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# PRODUCT SAFETY AND QUALITY

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## Product Safety and Quality Policies and Philosophy

Product evaluations and automaker brand value are entirely dependent on customer perception of quality. In the automotive industry, rapid technical innovations are seeing customers demand ever-higher levels of quality in the products they purchase. A company can strengthen its brand by consistently providing the value customers expect, but failing to meet expectations even once makes it harder to maintain a platform for providing new value to those customers.

As mobility needs rise worldwide, driven by increased urbanization and structural changes in the global economy, Nissan is expanding production to fulfill its mission of offering people everywhere the rich benefits of mobility. At the same time, we believe that automakers have an important responsibility to always offer customers the kind of quality they expect. We aim to earn our customers' trust by addressing quality as a companywide issue. This means providing top-level quality to customers at every stage, from the planning of new vehicles through development, manufacturing, distribution and sales to aftersales service.

## Fair and Swift Action on Major Quality Issues

Our primary responsibility as a manufacturer is to make every effort to ensure that product issues do not occur in the first place. Another duty is to ensure that vehicles, which are extraordinarily complex industrial products, are manufactured to handle a range of eventualities. Our approach to recalls is to conduct them transparently, fairly and promptly. The decision to conduct a recall is based on compliance with relevant laws and consideration of how the issue may affect customers' safety. When a recall is judged necessary, we implement it swiftly, placing top priority on customer safety and minimizing the disruption to their lives.

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## Quality Policies and Philosophy

Quality has many aspects, and we seek to provide high quality at all stages of the customer experience: how it feels to use the product itself, the way customers are treated by sales staff in showrooms, the response if problems arise with the product. To achieve this, we pursue effective companywide cooperation at the cross-functional and cross-regional levels. We aim to be recognized by customers as a brand offering top-level quality in both products and sales and services.

Vehicle product quality is essential for safe and comfortable long-term use. We aim to provide a high level of quality that meets customer expectations over the entire lifecycle of the product. This includes the perceived quality when a customer opens the vehicle's door in the showroom, sits in the seat and takes a test drive; the initial quality in the first year after purchase; and the durability that allows the vehicle to provide many years of use.

We also conduct initiatives to increase customer satisfaction (CS) regarding sales and service quality. Our aim is to exceed expectations at every customer contact point, including dealership visit, purchase, maintenance, inspection and repurchase.

We listen to customers and incorporate their feedback in every process throughout the company in our pursuit of CS.

## Product Safety and Quality Management

Ensuring the safety of customers who purchase Nissan cars and consistently providing the quality they expect are both important parts of gaining their trust. In order to earn that trust and achieve sustainable growth, Nissan has set the companywide goal of being recognized by customers as a brand offering top-level quality. We have created systems to promote quality improvement globally, with top executives taking responsibility for ensuring these promotions are successful. All Nissan employees work together as one to improve quality around the world.

### Management Systems for Product Safety and Quality

To achieve top-level quality, we have assigned a number of Senior Vice Presidents, headed by the Chief Quality Officer (CQO), to focus exclusively on quality issues. A CQO meeting, chaired by the CQO, is held every month and attended by executives representing each division and region. These meetings work to promote the swift solution and improvement of issues related not just to product quality but also to sales and service quality experiences before and after purchase.

Additionally, in order to fully implement compliance, we have established a three-layer monitoring and audit system and are working to strengthen our audit activities. The first layer consists of each division implementing monitoring activities to ensure strict observance of laws and standards. In the second layer, the Conformity Audit Office conducts audits of those efforts to observe laws and standards. And in the third layer, the Internal Audit Office conducts risk-based audits in accordance with annual plans.

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## Product Safety and Quality Achievements

### Reflecting Customer Feedback in Activities to Enhance Quality

Quality reflects how successfully Nissan interacts with its customers. In order to provide the value that customers expect and respond rapidly if they are not satisfied, we listen to all feedback and put what we learn to use in measures to improve quality at every stage, from product design and development to aftersales service.

#### Responding Rapidly to Customer Feedback and Timely Sharing of Information

We receive and respond to customer comments and questions worldwide through a range of contact points, including dealers, call centers and surveys.

Our customer call center in Japan, for example, receives around 280,000 comments and questions from customers annually. All catalogs, instruction manuals and similar materials published over the last 50 years have been digitized for easy searching, letting operators address customer concerns as quickly as possible. Operators also have access to a database of frequently asked questions and their answers, organized into three segments by vehicle models, keywords and categories.

Opinions and comments received by our customer call center in Japan are anonymized and shared companywide on the intranet, where employees can access and view them at any time. Information is also promptly sent by email

to executives and senior managers.

Employees who buy Nissan vehicles are also customers and important stakeholders. The “Quality Listening Box” on our intranet lets employees actively contribute information to raise the quality of products and services.

#### Incorporating Customer Feedback into Products and Services

We have implemented a system for reflecting customer feedback in our products and services. Reliable information sharing ensures that this feedback is incorporated in the work of all functions, including product planning, R&D, manufacturing and sales.

Product quality is about more than just a lack of mechanical faults—it includes any factors that could affect customer satisfaction (CS). We see these factors as issues requiring action and strive to improve quality across all areas.

The value that customers expect from products varies according to their region, age, and personal tastes and can also be affected by market factors, such as product diffusion levels or even climate.

Although we have basic specifications for global design, we fine-tune these to meet regional needs. The Chief Quality Engineer (CQE) performs this role, participating in the vehicle manufacturing process from the product planning stage in order to enhance CS and reduce defects. We glean customer perspectives from market information and employee monitors and prioritize our response to these from the planning and development stages for both products and services.

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## Adopting a Customer Perspective and Fostering a CS Mindset

To improve quality across the company, all employees must consider the customer's perspective and keep CS in mind as they work. For this reason, we implement numerous activities for incorporating customer views. One of these is regular CS mindset training.

This training covers quality improvement measures and CS policy in the Nissan Group, incorporating actual feedback from customers in group discussions. Employees discuss what we can do for our customers and what actions are necessary in the current situation, which fosters a CS-based quality-improvement mindset among individual employees. This training is currently offered in Japan, with further expansion ongoing around the world in a growing number of departments.

Since 2003, we have also held Nissan Quality Forums for executives, employees and suppliers. These annual forums use information displays, video presentations and actual vehicles and parts to showcase our latest quality results, customer feedback and activities aimed at meeting targets. The forums are organized cross-functionally by all divisions from R&D to service. In recent years experiential events that lead to actions being taken have been organized in order to raise all employees' awareness of CS and quality-improvement issues. They are held globally in Japan, North America, Latin America, Europe and Southeast Asia.

## Improving Product Quality

Product quality is a basic feature in allowing customers to use a product safely and comfortably over the long term. For Nissan, a leading automaker with a strong history of *monozukuri*, Japan's tradition of careful craftsmanship, product quality is the foundation for our sustainability as a company. We consider quality from the customer's perspective at all times and respond quickly if a defect occurs, striving to prevent recurrence so as not to inconvenience the customer. We ascertain customer dissatisfaction and address it through all possible means, improving quality to increase satisfaction.

We categorize product quality into areas like perceived quality, initial quality and durability. Quality improvement efforts target the entire lifecycle of a product, from planning and design to R&D, manufacturing, logistics, sales and aftersales service. We monitor the results of quality surveys, using them as internal indices and making improvements through the PDCA (plan, do, check, act) cycle.

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## Approaches in Development and at Manufacturing Plants

### Improving Perceived Quality and Developing Vehicles with Valued Designs

Perceived quality is the quality that customers feel when seeing, touching and operating a vehicle. For example, when customers come to the showroom, they open vehicle doors, sit in seats and check things like the texture of interior fittings.

The perception of quality is a particularly subjective matter, and applying objective criteria requires thorough studies. We conduct consumer researches around the world targeting customers who have purchased or are considering purchasing a Nissan car in order to understand their perceptions better and incorporate those perceptions in new vehicles. Our perceived quality specialists communicates the voice of customers around the world and support us to develop attractive styling vehicle that are valued by our customers.

### Producing Products of Consistent Quality Worldwide

We have adopted the 4G Strategies to produce high-quality products globally. These strategies let us quickly create optimum production structures for providing consistently high-quality products to customers around the world.

#### Nissan's 4G Strategies

<b>Global Production Engineering Center (GPEC)</b> <p>The GPEC develops optimized production processes through focused trials and analysis of new vehicles. As well as dramatically improving quality in the vehicle production preparation stage, it strives to establish global quality consistency by spreading high standards to manufacturing plants in and outside Japan.</p>	<b>Global Professional Development Center (GPDC)</b> <p>The GPDC trains logistics specialists to work at manufacturing bases. Training includes parts packaging design, packaging testing and evaluation methods, CAD and optimum logistics cost management to maintain high quality.</p>
<b>Global Training Center (GTC)</b> <p>Manufacturing quality and productivity depend greatly on the skills of individual workers. To raise these skills to a competitive level in our plants worldwide, the GTC runs classroom lectures and skills training activities based on the Alliance Production Way (APW). Graduates of Master Trainer programs take part in training programs for local staff in regional training centers, efficiently passing their skills on to others.</p>	<b>Global Launching Expert (GLE)</b> <p>The GLE helps resolve issues related to <i>monozukuri</i> (production) during the new vehicle launch phase. Evaluations and advice from GLE core members and support from GLE registered members help us meet QCT (quality, cost, time) targets on every new vehicle launch.</p>

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### Implementing Quality Tests Envisioning a Myriad of Situations

Each of our production cars and development models is evaluated using a system called AVES\* to monitor quality on a daily basis. Feedback from customers is incorporated in standardized evaluation criteria, which are used to train quality assessment specialists. Only these company-certified experts, known as "AVES Masters," can perform our strict daily assessments. The assessment process evaluates the vehicle's interior and exterior and tests it while it is in operation, focusing on whether it meets quality standards defined in terms of customer requirements.

During the running tests, carried out on actual roads, assessors check the vehicle in areas including unexpected noise, vibration, stability of handling and the functionality of its various advanced systems.

Final responsibility for overall quality is the responsibility of the COE, who envisages different use scenarios for Nissan vehicles and carries out stringent quality checks accordingly.

\* AVES stands for "Alliance Vehicle Evaluation Standard." AVES is a quality evaluation system used across the Renault-Nissan-Mitsubishi alliance, in which specially trained experts assess vehicles using more than 300 quality assessment criteria established from the customer's perspective.

### Activities to Improve Market Quality

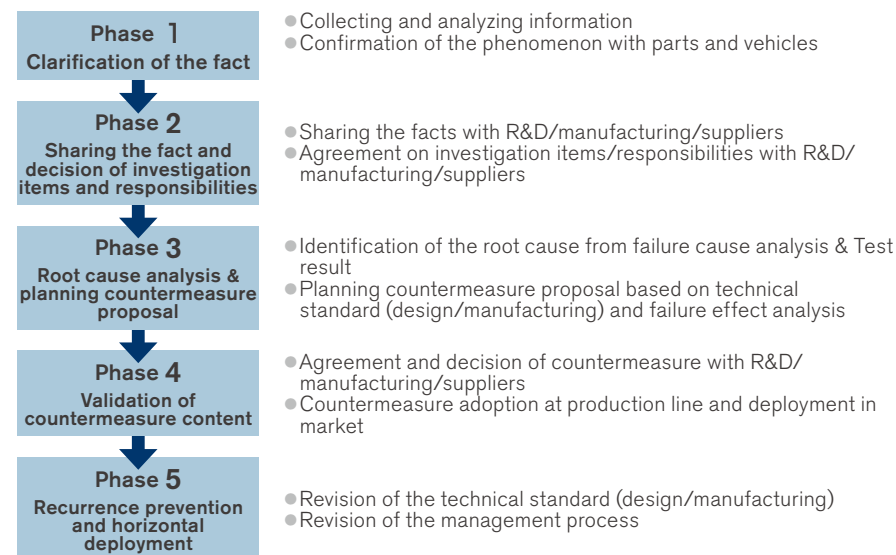
#### Swiftly Improving Quality in Local Markets

We are strengthening direct communication with sales companies and customers to promptly identify and respond to customer dissatisfaction and defects. Our TCSX addresses customer dissatisfaction and quality issues based on information from sales companies and the customer call center. It

shares information with the R&D and manufacturing divisions to investigate the causes and come up with countermeasures. These countermeasures are incorporated in production models on the market. In this way, we seek permanent solutions to prevent outflow of quality issues.

The global expansion of our corporate activities has increased our potential exposure to customer dissatisfaction and quality issues in more regions around the world. In response, we have established Field Quality Centers (FOCs) with the goal of promptly gaining an understanding of regional quality issues and analyzing their causes locally. There are now 19 FOCs in Japan, the United States, Europe, China, Mexico, Brazil, South Africa, India, Australia, Thailand, Indonesia, Malaysia and other locations.

Conceptual representation of the five phases of market quality research and analysis



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Our FQCs conduct market quality research and analysis in five phases. First, they recall problem products from the market to clarify the facts and conduct detailed interviews to replicate the defects (Phase 1). Next, they bring suppliers together with our R&D and manufacturing divisions to share information, decide on areas for further investigation and assign responsibilities (Phase 2). Based on the findings of these detailed studies, staff members gather again to scientifically pinpoint the cause of the problem and decide on specific countermeasures (Phase 3). These measures are incorporated in future R&D and manufacturing activities and new management structures are put in place to prevent recurrence of reliability issues or incidents (Phases 4 and 5).

### Improving Initial Quality

Initial quality issues involve defects that occur within a year of a new car purchase. To ensure that customers are satisfied, we maintain a firm commitment to enhancing quality at the manufacturing stage for every single product that comes off the line. To this end, we have adopted the Alliance Production Way (APW) as our fundamental approach in this area. The Chief Vehicle Engineer (CVE), who is responsible for development, meets with the CQE to share information from the market in order to promptly respond to customers' wishes and potential satisfaction concerns.

We confirm quality improvements for each process and explore necessary risk-reduction measures by visualizing potential risks at the planning stage. Applying all of these processes with transparent criteria lets us ensure that new models offer high quality from the outset.

### Enhancing Durability

Product life is affected by durability issues that can arise from long vehicle use: molded resin parts changing color or deforming, surface materials becoming abraded, chrome stripping away and material fatigue producing odd noises in the vehicle. We consistently obtain data of warranty after the initial sale and conduct quality checks on recovered vehicles and parts actually used by customers to identify defects earlier. Analyzing this data helps us develop technologies that are more resistant to durability issues.

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## Approaches with Suppliers

As our production network expands worldwide, the risk of problems related to the quality and supply of parts increases. Our efforts to ensure product quality include working with suppliers to improve quality at all production sites from the design stage onward.

### Promoting Risk Evaluation and Reduction Management Among Suppliers

We promote stronger global management at the head offices of our suppliers with global operations even as we work to enhance our own global quality management. Nissan representatives visit each supplier's plants and check the quality control conditions on their production lines. We also offer support for suppliers' efforts to meet the quality control standards we require. In addition to these activities, we have prepared checklists based on successful resolution of past issues and work not only with direct suppliers but also with tier-2 suppliers to implement quality improvement measures.

### Supplier Inspections and Training for Improving Product Safety and Quality

To ensure product safety, we work together with suppliers and conduct inspections for products as well as components.

Each component from our suppliers represents the end-product of a complex manufacturing process that includes planning and development validation, turning design blueprints into prototypes, performance testing and, finally, mass production. We have created a system called ANPQP\*1 for regulating the necessary quality assurance across this entire series of activities. The ANPQP requires tests to be carried out on every component

delivered by suppliers to confirm their high quality.

To determine whether new suppliers are able to carry out these tests, we developed the ASES system.\*2 The ASES contains 240 evaluation criteria to determine if a component is defective and analyze the systems in place to prevent problems occurring. The ASES is applied on-site, at the supplier's factory. New suppliers undergo ANPQP training and are certified as trainers themselves after they reach a specified level. They then conduct training on the supplier's premises and build a system for supplying precision-built components.

Suppliers already dealing with Nissan are given a "Supplier Score Card" containing an assessment of diagnostic measurements like delivered quality and market quality. In addition, the SHC\*3 system also involves periodic inspections of supplier factories to check their management system. This ensures that suppliers maintain their systems for consistently delivering high-quality components and conduct new initiatives to further improve quality.

\*1 ANPQP stands for "Alliance New Product Quality Procedure." We created the ANPQP based on IATF16949, a standard for automotive sector quality management systems published by the International Automotive Task Force (IATF), in order to establish supplier quality assurance standards.

Click here for more information on ANPQP.

[https://www.nissan-global.com/EN/QUALITY/PRODUCTS/GLOBAL\\_SP/GUARANTEE/](https://www.nissan-global.com/EN/QUALITY/PRODUCTS/GLOBAL_SP/GUARANTEE/)

\*2 ASES stands for "Alliance Supplier Evaluation Standard." The ASES is used to evaluate if a vendor qualifies to become a suitable supplier. Based on 240 criteria at five stages, potential vendors are ranked A, B, C or D. We then form business relationships with the top-ranked industry suppliers.

\*3 SHC stands for "Supplier Health Check." The SHC is our unique system for checking our suppliers' quality management systems and how they are actually being implemented.



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## Improving Sales and Service Quality

As well as aiming to produce high-quality vehicles, we work to increase the quality of our sales and aftersales service during the purchasing process, seeking to exceed customer expectations at all contact points. Through effective management of sales and service quality at dealerships in major markets around the world, we strive to improve CS by adhering to the Nissan Sales and Service Way (NSSW). Our goal is to achieve top-level CS in 20 key national markets, including Japan, the United States, China, and major European markets, boosting our brand image worldwide.

### The Nissan Sales and Service Way (NSSW)

The Nissan Sales and Service Way (NSSW) is a set of global guidelines designed to improve customer perceptions of our brands and products and increase satisfaction with our sales and marketing activities and aftersales service. We conduct a range of activities to increase CS and improve sales and service quality based on the NSSW.

In particular, as well as improving our dealership facilities, we set global standards and carry out initiatives to provide customers with a consistent sales and service experience. We aim to respond rapidly to customer dissatisfaction and other issues and review business processes to incorporate feedback collected through contact centers, dealerships, email, social media and other channels.

## Updating Global Dealership Standards

In response to the diversification of our customers' expectations and lifestyles, we are introducing a new initiative called the Nissan Retail Concept (NRC) to dealerships around the world to promote standardization. We aim to improve CS by improving sales and service quality through a globally consistent brand experience. With the rapid spread of digitalization, consumers' purchasing behavior and ownership experiences are changing dramatically. To respond to these changes, we have introduced global standards for improving our dealership operations, from new standard shop designs to digital environments for dealerships. Adoption of the new standards has already begun in key countries, and more than 1,800 stores had completed the adoption process by the end of fiscal 2019. We will continue to deploy the new concept in our stores around the world.

The new dealership layout and design is intended to appeal to all customers, from those who have come to purchase a new car to those returning for vehicle inspection or servicing, creating comfortable, welcoming spaces that offer needed services as efficiently as possible. We aim to standardize our entire sales and service process for customers in response to diverse customer needs, in order to improve satisfaction among customers who visit dealerships.

With the adoption of digital tools, we are aiming to make dealership operations more efficient and assist customers considering the purchase of a new car. To ensure that the new standards are adopted in each country, the Nissan Academy, a special team for educating dealers, will develop and conduct training for dealership staff and management, teaching them to provide an experience that goes beyond customer expectations.

NRC also incorporates key Nissan brand elements such as Nissan

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Intelligent Mobility, electric vehicles, the NISMO performance sub-brand, light commercial vehicles and Nissan Intelligent Choice (our premium certified pre-owned car program). We hope to improve customer satisfaction and convenience even as we promote the Nissan brand and expand our business.

To boost the quality of sales and service activities at dealerships, we train specialist staff and continually improve these activities. These specialists analyze dealer operations, develop improvement plans based on their individual situations and support implementation. For example, they visit dealerships after analyzing CS surveys and the voice of the customer, clarify issues by observing workplace operations and interviewing staff, and then discuss potential solutions with the staff and provide guidance allowing the dealership to continue making autonomous improvements.