

NISSAN REVIVAL PLAN

TOKYO October 18, 1999

REVIVAL PLAN OUTLINE

Introduction

- I) **Diagnosis**
 - **Past Performance: Facts/Figures**
 - **Past Performance: Analysis + Opportunities**
- II) **Revival Plan**
 - **Elaboration**
 - **Key Contents**
 - **Impact**
- III) **Commitments**

Conclusion

CALENDAR OF EVENTS 1999

- March 27: Alliance Signed with Renault
- May 28: Transaction Closes
- June 25: AGM Elects new Board of Directors
- June 25: Board Appoints CEO, COO, EVP, SVP
- July 1: New Executive Management Team
- Sept 1: 17 Expatriate Renault Managers
Assigned to Nissan
- Oct 18: Announcement of Revival Plan

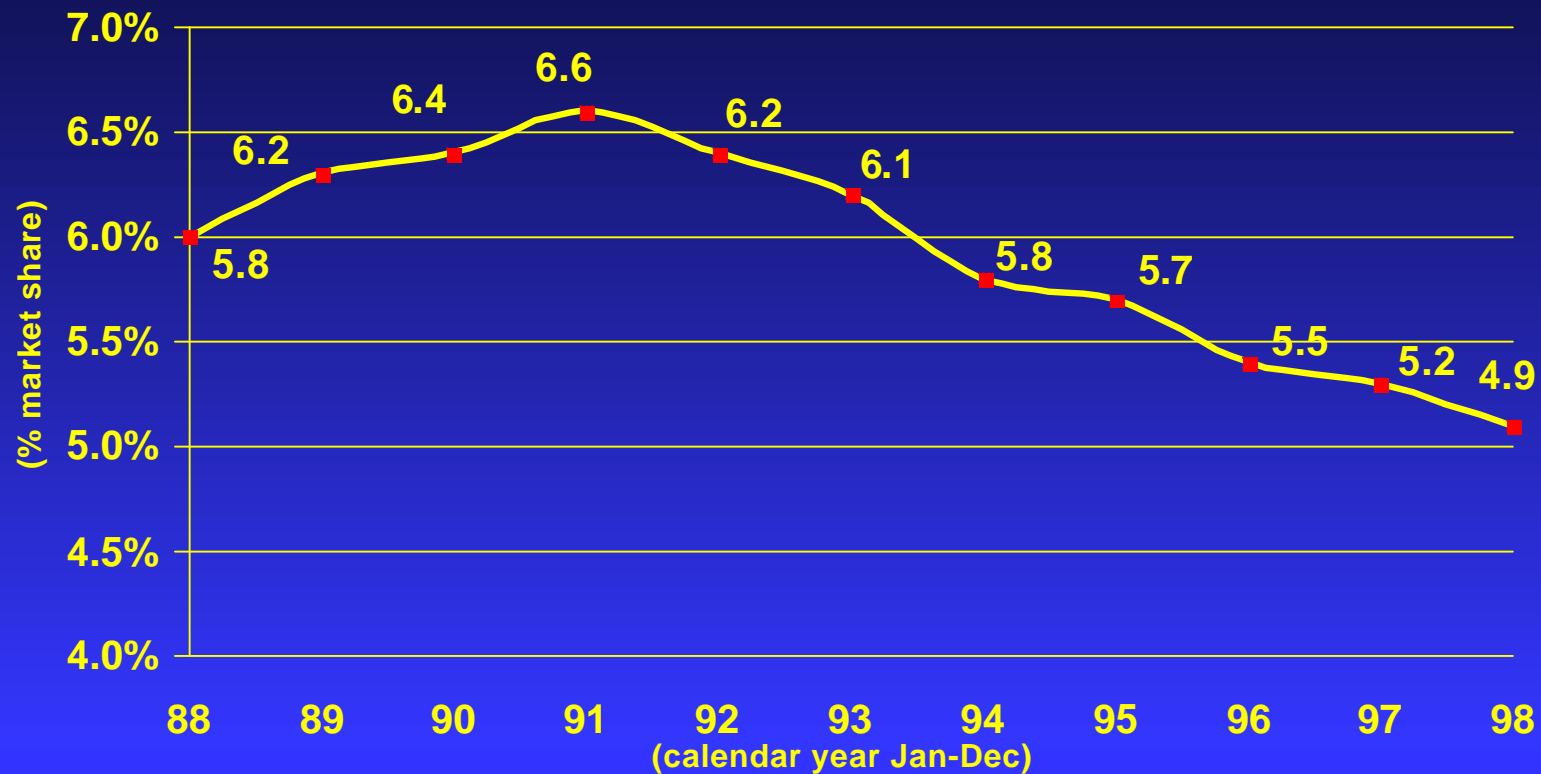
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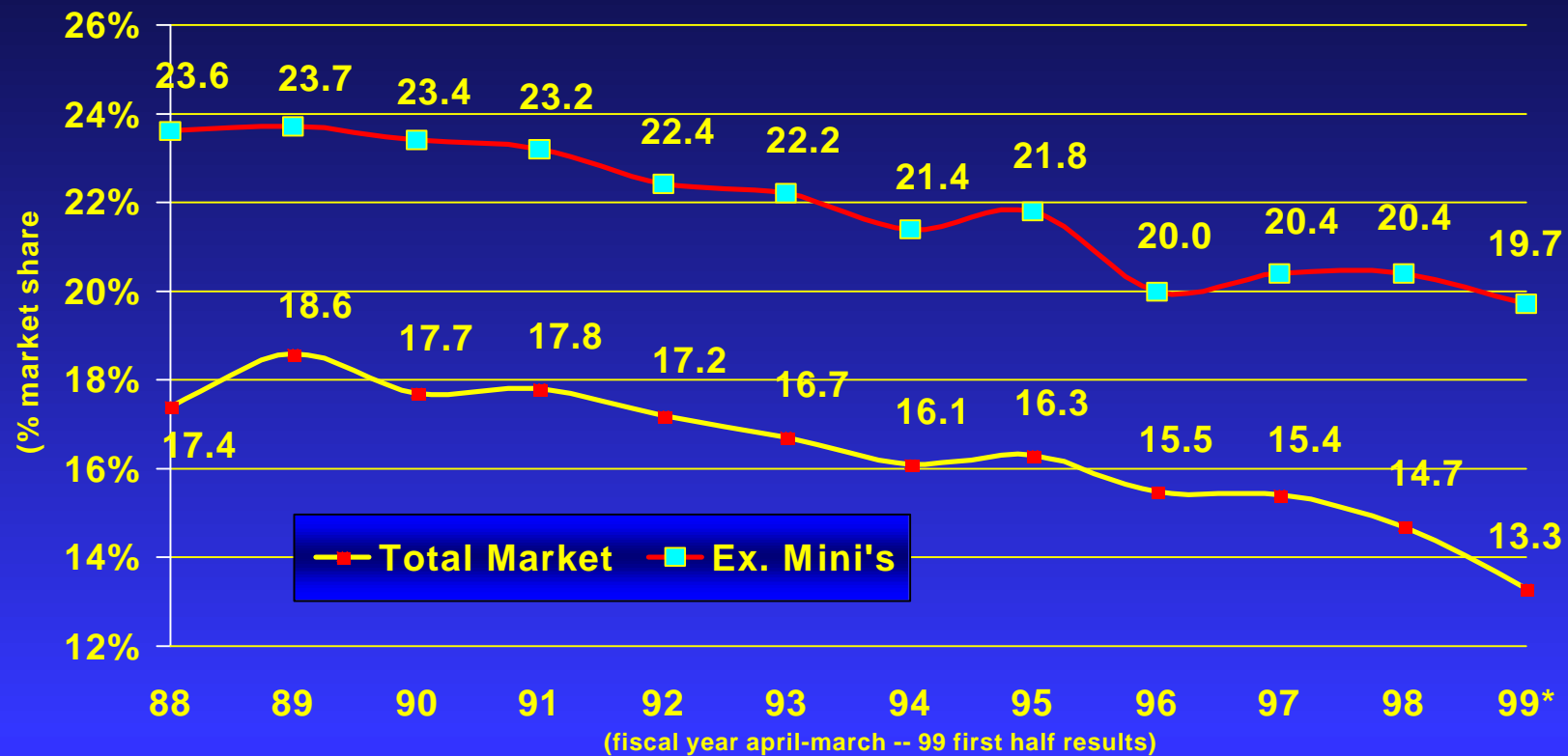
GLOBAL MARKET SHARE 1988/1998



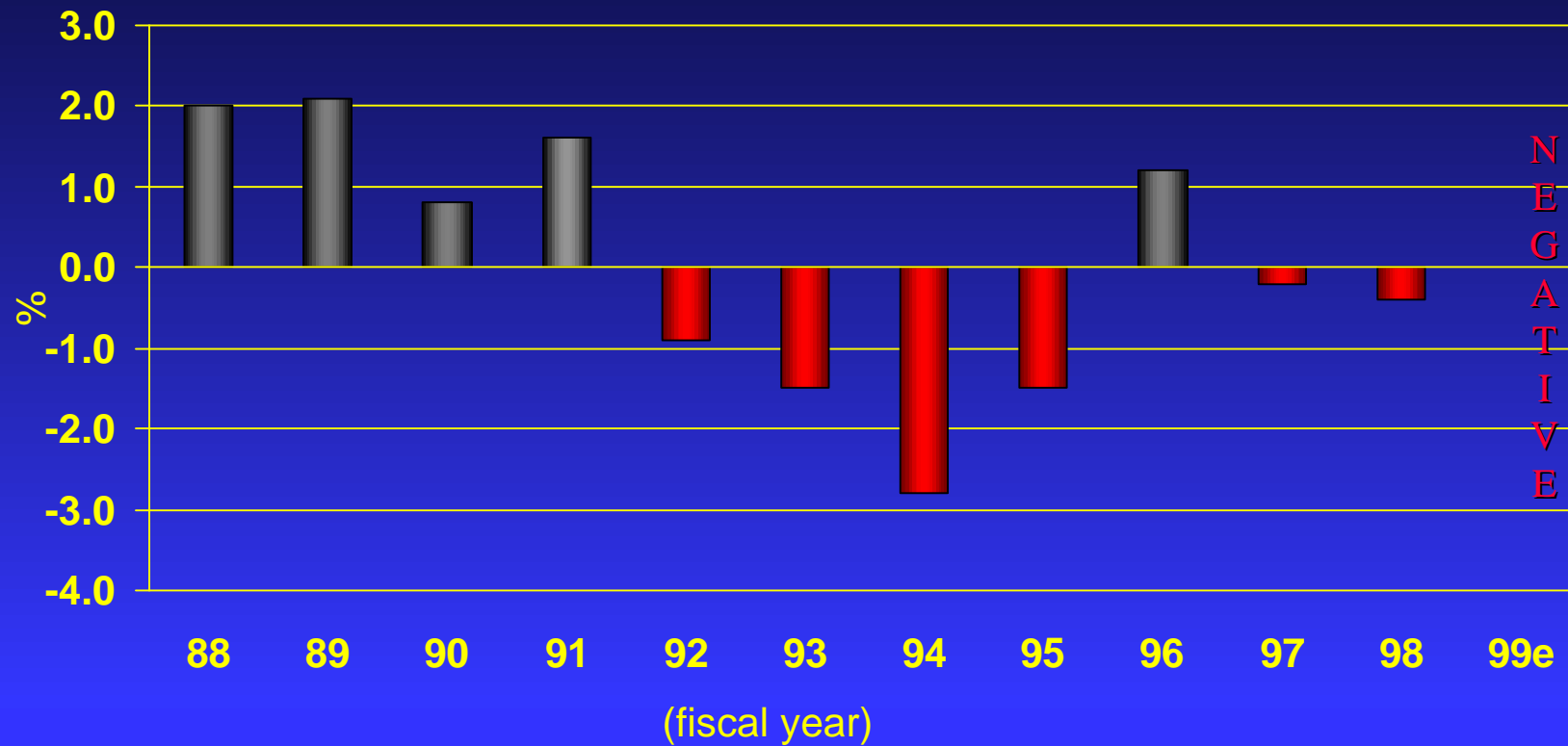
GLOBAL PRODUCTION 1988/1998



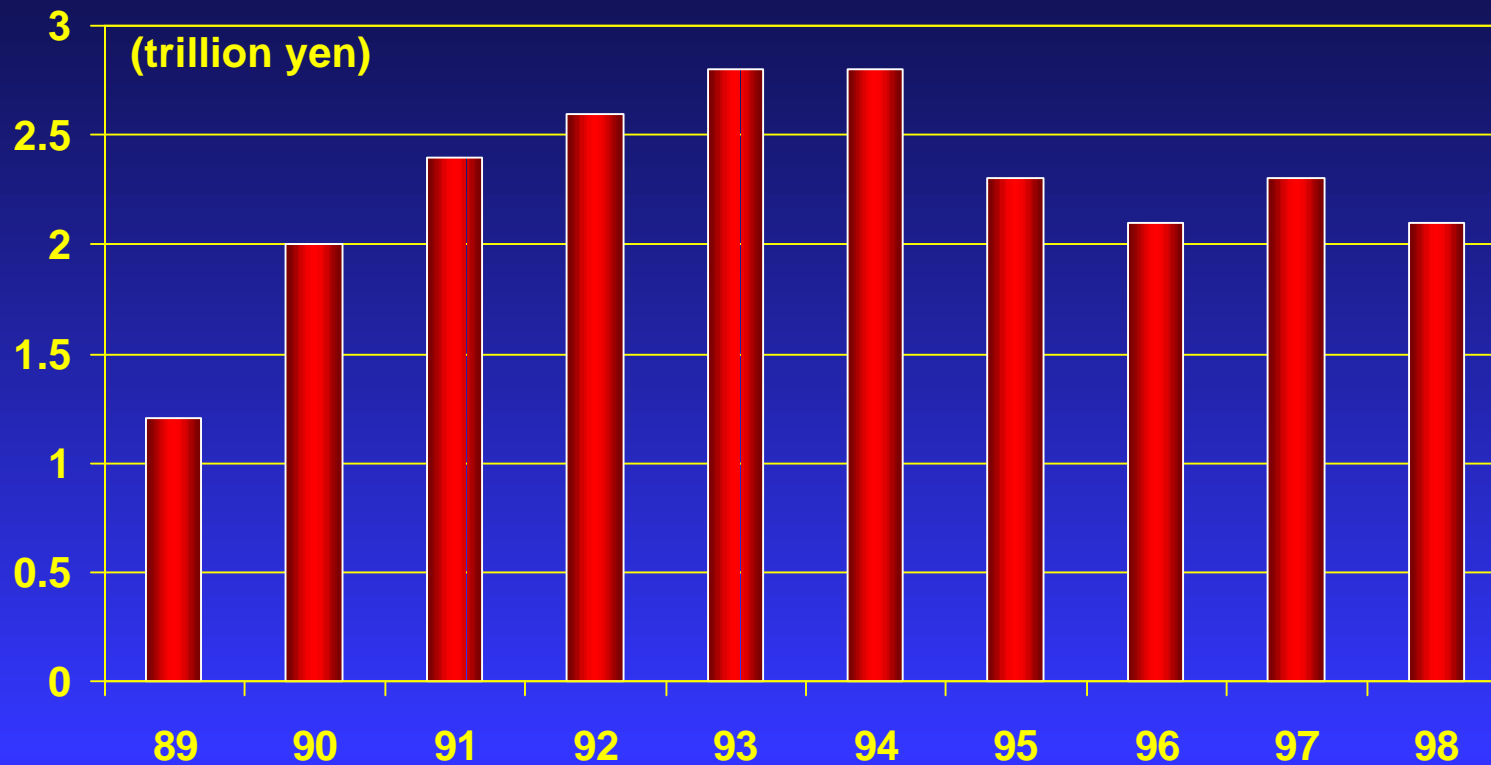
DOMESTIC MARKET SHARE 1988/1999



EARNINGS PERFORMANCE NET INCOME 1988 - 1999



NET INDEBTEDNESS EXCLUDING SALES FINANCE



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NISSAN REVIVAL PLAN

REASONS EXPLAINING PAST PERFORMANCE

- 1) Lack of profit orientation
- 2) Not enough focus on customers
- 3) Lack of cross-functional, cross-border,
intra-hierarchical lines work
- 4) Lack of a sense of urgency
- 5) No shared vision or common long-term plan

CLEAR OPPORTUNITIES FOR PROGRESS

NISSAN REVIVAL PLAN

NISSAN'S STRONG BASE FOR RECOVERY

- International presence and global reach
- World leading manufacturing system
- Leading edge in selected technological fields
- Alliance with Renault
- Nissan's people

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NISSAN REVIVAL PLAN

Elaboration:

- 9 Cross Functional Teams
- Decided by Executive Committee on July 5
- Business Development
- Purchasing
- Manufacturing
- R & D
- Organization & Decision Making Process
- Marketing & Sales
- SG & A
- Financial Management
- Product Phasing Out

NISSAN REVIVAL PLAN

Elaboration:

- **200** people directly involved from Japan, USA, Europe
- **2,000** ideas assessed
- **400** proposals submitted to Executive Committee
- Decisions made official by Board Meeting Oct 18th

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NISSAN REVIVAL PLAN BUSINESS DEVELOPMENT

Target: Profitable Growth

Actions:

- New product opportunities

NISSAN REVIVAL PLAN BUSINESS DEVELOPMENT

Target: Profitable Growth

Actions:

- New product opportunities
- Associated businesses development
- Brand identity and brand power
- Lead time reductions

BUSINESS DEVELOPMENT

Reduce Product Lead Times

- Car/powertrain development time
- Order to delivery time
- Foreign market “Start of Sales”

NISSAN REVIVAL PLAN BUSINESS DEVELOPMENT

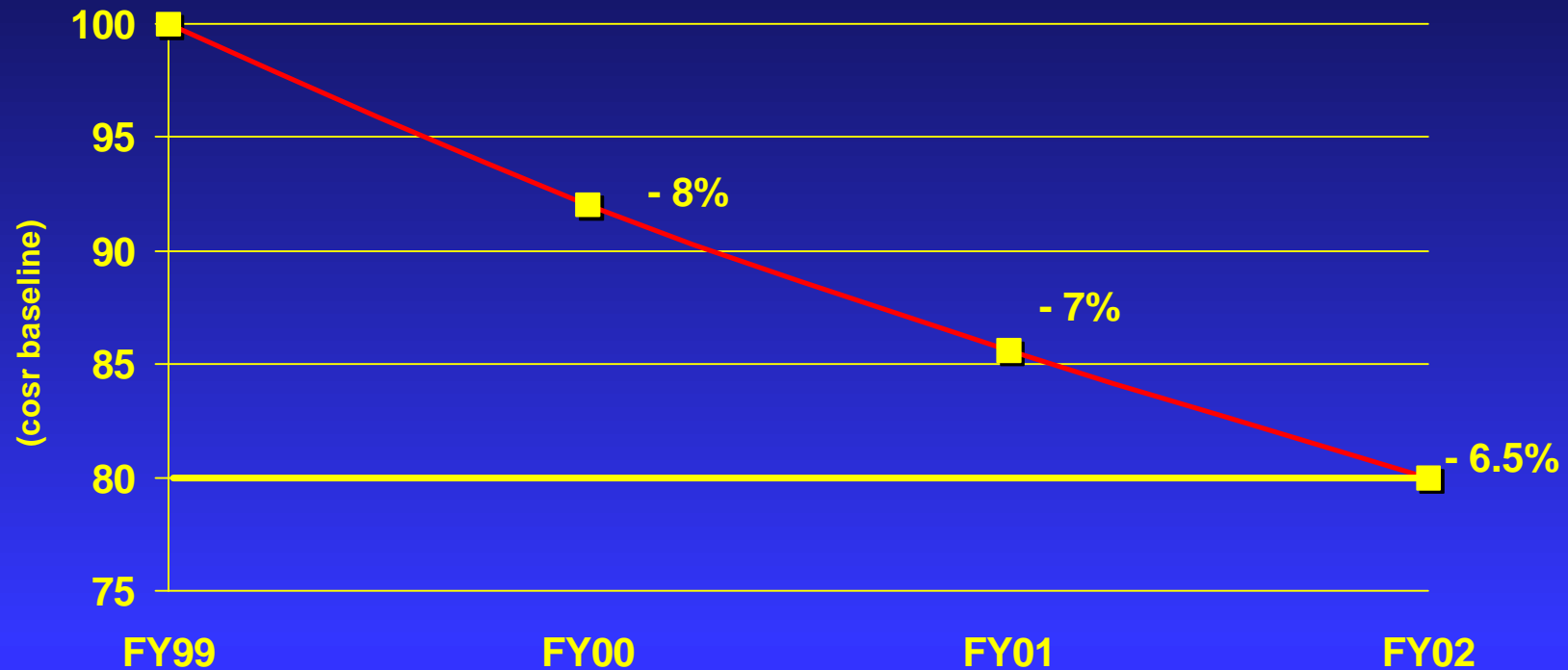
Target: Profitable Growth

Actions:

- New product opportunities
- Associated businesses development
- Brand identity and brand power
- Lead time reductions
- Alliance with Renault

NISSAN REVIVAL PLAN PURCHASING STRATEGY

Target: 20% front-loaded cost reduction over 3 years



NISSAN REVIVAL PLAN PURCHASING STRATEGY

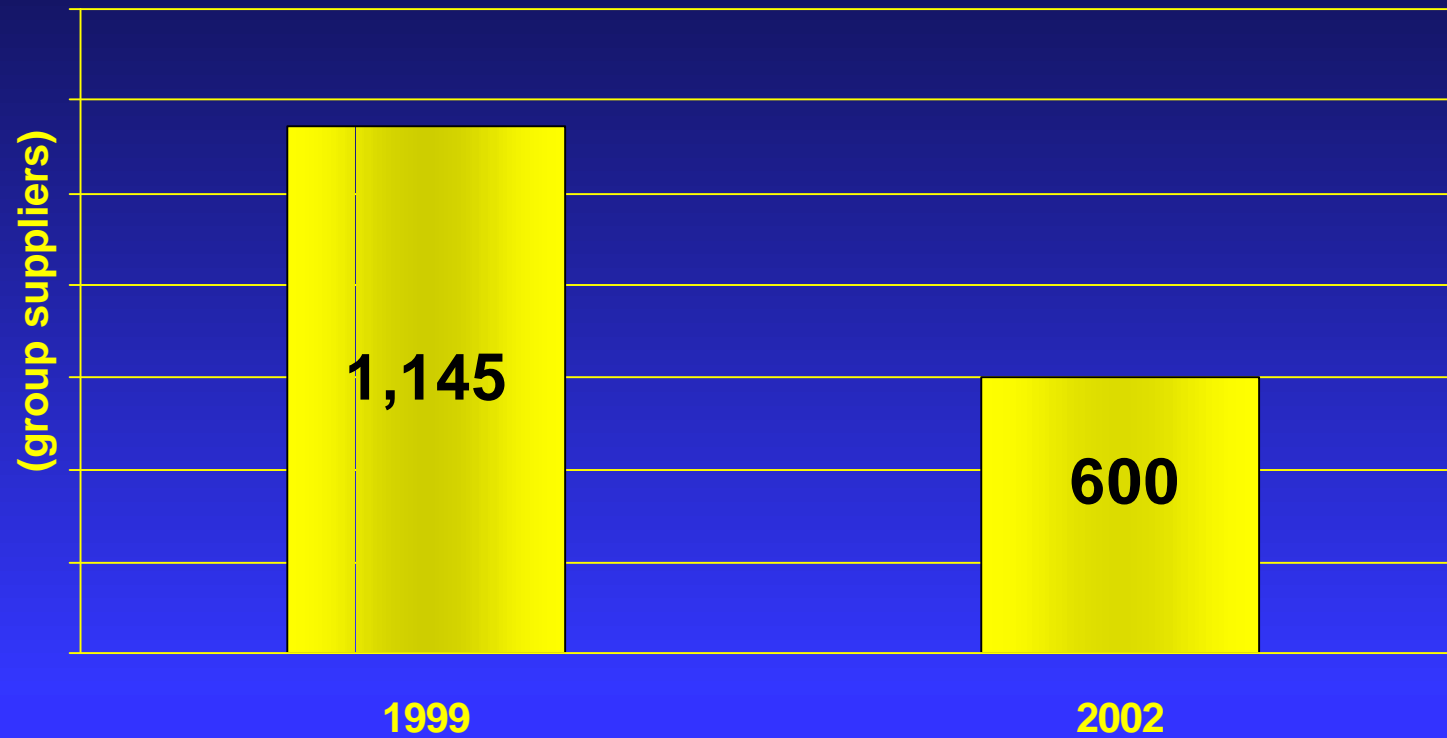
Target: 20% front-loaded cost reduction over 3 years

Actions:

- Centralize parts and material purchasing
- Include services in global purchasing strategy
- Reduce the number of suppliers

NUMBER OF SUPPLIER GROUPS 1999/2002

50% Reduction in Number of Suppliers



NISSAN REVIVAL PLAN PURCHASING STRATEGY

Target: 20% front-loaded cost reduction over 3 years

Actions:

- Centralize parts and material purchasing
- Include services in global purchasing strategy
- Reduce the number of suppliers
- Partnerships with competitive global suppliers
- Challenge “specifications and standards”
- Alliance with Renault

NISSAN GLOBAL MANUFACTURING 1999/2002

Target: **Achieve optimum manufacturing efficiency
and cost effectiveness**

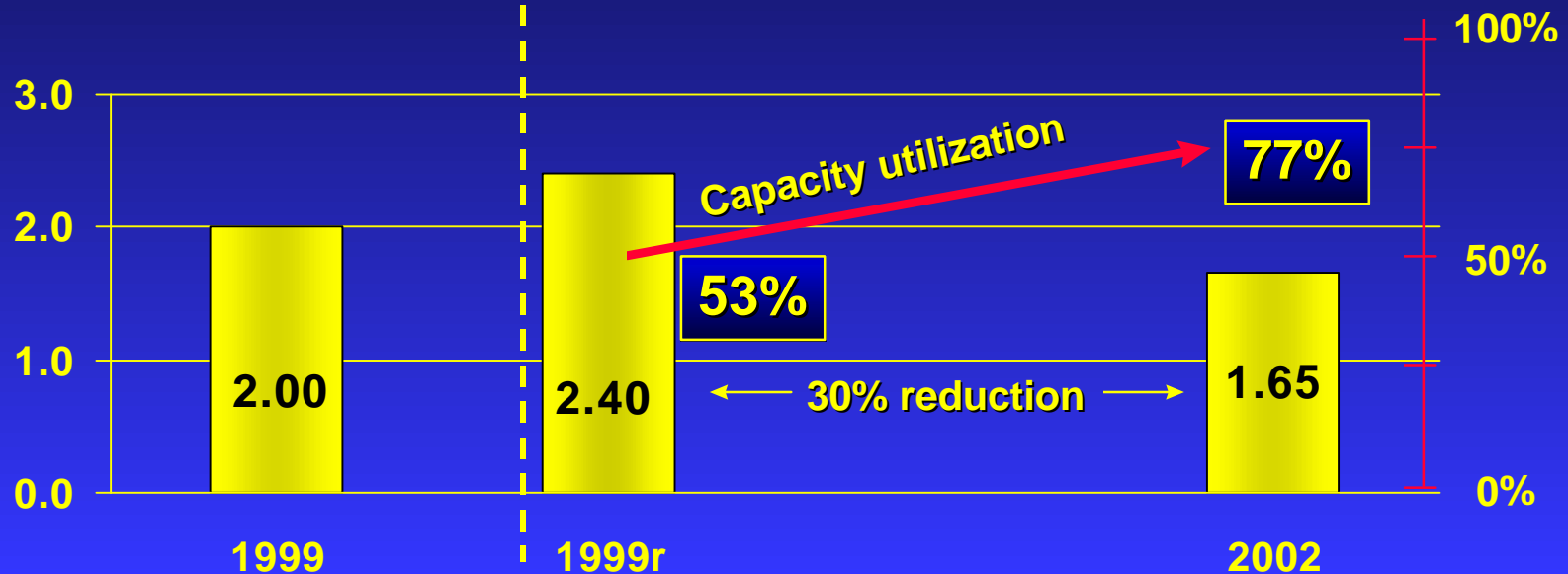
Actions:

- Reduce vehicle assembly and powertrain manufacturing capacity

MANUFACTURING CAPACITY IN JAPAN 1999/2002

Capacity at 3,660h/yr.

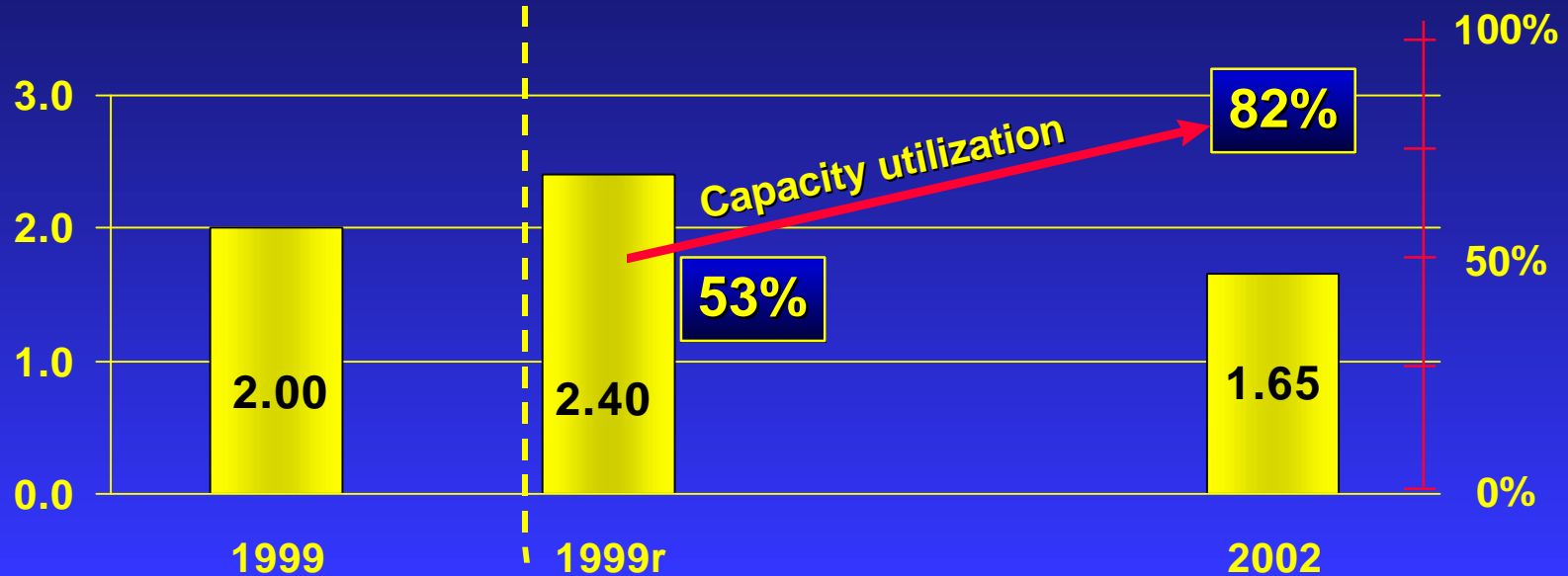
Capacity at 4,400h/yr.
(fully loaded 2-shifts)



MANUFACTURING CAPACITY IN JAPAN 1999/2002

Capacity at 3,660h/yr.

Capacity at 4,400h/yr.
(fully loaded 2-shifts)



NISSAN REVIVAL PLAN MANUFACTURING

Assembly Plant Closures:

- | | |
|-----------------------------|----------|
| ○ Murayama Plant | March 01 |
| ○ Nissan Shatai Kyoto Plant | March 01 |
| ○ Aichi Kikai Minato Plant | March 01 |

Date:

Powertrain Closures:

- | | |
|----------------------|----------|
| ○ Kurihama Plant | March 02 |
| ○ Kyushu Engine Shop | March 02 |

Date:

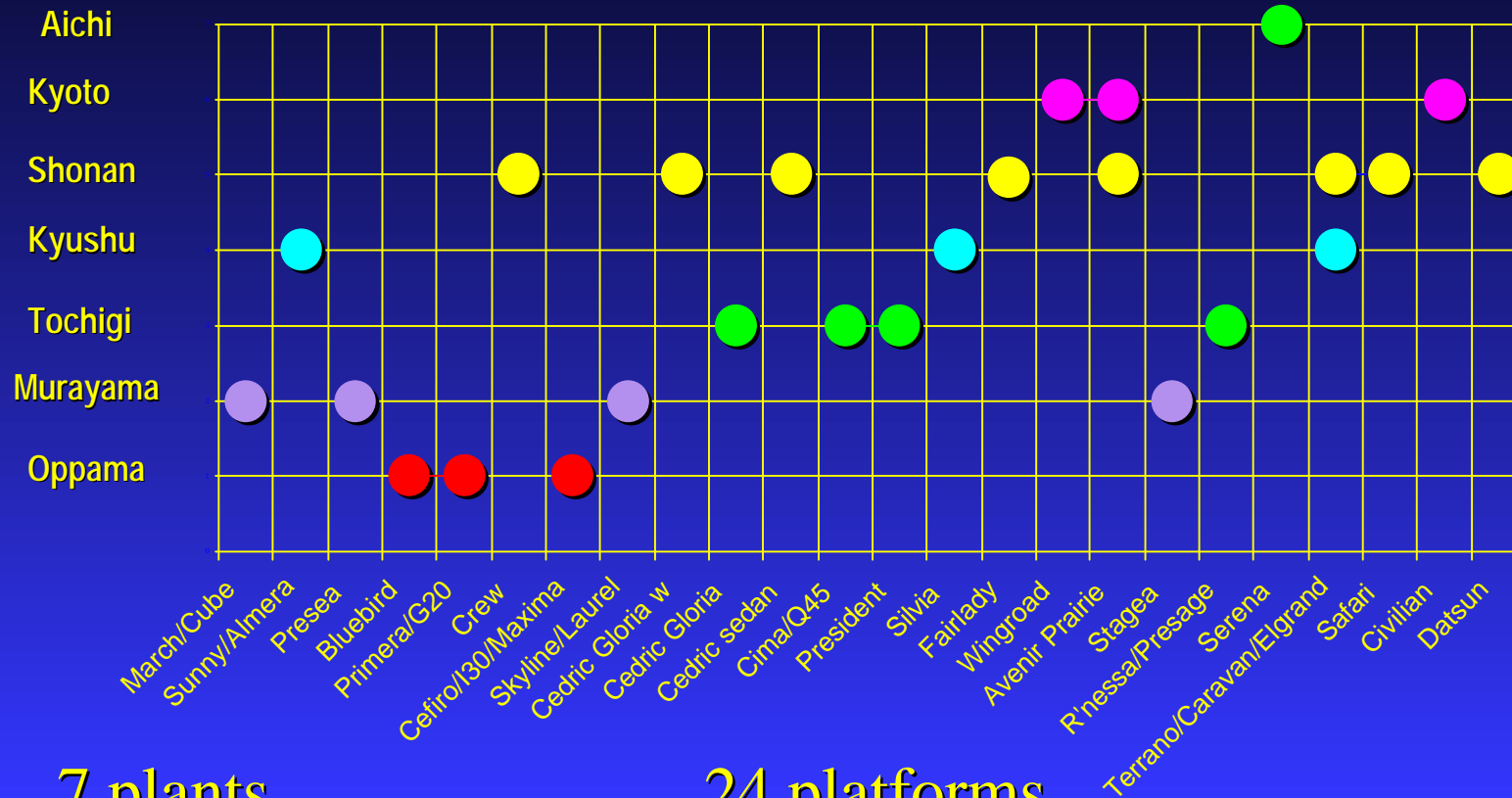
NISSAN GLOBAL MANUFACTURING 1999/2002

Target: **Achieve optimum manufacturing efficiency
and cost effectiveness**

Actions:

- Reduce vehicle assembly and powertrain manufacturing capacity
- Rationalize and simplify industrial organization

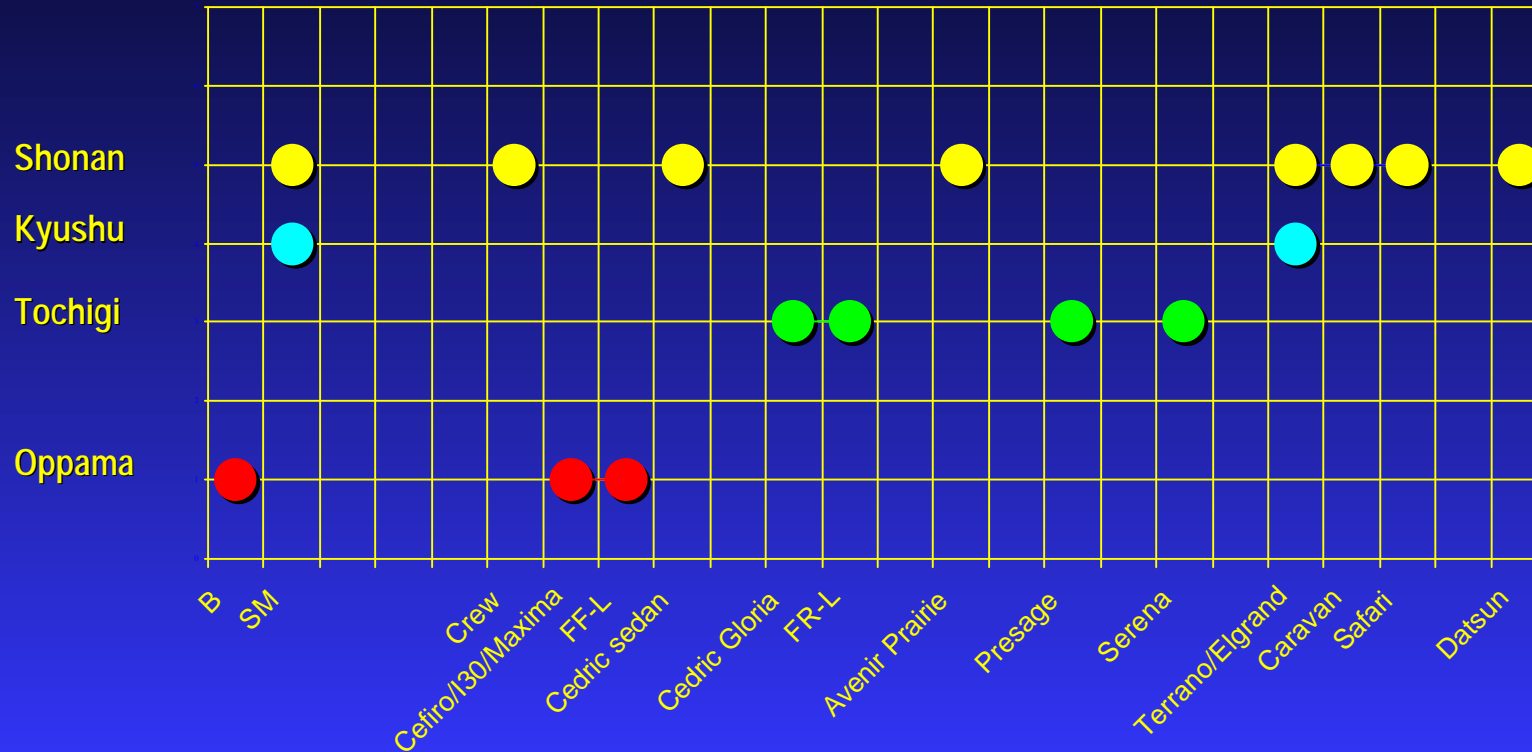
NISSAN'S CAR ASSEMBLY SYSTEM 1999 (Japan)



7 plants

24 platforms

NISSAN'S CAR ASSEMBLY SYSTEM 2022 (Japan)

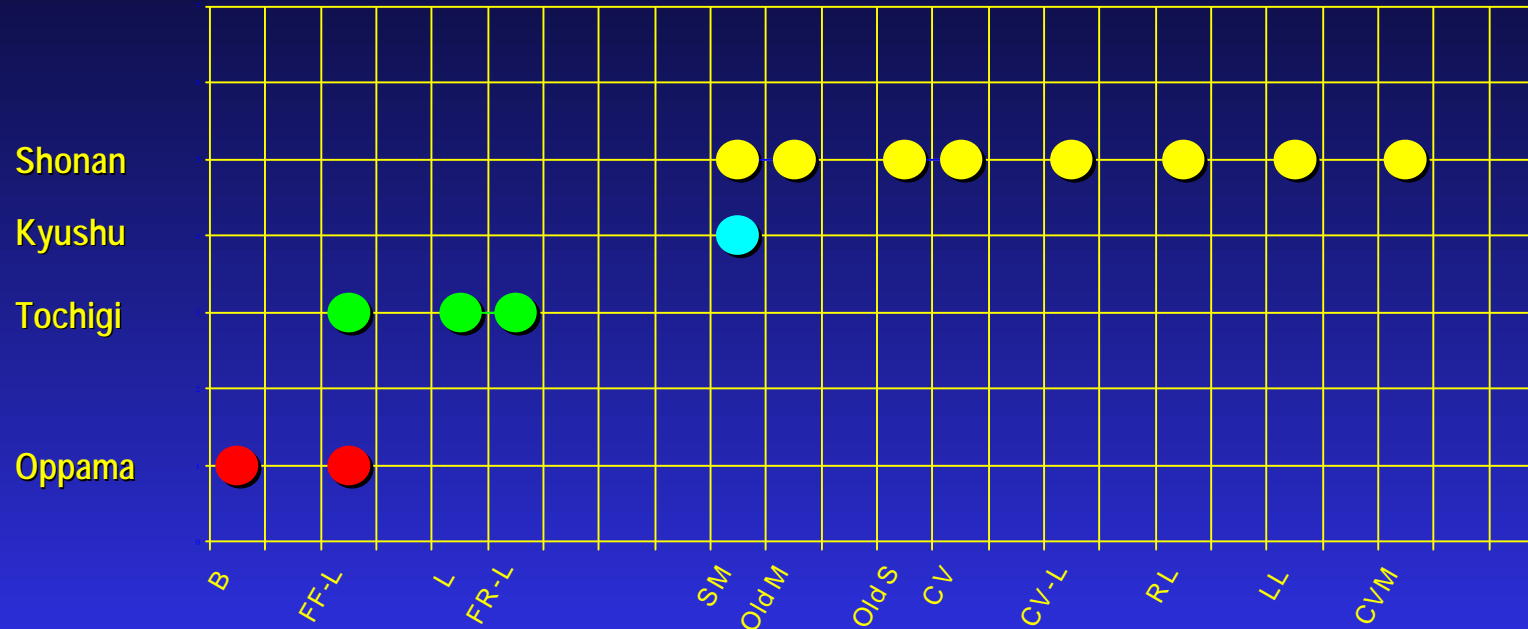


4 plants

15 platforms

* plus Kyoto producing only Civilian -- low volume

NISSAN'S CAR ASSEMBLY SYSTEM 2004 (Japan)



4 plants

12 platforms

* plus Kyoto producing only Civilian -- low volume

NISSAN GLOBAL MANUFACTURING 1999/2002

**Target: Achieve optimum manufacturing efficiency
and cost effectiveness**

Actions:

- Reduce vehicle assembly and powertrain manufacturing capacity
- Rationalize and simplify industrial organization
- Reduce operating costs by globalizing :
 - logistics
 - best practices
 - benchmarking
- Extended use of F.M.S. (Flexible Manufacturing System)

NISSAN REVIVAL PLAN

S, G & A

Target: Reduce S, G & A costs by 20%

Actions:

- Incentive reductions by brand power restoration
- Main-source global advertising
- Distribution structure streamlining

NISSAN REVIVAL PLAN

S, G & A

Distribution Structure Streamlining

- **Revamp domestic dealer organization**
 - reducing dealer affiliates by 20%
 - closing 10% of the retail outlets
 - opening longer hours
 - create Prefecture business centers (common back offices)
- **Streamline regional structure in North America**
- **Restructure European dealer network by**
 - leveraging the Alliance with Renault with common hubs and back offices
- **E-commerce alliance with Carpoint**

NISSAN REVIVAL PLAN

S, G & A

Target: Reduce S, G & A costs by 20%

Actions:

- Incentive reductions by brand power restoration
- Main-source global advertising
- Distribution structure streamlining
- Reduce fixed overhead costs

NISSAN REVIVAL PLAN

FINANCIAL MANAGEMENT

Target: Improve Financial Management
Reduce Financial Costs

Actions:

- Centralize financial operations worldwide
 - develop global financial controls and risk management
 - create global treasury, funding and cash management
- No shareholdings are considered strategic
- Dispose of land, securities and non-core assets
- Reduce inventory to sales by 30%
- Alliance with Renault

NISSAN REVIVAL PLAN

R & D

Target: Optimize R & D Capacity

Actions:

- Move to globally integrated organization
- Promote joint cost reduction activities with suppliers
 - “Nissan 333” program
- Focus on core technologies
- Alliance with Renault

NISSAN REVIVAL PLAN ORGANIZATION

Target: Move from multi-regional to global organization

Actions:

- Create a worldwide headquarter
 - strategy
 - corporate planning
 - management control
 - brand management
- Globally controlled functions
 - R & D
 - Finance
 - Manufacturing system
 - Purchasing
 - H.R.

NISSAN REVIVAL PLAN ORGANIZATION

Target: Move from a multi-regional to a global organization

Actions:

- Empowered Program Directors for cross-functionality and profit orientation
- Performance oriented compensation: bonuses, stock option schemes implemented in 2000
- Performance based career advancement

REVIVAL PLAN OUTLINE

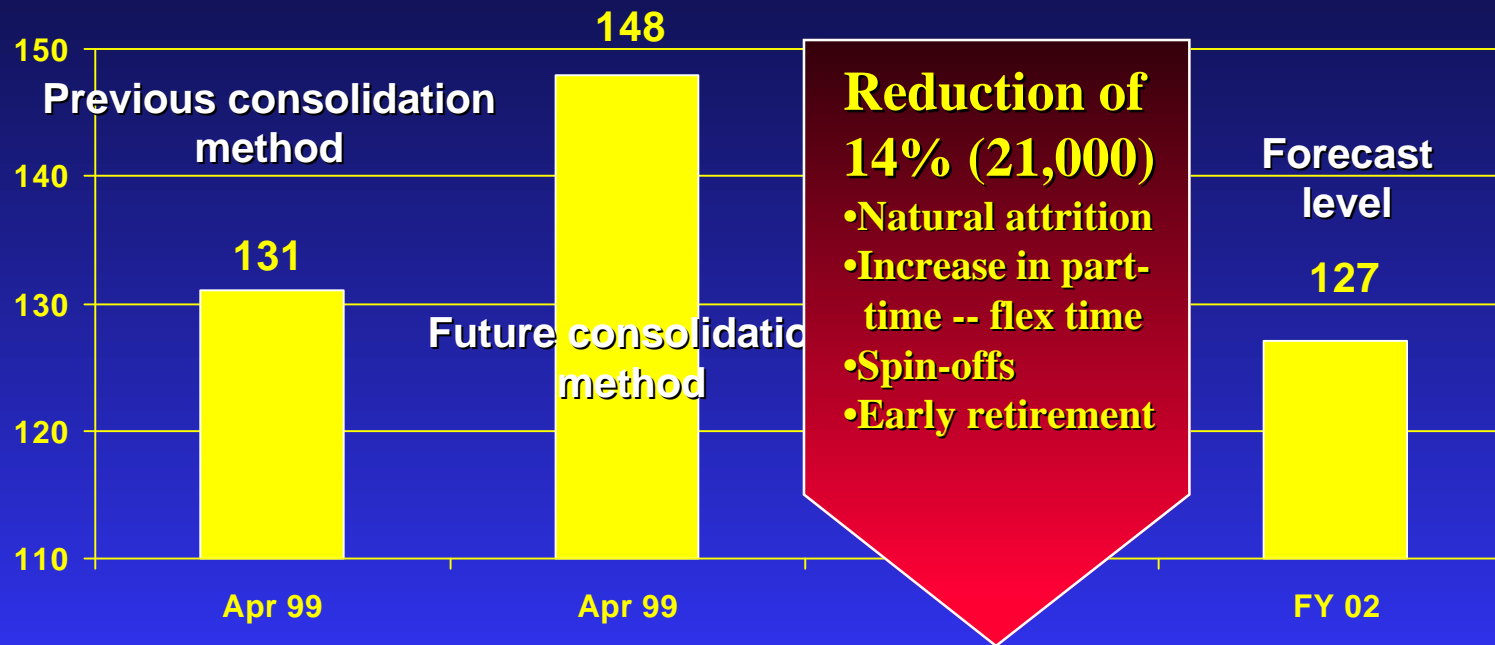
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Nissan Group Employees



(including temp & part time at start of FY99)

NISSAN REVIVAL PLAN IMPACT

HEADCOUNT REDUCTIONS:

- 21,000 people worldwide

Breakdown

- 4000 in manufacturing
- 6500 in Japanese dealer network
- 6000 S, G & A
- 5000 spin-off's
- (500) R&D

NISSAN REVIVAL PLAN IMPACT

Financial Impact:

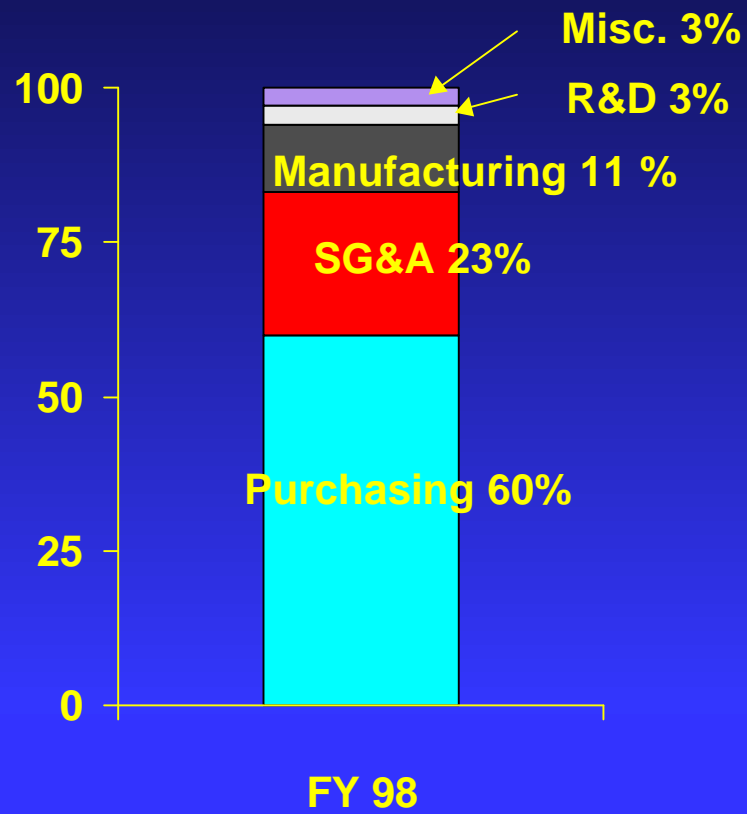
- **200 billion Yen provision***
booked in FY 99

* Provisions cover write-down of assets and social costs

NISSAN REVIVAL PLAN

1 TRILLION YEN COST REDUCTION

Actual Costs



Planned Contributions



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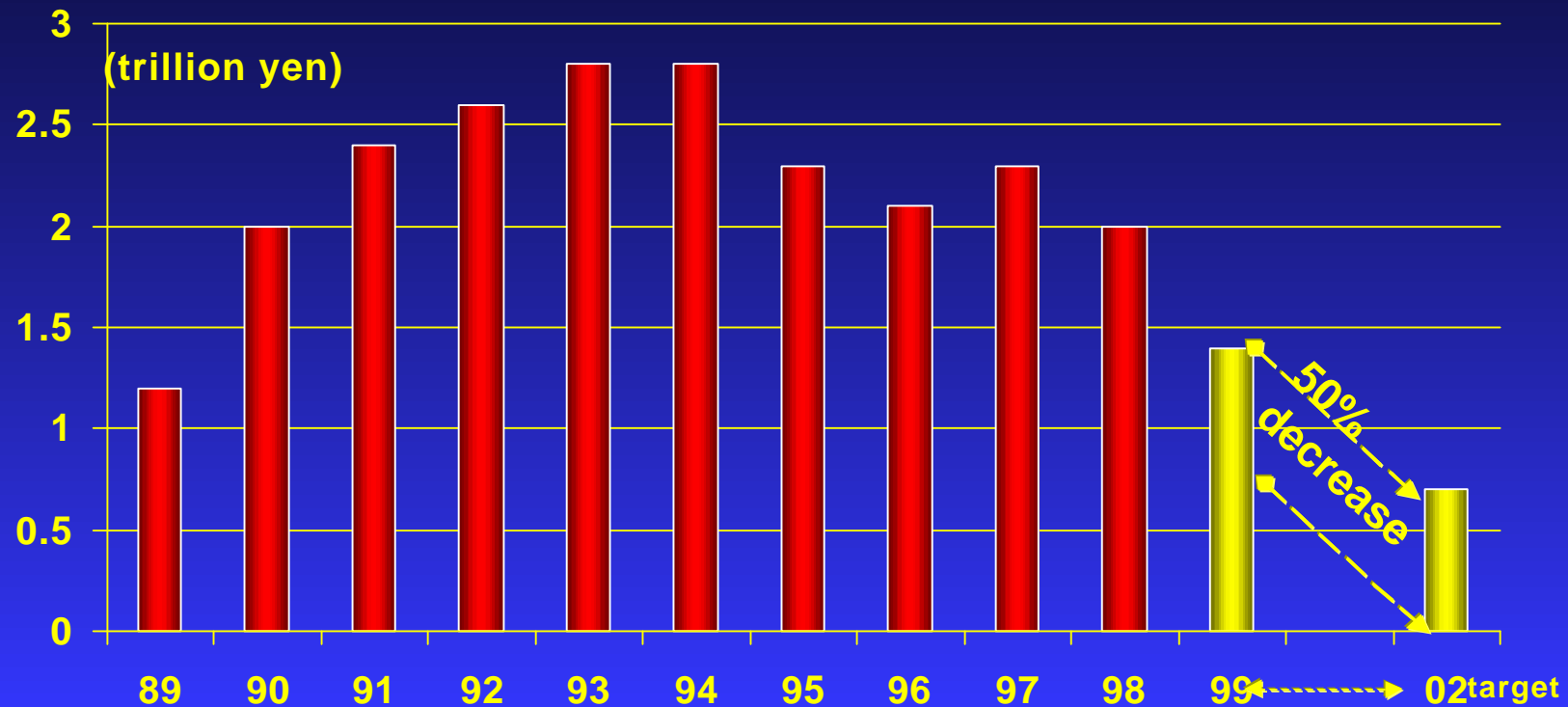
Commitments

Profitability targets

FY 00 Return to profitability

FY 02 Operating profit \geq 4.5% of sales

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