NISSAN REVIVAL PLAN

TOKYO October 18, 1999
Introduction
I) Diagnosis
   o Past Performance: Facts/ Figures
   o Past Performance: Analysis + Opportunities
II) Revival Plan
   o Elaboration
   o Key Contents
   o Impact
III) Commitments

Conclusion
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
REVIVAL PLAN OUTLINE

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Conclusion
GLOBAL PRODUCTION

(million units)

615,000 vehicle decrease

(fiscal year April - Mar)
NET INDEBTEDNESS
EXCLUDING SALES FINANCE

(trillion yen)
REVIVAL PLAN OUTLINE

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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
- Marketing & Sales
- Purchasing
- SG & A
- Manufacturing
- Financial Management
- R & D
- Product Phasing Out
- Organization & Decision Making Process
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

- 8%
- 7%
- 6.5%

FY99 FY00 FY01 FY02
(cost baseline)
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1,145</td>
</tr>
<tr>
<td>2002</td>
<td>600</td>
</tr>
</tbody>
</table>
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)

Capacity utilization

53%

77%

30% reduction
MANUFACTURING CAPACITY IN JAPAN 1999/2002

Capacity at 3,660h/yr. (fully loaded 2-shifts)

Capacity at 4,400h/yr.

2002: 1.65
1999: 2.00
1999r: 2.40

Capacity utilization:

- 1999: 53%
- 1999r: 82%
- 2002: 0%
NISSAN REVIVAL PLAN
MANUFACTURING

Assembly Plant Closures:          Date:
- Murayama Plant                  March 01
- Nissan Shatai Kyoto Plant       March 01
- Aichi Kikai Minato Plant        March 01

Powertrain Closures:              Date:
- Kurihama Plant                  March 02
- Kyushu Engine Shop              March 02
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 2002 (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
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
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NISSAN REVIVAL PLAN
Nissan Group Employees

Reduction of 14% (21,000)

- Natural attrition
- Increase in part-time -- flex time
- Spin-offs
- Early retirement

Forecast level 127

(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

- Purchasing 60%
- SG&A 23%
- Manufacturing 11%
- Misc. 3%
- R&D 3%

Planned Contributions

- Purchasing 60%
- SG&A 28%
- Manufacturing 10%
- Others 2%

FY 98
NISSAN REVIVAL PLAN
Commitments

Profitability targets

FY 00  Return to profitability

FY 02  Operating profit $>$ 4.5% of sales
NET INDEBTEDNESS EXCLUDING SALES FINANCE

(trillion yen)

89 90 91 92 93 94 95 96 97 98 99 02
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