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Executive Vice President

## Building on Strengths and Being Innovative

**"The Planning Group covers a great deal of corporate territory and handles a number of key responsibilities within Nissan. Our Corporate Planning division, for example, oversees strategy, setting the Company's long-term course under the Executive Committee's direction. The two creative divisions, Design and Product Planning, create value for the customer. Together, those three divisions form the core of our group, surrounded by several other key divisions. Market Intelligence supports Design and Product Planning in customer understanding. The people in Process and Resource Management provide the practical direction and restraint a company of our size must have when deploying its resources. And Program Management drives the implementation process, turning the work of all the other divisions into reality.**

**The role of Corporate Planning is to look to the future and devise ways to take advantage of the business opportunities we identify. In the past, the division relied primarily on three-year plans such the Nissan Revival Plan and NISSAN 180. That strategy served the interests of Nissan stakeholders well. The Company is now sound, and the power and constancy of vision Corporate Planning provides will determine how well Nissan maintains its strength. However, in addition to the mid-term plan, we have now entered a phase that requires us to extend that vision and implement a longer-term plan. Corporate Planning is working closely with the Executive Committee on this matter.**

Design and Product Planning are central to the creation of Nissan's strength. Both focus on satisfying the consumer's unmet needs, and create value in the process. Our product planning DNA is to identify and target our customers, and do it better than our competitors. Rather than simply throwing a product into the market and waiting for a response, we first seek a deep understanding of the expected response. Only then can we create a product consistent with that understanding.

One key for both creative divisions is to focus on "customer clusters." We refuse to spend our money to develop products that should please everyone. In fact, we may invest in a certain innovation because we understand that a particular subset of customers will appreciate the performance it provides. Our process is very focused, and may even target a smaller customer cluster that no one else is addressing. The marketing process for these two divisions is deep and accurate. This creates value through differentiation.

The NISSAN Value-Up plan is about focusing on strong products that reinforce our brand, pursuing new concepts and innovation, and expanding geographically in a stronger and faster way. During the Nissan Revival Plan and NISSAN 180, we introduced some influential and innovative models—the Murano, the Z, the FX and the X-TRAIL, to name a few. It would be a mistake not to capitalize on those successes and reinforce the brand. At the same time, we cannot rely solely on our current concepts. Launching a new product naturally requires significant expenditures, because awareness and understanding must be created for the new product. We must differentiate to succeed, devise new products and concepts, and venture into areas that others have not. During the NISSAN Value-Up period, we will offer products that build on past successes—without being conservative—as well as products that are new and innovative. Our brand pyramid shows us the way to be both 'bold and thoughtful.'

Our Market Intelligence division, which supports the Design and Product Planning teams as well as other divisions throughout the Company, is relatively new. The division's experts not only supply research data, they also help shape surveys to answer precise questions and identify the traps that are often hidden within surveys. One challenge for the Market Intelligence people is to clearly communicate their conclusions to the Company's decision-makers. If only their peers are able to understand the data they produce, their efforts and the data itself serve no purpose. In addition, this division is challenged to standardize and extend best practices globally, while maintaining a regional focus when appropriate.



The Process and Resource Management division is one of Nissan's greatest assets. They are sometimes perceived as too rigid, and it is true that the division has established quite a number of rules. However, I easily imagine what can happen to a company without rules. The point, really, is to keep the structure and provide some freedom when needed. The core creative divisions can add great value to a process, such as when they interact with the advanced engineering team. When the creative people are happy with what they have developed, however, someone has to support the complex process of creating added value. That responsibility belongs to the Process and Resource Management division. Otherwise, a nicely crafted process may never be implemented. But at Nissan, employees in the Process and Resource Management division serve as the guardians of the timelines and support the implementation of processes. If a process is not working as we planned, they get the project back on track in a smooth and efficient manner. If a process is no longer relevant, they quickly organize a taskforce to update it.

So Corporate Planning provides the direction, Design and Product Planning create products with value, and Market Intelligence and Process and Resource Management support the creative teams. Someone has to drive the implementation, and that role belongs to our six program directors in Program Management. The program directors are involved from the beginning. They are businesspeople, the CEOs of their own platform businesses. Each has a different part of the vehicle lineup, but the substance of their mutual targets and commitments is simple: profit. Program directors make it happen. They ensure that everybody in the Company keeps each project consistently profitable through

all phases: planning, development and launch, right through to the end of the lifecycle. Our program directors are persuasive people with strong characters, special skills and attributes, and they are not afraid to challenge the system. Their diversity contributes tremendously to Nissan's success. The cumulative work of all these divisions results in a very consistent organization with an upstream process that creates value.

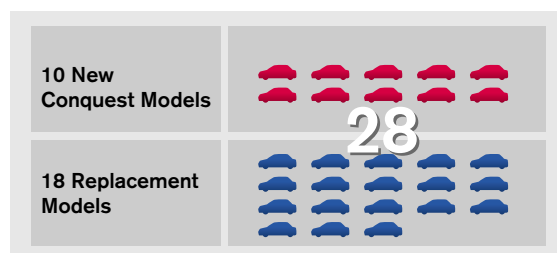
Looking at Nissan's global output over the last six years, it is clear that some terrific products have been created, and the value of the Company as a whole is greater. There are many scorecards that reflect this, and our stakeholders certainly know Nissan's success first-hand. At the same time, we must prepare for the future. We need to reinforce the strength of our program management groups and establish more precise, accurate groups to standardize and improve processes for the future. Ironically, our achievements have created uncertainty for the future. Success creates risk, and the more we highlight our successes, the more we raise the anxiety level of investors. How can our new products be as good as those already released? How can we keep it all going?

One way to sustain our strong pace is to take greater advantage of the Alliance. The value is there, in areas such as purchasing, development, benchmarking, sales networks, market knowledge and even financial strategy. Yet we must maintain both a balance and a clear separation between the brand identities of Renault and Nissan. Neither company wants to make the same cars, or have the same corporate culture, or have its brand mistaken for the other. We will continue to derive benefits from this strategic partnership while remaining Nissan.

#### Nine Global Product Launches

	NISSAN 180	NISSAN Value-Up
New Products	31	28
Start of Production	44	70

#### 28 All-New Models





Within the Company, positive tension is what keeps us going. Our recent success has been a learning experience for us. It created a unique set of values and skills, and these are not going to disappear. Moreover, the core skills that now exist in Nissan are what will drive us forward. And we will not lose these skills because we now attract and retain the best employees. The organization is more efficient, and we can push our teams towards higher targets because their confidence level is higher.

We displayed that confidence when we introduced the Murano in the U.S. Crossover vehicles were a new concept for the U.S. car buyer, and that carried a risk. The product planners boldly pushed ahead, though, and after the Murano became a hit in that market, it proved equally popular in Japan and Europe. Now, with new product launches rising from 44 during NISSAN 180 to 70 in NISSAN Value-Up, and with global expansion in markets outside our traditional regions, you can see how the product planners benefited from the Murano's success. From the conceptual stage onward, they now have the confidence to make strong projections about how many customers a model will have around the world. Their mindset is, we've succeeded before with Murano and others, so why not try this again on a global basis? They can identify and target certain customers but then propose skipping a particular market to avoid compromising the concept. We don't want to make bland cars, where we design one variation for Europe, another for Japan, and something else for the US. There is no flavor, nothing special, about a chameleon car that tries to please everyone. The Murano was the kind of strong, innovative concept that prospered because it was not a compromise.

These are the things that we as planners can do. For instance, if we understand that in one market diesel engines are very important, the engineers can create a package that takes that into account. We are not compromising, but creating the proper combination to address specific needs from the start. With a car like the Z, for instance, we will not compromise. We will make a clear choice, even if it means losing some volume in other markets. Cars like the Z are not volume seekers; they are brand builders.

The global expansion of the Infiniti brand is another example of building a brand. Developing and building Infiniti is about making a specific brand decision. You can't advertise a luxury brand like this in the same way you do a standard non-luxury brand. The typical Infiniti customer might never buy a Nissan, for example, because it's not exclusive enough. So in the Planning Group, we have a lot of work to do upstream, going deep into brand understanding and then deploying this understanding on specific products, features that span across multiple car lines, perceived product quality, materials and so on.

Brand is about consistency; keeping on track, building step-by-step to sharpen the awareness that we are professionals with finely tuned cars meant for very specific customers. For example, in the recent launch of the Infiniti brand in Korea, everything in support of the brand had to be outstanding from the beginning—the sales network, the service, the people. We are going to do great things with Infiniti as we take the brand global over the next five years.

Like the global expansion of Infiniti, our Light Commercial Vehicles (LCV) business presents another breakthrough opportunity during the NISSAN Value-Up period. In the past, Nissan, like other OEM producers, often placed the LCV business behind other product lines. Some view these vehicles as unprofitable, but that is only true if they fail to address customer needs. We are now committed to bringing LCVs in-line with Nissan's other product areas. We are looking to introduce a new generation of LCVs, with innovations and features that will satisfy customer needs that have not yet been met. From a design standpoint, we also want to demonstrate that LCVs are more than just utilitarian. We have several exciting products in the LCV pipeline that will bring something new and fresh to this market.

Here in the Planning Group, we understand that we must protect the Nissan way of being creative. But while fostering that creativity, we will continue to standardize and refine our processes, building on what we have learned and applying these processes during this period of sustainable growth and profit. That balance between creativity and rigorous process management will keep Nissan on the path of global profitable growth."