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Senior Vice President

## Decisions Based on Shareholder Expectations

“Control oversees the entire Group’s performance, and we measure that performance by what our shareholders expect as a return on their investment. Our primary role, therefore, is to ensure the creation of value. This is measured by operating profit, net income after tax, net present value of investments, and return on invested capital.

We help to set global objectives and then to create the model used to achieve them. At present, Control is committed to the objectives of the NISSAN Value-Up plan—deliver a top-level operating profit margin among global automakers in fiscal 2005-07, 4.2 millions units in fiscal 2008, and a 20 percent average ROIC over the course of the plan. Our task is to validate the resources required to achieve these objectives.

We also monitor the performance of each function, region and product relative to its respective objectives. To make that process work, we have controllers for every function and region. These controllers have two main responsibilities. The first is to monitor, challenge and support operations at the function, region and product levels. The second is to deliver financial information on Nissan’s profitability and manage risks and opportunities. In addition to implementing and monitoring the annual objectives for each area, Control also oversees the budget and investment control processes.

The annual budget is based on the objectives of the three-year NISSAN Value-Up plan. It is devised to ensure consistency across the whole complex weave of our products, regions and functions. Once the budget is approved, we analyze and compare actual results to it on a monthly basis. This maintains adherence to the NISSAN Value-Up plan. To enhance management’s understanding of the Group’s overall performance, Control forecasts performance trends three times a year. As precisely and accurately as possible, we try to predict what will happen in the immediate future so we can see what needs to be done in the coming months. Control also strives to identify and mitigate risks and maximize benefits if opportunities arise.

Control is also responsible for managing investments, an area of major concern to all stakeholders. Our investment decisions are based on profitability criteria. We have made sound investments in our product lineup, R&D, manufacturing capacity, and overseas operations. In fiscal year 2004, for example, our R&D expenditures were at 4.6 percent of turnover, which is in line with that of other Japanese carmakers. In years past, Nissan was slow in making the necessary investments in this field, and R&D suffered as a result. To reestablish our technological advantage and secure sustainable growth, we upgraded our R&D capabilities. Nissan’s revival—along with the success of our lineup and our industry-leading operating margin over the past three years—are all evidence that the decision was the right one.

Our overseas expansion provides another example of investment decisions based on profitability. Recently, we invested in China and Thailand to enlarge our markets and develop production capacity in these new competitive countries. Despite the risks associated with these markets, we were profitable in our first year of operations. Few companies have been able to do this.

In reviewing operations, we also monitor general and administrative costs and sales and marketing expenses. Sales and marketing expenses are of importance, as they illustrate our capability to manage the relationship between volume objectives and profitability. In North America, incentives for the Nissan and Infiniti brands are at the lowest end of the market, yet global retail sales volumes are up 22 percent over the past three years. We have successfully fought market pressures and kept incentives low, while greatly increasing sales.

Control’s overall mission is to support management in achieving the objectives set forth in NISSAN Value-Up. Although Nissan is a healthy company, we do not perceive ourselves as cash-rich when considering an investment. Control ensures that management decisions are based on creating value and meeting shareholder expectations.”