Sustainability Report 2007

Nissan: Enriching People's Lives
Guided by its corporate vision of 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 is a useful concept in bringing about such an alignment, and it can also help strengthen the trust we enjoy with our various stakeholders.

In fiscal 2005 Nissan formulated a CSR Policy and identified nine key areas of focus. We also created a CSR Steering Committee to manage progress from a companywide perspective. The following year, the committee analyzed the progress we had made and considered future goals in the nine key areas by using a CSR scorecard, which is being publicly disclosed for the first time in this report. By so doing, we hope to enhance the transparency of our efforts and incorporate the feedback we receive from society into our operations so that we may reinforce them. (See page 20.)

Out of consideration for the environment, the Sustainability Report is no longer being published in print form; it can now be downloaded from our website as PDF files. By shifting the focus of our CSR disclosure initiatives to the Internet, we hope to augment the information that is contained in our annual Sustainability Reports and better meet a broad range of needs.

CORPORATE PROFILE

铵 Date of Establishment
December 26, 1933
铵 Consolidated Net Sales (Fiscal 2006)
¥10,468.6 trillion
铵 Number of Employees (As of March 31, 2007)
186,336
(all consolidated companies)

铵 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.

铵 Vision
Nissan: Enriching People's Lives
铵 Mission
Nissan provides unique and innovative automotive products and services that deliver superior measurable values to all stakeholders※ in alliance with Renault.

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

铵 Our Related Websites and Corporate Reports
铵 Websites
铵 Corporate Information
http://www.nissan-global.com/EN/COMPANY/
铵 Environmental Activities
http://www.nissan-global.com/EN/ENVIRONMENT/
铵 IR Information
http://www.nissan-global.com/EN/IR/
铵 Product Information (by Country)
http://www.nissan-global.com/EN/GLOBAL/
铵 Product Information (Japan)
http://www.nissan.co.jp/
铵 Citizenship Activities
http://www.nissan-global.com/EN/CITIZENSHIP/
铵 Quality Initiatives
http://www.nissan-global.com/EN/QUALITY/
铵 Safety Activities
http://www.nissan-global.com/EN/SAFETY/
铵 Latest Technologies
http://www.nissan-global.com/EN/TECHNOLOGY/
铵 Design Activities
http://www.nissan-global.com/EN/DESIGN/
铵 Report
铵 Annual Report
http://www.nissan-global.com/EN/IR/LIBRARY/AR/
铵 Profile
http://www.nissan-global.com/EN/IR/LIBRARY/PROFILE/
At Nissan, what does “sustainability” mean to us?

This topical term has a broad significance for Nissan. First and foremost, sustainability means ensuring that all of our activities have a positive impact on all our stakeholders. This requires us to achieve a balance in everything we do—balance between short- and long-term concerns; between the needs of our customers and our company; between work and private life for our employees; between the environment and humanity’s need for mobility.

In other words, we ensure the sustainability of our business by actively contributing to the sustainable balance of individuals, societies and the natural environment.

In a business with some 200,000 employees and millions of products in use every day, finding and maintaining this sustainable balance is a continual and complex challenge. But one factor is absolutely essential: we need to recognize and understand the reality in every situation. Negligence, injustice and inequity should stick out like weeds in a garden—so they can be pulled up by the roots before they impede healthy growth. And that is the purpose of this report.

This is not an exercise designed to project a halo over everything we do. It is the annual milestone in a process of transparent measurement that becomes more rigorous each year. In this intensely competitive industry, survival depends on continually measuring and improving performance in all aspects of our business. So whether we are measuring the efficiency of our manufacturing or our sustainability, there is no room anywhere in our processes for fairy tales.

This year we add another level of rigor to the process behind this report. In our corporate social responsibility scorecard you will find a detailed and transparent measure of Nissan’s progress in nine key areas of CSR: Integrity, Economic Contribution, Brand, Quality, Environment, Employees, Safety, Value Chain and Philanthropy.

By making transparent Nissan’s status in all these areas we offer a factual basis for dialogue on sustainability with all our stakeholders—customers, shareholders, employees and society. Through such dialogue we can measure our performance versus stakeholder expectations and thereby learn how to improve.

Transparency is, in fact, the key to sustainability in all its aspects.

On the level of corporate governance, transparency ensures solid foundations. Investors—the company’s owners—should be able to see clearly that management is sustainably protecting and increasing the value of their assets.

The same transparency should extend through every aspect of the company’s operations. In fact, transparency is now essential far beyond Nissan’s own operations down into the supply chain. Today, we are expected to ensure that even the suppliers of our suppliers’ suppliers
maintain the highest standards of corporate governance and ethical behavior. It is in response to these growing stakeholder expectations that the process behind this report becomes more sophisticated each year.

In terms of sustainability, though, what society expects most from an automaker today is clear. Around the world there is rising concern over the sustainability of our automotive culture. At Nissan, we welcome this wholeheartedly because concern and consensus for action among billions of people around the world is the ultimate motive power of environmental progress.

Our global automotive culture is very democratic. No matter what country you live in, your choice in buying a new car amounts to a significant vote. And the votes add up quickly. Today, automakers feel and react to even the slightest change in consumer preferences.

Consumer demand drives us. But until recently environmental performance has been well down the list of factors behind consumers' actual demand. If from now on concern for the environment makes greenness the critical factor in buying a car, then progress will come very quickly.

At Nissan, a company built on technological innovation, we welcome the “greening” of consumer demand with enthusiasm. We much prefer to compete on innovation than so-called incentives.

If consumers keep up the pressure by consistently rewarding real environmental performance, they will ignite a race that engages all the effort, passion and massive resources that were devoted to the “space race” of the 1960s. And we are now ready for the race.

The key to sustainability is profit—because without profit you cannot fund the huge R&D effort required. Eight years ago, when Nissan’s financial condition was perilous, we did not have that key. Now we do.

Since 1999, annual R&D expenditures have doubled to nearly ¥500 billion in fiscal 2007. We are also able to combine our R&D efforts with our Alliance partner, Renault.

Spending is only one measure, though. We have increased the efficiency of our R&D efforts significantly. And we have made CO₂ measurement and reduction required goals in all our operations.

With these resources now in place, in December 2006 we launched an ambitious plan—Nissan Green Program 2010—that aims to make Nissan one of the leaders in real environmental progress.

Our Green Program pursues all promising avenues of environmental progress because, at this point, no single technology offers a comprehensive near-term solution. More importantly, we believe it is not engineers who will decide which solution prevails. Just as consumers will drive progress forward, so their choices will steer it.

Already, we can see each continent moving in a different direction. Japanese are moving decisively to smaller cars. Brazilians enthusiastically embrace ethanol. Europeans prefer advanced diesels that offer tangible, affordable near-term progress. In the United States, hybrids have captured media attention and a growing market niche.
Competition to develop next-generation technologies will bring dramatic change—but it is going to take time. So we should also focus on near-term opportunities. For example, we can make huge strides quickly by taking older vehicles off the road in developed markets, and by ensuring in emerging markets that new vehicles deliver high environmental performance. In both cases, the key is to ensure that green progress delivers affordable value.

Within Nissan, throughout our operations—as you can read in this report—we are discovering that sustainability makes good business sense: by doing more with the same or fewer resources we eliminate waste and create value. In this way, environmental progress will make a significant contribution to our long-term growth.

In the same spirit, we hope this Sustainability Report can serve as a measure of our progress and a basis for dialogue with our stakeholders—a dialogue from which we can learn new ways to become even more sustainable.

Creating sustainable value in every aspect of our business is the goal. We look forward to hearing from you how we can do better.

Carlos Ghosn
President and Chief Executive Officer
Nissan Motor Co., Ltd.
Balancing Corporate Management and CSR

Peter D. Pedersen: When companies pursue sustainability, I believe they face many dilemmas. CSR activities—particularly those involving environmental issues—sometimes run counter to the expansion and sales goals of a company, pulling it in the opposite direction. How does Nissan tackle the potential conflict between CSR activities and the practical problems facing the company?

Toshiyuki Shiga: A “dilemma” is really a matter of viewpoint, I believe. Nissan is constantly striving to sustain profitable growth, which requires long-term contributions to society and the environment. In the short term, with the situation in any particular year, there may be a fluctuation in the emphasis placed on certain activities, but we don’t perceive this as a dilemma.

Pedersen: So you’re saying that CSR and corporate management are on the same vector.

Shiga: That’s right. A company cannot sustain growth by chasing after short-term profits without a long-term vision. Everything is guided by the long-term vision and business plan, which underpin the activities being undertaken today. Nissan’s vision is Enriching People’s Lives. From that vision we derive our long-term strategy, our three-year management plan and the budget for a particular year. And our CSR activities emerge naturally as part of this process.
Pedersen: But companies have their financial stakeholders, the shareholders. If the pace of expansion slows or too much effort is being put into the environment and contributions to society, won't there be complaints?

Shiga: Not all shareholders are preoccupied with short-term gains. There are many long-standing Nissan shareholders, so we have to have a long-term view. Our stakeholders also include our customers and employees. There are also the local communities where Nissan operates. We have to consider all of these groups when thinking about our CSR activities, and in the end, I think it is a balancing act.

Pedersen: Last year there were several corporate scandals involving quality and governance. In addition, issues like climate change, poverty and income disparities in the wake of globalization are also getting a lot of attention recently. Looking back at 2006, what were the issues facing Nissan?

Shiga: To give just one example, compliance is a big issue. First, Nissan has to comply with a variety of laws, and we are proactive in areas like contributing to society and addressing environmental issues. At the same time, we must also encourage our suppliers, dealers and other business partners to make sufficient progress on CSR activities. We must select our partners based on whether they carry out their business activities with integrity and sincerely and actively address environmental and labor issues.

Pedersen: When a problem occurs at a supplier, it has consequences for the brand itself. This is increasing the necessity for an approach to supply-chain management that takes into consideration such social issues as the environment and labor practices. How does Nissan approach the supply chain?

Shiga: As part of the process of selecting suppliers, we check to see if they are complying with laws and regulations. Even after the initial selection process, I believe it is important to continue to impress on them the importance of compliance. We only select those suppliers that have high standards of conduct and that reliably adhere to them. In procurement, in particular, where all purchasing is done through the Renault-Nissan Purchasing Organization, we will be reinforcing these activities in the future.

Pedersen: Production systems and sales networks are progressing toward total globalization. Production sites are located not only in Japan but also in places like South Africa, Spain, Mexico and England. Since social values vary widely, is Nissan taking any special action, particularly in the area of CSR?
Shiga: We have over 180,000 employees worldwide, and if you include our business partners, the network is even larger. It's important to ensure that a common concept of CSR permeates the entire organization. We'll continue to take every opportunity to communicate the importance of CSR globally. By doing so, we believe that all our employees and business partners can maintain a high awareness over a long period of time.

However, having a unified global policy does not mean simply having a codified set of rules. For example, in the unlikely event that a factory inadvertently dumps untreated oil into the sewage system or into a river, it will have a large impact on the surrounding environment. It's not enough to simply have rules on what you shouldn't do; it's also important to be aware of the ramifications of not following those rules. Turning off the lights when they aren't needed is not simply about lowering costs. It also shows a concern for environmental issues. We want our employees to operate with that awareness, and that's what we are aiming for.

Pedersen: So, you could say that Nissan is rolling out its CSR as a Nissan global standard.

Shiga: Yes. It's not about obeying the law but rather about doing what's right as a company. This is part of our role as a global company. For example, if we build a factory in a developing country, and our target levels for waste processing and recycling are stricter than those required by the laws of that country, the country's own level of environmental protection will rise. If Nissan uses the target values of Japan and other industrialized countries as its global standard, that is one way we can implement CSR through our everyday business activities in every place we operate.

Pedersen: In 2006 your midterm environmental action plan for 2010 was introduced as Nissan Green Program 2010, or NGP2010. Can you talk about the significance of this program and what is to come?

Shiga: Nissan has long been an active player in tackling environmental issues. We wanted all stakeholders to understand Nissan's companywide efforts to improve the environment, efforts involving management on down to products and technology. That's why we developed the corporate stance that we termed Sincere Eco-Innovator, with the ultimate goal of reducing the environmental impact caused by our corporate activities and the manufacture and usage of Nissan vehicles to within the Earth's natural ability to absorb that impact. In addition, we wanted to indicate how each step in the value chain should contribute to this goal, from products and technology to factories and dealers. That's the objective of NGP2010.

Pedersen: I'd say that your Sincere Eco-Innovator stance and NGP2010 action plan are significant elements in your global environmental strategy.
Shiga: Today's environmental issues cannot be addressed with just a single technology. Nissan has set the goal of reducing the CO₂ emissions in new cars in 2050 to 70% of their 2000 levels. To do this, we must see what can be done now, what can be done in the medium term and what can be done in the long term, and attack the issue from many angles. For example, the CO₂ emissions of gasoline engines could conceptually be reduced by about 30%. However, that alone will not reduce the total volume of CO₂ emissions. To bring emissions down by 70%, after developing electric vehicles like hybrid and fuel-cell vehicles, we will have to develop renewable-fuel vehicles. Having a roadmap that shows the way is important. We want to use NGP2010 as that roadmap to explain to our stakeholders Nissan's view on environmental technology.

Pedersen: Today there is fierce competition in the area of automotive environmental technology, and Nissan often talks about pursuing the “four rights”: providing the right technology to the right market at the right time with the right value to the customer. This is very logical, but depending on how you look at it, it seems to lack proactiveness.

Shiga: The “four rights” are based on the idea that we must always think about value from the customer’s viewpoint. No matter how wonderful the technology, if you don’t introduce the product to the market at the right time, or if you introduce it to the wrong market, the cost becomes too high and the product doesn't gain a foothold. If the product is not widely used, it obviously isn't going to be very effective in reducing the burden on the environment. That is why the four rights were introduced, to emphasize the importance of always keeping the customer in mind.

Pedersen: In the last year you introduced hybrid vehicles, first in the U.S. market. This means that the hybrid satisfies the four rights.

Shiga: That's right. If the customer sees the value in the hybrid vehicle, we'll be able to expand into many markets. I think we need to attract customers with our superior environmental qualities, have them recognize the value for the money. As a result, we will see the popularity of our products grow.

Pedersen: As you said, if the customer does not recognize the value, then the whole activity is pointless. And that ties directly in with communication or marketing. In the past, Nissan has highlighted the company's revival, and the environmental and social contribution activities of the company weren't as noticeable. A company doesn't become great with high-performing products alone, so I think that a brand starts to become really great when excellent performance is
combined with strong social contributions. What do you think about the importance of communication and marketing in this process?

**Shiga:** That's an area that I want to put a lot of effort into. In fact, we have been a little modest and haven't been doing as much as we could in some areas. Admittedly, we have been overemphasizing the attractiveness of our products and underemphasizing the efforts the company has been making as a whole, including efforts to reinforce the Nissan brand and to protect the environment. To build sufficient confidence in the Nissan brand, we definitely need to start increasing our communication on those points.

**Pedersen:** Talking about Nissan's contributions to society and the efforts on the environment is important to making Nissan an attractive choice for consumers.

**Shiga:** I agree. CSR and environmental activities will become the fifth point of competition, after price, market share, quality and mass customization. Even if a company is competitive in the market, if its contributions to environmental sustainability and society are weak, neither customers nor shareholders will be satisfied. Promoting the strength and high level of our efforts on sustainability is very important.

**Pedersen:** I would like to see Nissan continue to be a sincere company whose actions match its words. On top of that, I hope that Nissan will take one more step forward, overcome the modesty you mentioned and actively communicate with customers and society.

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

For Nissan to become a truly “great company,” it is not enough to achieve numerical targets, such as for scale of operations, sales and return on invested capital. It needs to win the broad and continued support of society and customers through CSR activities and environmental strategies. Now is the time for the company to establish a firm place for itself in society, chart a long-term vision and take action to turn that vision into reality through its activities and products.

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.
Nissan's Approach to CSR

# Seeking Balance in Our Business Activities

## Nissan’s Approach to CSR

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Guided by the vision of Enriching People’s Lives, Nissan seeks to create value through its provision of products and services. Through our corporate activities all around the world, we also aim to contribute to the development of societies where we do business. Toward these twin goals we carry out management that combines our pursuit of sustainable profitability with our efforts to bring sustainable development to society. Making CSR principles part of our management approach is an effective way to make this alignment a reality. We believe it is also a way to built relationships of trust with our diverse stakeholders.

The definition of corporate social responsibility is a constant subject of discussion all around the globe. Nissan positions the concept of CSR in its activities as follows. CSR is a form of process management, applicable in all areas of business, through which a company seeks to strike appropriate balances in three areas:

1. A balance between short- and long-term perspectives
2. A balance between corporate growth and societal development
3. A balance of value provided by the company to all its stakeholders

We believe that by pursuing these balances, a company can earn the trust of all its stakeholders and achieve sustainable, profitable growth for itself.
As part of Nissan Value-Up, our midterm business plan, we are developing our CSR strategy according to a carefully planned roadmap:

- Fiscal 2005: Defining CSR for Nissan
- Fiscal 2006: Establishing CSR as management practice
- Fiscal 2007: Delivering our CSR strategy

**Fiscal 2005: Defining Nissan’s CSR**

In the first year of Nissan Value-Up we launched the CSR development process by crafting our CSR Policy and defining nine key areas for CSR-related efforts. In this year we also established the CSR Steering Committee to monitor our progress in each of these nine areas.

### The Nissan CSR Policy

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

The Nissan CSR Policy contributes to the creation of value for all our stakeholders in line with our Vision, Mission and Nissan Way.

### Nine Key Areas

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<th>Safety</th>
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<tr>
<td>Employees aim for fairness and honesty, adhering to Nissan’s Global Code of Conduct and acting ethically in all business situations</td>
<td>Nissan creates products and services recognized as being of world-class quality</td>
<td>Nissan develops innovative technology and plays an active role in safety promotion, making the automobile society safer for all</td>
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<td>Nissan aims for sustainable, profitable growth, contributing to economic development for all of society</td>
<td>Nissan seeks to reduce the environmental burden over the life cycle of a vehicle and to contribute to the creation of a sustainable mobility society</td>
<td>Nissan promotes ethical, environmentally sound actions in all stages of the supply chain</td>
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<td>Nissan works to create a trusted brand known for its attention to people, the environment and the communities where we do business</td>
<td>Nissan aims to be an attractive organization where diverse human resources can achieve personal growth</td>
<td>Nissan contributes to the prosperity of people and communities through partnerships with NGOs</td>
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(For information on Nissan’s Vision and Mission, see p. 1; for the Nissan Way, see p. 29.)
Our first task in defining the Nissan CSR Policy and identifying the nine key areas was to gather feedback from both within and outside the company. We gathered internal feedback from directors and section leaders. Twelve company directors underwent self-evaluation interviews to gauge their views of Nissan’s strengths and weaknesses from a CSR perspective. To ascertain the views of midlevel management on the company’s strong and weak points from this same angle, some 50 section leaders came together from throughout the global organization to take part in a CSR workshop. (See page 14 for information on the interviews and workshop.)

For external feedback, Nissan looked to rating agencies from different regions of the world, media evaluations and benchmarks compiled by other companies. Based on compilation and analysis of all this internal and external data we then established the CSR Policy and our nine key areas, as well as setting up the CSR Steering Committee to oversee progress in these key areas. All of these moves were approved at the Executive Committee meeting held in March 2006.
Interviews to Gauge Views on CSR
Nissan tested "CSR Innovation," a self-evaluation program developed by the Caux Round Table,* with 12 directors in the fall of 2005. 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 this evaluation, the following strengths and challenges were identified.

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

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

 CSR Workshop for Managers
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 section 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

Fiscal 2006: Building CSR Strategy into Nissan
Nissan positioned fiscal 2006 as a year to systematize its CSR strategy, which had been expressed the previous year in the Nissan CSR Policy and the nine key areas.

In April 2006 we fixed the organization of the CSR Steering Committee, composed of some 20 leaders of the sections involved with the nine key areas. In May the committee held its official meeting for the first half of the fiscal year, discussing risks and opportunities for each of the nine key areas from a CSR perspective. The committee remains active today, making use of the CSR scorecard as a tool for managing actions and goals (see page 15).

In June we issued our 2006 Sustainability Report to coincide with the annual shareholders meeting. This was the second straight year that we made the publication available at the meeting, where we also set up a panel display on our CSR activities and hosted an informal post-meeting reception giving shareholders a chance to speak with CEO Carlos Ghosn and the other company directors.

In July Nissan sponsored the 2006 SRI Fund Management Conference, held in Tokyo. This event gives CSR officers from many firms the chance to give presentations on CSR issues, exchange opinions with a CSR rating agency and explore trends in SRI, or socially responsible investment.
An August special program, broadcast by one of the key broadcasters in Tokyo, focused on SRI trends and Nissan's approach to CSR. The show, along with a number of articles appearing in newspapers and magazines around this time, proved to be an effective tool sparking dialogue with external stakeholders.

October 2006 saw Nissan invite three CSR experts from outside the company to speak with our CSR Steering Committee. Discussion at this meeting focused on CSR management in the supply chain, in particular management relating to human rights.

In the same month we hosted an Environmental Stakeholder Dialogue with the participation of environment specialists from around the globe. COO Toshiyuki Shiga, who chairs Nissan's Global Environmental Management Committee, was one of many Nissan officers taking part in this gathering. The feedback we received through these events was put to work right away, as we reflected it in Nissan Green Program 2010, our midterm environmental action plan announced in December 2006.

In November 2006 Nissan was proud to be selected as one of 50 leading firms in the area of sustainability reporting according to the 2006 Global Reporters report. This is published every two years by SustainAbility, an organization specializing in analysis of corporations’ nonfinancial performance, in association with leading rating agency Standard & Poor's and the United Nations Environment Program.

The fiscal year's second CSR Steering Committee meeting took place in February 2007. Here the members confirmed and approved the items to appear on Nissan's CSR scorecard for fiscal 2007. Also invited to this meeting was a representative of Innovest, another leading CSR rating organ, helping to make the gathering a scene of fruitful discussion on our activities.

**Fiscal 2007: Sharing Our Goals with Society**

Beginning in fiscal 2007, Nissan will publish its CSR scorecard. We are pursuing increased transparency by sharing our goals and our progress toward them in our nine key areas. We also hope to gain valuable feedback on our activities, putting it to work internally to strengthen our CSR functions in all nine areas and improve our ability to contribute to sustainable growth for all of society.

**Nissan’s CSR Scorecard**

Throughout the year our CSR Steering Committee makes use of the CSR scorecard as a fundamental tool for monitoring and reviewing our progress toward the three balances we seek to strike in the area of CSR. As seen in the figure on the following page, the scorecard presents in column A the values and management indices that Nissan relies on in its ongoing business activities, and column C represents the demands that society has of corporations, in each of our nine key areas. In column B, we formulate business guidelines based on the actions that Nissan must take in the mid- to long term in order to...
Our CSR Development Process

Nissan's Approach to CSR

Balance between Nissan's growth and development for society

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<td>Values and management indices guiding Nissan's business activities</td>
<td>Management guidelines for actions to take in the mid- to long term</td>
<td>Society's demands of corporations</td>
</tr>
</tbody>
</table>

strike a balance between the values in the outer two columns. In this way the scorecard's horizontal axis represents the balances we pursue between growth for our company and healthy development for society, and the vertical axis the balances we hope to strike among the various stakeholders to whom we provide value. Still another balance is the one we pursue between the short- and long-term perspectives we take throughout this entire process. On pages 20 to 23 in this report we present detailed information on the CSR scorecard, focusing on the content of column A.

Nissan's CSR Scorecard

As chairman of Nissan's CSR Steering Committee, it is my responsibility to create and execute our CSR strategy. This year marks an important step forward with the publication of our CSR scorecard for the first time. This will allow any of our stakeholders to measure and challenge our progress in the nine areas of focus that Nissan has chosen for its CSR strategy. We will report on our successes—and failures—one year from now when we publish the 2008 report.

We know that society expects a lot from a company the size of Nissan. We recognize that our actions have far-reaching impacts on millions of people across the world. And we know that, more than ever, stakeholders are holding big organizations accountable for the environmental challenges that face our world today—and their solutions. For Nissan, our challenge is to build trust through transparency.

At Nissan, we are still far from best in class in our CSR programs and results. But by making CSR the responsibility of a corporate officer, giving it visibility to the CEO and now, making public our activities, I believe we are moving in the right direction.

We also see CSR differently from many other organizations. For Nissan, it is not a communications program designed to make us look good, or just a way of donating to charitable causes. CSR is about making our business sustainable for the long term. It is about running our business in such a way that there is no more "win-lose" dynamic with our stakeholders. It is about trust.

In 2004, when we published our first Sustainability Report, it was a public record of our CSR-related activities. Now, just three years later, this report is still a record of our activities, but it is also a forward-looking statement that has significance and relevance to our core business. We also hope it is a report that leads to active dialogue and a trusting relationship with you, our stakeholders.

I hope you find this year's report interesting, stimulating and relevant.
The CSR Steering Committee, launched in fiscal 2006, uses our CSR scorecard as a tool to manage, confirm and review our progress in each of nine key areas we have defined for CSR activities. Below are messages from our “owners” of activities in each of these areas, touching on our progress in fiscal 2006 and challenges for fiscal 2007.

As a first step in preventing noncompliance, we have actively pursued such measures as strengthening the global compliance system and establishing compliance standards covering the whole Nissan Group. The next step is to instill these standards thoroughly in every employee. We also aim to prevent noncompliance before it occurs by establishing a system to ensure that noncompliance incidents are reported without delay and by bolstering the system for taking speedy, appropriate action to deal with such reports.

We are working in a number of areas within the company with a focus on sustainable, profitable growth. If we do not increase profits, we cannot invest in attractive products and advanced technology, or in growing markets and segments; we cannot improve the services we offer our customers, we cannot pay dividends to our shareholders and we cannot contribute to society. We have achieved consistent increases in profitability since implementing the Nissan Revival Plan, and under Nissan Value-Up our goals are top-level operating profits and a high earning rate on invested capital. We intend to maintain our sustainability through the cycle of aiming for higher profits and making full use of all the returns these profits can bring.
In fiscal 2006 Nissan reconfirmed its plan to enhance the presence of the Nissan and Infiniti brands in society by clarifying the respective identities and concrete values they represent to customers. This requires all Nissan employees around the world to share an enthusiasm for achieving these goals and an acceleration of brand-promoting initiatives.

By offering vehicles and services that meet and exceed the high expectations people have of Nissan, I am convinced that we can increase the numbers of both Nissan and Infiniti fans. While highlighting the distinctiveness of the two brands, we hope to implement a strategy aimed at enhancing their “trustworthiness” from medium- and long-term perspectives.

Masaaki Kurasumi
Brand Management Office
Deputy General Manager

In its dealings with customers, Nissan pledges to provide them with products they can trust, services that put them at ease and an attitude of unfailing sincerity. To uphold these promises we have adopted the Nissan Product Quality Policy. In fiscal 2006 we established four Field Quality Centers around the globe, which will conduct research and analysis of parts that have been recalled from the market. In fiscal 2007 we expect dramatic improvements in the quality of our products on the market and significant reductions in warranty work. We are also promoting a high level of transparency, approaching recalls and service campaigns as things to do not merely for legal reasons but out of the primary concern for the safety of our customers.

Takashi Terada
Total Customer Satisfaction Function
General Manager

In 2006 Nissan released its midterm environmental action plan, Nissan Green Program 2010. Based on this plan, we are actively promoting environmental measures in order to develop a sustainable mobility society. Improving environmental performance contributes to Nissan’s long-term growth; it also serves to enhance our business value. At Nissan, we therefore intend to make truly effective environmental technology available as quickly and widely as possible, while also providing optimum value for our customers.

Masanori Ueda
Global Environmental Planning Office
Corporate Planning Department
Deputy General Manager

Diversity is one of Nissan’s strengths, and we keep this in mind as we aim to deliver ever-greater value to our diverse stakeholders. Noting that women are involved in more than 60% of vehicle purchases, we established a global indicator to track the proportion of managerial positions held by women in Nissan. Monitoring this data will accelerate our promotion of workplace diversity. Maintaining employee diversity is essential as Nissan continues to develop its business globally. We plan to intensify our diversity efforts as we strive to better respond to the expectations of customers.

Yukiko Yoshimaru
Diversity Development Office
General Manager

Nissan approaches employee relations from the perspectives of human-resource development and worker safety as well as diversity. To learn more, see page 22.
Nissan is working across a broad spectrum to improve the safety of vehicles, people and society. 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. The ITS project, which utilizes Intelligent Transport System technologies, was launched in fiscal 2006, and we have commenced experiments aimed at reducing the number of intersection collisions by using road-to-vehicle communication. Under the "Safety Shield" concept, various systems in and around the vehicle help the driver and passengers to avoid dangers. We are also promoting traffic safety through educational activities in conjunction with technology. Through these comprehensive activities, we aim to achieve a safer "automobile society."

The purchasing divisions of Nissan and Renault have compiled the values and processes they stress when doing business with suppliers into a booklet titled The Renault-Nissan Purchasing Way. The booklet calls on suppliers to set out basic policies and specific measures for adhering to the values of Nissan and Renault, which include forbidding the use of child and/or forced labor and complying with environmental laws and regulations—areas of particular concern to both companies. In our determination to ensure implementation of these policies and measures and drive home the importance of risk prevention in CSR, we intend to incorporate CSR policies and systems into the criteria used in the supplier-selection process and to pursue CSR management in unison with our suppliers.

At Nissan we conduct corporate citizenship activities according to our vision of Enriching People’s Lives, which centers on three areas—support for education, consideration for the environment and humanitarian assistance. In fiscal 2006 we established our Corporate Citizenship Steering Committee with the goal of achieving global consistency in our approach and sharing best practices among regions. This committee is undertaking discussions aimed at developing sustained contributions to society that embody Nissan's originality in fiscal 2007 and beyond.
Nissan’s CSR Steering Committee, launched in fiscal 2006, uses the CSR scorecard as a tool to track the progress of and review activities related to the company’s nine key areas of focus. The table below shows some of the values behind Nissan’s present activities in these areas and the indices used in the scorecard to gauge our performance.

<table>
<thead>
<tr>
<th>Nine Key Areas</th>
<th>Major Activity or Value Scope of Application</th>
<th>Indicators of Progress</th>
<th>FY2004</th>
<th>FY2005</th>
<th>FY2006</th>
<th>FY2007 (Target)</th>
<th>Long-Term Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity</td>
<td>Employees aim for fairness and honesty, adhering to Nissan’s Global Code of Conduct and acting ethically in all business situations. Establishment of a system in which conduct violations are duly reported Consolidated companies</td>
<td>Establishment of compliance-promoting organizations and development of codes of conduct in regions around the world</td>
<td>81.6% complete</td>
<td>86.0% complete</td>
<td>97.8% complete</td>
<td>Aim for 100% completion</td>
<td>A fully functioning framework for the prevention of conduct violations</td>
</tr>
<tr>
<td>Economic Contribution</td>
<td>Nissan aims for sustainable, profitable growth, contributing to economic development for all of society. Creation of value for stakeholders and contribution to society through implementation of Nissan Value-Up Consolidated companies</td>
<td>Operating profit to sales ratio Dividend</td>
<td>10.0% (Top level among leading automakers)</td>
<td>9.2% (Top level among leading automakers)</td>
<td>7.4% (Top level among leading automakers)</td>
<td>Maintain top-level operating profit margins among the world’s leading automakers</td>
<td>Achieve growth with sustained profits; continue providing long-term value to customers, shareholders, employees, business partners, regional communities and other stakeholders</td>
</tr>
<tr>
<td>Brand</td>
<td>Nissan works to create a trusted brand known for its attention to people, the environment and the communities where we do business. Raising the value of the Nissan brand among stakeholders Customers worldwide (indicators at right apply to conditions in Japan)</td>
<td>CSR index in Nikkei Corporate Image Survey of individuals (used for reference purposes as part of in-house brand management index) Score for reliability* Score for adaptability to social change*</td>
<td>35.5 (25th among approx. 1,000 companies)</td>
<td>33.7 (31st among approx. 1,000 companies)</td>
<td>36.1 (29th among approx. 1,000 companies)</td>
<td>Aim for a higher score by enhancing reliability</td>
<td>Aim for sustained and stable improvements of scores by positioning the index as a measure of how well our corporate activities reflect the values society is seeking</td>
</tr>
<tr>
<td>Quality</td>
<td>Nissan creates products and services recognized as being of world-class quality. Providing products that customers are comfortable using because quality is as expected Consolidated companies (indicators at right apply to conditions in U.S.)</td>
<td>Results of survey by third-party firm on vehicle quality at the time of new-car purchase</td>
<td>Nissan: 16th Infini: 9th</td>
<td>Nissan: 12th Infiniti: 7th (Content of the survey was changed in 2005)</td>
<td>Nissan: 19th Infiniti: 9th</td>
<td>Aim for improved rankings</td>
<td>Remain within the top 3 for Nissan-brand vehicles and top 2 for Infiniti-brand vehicles</td>
</tr>
</tbody>
</table>
# Nissan’s Approach to CSR

## Nissan CSR Scorecard

### Nine Key Areas

<table>
<thead>
<tr>
<th>Environment: Nissan seeks to reduce the environmental burden over the life cycle of a vehicle and to contribute to the creation of a sustainable mobility society.</th>
<th>Implementation and promotion of Nissan Green Program 2010 (NGP2010)</th>
<th>Global operations</th>
<th>Indicators of Progress</th>
<th>FY2006</th>
<th>FY2007 (Target)</th>
<th>2010 goals (NGP2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reduction of CO2 emissions</strong></td>
<td>Products, technologies</td>
<td>• Marketing of 6 compact models with cleaner emissions, better fuel efficiency for reduced CO2</td>
<td></td>
<td></td>
<td></td>
<td>• Steadily attain each country’s fuel efficiency standards and further fuel economy progress</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Introduction of hybrid Altima in North America</td>
<td></td>
<td></td>
<td></td>
<td>• Market vehicles with Nissan’s proprietary hybrid technologies in North America and Japan by fiscal 2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Introduction of VVEL that dramatically improves both environmental and driving performance on a global basis</td>
<td></td>
<td></td>
<td></td>
<td>• Market fuel-cell vehicles with improved proprietary fuel-cell stacks in North America and Japan by the early 2010s</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Start of Carwings car-navigation service in Japan to promote eco-driving</td>
<td></td>
<td></td>
<td></td>
<td>• Market vehicles that can travel approx. 100 km on 3 liters of gasoline (3-liter cars) in 2010</td>
</tr>
<tr>
<td>Production, logistics</td>
<td>Production: Global per vehicle CO2 emissions down 4% from FY2005 Logistics: Measurement of CO2 emission levels in Japan, start of measurement on a global basis</td>
<td></td>
<td></td>
<td></td>
<td>Production: Reduce CO2 emissions from factories worldwide by 7% from 2005 levels by fiscal 2010 (global per vehicle CO2 emissions) Logistics: Begin measurement of emission levels in fiscal 2006 and launch emission management in fiscal 2007</td>
<td></td>
</tr>
<tr>
<td>Dealers, offices</td>
<td>Start of measurement of CO2 emissions at nonfactory facilities</td>
<td></td>
<td></td>
<td>Steadily implement NGP2010 (as detailed at right) and achieve targets</td>
<td>Begin measurement of emission levels by fiscal 2007 and launch emission management in fiscal 2008</td>
<td></td>
</tr>
<tr>
<td>Achievement of clean emissions (to preserve air, water and soil quality)</td>
<td>Products, technologies</td>
<td>Expansion of SU-LEV ratio in overall sales: 84.4% of gas-powered passenger vehicles sold in Japan were SU-LEVs as of the end of March 2007</td>
<td></td>
<td></td>
<td></td>
<td>• Introduce vehicles complying with each country’s future emission standards ahead of requirements</td>
</tr>
<tr>
<td>Production</td>
<td>VOC emissions in Japan down 9.7% from FY2005 (bodies and bumpers)</td>
<td></td>
<td></td>
<td></td>
<td>Global: Achieve VOC reductions exceeding each country’s standards Japan: Achieve 10% reduction in volume of VOC emissions (from fiscal 2005 levels)</td>
<td></td>
</tr>
<tr>
<td>Recycling of resources (promotion of the 3Rs)</td>
<td>Production</td>
<td>Out of Nissan (5 plants, 1 office) and 5 group production companies in Japan, 100% factory recycling rates achieved at Nissan (4 plants, 1 office) and 2 group companies</td>
<td></td>
<td></td>
<td>Global: Achieve top factory recycling rates in each country Japan: Achieve 100% recycling rate (at Nissan and affiliate factories, according to Nissan calculations)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promotion of recovery in the market and among dealers</td>
<td>Recovery rate in Japan was 95.2% for FY2006</td>
<td></td>
<td></td>
<td>Global: Aim for 95% recovery rate for ELVs in 4 major markets Japan: Achieve 95% recovery rate for ELVs in fiscal 2010 (5 years ahead of legal requirement)</td>
<td></td>
</tr>
<tr>
<td>Joint efforts with management and society</td>
<td>• Development of e-learning program for in-house environmental education • Implementation of environmental education at a Yokohama elementary school • Start of tests for ITS project to reduce traffic accidents and alleviate congested roads using ITS</td>
<td></td>
<td></td>
<td></td>
<td>• Strengthen environmental management at business partners • Strengthen environmental management in all facets of operations • Enhance environmental awareness among employees • Promote comprehensive measures in conjunction with other sectors • Disclose environment-related information and enhance communication with stakeholders</td>
<td></td>
</tr>
</tbody>
</table>
### Nissan CSR Scorecard

#### Nissan’s Approach to CSR

#### Nissan CSR Scorecard (3)

<table>
<thead>
<tr>
<th>Nine Key Areas</th>
<th>Major Activity or Value</th>
<th>Scope of Application</th>
<th>Indicators of Progress</th>
<th>FY2004</th>
<th>FY2005</th>
<th>FY2006</th>
<th>FY2007 (Target)</th>
<th>Long-Term Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Build a learning-oriented corporate culture</td>
<td>Nissan Motor Co., Ltd.</td>
<td>Trainee satisfaction: Based on surveys of employees undergoing annual training courses. Scores (on a scale of 1 to 5) are the lowest of the averages for each course</td>
<td>4.0 or higher</td>
<td>4.0 or higher</td>
<td>4.0 or higher</td>
<td>Implement training programs that raise the skills of individual employees; maintain and enhance trainee satisfaction</td>
<td>Create a learning-oriented corporate culture and a setup allowing each employee to achieve personal growth</td>
</tr>
<tr>
<td>Support for self-initiated career development</td>
<td>Nissan Motor Co., Ltd.</td>
<td>Number of successful applicants under Open Entry (employees can apply for advertised position openings) and Shift Career (employees can apply to the department or occupation of their choice, regardless of availability) Systems</td>
<td>74 (Open Entry System)</td>
<td>96 (Open Entry and Shift Career Systems)</td>
<td>111 (Open Entry and Shift Career Systems)</td>
<td>Carry out further promotion of optimum human-resource placement through the Open Entry and Shift Career Systems</td>
<td>Provide support for career development that emphasizes employee self-initiative</td>
<td></td>
</tr>
<tr>
<td>Creating safe and worry-free workplaces</td>
<td>Nissan Motor Co., Ltd.</td>
<td>Frequency of labor accidents (injuries or deaths per 1 million worker-hours)</td>
<td>0.18</td>
<td>0.26</td>
<td>0.24</td>
<td>0.27</td>
<td>Build and maintain safe, worry-free workplaces</td>
<td></td>
</tr>
<tr>
<td>Promotion of diversity through active utilization of women’s abilities</td>
<td>Global</td>
<td>Share of women in middle-management and management positions</td>
<td>Japan (Nissan Motor): 2% Americas/Europe: calculated from FY2005 Other global markets: calculated from FY2006</td>
<td>Japan (Nissan Motor): 3% Americas: 15% Europe: 7% Other global markets: calculated from FY2006</td>
<td>Japan (Nissan Motor): 4% Americas: 14% Europe: 10% Other global markets: 15%</td>
<td>Japan (Nissan Motor): 5% Americas: under monitoring Europe: 11% Other global markets: under monitoring</td>
<td>Create a setup offering greater value to a diverse range of customers</td>
<td></td>
</tr>
<tr>
<td>Promotion of diversity through cross-cultural recruitment</td>
<td>Nissan Motor Co., Ltd.</td>
<td>Share of non-Japanese employees</td>
<td>Calculated from FY2006</td>
<td>Calculated from FY2006</td>
<td>1%</td>
<td>Create a setup offering greater value to a diverse range of customers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Nissan CSR Scorecard

#### Nissan’s Approach to CSR

**Nissan CSR Scorecard**

<table>
<thead>
<tr>
<th>Nine Key Areas</th>
<th>Major Activity or Value</th>
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<th>Indicators of Progress</th>
<th>FY2004</th>
<th>FY2005</th>
<th>FY2006</th>
<th>FY2007 (Target)</th>
<th>Long-Term Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Safety</strong></td>
<td>Nissan develops innovative technology and plays an active role in safety promotion, making the automobile society safer for all.</td>
<td>Establishment of quantitative reduction targets for Nissan-related traffic deaths, etc., real-world analysis of accidents to build safer cars and implementation of driver-education programs</td>
<td>Japan and U.S. (figures at right are for Japan only)</td>
<td>Reduction from 1995 levels in Nissan-related traffic deaths and injuries (figures unavailable for 2 years due to the use of official statistics)</td>
<td>27% reduction</td>
<td>34% reduction</td>
<td>To be calculated in or after October 2007</td>
<td>Make efforts to halve deaths and injuries by 2015 through the development of safety-related technologies based on the Nissan Safety Shield approach</td>
</tr>
<tr>
<td><strong>Value Chain</strong></td>
<td>Nissan promotes ethical, environmentally sound actions in all stages of the supply chain.</td>
<td>Ask suppliers to uphold the values, laws and regulations that are respected by Nissan and Renault</td>
<td>All primary suppliers to the Nissan-Renault Purchasing Organization (NRPO; responsible for 75% of total Nissan-Renault procurement by value, fiscal 2006)</td>
<td>Extent to which values and codes of conduct are shared with suppliers</td>
<td>Completed identifying the values and codes of conduct to be shared with suppliers</td>
<td>Published booklet for suppliers containing values and codes of conduct to be shared; launched implementation at all primary suppliers for the NRPO</td>
<td>Introduced a framework basing the selection of suppliers for the NRPO on their commitment to CSR perspectives</td>
<td>Establish evaluation criteria for suppliers' CSR policies and organizations based on supplier commitments; promote integrated CSR management with business partners</td>
</tr>
<tr>
<td><strong>Philanthropy</strong></td>
<td>Nissan contributes to the prosperity of people and communities (e.g., through partnerships with NGOs).</td>
<td>Clarification of Nissan's philanthropy policy, reinforcement of in-house organization and enhancement of philanthropic activities</td>
<td>Global</td>
<td>Clarification of Nissan's philanthropy policy and establishment of an in-house promotion organization</td>
<td>Activities carried out individually in each region</td>
<td>Global philanthropy policy formulated and implemented in activities</td>
<td>Established in-house, cross-functional Corporate Citizenship Steering Committee and enhanced linkage among related groups</td>
<td>Establish Nissan's original philanthropy program focused on education or environment</td>
</tr>
</tbody>
</table>
During fiscal 2006 Nissan created a number of opportunities for dialogue with its stakeholders, putting their opinions to use in its corporate activities.

**Informal reception with shareholders**
Since 2002 the entire Board of Directors has met with shareholders after the annual general meeting. This event has become an eagerly awaited chance for exchanges of views. (See p. 45.)
Pacifico Yokohama, June 27, 2006

**Management-employee meetings**
Nissan forums allow employees to hold direct dialogue with executives. Similar meetings with local workers are part of the itinerary when executives travel overseas as well. (See p. 47.)

**Environmental Communication Meeting**
We invited NPOs and NGOs, dealers, consumer groups and the media to share a variety of views on Nissan’s environmental communication efforts during the past year.
Nissan headquarters, March 19, 2007

**Nissan Suppliers Meeting**
Each year we gather representatives from our suppliers around the world, presenting our Global Supplier Awards at this ceremony. (See p. 56.)
Tokyo, July 13, 2006

**Executive meeting with dealer employees**
CEO Carlos Ghosn and COO Toshiyuki Shiga visit Nissan dealerships and discuss products, services and customer satisfaction with the car-life advisors and technical staff. (See p. 40.)

**Traffic safety forum in China**
Nissan (China) Investment Co. and Nissan worked with CATARC* to host a road traffic safety forum. Some 100 participants came from the government, universities, suppliers and the media.
Beijing, March 30, 2007

*The China Automotive Technology and Research Center
Performance and Corporate Governance

Nissan Sustainability Report 2007

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Aiming for Sustainable and Profitable Growth
Continued Dedication to Delivering on Commitments

Our Midterm Business Plan: Nissan Value-Up Update

Nissan Value-Up, our midterm business plan, features 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.

Fiscal 2006 did not boost results toward achieving the objectives of Nissan Value-Up. However, the commitments are still within the potential of the company and Nissan remains focused on delivering them completely. As such, the company will extend the delivery period of the Nissan Value-Up commitments by one year.

Nevertheless, during 2006 the company made tangible progress toward the four key breakthroughs that are central to Nissan Value-Up.

1. Establish Infiniti as a globally recognized luxury brand.
The Infiniti luxury brand continues to expand globally with its introduction to Russia in 2006, into China and Ukraine in 2007 and across Western Europe during 2008.

2. Build a global presence in light commercial vehicles.
Light commercial vehicle (LCV) sales globally have grown by 57% to 490,000 units compared to the start of Nissan Value-Up. The LCV business now generates a consolidated operating profit margin of over 8%.

3. Develop new supply sources in Leading Competitive Countries for parts, machinery & equipment, vendor tooling and services.
Nissan continues to enhance its overall cost competitiveness: 15% of global sourcing is made in leading competitive countries (LCCs), such as China, ASEAN, Mexico and Eastern Europe, versus 12% last year.
4. **Expand geographic presence in emerging markets.**

Finally, our geographic expansion has been accelerated by additional investments in Brazil and China, a new plant being established in Russia, and a new partnership with Renault and Mahindra to build a manufacturing facility in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>ROIC (auto)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY05</td>
<td>19.4%</td>
</tr>
<tr>
<td>FY06</td>
<td>15.3%</td>
</tr>
</tbody>
</table>

\[
\text{Return on Invested Capital (Auto)} = \frac{\text{COP}}{\text{Fixed assets + net working capital}}
\]

**Global Sales Volume** (thousand units)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY05</td>
<td>3,569</td>
</tr>
<tr>
<td>FY06</td>
<td>3,483</td>
</tr>
</tbody>
</table>

\[
\%\text{Change} = \frac{\text{FY06} - \text{FY05}}{\text{FY05}} \times 100
\]

\[
\%\text{Change} = \frac{3,483 - 3,569}{3,569} \times 100 = -2.4\%
\]

**Model Launch Schedule, Fiscal 2005–2010**

<table>
<thead>
<tr>
<th>Year</th>
<th>Models Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>7</td>
</tr>
<tr>
<td>2006</td>
<td>10</td>
</tr>
<tr>
<td>2007</td>
<td>11</td>
</tr>
<tr>
<td>2008–2010</td>
<td>33 or more</td>
</tr>
</tbody>
</table>

Nissan Value-Up will oversee 28 new models.

At least 33 new models to be released post-Value-Up.

**Fiscal 2006 Financial Review**

In fiscal 2006, the company’s global sales totaled 3,483,000 units, a decrease of 2.4% from the previous year. Around the world, the company introduced 10 all-new models, including only one in the first half. These new models included an all-new version of the Altima, Nissan’s volume leader in the United States, the new-generation G35, Infiniti’s volume leader, and the Livina Geniss, which was the first model from a new family of global cars launched first in China. However, these successful launches came late in the fiscal year and did not lead to overall annual volume growth.
To increase transparency and consistency on a global basis, Nissan’s subsidiaries in regions like Europe and Mexico shifted their accounting period from the calendar year to the fiscal year used by Nissan Motor Co., Ltd.

For these affected subsidiaries, an additional quarter, from January to March 2007, was included in the fiscal 2006 results. Adding this fifth quarter resulted in a one-time positive impact of ¥767.6 billion in revenues, ¥21.4 billion in operating profits and ¥11.6 billion in net income.

As a result of this change, the company reported consolidated net revenues of ¥10,468.6 billion. Operating profit was ¥776.9 billion, with an operating profit margin of 7.4%.

### Fiscal 2006 Financial Performance
(billion yen, unless otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated net revenue</td>
<td>9,428.3</td>
<td>10,468.6</td>
<td>+11.0%</td>
</tr>
<tr>
<td>Consolidated operating profit</td>
<td>871.8</td>
<td>776.9</td>
<td>-10.9%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>9.2%</td>
<td>7.4%</td>
<td>-1.8 points</td>
</tr>
<tr>
<td>Non-operating loss</td>
<td>-25.9</td>
<td>-15.8</td>
<td>+10.1</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>845.9</td>
<td>761.1</td>
<td>-10.0%</td>
</tr>
<tr>
<td>Net extraordinary loss</td>
<td>-369</td>
<td>-63.7</td>
<td>-26.8</td>
</tr>
<tr>
<td>Income before taxes</td>
<td>809.0</td>
<td>697.4</td>
<td>-13.8%</td>
</tr>
<tr>
<td>Taxes</td>
<td>-254.4</td>
<td>-212.1</td>
<td>+42.3</td>
</tr>
<tr>
<td>Effective tax rates</td>
<td>31.4%</td>
<td>30.4%</td>
<td>-1.0 points</td>
</tr>
<tr>
<td>Minority interest</td>
<td>-36.5</td>
<td>-24.5</td>
<td>+12.0</td>
</tr>
<tr>
<td>Net income</td>
<td>518.1</td>
<td>460.8</td>
<td>-11.1%</td>
</tr>
<tr>
<td>CAPEX</td>
<td>475.0</td>
<td>509.0</td>
<td>-</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>447.6</td>
<td>464.8</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>307.1</td>
<td>356.1</td>
<td>-</td>
</tr>
<tr>
<td>Net cash (auto business)</td>
<td>372.9</td>
<td>254.7</td>
<td>-</td>
</tr>
</tbody>
</table>

### Fiscal 2006 Sales Performance (thousand units)

#### Global

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,483</td>
<td>3,483</td>
<td>2.2%</td>
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</tbody>
</table>

#### Japan

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,075</td>
<td>1,039</td>
<td>-3.4%</td>
</tr>
</tbody>
</table>

#### U.S.

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,038</td>
<td>1,039</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

#### Europe

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>540</td>
<td>540</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>

#### General Overseas Markets

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,111</td>
<td>1,168</td>
<td>+4.8%</td>
</tr>
</tbody>
</table>

Notes:
1. Adjustment for business days
2. Including Mexico and Canada
Sound policies for corporate governance lie at the heart of Nissan's corporate social responsibility. We place a strong emphasis on ensuring transparency in our approach to governance; we present our stakeholders with business goals and guidelines that clearly indicate management responsibility, and we share information on our progress toward these goals as early as possible. We believe that striving for enhanced corporate governance and ensuring transparency in dialogue—between management and employees, and between our company and society at large—is central to building a firm relationship of trust with our stakeholders.

The Nissan Way: A Guiding Principle for Sustainable Growth

Nissan creates value while stressing the coexistence and diversity of different cultures. This unique corporate culture is a source of our strength as a progressive automobile manufacturer. The synergy of the Renault-Nissan Alliance has generated a whole management philosophy, together with an underlying mindset and approach to action in line with it. The Nissan Management Way, including such concepts as our "cross-functional, cross-cultural" approach and "commit and target," was an essential guide during our business revival. The Nissan Way is an evolution and amplification of this management approach.

Growing Customer Value with the Power Inside

Since fiscal 2006 the Nissan Way has been shared throughout the entire company, allowing every single employee to help put it into action. Our belief is that “the power comes from inside,” Building on this, we aim to make further progress in an environment of diversity by learning from and working with different people and society at large. Our focus is the customer: we work to improve business performance while creating sustainable value with customers as the starting point. We are planning yearly surveys of Nissan employees in order to ascertain the extent to which the Nissan Way has spread throughout the company.
“The power comes from inside”
The focus is the customer, the driving force is value creation and the measurement of success is profit.

**Mindset**

1. **Cross-functional, Cross-cultural**
   - Be open and show empathy toward different views; welcome diversity.

2. **Transparent**
   - Be clear, be simple, no vagueness and no hiding.

3. **Learner**
   - Be passionate. Learn from every opportunity; create a learning company.

4. **Frugal**
   - Achieve maximum results with minimum resources.

5. **Competitive**
   - No complacency, focus on competition and continuous benchmarking.

**Actions**

1. **Motivate**
   - How are you energizing yourself and others?

2. **Commit and Target**
   - Are you accountable and are you stretching enough toward your potential?

3. **Perform**
   - Are you fully focused on delivering results?

4. **Measure**
   - How do you assess performance?

5. **Challenge**
   - How are you driving continuous and competitive progress across the company?

Enhancing Corporate Ethics Through Worldwide Compliance

Compliance is a foundation for all our CSR efforts. In 2001 we established the Nissan Global Code of Conduct, setting forth guidelines for all employees of the Nissan Group worldwide. The Global Compliance Committee was also launched, charged with enhancing the company’s compliance with legal and ethical functions and preventing lapses before they occur. Committees overseeing Japan, the Americas, Europe and the General Overseas Markets work together to enforce our compliance policy.

Spreading the Code of Conduct

Nissan places a special emphasis on education to ensure that all employees internalize the Code of Conduct and reflect it in their actions. In North America, regular education programs are held for all employees to promote compliance, and in Europe universal guidelines for all countries in the region have been drawn up. Guidelines have also been drafted for the General Overseas Markets, taking into account the conditions of different countries. In Japan, all Nissan employees attend courses in a code of conduct established in 2004, and all group-affiliated companies have introduced their own codes based on ours. We pay due consideration to the differences between the countries in which we do business, and we are setting up compliance offices and designating promotion officers in each of our business locations to heighten awareness of compliance.
In 2002 we set up the Easy Voice System as an internal reporting mechanism. This system allows employees to freely communicate their opinions, questions or requests directly to a dedicated department, using a special written form. This reporting system, which offers full protection to any persons offering information in accordance with Japan’s Whistleblower Protection Act that went into effect in April 2006, has been introduced in all Nissan Group companies in Japan.

Putting the Code to Work in Everyday Business

A Japanese version of the Nissan Code of Conduct, titled “Our Promises,” was established in 2004. In order to ensure full understanding of this code, all employees are required to take a course in the code’s content through e-learning or video, and to sign an agreement to abide by the code.

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

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 places emphasis on transparency of management, both internally and externally. We also carry out consistent, efficient management in order to achieve our explicit commitments. Under this basic philosophy, and in accordance with Japan’s Corporation Law and its related enforcement regulations, the Board of Directors decided on systems to ensure appropriate corporate operations. The board continually monitors the implementation status of the system and its policy, making adjustments and improvements as necessary, and one board member has been put in charge of all aspects of the company’s internal controls.

Nissan has adopted an auditing system in which the Statutory Audit Committee oversees the Board of Directors. The auditors attend all board meetings, and also carry out interviews with directors to assess their performance. The members of the Statutory Audit Committee regularly receive reports on the results of inspections and plans for future audits from independent financial auditors, as well as exchanging information and assessing the suitability of the level of oversight. The committee also receives regular reports from internal audit teams in place throughout Nissan’s organization, making use of this information for its own audits.

Nissan’s Domestic Internal Audit Office is an independent group under the direct control of the chief executive officer, overseeing the business activities of Nissan and its domestic affiliates. At a global level, regional audit teams have been set up in Nissan’s overseas subsidiaries under the control of the chief internal audit officer, who carries out efficient, effective auditing of Nissan’s activities on a groupwide and global basis.

Nissan defines risk as any factor that may prevent the company from reaching its business objectives. We detect risk as early as possible, assess its implications and examine and carry out the necessary measures to address it in order to minimize the incidence of risk and the damage caused should it arise.

We have evaluated risk within the company and throughout the Nissan Group from various perspectives, carrying out repeated examinations of the systems and methods necessary for risk management. Since 2004 the Treasury Department has played a central role in reducing market and hazard risks (such as accidents, natural disasters and damage accruing from business partner bankruptcies) in accordance with risk management methods.

Since fiscal 2005 this approach has been broadened to cover not only traditional risks but also strategic risk and risk to our business processes. Risk is coordinated across the whole company via the same reporting lines used for internal controls. Members of the top-management Executive Committee directly monitor risks that must be controlled at the corporate level.
The Personal Information Protection Act came into full force in Japan in April 2005. Nissan has set up fully compliant internal systems, rules and procedures for handling personal data. All members of the company took an e-learning course in data management when the systems were first introduced, and since then all new employees—including both recent graduates and those joining the company mid-career—have taken this course. Nissan’s office in charge of privacy protection issues is taking a leading role by implementing all necessary measures to bolster data security and prevent leaks. Domestic companies associated with Nissan are taking similar steps.

Nissan Financial Services Co., Ltd. handles credit and leases related to auto sales in Japan, and thus has a special responsibility for data security as it deals with the financial information of Nissan customers. This firm has been working to reinforce its data protection systems since before the Personal Information Protection Act came into effect. At the end of fiscal 2005 Nissan Financial Services gained Privacy Mark certification, which is awarded only to companies doing business in Japan that have the appropriate systems in place for handling personal information; since then it has continued strengthening its privacy protection measures.

Security Measures to Prevent the Recurrence of Leaks
In October 2006 the possibility was confirmed that some of the information on Nissan’s old customer database (information from Nissan dealers about customers who had purchased Nissan vehicles) had been leaked. Nissan had improved the level of its internal data security when the Personal Information Protection Act came into effect, but we fully recognized the gravity of the situation; in order to become the sort of company that society could have confidence in, we further strengthened our systems and put even stricter data security measures in place to ensure that there will be no recurrence. Nissan would like to apologize sincerely to our customers for the concern and the loss of privacy caused by this incident.

Nissan sent direct mail to every single customer (a total of 5,379,909 people) whose details may have been on the old customer database, and along with the results of our investigation into the incident we also issued warnings over possible misuse of the leaked data.

Action to Tighten Security and Prevent Recurrence
In line with the Personal Information Protection Act that came into effect in April 2005, we put additional security measures in place on all systems handling customer information. These included restricting access to the system and verifying the identity of users, logging system use and encrypting data. In January 2006 we made the move from the old customer database to a new one, with strict management enforced for enhanced security.

On the basis of the report into the information leak of October 2006 we boosted our data protection systems in accordance with the Personal Information Protection Act and further tightened the level of security of our data management. Specifically, in the period up until March 2007, we took physical measures, such as tightening control of people entering and leaving the specialized areas where customer data is handled; system measures, including the introduction of software to monitor access to systems handling customer data; and organizational responses, such as further strengthening security education and stricter enforcement of the rules on handling confidential information.
The Renault-Nissan Alliance, signed on March 27, 1999, is the first such agreement to be signed between a Japanese and a French company, and is based on respect for the brand identities and corporate culture of both partners. Under the agreement, the two Alliance partners will pursue a joint strategy for profitable growth and mutual benefits.

Our Alliance Vision
In March 2004, the Alliance partners marked the fifth anniversary of the Renault-Nissan Alliance with the announcement of our determination to advance the Alliance even further. Both partners reconfirmed the values and principles we share with each other.

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.

The Principles of the Alliance
The Alliance is based on trust and mutual respect. Its organization is transparent. It ensures:

- Clear decision-making for speed, accountability and a high level of performance;
- Maximum efficiency by combining the strengths of both companies and developing synergies through common organizations, cross-company teams, and shared platforms and components.

The Alliance attracts and retains the best talent, and provides good working conditions and challenging opportunities: it grows people to have a global and entrepreneurial mindset.

The Alliance generates attractive returns for the shareholders of each company and implements the best established standards of corporate governance. The Alliance contributes to global sustainable development.

Three Objectives for the Future
The Alliance develops and implements a strategy of profitable growth and sets itself the following 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.
The Alliance Decision-Making Process

The Alliance organization comprises nine steering committees, 18 cross-company teams, nine functional task teams, and five task teams, as well as two joint companies, the Renault-Nissan Purchasing Organization and Renault-Nissan Information Services. The steering committees, which are headed by executive and senior vice presidents from the two companies, oversee the cross-company teams, functional task teams and task teams, as well as resolving issues beyond the scope of these teams. The steering committees deal with operational issues, while questions relating to strategy are discussed and resolved at the Alliance Board Meeting, attended by all the members of Renault’s and Nissan’s Executive Committees.

Learning from Each Other: The Alliance Convention

The fourth Alliance Convention was held in Paris in September 2006, attended by more than 300 people, including top management and key Alliance players, with representatives from all sectors of Renault and Nissan. The Convention provided an opportunity to reaffirm the Alliance’s founding principles and its three objectives.

Cooperation for Dynamic Growth

Global sales for the Renault-Nissan Alliance reached approximately 5.91 million units in 2006, accounting for a 9% share of the world market. Through cooperation in various different fields and shared best practices, the Alliance is building a win-win relationship.

The Alliance Organization

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

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

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

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

TTs: 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.
Realizing Sustainable Development
for People and Society
We want to provide products and services that surpass the expectations of our customers. This is the unwavering goal that guides all our actions. While maximizing quality through continuous improvements to performance, we must also be unceasing in our quest for creativity. It is through combined efforts in all of these areas that Nissan can help to create an automobile society that provides safety and peace of mind.

The ultimate judge of Nissan quality is our customers, and our quality assurance starts with the deep attention we pay to listening to their feedback and meeting their expectations. Nissan has three quality categories that reflect the customer view of quality. The first is "ordinary quality," the security of driving a car you can rely on. The second is "attractiveness quality," the pleasure of driving an aesthetically pleasing car. The third is "sales and service quality," the satisfaction of reliable ownership. We make use of consumer research organization surveys to gauge customer satisfaction worldwide, determining objectively whether we are achieving our quality targets and taking action to improve our performance when we are not. Nissan’s quality policy is founded on our goal to make all customers in all regions of the world deeply satisfied with our vehicles.

WORKING TO IMPROVE RELIABILITY

Three Quality Categories for Our Customers

A Globally Consistent Approach to Quality Management

In April 2006, Nissan merged the quality assurance division, which was overseeing quality control for products, with those divisions handling quality assurance for sales and services. This created our Total Customer Satisfaction Headquarters, whose mission is to improve overall customer satisfaction. As part of this new effort, we established customer satisfaction officers for Japan, North America, South America, Europe, and the General Overseas Markets. Our goal
is to improve and promote better business processes for overall quality management in all areas of our business—not just our products but our sales and after-sales service as well.

### The Nissan Quality Assurance Way

The Nissan Quality Assurance Way is a fully integrated, cyclical approach to quality. Its aim is to guarantee the same quality standard for all Nissan vehicles, during all phases of production, from design and development to sales, and to allow us to achieve even higher quality with each new generation of vehicle. Quality management is constantly checked through customer feedback. Companywide revisions to our standards take place from the very beginning of a product cycle, in the planning and development stages. We have adopted this process to maintain a consistently high level of quality assurance.

### Delivering Lifetime Quality to Customers

Nissan established the project quality director (PQD) post to assure quality throughout the life cycle of a vehicle, from design to production, delivery, sales and after-sales service. In North America, one of Nissan's major markets, the PQD has been responsible for quality management and production administration since 2004. The PQD plays a leading role in monthly quality conferences attended by the quality-control personnel from each of the production bases in North America, collecting information from production bases and sales facilities and putting it to use to achieve the lifetime quality goal.

### Working Closely with Suppliers to Improve Quality

The Field Quality Center was opened in fiscal 2006 to provide a place for people from the design, development, quality and other divisions to meet with suppliers. Here these people improve quality by analyzing customer feedback about our products, finding the source of problems and revising standards or specifications. Nissan purchases 70% of its parts from suppliers, and the Field Quality Center was established as a hub of quality management and a platform for cooperation with suppliers throughout the world.
Carrying Out Recalls Transparently and Quickly

It is a manufacturer’s duty to do everything possible to make all its products free from defects. However, in the process of manufacturing a complex product like an automobile, unexpected defects can occur. When a recall is necessary, Nissan carries out required actions quickly, placing the highest priority on ensuring the safety of our customers with minimal inconvenience. At Nissan, the decision to institute a recall is a technical decision, rather than a management decision, and recalls are conducted objectively, fairly and transparently, with the customer’s interest in mind.

Responding Quickly to Customer Needs at Our Call Centers

Nissan has established call centers in every region of the world to respond to customers’ questions and concerns. As just one example, the Japan Customer Support Center receives about 180,000 calls a year. Nissan has plans to improve its call reception system to respond to customer queries more quickly and accurately. In Europe, we have combined the call centers previously established in each country into one center in Budapest, Hungary.

Cutting-Edge Electrical Diagnostics with Consult-III

Consult-III is a new diagnostic system for automotive electronic systems developed by Nissan for use in the service departments of Nissan dealers. It enables the speedy and accurate diagnosis and repair of electronic problems in high-performance vehicles. Since October 2006 we have been deploying this system at dealerships throughout the world.

Consult-III can quickly and accurately diagnose complex problems that cannot be spotted visually. The results are displayed using graphs and other aids that make it easier to communicate the problem to the customer. Since replacement parts can be ordered online, the time from diagnosis to repair can be drastically reduced.

Some problems do not show up when a car is parked in the dealer: engine noises heard when driving in the rain or issues that always show up at a certain spot in the road. Consult-III can also be used in a moving vehicle under actual operating conditions to help diagnose problems that would be otherwise difficult to find when the vehicle is stopped.

Nissan dealers in Japan can connect to Nissan’s private network via wireless LAN and link diagnostic results with maintenance manuals and other reference information, which can be searched and displayed, making it easier and faster to diagnose and repair problems.
To be able to respond better to the diverse needs of customers, Nissan has increased the ratio of women working as car-life advisors (CAs) on the front line of customer interaction at Nissan dealerships in Japan. Of the 6 million vehicles sold in Japan annually, women purchase 30%, with another 30% purchased by a man and a woman together, which means that women participate in 60% of the purchasing decisions. At present 6% of CAs in Japan are women, but with active employment and training, we hope to raise that figure to 10% by the end of fiscal 2007. Our technical advisors (TAs) are the point of contact for customers when they bring their vehicles in for service. The percentage of female TAs is about 13%; here, too, we intend to increase the ratio, to 20% by the end of fiscal 2007.

In December 2006, Nissan held the Conference for Female Nissan Dealer Staff. About 90 female staff including outlet managers and plant managers from dealerships around the country participated in this conference, part of our CA training program. They engaged in group discussions, consulted with Chief Operating Officer Toshiyuki Shiga and listened to a panel discussion by veteran female workers to improve their product knowledge and skills for handling customers. The participants reported feeling more enthusiastic toward their work after talking with more experienced employees and others who are dealing with similar situations, learning tips to apply in their own work. It was also a rewarding opportunity for those on the production side to learn from the experiences of the women working on the sales lines.

Introducing People to the Joy of Mobility

The LV, or life care vehicle, helps the elderly and people with disabilities get around. Certified LV dealerships have these vehicles on display, and expert LV advisory staff members are on hand to answer questions. Customers can test-drive these vehicles at the certified LV dealers, which have products and services to meet a variety of customer needs. There are certified LV dealers in every prefecture in Japan, and as of the end of March 2007, there are 389 dealers and some 3,500 life care vehicle advisors nationwide.
We hope to bring the joy of mobility to all people. Thus, Nissan is conducting a campaign to allow more people the opportunity to test-drive a lifecare vehicle. In fiscal 2006, we provided LVs on a temporary basis to 201 groups of customers. The customer response to this program was extremely positive. We have launched an LV website complete with customer reviews, information on certified LV dealers, an LV test-drive search engine and other useful information.

Infiniti Moves onto the World Stage

As part of the Nissan Value-Up management plan, we are introducing the Infiniti line of luxury vehicles in more markets worldwide. This is an important part of our long-term global strategy. Infiniti was first launched in the United States in 1989 and in Canada the following year, and it is now marketed in the Middle East, Taiwan, Korea and Russia. We will introduce Infiniti in China and the Ukraine in 2007. As part of the plan to establish a dedicated Infiniti network in Europe during 2008, we set up a new headquarters in Switzerland in summer 2006. Other global markets, including Japan, are under study.

Messages from Our Stakeholders

Finding the Perfect Fit for Our Family

After suffering a stroke, my husband spent time rehabilitating in a nursing-care facility. While preparing for his return home, the family made plans to make the house wheelchair accessible, and we all agreed on the purchase of a lifecare vehicle. Based on the recommendations of a Nissan car-life advisor, we tried out several vehicles and finally decided on the Ramp-Type Personal Chair Cab Cube. My husband liked this model’s spacious interior and appreciated the optional handrails, which allow him to steady himself inside the car. Our daughter, his regular caregiver, says the adjustability of the car’s height makes it very easy to help him in and out; she also finds the electric-wheelchair locking device simple to use. Driving has always been one of my husband’s favorite pastimes, and we now plan family road trips together with the aid of a new guidebook.
Nissan has developed a new, high-performance filter that uses the anti-allergenic properties of natural grape-seed polyphenol to remove pollen and other allergens from the air. Regular filters are designed primarily to remove dust and pollen particles, but they are largely ineffective at removing ultra-fine particles of soot or fine pollen dust and other minute allergens. Nissan focused on polyphenol's ability to counteract allergens including cedar pollen and dust mites, developing a new filter whose fibers are impregnated with natural grape-seed polyphenol. In December 2006 Nissan began using this filter in compact cars like the Cube.

**Toward a Universal Design Society**

To contribute to the creation of a universal design society, Nissan has been researching the diverse ways in which people use their vehicles and the emotions they experience when they are driving. We use this information as the launching point for creating distinctive Nissan vehicles. The automobile has helped humankind pursue the dream of greater mobility; building on this idea we seek to provide the greatest possible safety, ease of use and drivability with our vehicles. To achieve aesthetically pleasing and comfortable vehicle interiors, we follow human-centered design principles, use cross-division task teams and promote technological development.

For example, in our pursuit of an easier driving experience, we developed the Pivo, an electric city-commuter concept vehicle with a compact body and a revolving cabin that uses drive-by-wire technology. The Pivo has see-through pillars to reduce blind spots, and the driver enjoys a bird's-eye view of the space surrounding the vehicle with the Around View Monitor.

**Communicating the Emotion of Driving Through Motor Sports**

Motor sports events are a competitive arena where automakers can push their technological skills to the limit. Some of Japan's top championship racing takes place in the Super GT Series, and Nissan is proud to take part in this competition, as well as many other racing series in Japan and around the world. To share the fun and excitement of motor sports with as many people as possible, Nissan sponsors the March Cup, an entry-level series held in Japan, helps operate a racing school staffed by pro drivers and provides technical assistance to individual teams taking part in races. By taking part in these grass-roots activities we hope to build broad appreciation for the emotion of motor sports.
Nissan Breaks the 100 Million Mark

As of June 2006, Nissan had produced over 100 million vehicles worldwide since its founding 73 years ago. Approximately 76.6 million of these vehicles have been produced in Japan and 23.5 million overseas.

Nissan was established in December 1933 as the Jidosha-Seizo Co., Ltd., after taking over the production of the compact Datsun from the Tobata Casting Co., Ltd. In the following year, the company changed its name to the Nissan Motor Co., Ltd. In 1935, Nissan opened Japan’s first mass-production automobile manufacturing plant in Yokohama, becoming a pioneer in the nation’s automobile industry. Nissan opened its Oppama Plant in 1962 and its Zama Plant in 1965; in 1966, after the company merged with Prince Motor, it started operations at its Murayama Plant. This was followed by the opening of the Tochigi Plant in 1971 and the Kyushu Plant in 1976. Nissan’s production capacity grew steadily as these factories came online and began assembling vehicles.

The first overseas factory began operation in Taiwan in 1959. The Mexico factory was established in 1966, followed by locations in the United States and Spain in 1983, the United Kingdom in 1986, and China in 1995.

Reaching the 100 million mark is a testament to the support Nissan has received from customers over our 73-year history. We will strive to reach the next 100 million by further improving quality and productivity and working to shorten the time to market for our new creations.
Fairness and Transparency in All Disclosure

Nissan's commitment to continual disclosure with the highest standards of fairness and transparency lies at the heart of its investor-relations activities. Our aim is to communicate in detail not just with our corporate investors, but also with financial analysts and our increasingly diverse private investors, in order to disseminate accurate information with no risk of misinterpretation. This allows us to guide market expectations to an appropriate level, in order to ensure that there is a consistent match between the company's intrinsic value and its market value. Furthermore, making full use of market feedback is essential to maximizing Nissan's long-term corporate value. Therefore, we exercise care in disclosing all the necessary information to our shareholders and investors, so that they are satisfied and able to make the right investment decisions.

Setting a Clear Dividend Plan

At its general shareholders meeting on June 23, 2004, Nissan announced the Nissan Value-Up business plan. Part of this plan was the proposal of a long-term dividend policy to allow more visibility for and improve transparency in the ways Nissan rewards its shareholders.

In Nissan Value-Up, we made a commitment to these dividend amounts: ¥29 per share for fiscal 2005, ¥34 per share for fiscal 2006 and ¥40 per share for fiscal 2007.

Working to Earn Investor Trust

As a global company active in over 160 countries, Nissan maintains a world-class level of fairness and transparency in its disclosure to ensure that shares are priced appropriately in investment markets. We have increased our efforts to disclose the information that our investors require by providing not only balance sheets and income statements, but also basic information about our products and technology. We also provide increased opportunities for direct dialogue with our managers, giving investors an ongoing understanding of Nissan's management
strategies. We carry out investor-relations activities geared to the creation of long-term value for shareholders by promptly and openly disclosing information that will help shareholders and investors make more accurate predictions of future corporate performance.

The 107th ordinary general meeting of shareholders was held on June 27, 2006. We were delighted to welcome 1,742 shareholders to the venue in Yokohama, where the meeting was held for the second time. On the agenda was the management report for fiscal 2005, a progress report on the Nissan Value-Up management plan and an explanation of the business forecast for fiscal 2006. It was also announced that the transfer of the corporate headquarters to Yokohama, originally planned for 2010, would take place in 2009. After the meeting, a video about Nissan's efforts as a corporate citizen was shown and there was an informal gathering, which gave shareholders and company officials a chance to speak frankly with each other. There was also an exhibition corner at the venue, with vehicles and panel displays to help shareholders gain a better understanding of Nissan's business activities.

Nissan's quarterly balance sheets are available in a variety of media, and its business performance is announced through visits, meetings and conferences with corporate investors around the world. We have presented Nissan's strategy for corporate growth at regional meetings for individual investors and women's investment forums. As a result of our efforts, in a recent poll by the Japan Investor Relations Association, Nissan came in third place in the category of "corporation with outstanding IR activities for individual investors."
Building a Future with Diversity

Nissan's employees, both men and women, are of many nationalities and boast a wide variety of experiences. Nissan works to be the kind of company where this diverse group of employees can make more than full use of the talents they bring to the job, viewing this as an important way to boost the firm's international competitiveness as a whole. To this end we focus our energies on creating environments and providing employees with opportunities to put their diversity to work.

As of March 2007 there were 186,336 people employed by Nissan and its affiliates. All members of the globally active Nissan family build strong relationships of trust with one another by understanding the viewpoints of and listening to opinions from their counterparts around the world. The synergies created by bringing this diverse group together drive sustainable growth for Nissan, and we believe our employees are our most valuable resource.

BUILDING TRUST THROUGH COMMUNICATION

Reflecting Employee Input in Our Management

Each year Nissan carries out a global survey of its employees, gauging their attitudes and ways of thinking and applying them to the improvement of the company’s management and changes in our corporate culture. In fiscal 2006 we administered the survey, part of our Nissan Value-Up business plan, in all business locations around the world. Employees’ responses help us measure their views on the jobs they do and judge whether the results of the previous year’s survey have been put to effective use. After we analyze the results for Nissan as a whole and for individual regions we plan to share this information with our employees via our intranet.

Aiming for Global Transparency and Efficiency

WIN, or Workforce Integration @ Nissan, is our corporate intranet. By instantly broadcasting key business information to all our global locations at once, we use this tool to promote information-sharing throughout the company and efficiency in all our operations.
Our introduction of teleconferencing systems and information management tools has enabled Nissan employees to carry out their duties more efficiently and effectively. WIN has been rolled out in regions including Japan, North America, and Europe, and in 2007 we will continue expanding its coverage in Asia, the Middle East and other areas where Nissan does business, as well as in our major business partners.

Keeping Employees and Executives in Close Touch

Nissan believes that clear communication is important at all levels of a company—between managers and employees as well as between employees themselves. Toward this end we provide opportunities for this direct dialogue in opinion-exchange meetings involving executives and workers. Managers use these meetings to deliver their messages on the company’s course and answer employees’ questions. Nissan intends to continue making these meetings still richer forums for this two-way communication.

Major opinion-exchange meetings in fiscal 2006

<table>
<thead>
<tr>
<th>Date</th>
<th>Participating employees</th>
<th>Participating executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2006</td>
<td>Car-life advisors, technical advisors from dealers</td>
<td>CEO Carlos Ghosn</td>
</tr>
<tr>
<td>October 2006</td>
<td>PT. Nissan Motor Indonesia employees</td>
<td>CEO Carlos Ghosn</td>
</tr>
<tr>
<td>October 2006</td>
<td>Nissan Techno Vietnam employees</td>
<td>CEO Carlos Ghosn</td>
</tr>
<tr>
<td>November 2006</td>
<td>Nissan Motor Co., Ltd. plant managers, floor managers</td>
<td>COO Toshiyuki Shiga, EVP Mitsuhiko Yamashita, EVP Tadao Takahashi</td>
</tr>
<tr>
<td>January 2007</td>
<td>Nissan North America employees (regional headquarters, Canton Plant)</td>
<td>CEO Carlos Ghosn</td>
</tr>
<tr>
<td>February 2007</td>
<td>Nissan Motor Co., Ltd. headquarters employees (environment-themed discussion)</td>
<td>COO Toshiyuki Shiga</td>
</tr>
<tr>
<td>February 2007</td>
<td>Dongfeng Motor Co. employees</td>
<td>CEO Carlos Ghosn</td>
</tr>
<tr>
<td>February 2007</td>
<td>Nissan Design Europe and Nissan Motor (GB) Ltd. employees</td>
<td>CEO Carlos Ghosn</td>
</tr>
<tr>
<td>March 2007</td>
<td>Nissan Motor Co., Ltd. Oppama Plant employees</td>
<td>CEO Carlos Ghosn</td>
</tr>
</tbody>
</table>

NISSAN'S RESPECT FOR DIVERSITY

Worldwide Diversity for a Worldwide Business

Nissan believes that diversity is a driving force for sustainable business growth. In October 2004 we established our Diversity Development Office in Japan. The DDO is joined by cross-functional teams in North America, Europe and the General Overseas Markets, as well as human resources departments throughout our global organization, in playing a leading role in tackling diversity issues. A global Diversity Steering Committee meets three times a year to discuss a broad range of topics.
In fiscal 2006 the DDO added cultural diversity to its list of key priorities. The office is now working to support Nissan's efforts to create higher value through its cross-cultural nature, an area of particular strength for the company ever since it formed the Alliance with Renault in 1999. Another key theme since fiscal 2004 has been finding ways to make full use of the talents of female employees. The DDO is focusing its efforts on three areas:

1. **Helping women develop their careers**
   Nissan provides support to female employees through one-to-one counseling sessions with career advisors. The DDO also holds a number of events where participants can give thought to their career courses and work together with Nissan's human resources departments to help people develop the skills they need to advance along those courses. Nissan's female employees can also visit the corporate intranet to read interviews with "role models"—women who have gone before them and made substantial contributions in the company.

2. **Helping employees strike a work-life balance**
   In April 2006 Nissan revised a portion of its childcare support system, extending the period during which employees qualify for shorter working hours up through their child's third year in elementary school. At this time we also introduced new schemes letting expectant mothers take more time off from work and allowing people to work from home while they handle childcare or nursing care tasks.

   In January 2007 Nissan won a prize presented by economic news publisher Nikkei Inc. for excellence in childcare support. This prize recognized such efforts as our introduction of the pregnancy leave and telecommuting systems described above, as well as our establishment of "March Land" on-site daycare centers and our ratio of women in management positions. We were also proud to receive the Japan Telework Association's seventh annual Telework Promotion Award in December 2006 in recognition of our efforts in the area of telecommuting.

3. **Nurturing a diversity mindset**
   In August 2006 we launched a series of Nissan Diversity Forums at several business locations beginning with our headquarters. At these gatherings employees from many divisions came together to hear company managers explain diversity's central importance to Nissan's corporate strategy, to learn from guest lecturers and to take part in hands-on seminars. These forums gave employees a chance to deepen their understanding of Nissan's approach to diversity and to reflect it in their own actions.

**Cultural Diversity Workshop Held in Singapore**

Through its cultural diversity activities, Nissan seeks to create a corporate atmosphere in which people from different nationalities and cultural backgrounds are best able to respect one another and work together to the best of their abilities. In March 2006, Nissan Asia Pacific Pte. Ltd., in Singapore, held a Cultural Diversity Workshop as part of these activities. The workshop included discussion sessions on intercultural exchange and leadership issues, as well as mutual communication workshops bringing together employees from Singapore and Japan.
Nissan is constantly working to improve its human resources systems so that all employees can make full use of their talents within the company organization. In fiscal 2004 we introduced a new, evaluation-based system to determine how important it is to establish communication with children while they are still very young, and I resolved to take parental leave if my wife and I ever had another child.

Before the birth of my second child I spoke with my colleagues about my desire to take parental leave. The workload was heavy then, and deep down I thought it would be difficult to have my leave approved. My colleagues, however, were all very happy for me and actively encouraged me to take the time off.

During this leave I began to look at various products from a homemaker’s point of view. I also realized anew the importance of communicating with children through daily conversation. I believe that my lessons from this experience are useful at work. I am truly grateful to Nissan for its efforts to realize a true work-life balance for its employees and to ensure that they can comfortably take parental leave.

Koji Ooe
Manager, Training Group
Human Resources Department
Nissan Motor Co., Ltd. (Japan)

Nissan’s Active Support for Paternity Leave

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In Europe, meanwhile, fiscal 2006 saw the complete integration of all regional human resources data. Hiring information is now made available on the regional intranet, and employees in Europe are free to apply for posts across borders and beyond the boundaries of their current companies.

**The Nissan Expert Leader System**

Another key to sustainable growth for Nissan is helping employees develop their own specialized skills over the mid- to long term. In fiscal 2006 we selected 18 employees with world-class research skills and expertise—13 working in product development, three in production, and one each in human resources and accounting—designating them as Expert Leaders and introducing a system to help them further polish their talents.

We believe that input from these leading employees is vital to making wise business decisions. This Expert Leader System will give them free rein not just to exercise their specialized talents in helping Nissan chart a successful course, but also to strengthen the divisions where they play their leading roles, helping to nurture the next generation of leaders for the company.

**CREATING A CULTURE OF LEARNING**

**Providing Educational Workplaces**

Nissan aims to be an organization that achieves growth through constant learning, and it carries out human-resource development and training with this in mind. The act of learning is one in which people stretch themselves to gain new abilities they need to create value. We believe that a corporate culture of learning must be backed by the desire to take part in this value creation.

In addition to training systems that support employees as they learn value-creation skills on the job, we operate the Learning Navigation system on our intranet. This system lets employees search for information whenever they want to undergo training in specialized skills or management techniques, participate in e-learning programs, take distance-learning classes or view lectures. Through this system we are meeting the information needs of employees seeking to increase their skills and build their careers. In fiscal 2006 we launched Learning Navigation Mail, a regularly delivered e-bulletin meant to cater to our employees’ constantly growing eagerness to learn.
Our culture of learning aims not just to transmit the “Nissan DNA” to young employees, but to create educational opportunities in which our workers can learn along with society as a whole. This culture contributes greatly to our company’s value creation through leadership rooted in the Nissan Way, the fostering of specialized skills needed for future development and the provision of physical venues where innovation can take place. One such venue is the Nissan Learning Center Management Institute in Hakone, Kanagawa Prefecture. Established in 2005, this institute aims to pass on the knowledge and experience built up at Nissan to younger generations of workers.

Programs offered at the institute include seminars on leadership training and cultural diversity. In October 2005 we launched the Consortium Program, inviting other global companies to take part in cross-industry exchange. In fiscal 2006 the institute added Nissan Way Workshops to its curriculum. Leaders who have attended these workshops are now active throughout the Nissan organization, transmitting the Nissan Way—the crystallization of experience and knowledge gained through our company’s revival—to all our employees.

Nissan’s Oppama and Yokohama Plants in Kanagawa Prefecture, Japan, are the site of the company’s GTC, or Global Training Center. We established this center to educate trainers who go on to share their knowledge at our plants around the world.

We have positioned the GTC at the core of our training programs for employees at all our production facilities worldwide. We select trainees from among this broad employee pool, bringing them to the GTC to take part in the Master Trainer Program there. Once these people earn their Master Trainer status, they are ready to take on the task of instructing other employees at regional training centers using a globally standardized curriculum and materials. As of the end of March 2007 there were 200 Master Trainers hard at work around the world.

In April 2007 we opened the Nissan Learning Center to further reinforce our human-resource development initiatives by reorganizing our employee training structure. The center consolidates the training functions that had previously been dispersed among each affiliate and Nissan department in order to offer employees higher value-added services through enhanced specialization and efficiency. Developing human resources who are capable of realizing Nissan’s vision of Enriching People’s Lives is another way we are contributing to society.

Nissan’s rigorous approach to technical training has paid off. In February 2006 the Japan Management Association presented Nissan with its highest honor, the Human Resource Development Excellence Award.
We adhere to the philosophy of "human-friendly production" in our manufacturing activities, basing our actions in this area on the Nissan Production Way. In our pursuit of this philosophy we are putting ergonomic science to work to improve our work environments all around the world. One such measure is our adoption of the "strike zone" approach, which places all needed parts within easy reach of a line worker, reducing stressful body positions in the production process. Nissan has borrowed techniques from Alliance partner Renault to objectively gauge the difficulty and physical burden of factory tasks. By sharing this know-how we are continuously reducing worker burdens and improving productivity in our plants.

Each year we carry out a global meeting on ergonomics and safety. This event lets us present information from different countries on ways to improve workplace conditions, thereby raising these conditions on a worldwide basis. The 2006 meeting took a retrospective look at related activities to date, and participants discussed topics from the horizontal implementation of safety measurement systems to ways to evaluate and promote ergonomic measures.

A company has the duty to help maintain the health and safety of its employees. Since fiscal 2004 Nissan has implemented a risk-assessment approach to workplace management, proactively inspecting facilities to spot potential dangers and prevent them. We carry out particularly stringent risk assessment when introducing new equipment or altering work processes in order to minimize the risks to worker safety. We also bring trainees together from around the world to give them instruction in labor safety management.

**Risk Assessment for Safer Workplaces**

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**Ergonomically Friendly Production Lines**

Before the "strike zone" approach was adopted, workers walked to a shelf for parts and back to the vehicle (above); now the needed parts are within easy reach (below).
At the October 2006 DuPont Leaders Forum on Safety and Performance held in Geneva, Switzerland, Nissan was proud to receive a DuPont Safety Award for its Sunderland Plant in the United Kingdom. These awards are presented annually to companies carrying out model activities to improve the safety of their employees’ work environments.

In 2005 Nissan Motor Co., Ltd. established a care team, built around a core staff of psychiatrists, to give full attention to its employees’ mental health. This team carries out consultations at the medical offices located in Nissan’s facilities and crafts support programs to help workers taking time off for mental and nervous disorders make their reentry into the workforce. Our EAP, or Employee Assistance Program, is a cooperative effort with external mental health care specialists, who offer workers advice and consultations as they deal with health issues and return to their workplaces. The EAP also operates eMe, an online counseling service. All these efforts emphasize the protection of patient confidentiality while providing top-flight mental health care to those who need it.

Our employees’ physical health is also important, and Nissan care staff members give advice aimed at reducing the incidence of metabolic syndrome, a combination of medical disorders on the rise in recent years. This advice, based on the results of medical checkups, is combined with walking programs and other exercise-prediction activities to keep employees fit.

One of the most important tasks for a company pursuing sustainable growth is protecting the health of its employees. Nissan Motor Company South Africa (Pty.) Ltd. has since 1999 lived up to this responsibility through its HIV/AIDS Workplace Program, which was improved through the launch of an integrated Employee Wellness Program (EWP) in 2003. The EWP includes, among other wellness interventions, measures to prevent and manage HIV/AIDS; a health consultation service, HIV counseling and testing; and community outreach to support neighboring communities in their fight against HIV/AIDS. The program also promotes health measures among Nissan S.A.’s suppliers. In 2006 Nissan S.A. set a target of improving Voluntary Counseling and Testing (VCT) participation from 21% to 50% of the total workforce; it achieved this goal, bringing participation to 52%. The target is to increase this figure to 60% of the total workforce for 2007, and to 100% by 2011.

In Japan, meanwhile, we are working with guidance from the Ministry of Health, Labor and Welfare to distribute pamphlets to new hires and carry out educational activities to boost awareness of HIV/AIDS and its prevention. We have also set up health consultation stations within the company to provide employees with the information they need.
Nissan recognizes that differences of opinion and the day-to-day pressures of business partnerships can lead to disagreements. We strive to have an open and honest exchange with our partners and to work together to find win-win solutions to the intense competitive pressures faced by the global auto industry.

To develop relationships of mutual trust, Nissan establishes clear terms and conditions that are fair and impartial to all suppliers, regardless of their nation of origin, size or business history with us. The selection process involves meetings with personnel from all the relevant divisions, and a final decision is made after thorough reviews of the suppliers’ proposals. We then share the results of the proceedings with all the companies participating in the selection process.

Nissan also maintains a strictly fair and impartial process in its transactions with suppliers based on the Nissan Global Code of Conduct (item 4: Be Impartial and Fair). As well as carrying out close, regular communication with suppliers, we often solicit feedback from them through surveys and meetings to gain a better external perspective on their experiences with this process.

Nissan also promotes common purchasing values with its Alliance partner, Renault. In February 2006, the purchasing departments of Nissan and Renault produced The Renault-Nissan Purchasing Way, a booklet that details the values and processes important in supplier relations. This booklet reaffirms the basic principles of dealing fairly and impartially with all suppliers and maintaining a transparent selection process. The ideas are applied to Nissan and Renault purchasing activities worldwide, and are shared with our suppliers. Nissan and Renault have
distributed this booklet to all primary suppliers of the Renault-Nissan Purchasing Organization around the world. With this booklet, we hope to publicize the Alliance partners' goals, views, processes and management tools, and to create deeper trust and understanding with our suppliers to support sustainable partnerships with them.

**Sharing Nissan Values with Our Suppliers**

Nissan works with different suppliers all over the world. Whenever we start working with a new supplier, from the outset our goal is to ensure a sustainable relationship. At every step in the supply chain, Nissan works to promote business in ethical and environmentally conscious ways. In addition to publishing and distributing *The Renault-Nissan Purchasing Way*, we modified our selection process in fiscal 2006 to require that our suppliers provide a written statement about their commitment to respect for human rights, avoid all forms of child labor and forced labor. We intend to continue working closely with suppliers to build a unified CSR management process.

**Building Best Practices with the Project Partner System**

Nissan introduced the Product Partner System in fiscal 2005 to formulate projects based on mid- and long-range planning and to involve our suppliers early in the product development process. This allows closer consultation with our suppliers on new technology development, product improvement, efficient product investment and other issues that will improve mid- and long-term efficiency.

The project partner selection process is the same as the standard supplier selection process, aiming at fairness and transparency.

**Creating More Competitive Products**

The Nissan 3-3-3 Program was put into practice in 2000. This program aims to identify best practices and maximize performance by reducing costs and increasing quality as a joint effort between suppliers, the Nissan purchasing department and the Nissan development department. Based on scientific evaluations carried out by cost engineers and through close communication with suppliers, the three parties share ideas and continuously strive to improve our products' competitiveness. Nissan also sends personnel to work with suppliers worldwide to find ways to improve their production processes and make them more competitive.

**Acknowledging Supplier Contributions Worldwide**

Each year Nissan offices in each region give recognition to suppliers that have contributed to our company's business development. Starting in fiscal 2005, this regional award program was
augmented with the establishment of two global Nissan supplier awards—the Global Quality Award and the Global Innovation Award.

Global Quality Awards are presented to candidates selected by our purchasing and quality departments based on supplier quality standards applied uniformly across the globe. The award has two categories, product technology and process management. Winners in each category are selected from the candidates nominated by our production, development and quality departments. In fiscal 2006, seven companies received awards in the product technology category, and one company in the process management category.

It is our hope that these awards will inspire partners in our supply chains around the world to adopt management approaches that balance the economic pursuits of quality, lower costs and technological development with consideration for the environment and society.

Near-Total Adoption of Environment Management Systems

Nissan manages the use of materials that have an environmental impact through the global application of technical standards. In Japan, the Nissan Green Procurement Standards require that suppliers provide data on the materials in their products that have an impact on the environment. The standards also mandate their establishment of environment management systems and their clear identification of personnel responsible for environmental protection. As of the end of 2006, nearly 100% of our suppliers have received certification under ISO14001, an international standard for environmental management, or Eco Action 21, the environmental activity evaluation program established by Japan’s Ministry of the Environment. Starting in fiscal 2007, we plan to implement the Nissan Green Procurement Standards with our primary suppliers worldwide.

Messages from Our Stakeholders

Enhancing Competitiveness Through Hard Work and Partnership

Hiromi Takasaki
Air Conditioning Group
Development Headquarters
Calsonic Kansei Corporation
(Japan)

I am in charge of air-conditioning product development at Calsonic Kansei Corporation. As a supplier, we take pride in the trust we have earned from manufacturers and the satisfaction of customers who purchase vehicles fitted with our products. We are constantly striving to improve the competitiveness of our parts, a challenge requiring hard work and strong, trust-based partnerships with automakers. Through the Nissan 3-3-3 Program, last year we succeeded in expanding the use of low-cost, high-quality parts from leading competitive countries. We are also working with manufacturers to increase the global availability of technology and products we have developed to deal with climate change.

We will continue supplying competitive products as a member of the Nissan team through cooperative work from the early stages of development, with all parts of the process striving as one to create cars that satisfy customers.
We aim to give the customer a standard of quality in sales and service that only Nissan can provide. We have set ourselves the goal of being ranked the world’s top business group for customer satisfaction in independent surveys by 2008; in fiscal 2006, Nissan was ranked within the top three in half of the 24 countries surveyed, including markets from Japan and North America to Europe, China and Southeast Asia.

During fiscal 2006, we worked to improve our services further still. We carried out a number of customer-oriented programs in various countries and regions, always careful to tie our activities in with the local culture and customs. As an example, in China we announced guidelines promising the customer what we called the “Five Reassurances” in our sales and services, and we worked to make China a leading market for dealership improvement. We have similarly defined the “Five Pillars of Our Activities” aimed at improving the quality of service in Southeast Asia, the Middle East, Africa and Central and Southern America, and we are carrying out specific, customer-oriented programs under these guidelines. Nissan North America has its own program in place to ensure further improvements to customer service quality, while in Europe an integrated, regionwide system is now in place. Nissan Europe, our headquarters for regional operations located in France, has developed a system for improving quality together with all European dealerships that went into operation in 2007. Nissan is also working to improve quality in Japan, where the "supervisor system" has been introduced, allowing the customer to evaluate individual dealerships and point out areas for improvement.

Our aim is to achieve nothing short of maximum customer satisfaction. To do this we need to know what our customers think of us. We have set our own appraisal standard, the proportion of customers who express extreme satisfaction, and we use this index to periodically analyze customer evaluations of our services. This appraisal system is to be expanded to ensure the highest possible standards of quality in our operations around the world.

Global Awards for Outstanding Dealerships

We initiated the Global Nissan Sales and Service Way (NSSW) Awards program to accelerate the improvement of the quality of our service. This program recognizes dealerships around the world that have made substantial contributions to the Nissan brand by achieving outstanding customer satisfaction ratings for sales and service. In 2006, Global NSSW Awards were presented to 49 dealers from 30 countries, of which four were from Japan, 11 from the Americas, 16 from Europe and 18 from the General Overseas Markets.
An important aspect of the Global NSSW Awards is the next step we take, when we take the customer service improvements implemented by the award-winning dealerships and put them to the fullest possible use throughout our global network. In fiscal 2006, information on the award-winning dealerships’ outstanding successes in customer relations was compiled and distributed to dealerships worldwide to share expertise in customer satisfaction management. Recognizing outstanding dealerships in this way makes an important contribution to ensuring that dealerships worldwide live up to the high standards of the Nissan ideal.

We are confident that the Global NSSW Awards will greatly increase the motivation of our dealerships to work for customer satisfaction, and will enhance the development of our customer service activities around the world.

Remodeling U.S. Dealerships

There are currently some 1,250 Nissan dealers in the United States. In order to make Nissan a name that the customer can readily recognize and identify with, it is essential that all these dealerships share a strong, consistent brand identity. We place great importance on activities addressing the visual identity of Nissan dealerships. The Nissan Retail Environment Design Initiative (N-REDI) is creating a unified, instantly recognizable image for the interior and exterior of Nissan dealers, along with the signs they display. Some 38% of dealerships have already changed their appearance to match the visual identity of Nissan, and another 10% are now working on alterations. By the end of fiscal 2007 the majority of Nissan dealerships will have changed their appearance in line with the N-REDI design.

A modern luxury theme is being carried out in our Infiniti dealerships, helping them offer prompt and personalized service tailor-made for customers of our premium models. I-REDI, the Infiniti Retail Environment Design Initiative, has been in place since fiscal 2005, helping to improve the retail setting for customers in this important luxury market segment. A total of 18% of the U.S. Infiniti dealers will commence or will have completed remodeling by the end of fiscal 2007, and 60% of dealers will complete I-REDI facility upgrades by fiscal 2010.

For Nissan North America, expanding and improving the network of dealerships is not simply a strategy to increase the company's sales: it is a vital step to ensuring that as the number of Nissan and Infiniti customers rapidly increases, every single customer can feel satisfied that the service is of the very highest standard.

First Showroom Opens in Ulan Bator, Mongolia

In 2006 the people of Mongolia celebrated the 800th anniversary of the founding of their country. In September that year Nissan opened its first showroom in Mongolia, the Nissan Center, in the capital, Ulan Bator. The showroom conforms to the Nissan visual identity, offering our Mongolian customers world-class standards of service quality, while the showroom itself has become a popular new landmark on the streets of the capital. In our sales operation in Mongolia, we are concentrating on selling our Patrol, X-Trail, Pickup and Sunny models.
North Africa's Biggest Showroom (Algeria)
Nissan Algeria opened the biggest showroom in North Africa at Pins Maritimes, Mohammadia, in July 2006. The new showroom boasts a design in line with Nissan's brand identity, and 15 vehicles can be comfortably displayed in the 12,000 square meters of floor space. The premises also house the headquarters of Nissan Algeria, and a components management center is scheduled to open in the suburbs of the city by September 2007.

An Integrated Dealership Network (Japan)
Japan's two affiliated dealership networks, Red Stage and Blue Stage, were consolidated in April 2005, and all Nissan dealerships in Japan now sell all models. The dealerships marked this total integration of sales operations by introducing Nissan's new visual identity, making steady progress on the shift to the new store designs. As well as carrying out renovations to accommodate the new Nissan image, the stores also now feature a fuller lineup of display and test-drive models.

In January 2007, a huge new secondhand car outlet, Carminal Tokyo, and a new Tokyo Nissan Auto Sales store—Shinsha no Hiroba, or "new car plaza"—opened on the site of the former Nissan Murayama Plant. Locating both dealerships on the same site will provide the best possible range of choices to customers unsure of whether to choose a new car or a secondhand model, and the synergy of the two sales outlets will offer customers superb value, giving a boost to the Nissan brand.

Reinforcing Our Commitment to Customer Satisfaction
In our dealership we are proud to be part of Nissan's goals worldwide, and were also proud to be recognized when we received another Global Nissan Sales and Service Way (NSSW) Award in 2006. We have worked to be part of all the programs that Nissan Mexicana has implemented, which has resulted in increasing customer satisfaction and fulfilled part of our own objectives as a dealership. We are very happy to see the launch of new models, which help us to remain competitive even in the highly competitive Mexican market. Our personnel have always worked hard as a team in total support of Nissan's management policies, and we are set on winning a fifth-consecutive NSSW Award through an enduring commitment to customer satisfaction.
Sustainability for Future Generations

At Nissan, we aim to achieve long-term sustainability in the future while maintaining profitable growth today. We take very seriously our role as a corporate citizen and it is our earnest wish to contribute to a sustainable society. In our corporate vision, Enriching People's Lives, we set out a range of activities in partnership with society through which we aim to contribute to the creation of a richer future for the generations to come.

CONTRIBUTING TO COMMUNITIES

Fulfilling Our Role as a Corporate Citizen

Nissan is fulfilling its role as a corporate citizen by working toward a sustainable society through activities in the fields of education, environmental awareness and humanitarian relief. The activities we carry out all aim to contribute globally to the sustainability of society; at the same time, we are careful to give due consideration to local conditions in the countries and regions where we work. Nissan of course brings economic benefits to the communities around our offices and plants by providing funding and employment, but we also make great efforts to build solid partnerships with those communities through our social contribution activities. As a global corporation, it is our duty to address problems that go beyond a single geographic area. We address these problems by balancing a global vision with the activities best suited to each community where we operate. This, we believe, lets us make the sort of social contributions that are uniquely Nissan.

Corporate Citizenship Structure
In its social contribution activities, Nissan places the greatest importance on the following three points:

1. **Fostering a spirit of voluntary participation among employees**
   - We do our best to support the social contribution activities carried out by individual employees, and we encourage as many of our people as possible to get involved in the spirit of corporate citizenship.

2. **Making the best use of our corporate strengths and qualities**
   - Some of our contributions are financial in nature, but we also aim to go beyond this by making full use of the resources built up through our business activities, such as our expertise and our facilities, to carry out sustainable activities.

3. **Cooperating with specialized NPOs and NGOs**
   - Nissan continually looks for ways to work with nonprofit and nongovernmental organizations in order to make its social contributions all the more effective and productive.

**SOCIAL CONTRIBUTIONS IN JAPAN**

**Nurturing the Creativity of Children**

Our hopes for the future lie with the children of today, and one of Nissan's goals is to help children develop the creativity they will need for their future lives. Since 1984 we have been working together with the International Institute for Children's Literature, Osaka, to present the Nissan Children's Storybook and Picture Book Grand Prix to amateur authors as a way of ensuring richly imaginative literature for our children. The 23rd Grand Prix, held in fiscal 2006, saw the entry of 2,108 storybooks and 553 picture books, of which 38 were selected for awards. The prize-winning works are published and copies are donated to around 700 kindergartens in the vicinity of Nissan's business locations, as well as to some 3,550 public libraries across Japan. We have so far donated a total of approximately 143,000 books in this way.

In another initiative, Nissan co-hosted the 15th Joyful Storybook and Picture Book Exhibition with a children's welfare foundation at the National Children's Castle in Tokyo's Shibuya Ward. This exhibition has been held every year since 1992 as part of Nissan's support for education, an area of special focus for our social contribution activities. It aims to stimulate children's curiosity and creativity, while nurturing and encouraging empathy for others through displays and workshops based on children’s stories and picture books.

**The Nissan-NPO Learning Scholarship Program**

Nissan has been carrying out the Nissan-NPO Learning Scholarship Program since 1998 as part of its cooperative efforts with NPOs. This program helps to nurture outstanding human resources by offering internship positions to university and graduate students interested in
gaining practical NPO experience. Successful applicants receive scholarships according to their achievements. Through their experiences in the NPOs where they are placed, the participants acquire creativity, insight and capacity for action. The program was carried out in fiscal 2006 for the ninth time, with 68 applicants from 32 universities around the world. After screening and interviews, 18 of the applicants were selected to receive scholarships and went to work for 16 organizations involved in the environment, international exchange, culture and arts and welfare.

**Education with a Focus on the Environment**

In January 2007 Nissan co-hosted a university extension course, the Environmental Volunteering School, with Waseda University's Hirayama Ikuo Volunteer Center and Eco-Future Committee. This course provided a chance to learn about Nissan's environmental efforts, and was attended by 37 Waseda students and other interested people. Held at the Oppama Plant and Nissan Research Center, the program included lectures, a tour demonstrating some of our environmental efforts and a visit to the plant. The participants also rode in a fuel-cell vehicle and visited our technology exhibition and hands-on demonstration room.

In March 2007 Nissan visited the Honcho Elementary School in the city of Yokohama to conduct classes about the environment using the example of fuel-cell vehicles. The school is known for its year-long program in environmental studies, and Nissan identifies education as one of its priority areas in corporate citizenship. An agreement was thus reached on conducting this class, and there are plans to continue this arrangement from fiscal 2007.

**Encouraging Employees to Get Involved**

In 1996 we launched the Nissan Financial Support Program for Volunteer Activities. In this program, which aims to support volunteer activities and community involvement by employees, Nissan pledges to match any employee donation and provides financial assistance when there are insufficient funds for employees to carry out volunteer activities or purchase the necessary supplies for such activities. We are keen to encourage voluntary social involvement and fund-raising activities among our employees, and we are working hard to create an environment in which tour workers can carry out activities on their own initiative.

**National Wheelchair Marathon Sponsored**

From December 1 to 3, 2006, Nissan's Oppama Plant co-hosted the Nissan Cup Oppama Championship 2006, a wheelchair marathon, together with local community groups. The course where this national race took place, approved by the Japan Association of Athletics Federations, included the grounds of the plant as well as public roads. Featuring joint corporate and
community organization, the marathon served the dual purpose of revitalizing the local community and spreading awareness of sports for the disabled. This was the seventh wheelchair marathon that Nissan has been involved in and it attracted approximately 210 competitors, including some of Japan's top wheelchair marathon athletes. There were road races in the marathon and half marathon categories, as well as short-distance time trials and short courses for younger athletes. Coinciding with this event, Nissan employees collected donations for organizations supporting athletics for the disabled.

**Contributions in the Environment, Cognition and Education**

The Nissan Science Foundation, chaired by CEO Carlos Ghosn, has a specific focus on research in the three areas of the environment, cognitive science and science and technology education.

The Foundation has produced some remarkable results in the field of environmental research. For the first time ever, the transfer of part of the genetic sequence responsible for photosynthesis in plants has been shown to improve the ability to discriminate CO$_2$, indicating the possibility of increasing the ability of plants to absorb the gas. This breakthrough discovery is expected to have significant applications. As well as its potential to become an important tool for addressing the issue of global warming, it could also play a part in alleviating global food problems. In addition, the expanded production of vegetation could increase bioethanol production capacity, contributing to efforts to find new energy sources.

The Foundation commenced two new educational programs in fiscal 2006. The first of these, the Nissan Workshop in Intensive Program on Sustainability, aims to foster future leaders in Asia capable of formulating policy and crafting public consensus, while taking into account the sustainability of society. Twenty graduate students, many from Southeast Asia, took part in this program in December 2006, seeking a deeper understanding of the sustainability and diversity of society through studies on the theme of “Cars and Transportation in 2050.” The second new educational program is the Nissan Leadership Program for Innovative Engineers, which aims to foster leaders able to promote the active use of scientific knowledge for social and technological innovation. Twenty people, including academics from postdoctoral students to associate professors as well as midlevel corporate technicians, took part in group work, compiling methodology and business models into written proposals. These educational programs are slated to be carried out in fiscal 2007.
In its third year, the Nissan Student Government Leadership program educated and inspired over 100 rising student body presidents and vice-presidents from Historically Black Colleges and Universities (HBCUs) across the United States. The innovative program invites student government leaders from the HBCUs to Tougaloo College in Mississippi for leadership development and training at a level generally reserved for Fortune 500 company executives.

The sessions, which addressed such themes as team development and understanding leadership challenges, enhanced the students’ self-awareness, self-management, sociopolitical awareness and interpersonal relationships. Nissan North America executives and managers were on-hand as “mentors” throughout the program, and participants received a “leadership toolkit” to aid their upcoming tenure as student government presidents.

Guest speakers included popular cultural icons, HBCU presidents, acclaimed authors, opinion leaders and government officials. Their presentations inspired the students not only to get involved in their communities but to become leaders of them.

Nissan has been committed to the HBCUs for several decades through various programs. The development of the Nissan Student Government Leadership program reflects our commitment to communities and the development of community leaders as part of our mission of Enriching People’s Lives.

The future of our planet lies in the hands of talented and motivated students in fields like the environment, science, engineering, business and public policy. In recognition of this, Nissan North America and the World Wildlife Fund formed a partnership to help young leaders on college campuses throughout the United States to become effective advocates for the environment.

The Nissan-WWF Environmental Leadership Program provides tomorrow’s leaders with opportunities to learn more about pressing environmental issues; to meet with scientists, policy makers and business leaders addressing these issues; to develop leadership skills; to receive hands-on experience in scientific field research; and to build a network of peers from around the country in a variety of academic disciplines.
Through this partnership, Nissan North America is supporting work in WWF priority areas, including the Namib-Karoo ecoregion, the Amazon and rivers and streams in the Southeastern United States. NNA also donated $100,000 to the Southern African Wildlife College to support scholarships for wildlife managers in Africa.

Eighteen college students were selected for the program in 2006. Each student received a $5,000 cash award and an opportunity to participate in a four-day environmental summit in Washington, D.C., in June and a research expedition to South Africa organized by the Earthwatch Institute in early August.

World Wildlife Fund (WWF) and Nissan North America (NNA) are working together to advance conservation initiatives around the world and at home in the United States. Through the Nissan-WWF Environmental Leadership Program, we are providing opportunities for college students on U.S. campuses to become effective advocates for the environment. Student participants in this program have noted the enormous impact the experience has had on their personal and professional lives, and we are confident they will make significant contributions to conservation in the future. NNA has also provided scholarships for Africans working as managers of protected areas and supported our U.S. Southeast Rivers and Streams Fund, which provides grants to local nonprofit groups working on watershed conservation. The company is also helping us with our work to protect large areas of the Brazilian Amazon. We are delighted that NNA has decided to renew our partnership for a second year.

Shaun Martin
Director, Conservation Leadership Programs
World Wildlife Fund (USA)

EUROPEAN PROGRAMS

Cannes Charity Auction

In May 2006 Nissan France S.A. partnered with such brands as Christian Dior, Royal Palm and Swarovski to participate in a prestigious "Gala for Life" humanitarian auction during the Cannes Film Festival. The evening was an unqualified success. All the items found buyers, helping to raise €110,000 for UNICEF to support 11 schools in Senegal.

Despite the numerous other attractions of the festival, nearly 200 personalities turned out at this auction to bid for the items on offer. Among the attending dignitaries were actress Carmen Chaplin, actor Ethan Hawke and Princesse Clotilde of Savoie.

The highlight and finale of this exclusive evening was the sale of a Micra C+C, put up for auction by Nissan France, which has been cooperating with UNICEF since 2003.
The Terre de Talents World Tour

Five students from France's most prestigious business schools visited major French lycées (upper secondary schools) around the world from September 2006 to June 2007. During their visits they offered students training in preparation for the personal interviews they will face when applying for jobs.

In addition to offering financial support to this ambitious and educational project, organized by the Terre de Talents nonprofit association, Nissan Europe S.A.S. is participating in a coaching capacity. One of our corporate communications department employees volunteered to serve as a member of the jury, visiting the French Lycée of London to give feedback on students’ career plans and offer advice on the interviews. Nissan Europe is convinced that companies need to play a role in preparing students for future professional life.

Celebrating Christmas with Kindness

Nissan Europe S.A.S. marked Christmas 2005 by taking the funds usually used to purchase and send Christmas cards and donating them to a charity program run by CARE France to help abandoned children in Romania. As part of this 2005 humanitarian program we also donated two Primastar minibuses to transport children in the program to medical facilities. In 2006 we decided to continue this action. The vehicles donated in the previous year are still going strong, so we focused on financial needs, providing €5,000 to CARE France.

Supporting Young German Designers

Nissan Design Europe in London offered design students at Pforzheim University in Germany an opportunity to create vehicle concepts for 2015. Supporting and encouraging the next generation of designers is an important task for Nissan as an automotive manufacturer, and this demanding program aims to give promising youths real-world creative experience they can build on in the future.

Some students were asked to develop exterior design proposals during the four-month project, while others worked on vehicle interior designs. The students made presentations in February 2006, and in March nine students whose projects were rated most highly were invited to London for final presentations and a tour of Nissan’s European design headquarters. The finalists also offered their views on what Nissan’s brand should express in the future and what its position should be in the context of global competition.
Boosting Breast Cancer Awareness

Nissan Motor (GB) Ltd. supports Breakthrough Breast Cancer, Britain's leading charity committed to fighting breast cancer. As part of this support Nissan offered the chance to test-drive a Cabstar truck and Micra C+Cs during the annual press test day in May 2006. These special vehicles were both pink—the trademark color of Breakthrough.

The pink color scheme was originally announced as an April Fool's Day promotion, but the idea attracted press attention, and we built a pink Cabstar and two Micra C+Cs. We donated money to the charity for each drive taken on the test day, helping raise over £8,000, and made further donations of £10 to Breakthrough every time someone test-drove a Micra at a dealership during May and June.

Activities at the Nissan Institute of Japanese Studies

In 1981 we established the Nissan Institute of Japanese Studies at Oxford University in the United Kingdom. In October 2006 we hosted a series of lectures at the institute over a two-day period. Tadao Takahashi, executive vice president of manufacturing, and Colin Dodge, senior vice president of Nissan Europe, spoke on the Nissan Production Way and Nissan's revolutionary management style. Some 120 students attended the lectures, which provided a valuable educational experience transcending national borders.

The Nissan Institute is also home to a Primastar high-roof van, which does valuable work shuttling books and other materials among a network of 30 Oxford libraries. Oxford University Library Services officials expect to deliver as many as 250,000 publications a year with this vehicle.

Prompt, Effective Disaster Relief and Reconstruction Assistance

When a major natural disaster strikes, it is vital to act in the immediate aftermath to help the survivors and limit the human toll of the disaster. At the same time, it is also extremely important to work over the long term to help affected people rebuild their lives through activities supporting reconstruction. Our approach to a major disaster is to build as accurate a picture as possible of the situation in the disaster area so that we can deliver the assistance that is really needed.
Great Sumatra Earthquake and Indian Ocean Tsunami (December 26, 2004)
Immediately after the news broke of the devastating earthquake and tsunami, Nissan’s Global Headquarters in Tokyo started planning its assistance for the stricken region. Part of our relief effort was directed at immediate emergency response activities, but most of it went toward long-term reconstruction activities throughout the affected region. We sent employees to visit the disaster area and collected information from relief organizations working in the region to get an accurate picture of actual needs on the ground.

In India, Nissan helped in the construction of facilities to give emotional and psychological care to children traumatized by the disaster. Six care centers have been completed, and the actual running of the centers has now been handed over to local community organizations. These facilities look after children up to the age of five, providing them with education, meals and vaccinations, as well as giving counseling to their parents.

In Thailand, we worked with the Shanti Volunteer Association to provide a mobile library service as a way to help local children overcome the disaster. We donated an Urvan (marketed in Japan as the Caravan), which we modified to enable it to carry large numbers of books and to provide a space for reading in the areas it visits. This mobile library is now touring parts of southern Thailand that were hard hit by the disaster. As of January 2007 it had traveled over 16,000 kilometers, bringing reading material to more than 12,000 people. By bringing smiles back to the faces of children and the families of victims it is helping to create an environment in which people can set about rebuilding their lives after such a tragedy.

Pakistan Earthquake (October 8, 2005)
After a huge earthquake rocked parts of Pakistan, Nissan Global Headquarters decided to donate funds to the relief operation. The funds were used by Japan Platform, a nonprofit organization that provides humanitarian relief, to distribute essential supplies and construct emergency shelters.

Central Java Earthquake (May 27, 2006)
Nissan responded to this deadly earthquake in Java by donating ¥10 million for emergency response through Japan Platform. Nissan employees in Japan and Indonesia also collected donations amounting to some 240 million rupiah (approximately ¥3.18 million). To ensure that all this money went directly to victims of the quake, local Nissan employees and owner’s club members visited the area together to determine local needs. The money was eventually donated to a project to rebuild elementary schools in Yogyakarta, and has funded the reconstruction of four schoolrooms to date.

As well as the Global Headquarters, regional headquarters and national offices around the world also provide emergency relief when a natural disaster strikes. Relief is coordinated by the office best able to assist depending on the scale and location of the disaster, and employees carry out relief work and raise money for the relief effort.
Supporting Culture and Health in China

Nissan China Investment Co., Ltd. is sponsoring the Nissan Ten-Year International Silk Road Walk, a walk covering the whole 7,000 kilometers of the historic Silk Road over the course of a decade. The walk provides a motivating opportunity for participants to experience first-hand the wonders of China’s history and art as they travel through different regions. It also gives them the chance to consider such timely issues as education and the environment in China. The event includes fund-raising activities for elementary schools in the poorest regions of the nation. Nissan China Investment also donated 100,000 yuan to the Lifeline Express, a mobile, train-based medical clinic offering free treatment to people in the poor regions of the Chinese interior. The Chinese Ministry of Commerce and the Chinese Foundation for Lifeline Express, which operate the program, presented the company with a letter of thanks.

Awards for Top Saudi Students

Al-Jabr Trading Co. (ATC), a Nissan dealer in the Eastern Province of the Kingdom of Saudi Arabia, held a ceremony in July 2006 to recognize top students in the primary and intermediate grades of public schools in the city of al Jubail. About 90 students were invited to the event, held at the Nissan showroom in the city.

Nissan Middle East FZE launched this program as a CSR initiative in 2005, when nearly 500 high school students from throughout Saudi Arabia were recognized for academic excellence.

With more than 10,000 unit sales per year, ATC is an important member of Nissan’s dealer network in Saudi Arabia. These academic recognition programs are a way for the company to play a role in the educational system of the community, as well as its economy.

“Imagination Factory” Design Forums in Asia

Nissan Motor Co., Ltd. sponsored a series of forums focusing on automotive design in various Asian countries in 2006, starting in Singapore at the end of August. Called “Imagination Factory,” the forums were held in collaboration with local design associations.

At these gatherings, Nissan and local creators explored new design possibilities through panel discussions. Each forum also featured an exhibition of Nissan’s design philosophy, strategy and practices open to members of the public, giving them a deeper understanding of automotive design trends.

In some countries, Nissan offered one-day workshops for students interested in careers in car or industrial design. Many of these young people took this opportunity to have their work critiqued by Nissan designers. This was the first time for an automaker to organize this kind of design event.
Aware of the disparities that exist in society, Nissan South Africa (NSA) has been actively contributing to the economy and the improvement of people's lives, particularly in the areas of education, environmental sustainability and humanitarian assistance.

The Adbag campaign, for instance, is a creative venture through which NSA addresses the consequences of poverty and reduces plastic bag contamination. Canvas from dismantled advertising billboards goes to schools for disabled learners, who manufacture school bags that NSA buys and then distributes to primary schools in impoverished villages. The project was launched in Limpopo, where 15,000 bags were distributed in 2006, and is currently being extended to the North West, KwaZulu Natal and Eastern Cape provinces, among others. This project creates employment while providing numerous pupils with their own school bags, thus eradicating the common rural practice of using plastic bags to carry schoolbooks.

Over the past two years NSA has hosted “learnership programs” for over 300 young people in an effort to address the technical skills gap in South African industry. This initiative benefits not just NSA but the country's manufacturing sector as a whole, as successful candidates acquire skills that make them employable.

Many South African university students have taken up internships at various NSA departments, with some of them going on to become a permanent part of our workforce. This scheme is in line with the government's skills development initiatives and has resulted in long-term partnerships with government agencies and the University of South Africa.

One highlight of our 2006 activities was the September donation of a state-of-the-art mobile eye-care clinic to the Phelophepa “healthcare train,” sponsored by the Transnet Foundation. The clinic complements the services already offered by the train-based clinic by visiting rural schools to offer eye examinations and provide prescription eyeglasses.
Protecting the Environment

Achieving a Symbiosis of People, Vehicles and Nature
Contributing to Sustainable Mobility

As a time when global environmental issues came into much sharper focus, 2006 turned out to be an important year. Climate change, in particular, is becoming a concern for countries around the world, as reflected in the publication of the “Working Group Report,” which will be contained in the Fourth Assessment Report of the Intergovernmental Panel on Climate Change to be issued at the end of 2007, and the Stern Review Report on the Economics of Climate Change, issued in October 2006 by the U.K. Treasury. These reports cite a strong possibility that human factors may be related to climate issues and conclude that prompt action is necessary. They also call for further contributions from all members of society, including the government and private business.

The year was also important for Nissan, which unveiled a midterm environmental action plan, Nissan Green Program 2010, containing “ultimate goals” for helping to protect the environment. This program will serve as the basis for technological innovations and their broad applications to contribute to the addressing of environmental issues and the realization of sustainable mobility.

NISSAN’S BUSINESS ACTIVITIES AND THE ENVIRONMENT

A Company That Sincerely Cares About the Environment

Motor vehicles, the primary products made by Nissan, are built using a variety of resources and run primarily on fossil fuels like gasoline and diesel. As a global automaker, Nissan actively seeks to ascertain the impact of its business on the environment and to take steps to minimize such impact. As ultimate goals, moreover, we seek to reduce the environmental impact caused by our operations and the usage of Nissan vehicles to keep it within the Earth’s natural ability to absorb it. Our goal is to leave as small a footprint on the planet as possible.
Nissan aims to become a “sincere eco-innovator.” By sincere, we mean to proactively address the environmental challenges and reduce the real-world environmental impact, and being an eco-innovator means providing customers with innovative products, technologies and services to contribute to the development of a sustainable mobile society.

Nissan believes that it can make a meaningful effort to help protect the global environment. The exhaust emission levels of the cleanest vehicle today are under 1/100 to 1/250 of the levels defined in regulations in the early 1970s. Efforts are being conceived to further reduce emissions to “virtually zero.” We will contribute to the protection of the global environment by creating a sustainable mobility society and achieving a “symbiosis of people, vehicles and nature.”

### Three Major Issues for Nissan

Nissan has identified three major issues to be tackled in the light of the impact that our primary products—motor vehicles—and our operations have on the environment, which is now confronted by issues like climate change, the burden placed on the ecosystem and humans by environment-impacting substances, and dwindling stores of mineral and water resources. We have established and are working to achieve ultimate goals for these three issues, namely, managing CO\(_2\) emissions; protecting the air, water and soil; and recycling resources.

These issues cannot be resolved in a sustainable way, though, unless they are harmonized with other considerations, such as value for and costs to the customer. The management of CO\(_2\) emissions, which Nissan considers to be a high priority, is being advanced under a “QCT-C” framework that adds a CO\(_2\) component to the traditional management indices of quality, cost and time. Nissan is thus undertaking companywide management of CO\(_2\) emissions.

### Launching of Nissan Green Program 2010

Nissan Green Program 2010, NGP2010, was announced in December 2006 as a set of medium-term targets, established through backcasting, to be reached by 2010 so as to enable Nissan to achieve its ultimate goals. It represents a step forward from Nissan Green Program 2005 and strongly reflects our perceptions and resolve to protect the environment. We will continue to rise to the challenge of offering products sought by customers that are truly environment-friendly.

To achieve progress in its three key issues—managing CO₂ emissions, protecting the air, water and soil, and recycling resources—Nissan believes it is necessary to link the efforts of its product and technical development, production, distribution, marketing and sales divisions, taking a cooperative approach that boosts the effect of our actions. We have established a global environmental management framework to advance our activities across this broad spectrum. By setting numerical targets and creating action plans for each area of our operations, we are making it possible to tackle the issues in an integrated manner.

Framework of Global Environment Management

The framework depicted below has been organized to promote environmentally oriented management on a scale that covers our global activities. The Global Environmental Management Committee (G-EMC), chaired by the company’s COO, draws up companywide plans for environmental policy and makes decisions on proposals to be made to the Executive Committee, chaired by the CEO. The Global Environmental Planning Office, launched in April 2007, manages planning, doing, checking and acting, or PDCA tasks, by making decisions on proposals forwarded to the G-EMC and specific actions to be taken in various divisions of the company, as well as tracking progress in these areas.

Nissan’s Global Environment Management Organization
In addition to these internal organizations, Nissan makes use of external input in refining its goals and actions. We seek a deeper understanding of the views of all our stakeholders, for instance by carrying out discussion with external experts and specialist organizations at our Environmental Advisory Meeting. We are also working to improve the content of our actions by examining them from the perspectives of trends in institutional SRI—socially responsible investment—or evaluations from rating agencies.

**Toward a Sustainable Management System**

To promote environmental activities, each company in the Nissan Group worldwide—including production sites, sales companies and affiliate companies—has been introducing environmental management systems.

Nissan’s main global production plants and its R&D centers have been introducing ISO 14001. At present 15 of 18 production companies including Nissan and its consolidated manufacturing affiliates have obtained ISO 14001 certification. Our basic policy is to set up environmental management systems according to the same standards whenever we expand our business into new areas.

In Japan we have introduced a unique environmental management system for our dealerships based on ISO 14001 certification—the Nissan Green Shop certification system. As of March 2007 some 3,300 dealership outlets in Japan had been designated as Nissan Green Shops. Every three years Nissan headquarters audits these dealers to decide whether they can renew this certification; the dealers themselves carry out internal examinations twice annually, thus working to constantly improve their environmental performance.

**Supply-Chain Management for the Alliance**

The purchasing divisions of Nissan and Renault manage their supply chains in line with the Renault-Nissan Purchasing Way, which defines the companies’ approach to dealing with their supplier business partners. To ensure sustainable development for society as a whole, the companies share the values of trust, respect and transparency with all their suppliers. Suppliers are required to promise full compliance with laws and regulations in this CSR-based approach to procurement. Additionally, in Japan we have specified Nissan Green Procurement Standards requiring suppliers to submit environment-related data, to set up their own environmental management systems and to designate people to operate these systems. We plan to expand these activities overseas next.
Communicating with Stakeholders

Nissan works to provide opportunities for direct dialogue with stakeholders as part of its strategy for two-way communication. This allows us to better understand what our stakeholders think about various issues. We put this understanding to work in our planning and business strategies with the end goal of increasing Nissan’s corporate value to all stakeholders. Forums for opinion exchange with external experts help us to adjust our goals and the direction of our progress as needed. We position all these efforts as a fundamental part of our corporate management, one that gives us valuable third-party reviews of our actions.

Nissan also works to disclose information through its Sustainability Reports, as well as a range of pamphlets and websites. Other efforts to boost communication with stakeholders include our informational exhibits, test-drive events, environmental panel displays in the guest halls at our plants, public tours of our environmental facilities, internal communications, Environmental Advisory Meetings and Environmental Communication Meetings.

The Environmental Advisory Meeting

Beginning in 2005, Nissan has held annual Environmental Advisory Meetings that aim to produce discussion whose results can be put to work in the company’s environmental measures. These gatherings are a valuable venue for us to collect input from specialists on how we may craft our global environmental strategy. Nissan Green Program 2010, our midterm environmental action plan announced in December 2006, is a product of these meetings, in addition to our internal deliberations. Outside opinions will remain an essential part of our consideration process as we take them to heart and reflect them in our decision-making.

China Environmental Forum

In September 2006 Dongfeng Motor Co., Ltd. hosted the Huadu Automobile Forum in the Huadu district of the city of Guangzhou, where its factory is located. Co-organized by the Chinese State Environment Protection Administration’s Science and Technology Department, the China Association of Automobile Manufacturers and the Huadu district authorities, this forum saw the participation of people from the national, city and district governments, as well as academic groups. Also present were 250 media representatives, making this a major event on the theme of harmonizing automotive development with protection of the environment.

Government and academic representatives spoke on environmental preservation, and President Katsumi Nakamura of Dongfeng Motor gave a presentation on the company’s environmental strategy. The Chinese authorities and media showed particular interest in Dongfeng’s approach to preservation activities, which encompasses concrete actions and specific targets throughout the value chain, and in Nissan’s technologies—both the continuously variable transmission (CVT) and the “design for recycling” now in use and future technologies that have yet to be introduced.
Elementary School Education Efforts
As part of our support for education, we spent more than half a year preparing for an environmental course presented at Yokohama's Honcho Elementary School. This public school, with a history of more than a century, emphasizes a comprehensive, year-round course of environmental learning; for its innovative activities it has also been designated one of Yokohama's leading "pioneer schools." Nissan's course, presented to around 140 fourth and fifth graders, included lectures on environmental issues and the chance to ride in one of Nissan's fuel-cell vehicles, the X-TRAIL FCV. We plan to offer eco-themed programs at this school on an ongoing basis.

Communication to Boost Employee Awareness
In order to further bolster its approach to environmental issues and deepen dialogue with external stakeholders, Nissan believes it is important to raise the awareness of all its employees. Toward this end we are focusing on more energetic internal communication. During fiscal 2006 we used posters and our intranet to share information about Nissan's environmental measures. COO Toshiyuki Shiga also took part in a meeting with employees on the topic of Nissan Green Program 2010, talking directly to them about his views of the program and addressing issues raised.

Environmental Education for Employees
Nissan provides focused training to all its employees to promote their awareness of environmental issues. New hires—around 240 in fiscal 2006—undergo basic environmental education as part of their orientation program. New managers, too, undergo training to gain the knowledge and awareness they need to lead our environmental preservation activities. Nissan has developed a unique curriculum for its training, including discussion programs with the participation of outside experts, courses to boost the eco-awareness of the company's midlevel employees and environmental seminars for top managers in the research and development division.

Environmental e-Learning
One of Nissan's in-house educational tools for employees is its environmental e-learning program. This enjoyable learning tool—developed in concert with the Natural Step, an NPO focusing on sustainability education—gives clear explanations of global environmental mechanisms and the importance of automakers being involved in tackling environmental issues. The program went online in Japan in June 2007, and is slated for expansion overseas in the future; it will eventually boost environmental literacy throughout the Nissan Group worldwide.
Some scientists have predicted major changes in the environment because of CO₂ emissions. The reduction of CO₂ is a challenge that humanity must meet on a global scale.

At Nissan, we are taking a variety of steps to minimize the emission of CO₂ at all stages of our operations and during the life cycle of Nissan cars, from the production of vehicles, their transport to dealerships and their use by customers to disposal.

**Nissan’s efforts to reduce CO₂ emissions**

In October 2006 the U.K. Treasury issued the Stern Review Report on the Economics of Climate Change, which pointed to the economic advantages of prompt action in averting climate change. The Intergovernmental Panel on Climate Change, moreover, published an interim report stating that human factors are a highly probable cause of climate change and that it is having a significant impact around the world. These reports are likely to encourage accelerated action to cope with this trend.

International debate is intensifying on the next framework agreement for climate change prior to the start of the first commitment period of the Kyoto Protocol in 2008. Many governments are enforcing stricter fuel-efficiency standards for motor vehicles: in Japan, a new target has been set for achievement in 2015, and in Europe, voluntary agreements on average CO₂ emissions have been concluded between the European Commission and automobile manufacturers associations. Average corporate fuel economy standards in North America and fuel consumption standards in China are also growing more stringent.

Many individuals are also expressing greater interest in fuel-efficient technologies, partly in reaction to the steep rise in the price of crude oil. For example, while new vehicle sales in Japan as a whole are falling, shipments of minicars with engine displacement of 660 cc or less hit a record high for the second straight year, rising 4.2% in 2006 over the preceding year.
We are already living in a carbon-constrained society. We at Nissan, therefore, regard CO₂ reduction to be an important challenge that we must tackle with sincerity and innovation in order to provide life with mobility to future generations of people around the world and to fulfill our corporate vision of Enriching People’s Lives.

**Nissan’s Present Levels of CO₂ Emissions**

<table>
<thead>
<tr>
<th>Category</th>
<th>CO₂ Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>2,600 kton</td>
</tr>
<tr>
<td>Logistics</td>
<td>1,200 kton</td>
</tr>
<tr>
<td>Use of Nissan vehicles</td>
<td>147,000 kton*</td>
</tr>
<tr>
<td>Offices, etc.</td>
<td>120 kton</td>
</tr>
</tbody>
</table>

*Calculated according to Nissan’s internal standards (annual figures)*

**Nissan’s Approach to CO₂ Reduction**

We believe that technology can play a significant role in the reduction of CO₂. This does not mean, though, that there exists any one technology that can reduce CO₂ emissions to sustainable levels. CO₂ reduction is an issue that cannot be resolved through technology alone; it requires efforts by all of society. It is not sustainable, moreover, just to develop the necessary technology; it must also be made compatible with other factors and balanced with cost considerations.

It is with this understanding that Nissan is undertaking the reduction of CO₂ through the following approaches, turning the challenges posed by CO₂ emissions into an opportunity to sustain our business.

**Our CO₂ Management Way: QCT-C**

Nissan has introduced its Global CO₂ Management Way, QCT-C, in an effort to reduce CO₂ emissions in a more positive and innovative way. This framework adds a CO₂ component to the traditional management indices of quality, cost and time and sets emission targets not just for our products, but for all corporate operations, in step with QCT indices. Balancing the often conflicting demands of QCT and CO₂ emissions is a big challenge, but we believe it is indispensable to achieving breakthroughs that can provide Nissan customers with added value.
We at Nissan have established long-term CO₂-reduction targets and are carrying out the necessary research and development to achieve those goals.

Opinion is divided over how high average global temperatures are rising and how low we must keep the density of CO₂. If we assume that atmospheric CO₂ must be stabilized at 550 parts per million to prevent average temperatures from rising more than 2 degrees Celsius, the “well-to-wheel” CO₂ emissions of new vehicles in 2050 need to be reduced by 70% over 2000 levels. (Reductions in new vehicle emissions must work in concert with CO₂ reductions throughout the transportation chain [well-to-tank], beginning with oil extraction and continuing through refining and transporting the fuel to the customer.)

By vehicle power source, gasoline engines can be improved to achieve an additional 30% cut in CO₂ emissions over the long term. Over the short and medium term, the focus of CO₂-reduction efforts will be on enhancing the fuel efficiency of these internal combustion engines. It will also be important to make diesel engines, which promise further reductions in CO₂ output, even cleaner.

But achieving further reductions will require the spread of new types of electricity-powered vehicles, such as hybrid, full-cell and electric vehicles. The 70% reduction target cannot be met even with these technologies, though, unless renewable energy is used to power the motors. Strengthening coordination with the energy sector will thus be essential.

**Long-Term Goal for Reducing CO₂**

**“Four Rights”**

We feel it is important to quickly and broadly popularize the technologies that can contribute to CO₂ reduction.

Our approach at Nissan has consistently been to provide effective technologies at prices that customers can afford so they can be quickly and broadly embraced by the market. This is in
keeping with our belief, based on the “four rights” (the right technology, at the right time, in the right market, at the right value to the customer), that unless a technology is “right” for the customer, it cannot make a significant contribution to improving the global environment. Technology cannot be forced onto the customer; it must truly meet customer needs and have true value. This is our responsibility as a global automaker and an indication of our sincerity.

Nissan's Roadmap for Reducing the CO₂ from Our Vehicles

The level of CO₂ emitted while driving is influenced not only by a vehicle’s performance and type of fuel but also by how a car is driven and traffic conditions.

Nissan thus approaches CO₂ reduction from three sides: the vehicle (Nissan products), people and the traffic environment. To more effectively reduce CO₂ emissions, we seek to develop and popularize fuel-efficient vehicles as well as to undertake driver education programs and carry out improvements of the traffic environment in cooperation with local communities, governments and other industries.

Utilizing the Merits of the Alliance

The reduction of CO₂ is an important responsibility for any automaker, but this admittedly is a task that requires vast R&D resources. We at Nissan thus utilize the merits of our Alliance with Renault to advance efficiencies in the development of new technologies. Through the division of R&D resources, such as by sharing platforms and powertrain technologies, the Alliance can make a contribution to the reduction of CO₂ as well.
**CO₂-Reducing Products and Technologies**

### 70% Reduction by 2050

Nissan has established a long-term goal of reducing CO₂ emissions in 2050 by 70% over 2000 levels and is promoting a variety of approaches to achieve this target. Nissan discloses fuel-consumption data for its vehicles in accordance with the measurement standards prescribed in each country, and it also calculates real-world fuel economy for in-house use by considering a mix of figures for city, highway and heavy-traffic road conditions to be used as an index for enhanced fuel efficiency.

We also estimate the companywide averages for fuel consumption (in Japan and North America) and CO₂ emissions (in Europe) by taking note of the number and type of vehicles shipped each year. This helps us to set targets to meet regulatory standards in each region and to reduce overall CO₂ emissions.

The figure at right shows the average annual CO₂ emissions of new Nissan cars sold in the Japanese, U.S. and European markets based on actual shipments.

#### A New Gasoline Engine and CVT

As part of Nissan’s efforts to enhance the fuel efficiency of gasoline engines and reduce CO₂ emissions, it has developed a new 1.5-liter gasoline engine and the electronically improved Xtronic continuously variable transmission (CVT) system for the Note that qualifies for the highest available “green tax” breaks in Japan for low-polluting vehicles. It has been certified as surpassing fuel-efficiency standards for fiscal 2010 by 20% and as an SU-LEV (super ultra-low emission vehicle) with emission levels that are 75% lower than 2005 standards. In addition to lower emissions, the Note also features a high potential recycling rate and gets more than 6% better mileage compared to the earlier models.

<table>
<thead>
<tr>
<th>Note (Japan)</th>
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<tbody>
<tr>
<td>Previous model (1.5L CVT)</td>
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<tr>
<td>18.2</td>
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</table>

<table>
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<tr>
<th>Cube (Japan)</th>
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<tbody>
<tr>
<td>Previous model (1.5L CVT)</td>
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<td>18.0</td>
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Global Introduction of VVEL
Nissan is introducing the variable valve event and lift system on a global basis to achieve a higher response, greater power, lower fuel consumption and cleaner emissions. The VVEL system continuously varies the angle and lift of an engine’s intake valve in accordance with the pressure that is applied to the accelerator to directly control the amount of air that is fed to the engine. By combining this system with continuous valve timing control (C-VTC), the timing and lift of the valves can be controlled to yield dramatic improvements in intake resistance and air intake response. This leads not only to better driving performance but also improved environmental performance by reducing CO\textsubscript{2} emissions up to 10% (according to internal measurements comparing CO\textsubscript{2} outputs of engines with and without VVEL systems).

Getting 30 Kilometers per Liter
Nissan will introduce gasoline-powered cars that reduce CO\textsubscript{2} emissions to levels equivalent to hybrid vehicles by the target date of 2010, starting in the Japanese market. This will be a car that can run for 100 kilometers on just 3 liters of gasoline, meaning it gets more than 30 kilometers per liter. Such fuel efficiency has never been achieved with a gasoline-powered car, but Nissan is working on its realization by combining ultra-efficient, supercharged engines with next-generation CVTs and integrated control systems.

Introduction of Clean Diesel Vehicles
Clean diesel engines are also being looked upon as a promising technology to lower CO\textsubscript{2} emissions. Nissan has already launched such engines running on blended biodiesel fuel on the European market, and in 2007 it introduced for the first time a 2-liter clean diesel engine complying with Euro4 emissions standards in the Qashqai. We will gradually expand our lineup of clean diesel vehicles clearing emission standards for the Japanese, North American and Chinese markets as well from the end of fiscal 2010. In North America, the clean diesel engine will be installed in the Maxima in 2010.

Cars That Run on 100% Biofuel
Biofuels are made from such plant matter as sugarcane, corn and construction waste. The CO\textsubscript{2} emitted by cars running on such fuels is essentially what the plants absorbed during their growth, so biofuel is regarded as a renewable energy source that does not increase CO\textsubscript{2} levels in the atmosphere. All Nissan gasoline-fueled new vehicles can already run on gasoline with a 10% blend of bio-ethanol (E10). And in North America, Nissan markets the Titan FFV and Armada FFV, which can run on E85, 85% bio-ethanol fuel. It plans to introduce a 100% bio-ethanol model in Brazil within three years.
New Hybrid Vehicles
Hybrid electric vehicles (HEVs), which combine a gasoline engine and an electric motor, have such eco-friendly features as low CO₂ emissions and clean exhausts. Nissan marketed the Atlas 20 Hybrid truck in Japan in 2006 and the Altima Hybrid in North America in 2007. In fiscal 2010, it will launch new HEVs with Nissan's original hybrid technologies in North America and Japan.

Plug-in Hybrids
Research and development is being carried out into plug-in hybrid technology, which is considered effective in reducing CO₂ emissions. Plug-in HEVs can run on motors whose batteries may be charged using ordinary electric sockets to enable CO₂-free driving, just like electric cars, when running on electric power.

Next-Generation Fuel-Cell Vehicles
FCVs, or fuel-cell vehicles, run on electricity generated from hydrogen and oxygen. The only waste emitted during driving is water, and FCVs generate neither CO₂ nor other exhaust gases. Nissan is actively involved in the development of such vehicles, having achieved cruising ranges and acceleration on a par with gasoline models with its X-Trail FCV 2005 equipped with a 70 megapascal high-pressure hydrogen tank and a Nissan-developed fuel-cell stack. In Japan, we have been leasing FCVs on a limited basis since fiscal 2003. We are planning to market next-generation FCVs with an improved Nissan fuel-cell stack in North America and Japan in the early 2010s.

Launching of New Electric Vehicles
Electric vehicles that run on motors and batteries are also very clean cars that do not generate CO₂ or other exhaust gases. Nissan has been developing electric cars since the 1960s and has announced and marketed numerous models. We will conduct fleet tests through 2010 and work closely with other industries on recharging facilities and other infrastructure so as to be able to launch new models in the early 2010s, starting with the Japanese market.

New Technologies to Promote Electrification
The core technologies in building electricity-powered cars are the motor, battery and inverter. Nissan has long focused its energies on the development of these technologies, and it will continue to do so under Nissan Green Program 2010, working particularly hard to reduce costs for mass production. Nissan has established a battery manufacturing company as part of such efforts, and it will strive to improve performance and further reduce costs. The batteries produced are expected to be used in hybrid, next-generation fuel-cell and electric vehicles.
**Agreement Reached to Establish Lithium-Ion Battery Manufacturer**

On April 13, 2007, Nissan announced the establishment of a joint venture with NEC Corp. and NEC Tokin Corp. to manufacture lithium-ion batteries. The new company, Automotive Energy Supply Corp. (AESC), aims to supply lithium-ion batteries for electric-powered vehicles to not only Nissan but also automakers worldwide by fiscal 2009. The establishment of AESC is based on a belief that lithium-ion technology offers a key solution to the achievement of a sustainable mobile society.

**Improving Traffic Conditions with ITS**

Fuel efficiency is not just a matter of technology; it is also influenced by road conditions and other factors. We are working toward the practical application of the Intelligent Transport System, which is expected to make driving smoother, by implementing the ITS Project in Kanagawa Prefecture. The project was launched in October 2006 to help reduce accidents, alleviate congested roads and improve other aspects of the traffic and social infrastructure, and it is being implemented not just with other automakers but also in conjunction with other industries.

**Using Navigation Systems to Promote Eco-Driving**

Carwings is a service in Japan that Nissan provides for car navigation system users. In January 2007 we began offering a new service using Carwings in an effort to steadily reduce CO\textsubscript{2} emission levels. Information about registered vehicles is transmitted to the Carwings Center, which calculates average fuel consumption and ranks drivers according to fuel efficiency on a members-only website each month. Users can thus enjoy seeing how well they do as eco-drivers while being encouraged to pursue fuel-efficient habits.

**CO\textsubscript{2}-Reduction Activities in Manufacturing and Logistics**

**Global Promotion of Energy-Saving Measures and CO\textsubscript{2} Reduction in Manufacturing**

Most of the CO\textsubscript{2} emissions from manufacturing are due to the usage of energy produced by burning fossil fuels. While promoting the Nissan Production Way, Nissan is proceeding with effective energy-saving activities in order to manufacture vehicles with less energy usage.

For example, in the area of technical improvements, more efficient facilities and processes have been applied and more efficient lighting has been introduced. Operational improvements include operation with less loss and careful management of air-conditioning and lighting systems. These best-suited reduction measures and case examples are shared among global sites and expanded accordingly.

In addition, utilization of natural energy has been also promoted according to each area’s condition. Nissan Motor Manufacturing (UK) Ltd. has introduced wind-generated electricity and Nissan Motor Co. participates in a wind-generated electricity project in Yokohama, Japan. Moreover, Nissan Motor Iberica S.A. in Spain has installed photovoltaic panels, while Nissan Mexicana, S.A. de C.V. produces hot water by using solar energy.
We are actively promoting CO2 reduction activities at all plants around the world, by learning from each other. In particular, the experience and knowledge stored in Japan, where Nissan Motor Co., Ltd. is leading in the field of energy efficient technology, have been utilized in every facility. Nissan set goals to reduce CO2 emissions per vehicle and to promote these activities globally in Nissan Green Program 2010. The target for fiscal 2010 is to reduce CO2 emissions by 7% from 2005 levels. Facilities around the world will reduce their CO2 emissions, subject to this target.

Global CO2 emissions per vehicle—the total CO2 emission amount from global Nissan sites divided by Nissan’s global annual production volume—were approximately 0.675 tons in fiscal 2006, a 4% reduction from the previous year.

**Nissan North America Plants Earn Energy Star Award**

Nissan North America’s manufacturing plants in Smyrna, Tennessee, and Canton, Mississippi, received the Energy Star Award from the U.S. Environmental Protection Agency in September 2006. This award is given to companies achieving an energy performance score within the top 25% nationally based on the EPA’s plant energy performance indicators measured on actual energy use. These two plants, our first award winners, were recognized for their energy-efficient operations that have reduced pollution, energy consumption and costs.

**Nissan Supports Yokohama Wind-Generated Electricity Project as “Y-Green Partner”**

As part of the measures against global warming and promotion of natural energy application, the city of Yokohama, which is seeking “Environmental Action City” status, is developing the Yokohama Large-Scale Wind-Generated Electricity Project by constructing wind turbines along its waterfront areas. Nissan supports this project, and by purchasing the electricity generated here as “green electricity,” Nissan was certified as a “Y-Green Partner” for its efforts to make business coexist with environmental activity.

**Solar Power Generation and Application Project at Nissan Motor Iberica**

Nissan Motor Iberica has placed photovoltaic panels on the roofs of the manufacturing plants in Barcelona and Avila, putting them into operation as of May 2007. Additional solar panels to produce hot water with solar energy are also under construction. This application of solar energy by Nissan is the first such attempt by an automaker in Europe. With this attempt, 260MWh of electricity can be generated and CO2 emissions can be reduced by 380 tons. These initiatives can contribute to Spain’s achievement of CO2 reduction under the Kyoto Protocol.

**Enhancing Transport Efficiency**

The transport of parts and finished products, an integral aspect of any production activity, is done mainly by trucks that emit high volumes of CO2. Nissan is seeking to enhance the efficiency of its physical distribution network and reduce emissions by shifting to other means of transport and improving the packaging of parts to increase the loading ratio.
The CO₂ emissions for distribution in Japan were 108,728 tons in fiscal 2006. In establishing targets for Nissan Green Program 2010, moreover, CO₂ emissions during physical distribution were recalculated using updated energy consumption methods using ton-kilometers and the type and volume of fuel used. Activities in fiscal 2006 included in the calculations were expanded, moreover, to include not only the domestic transport of parts for production and repair and of finished vehicles by truck and rail and between ports, but also such new categories as internal mail delivery, shipments of industrial waste and the distribution of pamphlets and other promotional materials to dealers. Additional efforts will be made to ascertain emission levels during shipments between Japanese and foreign ports, as well as for distribution within the North American, European and other markets.

**Improving Loading Ratios**

Nissan was the first Japanese automaker to use its own hired trucks to collect parts from suppliers. Compared to the earlier practice of having the necessary parts delivered by the supplier, this led to an improvement in the loading ratio. Whereas deliveries used to require some 2,500 10-ton trucks a day, under the new system, the number of trucks fell to 2,200. This approach has been adopted in China and Thailand as well, and it will henceforth be expanded to other countries. In Europe, Nissan has an arrangement with Renault for the joint shipment of parts. Shipments of finished cars across the English Channel had already been conducted jointly with Renault, but since January 2004 the mutual use of ferry transport has been expanded to other automakers as well to improve efficiency.

Containers called pallets that are used in the transport of parts have also been improved. Nissan has independently developed 55 pallet varieties to house parts more efficiently. When the containers are shipped back after delivery, they can be folded to save space, leading to a 10% increase in the loading ratio.

**Shifting Modes of Conveyance**

Nissan is undertaking a modal shift from truck transport to marine and rail transport. Already in Japan, 51% of finished automobiles and parts destined for remote areas are conveyed by sea. Parts that had previously been trucked from Kanto suppliers to Nissan’s Kyushu Plant are now transported via container rail freight, which results in less than half the CO₂ emissions of maritime transport. In February and March, when new car orders swell in Japan, specialized two-tier Nissan Car Pack freight cars that can accommodate vehicles on two levels are used to enhance efficiency. These were used to ship approximately 1,500 export-bound sports cars from Nissan’s Tochigi Plant to Nissan’s Honmoku Wharf in Yokohama during the February–March period in 2006, and further shifts in modes of conveyance are being advanced.
Protecting the Environment

Nissan and the Global Environment

Initiatives at Dealers and Offices

As for dealers, the Nissan Green Shop program being implemented throughout Japan will be further upgraded to introduce comprehensive CO₂ management. In fiscal 2007, total CO₂ discharges of dealer-related activities will be ascertained to conduct full-scale management starting in fiscal 2008, including the setting of emission targets.

Initiatives involving Nissan offices, meanwhile, include the full incorporation of environment-friendly designs for the new Nissan Headquarters in Yokohama, which is scheduled for completion in 2009, and at the Nissan Advanced Technical Development Center that was completed in Atsugi in fiscal 2007. These two new buildings are expected to qualify for the top S ranking under the Comprehensive Assessment System for Building Environmental Efficiency, which is being promoted by Japan's Ministry of Land, Infrastructure and Transport. CASBEE forms part of the Japanese government's efforts to fulfill its obligations under the Kyoto Protocol by promoting energy-saving residences, and Nissan is helping meet the government's challenge. In March 2007, Nissan also received a local CASBEE certification from the city of Yokohama.

Planting Trees to Offset Carbon Emissions

In October 2006 Nissan Motor (GB) Ltd. joined in the Carbon Offset program, offered by the Carbon Neutral Company, and planted approximately 180 trees in the Carrifran Wildwood in Scotland. These plantings were calculated to neutralize the CO₂ emissions between September 18 and December 31, 2006, from test-drive vehicles owned by the communications team and the use of airplanes carrying journalists to various Nissan events. This program aims to re-create the ancient woodlands of southern Scotland and offset some 30,000 tons of CO₂ discharged over the next century.

PROTECTING THE AIR, WATER AND SOIL

Building Environmental Value into Our Cars

Governmental regulations on vehicle exhaust began coming into effect in response to growing pollution problems in the 1960s. Later rules restricted the use of materials in vehicles that have adverse effects on the water and soil when the vehicles are disposed of. We have worked to comply fully with all these regulations by quickly developing cars that meet their requirements, as well as our own voluntary standards for areas including the reduction of volatile organic compounds (VOCs) in vehicle cabins. Today our cleanest car on the market emits exhaust with less than 1/100—in some cases less than 1/250—of the pollutants produced by cars in the early 1970s. At Nissan we focus on the environmental burden of our cars over their entire life cycles, and of our corporate activities, on the air, soil and water. We are dedicated to bringing this burden as close to zero as possible, to making this a new value for our customers and society, and to developing technologies that make this all possible.
Providing Environmental Quality Across the Globe

In order to reduce our use and emissions of substances that adversely affect the air, water and soil, Nissan sees a need to consider the automobile over its entire life cycle—from development and production through use and disposal.

The impact of Nissan's products on air quality comes primarily in the form of emissions released while a car is on the road. Regulations covering these exhaust emissions are becoming stricter all around the world. Euro4, the European Emissions Standards Level 4, went into effect in Europe in 2005, and the follow-up Euro5 standards will come into effect in 2009; in the United States, meanwhile, the Environmental Protection Agency's Tier 2 Vehicle and Gasoline Sulfur Program and Zero Emission Vehicle (ZEV) requirements regulate vehicle emissions in that country; and Japan is now implementing new long-term emission standards. The technology of diesel vehicles is an effective means of reducing CO₂ emissions, and governments are expected to bring the regulations on them into line with those now covering gasoline vehicles. And China and other countries are now moving toward closing the time lag in implementation of exhaust regulations as stringent as those seen in Japan, Europe and North America.

Nissan is making aggressive efforts to reduce the health effects of formaldehyde, toluene and other VOCs that can be released in vehicle cabins. Under a voluntary program carried out by the Japan Automobile Manufacturers Association to reduce cabin VOCs, all new cars produced and sold in Japan from April 2007 will meet standards set by the Japanese Ministry of Health, Labor and Welfare for concentration levels of 13 compounds in vehicle interiors. There is also a need to minimize the VOCs released on the painting lines in our plants.

The European End-of-Life Vehicles (ELV) Directive is a set of advanced regulations seeking to reduce the environment-impacting substances used in vehicles around the world. Nissan sources an increasing portion of its parts from locations all across the globe, and we are strongly aware of our responsibility to reduce the environmental impact of the substances we use in all the areas where we do business.

In accordance with the European Commission's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation, adopted in December 2006, we are also working on the management of chemical substances all the way up our supply chain.

Working to Meet Future Standards

In designing and producing its vehicles, Nissan sets strict regulations and targets for itself in an effort to foresee and stay ahead of future regulatory trends. Our Sentra CA, marketed in the United States in January 2000, was the first gasoline-powered car in the world to comply with the emissions requirements of CARB, the California Air Resources Board, and receive Partial Zero Emissions Vehicle (PZEV) certification. Our Bluebird Sylphy released in August 2000 became the first vehicle to gain certification from Japan's Ministry of Transport as an Ultra-Low Emission Vehicle (U-LEV), a vehicle producing 75% less nitrogen oxide (NOx) and hydrocarbon...
(HC) than the level prescribed in the 2000 emission standards. In 2003 this model became Japan's first to receive SU-LEV certification as a Super Ultra-Low Emission Vehicle producing 75% less NOx and nonmethane hydrocarbon (NMHC) emissions than prescribed by the 2005 standards.

Nissan's ultimate goal for emissions is to make them as clean as the atmosphere, and we are proceeding proactively with research and development aimed at this. Nissan Green Program 2010 sets a target of achieving early compliance by 2010 with upcoming exhaust emission regulations in each region.

**Reduction of Exhaust Emissions Achieved with LEVs and Future Target** (NOx and HC) [g/km]

![Graph showing reduction of exhaust emissions with LEVs and future target](image)

**Toward cleaner exhaust**

When it comes to pursuing cleaner vehicle emissions, Nissan believes it both necessary and effective to begin by improving gasoline engines. We have built up a body of industry-leading catalytic technologies, and we are putting these to work in the development of cleaner engines, providing effective technology to our customers at an affordable price. By May 2006, fully 80% of the Nissan vehicles sold in Japan had earned SU-LEV certification, the highest rank for emission cleanliness. We calculate that this level of SU-LEV penetration is the equivalent of shifting 40% of all new cars purchased in Japan to electric vehicles in terms of reducing NOx and HC emissions.

**Global standards for environment-impacting substances**

Nissan is moving forward with measures to reduce usage of environment-impacting substances. Regulations and guidelines differ from country to country, but Nissan has expanded its procurement network to a worldwide scale, and is applying one set of global standards to its own activities.

We are working on the reduction of VOCs in the production process from two angles, focusing on both the materials used to make our products and the compounds emitted by those products. Our VOC-reduction measures include a switch to water-based painting systems, lower usage of paint and thinners themselves and collection of used thinners.
Eco-Friendly Products and Technologies

World-Leading Catalytic Technology

Nissan has long held a top global position in the area of catalytic technology, beginning with its moves to meet the requirements of the U.S. Clean Air Act of 1970 and including the PZEV certification earned by the Sentra CA in 2000—the world’s first—and the first U-LEV certification awarded in Japan, earned by the Bluebird Sylphy in the same year.

In May 2006 Nissan reached its goal of receiving SU-LEV certification for 80% of its gasoline-powered passenger vehicles sold in Japan. As of March 2007, this figure had climbed still higher, to 84.4%. We intend to continue expanding our production and marketing of SU-LEV models. In the city of Beijing, which in December 2005 adopted the Euro3 emission standards as an early phase of their nationwide implementation, the Nissan Tiida marketed there complied with the requirements; this was followed by the Sylphy, which complied with the Euro4 requirements. We were also one of the first automakers to receive certification from the Beijing Environmental Protection Bureau for our on-board diagnostic (OBD) system, a self-diagnosing system that reports problems with the catalytic converter or other emission-control systems. In Europe, too, we moved steadily ahead with programs to comply with Euro4 regulations, introducing qualifying vehicles in 2003 ahead of applicable regulatory dates.

Toward Even Cleaner Diesel

Diesel engines, which promise further reductions in CO₂ output, are being required to be cleaner, and we aim to stay ahead of the regulatory curve in this field. Our new clean vehicles make use of diesel particulate filters (DPFs) that trap and curve substances making up dark fumes, NOx-absorbent catalysts and oxidation catalysts. In 2007 we are releasing our Qashqai SUV, outfitted with a 2-liter diesel engine and a DPF that clear the Euro4 standards, in Europe.

Far-cleaner diesel vehicles that will meet the most stringent exhaust emission standards—including Japan's Post-New Long-Term, the United States' Tier 2 Bin 5 and Europe's Euro5 regulations—will be marketed in Japan, the United States and China beginning in 2010.

Clean air both inside and outside the cabin

In December 2006 Nissan launched six new “clean air vehicle” compact models in Japan. Designed around the concept of “clean cabin air, clean emissions,” these models have all received SU-LEV certification; their high fuel efficiency also places them in the category taxed most favorably in Japan’s green tax system. With their advanced exhaust-detection systems governing airflows into the cabin and their high-performance filters, these cars provide passengers with consistently clean air.
Training OBD Specialists in China
Stringent emission standards have been implemented in China, and the Beijing city government began requiring on-board diagnostic (OBD) systems in all new vehicles on December 30, 2005. This requirement will be expanded throughout China from July 1, 2008, and the Chinese authorities are working hard to train the specialists needed to ensure nationwide compliance. Nissan has cooperated with China's State Environmental Protection Administration to operate a three-year OBD training program in which 21 trainees have taken part.

In July 2004 Nissan held an additional seminar on OBD systems in Beijing. Our forward-looking approach to improving the atmospheric environment in China has also been clear in our obtaining official OBD certification for our Teana and Tiida models ahead of other manufacturers.

A Global Policy to Reduce Chemical Substances
On a global basis, we are working to reduce or completely do away with certain substances in all new models launched beginning in July 2007: heavy metal including mercury, lead, cadmium and hexavalent chromium, in-cabin VOCs, and polybrominated diphenyl ether (PBDE) flame retardants. In Europe in particular, in line with the End-of-Life Vehicles (ELV) Directive, we have eliminated our use of the heavy metal listed here, except for in exempted parts.

We have begun a reconsideration of the adhesives and other substances in the seats, door trim, floor carpets and other parts of our vehicle cabins, with a view to reducing the amount of VOCs. Beginning with minor design changes to the Cube and Cube Cubic in 2005, Nissan has been reducing the cabin concentrations of 13 substances to below levels permitted by Japan’s Ministry of Health, Labor and Welfare. In this we are ahead of the voluntary industry moves aimed at meeting governmental guidelines.

Efforts to Protect the Air, Water and Soil in the Manufacturing Process
Seeking to Reduce Environmental Impact
Nissan clearly defines a management standard and scheme that control environment-impacting substances in the manufacturing process. We are working on reductions of both usage and emission amounts of these substances.

In addition, we are trying to achieve higher levels of performance toward satisfying legal requirements in all regions where we carry out our business. For example, in Japan, VOC regulations were enacted in fiscal 2006 and will be applied from fiscal 2010. Nissan has already complied with this regulation by switching to water-based painting and installing regenerative thermal oxidizers.
As an automaker with operations around the world, Nissan makes use of a truly wide range of resources. Rapid price increases for crude oil and rare metals are also issues related to our business. Nissan hopes to continue Enriching People’s Lives with mobility, and views securing the sustainable recycling of resources as essential in achieving this goal. Our fundamental stance is that resources are precious things to be used as efficiently as possible. We intend to work on recycling resources around the world, using the methods best suited to each area in which we do business.

An average passenger vehicle weighs 1 to 2 tons and is composed of precious materials available in limited supplies, including iron, aluminum, copper and synthetic resin. The cars consume fossil fuels once they are on the road.

Against this backdrop nations around the world are advancing measures to boost efficient resource usage. Japan and the countries of the European Union were among the first to regulate automobile recycling. These efforts have gained fresh momentum from legislation, with the End-of-Life Vehicles (ELV) Directive that came into effect in Europe in 2000 and the 2005 enforcement of Japan’s Automobile Recycling Law promoting the creation of better recycling systems. Developing economies like China are expected to see leaps in the numbers of ELVs accompanying the rapid rise in car sales there, and they are already preparing measures to cope with this.

Nissan aims to achieve a sustainable society with mobility through the recycling of automobiles. Our basic approach is the three Rs—reducing the use of substances that will end up as waste, reusing what we can and recycling materials whenever possible. We take steps to make effective use of the precious and limited resources available to us at every stage of a car’s life cycle, thereby contributing to a sustainable resource cycle.

In Japan, where the Automobile Recycling Law mandates a 95% recovery rate to be achieved by 2015, Nissan has moved its own target up by five years, and has been on track to achieve this figure by 2010 as stated in its Nissan Green Program 2010 commitments. Thanks to our activities in a range of fields, we were able to hit this target even earlier, in fiscal 2006—four years ahead of NGP2010 and nine years ahead of the legal requirement.

Our next step is to reach this 95% target on a global basis. As part of our efforts to achieve this goal we are working with our Alliance partner, Renault, to create a European network for used vehicle recovery.
nonrenewable resources, we give consideration to the use of recycled plastics and other materials, as well as renewable bio-materials. The material derived from bumpers that have been exchanged in repairs is recycled for new vehicles. We are also examining the possibility of recycling plastic parts from ELVs as material for new vehicles, searching for ways to overcome the technical challenge of maintaining their quality.

During the production phase, our goal is to reduce, reuse and recycle the waste generated at each stage as much as possible. At the sales and service phases of the vehicle’s life cycle, reused parts play an important role, and at the end of a vehicle’s life, we carry out research on ways to make it easier to dismantle and recycle, sharing the knowledge and techniques gained through this research with our people involved in earlier phases of the life cycle to improve the process as a whole. Nissan places particular emphasis on finding ways to recycle cars into new cars, rather than other products, without allowing the quality of reused materials to degrade.

All these steps are part of Nissan’s pursuit of the final goal of a 100% recovery rate—the percentage of all by-products from production and other business activities, including heat exhaust, that is recovered instead of discarded—for its products. We are also implementing measures that will bring our global recovery rate, the actual recovery percentage attained when a vehicle reaches the end of its life, to the 95% level.

Cooperation with many other members of society is essential for making that society truly sustainable. In its pursuit of effective resource-usage policies Nissan stresses the formation of partnerships outside its corporate sphere. We hope to make the synergies thus formed a part of the grand cycle of recycling resources.

**Flow of Resource Recycling (ultimate goals)**
Development: Design for Recycling

Designing with the Full Life Cycle in Mind

Accumulating expertise in the wise use of the Earth’s limited natural resources is a must for a company seeking to make its business sustainable. When Nissan begins designing a new model, it considers what will happen to the vehicle after it ends its useful life, whenever possible avoiding the use of environment-impacting substances and seeking improved recyclability. In Japan we have set our sights on a recoverability rate above 95% for our vehicles, and beginning with the 2005 Note, we have achieved this goal for all of our new models. Now we are focusing development efforts on pushing this rate still higher.

Together with Renault, our Alliance partner, we have created OPERA, a recycling simulation system used in the early design stages to calculate recoverability rates and recovery costs for new models. In this way we make recycling a guiding concept in the design process.

Clearing the 95% Recoverability Rate with the Skyline

Production and Distribution: Using Resources Efficiently

Efforts to Raise the Recycling Rate

To reduce the amount of waste generated during the production stage, Nissan promotes activities based on the “three Rs”—reducing, reusing and recycling materials whenever possible. Nissan Green Program 2010, our midterm environmental action plan, defines our goals in this area as achieving a 100% recycling rate for our operations in Japan and bringing this rate to an
industry-best level globally. In Japan, during fiscal 2006 we hit our 100% target at the Tochigi Plant and the Zama Operations Center. Also reaching this goal in fiscal 2006 were Nissan Shatai Co., Ltd. and Nissan Kohki Co., Ltd., bringing our total to four plants, one operation center and two consolidated companies’ plants with a 100% recycling rate.

### A Better Approach to Parts Packaging

In its pursuit of eco-friendly ways of doing business, Nissan was quick to focus on the wooden pallets used in parts shipping. We moved to replace these pallets, which ended up as refuse, with steel and plastic shipping units that could be returned and reused. Since 2001 we have worked with our Alliance partner Renault to standardize our returnable pallets; now this standardization is mostly complete all around the world, including in China and other Asian markets. Reexamination of our packing methods has allowed us to reduce the space occupied by our products during shipping, as well as the amount of packing materials required. For instance, by shipping modular parts in disassembled lots separated by component it is possible to cut the volume required per part by roughly half.

### Activities at Dealerships and the End of a Vehicle’s Life

#### The Nissan Green Shop Certification System

In Japan, our dealerships are the locations of our closest contact with our customers. To promote a responsible stance on the environment at our sales outlets, we undertake a range of activities based on our Nissan Green Shop environmental management system. Dealers certified as Nissan Green Shops are required to name an officer responsible for environmental issues; these officers keep the dealers in compliance with all environmental regulations, ensure that end-of-life vehicles and other forms of waste are disposed of properly, manage all environment-related equipment and carry out communication activities aimed at customers.

#### Boosting Reuse with Nissan Green Parts

When dismantling Nissan’s end-of-life vehicles (ELVs), recyclers carefully set aside the reusable parts. After we collect these and check their quality, we make them available through our sales outlets as Nissan Green Parts. The 42 types of secondhand parts on sale come in two categories: reusable parts, which are washed and tested for quality before sale, and rebuilt parts, which are disassembled and have components replaced as needed. Sales of these parts in fiscal 2006 were more than ¥2.17 billion. Nissan Green Parts are an effective way not just to reduce waste, but also to provide the parts that customers need more affordably—in the case of reusable parts, just one-third to one-fifth of the price of new parts.
Recycling Aluminum from Wheels

One of Nissan's unique recycling programs is its recycling of aluminum wheels. We work together with recyclers throughout Japan to collect these wheels from Nissan ELVs. We recycle the wheels through a process that does not degrade their metal, putting the recycled high-grade aluminum back to use in suspensions and other important vehicle parts. At present we recover and recycle around 100 tons of end-of-life aluminum wheels each month.

Dismantling Cars for a Greater Recovery Rate

To improve the recovery rate of its end-of-life vehicles (ELVs), Nissan is working together with recyclers, carrying out experimental dismantling of its cars. This research allows us to learn appropriate methods for dismantling ELVs, recycling the materials in them and recovering reusable parts from the perspective of the workplaces involved in these operations. Feedback from these experiments goes to our product design division, which puts it to work in new vehicle designs. The airbag recovery system developed through this process is now being put to work as part of Japan's Automobile Recycling Law regime.

Boosting Industrywide Recycling Law Compliance

Japan's Automobile Recycling Law went into force in January 2005. This law requires automakers to recover automobile shredder residue (ASR) and airbags, as well as to recover and dispose of chlorofluorocarbons and hydrofluorocarbons (CFCs and HFCs) from their ELVs.

As part of its efforts to comply with the law and increase the efficiency of resource recovery, Nissan is active in the ASR Recycling Promotion Team, or ART, a group of 11 automobile manufacturers and other firms. As a leading ART member, Nissan is working together with society to improve recycling cost efficiency for the vehicle owners.

Nissan's recovery rate for ASR from April 2006 through March 2007 was 73.9%, corresponding to an overall ELV recovery rate of 95.2%. This result comfortably clears the 50% level mandated by the law for fiscal 2010, and even satisfies the 70% requirement set for fiscal 2015. We have also achieved an airbag recovery rate of 94.3%, exceeding the legally required 85%, and recovered and safely destroyed 160,200 kilograms of CFCs and HFCs.
Automobile Shredder Residue Recovery

Nissan has focused on recovering automobile shredder residue, or ASR, since well before the 2002 enactment of Japan’s Automobile Recycling Law. ASR has a high heat index, which makes it difficult to control the temperature during the heat recovery process, but Nissan-developed technology has allowed us to overcome this problem. By modifying the furnace at our Oppama Plant, in fall 2003 we were able to become the world’s first automaker to recover energy from ASR in its own furnace. Since the 2005 enforcement of the Automobile Recycling Law, we have processed about 400 tons of ASR each month. We create steam with the energy generated in the incineration, using it in painting processes at the factory.

Recycling Activities as an Alliance

The European Union’s End-of-Life Vehicles (ELV) Directive was enacted in October 2000. This required automobile manufacturers and sales distributors to collect and recover ELVs. In order to comply with this directive, Nissan Europe S.A.S. and Renault are cooperating in activities in the countries where Alliance synergy effects are expected. These activities include the establishment of networks for collecting and recycling ELVs and supporting the sales distributors in each country.

RESPONDING TO VARIOUS ENVIRONMENTAL ISSUES

At Nissan our consideration for the environmental impact of the vehicles that are our products and our business activities has led us to define three key areas of focus for our environmental efforts. In addition to these areas, though, we carry out research aimed at gauging the importance of other factors to our company and responding appropriately to them. Our investigations of these fields are in some cases far from complete, but we intend to continue working to research various issues and the risk associated with them and to understand the demands that society has of us.

Dwindling Water Resources

At the United Nations Millennium Summit, held in 2000, member nations adopted a declaration establishing the Millennium Development Goals. The seventh of these, “ensure environmental sustainability,” includes the target of halving the proportion of people without sustainable access to safe drinking water by 2015. Nissan is doing its part to reduce its water use by cutting back on the amounts used and making use of reclaimed water in its processes.
Protecting Biodiversity

In 1992 the U.N. Conference on Environment and Development, held in Rio de Janeiro, Brazil, adopted the Convention on Biological Diversity. The signatory nations have been pursuing the goals of this convention, which were reconfirmed in March 2006 at the international gathering COP8, where a new agreement sought increased participation from industry. Today corporate efforts toward protecting biodiversity are accelerating. March 2007, meanwhile, saw environment and development ministers from the Group of Eight (G8) nations and five developing nations agree on the Potsdam Initiative—Biological Diversity 2010. Spurred by these governmental agreements, corporate moves to protect biodiversity are expected to pick up further steam in the future.

Biodiversity Protection at the NTC, Japan

Around Nissan’s Technical Center (NTC) in central Kanagawa Prefecture, located near the natural splendor of the Tanzawa-Oyama region, we have set up walking trails for nature observation. These have proved very popular with local residents. University teams researching the area’s ecosystem, home to many wild animals, also make use of this trail network. In fiscal 2006 a research group investigated the local forest’s capacity to absorb carbon dioxide, in the process discovering growths of a rare type of calanthe, a perennial plant designated as an endangered species. Nissan plans to continue its efforts aimed at coexistence with the natural environment.

Nissan Green Program 2010 states that a society with symbiosis among people, cars and nature is an ideal one in the future. In order to realize this ultimate society, Nissan puts high priority on the substantial reduction of CO₂ emissions from cars. It also promises society that its technology will provide innovative cars to achieve the goal.

As the IPCC’s Fourth Assessment Report of 2007 urges us, humankind needs to aggressively take on the challenge to reduce CO₂. I do welcome Nissan’s commitment to fulfill its social responsibility as a leading globally operating automaker. I support it because its environmental policy is in keeping with the expectations of society.

Though this is good, it is not an easy mission to complete. It is fair to say that without the understanding and collaboration of its customers and stakeholders, Nissan’s efforts will not pay off. A stronger linkage with society will help Nissan to overcome a lot of difficulties on the way.

Takejiro Sueyoshi
Special Advisor in Asia and the Pacific Region
UNEP Finance Initiative

Society’s Hopes for Nissan’s Visible Results

Messages from Our Stakeholders
Aiming for a Society with No Traffic Accidents
Through innovations in safety technologies and education activities, Nissan hopes to contribute to the realization of a society without traffic accidents. As a company that aims to create vehicles providing a rich and enjoyable driving experience, Nissan is working to secure dependability and safety not just for drivers, but for all members of our “automobile society,” including pedestrians and passengers in other vehicles. Our development of safety-related technologies to help drivers avoid dangerous situations before they happen, and to reduce the damage that can take place in case an accident is unavoidable, is a constant process of improvement that involves the analysis of accident data gathered around the world and the meticulous re-enactments of accidents.

Our efforts do not end with the capabilities of our cars. We also take part in educational activities that aim to raise safety consciousness, as well as in the active promotion of Intelligent Transport Systems that improve the driving environment as a whole. As an automaker, Nissan positions safety as one of the pillars of its business activities alongside environmental awareness and energy efficiency.

Statistics show that some 1 million lives are lost around the world each year in traffic accidents. In 2006 Japan saw 6,352 accident deaths. This was the second straight year for this figure to be below the 7,000 mark, but the fatality rate shows no sign of a significant fall.

Taking “real-world safety” as a key concept, we have set the goal of halving the 1995 number of fatalities and serious injuries involving Nissan vehicles by 2015. To this end we are focusing our efforts on the manufacture of safe automobiles. Data from the Institute for Traffic Accident Research and Data Analysis shows that we are making steady progress here: compared with the 1995 figures, the number of fatal and serious injuries per 10,000 Nissan vehicles in Japan was down 27% in 2004 and 34% in 2005.

Nissan collects data on traffic accidents on a worldwide basis. We put this real-world information to use by analyzing it scientifically to pinpoint causes of and trends in accidents. We also carry out simulations and accurate accident re-enactments in our crash laboratories to...
clarify the challenges ahead of us and further refine our safety technologies. We also seek to take this technology one step further, using it to find ways to help maintain safe driving conditions. This continuous process of accident analysis, crash re-creation and technological development allows us to constantly improve our automobiles and contribute to the realization of a truly safe automobile society. Nissan’s ultimate desire is “to reduce fatalities and serious injuries in accidents to practically zero” in the future. Our work on safety technologies is carried out with this ideal in mind.

### Vehicles That Help Protect People

Since 2004 Nissan has been developing safety technologies based on the unique “Safety Shield” concept—an advanced, proactive approach to safety issues based on the idea that cars
should help protect people. The Safety Shield concept defines an accident in terms of six distinct phases, from “risk has not yet appeared” to “post-crash,” putting appropriate measures to work to reduce risks in each of those phases and supporting drivers and passengers by helping to minimize threats to them whenever possible.

People are the central actors in the activity of driving, and our development efforts focus on supporting the driver. We are working to develop systems that provide needed information to the driver and respond accurately to that driver’s operations. When risk has not yet appeared, these systems help support the driver by reducing the physical burden of operating a vehicle, thus enabling better concentration on the task of driving. When a collision becomes unavoidable, the car’s systems themselves step up to actively assist the driver’s operations. And Nissan also provides technologies to help reduce damage during the crash phase itself.

During fiscal 2007, Nissan will introduce world-first technologies including the Distance Control Assist System, Around View Monitor and Lane Departure Prevention in its vehicles.

NISSAN’S NEW TECHNOLOGIES

Helping Maintain Comfortable Driving

The Distance Control Assist System
Nissan has developed a number of systems to help support the safety and comfort of drivers and passengers during ordinary driving situations. One of these is the Distance Control Assist System. A radar sensor installed in the front of the vehicle measures distance to the preceding car and the relative speed, helping the driver maintain distance between the car and the vehicle in front. When the driver releases the accelerator or is not pressing the pedal, the system can apply the brakes automatically as needed to maintain an appropriate distance. When the system judges that braking is needed it uses audible and visual alerts to inform the driver; it also lifts the accelerator pedal to assist the driver in switching to the brakes. In stop-and-go traffic, where frequent braking is required, this system helps to reduce the burden on the driver.

Too close to preceding vehicle
If the driver releases the accelerator, the system automatically applies the brakes.*

Braking is required by driver
(when preceding driver slows down, etc.)
Along with an audible warning and an indicator display, the accelerator pedal rises to assist the driver in switching to the brake pedal.

* Brakes are applied automatically only when the driver is not pressing the accelerator.
The Around View Monitor
Our Around View Monitor system, meanwhile, provides the driver with an overhead view of the conditions immediately surrounding the vehicle. Images from cameras at the front, rear and sides form a composite view displayed on the instrument panel. The real-time, surround view provided by this practical system makes it easy to guide the car into a parking space. This innovative system will go into production during fiscal 2007.

Helping Recover from Dangerous Conditions

Lane Departure Prevention
Other Nissan-developed systems are designed to support the driver in case driving conditions become dangerous. Lane Departure Prevention technology provides support to the driver by giving audible and visual warnings when the vehicle approaches the lane divider lines unintentionally. This system also generates force to help turn the vehicle back to the center of the lane, helping the driver to avoid unwanted lane departures.
Helping Minimize Damage in Unavoidable Collisions

The crash-compatible Zone Body

When a collision becomes unavoidable, Nissan technologies step in to help minimize danger to the vehicle’s occupants. Our Zone Body construction provides separate zones in the car: the crushable zone, or impact-absorbing structures, and the occupant zone, a high-strength cabin that helps to protect the driver and passengers. Beginning with its 2002 model, the March has made use of a crash-compatible Zone Body—an evolution of the technology that aims to increase the protection provided to the car’s occupants even as it helps to reduce damage to other vehicles involved in a collision. Pedestrians, too, see the benefits of our safety systems, particularly the impact-absorbing fender, cowl, hood, and bumper structures in the front of the vehicle that help reduce the threat of head and leg injuries resulting from a car-pedestrian collision.

A Focus on Collaborative Efforts

Safety-related technologies alone are not enough to put an end to accidents. Another important part of Nissan’s efforts to realize a safe automobile society is its work carried out together with government agencies and other companies. We are now working on experimental projects using ITS, or Intelligent Transport Systems, and carrying out educational activities to increase safety awareness among drivers and pedestrians alike. With the knowledge gained through cooperative work with our various partners, we hope one day to reduce the number of fatalities and serious injuries resulting from automobile accidents to practically zero.
Nissan launched its ITS Project in Japan’s Kanagawa Prefecture in October 2006, using the latest information and communication technology in Intelligent Transport Systems that create integrated networks of people, roads and vehicles, thereby aiming to reduce traffic accidents and ease road congestion. The ITS Project connects cars with a data infrastructure including roadside sensors, bringing together information on other vehicles in the area and the surrounding traffic environment. By analyzing this data the system aims to reduce offset collisions, increase safety in school zones, reduce congestion and provide information on the fastest routes available. This ongoing experiment is notable for its inclusion of some 10,000 vehicles in the community, whose drivers evaluate the usefulness of our systems in their everyday lives.

Nissan has also introduced the Carwings system, which makes use of traffic-related statistical data and real-time data from VICS, the Vehicle Information and Communication System, to suggest routes that avoid traffic congestion. In these ways we are looking beyond the car itself to deal with the traffic problems that vehicles cause. The ITS Project uses data links between cars and roads and pedestrian detection systems to contribute to improved safety and lighter traffic congestion. After building a solid track record for ITS in Kanagawa Prefecture, we hope to expand these successful efforts across Japan, and eventually all around the world.

### Information system for reduction of intersection collisions
Road-vehicle communication technology to warn drivers of accident risks at dangerous intersections

- **Vehicle detector**
- **Object blocking view**
- **Screen**
- **Display image**
- **Audio**

**Roadside signal**

**“Car approaching from your left.”**

### PROBE-based vehicle routing system
Individual vehicles automatically transmit vehicle speed and other data, which is used by the system to detect congestion, compute travel times and offer routing information with greater accuracy than current systems.

### Speeding information system
Tells the driver to slow down if exceeding the speed limit in restricted areas such as school zones.

- **School**
- **School zone**
- **Display image**
- **Screen**
- **Audio**

**“School ahead. Go slow.”**
The Nissan Hello Safety Campaign

In 1972 Nissan launched its Hello Safety Campaign to help educate children in Japan about traffic safety issues. The program’s activities were expanded in 2003 to involve senior citizens as well. We carry out community-based activities at the grass-roots level three times a year, making them part of traffic safety awareness programs held each spring and fall and educational programs run during students’ summer vacation. Major activities in the Hello Safety Campaign include the distribution of awareness-promotion videos to 1,380 Traffic Safety Association branches across the country and screenings at around 20 public planetariums, as well as the provision of reflective straps to help make pedestrians more visible during dusk and nighttime hours. Since 1987 Nissan employees have collected donations to purchase safety-training materials for organizations that need them.

Fiscal 2006 marked the thirty-fifth year of the Hello Safety Campaign. As an urgent response to a series of high-profile fatal accidents caused by drunk drivers, toward the end of the calendar year Nissan launched a new program for parents and children to work together to prevent this threat to safety.

Reducing Congestion and Accidents

In March 2007, Nissan began a series of tests at its Technical Center in the city of Atsugi, Kanagawa Prefecture, as part of its development of an Intelligent Transport System (ITS) featuring synchronized communication between traffic signals and vehicles. The facility includes two intersecting main roads, one running east-west for 2 kilometers and one north-south road 1 kilometer long, outfitted with the same traffic signals used on public roads and with roadside optical beacons. Several hundred employee-owned cars that use these roads carry beacon communicators. The data shared between the vehicles and the roadside system allows for the adjustment of traffic-signal changes, depending on vehicle and pedestrian traffic flows, and the optimization of signal timing, including longer turn times for cars crossing opposing lanes. Nissan’s wide-ranging ITS experiments aim to create an advanced traffic-control system based on vehicle-to-infrastructure communication.

Protecting Kids from Accidents in America

Traffic accidents are the number-one cause of child fatalities in the United States: statistics show that six children under the age of 15 were killed every day in motor vehicle crashes in the United States during 2005. Compounding this problem, more than 80% of child safety seats are installed improperly. As an automaker, Nissan wants to lessen these numbers, and the Quest for Safety and Snug Kids programs are important parts of our efforts in this area.
Snug Kids is an industry-leading online guide that provides Nissan and Infiniti customers with a list of child safety seats that fit their current-model vehicle and their child. Found on the Nissan and Infiniti websites, the guide lists seats from a wide variety of manufacturers and also includes general tips to get the best fit in the vehicle.

Nissan developed the Quest for Safety program in 1997 to educate caregivers and parents in low-literacy communities about child seat safety. We hold free local seminars in English and Spanish to teach parents how to correctly install car safety seats and distribute the Quest for Safety Reference Card, a simple, easy-to-read introduction to choosing a child safety seat.

According to the U.S. National Highway Traffic Safety Administration, 41% of fatal crashes are alcohol-related. Since 2005, Nissan North America has been the national sponsor of the annual Mothers Against Drunk Driving (MADD) Strides for Change walks. As MADD's signature event, the community-driven, noncompetitive 5K walks raise funds and awareness to stop drunk driving, support victims and prevent underage drinking.

As the national sponsor — and as part of its commitment to child passenger safety — Nissan employees certified as safety technicians conduct car-seat demonstrations and provide walk participants with Quest for Safety Reference Cards. Nissan employees also form teams around the country to walk and raise money.

By merging MADD's mission to stop drunk driving with Nissan's commitment to child passenger safety, the walks help raise public awareness and funds to support the prevention of traffic fatalities. Strides for Change attracts more than 10,000 participants and raises more than $1.1 million annually.

As an auto manufacturer, Nissan realizes the importance of educating drivers and making them aware of the consequences of their decisions.

The automobile market is booming in China, and auto safety is becoming an increasingly important issue as a result. In November 2005 Beijing was the site of the first Nissan Safe Driving Forum, a program to improve participants' driving skills and increase safety awareness. Large numbers of customers and media representatives attended the forum, the first such event to be carried out by a Japanese automaker in China.

In 2006 we followed up the Beijing forum with similar gatherings in four locations around the country organized jointly with the China Road Traffic Safety Association. One of these took place over eight days in late July 2006 in the city of Guangzhou in conjunction with the Guangzhou International Motor Show. Instructors were on hand to help drivers learn braking, cornering and other driving skills. Participants also got to test-drive Nissan cars, learn about safety features like...
our Anti-lock Braking System and Vehicle Dynamic Control and experience simulated rollover accidents using a Nissan Tiida.

Through events like these Nissan has been able to share its approach to safety with a wide audience, introducing to the Chinese people our Safety Shield concept of cars protecting people and our efforts to realize an automobile society without accidents. We plan to continue educational efforts throughout China to further promote automotive safety.

Testing High Schoolers’ Safety Knowledge

Another 2006 safety-related activity was a contest managed by Nissan (China) Investment Co. to test Chinese high school students’ knowledge of traffic safety issues. China is today seeing a rise in accident numbers, and we responded by focusing on young people. The contest, which aimed to increase contestants’ interest in and understanding of safety matters, began with simple quizzes on basic traffic rules and automotive safety devices. Participating groups then made their own presentations on automotive and traffic safety. After regional preliminary rounds took place in Beijing, Shanghai, Guangzhou and Chengdu, the final contest was held in Beijing in October 2006. In this last round, broadcast nationwide by China Central Television, the team of high schoolers from Chengdu came out victorious. The winning group earned an invitation to Nissan’s Tokyo headquarters in November; while in Japan they also visited the Oppama Plant in Yokosuka, Kanagawa.

Messages from Our Stakeholders

Taking Steps to Create Safer Communities

Kristy Hensel
Chief Development Officer
MADD National (USA)

Since 2005 Nissan has supported the mission of Mothers Against Drunk Driving (MADD); to stop drunk driving, support the victims of this violent crime and prevent underage drinking. Nissan is the National Presenting Sponsor of MADD’s signature 5K walk, Strides for Change. This event offers corporations and individuals an opportunity to create safer communities by engaging employees and their families in a fun and healthy activity. Walks take place in 30 cities throughout the United States, and individuals may also sign up to be virtual walkers. Like MADD, Nissan has a passion for safer roads and safer communities that is demonstrated through many programs, most notably Quest for Safety and Snug Kids. To support these programs, demonstrations of proper child-safety-seat installation are performed at all Strides for Change events. MADD is proud to team with Nissan to enrich people’s lives by creating safer communities.
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I have been involved in various aspects of manufacturing over the years, as a result of which I have worked at many different plants, both in Japan and overseas. Wherever I have been, though, I have always been aware of the importance of our stakeholders. I come into contact with Nissan’s stakeholders on a daily basis—the various suppliers on which our plants depend; the members of the local community where we live and work; our customers who use the vehicles we build; the individuals who put their faith in the future of our company and become shareholders; and the employees who work at our plants. Everywhere I have worked, I have keenly felt with all my senses the reality that our business would be impossible without the trust and sincere support of our stakeholders.

On a personal level, one’s spouse, parents, children and friends are all very important, and one naturally makes every effort to be sincere with them. This is the same with companies, which, like individuals, are members of society. It is very important, therefore, for us to remain attentive to all our stakeholders and to act with sincerity in everything that we do.

Corporate sustainability includes legal compliance, environmental measures and contributions to local communities. Here I want to consider a more fundamental issue: employee awareness. The concept of combining ideas from all around the globe should underpin our company. Nissan has over 180,000 employees around the world, of which about 60% are non-Japanese. North America, Asia, Europe and the BRIC countries are gaining increasing weight in our business, reducing the relative size of Japan’s operating base. However, simply becoming a borderless company will not ensure growth; we need global growth based on the Japanese way of making things. We also need the diversity of an optimal mix of all the world’s regions where we do business. All our employees need to see that a combination of the entire globe’s wisdom is the key to Nissan’s sustainability.
Even though the safety of automobiles in China is improving, awareness of vehicle safety among individuals remains low, and society as a whole has yet to take needed measures. It is thus necessary to help the public understand safety basics like using seatbelts and child safety seats. Nissan's Safe Driving Forum has been particularly effective in drawing attention to these topics and showcasing Nissan's latest safety technology. We feel that the forum will help China become a society with a high level of transportation safety in the near future. In my function as a Nissan liaison to the Chinese government, I hope to persuade the authorities to promote traffic safety policies in order to realize this goal as soon as possible.

The role of risk management within a company is generally likened to that of brakes on a car. Risk management is not something that stifles the aspiration to reach new heights though. Rather, it functions like anti-lock brake systems, airbags and other safety features in order to ensure that we, as a business, can race ahead full-speed to pursue and overcome our competitors. Within the company this means avoiding contingencies and increasing the certainty that we will achieve the targets of our midterm plans and our operational goals; outside the company our aim is to improve trust by properly disclosing risks. In doing so, I believe we support Nissan’s stable and sustainable growth.

The Infiniti brand was launched in Russia in August 2006. I am happy that Infiniti’s presence in Europe began in our country, and proud to be involved in one of the region’s first Infiniti dealers. Our aim is to offer Russian customers the level of service that this luxury brand deserves. I believe that coming to Russia is a sort of test for Nissan. It is not possible to please Russian consumers, who are informed and attentive to the smallest details, with beautiful advertisements alone. Success for Infiniti in the Russian market will be a sure sign of its development as a true international brand.
Sustainability and CSR are relatively new concepts in Mexico, but activities that support them have a long history at Nissan Mexicana, where I have been directly involved with pollution prevention and occupational safety. Actions to improve energy efficiency have not only reduced costs but have also cut greenhouse gas emissions, and no other car manufacturer in Mexico has attained as low a rate of water usage per vehicle as Nissan. This is particularly important considering our largest plant is in Aguaascalientes, a city in a semiarid climate that must deal with low water availability. Finally, the development of intrinsic safety practices and improvement of workers' attitudes toward personal behavior have contributed to CSR and sustainability aims by leading to a sharp reduction in labor accidents.

With consumers growing more conscious about their choices when shopping for a product or brand, the way we manage our businesses in regard to ethical and transparent relationships with stakeholders is key to our success. In a developing country like Brazil, stakeholders are even more sensitive to private companies' CSR activities, especially concerning their role in promoting equal opportunities. In line with Nissan's global social responsibility strategy, Nissan do Brasil is working together with the Nissan North America team in order to maximize possible synergies among CSR activities in the Americas. Such regional teamwork will promote consistency both in CSR activities and in communications with our stakeholders.

There is no better way of enriching people's lives than by providing the basic needs of deserving communities. At Nissan South Africa we took this mission to greater heights when we provided a mobile eye clinic to help provide eyeglasses to young children in underprivileged rural areas with unreliable access to health care. This clinic will ensure that over 4,000 schoolchildren will have their eyes tested annually, receiving glasses if needed. Nissan South Africa's approach to CSR is based on a commitment to sustainability, and we always strive to ensure that the projects we engage in leave communities with lasting benefits.

The facilities at the Avila Plant in Spain reflect Nissan's commitment to environment-friendly production. I'm very proud to work at a plant that has taken part in implementing clean energy initiatives, including the installation of 268 solar panels. These solar panels power the plant's water-heating system and auto-body-painting section, significantly reducing our facility's CO₂ emissions. I'm glad to be taking part in such a balanced and respectful industrial project that combines economic efficiency with a concern for future environmental objectives.
Our Views: Impressions from Nissan Management and Staff

Having been placed in charge of compliance at a time when scandals are occurring at one major company after the other, I am especially aware of the importance of observing codes of conduct. Violating even one rule places the entire company at risk and greatly inconveniences our customers. To avoid such circumstances, each and every employee must carry out their work with a full awareness of the seriousness of obeying the rules. While keeping in mind our goal of providing customers with attractive, high-quality automobiles and exceptional service, I would like to help create a corporate culture in which all employees think about and discuss the kind of company we ought to be and work together to realize a shared ideal.

Naoko Ikeda
Administration Department
Nissan Shatai Co., Ltd. (Japan)

Nissan Motor Indonesia (NMI) has been actively involved in a number of activities to improve Indonesian society. Following the devastating tsunami that struck Aceh in December 2004, NMI contributed 100 million rupiah to assist disaster victims there. NMI also handed over 12 Nissan vehicles to the U.N. World Food Program for its operations in Aceh. And following the massive earthquake that hit Yogyakarta in May 2006, donations from NMI and its individual employees, together with donations from Nissan employees in Japan, helped rebuild a school in one of the poorest disaster-affected areas. We hope that these and future contributions will improve social conditions and promote sustainable development in Indonesia.

Teddy Irawan
Deputy Director
Sales and Marketing
PT Nissan Motor Indonesia

With people now buying cars designed for particular lifestyles, I try hard to serve as the best possible car-life advisor for each of my customers. Dealerships are not always as inviting as those of us working in them would like to think, so I place great importance on greeting customers in the parking lot, creating a relaxed atmosphere in the showroom and being as attentive as possible. With an increasing number of women visiting the dealership, I think it's important to have salespeople who can relate to the needs of our female customers. As a woman, I'm pleased that I've been able to fulfill this type of role for so many years.

Shoko Hachiya
Manager
Nissan Gallery Kariya
Mikawa Nissan Motor Co., Ltd. (Japan)

Fuel-cell vehicles (FCVs), although not yet widely used, are perhaps the ultimate eco-car. By launching social contribution activities that incorporate FCVs, we are teaching children about the serious nature of global environmental change and how the development of new technology is critical to dealing with this issue. During the demonstrations I often hear shouts of "Cool!" or "I'm gonna buy one when I grow up!" and I am always impressed by the children's enthusiasm. I hope this environmental education will boost both admiration for technology among the kids and the numbers of Nissan and FCV fans. I'd like to get more young employees involved as I continue this educational outreach activity in the future.

Fuminori Yamanashi
Manager
FCV Engineering Department
Nissan Motor Co., Ltd. (Japan)
We started producing crankshaft forgings at the Decherd Powertrain Assembly Plant in September 2006, marking the first time Nissan has forged crankshafts outside of Yokohama, Japan. The plant will produce forgings for all Nissan and Infiniti vehicles made in North America. Manufacturing these parts close to where they'll be assembled into our engines will help Nissan control transportation and inventory costs. It also helps us maintain the quality standards so critical to excellent engine performance. While we're building great components at a reduced cost, we're also building a real sense of pride in the quality and value we deliver to our customers.

Dana Miles
Area Manager
Decherd Powertrain Assembly Plant
Nissan North America, Inc. (USA)

The relocation from Los Angeles to Nashville now seems like a blur. In the final months before the move, many employees were torn between their love of working for Nissan and their personal commitments in California. I appreciated the fact that Nissan set up a career center to provide job-seeking support for employees who were not going to relocate and needed to find other jobs. This really demonstrated the company's compassion for the people that worked at Nissan. Nashville has turned out to be such a nice surprise in terms of what the community has to offer. There is still more adjustment to come, but I am hopeful that this will ultimately result in a brighter future for Nissan.

Jeannie Lam
Brand Management
Nissan North America, Inc. (USA)

At Nissan Motor Egypt we are committed to keeping our customers satisfied by constantly improving our work practices and skills. All our groups form one team, with the Alliance Vehicle Evaluation Standard (AVES) group providing feedback to our production and inspection people. Solid teamwork on the shop floor and cross-functional ways of thinking are our best tools to achieve quality targets. We are all proud of achieving a high level of quality and of making Nissan the best it can be. In Egypt we believe that power comes from inside, just as our ancient ancestors did when they built a great civilization. Today we are putting our power and beliefs to work to make NMEG a key part of Nissan.

Khaled Hassan Bakr Ebed
Alliance Vehicle Evaluation System Foreman
Quality Assurance Department
Nissan Motor Egypt S.A.E.

From the customer’s point of view, it goes without saying that a product should be free of defects. Indeed, as we see it, even a single flaw could prove to be a serious error. Rooted in our goal of attaining the world’s highest quality of craftsmanship and our identity as an Infiniti manufacturing center, all of us at the Tochigi Plant are thoroughly dedicated to quality. We pursue craftsmanship with the goal of not simply attaining success but of further improving upon that success. We take great pride as professional automakers and are ever mindful of our customers’ high expectations. This attitude extends to each and every worker on the production line, strengthening our commitment to continue delivering high-quality automobiles.

Kazuaki Miyakawa
General Foreman, Assembly Section
Tochigi Plant, Manufacturing Department No. 1
Nissan Motor Co., Ltd. (Japan)
Performance Data

Nissan Sustainability Report 2007

Performance Data

R&D: 11 countries/areas (Japan, USA, UK, Taiwan, China, Thailand, South Africa, Mexico, Brazil, Spain, Belgium)

Design: 4 countries/areas (Japan, USA, UK, Taiwan; total of 6 design centers)

Automobile Production Plants: 16 countries/areas (Japan, USA, UK, Spain, Taiwan, China, Thailand, Philippines, Malaysia, Indonesia, Mexico, Brazil, Iran, South Africa, Kenya, Egypt)

Sales Network: More than 160 countries/areas

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**Performance Data**

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<th>FY2004</th>
<th>FY2005</th>
<th>FY2006</th>
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<tr>
<td>No. of employees (consolidated)</td>
<td>183,607</td>
<td>183,356</td>
<td>186,336</td>
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<tr>
<td>No. of individual investors</td>
<td>190,770</td>
<td>218,620</td>
<td>195,550</td>
</tr>
<tr>
<td>Price-to-earnings ratio</td>
<td>9.7</td>
<td>12.2</td>
<td>13.3</td>
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<tr>
<td>Share price volatility</td>
<td>20.0%</td>
<td>16.5%</td>
<td>22.4%</td>
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<td>Corporate tax</td>
<td>¥192.3 billion</td>
<td>¥229.1 billion</td>
<td>¥268.9 billion</td>
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<tr>
<td>R&amp;D expenditures (% of sales)</td>
<td>¥398.1 billion (4.6%)</td>
<td>¥447.6 billion (4.7%)</td>
<td>¥464.8 billion (4.4%)</td>
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<tr>
<td>Capital investment (% of sales)</td>
<td>¥477.5 billion (5.6%)</td>
<td>¥475.0 billion (5.0%)</td>
<td>¥509.0 billion (4.9%)</td>
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<tr>
<td>Monetary donations for disaster relief</td>
<td>¥120.7 million (by Nissan Motor Co., Ltd.)</td>
<td>¥10.0 million (by Nissan Motor Co., Ltd.)</td>
<td>¥3.18 million (by Nissan Motor Co., Ltd.)</td>
</tr>
</tbody>
</table>

**Nissan Motor Co., Ltd. data**

- No. of employees: 32,755, 33,025, 32,746
- Average age (years): 41.0, 41.2, 41.5
- Average service (years): 19.7, 19.9, 20.1
- Average annual salary*: ¥7,309,244, ¥7,299,136, ¥7,226,628
- Disabled employment ratio: approx. 1.9%, approx. 1.9%, approx. 2.0%
- No. of employees taking parental leave: 61, 71, 98
- No. of employees taking nursing care leave: 8, 4, 4
- Training, education time per employee: approx. 35 hours, approx. 35 hours, approx. 35 hours
- Employee health ratio**: 72.63%, 72.22%, 70.95%
- No. of unionized employees: 29,695, 29,624, 30,521

*Average annual salary for employees not in managerial positions; includes bonuses and overtime pay.

**Percentage of employees receiving a clean bill of health in regular medical checkups.

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**Sales by Model (Top 5)**

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<td>Serena</td>
<td>78,979</td>
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<tr>
<td>Tiida (includes Latio)</td>
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<td>Note</td>
<td>65,199</td>
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<tr>
<td>Cube</td>
<td>55,523</td>
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<td>March</td>
<td>47,267</td>
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**U.S.**

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<tr>
<td>Altima</td>
<td>232,457</td>
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<tr>
<td>Sentra</td>
<td>117,922</td>
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<tr>
<td>Murano</td>
<td>81,362</td>
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<tr>
<td>Frontier</td>
<td>77,510</td>
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<tr>
<td>Pathfinder</td>
<td>73,124</td>
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**Europe**

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<tbody>
<tr>
<td>Micra (includes C+C)</td>
<td>133,539</td>
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<tr>
<td>Note</td>
<td>85,250</td>
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<tr>
<td>X-TRAIL</td>
<td>53,200</td>
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<tr>
<td>Navara</td>
<td>50,291</td>
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<tr>
<td>Almera</td>
<td>43,756</td>
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**Union Information**

Nissan Motor Co., Ltd.’s employees are affiliated with the All Nissan Motor Workers’ Union, for which the governing body is the All Nissan and General Workers’ Unions, and the Japanese Trade Union Confederation (Rengo) through the Confederation of Japan Automobile Workers’ Unions. The labor-management relations of the company are stable, and the number of union workers was 30,521 as of March 31, 2007. In addition, the Nissan Motor branch of the All Japan Metal and Information Machinery Workers’ Union (JMIU), another trade union, had one affiliated employee as of the same date.

At most domestic group companies, employees are affiliated with their respective trade unions on a company basis, and the governing body is the All Nissan and General Workers’ Unions. At foreign group companies, employees are affiliated with their respective trade unions. In Mexico, for example, workers are affiliated with a domestic trade union for which the governing body is the Confederation of Mexican Workers (CTM) or independent trade unions, whereas most employees in the United Kingdom are affiliated with the Amalgamated Engineering and Electrical Union (AEUE). Local employees of other group companies are affiliated with different types of trade unions according to the labor environment in each country.
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.
Information on risks involved in business operations has been disclosed in the Yukashoken-Hokokusho for the year ended March 31, 2006, 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.

**Risks Involved in 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 turmoil due to terrorism, war or other destabilizing factors

**Research and Development**
Nissan's technology must be 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, it 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 countries where Nissan manufactures vehicles against the yen could lead to increases in both procurement and production costs, which would adversely affect Nissan's competitiveness.

**Derivatives**
Nissan utilizes derivative transactions for the purpose of hedging its exposure to risks such as fluctuations in the foreign exchange rates of its receivables and payables denominated in foreign currencies, the interest rates of interest-bearing debt and fluctuations in commodity prices. While Nissan can hedge against these risks by using derivatives transactions, by so doing, it may miss the potential gains that 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 that 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 its 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. Although Nissan established an Intellectual Property Rights Management Department in April 2004 for protecting intellectual property rights in specific areas, strengthening activities to protect Nissan's intellectual property rights and abstracting new intellectual property rights, and has been performing various activities to protect and create the Nissan brand, cases may arise where Nissan finds itself unable to prohibit others from infringing on its intellectual property rights.

**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, Nissan has been strengthening 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 amounts of Nissan's retirement benefit obligations 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 cannot 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.
Regarding Nissan’s Approach to CSR

Nissan has the ability to accurately understand the company’s own uniqueness; there are countless CSR approaches that deserve to be acknowledged. However, out of many outstanding activities, three key, distinguished efforts stand out:

1. Not only have Nissan’s executives and management given clear commitments, but the company has intertwined its Nissan Value-Up midterm business plan with the company’s approach to CSR.
2. Nissan has established a plan-do-check-act (PDCA) management method that accurately acknowledges the needs of society, in parallel with a vector for the company’s growth.
3. The significant reason for the realization of Nissan’s unique management method is the establishment of the CSR Steering Committee, allowing the smooth functioning of decision-making mechanisms related to various aspects of CSR.

For the further development of Nissan’s approach to CSR, the challenge for the company will be to establish an overall management system that can incorporate CSR-related information, including nonfinancial information. Furthermore, while Nissan continues to adjust effectively to the changes of society, it will be required to understand the risks that may influence the company, and utilize all this in the company’s management strategy.

For this to become a reality, Nissan is challenged to continuously work on effective utilization of the CSR Steering Committee, while enthusiastically addressing the following three issues in particular:

1. Establish a system or structure to share information related to CSR with all employees of Nissan.
2. Conduct supply chain management engaging Nissan’s suppliers and sales companies.
3. For further development of approaches to CSR, develop a unique CSR method incorporating the general concept of materiality, which is recently being increasingly debated.

Finally, it is hoped that Nissan will continue to be conscious of the huge impact the company has on society as a whole. As a leading company, Nissan is expected to take on the challenges of CSR enthusiastically.

Nissan and Socially Responsible Investment

In recent years investors have paid more attention to the concept of socially responsible investment (SRI), evaluating corporations from environmental and social perspectives in addition to financial fundamentals. Nissan is proud to be listed as part of the FTSE4Good Global 100 index and the Morningstar SRI index (as of June 2007).

Morningstar SRI

The MS-SRI index is managed by financial information services firm Morningstar Japan K.K., a joint venture of SBI Holdings, Inc. and Morningstar Inc.

FTSE4Good Global 100

This SRI index is managed by the FTSE Group, a British company jointly owned by the Financial Times and the London Stock Exchange.
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 2006 (April 2006–March 2007); content that describes efforts before or after this time period is indicated in the respective section.

Third-Party Certificates
No globally accepted method for third-party certification 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 seek third-party certification.

Referenced Reporting Guidelines
This report uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2002 version and G3) and the Environmental Reporting Guidelines (2003 version) of Japan’s Ministry of the Environment as references. We also report on a number of other actions that are not covered by the guidelines.

Forward-Looking Statements
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
All errors discovered after the report is published will be corrected and displayed at the URL below. http://www.nissan-global.com/EN/COMPANY/CSR

For further information, please contact:
Nissan Motor Co., Ltd.
Global Communications and CSR Division
Communications and CSR Department
CSR Group
17-1, Ginza 6-chome, Chuo-ku, Tokyo 104-8023, Japan
phone: +81(0)3-5565-2132  fax: +81(0)3-3546-2669
E-mail: NISSAN_SR@mail.nissan.co.jp

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