



# Sustainability Report 2006

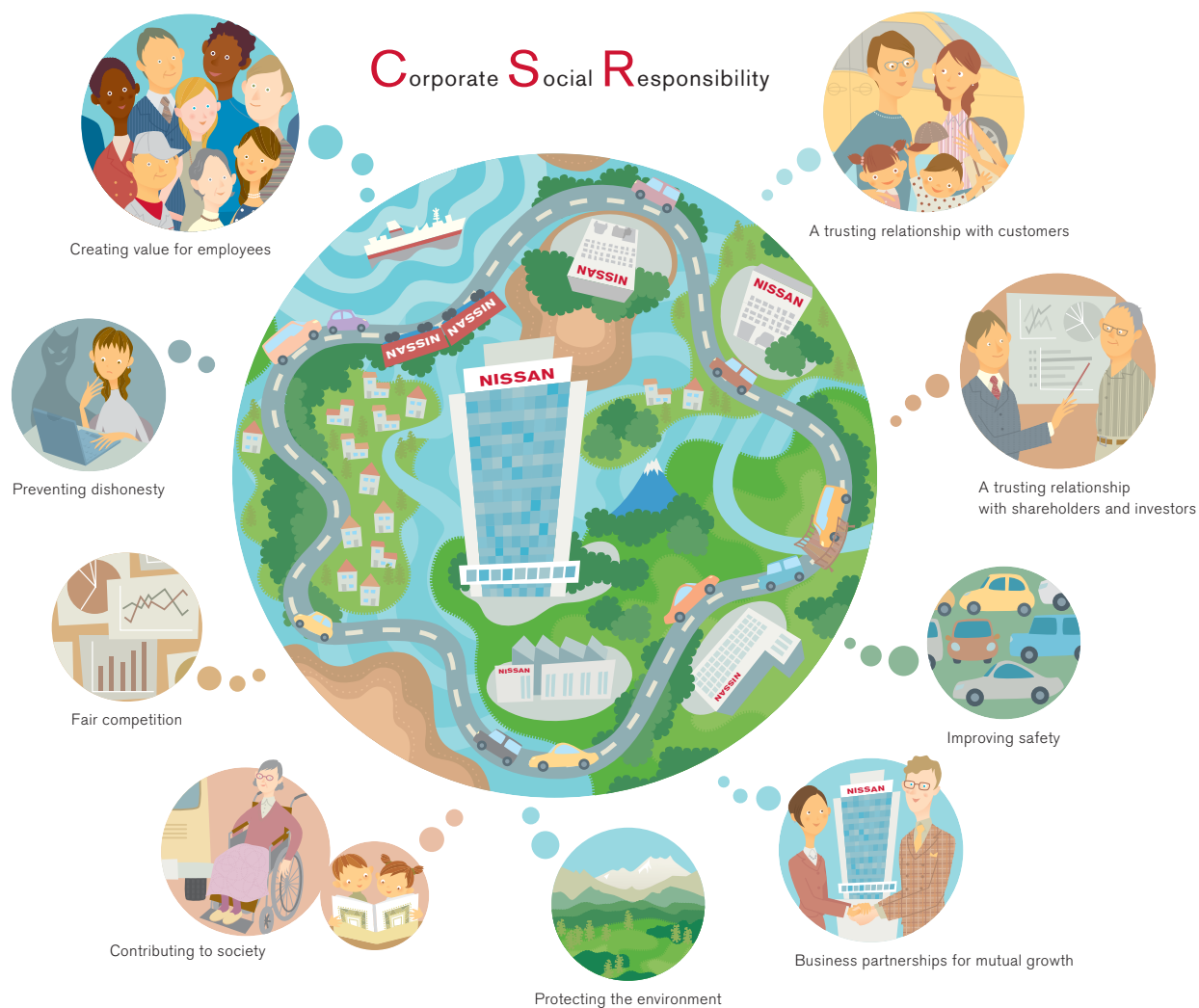
Nissan: Enriching people's lives

Guided by its vision—Enriching People's Lives—Nissan aims to contribute to the development of society through its business activities worldwide. Important in this regard is the alignment of two management objectives: sustained profitable growth for the company and the sustainable development of society as a whole. Corporate social responsibility (CSR) is a useful concept in bringing about such an alignment.

During fiscal 2005, Nissan defined a CSR policy and identified nine key areas of focus. In addition, we established our CSR Steering Committee to oversee the progress of CSR activities from a companywide perspective. For details, please see page 3.

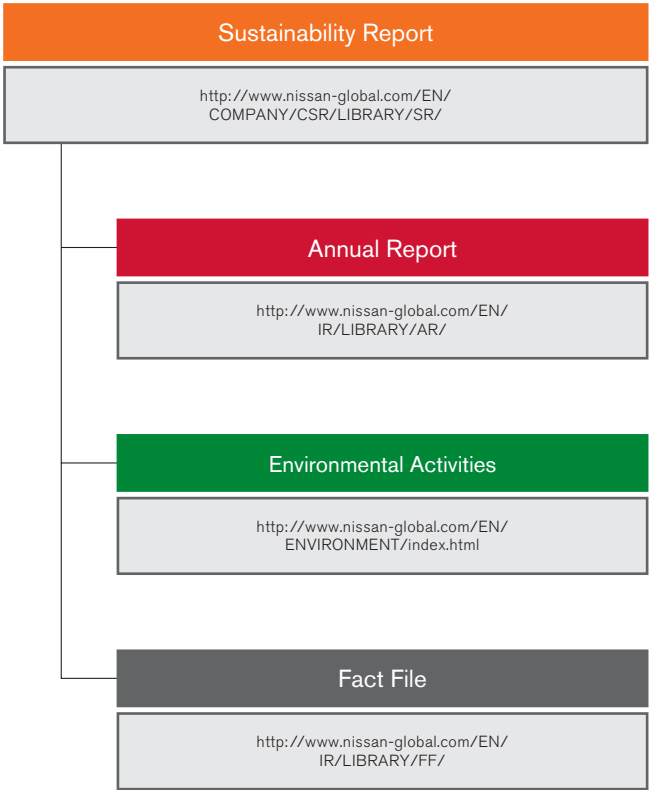
Through the alignment of our main objectives of corporate growth and the development of society, we hope to strengthen our relationships of trust with our internal and external stakeholders.

## Corporate Social Responsibility



## Related Corporate Reports

This Sustainability Report describes Nissan's activities in the three aspects of CSR: economic, environmental and social issues, emphasizing our philosophy and basic approach. For more detailed economic, environmental and other information, please see the following reports. These reports are also available on our website.



## Our Websites

- Corporate Information**  
<http://www.nissan-global.com/EN/COMPANY/>
- IR Information**  
<http://www.nissan-global.com/EN/IR/>
- Environment, Design, Safety and Technology Information**  
<http://www.nissan-global.com/EN/PLAN/>
- Product Information (by Country)**  
<http://www.nissan-global.com/EN/GLOBAL/>
- Product Information (Japan)**  
<http://www.nissan.co.jp/>
- Corporate Citizenship Information**  
<http://www.nissan-global.com/EN/CITIZENSHIP/>

We hope that after reading this report, you will take the time to share your comments and suggestions by completing the questionnaire in the back of the report.

**Note:** In this report, unless a region is specifically identified, the descriptions of Nissan's activities and practices pertain to the headquarters of Nissan Motor Co., Ltd., in Japan.

## Corporate Profile

- Headquarters**  
17-1, Ginza 6-chome, Chuo-ku, Tokyo, Japan
- Date of Establishment**  
December 26, 1933
- Consolidated Net Sales (FY2005)**  
¥9.4283 trillion
- Number of Employees (As of March 31, 2006)**  
183,356 (all consolidated companies)
- Group Structure and Business Outline**  
The Nissan Group consists of Nissan Motor Co., Ltd., subsidiaries, affiliates and other associated companies. Its main business includes sales and production of vehicles, forklifts, marine products and related parts. The Nissan Group also provides various services accompanying its main business, such as logistics and sales finance.

## Sales by Model (Top 5)

●Japan

Model	FY2005 (Apr. '05–Mar. '06)
Serena	88,031
Tiida (includes Latio)	84,279
Note	83,449
Cube	65,444
March	54,634

●U.S.

Model	CY2005 (Jan. '05–Dec. '05)
Altima	255,371
Sentra	119,489
Titan	86,945
Pathfinder	76,156
Maxima	75,425

●Europe

Model	CY2005 (Jan. '05–Dec. '05)
Micra (includes C+C )	156,895
Almera	92,326
X-TRAIL	62,832
Primera	48,755
Almera Tino	29,085

●Vision

Nissan: Enriching People's Lives

●Mission

Nissan provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders\* in alliance with Renault.

\*Our stakeholders include customers, shareholders, employees, dealers and suppliers, as well as the communities where we work and operate.



Serena



Altima



Micra

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Highlights and Performance Data			
Area/ Stakeholder	Highlights (FY2005)		
Performance and Corporate Governance	<ul style="list-style-type: none"><li>●Nissan Value-Up, a new three-year plan aimed at achieving long-term, sustainable growth, was implemented in April 2005. In fiscal 2005, Nissan confronted a variety of issues to register its highest-ever earnings and claim the highest operating profit margin among global automakers.</li></ul>	<ul style="list-style-type: none"><li>●The Nissan Way, which describes the values and operational practices of the company, was implemented as a new asset for all employees. It calls for creating value by focusing on our customers and basing our activities on their concerns to achieve improved results. All Nissan employees will be guided by these principles from fiscal 2006.</li></ul>	
	For Our Customers	<ul style="list-style-type: none"><li>●In October 2005 a department dedicated to promptly analyzing and resolving quality issues raised by customers was established in Japan, the United States and Europe. Issues are now addressed at meetings bringing together managers in charge of design, development and quality control as well as representatives of Nissan suppliers.</li></ul>	<ul style="list-style-type: none"><li>●The number of Nissan dealers in Japan designated as "lifecare vehicle shops" has been expanded. These stores have staff with specialist knowledge of cars for people with special mobility needs, displays of vehicles in their showrooms and barrier-free designs. There were 2,822 specialists at 356 LV shops at the end of fiscal 2005, a 1.5-fold increase over fiscal 2004.</li></ul>
	With Our Shareholders and Investors	<ul style="list-style-type: none"><li>●Investor-relations activities have been boosted and transparency enhanced. Additional time is now set aside for detailed explanations when announcing business results, and opportunities for dialogue with analysts around the world have been increased.</li></ul>	<ul style="list-style-type: none"><li>●The number of individual holders of Nissan shares rose to 218,000 in fiscal 2005, a 14% increase over the previous year and nearly double the 111,400 in fiscal 2001.</li></ul>
	With Our Employees	<ul style="list-style-type: none"><li>●The WIN (Workforce Integration @ Nissan) worldwide intranet network designed to enhance in-house communication, information sharing and project efficiency was fully launched in Japan, North America and Europe in 2005.</li></ul>	<ul style="list-style-type: none"><li>●Measures are being promoted to tap Nissan's diversity in ways appropriate to each region of the world. These efforts are being spearheaded by the Diversity Development Office in Japan, launched in October 2004, and Diversity Cross-Functional Teams in North America and Europe.</li></ul>
	With Our Business Partners	<ul style="list-style-type: none"><li>●A Project Partner System was launched to enable suppliers to participate in Nissan's product development activities from an early stage on the basis of long-term project agreements.</li></ul>	<ul style="list-style-type: none"><li>●A target has been established to be ranked, by 2008, among the top companies in independent customer-satisfaction surveys around the world. In fiscal 2005 Nissan made the top three in about half of the 25 countries surveyed, including Japan, North America, Europe, China and Southeast Asia.</li></ul>
	With Society	<ul style="list-style-type: none"><li>●Nissan provided emergency assistance in the wake of the December 2004 Indian Ocean earthquake and tsunami and also collected donations for the long-term reconstruction of the affected areas. Efforts were made to ascertain actual conditions soon after the quake and to undertake assistance addressing victims' real needs in partnership with local groups.</li></ul>	<ul style="list-style-type: none"><li>●Nissan North America provided donations and equipment in the wake of Hurricane Katrina in August 2005. In January 2006 it also donated 50 Titan trucks to an organization that is helping rebuild damaged homes. Employees at other Nissan Group companies also provided donations and took part in relief activities.</li></ul>
Protecting the Environment	<ul style="list-style-type: none"><li>●Six wind-power generators were installed on the grounds of the Sunderland plant in the United Kingdom. Full-scale operations began in November 2005, and they now provide 5% of all electricity used by the plant. In Japan, a decision was made to become a partner of the city of Yokohama in a project to install wind-power generators there, where Nissan has several facilities.</li></ul>	<ul style="list-style-type: none"><li>●In response to the enforcement of the Automobile Recycling Law in Japan, in the January–March 2005 quarter Nissan recovered 64.0% of automobile shredder residue corresponding to an end-of-life vehicle recovery rate of 93.4%. This cleared the minimum 30% required under the law during fiscal 2005, and even exceeded the 2010 requirement of 50%. The recovery rate for airbags was 95%, also exceeding the legal requirement of 85%.</li></ul>	
Improving Safety	<ul style="list-style-type: none"><li>●Nissan is developing new technologies as part of its "Safety Shield" approach to safety issues, based on the idea that cars should protect people. Safety Shield classifies the conditions surrounding a car in areas ranging from "risk has not yet appeared" to "post-crash," and provides the measures needed to reduce the risks present in each of those areas. Ten new safety technologies will be introduced through fiscal 2007.</li></ul>	<ul style="list-style-type: none"><li>●The Nissan Advanced Crash Laboratory in Japan was completed in July 2005 to achieve more accurate simulations of real accidents. The goal of the testing facility is to reinforce car safety in collisions involving other vehicles and to enhance the protection of occupants in rollover accidents.</li></ul>	

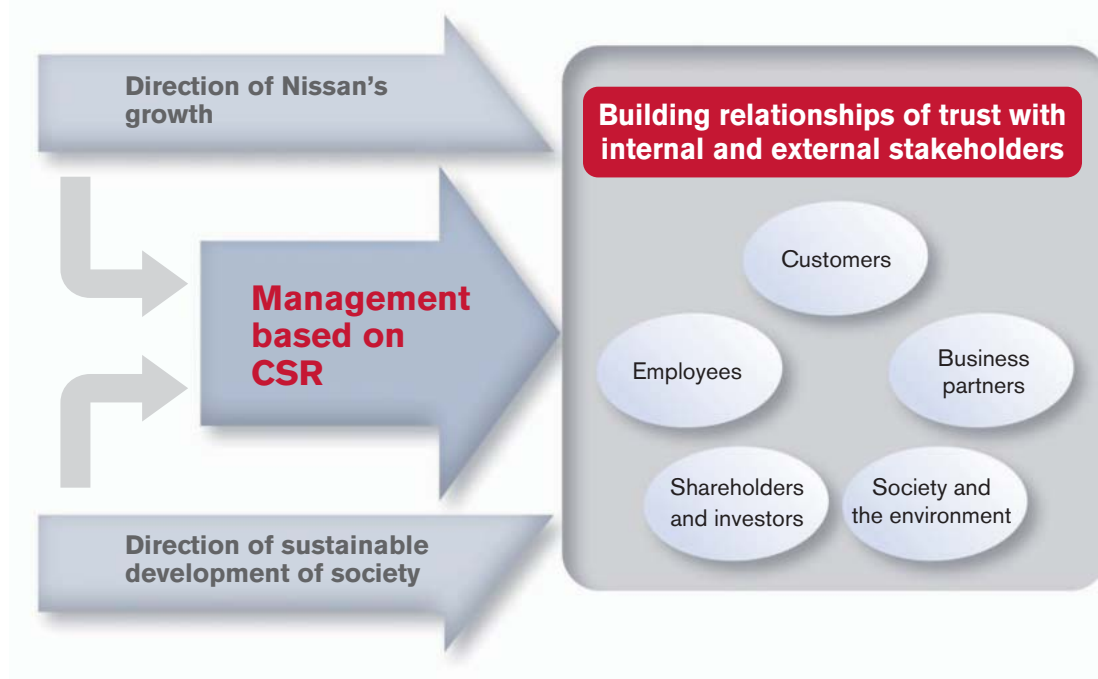
Key value	Major Activity or Index	FY2004			FY2005			Target or Principle
Sustained profitable growth; ensuring transparency and compliance	ROIC (automotive business)	20.1%			19.4%			Average 20% or higher between FY2005 and FY2007
	Consolidated operating profit margin	10.0%			9.2%			Top-level operating profit margin
	Enhancement of compliance structure and application of region-based codes of conduct	Completion of task in Japan, North America and Europe in FY2004			70% completion of task in General Overseas Markets			Continued implementation throughout the Nissan Group, accompanied by regular employee training programs
Improving the quality of products and services; meeting diversifying customer needs	Countries with Infiniti channels	10 countries			11 countries			Study feasibility of introducing Infiniti channels in China, Russia, Europe, Japan and other countries
	Female salespeople at dealerships (% in Japan)	3%			5%			10% by FY2007
	Female technical advisors at dealerships (% in Japan)	7%			13%			20% by FY2007
Enhancing shareholder value; increasing long-term shareholders and investors	Annual dividend per share	¥24			¥29			¥34 in FY2006, ¥40 or higher in FY2007
	Number of individual investors	190,770			218,620			Efforts to further increase individual investors
	PER	9.7			12.2			Maintain levels comparable to other automakers
	Volatility	20.0%			16.5%			Contain volatility as much as possible
Making full use of the capabilities of a diverse staff; raising employee morale; improving occupational safety and health systems	Female managers	Japan	North America	Europe	Japan	North America	Europe	5% by FY2007 (Japan)
		2.3%	20.0%	5.1%	3.0%	20.9%	6.2%	
	Employment of disabled people (% in Japan)	About 1.9%			About 1.9%			Maintain shares higher than Japan's legal requirement (1.8% or higher)
Building partnerships for mutual growth	Total occupational accident ratio (% in Japan)	0.18%			0.26%			Maintain top levels (0.30%) among automakers (see page 39)
	R&D expenditures (% of sales)	¥398.1 billion (4.6%)			¥447.6 billion (4.7%)			Sustain levels of between 4.5% and 5% of sales
	Capital investment	¥477.5 billion (5.6%)			¥475.0 billion (5.0%)			5.5% of sales projected for FY2006
Supporting education; caring about the environment; providing humanitarian assistance	Acquisition of ISO 14001 or Environment Ministry's Eco Action 21 among suppliers (% in Japan)	Over 95%			Over 95%			Ask suppliers (in Japan) to acquire ISO 14001 certification
	Monetary donations following disaster	¥120.7 million (by Nissan Motor Co., Ltd.) for Sumatra earthquake and tsunami relief, spent from FY2004 to FY2005			¥10.0 million (by Nissan Motor Co., Ltd.) ¥62.4 million (for Hurricane Katrina by Nissan North America)			Focus on prompt post-disaster relief and activities with long-term reconstruction benefits
	Corporate tax	¥192.3 billion			¥229.1 billion			Contribute to community development through the proper payment of taxes
Managing CO <sub>2</sub> emissions	Improving fuel economy	Gasoline trucks and diesel vehicles: achieved in all target weight classes Gasoline passenger vehicles: achieved in 4 out of 7 target weight classes			Almost all targets achieved: gasoline passenger vehicles in 7 of 8 target weight classes, gasoline trucks in 9 of 13 classes, diesel vehicles in all classes			Early attainment of Japan's 2010 fuel economy standards for gasoline vehicles and 2005 standards for diesel vehicles Objective: attainment of new standards by 2005 (targets set in Nissan Green Program 2005)
	Promotion of energy saving	2.44 million tons CO <sub>2</sub>			2.31 million tons CO <sub>2</sub>			Reduction of CO <sub>2</sub> emissions at major global production sites (see page 62 for data)
Toward a society without traffic accidents	Persons fatally or seriously injured in Nissan vehicles (per 10,000 vehicles in Japan)	27% reduction compared to 1995 (January–December 2004)			Calculations to be made pending release of traffic statistics (January–December 2005)			50% reduction compared to 1995 by 2015; the ultimate technological goal is zero injuries

## Nissan's Approach to CSR

Guided by a vision of Enriching People's Lives, Nissan is aiming not only to create value by providing products and services but also to contribute to the development of society through its business activities.

We believe it is important always to align the direction we set to achieve sustained profitable growth with our efforts to contribute to the sustainable development of society. Management based on CSR is a good way of pursuing these two directions, enabling us to build relationships of trust with internal and external stakeholders. In 2005, Nissan established a CSR policy and identified nine key areas of particular focus. (See next page.) In addition, to manage the progress of CSR activities from a companywide perspective, the CSR Steering Committee was established.

### Why CSR?



## Nissan CSR Policy and Nine CSR Key Areas

In the process of establishing a CSR policy and key areas, a self-evaluation program developed by the Caux Round Table,\* "CSR Innovation," was introduced to objectively understand how management views the present situation at Nissan. In addition, through workshops with section leaders, issues were identified from the perspective of CSR, and visions for the future were discussed. (See page 6 for details.) Moreover, corporate analysis from external rating agencies was used to identify material issues. The ideas generated and discussed through these processes have been of critical importance in shaping our CSR policy and identifying key areas. The CSR policy and nine key areas were approved by the Executive Committee in March 2006.

\*The Caux Round Table was founded by business leaders from different countries in 1986 at Caux, Switzerland, to promote corporate ethics and contribute to viable economic and social development.

### ● Nissan CSR Policy

- Ethical conduct and strong corporate governance with a high degree of transparency as well as a clear focus on diversity are the foundation for all our activities worldwide.
- We aim for the sustained profitable growth of the company while at the same time contributing proactively to the sustainable development of mobility and society.
- We will listen to, and work with, our stakeholders around the world to create trust, opportunity and long-term sustainable value.

### ● Key Areas

Integrity	Quality	Safety
Economic contribution	Environment	Value chain
Brand	Employees	Philanthropy

Nissan CSR policy contributes to create value for our stakeholders in line with our Vision, Mission and Nissan Way.



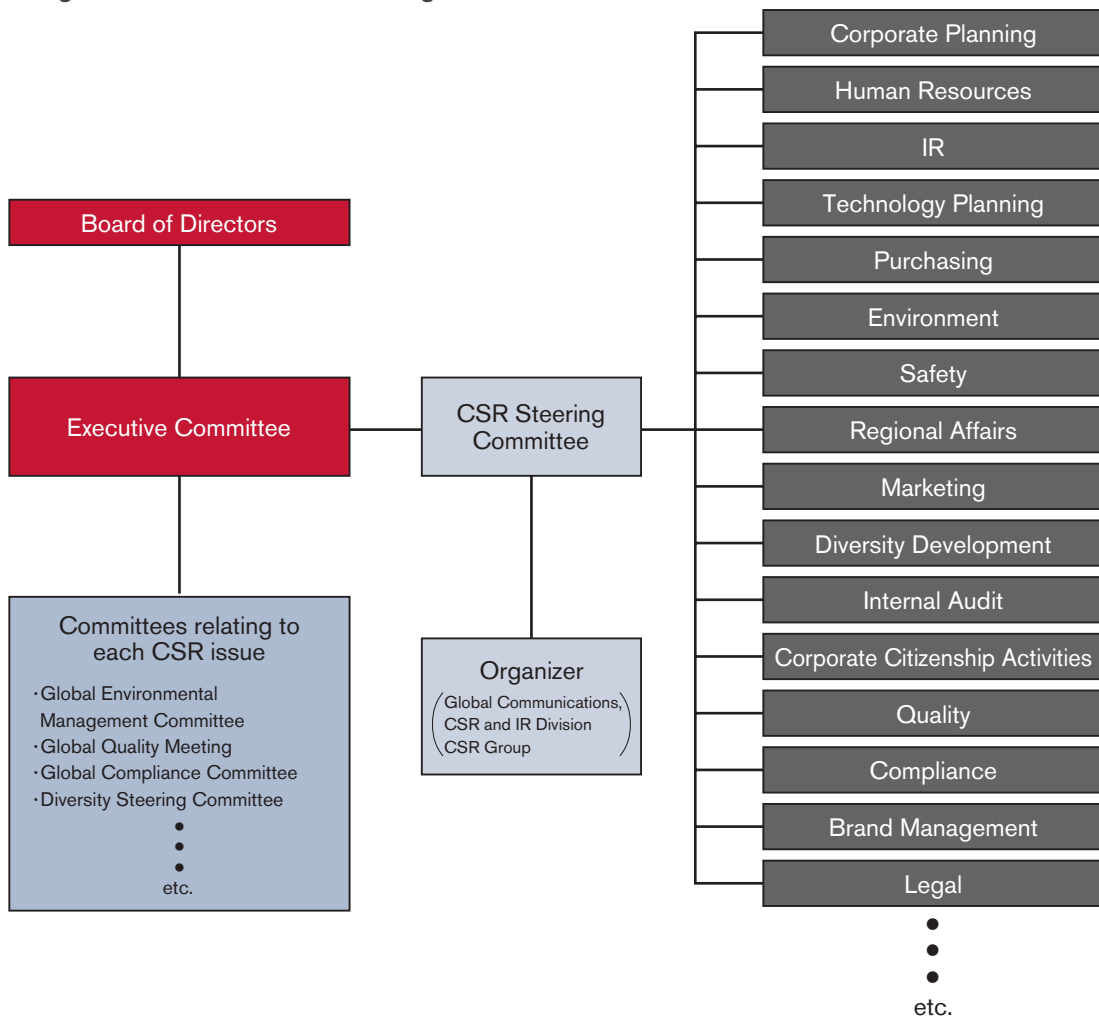
Note: Our Vision and Mission are described on the foldout under table of contents. For the Nissan Way, see page 19.

## Establishment of the CSR Steering Committee

During the Executive Committee meeting, in addition to the approval of the policy, it was proposed and approved to establish a CSR Steering Committee, consisting principally of members who participated in the internal workshop. The CSR Steering Committee, chaired by the corporate officer in charge of communications and CSR, was established as an organization to monitor and promote measures across the company, from a CSR perspective. Previously, each division took action independently, from its own economic, environmental and social perspectives. The CSR Steering Committee will specify the details of CSR activities focusing on the key areas and monitoring key performance indicators to measure progress. In addition, the CSR Steering Committee will make proposals to the Executive Committee whenever needed and regularly report on activities and the progress made. The CSR Group, which was established within the Communication Division in April 2005, will assume responsibility as the secretariat and will collect the research and information that the Steering Committee needs to review.

To ensure that the CSR policy works efficiently and to make the policy measures consistent with the sustainable development of society, it is imperative for Nissan to inform its stakeholders about the company's recognition of challenges and the progress of measures taken, to properly understand the expectations of the stakeholders and to endeavor to review and improve action taken. With this understanding, the CSR Steering Committee and CSR Group will regularly create opportunities to exchange views with stakeholders.

### ● Organization Chart of CSR Steering Committee



## Identifying Strengths and Challenges Through CSR Self-Evaluation

Nissan tested "CSR Innovation," a self-evaluation program, with 12 executives in the fall of 2005. CSR Innovation is a tool developed by the Caux Round Table, founded in 1986 by business leaders from Japan, the United States and Europe. In this program, each executive is given a face-to-face interview and answers 49 questions covering a range of topics. By analyzing the results of the interview, objective views are obtained on the executives' approach to CSR. In addition to this objective, Nissan's implementation of CSR Innovation presented an opportunity for the executives to reconsider their own performance in daily management tasks.

Through such self-evaluation, the following strengths and challenges have been identified. These will be used by

the CSR Steering Committee to establish CSR activities that Nissan will strongly promote in the future.

### Strengths

- Embracing of diversity as a management asset
- Measures taken to ensure transparency
- Achievement of industry-leading recycling rates

### Challenges

- Inadequate contribution to overall social development
- Action to combine business with environmental and social aspects
- Insufficient action in regions other than Japan, North America and Europe

## Clarification of Key Areas Through Internal Workshops

Nissan sees CSR activities as part of its daily operations—initiatives that will create larger value for society. Based on this concept, an internal workshop was held in the fall of 2005 as a forum for reviewing the daily operations of each department and to recognize the challenges from the perspective of Nissan's social responsibilities.

This workshop was attended by approximately 50 division leaders, including representatives from Japan, Europe and North America. After sharing thoughts on basic concepts and world trends, such as how corporate roles are changing in global society and what is expected of a corporation by stakeholders, the discussion turned to Nissan's strengths and challenges, future direction and potential focus areas.

The results of the discussions in this workshop are being reflected in the CSR policy and in identifying key areas.

### Divisions Participating in the Workshop

Corporate Planning, Brand Management, Purchasing, Technology Planning, Quality, Marketing, Aftersales, Logistics, Manufacturing, Environment and Safety, Diversity Development, Corporate Citizenship Activities, Administration for Affiliated Companies, Dealers Support Group, Industrial Machinery, Recycling Promotion, Global Nissan Sales and Service Way (NSSW) Promotion, China Operations, Nissan Europe, Nissan North America, General Overseas Market Marketing and Sales, Regional Affairs, Human Resources, Communications, IR, Accounting, Internal Audit, Legal and others



"Sustainability" is a key challenge of our time. How can humanity and nature both continue to coexist on this planet over the long term?

Discussion of this issue usually invokes other matters and concepts: environment, diversity, disparity, social justice, cultural understanding and globalization. For many thoughtful people today, these concepts are central to a passionate critique of modern consumer society and corporate enterprise. Taken to an extreme, this critique holds that a global corporation—especially one that makes automobiles—is an inherently malign force bent on depleting Earth's resources for short-term gain. We should not dismiss or ignore this critique, especially because it is current among intelligent and concerned young people around the world. Nor should we try to lull it away with soothing advertising telling the world that "we care."

Instead, we should accept the challenge and its consequences. We must continually prove in transparent and measurable ways that if we are a part of a problem we are also a key to its solution; that we are passionately committed to achieving real progress toward a sustainable future. Sustainability is not, however, merely a question of altruism. Negligence in matters of safety or the environment; unfair treatment of customers or workers; discrimination on the basis of race or gender; dishonest or unethical practices—any one of these can destroy the value of a company. The value destruction can occur overnight with a crisis or by slow poisoning if root causes are left unresolved.

So for Nissan sustainability represents fundamental good business sense, the path to creating long-term value for all our stakeholders—customers, employees, shareholders, business partners and the societies to which we all belong. In other words, we have to *create sustainable value* by enriching people's lives. To achieve this, we must work systematically to preclude the possibility of negative factors in every facet of our operations and at the same time strive to attain leadership in every aspect of sustainability.

This Sustainability Report charts our progress toward these goals via three main pillars.

### Corporate Governance, Corporate Citizenship and Environment

**Corporate Governance** is the first and fundamental pillar. Ethical behavior can only function as an instinctive reflex at all levels of the company if it is clearly demonstrated in values at the top. Senior management must accept ultimate accountability for the company's behavior worldwide, and communicate clearly that only the highest ethical standards will do. It is not enough, however, to issue ethical commandments from the head office and expect compliance

to the letter throughout a vast global enterprise. To ensure that a company the size of Nissan lives up to its stated principles and commitments there is no substitute for *transparency*—both internal and external.

Internally, management needs the ability to monitor and measure the activities of each business area around the world in order to identify issues of concern *before* they become problems. Partly, this can be achieved through systematic organization, but much depends on cultivating a corporate culture in which transparency is reflexive.

Externally, transparency is an obligation we have to all our stakeholders. Investors deserve accurate, transparent measures of our business performance. Employees deserve transparent processes in hiring, compensation and promotion. Customers deserve transparency in pricing, in service and, when problems arise, with solutions. Governments and nongovernmental organizations deserve transparent measures of our progress with safety and environmental challenges. So, with the exception of competitive secrets and the personal data of individuals, it is in the interest of all stakeholders that Nissan's operations be highly transparent. This is a fundamental aid to navigation.

**Corporate Citizenship** is the second pillar of sustainability. Much more than simply making donations to worthy causes, corporate citizenship involves the correct conduct of a multitude of relationships with our stakeholders around the world. Nissan has an extremely broad "citizenship footprint" that has become steadily more complex in recent years. Around the world, literally hundreds of millions of people each day use our products—products that do not just sit quietly in customers' kitchens. As vehicles move they interact dynamically with people and the environment.

On top of this, over the past 25 years Nissan has evolved from an exporter of vehicles primarily made in Japan by Japanese employees to a truly global manufacturer that employs 180,000 people around the world. Nissan is now, for example, one of the largest private-sector employers in Mississippi, the United States, a state that has struggled to achieve social progress. We take seriously our role as a progressive employer, giving Mississippians the opportunity to show the world the tremendous strides they have made. China poses challenges even more complex as our operations there grow rapidly. In a society where the rule of law, labor standards and environmental norms are evolving, we must be extremely vigilant in ensuring we meet the highest possible standards.

These are but two examples of the complexity of Nissan's corporate citizenship in nations around the world. There are many more, and in each case they demand great cultural awareness and sensitivity. That is the challenge of corporate citizenship—and why we take it very seriously.

**Environmental Concerns** are the third pillar of sustainability—and by no means the least pillar, because society urgently demands environmental progress from our industry. Not since the race to put a man on the moon in the 1960s has a community of engineers faced such a stark challenge. But as engineers thrive on competitive challenge, everyone in our industry is motivated to win the race.

Nissan starts in “the middle of the pack” of this race. In the late 1990s as Nissan struggled, first to survive and then to recover, investment in advanced innovation took a back seat to more immediate concerns. But with annual investment in R&D now set at 5% of revenues many promising initiatives are in process, both at Nissan and in concert with Renault, our Alliance partner.

Our view is that no single technology has yet proven itself as the environmental panacea and, further, that it is customers who will decide which technology is most relevant and useful.

At present, the world's major markets are all moving in different directions. In Europe, advanced-diesel technologies are the clear favorite. In Brazil, Thailand and many other nations bio-fuels are leading. In the United States and Japan, hybrids have enjoyed a high profile that has yet to be matched by significant mass-market penetration. Further in the future is the prospect of viable electric vehicles and, eventually, hydrogen-powered fuel-cell vehicles. There are also promising but less high-profile technologies that stand to deliver important incremental gains. The continuously variable transmission (CVT) is a good example. Next year, Nissan is on track to build 1 million new CVT-equipped vehicles that will yield an environmental benefit equivalent to 200,000 hybrids.

I am on record as a skeptic where hybrids are concerned because I do not believe current technology delivers sufficient benefit to justify the additional cost. Still, hybrids are significant proof that just as there are customers who will pay a premium for “sportiness” others are willing to pay for “greenness.” It is crucial that customers send signals of this type to automakers, because more than anything we respond to market demand. If customers demand large vehicles or small and inexpensive vehicles, that is what we must deliver.

Taking that perspective, I am pleased that in early 2007 we will launch a hybrid version of our best-selling Altima in the United States. As we continue to pursue all promising avenues to environmental progress, the Altima Hybrid is but the first of a stream of environmentally innovative products Nissan will introduce over the next 10 years.

In this report you will find evidence of many other environmental and social initiatives. However, I must say transparently that there is more work in progress to show than final results. In all areas of sustainability much work remains to be done. The women and men of Nissan are committed to meet this challenge and demonstrate our contribution to long-term sustainable value creation.



**Carlos Ghosn**  
President and Chief Executive Officer  
Nissan Motor Co., Ltd.

# Diversity and Communication: Keys to Sustainability and Trust

What does corporate social responsibility mean to Nissan, and what activities is the company focusing on to fulfill this responsibility? How is Nissan positioning environmental concerns and diversity in its business strategy? And how is this strategy shaping the company's relationships with its stakeholders? Chief Operating Officer Toshiyuki Shiga discussed these topics with Simon Sproule, corporate vice president in charge of global communications, CSR and IR. Their dialogue—moderated by Peter David Pedersen, a specialist in environmental and sustainability issues—sheds light on the course Nissan is setting into a future where CSR will form a central part of every successful firm's business activities.

## Nissan's Approach to CSR

**Moderator:** What does the concept of corporate social responsibility mean to Nissan as a global corporation?

**Toshiyuki Shiga:** Nissan creates and sells its products in many countries, and it's key that we be globally involved in producing value for society. We hope to contribute more to people, especially in the communities where we do business. These contributions define who we are as a company.

There are over 180,000 Nissan employees worldwide, and developing nations are a key area for our operations. Our activities have to contribute to society not just through the cars we provide, but in terms of improving the environment. We need to reduce the environmental burden and improve living conditions for our workers. We've got to have good relationships with the people who live where we work. Achieving this balance between business and social responsibility is good for the company's growth.

**Moderator:** Mr. Sproule, you're Nissan's corporate officer in charge of CSR. What does this term mean to you?

**Simon Sproule:** A lot of people view CSR as something companies do to make a good impression. But I think the difference in the Nissan approach to CSR is that it's very deeply tied to our business itself. Profit sits comfortably with our social and environmental responsibilities.

Our objective for CSR is relatively simple. It's about sustainability—about ensuring that this business will be viable for decades, and that our actions today aren't going to put our future at risk. CSR is about managing those risks. We do that through dialogue and discussion with stakeholders.

Nissan is more economically powerful than many countries, and with that comes responsibility. People want to understand the values driving such a powerful company, and they demand transparency from us. CSR is our way of presenting our credentials. This isn't just window-dressing; CSR is a task with real impact, and a way to keep our business sustainable.

**Moderator:** Last April you set up your CSR Group to manage CSR issues in a more integrated way. Would you tell us about this establishment?

**Shiga:** All our functions are tied in some way to CSR. But in the past Nissan's activities weren't clearly prioritized and directed. It's much better to integrate these efforts, utilizing our resources more efficiently. This also helps us to communicate





**Mr. Toshiyuki Shiga**

Chief Operating Officer  
Nissan Motor Co., Ltd.



**Mr. Simon Sproule**

Corporate Vice President  
Global Communications, CSR and IR Division  
Nissan Motor Co., Ltd.



these efforts more clearly with the outside. This integrated approach is a way to contribute to our stakeholders.

**Sproule:** We're still working on integrating sustainability throughout the company, and we express our priorities in our scorecard. Publishing this key CSR tool helps us set clear targets for our activities and communicate transparency to stakeholders. The scorecard also sparks valuable dialogue with them—we expect that some of them will challenge us. This feedback helps us focus on the priority issues that we want to include in the broad category of CSR.

**Shiga:** A more transparent process—a quicker, more efficient way to do things—is something we're shooting for. Having a defined policy is ideal.

### Pursuing Strength in Diversity

**Moderator:** Diversity development is one key CSR activity. Why is this so important?

**Shiga:** Nissan has to consider the diversity of its customers and the markets it serves. We've got to reach our customers' eyes and ears. Our customer base is diversifying, and so we're focusing on how to reach more of those consumers. We're focusing on people.

Our leadership direction is to make Nissan a more customer-oriented company—more market-driven. That means our culture has to be more flexible, allowing us to understand a variety of opinions and cultures and to provide more attractive products and services. Nissan has a strength in diversity that completely differentiates us from others.

This is strategically important for us. Our Alliance with Renault makes it easier to promote diversity. There are many nationalities represented here. We also have men and women working with the same responsibilities and positions. We're promoting this type of culture.

The key here is to realize that if we're always doing the same job with the same team, delivering the same performance, Nissan cannot grow. So we need change and reform. We need innovating challenges inside the company. People came to us from Renault, bringing approaches that were new to us, and learning from them made us stronger. Diversity in management is an important concept that propels us toward sustainable growth.

**Moderator:** What results have you seen since establishing your Diversity Development Office, or DDO, in 2004?



**Sproule:** We're a Japanese company, but we employ people of many nationalities, across the globe—in North America, Europe and China, for example. While addressing diversity issues in Japan, the DDO has started gathering best practices from around the world.

It's interesting to note that there is actually diversity within diversity. There are different issues to address in Japan, North America and Europe, and we can't make one set of rules for all countries. This is a key philosophy to consider. The DDO in Tokyo is setting up that mindset for the company on a global basis, encouraging everybody to think about those differences.

This all leads back to the customer. The demographics of the developed world, with its aging populations, are changing dramatically. Places like China and India, meanwhile, have a growing middle class and increasing numbers of skilled, educated young people. Global diversity is undergoing a massive shift, and we've got to change with it. Our DDO is encouraging that from inside.

**Shiga:** Communication involving local people is the key. Diversity and CSR represent our capability to encompass and understand different opinions and respect different cultures. They help us enjoy success all over the world.

We're pursuing two activities in connection with women's participation. First, we're expanding employment—increasing the number and responsibilities of challenging positions where we utilize the talent of female employees. The second activity is related to our customers' needs. We're working to understand women's thinking about our product lines and about design in general.

### Working for the Health of the Globe

**Moderator:** For automakers, the environment is a mainstay of CSR development. What direction is Nissan going to take here?

**Shiga:** Nissan has three key goals: to reduce CO<sub>2</sub> emissions, to protect the air, water and soil, and to recycle resources. We view CO<sub>2</sub> reduction as particularly important among these, and we pursue this both as a company and on the level of our individual employees. We want Nissan to communicate its sincerity about greenhouse gases—to show that we're always thinking of the environment. We have been working to reduce CO<sub>2</sub>, but our employees need to be aware of this goal as they handle their daily duties. I want to see this environmental sensibility grow deep in the company's culture.

It's unacceptable for a global firm to ignore environmental issues. Nissan is making huge investments in eco-friendly technology. Our aim is to provide the right technology to the right market at the right time, providing the right value to the customer. Ultimately it is the customer who will decide. I think the environment is



**Moderator:**  
**Peter David Pedersen**  
Chief Executive Officer  
E-Square Inc.

Chief executive of E-Square Inc., a sustainability consultancy in Tokyo, Japan. Has extensive experience working with Japanese multinational corporations on sustainability and CSR issues, in particular facilitating vision and strategy building. Is also a much sought-after moderator of stakeholder dialogues.

Nissan is taking an important step as the company moves to manage issues related to corporate social responsibility more strategically. I hope Nissan will always keep in mind the fact that the ultimate purpose of such CSR activities is not only to sustain the company's growth, but to contribute to the sound and truly sustainable development of society as a whole.

one of our most essential areas of focus as a company. Our environmental strategy has to be more real, more fundamental.

**Sproule:** When we brought in experts from outside to take part in our Environmental Advisory Meeting in 2005, they came in skeptical. After we finished, though, they saw the quality of the dialogue and our openness. We showed we knew that we weren't perfect, but also that we understood our responsibility to improve. And they saw our willingness to challenge each other—to debate and find the best solutions. We gained a lot from that outside input. It's definitely something we would like to repeat in the future.

Words are one thing and actions are another, of course. We've got to demonstrate in the environmental field that we are serious. We're looking at alternative fuels and energy sources on a much broader basis than the hybrids in the news lately. We have active research in fuel cells, bio-fuels, diesel, CVT transmissions and so forth. We aren't taking a singular approach to this.

**Moderator:** How is Nissan engaging with its stakeholders?

**Sproule:** The concept of "stakeholders" in the past focused mainly on shareholders. This has grown recently to encompass the company's employees and other firms it does business with, and it's only in the last couple of years that Nissan has really started talking about stakeholders in this broader sense. Creating value for all stakeholders is at the heart of the Nissan Value-Up plan. Employees benefit from working for a healthy Nissan, and we're a stable business partner for our suppliers. Along with the communities where we operate, consumers are stakeholders putting deep trust in us. When they put their families in our cars they're putting their safety in our hands. They're counting on us to work on environmental issues, too.

We need to look at how we talk to each group individually. We need to make our messages more personal. Today people are constantly bombarded with information, and our challenge is to cut through that and make stakeholders understand that we're talking directly to them—and that we're listening to them as well.

**Shiga:** Nissan Value-Up is about challenges. Our employees do tough jobs, and we ask for a lot of support from our suppliers, too. I believe that Nissan is a rewarding partner for these stakeholders. I want them to say, "Yes, working with Nissan is challenging, but it's good for us."

We want to build solid relationships with people in the communities where our plants are located. On all levels, we want to drive home the message that Nissan is good for people.



# Performance and Corporate Governance

## Performance and Corporate Governance

Aiming for Sustainable and Profitable Growth





# Nissan Value-Up Update and Fiscal 2005 Financial Review

## Making Steady Progress Toward Our Commitments



### Our Three-Year Plan: Nissan Value-Up Update

Nissan looks to the future with an even more ambitious plan: Nissan Value-Up. This three-year plan, like the Nissan Revival Plan and Nissan 180 before it, carries a clear message of its intentions, backed by strong commitments to achieving them. Nissan Value-Up has been implemented since April 2005, with three commitments:

- To maintain the top level of operating profit margin among global automakers for each of the three years of the plan;
- To achieve global sales of 4.2 million units in fiscal 2008; and
- To achieve a 20% return on invested capital on average over the course of the plan, excluding cash on hand.

Under Nissan Value-Up, we are pursuing four major breakthroughs. These new frontiers for Nissan are:

- Building Infiniti into a globally recognized luxury brand.
- Building a new and significant global presence in light commercial vehicles.
- Developing new supply sources in what we call “leading competitive countries” for parts, machinery and equipment, vendor tooling and services.
- Expanding our geographic presence in markets such as China, India, Thailand, Russia, Eastern Europe, the Gulf countries and Egypt.

Within this framework for action in this plan, we will create more value for more stakeholders in more world markets than ever before.

## Nissan Value-Up Commitments

- Profit commitment

Top level operating profit margin among global automakers in FY05–FY07

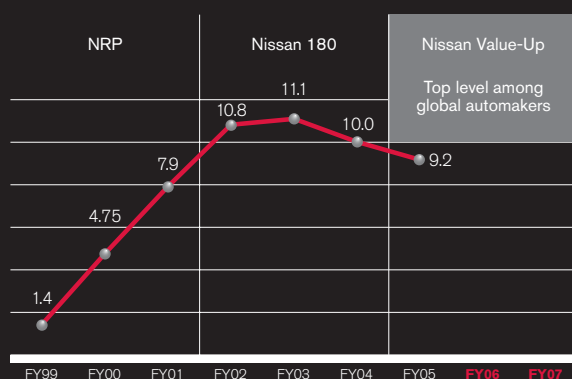
- Volume commitment

4.2 million sales in FY08

- Return on invested capital

20% average ROIC over the plan

- Consolidated Operating Profit Margin (%)

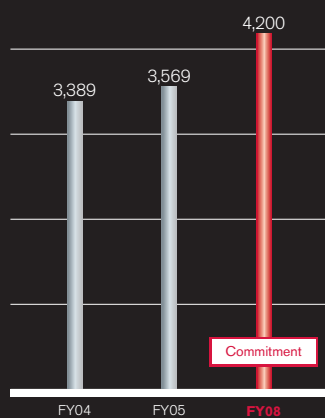


- Return on Invested Capital (Auto) (%)

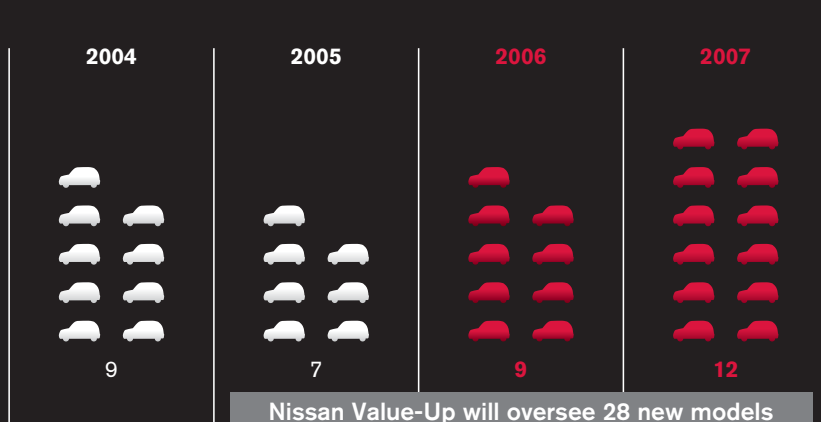


\*Same scope of consolidation as P&L, excluding change of cash compared to FY03

- Global Sales Volume (thousand units)



- Model Launch Schedule, Fiscal 2004–2007



## Fiscal 2005 Financial Review

Fiscal 2005 was a year of transition for Nissan. As we successfully completed our revival by fully delivering on the three commitments of Nissan 180, the next phase of sustainable and profitable growth through Nissan Value-Up was already well underway.

It was also a year of headwinds and turbulence as the costs of energy, raw materials, regulations and interest rates increased significantly. Because of the fiercely competitive environment, we had to absorb most of these additional costs. This has negatively impacted the increase in our profitability and slowed our growth in a low year of our product cycle—the year when we have the lowest number of new product launches during Nissan Value-Up.

Despite this, Nissan has lived up to those challenges with record earnings and an operating profit margin that continues to lead the global automakers.

**Fiscal 2005 sales performance:** Global sales reached a record level of 3,569,000 units, an increase of 5.3%. In various markets around the world, we released seven all-new models.

**Fiscal 2005 financial performance:** Consolidated net revenues amounted to ¥9.4 trillion, up 9.9% from last year. Movements in foreign exchange rates produced a positive impact of ¥301.0 billion. Changes in the scope of consolidation—such as the inclusion of Calsonic Kansei—had a positive impact of ¥117.8 billion on revenues.

Consolidated operating profit improved by 1.2% to a record ¥871.8 billion. As a percentage of net revenue, our operating profit margin came to 9.2%.

**Fiscal 2005 Financial Performance**

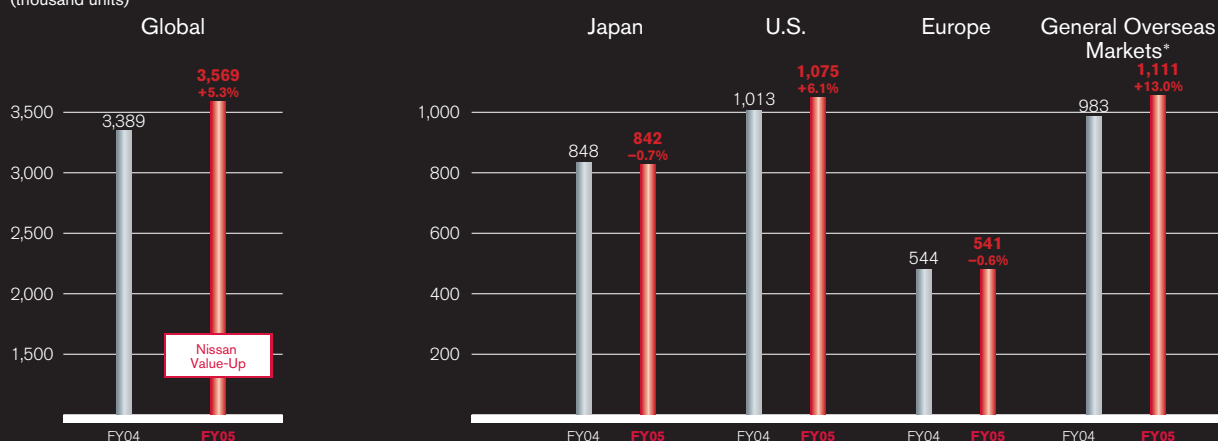
(billion yen, unless otherwise indicated)

	FY04	FY05	Change
Consolidated net revenue	8,576.3	9,428.3	+9.9%
Consolidated operating profit	861.2	871.8	+1.2%
Operating margin	10.0%	9.2%	-0.8 points
Non-operating loss	-5.5	-25.9	-20.4
Ordinary profit	855.7	845.9	-1.1%
Net extraordinary loss	-62.4	-369	+25.5
Income before taxes	793.3	809.0	+2.0%
Taxes	-258.1	-254.4	+37
Tax rates	32.5%	31.4%	-1.1 points
Minority interest	-22.9	-36.5	-13.6
Net income	512.3	518.1	+1.1%
CAPEX	477.5	475.0	-0.5%
R&D	398.1	447.6	+12.4%
Depreciation	257.4	307.1	+19.3%
Net cash (auto business)	205.8	372.9	+167.1

FOREX for FY05    ¥113.3/\$1  
                               ¥136.9/€1

**Fiscal 2005 Sales Performance**

(thousand units)





# Corporate Governance

## Securing Sustainable Growth Through High Transparency

A robust corporate governance policy is a cornerstone of Nissan's corporate social responsibility. We place particular emphasis on transparency in our corporate governance, presenting clear business guidelines and goals to our stakeholders and releasing information on our results and our progress toward those goals as early as possible. Nissan believes that maintaining this transparency in its operations is the key to building a firm foundation of trust for its relationships with stakeholders.

### **The Nissan Way** A path toward further growth

Nissan is a company that creates value through the coexistence and diversity of cultures; this distinguishing quality is what sets us apart as a progressive company. Our synergistic Alliance with Renault, moreover, engenders philosophies, activities and mindsets that are in keeping with an age of increased globalization.

The core principles guiding our operations today are the Nissan Way. It reinforces concepts like the "cross-functional approach" and "stretch" of the Nissan Management Way—which we implemented and assimilated to revive our corporate performance—and it represents a new asset for Nissan. Starting in fiscal 2006 the activities of all Nissan employees will

be guided by these principles, which entail continually creating value by giving full attention to our customers and basing our activities on their concerns. This is the path that will lead to improved results.

The Nissan Way is centered on people and is deeply rooted in the places where productive activities take place, and it comprises five mindsets ("cross-functional and cross-cultural," "transparent," "learner," "frugal" and "competitive") and action values ("motivate," "commit and target," "perform," "measure" and "challenge"). In an environment characterized by diversity, achieving results and winning the trust of our partners is of great importance. We also need to learn from other people and companies, deepen cooperation with them, and generate innovative new ideas. The notion of inner power—strength from our people—is precisely what it takes to achieve these aims. We thus strive to further reinforce the Nissan Way and emerge as an even better company. We are convinced that the concept "power comes from inside" is truly meaningful in creating sustainable and universal values, not only for corporate management but also for a rapidly changing society and international community.

By embracing the diversity underpinning the Nissan Way, we are committed to evolving with the customer to become the world's top automaker in terms of quality, brand strength, profitability, business results and user- and eco-friendliness.

Executive Committee members: (from left)  
 Alain-Pierre Raynaud, Senior Vice President;  
 Mitsuhiro Yamashita, Executive Vice President;  
 Tadao Takahashi, Executive Vice President;  
 Toshiyuki Shiga, Chief Operating Officer;  
 Carlos Ghosn, President and Chief Executive Officer;  
 Itaru Koeda, Executive Vice President and Co-Chairman;  
 Hiroto Saikawa, Executive Vice President;  
 Carlos Tavares, Executive Vice President



### A Focus on Compliance

Sharing information and applying it to management

Compliance is a foundation for all our CSR efforts. In 2001 the company established the Nissan Global Code of Conduct, setting forth guidelines for employees working in the Nissan Group all over the world. The same year saw the launch of the Global Compliance Committee. This organization carries out ongoing checks of the compliance situation, working to strengthen the company's legal and ethical functions and to prevent lapses in these areas before they take place. Committees in charge of Japan, the Americas, Europe and the General Overseas Markets work together to enforce compliance policy.

Nissan's clearly defined Code of Conduct takes on its true significance only when all the company's employees internalize its content and reflect that content in their actions. For this reason Nissan is focusing on communication activities to deepen awareness. In North America, regular education programs are in place for all employees using the company intranet to help to increase compliance with the code. Efforts in Europe have included development of a unified set of guidelines for all countries in the region. In the General Overseas Markets, meanwhile, which include the fast-growing markets of Asia, Africa and Latin America, we are putting together similar compliance guidelines. Nissan does business in countries with widely differing conditions, and we pay close attention to those differences in our activities, setting up compliance offices and placing promotion officers in each location to manage our activities and boost awareness in this field.

### Global Code of Conduct for Nissan Group

#### Principle

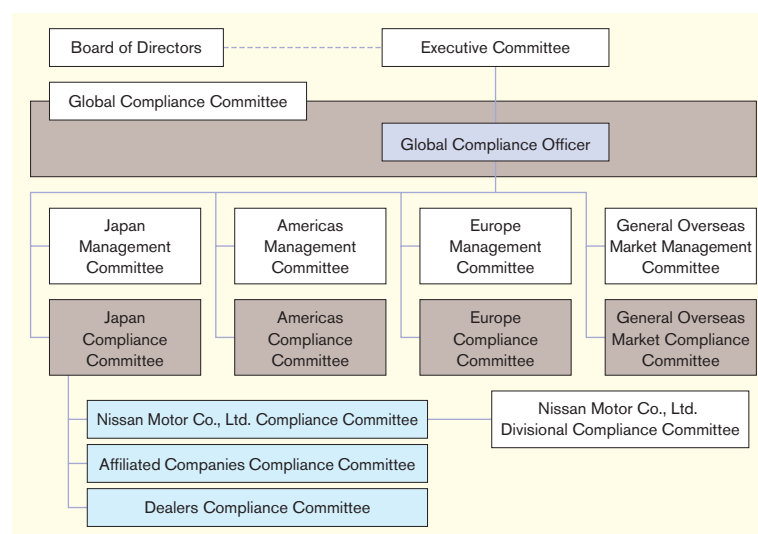
Nissan shall consistently treat customers, employees, shareholders, suppliers and communities with honesty, integrity, fairness and respect.

The following standards apply to all employees in Nissan Group companies. Each member of the company is charged with the responsibility to uphold and extend this Code of Conduct.

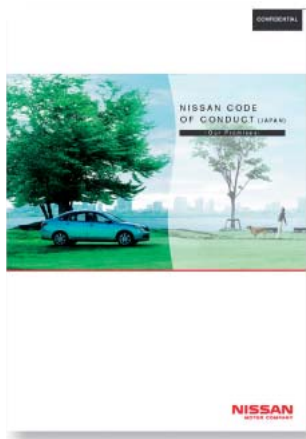
#### Global Code of Conduct

1. Comply with All Laws and Rules
2. Avoid Conflicts of Interest
3. Preserve Company Assets
4. Be Impartial and Fair
5. Be Transparent and Accountable
6. Value Diversity and Provide Equal Opportunity
7. Be Environmentally Responsible
8. Be Active; Report Violations

### Global Compliance Committee Organization



A compliance committee has been or will be established in each region under the governance of the global compliance officer. The committees are responsible for discovering compliance violations at an early stage through internal auditing or reports, for solving problems, and for maintaining and improving internal awareness of the Code of Conduct.



Nissan Code of Conduct



In Japan, Nissan Motor Co., Ltd. has established a comprehensive education system to increase understanding of compliance issues. The Japanese version of the Code of Conduct, titled "Our Promises," is the subject matter for a course that all employees must take via e-learning or videotape before signing agreements to abide by the code. Other companies in Japan that are part of the Nissan Group have introduced their own codes of conduct based on the Nissan document to supplement its content.

In 2002 we deployed our Easy Voice System to facilitate internal reporting on violations. This system allows employees to freely communicate their opinions, questions and requests directly to a dedicated department. Similar reporting systems have also been introduced in Nissan Group companies throughout Japan. The EVS is compliant with the personal information privacy requirements of the Whistleblower Protection Act that went into effect in Japan in April 2006.

### Pooling Our Strengths Maintaining independence in pursuit of growth

The Renault-Nissan Alliance, signed on March 27, 1999, was the first such agreement between Japanese and French companies. At the core of this relationship is an agreement to fully respect the brand identities and corporate cultures of both Alliance partners while pursuing a joint strategy for profitable growth and mutual benefits.

#### Our Alliance Vision

In March 2004, to mark the fifth anniversary of the Renault-Nissan Alliance, the two companies released a statement titled "Alliance Vision: Destination." In this document we reconfirmed the values and principles we hold in concert with one another, while announcing our determination to continue propelling the Alliance forward.

## Messages for Our Stakeholders



Yoshiko Tanegashima

Compensation and Benefit Group  
Human Resources Department  
Nissan Motor Co., Ltd. (Japan)

### From a Culture of Obedience to a Culture of Duty

In response to a spate of corporate scandals, companies are required to conduct their business in strict adherence to the laws and social norms.

Nissan is strengthening its compliance system with the cooperation of all group companies at home and abroad. However, internal regulations and a code of conduct are not enough. The system does not work without a sense of awareness among employees. We must understand that we do business in society and our work contributes to society. Therefore, we should go about our activities with pride and responsibility.

In addition to employees' individual efforts to enhance their compliance awareness, it is also

important for management to communicate to employees about its sustainable vision for society, and to take steps to achieve that vision, while fully respecting the laws and regulations that guide us.

When Nissan established the compliance system, the CEO delivered a message to employees that their awareness "promotes a corporate culture where duty matters more than obedience." As he says, we employees need to realize our duty to shareholders, customers, suppliers and colleagues, and fulfill it actively.

I hope to see our activities, based on moral awareness and strong respect for the rules, earn the trust of society.



Alliance Convention



Alliance communications

### Alliance Vision: Destination

The Renault-Nissan Alliance, a group of global companies linked by cross-shareholding, is unique for its successful pursuit of the following characteristics:

- Renault and Nissan are united through a coherent strategy and common goals and principles. Through results-driven synergies and shared best practices, the companies pool their strengths to achieve top goals.
- At the same time, Renault and Nissan respect their respective identities and brands, working constantly to reinforce them.

### I. The Principles of the Alliance

The Alliance is based on trust and mutual respect. Through its transparent organization, it seeks to ensure clear decision-making for speed, accountability and a high level of performance. It maximizes efficiency by making full use of the strengths of both companies and developing synergies through common organizations, cross-company teams and shared platforms and components.

The Alliance provides employees with attractive working conditions and challenging opportunities, allowing it to attract

and retain the best talent and develop workers' global vision and entrepreneurial mindset.

The Alliance generates attractive returns for the shareholders of both companies and implements the world's best standards of corporate governance.

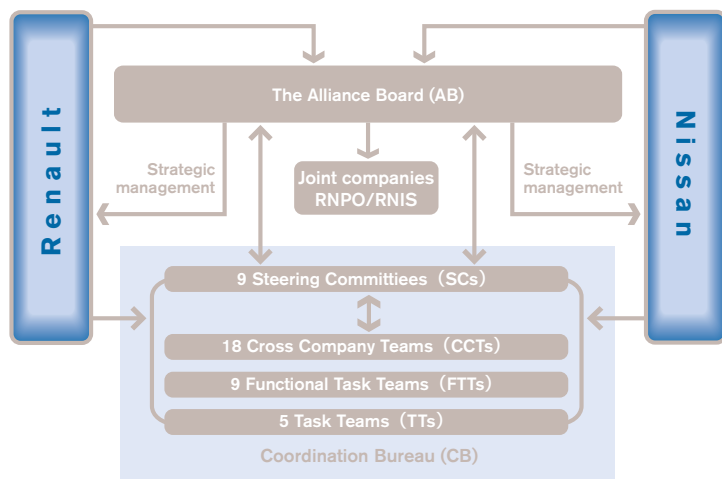
The Alliance contributes to global sustainable development—development that harmonizes economic growth with environmental concerns and companies' social responsibilities.

### II. Objectives

The Alliance develops and implements a strategy for profitable growth. It has set itself the following three objectives:

1. To be recognized by customers as being among the best three automotive groups in the quality and value of its products and services in each region and market segment.
2. To be among the best three automotive groups in key technologies, each partner being a leader in specific domains of excellence.
3. To consistently generate a total operating profit among the top three automotive groups in the world by maintaining a high operating profit margin and pursuing growth.

### A new Alliance organization



**AB:** The Alliance Board steers the Alliance's medium- and long-term strategy and coordinates joint activities on a worldwide scale.

**SC:** Steering committees. Coordinate the activities of the CCT, FTTs and TTs, making operational decisions going beyond the CCT level and reporting to the AB.

**CCT:** Cross-company teams. Explore opportunities for Alliance synergies, and proposing, planning and monitoring joint projects.

**FTT:** Functional task teams. Assist the CCTs and contribute to Alliance synergies through process, standards, management, information tools and other support functions.

**TT:** Task teams. Assigned to address and solve specific issues as they arise.

**CB:** The Coordination Bureau (with offices at Renault in Paris and Nissan in Tokyo) provides functional support to the SCs, CCTs, FTTs and TTs and prepares the meetings of the Alliance Board.



Alliance Rendez-Vous

### A new Alliance organization

In fall 2005 Renault and Nissan launched a new organization for the Alliance. This encompasses nine steering committees, 18 cross-company teams, nine functional task teams and five task teams. It also includes two joint companies, the Renault-Nissan Purchasing Organization and Renault-Nissan Information Services. Executive and senior vice presidents from the two companies head the steering committees, which coordinate the activities of the CCTs, FTTs and TTs placed under them in the organization and deal with issues that go beyond what those teams can address. The activities of the SCs are limited to actual operational details; overall strategy issues are discussed and determined by the Alliance Board at the apex of this structure.

### Alliance Convention

In October 2005 Tokyo hosted the third Alliance Convention, which was attended by 300 people including directors from both companies and members of the SCs, CCTs, FTTs and TTs. Participants formed teams to carry out workshop-style discussions on a range of issues: the Alliance's organization and decision-making processes, its achievements in its first six years and the "Alliance Vision: Destination" document, for instance. The convention closed with a panel discussion between CEO Carlos Ghosn and board members from both companies addressing the proposals and questions produced during the workshop sessions.

### Alliance Rendez-Vous

Nissan held its first Alliance Rendez-Vous on November 28, 2005. Started by Renault in 2003, these events aim to share information on the Alliance within the hosting company. Four hundred employees gathered at the headquarters in Tokyo and the Technical Center in Atsugi, Kanagawa Prefecture. The theme of this gathering was "R&D Activities." A speech from Nissan COO Toshiyuki Shiga kicked off the event, which featured presentations on Alliance activities from Renault and

Nissan directors in charge of research and development. The day's discussions were broadcast live to a number of Nissan locations in Japan, and a video summary of the event was later distributed around the world to share the latest Alliance information as broadly as possible. Renault and Nissan will hold regular Rendez-Vous events with participation from executives from both companies.

### Risk Management Nissan's view and approach

Nissan defines risk as factors that may prevent the company from achieving its business goals. Our approach takes several forms: we analyze the potential for risk, we detect risk as early as possible, we evaluate it and craft appropriate measures to address it and we seek to minimize its incidence and the damage caused when it does arise. Our transparency as an organization is central to these efforts: we believe there must be no concealment of problems.

Nissan evaluates risk in itself and throughout the Nissan Group from a variety of perspectives, and has devoted considerable energy to designing methods and systems for managing risk. The risk management team established in 2004 within our Financial Department works together with the relevant sections of the company around the world, identifying risks arising from Nissan's activities and prioritizing them on the basis of their frequency, damage and control level. This team notes risks requiring attention and delegates those issues to the responsible directors for action. Beginning in fiscal 2005, the concrete measures produced by this approach have been applied to broader risks impacting Nissan's business strategy and processes. The company sections in charge of managing risk share information on their activities via reporting lines, and members of the Executive Committee, the body in charge of Nissan's overall strategy and business decisions, directly monitor risks that must be controlled at the corporate level.

## Smooth communications with the Nissan Meeting Way

A large organization, Nissan is the scene of numerous meetings, a vital part of its day-to-day operations and a foundation for its global and cross-functional activities on a grand scale. Increasing these meetings' efficiency and the quality of their output is therefore a key task. To increase the value of these activities, Nissan has defined a unified set of rules for use around the globe: the Nissan Meeting Way.

These rules define the logistics of meetings, which are whenever possible to

be paperless, to require as little movement of people as possible, and to take only one hour per topic of discussion. Tools like WIN (Workforce Integration @ Nissan), our globally integrated intranet, and video teleconferencing help us increase the value of our meetings. Nissan Motor Co., Ltd. started implementing this streamlined system in October 2005, and Nissan operations in North America and Europe are next on the list.



### Internal Control Systems Key tools to monitor our progress

Nissan's Board of Directors makes decisions on the company's business operations. As it handles its tasks, the board is subject to oversight of our Statutory Audit Committee. In this system the auditors attend all board and other key meetings; they also carry out interviews with the directors to gauge their performance in all areas on an ongoing basis.

Members of the Statutory Audit Committee meet regularly with the independent financial auditors, who report on results of inspections and plans for future audits. These meetings also allow the teams to exchange information and make decisions on whether their oversight is at a suitable level. The committee also receives regular reports from the internal audit teams throughout Nissan's organization, making use of this data as it crafts its approach. This information exchange at all levels of Nissan's auditing system helps us to make the system more robust.

Another oversight unit is the Domestic Internal Audit Office. This independent group, under the direct control of the CEO, oversees the business activities at Nissan Motor Co., Ltd. and at other affiliated companies, both in Japan and overseas.

Meanwhile, regional audit teams focusing on Nissan's foreign subsidiaries report to the CIAO, or chief internal audit officer, who maintains efficient, effective oversight of all of Nissan's activities on a groupwide and global basis.

### Protecting Privacy Measures to protect personal information

In April 2005 Japan's Personal Information Protection Act came into full force. Nissan Motor Co., Ltd. is bolstering its groupwide systems for proper handling of personal information and educating its employees to heighten awareness of the need for data security.

Nissan Financial Services Co., Ltd., which handles credit and leases related to auto sales in Japan, has a special responsibility in this area, dealing as it does with the financial information of Nissan customers. NFS has been strengthening its systems for protecting this data since well before the Personal Information Protection Act came into effect. In March 2006 this company gained Privacy Mark certification, awarded only to companies doing business in Japan with proper systems in place for handling personal information.

## Messages for Our Stakeholders



**Pierre Sevaistre**

Chief Internal Audit Officer  
Global Internal Audit  
Nissan Motor Co., Ltd. (Japan)

### Our Mission: Bring Value to the Company

Like all internal audit functions, our field of action is the reinforcement of internal controls that contribute to better governance, transparency and efficiency of our group.

Internal controls are not an aim by themselves, but a means to bring value to Nissan. Therefore, with all our assignments (operational processes, information systems, financial accuracy, regulatory compliance and fraud investigation), we take the utmost care to answer any concerns from management. Our contribution is assessed according to the value we brought in terms of assurance, risk reduction or process improvement.

Globally we report directly to the CEO and our audit teams are distributed in all the main regions and entities, close to the business. To ensure both independence and expertise of the teams, we have established a strong functional relation and share methods and knowledge through a closely linked network. We also maintain close contact with Renault's Internal Audit.

Since 2005, we have also exerted a risk coordination role, ensuring that major corporate risks have an assigned owner and are managed. This is another way for us to contribute to Nissan's sustainability.

# Enhancing Value for Stakeholders

Realizing Sustainable Development for People and Society







# For Our Customers

## Providing Nissan Quality

**Nissan aims to provide products and services that surpass the expectations of our customers. To achieve this goal we must be sincere in our thinking and bold in our actions. While maximizing quality through continuous improvements to performance, we must also be unceasing in our quest for creativity. It is through the combination of efforts in all of these areas that Nissan can help to create an automobile society that provides safety and peace of mind.**

### **A Lifetime Guarantee** A global take on quality management and production control

It is customers, not Nissan employees, who pass final judgment on the quality of our products. Indeed, our quality is defined in terms of the appraisals we receive from our customers. We believe that listening to these stakeholders' comments and sincerely taking them to heart is the starting point from which we can work to meet their expectations.

At Nissan we have defined three quality categories, basing them on a consideration of the customers' perspective. The first is the "ordinary quality" of our products—the peace of mind that our customers expect from their vehicles as a matter of course. Next is the products' "attractiveness quality," that which makes Nissan cars attractive to drive. Third is "sales and service quality," a category that boosts satisfaction for the customers dealing with our company. We use customer satisfaction surveys to determine objectively whether we are meeting customer expectations in these three categories. The results of these surveys, carried out in different regions worldwide by independent consumer research organizations, are put to work to improve quality.

Our guarantee goes beyond the quality of the car itself. Quality must be guaranteed at every stage in the lifetime of a car, from the development and production of a new model to distribution, sales and after-sales service. In 2004 Nissan appointed its first product quality director (PQD), a position directly responsible for guaranteeing the lifetime quality of vehicles. The PQD successfully improved product quality in

### **New technical centers in Japan and China**

Our Nissan Value-Up business plan includes a goal of 70 production launches worldwide during the three years through fiscal 2007. Our main task in pursuing this goal is to achieve optimum efficiency while ensuring that all our cars, from the first vehicles to roll off the lines, maintain the high standards of quality that Nissan customers have come to expect. To help achieve this goal, Nissan will establish the Global Production Engineering Center (GPEC), opening its doors in March 2007 at the Zama Operations Center in

Kanagawa Prefecture. The GPEC will conduct intensive prototyping and analysis of new car models to find ways to boost quality, sharing these methods with Nissan factories everywhere to achieve a uniformly high level of quality worldwide.

Dongfeng Motor Co., Ltd., Nissan's joint venture with Dongfeng Automotive Investment, has also moved to boost quality with the March 2006 completion of the Dongfeng Nissan Technical Center (DNTC) in the Huadu district of Guangzhou, China.

Through close collaboration with Nissan engineering facilities in Japan and elsewhere around the world, the DNTC will develop new models for the Chinese market jointly with Nissan and support them throughout their lifecycles. The center will also work to source more parts domestically and reduce costs by developing close ties with local suppliers. Another DNTC focus will be on providing value to Chinese customers in the form of high-quality cars outfitted with the latest technologies.

The Global Quality Meeting held at Nissan headquarters



North America, one of our major markets, by overseeing reforms in the areas of product quality management and production control. Quality-control personnel from every production facility in North America attend monthly quality meetings, and under the lead of the PQD they tackle issues by sharing information on production and sales facilities throughout the region. Furthermore, quality control personnel from Nissan's Global Headquarters in Tokyo visit production bases in China, Southeast Asia, Australia, South Africa, the Middle East, Brazil, Mexico and Taiwan every year to gauge progress in the quality management field.

### **Transparent, Fair Recalls** Responding promptly to customers and the market

The opinions and inquiries we receive from our customers are a vital information resource to use in improving our quality. In October 2005 we launched a specialized department to handle tasks in this area: the Field Quality

Investigation Analyst Center. Staff from the planning, development, quality and other departments of Nissan gather together with suppliers at this FQIA to analyze the points raised by our customers and to find prompt solutions to problems. The initial phase of the FQIA rollout took place in Japan, the United States and Europe in the fall of 2005, and in fall 2006 the center will begin full global operations.

It is the duty of a manufacturer to make every possible effort to ensure that there are no defects in its products. Automobiles are extremely complex industrial products, though, and unfortunately, unexpected defects do occur at times. Nissan is fully prepared to carry out prompt recalls of its cars if this is judged necessary, placing the safety of its customers first. Underlying our recall policy is our commitment to objective, accurate analysis—any decision to recall a car is made purely on technical grounds, with other business considerations playing no part whatsoever. This ensures that recalls are carried out in a transparent and fair manner.

## Messages for Our Stakeholders



**Gerald Hale**

Department Manager  
Parts Quality Engineering,  
Smyrna Plant  
Nissan North America Inc. (USA)

### **Continual Improvement Integral to the Value-Up Commitment**

I believe an important ingredient to sustained success is the willingness to compare your practices to the best in the industry and having the courage and sense of urgency to change when deficiencies are found. The group in which I now work—Parts Quality Engineering—was a direct result of benchmarking activity with other Nissan and competitor plants. Our research made clear that we had an opportunity to improve our approach to controlling purchased parts quality. Our company quickly responded by establishing our team, which is currently concentrating on improving purchased parts

quality for the next-generation Altima and its hybrid version. The more we challenge ourselves to improve, the closer we come to achieving our Value-Up commitments, and the greater the value we can create for all of our customers.



### Technical skills contest for service advisors (China)

In August 2005 Dongfeng Motor Co., Ltd., a joint venture between Nissan and Dongfeng Automotive Investment, hosted the first-ever technical skills contest for service advisors in China. The contest attracted entrants from 149 companies throughout the nation. Eight

male and seven female service advisors made it through the regional heats, competing in their day-to-day customer-relations tasks and their follow-up telephone calls. Overall assessments were based on how closely the competitors' customer-

handling skills matched with the guidelines of the Nissan Sales and Service Way program, as well as their ability to tailor service to each customer's specific needs.

### Grasping Customer Needs Handling 180,000 inquiries a year

Nissan maintains call centers in every region worldwide, allowing all our customers to contact the company directly with questions and comments. At just one of these locations, the Japan Customer Support Center, we receive some 180,000 telephone inquiries annually. We are now strengthening the inquiry system at this center to let us quickly and accurately understand the nature of each call, in turn letting us respond more appropriately to our customers' needs. In Europe, meanwhile, the call centers in each country have been integrated into one center in Budapest, Hungary, which efficiently covers these customer relations tasks for all of Europe.

### Faster Checks and Maintenance Service that exceeds the customer's expectations

We are outfitting the service areas of Nissan dealers with state-of-the-art equipment and tools to let them keep pace with the rapid advances in automotive technologies. Problems with sensors, switches and other electronic devices are difficult to spot with visual examinations. The Nissan Consult diagnostic device for tracing electrical faults allows quick and accurate checks. The Consult device is simply plugged into the customer's car and the engine started—the device reads the signals from the car's sensors and can immediately pinpoint any faults. Technicians then use this information to carry out the appropriate repairs.

## Messages for Our Stakeholders



**Naoko Kaneya**

Car-Life Advisor  
Tokyo Nissan Auto Sales Co., Ltd.  
(Japan)

### Putting Smiles on Customers' Faces

When I'm doing my job, I spend a lot of time thinking about ways to provide the best service possible—ways to put a smile on the faces of my customers. I aim to be friendly, welcoming and energetic, responding quickly to the customer's needs no matter how small. I put a lot of hard work into selling and servicing Nissan vehicles, and I've promised myself to always keep these goals in mind as I do my job.

As a car-life advisor I work together with customers as they buy a car—one of the bigger purchases they can make. I take a lot of pride in my job, and I find it very satisfying

that I'm able to grow as I work with people like this each day. When a customer thanks me for my help, I feel like I've really made a difference in my work.

I take pride in my work, and I hope to continue increasing the number of Nissan enthusiasts with my advice.



Nissan dealerships are to be equipped with the latest model, the Consult-III, in fiscal 2006 (Japan)



Infiniti dealership (Korea)

## The Infiniti moves onto the world stage

As part of the Nissan Value-Up three-year business plan, Nissan is making its Infiniti luxury brand available in many new international markets. This expanded introduction is a key part of Nissan's long-term global strategy. The Infiniti was first launched in the United States in 1989,

and it is now being released in Canada, the Middle East, Taiwan and Korea. During the Nissan Value-Up period lasting through fiscal 2007, the Infiniti will also be marketed in China, Russia, Ukraine and other countries to enhance Nissan's global credibility as a provider of top-class luxury

vehicles. In 2008 we will launch sales and servicing of the brand throughout Europe at Infiniti-branded dealerships. We are also considering the release of the Infiniti in the Japanese market after the completion of the Nissan Value-Up plan.

Nissan's service centers currently use the second-generation Consult-II diagnostic device, but in order to keep up with the latest developments in car electronics all Nissan dealerships in Japan are to be equipped with the latest model, the Consult-III, in fiscal 2006. This third-generation device is outfitted with wireless LAN

functionality, giving technicians real-time access to a central database of service manuals and maintenance instructions as they work. This will ensure further accuracy in testing and repairs. Nissan is now looking to introduce similar wireless LAN systems and make documentation available on the web for other dealers on a global basis.



Bluebird Sylphy (Japan) Tiida (China)  
Quest (USA)  
Micra (Europe) Navara (Australia)



Increasing female salespersons at our dealers. Women will make up 10% of the salesforce by fiscal 2007 (Japan)



The LV Advisory Staff take extra care to assist customers with special needs



In the Nissan Group, welfare vehicles supporting customers in a variety of situations in life are called "Lifecare Vehicles"

### Focusing on Customer Diversity Nissan moves to recruit more women

Women purchase some 30% of the approximately 6 million cars sold annually in Japan. An additional 30% are bought following decisions made by men and women together. This means that women are involved in the decision-making in at least 60% of all automobile purchases. To better address the needs of our female customers, we are increasing the number of female CAs, or car-life advisors, at our dealerships. At present 5% of CAs in Japan are female. We aim to increase this ratio to 10% by the end of fiscal 2007 through active recruitment and training of women. We also plan to increase the number of female technical advisors, who communicate with customers and respond directly to their needs when cars are brought in for servicing. Nissan is working to increase the percentage of female technical advisors from the current level of 13% to 20% by the end of fiscal 2007.

### Mobility for Everyone Increasingly accessible lifecare vehicles

#### A 50% jump in certified dealerships

Nissan develops LVs, or lifecare vehicles, with the aim of helping the elderly and people with disabilities become more mobile. We do not regard LVs as "specialty" vehicles—they are simply one part of an extensive range of products that we provide to meet the needs of as many people as possible. Certified LV dealerships have these vehicles on display, and advisory staff are on hand to offer specialized LV consultation. These staff members meet with customers personally and take them for test rides to ensure that they receive the products and services that best suit their individual needs. As of fiscal 2005 there were 356 certified LV dealerships in Japan, staffed by 2,822 LV advisors. Both of these figures are up by approximately 50% from the previous year.

### Working to reduce cabin VOC levels (Japan)

Nissan has been working continuously to improve the passenger compartment environment of vehicles by reducing the levels of volatile organic compounds. These VOCs, which include formaldehyde and toluene, can be volatile even at room temperature and

are identified as causes of respiratory irritation. Nissan has improved the cabin environment in the new March, Cube and Cube Cubic models, which were unveiled in May 2005, through measures including increased use of adhesives containing no VOCs. Through these

efforts Nissan brought the levels of 13 VOCs below the concentrations established by Japan's Ministry of Health, Labor and Welfare for vehicle interiors. We followed this by achieving the same levels in our 2005 Wingroad, Teana, Serena and Bluebird Sylphy models.



Monitoring LV trial rides (Japan)



Caravan Personal Chair Cab

### Incorporating customer requests in our products

During the LV development process, Nissan goes to great lengths to examine the product from the user's perspective and to incorporate the suggestions and requests that we receive into our products and services. For example, we have made a number of improvements to the Caravan Personal Chair Cab, an LV that can accommodate passengers in wheelchairs. This vehicle's interior features a light-toned color scheme and orange handrails. This bright environment provides easily visible cues to the interior's functions, making the car easier and safer for elderly passengers to board and more comfortable to ride in.

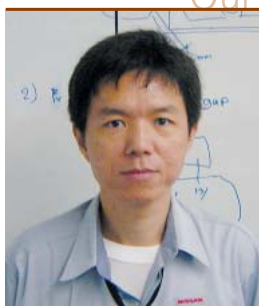
### Letting people get to know LVs

Nissan wants people who have limited opportunities to leave their homes to feel for themselves the pleasure of mobility. With this in mind, we have been conducting a campaign offering trial rides in LVs. Applications are solicited through advertisements over the Internet and in

newspapers—we received 25,000 applications in fiscal 2005, about 10 times as many as in fiscal 2004. From these applications, 100 elderly or disabled persons were selected to experience the LV driving experience in trips together with their family members. Many of these monitors found this an enjoyable as well as informative experience. The lift seats in the LV allowed some of them to get into a car for their first drive in several years.

Nissan set up a special LV section on its Japanese-language website in September 2004. The section provides a wealth of information about these vehicles, including a collection of messages from people who have used Nissan LVs, a list of certified dealerships, and a search engine allowing people to find locations where test drives are possible. Our range of activities designed to make LVs a more familiar presence in society also includes hands-on learning experiences for elementary school children that make LVs a part of their course of study.

## Messages for Our Stakeholders



Suwit Boonchoejarud

Passenger Car Assembly  
Siam Motors & Nissan Co., Ltd.  
(Thailand)

### Teamwork and Communication Key to Winning Customers' Trust

The production line is an essential step of the process that produces Nissan automobiles. As part of that process myself, I'm very proud to know that customers place their confidence in the quality of our work. Currently, I think there are some aspects of the production line we can enhance further, including start to finish production time and overall quality, which we continually strive to improve. When I hear positive feedback about Nissan, I'm very glad to be a part of that success and I share any good news with all of my coworkers and friends. However, when I hear something negative about

Nissan, my team and I become eager to contribute all our talents to make any necessary improvements. Finally, we believe that all Nissan employees in every segment of the company can contribute ideas to make our product even more trustworthy in the eyes of the customer. The production line I work with is one of the many elements that make Nissan a remarkable brand.

# With Our Shareholders and Investors



## Staying Fair, Transparent and Accountable

In its investor-relations activities Nissan places focus on communication: keeping lines open with our shareholders to earn their trust and their confidence in what we do. This communication is based on our closely examining the current state of our company and disclosing that information in a fair, transparent manner. All news about Nissan—both good and bad—is valuable information for our shareholders to know.

The mission Nissan pursues through its IR activities is to build a relationship of mutual trust with shareholders and investors. Our aim is to live up to the trust they place in us, and the expectations they have of our company, through constantly improving communication.

### Growing Interest in Shareholder Activities A productive meeting in Nissan's hometown

The annual shareholders meeting in June 2005 took place not in Tokyo, but in Yokohama, Nissan's birthplace. We welcomed 1,835 shareholders to the gathering—a 48% rise from the previous year's attendance. At this meeting we introduced the Nissan Value-Up business plan to our investors. To be carried out over the three years from fiscal 2005 through fiscal 2007,

this plan sets three targets for Nissan: to maintain an industry-leading operating profit margin, to achieve global sales of 4.2 million units in fiscal 2008 and to provide a 20% return on invested capital over the plan's three years.

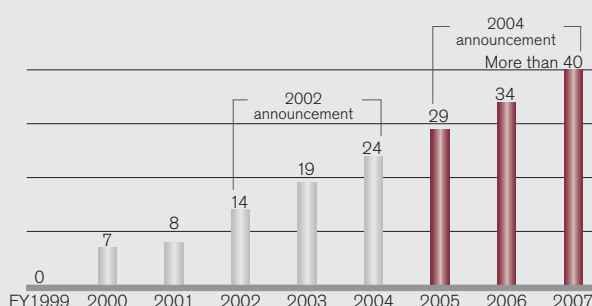
Nissan Value-Up represents a promise to our shareholders of continued growth. We have emphasized this promise with our targets for annual dividends of ¥29 per share in fiscal 2005, ¥34 in fiscal 2006 and more than ¥40 in fiscal 2007.

Following the shareholders meeting, Nissan managers took part in an informal gathering giving shareholders and company officials a chance to speak directly to one another.

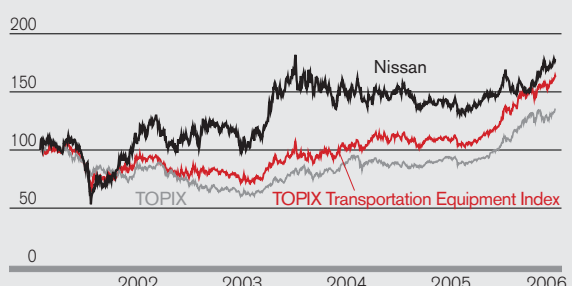
### Improving Our Disclosure A unified approach for a global company

Nissan's sales network extends to more than 160 countries around the world. This means that we must carry out fair, transparent disclosure of our accounting figures on a truly global basis. The CEO of Nissan takes responsibility for reporting our financial information, explaining the results via a conference call broadcast to analysts all over the world. This call gives them the chance to get answers to their questions in real time. Beginning with the April 2005 report, the CEO's conference call has been followed by more detailed

#### ● Dividend Plan (yen/share)



#### ● Five-Year Share Performance (Index: March 30, 2001 = 100)



Women's investment forum  
(Japan)



Informal reception with shareholders  
(Japan)



explanations of the figures by Nissan's IR officers. In this way we are striving to improve the quality of information reaching the analysts and our shareholders.

As a global company Nissan cannot let itself focus excessively on one region, or a particular set of stakeholders, in its financial disclosure. We have consolidated our reporting functions in our headquarters in Japan, and we send out our IR team to hold meetings in locations around the world. Members of this team spend the month following a report flying around the globe—to Los Angeles, San Francisco, New York, London, Paris and Singapore, for instance. Wherever they go they work to keep direct lines of communication open with investors and provide them with accurate, detailed information.

### Explaining Dividend Policy Clearly Reaching individual investors through investment forums

Recent years have seen a boom in the number of individual stock-market investors. Nissan shares are today in the hands of more individual investors than ever before. Our total number of individual shareholders has climbed steadily since fiscal 2001,

when it stood at 114,000; in fiscal 2005, 218,000 investors owned shares in Nissan, a 14% leap from the previous year.

The auto industry as a whole has seen a particular rise in interest among women investors. Nissan has worked to support this trend, sending members of its IR team to take part in a women's investment forum organized by a major Japanese securities firm. Some 480 individual investors attended the two sessions of this forum, held in September 2005. In line with the forum's theme of "Sustainable Growth and Attractive Dividend Policy," the team members presented information on Nissan's growth to date, its position in the automotive industry and planned releases of new models. A simulation of Nissan dividends was especially effective in helping participants understand the company's dividend policy: team members detailed the options available to a person with ¥ 120,000 in cash to invest, for instance, showing how much the investor could expect to gain in Nissan dividends between March 2005 and March 2008, what sort of income could be expected from other investment activities and so on. Comparisons of scenarios involving different amounts and interest rates helped to paint a clear image of the dividends investors can expect from Nissan.

## Messages for Our Stakeholders



**Joji Tagawa**  
Corporate Vice President  
IR Department, Treasury  
Department  
Nissan Motor Co., Ltd. (Japan)

### The IR Mission: Sharing Information and Building Trust

In recent years we've seen rising interest in Nissan shares among a broad range of investors, notably women. Our IR team sees one of its most important tasks as making sure all our shareholders—individual as well as institutional investors—are highly satisfied with their Nissan holdings.

We pay particularly close attention to Nissan's price-earnings ratio as a benchmark in this IR field. This figure connects the profit levels Nissan aims to achieve and the expectations of people buying our shares. While the company grows profits to meet these expectations, the IR team works to communicate this to our

shareholders. We're doing this job by boosting the transparency and fairness of our information disclosure activities. The information we share with investors goes beyond Nissan's financial numbers: we have plans in place to put out even more basic data on our technologies and products.

Our team is increasing communication with shareholders in as many ways as possible. Solid information disclosure is the way for us to help investors gain a deeper understanding of Nissan's operations. We'll continue focusing our IR activities on gaining their trust.



# With Our Employees

## Creating a Bright Future Through Diversity

**Nissan owes its growth as a global company to its most important resource—its diverse group of employees, with their vast range of talents and qualities. This vibrant community produces fresh concepts and creates value for our company. Nissan focuses on developing ways to leverage this diversity and creating an environment that lets our employees reach their full potential. Our aim is to be a place where all Nissan employees can achieve personal growth.**

### **Trust Through Communication** Sharing information globally through WIN

The more than 180,000 people employed by Nissan and its affiliates work in offices and plants spread all over the world. Keeping everyone communicating smoothly is the key to making sure opinions are shared as broadly as possible, increasing operational transparency and building relationships of trust. In 2005 Nissan introduced a powerful tool to promote this communication. WIN, or Workforce Integration @ Nissan, is a globally integrated intranet that allows employees everywhere to share data and boost project efficiency.

WIN has made it possible for Nissan's top managers to send key business information and other messages worldwide, instantaneously. The network also offers a conferencing system and information management tools to increase the speed and efficiency of operations. The WIN system covered Japan, North America and Europe as of 2005, and in fiscal 2006 Nissan plans to roll it out across Asia, the Middle East and Africa.

Each year the company carries out a global survey of its employees, gauging their attitudes and reflecting them in changes in our corporate culture. In the past these surveys went out to a random selection of respondents from various regions, but as part of the Nissan Value-Up business plan this was expanded from fiscal 2005 to cover 140,000 employees representing the entire Nissan Group with the exception of some affiliated companies.

### **Creating Greater Value** Diversity planning that meets regional needs

The synergies of a workforce with true diversity of nationality, ethnicity, gender and age create new ideas and

### **Global Training Center boosts technical skills (Japan)**

Nissan Motor Co., Ltd. has established a Global Training Center (GTC) operating at its Oppama and Yokohama plants in Kanagawa Prefecture, Japan. The GTC provides instruction in the complex techniques that go into making Nissan's

engines and auto bodies, equipping workers with the skills they need to meet Nissan's world-class product standards. It welcomed its first trainees in November 2005, when five employees arrived from Nissan

Mexicana, S.A. de C.V. The center has seen a steady flow of trainees from Nissan's facilities around the world. In August 2006 the GTC will begin offering even more extensive training programs.



Nissan Technical Center Europe, Ltd. (U.K.)



Nissan Diversity Forums 2005 (Japan)

new value for our company. A primary task for Nissan is to put an environment in place so that our employees can develop their individual talents and put them to work. Our diversity is a tremendous source of strength: the energy that we gain from the different perspectives our workers bring to bear helps us reach out to our customers, and it drives sustainable growth for the company as a whole.

Our Diversity Development Office, established in Japan in October 2004, is primarily responsible for our efforts in this field. This office's functions are bolstered by cross-functional teams set up to tackle diversity issues in North America and Europe. These groups work together with a Diversity Steering Committee, composed of managers from throughout the Nissan organization, that meets quarterly to review programs and examine the various diversity projects underway.

The Diversity Development Office focuses on three key goals in its activities: offering support for women's career development, helping employees to strike a balance between work and home life, and fostering a diversity-minded approach to business throughout Nissan. In the first area, we provide women employees with the services of career advisors, who aid them in charting a career path and

provide practical training programs of up to six months to help them develop applicable skills. To help employees balance work and home, the second area, Nissan has adjusted its systems, such as by extending the maternity leave period. We are also experimenting with programs that let people work from home. In the third area, we are promoting diversity awareness through various programs. One was a pair of diversity forums held in late 2005 at our Tokyo headquarters and our Technical Center in Atsugi, Japan. A total of 500 employees from numerous divisions attended these forums, which helped deepen understanding of Nissan's approach to diversity issues through managerial presentations on the importance of diversity in corporate strategy, as well as speeches from guest speakers and panel discussions. An additional 550 employees participated in similar forums at our plants in Tochigi, Oppama, Yokohama and Kyushu in February and March 2006.

Nissan Motor Co., Ltd. is making steady progress in the area of gender equality in the workplace. In fiscal 2005 19.2% of our new hires in Japan were women; this ratio climbed to 26.8% in fiscal 2006.

## Messages for Our Stakeholders



**Kaoru Okada**

General Manager  
Human Resources Department  
Nissan Europe S.A.S. (France)

### Nissan Gives Positive Recognition to the Hard Work of Employees

Nissan is a company where the employees all set high goals and work their hardest toward achieving them. We give positive recognition to the efforts our employees make to meet these goals. Workers can at times find it challenging indeed to hit their targets, but when they do they enjoy the deep satisfaction of a job well done.

We believe that Nissan's respect for diversity is the power that motivates its employees in their tasks. At Nissan Europe we place particular focus on hiring outstanding human resources irrespective of nationality or gender. Bringing out the best in

each and every employee creates a synergy that brings great benefits to our business, enabling us all to achieve our goals.

Nissan has carried out its business activities across the globe for some time, and diversity is not an issue that we are just now placing on our agenda. It is already well established in our organization, where the culture of respecting diverse values in diverse human resources has taken firm root. I believe that this culture—this diversity—has paved the way to Nissan's success.



Nissan North America, Inc. Smyrna plant (USA)



Nissan Middle East FZE (UAE)



Nissan Motor Manufacturing (UK) Ltd.

Around 8% of the employees at Nissan Europe S.A.S. in France, which manages our European operations, are women. This is higher than the ratio in Nissan Motor Co., Ltd. in Japan, where approximately 6% of employees are female, but it is still only half as much as the 16% ratio attained by Renault, Nissan's Alliance partner also headquartered in Europe. This gap is also prominent in the management ranks, where Renault boasts a female participation rate of some 20%, while just 6% of Nissan Europe's managers are women. Nissan Europe has set Renault as a benchmark to aim for in this area, and is moving ahead with a plan to double the percentage of women employees over the 10 years from 2006, focusing in particular on company departments like marketing and

after-sales service where a workforce that mirrors the diversity of the market is especially important.

Europe is a region home to many nations, and Nissan's business there is supported by employees of many nationalities. To make this regional diversity a source of deeper strength we are increasing information-sharing on human resources throughout our European operations. In the past internal transfers took place only within a single nation or group company, but from fiscal 2006 Nissan is letting employees across the region view information on open posts and apply for positions in all our companies in Europe via the regionwide intranet. By fiscal 2007 we will extend this network to include Japan and North America, creating a truly global system for Nissan's recruiting.

### Working together to improve quality at the Canton plant (United States)

Nissan's 5.7 million square meter plant in Canton, Mississippi, employs 5,800 people. Within the first year after the plant opened in 2003, they had launched the assembly of five models, including the Titan pickup and the Quest minivan. Today the Canton plant produces about 400,000 vehicles a year.

Before joining Nissan most of the employees had worked in local industries, such as shipbuilding, catfish farming and cotton production. Due to their unfamiliarity with automobile manufacturing, their pass rate—the ratio of completed vehicles passing quality inspection on one attempt—was initially under 70%. A team of 50

Japanese production engineers conducted a six-month quality improvement program at the plant, and within two years, the pass rate reached 90%.

The Canton employees will experience their first full model change in 2006, when they start producing the next generation of Nissan's top-selling Altima.



Nissan Learning Center Management Institute (Japan)

## Management institute focuses on leadership training (Japan)

Developing employees' leadership abilities is a key task for Nissan. In 2005 we established the Nissan Learning Center Management Institute, a training center in Hakone, Kanagawa Prefecture, Japan. The programs offered here, which include leadership and cross-cultural training, aim to pass on the

knowledge and experience built up at Nissan to younger generations of workers. In October 2005 we launched the Consortium Program at the institute, inviting other companies to take part. Jointly developed by Nissan and a French electronics manufacturer, this course offers training in

corporate strategy and management methods. The participating firms came from wide-ranging industries: they included a French cosmetics maker, a Canadian aluminum processor and an Indian high-tech firm. The second Consortium Program is scheduled to take place in India in 2006.

## Supporting Career Design An open, fair system for employees

At Nissan we want to provide all our employees with an environment in which they can take their abilities to the limit. Toward this end we work constantly to improve our human-resource systems. To help employees aim for—and achieve—high goals, Nissan Motor Co., Ltd. began rolling out a new, evaluation-based remuneration system in fiscal 2004. This system gauges worker ability in terms of both performance, or quantifiable results, and competency, a quality that appears in an employee's actions and ways of thinking. A series of conferences with superiors allow workers to discuss their work goals and future career plans, improving communication in the workplace.

Nissan encourages its employees to “design their own careers,” providing robust support for them as they do so. This support begins at the very start of their careers, during the hiring process, when they are given the chance to apply for the type of work they want to pursue. Once they join Nissan, they continue to enjoy this freedom to design a career path through our Shift Career System (SCS) and Open Entry System (OES). The SCS, introduced in April 2005, allows employees to apply for positions in any department they would like to join, regardless of whether that department is seeking transferees. As of April 2006 we had about 70 applications for SCS transfers, a little under 30 of which were successful. The OES, meanwhile, which has for some time let employees apply freely for all openly advertised positions, saw about 340 employees seek transfers in fiscal 2005—during which there were about 300 openings—and about 80 of these applications were accepted.

## Working together with labor in Spain

In July 2005 Nissan Motor Ibérica, S.A. reached a collective agreement with the labor unions representing its workers on moving its engine production lines from the Cuatro Vientos plant in Madrid to the Barcelona plant. Corporate management

in Europe focuses heavily on individuals, and relocating an entire plant—workers and all—to a new location is a rare occurrence. NMISA prepared positions in Barcelona for all the Cuatro Vientos employees and worked out a number of

measures to allow all the workers to make the choices they wanted to. Careful talks between NMISA and the unions, which began in July 2003, paid off, and the move to Barcelona was completed by June 2006.



## Japan's Team Nissan wins WorldSkills medals

A group of young Nissan employees traveled to Helsinki, Finland, to compete in the thirty-eighth WorldSkills Competition from May 25 to June 1, 2005. This biennial competition brings together technical workers from around the globe—some 660 participants from 37 countries and regions took part last year. The Nissan team brought home three medals, taking gold in the mechatronics category, silver in

industrial electronics and bronze in auto-body repair, as well as a prize in the automobile technology event. This marked the first gold medal for a Nissan team in 10 years, and the first three-medal haul in 24 years. Our young employees have taken part in WorldSkills Competitions for four decades, sharpening the skills that let them contribute to Nissan's reputation for groundbreaking technology.

Nissan Motor Co., Ltd. continues to move ahead with its efforts to place the right people in the right positions. These systems are a vital way for our employees to grow and develop their careers with us, and we are presently considering expanding the schemes to other group companies. Nissan believes that robust systems like these, and the corporate infrastructure to back them up, are the keys to nurturing talented employees.

### Safety in the Workplace Proactive policies for risk assessment

It is the duty of a company to maintain the safety and health of its employees. In fiscal 2004 Nissan began implementing a risk-assessment approach to workplace safety. We inspect facilities and working environments to spot potential dangers and prevent accidents before they happen.

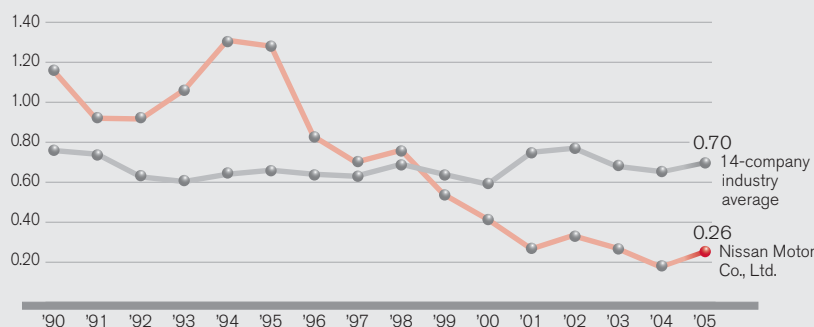
Starting in fiscal 2005 Nissan has posted reports on accident risks discovered through these assessments on WIN, allowing all workplaces to share this information. By

stepping up our risk-assessment activities when we introduce new equipment or revised work methods, we are reducing risk wherever possible, creating a safe working environment for Nissan's employees.

### Staying Worker-Friendly Reforming production systems with an eye on ergonomics

The increasing diversity of Nissan's factory workforce in recent years has brought ergonomics to the fore as a key area for our consideration. Now that some production lines are staffed mainly by women, for instance, we are taking a fresh look at what we need to do to optimize working environments for the people in them. Based on our philosophy of "human-friendly production," we are promoting the Nissan Production Way, introducing ergonomic principles and methods to improve working conditions in our facilities around the world. Renault has shared its methods for objectively gauging the difficulty and physical burden of various tasks, and Nissan continues to

### ● Trends in the Occurrence of Occupational Accidents (Total accident frequency ratio)



Total accident frequency ratio:  
total accident cases ÷ total working hours × one million  
Source: Statistics on occupational accidents in the automobile industry  
(The Japan Automobile Manufacturers Association, Inc.)



Nissan North America, Inc. Canton plant (USA)



Nissan Design Europe Ltd. (U.K.)



Nissan Motor Co., Ltd. Tochigi plant (Japan)

## A commitment to employee health (South Africa)

People are Nissan's most important resource, and we see concern and care for the health of our employees as essential parts of our business success. Since 2003 Nissan Motor Company South Africa (Pty.) Ltd. has demonstrated its commitment to health in the workplace through its Employee Wellness Program.

The EWP includes the Nissan SA HIV/AIDS workplace program, a health call center, voluntary HIV counseling and testing provided by an on-site social worker and community outreach. It also encompasses the supplier rollout project, through which Nissan SA is expanding HIV/AIDS workplace programs to automotive industry suppliers.

As part of efforts to increase counseling and testing, and to enhance the health services available to its employees, Nissan SA is planning to devote even more energy to the EWP from the second half of 2006, releasing program information on CD-ROM for new employees, contractors and other interested parties.

share know-how with its Alliance partner to further improve conditions.

Nissan's annual global meeting on safety and ergonomics gathers participants from Japan, the United States, Great Britain, France, Mexico, Spain and South Africa to pool information on ways to increase safety in production lines and other workplaces. The 2005 meeting involved a thorough review of past actions, which led to valuable discussions on ways to expand safety evaluation systems horizontally through the organization and the promotion of ergonomics measures. The fruits of these discussions will be put to work in Nissan's business activities in fiscal 2006.

built around a core staff of psychiatrists, is tasked with strengthening the support the company provides for its workers. Team members offer consultations with employees at the medical offices located in Nissan's facilities. We have also set up a program to give employees time off to treat mental and nervous disorders and to assist in their return to work when medically able.

Another Nissan project in this area—the first of its kind in the Japanese automotive industry—is our Employee Assistance Program. The EAP includes the services of external specialists in mental health care, who offer consultations and advice to employees on health issues and their return to the workplace after receiving needed treatment. This program also includes biannual stress checks and other measures aimed at keeping employees healthy and happy in the workplace. With strong emphasis on protecting patient confidentiality, these Nissan efforts give employees access to the high-level mental health care they need.

### Maintaining Mental Health Providing employees with specialist care services

In 2005 Nissan Motor Co., Ltd. formed a specialized team to provide employees with mental health care. This team,

## Messages for Our Stakeholders



Macjerry Lesufi

Senior Manager  
Human Resources  
Nissan Motor Company South  
Africa (Pty.) Ltd.

### Employee Wellness Program Benefits Communities

Nissan Motor Company South Africa launched its Employee Wellness Program in March 2003 to promote total wellness in the workplace and to improve employees' quality of life. It includes a testing and awareness program for HIV/AIDS, a 24-hour health advice center and other on-site services. We plan to extend these offerings to support our employees' families and the communities where they reside. The EWP is raising awareness of HIV—an important goal in South Africa, which has the fifth-highest infection rate in the world. Confidentiality remains an issue, but improvements in the

training program can help alleviate the concerns raised by employees.

I believe that education and training are vital to the success of our wellness program. This approach has to be part of our organizational strategy, and we've got to implement it through focused promotional campaigns with the support of top management. Building a wellness culture throughout the organization will give us a healthy, well-adjusted workforce that can compete effectively in global markets.

# With Our Business Partners

## Working Together for Continued Global Growth

### With Our Suppliers

Nissan's success today has been made possible by our suppliers around the world, who provide us with the parts, materials and services we require. Through our business activities we seek to strengthen the win-win relationships of mutually beneficial growth between Nissan and its suppliers, and to increase all of our competitiveness in global markets.

### Developing Mutual Trust

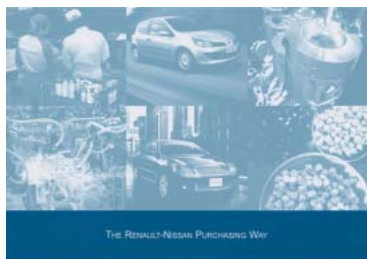
The thorough pursuit of fair, impartial business

To build relationships of mutual trust with suppliers, Nissan presents a consistent set of business conditions from the very beginning. We select our business partners from among the candidate pool on the basis of a fair, impartial and transparent selection system, regardless of the candidate company's country of origin, size or history of doing business with us. Final decisions on supplier selection are made after the relevant Nissan departments, which may include purchasing, quality, manufacturing and

development, have met and conducted a thorough cross-organizational analysis of the proposals put forward by the candidate firms. We then share a full explanation of the selection results with all participants in the process of building our partnerships.

In all our activities, we do everything we can to ensure fairness and impartiality in accordance with the Nissan Global Code of Conduct's Item 4 (Be Impartial and Fair). To confirm that our operations are being handled in an appropriate manner we monitor them from an external perspective, relying not just on our day-to-day communications with partners but by conducting a number of surveys among our suppliers and providing them with ample opportunities for opinion exchange.

Nissan shares this basic stance with our Alliance partner, Renault. *The Renault-Nissan Purchasing Way*, a guidebook published in February 2006, clearly affirms that conducting business in a fair and impartial manner and selecting our suppliers through a transparent screening process are fundamental principles governing our business. Our aim is to further strengthen the relationships of trust we have with our suppliers.



### Nissan and Renault define common business values

Nissan and Renault formed their Alliance in 1999. Since then the purchasing departments of the two companies have worked together with our suppliers to develop the expertise, tools and processes needed for an optimal supply chain. To carry out business with these partners fairly and impartially, we have defined a set of common values. We believe that transparency, trust and respect—the keys to these values—are the basis for any business relationship.

The purchasing departments of Nissan and Renault have produced a booklet

entitled *The Renault-Nissan Purchasing Way* to help us optimize supplier performance. The booklet presents the values and processes we think are important—values that apply to all our purchasing activities around the world and that are shared with our suppliers. This booklet gives a greater understanding of the objectives, thinking, processes and management tools of both Nissan and Renault, and will help us to build long-term relationships with our suppliers together as a team.



Nissan North America, Inc. Smyrna plant (USA)



The module production system is being introduced into plants worldwide. (Oppama plant, Japan)



Nissan Motor Ibérica, S.A. (Spain)

### The Project Partner System Forming a new partnership for best practices

The Project Partner System was launched in fiscal 2005. This system leverages medium- to long-term planning as a base for putting together new projects involving Nissan and its suppliers, thus making our partners part of product development planning from an earlier stage. This new form of partnership allows closer consultation with our suppliers on such issues as technology development, product improvement and production investment, and will improve efficiency over the long term.

The selection of suppliers as project partners is also carried out through a transparent, impartial process. The proposals received from suppliers are appraised by the relevant departments and approved at meetings attended by company directors with responsibility in those areas.

### Growing Competitiveness A three-party effort to improved performance

The Nissan 3-3-3 Program was initiated in 2000. This is an effort involving three groups: our suppliers, Nissan's purchasing department and Nissan's development department. The program realizes best practices by maximizing performance while striking a balance between cost reduction and quality concerns. These three groups rely on close communication between cost engineers—experts in reducing outlays for the company—and suppliers as they jointly create fresh ideas and strive constantly to produce even more competitive products.

Nissan also participates in efforts to strengthen the production systems of its suppliers around the world, dispatching employees to cooperate with its partners as they carry out improvements in their operations.

## Messages for Our Stakeholders



**Hitoshi Saitoh**

Purchasing Administration Department  
Nissan Motor Co., Ltd. (Japan)

**Eric Willmann**

Strategy Department Manager  
Purchasing Department  
Renault S.A. (France)

### Contributing to a Profitable Partnership

We were part of the editorial staff that produced *The Renault-Nissan Purchasing Way*, which describes the principles on which we rely in our partnerships with suppliers. Six years of joint purchasing have already passed since the formation of the Alliance between our companies, and we have worked together to formulate and refine the values for both Alliance partners. Our companies' shared values and processes were quite clear, and we expected the editing to be an easy task.

When we began, though, the job required us to give deep thought to the values being

discussed, and we spent long hours talking about how best to communicate to our suppliers the transparency, trust and respect that underlie our business approach at Renault and Nissan. We had heated talks and meetings that lasted well into the night, but a strong desire to communicate our message helped us complete the project successfully. We believe the values in this booklet will be useful in forming mutually beneficial business partnerships between Renault and Nissan and our suppliers.



Ceremony of Global Supplier Award 2005

## Nissan suppliers implement environmental management systems (Japan)

Nissan follows a set of technical standards to effectively control the environmental impact of its products at a global level. In Japan we have established the Nissan Green Procurement Standards. Under these rules we ask our partners to submit data on substances

that have an impact on the environment, to put environmental management systems in place in their operations and to clearly identify their personnel responsible for environmental protection.

As of March 2006, over 95% of our suppliers had obtained either ISO 14001

certification for environmental management or certification under the Japanese Ministry of the Environment's Eco Action 21 environmental activity evaluation program.

### Honoring Our Suppliers

New awards established to recognize our partners' efforts

Each year Nissan offices around the world present awards to suppliers in their regions that have contributed to the company's business development. To complement these regional awards we established the Global Quality Award and the Global Innovation Award in fiscal 2005.

The Global Quality Award is presented to suppliers that have achieved outstanding product quality at a worldwide level. Nissan's purchasing, quality and other departments perform the judging for this award on the basis of universal quality evaluation standards. The Global Innovation Award is presented in two fields, product technology and process

management, following screening of suppliers nominated by our manufacturing, development and quality departments. In fiscal 2005, we presented seven Global Innovation Awards in the product technology field to a total of eight companies, as well as one award for process management.

Nissan's philosophy of sustainability aims at balanced management focusing on three areas: the economic activities of maintaining constant quality, cutting costs and developing technologies; environmental awareness; and the social aspects of our business. We hope that the introduction of these awards will give impetus to this philosophy, helping it spread across the whole supply chain at a global level.

## Achieving supplier diversity in North America

Nissan values inclusion in all areas of our business as we strive to mirror the diversity of our customer base and the communities where we do business. Because of this, we have a supplier diversity initiative committed to procuring innovative goods and services from a diverse, qualified supplier base, which will help us to continue to offer our customers

competitively designed market-driven products.

To ensure the effectiveness and success of our minority supplier initiative, progress toward achievement is reviewed regularly by executive management. In addition, Nissan also has employed several strategies to support meeting our corporate goals, which include integrating

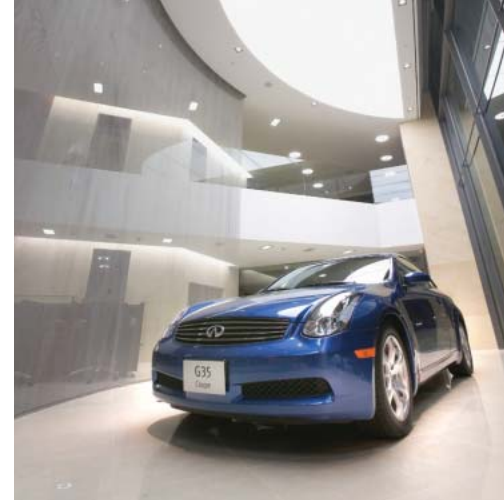
recognized supplier diversity best practices into the Nissan purchasing process and by supporting and participating in activities sponsored by the National Minority Supplier Development Council and its regional chapters. Our commitment to diversity and inclusion strengthen the relationships of trust we enjoy with all of our stakeholders.



China dealership



Dealership in the United Kingdom



SS Motors, Infiniti dealership (Korea)

## With Our Dealers

Nissan's approach to customer relations is guided by our commitment to providing professional, high-value services to customers and to keeping their needs foremost in mind at all times. Nissan and its dealers have established a set of guidelines, the Nissan Sales and Service Way, to improve the services offered to customers around the world. The NSSW defines the attentive, individually tailored services that build loyalty among customers and make Nissan dealerships open, welcoming places for them.

## Services with Nissan Value Making clear promises to our customers

Our aim is to give our customers sales and services with value that only Nissan can provide. We have set the goal of placing Nissan among the top automakers in independent customer satisfaction surveys in every region of the world by 2008. In fiscal 2005 we placed in the top three in about half of 25 countries surveyed, including Japan, China and nations in North America, Europe and Southeast Asia. The level of customer satisfaction with Nissan has improved in approximately 65% of the countries surveyed when compared to the figures for fiscal 2003.

In fiscal 2006, we will make even further improvements to our services, clearly stating our commitments to customers concerning our services and developing services

## Messages for Our Stakeholders



Ki-Yeon Kwon

CEO  
SS Motors (Korea)

### Partnership and Trust Help Infiniti Flourish in Korea

As CEO of Korea's first Infiniti dealership, this past year gave me the meaningful opportunity to learn about the tremendous synergy that can be created by customer trust and partner cooperation. The main impetus propelling Infiniti since the brand's launch in July 2005 has not only been consumers' trust in the product itself, but also in the dealerships that are committed to quality service and customer satisfaction. Without them, such remarkable growth would not have occurred.

The successful opening of SS Motors' Gangnam showroom in late July 2005—the

product of one year of preparation—was made possible by the cooperation and trust we received from Nissan Korea and all global partners.

For the past few months, many Nissan and Infiniti staff from all over the world have visited us at SS Motors' showrooms. Every time visitors come, I feel immensely proud that I am a part of Infiniti's initial steps toward globalization. I am also certain that Infiniti, now a global premium brand, will play a bigger role in Nissan's future growth.



Oman becomes home to world's largest Nissan showroom

on a global scale that properly reflect the Nissan brand. In designing these services, we will keep in mind the cultural conditions and traditions that make requirements different in each area of the world. As an example of this process in action, two years ago in China we announced guidelines promising "five reassurances" in specific areas of car purchase and ownership. Thanks to this finely targeted campaign and our work to make China a leading market in dealership improvement, in 2005 Nissan was rated number one in China in independent customer satisfaction surveys.

In Japan and Southeast Asia, we have been carrying out operations to improve service in five fundamental areas. These activities form a basis for the specific promises we make as we pursue improvements in service quality. In fiscal 2006 we plan to carry out the same type of targeted activity to further improve quality at Nissan North America.

In Europe, meanwhile, we are taking a more regionally integrated approach. Starting in fiscal 2006 we will build a system allowing Nissan Europe, our French headquarters for regional operations, and our dealerships in each country to adopt the same overall approach to increasing the quality of our service.

True customer satisfaction comes not from access to a wide variety of services, but from the quality of the individual services received. Our aim is to achieve nothing short of the highest possible satisfaction ratings. To ensure maximum customer satisfaction we have established a unique appraisal standard: the ratio of our customers who express extraordinary satisfaction. We are putting this metric to work through periodic analysis of customer evaluations of our services, and we will be expanding this appraisal system to cover all our operations worldwide.

## World's largest Nissan showroom opens in Oman

June 2005 saw the launch of the largest Nissan showroom ever in Muscat, the capital of Oman. The premises cover 3,367 square meters and feature a showroom with enough interior space to display more than 25 cars. This outlet, which will display both Nissan and Infiniti

models, also includes workshop and after-sales facilities to ensure the provision of service of the highest quality.

Nissan expanded its Infiniti brand into the Middle East in December 2004, following the rollout of these luxury cars in the United States, Canada and other

markets. Today Nissan markets 10 models in the region, including the Infiniti G35 sedan and the Infiniti QX56. By opening this new showroom we aim to accelerate expansion of the Nissan and Infiniti brands in the Middle East, leading to further growth.



Global NSSW Awards ceremony, 2005



Gardena Nissan, a sales company in California (USA)

### Global NSSW Awards

A way to recognize our most outstanding dealerships

We initiated the Global NSSW Awards program in fiscal 2003 to accelerate our efforts to improve service quality. These awards are presented to dealerships that have received high customer satisfaction ratings for sales and service. In fiscal 2005 a total of 44 dealerships from 26 countries received awards, with four hailing from Japan, 10 from North America, 16 from Europe and 14 from the General Overseas Markets.

We distribute information on the successes of the award-winning dealerships to our operations around the

globe. As well as motivating sales staff, the practice of giving repeated recognition to outstanding dealers also helps to spread the image of how an ideal Nissan dealership operates. Showing a videotaped interview with the manager of a Global NSSW Award-winning dealership at a seminar in Thailand for the managers of all the country's dealerships, for instance, inspired the participants. We intend to further increase the opportunities for sharing the knowledge and experience of these outstanding dealerships from fiscal 2006 onwards. This is a valuable method for helping Nissan and its dealerships grow together.

### Nationwide remodeling of U.S. dealerships

In the United States Nissan is promoting the Nissan Retail Environment Design Initiative, a plan for dealership remodeling. Under the NREDI, Nissan has prepared three levels of financial assistance based on the extent of planned remodeling. Work on over 300 dealerships has been completed, and another 100 are currently undergoing remodeling. Nissan North America plans to

make NREDI assistance available to the majority of its stores by the end of fiscal 2007.

Gardena Nissan, a dealership in an extremely competitive sales environment in the suburbs of Los Angeles, took advantage of the NREDI support system in October 2005 to invest \$1.7 million in a large-scale remodeling effort. Completed in

January 2006, the updated facility features a high showroom ceiling and relaxing customer lounge, as well as improved functions and spaces for its auto parts sales department and service area. With these competitiveness-enhancing renovations in place, Gardena Nissan aims to increase both sales and customer satisfaction.

# With Society

## Working for Future Generations

**Nissan aims to ensure its long-term sustainability as a company while achieving profitable growth in the present. At the same time, we are committed to fulfilling our social responsibility by contributing to the sustainability of society. Nissan has always placed great importance on its activities as a corporate citizen. In the pursuit of the Nissan corporate vision, Enriching People's Lives, we give the greatest consideration to ways to bring benefits back to society as a whole while we carry out activities with lasting positive effects as a good corporate citizen.**

### Corporate Citizenship Our focus on contributions to society

As a corporate citizen, Nissan carries out a range of activities to ensure sustainability for future generations. These fall in three key areas: we support education, particularly of young people, we support environmental conservation enabling our company to function as a harmonious part of society, and we offer assistance for disaster reconstruction and other humanitarian support targeting social issues. Nissan believes that its activities in all these areas represent an investment in the future.

Nissan is a global corporation with a single vision shared among all of its offices around the world—to contribute to

the sustainability of society. At the same time, Nissan employees in all countries and regions carry out activities in response to the specific needs of the societies where they are, which can vary considerably. Each Nissan office contributes to the economic life of its surrounding community by creating investment and employment. Beyond this, we aim to build stronger partnerships with local communities through our social contributions.

Nissan also deals with fundamental issues that go beyond community or country, addressing them on a global level. We are constantly exploring ways for our company to contribute to society while maintaining a balance between global thinking and local action. Nissan is now strengthening its worldwide collaboration to help it strike this balance: our Global Headquarters is collecting information on the activities in every region and making sure that information is shared as broadly as possible within the organization.

Corporations can make contributions to society in limitless ways. Nissan places particular importance on activities in three areas. First, we foster a spirit of voluntary participation on the part of the employees, encouraging them to take active part in the management of Nissan's social programs and supporting their participation in a range of social activities outside the company. We believe that fostering a sense of corporate citizenship among our



### Corporate Citizenship Structure





The World Food Program uses 12 donated Nissan vehicles in its Indonesian operations, carrying essential supplies and food to disaster-stricken areas.



A Nissan Urvan houses this mobile library, helping children in southern Thailand overcome the trauma they experienced in the December 2004 tsunami.

employees is the best way to increase Nissan's ability to make meaningful contributions to society.

Second, we develop the kind of activities that take full advantage of our company's strengths and special characteristics. By making full use of all the resources we have cultivated—our technical and business expertise and other assets, for example—rather than just giving financial support, we believe that we can craft activities with a more lasting impact.

Finally, we look for chances to work together with people from nonprofit and nongovernmental organizations. Our hope is that the expertise and knowledge these specialists can provide will boost the effectiveness of Nissan's social contributions.

### On-the-Scene Support Disaster aid and reconstruction efforts

Another way that Nissan serves society is through its provision of assistance to the victims of large-scale natural disasters. While rapid relief is vital in the immediate aftermath of a disaster, we do not overlook the importance of long-term reconstruction assistance. Nissan believes it is essential to get as accurate a picture as possible of the situation in areas affected by disaster and then to provide the support that is truly required.

In December 2004 a massive earthquake rocked Sumatra and sent a destructive tsunami across the Indian Ocean. Nissan immediately began planning its relief efforts at its Global Headquarters in Tokyo. Initial emergency response formed part of our support, but we focused mainly on assisting the long-term reconstruction of the stricken region. To help the company respond more accurately to the needs on the ground, Nissan employees visited damaged areas and collected information from relief organizations working in the field.

Nissan's Global Headquarters also decided to donate funds after the powerful October 2005 earthquake that struck Pakistan. We made our donation through the Japan Platform, an emergency relief organization comprising NGOs and public- and private-sector actors. This funding supported the distribution of essential supplies and the construction of emergency housing.

Nissan provides emergency relief through its regional headquarters and local offices in addition to efforts coordinated from Tokyo. Our goal is to target aid effectively, channeling support through the office best situated to assist the recipients of our aid. Depending on the scale and location of the disaster, local employees may take responsibility for carrying out activities and raising money for relief operations.

### Breakdown of Nissan's Quake and Tsunami Aid

Country	Name of project	Name of organization
Asian region	Initial assistance donation	Japanese Red Cross Society
Asian region	Initial assistance donation	Japan Platform
India	Construction of facilities for children	World Vision Japan
Thailand	Mobile libraries project	Shanti Volunteer Association
Indonesia	Donation of 12 vehicles	United Nations World Food Program
Sri Lanka	Psychosocial support program for children	CARE International Japan
Asian region	Donation for reconstruction activities	United Nations High Commissioner for Refugees



Matching gifts to Hurricane Katrina relief efforts, USA

## Working for Society in North America

### Katrina Disaster Relief Helping victims of the hurricane

Immediately after Hurricane Katrina struck the United States Gulf Coast in late August 2005, Nissan North America leapt into action, taking part in relief activities to help victims of the storm. In the weeks following the disaster, it provided donations and equipment to help people in damaged areas cope with the storm's aftermath.

One key part of NNA's relief efforts was to provide the Mississippi Emergency Management Agency with a fleet of 50 Titans, our full-size pickups, and Armadas, full-size SUVs. We leased these vehicles at a nominal cost of \$1, and MEMA put them right to work carrying people and needed goods around the disaster area. We also provided 200 electric generators to Nissan employees in Canton, Mississippi, whose power was knocked out during the hurricane.

NNA moved swiftly to establish a donation program for the American Red Cross in which the company matched every dollar donated by employees. Thanks to this company backing our employees were able to donate a total of \$500,000 to help the storm's victims.

The weeks following the disaster also saw the creation of the Nissan Disaster Relief Fund, a nonprofit charitable operation. Contributions to the fund are to provide assistance to Nissan employees and their families as they recover from natural disasters.

About three weeks after Katrina struck, NNA presented the Salvation Army in Dallas, Texas with a check for more than \$27,000. This money was joined by a truckload of goods donated by Nissan employees. These material and financial donations aided storm victims who had been temporarily relocated to Texas from battered coastal areas.

The aid shipment included drinking water, canned goods, baby food, diapers, new clothing and luggage—a full

range of items donated by Nissan employees working at locations across the country, from the offices in Dallas to facilities as far away as Tennessee and Southern California. Employees at those offices also raised thousands of dollars to help the victims.

In another program the Nissan Motor Acceptance Corporation, along with the American Financial Services Association Education Fund, prepared and distributed brochures giving storm victims information on how to get back on their feet financially. Titled "When Natural Disaster Strikes," the publication was made available at Salvation Army shelters throughout Texas.

### Partnerships with Communities Ties with nongovernmental organizations

#### Habitat helps out

As part of NNA's assistance for victims of Katrina, the company provided financial and material aid to Habitat for Humanity. This organization, dedicated to combating poverty by building affordable housing for the needy, has constructed more than 200,000 homes to date all over the world. Its members have been busy building houses for storm victims in the hurricane's aftermath.

As a New Year's gift, NNA donated 50 full-size Titan trucks to Habitat for Humanity to help in the organization's operations in the Gulf Coast region. The retail value of these trucks, built at Nissan's Canton plant, is more than \$1 million. Some of the Titans replaced Habitat for Humanity vehicles lost in the storm. These trucks have served as valuable tools in the post-hurricane rebuilding effort.

In the summer of 2005 Nissan's Canton facility became the largest corporate contributor to Mississippi's Madison County Habitat for Humanity, giving the group a \$10,000 donation. In October that year, Nissan employees in Canton joined Habitat workers to build two new homes in their local community.



Habitat support benefits community, USA



Charity walking program with MADD to stop drunk driving, USA

### MADD: Strides for Change

In September 2005, NNA partnered with Mothers Against Drunk Driving (MADD) to sponsor Strides for Change 5K. This noncompetitive walking program seeks to raise funds and boost awareness to stop drunk driving, support victims of drunk driving and prevent underage drinking. By the end of the year the event had traveled to 10 cities across the United States, raising a total of more than \$1.1 million through the participation of over 10,000 walkers.

The idea behind Strides for Change, first launched in 2004, is to link up MADD with individuals and corporations, allowing them all to work together to keep communities safe. Participants form teams of 10 or more walkers, raising pledges of at least \$100 each. In addition to the walks that took place in each city, the 2005 program featured a health and safety fair and a kids' zone with instructional activities for children. Nissan also sponsored car-seat safety

demonstrations and handed out cards displaying automobile safety information.

MADD, a high-profile organization that works to stop drunk driving, has some 600 local affiliates and more than 2 million members. NNA is a proud national sponsor of the organization. Nissan realizes the importance of making drivers aware of the consequences of their decisions, seeing driver education as part of its broader efforts to achieve a safe environment for driving.

Each year, drunk drivers cause 17,000 deaths in the United States and injure more than 500,000. Many of the victims are children. In 2004, MADD provided support to more than 31,000 victims and survivors whose lives have been devastated by the consequences of drunk driving. Nissan continues to support MADD's activities, and has signed on as a partner for the 2006 Strides for Change program.

## Messages for Our Stakeholders



**Fred Standish**

General Manager  
Corporate Communications  
Nissan North America Inc. (USA)

### Helping Storm Victims with Immediate and Long-term Recovery

Nissan North America has a long commitment of helping those in need. That commitment was demonstrated last fall within hours after hurricanes Katrina and Rita roared ashore along the Gulf of Mexico coast. Nissan and its employees nationwide recognized needs and moved quickly to address them on all levels. Vehicles were donated to relief efforts, \$500,000 in cash was given to the American Red Cross, a nonprofit disaster relief fund was established and employees at all U.S. facilities donated clothing and other urgently needed supplies for storm victims. Five months after the

storms hit, our outreach shifted from relief and recovery to rebuilding with the donation of 50 Titan full-size pickups to Habitat for Humanity to help in this NGO's construction of critically needed homes. These programs clearly demonstrate our commitment to enriching people's lives.



The Joyful Storybook and Picture Book Exhibition, Japan



Nissan Design Offsite Internships, Japan

## Activities in Japan

### Fostering Future Leaders

Nissan's work with children

#### The Nissan Children's Storybook and Picture Book Grand Prix

Today's children will be the leaders of tomorrow. To help them develop the creative minds they will need, we are promoting several programs bursting with their dreams and imagination. Since 1984 Nissan Motor Co., Ltd. has presented the Nissan Children's Storybook and Picture Book Grand Prix to amateur authors, working together with the International Institute for Children's Literature, Osaka. The grand-prize winners are published, sold in bookstores and donated to kindergartens near Nissan offices and public libraries nationwide. Approximately 3,000 entries were received from all over Japan for the twenty-second annual event, held in fiscal 2005.

The Joyful Storybook and Picture Book Exhibition has been held every year since 1992 at the National Children's Castle in Tokyo, giving children a chance to enjoy themselves and spurring their imagination. Young people attending the exhibition experience the worlds of the storybooks and picture books on display. They also get the chance to flex their own creative muscle, taking part in handicraft workshops together with volunteers from Nissan.

#### The Nissan-NPO Learning Scholarship Program

Nissan Motor Co., Ltd. established this program in 1998 in partnership with several nonprofit groups. This internship program helps undergraduate and graduate students acquire NPO work experience by providing scholarships commensurate with their activities. We hope to see these students gain new creativity, insight and capacity for action through their NPO experiences.

In fiscal 2005 we received 88 applications from Japan and overseas. Following the selection process, 19 applicants were granted scholarships. They went to work

for 19 NPOs active in fields including the environment, international exchange, culture and the arts and social welfare.

#### Nissan Design Offsite Internships

In June 2006 Nissan Motor Co., Ltd. will launch this new program to share automotive design expertise with students aiming to enter the field. The instruction facility, located in Tokyo's Naka-Meguro district, is fully equipped with the same systems and materials as Nissan's own design labs. Around 40 students a year are expected to learn from the instructors, all currently active on the front lines of design at Nissan. Through this program Nissan hopes to communicate the thrill of product creation to the students. We see this activity—passing our automotive design know-how on to young people—as a corporate citizenship activity in line with Nissan's character, and we intend to continue this program over the long term.

## Environmental Protection

Promoting deeper understanding

#### Hands-on opportunities for students

From September to November 2005, Nissan employees took part in special elementary-school classes on the environment and safety near the Nissan Technical Center in Atsugi, Kanagawa. These employees instructed fifth graders on the future shape of the automobile society, as well as environmental issues. The students got hands-on experience with alternative-fuel vehicles and went on field trips to an assembly plant and research and development facilities. To provide the most enjoyable, real-life learning experience possible, the Nissan volunteers worked with the supervising teachers to develop each of the five courses of study in this program. This was a valuable opportunity for participating Nissan employees to use their expertise in the automobile industry to contribute to society as corporate citizens on an individual level.

Stag beetles from the Tochigi plant grounds delight collectors, Japan



Baseball training helps youngsters pursue their dreams, Japan



### The Nissan Science Foundation

This foundation was established in 1974 with the goal of contributing to Japanese academic endeavors and the improvement of culture. In its more than three decades the NSF has made about 1,700 research grants, predominantly in the natural sciences, with an accumulative value of some ¥5.7 billion. Since 1993 we have supplemented the foundation's activities with the annual Nissan Science Prize, awarded to promising young researchers.

In fiscal 2006 the NSF will implement two new education programs to foster leaders for the next generation—an international exchange program to promote deeper thinking about societal sustainability and a leadership program to help develop innovative engineers.

### Building Better Partnerships Creating close ties with communities

#### Nissan's local approach

Nissan production, research and other facilities place high priority on continuous, open communication with the communities in which they are located. Each of our offices

arranges a variety of special events and other activities in cooperation with the local community, giving full consideration to the optimal contributions Nissan can make.

For instance, our plant in the town of Kaminokawa, Tochigi Prefecture, supplies local childcare centers and welfare facilities with seasonal gifts straight from nature throughout the year. In spring the plant's grounds produce delicious bamboo shoots, and stag beetles—a popular target for young collectors—can be found on our trees in the summer. We share a healthy crop of chestnuts in the fall. In the winter plant employees create hand-made Christmas decorations from natural materials. We have been doing this since 2003, when the employees suggested this as a way to share the wonders of nature found in the facility grounds.

In February 2006 Nissan's corporate baseball team held a training camp for 150 local youngsters at the Kushima City baseball field in Miyazaki Prefecture. This program started as a way to thank the local community for its support. Held during the spring training season, this program was a wonderful opportunity for Nissan to increase its communication with local sports organizations, as well as junior high school baseball clubs and their coaches.

## Messages for Our Stakeholders



Masako Fujita

General Manager  
Global Communications, CSR and  
IR Division  
Nissan Motor Co., Ltd. (Japan)

### A Long-Term Commitment to Community Activities

Nissan is active as a corporate citizen around the world, believing that giving back to society the values it has created through corporate activity is an important management responsibility.

Nissan contributes in a lot of different ways. We undertake programs both in partnership with other organizations and on our own; our plants and offices organize community activities with local residents; and individual employees donate their time as volunteers. While most activities are in the fields of education, the environment and humanitarian assistance, we give emphasis to projects with clearly defined goals and those that are likely to lead to tangible results.

We also try to make full use of our assets as an automaker, and to encourage the participation of individual employees. Nissan workers, for instance, have visited classrooms to discuss environmental issues with schoolchildren, and have rushed to disaster-stricken areas to help formulate effective assistance plans. In the future, we hope to create arrangements that will further facilitate employee participation in such activities.

Under its vision of Enriching People's Lives, Nissan has a long-term commitment to achieving a sustainable society.



Sharing the driving experience with the blind, U.K.



Murano donation to the University Technology Institute of Mantes, France

## European Programs

### Contributing as an Automaker Putting vehicles to work for society

#### A Christmas gift

To celebrate Christmas 2005, Nissan Europe S.A.S. decided to make a meaningful humanitarian contribution. The company's usual custom was to send out Christmas cards, but last year we donated the entire budget for cards and postage to a charity program run by CARE France to help abandoned children in Romania. Nissan Europe also donated two Primaster minibuses to transport children in the program to medical facilities.

#### Marking milestones

In June 2005 Nissan donated the 4 millionth car to roll off the lines at our Sunderland plant in the United Kingdom to a nongovernmental organization, the National Society for the Prevention of Cruelty to Children. To commemorate another milestone, the sale of the 10 millionth Nissan vehicle in Europe, in August last year we donated a Micra to Fundação do Gil, a Portuguese nongovernmental organization that provides support to children undergoing long-term stays at hospitals and other facilities.

#### Muranos for education

As part of efforts to promote technology education, Nissan Europe presented the University Technology Institute of Mantes en Yvelines, France, with two Muranos in June 2005. These vehicles, preproduction models from the Pan European Test Drive held in Nice, were disassembled and analyzed by students in mechanics courses at the university. The instructors and students were grateful for this support from Nissan, which intends to continue building ties with the school, such as by dispatching speakers to participate in technical courses.

#### Sharing the driving experience

Nissan Motor (GB) Ltd. hosted a "blind driving event" on behalf of Guide Dogs for the Blind, a charity that buys and trains dogs to help blind and partially sighted people lead more fulfilling lives. The fund-raising event put visually impaired people in cars with dual controls, sitting next to driving instructors who coached them along the course. Participants managed to raise £18,000—an impressive amount, considering that similar events at other venues had brought in around £6,000. Nissan provided free use of the test track, covered many of the infrastructure costs and provided a prize.

## Messages for Our Stakeholders



**Stéphanie Boerhof-Largerie**

Corporate Communications  
Nissan Europe S.A.S. (France)

### CSR: A Global Approach with a Local Focus

Along with a global overview of CSR, it's always important to present a detailed, local picture to our stakeholders. Nissan Europe's current role is to understand the European CSR field, to identify the best practices in each country and to communicate them on a greater scale.

In the coming years we will capitalize on both this experience and Nissan's own unique diversity. We will also gather our resources in order to focus on larger European projects in addition to the local ones. Moreover, awareness of CSR is increasing throughout Europe and among

Nissan employees, who are also excited to contribute. It's very encouraging for both Nissan and society at large to see this shift in awareness.



Vehicle donation to the WFP to support recovery, Indonesia



Adbag campaign, South Africa



Relief program for young flood victims, India

## Contributing to the World

### Working with the WFP

PT Nissan Motor Indonesia donated 12 new Terrano, Serena and Frontier vehicles to the United Nations World Food Program in December 2005. Some of these cars saw immediate use in WFP operations in the tsunami-hit province of Aceh; others are helping the group's nutritional-rehabilitation projects elsewhere in the country.

The vehicles are used to distribute food in areas where roads are in poor condition. They also allow WFP staff members to monitor food deliveries, ensuring they reach needy recipients in remote locations.

These Nissan vehicles are helping the WFP reach its target of feeding 2 million Indonesians. The Terranos and Serenas are produced in Indonesia, and the Frontiers are made in Thailand.

### Supplying schoolchildren

Nissan South Africa's Adbag campaign got underway in February 2006. The program involves distributing schoolbags to more than 4,000 children in Limpopo, one of the country's poorest provinces. The most notable feature of the project is the bags themselves,

which are made from vinyl recycled from Nissan billboards. Each durable bag has its own unique, colorful pattern, and can carry up to 3 kilograms of schoolbooks. The pupils had previously been using plastic shopping bags to carry their school supplies.

The manufacturing of the bags is another philanthropic aspect of the program. This work is done by Gateway Village, an organization that provides education and work opportunities to mentally and physically disabled children and adults. Nissan supplies the vinyl to Gateway Village and then purchases the completed bags from the organization.

The Adbag program is expected to distribute more than 20,000 bags by the end of 2006.

### Aid for young flood victims

Nissan Motor India Private Ltd. provided essential items to more than 700 schoolchildren in a flood-damaged area in Mumbai in August 2005. The items, part of the Flood Relief Program, included school uniforms, bags, bed sheets, doormats and stationery.

The children were pupils at the Kalina Municipal School, located in one of the areas hit hardest by the flooding. The disaster had swept away many of their possessions and school equipment.

## Messages for Our Stakeholders



Monal Zeidan

Senior Manager  
Corporate Communications  
Nissan Middle East FZE (UAE)

### Enriching Lives Through a Commitment to Safety

Nissan made the bold and thoughtful decision to focus on corporate social responsibility (CSR) as part of its efforts to add value to the communities in which it operates. Although this was a recent move by Nissan globally, it should be seen as natural for a company that has made enriching people's lives its mission. It also complements Nissan's third mid-term business plan, appropriately named Nissan Value-Up.

As part of our quest to make a meaningful difference to the quality of people's lives via CSR, Nissan Middle East

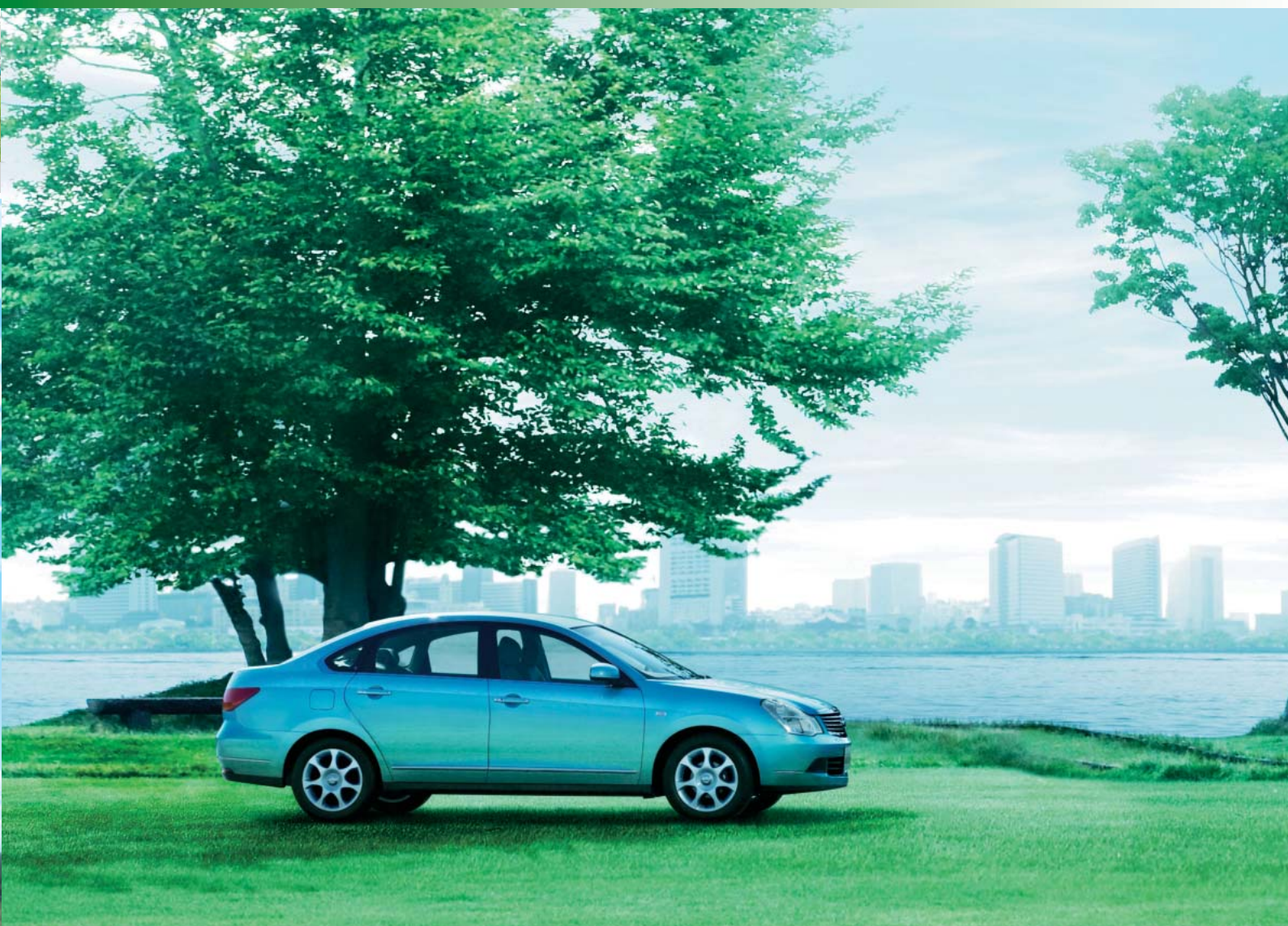
has begun introducing new initiatives in this regard. The critical issue of child safety both inside and outside of vehicles is one such topic. Nissan Middle East will be the first automaker in the region to produce audio-visual materials on this topic for children in the form of Nissan safety cartoons in Arabic.

We are confident that this project will be highly appreciated by parents across the region as well as produce positive short and long-term results.

# Protecting the Environment

Achieving a Symbiosis of People, Vehicles and Nature





# A Symbiosis of People, Vehicles and Nature

## Nissan and the Global Environment

Nissan's environmental philosophy is expressed in the phrase "a symbiosis of people, vehicles and nature." We provide our customers with the environmentally friendly products they expect, expanding their use in the market and contributing to the creation of a sustainable "automobile society." To achieve these goals, Nissan continues to work to understand the expectations of society and to resolve the related technical challenges.

In Japan we have completed the Nissan Green Program 2005, our mid-term environmental action plan. We are using the results of this plan to formulate goals for Nissan's operations on a global basis, which will lead to the creation of our next mid-term environmental plan.

### Our Environmental Approach Three key issues of focus

Conservation of the global environment is the central challenge in our pursuit of sustainable development. As a major global

automaker, Nissan constantly monitors and seeks ways to reduce the environmental impact of its business activities and the cars it produces.

Nissan's efforts in this area focus primarily on three key issues: management of CO<sub>2</sub> emissions, protection of the air, water and soil, and recycling of resources. Resolving these issues requires advanced technology capable of creating ecologically minded automobiles and the ability to spread that technology throughout the world. Nissan believes that focusing on both of these important elements is the key to its contributions to a sustainable automobile society.

### Managing CO<sub>2</sub> emissions


CO<sub>2</sub> emissions are considered to be a primary contributing factor to global warming, making their management the most important challenge for Nissan. While we are fully engaged in developing fuel cells and other technologies of the future, we are also working to reduce CO<sub>2</sub> emissions and lower fuel consumption in today's vehicles through highly efficient engines and such technologies as the CVT, or continuously variable transmission. We also consider it vital to work together with

### Business Activities and Key Issues

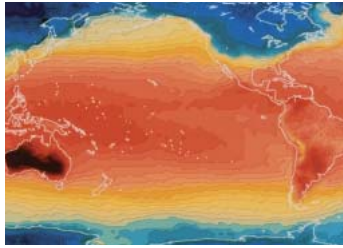
Key Issues	Development			Production		Logistics	
	Managing CO <sub>2</sub> Emissions	<ul style="list-style-type: none"> <li>Improving Fuel Economy</li> <li>Fuel Cell Vehicle (FCV) Development</li> </ul>		<ul style="list-style-type: none"> <li>Reducing CO<sub>2</sub> Emissions</li> </ul>		<ul style="list-style-type: none"> <li>Increasing the Loading Ratio</li> <li>Modal Shift</li> </ul>	
	Protecting the Air, Water and Soil	<ul style="list-style-type: none"> <li>Cleaner Exhaust Emissions</li> </ul>		<ul style="list-style-type: none"> <li>Reducing Substances with Environmental Impact</li> </ul>			
	Recycling of Resources	<ul style="list-style-type: none"> <li>Design for Recycling</li> </ul>		<ul style="list-style-type: none"> <li>Effective Use of Resources</li> </ul>		<ul style="list-style-type: none"> <li>Reducing Containers and Packaging Materials</li> </ul>	

The content is available also in the environmental section of our website, which includes additional technical data about our environmental programs and activities.

Visit "Environmental Activities" at:  
<http://www.nissan-global.com/EN/ENVIRONMENT/>

 Environmental Activities > Global Environmental Issues (Overview of environmental activities)





society as a whole in this field, for instance by communicating with our customers about these technologies and helping to reduce traffic congestion. We are working to reduce CO<sub>2</sub> emissions at all stages of our business activities, putting energy-saving techniques and natural energy sources to work at our manufacturing plants and offices and promoting a "modal shift" in transportation from trucks to ships and trains, which produce less CO<sub>2</sub>.

#### Protecting the air, water and soil

With its eyes on the future, Nissan has set its own strict standards and targets in the design and manufacture of its products. For example, we moved quickly to put our proprietary catalyst technology to work in producing clear gas exhaust emissions, and we have become the world leader in this field. This advanced purification technology will be an integral part of an even greater number of automobiles in the future.

We have taken the initiative to control our output of volatile organic compounds, which make up 90% of the chemicals produced during the automobile manufacturing process, putting

measures in place even before their legal requirement. Nissan's strict adherence to environmental regulations is bolstered by the company's checks and efforts to improve its own operations to prevent environmental accidents.

#### Recycling of resources

Automobiles are made from valuable but finite resources. Increasing our expertise in the effective use of resources is vital to achieving sustainability in our business activities. Nissan places focus on two areas of importance. The first is recycling engineering: we design easily recyclable cars, as well as reducing and reusing waste from manufacturing plants and automobile shredder residue from end-of-life vehicles (ELVs). Second, we build partnerships with the economic operators involved in the automobile business. These efforts are underway across all divisions of Nissan, and we work closely with recycling operators and our own dealers as we seek to create a social system for recycling.

Sales and Service	Use	Recycling End-of-Life Vehicles
<ul style="list-style-type: none"> <li>Partnerships between Nissan and Our Dealers</li> <li>Nissan Green Shop Activities</li> <li>Sales of Nissan Green Parts</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Communication and Education with Customers</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate Treatment of End-of-Life Vehicles</li> <li>Recycling Automobile Shredder Residue</li> <li>Dismantling Research</li> <li>Materials Recycling</li> <li>Parts Reuse</li> </ul>





Continuously variable transmission



X-TRAIL FCV 2005 model

## Managing CO<sub>2</sub> Emissions

**Nissan views threats to the global environment as the most serious problem humanity faces today. We are constantly searching for ways to tackle these problems on a global scale, with a truly long-range perspective. In all of our operations—our product development, of course, but also production and distribution—we seek to accurately gauge and to reduce our output of CO<sub>2</sub>, one of the prime causes of global warming.**

### The Emissions Reduction Goal A range of technologies to boost fuel efficiency

Of the total volume of CO<sub>2</sub> emissions associated with the life cycle of an automobile, from excavation of raw materials to recycling of end-of-life vehicles, the largest portion occurs when the vehicle is on the road. Controlling these emissions is one of the most significant technology challenges Nissan is tackling today.

At Nissan we make efforts to gauge the effects of improved fuel economy in the vehicles we sell, and their impact on the environment, by measuring the average fuel efficiency for our company's products in major regions around the globe. In Japan we have achieved almost all of our fuel-economy targets, clearing the goals for gasoline passenger vehicles in seven of eight target weight classes, for gasoline trucks in nine of 13 classes, and for diesel vehicles in all classes.

#### Efficient engines and continuously variable transmissions

One technology that has improved fuel performance is the continuously variable transmission, or CVT. Nissan's CVT uses a steel belt to continuously adjust speed and thus achieve constant optimum operating conditions for the engine, providing power and fuel efficiency.

In 2002 Nissan released its Xtronic CVT for 3.5-liter front-wheel-drive and four-wheel-drive vehicles. This technology, a world first, improves acceleration and fuel performance under normal driving conditions and gives a smooth ride with minimum fuel consumption. Xtronic CVT made its first appearance in the United States in

December 2002 in the Murano, and in Japan in February 2003 in the Teana. Today Nissan is a world leader in CVT technology, which it offers in a variety of passenger vehicles of all sizes.

This low-cost, cutting-edge transmission technology can be installed in a broad range of vehicles to greatly reduce CO<sub>2</sub> emissions. Nissan plans to produce 1 million CVT vehicles worldwide in fiscal 2007, four times the current level, spreading the benefits of this technology by putting it in the hands of as many customers as possible.

In 2004 Nissan announced its HR and MR engines. These low-friction engines have the highest thermal efficiency in their class, offering both acceleration performance and improved real-world fuel economy. (This is a vehicle's average fuel economy as measured by Nissan, based on the mix of conditions—heavy traffic, city streets and highways, for example—encountered by real drivers.)

When paired with the Xtronic CVT, these new engines boost fuel efficiency considerably. The Lafesta model released in Japan in December 2004 saw a 37% improvement in fuel economy from existing vehicles of the same class. During fiscal 2005 Nissan ramped up production of these new engines in the Chinese and European markets, and we plan to continue increasing their use in other key regions around the world.

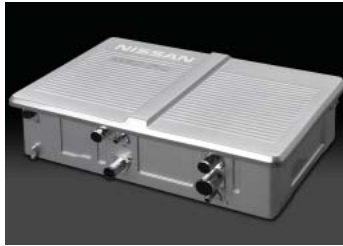
#### Fuel cell vehicles

Fuel cell vehicles are powered by the electric energy generated by the chemical reaction of hydrogen and oxygen. The only emission produced by FCVs is pure water, making them highly eco-friendly.

Over the years Nissan has developed and used a variety of technologies, from electric vehicles and hybrid vehicles to compressed-natural-gas vehicles. In fiscal 1996 we began development of FCV technology, a process that led in 2005 to a new model of the X-TRAIL FCV. After the X-TRAIL FCV 2005 model received certification from the Ministry of Land, Infrastructure and Transport, we introduced it to the Japanese market through a limited lease program.

The 2005 model was equipped with a Nissan-made fuel cell stack (the power source for FCVs) that was just 60% of the size of previous stacks. The electric power capacity saw a huge leap from 65 to 90 kilowatts. This maximum output of the stack increased the FCV's top speed to 150 kilometers per hour. The improvement of the fuel cell system also improved the cruising range to more than 370 kilometers.





Nissan's first fuel cell stack developed in-house. A fuel cell stack is a device that produces electricity through the chemical reaction of hydrogen and oxygen in the atmosphere.



Nissan Wingroad with e-4WD technology (Japan)

By adding a system capable of holding compressed hydrogen gas, the raw fuel for the fuel cell, at a pressure of 70 megapascals, Nissan increased the car's cruising range to more than 500 kilometers. Trials on public roads were conducted in Canada in February 2006.

### Hybrid vehicles

Hybrid vehicles are powered by a combination gasoline engine and electric motor. Their low CO<sub>2</sub> emission levels and relatively clean exhaust make them environmentally friendly.

Nissan is developing hybrid technology as part of its contributions to the achievement of a zero-emission society. In September 2002 we formed a technical partnership with Toyota Motor Corp. to meet the needs of our customers for hybrid vehicles. In June 2004 we produced a prototype of the Nissan Altima Hybrid, a model slated for release in the U.S. market in early 2007.

We are continuing to develop more advanced hybrid technology as one way of bringing new value to Nissan customers.

### Bio-fuels

Ethanol and other bio-fuels are derived from organic matter. Since the CO<sub>2</sub> emitted from burning these fuels is equal to the amount of

the gas consumed by plants as they grow, their use leads to no net increase of atmospheric CO<sub>2</sub>, and they are attracting increasing attention as a replenishable source of energy.

Nissan has a plan to roll out new vehicles around the world that can use a blend of gasoline containing up to 10% ethanol, commonly known as E10. In North America, meanwhile, we have already marketed two types of pick-up truck, our Titan King Cab and Titan Crew Cab, that are capable of using fuels that are up to E85, or 85% ethanol. We are continuing development in this field.

### e-4WD

Nissan's e-4WD is the world's lightest, most compact electric four-wheel-drive system. These vehicles are based on a standard front-wheel-drive system. They feature an extra electric motor that provides rear-wheel drive when required by road conditions, giving increased control and stability when driving on ice or snow. When driving in front-wheel-drive mode, the electromagnetic clutch releases from the rear wheels and decreases friction, providing better fuel economy than traditional 4WD vehicles. The Nissan March and Cube have come with e-4WD technology since 2002, and we have also expanded the use of this system to the Tiida, the Note, the Wingroad and the Bluebird Sylphy.

## Messages for Our Stakeholders



Stan Jones

Overseas Program Director  
Program Management Office  
Nissan North America, Inc. (USA)

### Altima Hybrid Satisfies Customers, Benefits Environment

In 2007, Nissan will introduce its first hybrid electric vehicle, the Altima Hybrid, into the North American market. This move is part of Nissan's long-term technical, product and environmental strategy. It's important for us to meet the Advanced Technology Partial Zero Emissions Vehicle standards for emissions requirements that are determined by the California Air Resources Board. We're also working to enhance our environmentally friendly image. HEV customers are looking to reduce fuel consumption and contribute to improving the environment. The Altima Hybrid delivers, combining outstanding style

and performance with excellent fuel economy and low emissions. In addition, dynamic performance—especially freeway passing—will be superior to competitors, thus meeting customer needs and wants in a responsible package without compromise.



Wind turbine at Sunderland plant (U.K.)



Cogeneration systems at Tochigi plant (Japan)



Panel showing progress of waste reduction at Nissan Mexicana, S.A. de C.V.

### A Cleaner Manufacturing Process Introducing energy-efficient equipment to reduce CO<sub>2</sub>

CO<sub>2</sub> emissions from the manufacturing process come mostly from the use of fossil fuels as an energy source. To reduce the amount of energy used in the manufacturing process, Nissan is taking two energy-saving approaches in its plants: improving equipment and redundant processes.

Beginning with the introduction of wind-powered electric generators in November 2005, Nissan has been making effective use of natural energy resources in its U.K. plants. Wind power now provides around 5% of the electric power used in Nissan's manufacturing operations in the United Kingdom. In Japan, too, Nissan has decided to participate as a partner in a project to build a wind-power facility in the city of Yokohama, Kanagawa Prefecture. We plan to make use of this "green electricity" at our Yokohama plant. Nissan manufacturing plants throughout Japan are increasingly employing cogeneration systems that use the heat created when generating electricity to improve their energy efficiency still more.

Also in Japan, Nissan has organized NESCO, the Nissan Energy Service Company, a group that researches and develops energy efficiency measures to be implemented at all plants.

Our global information-sharing efforts extend to the measures used in each country, which we seek to put to use at all of our production bases around the world.

In fiscal 2005, CO<sub>2</sub> emissions for all Nissan global production bases totaled 2.31 million tons, an approximately 130,000-ton decrease from fiscal 2004. The CO<sub>2</sub> emissions for vehicles produced by Nissan Motor Co., Ltd. in fiscal 2005 amounted to approximately 710,000 tons, a 14% decrease from fiscal 1999. This more than cleared our reduction target of a 10% decrease or more over that period.

The number of vehicles produced globally by all automakers each year is on an upward trend. Nissan has placed top priority on increasing energy efficiency in the manufacturing process and reducing total CO<sub>2</sub> emissions in its global production bases. In fiscal 2005 we began work on a global scale aimed at further reducing emissions.

### Efficient Distribution Measures to save energy during the shipping stage

The production of goods inevitably involves physical distribution. The creation of one vehicle involves numerous shipments of

## Messages for Our Stakeholders



Graham Bagley

Engineering  
Nissan Motor  
Manufacturing (UK) Ltd.

### Sustainable Manufacturing a Win-Win Pursuit

I recently headed up the engineering team that installed a wind farm at the Sunderland plant in the United Kingdom, a unique project within the global Nissan Group. As one of the biggest automobile manufacturers in the world, I believe Nissan has a genuine responsibility to produce its vehicles in the most sustainable way possible, and projects like this prove that Nissan continues to take this responsibility very seriously.

The six turbines will generate around 5% of the plant's annual electricity requirement. This will save the Sunderland plant over £800,000 per year, in addition to cutting CO<sub>2</sub> emissions at powerplants supplying us with electricity by several thousand tons. To me, this kind of win-win scenario is what sustainable manufacturing is all about. As a plant, we have found a way of offsetting very steep rises in our energy costs while, at the same time, making sure the environment also benefits.



Modal shift to rail



Modal shift to ferry transport



materials, with most of these tasks being handled by trucks emitting high levels of CO<sub>2</sub>. Nissan is working to improve efficiency and reduce emissions over the entire distribution process. We receive ideas from suppliers and distribution companies on ways to work more efficiently as we pursue two main approaches to streamlining distribution: improving loading ratios and switching to better modes of transportation.

### Improving loading ratios

Nissan was the first Japanese automobile manufacturer to implement the "roundup" system, in which the company uses its own trucks to pick up parts from the various suppliers. Compared with the traditional method of parts delivery, in which each supplier delivers its own goods, the new system has reduced the number of deliveries from 2,500 deliveries per day, as measured by 10-ton truckloads, to the current level of 2,200 deliveries. The roundup system has been implemented in China and is planned for use in Thailand and other countries.

In Europe, Nissan cooperates with Renault in the area of parts delivery. We have worked with our Alliance partner for some time to ferry finished cars between the United Kingdom and the continent. Starting in January 2004, we have been working with other makers to use the ferry both ways, thus improving efficiency by eliminating unused space on return trips.

Nissan has also been modifying the parts containers it uses. Automotive parts are loaded into containers, which are then stacked on pallets for transportation. Nissan has privately developed 55 container types for its parts to maximize loading efficiency. The containers can be collapsed to reduce the amount of space they occupy when returned, a step that has improved loading ratios by 10%.

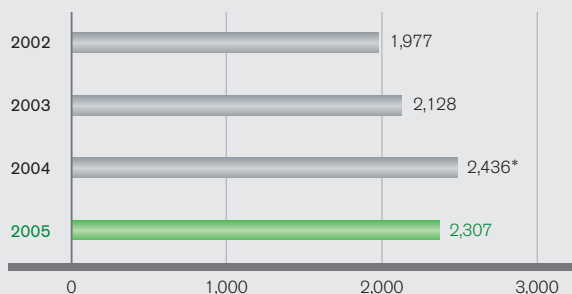
### Modal shift

Nissan is facilitating a modal shift in transportation, looking away from trucking to ship-based transport. In Japan today, 51% of our finished vehicles and parts are transported to remote locations by sea.

Nissan is also promoting its reliance on railway transportation, which produces less than half the CO<sub>2</sub> emissions of sea shipping. We began in fiscal 2004 by switching to rail shipment for the parts normally shipped by truck from parts makers in the Kanto area to our factories in Kyushu. We project that this will result in a 70% reduction in CO<sub>2</sub> emissions compared with truck transport.

Vehicle orders in Japan generally see a rise in February and March. To cope with this seasonal peak each year we use the Nissan Car Pack, an efficient freight car that holds vehicles on both the top and bottom decks. In those two months in 2006, we used this double-decker train technology to ship a total of 1,000 vehicles to our Honmoku dock in Yokohama from the Tochigi plant, where we manufacture vehicles for export. We aim to continue increasing this number.

### CO<sub>2</sub> Emissions of Major Global Production Sites (1,000 tons CO<sub>2</sub>)



Note: The number of production sites differs by year due to increases in the number of Nissan's consolidated companies and changes in the management boundary. For information on the companies included in this data, see our website:

[Environmental Activities > Environmental Library > Publications and Data > Global Nissan](#)

\*Our fiscal 2005 Environmental Report carried an incorrect figure for the 2004 data (2,592 thousand tons). The correct data is shown here.





The Tiida meets Euro3 Standards (China)

## Training specialists in China

Meaningful efforts to cleanse exhaust gases depend heavily on the infrastructure in a society—a reliable supply of proper fuels and appropriate vehicle maintenance, for instance. Nissan is putting its technology and expertise to work in cooperation with society to strengthen this infrastructure.

The Chinese government is moving to require OBD\* systems in all new cars. This has brought about a pressing need in China for the rapid development of an inspection process for these self-diagnosing OBD systems and the specialists to implement that process.

Nissan has agreed to help the government introduce its new regulations by training the needed specialists, and is actively building on this relationship by providing a range of vehicles to evaluate the exhaust output from different types of fuel.

## Protecting the Air, Water and Soil

### Cleansing Exhaust Emissions Working to boost SU-LEV sales in Japan

Nissan has long worked on development of clean combustion technology and catalyst technology. Since the 1970 amendment of the U.S. Clean Air Act, Nissan has been a leader in emissions cleansing technology. We were the world's first company to receive Partial Zero Emissions Vehicle certification, meeting the PZEV standards set by the California Air Resources Board in the United States. In January 2000, the Nissan Sentra CA released in the United States became the first gasoline-powered vehicle in the world to clear the CARB emissions requirements and receive this certification, which states that the vehicle exhaust gas is as clean as or cleaner than city air.

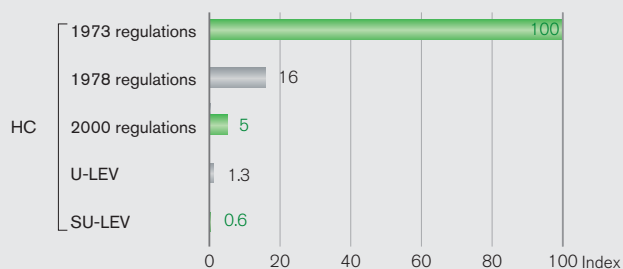
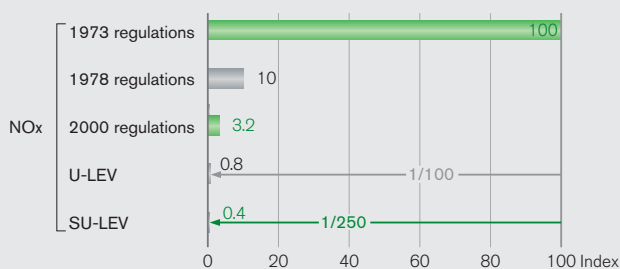
We were also the first company to receive U-LEV\* certification in Japan. In August 2000 the Nissan Bluebird Sylphy became the first vehicle to gain this status from Japan's

Ministry of Land, Infrastructure and Transport. In 2003, this model became the first in Japan to receive SU-LEV\* certification.

In Beijing, where the city government adopted Euro3\* in December 2005 to keep the air cleaner as an early phase of China's plan to implement these rules nationwide, the Nissan Tiida cleared the Euro3 exhaust gas requirements. This model, also the first car to come equipped with an OBD\* system, gained official certification from the Beijing Municipal Environmental Protection Bureau. In Europe, too, Nissan has already cleared Euro4,\* which went into effect from 2005.

To reduce the effects of auto emissions on the environment, we believe it is important to provide and popularize affordable vehicles with practical, effective technology. Our calculations show that if 80% of the gasoline-powered passenger vehicles sold by Nissan in Japan are switched to SU-LEVs, the effective reduction in nitrogen oxide and hydrocarbons would be the same as if 40% of new-car buyers purchased electric automobiles.

### Exhaust Emissions of SU-LEV (%) (Japan)





A line switched to water-based paint, producing less VOCs (Kyushu plant)



We brought cabin VOC concentrations below guideline values set by the Ministry of Health, Labor and Welfare in the Bluebird Sylphy (Japan).

In February 2003 Nissan achieved its goal of making more than 80% of the gasoline-powered passenger vehicles it sold in Japan U-LEVs. As of the end of March 2006, fully 95% of the cars we sold were U-LEVs or SU-LEVs. We also came very close to our goal of 80% of total sales for SU-LEVs, achieving the 78.0% sales level for these vehicles.

Nissan is also aiming for higher levels of exhaust cleansing in its diesel vehicles. We equip our diesel engines with common rail fuel injection systems, which burn fuel more efficiently, and diesel particulate filtering systems that include catalytic converters to capture, oxidize and remove particulate matter. Thanks to these technologies our diesel vehicles have met the Japanese emission regulations that went into effect in October 2005.

### Beating Reduction Targets Nissan achieves VOC goals ahead of schedule

Nissan manages the chemicals it uses in its products in accordance with a self-prescribed set of chemical substance guidelines. Automobile manufacturing inevitably relies on a number of environment-impacting substances, but Nissan is constantly working to reduce its use of these chemicals through a strict management system and measures to decrease the amounts consumed and emitted as waste. All plants closely observe local environmental laws and take preventive measures to avoid environmental accidents. The laws are different from country to country, but Nissan makes efforts to achieve the highest standards possible. For example, we are steadily

adopting water-based painting processes, which produce lower levels of volatile organic compounds, or VOCs. In fiscal 2005 we converted the top-coating line in one of the facilities (Paint Shop 1) in our Kyushu plant to water-based paints. We are also moving ahead with a schedule for outfitting the plants with deodorizing and other equipment.

At the design stage, we have been reexamining our use of adhesives and other materials in areas like seats, door trim and carpets to reduce VOCs in the vehicle cabin. These compounds, which include formaldehyde and toluene, can be volatile even at room temperature, and are believed to irritate the respiratory tract. With minor design changes in 2005 to the March, Cube and Cube Cubic, Nissan reduced the cabin concentrations of 13 substances to below levels permitted by Japan's Ministry of Health, Labor and Welfare. We achieved the same levels with the Wingroad, Teana, Serena and Bluebird Sylphy models introduced in the same year. Thanks to these efforts we were well ahead of schedule in meeting the industry goals, which are set in accordance with the Health Ministry's guidelines for new passenger vehicles sold after 2007.

\* Technical terms used in this section:

U-LEV: Ultra-Low Emission Vehicle. A vehicle that produces 75% less exhaust emissions of nitrogen oxide (NOx) and hydrocarbon (HC) than the level prescribed in the 2000 exhaust emissions standards.

SU-LEV: Super Ultra-Low Emission Vehicle. A vehicle that produces 75% less exhaust emissions of nitrogen oxide (NOx) and nonmethane hydrocarbon (NMHC) than the level prescribed in the 2005 exhaust emissions standards.

Euro3, Euro4: European Emissions Standards Level 3 and Level 4.

OBD: On-board diagnostic system. An on-vehicle, self-diagnosing system designed to indicate problems with the catalytic converter or other components.



Simulator for easy dismantling



Suspension parts recycled from aluminum wheels

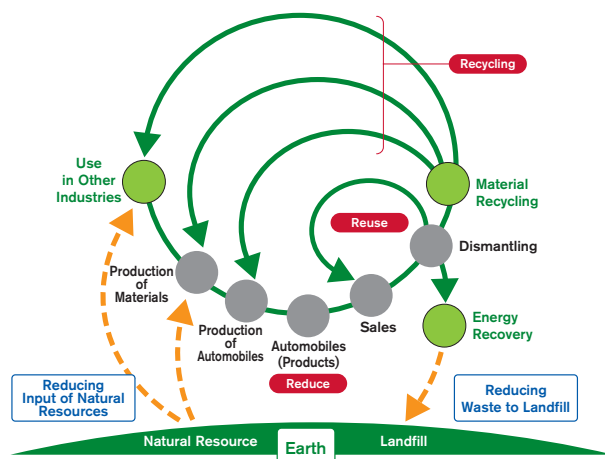
## Recycling of Resources

### Giving Resources New Life Considering the full life cycle of vehicles

Nissan aims to achieve a sustainable "automobile society" with environmentally friendly recycling. We take great care at each stage of an automobile's life cycle to facilitate recycling and make the most effective use of our planet's limited and precious natural resources.

The Nissan design process involves considering how to avoid using materials that are harmful to the environment and how to make the vehicle as easy to recycle as possible. Our objective at the production stage is to minimize waste produced, aiming to bring it to zero eventually. Our sales and service representatives, meanwhile, play a vital role by providing recycled parts to increase our customers' choices. And finally, we carry out research at the end of the service life of vehicles, looking at ways to make them easier to dismantle and recycle. We take the insights and technologies gained through this research and feed them back to the people working in the development,

#### Effective use of resources through recycling



manufacturing, sales and service stages for use in improving their processes.

Nissan focuses on the "three Rs" in conservation: reduce, reuse and recycle. We plan the reduction of the amount of waste throughout the entire process from the design stage, we reuse parts whenever possible, and we recycle all the resources we can. This makes more effective use of resources through the life cycle of the vehicle and reduces the amount of waste generated after its service life. Our goal is to reduce the burden on our natural environment. Achieving this goal requires active collaboration with numerous groups throughout society, and we place great value on partnerships that transcend organizational boundaries, working through these partnerships to create synergies of resource use and replenishment that complete a cycle of resource circulation.

#### Recycling by design

To facilitate recycling and the effective circulation of resources, new vehicles must be designed with the entire life cycle in mind, from design to disposal. Careful selection of raw materials is also key in reducing the burden on the environment.

Nissan set its sights on achieving a 95% recoverability rate for all new vehicles sold in Japan by 2005. Thanks to structural improvements and the development of highly recyclable materials for use in our vehicles, we achieved this target with the 2002 March and Cube, followed by the 2004 Nissan Lafesta, ahead of our 2005 deadline. The 2005 Nissan Note completed our efforts toward this goal, and all our new vehicles now have a recoverability rate of 95% or higher. We are still working on ways to further improve this record.

Nissan has teamed up with Renault to develop a recycling simulation system called OPERA. We use this system in the early stages of vehicle design to project recoverability rates and recycling costs. OPERA has become a vital tool for making our vehicles recycle-friendly.

## Nissan Green Shop activities in Japan

Dealerships that meet Nissan's standards—a set of rules based on the ISO 14001 guidelines and established to promote environmental activities among Nissan dealers—are certified as Nissan Green Shops. In this unique environmental management system, dealers must perform self-inspections every six months and renew their certifications every three years. Since the Nissan Green Shop certification system was introduced in April 2000, it

has grown to include approximately 3,400 dealerships and shops throughout Japan.

Through Nissan Green Shop activities, dealerships promote proper disposal of ELVs and waste materials, as well as processing and recycling the waste they generate in their service and repair activities. Outreach activities to inform our customers of these efforts are another important part of the program.



Nissan Green Shop certification logo

## A less wasteful manufacturing process

Nissan pursues the “three Rs” conservation strategy to reduce, reuse and recycle waste produced in the manufacturing process. Through a strict waste segregation policy and close partnerships with recyclers, Nissan Motor Co., Ltd. has successfully met its Zero Direct Landfill Waste target continuously since setting it in 2001, keeping landfill below 1% of the fiscal 1990 amount. And we have more than met our goal of reducing the amount of incinerated waste to below 50% of 1999 levels, reducing this figure by 90%. As a result, we have achieved a recycling rate of 100% at our Yokohama plant, followed in fiscal 2005 by our Kyushu and Iwaki plants. Nissan's overall recycling rate in Japan stands at a high 99.5%.

## Recycling on the dealership floor

### Nissan Green Parts

When dismantling our end-of-life vehicles (ELVs), recyclers carefully remove the reusable parts. Nissan collects and checks these for defects, delivering the reusable parts from these ELVs to our service network for secondhand sale. These are called Nissan Green Parts. In all we recover 42 parts in this way, classifying them in two categories:

reusable parts, which are washed and tested, and rebuilt parts, which are disassembled and have components replaced as needed. Sales of Nissan Green Parts reached more than ¥2.1 billion in fiscal 2005. This program helps us reduce waste; it also allows our customers to buy the parts they need at just one-third to one-fifth of the price of new parts. Recyclers, too, benefit from the reduced costs for processing the waste from ELVs.

## At the end of a vehicle's life

### Aluminum wheels

One unique way in which Nissan is helping the environment is through its collection and recycling of aluminum wheels from ELVs in Japan. We have been working with recyclers nationwide to collect these wheels from Nissan ELVs, using a process that lets us recycle the metal in them without degrading its quality. The high-grade aluminum we recover can be put back to use in suspensions and other important parts. Currently, an average of 100 tons of aluminum wheels are recycled every month.

## Messages for Our Stakeholders



Motoki Haneda

Aftersales Marketing Department  
Nissan Motor Co., Ltd. (Japan)

### Sales Outlets Refashion Themselves as “Nissan Green Shops”

One factor a growing number of consumers are paying attention to these days when deciding where to buy an automobile is the eco-friendliness of the dealers where the products and services are offered. In response, we've set up a unique certification system under which our sales outlets are required to meet certain environmental conservation standards in order to be designated a Nissan Green Shop. The environmental activities of such dealers are monitored regularly.

By fiscal 2001 all Nissan outlets in Japan had acquired certification. Efforts have continued since then to consolidate and sustain the

achievements made thus far and to implement further improvements.

Recently, many dealers have gradually begun launching environmental initiatives on their own. These efforts are aimed at enhancing communication with members of the community and at gaining greater exposure. Thank-you fairs have been organized to highlight each dealership's environmental efforts, and growing numbers of outlets have initiated clean-up operations, not only around their respective neighborhoods but also in the community at large.





About 160 kilograms of ASR is generated from a single March vehicle (previous model)

### Automobile shredder residue

Nissan is very focused on recycling automobile shredder residue (ASR), the material remaining after a vehicle is stripped of its recoverable components and shredded. We began research on ASR recycling well before the 2002 enactment of Japan's Automobile Recycling Law. The high heat index of ASR makes it difficult to control the temperature during the heat recovery process, but Nissan has developed new technology to overcome this problem. Modifications to the furnace at our Oppama plant allowed us in the fall of 2003 to become the world's first automobile manufacturer to recover energy from ASR through furnaces at its own facilities. Since 2005, when the Automobile Recycling Law went into force, we have processed about 400 tons of ASR per month. The energy created in the incineration process generates steam used in painting processes at the factory.

### Publicizing recycling results

Broad understanding of the actual conditions in dismantling facilities is vital to improving the ELV recovery rate. To this end, Nissan maintains close relationships with recyclers and conducts vehicle dismantling research. Repeated study

and research has helped us optimize the ways we process ELVs, recycle materials and reuse parts.

The results of this research are fed back to the product development division and reflected in vehicle design. We are proud that the airbag processing system developed through our research is being employed as part of Japan's Automobile Recycling Law regime.

### Recycling Law Compliance Toward efficient recycling in the auto industry

Japan's Automobile Recycling Law, which went into force in January 2005, requires automobile manufacturers to recover and recycle ASR and airbags and to destroy chlorofluorocarbons (CFCs) and hydrofluorocarbons (HFCs) from their ELVs. Nissan is a key member of a group of 11 automobile manufacturers called the Automobile Shredder Residue Recycling Promotion Team (ART). This group promotes the efficient recovery of ASR and compliance with the Automobile Recycling Law. As a leading ART member, Nissan is taking the initiative to work together with various sections of society and to improve the

## Messages for Our Stakeholders



Atsushi Tashiro

Recycling Promotion Department  
Nissan Motor Co., Ltd. (Japan)

### Maximizing Customers' Value Through Nissan's Recycling Activities

Since the Automobile Recycling Law came into force in Japan in January 2005, the responsibility for recovering and recycling three items from end-of-life vehicles has rested with the manufacturer. The cost, though, is borne by the car owner. This, to me, means that customers have become our partners in fulfilling our social responsibilities. The recycling of end-of-life vehicles is now a joint effort among manufacturers, recycling operators and customers.

If the recycling fee is seen as an investment that customers make in our recycling activities, then we have an obligation to maximize their returns by launching vehicles that are friendly to the environment and are easy to recycle, as this will result in lower recycling fees. Our goal, then, should be to launch vehicles that cost less to recycle than our current models. Since Nissan's mission is to furnish as much value to the customer as we can, I hope to make a contribution through our recycling activities.



The operation room at the Oppama plant's ASR recycling facility (Japan)



ASR recycling facility at the Oppama plant (Japan)

efficiency of recycling operations throughout the automotive industry.

Nissan's recovery rate for automobile shredder residue from January to March 2005 was 64.0% (a level corresponding to an ELV recovery rate of 93.4%). This result exceeds the 30% level mandated by the law for fiscal 2005; it meets even the 50% requirement set for fiscal 2010. In the other areas covered by the law, Nissan has achieved an airbag recovery rate of 95%, also exceeding the legally required level of 85%, and has destroyed a total of 13,042 kilograms of CFCs and HFCs from ELVs.

#### Overview of Recycling Performance (Jan.–Mar. 2005)

ASR	Volume Received	8,247.0 t/40,650 vehicles
	Volume Recovered	5,934.7 t
	Recovery Rate	64.0% (Legal standard: 30% or more)
Airbags	Volume Received	169.7 kg
	Volume Recovered	160.3 kg
	Recovery Rate	95.0% (Legal standard: 85% or more)
CFCs/HFCs	Volume Received	13,042 kg
Total Deposit Received		¥393,994,110
Total Cost for Recovery, etc.		¥410,294,379

Note: The most recent data is available on our website.

#### Major Recyclable Parts on the Note





## The Environmental Communication Meeting (Japan)

In March 2006 Nissan held its Environmental Communication Meeting, providing a forum for the company to exchange views with its stakeholders on its Environmental Reports and web-based materials. These annual meetings had previously focused on the Environmental Report only, but beginning this year we renamed the gathering, positioning it as a way to discuss the company's environmental communications as a whole.

Participating in the meeting were 16 stakeholder representatives from Nissan's

suppliers and dealers, NPOs and NGOs, and eight representatives from within the company. One participant noted that Nissan's sincerity was evident in its efforts to tackle environmental problems with technology; another commented, "You could do a better job of adding a Nissan flavor to these activities and publicizing them among consumers. I look forward to improvement here." During fiscal 2006 we intend to take these views the participants shared with us and put them to use in improving our communications in the environmental field.

## Environmental Communication

### Talking with Stakeholders Dialogue to create a sustainable society

**Nissan carries out open, active communication with all of its stakeholders on the company's environmental activities. We pursue these communications through a variety of channels: our Environmental Reports, pamphlets, websites, automobile showrooms and test-driving events, direct communications via our Customer Support Center, and a dedicated e-mail address for questions in this area. Inquiries about environmental topics are fielded by specialists in the company, who respond directly to stakeholder concerns. Nissan views this dialogue as a valuable part of the creation of a sustainable society.**

### Sharing information on the environment

Nissan began issuing its Environmental Report in 1998. This annual publication is supplemented with a digest version covering the highlights of the report. We also

publish vehicle-specific environmental information in the product catalogs distributed to our customers. Other Nissan tools to meet the diverse information needs of our stakeholders include our Technical Notes for people interested in the details behind our environmental technologies, the Site Environment Reports covering our factories and other business locations, and the Green Cycle Newsletter distributed to dealerships. The guest halls at our production facilities are outfitted with environment-related photo panel displays, and we have established a program of environmental tours at our Oppama plant.

### Regulatory briefings

Nissan holds regular briefings on environmental and safety regulations. These gatherings inform people from our development divisions and related companies about recent regulatory and societal trends in markets of key importance to Nissan. This program allows us to adjust our business activities quickly in response to changing laws, as well as heightening environmental awareness that transcends divisions within and beyond our company.

## Working for global sustainable development



World Business Council for Sustainable Development

Nissan is a proud member of the World Business Council for Sustainable Development. A coalition of approximately 180 international companies in 30 industries, hailing from over 35 countries, the WBCSD shares a commitment to development supported by three pillars:

economic growth, ecological balance and social progress.

One of the WBCSD's sector projects—efforts carried out by specific areas of industry—is the Sustainable Mobility Project. Twelve major companies in the automotive and energy fields are carrying out this project, which spent four years studying how mobility will develop

around the world, the strategies needed to increase sustainability while contributing to development, and what is needed to make those strategies successful. The project's report, "Mobility 2030: Meeting the Challenges to Sustainability," was released in July 2004, and participants are now working on achieving the goals it outlines.



Nissan wins 2005 Sustainability Report Award (Japan)



School visit at an elementary school on the topic of the environment (Japan)



## Nissan's Environmental Advisory Meeting (Japan)

Nissan held an Environmental Advisory Meeting at its Tokyo headquarters in September 2005. The purpose of this meeting was to get the objective input of experts outside the company on Nissan's global environmental strategy so we can

reflect that input in our decisions. The participants in the gathering gave high marks to the participation of executives in the discussions, a sign of Nissan's dedication to the environment, particularly the goal of reducing CO<sub>2</sub> emissions. At this meeting we

were able to hear numerous frank opinions on our business from a variety of third-party perspectives. Nissan intends to make use of this valuable feedback, incorporating these viewpoints into future environmental strategies.

## Nissan in the classroom

One component of our environmental communication is visits to elementary schools in Japan, where Nissan employees give presentations to help students learn more about the environment. In the city of Atsugi, Kanagawa Prefecture, we taught a total of 120 fifth graders from September through November 2005, sharing information with them on the future of the automobile society and the environment. (See page 51.)

### Employee Education Increasing understanding of Nissan and the global environment

Nissan Motor Co., Ltd. conducts environmental education programs for all its employees. To promote and strengthen our environmental activities, we need all of our workers to

understand global environmental issues and Nissan's efforts to address them. New employees receive basic education on the environment during their orientation process. In fiscal 2005 all new employees (approximately 760) went through this orientation. New section leaders receive special training to increase their knowledge and awareness of issues in this field, enabling them to successfully lead environmental protection activities.

Nissan also conducts a unique range of awareness-raising programs that include in-depth discussions with environmental specialists for select employees, education to boost environmental awareness among key personnel and environmental seminars for top managers in our technical development division. In the past we have carried out educational efforts like these in different regions around the world; we are now working to unify our approach, creating a global environmental education system for Nissan employees everywhere.

## Messages for Our Stakeholders



Hiromi Asahi

Manager  
Technology Planning Department  
Nissan Motor Co., Ltd. (Japan)

### What Automakers Can Do for Sustainable Development

"There is no magic bullet." The discussions we've taken part in as part of the World Business Council for Sustainable Development's Sustainable Mobility Project have driven this message home to me. To provide people with mobility in a sustainable manner, we can't rely on some special solution—we need the contributions of all our stakeholders, and we need to apply them in all areas of what we do.

In these efforts, companies are called upon to push technologies to their limits and to find those technologies that customers will accept in

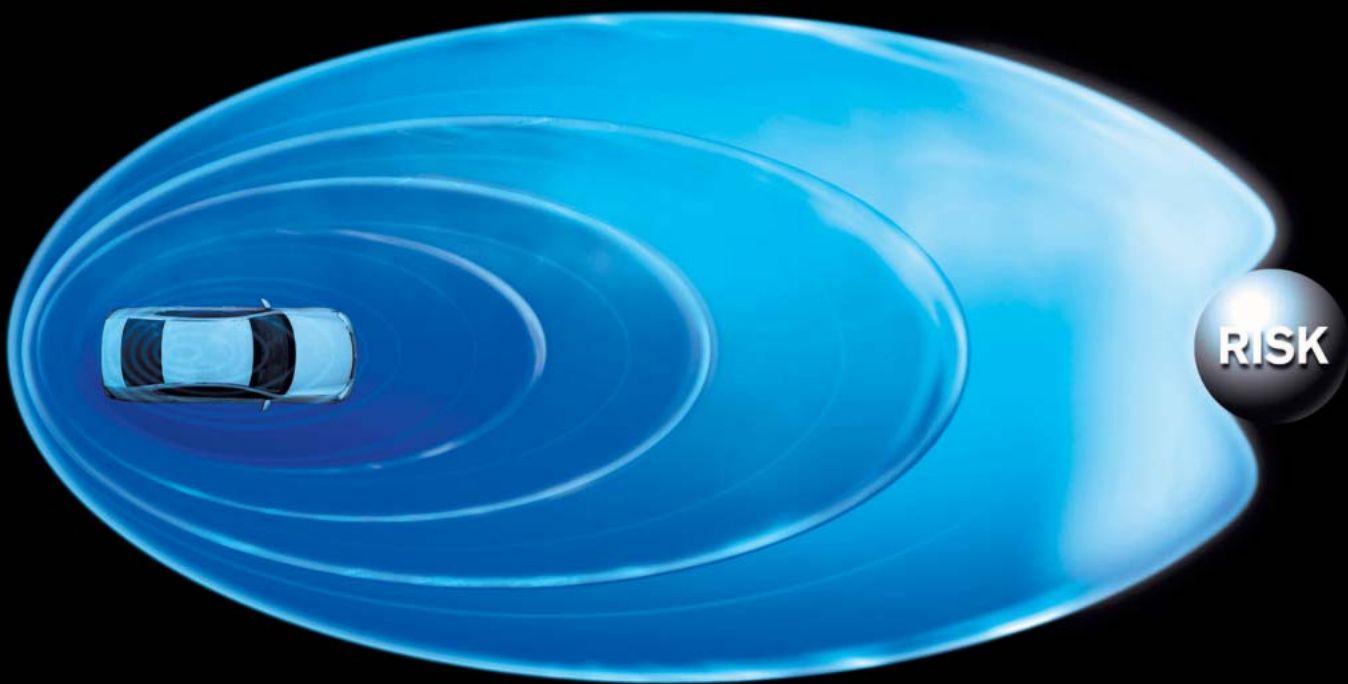
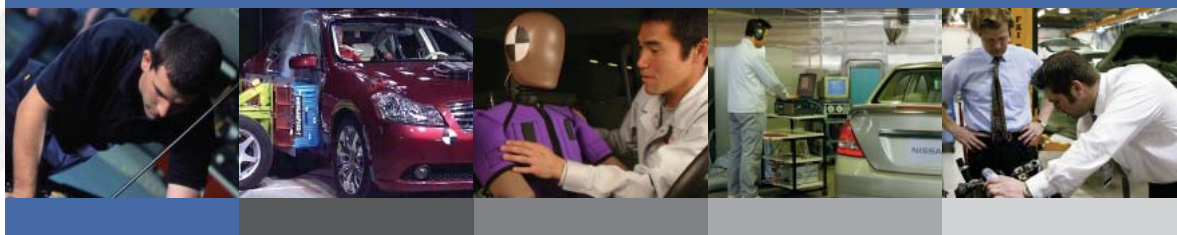
the products they buy. I believe that employees must recognize the responsibility they bear and find some way to really feel that they are making a difference through their actions.

Enriching People's Lives, Nissan's corporate vision, takes on deep significance when viewed through the prism of the environment. To ensure that generations to come will enjoy vehicles as a part of their lives, we have to reduce their burden on the environment, as quickly and as broadly as we can. I do my work each day with joy that I'm able to contribute to this goal.



# Improving Safety

Aiming for a Society with No Traffic Accidents

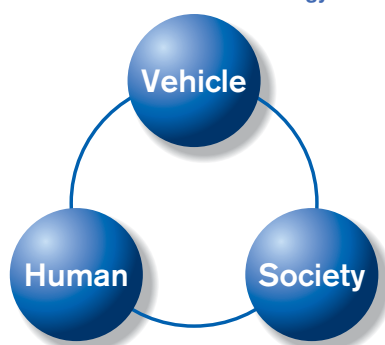




# Nissan's Commitment and Technology

## Keeping Customers Secure with Our Cars

Cars are many things to their owners: they are pleasant personal spaces, they are enjoyable vehicles and they are convenient forms of transportation that place the driver in full control. Nissan aims to create highly dependable cars that provide people with a rich, joyful driving experience. Backing up this goal is our commitment to safety: we place top priority on helping keep our customers safe and placing them completely at ease while they drive. Our approach in the area of safety goes beyond technologies in our products, including education activities to improve driver skills and our SKY Project, which focuses on improving the environment surrounding cars and their drivers. As an automaker Nissan positions safety at the core of its business activities alongside the other important areas of environment and energy efficiency.



### Analyzing Global Accident Data In pursuit of "real-world safety"

According to statistics, as many as 1 million people worldwide are killed in traffic accidents every year. In Japan there were 6,871 traffic accident deaths in 2005, the first time since 1956 that the number has fallen below 7,000. Nissan has set the goal of halving the number of automobile accident fatalities or serious injuries involving its vehicles by 2015 as compared to 1995. We are continuously pursuing safety improvements to our vehicles based on the analysis of real-world accidents.

In Japan, the number of automobile accident fatalities and serious injuries decreased by 22% in 2003 as compared to 1995. The number of casualties may be falling, but the number of accidents in Japan is higher than ever. Nissan is investigating the reasons for this by scientifically analyzing the data in real-world accidents. To help clarify the safety issues, we carry out simulations and accurate re-creations of accident situations at our newly constructed Nissan Advanced Crash Laboratory, putting the results of these experiments to use in the development of new safety technologies. Through the process of accident analysis using accident re-creation crash

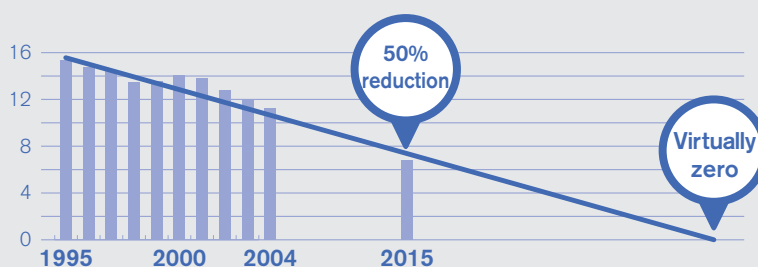
### Our safety goal

To reduce fatal and serious injuries involving Nissan vehicles

The graph shows fatalities and serious injuries per 10,000 Nissan cars (data from Japan). We aim to reduce the number to 50% of 1995 levels by 2015. Our vision zero goal is to develop technologies that will bring this number to virtually zero.

Source: Institute for Traffic Accident Research and Data Analysis (Involvement of Nissan Vehicles in Traffic Accidents)

● Number of Fatal and Serious Injuries per 10,000 Nissan Vehicles in Japanese Market





Nissan Technical Center (Japan)



Nissan Technical Center Europe, Ltd. (U.K.)



Nissan Technical Center Europe, Ltd. (U.K.)

experiments, we continue to improve and develop new technologies. Ultimately in the future, Nissan's desire is to "reduce the fatalities and serious accidents to practically zero." We strongly believe it is possible to achieve this goal and will make every effort toward its realization.

### The Nissan Safety Shield Tackling safety issues at the highest levels

Nissan is developing new technologies as part of its "Safety Shield" concept, an advanced, proactive approach to safety issues based on the idea that cars should protect people.

Safety Shield classifies the conditions surrounding a car in a wide range of areas, from "risk has not yet appeared" to

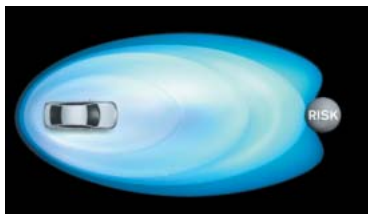
"post-crash," and provides the measures needed to reduce the risks present in each of those areas. In this way the system supports the driver, minimizing the threats to the vehicle's occupants whenever possible.

People are the key actors in the activity of driving, and our development efforts place focus on supporting the driver in control of the car. This means producing systems that provide the driver with appropriate information and respond accurately to the driver's input. We are also working on the development of vehicle systems that may intervene to help reduce injuries and damage in case a crash becomes unavoidable. Based on this Safety Shield approach, we will introduce 10 new safety technologies through fiscal 2007.

## Safety Shield

The vehicle activates various technologies to help the driver, passengers and other road users avoid danger from normal driving conditions through post-accident conditions.

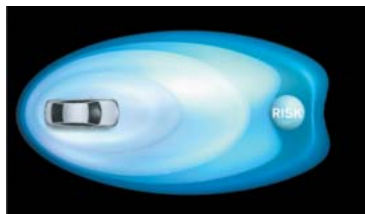
### Helps the driver to maintain comfortable driving



#### Risk has not yet appeared

- Intelligent Cruise Control with low-speed following capability
- Adaptive Front Lighting System
- Xenon headlights
- Side View Monitor
- Around View Monitor

### Helps the driver to return to a safe driving from a dangerous condition



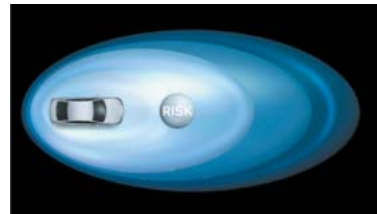
#### Risk has appeared

- Electronic Brake force Distribution
- Lane Departure Warning
- Lane Departure Prevention

#### Crash may occur

- Anti-lock Braking System
- Brake Assist
- Vehicle Dynamics Control

### Helps reduce injuries and damage when a collision is unavoidable



#### Crash is unavoidable

- Intelligent Brake Assist
- Brake-operated front Pre-Crash Seat Belts

#### Crash

- Zone Body construction
- Active Head Restraint
- SRS airbag

#### Post-crash

- Helpnet



Adaptive Front Lighting System



Side View Monitor

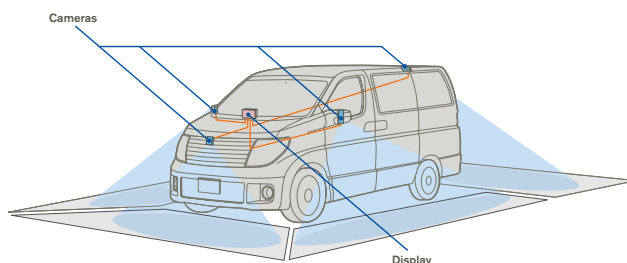


Intelligent Cruise Control

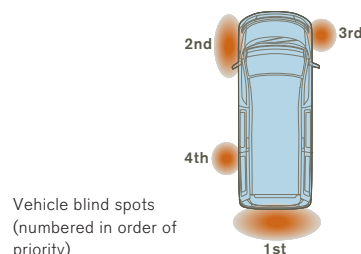
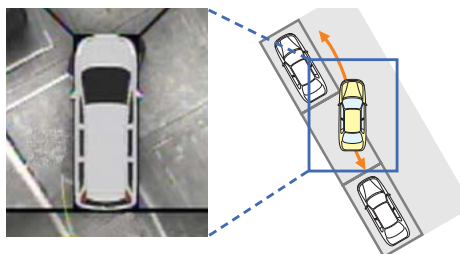
## Technologies for Safety Shield

### The Around View Monitor Keeping an eye on the car's surroundings

The circumstances all around the vehicle are shown on a dashboard display to help reduce blind spots. The system is especially helpful when parking, enabling the driver to steer easily and precisely into a parking space. This extremely practical technology makes it easy to view conditions all around the car, in real time, at a single glance.



The area all around the vehicle is shown on a dashboard display in real time



Vehicle blind spots  
(numbered in order of priority)

### Distance Control Assist System Helps drivers control following distances

Nissan's Distance Control Assist System is especially useful in heavy traffic, when frequent braking is required to help drivers control the distance between themselves and the vehicle in front.

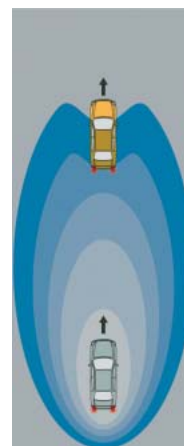
#### The Distance Control Assist System in operation:

Example of a car coming too close to a preceding vehicle



If the driver releases the gas pedal, the system automatically applies the brakes. (The system applies the brakes only when the driver is not pressing the gas pedal.)

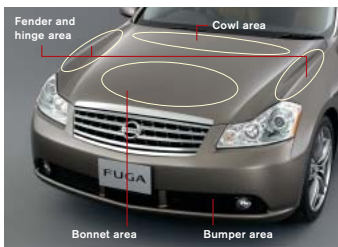
Example in which deceleration by a preceding vehicle requires the driver to brake



An indicator will appear on an instrument panel and a buzzer will sound. The gas pedal will automatically move up.



Active Head Restraint



Various shock-absorbing parts help reduce pedestrian injuries



SRS airbag system

### Pre-Crash Seat Belts

Belts automatically tightened in emergency braking

This system detects emergency braking situations by brake pedal operation. If it determines that the driver is performing emergency braking, or Intelligent Brake Assist is activated, the system retracts seatbelts using a motor. Early seatbelt restraint helps reduce occupant motion, thereby helping lower the level of occupant injury in a collision.

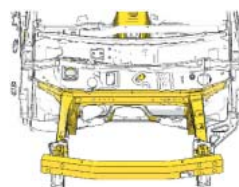


### Crash-Compatible Zone Body

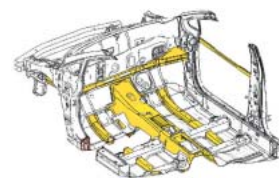
Helping keep cabin damage to a minimum

Accidents are by their nature unforeseeable incidents. There are technologies to help people avoid accidents, but no matter how well-equipped the car, as long as it is under human control it is impossible to completely prevent accidents. We have adopted this Zone Body technology to help minimize mutual damage when two vehicles crash. The March, for example, has since 2002 made use of the crash-compatible Zone Body. This body is constructed with two main areas: the crushable zone, which absorbs the energy of an impact, and the occupant zone, a high-strength cabin to help protect the car's occupants. This technology helps minimize damage to both cars in the case of an unavoidable accident, improving protection for one car's occupant zone and reducing damage to the other car with the crushable zone. Enhanced Zone Body construction is being utilized in the Tiida as depicted in the diagrams to the right. Our cars meet all the safety standards of the various countries where they are driven; however, they must also meet our own internal stringent safety standards. These internal standards help guide the continual improvement of our Zone Body structure.

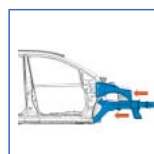
#### Crash-Compatible Zone Body



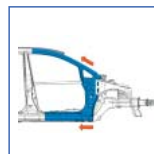
Crushable Zone



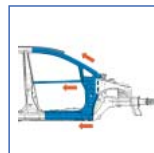
Occupant Zone



Front side members absorb impact energy



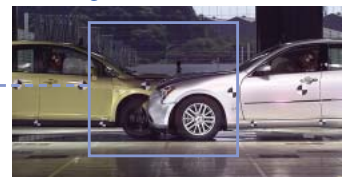
Crash energy distributed between the A-pillar and sill



If the A-pillar begins to deform, the door waist beam helps further distribute crash energy



First stage of a collision



Second stage of a collision



Third stage of a collision



Nissan Technical Center  
(Japan)



Nissan Technical Center  
Europe, Ltd. (U.K.)

## Working for an Automobile Society

Safety technology is not enough to stop all accidents. Nissan aims to achieve a safe “automobile society” through proactive efforts to work together on safety issues with government agencies and other companies. With the expertise produced through these collaborations, we hope to reduce the number of fatalities and serious injuries resulting from car accidents to zero.

### The SKY Project

Improving safety and easing congestion

A key part of Nissan's broader approach to safety is plans to engage in a project with the aim of helping to reduce traffic accidents and traffic congestion. Toward this end we have launched our SKY Project in Japan's Kanagawa Prefecture. This project uses ITS, or Intelligent Transport Systems, to build integrated networks of cars, roads and people with cutting-edge information and communication technology. We are currently concentrating mainly on reducing

unforeseen accidents, increasing safety in school zones, reducing traffic congestion and providing drivers with information on the fastest routes. Nissan is focusing on making cars themselves able to resolve traffic problems. Our efforts here include the manufacture of safe automobiles and the introduction of our Carwings system, which helps predict traffic congestion and suggests optimal routes on the basis of historical and real-time traffic data and the latest information from VICS, the Vehicle Information and Communication System. The SKY Project will further help improve safety and reduce traffic congestion by creating cars that gather information on the status of other cars in the vicinity and the surrounding traffic environment from a data infrastructure including roadside sensors. Based on the results of the ITS Project in Kanagawa Prefecture, we hope in the future to bring the successes of the project to a much wider global market.

## SKY PROJECT



### Our main efforts in the SKY Project

- 1 A new system will let the driver know of the existence of unseen vehicles via voice signals and monitors. Our goal is to help reduce the number of unforeseen accidents.
- 2 A speeding alert system will notify the driver to reduce his or her speed. This system will help contribute to safety around schools or other areas where excessive speed may contribute to accidents.
- 3 The Dynamic Route Guidance System uses probe information for traffic congestion and helps find the quickest route to the driver's destination.



Smart tags distributed to children



Driving simulator

### **Pedestrian Protection** Alerting drivers to the presence of children

From December 2005 through March 2006, Nissan carried out a pilot test of a pedestrian safety system in the city of Yokohama, Kanagawa Prefecture. We worked together with telecommunications companies to help prevent car accidents involving children at pedestrian crossings with poor visibility.

In this test we distributed smart tags to children living in the experimental zone and installed them in cars driving through the area. Receivers that pick up the signals emitted by these IC tags were installed at crossings with poor visibility and near parks where children play. The receivers keep track of the presence of these tags and the location of their bearers; when the system judges that a car and a child are too close it alerts the driver to the child's presence, urging caution with an audible signal. From fiscal 2006 Nissan will begin implementing a system that sends warnings to cars exceeding the speed limit on roads in the vicinity of elementary schools in Yokohama, using their onboard car navigation systems to tell drivers to reduce their speed.

### **Keeping Watch Around the Car** Vehicle-to-vehicle communications system alerts driver to five potential collisions

We developed a third-generation Advanced Safety Vehicle equipped with a Nissan-developed vehicle-to-vehicle communications system that alerts the driver to potential collisions in five common driving scenarios. The driver is alerted through color-coded displays on an onboard monitor and an audio alert. If the driver releases the brake and continues despite the alert, the alert becomes louder. The vehicle-to-vehicle communications system onboard the Nissan ASV-3 incorporates the results of our research and development of the Human Machine Interface, which gives the driver fast, effective information about the situation around the car. The HMI contributes to improved safety by allowing the driver to start action earlier to help avoid danger. System development was based on five specific accident scenarios, such as collisions resulting from sudden encounters at junctions with poor visibility and crashes with oncoming vehicles when turning across the opposing lane. In each case, the system obtains information on the positions of other cars through vehicle-to-vehicle communication, providing this information to the driver via a visual display and audible alarms to increase safety.

## Messages for Our Stakeholders



**Alan Kennedy**

Engineer  
Safety Strategy Group  
Nissan Technical Center  
Europe, Ltd. (U.K.)

### **Vehicle Crash Safety a Fundamental Aspect of Our Products**

At Nissan, we consider numerous factors when improving an automobile's crash safety, including a multitude of accident scenarios as well as variations in occupants' body types. Thinking along these lines, we have considered how advanced technology in other areas, such as medicine, might be applied to automobiles. Participation in the Bone Scanning for Occupant Safety project is an excellent example of Nissan's initiatives in this direction.

Through this project, a consortium of industry and university research groups in the fields of medicine and engineering has

worked to create a bone-scanning system with the goal of improving crash safety in automobiles. As a member of the consortium, Nissan has contributed to the development of technology that will allow safety devices to adjust according to the bone density of occupants, maximizing the effectiveness of such features as airbags and seatbelts. We believe this technology will contribute to further reductions in the number of serious injuries involving Nissan vehicles.



Nissan Advanced Crash Laboratory (Japan)

## Nissan Advanced Crash Laboratory completed (Japan)

We launched operations at the Nissan Advanced Crash Laboratory at the Oppama Proving Ground in Kanagawa Prefecture in July 2005. The NACL, which allows us to re-create actual accident conditions with great precision, tests safety performance in vehicle-to-vehicle

crashes and helps improve the understanding of occupant protection in rollover accidents. The facility is equipped for barrier impact tests, in which the car collides with a wall, rollover crashes and vehicle-to-vehicle crashes with both vehicles traveling up to a maximum of 120

kilometers per hour. The angle of impact can be precisely set in five-degree increments. At the NACL, Nissan can also evaluate occupant protection performance in four types of rollover crash modes through a dolly rollover test, a trip-over test, a ditch rollover test and a corkscrew test.

### Protecting the Human Body A system to help prevent broken bones

Nissan Technical Center Europe is part of a research group working with the support of the U.K. Department for Transport to develop a system that will identify groups at risk of bone fractures. Analysis of traffic accidents shows that the number of people suffering sternum and rib fractures—especially among the elderly and other people who have weaker bones—is on the rise. We are aiming to develop a system that can help protect car occupants from these injuries, reducing the total number of casualties. The research group, which includes the British Cranfield Impact Centre, is basing its work in part on scanners already in use in hospitals. The consortium has developed a prototype device that can read body information from the driver's finger via ultrasound before the car begins moving. In the event of a collision, the system uses this information to adjust the timing of the airbag firing and the tension of the seatbelt according to the bone strength of the driver, thereby helping to reduce injuries. Nissan is investigating further ways to adapt the technology behind this scanner, originally developed for medical applications, for use in cars.

### Promoting Safety Around the World Two ongoing programs in the United States

Since 1998 Nissan North America, Inc. has continued its Quest for Safety program, which includes a series of public child passenger safety seminars. This is a program to educate parents and caregivers at the grass-roots level about child passenger safety, such as the importance of using child safety seats. Additionally for the North American market, in order to ensure that the participants at the seminars can use what they learned, we distributed educational materials written in English and Spanish and our safety engineers gave demonstrations and answered specific questions. Since 2001, Nissan's industry first program, called Snug Kids, has provided valuable child safety seat fit information to aid in child seat selection for Nissan vehicles. What lies behind the program is the reality that up to 80% of the child restraints are not used properly, and automobile accidents are the leading cause of death for young children in the United States, with approximately seven children killed and 800 children injured (14 years of age or younger) every day in motor vehicle crashes in 2004. As an automobile manufacturer, Nissan can through

## Messages for Our Stakeholders



Hiroshi Kawai

Crash Safety and Homologation Test Group  
Vehicle Project Test Department  
Nissan Motor Co., Ltd. (Japan)

### Toward an Accident-Free Society

In 2005 the number of traffic accident fatalities in Japan dropped below the 7,000 mark. I believe this number has fallen thanks to a rapid increase in vehicle safety in recent years, along with two other key factors: improvements in driver skills and better road and traffic conditions. Part of Nissan's social responsibility is to help realize an accident-free society, and we are working hard to reduce the number of accidents. We have implemented a number of safety measures, such as making airbags standard on our vehicles, and we recently completed the Nissan Advanced Crash Laboratory. This state-of-the-art facility in Japan

will be used to help simulate different accident scenarios and develop testing methods, allowing us to incorporate new safety measures into cars. Our goal is to halve the 1995 number of fatalities and serious injuries involving Nissan cars by 2015, and to work toward a future society with no accidents at all. Along with this work to maintain high levels of safety, we will be developing attractive cars to give our customers maximum satisfaction. This in turn lets us enjoy our own utmost satisfaction as Nissan employees.



## Nissan takes part in i2010 Intelligent Car Initiative (Belgium)

On February 23, 2005, Nissan Technical Center Europe participated in the launch of the European Commission's i2010 Intelligent Car Initiative, held in Brussels, Belgium. The event, the largest concentration of "intelligent vehicles" displayed in Europe in recent years, was supported by 20 automakers and

suppliers and attracted hundreds of industry specialists, media representatives and transportation officials from around Europe. Promoting the development of smarter, safer and cleaner automobiles is part of the five-year European Information Society 2010, or i2010, strategy to boost jobs and economic growth.

At this event Nissan displayed its Infiniti FX45, equipped with our Lane Departure Warning system and Intelligent Cruise Control. This was a successful demonstration that innovative technologies are already on the marketplace, contributing to more user-friendly driving conditions.

these two programs help protect children and decrease injuries and deaths among them.

In Japan, we have carried out our Nissan Hello Safety campaign since 1972. In fiscal 2005 this traffic safety campaign included measures for people aged 65 and over, as well as a focus on traffic safety for infants and young children. Nissan has also been working on safety campaigns rooted in local communities. In April 2005 we designated Yokohama, Kanagawa Prefecture, as a model area; we incorporated the contents of children's books featuring traffic safety messages into programs screened at Yokohama Science Center, a museum aimed at children, for a one-year period.

### Safe Driving Forum Nissan takes part in safety event

The Nissan Safe Driving Forum took place in Beijing in November 2005. This event, the first such forum organized by a Japanese automaker, was aimed at the media and Nissan customers, and sought to raise awareness of safety issues and to help improve driving skills in China. Participants took part in braking, cornering and other driving programs under the guidance of instructors, gaining first-hand knowledge of the showcased safety technology in Nissan's cars. One presentation on Nissan's safety strategies stressed the need for an integrated approach to safety that brings together drivers, vehicles and infrastructure. Nissan representatives at the forum explained Nissan's safety initiatives, such as the new Safety Shield approach, that aim for a society free of traffic accidents.

The automobile market is growing rapidly in China, and safety is a critical issue. The Safe Driving Forum was a milestone event in Nissan's commitment to Chinese customers, and similar events will be carried out in other cities across the country.

## Messages for Our Stakeholders



**Robert Yakushi**

Director  
Product Safety and Regulatory  
Nissan North America, Inc. (USA)

### Improving Auto Safety for Children

When it comes to securing the safety of child passengers, it is not enough to simply use seatbelts and safety seats—they must be used properly, taking into account the child's age and size. To address this problem, we initiated the Snug Kids program, which informs parents how to select and correctly use safety seats that are suitable for their Nissan automobiles. Our Snug Kids Child Safety Seat Fit Guide takes the frustration out of buying a safety seat and finding it doesn't fit, and ensures that parents select the most appropriate type of seat for their child.

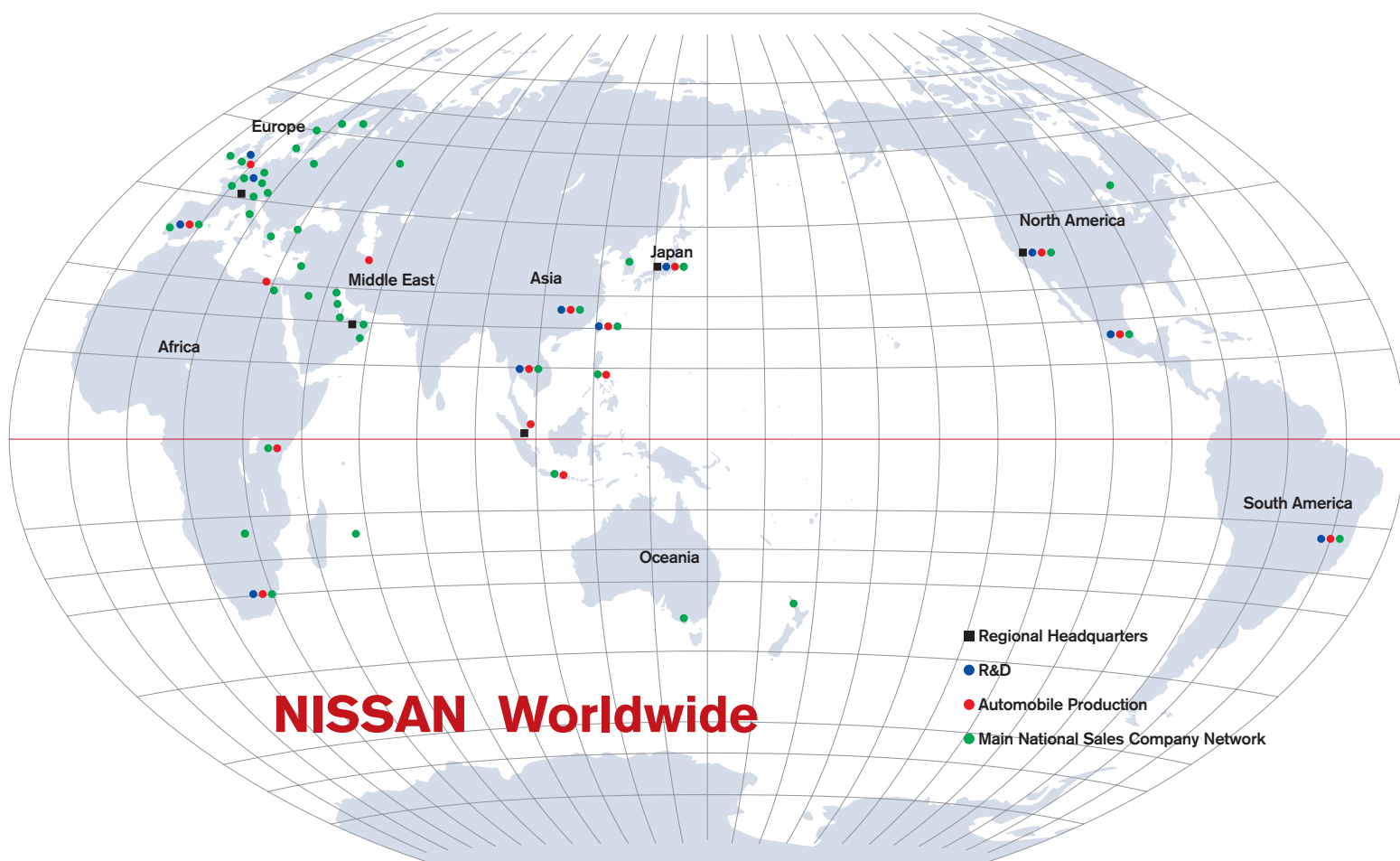
Nissan is also promoting wider use of booster seats. In general, parents graduate children too early into adult seatbelts; depending on their height, children should ride in booster seats until they are at least eight years old. When restrained by seatbelts before reaching a certain height, children can actually be harmed by seatbelts in the event of an accident.

Nissan is working to provide parents with this and other essential information needed to guard their children's safety.

## Global Operational Presence

Today, Nissan has major production and office facilities in Japan, the United States, Mexico, Europe, the Middle East, South Africa, China and the Southeast Asian countries, as well as in other regions of the world. As a

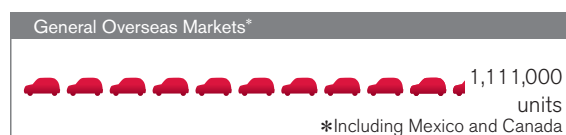
global company, Nissan will continue to focus on providing value to all our stakeholders as we work toward our vision of Enriching People's Lives.



- R&D: 11 countries/areas
- Design: Six design centers in four countries/areas (Japan, USA, U.K., Taiwan)

- Automobile Production Plants: 16 countries/areas
- Sales Network: More than 160 countries/ approximately 10,000 dealers

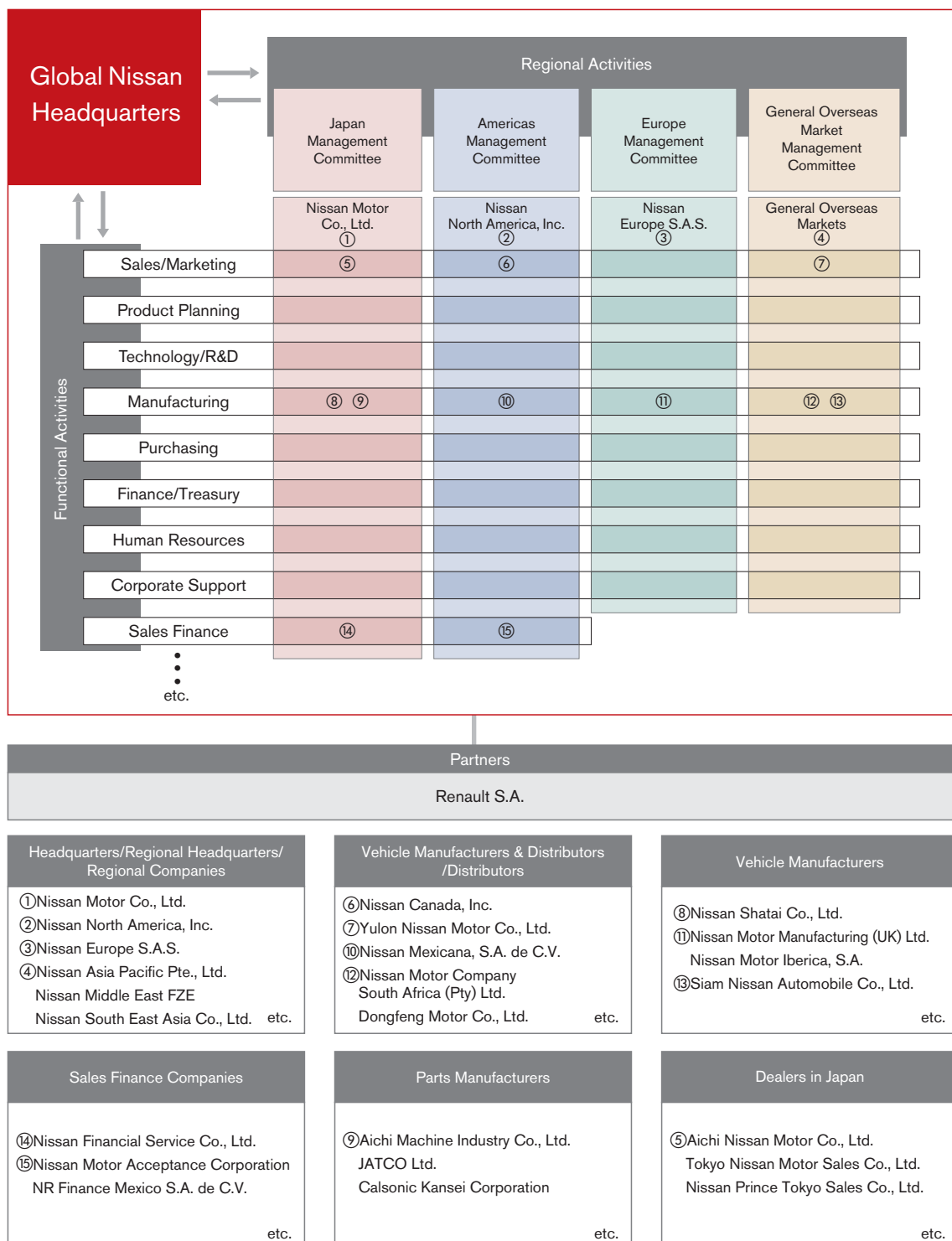
### ● Retail Sales by Region in Fiscal 2005



## Nissan Group Operations

The Nissan Group's organization aims to integrate regional activities with global functional activities. Four management committees for Japan, the Americas, Europe and the General Overseas Markets supervise regional activities, while each functional department,

including research, development, purchasing and production, are in charge of global, functional coordination. Nissan's Global Headquarters takes a cross-organizational approach adding value to regional and functional activities while coordinating our global operations.



## Business and Other Risks

**Due to changes in government regulations, information on risks involved in business operations has been disclosed in the Yukashoken-Houkokusho for the year ended March 31, 2005, as follows:**

### Economic Factors

The demand for products manufactured by Nissan is affected by the economic conditions in each country or market in which they are offered for sale. Nissan conducts its operations all over the world and, in particular, in the major markets of North America, Europe and Asia, to say nothing of Japan. While Nissan strives to develop a comprehensive and integrated projection of the global economic outlook, any greater-than-anticipated downturn in one of these markets may have a significant effect on Nissan's financial position and results of operations.

### International Activities and Overseas Expansion

Nissan's manufacturing and marketing activities outside Japan are conducted in the United States, in Europe, and in the developing and emerging markets of Asia. Nissan forecasts and evaluates a wide variety of risks inherent in doing business in such overseas markets including the following factors, each of which entails a greater-than-anticipated level of risk:

- Unfavorable political or economic factors
- Legal or regulatory changes
- Potentially adverse tax consequences
- Labor disputes including strikes
- Difficulties in recruiting and retaining personnel
- Social, political or economic turmoil due to terrorism, war or other destabilizing factors.

### Research and Development

Nissan's technology must be "real world"—useful, pragmatic and easy to use. Nissan anticipates the nature and scope of the market demand, and then prioritizes and invests in new technologies. Nonetheless, any sudden and greater-than-anticipated changes in its business environment or in customer preferences may impact negatively on customer satisfaction with these new technologies.

### Product Defects

Nissan places a high priority on safety and does its best to enhance safety from the standpoint of research and development, manufacturing and sales. Although Nissan takes out insurance policies to cover product liability, this does not necessarily mean that all potential defects and the related liabilities are fully covered. If Nissan were to implement strict product recalls for its customers, Nissan would incur significant additional expenses which could adversely affect its financial position and results of operations.

### Fluctuation in Foreign Currency Exchange Rates

Nissan's Japanese operations export vehicles to various countries around the world. In general, the appreciation of the yen against other currencies adversely affects Nissan's financial results of operations and, on the contrary, the depreciation of the yen against other currencies favorably affects Nissan's financial results of operations. Any sharp appreciation of the currencies of those countries against the yen could lead to increases in both procurement and production costs which would adversely affect Nissan's competitiveness.

### Derivatives

Nissan utilizes derivatives transactions for the purpose of hedging its exposure to fluctuation in foreign exchange rates, interest rates and commodity prices. While Nissan can hedge against these risks by using derivatives transactions, Nissan, by so doing, may miss the potential gains which could result from seizing the market opportunities to profit from such fluctuation in exchange rates and interest rates.

In addition, Nissan manages its exposure to credit risk by limiting its counterparties to financial institutions with high credit ratings. However, a default by any one of these counterparties could have an adverse effect on Nissan's financial position and operating results.

### Lawsuits and Claims

With respect to various lawsuits and claims which Nissan encounters, the possibility exists that the position defended by Nissan will not be accepted

and that the outcome may be significantly different from that anticipated. As a result, any such verdict or settlement could adversely affect Nissan's financial position and operating results.

### Government Regulations

The automobile industry worldwide is influenced by a broad spectrum of regulations governing the emission levels of exhaust fumes, fuel economy guidelines, noise level limitations and safety standards, and Nissan expects these regulations to become increasingly stringent. In order to ensure compliance, it may be necessary for Nissan to make significant ongoing investments in these areas which would have an impact on its financial position and results of operations.

### Intellectual Property Rights

Nissan owns a wide variety of proprietary technologies and has the expertise to differentiate Nissan's products making them unique from those of its competitors. These assets have proven their value in the growth of Nissan's business and will, no doubt, continue to be of value in the future. Nissan strives to protect its intellectual property assets; however, in certain markets, Nissan may encounter difficulty in fully protecting the proprietary rights to its own technologies. Cases may arise where Nissan finds itself unable to prohibit others from infringing on its intellectual property rights.

The Company has established the 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 the Nissan Brand.

### Natural Disasters

Nissan's corporate headquarters and many of its manufacturing facilities are located in Japan, where the statistically proven probability of earthquakes is higher than in many other countries. Nissan has developed risk-management guidelines relating to earthquake damage and the CEO has organized a global task force to direct disaster prevention and recovery activities. In addition, the Group has begun to strengthen its manufacturing facilities with anti-seismic reinforcement. However, if a severe earthquake were to hit one of Nissan's key facilities causing a halt in production, this would adversely affect Nissan's financial position and results of operations.

### Sales Financing Business Risk

Sales financing is an integral part of Nissan's core business, providing strong support to its automotive sales, while maintaining high profitability and a sound and stable financial condition through strict risk-management policies. However, the sales financing companies have a high exposure to interest-rate risk, residual value risk, and credit risk, any one of which may adversely affect Nissan's financial position and results of operations.

### Counterparty Credit Risk

Nissan does business with a variety of counterparties and manages its counterparty credit risk by conducting a comprehensive annual assessment of its customers' financial condition based on their financial information. Nonetheless, any significant default by a counterparty would adversely affect Nissan's financial position and results of operations.

### Employee Retirement Benefit Expenses and Obligations

The amount of Nissan's retirement benefit obligation and related expenses are calculated using various actuarial assumptions including the discount rate applied, the projected rate of return on plan assets, and so forth. If Nissan's actual results differ from those assumptions or if the assumptions are changed, the resulting effects will be accumulated and recognized systematically over future periods. The cumulative effect could adversely impact the recognition of expenses and liabilities recorded in future periods.

### Purchase of Raw Materials and Parts

Nissan purchases raw materials and parts from many suppliers. Market conditions that Nissan can't control and whether or not the suppliers can procure raw materials and parts continuously may adversely affect Nissan's financial position and results of operations.

**Thank you for reading  
Nissan's 2006 Sustainability Report.  
We would like to hear from you.**

We have tried to make this report as easy to read and understand as possible, but we are well aware that there may be parts that are insufficient. So that we can continue to improve the content of our future reports and incorporate your feedback into our business activities, please fill out the questionnaire on the backside and return it to us by mail or fax. Thank you.

**Nissan Motor Co., Ltd.  
Global Communications, CSR and IR Division  
Communications CSR Department  
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Tokyo 104-8023, Japan

**FAX +81(0)3-3546-2669**

This questionnaire is also available online:

**<http://www.nissan-global.com/EN/COMPANY/CSR>**

As of May 15, 2006, we have received feedback on the Sustainability Report 2005 published in June 2005 from 76 persons.

The opinions we have received are being used as important reference material both in the planning of this Sustainability Report and in Nissan's CSR activities in general. We thank you for your cooperation.

**Regarding the use of personal information:**

We will use your opinions and comments to make improvements to this report.

In this regard, we appropriately manage personal information and will use this information only to send the report to you and answer your questions.

Personal information will not be disclosed to any outside party.

Please provide us with your opinions  
and comments.

**FAX +81(0)3-3546-2669**

## Sustainability Report 2006 Questionnaire

Nissan Motor Co., Ltd.  
Communications CSR Department  
CSR Group

**Q1**

Please check the boxes that most accurately describe your impressions of this report. (select all that apply)

- |  |   |  |
|--|---|--|
| <input type="checkbox"/> Conveys Nissan's CSR philosophy in a clear and understandable way | <input type="checkbox"/> Makes a favorable impression                 | <input type="checkbox"/> Sincere                                 |
| <input type="checkbox"/> Easy to read  | <input type="checkbox"/> Has a sufficiently high level of information | <input type="checkbox"/> Presents relevant and specific examples |
| <input type="checkbox"/> Contains easy-to-understand graphs                                | <input type="checkbox"/> Well designed                                | <input type="checkbox"/> Contains quality photography            |

**Q2**

Please evaluate the following areas of the report:

● Nissan's thinking and stance regarding sustainability

- ☐ Very clear      ☐ Somewhat clear      ☐ Not clear

Reason ( )

● Level of interest

- ☐ High      ☐ Average      ☐ Low

Reason ( )

● Transparency of Nissan's actions

- ☐ Very transparent      ☐ Somewhat transparent      ☐ Somewhat unclear      ☐ Unclear

→Which parts were unclear? ( )

● Technical terms and industry terminology

- ☐ Few were used, report easy to understand      ☐ Some were used, report a little difficult to understand      ☐ Too many were used, report difficult to understand

→What parts were difficult to understand? ( )

● Page length

- ☐ Long      ☐ Appropriate      ☐ Short

● Design

- ☐ Good      ☐ Average      ☐ Poor

Reason ( )

**Q3**

On the following list, please mark an "O" in the box next to those pages which you found particularly interesting and an "X" next to those that were uninteresting.

- ☐ Highlights and Performance Data (P01-02)  
☐ Nissan's Approach to CSR (P03-06)  
☐ CEO Statement (P07-08)  
☐ CSR Dialogue (P09-12)

**Performance and Corporate Governance**

- ☐ Nissan Value-Up Update and Fiscal 2005 Financial Review (P15-18)  
☐ Corporate Governance (P19-24)

**Enhancing Value for Stakeholders**

- ☐ For Our Customers (P27-32)  
☐ With Our Shareholders and Investors (P33-34)  
☐ With Our Employees (P35-40)  
☐ With Our Business Partners (P41-46)  
☐ With Society (P47-54)

**Protecting the Environment**

- ☐ A Symbiosis of People, Vehicles and Nature (P57-70)

**Improving Safety**

- ☐ Nissan's Commitment and Technology (P73-80)

Please let us know if you have any specific comments.

**Q4**

Please let us know if you have any opinions or suggestions on how we can improve our Sustainability Report.

**Q5**

From which standpoint did you read this report?

- |   |  |
|---|--|
| <input type="checkbox"/> Customer   | <input type="checkbox"/> Shareholder or financial institution                    |
| <input type="checkbox"/> Resident of community where Nissan plant or office is located            |  |
| <input type="checkbox"/> NPO or NGO   | <input type="checkbox"/> Governmental institution <input type="checkbox"/> Media |
| <input type="checkbox"/> Research institution   | <input type="checkbox"/> Educational institution                                 |
| <input type="checkbox"/> CSR or environmental representative from another company or organization |  |
| <input type="checkbox"/> Nissan business partner  | <input type="checkbox"/> Nissan or Nissan Group employee or family member        |
| <input type="checkbox"/> Other ( )  |  |

**Q6**

How did you find out about this Sustainability Report?

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Nissan website         | <input type="checkbox"/> Newspaper or magazine | <input type="checkbox"/> Seminar or lecture         |
| <input type="checkbox"/> Friend or acquaintance | <input type="checkbox"/> Nissan employee       | <input type="checkbox"/> Direct mailing from Nissan |
| <input type="checkbox"/> Other ( )              |  |   |

(Optional) Please provide the following information:

Name	
Address	
Occupation	
Sex: M F	Tel.
Age:	E-mail

Thank you for your cooperation.

Tear on perforated line

#### About the Pivo

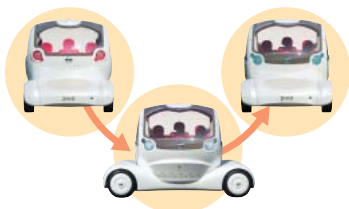
## pivo

The car on the cover of this year's Sustainability Report is the Nissan Pivo. This imaginative concept car, an electric three-seater, is envisioned as a compact city commuter vehicle.

The whimsical, revolutionary Pivo design came about when we gave our designers free rein to turn their dreams into reality.



There's no need to go into reverse when entering or leaving a parking space. Drive the Pivo straight in, and when it's time to leave, rotate the cabin 180 degrees and drive straight back out.



The Pivo met the world at the thirty-ninth Tokyo Motor Show, held in 2005.

#### ●Scope of the Report

The focus of this report is on introducing Nissan's global policies and our approach to and activities toward sustainable development. Where we are describing regional efforts, we refer to the specific region name in the text.

#### ●Period Covered

The report covers fiscal 2005 (April 2005–March 2006); content that describes efforts before or after this time period is indicated in the respective section.

#### ●Third-Party Review

No globally accepted method for third-party reviews of sustainability reports has yet been established. Considering this situation, in which a review would not necessarily lead to the intended assurance of credibility, we have decided not to undertake a third-party review.

#### ●Referenced Reporting Guidelines

This report uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2002 version) and the Environmental Reporting Guidelines (2003 version) of Japan's Ministry of the Environment as a reference. We also report on a number of other actions that are not covered by the guidelines.

This Sustainability Report contains forward-looking statements on Nissan's future plans and targets and related operating investment, product planning and production targets. Please note that there can be no assurance that these targets and plans will actually be achieved. Achieving them will depend on many factors, including not only Nissan's activities and development, but also the dynamics of the automobile industry worldwide, the global economy and changes in the global environment.

●Mistakes and typographical errors discovered after the report is published will be corrected and displayed at the URL below.

<http://www.nissan-global.com/EN/COMPANY/CSR>

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