THE CURRENT STATE OF NISSAN'S RISK MANAGEMENT

Below we present some of our efforts to address Nissan's corporate risks.

1 Risks Related to Financial Market

1) Automotive

1. Liquidity

An automotive business must have adequate liquidity to provide for the working capital needs of normal day-to-day operations, ongoing research and development, capital investment needs for future expansion and repayment of maturing debt. Liquidity can be secured through cash and cash equivalents, internal cash flow generation and external funding.

As of the end of fiscal 2017 (March 31, 2018), Nissan's automotive business had ¥1,140.6 billion of cash and cash equivalents (compared with ¥1,190 billion as of March 31, 2017). In addition to cash, Nissan had approximately ¥516 billion of committed lines available for drawing as of March 31, 2018.

As for external funding, Nissan raises financing through several sources including bond and commercial paper issuance in capital markets, long- and short-term loans and committed credit lines from banks.

Nissan has a liquidity risk management policy that is intended to ensure adequate liquidity for the business while at the same time ensuring mitigation of liquidity risks such as unmanageable bunched maturities of debt. In the policy, minimum liquidity requirements are defined taking into consideration several factors including debt maturity, upcoming mandatory payments—such as dividends, investments and taxes—and peak operating cash needs. We also benchmark our liquidity targets with other major Japanese corporations and global auto companies to ensure our assumptions are reasonable.

2. Financial Market

Nissan is exposed to various financial-market-related risks, such as foreign exchange, interest rates and commodity prices. Although it is not possible to eliminate all the risks with the use of derivative products, Nissan does hedge select currencies and commodity price risks on an opportunistic basis to reduce financial market risks.

- Foreign exchange

Nissan's products are produced in 20 countries and regions, and are sold in more than 170 countries and regions. Nissan's procurement activities for raw materials, parts/components and services are conducted in many countries. Nissan faces various foreign currency exposures that result from the currency of purchasing cost being different from the currency of sale to

customers.
In order to minimize foreign exchange risk on a more permanent basis, Nissan is working to reduce foreign currency exposure by such measures as shifting production to the countries where vehicles are sold and procuring raw materials and parts in foreign currencies.
In the short term, Nissan may limit risks in foreign exchange volatility within a certain range by using derivative products in accordance with the internal policies and procedures for risk management and operational rules regarding derivative transactions.

- Interest rate

The interest rate risk-management policy is based on two principles: long-term investments and the permanent portion of working capital are financed at fixed interest rates, and the non-permanent portion of working capital and liquidity reserves are built at floating rates.
Nissan may hedge risks of interest rate fluctuation by using derivative products in accordance with the internal policies and procedures for risk management and operational rules regarding derivative transactions.

- Commodity prices

Nissan purchases raw materials in the form of parts provided by the suppliers, as well as direct purchase, and it is exposed to the price fluctuation risks of raw materials, no matter whether purchased directly or indirectly.
For precious metals, which are used in catalysts, to minimize commodity price risk Nissan is making continuous efforts to reduce usage through technological innovation. In the short term, Nissan manages commodity price volatility exposure through the use of fixed-rate purchase contracts in which commodity prices are fixed for a period of time; Nissan may also hedge risks in commodity price volatility within a certain range by the use of derivative products in accordance with the internal policies and procedures for risk management and operational rules regarding derivative transactions.

- Marketable securities

Nissan may hold marketable securities for various reasons including strategic holding, relationship management and cash management. Nissan defines the authority for decision concerning such transactions within the internal policies and procedures for risk management. The company also takes measures for these risks including mandatory periodical reporting with fair value of such financial transactions.

3. Counterparties

Nissan does business with a variety of local counterparties, including sales companies and financial institutions in many regions around the world. Nissan is exposed to the risk that such counterparties could default on their obligations.

Nissan has established transaction terms and conditions for operating receivables in Japan and overseas based on credit assessment criteria. These criteria enable Nissan to take measures to protect such receivables and may include bank letters of credit and/or advance payment requirements.

As for financial transactions including bank deposits, investments and derivatives, Nissan manages its counterparty risk by using an evaluation system based on external credit ratings and other analysis. Nissan enters into such transactions only with financial institutions in each market that have a sound credit profile within their respective countries.

4. Pensions

Nissan has defined benefit pension plans mainly in Japan, the United States and the United Kingdom. The funding policy for pension plans is to make periodic contributions as required by applicable regulations. Benefit obligations and pension costs are calculated using many different drivers, such as the discount rate and rate of salary/wage increase.

Plan assets are exposed to financial market risks as they are invested in various types of financial assets including bonds and stocks. When the fair value of these assets declines, the amount of the unfunded portion of pension plans increases, which could materially increase required cash pension contributions and pension expenses.

As countermeasures to manage such risks, the investment policy of these pension plans is based upon the liability profile of the plans, long-term investment views and benchmark information regarding asset allocation of other global corporations' pension plans.

Nissan holds Global Pension Committee meetings on a periodic basis to review investment performance, manager performance and asset allocations and to discuss other issues related to pension assets and liabilities.

2) Sales Finance

1. Liquidity

Nissan operates majority-owned captive sales finance companies in Japan, the United States, Canada, Mexico, China, Australia, New Zealand, Thailand, Indonesia and India. In addition, Nissan is also a minority shareholder in a sales finance company (bank) in Russia. In these countries, banks and other financial institutions also provide financing solutions to Nissan's customers and dealers.

In Europe and other regions, RCI Banque and several other banks/financial institutions are providing financing to Nissan's customers and dealers.

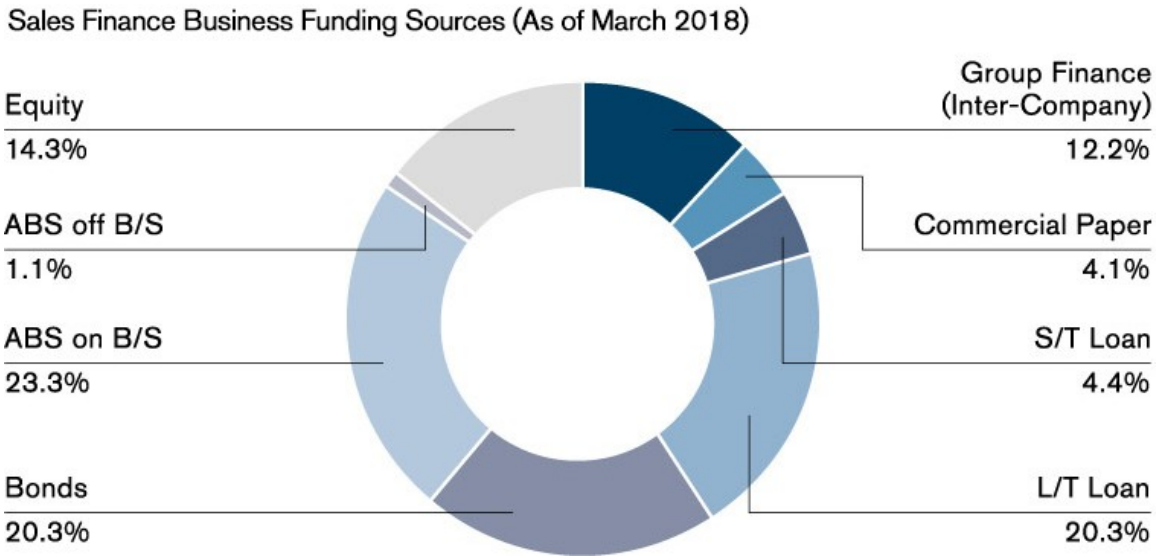
We monitor the liquidity of sales finance companies on an ongoing basis to ensure we have

adequate liquidity to meet maturing debt and continue operations. According to its policy, Nissan targets to match maturity of liabilities with maturity of assets wherever possible. In some of the countries where Nissan operates, long-term capital markets are not developed and thus it is not always possible to be perfectly match-funded. Match-funding policy allows us to meet maturing debt obligations even in an environment in which we cannot raise additional debt due to the state of capital markets.

In addition to match-funding, we manage liquidity risk in sales financing through several measures including keeping adequate liquidity in the form of cash and unutilized committed lines, unencumbered assets (mainly vehicle loans and leases), liquidity support from auto operations to the extent we have excess cash in auto operations, diversified funding sources and geographical diversification of capital market access.

As of March 31, 2018, sales finance companies' liquidity (cash and unutilized committed lines) was approximately ¥925.4 billion. Additionally, we have a healthy mix of secured (24.4%) and unsecured and other (75.6%) funding sources, which support a stronger balance sheet and incremental liquidity through utilization of unencumbered assets.

The pie chart below describes our diversified funding sources in the sales finance business. During fiscal 2017, we were able to raise new funding through bank loans, asset-backed securities, asset-backed commercial paper, commercial paper and bonds reflecting our diversified access to financing instruments.



2. Interest Rate Risk Management

The sales finance business is exposed to interest rate risks. Interest rate risk is defined as the potential variance in the earnings of an entity or the fair value of the portfolio that would result from a fluctuation in the general level of market interest rates where funds with differing fixed- rate periods or differing terms are financed and invested.

Nissan measures the risks by using the sensitivity analysis with various interest rate scenarios and determines the risk tolerance level. Nissan controls the interest rate maturities of both assets and liabilities to maintain the risks within an acceptable tolerance level.

The sensitivity analysis mentioned above uses statistical models, such as the Monte Carlo Simulation Method; however, the actual fluctuation of market interest rates and its impact may deviate significantly from the assumptions used in the models. Nissan enters into interest rate derivative financial instruments to maintain the potential variability of interest rates at the desired level of risk exposure. The main objective of these transactions is to mitigate the risks and not to pursue speculative profit maximization.

3. Credit Risk

Credit risk is the potential for loss due the failure of counterparties in the consumer lending and dealer finance business to meet their credit obligations as agreed. Nonperformance may be driven by changing economic conditions, deterioration in financial stature of a dealer or individual, or other unexpected events.

Nissan manages credit risk through a framework that sets out policies, procedures, measurements and regular reviews across the full life cycle of a financial product from underwriting to collections and write-off.

In consumer lending, applicants undergo a comprehensive screening process to establish their credit worthiness. To measure credit worthiness, Nissan uses credit scoring systems that assign a credit score to an applicant on the basis of data provided by the credit bureaus and/or data provided by the applicant on the credit application. The underwriting decision is then Bon an automated or expert judgement process that includes assessment of the credit score, applicant’s capacity to pay, available capital, debt repayment history, vehicle collateral and financing conditions. If necessary, and based on regional business practices, further telephone or field visit verifications may be undertaken. For dealer finance, each application for a new credit limit, change to credit limits or annual re-approval of credit limits goes through an extensive committee-based evaluation and decision process. The evaluation focuses on the dealer’s financial standing, internal rating, capacity to service debt, operational performance, appropriateness of the request, and the availability and amount of guarantees and collateral. The internal rating system used during the evaluation is based on a dealer scoring model taking into account key financial performance metrics and at times results of operational performance.

All scoring models for consumer lending and for dealer finance undergo regular reviews and revisions to keep them up-to-date and applicable for current credit applications. These models have direct impact on pricing where risk-based pricing is practiced and/or applicable and in

addition regulate stock audit frequency for dealer floorplan financing.
As a matter of accounting policy, Nissan maintains adequate credit loss provisions to cover any future probable credit losses; however, Nissan also takes all necessary measures to collect on outstanding bad debt promptly. Depending on region collections may utilize behavioral scoring, auto-dialer systems, call queue optimization or external third-party collection agencies to maximize recovery of outstanding debt.

4. Residual Value Risk

Residual value risk is the risk where the future market value of a vehicle is lower than the guaranteed end-of-term residual value for such financial products as operating leases and some balloon-type loans. Nissan is exposed to residual value risk if a customer exercises the option to return a vehicle to Nissan and subsequently the vehicle is sold in the market for less than the residual value.
To mitigate this risk Nissan takes a number of steps, both operational and strategic. On an operational level residual values are set objectively based on third-party independent evaluation (e.g. Automotive Leasing Guide in North America) and/or on statistical analysis of historical used-car market data (e.g. in Japan). On a strategic level, to build brand value and hence increase future market value of Nissan vehicles, Nissan takes steps to control the level of sales incentives on new vehicles, maintain appropriate levels of fleet sales and promote certified pre-owned vehicles.
Nissan evaluates the recoverability of carrying value of its vehicles versus estimated future market values on an ongoing basis. Per accounting policy, if an impairment is identified Nissan recognizes an appropriate provision for potential residual value losses.

2 Risks Related to Business Strategies and Maintenance of Competitiveness

1) Product Strategy

To secure profitability and sustainable growth based on the future product lineup plan, as part of its product strategy developing process Nissan monitors the impact of various risk scenarios—such as global market changes and demand deteriorations—on its future profitability based on the plan.
Risk Scenario Examples:

1. Drastic decline of total global demand
2. A demand shift between vehicle segments drastically faster than Nissan's midterm planning assumptions
3. A demand shift from mature markets to emerging markets drastically faster than Nissan's midterm planning assumptions

The company periodically monitors the impact of these scenarios to secure future profitability and sustainable growth, as well as updating its future lineup plan periodically based on the results. To improve the robustness of its product lineup against these risks, the company's main approach is to take the following countermeasures when planning its product strategy:

- Expand availability of individual products across markets to mitigate the risk of single-market demand fluctuations.
- Increase volume and efficiency per product through a consolidation and rationalization of the portfolio to lower the breakeven point and thereby reduce the profit risk of global total industry volume (TIV) declines.
- Prepare a more balanced product portfolio meeting needs in a broader range of markets and segments, reducing reliance on specific large markets.

2) Quality of Products and Services

The Nissan M.O.V.E. to 2022 midterm plan (up to fiscal 2022) establishes product quality and customer-centric focus as the foundation of Nissan's business, while also setting numerical targets and promoting them across the whole company.
With respect to new model projects, in order to achieve quality targets, milestone meetings are held for processes from design, production preparation and production, at which key check points are confirmed, such as achievement of quality targets, prevention of recurring problems, and adoption of measures for potential risks related to new technology and mechanisms and design changes. Commercial production can be started after confirmation at the Start of Production (SOP) Judgment Meeting, which confirms all issues are solved and quality targets can be achieved. The final decision that the model can be sold is made at the Delivery Judgment Meeting after confirmation of the quality of commercial production and preparedness for

service/maintenance.
Nissan is implementing thorough quality checks before new model launches. Nissan is advancing quality improvement activities after launch as well by constantly gathering quality information from markets and promptly deploying countermeasures if problems arise. In case safety or compliance issues do occur, necessary actions such as recalls are implemented with close cooperation with the marketing side based on a management decision reached by an independent process. Incidents are thoroughly investigated and analyzed, and the lessons are applied to existing or upcoming models to prevent a recurrence.

In addition to these activities, such as quality assurance for new model projects and quality improvement activities on a daily basis, the company has introduced and operates a “Quality Risk Management” framework. The framework represents a higher-level system to ensure successful quality management for both ongoing and future projects. Appraisal involves an objective evaluation of whether risk exists and the level of such risk for the company and the assignment of responsible persons based on the level for follow-up activities. These processes are implemented by the Quality Risk Management Committee, chaired by an executive tasked with heading this activity, twice a year.

3) Environment, Climate Change

The automotive industry is affected globally and throughout its value chain by various regulations and social requirements related to the environment and safety, such as exhaust emissions, CO_2/fuel efficiency, fossil fuel restrictions, noise, chemical substances, recycling, and effects on water resources, ecosystems and other natural capital, while these regulations are getting more stringent year by year. To meet these requirements, Nissan formulates an environmental strategy based on materiality assessments of management risk factors, analyzing the company’s potential issues and opportunities and identifying issues that are crucial for both Nissan and its stakeholders.
In this context, Nissan believes that one effective solution from a long-term perspective will be the widespread use of zero-emission vehicles. Nissan started sales of Nissan LEAF, the world’s first affordable, mass-produced EV, in 2010. The Renault-Nissan-Mitsubishi Alliance also has a goal of maintaining EV leadership toward 2022, and is considering partnering with national and local governments to promote zero-emission mobility and to help build a supporting infrastructure.
Nissan will help to reduce CO_2 emissions by continuously developing technologies to improve fuel efficiency in internal combustion engines and bringing them widely into the market. In particular, the company will promote highly fuel-efficient, low CO_2 emitting vehicles equipped with such technologies as its flagship e-POWER electrification technology and revolutionary variable compression ratio turbo engine, fuel-efficient direct injection engine and continuously variable transmission (CVT).
Stricter controls on environment-impacting substances are being implemented in countries around the world. In accordance with a globally uniform policy on reducing the use of

environment-impacting substances, Nissan is strengthening its management of environment-impacting substances, adhering to a well-planned schedule for their reduction and advancing the use of alternative substances. In 2005, the company drew up policies regarding the use of substances scientifically recognized as being hazardous or carrying high hazard risks, as well as those identified by NGOs as dangerous. In 2007, these policies became unified global standards for Nissan, and in 2016 they were issued as common technology standards for the Alliance, restricting environment-impacting substances to a stricter degree than the domestic laws of the countries and regions where it operates. Based on this approach, Nissan has developed internal engineering standards restricting the use of designated substances. The standards identify the chemicals whose use is either prohibited or controlled, and they are applied in selecting the materials, parts and articles for Nissan vehicles from the stage of initial development.

Demand for mineral resources and fossil fuels has steadily increased in response to the economic growth of emerging countries. In addition to promoting reduced use of virgin natural resources through resource-saving and resource-recycling measures, it is becoming important to procure natural resources that have a lower impact on the Earth's ecosystems, not only from the standpoint that these resources are limited (including the mineral resources for motor and battery applications, the use of which is expected to increase with electrification) but also considering the wide-ranging effects that resource extraction has on ecosystems. Nissan's aim is that by 2022 some 30% of the resources used in the manufacture of its vehicles will not rely on newly mined resources. To achieve this, the company considers vehicle lifecycle and promotes weight reduction, less use of scarce resources, less waste and increased use of recycled materials. Additionally, Nissan promotes rebuilding, remanufacturing, and reuse to maximize opportunities for recapturing the residual value of cars and parts.

Air pollution, along with climate change and traffic congestion, is one of the issues facing urban areas, and one which it is necessary for Nissan as an automobile manufacturer to address and contribute to solving.

The spread of EVs, such as the Nissan LEAF, that emit absolutely no exhaust gas during operation is an effective way to improve atmospheric pollution levels in urban areas. Nissan, as a leader in this field, promotes zero-emission mobility and investigates the setting up of infrastructure through forming partnerships with national and local governments, as well as various industry groups such as electric power companies.

Meanwhile, typical emissions from manufacturing plants include nitrogen oxide (NOx), sulfur oxide (SOx), and volatile organic compounds (VOCs). Nissan is carefully putting in place global management standards and systems for these and other substances released into the atmosphere, while working to reduce the amount of these materials used and emitted. Nissan's goal is to address these issues in a way than goes beyond the level of local regulations.

The issue of water resources is ever more serious with the retreat of glaciers and rainfall fluctuation due to climate change, in addition to increasing water use due to the growing world population and economic development. Nissan, which uses water resources in its production process, seriously recognizes the importance of this issue and continuously works to preserve

water resources at plants around the world, such as by reducing consumption, recycling water discharged in the production process and thorough water quality control of waste water.
The purchasing divisions of Nissan and Renault carry out supply-chain management in a manner consistent with The Renault-Nissan Purchasing Way, a booklet outlining policies for dealing with suppliers, and the Renault-Nissan CSR Guidelines for Suppliers. With respect to environmental issues, Nissan has set standards for the efforts of its automobile parts and material suppliers in the form of the Nissan Green Purchasing Guidelines. Since fiscal 2012, Nissan has asked suppliers to report on environmental data, including their CO_2 emission levels and energy use, and also to provide reports on management of environment-impacting substances, recycling of resources and water-conservation efforts. Nissan then works with suppliers to reduce environmental impact throughout the value chain.
Nissan is working to achieve guidelines and targets as part of its corporate social responsibility as well as to comply with laws and regulations. In order to address diversifying environmental issues and promote comprehensive environmental management on a global basis, the Global Environmental Management Committee (G-EMC), which is co-chaired by a board member and convenes twice a year, and the Environmental Management Committees (EMCs) in six regions worldwide confirm the progress of activities and decide companywide policy and the content of reports to the Board of Directors.

Nissan’s Framework for Global Environmental Management

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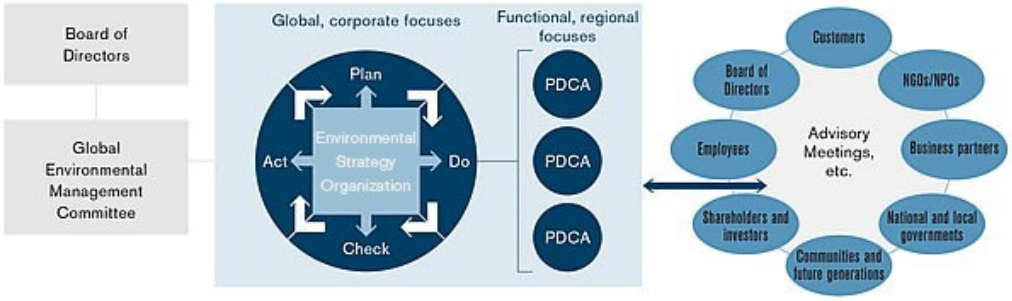
Nissan’s Global and Regional Environmental Management Organization



4) Compliance and Reputation

Nissan produced a Global Code of Conduct for all employees of the Nissan Group worldwide. To ensure thorough understanding of the code, training and education programs such as e-learning are provided and the company’s compliance with laws and ethical standards is monitored by regional and local compliance committees, which report to the Global Compliance Committee. Nissan has also implemented a globally integrated whistleblowing system. This allows employees to report suspected compliance issues to Nissan’s management.
Nissan also has created sets of internal regulations globally covering the prevention of insider trading, personal information management, information security and prevention of bribery and corruption. Nissan makes efforts to prevent noncompliance and reputation risk to the company by implementing various education and training programs.

3 Business Continuity

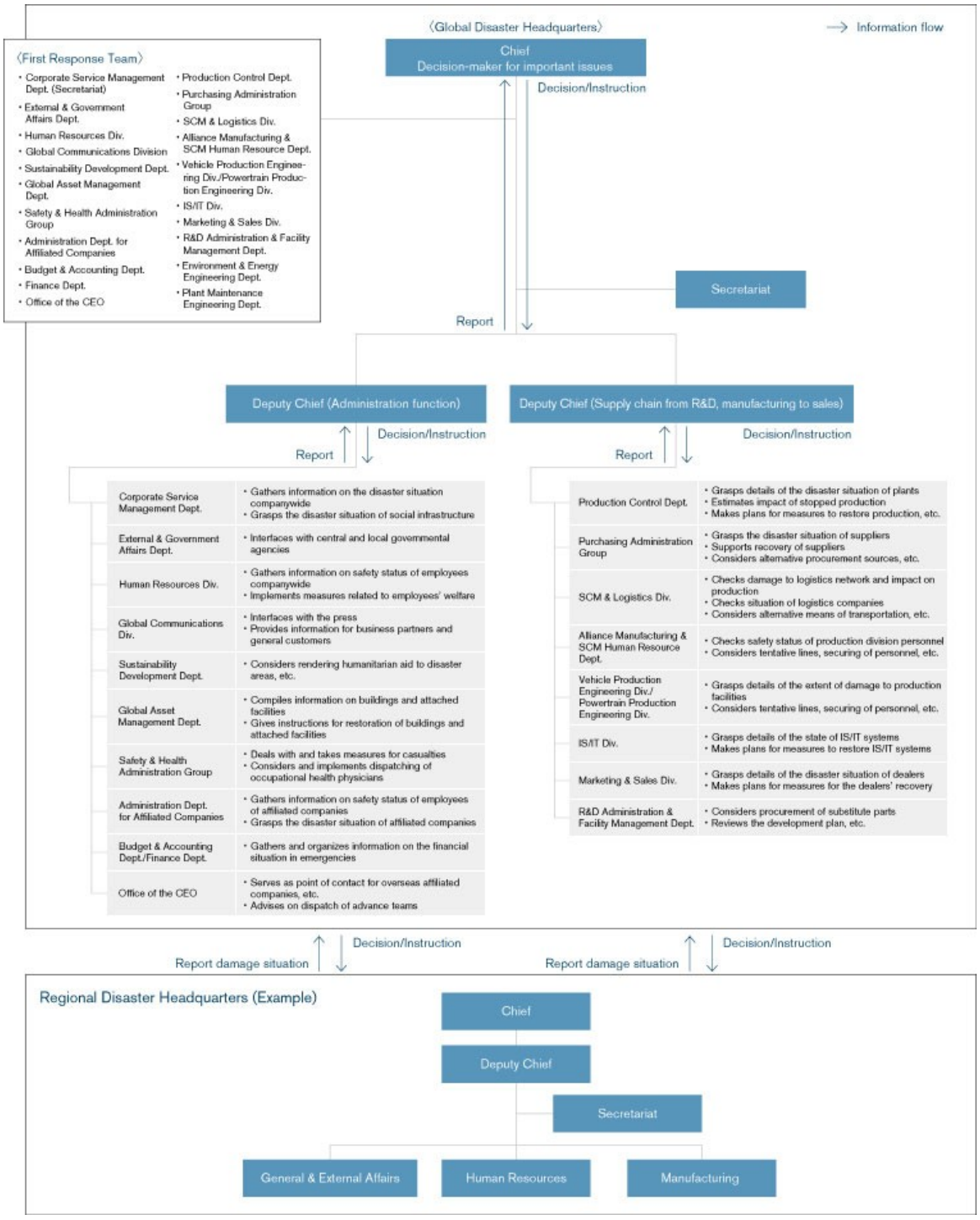
1) Natural Disaster Measures

In case of an earthquake measuring 5-upper or higher on the Japanese seismic intensity scale or other natural disasters causing heavy damage affecting Nissan’s business activities, a First

Response Team (organized by the main units of the Global Disaster Headquarters) will gather information and decide actions to be taken based on the information. If necessary, the Global Disaster Headquarters and Regional Disaster Headquarters will be set up to gather information about employees' safety and the damage situation of facilities and to work for business continuity.

At the same time, Nissan is working with suppliers to develop a Business Continuity Plan (BCP). This includes assessment of the priority of work by each and every function and development of countermeasures to continue priority work. The BCP will be reviewed annually in the process of the PDCA cycle.

Organization for Disaster Recovery (Earthquake)



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Policy and Principles in Case of Earthquake:

1. Human life as the first priority (utilization of employee safety confirmation system)

2. Prevention of secondary disaster (in-house firefighting organization, stockpiling, provision of disaster information)

3. Speedy disaster recovery and business continuity (measures for hardware, improvement of contingency plan and development of BCP)

4. Contribution to local society (cooperation/mutual aid with neighboring communities, companies, local and central governments)

The Global Disaster Headquarters and Regional Disaster Headquarters conduct simulation training assuming a large earthquake to prepare for a catastrophe. The drills test the effectiveness of this organization and contingency plan and identify the issues to be improved. The contingency plan is reviewed based on the feedback.

In the aftermath of the March 11, 2011, disaster, Nissan's periodic simulation training helped to ensure the smooth launch of its Global Disaster Headquarters and Regional Disaster Headquarters on the initiative of the First Response Team. This also helped to complete confirmation of employees' safety and checks on the extent of the damage.

Additionally, based on the policy of contribution to local society, the company reacted rapidly to provide rest space for people who could not return home on March 11 and to support damaged areas.

At the stage of business recovery, the Disaster Headquarters and the project teams of each function continuously shared up-to-date information and were addressing the issues for production and business recovery with companywide cooperation. Effective communications supported the quick recovery of Nissan's total supply chain, including parts supply, production, logistics, sales and services.

The response to the March 2011 disaster was reviewed during fiscal 2011 to identify issues that came to light on a function-by-function basis and to consider countermeasures.

In March 2012, simulation training was conducted based on a new scenario incorporating the review findings, and the new measures were verified.

In fiscal 2012, Nissan conducted simulation training based on a conducted based on a scenario of a combined Tokai, Tonankai and Nankai earthquake, confirming preparedness for issues that came to light during drills held the preceding fiscal year, such as responses to wide-area disruptions to its logistics network and fuel shortages.

From fiscal 2013 to fiscal 2015, simulation training was based on a high-risk scenario of an earthquake directly beneath the Tokyo metropolitan area based on the latest estimates from the Cabinet Office. This disaster would result in widespread power cuts, limited communications and other problems. In conducting this simulation training, the company was able to confirm methods of information exchange and cooperation between relevant departments. Departments also worked together to consider how to respond to inherent issues of individual departments as well

as those that affected multiple departments.
Additionally, Nissan has formed groups of employees who live near work sites and would be able to get to those sites if a disaster struck on a nonwork day. The company held training for these employees to prepare to set up Disaster Headquarters on nonwork days.
In fiscal 2016, Nissan considered how to respond to a situation similar to the April 2016 earthquakes in Kumamoto Prefecture. The company conducted initial response training based on a scenario in which an active fault earthquake takes place at night or on a holiday. Regular annual simulation training was based again on a scenario of three simultaneous earthquakes. The company identified further issues arising when the affected area is large and is working to address these. The company will enhance its disaster measures by applying the PDCA cycle to training based on newly emerging issues and recent changes in the government's anticipated seismic scale announcements.
In the face of its expanding global operations and the need to enhance the natural disaster response of its overseas facilities, in fiscal 2012 Nissan began undertaking horizontal development of best practices at each facility and inviting overseas personnel to observe the simulation training held in Japan. In addition, the same year it started communication training among its overseas facilities based on scenarios of major disasters in various regions of the world. This training is held regularly four times a year.
In fiscal 2013, Nissan developed visualization tools for assessing the effectiveness of disaster countermeasures in the countries where it operates. Based on the tools, Nissan conducts a PDCA cycle program on an ongoing basis to increase its global disaster preparedness. The Global Headquarters building, where the Disaster Headquarters for Japan has been set up (built in August 2009), has an earthquake-resistant structure using vibration-controlling brace dampers. Safety is assured even in the case of a maximum-level earthquake at the site.

2) Pandemic

In response to the outbreak of H1N1 type influenza in April 2009, Nissan established a global policy for infection prevention. Each region has organized a response team and has promoted concrete countermeasures based on the policy. Infection status can be monitored globally thanks to firmly developed reporting lines between the global response team and each regional team. Nissan has promoted countermeasures based on three basic principles stated in the global policy, which are:

1. Priority on employees' health and lives
2. Prevention of the spread of infection
3. Continuity of business operation

As specific actions, Nissan established the "guidelines for employees' action," which stipulated actions to be taken by employees, sections and companies, and kept employees informed. Nissan also developed a BCP for each business section, with several triggers to invoke the BCP depending on the infection ratio, to maintain business continuity even under a high infection situation.

Nissan will keep prepared for contingencies like avian flu through its PDCA cycle, such as by updating response team members and the BCP, carrying out educational activities for infection prevention and stockpiling sanitary and medical goods.

3) Countermeasures for Production Continuity Risk

Nissan's production division has dealt with various risks related to the three elements of production, as listed in the chart below. For natural disasters, the company has identified the measures needed to restart production within its established goal of two weeks following a large-scale disaster. Over the years Nissan has carried out continuous prevention countermeasures to physical infrastructure (quake proofing and reinforcement of buildings and other facilities), maintained an operations recovery manual to shorten recovery time and regularly executed BCP simulation drills. The company is also strengthening the resilience of its global production network, such as by establishing a BCP for parts exports to enable continued operations at overseas plants.

To prepare for the risks associated with its worldwide expansion of production, Nissan has designated critical facilities around its global network that would play major roles in ensuring business continuity. The company is working to bolster preventive maintenance by ensuring thorough knowledge of globally standardized facility maintenance guides. At the same time, to minimize impact on production, Nissan is drawing up backup plans for implementation in the event of a significant disruption.

In addition, it is vitally important to manage risks associated with parts procured from Leading Competitive Countries (LCCs) in order to expand markets. Nissan has been conducting risk assessment before making sourcing decisions and providing support for improvement activities after sourcing. As part of preparations for production, the company carries out assessments of quality and of quantity management processes. In the production phase, quality checks are implemented at key points in the production and logistics process to prevent the production and utilization of imperfect parts. The company also works to reinforce measures identifying the root causes of issues in order to secure global market expansion and growth. To efficiently and effectively promote these activities, Nissan is globally standardizing tools and practices for improving processes and assessments. Through organizations to manage supplier risk in major regions, including North America, Europe, China, Japan, Thailand, India and Brazil, Nissan is reinforcing efforts to prevent risks associated with parts supply.

Meanwhile, it has also become vital to prevent the increasing number of cyberattacks, and also to minimise the effect on Nissan when they occur. At the same time as monitoring and managing all IT equipment and PCs at manufacturing plants, Nissan takes preventative action to avoid risk by installing anti-virus software on that equipment and performing equipment lifecycle assessments. Additionally, in order to minimize damage in the very unlikely event that a cyberattack occurs, Nissan periodically conducts simulation training for first response teams and business continuity planning.

3 elements of production / Risk factor	HR/Workforce	Purchased parts/ Raw materials	Facilities
Natural disasters (earthquakes)	・Reinforcement of office buildings (completed) ・Development of earthquake response manual (once/year) ・Conducting of disaster-prevention drills (once/year or more)	・Assessment of earthquake preparedness of major suppliers located in high quake-risk areas (FY08) ・Planning to adopt damage reporting system on web base (FY10) ・Confirmation of BCPs to be implemented at time of disaster by suppliers in high quake-risk areas (FY11) ・BCP for parts exports to continue production at overseas plants (FY12)	・Reinforcement of buildings and machinery (continued) ・Regular audits of each business facility ・Review of facility recovery manual (FY11)
Fire	・Risk assessment based on Fire Prevention Evaluation System (F-PES) (once/year)	・Same as on the left	・Same as on the left ・Revision of equipment standard based on the assessment result
Workplace injury	・Risk assessment based on Safety Evaluation System (SES) (once/year) ・Assessment for health and safety management system (once/year)	・Same as on the left	・Same as on the left
Pandemic	・Development of flu response manual (FY09)	・Requested suppliers to develop response manual coordinated with Nissan	—
Demand fluctuation	・Backup from other Nissan plants (as needed) ・Backup from other companies (as needed) ・Employment of short-term employees (as needed)	・Regular check of demand projection and supply capacity; implementation of measures	・Installation of flexible manufacturing system (completed) ・Regular check of demand projection and production capacity; implementation of measures ・Development of complementary production system for main powertrains
Machinery breakdown	—	—	・Sharing of past incident experiences and reflection in preventive maintenance ・Reflection in equipment standards ・Bolstering of management at critical facilities ・Enhancement of preventive maintenance by ensuring thorough knowledge of facility maintenance guides (checking periods, parts and methods)
Electric power shortage	—	—	・Thoroughgoing energy-conservation efforts ・Flexibility in plant operations and working hours in response to requests from the government or power companies
Expansion of LCC-manufactured Parts	—	・Assessment of *monozukuri* ability before supplier sourcing and support for improvement activities after sourcing; assessment of quality and of quantity management processes at production preparation phase ・Quality check at mass-production phase (action "Gate1-3") and preliminary discussion of backup suppliers to reduce supply risk ・Bolstering of supplier risk-management teams in key areas (FY13)	—
Cyberattacks (FY18)	・Disaster simulation and response team drills	—	・Management (tools and process) of updates anti-virus software ・Reassessment of device lifecycle and introduction of measures to deal with obsolete operating systems ・Monitoring of installed terminals and allocation of responsibility for management
Decrease of skilled workers/experts	・Planning and implementation of training program at each plant to develop skilled workers (FY10) ・Global development of human resources through the Global Pilot Plant program (FY11) ・Development of experts to teach technical skills (planning and implementation from FY12)	—	—

4) Supply-Chain Continuity

To minimize risk in the supply chain, Nissan has prepared policies for both major disasters and daily risks, following up on their execution.

- Promotion of BCPs

1. Identification of risks and drawing up of recovery plans

Identify risks from natural disaster and single-source risks and work with suppliers to prepare and maintain up-to-date production recovery plans for suppliers in risk areas and high-risk components.

2. Visualization of the supply chain

Create and maintain an updated supply-chain database including suppliers, their components and their materials to quickly understand the damage to suppliers when a major earthquake strikes, in order to provide those heavily affected with rapid support and to ensure early resumption of Nissan vehicle production.

3. Improvement of BCPs

Continue visits to suppliers, introducing benchmark examples. Also conduct BCP Checklist surveys for assessing supplier BCP systems and activities, communicate and implement follow up activities on the results. The surveys added floods, labor strikes and terrorist risk to the existing categories of earthquakes and tsunamis and expanded the scope of suppliers questioned on a global basis.

4. Assessment of suppliers' financial risk

Conduct financial assessment of suppliers globally, including those for Renault, on a daily basis and communicate closely to ensure maintenance of sound business.

5) Risk Financing and Loss Prevention

1. Global Insurance Management Policy

Nissan manages hazard risk on a global basis with risk-management techniques that combine self-retained risk with external risk transfer via insurance.
In order to minimize the cost of risk, Nissan adheres to the following global insurance management policy. This policy has provided appropriate coverage for damage resulting from the unpredictable disasters that the world has seen in recent years.

- Predictable risks with low impact and high frequency:

Retain risks up to an acceptable level on a consolidated basis by the company.

- Unpredictable risks with low frequency and high impact or shock value:

Risks whose financial impact may exceed the acceptable level of self-retention are transferred outside the company via insurance.

2. Global Insurance Programs

In order to minimize the cost of hazard risks and manage risks occurring globally and interdependently in a concentrated manner, global insurance programs have been established for main lines of insurance. The Finance Department in the Global Headquarters decides insurance conditions and structures and

negotiates directly with insurance companies for these global programs. The insurance companies are important strategic partners, and they are thus selected in consideration of risk spread and financial solvency.

The following risks are covered through global programs.

- Property damage and business interruption by accidents:

The program covers risks not only for property damage but also for business interruption and contingent business interruption due to accidents, taking into consideration the global expansion of the supply chain for products and parts. Nissan identifies important suppliers globally and arranges insurance for risks caused by interruption of the supply chain. Coverage limits are determined based on the probable maximum loss amount measured by third-party experts and the risk appetite of insurers.

Nissan achieved further improvement and optimization of insurance conditions by negotiating with insurance companies together with its Alliance partner Renault from fiscal 2011. Nissan also extended the program to new Alliance partner Mitsubishi Motors Corp. from fiscal 2017.

- Transportation and storage of vehicles and products for sales:

This program covers risks relating to transportation and the supply chain for parts and products globally. By covering risks spread geographically under a global program, Nissan can manage loss data on a global basis and ensure stability of insurance costs.

In fiscal 2011, this program was combined with Renault's program for negotiating with insurance companies to achieve best possible results utilizing synergies of scale. Nissan also extended the program to new Alliance partner Mitsubishi Motors from fiscal 2017.

- Liability (including product liability and liability for unanticipated accidents during operations or caused by owned or managed facilities [general liability]):

To manage this risk, Nissan has implemented insurance programs suitable for the legal systems and practices in each region. The programs are led by the Global Headquarters in order to implement a globally uniform strategy with consistent worldwide insurance coverage, and to achieve lower insurance costs.

3. Utilization of Group Insurance Company

For the purpose of more efficient self-retention on a consolidated basis for insurance programs, Nissan utilizes an insurance company of the Nissan Group.

Utilization of a Group insurance company enables the following:

- Company can reduce insurance costs by obtaining the minimum necessary insurance.
- Each Group company can obtain necessary coverage.
- Company can gather and analyze loss data below self-retained limit.

4. Loss Prevention Activities

Nissan conducts loss prevention activities to improve loss results and reduce the cost of premiums on an ongoing basis. Since the global insurance programs have been introduced, loss prevention activities have been promoted more actively and globally to maintain low premium rates. Examples of Nissan's loss prevention activities include conducting risk-engineering surveys and obtaining recommendations for safety from third-party experts, creating manuals for actions in the event of typhoons and constructing hail nets to prevent hail damage.