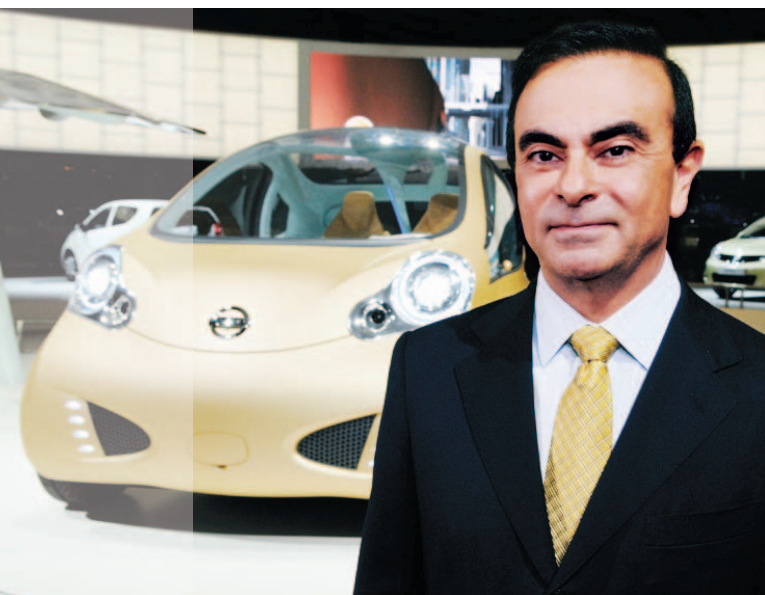


# Managing Through the Global Crisis



## Managing Through the Global Crisis

**Fiscal 2008 was a very challenging year. Nissan, along with the entire automotive industry, operated in an environment that faced a triple threat from a global financial crisis, a severe economic recession and volatility in foreign exchange rates. Governments acted quickly to help stabilize the environment, and stimulus programs are being implemented around the world. Even so, recovery is expected to take time. Fiscal 2009 may be just as difficult as the year it follows.**

As soon as we saw the first signs of decline in fiscal 2008, Nissan responded quickly and took actions to adapt to evolving circumstances.

In order to keep the company focused on the necessary recovery of results, we suspended the NISSAN GT 2012 business plan, retained only key business objectives and implemented a corporate recovery plan. A new, three-region organizational structure was put in place in order to maximize synergies within each region. A new position, Chief Recovery Officer, was established to lead the creation and implementation of the recovery

plan that is guiding our company through this time of crisis. The recovery plan has two specific objectives, which are to return to positive free cash flow and to positive operating profit as soon as possible.

Part of the recovery plan focuses on actions to preserve cash. In fiscal 2008, we took swift actions to tighten our control of global inventory, and we continue to monitor carefully the balance of sales, production and inventory. We have postponed, reduced or canceled specific capital investments until there is better visibility regarding the duration of the economic crisis.

We are also taking actions to improve our profitability. *Monozukuri* cost reduction is the biggest and most important contributor to recovery. Forecasted reductions in production volumes will lower our ability to decrease costs per vehicle. Our *monozukuri* functions—Engineering, Purchasing, Manufacturing and Supply Chain Management—are working with our suppliers to develop concrete action plans to improve profitability. Major opportunities are linked to parts diversity and complexity reduction and to exchange rates. *Monozukuri* cost reduction activity was the key to the success of the Nissan Revival Plan, and it will be the key to this recovery plan as well.

Nissan ended fiscal 2008 with results that were better than what we had forecast at the end of the third quarter of fiscal 2008. Net revenues of ¥8,437.0 billion were higher than our third-quarter forecast, and the operating loss of ¥137.9 billion was smaller than expected. Despite these better-than-expected results, the absolute numbers show that we still have significant challenges before us. The crisis is ongoing, and market conditions are still volatile.

Two clear indicators will point to the end of the crisis. One is when we no longer see further declines in total industry volumes for the global automotive market. The other indicator will be when Nissan's net income returns to positive and is forecast to remain positive.

As long as there is a credit issue in the global economy, positive free cash flow will be our leading objective, but concern for the present will not overshadow our vision for the future. We are rebalancing short and long-term objectives in order to remain viable and prepare for major evolutions that are occurring in our industry. Though the crisis forces us to act defensively on some counts, we continue to look for opportunities.



In addition to our ongoing product lineup renewal of attractive, competitive models, we are bringing specific product breakthroughs. Producing the right products in the right place at the right time is the strategy behind two important vehicle projects we continue to develop: global entry cars and zero-emission vehicles.

Affordable, fuel-efficient cars are the right products for a time of global economic crisis and beyond, and we are moving forward rapidly with our plans to produce them. The demand for affordable entry cars has been increasing steadily, especially in emerging markets, and this trend is expected to continue. With our new global entry car, we will offer the space, technology and comfort of a B-segment vehicle with the fuel efficiency and overall cost of ownership of an A-segment vehicle.

We are also moving forward with our zero-emission leadership strategy. Electric vehicles will be launched first, and our production plans are on track. Nissan's compact laminated lithium-ion battery, the core technology for the electric vehicle, is being produced by our affiliate Automotive Energy Supply Corporation (AESC) in Zama. We have already received orders from competitors that are eager to benefit from the advanced battery technology Nissan has developed over the past 17 years. Nissan's zero-emissions strategy is unique because it goes *beyond* the vehicle itself. Taking this new technology to mass production requires building up the necessary infrastructure and securing the economic conditions for success through partnerships with governments and other third parties. This is our vision, and we are working aggressively to make it happen.

The global automobile industry is being reshaped by sweeping, major changes. In an industry that is going through a wave of consolidation, Nissan and Renault have a solid partnership built upon 10 years in the Alliance—a significant, unique experience in our industry.

The maturity we now have in the Alliance makes it possible for us to go to a new stage of strengthening

and extending synergies between Nissan and Renault. We will push for greater commonization and standardization that will build competitive advantage. In fiscal 2009 we have identified synergies that will contribute ¥180 billion in free cash flow to the Alliance partners. Guided by a dedicated Alliance team, our priorities for additional synergies will be purchasing, global sourcing, common platforms and parts, powertrains, support functions, global logistics, IS/IT, research and advanced technologies, and zero-emissions business.

Ten years ago, when the Renault-Nissan Alliance was formed, Nissan demonstrated its capabilities in a crisis situation, and we are seeing the same kind of rapid-response effectiveness today. We know how to adapt and face a crisis, but that is not all we are about. Nissan has knowledge and skill that are being used to create innovative products, such as zero-emission vehicles and breakthrough global entry cars. Through the Alliance, we have sufficient economies of scale, which will help us manage through the crisis and still invest in future technologies. We have strengths that come from our diverse workforce and from our Alliance with Renault.

Nissan will be among the winners on the other side of this crisis. Our employees around the world are motivated and fully engaged in facing every challenge. The effective execution of all our performance recovery measures will make it possible for Nissan to not only weather the current crisis, but to position our company competitively for an exciting future.

**Carlos Ghosn**  
President and Chief Executive Officer