Annual Report

Year Ended March 31, 2003

2002

Nissan: Enriching people's lives

NISSAN

Contents

On the cover: FAIRLADY Z

Vision

Nissan: Enriching people's lives

Mission

Nissan provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders* in alliance with Renault.

*Our stakeholders include customers, shareholders, employees, dealers, suppliers, as well as the communities where we work and operate.

Fiscal year 2002 saw the launch of the NISSAN 180 three-year business plan. Its result for the first year: operating profit of ¥737 billion, and an industry-leading operating margin of 10.8 percent. Automotive debt was completely eliminated. Two of the plan's main goals were achieved within NISSAN 180's first year. We're pleased to share this news of NISSAN 180's smooth progress in this Annual Report.

As it celebrates its 70th anniversary, Nissan can proudly point to an increasingly strong product development capability and much stronger brand power in its markets around the globe. It will continue to work toward achieving all the goals of NISSAN 180 while pursuing the corporate vision of "Enriching people's lives."

Join us in this Annual Report, as we share our vision for the future of Nissan.

This Annual Report contains forward-looking statements on Nissan's future plans and targets, and related operating investment, product planning and production targets. Please note that there can be no assurance that these targets and plans will actually be achieved. Achieving them will depend on many factors, including not only Nissan's activities and development, but on the dynamics of the automobile industry worldwide and the global economy.

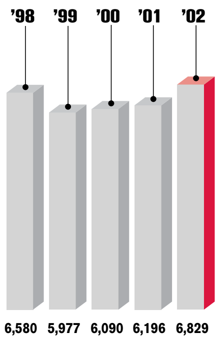
Financial Highlights

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2002, 2001, 2000, 1999 and 1998

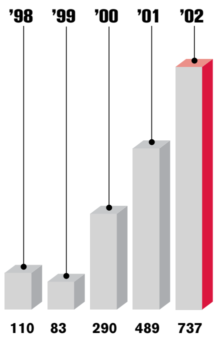
	Millions of yen (except per share amounts and number of employees)					Millions of U.S. dollars(Note 1)
For the years ended	**2002** *Mar. 31, 2003*	2001 *Mar. 31, 2002*	2000 *Mar. 31, 2001*	1999 *Mar. 31, 2000*	1998 *Mar. 31, 1999*	**2002** *Mar. 31, 2003*
Net sales	**¥6,828,588**	¥6,196,241	¥6,089,620	¥5,977,075	¥6,580,001	**$56,905**
Operating income	**737,230**	489,215	290,314	82,565	109,722	**6,144**
Net income (loss)	**495,165**	372,262	331,075	(684,363)	(27,714)	**4,126**
Net income (loss) per share(Note 2)	**117.75**	92.61	83.53	(179.98)	(11.03)	**0.98**
Cash dividends paid(Note 3)	**50,800**	27,841	0	0	17,591	**423**
Shareholders' equity(Note 4)	**¥1,808,304**	¥1,620,822	¥ 957,939	¥ 563,830	¥ 943,365	**$15,069**
Total assets(Note 4)	**7,349,183**	7,215,005	6,451,243	6,175,658	6,606,331	**61,243**
Net consolidated automotive debt	**(8,602)**	431,714	952,657	1,348,696	1,867,100	**(72)**
Number of employees	**127,625**	125,099	133,833	141,526	131,260	

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥120=$1, the approximate exchange rate on March 31, 2003.
2. Net income (loss) per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income (loss) per share are in exact yen and U.S. dollars.
Number of shares outstanding as of March 31, 2003: 4,520,715,112.
3. Cash dividends during the full year by subsidiary companies to non-Nissan minority shareholders are not included.
4. Shareholders' equity and total assets for fiscal years 1998-1999 were restated in accordance with the changes in the regulations relating to the presentation of currency translation adjustments effective fiscal year 2000.

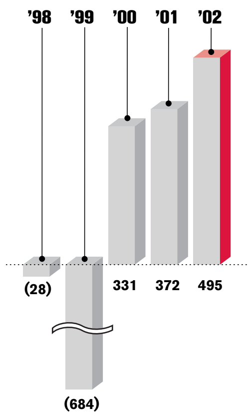
Net Sales
(Billions of yen)



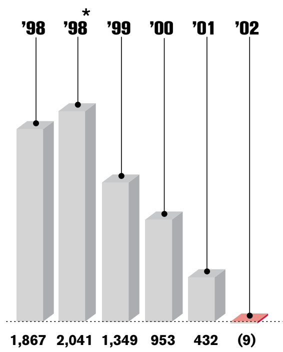
Operating Income
(Billions of yen)



Net Income (Loss)
(Billions of yen)



Net Consolidated Automotive Debt
(Billions of yen)



*restated under the new GAAP

Letter from the President and CEO

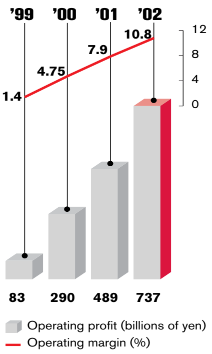
The first year of NISSAN 180 is now history.

The results are a matter of public record. Record-setting revenues, an industry-leading operating margin, the total elimination of net automotive debt at constant accounting standards—these results are significant, certainly, but their achievement is even greater when viewed in the context of Nissan's revival process.

Considering the state of affairs in 1999, before the Alliance with Renault, Nissan's financial performance over the past four years is nothing short of remarkable.

Sales revenues have grown by ¥1 trillion. Aside from recognizing the string of attractive new products that have supported that achievement, it is important to note that our sales have grown in extremely difficult market and economic conditions. In the United States, particularly, the market was artificially fueled by the combination of high cash discounts and zero percent financing. We have continued to resist that approach. Our strategy continues to be based more on optimizing profitability than maximizing volumes.

Consolidated Operating Profit/Margin



Another key indicator of performance—operating profit—reflects a nine-fold increase, and Nissan's operating margin now leads the industry at 10.8 percent. I have said on many occasions that profit gives you important information about your operations. The *lack* of profit is like a fever. When your business is not profitable, that's a serious signal that something is wrong. Either the products are not right, or marketing is inefficient, or the cost base is too high—*something* is wrong. If you ignore a fever, you can get very sick. If you ignore unprofitability, the situation can only worsen. So Nissan's return to significant profitability is a healthy signal. Our profits tell us that we are doing some things *right*.

Nissan's return to significant profitability is a healthy signal; our profits tell us that we are doing some things *right*.

Our consolidated net income of ¥495 billion also reflects a return to normalcy. After years of low or negative tax rates resulting from prior-year losses, Nissan is returning to a more standard level of tax payments.

The year 2003 will be the first year of normal tax treatment in Japan. Focusing on total profitability allows us to pay our shareholders competitive dividends, which is a reasonable expectation. It is also gratifying to realize that Nissan's share price more than doubled since the start of the Nissan Revival Plan in April 2000, even as the Nikkei stock index has slid 50 percent. Our three-year dividend policy expresses our confidence in Nissan's future performance and provides for the tripling of the dividend by the end of NISSAN 180—from ¥8 per share for fiscal year 2001 to ¥24 per share for fiscal year 2004.

Finally, another important measure of progress is debt reduction. Before the Alliance, Nissan's net automotive debt was at the level of ¥2.1 trillion. Today, at constant accounting standards, the debt is gone, and, more importantly, debt elimination will no longer be a constraint that must be taken into account as we manage our business. We are free to make investment decisions only on their merit, using return on invested capital as a guiding criterion.

Opening ceremony of the Canton plant, Mississippi, May 27, 2003

The power of people

As I review the striking progress Nissan has made over the past few years, I cannot help but be aware of one more important fact: A major factor in Nissan's revival has been our *people*.

The same people who were worried and frustrated by the state of our business throughout the 1990s have joined together with great motivation and determination to reshape Nissan's fate. Each one is to be commended for making contributions, both great and small. The teamwork and performance that put Nissan back on course includes our extended team as well—our supplier partners, our dealers and our shareholders.

With great faith in our ability to make changes and to create a bold new direction for our future, we are reviving a proud company. The power of transformation has come from within. The talents and experience of 125,000 employees around the world are the brainpower and muscle behind Nissan's revival. In the lives of the men and women who make up Nissan's diverse, global workforce, you can sense the atmosphere of change in our offices, our plants and our showrooms. Pride is growing. Mindsets and behaviors have changed. The revival is real.

What is next?

How will we follow the record-setting performance of fiscal year 2002? With more performance and the added stretch of *growth*.

With our financial position on solid ground, Nissan is now in a position to take advantage of opportunities in new markets, in new product segments and in new technologies.

Signing agreement creating Dongfeng Motor Company, September 19, 2002

Titan King Cab, the first full-size pickup made at the Canton plant

In the coming year, we will enter China with a 50-50 partnership with DongFeng, one of the country's three largest truck and car manufacturers. Our joint venture, Dongfeng Motor Company, has great potential, and we are optimistic about the opportunities we see with this large, well-established manufacturer in one of the world's fastest-growing markets.

In North America, we are breaking new ground as we enter the high-volume, high-profit full-size vehicle segments that have been the stronghold of American manufacturers. From our new plant in Canton, Mississippi, our full-size trucks and sport utility vehicles will generate incremental sales in segments where Nissan has never had a presence before. Those new products will not only support our ambitious sales objective, but, by expanding our North American product lineup, they will also draw a spotlight on the Nissan brand.

On a broader scale, Nissan continues to make steady and substantial investments in product and technology developments for the future. Innovation is the lifeblood of any company's future. At Nissan, our commitment is to provide the necessary resources to assure our long-term competitiveness.

Nissan continues to make steady and substantial investments in product and technology developments for the future.

The first year of NISSAN 180 may be over, but our revival is not yet complete.

We are tempering our enthusiasm for the future with the keen awareness that the global automotive industry is a demanding environment. We are continuing to work on costs, quality, sales and marketing efficiency, distribution efficiency, and all the fundamentals that are essential to our business. We refuse to be slowed by complacency. We intend to keep our momentum building.

Founded in 1933, Nissan celebrates its 70th anniversary in 2003

Even though we have achieved two of our three NISSAN 180 commitments in the first year—those of achieving an 8 percent operating margin and zero debt—the commitment to sell an additional one million units will require our total focus. It's true that 16 all-new models will support our sales objectives during the remainder of NISSAN 180, but the sales goal is high. Our ability to design, produce and sell attractive models will be tested to the extreme. Our responsibility will be to manage our business so that Nissan will continue to move forward, achieving *all* of NISSAN 180 while remaining the industry's most profitable global automaker.

In this, our 70th anniversary year, we are grateful for the advances we have made and the rich heritage of the Nissan name. Even as we make changes and stretch ourselves to deliver our full potential, some things will never change. We will continue to honor our commitment to being a good corporate citizen. Our obligation to protect the environment and use resources wisely. Our passion to create specific, attractive products for Nissan customers. Our promise to be transparent with all of our stakeholders. Our determination to create value and enrich people's lives.

We remain confident that Nissan's best years lie ahead. Thank you for your ongoing support of our efforts.

Opening ceremony for Yokohama Plant Guest Hall and Engine Museum, March 25, 2003

Carlos Ghosn
President and Chief Executive Officer

Nissan: Once Again Among the Pacesetters

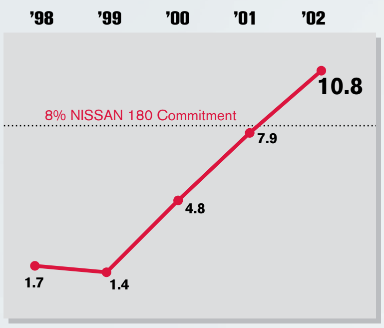
The NISSAN 180 three-year plan has entered into its critical second year—and the results are nothing less than remarkable. This plan to create sustainable, profitable growth for Nissan builds on the foundations of the highly successful Nissan Revival Plan, begun in April 2000, to literally turn the company around:

- Revenues for fiscal 1999 were ¥5.98 trillion; in fiscal year 2002, revenues have grown to **¥6.83 trillion.**
- Three years ago, operating profit was ¥83 billion. At the end of fiscal year 2002, this figure has exploded to **¥737 billion.**
- In fiscal year 1999, Nissan's operating margin was just 1.4 percent. Today the company leads the industry with an operating margin of **10.8 percent.**
- Prior to forming its Alliance with Renault in 1999, Nissan's net automotive debt was a staggering ¥2.1 trillion. Today, that debt has been completely eliminated. Entering fiscal year 2003, Nissan is **¥8.6 billion cash positive.**

Nissan's revival is a reality. Nissan is not only back in the global race—it's once again among the pacesetters.

Consolidated Operating Margin

Fiscal years 1998–2002
(Percent)



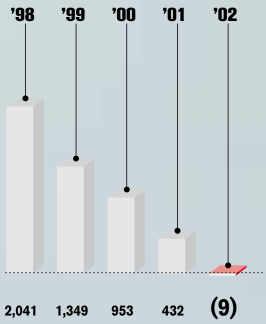
Debt is gone

The effort to eliminate debt is no longer the driving force in Nissan business management. Return on Invested Capital (ROIC)—the ratio between operating profit and automotive fixed assets, net working capital and cash—will instead take center stage. Nissan now has an ROIC level of 19.8 percent—currently second among major auto manufacturers worldwide—and Nissan intends to stay at an ROIC level of 20 percent or higher. In both operating margin and ROIC, Nissan's objective is to remain the most profitable global automaker.

Nissan had the best-performing stock of the entire global automotive industry in fiscal 2002. By the end of fiscal year 2002, the company's share price had doubled since the start of the Nissan Revival Plan in April of 2000, in a period that has seen the Nikkei stock index slide by a full 50 percent. At the Annual General Meeting in June 2003, the Nissan board of directors asked shareholders to approve a dividend of ¥14 per share for fiscal year 2002, as announced in October 2002. The annual dividend per share is planned to increase to ¥19 for fiscal year 2003 and ¥24 for fiscal year 2004.

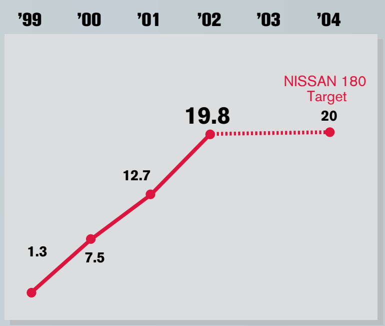
Net Consolidated Automotive Debt

Fiscal years 1998-2002
(Billions of yen)



Automotive: ROIC (Return on Invested Capital)

Fiscal years 1999–2004
(Percent)



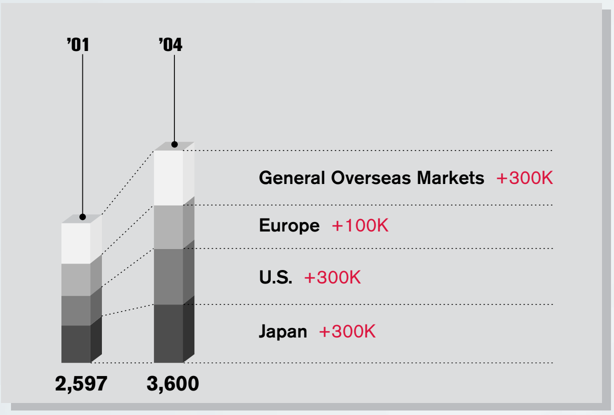
Building to One Million Additional Sales

When the Nissan Revival Plan was announced in 1999, much of the focus from outside was on what Nissan had to do to streamline its business—closing plants, reducing headcounts, shrinking and transforming suppliers and eliminating non-core assets. This was only one part of the plan's goals, however. Its true goal was to free resources so they could be invested in recovery through a global product and a global brand. It was a plan for the redeployment of the company for a future of sustainable, profitable growth.

NISSAN 180 has three commitments:

- **One million additional vehicles** sold worldwide by the end of fiscal year 2004, measured between October 2004 and September 2005 and compared to fiscal year 2001;
- **An eight percent operating margin**; and
- **Zero net automotive debt**, both at constant accounting standards,

NISSAN 180 Sales Volume
(unit: 1,000s)



In the first year of NISSAN 180, the second commitment of an 8 percent margin had already been attained, with the company now at the highest level in the industry.

Automotive debt is now a thing of the past. Now Nissan focuses on the first commitment, growth.

Expansion in 2003


The Sunny, the first model produced at Dongfeng Motor Co., Ltd.

Fiscal year 2003 will mark the start of a dynamic period for Nissan. Operations have begun at Dongfeng Motor Company, the joint venture established with DongFeng Motor Corporation in China. Nissan plans to launch six models by 2006 through Dongfeng, all of which will be manufactured locally. The first model is the Sunny. By the year 2006, Nissan targets sales of 550,000 vehicles in China. Nissan's expansion in the rapidly developing Chinese market is a long-term project with great potential; the market represents a significant growth and profit opportunity for Nissan.

New Models for Fiscal Year 2003

Europe	Japan	Mexico & GOM*	U.S.
Micra	New Presage	Infiniti FX35/45	New Quest
Z Coupe	Cube derivative	Pathfinder Armada	Z Roadster
Car-derived Van	New President	Murano	Pathfinder Armada
	Z Roadster	Z Roadster	Titan King Cab
	Mini-LCV	Titan King Cab	Titan Crew Cab
	Mini-Truck	Titan Crew Cab	Infiniti Full-size SUV
		New Quest	
		Teana	

* General Overseas Markets

In the United States, the brand-new plant in Canton, Mississippi, is now in production, with the all-new Quest minivan going on sale in July. Fiscal year 2003 will very much be the Year of the United States. Five of the six new models Nissan will launch in the US market will be built in Canton. Each new model will be launched in high-volume, high-profit segments. Because Nissan has not participated in the full-size vehicle segment—where the Titan King Cab, Titan Crew Cab, Pathfinder Armada and Infiniti full-size SUV will compete—incremental sales and profits are expected to make a significant contribution to performance in fiscal year 2003.

A Path to Enrich People's Lives

In 2003, Nissan's 70th anniversary year, the company's vision has never been clearer. Like the Nissan Revival Plan, NISSAN 180 is designed to build for the future. The company has removed the burden of debt and is now focusing on providing a top level of return on invested capital. A lean cost base and the ability to offer attractive products are essential for the company's competitiveness. Nissan will continue to fine-tune the same tools, the same management practices and the same level of commitment that have contributed to its revival. The company has significantly increased its capital expenditures, investing in assets that will generate tomorrow's sales and profits.

NISSAN 180 is setting a course for sustainable, profitable growth—a path that will enrich people's lives.

China: Key Future Market

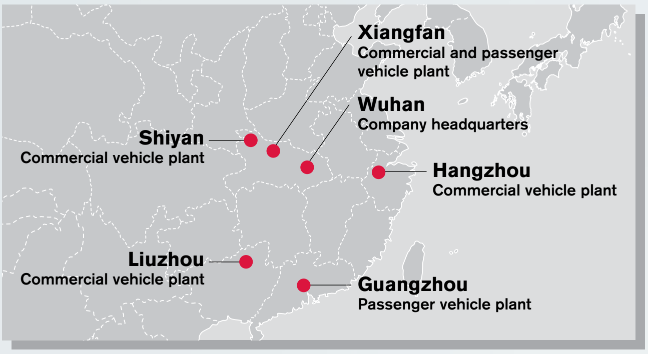
China is a huge market, and one that is developing rapidly. With the country's entry into the WTO, tariffs are being eliminated, and vehicle sales grew by more than 38 percent in 2002. If just 10 percent of its population purchases an automobile, this represents a market roughly the same size as the total population of Japan—clearly a market demanding a strong presence. China is expected to be a major part of Nissan's strategy in the period beyond NISSAN 180. Even today, Nissan sales are taking off in China, with fiscal year 2002 sales more than double that of fiscal year 2001.

On June 9, 2003, Nissan and DongFeng Motor Corporation announced the joint establishment of Dongfeng Motor Co., Ltd., the result of a strategic partnership between the two companies that dates to September of 2002. The company, with the total equity of 16.7 Renminbi (¥240 billion, US$2 billion) held equally by the two partners, began operations on July 1, 2003. Headquartered in Wuhan, Hubei Province, Dongfeng Motor Co., Ltd. will employ 74,000, including employees of affiliated companies.

Press conference announcing the establishment of Dongfeng Motor Co., Ltd., June 9, 2003

Dongfeng Motor Co., Ltd. will be the first Sino-foreign, full-line automobile joint venture in China, producing passenger vehicles, trucks, buses and light commercial vehicles. Its passenger vehicles will bear the Nissan brand, while most of its commercial vehicles will carry the Dongfeng brand. Sales by 2006 are targeted at 550,000 units—220,000 passenger vehicles and 330,000 commercial vehicles.

Current plans call for six additional new passenger car models to be produced by Dongfeng Motor Co., Ltd. by 2006, starting with the Sunny—known locally as the Yang Guang. The Sunny is being produced at the Huadu plant, Guangzhou, and went on sale nationwide in China in June 2003, entering a rapidly growing compact car market in China. Teana, the luxury sedan successfully launched in Japan in February of 2003, will also be produced by the new company in 2004.



Dongfeng Facilities in China

Nissan knows that success comes from the quality of management as well as of the product—and that the company must act more globally. Addressing this is Nissan Management Way, intended to provide innovative thinking and faster decision-making abilities for the company.

Focus on the Quality of Management

To be among the world's best, not only the quality of the product but the quality of management is critical to compete.

During the Nissan Revival Plan, the foundations were created for the Nissan Management Way, a program to increase the quality of management and to increase decision-making speed. The program's two cornerstones are cross-functional teams (CFTs) and the Value-Up program.

Cross-Functional Teams

In 1999, nine CFTs, international teams bringing together people from different business areas within the company, were established. Each CFT was under the leadership of two Executive Committee members, each headed by a "pilot," and each given a topic to handle. There was one goal—to make proposals to develop Nissan's business and reduce costs—and one rule: no sacred cows, no taboos, no constraints. The NRP was planned based on these proposals. Today there are 14 CFTs, and their role continues: to challenge the company to do better by addressing strategic and structural issues, and to propose breakthrough ideas to enhance the company's operations and profitability. The CFTs are expected to develop fresh, original ideas without being bound to past work practices or habits.

One CFT is specifically targeted at enhancing the quality of management—to maximize the company's target results using a minimum of management resources in the shortest possible time.

Employees at Nissan North America

Town hall meeting with President Ghosn at Nissan's Tokyo head office

President Ghosn with employees on the opening day of the Canton Plant, Mississippi, May 27, 2003

Cross-functional teams in North America also have been established to develop coordinated launch plans for the Maxima, Quest, Titan and a new full-size SUV. The launch team concept was applied very successfully for the launch of the 2002 Altima, a success attributed in part to the effective communications made possible by the CFTs' high priority on transparent communications.

Value-Up Program

The Value-Up Program is a tool for achieving the goals of NISSAN 180, using successful implementation of developments obtained during the NRP. Like the CFTs, the Value-Up Program is cross-functional across different departments and is designed to produce quantifiable, measurable results through the use of effective tools.

A total of 300 V-Pilots—the leaders who set the issues to be resolved—and 4,000 crews have been trained, and some 1,200 Value-Up projects have been launched. The program has been in full implementation since April of 2003.

Employee Feedback Critical

These efforts at increasing quality and speed during NISSAN 180 are not simply top-down directives. The structure of both the CFTs and the Value-Up teams ensures that ideas are continuously being brought from within the company to management. Nissan is also keenly interested in receiving the constructive feedback that will shape management quality. During 2002, a NISSAN 180 survey of more than 20,000 employees representing all of Nissan activities worldwide was conducted.

A Focus on Corporate Governance

Corporate governance is a key responsibility of management. At Nissan, clear management objectives and policy are released for all stakeholders, both inside and outside the company—shareholders, customers and suppliers, the local community and, of course, employees. The achievement status and results of these goals and policies are disclosed early and with transparency.

Nissan has also adopted a number of corporate reforms. The board of director membership has been reduced from nine to seven members from the June 2003 shareholders' meeting, in order to improve management efficiency.

Auditing has been strengthened by adopting outside corporate auditors as three of the four corporate auditors. Nissan established the Japan Internal Audit Office to conduct internal audits of operations on a regular basis; the Chief Internal Audit Officer conducts global audits. Three-way auditing has been adopted thorough this combination of corporate auditors, auditing firms and internal audit functions.

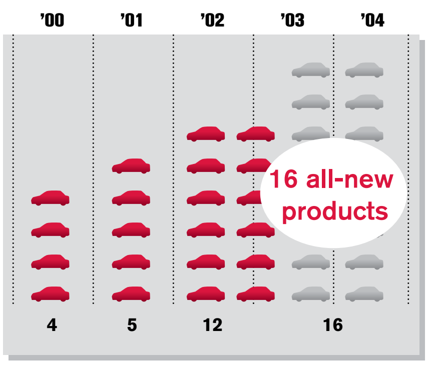
Nissan has also set out the Nissan Global Code of Conduct and established the Global Compliance Committee, both intended to strengthen compliance with laws and ethics and avoid illegal and unethical conduct within the global Nissan group.

Nissan's strong financial performance in fiscal year 2002 was supported by a wave of new products: 12 all-new models, the biggest production year in Nissan history. This exciting new lineup of products will continue to expand and fuel Nissan growth in the coming years.

Success Through New Products

Model Launch Schedule

Fiscal years 2000–2004



The future profitable growth of Nissan is based on one thing: selling automobiles. NISSAN 180 sets this out with the bold goal of selling an additional one million new cars from the beginning of the program to September 2005: 100,000 additional cars in Europe and 300,000 additional cars each in Japan, the US and Nissan's other global markets. It means the creation of compelling and profitable new vehicles that can continue the growth of Nissan's market share around the world.

Fiscal year 2002 was the biggest product year in Nissan history, as the company launched 12 all-new models globally, covering everything from minicars to luxury sedans. By the completion of NISSAN 180, this will have risen to at least 28 all-new vehicles launched to markets throughout the world.

However, this is not simply about increasing the number of Nissan cars available. "There are a lot of new products coming," said Nissan

FAIRLADY Z

Fiscal Year 2002 Models and Markets

Japan:	ELGRAND, SKYLINE COUPE, FAIRLADY Z, CUBE, TEANA, MOCO
US:	INFINITI G35 SEDAN/G35 COUPE, 350Z, INFINITI FX45, MAXIMA, MURANO
Europe:	MICRA, PRIMASTAR, INTERSTAR
China:	PALADIN
General Overseas Markets:	X-TRAIL, PLATINA

CUBE

President Carlos Ghosn, "but there are two types of product we will not build: those that are unprofitable, and those that fail to quicken your pulse with pure styling and performance. We are developing products to enter new markets and new market segments. We want a wide base of products that will help us face the future with stability and reinforce profit improvement. We have many very strong products to come—important products whose full effect may not be felt until 2003 or 2004. Those critics who say our recovery is strictly a result of cost cutting and asset sales are missing the point, and they are in for a surprise."

Japan

Nissan's strong growth in the Japanese market during the year was fueled by the release of a comprehensive lineup of new models: the Moco, Elgrand, Fairlady Z, Cube, Skyline Coupe and the Teana sedan.

The Moco marked Nissan's entry into the important minicar market in Japan (vehicles with engine displacements of less than 660cc)—small, but with an unexpected level of roominess. The Elgrand is Nissan's high-end luxury minivan, striking on the exterior and able to carry eight passengers in its roomy interior. The Fairlady Z (350Z in North America) is the latest incarnation of the classic Z—and a highly anticipated car. The Cube is designed to be the driver's personal toolbox: compact, roomy, comfortable and finished with a choice of 24 color coordination schemes. The Skyline Coupe (Infiniti G35 Sport Coupe in North America) is a premium sports coupe, with a low, wide body and long wheelbase matched with a powerful NEO VQ35DE engine for exhilarating driving performance. The all-new Teana luxury sedan provides an elegant interior—with the feel of fine modern furniture—and powerful, comfortable driving performance.

TEANA

QUEST

INFINITI FX45

MICRA

North America

The Infiniti G35 Sedan and Coupe, Murano, 350Z, Infiniti FX45 and new Maxima were launched in the North American market. The Murano is a crossover SUV developed for the North American market and conceived as a striking alternative to other crossover SUVs now entering the market. It uses the same FF-L platform as the award-winning Altima to provide the strength of an SUV below, and the style of a sport sedan above. The Infiniti FX45 is also a crossover SUV, providing V8 power with the style and luxury of the Infiniti name. The Maxima is Nissan's flagship sedan in the North American market—the best-selling import-brand V6 for the past 17 years (based on R.L. Polk total registrations). The Altima was redesigned for 2002 with a new, distinctive exterior design, sophisticated drivetrain, performance-oriented suspension and increases in all major dimensions, keeping with Nissan's design concept for consistency and design grouping by class combined with individual styling to heighten the personality of the individual model.

Europe

The Micra leads Nissan's efforts in building the European market. While the Micra is the sister model of the March in Japan, it features an interior design created in Europe and is produced by Nissan in the UK. The B platform used in the Micra is shared with Renault—one of the first physical realizations of the Alliance.

Diesel engines are a key to success in the European market. Nissan provides an extensive range of diesel engines in the Micra, Almera, Almera Tino and Primera. Some engines are shared models with Renault.

Two light commercial vehicles, the Interstar and Primastar, joined the Nissan lineup during fiscal year 2002. The Primastar is produced by Nissan in its Barcelona, Spain factory, and both models are part of the Renault/Nissan

INFINITI G35 COUPE

PLATINA

TITAN CREW CAB

PRESAGE

cross-badging strategy. The Interstar and Primastar provide operation efficiency, with sleek, professional designs that also help to protect them through the tough life of a commercial vehicle.

Mexico

The Platina and 350Z were the new models released in 2002. The Platina is also an example of the Alliance with Renault, based on the Renault Clio, and was very well received in the Mexican subcompact segment.

New Models Continue for 2003

In fiscal 2003, Nissan will launch 10 all-new vehicles, providing 23 regional product launches. Six will be in Japan, six in the US (most of these to be produced at the new Canton, Mississippi plant), three in Europe, and eight in Nissan's other global markets.

In Japan, this began with the release of the Presage. The Presage is a versatile, high-quality minivan, providing roomy practicality and versatile seating arrangements with a more comfortable package. An agreement with Mitsubishi Motors will enhance Nissan's position in the mini-vehicle market, which it entered during 2002 with the Moco, by providing 20,000 mini commercial vehicles for the Japanese market.

In the US, the Canton plant will be the production base for the Quest, a revolutionary new minivan; the full-size Pathfinder Armada SUV; the Titan full-size truck; and the full-size Infiniti SUV.

In Europe, Nissan's new product offering will see the introduction of the 350Z. The Kubistar, a cross-badged model derived from the Renault Kangoo, will also join Nissan's light commercial vehicle lineup during fiscal year 2003.

Z ROADSTER

Design is key to today's expansion of the Nissan brand. It defines the first and lasting impression customers have about the Nissan product and plays an important role in expressing the Nissan brand identity. The aim is to create design that reverberates in the heart, appeals to the mind's eye and delivers concept and message.

Building the Brand with World-Leading Design

Design is the interface between customers and the brand. Nissan believes that it has the speed and power to communicate across borders through form and shape.

Nissan designers realize that a car is much more than metal, rubber and fabrics. It's more than mere transportation. The automobile represents freedom, self-expression—even desire. Understanding this fundamental concept allows designers

Design Acknowledged in Awards

Nissan garnered an amazing number of design awards during 2002:

Fairlady Z/350Z:
- The Japan Industrial Design Promotion Organization's Good Design Award, Product Design Division
- Golden Clay Trophy at the Japan Car Design Award 2002–2003
- Car of the Year Award Special Jury Prize "Fun to Drive" Award
- Canada Car of the Year
- Canada Best Design of the Year

G35 Sport Sedan/Coupe:
- Motor Trend Car of the Year

March:
- The Japan Industrial Design Promotion Organization's Good Design Award, Product Design Division
- Japan Fashion Color Association Auto Color Awards 2003 Grand Prize, Color Division

Cube:
- Japan Fashion Color Association Auto Color Awards 2003, Interior Coordination Design Award

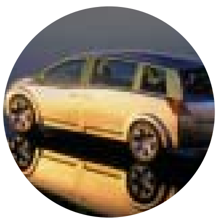
Stagea:
- The Japan Industrial Design Promotion Organization's Good Design Award, Product Design Division

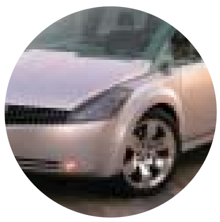
Elgrand:
- The Japan Industrial Design Promotion Organization's Good Design Award, Product Design Division

Murano:
- Canada Truck of the Year

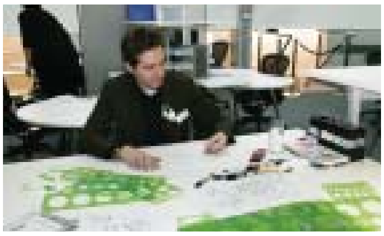
Nissan Gallery (Ginza and Head Office):
- Japan Society of Commercial Space Designers Design Award 2002

Quest Concept, unveiled at the 2002 North American International Auto Show, Detroit





The new Nissan Design Europe, London



to blend passion and practicality, creating cars that meet customers' unanswered needs. In doing so, they work closely with product planners and engineers to foster innovative concepts and designs with impact. They can dare to be bold in their designs, but it is a boldness tempered by thoughtfulness.

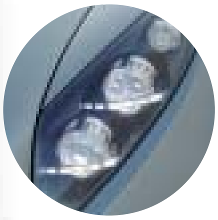
The commitment is straightforward: Nissan design will be a creative force that stirs curiosity, nurtures innovation and challenges the conventional to create attractive, distinctive products.

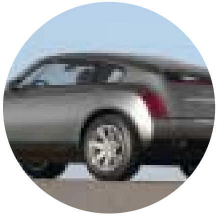
Design Central: the New Nissan Design Europe

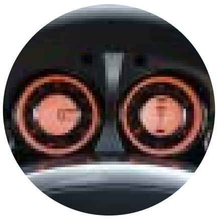
A significant step in reinforcing Nissan's European design strength came with the opening of its new design center in London. Nissan Design Europe, housed in the striking Rotunda building, a former railway depot in Paddington, unifies all of Nissan's European design resources into one location. Nissan is steadily building its strength in the European market, targeting sales of more than 500,000 units in 2003. Significantly, an increasing number of these automobiles are not only produced, but are designed in Europe.

Nissan Design Europe employs some 50 international designers, modelers and support staff. Their task will be to develop future designs for Europe, as well as for other markets in conjunction with Nissan's five other design studios—three in Japan, two in the US.

Infiniti Triant concept car, 2003 North American International Auto Show, Detroit







Throughout the exciting changes and challenges that have come as Nissan has streamlined, refocused and rededicated itself to creating long-term, profitable growth, the company has never lost sight of the need to invest in the new technologies that underlie future success.

Investment for the Future

The Nissan Revival Plan was often misinterpreted as only as a cost-cutting and restructuring plan; in fact, it was very much about redeploying assets for future growth.

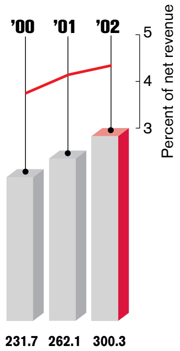
Nowhere is that clearer than in the investment in R&D. From an R&D investment of ¥231.7 billion in fiscal year 2000, Nissan has continued to increase its expenditures to ¥300 billion in fiscal year 2002. These exceeded Nissan's growth in revenue over the same period, as these figures as a percentage of total revenue grew from 3.8 percent to 4.4 percent. Capital expenditures grew even more dramatically, from ¥205 billion to ¥378 billion.

Part of this investment was in facilities: Nissan opened the new Nissan Design Europe center in London, the sixth Nissan design studio worldwide, while $40 million has been applied to an expansion of the Nissan Technical Center North America, located near Detroit. In Japan, Nissan acquired the Atsugi campus of Aoyama Gakuin University, where it is constructing and will soon open the Nissan Advanced Technology Center.

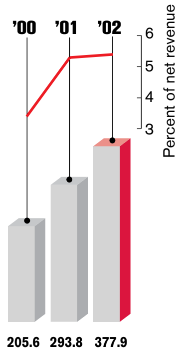
The investments are not entirely in infrastructure, however; Nissan has been steadily increasing its team of engineering experts, the people whose skills and passion have fueled the company's growth.

Nissan's increased investment in technology

Research & Development
(Billions of yen)



Capital Expenditure
(Billions of yen)

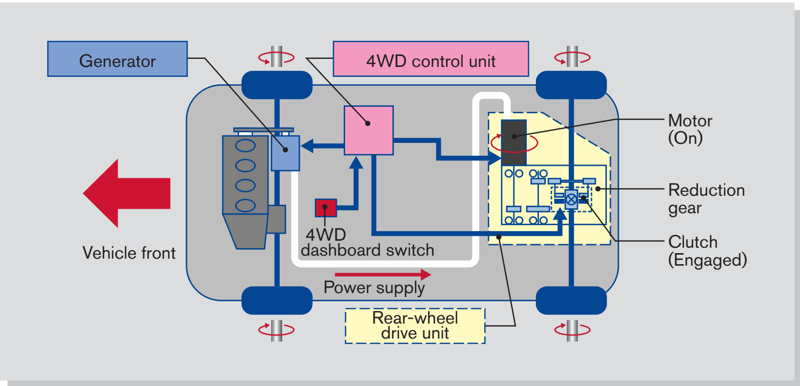



Nissan Technical Center Japan


Nissan Technical Center North America


Nissan Technical Center Europe

e•4WD system




MARCH

User-Friendly, Pragmatic Technology

Nissan technology must be real-world, useful, pragmatic and easy to use. A good example, the e•4WD system, emerged from Nissan's hybrid car research, and is currently applied in the March and Cube. e•4WD is a compact, lightweight four-wheel-drive system that provides the traction and stability of 4WD only when needed. Sensors perceive the amount of slip in the front wheels and apply electricity to an electric motor driving the rear wheels. This provides the fuel savings of on-demand-only 4WD and eliminates the propeller shaft and transfer case normally needed to supply power to the rear wheels.

Nissan leads the industry in the application of technologies to the full range of its vehicles. The Intelligent Key also shows the company's focus on practical technologies. The vehicle senses when the Intelligent Key is brought close to the car; doors and tailgate can simply be opened by pressing a button on the door handle, and a turn of the ignition starts the motor—no key has to be removed from bag or pocket. Another "smart key" is the secret behind the Engine Immobilizer system. A chip inside the key sends a signal to the engine; without it, the engine can't be started. The Immobilizer will be standard on all large-size, sport and SUV vehicles by the end of fiscal year 2004.

And a simple addition to driving—especially in countries such as Japan where there are many tunnels—is Nissan Autolight, which automatically turns the headlamps on and off as the surroundings become dark.

Enhancing Driving Pleasure

Enriching people's lives: nowhere is Nissan's new motto felt more directly than in creating a more enjoyable driving and riding experience in Nissan automobiles.

It starts from the base up, in the platforms on which award-winning Nissan cars are built. The FF-L (front-engine, front-drive, large) package provides for an attractive design with spacious cabin and body size, enabling excellent handling while minimizing the space needed for engine and transmission. The FR-L (front-engine, rear-drive, large) package achieves a


Intelligent Key

3.5-liter VQ engine


dCi diesel engine


Titan's newly designed body-on-frame platform

TITAN CREW CAB

compact body and large cabin, for sporty driving and a comfortable ride.

The FF-L platform is the foundation for the incredibly successful Altima, the 2002 North American Car of the Year—the first ever for a Japanese car. The new Murano SUV—winner of the Canadian Best Truck of the Year Award—shares the same platform, as do the strong-selling Maxima and new Teana luxury sedan.

The new 350Z perfectly showcases the FR-L platform, and the awards prove it: Japan Car of the Year Most Fun Prize winner; Best of the Year on "MotorWeek," PBS television, US; Best New Sports Car, Kiplinger's Personal Finance magazine; Canadian Car of the Year; and many more. The Infiniti G35, Motor Trend's Car of the Year, and the all-new Skyline also boast outstanding driving enjoyment, thanks to the FM Package.

Nissan's platform technology will be highlighted again in the coming year as the full-size Nissan Titan pickup truck, which applies the newly designed body-on-frame platform with fully boxed frame side rails for superior durability, moves into production in the US.

Nissan received confirmation of its powertrain prowess in 2002 as the 3.5-liter VQ engine was named as one of "Ward's Ten Best Engines," published by Ward's Communications, Inc., for the ninth year in a row. No other engine has made the list every year it has been published.

As sales of diesel-engine powered vehicles continues to expand across Europe, Nissan has benefited greatly from the Alliance with Renault and its family of dCi diesel engines. These powerful, smooth-running engines are being applied to the Micra, Almera, Almera Tino and Primera in Europe.

Safety, the Environment and Advanced Technologies

Making driving more fun is just part of the technology story at Nissan. New safety technologies, such as the six-unit SRS Airbag System, are making Nissan vehicles safer than ever for driver and passengers alike. The company is also focusing on the development of the new technologies for the future, such as fuel cells, that will reduce the impact of the automobile on the environment.

The Nissan Virtual Engine allows engineers to perform complete computer simulations of combustion, from fuel injection to flame propagation, without having to use a traditional optical engine test unit. Nissan is also working on new metallic materials research that promises to reduce weight while increasing strength: laser welding, injection molding, high-speed deformation strength analysis, and the reduction of friction within and the size of engines and transmissions through material surface modification and ultra-precision micro surface machining.

In Nissan's CARWINGS system, Japan's first total Telematics service, a variety of information is now available in the automobile—at an affordable price. This points to the emerging Telematics/IT and Intelligent Transport System (ITS) technologies that make driving more efficient and more enjoyable.

Creating Comfortable, Convenient Driving

CARWINGS

Telematics/IT

Nissan took a bold step into the new world of Telematics with the introduction of CARWINGS, Japan's first total telematics service. CARWINGS integrates human-assisted and automatic services, mobile phone and personal computer technologies to bring a variety of information to the vehicle occupants. Through an LCD screen and assisted by verbal interface, the driver can access real-time traffic conditions, news, restaurant, weather and other information; make hands-free telephone calls; inform others of the automobile's current location; and ask help-desk operators for navigation, search and emergency support. The driver can also input vehicle destination and midpoints via mobile phone or PC.

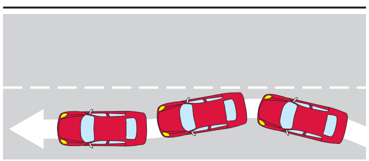
CARWINGS is currently available as a reasonably priced unit on the March and Cube; an advanced DVD navigation system with CARWINGS functions is also available on the Elgrand, Primera, Fairlady Z, Teana, X-Trail and Presage. The number of CARWINGS-capable vehicles will continue to grow in the future.

Intelligent Transport System (ITS)

ITS technologies now being realized at Nissan promise driving that is more efficient, environmentally friendly, comfortable and enjoyable.

The Lane-Keep Support System helps to reduce driver workload, helping to keep the car in its own lane. Images taken by a CCD camera are processed to detect the white lane markers. The system then assists the driver in keeping the vehicle within the lane, even when affected by side winds or a slanting road surface. Driver operation of the steering wheel or the turn signals temporarily deactivates the system.

Adaptive Cruise Control (ACC) also helps to make driving more comfortable and convenient. The system uses a radar sensor to brake ahead of the driver's reaction when necessary, hold speed at a pre-set maximum and control the distance behind the vehicle in front.



Lane-Keep Support System

The Lane-Keep Support System helps to keep the car within its lane, even when the car is affected by road inclination or crosswinds. This reduces driver strain and improves driving comfort.

Nissan is committed to protecting and sustaining the environment; part of this commitment is the Nissan Green Program 2005 environmental action plan. Nissan has already achieved its goal of more than 80 percent of all its passenger vehicles being U-LEV—ahead of schedule, ahead of the industry—while pressing ahead on tomorrow's technologies.

Environmental Action Plan

Nissan believes that a sound environmental policy is at the core of a sound business practice. To address this conviction, in January 2002 Nissan announced the Nissan Green Program 2005 for the Japanese market, a mid-term environmental action plan which outlines a series of concrete targets to be achieved by fiscal year 2005:

In products and technology:

- To achieve 2010 fuel efficiency standards for gasoline-powered vehicles by 2005;
- To accelerate the introduction of ultra-low emission vehicles (U-LEVs) and to achieve 80-percent U-LEV sales for all Nissan passenger cars by the end of March 2003—accomplished ahead of schedule;
- The development of clean energy vehicles, with development for the practical implementation of FCVs completed in 2005;
- To achieve 95-percent recyclability or greater for all new vehicles by 2005.

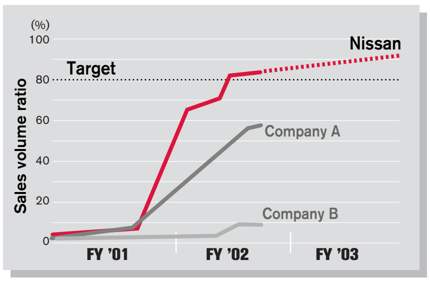
In corporate activities:

- Manufacturing: to eliminate direct landfill disposal of waste by the end of fiscal year 2001 (accomplished), and to reduce incinerated waste volumes to 50 percent of 1999 levels by fiscal year 2005.
- Sales and service: to certify all Japan Nissan dealers to the Nissan Green Shop certification, based on ISO 14001 by the end of fiscal year 2001 (accomplished), and to develop and deploy new technologies and processes for the treatment of end-of-life vehicles.
- Recycling: to enhance recycling activities at all levels throughout the company.

80-Percent U-LEV: Ahead of Schedule

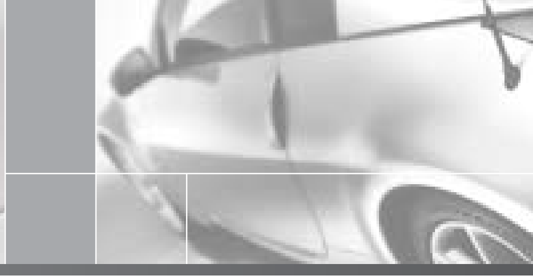
In February, 2003, Nissan announced that it had reached its goal of

Nissan: leading the industry in U-LEV introduction



U-LEV certification mark

Leading the industry: from a Nissan U-LEV television commercial in Japan



80 percent of all its domestic vehicles certified as U-LEV—two months earlier than planned, and far ahead of all other Japanese manufacturers. At the end of January, 2003, 80.7 percent were U-LEV vehicles. A U-LEV has exhaust emissions that are 75 percent or more below Japan's 2000 exhaust emission regulations. Nissan estimates that reaching this level has the same effect in hydrocarbon and nitrogen oxide reductions as selling 400,000 zero-emission vehicles, such as fuel cell vehicles (FCVs). A "real world" application of Nissan technology that is affordable, widely available and that has a real impact in improving air quality.

Fuel Cells: Tomorrow's Technology

U-LEV vehicles are today's "real" technology providing measurable improvements for the environment. For the future, Nissan continues to take an active role in the development of fuel cell technology. Fuel cells offer outstanding efficiency and zero emissions and are a promising mainstream power source for the future—although issues such as creating the necessary fuel supply infrastructure will take some time. As a participant in the Japan Hydrogen & Fuel Cell Demonstration Project (JHFC Project) being conducted by the Ministry of Economy, Trade and Industry, Nissan is working to resolve these issues, preparing for the growing popularity of fuel cell vehicles (FCVs) in the future.

Nissan began initial FCV research activities in 1996; today, with approval by Japan's Minister of Land, Infrastructure and Transport, it has begun public road tests of its X-Trail FCV. This testing is in preparation for limited marketing in 2003—two years ahead of the original schedule. The X-Trail FCV is a high-efficiency, hybrid fuel cell vehicle with a compact, high-performance lithium-ion battery pack that has been commercialized on Nissan's electric vehicle and other alternative fuel vehicles. The power plant is a fuel cell developed by UTC Fuel Cells (UTCFC); Nissan has also joined with UTCFC for an agreement to jointly develop proton exchange membrane (PEM) fuel cell technology.

Nissan is also part of the California Fuel Cell Partnership and has conducted public road tests of the Xterra FCV since April of 2001.

X-TRAIL Fuel Cell Vehicle

Hybrid Tie-Up with Toyota

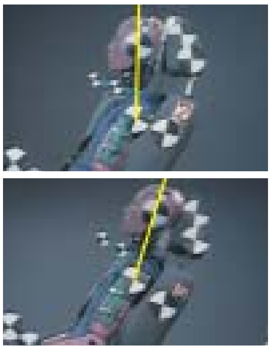
In September 2002, Nissan announced a tie-up with hybrid technology leader Toyota for a long-term hybrid partnership, including technical cooperation. Aiming at a business relationship of at least 10 years, the agreement adds to Nissan's hybrid technologies, such as its high-performance lithium-ion battery pack, with Toyota's state-of-the-art hybrid components, while both companies will exchange information and work toward the joint development of hybrid system components.

Nissan Executive Vice President Nobuo Okubo with Toyota Vice President Akihiko Saito

Nissan takes a real-world approach to safety, using actual crash data as its first step in new development. The quest is to develop safer vehicles through the analysis of this accident data, with the goal of reducing by half the number of fatal and severe injuries.

The Quest for Real World Safety

Active Head Restraint System



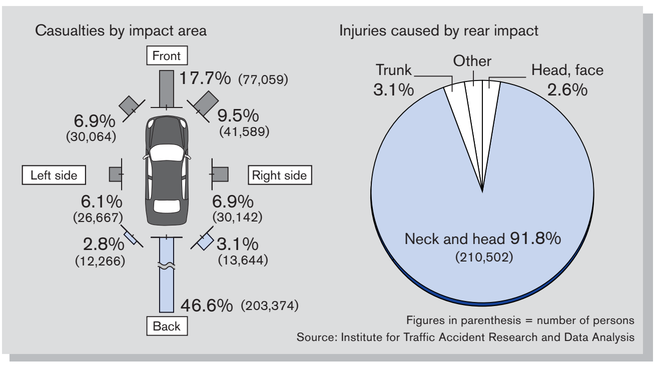
The Active Head Restraint System is effective in restraining head and neck motion in rear-end collisions

Nissan's policy toward safety is a quest for Real World Safety. Nissan has long worked to create safer vehicles; the company has been analyzing actual accident data involving Nissan vehicles in Japan. This data is the base for Nissan's development of safety technologies, with the goal to cut the number of fatal and severe injuries in Nissan vehicles to half the level of 1995.

Ongoing Nissan research has resulted in the adoption of the Active Head Restraint System, effective in rear-end collisions, and the SRS Curtain Airbag System, designed to protect vehicle occupants in side collisions. About 50 percent of all accidents involve rear-end collisions; neck injuries account for more than 90 percent of all injuries incurred in rear-end collisions. In a rear-end collision, Nissan's active head restraint system moves the headrest forward, reducing rearward rotation and motion of the head and neck. The result is an approximate 45 percent reduction of neck motion, and an estimated 60 percent reduction of rotation of the head to the rear—and greatly reduced neck loading. The Active Head Restraint System will be standard equipment on all Nissan passenger cars and RVs by fiscal year 2004.

SRS Curtain Airbag System

Fatalities and injuries involving automobiles, 2000



> **Nissan Hello Safety Campaign**
> Three times annually, Nissan and Nissan dealerships in Japan hold this campaign to encourage the proper use of child seats by kindergarten children and their parents and to increase safety awareness. Activities include the distribution of safety posters and banners, and coloring books and games with traffic safety themes.
>
> 
>
> Child seat information from the Nissan Hello Safety website in Japan

In side collisions, some 75 percent of all injuries are to the head, face and neck. In a side collision, the SRS Curtain Airbag System immediately expands from the roof side, protecting passengers in both the front and rear seats. It protects the head and face from impact with the side glass and pillars, reducing excessive neck motion and cervical injuries. The system will be standard on most Nissan passenger cars and RVs by fiscal year 2005.

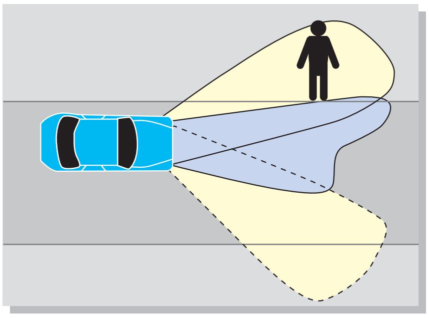
Creating Unique Technologies

Nissan has completed development of a Brake-Operated Pre-crash Seatbelt designed to help mitigate occupant injury in the event of a collision. The system will be introduced in 2003, and is effective in about 25 percent of all serious and fatal accidents. This technology is patented by Nissan and is available to competitors through a licensing process.

The brake-operated pre-crash seatbelt system is one result of Nissan Advanced Safety Vehicle (ASV) research activities. Other advanced ASV technologies include the world 's first Lane-Keeping Support system featured on the Cima, and the Adaptive Cruise Control (ACC) system currently available on medium-size and larger Nissan models.

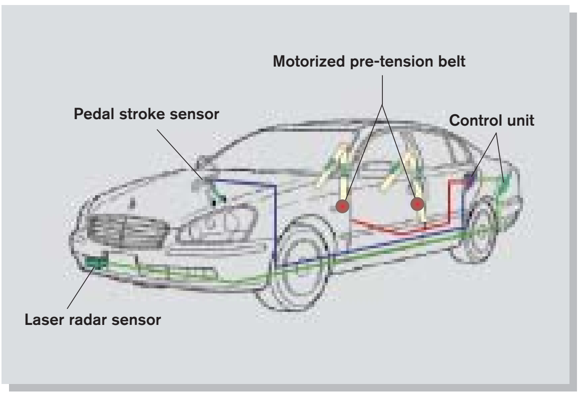
In its new Far-Infrared Imaging Sensor, Nissan succeeded in creating a system that can detect pedestrians at night at distances up to 50 meters. The headlamp illumination pattern is controlled to illuminate the pedestrian and alert the driver. Another application of infrared sensor technology is Intruder Warning. An infrared sensor embedded in an A-pillar detects the entrance of an intruder into the vehicle and issues a warning.

Far-Infrared Imaging Sensor



The system can detect pedestrians at night at distances up to 50 meters. The headlamp illumination pattern is controlled to illuminate the pedestrian and alert the driver.

Brake Operated Pre-crash Seatbelt System



Vehicle condition and occupant kinematics are predicted by the speed and amount of brake pedal operation. Driver and front seat passenger motion is reduced by the retraction of the seatbelt by a motorized seatbelt retractor.

By helping to minimize the occupants' motion during sudden braking, this helps the driver control the vehicle in an emergency situation. If the crash is unavoidable, early seatbelt restraint can help maximize the effectiveness of other occupant protection devices such as airbags.

Nissan leads in the industry in productivity—but continues to strive for higher levels of efficiency and quality in many different areas. Backing this is massive investment in production facilities in the markets where the vehicles are to be used, helping Nissan to react more quickly to ever-changing market trends.

Building on Top Productivity

Nissan sets the standards in the automobile industry for productivity. Its Sunderland plant, UK, has been ranked number one in Europe for seven consecutive years, according to the World Markets Research Centre. Nissan's Smyrna, Tennessee plant, US has ranked number one for nine straight years in the Harbour Report North America, while its Japanese plants also lead the domestic market.

The company is not about to rest on its productivity laurels, however; it is just the first of six manufacturing areas that Nissan has focused on during its revival. Plant utilization, manufacturing flexibility, common platforms, cross-manufacturing and localization are all key factors in better building at Nissan.

Plant utilization is key. Nissan's production facilities in Japan are today operating at much higher levels of capacity utilization than in 1999. Flexible manufacturing systems that make it possible to build different models on the same line have reduced lead times and cut the costs involved in shifting production to a new line. Common platforms—both within Nissan and with Alliance partner Renault—have reduced the total number of platforms, as well as development costs and time to market. Cross-manufacturing has allowed Nissan to enter Brazil and Argentina by opening a new joint factory at Renault's production facilities in Brazil; similarly, Renault was able to enter Mexico through Nissan's production facilities, while Nissan optimized capacity utilization in the country.

Nissan's Smyrna plant, Tennessee

Local manufacturing: Micra production at the Sunderland plant UK

Production begins at the Canton plant, Mississippi

Sunny, produced in China

Micra, manufactured in the UK

US-produced Pathfinder Armada

Building Locally

Nissan's massive investment in manufacturing as close to the markets where vehicles are to be used is the clearest realization of localization. This reduces currency exchange risks while increasing the speed of response to market needs. Nissan's new production facility in Canton, Mississippi, US, opened in May of 2003, while the first Paladin SUV rolled out of Zhengzhou Nissan, China, in March.

The 3.5-million-square-foot, US$1.43-billion Canton plant began with the production of the popular Quest, to be followed by production of the new Titan truck and the Pathfinder Armada SUV. Nissan's Smyrna, Tennessee plant and its Decherd, Tennessee engine plant have also been greatly expanded to increase Nissan's production capabilities within the US market.

In June 2003, Nissan and DongFeng Motor Corporation announced the foundation of Dongfeng Motor Co., Ltd., a comprehensive strategic partnership between the two companies for the China market. Dongfeng Motor Co.,, Ltd. will be the first joint Sino-foreign full-line vehicle manufacturer; the new Sunny is the first model produced by the company, rolling out as a Nissan brand in June of 2003.

Thanks to growing demand in Europe, production capacity of the Micra at the Sunderland plant, UK, was increased by 25 percent, to 200,000 vehicles annually.

Nissan Production Way

Since 1994, Nissan has continued to systemize its Nissan Production Way (NPW) concept. The company is committed to realizing Douki-Seisan—a build-to-order system schedule synchronized with the customer—which is the ultimate NPW goal.

Launch ceremony for Sunny in China, June 16, 2003

Quest production, Canton plant, Mississippi

The first purpose of NPW is to enhance customer satisfaction—to increase competitiveness in quality, delivery and cost while providing the maximum possible service. It helps to demonstrate that Nissan provides its customers with excellent cost performance, high quality, excellent product sense and a short delivery period.

NPW also aims to raise the asset turnover ratio by reducing inventory assets while improving cash flow. Inventory reduction also is a means for discovering problems within the manufacturing process.

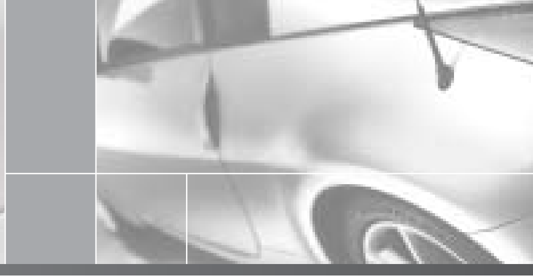
The third focus is on improving the manufacturing system by resolving those problems which are discovered. This is an ongoing process of discovery and the application of solutions which will bring NPW to a higher stage while continuing to move to closer synchronization of production to the customer's demands.

Smoothing Supply and Enhancing Quality

At the end of 2001, Nissan took another step to shorten lead times from order taking to delivery, lower inventory levels and reduce costs throughout the supply chain. The establishment of the Supply Chain Management (SCM) Division brings together the supply chain management operations that formerly were controlled by several divisions into one unified division. This will provide for more efficient control of information flow from clients, and of parts and vehicle logistics. With 12 new vehicles launched during fiscal year 2002—the highest number ever in Nissan history—realizing the higher level of efficiency provided by SCM really was a necessity.

More Modularization

One way the company is already boosting speed, efficiency and quality is through the increased application of modular manufacturing. Modularization is being incorporated as a basic function at Nissan's new Canton, US, plant, following its use in Japanese plants, and is increasingly being applied at the company's other plants worldwide. In modularization, suppliers provide not simple components but complete modular units, such as front end or cockpit modules, built separately and brought together precisely when needed for assembly. This improves production efficiency and quality while increasing the use of common parts and integration of components—which in turn reduces costs and speeds new product development.



Reducing purchasing costs—the largest single cost source—has been a key part of Nissan's growth. Costs have been cut ahead of schedules, thanks to the Nissan 3-3-3 program, Alliance purchasing synergies, and a new win-win relationship between suppliers and Nissan.

A Win-Win Relationship

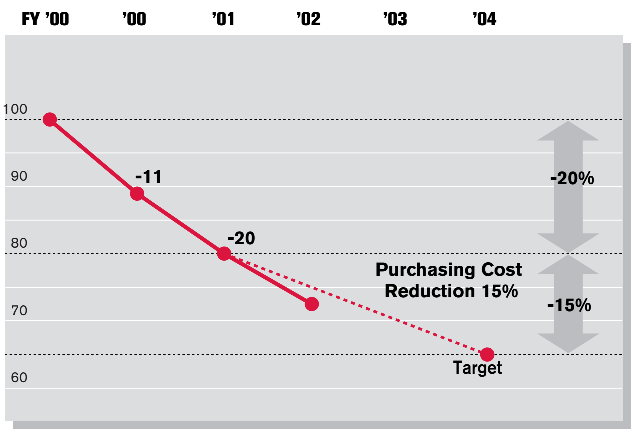
Purchasing is the greatest cost source for any automobile maker—but Nissan executives immediately saw that reducing purchasing costs was one of the keys to the company's revival and growth to long-term, profitable growth. By March 2002, a 20 percent cost reduction had already been met—one year ahead of schedule.

Today, as part of NISSAN 180, a commitment for a further 15 percent cost reduction has been made. Fiscal year 2002, the first year of NISSAN 180, has already seen purchasing cost reductions proceeding on schedule.

Nissan 3-3-3 activity meeting

Reduced Purchasing Costs

Purchasing cost reduction (percent)



Nissan 3-3-3 is a major part of the cost reduction, aiming at fully 50 percent of the total reduction. Key to this is the first "3": suppliers, purchasing and engineering, working together in close teamwork. "The great majority of our suppliers have embraced the NRP and accepted changing the way they work with us, while challenging their own performance," said Carlos Ghosn. "They gave us the performance we crucially needed. Now suppliers expect more growth for us and more volume for them—and we will provide them with both. We will have at least 28 new products during NISSAN 180, and these are opportunities for the suppliers to expand their business. It truly is a win-win situation." Nissan 3-3-3 has not only reduced costs, but it has also resulted in increased efficiency and performance, without a reduction in quality.

Major Alliance Contributions

The Renault-Nissan Purchasing Organization (RNPO), the joint purchasing company established as part of the Alliance between the two companies, has also greatly aided in the process of building the highest purchasing competitiveness in quality, cost and delivery while managing supplier relations globally. The RNPO principle of "one voice to suppliers" exceeded cost reduction commitments in fiscal year 2002 and succeeded in expanding the scope of commodities covered, particularly in powertrains. Already accounting for annual purchasing volumes of US$21 billion—accounting for 43 percent of both companies' global purchasing—it is anticipated that this figure will eventually grow to 70 percent or higher.

Building on the foundations established for increasing market share and profitability, 2002 results show strong growth for Nissan around the world. Meanwhile, the Nissan Sales and Service Way seeks to ensure a positive customer experience at a critical meeting place with Nissan—dealerships.

Moving into Extended Growth

The start of NISSAN 180 was reflected in fiscal year 2002 with growth in sales and in the opening stages of the major introduction of new models that will truly herald the arrival of a new, strong, profitable Nissan.

One symbol seen by nearly every customer is the dealership, and Nissan is investing to ensure that it possesses an effective—and attractive—distribution network for its exciting new cars. Many Japanese outlets are now being modernized, new outlets are opening where there is business demand, and others are being consolidated where there is overlap. The modernization involves not just minor cosmetic changes but a transformation of interior layouts. This will reinforce the sense of quality customers feel when they enter the showroom. Some 300 sales outlets received this brand enhancement; almost all Japanese sales outlets are scheduled to be completed by fiscal year 2005.

Nissan Sales and Service Way

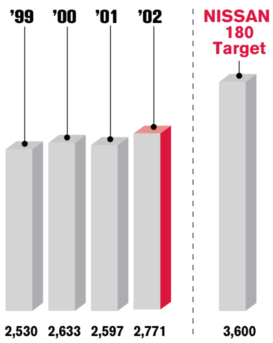
The Nissan Sales and Service Way (NSSW) is a global initiative that will help to differentiate the Nissan purchase experience from that of its competitors—much like Nissan products differentiate the company from others in the market. The customer experience at a Nissan dealership anywhere in the world is one of the most important factors in their decision to purchase a Nissan car—or not.

NSSW will first focus on building core strengths, so that all dealership staff support basic levels of service at any dealership globally. The second phase focuses on differentiation. As the Nissan brand evolves with bold new products, new customers with higher expectations will be visiting dealerships for the first time. Just as Nissan's new automobiles more clearly define and differentiate Nissan from its competitors, the entire customer experience—visually, emotionally and substantively—must also define and differentiate Nissan.

Much improved—but Nissan is working to further build its brand around the globe.

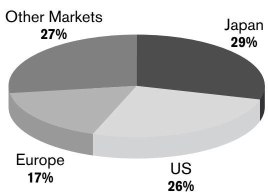
Global Sales Volume

Fiscal years 1999–2002
(Thousands of units)



Contribution of Key Regions to Net Sales

Fiscal year 2002



Japan dealership

Dealership in the US

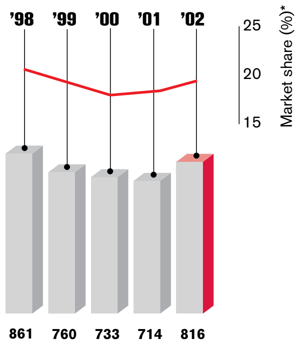
TEANA

MARCH

FAIRLADY Z

Japan

Unit Sales
(Thousands of units, including minicar sales)



* Market share does not include minicar sales

Nissan had an excellent year in its home market in fiscal year 2002. Despite the tough economic conditions in Japan, Nissan both increased sales by 14.3 percent to 816,000 units, and increased its market share (excluding minicars) to 19 percent. This was a 1.1 percent growth in market share over the previous year, the first time Nissan has increased annual market share by more than one percent in 31 years.

While the growth was led in the critically important mini and entry-level segment—represented by the March—Nissan also scored highly in Japan with the highly anticipated launch of the Fairlady Z. The new Teana luxury sedan and Skyline Coupe also contributed strongly to increased sales toward the end of the year. All of the six new models introduced during the year—the Moco, Elgrand, Fairlady Z, Cube, Skyline Coupe and Teana—met or exceeded sales targets.

With 158,000 units of the March sold in 2002, this is an all-time sales record for the model, and the highest annual sales for any one model since fiscal year 1991. The March has remained in Japan's top-10 best-selling cars throughout the year; it was joined on the list for more than eight months by the Cube.

CUBE

INFINITI FX45

MAXIMA

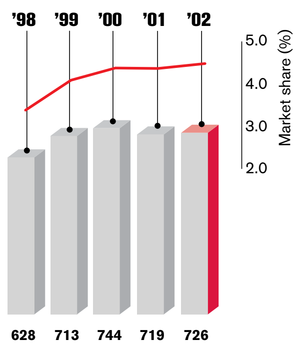
INFINITI G35 SEDAN

US

While the US market declined by 1.9 percent during 2002, Nissan sales rose by one percent to 726,000 units. The Infiniti Division had its highest sales year ever since the founding of the division in 1989, making it the fastest-growing luxury brand in the United States. The growth to 96,000 units was driven by the G35 Sedan and Coupe, named Motor Trend's Car of the Year, as well as the FX45 and M45. Infiniti also boasts the lowest incentives in the luxury segment of the industry.

Nissan Division sales were down 2.7 percent, to 631,000 units. Both the Altima and 350Z continued to sell strongly; Altima sales were up 30 percent over the previous year, to 204,000 units, while the 350 Z is the best-selling sports car in the US. Nissan's strategy continues to be profitability rather than volume, so the record levels of incentives in the entry-level sedan and truck segments—and Nissan's resistance to them—resulted in lower than expected results for the Sentra, Frontier and Xterra. The Murano and Maxima, launched in the last quarter of fiscal year 2002, are beginning to make a significant contribution to sales.

Unit Sales
(Thousands of units, retail sales basis)



MURANO

MICRA

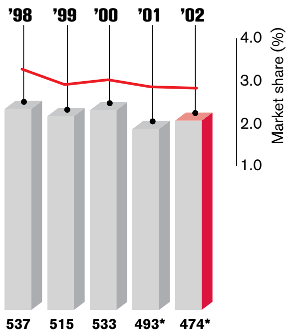
X-TRAIL

PICKUP

Europe

Sales in Europe remain a challenge; total industry volumes decreased by 2 percent during the fiscal year, with Nissan sales declining by 3.8 percent to 474,000 units. However, with the European fiscal year ending in December, the very strong sales of the new Micra were not reflected in Nissan's sales figures. For the last quarter of Nissan's fiscal year 2002, Micra sales were up 42 percent over the same period one year ago. To meet this increased demand, Micra production capacity at Nissan's Sunderland Plant in the UK is being increased by 25 percent, to 200,000 units. The Pickup and X-Trail were also strong contributors to European sales.

Unit Sales
(Thousands of units, retail sales basis)

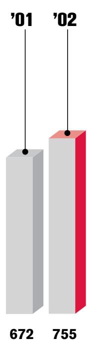


* Sales figures for Turkey and Israel are included from FY2001


SUNNY


X-TRAIL

Unit Sales
(Thousands of units, retail sales basis)



(including Canada)

Asia/Oceania

The rapidly expanding Chinese market once again was the setting for more than double the sales of the previous year. Sales in Taiwan also increased by 15.3 percent to 61,900 units, giving Nissan third place in the market. Thailand also showed major growth of 28 percent to 44,400 units, buoyed by increased sales of the Frontier Pickup. Significant growth also came from the Australian market, where Nissan sales rose by 12.8 percent. This was driven by strong sales of the X-Trail and 4WD Pickup.

GCC Countries

Nissan sales throughout the region were the highest on record since 1982. The Pathfinder and Sunny were particularly popular models throughout the region. However, sales in Saudi Arabia decreased by 13 percent, due to a sluggish automobile market resulting from tensions surrounding the Iraq conflict.

South Africa

Strong sales of the Almera and the introduction of the Pickup helped to build a 10.6 percent increase in sales to 29,900 units in South Africa.

Mexico

Nissan recorded excellent results in Mexico, with sales increasing by 11.3 percent to 211,600 units. Both the Tsuru and Sentra remain popular models in the country.


SENTRA

Latin America and the Caribbean

Despite ongoing economic and social unrest in Argentina and Venezuela, and a depressed market trend in Brazil, Nissan sales in Latin America and the Caribbean were the best since 1998. Sales growth was 22.5 percent over fiscal year 2001, boosting Nissan's market share to 2.2 percent, a rise of 0.6 percent. This was largely due to the successful launch of the Frontier Pickup, produced in Brazil—winner of three awards including Pickup of the Year—as well as buoyant sales in Central America, the Dominican Republic and Puerto Rico.

FRONTIER

Sales financing business forms an integral part of Nissan's core business and supports automotive sales strongly, while maintaining strong profitability and healthy financial conditions through strict risk management.

Providing Comprehensive Sales Financing Services

New NMAC Customer Service Center, Texas

NFS Customer Service Center, Japan

Nissan sales financing companies in Japan, the US and Canada made a significant contribution to financial results during fiscal year 2002. Revenues increased by 7.9 percent to ¥396 billion, while assets grew by 8.4 percent to ¥3,104 billion. In Japan, sales finance activities were more fully integrated into the sales strategy of the domestic sales division, creating a deeper collaboration with dealers, manufacturer and finance company. Sales financing in the US also showed steady growth. The growth of Nissan's financing business is supported by strict risk management and a conservative credit policy to help it maintain asset quality at a high level.

Operating profit was ¥60 billion, equal to a 15.2 percent operating margin in fiscal year 2002, with a global ROA before tax exceeding 1.5 percent.

Increased Japanese Penetration

Nissan Financial Service (NFS) supports domestic car sales through comprehensive financial products and services, including auto loans, car leasing, credit cards, car rental and car insurance. During fiscal year 2002, NFS increased credit penetration on new car sales to 22.4 percent, from 18.7 percent the previous year. This increase was achieved by a series of attractive financial programs jointly introduced with the domestic car sales division, and through improved services to dealers and customers. NFS drastically reduced credit decision times through advanced web technology and auto scoring systems. NFS's Customer Service Center plays an active role in communicating with and serving customers in an interactive way.

NFS also enhanced its corporate customer activities through car leasing and competitive fleet management systems. In April of 2003, NFS and Nissan's domestic sales division established a new joint organization for corporate fleet business activities.

Expanding US Operations

Nissan Motor Acceptance Corporation (NMAC) strengthened its US market presence in fiscal year 2002, with the new car penetration rate growing from 52 percent in the previous year to 54 percent. NMAC's Infiniti Division received the top luxury brand ranking in JD Power's consumer survey 2002 for initial loan satisfaction. NMAC's new customer service center facility in Irving, Texas, which will allow for more efficient customer and dealer service, was completed in April 2003. This 268,000-square-foot center is designed to accommodate the growth of NMAC expected with future vehicle sales expansion.

Dealer inventory financing is another area for NMAC, Nissan/Infiniti dealers using this service grew from 25 percent at the end of fiscal year 2001 to 35 percent in 2002.

NMAC also reinforced its cooperation with its sister company in Canada, Nissan Canada Finance Inc (NCFI) by sharing its know-how and back office functions. As a result, NCFI's assets grew by 46 percent, with penetration on new car sales reaching 49 percent at a time when Nissan sales in Canada grew rapidly.

As the world changes, shifting from the industrial to the intellectual, Nissan's goal is to be a company that transforms with the times—one that helps create social values. Investment in the Future: Nissan's goal of finding people looking to the future and to provide them with the opportunity to help build tomorrow's society.

Supporting Tomorrow's Society

Nissan Children's Storybook and Picture Book Grand Prix

Global Investment

In Japan, Nissan has held the Nissan Children's Storybook and Picture Book Grand Prix contest since 1984. The contest is intended to discover and publicize outstanding works and writers of children's literature. The winning entries are published and donated by Nissan dealers to some 3,500 libraries throughout Japan.

Nissan directly invests in society through its partnership with a number of non-profit organizations (NPOs), particularly in the areas of fostering the creativity of children and of building better understanding of environmental protection. These include storybook contests, concert support, educational programs, and more. For example, Nissan is the main sponsor of the Hans Christian Andersen Awards, an international program for the creators of children's books. Nissan has also entered the sixth year of the Nissan-NPO Learning Scholarship Program, a program to give young people an opportunity to expand their intellectual capacities through a work experience at a non-profit organization.


Nissan-NPO Learning Scholarship award ceremony, June 23, 2003

The Nissan Science Foundation, established in 1974, provides research grants for cutting-edge research in the fields of environmental and natural science.

International Efforts

Locally, Nissan group companies in North America and Europe are involved in a vast range of corporate citizenship projects, responding to the needs of each country.

In the US, the Nissan Mississippi Scholarship Fund, draws from a US$1million fund to assist state high school students with college tuition. Nissan is also a sponsor of the Hispanic Scholarship Fund, aiding Hispanic students with college tuition grants. The Nissan Foundation, established in 1992, supports educational programs that celebrate and foster an appreciation and understanding for a diverse cultural heritage as essential for enhancing human potential and building community. The foundation also works to enhance career potentials for young people in the local area in the automobile industry. Nissan is a supporter of United We Stand, has donated $1 million to the American Red Cross in Washington, D.C. and the Twin Towers Fund, and has further matched

Nissan/Hispanic Scholarship Fund

employee contributions to these funds. To date, Nissan has contributed an additional $337,000 in direct and matching contributions from Nissan employees. Nissan Neighbors is a company-wide, community-focused initiative supporting organizations that are working to improve communities across the nation.

In France, Nissan is making a donation to UNICEF for every model of the 4x4 range sold between April 1, 2003 and March 31, 2004. The funds will be used to vaccinate children against the six most common illnesses, largely in Mauritania. The donation from every vehicle will allow the vaccination of three children; with an estimated 10,000 units anticipated to be sold in France, this will allow for the vaccination of at least 30,000 children. Nissan is also donating a Patrol equipped with refrigeration units to the local UNICEF office, which will be used to preserve the vaccines during the campaign.

An accelerated school in the US, recipient of a Nissan Foundation grant

In the UK, Nissan established the Nissan Institute of Japanese Studies at Oxford University in 1981. Throughout Europe, the company and its employees are involved in a wide array of projects, from Christmas gift gathering in the UK to a variety of educational and training programs throughout the region. In May 2003, Nissan made a significant donation including four Paladin SUVs and a bus to China to support the battle against SARS.

Nissan Institute of Japanese Studies, Oxford

Focus on Employees

Nissan's efforts in helping to build a better society for tomorrow are not entirely external; Nissan has consistently worked to raise a spirit of community involvement among its employees, including financial support for volunteer activities. These have included fund-raising and blood donations after the massive Hanshin earthquake in Japan in 1995 and the September 11 terrorist attacks in the US, Afghan refugee relief activities, and more.

The Alliance with Renault has been an integral part of Nissan's return to long-term, profitable growth. The synergies resulting from this joining of forces has created countless new activities in purchasing, shared production, common platforms, stronger distribution in markets worldwide, and more.

Synergies for Growth

Nissan Motor Ibérica, S.A. Primastar assembly line

Celebrating the Frontier, the first vehicle produced at Nissan and Renault's first joint plant in Brazil

The agreement to form the Renault-Nissan Alliance was announced on March 27, 1999. This alliance is the first of its kind, involving a Japanese and French company each with its own distinct corporate culture and brand identity. Both companies share a single joint strategy of profitable growth and a community of interests. To promote this shared objective, the Renault-Nissan Alliance set up joint project structures as early as June of 1999, covering most activities at both companies.

Today global combined sales have reached five million vehicles per year, representing more than nine percent of global market share.

Thanks to the strong sales and industrial complementarities of the two companies, the Renault-Nissan Alliance has been able to grow in the global automotive market. These complementarities generate considerable potential for exchanges of best practices leading to cost savings and synergies.

At present, each company has a direct interest in the results of its partner. At the end of March 2003, Renault held a 44.3 percent stake in Nissan, while Nissan owns 15 percent of Renault shares.

Alliance Structure

On March 28, 2002, Renault Nissan BV, the alliance strategic management company, was founded. Renault Nissan BV is jointly and equally owned by Nissan and Renault and hosts the Alliance Board, which met for the first time on May 29, 2002.

The Alliance Board is responsible for medium- and long-term strategic decisions—three-, five- and 10-year plans—and reinforces the management structure of Renault-Nissan products and powertrains and sets out the principles of the two partners' financial policy. The Alliance Board has the exclusive right to propose the creation of joint companies to Nissan and Renault, as well as significant changes in market or product coverage, major investments and third-party strategic cooperation. The Board steers the Renault-Nissan Purchasing Organization (RNPO) and Renault-Nissan Information Services (RNIS).

Alliance Achievements

The first four years of cooperation between Nissan and Renault have already resulted in a considerable number of achievements, such as developing common platforms, sharing industrial facilities, cooperating in research and setting up joint structures in purchasing, information systems and sales.

RENAULT NISSAN

PRODUCTS:
Cross-badging, common platforms, joint powertrain use

2001	**September:** Sales of the Renault Kangoo 4x4, fitted with a Nissan transmission system, begin.
2002	**March:** The Nissan March, the first vehicle built on a common platform, goes on sale in Japan.
	March: Sales of the Renault Vel Satis fitted with the Nissan VQ35 V6 3.5-liter engine, begin.
	March: The Nissan Interstar, an adapted version of the Renault Master, goes on sale in Europe.
	April: Sales of the Nissan Platina produced at Nissan's Aguascalientes Plant, Mexico, begin.
	September: Sales of the Renault Mégane II, based on the common C platform, begin.
	October: Sales of the Primastar, the first cross-manufacturing project in Europe, begin.
	December: European sales of the Nissan Almera with the Renault 1.5 diesel begin.
2003	**January:** The new Nissan Micra, based on the March and built on the common B platform, is launched in Europe.
	March: European sales of the Nissan Primera with the Renault 1.9 diesel begin.
	April: Sales of the Micra with the Renault 1.5 diesel engine begin, completing the new common-rail diesel engine lineup for the European market.

SALES AND MARKETING:
Entry into new markets with partner support, reorganization of dealer network

2000	**October:** Renault begins distribution of Nissan vehicles in Morocco.
2001	**February:** The first joint Single Legal Entity (SLE) companies are established in Switzerland and the Netherlands. **May:** The first Renault showroom in Australia opens, with support from Nissan.
	July: Sales of Renault cars in Taiwan through local Nissan distributor begin.
	November: Sales of Renault cars in Indonesia through local Nissan distributor begin.
2002	**September:** Renault and Nissan's new common commercial organization in Europe, the third SLE, is established in Germany.
	December: The FASA Group, Nissan's distributor in Panama, becomes a Renault importer.
2003	**January:** Sales of Renault vehicles through local Nissan sales network in Kuwait begin.
	January: Renault begins managing the importing and distribution of Nissan vehicles in Romania.
	February: Sales of Renault vehicles through local Nissan sales network in Bahrain begin.
	May: Sales of Renault vehicles through local Nissan sales network in Qatar begin.
	May: Distribution of Nissan cars by Renault Importer (ARTES) in Tunisia begins.
	June: A common commercial organization, the fourth SLE, is established in Austria.

MANUFACTURING:
Sharing facilities, exchanging best practices

2000	**December:** Production of the Renault Scénic at Nissan's Cuernavaca Plant, Mexico, begins.
2001	**December:** Production of the Renault Clio at Nissan's Aguascalientes Plant, Mexico, begins.
	December: Renault and Nissan inaugurate a joint light commercial vehicle (LCV) plant in Curitiba, Brazil.
	December: Production of the Renault Master Van, the first model produced at the Curitiba LCV plant, begins.
2002	**March:** Production of the Nissan Platina, derived from the Renault Clio, begins at Nissan's Aguascalientes, Mexico plant.
	April: Production of the Nissan Frontier pickup, the second model produced at the Curitiba LCV plant, begins.
	October: Production of the X83 compact van, the first cross-manufacturing project in Europe (sold as the Renault Trafic, Nissan Primastar and Opel/Vauxhall Vivaro) begins at Nissan's Barcelona, Spain, plant.
2003	**March:** Production of the Nissan Xterra, the third model produced at the Curitiba LCV plant, begins.

PURCHASING, INFORMATION SYSTEMS

2001	**April:** Joint purchasing company Renault Nissan Purchasing Organization (RNPO) is established.
2002	**July:** Renault-Nissan Information Services (RNIS) established.

Motorsports are an exciting showcase for the Nissan brand—and Nissan is involved at all levels, from international rally raid to grassroots motor sports activities where the general public can enjoy the excitement of automobile racing.

Putting Technology to the Test

Nissan at the Dakar Rally

Japan GT Championship

At Nissan, motorsports are the passionate expression of the brand, providing excitement for customers and excellent exposure around the world. Racing is also an outstanding opportunity for both advancing and showcasing the company's technological capabilities.

Nissan has a long history of involvement in motorsports, including rally, Le Mans 24 Hours, Indy Racing League, touring-car racing and other categories. Nissan continues to challenge its competitors on stages around the world, particularly in catagories that take models close to the actual Nissan commercial lineup—for a stronger impact in enhancing the brand and Nissan sales.

Nissan Rally Raid Team

Nissan technology is truly challenged in the grueling Dakar Rally, a roughly three-week, 8,500-kilometer-plus race from France to Africa across uncompromising desert terrain. The Dakar Rally is an outstanding showcase of 50 years of Nissan 4x4 experience, with a worldwide audience and particular interest in Europe.

In its first year participating as a full works team at the Dakar Rally 2003, Nissan made an amazing showing. Three of the five South African-produced Nissan Pickup trucks entered, finished with remarkable fifth-, seventh- and 11th-place results. The Team is now in the second year of a four-year challenge to win the Rally, and data gained during this highly successful attempt will be used in the coming years to move even closer to the winner's circle.

Japan GT Championship

Japan's most popular touring car race series is the Japan GT Championship, and Skyline GT-Rs are there fighting for position in this exciting racing format. The race brings together highly modified version of production line vehicles with a set of tight technical regulations to ensure very tough competition before crowds averaging 50,000.

March Cup One-Make Race

Racing is largely a spectator sport, but Nissan is making the excitement of race driving a reality for many average Japanese through its March Cup One-Make Race series. Using a standard Nissan automobile—currently a version of the highly popular March—with standardized adaptations for racing, the series gives amateurs a truly professional, yet affordable, standard for racing. The series also features a school where drivers not only pick up tips on improving lap times through analysis of their onboard data-loggers, but instruction in track etiquette and maintenance techniques from professional drivers.

In recent years, Nissan has successfully streamlined and focused on its core activity of creating outstanding automobiles. It enhances its competitiveness in two other areas, forklifts and marine activities, where its engine and manufacturing skills continue to set it apart from the competition.

Applying Automotive Abilities

LX Series (AGRES in Japan)

From the initial days of the Nissan Revival Plan, Nissan has consistently moved to focus on its core activities and streamline the organization. At the same time, it has retained several key business activities outside of the automobile field—businesses that support the use of Nissan automobiles, or are in motorized areas where Nissan has built an outstanding, unique set of skills.

Nissan Forklift

The production of forklifts is a natural for Nissan, as it draws on its engine, vehicle design and engineering ability—and the company has been doing so since 1957. The company produces a wide range of durable, reliable models its production centers in Japan, the US and Spain, built to meet the specific needs of worldwide markets. Annual production is more than 27,000 units, sold in 85 countries around the world.

Nissan forklifts include 1.0- to 7.0-ton gasoline, LPG and diesel engine-driven models, and 1.0- to 3.0-ton electric three- and four-wheeled models, reach-type forklifts and towing tractors. Nissan has long had a very strong reputation in the market for high performance and outstanding quality. The company also is leading the market in its exhaust emission technologies, derived from its automobile technology.

Nissan also responded to the fast-growing Chinese market for forklifts during 2002 by establishing Nissan Forklift (Shanghai) Ltd. The 100-percent subsidiary of Nissan Motor Co., Ltd. will enhance the sales and servicing of Nissan forklifts in China.

Nissan launched the new LX Series (AGRES in Japan) of engine-powered forklifts for both the Japanese and overseas markets. The series is the result of incorporating customer needs with innovative technology, providing low exhaust gas emissions, low fuels consumption and a range of original operator support equipment.

BX Series

Nissan Marine

Nissan's engine expertise is also on display in the outboard motors produced by Nissan Marine. The company's innovative four-stroke and two-stroke engines are noted for their extreme reliability, quiet operation and fuel efficiency. Nissan Marine's TLDI 2-stroke direct-injection technology was awarded Motorboating Magazine's Editor's Choice Award.

Sun Cruise-22

Nissan Executives

BOARD OF DIRECTORS AND AUDITORS

Representative Board Members

Carlos Ghosn
President
Co-Chairman, Board of Directors

Itaru Koeda
Executive Vice President
Co-Chairman, Board of Directors

Board Members

Norio Matsumura
Nobuo Okubo
Patrick Pélata
Tadao Takahashi
Shemaya Lévy

Auditors

Keishi Imamura
Hiroshi Moriyama
Hideo Nakamura
Haruhiko Takenaka

Executive Committee Members

Carlos Ghosn
Itaru Koeda
Norio Matsumura
Nobuo Okubo
Patrick Pélata
Tadao Takahashi
Alain-Pierre Raynaud
Toshiyuki Shiga

(As of June 19, 2003)

On June 19, 2003, Yoshikazu Hanawa retired as Chairman of the Board of Directors. He was appointed Advisor and Honorary Chairman. Thierry Moulonguet retired as Chief Financial Officer and Executive Vice President on the same date.


F. Pitchal/Nissan
Carlos Ghosn


Itaru Koeda


Norio Matsumura


Nobuo Okubo


Patrick Pélata


Tadao Takahashi


Alain-Pierre Raynaud


Toshiyuki Shiga

Corporate Officers

President
Chief Executive Officer
Carlos Ghosn

Executive Vice Presidents

Itaru Koeda
Purchasing
Administration for Affiliated Companies

Norio Matsumura
Global Sales & Marketing
North American Operations
Global Aftersales Business

Nobuo Okubo
Research
Technology and Engineering Development
Cost Engineering

Patrick Pélata
Planning and Design
European Operations

Tadao Takahashi
Manufacturing
SCM (Supply Chain Management)
Industrial Machinery
Marine

Vice Chairman

Takeshi Isayama
External and Government Affairs

Senior Vice Presidents

Eiichi Abe
Eiji Imai
Hidetoshi Imazu
Shigeo Ishida
Hiroyasu Kan
Yukio Kitahora
Jean-Jacques Le Goff
Shiro Nakamura
Alain-Pierre Raynaud
Bernard Rey
Hiroto Saikawa
Sadao Sekiyama
Toshiyuki Shiga
Kazuhiko Toida
Shiro Tomii
Kuniyuki Watanabe
Shuji Yamagata

(As of July 1, 2003)

Corporate Data

(As of March 31, 2003)

Nissan Motor Co., Ltd.

17-1, Ginza 6-chome
Chuo-ku, Tokyo 104-8023
Japan
Phone: +81(0)3-3543-5523

Date of Establishment

December 26, 1933

Paid-in Capital

¥605,813 million

Common Stock

Issued and outstanding:
4,520,715,112 shares

Number of Shareholders

119,440

Major Registered Shareholders

	% of total*
Renault	44.3
The Master Trust Bank of Japan, Ltd. (Trust)	4.1
Japan Trustee Services Bank Ltd. (Trust)	3.2
The State Street Bank and Trust Company	2.9
The Dai-ichi Mutual Life Insurance Company	1.9
Nippon Life Insurance Company	1.7
Sompo Japan Insurance Inc.	1.4
The Chase Manhattan Bank N.A. London S.L. Omnibus A/C	1.4
Moxley & Co.	1.4
UFJ Trust Bank Limited (Trust A)	1.3

* Ratio of holding stock to total issued and outstanding stock.

Securities Traded

- Tokyo Stock Exchange (7201 T)
- NASDAQ: (One American Depositary Receipt represents two shares underlying stock) (NSANY)

Transfer Agent and Registrar for Common Stock

The Chuo Mitsui Trust & Banking Co., Ltd.
33-1, Shiba 3-chome
Minato-ku, Tokyo 105-8574
Japan

Depositary and Transfer Agent for American Depositary Receipts

JPMorgan Chase Bank
One Chase Manhattan Plaza,
New York, New York 10081, USA

Auditor

Shin Nihon & Co.

Major Offices and Facilities

Corporate Headquarters (Tokyo, Japan)
Nissan North America (Gardena, US)
Nissan Europe (Tráppes, France)

Nissan Technical Center (Atsugi, Japan)
Nissan Technical Center North America (Farmington Hills, US)
Nissan Technical Centre Europe (Cranfield, UK)
Nissan Design America (San Diego, US)
Nissan Design Europe (London, UK)

Major Production Sites

Japan
Oppama Plant
Tochigi Plant
Kyushu Plant
Yokohama Plant
Iwaki Plant

North America
Nissan North America (Smyrna, US)
Nissan Mexicana S.A. de C.V.

Europe
Nissan Motor Manufacturing (UK) Ltd.
Nissan Motor Ibérica S.A. (Spain)

Consolidated Five-Year Summary

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2002, 2001, 2000, 1999 and 1998

	Millions of yen (except per share amounts and number of employees)					Millions of U.S. dollars(Note 1) (except per share amounts)
For the years ended	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	2000 Mar. 31, 2001	1999 Mar. 31, 2000	1998 Mar. 31, 1999	**2002** **Mar. 31, 2003**
Net sales	**¥6,828,588**	¥6,196,241	¥6,089,620	¥5,977,075	¥6,580,001	**$56,905**
Operating income	**737,230**	489,215	290,314	82,565	109,722	**6,144**
Net income (loss)	**495,165**	372,262	331,075	(684,363)	(27,714)	**4,126**
Net income (loss) per share(Note 2)	**117.75**	92.61	83.53	(179.98)	(11.03)	**0.98**
Cash dividends paid(Note 3)	**50,800**	27,841	0	0	17,591	**423**
Shareholders' equity(Note 4)	**¥1,808,304**	¥1,620,822	¥ 957,939	¥ 563,830	¥ 943,365	**$15,069**
Total assets(Note 4)	**7,349,183**	7,215,005	6,451,243	6,175,658	6,606,331	**61,243**
Long-term debt	**1,603,246**	1,604,955	1,402,547	1,655,610	1,591,596	**13,360**
Depreciation and amortization	**371,125**	374,827	360,191	434,553	498,444	**3,093**
Number of employees	**127,625**	125,099	133,833	141,526	131,260	

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥120=$1, the approximate exchange rate on March 31, 2003.
2. Net income (loss) per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income (loss) per share are in exact yen and U.S. dollars.
Number of shares outstanding as of March 31, 2003: 4,520,715,112.
3. Cash dividends during the full year by subsidiary companies to non-Nissan minority shareholders are not included.
4. Shareholders' equity and Total assets for fiscal years 1998-1999 were restated in accordance with the changes in the regulations relating to the presentation of translation adjustments effective fiscal year 2000.

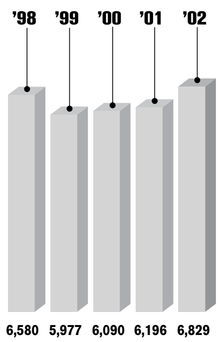
Sales and Production (units) For the years ended	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	2000 Mar. 31, 2001	1999 Mar. 31, 2000	1998 Mar. 31, 1999
Global vehicle production(Note 1)	**2,761,246**	2,474,888	2,613,948	2,402,264	2,465,796
Japan	**1,444,314**	1,272,851	1,313,527	1,336,918	1,528,461
United States	**392,458**	363,366	352,927	348,214	279,392
Mexico	**337,631**	329,091	334,061	216,140	169,339
Spain	**96,218**	109,813	153,807	105,245	96,000
United Kingdom	**303,411**	290,046	332,532	286,865	275,993
Others	**187,214**	109,721	127,094	108,882	116,611
Global unit sales (wholesale)	**2,635,686**	2,460,484	2,564,160	2,415,433	2,541,736
Japan	**792,767**	702,657	725,842	758,603	872,507
North America(Notes 2 and 3)	**1,040,684**	968,030	985,168	874,160	656,789
Europe(Note 3)	**458,222**	453,697	513,048	500,836	549,547
Others(Note 2)	**344,013**	336,100	340,102	281,834	462,893

Notes: 1. All the figures for global vehicle production are on an April to March basis.
2. Unit sales in Mexico for 2002, 2001, 2000 and 1999 are included in "North America" according to new geographical segmentation applied at April 1999. Those for years before 1999 have still been included in "Others."
3. Sales for Europe and Mexico are on a January to December basis.

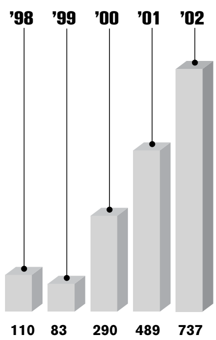
Financial Review

Momentum continues to build at Nissan; the force behind this progress is the NISSAN 180 program, enhanced by the high motivation and teamwork of Nissan employees around the globe. NISSAN 180 goals include increasing sales by one million additional units by the end of fiscal year 2004; achieving an 8% operating margin; and reducing net automotive debt to zero. In fiscal year 2002, the first year of NISSAN 180, two of these goals were already met.

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)



FISCAL YEAR 2002 BUSINESS PERFORMANCE

Overall, Nissan sold 2,771,000 vehicles worldwide, an increase of 174,000, or 6.7%, over fiscal year 2001 sales, in a very difficult environment.

Fiscal year 2002 marked the biggest product year in Nissan history, with 12 all-new models representing 21 regional product events. Sales and market share have grown in every region except Europe.

NET SALES

Consolidated revenues came to ¥6,828.6 billion, up 10.2% from last year, mainly due to higher volume and mix, including the expansion of the scope of consolidation, primarily as a result of the integration of Diamondmatic, an automatic transmission and CVT affiliate of Mitsubishi, into JATCO. On a consistent basis, the increase was 9.5%. Foreign exchange rates produced a negative impact of ¥87 billion.

OPERATING INCOME

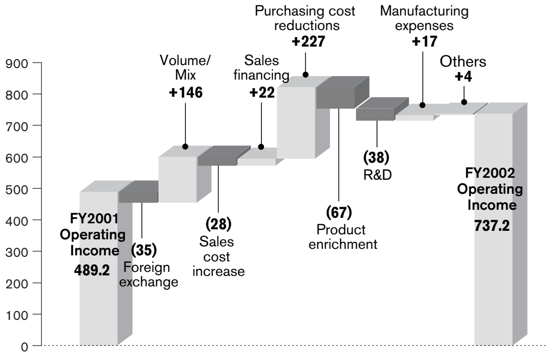
Nissan consolidated operating profit improved by 50.7% from ¥489.2 billion in fiscal year 2001 to a record ¥737.2 billion. As a percentage of net sales, the operating profit margin came to 10.8%—the top level in the global automotive industry, and by far the highest level in Nissan history.

There are several factors behind the variance between the ¥489.2 billion consolidated operating profit in fiscal year 2001 and ¥737.2 billion in fiscal year 2002:

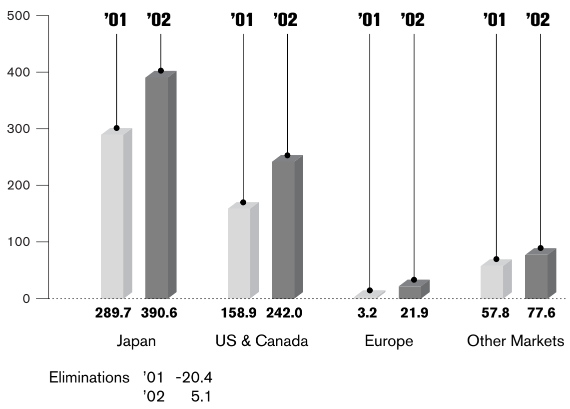
- The effect of foreign exchange rates produced a ¥35 billion negative impact on consolidated operating profits for the full year.
- The change in the scope of consolidation produced no impact on operating profits.
- Higher volumes and mix globally contributed ¥146 billion.
- Selling expenses increased by ¥28 billion.
- Sales finance companies contributed an additional ¥22 billion.

- Purchasing cost improvement was again a major contributor to the growth in profitability. The net accounting effect of this year's effort came to ¥227 billion, reinforcing the competitiveness of Nissan's supplier base.
- Product enrichment and regulation costs had a negative impact of ¥67 billion.
- As previously announced, an additional ¥38 billion was allocated to R&D related to Nissan's growing product development program and necessary additional expenses for new technologies.
- Increased efficiencies in manufacturing and logistics contributed an additional ¥17 billion.
- General and administrative expenses and others factors increased profit by ¥4 billion.

Impacts on Operating Profit
Fiscal year 2002 (Billions of yen)



Operating Income by Region
Fiscal years 2001-2002 (Billions of yen)



NET INCOME

Current taxes and deferred taxes came to ¥198.7 billion, which represents 29% of income before income taxes. The evaluation loss of Nissan Europe NV in Amsterdam at the non-consolidated loss reduced first-half consolidated taxes, which made the effective tax rate lower than the normal rate. Minority interest in companies not fully owned by Nissan represented a charge of ¥0.7 billion for fiscal year 2002.

Nissan reported a consolidated net income of ¥495.2 billion, an increase of 33.0%, or 7.3% net margin, in fiscal year 2002, compared to ¥372.3 billion in fiscal year 2001. This is the best net result in the company's history.

FINANCIAL POSITION

ASSETS

Total consolidated assets increased by 1.9% to ¥7.3 trillion in fiscal year 2002, compared to ¥7.2 trillion at the end of fiscal year 2001.

Current assets increased by 5.2% or ¥183 billion during fiscal year 2002 to ¥3.7 trillion. Sales finance receivables increased by ¥181 billion, mainly due to higher penetration by Nissan Motor Acceptance Corporation (NMAC).

Fixed assets decreased by 1.3% to ¥3.6 trillion yen from ¥3.7 trillion, caused mainly by the decrease of investment securities by the reclassification of treasury stock holding by associated companies to equity. Property, plant and equipment increased by ¥110.2 billion as the net of CAPEX ¥377.9 billion, including the investment in the new Canton, Mississippi plant, and depreciation of ¥204.2 billion.

In May, Nissan purchased an additional 1.5% of Renault, bringing the total to 15% of Renault capital. The cross-shareholding is completed and is not to be changed in the foreseeable future.

SHAREHOLDERS' EQUITY

Total shareholder equity increased from ¥1.62 trillion to ¥1.81 trillion in fiscal year 2002, thanks to improved profitability.

Consolidated shareholder equity strengthened during the fiscal year, representing 26% of total revenues and 25% of total assets.

At the shareholder meeting on June 19, 2003, the company proposed increasing its dividend to ¥14 per share in 2002, from ¥8 in 2001. Nissan's three-year dividend plan is to increase dividend per share to ¥19 yen in 2003 and ¥24 in 2004.

DEBT

The objective of eliminating net automotive debt was achieved at the end of fiscal year 2002—two years ahead of the NISSAN 180 plan—showing a ¥8.6 billion net cash position at constant accounting standards. The generation of profit from the operation and improvement in working capital largely contributed to the reduction in fiscal year 2002.

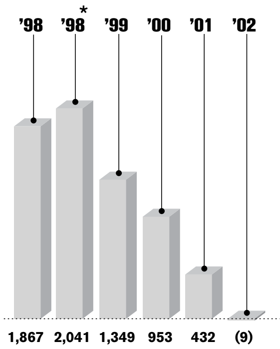
The net automotive debt of ¥2.1 trillion yen that existed at the end fiscal year 1999 was totally eliminated.

Nissan has been upgraded by rating agencies and is now in the investment grade category.

CASH FLOW

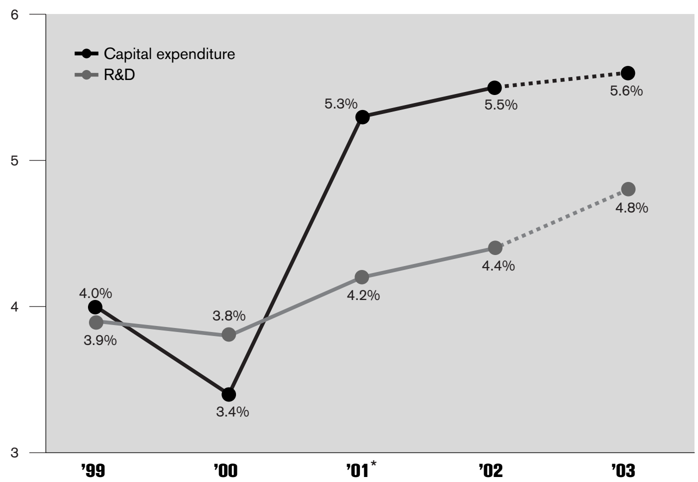
Consolidated cash generated from operating activities more than doubled during fiscal year 2002, to ¥575 billion from ¥222 billion the year before. The higher profits from operations and improved working capital requirements. This cash was mainly used for investments for future growth.

Net Consolidated Automotive Debt
(Billions of yen)



*restated under the new GAAP

Investment for Growth
Fiscal years 1999-2003 (% to net sales)



*Figures from 2001 onward include investment in the Canton plant

Consolidated Balance Sheets

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2002 and 2001

	Millions of yen		Thousands of U.S. dollars(Note 3)
ASSETS As of	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	**2002** **Mar. 31, 2003**
Current assets:			
Cash and cash equivalents(Note 8)	**¥ 269,817**	¥ 279,653	**$ 2,248,475**
Short-term investments(Note 19)	**36**	666	**300**
Receivables, less allowance for doubtful receivables(Notes 4 and 8)	**2,328,383**	2,179,854	**19,403,191**
Inventories(Note 5)	**543,608**	534,051	**4,530,067**
Other current assets	**558,213**	523,031	**4,651,775**
Total current assets	**3,700,057**	3,517,255	**30,833,808**
Property, plant and equipment, at cost(Notes 6, 8 and 16):	**6,201,074**	6,211,552	**51,675,617**
Less accumulated depreciation	**(3,211,740)**	(3,332,394)	**(26,764,500)**
Property, plant and equipment, net	**2,989,334**	2,879,158	**24,911,117**
Investments and other assets(Notes 8 and 19):			
Investment securities:			
Unconsolidated subsidiaries and affiliates	**236,404**	117,969	**1,970,033**
Other	**30,642**	281,144	**255,350**
Other assets	**392,746**	419,479	**3,272,884**
Total investments and other assets	**659,792**	818,592	**5,498,267**
Total assets	**¥7,349,183**	¥7,215,005	**$61,243,192**

LIABILITIES AND SHAREHOLDERS' EQUITY *As of*	Millions of yen **2002** ***Mar. 31, 2003***	 2001 *Mar. 31, 2002*	Thousands of U.S. dollars(Note 3) **2002** ***Mar. 31, 2003***
Current liabilities:			
Short-term borrowings and current portion of long-term debt(Note 8)	**¥1,315,222**	¥1,424,804	**$10,960,184**
Notes and accounts payable(Note 7)	**1,047,364**	990,273	**8,728,033**
Accrued income taxes(Note 13)	**36,907**	46,706	**307,558**
Other current liabilities	**522,325**	546,232	**4,352,708**
Total current liabilities	**2,921,818**	3,008,015	**24,348,483**
Long-term liabilities:			
Long-term debt(Note 8)	**1,603,246**	1,604,955	**13,360,383**
Accrued retirement benefits(Note 9)	**433,266**	400,342	**3,610,550**
Accrual for losses on business restructuring	**–**	49,591	**–**
Accrual for warranty costs	**154,582**	160,938	**1,288,184**
Other long-term liabilities	**339,516**	293,053	**2,829,300**
Total long-term liabilities	**2,530,610**	2,508,879	**21,088,417**
Minority interests in consolidated subsidiaries	**88,451**	77,289	**737,092**
Shareholders' equity(Notes 10, 14 and 22)**:**			
Common stock, without par value: Authorized—6,000,000,000 shares; Issued —4,520,715,112 shares in 2002 and 4,517,045,210 shares in 2001	**605,814**	604,556	**5,048,450**
Capital surplus	**804,470**	803,212	**6,703,917**
Retained earnings	**878,655**	430,751	**7,322,125**
Unrealized holding gain on securities	**1,831**	4,406	**15,258**
Translation adjustments	**(320,276)**	(221,973)	**(2,668,967)**
	1,970,494	1,620,952	**16,420,783**
Less treasury common stock, at cost; 54,512,876 shares in 2002 and 173,987 shares in 2001	**(162,190)**	(130)	**(1,351,583)**
Total shareholders' equity	**1,808,304**	1,620,822	**15,069,200**
Commitments and contingencies(Note 17)			
Total liabilities and shareholders' equity	**¥7,349,183**	¥7,215,005	**$61,243,192**

See notes to consolidated financial statements.

Consolidated Statements of Income

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
For the years ended	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	2000 Mar. 31, 2001	**2002** **Mar. 31, 2003**
Net sales	**¥6,828,588**	¥6,196,241	¥6,089,620	**$56,904,900**
Cost of sales (Notes 6 and 11)	**4,872,324**	4,546,526	4,633,780	**40,602,700**
Gross profit	**1,956,264**	1,649,715	1,455,840	**16,302,200**
Selling, general and administrative expenses (Notes 6 and 11)	**1,219,034**	1,160,500	1,165,526	**10,158,617**
Operating income	**737,230**	489,215	290,314	**6,143,583**
Other income (expenses):				
Interest income	**7,566**	12,250	7,692	**63,050**
Interest expense	**(25,060)**	(34,267)	(42,241)	**(208,833)**
Equity in earnings of unconsolidated subsidiaries and affiliates	**11,395**	921	9,239	**94,958**
Other, net (Note 12)	**(36,507)**	(103,903)	24,694	**(304,225)**
	(42,606)	(124,999)	(616)	**(355,050)**
Income before income taxes and minority interests	**694,624**	364,216	289,698	**5,788,533**
Income taxes (Note 13):				
Current	**113,185**	87,446	68,105	**943,208**
Deferred	**85,513**	(102,148)	(130,637)	**712,608**
	198,698	(14,702)	(62,532)	**1,655,816**
Minority interests	**(761)**	(6,656)	(21,155)	**(6,342)**
Net income (Note 18)	**¥ 495,165**	¥ 372,262	¥ 331,075	**$ 4,126,375**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
For the years ended	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	2000 Mar. 31, 2001	**2002** **Mar. 31, 2003**
Common stock:				
Balance at beginning of the year				
(2002—4,517,045,210 shares;				
2001—3,977,295,210 shares;				
2000—3,977,293,751 shares)	**¥ 604,556**	¥ 496,606	¥ 496,605	**$ 5,037,967**
Private placement (Note 10)				
(2001—539,750,000 shares)	**–**	107,950	–	**–**
Conversion of convertible bonds				
(2002—3,669,902 shares				
2000— 1,459 shares;	**1,258**	–	1	**10,483**
Balance at end of the year				
(2002—4,520,715,112 shares;				
2001—4,517,045,210 shares;				
2000—3,977,295,210 shares)	**¥ 605,814**	¥ 604,556	¥ 496,606	**$ 5,048,450**
Capital surplus:				
Balance at beginning of the year	**¥ 803,212**	¥ 690,262	¥ 690,262	**$ 6,693,434**
Private placement (Note 10)	**1,258**	112,950	–	**10,483**
Conversion of convertible bonds	**–**	–	0	**–**
Balance at end of the year	**¥ 804,470**	¥ 803,212	¥ 690,262	**$ 6,703,917**
Retained earnings (deficit):				
Balance at beginning of the year	**¥ 430,751**	¥ 87,626	¥(237,301)	**$ 3,589,592**
Net income	**495,165**	372,262	331,075	**4,126,375**
Cash dividends paid	**(50,800)**	(27,841)	–	**(423,333)**
Bonuses to directors and statutory auditors	**(407)**	(286)	(131)	**(3,392)**
Other (Note 14)	**3,946**	(1,010)	(6,017)	**32,883**
Balance at end of the year	**¥ 878,655**	¥ 430,751	¥ 87,626	**$ 7,322,125**
Unrealized holding gain on securities:				
Balance at beginning of the year	**¥ 4,406**	¥ 1,438	¥ –	**$ 36,717**
Net change during the year	**(2,575)**	2,968	1,438	**(21,459)**
Balance at end of the year	**¥ 1,831**	¥ 4,406	¥ 1,438	**$ 15,258**
Translation adjustments:				
Balance at beginning of the year	**¥(221,973)**	¥(316,481)	¥(365,526)	**$(1,849,775)**
Net change during the year	**(98,303)**	94,508	49,045	**(819,192)**
Balance at end of the year	**¥(320,276)**	¥(221,973)	¥(316,481)	**$(2,668,967)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal years 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars(Note 3)
For the years ended	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	2000 Mar. 31, 2001	**2002** **Mar. 31, 2003**
Operating activities				
Income before income taxes and minority interests	**¥ 694,624**	¥ 364,216	¥ 289,698	**$ 5,788,533**
Depreciation and amortization relating to:				
Leased assets	**158,370**	169,213	133,145	**1,319,750**
Other assets	**212,755**	205,614	227,046	**1,772,958**
(Reversal of) provision for allowance for doubtful receivables	**(503)**	39,273	17,320	**(4,192)**
Unrealized loss on securities	**769**	6,757	14,152	**6,408**
Unrealized loss on leased vehicles	**6,050**	6,069	7,619	**50,417**
Interest and dividend income	**(8,520)**	(13,837)	(11,139)	**(71,000)**
Interest expense	**80,255**	102,656	108,188	**668,792**
Gain on sales of property, plant and equipment	**(58,796)**	(28,229)	(55,497)	**(489,967)**
Loss on disposal of property, plant and equipment	**15,587**	11,285	16,730	**129,892**
(Gain) loss on sales of securities	**(4,324)**	26,823	(65,043)	**(36,033)**
Amortization of net retirement benefit obligation at transition	**23,923**	23,925	24,729	**199,358**
Provision for accrued retirement benefits	**100,629**	60,870	62,075	**838,575**
Retirement benefits paid	**(86,917)**	(81,326)	(67,351)	**(724,308)**
Business restructuring costs paid	**(4,644)**	(9,213)	(28,035)	**(38,700)**
Receivables	**44,989**	7,334	(100,533)	**374,908**
Finance receivables	**(327,357)**	(434,665)	(389,555)	**(2,727,975)**
Inventories	**(28,404)**	53,162	16,633	**(236,700)**
Notes and accounts payable	**36,877**	78,255	24,476	**307,309**
Other	**(83,947)**	(178,517)	(6,837)	**(699,558)**
Subtotal	**771,416**	409,665	217,821	**6,428,467**
Interest and dividends received	**8,238**	11,483	8,024	**68,650**
Interest paid	**(80,902)**	(104,958)	(109,206)	**(674,183)**
Income taxes paid	**(123,374)**	(93,976)	(43,388)	**(1,028,117)**
Net cash provided by operating activities	**575,378**	222,214	73,251	**4,794,817**
Investing activities				
Decrease in short-term investments	**789**	3,411	3,690	**6,575**
Purchases of investment securities	**(32,053)**	(230,397)	(9,294)	**(267,108)**
Proceeds from sales of investment securities	**45,263**	99,666	177,731	**377,192**
Long-term loans made	**(11,343)**	(8,730)	(2,280)	**(94,525)**
Collection of long-term loans receivable	**13,097**	6,978	9,831	**109,142**
Purchases of fixed assets	**(377,929)**	(293,800)	(205,636)	**(3,149,408)**
Proceeds from sales of property, plant and equipment	**98,699**	108,935	98,692	**822,492**
Purchases of leased vehicles	**(483,704)**	(396,213)	(362,781)	**(4,030,867)**
Proceeds from sales of leased vehicles	**259,075**	185,152	192,635	**2,158,958**
Proceeds from sales of subsidiaries' stock resulting in changes in the scope of consolidation(Note 15)	**8,395**	13,639	10,331	**69,958**
Additional acquisition of shares of consolidated subsidiaries	**(692)**	(2,634)	(2,568)	**(5,767)**
Proceeds from sales of business(Note 15)	**–**	–	40,379	**–**
Other	**(34,971)**	(10,396)	33,685	**(291,425)**
Net cash used in investing activities	**(515,374)**	(524,389)	(15,585)	**(4,294,783)**
Financing activities				
(Decrease) increase in short-term borrowings	**(54,310)**	308,869	(16,403)	**(452,584)**
Increase in long-term borrowings	**534,053**	631,451	248,298	**4,450,442**
Increase in bonds and debentures	**85,000**	246,822	50,000	**708,333**
Repayment or redemption of long-term debt	**(524,115)**	(1,092,066)	(555,045)	**(4,367,625)**
Proceeds from issuance of new shares of common stock	**–**	220,899	–	**–**
Purchases of treasury stock	**(58,383)**	–	–	**(486,525)**
Proceeds from sales of treasury stock	**5,670**	2,324	25,975	**47,250**
Repayment of lease obligations	**(9,879)**	(9,543)	(15,919)	**(82,325)**
Cash dividends paid	**(50,800)**	(27,841)	–	**(423,333)**
Net cash (used in) provided by financing activities	**(72,764)**	280,915	(263,094)	**(606,367)**
Effect of exchange rate changes on cash and cash equivalents	**654**	10,371	7,155	**5,450**
Decrease in cash and cash equivalents	**(12,106)**	(10,889)	(198,273)	**(100,883)**
Cash and cash equivalents at beginning of the year	**279,653**	288,536	490,708	**2,330,441**
Increase due to inclusion in consolidation	**2,297**	2,006	564	**19,142**
Decrease due to exclusion from consolidation	**(27)**	–	(4,463)	**(225)**
Cash and cash equivalents at end of the year	**¥ 269,817**	¥ 279,653	¥ 288,536	**$ 2,248,475**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nissan Motor Co., Ltd. and Consolidated Subsidiaries
Fiscal year 2002 (Year ended March 31, 2003)

1. BASIS OF PRESENTATION

Nissan Motor Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial statements of the Company's subsidiaries in certain foreign countries including Mexico have been prepared based on general price-level accounting. The related revaluation adjustments made to reflect the effect of inflation in those countries in the accompanying consolidated financial statements have been charged or credited to operations and are directly reflected in retained earnings.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries and in companies which are accounted for by the equity method have been amortized by the straight-line method over periods not exceeding 20 years.

(b) Foreign currency translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year, except for those of the subsidiary in Mexico which are translated at the rate of exchange in effect at the balance sheet date. Translation adjustments are presented as a component of shareholders' equity and minority interests in its consolidated financial statements.

(c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(d) Inventories

Inventories are stated principally at the lower of cost or market. The cost of finished products, work in process and purchased parts is determined primarily by the average method, and the cost of raw materials and supplies is determined primarily by the last-in, first-out method.

(e) Short-term investments and investment securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(f) Property, plant and equipment and depreciation

Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives and the residual value determined by the Company. Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

(g) Leases

Noncancelable lease transactions are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(h) Retirement benefits

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet dates, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss, and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. The net retirement benefit obligation at transition is being amortized principally over a period of 15 years by the straight-line method.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (principally 8 years through 18 years) which are shorter than the average remaining years of service of the employees. Certain foreign consolidated subsidiaries have adopted the corridor approach for the amortization of actuarial gain and loss.

Prior service cost is being amortized as incurred by the straight-line method over periods (principally 9 years through 15 years) which are shorter than the average remaining years of service of the employees.

See Note 9 for the method of accounting for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under Welfare Pension Fund Plan.

(i) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between financial reporting and the tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(j) Research and development costs

Research and development costs are charged to income when incurred.

(k) Revenue recognition

Revenue is generally recognized on sales of products at the time of shipment.

(l) Accounting for sales incentive

In accordance with a new accounting standard for sales incentives which became effective the year ended March 31, 2002 in the United States, certain sales promotion expenses (i.e., incentives paid in cash based on sales volume) of subsidiaries in the United States and Mexico, which had previously been included in selling, general and administrative expenses, have been accounted for as deductions from sales. As a result of this change, sales and gross profit for the year ended March 31, 2002 decreased by ¥98,920 million as compared with the corresponding amounts for the previous year. However, this change had no impact on operating income and income before income taxes and minority interests. See Note 21.

(m) Derivative financial instruments

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates, and stock and commodity prices. Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(n) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations. See Note 22.

(o) Treasury stock and reduction of legal reserves

Effective April 1, 2002 the Company adopted a new accounting standard for treasury stock and reduction of legal reserves. The effect of the adoption of this new accounting standard on operating results was immaterial for the year ended March 31, 2003.

3. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥120 = US$1.00, the approximate rate of exchange in effect on March 31, 2003, has been used. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

4. RECEIVABLES

Receivables at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Notes and accounts receivable	**¥ 501,127**	¥ 532,936	**$ 4,176,058**
Finance receivables	**1,896,953**	1,716,024	**15,807,942**
Less allowance for doubtful receivables	**(69,697)**	(69,106)	**(580,809)**
	¥2,328,383	¥2,179,854	**$19,403,191**

Finance receivables principally represent receivables from customers on loans made by financing subsidiaries in connection with sales of automobiles.

5. INVENTORIES

Inventories at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Finished products	**¥394,936**	¥381,671	**$3,291,134**
Work in process and other	**148,672**	152,380	**1,238,933**
	¥543,608	¥534,051	**$4,530,067**

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2003 and 2002 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
As of	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2002 Mar. 31, 2003
Land	**¥ 782,009**	¥ 768,800	**$ 6,516,742**
Buildings and structures	**1,251,036**	1,288,439	**10,425,300**
Machinery and equipment	**3,914,070**	3,997,661	**32,617,250**
Construction in progress	**253,959**	156,652	**2,116,325**
	¥6,201,074	¥6,211,552	**$51,675,617**

Depreciation of property, plant and equipment for each of the three years in the period ended March 31, 2003 was as follows:

	Millions of yen			Thousands of U.S. dollars
For the years ended	2002 Mar. 31, 2003	2001 Mar. 31, 2002	2000 Mar. 31, 2001	2002 Mar. 31, 2003
	¥355,372	¥362,601	¥334,168	**$2,961,433**

7. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
As of	**2002** *Mar. 31, 2003*	2001 *Mar. 31, 2002*	**2002** *Mar. 31, 2003*
Notes and accounts payable	**¥ 656,411**	¥611,311	**$5,470,092**
Accrued expenses and other	**390,953**	378,962	**3,257,941**
	¥1,047,364	¥990,273	**$8,728,033**

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At March 31, 2003 and 2002, short-term borrowings and the current portion of long-term debt consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
As of	**2002** *Mar. 31, 2003*	2001 *Mar. 31, 2002*	**2002** *Mar. 31, 2003*
Loans, principally from banks	**¥ 436,897**	¥ 610,872	**$ 3,640,809**
Import bills payable	**–**	2,390	**–**
Commercial paper	**132,034**	62,038	**1,100,283**
Current portion of long-term debt	**746,291**	749,504	**6,219,092**
	¥1,315,222	¥1,424,804	**$10,960,184**

The annual interest rates applicable to short-term borrowings outstanding at March 31, 2003 and 2002 ranged principally from 0.1% to 7.8% and from 0.2% to 11.7%, respectively.

At March 31, 2003 and 2002, long-term debt consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
As of	**2002** *Mar. 31, 2003*	2001 *Mar. 31, 2002*	**2002** *Mar. 31, 2003*
Debt with collateral:			
Loans from banks and other financial institutions due through 2012 at rates ranging from 0.7% to 8.0%	**¥1,039,807**	¥ 926,113	**$ 8,665,058**
Debt without collateral:			
Loans from banks and other financial institutions due through 2018 at rates ranging from 0.1% to 6.4%	**442,796**	520,496	**3,689,967**
Bonds in yen due through 2007 at rates ranging from 0.6% to 3.6%	**617,320**	626,100	**5,144,333**
Medium-term notes in U.S. dollars due through 2008 at rates ranging from 1.3% to 3.3%	**59,258**	4,130	**493,817**
Euro medium-term notes in yen, U.S. dollars and Euro due through 2006 at rates ranging from 2.5% to 5.0%	**17,556**	102,254	**146,300**
1.6% convertible bonds in yen due 2003	**–**	2,566	**–**
Floating rate bonds with warrants in yen due 2004	**172,800**	172,800	**1,440,000**
	2,349,537	2,354,459	**19,579,475**
Less current portion	**746,291**	749,504	**6,219,092**
	¥1,603,246	¥1,604,955	**$13,360,383**

See Note 10 with respect to information on the warrants issued with the floating rate bonds due 2004.

At March 31, 2003, if all warrants had been exercised at the then current exercise price, 154,100 thousand new shares would have been issuable.

The exercise price of the warrants is subject to adjustment in certain cases which include stock splits. A sufficient number of shares of common stock is reserved for the exercise of all warrants.

The maturities of long-term debt are summarized as follows:

Year ending Mar. 31,	*Millions of yen*	*Thousands of U.S. dollars*
2004	¥ 746,291	$ 6,219,092
2005	589,589	4,913,241
2006	544,802	4,540,017
2007 and thereafter	468,855	3,907,125
	¥2,349,537	$19,579,475

The assets pledged as collateral for short-term borrowings of ¥375,758 million ($3,131,317 thousand) and long-term debt of ¥1,039,807 million ($8,665,058 thousand) at March 31, 2003 were as follows:

	Millions of yen	*Thousands of U.S. dollars*
Cash	¥ 38	$ 317
Receivables	1,076,738	8,972,817
Property, plant and equipment, at net book value	554,341	4,619,508
	¥1,631,117	$13,592,642

In addition to the above, at March 31, 2003, investments in consolidated subsidiaries of ¥42,423 million ($353,525 thousand) were pledged as collateral for long-term debt of affiliates of ¥12,240 million ($102,000 thousand), which has not been reflected in the accompanying consolidated balance sheet.

9. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans (WPFP), tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Certain foreign consolidated subsidiaries have defined benefit and contribution plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2003 and 2002 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
As of	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	**2002** **Mar. 31, 2003**
Retirement benefit obligation	**¥(1,135,273)**	¥(1,428,222)	**$(9,460,608)**
Plan assets at fair value	**359,922**	674,642	**2,999,350**
Unfunded retirement benefit obligation	**(775,351)**	(753,580)	**(6,461,258)**
Unrecognized net retirement benefit obligation at transition	**179,611**	317,098	**1,496,758**
Unrecognized actuarial gain or loss	**231,637**	132,217	**1,930,308**
Unrecognized prior service cost	**(69,134)**	(96,056)	**(576,116)**
Net retirement benefit obligation	**(433,237)**	(400,321)	**(3,610,308)**
Prepaid pension cost	**29**	21	**242**
Accrued retirement benefits	**¥ (433,266)**	¥ (400,342)	**$(3,610,550)**

The substitutional portion of the benefits under the WPFP has been included in the amounts shown in the above table. During the year ended March 31, 2001, the Company and certain consolidated subsidiaries made amendments to their WPFP with respect to the age of eligibility for annuity payments for the substitutional portion of the benefits in accordance with the amendments to the Welfare Pension Insurance Law of Japan in March 2000, and also made amendments to their lump-sum payment plans and tax-qualified pension plans. In addition, effective April 1, 2001, the Company discontinued providing certain benefits under the WPFP for future services. As a result, prior service cost (a reduction of the liability) was incurred for the years ended March 31, 2002 and 2001.

On March 1, 2003, the Company received approval from the Minister of Health, Labor and Welfare with respect to its application for exemption from the obligation for benefits related to future employee services under the substitutional portion of the WPFP. In accordance with the transitional provision stipulated in "Practical Guidelines for Accounting for Retirement Benefits," the Company accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under its WPFP as of the date of approval of its exemption assuming that the transfer to the Japanese government of the substitutional portion of the benefit obligation and related pension plan assets had been completed as of that date. As a result, the Company recognized a loss of ¥30,945 million ($257,875 thousand) for the year ended March 31, 2003. The pension assets which are to be transferred were calculated at ¥241,203 million ($2,010,025 thousand) at March 31, 2003.

The components of retirement benefit expenses for the years ended March 31, 2003 and 2002 are outlined as follows:

	Millions of yen			*Thousands of U.S. dollars*
For the years ended	**2002** ***Mar. 31, 2003***	2001 *Mar. 31, 2002*	2000 *Mar. 31, 2001*	**2002** ***Mar. 31, 2003***
Service cost	**¥ 51,543**	¥50,147	¥57,881	**$ 429,525**
Interest cost	**45,269**	43,086	45,390	**377,242**
Expected return on plan assets	**(26,708)**	(27,791)	(31,092)	**(222,567)**
Amortization of net retirement benefit obligation at transition	**24,280**	24,369	25,232	**202,333**
Amortization of actuarial gain or loss	**11,464**	13,378	(239)	**95,533**
Amortization of prior service cost	**(7,762)**	(7,408)	(10,848)	**(64,683)**
Other	**5**	(190)	480	**42**
Retirement benefit expenses	**¥ 98,091**	¥95,591	¥86,804	**$ 817,425**
Loss on return of the substitution portion of welfare pension fund plans	**30,945**	–	–	**257,875**
Retirement benefit expenses	**¥129,036**	¥95,591	¥86,804	**$1,075,300**

The assumptions used in accounting for the above plans were as follows:

	For the years ended	**2002** ***Mar. 31, 2003***	2001 *Mar. 31, 2002*
Discount rates	Domestic companies	2.3% - 2.5%	3.0%
	Foreign companies	5.4% - 7.3%	5.5% - 7.5%
Expected return on assets	Domestic companies	Mainly 4.0%	Mainly 4.0%
	Foreign companies	6.5% - 9.0%	7.0% - 9.0%

10. SHAREHOLDERS' EQUITY

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The legal reserve amounted to ¥53,839 million ($448,658 thousand) as of both March 31, 2003 and 2002.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

On May 28, 1999, the Company issued 1,464,250 thousand new shares of common stock at ¥400 per share to Renault, a French corporation, for a total of ¥585,700 million.

On the same date, the Company issued to Renault floating rate bonds due 2004 with warrants which amounted to ¥215,900 million. The warrants, which may not be transferred to a third party, entitled Renault to subscribe for shares of common stock of the Company at an exercise price of ¥400 per share.

In March 2002, Renault exercised all the warrants and the Company issued 539,750 thousand new shares of common stock to Renault for ¥220,900 million. As a result, Renault's equity interest in the Company increased to 44.37% as of March 31, 2002. In March and May 2002, the Company indirectly acquired shares of common stock of Renault representing a 15.0% interest, in the aggregate, in Renault for ¥247,566 million.

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2003, 2002 and 2001 amounted to ¥300,330 million ($2,502,750 thousand), ¥262,121 million and ¥231,672 million, respectively.

12. OTHER INCOME (EXPENSES)

The components of "Other, net" in "Other income (expenses)" for each of the three years in the period ended March 31, 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
For the years ended	**2002** *Mar. 31, 2003*	2001 *Mar. 31, 2002*	2000 *Mar. 31, 2001*	**2002** *Mar. 31, 2003*
Dividend income	**¥ 954**	¥ 1,587	¥ 3,447	**$ 7,950**
Net realized gain on sales of securities	**–**	–	38,599	**–**
Unrealized loss on securities	**(769)**	(6,757)	(14,152)	**(6,408)**
Gain on sales of property, plant and equipment	**58,796**	28,229	55,497	**489,967**
Loss on disposal of property, plant and equipment	**(15,587)**	(11,285)	(16,730)	**(129,892)**
Gain (loss) on sales of investment securities	**4,324**	(26,823)	26,444	**36,033**
Foreign exchange gain (loss)	**18,318**	(1,895)	(2,797)	**152,650**
Amortization of net retirement benefit obligation at transition	**(23,923)**	(23,925)	(24,729)	**(199,358)**
Loss on return of the substitution portion of welfare pension fund plans (Note 9)	**(30,945)**	–	–	**(257,875)**
Other	**(47,675)**	(63,034)	(40,885)	**(397,292)**
	¥(36,507)	¥(103,903)	¥ 24,694	**$(304,225)**

13. INCOME TAXES

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 42% for 2002, 2001 and 2000. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2003, 2002 and 2001 differ from the statutory tax rate for the following reasons:

For the years ended	**2002** *Mar. 31, 2003*	2001 *Mar. 31, 2002*	2000 *Mar. 31, 2001*
Statutory tax rate	**41.9%**	41.9%	41.9%
Effect of:			
Decrease in valuation allowance	**(10.4)**	(42.9)	(60.9)
Different tax rates applied to foreign subsidiaries	**(3.8)**	(4.3)	(2.9)
Adjustments in deferred tax assets and liabilities due to change in tax rate	**0.8**	–	–
Other	**0.1**	1.3	0.3
Effective tax rates	**28.6%**	(4.0)%	(21.6)%

New legislation was enacted in March 2003 which will change the aggregate statutory tax rate from 41.9% to 40.6% effective for fiscal years beginning after March 31, 2004. The effect of this tax rate change was to decrease deferred tax assets (net of deferred tax liabilities) by ¥5,467 million ($45,558 thousand) at March 31, 2003 and to increase income taxes – deferred by ¥5,501 million ($45,842 thousand) for the year ended March 31, 2003.

The significant components of deferred tax assets and liabilities as of March 31, 2003 and 2002 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
As of	**2002** *Mar. 31, 2003*	2001 *Mar. 31, 2002*	**2002** *Mar. 31, 2003*
Deferred tax assets:			
Net operating loss carryforwards	**¥ 86,643**	¥ 165,554	**$ 722,025**
Accrued retirement benefits	**159,828**	147,614	**1,331,900**
Accrued warranty costs	**47,359**	–	**394,658**
Accrual for losses on business restructuring	**–**	26,659	**–**
Other	**316,634**	320,260	**2,638,617**
Gross deferred tax assets	**610,464**	660,087	**5,087,200**
Valuation allowance	**(66,439)**	(169,634)	**(553,658)**
Total deferred tax assets	**544,025**	490,453	**4,533,542**
Deferred tax liabilities:			
Reserves under Special Taxation Measures Law, etc.	**(266,326)**	(197,806)	**(2,219,383)**
Difference between cost of investments and their underlying net equity at fair value	**(68,517)**	(70,553)	**(570,975)**
Unrealized holding gain on securities	**(1,362)**	(2,146)	**(11,350)**
Other	**(102,452)**	(17,249)	**(853,767)**
Total deferred tax liabilities	**(438,657)**	(287,754)	**(3,655,475)**
Net deferred tax assets	**¥105,368**	¥ 202,699	**$ 878,067**

14. RETAINED EARNINGS

Other changes in retained earnings for each of the three years in the period ended March 31, 2003 were as follows:

	Millions of yen			*Thousands of U.S. dollars*
For the years ended	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	2000 Mar. 31, 2001	**2002** **Mar. 31, 2003**
Adjustments for revaluation of the accounts of the consolidated subsidiaries based on general price-level accounting (Note 2(a))	**¥14,464**	¥ 1,455	¥ 4,346	**$120,533**
Loss on disposal of treasury stock	**(2,664)**	–	–	**(22,200)**
Adjustments to retained earnings at beginning of the year for inclusion in or exclusion from consolidation or the equity method of accounting for subsidiaries and affiliates, and certain other adjustments	**(7,854)**	(2,465)	(10,363)	**(65,450)**
	¥ 3,946	¥ (1,010)	¥ (6,017)	**$ 32,883**

15. SUPPLEMENTARY CASH FLOW INFORMATION

a) Summary of assets and liabilities of companies excluded from consolidation following the sale of their stock

The following is a summary of the transferred assets and liabilities, the relevant selling prices and the net cash inflows from sales of stock of Rhythm Corporation, and two other companies in the year ended March 31, 2003, from sales of stock of Nissan Altia Co., Ltd., and eight other companies in the year ended March 31, 2002 and from sales of stock of Satio Yamagata Co., Ltd., and thirteen other companies in the year ended March 31, 2001:

	Millions of yen			*Thousands of U.S. dollars*
For the years ended	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	2000 Mar. 31, 2001	**2002** **Mar. 31, 2003**
Current assets	**¥ 22,561**	¥ 46,516	¥ 41,441	**$188,008**
Fixed assets	**7,493**	51,729	40,385	**62,442**
(Loss) gain on sales of investment securities	**(1,765)**	2,048	4,254	**(14,708)**
Current liabilities	**(11,991)**	(53,027)	(46,563)	**(99,925)**
Long-term liabilities	**(5,366)**	(24,526)	(12,596)	**(44,717)**
Minority interests in consolidated subsidiaries	**(1,962)**	(6,612)	(3,360)	**(16,350)**
Proceeds from sales of stock	**8,970**	16,128	23,561	**74,750**
Cash and cash equivalents held by subsidiaries	**(575)**	(2,489)	(13,230)	**(4,792)**
Net proceeds	**¥ 8,395**	¥ 13,639	¥ 10,331	**$ 69,958**

b) Summary of assets and liabilities excluded following the sales of business

Fiscal year 2000 *(For the year ended Mar. 31, 2001)*	*Millions of yen*
Current assets	¥26,325
Fixed assets	33,700
Gains on sales of tangible fixed assets	6,856
Current liabilities	(12,346)
Long-term liabilities	(3,625)
Accrual for losses on business restructuring	(10,522)
Proceeds from sales of stock	40,388
Cash and cash equivalents	(9)
Net proceeds	¥40,379

16. LEASE TRANSACTIONS

a) Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2003 and 2002, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			*Thousands of U.S. dollars*		
Fiscal year 2002 *(As of Mar. 31, 2003)*	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 89,470	¥35,823	¥ 53,647	$ 745,583	$298,525	$ 447,058
Other	155,704	60,472	95,232	1,297,533	503,933	793,600
Total	¥245,174	¥96,295	¥148,879	$2,043,116	$802,458	$1,240,658

	Millions of yen		
Fiscal year 2001 *(As of Mar. 31, 2002)*	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 64,835	¥ 22,940	¥41,895
Other	132,844	77,903	54,941
Total	¥197,679	¥100,843	¥96,836

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥45,638 million ($380,317 thousand), ¥47,317 million and ¥52,053 million for the years ended March 31, 2003, 2002 and 2001, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms and the interest portion included in lease payments amounted to ¥42,444 million ($353,700 thousand) and ¥3,039 million ($25,325 thousand), respectively, for the year ended March 31, 2003, ¥44,282 million and ¥3,207 million, respectively, for the year ended March 31, 2002, and ¥49,136 million and ¥3,160 million, respectively, for the year ended March 31, 2001.

Future minimum lease payments subsequent to March 31, 2003 on noncancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		*Thousands of U. S. dollars*	
Year ending Mar. 31,	Finance leases	Operating leases	Finance leases	Operating leases
2004	¥ 53,648	¥ 4,731	$ 447,067	$ 39,425
2005 and thereafter	97,532	20,638	812,767	171,983
Total	¥151,180	¥25,369	$1,259,834	$211,408

b) Lessors' accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2003 and 2002:

	Millions of yen			*Thousands of U.S. dollars*		
Fiscal year 2002 *(As of Mar. 31, 2003)*	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥89,924	¥41,199	¥48,725	$749,367	$343,325	$406,042
Other	7,483	3,768	3,715	62,358	31,400	30,958
Total	¥97,407	¥44,967	¥52,440	$811,725	$374,725	$437,000

	Millions of yen		
Fiscal year 2001 *(As of Mar. 31, 2002)*	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥91,035	¥43,055	¥47,980
Other	5,018	3,163	1,855
Total	¥96,053	¥46,218	¥49,835

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥21,216 million ($176,800 thousand), ¥21,850 million and ¥37,591 million for the years ended March 31, 2003, 2002, and 2001, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases and the interest portion included in lease income amounted to ¥18,351 million ($152,925 thousand) and ¥2,649 million ($22,075 thousand), respectively, for the year ended March 31, 2003, ¥18,946 million and ¥3,452 million, respectively, for the year ended March 31, 2002, and ¥23,751 million and ¥2,125 million, respectively, for the year ended March 31, 2001.

Future minimum lease income subsequent to March 31, 2003 for noncancelable operating leases and finance leases accounted for as operating leases is summarized as follows:

	Millions of yen		*Thousands of U. S. dollars*	
Year ending Mar. 31,	Finance leases	Operating leases	Finance leases	Operating leases
2004	¥17,490	¥163,917	$145,750	$1,365,975
2005 and thereafter	36,666	239,166	305,550	1,993,050
Total	¥54,156	¥403,083	$451,300	$3,359,025

17. COMMITMENTS AND CONTINGENCIES

At March 31, 2003, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	*Thousands of U. S. dollars*
As endorser of notes receivable discounted with banks	¥ 816	$ 6,800
As guarantor of employees' housing loans from banks and others	232,680	1,939,000
	¥233,496	$1,945,800

In addition to the above, at March 31, 2003, the Company was committed to provide guarantees of indebtedness of unconsolidated subsidiaries and affiliates in the aggregate amount of ¥3,296 million ($27,467 thousand) at the request of the lending banks. In addition, the Company provided letters of awareness to financial institutions regarding the indebtedness of an affiliate which amounted to ¥75 million ($625 thousand). The Company also provided letters of awareness to financial institutions to whom outstanding trade receivables of ¥121,007 million ($1,008,392 thousand) had been sold. The outstanding balance of installment receivables sold with recourse amounted to ¥240 million ($2,000 thousand) at March 31, 2003.

Certain consolidated subsidiaries have entered into overdraft and loan commitment agreements amounting to ¥39,151 million ($326,258 thousand) with their customers and others. The loans receivable outstanding and the unused balances under these credit facilities as of March 31, 2003 amounted to ¥3,361 million ($28,008 thousand) and ¥35,790 million ($298,250 thousand), respectively. 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.

18. AMOUNTS PER SHARE

For the years ended	Yen 2002 Mar. 31, 2003	Yen 2001 Mar. 31, 2002	Yen 2000 Mar. 31, 2001	U.S. dollars 2002 Mar. 31, 2003
Net income:				
Basic	**¥117.75**	¥92.61	¥83.53	**$0.981**
Diluted	**116.88**	92.13	79.45	**0.974**
Cash dividends applicable to the year	**14.00**	8.00	7.00	**0.117**

(Cash dividends per share for those issued during the year ended March 31, 2002 are ¥4.00.)

As of	Yen 2002 Mar. 31, 2003	Yen 2001 Mar. 31, 2002	U.S. dollars 2002 Mar. 31, 2003
Net assets	**¥434.11**	¥358.84	**$3.618**

Until the year ended March 31, 2002, basic net income per share was computed based on the net income reported in the consolidated statements of income and the weighted average number of shares of common stock outstanding during each year, and diluted net income per share was computed based on the net income reported and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds and the exercise of warrants. Amounts per share of net assets were computed based on the net assets reported in the consolidated balance sheets and the number of shares of common stock outstanding at each balance sheet date.

In accordance with a new accounting standard for earnings per share which became effective April 1, 2002, basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds and the exercise of warrants for the year ended March 31, 2003. Amounts per share of net assets at March 31, 2003 was computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end. If the previous method of computation had been followed for the year ended March 31, 2003, basic net income per share, dilutive net income per share and amounts per share of net assets would have been ¥109.93, ¥109.17 and ¥404.89, respectively.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

19. SECURITIES

a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31, 2003 and 2002 is as follows:

Marketable held-to-maturity debt securities

	Millions of yen			*Thousands of U.S. dollars*		
Fiscal year 2002 *(As of Mar. 31, 2003)*	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:						
Government bonds	¥ 60	¥ 61	¥ 1	$ 500	$ 508	$ 8
Corporate bonds	313	336	23	2,608	2,800	192
Subtotal	¥ 373	¥ 397	¥24	$ 3,108	$ 3,308	$200
Securities whose carrying value exceeds their fair value:						
Other bonds	¥3,068	¥3,068	¥ 0	$25,567	$25,567	$ 0
Subtotal	¥3,068	¥3,068	¥ 0	$25,567	$25,567	$ 0
Total	¥3,441	¥3,465	¥24	$28,675	$28,875	$200

	Millions of yen		
Fiscal year 2001 *(As of Mar. 31, 2002)*	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 67	¥ 70	¥ 3
Corporate bonds	348	363	15
Subtotal	¥ 415	¥ 433	¥ 18
Securities whose carrying value exceeds their fair value:			
Corporate bonds	¥1,400	¥1,263	¥(137)
Subtotal	¥1,400	¥1,263	¥(137)
Total	¥1,815	¥1,696	¥(119)

Marketable other securities

Fiscal year 2002 *(As of Mar. 31, 2003)*	*Millions of yen* Acquisition cost	Carrying value	Unrealized gain (loss)	*Thousands of U.S. dollars* Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 1,243	¥ 4,492	¥ 3,249	$ 10,358	$ 37,433	$27,075
Debt securities	19	20	1	158	166	8
Others	8,976	9,779	803	74,800	81,492	6,692
Subtotal	¥10,238	¥14,291	¥ 4,053	$ 85,316	$119,091	$33,775
Securities whose acquisition cost exceeds their carrying value:						
Stock	¥ 3,544	¥ 2,883	¥ (661)	$ 29,534	$ 24,025	$ (5,509)
Debt securities	100	82	(18)	833	684	(149)
Subtotal	¥ 3,644	¥ 2,965	¥ (679)	$ 30,367	$ 24,709	$ (5,658)
Total	¥13,882	¥17,256	¥3,374	$115,683	$143,800	$28,117

Fiscal year 2001 *(As of Mar. 31, 2002)*	*Millions of yen* Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 1,040	¥ 5,886	¥4,846
Debt securities	27	30	3
Subtotal	¥ 1,067	¥ 5,916	¥4,849
Securities whose acquisition cost exceeds their carrying value:			
Stock	¥222,146	¥221,588	¥ (558)
Debt securities	2,000	1,916	(84)
Others	200	200	0
Subtotal	¥224,346	¥223,704	¥ (642)
Total	¥225,413	¥229,620	¥4,207

b) Sales of securities classified as other securities with aggregate gain and loss are summarized as follows:

For the years ended	*Millions of yen* **2002** *Mar. 31, 2003*	2001 *Mar. 31, 2002*	2000 *Mar. 31, 2001*	*Thousands of U.S. dollars* **2002** *Mar. 31, 2003*
Sales proceeds	**¥12,770**	¥ 72,388	¥145,621	**$106,417**
Aggregate gain	**3,446**	12,818	43,888	**28,717**
Aggregate loss	**(3,167)**	(43,720)	–	**(26,392)**

c) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2003 is summarized as follows:

Fiscal year 2002 *(As of Mar. 31, 2003)*	*Millions of yen* Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	*Thousands of U.S. dollars* Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥ 60	¥ 20	¥0	¥ 0	$ 500	$ 167	$0	$0
Corporate bonds	5,090	245	0	60	42,417	2,042	0	500
Other debt securities	3,068	0	0	105	25,567	0	0	875
Total	¥8,218	¥265	¥0	¥165	$68,484	$2,209	$0	$1,375

20. DERIVATIVE TRANSACTIONS

Hedging Policies

The Company and its consolidated subsidiaries (collectively, the "Group") utilize derivative transactions for the purpose of hedging their exposure to fluctuation in foreign exchange rates, interest rates and market prices. However, based on an internal management rule on financial market risk (the "Rule") approved by the Company's Board of Directors, they do not enter into transactions involving derivatives for speculative purposes. The Rule prescribes that (i) the Group's financial market risk is to be controlled by the Company in a centralized manner, and that (ii) no individual subsidiary can initiate a hedge position without the prior approval of, and regular reporting back to the Company.

Risk to be hedged by derivative transactions

(1) Market risk
The financial market risk to which the Group is generally exposed in its operations and the relevant derivative transactions primarily used for hedging are summarized as follows:

· Foreign exchange risk associated with assets and liabilities denominated in foreign currencies; forward foreign exchange contracts, foreign currency options, and currency swaps;
· Interest rate risk associated with sourcing funds and investing: interest-rate swaps;
· Risk of fluctuation in stock prices: options on stocks;
· Risk of fluctuation in commodity prices (mainly for precious metals): commodity futures contracts

(2) Credit risk
The Group is exposed to the risk that a counterparty to its financial transactions could default and jeopardize future profits. We believe that this risk is insignificant as the Group enters into derivative transactions only with financial institutions which have a sound credit profile. The Group enters into these transactions also with Renault Finance S.A. ("RF"), a specialized financial subsidiary of the Renault Group which, we believe, is not subject to any such material risk. This is because RF enters into derivative transactions to cover such derivative transactions with us only with financial institutions of the highest caliber carefully selected by RF based on its own rating system which takes into account each counterparty's long-term credit rating and shareholders' equity.

(3) Legal risk
The Group is exposed to the risk of entering into a financial agreement which may contain inappropriate terms and conditions as well as the risk that an existing contract may be affected by revisions to the relevant laws and regulations. The Company's Legal Department and Finance Department make every effort to minimize legal risk by reviewing any new agreements of significance and by reviewing the related documents in a centralized way.

Risk Management

All strategies to manage financial market risk and risk hedge operations of the Group are carried out pursuant to the Rule which stipulates the Group's basic policies for derivative transactions, management policies, management items, procedures, criteria for the selection of counterparties, and the reporting system, and so forth. The Rule prescribes that (i) the Group's financial market risk is to be controlled by the Company in a centralized manner, and that (ii) no individual subsidiary is permitted to initiate a hedging operation without the prior approval of , and regular reporting back to the Company.

The basic hedge policy is subject to the approval of the Monthly Hedge Policy Meeting attended by Chief Financial Officer ("CFO"). Execution and management of all deals are to be conducted pursuant to the Rule. Derivative transactions are conducted by a special section of the Finance Department and monitoring of contracts for such transactions and confirming the balance of all open positions are the responsibility of back office and risk management section. Commodity futures contracts are to be handled also by Finance Department under guidelines which are to be drawn up by the MRMC (Materials Risk Management Committee). The MRMC is chaired by the corporate officer in charge of the Purchasing Department and the CFO and it will meet approximately once every six months.

The status of derivative transactions in reported on a daily basis to the corporate officer in charge of Finance Department and on an annual basis to the Board of Directors. Credit risk is monitored quantitatively with reference to Renault's rating system based principally on the counterparties' long-term credit ratings and on their shareholders' equity. The Finance Department sets a maximum upper limit on positions with each of the counterparties for the Group and monitors the balances of open positions every day.

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2003 and 2002:

1) Currency-related transactions

	Millions of yen			*Thousands of U.S. dollars*		
Fiscal year 2002 *(As of Mar. 31, 2003)*	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell:						
US$	¥103,749	¥102,000	¥1,749	$864,575	$850,000	$14,575
AU$	–	–	–	–	–	–
Others	1	1	0	8	8	0
Buy:						
CAN$	10,542	10,663	121	87,850	88,858	1,008
£ Stg.	2,391	2,365	(26)	19,925	19,708	(217)
US$	–	–	–	–	–	–
Euro	–	–	–	–	–	–
Others	691	600	(91)	5,758	5,000	(758)
Currency swaps:						
US$	¥ 8,645	¥ (320)	¥ (320)	$ 72,042	$ (2,667)	$ (2,667)
£ Stg.	34,186	339	339	284,883	2,825	2,825
CAN$	2,242	(59)	(59)	18,683	(491)	(491)
Euro	34,840	(1,032)	(1,032)	290,333	(8,600)	(8,600)
Total	–	–	¥ 681	–	–	$ 5,675

	Millions of yen		
Fiscal year 2001 *(As of Mar. 31, 2002)*	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
US$	¥ 1,919	¥ 1,904	¥ 15
AU$	705	706	(1)
Others	438	520	(82)
Buy:			
£ Stg.	15,064	14,786	(278)
US$	22,744	22,525	(219)
Euro	33,280	33,691	411
Others	1,301	1,223	(78)
Currency swaps:			
US$	¥ 4,927	¥ (45)	¥ (45)
£ Stg.	4,755	677	677
CAN$	2,284	(114)	(114)
Euro	912	148	148
Total	–	–	¥ 434

Note: The notional amounts of the forward foreign exchange contracts and currency swaps presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

2) Interest-related transactions

Fiscal year 2002 *(As of Mar. 31, 2003)*	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:						
Receive/floating and pay/fixed	¥187,187	¥(2,095)	¥(2,095)	$1,559,892	$(17,458)	$(17,458)
Receive/fixed and pay/floating	262,154	7,247	7,247	2,184,617	60,392	60,392
Receive/floating and pay/floating	2,500	(30)	(30)	20,833	(250)	(250)
Options:						
Caps sold	¥461,860			$3,848,833		
(Premium)	(–)	(4,605)	(4,605)	(–)	(38,375)	(38,375)
Caps purchased	¥461,860			$3,848,833		
(Premium)	(–)	4,605	4,605	(–)	38,375	38,375
Total	–	–	¥ 5,122	–	–	$ 42,684

Fiscal year 2001 *(As of Mar. 31, 2002)*	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Receive/floating and pay/fixed	¥260,996	¥(5,327)	¥(5,327)
Receive/fixed and pay/floating	244,650	8,347	8,347
Receive/floating and pay/floating	2,500	(48)	(48)
Options:			
Caps sold	¥448,872		
(Premium)	–	(5,092)	(5,092)
Caps purchased	¥448,872		
(Premium)	–	5,092	5,092
Total	–	–	¥ 2,972

21. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in the automobile segment and in providing various financial services to users of the Company's products in the sales financing segment. These products, which are sold in Japan and overseas, principally in North America and Europe, include passenger cars, buses and trucks as well as the related components. Financial services include primarily leases and credits in Japan and North America. As net sales, operating income and total assets of the automobile segment constituted more than 90% of the consolidated totals for the years ended March 31, 2001, the disclosure of business segment information has been omitted.

Business segments

The business segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 is as follows:

	Fiscal year 2002 *(For the year ended Mar. 31, 2003)*				
	Automobile	Sales Financing	Total	Eliminations	Consolidated
			Millions of yen		
I. Sales and operating income					
Sales to third parties	¥6,444,460	¥ 384,128	¥6,828,588	¥ –	¥6,828,588
Inter-area sales and transfers	42,775	11,740	54,515	(54,515)	–
Total sales	6,487,235	395,868	6,883,103	(54,515)	6,828,588
Operating expenses	5,818,023	335,986	6,154,009	(62,651)	6,091,358
Operating income	¥ 669,212	¥ 59,882	¥ 729,094	¥ 8,136	¥ 737,230
II. Assets, depreciation and capital expenditures					
Total assets	¥5,607,323	¥3,103,889	¥8,711,212	¥(1,362,029)	¥7,349,183
Depreciation	¥ 213,569	¥ 157,556	¥ 371,125	¥ –	¥ 371,125
Capital Expenditures	¥ 410,003	¥ 451,630	¥ 861,633	¥ –	¥ 861,633

	Fiscal year 2002 *(For the year ended Mar. 31, 2003)*				
	Automobile	Sales Financing	Total	Eliminations	Consolidated
			Thousands of U.S. dollars		
I. Sales and operating income					
Sales to third parties	$53,703,833	$ 3,201,067	$56,904,900	$ –	$56,904,900
Inter-area sales and transfers	356,458	97,833	454,291	(454,291)	–
Total sales	54,060,291	3,298,900	57,359,191	(454,291)	56,904,900
Operating expenses	48,483,525	2,799,883	51,283,408	(522,091)	50,761,317
Operating income	$ 5,576,766	$ 499,017	$ 6,075,783	$ 67,800	$ 6,143,583
II. Assets, depreciation and capital expenditures					
Total assets	$46,727,692	$25,865,742	$72,593,434	$(11,350,242)	$61,243,192
Depreciation	$ 1,779,742	$ 1,312,966	$ 3,092,708	$ –	$ 3,092,708
Capital Expenditures	$ 3,416,692	$ 3,763,583	$ 7,180,275	$ –	$ 7,180,275

	Fiscal year 2001 *(For the year ended Mar. 31, 2002)*				
	Automobile	Sales Financing	Total	Eliminations	Consolidated
			Millions of yen		
I. Sales and operating income					
Sales to third parties	¥5,842,648	¥ 353,593	¥6,196,241	¥ –	¥6,196,241
Inter-area sales and transfers	49,755	13,059	62,814	(62,814)	–
Total sales	5,892,403	366,652	6,259,055	(62,814)	6,196,241
Operating expenses	5,435,656	328,536	5,764,192	(57,166)	5,707,026
Operating income	¥ 456,747	¥ 38,116	¥ 494,863	¥ (5,648)	¥ 489,215
II. Assets, depreciation and capital expenditures					
Total assets	¥5,418,619	¥2,862,560	¥8,281,179	¥(1,066,174)	¥7,215,005
Depreciation	¥ 209,174	¥ 165,653	¥ 374,827	¥ –	¥ 374,827
Capital Expenditures	¥ 346,994	¥ 343,019	¥ 690,013	¥ –	¥ 690,013

In accordance with a new accounting standard for sales incentives which became effective the year ended March 31, 2002 in the United States, certain sales promotion expenses (i.e., incentives paid in cash based on sales volume) of subsidiaries in the United States and Mexico, which had previously been included in selling, general and administrative expenses, have been accounted for as deductions from sales. As a result of this change, sales and operating expenses in the automobile segment for the year ended March 31, 2002 decreased by ¥98,920 million as compared with the corresponding amounts for the previous year.

The following tables set forth the summarized financial statements by business segment for the years ended March 31, 2003 and 2002. Amounts for the sales financing segment represent the aggregate of the figures for the sales financing subsidiaries in Japan and North America. Amounts for the automobile segment represent the differences between the consolidated totals and those for the sales financing segment.

1) Summarized consolidated balance sheets by business segment

	Millions of yen			*Thousands of U.S. dollars*		
Fiscal year 2002 *(As of Mar. 31, 2003)*	Automobile	Sales Financing	Consolidated total	Automobile	Sales Financing	Consolidated total
Cash and cash equivalents	¥ 263,146	¥ 6,671	¥ 269,817	$ 2,192,883	$ 55,592	$2,248,475
Short-term investments	21	15	36	175	125	300
Receivables, less allowance for doubtful receivables	267,704	2,060,679	2,328,383	2,230,866	17,172,325	19,403,191
Inventories	526,062	17,546	543,608	4,383,850	146,217	4,530,067
Other current assets	397,157	161,056	558,213	3,309,642	1,342,133	4,651,775
Total current assets	1,454,090	2,245,967	3,700,057	12,117,416	18,716,392	30,833,808
Property, plant and equipment, net	2,223,124	766,210	2,989,334	18,526,034	6,385,083	24,911,117
Investment securities	256,515	10,531	267,046	2,137,625	87,758	2,225,383
Other assets	311,542	81,204	392,746	2,596,184	676,700	3,272,884
Total assets	¥4,245,271	¥3,103,912	¥7,349,183	$35,377,259	$25,865,933	$61,243,192
Short-term borrowings and current portion of long-term debt	¥ (653,588)	¥1,968,810	¥1,315,222	$ (5,446,566)	$16,406,750	$10,960,184
Notes and accounts payable	1,015,967	31,397	1,047,364	8,466,391	261,642	8,728,033
Accrued income taxes	36,907	–	36,907	307,558	–	307,558
Other current liabilities	432,629	89,696	522,325	3,605,242	747,466	4,352,708
Total current liabilities	831,915	2,089,903	2,921,818	6,932,625	17,415,858	24,348,483
Long-term debt	1,024,686	578,560	1,603,246	8,539,050	4,821,333	13,360,383
Other long-term liabilities	772,081	155,283	927,364	6,434,009	1,294,025	7,728,034
Total long-term liabilities	1,796,767	733,843	2,530,610	14,973,059	6,115,358	21,088,417
Total liabilities	2,628,682	2,823,746	5,452,428	21,905,684	23,531,216	45,436,900
Minority interests	88,451	–	88,451	737,092	–	737,092
Common stock	523,707	82,107	605,814	4,364,225	684,225	5,048,450
Capital surplus	774,403	30,067	804,470	6,453,358	250,558	6,703,916
Retained earnings	730,373	148,282	878,655	6,086,442	1,235,683	7,322,125
Unrealized holding gain on securities	1,934	(103)	1,831	16,116	(858)	15,258
Translation adjustments	(340,089)	19,813	(320,276)	(2,834,075)	165,109	(2,668,966)
Treasury stock	(162,190)	–	(162,190)	(1,351,583)	–	(1,351,583)
Total Shareholders' equity	1,528,138	280,166	1,808,304	12,734,483	2,334,717	15,069,200
Total liabilities and shareholders' equity	¥4,245,271	¥3,103,912	¥7,349,183	$35,377,259	$25,865,933	$61,243,192

Fiscal year 2001 *(As of Mar. 31, 2002)*	Millions of yen Automobile	 Sales Financing	 Consolidated total
Cash and cash equivalents	¥ 272,742	¥ 6,911	¥ 279,653
Short-term investments	651	15	666
Receivables, less allowance for doubtful receivables	363,953	1,815,901	2,179,854
Inventories	521,577	12,474	534,051
Other current assets	364,171	158,860	523,031
Total current assets	1,523,094	1,994,161	3,517,255
Property, plant and equipment, net	2,103,261	775,897	2,879,158
Investment securities	373,379	25,734	399,113
Other assets	352,711	66,768	419,479
Total assets	¥4,352,445	¥2,862,560	¥7,215,005
Short-term borrowings and current portion of long-term debt	¥ (317,818)	¥1,742,622	¥1,424,804
Notes and accounts payable	957,597	32,676	990,273
Accrued income taxes	46,706	–	46,706
Other current liabilities	417,494	128,738	546,232
Total current liabilities	1,103,979	1,904,036	3,008,015
Long-term debt	1,022,274	582,681	1,604,955
Other long-term liabilities	769,883	134,041	903,924
Total long-term liabilities	1,792,157	716,722	2,508,879
Total liabilities	2,896,136	2,620,758	5,516,894
Minority interests	77,289	–	77,289
Common stock	534,949	69,607	604,556
Capital surplus	785,645	17,567	803,212
Retained earnings	319,023	111,728	430,751
Unrealized holding gain on securities	3,728	678	4,406
Translation adjustments	(264,195)	42,222	(221,973)
Treasury stock	(130)	–	(130)
Total Shareholders' equity	1,379,020	241,802	1,620,822
Total liabilities and shareholders' equity	¥4,352,445	¥2,862,560	¥7,215,005

(Interest bearing debt)

Fiscal year 2002 *(As of Mar. 31, 2003)*	*Millions of yen* Automobile	Sales Financing	Consolidated total	*Thousands of U.S. dollars* Automobile	Sales Financing	Consolidated total
Short-term borrowings from third parties	¥ 420,041	¥ 895,181	¥1,315,222	$ 3,500,342	$ 7,459,842	$10,960,184
Internal loans to sales financing companies	(1,073,629)	1,073,629	–	(8,946,908)	8,946,908	–
Short-term borrowings per the balance sheet	(653,588)	1,968,810	1,315,222	(5,446,566)	16,406,750	10,960,184
Bonds and debentures	772,220	5,940	778,160	6,435,167	49,500	6,484,667
Long-term borrowings from third parties	252,772	572,314	825,086	2,106,433	4,769,283	6,875,716
Internal loans to sales financing companies	(306)	306	–	(2,550)	2,550	–
Long-term borrowings per the balance sheet	252,466	572,620	825,086	2,103,883	4,771,833	6,875,716
Total interest bearing debt	371,098	2,547,370	2,918,468	3,092,484	21,228,083	24,320,567
Cash and cash equivalents	263,146	6,671	269,817	2,192,883	55,592	2,248,475
Net interest bearing debt	107,952	2,540,699	2,648,651	899,601	21,172,491	22,072,092
Debt for Canton Plant included in the above	116,554	–	116,554	971,283	–	971,283
Net interest bearing debt (excluding that related to Canton Plant)	¥ (8,602)	¥2,540,699	¥2,532,097	$ (71,682)	$21,172,491	$21,100,809

Fiscal year 2001 *(As of Mar. 31, 2002)*	*Millions of yen* Automobile	Sales Financing	Consolidated total
Short-term borrowings from third parties	¥ 444,998	¥ 979,806	¥1,424,804
Internal loans to sales financing companies	(762,816)	762,816	–
Short-term borrowings per the balance sheet	(317,818)	1,742,622	1,424,804
Bonds and debentures	786,258	9,900	796,158
Long-term borrowings from third parties	249,263	559,534	808,797
Internal loans to sales financing companies	(13,247)	13,247	–
Long-term borrowings per the balance sheet	236,016	572,781	808,797
Total interest bearing debt	704,456	2,325,303	3,029,759
Cash and cash equivalents	272,742	6,911	279,653
Net interest bearing debt	431,714	2,318,392	2,750,106
Debt for Canton Plant included in the above	–	–	–
Net interest bearing debt (excluding that related to Canton Plant)	¥ 431,714	¥2,318,392	¥2,750,106

2) Summarized consolidated statements of income by business segment

Fiscal year 2002 *(For the year ended Mar. 31, 2003)*	*Millions of yen*			*Thousands of U.S. dollars*		
	Automobile	Sales Financing	Consolidated total	Automobile	Sales Financing	Consolidated total
Net sales	¥6,432,720	¥395,868	¥6,828,588	$53,606,000	$3,298,900	$56,904,900
Cost of sales	4,617,368	254,956	4,872,324	38,478,067	2,124,633	40,602,700
Gross profit	1,815,352	140,912	1,956,264	15,127,933	1,174,267	16,302,200
Operating income	677,348	59,882	737,230	5,644,566	499,017	6,143,583
Operating income as a percentage of net sales	10.5%	15.1%	10.8%	10.5%	15.1%	10.8%
Net financial cost	(16,543)	3	(16,540)	(137,858)	25	(137,833)
Income before income taxes and minority interests	634,818	59,806	694,624	5,290,150	498,383	5,788,533
Net income	¥ 458,611	¥ 36,554	¥ 495,165	$ 3,821,758	$ 304,617	$ 4,126,375

(Detail of net financial cost)

Fiscal year 2002 *(For the year ended Mar. 31, 2003)*	*Millions of yen*			*Thousands of U.S. dollars*		
	Automobile	Sales Financing	Consolidated total	Automobile	Sales Financing	Consolidated total
Total net financial cost	¥(16,543)	¥3	¥(16,540)	$(137,858)	$25	$(137,833)
Intersegment elimination	(5,677)	–	(5,677)	(47,308)	–	(47,308)
Net financial cost for segment	(10,866)	3	(10,863)	(90,550)	25	(90,525)

Fiscal year 2001 *(For the year ended Mar. 31, 2002)*	*Millions of yen*		
	Automobile	Sales Financing	Consolidated total
Net sales	¥5,829,589	¥366,652	¥6,196,241
Cost of sales	4,294,565	251,961	4,546,526
Gross profit	1,535,024	114,691	1,649,715
Operating income	451,099	38,116	489,215
Operating income as a percentage of net sales	7.7%	10.4%	7.9%
Net financial cost	(20,428)	(2)	(20,430)
Income before income taxes and minority interests	327,197	37,019	364,216
Net income	¥ 349,890	¥ 22,372	¥ 372,262

(Detail of net financial cost)

Fiscal year 2001 *(For the year ended Mar. 31, 2002)*	*Millions of yen*		
	Automobile	Sales Financing	Consolidated total
Total net financial cost	¥(20,428)	¥(2)	¥(20,430)
Intersegment elimination	(5,469)	–	(5,469)
Net financial cost for segment	(14,959)	(2)	(14,961)

3) Summarized consolidated statements of cash flows by business segment

	Millions of yen			*Thousands of U.S. dollars*		
Fiscal year 2002 *(For the year ended Mar. 31, 2003)*	Automobile	Sales Financing	Consolidated total	Automobile	Sales Financing	Consolidated total
Operating activities						
Income before income taxes and minority interests	¥ 634,818	¥ 59,806	¥ 694,624	$5,290,150	$ 498,383	$ 5,788,533
Depreciation and amortization	213,569	157,556	371,125	1,779,742	1,312,967	3,092,709
Decrease (increase) in finance receivables	64,057	(391,414)	(327,357)	533,808	(3,261,783)	(2,727,975)
Others	(115,097)	(47,917)	(163,014)	(959,142)	(399,308)	(1,358,450)
Net cash provided by (used in) operating activities	797,347	(221,969)	575,378	6,644,558	(1,849,741)	4,794,817
Investing activities						
Proceeds from sales of investment securities including shares of subsidiaries	39,816	13,842	53,658	331,800	115,350	447,150
Proceeds from sales of property, plant and equipment	94,828	3,871	98,699	790,233	32,259	822,492
Purchases of fixed assets	(376,429)	(1,500)	(377,929)	(3,136,908)	(12,500)	(3,149,408)
Purchases of leased vehicles	(33,522)	(450,182)	(483,704)	(279,350)	(3,751,517)	(4,030,867)
Proceeds from sales of leases vehicles	15,644	243,431	259,075	130,367	2,028,591	2,158,958
Others	(46,720)	(18,453)	(65,173)	(389,333)	(153,775)	(543,108)
Net cash used in investing activities	(306,383)	(208,991)	(515,374)	(2,553,191)	(1,741,592)	(4,294,783)
Financing activities						
(Decrease) increase in short-term borrowings	(369,506)	315,196	(54,310)	(3,079,217)	2,626,633	(452,584)
(Decrease) increase in long-term borrowings	(81,106)	91,044	9,938	(675,883)	758,700	82,817
Increase in bonds and debentures	85,000	–	85,000	708,333	–	708,333
Proceeds from sales of treasury stock	5,670	–	5,670	47,250	–	47,250
Others	(144,062)	25,000	(119,062)	(1,200,517)	208,334	(992,183)
Net cash (used in) provided by financing activities	(504,004)	431,240	(72,764)	(4,200,034)	3,593,667	(606,367)
Effect of exchange rate changes on cash and cash equivalents	1,174	(520)	654	9,783	(4,333)	5,450
(Decrease) increase in cash and cash equivalents	(11,866)	(240)	(12,106)	(98,884)	(1,999)	(100,883)
Cash and cash equivalents at beginning of the year	272,742	6,911	279,653	2,272,850	57,591	2,330,441
Increase due to inclusion in consolidation	2,297	–	2,297	19,142	–	19,142
Decrease due to exclusion from consolidation	(27)	–	(27)	(225)	–	(225)
Cash and cash equivalents at end of the year	¥263,146	¥ 6,671	¥269,817	$2,192,883	$ 55,592	$2,248,475

Fiscal year 2001 *(For the year ended Mar. 31, 2002)*	Automobile	Sales Financing	Consolidated total
	Millions of yen		
Operating activities			
Income before income taxes and minority interests	¥ 327,197	¥ 37,019	¥ 364,216
Depreciation and amortization	209,174	165,653	374,827
Decrease (increase) in finance receivables	135,274	(569,939)	(434,665)
Others	(42,492)	(39,672)	(82,164)
Net cash provided by (used in) operating activities	629,153	(406,939)	222,214
Investing activities			
Proceeds from sales of investment securities including shares of subsidiaries	106,292	7,013	113,305
Proceeds from sales of property, plant and equipment	108,874	61	108,935
Purchases of fixed assets	(293,100)	(700)	(293,800)
Purchases of leased vehicles	(53,868)	(342,345)	(396,213)
Proceeds from sales of leases vehicles	38,213	146,939	185,152
Others	(233,522)	(8,246)	(241,768)
Net cash used in investing activities	(327,111)	(197,278)	(524,389)
Financing activities			
(Decrease) increase in short-term borrowings	(331,786)	640,655	308,869
(Decrease) increase in long-term borrowings	(415,935)	(44,680)	(460,615)
Increase in bonds and debentures	236,922	9,900	246,822
Proceeds from sales of treasury stock	2,324	–	2,324
Others	183,515	–	183,515
Net cash (used in) provided by financing activities	(324,960)	605,875	280,915
Effect of exchange rate changes on cash and cash equivalents	9,937	434	10,371
(Decrease) increase in cash and cash equivalents	(12,981)	2,092	(10,889)
Cash and cash equivalents at beginning of the year	283,717	4,819	288,536
Increase due to inclusion in consolidation	2,006	–	2,006
Cash and cash equivalents at end of the year	¥ 272,742	¥ 6,911	¥ 279,653

Geographical areas

The geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2003, 2002 and 2001 is as follows:

	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
	Fiscal year 2002 *(For the year ended Mar. 31, 2003)*						
	Millions of yen						
Sales to third parties	¥2,554,374	¥ 2,879,500	¥963,440	¥431,274	¥6,828,588	¥ –	¥6,828,588
Inter-area sales and transfers	1,766,102	32,763	26,765	4,174	1,829,804	(1,829,804)	–
Total sales	4,320,476	2,912,263	990,205	435,448	8,658,392	(1,829,804)	6,828,588
Operating expenses	3,929,920	2,607,699	968,253	418,682	7,924,554	(1,833,196)	6,091,358
Operating income	¥ 390,556	¥ 304,564	¥ 21,952	¥ 16,766	¥ 733,838	¥ 3,392	¥ 737,230
Total assets	¥4,881,842	¥3,463,261	¥502,028	¥140,849	¥8,987,980	¥(1,638,797)	¥7,349,183
	Thousands of U.S. dollars						
Sales to third parties	$21,286,450	$23,995,833	$8,028,667	$3,593,950	$56,904,900	$ –	$56,904,900
Inter-area sales and transfers	14,717,517	273,025	223,042	34,783	15,248,367	(15,248,367)	–
Total sales	36,003,967	24,268,858	8,251,709	3,628,733	72,153,267	(15,248,367)	56,904,900
Operating expenses	32,749,333	21,730,825	8,068,775	3,489,017	66,037,950	(15,276,633)	50,761,317
Operating income	$ 3,254,634	$ 2,538,033	$ 182,934	$ 139,716	$ 6,115,317	$ 28,266	$ 6,143,583
Total assets	$40,682,017	$28,860,508	$4,183,567	$1,173,742	$74,899,834	$(13,656,642)	$61,243,192

	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
	Fiscal year 2001 *(For the year ended Mar. 31, 2002)*						
	Millions of yen						
Sales to third parties	¥2,370,162	¥2,649,212	¥818,555	¥358,312	¥6,196,241	¥ –	¥6,196,241
Inter-area sales and transfers	1,458,965	15,475	32,912	4,709	1,512,061	(1,512,061)	–
Total sales	3,829,127	2,664,687	851,467	363,021	7,708,302	(1,512,061)	6,196,241
Operating expenses	3,539,431	2,455,062	848,239	356,794	7,199,526	(1,492,500)	5,707,026
Operating income	¥ 289,696	¥ 209,625	¥ 3,228	¥ 6,227	¥ 508,776	¥ (19,561)	¥ 489,215
Total assets	¥4,988,676	¥3,506,180	¥471,008	¥114,081	¥9,079,945	¥(1,864,940)	¥7,215,005

In accordance with a new accounting standard for sales incentives which became effective the year ended March 31, 2002 in the United States, certain sales promotion expenses (i.e., incentives paid in cash based on sales volume) of subsidiaries in the United States and Mexico, which had previously been included in selling, general and administrative expenses, have been accounted for as deductions from sales. As a result of this change, sales and operating expenses for "North America" for the year ended March 31, 2002 decreased by ¥98,920 million as compared with the corresponding amounts for the previous year.

	Fiscal year 2000 *(For the year ended Mar. 31, 2001)*						
	Japan	North America	Europe	Other foreign countries	Total	Eliminations	Consolidated
	Millions of yen						
Sales to third parties	¥2,536,750	¥2,469,918	¥822,756	¥260,196	¥6,089,620	¥ –	¥6,089,620
Inter-area sales and transfers	1,381,037	12,134	17,606	2,410	1,413,187	(1,413,187)	–
Total sales	3,917,787	2,482,052	840,362	262,606	7,502,807	(1,413,187)	6,089,620
Operating expenses	3,743,458	2,331,590	867,648	258,617	7,201,313	(1,402,007)	5,799,306
Operating income (loss)	¥ 174,329	¥ 150,462	¥ (27,286)	¥ 3,989	¥ 301,494	¥ (11,180)	¥ 290,314
Total assets	¥4,984,516	¥2,416,774	¥425,172	¥ 76,373	¥7,902,835	¥(1,451,592)	¥6,451,243

Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the years ended March 31, 2003, 2002 and 2001 are summarized as follows:

	Fiscal year 2002 *(For the year ended Mar. 31, 2003)*			
	North America	Europe	Other foreign countries	Total
	Millions of yen			
Overseas sales	¥2,785,334	¥974,872	¥763,368	¥4,523,574
Consolidated net sales				6,828,588
	Thousands of U.S. dollars			
Overseas sales	$23,211,117	$8,123,933	$6,361,400	$37,696,450
Consolidated net sales				56,904,900
Overseas sales as a percentage of consolidated net sales	40.8%	14.3%	11.1%	66.2%

	Fiscal year 2001 *(For the year ended Mar. 31, 2002)*			
	North America	Europe	Other foreign countries	Total
	Millions of yen			
Overseas sales	¥2,588,300	¥825,696	¥670,556	¥4,084,552
Consolidated net sales				6,196,241
Overseas sales as a percentage of consolidated net sales	41.8%	13.3%	10.8%	65.9%

In accordance with a new accounting standard for sales incentives which became effective the year ended March 31, 2002 in the United States, certain sales promotion expenses (i.e., incentives paid in cash based on sales volume) of subsidiaries in the United States and Mexico, which had previously been included in selling, general and administrative expenses, have been accounted for as deductions from sales. As a result of this change, sales for “North America” for the year ended March 31, 2002 decreased by ¥98,920 million as compared with the corresponding amounts for the previous year.

	Fiscal year 2000 *(For the year ended Mar. 31, 2001)*			
	North America	Europe	Other foreign countries	Total
	Millions of yen			
Overseas sales	¥2,429,722	¥794,251	¥554,221	¥3,778,194
Consolidated net sales				6,089,620
Overseas sales as a percentage of consolidated net sales	39.9%	13.0%	9.1%	62.0%

22. SUBSEQUENT EVENTS

a) In accordance with Articles 280-20 and 280-21 of the Commercial Code of Japan and a resolution approved at the annual general meeting of the shareholders held on June 20, 2002, the Board of Directors of the Company resolved on April 23, 2003 to grant stock subscription rights free of charge to certain employees of the Company and certain directors and employees of the Company’s subsidiaries effective May 7, 2003. The holders of these rights are entitled to subscribe for shares of common stock of the Company at a fixed price of ¥932 per share. The aggregate number of units and shares granted for subscription are 124,300 units and 12,430,000 shares, respectively.

b) The Company and Dongfeng Automotive Industry Investment Co., Ltd. (“DAI”), a Chinese corporation, jointly will establish Dongfeng Motor Co., Ltd. (“DMC”) in accordance with a comprehensive and strategic agreement between the two parties. A business license from the relevant Chinese authorities was obtained on May 20, 2003 and DMC will commence operations effective July 1, 2003 with approximately 74,000 employees including those at its subsidiaries. DMC is primarily engaged in the manufacture and sales of passenger vehicles, commercial vehicles, buses and trucks. Its registered capital is RMB16,700 million or approximately ¥240 billion ($2,000,000 thousand). This registered capital is to be contributed equally by the Company in the form of cash and by DAI in the form of operating assets.

c) The following appropriations of retained earnings of the Company were approved at a shareholders’ meeting held on June 19, 2003:

	Millions of yen	*Thousands of U. S. dollars*
Year-end cash dividends (¥10.00 = U.S.$0.083 per share)	¥44,662	$372,183
Bonuses to directors	390	3,250

Report of Independent Auditors

SHIN NIHON & CO.
ERNST & YOUNG INTERNATIONAL

■ Certified Public Accountants
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The Board of Directors
Nissan Motor Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nissan Motor Co., Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2003, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissan Motor Co., Ltd. and consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2003 in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Shin Nihon & Co.

June 19, 2003

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Nissan Motor Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Non-consolidated Five-Year Summary

Nissan Motor Co., Ltd.
Fiscal years 2002, 2001, 2000, 1999 and 1998

	Millions of yen (except per share amounts and number of employees)					Millions of U.S. dollars (Note 1) (except per share amounts)
For the years ended	**2002** **Mar. 31, 2003**	2001 Mar. 31, 2002	2000 Mar. 31, 2001	1999 Mar. 31, 2000	1998 Mar. 31, 1999	**2002** **Mar. 31, 2003**
Net sales	**¥3,419,068**	¥3,019,860	¥2,980,130	¥2,997,020	¥3,319,659	**$28,492**
Operating income	**316,059**	242,279	127,762	(15,674)	15,165	**2,634**
Net income (loss)	**72,869**	183,449	187,485	(790,694)	(34,809)	**607**
Net income (loss) per share (Note 2)	**16.09**	45.61	47.14	(204.93)	(13.85)	**0.13**
Cash dividends paid (Note 3-4)	**14.00**	8.00	7.00	0.00	0.00	**0.12**
Shareholders' equity	**¥1,798,716**	¥1,829,052	¥1,450,159	¥1,263,075	¥1,477,498	**$14,989**
Total assets	**3,933,993**	3,915,031	3,576,466	3,563,853	3,595,272	**32,783**
Long-term debt	**902,118**	942,518	798,009	909,178	750,028	**7,518**
Depreciation and amortization	**56,760**	56,265	49,074	89,858	105,229	**473**
Number of employees	**31,128**	30,365	30,747	32,707	39,467	

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at ¥120=$1, the approximate exchange rate on March 31, 2003.
2. Net income (loss) per share amounts are based on the weighted average number of shares of common stock outstanding during each year. Figures for net income (loss) per share are in exact yen and U.S. dollars.
Number of shares outstanding as of March 31, 2003: 4,520,715,112.
3. Cash dividends paid represent the amounts proposed by the Board of Directors as applicable to the respective years, together with the interim cash dividends paid.
4. Cash dividends applicable to FY2002 is ¥14.00 per share.

Subsidiaries and Affiliates

Consolidated Subsidiaries

as of Mar. 31, 2003

Company	*Location*	*Principal Business*	*Capital (millions)*	*Nissan share*(%)*
Japan				
Nissan Shatai Co., Ltd.	Hiratsuka, Kanagawa	Manufacture and sales of automobiles and parts	¥7,904	42.59
Aichi Machine Industry Co., Ltd.	Nagoya, Aichi	Manufacture and sales of automotive parts	¥8,518	41.51
JATCO Ltd.	Fuji, Shizuoka	Manufacture and sales of automotive parts	¥29,935	81.76
Nissan Kohki Co., Ltd.	Samukawa, Kanagawa	Manufacture and sales of automotive parts	¥2,020	91.82
Nissan Motor Car Carrier Co., Ltd.	Tokyo	International automobile transport	¥640	60.00
Nissan Trading Co., Ltd.	Yokohama, Kanagawa	Import and export of automobiles, parts, etc.	¥320	100.00
Nissan Financial Services Co., Ltd.	Chiba, Chiba	Automobile financing and leasing	¥16,387	100.00
Autech Japan, Inc.	Chigasaki, Kanagawa	Development, manufacture and sales of limited-edition automobiles	¥480	100.00
Nissan Real Estate Development Corporation	Tokyo	Real estate sales, purchase and leasing	¥1,000	70.50
Nissan Finance Co., Ltd.	Tokyo	Finance and accounting support	¥2,491	100.00
Aichi Nissan Motor Co., Ltd.	Nagoya, Aichi	Sales of automobiles and parts	¥4,000	100.00
Tokyo Nissan Motor Sales Co., Ltd.	Tokyo	Sales of automobiles and parts	¥3,400	100.00
Nissan Prince Tokyo Motor Sales Co., Ltd.	Tokyo	Sales of automobiles and parts	¥3,246	100.00
Nissan Satio Osaka Co., Ltd.	Osaka	Sales of automobiles and parts	¥2,000	100.00
Nissan Chuo Parts Sales Co., Ltd.	Yokohama, Kanagawa	Sales of automobile repair parts	¥545	80.61
Nissan Keihin Service Center Co., Ltd.	Ayase, Kanagawa	Inspection and service of new automobiles	¥215	100.00
Nissan Used Car Center Co., Ltd.	Zama, Kanagawa	Sales of used cars and parts	¥480	100.00
US				
Nissan North America, Inc.	Gardena, California	Management of North American subsidiaries, manufacture and sales of automobiles and parts	$1,791	100.00
Nissan Motor Acceptance Corporation	Torrance, California	Finance of wholesale and retail automobile sales in US	$499	100.00
Nissan Motor Corporation in Hawaii, Ltd.	Honolulu, Hawaii	Sales of automobiles and parts	$6	100.00
Nissan Capital of America, Inc.	Torrance, California	Financing for group companies	$1	100.00
Nissan CR Corporation	Farmington Hills, Michigan	Sales of automobiles and parts	$28	100.00
Nissan Technical Center North America, Inc.	Farmington Hills, Michigan	Research and development, testing	$16	100.00
Nissan Motor Insurance Corporation	Honolulu, Hawaii	Casualty insurance	$10	100.00
Nissan Forklift Co., North America	Marengo, Illinois	Manufacture and sales of forklifts and parts	$34	100.00
Canada				
Nissan Canada, Inc.	Mississauga, Ontario	Sales of automobiles and parts	CAN$68	100.00
Nissan Canada Finance Inc.	Mississauga, Ontario	Finance of wholesale and retail automobile sales in Canada	CAN$170	100.00
Mexico				
Nissan Mexicana, S.A. de C.V.	Mexico D.F.	Manufacture and sales of automobiles and parts	P17,056	100.00

*Percent of voting rights held by Nissan Motor Co., Ltd.

Europe				
Nissan Europe S.A.S.	Trappes, France	Management of European manufacturing and sales	€1,626	100.00
Nissan International Finance (Netherlands) B.V.	Amsterdam, The Netherlands	Financing for group companies	€13	100.00
Nissan France S.A.	Trappes, France	Sales of automobiles and parts	€4	94.77
Nissan Motor (GB) Ltd.	Rickmansworth, UK	Sales of automobiles and parts	£136	100.00
Nissan Holding (UK) Ltd.	Sunderland, UK	Holding company for English subsidiaries	€870	100.00
Nissan Italia S.p.A.	Rome, Italy	Sales of automobiles and parts	€5	100.00
Nissan Motor Manufacturing (UK) Ltd.	Sunderland, UK	Manufacture and sales of automobiles and parts	£250	100.00
Nissan Technical Center Europe Ltd.	Cranfield, UK	Research and development, testing	£15	100.00
Nissan Forklift Europe B.V.	Amsterdam, The Netherlands	Sales of forklifts and parts	€6	100.00
Nissan Motor Iberica, S.A.	Barcelona, Spain	Manufacture and sales of automobiles and parts	€725	99.74
Nissan Motor Espana, S.A.	Barcelona, Spain	Sales of automobiles and parts	€12	100.00
Nissan Forklift Espana, S.A.	Noain, Spain	Manufacture and sales of forklifts and parts	€9	100.00
Australia				
Nissan Motor Co. (Australia) Pty. Ltd.	Dandenong, Victoria	Sales of automobiles and parts	A$290	100.00
New Zealand				
Nissan New Zealand Ltd.	Auckland	Managing New Zealand subsidiaries; automobile sales	NZ$51	100.00
South Africa				
Nissan Motor Company South Africa (Pty) Ltd.	Rosslyn	Managing South African subsidiaries; automobile manufacturing and sales	R39	99.39
Middle East				
Nissan Middle East F.Z.E.	Dubai, UAE	Automobile sales	Dh2	100.00
Asia				
Nissan Motor (China) Ltd.	Hong Kong	Automobile sales	HK$16	100.00

Other consolidated subsidiaries	189 companies
Total consolidated subsidiaries	234 companies

Subsidiaries and affiliates accounted for by the equity method

as of Mar. 31, 2003

Company	*Location*	*Principal Business*	*Capital (millions)*	*Nissan share*(%)*
Japan				
Calsonic Kansei Corporation	Tokyo	Manufacture and sales of automotive parts	¥12,048	32.23
Nissan Diesel Motor Co., Ltd.	Ageo, Saitama	Manufacture and sales of automobiles and parts	¥13,603	23.22
Kinugawa Rubber Industrial Co., Ltd.	Chiba, Chiba	Manufacture and sales of automotive parts	¥5,654	20.48
Hashimoto Forming Industry Co., Ltd.	Yokohama, Kanagawa	Manufacture and sales of automotive parts	¥2,211	25.20
Ohi Seisakusho Co., Ltd.	Yokohama, Kanagawa	Manufacture and sales of automotive parts	¥2,766	29.06
Taiwan				
Yulon Motor Co., Ltd.	Miao Li County	Manufacture and sales of automobiles	NT$18,291	25.03
France				
Renault	Billancourt	Manufacture and sales of automobiles and parts	€1,086	15.00

Other subsidiaries and affiliates accounted for by the equity method	33
Total subsidiaries and affiliates accounted for by the equity method	40

*Percent of voting rights held by Nissan Motor Co., Ltd.

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This annual report is printed on recycled paper.

NISSAN
MOTOR COMPANY

2003-07-12000
Printed in Japan