Stimulating the Market to Create a Positive Growth Cycle

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Japan's auto market is facing an unprecedented drought. Starting in fiscal 2006, total demand fell by nearly 540,000 units.

Beyond the demographic and market changes—including an aging populace, low birthrate, and the growing diversification in consumer tastes—the surge in gasoline prices has decreased demand. The shift to mini-vehicles has also accelerated the decrease, resulting in sales of just 3.43 million registered vehicles during fiscal 2007—the lowest level since 1974. Every automaker is launching more new models in an attempt to reenergize the market, which has led to more relentless competition.

As the market grows increasingly harsh, maintaining sales and production and boosting profitability are essential to keeping Japan globally competitive. Now is the time to introduce innovative changes that will revitalize the market and shift business into a positive growth cycle. The Japan Performance Revival Plan, a project we launched in fiscal 2007, one year before NISSAN GT 2012, is our engine for accomplishing that goal. The plan's four pillars promote makeovers in every area, including manufacturing, sales, and administration.

The first pillar is to bring more attractive products and technologies to market. We are reacting to the radical shifts in consumer values by accelerating our efforts to provide innovative vehicles that excite drivers. We believe our market presence is growing stronger as a result. Sales of new models in fiscal 2007 exceeded our estimates, and vehicles updated with minor changes such as the Serena have been selling steadily. During the next five years, Nissan plans to launch 60 new models globally—33 of them in Japan—and we will continue to anticipate changing market needs and offer striking cars with exceptional performance.

The second pillar is to refine our marketing skills. As announced in March 2007, the objective of our network strategy is to bolster dealer operations, focusing on the quality of our sales interactions, including higher productivity and more effective customer-handling skills. Our fully incorporated regional companies began these reforms in the Tokai area in 2007, followed by the greater Tokyo metropolitan and Kinki regions in June 2008. They are sharing operational know-how and best practices of top-performing outlets.

Cost structure reform is the third pillar of our plan. We have been revamping our sales network and production system since the Nissan Revival Plan years. As the Japanese market shrinks and production becomes both more globalized and localized, domestic sales and production volumes have dropped drastically.

To reinforce our operational base here, we must seize every opportunity for cost efficiency and optimization. One recent initiative is the "in-plant challenge," which promotes low-cost automation, further integrating onsite manufacturing ability and the technical skills of our engineers. Starting at the Oppama plant, we are introducing this at all our factories here. Our aim is to have the best, most cost-competitive plants in the world.

The last pillar is to expand our value-chain business. Nissan's share of new vehicle sales in Japan was 13.6 percent in fiscal 2007. In the broadest sense, we supplied around half of all new vehicles. This includes expanding segments—such as the rental car business—where we can become more prominent. During a period in which we expect less demand for new vehicles from consumers, enlarging the value chain will supplement sales and stabilize our earnings.

That, in turn, will build Nissan's business base and spur a rise in our investments in human resources and outlets, benefiting the greater value chain that exists outside our company. In this way, Nissan will help energize and activate a positive growth cycle in Japan's marketplace.