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More value, Higher quality, Win-win partnerships

"The evolution that took place in Nissan's purchasing activities during the Nissan Revival Plan, or NRP, and continued through NISSAN 180, will stretch even further during NISSAN Value-Up. Why evolution and not revolution? Because the shift in purchasing that started six years ago was not a single action, it was a mindset change that continues to drive all our activities.

Purchasing represents the single largest area of cost for Nissan. Through the NISSAN Value-Up business plan, we are determined to drive greater value from our purchasing activities and maintain the momentum built over the last six years.

During the Nissan Revival Plan years, our focus was on catching up with the rest of the industry. NISSAN 180 was focused on reaching the benchmarks set during NRP and now as we enter the NISSAN Value-Up period, that focus evolves towards being the global cost leader.

One of the key breakthrough strategies of NISSAN Value-Up is the focus on new and emerging markets. On the sales side, markets like China, India, Russia and ASEAN represent significant opportunities for Nissan. On the purchasing side, we look at the cost competitiveness of these new markets and how we can increasingly use them to enhance our global competitiveness.

Our strategy for what we call 'Leading Competitive Countries', or LCCs, is to focus on those markets that we see as trend leaders in both cost, quality and supply stability. We will focus first on China and then on ASEAN nations. This will bring cost advantages for our major regions, such as Japan, North America and Western Europe, making us more competitive. We're also investigating sourcing from Eastern Europe, the Mercosur trading zone, and India.

Our Alliance with Renault has also provided substantial purchasing benefits and opportunities. Formed in 2001, the Renault Nissan Purchasing Organization, or RNPO, now accounts for over 70 percent of all purchasing for Nissan and Renault. Nissan will further benefit from RNPO through the utilization of Renault supply bases in certain LCCs.

Although the turnaround in the Nissan business has been profound, we also recognize that our supplier partners have played a significant role. Going forward, we intend to reinforce those relationships, building value on both sides. For example, we are reinvigorating our innovative 3-3-3 engineering program.

We are also deploying a purchasing process that gets suppliers involved earlier and further upstream in the product development process, the concept of 'project partners'. This is a program that identifies key technologies and innovations that require substantial investments from both sides. Suppliers will be selected as project partners for a specific area and will work closer with us to develop lower cost and higher quality solutions. This win-win approach has already started with interior systems and chassis development projects.

Last year, we faced several challenges with raw materials. Those risks—both price and supply related—are a factor that we have to recognize and address in the coming years. Last year, the pressure was concentrated on the supply side, going forward we see an increasingly challenging cost environment. Working closely with our key raw material suppliers as well as parts suppliers and accelerating our cost reduction countermeasures will be key during NISSAN Value-Up.

Our purchasing philosophy at Nissan is focused on value, quality and relationships. We want our purchasing process to be transparent and proactive, and create more value for our suppliers and for the company."