



Seeking Superior Quality in Every Category and Region

Nissan's quality in Japan remains at the highest level. We've had some issues in other regions, but for the past few years our overall quality has been rising. For example, according to the J. D. Power and Associates 2006 Initial Quality Study (IQS), our rating improved from 16th to 12th place. When the three-year Nissan Value-Up period ends we intend to be among the top three globally in every category. To accomplish this, we are instituting worldwide the same quality assurance methodologies that work for us in Japan.

This is crucial, because there will be 70 production starts during the Nissan Value-Up period, and we are also expanding geographically. Any such expansion carries an inherent risk for quality—new products and regions bring new parts, processes and suppliers. This is particularly true in leading competitive countries, or LCCs, where suppliers generally have less experience with Nissan.

Nissan does not have *keiretsu* connections. We need strong supplier partnerships, because suppliers provide most of our parts and represent 70 percent of our costs. To minimize the attendant risks, we are bringing several supplier quality assurance initiatives online, including the Supplier Score Card, the Global Supplier Quality Meeting, and the Nissan Quality Award system.

A primary Nissan Value-Up goal is to reduce our warranty costs by 25 percent from fiscal 2004. We are on the right track in fiscal 2005. Since our worldwide production volume is going up, I'm forecasting that total warranty costs will be fairly stable after 2008. On a per-vehicle basis, though, they will continue to fall.

We will open a Field Quality Center at the Nissan Technical Center sometime before the end of 2006. The new facility will speed up and improve our quality

analysis of parts and enhance communication with both our engineers and suppliers.

Until 2006, our division was responsible only for product quality, but we now oversee sales and service quality as well. This makes sense, because the functions go hand in hand, and improving their processes and methodology is a unified concern. While the sales function will remain largely independent, we will monitor services more closely because of their tighter relationship to product quality. Our name recently changed to Total Customer Satisfaction to reflect the wider scope of our responsibilities.

A related development is the customer satisfaction officer or CSO position. We have one CSO each for Japan, North/South America, Europe and GOM managing product quality and sales and service quality. We are also taking greater advantage of our ten Global Quality Lead Teams, or GQLTs, mostly NTC engineering people with some members from other regions on the sub-teams.

Our partnership with Renault continues to pay off. One initiative involves developing rules for Alliance projects such as the common powertrain, the New Cabstar, a new LCV and the 2.0-liter diesel. We have internal rules, of course, but sharing rules with Renault allows us to construct a more global and versatile approach.

We are also working to standardize our quality management in North America, Europe and GOM, which occasionally manage processes differently. We've recently become major shareholders in many GOM operations, so we can control quality more directly. I believe these globally oriented methodologies and standards, such as supplier quality assurance and GQLT activities, the Quality Award system, and supplier meetings will boost Nissan's quality worldwide.