

Nissan Shatai Co., Ltd.

Latest Web Earnings Results Briefing for Investors (June 2018)

Outline of Questions

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President Shohei Kimura

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Q: More information about your initiatives to address major challenges.

A: In the Medium-term Management Plan that we started in 2017, our goal for 2022 is to establish a powerful foundation for operations in the future based on three components of competitive superiority: more competitive vehicles, more competitive plants, and more competitive technologies and skills.

For more competitive vehicles, we have started production of big-minor change models of the NV350 Caravan and Infiniti QX80 and other new vehicles. To make our vehicles more competitive, in addition to ongoing activities in the Middle East, we will conduct activities in the ASEAN region and in northern and southern Africa.

Regarding the competitiveness of our plants, we have consistently received high ratings from external sources concerning the quality of the Infiniti QX80 for sale in North America. In Japan, all of the top three models in the Japan Nissan Group Initial Quality Assessment were produced by Nissan Shatai. To maintain this outstanding quality, we will continue to move quickly for implementing initiatives used only at Nissan Shatai where many types of vehicles are produced.

For more competitive technologies and skills, our goal is to become the global technology bases LCV and frame-vehicle manufacturing for the entire Nissan Group. To accomplish this goal, we are performing research concerning the next frame-vehicle model. One of our priorities is the development of technologies for outstanding driving stability and a quiet cabin.

Q: Your plans for a female director

A: Increasing diversity is one of the goals of the Medium-term Management Plan. Our activities concerning women are consistent with Japan's Act on Promotion of Women's Participation and Advancement in the Workplace and Act for Measures to Support the Development of the Next Generation. We are upgrading programs to enable women to continue advancing their careers at Nissan Shatai and to realize their full potential. In addition, we have a continuous training program for all management personnel for the purpose of fostering a positive workplace atmosphere for women.

In May 2017, we became the first company with more than 300 employees in the city of Hiratsuka to receive Kurumin certification, which is given to companies that meet designated standards for childcare support to employees. In addition, we have established the goal of raising the percentage of women in the new college graduates that we recruit to at least 20% and are taking actions to reach this target.

Q: Awareness of Nissan Shatai's senior executives regarding the final vehicle inspection issue that occurred in the fall of 2017?

A: After this issue was discovered, in order to take actions for solving this issue, we retained Nishimura & Asahi as a third-party law firm to conduct an investigation for determining the facts and causes. We then examined the causes of this issue taking the results of this investigation and other information into account. As are pointed out in the investigation report, we consider that the problem was the result of numerous overlapping issues: (1) Shortage of final inspectors; (2) Reduced respect for rules regarding the final vehicle inspections; (3) Awareness level of higher-ranking employees; (4) Inconsistencies between the standard operation manual and the final vehicle inspection sheet; (5) Disconnect between standards and the reality of the final vehicle inspection line as well as unclear standards; (6) Distance between the shop floor and management; (7) Failure to detect issues through internal audits; and other issues.

Senior executives at Nissan Shatai were unable to discover these issues mainly because the problems had been ongoing for many years and the problems were the result of a complex relationship among many causes.

We will continue to rigorously implement the preventive measures we have formulated in order to be certain that an incident of this type does not occur again.

Q: Management's comment upon the evaluation made by the Rating Committee of the final vehicle inspection issue investigation report by Nishimura & Asahi.

A: I am aware of the Rating Committee's evaluation report but Nissan Shatai does not make any comment regarding the evaluation report.

Inspections for compliance problems are incorporated in our business operations. If there is any suspicion of a violation of a law, regulation or other rules, we will take appropriate actions as needed in accordance with our effective internal control system.

Q: Responsibility of senior executives and others with regard to the final vehicle inspection issue

A: This issue has existed since the 1990s due to a number of interrelated causes. For the responsibility of the current management team, my compensation was reduced. I will continue to oversee the implementation of preventive measures and programs to ensure strict compliance with laws and regulations.

Q: Discussion and cooperation between Nissan Shatai and Nissan Motor regarding preventive measures for the final vehicle inspection issue

A: Nissan Motor outsources final vehicle inspections to Nissan Shatai. Discussions with Nissan Motor were part of the process we used to determine the actions for preventing a reoccurrence of this incident. While I cannot provide detailed information about what was discussed at each meeting, we covered many subjects, including the contents of the internal regulations and standards and how to communicate those standards to inspection personnel.

Q: Allocation and sharing of the cost for the recall campaigns caused by the final vehicle inspection issue between Nissan Shatai and Nissan Motor

A: Nissan Shatai was responsible for failing to properly perform final vehicle inspections for vehicles that we produced. Consequently, we made the decision that we should cover the cost of recall campaigns for those vehicles that were produced at our plants.