The Nissan Way of Doing Business

One thing about Nissan is very clear: this is a company that sets its own distinctive course, and that course defines the modern automotive company. Our philosophy comes from within, and its principles are based not on tradition but on our own knowledge and experience, drawing on the powerful flow of information that runs through divisions, business areas and the Alliance with Renault.

At the core of our philosophy is the Nissan Management Way. As one senior executive remarked, “This is our way, a commonsense way that anyone in the company can take as their own.” The guiding principle here is both flexible and simple: inspire effective performance. To create value for customers, for example, employees must be customer-focused.

To produce the necessary shift in thinking, we must have management of the highest caliber. The actions and comments of the senior executives appearing in this annual report reflect that strength of leadership. You will see it in the way they convey their individual visions, commit to action plans, manage with accountability, assess progress, and recognize high performance. The same management practices are deeply embedded at every level of the company.

The first key concept in the Nissan Management Way is cross-functionality. Cross-functional teams—CFTs—and the V-Up program are powerful management tools, developed within Nissan, that reach across the functions and organizations of this global company. When employees are brought together across corporate and physical borders to form a CFT, what we call “healthy conflict” often arises. Healthy conflict is cooperative, not combative, and sparks innovative ways of thinking. Again, it all springs from looking at challenges in a customer-centric way. After all, no single division can produce what customers want—an outstanding automobile backed by excellent service and support. Cross-functional activities are at the core of all operations within Nissan, making the process more active and direct.

Another key concept at Nissan is “stretch.” Stretch occurs when an activity spans the entire company and draws on a variety of viewpoints aimed at meeting customer expectations. Combining diverse backgrounds and ways of thinking creates solutions that stretch the organization in new directions.

Since the first days of the Nissan Revival Plan, everything we do at Nissan is based on commitments. People must commit themselves to achieving goals. Some goals are internal, while others are of importance to a wider association of employees, shareholders, suppliers, customers and others. Setting a goal and developing the process to achieve it go beyond simply meeting a target, however. These actions are meant to develop confidence and the desire to reach still higher levels of performance.
Motivated, passionate people are Nissan’s greatest asset. The high performance of the company reflects the attitudes of our people, and we work hard to maintain their passion and motivation in several ways. First, we clearly define our corporate vision. People must understand and internalize this vision, because even in the most difficult of times a compelling vision inspires everyone to move in the same direction.

Second, we strive for honest, effective two-way communication. Relationships, inside or outside the company, are based on mutual respect and trust. This is fostered by open exchanges. New communications channels at Nissan now allow employees to access company information in a faster, more effective manner, and to swiftly share what they know with investors, shareholders, suppliers, the media and other interested parties.

Third, we keep our management consistent and promote empowerment. Consistent management sets a solid foundation and inspires trust in the actions and decisions of the company. Empowerment builds on this by encouraging employee participation in the decision-making process. Employees understand the management structure and feel confident in expressing their own opinions and ideas.

Fourth, employees are evaluated fairly. We are focused on results and real performance as the true measures of success. Nissan has become a leader in Japan by moving away from the traditional seniority-based employment and compensation system toward a system that rewards achievement. We even go a step further and reward actions that exemplify Nissan’s vision. Nissan now serves as the benchmark for other companies striving to create more modern, dynamic employment systems.

Lastly, Nissan’s brand identity is now clearly defined. After our people, our brand is the most valuable asset we possess, of greater worth than any of the company’s tangible assets.

Those are the elements of our philosophy—a system of thinking that will stretch as Nissan continues to pursue sustainable and profitable growth. Our vision is to become the top automaker in the world—the leader in quality, brand strength, profitability and performance. The Nissan Management Way has mapped out the course to this goal, yet along the way we will always retain the flexibility to redefine who we are, based on the needs and desires of the customers we serve.
Corporate Governance

Basic Corporate Governance Policy

Corporate governance is an important responsibility of management, and its most important role is to clarify the duties and responsibilities of the members of Nissan’s management team. At Nissan, clear management objectives and policies are published for the benefit of the shareholders and investors, and achievements and results are announced early and with as much transparency as possible. The enhancement of corporate governance by full and fair disclosure is the responsibility of management.

The Company’s organization and systems for internal control

Nissan operates under the dual governance of a Board of Directors and a Statutory Audit Committee, both based on the provisions of the Commercial Code of Japan. The Board of Directors is responsible for resolutions governing important business decisions while the Statutory Audit Committee supervises and controls the execution of Nissan’s most important business functions.

The number of directors has increased from seven to nine following the 106th shareholders’ meeting held on June 21st, 2005. An external director serves as one of the nine members of the Board of Directors. The Board of Directors holds general meetings as well as extraordinary meetings, if necessary, to discuss and decide significant business operations.

The number of auditors has changed to four, decreased by one, on the 106th general meeting of shareholders held on June 21st, 2005, and the Statutory Audit Committee is composed of three external statutory auditors and one statutory auditor. And three of four are standing statutory auditors. Each auditor attends the Board of Directors all the time and conducts audit of Directors’ business operations in accordance with the annual audit strategies determined by the Statutory Audit Committee.

In Japan, the Domestic Internal Audit Office, which is independent from other sections and is composed of 14 people, has been established to conduct internal audits of the Nissan’s and its domestic consolidated subsidiaries’ operations under the President’s direct control. With respect to foreign subsidiaries, in order to ensure effective and efficient audits, regional audit teams have been globalized and report to CIAO (Chief Internal Audit Officer) responsible for global internal audit.

Statutory auditors perform audit of execution of entire business operations. Their procedures include, but are not limited to, interviewing the Directors with regard to business conduct and attending the Board of Directors’ meetings and other significant meetings. The Statutory Audit Committee tries to enhance audit efficiency by sharing information among each statutory auditor. The statutory auditors also periodically receive the report of audit plans and the results of audit from internal audit departments. The statutory auditors also exchange their insight with the Internal Audit Office to facilitate their own audit. In addition, they also receive the report from independent auditors and determine its adequacy.

Status of Risk Management System

The Company defines the risk as “factors which may prevent the achievement of business objectives,” and tries to identify and evaluate such risks as soon as possible and to take necessary measures to minimize the probabilities that risk materialize and the damages.
Risk Management System

The Company has been evaluating risk of the Company and the Nissan’s Group from various points of view and has been considering the appropriate control system and methodology. A risk management team established in the Financial Department has worked with several global sections since 2004, sorted out the business risks, and prioritized them based on the probabilities, impacts, and relevant control level. Directors in charge were appointed and they have been taking concrete measures against the risks for which actions are required.

Furthermore, since April 2004, the Company has established Intellectual Property Rights Management Department for the purpose of protecting intellectual property rights in specific areas, strengthening activities to protect Nissan’s intellectual property rights, and abstracting new intellectual property rights. And the department has been performing various activities to protect and create Nissan Brand.

Since the fiscal year beginning April 1, 2005, the scope of risk management has been expanded to address risks which are more strategic or those relate to business processes in addition to the original hazard risks. Functions or Departments, which operate risk control, report the status through the normal reporting lines and EC (Executive Committee) directly monitors the risk that must be controlled on corporate level.

In 2001, the Company established “Nissan Global Code of Conduct” and distributed it to employees of domestic and foreign Group companies. Moreover, the Company established “Nissan Code of Conduct (Japanese Edition) ~Our Promises~” and publicized it which should be applied to employees of domestic Group companies. This has been gradually implemented by the Group companies.

The Company emphasizes education of employees based on the idea that written conduct code must be understood by all employees and reflected to their actions. All employees must take learning programs by E-learning or VTR, and sign confirmations regarding code of conduct after finishing the programs. The confirmations have already been received from almost every employee, and compliance of corporate ethics has been penetrated into the Nissan group.

Furthermore, Global Compliance Committee is established in order to review the status of compliance with the code of conduct and ensure that the code is fully complied. Managing Director in charge of Human Resource is appointed as Global Compliance Officer (GCO) and the chairman of regional compliance committees established in each area such as Japan, North America, Europe and Global Overseas Market. Those committees promote the improvement of code of conduct, resolution of issues and enlightenment activities. “Easy Voice System”, which was deployed in 2002 as a system that employees can freely communicate their opinions and demands to the companies, can acquaint violation of compliance and behaviors possibly resulting in violation and also contribute to improve business operations and to develop corporate culture emphasizing to comply corporate ethics.