed settlement. Regarding the lawsuits other than the above, management has not recognized a provision for loss contingencies because as of the date of this report it is not possible to reasonably estimate the amount, if any, of any potential future losses because there are some uncertainties, such as these lawsuits are still in progress.

6 ※4 "Intangible fixed assets" include goodwill. (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Goodwill	6,141	4,644

7 ※5 Investments in unconsolidated subsidiaries and affiliates (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Investments in stock of unconsolidated subsidiaries and affiliates	1,202,549	1,094,470
(Investments in stock of joint ventures included)	478,646	463,096

8 ※6 "Sales finance receivables" and "Other current assets" include lease receivables and lease investment assets.

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Lease receivables	40,778	37,731
Lease investment assets	49,931	88,814

9 The amount of unused balances of overdrafts and loan commitment agreements entered into by consolidated subsidiariesare as follows.

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Total credit lines of overdrafts and loans	304,717	244,055
Loans receivable outstanding	205,893	130,895
Unused credit lines	98,824	113,160

Since many of these facilities expire without being utilized and the related borrowings are sometimes subject to a review of the borrowers' credibility, any unused amount will not necessarily be utilized at the full amount.

(For consolidated statements of income)

1 ※1 Total research and development costs

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Research and development costs included in manufacturing costs and selling, general and administrative expenses	523,133	544,769

2 ※2 The ending inventory balance represents after write-down of book value when their carrying amounts become unrecoverable, and the write-down (after offsetting the reversal of the prior fiscal year's write-down) are as follows.

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Cost of sales	2,684	7,233

3 ※3 Gain on sales of fixed assets

Prior fiscal year (From April 1, 2018 To March 31, 2019)

Gain on sales of fixed assets primarily consisted of a gain on sale of machinery, equipment and vehicles of ¥11,696 million.

Current fiscal year (From April 1, 2019 To March 31, 2020)

Gain on sales of fixed assets primarily consisted of a gain on sale of machinery, equipment and vehicles of ¥8,969 million.

4 ※4 Loss on sales of fixed assets

Prior fiscal year (From April 1, 2018 To March 31, 2019)

Loss on sales of fixed assets primarily consisted of a loss on sale of land of ¥1,408 million and a loss on sale of machinery, equipment and vehicles of ¥1,498 million.

Current fiscal year (From April 1, 2019 To March 31, 2020)

Loss on sales of fixed assets primarily consisted of a loss on sale of land of ¥2,427 million and a loss on sale of machinery, equipment and vehicles of ¥3,549 million.

5 ※5 Impairment loss

Prior fiscal year (From April 1, 2018 To March 31, 2019)

The following loss on impairment of fixed assets was recorded.

Usage	Type	Location	Amount (Millions of yen)
Idle assets	Machinery, equipment and vehicles and others	Japan, Europe and Asia (Total 6 locations)	10,987
Assets to be sold	Land, Buildings and structures	Japan (Total 1 location)	83
Assets to be disposed of	Land, Buildings and structures, Intangible fixed assets and others	Japan and Europe (Total 9 locations)	2,269

The Group bases its grouping for assessing the impairment loss on fixed assets on its business segments (automobiles and sales financing) and the regional classifications that are mutually

complementary with each other. However, the Group determines whether an asset is impaired on an individual asset basis if the asset is considered idle or if it is to be disposed of.
The Company and some of its consolidated subsidiaries have recognized an impairment loss on idle assets and assets to be disposed of by reducing their net book value to the respective recoverable value of each asset. Such loss amounted to ¥13,339 million and has been recorded as special losses in the accompanying consolidated statements of income. This impairment loss consisted of losses of ¥10,987 million on idle assets (machinery, equipment and vehicles - ¥1,370 million; property, plant and equipment (others) - ¥9,504 million; and others - ¥113 million), losses of ¥83 million on assets to be sold (land - ¥52 million; and buildings and structures - ¥31 million) and losses of ¥2,269 million on assets to be disposed of (land - ¥796 million; buildings and structures - ¥364 million; intangible fixed assets - ¥1,019 million; and others - ¥90 million).
The recoverable value of these assets was measured by net sales value. Property, plant and equipment of idle assets and property, plant and equipment to be disposed of were calculated based on the real estate appraisal value, etc. and those for assets to be sold were evaluated based on sales contracts. And intangible fixed assets to be disposed of were estimated as zero because future use will not be expected.

Current fiscal year (From April 1, 2019 To March 31, 2020)

The following loss on impairment of fixed assets was recorded.
In response to the updated future volume projections focusing on “rationalizing the businesses” and “prioritize and focus,” the Group conducted impairment testing for asset groups for which there were indications of impairment at the end of current consolidated fiscal year. As a result, the book value of the following business assets of the automobile segment were written down to the recoverable amount, and a special loss was recorded as an impairment loss by ¥522,005 million.
The Group bases its grouping for assessing the impairment loss on fixed assets both on its business segments (automobiles and sales financing) and on the regional classifications that are complementary with each other, and the grouping was partly reconsidered to a more detailed management classification at the impairment testing at the end of the current fiscal year, considering the current regional business management structure and inter-regional relationships.

Usage	Type	Location	Amount (Millions of yen)
Business-use assets	Machinery, equipment and vehicles and others	Americas	321,708
Business-use assets	Machinery, equipment and vehicles and others	Europe	148,533
Business-use assets	Machinery, equipment and vehicles and others	Asia	51,764
		Total	522,005

The recoverable amount is mainly measured by the value in use or net realizable value. Net realizable value is calculated based on the real estate appraisal value and other acceptable methods. Value in use is calculated by discounting future cash flows at discount rate of 5.08% to 10.30%. The impact of COVID-19 is considered in the estimation of future cash flows.

The Group determines whether an asset is impaired on an individual asset basis if the asset is considered idle or if it is to be disposed of. The impairment loss was recorded for the assets below.

Usage	Type	Location	Amount (Millions of yen)
Idle assets	Machinery, equipment and vehicles and others	Japan, Europe and Asia (Total 13 locations)	14,468
Assets to be sold	Machinery, equipment and vehicles	Europe (Total 1 location)	1,345
Assets to be disposed of	Land, Buildings and structures, Intangible fixed assets and others	Japan and Other overseas countries (Total 13 locations)	2,824

The Company and some of its consolidated subsidiaries have recognized an impairment loss on idle assets and assets to be disposed of by reducing their net book value to the respective recoverable value of each asset. Such loss amounted to ¥18,637 million and has been recorded as special losses in the accompanying consolidated statements of income. This impairment loss consisted of losses of

¥14,468 million on idle assets (machinery, equipment and vehicles - ¥2,388 million; property, plant and equipment (others) - ¥12,008 million; and others - ¥72 million), losses of ¥1,345 million on assets to be sold (machinery, equipment and vehicles - ¥1,345 million) and losses of ¥2,824 million on assets to be disposed of (land - ¥629 million; buildings and structures - ¥850 million; intangible fixed assets - ¥1,168 million; and others - ¥177 million).
The recoverable value of these assets was measured by net sales value. Property, plant and equipment of idle assets and property, plant and equipment to be disposed of were calculated based on the real estate appraisal value and other acceptable methods, and those for assets to be sold were evaluated based on sales contracts. And intangible fixed assets to be disposed of were estimated as zero because future use will not be expected.

(For consolidated statements of comprehensive income)

※1 Reclassification adjustments and tax effects concerning other comprehensive income

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Unrealized holding gain and loss on securities:		
Amount arising during the period	(41,759)	(53,711)
Reclassification adjustments for gains and losses realized in net income	—	—
Before tax-effect adjustment	(41,759)	(53,711)
Amount of tax effects	12,795	10,310
Unrealized holding gain and loss on securities	(28,964)	(43,401)
Unrealized gain and loss from hedging instruments:		
Amount arising during the period	7,612	17,327
Reclassification adjustments for gains and losses realized in net income	(14,602)	(51,435)
Adjustments of acquisition cost for assets	(290)	130
Before tax-effect adjustment	(7,280)	(33,978)
Amount of tax effects	2,632	9,307
Unrealized gain and loss from hedging instruments	(4,648)	(24,671)
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting:		
Amount arising during the period	(17,966)	(5,470)
Reclassification adjustments for gains and losses realized in net income	—	—
Before tax-effect adjustment	(17,966)	(5,470)
Amount of tax effects	—	—
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	(17,966)	(5,470)
Translation adjustments:		
Amount arising during the period	(9,892)	(239,385)
Reclassification adjustments for gains and losses realized in net income	—	—
Before tax-effect adjustment	(9,892)	(239,385)
Amount of tax effects	—	—
Translation adjustments	(9,892)	(239,385)
Remeasurements of defined benefit plans:		
Amount arising during the period	(38,158)	(93,751)
Reclassification adjustments for gains and losses realized in net income	11,845	15,487
Before tax-effect adjustment	(26,313)	(78,264)
Amount of tax effects	6,637	13,772
Remeasurements of defined benefit plans	(19,676)	(64,492)
The amount for equity method company portion:		
Amount arising during the period	(66,978)	(36,796)
Reclassification adjustments for gains and losses realized in net income	2,208	(3,754)
Before tax-effect adjustment	(64,770)	(40,550)
Amount of tax effects	—	—
The amount for equity method company portion	(64,770)	(40,550)
Total other comprehensive income	(145,916)	(417,969)

(For consolidated statements of changes in net assets)

Prior fiscal year (From April 1, 2018 To March 31, 2019)

1. Shares issued and outstanding / Treasury stock

(Thousands of shares)

Types of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Shares issued: Common stock	4,220,715	—	—	4,220,715
Treasury stock: Common stock (Notes)	310,359	6	2,554	307,811

Notes: 1 Details of the increase are as follows: (Thousands of shares)
Increase in stocks held by affiliates accounted for by the equity method 1
Increase due to purchase of stocks of less than a standard unit 5
2. Detail of the decrease is as follow:
Decrease in stocks held by affiliates accounted for by the equity method 2,554

2. Share subscription rights

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 26, 2018	Common stock	103,627	26.5	March 31, 2018	June 27, 2018
Meeting of the Board of Directors on November 8, 2018	Common stock	111,474	28.5	September 30, 2018	November 28, 2018

Note: Total dividends were obtained by deducting the amount corresponding to the equity of Renault shares held by the Company.

(2) Dividends, which the record date was in the year ended March 31, 2019 and the effective date of which is in the year ending March 31, 2020

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 25, 2019	Common stock	111,520	Retained earnings	28.5	March 31, 2019	June 26, 2019

Note: Total dividends were obtained by deducting the amount corresponding to the equity of Renault shares held by the Company.

Current fiscal year (From April 1, 2019 To March 31, 2020)

1. Shares issued and outstanding / Treasury stock

(Thousands of shares)

Types of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Shares issued: Common stock	4,220,715	—	—	4,220,715
Treasury stock: Common stock (Notes)	307,811	1,004	(14)	308,801

Notes: 1. Details of the increase are as follows: (Thousands of shares)

Increase in stocks held by affiliates accounted for by the equity method	1,000
Increase due to purchase of stocks of less than a standard unit	4

2. Detail of the decrease is as follow:

Decrease in stocks held by affiliates accounted for by the equity method	14

2. Share subscription rights

Not applicable.

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 25, 2019	Common stock	111,520	28.5	March 31, 2019	June 26, 2019
Meeting of the Board of Directors on November 12, 2019	Common stock	39,132	10.0	September 30, 2019	November 27, 2019

Note: Total dividends were obtained by deducting the amount corresponding to the equity of Renault shares held by the Company.

(2) Dividends, which the record date was in the year ended March 31, 2020 and the effective date of which is in the year ending March 31, 2021

Not applicable.

(For consolidated statements of cash flows)

1 ※1 Cash and cash equivalents as of the end of the quarter are reconciled to the accounts reported in the consolidated balance sheets as follows.

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Cash on hand and in banks	1,219,588	1,382,471
Time deposits with maturities of more than three months	—	—
Cash equivalents included in securities (*)	139,470	260,510
Cash and cash equivalents	1,359,058	1,642,981

*These represent short-term, highly liquid investments readily convertible into cash held by foreign subsidiaries.

(For lease transactions)

1. Finance lease transactions

(Lessees' accounting)

(1) Leased assets

Leased assets primarily consist of dies and buildings.

(2) Depreciation method for leased assets

Described in "4 (2) Depreciation of property, plant and equipment" under Basis of consolidated financial statements.

(Lessors' accounting)

(1) Breakdown of lease investment assets (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Lease income receivable	50,052	90,906
Estimated residual value	2,996	3,187
Interest income equivalent	(3,117)	(5,279)
Lease investment assets	49,931	88,814

(2) Expected amounts of collection from lease income receivable concerning lease receivables and lease investment assets after the balance sheet date

Prior fiscal year (As of March 31, 2019) (Millions of yen)

	Lease receivables	Lease investment assets
Due within one year	28,174	16,403
Due after one year but within two years	12,103	15,472
Due after two years but within three years	414	11,917
Due after three years but within four years	89	3,791
Due after four years but within five years	10	2,039
Due after five years	11	430

Current fiscal year (As of March 31, 2020) (Millions of yen)

	Lease receivables	Lease investment assets
Due within one year	27,048	45,692
Due after one year but within two years	8,631	24,292
Due after two years but within three years	526	9,355
Due after three years but within four years	240	4,058
Due after four years but within five years	53	2,342
Due after five years	14	5,167

2. Operating lease transactions

(Lessees' accounting)

Future minimum lease payments subsequent to March 31, 2019 and March 31, 2020 are summarized as follows.

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Due in one year or less	13,522	2,813
Due after one year	69,491	10,633
Total	83,013	13,446

Note: At foreign subsidiaries and affiliates, IFRS 16, *"Leases"* (January 13, 2016) and ASU 2016-02 *"Leases"* (February 25, 2016) have been adopted from the beginning of the current fiscal year ending March 31, 2020. The operating lease of these subsidiaries and affiliates are not included in amounts of the current fiscal year.

(Lessors' accounting)
Future minimum lease income subsequent to March 31, 2019 and March 31, 2020 are summarized as follows.

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Due in one year or less	479,476	439,879
Due after one year	492,755	443,296
Total	972,231	883,175

(For financial instruments)

1. Financial Instruments

(1) Policies on financial instruments

The Group's cash is managed mainly through short-term deposits and appropriate repurchase agreement transactions for the purpose of efficient cash management at appropriate risk.

The financing has been diversified, such as bank loans, bond issues, commercial paper issues and liquidation of securities, to reduce the exposure to liquidity risk.

The Group utilizes derivative financial instruments based on the internal "Policies and Procedures for Risk Management" mainly for the purposes of hedging its exposure to adverse fluctuations in foreign currency exchange rates on receivables and payables denominated in foreign currencies, interest rates on interest-bearing debt and market prices on commodity, but does not enter into such transactions for speculative purposes.

The sales finance business provides financial services to retail customers, such as auto loans and leases, and inventory financing, working capital loans, etc. to our dealers. Strict credit underwriting policies are followed before loans are advanced to the customers and dealers.

(2) Description of financial instruments and related risks

① Trade notes and accounts receivable

The Group holds trade notes and accounts receivable as consideration for sales of products and collects such receivables in accordance with the terms and conditions of relevant sales agreements. The relevant trade notes and accounts receivable are exposed to the credit risk of the respective customers. Those denominated in foreign currencies are exposed to fluctuations in foreign currency exchange rates.

② Sales finance receivables

Sales finance receivables consist of auto loans and leases to retail customers, and credit exposures to dealers comprised of inventory financing and working capital loans, etc. Sales finance receivables are exposed to credit risk of the respective customers.

③ Securities and investment securities

Securities and investment securities held by the Group are mainly unlisted foreign investment trusts and investment securities in affiliates. Investment securities in affiliates are exposed to the risk of fluctuations in their market prices.

④ Trade notes and accounts payable

The Group holds trade notes and accounts payable as liabilities with various payment dates based on the payment conditions from purchasing diverse parts, materials and services, required for development, manufacture and sale of products. As its procurement activities are operated in various regions and countries, the relevant trade notes and accounts payable are exposed to fluctuations in foreign currency exchange rates.

⑤ Borrowings, bonds and lease obligations

The Group conducts diverse financing activities for the purpose of fund procurements for working capital, investments in equipment and businesses, sales financing and so forth. As part of such financing uses floating-rates, the relevant borrowings, bonds and lease obligations are exposed to the risk of interest rate fluctuations. The Group is also exposed to liquidity risk in that the necessary funds for business operations may not be ensured with rapid changes in the procurement environment.

⑥ Derivative transactions

(1) Forward foreign exchange contracts

Forward foreign exchange contracts are used to hedge against the adverse impact of fluctuations in foreign currency exchange rates on foreign currency denominated receivables and payables arising from importing and exporting products and others.

(2) Currency options

In the same manner as forward foreign exchange contracts, currency options are used to hedge against the adverse impact of fluctuations in foreign currency exchange rates on foreign currency denominated receivables and payables.

(3) Interest rate swaps
Interest rate swaps are used primarily to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt.

(4) Currency swaps
Currency swaps are used to hedge against the adverse impact of fluctuations in foreign currency exchange rates and interest rates on foreign currency denominated receivables and payables.

(5) Interest rate options
Interest rate options are used primarily to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt.

(6) Commodity futures contracts
Commodity futures contracts are used primarily to hedge against the adverse impact of fluctuations in the market prices of precious metals (used as the catalyst for the emission gas purifier of automobiles) and base metals (raw materials for automobile productions).

For hedging instruments, hedged items, hedging policy and assessment of hedge effectiveness, refer to "(7) Hedge accounting method" under "4. Significant accounting policies."

(3) Risks relating to financial instruments and the management system thereof

① Management of market risk

Although derivative transactions are used for the purpose of hedging risks on the assets and liabilities recorded in the consolidated balance sheets, there remains the risk of foreign currency exchange fluctuations on currency transactions, the risk of interest rate fluctuations on interest rate transactions and the risk of market price fluctuations on commodity transactions. All the derivative transactions of the Group are carried out pursuant to the internal risk management rules, which stipulate the Group's basic policies for derivative transactions, management policies, management items, trading procedures, criteria for the selection of counterparties, the reporting system and so forth. The Group's financial market risk is controlled by the Company in a centralized manner, and it is stipulated that no individual subsidiary can initiate a hedge transaction such as derivative transactions without the prior approval of and regular reporting back to the Company.

The basic policy on the acquisition of derivative transactions is subject to the approval of the Hedge Policy Meeting, which is attended by the Chief Financial Officer and the staff in charge. The execution and management of all transactions are to be conducted in accordance with the aforementioned risk management rules pursuant to the decisions made at those meetings. Derivative transactions are conducted by a special section of the Finance Department, and the verification of the relevant trade agreements and the monitoring of position balances are the responsibility of the Accounting Section and the Risk Management Section. Commodity futures contracts are conducted by the Finance Department in accordance with the acquisition policy determined by the corporate officer in charge of the Purchasing Department and the Chief Financial Officer.

The status of derivative transactions is reported on a regular basis to the Chief Financial Officer and on an annual basis to the Board of Directors.

② Management of credit risk

The Group does business with a variety of local counterparties including sales companies in many regions around the world. The Group has established transaction terms and conditions for operating receivables in Japan and overseas based on credit assessment criteria to take appropriate and effective measures for the protection of such receivables, using bank letters of credit and transactions with advance payments.

As for financial transactions including bank deposits, short term investments and derivatives, the Group is exposed to the risk that counterparty could default on their obligations and jeopardize future profits. We believe that this risk is insignificant as the Group enters into such transactions only with financial institutions that have a sound credit profile. Therefore, we believe that the risk to incur losses from counterparty financial institution's default is low. Credit risk is managed by using its own evaluation methods based on external credit ratings and other analyses. The Finance Department sets a maximum upper limit on positions with each of the counterparties and monitors the balances of open positions.

The Group enters into derivative transactions with Renault Finance S.A. ("RF"), a specialized financial subsidiary of the Renault Group. RF enters into derivative transactions to cover such derivative transactions with the Group only with financial institutions of the highest caliber carefully selected by RF based on its own rating techniques.

In sales finance, credit risk is managed through a risk framework that sets out policies, procedures, measurements and regular reviews across the full life cycle of a financial product from underwriting to collections and write-off.

③ Management of liquidity risk related to financing

The Company endeavors to raise funds from appropriate sources with reinforced measures such as an accumulation of cash reserves and the conclusion of loan commitment agreements so that the Group can ensure an appropriate level of liquidity even if any significant environmental change takes place in the financial market. However, this factor could entail a greater-than-anticipated level of risk that might hinder the smooth execution of the initially planned financing, thereby having a significant effect on the Group's financial position and business performance. The Group secures the appropriate liquidity of funds in its automobile business in accordance with the management rule on liquidity risk by taking into account the future repayment schedule of borrowings, the future demand for working capital and other fund requirements. In sales finance, liquidity risk is managed through a thorough focus on Asset Liability Management.

(4) Supplemental explanation on the fair value of financial instruments

① The fair value and unrealized gain or loss on derivative transactions are estimates that are considered appropriate based on the market at the balance sheet date and, thus, the fair value is not necessarily indicative of the actual amounts that might be realized or settled in the future.

② The notional amounts of the swaps are not a direct measure of the Company's risk exposure in connection with its swap transactions.

2. Fair Value of Financial Instruments

The following tables indicate the amount recorded in the consolidated balance sheets, the fair value and the difference as of March 31, 2019 and March 31, 2020 for various financial instruments. Assets and liabilities for which it is deemed difficult to measure the fair value are not included in the tables below. (Refer to Note 2.)

Prior fiscal year (As of March 31, 2019)

(Millions of yen)

	Amount recorded in the consolidated balance sheets	Fair value	Difference
(1) Cash on hand and in banks	1,219,588	1,219,588	—
(2) Trade notes and accounts receivable	512,164		
Allowance for doubtful accounts (*1)	(7,164)		
	505,000	505,000	—
(3) Sales finance receivables (*2)	7,615,581		
Allowance for doubtful accounts (*1)	(113,184)		
	7,502,397	7,479,730	(22,667)
(4) Securities and investment securities	886,202	881,838	(4,364)
(5) Long-term loans receivable	13,983		
Allowance for doubtful accounts (*1)	(904)		
	13,079	13,132	53
Total assets	10,126,266	10,099,288	(26,978)
(1) Trade notes and accounts payable	1,580,452	1,580,452	—
(2) Short-term borrowings	850,995	850,995	—
(3) Commercial papers	697,549	697,549	—
(4) Bonds (*3)	2,275,301	2,262,870	12,431
(5) Long-term borrowings (*3)	4,169,957	4,172,355	(2,398)
(6) Lease obligations (*3)	35,884	35,962	(78)
Total liabilities	9,610,138	9,600,183	9,955
Derivative transactions (*4)	32,265	32,265	—

(*1) The allowance for doubtful accounts, which is individually reported as part of trade notes and accounts receivable, sales finance receivables and long-term loans receivable, is deducted.

(*2) The amount recorded in the consolidated balance sheets for sales finance receivables is presented with the amount after deducting ¥50,022 million of deferred installments income and others.

(*3) Bonds, long-term borrowings and lease obligations include the current portion of bonds, the current portion of long-term borrowings and lease obligations under current liabilities, respectively.

(*4) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Current fiscal year (As of March 31, 2020)

(Millions of yen)

	Amount recorded in the consolidated balance sheets	Fair value	Difference
(1) Cash on hand and in banks	1,382,471	1,382,471	—
(2) Trade notes and accounts receivable	356,156		
Allowance for doubtful accounts (*1)	(7,626)		
	348,530	348,530	—
(3) Sales finance receivables (*2)	6,694,128		
Allowance for doubtful accounts (*1)	(127,282)		
	6,566,846	6,564,932	(1,914)
(4) Securities and investment securities	868,921	572,950	(295,971)
(5) Long-term loans receivable	13,658		
Allowance for doubtful accounts (*1)	(2,500)		
	11,158	12,056	898
Total assets	9,177,926	8,880,939	(296,987)
(1) Trade notes and accounts payable	1,357,047	1,357,047	—
(2) Short-term borrowings	1,339,949	1,339,949	—
(3) Commercial papers	726,017	726,017	—
(4) Bonds (*3)	1,808,486	1,773,322	35,164
(5) Long-term borrowings (*3)	3,925,462	3,921,878	3,584
(6) Lease obligations (*3)	108,066	107,916	150
Total liabilities	9,265,027	9,226,129	38,898
Derivative transactions (*4)	30,030	30,030	—

(*1) The allowance for doubtful accounts, which is individually reported as part of trade notes and accounts receivable, sales finance receivables and long-term loans receivable, is deducted.

(*2) The amount recorded in the consolidated balance sheets for sales finance receivables is presented with the amount after deducting ¥45,208 million of deferred installments income and others.

(*3) Bonds, long-term borrowings and lease obligations include the current portion of bonds, the current portion of long-term borrowings and lease obligations under current liabilities, respectively.

(*4) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

(Note 1) Calculation method of the fair value of financial instruments and matters relating to securities and derivative transactions

Assets:

(1) Cash on hand and in banks and (2) Trade notes and accounts receivable

Fair value is calculated based on the book value as these assets are settled within a short time and the fair value is almost equal to the book value.

(3) Sales finance receivables

Fair value is calculated based on the discounted cash flows by collection period, using discount rates reflecting maturity and credit risk.

(4) Securities and investment securities

Fair value of stocks is based on the prices traded at the stock exchange. Fair value of unlisted foreign investment trusts is based on the book value as these are settled within a short time and fair value is almost equal to the book value.

Refer to the Notes to “For securities” with regard to the noteworthy matters provided for each type of securities, classified by holding purpose.

(5) Long-term loans receivable

Fair value is calculated based on the discounted cash flows of each individual loan, using discount rate which would be applicable for similar new loans.

Liabilities:

(1) Trade notes and accounts payable, (2) Short-term borrowings and (3) Commercial papers

Fair value is calculated based on the book value as these liabilities are settled within a short time and fair value is almost equal to the book value.

(4) Bonds

Fair value of marketable bonds is based on the market prices, and that of non-marketable bonds is based on the present value estimated by discounting the total principal and interest, using discount rates reflecting the remaining term and credit risk.

(5) Long-term borrowings and (6) Lease obligations

Fair value is calculated based on the present value estimated by discounting the total principal and interest, using discount rates which would be applicable for similar new borrowings or lease transactions.

Derivative transactions:
Refer to the notes in "For derivative transactions."

(Note 2) The amounts of financial instruments recorded in the consolidated balance sheets for which it is deemed difficult to measure the fair value

(Millions of yen)

Classification	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Unlisted stocks	592,143	568,773

Unlisted stocks are not included in (4) Securities and investment securities, as it is deemed difficult to measure the fair value because they are nonmarketable and future cash flows cannot be estimated.

(Note 3) Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates

Prior fiscal year (As of March 31, 2019) (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash on hand and in banks	1,219,588	—	—	—
Trade notes and accounts receivable	512,164	—	—	—
Sales finance receivables (*1)	3,040,218	4,417,526	157,640	197
Long-term loans receivable	43	12,778	902	260
Total	4,772,013	4,430,304	158,542	457

(*1) The amount of sales finance receivables is presented with the amount after deducting ¥50,022 million of deferred installment income and others

Current fiscal year (As of March 31, 2020) (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash on hand and in banks	1,382,471	—	—	—
Trade notes and accounts receivable	356,156	—	—	—
Sales finance receivables (*1)	2,978,813	3,628,243	86,916	156
Long-term loans receivable	51	12,277	1,102	228
Total	4,717,491	3,640,520	88,018	384

(*1) The amount of sales finance receivables is presented with the amount after deducting ¥45,208 million of deferred installment income and others

(Note 4) Redemption schedule after the balance sheet date for bonds, long-term borrowings, lease obligations and other interest-bearing debt

Prior fiscal year (As of March 31, 2019) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	850,995	—	—	—	—	—
Commercial papers	697,549	—	—	—	—	—
Bonds	583,457	790,058	467,172	314,120	100,494	20,000
Long-term borrowings	1,630,771	1,428,889	793,503	183,598	126,686	6,510
Lease obligations	19,846	9,970	3,487	1,529	663	389
Total	3,782,618	2,228,917	1,264,162	499,247	227,843	26,899

Current fiscal year (As of March 31, 2020) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	1,339,949	—	—	—	—	—
Commercial papers	726,017	—	—	—	—	—
Bonds	765,532	474,924	423,081	99,375	9,794	35,780
Long-term borrowings	1,826,904	1,332,534	428,086	195,065	118,044	24,829
Lease obligations	35,572	21,089	10,505	7,475	7,619	25,806
Total	4,693,974	1,828,547	861,672	301,915	135,457	86,415

(For securities)

1. Other securities

Prior fiscal year (As of March 31, 2019) (Millions of yen)

Types of securities	Carrying value	Acquisition cost	Difference
(Securities whose carrying value exceeds their acquisition cost)			
Stock	108,804	73,929	34,875
Others	3,504	2,369	1,135
Subtotal	112,308	76,298	36,010
(Securities whose carrying value does not exceed their acquisition cost)			
Stock	24,018	24,088	(70)
Others	139,470	139,470	—
Subtotal	163,488	163,558	(70)
Total	275,796	239,856	35,940

Current fiscal year (As of March 31, 2020) (Millions of yen)

Types of securities	Carrying value	Acquisition cost	Difference
(Securities whose carrying value exceeds their acquisition cost)			
Stock	1,370	186	1,184
Others	3,856	2,369	1,487
Subtotal	5,226	2,555	2,671
(Securities whose carrying value does not exceed their acquisition cost)			
Stock	77,488	97,891	(20,403)
Others	260,510	260,510	—
Subtotal	337,998	358,401	(20,403)
Total	343,224	360,956	(17,732)

2. Other securities sold during the fiscal year

Prior fiscal year (From April 1, 2018 To March 31, 2019)
This information is not provided due to its low materiality.

Current fiscal year (From April 1, 2019 To March 31, 2020)
This information is not provided due to its low materiality.

3. Reclassified securities

Prior fiscal year (From April 1, 2018 To March 31, 2019)
Not applicable.

Current fiscal year (From April 1, 2019 To March 31, 2020)
Not applicable.

4. Securities for which an impairment loss was recognized

Prior fiscal year (From April 1, 2018 To March 31, 2019)
Not applicable.

Current fiscal year (From April 1, 2019 To March 31, 2020)
For the current fiscal year, an impairment loss of ¥1,180 million was recognized for investment securities (stock of unconsolidated subsidiaries: ¥1,180 million).

(For derivative transactions)

1. Derivative transactions for which hedge accounting is not adopted

(1) Currency-related transactions

Prior fiscal year (As of March 31, 2019)

(Millions of yen)

Classification	Type	Notional amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	KRW	431	—	64	64
	EUR	2	—	2	2
	Buy:				
	EUR	30,792	—	(1,334)	(1,334)
	Swaps:				
	EUR	452,527	56,051	14,352	14,352
	USD	326,152	115,479	5,645	5,645
	INR	6,440	—	325	325
	GBP	2,399	—	2	2
	CNY	81,912	—	2,120	2,120
Total		—	—	21,176	21,176

Note: Calculation of fair value is based on the discounted cash flows and others.

Current fiscal year (As of March 31, 2020)

(Millions of yen)

Classification	Type	Notional amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	EUR	9,986	—	6	6
	PHP	16,735	—	447	447
	Buy:				
	USD	50,556	—	(1,468)	(1,468)
	Swaps:				
	EUR	214,030	53,798	8,091	8,091
	USD	378,060	—	5,617	5,617
	INR	8,402	—	1,308	1,308
	GBP	2,539	—	(100)	(100)
	ZAR	6,425	—	171	171
	KRW	12,175	—	139	139
	CNY	125,897	—	982	982
Total		—	—	15,193	15,193

Note: Calculation of fair value is based on the discounted cash flows and others.

(2) Interest-related transactions

Prior fiscal year (As of March 31, 2019)

(Millions of yen)

Classification	Type	Notional amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Swaps:				
	Receive floating/pay fixed	152,575	152,575	(638)	(638)
	Receive fixed/pay floating	74,648	69,179	(28)	(28)
	Options				
	Caps sold	693,536	413,672		
	(Premium)	(2,418)	(1,680)	(86)	2,331
	Caps purchased	693,536	413,672		
	(Premium)	2,418	1,680	86	(2,331)
Total		—	—	(666)	(666)

Note: Calculation of fair value is based on the discounted cash flows and others.

Current fiscal year (As of March 31, 2020)

(Millions of yen)

Classification	Type	Notional amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Swaps:				
	Receive floating/pay fixed	139,245	116,279	(2,220)	(2,220)
	Receive fixed/pay floating	44,200	33,725	663	663
	Options				
	Caps sold	633,890	416,813		
	(Premium)	(1,544)	(812)	(30)	1,514
	Caps purchased	633,890	416,813		
	(Premium)	1,544	812	30	(1,514)
Total		—	—	(1,557)	(1,557)

Note: Calculation of fair value is based on the discounted cash flows and others.

(3) Commodity-related transactions

Prior fiscal year (As of March 31, 2019)

Not applicable.

Current fiscal year (As of March 31, 2020)

Not applicable.

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related transactions

Prior fiscal year (As of March 31, 2019) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Deferral hedge accounting	Swaps:				
	USD	Short-term and long-term borrowings	325,238	169,374	11,902
	EUR	Short-term and long-term borrowings	1,794	—	57
	INR	Long-term loans receivable	2,415	2,415	191
	Forward foreign exchange contracts: Buy:				
	USD	Short-term borrowings	30,775	—	28
Total			—	—	12,178

Note: Calculation of fair value is based on discounted cash flows and others.

Current fiscal year (As of March 31, 2020) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Deferral hedge accounting	Swaps:				
	USD	Short-term and long-term borrowings	255,832	142,613	36,269
	EUR	Bonds	18,048	18,048	44
	THB	Long-term loans receivable	3,280	3,280	44
	Forward foreign exchange contracts: Buy:				
	USD	Short-term borrowings	10,187	—	79
Total			—	—	36,436

Note: Calculation of fair value is based on discounted cash flows and others.

(2) Interest-related transactions

Prior fiscal year (As of March 31, 2019) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Special treatment	Swaps: Receive floating/pay fixed	Long-term borrowings	45,500	36,000	Note 2
Deferral hedge accounting	Swaps: Receive floating/pay fixed	Long-term borrowings	1,419,746	508,416	(478)
Total			—	—	(478)

Notes: 1. Calculation of fair value is based on discounted cash flows and others.
2. The fair value of interest rate swaps which are accounted using special treatment is included in that of corresponding hedged long-term borrowings in “2. Fair Value of Financial Instruments” under “For financial instruments“ as those interest rate swaps are recorded as an adjustment to interest expense of hedged instruments under the special treatment.

Current fiscal year (As of March 31, 2020) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Special treatment	Swaps: Receive floating/pay fixed	Long-term borrowings	58,200	28,200	Note 2
Deferral hedge accounting	Swaps: Receive floating/pay fixed	Long-term borrowings	1,005,284	564,362	(20,039)
Total			—	—	(20,039)

Notes: 1. Calculation of fair value is based on discounted cash flows and others.
2. The fair value of interest rate swaps which are accounted using special treatment is included in that of corresponding hedged long-term borrowings in “2. Fair Value of Financial Instruments” under “For financial instruments“ as those interest rate swaps are recorded as an adjustment to interest expense of hedged instruments under the special treatment.

(3) Commodity-related transactions

Prior fiscal year (As of March 31, 2019) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Deferral hedge accounting	Forward contracts: Buy:	Aluminum	1,216	—	18
Total			—	—	18

Note: Calculation of fair value is based on discounted cash flows and others.

Current fiscal year (As of March 31, 2020)

Not applicable.

(For retirement benefits)

1. Description of retirement benefit plans

The Group has several defined-benefit and defined-contribution pension plans. The Company and certain consolidated subsidiaries have adopted both defined-benefit and defined-contribution pension plans, whereas certain other consolidated subsidiaries have either defined-benefit or defined-contribution pension plans. The defined-benefit pension plans adopted by the Company and certain domestic subsidiaries include lump-sum payment plans and defined-benefit corporate pension plans. Certain employees may be entitled to additional special retirement benefits, depending on the conditions for the termination of their employment. Certain consolidated subsidiaries apply a simplified method for calculation of net defined benefit liability, net defined benefit assets and retirement benefit expenses.

2. Defined-benefit pension plan

(1) Adjustments between the beginning and ending balances of retirement benefit obligation (excluding those listed in (3) below)

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Retirement benefit obligation at the beginning of the year	1,379,845	1,406,388
Service cost	32,615	31,752
Interest cost	27,276	25,764
Actuarial gain and loss generated	35,171	5,919
Past service cost generated	(1,545)	24
Retirement benefits paid	(74,290)	(77,422)
Effect of foreign exchange translation	5,539	(33,875)
Other	1,777	(1,340)
Retirement benefit obligation at the end of the year	1,406,388	1,357,210

(2) Adjustments between the beginning and ending balances of plan assets (excluding those listed in (3) below)

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Plan assets at the beginning of the year	1,038,154	1,036,404
Expected return on plan assets (Note)	44,527	43,003
Actuarial gain and loss generated	(1,878)	(95,493)
Contribution from employers	20,028	22,473
Retirement benefits paid	(67,813)	(70,832)
Effect of foreign exchange translation	1,879	(22,542)
Other	1,507	960
Plan assets at the end of the year	1,036,404	913,973

Note: Interest from plan assets of net interest from net defined liability of consolidated foreign subsidiaries which adopt IFRS has been included.

(3) Adjustments between the beginning and ending balances of net defined benefit liability and net defined benefit assets for plans using a simplified method

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Net defined benefit liability and assets at the beginning of the year	618	484
Retirement benefit expenses	336	49
Retirement benefits paid	(61)	(31)
Contribution to plans	(78)	(68)
Decrease due to exclusion from consolidation	(331)	—
Net defined benefit liability and assets at the end of the year	484	434

(4) Adjustments between the ending balances of retirement benefit obligation and plan assets and the net defined benefit liability and net defined benefit assets reported on the balance sheets

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Retirement benefit obligation for funded plans	1,329,733	1,279,026
Plan assets	(1,037,282)	(914,983)
	292,451	364,043
Retirement benefit obligation for unfunded plans	78,017	79,628
Net defined benefit liability and assets reported on the consolidated balance sheets	370,468	443,671
Net defined benefit liability	378,967	454,068
Net defined benefit assets	(8,499)	(10,397)
Net defined benefit liability and assets reported on the consolidated balance sheets	370,468	443,671

(5) Breakdown of retirement benefit expenses

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Service cost (Note 1)	32,951	31,801
Interest cost	27,276	25,764
Expected return on plan assets	(44,527)	(43,003)
Amortization of actuarial gain and loss	15,218	18,153
Amortization of past service cost	(3,373)	(2,666)
Other	348	679
Retirement benefit expenses for defined benefit plans	27,893	30,728

Notes: 1. The retirement benefit expenses of consolidated subsidiaries adopting the simplified method are included in “Service cost.”

2. In addition to the retirement benefit expenses referred to above, additional retirement expenses of ¥39,832 million for the prior fiscal year and ¥15,422 million for the current fiscal year were accounted for as “Special addition to retirement benefits” under “Special losses” in the consolidated statements of income.

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (reported under “Other comprehensive income” in the statements of comprehensive income) consist of the following (before tax effects).

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Past service cost	(1,446)	(2,684)
Actuarial gain and loss	(24,867)	(75,580)
Total	(26,313)	(78,264)

(7) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (reported under "Accumulated other comprehensive income" in the net assets section in the consolidated balance sheets) consist of the following (before tax effects).

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Unrecognized past service cost	6,477	3,793
Unrecognized actuarial gain and loss	(199,170)	(274,750)
Total	(192,693)	(270,957)

(8) Matters regarding plan assets

① Major components of plan assets

Plan assets consist of the following.

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Stocks	42%	41%
Bonds	37%	38%
Cash and deposits	1%	1%
Real estate (including REITs)	8%	7%
Other	12%	13%
Total	100%	100%

Notes: 1. Securities contributed to the retirement benefit trust included in the total plan assets were 2.2% for the prior year and 1.7% for the current fiscal year.

2. "Other" includes components for which it is difficult to categorize into specific types of plan assets, such as stocks and bonds, and to identify the percentage and the amount by types of assets.

② Method for determining the long-term expected return on plan assets

To determine the long-term expected return on plan assets, the portfolio and past performance of the plan assets held, long-term investment policies and market trends, among others, are considered.

(9) Assumptions used in actuarial calculations

Major assumptions used in actuarial calculations

Domestic companies

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Discount rates	0.1%–0.7%	0.2%–0.7%
Long-term expected rates of return on plan assets	Mainly 4.0%	Mainly 4.0%
Expected future salary increase	2.4%–5.5%	1.8%–4.2%

Foreign companies

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Discount rates	1.0%–4.1%	0.5%–3.5%
Long-term expected rates of return on plan assets (US GAAP adoption companies only)	Mainly 8.0%	Mainly 8.0%
Expected future salary increase	2.5%–6.0%	2.5%–6.5%

3. Defined-contribution pension plans

The required amounts of contribution to the Group's defined-contribution pension plans were ¥19,849 million for the prior fiscal year and ¥19,823 million for the current fiscal year.

(For tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Deferred tax assets:		
Net operating loss carry forwards (*2)	237,880	232,464
Impairment loss	20,294	155,372
Net defined benefit liability	107,404	130,843
Deferred tax credit	71,791	103,224
Research and development expenses	70,818	80,042
Sales incentives	82,489	78,886
Accrued warranty costs	88,047	69,015
Allowance for doubtful receivable	41,610	51,756
Loss for residual value risk of leased vehicles	45,983	44,708
Service costs	23,662	41,312
Allowance for bonus	18,528	17,436
Excess depreciation	17,262	16,043
Other	233,463	260,875
Total gross deferred tax assets	1,059,231	1,281,976
Valuation allowance for net operating loss carry forwards (*2)	(100,485)	(181,148)
Valuation allowance for the sum of deductible temporary differences, etc.	(87,487)	(297,784)
Valuation allowance (*1)	(187,972)	(478,932)
Total deferred tax assets	871,259	803,044
Deferred tax liabilities:		
Reserves under Special Taxation Measures Law, etc.	(653,735)	(639,592)
Difference between cost of investments and their underlying net equity at fair value on land	(52,296)	(51,002)
Other	(178,459)	(127,866)
Total deferred tax liabilities	(884,490)	(818,460)
Net deferred tax assets	(13,231)	(15,416)

(*1) In response to the updated future volume projections focusing on “rationalizing the business” and “prioritize and focus”, the Group reviewed the recoverability of deferred tax assets. As a result, the valuation allowance increased. The impact of COVID-19 was considered in the review of the recoverability of deferred tax assets.

(*2) The amounts of net operating loss carry forwards and corresponding deferred tax assets by due period.

Prior fiscal year (As of March 31, 2019) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Net operating loss carry forwards (a)	7,596	9,803	46,969	45,919	14,858	112,735	237,880
Valuation allowance	(5,962)	(3,727)	(9,161)	(7,280)	(10,085)	(64,270)	(100,485)
Deferred tax assets (b)	1,634	6,076	37,808	38,639	4,773	48,465	137,395

(a) The net operating loss carry forwards represent the amounts after being multiplied by the effective statutory tax rate.

(b) After estimating the future taxable incomes based on the profitability attributable to sales plan of new vehicle, the deferred tax assets relating to net operating loss carry forwards are assessed as recoverable.

Current fiscal year (As of March 31, 2020) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Net operating loss carry forwards (a)	5,892	18,590	18,480	27,294	36,458	125,750	232,464
Valuation allowance	(5,619)	(13,336)	(14,599)	(18,607)	(27,081)	(101,906)	(181,148)
Deferred tax assets (b)	273	5,254	3,881	8,687	9,377	23,844	51,316

(a) The net operating loss carry forwards represent the amounts after being multiplied by the effective statutory tax rate.

(b) Deferred tax assets of ¥51,316 million were recognized for the balance of net operating loss carry forwards of ¥232,464 million (amount multiplied by the effective statutory tax rate). After estimating the future taxable income, the deferred tax assets relating to net operating loss carry forwards are assessed as recoverable.

2. The reconciliation between the effective tax rates reflected in the consolidated financial statements and the effective statutory tax rate is summarized as follows:

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Effective statutory tax rate of the Company	30.6%	Because loss before income taxes and minority interests was recorded for the current fiscal year, there is no information to be disclosed here.
(Reconciliation)		
• Different tax rates applied to foreign consolidated subsidiaries	(2.7%)	
• Tax credits	(4.9%)	
• Change in valuation allowance	10.5%	
• Equity in gain and loss of affiliates	(14.0%)	
• Undistributed retained earnings of foreign consolidated subsidiaries	3.1%	
• Reduction in year-end deferred tax assets and deferred tax liabilities due to tax rate change	0.2%	
• Other	5.6%	
Effective tax rates after adoption of tax-effect accounting	28.4%	

(For assets retirement obligations)

Prior fiscal year (As of March 31, 2019)

This information is not provided due to its low materiality.

Current fiscal year (As of March 31, 2020)

This information is not provided due to its low materiality.

(For investment and rental property)

The Company and some of its subsidiaries have rental property in Japan (Tokyo, Kanagawa, Osaka and others) and overseas, which is mainly used for vehicle and parts dealers.
For the fiscal year ended March 31, 2019, net income from rental property amounted to ¥4,851 million and net gain on sales of rental property amounted to ¥1,742 million. For the fiscal year ended March 31, 2020, net income from rental property amounted to ¥5,840 million and net gain on sales of rental property amounted to ¥116 million.

The carrying value, increase/decrease thereof and fair value of rental property are as follows.

(Millions of yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Carrying value		
Balance at the beginning of the year	110,477	110,331
Increase/Decrease during the year	(146)	1,164
Balance at the end of the year	110,331	111,495
Fair value at the end of the year	116,150	119,994

Notes: 1. The carrying value shown here is calculated by deducting the relevant accumulated depreciation and impairment loss from the property's acquisition cost.
2. The fair value was mainly based on real-estate appraisal value which was calculated by external real-estate appraisers.

(Segments of an enterprise and related information)

Segment information

1. General information about reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decision about resource allocation and to assess their performance.
Businesses of the Group are segmented into Automobile and Sales financing based on feature of products and services. The Automobile business includes manufacturing and sales of vehicles and parts. The Sales financing business provides sales finance service and leasing to support sales activities of the above business.

2. Calculation method of net sales, profits or losses, assets and other items by reportable segments

The accounting method for the reportable segments is the same as basis of preparation for the consolidated financial statements.

The segment profits are based on operating income. Inter-segment sales are based on the price in arms-lengths transaction. The segment assets are based on total assets.

3. Changes to reportable segments and others

(1) International Financial Reporting Standards (IFRS) 16, "*Leases*" and Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *"Leases"*

As stated in "Changes in accounting policies," at foreign subsidiaries and affiliates, IFRS 16, "*Leases*" (January 13, 2016) and ASU 2016-02 "*Leases*" (February 25, 2016) have been adopted from the beginning of the fiscal year ended March 31, 2020.

In line with this adoption, the Company generally recognizes all leases as a lessee as assets or liabilities on the consolidated balance sheet.

In adopting the accounting standards, in accordance with the transitional treatment, the Company recognizes the cumulative effect of initially applying the accounting standards at the date of initial application as an adjustment to the balance of retained earnings at the beginning of the fiscal year ended March 31, 2020. The effects of these revisions on segment profits for the fiscal year ended March 31, 2020 are immaterial.

As a result, on the summarized consolidated balance sheets by business segments, mainly, property, plant and equipment, lease obligations included in current liabilities, and lease obligations included in long-term liabilities at the beginning of the fiscal year ended March 31, 2020 increased by ¥75,826 million, ¥11,829 million, and ¥70,648 million, respectively, while retained earnings and non-controlling interests included in net assets decreased by ¥3,450 million and ¥79 million, respectively, in Automobile & Eliminations. Further, mainly, property, plant and equipment, lease obligations included in current liabilities, and lease obligations included in long-term liabilities at the beginning of the fiscal year ended March 31, 2020 increased by ¥1,586 million, ¥490 million, and ¥1,510 million, respectively, while retained earnings decreased by ¥414 million in Sales financing.

(2) International Financial Reporting Interpretations Committee (IFRIC) 23, *"Uncertainty over Income Tax Treatments"*

As stated in "Changes in accounting policies," at some foreign subsidiaries and affiliates, IFRIC 23 "*Uncertainty over Income Tax Treatments*" (June 7, 2017) has been adopted from the beginning of the fiscal year ended March 31, 2020.

In line with this adoption, if the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the Company reflects the effect of uncertainty in income taxes.

In adopting the accounting standard, in accordance with the transitional treatment, the Company recognizes the cumulative effect of initially applying the accounting standards at the date of initial application as an adjustment to the balance of retained earnings at the beginning of the fiscal year ended March 31, 2020. In addition, there is no effect on the segment profits for the fiscal year ended March 31, 2020.

As a result, in Automobile & Eliminations, the balance of income tax payables at the beginning of the fiscal year ended March 31, 2020 increased by ¥12,682 million, the balances of retained earnings and deferred tax liabilities at the beginning of the fiscal year ended March 31, 2020 decreased by ¥10,489 million and ¥2,193 million, respectively. In addition, net loss attributable to owners of parent for the fiscal year ended March 31, 2020 decreased by ¥9,045 million in Automobile & Eliminations.

4. Net sales, profits or losses, assets and other items by reportable segments

Prior fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	The year ended March 31, 2019
	Automobile	Sales financing	Total		
Net sales					
Sales to third parties	10,426,158	1,148,089	11,574,247	—	11,574,247
Inter-segment sales or transfers	157,922	49,540	207,462	(207,462)	—
Total	10,584,080	1,197,629	11,781,709	(207,462)	11,574,247
Segment profits	65,997	227,993	293,990	24,234	318,224
Segment assets	9,008,213	11,122,296	20,130,509	(1,178,164)	18,952,345
Other items					
Depreciation and amortization expense	373,738	525,803	899,541	—	899,541
Amortization of goodwill	1,118	—	1,118	—	1,118
Interest expense (Cost of sales)	—	231,837	231,837	(37,241)	194,596
Investment amounts to equity method companies	1,137,696	11,539	1,149,235	—	1,149,235
Increase amounts of fixed assets and intangible fixed assets	463,995	1,284,664	1,748,659	—	1,748,659

Note 1: Consolidated financial statements by business segments

- The Sales financing segment for the summarized consolidated balance sheets, summarized consolidated statements of income and summarized consolidated statements of cash flows consists of NISSAN FINANCIAL SERVICES CO., LTD. (Japan), Nissan Motor Acceptance Corporation (U.S.A.), NR FINANCE MEXICO, S.A. de C.V. (Mexico), other 10 companies and the sales finance operations of Nissan Canada, Inc. (Canada).
- The financial data on Automobile & Eliminations represent the differences between the consolidated figures and those for the Sales financing segment.

(1) Summarized consolidated balance sheets by business segments

(Millions of yen)

Accounts	Prior fiscal year (As of March 31, 2019)		
	Automobile & Eliminations	Sales financing	Consolidated total
Assets			
I. Current assets			
Cash on hand and in banks	1,171,874	47,714	1,219,588
Trade notes and accounts receivable	511,148	1,016	512,164
Sales finance receivables	(135,801)	7,801,404	7,665,603
Inventories	1,198,571	59,352	1,257,923
Other current assets	575,680	382,147	957,827
Total current assets	3,321,472	8,291,633	11,613,105
II. Fixed assets			
Property, plant and equipment, net	2,598,874	2,706,824	5,305,698
Investment securities	1,334,518	4,357	1,338,875
Other fixed assets	575,185	119,482	694,667
Total fixed assets	4,508,577	2,830,663	7,339,240
Total assets	7,830,049	11,122,296	18,952,345
Liabilities			
I. Current liabilities			
Trade notes and accounts payable	1,532,977	47,475	1,580,452
Short-term borrowings	(341,811)	4,104,583	3,762,772
Lease obligations	19,846	—	19,846
Other current liabilities	1,897,057	470,404	2,367,461
Total current liabilities	3,108,069	4,622,462	7,730,531
II. Long-term liabilities			
Bonds	165,000	1,526,844	1,691,844
Long-term borrowings	(149,117)	2,688,303	2,539,186
Lease obligations	16,033	5	16,038
Other long-term liabilities	724,713	626,523	1,351,236
Total long-term liabilities	756,629	4,841,675	5,598,304
Total liabilities	3,864,698	9,464,137	13,328,835
Net assets			
I. Shareholders' equity			
Common stock	431,303	174,511	605,814
Capital surplus	641,913	172,769	814,682
Retained earnings	3,640,783	1,321,197	4,961,980
Treasury stock	(139,457)	—	(139,457)
Total shareholders' equity	4,574,542	1,668,477	6,243,019
II. Accumulated other comprehensive income			
Translation adjustments	(729,530)	(60,601)	(790,131)
Others	(149,654)	(559)	(150,213)
Total accumulated other comprehensive income	(879,184)	(61,160)	(940,344)
III. Non-controlling interests	269,993	50,842	320,835
Total net assets	3,965,351	1,658,159	5,623,510
Total liabilities and net assets	7,830,049	11,122,296	18,952,345

Notes: 1. The sales finance receivables of Automobile & Eliminations represent the amount eliminated for intercompany transactions related to wholesale finance made by the Sales financing segment.

2. The borrowings of Automobile & Eliminations represent the amount after deducting internal loans receivable from the Sales financing segment amounting to ¥900,676 million.

(2) Summarized consolidated statements of income by business segments

(Millions of yen)

Accounts	Prior fiscal year (From April 1, 2018 To March 31, 2019)		
	Automobile & Eliminations	Sales financing	Consolidated total
Net sales	10,376,618	1,197,629	11,574,247
Cost of sales	8,850,866	819,536	9,670,402
Gross profit	1,525,752	378,093	1,903,845
Operating income as a percentage of net sales	0.9%	19.0%	2.7%
Operating income	90,231	227,993	318,224
Financial income / expenses, net	24,881	(21)	24,860
Other non-operating income and expenses, net	203,431	(17)	203,414
Ordinary income	318,543	227,955	546,498
Income before income taxes	252,855	224,853	477,708
Net income attributable to owners of parent	163,650	155,488	319,138

(3) Summarized consolidated statements of cash flows by business segments

(Millions of yen)

Accounts	Prior fiscal year (From April 1, 2018 To March 31, 2019)		
	Automobile & Eliminations	Sales financing	Consolidated total
I. Cash flows from operating activities			
Income before income taxes	252,855	224,853	477,708
Depreciation and amortization	373,738	525,803	899,541
Decrease (increase) in sales finance receivables	122,080	(34,474)	87,606
Others	(101,831)	87,864	(13,967)
Net cash provided by (used in) operating activities	646,842	804,046	1,450,888
II. Cash flows from investing activities			
Purchase of investment securities	(31,328)	—	(31,328)
Purchase of fixed assets	(403,068)	(19,501)	(422,569)
Proceeds from sales of fixed assets	23,969	22,464	46,433
Purchase of leased vehicles	—	(1,298,702)	(1,298,702)
Proceeds from sales of leased vehicles	—	666,375	666,375
Others	(45,273)	(48,483)	(93,756)
Net cash provided by (used in) investing activities	(455,700)	(677,847)	(1,133,547)
III. Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	436,937	(223,360)	213,577
Net change in long-term borrowings and redemption of bonds	(95,970)	(351,098)	(447,068)
Proceeds from issuance of bonds	—	363,868	363,868
Others	(327,936)	70,419	(257,517)
Net cash provided by (used in) financing activities	13,031	(140,171)	(127,140)
IV. Effect of exchange rate changes on cash and cash equivalents	(36,329)	(1,929)	(38,258)
V. Increase (decrease) in cash and cash equivalents	167,844	(15,901)	151,943
VI. Cash and cash equivalents at the beginning of the period	1,140,621	65,379	1,206,000
VII. Increase due to inclusion in consolidation	1,115	—	1,115
VIII. Cash and cash equivalents at the end of the period	1,309,580	49,478	1,359,058

Notes: 1. The net increase (decrease) in short-term borrowings of Automobile & Eliminations includes the amount of ¥240,325 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

2. The net change in long-term borrowings and redemption of bonds of Automobile & Eliminations includes the amount of ¥58,366 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

Note 2: Net sales and profits or losses by region

Prior fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Japan	North America	Europe	Asia	Other overseas countries	Total	Eliminations	Consolidated
Net sales								
(1) Sales to third parties	2,305,327	5,631,892	1,576,267	1,028,699	1,032,062	11,574,247	—	11,574,247
(2) Inter-segment sales	2,269,621	465,403	261,788	544,685	30,612	3,572,109	(3,572,109)	—
Total	4,574,948	6,097,295	1,838,055	1,573,384	1,062,674	15,146,356	(3,572,109)	11,574,247
Operating income (loss)	167,901	72,063	(16,702)	71,092	(5,425)	288,929	29,295	318,224

Notes: 1. Regions represent the location of the Company and its group companies.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico

Current fiscal year (From April 1, 2019 To March 31, 2020)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	The year ended March 31, 2020
	Automobile	Sales financing	Total		
Net sales					
Sales to third parties	8,766,016	1,112,850	9,878,866	—	9,878,866
Inter-segment sales or transfers	149,894	50,427	200,321	(200,321)	—
Total	8,915,910	1,163,277	10,079,187	(200,321)	9,878,866
Segment profits (loss)	(264,182)	210,530	(53,652)	13,183	(40,469)
Segment assets	7,872,165	9,852,843	17,725,008	(748,299)	16,976,709
Other items					
Depreciation and amortization expense	365,836	500,079	865,915	—	865,915
Amortization of goodwill	1,681	—	1,681	—	1,681
Interest expense (Cost of sales)	—	212,551	212,551	(22,609)	189,942
Investment amounts to equity method companies	1,035,363	14,486	1,049,849	—	1,049,849
Increase amounts of fixed assets and intangible fixed assets	484,063	1,082,408	1,566,471	—	1,566,471

Note 1: Consolidated financial statements by business segments

- The Sales financing segment for the summarized consolidated balance sheets, summarized consolidated statements of income and summarized consolidated statements of cash flows consists of NISSAN FINANCIAL SERVICES CO., LTD. (Japan), Nissan Motor Acceptance Corporation (U.S.A.), NR FINANCE MEXICO, S.A. de C.V. (Mexico), other 11 companies and the sales finance operations of Nissan Canada, Inc. (Canada).
- The financial data on Automobile & Eliminations represent the differences between the consolidated figures and those for the Sales financing segment.

(1) Summarized consolidated balance sheets by business segments

(Millions of yen)

Accounts	Current fiscal year (As of March 31, 2020)		
	Automobile & Eliminations	Sales financing	Consolidated total
Assets			
I. Current assets			
Cash on hand and in banks	1,295,096	87,375	1,382,471
Trade notes and accounts receivable	355,287	869	356,156
Sales finance receivables	(115,207)	6,854,543	6,739,336
Inventories	1,277,066	63,357	1,340,423
Other current assets	562,761	294,792	857,553
Total current assets	3,375,003	7,300,936	10,675,939
II. Fixed assets			
Property, plant and equipment, net	2,107,217	2,411,633	4,518,850
Investment securities	1,170,336	6,848	1,177,184
Other fixed assets	471,310	133,426	604,736
Total fixed assets	3,748,863	2,551,907	6,300,770
Total assets	7,123,866	9,852,843	16,976,709
Liabilities			
I. Current liabilities			
Trade notes and accounts payable	1,333,922	23,125	1,357,047
Short-term borrowings	248,815	4,409,587	4,658,402
Lease obligations	35,103	469	35,572
Other current liabilities	1,568,349	445,876	2,014,225
Total current liabilities	3,186,189	4,879,057	8,065,246
II. Long-term liabilities			
Bonds	83,048	959,906	1,042,954
Long-term borrowings	(8,538)	2,107,096	2,098,558
Lease obligations	71,478	1,016	72,494
Other long-term liabilities	716,076	556,608	1,272,684
Total long-term liabilities	862,064	3,624,626	4,486,690
Total liabilities	4,048,253	8,503,683	12,551,936
Net assets			
I. Shareholders' equity			
Common stock	383,649	222,165	605,814
Capital surplus	645,300	172,756	818,056
Retained earnings	3,127,476	997,567	4,125,043
Treasury stock	(139,262)	—	(139,262)
Total shareholders' equity	4,017,163	1,392,488	5,409,651
II. Accumulated other comprehensive income			
Translation adjustments	(910,992)	(135,168)	(1,046,160)
Others	(273,822)	(25,380)	(299,202)
Total accumulated other comprehensive income	(1,184,814)	(160,548)	(1,345,362)
III. Non-controlling interests	243,264	117,220	360,484
Total net assets	3,075,613	1,349,160	4,424,773
Total liabilities and net assets	7,123,866	9,852,843	16,976,709

Notes: 1. The sales finance receivables of Automobile & Eliminations represent the amount eliminated for intercompany transactions related to wholesale finance made by the Sales financing segment.
2. The borrowings of Automobile & Eliminations represent the amount after deducting internal loans receivable from the Sales financing segment amounting to ¥444,405 million.

(2) Summarized consolidated statements of income by business segments

(Millions of yen)

Accounts	Current fiscal year (From April 1, 2019 To March 31, 2020)		
	Automobile & Eliminations	Sales financing	Consolidated total
Net sales	8,715,589	1,163,277	9,878,866
Cost of sales	7,671,103	771,802	8,442,905
Gross profit	1,044,486	391,475	1,435,961
Operating income as a percentage of net sales	(2.9)%	18.1%	(0.4)%
Operating income (loss)	(250,999)	210,530	(40,469)
Financial income / expenses, net	17,697	(21)	17,676
Other non-operating income and expenses, net	68,450	(1,608)	66,842
Ordinary income (loss)	(164,852)	208,901	44,049
Income (loss) before income taxes	(776,081)	203,059	(573,022)
Net income (loss) attributable to owners of parent	(815,709)	144,493	(671,216)

(3) Summarized consolidated statements of cash flows by business segments

(Millions of yen)

Accounts	Current fiscal year (From April 1, 2019 To March 31, 2020)		
	Automobile & Eliminations	Sales financing	Consolidated total
I. Cash flows from operating activities			
Income (loss) before income taxes	(776,081)	203,059	(573,022)
Depreciation and amortization	365,836	500,079	865,915
Decrease (increase) in sales finance receivables	(20,277)	687,547	667,270
Others	218,048	7,643	225,691
Net cash provided by (used in) operating activities	(212,474)	1,398,328	1,185,854
II. Cash flows from investing activities			
Purchase of investment securities	(11,776)	—	(11,776)
Proceeds from sales of subsidiaries' shares resulting in changes in the scope of consolidation	1,746	—	1,746
Purchase of fixed assets	(451,835)	(12,384)	(464,219)
Proceeds from sales of fixed assets	31,600	17,642	49,242
Purchase of leased vehicles	—	(1,114,850)	(1,114,850)
Proceeds from sales of leased vehicles	—	743,759	743,759
Others	1,724	85,687	87,411
Net cash provided by (used in) investing activities	(428,541)	(280,146)	(708,687)
III. Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	449,788	59,429	509,217
Net change in long-term borrowings and redemption of bonds	121,107	(755,512)	(634,405)
Proceeds from issuance of bonds	18,048	142,076	160,124
Others	258,612	(449,042)	(190,430)
Net cash provided by (used in) financing activities	847,555	(1,003,049)	(155,494)
IV. Effect of exchange rate changes on cash and cash equivalents	(27,774)	(16,180)	(43,954)
V. Increase (decrease) in cash and cash equivalents	178,766	98,953	277,719
VI. Cash and cash equivalents at the beginning of the period	1,309,580	49,478	1,359,058
VII. Increase due to inclusion in consolidation	6,204	—	6,204
VIII. Cash and cash equivalents at the end of the period	1,494,550	148,431	1,642,981

Notes: 1. The net increase (decrease) in short-term borrowings of Automobile & Eliminations includes the amount of ¥234,847 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

2. The net change in long-term borrowings and redemption of bonds of Automobile & Eliminations includes the amount of ¥145,258 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

Note 2: Net sales and profits or losses by region

Current fiscal year (From April 1, 2019 To March 31, 2020)

(Millions of yen)

	Japan	North America	Europe	Asia	Other overseas countries	Total	Eliminations	Consolidated
Net sales								
(1) Sales to third parties	2,143,357	4,713,660	1,283,945	890,274	847,630	9,878,866	—	9,878,866
(2) Inter-segment sales	1,841,139	426,895	195,009	464,557	36,280	2,963,880	(2,963,880)	—
Total	3,984,496	5,140,555	1,478,954	1,354,831	883,910	12,842,746	(2,963,880)	9,878,866
Operating income (loss)	(51,671)	(15,937)	(29,040)	39,097	(3,965)	(61,516)	21,047	(40,469)

Notes: 1. Regions represent the location of the Company and its group companies.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico

Related information

Prior fiscal year (From April 1, 2018 To March 31, 2019)

1. Information by product and service
This information is not provided here because it is the same as the information provided under "Segment information."

2. Information by geographical area
(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,904,712	5,492,142	4,533,029	1,657,339	1,318,704	1,201,350	11,574,247

Notes: 1. Regions represent customers' location.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, Central & South America excluding Mexico, etc.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,527,241	3,209,631	2,651,472	247,636	219,653	101,537	5,305,698

Notes: 1. Regions represent the location of the Company and its group companies.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico

3. Information by major customer

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statements of income.

Current fiscal year (From April 1, 2019 To March 31, 2020)

1. Information by product and service

This information is not provided here because it is the same as the information provided under "Segment information."

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,727,634	4,612,528	3,786,604	1,429,733	1,101,675	1,007,296	9,878,866

Notes: 1. Regions represent customers' location.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico, etc.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,585,923	2,641,836	2,172,577	81,985	167,679	41,427	4,518,850

Notes: 1. Regions represent the location of the Company and its group companies.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico

3. Information by major customer

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statements of income.

Information about the impairment loss on fixed assets by reportable segments

Prior fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Total
	Automobile	Sales financing	Total		
Impairment loss	13,339	—	13,339	—	13,339

Current fiscal year (From April 1, 2019 To March 31, 2020)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Total
	Automobile	Sales financing	Total		
Impairment loss	540,642	—	540,642	—	540,642

Information about the amortization of goodwill and unamortized balance by reportable segments

Prior fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Total
	Automobile	Sales financing	Total		
Amortization of goodwill	1,118	—	1,118	—	1,118
Balance at the end of the year	6,141	—	6,141	—	6,141

Current fiscal year (From April 1, 2019 To March 31, 2020)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Total
	Automobile	Sales financing	Total		
Amortization of goodwill	1,681	—	1,681	—	1,681
Balance at the end of the year	4,644	—	4,644	—	4,644

Information about the gain recognized on negative goodwill by reportable segments

Prior fiscal year (From April 1, 2018 To March 31, 2019)

This information is not provided due to its low materiality.

Current fiscal year (From April 1, 2019 To March 31, 2020)

This information is not provided due to its low materiality.

(Information of related parties)

1. Transactions with related parties

Prior fiscal year (From April 1, 2018 To March 31, 2019)

Type	Company name	Address	Common stock or Investment in capital (Millions of yen)	Business	Percentage of the voting rights held (%)	Relation	Nature of transaction	Amount of transaction (Millions of yen)	Account	Balance at the end of fiscal year (Millions of yen)
The company which the director or its relatives have the majority of voting rights	DEXTAR WORLD TRADE LIMITED, L.L.C.	Hamilton, New Jersey, U.S.A	Unknown (Note1)	Automotive parts distributor	None	Sells automotive parts to DEXTAR WORLD TRADE LIMITED, L.L.C.	Sale of automotive parts to DEXTAR WORLD TRADE LIMITED, L.L.C. (Note2)	563	Notes and Accounts Receivables	129

Notes: 1. The common stock of this company is unknown.
2. Transaction conditions, such as sales prices, are decided upon the negotiations where the Company presents the sales prices, which are benchmarked to the market price.

Current fiscal year (From April 1, 2019 To March 31, 2020)

Not applicable.

2. Notes on the parent company and significant affiliates

Condensed financial information of significant affiliates:

Prior fiscal year (From April 1, 2018 To March 31, 2019)

Combined and condensed financial information (from January 1, 2018 to December 31, 2018) of Renault and Dongfeng Motor Co., Ltd., which are defined as significant affiliates for the prior fiscal year, is as follows.

Total current assets	¥10,555,680 million
Total fixed assets	¥6,426,807 million
Total current liabilities	¥9,940,622 million
Total long-term liabilities	¥1,462,539 million
Total net assets	¥5,579,326 million
Net sales	¥10,626,591 million
Income before income taxes	¥921,071 million
Net income	¥688,114 million

Current fiscal year (From April 1, 2019 To March 31, 2020)

Combined and condensed financial information (from January 1, 2019 to December 31, 2019) of Renault and Dongfeng Motor Co., Ltd., which are defined as significant affiliates for the prior fiscal year, is as follows.

Total current assets	¥10,613,818 million
Total fixed assets	¥6,670,305 million
Total current liabilities	¥10,128,332 million
Total long-term liabilities	¥1,894,990 million
Total net assets	¥5,260,800 million
Net sales	¥9,740,847 million
Income before income taxes	¥534,407 million
Net income	¥216,361 million

(Amounts per share)

(Yen)

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Net assets per share	1,355.18	1,038.95
Basic earnings (loss) per share	81.59	(171.54)
Diluted earnings per share	81.59	—

Notes: 1. The information on “Diluted earnings per share” for the current fiscal year is not presented because a net loss per share was recorded although potential dilutive stock existed.

2. As stated in “Changes in accounting policies,” the Company adopted the International Financial Reporting Standards (IFRS) 16, “*Leases*” and Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, “*Leases,*” and applied the transitional treatment stipulated in said standards.
This change has caused a decrease of ¥0.99 in net assets per share for the fiscal year ended March 31, 2020. The effects of these revisions on basic loss per share for the fiscal year ended March 31, 2020 are immaterial.

3. As stated in “Changes in accounting policies,” the Company adopted the International Financial Reporting Interpretations Committee (IFRIC) 23, *“Uncertainty over Income Tax Treatments,”* and applied the transitional treatment stipulated in said standards.
This change has caused a decrease of ¥0.37 in net assets per share and an increase of ¥2.31 in basic loss per share for the fiscal year ended March 31, 2020.

4. The basis for calculation of the basic earnings (loss) per share and the diluted earnings per share is as follows.

	Prior fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Basic earnings (loss) per share: Net income (loss) attributable to owners of parent (Millions of yen)	319,138	(671,216)
Net income (loss) attributable to owners of parent relating to common stock (Millions of yen)	319,138	(671,216)
Average number of shares of common stock during the fiscal year (Thousands of shares)	3,911,716	3,912,975
Diluted earnings per share: Increase in shares of common stock (Thousands of shares)	4	—
(Exercise of share subscription rights (Thousands of shares))	4	—
Securities excluded from the computation of diluted earnings per share because they do not have dilutive effects.	—	—

3. The basis for calculation of the net assets per share is as follows.

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Total net assets (Millions of yen)	5,623,510	4,424,773
Amounts deducted from total net assets (Millions of yen)	320,835	360,484
(Share subscription rights (Millions of yen))	—	—
(Non-controlling interests (Millions of yen))	320,835	360,484
Net assets attributable to shares of common stock at year end (Millions of yen)	5,302,675	4,064,289
The year-end number of shares of common stock used for the calculation of net assets per share (Thousands of shares)	3,912,904	3,911,914

(Significant subsequent events)

Taking into consideration its funding plans, which take into account the risk that COVID-19 will have a prolonged impact, and market trends, the Company and its subsidiaries raised funds, after March 31st through July 3rd, in an aggregate amount of ¥832,577 million (including £597 million and $500 million) with multiple financial institutions. The interest rates under funding agreements are approximately the same as prevailing market rates, and the tenors of the funding are, on average, around two years. None of these agreements have collateral or other material covenant provisions.

⑤ Consolidated supplemental schedules

Schedule of bonds payable

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
*1	53rd unsecured bonds (Note 2)	April 28, 2010	20,000	(20,000) 20,000	1.744	None	April 28, 2020
*1	56th unsecured bonds	April 25, 2013	10,000	—	0.554	None	March 19, 2020
*1	58th unsecured bonds	April 25, 2014	20,000	20,000	0.779	None	March 19, 2024
*1	59th unsecured bonds (Note 2)	April 15, 2016	80,000	(80,000) 80,000	0.15	None	March 19, 2021
*1	60th unsecured bonds	April 15, 2016	25,000	25,000	0.22	None	March 20, 2023
*1	61st unsecured bonds	April 15, 2016	20,000	20,000	0.33	None	March 19, 2026
*1	62nd unsecured bonds	December 6, 2019	—	18,048	Euribor 3M+0.55	None	December 6, 2021
*2	Bonds issued by subsidiaries (Note 2)	2014 - 2018	465,000	(155,000) 315,000	0.001 – 0.335	None	2020 – 2023
*3	Bonds issued by subsidiaries (Note 2)	2016 - 2019	1,154,038 [$10,397,678 thousand]	(315,569) [$2,899,652 thousand] 924,919 [$8,498,749 thousand]	1.26 – 3.88	None	2020 – 2025
*3	Bonds issued by subsidiaries (Note 2)	2017 - 2019	62,800 [MXN 10,940,800 thousand]	(23,490) [MXN 5,140,000 thousand] 34,915 [MXN 7,640,000 thousand]	7.74 – 9.05	None	2020 – 2022
*3	Bonds issued by subsidiaries (Note 2)	2016 - 2018	206,600 [CAD 2,499,999 thousand]	(103,410) [CAD 1,350,000 thousand] 141,710 [CAD 1,850,000 thousand]	1.750 – 3.150	None	2020 – 2021
*3	Bonds issued by subsidiaries (Note 2)	2018	74,708 [AUD 950,000 thousand]	(13,218) [AUD 200,000 thousand] 13,218 [AUD200,000 thousand]	3.00	None	2021
*3	Bonds issued by subsidiaries (Note 2)	2017 - 2019	137,155 [CNY 8,487,290 thousand]	(54,845) [CNY 3,500,000 thousand] 195,676 [CNY 12,487,329 thousand]	3.58 – 4.95	None	2020 - 2022
	Total (Note 2)	—	2,275,301	(765,532) 1,808,486	—		—

Notes: 1. *1 The Company *2 Domestic subsidiaries *3 Foreign subsidiaries

2. The amounts in parentheses presented under "Balance at the end of current fiscal year" represent the amounts scheduled to be redeemed within one year.

3. The redemption schedule of bonds for 5 years subsequent to March 31, 2020 is summarized as follows:

(Millions of yen)

Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
765,532	474,924	423,081	99,375	9,794

Schedule of borrowings

(Millions of yen)

Category	Balance at the beginning of current fiscal year	Balance at the end of current fiscal year	Average interest rate (%)	Maturity
Short-term borrowings	447,027	736,998	2.21	—
Nonrecourse short-term borrowings	403,968	602,951	2.37	—
Current portion of long-term borrowings	626,900	876,413	1.89	—
Current portion of nonrecourse long-term borrowings	1,003,871	950,491	2.45	—
Commercial papers	697,549	726,017	0.98	—
Current portion of lease obligations	19,846	35,572	1.50	—
Long-term borrowings (excluding current portion)	1,572,206	1,208,509	2.00	April 2021 to August 2039
Nonrecourse long-term borrowings (excluding current portion)	966,980	890,049	2.23	April 2021 to August 2026
Lease obligations (excluding current portion)	16,038	72,494	3.28	April 2021 to August 2057
Total	5,754,385	6,099,494	—	—

Notes: 1. The average interest rate represents the weighted-average rate applicable to the year-end balance.

2. As stated in "Changes in accounting policies," at foreign subsidiaries and affiliates, IFRS 16, "*Leases*" (January 13, 2016) and ASU 2016-02 "*Leases*" (February 25, 2016) have been adopted from the beginning of the fiscal year ended March 31, 2020. Liabilities corresponding to the right-of-use assets which was recognized in line with this adaption were included in Current portion of lease obligations and Lease obligations (excluding current portion) balance at the end of the fiscal year ended March 31, 2020.

3. The following table shows the aggregate annual maturities of long-term borrowings (excluding the current portion), nonrecourse long-term borrowings (excluding the current portion) and lease obligations (excluding the current portion) for 5 years subsequent to March 31, 2020.

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	668,521	261,707	147,049	109,460
Nonrecourse long-term borrowings	664,013	166,379	48,016	8,584
Lease obligations	21,089	10,505	7,475	7,619

Schedule of asset retirement obligations

The schedule of asset retirement obligations is not provided because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2020 were less than one hundredth (1%) of the amounts of total liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2020.

Independent Auditor's Report

The Board of Directors
Nissan Motor Co., Ltd.

We have audited the accompanying consolidated financial statements of Nissan Motor Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended and the basis of consolidated financial statements, other related notes and the consolidated supplemental schedules, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissan Motor Co., Ltd. and its consolidated subsidiaries as at March 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

/s/ Ernst & Young ShinNihon LLC

June 26, 2019
Tokyo, Japan

1. Consolidated Financial Statements

(1) Consolidated financial statements

① Consolidated balance sheets

(Millions of yen)

		Prior fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)
Assets				
Current assets				
Cash on hand and in banks		1,134,838		1,219,588
Trade notes and accounts receivable		739,851		512,164
Sales finance receivables	※3, ※6	7,634,756	※3, ※6	7,665,603
Securities		71,200		139,470
Merchandise and finished goods		880,518		827,289
Work in process		91,813		64,386
Raw materials and supplies		318,218		366,248
Other	※6	775,771	※6	945,449
Allowance for doubtful accounts		(116,572)		(127,092)
Total current assets		11,530,393		11,613,105
Fixed assets				
Property, plant and equipment				
Buildings and structures, net		600,675		590,717
Machinery, equipment and vehicles, net	※2	3,392,134	※2	3,436,437
Land		598,780		595,776
Construction in progress		209,237		233,070
Other, net		464,808		449,698
Total property, plant and equipment	※1, ※3	5,265,634	※1, ※3	5,305,698
Intangible fixed assets	※4	128,782	※4	134,471
Investments and other assets				
Investment securities	※5	1,264,532	※5	1,338,875
Long-term loans receivable		12,654		13,983
Net defined benefit assets		10,552		8,499
Deferred tax assets		321,426		326,759
Other		207,764		213,313
Allowance for doubtful accounts		(1,802)		(2,358)
Total investments and other assets		1,815,126		1,899,071
Total fixed assets		7,209,542		7,339,240
Total assets		18,739,935		18,952,345

(Millions of yen)

		Prior fiscal year (As of March 31, 2018)		Current fiscal year (As of March 31, 2019)
Liabilities				
Current liabilities				
Trade notes and accounts payable		1,646,638		1,580,452
Short-term borrowings	※3	802,952	※3	850,995
Current portion of long-term borrowings	※3	1,152,719	※3	1,630,771
Commercial papers		402,918		697,549
Current portion of bonds		396,637		583,457
Lease obligations		25,766		19,846
Accrued expenses		1,114,053		1,183,888
Accrued warranty costs		115,568		116,492
Other		1,087,133		1,067,081
Total current liabilities		6,744,384		7,730,531
Long-term liabilities				
Bonds		1,887,404		1,691,844
Long-term borrowings	※3	3,053,712	※3	2,539,186
Lease obligations		16,248		16,038
Deferred tax liabilities		375,087		339,991
Accrued warranty costs		120,210		116,425
Net defined benefit liability		352,861		378,967
Other		488,319		515,853
Total long-term liabilities		6,293,841		5,598,304
Total liabilities		13,038,225		13,328,835
Net assets				
Shareholders' equity				
Common stock		605,814		605,814
Capital surplus		815,913		814,682
Retained earnings		4,921,722		4,961,980
Treasury stock		(139,970)		(139,457)
Total shareholders' equity		6,203,479		6,243,019
Accumulated other comprehensive income				
Unrealized holding gain and loss on securities		68,179		30,004
Unrealized gain and loss from hedging instruments		9,537		4,762
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting		(13,945)		(30,882)
Translation adjustments		(733,571)		(790,131)
Remeasurements of defined benefit plans		(135,967)		(154,097)
Total accumulated other comprehensive income		(805,767)		(940,344)
Share subscription rights		84		—
Non-controlling interests		303,914		320,835
Total net assets		5,701,710		5,623,510
Total liabilities and net assets		18,739,935		18,952,345

② Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

		Prior fiscal year (From April 1, 2017 To March 31, 2018)		Current fiscal year (From April 1, 2018 To March 31, 2019)
Net sales		11,951,169		11,574,247
Cost of sales	※1, ※2	9,814,001	※1, ※2	9,670,402
Gross profit		2,137,168		1,903,845
Selling, general and administrative expenses				
Advertising expenses		304,328		302,472
Service costs		74,569		146,851
Provision for warranty costs		122,135		122,818
Other selling expenses		251,593		221,536
Salaries and wages		410,156	※3	409,222
Retirement benefit expenses		17,883		19,105
Supplies		4,413		2,780
Depreciation and amortization		53,928		55,685
Provision for doubtful accounts		90,461		82,356
Amortization of goodwill		1,057		1,118
Other		231,885		221,678
Total selling, general and administrative expenses	※1	1,562,408	※1	1,585,621
Operating income		574,760		318,224
Non-operating income				
Interest income		21,092		30,206
Dividends income		6,663		8,132
Equity in earnings of affiliates		205,645		218,565
Derivative gain		—		24,751
Miscellaneous income		15,938		29,532
Total non-operating income		249,338		311,186
Non-operating expenses				
Interest expense		12,670		13,478
Derivative loss		5,001		—
Exchange loss		26,772		38,293
Credit liquidation costs		13,854		12,888
Miscellaneous expenses		15,499		18,253
Total non-operating expenses		73,796		82,912
Ordinary income		750,302		546,498

(Millions of yen)

		Prior fiscal year (From April 1, 2017 To March 31, 2018)		Current fiscal year (From April 1, 2018 To March 31, 2019)
Special gains				
Gain on sales of fixed assets	※4	10,408	※4	17,712
Gain on sales of business		—		7,993
Other		2,184		2,611
Total special gains		12,592		28,316
Special losses				
Loss on sales of fixed assets	※5	4,149	※5	2,960
Loss on disposal of fixed assets		10,644		15,941
Impairment loss	※6	16,166	※6	13,339
Compensation for suppliers and others		13,612		16,998
Special addition to retirement benefits		3,445		39,832
Expense for reorganization of sales business		—		4,027
Other		4,135		4,009
Total special losses		52,151		97,106
Income before income taxes		710,743		477,708
Income taxes-current		140,571		156,115
Income taxes-deferred		(193,485)		(20,322)
Total income taxes		(52,914)		135,793
Net income		763,657		341,915
Net income attributable to non-controlling interests		16,765		22,777
Net income attributable to owners of parent		746,892		319,138

Consolidated statements of comprehensive income

		(Millions of yen)
	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Net income	763,657	341,915
Other comprehensive income		
Unrealized holding gain and loss on securities	8,359	(28,964)
Unrealized gain and loss from hedging instruments	2,563	(4,648)
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	—	(17,966)
Translation adjustments	(77,501)	(9,892)
Remeasurements of defined benefit plans	3,933	(19,676)
The amount for equity method company portion	39,327	(64,770)
Total other comprehensive income	※1 (23,319)	※1 (145,916)
Comprehensive income	740,338	195,999
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	721,255	177,385
Comprehensive income attributable to non-controlling interests	19,083	18,614

③ Consolidated statements of changes in net assets

Prior fiscal year (From April 1, 2017 To March 31, 2018)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain and loss on securities	Unrealized gain and loss from hedging instruments
Balance at the beginning of current period	605,814	817,464	4,349,136	(140,697)	5,631,717	57,778	7,154
Cumulative effects of changes in accounting policies			12,975		12,975		
Restated balance	605,814	817,464	4,362,111	(140,697)	5,644,692	57,778	7,154
Changes of items during the period							
Cash dividends paid			(197,541)		(197,541)		
Net income attributable to owners of parent			746,892		746,892		
Purchase of treasury stock				(730)	(730)		
Disposal of treasury stock		232		1,457	1,689		
Change in subsidiaries' interests by purchase of its treasury stock		1,040			1,040		
Change in an affiliated company's interests in its subsidiary		(2,823)			(2,823)		
Change in US GAAP (ASU2018-02) in relation to the Tax Cuts and Jobs Act			10,260		10,260		
Net changes of items other than those in shareholders' equity						10,401	2,383
Total changes of items during the period		(1,551)	559,611	727	558,787	10,401	2,383
Balance at the end of current period	605,814	815,913	4,921,722	(139,970)	6,203,479	68,179	9,537

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	(13,945)	(687,841)	(133,016)	(769,870)	391	304,898	5,167,136
Cumulative effects of changes in accounting policies							12,975
Restated balance	(13,945)	(687,841)	(133,016)	(769,870)	391	304,898	5,180,111
Changes of items during the period							
Cash dividends paid							(197,541)
Net income attributable to owners of parent							746,892
Purchase of treasury stock							(730)
Disposal of treasury stock							1,689
Change in subsidiaries' interests by purchase of its treasury stock							1,040
Change in an affiliated company's interests in its subsidiary							(2,823)
Change in US GAAP (ASU2018-02) in relation to the Tax Cuts and Jobs Act			(10,260)	(10,260)			—
Net changes of items other than those in shareholders' equity		(45,730)	7,309	(25,637)	(307)	(984)	(26,928)
Total changes of items during the period		(45,730)	(2,951)	(35,897)	(307)	(984)	521,599
Balance at the end of current period	(13,945)	(733,571)	(135,967)	(805,767)	84	303,914	5,701,710

Current fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income	
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain and loss on securities	Unrealized gain and loss from hedging instruments
Balance at the beginning of current period	605,814	815,913	4,921,722	(139,970)	6,203,479	68,179	9,537
Cumulative effects of changes in accounting policies			(63,628)		(63,628)	(449)	
Restated balance	605,814	815,913	4,858,094	(139,970)	6,139,851	67,730	9,537
Changes of items during the period							
Cash dividends paid			(215,101)		(215,101)		
Net income attributable to owners of parent			319,138		319,138		
Purchase of treasury stock				(392)	(392)		
Disposal of treasury stock				905	905		
Change in subsidiaries' interests by purchase of its treasury stock		(1)			(1)		
Changes in the scope of consolidation			(151)		(151)		
Change in an affiliated company's interests in its subsidiary		(1,230)			(1,230)		
Net changes of items other than those in shareholders' equity						(37,726)	(4,775)
Total changes of items during the period		(1,231)	103,886	513	103,168	(37,726)	(4,775)
Balance at the end of current period	605,814	814,682	4,961,980	(139,457)	6,243,019	30,004	4,762

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	(13,945)	(733,571)	(135,967)	(805,767)	84	303,914	5,701,710
Cumulative effects of changes in accounting policies		7,625		7,176		(752)	(57,204)
Restated balance	(13,945)	(725,946)	(135,967)	(798,591)	84	303,162	5,644,506
Changes of items during the period							
Cash dividends paid							(215,101)
Net income attributable to owners of parent							319,138
Purchase of treasury stock							(392)
Disposal of treasury stock							905
Change in subsidiaries' interests by purchase of its treasury stock							(1)
Changes in the scope of consolidation							(151)
Change in an affiliated company's interests in its subsidiary							(1,230)
Net changes of items other than those in shareholders' equity	(16,937)	(64,185)	(18,130)	(141,753)	(84)	17,673	(124,164)
Total changes of items during the period	(16,937)	(64,185)	(18,130)	(141,753)	(84)	17,673	(20,996)
Balance at the end of current period	(30,882)	(790,131)	(154,097)	(940,344)	—	320,835	5,623,510

④ Consolidated statements of cash flows

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Cash flows from operating activities		
Income before income taxes	710,743	477,708
Depreciation and amortization (for fixed assets excluding leased vehicles)	388,427	385,737
Depreciation and amortization (for long term prepaid expenses)	31,264	33,954
Depreciation and amortization (for leased vehicles)	469,540	479,850
Impairment loss	16,166	13,339
Increase (decrease) in allowance for doubtful receivables	12,558	3,028
Provision for residual value risk of leased vehicles (net changes)	40,716	31,828
Interest and dividends income	(27,755)	(38,338)
Interest expense	168,206	208,074
Equity in losses (earnings) of affiliates	(205,645)	(218,565)
Loss (gain) on sales of fixed assets	(6,259)	(14,752)
Loss on disposal of fixed assets	10,644	15,941
Loss (gain) on sales of investment securities	(53)	(1,483)
Decrease (increase) in trade notes and accounts receivable	73,149	228,010
Decrease (increase) in sales finance receivables	(530,842)	87,606
Decrease (increase) in inventories	9,612	13,098
Increase (decrease) in trade notes and accounts payable	108,330	(43,721)
Retirement benefit expenses	11,028	27,545
Payments related to net defined benefit assets and liabilities	(24,025)	(26,644)
Other	76,234	(52,424)
Subtotal	1,332,038	1,609,791
Interest and dividends received	28,203	41,706
Proceeds from dividends income from affiliates accounted for by equity method	134,300	144,376
Interest paid	(159,578)	(202,757)
Income taxes paid	(263,713)	(142,228)
Net cash provided by operating activities	1,071,250	1,450,888
Cash flows from investing activities		
Net decrease (increase) in short-term investments	3,868	675
Purchase of fixed assets	(398,797)	(422,569)
Proceeds from sales of fixed assets	39,742	46,433
Purchase of leased vehicles	(1,430,561)	(1,298,702)
Proceeds from sales of leased vehicles	645,167	666,375
Payments of long-term loans receivable	(555)	(372)
Collection of long-term loans receivable	732	3,390
Purchase of investment securities	(26,207)	(31,328)
Proceeds from sales of investment securities	10,168	178
Proceeds from (payments for) sales of subsidiaries' shares resulting in changes in the scope of consolidation	—	440
Net decrease (increase) in restricted cash	9,124	(134,474)
Proceeds from transfer of business	—	46,176
Other	(400)	(9,769)
Net cash used in investing activities	(1,147,719)	(1,133,547)

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(147,508)	213,577
Proceeds from long-term borrowings	1,413,908	1,313,294
Proceeds from issuance of bonds	858,002	363,868
Repayments of long-term borrowings	(1,463,828)	(1,344,303)
Redemption of bonds	(362,911)	(416,059)
Purchase of treasury stock	(6)	(5)
Proceeds from sales of treasury stock	1,357	—
Repayments of lease obligations	(34,633)	(27,044)
Cash dividends paid	(197,541)	(215,101)
Cash dividends paid to non-controlling interests	(15,757)	(15,354)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(13)
Purchase of treasury stock of subsidiaries	(14,273)	—
Net cash provided by financing activities	36,810	(127,140)
Effects of exchange rate changes on cash and cash equivalents	4,535	(38,258)
Increase (decrease) in cash and cash equivalents	(35,124)	151,943
Cash and cash equivalents at beginning of the period	1,241,124	1,206,000
Increase due to inclusion in consolidation	—	1,115
Cash and cash equivalents at end of the period	※1 1,206,000	※1 1,359,058

[Notes to Consolidated Financial Statements]

(Basis of consolidated financial statements)

The consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 28, 1976 “Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (hereinafter the “Regulations for Consolidated Financial Statements”).

1. Scope of consolidation

(1) Number of consolidated companies: 192

- Domestic companies: 69
- Overseas companies: 123

The names of principal consolidated companies are omitted here because they are provided in “4. Information on subsidiaries and affiliates” under “1. Overview of the Company.”

Due to new establishment or other reasons, Nissan (Shanghai) Automotive Design Ltd., and two other companies have been included in the scope of consolidation in the current fiscal year. Due to the transfer of shares held by the Company or other reasons, Automotive Energy Supply Corporation, which was a consolidated subsidiary in the prior fiscal year, and three other companies have been excluded from the scope of consolidation in the current fiscal year.

(2) Number of unconsolidated subsidiaries: 71

- Domestic companies: 48
  Nissan Arc Ltd. and others
- Overseas companies: 23
  JATCO Korea Engineering Corp. and others

These unconsolidated subsidiaries are immaterial in terms of their total assets, sales, net income or loss, retained earnings and others, and do not have a significant effect on the consolidated financial statements. As a result, they have been excluded from consolidation.

2. Equity method

(1) Number of companies accounted for by the equity method: 49

- Unconsolidated subsidiaries: 17 (12 domestic and 5 overseas companies)
  Nissan Arc Ltd. and others
- Affiliates: 32 (20 domestic and 12 overseas companies)
  Renault, Dongfeng Motor Co., Ltd., MITSUBISHI MOTORS CORPORATION, Nissan Tokyo Sales Holdings Co., Ltd. and others

Due to the acquisition of shares in the current fiscal year or other reasons, Alliance Ventures B.V. and one other company have become affiliates accounted for by the equity method in the current fiscal year.

(2) Number of companies not accounted for by the equity method: 69

- Unconsolidated subsidiaries: 54
  Nissan Shatai Computer Service Co., Ltd. and others
- Affiliates: 15
  Nissan Car Techno Yamaguchi Co., Ltd., and others

These companies are not accounted for by the equity method, as their impact is not significant on the consolidated net income or loss, consolidated retained earnings and others.

(3) No adjustments are made to the financial statements of the companies accounted for by the equity method even if their accounting period is different from that of the Company.

3. Accounting period of consolidated subsidiaries

(1) The following consolidated companies close their books of account at:

December 31:

Nissan Mexicana, S.A. de C.V.
Nissan Export de Mexico
NR FINANCE MEXICO, S.A. de C.V., SOFOM, E.R.
NR Finance Services, S.A. de C.V
ANZEN, Insurance Broker, S.A. de C.V.
Nissan Do Brasil Automóveis Ltda.
Nissan Argentina S.A.
Nissan Chile SpA
Aprite (GB) Ltd.
Nissan Manufacturing RUS LLC.
Nissan Motor Ukraine Ltd.
Yulon Nissan Motor Co., Ltd.

Nissan (China) Investment Co., Ltd.
Dongfeng Nissan Auto Finance Co., Ltd.
Nissan Shanghai Co., Ltd.
JATCO Mexico, S.A. De C.V.
Nissan Guangzhou Co., Ltd.
Nissan (Shanghai) Automotive Design Co., Ltd.

(2) Of these 18 companies, Nissan Mexicana, S.A. de C.V. and 11 other subsidiaries are consolidated by using their financial statements as of the parent fiscal year end which are prepared solely for consolidation purposes. Yulon Nissan Motor Co., Ltd. and five other subsidiaries are consolidated by using their financial statements as of their respective fiscal year end, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

4. Significant accounting policies

(1) Valuation methods for assets

① Securities

Held-to-maturity securities:

Held-to maturity securities are stated at amortized cost.

Other securities:

Marketable securities:

Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in net assets. Costs of securities sold are calculated by the moving average method.

Non-marketable securities:

Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Investments in limited liability partnerships and similar investments, defined as securities by Article 2, Section 2 of the Financial instruments and Exchange Law, are recognized at the net amount corresponding to the owning portion under the equity method based on the latest available financial statements of the partnerships.

② Derivative financial instruments

Derivative financial instruments are stated at fair value.

③ Inventories

Inventories are primarily stated at cost determined by the first-in and first-out method (cost of inventories is written-down when their carrying amounts become unrecoverable).

(2) Depreciation of property, plant and equipment

Depreciation of self-owned property, plant and equipment is calculated principally by the straight-line method based on the estimated useful lives and the estimated residual value determined by the Company.
Depreciation of leased assets is calculated by the straight-line method based on either the estimated useful lives or the lease terms and the estimated residual value determined by the Company.

(3) Basis for significant reserves

① Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty. Some foreign subsidiaries and affiliates have adopted IFRS 9, *"Financial Instruments"*, and recognized impairment losses on financial assets using the expected credit loss model.

② Accrued warranty costs

Accrued warranty costs are provided to cover the cost of all services anticipated to be incurred during the entire warranty period in accordance with the warranty contracts and based on past experience.

(4) Accounting for retirement benefits

For calculating the retirement benefit obligation, the benefit formula basis has been adopted for attributing projected benefits to periods.
Past service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees (principally 7 to 15 years).
Actuarial gain and loss are amortized in the year following the year in which actuarial gain and loss are recognized by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees (principally 9 to 28 years). Certain foreign consolidated subsidiaries have adopted the corridor approach for actuarial gain and loss, and amortize them over the average

remaining years of services of the eligible employees or the average life expectancy of the eligible employees.
Actuarial gain and loss and past service cost that are yet to be recognized as gain or loss are recorded as remeasurements of defined benefit plans presented in accumulated other comprehensive income of the net assets section, after being adjusted for tax effects.

(5) Reporting of significant revenue and expenses
Reporting of revenue from finance lease transactions
Interest income is recognized over the fiscal years concerned.

(6) Foreign currency translation
Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are charged or credited to income.
Assets and liabilities of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and non-controlling interests in the net assets section.

(7) Hedge accounting method
① Hedge accounting method
Primarily, deferred hedge accounting is applied for derivative instruments.
Short-cut method, “Furiate-Shori,” is applied for forward exchange contracts which are qualified for such treatment and related to the hedged items other than foreign currency denominated accounts receivables.
Special treatment, “Tokurei-Shori,” is applied for interest rate swaps which are qualified for such treatment.
② Hedging instruments and hedged items
· Hedging instruments.....Derivative transactions
· Hedged items..... Mainly receivables and payables denominated in foreign currencies and others.
③ Hedging policy
Based on the internal risk management rules and authority regarding derivative transactions, expected risks such as fluctuations in foreign exchange and interest rate are hedged within certain extent.
④ Assessment of hedge effectiveness
The assessment of hedge effectiveness is omitted when the terms of hedged items are substantially same as those of hedging instruments.

(8) Amortization of goodwill
Goodwill is amortized over periods not exceeding 20 years determined based on their expected life.
However, immaterial differences are recognized as gain or loss in the year of acquisition.
Negative goodwill in consolidated subsidiaries and in companies accounted for by the equity method which had occurred after April 1, 2010 has been recorded as gain in the year of acquisition.

(9) Cash and cash equivalents in the consolidated statements of cash flows
Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(10) Accounting for consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(11) Adoption of consolidated taxation system
The Company and some of its subsidiaries have been adopted the consolidated taxation system.

(Changes in accounting policies)

(1) Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *“Revenue from Contracts with Customers”* and International Financial Reporting Standards (IFRS) 15, *“Revenue from Contracts with Customers”*

At foreign subsidiaries and affiliates that apply US GAAP, ASC 606, *"Revenue from Contracts with Customers"* has been adopted, while at other foreign subsidiaries and affiliates, IFRS 15, *"Revenue from Contracts with Customers"* (May 28, 2014) has been adopted from the fiscal year ended March 31, 2019.
In line with this adoption, revenue is recognized upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.
In adopting the accounting standards, in accordance with the transitional treatment, the cumulative effect of adoption of the standards was recognized on the date of adoption, and was added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2019.
As a result, the balance of retained earnings at the beginning of the fiscal year ended March 31, 2019, decreased by ¥58,566 million. In addition, net sales and income before income taxes for the fiscal year ended March 31, 2019, increased by ¥9,309 million and ¥64,225 million, respectively.
The effects on per share information are stated in the applicable section.

(2) International Financial Reporting Standards (IFRS) 9, *"Financial Instruments"*
Some foreign subsidiaries and affiliates have adopted IFRS 9, *"Financial Instruments"* (July 24, 2014) from the fiscal year ended March 31, 2019.
In line with this adoption, the methods for classification and measurement of financial instruments were reviewed and impairment losses were recognized on financial assets using the expected credit loss model.
In adopting the accounting standard, in accordance with the transitional treatment, the cumulative effect of adoption of the standard was recognized on the date of the start of adoption, and was added to or subtracted from retained earnings, unrealized holding gain and loss on securities, and non-controlling interests at the beginning of the fiscal year ended March 31, 2019.
As a result, the balance of retained earnings, unrealized holding gain and loss on securities, and non-controlling interests at the beginning of the fiscal year ended March 31, 2019, decreased by ¥2,288 million, ¥449 million, and ¥752 million, respectively. The effects of these revisions on the consolidated statements of income for the fiscal year ended March 31, 2019, are immaterial.
The effects on per share information are omitted due to the materiality.

(3) Accounting Standards Board of Japan (ASBJ) Guidance No. 28, *"Implementation Guidance on Tax Effect Accounting"*
"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019.
In line with this adoption, the treatment of taxable temporary differences relating to shares, etc. of subsidiaries in the non-consolidated financial statements was changed to match the treatment of taxable temporary differences relating to shares of subsidiaries or investments in affiliates in the consolidated financial statements, and a reversal of deferred tax liabilities was made.
The change in accounting policies in line with the adoption of these accounting standards has been retrospectively adopted and with respected to the prior fiscal year, retrospective adoption is reflected on the consolidated financial statements. As a result, compared with the accounting prior to the retrospective adoption, on the consolidated balance sheets for the prior fiscal year, deferred tax liabilities decreased by ¥12,975 million, while retained earnings increased by ¥12,975 million.
The effects on per share information are stated in the applicable section.

(Accounting standards to be adopted)

1. Domestic subsidiaries and affiliates
"Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018) and
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)
① Overview
The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and published the "Revenue from Contracts with Customers" (IFRS 15 in the IASB and ASU 2014-09 in the FASB) in May 2014. Given that IFRS 15 will be applied from a fiscal year starting on or after January 1, 2018 and that ASU 2014-09 will be applied from a fiscal year starting after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published them in step with the Implementation Guidance.

The basic policy of the ASBJ in setting accounting standards for revenue recognition is to incorporate the basic principles of IFRS 15 as a starting point, considering that comparability between financial statements is one benefit of consistency with this standard, and, to the extent that they do not impair comparability, adding alternative treatment for items requiring consideration due to conventional practices in Japan.

② Scheduled date of adoption

To be applied from the fiscal year ending March 2022.

③ Effect of adoption

The effect of adoption of the aforementioned standard and guidance on the Company's consolidated financial statements is under evaluation.

2. Foreign subsidiaries and affiliates

(1) FASB Accounting Standards Update (ASU) 2016-13, "*Measurement of Credit Losses on Financial Instruments*"

① Overview

The aforementioned standard requires the recognition of impairment losses on financial assets using the expected credit loss model, instead of the incurred loss model that is currently in use.

② Scheduled date of adoption

To be applied from the fiscal year ending March 2021.

③ Effect of adoption

The effect of adoption of the aforementioned standards on the Company's consolidated financial statements is under evaluation.

(2) IFRS 16, *"Leases" and*

FASB Accounting Standards Update (ASU) 2016-02, *"Leases"*

① Overview

The aforementioned standards require a lessee to recognize assets or liabilities generally for all leases on the balance sheet, whereas no significant changes were made in the accounting for a lessor.

② Scheduled date of adoption

To be applied from the fiscal year ending March 2020.

③ Effect of adoption

The effect of adoption of the aforementioned standards on the Company's consolidated financial statements is under evaluation.

(Changes in presentation)

1. Consolidated statements of income

"Special addition to retirement benefits," which was included in "Other" under "Special losses" in the prior fiscal year, has been presented as a separate account under "Special losses" in the current fiscal year due to its increased financial materiality.
To reflect this change, ¥3,445 million of "Other" under "Special losses" in the prior fiscal year has been reclassified into "Special addition to retirement benefits" in the consolidated statement of income for the prior fiscal year provided herein.

"Loss on sales of investment securities," which was presented as a separate account under "Special losses" in the prior fiscal year, has been included in "Other" in the current fiscal year due to its decreased financial materiality.
To reflect this change, ¥259 million of "Loss on sales of investment securities" under "Special losses" in the prior fiscal year has been reclassified into "Other" in the consolidated statement of income for the prior fiscal year provided herein.

2. Adoption of *"Partial Amendments to Accounting Standard for Tax Effect Accounting"*

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and other standards have been applied from the beginning of the fiscal year ended March 31, 2019, whereby deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under long-term liabilities.
As a result, on the consolidated balance sheet for the prior fiscal year, ¥152,452 million previously presented as "Deferred tax assets" under "Current assets" is now included in ¥321,426 million of "Deferred tax assets"

under "Investments and other assets," and ¥2 million previously presented as "Deferred tax liabilities" under "Current liabilities" is now included in ¥375,087 million of "Deferred tax liabilities" under "Long-term liabilities."

Note 8 to the *"Accounting Standard for Tax Effect Accounting"* (excluding the total amount of the valuation allowance) and Note 9 to said standard as stipulated in Paragraphs 3–5 of the "*Partial Amendments to Accounting Standard for Tax Effect Accounting"* have been reflected in the notes to tax-effect accounting; provided, however, that matters concerning the previous fiscal year are not reflected in accordance with the transitional treatment stipulated in Paragraph 7 of said *Partial Amendments.*

(Additional information)

The company has consolidated adjusted financial statements of subsidiaries of the Company and Renault in Argentina applying IAS29, *"Financial Reporting in Hyperinflationary Economies"* from the fiscal year ended March 31, 2019.

In line with this retrospective restatement, retained earnings decreased by ¥2,774 million, translation adjustments increased by ¥7,625 million at the beginning of the fiscal year and those are included in "Cumulative effects of changes in accounting policies" of the consolidated statement of changes in net assets.

(For consolidated balance sheets)

1 ※1 Accumulated depreciation of property, plant and equipment (Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Accumulated depreciation of property, plant and equipment	5,371,958	5,485,136
(Accumulated depreciation of leased assets included)	84,533	77,397

2 ※2 "Machinery, equipment and vehicles, net" includes the following assets leased to others under lease agreements.
(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Assets leased to others under lease agreements (lessor)	2,677,762	2,722,277

3 ※3 Assets pledged as collateral and liabilities secured by the collateral

(1) Assets pledged as collateral (Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Sales finance receivables	2,181,010	2,649,505
	(2,181,010)	(2,649,505)
Property, plant and equipment	703,043	503,383
	(698,052)	(503,383)
Total	2,884,053	3,152,888

(2) Liabilities secured by the above collateral (Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Short-term borrowings	341,103	403,968
	(341,103)	(403,968)
Long-term borrowings	1,969,456	1,970,852
(including the current portion)	(1,962,669)	(1,970,852)
Total	2,310,559	2,374,820

The above figures in parentheses represent the values of assets pledged as collateral and liabilities secured by the collateral that correspond to nonrecourse debts.

4 Guarantees and others

Prior fiscal year (As of March 31, 2018)

(1) Guarantees

Guarantees	Balance of liabilities guaranteed (Millions of yen)	Description of liabilities guaranteed
Employees	※33,529	Guarantees for employees' housing loans and others
43 foreign dealers	1,144	Guarantees for loans and others
Total	34,673	

※ Allowance for doubtful accounts is provided for these loans mainly based on past experience.

(2) Commitments to provide guarantees

Guarantees	Balance of commitments to provide guarantees (Millions of yen)	Description of liabilities guaranteed
Hibikinada Development Co., Ltd.	53	Commitments to provide guarantees for loans . .

Current fiscal year (As of March 31, 2019)

(1) Guarantees

Guarantees	Balance of liabilities guaranteed (Millions of yen)	Description of liabilities guaranteed
Employees	※27,688	Guarantees for employees' housing loans and others
33 foreign dealers	449	Guarantees for loans and others
Total	28,137	

※ Allowance for doubtful accounts is provided for these loans mainly based on past experience.

(2) Commitments to provide guarantees

Guarantees	Balance of commitments to provide guarantees (Millions of yen)	Description of liabilities guaranteed
Hibikinada Development Co., Ltd.	38	Commitments to provide guarantees for loans

5 Contingent Liabilities

• Lawsuits related to Takata's airbag inflators

Mainly in the United States ("U.S.") and Canada various putative class action lawsuits, civil lawsuits and lawsuits by states related to Takata's airbag inflator have been filed against the Company, consolidated subsidiaries and other Original Equipment Manufacturers. The lawsuits allege that the subject airbag inflators did not function properly, and seek, among others, damages for economic losses, incurred costs, decline in the value of vehicles, and, in certain cases, personal injury as well as punitive damages. Most of the class action lawsuits in the U.S. were transferred to the U.S. District Court for the Southern District of Florida and consolidated into a multi-district litigation ("MDL"). The Company and Nissan North America, Inc. ("NNA") have agreed to a proposed settlement that would resolve the US class actions that are pending against them in the MDL, through a number of customer-focused programs. In September 2017, the court in the MDL granted preliminary approval to the proposed settlement. The total payment amount for the settlement will be $87.9 million to be paid over four years. In February 2018, the court in MDL granted final approval to the proposed settlement. Regarding the lawsuits other than the above, management has not recognized a provision for loss contingencies because as of the date of this report it is not possible to reasonably estimate the amount, if any, of any potential future losses because there are some uncertainties, such as these lawsuits are still in progress.

6 ※4 "Intangible fixed assets" include goodwill. (Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Goodwill	6,719	6,141

7 ※5 Investments in unconsolidated subsidiaries and affiliates (Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Investments in stock of unconsolidated subsidiaries and affiliates	1,108,471	1,202,549
(Investments in stock of joint ventures included)	419,419	478,646

8 ※6 “Sales finance receivables” and “Other current assets” include lease receivables and lease investment assets.

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Lease receivables	44,445	40,778
Lease investment assets	49,763	49,931

9 The amount of unused balances of overdrafts and loan commitment agreements entered into by consolidated subsidiaries are as follows.

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Total credit lines of overdrafts and loans	285,743	304,717
Loans receivable outstanding	194,602	205,893
Unused credit lines	91,141	98,824

Since many of these facilities expire without being utilized and the related borrowings are sometimes subject to a review of the borrowers’ credibility, any unused amount will not necessarily be utilized at the full amount.

(For consolidated statements of income)

1 ※1 Total research and development costs

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Research and development costs included in manufacturing costs and selling, general and administrative expenses	495,824	523,133

2 ※2 The ending inventory balance represents after write-down of book value when their carrying amounts become unrecoverable, and the write-down (after offsetting the reversal of the prior fiscal year’s write-down) are as follows.

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Cost of sales	3,802 (gain)	2,684

3 ※3 Salaries and wages

Based on the results of our investigation and the indictments by the Tokyo District Public Prosecutors Office related to misstatements of “Compensation paid to Directors and Statutory Auditors” in the Company’s annual securities reports regarding the former Director, the Company has recognized ¥4,411 million of additional expenses in “Salaries and wages,” which were not booked in the prior years, as of the fiscal year ended March 31, 2019. The amount is the best estimate using the information available, and the final amount might differ from the estimate booked.

4 ※4 Gain on sales of fixed assets

Prior fiscal year (From April 1, 2017 To March 31, 2018)

Gain on sales of fixed assets primarily consisted of a gain on sale of machinery, equipment and vehicles of ¥9,260 million.

Current fiscal year (From April 1, 2018 To March 31, 2019)

Gain on sales of fixed assets primarily consisted of a gain on sale of machinery, equipment and vehicles of ¥11,696 million.

5 ※5 Loss on sales of fixed assets

Prior fiscal year (From April 1, 2017 To March 31, 2018)

Loss on sales of fixed assets primarily consisted of a loss on sale of machinery, equipment and vehicles of ¥3,500 million.

Current fiscal year (From April 1, 2018 To March 31, 2019)

Loss on sales of fixed assets primarily consisted of a loss on sale of land of ¥1,408 million and a loss on sale of machinery, equipment and vehicles of ¥1,498 million.

6 ※6 Impairment loss

Prior fiscal year (From April 1, 2017 To March 31, 2018)

The following loss on impairment of fixed assets was recorded.

Usage	Type	Location	Amount (Millions of yen)
Idle assets	Land, intangible fixed assets and others	Japan, Europe and Asia (Total 14 locations)	16,086
Assets to be disposed of	Buildings and structures and others	Japan (Total 3 locations)	80

The Group bases its grouping for assessing the impairment loss on fixed assets on its business segments (automobiles and sales financing) and the regional segments that are mutually complementary with each other. However, the Group determines whether an asset is impaired on an individual asset basis if the asset is considered idle or if it is to be disposed of.

The Company and some of its consolidated subsidiaries have recognized an impairment loss on idle assets and assets to be disposed by reducing their net book value to the respective recoverable value of each asset. Such loss amounted to ¥16,166 million and has been recorded as special losses in the accompanying consolidated statements of income. This impairment loss consisted of losses of ¥16,086 million on idle assets (land – ¥546 million; intangible fixed assets – ¥11,014 million; and others – ¥4,526 million) and losses of ¥80 million on assets to be disposed of (buildings and structures – ¥48 million and others – ¥32 million).

The recoverable value of these assets was measured by net sales value. Property, plant and equipment of idle assets and assets to be disposed were estimated based on an appraisal value and intangible fixed assets of idle assets were estimated as zero because future use will not be expected.

Current fiscal year (From April 1, 2018 To March 31, 2019)

The following loss on impairment of fixed assets was recorded.

Usage	Type	Location	Amount (Millions of yen)
Idle assets	Machinery, equipment and vehicles and others	Japan, Europe and Asia (Total 6 locations)	10,987
Assets to be sold	Land, Buildings and structures and others	Japan (Total 1 location)	83
Assets to be disposed of	Land, Buildings and structures, intangible fixed assets and others	Japan and Europe (Total 9 locations)	2,269

The Group bases its grouping for assessing the impairment loss on fixed assets on its business segments (automobiles and sales financing) and the regional segments that are mutually complementary with each other. However, the Group determines whether an asset is impaired on an individual asset basis if the asset is considered idle or if it is to be disposed of.

The Company and some of its consolidated subsidiaries have recognized an impairment loss on idle assets and assets to be disposed by reducing their net book value to the respective recoverable value of each asset. Such loss amounted to ¥13,339 million and has been recorded as special losses in the accompanying consolidated statements of income. This impairment loss consisted of losses of ¥10,987 million on idle assets (machinery, equipment and vehicles – ¥1,370 million; Property, plant and equipment (Others) – ¥9,504 million; and others – ¥113 million), losses of ¥83 million on assets to be sold (land – ¥52 million; and buildings and structures – ¥31 million) and losses of ¥2,269 million on assets to be disposed of (land – ¥796 million; buildings and structures – ¥364 million; intangible fixed assets – ¥1,019 million; and others – ¥90 million).

The recoverable value of these assets was measured by net sales value. Property, plant and equipment of idle assets and property, plant and equipment to be disposed were estimated based on an appraisal value and those for assets to be sold were evaluated based on sales contracts. And intangible fixed assets to be disposed were estimated as zero because future use will not be expected.

(For consolidated statements of comprehensive income)

※1 Reclassification adjustments and tax effects concerning other comprehensive income

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Unrealized holding gain and loss on securities:		
Amount arising during the period	12,103	(41,759)
Reclassification adjustments for gains and losses realized in net income	0	—
Before tax-effect adjustment	12,103	(41,759)
Amount of tax effects	(3,744)	12,795
Unrealized holding gain and loss on securities	8,359	(28,964)
Unrealized gain and loss from hedging instruments:		
Amount arising during the period	(17,400)	7,612
Reclassification adjustments for gains and losses realized in net income	21,492	(14,602)
Adjustments of acquisition cost for assets	(341)	(290)
Before tax-effect adjustment	3,751	(7,280)
Amount of tax effects	(1,188)	2,632
Unrealized gain and loss from hedging instruments	2,563	(4,648)
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting:		
Amount arising during the period	—	(17,966)
Reclassification adjustments for gains and losses realized in net income	—	—
Before tax-effect adjustment	—	(17,966)
Amount of tax effects	—	—
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	—	(17,966)
Translation adjustments:		
Amount arising during the period	(77,501)	(9,892)
Reclassification adjustments for gains and losses realized in net income	—	—
Before tax-effect adjustment	(77,501)	(9,892)
Amount of tax effects	—	—
Translation adjustments	(77,501)	(9,892)
Remeasurements of defined benefit plans:		
Amount arising during the period	(5,230)	(38,158)
Reclassification adjustments for gains and losses realized in net income	9,713	11,845
Before tax-effect adjustment	4,483	(26,313)
Amount of tax effects	(550)	6,637
Remeasurements of defined benefit plans	3,933	(19,676)
The amount for equity method company portion:		
Amount arising during the period	39,126	(66,978)
Reclassification adjustments for gains and losses realized in net income	201	2,208
Before tax-effect adjustment	39,327	(64,770)
Amount of tax effects	—	—
The amount for equity method company portion	39,327	(64,770)
Total other comprehensive income	(23,319)	(145,916)

(For consolidated statements of changes in net assets)

Prior fiscal year (From April 1, 2017 To March 31, 2018)

1. Shares issued and outstanding / Treasury stock

(Thousands of shares)

Types of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Shares issued: Common stock	4,220,715	—	—	4,220,715
Treasury stock: Common stock (Notes)	309,025	2,726	1,392	310,359

Notes: 1. Details of the increase are as follows: (Thousands of shares)

Increase in stocks held by affiliates accounted for by the equity method	2,720
Increase due to purchase of stocks of less than a standard unit	6

2. Details of the decrease are as follows:

Decrease due to exercise of share subscription rights	1,392

2. Share subscription rights

Company	Description	Type of shares to be issued	Number of shares to be issued (in thousands)				Balance at the end of current fiscal year (Millions of yen)
			At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year	
Parent company	Subscription rights as stock options	—					84
Total		—					84

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 27, 2017	Common stock	93,883	24.0	March 31, 2017	June 28, 2017
Meeting of the Board of Directors on November 8, 2017	Common stock	103,658	26.5	September 30, 2017	November 22, 2017

Note: Total dividends were obtained by deducting the amount corresponding to the equity of Renault shares held by the Company.

(2) Dividends, which the record date was in the year ended March 31, 2018 and the effective date of which is in the year ending March 31, 2019

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 26, 2018	Common stock	103,627	Retained earnings	26.5	March 31, 2018	June 27, 2018

Note: Total dividends were obtained by deducting the amount corresponding to the equity of Renault shares held by the Company.

Current fiscal year (From April 1, 2018 To March 31, 2019)

1. Shares issued and outstanding / Treasury stock

(Thousands of shares)

Types of share	At the beginning of current fiscal year	Increase	Decrease	At the end of current fiscal year
Shares issued: Common stock	4,220,715	—	—	4,220,715
Treasury stock: Common stock (Notes)	310,359	6	2,554	307,811

Notes: 1. Details of the increase are as follows: (Thousands of shares)

Increase in stocks held by affiliates accounted for by the equity method	1
Increase due to purchase of stocks of less than a standard unit	5

2. Details of the decrease are as follows:

Decrease in stocks held by affiliates accounted for by the equity method	2,554

2. Share subscription rights

Not applicable.

3. Dividends
(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 26, 2018	Common stock	103,627	26.5	March 31, 2018	June 27, 2018
Meeting of the Board of Directors on November 8, 2018	Common stock	111,474	28.5	September 30, 2018	November 28, 2018

Note: Total dividends were obtained by deducting the amount corresponding to the equity of Renault shares held by the Company.

(2) Dividends, which the record date was in the year ended March 31, 2019 and the effective date of which is in the year ending March 31, 2020

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Annual general meeting of the shareholders on June 25, 2019	Common stock	111,520	Retained earnings	28.5	March 31, 2019	June 26, 2019

Note: Total dividends were obtained by deducting the amount corresponding to the equity of Renault shares held by the Company.

(For consolidated statements of cash flows)

1 ※1 Cash and cash equivalents as of the end of the quarter are reconciled to the accounts reported in the consolidated balance sheets as follows.

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Cash on hand and in banks	1,134,838	1,219,588
Time deposits with maturities of more than three months	(38)	—
Cash equivalents included in securities (*)	71,200	139,470
Cash and cash equivalents	1,206,000	1,359,058

*These represent short-term, highly liquid investments readily convertible into cash held by foreign subsidiaries.

(For lease transactions)
1. Finance lease transactions
(Lessees' accounting)
(1) Leased assets
Leased assets primarily consist of dies and buildings.
(2) Depreciation method for leased assets
Described in "4 (2) Depreciation of property, plant and equipment" under Basis of consolidated financial statements.
(Lessors' accounting)
(1) Breakdown of lease investment assets

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Lease income receivable	49,708	50,052
Estimated residual value	2,920	2,996
Interest income equivalent	(2,865)	(3,117)
Lease investment assets	49,763	49,931

(2) Expected amounts of collection from lease income receivable concerning lease receivables and lease investment assets after the balance sheet date

Prior fiscal year (As of March 31, 2018)

(Millions of yen)

	Lease receivables	Lease investment assets
Due within one year	30,378	20,146
Due after one year but within two years	13,762	11,360
Due after two years but within three years	180	11,698
Due after three years but within four years	122	4,270
Due after four years but within five years	23	1,762
Due after five years	13	472

Current fiscal year (As of March 31, 2019)

(Millions of yen)

	Lease receivables	Lease investment assets
Due within one year	28,174	16,403
Due after one year but within two years	12,103	15,472
Due after two years but within three years	414	11,917
Due after three years but within four years	89	3,791
Due after four years but within five years	10	2,039
Due after five years	11	430

2. Operating lease transactions

(Lessees' accounting)

Future minimum lease payments subsequent to March 31, 2018 and March 31, 2019 are summarized as follows.

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Due in one year or less	10,486	13,522
Due after one year	58,546	69,491
Total	69,032	83,013

(Lessors' accounting)

Future minimum lease income subsequent to March 31, 2018 and March 31, 2019 are summarized as follows.

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Due in one year or less	463,410	479,476
Due after one year	464,973	492,755
Total	928,383	972,231

(For financial instruments)

1. Financial Instruments

(1) Policies on financial instruments

The Group's cash is managed through short-term deposits and appropriate repurchase agreement transactions for the purpose of efficient cash management at appropriate risk. Investment in equity/bond-related products is also authorized. With regard to such investment with price fluctuation risk, a strict risk management is implemented, consisting of regular monitoring of mark-to-market and internal reporting.

The financing has been diversified, such as bank loans, bond issues, commercial paper issues and liquidation of securities, to reduce the exposure to liquidity risk.

The Group utilizes derivative financial instruments based on the internal "Policies and Procedures for Risk Management" mainly for the purposes of hedging its exposure to adverse fluctuations in foreign currency exchange rates on receivables and payables denominated in foreign currencies, interest rates on interest-bearing debt and market prices on commodity, but does not enter into such transactions for speculative purposes.

The sales financing business provides financial services to retail customers, such as auto loans and leases, and inventory financing, working capital loans, etc. to our dealers. Strict credit underwriting policies are followed before loans are advanced to the customers and dealers.

(2) Description of financial instruments and related risks

① Trade notes and accounts receivable

The Group holds trade notes and accounts receivable as consideration for sales of products and collects such receivables in accordance with the terms and conditions of relevant sales agreements. The relevant trade notes and accounts receivable are exposed to the credit risk of the respective customers. Those denominated in foreign currencies are exposed to fluctuations in foreign currency exchange rates.

② Sales finance receivables

Sales finance receivables consist of auto loans and leases to retail customers, and credit exposures to dealers comprised of inventory financing and working capital loans, etc. Sales finance receivables are exposed to credit risk of the respective customers.

③ Securities and investment securities

Securities and investment securities held by the Group are mainly unlisted foreign investment trusts and investment securities in affiliates. Investment securities in affiliates are exposed to the risk of fluctuations in their market prices.

④ Trade notes and accounts payable

The Group holds trade notes and accounts payable as liabilities with various payment dates based on the payment conditions from purchasing diverse parts, materials and services, required for development, manufacture and sale of products. As its procurement activities are operated in various regions and countries, the relevant trade notes and accounts payable are exposed to fluctuations in foreign currency exchange rates.

⑤ Borrowings, bonds and lease obligations

The Group conducts diverse financing activities for the purpose of fund procurements for working capital, investments in equipment and businesses, sales financing and so forth. As part of such financing uses floating-rates, the relevant borrowings, bonds and lease obligations are exposed to the risk of interest rate fluctuations. The Group is also exposed to liquidity risk in that the necessary funds for business operations may not be ensured with rapid changes in the procurement environment.

⑥ Derivative transactions

(1) Forward foreign exchange contracts

Forward foreign exchange contracts are used to hedge against the adverse impact of fluctuations in foreign currency exchange rates on foreign currency denominated receivables and payables arising from importing and exporting products and others.

(2) Currency options

In the same manner as forward foreign exchange contracts, currency options are used to hedge against the adverse impact of fluctuations in foreign currency exchange rates on foreign currency denominated receivables and payables.

(3) Interest rate swaps

Interest rate swaps are used primarily to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt.

(4) Currency swaps

Currency swaps are used to hedge against the adverse impact of fluctuations in foreign currency exchange rates and interest rates on foreign currency denominated receivables and payables.

(5) Interest rate options

Interest rate options are used primarily to hedge against the adverse impact of fluctuations in interest rates on interest-bearing debt.

(6) Commodity futures contracts

Commodity futures contracts are used primarily to hedge against the adverse impact of fluctuations in the market prices of precious metals (used as the catalyst for the emission gas purifier of automobiles) and base metals (raw materials for automobile productions).

For hedging instruments, hedged items, hedging policy and assessment of hedge effectiveness, refer to "(7) Hedge accounting method" under "4. Significant accounting policies".

(3) Risks relating to financial instruments and the management system thereof

① Management of market risk

Although derivative transactions are used for the purpose of hedging risks on the assets and liabilities recorded in the consolidated balance sheets, there remains the risk of foreign currency exchange fluctuations on currency transactions, the risk of interest rate fluctuations on interest rate transactions and the risk of market price fluctuations on commodity transactions. All the derivative transactions of the Group are carried out pursuant to the internal risk management rules, which stipulate the Group's basic policies for derivative transactions, management policies, management items, trading procedures, criteria for the selection of counterparties, the reporting system and so forth. The Group's financial market risk is controlled by the Company in a centralized manner, and it is stipulated that no individual subsidiary can initiate a hedge transaction such as derivative transactions without the prior approval of and regular reporting back to the Company.

The basic policy on the acquisition of derivative transactions is subject to the approval of the Hedge Policy Meeting, which is attended by the Chief Financial Officer and the staff in charge. The execution and management of all transactions are to be conducted in accordance with the aforementioned risk management rules pursuant to the decisions made at those meetings. Derivative transactions are conducted by a special section of the Finance Department, and the verification of the relevant trade agreements and the monitoring of position balances are the responsibility of the Accounting Section and the Risk Management Section. Commodity futures contracts are conducted by the Finance Department in accordance with the acquisition policy determined by the corporate officer in charge of the Purchasing Department and the Chief Financial Officer.

The status of derivative transactions is reported on a regular basis to the Chief Financial Officer and on an annual basis to the Board of Directors.

② Management of credit risk

The Group does business with a variety of local counterparties including sales companies in many regions around the world. The Group has established transaction terms and conditions for operating receivables in Japan and overseas based on credit assessment criteria to take appropriate and effective measures for the protection of such receivables, using bank letters of credit and transactions with advance payments.

As for financial transactions including bank deposits, short term investments and derivatives, the Group is exposed to the risk that counterparty could default on their obligations and jeopardize future profits. We believe that this risk is insignificant as the Group enters into such transactions only with financial institutions that have a sound credit profile. Therefore, we believe that the risk to incur losses from counterparty financial institution's default is low. Credit risk is managed by using its own evaluation methods based on external credit ratings and other analyses. The Finance Department sets a maximum upper limit on positions with each of the counterparties and monitors the balances of open positions.

The Group enters into derivative transactions with Renault Finance S.A. ("RF"), a specialized financial subsidiary of the Renault Group. RF enters into derivative transactions to cover such derivative transactions with the Group only with financial institutions of the highest caliber carefully selected by RF based on its own rating techniques.

In sales finance, credit risk is managed through a framework that sets out policies, procedures, measurements and regular reviews across the full life cycle of a financial product from underwriting to collections and write-off.

③ Management of liquidity risk related to financing

The Company endeavors to raise funds from appropriate sources with reinforced measures such as an accumulation of cash reserves and the conclusion of loan commitment agreements so that the Group can ensure an appropriate level of liquidity even if any significant environmental change takes place in the financial market. However, this factor could entail a greater-than-anticipated level of risk that might hinder the smooth execution of the initially planned financing, thereby having a significant effect on the Group's financial position and business performance. The Group secures the appropriate liquidity of funds in its automobile business in accordance with the management rule on liquidity risk by taking into account the future repayment schedule of borrowings, the future demand for working capital and other fund requirements. In sales finance, liquidity risk is managed focusing on thorough Asset Liability Management.

(4) Supplemental explanation on the fair value of financial instruments

① The fair value and unrealized gain or loss on derivative transactions are estimates that are considered appropriate based on the market at the balance sheet date and, thus, the fair value is not necessarily indicative of the actual amounts that might be realized or settled in the future.

② The notional amounts of the swaps are not a direct measure of the Company's risk exposure in connection with its swap transactions.

2. Fair Value of Financial Instruments

The following tables indicate the amount recorded in the consolidated balance sheets, the fair value and the difference as of March 31, 2018 and March 31, 2019 for various financial instruments. Assets and liabilities for which it is deemed difficult to measure the fair value are not included in the tables below. (Refer to Note 2.)

Prior fiscal year (As of March 31, 2018)

(Millions of yen)

	Amount recorded in the consolidated balance sheets	Fair value	Difference
(1) Cash on hand and in banks	1,134,838	1,134,838	—
(2) Trade notes and accounts receivable	739,851		
Allowance for doubtful accounts (*1)	(10,630)		
	729,221	729,221	—
(3) Sales finance receivables (*2)	7,577,304		
Allowance for doubtful accounts (*1)	(98,334)		
	7,478,970	7,452,925	(26,045)
(4) Securities and investment securities	830,799	1,189,994	359,195
(5) Long-term loans receivable	12,654		
Allowance for doubtful accounts (*1)	(802)		
	11,852	12,515	663
Total assets	10,185,680	10,519,493	333,813
(1) Trade notes and accounts payable	1,646,638	1,646,638	—
(2) Short-term borrowings	802,952	802,952	—
(3) Commercial papers	402,918	402,918	—
(4) Bonds (*3)	2,284,041	2,283,084	957
(5) Long-term borrowings (*3)	4,206,431	4,200,811	5,620
(6) Lease obligations (*3)	42,014	42,783	(769)
Total liabilities	9,384,994	9,379,186	5,808
Derivative transactions (*4)	16,950	16,950	—

(*1) The allowance for doubtful accounts, which is individually reported as part of trade notes and accounts receivable, sales finance receivables and long-term loans receivable, is deducted.

(*2) The amount recorded in the consolidated balance sheets for sales finance receivables is presented with the amount after deducting ¥57,452 million of deferred installments income and others.

(*3) Bonds, long-term borrowings and lease obligations include the current portion of bonds, the current portion of long-term borrowings and lease obligations under current liabilities, respectively.

(*4) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

Current fiscal year (As of March 31, 2019)

(Millions of yen)

	Amount recorded in the consolidated balance sheets	Fair value	Difference
(1) Cash on hand and in banks	1,219,588	1,219,588	—
(2) Trade notes and accounts receivable	512,164		
Allowance for doubtful accounts (*1)	(7,164)		
	505,000	505,000	—
(3) Sales finance receivables (*2)	7,615,581		
Allowance for doubtful accounts (*1)	(113,184)		
	7,502,397	7,479,730	(22,667)
(4) Securities and investment securities	886,202	881,838	(4,364)
(5) Long-term loans receivable	13,983		
Allowance for doubtful accounts (*1)	(904)		
	13,079	13,132	53
Total assets	10,126,266	10,099,288	(26,978)
(1) Trade notes and accounts payable	1,580,452	1,580,452	—
(2) Short-term borrowings	850,995	850,995	—
(3) Commercial papers	697,549	697,549	—
(4) Bonds (*3)	2,275,301	2,262,870	12,431
(5) Long-term borrowings (*3)	4,169,957	4,172,355	(2,398)
(6) Lease obligations (*3)	35,884	35,962	(78)
Total liabilities	9,610,138	9,600,183	9,955
Derivative transactions (*4)	32,265	32,265	—

(*1) The allowance for doubtful accounts, which is individually reported as part of trade notes and accounts receivable, sales finance receivables and long-term loans receivable, is deducted.

(*2) The amount recorded in the consolidated balance sheets for sales finance receivables is presented with the amount after deducting ¥50,022 million of deferred installments income and others.

(*3) Bonds, long-term borrowings and lease obligations include the current portion of bonds, the current portion of long-term borrowings and lease obligations under current liabilities, respectively.

(*4) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts, and any item for which the total becomes a net liability is indicated in parentheses.

(Note 1) Calculation method of the fair value of financial instruments and matters relating to securities and derivative transactions

Assets:

(1) Cash on hand and in banks and (2) Trade notes and accounts receivable

Fair value is calculated based on the book value as these assets are settled within a short time and the fair value is almost equal to the book value.

(3) Sales finance receivables

Fair value is calculated based on the discounted cash flows by collection period, using discount rates reflecting maturity and credit risk.

(4) Securities and investment securities

Fair value of stocks is based on the prices traded at the stock exchange. Fair value of unlisted foreign investment trusts is based on the book value as these are settled within a short time and fair value is almost equal to the book value.

Refer to the Notes to "For securities" with regard to the noteworthy matters provided for each type of securities, classified by holding purpose.

(5) Long-term loans receivable

Fair value is calculated based on the discounted cash flows of each individual loan, using discount rate which would be applicable for similar new loans.

Liabilities:

(1) Trade notes and accounts payable, (2) Short-term borrowings and (3) Commercial papers

Fair value is calculated based on the book value as these liabilities are settled within a short time and fair value is almost equal to the book value.

(4) Bonds

Fair value of marketable bonds is based on the market prices, and that of non-marketable bonds is based on the present value estimated by discounting the total principal and interest, using discount rates reflecting the remaining term and credit risk.

(5) Long-term borrowings and (6) Lease obligations

Fair value is calculated based on the present value estimated by discounting the total principal and interest, using discount rates which would be applicable for similar new borrowings or lease transactions.

Derivative transactions:

Refer to the notes in "For derivative transactions."

(Note 2) The amounts of financial instruments recorded in the consolidated balance sheets for which it is deemed difficult to measure the fair value

(Millions of yen)

Classification	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Unlisted stocks	504,933	592,143

Unlisted stocks are not included in (4) Securities and investment securities, as it is deemed difficult to measure the fair value because they are nonmarketable and future cash flows cannot be estimated.

(Note 3) Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates

Prior fiscal year (As of March 31, 2018) (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash on hand and in banks	1,134,838	—	—	—
Trade notes and accounts receivable	739,851	—	—	—
Sales finance receivables (*1)	2,944,659	4,488,697	143,948	—
Long-term loans receivable	2,853	9,424	243	134
Total	4,822,201	4,498,121	144,191	134

(*1) The amount of sales finance receivables is presented with the amount after deducting ¥57,452 million of deferred installment income and others

Current fiscal year (As of March 31, 2019) (Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within ten years	Due after ten years
Cash on hand and in banks	1,219,588	—	—	—
Trade notes and accounts receivable	512,164	—	—	—
Sales finance receivables (*1)	3,040,218	4,417,526	157,640	197
Long-term loans receivable	43	12,778	902	260
Total	4,772,013	4,430,304	158,542	457

(*1) The amount of sales finance receivables is presented with the amount after deducting ¥50,022 million of deferred installment income and others

(Note 4) Redemption schedule after the balance sheet date for bonds, long-term borrowings, lease obligations and other interest-bearing debt

Prior fiscal year (As of March 31, 2018) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	802,952	—	—	—	—	—
Commercial papers	402,918	—	—	—	—	—
Bonds	396,637	548,536	780,945	214,266	303,657	40,000
Long-term borrowings	1,152,719	1,360,151	1,125,194	462,454	78,921	26,992
Lease obligations	25,766	9,347	3,469	2,168	745	519
Total	2,780,992	1,918,034	1,909,608	678,888	383,323	67,511

Current fiscal year (As of March 31, 2019) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term borrowings	850,995	—	—	—	—	—
Commercial papers	697,549	—	—	—	—	—
Bonds	583,457	790,058	467,172	314,120	100,494	20,000
Long-term borrowings	1,630,771	1,428,889	793,503	183,598	126,686	6,510
Lease obligations	19,846	9,970	3,487	1,529	663	389
Total	3,782,618	2,228,917	1,264,162	499,247	227,843	26,899

(For securities)

1. Other securities

Prior fiscal year (As of March 31, 2018) (Millions of yen)

Types of securities	Carrying value	Acquisition cost	Difference
(Securities whose carrying value exceeds their acquisition cost)			
Stock	150,615	73,925	76,690
Others	2,610	1,968	642
Subtotal	153,225	75,893	77,332
(Securities whose carrying value does not exceed their acquisition cost)			
Stock	2,836	2,858	(22)
Others	71,200	71,200	—
Subtotal	74,036	74,058	(22)
Total	227,261	149,951	77,310

Current fiscal year (As of March 31, 2019) (Millions of yen)

Types of securities	Carrying value	Acquisition cost	Difference
(Securities whose carrying value exceeds their acquisition cost)			
Stock	108,804	73,929	34,875
Others	3,504	2,369	1,135
Subtotal	112,308	76,298	36,010
(Securities whose carrying value does not exceed their acquisition cost)			
Stock	24,018	24,088	(70)
Others	139,470	139,470	—
Subtotal	163,488	163,558	(70)
Total	275,796	239,856	35,940

2. Other securities sold during the fiscal year

Prior fiscal year (From April 1, 2017 To March 31, 2018) (Millions of yen)

Type of securities	Sales proceeds	Total gain	Total loss
Stock	9,731	312	(259)
Total	9,731	312	(259)

Current fiscal year (From April 1, 2018 To March 31, 2019)
This information is not provided due to its low materiality.

3. Reclassified securities

Prior fiscal year (From April 1, 2017 To March 31, 2018)
Not applicable.

Current fiscal year (From April 1, 2018 To March 31, 2019)
Not applicable.

4. Securities for which an impairment loss was recognized

Prior fiscal year (From April 1, 2017 To March 31, 2018)
For the prior fiscal year, an impairment loss of ¥507 million was recognized for investment securities (stock included in other securities: ¥507 million).

Current fiscal year (From April 1, 2018 To March 31, 2019)
Not applicable.

(For derivative transactions)

1. Derivative transactions for which hedge accounting is not adopted

(1) Currency-related transactions

Prior fiscal year (As of March 31, 2018) (Millions of yen)

Classification	Type	Notional amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	KRW	330	—	(35)	(35)
	Buy:				
	EUR	31,371	—	(541)	(541)
	Swaps:				
	EUR	409,766	350,853	198	198
	USD	329,042	131,714	7,419	7,419
	MXN	8,892	—	1,957	1,957
	INR	11,345	2,502	(49)	(49)
	AUD	31,670	—	1,486	1,486
	CNY	68,792	—	181	181
	HKD	530	—	27	27
Total		—	—	10,643	10,643

Note: Calculation of fair value is based on the discounted cash flows and others.

Current fiscal year (As of March 31, 2019) (Millions of yen)

Classification	Type	Notional amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	KRW	431	—	64	64
	EUR	2	—	2	2
	Buy:				
	EUR	30,792	—	(1,334)	(1,334)
	Swaps:				
	EUR	452,527	56,051	14,352	14,352
	USD	326,152	115,479	5,645	5,645
	INR	6,440	—	325	325
	GBP	2,399	—	2	2
	CNY	81,912	—	2,120	2,120
Total		—	—	21,176	21,176

Note: Calculation of fair value is based on the discounted cash flows and others.

(2) Interest-related transactions

Prior fiscal year (As of March 31, 2018) (Millions of yen)

Classification	Type	Notional amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Swaps:				
	Receive floating/pay fixed	65,761	61,570	645	645
	Receive fixed/pay floating	114,599	41,282	(1,133)	(1,133)
	Options				
	Caps sold	621,149	338,098		
	(Premium)	(2,583)	(1,926)	(178)	2,405
	Caps purchased	621,149	338,098		
	(Premium)	2,583	1,926	178	(2,405)
Total		—	—	(488)	(488)

Note: Calculation of fair value is based on the discounted cash flows and others.

Current fiscal year (As of March 31, 2019) (Millions of yen)

Classification	Type	Notional amounts	Portion due after one year included herein	Fair value	Valuation gain or loss
Non-market transactions	Swaps:				
	Receive floating/pay fixed	152,575	152,575	(638)	(638)
	Receive fixed/pay floating	74,648	69,179	(28)	(28)
	Options				
	Caps sold	693,536	413,672		
	(Premium)	(2,418)	(1,680)	(86)	2,331
	Caps purchased	693,536	413,672		
	(Premium)	2,418	1,680	86	(2,331)
Total		—	—	(666)	(666)

Note: Calculation of fair value is based on the discounted cash flows and others.

(3) Commodity-related transactions

Prior fiscal year (As of March 31, 2018)

Not applicable.

Current fiscal year (As of March 31, 2019)

Not applicable.

2. Derivative transactions for which hedge accounting is adopted

(1) Currency-related transactions

Prior fiscal year (As of March 31, 2018) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Deferral hedge accounting	Swaps:				
	USD	Short-term and long-term borrowings	316,722	215,947	(1,103)
	RUB	Short-term loans receivable	2,433	—	(372)
	Forward foreign exchange contracts: Buy:				
	USD	Short-term borrowings	2,542	—	48
Total			—	—	(1,427)

Note: Calculation of fair value is based on discounted cash flows and others.

Current fiscal year (As of March 31, 2019) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Deferral hedge accounting	Swaps:				
	USD	Short-term and long-term borrowings	325,238	169,374	11,902
	EUR	Short-term and long-term borrowings	1,794	—	57
	INR	Long-term loans receivable	2,415	2,415	191
	Forward foreign exchange contracts: Buy:				
	USD	Short-term borrowings	30,775	—	28
Total			—	—	12,178

Note: Calculation of fair value is based on discounted cash flows and others.

(2) Interest-related transactions

Prior fiscal year (As of March 31, 2018) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Special treatment	Swaps: Receive floating/pay fixed	Long-term borrowings	71,700	45,500	Note 2
Deferral hedge accounting	Swaps: Receive floating/pay fixed	Long-term borrowings	1,351,161	867,147	8,261
Total			—	—	8,261

Notes: 1. Calculation of fair value is based on discounted cash flows and others.
2. The fair value of interest rate swaps which are accounted using special treatment is included in that of corresponding hedged long-term borrowings in "2. Fair Value of Financial Instruments" under "For financial instruments" as those interest rate swaps are recorded as an adjustment to interest expense of hedged instruments under the special treatment.

Current fiscal year (As of March 31, 2019) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Special treatment	Swaps: Receive floating/pay fixed	Long-term borrowings	45,500	36,000	Note 2
Deferral hedge accounting	Swaps: Receive floating/pay fixed	Long-term borrowings	1,419,746	508,416	(478)
Total			—	—	(478)

Notes: 1. Calculation of fair value is based on discounted cash flows and others.
2. The fair value of interest rate swaps which are accounted using special treatment is included in that of corresponding hedged long-term borrowings in "2. Fair Value of Financial Instruments" under "For financial instruments" as those interest rate swaps are recorded as an adjustment to interest expense of hedged instruments under the special treatment.

(3) Commodity-related transactions

Prior fiscal year (As of March 31, 2018) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Deferral hedge accounting	Forward contracts: Buy:	Aluminum	1,498	—	(28)
		Platinum	645	—	(5)
		Palladium	2,917	—	(58)
Total			—	—	(91)

Note: Calculation of fair value is based on discounted cash flows and others.

Current fiscal year (As of March 31, 2019) (Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion due after one year included herein	Fair value
Deferral hedge accounting	Forward contracts: Buy:	Aluminum	1,216	—	18
Total			—	—	18

Note: Calculation of fair value is based on discounted cash flows and others.

(For retirement benefits)

1. Description of retirement benefit plans

The Group has several defined-benefit and defined-contribution pension plans. The Company and certain consolidated subsidiaries have adopted both defined-benefit and defined-contribution pension plans, whereas certain other consolidated subsidiaries have either defined-benefit or defined-contribution pension plans. The defined-benefit pension plans adopted by the Company and certain domestic subsidiaries include lump-sum payment plans and defined-benefit corporate pension plans. Certain employees may be entitled to additional special retirement benefits, depending on the conditions for the termination of their employment. Certain consolidated subsidiaries apply a simplified method for calculation of net defined benefit liability, net defined benefit assets and retirement benefit expenses.

2. Defined-benefit pension plan

(1) Adjustments between the beginning and ending balances of retirement benefit obligation (excluding those listed in (3) below)

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Retirement benefit obligation at the beginning of the year	1,381,325	1,379,845
Service cost	33,592	32,615
Interest cost	28,113	27,276
Actuarial gain and loss generated	8,215	35,171
Past service cost generated	(7,962)	(1,545)
Retirement benefits paid	(67,772)	(74,290)
Effect of foreign exchange translation	2,580	5,539
Other	1,754	1,777
Retirement benefit obligation at the end of the year	1,379,845	1,406,388

(2) Adjustments between the beginning and ending balances of plan assets (excluding those listed in (3) below)

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Plan assets at the beginning of the year	1,021,050	1,038,154
Expected return on plan assets (Note)	44,705	44,527
Actuarial gain and loss generated	11,325	(1,878)
Contribution from employers	17,239	20,028
Retirement benefits paid	(61,181)	(67,813)
Effect of foreign exchange translation	3,223	1,879
Other	1,793	1,507
Plan assets at the end of the year	1,038,154	1,036,404

Note: Interest from plan assets of net interest from net defined liability of consolidated foreign subsidiaries which adopt IFRS has been included.

(3) Adjustments between the beginning and ending balances of net defined benefit liability and net defined benefit assets for plans using a simplified method

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Net defined benefit liability and assets at the beginning of the year	615	618
Retirement benefit expenses	198	336
Retirement benefits paid	(98)	(61)
Contribution to plans	(97)	(78)
Decrease due to exclusion from consolidation	—	(331)
Net defined benefit liability and assets at the end of the year	618	484

(4) Adjustments between the ending balances of retirement benefit obligation and plan assets and the net defined benefit liability and net defined benefit assets reported on the balance sheets

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Retirement benefit obligation for funded plans	1,305,498	1,329,733
Plan assets	(1,039,104)	(1,037,282)
	266,394	292,451
Retirement benefit obligation for unfunded plans	75,915	78,017
Net defined benefit liability and assets reported on the consolidated balance sheets	342,309	370,468
Net defined benefit liability	352,861	378,967
Net defined benefit assets	(10,552)	(8,499)
Net defined benefit liability and assets reported on the consolidated balance sheets	342,309	370,468

(5) Breakdown of retirement benefit expenses

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Service cost (Note 1)	33,791	32,951
Interest cost	28,113	27,276
Expected return on plan assets	(44,705)	(44,527)
Amortization of actuarial gain and loss	13,998	15,218
Amortization of past service cost	(20,169)	(3,373)
Other	795	348
Retirement benefit expenses for defined benefit plans	11,823	27,893

Notes: 1. The retirement benefit expenses of consolidated subsidiaries adopting the simplified method are included in "Service cost."

2. In addition to the retirement benefit expenses referred to above, additional retirement expenses of ¥3,445 million for the prior fiscal year and ¥39,832 million for the current fiscal year were accounted for as "Special addition to retirement benefits" under "Special losses" in the consolidated statements of income.

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (reported under "Other comprehensive income" in the statements of comprehensive income) consist of the following (before tax effects).

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Past service cost	(12,885)	(1,446)
Actuarial gain and loss	17,368	(24,867)
Total	4,483	(26,313)

(7) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (reported under "Accumulated other comprehensive income" in the net assets section in the consolidated balance sheets) consist of the following (before tax effects).

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Unrecognized past service cost	7,923	6,477
Unrecognized actuarial gain and loss	(174,303)	(199,170)
Total	(166,380)	(192,693)

(8) Matters regarding plan assets

① Major components of plan assets
Plan assets consist of the following.

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Stocks	43%	42%
Bonds	36%	37%
Cash and deposits	1%	1%
Real estate (including REITs)	7%	8%
Other	13%	12%
Total	100%	100%

Notes: 1. Securities contributed to the retirement benefit trust included in the total plan assets were 3.0% for the prior year and 2.2% for the current fiscal year.
2. "Other" includes components for which it is difficult to categorize into specific types of plan assets, such as stocks and bonds, and to identify the percentage and the amount by types of assets.

② Method for determining the long-term expected return on plan assets
To determine the long-term expected return on plan assets, the portfolio and past performance of the plan assets held, long-term investment policies and market trends, among others, are considered.

(9) Assumptions used in actuarial calculations
Major assumptions used in actuarial calculations
Domestic companies

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Discount rates	0.2%–0.9%	0.1%–0.7%
Long-term expected rates of return on plan assets	Mainly 4.0%	Mainly 4.0%
Expected future salary increase	2.4%–5.5%	2.4%–5.5%

Foreign companies

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Discount rates	1.8%–4.2%	1.0%–4.1%
Long-term expected rates of return on plan assets (US GAAP adoption companies only)	Mainly 8.0%	Mainly 8.0%
Expected future salary increase	2.5%–6.0%	2.5%–6.0%

3. Defined-contribution pension plans
The required amounts of contribution to the Group's defined-contribution pension plans were ¥18,374 million for the prior fiscal year and ¥19,849 million for the current fiscal year.

(For share-based payments)

1. The account and the amount of stock options charged as expenses

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Salaries and wages in Selling, general and administrative expenses	—	—

2. The amount of stock options charged as income due to their forfeiture resulting from nonuse

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Special gains	72	84

3. Description of stock options/Changes in the size of stock options

(1) Description of stock options

Company name	The Company
	2008 Stock Options
Category and number of people to whom stock options are granted	The Company's employees: 121
Type and number of shares	Common stock 3,620,000 shares
Grant date	May 16, 2008
Vesting conditions	(1) Those who hold share subscription rights (hereinafter "the holders") must remain employees or directors of the Company, its subsidiaries, or affiliates until the beginning of the exercise period. (2) The holders must achieve their respective targets.
Vesting period	From May 16, 2008 To May 16, 2010
Exercise period	From May 17, 2010 To April 23, 2018

(2) Changes in the size of stock options

The following describes changes in the size of stock options that existed during the year ended March 31, 2019. The number of stock options is translated into the number of shares.

① Number of stock options

Company name	The Company
	2008 Stock Options
Share subscription rights which are not yet vested (shares):	
As of March 31, 2018	—
Granted	—
Forfeited	—
Vested	—
Balance of options not vested	—
Share subscription rights which have already been vested (shares):	
As of March 31, 2018	499,910
Vested	—
Exercised	—
Forfeited	499,910
Balance of options not exercised	—

② Per share prices

Company name	The Company
	2008 Stock Options
Exercise price (Yen)	975
Average price per share upon exercise (Yen)	—
Fair value per share at grant date (Yen)	168.99

4. Method for estimating the per share fair value of stock options

During the fiscal year ended March 31, 2019, there were no stock options that were granted or for which the fair value per share had been changed due to the alteration of conditions.

5. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, historical data is reflected for the options that have not yet been vested, and the number of options that have actually forfeited is reflected for the options that have already been vested.

(For tax-effect accounting)

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Deferred tax assets:		
Net operating loss carry forwards (*2)	149,368	237,880
Net defined benefit liability	87,635	107,404
Accrued warranty costs	74,140	88,047
Sales incentives	36,603	82,489
Deferred tax credit	46,634	71,791
Research and development expenses	50,514	70,818
Loss for residual value risk of leased vehicles	48,815	45,983
Allowance for doubtful receivable	34,074	41,610
Service costs	25,171	23,662
Impairment loss	22,970	20,294
Allowance for bonus	18,809	18,528
Excess depreciation	14,131	17,262
Other	215,522	233,463
Total gross deferred tax assets	824,386	1,059,231
Valuation allowance for net operating loss carry forwards (*2)	—	(100,485)
Valuation allowance for the sum of deductible temporary differences, etc.	—	(87,487)
Valuation allowance (*1)	(88,596)	(187,972)
Total deferred tax assets	735,790	871,259
Deferred tax liabilities:		
Reserves under Special Taxation Measures Law, etc.	(599,308)	(653,735)
Difference between cost of investments and their underlying net equity at fair value on land	(52,688)	(52,296)
Unrealized holding gain on securities	(23,404)	(10,610)
Other	(114,051)	(167,849)
Total deferred tax liabilities	(789,451)	(884,490)
Net deferred tax assets	(53,661)	(13,231)

(*1) Based on the Group's ongoing recovery plan, the future recoverability of deferred tax assets was reviewed, resulting in an increase in the valuation allowance.

(*2) The amounts of net operating loss carry forwards and corresponding deferred tax assets by due period.

Current fiscal year (As of March 31, 2019) (Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Net operating loss carry forwards (a)	7,596	9,803	46,969	45,919	14,858	112,735	237,880
Valuation allowance	(5,962)	(3,727)	(9,161)	(7,280)	(10,085)	(64,270)	(100,485)
Deferred tax assets (b)	1,634	6,076	37,808	38,639	4,773	48,465	137,395

(a) The net operating loss carry forwards represent the amounts after being multiplied by the statutory tax rate.

(b) After estimating the future taxable incomes based on the profitability attributable to sales plan of new vehicle, the deferred tax assets relating to net operating loss carry forwards are assessed as recoverable.

2. The reconciliation between the effective tax rates reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Statutory tax rate of the Company	30.8%	30.6%
(Reconciliation)		
• Different tax rates applied to foreign consolidated subsidiaries	(1.6%)	(2.7%)
• Tax credits	(3.7%)	(4.9%)
• Change in valuation allowance	4.7%	10.5%
• Equity in gain and loss of affiliates	(8.9%)	(14.0%)
• Undistributed retained earnings of foreign consolidated subsidiaries	1.3%	3.1%
• Reduction in year-end deferred tax assets and deferred tax liabilities due to tax rate change	(32.6%)	0.2%
• Other	2.6%	5.6%
Effective tax rates after adoption of tax-effect accounting	(7.4%)	28.4%

(For assets retirement obligations)

Prior fiscal year (As of March 31, 2018)

This information is not provided due to its low materiality.

Current fiscal year (As of March 31, 2019)

This information is not provided due to its low materiality.

(For investment and rental property)

The Company and some of its subsidiaries have rental property in Japan (Tokyo, Kanagawa, Osaka and others) and overseas, which is mainly used for vehicle and parts dealers.
For the fiscal year ended March 31, 2018, net income from rental property amounted to ¥5,084 million and net gain on sales of rental property amounted to ¥27 million. For the fiscal year ended March 31, 2019, net income from rental property amounted to ¥4,851 million and net gain on sales of rental property amounted to ¥1,742 million.

The carrying value, increase/decrease thereof and fair value of rental property are as follows.

(Millions of yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Carrying value		
Balance at the beginning of the year	108,626	110,477
Increase/Decrease during the year	1,851	(146)
Balance at the end of the year	110,477	110,331
Fair value at the end of the year	113,894	116,150

Notes: 1. The carrying value shown here is calculated by deducting the relevant accumulated depreciation and impairment loss from the property's acquisition cost.
2. The fair value was mainly based on real-estate appraisal value which was calculated by external real-estate appraisers.

(Segments of an enterprise and related information)

Segment information

1. General information about reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decision about resource allocation and to assess their performance.
Businesses of the Group are segmented into Automobile and Sales financing based on feature of products and services. The Automobile business includes manufacturing and sales of vehicles and parts. The Sales financing business provides sales finance service and leasing to support sales activities of the above business.

2. Calculation method of net sales, profits or losses, assets and other items by reportable segments

The accounting method for the reportable segments is the same as basis of preparation for the consolidated financial statements.

The segment profits are based on operating income. Inter-segment sales are based on the price in arms-lengths transaction. The segment assets are based on total assets.

3. Changes, etc., in reportable segments

(1) Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *"Revenue from Contracts with Customers"* and International Financial Reporting Standards (IFRS) 15, *"Revenue from Contracts with Customers"*

As stated in "Changes in accounting policies," at foreign subsidiaries and affiliates that apply US GAAP, ASC 606, *"Revenue from Contracts with Customers"* has been adopted, while at other foreign subsidiaries and affiliates, IFRS 15, *"Revenue from Contracts with Customers"* (May 28, 2014) has been adopted from the fiscal year ended March 31, 2019.

In line with this adoption, revenue is recognized upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

In adopting the accounting standards, in accordance with the transitional treatment of recognizing the cumulative effect of adoption on the date of adoption, the effect was added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2019, for each business segment.

Due to this change, on the summarized consolidated balance sheets by business segment for the fiscal year ended March 31, 2019, the beginning balance of retained earnings in the Automobile & Eliminations section decreased by ¥58,566 million. In addition, net sales and income before income taxes for the fiscal year ended March 31, 2019, increased by ¥9,309 million and ¥64,225 million, respectively.

(2) International Financial Reporting Standards (IFRS) 9, *"Financial Instruments"*

As stated in "Changes in accounting policies," certain foreign subsidiaries and affiliates have adopted IFRS 9, *"Financial Instruments"* (July 24, 2014) from the fiscal year ended March 31, 2019. In line with this adoption, the methods for classification and measurement of financial instruments were reviewed and impairment losses on financial assets were recognized using the expected credit loss model.

In adopting the accounting standard, in accordance with the transitional treatment of recognizing the cumulative effect of adoption on the date of adoption, the effect was added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2019, for each business segment.

Due to this change, on the summarized consolidated balance sheets by business segment for the fiscal year ended March 31, 2019, the beginning balance of retained earnings in the Sales financing section decreased by ¥5,671 million, whereas that in the Automobile & Eliminations section increased by ¥3,383 million. The effect of this change on the consolidated statements of income for the fiscal year ended March 31, 2019, is immaterial.

(3) Accounting Standards Board of Japan (ASBJ) Guidance No. 28, *"Implementation Guidance on Tax Effect Accounting"*

"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019. In line with this adoption, a reversal of deferred tax liabilities was made in connection with the change in the treatment of taxable temporary differences relating to shares, etc. of subsidiaries in the non-consolidated financial statements to match the treatment of taxable temporary differences relating to shares of subsidiaries or investments in affiliates in the consolidated financial statements.

The change in accounting policies in line with the adoption of these accounting standards has been retrospectively adopted. As a result, in the Automobile & Eliminations section on the summarized consolidated balance sheets for the prior fiscal year, deferred tax liabilities decreased by ¥12,975 million, whereas retained earnings increased by ¥12,975 million, compared with the accounting prior to the retrospective adoption.

4. Net sales, profits or losses, assets and other items by reportable segments

Prior fiscal year (From April 1, 2017 To March 31, 2018)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	The year ended March 31, 2018
	Automobile	Sales financing	Total		
Net sales					
Sales to third parties	10,851,955	1,099,214	11,951,169	—	11,951,169
Inter-segment sales or transfers	175,908	50,103	226,011	(226,011)	—
Total	11,027,863	1,149,317	12,177,180	(226,011)	11,951,169
Segment profits	335,574	215,338	550,912	23,848	574,760
Segment assets	9,299,976	10,912,915	20,212,891	(1,472,956)	18,739,935
Other items					
Depreciation and amortization expense	373,038	516,193	889,231	—	889,231
Amortization of goodwill	1,057	—	1,057	—	1,057
Interest expense (Cost of sales)	—	195,373	195,373	(39,837)	155,536
Investment amounts to equity method companies	1,048,774	11,256	1,060,030	—	1,060,030
Increase amounts of fixed assets and intangible fixed assets	410,139	1,377,306	1,787,445	—	1,787,445

Note 1: Consolidated financial statements by business segments

- The Sales financing segment for the summarized consolidated balance sheets, summarized consolidated statements of income and summarized consolidated statements of cash flows consists of Nissan Financial Services Co., Ltd. (Japan), Nissan Motor Acceptance Corporation (U.S.A.), NR FINANCE MEXICO, S.A. de C.V., SOFOM, E.R. (Mexico), other 10 companies and the sales finance operations of Nissan Canada Inc. (Canada).
- The financial data on Automobile & Eliminations represent the differences between the consolidated figures and those for the Sales financing segment.

(1) Summarized consolidated balance sheets by business segments

(Millions of yen)

Accounts	Prior fiscal year (As of March 31, 2018)		
	Automobile & Eliminations	Sales financing	Consolidated total
Assets			
I. Current assets			
Cash on hand and in banks	1,073,609	61,229	1,134,838
Trade notes and accounts receivable	738,549	1,302	739,851
Sales finance receivables	(13,883)	7,648,639	7,634,756
Inventories	1,241,663	48,886	1,290,549
Other current assets	360,205	370,194	730,399
Total current assets	3,400,143	8,130,250	11,530,393
II. Fixed assets			
Property, plant and equipment, net	2,624,059	2,641,575	5,265,634
Investment securities	1,262,291	2,241	1,264,532
Other fixed assets	540,527	138,849	679,376
Total fixed assets	4,426,877	2,782,665	7,209,542
Total assets	7,827,020	10,912,915	18,739,935
Liabilities			
I. Current liabilities			
Trade notes and accounts payable	1,599,075	47,563	1,646,638
Short-term borrowings	(731,635)	3,486,861	2,755,226
Lease obligations	25,766	—	25,766
Other current liabilities	1,846,493	470,261	2,316,754
Total current liabilities	2,739,699	4,004,685	6,744,384
II. Long-term liabilities			
Bonds	175,000	1,712,404	1,887,404
Long-term borrowings	(115,308)	3,169,020	3,053,712
Lease obligations	16,240	8	16,248
Other long-term liabilities	726,811	609,666	1,336,477
Total long-term liabilities	802,743	5,491,098	6,293,841
Total liabilities	3,542,442	9,495,783	13,038,225
Net assets			
I. Shareholders' equity			
Common stock	431,212	174,602	605,814
Capital surplus	753,586	62,327	815,913
Retained earnings	3,711,614	1,210,108	4,921,722
Treasury stock	(139,970)	—	(139,970)
Total shareholders' equity	4,756,442	1,447,037	6,203,479
II. Accumulated other comprehensive income			
Translation adjustments	(654,184)	(79,387)	(733,571)
Others	(80,369)	8,173	(72,196)
Total accumulated other comprehensive income	(734,553)	(71,214)	(805,767)
III. Share subscription rights	84	—	84
IV. Non-controlling interests	262,605	41,309	303,914
Total net assets	4,284,578	1,417,132	5,701,710
Total liabilities and net assets	7,827,020	10,912,915	18,739,935

Notes: 1. The sales finance receivables of Automobile & Eliminations represent the amount eliminated for intercompany transactions related to wholesale finance made by the Sales financing segment.

2. The borrowings of Automobile & Eliminations represent the amount after deducting internal loans receivable from the Sales financing segment amounting to ¥1,201,361 million.

(2) Summarized consolidated statements of income by business segments

(Millions of yen)

Accounts	Prior fiscal year (From April 1, 2017 To March 31, 2018)		
	Automobile & Eliminations	Sales financing	Consolidated total
Net sales	10,801,852	1,149,317	11,951,169
Cost of sales	9,037,294	776,707	9,814,001
Gross profit	1,764,558	372,610	2,137,168
Operating income as a percentage of net sales	3.3%	18.7%	4.8%
Operating income	359,422	215,338	574,760
Financial income / expenses, net	14,969	116	15,085
Other non-operating income and expenses, net	158,294	2,163	160,457
Ordinary income	532,685	217,617	750,302
Income before income taxes	483,900	226,843	710,743
Net income attributable to owners of parent	320,789	426,103	746,892

(3) Summarized consolidated statements of cash flows by business segments

(Millions of yen)

Accounts	Prior fiscal year (From April 1, 2017 To March 31, 2018)		
	Automobile & Eliminations	Sales financing	Consolidated total
I. Cash flows from operating activities			
Income before income taxes	483,900	226,843	710,743
Depreciation and amortization	373,038	516,193	889,231
Decrease (increase) in sales finance receivables	6,000	(536,842)	(530,842)
Others	(105,779)	107,897	2,118
Net cash provided by operating activities	757,159	314,091	1,071,250
II. Cash flows from investing activities			
Purchases of investment securities	(1,576)	(24,631)	(26,207)
Purchases of fixed assets	(380,149)	(18,648)	(398,797)
Proceeds from sales of fixed assets	17,780	21,962	39,742
Purchases of leased vehicles	1	(1,430,562)	(1,430,561)
Proceeds from sales of leased vehicles	7	645,160	645,167
Others	13,797	9,140	22,937
Net cash used in investing activities	(350,140)	(797,579)	(1,147,719)
III. Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(84,114)	(63,394)	(147,508)
Net change in long-term borrowings and redemption of bonds	(116,079)	(296,752)	(412,831)
Proceeds from issuance of bonds	—	858,002	858,002
Others	(260,846)	(7)	(260,853)
Net cash provided by (used in) financing activities	(461,039)	497,849	36,810
IV. Effect of exchange rate changes on cash and cash equivalents	4,666	(131)	4,535
V. Increase (decrease) in cash and cash equivalents	(49,354)	14,230	(35,124)
VI. Cash and cash equivalents at the beginning of the period	1,189,975	51,149	1,241,124
VII. Increase due to inclusion in consolidation	—	—	—
VIII. Cash and cash equivalents at the end of the period	1,140,621	65,379	1,206,000

Notes: 1. The net increase (decrease) in short-term borrowings of Automobile & Eliminations includes the amount of ¥48,436 million eliminated for net increase in internal loans receivable from the Sales financing segment.
2. The net change in long-term borrowings and redemption of bonds of Automobile & Eliminations includes the amount of ¥130,604 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

Note 2: Net sales and profits or losses by region

Prior fiscal year (From April 1, 2017 To March 31, 2018)

(Millions of yen)

	Japan	North America	Europe	Asia	Other overseas countries	Total	Eliminations	Consolidated
Net sales								
(1) Sales to third parties	2,194,482	5,978,226	1,784,063	1,001,973	992,425	11,951,169	—	11,951,169
(2) Inter-segment sales	2,452,709	443,669	307,889	551,760	13,794	3,769,821	(3,769,821)	—
Total	4,647,191	6,421,895	2,091,952	1,553,733	1,006,219	15,720,990	(3,769,821)	11,951,169
Operating income (loss)	284,198	200,047	14,331	53,572	(13,980)	538,168	36,592	574,760

Notes: 1. Regions are representing the location of the Company and its group companies.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries: Oceania, Middle East, South Africa, and Central & South America excluding Mexico

Current fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	The year ended March 31, 2019
	Automobile	Sales financing	Total		
Net sales					
Sales to third parties	10,426,158	1,148,089	11,574,247	—	11,574,247
Inter-segment sales or transfers	157,922	49,540	207,462	(207,462)	—
Total	10,584,080	1,197,629	11,781,709	(207,462)	11,574,247
Segment profits	65,997	227,993	293,990	24,234	318,224
Segment assets	9,008,213	11,122,296	20,130,509	(1,178,164)	18,952,345
Other items					
Depreciation and amortization expense	373,738	525,803	899,541	—	899,541
Amortization of goodwill	1,118	—	1,118	—	1,118
Interest expense (Cost of sales)	—	231,837	231,837	(37,241)	194,596
Investment amounts to equity method companies	1,137,696	11,539	1,149,235	—	1,149,235
Increase amounts of fixed assets and intangible fixed assets	463,995	1,284,664	1,748,659	—	1,748,659

Note 1: Consolidated financial statements by business segments

- The Sales financing segment for the summarized consolidated balance sheets, summarized consolidated statements of income and summarized consolidated statements of cash flows consists of Nissan Financial Services Co., Ltd. (Japan), Nissan Motor Acceptance Corporation (U.S.A.), NR FINANCE MEXICO, S.A. de C.V., SOFOM, E.R. (Mexico), other 10 companies and the sales finance operations of Nissan Canada Inc. (Canada).
- The financial data on Automobile & Eliminations represent the differences between the consolidated figures and those for the Sales financing segment.

(1) Summarized consolidated balance sheets by business segments

(Millions of yen)

Accounts	Current fiscal year (As of March 31, 2019)		
	Automobile & Eliminations	Sales financing	Consolidated total
Assets			
I. Current assets			
Cash on hand and in banks	1,171,874	47,714	1,219,588
Trade notes and accounts receivable	511,148	1,016	512,164
Sales finance receivables	(135,801)	7,801,404	7,665,603
Inventories	1,198,571	59,352	1,257,923
Other current assets	575,680	382,147	957,827
Total current assets	3,321,472	8,291,633	11,613,105
II. Fixed assets			
Property, plant and equipment, net	2,598,874	2,706,824	5,305,698
Investment securities	1,334,518	4,357	1,338,875
Other fixed assets	575,185	119,482	694,667
Total fixed assets	4,508,577	2,830,663	7,339,240
Total assets	7,830,049	11,122,296	18,952,345
Liabilities			
I. Current liabilities			
Trade notes and accounts payable	1,532,977	47,475	1,580,452
Short-term borrowings	(341,811)	4,104,583	3,762,772
Lease obligations	19,846	—	19,846
Other current liabilities	1,897,057	470,404	2,367,461
Total current liabilities	3,108,069	4,622,462	7,730,531
II. Long-term liabilities			
Bonds	165,000	1,526,844	1,691,844
Long-term borrowings	(149,117)	2,688,303	2,539,186
Lease obligations	16,033	5	16,038
Other long-term liabilities	724,713	626,523	1,351,236
Total long-term liabilities	756,629	4,841,675	5,598,304
Total liabilities	3,864,698	9,464,137	13,328,835
Net assets			
I. Shareholders' equity			
Common stock	431,303	174,511	605,814
Capital surplus	641,913	172,769	814,682
Retained earnings	3,640,783	1,321,197	4,961,980
Treasury stock	(139,457)	—	(139,457)
Total shareholders' equity	4,574,542	1,668,477	6,243,019
II. Accumulated other comprehensive income			
Translation adjustments	(729,530)	(60,601)	(790,131)
Others	(149,654)	(559)	(150,213)
Total accumulated other comprehensive income	(879,184)	(61,160)	(940,344)
III. Share subscription rights	—	—	—
IV. Non-controlling interests	269,993	50,842	320,835
Total net assets	3,965,351	1,658,159	5,623,510
Total liabilities and net assets	7,830,049	11,122,296	18,952,345

Notes: 1. The sales finance receivables of Automobile & Eliminations represent the amount eliminated for intercompany transactions related to wholesale finance made by the Sales financing segment.

2. The borrowings of Automobile & Eliminations represent the amount after deducting internal loans receivable from the Sales financing segment amounting to ¥900,676 million.

(2) Summarized consolidated statements of income by business segments

(Millions of yen)

Accounts	Current fiscal year (From April 1, 2018 To March 31, 2019)		
	Automobile & Eliminations	Sales financing	Consolidated total
Net sales	10,376,618	1,197,629	11,574,247
Cost of sales	8,850,866	819,536	9,670,402
Gross profit	1,525,752	378,093	1,903,845
Operating income as a percentage of net sales	0.9%	19.0%	2.7%
Operating income	90,231	227,993	318,224
Financial income / expenses, net	24,881	(21)	24,860
Other non-operating income and expenses, net	203,431	(17)	203,414
Ordinary income	318,543	227,955	546,498
Income before income taxes	252,855	224,853	477,708
Net income attributable to owners of parent	163,650	155,488	319,138

(3) Summarized consolidated statements of cash flows by business segments

(Millions of yen)

Accounts	Current fiscal year (From April 1, 2018 To March 31, 2019)		
	Automobile & Eliminations	Sales financing	Consolidated total
I. Cash flows from operating activities			
Income before income taxes	252,855	224,853	477,708
Depreciation and amortization	373,738	525,803	899,541
Decrease (increase) in sales finance receivables	122,080	(34,474)	87,606
Others	(101,831)	87,864	(13,967)
Net cash provided by operating activities	646,842	804,046	1,450,888
II. Cash flows from investing activities			
Purchase of investment securities	(31,328)	—	(31,328)
Purchases of fixed assets	(403,068)	(19,501)	(422,569)
Proceeds from sales of fixed assets	23,969	22,464	46,433
Purchases of leased vehicles	—	(1,298,702)	(1,298,702)
Proceeds from sales of leased vehicles	—	666,375	666,375
Others	(45,273)	(48,483)	(93,756)
Net cash used in investing activities	(455,700)	(677,847)	(1,133,547)
III. Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	436,937	(223,360)	213,577
Net change in long-term borrowings and redemption of bonds	(95,970)	(351,098)	(447,068)
Proceeds from issuance of bonds	—	363,868	363,868
Others	(327,936)	70,419	(257,517)
Net cash provided by (used in) financing activities	13,031	(140,171)	(127,140)
IV. Effect of exchange rate changes on cash and cash equivalents	(36,329)	(1,929)	(38,258)
V. Increase (decrease) in cash and cash equivalents	167,844	(15,901)	151,943
VI. Cash and cash equivalents at the beginning of the period	1,140,621	65,379	1,206,000
VII. Increase due to inclusion in consolidation	1,115	—	1,115
VIII. Cash and cash equivalents at the end of the period	1,309,580	49,478	1,359,058

Notes:1. The net increase (decrease) in short-term borrowings of Automobile & Eliminations includes the amount of ¥240,325 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

2. The net change in long-term borrowings and redemption of bonds of Automobile & Eliminations includes the amount of ¥58,366 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

Note 2: Net sales and profits or losses by region

Current fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Japan	North America	Europe	Asia	Other overseas countries	Total	Eliminations	Consolidated
Net sales								
(1) Sales to third parties	2,305,327	5,631,892	1,576,267	1,028,699	1,032,062	11,574,247	—	11,574,247
(2) Inter-segment sales	2,269,621	465,403	261,788	544,685	30,612	3,572,109	(3,572,109)	—
Total	4,574,948	6,097,295	1,838,055	1,573,384	1,062,674	15,146,356	(3,572,109)	11,574,247
Operating income (loss)	167,901	72,063	(16,702)	71,092	(5,425)	288,929	29,295	318,224

Notes: 1. Regions are representing the location of the Company and its group companies.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries: Oceania, Middle East, South Africa, and Central & South America excluding Mexico

Related information

Prior fiscal year (From April 1, 2017 To March 31, 2018)

1. Information by product and service

This information is not provided here because it is the same as the information provided under "Segment information."

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,841,268	5,839,868	4,726,783	1,845,292	1,279,439	1,145,302	11,951,169

Notes: 1. Regions represent customers' location.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico, etc.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,502,501	3,136,175	2,622,574	303,462	223,536	99,960	5,265,634

Notes: 1. Regions represent the location of the Company and its group companies.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico

3. Information by major customer

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statements of income.

Current fiscal year (From April 1, 2018 To March 31, 2019)

1. Information by product and service

This information is not provided here because it is the same as the information provided under "Segment information."

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,904,712	5,492,142	4,533,029	1,657,339	1,318,704	1,201,350	11,574,247

Notes: 1. Regions represent customers' location.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico, etc.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
1,527,241	3,209,631	2,651,472	247,636	219,653	101,537	5,305,698

Notes: 1. Regions represent the location of the Company and its group companies.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico

3. Information by major customer

This information is not provided because there were no customers that accounted for 10% or more of the net sales to third parties recorded in the consolidated statements of income.

Information about the impairment loss on fixed assets by reportable segments

Prior fiscal year (From April 1, 2017 To March 31, 2018)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Total
	Automobile	Sales financing	Total		
Impairment loss	16,166	—	16,166	—	16,166

Current fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Total
	Automobile	Sales financing	Total		
Impairment loss	13,339	—	13,339	—	13,339

Information about the amortization of goodwill and unamortized balance by reportable segments

Prior fiscal year (From April 1, 2017 To March 31, 2018)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Total
	Automobile	Sales financing	Total		
Amortization of goodwill	1,057	—	1,057	—	1,057
Balance at the end of the year	6,719	—	6,719	—	6,719

Current fiscal year (From April 1, 2018 To March 31, 2019)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Total
	Automobile	Sales financing	Total		
Amortization of goodwill	1,118	—	1,118	—	1,118
Balance at the end of the year	6,141	—	6,141	—	6,141

Information about the gain recognized on negative goodwill by reportable segments

Prior fiscal year (From April 1, 2017 To March 31, 2018)

This information is not provided due to its low materiality.

Current fiscal year (From April 1, 2018 To March 31, 2019)

This information is not provided due to its low materiality.

(Information of related parties)

1. Transactions with related parties

Prior fiscal year (From April 1, 2017 To March 31, 2018)

There are no significant transactions to be disclosed.

Current fiscal year (From April 1, 2018 To March 31, 2019)

Type	Company name	Address	Common stock or Investment in capital (Millions of yen)	Business	Percentage of the voting rights held (%)	Relation	Nature of transaction	Amount of transaction (Millions of yen)	Account	Balance at the end of fiscal year (Millions of yen)
The company which the director or its relatives have the majority of voting rights	DEXTAR WORLD TRADE LIMITED, L.L.C.	Hamilton, New Jersey, U.S.A	Unknown (Note1)	Automotive parts distributor	None	Sells automotive parts to DEXTAR WORLD TRADE LIMITED, L.L.C.	Sale of automotive parts to DEXTAR WORLD TRADE LIMITED, L.L.C. (Note2)	563	Notes and Accounts Receivables	129

Notes: 1. The common stock of this company is unknown.
2. Transaction conditions, such as sales prices, are decided upon the negotiations where the Company presents the sales prices, which are benchmarked to the market price.

2. Notes on the parent company and significant affiliates

Condensed financial information of significant affiliates:

Prior fiscal year (From April 1, 2017 To March 31, 2018)

Combined and condensed financial information (from January 1, 2017 to December 31, 2017) of Renault and Dongfeng Motor Co., Ltd., which are defined as significant affiliates for the current fiscal year, is as follows.

Total current assets	¥10,793,705 million
Total fixed assets	¥6,465,410 million
Total current liabilities	¥10,404,721 million
Total long-term liabilities	¥1,454,703 million
Total net assets	¥5,399,691 million
Net sales	¥10,459,186 million
Income before income taxes	¥1,119,378 million
Net income	¥877,748 million

Current fiscal year (From April 1, 2018 To March 31, 2019)

Combined and condensed financial information (from January 1, 2018 to December 31, 2018) of Renault and Dongfeng Motor Co., Ltd., which are defined as significant affiliates for the prior fiscal year, is as follows.

Total current assets	¥10,555,680 million
Total fixed assets	¥6,426,807 million
Total current liabilities	¥9,940,622 million
Total long-term liabilities	¥1,462,539 million
Total net assets	¥5,579,326 million
Net sales	¥10,626,591 million
Income before income taxes	¥921,071 million
Net income	¥688,114 million

(Amounts per share)

(Yen)

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Net assets per share	1,380.36	1,355.18
Basic earnings per share	190.96	81.59
Diluted earnings per share	190.96	81.59

Notes: 1. As stated in “Changes in accounting policies,” the Company adopted Accounting Standards Board of Japan (ASBJ) Guidance No. 28, *“Implementation Guidance on Tax Effect Accounting.”* The changes in accounting policies in the fiscal year ended March 31, 2019 have been retrospectively applied, and the consolidated financial statements for the prior fiscal year provided herein have been restated to reflect the retrospective application. As a result, net assets per share for the prior fiscal year have increased by ¥3.31 compared to the amount before the retrospective application.

2. As stated in “Changes in accounting policies,” the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *“Revenue from Contracts with Customers,”* and the International Financial Reporting Standards (IFRS) 15, *“Revenue from Contracts with Customers,”* and applied the transitional treatment stipulated in said standards.
This change has caused a decrease of ¥2.70 in net assets per share and an increase of ¥12.27 in basic earnings per share for the fiscal year ended March 31, 2019.

3. The basis for calculation of the basic earnings per share and the diluted earnings per share is as follows.

	Prior fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Basic earnings per share: Net income attributable to owners of parent (Millions of yen)	746,892	319,138
Net income attributable to owners of parent relating to common stock (Millions of yen)	746,892	319,138
Average number of shares of common stock during the fiscal year (Thousands of shares)	3,911,158	3,911,716
Diluted earnings per share: Increase in shares of common stock (Thousands of shares)	58	4
(Exercise of share subscription rights (Thousands of shares))	58	4
Securities excluded from the computation of diluted earnings per share because they do not have dilutive effects.	—	—

4. The basis for calculation of the net assets per share is as follows.

	Prior fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Total net assets (Millions of yen)	5,701,710	5,623,510
Amounts deducted from total net assets (Millions of yen)	303,998	320,835
(Share subscription rights (Millions of yen))	84	—
(Non-controlling interests (Millions of yen))	303,914	320,835
Net assets attributable to shares of common stock at year end (Millions of yen)	5,397,712	5,302,675
The year-end number of shares of common stock used for the calculation of net assets per share (Thousands of shares)	3,910,356	3,912,904

(Significant subsequent events)

Not applicable.

⑤ Consolidated supplemental schedules

Schedule of bonds payable

Company	Description	Date of Issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
*1	53rd unsecured bonds	April 28, 2010	20,000	20,000	1.744	None	April 28, 2020
*1	56th unsecured bonds (Note 2)	April 25, 2013	10,000	(10,000) 10,000	0.554	None	March 19, 2020
*1	57th unsecured bonds	April 25, 2014	100,000	—	0.314	None	March 20, 2019
*1	58th unsecured bonds	April 25, 2014	20,000	20,000	0.779	None	March 19, 2024
*1	59th unsecured bonds	April 15, 2016	80,000	80,000	0.15	None	March 19, 2021
*1	60th unsecured bonds	April 15, 2016	25,000	25,000	0.22	None	March 20, 2023
*1	61st unsecured bonds	April 15, 2016	20,000	20,000	0.33	None	March 19, 2026
*2	Bonds issued by subsidiaries (Note 2)	2014 – 2018	475,000	(150,000) 465,000	0.001 – 0.335	None	2019 – 2023
*3	Bonds issued by subsidiaries (Note 2)	2015 – 2018	1,193, 081 [$11,230,052 thousand]	(277,464) [$2,499,903 thousand] 1,154,038 [$10,397,678 thousand]	1.55 – 3.88	None	2019 – 2023
*3	Bonds issued by subsidiaries (Note 2)	2017 – 2018	30,069 [MXN 5,140,000 thousand]	(33,297) [MXN 5,800,800 thousand] 62,800 [MXN 10,940,800 thousand]	2.11 – 9.05	None	2020 – 2021
*3	Bonds issued by subsidiaries (Note 2)	2016 – 2018	164,760 [CAD 1,999,998 thousand]	(53,716) [CAD 650,000 thousand] 206,600 [CAD 2,499,999 thousand]	1.584 – 3.150	None	2019 – 2021
*3	Bonds issued by subsidiaries (Note 2)	2016 – 2018	85,743 [AUD 1,050,000 thousand]	(58,980) [AUD 750,000 thousand] 74,708 [AUD 950,000 thousand]	2.5 – 3.055	None	2019 – 2022
*3	Bonds issued by subsidiaries	2017 – 2018	60,388 [CNY 3,492,663 thousand]	137,155 [CNY 8,487,290 thousand]	4.29 – 4.95	None	2020 – 2021
Total (Note 2)		—	2,284,041	(583,457) 2,275,301	—		—

Notes: 1. *1 The Company *2 Domestic subsidiaries *3 Foreign subsidiaries

2. The amounts in parentheses presented under "Balance at the end of current fiscal year" represent the amounts scheduled to be redeemed within one year.

3. The redemption schedule of bonds for 5 years subsequent to March 31, 2019 is summarized as follows:

(Millions of yen)

Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
583,457	790,058	467,172	314,120	100,494

Schedule of borrowings

(Millions of yen)

Category	Balance at the beginning of current fiscal year	Balance at the end of current fiscal year	Average interest rate (%)	Maturity
Short-term borrowings	461,849	447,027	2.84	—
Nonrecourse short-term borrowings	341,103	403,968	2.42	—
Current portion of long-term borrowings	472,681	626,900	3.01	—
Current portion of nonrecourse long-term borrowings	680,038	1,003,871	2.56	—
Commercial papers	402,918	697,549	1.92	—
Current portion of lease obligations	25,766	19,846	1.57	—
Long-term borrowings (excluding current portion)	1,771,081	1,572,206	2.91	April 2020 to October 2038
Nonrecourse long-term borrowings (excluding current portion)	1,282,631	966,980	2.78	April 2020 to February 2024
Lease obligations (excluding current portion)	16,248	16,038	1.16	April 2020 to January 2034
Total	5,454,315	5,754,385	—	—

Notes: 1. The average interest rate represents the weighted-average rate applicable to the year-end balance.

2. The following table shows the aggregate annual maturities of long-term borrowings (excluding the current portion), nonrecourse long-term borrowings (excluding the current portion) and lease obligations (excluding the current portion) for 5 years subsequent to March 31, 2019.

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term borrowings	838,435	507,918	96,404	122,939
Nonrecourse long-term borrowings	590,454	285,585	87,194	3,747
Lease obligations	9,970	3,487	1,529	663

Schedule of asset retirement obligations

The schedule of asset retirement obligations is not provided because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2019 were less than one hundredth (1%) of the amounts of total liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2019.

Independent Auditor's Quarterly Review Report

The Board of Directors
Nissan Motor Co., Ltd.

Auditor's Conclusion

We have reviewed the accompanying quarterly consolidated financial statements of Nissan Motor Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the quarterly consolidated balance sheet as at June 30, 2020, and the quarterly consolidated statements of income, comprehensive income, and cash flows for the three-month periods ended June 30, 2020 and 2019, and the notes to the quarterly consolidated financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2020 and its consolidated financial performance and cash flows for the three-month periods ended June 30, 2020 and 2019 in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

We have previously audited, in accordance with auditing standards generally accepted in Japan, the consolidated balance sheet as at March 31, 2020, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended (not presented herein); and in our report dated July 3, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying quarterly consolidated balance sheet as at March 31, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Auditor's Conclusion

We conducted our review in accordance with review standards for quarterly financial statements generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Review of the Quarterly Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our review of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained provides a basis for our conclusion.

Responsibilities of Management and the Audit Committee for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these quarterly consolidated financial statements in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles for quarterly consolidated financial statements generally accepted in Japan.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Review of the Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review.

As part of a review in accordance with review standards for quarterly financial statements generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters and apply analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude based on the evidence obtained whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements are not presented fairly in accordance with

accounting principles for quarterly consolidated financial statements generally accepted in Japan should we determine that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Additionally, if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's quarterly review report to the related disclosures in the quarterly consolidated financial statements or, if such disclosures are inadequate, to modify our conclusion. Our conclusions are based on the evidence obtained up to the date of our auditor's quarterly review report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether anything has come to our attention that causes us to believe that the overall presentation and disclosure of the quarterly consolidated financial statements are not in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan, or that the overall presentation, structure and content of the quarterly consolidated financial statements, including the disclosures, do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain evidence regarding the financial information of the entities or business activities within the Group to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the quarterly review. We remain solely responsible for our conclusion.

We communicate with the Audit Committee regarding the planned scope and timing of the review and significant review findings.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our review of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 29, 2020

/s/ Koki Ito

Koki Ito
Designated Engagement Partner
Certified Public Accountant

/s/ Koji Fujima

Koji Fujima
Designated Engagement Partner
Certified Public Accountant

/s/ Masanori Enomoto

Masanori Enomoto
Designated Engagement Partner
Certified Public Accountant

/s/ Masao Yamamoto

Masao Yamamoto
Designated Engagement Partner
Certified Public Accountant

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1. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

		Prior Fiscal Year (As of March 31, 2020)		Current First Quarter (As of June 30, 2020)
Assets				
Current assets				
Cash on hand and in banks		1,382,471		1,334,759
Trade notes and accounts receivable		356,156		303,517
Sales finance receivables		6,739,336		6,235,338
Securities		260,510		125,975
Merchandise and finished goods		881,940		711,551
Work in process		67,865		78,415
Raw materials and supplies		390,618		412,356
Other		739,307		760,924
Allowance for doubtful accounts		(142,264)		(205,598)
Total current assets		10,675,939		9,757,237
Fixed assets				
Property, plant and equipment				
Buildings and structures, net		582,716		580,212
Machinery, equipment and vehicles, net	※1	2,936,316	※1	2,801,301
Land		589,064		589,447
Construction in progress		227,165		208,600
Other, net		183,589		203,288
Total property, plant and equipment		4,518,850		4,382,848
Intangible fixed assets		114,932		110,029
Investments and other assets				
Investment securities		1,177,184		1,076,526
Other		493,689		508,104
Allowance for doubtful accounts		(3,885)		(3,911)
Total investments and other assets		1,666,988		1,580,719
Total fixed assets		6,300,770		6,073,596
Total assets		16,976,709		15,830,833

(Millions of yen)

	Prior Fiscal Year (As of March 31, 2020)	Current First Quarter (As of June 30, 2020)
Liabilities		
Current liabilities		
Trade notes and accounts payable	1,357,047	781,490
Short-term borrowings	1,339,949	1,243,626
Current portion of long-term borrowings	1,826,904	1,779,092
Commercial papers	726,017	468,079
Current portion of bonds	765,532	642,961
Lease obligations	35,572	41,368
Accrued expenses	1,031,284	987,316
Accrued warranty costs	104,297	98,575
Other	878,644	813,197
Total current liabilities	8,065,246	6,855,704
Long-term liabilities		
Bonds	1,042,954	1,032,941
Long-term borrowings	2,098,558	2,649,154
Lease obligations	72,494	76,885
Accrued warranty costs	108,751	98,001
Net defined benefit liability	454,068	451,481
Other	709,865	611,964
Total long-term liabilities	4,486,690	4,920,426
Total liabilities	12,551,936	11,776,130
Net assets		
Shareholders' equity		
Common stock	605,814	605,814
Capital surplus	818,056	818,059
Retained earnings	4,125,043	3,792,600
Treasury stock	(139,262)	(139,746)
Total shareholders' equity	5,409,651	5,076,727
Accumulated other comprehensive income		
Unrealized holding gain and loss on securities	(16,420)	(2,858)
Unrealized gain and loss from hedging instruments	(20,352)	(21,197)
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	(35,632)	(34,822)
Translation adjustments	(1,046,160)	(1,089,302)
Remeasurements of defined benefit plans	(226,798)	(221,961)
Total accumulated other comprehensive income	(1,345,362)	(1,370,140)
Non-controlling interests	360,484	348,116
Total net assets	4,424,773	4,054,703
Total liabilities and net assets	16,976,709	15,830,833

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

The Three-Month Period Ended June 30

Quarterly consolidated statements of income

(Millions of yen)

	Prior First Quarter (From April 1, 2019 To June 30, 2019)	Current First Quarter (From April 1, 2020 To June 30, 2020)
Net sales	2,372,422	1,174,194
Cost of sales	2,035,401	1,075,574
Gross profit	337,021	98,620
Selling, general and administrative expenses		
Advertising expenses	72,531	31,104
Provision for warranty costs	27,619	14,094
Other selling expenses	41,980	40,113
Salaries and wages	91,026	90,681
Retirement benefit expenses	5,841	4,107
Provision for doubtful accounts	25,128	16,011
Other	71,287	56,436
Total selling, general and administrative expenses	335,412	252,546
Operating income (loss)	1,609	(153,926)
Non-operating income		
Interest income	5,794	3,884
Dividends income	6,710	117
Equity in earnings of affiliates	33,124	—
Exchange gain	—	24,921
Miscellaneous income	2,440	8,373
Total non-operating income	48,068	37,295
Non-operating expenses		
Interest expense	2,835	2,970
Equity in losses of affiliates	—	84,655
Derivative loss	2,350	19,580
Exchange loss	428	—
Miscellaneous expenses	8,736	8,444
Total non-operating expenses	14,349	115,649
Ordinary income (loss)	35,328	(232,280)
Special gains		
Gain on sales of fixed assets	3,207	2,545
Subsidy income and others	—	6,153
Other	178	18
Total special gains	3,385	8,716
Special losses		
Loss on sales of fixed assets	45	368
Loss on disposal of fixed assets	4,000	870
Special addition to retirement benefits	5,387	40,085
Loss on shutdowns and others due to COVID-19	—	39,335
Other	2,406	377
Total special losses	11,838	81,035
Income (loss) before income taxes	26,875	(304,599)
Income taxes	16,635	(20,303)
Net income (loss)	10,240	(284,296)
Net income attributable to non-controlling interests	3,863	1,293
Net income (loss) attributable to owners of parent	6,377	(285,589)

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Prior First Quarter (From April 1, 2019 To June 30, 2019)	Current First Quarter (From April 1, 2020 To June 30, 2020)
Net income (loss)	10,240	(284,296)
Other comprehensive income		
Unrealized holding gain and loss on securities	(5,432)	19,016
Unrealized gain and loss from hedging instruments	(7,466)	(821)
Adjustment for revaluation of the accounts of the consolidated subsidiaries based on general price level accounting	5,718	690
Translation adjustments	(60,729)	(8,871)
Remeasurements of defined benefit plans	7,623	4,495
The amount for equity method company portion	3,519	(41,488)
Total other comprehensive income	(56,767)	(26,979)
Comprehensive income	(46,527)	(311,275)
(Breakdown of comprehensive income)		
Comprehensive income attributable to owners of parent	(49,889)	(310,367)
Comprehensive income attributable to non-controlling interests	3,362	(908)

(3) Quarterly consolidated statements of cash flows

	Prior First Quarter (From April 1, 2019 To June 30, 2019)	Current First Quarter (From April 1, 2020 To June 30, 2020)
		(Millions of yen)
Cash flows from operating activities		
Income (loss) before income taxes	26,875	(304,599)
Depreciation and amortization (for fixed assets excluding leased vehicles)	101,133	60,495
Depreciation and amortization (for long term prepaid expenses)	10,281	13,325
Depreciation and amortization (for leased vehicles)	114,594	120,685
Increase (decrease) in allowance for doubtful accounts	(37)	(1,112)
Interest and dividends income	(12,504)	(4,001)
Interest expense	53,603	43,089
Equity in losses (earnings) of affiliates	(33,124)	84,655
Loss (gain) on sales of fixed assets	(3,162)	(2,177)
Loss on disposal of fixed assets	4,000	870
Decrease (increase) in trade notes and accounts receivable	90,049	45,841
Decrease (increase) in sales finance receivables	311,425	521,271
Decrease (increase) in inventories	(139,634)	147,018
Increase (decrease) in trade notes and accounts payable	(197,046)	(636,065)
Retirement benefit expenses	8,748	7,324
Payments related to net defined benefit assets and liabilities	(6,903)	(4,078)
Other	9,595	(7,834)
Subtotal	337,893	84,707
Interest and dividends received	13,592	5,083
Proceeds from dividends income from affiliates accounted for by equity method	24,713	1,131
Interest paid	(50,988)	(40,718)
Income taxes paid	(49,430)	(29,664)
Net cash provided by operating activities	275,780	20,539
Cash flows from investing activities		
Net decrease (increase) in short-term investments	130	—
Purchase of fixed assets	(135,862)	(108,196)
Proceeds from sales of fixed assets	10,628	4,516
Purchase of leased vehicles	(311,900)	(146,901)
Proceeds from sales of leased vehicles	193,811	137,823
Payments of long-term loans receivable	(158)	(8)
Collection of long-term loans receivable	355	76
Purchase of investment securities	(7,960)	—
Proceeds from sales of investment securities	—	623
Net decrease (increase) in restricted cash	111,052	(94,121)
Other	574	103
Net cash used in investing activities	(139,330)	(206,085)

(Millions of yen)

		Prior First Quarter (From April 1, 2019 To June 30, 2019)		Current First Quarter (From April 1, 2020 To June 30, 2020)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		85,177		(347,267)
Proceeds from long-term borrowings		419,481		896,849
Proceeds from issuance of bonds		33,074		22,912
Repayments of long-term borrowings		(591,670)		(404,864)
Redemption of bonds		(102,535)		(148,284)
Proceeds from non-controlling shareholders		8,551		2,877
Purchase of treasury stock		(1)		—
Repayments of lease obligations		(7,442)		(11,575)
Cash dividends paid		(111,520)		—
Cash dividends paid to non-controlling interests		(4,941)		(472)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		5,011		—
Net cash provided by (used in) financing activities		(266,815)		10,176
Effects of exchange rate changes on cash and cash equivalents		(3,394)		(6,877)
Decrease in cash and cash equivalents		(133,759)		(182,247)
Cash and cash equivalents at beginning of the period		1,359,058		1,642,981
Increase due to inclusion in consolidation		6,051		—
Cash and cash equivalents at end of the period	※1	1,231,350	※1	1,460,734

[Notes to Quarterly Consolidated Financial Statements]

(Basis of preparation of the quarterly consolidated financial statements)
The quarterly consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 64, 2007 "Regulations Concerning the Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" ("Regulations for Quarterly Consolidated Financial Statements").
Pursuant to Article 5-2, Paragraph 2 of the Regulations for Quarterly Consolidated Financial Statements, the quarterly consolidated statements of cash flows are prepared.

(Changes in accounting policies)

Current First Quarter (From April 1, 2020 To June 30, 2020)
At foreign subsidiaries and affiliates that apply US GAAP, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 326, *"Financial Instruments—Credit Losses"* has been adopted from the beginning of the current first quarter. With this adoption, the method for measurement of financial instruments was reviewed and impairment losses were recognized on financial assets using the current expected credit loss model. In adopting the accounting standard, in accordance with the transitional treatment, the cumulative effect of adoption of the standard was recognized on the date of the start of adoption, and was added to or subtracted from retained earnings at the beginning of the current first quarter. As a result, for the effects of this revision based on the requirement of the standard as transition disclosures, the balance of allowance for doubtful accounts included in current assets, deferred tax liabilities included in long-term liabilities, and retained earnings at the beginning of the current first quarter increased by ¥62,965 million, decreased by ¥16,121 million, and decreased by ¥46,844 million, respectively.

(Specific accounting policies adopted in preparing quarterly consolidated financial statements)

Calculation of tax expense
Income taxes are determined based on the amount of income before income taxes for the quarterly period presented multiplied by the effective tax rate estimated for the entire fiscal year.
Deferred income taxes are included in income taxes.

(Additional information)

Current First Quarter (From April 1, 2020 To June 30, 2020)
(Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system) The Company and some of its domestic subsidiaries have been adopted "*Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System*" (PITF No. 39, March 31, 2020) and deferred tax assets and liabilities are based on tax law provisions in place prior to the revision prescribing transition from the consolidated taxation system to the group tax sharing system (Act No. 8 of 2020). (Accounting estimates of the impact of COVID-19) There were no significant changes in the assumption including the duration of the pandemic and accounting estimates with regard to impact of COVID-19, which are described in the Securities Report of the prior fiscal year.

(For quarterly consolidated balance sheets)

1 ※1 “Machinery, equipment and vehicles, net” includes the following assets leased to others under lease agreements.

(Millions of yen)

	Prior Fiscal Year (As of March 31, 2020)	Current First Quarter (As of June 30, 2020)
Assets leased to others under lease agreements (lessor)	2,452,585	2,306,645

2 Guarantees and others

Prior Fiscal Year (As of March 31, 2020)
(1) Guarantees

Guarantees	Balance of liabilities guaranteed (Millions of yen)	Description of liabilities guaranteed
Employees	※23,025	Guarantees for employees’ housing loans and others
13 foreign dealers	269	Guarantees for loans and others
Total	23,294	

※ Allowance for doubtful accounts is provided for these loans mainly based on past experience.

(2) Commitments to provide guarantees

Guarantees	Balance of commitments to provide guarantees (Millions of yen)	Description of liabilities guaranteed
Hibikinada Development Co., Ltd.	26	Commitments to provide guarantees for loans

Current First Quarter (As of June 30, 2020)
(1) Guarantees

Guarantees	Balance of liabilities guaranteed (Millions of yen)	Description of liabilities guaranteed
Employees	※22,139	Guarantees for employees’ housing loans and others

※ Allowance for doubtful accounts is provided for these loans mainly based on past experience.
(2) Commitments to provide guarantees

Guarantees	Balance of commitments to provide guarantees (Millions of yen)	Description of liabilities guaranteed
Hibikinada Development Co., Ltd.	26	Commitments to provide guarantees for loans

3 Contingent Liabilities

- Lawsuits related to Takata’s airbag inflators

Mainly in the United States (“U.S.”) and Canada various putative class action lawsuits, civil lawsuits and lawsuits by states related to Takata’s airbag inflator have been filed against the Company, consolidated subsidiaries and other Original Equipment Manufacturers. The lawsuits allege that the subject airbag inflators did not function properly, and seek, among others, damages for economic losses, incurred costs, decline in the value of vehicles, and, in certain cases, personal injury as well as punitive damages. Most of the class action lawsuits in the U.S. were transferred to the U.S. District Court for the Southern District of Florida and consolidated into a multi-district litigation (“MDL”). The Company and Nissan North America, Inc. (“NNA”) have agreed to a proposed settlement that would resolve the US class actions that are pending against them in the MDL, through a number of customer-focused programs. In September 2017, the court in the MDL granted preliminary approval to the proposed settlement. The total payment amount for the settlement will be $87.9 million to be paid over four years. In February 2018, the court in MDL granted final approval to the proposed settlement. Regarding the lawsuits other than the above, management has not recognized a provision for loss contingencies because as of the date of this report it is not possible to reasonably estimate the amount, if any, of any potential future losses because there are some uncertainties, such as these lawsuits are still in progress.

(For quarterly consolidated statements of cash flows)

※1 Cash and cash equivalents as of the end of the quarter are reconciled to the accounts reported in the quarterly consolidated balance sheets as follows.

(Millions of yen)

	Prior First Quarter (From April 1, 2019 To June 30, 2019)	Current First Quarter (From April 1, 2020 To June 30, 2020)
Cash on hand and in banks	1,112,610	1,334,759
Time deposits with maturities of more than three months	—	—
Cash equivalents included in securities (*)	118,740	125,975
Cash and cash equivalents	1,231,350	1,460,734

*These represent short-term, highly liquid investments readily convertible into cash held by foreign subsidiaries.

(For net assets)

Prior First Quarter (From April 1, 2019 To June 30, 2019)

1. Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Annual general meeting of the shareholders on June 25, 2019	Common stock	111,520	28.5	March 31, 2019	June 26, 2019	Retained earnings

Note: Total dividends were obtained by deducting the amount corresponding to the equity of Renault shares held by the Company.

2. Dividends which the record date fell in the period from April 1 to June 30, 2019, and the effective date of which was after June 30, 2019

There were no applicable items during the first quarter ended June 30, 2019.

Current First Quarter (From April 1, 2020 To June 30, 2020)

1. Dividends paid

There were no applicable items during the first quarter ended June 30, 2020.

2. Dividends which the record date fell in the period from April 1 to June 30, 2020, and the effective date of which was after June 30, 2020

There were no applicable items during the first quarter ended June 30, 2020.

(Segments of an enterprise and related information)

Segment information

1. General information about reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decision about resource allocation and to assess their performance.

Businesses of the Group are segmented into Automobile and Sales financing based on feature of products and services. The Automobile business includes manufacturing and sales of vehicles and parts. The Sales financing business provides sales finance service and leasing to support sales activities of the above business.

2. Calculation method of net sales and profits or losses by reportable segments

In principle, the accounting method for the reportable segments is the same as basis of preparation for the quarterly consolidated financial statements.

The segment profits are based on operating income. Inter-segment sales are based on the price in arms-lengths transaction.

3. Changes to reportable segments and others

As stated in "Changes in accounting policies," at foreign subsidiaries and affiliates that apply US GAAP, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 326, *"Financial Instruments—Credit Losses"* has been adopted from the beginning of the current first quarter.

With this adoption, the method for measurement of financial instruments was reviewed and impairment losses were recognized on financial assets using the current expected credit loss model.

In adopting the accounting standard, in accordance with the transitional treatment, the cumulative effect of adoption of the standard was recognized on the date of the start of adoption, and was added to or subtracted from retained earnings for business segments at the beginning of the current first quarter.

As a result, for the effects of this revision based on the requirement of the standard as transition disclosures, the balance of allowance for doubtful accounts included in current assets, deferred tax liabilities included in long-term liabilities, and retained earnings in the summarized quarterly consolidated balance sheet by business segments at the beginning of the current first quarter increased by ¥62,965 million, decreased by ¥16,121 million, and decreased by ¥46,844 million in Sales financing, respectively.

4. Net sales and profits or losses by reportable segments

Prior First Quarter (From April 1, 2019 To June 30, 2019)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Prior First Quarter
	Automobile	Sales financing	Total		
Net sales					
Sales to third parties	2,086,744	285,678	2,372,422	—	2,372,422
Inter-segment sales or transfers	38,299	12,795	51,094	(51,094)	—
Total	2,125,043	298,473	2,423,516	(51,094)	2,372,422
Segment profits (losses)	(57,438)	56,350	(1,088)	2,697	1,609

Note 1: Quarterly consolidated financial statements by business segments

- The Sales financing segment consists of NISSAN FINANCIAL SERVICES CO., LTD. (Japan), Nissan Motor Acceptance Corporation (U.S.A.), NR FINANCE MEXICO, S.A. de C.V. (Mexico), 10 other companies and the sales finance operations of Nissan Canada, Inc. (Canada).
- The financial data on Automobile & Eliminations represents the differences between the consolidated figures and those for the Sales financing segment.

(1) Summarized quarterly consolidated balance sheets by business segments

(Millions of yen)

Accounts	Prior First Quarter (As of June 30, 2019)		
	Automobile & Eliminations	Sales financing	Consolidated total
Assets			
I. Current assets			
Cash on hand and in banks	1,076,186	36,424	1,112,610
Trade notes and accounts receivable	414,110	1,702	415,812
Sales finance receivables	(107,480)	7,337,496	7,230,016
Inventories	1,330,740	49,531	1,380,271
Other current assets	535,969	223,151	759,120
Total current assets	3,249,525	7,648,304	10,897,829
II. Fixed assets			
Property, plant and equipment, net	2,632,051	2,595,918	5,227,969
Investment securities	1,342,421	4,966	1,347,387
Other fixed assets	583,760	118,553	702,313
Total fixed assets	4,558,232	2,719,437	7,277,669
Total assets	7,807,757	10,367,741	18,175,498
Liabilities			
I. Current liabilities			
Trade notes and accounts payable	1,428,145	36,440	1,464,585
Short-term borrowings	(13,770)	3,632,638	3,618,868
Lease obligations	34,715	475	35,190
Other current liabilities	1,692,809	450,065	2,142,874
Total current liabilities	3,141,899	4,119,618	7,261,517
II. Long-term liabilities			
Bonds	145,000	1,403,562	1,548,562
Long-term borrowings	(51,460)	2,530,655	2,479,195
Lease obligations	78,051	1,345	79,396
Other long-term liabilities	700,113	617,215	1,317,328
Total long-term liabilities	871,704	4,552,777	5,424,481
Total liabilities	4,013,603	8,672,395	12,685,998
Net assets			
I. Shareholders' equity			
Common stock	385,958	219,856	605,814
Capital surplus	645,551	172,756	818,307
Retained earnings	3,522,050	1,320,431	4,842,481
Treasury stock	(139,347)	—	(139,347)
Total shareholders' equity	4,414,212	1,713,043	6,127,255
II. Accumulated other comprehensive income			
Translation adjustments	(726,142)	(119,768)	(845,910)
Others	(143,390)	(7,310)	(150,700)
Total accumulated other comprehensive income	(869,532)	(127,078)	(996,610)
III. Non-controlling interests	249,474	109,381	358,855
Total net assets	3,794,154	1,695,346	5,489,500
Total liabilities and net assets	7,807,757	10,367,741	18,175,498

Notes: 1. The sales finance receivables of Automobile & Eliminations represent the amount eliminated for intercompany transactions related to wholesale finance made by the Sales financing segment.

2. The borrowings of Automobile & Eliminations represent the amount after deducting internal loans receivable from the Sales financing segment amounting to ¥648,834 million.

(2) Summarized quarterly consolidated statements of income by business segments

(Millions of yen)

Accounts	Prior First Quarter (From April 1, 2019 To June 30, 2019)		
	Automobile & Eliminations	Sales financing	Consolidated total
Net sales	2,073,949	298,473	2,372,422
Cost of sales	1,835,160	200,241	2,035,401
Gross profit	238,789	98,232	337,021
Operating income as a percentage of net sales	(2.6%)	18.9%	0.1%
Operating income (loss)	(54,741)	56,350	1,609
Financial income / expenses, net	9,680	(11)	9,669
Other non-operating income and expenses, net	24,343	(293)	24,050
Ordinary income (loss)	(20,718)	56,046	35,328
Income (loss) before income taxes	(28,619)	55,494	26,875
Net income (loss) attributable to owners of parent	(31,235)	37,612	6,377

(3) Summarized quarterly consolidated statements of cash flows by business segments

(Millions of yen)

Accounts	Prior First Quarter (From April 1, 2019 To June 30, 2019)		
	Automobile & Eliminations	Sales financing	Consolidated total
I. Cash flows from operating activities			
Income (loss) before income taxes	(28,619)	55,494	26,875
Depreciation and amortization	99,028	126,980	226,008
Decrease (increase) in sales finance receivables	(28,501)	339,926	311,425
Others	(294,179)	5,651	(288,528)
Net cash provided by (used in) operating activities	(252,271)	528,051	275,780
II. Cash flows from investing activities			
Purchase of investment securities	(7,960)	—	(7,960)
Purchase of fixed assets	(132,011)	(3,851)	(135,862)
Proceeds from sales of fixed assets	5,921	4,707	10,628
Purchase of leased vehicles	—	(311,900)	(311,900)
Proceeds from sales of leased vehicles	—	193,811	193,811
Others	886	111,067	111,953
Net cash provided by (used in) investing activities	(133,164)	(6,166)	(139,330)
III. Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	342,617	(257,440)	85,177
Net change in long-term borrowings and redemption of bonds	14,637	(289,361)	(274,724)
Proceeds from issuance of bonds	—	33,074	33,074
Others	(89,720)	(20,622)	(110,342)
Net cash provided by (used in) financing activities	267,534	(534,349)	(266,815)
IV. Effect of exchange rate changes on cash and cash equivalents	(3,423)	29	(3,394)
V. Increase (decrease) in cash and cash equivalents	(121,324)	(12,435)	(133,759)
VI. Cash and cash equivalents at the beginning of the period	1,309,580	49,478	1,359,058
VII. Increase due to inclusion in consolidation	6,051	—	6,051
VIII. Cash and cash equivalents at the end of the period	1,194,307	37,043	1,231,350

Notes:1. The net increase (decrease) in short-term borrowings of Automobile & Eliminations includes the amount of ¥173,565 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

2. The net change in long-term borrowings and redemption of bonds of Automobile & Eliminations includes the amount of ¥20,001 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

Note 2: Net sales and profits or losses by region

Prior First Quarter (From April 1, 2019 To June 30, 2019)

(Millions of yen)

	Japan	North America	Europe	Asia	Other overseas countries	Total	Eliminations	Consolidated
Net sales (1) Sales to third parties	517,445	1,166,702	303,858	220,197	164,220	2,372,422	—	2,372,422
(2) Inter-segment sales	440,247	112,855	44,926	112,138	4,856	715,022	(715,022)	—
Total	957,692	1,279,557	348,784	332,335	169,076	3,087,444	(715,022)	2,372,422
Operating income (loss)	18,069	688	(11,398)	10,646	(5,120)	12,885	(11,276)	1,609

Notes: 1. Regions represent the location of the Company and its group companies.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries: Oceania, Middle East, South Africa, and Central & South America excluding Mexico

Current First Quarter (From April 1, 2020 To June 30, 2020)

(Millions of yen)

	Reportable segments			Elimination of inter-segment transactions	Current First Quarter
	Automobile	Sales financing	Total		
Net sales Sales to third parties	919,758	254,436	1,174,194	—	1,174,194
Inter-segment sales or transfers	24,838	9,435	34,273	(34,273)	—
Total	944,596	263,871	1,208,467	(34,273)	1,174,194
Segment profits (losses)	(222,025)	63,045	(158,980)	5,054	(153,926)

Note1: Quarterly consolidated financial statements by business segments

- The Sales financing segment consists of NISSAN FINANCIAL SERVICES CO., LTD. (Japan), Nissan Motor Acceptance Corporation (U.S.A.), NR FINANCE MEXICO, S.A. de C.V. (Mexico), 11 other companies and the sales finance operations of Nissan Canada, Inc. (Canada).
- The financial data on Automobile & Eliminations represents the differences between the consolidated figures and those for the Sales financing segment.

(1) Summarized quarterly consolidated balance sheets by business segments

(Millions of yen)

Accounts	Current First Quarter (As of June 30, 2020)		
	Automobile & Eliminations	Sales financing	Consolidated total
Assets			
I. Current assets			
Cash on hand and in banks	1,178,878	155,881	1,334,759
Trade notes and accounts receivable	302,434	1,083	303,517
Sales finance receivables	(89,378)	6,324,716	6,235,338
Inventories	1,132,193	70,129	1,202,322
Other current assets	436,525	244,776	681,301
Total current assets	2,960,652	6,796,585	9,757,237
II. Fixed assets			
Property, plant and equipment, net	2,086,856	2,295,992	4,382,848
Investment securities	1,073,412	3,114	1,076,526
Other fixed assets	475,298	138,924	614,222
Total fixed assets	3,635,566	2,438,030	6,073,596
Total assets	6,596,218	9,234,615	15,830,833
Liabilities			
I. Current liabilities			
Trade notes and accounts payable	751,885	29,605	781,490
Short-term borrowings	713,828	3,419,930	4,133,758
Lease obligations	40,904	464	41,368
Other current liabilities	1,396,004	503,084	1,899,088
Total current liabilities	2,902,621	3,953,083	6,855,704
II. Long-term liabilities			
Bonds	83,047	949,894	1,032,941
Long-term borrowings	118,107	2,531,047	2,649,154
Lease obligations	75,999	886	76,885
Other long-term liabilities	687,451	473,995	1,161,446
Total long-term liabilities	964,604	3,955,822	4,920,426
Total liabilities	3,867,225	7,908,905	11,776,130
Net assets			
I. Shareholders' equity			
Common stock	380,713	225,101	605,814
Capital surplus	645,303	172,756	818,059
Retained earnings	2,826,742	965,858	3,792,600
Treasury stock	(139,746)	—	(139,746)
Total shareholders' equity	3,713,012	1,363,715	5,076,727
II. Accumulated other comprehensive income			
Translation adjustments	(955,266)	(134,036)	(1,089,302)
Others	(254,740)	(26,098)	(280,838)
Total accumulated other comprehensive income	(1,210,006)	(160,134)	(1,370,140)
III. Non-controlling interests	225,987	122,129	348,116
Total net assets	2,728,993	1,325,710	4,054,703
Total liabilities and net assets	6,596,218	9,234,615	15,830,833

Notes: 1. The sales finance receivables of Automobile & Eliminations represent the amount eliminated for intercompany transactions related to wholesale finance made by the Sales financing segment.

2. The borrowings of Automobile & Eliminations represent the amount after deducting internal loans receivable from the Sales financing segment amounting to ¥362,708 million.

(2) Summarized quarterly consolidated statements of income by business segments

(Millions of yen)

Accounts	Current First Quarter (From April 1, 2020 To June 30, 2020)		
	Automobile & Eliminations	Sales financing	Consolidated total
Net sales	910,323	263,871	1,174,194
Cost of sales	904,741	170,833	1,075,574
Gross profit	5,582	93,038	98,620
Operating income as a percentage of net sales	(23.8%)	23.9%	(13.1%)
Operating income (loss)	(216,971)	63,045	(153,926)
Financial income / expenses, net	1,007	24	1,031
Other non-operating income and expenses, net	(80,462)	1,077	(79,385)
Ordinary income (loss)	(296,426)	64,146	(232,280)
Income (loss) before income taxes	(368,460)	63,861	(304,599)
Net income (loss) attributable to owners of parent	(325,747)	40,158	(285,589)

(3) Summarized quarterly consolidated statements of cash flows by business segments

(Millions of yen)

Accounts	Current First Quarter (From April 1, 2020 To June 30, 2020)		
	Automobile & Eliminations	Sales financing	Consolidated total
I. Cash flows from operating activities			
Income (loss) before income taxes	(368,460)	63,861	(304,599)
Depreciation and amortization	77,903	116,602	194,505
Decrease (increase) in sales finance receivables	(25,783)	547,054	521,271
Others	(394,858)	4,220	(390,638)
Net cash provided by (used in) operating activities	(711,198)	731,737	20,539
II. Cash flows from investing activities			
Proceeds from sales of investment securities	623	—	623
Purchase of fixed assets	(107,994)	(202)	(108,196)
Proceeds from sales of fixed assets	2,722	1,794	4,516
Purchase of leased vehicles	—	(146,901)	(146,901)
Proceeds from sales of leased vehicles	—	137,823	137,823
Others	160	(94,110)	(93,950)
Net cash provided by (used in) investing activities	(104,489)	(101,596)	(206,085)
III. Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	370,465	(717,732)	(347,267)
Net change in long-term borrowings and redemption of bonds	218,940	124,761	343,701
Proceeds from issuance of bonds	—	22,912	22,912
Others	10,155	(19,325)	(9,170)
Net cash provided by (used in) financing activities	599,560	(589,384)	10,176
IV. Effect of exchange rate changes on cash and cash equivalents	(11,379)	4,502	(6,877)
V. Increase (decrease) in cash and cash equivalents	(227,506)	45,259	(182,247)
VI. Cash and cash equivalents at the beginning of the period	1,494,550	148,431	1,642,981
VII. Increase due to inclusion in consolidation	—	—	—
VIII. Cash and cash equivalents at the end of the period	1,267,044	193,690	1,460,734

Notes: 1. The net increase (decrease) in short-term borrowings of Automobile & Eliminations includes the amount of ¥6,335 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

2. The net change in long-term borrowings and redemption of bonds of Automobile & Eliminations includes the amount of ¥74,866 million eliminated for net decrease in internal loans receivable from the Sales financing segment.

Note 2: Net sales and profits or losses by region

Current First Quarter (From April 1, 2020 To June 30, 2020)

(Millions of yen)

	Japan	North America	Europe	Asia	Other overseas countries	Total	Eliminations	Consolidated
Net sales								
(1) Sales to third parties	339,865	539,029	93,491	139,110	62,699	1,174,194	—	1,174,194
(2) Inter-segment sales	133,262	34,638	13,644	64,752	1,305	247,601	(247,601)	—
Total	473,127	573,667	107,135	203,862	64,004	1,421,795	(247,601)	1,174,194
Operating income (loss)	(123,301)	(25,794)	(17,411)	7,786	(4,720)	(163,440)	9,514	(153,926)

Notes: 1. Regions represent the location of the Company and its group companies.

2. Areas are segmented based on their geographical proximity and their mutual operational relationship.

3. Major countries and areas which belong to segments other than Japan are as follows:

(1) North America : The United States of America, Canada and Mexico

(2) Europe : France, The United Kingdom, Spain, Russia and other European countries

(3) Asia : China, Thailand, India and other Asian countries

(4) Other overseas countries : Oceania, Middle East, South Africa, and Central & South America excluding Mexico

5. Information about the impairment loss on fixed assets by reportable segments

The Three-Month Period Ended June 30, 2019 (From April 1, 2019 To June 30, 2019)
There were no significant impairment losses on fixed assets in the reportable segments for the three months ended June 30, 2019.

The Three-Month Period Ended June 30, 2020 (From April 1, 2020 To June 30, 2020)
There were no significant impairment losses on fixed assets in the reportable segments for the three months ended June 30, 2020.

6. Information about goodwill by reportable segments

The Three-Month Period Ended June 30, 2019 (From April 1, 2019 To June 30, 2019)
There were no significant changes in the reported amounts of goodwill in the reportable segments for the three months ended June 30, 2019.

The Three-Month Period Ended June 30, 2020 (From April 1, 2020 To June 30, 2020)
There were no significant changes in the reported amounts of goodwill in the reportable segments for the three months ended June 30, 2020.

7. Information about the gain recognized on negative goodwill by reportable segments

The Three-Month Period Ended June 30, 2019 (From April 1, 2019 To June 30, 2019)
There were no significant gains recognized on negative goodwill in the reportable segments for the three months ended June 30, 2019.

The Three-Month Period Ended June 30, 2020 (From April 1, 2020 To June 30, 2020)
There were no significant gains recognized on negative goodwill in the reportable segments for the three months ended June 30, 2020.

8. Information about geographical area

Net sales

Prior First Quarter (From April 1, 2019 To June 30, 2019)

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
412,888	1,137,667	957,910	344,740	284,047	193,080	2,372,422

Notes: 1. Regions represent customers' location.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, Central & South America excluding Mexico, etc.

Current First Quarter (From April 1, 2020 To June 30, 2020)

(Millions of yen)

Japan	North America		Europe	Asia	Other overseas countries	Total
		U.S.A.				
279,283	534,758	446,420	111,331	178,723	70,099	1,174,194

Notes: 1. Regions represent customers' location.
2. Areas are segmented based on their geographical proximity and their mutual operational relationship.
3. Major countries and areas which belong to segments other than Japan are as follows:
(1) North America : The United States of America, Canada and Mexico
(2) Europe : France, The United Kingdom, Spain, Russia and other European countries
(3) Asia : China, Thailand, India and other Asian countries
(4) Other overseas countries : Oceania, Middle East, South Africa, Central & South America excluding Mexico, etc.

(Amounts per share)

Basic earnings (loss) per share, diluted earnings per share and the basis for calculation thereof are as follows.

	Prior First Quarter (From April 1, 2019 To June 30, 2019)	Current First Quarter (From April 1, 2020 To June 30, 2020)
(1) Basic earnings (loss) per share	¥1.63	(¥73.00)
(Basis for calculation)		
Net income (loss) attributable to owners of parent (Millions of yen)	6,377	(285,589)
Net income (loss) attributable to owners of parent relating to common stock (Millions of yen)	6,377	(285,589)
Average number of shares of common stock during the period (Thousands of shares)	3,912,954	3,912,205
(2) Diluted earnings per share	¥1.63	—
(Basis for calculation)		
Adjustment in net income attributable to owners of parent (Millions of yen)	—	—
Increase in shares of common stock (Thousands of shares)	—	—
Any significant changes from the prior fiscal year-end in potential securities excluded from the computation of diluted earnings per share because they do not have dilutive effects	—	—

Note: The information on “Diluted earnings per share” for the current first quarter is not presented because a net loss per share was recorded although potential dilutive stock existed.

(Significant subsequent events)

Not applicable

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