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COMPANY PROFILE

Nissan Motor Co., Ltd.

REFERENCE CODE: 4D7FBDA0-F0B2-4399-B00D-A6C745AE881A
PUBLICATION DATE: 25 Jul 2018
www.marketline.com

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COMPANY OVERVIEW

Nissan Motor Co., Ltd. (Nissan or ‘the group’) is engaged in the manufacturing and sales of vehicles, marine products, and related parts. The group operates through two business segments: Automobile and Sales Financing. Nissan has significant operations in Japan, North America, and Europe. It is headquartered in Kanagawa, Japan.

The company reported revenues of (Yen) JPY11,951,169 million for the fiscal year ended March 2018 (FY2018), an increase of 2% over FY2017. In FY2018, the company’s operating margin was 4.4%, compared to an operating margin of 6.2% in FY2017. In FY2018, the company recorded a net margin of 6.3%, compared to a net margin of 5.7% in FY2017.

KEY FACTS

Head Office	Nissan Motor Co., Ltd. 1-1 Takashima 1-chome Nishi-ku Yokohama-shi Kanagawa Yokohama-shi Kanagawa JPN
Phone	81 45 523 5520
Fax	81 45 523 5771
Web Address	www.nissan-global.com
Revenue / turnover (JPY Mn)	11,951,169.0
Revenue (USD Mn)	110,338.1
Financial Year End	March
Employees	138,910
Tokyo Stock Exchange Ticker	7201

SWOT ANALYSIS

Nissan Motor Co., Ltd. (Nissan or 'the group') is engaged in the manufacturing and sales of vehicles, marine products and related parts. Nissan has strong research and development (R&D) capabilities, which enable the group to build a broad range of innovative products and technologies that enhances its competitive strength. However, increased competition may lead to lower vehicle unit sales and increased inventory, which may create pricing pressure on the group and adversely influence the group's financial condition and results of operations.

Strength	**Weakness**
Fairly Spread Products and Brand Portfolio Enhances Competitiveness and Future Growth Opportunities Robust Research and Development Activities Enables the Group to Build Innovative Products and Technologies, Which Enhances Competitive Strength Diversified Geographic Presence Mitigates Geography Specific Threats and Increases Market Opportunities	Product Recalls Negatively Impacts Consumer Confidence and Brand Image
Opportunity	**Threat**
Growing Global Automotive Manufacturing Industry Could Provide an Opportunity to Boost Revenues and Business Poised to Benefit from the Growing Demand for Hybrid Electric Vehicles Focus on Emerging Markets to Enhance Topline Performance and Boost Global Market Share	Stringent Environment Regulations Could Adversely Affect Operating Margins, Financial Position and Business Performance Competition in the Global Automotive Market Could Adversely Influence Operations and Financial Condition Unfavorable Fluctuations in Foreign Currency Exchange Rates Could Negatively Impact the Group's Competitiveness and Results of Operations

Strength

Fairly Spread Products and Brand Portfolio Enhances Competitiveness and Future Growth Opportunities

Although the group is principally an automobile manufacturer, its product portfolio is fairly spread. The group is also engaged in the manufacturing and sale of marine products and related parts, apart from automobiles. The vehicle division manufactures passenger cars, zero emission vehicles, compacts, sedans, sports utility vehicles (SUVs), minivans, wagons, crossovers, pickups and light commercial vehicles. The group markets its passenger cars under Nissan, Infiniti and Datsun brands. Some of the key models of the Nissan brand include LEAF, Micra, Cube, Sunny, Tsuru, Versa, Fairlady, GT-R, Wingroad, Sentra, Lafesta, Juke, Rogue, Altima, Maxima, X-trail, Patrol, Pathfinder, Armada, Xterra, Murano, Quest, Elgrand, Livina, Serena, Clipper, Frontier, Titan, and Teana.

In addition, Nissan offers luxury cars under the Infiniti brand for markets such as the US, Canada, Europe, Russia, the Middle East, China, and Korea. The group also offers Datsun branded low-cost vehicles for the emerging markets. Furthermore, the group also offers marine products, including motorboats, engines, pontoons, cleaning boats and cruises. Hence, the group's fairly spread product portfolio reduces enhances competitiveness and provides a platform for future growth.

Robust Research and Development Activities Enables the Group to Build Innovative Products and Technologies, Which Enhances Competitive Strength

Nissan has strong research and development (R&D) capabilities. It spends considerable amount of its sales for R&D activities. For instance, the total R&D costs of the group stood at JPY531,900 million in FY2016, an increase of 5.1% over the previous year. The R&D expenditure stood at 4.4% of the total revenues in FY2016. The group's R&D activities focus on the environment, vehicle safety, information technology, and product development. In the recent years, the group has come up with innovative product across the categories like electric vehicles and fuel cell hybrid technologies. For instance, in April 2016, Nissan Motor launched redi-GO urban-cross in India. Similarly in 2015, Nissan LEAF, the group's first pure electric vehicle commands over 50% market share in the global electric vehicles (EV's) market. Further, in 2014, the group launched the first all-electric, commercial vehicle e-NV200 van and wagon.

In addition, the group is also developing autonomous drive technology and plans to launch multiple, commercially-viable autonomous drive vehicles by 2020. Further in 2015, Nissan, through its North American-based organization, formed a five-year research and development partnership with NASA to advance autonomous vehicle systems and prepare for commercial application of the technology. Thus, strong R&D capability enables the group to build a broad range of innovative products and technologies that enhances its competitive strength.

Diversified Geographic Presence Mitigates Geography Specific Threats and Increases Market Opportunities

The group has a wide geographic base. The group manufactures vehicles in 19 countries and offers its products and services in more than 160 countries worldwide. Due to geographical complementarities, Renault and Nissan cover key markets in all continents. In addition to Japan, the group has facilities located in North America; Europe; Asia; Oceania, Middle East, Central and South America. Nissan's major markets are Japan, North America, Mexico, China, and the Middle East. Since 2005, Renault and Nissan have been entering new territories together, such as India, in order to expand their global footprint.

Nissan has operations across Japan, North America, Asia, Europe, and other foreign countries. In addition, the group is well diversified in terms of revenue generation from these regions. For instance, in FY2016, the group generated 18.1% of its total revenues from Japan, 49.5% from North America, 13.8% from Europe, 9.2% from Asia (excluding Japan), and 9.5% from other foreign countries. Thus, the global operations not only provide protection against unfavorable forces in specific market but also enable the group to benefit from opportunities available in both mature and emerging markets.

Weakness

Product Recalls Negatively Impacts Consumer Confidence and Brand Image

Nissan has issued a number of product recalls in the recent past. For instance, in April 2016, the group recalled 3.53 million vehicles, most of it in the US, as the passenger-side air bags not working properly because of malfunction in vehicle sensors. The recall included vehicles from the 2013-2017 model years, including some Nissan Altima, Leaf, Maxima, Murano, Pathfinder, Sentra, Rogue, NV200, NV Taxi, Infiniti JX35/QX60, and Q50. It also included the 2015-2016 Chevrolet City Express, built for General Motors by Nissan. Further, in 2015, Nissan recalled 639,480 cars in the US and 129,000 vehicles in Canada and other countries for faulty hood latches and wiring harnesses that can short circuit. The recalled vehicles included Nissan Pathfinder and Infiniti JX35/QX60, along with 2014 model-year hybrid trims. In the same year, the group recalled 768,000 vehicles, including the Rogue crossover and Pathfinder SUV as moisture could seep through the driver side floor and cause an electrical short, which could lead to a fire.

Such product recalls indicate poor quality checks of vehicles by the group, which in turn negatively impact's consumer confidence in Nissan's products and also dent the group's brand image.

Opportunity

Growing Global Automotive Manufacturing Industry Could Provide an Opportunity to Boost Revenues and Business

The global automotive manufacturing industry has produced relatively consistent levels of growth over the past few years. The industry is expected to continue to grow positively till 2019. According to MarketLine, the global automotive manufacturing industry generated total revenues of $1,390.4 billion in 2016, representing a growth of 3.7% over 2015. Furthermore, the industry is expected to grow at a compound annual growth rate (CAGR) of 4% for the 2016–20 period to reach a value of approximately $1,616.4 billion in 2020. In addition, the industry production volume is expected to rise to 163.6 million units by the end of 2020, representing a CAGR of 3% for the 2016–20 period.

Nissan is well positioned to exploit the growing end market to enhance its revenues and market share. The group is one of the largest automotive manufacturers with a market share of 6.3%. Nissan and its subsidiaries are primarily engaged in the manufacturing and sales of automobiles and related parts worldwide. The group manufactures vehicles in 19 countries and offers its products and services in more than 160 countries worldwide. Therefore, the growing global automotive manufacturing industry could provide immense opportunities to Nissan to boost up revenues and business.

Poised to Benefit from the Growing Demand for Hybrid Electric Vehicles

The demand for hybrid electric vehicles (HEVs) across the world is rising steadily primarily due to global concerns about reducing carbon emissions coupled with highly volatile prices of fuel. According to industry estimates, electric vehicle sales are anticipated to reach approximately 7.5 million units by the end of 2020, growing at a CAGR of 19% for the 2014–20 period. The key markets for HEVs include the US, Western Europe, and Japan, although the rapidly growing Chinese market is also expected to experience relatively strong demand for these fuel efficient and environmentally friendly vehicles.

Nissan is keen to capitalize on the growing demand for HEVs and eco-cars. The group is continuing to develop its capabilities and innovation in the pursuit of zero emissions by expanding its leadership of electric vehicles into new product segments. The group offers an all-electric, commercial vehicle called e-NV200, launched in 2014. In addition, Nissan continues to take a leadership role in every aspect from the development of batteries, chargers and vehicle lineup to electric grid studies, battery recycling and the use of batteries for energy storage, so that it will contribute to the establishment of sustainable mobility. Thus, Nissan's focus on hybrid technology and fuel-efficient eco-cars will enable it to capitalize on the positive market trends thus boosting revenues and market share.

Focus on Emerging Markets to Enhance Topline Performance and Boost Global Market Share

The group has been focusing on the emerging markets to enhance its topline performance and global market share. As part of its strategy to achieve a global automotive market share of 8%, the group has been focusing on the emerging markets. As part of this strategy, the group plans to launch new products every six weeks, coupled with the expansion of Infiniti and light commercial vehicle businesses. For instance, in April 2017, the group launched new Nissan X-Trail in China. Also, in February 2017, The Renault-Nissan Alliance and Transdev agreed to jointly develop driverless vehicle fleet system for future public and on-demand transportation. Later, in January 2017, INFINITI Motor Company, Ltd. and Nest, a venture capital firm and innovation partner, launched ‘INFINITI LAB, Smart Mobility’ in Singapore.

Later, in December 2016, Nissan introduced the Intelligent Vehicle Towing, a fully automated vehicle towing system, at its Oppama Plant. In the same month, Nissan Motor India Pvt. Ltd. launched the 2017 Nissan GT-R in India. Also, in December 2016, the group launched Note e-POWER NISMO. Further in September 2016, Nissan revealed the new NV300 van. Furthermore in November 2016, the group introduced new electric-motor drivetrain, e-POWER. The group's strong focus on the emerging markets reduces business risks and is expected to expand its sales volume, thus enhancing market share and topline performance.

Threat

Stringent Environment Regulations Could Adversely Affect Operating Margins, Financial Position and Business Performance

The automobile industry worldwide is influenced by a broad spectrum of regulations governing the emission levels of exhaust fumes, carbon dioxide/fuel economy guidelines, noise level limitations, recycling-related restrictions and safety standards. These regulations have become increasingly stringent. Although the group is actively committed in inside and outside of the Group to several continuous environmental activities based on the NISSAN GREEN PROGRAM 2016, the medium-term environmental action plan, the burden of ongoing development and investments has been increasing to ensure and/or maintain an advantageous position against competitors. As a consequence, a further rise in these costs could have an impact on the Group’s financial position and business performance. The Air Pollution Control Law of Japan and the Road Vehicle Law and the Law Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides from Automobiles in Specified Areas regulate vehicle emissions in Japan. Similarly, in the US, the federal Clean Air Act directs the Environmental Protection Agency (EPA) to establish and enforce air quality standards, including emission control standards on passenger cars, light trucks and heavy-duty vehicles. In 2007, EPA regulations that restrict emissions from passenger cars and light trucks operating at cold temperatures became effective. The new emissions standards that further restrict emissions from heavy-duty vehicles operating at cold temperatures are expected to be phased in from 2012 to 2015.

Furthermore, these emission regulations are periodically updated. For instance, in 2010, the EPA and the NHTSA issued a joint final rule to reduce the emission of greenhouse gases from passenger cars, light-duty trucks and medium-duty passenger vehicles for model years 2012 through 2016. In addition, in 2011, the EPA and the NHTSA issued a joint proposed rule to further reduce greenhouse gas emissions and improve fuel economy for passenger vehicles, light-duty trucks and medium-duty passenger vehicles for model years 2017 through 2025. The emission standards adopted across various regions can result in additional costs for product development, testing and manufacturing operations of Nissan, which could affect the group's operating margins, financial position and business performance.

Competition in the Global Automotive Market Could Adversely Influence Operations and Financial Condition

The worldwide automotive market is highly competitive. Nissan faces strong competition from other automotive manufacturers such as Bayerische Motoren Werke AG (BMW Group), Ford Motor, General Motors, Honda Motor, Isuzu Motors, Kia Motors, Mazda Motor, Mitsubishi Motors, Navistar International, PSA Groupe, Suzuki Motor, Toyota Motor, and Volkswagen, among others. The competition among various auto players is likely to intensify in light of continuing globalization and consolidation in the worldwide automotive industry. The factors majorly impacting competition include product quality and features, the amount of time required for innovation and development, pricing, reliability, safety, fuel economy, customer service and financing terms. Thus, increased competition may lead to lower vehicle unit sales and increased inventory, which may create pricing pressure on the group and adversely influence its financial condition and results of operations.

Unfavorable Fluctuations in Foreign Currency Exchange Rates Could Negatively Impact the Group's Competitiveness and Results of Operations

Nissan's finished cars are produced in 19 countries and regions, and are sold in more than 160 countries. The group's procurement activities for raw materials, parts, components and services are conducted in many countries. As the consolidated financial statements of the group are calculated and presented in Japanese Yen, the appreciation of the yen against other currencies adversely affects group's financial results of operations, in general. In contrast, the depreciation of the yen against other currencies favorably affects group's financial results of operations. Any sharp appreciation of the currencies of countries where the group manufactures vehicles could lead to increases in production costs that would adversely affect the Nissan's competitiveness.

The group may utilize derivative transactions for the purpose of hedging its exposure to risks such as fluctuations in the foreign exchange rates of its receivables and payables denominated in foreign currencies. However, the group might miss potential gains that could result from seizing the market opportunities to profit from such fluctuation in exchange rates. Therefore, any unfavorable fluctuations in the foreign currency exchange rates against the Japanese Yen could results in adverse impact Nissan's competitiveness and results of operations.